To Our Shareholders

Disclosure through the Internet relating to “Notice of the 157th General Meeting of Shareholders”

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(From April 1, 2016 to March 31, 2017)

TAISEI CORPORATION

Note: The items above are provided to our shareholders by posting our website (http://www.taisei.co.jp) in accordance with laws and regulations, and Article 16 of the Articles of Incorporation of Taisei Corporation.

Important note:
This document is English translation of “Disclosure through the Internet relating to Notice of the 157th General Meeting of Shareholders” .
In the event that any of the information contained in these English translations is inconsistent with the information contained in the Japanese original document, the Japanese original document shall prevail.

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 "Fundamental Policy to Enhance Operational Compliance Systems" at the Board as follows:

Fundamental Policy to Enhance Operational Compliance Systems

(1) Systems to ensure that Members of the Board and employees carry out their duties in compliance with laws and regulations and the Articles of Incorporation

(a) Members of the Board shall recognize that compliance is at the core of good management and shall faithfully comply with all compliance-related regulations, including the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole.

(b) The Company shall ensure that all officers and employees recognize their compliance-related obligations:

- by implementing programs recommended by the Compliance Committee, such as strict disciplinary punishments for officers and employees found to have violated a law or regulation, enhancement of systems to prevent collusive bidding practices, and ensuring the effective operation of the Corporate Ethics Helpline; and
- by promoting compliance education and encouraging internal audits (self-audits) at the department level.

(c) The General Affairs Department shall guide the compliance-related activities of individual corporate bodies, 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 the performance of duties by Members of the Board

(a) The Company shall codify the rules and procedures concerning information and shall develop systems to appropriately manage all information belonging to the Company in order to appropriately record and retain information relating to the performance of the Members of the Board of their duties, to prevent any leakage or unauthorized use of such information, and to effectively use such information.

(3) Risk management rules and measures; and internal system

(a) The Company shall develop systems to appropriately manage primary risks, including those relating to quality, safety, environment, compliance, information and profit and loss, in accordance with the Company's fundamental policy for development of risk management system.

(b) The Company shall develop systems to manage the risks in the event of an emergency or a large disaster, including arrangements to ensure the continuation of business operations.

(c) Each corporate body shall enhance its risk management business unit capacity by providing its members with risk management education and other programs.

(d) The General Affairs Department will promote proper management of company-wide risks, and the Auditing Department will promote endeavors to continually improve the risk management system through internal audits.

(4) Systems to ensure the efficient performance of duties by Members of the Board

(a) The Company shall encourage the swift and efficient management of operations by the Executive Officers by separating the business functions from the corporate decision-making and supervisory functions. In addition, the Company shall also enhance the decision making process of the Board by utilizing the committees within the Board to examine important issues prior to their submission at the meetings of the Board and consulting the External Members of the Board.

(b) The Company shall develop and enhance the rules and procedures regarding the delegation of decision making and other powers to managers, to facilitate more efficient decision making and management processes, including with respect to the execution of duties and responding to changes in the managerial environment.

(5) Systems to ensure proper operation of group companies

(a) The Company shall promote the establishment of rules in each group company regarding reporting requirements to the Company in accordance with the Company's fundamental regulations and operational guidelines concerning group operation.

(b) The Company shall establish a risk management system in each group company, promoting the establishment of internal rules in each group company for its risk management with respect to quality, safety, environment, compliance, information, profit and loss and large-scale disaster and other major risks in accordance with the business characteristics of such group company.
In addition, the Company shall ensure the effectiveness of group company's risk management system through an internal audit by the Auditing Department and a group liaison meeting held by the Legal Department and other departments of each group company, promotion of risk management education in each group company, and provision of the group helpline amongst other things.

(c) The Company shall assist, advise and collaborate in the business of each group company by clarifying the functions and roles of each company in the group, assisting each such group company to implement an organizational structure appropriate for its business characteristics and size thereof and utilizing the management resources in the group.
In addition, the Company shall hold group management meetings from time to time to facilitate communication among its group companies and promoting mutual understanding and cooperation with respect to issues related to technology, production, marketing and sale, transaction and other issues surrounding the group.

(d) The Company shall share within the group its ideals (ongoing objectives and goals), spirit (respect for the opinions of all officers and employees in our group), and code of conduct (the fundamental principles of conduct for the organization and standards of behavior and decisions criteria which officers and employees in our group shall adopt and strictly comply with), and the Company shall also establish a compliance system, promoting the enhancement of internal rules appropriate for the business characteristics of each group company.
In addition, the Company shall ensure the effective operation of the compliance system of each group company through internal audits conducted by the Auditing Department and group liaison meetings held by the Legal Department and other departments of each group company, including the promotion of compliance education for each group company, and provision of the group helpline.

(6) Systems regarding employee support of the Audit & Supervisory Board Members, the independence of such employees from Members of the Board and ensuring effective instructions from the Audit & Supervisory Board Members to such employees

(a) Audit & Supervisory Board Members and the General Manager of the Personnel Department shall discuss in advance assignments, transfers, evaluations and other issues regarding the staff of the Audit & Supervisory Board Members' Department, whose primary role is to assist the performance of duties by Audit & Supervisory Board Members.

(b) Each department shall properly perform its duties in order to ensure that staff of Audit & Supervisory Board Members shall effectively implement the instruction from the Audit & Supervisory Board.

(7) System for reporting to Audit & Supervisory Board Members and preventing the adverse treatment of persons who make reports

(a) For the purpose of auditing the internal controls of the Company and each group company by Audit & Supervisory Board Members, the Company shall determine the matters that officers and employees of the Company and each group company, or any recipient of a report from such officer or employee of the Company, should report to the Audit & Supervisory Board Members, and shall establish the following systems:

1) A system in which Audit & Supervisory Board Members can receive reports from officers and employees of the Company at any time;
2) A system in which Audit & Supervisory Board Members can receive reports from officers and employees of each group company or a recipient of a report from such officer or employee; and
3) A system in which the Audit & Supervisory Board Members shall receive reports of any violation of law or regulation by any officer or employee of the Company through the corporate ethics helpline and the group helpline.

(b) The Company shall establish a system to prevent any adverse treatment of a person who makes a report under the preceding paragraph based on the fact that he/she made such report.

(8) Matters concerning policies regarding the allocation of costs arising from the performance of duties by the Audit & Supervisory Board Members and system to ensure that the Audit & Supervisory Board Members can effectively conduct the audit of the Company

(a) If an Audit & Supervisory Board Member claims costs arising from the performance of its duties, Members of the Board shall properly handle such claim in order to ensure the audit is effectively conducted.

(b) Members of the Board representing the Company and Audit & Supervisory Board Members shall facilitate their mutual understanding, through regular meetings, regarding the status of the audits conducted by Audit & Supervisory Board Members, and other important issues.

(c) The relationship among Audit & Supervisory Board Members shall be strengthened by measures such as:

● Audit & Supervisory Board Members and General Manager of the Auditing Department shall exchange documents regarding the cooperation between Audit & Supervisory Board Members and the Auditing Department; and

● The Auditing Department and Accounting Auditor shall have regular meetings with Audit & Supervisory Board Members.

(9) Structure to ensure appropriateness of financial reports

(a) The Company shall develop internal controls sufficient to ensure the appropriateness of all financial reports.

Summary of Our Efforts under the Fundamental Policy to Enhance Operational Compliance Systems

(1) Efforts related to "Systems to ensure that Members of the Board and employees carry out their duties in compliance with laws and regulations and the Articles of Incorporation"

We provide the officers and employees of the Company with the training by e-learning to ensure that they comply with compliance-related regulations, including the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole. In addition, we issue Compliance News every month, which covers typical compliance issues, to raise the level of compliance awareness.

Regarding the corporate ethics helpline system, we also make continuous efforts to ensure that officers and employees are aware of and understand the system through Compliance News.

(2) Efforts related to "Structure to retain and manage information regarding the performance of duties by Members of the Board"

We have established the Basic Management Rules for Corporate Information and other regulations and make continuous efforts to ensure that the officers and employees of the Company understand the structure through education of information security by e-learning.

(3) Efforts related to "Risk management rules and measures; and internal system"

We have established the Risk Management Policy and other regulations, classify operational risks according to their levels of importance, have established a company-wide risk management system clarifying the departments in charge, and annually review the system. We also make continuous efforts to ensure that the officers and employees of the Company understand risk management rules and measures and internal systems through educational activities such as risk management training by e-learning.

In order to respond to emergencies and large-scale disasters, we have established the Policy on Business Continuity in Times of Disaster and other regulations and annually conduct large-scale disaster drills and e-learning in accordance with the policy and other regulations.

(4) Efforts related to "Systems to ensure the efficient performance of duties by Members of the Board"

We have enhanced the decision-making process of the Board by adopting the executive officer system and utilizing the committees within the Board.

To enable the Board to have meaningful discussions, the Secretarial Department, which serves as the secretariat of the Board, distributes materials or provides explanations prior to each meeting of the Board. In addition, we decide the date of each meeting of the Board at least six months in advance so that Members of the Board can make sufficient preparations.

(5) **Efforts related to "Systems to ensure proper operation of group companies"**

On the basis of our structure of values and policies including the Taisei Group Philosophy, we have been developing business ethics of the officers and promoting the establishment of systems for reporting from group companies to the Company, risk management systems, and compliance systems in accordance with fundamental regulations and operational guidelines concerning group operation and other regulations. We have also been promoting assistance, guidance, and cooperation related to the operations of each group company through internal audits, group management meetings, and group liaison meetings.

In addition, through operation of the group helpline, we have been making efforts to ensure that the risk management and compliance systems of each group company are effective.

(6) **Efforts related to "System to ensure that the Audit & Supervisory Board Members can effectively conduct audits of the Company"**

In order to audit internal controls within the Company and each group company, we have established rules concerning matters that should be reported by the officers and employees of the Company, the officers and employees of each group company, and persons receiving reports from these officers and employees to the Audit & Supervisory Board Members. Under these rules, these officers, employees, and persons make reports to the Audit & Supervisory Board Members.

The Members of the Board who are Representative Directors, the Auditing Department, and the Accounting Auditor strive to enhance the effectiveness of audit, having regular meetings with the Audit & Supervisory Board Members to facilitate their mutual understanding.

The Audit & Supervisory Board Members' Department, whose primary role is to assist with the performance of duties by the Audit & Supervisory Board Members, performs duties as instructed by the Audit & Supervisory Board Members.

(7) **Efforts related to "Structure to ensure appropriateness of financial reports"**

Through monitoring on a regular basis, we continuously check and evaluate whether the procedures for reducing risks of false financial reporting are effective.

To ensure that the internal control systems for financial reporting are continuously effective, messages from President and Chief Executive Officer of the Company are provided to the officers and employees of the Company, and educational activities by e-learning are also provided to them.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (Year ended March 31, 2017)

	Millions of Yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2016	122,742	104,464	210,720	(394)	437,533
Cumulative effect of changes in accounting policies			12		12
Restarted balance at beginning of year	122,742	104,464	210,733	(394)	437,545
Changes during the period					
Dividends			(22,031)		(22,031)
Profit attributable to owners of parent			90,566		90,566
Acquisition of treasury stock				(20,031)	(20,031)
Sale of treasury stock		0		0	0
Retirement of treasury stock		(19,314)		19,314	–
Reversal of revaluation reserve for land			(595)		(595)
Changes of scope of consolidation			14		14
Changes of scope of equity method			(71)		(71)
Changes other than shareholders' equity, net (*1)					
Total changes during the period	–	(19,314)	67,880	(716)	47,850
Balance as of March 31, 2017	122,742	85,150	278,613	(1,110)	485,395

	Millions of Yen							
	Accumulated other comprehensive income						Non-controlling 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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2016	85,160	(213)	176	(2,158)	(2,623)	80,342	3,402	521,277
Cumulative effect of changes in accounting policies								12
Restarted balance at beginning of year	85,160	(213)	176	(2,158)	(2,623)	80,342	3,402	521,289
Changes during the period								
Dividends								(22,031)
Profit attributable to owners of parent								90,566
Acquisition of treasury stock								(20,031)
Sale of treasury stock								0
Retirement of treasury stock								–
Reversal of revaluation reserve for land			595			595		–
Changes of scope of consolidation								14
Changes of scope of equity method	(1)					(1)		(73)
Changes other than shareholders' equity, net (*1)	(2,695)	55		(811)	5,899	2,447	(1,367)	1,079
Total changes during the period	(2,697)	55	595	(811)	5,899	3,041	(1,367)	49,524
Balance as of March 31, 2017	82,463	(158)	772	(2,969)	3,275	83,383	2,034	570,813

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presenting Consolidated Financial Statements:

The accompanying consolidated financial statements of Taisei Corporation (the “Company”) and its consolidated subsidiaries (collectively the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Companies Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

1. Significant Accounting Policies

(1) Consolidation

① The number of consolidated subsidiaries 29 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 the consolidation because these companies are small companies and the sums of each of the total assets, sales, net income (equal to share interest) and retained earnings (equal to share interest) of these companies have not had any significant impacts on the consolidated financial statements.

③ Changes of scope of consolidation

KYOUTAN CONSTRUCTION Co., LTD. is included in the scope of consolidation because the company became more significant on the consolidated financial statements. And also SHINSAI BRIDGE LLC. is excluded from the scope of consolidation because the company was liquidated.

(2) Equity method

① The number of companies accounted for using the equity method

Non-consolidated subsidiaries	19 companies
Affiliated companies	41 companies

Main affiliated companies accounted for using the equity method
TAISEI PHILIPPINE CONSTRUCTION, Inc.
P.T. INDOTAISEI INDAH DEVELOPMENT

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

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

TAISEI-TEHRAN BERKELEY ENGINEERING AND CONSTRUCTION COMPANY

(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 (equal to share interest) and retained earnings (equal to share interest) but also sums of each of these figures have no significant impact on the consolidated financial statements.

③ Changes of scope of equity method

2 non-consolidated subsidiaries and 1 affiliated company that were newly established are included in the scope of equity method. And also 1 affiliated company the Group sold its shares partly and other 2 affiliated companies that were liquidated are excluded from the scope of consolidation.

(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 and structures】

Buildings and structures are mainly depreciated using the straight-line method.

【Other tangible fixed assets】

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

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 losses 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 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.

【Allowance for losses on Anti-Monopoly Act】

Allowance for losses on Anti-Monopoly Act is provided based on estimated payment for penalties under the Anti-Monopoly Act.
(Additional information)
TAISEI ROTEC CORPORATION recognized the estimated penalties mentioned above at the fiscal year ended March 31, 2017.

④ Other accounting policies on the consolidated financial statements

【Recognition of retirement benefit】

Net defined benefit liability is provided for severance and retirement benefits for employees and executive officers of the Company’s certain consolidated subsidiaries based on estimated amounts of projected benefit obligations and plan assets at the year-end.
In calculating projected benefit obligations, the method of attributing estimated amounts of retirement benefits to the period until this fiscal year is based on the benefit formula basis.
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.
Actuarial gains and losses are amortized from the subsequent fiscal year (some consolidated subsidiaries amortize actuarial gains and losses from the current fiscal 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.

【Revenue recognition of construction】

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

【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. Changes in accounting policy

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year ended March 31, 2017, the Group adopted "Implementation Guidance on Recoverability of Deferred Tax Assets (the "Guidance")" (ASBJ Guidance No. 26, March 28, 2016) and revised part of accounting method on recoverability of deferred tax assets.
The Company and its domestic subsidiaries followed the provisional treatments in article 49 (4) of Guidance No. 26. The differences between deferred tax assets and liabilities at the beginning of the fiscal year ended March 31, 2017 that were computed in accordance with article 49 (3) and those at the end of the fiscal year ended March 31, 2016 were adjusted to retained earnings and other comprehensive income at the beginning of the fiscal year ended March 31, 2017.

Changes in depreciation method

Effective from the fiscal year ended March 31, 2017, the Group adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) in associated with the amendments to the Japanese Corporation Tax laws. According to this adoption, the Group changed the depreciation method of building facilities and structures acquired after April 1, 2016 from declining-balance method to straight-line method. The impact on the consolidated statements is immaterial.

3. Consolidated Balance Sheet

(1) Pledged assets and related debt

① Pledged assets

Land	¥ 6,310 Million
Investment securities	3,172 Million
Other assets (Investments and other assets)	1,593 Million
Buildings and structures	1,236 Million
Machinery, vehicles and equipment	6 Million
Total	12,319 Million

② Debt related to the assets

Long-term non-recourse loans payable	¥ 2,950 Million
Long-term borrowings	1,600 Million
Non-recourse bonds payable	500 Million
Short-term non-recourse loans payable	100 Million
Total	5,150 Million

There are assets pledged as collateral for borrowings of non-consolidated companies other than above.

(2) Accumulated depreciation of tangible fixed assets ¥ 123,314 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.

KAGA ASCON Co., Ltd.	¥ 486 Million
Housing loans	73 Million
Others (3 companies)	126 Million
Total	686 Million

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

The amounts 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, 2017 (including the excess amount of ¥-26 million related to investment and rental property.) [Negative sign "-" shows unrealized gain.]

¥ 3,702 Million

(5) Cost of uncompleted contracts in relation to

allowance for losses on construction contracts ¥ 2,613 Million

4. Consolidated Statement of Income

(1) Net sales recognized on the percentage-of-completion method ¥ 1,033,184 Million

(2) Allowance for losses on construction contracts included in cost of sales ¥ 12,262 Million

(3) Research and development expenses ¥ 11,164 Million

5. Consolidated Statement of Changes in Net Assets

(1) Number of outstanding shares (in thousands share) 1,146,752

(2) Dividends

① Dividends paid

Resolution	Class of stocks	Total amount of dividends	Dividends per share	Record date	Effective date
June 29, 2016 Annual shareholders' meeting	Common stock	¥ 12,868 Million	¥ 11.00	March 31, 2016	June 30, 2016
November 11, 2016 Board meeting	Common stock	¥ 9,162 Million	¥ 8.00	September 30, 2016	December 2, 2016

② Dividends with the record date in the year ended March 31, 2017 and the effective date in the subsequent fiscal year

The Company will propose to the annual shareholders' meeting on June 29, 2017 that the dividends on the common stocks will be as follows:

- Total amount of dividends ¥ 13,744 Million
- Dividends per share ¥ 12.00
- Record date March 31, 2017
- Effective date June 30, 2017

The dividends will be allocated from retained earnings.

6. 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	535,592	535,592	–
② Notes and accounts receivable, trade	420,131	420,131	–
③ Investment securities			
Debt securities intended to be held to maturity	569	583	14
Available-for-sale securities	243,869	243,869	–
〔LIABILITIES〕			
① Notes and accounts payable, trade	424,493	424,493	–
② Short-term borrowings	114,600	114,859	(258)
③ Short-term non-recourse loans payable	100	100	(0)
④ Straight bonds due within one year	10,000	10,109	(109)
⑤ Deposits received	171,132	171,132	–
⑥ Straight bonds	30,000	30,417	(417)
⑦ Non-recourse bonds payable	500	507	(7)
⑧ Long-term borrowings	79,995	80,850	(855)
⑨ Long-term non-recourse loans payable	2,950	2,999	(49)
〔Derivative financial instruments〕 (*)	22	22	–

(*)Note The assets and liabilities are reported as net amount.

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

〔ASSETS〕

① Cash and time deposits

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

② Notes 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.

③ Investment 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.

〔LIABILITIES〕

① Notes and accounts payable, trade , ②Short-term borrowings and ⑤Deposits received

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.

③ Short-term non-recourse loans payable and ⑦Non-recourse bonds payable and
⑧ Long-term borrowings and ⑨ Long-term non-recourse loans payable

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.

④ Straight bonds due within one year and ⑥ Straight 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.

[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 ¥64,575 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.

7. 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
56,693	63,452

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 (¥219 million).

Note3: The fair value of investment and rental property as of March 31, 2017 is mainly calculated by the Company according to the appraisal standard of real-estate and is adjusted using official indices.

8. Per Share Data

(1) Net assets per share (in Yen)	¥ 496.60
(2) Net income per share (in Yen)	¥ 78.57

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(Year ended March 31, 2017)

	Millions of Yen			
	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in-capital	Other capital surplus	Total capital surplus
Balance as of April 1, 2016	122,742	66,832	37,650	104,482
Changes during the period				
Provision of other reserve				
Dividends				
Net income				
Acquisition of treasury stock				
Sale of treasury stock			0	0
Retirement of treasury stock			(19,314)	(19,314)
Transfer from additional paid-in-capital to other capital surplus		(36,146)	36,146	–
Changes other than shareholders' equity, net				
Total changes during the period	–	(36,146)	16,831	(19,314)
Balance as of March 31, 2017	122,742	30,686	54,481	85,167

	Millions of Yen					
	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 as of April 1, 2016	1,414	62,500	63,193	127,107	(394)	353,937
Changes during the period						
Provision of other reserve		32,000	(32,000)	–		–
Dividends			(22,031)	(22,031)		(22,031)
Net income			91,087	91,087		91,087
Acquisition of treasury stock					(20,031)	(20,031)
Sale of treasury stock					0	0
Retirement of treasury stock					19,314	–
Transfer from additional paid-in-capital to other capital surplus						–
Changes other than shareholders' equity, net						
Total changes during the period	–	32,000	37,055	69,055	(716)	49,025
Balance as of March 31, 2017	1,414	94,500	100,249	196,163	(1,110)	402,962

	Millions of Yen			
	Accumulated gains from valuation			Total net assets
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Total accumulated gains from valuation	
Balance as of April 1, 2016	82,900	–	82,900	436,838
Changes during the period				
Provision of other reserve				–
Dividends				(22,031)
Net income				91,087
Acquisition of treasury stock				(20,031)
Sale of treasury stock				0
Retirement of treasury stock				–
Transfer from additional paid-in-capital to other capital surplus				–
Changes other than shareholders' equity, net	(2,799)	(0)	(2,799)	(2,799)
Total changes during the period	(2,799)	(0)	(2,799)	46,225
Balance as of March 31, 2017	80,101	(0)	80,101	483,064

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presenting Non-consolidated Financial Statements:

The accompanying Non-consolidated financial statements of Taisei Corporation (the "Company") has been prepared in accordance with the provisions set forth in the Japanese Companies Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 and structures

Buildings and structures are depreciated using the straight-line method.

・Other tangible fixed assets

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

(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 obligations 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.
Actuarial gains and losses are amortized from the subsequent fiscal 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.

【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

【Retirement benefits for employees】

The accounting treatment on unrecognized actuarial gains and losses and unrecognized past service cost with respect to retirement benefits is different from that applied in the consolidated financial statements.

【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.

【Income taxes】

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

2. Changes in accounting policy

Changes in depreciation method

Effective from the fiscal year ended March 31, 2017, the Company adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) in associated with the amendments to the Japanese Corporation Tax laws. According to this adoption, the Company changed the depreciation method of building facilities and structures acquired after April 1, 2016 from declining-balance method to straight-line method. The impact on the non-consolidated statements is immaterial.

3. Non-consolidated Balance Sheet

(1) Pledged assets and related debt

① Pledged assets

Investments in subsidiaries and affiliates	¥ 2,298 Million
Long-term loans receivable	1,439 Million
Total	3,738 Million

② Debt related to the assets — Million

The assets are pledged as collateral for borrowings of affiliates.

(2) Accumulated depreciation of tangible fixed assets ¥ 50,489 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.	¥ 2,150 Million
Others (1 company)	98 Million
Total	2,248 Million

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

The amount indicates 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	¥ 7,757 Million
Long-term	¥ 9,653 Million

Payables to subsidiaries and affiliates

Short-term	¥ 77,385 Million
Long-term	¥ 17 Million

(5) Cost of uncompleted contracts in relation to

allowance for losses on construction contracts ¥ 2,601 Million

4. Non-consolidated Statement of Income

(1) Net sales recognized on the percentage-of-completion method	¥ 955,287 Million
(2) Sales to subsidiaries and affiliates	¥ 16,985 Million
(3) Purchase from subsidiaries and affiliates included in cost of sales	¥ 61,698 Million
(4) Allowance for losses on construction contracts included in cost of sales	¥ 12,126 Million
(5) Transactions other than operating transactions with subsidiaries and affiliates	¥ 1,342 Million
(6) Research and development expenses	¥ 11,090 Million

5. Non-consolidated Statement of Changes in Net Assets

Class and number of treasury stock (in thousands share) at the yearend	Common stock 1,408

6. Deferred Income Taxes

Significant components of deferred income tax assets and liabilities

Deferred income tax assets:	
Retirement benefits for employees	¥ 29,929 Million
Inventories	15,239 Million
Investments in subsidiaries and affiliates	12,501 Million
Accrued bonuses	5,063 Million
Bad debt losses and allowance for doubtful accounts	3,066 Million
Others	6,500 Million
Subtotal	72,301 Million
Less valuation allowance	(14,200) Million
Total deferred income tax assets	58,100 Million
Deferred income tax liabilities:	
Unrealized gains on available-for-sale securities	¥ (35,318) Million
Gains on securities contribution to employee retirement benefit trust	(17,710) Million
Others	(645) Million
Total deferred income tax liabilities	(53,674) Million
Net deferred income tax assets	¥ 4,426 Million

7. Related Party Transactions

(1) Related companies - Subsidiaries and affiliates

① Description of transactions

Attribution	Name	Voting right share owing (share owned)	Relationship	Nature of transaction	Amounts of transaction	Accounts	Closing balance
Subsidiary	TAISEI YURAKU REAL ESTATE Co., Ltd.	100%	Guaranties of liabilities	Guaranties of liabilities	¥ 2,150 Million	—	¥ —

② Business conditions and policy of business conditions
Guaranties of liabilities are for the borrowings from financial institutions.

8. Per Share Data

(1) Net assets per share	¥ 421.76
(2) Net income per share	¥ 79.03

9. Others

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year ended March 31, 2017, the Company adopted "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).