

To Our Shareholders:

NOTICE OF THE 150TH GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 150th General Meeting of Shareholders of Taisei Corporation (the “Company”) will be held as indicated below.

Since those unable to attend the Meeting are entitled to exercise their voting rights in writing or by an electromagnetic file, you, if unable to attend, are requested to study the attached documents, and to exercise your voting rights through either of the following methods:

[Voting by post]

Please indicate your preferences on each item of the matters to be voted on in the enclosed Voting Form, and return the Form by post to be **received no later than 5:30 P.M. on Monday, June 28, 2010 (Tokyo time)**.

[Voting through the Internet]

Please access the designated website for voting of the Company (<http://www.it-soukai.com/>), enter the “*Giketsuken-koushi (Voting) Code*” and “Password” as indicated on the enclosed Voting Form, and follow the instructions on the screen to enter your preferences **no later than 5:30 P.M. on Monday, June 28, 2010 (Tokyo time)**. For more information, please refer to “Voting through the Internet” on pages 60-61.

In the event that you vote both by post and through the Internet, only the voting through the Internet shall be valid. In addition, if you vote through the Internet more than once, the last voting shall be valid.

- 1. Date:** Tuesday, June 29, 2010, 10:00 A.M. (Tokyo time)
- 2. Place:** The Main Hall, 52nd floor
Taisei Corporation Head Office
Shinjuku Center Building
25-1, Nishi-Shinjuku 1-chome
Shinjuku-ku, Tokyo 163-0606, Japan

3. Agenda:

- (1) Subjects to be reported:**
1. Business Report, Consolidated Financial Statements, and Auditing Reports of Accounting Auditor and Board of Corporate Auditors for Consolidated Financial Statements, for fiscal year ended March 31, 2010 (the 150th Business Year commenced April 1, 2009 and ended March 31, 2010)
 2. Financial Statements, for fiscal year ended March 31, 2010 (the 150th Business Year commenced April 1, 2009 and ended March 31, 2010)

(2) Matters to be voted on by Shareholders:

Item No. 1: Appropriation of earned surplus

Item No. 2: Election of one (1) Director.

4. Exercising of Voting Rights by Proxy

If exercising your voting rights by proxy, you can appoint one of the other Shareholders of the Company who is entitled to vote and ask that person to attend the General Meeting of Shareholders as your proxy. In this case, please be advised that a Letter of Proxy shall be submitted along with a Voting Form.

Your presence at the Meeting is cordially requested.

Yours sincerely,

TAISEI CORPORATION

Takashi YAMAUCHI
President and
Chief Executive Officer
Representative Director

Notes:

1. Shareholders attending the Meeting are requested to submit the Voting Form to the reception desk at the Place of the Meeting.
2. In the event that any amendment is made in Reference Materials for the General Meeting of Shareholders, Business Report, Financial Statements or Consolidated Financial Statements, the Company will disclose the amended matter on its website (<http://www.aisei.co.jp>).

IMPORTANT NOTE:

This notice and attached documents are English translations of the “Notice of the 150th General Meeting of Shareholders (*Dai-150-kai Teiji Kabunushi Sokai Shoshu Go-Tsuchi*),” “Business Report (*Jigyo Hokoku*)” and “Reference Materials for the General Meeting of Shareholders (*Kabunushi Sokai Sanko Shorui*)” of Taisei Corporation dated June 2, 2010, and are prepared solely for the convenience of Shareholders who are non-Japanese speakers. In the event that any of the information contained in these English translations is inconsistent with the information contained in the Japanese original documents, the Japanese original texts shall prevail.

(Attached Document)

Business Report

(From April 1, 2009 to March 31, 2010)

I. Current State of the Affiliated Company

(1) Progress and Results of Operations

During FY ended March 2010, the global economy, though still lacking vigor, began to recover because credit uncertainty was alleviated as a result of proactive implementation of public-spending packages by developed countries and China and normalization of the world's financial systems. In Japan, the economy seemed to have escaped from the worst phase of its downturn backed by a growth in exports due to the brisk economies of China and other Asian countries and a rise in domestic consumption due to the stimulus measures adopted by the Japanese government, though it hasn't reached the point of self-sustained recovery.

In the domestic construction market, the market has shrunk substantially because investment has been held back due to continued sluggish demand and public-sector investment has continued to fall. As to the overseas construction market, however, the market has remained firm in China, where domestic demand continued to grow, and in other Asian countries, etc., where the economies grew steadily.

Under these circumstances, the Company and its affiliated companies (collectively, the "Affiliated Companies") decided to discontinue their existing Medium Term Management Plan (FY ended 2007 – FY ended 2009) and launched a new Medium Term Management Plan (FY ended 2009 – FY ended 2011) in FY ended 2009. Under this new plan, the Affiliated Companies, aiming to secure profits in a shrinking market and striving to accomplish its management tasks, have achieved the following business results for this fiscal year: the new orders received were ¥1,244.4 billion, a 18.4% decrease from those in the previous fiscal year, and net sales were ¥1,441.9 billion, a 12.1% decrease from those in the previous fiscal year. Ordinary income was ¥27.7 billion (¥11 billion ordinary loss during the previous term), and net income for the current term was ¥21.2 billion (¥24.4 billion net loss during the previous term).

New orders received and net sales for each segment are as follows:

(CONSTRUCTION BUSINESS)

New orders received of the Affiliated Companies during FY ended March 2010 amounted to ¥1,100.1 billion, a 18.2% decrease from those in the previous fiscal year, due to decrease in new orders received by both the Company and its consolidated subsidiaries.

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New orders received by the Company amounted to ¥956.6 billion, a 16.0% decrease from those in the previous fiscal year, consisting of civil engineering projects (17.5%) and building construction projects (82.5%). Of the construction projects, 14.2% were public works, 77.3% were works in the private sector, and 8.5% were overseas projects. New orders received through negotiation were 36.4% of all construction projects.

Major new orders received during FY ended March 2010 include the followings:

Client	Project
Tokyo Prime Stage Ltd.	Otemachi 1-6 Project (tentative name)
Awajicho 2-chome West Part Area Urban Land Redevelopment Association	Awajicho 2-chome West Part Area 1 st Urban Land Redevelopment Facility Construction Work
Mitsui Fudosan Co., Ltd.	Yokohama Mitsui Building
Kanto Regional Development Bureau, Ministry of Land, Infrastructure and Transport	Sagami Longitudinal Expressway Hayamajima Tunnel Work
Nagoya Horse Racing Co., Ltd. and Japan Racing Association	Remodeling Racecourse and Other Work for Chukyo Racecourse

Net sales of the Affiliated Companies in FY ended March 2010 were ¥1,289.8 billion, a 12.1% decrease from those in the previous fiscal year due to decreased net sales of the Company and its consolidated subsidiaries.

Net sales of the Company in FY ended March 2010 were ¥1,096.2 billion, a 13.1% decrease from those in the previous fiscal year.

Major projects completed during FY ended March 2010 include the followings:

Client	Project
Sumitomo Corporation	Jimah 700MWx2 Units Coal Fired Thermal Power Project
ALDAR Properties PJSC	Shahama Saadiyat Freeway Package 2A
Hirakawacho 2-chome Southern East Part Area Urban Land Redevelopment Association	Hirakawacho 2-chome Southern East Part 1 st Urban Land Redevelopment Facility Construction Work and Public Facility Maintenance Work

Shiodome Hamarikyu Special Purpose Company	Shiodome Hamarikyu New Construction Project (tentative name)
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Nakanoshima Rapid Railway Co., Ltd.	Nakanoshima New Line Construction Project (No.3 Construction Unit Project Site)
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(REAL ESTATE DEVELOPMENT BUSINESS)

In the real estate sales market, the market has stopped short of full recover, though there were signs of improvement in sales of condominiums in the Greater Tokyo area due to factors such as a fall in selling prices and expanded tax cuts on housing loans. In the real estate leasing market, the business environment remained harsh because of a rise in the office vacancy rate due to factors such as a decline in corporate demand and a fall in rent.

The Affiliated Companies' net sales from this business were ¥81.9 billion, a 18.5% decrease from those in the previous fiscal year, because while the net sales of the Company rose, those of its consolidated subsidiaries fell substantially.

(OTHER BUSINESSES)

The property management business, etc., faced a tough business environment due to continued price competition among property management companies, as a result of increasing demands from building owners for a change of the management firm or a review of the management specifications with a view to reducing costs as the owners business earnings deteriorated.

The Affiliated Companies' net sales from this business were ¥70.1 billion, a 4.6% decrease from those in the previous fiscal year, as net sales fell both at the Company and its consolidated subsidiaries.

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The new orders received, net sales, and total balance of contract backlog for each segment of the Affiliated Companies are as follows:

(Unit: ¥ Billion)

	Backlog at the Beginning of this Period (April 1, 2009)	New Orders Received	Net Sales	Backlog carried over Next Period
CONSTRUCTION BUSINESS	1,760.8	1,100.1	1,289.8	1,571.2
REAL ESTATE DEVELOPMENT BUSINESS	8.0	74.0	81.9	0.1
OTHER BUSINESSES	—	70.1	70.1	—
TOTAL:	1,768.9	1,244.4	1,441.9	1,571.4

The new orders received, net sales, and total balance of contract backlog for each segment of the Company are as follows:

(Unit: ¥ Billion)

	Backlog at the Beginning of this Period (April 1, 2009)	New Orders Received	Net Sales	Backlog carried over Next Period
CONSTRUCTION BUSINESS				
CIVIL ENGINEERING	505.2	167.3	335.3	337.3
BUILDING CONSTRUCTION	1,114.2	789.3	760.9	1,142.6
SUB TOTAL:	1,619.4	956.6	1,096.2	1,479.9
REAL ESTATE DEVELOPMENT BUSINESS	8.0	13.6	21.6	0.1
OTHER BUSINESSES	—	12.5	12.5	—
TOTAL:	1,627.5	982.9	1,130.4	1,480.0

(2) Investments in Plant and Equipment

The Affiliated Companies' plant and equipment investment during FY ended March 2010 was ¥7.0 billion in total. Major investments included the acquisition of buildings for rent, as well as the purchase and replacement of construction machinery, equipment, and other items.

(3) Fund Raising

In April 2009, the Company issued the Company's first series of unsecured mandatorily acquirable subordinated convertible bonds with new share subscription rights, worth ¥20.0 billion.

(4) Acquisition or disposal of shares and other equities or subscription rights for new shares in other companies

On October 1, 2009, the Company acquired a 100 percent stake in Taisei Rotec Corporation through a stock swap.

(5) Issues to Be Dealt with

We recognize that the key issue for the Company and the Affiliated Companies is to secure profitability in the shrinking market. To this end, we adopted and are performing a new Medium Term Management Plan (FY 2009 – 2011) (the "Plan"), setting the fiscal year 2009 as the first year of the new Plan.

In February 2010, given the high likelihood that construction demand will continue to fall, we brushed up some of the issues to be dealt with, and decided to aim at increasing our earning power and improving our financial strength as our top priority management issue.

Management issues

The current management issues to be addressed are the (a) restructuring of overseas businesses (b) thorough risk control at obtaining jobs, (c) selection and integration of business activities, (d) improvements to the production system, and (e) improvement of financial strength. The Company identified "increasing its earning power" as an urgent issue to be addressed, which is a common target of issue (a) to (d) above, considering it as a top priority management issue together with "improvement of financial strength".

Increasing its earning power

(a) Restructuring overseas businesses

- Securing profits from, and increasing the profitability of, projects currently underway
- Establishment of a new profit management system

(b) Ensuring thorough risk control for individual projects

- Application of stricter credit management controls and risk evaluation when accepting orders for projects

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- Bolstering project management functions
- (c) Enhancing price competitiveness by improving productivity and reducing costs
 - Further strengthening of procurement and purchasing capabilities
 - Reduction of fixed costs, including personnel expenses
- (d) Concentrating of managerial resources on focus areas (overseas business, engineering, nuclear power, and the environment, etc.) and developing human resources

Improvement of financial strength

- (a) Facilitating asset fluidization to improve capital efficiency
- (b) Improving the cash flow balance for each project
- (c) Reducing the amount of interest-bearing debts

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(6) Transition of Assets and Income

(Transition of Assets and Income of the Affiliated Companies)

(Unit: Billion Yen)	FY Ended March 2007	FY Ended March 2008	FY Ended March 2009	FY Ended March 2010 (Current FY)
New Orders Received	1,875.1	1,753.6	1,524.5	1,244.4
Net Sales	1,873.3	1,711.7	1,641.1	1,441.9
Net Income or (Loss)	26.2	24.4	(24.4)	21.2
Net Income or (Loss) per Share (*Unit: Yen)	*24.64	*22.97	* (22.93)	*19.74
Total Assets	1,989.3	1,739.4	1,671.4	1,501.2
Shareholders' Equity	421.7	373.9	284.7	297.1

(Transition of Assets and Income of the Company)

(Unit: Billion Yen)	FY Ended March 2007	FY Ended March 2008	FY Ended March 2009	FY Ended March 2010 (Current FY)
New Orders Received	1,513.9	1,405.7	1,179.4	982.9
Net Sales	1,506.4	1,369.7	1,294.7	1,130.4
Net Income or (Loss)	14.9	12.2	(23.1)	7.2
Net Income or (Loss) per Share (*Unit: Yen)	*14.09	*11.49	* (21.77)	*6.79
Total Assets	1,643.7	1,400.8	1,350.0	1,231.4
Shareholders' Equity	376.7	317.5	237.3	254.7

(7) Major Subsidiaries and Technological Tie-ups

(a) The major subsidiaries are as follows:

Name of Company	Paid-up Capital (¥ bn.)	% of Equity Ownership (%)	Major Lines of Business
Taisei Rotec Corporation	11.3	100.0	Design, construction and supervision of works related to pavement and to other civil engineering work as well as the manufacture and sale of asphalt for pavement
Yuraku Real Estate Co., Ltd.	13.6	57.4	Sale, lease, sub-lease, management, brokerage, appraisal, and consultation of real estate, and insurance agent business
Taisei U-Lec Co., Ltd.	4.5	100.0	Research, surveying, planning, design, supervision, construction and technical assistance for building construction, civil engineering and all the other construction works
Taisei Setsubi Co., Ltd.	0.6	99.9	Works for air-conditioning facilities, sanitary engineering and electrical engineering, and all the other businesses related to building facilities
Taisei Service Co., Ltd.	0.1	100.0	Management of buildings, condominiums and other premises, and lands and their attached facilities, and insurance agent business

Note: On April 1, 2010, the Company acquired a 100 percent stake in Yuraku Real Estate Co., Ltd. through a stock swap.

(b) The major technological tie-ups with the Company are as follows:

- NCC International AB (Sweden)
- Alpine Mayreder Bau GmbH (Austria)
- The Foundation Delft Hydraulics (Netherlands)
- SK Engineering & Construction Co., Ltd (South Korea)
- Bouygues Travaux Publics (France)
- Carnegie Mellon University (U.S.A.)

(8) Main Lines of Business

The Affiliated Companies' main business segments are as follows:

Construction business:

Civil engineering, building construction, and all the other businesses related to construction works;

Real estate development business:

Sale & purchase, lease, brokerage and all the other businesses related to real estate; and

Other businesses:

Real estate management business, etc.

The Company, licensed by the Ministry of Land, Infrastructure and Transport as a Specific Construction Contractor (license (S-18) No. 300) under the Construction Business Law, and as a Licensed Real-Estate Transaction Agent (license (12) No. 607) under the Real-Estate Transaction Business Law, is engaged mainly in the following lines of business operations:

- (a) Planning, surveying, design, supervision, construction and installation, engineering and consulting services, related to civil engineering, building construction, and other construction works of all kinds;
- (b) Sale, purchase, lease, brokerage and management of real estate; and
- (c) Urban development, regional development, etc.

(9) Major Offices

(a) The Company

Head Office: 25-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo, Japan

Branch Offices:

Tokyo Branch	(Shinjuku-ku, Tokyo)
Kansai Branch	(Osaka City)
Nagoya Branch	(Nagoya City)
Kyushu Branch	(Fukuoka City)
Sapporo Branch	(Sapporo City)
Tohoku Branch	(Sendai City)
Chugoku Branch	(Hiroshima City)
Yokohama Branch	(Yokohama City)
Hokushinetsu Branch	(Niigata City)
Shikoku Branch	(Takamatsu City)
Chiba Branch	(Chiba City)
Kanto Branch	(Saitama City)
Kobe Branch	(Kobe City)
Kyoto Branch	(Kyoto City)
International Operations Headquarters	(Shinjuku-ku, Tokyo)

Overseas Offices:

Middle East Office	(United Arab Emirates)
Seoul Office	
Taipei Office	
Philippine Office	(Manila)
Kuala Lumpur Office	
Jakarta Office	
India Office	(New Delhi)
North Africa Office	(Egypt)
U.S.A. Office	(California)
Peru Office	(Lima)

Taisei Technology Center (Yokohama City)

(b) Major Subsidiaries

Taisei Rotec Corporation	(Chuo-ku, Tokyo)
Yuraku Real Estate Co., Ltd.	(Chuo-ku, Tokyo)
Taisei U-Lec Co., Ltd.	(Shinagawa-ku, Tokyo)
Taisei Setsubi Co., Ltd.	(Shinjuku-ku, Tokyo)
Taisei Service Co., Ltd.	(Chuo-ku, Tokyo)

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(10) Status of Employees

(a) The Affiliated Companies

Business Segments	(*Decrease)			
	Number of Employees (Unit: Persons)			
	At the Year-End	Change from Previous Year End		
CONSTRUCTION BUSINESS	12,132	[1,179]	*812	[49]
REAL ESTATE DEVELOPMENT BUSINESS etc.	995	[39]	*4	[13]
OTHER BUSINESSES	1,334	[1,748]	17	[115]
TOTAL:	14,461	[2,966]	*799	[177]

- Notes:
1. The “Number of Employees” includes the workers on loan from other companies and excludes the employees on loan working in other companies.
 2. The [number] shows the yearly average of temporary employees, which is not included in the “Number of Employees”.

(b) The Company

(*Decrease)			
Number of Employees (Unit: Persons)		Average Age	Average Years of Employment
At the Year-End	Change from Previous Year End		
8,243	*203	42.7	19.4

- Notes:
1. The “Number of Employees” includes the workers on loan from other companies and excludes the employees on loan working in other companies.
 2. The number of employees is 8,376, which includes the employees on loan working in other companies.

(11) Major Companies Providing Loans to the Affiliated Companies

(Unit: ¥ Billion)	
Name of Lender	Loaned Amount
Mizuho Corporate Bank Co., Ltd.	74.7
Mizuho Trust & Banking Co., Ltd.	41.7
Resona Bank, Limited.	31.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	26.8
Mitsubishi UFJ Trust & Banking Corporation	23.4

II Matters concerning the Shares of the Company**(1) Number of shares authorized:** 2,200,000,000-**(2) Number of shares issued:** 1,090,622,482-

Number of shares issued includes the Company's own shares, number of which are 585,382.

Note: The Company issued new shares through a stock swap with Taisei Rotec Corporation on October 1, 2009. As a result, the number of shares issued by the Company was increased by 25,819,661 from the end of previous FY.

(3) Number of Shareholders: 105,830-**(4) Major Shareholders (Top 10):**

Name of Shareholder	Number of Shares held (Unit: Thousand shares)	Ratio of Shares held (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	67,942	6.23
The Master Trust Bank of Japan, Ltd. (Trust Account)	39,533	3.63
Taisei Employees' Shareholding Plan	31,974	2.93
Taisei Associates' Shareholding Plan	25,215	2.31
Retirement Benefit Trust in Mizuho Trust (Mizuho Corporate Bank, Ltd. Account)	23,180	2.13
Japan Trustee Services Bank, Ltd. (Trust Account No. 9)	17,910	1.64
Mitsubishi Estate Co., Ltd.	17,604	1.62
Retirement Benefit Trust in Mizuho Trust (Mizuho Bank, Ltd. Account)	16,108	1.48
Meiji Yasuda Life Insurance Company	15,776	1.45
OD 05. Omnibus China Treaty 808150	14,213	1.30

Note: The Company's own shares (585,382) are excluded in calculating the Ratio of Shares held.

(5) Important matters concerning other shares

On April 1, 2010, the Company issued new shares through a stock swap with Yuraku Real Estate Co., Ltd. As a result, the number of shares issued by the Company was increased by 49,646,378, to 1,140,268,860.

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III. Matters concerning New Share Subscription Rights in the Company, Etc.

The Company issued bonds with new share subscription rights in accordance with the Companies Act as follows:

(As of March 31, 2010)

The Company's first series of unsecured mandatorily acquirable subordinated convertible bonds with new share subscription rights.	
Date of issue	April 30, 2009
Number of new share subscription rights	40
Type of shares for which new share subscription rights can be exercised	The common share of the Company
Number of shares for which new share subscription rights can be exercised	58,479,532
Amount to be paid when new share subscription rights are exercised	¥342 per share
Period during which new share subscription rights can be exercised	From June 1, 2009 to July 24, 2014
Payment substitute	When new share subscription rights are exercised, all bonds related thereto shall be used to pay for new shares issued, and the value of the bonds to be used for payment shall be equal to the face value of the bonds.
Balance of bonds with new share subscription rights	¥20.0 billion

IV Matters concerning Directors and Corporate Auditors**(1) Directors and Corporate Auditors**

<u>Name</u>	<u>Position</u> <i>Business In Charge</i>	<u>Important Concurrent</u> <u>Position</u>
Takashi Yamauchi	President, Representative Director	Chairperson of Building Contractors Society
Kuniyuki Sonoda	Representative Director <i>General Manager, Marketing & Sales Division (Integrated); Deputy General Manager, Corporate Planning Office; and In Charge of Safety Administration</i>	
Atsushi Okamoto	Representative Director <i>General Manager, Business Administration Division; and Deputy General Manager, Corporate Planning Office</i>	Representative Director of Taisei Business Support Corporation Ltd.
Mitsuo Masuda	Director <i>In Charge of Civil Engineering; and In Charge of Marketing & Sales (Civil Engineering)</i>	
Masashi Kobayashi	Representative Director <i>General Manager, Civil Engineering Division; and Deputy General Manager, Corporate Planning Office</i>	
Michio Gokita	Director <i>General Manager, Architecture & Engineering Division (Integrated); General Manager, Building Construction Division; and Deputy General Manager, Corporate Planning Office</i>	Director of Construction-ec.com Co., Ltd.
Hirofumi Ichihara	Director <i>General Manager, Marketing & Sales (Building Construction) Division (II)</i>	
Hiroyuki Kimura	Director <i>General Manager, Corporate Planning Office</i>	
Nobuyuki Motegi	Director <i>General Manager, Tokyo Branch; and In Charge of Marketing and Sales</i>	
Misao Akune	Director <i>Deputy General Manager, Business Administration Division; and Executive, International Operations Headquarters</i>	

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<u>Name</u>	<u>Position</u> <i>Business In Charge</i>	<u>Important Concurrent</u> <u>Position</u>
Satoru Ogata	Director <i>Chief Executive, International Operations Headquarters</i>	
Nobuharu Shimizu	Director <i>General Manager, Urban Development Division</i>	Representative Director of Symbol Tower Development Co., Ltd.; and Representative Director of Taisei Building Management Corporation
Tetsuo Sekiya	Director	
Yoshiro Yamamoto	Director	Chairperson of Mizuho Welfare Foundation; Chairperson of Mizuho International Foundation; Chairperson of Japan Telecom Users Association; External Director of Yasuda Real Estate Co., Ltd.; External Corporate Auditor of Seiko Epson Corporation; and External Director of Credit Saison Co., Ltd.
Hiroyasu Takuma	Senior Corporate Auditor (full-time)	External Corporate Auditor of Ginza Parking Center Co., Ltd.
Akito Sakamaki	Corporate Auditor (full-time)	
Takao Nakajima	Corporate Auditor	
Haruo Ueno	Corporate Auditor	Graduate School Guest Professor of Educational Foundation Hosei University; and External Director of Ishihara Sangyo Kaisha, Ltd.
Yasushi Nagasawa	Corporate Auditor	Vice President of Educational Foundation Kogakuin University

Notes:

1. Representative Director Messrs. Kuniyuki Sonoda, Atsushi Okamoto and Masashi Kobayashi, and Director Messrs. Mitsuo Masuda and Michio Gokita resigned on March 31, 2010.
2. Messrs. Tetsuo Sekiya and Yoshiro Yamamoto are External Directors.
3. Messrs. Takao Nakajima, Haruo Ueno and Yasushi Nagasawa are External Corporate Auditors.
4. Mr. Takao Nakajima has been engaged in Board of Audit (“*Kaikei-Kensa-In*”) for over the years and has considerable knowledge and insight about finance and accounting.
5. Corporate Auditor Messrs. Takao Nakajima, Haruo Ueno and Yasushi Nagasawa meet the requirements of impartiality prescribed by Tokyo Stock Exchange, and are registered as independent officers according to the sub-Clause 436-2 of Securities Listing Regulations of Tokyo Stock Exchange.

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(2) Amounts of Remuneration and Others Paid to Directors and Corporate Auditors

(Unit: ¥ Million)

Category	Directors and Corporate Auditors, in total		External Directors and External Corporate Auditors	
	Number of Payees	Amount Paid	Number of Payees	Amount Paid
Directors	17	492	2	22
Corporate Auditors	5	79	3	26

- Note: 1. Maximum amount of remunerations for Directors in total is ¥70 million per month as resolved at 146th General Meeting of Shareholders held on June 27, 2006.
2. Maximum amount of remunerations for Corporate Auditors in total is ¥12 million per month as resolved at 134th General Meeting of Shareholders held on June 29, 1994.

(3) Matters concerning External Directors and External Corporate Auditors

(Concurrent posts of External Directors and External Corporate Auditors)

Director	The company of concurrent post	Concurrent Post	Relation to the Company
Tetsuo Sekiya	—	—	—
Yoshiro Yamamoto	Mizuho Welfare Foundation;	Chairperson	—
	Mizuho International Foundation;	Chairperson	—
	Japan Telecom Users Association;	Chairperson	—
	Yasuda Real Estate Co., Ltd.;	External Director	Business Partner
	Seiko Epson Corporation;	External Corporate Auditor	Business Partner
	Credit Saison Co., Ltd.	External Director	Business Partner

Corporate Auditor	The company of concurrent post	Concurrent Post	Relation to the Company
Takao Nakajima	—	—	—
Haruo Ueno	Educational Foundation Hosei University;	Graduate School Guest Professor	—
	Ishihara Sangyo Kaisha, Ltd.	External Director	—
Yasushi Nagasawa	Educational Foundation Kogakuin University	Vice President	—

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(Main activities of External Directors and External Corporate Auditors)

Category	Name	Main Activities
Director	Tetsuo Sekiya	Mr. Sekiya participated in all the meetings of Board of Directors held in FY ended March 2010, and gave his opinions useful for the management with a view to establishing an internal control system and reinforcing corporate governance, based on his distinguished insights cultivated through his managerial experience in a different industry, and from his neutral standpoint and viewpoint as an External Director.
Director	Yoshiro Yamamoto	Mr. Yamamoto participated in thirteen of the fourteen meetings of Board of Directors held in FY ended March 2010, and gave his opinions useful for the management with a view to establishing an internal control system and reinforcing corporate governance, based on his distinguished insights cultivated through his experience as a bank president, and from his neutral standpoint and viewpoint as an External Director.
Corporate Auditor	Takao Nakajima	Mr. Nakajima participated in all of the meetings of the Board of Directors and the meetings of Board of Corporate Auditors held in FY ended March 2010, gave his opinions as necessary based on his extensive knowledge and experience about corporate finance and accounting, and gave his opinions on matters related to the execution of the Corporate Auditors' duties.
Corporate Auditor	Haruo Ueno	Mr. Ueno participated in twelve of the fourteen meetings of Board of Directors and ten of fourteen meetings of Board of Corporate Auditors held in FY ended March 2010, and gave his opinions as necessary based on his distinguished insights cultivated through his experience as a director in a different industry, and gave his opinions on matters related to the execution of the Corporate Auditors' duties.
Corporate Auditor	Yasushi Nagasawa	Mr. Nagasawa participated in thirteen of the fourteen meetings of Board of Directors and all of the meetings of Board of Corporate Auditors held in FY ended March 2010, and gave his opinions as necessary based on his distinguished insights cultivated through his experience as a professor of university, and gave his opinions on matters related to the execution of the Corporate Auditors' duties.

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(Descriptions of the Contract to Limit the Liability)

In order for External Directors and External Corporate Auditors to fulfill their expected roles, Articles of Incorporation provides that the Company may enter into contracts with External Directors and External Corporate Auditors to limit their maximum liability for damages to the Company within a certain range.

The gist of the Contracts to Limit the Liability that the Company has entered into with External Directors and External Corporate Auditors in accordance with the relevant provisions of the Articles of Incorporation is as follows:

(a) Contracts to Limit the Liability with External Directors

With regard to the liability specified in Paragraph 1 of Article 423 of the Companies Act, External Directors shall be held liable for damages up to the higher of an amount of ¥ 10 million or the total amount specified in Items 1 and 2 of Paragraph 1 of Article 425 of the Companies Act, provided that the External Director has performed his duties in good faith and without gross negligence.

(b) Contracts to Limit the Liability with External Corporate Auditors

With regard to the liability specified in Paragraph 1 of Article 423 of the Companies Act, External Corporate Auditor shall be held liable for damages up to the higher of an amount of ¥ 10 million or the total amount specified in Items 1 and 2 of Paragraph 1 of Article 425 of the Companies Act, provided that the External Corporate Auditor has performed his duties in good faith and without gross negligence.

V Accounting Auditor**(1) Name of Accounting Auditor**

KPMG AZSA & Co.

(2) Descriptions of the Contract to Limit the Liability

The Articles of Incorporation provides that the Company may enter into a contract with Accounting Auditor to limit its maximum liability for damages to the Company within a certain range.

The gist of the Contract to Limit the Liability that the Company has entered into with Accounting Auditor in accordance with the relevant provision of the Articles of Incorporation is as follows:

With regard to the liability specified in Paragraph 1 of Article 423 of the Companies Act, Accounting Auditor shall be held liable for damages up to the higher of an amount of ¥ 100 million or the total amount specified in Items 1 and 2 of Paragraph 1 of Article 425 of the Companies Act, provided that Accounting Auditor has performed its duties in good faith and without gross negligence.

(3) The Amount of the Fee for Accounting Auditor for FY ended March 2010, etc.

Section	Fee
(1) The amount of fee for the services provided as Accounting Auditor for FY ended March 2010	¥ 87 million
(2) The total amount of money and financial benefits to be paid by the Company and its subsidiaries	¥ 209 million

Notes:

*1 Under the audit contract between the Company and Accounting Auditor, the fee is not divided into the fee for the audit under the Companies Act and the fee for the audit under the Financial Instruments and Exchange Act, and it is impracticable to divide the fee into those two parts. Therefore, the total amount of those fees is stated in the column 1 above.

*2 The Company and its subsidiaries paid Accounting Auditor a consideration for conducting a review of the costs and expenses arising in Japan to prepare tax returns in foreign countries and other services, that is not within the services specified in Paragraph 1 of Article 2 of the Certified Public Accountant Act.

(4) The Policy to Decide on Dismissal or Non-reappointment of Accounting Auditor

It is the Company's policy that if any event occurs which could materially impair Accounting Auditor's capability to continuously perform its duties and responsibilities in a satisfactory manner, an agenda shall be submitted to the General Meeting of Shareholders to dismiss or to not reappoint Accounting Auditor, after consultation to the Board of Directors and the Board of Corporate Auditors.

It is also the Company's policy that the Board of Corporate Auditors shall discuss and make a decision as to whether to dismiss Accounting Auditor in accordance with the Regulations of the Board of Corporate Auditors, if Accounting Auditor is found to fall under any of the items of Paragraph 1 of Article 340 of the Companies Act.

VI Corporate Structure and Policy

The Company established the following “the Basic Policy for the Development of the Corporate Structures to Ensure the Proper Business Operations” at the Board of Directors in order to secure the corporate structure for adequate and efficient performance of businesses and the reliance to the finance report.

The Basic Policy **for the Development of the Corporate Structures** **to Ensure the Proper Business Operations**

- (1) Structure to ensure that the Directors and employees perform their duties in conformity with the laws and ordinances and Articles of Incorporation**
 - (a) The Directors shall, being deeply aware that securing compliance is fundamental to the management, take the lead in sincerely observing Charter of Corporate Conduct, as well as Code of Conducts for Officers and Employees and the other rules and procedures concerning compliance management.
 - (b) The Company shall secure compliance by enhancing the consciousness and autonomy of each member of the officers and employees:
 - (i) by implementing various programs as recommended by the Compliance Committee, such as stricter application of disciplinary punishments and other procedures to the officers and employees who violates the laws and regulations, development of the business structure to prevent collusive bidding practices, and the proper operation of the Corporate Ethics Helpline; and
 - (ii) by promoting education of compliance and internal audits (self-audits) at the level of individual departments.
 - (c) The Legal Department shall guide the activities by individual corporate bodies to secure compliance management, and the Auditing Department shall ensure the effectiveness of internal audits by working closely with the individual corporate bodies.
- (2) Structure to retain and manage information regarding performance of duties by Directors**
 - (a) The Company shall codify the rules and procedures concerning information and shall develop the structure to appropriately manage information belonging to the Company, in order to appropriately record and retain information relating to the Directors’ performance of their duty, to prevent the leakage and unauthorized use of the information, and to make effective use of the information.

(3) Structure relating rules and other measures to manage risk of losses

- (a) The Company shall develop the structure to appropriately manage the primary risks relating to quality, safety, environment, compliance, information, profit and loss, and others, in accordance with the Company's Basic Policy for Development of Risk Management Structure.
- (b) The Company shall develop the structure to manage the risks in the event of an emergency or a large disaster that includes arrangements for ensuring the business continuity.
- (c) Each corporate body shall enhance its risk management capabilities as a business unit by providing its members with risk management education and other programs.
- (d) The General Affairs Department will promote the proper management related to company-wide risks, and the Auditing Department will promote endeavors for continuous improvement of the risk management system through internal auditing.

(4) Structure to ensure the Directors' efficient performance of their duties

- (a) The Company shall facilitate the swift and efficient management of operations by utilizing the system of Executive Officers in order to separate the business execution function from the corporate decision-making and supervisory function. Also, the Company shall make the decision making process of the Board of Directors dynamic and substantive by utilizing the committees within the Board of Directors to preliminarily examine important issues before submitted to the meetings of the Board and by exercising the system of the External Directors.
- (b) The Company shall develop and improve the rules and procedures for decision making and for authorities of managers, for quicker decision makings and more efficient management including the execution of duties, responding changes in environment for management.

(5) Structure to ensure proper operations of businesses throughout the Affiliated Companies

- (a) The Affiliated Companies shall have in common management philosophy, visions, and the Charter of Conduct, while at the same time each Affiliated Company shall identify its function and role within the group, and the Company shall develop and improve necessary structures including the establishment of the group management council, in order to enhance the stronger corporate governance of the Affiliated Companies.
- (b) The Company shall develop the group-level risk management and compliance structures by establishing common rules to be shared throughout the Affiliated Companies and by promoting the internal rules and procedures of the each Affiliated Company.
- (c) The Company shall ensure the effective structures for risk management and compliance through the Auditing Department's internal audits of the Affiliated

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Companies and the mutual communication between the Company and the other Affiliated Companies such as the conferences among the Company's Legal Department and the Affiliated Companies.

**(6) Structure to assign employees to assist Corporate Auditors with their performance of duties if Corporate Auditors require such assistance, and to ensure independence of such employees from Directors;
Structure to require Directors and employees to report to Corporate Auditors and other structures for reporting to Corporate Auditors; and
Structure to ensure Corporate Auditors' efficient performance of their audit**

- (a) Corporate Auditors and General Manager of the Personnel Department shall discuss in advance as to assignments, transfers, evaluations and others of the staff of the Auditor's Secretarial Department, of which primary role is to assist the performance of duties by Corporate Auditors.
- (b) In order for Corporate Auditors to audit the implementation of the internal controls, the Company shall develop the structure to enable Corporate Auditors to receive reports from the management and employees at any time such as identifying the issues to be reported to Corporate Auditors by the management and employees, and the structure to facilitate the officers and employees to report violations of laws and ordinances via the Corporate Ethics Helpline to Corporate Auditors.
- (c) The Representative Directors and Corporate Auditors shall facilitate their mutual understandings through their discussions on regular meetings about development of environment for auditing by Corporate Auditors, important issues regarding the auditing and others.
- (d) Close relationship with Corporate Auditors shall be secured by the measures, such as:
 - (i) Corporate Auditors and General Manager of the Auditing Department shall exchange documents regarding linkage between Corporate Auditors and the Auditing Department; and
 - (ii) The Auditing Department and Accounting Auditor shall have regular meetings with Corporate Auditors.

(7) Structure to ensure appropriateness of the financial reports

- (a) The Company shall develop the internal control structure necessary to ensure appropriateness of the financial reports.

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TAISEI CORPORATION

CONSOLIDATED
BALANCE SHEET

March 31, 2010

ASSETS

	Millions of Yen
Current assets:	
Cash and time deposits -----	¥ 156,680
Notes and accounts receivable, trade -----	394,554
Cost of uncompleted contracts -----	109,687
Cost of development projects in progress -----	151,629
Other inventories -----	10,888
Deferred income tax assets -----	39,315
Other current assets -----	50,814
Allowance for doubtful accounts -----	(676)
Total current assets -----	912,894
Fixed assets:	
Property, plant and equipment:	
Buildings and structures -----	73,169
Machinery, vehicles and equipment -----	8,945
Land -----	156,197
Construction in progress -----	220
Total property, plant and equipment -----	238,533
Intangibles -----	7,430
Investments and other assets:	
Investment securities -----	216,099
Deferred income tax assets -----	46,556
Other assets -----	102,091
Allowance for doubtful accounts -----	(22,316)
Total investments and other assets -----	342,431
Total fixed assets -----	588,395
Total assets -----	¥ 1,501,290

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LIABILITIES

	Millions of <u>Yen</u>
Current liabilities:	
Notes and accounts payable, trade -----	¥ 370,423
Short-term borrowings -----	248,473
Commercial papers -----	29,990
Straight bonds due within one year -----	2,200
Advances received and progress billings on uncompleted contracts -----	102,780
Deposits received -----	87,590
Allowance for warranty on completed contracts -----	2,273
Allowance for losses on construction contracts -----	11,866
Other current liabilities -----	<u>38,427</u>
Total current liabilities -----	<u>894,025</u>
Long-term liabilities:	
Straight bonds -----	37,800
Convertible Bonds -----	20,000
Long-term borrowings -----	192,283
Deferred income tax liabilities for revaluation of land -----	7,761
Retirement benefits for executive officers and employees -----	27,820
Retirement benefits for directors and corporate auditors -----	548
Allowance for losses on investments in subsidiaries and affiliates ---	880
Allowance for environmental spending -----	451
Other long-term liabilities -----	<u>22,538</u>
Total long-term liabilities -----	<u>310,085</u>
Total liabilities -----	<u>1,204,111</u>
<u>NET ASSETS</u>	
Shareholders' equity:	
Common stock -----	112,448
Capital surplus -----	83,901
Retained earnings -----	78,604
Treasury stock -----	(175)
Total shareholders' equity -----	<u>274,778</u>
Accumulated gains from valuation and translation adjustments:	
Unrealized gains on available-for-sale securities, net of taxes -----	16,212
Unrealized losses on hedging derivatives, net of taxes -----	(63)
Revaluation reserve for land -----	(2,540)
Foreign currency translation adjustments -----	(2,634)
Total accumulated gains from valuation and translation adjustments -----	<u>10,974</u>
Minority interests -----	<u>11,425</u>
Total net assets -----	<u>297,179</u>
Total liabilities and net assets -----	<u>¥ 1,501,290</u>

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TAISEI CORPORATION
CONSOLIDATED
STATEMENT OF INCOME

Year ended March 31, 2010

		<u>Millions of Yen</u>
Net sales:		
Construction business	¥ 1,289,808	
Development projects	152,166	¥ 1,441,975
Cost of Sales:		
Construction business	1,188,550	
Development projects	130,042	1,318,592
Gross profit:		
Construction business	101,258	
Development projects	22,124	123,382
Selling, general and administrative expenses		87,755
Operating income		35,627
Non-operating income:		
Interest and dividends	3,437	
Other non-operating income	1,017	4,455
Non-operating expenses:		
Interest	9,434	
Other non-operating expenses	2,908	12,343
Ordinary income		27,739
Extraordinary gains:		
Gains on sale of fixed assets	3,417	
Gains on sale of investment securities	16,333	
Gains on negative goodwill	12,855	
Other extraordinary gains	3,387	35,993
Extraordinary losses:		
Impairment losses on fixed assets	3,087	
Provision of allowance for doubtful accounts	15,213	
Bad debt expenses	4,745	
Other extraordinary losses	5,170	28,216
Income before income taxes		35,515
Income taxes:		
Current	(4,303)	
Deferred	(10,159)	(14,462)
Minority interest in consolidated subsidiaries		168
Net income		¥ 21,222

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TAISEI CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2010

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2009	112,448	79,437	61,178	△159	252,905
Changes during the period					
Increase by share exchanges		4,466			4,466
Dividends			△4,789		△4,789
Net income			21,222		21,222
Sale of treasury stock		△3		7	4
Acquisition of treasury stock				△23	△23
Reversal of revaluation reserve for land			993		993
Changes other than shareholders' equity, net (*1)					
Total changes during the period	—	4,463	17,426	△16	21,873
Balance as of March 31, 2010	112,448	83,901	78,604	△175	274,778

	Accumulated gains from valuation and translation adjustments					Minority interests	Total net assets
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Revaluation reserve for land	Foreign currency translation adjustments	Total Accumulated gains from valuation and translation adjustments		
Balance as of March 31, 2009	5,886	△410	△1,545	△1,531	2,398	29,409	284,713
Changes during the period							
Increase by share exchanges							4,466
Dividends							△4,789
Net income							21,222
Sale of treasury stock							4
Acquisition of treasury stock							△23
Reversal of revaluation			△994		△994		△0
Changes other than shareholders' equity, net (*1)	10,326	347		<u>△1,103</u>	9,570	△17,983	△8,413
Total changes during the period	10,326	347	△994	△1,103	8,576	△17,983	12,465
Balance as of March 31, 2010	16,212	△63	△2,540	△2,634	10,974	11,425	297,179

(*1) Excluding the reversal of revaluation reserve for land.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presenting Consolidated Financial Statements:

TAISEI CORPORATION (the “Company”) and its consolidated domestic subsidiaries maintain their official accounting records in accordance with the provisions set forth in the Japanese Corporate Law, and accounting principles and practices generally accepted in Japan (“Japanese GAAP”). The accounts of consolidated overseas subsidiaries for the year ended March 31, 2010 are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable. Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

1. Significant Accounting Policies

(1) Consolidation

① The number of consolidated subsidiaries 34 companies

Main consolidated subsidiaries YURAKU REAL ESTATE CO., LTD.
TAISEI ROTEC CORPORATION
TAISEI U-LEC CO., LTD.

② Main non-consolidated subsidiaries

Tokyo academic service Co., Ltd.
EHIME HOSPITAL PARTNERS.Ltd.

(The reason for excluding these subsidiaries from the consolidation)

Non-consolidated subsidiaries are excluded from the scope of the consolidation because these companies are small companies and the sums of each of the total assets, sales, net income (equal to share interest) and retained earnings (equal to share interest) of these companies have not had any significant impacts on the consolidated financial statements.

③ The change in the scope of the consolidation

TAISEI BUILDING MANAGEMENT CORPORATION was included in the scope of the consolidation due to new establishment.

CSCEC-TAISEI CONSTRUCTION, LTD. was excluded from the scope of the consolidation due to declining of effective control. Taisei UK Limited and other one subsidiary were excluded from the scope of the consolidation due to liquidation.

(2) Equity method

① The number of companies accounted for using the equity method

Non-consolidated subsidiaries	0 company
Affiliated companies	9 companies

Main affiliated companies accounted for using the equity method

Taisei Philippine Construction, Inc.
P.T. Indotaisei Indah Development

② Non-consolidated subsidiaries and affiliated companies that have not been accounted for using the equity method

Main non-consolidated subsidiaries that have not been accounted for using the equity method

Tokyo academic service Co., Ltd.

EHIME HOSPITAL PARTNERS.Ltd.

Main affiliated companies that have not been accounted for using the equity method

Chiba Sencity Corporation

Kaga Ascon Co., Ltd.

(The reason for excluding these companies from the scope of equity method)
Non-consolidated subsidiaries and affiliated companies that have not been accounted for using the equity method are excluded from the equity method scope because not only each company's net income and retained earnings but also sums of each of these figures have not had any significant impacts on the consolidated financial statements.

③ The change in the scope of the equity method

CSCEC-TAISEI CONSTRUCTION, LTD. was included in the scope of the equity method due to declining of effective control.

(3) Summary of accounting policies

① Valuation of material assets

【Securities】

- Debt securities intended to be held to maturity

Debt securities intended to be held to maturity are stated at amortized cost.

- Securities other than trading securities, held-to-maturity securities, and equity securities issued by subsidiaries and affiliates (hereafter, "available-for-sale securities")

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Available-for-sale securities with fair market value readily available

Available-for-sale securities with fair market value readily available are stated at fair value as of the balance sheet date, the difference between the acquisition costs and the fair value is not reflected in income, but included directly in the net assets. Cost of available-for-sale securities sold is calculated using the moving-average method.

Available-for-sale securities with fair market value not readily available

Available-for-sale securities with fair market value not readily available are stated at moving-average cost.

【Inventories】

- Cost of uncompleted contracts

Cost of uncompleted contracts is mainly stated at cost based on the specific-identification cost method.

- Cost of development projects in progress

Cost of development projects in progress is mainly stated at the lower of cost based on the specific-identification cost method or net realizable value.

- Other inventories

Cost of other projects

Cost of other project is mainly stated at the lower of cost based on the specific-identification cost method or net realizable value.

Raw materials and supplies

Raw materials and supplies are mainly stated at the lower of cost based on the moving-average method or net realizable value.

【Derivative financial instruments】

Derivative financial instruments are stated at fair value.

- ② Depreciation method of material depreciable assets

【Buildings】

Buildings are mainly depreciated using the straight-line method.

【Other tangible fixed assets】

Other tangible fixed assets are mainly depreciated using the declining-balance method.

【Finance leased assets that do not transfer ownership】

Leased assets are depreciated using the straight-line method over lease periods, supposing estimated residual values to be zero.

③ Allowance

【Allowance for doubtful accounts】

Allowance for doubtful accounts is provided to cover probable losses on collection. It consists of an estimated uncollectible amount of certain identified doubtful receivables and an amount calculated applying percentages of losses on collection in the past to the rest of the receivables.

【Allowance for warranty on completed contracts】

Allowance for warranty on completed contracts is provided as an estimated amount calculated using an actual percentage of related losses during a past certain period.

【Allowance for losses on construction contracts】

Allowance for losses on construction contracts is provided with respect to construction projects for which eventual losses are reasonably estimated.

【Retirement benefits for executive officers and employees】

Retirement benefits for executive officers and employees are provided for severance and retirement benefits for executive officers of the Company's certain consolidated subsidiaries and employees based on estimated amounts of projected benefit obligation and fair value of the plan assets at the year-end.

Past service costs are amortized using the straight-line method (some consolidated subsidiaries use the declining-balance method) over 1~10 years, which is not longer than an estimated average remaining service period of the employees.

Unrecognized actuarial gains and losses are amortized from the next financial year using the straight-line method (some consolidated subsidiaries use the declining-balance method) over 1~10 years, which is not longer than an estimated average remaining service period of the employees.

(Change in accounting policies)

Effective for the year ended March 31, 2010, the Company and its consolidated domestic subsidiaries adopted ASBJ Statement No.19 Partial Amendments to

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Accounting Standard for Retirement Benefits (Part3) (issued by the ASBJ on July 31, 2008).

Since the discount rate based on this new accounting standard was the same as the existing discount rate, this change has no impact on the consolidated financial statements.

【Retirement benefits for directors and corporate auditors】

In the Company's certain consolidated subsidiaries, retirement benefits for directors and corporate auditors are provided as 100% of the amount that would be required to be paid in accordance with relevant internal rules and regulations under the assumption that all directors and corporate auditors retired at the balance sheet date.

【Allowance for losses on investments in subsidiaries and affiliates】

Allowance for losses on investments in subsidiaries and affiliates are provided for estimated losses from certain subsidiaries and affiliates in liquidation.

【Allowance for environmental spending】

Allowance for environmental spending is provided based on estimate costs for disposal of Polychlorinated Biphenyl ("PCB") waste, which is obligated to dispose by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

④ Other accounting policies on the consolidated financial statements

【Revenue recognition of construction】

Contract revenue associated with construction contracts of which the outcome can be estimated reliably is accounted for by the percentage-of-completion method; otherwise contract revenue is accounted for by the completed-contract method. The percentage of completion at the end of the reporting period is determined by the percentage of the cost incurred to the estimated total costs.

(Change in accounting policies)

Effective for the year ended March 31, 2010, the Company and its consolidated domestic subsidiaries adopted ASBJ Statement No.15, Accounting Standard for Construction Contracts and ASBJ Guidance No.18, Guidance on Accounting Standard for Construction Contracts (both issued by the ASBJ on December 27, 2007).

Under previous accounting policy, construction contracts are mainly accounted for by the completed-contract method, except that long-term (over 12 months) and

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large scale construction contracts (equal or excess of ¥ 1,000 million) are accounted for by the percentage-of-completion method. Some domestic consolidated subsidiaries adopt the percentage-of-completion method for contracts with certain degrees of scale and overseas consolidated subsidiaries adopt the percentage-of-completion method for all construction. In accordance with the application of new accounting standards, construction contracts which commenced after April 1, 2009 are accounted for by the percentage-of-completion method if the outcome can be estimated reliably; otherwise construction contracts are accounted for by the completed-contract method.

As a result of this change, net sales increased by ¥ 22,816 million, gross profit, operating income, ordinary income and income before income taxes increased each by ¥ 3,470 million in comparison with what would have been accounted under the previous accounting policy.

Contract revenues associated with construction contracts started before March 31, 2009 are mainly accounted for by the completed-contract method; except that long-term (over 12 months) and large scale construction contracts (equal or excess of ¥ 1,000 million) are accounted for by the percentage-of-completion method. Some domestic consolidated subsidiaries adopt the percentage-of-completion method for contracts with certain degrees of scale and overseas consolidated subsidiaries adopt the percentage-of-completion method for all construction.

【National consumption tax and local consumption tax】

National consumption tax and local consumption tax are excluded from other accounts in the financial statements.

【Income taxes】

Income taxes are calculated based on the system of consolidated tax returns.

【Hedge accounting】

Gains or losses resulting from hedging instruments are deferred until related losses or gains on hedged items are recognized. For an interest rate swap contract which meets certain conditions, a net amount to be paid or received under the contract is added to or deducted from interest on liabilities for which the swap contract has been concluded.

(4) Amortization of goodwill

Goodwill, which is the excesses of investment cost over net equity of consolidated subsidiaries and affiliated companies accounted for using the equity method, is amortized over the period less than 20 years for which the goodwill is expected to

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contribute to consolidated net income, using the straight-line method, or is charged to income in the year incurred if the goodwill is immaterial.

(5) Change in accounting policies

【Accounting Standard for Business Combinations】

The Company adopted ASBJ Statement No.21, Accounting Standard for Business Combinations, ASBJ Statement No.22, Accounting Standard for Consolidated Financial Statements, ASBJ Statement No.23, Partial amendments to Accounting Standard for Research and Development Costs, ASBJ Statement No.7, Accounting Standard for Business Divestitures, ASBJ Statement No.16, Accounting Standard for Equity Method of Accounting for Investments, and ASBJ Guidance No.10, Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (issued or revised by the ASBJ on December 26, 2008, respectively), since these accounting standards can be adopted for the first business combinations transaction after April 1,2009.

2. Consolidated Balance Sheet

(1) Pledged assets and related debt

- Pledged assets

Cash and time deposits -----	¥	42 Million
Cost of development projects in progress--		749 Million
Buildings and structures -----		19,865 Million
Land -----		42,274 Million
Investment securities -----		2,382 Million
<u>Other assets (Investments and other assets)</u>		<u>1,820 Million</u>
Total -----		67,133 Million

- Debt related to the assets

Long -term borrowings -----	¥	79,794 Million
(The amount of ¥26,523 million transferred to Short-term borrowings is included.)		
Other long-term liabilities		
<u>(Deposits from tenants) -----</u>		<u>459 Million</u>
Total -----		80,253 Million

The assets are also pledged as collateral for borrowings of non-consolidated companies.

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(2) Accumulated depreciation of tangible fixed assets ----- ¥ 139,898 Million

(3) Contingent liabilities due to guarantees made

The Company and its consolidated subsidiaries are contingently liable as guarantors for loans of the following companies that are not consolidated.

TAISEI FUJISAN NANRYO KAIHATSU Co., Ltd. -----	¥ 3,600 Million
Europe House LLC. -----	2,422 Million
ZENKOKU GYOKO GYOSON SHINKO GYOGYO KYODO KUMIAI -----	1,061 Million
<u>Others (12 companies) -----</u>	<u>2,339 Million</u>
Total-----	9,423 Million

The amount for ZENKOKU GYOKO GYOSON SHINKO GYOGYO KYODO KUMIAI indicates Company's share of the contingent liabilities resulting from the guarantees.

(4) Revaluation reserve for Land

Certain consolidated domestic subsidiaries executed revaluation of their land in accordance with the Act on Revaluation of Land (the "Act"). As a result, differences between book values before and after revaluation, net of income taxes were stated as "Revaluation reserve for land" in the net assets on the consolidated balance sheet.

• Revaluation method

The revaluation was executed in accordance with the method prescribed in the Article 2, Items 3, 4 and 5 of the Act.

• Revaluation date

On November 30, 2001 and March 31, 2002.

• Excess amount of the book values of the revaluated land over the fair values as of March 31, 2010 (Including the excess amount of ¥4,943 million related to investment and rental property.)

¥ 9,754 Million

(5) Cost of uncompleted contracts in relation to allowance for losses on construction contracts ----- ¥ 5,751 Million

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3. Consolidated Statement of Income

- (1) Net sales recognized on the percentage-of-completion method -----¥ 885,932 Million
 (2) Provision for loss on construction contracts
 included in cost of Sales -----¥ 8,007 Million
 (3) Research and development expenses -----¥ 8,165 Million

4. Consolidated Statement of Changes in Net Assets

- (1) Number of outstanding shares (in thousands share) -----1,090,622
 (2) Dividends

① Dividends paid

Resolution	Classes of stocks	Total of dividend	Dividend per share	Record date	Effective date
June 26, 2009 Annual shareholders' meeting	Common stock	¥ 2,128million	¥ 2.00	March 31, 2009	June 29, 2009
November 12, 2009 Board meeting	Common stock	¥ 2,660million	¥ 2.50	September 30, 2009	December 3, 2009

② Dividend with the record date in the year ended March 31, 2010 and the effective date in the next financial year

The Company will propose to the annual shareholders' meeting on June 29, 2010 that the dividend on the common stocks will be as follows:

- Total of dividend ----- ¥ 2,725 Million
- Dividend per share (in yen) -----¥ 2.50
- Record date ----- March 31, 2010
- Effective date ----- June 30, 2010

The dividend will be allocated from retained earnings.

5. Financial Instruments

(1) Policy of Financial Instruments

The Company and its consolidated subsidiaries restrict investments to the lower risk assets such as deposits, and raise funds by the indirect finance such as borrowings from bank as well as by the direct finance such as issuing corporate bonds, commercial papers.

Derivative financial instruments are employed mainly for hedging of the fluctuation of the interest rate and foreign currency exchange, and never used for speculation.

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(2) Fair Value of Financial Instruments

	<u>Millions of Yen</u>		
	Book Value	Fair Value	Difference
〔ASSETS〕			
① Cash and time deposits	156,680	156,680	—
② Notes and accounts receivable, trade	394,554	394,384	△169
③ Investment securities			
Debt securities intended to be held to maturity	5,508	5,493	△15
Available-for-sale securities	137,032	137,032	—
〔LIABILITIES〕			
① Notes and accounts payable, trade	370,423	370,423	—
② Short-term borrowings	248,473	249,464	△991
③ Commercial papers	29,990	29,990	—
④ Straight bonds due within one year	2,200	2,223	△23
⑤ Deposits received	87,590	87,590	—
⑥ Straight bonds	37,800	37,591	208
⑦ Convertible bonds	20,000	22,924	△2,924
⑧ Long-term borrowings	192,283	194,097	△1,814
⑨ Derivative financial instruments	200	200	—

Note1: The estimation method of the fair value

〔ASSETS〕

- ①Cash and time deposits and ②Notes and accounts receivable, trade

The fair values of these financial instruments are equivalent to the book value, because of the short term settlements; although, the fair value of notes and accounts receivable, trade due over one year are based on the present value of discounted cash flows using the interest rate determined by the factors of the estimated collection terms and credit risks, with respect to each receivable categorized by collection terms.

- ③Investment securities

The fair values of the marketable securities are based on the quoted market value, and bonds are based on the market value, the price indicated by a third party such as broker, or the present value of discounted cash flows, respectively.

〔LIABILITIES〕

- ①Notes and accounts payable, trade, ②Short-term borrowings, ③Commercial papers, ④Straight bonds due within one year and ⑤Deposits received

The fair values of these financial instruments are equivalent to the book value,

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because of the short term settlements; although, the fair value of long-term borrowings due within one year and straight bonds due within one year are based on the same method as that for long-term borrowings and straight bonds, respectively.

- ⑥ Straight bonds and ⑦ Convertible bonds

The fair values of the marketable bonds are based on the quoted market value, otherwise the fair values of the bonds are the present value of discounted cash flows using the interest rate determined by the factors of the estimated redemption terms and issuer's credit risk.

- ⑧ Long-term borrowings

The fair values of long-term borrowings are based on the present value of discounted cash flows using the interest rate which may be applicable when the same kind borrowings are made.

- ⑨ Derivative financial instruments

The fair values of derivative financial instruments are based on the prices calculated by a correspondent financial institution.

The fair values of an interest rate swap contract which meets certain conditions are including in the fair value of its long-term borrowings (if due within one year, short-term borrowings) since such swap contracts are embedded derivatives which should not be separated from underlying transactions (i.e. borrowings).

Note2: Financial instruments which are difficult to estimate the fair value

Nonmarketable securities (book value amount to ¥ 60,769 million) are not included in the above [Asset] ③ Investment securities – Available-for-sale securities; since it is difficult to estimate the fair values thereof because neither market quoted value is available nor future cash flows can be estimated.

(Additional information)

Effective for the year ended March 31, 2010, the Company adopted ASBJ Statement No.10 Accounting Standard for Financial Instruments and ASBJ Guidance No.19, Guidance on Disclosures about Fair Value of Financial Instruments (issued by the ASBJ on March 10, 2008).

6. Investment and Rental Property

(1) Context of Investment and Rental Property

The Company and certain consolidated subsidiaries are holding some office buildings for rent in Tokyo and other areas.

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(2) Fair Value of Investment and Rental Property

Millions of Yen

Book Value	Fair Value
108,358	108,424

Note1: The book value is a net book value amount.

Note2: The fair value of investment and rental property as of March 31, 2010 are mainly estimated by the Company according to the appraisal standard of real-estate (including those which are estimated by employing the land price index with necessary adjustments, if any).

(Additional information)

Effective for the year ended March 31, 2010, the Company adopted ASBJ Statement No.20 Accounting Standard for Disclosures about Fair Value of Investment and Rental Property and ASBJ Guidance No.23, Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property (issued by the ASBJ on November 28, 2008).

7. Per Share Data

(1) Net assets worth per share (in Yen) -----	¥ 262.15
(2) Net income per share (in Yen) -----	¥19.74

8. Others

(1) Business combination

(Transaction under common control)

The Company executed the share exchange agreement, with TAISEI ROTEC CORPORATION (the “Rotec”), one of the Company’s consolidated subsidiary, to be wholly owned subsidiary of the Company.

Outline of this share exchange was as follows:

①Name of these parties of this transaction, Scheme of this business combination, Name of the company after transaction, and Purpose of the transaction

1) Name of these parties of this transaction and its businesses

• Parent company

Company name	Business
TAISEI CORPORATION	General construction

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- Wholly owned subsidiary

Company name	Business
TAISEI ROTEC CORPORATION	Road and civil construction, and sales of asphalt mixtures

2) Effective date on share exchange

October 1, 2009

3) Scheme of this business combination

The share exchange agreement, with Rotec to be wholly owned subsidiary of the Company.

4) Name of the company after transaction

Not change

5) Purpose of this transaction

This agreement is aimed to improve business efficiency of the Taisei Group through integration of both companies so that management resources may be effectively employed.

② Accounting for this transaction

This transaction was accounted as transaction under common control in accordance with ASBJ Statement No.21, Accounting Standard for Business Combinations and ASBJ Guidance No.10, Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (both issued by ASBJ on December 26, 2008).

③ Additional acquisition of subsidiary stock

1) Detail of acquisition cost

Consideration	Common stock of Rotec	¥ 4,466 Million
Direct costs	Advisory fees, etc.	¥ 84 Million
Total		¥ 4,550 Million

2) Share exchange ratio, the calculation method and issued number of stocks by share exchange

- Share exchange ratio

Classes of stocks	Common stock of the Company	Common stock of Rotec
Share exchange ratio	1	0.70

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- The calculation method
Referring to the calculations of the ratio evaluated by the third parties separately appointed, the share exchange ratio was determined upon consultation between the Company and Rotec.
 - Issued number of stocks by share exchange(in share)
25,819,661
- 3) The amount of gain on negative goodwill and reason of occurring
- The amount of gain on negative goodwill
¥ 12,602 Million
 - Reason of occurring
Negative goodwill occurred since the acquisition cost of the Rotec common stocks fell below the minority interest of Rotec.

(2)Share exchange agreement

On November 12, 2009, the Company contracted the share exchange agreement, with YURAKU REAL ESTATE CO., LTD., (the “Yuraku”) one of the Company’s consolidated subsidiary, to be wholly owned subsidiary of the Company.

This agreement is aimed to increase profitability of development business, and to improve business efficiency of the Taisei Group through integration of both companies so that management resources may be effectively employed.

Outline of this share exchange is as follows:

① Schedule

February 19, 2010	Approval at a shareholders’ meeting (Yuraku)
March 29, 2010	Delisting (Yuraku)
April 1, 2010	Effective date on share exchange

The share exchange will be taken place without approval of the shareholders’ meeting of the Company in conformity with provisions of Article 796-3 of the Japanese Corporate Law.

② Share exchange ratio

Company name	The Company (Parent company)	Yuraku (Wholly owned subsidiary)
Share exchange ratio	1	1.90

The Company issued common stocks (in share: 49,646,378) which are multiplied by 1.90 to the number of stocks of Yuraku owned by shareholders who recorded in the shareholders’ list as at an effective date.

Goodwill occurred amount to ¥ 208 Million on this transaction.

TAISEI CORPORATION

NON-CONSOLIDATED
BALANCE SHEET

March 31, 2010

<u>ASSETS</u>	Millions of Yen
Current assets:	
Cash and time deposits -----	¥ 135,012
Notes receivable, trade -----	6,283
Accounts receivable, trade -----	324,827
Real estates for sale -----	63,303
Cost of uncompleted contracts -----	102,116
Cost of development projects in progress -----	29,115
Deferred income tax assets -----	35,738
Accounts receivable, other -----	35,190
Other current assets -----	12,314
Allowance for doubtful accounts -----	(180)
Total current assets -----	<u>743,721</u>
Fixed assets:	
Property, plant and equipment:	
Buildings and structures -----	27,219
Machinery and vehicles -----	3,198
Tools, furniture and fixtures -----	887
Land -----	69,170
Construction in progress -----	150
Total property, plant and equipment -----	<u>100,626</u>
Intangibles -----	4,301
Investments and other assets:	
Investment securities -----	192,860
Investments in subsidiaries and affiliates -----	66,979
Long-term loans receivable -----	43,179
Claims provable in bankruptcy, claims provable in rehabilitation and other -----	7,714
Long-term prepaid expenses -----	451
Deferred income tax assets -----	34,343
Long-term non-operating accounts receivable, other -----	54,113
Other assets -----	27,557
Allowance for doubtful accounts -----	(44,382)
Total investments and other assets -----	<u>382,817</u>
Total fixed assets -----	<u>487,745</u>
Total assets -----	<u>¥ 1,231,467</u>

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<u>LIABILITIES</u>	Millions of Yen
Current liabilities:	
Notes payable, trade -----	¥ 20,564
Accounts payable, trade -----	289,011
Short-term borrowings -----	175,795
Commercial papers -----	29,990
Straight bonds due within one year -----	2,200
Accounts payable-other -----	15,346
Income taxes payable -----	3,187
Advances received and progress billings on uncompleted contracts -----	92,410
Deposits received -----	124,841
Allowance for warranty on completed contracts -----	1,643
Allowance for losses on construction contracts -----	11,067
Other current liabilities -----	10,203
Total current liabilities -----	<u>776,262</u>
Long-term liabilities:	
Straight bonds -----	37,800
Convertible Bonds -----	20,000
Long-term borrowings -----	123,211
Retirement benefits for employees -----	11,630
Allowance for losses on investments in subsidiaries and affiliates ---	1,932
Allowance for environmental spending -----	412
Other long-term liabilities -----	5,494
Total long-term liabilities -----	<u>200,481</u>
Total liabilities -----	<u>976,743</u>
 <u>NET ASSETS</u>	
Shareholders' equity:	
Common stock -----	112,448
Capital surplus:	
Additional paid-in-capital -----	46,248
Other capital surplus -----	37,650
Total capital surplus -----	<u>83,898</u>
Retained earnings:	
Other retained earnings:	
Reserve for tax deferral on replacement of fixed assets -----	2,822
Other reserve -----	29,500
Retained earnings carried forward -----	10,984
Total retained earnings -----	<u>43,307</u>
Treasury stock -----	(175)
Total shareholders' equity -----	<u>239,479</u>
Accumulated gains from valuation:	
Unrealized gains on available-for-sale securities, net of taxes -----	15,300
Unrealized losses on hedging derivatives, net of taxes -----	(56)
Total accumulated gains from valuation -----	<u>15,244</u>
Total net assets -----	254,723
Total liabilities and net assets -----	<u>¥ 1,231,467</u>

TAISEI CORPORATION
NON-CONSOLIDATED
STATEMENT OF INCOME

Year ended March 31, 2010

	Millions of Yen		
Net sales:			
Construction business	¥ 1,096,235		
Development projects	34,165	-----	¥ 1,130,401
Cost of Sales:			
Construction business	1,017,991		
Development projects	31,132	-----	1,049,123
Gross profit:			
Construction business	78,244		
Development projects	3,032	-----	81,277
Selling, general and administrative expenses		-----	54,357
Operating income		-----	26,919
Non-operating income:			
Interest and dividends	7,983		
Other non-operating income	375	-----	8,359
Non-operating expenses:			
Interest	7,164		
Provision of allowance for doubtful accounts	129		
Other non-operating expenses	2,912	-----	10,206
Ordinary income		-----	25,072
Extraordinary gains:			
Gains on sale of fixed assets	3,398		
Gains on sale of investment securities	16,323		
Other extraordinary gains	1,742	-----	21,464
Extraordinary losses:			
Provision of allowance for doubtful accounts	15,194		
Bad debt expenses	4,739		
Other extraordinary losses	5,126	-----	25,061
Income before income taxes		-----	21,475
Income taxes:			
Current	(1,532)		
Deferred	(12,644)	-----	(14,176)
Net income		-----	¥ 7,299

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TAISEI CORPORATION
NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2010

Millions of Yen

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in-capital	Other capital surplus	Total capital surplus
Balance as of March 31, 2009	112,448	41,781	37,653	79,435
Changes during the period				
Increase by share exchanges		4,466		4,466
Reversal of reserve for tax deferral on replacement of fixed assets				
Reversal of other reserve				
Dividends				
Net profits				
Sale of treasury stock			△3	△3
Acquisition of treasury stock				
Changes other than shareholders' equity, net				
Total changes during the period	—	4,466	△3	4,463
Balance as of March 31, 2010	112,448	46,248	37,650	83,898

	Shareholders' equity					
	Retained earnings				Treasury stock	Total shareholders' equity
	Other retained earnings			Total retained earnings		
	Reserve for tax deferral on replacement of fixed assets	Other reserve	Retained earnings carried forward			
Balance as of March 31, 2009	2,948	57,500	△19,650	40,798	△159	232,522
Changes during the period						
Increase by share exchanges						4,466
Reversal of reserve for tax deferral on replacement of fixed assets	△126		126	—		—
Reversal of other reserve		△28,000	28,000	—		—
Dividends			△4,789	△4,789		△4,789
Net profits			7,299	7,299		7,299
Sale of treasury stock					7	4
Acquisition of treasury stock					△23	△23
Changes other than shareholders' equity, net						
Total changes during the period	△126	△28,000	30,635	2,509	△16	6,956
Balance as of March 31, 2010	2,822	29,500	10,984	43,307	△175	239,479

	Accumulated gains from valuation			Total net assets
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Total accumulated gains from valuation	
Balance as of March 31, 2009	5,251	△401	4,849	237,372
Changes during the period				
Increase by share exchanges				4,466
Reversal of reserve for tax deferral on replacement of fixed assets				—
Reversal of other reserve				—
Dividends				△4,789
Net profits				7,299
Sale of treasury stock				4
Acquisition of treasury stock				△23
Changes other than shareholders' equity, net	10,049	345	10,395	10,395
Total changes during the period	10,049	345	10,395	17,351
Balance as of March 31, 2010	15,300	△56	15,244	254,723

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presenting Non-consolidated Financial Statements:

TAISEI CORPORATION (the “Company”) maintains its official accounting records in accordance with the provisions set forth in the Japanese Corporate Law, and accounting principles and practices generally accepted in Japan (“Japanese GAAP”). Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

1. Significant Accounting Policies

(1) Valuation of assets

【Securities】

- Debt securities intended to be held to maturity

Debt securities intended to be held to maturity are stated at amortized cost.

- Equity securities of the Company’s subsidiaries and affiliated companies

Equity securities of the Company’s subsidiaries and affiliated companies are stated at cost based on the moving-average method.

- Securities other than trading securities, held-to-maturity securities, and equity securities issued by subsidiaries and affiliates (hereafter, “available-for-sale securities”)

Available-for-sale securities with fair market value readily available

Available-for-sale securities with fair market value readily available are stated at fair value as of the balance sheet date, the difference between the acquisition costs and the fair value is not reflected in income, but included directly in the net assets. Cost of available-for-sale securities sold is calculated using the moving-average method.

Available-for-sale securities with fair market value not readily available

Available-for-sale securities with fair market value not readily available are stated at moving-average cost.

【Inventories】

- Real estates for sale

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Real estates for sale are stated at the lower of cost based on the specific-identification cost method or net realizable value.

- Cost of uncompleted contracts

Cost of uncompleted contracts is stated at cost based on the specific-identification cost method.

- Cost of development projects in progress

Cost of development projects in progress is stated at the lower of cost based on the specific-identification cost method or net realizable value.

- Raw materials and supplies

Raw materials and supplies are stated at the lower of cost based on the moving-average method or net realizable value.

【Derivative financial instruments】

Derivative financial instruments are stated at fair value.

(2) Depreciation method of fixed assets

【Property, plant and equipment】

- Buildings

Buildings are depreciated using the straight-line method.

- Other tangible fixed assets

Other tangible fixed assets are depreciated using the declining-balance method.

- Finance leased assets that do not transfer ownership

Leased assets are depreciated using the straight-line method over lease periods, supposing estimated residual values to be zero.

(3) Allowance

【Allowance for doubtful accounts】

Allowance for doubtful accounts is provided to cover probable losses on collection. It consists of an estimated uncollectible amount of certain identified doubtful receivables and an amount calculated applying percentages of losses on collection in the past to the rest of the receivables.

【Allowance for warranty on completed contracts】

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Allowance for warranty on completed contracts is provided as an estimated amount calculated using an actual percentage of related losses during a past certain period.

【Allowance for losses on construction contracts】

Allowance for losses on construction contracts is provided with respect to construction projects for which eventual losses are reasonably estimated.

【Retirement benefits for employees】

Retirement benefits for employees are provided for employees' severance and retirement benefits based on estimated amounts of projected benefit obligation and fair value of the plan assets at the year-end.

Past service costs are amortized using the straight-line method over 10 years, which is not longer than an estimated average remaining service period of the employees.

Unrecognized actuarial gains and losses are amortized from the next financial year using the straight-line method over 10 years, which is not longer than an estimated average remaining service period of the employees.

(Change in accounting policies)

Effective for the year ended March 31, 2010, the Company adopted ASBJ Statement No.19 Partial Amendments to Accounting Standard for Retirement Benefits (Part3) (issued by the ASBJ on July 31, 2008).

Since the discount rate based on this new accounting standard was the same as the existing discount rate, this change has no impact on the non-consolidated financial statements.

【Allowance for losses on investments in subsidiaries and affiliates】

Allowance for losses on investments in subsidiaries and affiliates are provided for estimated losses that exceed amounts of investments and loans to the companies.

【Allowance for environmental spending】

Allowance for environmental spending is provided based on estimated costs for disposal of Polychlorinated Biphenyl ("PCB") waste, which is obligated to dispose by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

(4) Revenue and cost recognition

【Revenue recognition of construction】

Contract revenue associated with construction contracts of which the outcome can be

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estimated reliable is accounted for by the percentage-of-completion method; otherwise contract revenue is accounted for by the completed-contract method. The percentage of completion at the end of the reporting period is determined by the percentage of the cost incurred to the estimated total costs.

(Change in accounting policies)

Effective for the year ended March 31, 2010, the Company adopted ASBJ Statement No.15, Accounting Standard for Construction Contracts and ASBJ Guidance No.18, Guidance on Accounting Standard for Construction Contracts (both issued by the ASBJ on December 27, 2007).

Under previous accounting policy, construction contracts are mainly accounted for by the completed-contract method, except that long-term (over 12 months) and large scale construction contracts (equal or excess of ¥ 1,000 million) are accounted for by the percentage-of-completion method. In accordance with the application of new accounting standards, construction contracts which commenced after April 1, 2009 are accounted for by the percentage-of-completion method if the outcome thereof can be estimated reliably; otherwise construction contracts are accounted for by the completed-contract method.

As a result of this change, net sales increased by ¥ 18,295 million, gross profit, operating income, ordinary income and income before income taxes increased each by ¥ 3,094 million in comparison with what would have been accounted under the previous accounting policy.

Contract revenues associated with construction contracts started before March 31, 2009 are mainly accounted for by the completed-contract method; except that long-term (over 12 months) and large scale construction contracts (equal or excess of ¥ 1,000 million) are accounted for by the percentage-of-completion method.

(5) National consumption tax and local consumption tax

National consumption tax and local consumption tax are excluded from other accounts in the financial statements.

(6) Other accounting policies on the non-consolidated financial statements

【Income taxes】

Income taxes are calculated based on the system of consolidated tax returns.

【Hedge accounting】

Gains or losses resulting from hedging instruments are deferred until related losses

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or gains on hedged items are recognized. For an interest rate swap contract which meets certain conditions, a net amount to be paid or received under the contract is added to or deducted from interest on liabilities for which the swap contract has been concluded.

2. Non-consolidated Balance Sheet

(1) Pledged assets and related debt

① Pledged assets

Cash and time deposits -----	¥		42	Million
Real estates for sale -----			749	Million
Investment securities -----			592	Million
Investments in subsidiaries and affiliates ---			1,175	Million
Long-term loans receivable -----			1,389	Million
<u>Other assets (Investments and other assets)</u>			<u>6</u>	<u>Million</u>
Total -----			3,954	Million

② Debt related to the assets

Other long-term liabilities				
(Deposits from tenants) -----	¥		42	Million

The assets are pledged as collateral for borrowings of companies in which the Company has invested.

(2) Accumulated depreciation of tangible fixed assets ----- ¥ 59,657 Million

(3) Contingent liabilities due to guarantees made

The Company is contingently liable as the guarantor for borrowings of the following companies.

YURAKU REAL ESTATE CO., LTD. -----	¥		89,483	Million
TAISEI FUJISAN NANRYO KAIHATSU Co., Ltd.-----			3,600	Million
SYMBOLTOWER DEVELOPMENT Co., Ltd. -----			2,576	Million
Europe House LLC. -----			2,422	Million
ZENKOKU GYOKO GYOSON SHINKO GYOGYO KYODO KUMIAI --			1,061	Million
<u>Others (4companies) -----</u>			<u>1,124</u>	<u>Million</u>
Total -----			100,268	Million

The amount for ZENKOKU GYOKO GYOSON SHINKO GYOGYO KYODO KUMIAI indicates Company's share of the contingent liabilities resulting from the

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guarantees.

(4) Receivables from and payables to subsidiaries and affiliates

Receivables from subsidiaries and affiliates:

Short -term -----	¥	12,733	Million
Long-term -----		44,109	Million

Payables to subsidiaries and affiliates:

Short -term -----	¥	69,143	Million
Long-term -----		495	Million

(5) Cost of uncompleted contracts in relation to

allowance for losses on construction contracts -----	¥	5,701	Million
--	---	-------	---------

3. Non-consolidated Statement of Income

(1) Net sales recognized on the percentage-of-completion method ----- ¥ 840,774 Million

(2) Sales to subsidiaries and affiliates ----- ¥ 11,436 Million

(3) Purchase from subsidiaries and affiliates ----- ¥ 62,759 Million

(4) Provision for loss on construction contracts
included in cost of Sales ----- ¥ 7,282 Million

(5) Transactions other than operating transactions
with subsidiaries and affiliates ----- ¥ 733 Million

(6) Research and development expenses ----- ¥ 8,125 Million

4. Non-consolidated Statement of Changes in Net Assets

Class and Number of treasury stock (in thousands share) ----- Common stock 585

5. Deferred Income Taxes

Significant components of deferred income tax assets and liabilities

Deferred income tax assets:

Retirement benefits for employees -----	¥	35,067	Million
Bad debt expenses and allowance for doubtful accounts -----		26,880	Million
Inventories -----		26,808	Million
Investments in subsidiaries and affiliates -----		17,165	Million
Accrued bonuses -----		3,128	Million
Fixed assets -----		2,434	Million
Others -----		8,889	Million
<u>Tax loss carryforward -----</u>		<u>2,475</u>	<u>Million</u>
Sub total -----		122,849	Million
<u>Valuation allowance -----</u>		<u>△15,535</u>	<u>Million</u>
Total deferred income tax assets -----		107,313	Million

Deferred income tax liabilities:

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Gains on securities contribution		
to employee retirement benefit trust -----	¥	△23,556 Million
Unrealized gains on available-for-sale securities -----		△10,501 Million
Others -----		△3,173 Million
<u>Total deferred income tax liabilities -----</u>		<u>△37,231 Million</u>
Net deferred income tax assets -----	¥	70,082 Million

6. Lease Transactions

Besides the fixed assets on the balance sheet, a part of machinery and equipment was used under finance leases contracts that did not transfer ownership of leased assets to lessees.

(1) Assumed acquisition cost as of March 31, 2010 -----		¥ 892 Million
(2) Assumed accumulated depreciation as of March 31, 2010 -----		544 Million
(3) Assumed future lease payments as of March 31, 2010-----		348 Million
(4) Other information of lease transactions		

Assumed depreciation was calculated using the straight-line method over lease periods, supposing estimated residual values to be zero. Since the amount of the future lease payments was immaterial compared to the balance of mainly the fixed assets as of March 31, 2010, the assumed acquisition cost and the future lease payment include interest portions.

7. Related Party Transactions

(1) Related companies - Subsidiaries and affiliates

① Description of transactions

Attribution	Name	Voting right share owing (share owned)	Relationship	Nature of transaction	Amounts of transaction	Accounts	Closing balance
Subsidiary	Kobe Fashion Plaza Co.,Ltd.	100% (Including indirect 7.6%)	Loan of funds Concurrence of directors	Loan of funds	¥ -	Long-term loans receivable	¥ 17,772 Million
Subsidiary	YURAKU REAL ESTATE CO., LTD.	57.6% (Including indirect 0.1%)	Guaranty of liabilities Concurrence of corporate auditors	Guaranty of liabilities	¥ 89,483 Million	-	¥ -

② Business conditions and policy of business conditions

The interest rate of long-term loans was determined with reference to market interest rates.
Guaranty of liabilities was aimed at borrowings from financial institutions.

8. Per Share Data

(1) Net assets per share (in Yen) -----		¥233.68
(2) Net income per share (in Yen) -----		¥6.79

**Reference Materials
for
The General Meeting of Shareholders**

Agenda and Reference Information.

Item No.1 Appropriation of Earned Surplus

The Company has made it a basic policy to pay long-term stable dividend to Shareholders. The Company tries to reinforce internal reserve for the future business operation, and returns the profit to the Shareholders by way of a special dividend and the like when the business performance of the Company is well.

Comprehensively taking into account the results of the fiscal year ended March 31, 2010 and business surroundings in the future, etc., the cash dividend at the end of the fiscal year ended March 31, 2010 is proposed to be ¥2.50 per share, the same as interim dividend, as stated below.

As the result, the total dividend for the fiscal year ended March 31, 2010, including the interim dividend, is ¥5.0 per share.

1. Matters Concerning the Year-end Dividend

(1) Cash dividend and its total amount:

Common stock	¥ 2.50 per share
Total Amount	¥ 2,725,092,750-

(2) Effective date of dividend of surplus:

June 30, 2010

2. Matters concerning accumulation of other reserve

(1) Item of increased surplus and its amount:

Other reserve:	¥ 2,000,000,000-
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(2) Item of decreased surplus and its amount :

Retained earnings carried forward:	¥ 2,000,000,000-
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Item No.2 Election of one (1) Director

In order to strengthen management function, an election of one (1) Director is proposed. His term will expire, according to the Company's Articles of Incorporation, on the expiration of the other present directors.

The candidate of the Director is as follows:

No.	Name of the Candidate	Post held at Present	Number of the Company's shares held by the Candidate
1	Yasuhiro Arai (Born on January 17, 1947)	Executive Vice President, General Manager, Corporate Planning Office	29,000

Notes: There is no special conflict of interests between the Company and the candidate.

FOR YOUR REFERENCE:

The Executive Officers (“*Shikko-Yakuin*”) as of April 1, 2010, are as follows:

<u>Title</u> <i>Business in Charge</i>	<u>Name</u>
President and Chief Executive Officer	Takashi Yamauchi
Executive Vice President <i>General Manager, Marketing & Sales Division (Integrated), Deputy General Manager, Corporate Planning Office, and In charge of Safety Administration</i>	Hirofumi Ichihara
Executive Vice President <i>General Manager, Civil Engineering Division, and Deputy General Manager, Corporate Planning Office</i>	Hiroyuki Kimura
Executive Vice President <i>General Manager, Corporate Planning Office</i>	Yasuhiro Arai
Executive Vice President <i>General Manager, Kansai Branch</i>	Hiroshi Kubo
Executive Vice President <i>General Manager, Tokyo Branch, and In charge of Marketing and Sales</i>	Nobuyuki Motegi
Executive Vice President <i>General Manager, Marketing & Sales (Building Construction) Division III</i>	Hiroshi Tada
Executive Vice President <i>General Manager, Business Administration Division, Deputy General Manager, Corporate Planning Office, and In charge of International Operations</i>	Misao Akune
Executive Vice President <i>Chief Executive, International Operations Headquarters</i>	Satoru Ogata
Executive Vice President <i>In charge of Marketing and Sales</i>	Junji Yamada
Senior Vice President <i>In charge of Marketing and Sales</i>	Makoto Maeda
Senior Vice President <i>General Manager, Nagoya Branch</i>	Takashi Furumaya
Senior Vice President <i>General Manager, Architecture & Engineering Division (Integrated), General Manager, Building Construction Division, and Deputy General Manager, Corporate Planning Office</i>	Toshio Tominaga
Senior Vice President <i>Deputy General Manager, Civil Engineering Division</i>	Akira Yoshida
Senior Vice President <i>Project Director, Civil Engineering Project of International Operations Headquarters</i>	Hidemi Omi
Senior Vice President <i>Executive, Civil Engineering, International Operations Headquarters</i>	Takao Kishimoto

TRANSLATION, For Your Reference Purpose Only

<u>Title</u> <i>Business in Charge</i>	<u>Name</u>
Senior Vice President <i>General Manager, Marketing & Sales Promotion Division, and Deputy General Manager, Corporate Planning Office</i>	Takashi Hayashi
Senior Vice President <i>General Manger, Marketing & Sales (Building Construction) Divison I</i>	Masatake Taniuchi
Senior Vice President <i>General Manager, Medical & Welfare Business Division</i>	Yasuo Sento
Senior Vice President <i>General Manager, Engineering Division</i>	Fumihisa Otsuka
Senior Vice President <i>General Manager, Design Division</i>	Kazuyuki Noro
Senior Vice President <i>General Manager, Urban Development Division</i>	Nobuharu Shimizu
Senior Vice President <i>Branch Director, Middle East Branch, and Project Director, Building Construction Project of International Operations Headquarters</i>	Toru Koizumi
Senior Vice President <i>Project Director, Civil Engineering Project of International Operations Headquarters</i>	Makoto Kosuge
Senior Vice President <i>General Manager, Marketing & Sales (Civil Engineering) Division, and Deputy General Manager, Corporate Planning Office</i>	Kazuhiko Dai
Senior Vice President <i>General Manager, Marketing & Sales (Building Construction) Division II</i>	Fumihiro Yamada
Senior Vice President <i>Deputy General Manager, Marketing & Sales (Building Construction) Division</i>	Hidetoshi Yasukawa
Senior Vice President <i>In charge of Civil Engineering</i>	Shigeki Watanabe
Vice President <i>Deputy General Manager, Marketing & Sales (Building Construction) Division</i>	Ryutoku Murakami
Vice President <i>Deputy General Manager, Urban Development Division</i>	Masahiro Konno
Vice President <i>General Manager, Shikoku Branch</i>	Susumu Okada
Vice President <i>General Manager, Kanto Branch</i>	Yasushi Suzuki
Vice President <i>General Manager, Yokohama Branch</i>	Tsutomu Mori
Vice President <i>General Manager, Tohoku Branch</i>	Junji Katsura

TRANSLATION, For Your Reference Purpose Only

<u>Title</u> <i>Business in Charge</i>	<u>Name</u>
Vice President <i>Executive, Building Construction & Engineering, International Operations Headquarters, and General Manager, Building Construction Department of International Operations Headquarters</i>	Takayuki Yanagisawa
Vice President <i>General Manager, Hokushinetsu Branch</i>	Norimitsu Yoshihama
Vice President <i>Deputy General Manager, Business Administration Division, and In charge of Compliance</i>	Toshio Matsuda
Vice President <i>General Manager, Chugoku Branch</i>	Junichi Ikeguchi
Vice President <i>General Manager, Safety Administration Division</i>	Masatsugu Yamada
Vice President <i>General Manager, Taisei Technology Center</i>	Osamu Tsujita
Vice President <i>General Manager, Procurement Division, and Deputy General Manager, Corporate Planning Office</i>	Sumio Yabuki
Vice President <i>Deputy General Manager, Civil Engineering Division, and General Manager, Civil Engineering Department</i>	Hisao Tamura
Vice President <i>General Manager, Environment Division</i>	Tsuyoshi Hirono

Voting through the Internet

1. Matters to be noted in voting through the Internet

When a Shareholder exercises its voting rights through the Internet, please exercise its voting rights with acknowledgments of the following matters.

- 1) Voting through the Internet shall be valid when it is made by the end of the office hours of the preceding business day of the General Meeting of Shareholders (*i.e.*, Monday, June 28, 2010, 5:30 P.M. <Tokyo time>). For the purpose of counting votes, etc., please exercise your voting rights at your earliest convenience.
- 2) Voting through the Internet is only available on the designated website for voting of the Company (please refer to the URL indicated below). Internet access by a cellular phone is not available for the designated website for voting.

Voting through the Internet requires the “*Giketsuken-koushi (Voting) Code*” and “*Password*” as indicated on the Voting Form enclosed with this Notice of the General Meeting of Shareholders.
- 3) “*Giketsuken-koushi (Voting) Code*” and “*Password*” are valid only for the 150th General Meeting of Shareholders. For the next General Meeting of Shareholders, a different “*Giketsuken-koushi (Voting) Code*” and “*Password*” will be issued.
- 4) In the event that a Shareholder votes both by mailing the Voting Form and through the Internet, only the voting through the Internet shall be treated as the valid voting.
- 5) In the event that a Shareholder votes through the Internet more than once, only the last voting shall be treated as a valid voting.
- 6) Shareholders are requested to bear any costs and expenses for the Internet voting, such as access rate charged by a provider, communication rate, etc.

2. Steps to vote through the Internet

- 1) Access the URL, <http://www.it-soukai.com/> or <https://daiko.mizuho-tb.co.jp/>
The URL above is not accessible from 3:00 A.M. to 5:00 A.M. (Tokyo time) during the period of the voting.
- 2) Enter your “*Giketsuken-koushi (Voting) Code*” and “*Password*” and press the mark “*Login.*”
Your “*Giketsuken-koushi (Voting) Code*” and “*Password*” are indicated in the right upper corner of the Voting Form enclosed with the Notice of the General Meeting of Shareholders.
- 3) Follow the instructions on the screen to exercise your voting rights.

3. Operational environment

- ◎ Personal computer: Computer machines having installed the software, Windows® series
(A cellular phone, PDA and game machine cannot be used as a device to exercise a Shareholder’s voting rights through the Internet.)

TRANSLATION, For Your Reference Purpose Only

- ◎ Browser: Microsoft® Internet Explorer5.5 or newer
- ◎ Internet environment: An environment in which a Shareholder can make use of the Internet according to an agreement with a provider, etc.
- ◎ Screen resolution: The Company highly recommends a Shareholder to use 1024 x 768 pixels or more.

Microsoft and *Windows* are registered trademarks or trademarks of Microsoft Corporation in the U.S. and other countries.

4. Security

- 1) The voting through the Internet can be used safely since an encryption technique (SSL 128 bit) has been introduced to prevent your entered information from being falsified or hacked.
- 2) The “*Giketsuken-koushi (Voting) Code*” and “*Password*” indicated on the Voting Form are important information to identify the Shareholders of the Company. Please pay attention never to inform others of them.
- 3) The Company will not ask a Shareholder about its “*Password.*”

5. Contact

Please call the following phone number if you have any questions about the voting through the Internet, such as how to operate your personal computer.

<p>Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. TEL: 0120 – 768 – 524 (Toll Free Service for Domestic Shareholders) (Available: 9:00 A.M. – 9:00 P.M. <Tokyo Time>, except Saturdays, Sundays and National Holidays)</p>

《 **To Institutional Investors** 》

As a step to vote, the “Electronic Voting Platform” is available for the institutional investors.