



CSR Report 2016

Corporate Social Responsibility Report 2016

Build The Future Air

Considering general society as its customer,

Taikisha is helping create a comfortable environment.

Taikisha has established good business relationships all around the world,
extending the border of its business.

Taikisha is connecting with the world every day by providing solutions
that clean the air for its customers worldwide.

Table of Contents

02 Table of Contents/Editing Policy

03 — Top Management’s Message

Guided by its “Customers First” mission statement, Taikisha will continue to grow as a company that is trusted by and contributes to society.

05 Corporate Overview/Global Network/
Financial Highlights

07 Business Outline
(Green Technology System Division)

08 Business Outline
(Paint Finishing System Division)

09 CSR at Taikisha (Taikisha Philosophy
Scheme and Mid-Term Business Plan)

11 — Interview

| Direction of Taikisha’s CSR Initiatives

15 — Key Measures and Progress of Activities

17 Governance

23 Environment

37 Contributions to Society

46 — Third-Party Opinion

Editing Policy

•Organizations covered by this report
Taikisha Ltd. and its group companies in Japan and overseas are covered by this report.

•Period covered in this report
The report mainly covers activities conducted during FY2015 (from April 1, 2015 to March 31, 2016) and also includes some activities carried out before or after the said period.

•Date of Issue
September 2016

•The scheduled issue date of the next edition
September 2017

•Guidelines referenced
“Environmental Reporting Guidelines (Fiscal Year 2012 version),”
“Environmental Accounting Guidelines 2005” and “Guidelines for Private Sector Engagement in Biodiversity” by the Ministry of the Environment
“G4 Sustainability Reporting Guidelines” by Global Reporting Initiative (GRI) ISO26000

•Created by: CSR Report Editorial Committee of Taikisha Ltd.

•Contact for inquiries: Investor Relations Section, Taikisha Ltd.
TEL. 81-(0)3-3365-5320

Guided by our “Customers First” mission statement, we will continue to grow as a company that is trusted by and contributes to society.



Satoru Kamiyama
Representative Director,
President
Taikisha Ltd.

Roles and responsibilities to be fulfilled as a member of the global society

Since the foundation in 1913, we have provided the optimal environment and conditions for buildings and industrial facilities all around the world for over 100 years. When we look back on the history of our involvement in society, we realize that social issues are becoming diverse and complex and that each member of the global society is being required to fulfill his or her responsibilities.

For instance, the United Nations Sustainable Development Summit of September 2015 has set global agendas that call for all member states to work cooperatively toward solving global social issues, such as eradication of poverty and hunger, respect for human rights, and conservation of the environment and ecosystem, under the Sustainable Development Goals (SDGs). In addition, the Paris

Agreement, adopted at the 2015 UN Climate Change Conference (COP 21) in December 2015, has set a goal of keeping the increase in global average temperature to well below 2°C from the pre-Industrial Revolution level and to drive efforts to limit the temperature increase even further to 1.5. Achieving this goal will require greenhouse gas (GHG) emissions produced by human activities to be limited levels that can be absorbed by forests and other carbon sinks.

We, based on the idea that companies are members of society, are committed to fulfilling our roles and responsibilities in order to contribute to solving social issues as a company that has provided environment-related technologies and services on a global basis.

Visualizing GHG Emissions in the Entire Supply Chain

As part of our initiatives to reduce GHG emissions, we have started carrying out calculations related to Scope 3 emissions. Scope 3 is the international standard for calculating and reporting supply chain GHG emissions for businesses, in order to keep track of GHG emissions that occur throughout it, including both upstream and downstream emissions ranging from procurement of raw materials and use and disposal of products by customers, and to appropriately grasp business priority issues and emission reduction potential. In calculating and disclosing the supply chain GHG emissions, we have complied with the Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain, formulated by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

We visualized GHG emissions throughout the supply chain by calculating Scope 3 emissions, and we found out that CO₂ emissions from energy consumption during the operation phase of buildings/ facilities at customers account for more than 90% of GHG emissions in the whole supply chain. Based on the findings, we will strive to provide facilities with greater energy-saving performance than ever. At the same time, we will proactively work on reducing the environmental impact caused by business operations by taking measures such as promoting green procurement and cutting down on construction by-products.

Contributing to solving environmental issues through our environment-related businesses

We are conducting business globally in two core business fields: the Green Technology System Division involved in designing and constructing air-conditioning systems for buildings, hospitals, and schools; and the Paint Finishing System Division involved in designing and constructing paint finishing plants mainly for automobiles.

In the Green Technology System Division, CO₂ emissions from buildings are much larger during the operation phase at customers than in the construction stage. In addition, air-conditioning and sanitary facilities are operated over a long period of time. Therefore, we are working to help bring about a low-carbon-emission/zero-emission society by promoting eco-friendly designs and proposals for CO₂ reductions with an eye to the future.

The Paint Finishing System Division is promoting the establishment of high-quality and efficient painting process to reduce the energy load of the entire plant as well as “the total engineering-oriented business” that includes the development of high-level anti-pollution systems. Reducing emissions of CO₂ and Volatile Organic Compounds (VOCs) in the painting process is considered an important issue also in the automobile industry, and we are supporting environmental conservation activities at customers from the design stage.

We will continue working to strengthen the foundations of these two core businesses, while expanding their peripheral businesses, such as plant factory projects based on our know-how in environmental control technologies that we have cultivated over the years and painting of aircrafts and railroad vehicles, in order to contribute to solving environmental issues and other social issues.

Our CSR is to Practice the “Customers First” Mission Statement

We conduct these businesses guided by our “Customers First” mission statement. At Taikisha, customers are broadly interpreted as general society that includes direct clients, business partners, employees and their family members, shareholders, supervisory authorities, global environment and communities/societies. We believe that we can earn the ongoing trust of stakeholders and bring benefits and happiness to society at the same time by having each employee carry out their day-to-day tasks based on our mission statement. That is to say, execution of the mission statement is our CSR. In this CSR Report, we feature a dialogue with a CSR expert as a stakeholder. Through this dialogue, we are convinced that our CSR activities are being steered in the right direction.

As specific measures to implement the spirit of “Customers First” in business operations, we have recently drawn up a new Mid-Term Business Plan for FY2016 to FY2018. In light of the spirit of the Corporate Governance Code, we will establish a corporate governance structure with an eye toward further globalization of businesses. In this way, we will respond to changes in the needs of society and the market environment flexibly and promptly and achieve stable and sustainable growth. In addition, we will seek to gain a high level of trust and evaluation from all stakeholders by creating a working environment that allows for active participation by a diverse range of human resources, developing global human resources, and promoting dialogue with stakeholders.

Toward Achievement of a Sustainable Society

We will continue striving to help bring about a sustainable society as an “energy, air and water”-based engineering corporation, based on our “Customers First” mission statement. In addition, we will strengthen our global network and work on further expanding our global presence. We are committed to making the utmost efforts to remain a company that is trusted by stakeholders, that achieves continued growth, and that is needed by society. We would greatly appreciate the continued understanding and support of our stakeholders for all times.

Corporate Overview

Corporate Name: Taikisha Ltd.

Established: April 10, 1913

Head Office: Sumitomo Fudosan
Shinjuku Grand Tower,
8-17-1, Nishi-Shinjuku
Shinjuku-ku,
Tokyo 160-6129, Japan

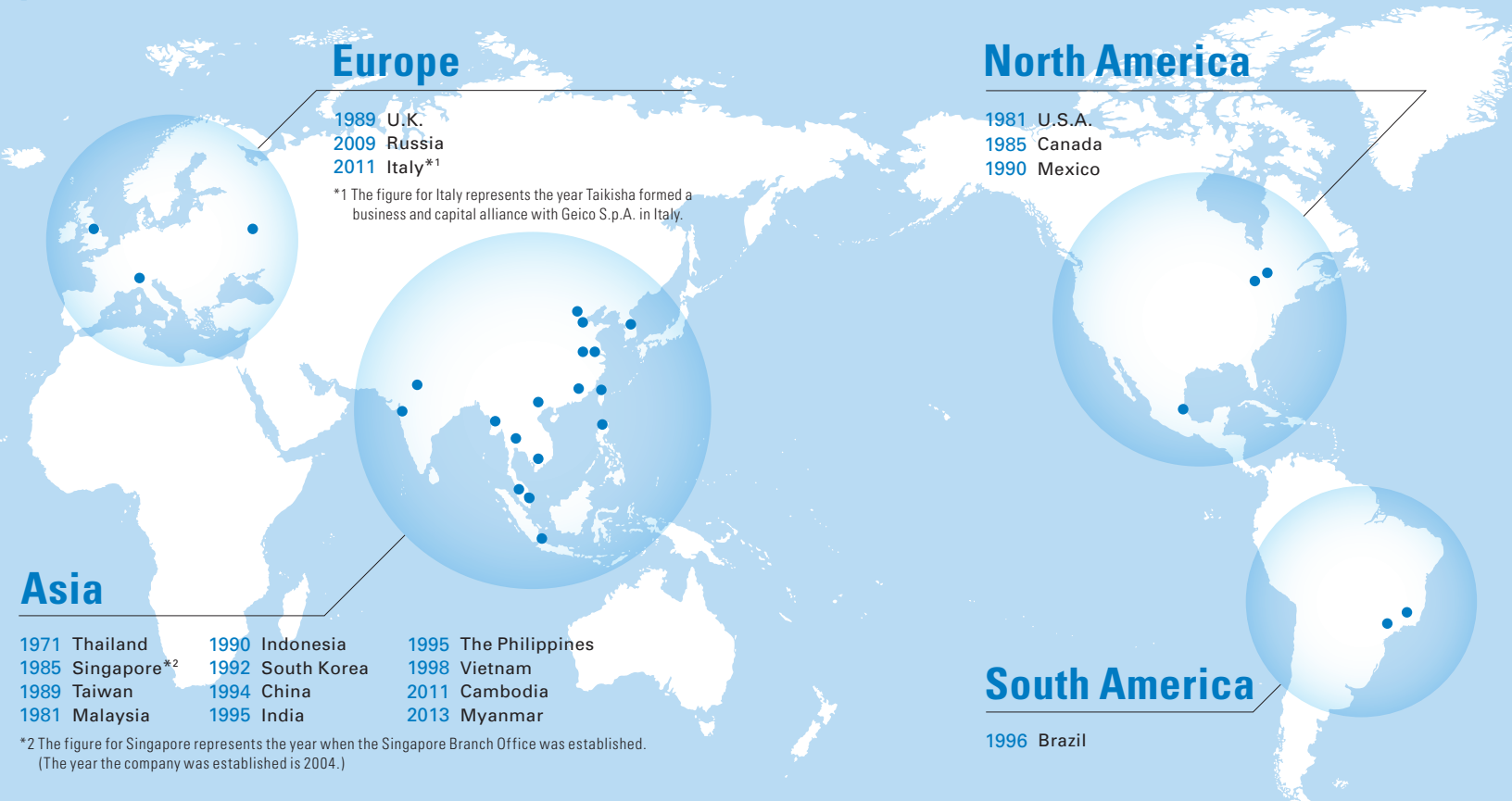
Website: <http://www.taikisha-group.com>

Representative: Satoru Kamiyama,
Representative Director,
President

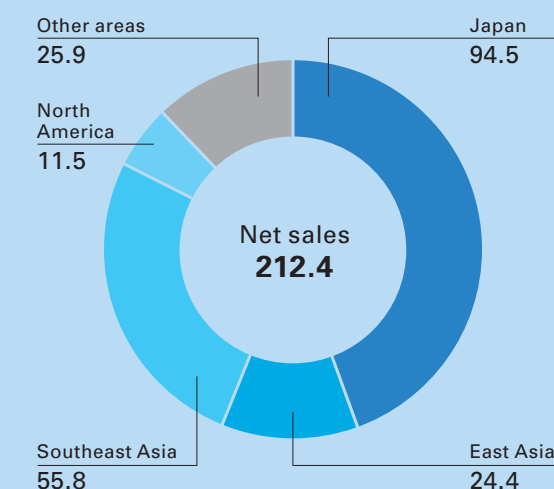
Capital stock: ¥6,455.17 million

Number of employees: 4,892 (consolidated)
1,484 (non-consolidated)
(As of March 31, 2016)

Global Network (the figures represent years when group companies were established)

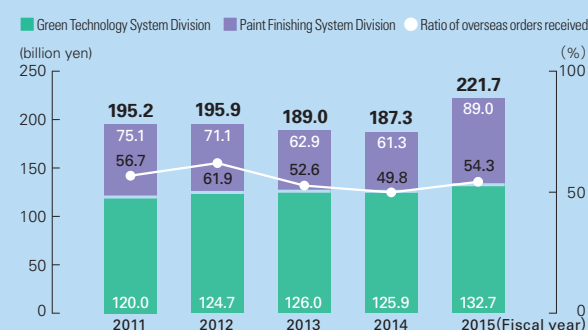


Consolidated net sales by region (billion yen) (FY2015)

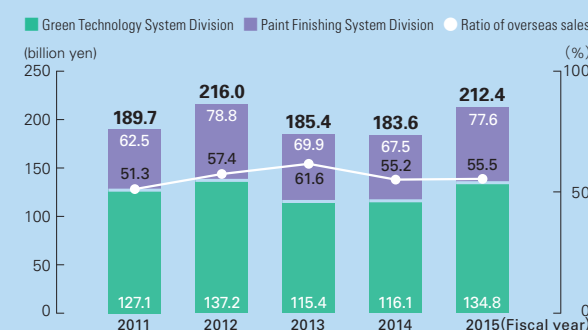


Financial Highlights (figures are rounded down to the nearest billion yen)

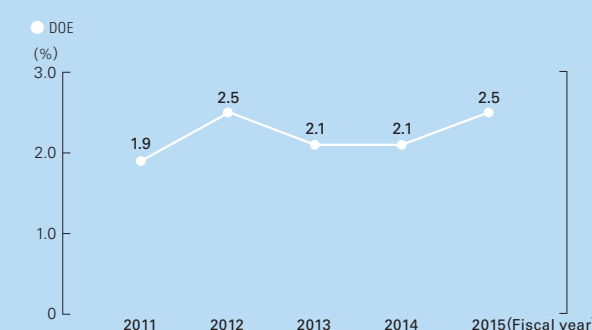
Amount of orders received/Ratio of overseas orders received



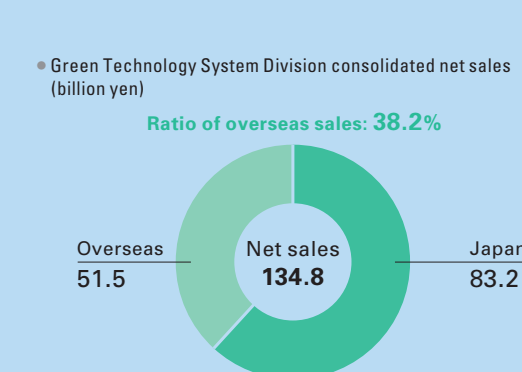
Net sales/Ratio of overseas sales



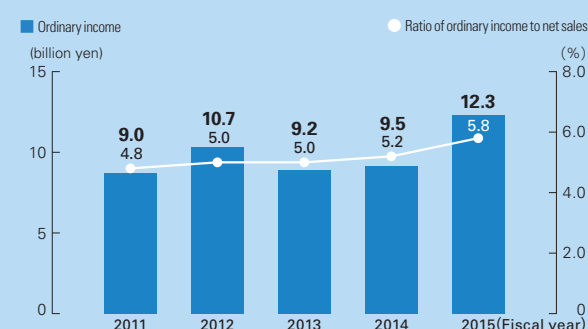
Dividend on equity ratio (DOE)



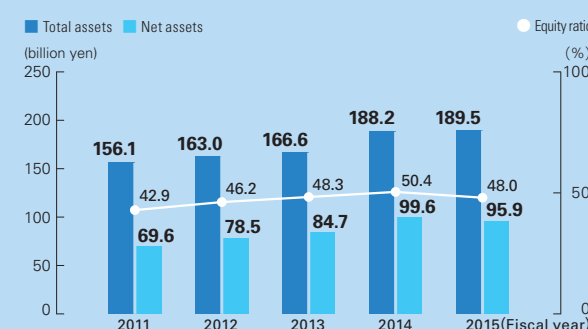
Ratio of domestic/overseas sales by division (FY2015)



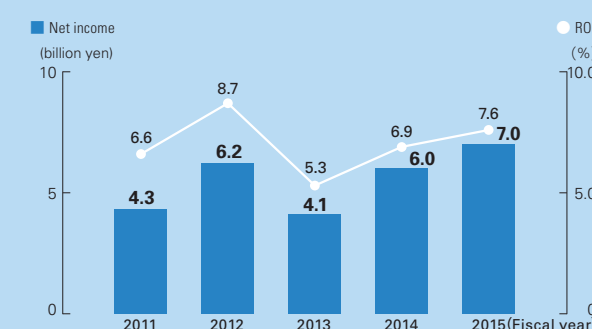
Ordinary income/Ratio of ordinary income to net sales



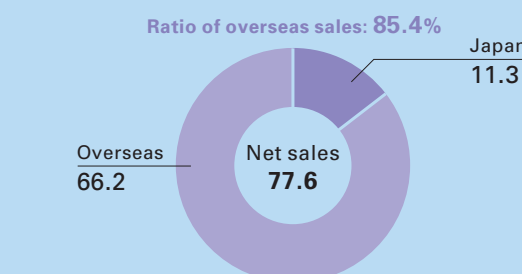
Total assets/Net assets/Equity ratio



Net income/Return on equity (ROE)



Paint Finishing System Division consolidated net sales (billion yen)



Green Technology System Division

Taikisha helps to improve the environmental value of its customers by providing solutions mainly in the Building HVAC and the Industrial HVAC.

The Green Technology System Division is comprised of the Building HVAC System business sector, in which Taikisha designs and constructs air-conditioning systems for buildings, and the Industrial HVAC System business sector, in which Taikisha designs and constructs air-conditioning systems for factories both in Japan and overseas.

In the Building HVAC System business sector, Taikisha designs and constructs air-conditioning systems for facilities that are used by many people, such as office buildings, schools, hospitals, hotels, museums, and airport terminals. It does so by conducting new construction and renovation work on facilities with the aim of providing people- and eco-friendly, comfortable spaces.

The market environment has recently taken a favorable turn due to greater construction demand against the backdrop of an increase in redevelopment projects mainly in urban areas and in the run-up to the

2020 Tokyo Olympic and Paralympic Games.

In the Industrial HVAC System business sector, meanwhile, Taikisha designs and constructs optimal air-conditioning systems for cleanrooms and other manufacturing facilities for factories and R&D facilities in the electronic parts, pharmaceutical products, biotechnology, and other fields where a very clean environment is required in the manufacturing process.

Highly sophisticated parts, such as multi-layer ceramic capacitors, high-frequency parts, imaging sensors, and precision miniature motors, are used in large numbers, in particular, in smartphones and car electronics, which are spreading rapidly worldwide. Taikisha's industrial HVAC technologies control the manufacturing environment of such electronic parts. Taikisha also focuses on providing environment protection systems, such as exhaust-gas treatment devices and antipollution systems.

PICK UP

School buildings of Nihon University's new colleges completed

In March 2016, the school buildings of Nihon University's new colleges were completed. Taikisha installed air-conditioning systems and sanitation facilities for these buildings. The new campus, located in the Sangen-jaya area near Shibuya, is used to house the College of Risk Management and College of Sports Sciences, launched in April. The school buildings, equipped with the latest gymnastics facilities and disaster prevention equipment, are built on the concept of being "open to the local community," ensuring "co-existence," and being "people-friendly" and are expected to be a place for sending new learning.



Paint Finishing System Division

Taikisha pursues the world's cutting-edge, energy-saving and eco-friendly painting technologies.

The Paint Finishing System Division has expanded based on Taikisha's core technologies cultivated in the HVAC business, such as exhaust treatment and air flow control. Taikisha designs and constructs automobile paint finishing plants that realize both high painting quality and energy-saving and advanced pollution control functions.

Taikisha designs and constructs large paint finishing plants of automakers not only in Japan but also globally, including in the U.S., Europe, South Korea, China, and India, and currently boasts the top-level of market share in the world.

Taikisha has expanded its range of products from air-conditioning systems for automobile paint finishing plants to robot painting systems, conveyor systems for auto body and paint circulation systems

necessary in automobile plants, as well as to the entire automobile paint finishing plants. Taikisha now provides total plant engineering services from design to construction of the whole plants.

Taikisha also contributes to the energy management of customers around the world. Taikisha is doing this by reducing CO₂ emissions through downsizing paint booths with robot layouts in mind, and by promptly complying with laws, ordinances and international standards of countries, which have recently becoming increasingly strict.

Taikisha will continue to expand its business domains, promote cost reduction and enhance its engineering capabilities through technology development to further strengthen its competitiveness.



PICK UP

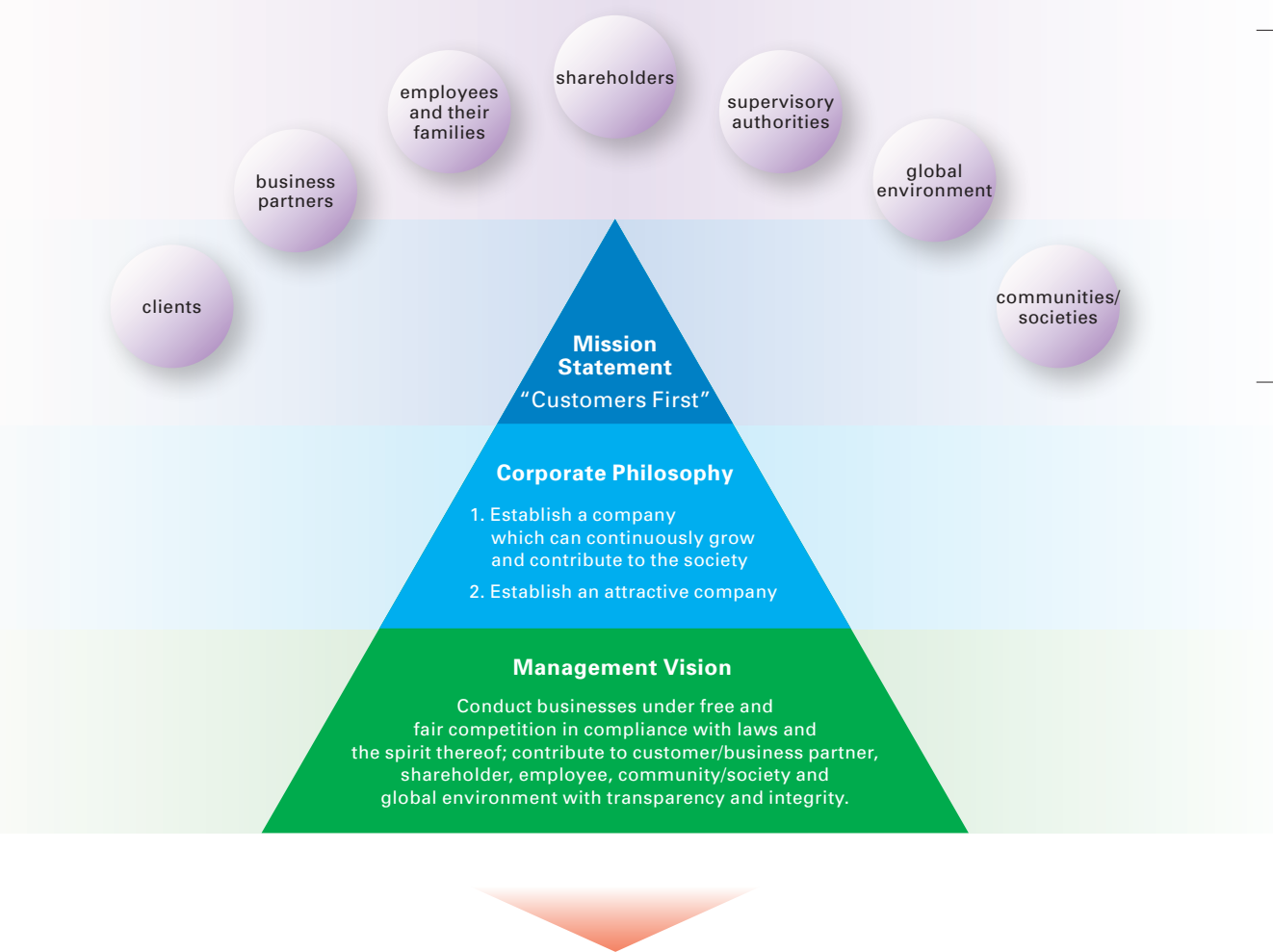
Production capacity enhancement work completed at the Zhongmou Plant of Zhengzhou Nissan Automobile

In January 2016, Taikisha completed production capacity enhancement work at the Zhongmu Plant of Zhengzhou Nissan Automobile Co., Ltd., a joint venture between Dongfeng Motor Co., Ltd. and Nissan Motor Corporation. The newly constructed facilities have various environment-friendly features, such as LED lighting and use of exhaust heat from ovens (paint baking process) to create hot water in other production processes.



| Taikisha Philosophy Scheme

Based on the spirit of “Customers First” mission statement, we aim to contribute to all our stakeholders.



| Mid-term Business Plan (FY2016–FY2018)

• Basic policy

- 1. To respond to the changing social needs and market environment in a flexible and timely manner and achieve steady and sustainable development
 - 1) We will establish the corporate governance system which is adapted to the further globalization of our business.
 - 2) We place our emphasis on growing markets and business field and allocate management resources strategically.
- 2. To be highly trusted and evaluated by all stakeholders
 - 1) We will meet customers’ expectations and ensure confidence from our customers by providing optimal “technology,” “service” and “cost.”
 - 2) We will contribute to conserve the global environment and improve the environmental value of our customers with the environment related business.
 - 3) We will cultivate the corporate culture, in which diverse employees play an active role and strengthen human resource development.
 - 4) We will engage in dialogue with stakeholders and make an effort to improve the capital efficiency.

• Stakeholders

Clients

- Provision of valuable products/services
- Customer satisfaction improvement in various aspects, such as quality, cost and delivery time
- Provision of accurate and appropriate information regarding products/services

Business Partners

- Fair and transparent transactions
- Information sharing and collaboration to realize customer satisfaction and green procurement

Supervisory Authorities

- Compliance with laws, ordinances, administrative directives, etc.
- Payment of taxes
- Cooperation in various policies designed to solve various public issues

Shareholders

- Maintenance and improvement of corporate value
- Ensuring of stable profit and appropriate return of profit
- Timely and appropriate disclosure of corporate information

Employees and their Families

- Creation of a prosperous life for employees and their families
- Human resource utilization and development
- Fair evaluation and treatment
- Respect for human rights, personality, and individuality
- Creation of a working environment in which a diverse range of employees participate actively and enthusiastically in work
- Pay attention to industrial health and safety

Global Environment

- Contribution toward realizing a low-carbon society
- Research and development of new environment-friendly technologies and products
- Promotion of energy saving and recycling
- Reduction of waste production and emission of hazardous chemical substances
- Environment conservation activities based on the environment management system

Communities/Societies

- Respect for cultures and customs and contribution to their development
- Accident/disaster prevention
- Cooperation/coordination for solving social issues
- Ensuring of job security and tax payment
- Participation in local/social contribution activities

• Medium-term Measures to Achieve the Management Targets

Green Technology System Division	Paint Finishing System Division	Strengthen Our Management Base
<p>1) Improve Domestic Businesses We will aim to respond quickly to the growing field for both of building and industrial air-conditioning system. Especially, We are working to establish and offer energy-saving systems which minimize environmental impact and meet the demands of the time.</p> <p>We will aim to increase the orders for maintenance and renovation project by making proposals for maintenance and improvement of facilities actively to our customers and ensure the stability of our performance.</p>	<p>1) Make Intensive Efforts to Increase Orders Received We set our focus on achieving more orders from American and European car manufacturers through the alliances with overseas group companies.</p> <p>We aim to strengthen our engineering capabilities so that we can provide comprehensive design solutions for paint finishing plants with enhanced attention to environment including CO₂ reductions by further accumulating technology and know-how in technologies related to automobile paint finishing plants.</p>	<p>1) Enhance Corporate Governance System Following the purpose of the Corporate Governance Code, we will enhance the monitoring capability of the Board of Directors steadily. We also proactively engage in constructive dialogue with various stakeholders including shareholders, and make an effort to implement the management focusing on capital efficiency and aim to ensure ROE 7–9%.</p>
<p>2) Improve Overseas Businesses We will enhance the global network which is our advantage, considering the growing area, to which our management resources will be allocated preferentially, in response to the market economic trends.</p> <p>We will create marketing and construction organizations which enable to satisfy widely the needs of both Japan-based customers and Non-Japan based customers.</p> <p>We also expand related businesses related to the air-conditioning business.</p>	<p>2) Develop Organization for Growing Overseas Market We will allocate our management resources preferentially in markets with high growth potential and create more efficient organizations.</p>	<p>2) Enhance Global Compliance System We will further enhance our global compliance system and continue activities to reinforce through awareness of each employee.</p>
<p>3) Enhance Productivity and Realize Optimal Cost We will promote the standardization of the work flow and management system in our group and improve the quality in design, construction, cost and safety.</p> <p>We will take advantage of our global network and make further cost reduction globally.</p>	<p>3) Enhance Productivity and Realize Optimal Cost We will ensure the implementation of cost-reduction measures in order to realize optimal costs and establish global-scale procurement and design systems in anticipation of upcoming and intensifying competition for orders.</p>	<p>3) Strengthen Human Resource Development We will establish the career development system, which enables our employees to cultivate their professionalism solely, by introducing new human resource management system and reinforcing the training system.</p> <p>We also integrate various experience, ability and value of our employees and set focus on the diversity management which leads to increase our competitiveness and improve the productivity.</p> <p>In particular, we will promote the global human resource system and put stress on motivating national staff of overseas group companies and advance women’s career.</p>
<p>4) Develop New Businesses and Eco-Friendly Technology We will increase the sales volume of new business, including “Plant Factory, employing only artificial lighting”; “Hydrogen Peroxide-Based Decontamination System”; and “test environments to reproduce various conditions.”</p> <p>Our eco-friendly technology, including “exhaust gas treatment” and “direct expansion system,” will meet the tightening regulations around the world and the rise in the needs of energy saving.</p>	<p>4) Expand Business Areas We will enhance our capability to provide services to our customers by expansion of related areas, including painting systems for other than automobile, such as aircraft, paint technology for new material and conveyor systems, with cooperation among group companies both inside and outside of Japan.</p>	<p>4) Carry Out Strategic Investments to Reinforce the Business Base We will make an effort to strengthen corporate infrastructure, which supports mid-long term growth, including the introduction of a new mission critical system, research and development for new business fields and sophisticated infrastructures for financial accounting and management accounting.</p>

Direction of Taikisha's CSR Initiatives

Taikisha is conducting business globally, guided by its "Customers First" mission statement. Taikisha carried out an interview with a CSR expert to seek advice on how Taikisha should drive forward with its CSR initiatives going forward.

Koji Kato × Keisuke Takegahara

Director,
Executive Corporate Officer
in charge of CSR, Taikisha Ltd.

General Manager, Economic & Industrial Research Department
Development Bank of Japan, Inc.
(General Manager, Environmental Initiative & Corporate Social
Responsibility-Support Department at the time of interview)

Non-Financial Information is Growing in Importance

Mr. Kato: We published our first CSR report in 2015 by expanding on our conventional Environmental Report. The major aim is to appropriately communicate our CSR policy and initiatives to stakeholders. We have set out the "Customers First" mission statement, and we will position the CSR Report as an important tool and utilize it effectively so that this spirit spreads among our members and is practiced in Taikisha.

Mr. Takegahara: Development Bank of Japan, Inc. (DBJ) used to play the role of providing policy-based finance to promote the Japanese government's policies and programs from the financial side.

Meanwhile, policy needs change constantly with the passage of time. For instance, companies taking environmental measures only needed funding for capital investment to control pollution before. However, companies are now being required to shift to environment-friendly operations in their entire business activities. In order to respond to such change, we developed DBJ certification programs of rating companies based on the level of environmental responsiveness, business continuity and consideration for employees' health, etc. and set loan conditions based on this rating 12 years ago. We have continued to provide the certification programs as a service even after our conversion to a joint stock company. Our approach has something in common with ESG investment* which focuses on non-financial information such as environmental, social and governance factors of companies. Non-financial data

is now becoming essential information for financing.

*Investment approach that integrates environmental, social and corporate governance criteria into investment decision making.

Practice of the Mission Statement and Direction of the CSR Initiatives

Mr. Kato: We view our customers as being general society that includes clients, business partners, employees and their families, shareholders, supervisory authorities, the global environment, and communities/societies. And we have directed efforts toward generating benefits and happiness to all our customers. At Taikisha, practicing the "Customers First" mission statement is inseparable from our business operations, and we believe it leads to the idea of CSR.

Mr. Takegahara: CSR is now interpreted not as making social contributions but rather as generating social value through core business activities.

The statements of income shows the payments Taikisha makes—payments to business partners for goods and services received, payments to employees as salaries, payments to financial institutions as interest on borrowings, and payments of taxes, etc. Dividends to shareholders are paid from the profit remaining after those payments are made. So, some may argue that maximizing dividend payment is what it takes to reward all stakeholders, and hence maximizing dividend boils down to practicing CSR. However, this idea does not take the next generation and environment into account. Meanwhile,

Taikisha considers general society including these parties as customers to define CSR. I believe the spirit of "Customers First" is consistent with the direction that society requires CSR initiatives to head in.

Efforts in Core Businesses and Materiality

Mr. Kato: We acknowledge that our core businesses have a vital role to play in society, since we must contribute to solving, in particular, the environmental issues of customers. Our CSR Report is designed to disseminate information on our business activities from the aspect of CSR, and we hope that the report will provide the way for our employees to reacknowledge our CSR initiatives.

Regarding delivery of information, it is easier to communicate financial information because there are well-established benchmarks available. On the other hand, there should be common benchmarks regarding information related to social responsibility and environment responsiveness for the information-providing party and information-appraising party.

Mr. Takegahara: I agree with you. Investment is a long-term commitment to the growth of a company. Therefore, it is necessary to examine the environmental, social, and corporate governance initiatives of a company (collectively called "ESG"). The Stewardship Code is directed at institutional investors to facilitate constructive dialogue with investee companies, while the Corporate Governance Code is aimed at companies.

Companies are now required to

determine materiality (material matters), which relates to non-financial elements that support the long-term growth of a company, and communicate it externally. Setting KPIs (key performance indicators) that clearly show the efforts of a company for factors that are recognized as material internally and externally is essential for the growth of Taikisha. From the viewpoint of outsiders, it demonstrates that Taikisha generates profits while contributing to society.

For Taikisha, I believe environment-responsiveness is the keyword. If you can show how much growth in sales at Taikisha is equivalent to how much reduction in CO₂ emissions, that can be a long-term growth indicator stakeholders are asking for.

Contribution to the Environment through Business Activities

Mr. Kato: We have two core businesses—the Green Technology System Division and the Paint Finishing System Division. The Green Technology System Division mainly handles air-conditioning systems, which will run for 60–100 years with replacement of facilities. Paint finishing plants will last for as long as 30–40 years. We considered how we could make a positive impact on the environment through these facilities. As one approach in this direction, we started calculating GHG emissions in accordance with the Scope 3 standard. The idea is to visualize how the emissions from the operation phase of the facilities we provide are larger than those from the construction phase, and demonstrate our technological capabilities to reduce emissions.

Mr. Takegahara: There is a concept called CSV (Created Shared Value) which seeks to

Koji Kato

Joined Taikisha Ltd. in 1978. His past positions include Managing Corporate Officer and Chief General Manager at the Green Technology System Division, as well as Director, Managing Corporate Officer and Chief Executive at the Corporate Planning Headquarters and in charge of Environment. Assumed his present position in 2016.

Keisuke Takegahara

Joined Japan Development Bank (now Development Bank of Japan Inc.) in 1989. His past positions include Chief Representative of the Frankfurt Overseas Representative Office, and General Manager at the Environmental Initiative & Corporate Social Responsibility-Support Department. Assumed his present position in June 2016.



generate economic value and social value simultaneously by solving social issues through core business activities. Taikisha's two core businesses are practicing CSV. The Green Technology System Division achieves energy saving in air-conditioning systems operated at customers' sites. Then, customers are able to reduce their day-to-day energy costs and contribute to realizing a low-carbon-emission/zero-emission society over a long period of time. I think Scope 3 will be a good KPI for Taikisha too.

The Paint Finishing System Division is also an interesting case of CSV. In this business, Taikisha has succeeded in reducing emissions of VOCs (volatile organic compounds) as well as improving customers' productivity. While automobile manufacturers, which are your customers, are required to improve their non-financial capabilities, CO₂ and VOC emission reductions achieved by these companies over time are thanks in large part to your technologies.

Mr. Kato: We believe we have a competitive advantage in this field.

Turning Diversity as a Global Company into Competitiveness

Mr. Takegahara: Considering what materiality is to Taikisha from social aspects, I think it is human resources, which are the source of your growth. In particular,

Taikisha is a global company with the ratio of overseas sales exceeding 50%. You are required to demonstrate the same quality of work in overseas projects as you do in domestic projects, so you are working on fostering engineers on a global basis.

Mr. Kato: The key to the growth of Taikisha is the success of our overseas operations. We started overseas operations early on. In fact, we set up operations in Thailand in 1971. Naturally, we have been working on diversifying human resources. We have many national staff working at our overseas sites. However, we saw some room for improvement in our personnel system to allow such national staff to play more active roles in the workplace, and we have been rapidly reviewing the global human resource system for several years. We also started publishing an English version of the CSR Report this year to help our overseas staff all head in the same direction.

Mr. Takegahara: When it comes to diversity, we tend to focus arguments on gender issues (social and cultural gender differences) in Japan. It is necessary to promote women's career advancement. However, I think it is the right course of action to pursue diversity of global human resources first if it is easier to do. I suggest Taikisha spends a lot of time having discussions internally and externally and determines what it will focus efforts on as social materiality (a material matter).

Strengthen the Management Base by Improving the Corporate Governance System

Mr. Kato: We are conscious about how we are viewed from overseas in terms of information dissemination regarding corporate governance also, and we publish an English version of the Corporate Governance Report as well. In accordance with the newly established Corporate Governance Code, we submitted a new Corporate Governance Report. I feel that awareness of corporate governance issues, such as supervision and evaluation of Directors, has grown significantly within Taikisha.

Mr. Takegahara: What investors expect from a business manager is to run Taikisha so as to enhance its corporate value over a long period of time.

Considering this, it is essential to explain to investors that monitoring and motivating systems have been in place and are running properly at Taikisha.

Mr. Kato: What we need to do first as far as corporate governance is concerned, is to explain our CSR policy to investors appropriately.

Mr. Takegahara: Exactly. There are an increasing number of companies which have established corporate governance

systems but have failed to keep them operating properly. In response to such situation, new standards and systems are being established. I believe accommodating those new standards and systems properly will lead to a stronger management base for Taikisha.

Expectations for Taikisha

Mr. Kato: Our agendas have changed with the changes of the times.

Mr. Takegahara: There are two themes I hope Taikisha will focus on going forward.

One of them relates to the supply chain. When you operate business globally, your dependence on local supply chains will increase naturally. Then, you will need to appropriately deal with broad-ranging CSR issues including human rights issues such as child labor and forced labor. Advancing environmental measures is sufficient as Taikisha's CSR initiatives in its downstream corporate operations. Regarding the supply chain, on the other hand, by conducting CSR activities globally, Taikisha can get an overview of, and externally communicate, its social impact throughout the entire value chain from upstream to downstream.

The other theme is indicating a timeline of activities. The 2015 United Nations Climate Change Conference (COP 21) adopted an agreement on the global action plan to reduce GHG emissions due to human activities to a level that can be absorbed by the Earth's ecosystems, toward realizing the so-called zero-emission society. In line with this, we will be required to achieve greater levels of energy saving than ever, and I think it's a great opportunity for Taikisha to prove its technological capabilities. Publicizing Taikisha's GHG

reduction scenario in the medium and long term will make the direction of Taikisha's efforts match social needs.

Mr. Kato: Thank you very much for that valuable advice. I got a clear picture of CSR issues that need to be addressed to expand business operations globally. We will steadily work on our CSR initiatives and information disclosure and develop technological abilities further to both contribute to solving social issues and achieve sustainable growth.



VOICE



Yandre Edwiyarno
Director
P.T. Taikisha Indonesia
Engineering

Working toward the Development of Taikisha Indonesia

—Introduction of a new human resource system to further promote the penetration of the "Customers First" spirit

Since I joined P.T. Taikisha Indonesia Engineering in 1993, I had experience in the Design and Estimation Dept. and then in the Sales Dept. from 2011. I currently serve as Director overseeing sales mainly targeting non-Japanese clients. I have learned a lot about how to identify and respond to needs of clients. I mostly work in a multinational setting, and I am endeavoring to meet the needs of clients in the global market.

For Taikisha Indonesia, whose core business is engineering services, "people" are the key to the success of the business. I believe the global human resource system which Taikisha is introducing will help to significantly improve the human resource system

of P.T. Taikisha Indonesia Engineering and enhance the motivation of its national staff. I also think that providing training to national staff will help us to become a reliable partner for our customers.

Indonesia is a developing country and is expected to attract increasing investment flow not only from within the country but also from nations around the world. Under these circumstances, what we need to do to prepare ourselves for global competition in Indonesia is to effectively break down the purpose of the global human resource system into the human resource system of local operations, and develop highly motivated and competitive national staff and engineers.

Theme	Subsidiary theme	Purpose/goal	Main activities	Results of implementation of measures in FY2015	Self-assessment	Efforts in FY2016 and thereafter	ISO26000								Pages
							Organizational governance	Human rights	Labor practices	Environment	Fair business practices	Consumer issues	Community participation and development		
General CSR activities		■Sharing and penetration within the Taikisha group ■Appropriate disclosure to external parties	■Reconfirm the foundation of CSR and break it down into concrete measures and activities ■Sort out information with respect to international frameworks and information disclosure to external parties	■Sorted out internal information from the aspect of CSR ■Published the CSR Report (booklet/web version)	●	■Enhance disclosure in the CSR Report ■Publish an English version, in addition to the original Japanese version, of the CSR Report	●	●	●	●	●	●	P.09～ P.10		
Governance	Corporate governance	■Strengthen the corporate governance system	■Operate the internal control system continuously and strengthen internal control at overseas affiliates ■Comply with the Corporate Governance Code	■Confirmed the basic policy for the internal control system ■Reviewed and disclosed the Corporate Governance Report	●	■Continue with activities	●	●	●	●			P.17～ P.22		
	Internal control	■Foster and firmly establish compliance awareness	■Whistleblowing system, monitoring, training, information dissemination, compliance promotion month, etc. ■Grasp and support mitigation of risk at overseas affiliates	■Provided various training programs and promoted utilization of the whistleblowing system ■Conducted on-site survey of domestic business offices and subcontractors/suppliers ■Ran PDCA cycle through monitoring of overseas affiliates	●	■Newly establish the domestic monitoring office ■Continue with and step up activities ■Introduce compliance programs to overseas affiliates and support their improvement	●	●	●	●					
		■Promote risk management	■Step up measures to ensure the security of electronic information ■Enhancement of internal audits	■Revised the information security regulations ■Introduced cyber attack-proof facilities ■Conducted visiting audit on a total of 56 sites	●	■Operate regulations appropriately ■Continue with activities ■Continue with activities	●	●	●	●	●				
		Strengthen environmental management	■Practice environmental management based on the environmental management vision/master plan	■Grasp and manage progress of environmental activities across entire business activities	■Conducted progress management based on the master plan ■Visualized GHG emissions in the entire supply chain	●	■Continue with activities ■Review focus fields and reduction plan				●				P.23～ P.31・ P.36
Environment	Promote environmental business	■Provision of facilities and systems with high energy-saving performance	■[Green Technology System Division] Promote proposals for CO ₂ emission reductions (energy saving) in in-house design projects ■[Paint Finishing System Division] Promote reduction of CO ₂ emissions from painting facilities	■Proposed 79 plans for CO ₂ reductions (energy saving) ■Achieved CO ₂ reduction rate (emission amount) of 26.4% ■Reduced CO ₂ emissions per automobile to 79.5 kg	▲ ● ★	■Propose more than 120 CO ₂ reduction (energy saving) plans ■Achieve CO ₂ reduction rate (amount) of 20% or higher ■Develop measures to achieve reduction of CO ₂ emissions per automobile produced in 2019 to 70 kg				●					
		■Promotion of antipollution measures by removing and reducing emissions of hazardous substances	■Grasp the reduced amount of annual VOC emissions by using VOC abatement systems ■Improve performance of rotary regenerative thermal oxidizer (RTO) (by reducing age-related degradation by applying baking system)	■Reduced VOC emissions by 3,000 t/year ■Determined the final specification of advanced system (horizontal rotary RTO Mark II)	● ★	■Reduce VOC emissions by 5,000 t/year ■Test with actual system				●					
		■Development of market for utilizing new environment-responsive technologies	■Promote new business by applying environmental engineering technologies ■Development and market deployment of high-quality, high-painting-efficiency painting machines	■Conducted a pre-introduction test on high-quality, high-painting-efficiency painting machines (completed a test with water-based paint)	▲	■Test with solvent paint and test and expand sales of production model of advanced system				●					
	Promote environmental conservation activities		■Designing eco-friendly systems	■Conducted preventing outflow of liquid caused by breakage of tanks of pre-treatment lines and electrodepositing lines of paint facilities ■Achieved quake-proof design implementation rate of 100% in applicable projects	●	■Continue with activities				●			P.32～ P.33		
		■Reduction of environmental impacts in the design and construction phases	■Reduce construction by-products and treat industrial waste appropriately	■Reduction, regeneration and recycling of construction waste, recycling rate of 90% ■Rate of compliance in the number of manifests issued of 100% ■Electronic manifest Introduction Rate of 97%	●	■Reduction, regeneration and recycling of construction waste, recycling rate of 90% or higher ■Rate of compliance in the number of manifests issued of 100% ■Electronic Manifest Introduction Rate of 90% or higher				●					
			■Appropriate management of fluorocarbon refrigerant	■Thoroughly enforced filling, recovery, regeneration and destruction control by using "Fluorocarbon Refrigerant Filling and Recovery Control Manifest" ■Achieved a Filling and Recovery Control Manifest storage rate of 100%	★	■Thoroughly enforce filling, recovery, regeneration and destruction control by using "Fluorocarbon Refrigerant Filling and Recovery Control Manifest" ■Achieve a Filling and Recovery Control Manifest storage rate of 100%				●			P.35		
		■Promotion of energy-saving activities in the office	■Reduce paper usage by promoting paperless meetings ■Reduce energy use in the office	■Purchase volume of photocopy paper (A4-size equivalent): 9,190 sheets/person-year ■Reduced power usage to 156 kW/ m ² -year	● ●	■Purchase volume of photocopy paper (A4-size equivalent): 9,200 sheets/person-year ■Reduce power usage to 156 kW/ m ² -year or less				● ●					
			■Reduce environmental impact caused by transportation	■Achieved a rate of eco-friendly cars to the total number of new vehicles introduced of 90% ■Achieved a rate of introduction of ETC systems in vehicles of 90%	● ●	■Achieve a rate of eco-friendly cars to the total number of new vehicles introduced of 90% or higher ■Achieve a rate of introduction of ETC systems in vehicles of 90% or higher				●				P.34	
		■Promotion of green procurement	■Promote purchase of equipment included in the list of green procurement items ■Adopt environmental-impact-reducing materials in products ■Promote paperless purchase order process through online purchases	■Achieved a green procurement amount of 3,530 million yen ■Purchased air-conditioning systems that adopted corrosion-proof steel sheet ■Increased the paperless rate of 84.9% through online purchases	● ● ▲	■Achieve a green procurement amount of 4,400 million yen (based on the new procurement standards) ■Continue with activities ■Increase the paperless rate to 87% through online purchases				● ●					
Contributions to Society	Industrial safety and health	■Ensure safety and health of workers and comfortable working environment	■Conduct organized safety management activities ■Examine mental health measures and create a system for mental health care	■Held a pre-startup safety review meeting at 283 sites (designated sites) ■Conducted 2,742 on-site safety patrols (designated sites) ■Achieved a rate of holding recurrence-prevention meetings of 100% (including for accidents not accompanied by lost work time)	●	■Continue with activities		●	●				P.37～ P.38		
	Quality improvement	■Quality and customer satisfaction improvement	■Ensure quality without "Muda" (wasteful), "Mura" (inconsistent), and "Muri" (unreasonable) and continuous implementation of improvement measures ■Gain customers' trust and high evaluation from society by utilizing the QC follow-up chart	■Identified technical issues at the design examination meeting, construction policy meeting and construction review meeting, and confirmed them by cross-functional departments ■Reduced quality defects by conducting quality inspections in each construction process	●	■Continue with activities						●	P.39		
	Respect for human rights/prohibition of discrimination	■Create an organizational climate providing pleasant, non-discriminatory working environment	■Strengthen responses to harassment ■Promote employees' use of Employee Consultation Desk	■Provided harassment consultation ■Provided education to new employees/newly appointed managers	●	■Continue with activities		●					P.40～ P.42		
	Human resource development and cultivation	■Support and facilitate employees' capacity development ■Cultivate global human resources	■Development and improvement of the career advancement system and training system ■Operation of the global human resource system	■Provided training for persons in each target job position ■Introduced the global human resource system	● ●	■Improve the content of program with an eye on PDCA continuously ■Operate and firmly establish the global human resource system in each overseas business office			● ●						
	Respect for diversity and promotion of work-life balance	■Develop a sound working environment with respect for diversity	■Promote the employment of persons with disabilities and postretirement employment ■Promote career advancement of female employees	■Formulated action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace	●	■Continue with activities			●				P.43		
	Supply chain management	■Sharing and promotion of CSR in the supply chain	■Promote procurement activities based on fairness and transparency	■Eliminated anti-social forces ■Confirmed appropriate trading conditions	●	■Continue with activities		●	●	●	●		P.44		
	Community/social contribution activities	■Promote activities that help the development of communities and sustainable development of society	■Practice community/social contribution activities	■Participated in the CSR Network in Shinjuku ■Conducted activities, such as community cleaning activity and offering a donation to Keidanren Nature Conservation Fund	●	■Continue with activities				●		●	P.45		
	Corporate value improvement and information disclosure enhancement	■Build a long-term trusting relationship with shareholders and investors	■Continue with timely and appropriate information disclosure and proactive IR activities	■Published shareholder newsletter ■Held earnings results briefing and individual meeting with investors	●	■Continue with activities						●			

Self-assessment ★: Exceeded the plan ●: Almost the same as the plan ▲: Fell below the plan

Corporate Governance

Taikisha has established a corporate governance system and structure that win trust from all stakeholders.



Basic Policy

Taikisha has established a basic policy of corporate governance to gain the trust of all stakeholders and aims to become a corporate group that grows and develops in a healthy manner by thoroughly incorporating compliance awareness and realizing fair and highly transparent management, in order to achieve its corporate philosophy and management vision in accordance with the spirit of Taikisha's mission statement: "Customers First." In conformity with the basic policy and based on the organizational structure of a company with an audit & supervisory board, Taikisha is continuously working to strengthen the Taikisha group's governance and reform of management. It is doing this by taking measures such as reinforcing the supervisory function of the Board of Directors through the application of Non-executive Directors (meaning Outside Directors and the Director & Chairman, the same shall apply hereinafter) and speeding up the decision making of the Board of Directors through the adoption of the corporate officer system, aiming to further enhance and reinforce corporate governance of Taikisha.

Corporate Governance System

Taikisha is continuously working to reinforce Taikisha's governance and reform of management toward further enhancement of corporate governance. It is doing this by taking measures, such as strengthening the supervisory function of the Board of Directors by appointing Outside Directors and assigning Non-executive Director as Chairperson of the

Board of Directors as well as introducing the corporate officer system.

The Board of Directors, comprised of ten Directors including two Outside Directors, makes decisions on important management matters, and monitors and supervises the execution of duties by each Director and each Corporate Officer. The Board of Directors meeting, chaired by the Chairperson, generally meets once a month with additional meetings as and when required.

Taikisha has adopted the corporate officer system in order to clarify the responsibilities and authorities in corporate management and function of execution of duties, as well as to revitalize the Board of Directors and speed up its decision-making processes by reducing the number of Directors. Corporate Officers are appointed by resolution of the Board of Directors (tenure: one year) and execute their duties based on the management policy decided by the Board of Directors. The total number of Corporate Officers is twenty-four, of which seven serve concurrently as Directors.

Taikisha has established the Management Meeting chaired by the President to increase the effectiveness and efficiency of Taikisha's management. The Management Meeting, consisting of six Directors, generally meets once each month with additional meetings as and when required. It serves as a decision-making authority, promptly making adequate deliberations regarding management matters based on the management policy determined by the Board of Directors. Audit & Supervisory Board Members attend the Management Meeting whenever necessary and present their opinions from an objective and neutral standpoint.

Taikisha has four Audit & Supervisory Board Members, including

two Outside Audit & Supervisory Board Members, and they conduct audits on the legality and appropriateness of important decision-making processes and execution of duties in Taikisha Ltd. and Taikisha group companies. Audit & Supervisory Board Members attend major meetings, including the Board of Directors and the Management Meeting, and collect information from the Internal Audit Office and other relevant departments in order to provide advice and recommendations for operational improvement and other issues. In addition, Audit & Supervisory Board Members, in cooperation with the Internal Audit Office, conduct on-site audits of business offices and affiliates in Japan and overseas that are considered important for consolidated management. Audit & Supervisory Board Members also receive reports from the Internal Audit Office and Accounting Auditors regarding their audit plans, the status of implementation of audits, audit results, and other issues on a periodic basis, and request further examination and explanation on these issues as and when required.

3) risk management system; 4) system to ensure the efficiency and transparency of management decisions; 5) group management system; 6) system regarding audit by Audit & Supervisory Board Members (system to ensure the independence of Audit & Supervisory Board Members, system regarding reporting to Audit & Supervisory Board Members, and system to ensure the effectiveness of audit). The aim is to establish a lawful and efficient corporate structure, and Taikisha will review these systems continuously to make improvements where necessary.

Response to the Corporate Governance Code

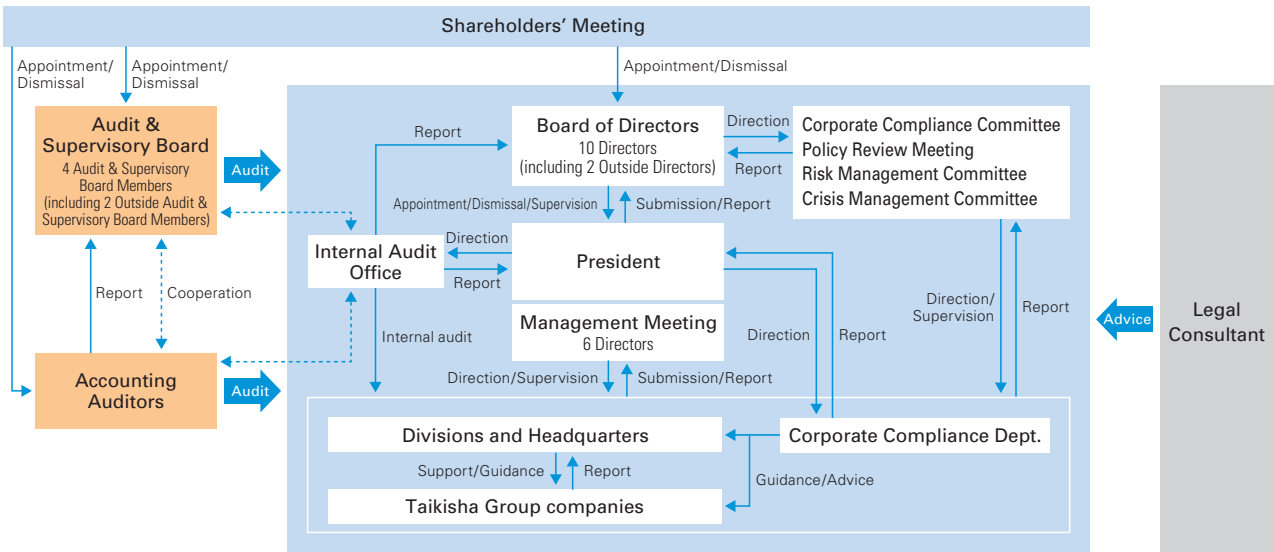
Taikisha prepares an English version, as well as the original Japanese version, of the Corporate Governance Report wherein the status of response to the Corporate Governance Code is disclosed.

Regarding evaluation of the effectiveness of the Board of Directors, Taikisha has decided to conduct an analysis and evaluation of the effectiveness of the Board of Directors at least once a year and disclose an overview of its results to external stakeholders as part of its information-provision measures.

Taikisha responds to and discloses its status with other principles in accordance with the Corporate Governance Code, thereby establishing a system and structure that can gain trust from all stakeholders.

Corporate Governance Report:
<http://www.taikisha-group.com/corporate/pdf/CorporateGovernance.pdf>

● Pattern Diagram of Corporate Governance (as of June 30, 2016)



VOICE



Shuichi Murakami
Outside Director
Taikisha Ltd.

Corporate Governance Code and Stakeholders

We aim to increase corporate value and become a company that can grow continuously by conducting our operations based on the "Customers First" mission statement and the Code of Conduct that calls for maintenance of good relationships with stakeholders.

We consider that the Corporate Governance Code is our guiding principle to practice the above, and our management is making serious efforts to respond to it. In evaluating the Board of Directors, for instance, all Directors and Audit & Supervisory Board Members conduct a rating based on questionnaires and discuss issues, etc. and disclose the results of discussion.

This leads to a greater effectiveness of the Board of Directors and provides information to stakeholders. I feel that we are advancing steadily in implementing measures to reinforce the supervisory function of the Board of Directors.

The role of corporate governance is increasing in importance as society and investors come to have a greater interest in it. Under these circumstances, I will endeavor to increase the corporate value of Taikisha by carrying out my responsibilities more appropriately than ever from the standpoint of Outside Director, someone who is required to present more objective opinions.

Risk Management

Taikisha endeavors to thoroughly manage, avoid and reduce risks on an organizational level.



Basic Policy

Regarding the risk management, Taikisha, in accordance with the Risk Management Rules, has established the Risk Management Committee to identify risks in an integrated fashion and to implement effective and efficient risk management. The Risk Management Committee establishes basic policies, responsibility systems, operations and other necessary measures for group-wide risk management, and keeps all persons involved well informed about the establishment and implementation of policies.

Regarding risks associated with operations, such as quality control, safety control, and compliance, each department identifies and prioritizes the risks to be addressed, formulates specific measures with respect to the risks and reports to the Risk Management Committee. Each department improves the relevant internal rules and regulations, and keeps all persons involved well informed about the details of the improvement.

In recent years, Taikisha has positioned risks related to compliance with laws and ordinances, crisis management that involves human lives overseas, and information management, as important issues that would have a significant impact on its management, and is striving to strengthen its risk response capabilities.

Crisis Management System

Taikisha has established the Basic Policy for Crisis Management and built the crisis management system to prepare for the occurrence of unforeseen disasters, accidents and incidents in Japan and overseas.

In FY2015, Taikisha developed overseas crisis management guidelines. In the guidelines, Taikisha classified crises into three levels depending on the severity of impact on human lives and business continuity; assigned response entities to each response level; categorized crises into three patterns (natural disasters, terrorism, etc.); and established crisis response flows for each type of crisis. By doing

• Crisis Management System Diagram



this, Taikisha established a system that allows crisis-stricken site to work together in cooperation with the Headquarters to respond to the disaster.

Business Continuity Plan (BCP)

Taikisha has formulated a Business Continuity Plan (BCP) that sets out procedures and steps for employees to take in order to restore operations promptly in the event of a crisis.

The Crisis Management Manual provides procedures for dealing with crisis situations, centering on large-scale earthquakes, by placing the highest priority on protecting the lives of its employees and their families. At business offices, Taikisha periodically conducts training, such as training on satellite phone communication and taking inventories and checking expiry of emergency food stocks. In addition, Taikisha carries out training on how to handle the safety confirmation system and evacuation drills. When the Kumamoto Earthquakes occurred in April 2016, Taikisha immediately triggered the safety confirmation system and confirmed the safety of employees and their families in the Kyushu region. Taikisha also provided logistical support to the disaster-stricken site by shipping emergency supplies of the Tokyo Head Office on the day the first earthquake occurred. In this way, Taikisha has established a system to support recovery efforts of disaster-stricken sites with the Crisis Task Force, set up in the Headquarters, serving as the control tower.



Emergency drill



Fire extinguisher training

Information Security

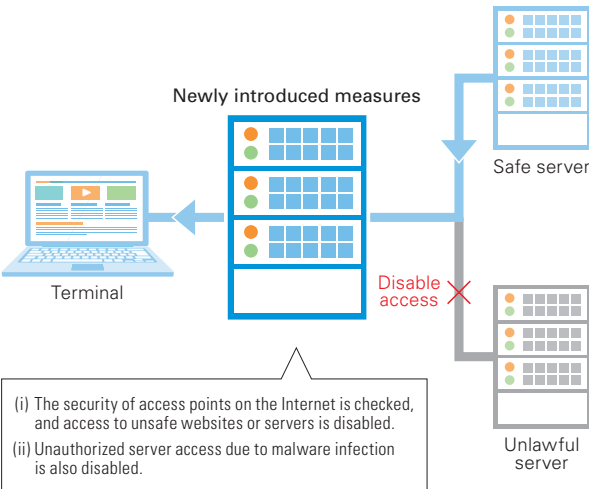
Taikisha has strengthened the group's overall information management system to prevent the leakage of information of customers and business partners Taikisha has business contact with, as well as personal information of employees and others.

Taikisha has drawn up the Information Security Rules with bylaws established for all employees and for persons with relevant responsibilities, such as persons in charge of IT system/facility development, and rules based on personal information protection policy. Taikisha also distributed the Information Security Guidebook that shows concrete information security measures. Taikisha has thus been working to raise the awareness of information security among officers and employees.

Takisha has recently identified possible information security risks, such as unauthorized access to terminals and the network and computer viruses, and put together concrete measures, such as renewing facilities and introducing antivirus software. Taikisha's plan is to implement these measures in five stages (STEP 1–5), with the target of achieving the completion rate of approximately 90% by FY2019. Taikisha conducts detailed risk evaluation of the information management system of Taikisha's overseas business offices by using a checklist to grasp the progress of measures.

Based on this plan, efforts are underway at overseas business offices to review and standardize the Information Security Rules. In FY2015, three business offices, out of the nineteen overseas business offices, completed preparing new rules, and the remaining sixteen business offices are expected to finish developing new rules by the end of FY2016.

• Measures with respect to Cyber Attack (conceptual diagram)



Taikisha also took measures to avoid sending an email to the wrong person and to cope with cyber attack in FY2015.

Internal Audit

The Internal Audit Office conducts audits on business execution divisions and identifies and gives advice on points to be improved, while working in cooperation with Directors and Audit & Supervisory Board Members as a division directly under the Representative Director, and follows up on the status of improvement.

In FY2015, Taikisha sets issues such as the status of compliance with laws and ordinances that are closely related to operations including the Construction Industry Act and the Antimonopoly Act, the status of construction project contract management, and appropriateness of construction activities as important audit themes again this year, and carried out audits from the perspectives of legitimacy and rationality.

In creating the audit plan, Taikisha included construction sites, in addition to business offices in Japan and overseas, as on-site audit sites to conduct audits on the appropriateness and effectiveness of operations. In FY2015, Taikisha carried out audits at a total of 56 sites (including 20 construction sites in Japan and 8 overseas business offices).

The Internal Audit Office also evaluated the status of establishment and operation of internal control over financial reporting of Taikisha, and reported on the effectiveness thereof to the Board of Directors.



Internal audit at overseas business offices

Compliance

Taikisha is ensuring compliance with laws and ordinances across the organization.



Compliance System

Taikisha aims to enhance its corporate culture by making its mission statement well known, complying with all laws and ordinances related to its business operations, and conducting transparent and sound business activities. To this end, Taikisha has set out the Principles of Behavior and Standards of Ethical Conduct in the Taikisha Code of Conduct and the Compliance Activity Standards. In addition, specific compliance items are laid down in the Compliance Manual.

The Corporate Compliance Committee, which is directly under the Representative Director, is comprised of members of the Board of Directors, the General Manager of the Internal Audit Office, and the General Manager of the Corporate Compliance Dept. The committee, which has been chaired by the General Manager of the Corporate Compliance Dept. since the beginning of FY2016, generally meets once a month, and reports and responds to compliance issues of Taikisha's overall business from a management perspective.

The Corporate Compliance Dept. formulates plans based on the Compliance Policy set out by the Corporate Compliance Committee, while maintaining independence as a division directly under the Representative Director, and promotes activities for enhancing compliance awareness in all officers and employees. The Corporate Compliance Dept. reports on the status of its activities to the Corporate Compliance Committee.

In addition, Taikisha assigns a Compliance Officer in each business office and business division in Japan and overseas, thus clearly separating the commanding/reporting line from the Corporate Compliance Dept., to strengthen the compliance system.

● Compliance Manual



Monitoring of Compliance Risk

Taikisha monitors the legal compliance system of each business office to visualize compliance issues, in order to ensure its mission statement and corporate philosophy are made well known and realize a more robust compliance system.

In Japan, Taikisha identifies broad-ranging compliance issues of each branch office, including the status of compliance with laws and ordinances such as the Antimonopoly Act, the status of dissemination of the whistleblowing system, and the status of excessive overwork.

Taikisha also works on visualizing compliance issues of its overseas business offices, such as the status of compliance with laws and ordinances such as the Anti-Bribery Act and Competition Act and the status of development of whistleblowing system, as well as risks specific to each business office based on the conditions of each country. By taking these measures, Taikisha aims to establish a compliance management system that prevents material legal violations both in domestic and overseas business offices, while helping them to detect minor cases and implement remedial measures on their own.

Internal Check System

The Corporate Compliance Dept. visits business offices in Japan and overseas to monitor the status of compliance with laws, ordinances and internal rules and to point out issues and give guidance for improvement. In overseas business offices, Taikisha has established a double-check system whereby a Compliance Officer manages the status of compliance of each business office while the Corporate Compliance Dept. checks the status of activities of the Compliance Officers.

Taikisha has also established a whistleblowing hotline through which any legal violation, misconduct, or unethical conduct can be reported directly to the Corporate Compliance Dept. or an outside law firm. The whistleblowing hotline, which can be used by officers and employees of group companies as well as business partners, ensures protection of privacy and prevention of disadvantageous treatment of informers. In FY2015, Taikisha started developing the whistleblowing system at its overseas business offices as well. Taikisha conducted an awareness survey on the whistleblowing hotline targeting employees of domestic business offices, and the result showed that 98.5% of respondents were aware of the system. If a whistleblower actually speaks out against Taikisha, it takes appropriate action upon investigating the case promptly and undertakes corrective action where necessary.

Efforts to Firmly Establish Compliance

Taikisha has designated November of each year as Compliance Promotion Month to promote the penetration and establishment of compliance awareness, and holds read-through sessions of the Compliance Manual targeting all employees to ensure the compliance requirements are thoroughly communicated. In addition, Taikisha provides e-learning programs for all employees. Taikisha also invites people to suggest compliance slogans internally, and makes a poster with the best slogan on it and distribute it to all business offices in Japan and overseas. The slogan on the compliance poster sent to

● Compliance Poster



The Status of Implementation of Compliance Training

As a company-wide effort for ensuring compliance, Taikisha also provides group compliance training. In FY2015, Taikisha held 32 training sessions with the mission statement, the Anti-Monopoly Act, and the basic approach to compliance as the main themes, and a total of 547 employees attended.

Taikisha also held 23 compliance training sessions overseas and had a total of 597 attendants. The main themes were the mission statement, the Competition Act (the Anti-Monopoly Act in Japan), the Anti-Bribery Act, and the whistleblowing system. In this way, Taikisha is endeavoring to raise the awareness of compliance of national employees in its overseas business offices. Taikisha recognizes that the development of the Competition Act and the Anti-Bribery Act is well underway in Asia, in particular, and it is leading to the increased

overseas business offices is translated into local languages. Taikisha selected 28 Japanese laws and ordinances closely associated with its businesses, and has been preparing manuals that contain explanations of their legal requirements, penalties, and relations with its operations since 2014. Taikisha compiled 16 laws and ordinances in the manual by the end of FY2015, and plans to complete compiling the remaining 12 laws and ordinances by the end of FY2017. The compliance manual is made available in English, Korean, Chinese, Thai, Indonesian, Vietnamese, Cambodian, Burmese, and Portuguese, and Taikisha will create it in other languages as needed.

compliance risks in this region. As for the efforts for preventing bribery, the Compliance Manual states that Taikisha takes a strong stance to prevent bribery and prohibits bribing anybody regardless of the attribution of the other party, e.g. public officers or private sector companies, to prevent corruption. Through such compliance training and, the Compliance Manual etc., Taikisha prevents not only intentional misconduct but also getting involved in bribery due to a lack of awareness and knowledge of the persons concerned.

Environmental Management

Taikisha continuously operates the environmental management system to raise awareness of the environment and reduce environmental risks.



Environmental Management Vision

Taikisha strives to improve environmental values for its customers and to protect global environment using Taikisha's solution technologies as a company engaged in business related to the environment.

- 1

Improving Environmental Management
- Actively engage in finding solutions for social issues related to the global environment by accurate understanding on social trends changing day to day.
- Continuously apply environmental management system and reduce environmental risks.
- Actively disclose environmental information to the public while improving environmental education and awareness in its offices.
- 2

Promoting Environmental Business
- Promote energy management in life cycles and reduce CO₂ emissions during the operation of systems Taikisha supplies.
- Develop technologies for exhaust gas and effluent treatment and contribute to the prevention of environmental pollution.
- Promote R&D of new eco-friendly technologies and products.
- 3

Developing Environmental Conservation Activities
- Check and minimize energy consumption in its offices and laboratories.
- Implement thorough measures regarding the surroundings, construction by-products and harmful materials at its workplaces.
- Promote green procurement.

• Environmental Management System Operation and Promotion System Chart



Operation and Promotion System

The officer in charge of CSR takes the initiative to improve environmental management systems at Taikisha. The Environmental Protection Committee gives directions for the planning and execution of action plans across Taikisha and plays a role in improving, operating, and managing specific daily activities. It also confirms and evaluates the status of progress and reviews the targets.

Taikisha distributes Taikisha's environmental policy, which is based on the ISO-14001 standard, to its business partners and request their full cooperation in observing the policy.



The Environmental Protection Committee Meeting

• Deployment of the Environmental Management Activities



Environmental Management Activities

Taikisha has set out the Business Division Environmental Policy and Branch Office Environmental Policy based on the company-wide Environmental Management Vision and Environmental Management Master Plan. Taikisha also evaluates the environmental impact in business processes and creates an environmental impact evaluation sheet. Each department breaks them down into a development plan, design policy plan, and site environment control plan for each project and development theme, and promotes day-to-day environmental management activities.

The Environmental Protection Committee, comprised of administrators of all domestic business offices, meets four times a year. At the meeting, committee members discuss improvement measures for issues in environmental management activities and share good examples, while conducting activities by setting themes and targets of activities where appropriate.

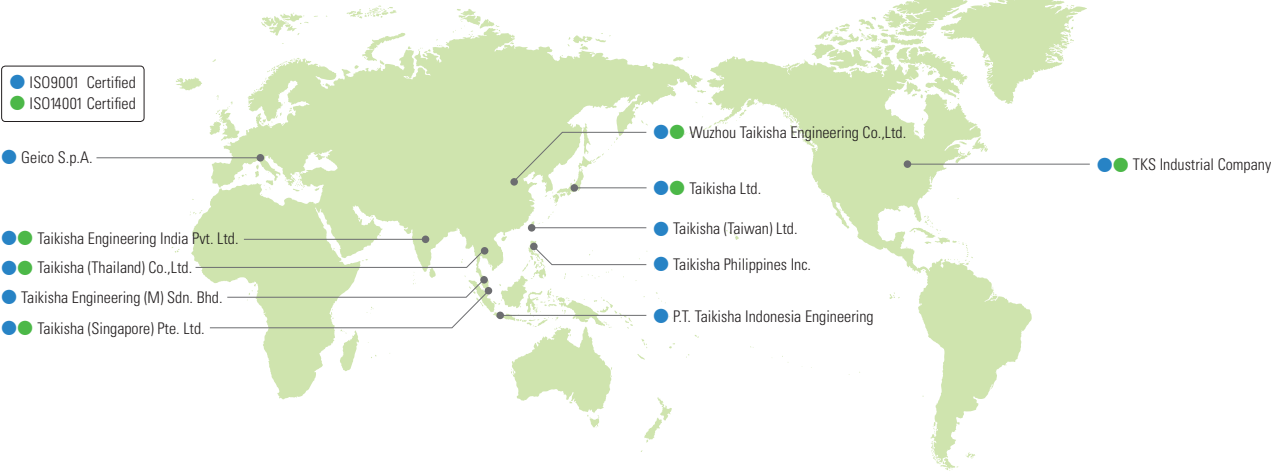
Status of Acquisition of ISO Certification

The Green Technology System Division has obtained integrated quality and environmental management system certifications covering all business offices in Japan.

The Paint Finishing System Division is planning to obtain integrated quality and environmental management system certifications in 2016.

ISO standards were revised in September 2015, and both the Green Technology System Division and the Paint Finishing System Division are preparing for a transition to the revised standards.

• Taikisha Group's Status of Acquisition of ISO Certification



Compliance with Laws and Regulations and Responses to Complaints Regarding Environmental Issues

Taikisha stores information in an internal database about revisions to environment-related laws and regulations that need to be taken into account in conducting business operations and information on ordinances of prefectures and designated cities to disseminate the information to all employees. In addition, Taikisha puts information on laws and regulations relevant to each business process in the Quality Assurance System Diagram to further ensure compliance with such laws and regulations.

Taikisha records complaints regarding environmental issues that came up in Taikisha, including information on causes of complaint, remedial measures, and preventive measures, in the internal database to share information within the group. There were four major complaints regarding environmental issues that occurred in FY2015. Taikisha conducts employee education in all business offices to prevent the occurrence and recurrence of complaints, and provides guidance and education through on-site patrols and other measures.

Environmental Education

Taikisha provides introductory education on the Environmental Management Vision and the Environmental Management System, as well as education on the environmental management operations of each department, to new employees every year. New employees also attend skill training courses, such as Skill Training Course for Senior Operations Engineer of Asbestos, Skill Training Course for Senior Operations Engineer of Organic Solvent Work, and Skill Training Course for Senior Operations Engineer of Hazardous Work in Oxygen-Deficient Air or involving Hydrogen Sulfide, and gain the relevant certifications. This system ensures new employees learn the necessary skills to handle chemical substances and hazardous substances from their first year.

Efforts for Realizing a Low Carbon Society

Taikisha is working on reducing GHG emissions in the entire supply chain.



Risks and Opportunities of Climate Change

Sustainable Development Goals (SDGs), a set of goals to be attained by 2030 designed by the United Nations in September 2015, strongly urge organizations to take urgent measures to reduce climate change and its effects given that climate change is one of the biggest concerns and is threatening the existence of many countries and the earth's life support system. The 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) of December 2015 adopted the Paris Agreement governing climate change reduction measures from 2020. Representatives from 196 nations made a commitment to work together to limit the rise in global average temperature to below 2°C.

Taikisha regards climate change as an important risk. Specifically, there are risks that natural disasters such as typhoons and heavy rains may have adverse effects on the continuity of business and tightening of environmental laws and regulations may affect business activities.

On the other hand, Taikisha anticipates growing customer needs for taking environmental measures, and sees such needs as opportunities for helping to curb global warming by providing our environment technologies and promoting their widespread use by customers.

Overall Picture of GHG Emissions Control in the Entire Supply Chain

Looking at the GHG emitted in the entire supply chain, most of the emissions are generated at the operation phase and procurement phase of the systems Taikisha provides to customers.

Aiming to reduce GHG emissions, the Green Technology System Division is actively making proposals for eco-friendly designs and CO₂ emission-reduction/energy-saving measures in its in-house design projects, ranging from hospitals, office buildings and factories, by responding to requests from society.

The Paint Finishing System Division is striving to cut GHG emissions by taking measures such as working on CO₂ reduction activities from the painting process of automobiles and aircrafts and actively making suggestions for improvement, while striving to reduce the energy requirements of society through new businesses.

In addition, Taikisha is conducting energy-saving/resource-saving activities in business offices and activities to reduce energy consumption and CO₂ emissions in transportation. In this way, Taikisha is promoting measures to curb global warming across its business operations.

Started Calculating GHG Emissions Based on the Scope 3 International Standard

Taikisha started to calculate the GHG emissions released from its upstream to downstream corporate operations in accordance with Scope 3 standard*1, an international standard for companies to calculate and report GHG emissions of the entire supply chain. Taikisha contributes to measures to curb global warming by visualizing the environmental impact of business operations in its entire supply chain, from procurement of materials to use and disposal of products, to clarify priority matters and by promoting GHG reduction activities by assessing the potential for GHG reductions. In addition, Taikisha makes efforts to improve customers' environmental value through its business operations and respond to requests for information disclosure from its various stakeholders.

Taikisha received support related to supply chain GHG emissions given to individual companies and sponsored by the Ministry of the Environment, and calculated and disclosed GHG emissions in compliance with the "Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain" set out by the Ministry of the Environment and the Ministry of the Economy, Trade and Industry. In addition, Taikisha has publicly released its efforts on the "Green Value

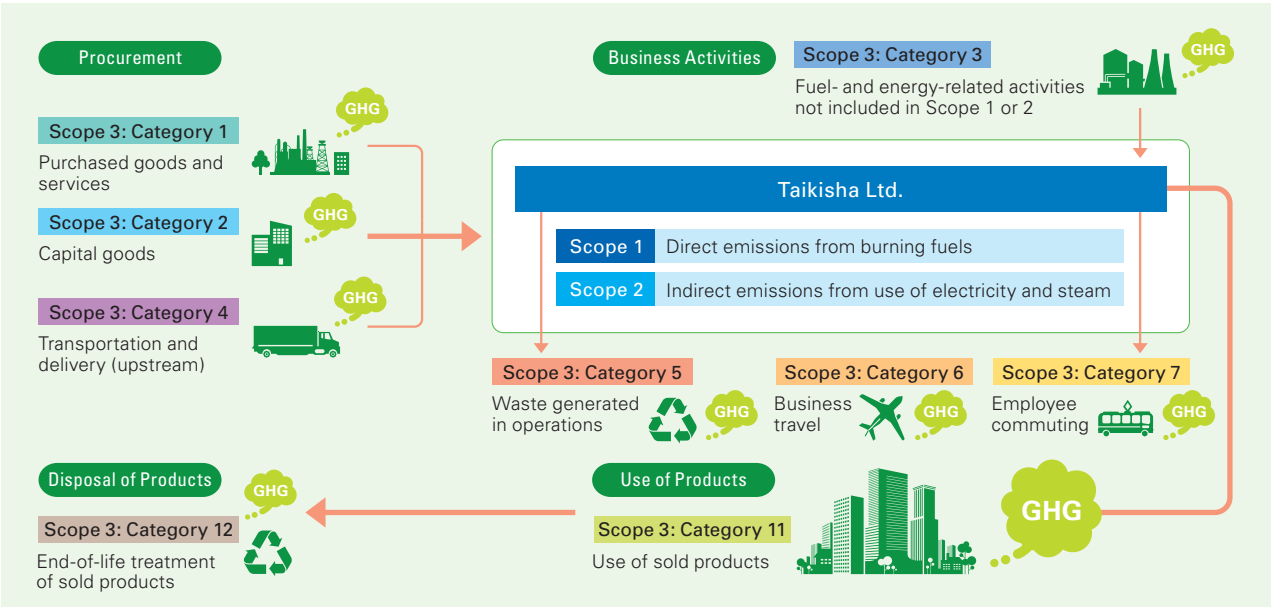
Chain Platform" provided by the Ministry of the Environment.

*1. A standard established mainly by the WRI (World Resources Institute) and WBCSD (World Business Council for Sustainable Development) on calculating and reporting GHG emissions.

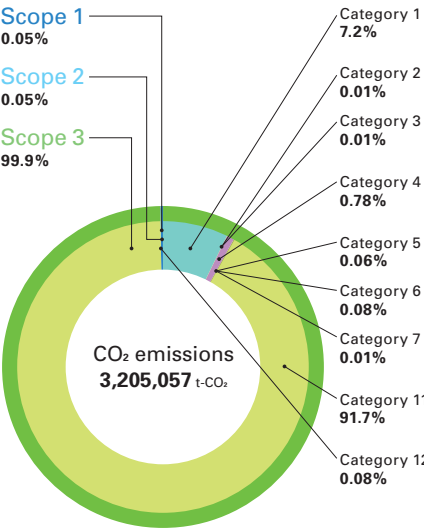
Breakdown of Scope 3 Emissions

In FY2015, Taikisha's total Scope 3 emissions were 3,201,715 t-CO₂, of which emissions from category 11 (use of sold products) account for the largest portion at 91.7%, followed by emissions from category 1 (Purchased goods and services) at 7.2%. The sum of emissions from Category 11 and Category 1 accounts for 98.9% of the total. Considering that emissions from the operation phase of the facilities Taikisha provides are the largest across its supply chain, Taikisha will make greater efforts than ever to provide facilities and systems with high-energy-saving capabilities. In addition, Taikisha will further promote green procurement by cooperating with suppliers and continue to reduce construction by-products and to appropriately dispose of industrial waste, in order to curb GHG emissions from production, transportation, and disposal of materials and to help conserve the global environment.

• Conceptual Diagram of GHG Emissions Control in the Entire Supply Chain



• Breakdown of Scope/Category



*2. Emission factor is calculated based on the Emission Factor Database on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (ver. 2.2) of the Ministry of the Environment and the Ministry of Economy, Trade and Industry and CFP COMMUNICATION PROGRAM DB ver. 1.01.

Scope/Category	Accounting methods*2	Emission amount (t-CO ₂)
Scope 1	—	1,642
Scope 2	—	1,700
Scope 3		3,201,715
Category 1	Calculated from (raw) materials procurement amount (in value terms)	229,370
Category 2	Calculated from amount of capital investment	468
Category 3	Fuel- and energy-related activities not included in Scope 1 or 2	366
Category 4	Transportation and delivery (upstream)	24,929
Category 5	Waste generated in operations	1,952
Category 6	Business travel	2,492
Category 7	Employee commuting	274
Category 8	Leased assets (upstream)	Included in Scope 1 and 2 emission calculation
Category 9	Transportation and delivery (downstream)	No relevant activities
Category 10	Processing of sold products	There are some products that are relevant, but calculations are ignored because their ratios in sales are extremely small.
Category 11	Use of sold products	Calculated from emissions from operation of facilities Taikisha provided, HFC leakage from equipment Taikisha provided, and estimated useful lives
Category 12	End-of-life treatment of sold products	Calculated from weight of main equipment by type
Category 13	Leased assets (downstream)	No relevant activities
Category 14	Franchises	No relevant activities
Category 15	Investments	Calculations are ignored because the validity of the category 15 estimates is low as a result of many portfolio companies not disclosing Scope 1 and 2 emissions and the impact of the category 15 estimates on the entire supply chain is small.
Total of Scope 1, 2 and 3		3,205,057

Efforts for Realizing a Low Carbon Society

Taikisha is helping to reduce GHG emissions at the operation phase of the facilities it provides to customers.



Activities in the Field of Air-Conditioning System for Buildings and Factories

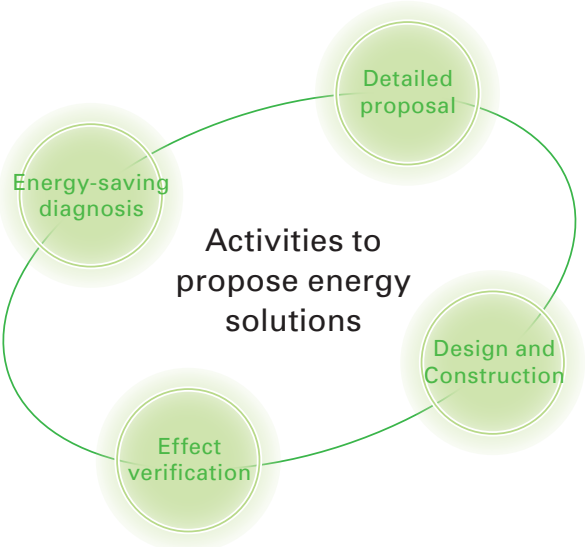
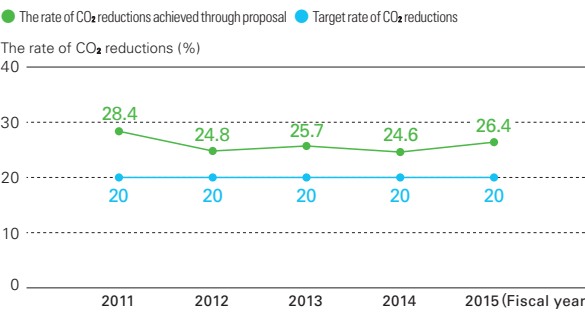
Promoting Eco-Friendly Designs

The Green Technology System Division is promoting “energy-saving diagnosis” based on the analysis of operation of facilities owned by customers, “detailed proposal” designed to match customers’ needs and their future visions, and “design and construction” that embody the proposals. In addition, Taikisha performs “effect verification” in the operation phase of systems after completing construction, in order to evaluate the effectiveness of performance that was estimated at the proposal phase and examine the potential for further improvements in energy efficiency.

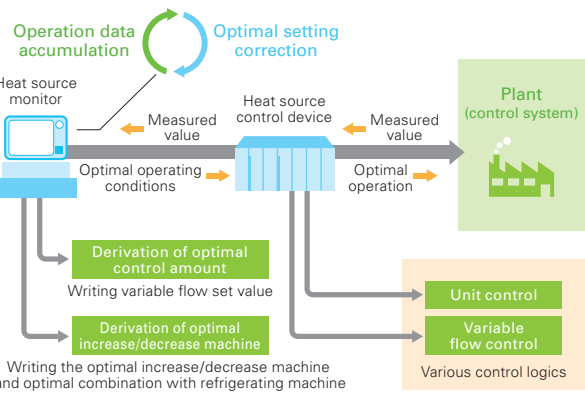
Energy-Saving Proposal Activities for Customers

Taikisha defines the rate of CO₂ reductions as the rate of CO₂ emissions reduced from facilities owned by customers due to Taikisha’s proposals. The transition in the rate of CO₂ reductions for the past five years is shown in Figure 1. In FY2015, Taikisha conducted activities by setting a target for the rate of CO₂ reductions of weighted average of 20% or higher, and Taikisha exceeded the target at 26.4%. The number of proposals and the proposed amount of CO₂ emission reductions are classified by commercial customer (for offices and hospitals, etc.) and industrial customer (plants, etc.) and their transitions are shown in Figure 2. Most of the energy-saving proposals made were related to heat source systems, which have a large potential for reducing CO₂ emissions. The number of requests for proposing medium- and long-term plans for examining future visions for CO₂ emission reductions has been increasing since FY2013. The amount of proposed CO₂ emission reductions that corresponds to Category 11 under Scope 3 was about 590,000 t-CO₂ (the effect of 15 years of operation). Taikisha is also working to propose the Energy Plant Optimal Control System (in-house development) that can achieve further energy saving overall.

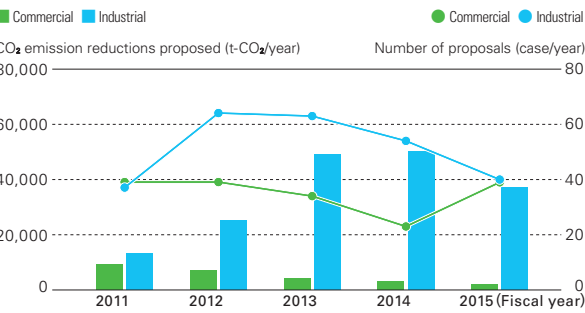
● (Figure 1) Transition in the rate of CO₂ reductions through eco-friendly designs



● Energy Plant Optimal Control System



● (Figure 2) Transition in CO₂ emission reductions proposed and number of proposals



Activities in the Field of Automobile Paint Systems

Activities to Reduce CO₂ Emissions from the Paint Process

There is a growing social demand to reduce the environmental impact of automobiles not only when they are on the road but also when they are in the production process. In line with this trend, the Paint Finishing System Division has actively made proposals for reducing CO₂ emissions from paint facilities in the automobile manufacturing process.

From 2000, Taikisha has promoted activities to reduce CO₂ emissions by calculating CO₂ emissions from paint booths per automobile produced by using the energy estimation model for automobile paint finishing lines and setting medium-term reduction targets. The transition in CO₂ emissions of each system in the paint finishing lines is shown in the following figure.

CO₂ emissions, which were 160.1 kg per automobile produced in FY2005, decreased in FY2012 to 100 kg-CO₂/unit, which is the first medium-term target. This was achieved by promoting greater efficiency of heat pumps and motors. Taikisha subsequently sets the second medium-term target of reducing CO₂ emissions to 80 kg-CO₂/unit in FY2015 or thereafter and continuously made proposals. As a result, the target was achieved in FY2015.

In FY2015, Taikisha was able to reduce CO₂ emissions in the paint process by 3% from the FY2014 level to 79.5 kg-CO₂/unit by making two technical proposals.

Details of Proposals in FY2015

(i) Adoption of electrically powered pumps for PSS (paint circulation system)

Adopting electrically powered pumps for PSS and energy-saving operations.

(ii) Energy-saving operations of paint booths

The rate of recycling of paint booths increased due to Dry Circular proposed in FY2014, and the volume of fresh air flow decreased. Low air flow operation between shifts and during maintenance on non-work days will be incorporated in this energy-saving operation.

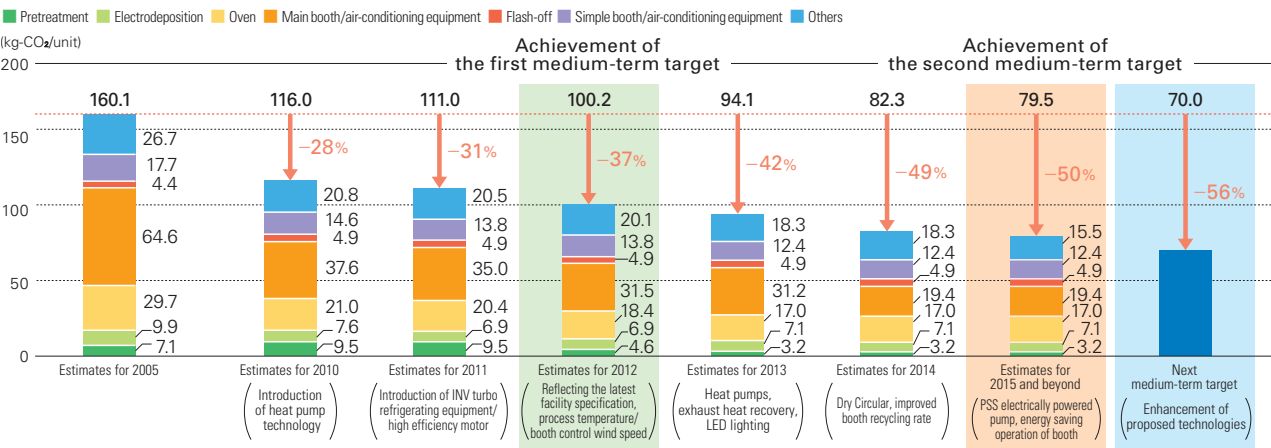
	2014	2015	YoY comparison	Reflection of the latest facility specification (past record)
Pretreatment	3.2	3.2	100%	
Electrodeposition	7.1	7.1	100%	
Oven	17.0	17.0	100%	
Main booth/air-conditioning equipment	19.4	19.4	100%	
Flash-off	4.9	4.9	100%	
Simple booth/air-conditioning equipment	12.4	12.4	100%	
Others	18.3	15.5	85%	Introduction of electrically powered pumps for PSS Energy-saving operation of paint booths
Total	82.3	79.5	97%	

In 2015, Taikisha achieved the second medium-term target of 80 kg-CO₂/unit, and set the next medium-term target to 70 kg-CO₂/unit.

Taikisha will fully consider introducing renewable energy to further reduce CO₂ emissions.

Taikisha’s aim is to contribute to the social and global environment by approaching and cooperating with automobile manufacturers and other related companies.

● Transition in CO₂ emission reductions proposed and future target



Environmental Contribution through Business Operations

Taikisha is striving to reduce environmental impacts by utilizing technologies cultivated over the years.



Environmental Impact Reduction through Exhaust Gas Treatment Technology

Volatile Organic Compounds (VOC), used in automobile painting and various other fields, are the main causative agent of photochemical smog, etc., and VOC emission reductions have become a major social concern in recent years.

Taikisha has been undertaking the development of high-heat-recovery efficiency, high-energy-saving, direct fired regenerative thermal oxidizers (RTO) over the years based on its VOC-reduction

technologies developed in the automobile paint field. The equipment performs oxidative decomposition at a high temperature, allowing most VOC to decompose, and achieves a high thermal recovery rate of 95% or higher. Another feature of the equipment is that it can perform self-sustained combustion operation, whereby high-temperature conditions can be sustained only with combustion heat of a solvent if the level of VOC is high.

Taikisha has track record of more than 200 units in dual-tower RTO and 30 units of rotary RTO and offers wide-ranging product lines.

● Product line of RTO

Dual-Tower RTO

Dual-Tower RTO offers a high heat recovery rate during operation of 95% or higher with minimum energy usage.

- VOC treatment efficiency of 98% or higher
- Space-saving/cost-saving

Heat storage alternates with heat release repeatedly in the two heat storage towers and efficiently performs oxidative decomposition of VOC.

Rotary RTO

Introduction of changeover valves eliminated emissions of untreated exhaust gas and bad odor and further improved the VOC reductions efficiency.

- VOC treatment efficiency of 99% or higher
- Reduction in pressure fluctuation of exhaust air duct

Untreated gas will be introduced from the opening of the rotary valve to combustion chamber and decomposed completely.

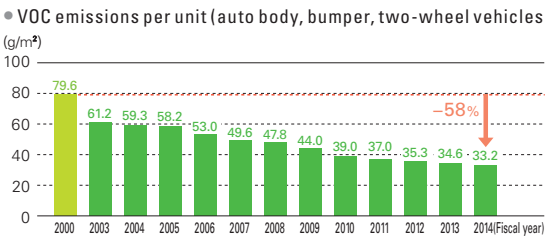
Column

Taikisha Supports Voluntary Efforts in VOC Emission Reductions of Member Manufacturers of Japan Automobile Manufacturers Association, Inc. (JAMA)

Member manufacturers of JAMA formulated voluntary action plans to reduce VOC, in addition to complying with regulations such as the Air Pollution Control Act, and achieved the target of reducing VOC emissions per unit in FY2010 to 40% below the 2000 level. JAMA members have set the target of preventing VOC emissions per unit (g/m²) in FY2015 from exceeding the 2010 level, and are continuing with their voluntary reduction efforts. (The actual VOC emissions volume recorded for FY2014 was 58% below the 2000 level.)

Under these circumstances, Taikisha will continue to provide lines of products that meet the needs of customers. Taikisha will also strive to make optimal proposals and respond to customers' needs by

appropriately analyzing customers, including their production plans and potential problems in their production facilities, and conducting interviews and discussions with them repeatedly.



Source: "2016 Report on Environmental Protection Efforts" by Japan Automobile Manufacturers Association

Deployment of VOC Exhaust-Gas Treatment Devices in China

In China, the escalation of air pollution has become a social problem mainly in urban areas, causing growing concerns about deterioration of the environment and health hazards. The Chinese government is revising laws and taxation systems and strengthening penalties for violators, with the aim of stepping up environmental protection activities. This has led to accelerated investments for environmental improvement facilities mainly by private companies.

Taikisha has provided exhaust-gas treatment devices around the world for more than 40 years by taking advantage of its strength in exhaust gas

treatment technologies. In Asia, in particular, Taikisha has track record of delivering more than 120 units, and its exhaust-gas treatment devices are used in 12 areas in China.

In anticipation of further demand growth in future, Taikisha improved and expanded its existing supply system and established a local production system in China for manufacturing exhaust-gas treatment devices, which it had previously been producing in Japan. In this way, Taikisha will improve its services in terms of reducing the lead time from construction to delivery and cost to meet various demands of customers, while helping to solve environmental problems in China.

● Track record of construction in China



● Indicate one unit of exhaust-gas treatment device



Direct-fired Regenerative Thermal Oxidizer installed in the Shanghai area

Topics

Technology Exchange Meetings Held in China

As reported frequently by news media, China's air pollution problem, including PM2.5 (particulate matter of 2.5 microns or less), is worsening and necessitating urgent environmental measures.

In China, there are government-imposed environmental laws and regulations as well as many environment-related laws and regulations that apply to specific provinces or direct-controlled municipalities. As for emission standards that regulate the emissions of environmental pollutants from plants, etc., provincial standards take priority over other emission standards. Therefore, local governments assume responsibility for the quality of the environment in each administrative district.

Under these circumstances, Taikisha held technology exchange meetings with people from regional environmental agencies and China Association of Environmental Protection Industry to promote exhaust gas treatment technologies. China Association of Environmental Protection Industry is comprised of former

officials and related parties of the National Environment Protection Bureau, companies and research institutions such as universities involved in environmental protection, and is involved in formulating environmental standards and laws and regulations of provinces and municipalities.

At the technology exchange meetings, Taikisha introduced its businesses and explained its VOC exhaust treatment systems and paint facilities, and visited member companies of China Association of Environmental Protection Industry. In addition, Taikisha conducted a tour of plants where Taikisha's exhaust gas treatment facilities are installed, and Taikisha was able to show the actual status of operation of its facilities.



Technology exchange meeting

Environmental Contribution through Business Operations

Taikisha is striving to reduce environmental impacts by utilizing technologies cultivated over the years.



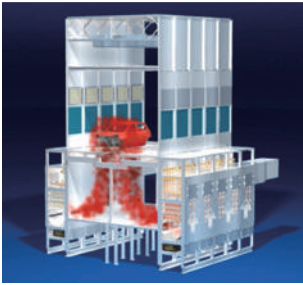
Pre-coating Type Dry Paint Booth System Featuring Eco-Friendly Performance

Pre-coating type dry paint booth system Dry Circular
Taikisha provides many automobile manufacturers with paint booths with wet scrubbers that use water to collect paint mist. In addition, Taikisha has developed Dry Circular a pre-coating type dry paint booth system featuring lower CO₂ emissions and eco-friendly performance compared to the wet-type paint booths.

With this system, adhesion of paint mist is removed via a pre-coating agent and collected by a dry filter, and air for recycling is kept dry. This eliminates the need for dehumidification/reheating energy and allows CO₂ emissions to be reduced by 20–40% compared to the wet paint booth system. In addition, the newly developed Dry Circular Mark II has a simpler system configuration, allowing more stable operation.

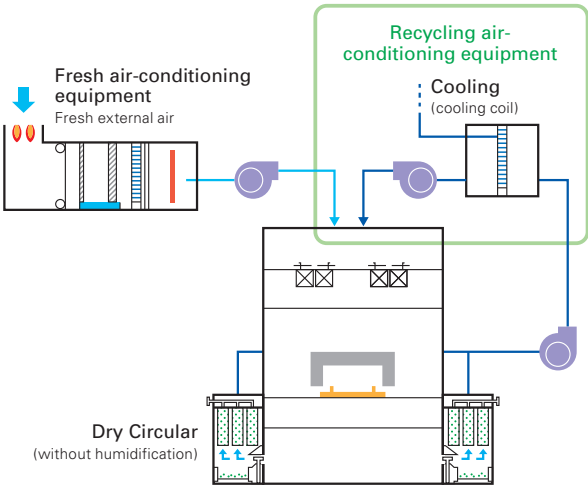
In the wet paint booth system, paint mist is collected and cleaned with a dust removal filter before recycling air. On the other hand, Dry Circular does not need a dust removal filter because it offers 10–20 times higher paint mist collection performance than a wet paint booth system. This reduces the amount of disposal waste generated at the time of maintenance.

Used pre-coating agent that contains collected paint can be recycled as cement materials, making the pre-coating type dry paint booth system eco-friendly as well.



Pre-coating Type Dry Paint Booth

Pre-coating Type Dry Paint Booth System

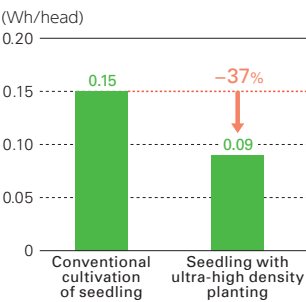


Development of Ultra-High Density Planting System for Plant Factory

LED-lighting Ultra-High Density Planting System

Taikisha worked on introducing an LED-lighting Ultra-High Density Planting System to its proven seedling lines of lettuce production factory, with the aim of improving the yield efficiency per unit area and reducing electricity consumption per head of lettuce. The design model has achieved an improvement in yield efficiency per unit area by 215% and reduction of electricity consumption for plant cultivation lighting by 37% per head of lettuce. In addition, Taikisha has confirmed the stable growth of lettuce with the systems that have been actually introduced into a plant factory.

Electricity consumption for plant cultivation lighting per head of lettuce (Wh/head)



Taikisha is currently conducting development for switching from a fluorescent lighting system to an LED lighting system for the entire lighting across the cultivation process.

Recycling-Oriented Society

Taikisha disposes of waste appropriately for effective use of limited resources.



Industrial Waste Disposal and Recycling

Among the industrial wastes generated at sites where Taikisha performs construction work as main contractor, Taikisha encourages 4R* activities whereby wastes are collected in a classified manner for recycling so that landfill at final disposal sites is reduced and the amount of mixed waste is curbed.

The disposed industrial waste is sorted into the categories of recycling and final disposal for landfill. The recycled resources are indicated as a recycling rate.

4R* = Refuse (eliminating waste in resource use)

Reduce (reducing waste)

Reuse (reusing waste)

Recycle (recycling waste)

Suitable Waste Management

All of projects whose main contractor is Taikisha are listed up and the waste disposal status is monitored to ensure the waste is treated suitably.

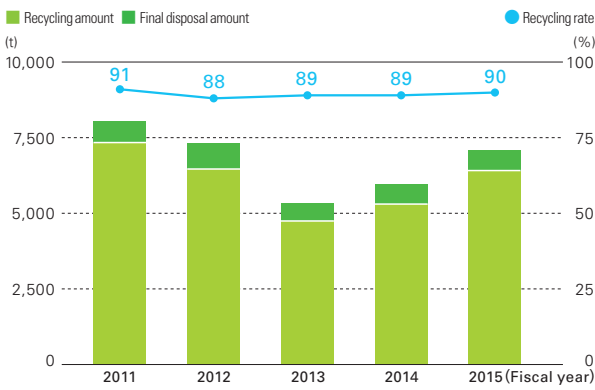
Also, local government permit information of all industrial waste disposal agencies with which Taikisha has contracts is collected, listed, and regularly updated on its internal database, and Taikisha develops and manages a scheme whereby contracts are concluded only with the listed agencies.

Taikisha has introduced the Electronic Manifest scheme, which has been promoted by the Ministry of the Environment since 2009 with the purpose of ensuring suitable disposal of industrial wastes. Taikisha's current introduction rate is 97%.

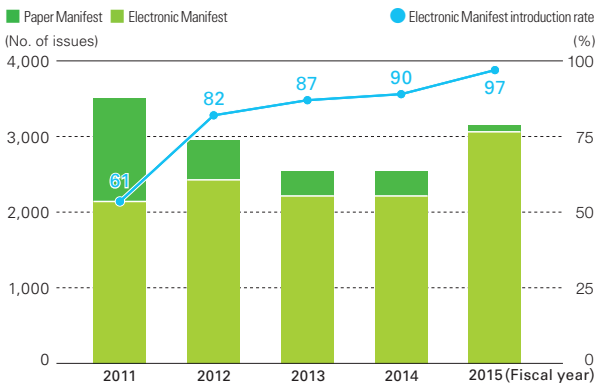
Collection and Management of Hazardous Substances

Taikisha uses Hazardous Substances Collection Control Sheets for hazardous substances (lithium bromide, etc.) generated during renovation work or other projects. This is a similar procedure to Freon management, and Taikisha carries it out from the design and construction stage upon confirming whether there are any of the substances with its Design Policy Plan and Site Environment Control Plan.

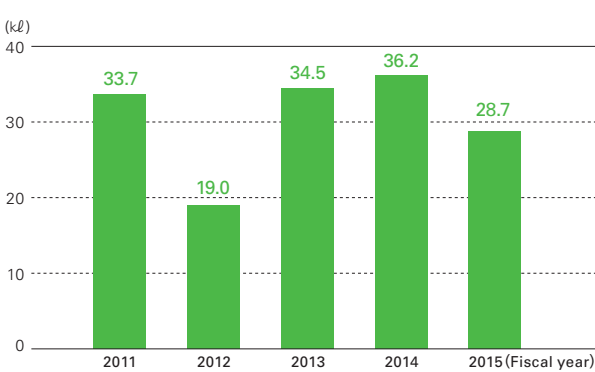
Industrial waste disposal amount and recycling rate



No. of Manifest issues / Electronic Manifest introduction rate



Amount of hazardous substances collected (collection rate: 100%)



Responses to Chemical Substances

Taikisha thoroughly manages chemical substances to reduce environmental impacts.



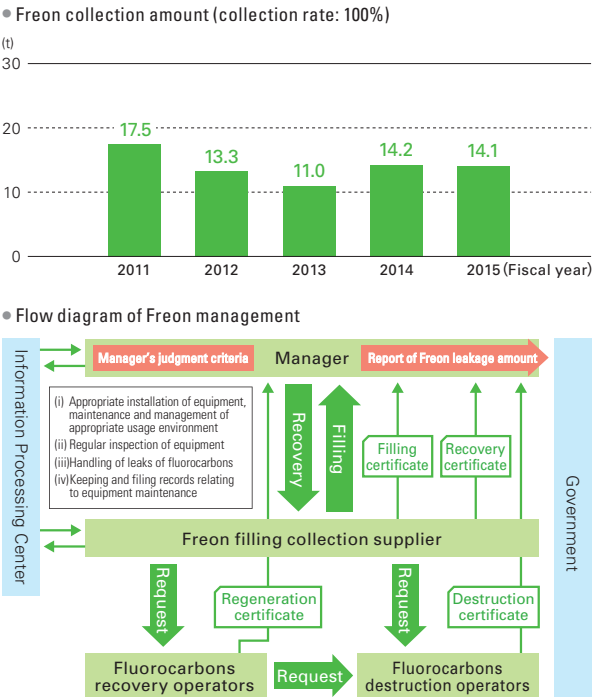
Efforts for Chemical Substance Management

Taikisha manages chemical substances handled in construction sites by creating a Design Policy Plan and Site Environment Control Plan and confirming and checking whether there are related substances in the design and construction phases of each project based on the Environmental Impact Assessment Sheets.

The Research and Development Center confirms and checks chemical substances to be handled in the stage of creating the Development Plan for each research and development item.

Efforts for Freon Management

In compliance with the Fluorocarbons Recovery and Destruction Law that came into force in April 2015, each business office creates Freon Collection Control Sheets and manages the status of filling, collection and suitable disposal of Freon; process management system. In addition, Taikisha draws up Freon collection plans and procedures in the Site Environment Control Plan and endeavor to prevent Freon leaks and other accidents.



Column

Refractory Ceramic Fiber Became Subject to Regulations

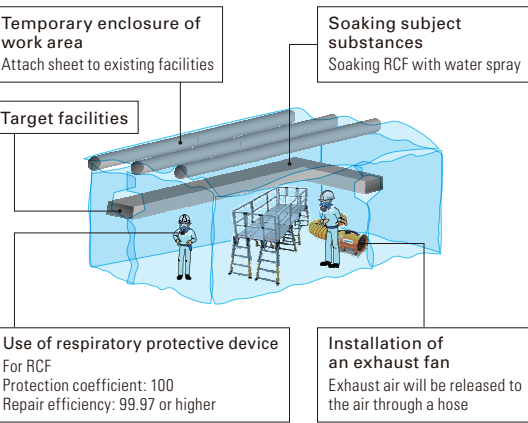
The "Cabinet Order Revising Part of Order for Enforcement of Industrial Safety and Health Act" was promulgated on August 12, 2015 and the "Cabinet Order Revising Part of the Ordinance on Industrial Safety and Health" on September 17, 2015. As a result, Refractory Ceramic Fibers (RCF) were included in substances for which labeling is required and in Class 2 specified chemical substances under the Industrial Safety and Health Act, and handling practices of refractory ceramic fibers became subject to regulations.

Taikisha uses RCF as fireproof material inside RTO, and assembly and repair work, etc. of RTO, etc. will be subject to these regulations. Accordingly, Taikisha created reference materials

[Hazardous property]
Carcinogenic property: Classified as 2B (possibly carcinogenic to humans) by International Agency for Research on Cancer (IARC)
Others: Particular target organ toxicity (repeated exposure)
Respiratory organ

providing an overview of regulations and precautions to ensure thorough compliance with the regulations among employees.

● General case: Removal from indoor machine room (scattering prevention and isolation)



Green Procurement

Taikisha conducts procurement activities that help to reduce environmental impact based on its own guidelines.



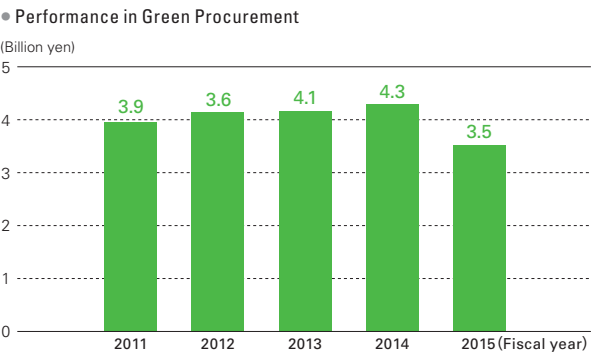
Green Procurement Policy

To lead the green procurement described in Environmental Management Vision, Taikisha strives for preferential procurement and selection of new equipment, systems, working methods and technologies to help reduce environmental impact in business activities (design and construction). Taikisha has determined green procurement items based on its own standards, and grasps the results of procurement and conduct periodic reviews on these green procurement items.

Judging Criteria for the Green Procurement Items

Decision on whether or not items are acceptable as green procurement items shall be made after a comprehensive evaluation based on how they contribute to reduction of the impacts on the environment compared to conventional products with equivalent functions. Evaluation criteria are as follows:

1. Lesser impact on the environment when equipment and materials are constructed or operated (for consumption of energy and resources, etc.)
2. Use of recycled resources for production materials
3. Lesser impact on the environment during construction (for waste generation, energy consumption, noise, vibration, etc.)
4. Lesser impact on the environment during operation (for energy consumption, emission of harmful substances, etc.)
5. Long life expectancy (durability, easy renewal and conversion, etc.)
6. Easy recycling after disposal
7. Easy processing after disposal (easy processing, whether or not it contains harmful substances, etc.)



Adoption of Carbon Offset Products

Taikisha selects office supplies for its construction site offices from among the carbon offset applicable items so that Taikisha can help reduce environmental impacts. For example, Taikisha's procurement helps to preserve forest ecosystems by choosing products for the

Yamanashi Prefectural Forest Global Warming Prevention Project in Yamanashi Prefecture.



Forest thinning work to conserve forest (Yamanashi Prefecture)

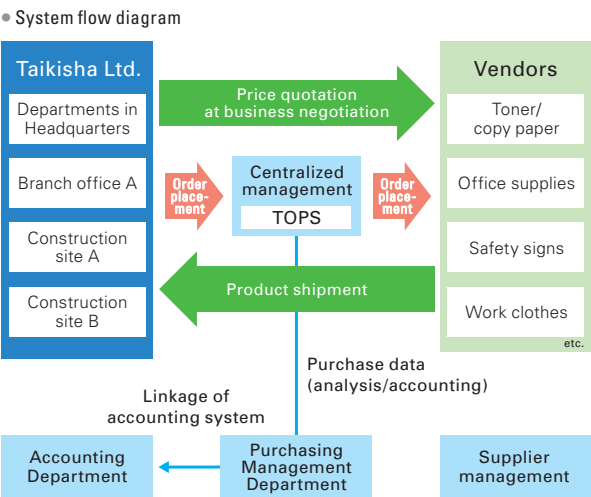


Carbon Offset Certification of a project

Promotion of Paperless Operations with Online Purchasing System

Taikisha has been promoting the use of TOPS, its on-line purchasing system for indirect materials. Users access the TOPS website to purchase various office supplies, ranging from daily necessities and office stationery to work clothes and safety-related products necessary at construction sites. The use of TOPS eliminates the need for processing individual purchase invoices, and, by linking the online purchase system to the accounting system, drastically reduces the number of account slips used for payment, promoting paperless operations.

During FY2015, the total value of online purchase amounted to 77 million yen and the ratio of paperless operations was 84.9%.



Initiatives at Offices

Taikisha continuously promotes energy- and resource-saving activities in the offices.



Grasping the Level of Scope 1 and 2 Emissions to Reduce CO₂ Emissions

Companies are being required to reduce GHG emissions through business operations at construction sites and offices to help curb global warming.

Looking at Taikisha's GHG emissions in FY2015, Scope 1 emissions, which are direct emissions from combustion of fuels, etc., were 1,642 t-CO₂, and Scope 2 emissions, which are indirect emissions from use of electricity, etc., were 1,700 t-CO₂. Taikisha will continue to work on saving energy at construction sites and offices.

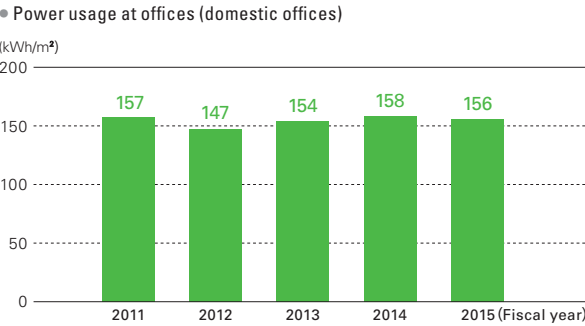
Energy- and Resource- Saving Achievements

Taikisha's power usage in all offices (domestic offices) in FY2015 was 156 kWh/m² (down 1.3% from the previous year). Taikisha will continue to conduct energy-saving and energy-reduction activities, including thorough implementation of power-saving measures.

Energy- and Resource- Saving Activities at Offices

Acknowledging the importance of taking measures such as energy- and power-saving measures to prevent global warming, Taikisha implemented the following power-saving measures at offices from May to October 2015.

- (i) Promotion of COOL BIZ (business casual dress code with no tie and no jacket)
- (ii) Effective use of blinds (reducing air-conditioning load)
- (iii) Use of PC with power saving mode on, shutting down PC when it is not in use
- Turning off printers frequently
- (iv) Setting temperature of air-conditioner in offices at 28°C (target)



Material Flow Diagram

Taikisha quantitatively grasps the input of energy and emissions of CO₂ and other GHG to lead efforts for reducing environmental impacts in business operations.



INPUT

Business activities in the office	
Domestic	Power consumption 3,084,900 kWh (156 kWh/m ²)
	City gas 89,401 m ³
	Amount of water used 10,283 m ³
	Amount of copy paper purchased (units of A4-equivalent paper) 9,190 sheets/person

Construction	
Amount of main materials for building air-conditioning systems*1	
Domestic	Total cooling capacity of air-conditioning equipment 149,404 kW
	Total area of duct*1 502,000 m ²
	Total volume of pipework*3 1,780 t

Office	
Promotion of resource-saving activities in office	
Design	
Energy-saving design at the design stage	

Procurement	
Energy-saving activities during procurement	
Promotion of green procurement	

Construction	
Promotion of resource recycling at construction sites	
Ensuring thorough Freon recovery	
Ensuring thorough recovery of hazardous substances	
Ensuring thorough reduction of VOC emissions	
Energy-saving activities at the construction stage	

Use of products	
Energy-saving activities during the operation phase of sold products	

OUTPUT

Domestic	General waste generated	43.6 t
----------	-------------------------	--------

Domestic	CO ₂ emission reductions at the stage of customers' operations	
Overseas	Proposed CO ₂ emission reductions in in-house design projects (79 proposals for CO ₂ emission reductions; rate of CO ₂ reductions: 26.4%)	-39,005 t-CO ₂ /year

Domestic	CO ₂ emission reductions from paint facilities*3	-79.5 kg-CO ₂ /unit
----------	---	--------------------------------

Domestic	Scope 3: Category 4 Upstream transportation and delivery	24,929 t-CO ₂
----------	--	--------------------------

Domestic	Industrial waste generated*2	7,107 t
----------	------------------------------	---------

Domestic	Amount of Freon recovered*2 (Recovery rate: 100%)	14.1 t
----------	---	--------

Domestic	Amount of hazardous substances (lithium bromide, etc.) recovered*2 (Recovery rate: 100%)	28.7 kℓ
----------	--	---------

Domestic	Reduction of VOC emissions at the stage of customers' operations	-3,000 t/year
----------	--	---------------

Domestic	Amount of CO ₂ reductions through resource-saving activities at the construction stage (due to improvement of construction method, such as introduction of prefabrication technique; CO ₂ reduction rate: 36%)	-295 t
----------	--	--------

Domestic	Scope 3: Category 11 Use of sold products	2,939,225 t-CO ₂
----------	---	-----------------------------

GT: Green Technology System Division
PF: Paint Finishing System Division

*1. Projects that meet certain requirements are applicable.
*2. All projects are applicable (projects where Taikisha performs construction work as the main contractor)
*3. CO₂ emission was calculated by using the calculation model for automobile paint lines (assuming the annual production capacity of 240,000 units in Japan).

Topics

Toward Coexistence with the Environment

Taikisha relocated its Osaka Branch Office to the Shin-Daibiru Building (Dojimahama, Kita-ku, Osaka), an urban office building overlooking a garden of about 3,300 m² in area with aged trees and



Exterior appearance of Shin-Daibiru Building

a diverse habitat called Dojima-no-mori, in May 2015. This building was the first among buildings in west Japan to acquire AAA, the highest rank in the JHEP Certification (Japan Habitat Evaluation and Certification Program), and is certified as a building that actually improves the quality and amount of nature rather than adversely affecting it.

The Shin-Daibiru Building has eco-friendly features also on the inside: it has

achieved a high level of environmental performance with installation of the latest equipment, such as full adoption of LED lighting, and it received the highest rank in various certification programs. The building's energy consumption is nearly 50% less than that of a standard office building. Meanwhile, it succeeded in reducing air-conditioning load by blocking the sunlight while maintaining an open view.

With this verdant place as its new office building, Taikisha will continue to seek coexistence with the environment and make efforts for its conservation and recovery.

The installation work for air-conditioning systems for this building was carried out by Taikisha.



Habitat-friendly Dojima-no-mori

Industrial Safety and Health

Taikisha aims to build a more comfortable working environment by placing the utmost priority on safety.



Basic Principles of Industrial Safety and Health

Based on an understanding of the importance of human life as its basic principle, Taikisha thoroughly implements safety-first planning and construction and fulfills its social responsibilities as a company in the construction industry out of respect for the law. Taikisha aims to protect the health and lives of employees and workers and makes efforts to build a more comfortable working environment.

System for Health and Safety Management

Taikisha has established its own Taikisha Occupational Health & Safety Management System with respect for human lives and a law-abiding spirit as its basic principle. Taikisha has established the Safety Headquarters in its Headquarters and the Safety Control Department in business divisions, and they support safety activities of Branch Offices and Offices while supervising and managing industrial safety of the entire group. To enhance its employees' knowledge and awareness of safety and to prevent the occurrence of similar industrial accidents at construction sites, Taikisha has accumulated information and improvement techniques relating to safety management and compiled such information in a database, and made the information available and known to all employees on the Internal Safety Website.

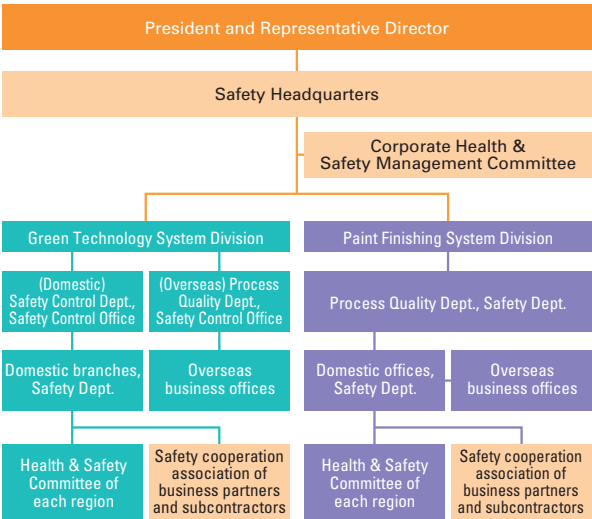
Engineering employees receive Morning Safety Information E-mail every day, which is designed to give information about safety activities and help with day-to-day safety work.

In addition, a safety patrol is conducted by employees of each job ranking of cross-functional departments to confirm that day-to-day work at construction sites is carried out safely and surely. At branch offices and offices, information about problems and measures to deal with problems at construction sites are shared through the Health & Safety Committee meeting held monthly. Moreover, Taikisha maintains a safety management system that ensures safety activities in the entire Company through measures, such as safety audits by the Headquarters and Divisions and efforts in the Corporate Health & Safety Management Committee.

● Morning Safety Information E-mail (i.e., notice of guidelines for safety and prevention measures for accidents)



● Diagram of the System for Health & Safety Management



Management Indicator of Safety Activity Results

Taikisha measures and monitors results of safety activities by using a frequency rate that indicates the frequency of industrial accidents and a severity rate that indicates the severity of accidents as safety indicators.

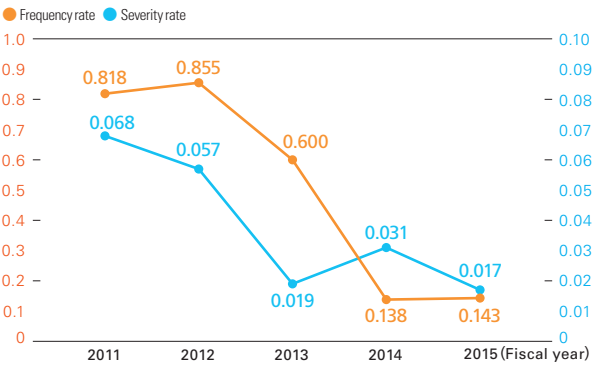
Frequency rate

$$\frac{\text{Number of casualties}}{\text{Number of working hours}} \times 1,000,000$$

Severity rate

$$\frac{\text{Number of lost working days}}{\text{Number of working hours}} \times 1,000$$

Number of casualties: The number of employees and workers who suffered job-related fatal injuries or injuries and illnesses requiring four or more days of lost worktime
The Number of lost working days: The number of days of absence from work of all injured employees and workers (who were absent from work for one or more days)
The Number of working hours: The total number of working hours of employees and workers of subcontractors involved in work at construction sites (excluding injuries, illnesses or loss of life due to accidents during commuting)



(Including the number of industrial accidents at subcontractors)

Efforts for Improvement of Industrial Health & Safety Management in Overseas Business Offices

There has recently been an increasing difference in the levels of industrial safety & health management among business offices due to differences in safety requirements in each country. In addition, Taikisha has had safety management issues with the increase in employees of diverse nationalities.

In order to solve such issues, Taikisha introduced the Occupational Health & Safety Management System ("OHSMS") in eight main overseas business offices, and is conducting safety activities in the entire organization to maintain and improve industrial health and safety levels. In addition, Taikisha invites national staff of overseas business offices to Japan and provides periodic safety education to enhance their safety management capabilities. Taikisha also conducts safety audits and safety patrols in the Headquarters to check the status of health and safety management activities at construction sites and give guidance.

Overseas Safety Audit

Under the recognition that it is of paramount importance for overseas business offices to carry out high levels of safety activities autonomously, the Headquarters conduct safety audits on items which are not



checked by external audits or internal audits, such as whether OHSMS has lost substance or not and the safety awareness levels of national staff are maintained.



Safety Training by Inviting National Staff

In order to improve the safety activity levels of business offices overseas, Taikisha invites staff members from the safety department and construction department of each country to Japan every year to provide various education and training programs.

(Safety education items for staff members of overseas business offices)

- (i) Safety activity guidance
- (ii) Presentation of safety activities of each country
- (iii) Group discussion
- (iv) Safety patrol training
- (v) Crisis experience training
- (vi) Education on various safety management capabilities
- (vii) Opinion exchange meeting, etc.



VOICE



Mr. Nguyen Tu Cuong
Manager of Safety Department
Taikisha Vietnam Engineering Inc.

We will plan and implement safety management initiatives in Vietnam in a confident way.

The construction market in Vietnam is undergoing a major change, and we believe we are going to need to pay attention, in particular, to moves of non-Japanese clients and rebuild our safety management system to suit the trends of clients. We intend to plan and implement the following safety management activities continuously.

The number of industrial accidents has been decreasing due to our safety management activities. We will continue to improve our safety activities with confidence by believing that our activities will bring good results in the new market as well.

(i) Improvement of safety management capabilities necessary for Taikisha Vietnam Engineering

- Conducting training programs to improve safety management capabilities for employees of Taikisha Vietnam Engineering
- Continuous improvement of the Industrial Health & Safety System to suit trends of clients (OHSAS18001/18002)

(ii) Education for improving safety capabilities of specialist contractors

- Encouraging establishment of safety department in subcontractors
- Providing training to improve safety capabilities for workers of subcontractors

Initiatives for Quality Improvement

Taikisha is continuously working on quality improvement to gain high reputation and trust.



Basic Policy of the Green Technology System Division

The Green Technology System Division has formulated the basic principle of quality policy: “We will continuously work on business process management and improvement amid changing social requirements and under the quality management system, aiming to achieve product quality that is free from Muda (wasteful), Mura (inconsistent) and Muri (unreasonable).” In addition, it has set out action guidelines for each of the following five business processes and is conducting quality improvement activities.

- (i) Sales quality improvement
- (ii) Design quality improvement
- (iii) Improvement of construction process quality
- (iv) Improvement of purchase process quality
- (v) Improvement of technology development quality

Basic Policy of the Paint Finishing System Division

The Paint Finishing System Division has set out the following three quality policy initiatives based on the basic principle of the quality policy: “We will continue to provide paint systems that meet customers’ needs and expectations to gain trust from clients and high reputation from society.” In addition, it has created a checklist of the Quality Control (QC) Follow-up Sheet and is promoting quality control projects.

- (i) Provide eco-friendly paint systems.
- (ii) Strive to improve technology, maintain and improve design quality, and enhance construction quality.
- (iii) Increase productivity as a result of the above to reduce costs and meet customers’ quality requirements.

Efforts for Quality Improvement at Overseas Business Offices

In order to improve the quality of overseas projects, Taikisha identifies priority projects and discusses their quality issues at the Design Reviews Meeting and Construction Meeting, and follows up on the projects to completion at regular meetings.

Information on defects generated at each business offices is collected by the department in charge, and such information is shared at the overseas Engineering Department Manager Meeting held three times a year.

In addition, the department in charge provides technical training to staff members of the Engineering Department at construction sites of each business office.

Improvement Activities

To make continuous improvements in the quality management system, it is important to run the PDCA cycle to gain customer satisfaction by meeting customer requirements. As an example of the cycle, each division develops a database of proposals and findings submitted from customers, and promotes standardization of such items and verifies the appropriateness of design and construction.

Construction Quality Inspection at Construction Sites

A construction quality inspection at construction sites is conducted in stages: self-inspection by subcontractors, self-inspection by site offices, and quality inspection by the Engineering Dept. and Quality Control Dept. Quality inspections are carried out prior to, during and after completion of construction. The status of correction of defects is checked periodically based on inspection records, and a follow-up on the status of correction is carried out until correction is completed.

Strengthen the Design and Construction Process by Cross-Functional Departments

The Green Technology System Division extracts technical issues and develops measures at each level of the Design Reviews Meeting, Construction Policy Meeting, and Construction Meeting, in order to manage design and construction processes.

In addition, information on the status of resolving extracted technical issues is exchanged once a month through cooperation between the Headquarters and cross-functional departments, and a follow-up is carried out until the technical issues are resolved.

Efforts for Information Sharing Regarding Quality

Information on basic technologies and defects regarding quality is posted on the operation support system to make it available for employees to view at all times. In addition, standardization materials for preventing recurrence of defects are created and also posted on the operation support system. Moreover, employee training is provided regularly to promote information sharing.



Employee training on quality improvement

Labor Practices

Taikisha is striving to build a company that provides job satisfaction to its employees.



Human Resource Development

Taikisha is an engineering company, and its best asset is its human resources. Human resource development and education is positioned as an important management challenge.

There is a lineup of training schemes available in Taikisha to enhance its members’ skills in managing projects and teams and communicating with customers, business partners, supervisors, colleagues, and subordinates in addition to improving the expertise of the individual employees. The training programs have been extended with additional allowed time for each employee to join group training and the divisions have also participated in operating the programs as Taikisha aims for its goals.

Taikisha aims to develop self-motivated human resources and train “professionals” at an early stage.

Human Development Vision

- 1

Develop human resources with high morals

- Taikisha conducts fair and just business activities using global perspectives while observing the norms of society, regulations and laws, and rules
- 2

Develop human resources who are capable of achieving goals and realizing the visions of organizations and individuals through their work

- They are highly creative
 - They are cooperative and logical through their actions that are made based on mutual trust in principle
- 3

Develop human resources who flexibly respond to market changes

- They are able to handle operations on a global scale
 - They are able to strive for business expansion

Hours of training per employee (training by job ranking, etc., excluding new employee education)	FY2014: 12 hours FY2015: 12 hours
--	--------------------------------------

● Education and Training Schemes

Age		Training by job ranking		Training by objective									
		Role recognition by job ranking		Compliance	Safety management	Globalization	Training of successors	Divisional accounting system	Engineering and sales practices				
									Green Technology System Division		Paint Finishing System Division		
55	General Manager of Corporate Offices/Managers	Training for management executives	Training for newly appointed General Managers	Compliance training/Anti-monopoly law training/Training to respond to the Fair Trade Organization's exclusion order		Training for management of overseas business offices	Training for cultivating management executives/successors	Explanatory meeting/wrap-up meeting for behavioral assessment	Engineering Department Manager training	Engineering Department Manager training	Design job leader training	Sales Department training	
45	Managers	Training for newly appointed Managers	Training for newly joined mid-career employees	Life plan training		Foreign language training					Health & Safety/equipment trial run/Working budget management training	Leadership training	Mid-career employee training
35	Members	Training for newly appointed managerial staff	Training for employees advanced to career-track positions	Work-life management training	Safety training						Training for employees with two years or less of service		E-learning
30		Training for staff to stand on their own feet											
22		Training for new employees			Safety training for new employees (first/second half)				New employee education (engineering/CAD)				

■ Mindset development training designed to build awareness ■ Skill development training designed to acquire knowledge

Labor Practices

Taikisha is striving to build an attractive and motivation-oriented company.



Global Human Resource System

Different from the manufacturing business in automated factories, Taikisha’s core business has taken the work style where people conduct projects to complete operations; thus, people are a major factor in its service quality. Taikisha’s Global Human Resource System for national staff has been introduced to support this work style.

The system has been developed using the evaluation system that underpins Taikisha’s corporate philosophy, the grade system that realizes global-based personnel assignments, and the rewarding system that encourages people to practice the spirit of “Customers First.”

Introducing this system enables Taikisha to promise a stable living base for its employees and to provide consistent quality and services at high levels anywhere in the world based on the high performance.

Taikisha’s Global Human Resource System Guideline issued in 2014 is a flexible system where national and regional characteristics and governance are well balanced. It has been introduced in the group companies with a relatively high number of employees such as India, Indonesia, and Thailand to be expanded to other countries.

Just and Fair Assessment

Taikisha’s personnel assessment is conducted based on the philosophies of just and fair operations. In concrete terms, Taikisha’s personnel are assessed with skill evaluations and performance evaluations. In the skill evaluation, the employees are evaluated on their knowledge, abilities, conduct and motivation necessary for individuals according to Ability Evaluation Sheet. The results are given to them as feedback, which is expected to lead to enhanced human resource development.

In the performance evaluation, the employees are fully engaged in target setting and informed of evaluation results as feedback. This is done through communication at places including meetings between members and their supervisors in the aim of improving the degree of target achievement as well as training and developing human resources.

In performing evaluations, Taikisha gives consideration to the abilities of individual employees as well as their performance results to lead to increased motivation of employees, and gives importance to stimulating employees’ motivation and pride.

Employee Data

Number of employees (as of March 31, 2016)	Non-consolidated	Male	1,334
		Female	150
		Total	1,484
	Consolidated		4,892
Number of non-regular employees (as of March 31, 2016)	Temporary employees		84
	Contract employees		77
	Total		161
Number of newly employed employees (FY2015)	New graduates	Male	38
		Female	2
		Total	40
	Mid-career employment	Male	17
		Female	5
		Total	22
Number of employees who left their job (FY2015)	Mandatory retirement		21
	Retirement for personal reasons		27
	Total		48

Reemployment after mandatory retirement	Number of reemployed employees	FY2013	FY2014	FY2015	FY2016
		73	87	98	106
	Reemployment rate (%)	89.0	88.5	86.7	86.8

Employment rate of persons with disabilities* (%) (as of June 1 for each fiscal year)	FY2013	FY2014	FY2015	FY2016
	2.07	2.07	2.22	2.18

*Legal employment rate: 2.0%

Corporate Culture Committee

The Corporate Culture Committee was set up in 1975 with the aim of creating an organizational culture that provides material and spiritual job satisfaction based on the spirit of mutual trust and cooperation by all employees. In this committee, the employees broadly exchange opinions about operational improvements or organizational revisions while researching, discussing, and planning in cooperation with related divisions.

In addition, it acts as a labor representative in labor and management discussions. It can voice its opinions to a corresponding planning division if any important changes are made in the schemes related to employment profits such as labor regulations and others.

Improvement of the Work-Life Balance

Taikisha considers that work supports our living base and provides inspiration and joy to our lives. But at the same time housekeeping, parenting, and community affairs play an equally imperative role in our lives as well. When they have a good balance, the inspirations and joys are doubled and our lives are satisfying.

A balance between work and life ensures high-level human resource development that is the driving force and competitive power of Taikisha. As part of Taikisha’s efforts toward achieving this balance, Taikisha has various holiday/leave benefit systems.

Status of Acquisition of Maternity and Childcare Leave

	FY2013	FY2014	FY2015
Number of employees on maternity leave	6	6	5
Number of employees on childcare leave	5	6	9
Ratio of employees who returned to work after childcare leave (%)	100	100	100
Retention rate 12 months after returning to work (%)	0	67	100
Number of employees who returned to work during the fiscal year in which the child was born	1	6	9
Number of people who left their job within 12 months after returning to work	1	2	0
Number of employees who are using the short-working-hours system	13	15	22
Number of paid holidays taken (days)	5.8	5.9	6.2

Example of Taikisha’s holiday/leave benefits

- Compensatory consecutive days off after peak-time work: If the employee is still eligible to take compensatory days -off after his/her peak-time work, he/she is allowed to take at least three consecutive days off as compensatory days off.
- Refreshing holidays for long-service employees: If employment has continued for over 25 years and the long-service employment award is given to the employee, he/she is allowed to take a 15 days of paid leave in addition to his/her paid holidays.
- Utilization of remaining paid holidays: Employees who have unused and expired paid holidays over the last 10 years are entitled to use them for extended care and nursing care (unpaid under normal conditions).

Mental Health Support

Prevention 1	Activities to protect the employees from mentally unwell conditions.
Internal training to raise awareness of the employees.	
Prevention 2	Measures to find problems at an early stage and take prompt and suitable actions.
Suitable advice and instructions are given upon consultation or communication with the supervisors or the division leader of the person who is unwell. If needed, consultation is available for the employee.	
Prevention 3	Measures to precisely learn and manage symptoms in order to prevent them from becoming worse.

The Personnel Administration Department at the Administrative Management Headquarters immediately responds and provides support until the employee can return to his/her work.

Achievement of Diversity

For organizations and corporations, making efforts for diversity has become more important in recent years.

Various types of human resources with different characters gather together in an organization or a corporation. Sharing diverse perspectives and values helps an organization to respond to changing environments and needs as well as to create an attractive and comfortable work environment.

Taikisha considers that its approaches for diversity bring out enhanced human resources and increase their motivation for work.

Promoting Women’s Career Advancement

As part of Taikisha’s efforts for promoting diversity at the workplace, Taikisha is promoting career advancement for its female employees. Taikisha believes all employees must be allowed to fully demonstrate their individualities and abilities to make Taikisha an attractive company.

Taikisha will strive to further enhance training programs and systems to create a better working environment for female employees and step up support for women’s career advancement by setting a target of tripling the number of female employees in managerial positions by 2019.

Harassment Prevention

Taikisha has a specialized consultation counter for sexual harassment while other types of harassment are handled through internal and external reporting counters.

The informer is protected by Taikisha’s Whistleblowing Rules and other similar rules. As soon as a matter is reported for consultation, Taikisha takes quick actions to resolve it.

Taikisha offers enlightenment activities to make people aware of the need for countermeasures and the significance of preventing and resolving issues.

Relationship with Taikisha's Business Partners

Taikisha promotes procurement activities based on the principle of fairness and justice.



Basic Principle

Taikisha broadly welcomes both domestic and overseas business partners with its motto "open and fair," and operates fair business transactions based on its basic policy.

Also Taikisha provides information and engineering support as needed to overseas companies that are interested in expanding into the Japanese market.

Basic Policy

- Compliance with laws and regulations and the spirit thereof
- Reasonable selection of business partners and proper transactions therewith
- Management of confidential information
- Concern for resource protection and environmental conservation
- Promote trusting relationships with business partners

Business Partner Selection System

Taikisha selects business partners based on the evaluation of purchase quality (specifications, performance, delivery time, price, etc.), and negotiates prices based on reasonable grounds (past performance, etc.). In addition, Taikisha has established an internal reporting system (internal and external reporting desks) to ensure fair business transactions.

Management of Business Partner Information Database

Taikisha has a business partner database and periodically conducts investigations on business partners to update the information on the database as needed. In addition, Taikisha evaluates the details of transactions with business partners to maintain business relationships. In FY2015, Taikisha updated the database of information on 4,061 business partners.

Global Procurement Activities

Taikisha has introduced a centralized control system with procurement data on the overseas business offices to visualize the supply chain and optimize procurement. Taikisha will review the evaluation criteria for business partners to grasp risks related to business partners more appropriately.

Exclusion of Anti-Social Forces

Taikisha ensures no anti-social forces are involved in its operations and refuses any request from anti-social forces according to the Taikisha Code of Conduct. Taikisha also forbids the employees from having any involvement with anti-social forces. In order to clarify the exclusion of anti-social forces in transactions with suppliers, upon discussion, Taikisha has included it as a clause of basic agreements with all existing suppliers.

Furthermore, no relationship with anti-social forces is one of the conditions to do businesses with new suppliers and subcontractors.

Coordination with Business Partners

Taikisha regularly holds information sessions for manufacturers and distribution agents to have them understand the business transaction rules and other similar matters with the aim of maintaining good relationships with its business partners.



Award of "Excellent Green Procurement Company"

Taikisha's Award of "Excellent Green Procurement Company" began in FY2011 and is designed to annually recognize the business partners for their contribution to green procurement and their proactive involvement in environmental activities to further promote green procurement activities.

By doing this, Taikisha expresses its appreciation for business partners for their continuous understanding of and cooperation in its initiatives and strives to further strengthen its partnerships with them.



Contributions to Community

Taikisha is conducting activities to contribute to the community as a member of society (corporate citizen).



Social Contributions

Participation in donation program of Hokkaido UNICEF Association

In support of Hokkaido UNICEF Association's activities for assisting the growth of children around the world in difficult circumstances, Taikisha donated unused calendars (eight boxfuls) it had received during the year-end and New Year period. These calendars will be sold at a charity bazaar and the proceeds will be used for the organization's activities.

Additional activities include:

- Donation to the Keidanren Nature Conservation Fund
- Donation to the Guide Dogs Training System of Japan Guide Dog Association
- Cooperation in Shinrai Shihon Zaidan's "Arigato-hon" (book donation) activities
- Co-hosting the Namaste India (Indian Culture Event)
- Collection of used stamps, unwanted mobile phones, Bell-Marks, foreign coins, used clothes, etc.
- Collection of unused items (stamps, prepaid telephone cards, gift vouchers, prepaid book vouchers)
- Blood donation, etc.



Initiatives in Overseas Business Offices

Cleaning Activity in Japanese Cemetery Park

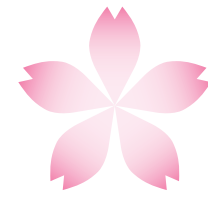
On August 7, 2015, employees of Taikisha (Singapore) Pte. Ltd. and their family members voluntarily cleaned the Japanese Cemetery Park. This marked the fifth year of their participation in this activity. After the cleaning was completed, they offered flowers to the cenotaph and prayed for Japanese people who lost their lives in Singapore.



Community Contribution Activities

Donation to the fukushima Sakura Project

In support of the "fukushima Sakura Project," which aims to prevent the efforts for recovering from the Great East Japan Earthquake from losing momentum, Taikisha's Tohoku Branch Office cooperated in continuous recovery support activities for disaster-stricken areas and people. This project supports the recovery of Fukushima and the Tohoku region through activities, including delivering seedlings of a new species of cherry tree called Haruka across the country and holding various events attracting many people in Fukushima Prefecture.



fukushima
さくらプロジェクト

Participation in Wakamono-no Tsudoi (Young People's Gathering) in Shinjuku

On November 7, 2015, Taikisha participated in Wakamono-no-Tsudoi 2015, held in Shinjuku Culture Center to join in community activities as a member of the Shinjuku CSR Network. The network is mainly comprised of companies which are involved in volunteer/social contributions in Shinjuku-ku, and Taikisha joined the group in 2011. This time, together with participating companies, Taikisha was in charge of setting up a family corner for kids and parents to have a fun time. Taikisha socialized with community residents by crafting kids' toys using plastic bottles.



Participation in Shinjuku Year-End Cleaning Campaign

Nearly 30 employees of Taikisha participated in the "12th Shinjuku Year-End Cleaning Campaign," organized by Shinjuku City, for cleaning the neighborhood around Shinjuku Station on December 18, 2015. They cleaned up the area west of Shinjuku Station.

(Other activities of domestic business offices)

Tokyo Head Office: Participation in "Uchimizu (Water Sprinkling) Campaign 2015" in Shinjuku

Osaka Branch Office: Regular cleaning activities around the Hirakata Factory

Tohoku Branch Office: Participation in the "Hirosegawa River 10,000 People Project" (Comprehensive cleanup of the Hirosegawa River basin)

Involvement with Shareholders and Investors

Taikisha discloses financial data and management information to its shareholders and investors as a company with a high level of transparency.



Information Disclosure Policy

Taikisha promptly discloses important information regarding Taikisha based on the transparency, fairness, and consistency stated in Taikisha management vision: “Conduct businesses under free and fair competition in compliance with laws and the spirit thereof; contribute to customer/business partner, shareholder, employee, community/society and global environment with transparency and integrity.”

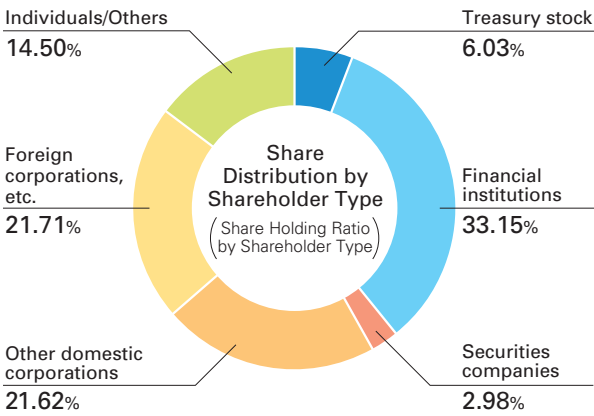
Basic Policy for Shareholders Returns

Taikisha considers providing shareholder returns through dividend payouts to be one of the top priority measures, and strives to pay stable dividends by targeting a consolidated dividend payout ratio of 35%.

Stock Information

Basic Data (as of March 31, 2016)

Number of shares authorized: 1 billion (1,000,000,000) shares
Number of shares issued: 36,782,009 shares
Number of shareholders: 3,404



IR Events

In addition to the Shareholders’ Meeting in June, year-end and half-year financial result briefings are held in May and November. Also, company information sessions take place irregularly but several times a year for individual investors.



IR event

Information Tools

There are publications that Taikisha distributes to its shareholders: Shareholder newsletter (issued in June and December) and Annual Reports (issued in August).

Taikisha’s website has PDF files of the publications, as well as items disclosed at the Tokyo Stock Exchange such as earnings release, financial results, quarterly reports, mid-term business plans, materials for earnings release conference, and Fact Book. The latest version of these documents can also be downloaded together.

Taikisha’s business details and histories are introduced for its shareholders and investors.

External Evaluation

Taikisha’s website is highly evaluated by external organizations.

In the “Gomez IR Website Ranking 2015” by Morning Star K.K., Taikisha ranked top in the construction industry.

In the “2015 Website Quality Ranking in All Listed Companies” by Nikko Investor Relations, Taikisha received the Excellent Corporate Website Award (ranked second in the construction industry).



<http://www.nikkoir.co.jp/>

Third-Party Opinion



Mr. Toru Umeda

Professor, Faculty of Foreign Studies, the Former Director of Business Ethics and Compliance Research Center, Reitaku University

What I realized when I picked up Taikisha’s “CSR Report 2016” first was the increase in number of pages. Adoption of the Sustainable Development Goals (SDGs) at the United Nations Sustainable Development Summit held in September 2015 is a big chance for Taikisha to “contribute to global warming mitigation measures.” It was a good judgment by Taikisha to enhance information disclosure in its area of specialty. The information disclosure on Scope 3 GHG emissions, included in the “Efforts for Realizing a Low-Carbon Society” section, is one of the centerpieces of this report. Scope 3 is an international framework for calculating and reporting GHG emissions in the entire supply chain. I imagine the calculation work was not an easy task. However, there is an advantage in grasping and visualizing GHG emissions in the entire supply chain since it clarifies priority areas and items for reducing GHG emissions. In addition, grasping GHG emissions at customers to which Taikisha provided facilities has the merit of opening up a new frontier of relationships with customers. The Material Flow Diagram on page 36 is much easier to follow than the one in the previous report.

I can tell by reading the report that Taikisha has strengthened its compliance system as well. Taikisha has assigned a Compliance Officer in its domestic

business offices as well as overseas business offices. I think it is excellent that Taikisha created the Compliance Manual in foreign languages as well. In addition, the content of Taikisha’s compliance training has been enhanced further. I can see from the report that Taikisha is also concerned about the bribery risk in Asian regions, where the risk of extortion is deemed to be considerably high, and is stepping up training programs to prevent bribery.

For the “Promoting Women’s Career Advancement” item in the Contributions to Society section, Taikisha has set a target of tripling the number of female management level employees by 2019. I believe it is one of Taikisha’s initiatives to respond to the enforcement in April 2016 of the Act on Promotion of Women’s Participation and Advancement in the Workplace. On the other hand, the Employee Data, released for the first time, show that the number of female employees is relatively small compared to that of male employees. I suggest that Taikisha makes efforts to increase the number of female management level employees while broadening the base of female employees (increasing their number). I hope that Taikisha will take action in this area from the next year onwards.

In Response to the Third-Party Opinion

We really appreciate the fact that Professor Umeda provided us with valuable opinions following the last year.

This was our second publication of the CSR Report, and we produced this year’s report by making improvements both in quality and quantity over the previous year’s report. In particular, we are pleased that Taikisha was acclaimed for our several years of activities on the establishment of the ESG system in overseas business offices, which was pointed out as an issue to work on last year. We intend to enhance our initiatives further in this area.

As for the “Promoting Women’s Career Advancement,” which was newly pointed out this year as an issue to be addressed, We are working on the development of internal systems that create a pleasant working environment for female employees and other frameworks for bringing out their potential abilities. However, we understand that we need to strive further, and we are committed to continue making improvements in this respect.

As we continue with our activities toward the realization of our “Customers First” mission statement, we would like to ask for candid advice and opinions from all our stakeholders.



Koji Kato

Director, Executive Corporate Officer
In charge of CSR



Taikisha Ltd.

Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1,
Nishi-Shinjuku, Shinjuku-ku, Tokyo
160-6129, Japan

[Contact for inquiries] Investor Relations Section
TEL. 81-(0)3-3365-5320 FAX. 81-(0)3-5338-5195
<http://www.taikisha-group.com>

