Medium-term Business Plan (FY 2015–2017)

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Taisei Corporation

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Introduction

- There are prospects of achieving results that exceed the initial targets for both business and financial aspects in the current Medium-term Business Plan.
- In the Medium-term Business Plan (FY 2015–2017), the aim is to achieve high customer satisfaction by ensuring quality and safety and to achieve stable and sustainable growth based on the basic policy of “Deep Cultivation of the Construction Industry, our core business.”
- Also, as measures for the post-Olympic period, strategic initiatives for target projects will be undertaken, together with promotion of next generation technical development and creation of high added value in our 5 target fields, to increase our medium term competitiveness in our core business in the construction industry (*1).
- Establish new management guidelines on dividend payout and return on equity (ROE), to properly return profits to the stakeholders with a balance of stable dividends, in order to establish management from the stakeholders’ viewpoint.
- Obtain the trust and high evaluation of all the stakeholders as the result of increasing corporate value and reorganize the management infrastructure.
- Note that the "Medium-term Business Plan (FY 2015–2017)" is Phase 3 of TAISEI VISION 2020, the long term in-house vision established in 2010, and continues to promote “transformation to a business structure for creation higher added value” which is an aim of that vision. (*2)

(*1) Refer to the important measures (1) Strategic initiatives for target projects, (3) Promotion of development of next generation technological development, and (4) Establishment of next generation business models in target fields
(*2) See documents at the end

Management Numerical Targets

[Business and financial targets]

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<td>FY 2014 initial plan (Note 1)</td>
<td>FY 2014 forecast (Note 2)</td>
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<tr>
<td>Consolidated</td>
<td>Consolidated</td>
</tr>
<tr>
<td>Non-consolidated</td>
<td>Non-consolidated</td>
</tr>
<tr>
<td>Net sales</td>
<td>1,400</td>
</tr>
<tr>
<td></td>
<td>1,090</td>
</tr>
<tr>
<td>Operating income</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>36</td>
</tr>
<tr>
<td>Net income</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Inter-bearing debt</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>200</td>
</tr>
<tr>
<td>D/E ratio</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>0.5</td>
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</table>

(Note 1) Numerical targets for FY 2014 at the time that the current Medium-term Business Plan was formulated in 2012 (the net sales and net income were not initially disclosed to the public)
(Note 2) The predictions for D/E ratio are calculated values

[Capital policy and guidelines for return to shareholders]

| Dividend payout | — | — | — | — | 25% or more | — |
| ROE             | — | — | — | — | 8.0% or more | — |
Recognition of the Business Environment

- From the present to the medium term, it is expected that the strong business environment will continue amid expectations for the 2020 Tokyo Olympics and increasing awareness of disaster prevention and disaster reduction, etc.
- However, in the long term there are major inherent issues, such as reduction in and change in the nature of demand associated with the shrinking population, problems securing staff, etc.

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<th>Current to medium term situation</th>
<th>Long term</th>
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<td>Demand</td>
<td>Building</td>
<td>Competition for survival due to reduction in demand</td>
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<td>Vigorous construction demand due to upturn in economic environment and the 2020 Tokyo Olympics</td>
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<td></td>
<td>Civil engineering</td>
<td>Change in the nature of public works due to aging of infrastructure and financial restrictions</td>
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<td>Expansion of redevelopment of social infrastructure due to increasing awareness of disaster prevention and disaster reduction</td>
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<tr>
<td>Supply</td>
<td>Joint Government – private sector measures in response to the tight supply and demand situation for skilled labor due to aging, retirement, etc.</td>
<td>The key to growth will be strengthening of construction capability by securing and training staff and increasing productivity</td>
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<tr>
<td>Overseas</td>
<td>Lull in overseas investment in facilities due to excessive correction to the strong yen</td>
<td>Increasing business chances due to overseas infrastructure exports in full flow</td>
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Basic Policies

Deep Cultivation of the Construction Industry, our core business

[Aims]
- To obtain high customer satisfaction by ensuring quality and safety
- To achieve stable and sustainable growth
- To promote conversion to a business structure for creation of higher added value
- To obtain high trust and evaluation from all stakeholders
### Management Tasks

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<td>Establishment of next generation business models for target fields</td>
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#### (1) Strategic initiatives for target projects

**Participation in National Projects**

- Participation in national projects such as the main Olympic competition facilities and the Linear Chuo Shinkansen, using the company's technologies and know how

**Participation in large scale private sector projects**

- Involvement in large scale private sector projects by using urban development methods and participation as a project partner

**Participation in overseas infrastructure export**

- Participation in overseas infrastructure exports utilizing the company's technical capabilities and overseas experience

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*Implement strategic investment under set financial rules*
## (2) Active contribution to enhancement of social infrastructure

### Participation in the main infrastructure development for the safety, security, and convenience of the people
- Strengthen involvement in nationwide disaster prevention and disaster reduction (strengthen national land) and development of traffic infrastructure
- Participation in domestic PFI projects and concession projects

### Participation in projects for stable electrical power supply
- Involvement in renewal of existing fossil-fired power stations
- Response to new demand from independent power producers, etc., resulting from liberalization of the electrical power market

### Active contribution to earthquake reconstruction projects
- Continuous contribution to decontamination projects such as decontamination work, development of interim storage facilities for decontamination waste, etc.
- Further contribution to town development for recovery, projects for restoration and development of roads along the Sanriku coast, etc.
- Contribution to construction related to Fukushima Daiichi nuclear power plant

## (3) Promotion of next generation technological development

### Development of construction technologies for the next generation
- Promotion of technical development for efficient design and construction for the Tokyo Olympics (labor efficiency, use of BIM and CIM, ICT, PCa, etc.)
- Development of construction methods at great depths for construction of the Linear Chuo Shinkansen and suburban ring roads

### More advanced technologies for dealing with earthquakes
- Further promotion of technical developments to deal with earthquakes (evaluation of seismic motions, seismic isolation and vibration control, seismic retrofit, BCP, measures against liquefaction, tsunamis, etc.)

### Development of technologies for differentiation in fields such as environment, nuclear power, etc.
- Advanced technologies relating to environment and smart communities based on the ZEB Demonstration Building
- Response to domestic and overseas nuclear power projects (new overseas nuclear power plant facilities, decommissioning, etc.)
- Technical development for energy-related and industrial facilities, dam construction, etc.
- Renewal and enhancement of the Technology Center (Totsuka-ku, Yokohama City)

Implement strategic investment under set financial rules
(4) Establishment of next generation business models for target fields (1)

Renewal and replacement field
- Establishment of "comprehensive renewal" that integrates seismic performance, energy efficiency, barrier free, etc.
- Promotion of renewal of ultra high-rise buildings, renewal while occupied, TECOREP demolition, etc.
- Participation in projects to extend the lifetime of infrastructure, such as large scale renewal of the expressway network, etc.

Nuclear power field
- Strengthen safety technologies and special technologies in nuclear power facilities
- Establish alliances and technical development systems aiming to win orders for decommissioning projects
- Expand orders received for facilities for use of radiation in the medical field and industrial field

Environmental field
- Strengthen proposal power utilizing ZEB-related technologies
- Promote introduction of smart communities in large scale redevelopment projects, etc.
- Strengthen biodiversity offset management proposals
- Strengthen proposal power for large projects utilizing soil decontamination technology

Implement strategic investment under set financial rules

(4) Establishment of next generation business models for target fields (2)

Engineering field
- Further strengthen and diversify in the medical devices field
- Strengthen proposal of schemes, such as consulting, FS work, etc.
- Expansion in business fields such as information, energy, and infrastructure, etc.
- Strengthen the maintenance management services area

Urban development field
- Respond to customers’ diversified and advanced needs utilizing urban development methods
- Stabilize development project income using stock-type projects as an option to supplement the core business
- Wide participation in joint private sector and public sector projects, such as utilization of publicly-owned land
- Expansion of construction orders received within areas through area management

Implement strategic investment under set financial rules
(5) Strengthen domestic construction business

Improvement in construction capabilities
- Expansion and strengthening of staff, development of labor efficient and power efficient construction methods, promotion of use of ICT, etc.
- Strengthen links with "Soyukai", the organization of the company's cooperating companies

Strengthen the quality and safety management systems
- Elimination of quality and construction defects
- Zero fatal accidents
- Improvement in skills of engineers and expansion and strengthening of those with major qualifications

Expansion of design and construct projects
- Improve brand power by strengthening technical management capabilities
- Strengthen construction supervision capabilities

Improvement in procurement power
- Enhancement of strategic collective procurement and purchasing in keeping with the times
- Strengthening of procurement for renewal projects

(6) Construct the basis for healthy growth of overseas projects

Construct systems with a view towards participation in overseas infrastructure exports
- Focus on projects that utilize the company's technical advantages (airports, power stations, etc.)
- Promotion of alliances (infrastructure companies, trading companies, manufacturers, local companies, etc.)

Promotion of business in areas and fields with good prospects
- Focus on locations and fields where the company has a comparative advantage
- Development of projects that combine Japanese and local companies or combine civil engineering and building
- Construct global personnel system to expand and strengthen foreign human resources

Strengthen the business systems of overseas companies
- Further improve the productivity and quality
- Secure and strengthen managerial staff
- Training of local engineers on Japanese construction sites
(7) Increase the Group strength

**Promote Group housing strategy**
- Strengthen cooperation within the Group regarding regeneration of urban housing, by fireproofing for areas with densely built timber housing and refurbishment of aged condominiums, etc.

**Development of new renewal technologies for seismic retrofit of infrastructure, etc.**
- Development of new technologies by the Taisei Technology Center and Group companies
- Promotion of the utilization of combinations of the technologies possessed by each Group company

**Strengthening cooperation among group companies in connection with sales, procurement, and construction**
- Sharing of sales information and generation of business opportunities by utilizing personal networks
- Sharing of materials, equipment, and plant procurement and cost information
- Expansion of the supply of PC members to large projects such as the Tokyo area shield project, etc.

(8) Evolution of management infrastructure

**Establishment of corporate governance for the next generation**
- Promotion of response that rapidly incorporates changes in environment or the requirements of the times into governance, compliance, and risk management

**Promotion and improvement of a solid financial foundation**
- Further improvement in financial health and creditworthiness by promoting uniform financial rule indices

**Training and strengthening of human resources**
- Securing and training outstanding personnel to be responsible for the core business

**Promotion of diversity management**
- Promotion of diversity management to support greater utilization of women, foreigners, and the elderly

**Utilization of ICT**
- Transformation of work style with ICT
- Use of ICT to increase the productivity of existing business units
[Reference] Relationship to TAISEI VISION 2020

- Form that TAISEI VISION 2020 aims for . . . Conversion to a business structure for creation of higher added value
- The Medium-term Business Plan (FY 2015–2017) is Phase 3 of TAISEI VISION 2020

Continuous sustainable development as we approach 150 years after founding and beyond

[Reference] Image of "Business Structure for Creation of Higher Added Value"

- Conversion to a business structure for creation of higher added value based on the construction industry, our core business
- Increase the company's competitive advantage in the construction industry, to achieve differentiation