

# 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 global economy in the fiscal year has fallen into a synchronized recession due to a serious impact on the real economies around the world triggered by the financial crisis and credit contraction.

Japan’s export-dependent economy also shifted to significant negative growth in the second half, as plummeting global demand caused large declines in capital investment, while consumer spending depressed amid worries about unemployment and an uncertain future.

Under these circumstances, the Taisei Corporation Group has been working on three objectives of “strengthening our profit structure,” “establishing a strategic order-receiving system,” and “ensuring new sources of profits” based on its Medium-term Business Plan (fiscal 2007-2009), thereby achieving the following results.

### **Orders and Sales**

Orders fell 13.1% year on year to ¥1,524.5 billion due to substantial declines in the construction business. Sales decreased 4.1% year on year to ¥1,641.1 billion, reflecting declines in the construction business and the real estate development business.

### **Operating Income, Recurring Income, and Net Income**

Operating loss reached ¥0.6 billion as the Company’s gross profit on sales deteriorated due to declines mainly in overseas civil engineering operations, while the depressed condominium market weighed on the results of Yuraku Real Estate Co., Ltd. Furthermore, in addition to the deterioration in operating income, non-operating loss increased due to foreign exchange losses arising from the yen appreciation. As a result, recurring loss reached ¥11.0 billion.

Net loss reached ¥24.4 billion due to write-offs from a string of bankruptcies among real estate developers as well as valuation losses on investment securities from depressed stock markets. Therefore, overall results were constrained by weaker performances compared to the previous year.

## Outlook

The Japanese economy in fiscal year 2009 is expected to post negative growth in light of depressed exports from a continuing global demand shortage. In addition, the decline in domestic demand is expected due to a slowdown in consumption amid employment worries and wage restraints, which will also affect the economy.

Despite hopes pinned on public works projects implemented as an economic stimulus, the domestic construction market is expected to decelerate due to large declines in private sector construction investment.

The overall overseas construction market will remain moderate and are unlikely to yield large-scale investments, except for solid investment activities in several countries including China and Middle-Eastern oil-producing nations.

Under these conditions, the consolidated results for the next fiscal year (from April 1, 2009 to March 31, 2010) are expected as follows: sales of ¥1,610.0 billion, operating income of ¥33.0 billion, recurring income of ¥22.0 billion, and net income of ¥10.0 billion. Orders are estimated to reach ¥1,480.0 billion.

## Medium-term Business Plan

The Taisei Corporation Group has decided to terminate the Medium-term Business Plan (fiscal 2007-2009) at the end of fiscal 2008 and introduced a new Medium-term Business Plan (fiscal 2009-2011) starting from fiscal 2009. This movement is aimed at coping with the drastic changes in our business environment inside and outside Japan, that were far beyond the scope of the assumption upon which we had formulated the previous plan, and eventually made us determine that its goal would be unattainable by the end of fiscal 2009.

Going forward, given expectations of a significant decline in construction demand, a key concern for the Company and the Group is to secure steady profits in shrinking markets. In this respect, we intend to address the five issues and strategies under the new Medium-term Business Plan.

- (1) To restructure overseas business operations:  
Prioritize areas, streamline business volume, and leverage external workforce.
- (2) To thoroughly identify, assess and prioritize project risks in a pre-contract stage:  
Implement thorough credit control, and conduct thorough risk analysis and evaluation.
- (3) To select business fields and focus corporate resources on priority fields:  
Strengthen efforts in the environment-related business and focus on the renewal markets.
- (4) To upgrade our project production systems:  
Conduct technological development to enhance the construction efficiency and improve the quality.
- (5) To improve our financial strength:  
Strengthen equity and reduce interest-bearing debt



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