

Medium-term Business Plan

(FY2009-2011)

May 18, 2009



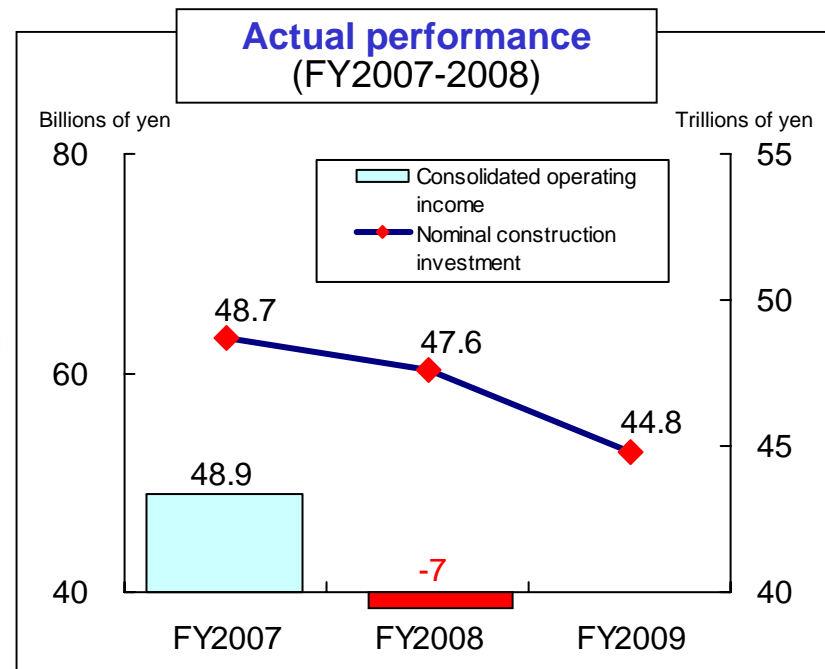
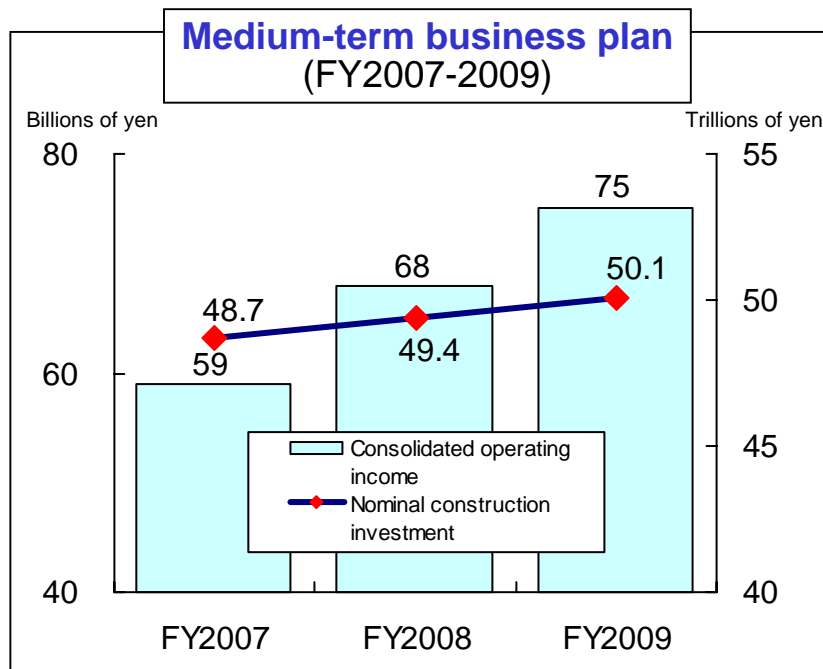
TAISEI CORPORATION

Table of Contents

		Item		Page
I.		Reasons for the Formulation of a New Medium-term Business Plan		..... 3
II.		Issues at Our Company and Our Group		..... 4
	1	To restructure overseas business operations	(1) Changes to the policy of conducting business since April 2008	..... 5
			(2) Further strengthening of risk management and streamlining of areas and business volume	..... 6
	2	To thoroughly identify, assess and prioritize project risks in a pre-contract stage	Striving for stricter audits and reduced risk	..... 7
	3	To select business fields and focus corporate resources on priority fields	(1) Firm maintenance of an emphasis on profitability	..... 8
			(2) Major opportunities in environment-related business	..... 9
			(3) Enhancement of the profitability of each group company and of our collective strength	..... 10
	4	To upgrade our project production systems	(1) Further involvement of Taisei Technology Center with departments engaged in on-site operations	..... 11
			(2) Aiming for smooth and efficient construction	..... 12
	5	To improve our financial strength	(1) Improvements to cash flows	..... 13
			(2) Improvements to the D/E ratio	..... 14
III.		Numerical Business Targets		..... 15
		Disclaimer		..... 16

I. Reasons for the Formulation of a New Medium-term Business Plan

- **Rapid deterioration in the market conditions** on which the former medium-term business plan was based both inside and outside Japan
- Recognition of the necessity of **sound operation of overseas business** after we posted a loss through a conservative review of profitability for overseas business for the year ended March 2009 and abandonment of our past expansion policy
- Recognition of the necessity of **responding to decreases in construction demand** from this point forward



Source: Forecast of Construction Investment by the Research Institute of Construction and Economy

II. Issues at Our Company and Our Group

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



1. To restructure overseas business operations

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

4. To upgrade our project production systems

3. To select business fields and focus corporate resources on priority fields

5. To improve our financial strength



(1) Changes to the policy of conducting business since April 2008

• Complete changes to the organization and personnel

- (1) From business divisions/departments to branches
- (2) Personnel reorganization of the branch management layer
- (3) Strengthening of involvement by the Civil Engineering Division, the Building Construction Division and the Business Administration Division of the head office
- (4) Establishment of the Contracts & Claims Management Department

• Thorough profit and loss management of construction backlog

- (1) Tightening of rules on the posting of earnings with regard to construction claims, etc.
- (2) Strengthening of profit and loss management for each project
- (3) Support for and strengthening of complaint management by Contracts & Claims Management Department
- (4) Strengthening of cash flow management

• Careful response to order acceptance

- (1) Strengthening of new project audits and decisions by top management
- (2) Streamlining of regions
- (3) Strengthening of the estimate system

1. To restructure overseas business operations

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

4. To upgrade our project production systems

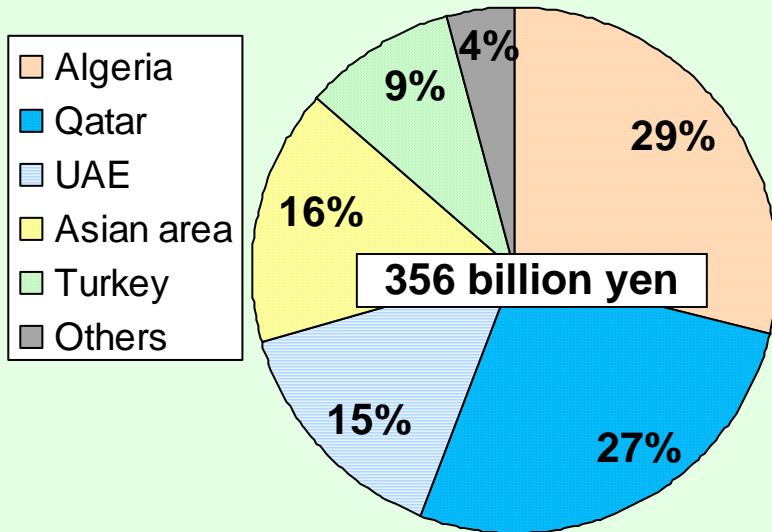
3. To select business fields and focus corporate resources on priority fields

5. To improve our financial strength

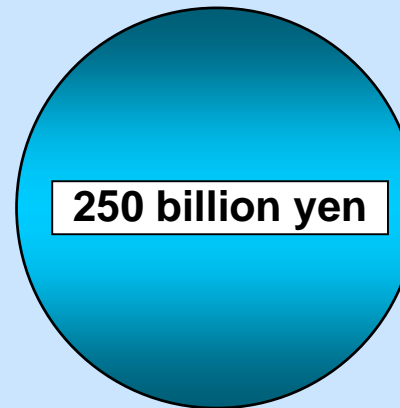
(2) Further strengthening of risk management and streamlining of areas and business volume

Overseas balance carried forward by area

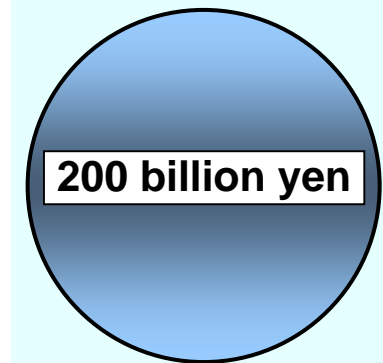
At the end of March 2009



Estimate at the end of March 2010



Estimate at the end of March 2012



- **Strengthening of project management**

Establish a construction system adapted to each area and country, by making use of past experience.

- **Streamlining of areas and business volumes until risks can be controlled**

Streamline business volume to **approximately 60%** of the volume at the end of March 2009, and concentrate on resource-producing Middle Eastern countries and Asia.

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

1. To restructure overseas business operations	4. To upgrade our project production systems
3. To select business fields and focus corporate resources on priority fields	5. To improve our financial strength

Striving for stricter audits and reduced risk

- Insufficient response to rapid changes**
 Credit control has been implemented for newly established developers, but it has been unable to respond to **rapid changes**, such as the drop in the value of real estate due to withdrawal of overseas risk money.
- Highly unilateral contract conditions**
 With regard to orders received from SPC, etc., our loss grew because **the contract was unilateral**.



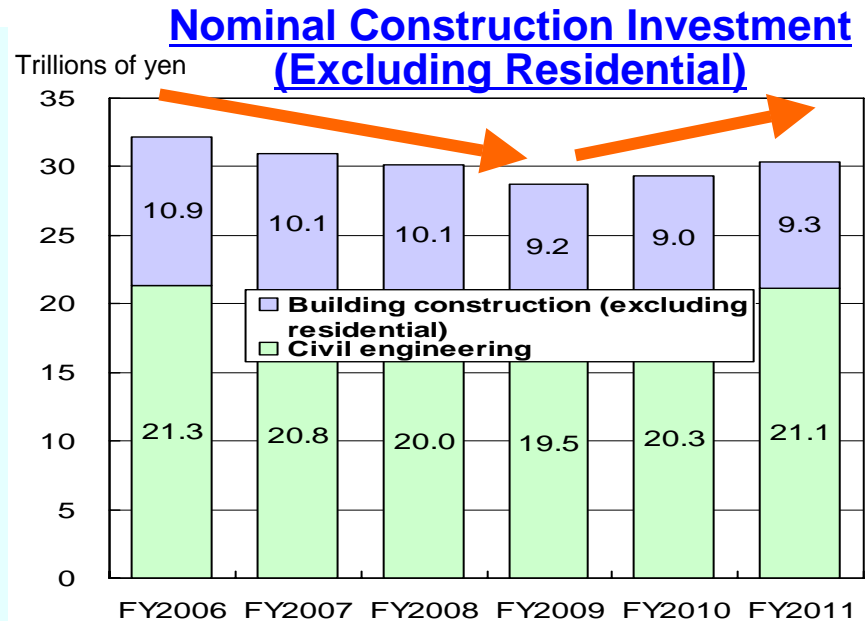
- Stricter audits**
 In order to reduce fund collection risks, conduct stricter audits on credit risks and reflect more appropriately in audits the analysis and evaluation of risk money trends and of current and future real estate market conditions.
- Implement total amount regulation**

3. To select business fields and focus corporate resources on priority fields

1. To restructure overseas business operations	4. To upgrade our project production systems
2. To thoroughly identify, assess and prioritize project risks in a pre-contract stage	5. To improve our financial strength

(1) Firm maintenance of our emphasis on profitability

- Demand will bottom out during the year ending March 2010**
 Construction investment (excluding residential) will hit bottom at approximately 29 trillion yen during the year ending March 2010.
- Contrast between building construction business and civil engineering business**
 Building construction business will recover from March 2012 onward and will hit bottom, approximately 9 trillion yen, during the period of the medium-term business plan because private building construction will be sluggish for a time.
 Civil engineering business will be back on a recovery track due to increased investment as part of Japan's economic stimulus package.



Source: Forecast of Construction Investment by the Research Institute of Construction and Economy
 Estimated partially by our company based on the forecast by the Japan Center for Economic Research

- Aim to ensure the receiving of orders by our building construction business by maintaining our emphasis on profitability**
 Endeavor to reduce costs and build partnership with customers
- Secure civil engineering orders by enhancing our technological ability to make winning proposals**
- Continue to invest in development projects that can produce steady profits over the medium- to long-term**

3. To select business fields and focus corporate resources on priority fields

1. To restructure overseas business operations

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

4. To upgrade our project production systems

5. To improve our financial strength



(2) Major opportunities in environment-related business

- Environmental issues are a global and long-term theme.
- From the CSR perspective, it is necessary to cope seriously with this issue as a company.

- Promote research and development of new forms of energy, energy-saving and other environment-related technologies

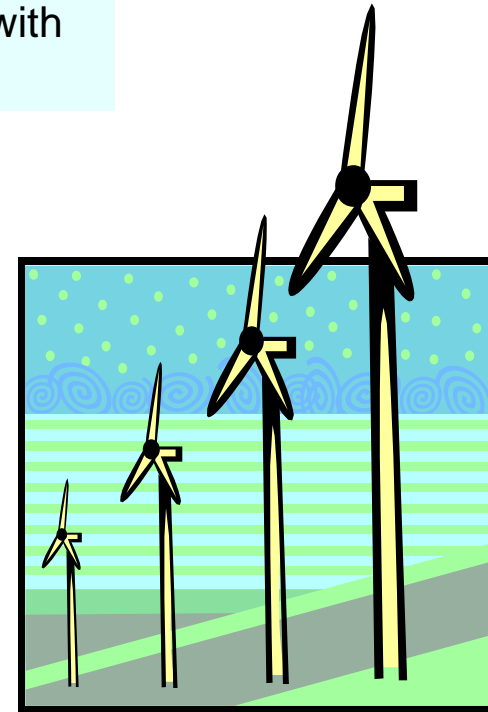
Conduct ten research and development projects annually, such as on the development of renewable energy and of energy-saving buildings.

- Promote research and development in promising areas from the energy business perspective

Conduct five research and development projects annually related to decommissioning and other areas.

- Establish a new division that combines and integrates various functions related to environmental business

Proactively and strategically promote **collaborations and alliances with other industries** by making the new division play a main role in strengthening cooperation with related divisions.



3. To select business fields and focus corporate resources on priority fields

1. To restructure overseas business operations	4. To upgrade our project production systems
2. To thoroughly identify, assess and prioritize project risks in a pre-contract stage	5. To improve our financial strength

(3) Enhancement of the profitability of each group company and of our collective strength

- The securement of profits of subsidiaries under the increasingly harsh circumstances surrounding each group company is an issue.

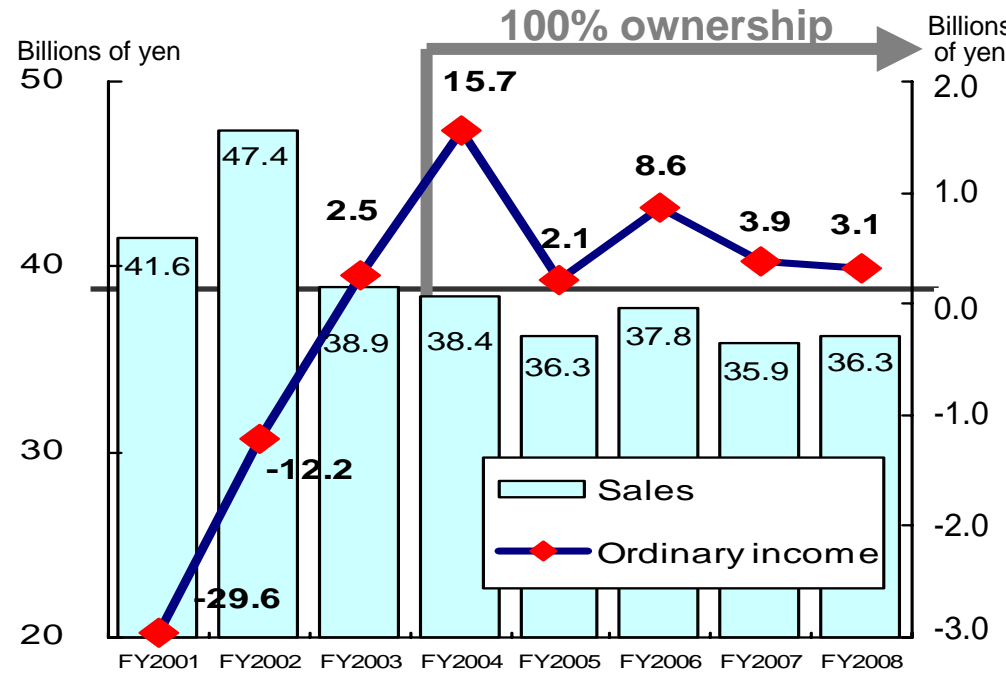
- 100% ownership of subsidiaries**

100% ownership of subsidiaries enables the implementation of prompt and daring measures with a view to increasing profitability.
=> Performance of Taisei U-Lec Co., Ltd.

- 100% ownership of Taisei Rotec Corporation as of October 1, 2009**

Our company will take the initiative in increasing profitability and will create a system that can respond to various future market trends.

Changes in the Performance of Taisei U-Lec Co., Ltd.



4. To upgrade our project production systems

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

(1) Further involvement of Taisei Technology Center with departments engaged in on-site operations

- **Taisei Technology Center should proactively develop technologies needed by departments engaged in on-site operations**

Items required by departments engaged in on-site operations	Cost reduction	Reducing construction schedule	Environment	Value engineering/ Cost down	Renewal	Technical assessments for bids
Advancement of the steel-concrete complex construction method (a)	○	○		○		
Development of technologies for securing concrete structure quality	○			○		○
Development of technologies for longer-lasting concrete	○		○	○		
Research on skyscraper demolition		○	○		○	
Development of noise-reducing and dust-reducing technologies in seismic reinforcement construction works			○		○	○
Development of robots and processing systems for removal of asbestos (b)		○	○		○	

- **Taisei Technology Center should resolve technological issues during construction**

The Center aims to secure the quality of construction projects and increase customer satisfaction by being proactively engaged from the planning stage onward.

- (a) We have already applied for a patent for technology enabling longer spans by making use of composite structure beams based on a reinforced concrete structure and steel-framed structure.
1. Enable to construction of large spaces with few pillars
 2. Allow shorter construction schedules and construction cost reductions
- (b) Remotely operable robots that spray jets of the moisture which contains abrasives, have already been developed, and it has been confirmed by experiment that it is possible to swiftly collect and bag detached asbestos without humans being directly involved.

4. To upgrade our project production systems

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

(2) Aiming for smooth and efficient construction

- Quality assurance and improvement

- (1) Sharing of cases of problems and failures through promptness and reliability
- (2) Strengthening of patrols
- (3) Development of manuals
- (4) Improvement of the training system

- Shifting of personnel to meet needs of branch and departments engaged in on-site operations

- (1) Allocation of personnel across boundaries between the headquarters and branches
- (2) Allocation of personnel with reliable **hand-over of techniques** in mind
- (3) Prompt allocation of personnel in proportion to workload

5. To improve our financial strength

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

(1) Improvements to cash flows

- **Introduction of appropriate payment conditions and payment in accordance with contracts**
 - (1) Correction of highly unilateral payment conditions
 - (2) Reliable payment in accordance with payment conditions
 - (3) Request increases in the frequency of progress payments
- **Increase of bargaining power and implementation of reliable fund collection**
 - (1) Early agreement on additions and design changes, and the conclusion of contracts
 - (2) Early implementation of progress audits
- **Stricter assessments of subcontractor work progress**

5. To improve our financial strength

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

(2) Improvements to the D/E ratio

- **Interest-bearing debt less than 430 billion yen on a consolidated basis at the end of March 2012**

A reduction of approximately 140 billion yen over the three years of the medium-term business plan

- **Improvement of the consolidated D/E ratio to 1.3 (1.0 for the non-consolidated D/E ratio) at the end of March 2012**

Capitalization of 14 billion yen (assessed by R&I), which is 70% of the unsecured convertible bond-type corporate bonds subject to call with new share subscription rights (hybrid bonds) out of the 20 billion yen issued on this occasion

III. Numerical Business Targets

- Aim to achieve the following numerical targets for the year ending March 2012, by implementing measures to resolve the five issues.

[Performance Targets]

Billions of yen/%

	Consolidated				Non-consolidated			
	Targets for the year ending March 2012		(Reference) Year ended March 2009		Targets for the year ending March 2012		(Reference) Year ended March 2009	
Operating income	2.8	47	-	(0.7)	2.8	37	-	2.9
Ordinary income	2.2	36	-	(11)	2.3	30	-	(2.6)

*Non-consolidated gross profit margin in construction business (for the year ending March 2012): **7.0%**

[Financial Targets]

Billions of yen

	Consolidated		Non-consolidated	
	Targets for the year ending March 2012	(Reference) Year ended March 2009	Targets for the year ending March 2012	(Reference) Year ended March 2009
Interest-bearing debt	Less than 430	571.5	Less than 300	425
D/E ratio	Approximately 1.3 times	2.2 times	Approximately 1.0 times	1.8 times

Disclaimer



This information was created for the purpose of providing information that will help investors make informed decisions. It was not created to solicit investors to buy or sell Taisei Corporation's stock. The final decision and responsibility for investments rests solely with the user of this information. Furthermore, targets given in this information are based on assumptions and beliefs of Taisei Corporation at the time of preparation and are subject to variety of risks and uncertainties. Actual results may vary significantly from targets due to factor including, but not limited to, changes in the economic environment and exchange rate fluctuations.