

To Our Shareholders

Disclosure through the Internet relating to “Notice of the 160th General Meeting of Shareholders”

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(From April 1, 2019 to March 31, 2020)

TAISEI CORPORATION

Note: The items above are provided to our shareholders by posting our website (<https://www.aisei.co.jp/>) in accordance with laws and regulations, and Article 16 of the Articles of Incorporation of Taisei Corporation.

Important note:

This document is English translation of “Disclosure through the Internet relating to Notice of the 160th General Meeting of Shareholders” .

In the event that any of the information contained in these English translations is inconsistent with the information contained in the Japanese original document, the Japanese original document shall prevail.

Systems and Policies of the Company

In order to secure a system for properly and efficiently executing business and to ensure the reliability of financial reporting, the Company set out its “Fundamental Policy to Enhance Operational Compliance Systems” at the Board as follows:

Fundamental Policy to Enhance Operational Compliance Systems

(1) Systems to ensure that Members of the Board and the employees carry out their duties in compliance with laws and regulations and the Articles of Incorporation

- (a) Members of the Board shall recognize that compliance is at the core of good management and shall faithfully comply with all compliance-related regulations, including the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole.
- (b) The Company shall ensure that all the officers and employees recognize their compliance-related obligations:
 - by implementing programs recommended by the Compliance Committee, such as strict disciplinary punishments for the officers and employees found to have violated a law or regulation, enhancement of systems to prevent collusive bidding practices, and ensuring the effective operation of the Corporate Ethics Helpline; and
 - by promoting compliance education and encouraging internal audits (self-audits) at the department level.
- (c) The General Affairs Department shall guide the compliance-related activities of individual corporate bodies, and the Auditing Department shall ensure the effectiveness of internal audits by working closely with the individual corporate bodies.

(2) Structure to retain and manage information regarding the performance of duties by Members of the Board

- (a) The Company shall codify the rules and procedures concerning information and shall develop systems to properly manage all information belonging to the Company in order to duly record and retain information relating to the performance of Members of the Board of their duties, to prevent any leakage or unauthorized use of such information, and to effectively use such information.

(3) Risk management rules and measures; and internal system

- (a) The Company shall develop systems to properly manage primary risks, including those relating to quality, safety, environment, compliance, information and profit and loss, in accordance with the Company’s fundamental policy for development of risk management system.
- (b) The Company shall develop systems to manage the risks in the event of an emergency or a large disaster, including arrangements to ensure the continuation of business operations.
- (c) Each corporate body shall enhance its risk management capacity in an organized manner by providing its members with risk management education and other programs.
- (d) The General Affairs Department will promote proper management of company-wide risks, and the Auditing Department will promote endeavors to continually improve the risk management system through internal audits.

(4) Systems to ensure the efficient performance of duties by Members of the Board

- (a) The Company shall establish the Executive Committee as a decision-making body and adopt the executive officer system that enables the Company to operate its business in a swift manner. In addition, the Company shall make the decision-making function more vivid and fruitful and enhance the supervisory function of the Board by utilizing the committees within the Board and consulting the External Members of the Board.
- (b) The Company shall develop and enhance the rules and procedures regarding the delegation of decision making and other powers to managers and the execution of the duties, to facilitate more efficient decision making and management processes, responding to changes in the managerial environment.

(5) Systems to ensure proper operation of group companies

- (a) The Company shall promote to establish internal rules in each group company regarding reporting requirements to the Company in accordance with the Company's fundamental policy and operational guidelines concerning the group operation.
- (b) The Company shall establish a risk management system in each group company, promoting to establish internal rules in each group company for its risk management with respect to quality, safety, environment, compliance, information, profit and loss and large-scale disaster and other major risks in accordance with the business characteristics of each group company.
In addition, the Company shall ensure the effectiveness of group company's risk management system through an internal audit by the Auditing Department and a group liaison meeting held by the Legal Department and other departments of each group company, promotion of risk management education in each group company, and provision of the group helpline amongst other things.
- (c) The Company shall assist, advise and collaborate in the business of each group company by clarifying the functions and roles of each company in the group, assisting each group company to implement an organizational structure appropriate for its business characteristics and size thereof and utilizing the management resources in the group.
In addition, the Company shall hold group management meetings from time to time to facilitate communication among its group companies and promoting mutual understanding and cooperation with respect to issues related to technology, production, marketing and sales, transaction and other issues surrounding the group.
- (d) The Company shall share within the group its philosophy (objectives and goals to be pursued), spirit (key concepts all the officers and employees in our group must adhere to), and code of conduct (the fundamental principles of conduct for the organization and standards of behavior and decisions criteria which the officers and employees in our group shall adopt and strictly comply with), and the Company shall also establish a compliance system, promoting to enhance internal rules appropriate for the business characteristics of each group company.
In addition, the Company shall ensure the effective operation of the compliance system of each group company through internal audits conducted by the Auditing Department and group liaison meetings held by the Legal Department and other departments of each group company, including the promotion of compliance education for each group company, and provision of the group helpline.

- (6) **Systems regarding the employees supporting Audit & Supervisory Board Members, the independence of such employees from Members of the Board and ensuring effective instructions from Audit & Supervisory Board Members to such employees**
- (a) Audit & Supervisory Board Members and General Manager of the Human Resources Department shall discuss in advance assignments, transfers, evaluations and other issues regarding the staff of the Audit & Supervisory Board Members' Department, whose primary role is to assist the performance of duties by Audit & Supervisory Board Members.
 - (b) Each department shall properly perform its duties in order to ensure that staff of the Audit & Supervisory Board Members' Department shall effectively follow the instructions from Audit & Supervisory Board Members.
- (7) **Systems for reporting to Audit & Supervisory Board Members and preventing the adverse treatment of persons who make reports**
- (a) For the purpose of auditing the internal controls of the Company and each group company by Audit & Supervisory Board Members, the Company shall determine the matters that the officers and employees of the Company and each group company, or any recipient of a report from such officer or employee of the Company, should report to Audit & Supervisory Board Members, and shall establish the following systems:
 - 1) A system in which Audit & Supervisory Board Members can receive reports from the officers and employees of the Company at any time;
 - 2) A system in which Audit & Supervisory Board Members can receive reports from the officers and employees of each group company or a recipient of a report from such officer or employee; and
 - 3) A system in which Audit & Supervisory Board Members shall receive reports of any violation of law or regulation by any officer or employee of the Company through the corporate ethics helpline and the group helpline.
 - (b) The Company shall establish a system to prevent any adverse treatment of a person who makes a report under the preceding paragraph based on the fact that he/she made such report.
- (8) **Matters concerning policies regarding the allocation of costs arising from the performance of duties by Audit & Supervisory Board Members and systems to ensure that Audit & Supervisory Board Members can effectively conduct the audit of the Company**
- (a) If an Audit & Supervisory Board Member claims costs arising from the performance of its duties, Members of the Board shall properly handle such claim in order to ensure that the audit is effectively conducted.
 - (b) Members of the Board representing the Company and Audit & Supervisory Board Members shall facilitate their mutual understanding, through periodic meetings, regarding the status of the audits conducted by Audit & Supervisory Board Members, and other important issues.
 - (c) The relationship amongst Audit & Supervisory Board Members shall be strengthened by measures such as:
 - Audit & Supervisory Board Members and General Manager of the Auditing Department shall exchange documents regarding the cooperation between Audit & Supervisory Board Members and the Auditing Department; and
 - The Auditing Department and Accounting Auditor shall have regular meetings with Audit & Supervisory Board Members.
- (9) **Structure to ensure appropriateness of financial reports**
- (a) The Company shall develop internal controls sufficient to ensure the appropriateness of all financial reports.

Summary of Our Efforts under the Fundamental Policy to Enhance Operational Compliance Systems

(1) Efforts related to “Systems to ensure that Members of the Board and the employees carry out their duties in compliance with laws and regulations and the Articles of Incorporation”

The Board has established its internal compliance-related rules, including the Group Action Guidelines, and takes the lead in complying with them sincerely and reviews them, as appropriate, taking into consideration revisions of laws and regulations, changes in social circumstances, compliance issues that actually occur, and so forth.

In addition, in order to enhance compliance awareness on a company-wide scale, the Company provides the officers and employees with the training through e-learning and issues “Compliance News” every month, which covers typical compliance issues. In fiscal year 2019, as well as in fiscal year 2018, the Company provided the training mainly to the officers and employees who belong to the marketing and sales division with an external lawyer as an instructor to ensure that they comply with the Anti-Monopoly Act.

Furthermore, the Company conducts compliance questionnaire surveys to all the officers and employees to identify issues relating to compliance to be grasped in the Company and addresses various improvement measures.

In order to make such measures for promoting compliance more effective, the Compliance Committee headed by an external lawyer reviews and verifies the status of implementing such measures and enhances them as appropriate.

Regarding the corporate ethics helpline system, the Company makes continuous efforts to ensure that the officers and employees are aware of and understand the system through notices and Compliance News, etc., and the General Affairs Department, which is in charge of the said system, periodically reports the status of the operation to the management.

(2) Efforts related to “Structure to retain and manage information regarding the performance of duties by Members of the Board”

The Company has established its internal information-related rules, including the Fundamental Information Management Policy, to ensure the proper storage and management of corporate information and makes continuous efforts to ensure that the officers and employees understand the structure through education of information security by e-learning.

(3) Efforts related to “Risk management rules and measures; and internal system”

The Company has established its internal rules related to the Risk Management Policy, classified operational risks according to their levels of importance, established a company-wide risk management system clarifying the departments in charge, and annually reviews the system. The Company also makes continuous efforts to ensure that the officers and employees understand risk management rules and measures and internal systems through educational activities such as risk management training by e-learning.

In order to respond to emergencies and large-scale disasters, the Company has established the Policy on Business Continuity in Times of Disaster and other internal rules and annually conducts large-scale disaster drills and e-learning in accordance with the policy and other rules.

In addition, the Auditing Department conducts internal audits and promotes to continuously improve the risk management system.

(4) Efforts related to “Systems to ensure the efficient performance of duties by Members of the Board”

In order to make the decision-making function more vivid and fruitful and enhance the supervisory function of the Board furthermore, the Company has reviewed the scope of the Board’s business execution function and introduced swift decision-making by delegating substantial authority to the management (business execution side) since fiscal year 2020, aiming for further enhancement of corporate value.

In fiscal year 2019, Members of the Board and Audit & Supervisory Members held informal meetings for free discussions and exchange of opinions. In addition, the Company distributed and explained materials of board meetings prior to each meeting and determined dates of board meetings early.

(5) Efforts related to “Systems to ensure proper operation of group companies”

On the basis of our structure of values and policies including the Taisei Group Philosophy, the Company has been developing business ethics of the officers and promoting the establishment of systems for reporting from group companies to the Company, risk management systems, and compliance systems in accordance with the Fundamental Policy Concerning Group Operation and Operational Guidelines Concerning Group Operation and other regulations.

In fiscal year 2019, the Auditing Department conducted internal audits on risk management and the Legal Department and other departments provided risk management education in each group company. With regard to the group helpline, the Company conducts interviews on its usage, etc. with major domestic group companies and continues to conduct awareness-raising activities.

In addition, the Corporate Planning Office and each division in charge work together to provide assistance on structuring organizations and effective use of management resources of group companies and the Company holds group management meetings twice a year to share management goals of the whole group.

Furthermore, the Company conducts compliance questionnaire surveys to the officers and employees of all group companies to identify issues relating to compliance in the group and provides assistance and guidance in order for each group company to promote compliance.

(6) Efforts related to “Systems regarding the employees supporting Audit & Supervisory Board Members, the independence of such employees from Members of the Board and ensuring effective instructions from Audit & Supervisory Board Members to such employees”

Audit & Supervisory Board Members and General Manager of the Human Resources Department discuss in advance and determine assignments, transfers, evaluations and other issues regarding the staff of the Audit & Supervisory Board Members’ Department whose primary role is to assist the performance of duties by Audit & Supervisory Board Members and allocate appropriate personnel. In addition, each department properly performs its duties such as provision of the required information so that the Audit & Supervisory Board Members’ Department is able to properly perform duties instructed by Audit & Supervisory Board Members.

(7) Efforts related to “System for reporting to Audit & Supervisory Board Members and preventing the adverse treatment of persons who make reports”

The Board has stipulated the Standard for Handling “Matters to Be Reported to the Audit & Supervisory Board/Audit & Supervisory Board Members” and “Documents to Be Made Available to Audit & Supervisory Board Members”. Members of the Board and other managers in charge of the business line take actions such as timely and periodical report and provision of documents to Audit & Supervisory Board Members, and arrangement for Audit & Supervisory Board Members to attend important meetings, in accordance with the said standard or at the request of Audit & Supervisory Board Members. In addition, the Company has established the Operational Rules of the Corporate Ethics Helpline System and the Operational Rules of the Group Helpline System, which ensure that those who report or request for consultation are not treated in a disadvantageous manner, and General Manager of the General Affairs Department periodically makes reports to Audit & Supervisory Board Members, including the details of reports and requests for consultation as well as the results of actions taken against such reports and requests.

(8) Efforts related to “Matters concerning policies regarding the allocation of costs arising from the performance of duties by Audit & Supervisory Board Members and system to ensure that Audit & Supervisory Board Members can effectively conduct audits of the Company”

Expenses arising from the performance of duties by Audit & Supervisory Board Members, including costs incurred for auditing and obtaining opinions from external specialists, are treated properly to ensure the effectiveness of audits. In addition, Members of the Board who are Representative Directors exchange opinions with Audit & Supervisory Board Members periodically, and the Auditing Department and the Accounting Auditor hold regular meetings and coordinate with Audit & Supervisory Board Members, to facilitate their mutual understanding and enhance the effectiveness of audit.

(9) Efforts related to “Structure to ensure appropriateness of financial reports”

Through monitoring on a regular basis, the Company continuously checks and evaluates whether the procedures for reducing risks of false financial reporting are effective.

To ensure that the internal control systems for financial reporting are continuously effective, messages from President and Chief Executive Officer of the Company are provided to the officers and employees, and educational activities by e-learning are also provided to them.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (Year ended March 31, 2020)

	Millions of Yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2019	122,742	60,198	465,127	(37,503)	610,565
Changes during the period					
Dividends			(29,003)		(29,003)
Profit attributable to owners of parent			122,087		122,087
Acquisition of treasury stock				(28,013)	(28,013)
Sale of treasury stock		(0)		0	0
Reversal of revaluation reserve for land			(2,475)		(2,475)
Changes of scope of consolidation			568		568
Changes other than shareholders' equity, net (*1)					—
Total changes during the period	—	(0)	91,177	(28,012)	63,164
Balance as of March 31, 2020	122,742	60,198	556,304	(65,515)	673,729

	Millions of Yen							
	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2019	108,782	(74)	(1,244)	(3,342)	5,737	109,858	1,967	722,390
Changes during the period								
Dividends								(29,003)
Profit attributable to owners of parent								122,087
Acquisition of treasury stock								(28,013)
Sale of treasury stock								0
Reversal of revaluation reserve for land			2,475			2,475		—
Changes of scope of consolidation								568
Changes other than shareholders' equity, net (*1)	(34,245)	30		177	(1,868)	(35,905)	1,790	(34,114)
Total changes during the period	(34,245)	30	2,475	177	(1,868)	(33,430)	1,790	31,525
Balance as of March 31, 2020	74,536	(43)	1,230	(3,164)	3,869	76,428	3,757	753,915

(*1)Note Excluding the reversal of revaluation reserve for land.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presenting Consolidated Financial Statements:

The accompanying consolidated financial statements of Taisei Corporation (the “Company”) and its consolidated subsidiaries (collectively the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Companies Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

1. Principal Accounting Policies

(1) Consolidation

- ① The number of consolidated subsidiaries 42 companies

Main consolidated subsidiaries	TAISEI YURAKU REAL ESTATE Co., Ltd. TAISEI ROTEC CORPORATION TAISEI U-LEC Co., Ltd.
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- ② Main non-consolidated subsidiaries EHIME HOSPITAL PARTNERS Ltd.
OMIYA CROSS POINT Co., Ltd.

(The reason for excluding these subsidiaries from consolidation)

Non-consolidated subsidiaries are excluded from the scope of the consolidation because these companies are small companies and the sums of each of the total assets, sales, net income (equal to share interest) and retained earnings (equal to share interest) of these companies have not had any significant impacts on the consolidated financial statements.

- ③ Changes of scope of consolidation

TAIMEI KOGYO Co., Ltd. and other 2 companies were included in the scope of consolidation as their importance has increased.
TAISEI USA LLC and other 8 companies were included in the scope of consolidation by new establishment.
TAISEI CONSTRUCTION CORPORATION and another company were excluded from the scope of consolidation by liquidation.

(2) Equity method

- ① The number of companies accounted for using the equity method.

Non-consolidated subsidiaries	17 companies
Affiliates	41 companies

Main affiliates accounted for using the equity method
CSCEC-TAISEI CONSTRUCTION, LTD.
P.T. INDOTAISEI INDAH DEVELOPMENT

- ②Main non-consolidated subsidiaries and affiliates that have not been accounted for using the equity method
GODO KAISHA SHIMAZUYAMA INVESTMENT

(The reason for excluding these subsidiaries and affiliates from scope of the equity method)

Non-consolidated subsidiaries and affiliates are excluded from scope of the equity method because not only each company’s net income (equal to share interest) and retained earnings (equal to share interest) but also sums of each of these figures have no significant impact on the consolidated financial statements.

- ③ Changes of scope of the equity method

3 companies newly established and 1 company increased in importance were included in the scope of equity method.
1 company that was included in the scope of consolidation, 1 company whose shares were sold by the Company and 2 companies that were liquidated were excluded from the scope of equity method.

(3) Summary of accounting policies

① Valuation of principal assets

【Securities】

- Debt securities intended to be held to maturity

Debt securities intended to be held to maturity are stated at amortized cost.

- Securities other than trading securities, held-to-maturity securities, and equity securities issued by subsidiaries and affiliates (hereafter “available-for-sale securities”)

Available-for-sale securities with fair market value

Available-for-sale securities with fair market value are stated at fair value as of the balance sheet date. The difference between the acquisition costs and the fair value is not reflected in income, but included directly in the net assets. Cost of selling available-for-sale securities is calculated by moving-average method.

Available-for-sale securities with no fair market value

Available-for-sale securities with no fair market value are stated at moving-average cost method.

【Inventories】

- Cost of uncompleted contracts

Cost of uncompleted contracts is mainly stated at the specific-identification cost method.

- Cost of development projects in progress

Cost of development projects in progress is mainly stated at the specific-identification cost method or net realizable value.

- Other inventories

Cost of other inventories

Cost of other inventories is mainly stated at the specific identification cost method or net realizable value.

Raw materials and supplies

Raw materials and supplies are mainly stated at the moving-average method or net realizable value.

【Derivative financial instruments】

Derivative financial instruments are stated at fair value.

② Depreciation method of principal depreciable assets

【Buildings and structures】

Buildings and structures are depreciated mainly using the straight-line method.

【Other tangible fixed assets】

Other tangible fixed assets are depreciated mainly using the declining-balance method.

③ Allowance

【Allowance for doubtful accounts】

Allowance for doubtful accounts is provided to reserve probable losses from bad debt. It consists of the estimated uncollectible amount of certain identified doubtful receivables and the amount estimated on the basis of the past default ratio for normal receivables.

【Allowance for warranties on completed contracts】

Allowance for warranties on completed contracts is provided as the amount estimated using an actual ratio of related losses during the past certain period.

【Allowance for losses on construction contracts】

Allowance for losses on construction contracts is provided with respect to construction projects for which eventual losses are reasonably estimated.

【Retirement benefits for directors and corporate auditors】

In the Company’s certain consolidated subsidiaries, retirement benefits for directors and corporate auditors are provided 100% of the amount that would be required to be paid under assumption that all directors and corporate auditors retired at the balance sheet date in accordance with relevant internal rules.

【Allowance for environmental measures】

Allowance for environmental measures is provided based on estimated costs for disposal of Polychlorinated Biphenyl (“PCB”) waste, which is stated in the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

④ Other accounting policies on the consolidated financial statements

【Recognition of retirement benefit】

Net defined benefit liability is provided for severance and retirement benefits for employees and executive officers of the Company's certain consolidated subsidiaries based on estimated amounts of projected benefit obligations and plan assets at the year-end.

In calculating projected benefit obligations, the method of attributing estimated amounts of retirement benefits to the period until this fiscal year is based on the benefit formula basis.

Past service costs are amortized using the straight-line method (some consolidated subsidiaries use the declining-balance method) over 1-10 years, which is not longer than an average remaining service period of the employees when the costs are incurred.

Actuarial gains and losses are amortized from the subsequent fiscal year (some consolidated subsidiaries amortize actuarial gains and losses from the current fiscal year) using the straight line method (some consolidated subsidiaries use the declining balance method) over 1-10 years, which is not longer than an estimated average remaining service period of the employees when the gains or losses are incurred.

【Revenue recognition of construction】

Contract revenue associated with construction contracts of which the outcome can be reliably estimated is accounted for by the percentage-of-completion method; otherwise contract revenue is accounted for by the completed-contract method. The percentage of completion at the end of the fiscal year is determined by the percentage of the cost incurred to the estimated total costs.

【Hedge accounting】

Gains or losses resulting from hedging instruments are deferred until related losses or gains on hedged items are recognized. For interest rate swap contracts which meet certain conditions, net amount to be paid or received under the contract is added to or deducted from interest on liabilities when the swap contract has been concluded.

【Amortization of goodwill】

Goodwill, which is the excesses of investment cost over net equity of consolidated subsidiaries and affiliates accounted for using the equity method, is amortized over the period less than 20 years for which the goodwill is expected to contribute to consolidated net income, using the straight-line method, or is charged to income in the year incurred if the amount of goodwill is immaterial.

【National consumption tax and local consumption tax】

National consumption tax and local consumption tax are excluded from other accounts in the financial statements.

【Income taxes】

Income taxes are calculated based on the Consolidated Taxation System.

【Application of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System】

Regarding the transition from the Consolidated Taxation System to the Group Tax Sharing System, established by "Act on Partial Amendment of the Income Tax Act and Others" (Act No.8 of 2020), and regarding items of the Non-Consolidated Taxation System that were revised in accordance with the transition to the Group Tax Sharing System, the Company and part of its domestic subsidiaries, in accordance with the treatment in paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39, March 31, 2020), did not apply the provisions in paragraph 44 of "Guidance on Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No.28, issued on February 16, 2018) and calculated the amount of deferred income tax assets and liabilities based on the provisions of tax laws before the amendment.

2. Matters on Consolidated Balance Sheet

(1) Pledged assets and related debt

① Pledged assets

Investment securities	¥ 2,490 Million
Other assets (Investments and other assets)	1,868 Million
Total	4,358 Million

② Debt related to the assets

¥ – Million

The above assets are pledged as collateral for borrowings and others of subsidiaries and affiliates.

(2) Accumulated depreciation of tangible fixed assets ¥ 124,147 Million

(3) Revaluation reserve for Land

Certain consolidated domestic subsidiaries revaluated their land in accordance with the Act on Revaluation of Land (the “Act”). As a result, differences between book values before and after revaluation and net income taxes were stated as “Revaluation reserve for land” in the net assets on the consolidated balance sheet.

• Revaluation method

The revaluation was executed in accordance with the method prescribed in Article 2, Items 3, 4 and 5 of the Act.

• Revaluation date

On November 30, 2001 and March 31, 2002

- Excess amount of book values of the revaluated land over fair values as of March 31, 2020 (including the excess amount of ¥39 million related to investment and rental property.)

¥ 3,608 Million

(4) Cost of uncompleted contracts in relation to

allowance for losses on construction contracts ¥ 13 Million

3. Matters on Consolidated Statement of Income

- | | |
|---|---------------------|
| (1) Net sales recognized on the percentage-of-completion method | ¥ 1,334,601 Million |
| (2) Allowance for losses on construction contracts
included in cost of sales | ¥ 1,906 Million |
| (3) Research and development expenses | ¥ 13,564 Million |

4. Matters on Consolidated Statement of Changes in Net Assets

- | | |
|---|---------|
| (1) Number of outstanding shares (in thousands share) | 224,541 |
| (2) Dividends | |
| ① Dividends paid | |

Resolution	Class of stocks	Total amount of dividends	Dividends per share	Record date	Effective date
June 26, 2019 Annual shareholders' meeting	Common stock	¥ 15,268 Million	¥ 70.00	March 31, 2019	June 27, 2019
November 8, 2019 Board meeting	Common stock	¥ 13,735 Million	¥ 65.00	September 30, 2019	December 3, 2019

- ② Dividends of the record date in the fiscal year ended March 31, 2020, which the effective date comes in the subsequent fiscal year

The Company will propose the policy of dividends on the common stocks at the annual shareholders' meeting on June 24, 2020 as follows:

- | | |
|-----------------------------|------------------|
| • Total amount of dividends | ¥ 13,735 Million |
| • Dividends per share | ¥ 65.00 |
| • Record date | March 31, 2020 |
| • Effective date | June 25, 2020 |

The dividends will be allocated from retained earnings.

5. Matters on Financial Instruments

- ### (1) Policies for using Financial Instruments

The Group restricts investments to low risk assets such as deposits, and raise funds by indirect finance such as borrowings from bank as well as by direct finance such as issuing corporate bonds and commercial papers.

Derivative financial instruments are employed mainly for hedging of the fluctuation of interest rate and foreign currency exchange, not for speculation.

(2) Fair Value of Financial Instruments

Millions of Yen

	Book value	Fair value	Difference
[ASSETS]			
① Cash and time deposits	482,722	482,722	—
② Notes and accounts receivable trade	615,037	615,045	8
③ Investment securities			
Debt securities intended to be held to maturity	281	288	6
Available-for-sale securities	253,004	253,004	—
[LIABILITIES]			
① Notes and accounts payable trade	491,569	491,569	—
② Short-term borrowings	87,934	88,033	(98)
③ Short-term non-recourse loans payable	15	15	(0)
④ Straight bonds due within one year	10,000	10,040	(40)
⑤ Deposits received	146,539	146,539	—
⑥ Straight bonds	30,000	30,166	(166)
⑦ Long-term borrowings	80,038	80,571	(533)
⑧ Long-term non-recourse loans payable	158	174	(16)
[Derivative financial instruments] (*)	11	11	—

(*)Note The assets and liabilities are reported in net amount.

Note1: The calculation method of the fair value of financial instrument and securities, derivative transaction

[ASSETS]

① Cash and time deposits

The fair values of these financial instruments are almost equivalent to the book value, due to the short term settlements.

② Notes and accounts receivable trade

The fair values of these financial instruments are almost equivalent to the book value, due to the short term settlements; although, the fair value of notes and accounts receivable, trade due over one year are based on the present value of discounted cash flows using the interest rate determined by the factors of the estimated collection terms and credit risks, with respect to each receivable categorized by collection terms.

③ Investment securities

The fair values of the stocks are based on the quoted market value, and bonds are based on the market value, the price indicated by a third party such as broker or the present value of discounted cash flows.

[LIABILITIES]

- ① Notes and accounts payable trade, ②Short-term borrowings and ⑤Deposits received

The fair values of these financial instruments are almost equivalent to the book value, due to the short term settlements; although the fair value of long-term borrowings due within one year are based on the same method for long-term borrowings.

- ③ Short-term non-recourse loans payable, ⑦Long-term borrowings and
⑧ Long-term non-recourse loans payable

The fair values of these loans and borrowings are based on the present value of discounted cash flows using the supposed interest rate which may be applicable to the same kind of loans and borrowings.

- ④ Straight bonds due within one year and ⑥Straight bonds

The fair values of the marketable bonds are based on the quoted market value, otherwise the fair values of the bonds are the present value of discounted cash flows using the interest rate determined by the factors of the estimated redemption terms and issuer's credit risk.

[Derivative financial instruments]

The fair values of derivative financial instruments are based on the prices calculated by correspondent financial institutions.

The fair values of interest rate swap contracts which meet certain conditions are included in the fair value of corresponding long-term borrowings (if due within one year, short-term borrowings) since such swap contracts are embedded derivatives which should not be separated from underlying transactions (i.e. borrowings).

Note2: Financial instruments which are difficult to calculate the fair value

Non-marketable securities (book value amount ¥64,336 million) are not included in the above [Assets]

- ③ Investment securities – Available-for-sale securities; since it is difficult to calculate the fair values because they have no quoted market price and the future cash flows cannot be estimated.

6. Matters on Investment and Rental Property

(1) Context of investment and rental property

The Company and certain consolidated subsidiaries hold some office buildings for rent in Tokyo and other areas.

(2) Fair value of investment and rental property

Millions of Yen	
Book value	Fair value
94,005	126,507

Note1: The book value is the amount after accumulated depreciation and impairment losses on fixed assets are deducted from the cost of acquisition.

Note2: The book value includes asset retirement obligations (¥192 million).

Note3: The fair value of investment and rental property as of March 31, 2020 is mainly calculated by the Company according to the Japanese Real Estate Appraisal Standards. (it may include adjustments using official indices.)

7. Matters on Per Share Data

(1) Net assets per share (in Yen)	¥ 3,550.03
(2) Net income per share (in Yen)	¥ 573.14

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(Year ended March 31, 2020)

	Millions of Yen			
	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in-capital	Other capital surplus	Total capital surplus
Balance as of April 1, 2019	122,742	30,686	29,816	60,502
Changes during the period				
Provision of other reserve				
Dividends				
Net income				
Acquisition of treasury stock				
Sale of treasury stock			(0)	(0)
Changes other than shareholders' equity, net				
Total changes during the period	—	—	(0)	(0)
Balance as of March 31, 2020	122,742	30,686	29,816	60,502

	Millions of Yen					
	Shareholders' equity					
	Retained earnings				Treasury stock	Total shareholders' equity
	Other retained earnings			Total retained earnings		
	Reserve for tax deferment on replacement of fixed assets	Other reserve	Retained earnings carried forward			
Balance as of April 1, 2019	1,414	231,500	116,613	349,527	(37,503)	495,268
Changes during the period						
Provision of other reserve		39,000	(39,000)	—		—
Dividends			(29,003)	(29,003)		(29,003)
Net income			100,195	100,195		100,195
Acquisition of treasury stock					(28,013)	(28,013)
Sale of treasury stock					0	0
Changes other than shareholders' equity, net						
Total changes during the period	—	39,000	32,191	71,191	(28,012)	43,179
Balance as of March 31, 2020	1,414	270,500	148,805	420,719	(65,515)	538,448

	Millions of Yen			
	Accumulated gains from valuation			Total net assets
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Total accumulated gains from valuation	
Balance as of April 1, 2019	106,253	0	106,254	601,523
Changes during the period				
Provision of other reserve				—
Dividends				(29,003)
Net income				100,195
Acquisition of treasury stock				(28,013)
Sale of treasury stock				0
Changes other than shareholders' equity, net	(33,559)	0	(33,558)	(33,558)
Total changes during the period	(33,559)	0	(33,558)	9,620
Balance as of March 31, 2020	72,694	1	72,695	611,144

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presenting Non-consolidated Financial Statements:

The accompanying Non-consolidated financial statements of Taisei Corporation (the “Company”) has been prepared in accordance with the provisions set forth in the Japanese Companies Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

1. Principal Accounting Policies

(1) Valuation of assets

【Securities】

- Debt securities intended to be held to maturity

Debt securities intended to be held to maturity are stated at amortized cost.

- Equity securities of the Company’s subsidiaries and affiliates

Equity securities of the Company’s subsidiaries and affiliates are stated at cost based on the moving-average method.

- Securities other than trading securities, held-to-maturity securities, and equity securities issued by subsidiaries and affiliates (hereafter, “available-for-sale securities”)

Available-for-sale securities with fair market value

Available-for-sale securities with fair market value are stated at fair value as of the balance sheet date.

The difference between the acquisition costs and the fair value is not reflected in income, but included directly in net assets. Cost of selling available-for-sale securities is calculated by the moving-average method.

Available-for-sale securities with no fair market value

Available-for-sale securities with no fair market value are stated at moving-average cost.

【Inventories】

- Real estates for sale

Real estates for sale are stated at the specific-identification cost method or net realizable value.

- Cost of uncompleted contracts

Cost of uncompleted contracts is stated at the specific-identification cost method.

- Cost of development projects in progress

Cost of development projects in progress is stated at the specific-identification cost method or net realizable value.

- Raw materials and supplies

Raw materials and supplies are stated at the moving-average method or net realizable value.

【Derivative financial instruments】

Derivative financial instruments are stated at fair value.

(2) Depreciation method of fixed assets

【Tangible fixed assets】

- Buildings and structures

Buildings and structures are depreciated using the straight-line method.

- Other tangible fixed assets

Other tangible fixed assets are depreciated using the declining-balance method.

(3) Allowance

【Allowance for doubtful accounts】

Allowance for doubtful accounts is provided to reserve probable losses from bad debt. It consists of the estimated uncollectible amount of certain identified doubtful receivables and the amount estimated on the basis of the past default ratio for normal receivables.

【Allowance for warranties on completed contracts】

Allowance for warranties on completed contracts is provided as the amount estimated using an actual ratio of related losses during the past certain period.

【Allowance for losses on construction contracts】

Allowance for losses on construction contracts is provided with respect to construction projects for which eventual losses are reasonably estimated.

【Retirement benefits for employees】

Retirement benefits for employees are provided for their severance and retirement benefits based on estimated amounts of projected benefit obligations and plan assets at the year-end.

Past service costs are amortized using the straight-line method over 10 years, which is not longer than an average remaining service period of the employees when the costs are incurred.

Actuarial gains and losses are amortized from the subsequent fiscal year using the straight-line method over 10 years, which is not longer than an average remaining service period of the employees when the gains and losses are incurred.

【Allowance for losses on investments in subsidiaries and affiliates】

Allowance for losses on investments in subsidiaries and affiliates is provided for estimated losses that exceed amounts of investments and loans to the companies.

(4) Revenue and cost recognition

【Revenue recognition of construction】

Contract revenue associated with construction contracts of which the outcome can be reliably estimated is accounted for by the percentage-of-completion method; otherwise contract revenue is accounted for using the completed-contract method. The percentage of completion at the end of the fiscal year is determined by the percentage of the cost incurred to the estimated total costs.

(5) National consumption tax and local consumption tax

National consumption tax and local consumption tax are excluded from other accounts in the financial statements.

(6) Other accounting policies on the non-consolidated financial statements

【Retirement benefits for employees】

The accounting treatment on unrecognized actuarial gains and losses and unrecognized past service cost with respect to retirement benefits is different from that applied in the consolidated financial statements.

【Hedge accounting】

Gains or losses resulting from hedging instruments are deferred until related losses or gains on hedged items are recognized. For interest rate swap contracts which meet certain conditions, net amount to be paid or received under the contract is added to or deducted from interest on liabilities when the swap contract has been concluded.

【Income taxes】

Income taxes are calculated based on the Consolidated Taxation System.

【Application of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System】

Regarding the transition from the Consolidated Taxation System to the Group Tax Sharing System, established by "Act on Partial Amendment of the Income Tax Act and Others" (Act No.8 of 2020), and regarding items of the Non-Consolidated Taxation System that were revised in accordance with the transition to the Group Tax Sharing System, the Company, in accordance with the treatment in paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39, March 31, 2020), did not apply the provisions in paragraph 44 of "Guidance on Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No.28, issued on February 16, 2018) and calculated the amount of deferred income tax assets and liabilities based on the provisions of tax laws before the amendment.

2. Matters on Non-consolidated Balance Sheet

(1) Pledged assets and related debt

① Pledged assets

Investments to subsidiaries and affiliates	¥ 2,184 Million
Long-term loans receivable	1,653 Million
Total	3,837 Million

② Debt related to the assets ¥ — Million

The above assets are pledged as collateral for borrowings and others of subsidiaries and affiliates.

(2) Accumulated depreciation of tangible fixed assets ¥ 58,012 Million

(3) Receivables from and payables to subsidiaries and affiliates

Receivables from subsidiaries and affiliates:

Short-term	¥ 15,858 Million
Long-term	¥ 10,328 Million

Payables to subsidiaries and affiliates:

Short-term	¥ 117,155 Million
Long-term	¥ 14 Million

(4) Cost of uncompleted contracts in relation to

allowance for losses on construction contracts	¥ 11 Million
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3. Matters on Non-consolidated Statement of Income

(1) Net sales recognized on the percentage-of-completion method ¥ 1,218,584 Million

(2) Sales to subsidiaries and affiliates ¥ 32,809 Million

(3) Purchase from subsidiaries and affiliates included in cost of sales ¥ 84,409 Million

(4) Allowance for losses on construction contracts included in cost of sales ¥ 1,728 Million

(5) Transactions other than operating transactions with subsidiaries and affiliates ¥ 1,569 Million

(6) Research and development expenses ¥ 13,539 Million

4. Matters on Non-consolidated Statement of Changes in Net Assets

Class and number of treasury stock (in thousands share) at the balance sheet date Common stock 13,230

5. Matters on Deferred Income Taxes

Significant components of deferred income tax assets and liabilities

Deferred income tax assets:

Disallowed portion of expenses and losses

Retirement benefits for employees ¥ 31,050 Million

Investments in subsidiaries and affiliates 11,198 Million

Inventories 9,575 Million

Accrued bonuses 5,226 Million

Bad debt losses and allowance for doubtful accounts 2,959 Million

Others 5,425 Million

Subtotal 65,435 Million

Valuation allowance (14,872) Million

Total deferred income tax assets 50,563 Million

Deferred income tax liabilities:

Unrealized gains on available-for-sale securities ¥ (32,052) Million

Gains on securities contribution
to employee retirement benefit trust (17,710) Million

Others (971) Million

Total deferred income tax liabilities (50,734) Million

Net deferred income tax assets and liabilities ¥ (171) Million

6. Matters on Per Share Data

(1) Net assets per share ¥ 2,892.16

(2) Net income per share ¥ 470.37