Notes to Consolidated Financial Statements

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2010

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Taisei Corporation (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments 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 from International Financial Reporting Standards.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2. (u), effective from the year ended March 31, 2009 the accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93.04 to U.S. $1. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when 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 its subsidiaries which were 36 and 34 for the years ended March 31, 2009 and 2010, respectively. All significant intercompany transactions and account balances were eliminated in consolidation. Investments in significant affiliates, which were 8 and 9 companies for 2009 and 2010, respectively, 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 and 7 consolidated overseas subsidiaries for 2009 and 2010, respectively, whose fiscal year end on December 31. Significant transactions, if any, in the period until ended March 31, 2009 and 2010were 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) Goodwill

Significant excesses of investment cost over net equity of consolidated subsidiaries and affiliated companies accounted for under the equity method are recognized as goodwill(negative goodwill , if credit balance) , and they are amortized principally over five years or less than twenty years on a straight-line basis for the years ended March 31, 2009 and 2010 , respectively .However goodwill charged to income in the year if the goodwill is immaterial for the years ended March 31 , 2010.

(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 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 holding gains and losses on these securities are reported, net of applicable income taxes, as a separate component of 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.

Notes to Consolidated Financial Statements *(cont.)*

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2010

(g) Construction Contracts
Prior to the year ended March 31, 2010, the Company accounted for revenues and costs of construction contracts whose contract values were at least 1,000million ($10,748 thousand) and for which the construction periods exceeded one year by using the percentage-of-completion method. All other construction contracts were accounted for using the completed-contract method. Some domestic consolidated subsidiaries adopted the percentage-of-completion method for contracts with certain degrees of scale and overseas consolidated subsidiaries adopted the percentage-of-completion method for all construction.

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

Accordingly, when the outcome of individual contracts can be estimated reliably, the Company and its consolidated domestic subsidiaries apply the percentage-of-completion method to work commencing during the year ended March 31, 2010, otherwise the completed-contract method is applied. The percentage/stage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost.

As a result of adopting the new accounting standard, net sales increased by ¥22,816 million($245,228thousand), operating income, and income before income taxes and other items increased each by ¥3,470 million ($37,296thousand) for the year ended March 31, 2010. Effects of the change on the segment information are described in Note 16 (1).

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

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

(j) Accounting for lease transactions as lessee
The Company and its consolidated domestic subsidiaries account for finance leases commencing prior to April 1, 2008 which do not transfer the ownership of the leased property to the lessee as operating leases with disclosures of certain "as if capitalized" information. The Company and its consolidated domestic subsidiaries adopted a new accounting standard and capitalized finance leases which commenced after March 31, 2008, except for certain immaterial or short-term finance leases, which is accounted for as operating leases.

Prior to April 1, 2008, the Company and its consolidated domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information in the notes to the consolidated financial statements.

On March 31, 2007, the Accounting Standards Board of Japan issued Statement No. 13, "Accounting Standard for Lease Transactions" and Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions". The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective April 1, 2008, the Company and its consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

This change has no material impact on the consolidated financial statements.

Finance leases that do not transfer of ownership which transacted until the year ended March 31, 2008, has been accounted for as ordinary rental transactions.

(k) 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.

(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.

Effective from the fiscal year ended March 31, 2010, the Company and its consolidated domestic subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan ("ASBJ") Statement No.19 issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined by taking into consideration fluctuations in the yield of long-term government or gilt-edged bonds over a certain period. This change had no material impact on the consolidated financial statements for the year ended March 31, 2010.

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

(p) 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.

(q) 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.

(r) 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.

(s) Net Income (Loss) and Cash Dividends per Share
Net income (loss) per share is calculated by dividing net income (loss) 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, 2010 were19.24 yen, and for the years ended March 31, 2009 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.

(t) Recognizing Appropriations of Retained Earnings
In accordance with the customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the period in which they were resolved. Retained earnings at March 31, 2010 include amounts representing the year-end cash dividends, which were resolved at the shareholders' meeting held on June 29, 2010 as described in Note 22.

(u) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements
On March 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No.18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impact on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

This change has no material impact on the consolidated financial statements for the year ended March 31, 2009.

(v) Accounting Standard for Business Combinations
Effective from the year ended March 31, 2010, the Company adopted ASBJ Statement No.21, Accounting Standard for Business Combinations, ASBJ Statement No.22, Accounting Standard for Consolidated Financial Statements, ASBJ Statement No.23, Partial amendments to Accounting Standard for Research and Development Costs, ASBJ Statement No.7, Accounting Standard for Business Divestitures, ASBJ Statement No.16, Accounting Standard for Equity Method of Accounting for Investments, and ASBJ Guidance No.10, Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (issued or revised by the ASBJ on December 26, 2008, respectively), since these accounting standards can be adopted for the first business combinations transaction after April 1,2009.

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

Notes to Consolidated Financial Statements *(cont.)*

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2010

3. Cash and Cash Equivalents

(1) Cash and cash equivalents at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Cash and time deposits	¥ 150,127	¥ 156,680	$ 1,684,007
Less: Time deposits over three months	(1,778)	(751)	(8,072)
Cash and cash equivalents	¥ 148,349	¥ 155,929	$ 1,675,935

(2) Significant non-cash transaction

TAISEI ROTEC CORPORATION, one of the Company's consolidated subsidiaries, became a wholly-owned subsidiary of the Company as a result of share exchange. Consequently, capital surplus increased by ¥4,467 million ($48,012thousand).

4. Financial Instruments

(1) Status of financial instruments

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

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

Receivables: trade notes and trade accounts are exposed to the credit risks in relation to customers, in order to reduce such risks, the Companies regularly ascertain the business condition of the customers, and aim at the grasp of their credit risks due to deterioration of the financial situation etc., at the early stage and the reduction of the credit risks.

For investment securities which are mainly held-to-maturity debt securities and shares held for keep the relationship with business partners, the Companies regularly review the fair values or financial positions of the invested companies, and revise the portfolio (except for held-to-maturity debt securities) considering the relationship with them.

Among debts, trade payables: notes and accounts are mostly debts due within one year. Borrowings, commercial papers and bonds are primarily for working funds, and have maturity date of five years or less. With variable interest rates, they are exposed to the interest rate fluctuation risks. These risks are hedged by derivative transactions (interest rate swap contracts) used within a certain extent.

The Companies primarily utilize derivative transactions related to interest rates in order to mitigate the fluctuation risks in interest rates or to reduce financing costs, and they also enter into derivative transactions related to currency in order to hedge the foreign exchange risks. These transactions are exposed to the fluctuation risks in interest rates and the foreign exchange risks. However, the Companies are not exposed to the risks, because they are primarily hedged by the corresponding transactions. And they trade derivative transactions solely with internationally recognized, highly rated financial institutions and therefore consider there is little risk of default by counterparties.

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.

(2) Fair Value of Financial Instruments

Book values of the financial instruments included in the consolidated balance sheet, the fair values of said items, and the differences between these figures as of March 31, 2010, were as follows. Items which were exceedingly difficult to estimate their fair value were not included in the following table (see Note 2 below).

Millions of Yen

		Book Value	Fair Value	Difference
[ASSETS]	①Cash and time deposits	156,680	156,680	-
	②Receivables: Trade notes and Trade accounts	394,555	394,385	△170
	③Investment securities			
	Debt securities intended to be held to maturity	5,509	5,493	△16
	Available-for-sale securities	137,032	137,032	-
[LIABILITIES]	①Trade payables: Notes and Accounts	370,424	370,424	-
	②Short-term borrowings and Long term debt due within one year	250,673	251,687	△1,014
	③Commercial papers	29,990	29,990	-
	④Deposits received	87,591	87,591	-
	⑤Long-term debt	250,083	254,613	△4,530
	⑥Derivative financial instruments	200	200	-

Thousands of U.S. Dollars

		Book Value	Fair Value	Difference
[ASSETS]	①Cash and time deposits	1,684,007	1,684,007	-
	②Receivables: Trade notes and Trade accounts	4,240,703	4,238,876	△1,827
	③Investment securities			
	Debt securities intended to be held to maturity	59,211	59,039	△172
	Available-for-sale securities	1,472,829	1,472,829	-
[LIABILITIES]	①Trade payables: Notes and Accounts	3,981,341	3,981,341	-
	②Short-term borrowings and Long term debt due within one year	2,694,250	2,705,148	△10,898
	③Commercial papers	322,334	322,334	-
	④Deposits received	941,434	941,434	-
	⑤Long-term debt	2,687,908	2,736,597	△48,689
	⑥Derivative financial instruments	2,150	2,150	-

Note 1: The estimation method of the fair value

[ASSETS]

・①Cash and time deposits and ②Receivables: Trade notes and Trade accounts
The fair values of these financial instruments are equivalent to the book value, because of the short term settlements; although, the fair value of receivables: trade notes and trade accounts due over one year are based on the present value of discounted cash flows using the interest rate determined by the factors of the estimated collection terms and credit risks, with respect to each receivable categorized by collection terms.

・③Investment securities
The fair values of the marketable securities are based on the quoted market value, and bonds are based on the market value, the price indicated by a third party such as broker, or the present value of discounted cash flows, respectively.
See the notes on"5 Securities" for notes pertaining to securities according to the purpose for which they are held.

[LIABILITIES]

・①Trade payables: Notes and Accounts, ②Short-term borrowings and Long term debt due within one year, ③Commercial papers, and ④Deposits received
The fair values of these financial instruments are equivalent to the book value, because of the short term settlements; although, the fair value of long-term debt due within one year are based on the same method as that for long-term debt.

・⑤Long-term debt
Long-term debt is the sum of long term borrowings due after one year, straight bonds due after one year and convertible bonds due after one year. The fair values of long-term borrowings are based on the present value of discounted cash flows using the interest rate which may be applicable when the same kind borrowings are made. The fair values of the marketable bonds are based on the quoted market value, otherwise the fair values of the bonds are the present value of discounted cash flows using the interest rate determined by the factors of the estimated redemption terms and issuer's credit risk.

・⑥Derivative financial instruments
See the notes on "14 Derivative Transactions."

Note 2: Financial instruments which are exceedingly difficult to estimate the fair value
Nonmarketable securities (book value amount to ¥60,770 million ($653,160 thousand)) are not included in the above [Asset] ③Investment securities – Available-for-sale securities; since it is difficult to estimate the fair values thereof because neither market quoted value is available nor future cash flows can be estimated.

Note 3: Scheduled redemption amounts after the consolidated balance sheet date for monetary claims and securities with period of maturity were as follows

	Millions of Yen		
	Within one year	Over one year but within five years	Over five years but within ten years
Cash and time deposits	¥ 98,739	¥ -	¥ -
Receivables: Trade notes and Trade accounts	382,985	11,570	-
Investment securities			
Debt securities intended to be held to maturity			
Government bonds	77	322	60
Bonds	-	-	5,000
Other bonds	-	50	-
Available-for-sale securities			
Government bonds	0	9	143
Bonds	3	100	-
Others	-	21	30
Total	¥ 481,804	¥ 12,072	¥ 5,233

Notes to Consolidated Financial Statements *(cont.)*

TAISEI CORPORATION and Consolidated Subsidiaries
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	Thousands of U.S. Dollars		
	Within one year	Over one year but within five years	Over five years but within ten years
Cash and time deposits	$1,061,253	$ -	$ -
Receivables: Trade notes and Trade accounts	4,116,348	124,355	-
Investment securities			
Debt securities intended to be held to maturity			
Government bonds	828	3,461	645
Bonds	-	-	53,740
Other bonds	-	537	-
Available-for-sale securities			
Government bonds	0	97	1,537
Bonds	32	1,075	-
Others	-	226	323
Total	$5,178,461	$ 129,751	$ 56,245

Note 4: See the notes on "7 Short-term Borrowings, Commercial Papers and Long-term Debt" for notes pertaining to the aggregate annual maturities of long term debt after the consolidated balance sheet date:

(Additional information)

Effective from the fiscal year ended March 31, 2010, the Company adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008).

5. Securities

(1) Following tables summarized acquisition costs, book values and fair values of securities with available fair values as of March 31, 2009:

(a) Held-to-maturity debt securities:

	Millions of Yen
Securities with available fair values exceeding book values	2009
Book value	¥ 275
Fair value	276
Difference	¥ 1
Other securities	
Book value	¥ -
Fair value	-
Difference	¥ -

(b) Available-for-sale securities:

Securities with book values exceeding acquisition costs

	Millions of Yen		
	2009		
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 66,465	¥ 91,895	¥ 25,430
Bonds	15	15	0
Others	908	1,443	535
Total	¥ 67,388	¥ 93,353	¥ 25,965

Other securities

	Millions of Yen		
	2009		
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 68,504	¥ 52,658	¥ (15,846)
Others	796	683	(113)
Total	¥ 69,300	¥ 53,341	¥ (15,959)

The Companies recognized losses on write-down of ¥3,509 million on its available-for-sale securities for the year ended March 31, 2009.

(2) Following tables summarized book values of securities with no available fair values as of March 31, 2009:

(a) Held-to-maturity debt securities:

	Millions of Yen
Type	2009
Unlisted domestic corporate bonds	¥ 5,000

(b) Available-for-sale securities:

	Millions of Yen
Type	2009
Unlisted equity securities	¥ 13,723
Unlisted preferred equity securities	40,657
Investments in silent partnership	10,595
Total	¥ 64,975

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

	Millions of Yen				
	2009				
Type	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	¥ 160	¥ 115	¥ 15	¥ -	¥ 290
Corporate bonds	-	-	5,000	-	5,000
Others	5	104	-	-	109
Other securities	-	-	-	-	-
Total	¥ 165	¥ 219	¥ 5,015	¥ -	¥ 5,399

(4) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2009 were as follows:

	Millions of Yen
	2009
Total sales of available-for-sale securities sold	¥ 17,197
Gains on sale of available-for-sale securities	2,763
Losses on sale of available-for-sale securities	8

(5) Following tables summarized acquisition costs, book values and fair values of securities with available fair values as of March 31, 2010:

(a) Held-to-maturity debt securities:

Securities with available fair values exceeding book values

	Millions of Yen			Thousands of U.S. Dollars		
	2010			2010		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	¥ 217	¥ 218	¥ 1	$ 2,332	$ 2,343	$ 11
Total	¥ 217	¥ 218	¥ 1	$ 2,332	$ 2,343	$ 11

Other securities

	Millions of Yen			Thousands of U.S. Dollars		
	2010			2010		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	¥ 242	¥ 241	¥ (1)	$ 2,601	$ 2,590	$ (11)
Bonds	5,000	4,986	(14)	53,740	53,590	(150)
Others	50	48	(2)	538	516	(22)
Total	¥ 5,292	¥ 5,275	¥ (17)	$ 56,879	$ 56,696	$ (183)

Notes to Consolidated Financial Statements *(cont.)*

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(b) Available-for-sale securities:
Securities with book values exceeding acquisition costs

	Millions of Yen			Thousands of U.S. Dollars		
	2010			2010		
Type	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Equity securities	¥ 101,896	¥ 67,628	¥ 34,268	$1,095,185	$ 726,870	$ 368,315
Government bonds	15	15	0	161	161	0
Others	546	508	38	5,869	5,460	409
Total	¥ 102,457	¥ 68,151	¥ 34,306	$1,101,215	$ 732,491	$ 368,724

Other securities

	Millions of Yen			Thousands of U.S. Dollars		
	2010			2010		
Type	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Equity securities	¥ 33,937	¥ 40,683	¥ (6,746)	$ 364,757	$ 437,264	$ (72,507)
Government bonds	136	139	(3)	1,462	1,494	(32)
Bonds	104	104	-	1,118	1,118	-
Others	398	447	(49)	4,277	4,804	(527)
Total	¥ 34,575	¥ 41,373	¥ (6,798)	$ 371,614	$ 444,680	$ (73,066)

(6) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2010 were as follows:

	Millions of Yen		
	2010		
Type	Equity securities	Others	Total
Total sales of available-for-sale securities sold	¥ 44,395	¥ 1,191	¥ 45,586
Gains on sale of available-for-sale securities	15,915	418	16,333
Losses on sale of available-for-sale securities	1,026	5	1,031

	Thousands of U.S. Dollars		
	2010		
Type	Equity securities	Others	Total
Total sales of available-for-sale securities sold	$ 477,160	$ 12,801	$ 489,961
Gains on sale of available-for-sale securities	171,055	4,493	175,548
Losses on sale of available-for-sale securities	11,028	53	11,081

(7) Impairment losses on securities
The Companies recognized losses on write-down of ¥502 million ($5,396 thousand) on its securities for the year ended March 31, 2010.

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, 2009 and 2010:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Time deposits	¥ 63	¥ 43	$ 462
Inventories: Real estate development	749	749	8,050
Land	15,880	42,274	454,364
Buildings and structures (net of accumulated depreciation)	12,543	19,865	213,510
Investment securities	1,536	2,382	25,602
Other assets	1,906	1,820	19,562
Total	¥ 32,677	¥ 67,133	$ 721,550

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

Short-term borrowings at March 31, 2009 and 2010 mainly consisted of short-term notes and overdrafts from banks. The weighted average interest rates of short-term borrowings at March 31, 2009 and 2010 were 1.2% and 1.1% per annum, respectively.

The Company and its consolidated subsidiaries have had no difficulty in renewing such notes and overdraft facility agreements, when they considered such renewal advisable.

The weighted average interest rate of commercial papers at March 31, 2009 and 2010 were 1.5% and 0.4%, respectively.

Long-term debt at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Bonds and notes:			
Issued by the Company:			
2.55% yen bonds due in 2009	¥ 10,000	¥ -	$ -
1.10% yen bonds due in 2009	10,000	-	-
0.92% yen bonds due in 2009	10,000	-	-
1.74% yen bonds due in 2011	10,000	10,000	107,481
1.56% yen bonds due in 2011	10,000	10,000	107,481
1.80% yen bonds due in 2014	10,000	10,000	107,481
1.81% yen bonds due in 2014	-	10,000	107,481
4.517% yen convertible bonds due in 2014	-	20,000	214,961
Loans, principally from banks and insurance companies:			
Secured loans	3,770	79,794	857,630
Unsecured loans	286,950	200,923	2,159,533
	350,720	340,717	3,662,048
Amount due within one year	(102,320)	(90,634)	(974,140)
Total long-term debt (due after one year)	¥ 248,400	¥ 250,083	$ 2,687,908

Long-term loans at March 31, 2009 and 2010 were principally from banks and insurance companies. The weighted average interest of loans at March 31, 2009 and 2010 were 1.4% and 1.3% per annum, respectively.

The aggregate annual maturities of long-term debt (including current portion) at March 31, 2010 were summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 90,634	$ 974,140
2012	92,737	996,743
2013	63,796	685,683
2014	31,950	343,401
2015	61,600	662,081
2016 and thereafter	-	-
Total	¥ 340,717	$ 3,662,048

The Company has a commitment line provided by co-financing consisting of twelve correspondent financial institutions for the purpose of securing financing in case of an emergency. The commitment line amount was ¥150,000 million ($1,612,210 thousand), however there is no amount of loans as of March 31, 2010.

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2010

8. Income Taxes

Taxes on income consist of corporation, enterprise and inhabitants taxes.

Differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2009 were not disclosed, since the Company posted a loss before income taxes for the year ended March 31, 2009.

Corresponding differences for the year ended March 31, 2010 were not disclosed as the differences were immaterial.

Significant components of deferred income taxes at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Deferred income tax assets:			
Disallowed portion of expenses and losses:			
Allowance for employee's severance and retirement benefits	¥ 39,878	¥ 41,498	$ 446,023
Inventories	31,775	27,792	298,710
Bad debt expenses and allowance for doubtful accounts	11,083	19,389	208,394
Accrued bonuses	5,550	4,788	51,462
Fixed assets	5,209	5,285	56,804
Investment securities	2,032	1,515	16,283
Others	10,047	9,162	98,474
Tax loss carryforward	22,608	8,331	89,542
Unrealized profits	7,537	7,490	80,503
Consolidation adjustment on investments in related companies	9,438	9,690	104,149
Sub-total	145,157	134,940	1,450,344
Valuation allowance	(10,747)	(11,904)	(127,945)
Total	134,410	123,036	1,322,399
Deferred income tax liabilities:			
Unrealized holding gains on securities	(4,030)	(11,175)	(120,110)
Gains on securities contribution to employee retirement benefit trust	(23,556)	(23,556)	(253,181)
Reserve for tax deferment on replacement of assets	(2,209)	(2,123)	(22,818)
Others	(433)	(310)	(3,332)
Total	(30,228)	(37,164)	(399,441)
Net total	¥ 104,182	¥ 85,872	$ 922,958

In addition to the deferred income taxes shown above, deferred tax liabilities concerning revaluation of land amounting to ¥8,537 million at March 31, 2009 and ¥7,762 million ($83,426 thousand) at March 31, 2010 were included in the consolidated balance sheets.

9. Business Combination (Transaction under common control)

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

a) Name of these parties of this transactions and its businesses

・Parent company

Company name	Business
TAISEI CORPORATION	General construction

・Wholly owned subsidiary

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

b) Effective date on share exchange
October 1, 2009

c) Scheme of this business combination
The share exchange agreement, with Rotec to be wholly owned subsidiary of the Company.

d) Name of the company after transaction
Not change

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

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

(3) Additional acquisition of subsidiary stock
a) Detail of acquisition cost

Consideration	Common stock of Rotec	¥ 4,466 Million	$ 48,001 Million
Direct costs	Advisory fees, etc.	¥ 84 Million	$ 903 Million
Total		¥ 4,550 Million	$ 48,904 Million

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

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

・The calculation method
Referring to the calculations of the ratio evaluated by the third parties separately appointed, the share exchange ratio was determined upon consultation between the Company and Rotec.

・Issued number of stocks by share exchange (in share)
25,819,661

c) The amount of gain on negative goodwill and reason of occurring
・The amount of gain on negative goodwill
¥12,602 Million ($135,447thousand)

・Reason of occurring
Negative goodwill occurred since the acquisition cost of the Rotec common stocks fell below the minority interest of Rotec.

10. Investment and Rental Property

The Company and certain consolidated subsidiaries are holding some office buildings for rent in Tokyo and other areas. The rental income about office buildings for rent was ¥3,724million ($40,026 thousand) at the fiscal year ended on March, 31 2010. Mainly rental income were booked on Net sales: Real estate (including other), and rental cost were booked on Cost of Sales. The amounts of investment and rental property which booked on consolidated balance sheets, the amounts of increase and decrease, and fair value were follows:

Millions of Yen			
2010			
	Book value		Fair value
March 31, 2009	increase (decrease)	March 31, 2010	March 31, 2010
¥ 103,021	¥ 5,337	¥ 108,358	¥ 108,424

Thousands of U.S. Dollars			
2010			
	Book value		Fair value
March 31, 2009	increase (decrease)	March 31, 2010	March 31, 2010
$ 1,107,276	$ 57,363	$ 1,164,639	$ 1,165,348

Note 1: The book value is a net book value amount.
Note 2: The main reason of increase was transfer from inventories (real estate) in the amounts of ¥7,221million ($77,612 thousand) .The main reason of decrease was impairment losses on fixed assets in the amounts of ¥2,718million ($29,213 thousand).
Note 3: The fair value of investment and rental property as of March 31, 2010 are mainly estimated by the Company according to the appraisal standard of real-estate (including those which are estimated by employing the land price index with necessary adjustments, if any).

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

Notes to Consolidated Financial Statements *(cont.)*

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2010

11. Allowance for Employees' severance and retirement benefits

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

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Projected benefit obligation	¥ (176,711)	¥ (170,182)	$ (1,829,127)
Unrecognized actuarial differences	64,057	40,363	433,824
Unrecognized prior service cost	(4,365)	(3,477)	(37,371)
Less: Fair value of pension assets	96,069	108,184	1,162,769
Prepaid pension expense	(3,698)	(2,709)	(29,117)
Employees' severance and retirement benefits	¥ (24,648)	¥ (27,821)	$ (299,022)

Severance and retirement benefit expenses included in the consolidated statements of operation for the years ended March 31, 2009 and 2010 comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Service costs – benefits earned during the year	¥ 6,232	¥ 6,468	$ 69,518
Interest cost on projected benefit obligation	4,541	4,343	46,679
Expected return on plan assets	(2,536)	(2,065)	(22,195)
Amortization of actuarial differences	6,162	10,067	108,201
Amortization of prior service cost	(630)	(598)	(6,427)
Special retirement benefits and others	57	74	795
Severance and retirement benefit expenses	¥ 13,826	¥ 18,289	$ 196,571

The discount rates used by the Company and its consolidated domestic subsidiaries for the years ended March 31, 2009 and 2010 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, 2009 and 2010 were 1.0% to 3.5%. 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.

12. Net assets

Net assets comprise three subsections, which are shareholders' equity, valuation and translation adjustments, and minority interests.

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 Japanese Corporate Law ("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 Law appropriations of legal earnings reserve and additional paid-in capital generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

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

The number of treasury stock owned by the Company, consolidated subsidiaries and affiliated companies adopting the equity method as of March 31, 2009 and 2010 were 472 thousand shares and 585 thousand shares, respectively.

13. Lease Transactions

(1) Finance leases

As discussed in Note 2 (J), finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

(a) Lessee

Assumed data concerning the acquisition cost, accumulated depreciation, impairment loss and book value of the leased assets under the finance leases which were accounted for in the same manner as operating leases at March 31, 2009 and 2010, inclusive of interest, were summarized as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2009				2010				2010			
	Acquisition cost	Accumulated depreciation	Impairment loss	Book value	Acquisition cost	Accumulated depreciation	Impairment loss	Book value	Acquisition cost	Accumulated depreciation	Impairment loss	Book value
Buildings	¥ 1,399	¥ 890	¥ 1	¥ 508	¥ 821	¥ 570	¥ 88	¥ 163	$ 8,824	$ 6,126	$ 946	$ 1,752
Machinery and equipment	3,551	2,290	190	1,071	1,972	1,273	3	696	21,195	13,683	31	7,481
Total	¥ 4,950	¥ 3,180	¥ 191	¥ 1,579	¥ 2,793	¥ 1,843	¥ 91	¥ 859	$ 30,019	$ 19,809	$ 977	$ 9,233

Future minimum lease payments at March 31, 2009 and 2010, inclusive of interest, under such leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Due within one year	¥ 751	¥ 445	$ 4,783
Due after one year	1,019	505	5,428
Total	¥ 1,770	¥ 950	$ 10,211

Allowance for impairment loss on leased assets of ¥191 million and ¥91 million ($978 thousand) as of March 31, 2009 and 2010 were included in future lease payments.

Lease expenses (assumed data as to depreciation of the leased assets), reversal of allowance for impairment losses and impairment losses for the years ended March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Lease payments (assumed depreciation)	¥ 1,008	¥ 567	$ 6,094
Reversal of allowance for impairment losses	193	156	1,677
Impairment losses	-	56	602

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

(2) Operating leases

(a) Lessee

Future minimum lease payments as of March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Due within one year	¥ 6,463	¥ 5,339	$ 57,384
Due after one year	47,204	40,984	440,499
Total	¥ 53,667	¥ 46,323	$ 497,883

(b) Lessor

Future minimum lease receipts as of March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Due within one year	¥ 3,870	¥ 3,889	$ 41,799
Due after one year	34,819	32,306	347,227
Total	¥ 38,689	¥ 36,195	$ 389,026

Notes to Consolidated Financial Statements *(cont.)*

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2010

14. Derivative Transactions

1. Derivative transactions of the Company and its consolidated subsidiaries at March 31, 2009 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. And they enter into security forward contracts to mitigate fluctuation risk of stock market. Their derivative positions related to interest rate swaps, interest rate options, currency swaps, forward foreign exchange contracts and security forward contracts are exposed to the fluctuation of market interest rates and foreign exchange rates and stock market. They trade derivative transactions solely with internationally recognized, highly rated financial institutions and therefore consider there is little risk of default by counterparties.

The Company and its consolidated subsidiaries use forward foreign exchange contracts and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates with respect to foreign currency receivables from the sale of their products and interest rate increases with respect to borrowings, within the amounts of foreign currency borrowings or receivables.

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

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

(2) Market Value of Derivative Transactions

Currency related derivatives:

	Millions of Yen			
	2009			
	Contract amount			
Unlisted transactions	Total	Due after one year	Market value	Unrealized gain (loss)
Forward contracts:				
To sell UAE Dirham	¥ 347	¥ -	¥ 320	¥ (27)
To buy US Dollar	319	-	324	5
To buy Euro	1,157	893	1,071	(86)

Notes 1: Market value is estimated based on actual cost and other terms in connection with each derivative transaction, or marked to market by the originating dealer.
2: Derivative transactions which were accounted for by the hedge accounting were excluded.

Interest Rate-Related Derivatives:

	Millions of Yen			
	2009			
	Contract amount			
Unlisted transactions	Total	Due after one year	Market value	Unrealized gain (loss)
Interest rate swaps:				
Receive fix/Pay float	¥ 10,000	¥ -	¥ 101	¥ 101
Receive float/Pay fix	5,000	-	(33)	(33)
Total	¥ 15,000	¥ -	¥ 68	¥ 68

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 ¥10,000 million at March 31, 2009.

2. Derivative transactions of the Company and its consolidated subsidiaries at March 31, 2010 were as follows:
Derivative transactions which were not accounted for by the hedge accounting

(1) Currency related derivatives:

	Millions of Yen			
	2010			
	Contract amount			
Unlisted transactions	Total	Due after one year	Market value	Unrealized gain (loss)
Forward contracts:				
To buy US Dollar	¥ 358	¥ -	¥ 372	¥ 14
To buy Euro	1,075	893	955	(120)

	Thousands of U.S. Dollars			
	2010			
	Contract amount			
Unlisted transactions	Total	Due after one year	Market value	Unrealized gain (loss)
Forward contracts:				
To buy US Dollar	$ 3,848	$ -	$ 3,998	$ 150
To buy Euro	11,554	9,598	10,264	(1,290)

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.

Derivative transactions which were accounted for by the hedge accounting

(1) Currency related derivatives:

Main items which hedged by forward foreign exchange contracts are trade payable: accounts.
The following forward foreign exchange contracts which meet certain conditions, the hedged items are stated by the forward foreign exchange rates.

	Millions of Yen		
	2010		
	Contract amount		
	Total	Due after one year	Market value
Forward contracts:			
To buy US Dollar	¥ 1,676	¥ 1,180	¥ 1,650
To buy Euro	1,107	809	1,043
To buy turkish lira	3,674	3,447	3,669

	Thousands of U.S. Dollars		
	2010		
	Contract amount		
	Total	Due after one year	Market value
Forward contracts:			
To buy US Dollar	$ 18,014	$ 12,683	$ 17,734
To buy Euro	11,898	8,695	11,210
To buy turkish lira	39,488	37,049	39,435

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) Interest Rate-Related Derivatives:

Main items which hedged by interest rate swap contracts are Long-term debt.
The following interest rate swaps are used as hedges, the net amounts to be paid or received is added to or deducted from interests.

	Millions of Yen		
	2010		
	Contract amount		
	Total	Due after one year	Market value
Interest rate swaps			
receive floating rate, pay fixed rate	¥ 187,142	¥ 151,987	¥ -

	Thousands of U.S. Dollars		
	2010		
	Contract amount		
	Total	Due after one year	Market value
Interest rate swaps			
receive floating rate, pay fixed rate	$ 2,011,414	$ 1,633,566	$ -

Notes to Consolidated Financial Statements *(cont.)*

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2010

15. Related Party Transactions

(1) Transactions of the Company with related individual, including shareholders and directors, for the year ended March 31, 2009 were as follows:

	Millions of Yen 2009			
(a) Name (b) Attribution (c) Capital (Million yen) (d) Equity ownership percentage of the Company	Transactions during the year ended March 31, 2009: Description of transaction	Amount	Balance at the end of the year: Account	Account
(a) Kiyoshi Igarashi (b) Director's close relative (c) - (d) -	Housing construction	¥ 37	-	¥ -
(a) Naoki Kumagai (b) Corporate officer's close relative (c) - (d) 0.00%	Housing construction	¥ 28	-	¥ -

Notes 1: Consumption taxes were not included in the transaction amounts.
2: Business conditions and policy of business conditions
Transaction condition including the contract price was determined properly on an arm's – length basis as in the case of other general transactions.
The amount of transaction above represents the contract price on the construction contract.

(2) Transactions of the Company's consolidated subsidiaries with related individual, including shareholders and directors, for the year ended March 31, 2009 and 2010 were as follows:

	Millions of Yen 2009			
(a) Name (b) Attribution (c) Capital (Million yen) (d) Equity ownership percentage of the Company	Transactions during the year ended March 31, 2009: Description of transaction	Amount	Balance at the end of the year: Account	Account
(a) Takashi Nakamichi (b) Corporate officer (c) - (d) 0.00%	Sale of condominium apartment by Yuraku Real Estate Co., Ltd.	¥ 71	-	¥ -
(a) Eiji Hatta (b) Corporate officer (c) - (d) 0.00%	Sale of condominium apartment by Yuraku Real Estate Co., Ltd.	38	-	-
(a) Maiko Niizato and her husband (b) Corporate officer's close relative (c) - (d) -	Sale of condominium apartment by Yuraku Real Estate Co., Ltd.	34	Advances received and progress billings on uncompleted contracts	1
(a) Tamaken Co., Ltd. (b) Companies owned by the Company's directors and their close relatives (including their subsidiaries) (c) 10 (d) 0.00%	Rent payment by Yuraku Real Estate Co., Ltd.	289	Long term deposit	345
(a) Tamaken Shoten Co., Ltd. (b) Companies owned by the Company's directors and their close relatives (including their subsidiaries) (c) 10 (d) -	Rent payment by Yuraku Real Estate Co., Ltd.	45	Long term deposit	54

Notes 1: Consumption taxes were not included in the transaction amounts.
2: Business conditions and policy of business conditions
(1) Transaction condition of sale of condominium apartment was determined properly considering normal market prices as in the case of other general transactions.
(2) Maiko Niizato, the director's daughter, and her husband are joint owners of the condominium apartment.
(3) Transaction condition of rent payment was determined properly considering prevailing market rate as in the case of other general transactions.
(4) 99.4% voting right of Tamaken Co., Ltd. were owned by a close relative of Kuniyuki Sonoda, the Company's director.
(5) Tamaken Shoten Co., Ltd. was wholly owned by Tamaken Co., Ltd.

	Millions of Yen 2010			
(a) Name (b) Attribution (c) Capital (Million yen) (d) Equity ownership percentage of the Company	Transactions during the year ended March 31, 2010: Description of transaction	Amount	Balance at the end of the year: Account	Account
(a) Junichi Ikeguchi (b) Corporate officer (c) - (d) 0.00%	Sale of condominium apartment by Yuraku Real Estate Co., Ltd.	¥ 10	-	¥ -
(a) Yuuki Nakajima (b) Partner of a Corporate officer's close relative (c) - (d) -	Sale of condominium apartment by Yuraku Real Estate Co., Ltd.	23	-	-
(a) Tamaken Co., Ltd. (b) Companies owned by the Company's directors and their close relatives (including their subsidiaries) (c) 10 (d) 0.00%	Rent payment by Yuraku Real Estate Co., Ltd.	292	Long term deposit	346
(a) Tamaken Shoten Co., Ltd. (b) Companies owned by the Company's directors and their close relatives (including their subsidiaries) (c) 10 (d) -	Rent payment by Yuraku Real Estate Co., Ltd.	46	Long term deposit	54

	Thousands of U.S. dollars 2010			
(a) Name (b) Attribution (c) Capital (Million yen) (d) Equity ownership percentage of the Company	Transactions during the year ended March 31, 2010: Description of transaction	Amount	Balance at the end of the year: Account	Account
(a) Junichi Ikeguchi (b) Corporate officer (c) - (d) 0.00%	Sale of condominium apartment by Yuraku Real Estate Co., Ltd.	$ 107	-	$ -
(a) Yuuki Nakajima (b) Partner of a Corporate officer's close relative (c) - (d) -	Sale of condominium apartment by Yuraku Real Estate Co., Ltd.	247	-	-
(a) Tamaken Co., Ltd. (b) Companies owned by the Company's directors and their close relatives (including their subsidiaries) (c) 10 (d) 0.00%	Rent payment by Yuraku Real Estate Co., Ltd.	3,138	Long term deposit	3,719
(a) Tamaken Shoten Co., Ltd. (b) Companies owned by the Company's directors and their close relatives (including their subsidiaries) (c) 10 (d) -	Rent payment by Yuraku Real Estate Co., Ltd.	494	Long term deposit	580

Notes 1: Consumption taxes were not included in the transaction amounts.
2: Business conditions and policy of business conditions
(1) Transaction condition of sale of condominium apartment was determined properly considering normal market prices as in the case of other general transactions.
(2) Junichi Ikeguchi and Yuuki Nakajima, the corporate officers, are joint owners of the condominium apartment.
(3) Transaction condition of rent payment was determined properly considering prevailing market rate as in the case of other general transactions.
(4) 99.4% voting right of Tamaken Co., Ltd. were owned by a close relative of Kuniyuki Sonoda, the Company's director.
(5) Tamaken Shoten Co., Ltd. was wholly owned by Tamaken Co., Ltd.

16. 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, 2009 and 2010 were summarized as follows:

	Millions of Yen				
	2009				
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers	¥ 1,467,070	¥ 100,552	¥ 73,560	¥ -	¥ 1,641,182
Intersegment	8,648	1,040	17,571	(27,259)	-
Total	1,475,718	101,592	91,131	(27,259)	1,641,182
Costs and expenses	1,477,584	106,917	84,524	(27,187)	1,641,838
Operating income	¥ (1,866)	¥ (5,325)	¥ 6,607	¥ (72)	¥ (656)
II. Other information					
Identifiable assets	¥ 1,245,270	¥ 388,208	¥ 68,935	¥ (30,931)	¥ 1,671,482
Depreciation expense	7,208	2,295	1,001	-	10,504
Impairment losses on fixed assets	1,700	2,697	-	-	4,397
Capital expenditures	¥ 5,046	¥ 1,063	¥ 716	¥ -	¥ 6,825

	Millions of Yen				
	2010				
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers	¥ 1,289,808	¥ 81,968	¥ 70,199	¥ -	¥ 1,441,975
Intersegment	9,872	6,130	17,402	(33,404)	-
Total	1,299,680	88,098	87,601	(33,404)	1,441,975
Costs and expenses	1,268,519	89,661	81,697	(33,529)	1,406,348
Operating income	¥ 31,161	¥ (1,563)	¥ 5,904	¥ 125	¥ 35,627
II. Other information					
Identifiable assets	¥ 1,097,744	¥ 372,273	¥ 69,317	¥ (38,044)	¥ 1,501,290
Depreciation expense	6,150	2,020	1,001	-	9,171
Impairment losses on fixed assets	750	2,307	31	-	3,088
Capital expenditures	¥ 3,887	¥ 2,466	¥ 711	-	¥ 7,065

	Thousands of U.S. Dollars				
	2010				
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers	$ 13,862,941	$ 880,997	$ 754,504	$ -	$ 15,498,442
Intersegment	106,105	65,886	187,038	(359,029)	-
Total	13,969,046	946,883	941,542	(359,029)	15,498,442
Costs and expenses	13,634,126	963,682	878,085	(360,372)	15,115,521
Operating income	$ 334,920	$ (16,799)	$ 63,457	$ 1,343	$ 382,921
II. Other information					
Identifiable assets	$ 11,798,624	$ 4,001,215	$ 745,024	$ (408,899)	$ 16,135,963
Depreciation expense	66,101	21,711	10,759	-	98,571
Impairment losses on fixed assets	8,061	24,796	333	-	33,190
Capital expenditures	$ 41,778	$ 26,505	$ 7,642	$ -	$ 75,935

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 Operations.
2: As explained in Note2(g), The Effective for the year ended March 31, 2010, the Company and its consolidated domestic subsidiaries adopted ASBJ Statement No.15, Accounting Standard for Construction Contracts and ASBJ Guidance No.18, Guidance on Accounting Standard for Construction Contracts (both issued by the ASBJ on December 27, 2007). As a result of this change, net sales of "Construction" increased by ¥22,816Million ($245,228thousand), and operating income increased by ¥3,470Million ($37,296thousand), respectively in comparison with what would have been recorded under the previous accounting policy.

(2) Geographical segment information

Geographic segment information for the years ended March 31, 2009 and 2010 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, 2009 and 2010 were summarized as follows:

	Millions of Yen				
	2009				
	Asia	Middle East and Africa	North America	Others	Total
Overseas sales	¥ 73,668	¥ 175,715	¥ 26,273	¥ 4,672	¥ 280,328
Consolidated sales					¥ 1,641,182
Percentage of overseas sales over consolidated sales	4.5%	10.7%	1.6%	0.3%	17.1%

	Millions of Yen				
	2010				
	Asia	Middle East and Africa	North America	Others	Total
Overseas sales	¥ 32,599	¥ 136,434	¥ 17,509	¥ 3,703	¥ 190,245
Consolidated sales					¥ 1,441,975
Percentage of overseas sales over consolidated sales	2.3%	9.5%	1.2%	0.3%	13.2%

	Thousands of U.S. Dollars				
	2010				
	Asia	Middle East and Africa	North America	Others	Total
Overseas sales	$ 350,376	$ 1,466,402	$ 188,188	$ 39,800	$ 2,044,766
Consolidated sales					$ 15,498,442

Notes 1: Geographical distances are considered in classification of country or area. Major countries and areas included in each segment were as follows:
Asia ····································· Chinese Taipei, Singapore, Vietnam, Sri Lanka, and Thailand
Middle East and Africa ········ Algeria, Qatar, UAE, and Turkey
North America ····················· USA
2: Overseas sales represent sales of the Company and consolidated subsidiaries to countries and areas outside of Japan.

17. Contingent Liabilities and Commitments

At March 31, 2010, 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 ¥9,424 million ($101,290 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.

18. 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.

Excess amount of the book values of the revaluated land over the fair values as of March 31, 2010 is ¥9,754 million ($104,837 thousand). (Including the excess amount of ¥4,944 million ($53,138 thousand) related to investment and rental property.)

19. Research and Development Expenses

Research and development expenses, which were included in selling, general and administrative expenses and cost of sales, amounted to ¥9,466 million and ¥8,166 million ($87,769 thousand) for the years ended March 31, 2009 and 2010, respectively.

Notes to Consolidated Financial Statements *(cont.)*

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2010

20. Impairment of fixed assets

Impairment losses on fixed assets for the years ended March 31, 2009 and 2010 consisted of the following:

2009		
Use	Type of assets	Location
Leased assets	Land, building	Niigata and 2 others (3 lots)
Asset for sale (converted from business use)	Land	Fukuoka (1 lot)
Dormant assets	Land, building and others	Aomori and 16 others (17 lots)

2010		
Use	Type of assets	Location
Asset for business use	Building, structure, leased asset and others	Akita and 4 others (5 lots)
Leased assets	Land, building	Kumamoto and 3 others (4 lots)
Dormant assets	Land, building and others	Kanagawa and 11 others (12 lots)

The Company and its consolidated domestic subsidiaries grouped their fixed assets based on units, for which decisions for 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
	2009	2010	2010
Buildings and structures	¥ 69	¥ 656	$ 7,051
Land	4,328	2,366	25,430
Leased asset	-	56	602
Others	-	10	107
Total	¥ 4,397	¥ 3,088	$ 33,190

The recoverable amounts of the fixed assets for the years ended March 31, 2009 were the larger of (1) their net realizable values mainly based on assessed value for fixed asset tax, or (2) the 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 years ended March 31, 2010 are the larger of (1) their net realizable values mainly based on amounts determined by valuations made in accordance with real estate appraisal standards, or (2) the 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%.

21. Per share data

Net assets worth per share and net income per share as of and for the years ended March 31, 2009 and 2010 were as follows:

	Yen		U.S. Dollars
	2009	2010	2010
Net assets worth per share	¥ 239.87	¥ 262.15	$ 2.818
Basic			
Net income (loss) per share	(22.93)	19.74	0.212
Diluted			
Net income (loss) per share	-	19.24	0.207

Diluted net income per share for the year ended March 31, 2009 was not presented, since the Company had never issued any dilutive securities.

Calculation bases for basic net income (loss) per share and diluted net income per share for the years ended March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Basic Net income(loss) per share			
Net income (loss)	¥ (24,401)	¥ 21,222	$ 228,095
Net income not available to common stock holders	-	-	-
Net income (loss) available to common stock	(24,401)	21,222	228,095
Average common stock outstanding (in thousands share)	1,064,300	1,075,048	
Diluted Net income(loss) per share			
Adjustment made on net income	-	491	5,277
(interest paid with tax adjustment)	-	491	5,277
Increase of common stocks (in thousands share)	-	53,672	576,870
Shares resulting in an anti-dilutive effect (in thousands share)	-	-	-

22. Subsequent Event

Cash dividends

(1) The following appropriation of retained earnings at March 31, 2010 was approved at the annual meeting of the Company's shareholders held on June 29, 2010.

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥2.5 ($ 0.027) per share	¥ 2,725	$ 29,288

(2) Resolution of issuing Mandatorily Acquirable Unsecured Subordinated Convertible Bonds with Stock Acquisition Right

Based on the resolution of board meeting held on April 14, 2009, the Company issued the Mandatorily Acquirable Unsecured Subordinated Convertible Bonds with Stock Acquisition Right as of April 30, 2009 by a third-party allotment.

The summary of terms and conditions are as follows:

1) Total issued amounts:¥20,000,000,000
2) Issued amounts per unit: ¥100 per ¥100 nominal amount
3) Issued date: April 30, 2009
4) Rates of Interest: 4.517 %(per annum)
5) Redemption: 100% nominal amount
6) Maturity date: July 24, 2014
7) Conversion price: ¥342 per share
8) Exercisable Period: From June 1, 2009 to July 24, 2014
9) Status of Subordination:
   Payoff order is equal to a priority stock and is subordinated to all present and future unsecured and unsubordinated obligations of the Company from time to time outstanding.
10) Purpose of finance
   The Company will use net proceeds to repayment of interest baring debt with the aim of strengthening the financial position for its business expansion.

(3) Share exchange agreement

On April 24, 2009, the Company contracted the share exchange agreement, with TAISEI ROTEC CORPORATION, one of the Company's consolidated subsidiary, to be wholly owned subsidiary of the Company. This agreement is aimed to improve business efficiency of the Taisei Group through integration of both companies, and prompting effective use of management resources.

Outline of this share exchange is as follows:

1) Schedule

June 25, 2009	Approval at a shareholders' meeting (TAISEI ROTEC CORPORATION)
September 25, 2009	Delisting (TAISEI ROTEC CORPORATION)
October 1, 2009	Effective date on share exchange

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

2) Share exchange ratio

Company name	The Company (Parent company)	TAISEI ROTEC CORPORATION (Wholly owned subsidiary)
Share exchange ratio	1	0.70

3) Issued number of stocks by share exchange
   The Company will issue common stocks which are multiplied by 0.70 to the number of stocks of TAISEI ROTEC CORPORATION owned by shareholders who recorded in the shareholders' list as at an effective date.
   Estimated number of stocks (in share): 25,906,479