

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."

Operating Results

In fiscal 2009, the fiscal year ended March 31, 2010, most major industrialized countries and China took steps to actively promote public spending. Efforts were also made to normalize financial systems with the aim of alleviating credit impairment. While these initiatives contributed to a positive turnaround in the global economy, the overall recovery remained weak.

On the domestic front, Japan is yet to enjoy a full-fledged, self-sustaining revival. Buoyed, however, by an increase in exports thanks largely to brisk economic activity throughout Asia and particularly China, as well as an upswing in consumption due to pump-priming measures implemented by the government, the nation has broken free from a period of prolonged decline.

Under these circumstances, the Taisei Corporation Group took stock of its existing medium-term business plan, a plan that encompassed the three-year period from fiscal 2007 to fiscal 2009, and embarked on a new medium-term business plan, covering the three-year period from fiscal 2009 to fiscal 2011. Under this revised plan, the Company has worked diligently to address a number of business issues. Guided by the ultimate goal of "securing profits in a shrinking market," the Group's operating result for fiscal 2009 are presented as follows.

Orders and Net Sales

In the fiscal year under review, orders fell across all business segments. As a result, the level recorded by the Group contracted 18.4% compared with the previous fiscal year to ¥1,244.4 billion. Reflecting this downturn in orders, net sales declined 12.1% year on year to ¥1,441.9 billion.

Operating Income, Recurring Income and Net Income

Operating income surged to ¥35.6 billion compared with an operating loss of ¥0.6 billion in the fiscal year ended March 31, 2009. In addition to an increase in gross profit due largely to improved profit margins for both the Company and Yuraku Real Estate Co., Ltd., this was mainly attributable to successful reduction efforts resulting in lower selling, general and administrative (SG&A) expenses. Turning to recurring income, results were supported by the positive turnaround in operating income. Buoyed also by improvements in other income (expenses) and particularly a drop in foreign exchange losses, recurring income amounted to ¥27.7 billion compared with a recurring loss of ¥11.0 billion in the previous fiscal year.

Taking into account the aforementioned factors, net income for the fiscal year ended March 31, 2010 totaled ¥21.2 billion against the net loss of ¥24.4 billion in fiscal 2008. This reflected the favorable upswing in extraordinary profit and loss, most notably gain on sales of investment securities and profit from negative goodwill.

Outlook

While continuing to benefit from overseas demand and economic stimulus measures implemented by the government, the Japanese economy in fiscal 2010, the fiscal year ending March 31, 2011, is forecast to remain fundamentally weak. Taking into consideration employment instability and the downward pressure imposed by salary and wage restraints, significant difficulty is anticipated in realizing a full-fledged personal consumption recovery. As a result, uncertain conditions are projected to persist into the future.

With little chance of an increase in public-sector activity and a slump in private investment in construction due largely to a persistent lack of demand, Japan's construction market is expected to experience ongoing contraction.

Investments in overseas construction markets, on the other hand, are expected to increase. Despite a number of uncertainties associated with the European and U.S. economies, booming markets in such emerging countries as China are anticipated to spur new order opportunities.

Based on these and other factors, the Taisei Corporation Group forecasts net sales, operating income, recurring income and net income in fiscal 2010, the 12-month period from April 1, 2010 to March 31, 2011, to reach ¥1,370.0 billion, ¥34.0 billion, ¥23.0 billion and ¥12.0 billion, respectively. Orders are projected to total ¥1,360.0 billion.

Medium-term Business Plan

Both the Company and the Taisei Corporation Group have positioned efforts to "secure profits in a shrinking market" as their principal business issue. In this context, steps have been taken to formulate and implement a new medium-term business plan, which covers the three-year period from fiscal 2009 to fiscal 2011.

Taking into consideration the very real prospect that construction demand will continue to contract, the Company readdressed its most pressing issues as of February 2010 and identified efforts to "increase profitability" and "improve its financial strength" as matters of immediate concern.

Business Issues

In its medium-term business plan formulated in May 2009, the Taisei Corporation Group identified the following five business issues: (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 project production system; and (5) To improve financial strength. In reconfirming its immediate priorities amid current operating conditions, the Group has consolidated business issues one to four under the overarching goal of "increasing profitability." On this basis, every effort will be directed toward increasing earning capacity while at the same time "improving financial strength."

Increasing Profitability

1. To restructure overseas business operations
 - Secure and increase earnings from existing construction projects in progress
 - Establish a new profit management structure and system
2. To adhere strictly to risk management on an individual project basis
 - Tighten credit exposure management and project risk screening at the order stage
 - Bolster the project management function
3. To enhance price competitiveness by increasing productivity and reducing costs
 - Further reinforce procurement and purchasing capabilities
 - Reduce fixed costs including personnel expenses
4. To allocate management resources on a priority basis to key fields (overseas, engineering, nuclear power and the environment) and to nurture human resources

Improving Financial Strength

1. To promote asset liquidity aimed at enhancing capital efficiency
2. To improve the balance of construction funding
3. To reduce interest-bearing liabilities

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President & CEO

