

Message from the Management

Management Philosophy

While seeking to develop a balance between humanity and nature, Taisei Corporation's philosophy is to create a vibrant environment for all people while contributing to important social capital, including social and industrial infrastructure.

Maintaining a vision of customer satisfaction as the starting point for creating new value through technology and expertise, we seek to fulfill our mission to society by offering outstanding quality and service at fair and reasonable prices, and providing comprehensive solutions for our customers' construction-related needs.

Results

Growth in the Japanese economy showed signs of leveling off in the year ended March 31, 2005. In the construction industry, private sector business performed well, driven by factors such as active investment in the manufacturing sector, while public works projects decreased in the face of budget cuts and other constraints. Moreover, price competition became even fiercer in the context of continued structural oversupply in the industry, which in combination with a steep rise in the cost of materials created a difficult overall operating environment.

Based on our business plan, our focus during the year was to expand orders, ensure profitability, and reduce expenses. As a result of our efforts, orders rose 17.3% year on year to reach ¥1.805 trillion, and sales rose 6.8% to ¥1.708 trillion. Construction accounted for 87% of sales, with real estate development and other businesses accounting for the remaining 13%.

Operating income for the year decreased 18.2% year on year to ¥49.0 billion, and ordinary income decreased 15.3% to ¥43.6 billion. Net income for the fiscal year ended March 2005 was ¥19.01 billion.

Outlook

We expect that in the year ending March 2006 the Japanese economy will resume a mild growth track. In the construction industry, we expect to face new challenges and opportunities in response to further economic globalization, public sector financial constraints, an aging population, environmental issues, and a transition from national uniformity to regional differentiation in social infrastructure. Under these circumstances we recognize the necessity of improving our financial fundamentals by strengthening our capital base and reducing interest-bearing debt, and to achieve this we must ensure profitability. In conjunction with this, we consider it our role as an industry leader to demonstrate a sound and attractive construction industry business model.



Osamu Hirashima, *Chairman*

We believe that results and quantitative measures relating to orders received, profit, and safety are key indicators of our collective strength as an organization. The year ending March 2006 is the middle year of our current three-year business plan, and in order to meet our targets for the year we intend to focus on the following three key items.

1. Expanding orders

We believe that the regions in Japan most likely to produce construction growth are the Tokyo Metropolis and the Kinki district (Osaka and environs). Overseas, demand can be expected from oil producing nations and from the developing economies of the so-called BRICs countries of Brazil, Russia, India and China. Promising business areas for securing construction orders include urban development and PFI projects, high added value factories and research facilities supporting the recovery in the manufacturing industry, logistics facilities, and welfare institutions being developed in response to the increase in the elderly population.

We intend to allocate human resources to these areas, and make strategic investments drawing on increased capital. Our efforts to secure more orders will be backed by our strong technical expertise in engineering and other areas and by intensified measures to ensure price competitiveness.

2. Increasing profitability

We will continue initiatives to increase operational efficiency and reduce costs in our head office and branch network organizational structure. To succeed in a climate of intense price competition we will improve our procurement systems, and pursue higher profitability through measures such as the establishment of our condominium project division.

3. Improving work processes

We will be working to improve safety and further develop quality control by boosting human resources in our construction/production divisions, in addition to measures to enhance the working environment for our employees. We aim to create a system of work processes and project implementation that will support ongoing growth.

We greatly appreciate your interest in Taisei Corporation, and look forward to the continued support of our shareholders as we work on their behalf to create a company of even greater enduring value.

September 2005

平島 治

Osamu Hirashima
Chairman

葉山 莞児

Kanji Hayama
President & CEO



Kanji Hayama, President & CEO