

May 11, 2018

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|-----------------------|--|------------------|
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| Code No.              | 1801   |                  |
| Stock exchange listed | Tokyo Stock Exchange, Nagoya Stock Exchange<br>First Section |                  |
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### **Adoption of “Taisei Group Medium-term Management Plan (2018-2020)”**

Taisei Corporation, at the Board of Directors meeting held today, adopted a new “Taisei Group Medium-term Management Plan (2018-2020)” that will start from this financial year.

In the Medium-term Management Plan (2015-2017), the Group achieved the Plan with the results in the final financial year, thanks to the brisk construction market, and its financial standing has been further stabilized and strengthened.

In the newly starting “Taisei Group Medium-term Management Plan (2018-2020)”, the most important issues are sustainable growth of overseas business, and conversion to a corporate structure that is genuinely suitable for the overseas market, in preparation for the future.

Also, in view of the uncertain business environment after the Olympic Games, we will carry out investment for sustainable and accelerated growth, in order to expand added value and opportunities for revenue in the construction and peripheral businesses both in Japan and overseas. Specifically, in addition to overseas business, we will strategically apply management resources to target fields where we can demonstrate our core strengths (energy and environment, urban development and PPP, renewal, engineering), and to development of technologies for differentiation towards the next generation, to strengthen our revenue base in the medium-and long term.

On the other hand, while dealing with the healthy volumes of construction in hand at present, we will simultaneously and integrally undertake work style reform and productivity improvement. It is our intention to fulfil our social mission as a leader in this industry and contribute towards achieving an attractive construction industry, when securing and cultivating human resources for the future is an issue in the construction industry as a whole. By steadily implementing specific companywide measures aimed at work style reform and productivity improvement, we will achieve our numerical targets in stages.

In addition, we will continuously and innovatively apply efforts to technical development to ensure the highest levels of safety and quality, and to human resource development, and further develop our systems for thoroughly ensuring safety, quality, and compliance.

Our officers and employees will push forward to achieve our objectives so as to gain the trust of all our stakeholders, by positively implementing the management tasks and importance measures contained in this Plan to increase the value to society of the Group, and, to simultaneously strengthen returns to shareholders and our financial foundation.

End

Taisei Group

# Medium-term Business Plan (FY 2018-2020)



1. Introduction
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# 1. Introduction



- In the Medium-term Business Plan (FY 2015-2017) that ended in the last financial year, the plan was achieved both in terms of business performance and financial aspects, thanks to the brisk construction market.
- In the newly starting “Taisei Group Medium-term Business Plan (FY 2018-2020)”, the most important issues are sustainable growth of overseas business, and conversion to a corporate structure that is genuinely suitable for the overseas market.
- We will carry out investment for sustainable and accelerated growth, in order to expand added value and opportunities for revenue in the construction and peripheral businesses both in Japan and overseas, to strengthen our revenue base in the medium-and long term.
- In addition to overseas business, we will strategically apply management resources to target fields where we can demonstrate our core strengths (energy and environment, urban development and PPP, renewal, engineering), and to development of technologies for differentiation towards the next generation
- Work style reform and productivity improvement will be tackled simultaneously and integrally, by steadily implementing specific measures for both. It is our intention to fulfil our social mission as a leader in this industry and contribute towards achieving an attractive construction industry, in order to secure and cultivate human resources for the future.
- We will continuously and innovatively apply efforts to technical development to ensure the highest levels of safety and quality, and to human resource development, and further develop our systems for thoroughly ensuring safety, quality, and compliance.
- We will gain the high trust of all our stakeholders by positively implementing the management tasks and importance measures to increase the value to society of the Group, and simultaneously strengthening returns to shareholders and strengthening our financial standing.

# 2. Recognition of the Business Environment



- It is considered that construction demand will remain steadily in Japan for the time being, but there is a **risk of reduction in the future**, and within the industry it is necessary to envisage a **recurrence of a period of severe shakeout in the future**

|                    |                          | Present  | 2020 Onwards  |
|--------------------|--------------------------|--|---|
| Market environment | Public works             | <ul style="list-style-type: none"> <li>Measures against aging of social infrastructure and infrastructure development to strengthen international competitiveness are urgent tasks</li> <li>Expansion of the scope of general contractors' business as a result of <b>spread of concessions</b></li> </ul> | <ul style="list-style-type: none"> <li>As a result of continuation of infrastructure development, <b>a constant level of public works investment</b> will be maintained</li> <li>Important public works infrastructure concession projects will become established as part of the general contractor business segment</li> </ul>  |
|                    | Private sector           | <ul style="list-style-type: none"> <li><b>A high level of work contract volume will continue</b> up to 2020</li> <li>Projects will materialize from 2020 onwards</li> </ul>  | <ul style="list-style-type: none"> <li><b>Although there is much latent demand</b>, such as urban redevelopment, research and production facilities, renewal of buildings from the period of high economic growth rate, etc., <b>the sense of lack of clarity in the long term</b> cannot be brushed away</li> </ul>  |
|                    | Overseas                 | <ul style="list-style-type: none"> <li><b>Strong construction investment in newly developing countries</b></li> <li>Accelerating overseas penetration by Japanese developers</li> <li>Large-scale exports of infrastructure led by government</li> </ul>   | <ul style="list-style-type: none"> <li><b>Overall expansion of the construction market overseas</b></li> <li>The Japanese growth strategy of infrastructure exports continues</li> </ul>  |
| Worldwide Trends   | Work Style Reform        | <ul style="list-style-type: none"> <li><b>Dealing corrections of long working hours</b></li> <li>Work style reform and shortages of staff will be factors for productivity improvement and optimization of tender prices</li> </ul>  | <ul style="list-style-type: none"> <li><b>The amended Labor Standards Act will also apply to the construction industry</b></li> <li>The result of Work style reform will affect the growth of company</li> </ul>  |
|                    | Productivity improvement | <ul style="list-style-type: none"> <li><b>Development of technologies to contribute to productivity improvement</b> is an urgent task</li> <li>Activities are required with <b>specialist contractors</b></li> </ul>   | <ul style="list-style-type: none"> <li>Staff shortages actualize, and productivity improvements, and <b>ensuring supply capability</b> will have a great effect on the growth of company</li> </ul>   |
|                    | Competitive trends       | <ul style="list-style-type: none"> <li>Moves to strengthen and expand <b>business areas other than the domestic construction industry</b> (overseas, energy, real estate, etc.)</li> <li>Start of <b>competition for introduction of advanced technology</b></li> </ul>                                    | <ul style="list-style-type: none"> <li><b>The strategy for growth by specialization of each company</b> will become clear</li> <li>There will be increasing importance of <b>accumulation of technical capability and know how</b> in response to diversifying and advanced customer needs</li> <li>Potential for unexpected <b>new participants</b> (high tech, IT related, ventures, etc.)</li> </ul> |

### 3. Important Tasks for the Taisei Group

- The Taisei Group has set 8 ESG tasks that are considered to be particularly important (**materiality**) based on opinions including those of knowledgeable persons
- It is also necessary for the company to **deal with issues facing human society**, such as **SDGs** \*, etc.
- In view of their importance for both society and for management of the Taisei Group, we have identified **ESG tasks that are particularly important for contributing to the Group**, and reflected them in the management tasks

| ESG                 | Materiality  |
|---------------------|--|
| <b>E</b> nvironment | 1. Realization of a sustainable and environmentally friendly society   |
| <b>S</b> ocial      | 2. Ensuring quality and improving technology<br>3. Technical development for realizing a sustainable society<br>4. Promotion of supply chain management<br>5. Thorough management of labor safety and sanitary conditions<br>6. Cultivation of technical staff and securing human resources<br>7. Realization of an attractive working environment that is good to work in |
| <b>G</b> overnance  | 8. Promotion of compliance   |

\* The United Nation's Sustainable Development Goals (SDGs)



### 4. Medium-and Long-term Target Business Scale

In order to grow sustainably in the uncertain business environment after the Olympics, **the target business scale in the medium-and long-term is ¥2 trillion**

- Based on the business environment in Japan and overseas from 2020 onwards, **we will strengthen our initiatives in overseas markets where there is a prospect of growth**
- **We will improve production capability** by improving productivity and increasing and strengthening personnel, and **we will accelerate growth in target fields** by alliances, open innovation, etc.
- Measures will be implemented in the Medium-term Business Plan (FY 2018-2020) **to achieve a business scale of ¥2 trillion** taking into consideration the balance of the business segments \* including overseas projects, by methods including project investments and M&A

- \* Main business segments
1. Construction projects in Japan
  2. Overseas construction projects
  3. Development and real estate projects
  4. Construction peripheral businesses
  5. Group companies

## 5. Management Numerical Targets

- In the peak busy period until 2020 **the highest level of safety and quality will be maintained, and both customer satisfaction and business results will be achieved**
- Our financial standing will be further strengthened by permanently maintaining substantially debt-free operation, increasing our equity capital ratio, etc.

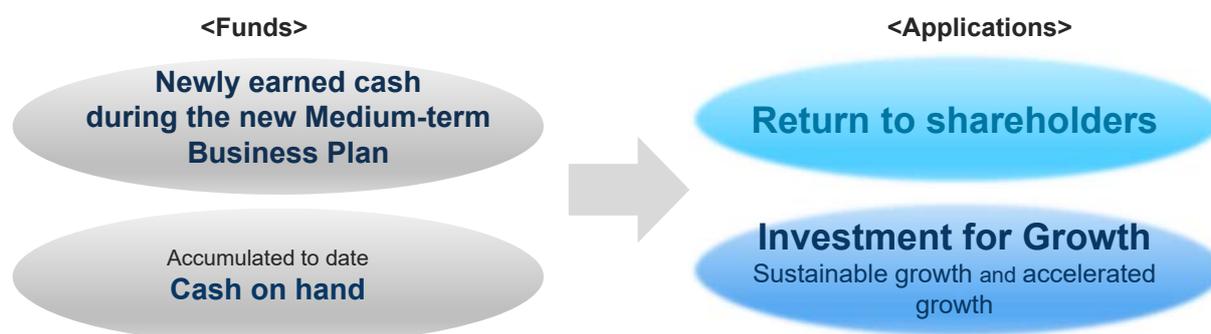
|                              |                               | Medium-term Business Plan (FY 2015-2017) |         |         | Medium-term Business Plan (FY 2018-2020)             |
|------------------------------|-------------------------------|--|---------|---------|--|
|                              |                               | FY 2015                                  | FY 2016 | FY 2017 | FY 2020  |
|                              |                               | Actual                                   | Actual  | Actual  | Target   |
| (Units: hundred million yen) |                               |  |         |         |  |
| Consolidated                 | Sales                         | 15,459                                   | 14,873  | 15,855  | <b>18,700</b>  |
|                              | Operating profit              | 1,175                                    | 1,408   | 1,819   | <b>1,870</b>   |
|                              | Current net profit            | 770                                      | 906     | 1,268   | <b>1,300</b>   |
|                              | ROE                           | 15.3%                                    | 16.7%   | 20.5%   | <b>12% or higher</b>                                 |
|                              | Dividend ratio                | 24.3%                                    | 25.5%   | —       | <b>About 25%</b>                                     |
|                              | Interest-bearing debt         | 2,546                                    | 2,381   | 2,473   | <b>Less than 3,000 hundred million yen</b>           |
|                              | Net interest-bearing (*) debt | ▲1,195                                   | ▲2,974  | ▲4,401  | <b>(Permanent substantially debt-free operation)</b> |
|                              | Equity capital ratio          | 31.2%                                    | 32.3%   | 34.6%   | <b>40% or higher</b>                                 |

(\*) Net interest-bearing debt = interest-bearing debt - cash and deposits

## 6. Investment for Growth

### <Objectives of Investment for Growth>

- In order to construct the business foundation to enable sustainable growth from 2020 onwards, **we aim to increase the added value in the construction and peripheral businesses and to expand opportunities for revenue**



| Investment for sustainable growth and accelerated growth           | Total | 3,000 hundred million yen |
|--|-------|---------------------------|
| Strengthening overseas business and targeted fields (*)            | 1,500 | hundred million yen       |
| Investment in technical development                                | 600   | hundred million yen       |
| Investment in work style reform and productivity improvement       | 600   | hundred million yen       |
| Investment in human resources, development of infrastructure, etc. | 300   | hundred million yen       |

(\*)Target fields: Energy and environment, urban development and PPP, renewal, engineering

## 7. Targets for Work Style Reform and Productivity Improvement



- In order to respond to the social demand for correction of long working hours and the legal system, **(standalone) targets will be set in stages for work style reform and productivity improvement**

**<Work Style Reform>** \* In accordance with the roadmap for correction of long working hours of 2024 - **TAISEI Lively Plan** -

|                              | FY 2018  | FY 2019  | FY 2020  |
|------------------------------|--|--|--|
| Health management Overtime   | 0 persons 100 hours or more per month  | Average 80 hours or less per month   | Continue average 80 hours or less per month (Preparation time for average 70 hours or less per month)                              |
| Rest days + time off in lieu | Target for all employees 8 rest days per 4 weeks (rest days + time off in lieu) 104 days or more per annum |  |  |
| Closure of work sites        | Work towards uniformly closing sites on Saturdays (2nd Saturday of every month is closed day)              | Realization of 6 closed days every 4 weeks for all work sites (excluding sites for which application is difficult) | Work towards realizing 8 closed days every 4 weeks for all work sites by 2021 (excluding sites for which application is difficult) |

**<Productivity Improvement>**



## 8. Basic Policies and Management Tasks



**<Basic Policies>**

**To establish the foundation for growth with the construction business at the core**

### Summary of Basic Policies

- Sustainable growth of overseas business, and conversion to a corporate structure that is genuinely suitable for the overseas market**
- Investment for growth will be carried out **in order to expand added value and opportunities for revenue in the construction and peripheral businesses** both in Japan and overseas, to construct the basis for sustainable growth in the Taisei Group
- As a leader in the construction industry we will set an example by the public and private sectors **of unified initiatives for work style reform and productivity improvement** for growth in the construction industry
- We re-acknowledge that **improving customer satisfaction by ensuring safety and quality** is a major precondition for companies to be selected by customers, and is a source of growth

## <Basic Policies>

To establish the foundation for growth with construction business at the core

### Management Tasks

- 1 Sustainable growth of overseas business
- 2 Strategic input of management resources into target fields
- 3 Innovative construction production systems (productivity improvement)  
- "TAISEI i-Innovation" -
- 4 Realizing an attractive working environment (work style reform)  
- "TAISEI Lively Plan" -
- 5 Pursuit of safety and quality - "TAISEI QUALITY" -
- 6 Strengthening management infrastructure

# 9. Important Measures (1/7)

Management Tasks

1

## Sustainable growth of overseas business

- ◆ Sustainable growth of overseas business, and conversion to a corporate structure that is genuinely suitable for the overseas market

|   |   |
|---|---|
| <p>(1) Sustainable growth of overseas business</p>  | <ul style="list-style-type: none"> <li>• Thorough exploration and enhancement of traditional areas in countries where we have previously been active</li> <li>• Expansion of project areas in countries where we have previously been active (local private sector projects, development projects, etc., requiring high technical capability)</li> <li>• Strategic expansion of sales for development project in the ASEAN region, etc.</li> <li>• Thorough exploration of core business in target countries, such as infrastructure export projects, STEP projects, etc.</li> <li>• Cultivation of new markets and business areas</li> </ul> |
| <p>(2) Conversion to a corporate structure that is genuinely suitable for the overseas market</p> | <p>(Participation in PPP and concession projects, real estate projects, energy projects, etc.)</p> <ul style="list-style-type: none"> <li>• Promotion of alliances for increasing construction capability and strengthening price competitiveness (local general contractors, global contractors, Japanese companies, etc.)</li> <li>• Improvement of the management efficiency of local subsidiary by strengthening relationships with local partners</li> <li>• Development of overseas staff by expansion of studying abroad and overseas training, and active employment of global human resources and local human resources</li> </ul>   |

# 9. Important Measures (2/7)



Management

Tasks  
**2**

## Strategic input of management resources into target fields

- ◆ Promotion of higher added value Taisei global business and expansion of opportunities for revenue by **deploying management resources (human resources, funds) in the target fields and on technologies for differentiation**, with an eye on the medium-and long-term business environment from 2020 onwards

| (1) Bringing higher added value to target fields where our core strengths can be exhibited |  |
|--|--|
| -1 Energy and environment  | <ul style="list-style-type: none"> <li>Strengthening the competitiveness to win orders through participation in energy management projects (EM) and energy supply projects (ESP) in the ZEB/Smart communication field</li> <li>Strengthening the competitiveness to win orders by constructing design and construction systems in the fields of thermal power and renewable energy</li> <li>Support for winning orders through environment-related evaluation technologies and soil decontamination technologies</li> <li>Strengthening of technical competitiveness in the nuclear power field, such as nuclear power generation facilities, decommissioning, radioactive waste disposal, etc.</li> </ul> |
| -2 Urban development and PPP   | <ul style="list-style-type: none"> <li>Strengthening the competitiveness to win orders by participation in large-scale private sector projects and PPP/PFI projects, and steady promotion of large-scale redevelopment projects</li> <li>Participation in important infrastructure concession projects, such as airports, etc.</li> <li>Strategic investments in in-house developments and promotion of building operation</li> </ul>  |

# 9. Important Measures (3/7)



|  |  |
|--|--|
| -3 Renewal   | <ul style="list-style-type: none"> <li>Strengthening of proposals and sales for renewal by utilizing the technologies we possess as well as new technologies</li> <li>Strengthening the renewal production system by technical development, securing production staff, alliances, improvement in procurement capability, etc.</li> <li>Promotion of winning orders for large-scale renewal and repair project of aged infrastructure (bridges, tunnels, etc.)</li> </ul>   |
| -4 Engineering   | <ul style="list-style-type: none"> <li>Expansion of business area won in the life sciences field, with pharmaceuticals as the core</li> <li>Promotion of upstream sales through consulting and FS commissions</li> <li>Expansion of orders through proposals differentiated with labor-saving technologies utilizing the IoT, AI, etc.</li> </ul>  |
| (2) Research and development into technologies leading to higher added value | <ul style="list-style-type: none"> <li>Development of construction technologies leading to differentiation (development of underground structural methods, commercialization of the TECOREP system, large depth excavation, excavation for unusual soil, dealing with major earthquakes, etc.)</li> <li>Advanced planning technologies (strengthening advanced analysis technologies, energy efficiency and environmental prediction technologies coupled to IoT and AI, ZEB technologies, advanced skeleton construction technologies, technologies for smart wellness, etc.)</li> <li>Promotion of technical developments by open innovation (cooperation with venture companies, etc.)</li> <li>Further enhancement of the functions of facilities at the Technology Center by incorporating advanced technologies</li> </ul> |
| (3) Expansion of sales with an eye on the medium-and long-term               | <ul style="list-style-type: none"> <li>Flexible response to new construction needs in response to changes in society such as low birth rate and high rate of aging, compact cities, etc.</li> <li>Creation of business opportunities through alliances in different business areas, etc.</li> <li>Strengthening of sales for significantly aged facilities, etc.</li> </ul>  |

# 9. Important Measures (4/7)



Management

## 3

### Innovative construction production systems

(productivity improvement)

- ◆ Taking advantage of the current busy period to **reform the construction production system** to improve productivity and overcome the pressure of being fully occupied, by technical development, work efficiency, strengthening relationships with cooperating companies, etc.

|  |   |
|--|---|
| <p>(1) <b>Improvement in production capability</b></p>   | <ul style="list-style-type: none"> <li>Securing technical staff by appropriate deployment of staff, utilization of reemployed staff members, and utilizing temporary staff</li> <li>Improvement in the functions of BIM, CIM, and promotion of application of BIM on design and construct projects</li> <li>Promotion of utilization of ICT, mechanized construction, and front loading</li> <li>Improvement of efficiency of site management by organizational procurement, etc.</li> <li>Strengthening of alliances with general contractors, sub-contractors, materials and equipment manufacturers, etc.</li> </ul> |
| <p>(2) <b>Development of labor saving and work saving construction technologies</b></p>          | <ul style="list-style-type: none"> <li>Development of autonomous machinery and remote control technologies utilizing ICT</li> <li>Promotion of efficiency and automation in construction by utilization of IoT, big data, AI, etc.</li> <li>Development of structural methods and fabrication of members with new shapes using 3D printers</li> </ul>   |
| <p>(3) <b>Strengthening of collaboration with Souyukai members and cooperating companies</b></p> | <ul style="list-style-type: none"> <li>Enhancement of support for Souyukai, such as training for Souyukai members mainly at the Kounosu Training Center</li> <li>Strengthening of initiatives to secure and cultivate staff by promotion of the introduction and operation of a construction career advancement system, and continuous instruction on participation in social insurance</li> </ul>  |

# 9. Important Measures (5/7)



Management

## 4

### Realizing an attractive working environment

(work style reform)

- ◆ We aim to **realize an attractive working environment** by taking the lead in work style reform as a leader in the industry, so that the officers and employees of the Taisei Group and those involved in the construction industry can work with vitality and cultivate the future leaders

|  |  |
|--|--|
| <p>(1) <b>Corrections of long working hours</b></p>  | <ul style="list-style-type: none"> <li>As a rule, out of hours working by all members of staff shall be reduced in stages towards a monthly average of less than 45 hours and an upper limit of less than 720 hours per annum (for compliance with the application of the amended Labor Standards Act that is scheduled for April 2024)</li> </ul>   |
| <p>(2) <b>Realization of 2 rest days per week for all work sites</b></p>                     | <ul style="list-style-type: none"> <li>The number of days per week that work sites are close shall be increased in stages to achieve 8 closed days in 4 weeks for all work sites in FY 2021 (excluding work sites for which application is difficult)</li> </ul>   |
| <p>(3) <b>Promotion of work style that enable utilization of diverse human resources</b></p> | <ul style="list-style-type: none"> <li>Promotion of creating a working environment to realize flexible work style such as teleworking, childcare support, etc.</li> <li>Investigation of a system to enable the capabilities of the elderly to be used, by raising the motivation of the elderly so that they can use their capabilities</li> <li>Promotion of diversity and inclusion by promoting the use of women, foreigners, disabled, and promoting understanding of LGBT, etc.</li> </ul> |

# 9. Important Measures (6/7)



Management

## 5

### Pursuit of safety and quality

◆ In this busy time once more we will sincerely face the basics of the construction industry, namely safety and quality, to ensure **the highest level of safety and quality**

|  |   |
|--|---|
| <p>(1) <b>Elimination of major disasters and accidents</b></p> | <ul style="list-style-type: none"> <li>• Promotion of hazard prediction and control of important points, duplication of safety measures, and strengthening of safety management for highly specialized construction</li> <li>• Further improving the capability on site by enhancing patrols</li> <li>• Thorough education to increase awareness of safety, to reform behavior, and to improve sensitivity to anticipate hazards</li> <li>• Development of construction machinery and technology for safe construction</li> </ul>                                     |
| <p>(2) <b>Prevention of major quality problems</b></p>         | <ul style="list-style-type: none"> <li>• Thorough quality and schedule control from the stage prior to commencement of construction</li> <li>• Strengthening the quality management system by increasing the number of construction supervision first class registered architecture offices (building), and establishing a management department that monitors and evaluates the status of quality management, etc. (civil engineering)</li> <li>• Thorough quality management education by certain horizontal dissemination of examples of problems, etc.</li> </ul> |

# 9. Important Measures (7/7)



Management

## 6

### Strengthening management infrastructure

◆ Transforming the management infrastructure in response to the requirements of society and the times, to gain **the high trust and evaluation of all our stakeholders**

|  |   |
|--|---|
| <p>(1) <b>Training and strengthening human resources</b></p>         | <ul style="list-style-type: none"> <li>• Securing, cultivating, and deploying staff from a medium-and long-term perspective, by consistent employment of new graduates and experienced staff, and early training and familiarization of young members of staff</li> <li>• Strengthening of training by development of a training system utilizing ICT and enhancement of external training and overseas education</li> <li>• Promotion of the acquisition of national qualifications and public qualifications</li> <li>• Acquisition of personnel in specialist fields and formation of links outside the company</li> </ul> |
| <p>(2) <b>Promotion of Group cooperation</b></p>                     | <ul style="list-style-type: none"> <li>• Promotion of sales, technical development, and procurement as a Group by disseminating new business models, sharing project information, and Group joint procurement, etc.</li> </ul>  |
| <p>(3) <b>Strengthening the governance and compliance system</b></p> | <ul style="list-style-type: none"> <li>• Strengthening the governance and compliance system, and promotion of the formation of mechanisms that will contribute towards future growth</li> </ul>   |
| <p>(4) <b>Strengthening the ICT infrastructure</b></p>               | <ul style="list-style-type: none"> <li>• Utilization of ITC to contribute towards work style reform and productivity improvement by further utilization of mobile devices, etc., for working out of the office (work on site, sales activities)</li> <li>• Utilization of ITC to contribute towards productivity improvement of office departments, by reform of legacy systems, etc.</li> </ul>  |