

To Our shareholders

**NOTICE OF THE 153rd GENERAL MEETING OF SHAREHOLDERS**

Taisei Corporation would like to take this occasion to express particular thanks for the support of our shareholders.

Notice is hereby given that the 153rd 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 methods described on page 2.**

**1. Date:** Thursday, June 27, 2013, 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, 2013 (the 153rd Business Year commenced April 1, 2012 and ended March 31, 2013)
  2. Financial Statements, for fiscal year ended March 31, 2013 (the 153rd Business Year commenced April 1, 2012 and ended March 31, 2013)

**(2) Matters to be voted on by Shareholders:**

**Item No. 1:** Appropriation of earned surplus

**Item No. 2:** Election of ten (10) Members of the Board

**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.

**5. How to exercise your voting rights unless you can attend the Meeting**

**(1) 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 Wednesday, June 26, 2013(Tokyo time)**.

**(2)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 Wednesday, June 26, 2013 (Tokyo time)**. For more information, please refer to “Voting through the Internet” on pages 67-69.

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.

Your presence at the Meeting is cordially requested.

Yours sincerely,

TAISEI CORPORATION

Takashi YAMAUCHI

President and

Chief Executive Officer

Chairman of the Board

**Notes:**

1. Shareholders attending the Meeting are requested to submit the Voting Form to the reception desk at the Place of the Meeting.
2. The temperature in the venue will be set at 28°C and the lighting will be reduced on the day as our endeavor for electricity saving.  
We would appreciate your cooperation and understanding.
3. 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.taisei.co.jp>).

**IMPORTANT NOTE:**

This notice and attached documents are English translations of the “Notice of the 153rd General Meeting of Shareholders (*Dai-153-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 3, 2013, 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, 2012 to March 31, 2013)

### I . Current State of the Affiliated Companies

#### (1) Progress and Results of Operations

During the current term, the overall Japanese economy lacked strength as typified by sluggish production and consumption mainly due to the slowdown of overseas economies and reactions to policy effects. In the second half of the fiscal year, however, the change of administration in Japan prompted the redressing of exchange rate levels and the recovery of stock prices, and this development and other factors combined to lead the Japanese economy to change its course and look for a road to recovery.

In the domestic construction market, the business environment continued to be harsh as the competition to win orders remained fierce despite relatively strong demand.

Under these circumstances, the Company and its affiliated companies (collectively, the “Affiliated Companies”) reported consolidated results of its operations as follows: orders received of ¥1,404.4 billion, a 1.8% increase compared to the previous year, net sales of ¥1,416.4billion, an 7.0% increase, recurring income of ¥35.0 billion, a 15.9% increase, and net income for the year of ¥20.0billion, increased from compared to ¥1.1 billion in the last year.

The status for orders and sales in each segment is as follows.

Taisei Service Co., Ltd. (which had been categorized as “Other Business” until the previous term) absorbed Yuraku Real Estate Co., Ltd. (which had been categorized as the “Real Estate Development Business”) on April 1, 2012 and changed its trade name to Taisei-Yuraku Real Estate Co., Ltd. As the new company is categorized in the Real Estate Development Business from the current term, the financial results of Taisei Service during the previous term have been allocated to the Real Estate Development Business in comparing the performance during the current term with that for the previous one.

#### (CIVIL ENGINEERING BUSINESS)

New orders for the Affiliated Companies during the current term were worth ¥391.8 billion, a 9.2% increase compared to the previous term, as there was growth in new orders received by both the Company and its consolidated subsidiaries.

New orders for the Company were worth ¥263.9 billion, a 7.8% increase. The percentages of new orders from government agencies, private companies and overseas construction projects out of the total were 68.8%, 28.0% and 3.2%, respectively, and the percentage of orders won without competitive bidding out of the total was 28.7%.

## TRANSLATION, For Your Reference Purpose Only

Net sales for the Affiliated Companies were ¥358.3 billion, a 7.4% increase, because an increase in net sales was observed in both the Company and its consolidated subsidiaries.

Net sales for the Company were ¥236.7 billion, a 7.8% increase.

### (BUILDING CONSTRUCTION BUSINESS)

New orders for the Affiliated Companies during the current term were worth ¥867.7 billion, a 1.1% decrease compared to the previous term, as there was an decrease in orders received by the Company.

New orders for the Company were worth ¥773.9 billion, a 2.3% decrease. The percentages of new orders from government agencies, private companies and overseas construction projects out of the total were 9.3%, 86.7% and 4.0%, respectively, and the percentage of orders won without competitive bidding out of the total was 31.2%.

Net sales for the Affiliated Companies were ¥915.4 billion, a 6.8% increase, because an increase in net sales was observed in both the Company and its consolidated subsidiaries.

Net sales for the Company were ¥816.3 billion, a 5.2% increase.

The major construction projects the Company accepted new orders for or completed in its civil engineering and building construction business divisions during the current term are as follows:

Major new orders received during FY ended March 2013:

<b>Client</b>	<b>Project</b>
Tokyo International Air Terminal Corporation	Tokyo International Airport Passenger Terminal Building Extension work (Area E, F and D( No.2))
Miyagi Prefecture	Disaster-related wastes management (Kesenuma area of the Kesenuma Block)
DAIWA HOUSE INDUSTRY CO., LTD.	D Project-YOKOHAMA DAIKOKU New Construction (tentative name)
TOKUSHUKAI MEDICAL CORPORATION	Narita-Tomisato TOKUSHUKAI Hospital New Construction
West Nippon Expressway Company Limited	Construction work of the Shinmeishin Expressway Minoh tunnel East

Major projects completed during FY ended March 2013:

Client	Project
New Doha International Airport Steering Committee	New Doha International Airport Passenger Terminal Complex
JAPAN POST Co., Ltd.	Marunouchi 2-choume Project (tentative name)
Tokyo Metropolitan Government	Central Circular Shinagawa Route Shield Tunnel-2
SURUGADAI KAIHATU TMK	Kanda-Surugadai 4-6 Project (tentative name)
Japan Oil, Gas and Metals National Corporation	Namikata National LPG Storage Base Construction Project

**(REAL ESTATE DEVELOPMENT BUSINESS)**

In the real estate sales market, chiefly backed by low interest rates, sales of condominiums continued to be relatively strong as construction costs rose continuously. The real estate leasing market, meanwhile, saw rent levels remain low, though the vacancy ratio for corporate offices continued to improve. As exemplified by these and other events, the market fell short of achieving a real recovery.

Under these circumstances, the Affiliated Companies reported an increase in results in the real estate segment of 8.4% compared with the previous year to ¥132.9 billion due to the increase in the revenues of both the Company and consolidated subsidiaries.

**(OTHER BUSINESSES)**

The Affiliated Companies recorded net sales this segment of ¥9.7 billion, down 6.4% compared with the previous fiscal year due to the decrease in the revenues of both 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, 2012)	New Orders Received	Net Sales	Backlog carried over Next Period
CIVIL ENGINEERING	420.5	391.8	358.3	454.0
BUILDING CONSTRUCTION	1,232.2	867.7	915.4	1,184.4
REAL ESTATE DEVELOPMENT BUSINESS	10.6	135.1	132.9	12.8
OTHER BUSINESSES	—	9.7	9.7	—
<b>TOTAL:</b>	<b>1,663.4</b>	<b>1,404.4</b>	<b>1,416.4</b>	<b>1,651.3</b>

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, 2012)	New Orders Received	Net Sales	Backlog carried over Next Period
CIVIL ENGINEERING	384.0	263.9	236.7	411.2
BUILDING CONSTRUCTION	1,173.0	773.9	816.3	1,130.6
<b>SUB TOTAL:</b>	<b>1,557.1</b>	<b>1,037.8</b>	<b>1,053.0</b>	<b>1,541.9</b>
REAL ESTATE DEVELOPMENT BUSINESS	10.3	25.0	23.2	12.1
OTHER BUSINESSES	—	9.3	9.3	—
<b>TOTAL:</b>	<b>1,567.5</b>	<b>1,072.2</b>	<b>1,085.6</b>	<b>1,554.1</b>

## (2) Investments in Plant and Equipment

The Affiliated Companies' plant and equipment investment during FY ended March 2013 was 6.9 billion in total. Major investments included the purchase and replacement of construction machinery, equipment, and other items.

## (3) Fund Raising

The Company and its affiliated companies did not increase capital nor issue corporate bonds during FY ended March 2013.

## (4) Issues to be dealt with

Owing to expectations for the new administration's economic policies, there are signs of bright prospects in some segments of the market, but private capital investment in plant and equipment is expected to remain at low levels for the immediate future. Due in part to intensifying competition for orders, soaring construction costs and other factors, it is predicted that the business environment will continue to be harsh.

Under these circumstances, the Company and the Affiliated Companies started their medium-term business plan with fiscal 2012 as its first year and are implementing their strategies for each business and taking specific measures in accordance with the plan.

### Medium-term Business Plan (FY 2012–2014)

#### Basic Policy

1. Fulfillment of social responsibilities on the construction industry
2. Establishment of a business structure for the creation of high-added value

#### Business Issues

- (1) Construction business: Strengthening of the core business
- (2) Development/improvement of social infrastructure and Contribution to post-earthquake reconstruction
- (3) Overseas business: Establishment of an earnings structure
- (4) Strengthening of initiatives and expansion of business fields to create high-added value
- (5) Development/improvement of robust business foundations

The Company and the Affiliated Companies will direct all their energies to projects for recovery from the Great East Japan Earthquake and countermeasures for deteriorating infrastructure, thus contributing to the future development and improvement of Japanese social infrastructure.



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The Affiliated Companies recognize the four items listed below as important issues to be addressed and will strive to achieve the business plan by tackling these issues.

### Enhancing cost-competitiveness and procurement capabilities

Due to growing demand for post-earthquake reconstruction, it is expected that in the future the labor market will continue to be tight while the prices of construction materials and machinery will rise sharply, and that market competition will become even fiercer. The Affiliated Companies will, however, maintain and increase profitability by enhancing their cost competitiveness, with a focus on enhancing their procurement capabilities.

### Making consistent profits in overseas operations

The Affiliated Companies are narrowing the number of overseas projects undertaken down to a level allowing appropriate risk management. In the years to come, they aim to consistently make a profit from these projects by bolstering their profit management system and focusing on the geographical regions and business sectors where they can make the most of their strengths.

### Increasing the Affiliated Companies' profit-making capabilities

The Affiliated Companies will allocate their managerial resources to major affiliated companies inside and outside Japan appropriately so that they can respond to changes in their respective markets in a timely manner. They will also improve the Affiliated Companies' profit-making capabilities, mainly by applying the Company's procurement capabilities to those companies as well.

### Strengthening financial structure

The Affiliated Companies will strive to increase their internal reserves by improving, profitability of the Company and the Affiliated Companies. They will also strive to strengthen their financial structure by reducing interest-bearing debt through greater cash flow from operating activities.

## (5) Transition of Assets and Income

(Transition of Assets and Income of the Affiliated Companies)

	FY Ended	FY Ended	FY Ended	FY Ended
	March 2010	March 2011	March 2012	March 2013
(Unit: ¥ Billion )				(Current FY)
New Orders Received	1,244.4	1,254.0	1,379.5	1,404.4
Net Sales	1,441.9	1,218.1	1,323.5	1,416.4

**TRANSLATION, For Your Reference Purpose Only**

Net Income or (Loss)	21.2	10.8	1.1	20.0
Net Income or (Loss) per Share (*Unit: Yen)	*19.74	*9.58	*1.04	*17.6
Total Assets	1,501.2	1,395.4	1,494.6	1,543.0
Shareholders' Equity	297.1	290.5	292.6	343.3

(Transition of Assets and Income of the Company)

	FY Ended March 2010	FY Ended March 2011	FY Ended March 2012	FY Ended March 2013 (Current FY)
(Unit: ¥ Billion )				
New Orders Received	982.9	973.7	1,077.2	1,072.2
Net Sales	1,130.4	938.4	1,025.1	1,085.6
Net Income or (Loss)	7.2	8.8	3.1	12.4
Net Income or (Loss) per Share (*Unit: Yen)	*6.79	*7.76	*2.74	*10.91
Total Assets	1,231.4	1,143.4	1,263.7	1,300.0
Shareholders' Equity	254.7	257.1	259.7	301.4

**(6) 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 other civil engineering work as well as the manufacture and sale of asphalt for pavement

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Taisei-Yuraku Real Estate Co., Ltd.	10.0	100.0	Sale, lease, sub-lease, management, brokerage, appraisal, and consultation of real estate, and insurance agent business, guarding, renewal
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

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Note: Yuraku Real Estate Co.,Ltd.(extinct company) merged with Taisei Service Co.,Ltd.(surviving company), as of April 1<sup>st</sup>, 2012. The surviving company renamed Taisei-Yuraku Real Estate Co.,Ltd. as of the same date.

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

- NCC International AB (Sweden)
- The Foundation Delft Hydraulics (Netherlands)
- SK Engineering & Construction Co., Ltd (South Korea)
- Bouygues Travaux Publics (France)
- Carnegie Mellon University (U.S.A.)
- CH2M HILL (U.S.A)

## **(7) Main Lines of Business**

The Affiliated Companies' main business segments are as follows:

Civil engineering business;

All the business related to Civil Engineering works

Building construction business;

All the business related to Building Construction works

Real estate development business; and

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

Other businesses;

Projects incidental or related to construction such as research undertaking, provision of technology and environmental measurements, leisure-related businesses, and other services

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The Company, licensed by the Ministry of Land, Infrastructure and Transport as a Specific Construction Contractor (license (S-23) No. 300) under the Construction Business Law, and as a Licensed Real-Estate Transaction Agent (license (13) 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.

**(8) 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:

Taipei Office	
Kuala Lumpur Office	
Jakarta Office	
India Office	(New Delhi)
Middle East Office	(Doha & Dubai)
North Africa Office	(Egypt)
U.S.A. Office	(California)
Taisei Technology Center	(Yokohama City)

(b) Major Subsidiaries

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

**(9) Status of Employees**

(a) The Affiliated Companies

(\*Decrease)

Business Segments	Number of Employees (Unit: Persons)	
	At the Year-End	Change from Previous Year End
CIVIL ENGINEERING BUSINESS	3,773 [840]	*118 [7]
BUILDING CONSTRUCTION BUSINESS	7,760 [940]	*33 [*60]
REAL ESTATE DEVELOPMENT BUSINESS	1,889 [1,632]	*50 [*3]
OTHER BUSINESSES	147 [30]	*6 [2]
<b>TOTAL:</b>	<b>13,569 [3,442]</b>	<b>*207 [*54]</b>

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 Years of Employment
At the Year-End	Change from Previous Year End	Average Age	
7,945	*142	42.7	19.1

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 7,965, which includes the employees on loan working in other companies.

**(10) Major Companies Providing Loans to the Affiliated Companies**

(Unit: ¥ Billion)

Name of Lender	Loaned Amount
Mizuho Corporate Bank Co., Ltd.	65.6
Mizuho Trust & Banking Co., Ltd.	28.3
Resona Bank, Limited.	20.2
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16.7
The Norinchukin Bank	13.9

**II Matters concerning the Shares of the Company****(1) Number of shares authorized:** 2,200,000,000-**(2) Number of shares issued:** 1,140,268,860-

Number of shares issued includes the Company's own shares, number of which are 1,212,819 .

**(3) Number of Shareholders:** 105,818-**(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)	48,906	4.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	48,750	4.28
Taisei Employees' Shareholding Plan	33,311	2.92
Taisei Associates' Shareholding Plan	29,186	2.56

**TRANSLATION, For Your Reference Purpose Only**

SSBT OD05 OMNIBUS ACCOUNT–TREATY CLIENTS	24,465	2.15
Retirement Benefit Trust in Mizuho Trust (Mizuho Corporate Bank, Ltd. Account)	23,180	2.04
Mitsubishi Estate Co., Ltd.	17,604	1.55
Retirement Benefit Trust in Mizuho Trust (Mizuho Bank, Ltd. Account)	16,108	1.41
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02	14,934	1.31
Meiji Yasuda Life Insurance Company	14,238	1.25

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Note: The Company's own shares (1,212,819 ) are excluded in calculating the Ratio of Shares held.

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

At the meeting of its Board of Directors held on December 26, 2012, the Company resolved to buy back and write off the first issue of unsecured, subordinated convertible bonds subject to call and with subscription rights. On January 10, 2013, it bought back and wrote off all such bonds.

**IV Matters concerning Members of the Board and Corporate Auditors**

**(1) Members of the Board and Corporate Auditors**

<u>Name</u>	<u>Position</u> <i>Business In Charge</i>	<u>Important Concurrent</u> <u>Position</u>
Takashi Yamauchi	President and Chief Executive Officer, Chairman of the Board	External Director of the Building & Housing Center of Japan
Hirofumi Ichihara	Member of the Board  <i>Chief of Marketing &amp; Sales Division (Integrated); Chief of Marketing &amp; Sales (Building Construction) Division III; Deputy Chief of Corporate Planning Office, and In charge of Safety Administration</i>	



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<u>Name</u>	<u>Position</u> <i>Business In Charge</i>	<u>Important Concurrent</u> <u>Position</u>
Hiroyuki Kimura	Member of the Board  <i>Chief of Civil Engineering Division; and Deputy Chief of Corporate Planning Office</i>	
Misao Akune	Member of the Board  <i>Chief of Business Administration Division; and Deputy Chief of Corporate Planning Office; and In charge of International Operations</i>	
Satoru Ogata	Member of the Board  <i>Chief Executive, International Operations Headquarters</i>	
Yasuhiro Arai	Member of the Board  <i>Deputy, in charge of Civil Engineering, International Operations Headquarters</i>	
Toshio Tominaga	Member of the Board  <i>Chief of Architecture &amp; Engineering Division (Integrated) and Chief of Building Construction Division, and Deputy Chief of Corporate Planning Office</i>	Director of Construction-ec.com Co.,Ltd
Yasushi Suzuki	Member of the Board  <i>Chief of Procurement Division, and Deputy Chief of Corporate Planning Office</i>	
Toru Tsuji	Member of the Board	Outside Director of SEKISUI CHEMICAL CO.,LTD.

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<u>Name</u>	<u>Position</u> <i>Business In Charge</i>	<u>Important Concurrent</u> <u>Position</u>
Fumio Sudo	Member of the Board	Honorary Advisor of JFE Holdings, Inc.  External Director of LIXIL Group Corporation  External Director of NEW OTANI CO., LTD.  External Director of Takeda Pharmaceutical Company Limited  External Director of Tokyo Electric Power Company, Incorporated
Atsushi Okamoto	Senior Corporate Auditor (full-time)	
Nobuyuki Motegi	Senior Corporate Auditor (full-time)	
Masakuni Sekimoto	Corporate Auditor	
Terunobu Maeda	Corporate Auditor	Commissioner of National Public Safety Commission  Chairperson of the Medium and Small Business Research Institute  Chairperson of Japan Economic Research Institute  External Corporate Auditor of the Higo Bank, Ltd
Shigeru Morichi	Corporate Auditor	Director of Policy Research Center of National Graduate Institute for Policy Studies

**TRANSLATION, For Your Reference Purpose Only**

<u>Name</u>	<u>Position</u> <i>Business In Charge</i>	<u>Important Concurrent</u> <u>Position</u>
Kiwamu Miyakoshi	Corporate Auditor	

- Notes: 1. Messrs.Toru Tsuji and Fumio Sudo are External Members of the Board.
2. Messrs. Masakuni Sekimoto, Terunobu Maeda, Shigeru Morichi and Kiwamu Miyakoshi are External Corporate Auditors.
3. Mr. Masakuni Sekimoto has been engaged in Board of Audit (“*Kaikei-Kensa-In*”) for over the years and has considerable knowledge and insight about finance and accounting.
4. Mr. Terunobu Maeda has been engaged in banking and management for over the years and has considerable knowledge and insight about finance and accounting.
5. Corporate Auditor Messrs. Masakuni Sekimoto, Terunobu Maeda, Shigeru Morichi and Kiwamu Miyakoshi 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.
6. Changes during the current business year regarding important executives with concurrent posts outside the Company are as listed below.

Classification	Name	Important concurrent posts	Details of change	Date of change
Member of the Board	Toru Tsuji	External Director of KONICA MINOLTA HOLDINGS, INC.	Leaving of post	June 20, 2012
Member of the Board	Fumio Sudo	Chairperson of the Board of Governors of Japan Broadcasting Corporation President of Operations Research Society of Japan	Resignation from post	May 30, 2012
			Leaving of post	April 27, 2012

**(2)Amounts of Remuneration and Others Paid to Members of the Board and Corporate Auditors**

(Unit: ¥ Million)

Category	Total		External Members of the Board and External Corporate Auditors	
	Number of Payees	Amount Paid	Number of Payees	Amount Paid
Member of the Board	10	376	2	24
Corporate Auditor	7	117	5	40

- Note: 1. Maximum amount of remunerations for Members of the Board in total is ¥70 million per month as resolved at 146<sup>th</sup> General Meeting of Shareholders held on June 27, 2006.

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2. Maximum amount of remunerations for Corporate Auditors in total is ¥12 million per month as resolved at 134<sup>th</sup> General Meeting of Shareholders held on June 29, 1994.

**(3) Matters concerning External Members of the Board and External Corporate Auditors**

(Concurrent posts of External Members of the Board and External Corporate Auditors)

The status is as described in “(1) **Members of the Board and Corporate Auditors**”

There are no relationships to be mentioned between the Company and the organizations at which each External Member of the Board and/or Corporate Auditor concurrently holds a post.

(Major Activities of External Members of the Board and External Corporate Auditors)

Classification	Name	Major activities
Member of the Board	Toru Tsuji	He attended 12 out of a total of 13 board meetings held in the current fiscal year. Based on the deep insights obtained from his experience as a manager in a different industry and from his neutral position and view as an external member of the board, he offered useful opinions to the Company’s management in order to establish an internal control system and strengthen corporate governance.
Member of the Board	Fumio Sudo	He attended all of the board meetings held during the current fiscal year. Based on the deep insights obtained from his experience as a manager in a different industry and from his neutral position and view as an external member of the board, he offered useful opinions to the Company’s management in order to establish an internal control system and strengthen corporate governance.
Corporate Auditor	Masakuni Sekimoto	He attended all of the board meetings and board of auditors meetings held during the current fiscal year. He offered his opinions as and when appropriate based on his broad knowledge of finance and accounting, and offered opinions regarding the execution of auditor’s duties.

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Corporate Auditor	Terunobu Maeda	He attended 12 out of a total of 13 board meetings held in the current fiscal year and 13 of a total of 14 board of auditors' meetings held during the same period. He offered his opinions as and when appropriate based on his broad knowledge of finance and accounting, and offered opinions regarding the execution of auditor's duties.
Corporate Auditor	Shigeru Morichi	After being appointed as external auditor during the 152nd general meeting of shareholders held on June 28, 2012, he attended each 9 out of a total of each 10 board meetings and board of auditors meetings held during the current fiscal year. He offered his opinions as and when appropriate based on the deep insights obtained from his experience as a university professor, and offered opinions regarding the execution of auditor's duties.
Corporate Auditor	Kiwamu Miyakoshi	After being appointed as external auditor during the 152nd general meeting of shareholders held on June 28, 2012, he attended all board meetings and board of auditors meetings held during the current fiscal year. He offered his opinions as and when appropriate based on the deep insights obtained from his experience as an police officer, and offered opinions regarding the execution of auditor's duties.

(Descriptions of the Contract to Limit the Liability)

In order for External Members of the Board and External Corporate Auditors to fulfill their expected roles, Articles of Incorporation provides that the Company may enter into contracts with External Members of the Board 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 Members of the Board 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 Members of the Board

With regard to the liability specified in Paragraph 1 of Article 423 of the Companies Act, External Members of the Board 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

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the Companies Act, provided that the External Member of the Board 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 Limited Liability Company.

**(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 2013, etc.**

Section	Fee
(1) The amount of fee for the services provided as Accounting Auditor for FY ended March 2013	¥ 87 million
(2) The total amount of money and financial benefits to be paid by the Company and its subsidiaries	¥ 182 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 and the Board of Corporate Auditors.

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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. Systems and Policies of the Company

In order to secure a system for properly and efficiently executing business and to ensure the reliability of financial reporting, the Company set out its “Basic Policy for Improvement of Systems to Ensure the Appropriateness of Operations” at the Board as follows:

### **Basic Policy for Improvement of Systems to Ensure the Appropriateness of Operations**

#### **(1) Systems to ensure that Members of the Board and employees comply with laws and regulations and the Articles of Incorporation when performing their duties**

- (a) Members of the Board shall be keenly aware that the establishment of compliance management is the foundation of management and shall faithfully observe compliance-related regulations, including Action Guidelines for Taisei Personnel and the Taisei Group as a Whole, on their own initiative.
- (b) The Company shall secure compliance by enhancing the consciousness and autonomy of each member of the officers and employees:
  - 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
  - by promoting education of compliance and internal audits (self-audits) at the level of individual departments.
- (c) The General Affairs 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 Members of the Board**

- (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 performance of the duty of Members of the Board, 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.

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- (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 efficient performance of the duties of the Members of the Board**

- (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 dynamic and substantive by utilizing the committees within the Board to preliminarily examine important issues before submitted to the meetings of the Board and by exercising the system of the External Members of the Board.
- (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 share the Taisei Group Ideal (objectives the Company and its affiliated companies continue to pursue and the vision that is their objective), the Taisei Spirit (concepts considered important by all Affiliated Companies directors and employees), and the Overall Principles of Conduct (basic principles of conduct as an organization, as well as criteria for action and decision-making that all directors and employees of the Affiliated Companies should actively practice and strictly adhere to), as well as clarify each Affiliated Company's functions and roles, and develop necessary systems such as the creation of a group management conference in order to enhance the governance of Affiliated Companies as a group.
- (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 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 Members of the Board;**

**Structure to require Members of the Board 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 Members of the Board representing the Company 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:
  - Corporate Auditors and General Manager of the Auditing Department shall exchange documents regarding linkage between Corporate Auditors and the Auditing Department; and
  - 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.

**TAISEI CORPORATION**  
**CONSOLIDATED**  
**BALANCE SHEET**

March 31, 2013

<u>ASSETS</u>	Millions of Yen
Current assets:	
Cash and time deposits -----	¥ 266,638
Notes and accounts receivable, trade -----	430,099
Cost of uncompleted contracts -----	83,925
Cost of development projects in progress -----	133,829
Other inventories -----	5,374
Deferred income tax assets -----	34,917
Other current assets -----	58,813
Allowance for doubtful accounts -----	( 959)
Total current assets -----	1,012,639
Fixed assets:	
Property, plant and equipment:	
Buildings and structures -----	60,967
Machinery, vehicles and equipment -----	5,955
Land -----	138,779
Construction in progress -----	371
Total property, plant and equipment -----	206,075
Intangibles -----	7,239
Investments and other assets:	
Investment securities -----	257,370
Deferred income tax assets -----	11,141
Other assets -----	54,962
Allowance for doubtful accounts -----	( 6,334)
Total investments and other assets -----	317,140
Total fixed assets -----	530,455
Total assets -----	¥ 1,543,094

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<u>LIABILITIES</u>	Millions of Yen
Current liabilities:	
Notes and accounts payable, trade -----	¥ 485,400
Short-term borrowings -----	144,906
Straight bonds due within one year -----	2,200
Lease obligations -----	279
Advances received and progress billings	
on uncompleted contracts -----	115,697
Deposits received -----	91,703
Allowance for warranty on completed contracts-----	2,583
Allowance for losses on construction contracts-----	31,278
Allowance for losses on order received-----	240
Other current liabilities -----	32,993
Total current liabilities -----	<u>907,281</u>
Long-term liabilities:	
Straight bonds -----	46,200
Long-term borrowings -----	185,766
Lease obligations -----	625
Deferred income tax liabilities for revaluation of land-----	5,695
Retirement benefits for executive officers and employees -----	33,729
Retirement benefits for directors and corporate auditors -----	427
Allowance for losses on investments in subsidiaries and affiliates----	507
Allowance for environmental spending-----	307
Other long-term liabilities -----	19,253
Total long-term liabilities -----	<u>292,513</u>
Total liabilities -----	<u>1,199,794</u>
<u>NET ASSETS</u>	
Shareholders' equity:	
Common stock -----	112,448
Capital surplus -----	94,169
Retained earnings -----	93,020
Treasury stock -----	( 301)
Total shareholders' equity -----	<u>299,336</u>
Accumulated other comprehensive income:	
Unrealized gains on available-for-sale securities, net of taxes-----	45,931
Unrealized losses on hedging derivatives, net of taxes -----	( 207)
Revaluation reserve for land -----	( 960)
Foreign currency translation adjustments-----	( 2,568)
Total accumulated other comprehensive income -----	42,194
Minority interests -----	1,769
Total net assets -----	<u>343,300</u>
Total liabilities and net assets -----	<u>¥ 1,543,094</u>

**TAISEI CORPORATION**  
**CONSOLIDATED**  
**STATEMENT OF INCOME**

Year ended March 31, 2013

	Millions of Yen	
Net sales:		
Construction business	¥ 1,254,290	
Development projects	<u>162,205</u>	¥ 1,416,495
Cost of Sales:		
Construction business	1,169,556	
Development projects	<u>135,120</u>	<u>1,304,676</u>
Gross profit:		
Construction business	84,734	
Development projects	<u>27,084</u>	111,819
Selling, general and administrative expenses		<u>76,213</u>
Operating income		35,606
Non-operating income:		
Interest and dividends	3,294	
Foreign exchange gains	2,710	
Other non-operating income	<u>2,076</u>	8,081
Non-operating expenses:		
Interest expenses	6,311	
Other non-operating expenses	<u>2,312</u>	<u>8,624</u>
Ordinary income		35,063
Extraordinary gains:		
Gains on sales of fixed assets	516	
Gains on sales of investment securities	1,078	
Other extraordinary gains	<u>5</u>	1,601
Extraordinary losses:		
Losses on sales of investment securities	1,082	
Impairment losses on fixed assets	1,401	
Other extraordinary losses	<u>1,352</u>	<u>3,836</u>
Income before income taxes		32,828
Income taxes:		
Current	3,622	
Deferred	<u>8,776</u>	<u>12,399</u>
Income before minority interests		20,428
Minority interest in consolidated subsidiaries		378
Net income		<u>¥ 20,050</u>

**TAISEI CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

Year ended March 31, 2013

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	112,448	94,169	78,292	(196)	284,713
Changes during the period					
Dividends			(5,696)		(5,696)
Net income			20,050		20,050
Sale of treasury stock		(0)		1	1
Acquisition of treasury stock				(105)	(105)
Reversal of revaluation reserve for land			373		373
Changes other than shareholders' equity, net (*1)					
Total changes during the period	—	(0)	14,727	(104)	14,622
Balance at end of year	112,448	94,169	93,020	(301)	299,336

	Accumulated other comprehensive income					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 other comprehensive income		
Balance at beginning of year	9,942	(61)	(587)	(2,739)	6,554	1,333	292,601
Changes during the period							
Dividends							(5,696)
Net income							20,050
Sale of treasury stock							1
Acquisition of treasury stock							(105)
Reversal of revaluation reserve for land			(373)		(373)		—
Changes other than shareholders' equity, net (*1)	35,988	(145)		170	36,013	436	36,449
Total changes during the period	35,988	(145)	(373)	170	35,639	436	50,698
Balance at end of year	45,931	(207)	(960)	(2,568)	42,194	1,769	343,300

(\*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 Companies Act, and accounting principles and practices generally accepted in Japan (“Japanese GAAP”). The accounts of consolidated overseas subsidiaries 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 of Japanese accounting principles and practices.

### 1. Significant Accounting Policies

#### (1) Consolidation

- ① The number of consolidated subsidiaries 25 companies

Main consolidated subsidiaries TAISEI 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 consolidation)

Non-consolidated subsidiaries are excluded from the scope of consolidation because these companies are small in scale 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 no significant impact on the consolidated financial statements.

- ③ Change in the scope of the consolidation

TKC CONSTRUCTION TEXAS, LLC is included in the scope of consolidation due to new establishment.

YURAKU REAL ESTATE Co., Ltd. was excluded from the scope of consolidation due to merger with TAISEI SERVICE Co.,Ltd. TAISEI SERVICE Co.,Ltd., the continuing company on the merger, changed its corporate name to TAISEI YURAKU REAL ESTATE Co., Ltd.



(2) Equity method

① The number of companies accounted for using the equity method

Non-consolidated subsidiaries	0 company
Affiliated companies	7 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 are not accounted for using the equity method

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

TOKYO ACADEMIC SERVICE Co., Ltd.  
EHIME HOSPITAL PARTNERS. Ltd.

Main affiliated companies that are not 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 are not 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 no significant impact on the consolidated financial statements.

(3) Summary of accounting policies

① Valuation of significant 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")

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 no fair market value readily available

Available-for-sale securities with no fair market value 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 projects 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 significant 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.

(Changes in accounting policy which is difficult to distinguish from the changes in accounting estimates)

Accompanying revisions in the Corporate Tax Law, the Company and its consolidated subsidiaries have changed its method of depreciation for tangible fixed assets acquired on or after April 1, 2012, based on the revised Law. The effect of these changes is immaterial on the financial statements.

③ Allowance

**【Allowance for doubtful accounts】**

Allowance for doubtful accounts is provided to reserve probable losses from bad debt. It consists of the estimated uncollectible amount of certain identified doubtful receivables and the amount estimated on the basis of the past default ratio for normal receivables.

**【Allowance for warranties on completed contracts】**

Allowance for warranties on completed contracts is provided as the amount estimated using an actual ratio of related losses during the 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.

**【Allowance for loss on order received】**

Allowance for losses on order received is provided with respect to orders (excluding construction contracts) 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 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 average remaining service period of the employees when the costs are incurred.

Unrecognized actuarial gains and losses are amortized from the subsequent 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 when the gains or losses are incurred.

(Additional information)

The Company had provided two types of severance and retirement benefit plans for employees: defined-benefit pension plan and unfunded lump-sum payment plan.

As from April 1, 2013, the Company will transfer a part of the future service benefit of the defined-benefit pension plan to defined-contribution pension plan, on the agreement of the Company with the labor union on December 25, 2012.

In accordance with the transition, projected benefit obligations decreased by ¥11,841 million and past service costs decreased by ¥11,841 million.

The past service costs are amortized using the straight-line method over 10 years as from December 25, 2012.

**【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 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 is provided for estimated losses from certain subsidiaries and affiliates in liquidation.

**【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 Other accounting policies on the consolidated financial statements

**【Revenue recognition of construction】**

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

**【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.

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

**【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.

## 2. Consolidated Balance Sheet

## (1) Pledged assets and related debt

## ① Pledged assets

Cost of development projects in progress -----	¥ 749 Million
Buildings and structures -----	4,386 Million
Investment securities -----	2,013 Million
<u>Other assets (Investments and other assets) -----</u>	<u>2,101 Million</u>
Total -----	9,250 Million

## ② Debt related to the assets

Short-term borrowings -----	¥ 1,780 Million
-----------------------------	-----------------

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

(2) Accumulated depreciation of tangible fixed assets ----- ¥ 133,646 Million

## (3) Contingent liabilities

## ① Contingent liabilities due to guarantees made

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

TAISEI FUJISAN NANRYO KAIHATSU Co., Ltd. -----	¥ 3,900 Million
R40., LLC -----	1,651 Million
<u>Others(8 companies) -----</u>	<u>1,242 Million</u>
Total -----	6,793 Million

The amount for R40., LLC indicates the Company and its consolidated subsidiaries' shares of the contingent liabilities due to the guarantees made.

## ② Additional investment obligations

The Company and its consolidated subsidiaries are contingently liable to invest in the following Special Purpose Companies for their repayment and other obligations of borrowings.

SURUGADAI KAIHATSU TMK -----	¥15,680 Million
<u>NAKANOEKIMAE KAIHATSU TMK -----</u>	<u>4,000 Million</u>
Total -----	19,680 Million

The amounts for SURUGADAI KAIHATSU TMK and NAKANOEKIMAE KAIHATSU TMK indicate the Company and its consolidated subsidiaries' shares of the additional investment obligations.

(4) Revaluation reserve for Land

Certain consolidated domestic subsidiaries revaluated 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, 2013 (Including the excess amount of ¥1,692 million related to investment and rental property)

¥ 7,289 Million

(5) Cost of uncompleted contracts in relation to

allowance for losses on construction contracts ----- ¥ 11,680 Million

(6) Amount of notes receivable and notes payable with the maturity on the balance sheet date and the day before the date (the bank holidays)

Notes receivable ----- ¥ 611 Million

Notes payable ----- ¥ 9,085 Million

The amounts above are included in the notes receivable and the notes payable respectively on the balance sheet because banks were closed on March 30 and 31, 2013.

3. Consolidated Statement of Income

(1) Net sales recognized on the percentage-of-completion method ----- ¥ 910,788 Million

(2) Allowance for losses on construction contracts

included in cost of sales ----- ¥ 20,479 Million

(3) Research and development expenses ----- ¥ 8,959 Million

## 4. Consolidated Statement of Changes in Net Assets

(1) Number of outstanding shares (in thousands share) -----1,140,268

## (2) Dividends

## ① Dividends paid

Resolution	Class of stocks	Total amount of dividends	Dividends per share	Record date	Effective date
June 28, 2012 Annual shareholders' meeting	Common stock	¥ 2,848 Million	¥ 2.50	March 31, 2012	June 29, 2012
November 12, 2012 Board meeting	Common stock	¥ 2,847 Million	¥ 2.50	September 30, 2012	December 4, 2012

## ② Dividends with the record date in the year ended March 31, 2013 and the effective date in the subsequent financial year

The Company will propose to the annual shareholders' meeting on June 27, 2013 that the dividends on the common stocks will be as follows:

- Total amount of dividends -----¥ 2,847 Million
- Dividends per share -----¥ 2.50
- Record date ----- March 31, 2013
- Effective date ----- June 28, 2013

The dividends will be allocated from retained earnings.

## 5. Financial Instruments

## (1) Policies for using Financial Instruments

The Company and its consolidated subsidiaries restrict investments to the low risk assets such as deposits, and raise the funds by 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 not used for speculation.

## (2) Fair Value of Financial Instruments

			Millions of Yen
	Book value	Fair value	Difference
〔ASSETS〕			
① Cash and time deposits	266,638	266,638	—
② Notes and accounts receivable, trade	430,099	429,933	(166)
③ Investment securities			
Debt securities intended to be held to maturity	778	789	10
Available-for-sale securities	183,971	183,971	—
〔LIABILITIES〕			
① Notes and accounts payable, trade	485,400	485,400	—
② Short-term borrowings	144,906	145,465	(559)
③ Straight bonds due within one year	2,200	2,229	(29)
④ Deposits received	91,703	91,703	—
⑤ Straight bonds	46,200	47,320	(1,120)
⑥ Long-term borrowings	185,766	188,293	(2,527)
〔Derivative financial instruments〕 (*)	(315)	(315)	—

(\*)Note The assets and liabilities are reported as net amount. Any item for which the total becomes a net liability is indicated in parenthesis.

Note1: The calculation method of the fair value of financial instrument and securities, derivative transaction

## 〔ASSETS〕

## ①Cash and time deposits

The fair values of these financial instruments are almost equivalent to the book value, due to the short term settlements.

## ②Notes and accounts receivable, trade

The fair values of these financial instruments are almost equivalent to the book value, due to 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 and ④Deposits received

The fair values of these financial instruments are almost equivalent to the book value, due to the short term settlements.

②Short-term borrowings

The fair values of these financial instruments are almost equivalent to the book value, due to the short term settlements; although the fair value of long-term borrowings due within one year are based on the same method as that for long-term borrowings.

③Straight bonds due within one year and ⑤Straight 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.

⑥Long-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.

[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 corresponding 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 calculate the fair value

Nonmarketable securities (book value amount to ¥ 72,620 million) are not included in the above [Asset] ③ Investment securities – Available-for-sale securities; since it is difficult to calculate the fair values because they have no quoted market price and the future cash flows cannot be estimated.

## 6. Investment and Rental Property

### (1) Context of investment and rental property

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

(2) Fair value of investment and rental property

Millions of Yen	
Book value	Fair value
86,730	91,337

Note1: Carrying amount is the amount that the accumulated depreciation and impairment losses are deducted from the cost of acquisition.

Note2: The book value includes asset retirement obligations (¥372 million).

Note3: The fair value of investment and rental property as of March 31, 2013 is mainly calculated by the Company according to the appraisal standard of real-estate and is adjusted using official indices.

7. Per Share Data

(1) Net assets per share-----	¥ 299.84
(2) Net income per share -----	¥ 17.60

8. Others

Business combination

(Transaction under common control)

(1) Name of the parties of the transaction and their business, Date of the business combination, Scheme of the business combination, Name of the company after the transaction, and Purpose of the transaction

① Name of the parties of the transaction and their business

• Continuing company

Company name	Business
TASEI SERVICE Co., Ltd.	Real estate management and insurance agency

• Merged company

Company name	Business
YURAKU REAL ESTATE Co., Ltd.	Real estate business and insurance agency

② Date of the business combination

April 1, 2012

③ Scheme of the business combination

Absorption-type Merger: TASEI SERVICE Co.,Ltd. is the continuing company and YURAKU REAL ESTATE Co., Ltd. is the merged company.

④ Name of the company after the transaction

TAISEI YURAKU REAL ESTATE Co., Ltd.

⑤ Purpose of the transaction

The merger aims to improve business efficiency by integrating real estate related business and unifying knowledge and information between TAISEI SERVICE Co., Ltd. which has been operating real estate management and YURAKU REAL ESTATE Co., Ltd. which has been operating real estate sales and lease.

(2) Accounting for the transaction

The 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 ABSJ on December 26, 2008).

## TAISEI CORPORATION

NON-CONSOLIDATEDBALANCE SHEET

March 31, 2013

<u>ASSETS</u>	Millions of Yen
Current assets:	
Cash and time deposits -----	¥ 225,221
Notes receivable, trade -----	4,822
Accounts receivable, trade -----	352,228
Real estates for sale -----	61,431
Cost of uncompleted contracts -----	75,667
Cost of development projects in progress -----	24,277
Deferred income tax assets -----	31,105
Accounts receivable, other -----	43,490
Other current assets -----	12,348
Allowance for doubtful accounts -----	( 685)
Total current assets -----	<u>829,907</u>
Fixed assets:	
Property, plant and equipment:	
Buildings and structures -----	27,200
Machinery and vehicles -----	1,333
Tools, furniture and fixtures -----	771
Land -----	76,757
Construction in progress -----	59
Total property, plant and equipment -----	<u>106,121</u>
Intangibles -----	3,775
Investments and other assets:	
Investment securities -----	231,768
Investments in subsidiaries and affiliates -----	84,419
Long-term loans receivable -----	8,131
Claims provable in bankruptcy, claims provable in rehabilitation and other -----	2,374
Long-term prepaid expenses -----	324
Long-term non-operating accounts receivable, other -----	14,270
Other assets -----	29,797
Allowance for doubtful accounts -----	( 10,875)
Total investments and other assets -----	<u>360,211</u>
Total fixed assets -----	<u>470,108</u>
Total assets -----	<u>¥ 1,300,016</u>

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<u>LIABILITIES</u>	<u>Millions of Yen</u>
Current liabilities:	
Notes payable, trade -----	¥ 35,506
Accounts payable, trade -----	379,152
Short-term borrowings -----	100,474
Straight bonds due within one year -----	2,200
Lease obligations -----	153
Income taxes payable -----	545
Advances received and progress billings	
on uncompleted contracts -----	103,207
Deposits received -----	118,347
Allowance for warranty on completed contracts-----	1,578
Allowance for losses on construction contracts-----	30,402
Other current liabilities -----	<u>22,048</u>
Total current liabilities -----	<u>793,615</u>
Long-term liabilities:	
Straight bonds -----	46,200
Long-term borrowings -----	128,438
Lease obligations -----	389
Retirement benefits for employees -----	18,398
Deferred income tax liabilities -----	4,068
Allowance for losses on investments in subsidiaries and affiliates----	1,737
Allowance for environmental spending -----	271
Other long-term liabilities -----	<u>5,440</u>
Total long-term liabilities -----	<u>204,944</u>
Total liabilities -----	<u>998,559</u>
 <u>NET ASSETS</u>	
Shareholders' equity:	
Common stock -----	112,448
Capital surplus:	
Additional paid-in-capital -----	56,538
Other capital surplus -----	<u>37,648</u>
Total capital surplus -----	<u>94,187</u>
Retained earnings:	
Other retained earnings:	
Reserve for tax deferral on replacement of fixed assets -----	3,000
Other reserve -----	31,500
Retained earnings carried forward -----	<u>16,211</u>
Total retained earnings -----	<u>50,712</u>
Treasury stock -----	<u>( 301)</u>
Total shareholders' equity -----	<u>257,045</u>
Accumulated gains from valuation:	
Unrealized gains on available-for-sale securities, net of taxes -----	44,614
Unrealized losses on hedging derivatives, net of taxes -----	<u>( 203)</u>
Total accumulated gains from valuation -----	<u>44,411</u>
Total net assets -----	<u>301,456</u>

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Total liabilities and net assets ----- ¥ 1,300,016

**TAISEI CORPORATION**  
**NON-CONSOLIDATED**  
**STATEMENT OF INCOME**  
Year ended March 31, 2013

	Millions of Yen	
Net sales:		
Construction business	¥ 1,053,073	
Development projects	<u>32,551</u>	¥ 1,085,624
Cost of Sales:		
Construction business	986,961	
Development projects	<u>29,564</u>	<u>1,016,525</u>
Gross profit:		
Construction business	66,112	
Development projects	<u>2,986</u>	69,098
Selling, general and administrative expenses		<u>46,725</u>
Operating income		22,373
Non-operating income:		
Interest and dividends	3,495	
Foreign exchange gains	2,260	
Other non-operating income	<u>1,289</u>	7,045
Non-operating expenses:		
Interest expenses	4,794	
Other non-operating expenses	<u>2,193</u>	<u>6,988</u>
Ordinary income		22,431
Extraordinary gains:		
Gains on sales of fixed assets	510	
Gains on sales of investment securities	893	
Reversal of losses on investments in subsidiaries and affiliates	413	
Other extraordinary gains	<u>5</u>	1,822
Extraordinary losses:		
Losses on sales of investment securities	1,082	
Losses on investments in subsidiaries and affiliates	1,408	
Other extraordinary losses	<u>1,110</u>	<u>3,601</u>
Income before income taxes		20,652
Income taxes:		
Current	362	
Deferred	<u>7,859</u>	<u>8,222</u>
Net income		<u>¥ 12,429</u>

**TAISEI CORPORATION**  
**NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

Year ended March 31, 2013

Millions of Yen

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in-capital	Other capital surplus	Total capital surplus
Balance at beginning of year	112,448	56,538	37,648	94,187
Changes during the period				
Reversal for other reserve				
Dividends				
Net income				
Sale of treasury stock			(0)	(0)
Acquisition of treasury stock				
Changes other than shareholders' equity, net				
Total changes during the period	—	—	(0)	(0)
Balance at end of year	112,448	56,538	37,648	94,187

	Shareholders' equity					
	Retained earnings				Treasury stock	Total shareholders' equity
	Other retained earnings			Total retained earnings		
	Reserve for tax deferment on replacement of fixed assets	Other reserve	Retained earnings carried forward			
Balance at beginning of year	3,000	34,500	6,478	43,978	(196)	250,417
Changes during the period						
Reversal for other reserve		(3,000)	3,000	—		—
Dividends			(5,696)	(5,696)		(5,696)
Net income			12,429	12,429		12,429
Sale of treasury stock					1	1
Acquisition of treasury stock					(105)	(105)
Changes other than shareholders' equity, net						
Total changes during the period	—	(3,000)	9,733	6,733	(104)	6,628
Balance at end of year	3,000	31,500	16,211	50,712	(301)	257,045

	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 at beginning of year	9,388	(58)	9,329	259,747
Changes during the period				
Reversal for other reserve				—
Dividends				(5,696)
Net income				12,429
Sale of treasury stock				1
Acquisition of treasury stock				(105)
Changes other than shareholders' equity, net	35,225	(144)	35,081	35,081
Total changes during the period	35,225	(144)	35,081	41,709
Balance at end of year	44,614	(203)	44,411	301,456





## 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 Companies Act, 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 of 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 net assets. Cost of available-for-sale securities sold is calculated using the moving-average method.

##### Available-for-sale securities with no fair market value readily available

Available-for-sale securities with no fair market value readily available are stated at moving-average cost.

##### 【Inventories】

- Real estates for sale

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.

(Changes in accounting policy which is difficult to distinguish from the changes in accounting estimates)

Accompanying revisions in the Corporate Tax Law, the Company has changed its method of depreciation for tangible fixed assets acquired on or after April 1, 2012, based on the revised Law. The effect of these changes is immaterial on the financial statements.

(3) Allowance

**【Allowance for doubtful accounts】**

Allowance for doubtful accounts is provided to reserve probable losses from bad debt. It consists of the estimated uncollectible amount of certain identified doubtful receivables and the amount estimated on the basis of the past default ratio for normal receivables.

**【Allowance for warranties on completed contracts】**

Allowance for warranties on completed contracts is provided as the amount estimated using an actual ratio of related losses during the 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 their severance and retirement benefits based on estimated amounts of projected benefit obligation and 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 average remaining service period of the employees when the costs are incurred.

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

(Additional information)

The Company had provided two types of severance and retirement benefit plans for employees: defined-benefit pension plan and unfunded lump-sum payment plan.

As from April 1, 2013, the Company will transfer a part of the future service benefit of the defined-benefit pension plan to defined-contribution pension plan, on the agreement of the Company with the labor union on December 25, 2012.

In accordance with the transition, projected benefit obligations decreased by ¥11,841 million and past service costs decreased by ¥11,841.

The past service costs are amortized using the straight-line method over 10 years as from December 25, 2012.

**【Allowance for losses on investments in subsidiaries and affiliates】**

Allowance for losses on investments in subsidiaries and affiliates is 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 reliably estimated is accounted for using the percentage-of-completion method; other contract revenue is accounted for using the completed-contract method. The percentage of completion at the end of the reporting period is determined by the ratio of the cost incurred to the estimated total costs.

**(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 or gains on hedged items are recognized. For an interest rate swap contract which meets certain conditions, a

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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

Real estates for sale -----	¥ 749 Million
Investments in subsidiaries and affiliates -----	1,098 Million
<u>Long-term loans receivable -----</u>	<u>1,678 Million</u>
Total-----	3,525 Million

## ② Debt related to the assets

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

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

(2) Accumulated depreciation of tangible fixed assets ----- ¥ 57,408 Million

## (3) Contingent liabilities

## ① Contingent liabilities due to guarantees made

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

TAISEI YURAKU REAL ESTATE Co., Ltd. -----	¥ 96,000 Million
TAISEI FUJISAN NANRYO KAIHATSU Co., Ltd.-----	3,900 Million
R40., LLC-----	1,651 Million
SYMBOLTOWER DEVELOPMENT Co., Ltd. -----	1,424 Million
<u>Others (2 companies) -----</u>	<u>415 Million</u>
Total -----	103,390 Million

The amount for R40., LLC indicates the Company's share of the contingent liabilities due to the guarantees made.

## ② Additional investment obligations

The Company is contingently liable to invest in the following Special Purpose Companies for their repayment and other obligations of borrowings.

SURUGADAI KAIHATSU TMK -----	¥ 14,240 Million
<u>NAKANOEKIMAE KAIHATSU TMK -----</u>	<u>4,000 Million</u>
Total -----	18,240 Million

The amounts for SURUGADAI KAIHATSU TMK and NAKANOEKIMAE KAIHATSU TMK indicate the Company's shares of the additional investment obligations.

## (4) Receivables from and payables to subsidiaries and affiliates

Receivables from subsidiaries and affiliates:

Short-term -----	¥ 21,729 Million
------------------	------------------

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Long-term ----- ¥ 11,341 Million

Payables to subsidiaries and affiliates:

Short-term -----	¥ 62,118 Million
Long-term -----	¥ 497 Million

(5) Cost of uncompleted contracts in relation to allowance for losses on construction contracts ----- ¥ 11,356 Million

(6) Amount of notes receivable and notes payable with the maturity on the balance sheet date and the day before the date (the bank holidays)

Notes receivable-----	¥ 137 Million
Notes payable -----	¥ 8,245 Million

The amounts above are included in the notes receivable and the notes payable respectively on the balance sheet because banks were closed on March 30 and 31, 2013.

### 3. Non-consolidated Statement of Income

(1) Net sales recognized on the percentage-of-completion method ----- ¥ 823,998 Million

(2) Sales to subsidiaries and affiliates----- ¥ 27,984 Million

(3) Purchase from subsidiaries and affiliates included in cost of sales ----- ¥ 63,541 Million

(4) Allowance for losses on construction contracts included in cost of sales ----- ¥ 20,012 Million

(5) Transactions other than operating transactions with subsidiaries and affiliates ----- ¥ 1,044 Million

(6) Research and development expenses ----- ¥ 8,775 Million

### 4. Non-consolidated Statement of Changes in Net Assets

Class and number of treasury stock (in thousands share) at the yearend ----- Common stock 1,212

### 5. Deferred Income Taxes

Significant components of deferred income tax assets and liabilities

Deferred income tax assets:

Retirement benefits for employees -----	¥ 31,546 Million
Inventories -----	25,519 Million
Investments in subsidiaries and affiliates -----	12,701 Million
Bad debt losses and allowance for doubtful accounts -----	8,374 Million
Investment securities -----	5,567 Million
Accrued bonuses -----	2,859 Million



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Others -----	5,776 Million
Subtotal -----	92,345 Million
Less valuation allowance -----	(18,192) Million
Total deferred income tax assets -----	74,153 Million

Deferred income tax liabilities:

Unrealized gains on available-for-sale securities -----	¥ (24,662) Million
Gains on securities contribution to employee retirement benefit trust -----	(20,604) Million
Others -----	(1,849) Million
Total deferred income tax liabilities -----	(47,116) Million
Net deferred income tax assets -----	¥ 27,036 Million

6. 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	TAISEI YURAKU REAL ESTATE Co., Ltd.	100%	Guaranties of liabilities	Guaranties of liabilities	¥ 96,000 Million	-	¥ -

② Business conditions and policy of business conditions

Guaranties of liabilities are for the borrowings from financial institutions.

7. Per Share Data

(1) Net assets per share -----	¥ 264.66
(2) Net income per share -----	¥ 10.91

**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, 2013 and business surroundings in the future, etc., the cash dividend at the end of the fiscal year ended March 31, 2013 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, 2013, 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 ¥ 2,847,640,103-

(2) Effective date of dividend of surplus:

June 28, 2013

2. Matters concerning accumulation of other reserve

(1) Item of increased surplus and its amount:

Other reserve: ¥ 7,000,000,000-

(2) Item of decreased surplus and its amount :

Retained earnings carried forward:

¥ 7,000,000,000-

Item No.2 Election of ten (10) Members of the Board

The terms of offices of all of the present Members of the Board expire at the closing of this General Meeting of Shareholders. Therefore, an election of ten (10) Members of the Board are proposed.

The candidates of the Members of the Board are as follows:

No.	Name of the Candidate	Post held at Present	Number of the Company's shares held by the Candidate
1	Takashi Yamauchi (Born on June 12, 1946)	President and Chief Executive Officer, Chairman of the Board (Important Concurrent Position) External Director of The Building & Housing Center of Japan)	277,000
2	Hirofumi Ichihara (Born on February 1, 1948)	Member of the Board Executive Vice President Chief of Marketing & Sales Division (Integrated), Deputy Chief of Corporate Planning Office and in charge of Safety Administration	141,062
3	Hiroyuki Kimura (Born on August 23, 1947)	Member of the Board Executive Vice President Chief of Civil Engineering Division and Deputy Chief of Corporate Planning Office	121,000
4	Misao Akune (Born on August 9, 1948)	Member of the Board Executive Vice President Chief of Business Administration Division and Deputy Chief of Corporate Planning Office, and In Charge of International Operations	112,000
*5	Kazuhiko Dai (Born on January 29, 1952)	Senior Managing Executive Officer Chief of Marketing & Sales (Civil Engineering) Division, and Deputy Chief of Corporate Planning Office	26,000

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No.	Name of the Candidate	Post held at Present	Number of the Company's shares held by the Candidate
*6	Yoshiyuki Murata (Born on July 19, 1954)	Managing Executive Officer  Chief of Architecture & Engineering Division (Integrated), Chief of Building Construction Division and Deputy Chief of Corporate Planning Office (Important Concurrent Position)  Director of Construction-ec.com Co.,Ltd	22,000
*7	Shigeyuki Sakurai (Born on August 15, 1955)	Managing Executive Officer  Deputy Chief of Business Administration Division, and General Manager of Accounting Department	12,637
*8	Masahiro Sakai (Born on March 9, 1953)	Managing Executive Officer  Chief of Marketing & Sales (Building Construction ) Division II	9,208
9	Toru Tuji (Born on February 10, 1939)	Member of the Board (Important Concurrent Position)  Outside Director of SEKISUI CHEMICAL CO.,LTD	9,000
10	Fumio Sudo (Born on March 3, 1941)	Member of the Board (Important Concurrent Position)  External Director of LIXIL Group Corporation  External Director of NEW OTANI CO.,LTD  External Director of Takeda Pharmaceutical Company Limited  External Director of Tokyo Electric Power Company, Incorporated	27,000

Notes:

1. There is no special conflict of interests between the Company and the candidates.
2. Messrs. Toru Tuji and Fumio Sudo are the candidates for External Members of the Board.
3. Special information on External Members of the Board is as follows:
  - (1) Reasons for nominating Messrs. Toru Tuji and Fumio Sudo as the candidates of External Members of the Board.

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Messrs. Toru Tuji and Fumio Sudo were nominated to reflect to the Company's business their considerable experience as business executives and their deep insight.

### (2) Term of office as External Member of the Board

The term of office of Messrs. Toru Tuji and Fumio Sudo is two(2) years at the closing of this General Meeting of Shareholders.

### (3) Contract with External Members of the Board to limit their liability.

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

According to this provision, the Company has entered into the contract with Messrs. Toru Tuji and Fumio Sudo to limit their liability.

The gist of the contract is as follows:

With regard to the liability specified in Paragraph 1 of Article 423 of the Corporation Act, External Members of the Board 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 Corporation Act, provided that the External Members of the Board performed their duties in good faith and without gross negligence.

4 \* Marks represent new candidates.

**FOR YOUR REFERENCE:**

The Executive Officers (“Shikko-Yakuin”) as of April 1, 2013, are as follows:

<b><u>Title</u></b> Business in Charge	<b><u>Name</u></b>
President and Chief Executive Officer	Takashi Yamauchi
Executive Vice President Chief of Marketing & Sales Division (Integrated), Deputy Chief of Corporate Planning Office, and In charge of Safety Administration	Hirofumi Ichihara
Executive Vice President Chief of Civil Engineering Division and Deputy Chief of Corporate Planning Office	Hiroyuki Kimura
Executive Vice President Chief of Business Administration Division, and Deputy Chief of Corporate Planning Office, and in charge of International Operations	Misao Akune
Executive Vice President In charge of Marketing & Sales (Building Construction) , Marketing & Sales Division(Integrated), and In charge of Marketing & Sales(West Japan) Division	Hiroshi Tada
Executive Vice President Chief Executive, International Operations Headquarters	Satoru Ogata
Executive Vice President Chief of Marketing & Sales (Building Construction ) Division III	Toshio Tominaga
Senior Managing Executive Officer Deputy, in charge of Civil Engineering, International Operations Headquarters	Yasuhiro Arai
Senior Managing Executive Officer Chief of Marketing & Sales(Civil Engineering) Division, and Deputy Chief of Corporate Planning Office	Kazuhiko Dai
Senior Managing Executive Officer Chief of Marketing & Sales(West Japan) Division	Masatake Taniuchi
Senior Managing Executive Officer In charge of Marmaray Project BC1, International Operations Headquarters	Hidemi Omi
Senior Managing Executive Officer In charge of Marketing & Sales (Building Construction) , Marketing & Sales Division(Integrated)	Hidetoshi Yasukawa
Senior Managing Executive Officer Chief of Procurement Division and Deputy Chief of Corporate Planning Office	Yasushi Suzuki
Senior Managing Executive Officer Chief of Tokyo Branch and in charge of Marketing & Sales	Norimitsu Yoshihama
Managing Executive Officer Chief of Kansai Branch	Fumihiko Yamada
Managing Executive Officer In charge of Civil Engineering	Shigeki Watanabe

TRANSLATION, For Your Reference Purpose Only

<u>Title</u> Business in Charge	<u>Name</u>
Managing Executive Officer Chief of East Japan Reconstruction Division	Junji Katsura
Managing Executive Officer Chief of Nagoya Branch	Junichi Ikeguchi
Managing Executive Officer Chief of Marketing & Sales (Building Construction ) Division I	Masatsugu Yamada
Managing Executive Officer Deputy Chief of Civil Engineering Division and General Manager, Civil Engineering Department	Hisao Tamura
Managing Executive Officer Chief of Safety Administration Division	Toshio Matsuda
Managing Executive Officer Chief of Taisei Technology Center	Osamu Tsujita
Managing Executive Officer Chief of Marketing & Sales Promotion Division, and Deputy Chief of Corporate Planning Office	Sumio Yabuki
Managing Executive Officer Chief of Environment Division	Tsuyoshi Hirono
Managing Executive Officer In charge of Technology	Kazuhiko Honbu
Managing Executive Officer Chief of Mechanical & Electrical Division	Michio Kuboniwa
Managing Executive Officer Chief of Yokohama Branch	Shigeru Konnai
Managing Executive Officer Chief of Corporate Planning Office	Shigeyoshi Tanaka
Managing Executive Officer Chief of Architecture & Engineering Division (Integrated) , Chief of Building Construction Division, and Deputy Chief of Corporate Planning Office	Yoshiyuki Murata
Managing Executive Officer Deputy Chief of Business Administration Division, and General Manager, Accounting Department	Shigeyuki Sakurai
Managing Executive Officer Chief of Marketing & Sales (Building Construction ) Division II	Masahiro Sakai
Executive Officer Chief of Nuclear Facilities Division	Hirofumi Kamata
Executive Officer Project Director, Civil Engineering Project, International Operations Headquarters	Satoru Tsutae

**TRANSLATION, For Your Reference Purpose Only**

<b><u>Title</u></b> Business in Charge	<b><u>Name</u></b>
Executive Officer Deputy, in charge of Building Construction & Engineering , International Operations Headquarters	Yukio Matsuno
Executive Officer Deputy Chief of Marketing & Sales (Civil Engineering) Division and General Manager, Marketing & Sales Department, Marketing & Sales (Civil Engineering) Division	Masahiro Ohshima
Executive Officer Deputy, in charge of Administration, and General Manager of Contracts & Claims Management Department International Operations Headquarters	Masafumi Anami
Executive Officer General Manager of Building Construction & Engineering Department, and In charge of NDIA Project(package 18),International Operations Headquarters	Yoshitaka Inoue
Executive Officer Chief of Medical Welfare Business Division	Yasushi Yoshinari
Executive Officer Chief of Urban Development Division	Katsuyuki Kanai
Executive Officer In Charge of Marketing & Sales (Building Construction) , Marketing & Sales Division(Integrated)	Yusuke Fukuda
Executive Officer Deputy Chief of Marketing & Sales (Civil Engineering) Division and General Manager of Marketing & Sales Department, Marketing & Sales (Civil Engineering) Division	Takashi Okawa
Executive Officer Chief of Hokushinetsu Branch	Tamotsu Umehara
Executive Officer Chief of Proposal & Solution Division	Tetsuya Shibayama
Executive Officer Deputy Chief of Business Administration Division, and General Manager of Personnel Department	Takeo Horinouchi



**TRANSLATION, For Your Reference Purpose Only**

<b><u>Title</u></b> Business in Charge	<b><u>Name</u></b>
Executive Officer Chief of Tohoku Branch	Shoji Kondo
Executive Officer Chief of Chugoku Branch	Norihiko Yaguchi
Executive Officer Chief of Shikoku Branch	Takao Kanai
Executive Officer Chief of Chiba Branch	Hiroshi Shirakawa
Executive Officer Chief of Design Division	Haruhiko Kono
Executive Officer Deputy Chief of Tokyo Branch (Civil Engineering), and General Manager of Civil Engineering Department, Tokyo Branch	Yoshinori Nishida
Executive Officer Project Director, Marmaray Project BC1, International Operations Headquarters	Hiroshi Suzuki
Executive Officer In charge of Marketing & Sales (Building Construction) , Marketing & Sales Division(Integrated)	Kaoru Maruyama
Executive Officer Chief of Engineering Division	Tsuyoshi Nakanishi
Executive Officer In charge of Technology	Atsuo Ogawa
Executive Officer Deputy Chief of Kansai Branch (Civil Engineering)	Takeshi Kagata
Executive Officer Chief of Kanto Branch	Masaharu Okada
Executive Officer General Manager of Next Generation Project Department, Civil Engineering Division	Jiro Taniyama
Executive Officer Chief of Sapporo Branch	Takao Doi

**TRANSLATION, For Your Reference Purpose Only**

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<b><u>Title</u></b>	<b><u>Name</u></b>
Business in Charge	
Executive Officer Chief of Kyushu Branch	Yoshiro Aikawa
Executive Officer Deputy Chief of Corporate Planning Office, and General Manager of Corporate Planning Department	Keiji Hirano

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**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.*, Wednesday, June 26, 2013, 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  
(Some high-performance portable cellular phones such as smart phone could not be used, as the system may not work correctly on such phones.  
A cellular phone cannot be used as a device to exercise a Shareholder's voting rights through the Internet.)
- ◎ 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.

**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)**

**《 To Institutional Investors 》**

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