

May 18, 2009

## **Formulation of Medium-term Business Plan (FY2009–2011)**

We are pleased to announce that we have formulated a medium-term business plan (FY2009–2011) starting from this year.

In accordance with our previous medium-term business plan (FY2007–2009), our group of companies have been tackling basic strategic issues—strengthening our profit structure, establishing a strategic order-receiving system and ensuring new sources of profits—and, for the resolution of these strategic issues, taking specific measures organized by business fields.

Nevertheless, the global economic downturn and other events have drastically changed our group's business environment far beyond the scope of the assumption upon which we formulated the previous medium-term business plan. Therefore, in order to respond promptly and appropriately to such unforeseen circumstances, we have reviewed the previous plan one year ahead of schedule and decided to embark on this new medium-term business plan.

The business environment surrounding the construction industry has been growing increasingly severe and we are expecting to face the most serious business environment to date for the next couple of years.

Taking these unprecedentedly severe business conditions as a good opportunity to initiate innovative changes, however, we will not only put together a group to tackle the strategic business issues so as to increase the trust of our customers and society as a whole but also remain committed to performing our business in a healthy and steady manner.

## Medium-term Business Plan (FY2009–2011)

### I. Basic Policy

We aim to further strengthen the trust of our customers and society as a whole and to secure steady profits by vigorously promoting our technological development and improving the quality of our products and services so as to enhance the added value that we create as a group of companies.

### II. Business Issues: Securing Profits in a Shrinking Market

- (1) To restructure overseas business operations
- (2) To thoroughly identify, assess and prioritize project risks in a pre-contract stage
- (3) To select business fields and focus corporate resources on priority fields
- (4) To upgrade our project production systems
- (5) To improve our financial strength

### III. Business Strategy

#### (1) To restructure overseas business operations

- ① Streamlining of business volume
  - Prioritize areas and streamline business volume to reduce risks
- ② Improving in risk management
  - Reinforce administrative capability by, for example, enhancing the quality of internal and external project managers in order to flexibly respond to changes in the business environment
  - Strengthen the production system by introducing outstanding domestic technologies into overseas projects

#### (2) To thoroughly identify, assess and prioritize project risks in a pre-contract stage

- ① Thorough credit control
  - Tighten credit assessments in order to reduce fund collection risks
  - Strengthen the continuous follow-up system throughout the whole process, from planning and contract to delivery

② Thorough risk analysis and evaluation

- Tighten assessments of project after precisely analyzing and evaluating external economic circumstances such as trends in risk money and the conditions of the real estate market

**(3) To select business fields and focus corporate resources on priority fields**

① Domestic market

- Focus on order entry performance while firmly maintaining an emphasis on profitability by strengthening technological capabilities and ability to provide solutions for customers, and building partnerships with customers
- Focus on cost reduction by strengthening strategic procurements by the Procurement Division (newly established)
- Focus on obtaining large-scale works in the renewal market
- Focus on development projects that can steadily produce profits over the medium- to long- term

② Environment-related business

- Encourage research and development and submit proposals regarding new energy, soil decontamination, and measures to combat global warming
- Establish a division that combines and integrates various functions related to environmental business so that it proactively promotes collaborations and alliances with other industries

③ Group companies

- Enhance our collective strength by increasing the profitability of each group company, giving consideration not only to future market trends but also to business restructuring

**(4) To upgrade our project production systems**

① Promotion of technological development

- Promote technological development that contributes to improvements in construction efficiency and quality

② Improvements to construction capability

- Improve construction efficiency by making technological improvements, making the best use of our inventiveness, and completely eliminating unreasonable and wasteful work
- Seek further the optimal allocation of personnel in order to maximize productivity
- Develop corporate activities for the improvement of quality and productivity (“Taisei Quality Activities”)

(5) To improve our financial strength

① Improvements to cash flows

- Improve payment conditions at the time of entering contracts in order to speed up fund collection
- Fully control the cash flow balance for each project

② Improvements to the D/E ratio

- Improve the D/E ratio by reducing interest-bearing debt and strengthening equity

IV. Numerical Business Targets (FY2011)

	Consolidated	Non-consolidated
Operating income	47 billion yen	37 billion yen
Ordinary income	36 billion yen	30 billion yen
Interest-bearing debt	Less than 430 billion yen	Less than 300 billion yen
D/E ratio	1.3 times	1.0 times