

TANSEISHA Co., Ltd.

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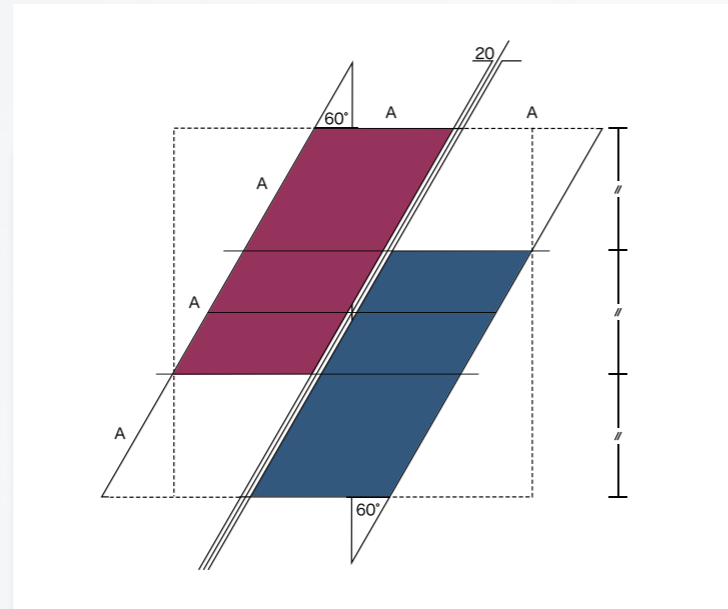


Creating space for imaginations to grow.

Disclaimer regarding forward-looking statements

The forward-looking statements contained in this integrated report are based on estimates made in light of information available at the time of publication. These forward-looking statements are subject to both known and unknown risks and uncertainties. Please be aware that actual results may differ significantly due to changes in various factors.

Furthermore, under no circumstances does the Company guarantee any of the results of the forecasts presented in this integrated report.



Company logo design specifications (Design of our founder, WATANABE Masaji)

Creating space for imaginations to grow.

Derivation of Tansei

丹青不
知老將
至
富貴於
我如
浮雲

Ancient seven-character verse from Du Fu's "Ode on Paintings to General Ca Bao"

“丹青”, a term originating from China, consists of 2 basic colors – Red and Blue – and denotes “an abundance of color.” This word also broadly refers to painting, painters and painted artwork. Dedicated to artistic creation, Tanseisha invests its enthusiasm and creativity in creating rich, comfortable spaces in each and every project.

“丹青” is also a much-beloved word from ancient poetry. The famous Tang Dynasty poet Du Fu draws on the word “Tansei” to describe someone who is wholly absorbed in artistic creation. Tanseisha founder WATANABE Masaji loved the poem tremendously for its dedication to artistic creation.

“丹青”, also meaning diligence, is etched in the minds of everyone at Tanseisha who is wholeheartedly devoted to creating spaces. We also embrace the well-balanced symmetry of “Red and Blue” as colors of “passion and wisdom” in our company logo.

Our Philosophy

Tanseisha aims to contribute to the enrichment of society and people’s lives by creating better spaces.

Our Vision

Together with our customers, our employees and society, we will continue to create space for imaginations to grow.

Spaces that touch, inspire and relax the user. Spaces that are user-friendly, tell your company’s story, and contribute to its success. Spaces, that help offer solutions to the important issues in your communities and to society as a whole. As space creation specialists, we at Tanseisha create space for imaginations to grow.

As times change, so do the needs of our customers and of society. That’s why we’re constantly growing and evolving as a company—adding to our know-how and refining our creativity—so as to better respond to those needs.

In order to realize an enriched and sustainable society, we strive to not only think of all stakeholders in it with sincere consideration, but to think with them, and to grow together. That’s the kind of company we are. That’s Tanseisha.

Area of Operations

Spaces for social interaction between people, people and things, and people and information.

Corporate Statement

Creating space for imaginations to grow.

Editorial policy

TANSEISHA Co., Ltd. publishes an integrated report that summarizes financial and non-financial information with the aim of providing shareholders, investors and all other stakeholders with a better understanding of the Group’s medium- to long-term value creation. For detailed information not included in this integrated report, please visit our website (<https://www.tanseisha.co.jp/en/>).

Period of the report

February 1, 2020 through January 31, 2021 (with some information from February 2021 and afterward)

The Value:

Creating space for imaginations to grow

- 2 Commercial
Spaces exciting for sales activities
- 3 Chain Store
Spaces connecting with customers in real-world business
- 4 Communication
Spaces evoking empathy and increasing admirers
- 6 Culture
Spaces conveying and utilizing culture
- 8 Sources of Value Creation
+ Business Domains
- 10 Path of Value Creation
- 12 Process for Value Creation

Strategy

- 14 Review of the Previous Medium-Term Management Plan and Overview of the New Medium-Term Management Plan
- 16 Message from the President
- 22 Message from the Chief Financial Officer
- 24 Overview of Business
- 26 Commercial and Other Facility Business
- 27 Chain Store Business
- 28 Cultural Facility Business

Foundation for Value Creation

- 30 Corporate Social Responsibility
- 32 Contributing to Social and Cultural Development and Solutions for Related Issues
- 34 Promoting Innovation
- 36 Supporting Diversity
- 38 Supply-Chain Management
- 39 Environment

Governance

- 40 Dialogue:
A Conversation with Outside Directors
- 42 Corporate Governance
- 46 Board of Directors
- 48 Compliance and Risk Management

Financial and Corporate Data

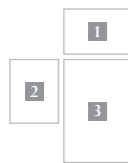
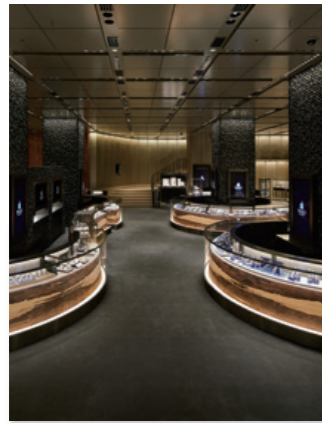
- 50 Consolidated Financial and Non-Financial Highlights for the Past 10 Years
- 52 Corporate Information/Investor Information

Commercial

Spaces exciting for sales activities

With planning and realization capabilities matched to business needs, we guide clients to success.

For large commercial facilities and hotels, we propose pleasant commercial spaces brimming with excitement. We help build connections between products and services and their end users. We realize unique concepts through design capabilities and diverse presentation techniques that produce deep impressions and satisfaction by enhancing the experience that these spaces offer.



- 1 Tokyo International Airport Terminal 2 International Gate Area
- 2 Wako Main Building "Wako Watch & Jewellery Square"
- 3 SHIBUYA SCRAMBLE SQUARE Shops & Restaurants

SHIBUYA SCRAMBLE SQUARE Shops & Restaurants

ASOVIVA—a name derived from *asobiba*, meaning a "place to play or have fun" in Japanese—is a new landmark in Shibuya designed to give people gathering in this part of Tokyo in search of the newest trends a feeling of "viva" anytime they visit.

This business unit covers a vast array of commercial spaces, including specialty shops, department stores, shopping centers and other commercial facilities, as well as the hospitality field, public spaces and offices. Our role is to utilize all Taiseisha resources to create solutions that meet the diversifying needs of each market, including digital applications, and solutions for social issues typified by issues related to goals for sustainable development.



FUKAYA Toru
General Manager,
Commercial Space Business Unit

Our business unit is involved in all sorts of space creation, with an emphasis on commercial layouts. We are a supporting actor in defining these spaces, making the main actors—products, services and end users—stand out to the highest degree possible. We believe that by becoming the supporting actor, providing spaces that inspire and excite the people who visit them, we contribute to the success of our clients. These days, it is a challenge for people to gather together, but with site-oriented ideas that turn challenges into opportunities, we hope to provide workable solutions to help clients succeed.



OBA Ai
Sales Department 1,
Commercial Space Business Unit

Chain Store

Spaces connecting with customers in real-world business

We provide total support to deal with issues and problems that accompany multistore development.

Our commercial space designs continue to evolve into a new phase, from functional and beautifully coordinated spatial presentations to creative tools that solve problems. In the chain store sector, we commit ourselves to management concerns by using a strong track record as a pioneer in this field and knowledge accumulated through years of providing spatial creation solutions. We take a constructive approach to identifying management issues of concern to operators and promoting innovation in business operations.

Domino's Pizza AEON MALL KASHIIHAMA STORE

For the theme of a quiet port setting, we opted for container-style elements, soft-colored tile and wood materials to create an inviting, comfortable atmosphere that encourages people to come in and spend some time.



- 1 Domino's Pizza AEON MALL KASHIIHAMA STORE
- 2 LAKOLE LALAPORT Ebina
- 3 ASICS RUN TOKYO MARUNOUCHI

This business unit seeks to be a partner to clients working to develop multiple points in a national chain store network, particularly for merchandise sales and restaurant locations. Our role is to provide a fully integrated approach to safe and secure store creation that supports clients for as long as the store stands, through planning, design, construction and maintenance after the store begins operations.



YAMADA Takashi
General Manager,
Store Engineering Business Unit

Our business unit provides integrated support, from planning to maintenance after the doors open, as a partner to clients expanding their chains, mainly for merchandise sales and restaurant operations. The way products are sold is diversifying, as is the way services are offered, shaping a different kind of business environment. Against this backdrop, we are eager to work together with clients to consider future store formats, address issues and continuously provide possible solutions. This is our role. By supporting clients in their business activities, we believe we can grow with them.



NAKANO Yuki
Production Section 2,
Department 2,
Project Management Div. 1,
Store Engineering Business Unit

Communication

Spaces evoking empathy and increasing admirers

We convey information and messages that underpin successful sales promotion and public relations in the most effective ways possible.

We utilize all types of media as well as leading-edge digital technology and techniques for such events as exhibitions, expositions, sales promotions and other business spaces, including corporate museums, factory tour facilities and showrooms. These efforts help our clients execute successful branding and marketing communication strategies. We create spaces well matched to public venues that acknowledge diversity.



This business unit's forte is creating spaces where companies foster communication and nurture innovation with each other and where makers attract potential users to their brand—spaces that present that kind of business scene or one where people enjoy entertainment or other events that produce a sensory response. We are always looking to use digital technology, without which any desired expression and experience would be impossible, to take to the next level the know-how gained at numerous real-world venues and our capability for spatial production.



NOMURA Eiji
General Manager,
Communication Space Business Unit

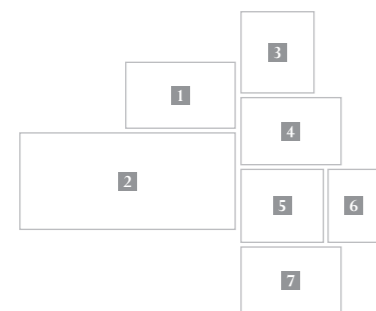
Our area of expertise covers business spaces, such as showrooms and office spaces, event spaces, such as those for exhibitions, and entertainment spaces, such as theme parks. Our task is to imbue the appeal of clients' products and services into a space and convey a particular message. A huge motivation for us is to present ideas that resonate with each client's own branding strategy. Going forward, we would like to offer solutions that blend digital and physical space, using digital technology as a way to get around restrictions on large groups of people in showrooms and exhibitions due to COVID-19.



SUEGARA Yukari
Sales Department 2,
Sales Division,
Communication Space Business Unit

YANMAR MUSEUM

An experience-the-challenge museum designed on the concept "Try it! Exciting Future Challenge!" this facility enables children to learn while having fun as they use their heads and their hands—a whole-body experience.



- 1 The Rebuilding Project of Toyama Bank —Japan Local Bank's Head Office
- 2 YANMAR MUSEUM
- 3 Kawasaki Kawasaki Aquarium
- 4 Mulabo!
- 5 Hizen Saga Bakumatsu —Meiji Restoration Expo Bakumatsu-Meiji Restoration Memorial Museum
- 6 eXeField Akiba
- 7 Takanawa Gateway Fest A DAY—experience the interconnection of tomorrow—

Culture

Spaces conveying and utilizing culture

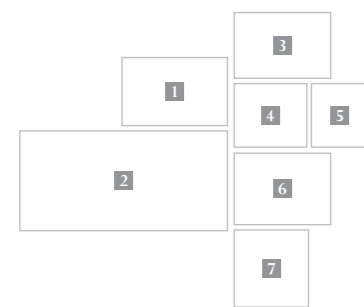
We put a shine on cultural resources and interconnect these assets to convey cultural value.

We introduce elements of experience that inspire and make learning fun in cultural spaces, such as history museums, archives, art museums and environment-related, disaster-prevention and children's experience-based facilities, creating spaces that satisfy intellectual curiosity. In addition, we utilize a system that enables us to provide integrated solutions, from research and planning to design, production and operation, and make suggestions based on plans for continuous activity following a facility's opening.



Kobe Maritime Museum

A scale model of the British warship *Rodney*, 12 meters long and about 9 meters high, greets visitors in the huge entrance hall of the museum. Other exhibits showcase the past and future of Kobe, focusing on the ocean, ships and the port.



- 1 Shibusawa Memorial Museum
- 2 Kobe Maritime Museum
- 3 Shizuoka City Kodomo Creative Town MA A RU
- 4 Gifu Sekigahara Battlefield Memorial Museum
- 5 Kadokawa Musashino Museum
- 6 Toshima City Tokiwaso Manga Museum
- 7 Mt. FUJI WORLD HERITAGE CENTRE, SHIZUOKA



Design supervision: Kengo Kuma and Associates



This business unit is involved in projects for museums, including history museums and art museums, as well as facilities showcasing topics common in society, such as disaster prevention, the environment and children, and provides integrated services, from research and planning through design, production and construction, all the way to operation. We have a high degree of specialization, built on a strong track record and considerable experience, and we present solutions that address various issues. Of note, from perspectives of regional revitalization and cultural tourism, we lead the next generation through our efforts in creating places bustling with excitement, places that showcase activities that will remain for future generations to enjoy. In this way, we also contribute to regional renaissance and the development of human resources.



SUMIDA Masahiro
General Manager,
Cultural Space Business Unit

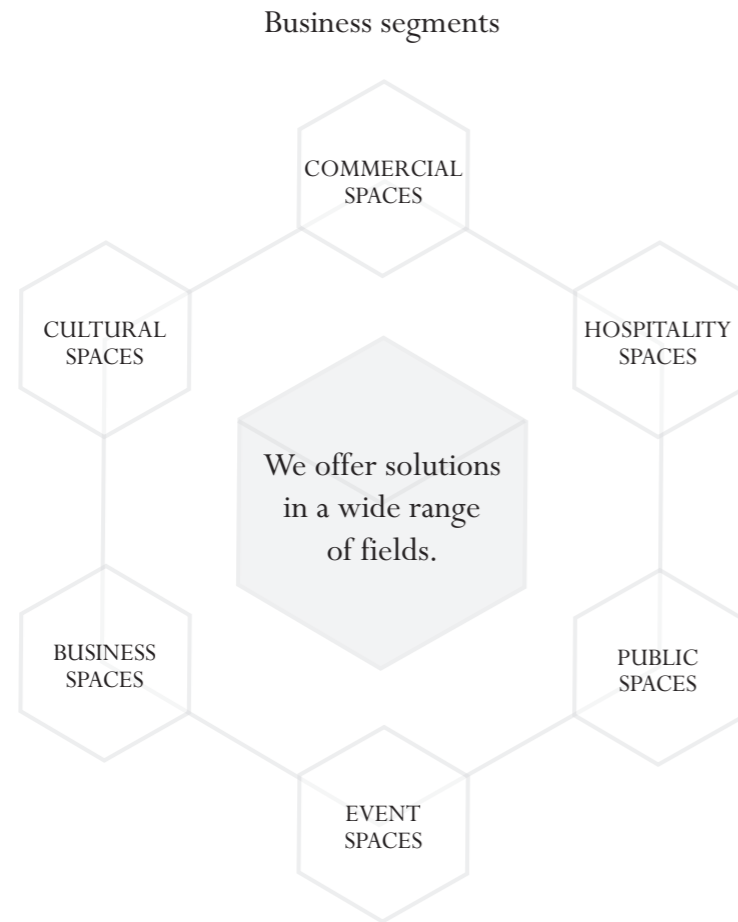
We are keenly aware of the diversification that now characterizes display space creation—the main business for our business unit—reflecting the introduction of maintenance and business methods based on public-private partnerships. The needs of clients and society as a whole are definitely becoming much more complicated. In addition, for large assignments, such as private-sector redevelopment projects in urban settings, we intend to respond to diversification by expanding the scope of our activities, perhaps through joint efforts with other business units, to complement know-how accumulated in creating display space of a highly public nature with a high sense of narrative.



SUZUKI Yoshiaki
Section 1,
Project Development Department,
Marketing Division,
Cultural Space Business Unit

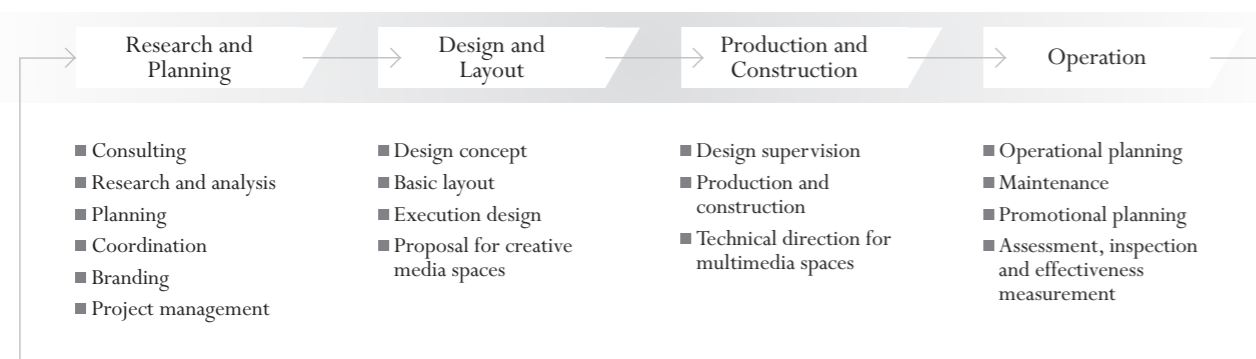
Sources of Value Creation + Business Domains

The value that Tanseisha provides is the capability of solving issues by creating spaces.



Tanseisha offers total-support solutions.

Tanseisha helps its customers find solutions to issues and generates new value by combining various elements through professional expertise in creating spaces, an extensive network and free thinking.



Tanseisha's strengths

1/ A comprehensive display design company

Tanseisha's greatest advantage is the capability to expand our business to accommodate facilities in any sector. We support our customers as a business partner, offering solutions that draw from the spatial design expertise we have gained across a wide range of fields. We provide comprehensive support, covering the entire process of spatial design.

2/ Excellent talent and technical capabilities to support spatial design

Creativity is the engine behind our spatial design. Tanseisha has 437 production staff members, including 251 planners and designers, as well as first-class architects and first-class construction management engineers.



3/ A robust production base and supplier network

Providing a one-stop service enabling us to execute projects tailored to customer needs requires a strong and well-developed production base. Tanseisha has a network of approximately 1,000 continuing client companies, including 249 partner companies.

Supplier network	
Continuing client companies	About 1,000
Partner companies	249

4/ A competitive advantage and the largest market share in the industry

Having started out as an interior decorator for department stores, Tanseisha has expanded the scope of its business over the past seven decades. In the chain store business, which we commercialized ahead of other companies, we have used our position as a pioneer to establish a competitive advantage. In the cultural facility business, we have a specialized think tank and boast the largest market share in the industry.

Display industry fundamentals

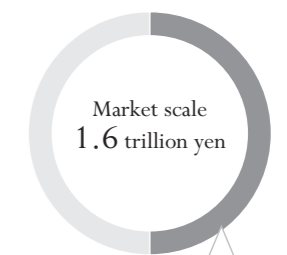
What is a display?

A display is a means of communication that uses space as a medium. The word derives from the Latin verb "dispicere," which means to open up something that has been folded and, by extension, presentation and exhibition. A display is a means of directly communicating a message to people over time and through a specific space. As a medium for conveying information, a display is unique, facilitating encounters between the communicator and the audience in the exhibition space, where they can enter into direct, interactive communication.

Definition of the display industry

The display business is an all-encompassing business that creates welcoming spaces and environments, typically for purposes such as marketing, educating or raising awareness. It focuses not only on producing displays of objects or constructions but also on providing spaces for people to interact and communicate. An important role of the display business is to design and produce displays that enrich people's lives and culture as a whole. We aim to help improve people's lives by enabling meaningful communication and experiences at exhibition venues, commercial facilities, cultural facilities and events.

Target projects in the display industry



About half or 800 billion yen for projects targeted by Tanseisha

Path of Value Creation

The Beginning: Established Display Industry

1940s–1960s

- 1946**
WATANABE Masaji founded display and decorative design business in Yanaka Shimizu-cho, Shitaya-ku, Tokyo
Tanseisha opened Kenpoten, the first department store event of the post-World War II era, inside Mitsukoshi Department Store in Nihonbashi
- 1949**
Sanko Co., Ltd., official surviving company, was established, later taking name Nikki Co., Ltd.
- 1956**
First overseas construction project for Japan Products Exhibition, held in Beijing and Shanghai, China
- 1959**
Reorganized and reestablished as Tanseisha Co., Ltd. (in effect, surviving company)

- 1960**
Put in charge of exhibit “National Treasures of Japan” and since then an officially designated contractor for Tokyo National Museum
- 1962**
Put in charge of planning, constructing and operating Japan Railways Fair, which celebrated 90th anniversary of opening of train service in Japan
- 1966**
Registered as general contractor (Tokyo Governor’s Registration)
- 1967**
Established Tanseisha Kosakusho Co., Ltd. (now, Tansei TDC Co., Ltd.)

Period of Rapid Growth: Challenge and Pursuit of Creativity

1970s–1990s

- 1970**
Received the most contracts—53 pavilions—among industry peers at Osaka Expo, driving significant expansion in net sales, to ¥3 billion
Set up Scientific Molding Lab, focused energy into construction and displays for exhibitions at museums, art museums and archival records museums
- 1973**
In 50th-anniversary year, topped net sales of ¥5 billion for first time
- 1975**
Registered as first-class architect office (Tokyo Governor’s Registration)
- 1978**
Constructed a company building at Ueno, Taito-ku, Tokyo and relocated the headquarters
- 1979**
Launched Production Center under combined structure reintegrating design and production management divisions
Net sales exceeded ¥10 billion
- 1980**
Created independent Planning Center to focus on long-term work, looking two to three years ahead
- 1983**
Became first company in display industry to register stock over the counter

- 1984**
Established Tansei Information Institute Co., Ltd. (now, Tansei Institute Co., Ltd.) to strategically promote shift toward better use of information
Opened Central Technology Center in Mitsuikaido, Ibaraki Prefecture, and pushed forward on improvement in design, production and construction technology, and development of new technologies and new products
- 1985**
Became first company ever to win triple crown of Minister of International Trade and Industry Award, Display Design Grand Prize and Asahi Shimbun Prize at Tsukuba Expo
- 1987**
Listed on Second Section of Tokyo Stock Exchange
- 1989**
Unveiled corporate slogan: “Tanseisha is design and technology”
- 1990**
Established design institute as part of efforts to reinforce level of design and technical expertise
- 1995**
Defined basic concepts—customer priority, fundamental priority, action priority, on-site priority and core business priority—to underpin management direction in 38th business year and set up 21st-Century Vision Statement Committee
- 1997**
Established Tansei Display Co., Ltd.
- 1999**
Established Tansei Integrated Design Studio (IDS) as a new design company

Second Beginning: Road to the Future

2000s–2010s

- 2000**
Listed on First Section of Tokyo Stock Exchange
- 2001**
Obtained ISO 14001 environmental management system certification
- 2002**
Strengthened Group’s overall revenue structure and specialized capabilities through expansion, including addition of Game Co., Ltd. (now, JDN Inc.) as a consolidated subsidiary, and pursued entry into new fields of business
- 2003**
Eyeing China as a new market, established Tansei Creative Design Co., Ltd., in Shanghai
- 2005**
Established Beijing Tansei Co., Ltd.
- 2006**
Opened Tansei Europe Representative Office in Paris, France, to help Japanese companies operating in Europe expedite local promotional activities and function as a Japan-Europe information hub
Obtained permission to use PrivacyMark
- 2011**
Unveiled new management vision: “Professionals who create spaces for imaginations to grow”
- 2015**
Relocated head office to Konan, Minato-ku, Tokyo
- 2016**
Transitioned to company with an audit and supervisory committee



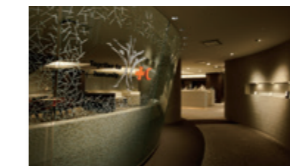
Yokohama Red Brick Warehouse Warehouse No. 2 (2002)



Osaka Kita Yard Knowledge Capital Trial 2009 (2009)



Nagasaki Prefectural Archaeological Center · IKI CITY IKIKOKU MUSEUM (2010)



Yurakucho Blood Donation Room (2011)



Kabukiza Gallery “Elegance of Kabuki SPRING” (2013)



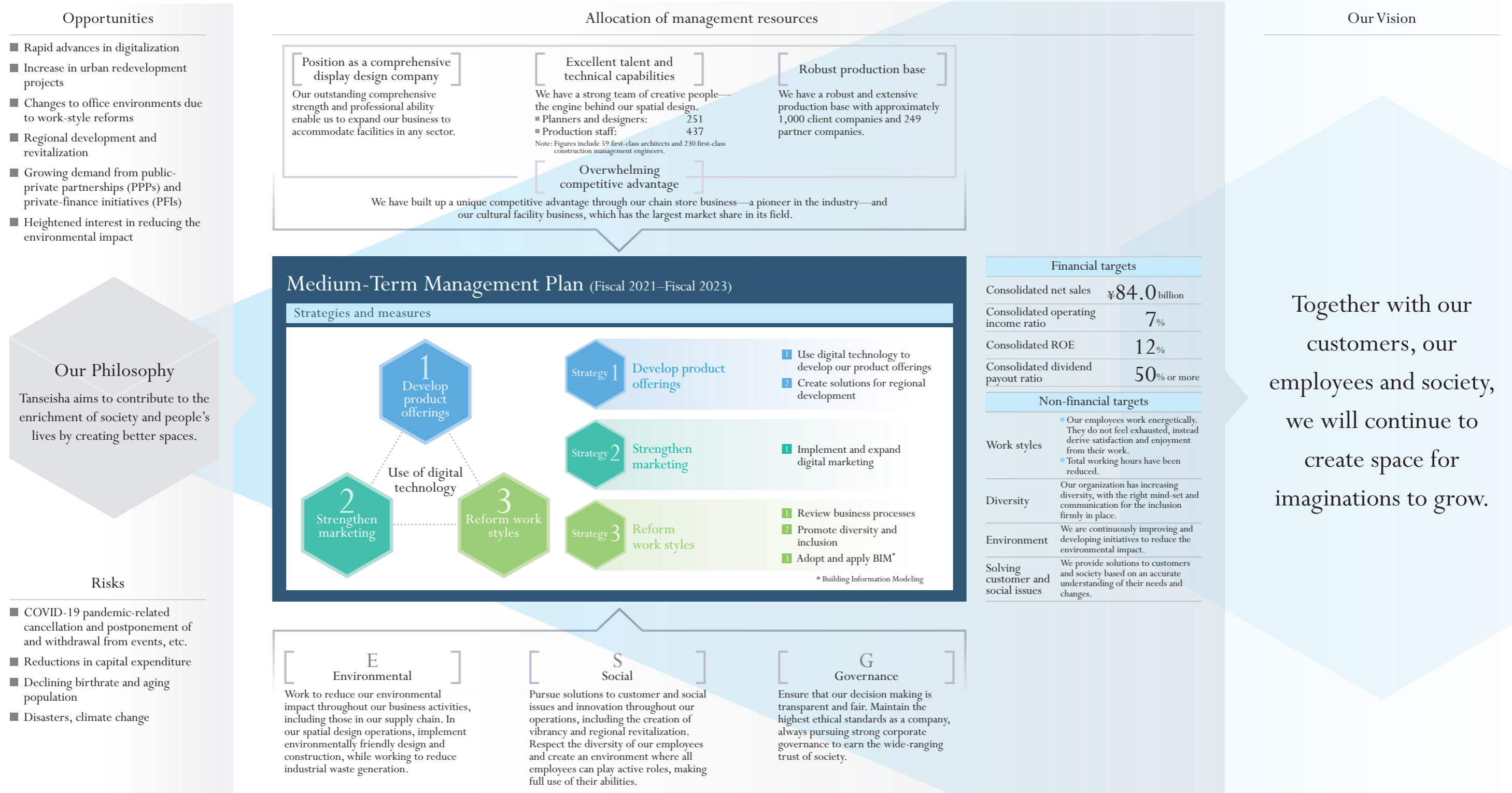
New headquarters in Shinagawa Creative Meets and Mobile Museum (2015)

Notable Events in Japan and Overseas

- | | | | | | |
|--|--|--|---|---|---|
| <ul style="list-style-type: none"> 1946
Promulgation of the Constitution of Japan 1951
First NHK Kohaku Utagassen (Red & White Year-end Song Festival) at year-end 1953
Nippon TV began first full-scale commercial broadcasting 1962
Population of Tokyo exceeded 10 million people, the first city of this size in the world | <ul style="list-style-type: none"> 1964
Tokyo hosted the 18th Olympic Summer Games
Tokaido Shinkansen (bullet train) commenced operation 1968
GNP eclipsed that of West Germany, becoming second largest in the world 1969
Apollo 11 successfully landed on the moon | <ul style="list-style-type: none"> 1970
Osaka Expo held 1972
Okinawa was returned to Japan, and Okinawa Prefecture was formally established
Sapporo hosted the 11th Olympic Winter Games 1973
First oil shock 1975
Okinawa Ocean Expo held 1979
Second oil shock | <ul style="list-style-type: none"> 1982
Tohoku Shinkansen and Joetsu Shinkansen commenced operation 1985
Tsukuba Expo held 1988
Seikan Tunnel—world’s longest—opened 1989
Berlin Wall came down 1993
Japan professional soccer league J.League debuted 1998
Nagano hosted the 18th Olympic Winter Games | <ul style="list-style-type: none"> 2002
Soccer World Cup held at sites in South Korea and Japan 2003
Digital terrestrial television broadcasting started in Japan | <ul style="list-style-type: none"> 2010
Shanghai Expo held 2012
TOKYO SKYTREE completed |
|--|--|--|---|---|---|

Process for Value Creation

Tanseisha has always focused on creating spaces that meet the needs of the times. As spatial design professionals, we deliver creative ideas backed by reliable technology that brings spaces to life. We will continue to contribute to the enrichment of society and people's lives by creating space for imaginations to grow.



Review of the Previous Medium-Term Management Plan and Overview of the New Medium-Term Management Plan

Review of the previous medium-term management plan (fiscal 2018–fiscal 2020)

Met targets for all indicators in fiscal 2020
 Consolidated operating income ratio: 7.3% Consolidated ROE: 12% Consolidated dividend payout ratio: 55.4%

Indicators	Targets	FY2018	FY2019	FY2020
Consolidated operating income ratio	7%	6.1%	7.0%	7.3%
Consolidated ROE	10% or more	16.0%	14.8%	12.0%
Consolidated dividend payout ratio	50% or more	43.5%	49.1%	55.4%

Evaluation and results of measures

Measures (priority)	Evaluation	Results
1 Strengthen production base <ul style="list-style-type: none"> Continue partner-company system Enhance efficiency and productivity of production operations Target Over 60% of orders placed with partner companies Establish a production base capable of handling large projects Develop a partner-company structure in Kansai, Chubu and Okinawa regions 	Achieved	<ul style="list-style-type: none"> Over 60% of orders placed with partner companies → Achieved (FY2020 result: 61.2%) Establish a production base capable of handling large projects → Developed to a certain level Developed a partner-company system regionally → Developed to a certain level Reduced on-site work time
2 Strengthen practical direction of high technical content <ul style="list-style-type: none"> Accelerate the introduction of practical direction of high technical content to each project Target FY2020 order volume target: ¥16.8 billion Develop people who can deploy creators from inside and outside the Company in combination and supervise them 	Partially achieved	<ul style="list-style-type: none"> Orders accepted for practical direction of high technical content (FY2020 results): ¥14.1 billion Continuing human resources development
3 Strengthen design capabilities <ul style="list-style-type: none"> Integrate and unify the organization as a design center Actively promote young designers and pass on skills to them 	Partially achieved	<ul style="list-style-type: none"> Increased product value by consolidating the organization Improved skills by deepening expertise and knowledge
4 Promote safety and high quality <ul style="list-style-type: none"> Establish a specialized department for education of production personnel 	Achieved	<ul style="list-style-type: none"> Conducted seminars on various topics (production, electrical and mechanical equipment) Increased the number of people acquiring professional certification
5 Reform work styles and improve productivity <ul style="list-style-type: none"> Make efforts to reform work styles and achieve diversity in work styles 	Partially achieved	<ul style="list-style-type: none"> Expanded remote working system Reduced overtime through strict management of long working hours Supported career development of female employees through seminars, etc.

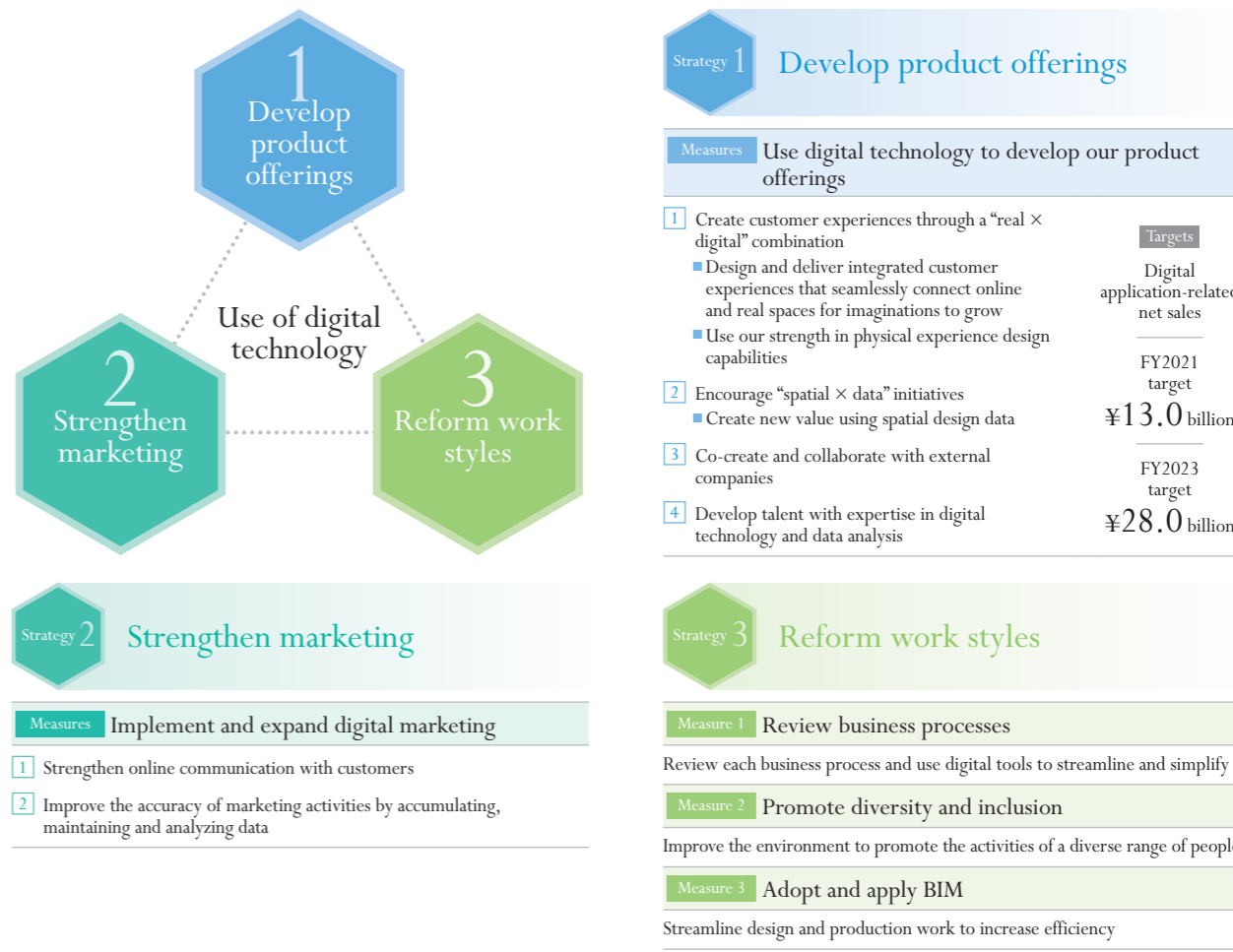
Overview of the new medium-term management plan (fiscal 2021–fiscal 2023)

We will achieve recovery in business results diminished by the pandemic while promoting evolution in business and work styles hinging on the use of digital technology and fueling our own transformation into the Taiseisha Group matched to a new era.

Targets for fiscal 2023 (financial/non-financial)

Consolidated net sales	¥84.0 billion	Work styles	<ul style="list-style-type: none"> Our employees work energetically. They do not feel exhausted, instead derive satisfaction and enjoyment from their work. Total working hours have been reduced.
Consolidated operating income ratio	7%	Diversity	Our organization has increasing diversity, with the right mind-set and communication for the inclusion firmly in place.
Consolidated ROE	12%	Environment	We are continuously improving and developing initiatives to reduce the environmental impact.
Consolidated dividend payout ratio	50% or more	Solving customer and social issues	We provide solutions to customers and society based on an accurate understanding of their needs and changes.

Strategies and measures in the new medium-term management plan



ESG-related targets and KPIs

ESG	Desired state	KPI	FY2023 target
S	<ul style="list-style-type: none"> Our employees work energetically. They do not feel exhausted, instead derive satisfaction and enjoyment from their work. Our organization has increasing diversity, with the right mind-set and communication for the inclusion firmly in place. We provide solutions to customers and society based on an accurate understanding of their needs and changes. 	Results of employee awareness survey	Exceed previous survey results
		Reduction of total working hours	No employee exceeding total internal working-hour specification
		Percentage of women in newly appointed management positions	50% or more
		Percentage of managers attending diversity training	100%
		Results of customer evaluation survey	Exceed previous survey results every year
E	<ul style="list-style-type: none"> We are continuously improving and developing initiatives to reduce the environmental impact. 	Creation of solutions for regional development	¥3.0 billion in business creation
		Maintain EMS certification	Achieve activity goals
G	<ul style="list-style-type: none"> Enhanced business management and financial base Increased shareholder returns 	Consolidated net sales	¥84.0 billion
		Consolidated operating income ratio	7.0%
		ROE	12%
		Dividend payout ratio	50% or more

Message from the President



TAKAHASHI Takashi

President and Chief Executive Officer

As space creation specialists, we pinpoint the changing needs of society and our customers, and demonstrate accumulated specialization and comprehensive capabilities in the pursuit of new value for a new era.

Addressing client and social issues through creation of spaces

At Taiseisha, our philosophy—to contribute to the enrichment of society and people’s lives by creating better spaces—has been the cornerstone of our business since our earliest days. In addition, to realize our vision—together with our customers, our employees and society—we will continue to create spaces for imaginations to grow. We are dedicated to the creation of spaces for social interaction, between people, people and things, and people and information.

The society we live in is always changing, along with the times. The world has undergone tremendous change due to the spread of COVID-19, and the path ahead remains uncertain. As a result, the needs of society and our customers are constantly changing as well.

Seeing these changes, we ourselves must also continue to change and grow. As space creation specialists, what can we do to realize an affluent, sustainable society, and what is necessary for us to achieve this? Also, how should we go about these tasks? We have to ask ourselves these questions and, with passion and creativity, we have to find solutions to issues through our business activities.

Impact of COVID-19 on business

The market scale of the domestic display industry is in the vicinity of ¥1.6 trillion, and our target is for half of that—¥800 billion. While the majority of participants in this industry are small and mid-sized companies with expertise in certain areas, we are able to develop business across many areas, from research and planning to design, construction and then management of displays in diverse facilities. This is a major advantage for us.

Another characteristic of this industry is that sales swing high or low depending on business trends, and the revenue structure does not allow for quarterly income to accumulate.

In fiscal 2020, ended January 31, 2021, the Japanese economy was hit hard by the spread of COVID-19. Our industry—the display business—was impacted by postponement of the Tokyo Olympic and Paralympic Games as well as several declarations of a state of emergency, which interrupted construction or changed the timing of construction projects, including those for public service events. In addition, we had to hold back on drop-by visits to client offices and in-person meetings, which hindered progress on order activity.

After the states of emergencies were lifted, measures were drafted to halt the spread of infection through society, and signs of economic recovery soon appeared. Gradually, Tanseisha also began to see a return to its original level of business activity. Even so, the business environment remained challenging.

Reflecting these conditions, fiscal 2020 orders accepted, net sales and order backlog fell significantly year on year. We made steady progress on projects that had been ordered the previous fiscal year and pursued business activities with an emphasis on profitability. These efforts helped minimize the drops in sales and income as much as possible.

Under our recently completed medium-term management plan, which ran from fiscal 2018 through fiscal 2020, our focus was on the pursuit of quality, represented by degree of completion and revenue, rather than quantity, that is, rather than the number of projects.

Previously, we tended toward a position of quantity, even if the project presented slim profit potential, but during the previous medium-term management plan, we committed to a sincere approach on each job and to delivering solid results. This approach helped instill the idea of quality over quantity among Tanseisha employees.

This effort was successful, and in fiscal 2020—the last year of the previous medium-term management plan—we met all our targets for consolidated operating income margin, consolidated return on equity and consolidated payout ratio.

Other results achieved through the previous medium-term management plan include a certain degree of success strengthening the production base and promoting safety and high quality—both raised as specific measures under the plan—and, notably, we established a production base appropriate for large projects, improved the system of alliance companies in rural areas and reduced on-site work hours. In addition, employees in design assignments were keen to obtain qualifications and participated in seminars, driving up composite knowledge and skills.

Meanwhile, a few issues remain on our agenda: strengthening the practical direction of high technical content, strengthening design capabilities and reforming work styles and improve productivity. In recent years, we have worked to build a system for providing services that demonstrate our specialization and comprehensive capabilities, including the Cross Media Innovation Headquarters—a team with expertise in spatial presentation—and we have achieved a variety of results. However, to offer proposals that are one step ahead of circumstances and create new value, we have to reinforce our system even more to address a society in rapid transformation.

Recovery, evolution and transformation to be realized by the new medium-term management plan

On the basis of the results of the previous medium-term management plan—the successes and the issues that still need attention—as well as the still-unfolding social landscape, we drafted a new medium-term management plan that will guide us from fiscal 2021 through fiscal 2023. Under this plan, we aim to achieve recovery in business results diminished by the pandemic while promoting evolution in business and work styles hinging on the use of digital technology, fueling our own transformation into the Tanseisha Group matched to a new era. Our targets go beyond financial indicators to include ESG-related indicators as well, a new challenge for us.

We also highlight three strategies—developing product offerings, strengthening marketing and reforming work styles—and will vigorously utilize digital technology to leverage success.

In recent years, the digital shift has emerged as a major theme in government policy and also within different industries, and various measures have been considered and

promoted. This trend was significantly accelerated by the spread of COVID-19. The use of digital technology makes new experiences possible, allows people to use time more effectively, changes the way people work and how offices are run, and fosters new perceptions of value.

At the same time, the rapid spread of digital technology has some inconveniences and demerits. While it is certainly possible to have meetings and shop online, many people still appreciate a real face-to-face discussion and seeing actual objects, touching them and trying them out. I think people enjoy a hands-on experience or the rediscovery of something they hold dear. Even as our world becomes more digital, opportunities for a tangible—physical—rather than virtual experience will surely take on more significance, and the value of such opportunities will again attract attention.

Against this backdrop, we will offer new proposals that seamlessly link real and digital worlds and generate a comprehensive customer experience that inspires. To date, Tanseisha's forte has been the design of displays for physical experience. Going forward, we will combine this strength with digital technology and data, a fusion that should lead to enhanced spatial creation.

The digital wave has had a huge impact on our own work styles as well. Since the head office was relocated in 2015, we have introduced an internal free-address

structure and pushed ahead on new work systems, such as work-from-home and shift work. With such approaches already in place, the move to telework during the pandemic was very smooth.

The “S” in ESG is for social, and on this front, we will promote even more work styles for employees. People are the greatest asset at Tanseisha, so non-financial indicators related to employees are included in the new medium-term management plan. Reforming work styles—one of the strategies of the plan—hinges on a review of each work process and efforts to determine the right conditions for more efficient work processes through, for example, the use of digital tools. At the same time, we will introduce BIM—building information modeling-based solutions and work flow using 3D modeling—into design and production activities and strive for higher productivity. We will share experience and know-how in various areas accumulated through business activities over many years, and effectively utilize these intangible assets to boost the quality of work and also reduce overall work hours.

In addition, we will emphasize a higher level of diversity and inclusion and improve the environment to promote greater involvement of a diverse workforce in company activities.

In 2021, we set up the in-house Work-Style Reform Promotion Committee, where conversations have unfolded with diverse human resources interacting under a task-force

There is a strong sense that the idea of quality over quantity has been instilled in Tanseisha employees.



structure to share opinions for concrete measures to enhance work styles. Also, we regularly ask employees to fill out a questionnaire to help pinpoint topics that require improvement. Through awareness and action, we boost the happiness of each and every employee and realize an environment where everyone is motivated and enthusiastic about work.

The “E” in ESG is for environmental, and on this front, we will continue efforts to reduce the environmental burden.

The government of Japan announced a plan to achieve a carbon-neutral, decarbonized society by 2050, while customers themselves appear increasingly aware of environmental issues. We would not deny that by its nature our business, linked to orders, increases the environmental burden. However, we are exploring possible steps to mitigate the impact against the backdrop of these conditions and must redouble efforts to use less energy and curb waste. In addition, the situation calls for a companywide about-face in awareness of issues to incorporate the reduced environmental burden right from the design stage and to improve all stages of business, including display production and construction as well as office activities.

The new medium-term management plan taps continued EMS—environmental management system—certification as a key performance indicator (KPI). Since it is

employees who sustain this system, the KPI designation will deepen employees’ appreciation of the environment and help limit the environmental burden through more environment-oriented work habits.

The “G” in ESG is for governance, and on this front, we identified the measures of enhancing business management and the financial base and increasing shareholder returns as factors that will define the corporate image we want to portray. This past spring, the Corporate Governance Code was revised, a change that has likely fueled a push for companies to properly address governance practices. As other companies are doing, Tanseisha is implementing a review of its executive team and management structure, to focus more on external director composition and an enhanced supervisory function, and seek the best approach toward building highly effective governance.

Carefully watch the business environment and apply the best techniques to realize growth

The outlook for each segment under the new medium-term management plan is mixed. In the commercial and other facility business, the external environment indicates

a tendency toward cancellation or postponement of events and other gatherings due to the pandemic as well as feelings of self-restraint and tighter reins on facility investment. However, there are also positive factors, such as increased demand for redevelopment projects in all cities, particularly the capital region, as well as rising demand in the Kansai area, mainly driven by Expo 2025 Osaka, Kansai, Japan.

Given this outlook, we will strive to keep the business relationships we built with customers aligned to us for the Tokyo Olympic and Paralympic Games, expand orders for business spaces and amusement spaces and boost our market share, and distinguish ourselves from the competition through robust use of digital technology that makes the most of our inherent strengths, leveraging higher added value.

In the chain store business, we have organized the external environment by customer sector.

In the apparel sector, the shift to e-commerce is gaining speed and, except for some companies performing well, there is a strong tendency to cut back on facility investment, including new store openings and renovations. In the restaurant sector, interest in facility investment is uneven, varying by format, but in some quarters, investment activity is trending upward. In the supermarket and home-improvement store sector, the pandemic drove up demand for daily necessities, while careful observation of consumer trends created a backdrop for facility investment. In the maintenance sector, demand for store maintenance and facility support is growing.

We will catch this wave of activity to deepen our connections to existing customers while charting a robust approach to new customers planning on facility investment. In addition, we aim to expand operations in western Japan and put more energy into measures matched to rising demand in the maintenance sector.

In the cultural facility business, public facilities are becoming smaller overall, but in the domains we target,

such as education, demand appears to be stable. Going forward, we will continue to strive to expand orders, particularly projects related to regional renaissance and public-private partnership businesses, and build a stable business model for the cultural facility business using display know-how accumulated over many years.

Ideal value creation that Tanseisha will offer going forward

During the discussion stage for the new medium-term management plan, we revisited our management philosophy and management vision and reshaped our ideas about growing along with customers. When the world changes and our customers change, we must too.

Using accumulated insights gained in creating real-world spaces and embracing new challenges, such as the use of digital technology, our businesses will evolve and work styles will transform. We will continue to create value as a corporate group matched to a new era. This plan epitomizes our existence as a professional in spatial creation.

We design spaces that provide inspiration to customers and make society a better place. To give this concept form, we will continue to combine extensive know-how, high-level technical skills, specialization and comprehensive capabilities into spaces created with the utmost care—quite literally, in the Tanseisha style.

We are committed and dedicated to the future. Great things can be expected from Tanseisha.

August 2021

TAKAHASHI Takashi

President and Chief Executive Officer



When the world changes and
our customers change,
we must too.

Message from the Chief Financial Officer



Keep damage caused by COVID-19 pandemic to a minimum

In fiscal 2020, orders accepted, net sales and order backlog trended considerably lower than in the previous fiscal year, reflecting a standstill in order activity and the cancellation and postponement of events due to the spread of COVID-19.

Gross profit fell year on year, owing to the drop in net sales, but the gross profit margin hit an all-time high of 20.4%, owing to the completion of many projects ordered pre-pandemic in an environment where profitability was stressed.

The Tanseisha Group has oriented itself to abstain from an emphasis on sales expansion alone when times are good, with favorable conditions, such as the steady inbound demand during the previous medium-term management plan. We carefully track work with customers that we can serve long term and maintain a position that considers not only the revenue side of the relationship but also building the multifaceted value of experience. Thanks to this approach, we have been able to minimize disruptions, even during the COVID-19 pandemic, and this underscored improvement in profitability.

Going forward, our plan is to maintain this direction. But the pandemic has prompted customers to take a more critical view toward requirements, and we see competition in the market heating up considerably. It will be important to carefully track these conditions and smoothly execute orders.

To date, we have taken a diverse approach to customer communication to identify customer needs and then create proposals that anticipate these needs to create new business chances. This approach has underpinned our marketing activities. Therefore, we had a certain amount of order backlog in fiscal 2020 and the pandemic's impact on business results was limited.

However, the fact that full-fledged order activity came to a standstill in April 2020, when Japan declared its first state of emergency, could be something that impacts business results in the future. Also, new inquiries often appear once customers decide their business plans and investment budgets, so we are thinking that the pandemic's impact on our industry could be delayed compared with that on other industries.

Realize strong corporate image primed for the future through new medium-term management plan

The new medium-term management plan, which runs from fiscal 2021 through fiscal 2023, will guide us toward a higher regional presence and a sharper competitive edge honed for future opportunities. Our financial targets are, on a consolidated basis, net sales of ¥84 billion, operating income ratio of 7%, ROE of 12% and a dividend payout ratio exceeding 50%.

As I mentioned earlier, we were able to achieve a stable rise in operating income over the past few years, which culminated in ¥5.6 billion in fiscal 2019. Our current goal is to return results battered by the pandemic to this level.

In 2020, large-scale projects seemed to hit a standstill, but the three years of the new medium-term management plan will be a time of large-scale project activity again, notably, for Expo 2025 Osaka, Kansai, Japan, urban redevelopment and integrated resorts. We have to clarify in numbers too the restored, sharper competitive edge we want to realize by 2025. Toward this end, we decided on two indicators—operating income ratio and return on equity—looking for higher ratios to meet the expectations of shareholders and investors.

With regard to return to shareholders, the annual dividend for fiscal 2020 was ¥40 per share, for a consolidated dividend payout ratio of 55.4%. An underlying component of our numerical targets is to be a corporate group with the ability to deliver on the promise of a dividend payout ratio of at least 50% so that we meet the expectations of shareholders and investors. The payout will be based on a recovery in business results, driven by the new medium-term management plan.

Chart growth, hinging on use of digital technology and excellent human resources and partners

Achievement of these targets is largely premised on utilizing the value of past experience and steadily building up projects where we have a previous connection. We will

definitely make progress on orders accepted while expanding our service area and service menu to better respond to operation and management, such as the ever-increasing need for maintenance, repair and upkeep of chain stores.

However, there is no guarantee that the volume of work will return to the pre-pandemic level. Therefore, we must elicit new demand, and that will require a concerted effort to utilize digital technology. We will be keen to present concepts for spatial creation that draw on specific advantages afforded by digital technology and also utilize the power of digital technology to enhance our own work styles and productivity.

In addition, retention and training of human capital, that is, our people, with excellent skills and ideas are indispensable given the transformation in social and business landscapes now. We will develop a diverse workforce in-house and foster an environment in which employees can thrive. At the same time, we will scout out personnel with skills that are difficult to cultivate in-house and weave into the new medium-term management plan a robust approach to investment in human resources.

We will also emphasize our position as a joint creation partner that enhances the capabilities of client companies and partner companies. Our people will watch for various technologies with a discerning eye and then consider how best to integrate these technologies into spaces, presentations and displays under proposals with higher added value, which will allow us to match technology to venue and present new possibilities to partner companies. By forging alliances and business tie-ups, the Tanseisha Group encourages mutual improvement in R&D and increases opportunities for verification trials in actual spaces. If successful, this process will have a positive impact on the industry as a whole.

An issue to address going forward will be raising awareness of the Tanseisha Group. We need potential customers to understand who we are and what we do. Maybe certain aspects of our work are not obvious. If so, we have to draw attention to what might be missed, and when potential customers gain a more comprehensive perspective on all that we can do, they will be more interested in our work. This will lead to orders for new projects as well as to opportunities for new space concepts, which in turn will be reflected in better business results for Tanseisha.

Overview of Business

(Fiscal 2020)

Commercial and Other Facility Business

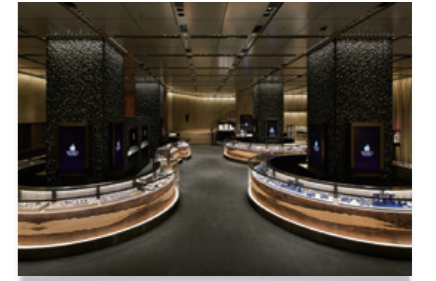
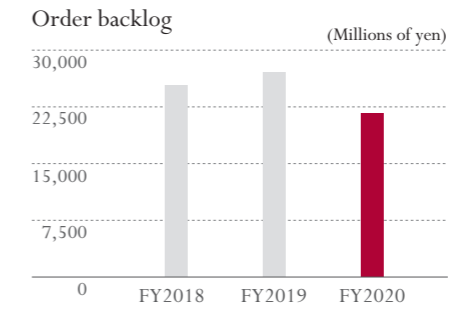
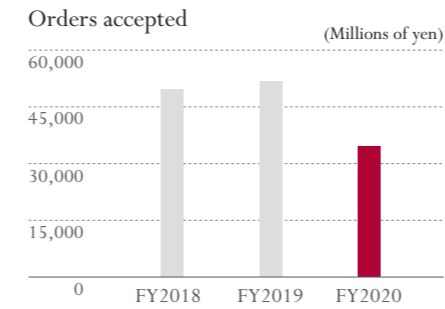
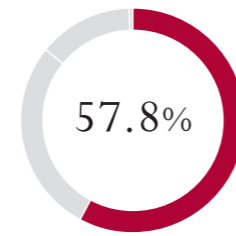
Business description Interior design (design and construction) of all commercial facilities (excluding those related to the chain store business)

Main facilities Department stores, large shopping centers, various kinds of specialty stores, restaurants, event and sales promotion facilities, amusement facilities, offices, hotels, other public facilities, etc.

Consolidated net sales
¥40,016 million

Consolidated operating income
¥3,629 million

Net sales composition ratio



Wako Main Building
"Wako Watch & Jewellery Square"

Chain Store Business

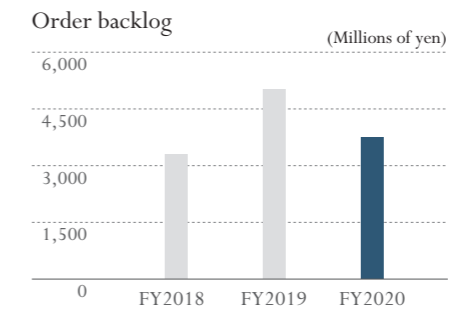
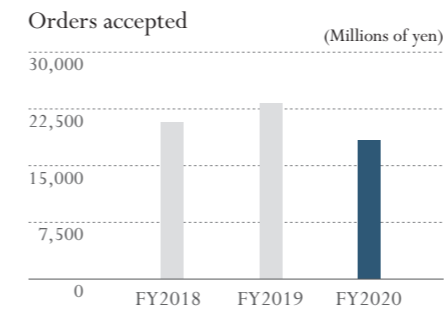
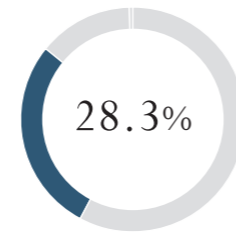
Business description Interior design (design and construction) of chain store facilities

Main facilities Chain-type restaurants, apparel stores, convenience stores, etc.

Consolidated net sales
¥19,598 million

Consolidated operating income
¥939 million

Net sales composition ratio



Domino's Pizza AEON MALL
KASHIIHAMA STORE

Cultural Facility Business

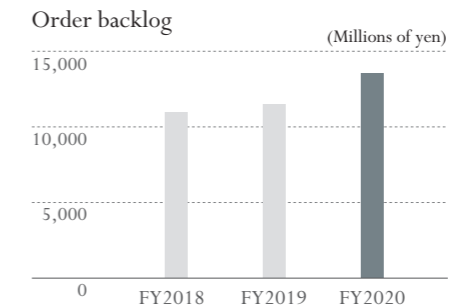
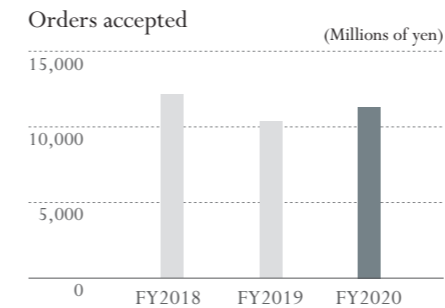
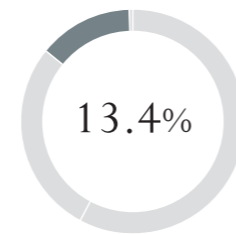
Business description Interior design (design and construction) of museums, art galleries, corporate museums, etc.

Main facilities Museums, art galleries, corporate museums, etc.

Consolidated net sales
¥9,250 million

Consolidated operating income
¥388 million

Net sales composition ratio



Shibusawa Memorial Museum

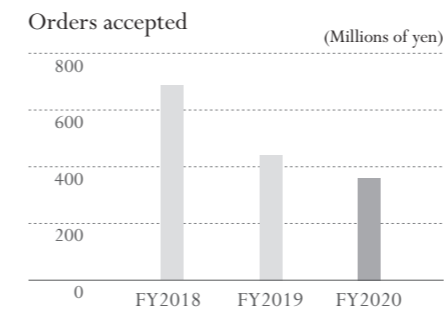
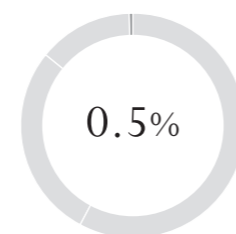
Other

Business description Administrative services, online information services

Consolidated net sales
¥360 million

Consolidated operating income
¥90 million

Net sales composition ratio



Commercial and Other Facility Business

We aim to expand our market share in the Kansai area as we integrate real space and digital technology.

KOBAYASHI Osamu
Managing Director in charge of
Commercial and Other Facility Business



Strengths	Risks and opportunities	Key measures of the new medium-term management plan
<ul style="list-style-type: none"> ■ The ability to create solutions that combine space with the full range of media and techniques ■ Creating communication media that engage the five senses 	<ul style="list-style-type: none"> ■ Cancellation and postponement of events due to the COVID-19 pandemic ■ Creating needs for spaces that integrate real and digital technologies through rapid advances in digitalization ■ Increase in demand for redevelopment projects in the Tokyo metropolitan area and other cities ■ Growth in demand in the Kansai area from Expo 2025, Osaka, Kansai, Japan, integrated resort (IR) plans, etc. 	<ul style="list-style-type: none"> ■ Target ongoing business from customer relationships formed in the run-up to the Tokyo Olympic and Paralympic Games ■ Increase orders and market share in business and amusement spaces ■ Aggressive use of digital technology to differentiate ourselves from competitors and add value

Market conditions and business performance in fiscal 2020

Our commercial and other facility business focuses on the interior design of commercial facilities in general, including department stores, specialty stores, and restaurants, as well as offices, hotels, and other facilities, and displays at exhibitions. Net sales of this business decreased significantly from those of the previous fiscal year due to the stagnation of order activities caused by the COVID-19 pandemic and the cancellation and postponement of events. Segment income also fell below that of the previous year, as the effect of reducing operating expenses was not enough to absorb the impact of the decline in sales. As a result, net sales were ¥40,016 million (down 19.8% year on year), while segment income was ¥3,629 million (down 9.7% year on year).

The pandemic continues to affect the business environment, causing a temporary contraction in overall market demand due to a drop in inbound demand, cancellation and postponement of events, self-restraint, reduced capital expenditure and a review of store-opening plans.

Initiatives going forward

In terms of the external environment, despite the cancellation and postponement of events due to the pandemic and lower capital expenditure, demand is expected to increase for redevelopment projects in the Tokyo metropolitan area and other cities. We also expect to see increased demand in the Kansai area from Expo 2025, Osaka, Kansai, Japan and the IR plans.

Going forward, we will work to build on relationships we established when responding to demand for the Tokyo Olympic and Paralympic Games to target continuing business with those customers. In business spaces, we will push forward with orders and expansion of market share, as the concept of the office continues to be redefined amid a shift to new lifestyle norms. In addition, we will actively deploy digital technology to differentiate ourselves from our competitors and to pursue high added value.

In fiscal 2021, the commercial and other facility business is expected to achieve net sales of ¥36.9 billion and segment income of ¥350 million.

Chain Store Business

We will increase market share of customers and strengthen our response to growing demand in the areas of new development and maintenance.

SHINOHARA Ikunori
Director in charge of
Chain Store Business



Strengths	Risks and opportunities	Key measures of the new medium-term management plan
<ul style="list-style-type: none"> ■ Planning ability tailored to business needs and highly creative spatial design ■ Competitive advantage as a pioneer in the industry, having launched our business ahead of our competitors 	<ul style="list-style-type: none"> ■ Deterioration in the market environment due to the COVID-19 pandemic ■ Investment increasing in some areas, but with variations between business types ■ Acceleration of e-commerce; expansion of the store maintenance and facility support market 	<ul style="list-style-type: none"> ■ Expand market share of existing customers and develop new customers ■ Strengthen relationships with existing customers and improve productivity to expand market share in western Japan ■ Target growth in the maintenance sector where demand is expected to increase; develop new customers

Market conditions and business performance in fiscal 2020

In our chain store business, which is engaged in the interior design of chain-type store facilities for casual wear and fast food, both net sales and segment income decreased from those of the previous fiscal year due to the deterioration of the market environment caused by the pandemic. As a result, net sales were ¥19,598 million (down 8.8% year on year), and segment income was ¥939 million (down 23.9% year on year).

In the current business environment, the pandemic has further accelerated the shift to e-commerce in the apparel sector. Demand for new store openings and renovations has been limited, with a few exceptions in certain companies that performed strongly. In the restaurant sector, some areas have seen an increase in capital expenditure, although this has varied depending on the type of business. In the maintenance sector, demand for store maintenance and facility support is on an upward trend.

Initiatives going forward

A look at the external environment reveals that, in the apparel sector, the shift to e-commerce is expected to further accelerate due to the pandemic. In the restaurant sector, polarization among our customers is increasing. Companies in a difficult environment are restraining their capital expenditure considerably. On the other hand, in the maintenance sector, demand is on the rise.

As for future initiatives, we will strive to develop new customers while increasing our market share with existing customers. In particular, we will work to strengthen relationships with existing customers and improve productivity to increase our market share in western Japan. Furthermore, in the maintenance sector where demand is expected to grow, we will focus on developing new customers.

For fiscal 2021, we forecast net sales of ¥20.4 billion and segment income of ¥1.1 billion in the chain store business.

Cultural Facility Business

We will strive to increase orders for public facility projects and projects for tourism and regional development.

NAKAJIMA Minoru
Director in charge of
Cultural Facility Business



Strengths

- Full support from protection of cultural assets to improvement of cultural resource value including planning, design, construction and operation
- With a specialized think tank, we have the No. 1 market share in the industry

Risks and opportunities

- Postponement of plans due to the COVID-19 pandemic
- Increasing needs relating to regional development and revitalization

Key measures of the new medium-term management plan

- Target increase in orders with focus on projects relating to regional development and public-private partnerships
- Stabilize and grow the cultural exhibition business by utilizing the exhibition experience we have cultivated over many years

Market conditions and business performance in fiscal 2020

In the cultural facility business, which provides a full range of services for cultural facilities, including exhibitions at museums and science museums, net sales were slightly lower than those of the previous fiscal year, but segment income was higher than that of the previous fiscal year due to an increase in large-scale projects. As a result, net sales were ¥9,250 million (down 6.1% year on year), and segment income was ¥388 million (up 63.3% year on year).

The current business environment has been affected by the postponement of plans for the design and construction of exhibition spaces, in both the public and private sectors, due to the pandemic. However, going forward, we expect to see increasing needs relating to regional development and revitalization. As for public-private partnerships (PPPs) and private-finance initiatives (PFIs), while the number of projects we are handling is still small, the demand itself is on the rise.

Initiatives going forward

A look at the external environment reveals that public investment as a whole is estimated to be weak. However, public facilities, such as public-private partnership projects, which are our target, are expected to shift from flat to a slight increase. We also see promising growth markets in government-led initiatives to create a tourism nation and boost regional development.

As for our initiatives going forward, we will focus on expanding orders, especially for projects relating to regional development and public-private partnership projects. In addition, we will utilize the exhibition expertise and knowledge we have cultivated over the years to achieve stable growth in the cultural exhibition business.

For fiscal 2021, we forecast net sales of ¥10.3 billion and segment income of ¥500 million in the cultural facility business.

Initiatives for further growth

1

Promoting Japanese craft works as art for a global audience and supporting artists

B-OWND, a blockchain-based online market for the sale of craft works as art

Tanseisha's business of spatial design has a strong affinity with Japanese art and craft works, which are indispensable for imbuing the spaces we create with depth and character. However, the artists and artisans who carry on Japanese culture face severe challenges, and the number of workers in Japan's traditional art and craft-work industry has continued to decline since a peak of 288,000 in 1979. By 2015, the number had fallen to 65,000 people*, one-fifth of that in 1979.

In response to this situation, Tanseisha created B-OWND, a new platform for the international sale and distribution of Japanese craft works as art. Launched in May 2019, B-OWND is an online marketplace that sells the finest craft works expressing the beauty of Japan. The platform issues a blockchain digital certificate of authenticity for all listed works, recording not only the authenticity but also the purchase history of each item. For system development, we have partnered

with Startbahn, Inc., which operates Startrail, a blockchain network for art. Joining Startrail enables us to offer artists an optional return payment model in which they receive a portion of the transaction price when a work is resold.

Through this service, Tanseisha will help grow the Japanese art market, broadening the range of activities of Japanese artists and artisans and promoting Japanese culture and art.

* According to a survey by the Association for the Promotion of Traditional Craft Industries

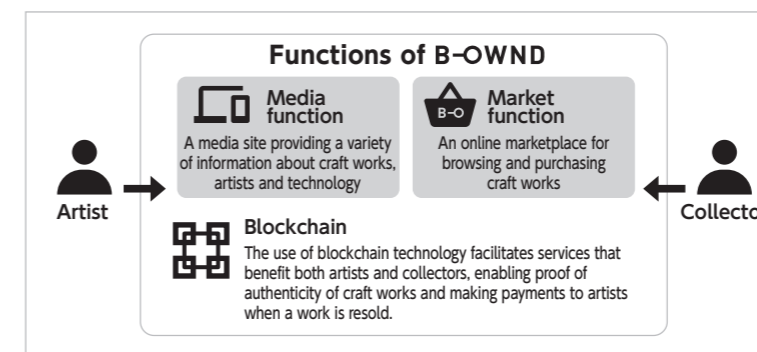


Image of B-OWND in use

2

Project working toward a decarbonized society by using obsolete construction and interior materials

“4earth,” an e-commerce site specializing in obsolete construction and interior materials

In April 2021, Tanseisha began full operation of “4earth,” a new online service that specializes in the sale of obsolete products such as construction materials and interior materials.

Various construction materials used to create spaces have been discontinued following the development of new materials and designs, giving rise to many obsolete materials, an issue for manufacturers and the display industry as a whole. To address this problem, we collaborated with manufacturers of interior materials, using our professional expertise to develop a system that takes a spatial design standpoint in the selection and integration of discontinued products. The system allows these products to be put back into circulation for commercial use.

Through this initiative, manufacturers can reduce inventory management costs at warehouses, curb industrial waste at the time of final disposal and reduce CO₂ emissions. Design and construction companies can benefit by reducing costs through the proactive use of obsolete products, while contributing to the realization of the SDGs and a decarbonized society.

Going forward, we will develop this business, which provides an opportunity to make use of obsolete products. As well as expanding its coverage in terms of product categories and volume, we will use our spatial design expertise to develop original products from obsolete products, while also offering SDG-related consulting. Looking further ahead, we will continue actively working to help realize the SDGs by 2030 and achieve a decarbonized society by 2050.

Corporate Social Responsibility

Our philosophy and vision as a company here at Tanseisha are reflected in our efforts and responsibility to realize a sustainable society.

Our Philosophy

Tanseisha aims to contribute to the enrichment of society and people's lives by creating better spaces.

Our Vision

Together with our customers, our employees and society, we will continue to create space for imaginations to grow.

Materiality assessment

Materiality Assessment Process

The Tanseisha CSR Committee, headed by our company president, assessed the importance of issues we face as a company using three steps, the results of which were determined by management and executive meetings.

STEP 1: Addressing societal issues

We selected 45 societal issues to address based on our company principles, our experience in an array of corporate projects, our CSR efforts and by following the guidance provided by ISO 26000 and the United Nations' SDGs.

STEP 2: Assessing importance of issues

We analyzed, organized and summarized the importance of each issue from both our stakeholders' points of view and our own, i.e., the Tanseisha Group. Furthermore, insights and opinions were exchanged with outside executives.

STEP 3: Pinpointing materiality

We determined the top six issues that both stakeholders and the Tanseisha Group companies prioritize.



CSR Committee

Tanseisha has assembled a CSR Committee headed by our company president, consisting of executive members from various departments. The committee establishes and inspects crucial guidelines, regularly reviews the Company's CSR efforts and assesses methods for enhancing CSR projects in each category and field.

Initiatives for SDGs

We have defined target SDGs based on our CSR materiality. Throughout our business activities, we are pursuing initiatives aligned with these targets.

Materiality	SDGs	Our main initiatives and direction
Contributing to social and cultural development and solutions for related issues	4 Quality Education	■ In creating spaces, our main business area, we plan and design social education facilities (museums, etc.) centered on various themes.
	8 Economic Growth and Innovation	■ We contribute to the improvement of economic productivity and the creation of added value such as customer problem-solving practices through spatial creation and the instilling of liveliness.
	11 Sustainable Cities and Communities	■ We contribute to the development and promotion of the appeal of local regions (regional development) and sustainable tourism through space creation projects.
Promoting innovation	9 Industry, Innovation and Infrastructure	■ We create safe and secure spaces.
	11 Sustainable Cities and Communities	■ We practice creating inclusive spaces with consideration of users rich in diversity, including people with disabilities and the elderly (practice of universal design).
	13 Climate Action	■ We contribute to the conservation and handing down of culture and nature through spatial creation.
Supporting diversity	4 Quality Education	■ We provide continuous educational opportunities for employees and support their growth.
	8 Economic Growth and Innovation	■ We place importance on the education and enlightenment of workers and foster culture to promote understanding and acceptance of diversity, as well as the talents of our employees.
Promoting supply-chain management	12 Responsible Consumption and Production	■ We contribute to the realization of a circular economy by promoting the reduction, reuse and recycling of waste.
	13 Climate Action	■ We thoroughly manage waste such as chemical substances.
Conserving the natural environment	12 Responsible Consumption and Production	■ We contribute to the realization of a circular economy by promoting the reduction, reuse and recycling of waste.
	13 Climate Action	■ We thoroughly manage waste such as chemical substances.
Conserving the natural environment	12 Responsible Consumption and Production	■ We practice environmentally friendly design.
	13 Climate Action	■ We keep electricity use in the office to a minimum.

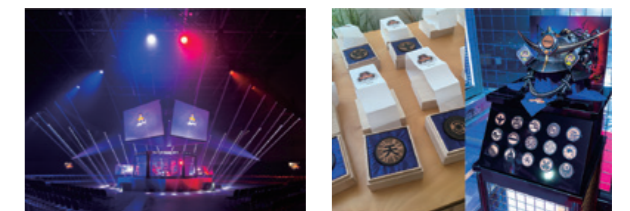
Outside assessment

Tanseisha projects recognized at the 39th Display Industry Awards (2020) with Silver Award and Honorable Mention Awards

At the 39th Display Industry Awards (2020), Red Bull Kumite Japan 2019, an e-sports event whose spatial design was produced by Tanseisha, Tanseisha received the Silver Award (awarded by the Director-General for Commerce and Service Industry Policy of the Minister's Secretariat, Ministry of Economy, Trade and Industry). Many other Tanseisha projects either received or were nominated for Honorable Mention Awards. The Display Industry Awards aim to promote the display industry and increase its public recognition by awarding and publicizing outstanding display works. Awards are given to display projects that contribute to enhancing life styles and culture or to developing Japan's aesthetic environment.

Silver Award
 (Awarded by the Director-General for Commerce and Service Industry Policy of the Minister's Secretariat, Ministry of Economy, Trade and Industry)

Red Bull Kumite Japan 2019



Contributing to Social and Cultural Development and Solutions for Related Issues

Toshima City Tokiwaso Manga Museum



Initiatives to address materiality



By carrying out our vision of “creating space for imaginations to grow,” Tanseisha contributes to the development of society and culture and to solving various problems. Through our core business of spatial design, we create places and opportunities to develop and enliven various activities in society, contributing to the creation and continuity of rich and diverse culture. From generating vibrancy and revitalizing regional communities to supporting sustainable tourism, we work to solve issues faced by customers and society. We ensure that the spaces we create are inclusive by considering a diverse range of users, including people with disabilities and the elderly.

Toshima City Tokiwaso Manga Museum: The challenge, our design and our architectural approach

We faced a major challenge when undertaking the reconstruction of Tokiwaso, which had previously been demolished due to old age. Having no surviving blueprints, we conducted a series of detailed surveys aimed at recreating the building’s original appearance as faithfully as possible. We also set out to safeguard the museum’s function of symbolizing Toshima City’s importance as the revered birthplace of manga. Drawing from our expertise gained through designing exhibitions and archives, we reconstructed the building as a fire-resistant structure with high airtightness and heat insulation in accordance with current regulations.



The entrance area also features park restrooms and an old-fashioned telephone booth. These replicate the outer wall of the Ochiai Telephone Station, which was located near the original Tokiwaso.



The staircase to the second floor, where the manga artists would have lived, is designed to make a creaking sound, to evoke the sense of the original interior.

From the project leader



We have been involved in this project for 10 years, from initial research into the use of Tokiwaso and manga culture for cultural tourism and regional revitalization through to the reconstruction of the building. During that time, as well as doing various surveys, designs and production work, we conducted activities aimed at developing the facility as a center for continuous promotion of manga culture and for organizing local activities. These included holding workshops with local residents to discuss the ideal form of an urban area rooted in manga culture and providing operational consulting services to museum staff. This project gave us an opportunity to apply the full range of Tanseisha’s capabilities.

KATO Tsuyoshi, Creative Director, Design Center (total direction and architectural design)

Activities of Tansei Institute Co., Ltd.

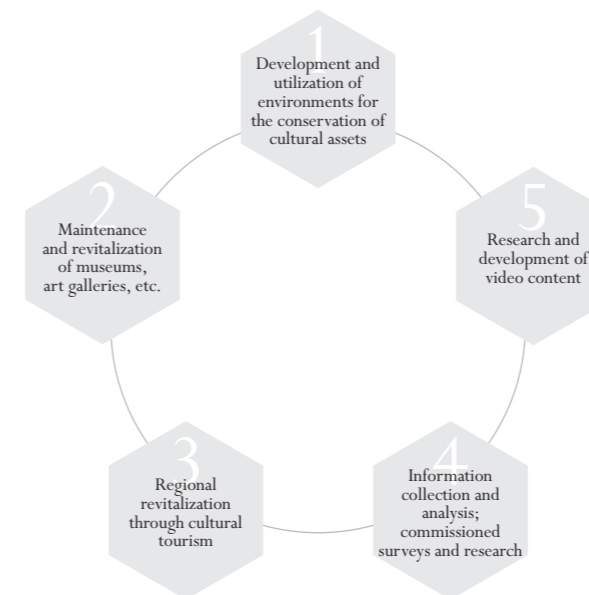
Mission of Tansei Institute

Tansei Institute was established in April 1984 as Japan’s only think tank specializing in cultural spaces. It initially operated as a research organization covering a wide range of fields from commercial facilities to cultural spaces, conducting surveys and research, and also publishing numerous specialized books. In 1993, 10 years after its establishment, Tansei Institute began providing foundational research, consulting, design and information services as a research organization specializing in cultural facilities.

Cultural resources have gained increasing recognition for their immense potential as drivers of tourism and regional development, and today various initiatives are under way in this field. At Tanseisha, we see enormous value in protecting and utilizing tangible and intangible cultural resources that can be passed on to future generations as national treasures. For 30 years, Tansei Institute has striven to communicate Japan and its culture to the world, serving as a specialist in the creation of environments for conserving national treasures and important cultural properties.

Business of Tansei Institute

- 1 Development and utilization of environments for the conservation of cultural assets
As an expert in the creation of environments for conserving and utilizing cultural properties, Tansei Institute offers a comprehensive range of services, from research and environmental design to the creation of environments for conservation and utilization. Tansei Institute considers the characteristics and condition of the materials used for each cultural property, drawing from the latest conservation science technology and from its accumulated experience.
- 2 Maintenance and revitalization of museums, art galleries, etc.
Museums continue to gain recognition for their importance as resources that support a nation’s culture, art and tourism. Against this background, Tansei Institute provides valuable cultural spaces through foundational research, project planning and operational consulting.
- 3 Regional revitalization through cultural tourism
Regional communities have tangible and intangible cultural assets that have been handed down to the present day, nurtured by the local landscape and by history. Tansei Institute focuses on culture that has local roots, supporting the revitalization of local communities through various activities that seek to involve local people.
- 4 Information collection and analysis; commissioned surveys and research
With the information and expertise accumulated over the past 30 years, Tansei Institute has built up a data bank of about 9,000 museums and has collected cultural tourism-related information from around the world. As Japan’s only think tank specializing in cultural space, Tansei Institute conducts research and disseminates information on trends.
- 5 Research and development of video content
Audiovisual media are essential elements for cultural facilities to present information by stimulating the five senses. Tansei Institute supports the construction of the best possible cultural spaces through research and development of the latest audiovisual media approaches.



Promoting Innovation



Initiatives to address materiality



In response to changes in society and the evolution of technology, Tanseisha is constantly learning. From research to demonstrations of experiments, we are always searching for opportunities to embrace new challenges.

At Tanseisha, we think of space as the only experiential medium. We combine our accumulated expertise in spatial design with digital technologies such as video, audio, lighting, xR, sensing and network technologies, delivering experiences that inspire people gathering in a space. We create new value by promoting innovation in spatial design. We do this through a convergence of physical elements that uses the experiential nature of real space with digital elements that expand or optimize concepts and values.

YANMAR MUSEUM: The challenge and our spatial design and content approach

In this renewal project, we set out to make the facility into the embodiment of the branding activities of Yanmar Holdings Co., Ltd. A key theme was to provide a variety of experiences that would let visitors come away with a sense of the spirit of endeavor that has been handed down at Yanmar since its founding. A major feature of the project was the promotion of an integrated production and direction system for all museum content, encompassing theme setting, planning, development, production and, of course, spatial design. The concept of the YANMAR MUSEUM is "Try it! Exciting Future Challenge!" We worked to create content that would accurately reflect that concept, allowing Yanmar to communicate this message to children, encouraging them to look ahead to the next 100 years.



At the beginning of the experience, the presentation in the theater touches on the founder's spirit of endeavor. The screen at the front opens up just as the visitors are about to embark on the challenge, heightening their sense of anticipation.

From the project leader



We used digital technology to present Yanmar's company spirit and its initiatives through multiple elements of experiential content. We developed a system around this that scores visitors' results to a game in real time so that they can take their scores home. Visitors immerse themselves in competing with each other, enjoy the experience and take their results with them, coming away with a sense of the spirit of endeavor. We orchestrated cross-media content that converges physical and digital elements to encourage visitors to become fans, stay admirers and want to go back again.

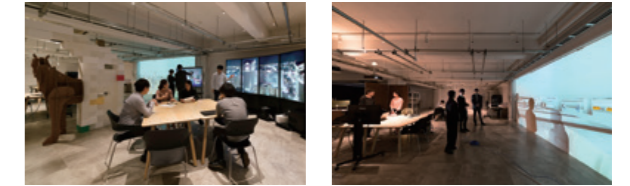
SUZUKI Akihiro, Senior Manager, Space × Media Producers Office, Cross Media Innovation Headquarters (production)

Initiatives with digital applications

Konan Lab "Mk_3"

Konan Lab "Mk_3" is operated by the CMI Center, a team of specialists in spatial production that conducts research and development on spatial production and spatial communication, performing experiments and demonstrations to optimize technology.

Under the theme "Space × Technology" (synergy of space and technology), the aim of Mk_3 is to create new value through combinations of space and technology. We collaborate with companies and creators who have cutting-edge technology and content, as we pursue new possibilities for spatial design.



Using a proprietary high-speed browsing system and other equipment, we are conducting experiments and demonstrations using new designs and technologies to bring ideas to life in real-world spaces.



Mk_3: From the idea of Mk-II (improved version), it conveys the sense of a space for going one step further to create new values for the next generation.

Collaborative initiatives

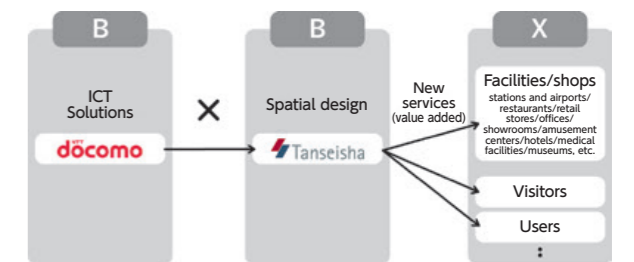
Collaboration with NTT DOCOMO

In July 2018, Tanseisha formed an agreement with NTT DOCOMO, Inc. (hereafter, DOCOMO) to collaborate in creating spatial value with ICT technologies. Through this partnership we are working on creating spatial value that uses digital transformation. This collaboration is part of the NTT Group's "B2B2X Model," a concept for promoting partnerships to develop new services. The aim is to create new user experiences by combining our spatial design expertise with DOCOMO's ICT technologies and solutions, such as Mobile Spatial Statistics [Mobile Kuukan Tokei®].

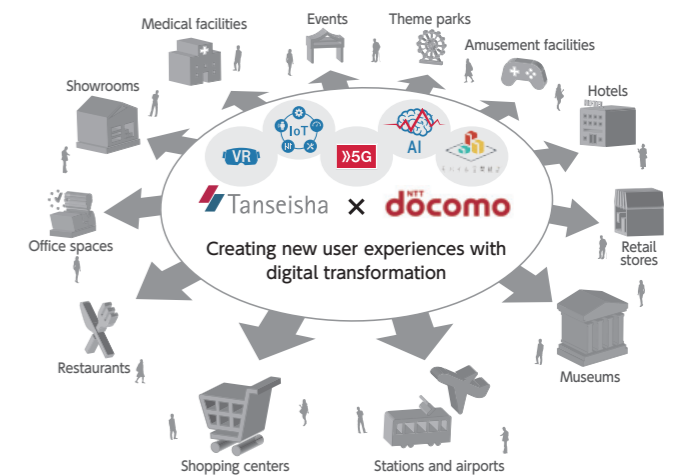
In January 2020, we participated in an AR application demonstration experiment for the 5G era promoted by DOCOMO at DOCOMO Open House 2020. Drawing from our expertise in exhibition planning and design for cultural and event spaces, we planned and produced content that allowed visitors to experience MEC* solutions.

*MEC: Multi-Access Edge Computing: a network technology that allows servers and storage to be deployed closer to the customer in a mobile communications network.

Concept of the "B2B2X Model" in this initiative



Display of AR Content Using 5G Solutions at DOCOMO Open House 2020



Supporting Diversity

Tanseisha respects human diversity and aims to realize a society based on universal values. To do so, we create an environment in which our diverse team of employees can fully demonstrate their abilities and play active roles in the Company. We work to create a place where diversity is recognized and company culture is fostered to make full use of various perspectives, knowledge and know-how.

Human resources policy

We recognize that the diverse individuality and creativity of our employees are the most important resources for management, and we respect the autonomy and individuality of our employees. Recognizing that employee health is the foundation of creativity and healthy growth, we strive to create a comfortable work environment that takes into account the health and safety of employees. By developing work styles that take the human body and mind into consideration, as well as human resources development (education, training and career development), we aim to be a company where each and every employee and team organization can grow in a sustainable way. We strive to be a company that can demonstrate its full potential through a variety of work styles.

Diversity initiatives

Since 2017, we have been providing diversity training to all executives and employees to help them deepen their understanding of diversity. This awareness-raising training is mainly structured around thought-provoking conversations with a diverse range of people, from the visually impaired, hearing impaired and physically impaired to members of the LGBT community and people of different nationalities. Employees with disabilities themselves participate in planning and managing the training program.

Examples of initiatives

■ Participation and cooperation in Universal Camp in Hachijojima

Organized by the NPO Universal Event Association, this exchange event aims to realize a society where everyone can lead active lives together, based on the concepts of normalization and diversity. We have participated in and cooperated with the program since it began in 2005, seeing it as a valuable opportunity for human resources development and for gaining insights into universal design. Through the event, employees increase their awareness of diversity and learn leadership skills for tapping into the potential of a diverse range of people.



Securing information and consideration for the hearing impaired

In addition to introducing a corporate plan for UD Talk®, a communication support and conversation app, we have created a work environment where it is easier for employees with disabilities to work by hiring sign language interpreters.

We were chosen as one of the exemplary companies in 2018 Tokyo's "Mental Barrier-Free [Kokoro no Barrier-Free]"

In fiscal 2018, the Tokyo Metropolitan Government registered Tanseisha as a "mental barrier-free" support company, a certification it provides to companies that work to raise awareness of diversity. Of the 150 companies that were registered as support companies that year, we were also among the 11 companies selected as model companies for outstanding achievements in this area.



■ Participation in the Art and Sign Language Project

Since 2011, we have participated in the Art and Sign Language Project. This project addresses various challenges that people with hearing challenges encounter when engaging in the appreciation of art, placing special importance on art, museums, sign language and the hearing-challenged.



Human resources system, human resources development initiatives

We continually review our personnel system to respond to diversifying work styles. We also plan education and training programs for each level and type of work, both internally and externally, to help employees gain the skills they will need as space creation professionals. We support employees' career development, encouraging their growth as managers and specialists through activities such as career guidance interviews. In addition, we have established a support system for employees obtaining qualifications designated by the company, such as licenses for architects and construction management engineers, and provide a portion of the cost of acquisition to support employees in obtaining qualifications.



Health care and welfare initiatives

In addition to regular health checkups and stress checks based on the Occupational Safety and Health Act, we provide comprehensive health examinations, medical examinations for the prevention of illnesses specific to women, influenza vaccinations and online counseling for employees. Furthermore, in April 2017, we introduced Group Long-Term Disability Income Compensation Insurance (GLTD) as a new welfare system that supports employees early return to work after their recovery.

Examples of initiatives

■ New employee training "Human Resources Development Project"

The Human Resources Development Project is an original practical training program that we have conducted since 2005 as part of our training for new employees. Our top designers and artisans also participate and by competing with them, new employees experience their first phase of growth at the Company. Our goal is to help new employees grasp the essence of their work and think about how they can make the most of their abilities among team members while growing.



Promoting work-life balance

By establishing the Family-Friendly Promotion Committee under the phrase "Let's design work-life balance," we promote work-life balance, workplace creation and work-style reform that make it easier for diverse human resources to demonstrate their abilities. We also communicate with employees' families and hold days when families visit the office.

Responses to diverse work styles and measures to prevent excessive labor

In addition to efforts to achieve total prevention of excessive labor, we are working on initiatives such as teleworking to provide diverse work-style opportunities. We also have established shifts so that employees can change their start time from day to day, a system that improves the rate of childcare leave, creates shorter hours for employees who receive childcare and promotes the taking of annual paid leave. In addition to introducing a "free address system (location-free working)," we are developing office and IT environments by utilizing spaces for co-working, distributing iPhones and PCs tailored to work style, and introducing expense settlement systems, RPA and AI chatbot to streamline operations.

Initiatives in response to the Act on Advancement of Measures to Support Raising Next Generation Children and the Act on Promotion of Women's Participation and Advancement in the Workplace

In 2005, we formulated the General Business Owner Action Plan, based on the Act on Advancement of Measures to Support Raising Next Generation Children, and in 2007 we obtained the Next Generation Certification Mark (nicknamed Kurumin) through efforts to support child rearing. We are partnering with nursery schools that enable employees to balance work and raising children, as well as promoting work-style reform and awareness-raising activities.



Tanseisha non-financial data

Percentage of female managers* (as of January 31, 2021) *Section manager and above, excluding director	5.8%
Monthly average for overtime work* (fiscal 2020) *Including legal working hours on holidays Excluding managers and supervisors	22 hours, 17 minutes
Annual paid leave (January 1, 2020 through December 31, 2020)	9.3 days
Percentage of employees with disabilities (as of January 31, 2021)	2.0%
Percentage of mid-career hires (fiscal 2020)	49%

Supply-Chain Management

We have established a foundation for creating value, including quality and safety, through the expansion of our network of partner companies and the building of trusting relationships, all the while promoting CSR initiatives throughout the entire supply chain.

Procurement policy

Following our management philosophy of contributing to the enrichment of society and people's lives by creating better spaces, we build strong trusting relationships with our client companies. We conduct procurement based on our own policies, which take into account compliance with laws and regulations, assurance of quality and safety, as well as environmental considerations.

Quality, safety and environmental efforts

Safe construction, high quality and environmental considerations are the bases of all company practices. We have established various policies and priorities when working together with Taiseisha Group companies and partner companies across a vast spectrum of company activities.

- Safety:** Basic policy
—We make prevention the basis of safety and aim for zero disasters and accidents.
Priority items for disaster and accident prevention
—The prevention of fires, disasters affecting third parties, crashes and accidental falls at work sites, prevention of vehicular accidents and loading/unloading accidents
- Environment:** Environmental policy
—Reduction of greenhouse gas emissions, environmentally friendly design, reduction of industrial waste, consideration for facility users, compliance
- Quality:** Compliance with quality control priorities, prohibitions and special management matters

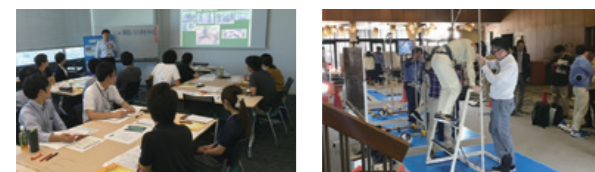
Examples of initiatives

■ Safety and Health Committee (managed by monthly emphasized themes)

Every month, we hold a Safety and Health Committee (Safety Committee) to promote safety management and quality control activities to eliminate accidents and disasters at construction sites by sharing information on health and safety activities such as health and safety reports and reports of close calls and near misses at work sites.

■ Safety Convention and production seminars (conducting educational and awareness-raising activities)

The Taiseisha Safety Convention is held with Group companies and partner companies in conjunction with National Safety Week every year in July. To strengthen safety, we give special lectures on safety by both in-house and outside professionals, and employees share safety management experiences to raise and strengthen safety awareness at construction sites.



■ Industrial Waste Management Committee (monitoring industrial waste disposal)

Twice a year, the Industrial Waste Management Committee is held to check the amount of industrial waste we dispose of and the status of waste separation done by each subcontractor. We deeply take into consideration how to reduce the amount of our industrial waste and improve our disposal percentage. Furthermore, we properly and thoroughly scrutinize our subcontractors before selection and hold work-site inspections.

■ Corporate cooperation

We have organized the Seiwakai, a group consisting of members of the Company and our cooperating companies, to conduct safety and health and quality improvement activities centered on the Safety and Education Subcommittee and other subcommittees. We conduct joint patrols each month, improve safety awareness and the technology of our members, and provide education and information to obtain necessary qualifications. In addition, we have set up the Disaster Prevention Council for studying the “awareness of danger.”



Environment

To protect the natural environment and pass it on to posterity, we work to reduce the environmental impact in our corporate activities, especially during our spatial creation phase.

Environmental policy

In the Taiseisha Group, like society as a whole, we have a strong sense of urgency about climate change. We have established an environmental policy to protect the environment in a sustainable way, while working to improve intellectual creativity and operational efficiency. We hope to inspire continuous changes in awareness and behavior, as we work to create spaces for social interaction that enriches people's lives.

Environmentally friendly design

In addition to striving to reduce the amount of resources and energy consumed and waste disposed of in our space development business, we aim to create spaces that are friendly both to people and the environment. We think of space for social interaction—the main target of our business activities—as part of the environment. We adhere to six specific principles in our environmentally friendly design.

Healthy design



We offer healthy interior environments.

We reduce harmful material such as volatile organic compounds that pollute the air in indoor spaces, placing thorough consideration on human health when designing. In addition, when customers require particularly clean environments, we strive to select interior/construction materials that have antibacterial, antiviral, antistain and deodorizing properties.

3R design



We strictly control waste and effectively use resources.

We implement the 3Rs—“reduce, reuse, recycle”—when selecting materials and products during the design stage.

Energy-saving design



We select energy-efficient equipment.

In addition to designing in compliance with various laws and regulations regarding energy efficiency in buildings, we particularly focus on the efficiency of interior finishing materials, equipment and space production equipment, which is our main business area.

Universal design



We design with everyone in mind.

We pursue convenience and functionality for all people, such as the installation of wheelchair-accessible seats and graphic displays at children's eye level. In addition to the hard and soft aspects of universal design, we strive to implement a universal design of the heart and mind.

Safe design



We prevent accidents and trouble

In addition to building safe structures and shapes, such as rounding the edges of furniture and furnishings, and measures to prevent objects from falling down or falling over, we design to ensure safety in the event of disasters and to prevent accidents caused by carelessness.

Design for preservation of cultural properties



We pass down essential cultural assets to future generations.

When displaying and storing cultural assets and works, we strive to design the needed environments and take necessary technical measures to prevent deterioration or damage.

Environmental considerations at construction sites

For industrial waste management, we have established items of practice in our own procedures and developed a management plan to reduce the generation of industrial waste. We also record the details of implementation, their effects, the type and amount of waste generated, compliance status with laws, etc., after construction. Feedback is referenced in construction plans to manage industrial waste and produce continuous improvement. To prevent health problems arising from sick building syndrome, we implement environmentally friendly design and construction plans (analyzed by construction review committees), select certified materials and manage the use of certified materials on-site.

Items of practice in our procedures

- Use of factory production parts (precut and knock-down method)
- Rental (reused) materials and fixtures
- Reduction of overprocuring materials and guidance on how to return surplus materials
- Reduction of excessive packaging at the time of delivery of materials
- Reduction of generation of waste offcuts by using economic dimensions
- Reduction of mixed waste by separate collection

Environmental management system

Taiseisha's environmental management system is integrated into our business activities and aims to create a comfortable environment for spaces for social interaction. We take into consideration everything from the design stage to the operational aspects of the facility after construction. In July 2017, we renewed our environmental management system certification registration in accordance with the revised version of ISO 14001, expanding the scope of application to our main sites.

Environmental activities at our offices

We curb electricity consumption with “Cool Biz” and “Warm Biz” programs, through which we conserve energy by adjusting temperature settings and by encouraging workers to dress casually. We have consolidated our servers to data centers with higher power efficiency and use energy-saving settings for office equipment. In addition, we cooperate with the eduCycle Eco Craft Pack Project, which provides discarded sample products as education materials for children. We also support the aims of the Ministry of the Environment's Fun to Share project.



Dialogue: A Conversation with Outside Directors



Tanseisha invited three people active in different fields and considerably knowledgeable to sit on the Audit and Supervisory Committee as outside directors and add more supervision and advisory expertise to governance from an external perspective. In this dialogue, the three outside directors give their impressions of the Company, the governance structure and building the right presence for the future.

Sincere and open Board of Directors leading company blessed with talented human resources

MATSUZAKI: Tanseisha really emphasizes people—people are everything—and employees do work that showcases individual skills and ideas. That is the Company’s strength. The Board of Directors is extremely sincere in dealing with issues, and the execution of duties is watched very carefully. That is my impression. Also, over the last five years, directors have acquired a much greater awareness of business management. Corporate governance is just one area where the Company is making steady progress in responding to established standards, and this has undoubtedly enhanced its reputation as a reliable, trustworthy company.

NIIJIMA: After assuming my position as an outside director, whenever possible, I would go off to projects Tanseisha was involved in. I went to the Mt. FUJI WORLD HERITAGE CENTRE, SHIZUOKA, the DMM Kariyushi Aquarium in Okinawa and Upopoy (National Ainu Museum and Park) in

Hokkaido. By visiting the actual sites, I was able to see with my own eyes how much information is contained in a space and got a true sense of Tanseisha’s concept of creating spaces for imaginations to grow. Every project I viewed made me like Tanseisha even more. Initially, I was nervous when the Board of Directors met because I was Tanseisha’s first female director, and I was much younger than the other directors. But from the start, the atmosphere was welcoming, and the board was receptive to my comments. Directors listened sincerely to the opinions and the points I raised from the Audit and Supervisory Committee, considered the content and, when necessary, moved to implement appropriate measures.

YOSHII: I have been in this position for only a year but I was aware that Tanseisha had been involved in creating space at shops I knew from before, and I realized just how much an impact the spaces had on shop users and people who viewed the displays. I have also had the opportunity to watch presentations by new employees. I was very impressed by the wonderful proposals, each matched to the stated theme. In five or 10 years, these will be the people whose efforts will underpin the Company, and this thought made me keenly aware that people are an incredible asset for Tanseisha. The Board of Directors not only answers my questions accurately and sincerely but also asks for my opinions on various matters. This extremely open structure has made a great impression on me.

MATSUZAKI: If I had to name an issue, I would say it is that the Board of Directors is a little short on discussions. If

points were brought up in a management meeting, the Board of Directors could be informed of issues that come out of such meetings and the discussion process. That would deepen understanding and promote more active exploration of topics by the Board of Directors.

New medium-term management plan meets expectations for future growth

MATSUZAKI: What stood out for me at the announcement of the medium-term management plan was the president’s message—“Let’s do good work.” I feel these words will motivate employees. Also, right now, society is focused on the fight against COVID-19. But once the pandemic ends, there will be a need to rebuild connections between individuals. Investment in digital technology and embracing challenges will be vital keys. Merging accumulated know-how and digital technology and creating spaces that inspire people—these things will obviously help Tanseisha grow, and they will help society grow too.

NIIJIMA: One point in the medium-term management plan that caught my eye was work styles. Tanseisha considers excellent human resources an asset and does not want to lose people. In addition, as a result of stricter laws and regulations related to work-style reform, labor management, including measures to rectify the issue of long working hours and measures to prevent harassment, will become more important. Also, the Company has made its diversity target of at least a 50% ratio of women newly appointed to management positions a KPI. This is not an externally suggested target but rather a natural progression within the Company. I think it reflects the level of commitment that Tanseisha has in executing initiatives. The number of people who willfully discriminate or show bias is undoubtedly low, but unconscious bias remains strongly rooted. By setting a numerical target, Tanseisha will promote understanding of the issue and realize a comfortable work environment for all, irrespective of gender. I believe this will lead to higher productivity and business results over the medium to long term.

YOSHII: SDGs cannot be ignored in a company’s medium-to long-term strategies, so the fact that Tanseisha has reflected SDGs in its new plan is noteworthy. I look forward to progress on concrete initiatives going forward. Also, given turbulent changes in the operating environment, I definitely see the importance of utilizing digital technology to capture

new business opportunities. On the topic of diversity, I think management should consider appointing not just women but also non-Japanese to director positions. Issues are becoming more complicated, and against this backdrop, embracing various viewpoints not previously considered could well lead to the discovery of new solutions to challenging issues.

NIIJIMA: In terms of addressing global trends, I’d like to see some discussion on human rights due diligence. I think Tanseisha should pinpoint human rights issues and promote measures from anti-harassment and supply-chain management perspectives too.

Utilizing personal insights and experience and walking the same path toward better management

MATSUZAKI: I have become familiar with perceptions that permeate all society not only as a specialist in taxation but also from experience gained through the operation of national tax structures and related public relations activities. Today, everyone at Tanseisha is very informed about maintaining compliance standards. But if for some reason, an issue arises, I believe it is my role to speak my mind and work toward improving the situation.

NIIJIMA: I will draw on my knowledge and experience as a lawyer and direct concerted effort into creating a system to prevent illegalities. Typically, when business results are susceptible to deterioration, such as in the current pandemic, the risk for illegal activity rises. I would like to contribute to the creation of a corporate culture that will not tolerate dishonest behavior and help establish an internal control system that eliminates any potential for illegal activity because, even if someone is tempted to do something, nothing can occur without an opportunity to exploit.

YOSHII: To date, my involvement in corporate activity has been as a consultant. In the realm of consulting, the position of a consultant requires a certain degree of objectivity, whereas the position of an outside director demands a deeper, more concrete connection to the Company. Going forward, I will utilize my experience as a certified public accountant, placing a priority on building a structure that prevents occurrences of wrongdoing and watching carefully, with an eye on accounting irregularities, which are more likely to crop up in certain situations, such as in projects that run over a long time, as well as on governance for a corporate group that includes subsidiaries.

Corporate Governance

Basic approach

We always pursue the best corporate governance and work continuously to ensure its improvement.

We believe that the keys to corporate governance are to ensure transparency and fairness in decision making, to make full and effective use of our management resources and to increase the vitality of management through swift and accurate decision making, in order to achieve sustainable growth and long-term enhancement of our corporate value. We will work to enhance our corporate governance, in accordance with the following basic approaches.

- We will respect the rights of our shareholders and ensure their equality.
- We will consider the interests of stakeholders and cooperate with them appropriately.
- We will appropriately disclose corporate information and ensure transparency.
- We will establish a system of self-discipline to ensure the effectiveness of the Board of Directors' function of supervising business execution.
- We will engage in constructive dialogue with shareholders who have investment policies that are consistent with the interests of the shareholders over the medium to long term.

Outline of the corporate governance system

Main items	Details
Organizational structure	A company with an audit and supervisory committee
Number / term of Directors (excluding Directors who are Audit and Supervisory Committee Members)	8 persons / 1 year
Number / term of Directors who are Audit and Supervisory Committee Members	4 persons / 2 years
Number of Outside Directors	4 persons
Voluntary committee	Nominating and Compensation Advisory Committee
Number of Outside Directors designated Independent Officers	4 persons
Accounting auditor	Deloitte Touche Tohmatsu LLC

Initiatives to strengthen corporate governance

2006	Decided the basic policy on the development of an internal control system
	Transitioned to a company with an audit and supervisory committee
2016	Established the basic policy on corporate governance Reviewed the basic policy on the development of an internal control system
2019	Introduced a performance-linked stock compensation plan for Directors (excluding Directors who are Audit and Supervisory Committee Members)
2020	Abolished takeover defense measures
2021	Establish the policy for determining the compensation, etc., of Directors

Board of Directors

The Board of Directors of the Company, which is chaired by the President and Chief Executive Officer, consists of 12 Directors, including eight internal Directors and four Outside Directors, and meets once a month as a rule. Each Director, as a member of the Board of Directors, makes decisions swiftly and accurately, and the President and Chief Executive Officer oversees the Company's business operations as the person with the highest responsibility for business execution, on the basis of management policies determined by the Board of Directors.

Some Directors are also in charge of business execution, and information on the status of their business execution is shared, as appropriate, at the Business Execution Committee. On the other hand, to obtain appropriate opinions and advice on management from an objective standpoint, we have appointed four Outside Directors to enhance the transparency and objectivity of management. All Outside Directors have been designated Independent Officers, as stipulated by the Tokyo Stock Exchange.

Audit and Supervisory Committee

The Company has an Audit and Supervisory Committee, chaired by a Full-Time Audit and Supervisory Committee Member, which consists of four Directors, including one internal Director and three Outside Directors, and meets once a month as a rule.

In addition to attending Board of Directors meetings, Directors who are Audit and Supervisory Committee Members attend other important meetings, express their

opinions and collaborate with the internal audit department to enhance the effectiveness and efficiency of audits.

Nominating and Compensation Advisory Committee

To strengthen the independence, objectivity and accountability of the functions of the Board of Directors related to the nomination and compensation of Directors, the Company has established a voluntary Nominating and Compensation Advisory Committee as an advisory body to the Board of Directors. The Nominating and Compensation Advisory Committee is chaired by a Full-Time Audit and Supervisory Committee Member and consists of five Directors, including one internal Director and four Outside Directors.

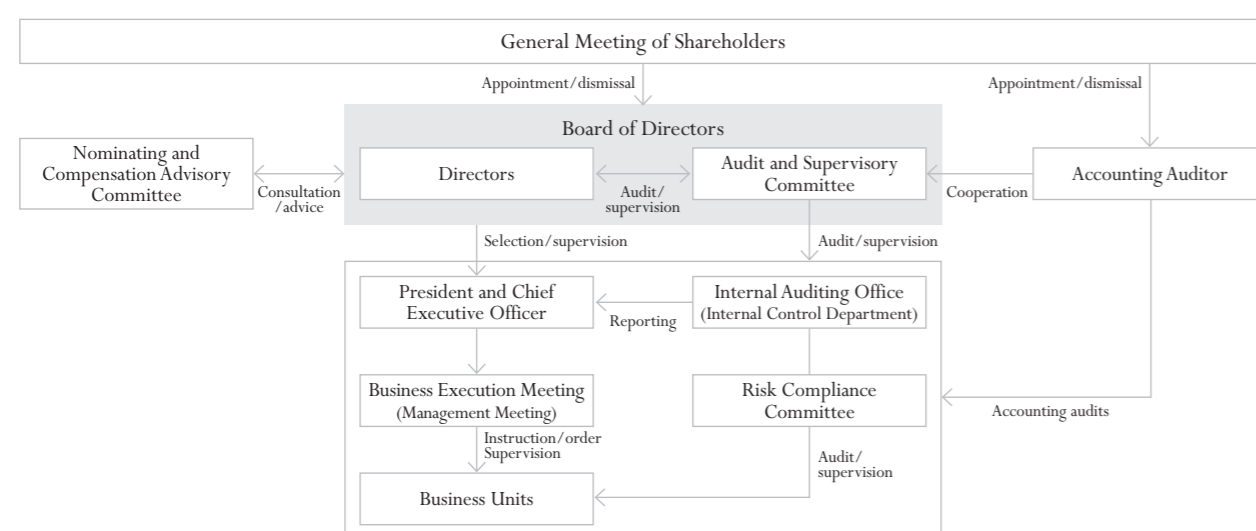
The Nominating and Compensation Advisory Committee, which performs the functions of both a nominating committee and a compensation committee, examines matters related to the appointment and dismissal of Directors, as well as policies related to the compensation of Directors and details of individual compensation, and submits its opinions and advice to the Board of Directors.

Evaluations of the effectiveness of the Board of Directors

The Company analyzes and evaluates the effectiveness of the Board of Directors for each fiscal year at the Nominating and Compensation Advisory Committee, while referring to the self-evaluation of each Director. The Company will consider disclosing a summary of the results of such evaluations in the future.

Corporate governance system diagram

(As of April 27, 2021)



Reasons for appointment and activities of Outside Directors

Name	Reasons for appointment	Activities
MATSUZAKI Yasushi	Mr. MATSUZAKI Yasushi has a wide variety of experience in the public administration field, as well as professional knowledge of finance and accounting, and is qualified as a certified tax accountant. Therefore, the Company has appointed him in the expectation that he will exercise his auditing function from an objective standpoint.	Board of Directors: Attended 16 of 16 meetings (Took office in April 2015)
NIIJIMA Yumiko	Ms. NIIJIMA Yumiko is qualified as an attorney-at-law. The Company has appointed her in the expectation that she will exercise her auditing function from an objective standpoint, based on her high level of insight into corporate legal affairs.	Board of Directors: Attended 16 of 16 meetings (Took office in April 2018)
YOSHII Kiyonobu	Mr. YOSHII Kiyonobu has experience as a representative of a consulting group, as well as professional knowledge of finance and accounting, and is qualified as a certified public accountant and certified tax accountant. Therefore, the Company has appointed him in the expectation that he will exercise his auditing function from an objective standpoint.	Board of Directors: Attended 13 of 13 meetings (Took office in April 2020)
ITAYA Toshimasa	Mr. ITAYA Toshimasa has abundant experience and broad insight into corporate management as president of Property Data Bank Inc., and also has expertise in digital utilization, which the Company is promoting. Therefore, the Company has appointed him in the expectation that he will provide management advice and contribute to the improvement of the supervisory function of the Company's management from an objective standpoint.	Board of Directors: — (Took office in April 2021)

Planning for the succession of the CEO and other executives

Although we do not currently have a specific plan for the succession of the CEO and other executives, we recognize that succession planning is an important issue for improving corporate value. We conduct our own in-house education and external training every year to develop the next generation of managers on the basis of our philosophy and management strategy. The status of implementation is reported to the Board of Directors regularly.

Executive compensation

Basic policy

The Company pays compensation to Directors in an amount commensurate with their performance, after taking into consideration the levels at other companies and other factors, with the primary aim of motivating Directors to improve the performance of the Group and increase corporate value.

The compensation of Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) consists of fixed compensation and variable compensation (short-term incentive (bonus) and medium- to long-term incentive (stock-based compensation)), as they are responsible for improving business performance each fiscal year and increasing corporate value over the medium to long term.

Outside Directors and Directors who are Audit and Supervisory Committee Members are paid fixed compensation only, due to their independence from business execution.

Policy for determining individual compensation, etc.

The amount of fixed compensation paid to each Director (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) is determined by the Board of Directors on the basis of the position of each Director (expected roles and responsibilities), after taking into consideration the levels at other companies and other

factors, the opinions and advice of the Nominating and Compensation Advisory Committee, whose majority is composed of independent Outside Directors, and the opinions of the Audit and Supervisory Committee, if any.

In addition, a representation allowance, a Chairman of the Board of Directors' allowance, etc., are added based on the fixed compensation.

The amount of fixed compensation paid to each Outside Director (excluding Directors who are Audit and Supervisory Committee Members) is determined by the Board of Directors based on the expected roles and responsibilities, after taking into consideration the levels at other companies and other factors, the opinions and advice of the Nominating and Compensation Advisory Committee, whose majority is composed of independent Outside Directors, and the opinions of the Audit and Supervisory Committee, if any.

The total amount of fixed compensation paid to Directors who are Audit and Supervisory Committee Members is determined within the limit determined at the General Meeting of Shareholders, after the Company's business performance and earnings status are taken into consideration. The allocation of the total amount of compensation to each Director who is an Audit and Supervisory Committee Member is calculated in accordance with his or her respective duties and determined through discussions among the Directors who are Audit and Supervisory Committee Members.

Internal audits and audits by the Audit and Supervisory Committee

Internal audits of the Company are conducted by the Auditing Office, currently consisting of four members, under the direct control of the Representative Director. Following the internal audit plan formulated at the beginning of each fiscal year, the Auditing Office conducts internal audits of all aspects of the Company's operations and reports the audit results to the Representative Director and the Audit and Supervisory Committee at the same time in the form of an internal audit report. We ensure the effectiveness of internal audits by instructing the audited departments to improve their operations as necessary and by having the audited departments report their improvement plans.

Directors who are Audit and Supervisory Committee Members attend Board of Directors meetings to monitor the execution of duties by Directors and also conduct audits based on audit reports from the accounting auditor and the internal audit department. In addition, they aim to improve the effectiveness and efficiency of audits by working closely with the Auditing Office and the accounting auditor, through such measures as the mutual exchange of information and opinions, whenever necessary.

Information disclosure

To ensure timely and appropriate information disclosure for the entire Group, we have established internal regulations (Group Insider Trading Prevention Regulations), and in accordance with these regulations, we have appointed a person in charge of information handling (executive in charge) and established a department in charge of information handling.

The person in charge of information handling determines whether reported information falls under the category of corporate information requiring disclosure under the Timely Disclosure Rules, after consulting with the department in charge of information handling. If such information falls under the category of corporate information requiring disclosure, the person in charge of information handling or the department in charge of information handling under the direction and order of the person in charge of information handling will disclose the information without delay. If it is difficult to determine whether timely disclosure is required, the Tokyo Stock Exchange is consulted in advance, to ensure that no terms of disclosure are omitted. Applicable information is posted on the Company's website immediately after disclosure.

Composition of executive compensation

	Basic compensation		Performance-linked compensation	
	Fixed compensation	Short-term incentive (bonus)	Medium- to long-term incentive (stock-based compensation)	
Recipients	Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members), Outside Directors and Directors who are Audit and Supervisory Committee Members	Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members)	Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members)	
Form of compensation	Cash	Cash	Stock and cash	
Evaluation indicator	—	Consolidated orders accepted, consolidated order backlog, consolidated operating income, consolidated operating income ratio and net income	Linked to management indicators stressed in the medium-term management plan (fluctuates in a range from 0% to 200%, depending on the achievement of targets)	
Method of provision	Payment in cash in monthly installments	Payment in cash after the General Meeting of Shareholders	Shares corresponding to the number of points acquired during the target period and the converted cash equivalent of company shares	

Total amount of compensation, etc., by executive category, total amount by type of compensation, etc., and number of executives in each category

Executive category	Total amount of compensation, etc.	Total amount by type of compensation, etc.			Number of executives in category
		Fixed compensation	Performance-linked compensation		
		Basic compensation	Bonus	Stock-based compensation	
Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	299,209	227,397	64,260	7,552	8 persons
Directors (Audit and Supervisory Committee Members, excluding Outside Directors)	18,900	18,900	—	—	1 person
Outside Directors (Audit and Supervisory Committee Members)	23,400	23,400	—	—	4 persons

Notes: 1. Directors who concurrently serve as employees do not receive employee salaries.

2. Bonus and stock-based compensation represent the amounts recorded as expenses during fiscal 2020.

3. The cumulative amount of stock-based compensation expensed during the evaluation period (from fiscal 2019 through fiscal 2020) was ¥110,434 thousand.

Board of Directors

(As of April 27, 2021)



TAKAHASHI Takashi
President and Chief Executive Officer

Number of Board of Directors meetings attended:
16/16

- Apr. 1974 Joined the Company
- Jun. 1999 Executive Officer and Senior Manager of First Public Space Dept. of Production Div.
- Apr. 2010 Director, Executive Officer and General Manager of Production Div. of Commercial Space Div.
- Feb. 2013 Director in charge of Design and Production in general, and Quality, Technology, Safety and Business Partners
- Feb. 2015 Managing Director in charge of Design and Production in general
- Feb. 2016 Executive Vice President
- Apr. 2017 President and Chief Executive Officer (current position)



TOKUMASU Teruhiko
Senior Managing Director

Number of Board of Directors meetings attended:
16/16

- Apr. 1981 Joined the Company
- Apr. 2010 Executive Officer and General Manager of Marketing Div. II of Commercial Space Div.
- Apr. 2012 Director and General Manager of CS Business Unit
- Feb. 2015 Director in charge of Commercial and Other Facility Business and Chain Store Business
- Feb. 2016 Managing Director in charge of Design
- Feb. 2018 Managing Director and General Manager of Design Center, in charge of Design
- Feb. 2021 Senior Managing Director and General Manager of Design Center, in charge of Design (current position)



KAWAHARA Hideshi
Director
(Full-Time Audit and Supervisory Committee Member)

Number of Board of Directors meetings attended:
16/16

- Aug. 1995 Joined the Company
- Apr. 1996 Senior Manager of Accounting Dept. of Corporate Management Div.
- Apr. 2006 Senior Manager of Business Process Reengineering Office
- Feb. 2010 General Manager of General Management Div. of Administrative Headquarters
- Feb. 2014 General Manager of Corporate Planning Div.
- Apr. 2016 Director (Full-Time Audit and Supervisory Committee Member) (current position)



MATSUZAKI Yasushi [Outside] [Independent]
Outside Director
(Audit and Supervisory Committee Member)

Number of Board of Directors meetings attended:
16/16

- Apr. 1978 Joined National Tax Agency
- Jul. 1985 District Director of Wakkanai Tax Office
- Jul. 1998 Deputy Commissioner (Large Enterprise Examination and Criminal Investigation) of Fukuoka Regional Taxation Bureau
- Jul. 2003 Director of Consumption Tax Office, Taxation Dept. of National Tax Agency
- Jun. 2010 Qualified as certified tax accountant
- Jul. 2010 Deputy Commissioner of Collection Dept. of National Tax Agency
- Apr. 2015 Outside Director of the Company
- Apr. 2016 Outside Director (Audit and Supervisory Committee Member) (current position)
- Jun. 2017 Executive Director of Zenkokuhojinkai Public Interest Incorporated Foundation (current position)



TODAKA Hisayuki
Managing Director

Number of Board of Directors meetings attended:
16/16

- Apr. 1981 Joined the Company
- Apr. 1999 Senior Manager of Corporate Planning Dept. of Corporate Planning Office
- Feb. 2008 General Manager of Corporate Planning Div.
- Feb. 2014 General Manager of General Management Div.
- Apr. 2015 Director in charge of Corporate Planning, General Management, Business Management and Groups in general
- Feb. 2017 Managing Director in charge of Corporate Planning, General Management and Groups in general (current position)



KOBAYASHI Osamu
Managing Director

Number of Board of Directors meetings attended:
16/16

- Apr. 1984 Joined the Company
- Apr. 2006 General Manager of IMC Business Unit 1 of Sales Headquarters
- Feb. 2008 General Manager of IMC Business Div.
- Feb. 2011 Deputy General Manager of CS Business Unit
- Feb. 2015 General Manager of CS Business Unit
- Apr. 2016 Director and General Manager of CS Business Unit, in charge of Commercial and Other Facility Business
- Feb. 2017 Director in charge of Commercial and Other Facility Business
- Feb. 2019 Managing Director in charge of Commercial and Other Facility Business
- Feb. 2021 Managing Director in charge of Sales Operations and Commercial and Other Facility Business (current position)



NIIJIMA Yumiko [Outside] [Independent]
Outside Director
(Audit and Supervisory Committee Member)

Number of Board of Directors meetings attended:
16/16

- Dec. 2009 Registered as an attorney-at-law (Tokyo Bar Association)
- Jan. 2010 Joined Yamada Law & Patent Office (current position)
- Apr. 2018 Outside Director of the Company (Audit and Supervisory Committee Member) (current position)



YOSHII Kiyonobu [Outside] [Independent]
Outside Director
(Audit and Supervisory Committee Member)

Number of Board of Directors meetings attended:
13/13 (Took office in April 2020)

- Feb. 1990 Joined Natsume Audit Corporation
- Apr. 1995 Registered as certified public accountant
- Jul. 2002 Established accounting firm
- Mar. 2004 Managing Partner of NTS Sogo Tax Corporation (former Akasakamitsuke Sogo Tax Corporation) (current position)
- Feb. 2008 Managing Partner of Iris Audit Corporation (current position)
- Sep. 2016 Representative of NTS Sogo Consulting Group (current position)
- Apr. 2020 Outside Director of the Company (Audit and Supervisory Committee Member) (current position)



NAKAJIMA Minoru
Director

Number of Board of Directors meetings attended:
16/16

- Apr. 1982 Joined the Company
- Apr. 2007 General Manager of Production Div. 3 of Production Headquarters
- Feb. 2009 Deputy General Manager of Cultural Space Business Unit
- Feb. 2013 General Manager of Cultural Space Business Unit
- Apr. 2016 Director and General Manager of Cultural Space Business Unit, in charge of Cultural Facility Business
- Feb. 2019 Director in charge of Cultural Facility Business (current position)



SHINOHARA Ikunori
Director

Number of Board of Directors meetings attended:
16/16

- Jan. 1987 Joined the Company
- Apr. 2002 Senior Manager of Sales Dept. 2 of SE Div.
- Feb. 2008 General Manager of PM Div. 1 of SE Div.
- Feb. 2012 General Manager of SE Div.
- Apr. 2016 Director and General Manager of SE Div., in charge of Chain Store Business
- Feb. 2019 Director in charge of Chain Store Business (current position)



MORINAGA Tomoo
Director

Number of Board of Directors meetings attended:
16/16

- Apr. 1986 Joined the Company
- Apr. 2006 General Manager of Production Div. 1
- Feb. 2008 Deputy General Manager of IMC Business Div.
- Feb. 2013 Deputy General Manager of CS Business Unit
- Feb. 2017 General Manager of Safety/Technology Promotion Center
- Apr. 2017 Director and General Manager of Safety/Technology Promotion Center
- Feb. 2018 Director and General Manager of Technical Center, in charge of Production (current position)



ITAYA Toshimasa [Outside] [Independent]
Outside Director

Number of Board of Directors meetings attended:
— (Took office in April 2021)

- Apr. 1989 Joined SHIMIZU CORPORATION
- Oct. 2000 Established Property Data Bank, Inc. and assumed position of President (current position)
- Apr. 2021 Outside Director of the Company (current position)

Expected roles as members of the Board of Directors

Position	Name	Corporate management	Finance and accounting	Human resources development	Risk management and compliance	Social environment and safety	Digital advanced technology	Sales	Creative design	Quality and technical production	Audit and supervision
President	TAKAHASHI Takashi	○									
Senior Managing Director	TOKUMASU Teruhiko	○					○		○		
Managing Director	TODAKA Hisayuki	○	○	○	○	○					
Managing Director	KOBAYASHI Osamu	○						○			
Director	NAKAJIMA Minoru	○						○			
Director	SHINOHARA Ikunori	○						○			
Director	MORINAGA Tomoo	○				○				○	
Outside Director	ITAYA Toshimasa	○					○				○
Full-Time Audit and Supervisory Committee Member	KAWAHARA Hideshi		○		○						○
Audit and Supervisory Committee Member (Outside Director)	MATSUZAKI Yasushi		○		○						○
Audit and Supervisory Committee Member (Outside Director)	NIIJIMA Yumiko				○						○
Audit and Supervisory Committee Member (Outside Director)	YOSHII Kiyonobu		○		○						○

Compliance and Risk Management

We have established a Risk Compliance Committee in accordance with the Tanseisha Group Standards of Practice and the Basic Compliance Regulations. Together with the Director in charge, the committee is working to raise ongoing awareness by conducting activities such as training.

Compliance training

Tanseisha has established the Tanseisha Group Standards of Practice to ensure compliance with laws and regulations, emphasize social norms and conduct corporate activities sensibly and responsibly. In addition, in light of the importance of compliance, we provide ongoing education and training on compliance. Specifically, we ensure compliance awareness by conducting annual e-learning compliance training for all executives and employees of the Tanseisha Group.

Compliance hotline (Internal reporting window)

The Tanseisha Group has established a reporting and consultation window based on the Whistleblower Protection Act. The window is outsourced to outside lawyers and is open not only to employees but also to business partners of Group companies, allowing them to report misconduct, such as a violation of laws and regulations, that has occurred or may occur in connection with the business practices of Group companies. By establishing an internal reporting system, we strive to prevent and detect legal violations early, and take prompt and appropriate action for any legal violation.

Establishment of harassment consultation

In accordance with our Anti-Harassment Regulations, we have established an external harassment consultation desk to offer consultations and receive complaints from employees about harassment.

Information security measures

Tanseisha is working continuously to improve information security, including strengthening the security of client computers. Regarding personal information, we have organized the Personal Information Protection Management Systems (PMS) Committee to promote activities that protect personal information. In addition, we have obtained PrivacyMark, which proves that personal information is appropriately protected, in accordance with management systems to protect personal information.

Initiatives for BCP (business continuity plan)

As part of our BCP initiatives, we participate regularly in disaster drills at tenant buildings, conduct safety confirmation drills and carry out initial response drills. In addition, we maintain fully equipped stocks of supplies for any disaster.

Refusal to do business with antisocial forces

In line with our basic policy on corporate governance, Tanseisha refuses to have any connection with antisocial forces. In addition, we resolutely reject any unjust demands from antisocial forces. The General Affairs Department, as the corresponding department, takes legal action, both civil and criminal, while seeking guidance from our legal counsel and the police, as necessary. Furthermore, we raise the awareness of all employees by holding regular in-house seminars on how to deal with antisocial forces.

Initiatives for protecting intellectual property rights

In addition to conducting educational programs to acquire knowledge on intellectual property, we actively engage in initiatives to protect intellectual property rights by such measures as holding regular seminars on intellectual property.

Business and other risks

Tanseisha endeavors to minimize risks by deliberating management strategy risks at Board of Directors and other meetings, as necessary. Risks related to business operations

are deliberated by various bodies, and the Risk Compliance Committee oversees these deliberations to prevent and control risks, and to manage a crisis if a risk materializes.

1 Economic trends

The Group's business is affected by trends in the domestic economy.

For example, if capital investment in the retail industry declines due to sluggish consumer spending or if corporate promotion-related investment declines due to worsening corporate earnings, demand for new renovations at department stores, specialty stores and chain stores will lessen, and there will also be a decrease in exhibitions and events. In such cases, the sales of the commercial and other facility business and the chain store business may be affected.

In addition, sales of the cultural facility business, which includes cultural facilities such as museums and art galleries, may be affected if public investment is reduced due to a deterioration of the financial condition of the government or local authorities.

2 Legal regulations

In the course of its business activities, the Group is subject to various legal regulations and obligated to comply with them, including the Construction Business Act, Building Standards Act, Real Estate Brokerage Act, Act on Architects and Building Engineers and Antimonopoly Act.

To comply with these legal regulations, the Group places importance on compliance in its management. However, if the Group fails to comply with these regulations, the scope of the Group's business activities may be limited and opportunities for profits may be lost.

3 Quality and safety of design and construction projects

In recent years, there has been a demand for greater consideration of the quality and safety of buildings and structures.

To improve the quality and ensure the safety of our design and construction projects, the Group has built a complete and comprehensive system, including the establishment of a dedicated quality and safety management department, and implemented in-house education. However, we cannot completely deny the possibility that defects may be found in the facilities for which we are entrusted with design and construction work. If an accident caused by such a defect occurs, the Group may be obligated to pay compensation for damage and other liabilities.

4 Impact of accidents

Recognizing that preventing accidents and ensuring safety at our production sites are two of the most important issues for production work, the Group takes measures such as patrolling production sites, conducting regular in-house education and sharing information via the intranet.

However, even with such a system in place, there is no guarantee that accidents will never occur. If an accident were to occur at a site where we are engaged in construction work, we may be subject to adverse impacts, such as an obligation to compensate the workers at the site and increased costs due to a delay in the delivery date.

5 Impact of disasters

We take all possible measures to ensure safety at the Group's production sites through in-house education and other measures.

However, we cannot deny the possibility that safety may be compromised due to unavoidable factors such as earthquakes, other natural disasters or the effects of fires that occur elsewhere. In such cases, we may be subject to adverse impacts, such as increased costs due to an interruption in production work and a delay in the delivery date.

6 Impact of COVID-19

In response to the spread of COVID-19, the Group is continuing its business activities in accordance with instructions and requests from the government and local authorities, while placing the highest priority on preventing internal and external damage from infection and ensuring the safety of employees and others in the Group, on the basis of the following policy for implementing measures.

Our policy is to recommend that all employees telecommute, use online communication and when face-to-face communication is necessary decide the occasion carefully and limit the number of persons in attendance.

However, due to the cancellation or postponement of exhibitions and events, restraint in corporate capital investment and postponement or reduction of government-related plans, the overall market demand is temporarily shrinking, and that is affecting the business environment of the Group. In addition, as of the date of the submission of this report, there are no prospects for the end of the COVID-19 pandemic, a factor that may have a further impact on the business results, financial position, etc., of the Group.

Consolidated Financial and Non-Financial Highlights for the Past 10 Years

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	
Financial results (millions of yen)											
Net sales	52,049	53,571	57,074	63,373	67,612	70,781	75,156	82,677	81,678	69,225	
Gross profit	6,890	8,090	9,392	10,765	11,916	12,337	13,364	14,163	15,406	14,133	
Selling, general & administrative expenses	6,168	6,700	7,330	8,015	8,697	8,407	8,777	9,138	9,729	9,084	
Operating income	721	1,390	2,061	2,749	3,218	3,929	4,587	5,025	5,677	5,049	
Net income	573	1,149	2,565	3,936	4,379	2,626	3,221	4,206	4,074	3,437	
Orders accepted	47,585	58,060	60,471	72,510	67,139	72,883	80,490	83,173	85,639	64,615	
Total assets	25,751	28,388	31,198	36,506	41,550	41,205	43,968	43,622	46,761	42,557	
Net assets	9,885	11,203	14,098	17,488	21,422	23,110	25,510	26,922	28,276	29,248	
Depreciation and amortization	170	179	253	263	468	318	301	218	185	266	
Free cash flow	1,599	495	1,674	1,626	9,163	5,275	263	4,929	(500)	6,209	
Financial indicators (%)											
Gross profit margin	13.2	15.1	15.5	17.0	17.6	17.4	17.8	17.1	18.9	20.4	
Operating income ratio	1.4	2.6	3.6	4.3	4.8	5.6	6.1	6.1	7.0	7.3	
Net income ratio	1.1	2.1	4.5	6.2	6.5	3.7	4.3	5.1	5.0	5.0	
SG&A ratio	11.9	12.5	12.8	12.6	12.9	11.9	11.7	11.1	11.9	13.1	
ROA (ordinary income to total assets ratio)	2.9	5.4	7.3	8.7	8.5	9.9	11.1	11.9	13.0	11.8	
ROE (net income to equity ratio)	5.9	10.9	20.3	24.9	22.5	11.8	13.3	16.0	14.8	12.0	
Equity ratio	38.4	39.5	45.2	47.9	51.6	56.1	58.0	61.7	60.5	68.7	
Dividend payout ratio	17.3	16.8	12.5	14.7	16.8	40.3	53.8	43.4	49.1	55.4	
Per share data* (yen)											
Net income	23.18	35.77	79.89	81.81	91.03	54.58	66.96	87.63	85.53	72.19	
Net assets	399.79	348.62	439.47	363.46	445.28	480.37	530.28	562.70	594.83	613.53	
Annual dividend	4.00	6.00	10.00	12.00	18.00	22.00	36.00	38.00	42.00	40.00	
Non-financial data (persons)											
Number of employees	Male	923	907	904	937	931	941	945	976	980	976
	Female	162	154	167	181	177	190	212	258	293	320
	Total	1,085	1,061	1,071	1,118	1,108	1,131	1,157	1,234	1,273	1,296

* The Company conducted a 1.3-for-1 share split of common stock effective February 1, 2014. Net assets per share and net income per share are calculated based on the assumption that the share split was carried out at the beginning of the fiscal year ended January 31, 2013. In addition, the Company conducted a 1.5-for-1 share split of common stock effective August 1, 2015. Net assets per share and net income per share are calculated based on the assumption that the share split was carried out at the beginning of the fiscal year ended January 31, 2015. Furthermore, the annual dividend per share for the fiscal year ended January 31, 2016 is the sum of ¥8 per share of the interim dividend paid before the share split and ¥10 per share of the year-end dividend paid after the share split.

Corporate Information/Investor Information

(As of January 31, 2021)

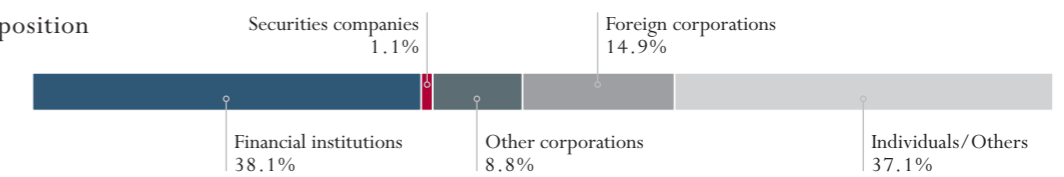
Company name	TANSEISHA Co., Ltd.
Founded	October 1946
Established	October 14, 1949 Incorporated: December 25, 1959 (Reestablished under the current effective name)
Capital	¥4,026 million (as of January 31, 2021)
Number of employees	Consolidated: 1,296 Non-Consolidated: 1,016
Description of business	Research, planning, design, layout, production, construction and operation of commercial, public, hospitality, cultural, business and event spaces
Head office address	Shinagawa Season Terrace 19F, 1-2-70 Konan, Minato-ku, Tokyo 108-8220, Japan Tel +81-3-6455-8100

Major group companies

Name	Capital or equity capital	Main businesses
Tansei TDC Co., Ltd.	¥100 million	Building, carpentry and interior-finishing work
Tansei Display Co., Ltd.	¥50 million	Display design business
Tansei Institute Co., Ltd.	¥50 million	Information collection, research and study of cultural facilities
JDN Inc.	¥20 million	Information-provision services utilizing websites, advertisement sales and contest planning
Tansei Business Co., Ltd.	¥40 million	Extensive services business including sale and rental of office supplies and equipment, insurance agency and factoring transactions
Tansei Humanet Co., Ltd.	¥70 million	Worker-dispatching business, fee-charging employment placement business and education business mainly for the construction industry
Tansei Creative Design Co., Ltd. (Shanghai, P.R. China)	US\$650 thousand	Design and consulting related to commercial facilities, exhibition facilities and promotion facilities

Stock data	Total number of shares authorized to be issued	187,200,000
	Total number of shares issued	48,424,071
	Number of shareholders	16,735
	Stock exchange listing	The First Section of the Tokyo Stock Exchange
	Securities code	9743
	Shareholder registry administrator/account management institution of special accounts	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo

Shareholder composition



Major shareholders

Names of shareholders	Number of shares (thousands of shares)	Percentage of shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	3,421	7.11
Tanseisha's Client Stock Ownership	2,484	5.16
Custody Bank of Japan, Ltd. (Trust account)	2,091	4.34
The Dai-ichi Life Insurance Company, Limited	1,907	3.96
Sumitomo Mitsui Banking Corporation	1,500	3.11
MUFG Bank, Ltd.	1,482	3.08
Nippon Life Insurance Company	1,446	3.00
Tanseisha's Employee Stock Ownership	1,373	2.85
Custody Bank of Japan, Ltd. (Trust account 9)	836	1.73
Tokio Marine & Nichido Fire Insurance Co., Ltd.	647	1.34

Note: Percentages of shareholdings are calculated by excluding 317,460 shares of treasury stock.

Tanseisha's websites



<https://www.tanseisha.co.jp/en>



<https://www.tanseisha.co.jp/en/ir/financial>