

**Filling the Map with Memories**



**TAISEI CORPORATION**

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# TAISEI

ANNUAL REPORT 2008

FOR A LIVELY WORLD



## Supporting modern society and environmental protection through technical development

In the 135 years since its establishment, Taisei Corporation has developed a track record of outstanding construction project achievements in Japan and overseas. Our corporate beginnings coincided with Japan's development as a modern nation, and as people's aspirations and society's expectations have changed through the years, we too have adapted and grown to become a recognized leader in the construction industry.

Our expertise extends to building construction, civil engineering, international operations, real estate development, engineering, environmental solutions and housing. We have been primary contractor on some of the world's most significant infrastructure projects, including hydroelectric power stations, tunnels, and initiatives in developing nations.

As the world enters the second century of modern urban construction, the need is stronger than ever for historic preservation, environmental protection, and the creation of attractive private and public spaces. Supported by Taisei's strong financial base and sound management principles, our research and development activities are helping create the new technologies and methods needed to meet the demands of this modern society.

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*New Iloilo Airport Development Project (Philippine)*



# Financial Highlights

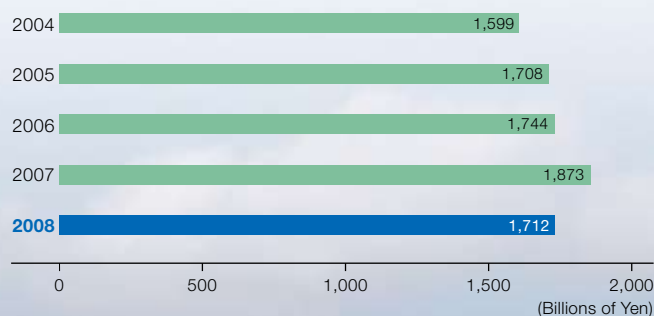


TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

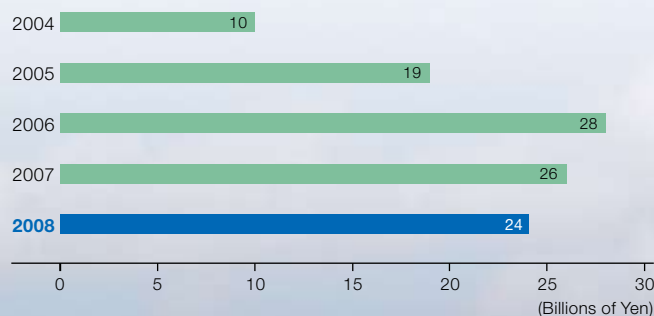
	Millions of Yen (except for per share figures)		Thousands of U.S. Dollars*	Change (%)
	2007	2008	2008 (except for per share figures)	
Contract backlog at the beginning of the year .....	¥1,841,774	¥1,843,576	\$18,400,798	0.1%
New orders received during the year .....	1,875,127	1,753,692	17,503,663	(6.5)
Net sales .....	1,873,325	1,711,714	17,084,679	(8.6)
Contract backlog at the end of the year .....	¥1,843,576	¥1,885,554	\$18,819,782	2.3%
Net income .....	¥ 26,222	¥ 24,447	\$ 244,006	(6.8)%
Per share (in yen and dollars) .....	24.64	22.97	0.229	(6.8)
Cash dividends applicable to the year .....	6,386	6,386	63,739	0.0
Per share (in yen and dollars) .....	6.00	6.00	0.060	-
Net assets .....	421,731	373,988	3,732,788	-
Per share (in yen and dollars) .....	365.72	318.12	3.175	(13.0)
Total assets .....	1,989,319	1,739,483	17,361,842	(12.6)

\* U.S. dollar amounts above and elsewhere in this Annual Report were translated from yen, for convenience only, at the rate of US \$1 = ¥100.19, the approximate exchange rate at March 31, 2008.

## Net Sales



## Net Income







## Filling the Map





*The Palm-Jumeirah, Vehicular Tunnel-Spine to Crescent Contract No. JAP006/C121 (U.A.E.)*

## with Memories



*Hida Tunnel (Phase 4), Tokai Hokuriku Expressway (Gifu Pref.)*



*The Peninsula Tokyo (Tokyo)*

# Message from the Management

## Basic Management Policy

We, Taisei Corporation, upholding our corporate ideals “to create a vibrant environment for all members of society,” pursue our business activities with our core strengths of construction and engineering services, and strive to contribute to society by developing a safe and comfortable infrastructure and living environment and to prosper as a business enterprise continuously.

Taisei Corporation (“The Company”) is also working to become a company that is trusted by society by fulfilling our corporate social responsibility such as establishing our own corporate ethics and ensuring compliance.

Taisei Corporation and its consolidated subsidiaries (“Taisei Corporation Group”) will contribute to society by conducting business under the group vision of “contributing to society by creating and providing new value with technology and know-how as a company with construction as core strength.”

## Results

The world economy was influenced in various ways due to the increased concern over recession of the American economy as a result of the credit contraction caused by the subprime loan crisis.

Concerning the Japanese economy, capital investment and export, the main driving force of the economy, remained on a stable growth path due to the active economies of China and other emerging countries despite concerns about the impact of a strong yen and rising prices in raw material including crude oil. However, overall economy continued to lack robustness as consumer spending remained sluggish due to restrained income.

Under these conditions, Taisei Corporation Group worked on the three strategic items of “strengthening profitability,” “establishing a strategic order-receiving system,” and “capturing new sources of revenue” based on its Medium-Term Business Plan (fiscal 2007-2009), and was able to record the following results.

## Orders and Sales

Orders decreased 6.5% year on year to ¥1,753.6 billion as a result of drastic decrease in construction business, despite increase in the real estate development business. Sales also decreased 8.6% year on year to ¥1,711.7 billion due to the decrease in construction business.



Kanji Hayama, *Chairman*



Takashi Yamauchi, *President & CEO*



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

Operating income decreased 15.3% year on year to ¥48.8 billion, because of decrease in gross profit on sales caused by decrease in sales, etc., despite reduction in sales, general and administrative expenses. In addition, recurring income decreased 28.3% year on year to ¥39.9 billion due to decrease in operating income and deterioration between non-operating profits and losses caused by exchanges losses from the appreciation of the yen.

Net income decreased 6.8% year on year to ¥24.4 billion due to the counteractions in extraordinary gains and losses caused by the early application of Accounting Standard for Valuation of Inventory in the previous year and an upturn in tax expenses from the sales of shares of a golf club subsidiary.

### **Outlook**

The Japanese economy is expected to decelerate in fiscal 2008 due to concerns about slowing export caused by the deceleration of US economy, restrain in capital investment caused by deteriorated corporate earnings, and sluggish growth in consumer spending due to wage restraints.

For domestic construction market, private-sector investment is expected to weaken and public-sector investment is expected to decrease. However, overseas construction market is expected to continue to be active mainly in Southeast Asia and Middle Eastern oil-producing countries.

Taking into consideration these conditions, for fiscal 2008 (April 1, 2008 – March 31, 2009), the Company expects consolidated sales to reach ¥1,830.0 billion, operating income to total ¥52.0 billion, recurring income to be ¥41.0 billion, and net income to be ¥17.0 billion. The Company also forecasts that new orders will be total ¥1,720.0 billion.

### **Medium- & Long-term Business Strategy**

The Taisei Corporation Group recognizes the importance of a strategy that secures new orders and profit in an increasingly competitive market environment. The following three items are the business strategy stated in the Medium-Term Business Plan (fiscal 2007 – 2009).

- 1) Strengthening profitability
- 2) Establishing a strategic order-receiving system
- 3) Capturing new sources of revenue

葉山莞児

Kanji Hayama  
Chairman

山内隆司

Takashi Yamauchi  
President & CEO



# Year in Review

The Taisei Corporation Group's operations are broadly divided into two segments: Construction and Real Estate Development.

Additional operations, leisure-related business, and property management are included in Other Business

	Billions of Yen		Change
	Fiscal 2006 (2006.4-2007.3)	Fiscal 2007 (2007.4-2008.3)	
<b>Net sales</b> .....	¥ 1,873.3	<b>¥ 1,711.7</b>	(161.6)
Construction.....	1,673.6	<b>1,517.8</b>	(155.8)
Real Estate, Other .....	199.7	<b>193.9</b>	(5.8)
<b>Operating income</b> .....	57.7	<b>48.9</b>	(8.8)
Construction.....	32.4	<b>13.7</b>	(18.7)
Real Estate, Other .....	25.3	<b>35.2</b>	9.9

## Construction

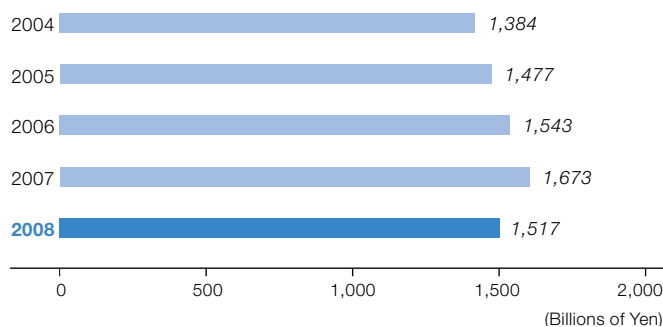
The construction segment comprises building construction, civil engineering, and housing construction operations.

In domestic construction market, private construction investment, which was firm, experienced slow growth due to contraction in real estate funds and impact from the revised building standard law, and public-sector investment also continued to be severe.

In overseas construction market, large-scale construction of infrastructure and buildings were conducted due to strong motivation in investment mainly in Southeast Asia and China, which are experiencing continuous economic growth, and Middle Eastern oil-producing countries with abundant funds.

For the Taisei Corporation Group, consolidated net sales decreased 9.4% year on year to ¥1,522.9 billion due mainly to decrease by Taisei Corporation, and operating income decreased 57.7% year on year to ¥13.7 billion due to deteriorated gross profit on sales.

## Construction Sales (Consolidated)



## Major Projects (Non-Consolidated)

### Orders received

Project	Client
Futakotamagawa East Area Urban Redevelopment Construction-3rd Area (Tokyo)	Futakotamagawa East Area Urban Redevelopment Association
Downtown Jebel Ali Project (U.A.E.)	Limitless L.L.C.
Minato Mirai ODK Building (Kanagawa Pref.)	ODK Tokutei Mokuteki Kaisha
Contract 907 Construction and Completion of Landmark Station Including Associated Tunnels for Downtown line Stage 1 (Singapore)	Land Transport Authority
Metropolitan Area Center Communication Expressway Konishi Construction (Chiba Pref.)	East Nippon Expressway Co., Ltd.

### Completed projects

Project	Client
Central Common Government Offices No.7 Construction Project (Tokyo)	Kasumigaseki Building 7 PFI Co.,Ltd.
The Peninsula Tokyo (Tokyo)	Mitsubishi Estate Co.,Ltd./ Peninsula Tokyo Co., Ltd.
Tokyo Baycourt Club Hotel and Spa Resort(Tokyo)	Resorttrust, Inc.
The Palm-Jumeirah, Vehicular Tunnel-Spine to Crescent Contract No.JAP006/C121 (U.A.E.)	NAKHEEL L.L.C.
Hida Tunnel (Phase4),Tokai Hokuriku Expressway (Gifu Pref.)	Central Nippon Expressway Co., Ltd.

## Real Estate Development

The real estate development segment includes trading of real estate, construction/sales of condominiums, and real estate leasing.

Concerning the real estate sales market, in the condominium sales market, there is an emerging trend of polarization in the sales situation due to location characteristics of real estate, etc., caused by an increase in sales prices and a decrease in the supplied number of houses. In the real estate leasing market, the occupancy rate was maintained at a high level, and rent in the central metropolitan area continued its growth trend, supported by increased demand for offices on account of company business expansions.

Consolidated net sales increased 6.1% year on year to ¥124.9 billion and consolidated operating income increased 43.6% year on year to ¥29.9 billion due to significant increase in revenue by Taisei Corporation.

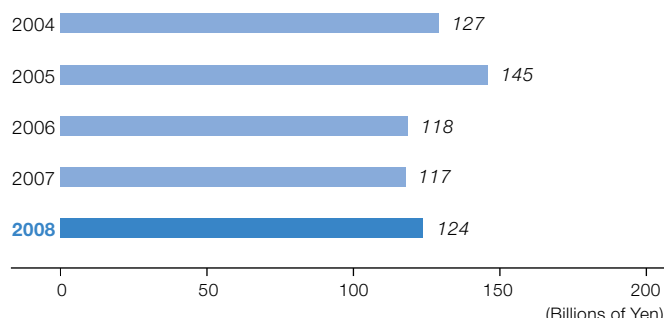
## Other Business

This segment includes leisure-related business, property management, and businesses related to the construction industry such as contracted research.

The property management business, etc., continued to face severe business environment, despite completion of large-scale projects from redevelopment projects mainly in the metropolitan area, due to the continuing price competition between competitors amid diversification of customer needs such as demand for reexamination in terms of management firms and specifications caused by cost reduction as well as increased attention to safety and energy conservation.

Therefore, consolidated sales decreased 12.7% year on year to ¥88.1 billion due to significant decrease in revenue by consolidated subsidiaries, despite increase in sales at Taisei Corporation. However, operating income increased 24.5% year on year to ¥5.2 billion due to upturn in profitability.

## Real Estate Development Sales (Consolidated)



**Central Common Government Offices No.7  
Construction Project (Tokyo)**



## Projects carried over to the next fiscal year

Project	Client
The construction of the East unique share of East-West Motorway (Algeria)	The National Motorways Agency (Ministry of Public Works)
New Doha International Airport Passenger Terminal Complex (Qatar)	New Doha International Airport Steering Committee
Bosphorus Tube Crossing Tunnels and Stations Project, Turkey [Marmaray Project] (Turkey)	The Republic of Turkey, The Ministry of Transportation, Railways, Harbours and Airports
Tokyo International Airport Runway D (Tokyo)	Ministry of Land, Infrastructure and Transport, Kanto Regional Development Bureau
Tsukuba New Facility (Ibaraki Pref.)	Astellas Pharma Inc.

## Financial Section

# Six-Year Summary

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

	Millions of yen (except for per share figures)						Thousands of U.S. Dollars* (except for per share figures)
	2003	2004	2005	2006	2007	2008	2008
<b>Revenue:</b>							
Net sales:							
Construction .....	¥ 1,449,265	¥ 1,383,890	¥ 1,477,387	¥ 1,543,289	¥ 1,673,576	¥ 1,517,770	\$ 15,148,917
Real estate (including other) .....	195,373	214,622	230,566	200,705	199,749	193,944	1,935,762
Total .....	1,644,638	1,598,512	1,707,953	1,743,994	1,873,325	1,711,714	17,084,679
% change from previous year	(1.7)%	(2.8)%	6.8%	2.1%	7.4%	(8.6)%	
<b>Costs and expenses</b>							
Cost of sales .....	1,469,436	1,419,901	1,541,694	1,576,103	1,708,751	1,567,091	15,641,192
Selling, general and administrative expenses .....	125,712	118,712	117,303	112,717	106,901	95,767	955,854
Total .....	1,595,148	1,538,613	1,658,997	1,688,820	1,815,652	1,662,858	16,597,046
<b>Operating income</b> .....	49,490	59,899	48,956	55,174	57,673	48,856	487,633
<b>Income before income taxes and other items</b> .....	29,013	27,782	41,987	50,098	48,698	42,172	420,920
<b>Income taxes</b> .....	14,212	11,886	20,495	19,064	20,248	13,878	138,517
<b>Net income</b> .....	¥ 14,999	10,353	19,098	28,363	¥ 26,222	¥ 24,447	\$ 244,006
<b>Per share of common stock</b>							
(in yen and dollars):							
Shareholders' equity .....	¥ 180.91	¥ 211.70	¥ 242.10	¥ 324.19	¥ 365.72	¥ 318.12	\$ 3.175
Net income .....	15.52	10.80	19.76	26.57	24.64	22.97	0.229
Cash dividends .....	5.00	5.00	5.00	6.00	6.00	6.00	0.060
<b>Financial ratios:</b>							
Net income as a percentage of total revenue .....	0.9%	0.6%	1.1%	1.6%	1.4%	1.4%	
Total costs and expenses as a percentage of total... revenue .....	97.0%	96.3%	97.1%	96.8%	96.9%	97.1%	
Dividends paid as a percentage of net income .....	32.2%	46.3%	25.3%	22.6%	24.4%	26.1%	
<b>Financial position data:</b>							
Current assets .....	¥ 1,173,621	¥ 1,076,988	¥ 1,100,443	¥ 1,078,787	¥ 1,200,945	¥ 1,120,798	\$ 11,186,725
Current liabilities .....	1,217,421	1,141,804	1,130,483	1,084,333	1,161,870	1,003,741	10,018,375
Net property and equipment .....	385,440	314,858	307,239	292,795	270,682	244,594	2,441,301
Long-term debt .....	345,301	307,733	312,450	272,266	276,923	291,550	2,909,971
Shareholders' equity .....	174,538	204,243	257,748	345,151	-	-	-
Net assets .....	-	-	-	-	421,731	373,988	3,732,788
<b>Other data:</b>							
New orders received during the year .....	¥ 1,601,842	¥ 1,539,253	¥ 1,805,425	¥ 1,773,996	¥ 1,875,127	¥ 1,753,692	\$ 17,503,663
Contract backlog at the end of the year .....	1,773,559	1,714,300	1,811,772	1,841,774	1,843,576	1,885,554	18,819,782
Shares issued (thousands)	964,803	964,803	1,064,803	1,064,803	1,064,803	1,064,803	

\*U.S. dollar amounts were translated from yen, for convenience only, at the rate of US \$ 1 = ¥100.19

## Financial Section Financial Review

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

### Results

The world economy was influenced in various ways due to the increased concern over recession of the American economy as a result of the credit contraction caused by the subprime loan crisis.

Concerning the Japanese economy, capital investment and export, the main driving force of the economy, remained on a stable growth path due to the active economies of China and other emerging countries despite concerns about the impact of a strong yen and rising prices in raw material including crude oil. However, overall economy continued to lack robustness as consumer spending remained sluggish due to restrained income.

Under these conditions, Taisei Corporation Group worked on the three strategic items of "strengthening profitability," "establishing a strategic order-receiving system," and "capturing new sources of revenue" based on its Medium-Term Business Plan (fiscal 2007-2009), and was able to record the following results.

### Sales

Sales decreased 8.6% year on year to ¥1,711.7 billion due to the decrease in construction business.

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

Operating income decreased 15.3% year on year to ¥48.8 billion, because of decrease in gross profit on sales caused by decrease in sales, etc., despite reduction in sales, general and administrative expenses. In addition, recurring income decreased 28.3% year on year to ¥39.9 billion due to decrease in operating income and deterioration between non-operating profits and losses caused by exchanges losses from the appreciation of the yen.

Net income decreased 6.8% year on year to ¥24.4 billion due to the counteractions in extraordinary gains and losses caused by the early application of Accounting Standard for Valuation of Inventory in the previous year and an upturn in tax expenses from the sales of shares of a golf club subsidiary.

## Financial Positions

### 1) Assets

Total consolidated assets decreased ¥249.8 billion (12.6% year on year) to ¥1,739.4 billion. In addition to decrease in accounts receivable on completed works due to progress in recovery, the value of investment securities decreased due to stock market decline.

### 2) Liabilities

Total liabilities decreased ¥202.0 billion (12.9% year on year) to ¥1,365.4 billion. Since the end of the business term fell on a holiday, there was a decrease in payables (trade notes and trade accounting) and accounts payable on construction, which recorded high amount in the previous term-end, and a decrease in deferred tax liabilities related to investment securities on account of stock market decline.

### 3) Net Assets

Despite the reported net profits, total net assets decreased ¥47.7 billion (11.3% year on year) to ¥373.9 billion due to decrease of net unrealized holding gains on securities due to stock market decline.

## Cash flows

### 1) Cash flows from operating activities

Net cash used for operating activities was ¥65.1 billion compared to net cash provided in the previous year of ¥47.2 billion despite the Company recording ¥42.1 billion in income before taxes and other items, due to factors such as significant decrease in accounts payable.

### 2) Cash flows from investing activities

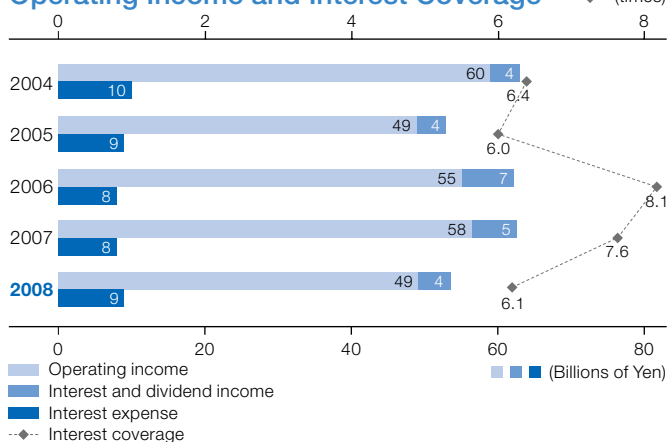
Net cash provided by investing activities amounted to ¥3.0 billion compared to net cash provided in the previous year of ¥2.1 billion due to selling of investment securities, etc.

### 3) Cash flows from financing activities

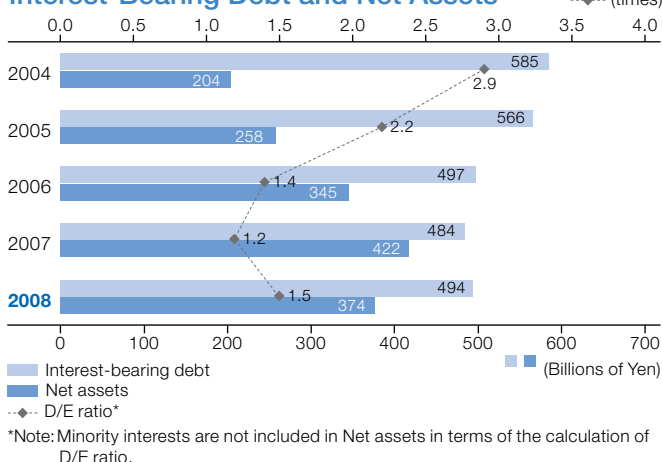
Net cash provided by financing activities amounted to ¥2.7 billion compared to net cash used in the previous year of ¥17.0 billion due to increase in interest-bearing debt, etc.

As a result, cash and cash equivalents as of March 31, 2008 was ¥92.7 billion, ¥62.0 billion less than for the previous fiscal year.

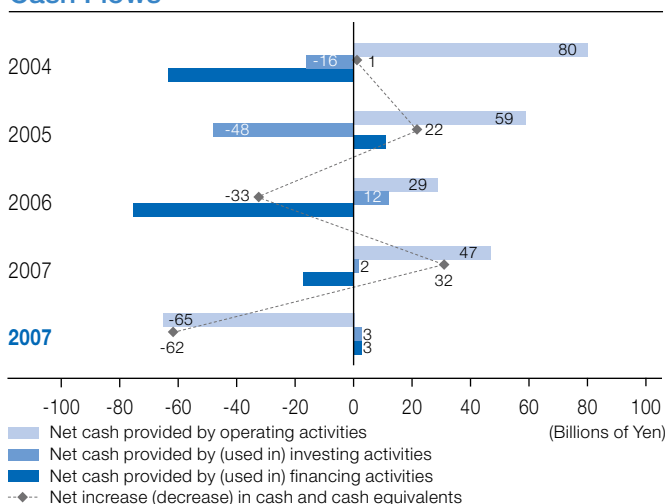
## Operating Income and Interest Coverage



## Interest-Bearing Debt and Net Assets



## Cash Flows



Note: Net increase (decrease) in cash includes the effect of exchange rate changes, not the increase by newly consolidated and excluded subsidiaries.



## Financial Section

# Consolidated Balance Sheets

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2008	2008
<b>Current assets:</b>			
Cash and time deposits (Notes 3 and 6).....	¥ 155,552	¥ 94,190	\$ 940,114
Receivables:			
Trade notes (Note 4 and 6).....	24,368	19,412	193,752
Trade accounts (Note 4 and 16).....	517,519	447,749	4,468,999
Loans.....	86	79	788
Allowance for doubtful accounts.....	(1,572)	(1,216)	(12,137)
Inventories:			
Development projects in progress, real estate development (Note 6).....	68,891	82,997	828,396
Raw materials and supplies.....	97,139	104,548	1,043,497
Cost of uncompleted contracts.....	206,544	218,140	2,177,263
Deferred income taxes (Note 8).....	55,992	54,020	539,176
Prepaid expenses and other current assets (Notes 4 and 6).....	76,426	100,879	1,006,877
Total current assets.....	1,200,945	1,120,798	11,186,725
<b>Property and equipment, at cost (Note 19):</b>			
Land (Note 6).....	169,251	153,185	1,528,945
Buildings and structures (Note 6).....	169,312	158,425	1,581,245
Machinery and equipment.....	67,447	65,326	652,021
Construction in progress.....	1,898	1,898	18,944
	407,908	378,834	3,781,155
Accumulated depreciation.....	(137,226)	(134,240)	(1,339,854)
Net property and equipment.....	270,682	244,594	2,441,301
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries and affiliated companies.....	9,474	9,441	94,231
Investment securities (Notes 5 and 6).....	403,114	291,148	2,905,959
Deferred income taxes (Note 8).....	11,803	8,963	89,460
Other assets (Note 6).....	100,295	70,991	708,564
Allowance for doubtful accounts.....	(6,994)	(6,452)	(64,398)
Total investments and other assets.....	517,692	374,091	3,733,816
Total assets.....	¥ 1,989,319	¥ 1,739,483	\$ 17,361,842

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2008	2008
<b>Current liabilities:</b>			
Short-term borrowings (Notes 6 and 7).....	¥ 115,022	¥ 90,178	\$ 900,070
Commercial papers (Note 7) .....	-	19,996	199,581
Long-term debt due within one year (Notes 6 and 7) .....	92,083	91,863	916,888
Trade payables:			
Notes (Note 4) .....	66,896	51,999	519,004
Accounts .....	526,367	436,484	4,356,563
Advances received and progress billings on uncompleted contracts .....	198,972	163,518	1,632,079
Income taxes payable (Note 8) .....	8,354	3,331	33,247
Deposits received .....	97,343	86,574	864,098
Allowance for losses on construction contracts .....	5,274	10,168	101,487
Other current liabilities (Note 4) .....	51,559	49,630	495,358
Total current liabilities .....	1,161,870	1,003,741	10,018,375
 Long-term debt (Notes 6 and 7) .....	276,923	291,550	2,909,971
Allowance for employees' severance and retirement benefits (Note 9) .....	29,891	24,581	245,344
Allowance for accrued severance indemnities to directors and corporate auditors ..	829	822	8,204
Deferred income taxes (Note 8) .....	50,133	5,557	55,465
Deferred income taxes for revaluation of land (Notes 8 and 17) .....	9,122	9,122	91,047
Allowance for losses on investments in subsidiaries and affiliates .....	1,084	619	6,178
Allowance for environmental spending .....	445	440	4,392
Other non-current liabilities .....	37,291	29,063	290,078
Total long-term debt .....	405,718	361,754	3,610,679
 Contingent liabilities and commitments (Note 15)			
 Net assets (Notes 10 and 20):			
Shareholders' equity :			
Common stock			
Authorized: 2,200,000,000 shares			
Issued: 1,064,802,821 shares .....	112,448	112,448	1,122,348
Capital surplus .....	79,475	79,474	793,233
Retained earnings .....	74,893	91,417	912,436
Less-Treasury stock, at cost .....	(179)	(204)	(2,036)
Total shareholders' equity .....	266,637	283,135	2,825,981
 Valuation and translation adjustments:			
Unrealized holding gains on securities, net of taxes .....	124,240	57,656	575,467
Unrealized gains on hedging derivatives, net of taxes .....	136	(394)	(3,933)
Revaluation reserve for land (Note 17) .....	(999)	(982)	(9,801)
Foreign currency translation adjustments .....	(761)	(844)	(8,424)
Total valuation and translation adjustments .....	122,616	55,436	553,309
Minority interests: .....	32,478	35,417	353,498
Total net assets .....	421,731	373,988	3,732,788
Total liabilities and net assets .....	¥ 1,989,319	¥ 1,739,483	\$ 17,361,842

# Financial Section

## Consolidated Statements of Income

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2008	2008
<b>Revenue:</b>			
Net sales (Note 13):			
Construction .....	¥ 1,673,576	¥ 1,517,770	\$ 15,148,917
Real estate (including other) .....	199,749	193,944	1,935,762
	1,873,325	1,711,714	17,084,679
<b>Costs and expenses (Note 13):</b>			
Cost of sales (Note 18) .....	1,708,751	1,567,091	15,641,192
Selling, general and administrative expenses (Note 18) .....	106,901	95,767	955,854
	1,815,652	1,662,858	16,597,046
<b>Operating income</b> .....	57,673	48,856	487,633
<b>Other income (expense):</b>			
Interest and dividend income .....	4,883	4,679	46,701
Income from investments in silent partnership .....	3,356	-	-
Interest expense .....	(8,208)	(8,792)	(87,753)
Miscellaneous taxes .....	(1,700)	(1,422)	(14,193)
Gains on sale of investment securities .....	5,141	6,077	60,655
Gains on sale of property and equipment .....	378	1,960	19,563
Gains on sale of a business .....	19,928	-	-
Losses on investments in related companies .....	(1,110)	(1,319)	(13,165)
Impairment losses on fixed assets (Note 19) .....	(3,607)	(3,450)	(34,435)
Losses on revaluation of inventories .....	(23,898)	-	-
Other, net .....	(4,138)	(4,417)	(44,086)
	(8,975)	(6,684)	(66,713)
<b>Income before income taxes and other items</b> .....	48,698	42,172	420,920
<b>Income taxes (Note 8):</b>			
Current .....	(11,541)	(7,218)	(72,043)
Deferred .....	(8,707)	(6,660)	(66,474)
	(20,248)	(13,878)	(138,517)
<b>Income before minority interests</b> .....	28,450	28,294	282,403
<b>Minority interest in net income of consolidated subsidiaries</b> .....	(2,228)	(3,847)	(38,397)
<b>Net income</b> .....	¥ 26,222	¥ 24,447	\$ 244,006

	Yen		U.S. Dollars (Note 1)
<b>Amounts per share of common stock:</b>			
Net income (Note 20) .....	¥ 24.64	¥ 22.97	\$ 0.229
Cash dividends applicable to the year .....	6.00	6.00	0.060

See accompanying notes.

## Consolidated Statements of Changes in Net Assets

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

Millions of Yen												
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains on securities, net of taxes	Unrealized gains on hedging derivatives, net of taxes	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
<b>Balance at March 31, 2006</b>	¥ 112,448	¥ 79,475	¥ 54,143	¥ (158)	¥ 245,908	¥ 101,252	¥ -	¥ (980)	¥ (1,029)	¥ 99,243	¥ 28,837	¥ 373,988
Dividends .....	-	-	(6,386)	-	(6,386)	-	-	-	-	-	-	(6,386)
Bonuses to directors and corporate auditors	-	-	(82)	-	(82)	-	-	-	-	-	-	(82)
Net income.....	-	-	26,222	-	26,222	-	-	-	-	-	-	26,222
Sale of treasury stock .....	-	0	-	13	13	-	-	-	-	-	-	13
Acquisition of treasury stock .....	-	-	-	(34)	(34)	-	-	-	-	-	-	(34)
Reversal of revaluation reserve for land .....	-	-	19	-	19	-	-	(19)	-	(19)	-	0
Increase due to revaluation of assets of consolidated overseas subsidiaries	-	-	977	-	977	-	-	-	-	-	-	977
Foreign currency translation adjustments of consolidated overseas subsidiaries	-	-	0	-	0	-	-	-	-	-	-	0
Changes other than shareholders' equity, .... net	-	-	-	-	-	22,988	136	-	268	23,392	3,641	27,033
<b>Balance at March 31, 2007</b>	112,448	79,475	74,893	(179)	266,637	124,240	136	(999)	(761)	122,616	32,478	421,731
Dividends .....	-	-	(6,386)	-	(6,386)	-	-	-	-	-	-	(6,386)
Net income.....	-	-	24,447	-	24,447	-	-	-	-	-	-	24,447
Sale of treasury stock .....	-	(1)	-	11	10	-	-	-	-	-	-	10
Acquisition of treasury stock .....	-	-	-	(36)	(36)	-	-	-	-	-	-	(36)
Reversal of revaluation reserve for land .....	-	-	(17)	-	(17)	-	-	17	-	17	-	-
Increase due to revaluation of assets of consolidated overseas subsidiaries	-	-	(1,520)	-	(1,520)	-	-	-	-	-	-	(1,520)
Foreign currency translation adjustments of consolidated overseas subsidiaries	-	-	0	-	0	-	-	-	-	-	-	0
Changes other than shareholders' equity, .... net	-	-	-	-	-	(66,584)	(530)	-	(83)	(67,197)	2,939	(64,258)
<b>Balance at March 31, 2008</b>	¥ 112,448	¥ 79,474	¥ 91,417	¥ (204)	¥ 283,135	¥ 57,656	¥ (394)	¥ (982)	¥ (844)	¥ 55,436	¥ 35,417	¥ 373,988

Thousands of U.S. Dollars (Note 1)												
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains on securities, net of taxes	Unrealized gains on hedging derivatives, net of taxes	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
<b>Balance at March 31, 2007</b>	\$1,122,348	\$793,243	\$747,510	\$(1,787)	\$2,661,314	\$1,240,044	\$ 1,357	\$(9,971)	\$(7,595)	\$1,223,835	\$324,163	\$4,209,312
Dividends .....	-	-	(63,739)	-	(63,739)	-	-	-	-	-	-	(63,739)
Net income.....	-	-	244,006	-	244,006	-	-	-	-	-	-	244,006
Sale of treasury stock .....	-	(10)	-	110	100	-	-	-	-	-	-	100
Acquisition of treasury stock .....	-	-	-	(359)	(359)	-	-	-	-	-	-	(359)
Reversal of revaluation reserve for land .....	-	-	(170)	-	(170)	-	-	170	-	170	-	-
Increase due to revaluation of assets of consolidated overseas subsidiaries	-	-	(15,171)	-	(15,171)	-	-	-	-	-	-	(15,171)
Foreign currency translation adjustments of consolidated overseas subsidiaries	-	-	0	-	0	-	-	-	-	-	-	0
Changes other than shareholders' equity, .... net	-	-	-	-	-	(664,577)	(5,290)	-	(829)	(670,696)	29,335	(641,361)
<b>Balance at March 31, 2008</b>	\$1,122,348	\$793,233	\$912,436	\$(2,036)	\$2,825,981	\$ 575,467	\$(3,933)	\$(9,801)	\$(8,424)	\$ 553,309	\$353,498	\$3,732,788



## Consolidated Statements of Cash Flows

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2008	2008
<b>Cash flows from operating activities:</b>			
Income before income taxes and other items	¥ 48,698	¥ 42,172	\$ 420,920
Adjustments to reconcile income before income taxes and other items to net cash provided by operating activities:			
Depreciation and amortization	11,669	10,696	106,757
Impairment losses on fixed assets	3,607	3,450	34,435
Decrease allowance for doubtful accounts	(1,192)	(896)	(8,943)
Increase (decrease) allowance for losses on construction contracts	(2,721)	4,894	48,847
Decrease in retirement benefits	(6,992)	(5,308)	(52,979)
Increase (decrease) allowance for losses on investments in subsidiaries and affiliates	1,084	(465)	(4,641)
Interest and dividend income	(4,883)	(4,679)	(46,701)
Interest expense	8,208	8,792	87,753
Write-down of investment securities	170	1,601	15,980
Gains on sale of investment securities	(5,141)	(6,077)	(60,655)
Losses on revaluation of inventories	23,898	-	-
Gains on sale of property and equipment	(378)	(1,960)	(19,563)
Gains on sale of a business	(19,928)	-	-
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	(117,984)	74,548	744,066
Decrease (increase) in cost on uncompleted contracts	29,835	(12,637)	(126,130)
Increase in inventories other than cost on uncompleted contracts	(25,003)	(13,519)	(134,934)
Increase (decrease) in trade payables	105,329	(106,167)	(1,059,657)
Decrease in advances received and progress billings on uncompleted contracts	(14,219)	(35,478)	(354,107)
Increase (Decrease) in deposit received	1,016	(10,638)	(106,178)
Other, net	225	2,229	22,248
	35,298	(49,442)	(493,482)
<b>Cash received (paid) during the year for:</b>			
Interest and dividends received	27,853	5,288	52,780
Interest paid	(8,201)	(8,711)	(86,945)
Income taxes paid	(7,684)	(12,249)	(122,258)
Net cash provided by (used in) operating activities	47,266	(65,114)	(649,905)
<b>Cash flows from investing activities:</b>			
Decrease (increase) in time deposits	2,094	(642)	(6,408)
Increase in short-term loans receivable	(460)	-	-
Purchase of marketable and investment securities	(11,383)	(25,200)	(251,522)
Proceeds from sale of marketable and investment securities	9,599	28,001	279,479
Purchase of property, equipment and intangible assets	(14,674)	(9,117)	(90,997)
Proceeds from sale of property, equipment and intangible assets	19,729	5,461	54,506
Net payment for sale of shares of subsidiaries	(876)	-	-
Net proceeds from sale of shares of subsidiaries	-	3,729	37,219
Other, net	(1,900)	779	7,776
Net cash provided by investing activities	2,129	3,011	30,053
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings	16,842	(24,829)	(247,819)
Increase in commercial papers	-	19,996	199,581
Proceeds from long-term debt	99,399	108,657	1,084,509
Repayment of long-term debt	(129,260)	(94,293)	(941,142)
Proceeds from issuance of stocks to minority shareholders	2,702	-	-
Cash dividends paid, including those to minority interest	(6,689)	(6,775)	(67,622)
Other, net	(21)	(26)	(259)
Net cash provided by (used in) financing activities	(17,027)	2,730	27,248
<b>Effect of exchange rate changes on cash and cash equivalents</b>	425	(2,631)	(26,260)
<b>Net increase (decrease) in cash and cash equivalents</b>	32,793	(62,004)	(618,864)
<b>Cash and cash equivalents at beginning of year</b>	121,948	154,741	1,544,475
<b>Cash and cash equivalents at end of year (Note 3)</b>	¥ 154,741	¥ 92,737	\$ 925,611

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange 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.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure) from the consolidated financial statements of Taisei Corporation (the "Company")

prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 to U.S. \$1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. Summary of Significant Accounting Policies

### (a) Consolidation and equity method

The consolidated financial statements include the accounts of the Company and 38 and 36 of its subsidiaries in the years ended March 31, 2007 and 2008, respectively. All significant intercompany transactions and account balances were eliminated in consolidation. Investments in significant affiliates, which were 9 companies for 2007 and 2008, were accounted for by the equity method.

The consolidated financial statements are required to include the accounts of the Company and significant companies which are controlled by the Company through substantial ownership of more than 50% of the voting rights or through ownership of high percentage of the voting rights, even if it is equal to or less than 50%, and existence of certain conditions evidencing controls by the Company of decision-making body of such companies.

Investments in significant affiliated companies, of which the Company has ownership of 20% or more but less than or equal to 50%, and of 15% or more and less than 20% and can exercise significant influences over operating financial policies of investees, have been accounted for by the equity method.

All consolidated subsidiaries have the same balance sheet date, March 31, corresponding with that of the Company, except for 9 consolidated overseas subsidiaries for 2007 and 2008, whose fiscal years end on December 31. Significant transactions, if any, in the period until ended March 31, 2007 and 2008 were adjusted in the respective consolidated financial statements.

### (b) Valuation of Assets and Liabilities of Subsidiaries

In the elimination of the investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on their fair value at the time the Company acquired control of the respective subsidiaries.

### (c) Consolidation Adjustments Account

Significant excesses of investment cost over net equity of consolidated subsidiaries and affiliated companies accounted for under the equity method are recognized as consolidation adjustments, and they are amortized principally over five years on a straight-line basis.

### (d) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates. The resulting exchange gains and losses are reflected in the consolidated statements of income. All revenues and expenses associated with foreign currencies are translated at rates of exchange prevailing when such transactions are made.

The financial statements of consolidated foreign subsidiaries and affiliated companies under the equity method are translated into

Japanese yen at exchange rates prevailing at the respective year-end dates except for shareholders' equity accounts, which are translated at historical rates. The resulting foreign currency translation adjustments are presented in accumulated gains (losses) from valuation and translation adjustments in the net assets section of the consolidated balance sheets.

### (e) Cash and cash equivalents in the Consolidated Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase and with insignificant risks of change in value are considered to be cash and cash equivalents.

### (f) Marketable and Investment Securities

Marketable and investment securities are classified, depending on management's intent, as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies that are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of accumulated gains (losses) from valuation and translation adjustments in the net assets section. Realized gains and losses on sale of such securities are computed using moving-average cost. Debt securities with no available fair market value are stated at amortized cost, net of an amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

### (g) Construction Contracts

The great majority of short-term and long-term construction contracts are accounted for by the completed-contract method. However, certain long-term and large-scale construction contracts are accounted for by the percentage-of-completion method.

The percentage-of-completion method is applied to constructions with a construction period exceeding 12 months and a contract amount of ¥1,000 million (\$9,981 thousand) or more.

Expenditures in connection with uncompleted contracts to be charged to cost of contracts at a time of completion are included in current assets. These expenditures are not offset against advances

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

received and progress billings on uncompleted contracts, which are instead included in the current liabilities.

#### (h) Real Estate Business

The Company and its certain subsidiaries develop real estate projects on their own account. Real estate inventories, including work in process of development, are mainly stated at the lower of cost based on the specific-identification cost method or net realizable value. For this purpose, the cost includes the purchase cost of land, incidental costs, direct development costs and (in relation to certain developments by one of the subsidiaries) interest expense. Revenues from sales are recognized when titles of properties sold are transferred to customers.

#### (i) Property and Equipment

Property and equipment except for buildings are recorded at cost and depreciated principally by the declining-balance method using standard useful lives prescribed in the Corporation Tax Law. Buildings are principally depreciated using the straight-line method.

Effective for the year ended March 31, 2008, the Company and its certain domestic consolidated subsidiaries have changed the depreciation method for tangible fixed assets acquired on and after April 1, 2007 in accordance with the revision of the Japanese Corporate Tax Law (Law for Partial Revision of the Income Tax Law and the Cabinet Order No.83). This change has no material impact on the consolidated financial statements.

In accordance with the revision of the Japanese Corporate Tax Law, the Company and its certain domestic consolidated subsidiaries depreciate the difference between 5% of the acquisition price and memorandum price of the tangible fixed asset acquired before March 31, 2007 over five years from the fiscal year following the year in which the tangible fixed asset is depreciated to 5% of the acquisition price, based on the depreciation method under the Japanese Corporate Tax Law before the revision.

As a result, operating income and income before income taxes and other items decreased by ¥461 million (\$4,601 thousand) in comparison with what would have been calculated under the former method.

#### (j) Derivatives and Hedge Accounting

Derivative financial instruments are stated at fair value and changes in fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated domestic subsidiaries defer recognition of gains or losses resulting from changes in fair value of the derivative financial instruments until related losses or gains on hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

- (1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
  - a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
  - b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
- (2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction

will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, net amounts to be paid or received under the interest rate swap contracts are added to or deducted from the interest on liabilities for which the swap contract were executed.

#### (k) Lease Transactions

Finance lease transactions that do not transfer ownership of leased assets to a lessee are accounted for in the same manner as operating leases.

#### (l) Allowance for Doubtful Accounts

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

#### (m) Income Taxes

The Company and its wholly owned domestic subsidiaries apply the system of consolidated tax returns.

The Company computes the provision for income taxes based on the pretax income included in the consolidated statement of income and recognizes deferred tax assets and liabilities for expected future tax consequences of temporary differences between the financial statement basis and the tax basis of assets and liabilities.

#### (n) Severance and Retirement Benefits

The Company and certain consolidated subsidiaries provide two types of severance and retirement benefit plans for employees, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Company and its consolidated subsidiaries provided allowance for employees' severance and retirement benefits at year-end based on estimated amounts of projected benefit obligation and fair value of the plan assets at that date.

Allowances for accrued severance indemnities to directors and corporate auditors of certain consolidated subsidiaries have been set up in accordance with each company's regulations.

The Company abolished the retirement benefits plan for directors, corporate auditors and executive officers in the year ended March 31, 2007. As a result, allowance for accrued severance indemnities to directors, corporate auditors and executive officers of the Company was removed and the unpaid portion was included in other non-current liabilities. Allowance for accrued severance indemnities to executive officers was included in Allowance for employees' severance and retirement benefits for the year ended March 31, 2006.

#### (o) 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.

#### (p) 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.

#### (q) Allowance for Environmental Spending

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

Promotion of Proper Treatment of PCB Waste.

**(r) Net Income and Cash Dividends per Share**

Net income per share is calculated by dividing net income available to common shares by the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated similarly, except that it includes the dilutive effect of the assumed exercise of securities.

Diluted net income per share for the years ended March 31, 2007 and 2008 were not shown, since the Company had no securities with dilutive effect to net income per share.

Cash dividends per share shown for each year represent dividends declared as applicable to the respective years.

**(s) Recognizing Appropriations of Retained Earnings**

In accordance with the customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the period in which they were resolved. Retained earnings at March 31, 2008 include amounts representing the year-end cash dividends, which were resolved at the shareholders' meeting held on June 25, 2008 as described in Note 21.

**(t) Accounting Standards for Measurement of Inventories**

Effective for the year ended March 31, 2007, the Company adopted new accounting standards, "Accounting Standards for Measurement of Inventories" ("Statement No.9" issued by the Accounting Standards Board of Japan on July 5, 2006), which was applicable since the year ended March 31, 2007.

In applying the accounting standards, the Company assumed it had been applied also on the beginning balance of the inventory and recognized related losses of ¥ 23,898 million as the other expense. As a result of the change, operating income decreased by ¥ 275 million and income before income taxes and other items decreased by ¥24,173 million in comparison with what would have been calculated under the previous accounting policy.

**(u) Gains on Investments in Real Estate Securitization Business**

Effective for the year ended March 31, 2008, gains on investments in real-property-related SPCs (Special Purpose Companies) were transferred from other income to net sales (real estate (including other)).

This change was made based on the fact that the Company intends to invest in real-property-related SPCs continuously in response to the diversification of real estate development business, and that the materiality of the gains on the investments was increasing. The Company believes that this change will provide a more adequate view of performance.

In addition, partial amendments to the articles of incorporation were approved by the resolution of the shareholders' meeting on June 26, 2007, which added the business of investment in real-property-related SPCs to the purposes of the Company.

As a result of this change, operating income increased by ¥21,400 million (\$213,594 thousand) in comparison with what would have been recorded under the previous accounting policy. However, this change has

no impact on income before income taxes and other items. The effects of this accounting change on segment information are disclosed in Note 14.

**(v) Accounting Standards for Presentation of Net Assets in the Balance Sheet**

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan on December 9, 2005), and guidance on the accounting standards for presentation of net assets in the balance sheet (Guidance No.8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, the "New Accounting Standards").

Under the New Accounting Standards, the balance sheet comprises three sections, which are the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests and the shareholders' equity sections.

Under the New Accounting Standards, the following items are presented differently compared to the previous presentation. The net assets section includes unrealized gains (losses) on hedging derivatives, net of taxes. Under the previous presentation rules, companies were required to present unrealized gains (losses) on hedging derivatives in the assets or liabilities section without considering the related income tax effects. Furthermore minority interests are required to be included in the net assets section under the New Accounting Standards. Under the previous presentation rules, companies were required to present minority interests between the non-current liabilities and shareholders' equity sections.

The adoption of the New Accounting Standards had no impact on the consolidated statement of income for the year ended March 31, 2007 and 2006. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to ¥389,117 million would have been presented.

**(w) Accounting Standards for Statement of Changes in Net Assets**

Effective from the year ended March 31, 2007, the Companies adopted the new accounting standards, "Accounting Standards for Statement of Changes in Net Assets" (Statement No.6 issued by the Accounting Standards Board of Japan on December 27, 2005), and guidance for the accounting standards for statement of changes in net assets (Guidance No.9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, the "Additional New Accounting Standards").

Accordingly, the Company prepared the statements of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. Previously, consolidated statements of shareholders' equity were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required under Japanese GAAP.

**(x) Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported results of operations or retained earnings.



## Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

### 3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Cash and time deposits .....	¥155,552	¥94,190	\$940,114
Less: Time deposits over three months .....	(811)	(1,453)	(14,503)
Cash and cash equivalents .....	¥154,741	¥92,737	\$925,611

### 4. Effect of bank holiday on March 31, 2007

The year-end of March 31, 2007 fell on a bank holiday. Notes maturing on March 31, 2007 were settled on the following business day, April 2, 2007 and accounted for accordingly. The amounts settled on were as follows:

Notes receivable, trade	¥2,631 million
Notes receivable, other	¥199 million
Notes payable, trade	¥11,366 million
Notes payable, other	¥158 million

### 5. Securities

(1) Following tables summarized acquisition costs, book values and fair values of securities with available fair values as of March 31, 2007 and 2008:

#### (a) Held-to-maturity debt securities:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Securities with available fair values exceeding book values .....			
Book value .....	¥ -	¥115	\$1,148
Fair value .....	-	115	1,148
Difference .....	¥ -	¥ 0	\$ 0
Other securities .....			
Book value .....	¥ 270	¥165	\$1,647
Fair value .....	267	165	1,647
Difference .....	¥ (3)	¥ (0)	\$ (0)

#### (b) Available-for-sale securities:

Securities with book values exceeding acquisition costs

Type	Millions of Yen						Thousands of U.S. Dollars		
	2007			2008			2008		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book Value	Difference
Equity securities .....	¥ 125,873	¥ 334,325	¥ 208,452	¥ 112,294	¥ 212,249	¥ 99,955	\$ 1,120,810	\$ 2,118,465	\$ 997,655
Bonds .....	8	11	3	8	11	3	80	110	30
Others .....	1,383	4,365	2,982	1,319	2,729	1,410	13,165	27,238	14,073
Total .....	¥ 127,264	¥ 338,701	¥ 211,437	¥ 113,621	¥ 214,989	¥ 101,368	\$ 1,134,055	\$ 2,145,813	\$ 1,011,758

#### (c) Other securities

Type	Millions of Yen						Thousands of U.S. Dollars		
	2007			2008			2008		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book Value	Difference
Equity securities .....	¥ 7,861	¥ 7,295	¥ (566)	¥ 20,575	¥ 16,960	¥ (3,615)	\$ 205,360	\$ 169,278	\$ (36,082)
Bonds .....	-	-	-	-	-	-	-	-	-
Others .....	371	341	(30)	386	342	(44)	3,852	3,414	(438)
Total .....	¥ 8,232	¥ 7,636	¥ (596)	¥ 20,961	¥ 17,302	¥ (3,659)	\$ 209,212	\$ 172,692	\$ (36,520)

The companies recognized losses on write-down of ¥494 million (\$4,931 thousand) on its available-for-sale securities for the year ended March 31, 2008.

(2) Following tables summarized book values of securities with no available fair values as of March 31, 2007 and 2008:

(a) Held-to-maturity debt securities:

Type	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Unlisted domestic corporate bonds .....	¥ 5,000	¥ 5,000	\$ 49,905

(b) Available-for-sale securities:

Type	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Unlisted equity securities .....	¥ 23,714	¥ 25,260	\$ 252,121
Unlisted preferred equity securities .....	14,133	15,479	154,496
Investments in silent partnership .....	13,513	13,242	132,169
Unlisted domestic bonds .....	504	-	-
Total .....	¥ 51,864	¥ 53,981	\$ 538,786

(3) Redemption schedule of available-for-sale securities with maturities and held-to-maturity debt securities were as follows:

Type	Millions of Yen				
	2007				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Government bonds .....	¥ 15	¥ 255	¥ -	¥ -	¥ 270
Corporate bonds .....	-	11	5,000	-	5,011
Others .....	9	500	-	-	509
Other securities .....	300	54	-	-	354
Total .....	¥ 324	¥ 820	¥ 5,000	¥ -	¥ 6,144

Type	Millions of Yen				
	2008				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Government bonds .....	¥ 24	¥ 256	¥ -	¥ -	¥ 280
Corporate bonds .....	10	-	5,000	-	5,010
Others .....	6	4	-	-	10
Other securities .....	-	31	-	-	31
Total .....	¥ 40	¥ 291	¥ 5,000	¥ -	¥ 5,331

Type	Thousands of U.S. Dollars				
	2008				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Government bonds .....	\$ 240	\$ 2,555	\$ -	\$ -	\$ 2,795
Corporate bonds .....	100	-	49,905	-	50,005
Others .....	60	40	-	-	100
Other securities .....	-	309	-	-	309
Total .....	\$ 400	\$ 2,904	\$ 49,905	\$ -	\$ 53,209

(4) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Total sales of available-for-sale securities sold .....	¥ 9,079	¥ 11,991	¥ 119,683
Gains on sale of available-for-sale securities .....	5,189	6,162	61,503
Losses on sale of available-for-sale securities .....	¥ 48	¥ 85	¥ 848

## Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

## 6. Pledged Assets

The following assets were pledged principally as collateral for short-term borrowings, long-term debt, guarantee deposits received or guarantees

(such as guarantees for the completion of construction contracts) at March 31, 2007 and 2008:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Time deposits.....	¥ 58	¥ 101	¥ 1,008
Receivables: Trade notes and trade accounts.....	-	95	948
Inventories: Cost on uncompleted contracts.....	-	245	2,445
Inventories: Real estate development.....	749	749	7,476
Land.....	15,880	15,880	158,499
Buildings and structures (net of accumulated depreciation).....	14,041	13,291	132,658
Investment securities.....	1,330	1,718	17,147
Other assets.....	1,504	1,797	17,936
Total.....	¥ 33,562	¥ 33,876	¥ 338,117

## 7. Short-term Borrowings, Commercial Papers and Long-term Debt

Short-term borrowings at March 31, 2007 and 2008 mainly consisted of short-term notes and overdrafts from banks. The weighted average interest rates of short-term borrowings at March 31, 2007 and 2008 were 1.3% and 1.4% per annum, respectively.

The Company and its consolidated subsidiaries have had no difficulty in renewing such notes and overdraft facility agreements, when

they considered such renewal advisable.

The weighted average interest rate of commercial papers at March 31, 2008 was 0.7%.

Long-term debt at March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Bonds and notes:			
Issued by the Company:			
2.55% yen bonds due in 2009 .....	¥ 10,000	¥ 10,000	¥ 99,810
1.15% yen bonds due in 2007 .....	15,000	-	-
0.93% yen bonds due in 2008 .....	10,000	10,000	99,810
1.31% yen bonds due in 2008 .....	10,000	10,000	99,810
1.10% yen bonds due in 2009 .....	10,000	10,000	99,810
0.92% yen bonds due in 2009 .....	10,000	10,000	99,810
1.74% yen bonds due in 2011 .....	10,000	10,000	99,810
1.56% yen bonds due in 2011 .....	10,000	10,000	99,810
1.80% yen bonds due in 2014 .....	-	10,000	99,810
Loans, principally from banks and insurance companies:			
Secured loans.....	4,454	4,112	41,043
Unsecured loans.....	279,552	299,301	2,987,336
	369,006	383,413	3,826,859
Amount due within one year .....	(92,083)	(91,863)	(916,888)
Total long-term debt (due after one year).....	¥ 276,923	¥ 291,550	¥ 2,909,971

Long-term loans at March 31, 2007 and 2008 were principally from banks and insurance companies. The weighted average interest of loans at March 31, 2007 and 2008 were 1.3% and 1.5% per annum, respectively.

The aggregate annual maturities of long-term debt (including current portion) at March 31, 2008 were summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2009.....	¥ 91,863	¥ 916,888
2010.....	92,950	927,737
2011.....	70,174	700,409
2012.....	69,267	691,357
2013.....	46,629	465,406
2014 and thereafter .....	12,530	125,062
Total.....	¥ 383,413	¥ 3,826,859

The Company has a commitment line provided by co-financing consisting of seven correspondent financial institutions for the purpose of securing financing in case of an emergency. The commitment line

amount was ¥150,000 million (\$1,497,155 thousand), however, there is no amount of loans as of March 31, 2008.

## 8. Income Taxes

Taxes on income consist of corporation, enterprise and inhabitants taxes. The following table summarized the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2008.

Differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2007 were not disclosed as differences were immaterial.

	2008
Statutory tax rate .....	40.7%
Permanent differences:	
Non-deductible expenses .....	7.4
Non-taxable income .....	(1.9)
Per capita inhabitant tax .....	1.3
Decrease in valuation allowance .....	(3.8)
Liquidation of a consolidated subsidiary and others .....	(10.8)
Effective tax rate .....	32.9%

Significant components of deferred income taxes at March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Deferred income tax assets:			
Disallowed portion of expenses and losses:			
Allowance for employees' severance and retirement benefit .....	¥ 43,287	¥ 40,657	\$ 405,799
Inventories .....	42,262	40,015	399,391
Bad debt expenses and allowance for doubtful accounts .....	5,330	6,020	60,086
Accrued bonuses .....	5,918	5,866	58,549
Fixed assets .....	7,623	5,052	50,424
Investment securities .....	-	2,224	22,198
Others .....	12,311	11,266	112,446
Tax loss carryforward .....	3,767	4,088	40,802
Unrealized profits .....	10,679	7,652	76,375
Consolidation adjustment on investments in related companies .....	9,138	9,655	96,367
Sub-total .....	140,315	132,495	1,322,437
Valuation allowance .....	(10,636)	(9,018)	(90,009)
Total .....	129,679	123,477	1,232,428
Deferred income tax liabilities:			
Unrealized holding gains on securities .....	(85,811)	(39,742)	(396,666)
Gains on securities contribution to employee retirement benefit trust .....	(23,556)	(23,556)	(235,113)
Reserve for tax deferment on replacement of assets .....	(2,209)	(2,209)	(22,048)
Unrealized gains on hedging derivatives .....	(156)	-	-
Others .....	(285)	(544)	(5,430)
Total .....	(112,017)	(66,051)	(659,257)
Net total .....	¥ 17,662	¥ 57,426	\$ 573,171

In addition to the deferred income taxes shown above, deferred tax liabilities concerning revaluation of land amounting to ¥9,122 million at

March 31, 2007 and ¥9,122 million (\$91,047 thousand) at March 31, 2008 were included in the consolidated balance sheets.

## 9. Allowance for employees' severance and retirement benefits

Liabilities and expenses for severance and retirement benefits of the Company and its consolidated domestic subsidiaries are determined based on amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Projected benefit obligation .....	¥ (190,941)	¥ (185,256)	\$ (1,849,047)
Unrecognized actuarial differences .....	(10,951)	32,775	327,129
Unrecognized prior service cost .....	(5,159)	(4,598)	(45,893)
Less: Fair value of pension assets .....	177,883	134,260	1,340,054
Prepaid pension expense .....	(723)	(1,762)	(17,587)
Allowance for employees' severance and retirement benefits .....	¥ (29,891)	¥ (24,581)	\$ (245,344)

Severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2007

and 2008 comprised of the following:



## Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Service costs – benefits earned during the year .....	¥ 6,783	¥ 6,407	\$ 63,948
Interest cost on projected benefit obligation .....	4,889	4,709	47,001
Expected return on plan assets .....	(2,703)	(3,025)	(30,193)
Amortization of actuarial differences .....	(555)	495	4,941
Amortization of prior service cost .....	(462)	(592)	(5,909)
Special retirement benefits and others .....	126	42	420
Severance and retirement benefit expenses .....	¥ 8,078	¥ 8,036	\$ 80,208

The discount rates used by the Company and its consolidated domestic subsidiaries for the years ended March 31, 2007 and 2008 were 2.0% to 2.5%. The rates of expected return on the plan assets used by the Company and its consolidated domestic subsidiaries for the years ended March 31, 2007 and 2008 were 0.4% to 3.5% and 0.7% to 3.5%, respectively. The estimated amount of all retirement benefits to be

paid at the future retirement date was allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses were recognized using mainly the straight-line method over 1 to 10 years. Prior service costs were amortized using mainly the straight-line method over 1 to 10 years, the period within the estimated average remaining service life of the employees.

## 10. Net assets

As described in Note 2 (v), net assets comprise three subsections, which are shareholders' equity, valuation and translation adjustments, and minority interests.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common

stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

The number of treasury stock owned by the Company, consolidated subsidiaries and affiliated companies adopting the equity method as of March 31, 2007 and 2008 were 454 thousand shares and 521 thousand shares, respectively.

## 11. Lease Transactions

### (1) Finance leases

#### (a) Lessee

Assumed data concerning the acquisition cost, accumulated depreciation, impairment loss and book value of the leased assets under

the finance leases which were accounted for in the same manner as operating leases at March 31, 2007 and 2008, inclusive of interest, were summarized as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2007		2008		2008			
	Acquisition cost	Accumulated depreciation	Impairment loss	Book value	Acquisition cost	Accumulated depreciation	Impairment loss	Book value
Buildings ....	¥ 3,002	¥ 1,862	-	¥ 1,140	¥ 2,233	¥ 1,366	¥ 116	¥ 751
Machinery and equipment	4,173	2,203	-	1,970	4,303	2,395	268	1,640
Total .....	¥ 7,175	¥ 4,065	-	¥ 3,110	¥ 6,536	¥ 3,761	¥ 384	¥ 2,391
					\$ 22,288	\$ 13,634	\$ 1,158	\$ 7,496
					42,948	23,904	2,675	16,369
					\$ 65,236	\$ 37,538	\$ 3,833	\$ 23,865

Future minimum lease payments at March 31, 2007 and 2008, inclusive of interest, under such leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Due within one year .....	¥ 1,123	¥ 984	\$ 9,821
Due after one year .....	1,987	1,791	17,876
Total .....	¥ 3,110	¥ 2,775	\$ 27,697

Allowance for impairment loss on leased assets of ¥384 million (\$3,833 thousand) as of March 31, 2008 was included in future minimum lease payments.

Lease expenses (assumed data as to depreciation of the leased assets) and impairment losses for the years ended March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Lease payments (assumed depreciation) .....	¥ 1,414	¥ 1,192	\$ 11,897
Impairment losses .....	-	384	3,833

In addition to the table above, the Company recognized impairment loss of ¥3 million (\$30 thousand) on immaterial leased assets whose contract prices were less than or equal to ¥3 million (\$30 thousand) each for the year ended March 31, 2008.

Assumed depreciation was calculated by the straight-line method over the lease periods, assuming estimated residual value to be zero.

## (2) Operating leases

### (a) Lessee

Future minimum lease payments as of March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Due within one year .....	¥ 7,602	¥ 8,059	\$ 80,437
Due after one year .....	51,150	50,691	505,949
Total .....	¥ 58,752	¥ 58,750	\$ 586,386

### (b) Lessor

Future minimum lease receipts as of March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Due within one year .....	¥ 3,239	¥ 3,646	\$ 36,391
Due after one year .....	34,138	35,978	359,098
Total .....	¥ 37,377	¥ 39,624	\$ 395,489

## 12. Derivative Transactions

Derivative transactions of the Company and its consolidated subsidiaries at March 31, 2007 and 2008 were as follows:

### (1) Status of Derivative Transactions

The Company and its consolidated subsidiaries utilize interest rate swaps and interest rate options to mitigate fluctuation risk in interest rates or to reduce financing costs. They also enter into currency swaps and forward foreign exchange contracts to hedge foreign exchange risk. Their derivative positions related to interest rate swaps, interest rate options, currency swaps and forward foreign exchange contracts are exposed to the fluctuation of market interest rates and foreign exchange rates. They trade derivative transactions solely with internationally recognized, highly rated financial institutions and therefore consider there is little risk of default by counterparties.

The Company and its consolidated subsidiaries use forward foreign exchange contracts and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation

of foreign currency exchange rates with respect to foreign currency receivables from the sale of their products and interest rate increases with respect to borrowings, within the amounts of foreign currency borrowings or receivables.

The derivative transactions are executed and managed by their Finance Department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed. The Manager of the Finance Department reports information on derivative transactions to the Board of Directors on a certain periodic basis.

The Company and its consolidated subsidiaries evaluate hedge effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

### (2) Market Value of Derivative Transactions

Currency related derivatives:

## Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

Millions of Yen				
2007				
	Contract amount			
	Total	Due after one year	Market value	Unrealized gain (loss)
Unlisted transactions				
Forward contracts:				
To buy Euro.....	¥ -	¥ -	¥ -	¥ -

Millions of Yen				
2008				
	Contract amount			
	Total	Due after one year	Market value	Unrealized gain (loss)
Unlisted transactions				
Forward contracts:				
To buy Euro.....	¥ 893	¥ 893	¥ 890	¥ (3)

Thousands of U.S. Dollars				
2008				
	Contract amount			
	Total	Due after one year	Market value	Unrealized gain (loss)
Unlisted transactions				
Forward contracts:				
To buy Euro.....	\$ 8,913	\$ 8,913	\$ 8,883	\$ (3)

Notes 1: Market value is estimated based on actual cost and other terms in connection with each derivative transaction, or marked to market by the originating dealer.

2: Derivative transactions which were accounted for by the hedge accounting were excluded.

## Interest Rate-Related Derivatives:

Millions of Yen				
2007				
	Contract amount			
	Total	Due after one year	Market value	Unrealized gain (loss)
Unlisted transactions				
Interest rate swaps:				
Receive fix/Pay float.....	¥ 15,000	¥ 15,000	¥ 617	¥ 617
Receive float/Pay fix.....	10,000	10,000	(381)	(381)
Total.....	¥ 25,000	¥ 25,000	¥ 236	¥ 236

Millions of Yen				
2008				
	Contract amount			
	Total	Due after one year	Market value	Unrealized gain (loss)
Unlisted transactions				
Interest rate swaps:				
Receive fix/Pay float.....	¥ 15,000	¥ 15,000	¥ 408	¥ 408
Receive float/Pay fix.....	10,000	10,000	(255)	(255)
Total.....	¥ 25,000	¥ 25,000	¥ 153	¥ 153

Thousands of U.S. Dollars				
2008				
	Contract amount			
	Total	Due after one year	Market value	Unrealized gain (loss)
Unlisted transactions				
Interest rate swaps:				
Receive fix/Pay float.....	\$ 149,716	\$ 149,716	\$ 4,072	\$ 4,072
Receive float/Pay fix.....	99,810	99,810	(2,545)	(2,545)
Total.....	\$ 249,526	\$ 249,526	\$ 1,527	\$ 1,527

Notes 1: Market value is estimated based on actual cost and other terms in connection with each derivative transaction, or marked to market by the originating dealer.

2: Derivative transactions which were accounted for by the hedge accounting were excluded.

3: A notional amount of interest rate swaps, for which complete offsetting positions have been created in order for relevant positions to be effectively immunized from market risks related to interest rate fluctuation is ¥20,000 million (\$199,621 thousand) at March 31, 2007 and 2008.

### 13. Related Party Transactions

Effective for the year ended March 31, 2008, the Company adopted early the new accounting standards, "Accounting Standard for Related Party Disclosures" ("Statement No.11" issued by the Accounting Standards Board of Japan on October 17, 2006) and guidance on the accounting standard for related party disclosures (Guidance No.13 issued by the Accounting Standards Board of Japan on October 17, 2006).

As a result, transactions of the Company's consolidated subsidiaries

with (a) directors of significant subsidiaries and their close relatives, (b) companies owned by the Company's directors and their close relatives and (c) subsidiaries of (b), were newly disclosed for the year ended March 31, 2008.

**(1) Transactions of the Company with related individual, including shareholders and directors, for the year ended March 31, 2008 were as follows:**

(a) Name (b) Attribution (c) Capital (Million yen) (d) Equity ownership percentage of the Company	Millions of yen				Thousand of U.S. dollars	
	Transactions during the year ended March 31, 2008		Balance at the end of the year		Transactions during the year ended March 31, 2008	Balance at the end of the year
	Description of transaction	Amount	Account	Amount	Amount	Amount
(a) Hirofumi Ichihara	Housing construction	¥ 24	Cost on uncompleted contracts	¥ 0	239	\$ 0
(b) Director			Advances received and progress billings on uncompleted contracts	¥ 7		\$ 70
(c) -						
(d) 0.00%						

Notes 1: Consumption taxes were not included in the transaction amounts.

2: Business conditions and policy of business conditions

Transaction condition including the contract price was determined properly on an arm's – length basis as in the case of other general transactions. The amount of transaction above represents the contract price on the construction contract.

**(2) Transactions of the Company's consolidated subsidiaries with related individual, including shareholders and directors, for the year ended March 31, 2008 were as follows:**

(a) Name (b) Attribution (c) Capital (Million yen) (d) Equity ownership percentage of the Company	Millions of yen				Thousand of U.S. dollars	
	Transactions during the year ended March 31, 2008		Balance at the end of the year		Transactions during the year ended March 31, 2008	Balance at the end of the year
	Description of transaction	Amount	Account	Amount	Amount	Amount
(a) Yoshihiro Fujiwara and his son	Sale of condominium apartment by Yuraku Real Estate Co., Ltd.	¥ 40	-	¥ -	\$ 399	\$ -
(b) Director of the significant subsidiary and its close relative						
(c) -						
(d) 0.00%						
(a) Tamaken Co., Ltd.	Rent payment by Yuraku Real Estate Co., Ltd.	¥ 292	Long term deposit	345	2,914	3,443
(b) Companies owned by the Company's directors and their close relatives (including their subsidiaries)						
(c) 10						
(d) 0.00%						
(a) Tamaken Shoten Co., Ltd.	Rent payment by Yuraku Real Estate Co., Ltd.	¥ 45	Long term deposit	¥ 54	\$ 449	\$ 539
(b) Companies owned by the Company's directors and their close relatives (including their subsidiaries)						
(c) 10						
(d) -						

Notes 1: Consumption taxes were not included in the transaction amounts.

2: Business conditions and policy of business conditions.

Transaction condition of sale of condominium apartment was determined properly considering normal market prices as in the case of other general transactions.

Yoshihiro Fujiwara, the director of Yuraku Real Estate Co., Ltd., and his son are joint owners of the condominium apartment.

Transaction condition of rent payment was determined properly considering prevailing market rate as in the case of other general transactions.

99.4% voting right of Tamaken Co., Ltd. were owned by a close relative of Kuniyuki Sonoda, the Company's director.

Tamaken Shoten Co., Ltd. was wholly owned by Tamaken Co., Ltd.

## Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

## 14. Segment Information

## (1) Industry segment information

The Company and its consolidated subsidiaries are primarily engaged in the following three major industry segments:

Construction ..... Building construction, civil engineering and housing construction, etc.

Real estate ..... Resale and rental of land, houses and buildings, etc.

Other business ..... Leisure, etc.

Information by industry segment for the years ended March 31, 2007 and 2008 were summarized as follows:

Millions of Yen					
2007					
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers .....	¥ 1,673,576	¥ 116,742	¥ 83,007	¥ -	¥ 1,873,325
Intersegment .....	7,068	1,089	17,957	(26,114)	-
Total .....	1,680,644	117,831	100,964	(26,114)	1,873,325
Costs and expenses .....	1,648,253	96,999	96,770	(26,370)	1,815,652
Operating income .....	¥ 32,391	¥ 20,832	¥ 4,194	¥ 256	¥ 57,673

II. Other information					
Identifiable assets .....	¥ 1,592,775	¥ 358,724	¥ 76,104	¥ (38,284)	¥ 1,989,319
Depreciation expense .....	7,701	2,402	1,566	-	11,669
Impairment losses on fixed assets .....	3,431	176	-	-	3,607
Capital expenditures .....	¥ 10,009	¥ 3,746	¥ 1,457	-	¥ 15,212

Millions of Yen					
2008					
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers .....	¥ 1,517,770	¥ 123,964	¥ 69,980	¥ -	¥ 1,711,714
Intersegment .....	5,170	999	18,201	(24,370)	-
Total .....	1,522,940	124,963	88,181	(24,370)	1,711,714
Costs and expenses .....	1,509,229	95,058	82,958	(24,387)	1,662,858
Operating income .....	¥ 13,711	¥ 29,905	¥ 5,223	¥ 17	¥ 48,856

II. Other information					
Identifiable assets .....	¥ 1,317,992	¥ 387,979	¥ 63,161	¥ (29,649)	¥ 1,739,483
Depreciation expense .....	7,108	2,336	1,252	-	10,696
Impairment losses on fixed assets .....	1,843	20	1,587	-	3,450
Capital expenditures .....	¥ 5,376	¥ 2,535	¥ 908	-	¥ 8,819

Thousands of U.S. Dollars					
2008					
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers .....	\$ 15,148,917	\$ 1,237,289	\$ 698,473	\$ -	\$ 17,084,679
Intersegment .....	51,602	9,971	181,665	(243,238)	-
Total .....	15,200,519	1,247,260	880,138	(243,238)	17,084,679
Costs and expenses .....	15,063,669	948,777	828,007	(243,407)	16,597,046
Operating income .....	\$ 136,850	\$ 298,483	\$ 52,131	\$ 169	\$ 487,633

II. Other information					
Identifiable assets .....	\$ 13,154,926	\$ 3,872,432	\$ 630,412	\$ (295,928)	\$ 17,361,842
Depreciation expense .....	70,945	23,316	12,496	-	106,757
Impairment losses on fixed assets .....	18,395	200	15,840	-	34,435
Capital expenditures .....	\$ 53,658	\$ 25,302	\$ 9,063	-	\$ 88,023

Notes 1: The types of business above are based upon the Standard Industrial Classification in Japan and net sales categories in the consolidated statement of income.

2: As explained in Note2(u), effective for the year ended March 31, 2008, gains on investments in real-property-related SPCs (Special Purpose Companies) are transferred from other income to net sales (real estate (including other)). As a result of this change, operating income of "Real estate" increased by ¥21,400 Million (\$ 213,594 thousand) in comparison with what would have been recorded under the previous accounting policy.



## (2) Geographical segment information

Geographic segment information for the years ended March 31, 2007 and 2008 were not shown since aggregate sales of overseas subsidiaries were less than 10% of total net sales of all segments and aggregate assets of overseas subsidiaries were less than 10% of total assets of all

segments.

## (3) Overseas sales

Overseas sales for the years ended March 31, 2007 and 2008 were summarized as follows:

	Millions of Yen				
	2007				
	Asia	Middle east	North America	Others	Total
Overseas sales .....	¥ 148,290	¥ 42,265	¥ 30,282	¥ 23,356	¥ 244,193
Consolidated sales .....					¥ 1,873,325
Percentage of overseas sales over consolidated sales .....	7.9%	2.3%	1.6%	1.2%	13.0%

	Millions of Yen				
	2008				
	Asia	Middle east	North America	Others	Total
Overseas sales .....	¥ 82,033	¥ 105,630	¥ 21,026	¥ 6,111	¥ 214,800
Consolidated sales .....					¥ 1,711,714
Percentage of overseas sales over consolidated sales .....	4.8%	6.2%	1.2%	0.4%	12.6%

	Thousands of U.S. Dollars				
	2008				
	Asia	Middle east	North America	Others	Total
Overseas sales .....	\$ 818,774	\$ 1,054,297	\$ 209,861	\$ 60,995	\$ 2,143,927
Consolidated sales .....					\$ 17,084,679

Notes 1: Geographical distances are considered in classification of country or area. Major countries and areas included in each segment were as follows:

Asia ..... Malaysia, China, Chinese Taipei, Vietnam, and Singapore

Middle East and Africa ..... UAE, Algeria, Qatar and Turkey

North America ..... USA

2: Overseas sales represent sales of the Company and consolidated subsidiaries to countries and areas outside of Japan.

3: "Africa" was included in "Others" for the year ended March 31, 2007. Effective for the year ended March 31, 2008, "Middle East" and "Africa" were integrated into "Middle East and Africa" taking into consideration the increase of materiality of "Africa" and future trends in overseas sales. The overseas sales in Africa were ¥18,175 million and the percentage of them over consolidated sales was 1.0% for the year ended March 31, 2007.

## 15. Contingent Liabilities and Commitments

At March 31, 2008, the Company and its consolidated subsidiaries were contingently liable as guarantors for loans of companies, employees and others, which were not consolidated companies, in the amount of ¥ 6,330 million (\$ 63,180 thousand). In case there were other guarantors

beside the Company and its consolidated subsidiaries, amounts of Company's share of the contingent liabilities resulting from the guarantees were stated.

## 16. Liquidation of credit

The Company conducted liquidation of trade accounts receivables amounting to ¥ 37,954 million (\$ 378,820 thousand) at March 31, 2008.

## 17. Revaluation Reserve for land

In the year ended March 31, 2002, certain consolidated domestic subsidiaries executed revaluation of their land owned for business in accordance with the Law Concerning Revaluation of Land (the "Law").

As a result of this revaluation, deferred income taxes concerning the differences between the amounts after revaluation and the book values before revaluation were stated in the assets and liabilities in the consolidated balance sheets. The differences between these amounts, net of taxes, were stated as "Revaluation reserve for land" in "Accumulated gains from valuation and translation adjustments".

The revaluation was executed in accordance with the method

prescribed in the Article 2, Items 3, 4 and 5 of the Law on November 30, 2001 and March 31, 2002.

One of the consolidated subsidiaries, which was merged with another consolidated subsidiary on December 1, 2001, executed the revaluation on November 30, 2001.

According to the Law, the Company and its consolidated subsidiaries were not permitted to revalue the land at any time even in case that the fair value of the land rises. Such unrecorded revaluation gain at March 31, 2007 was ¥ 2,590 million.

# Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2007 and 2008

## 18. Research and Development Expenses

Research and development expenses, which were included in selling, general and administrative expenses and cost of sales, amounted to ¥

9,118 million and ¥9,294 million (\$ 92,764 thousand) for the years ended March 31, 2007 and 2008, respectively.

## 19. Impairment of fixed assets

Impairment losses on fixed assets for the years ended March 31, 2007 and 2008 consisted of the following:

2007		
Use	Type of assets	Location
Asset for business use.....	Land, building and structure	Kanagawa and 1 other (2 lots)
Asset for sale (converted from business use) .....	Land, building and structure	Shizuoka and 1 other (2 lots)
Dormant assets .....	Land	Miyagi and 3 others (4 lots)
2008		
Use	Type of assets	Location
Asset for business use.....	Land, building, structure, leased asset and others	Hyogo and 4 others (5 lots)
Asset for sale (converted from business use) .....	Land, building and structure	Hiroshima (1 lot)
Dormant assets .....	Land and building	Shizuoka and 1 other (2 lots)

The Company and its consolidated domestic subsidiaries grouped their fixed assets based on units, for which decisions for making investments are made. Book values of the fixed assets listed above were

reduced to recoverable amounts and impairment losses were recognized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Buildings and structures .....	¥ 2,301	¥ 1,489	\$ 14,862
Land .....	1,306	1,229	12,267
Leased asset .....	-	387	3,863
Others .....	-	345	3,443
Total .....	¥ 3,607	¥ 3,450	\$ 34,435

The recoverable amounts of the fixed assets for the year ended March 31, 2007 were net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards or publicly-assessed land values in case of less material

properties. The recoverable amounts of the fixed assets for the years ended March 31, 2008 were primarily calculated according to their net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards.

## 20. Per share data

Net assets worth per share and net income per share as of and for the years ended March 31, 2007 and 2008 were as follows:

	Yen		U.S. Dollars
	2007	2008	2008
Net assets worth per share .....	¥ 365.72	¥ 318.12	\$ 3.175
Net income per share .....	¥ 24.64	¥ 22.97	\$ 0.229

Diluted net income per share is not presented, since the Company has never issued any dilutive securities.

Calculation bases for net income per share for the years ended March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Net income .....	¥ 26,222	¥ 24,447	\$ 244,006
Net income not available to common stock holders .....	-	-	-
Net income available to common stock .....	26,222	24,447	244,006
Average common stock outstanding (in thousands share) .....	¥ 1,064,380	¥ 1,064,310	

## 21. Subsequent Event

### (1) Cash dividends

June 25, 2008.

The following appropriation of retained earnings at March 31, 2008 was approved at the annual meeting of the Company's shareholders held on

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥ 3.0 (\$ 0.030) per share.....	¥ 3,193	\$ 31,869

### (2) Restructuring of housing business

At the Board of Directors meeting held on May 15, 2008, a basic policy regarding the restructuring of housing business was approved. The summary of the policy was as follows:

#### (a) Purpose of the restructuring

Based on the "Medium Term Management Plan" (FY 2007 – FY 2009), the Company and its consolidated subsidiaries are devoting their efforts to enhance profitability synergistically by establishing a competitive structure to receive orders.

The restructuring will be carried out in order to eliminate duplications among related departments and to shift their housing business to Taisei Housing Corporation, the Company's consolidated subsidiary, exclusively, which enables the Company and its consolidated subsidiaries to enhance profitability by improving the utilization of human resources and operational efficiency.

#### (b) Outline of the restructuring

The Company will transfer its housing business operated by its Housing Division to Taisei Housing Corporation using corporate divestiture system. In addition, Taisei Livinglife Corporation, the Company's consolidated subsidiary, will merge with Taisei Housing Corporation. Taisei Livinglife Corporation will be dissolved after the merger.

As a result, housing business will be integrated into Taisei Housing Corporation.

The restructuring will be effective on October 1, 2008.

#### (c) Impact on the consolidated financial statements

The restructuring will be carried out among the Company and its wholly-owned consolidated subsidiaries. Consequently, it is expected to have no material impact on the consolidated financial statements of successive fiscal years.

## Independent Auditors' Report

To the Shareholders and Board of Directors of Taisei Corporation

We have audited the accompanying consolidated balance sheets of Taisei Corporation (a Japanese corporation) and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taisei Corporation and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

As discussed in Note 2(t) to the consolidated financial statements, effective for the year ended March 31, 2007, the Company adopted the new accounting standards for measurement of inventory.

As discussed in Note 2(u) to the consolidated financial statements, effective for the year ended March 31, 2008, gains on investments in real-property-related SPCs (Special Purpose Companies) were transferred from other income to net sales (real estate (including other)).

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*KPMG AZSA & Co.*

Tokyo, Japan  
June 25, 2008

# Directors, Corporate Auditors and Executive Officers

## Directors and Corporate Auditors

**Chairman and Representative Director**  
Kanji Hayama

**President and Representative Director**  
Takashi Yamauchi

**Representative Directors**  
Nobuhiko Tsuruta  
Atsushi Okamoto

**Directors**  
Kuniyuki Sonoda  
Mitsuo Masuda  
Saisuke Kani  
Masashi Kobayashi  
Michio Gokita  
Hirofumi Ichihara  
Misao Akune  
Tetsuo Sekiya  
Yoshiro Yamamoto

**Senior Corporate Auditors**  
Hiroyasu Takuma

**Corporate Auditors**  
Akito Sakamaki  
Takao Nakajima  
Haruo Ueno  
Yasushi Nagasawa

## Executive Officers

**President and Chief Executive Officer**  
Takashi Yamauchi

**Senior Executive Vice Presidents**  
Nobuhiko Tsuruta  
In charge of Safety Administration, Building Construction and Marketing & Sales (Building Construction)  
Kuniyuki Sonoda  
General Manager, Marketing & Sales Division (Integrated); Deputy General Manager, Corporate Planning Office  
Atsushi Okamoto  
General Manager, Business Administration Division; Deputy General Manager, Corporate Planning Office  
Mitsuo Masuda  
In charge of Civil Engineering ;  
In charge of Marketing & Sales (Civil Engineering)

**Executive Vice Presidents**  
Daisuke Takahashi  
In charge of Marketing & Sales  
Hitoshi Terashita  
General Manager, Kansai Branch  
Katsuhiko Ogura  
General Manager, Marketing & Sales (Building Construction) Division III  
Saisuke Kani  
In charge of Design (Building Construction);  
In charge of Marketing & Sales (Building Construction)  
Masashi Kobayashi  
General Manager, Civil Engineering Division;  
Chief Executive, International Operations Headquarters;  
Deputy General Manager, Corporate Planning Office  
Michio Gokita  
General Manager, Architecture & Engineering Division (Integrated);  
General Manager, Building Construction Division;  
Deputy General Manager, Corporate Planning Office  
Isao Komai  
General Manager, Marketing & Sales (Building Construction) Division II  
Hirofumi Ichihara  
General Manager, Tokyo Branch;  
In charge of Marketing & Sales

**Senior Vice Presidents**  
Masaru Kamata  
General Manager, Nagoya Branch  
Makoto Maeda  
In charge of Marketing & Sales  
Junji Yamada  
In charge of Marketing & Sales  
Hiroyuki Kimura  
General Manager, Corporate Planning Office  
Soichi Kawamura  
General Manager, Taisei Technology Center;  
General Manager, Nuclear Facilities Division  
Yasuhiro Arai  
General Manager, Marketing & Sales (Civil Engineering) Division;  
Deputy General Manager, Corporate Planning Office  
Hiroshi Kubo  
General Manager, Marketing & Sales (Building Construction) Division I  
Nobuyuki Motegi  
General Manager, Tohoku Branch  
Hiroshi Tada  
General Manager, Medical & Welfare Business Division  
Misao Akune  
Deputy General Manager, Business Administration Division;  
Executive, Business Administration, International Operations Headquarters  
Tatsuo Yoshida  
General Manager, Yokohama Branch  
Takashi Furumaya  
General Manager, Safety Administration & Environment Division  
Satoru Ogata  
Executive, Building Construction & Engineering, International Operations Headquarters  
Mitsuyasu Ide  
General Manager, Marketing & Sales Promotion Division

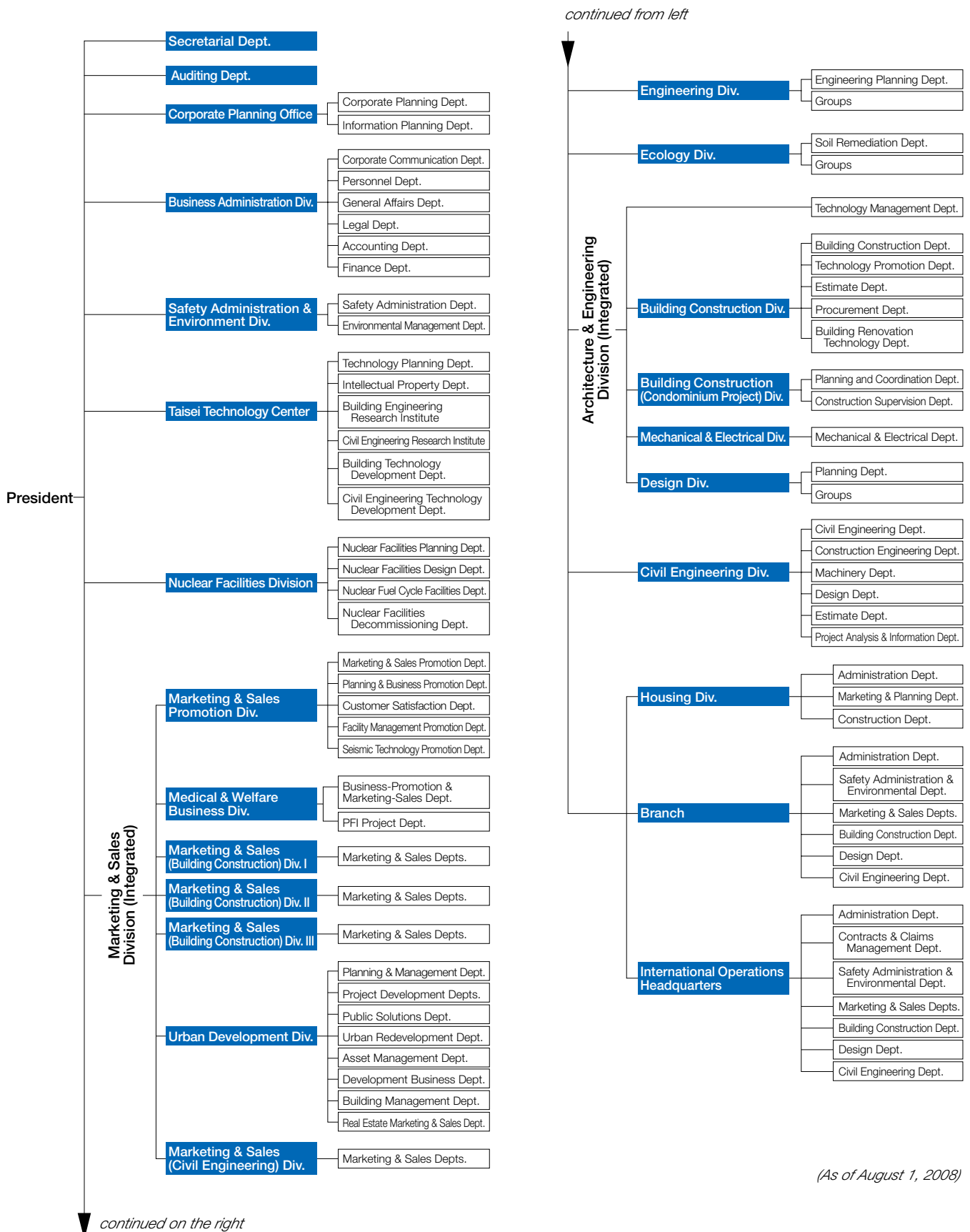
Toshio Tominaga  
General Manager, Kyushu Branch  
Akira Yoshida  
Deputy General Manager, Civil Engineering Division (In charge of Construction Engineering & Design)

**Vice Presidents**  
Kenji Nakamura  
Executive, Civil Engineering, International Operations Headquarters  
Yasuyuki Nakayama  
Deputy General Manager, Marketing & Sales (Civil Engineering) Division  
Hidemi Omi  
Project Director, Civil Engineering Project, International Operations Headquarters  
Makoto Kosuge  
Project Director, Civil Engineering Project, International Operations Headquarters  
Kiyoshi Onozawa  
General Manager, Sapporo Branch  
Motofumi Fujiwara  
Deputy General Manager, Civil Engineering Division (In charge of Projects)  
Akinobu Kojima  
Deputy General Manager, Marketing & Sales (Building Construction) Division  
Takao Kishimoto  
Deputy General Manager, Marketing & Sales (Civil Engineering) Division  
Takashi Hayashi  
General Manager, Housing Division  
Masatake Taniuchi  
Deputy General Manager, Marketing & Sales (Building Construction) Division  
Yasuo Sento  
Deputy General Manager, Marketing & Sales (Building Construction) Division  
Fumihisa Otsuka  
General Manager, Engineering Division;  
General Manager, Ecology Division  
Takashi Nakamichi  
General Manager, Mechanical & Electrical Division  
Kazuyuki Noro  
General Manager, Design Division  
Nobuharu Shimizu  
General Manager, Urban Development Division  
Junichi Ozawa  
Deputy General Manager, Marketing & Sales (Building Construction) Division  
Ryutoku Murakami  
Deputy General Manager, Business Administration Division;  
General Manager, Secretarial Department  
Eiji Hatta  
General Manager, Building Construction (Condominium Project) Division  
Kazuhiko Dai  
General Manager, Hiroshima Branch  
Toru Koizumi  
Branch Director, Middle East Branch;  
Project Director, Building Construction Project, International Operations Headquarters  
Fumihiro Yamada  
General Manager, Chiba Branch  
Masahiro Konno  
Deputy General Manager, Urban Development Division  
Hidetoshi Yasukawa  
Deputy General Manager, Marketing & Sales (Building Construction) Division

(As of August 1, 2008)



# Organization



# Corporate Data

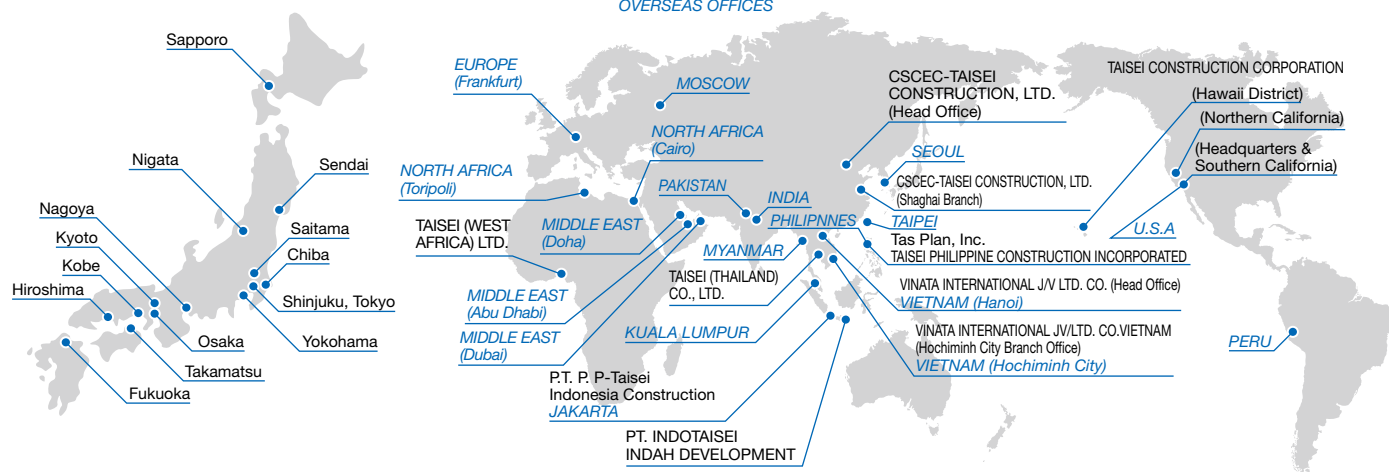
**Name:** Taisei Corporation  
**Established:** 1873  
**Paid-in Capital:** ¥112,448 million  
**Authorized Shares:** 2,200,000,000 shares  
**Shares Issued:** 1,064,802,821 shares  
**Number of Shareholders:** 96,369  
**Number of Employees:** 8,787

**General Meeting of Shareholders:** The General Meeting of Shareholders is held within three months of the day immediately following the day on which the account is closed.  
**Transfer Agent:** Mizuho Trust & Banking Co., Ltd.  
**Head Office:** 1-25-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0606  
**Phone:** +81-3-3348-1111

(As of March 31, 2008)

## Domestic Offices:

## Overseas Offices: OVERSEAS SUBSIDIARIES & AFFILIATES OVERSEAS OFFICES



## Major Subsidiaries and Affiliates

COMPANY	LOCATION	PAID-IN CAPITAL	MAJOR BUSINESSES	EQUITY OWNERSHIP
<b>Subsidiaries</b>				
Taisei Rotec Corporation	Tokyo, Japan	¥ 11,305 million	Road construction and construction material sales	58.5%
Yuraku Real Estate Co., Ltd.	Tokyo, Japan	¥ 13,625 million	Real estate sales and insurance	57.6%
Taisei U-Lec Co, Ltd.	Tokyo, Japan	¥ 7,280 million	Construction	100.0%
Taisei Setsubi Co., Ltd.	Tokyo, Japan	¥ 625 million	Servicing of air-conditioning, plumbing and electric installations	100.0%
Taisei Service Co., Ltd.	Tokyo, Japan	¥ 100 million	Real estate management and security	100.0%
Seiwa Renewal Works Co., Ltd.	Tokyo, Japan	¥ 300 million	Construction	100.0%
Taisei Housing Corporation	Tokyo, Japan	¥ 100 million	Housing construction	100.0%
Taisei Construction Corporation	Cypress, CA, U.S.A.	US\$ 54.3 million	Construction	100.0%
CSCEC-TAISEI Construction, Ltd.	Beijing, China	RMB 50 million	Construction	50.0%
<b>Affiliates</b>				
VSL Japan Ltd.	Tokyo, Japan	¥ 100 million	Construction method licensing; sales and leasing of equipment, etc.	22.9%
Taisei Philippine Construction, Inc.	Makati City, Philippines	P 12.5 million	Construction	40.0%