

Message from the Management

Basic Management Policy

We, Taisei Corporation, upholding our corporate ideals “to create a vibrant environment for all members of society,” pursue our business activities with our core strengths of construction and engineering services, and strive to contribute to society by developing a safe and comfortable infrastructure and living environment and to prosper as a business enterprise continuously.

Taisei Corporation (“The Company”) is also working to become a company that is trusted by society by fulfilling our corporate social responsibility such as establishing our own corporate ethics and ensuring compliance.

Taisei Corporation and its consolidated subsidiaries (“Taisei Corporation Group”) will contribute to society by conducting business under the group vision of “contributing to society by creating and providing new value with technology and know-how as a company with construction as core strength.”

Results

The world economy was influenced in various ways due to the increased concern over recession of the American economy as a result of the credit contraction caused by the subprime loan crisis.

Concerning the Japanese economy, capital investment and export, the main driving force of the economy, remained on a stable growth path due to the active economies of China and other emerging countries despite concerns about the impact of a strong yen and rising prices in raw material including crude oil. However, overall economy continued to lack robustness as consumer spending remained sluggish due to restrained income.

Under these conditions, Taisei Corporation Group worked on the three strategic items of “strengthening profitability,” “establishing a strategic order-receiving system,” and “capturing new sources of revenue” based on its Medium-Term Business Plan (fiscal 2007-2009), and was able to record the following results.

Orders and Sales

Orders decreased 6.5% year on year to ¥1,753.6 billion as a result of drastic decrease in construction business, despite increase in the real estate development business. Sales also decreased 8.6% year on year to ¥1,711.7 billion due to the decrease in construction business.



Kanji Hayama, *Chairman*



Takashi Yamauchi, *President & CEO*

Operating Income, Recurring Income, and Net Income

Operating income decreased 15.3% year on year to ¥48.8 billion, because of decrease in gross profit on sales caused by decrease in sales, etc., despite reduction in sales, general and administrative expenses. In addition, recurring income decreased 28.3% year on year to ¥39.9 billion due to decrease in operating income and deterioration between non-operating profits and losses caused by exchanges losses from the appreciation of the yen.

Net income decreased 6.8% year on year to ¥24.4 billion due to the counteractions in extraordinary gains and losses caused by the early application of Accounting Standard for Valuation of Inventory in the previous year and an upturn in tax expenses from the sales of shares of a golf club subsidiary.

Outlook

The Japanese economy is expected to decelerate in fiscal 2008 due to concerns about slowing export caused by the deceleration of US economy, restrain in capital investment caused by deteriorated corporate earnings, and sluggish growth in consumer spending due to wage restraints.

For domestic construction market, private-sector investment is expected to weaken and public-sector investment is expected to decrease. However, overseas construction market is expected to continue to be active mainly in Southeast Asia and Middle Eastern oil-producing countries.

Taking into consideration these conditions, for fiscal 2008 (April 1, 2008 – March 31, 2009), the Company expects consolidated sales to reach ¥1,830.0 billion, operating income to total ¥52.0 billion, recurring income to be ¥41.0 billion, and net income to be ¥17.0 billion. The Company also forecasts that new orders will be total ¥1,720.0 billion.

Medium- & Long-term Business Strategy

The Taisei Corporation Group recognizes the importance of a strategy that secures new orders and profit in an increasingly competitive market environment. The following three items are the business strategy stated in the Medium-Term Business Plan (fiscal 2007 – 2009).

- 1) Strengthening profitability
- 2) Establishing a strategic order-receiving system
- 3) Capturing new sources of revenue

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Kanji Hayama
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