

Filling the Map with Memories



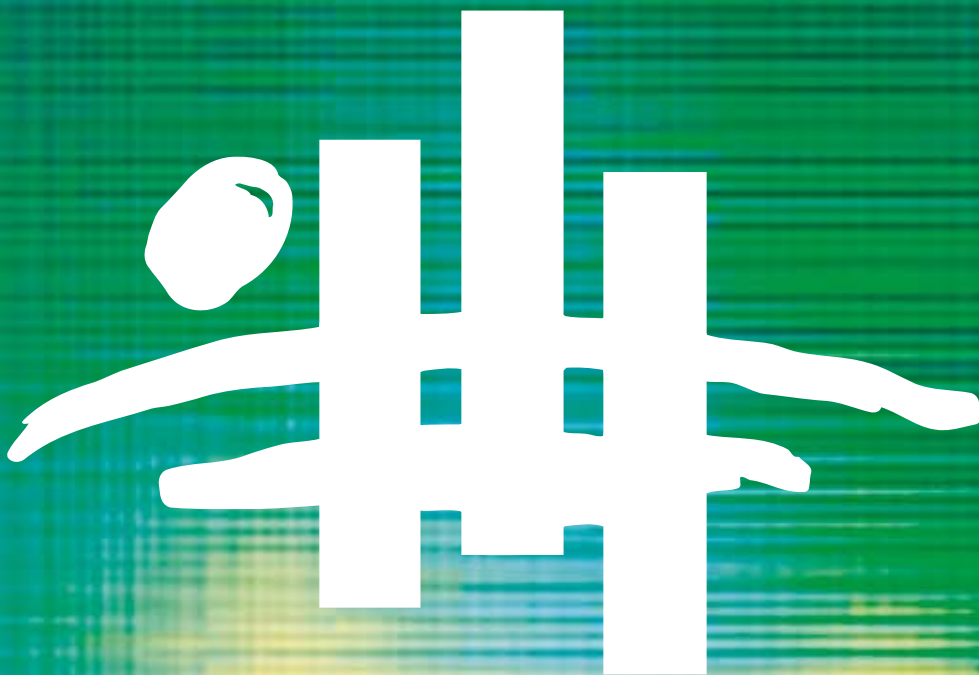
TAISEI CORPORATION

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TAISEI

ANNUAL REPORT 2007



Profile

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

Supporting modern society and environmental protection through technical development

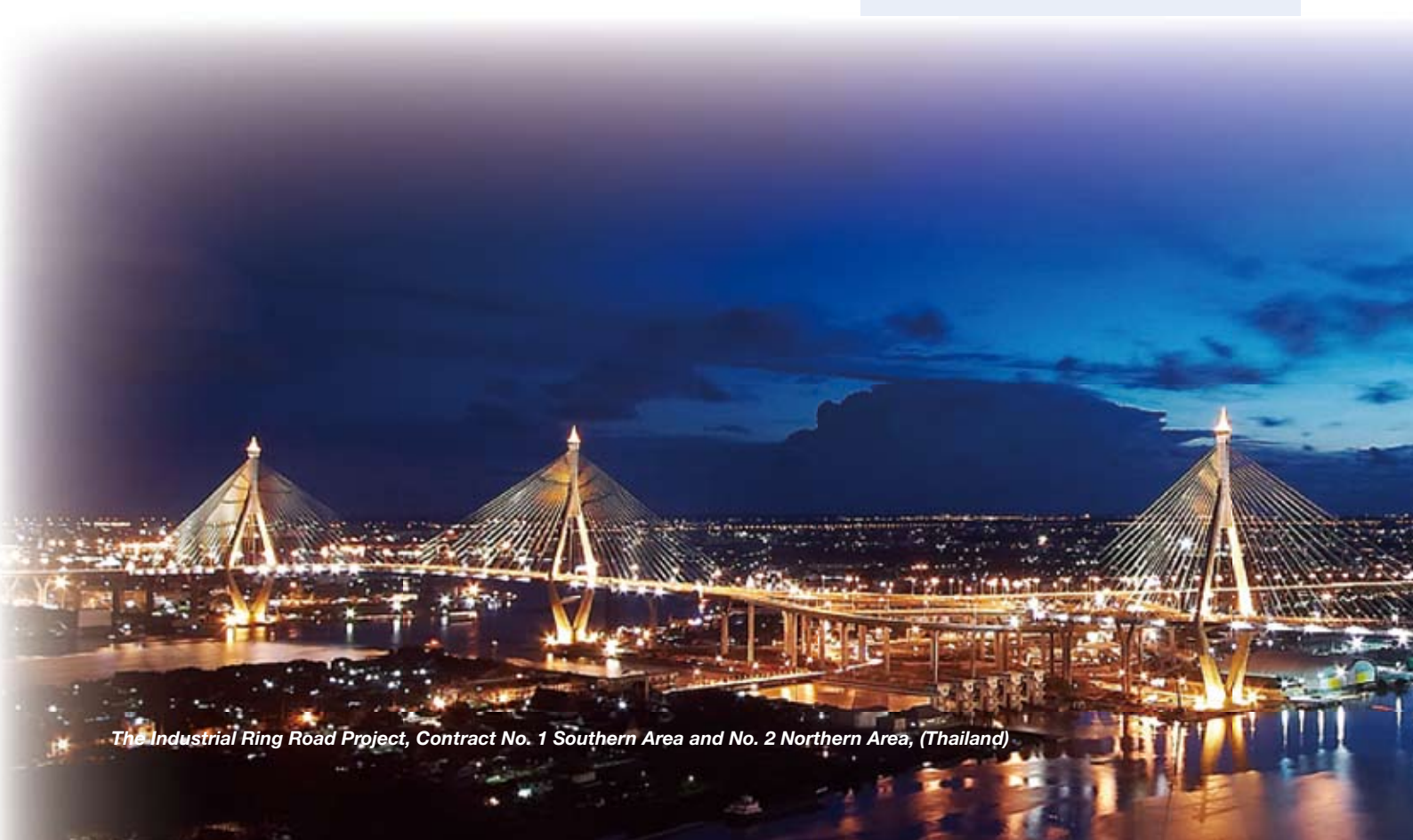
In the 134 years since its establishment, Taisei Corporation has developed a track record of outstanding construction project achievements in Japan and overseas. Our corporate beginnings coincided with Japan's development as a modern nation, and as people's aspirations and society's expectations have 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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The Industrial Ring Road Project, Contract No. 1 Southern Area and No. 2 Northern Area, (Thailand)

Financial Highlights

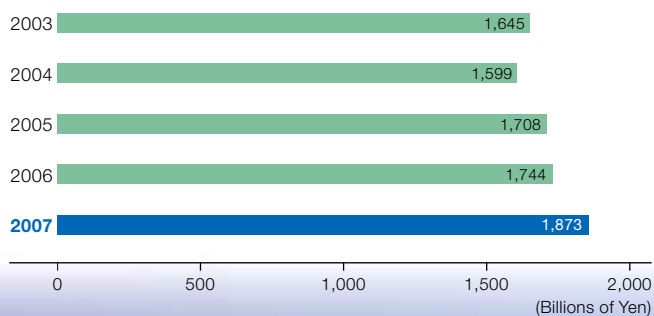


TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

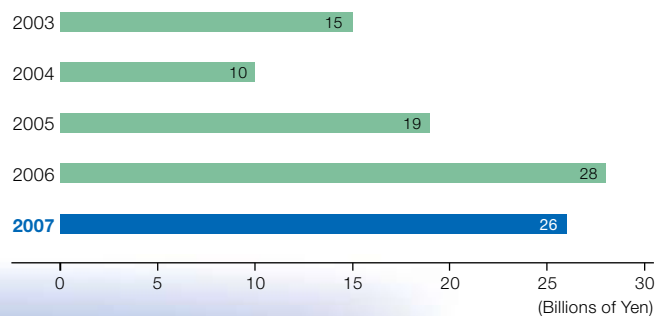
	Millions of Yen (except for per share figures)		Thousands of U.S. Dollars*	Change (%)
	2006	2007	2007 (except for per share figures)	
Contract backlog at the beginning of the year	¥1,811,772	¥1,841,774	\$ 15,601,643	1.7%
New orders received during the year	1,773,996	1,875,127	15,884,176	5.7
Net sales	1,743,994	1,873,325	15,868,911	7.4
Contract backlog at the end of the year	¥1,841,774	¥1,843,576	\$ 15,616,908	0.1%
Net income	¥ 28,363	¥ 26,222	\$ 222,126	(7.5)%
Per share (in yen and dollars)	26.57	24.64	0.209	(7.3)
Cash dividends applicable to the year	5,854	6,386	54,096	9.1
Per share (in yen and dollars)	6.00	6.00	0.051	-
Shareholders' equity	345,151	-	-	-
Net assets	-	421,731	3,572,478	-
Per share (in yen and dollars)	324.19	365.72	3.098	12.8
Total assets	1,847,183	1,989,319	16,851,495	7.7

* U.S. dollar amounts above and elsewhere in this Annual Report were translated from yen, for convenience only, at the rate of US \$1 = ¥118.05, the approximate exchange rate at March 31, 2007.

Net Sales



Net Income



Tokyo Mid-town Project
(Tokyo, Japan)



E block



B block



Chubetsu Multi-Purpose Dam Project, Construction of Rock-Fill-Dam (Phase V) (Hokkaido, Japan)



Filling the Map with Memories

Singapore Republic Polytechnic New Campus



(Provisional name) Taihei 4-chome, Kinshi-cho Development Plan,
Administration and Commerce Building (Tokyo, Japan)



Purulia Pumped Storage Project Lot 4 - Main Civil Works (India)

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 Japanese economy remained on a stable growth path due to firm consumer spending and housing investment, and to active capital investment and export.

Construction investment was firm due to active capital investment in private-sector construction although the business environment in the public-sector investment continued to be severe.

Under these conditions, Taisei Corporation Group worked to “expand orders,” “increase profitability,” and “construct a new production system” based on its Medium-Term Business Plan (fiscal 2004 – 2006), and was able to record the following results.

Orders and Sales

Orders increased 5.7% year on year to ¥1,875.1 billion as a result of drastic increase in construction business, despite decrease in the real estate development business. Sales also increased 7.4% year on year to ¥1,873.3 billion due to the increase in construction business.

Operating Income, Recurring Income, and Net Income

Operating income increased 4.5% year on year to ¥57.6 billion, despite decrease in gross margin, because of reduction in sales, general and administrative expenses. In addition, recurring income increased 0.5% year on year to ¥55.6 billion because of an increase in operating income despite deterioration between non-operating profits and losses.

Net income decreased 7.5% year on year to ¥26.2 billion due to factors such as early application of Accounting Standard for Valuation of Inventory.

Outlook

The Japanese economy is expected to remain stable in fiscal 2007, lead by consumer spending and housing investment despite deceleration of capital investment.

For construction investment, private-sector investment is expected to remain firm and public-sector investment will likely continue to decline.

Taking into consideration these conditions, for fiscal 2007 (April 1, 2007 – March 31, 2008), the Company expects consolidated sales to reach ¥1,850.0 billion, operating income to total ¥59.0 billion, recurring income to be ¥50.0 billion, and net income to be ¥24.0 billion. The Company also forecasts that new orders will total ¥1,740.0 billion.

Numerical Business Targets

The Company expects to achieve the following figures (consolidated) in fiscal 2009 (April 1, 2009 – March 31, 2010):

New orders:	¥1,830.0 billion
Net sales:	¥1,810.0 billion
Net income:	¥172.0 billion
Recurring income:	¥64.0 billion
Interest-bearing debt:	¥460.0 billion
D/E ratio:	About 1.0 times

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



Kanji Hayama, *Chairman*

Issues and Measures

Issue in Civil Engineering Business (Domestic)

Need to respond to decreasing demand and intensifying price competition in public works

Measures

- Establish a marketing system that reflects changes in the environment of orders
- In public works sales, enhance capabilities of intelligence, technological competitiveness, and customer-focused sales proposals
- In private sector sales, expand customer-focused sales proposals
- Improve cost-estimation capability
- Enhance purchasing power, through expansion of overseas procurements
- Re-build cooperative relationship with sub-contractors

Issue in Building Construction Business (Domestic)

Need to respond to intensified price competition

Measures

- Establish system restraining order receipt of low profitability projects
- Input more human resource in field where engineering or urban development capabilities (our advantages) can be utilized, and expand marketing
- Expand customer-focused sales proposals
- Establish system where agile arrangement of human resource is possible and employee competence can be realized to full extent
- Enhance purchasing power by expanding procurement scope to entire group companies

Issue in Overseas Business

Need for human resource development and stable profitability in response to rising orders

Measures

- Focus on specific region and develop trusted customers
- Increase and develop work site force
- Promote sales based on technology, utilizing our competitive advantageous technologies
- Cooperation with local companies and proactive utilization of trading companies
- Reinforce quality and construction management by establishing support system for work site

Issue in Group Companies

Response to improve profit earning capacity by bringing out group synergy

Measures

- Establish a group management conference and strive to improve integrated power of the whole group
- Improve profitability by expanding real estate development business subsidiaries
- Improve profitability by maximizing group synergy effect

Issues in Compliance

Last year, the Company was ordered to temporarily suspend business by the Ministry of Land, Infrastructure and Transport for obstructing competitive bidding on construction projects for Defense Facilities Administration Agency and the city of Niigata.

The Taisei Corporation Group has continued to strive for the enforcement of compliance, and take this turn of events with utmost seriousness, recognizing the need for further strengthening of the compliance system.

Measures

- The Company will implement various compliance system strengthening measures under the advice of the compliance committee that includes independent academics and specialists.
- The Company will continually examine the development and operation of its compliance system, and if there is a need for improvement, measures will be immediately implemented.
- The Company will also further promote the establishment of a compliance system in group companies.



Takashi Yamauchi, *President & CEO*

葉山 莞鬼

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		
	Fiscal 2005 (2005.4-2006.3)	Fiscal 2006 (2006.4-2007.3)	Change
Net sales	¥ 1,744.0	¥ 1,873.3	129.3
Construction.....	1,543.3	1,673.6	130.3
Real Estate, Other	200.7	199.7	(1.0)
Operating income	55.2	57.7	2.5
Construction.....	35.5	32.4	(3.1)
Real Estate, Other	19.7	25.3	5.6

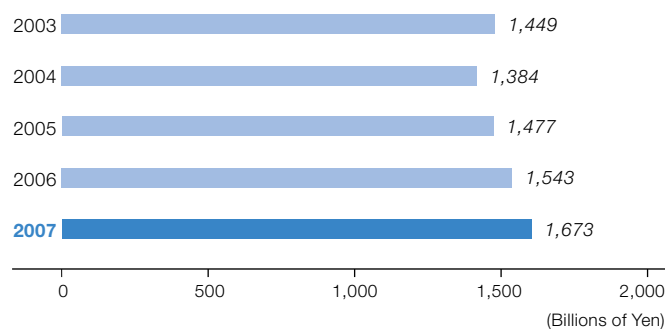
Construction

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

In domestic construction market, construction business was relatively firm, but the situation for civil engineering business continued to be severe due to reduction in public spending. In addition, in overseas construction market, demand increased mainly from Middle Eastern oil-producing countries.

For the Taisei Corporation Group, consolidated net sales increase 8.3% year on year to ¥1,680.6 billion due mainly to increase by Taisei Corporation, but operating income decreased 8.7% year on year to ¥32.3 billion due to aggravated gross profit on sales.

Construction Sales (Consolidated)



Major Projects (Non-Consolidated)

Orders received

Project	Client
The construction of the East unique share of East-West Motorway (Algeria)	The National Motorways Agency (Ministry of Public Works)
Posium works including Piling for PALM JUMEIRAH GATEWAY PROJECT PODIUM CAR PARK AND TOWERS (UAE)	NAKHEEL L.L.C.
Tsukuba New Facility (Ibaraki Pref.)	Astellas Pharma Inc.
Kamiooka C-South Area Urban Redevelopment Construction (Kanagawa Pref.)	Kamiooka C-South Area Urban Redevelopment Association
Tokyo International Airport Apron PFI Project	Haneda International Airport Apron PFI Co., Ltd.

Completed projects

Project	Client
(Provisional name) Taihei 4-chome, Kinshi-cho Development Plan, Administration and Commerce Building	Tokyo Tatemono Co., Ltd. and others
Tokyo Mid-town Project (B and E blocks)	RP Beta SPC and nine others
Ushijima Redevelopment (Phase II)	Ushijima Urban Renewal Association
Construction of Purulia Pumped Storage Project in India	West Bengal State Electricity Board
Chubetsu Multi-Purpose Dam Project, Construction of Rock-Fill-Dam (Phase V)	Hokkaido Regional Development Bureau, Asahikawa Development and Construction Department

Real Estate Development

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

In the real estate sales market, sales mainly in large-scale property in the city core were mostly favorable thanks to stable demand from second-generation baby boomers and seniors. Furthermore, in the real estate leasing market, vacancy rates improved and rent significantly increased, supported by increased demand for offices on account of economic recovery.

While consolidated net sales decreased 1.1% to ¥117.8 billion due to decreased income in Yuraku Real Estate, Co., Ltd., but consolidated operating income increased 20.1% to ¥20.8 billion due to improved profitability.

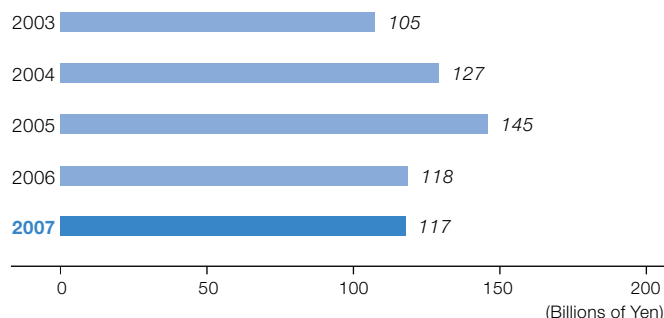
Other Business

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

For the leisure-related business, the business environment continued to remain harsh since although there was recovery in consumer spending, there was greater competition among regions and companies and more diversified customer needs.

Therefore, consolidated sales slightly increased 1.0% year on year to ¥100.9 billion; however, operating income grew 103.4% year on year to ¥4.1 billion due to reduction in sales, general and administrative expenses.

Real Estate Development Sales (Consolidated)



Ushijima Redevelopment (Phase II) (Nagoya Pref. Japan)



Projects carried over to the next fiscal year

Project	Client
New Doha International Airport Passenger Terminal Complex	New Doha International Airport Steering Committee
Bosphorus Tube Crossing Tunnels and Stations Project, Turkey (Marmaray Project)	The Republic of Turkey, The Ministry of Transportation, Railways, Harbours and Airports
Tokyo International Airport Runway D	Ministry of Land, Infrastructure and Transport, Kanto Regional Development Bureau
Central Common Government Office No.7 Construction Project	Kasumigaseki Building 7 PFI Co.,Ltd.
Fujimi 2-chome North Area Urban Redevelopment Construction	Fujimi 2-chome North Area Urban Redevelopment Association

Financial Section

Six-Year Summary

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

	Millions of yen (except for per share figures)						Thousands of U.S. Dollars*
	2002	2003	2004	2005	2006	2007	2007
Revenue:							
Net sales:							
Construction	¥ 1,488,297	¥ 1,449,265	¥ 1,383,890	¥ 1,477,387	¥ 1,543,289	¥ 1,673,576	\$ 14,176,840
Real estate (including other)	185,537	195,373	214,622	230,566	200,705	199,749	1,692,071
Total	1,673,834	1,644,638	1,598,512	1,707,953	1,743,994	1,873,325	15,868,911
% change from previous year	(4.4)%	(1.7)%	(2.8)%	6.8%	2.1%	7.4%	
Costs and expenses							
Cost of sales	1,486,537	1,469,436	1,419,901	1,541,694	1,576,103	1,708,751	\$ 14,474,807
Selling, general and administrative expenses	131,771	125,712	118,712	117,303	112,717	106,901	905,557
Total	1,618,308	1,595,148	1,538,613	1,658,997	1,688,820	1,815,652	15,380,364
Operating income	55,526	49,490	59,899	48,956	55,174	57,673	488,547
Income (loss) before income taxes and other items	(52,383)	29,013	27,782	41,987	50,098	48,698	412,520
Income taxes	(13,115)	14,212	11,886	20,495	19,064	20,248	171,521
Net income (loss)	¥ (30,997)	¥ 14,999	10,353	19,098	28,363	¥ 26,222	\$ 222,126
Per share of common stock (in yen and dollars):							
Shareholders' equity	¥ 184.43	¥ 180.91	¥ 211.70	¥ 242.10	¥ 324.19	¥ 365.72	\$ 3.098
Net income (loss)	(32.13)	15.52	10.80	19.76	26.57	24.64	0.209
Cash dividends	5.00	5.00	5.00	5.00	6.00	6.00	0.051
Financial ratios:							
Net income (loss) as a percentage of total revenue	(1.9)%	0.9%	0.6%	1.1%	1.6%	1.4%	
Total costs and expenses as a percentage of total revenue	96.7%	97.0%	96.3%	97.1%	96.8%	96.9%	
Dividends paid as a percentage of net income	-	32.2%	46.3%	25.3%	22.6%	24.4%	
Financial position data:							
Current assets	¥ 1,197,769	¥ 1,173,621	¥ 1,076,988	¥ 1,100,443	¥ 1,078,787	¥ 1,200,945	\$ 10,173,189
Current liabilities	1,309,900	1,217,421	1,141,804	1,130,483	1,084,333	1,161,870	9,842,186
Net property and equipment	391,612	385,440	314,858	307,239	292,795	270,682	2,292,944
Long-term debt	317,026	345,301	307,733	312,450	272,266	276,923	2,345,811
Shareholders' equity	177,931	174,538	204,243	257,748	345,151	-	-
Net assets	-	-	-	-	-	421,731	3,572,478
Other data:							
New orders received during the year	¥ 1,659,277	¥ 1,601,842	¥ 1,539,253	¥ 1,805,425	¥ 1,773,996	¥ 1,875,127	\$ 15,884,176
Contract backlog at the end of the year	1,816,355	1,773,559	1,714,300	1,811,772	1,841,774	1,843,576	15,616,908
Shares issued (thousands)	964,803	964,803	964,803	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 = ¥118.05

Financial Section

Financial Review

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

Operations

The Japanese economy remained on a stable growth path due to firm consumer spending and housing investment, and to active capital investment and export.

Construction investment was firm due to active capital investment in private-sector construction although the business environment in the public-sector investment continued to be severe.

Under these conditions, Taisei Corporation Group worked to "expand orders," "increase profitability," and "construct a new production system" based on its Medium-Term Business Plan (fiscal 2004 – 2006), and was able to record the following results.

Sales

Sales increased 7.4% year on year to ¥1,873.3 billion due to the increase in construction business.

Operating Income, Recurring Income, and Net Income

Operating income increased 4.5% year on year to ¥57.6 billion, despite decrease in gross margin, because of reduction in sales, general and administrative expenses. In addition, recurring income increased 0.5% year on year to ¥55.6 billion because of an increase in operating income despite deterioration between non-operating profits and losses.

Net income decreased 7.5% year on year to ¥26.2 billion due to factors such as early application of Accounting Standard for Valuation of Inventory.

Financial Positions

1) Assets

Total consolidated assets increased ¥142.1 billion (7.7% year on year) to ¥1,989.3 billion. Although fixed assets decreased due to sale, etc., but value of investment securities increased due to stock market gains.

In addition, since the scope of the application of percentage-of-completion method was expanded, there was a significant increase in receivables (trade notes and trade accounting) and accounts receivable on completed works; however cost of uncompleted contracts declined.

2) Liabilities

Total liabilities increased ¥94.3 billion (6.4% year on year) to ¥1,567.5 billion. Interest-bearing debt decreased, but there was an increase in deferred tax liabilities related to investment securities on account of stock market gains.

In addition, since the scope of application of the percentage-of-completion method was expanded, there was a substantial increase in payables (trade notes and trade accounting) and accounts payable on construction; however advances received and progress billings on uncompleted contracts declined.

As of March 31, 2007, total consolidated interest-bearing debt was ¥484.0 billion

3) Net assets

Net assets was ¥421.7 billion due to results of net income and increase of net unrealized holding gains on securities and an increase in retained earning as a result of stock market gains.

Cash flows

1) Cash flows from operating activities

Net cash provided by operating activities was ¥47.2 billion compared to net cash provided in the previous year of ¥29.2 billion due to the Company recording ¥48.6 billion in income before taxes and other items.

2) Cash flows from investing activities

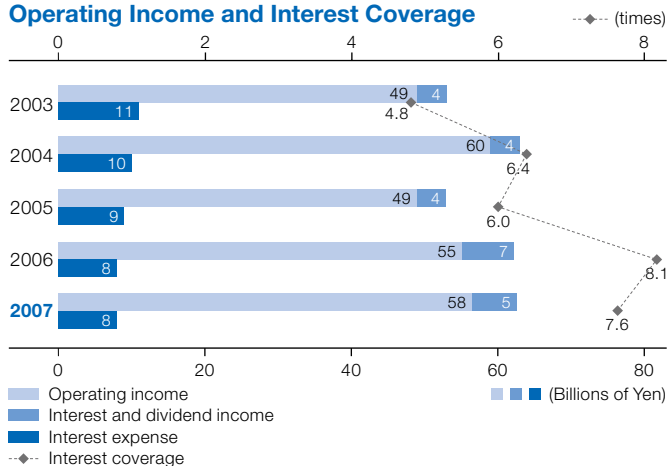
Net cash provided by investing activities amounted to ¥2.1 billion compared to net cash provided in the previous year of ¥12.0 billion due to selling of investment securities, fixed assets (property and equipment), etc.

3) Cash flows from financing activities

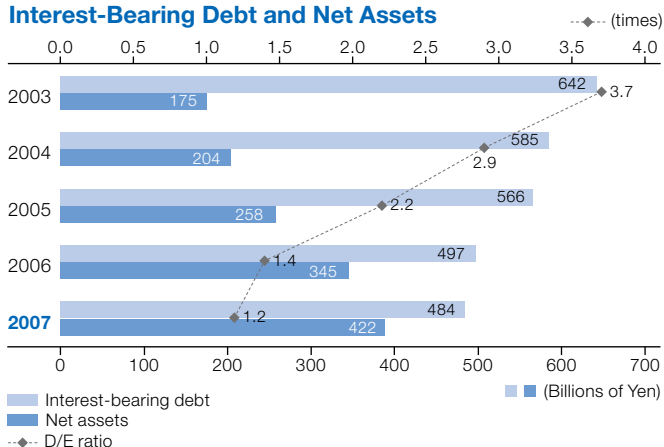
Net cash used for financing activities was ¥17.0 billion compared to net cash used in the previous year of ¥74.7 billion because of repayment of interest-bearing debt, etc.

As a result, cash and cash equivalents as of March 31, 2007 were ¥154.7 billion, ¥32.7 billion more than for the previous fiscal year.

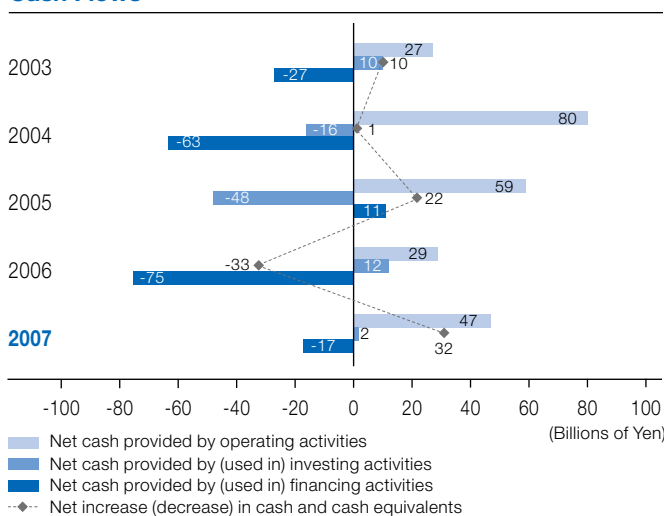
Operating Income and Interest Coverage



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, 2006 and 2007

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Current assets:			
Cash and time deposits (Notes 3 and 6).....	¥ 124,887	¥ 155,552	\$ 1,317,679
Receivables:			
Trade notes (Note 4).....	19,986	24,368	206,421
Trade accounts (Note 15).....	405,906	517,519	4,383,897
Loans.....	102	86	728
Allowance for doubtful accounts.....	(1,382)	(1,572)	(13,316)
Inventories:			
Real estate development (Note 6).....	76,803	68,891	583,575
Raw materials and supplies.....	88,015	97,139	822,863
Cost of uncompleted contracts.....	236,233	206,544	1,749,631
Deferred income taxes (Note 8).....	52,760	55,992	474,307
Prepaid expenses and other current assets (Notes 4 and 6).....	75,477	76,426	647,404
Total current assets.....	1,078,787	1,200,945	10,173,189
Property and equipment, at cost (Note 18):			
Land (Note 6).....	182,074	169,251	1,433,723
Buildings and structures (Note 6).....	183,347	169,312	1,434,240
Machinery and equipment.....	72,317	67,447	571,343
Construction in progress.....	1,930	1,898	16,077
	439,668	407,908	3,455,383
Accumulated depreciation.....	(146,873)	(137,226)	(1,162,439)
Net property and equipment.....	292,795	270,682	2,292,944
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliated companies.....	5,645	9,474	80,254
Investment securities (Notes 5 and 6).....	360,147	403,114	3,414,773
Deferred income taxes (Note 8).....	13,528	11,803	99,983
Other assets (Note 6).....	104,689	100,295	849,598
Allowance for doubtful accounts.....	(8,408)	(6,994)	(59,246)
Total investments and other assets.....	475,601	517,692	4,385,362
Total assets.....	¥ 1,847,183	¥ 1,989,319	\$ 16,851,495

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Notes 6 and 7).....	¥ 98,180	¥ 115,022	\$ 974,350
Long-term debt due within one year (Notes 6 and 7)	126,500	92,083	780,034
Trade payables:			
Notes (Note 4).....	73,578	66,896	566,675
Accounts.....	431,451	526,367	4,458,848
Advances received and progress billings on uncompleted contracts.....	213,442	198,972	1,685,489
Income taxes payable (Note 8)	4,541	8,354	70,767
Deposits received.....	96,624	97,343	824,591
Allowance for losses on construction contracts	7,994	5,274	44,676
Other current liabilities (Note 4)	32,023	51,559	436,756
Total current liabilities	1,084,333	1,161,870	9,842,186
Long-term debt (Notes 6 and 7).....	272,266	276,923	2,345,811
Employees' severance and retirement benefits (Note 9).....	38,152	29,891	253,206
Allowance for accrued severance indemnities to directors and corporate auditors	2,317	829	7,023
Deferred income taxes (Note 8).....	24,062	50,133	424,675
Deferred income taxes for revaluation of land (Notes 8 and 16).....	9,199	9,122	77,272
Allowance for losses on investments in subsidiaries and affiliates	-	1,084	9,183
Allowance for environmental spending	437	445	3,770
Other non-current liabilities	42,429	37,291	315,892
Total long-term debt	388,862	405,718	3,436,832
Contingent liabilities (Note 14)			
Net assets (Notes 10 and 19):			
Shareholders' equity :			
Common stock			
Authorized: 2,200,000,000 shares			
Issued: 1,064,802,821 shares	112,448	112,448	952,546
Capital surplus	79,475	79,475	673,231
Retained earnings	54,143	74,893	634,418
Less-Treasury stock, at cost.....	(158)	(179)	(1,516)
Total shareholders' equity	245,908	266,637	2,258,679
Accumulated gains from valuation and translation adjustments:			
Unrealized holding gains on securities, net of taxes	101,252	124,240	1,052,435
Unrealized gains on hedging derivatives, net of taxes	-	136	1,152
Revaluation reserve for land (Note 16)	(980)	(999)	(8,462)
Foreign currency translation adjustments.....	(1,029)	(761)	(6,446)
Total accumulated gains from valuation and translation adjustments ..	99,243	122,616	1,038,679
Minority interests:	28,837	32,478	275,120
Total net assets	373,988	421,731	3,572,478
Total liabilities and net assets	¥ 1,847,183	¥ 1,989,319	\$ 16,851,495

Financial Section

Consolidated Statements of Income

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Revenue:			
Net sales (Note 13):			
Construction	¥ 1,543,289	¥ 1,673,576	\$ 14,176,840
Real estate (including other)	200,705	199,749	1,692,071
	1,743,994	1,873,325	15,868,911
Costs and expenses (Note 13):			
Cost of sales (Note 17)	1,576,103	1,708,751	14,474,807
Selling, general and administrative expenses (Note 17)	112,717	106,901	905,557
	1,688,820	1,815,652	15,380,364
Operating income	55,174	57,673	488,547
Other income (expense):			
Interest and dividend income	7,117	4,883	41,364
Income from investments in silent partnership	-	3,356	28,429
Interest expense	(7,685)	(8,208)	(69,530)
Miscellaneous taxes	(1,054)	(1,700)	(14,401)
Gains on sale of investment securities	4,562	5,141	43,549
Gains on sale of property and equipment	-	378	3,202
Gains on sale of a business	-	19,928	168,810
Write-down of real estate for sale	(3,422)	-	-
Losses on investments in related companies	(123)	(1,110)	(9,403)
Impairment losses on fixed assets (Note 18)	(926)	(3,607)	(30,555)
Losses on revaluation of inventories	-	(23,898)	(202,440)
Other, net	(3,545)	(4,138)	(35,052)
	(5,076)	(8,975)	(76,027)
Income before income taxes and other items	50,098	48,698	412,520
Income taxes (Note 8):			
Current	5,143	(11,541)	(97,764)
Deferred	13,921	(8,707)	(73,756)
	19,064	(20,248)	(171,520)
Income before minority interests	31,034	28,450	241,000
Minority interest in net income of consolidated subsidiaries	(2,671)	(2,228)	(18,873)
Net income	¥ 28,363	¥ 26,222	\$ 222,126

	Yen		U.S. Dollars (Note 1)	
	Yen	Yen	U.S. Dollars	U.S. Dollars
Amounts per share of common stock:				
Net income (Note 19)	¥ 26.57	24.64	\$ 0.209	
Cash dividends applicable to the year	6.00	6.00	0.051	

See accompanying notes.

Consolidated Statements of Changes in Net Assets

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

Million 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 accumulated gains from valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2005	¥112,448	¥79,473	¥30,982	¥(115)	¥222,788	¥34,051	¥-	¥2,395	¥(1,486)	¥34,960	¥28,003	¥285,751
Dividends	-	-	(5,854)	-	(5,854)	-	-	-	-	-	-	(5,854)
Bonuses to directors and corporate auditors	-	-	(34)	-	(34)	-	-	-	-	-	-	(34)
Net income	-	-	28,363	-	28,363	-	-	-	-	-	-	28,363
Sale of treasury stock	-	2	-	9	11	-	-	-	-	-	-	11
Acquisition of treasury stock	-	-	-	(52)	(52)	-	-	-	-	-	-	(52)
Reversal of revaluation reserve for land	-	-	143	-	143	-	-	(3,375)	-	(3,375)	-	(3,232)
Increase due to revaluation of assets of consolidated overseas subsidiaries	-	-	550	-	550	-	-	-	-	-	-	550
Foreign currency translation adjustments	-	-	(2)	-	(2)	-	-	-	457	457	-	455
Decrease due to exclusion of subsidiaries from the consolidated scope	-	-	(5)	-	(5)	-	-	-	-	-	-	(5)
Changes other than shareholders' equity, net	-	-	-	-	-	67,201	-	-	-	67,201	834	68,035
Balance at March 31, 2006	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	-	-	0	-	0	-	-	-	-	-	-	0
Changes other than shareholders' equity, net	-	-	-	-	-	22,988	136	-	268	23,392	3,641	27,033
Balance at March 31, 2007	¥112,448	¥79,475	¥74,893	¥(179)	¥266,637	¥124,240	¥136	¥(999)	¥(761)	¥122,616	¥32,478	¥421,731

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 accumulated gains from valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	\$952,546	\$673,231	\$458,644	\$(1,338)	\$2,083,083	\$857,704	\$-	\$(8,301)	\$(8,717)	\$840,686	\$244,278	\$3,168,047
Dividends	-	-	(54,096)	-	(54,096)	-	-	-	-	-	-	(54,096)
Bonuses to directors and corporate auditors	-	-	(694)	-	(694)	-	-	-	-	-	-	(694)
Net income	-	-	222,126	-	222,126	-	-	-	-	-	-	222,126
Sale of treasury stock	-	0	-	110	110	-	-	-	-	-	-	110
Acquisition of treasury stock	-	-	-	(296)	(288)	-	-	-	-	-	-	(288)
Reversal of revaluation reserve for land	-	-	161	-	161	-	-	(161)	-	(161)	-	0
Increase due to revaluation of assets of consolidated overseas subsidiaries	-	-	8,277	-	8,277	-	-	-	-	-	-	8,277
Foreign currency translation adjustments	-	-	0	-	0	-	-	-	-	-	-	0
Changes other than shareholders' equity, net	-	-	-	-	-	194,731	1,152	-	2,271	198,154	30,842	228,996
Balance at March 31, 2007	\$952,546	\$673,231	\$634,418	\$(1,516)	\$2,258,679	\$1,052,435	\$1,152	\$(8,462)	\$(6,446)	\$1,038,679	\$275,120	\$3,572,478

See accompanying notes.

Financial Section

Consolidated Statements of Cash Flows

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Cash flows from operating activities:			
Income before income taxes and other items	¥ 50,098	¥ 48,698	\$ 412,520
Adjustments to reconcile income before income taxes and other items to net cash provided by operating activities:			
Depreciation and amortization	11,733	11,669	98,848
Impairment losses on fixed assets	926	3,607	30,555
Decrease allowance for doubtful accounts	(1,071)	(1,192)	(10,097)
Increase (decrease) allowance for losses on construction contracts	7,994	(2,721)	(23,050)
Increase (decrease) in retirement benefits	1,588	(6,992)	(59,229)
Increase allowance for losses on investments in subsidiaries and affiliates	-	1,084	9,183
Interest and dividend income	(7,117)	(4,883)	(41,364)
Interest expense	7,685	8,208	69,530
Write-down of investment securities	456	170	1,440
Gains on sale of investment securities	(4,562)	(5,141)	(43,549)
Losses on revaluation of inventories	-	23,898	202,440
Write-down of real estates for sale	3,422	-	-
Losses (gains) on sale of property and equipment	1,928	(378)	(3,202)
Gains on sale of a business	-	(19,928)	(168,810)
Changes in assets and liabilities:			
Increase in trade receivables	(66,360)	(117,984)	(999,441)
Decrease in cost of uncompleted contracts	56,680	29,835	252,731
Increase in inventories	(18,507)	(25,003)	(211,800)
Decrease in other investments	10,752	-	-
Increase in trade payables	45,793	105,329	892,241
Decrease in advances received and progress billings on uncompleted contracts	(62,540)	(14,219)	(120,449)
Increase (Decrease) in deposit received	(11,053)	1,016	8,607
Other, net	2,803	225	1,905
	30,648	35,298	299,009
Cash received (paid) during the year for:			
Interest and dividends received	11,669	27,853	235,943
Interest paid	(7,958)	(8,201)	(69,471)
Income taxes paid	(5,142)	(7,684)	(65,091)
Net cash provided by operating activities	29,217	47,266	400,390
Cash flows from investing activities:			
Decrease (increase) in time deposits	(1,278)	2,094	17,738
Increase in short-term loans receivable	(289)	(460)	(3,897)
Purchase of marketable and investment securities	(20,472)	(11,383)	(96,425)
Proceeds from sale of marketable and investment securities	26,486	9,599	81,313
Purchase of property, equipment and intangible assets	(12,411)	(14,674)	(124,303)
Proceeds from sale of property, equipment and intangible assets	10,776	19,729	167,124
Decrease in cash and cash equivalents upon sale of shares of subsidiaries	-	(876)	(7,421)
Other, net	9,238	(1,900)	(16,094)
Net cash provided by investing activities	12,050	2,129	18,035
Cash flows from financing activities:			
Decrease in short-term borrowings	(29,760)	16,842	142,668
Proceeds from long-term debt	98,230	99,399	842,008
Repayment of long-term debt	(136,981)	(129,260)	(1,094,960)
Proceeds from issuance of stocks to minority shareholders	-	2,702	22,889
Cash dividends paid, including those to minority interest	(6,145)	(6,689)	(56,662)
Other, net	(57)	(21)	(178)
Net cash used in financing activities	(74,713)	(17,027)	(144,235)
Effect of exchange rate changes on cash and cash equivalents	1,665	425	3,599
Net increase (decrease) in cash and cash equivalents	(31,781)	32,793	277,789
Cash and cash equivalents at beginning of year	153,729	121,948	1,033,020
Cash and cash equivalents at end of year (Note 3)	¥ 121,948	¥ 154,741	\$ 1,310,809

See accompanying notes

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

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 Securities and Exchange Law 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 Securities and Exchange Law. 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, 2007, which was ¥118.05 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 48 and 38 of its subsidiaries in the years ended March 31, 2006 and 2007, respectively. All significant intercompany transactions and account balances were eliminated in consolidation. Investments in significant affiliates, which were 9 companies for 2006 and 2007, 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 10 consolidated overseas subsidiaries for 2006 and 9 consolidated overseas subsidiaries for 2007, whose fiscal years end on December 31, and 1 consolidated domestic subsidiary for 2006, whose fiscal year end on February 28. Significant transactions, if any, in the period until ended March 31, 2006 and 2007 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 (\$8,471 thousand) or more.

Expenditures in connection with uncompleted contracts to be

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

charged to cost of contracts at a time of completion are included in current assets. These expenditures are not offset against advances received and progress billings on uncompleted contracts, which are instead included in the current liabilities.

(h) Real Estate Business

The Company and certain its 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.

(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 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, 2006 and 2007 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 subsequent accounting period after the shareholders' approval has been obtained. Retained earnings at March 31, 2007 include amounts representing the year-end cash dividends, which were approved at the shareholders' meeting held on June 26, 2007 as described in Note 20.

(t) Accounting Standard for Valuation of Inventory

Effective for the year ended March 31, 2007, the Company adopted new accounting standards, "Accounting Standard for Valuation of Inventory" ("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 standard, the Company assumed it had been applied also on the beginning balance of the inventory and recognized related losses of ¥ 23,898 million (\$202,440 thousand) as the extraordinary losses. As a result of the change, the gross profit, operating income and ordinary income decreased each by ¥ 275 million (\$2,330 thousand), and income before income taxes decreased by ¥24,173 million (\$204,769 thousand) in comparison with what would have been calculated under the previous accounting policy.

(u) Accounting Standard 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 Standard 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 the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation 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 consolidated balance sheet as of March 31, 2006 has been restated to conform to the 2007 presentation. 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 (\$3,296,205 thousand) would have been presented.

(v) Accounting Standard for Statement of Changes in Net Assets

Effective from the year ended March 31, 2007, the Companies adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No.6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation 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. Also, the Company voluntarily prepared the consolidated statement of changes in net assets for 2006 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.

(w) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Also, as described in Notes 2 (u) and 2 (v), the consolidated balance sheet for 2006 has been adapted to conform to the new presentation rules of 2007. Also, in lieu of the consolidated statement of shareholders' equity for the year ended March 31, 2006, which was prepared on a voluntary basis for inclusion in the 2006 consolidated financial statements, the Company prepared the consolidated statement of changes in net assets for 2006 as well as for 2007.

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, 2006 and 2007

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Cash and time deposits.....	¥ 124,887	¥ 155,552	\$ 1,317,679
Less: Time deposits over three months	(2,939)	(811)	(6,870)
Cash and cash equivalents.....	¥ 121,948	¥ 154,741	\$ 1,310,809

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 are as follows:

Notes receivable, trade	¥2,631 million	(\$22,287 thousand)
Notes receivable, other	¥199 million	(\$1,686 thousand)
Notes payable, trade	¥11,366 million	(\$96,281 thousand)
Notes payable, other	¥158 million	(\$1,338 thousand)

5. Securities

(1) Following tables summarized acquisition costs, book values and fair values of securities with available fair values as of March 31, 2006 and 2007:

(a) Held-to-maturity debt securities:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Securities with available fair values exceeding book values			
Book value.....	¥ -	¥ -	\$ -
Fair value	-	-	-
Difference.....	¥ -	¥ -	\$ -
Other securities			
Book value.....	¥265	¥270	\$ 2,287
Fair value	260	267	2,262
Difference.....	¥ (5)	¥ (3)	\$ (25)

(b) Available-for-sale securities:

Securities with book values exceeding acquisition costs

Type	Millions of Yen						Thousands of U.S. Dollars		
	2006			2007			2007		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities.....	¥ 126,909	¥ 298,332	¥ 171,423	¥ 125,873	¥ 334,325	¥ 208,452	\$ 1,066,269	\$ 2,832,063	\$ 1,765,794
Bonds	8	11	3	8	11	3	68	93	25
Others	1,603	2,945	1,342	1,383	4,365	2,982	11,715	36,976	25,261
Total.....	¥ 128,520	¥ 301,288	¥ 172,768	¥ 127,264	¥ 338,701	¥ 211,437	\$ 1,078,052	\$ 2,869,132	\$ 1,791,080

Other securities

Type	Millions of Yen						Thousands of U.S. Dollars		
	2006			2007			2007		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities.....	¥ 5,133	¥ 4,682	¥ (451)	¥ 7,861	¥ 7,295	¥ (566)	\$ 66,590	\$ 61,796	\$ (4,795)
Bonds	-	-	-	-	-	-	-	-	-
Others	200	177	(23)	371	341	(30)	3,143	2,888	(254)
Total.....	¥ 5,333	¥ 4,859	¥ (474)	¥ 8,232	¥ 7,636	¥ (596)	\$ 69,733	\$ 64,684	\$ (5,049)

(2) Following tables summarized book values of securities with no available fair values as of March 31, 2006 and 2007:

(a) Held-to-maturity debt securities:

Type	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Unlisted domestic corporate bonds	¥ 5,000	¥ 5,000	\$ 42,355

(b) Available-for-sale securities:

Type	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Unlisted equity securities	¥ 23,945	¥ 23,714	\$ 200,881
Unlisted preferred equity securities	10,750	14,133	119,721
Unlisted domestic bonds	503	504	4,269
Investments in silent partnership	14,306	13,513	114,468
Total	¥ 49,504	¥ 51,864	\$ 439,339

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

Type	Millions of Yen				
	2006				
	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	¥ -	¥ 265	¥ -	¥ -	¥ 265
Corporate bonds	-	11	5,000	-	5,011
Others	9	500	-	-	509
Other securities	54	359	-	-	413
Total	¥ 63	¥ 1,135	¥ 5,000	¥ -	¥ 6,198

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	Thousands of U.S. Dollars				
	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	\$ 127	\$ 2,160	\$ -	\$ -	\$ 2,287
Corporate bonds	-	93	42,355	-	42,448
Others	76	4,236	-	-	4,312
Other securities	2,542	457	-	-	2,999
Total	\$ 2,745	\$ 6,946	\$ 42,355	\$ -	\$ 52,046

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

- (4) Total sales of held-to-maturity debt securities sold and the related gains and losses for the years ended March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Total cost of sales of held-to-maturity debt securities sold	¥10	¥ -	\$ -
Total sales of held-to-maturity debt securities	10	-	-
Gain on sale of held-to-maturity debt securities	0	-	-

In the year ended March 31, 2006, one of the consolidated subsidiaries sold held-to-maturity debt securities, which had been held in compensation for security deposit of business, since the subsidiary changed the security deposit from the held-to-maturity debt securities to cash and did not need to hold such securities.

- (5) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Total sales of available-for-sale securities sold	¥ 9,615	¥ 9,079	\$ 76,908
Gains on sale of available-for-sale securities	4,717	5,189	43,956
Losses on sale of available-for-sale securities	154	48	407

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, 2006 and 2007:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Time deposits	¥ 1,786	¥ 58	\$ 492
Inventories: Real estate development	768	749	6,345
Land	15,986	15,880	134,519
Buildings and structures (net of accumulated depreciation)	14,839	14,041	118,941
Investment securities	998	1,330	11,266
Other assets	1,160	1,505	12,749
Total	¥ 35,537	¥ 33,563	\$ 284,312

7. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2006 and 2007 mainly consisted of short-term notes and overdrafts from banks. The weighted average interest rate of short-term borrowings at March 31, 2006 and 2007 was 0.9% and 1.3% 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.

Long-term debt at March 31, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Bonds and notes:			
Issued by the Company:			
2.55% yen bonds due in 2009	¥ 10,000	¥ 10,000	\$ 84,710
1.50% yen bonds due in 2006	20,000	-	-
1.15% yen bonds due in 2007	15,000	15,000	127,064
0.93% yen bonds due in 2008	10,000	10,000	84,710
1.31% yen bonds due in 2008	10,000	10,000	84,710
1.10% yen bonds due in 2009	10,000	10,000	84,710
0.92% yen bonds due in 2009	10,000	10,000	84,710
1.74% yen bonds due in 2011	-	10,000	84,710
1.56% yen bonds due in 2011	-	10,000	84,710
Issued by subsidiaries:			
1.3% yen bonds due in 2007	1,000	-	-
Loans, principally from banks and insurance companies:			
Secured loans	4,996	4,454	37,730
Unsecured loans	307,770	279,552	2,368,081
	398,766	369,006	3,125,845
Amount due within one year	(126,500)	(92,083)	(780,034)
Total long-term debt (due after one year)	¥ 272,266	¥ 276,923	\$ 2,345,811

Long-term loans at March 31, 2006 and 2007 were principally from banks and insurance companies. The weighted average interest of loans at March 31, 2006 and 2007 were 1.2% and 1.3% per annum, respectively.

The aggregate annual maturities of long-term debt (including current portion) at March 31, 2007 were summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 92,083	\$ 780,034
2009	81,270	688,437
2010	81,684	691,944
2011	53,358	451,995
2012	57,851	490,055
2013 and thereafter	2,760	23,380
Total	¥ 369,006	\$ 3,125,845

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 (\$1,270,648 thousand), however, there is no amount of loans as of March 31, 2007.

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

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, 2006.

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.

	2006
Statutory tax rate.....	40.7%
Permanent differences:	
Non-deductible expenses	4.9
Non-taxable income.....	(1.7)
Per capita inhabitant tax	1.2
Adjustment on investments in related companies regarding consolidated tax system	4.1
Consolidation adjustment on investments in related companies....	(13.5)
Increase in valuation allowance.....	0.4
Others	2.0
Effective tax rate.....	38.1%

Significant components of deferred income taxes at March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Deferred income tax assets:			
Disallowed portion of expenses and losses:			
Inventories.....	¥ 41,178	¥ 42,262	\$ 358,001
Bad debt expenses and allowance for doubtful accounts.....	5,382	5,330	45,150
Retirement benefits	46,615	43,287	366,684
Fixed assets	7,177	7,623	64,574
Consolidation adjustment on investments in related companies	15,497	9,138	77,408
Accrued bonus.....	5,711	5,918	50,131
Other.....	10,426	12,311	104,286
Tax loss carryforward.....	6,924	3,767	31,910
Unrealized profits.....	10,827	10,679	90,462
Sub-total.....	149,737	140,315	1,188,606
Valuation allowance.....	(9,331)	(10,636)	(90,097)
Total.....	140,406	129,679	1,098,509
Deferred income tax liabilities:			
Unrealized holding gains on securities	(70,120)	(85,811)	(726,904)
Gains on securities contribution to employee retirement benefit trust.....	(23,556)	(23,556)	(199,543)
Reserve for tax deferral on replacement of assets	(2,251)	(2,209)	(18,712)
Unrealized gains on hedging derivatives	-	(156)	(1,321)
Special depreciation reserve.....	(24)	(21)	(178)
Adjustment on investments in relate companies regarding consolidated tax system	(2,030)	-	-
Other.....	(199)	(264)	(2,236)
Total.....	(98,180)	(112,017)	(948,894)
Net total.....	¥ 42,226	¥ 17,662	\$ 149,615

In addition to the deferred income taxes shown above, deferred tax liabilities concerning revaluation of land amounting to ¥9,199 million at

March 31, 2006 and ¥9,122 million (\$77,272 thousand) at March 31, 2007, are included in the consolidated balance sheets.

9. 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, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Projected benefit obligation.....	¥ (201,777)	¥ (190,941)	\$ (1,617,459)
Unrecognized actuarial differences.....	(13,552)	(10,951)	(92,766)
Unrecognized prior service cost.....	(457)	(5,159)	(43,702)
Less: Fair value of pension assets.....	178,168	177,883	1,506,845
Prepaid pension expense.....	(534)	(723)	(6,124)
Employees' severance and retirement benefits.....	¥ (38,152)	¥ (29,891)	\$ (253,206)

Included in the consolidated statements of income for the years ended March 31, 2006 and 2007, severance and retirement benefit

expenses comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Service costs – benefits earned during the year.....	¥ 7,426	¥ 6,783	\$ 57,459
Interest cost on projected benefit obligation.....	4,961	4,889	41,415
Expected return on plan assets.....	(2,214)	(2,703)	(22,897)
Amortization of actuarial differences.....	5,098	(555)	(4,701)
Amortization of prior service cost.....	(77)	(462)	(3,914)
Special retirement benefits and others.....	1,403	126	1,067
Severance and retirement benefit expenses.....	¥ 16,597	¥ 8,078	\$ 68,429

The discount rates used by the Company and its consolidated domestic subsidiaries for the years ended March 31, 2006 and 2007 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, 2006 and 2007 were 0.5% to 3.0% and 0.4% 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 (u), net assets comprise three subsections, which are shareholders' equity, accumulated gains (losses) from 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 Japanese laws and regulations.

The number of treasury stock owned by the Company, consolidated subsidiaries and affiliated companies adopting the equity method as of March 31, 2006 and 2007 were 405 thousand shares and 454 thousand shares, respectively.

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

11. Lease Transactions

(1) Finance leases

(a) Lessee

Assumed data concerning the acquisition cost, accumulated depreciation 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, 2006 and 2007, inclusive of interest, were summarized as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2006			2007			2007		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Buildings	¥ 2,206	¥ 1,505	¥ 701	¥ 3,002	¥ 1,862	¥ 1,140	\$ 25,430	\$ 15,773	\$ 9,657
Machinery and equipment	6,257	3,194	3,063	4,173	2,203	1,970	35,349	18,661	16,688
Total	¥ 8,463	¥ 4,699	¥ 3,764	¥ 7,175	¥ 4,065	¥ 3,110	\$ 60,779	\$ 34,434	\$ 26,345

Future lease payments at March 31, 2006 and 2007, inclusive of interest, under such leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
	Due within one year	¥ 1,350	¥ 1,123
Due after one year	2,414	1,987	16,832
Total	¥ 3,764	¥ 3,110	\$ 26,345

Lease expenses (assumed data as to depreciation of the leased assets) for the years ended March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
	Lease payments (assumed depreciation)	¥ 1,835	¥ 1,414

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

Since there is no impairment loss on finance leases, the information is not disclosed.

(2) Operating leases

(a) Lessee

Future minimum lease payments as of March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
	Due within one year	¥ 4,472	¥ 7,602
Due after one year	41,225	51,150	433,291
Total	¥ 45,697	¥ 58,752	\$ 497,687

(b) Lessor

Future minimum lease receipts as of March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
	Due within one year	¥ 1,862	¥ 3,239
Due after one year	25,469	34,138	289,183
Total	¥ 27,331	¥ 37,377	\$ 316,620

12. Derivative Transactions

Derivative transactions of the Company and its consolidated subsidiaries at March 31, 2006 and 2007 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

Interest Rate-Related Derivatives:

	Millions of Yen			
	2006			
	Total	Contract amount		Unrealized gain (loss)
Due after one year		Market value		
Unlisted transactions				
Interest rate swaps:				
Receive fix/Pay float	¥ 15,000	¥ 15,000	¥ 729	¥ 729
Receive float/Pay fix	10,000	10,000	(444)	(444)
Total	¥ 25,000	¥ 25,000	¥ 285	¥ 285

	Millions of Yen			
	2007			
	Total	Contract amount		Unrealized gain (loss)
Due after one year		Market value		
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

	Thousands of U.S. Dollars			
	2007			
	Total	Contract amount		Unrealized gain (loss)
Due after one year		Market value		
Unlisted transactions				
Interest rate swaps:				
Receive fix/Pay float	\$ 127,065	\$ 127,065	\$ 5,227	\$ 5,227
Receive float/Pay fix	84,710	84,710	(3,228)	(3,228)
Total	\$ 211,775	\$ 211,775	\$ 1,999	\$ 1,999

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 (\$169,420 thousand) at March 31, 2006 and 2007.

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

13. 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, 2006 and 2007 were summarized as follows:

Millions of Yen					
2006					
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers.....	¥ 1,543,289	¥ 118,127	¥ 82,578	¥ -	¥ 1,743,994
Intersegment.....	8,350	970	17,427	(26,747)	-
Total.....	1,551,639	119,097	100,005	(26,747)	1,743,994
Costs and expenses.....	1,516,159	101,758	97,943	(27,040)	1,688,820
Operating income.....	¥ 35,480	¥ 17,339	¥ 2,062	¥ 293	¥ 55,174
II. Other information					
Identifiable assets.....	¥ 1,443,149	¥ 363,026	¥ 57,596	¥ (16,588)	¥ 1,847,183
Depreciation expense.....	7,344	2,653	1,736	-	11,733
Impairment losses on fixed assets.....	104	822	-	-	926
Capital expenditures.....	8,527	3,168	1,211	(23)	12,883

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

Thousands of U.S. Dollars					
2007					
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers.....	\$ 14,176,840	\$ 988,920	\$ 703,151	\$ -	\$ 15,868,911
Intersegment.....	59,873	9,225	152,114	(221,212)	-
Total.....	14,236,713	998,145	855,265	(221,212)	15,868,911
Costs and expenses.....	13,962,329	821,677	819,738	(223,380)	15,380,364
Operating income.....	\$ 274,384	\$ 176,468	\$ 35,527	\$ 2,168	\$ 488,547
II. Other information					
Identifiable assets.....	\$ 13,492,376	\$ 3,038,746	\$ 644,676	\$ (324,303)	\$ 16,851,495
Depreciation expense.....	65,235	20,339	13,265	-	98,839
Impairment losses on fixed assets.....	29,064	1,491	-	-	30,555
Capital expenditures.....	84,786	31,733	12,342	-	128,861

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 noted in note 2(t), effective for the year ended March 31, 2007, the Company adopted new accounting standards, "Accounting Standard for Valuation of Inventory" ("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. As a result of the change, the costs and expenses in the "Real estate" segment increased by ¥ 275 million (\$ 2,330 thousand) and the operating income decreased by the same amount.

(2) Geographical segment information

Geographic segment information for the years ended March 31, 2006 and 2007 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, 2006 and 2007 were summarized as follows:

Millions of Yen					
2006					
	Asia	Middle east	North America	Others	Total
Overseas sales.....	¥ 98,508	¥ 29,075	¥ 16,536	¥ 16,471	¥ 160,590
Consolidated sales.....					¥ 1,743,994
Percentage of overseas sales over consolidated sales.....	5.7%	1.7%	0.9%	0.9%	9.2%

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%

Thousands of U.S. Dollars					
2007					
	Asia	Middle east	North America	Others	Total
Overseas sales.....	\$ 1,256,163	\$ 358,026	\$ 256,518	\$ 197,849	\$ 2,068,556
Consolidated sales.....					\$ 15,868,911

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, Chinese Taipei, Singapore, Vietnam, and China
Middle East.....UAE and Turkey
North America.....USA

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

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2007

14. Contingent Liabilities and Commitments

At March 31, 2007, 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 ¥ 6,865 million (\$ 58,153 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.

15. Liquidation of credit

The Company conducted liquidation of trade accounts receivables amounting to ¥ 27,837 million at March 31, 2006.

16. 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, 2006 and 2007 were ¥ 6,948 million and ¥ 2,590 million (\$ 21,940 thousand), respectively.

17. Research and Development Expenses

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

¥ 9,386 million and ¥ 9,118 million (\$ 77,238 thousand) for the years ended March 31, 2006 and 2007, respectively.

18. Impairment of fixed assets

Impairment losses on fixed assets for the year ended March 31, 2006 and 2007 consisted of the following:

2006		
Use	Type of assets	Location
Asset for rent	Land and building	Kagoshima (1 lot)
Asset for sale (converted from business use)	Land, building and structure	Chiba (1 lot)
Dormant asset	Land	Hokkaido (1 lot)
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)

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
	2006	2007	2007
Buildings and structures	¥ 371	¥ 2,301	\$ 19,492
Land	555	1,306	11,063
Total	¥ 926	¥ 3,607	\$ 30,555

The recoverable amounts of the fixed assets for the year ended March 31, 2006 were the larger of (1) their 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, or (2) present values of expected future cash flows from on-going utilization and subsequent disposition of the fixed

assets based on a discount rate of 5.0%. The recoverable amounts of the fixed assets for the year ended March 31, 2007 were based on their 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.

19. Per share data

Net assets worth per share and net income per share as of and for the years ended March 31, 2006 and 2007 were as follows:

	Yen		U.S. Dollars
	2006	2007	2007
Net assets worth per share	¥ 324.19	¥ 365.72	\$ 3.098
Net income per share	26.57	24.64	0.209

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, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Net income	¥ 28,363	¥ 26,222	\$ 222,126
Net income not available to common stock holders	83	-	-
(Net income appropriated as bonuses to directors)	(83)	-	-
Net income available to common stock	28,280	26,222	222,126
Average common stock outstanding (in thousands share)	¥ 1,064,445	¥ 1,064,380	

20. Subsequent Event

Cash dividends

The following appropriation of retained earnings at March 31, 2007 was

approved at the annual meeting of the Company's shareholders held on June 26, 2007.

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥ 3.0 (\$ 0.025) per share	¥ 3,193	\$ 27,048

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, 2007 and 2006, 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, 2007 and 2006, 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 valuation of inventory.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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 26, 2007

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
Kunihiko Nambu
Atsushi Okamoto

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

Senior Corporate Auditors
Hiroshi Tamaru
Hiroyasu Takuma

Corporate Auditors
Hajime Okamura
Takao Nakajima
Haruo Ueno

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)
Kunihiko Nambu
General Manager, Corporate Planning Office;
Chief Executive, International Operations Headquarters
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

Executive Vice Presidents

Mikio Ito
In charge of Marketing & Sales
Mitsuo Masuda
In charge of Civil Engineering ;
In charge of Marketing & Sales (Civil Engineering)
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;
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

Senior Vice Presidents

Masaru Kamata
General Manager, Nagoya Branch
Makoto Maeda
In charge of Marketing & Sales
Junji Yamada
In charge of Marketing & Sales
Soichi Kawamura
General Manager, Taisei Technology Center;
General Manager, Nuclear Facilities Division
Hirofumi Ichihara
General Manager, Tokyo Branch
Takaharu Kubozoe
General Manager, Marketing & Sales Promotion 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
Kenji Nakamura
Executive, International Operations Headquarters;
Division Director, International Civil Engineering Division;
General Manager, Civil Engineering Department
Nobuyuki Motegi
General Manager, Tohoku Branch
Hiroshi Tada
General Manager, Medical & Welfare Business Division
Misao Akune
Deputy General Manager, Business Administration Division;
Deputy General Manager, Corporate Planning Office;
General Manager, Corporate Planning Department
Tatsuo Yoshida
General Manager, Yokohama Branch

Takashi Furumaya
General Manager, Safety Administration & Environment Division

Satoru Ogata
Executive, International Operations Headquarters;
Division Director, International Building Construction Division;
General Manager, Marketing & Business Development Department

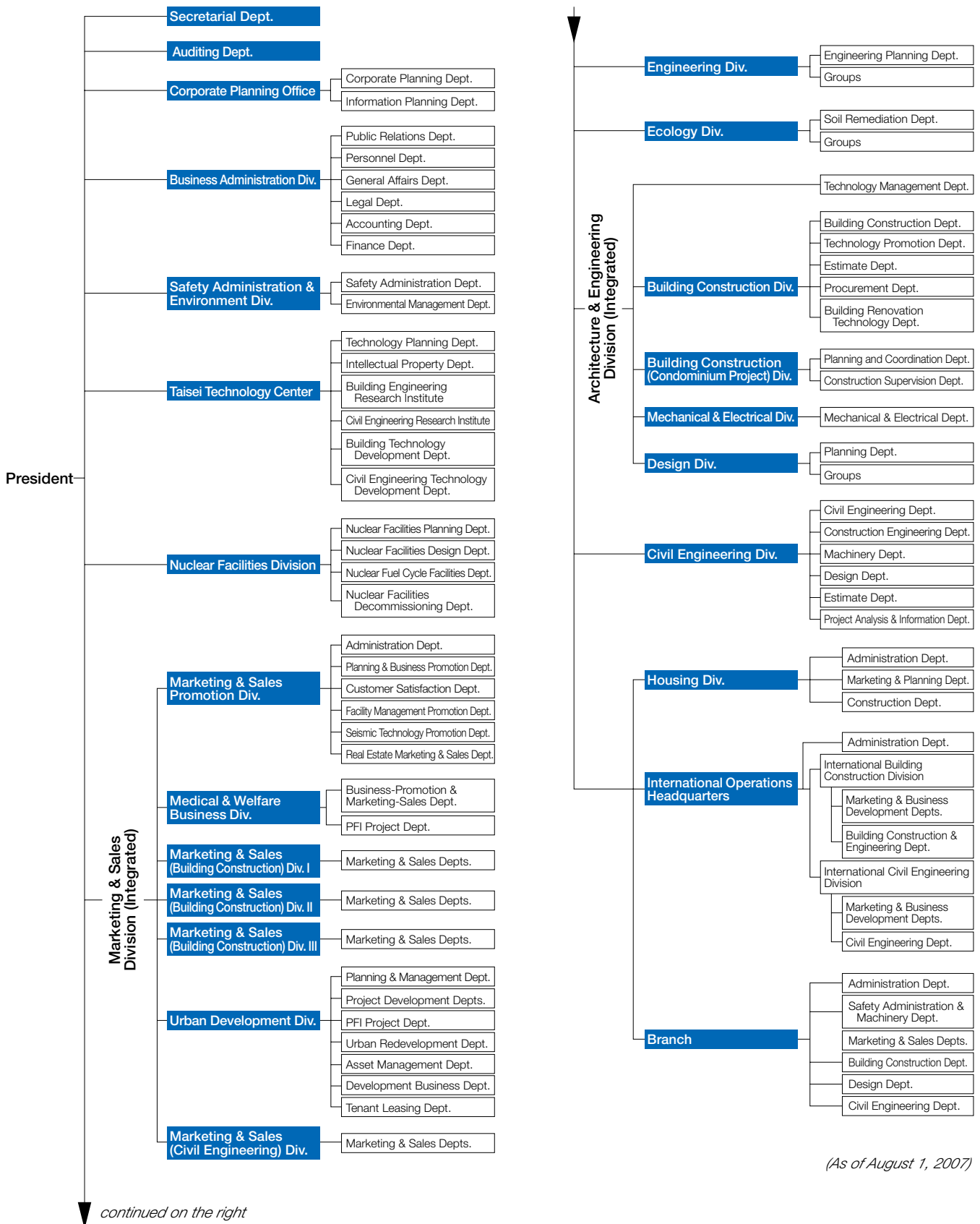
Mitsuyasu Ide
Executive, International Operations Headquarters;
Deputy General Manager, Business Administration Division

Vice Presidents

Yasuyuki Nakayama
Deputy General Manager, Marketing & Sales (Civil Engineering) Division
Masaya Segawa
In charge of Marketing & Sales
Hidemi Omi
Project Director, Civil Engineering Project, International Civil Engineering Division
Makoto Kosuge
Project Director, Civil Engineering Project, International Civil Engineering Division
Shigeru Sekine
General Manager, Hiroshima Branch
Kiyoshi Onozawa
General Manager, Sapporo Branch
Motofumi Fujiwara
Deputy General Manager, Civil Engineering Division (In charge of Projects)
Akira Yoshida
Deputy General Manager, Civil Engineering Division (In charge of Construction Engineering & Design);
General Manager, Construction Engineering Department
Akinobu Kojima
Deputy General Manager, Marketing & Sales (Building Construction) Division
Toshio Tominaga
General Manager, Kanto Branch
Takao Kishimoto
General Manager, Hokushin-etsu Branch
Takashi Hayashi
General Manager, Housing Division
Masatake Taniuchi
General Manager, Kyushu Branch
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
General Manager, Secretarial Department
Eiji Hatta
General Manager, Building Construction (Condominium Project) Division
Kazuhiko Dai
Deputy General Manager, Tokyo Branch;
General Manager, Civil Engineering Department, Tokyo Branch;
General Manager, Civil Engineering Department, Kanto Branch
Toru Koizumi
Branch Director, Middle East Branch;
Project Director, Building Construction Project, International Building Construction Division

(As of August 1, 2007)

Organization



Corporate Auditor—Auditor's Secretarial Dept.

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: 99,236
Number of Employees: 9,310

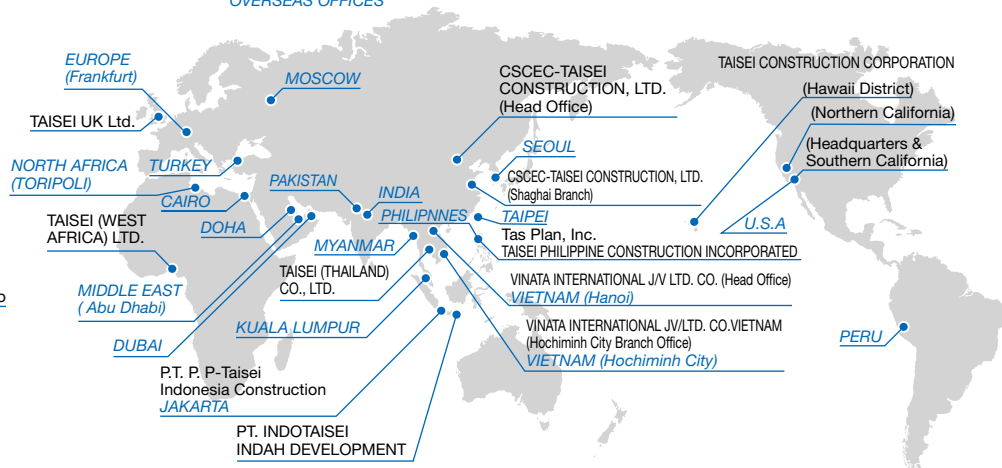
General Meeting of Shareholders: The General Meeting of Shareholders is held within three months of the day immediately following the day on which the account is closed.
Transfer Agent: Mizuho Trust & Banking Co., Ltd.
Head Office: 1-25-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0606
Phone: +81-3-3348-1111

(As of March 31, 2007)

Domestic Offices:



Overseas Offices: OVERSEAS SUBSIDIARIES & AFFILIATES OVERSEAS OFFICES



Major Subsidiaries and Affiliates

COMPANY	LOCATION	PAID-IN CAPITAL	MAJOR BUSINESSES	EQUITY OWNERSHIP
Subsidiaries				
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\$ 41.3 million	Construction	100.0%
CSCEC-TAISEI Construction, Ltd.	Beijing, China	RMB 50 million	Construction	50.0%
Affiliates				
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%