

Consolidated Balance Sheets

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
Current assets:			
Cash and time deposits (Notes 3 and 4).....	¥ 266,639	¥ 355,548	\$ 3,454,606
Notes and accounts receivable, trade (Notes 4 and 7).....	430,100	444,425	4,318,160
Cost on uncompleted contracts.....	83,926	74,167	720,628
Cost on development projects in progress.....	133,829	100,149	973,076
Other inventories.....	5,375	5,740	55,771
Deferred income tax assets (Note 9).....	34,918	37,698	366,284
Other current assets.....	58,812	59,304	576,214
Allowance for doubtful accounts.....	(960)	(818)	(7,948)
Total current assets.....	1,012,639	1,076,213	10,456,791
Fixed assets:			
Property, plant and equipment:			
Buildings and structures (Notes 6 and 10).....	143,108	125,146	1,215,955
Machinery, vehicles and equipment (Note 6).....	57,462	58,995	573,212
Land (Notes 11).....	138,780	121,657	1,182,054
Construction in progress.....	372	1,197	11,630
	339,722	306,995	2,982,851
Accumulated depreciation.....	(133,646)	(125,944)	(1,223,708)
Net property and equipment.....	206,076	181,051	1,759,143
Intangibles:.....	7,239	5,017	48,747
Investments and other assets:			
Investment securities (Notes 4, 5 and 6).....	257,371	265,859	2,583,162
Net defined benefit asset.....	-	30,337	294,763
Deferred income tax assets (Note 9).....	11,141	902	8,764
Other assets (Note 6).....	54,963	44,902	436,280
Allowance for doubtful accounts.....	(6,334)	(5,216)	(50,680)
Total investments and other assets.....	317,141	336,784	3,272,289
Total fixed assets.....	530,456	522,852	5,080,179
Total assets.....	¥ 1,543,095	¥ 1,599,065	\$ 15,536,970

The accompanying notes are an integral part of these balance sheets.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
Current liabilities:			
Notes and accounts payable, trade (Notes 4 and 7).....	¥ 485,400	¥ 466,030	\$ 4,528,080
Short-term borrowings (Notes 4 and 8).....	144,906	118,799	1,154,285
Straight bonds due within one year (Note 4).....	2,200	11,200	108,822
Lease obligations (Note 13).....	279	283	2,750
Advances received and progress billings on uncompleted contracts.....	115,698	140,657	1,366,663
Deposits received (Note 4).....	91,703	122,875	1,193,889
Allowance for warranty on completed contracts.....	2,584	3,059	29,722
Allowance for losses on construction contracts.....	31,278	50,671	492,334
Allowance for losses on order received.....	240	69	670
Other current liabilities (Note 7).....	32,993	32,454	315,332
Total current liabilities.....	907,281	946,097	9,192,547
Long-term liabilities:			
Straight bonds (Note 4).....	46,200	55,000	534,396
Long-term borrowings (Notes 4 and 8).....	185,766	131,494	1,277,633
Lease obligations (Note 13).....	626	762	7,404
Deferred income tax liabilities (Note 9).....	-	4,345	42,217
Deferred income tax liabilities for revaluation of land (Notes 9 and 19).....	5,696	4,913	47,736
Retirement benefits for directors and corporate auditors.....	427	399	3,877
Allowance for losses on investments in subsidiaries and affiliates.....	508	251	2,439
Allowance for environmental spending.....	308	264	2,565
Allowance for employees' severance and retirement benefits (Note 11).....	33,729	-	-
Net defined benefit liability.....	-	54,279	527,390
Asset retirement obligations (Note 15).....	1,223	916	8,900
Other long-term liabilities.....	18,031	16,179	157,200
Total long-term liabilities.....	292,514	268,802	2,611,757
Total liabilities.....	1,199,795	1,214,899	11,804,304
Net assets (Notes 12 and 22):			
Shareholders' equity:			
Common stock			
Authorized: 2,200,000,000 shares			
Issued: 1,140,268,860 shares.....	112,448	112,448	1,092,577
Capital surplus.....	94,170	94,170	914,983
Retained earnings.....	93,020	120,778	1,173,513
Less: Treasury stock, at cost.....	(302)	(329)	(3,197)
Total shareholders' equity.....	299,336	327,067	3,177,876
Accumulated other comprehensive income:			
Unrealized holding gains on securities, net of taxes.....	45,931	59,650	579,577
Deferred gains or losses on hedging derivatives, net of taxes.....	(208)	(181)	(1,758)
Revaluation reserve for land (Note 19).....	(960)	(2,338)	(22,717)
Foreign currency translation adjustments.....	(2,569)	(2,285)	(22,202)
Remeasurements of defined benefit plans.....	-	129	1,253
Total accumulated other comprehensive income.....	42,194	54,975	534,153
Minority interests:.....	1,770	2,124	20,637
Total net assets.....	343,300	384,166	3,732,666
Total liabilities and net assets.....	¥ 1,543,095	¥ 1,599,065	\$ 15,536,970

Consolidated Statements of Income

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
Revenue:			
Net sales (Note 17):			
Construction contracts	¥ 1,254,291	¥ 1,321,289	\$ 12,838,020
Real estate development (and other)	162,205	212,184	2,061,640
	1,416,496	1,533,473	14,899,660
Costs and expenses (Note 17):			
Cost of sales (Note 20)	1,304,677	1,402,446	13,626,564
Selling, general and administrative expenses (Note 20)	76,213	77,254	750,622
	1,380,890	1,479,700	14,377,186
Operating income	35,606	53,773	522,474
Other income (expenses):			
Interest and dividends income	3,295	3,264	31,714
Interest expenses	(6,312)	(5,071)	(49,271)
Taxes and dues	(159)	(340)	(3,304)
Foreign exchange gains (losses)	2,710	3,568	34,668
Investment gain on equity method	461	1,549	15,051
Gains on sale of investment securities	-	1,895	18,412
Gains on sale of property and equipment	464	-	-
Losses on sales of investment securities	(4)	-	-
Losses on sales of property and equipment	-	(6,337)	(61,572)
Impairment losses on fixed assets (Note 21)	(1,402)	(4,599)	(44,685)
Write-down of investment securities	(170)	(25)	(243)
Other, net	(1,661)	(1,084)	(10,533)
	(2,778)	(7,180)	(69,763)
Income before income taxes	32,828	46,593	452,711
Income taxes (Note 9):			
Current	(3,623)	(10,773)	(104,674)
Deferred	(8,776)	(3,347)	(32,520)
	(12,399)	(14,120)	(137,194)
Income before minority interests	20,429	32,473	315,517
Minority interest in consolidated subsidiaries	(378)	(384)	(3,731)
Net income	¥ 20,051	¥ 32,089	\$ 311,786

Amounts per share of common stock:	Yen		U.S. Dollars (Note 1)
	2013	2014	2014
Net income (Note 22)	¥ 17.60	¥ 28.17	\$ 0.274
Diluted net income (Note 22)	-	-	-
Cash dividends applicable to the year	5.00	6.00	0.058

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
Income before minority interests	¥ 20,429	¥ 32,473	\$ 315,517
Other comprehensive income (Note 23)			
Unrealized holding gains (losses) on securities, net of taxes	35,990	13,718	133,288
Deferred gains (losses) on hedging derivatives, net of taxes	(144)	26	253
Foreign currency translation adjustments	127	377	3,662
Share of other comprehensive income of associates accounted for using equity method	99	19	185
Total other comprehensive income	36,072	14,140	137,388
Comprehensive income	¥ 56,501	¥ 46,613	\$ 452,905
Comprehensive income attribute to:			
owners of the parent	56,065	46,118	448,096
minority interests	436	495	4,809

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

Millions of Yen						
	Common stock	Capital Surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains on securities, net of taxes
Balance at March 31, 2012	¥ 112,448	¥ 94,170	¥ 78,293	¥ (197)	¥ 284,714	¥ 9,943
Dividends.....	-	-	(5,697)	-	(5,697)	-
Net income	-	-	20,051	-	20,051	-
Sale of treasury stock	-	(0)	-	1	1	-
Acquisition of treasury stock	-	-	-	(106)	(106)	-
Reversal of revaluation reserve for land...	-	-	373	-	373	-
Changes other than shareholders' equity, net	-	-	-	-	-	35,988
Balance at March 31, 2013	¥ 112,448	¥ 94,170	¥ 93,020	¥ (302)	¥ 299,336	¥ 45,931
Dividends.....	-	-	(5,695)	-	(5,695)	-
Net income	-	-	32,089	-	32,089	-
Sale of treasury stock	-	0	-	1	1	-
Acquisition of treasury stock	-	-	-	(28)	(28)	-
Reversal of revaluation reserve for land...	-	-	1,378	-	1,378	-
Foreign currency translation adjustments on overseas affiliate	-	-	(14)	-	(14)	-
Changes other than shareholders' equity, net	-	-	-	-	-	13,719
Balance at March 31, 2014	¥ 112,448	¥ 94,170	¥ 120,778	¥ (329)	¥ 327,067	¥ 59,650

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
Balance at March 31, 2013	\$ 1,092,577	\$ 914,983	\$ 903,809	\$ (2,934)	\$ 2,908,435	\$ 446,279
Dividends.....	-	-	(55,334)	-	(55,334)	-
Net income	-	-	311,786	-	311,786	-
Sale of treasury stock	-	0	-	10	10	-
Acquisition of treasury stock	-	-	-	(273)	(273)	-
Reversal of revaluation reserve for land...	-	-	13,389	-	13,389	-
Foreign currency translation adjustments on overseas affiliate	-	-	(137)	-	(137)	-
Changes other than shareholders' equity, net	-	-	-	-	-	133,298
Balance at March 31, 2014	\$ 1,092,577	\$ 914,983	\$ 1,173,513	\$ (3,197)	\$ 3,177,876	\$ 579,577

The accompanying notes are an integral part of these statements.

Millions of Yen

Unrealized losses on hedging derivatives, net of taxes	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
¥ (62)	¥ (587)	¥ (2,739)	¥ -	¥ 6,555	¥ 1,333	¥ 292,602
-	-	-	-	-	-	(5,697)
-	-	-	-	-	-	20,051
-	-	-	-	-	-	1
-	-	-	-	-	-	(106)
-	(373)	-	-	(373)	-	-
(146)	-	170	-	36,012	437	36,449
¥ (208)	¥ (960)	¥ (2,569)	¥ -	¥ 42,194	¥ 1,770	¥ 343,300
-	-	-	-	-	-	(5,695)
-	-	-	-	-	-	32,089
-	-	-	-	-	-	1
-	-	-	-	-	-	(28)
-	(1,378)	-	-	(1,378)	-	-
-	-	14	-	14	-	-
27	-	270	129	14,145	354	14,499
¥ (181)	¥ (2,338)	¥ (2,285)	¥ 129	¥ 54,975	¥ 2,124	¥ 384,166

Thousands of U.S. Dollars (Note 1)

Deferred gains or losses on hedging derivatives, net of taxes	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
\$ (2,021)	\$ (9,328)	\$ (24,961)	\$ -	\$ 409,969	\$ 17,198	\$ 3,335,602
-	-	-	-	-	-	(55,334)
-	-	-	-	-	-	311,786
-	-	-	-	-	-	10
-	-	-	-	-	-	(273)
-	(13,389)	-	-	(13,389)	-	-
-	-	137	-	137	-	-
263	-	2,622	1,253	137,436	3,439	140,875
\$ (1,758)	\$ (22,217)	\$ (22,202)	\$ 1,253	\$ 534,153	\$ 20,637	\$ 3,732,666

Consolidated Statements of Cash Flows

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	(Note 1) 2014
Cash flows from operating activities:			
Income before income taxes	¥ 32,828	¥ 46,593	\$ 452,711
Depreciation and amortization	6,866	7,407	71,969
Impairment losses on fixed assets	1,402	4,599	44,685
Increase (Decrease) in allowance for doubtful accounts	(9,012)	(1,265)	(12,291)
Increase (Decrease) in allowance for losses on construction contracts	7,193	19,369	188,195
Increase (Decrease) in retirement benefits	1,866	(33,729)	(327,721)
Increase (Decrease) in net defined benefit liability	-	54,279	527,390
Interest and dividend income	(3,295)	(3,264)	(31,714)
Interest expenses	6,312	5,071	49,271
Foreign exchange losses (Gains)	(2,710)	(3,568)	(34,668)
Write-down of investment securities	401	25	243
Losses (Gains) on sales of investment securities	4	(1,895)	(18,412)
Losses (Gains) on sales of property and equipment	(464)	6,337	61,572
Write-down of cost on development projects in progress	3,229	24,705	240,041
Decrease (Increase) in trade receivables	(45,069)	(13,370)	(129,907)
Decrease (Increase) in cost on uncompleted contract	27,137	9,791	95,132
Decrease (Increase) in inventories other than cost on uncompleted contract	12,456	14,228	138,243
Decrease (Increase) in other inventories other than cost on uncompleted contract	4,877	(361)	(3,508)
Decrease (Increase) in other current assets	(6,562)	(582)	(5,655)
Decrease (Increase) in prepaid pension cost	(2,295)	6,729	65,381
Decrease (Increase) in net defined benefit asset	-	(30,337)	(294,763)
Decrease (Increase) in investment and other assets	18,496	1,712	16,634
Investment gain on equity method	(461)	(1,549)	(15,051)
Increase (Decrease) in trade payables	38,095	(18,293)	(177,740)
Increase (Decrease) in advances received and progress billings on uncompleted contracts	(16,606)	24,479	237,845
Increase (Decrease) in deposits received	6,028	31,173	302,886
Increase (Decrease) in other current liabilities	6,276	(1,849)	(17,965)
Other, net	(4,542)	2,715	26,381
	82,450	149,150	1,449,184
Cash received (paid) during the year for:			
Interest and dividends received	3,619	3,416	33,191
Interest paid	(6,373)	(5,203)	(50,554)
Income taxes paid	(6,615)	(8,613)	(83,687)
Net cash provided by (used in) operating activities	73,081	138,750	1,348,134
Cash flows from investing activities:			
Decrease (Increase) in time deposits	1,753	(142)	(1,380)
Purchase of marketable and investment securities	(11,627)	(9,863)	(95,832)
Proceeds from sale of marketable and investment securities	6,521	24,260	235,717
Purchase of property, equipment and intangible assets	(6,284)	(12,194)	(118,480)
Proceeds from sale of property, equipment and intangible assets	4,193	14,503	140,915
Other, net	741	(536)	(5,207)
Net cash provided by (used in) investing activities	(4,703)	16,028	155,733
Cash flows from financing activities:			
Increase (Decrease) in short-term borrowings	(16,168)	(36,648)	(356,082)
Proceeds from long-term borrowings	102,810	14,600	141,858
Repayment of long-term borrowings	(104,618)	(58,331)	(566,761)
Issue of bonds	-	19,911	193,461
Redemption of bonds	(2,200)	(2,200)	(21,376)
Payment for retirement by purchase of convertible bond	(20,276)	-	-
Cash dividends paid, including those to minority interest	(5,697)	(5,695)	(55,334)
Other, net	(402)	(464)	(4,509)
Net cash provided by (used in) financing activities	(46,551)	(68,827)	(668,743)
Effect of exchange rate changes on cash and cash equivalents	2,783	2,648	25,729
Net increase (Decrease) in cash and cash equivalents	24,610	88,599	860,853
Cash and cash equivalents at beginning of year	241,163	265,773	2,582,326
Cash and cash equivalents at end of year (Note 3)	¥ 265,773	¥ 354,372	\$ 3,443,179

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

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 of International Financial Reporting Standards.

The accounts of consolidated overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified five items as applicable.

Japanese GAAP requires that accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. Japanese GAAP, 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, the following five items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are 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) **Accounting for net income attributable to minority interests**

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 but not required for fair presentation, 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, 2014, which was ¥ 102.92 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 25 and 25 for the years ended March 31, 2013 and 2014 respectively. All significant intercompany transactions and account balances were eliminated in consolidation. Investments in significant affiliates, which were 7 and 7 companies for 2013 and 2014, 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 6 and 6 consolidated overseas subsidiaries for 2013 and 2014, respectively, whose fiscal years end on December 31. Significant transactions, if any, in the period until ended March 31, 2013 and 2014 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) 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 amortized principally over the estimated useful life of years or less than twenty years on a straight-line basis. However, immaterial goodwill charged to income in the year of acquisition. Negative goodwill is credited to income upon occurrence.

(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 other comprehensive income 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 not exceeding three months at the date of purchase and with insignificant risks of change in value are considered to be cash and cash equivalents.

Notes to Consolidated Financial Statements *(cont.)*

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

(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 other comprehensive income in the net assets section. Realized gains and losses on sales of such securities are computed using moving-average cost. Debt securities with no fair market value available 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

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

(h) Real Estate Development

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 expenses. 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

Finance leases, except for certain immaterial or short-term finance leases which do not transfer ownership, are capitalized and depreciated using the straight-line method over lease periods, supporting estimated residual values to be zero.

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

(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) Accounting Method for Retirement Benefit

- (1) Method of amortization of actuarial gains or losses and past service cost
In calculating the retirement benefit obligation, the method of attributing expected benefit to the accounting period is based on the straight-line basis (some consolidated subsidiaries calculate on the benefit formula basis).
- (2) Method of amortization of actuarial gains and losses and past service cost
Past service costs are amortized using the straight-line method (some consolidated subsidiaries use the declining-balance method) over 1-10 years, which is not longer than an average remaining service period of the employees when the costs are incurred.
Actuarial gains and losses are amortized from the subsequent financial year (from the current financial year in some consolidated subsidiaries) using the straight-line method (some consolidated subsidiaries use the declining-balance method) over 1-10 years, which is not longer than an estimated average remaining service period of the employees when the gains or losses are incurred.

(o) Retirement Benefits for Directors and Corporate Auditors

Retirement benefits for directors and corporate auditors of certain consolidated subsidiaries have been set up in accordance with each company's regulations.

(p) Allowance for Warranty on Completed Contracts

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

(q) 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.

(r) Allowance for Losses on Order Received

Allowance for losses on order received is provided with respect to orders (excluding construction contracts) for which eventual losses are reasonably estimated.

(s) 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.

(t) Allowance for Environmental Spending

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

(u) 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.

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

(v) Reclassifications

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

(w) Change in Accounting Policy

Adoption of the Accounting Standard for Retirement Benefits
Effective from the end of the fiscal year ended March 31, 2014, the Company adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No.26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ statement No.25, issued on May 17 2012), except amendment set forth in the paragraph 35 of "Accounting Standard for Retirement Benefits", and the paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits".

By this adoption, the difference between retirement benefit obligations and plan assets is recorded as net defined benefit liability

(or, net defined benefit asset in the case plan assets exceed retirement benefit obligations), and unrecognized actuarial gains and losses and unrecognized past service costs are recorded as net defined benefit liability and net defined benefit asset.

In transition, as stipulated in the paragraph 37 of "Accounting Standard for Retirement Benefits", the impact associated with the change is recognized by adjusting remeasurements of defined benefit plans presented in accumulated other comprehensive income on the consolidated balance sheet.

As a result, net defined benefit asset of ¥ 30,337 million (\$ 294,763 thousand) and net defined benefit liability of ¥ 54,279 million (\$ 527,390 thousand) are recognized as of the fiscal year ended March 31, 2014. And also, accumulated other comprehensive income increased by ¥ 129 million (\$ 1,253 thousand).

The effect of this change on Per Share Data is described in the relevant section.

(x) Accounting Standards Issued but not yet Adopted

From the viewpoint of improvement to financial reporting and international convergence, the ASBJ has been deliberating the establishment of a revised accounting standard for retirement benefits, ASBJ Statement No.26, Accounting Standard for Retirement Benefits (issued on May 17, 2012) and ASBJ Guidance No. 25, Guidance on Accounting Standard for Retirement Benefit (issued on May 17, 2012), which mainly focus on (a) how actuarial gains and losses and prior service costs should be accounted for, (b) how projected benefit obligations and current service costs should be determined and (c) enhancement of disclosures.

The revision (b) will be introduced and made effective from the beginning of fiscal year 2015. (a) and (c) have already been applied. The resulting impacts on future consolidated financial statements are being examined.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2013 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Cash and time deposits	¥ 266,639	¥ 355,548	\$ 3,454,606
Less: Time deposits with maturities exceeding three months	(866)	(1,176)	(11,427)
Cash and cash equivalents	¥ 265,773	¥ 354,372	\$ 3,443,179

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

4. Financial Instruments

(1) Policies for using financial instruments

The Company and its consolidated subsidiaries (hereafter referred as the "Companies") restrict investments to the low 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 or commercial papers.

Derivative financial instruments are employed mainly for hedging fluctuation in interest rate and foreign currency exchange, and not used to speculate.

Receivables: trade notes and trade accounts are exposed to the credit risks of customers. In order to reduce such risks, the Companies conduct strict credit examinations when orders are received, and afterward manage the receivables individually and make effort to direct reduction of credit risks early.

For investment securities which are mainly held-to-maturity debt securities and shares held to keep the relationship with business partners, the Companies regularly monitor 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.

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

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 derivative transactions related to currency in order to mitigate the foreign exchange risks. These transactions are exposed to the fluctuation risks in interest rates and the foreign exchange risks. However, the Companies are exposed to limited risks, because most of them are hedged by the corresponding transactions. They consider the credit risk to be little, because they conduct derivative transactions solely with reliable international financial institutions.

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

(a) Book values of the financial instruments included in the consolidated balance sheet, the fair values of said items as of March 31, 2013 and 2014, were as follows. Items for which it is extremely

difficult to calculate the fair value were not included in the following table (see Note 2 below).

		Millions of Yen		
		2013		
		Book Value	Fair Value	Difference
[ASSETS]	Cash and time deposits	¥ 266,639	¥ 266,639	¥ -
	Notes and accounts receivable, trade	430,100	429,933	(167)
	Investment securities			
	Debt securities intended to be held to maturity	779	789	10
	Available-for-sale securities	183,971	183,971	-
[LIABILITIES]	Notes and accounts payable, trade	485,400	485,400	-
	Short-term borrowings and Long term borrowings due within one year	144,906	145,465	(559)
	Straight bonds due within one year	2,200	2,229	(29)
	Deposits received	91,703	91,703	-
	Straight bonds	46,200	47,321	(1,121)
	Long-term borrowings	185,766	188,293	(2,528)
	[Derivative financial instruments (*)]	(316)	(316)	-

		Millions of Yen		
		2014		
		Book Value	Fair Value	Difference
[ASSETS]	Cash and time deposits	¥ 355,548	355,548	¥ -
	Notes and accounts receivable, trade	444,425	444,362	(63)
	Investment securities			
	Debt securities intended to be held to maturity	818	826	8
	Available-for-sale securities	207,055	207,055	-
[LIABILITIES]	Notes and accounts payable, trade	466,030	466,030	-
	Short-term borrowings and Long term borrowings due within one year	118,799	119,423	(624)
	Straight bonds due within one year	11,200	11,225	(25)
	Deposits received	122,875	122,875	-
	Straight bonds	55,000	55,992	(992)
	Long-term borrowings	131,494	132,789	(1,295)
	[Derivative financial instruments (*)]	(275)	(275)	-

		Thousands of U.S. dollars		
		2014		
		Book Value	Fair Value	Difference
[ASSETS]	Cash and time deposits	\$ 3,454,606	\$ 3,454,606	\$ -
	Notes and accounts receivable, trade	4,318,160	4,317,548	(612)
	Investment securities			
	Debt securities intended to be held to maturity	7,948	8,026	78
	Available-for-sale securities	2,011,805	2,011,805	-
[LIABILITIES]	Notes and accounts payable, trade	4,528,080	4,528,080	-
	Short-term borrowings and Long term borrowings due within one year	1,154,285	1,160,348	(6,063)
	Straight bonds due within one year	108,822	109,065	(243)
	Deposits received	1,193,889	1,193,889	-
	Straight bonds	534,396	544,034	(9,638)
	Long-term borrowings	1,277,633	1,290,211	(12,583)
	[Derivative financial instruments (*)]	(2,672)	(2,672)	-

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

Note 1: The calculation method of the fair value of financial instrument and securities, derivative transaction

[ASSETS]

• Cash and time deposits and Notes and accounts receivable, trade

The fair values of these financial instruments are almost equivalent to the book value, due to the short term settlements; although, the fair value of receivables due over one year are based on the present value of discounted cash flows using the interest rate, the estimated collection terms and credit risks with respect to each receivable categorized by collection terms.

• Investment securities

The fair values of 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.

See the notes on "5 Securities" for notes pertaining to securities according to the purpose for which they are held.

[LIABILITIES]

• Notes and accounts payable, trade, Short-term borrowings and Long term borrowings due within one year, Commercial papers and Deposits received

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

• Long-term borrowings

The fair values of long-term borrowings are based on the present value of discounted cash flows using the interest rate which may be applicable when the same kind of borrowings is conducted.

• Bonds

The fair values of marketable bonds are based on the quoted market value, otherwise the fair values of bonds are based on the present value of discounted cash flows using the interest rate reflecting the estimated redemption terms and issuer's credit risk.

[Derivative financial instruments]

See the notes on "14 Derivative Transactions".

Note 2: Financial instruments for which it is deemed extremely difficult to calculate the fair value

Nonmarketable securities (book value amount to ¥ 72,621 million and ¥ 57,986 million (\$ 563,408 thousand) at March 31, 2013 and 2014, respectively) are not included in the [Assets] Investment securities—Available-for-sale securities above, as it is extremely difficult to calculate the fair values because they have no quoted market price and the future cash flows cannot be estimated.

Note 3: Scheduled redemption amounts after the consolidated balance sheet date for monetary claims and securities with period of maturities as of March 31, 2013 and 2014 were as follows:

	Millions of Yen		
	2013		
	Within one year	Over one year but within five years	Over five years but within ten years
Time deposits	¥ 264,903	¥ -	¥ -
Receivables: Trade notes and Trade accounts	413,356	16,744	-
Investment securities			
Debt securities intended to be held to maturity			
Government bonds	-	606	103
Bonds	-	20	-
Other bonds	-	50	-
Available-for-sale securities			
Government bonds	-	102	160
Bonds	100	-	-
Other bonds	-	2,770	-
Others	-	53	-
Total	¥ 678,359	¥ 20,344	¥ 263

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

	Millions of Yen		
	2014		
	Within one year	Over one year but within five years	Over five years but within ten years
Time deposits	¥ 354,998	¥ -	¥ -
Receivables: Trade notes and Trade accounts	437,396	7,029	-
Investment securities			
Debt securities intended to be held to maturity			
Government bonds	281	383	83
Bonds	20	-	-
Other bonds	50	-	-
Available-for-sale securities			
Government bonds	10	139	144
Others	-	30	-
Total	¥ 792,757	¥ 7,581	¥ 227

	Thousands of U.S. Dollars		
	2014		
	Within one year	Over one year but within five years	Over five years but within ten years
Time deposits	\$3,449,262	\$ -	\$ -
Receivables: Trade notes and Trade accounts	4,249,864	68,296	-
Investment securities			
Debt securities intended to be held to maturity			
Government bonds	2,730	3,721	806
Bonds	194	-	-
Other bonds	486	-	-
Available-for-sale securities			
Government bonds	97	1,351	1,400
Others	-	291	-
Total	\$7,702,653	\$ 73,659	\$ 2,206

Note 4: See the notes on "8 Short-term Borrowings, Commercial Papers and Long-term Borrowings" for notes pertaining to the aggregate annual maturities of long term debt after the consolidated balance sheet date:

5. Securities

(1) Following tables summarized acquisition costs, book values and fair values of securities with fair values available as of March 31, 2013 and 2014:

(a) Held-to-maturity debt securities:

Securities with available fair values exceeding book values

Type	Millions of Yen		
	2013		
	Book value	Fair value	Difference
Government bonds	¥ 683	¥ 692	¥ 10
Bonds	20	21	1
Others	50	50	0
Total	¥ 753	¥ 763	¥ 11

Type	Millions of Yen			Thousands of U.S. Dollars		
	2014			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	¥ 597	¥ 604	¥ 7	\$ 5,801	\$ 5,868	\$ 67
Bonds	20	21	1	194	204	10
Other	50	50	0	486	486	0
Total	¥ 667	¥ 675	¥ 8	\$ 6,481	\$ 6,558	\$ 77

Other securities

Type	Millions of Yen		
	2013		
	Book value	Fair value	Difference
Government bonds	¥ 26	¥ 26	¥ (0)
Total	¥ 26	¥ 26	¥ (0)

Type	Millions of Yen			Thousands of U.S. Dollars		
	2014			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	¥ 151	¥ 151	¥ (0)	\$ 1,467	\$ 1,467	\$ (0)
Total	¥ 151	¥ 151	¥ (0)	\$ 1,467	\$ 1,467	\$ (0)

(b) Available-for-sale securities:

Securities with book values exceeding acquisition costs

Type	Millions of Yen		
	2013		
	Book value	Acquisition cost	Difference
Equity securities	¥163,436	¥ 87,534	¥ 75,902
Government bonds	241	230	11
Other bonds	2,770	2,725	45
Others	965	626	339
Total	¥167,412	¥ 91,115	¥ 76,297

Type	Millions of Yen			Thousands of U.S. Dollars		
	2014			2014		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Equity securities	¥190,502	¥94,703	¥95,799	\$1,850,972	\$920,161	\$930,811
Government bonds	247	238	9	2,400	2,312	88
Others	995	741	254	9,667	7,201	2,466
Total	¥191,744	¥95,682	¥96,062	\$1,863,039	\$929,674	\$933,365

Other securities

Type	Millions of Yen		
	2013		
	Book value	Acquisition cost	Difference
Equity securities	¥ 16,151	¥ 21,084	¥ (4,933)
Government bonds	21	22	(0)
Bonds	100	100	-
Others	287	313	(27)
Total	¥ 16,559	¥ 21,519	¥ (4,960)

Type	Millions of Yen			Thousands of U.S. Dollars		
	2014			2014		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Equity securities	¥15,085	¥18,513	¥ (3,428)	\$ 146,570	\$ 179,878	\$ (33,308)
Government bonds	46	46	(0)	447	447	(0)
Others	180	189	(9)	1,749	1,836	(87)
Total	¥15,311	¥18,748	¥ (3,437)	\$ 148,766	\$ 182,161	\$ (33,395)

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

(2) Total sales of available-for-sale securities and the related gains and losses for the years ended March 31, 2013 and 2014 were as follows:

Type	Millions of Yen			Total
	2013			
	Equity securities	Others		
Total sales of available-for-sale securities sold	¥ 5,523	¥ 447		¥ 5,970
Gains on sales of available-for-sale securities	1,047	32		1,079
Losses on sales of available-for-sale securities	1,027	55		1,082

Type	Millions of Yen			Total
	2014			
	Equity securities	Bonds	Others	
Total sales of available-for-sale securities sold	¥ 4,110	¥ 2,829	¥ 3,890	¥ 10,829
Gains on sales of available-for-sale securities	1,882	104	36	2,022
Losses on sales of available-for-sale securities	127	-	4,781	4,908

Type	Thousands of U.S. Dollars			Total
	2014			
	Equity securities	Bonds	Others	
Total sales of available-for-sale securities sold	\$ 39,934	\$ 27,487	\$ 37,796	\$ 105,217
Gains on sales of available-for-sale securities	18,286	1,010	350	19,646
Losses on sales of available-for-sale securities	1,234	-	46,454	47,688

(3) Impairment losses on securities

The Companies recognized impairment losses on the following securities for the years ended March 31, 2013 and 2014, respectively.

Type	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
	Write-down of investment securities	¥ 170	¥ 25
Write-down of investment securities included in cost of sales (Real estate development)	231	-	-

6. Pledged Assets

(1) 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, 2013 and 2014:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
	Buildings and structures (net of accumulated depreciation)	4,386	4,139
Total	¥ 4,386	¥ 4,139	\$ 46,635

(2) The following assets were pledged principally as collateral for loans of companies, which were not consolidated at March 31, 2013 and 2014:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
	Inventories: Real estate development	¥ 749	¥ -
Investment securities	2,013	2,106	20,462
Other assets	2,102	1,922	18,675
Total	¥ 4,864	¥ 4,028	\$ 39,137

7. Notes receivable and notes payable maturing on balance sheet date (Effect on of Bank Holiday)

Notes receivable and notes payable are settled on the date of clearance. As March 31, 2013 was a bank holiday, notes receivable and notes payable maturing on that day could not be settled and were included in the consolidated balance sheets, as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Notes receivable (Trade).....	¥ 533	¥ -	\$ -
Notes receivable (Other).....	79	-	-
Notes Payable (Trade).....	9,077	-	-
Notes Payable (Other).....	9	-	-

8. Short-term Borrowings, Long-term Borrowings and Straight Bonds

Short-term borrowings at March 31, 2013 and 2014 mainly consisted of short-term notes and overdrafts from banks. The weighted average interest rates of short-term borrowings at March 31, 2013 and 2014 were 0.8% and 0.7% 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 borrowings at March 31, 2013 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Bonds and notes:			
Issued by the Company:			
1.80% yen bonds due in 2014.....	¥ 10,000	¥ 10,000	\$ 97,163
1.81% yen bonds due in 2014.....	3,400	1,200	11,660
1.49% yen bonds due in 2015.....	15,000	15,000	145,744
0.80% yen bonds due in 2016.....	10,000	10,000	97,163
1.58% yen bonds due in 2017.....	10,000	10,000	97,163
0.66% yen bonds due in 2018.....	-	10,000	97,163
0.67% yen bonds due in 2020.....	-	10,000	97,163
Loans, principally from banks and insurance companies:			
Secured loans.....	1,780	1,050	10,202
Unsecured loans.....	242,537	199,536	1,938,748
	292,717	266,786	2,592,169
Amount due within one year.....	(60,751)	(80,292)	(780,140)
Total long-term borrowings (due after one year).....	¥ 231,966	¥ 186,494	\$ 1,812,029

Long-term loans at March 31, 2013 and 2014 were principally from banks and insurance companies. The weighted average interest of loans at March 31, 2013 and 2014 were 1.0% and 1.2% per annum, respectively.

The aggregate annual maturities of long-term borrowings (including current portion) at March 31, 2014 were summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2015.....	¥ 80,292	\$ 780,140
2016.....	39,860	387,291
2017.....	58,616	569,530
2018.....	44,538	432,744
2019.....	13,480	130,976
2020 and thereafter.....	30,000	291,488
Total.....	¥ 266,786	\$ 2,592,169

The Company has a commitment line provided by co-financing consisting of several correspondent financial institutions for the purpose of securing financing in case of an emergency. The commitment line amount as of March 31, 2013 and 2014 were ¥100,000 million and ¥100,000 million (\$ 971,628 thousand), respectively, although there was no amount of loans as of March 31, 2013 and 2014.

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

9. Income Taxes

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

The adjustment of deferred tax assets and liabilities due to the change in corporation tax rates

On March 31, 2014, the "Act for partial amendment of the Special Reconstruction Corporation Tax Act" (Act No. 10 of 2014) was officially issued and accordingly the special reconstruction corporate tax will not be imposed on the Company and its domestic subsidiaries from the year ending March 31, 2015. Corresponding to this change, the statutory tax rate applied in calculating deferred income taxes for temporary differences, which are expected to reverse during the period from April 1, 2014 to March 31, 2015, was reduced from 38.0% to 35.6%. As a result of these changes in tax rates, net deferred tax assets decreased by ¥ 732 million (\$ 7,112 thousand) and deferred income tax expense increased by ¥ 732 million (\$ 7,112 thousand) for the year ended March 31, 2014.

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, 2014.

	2013	2014
Statutory tax rate	-	38.0%
Permanent differences:		
Non-deductible expenses	-	12.0
Non-taxable income	-	(11.1)
Per capita inhabitant tax and others	-	1.2
Changes in valuation reserve	-	(6.8)
Tax rate difference of foreign consolidated subsidiaries	-	(1.7)
Reversal of revaluation reserve for land	-	(1.7)
Effect of enacted changes in tax laws and rates on Japanese tax	-	1.7
Others	-	(1.3)
Effective tax rate	-	30.3

(*)Note Information for the year ended March 31, 2013 is not provided because the difference between the effective income tax rate of the Companies and the statutory tax rate is less than 5%.

Significant components of deferred income taxes at March 31, 2013 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Deferred income tax assets:			
Disallowed portion of expenses and losses:			
Allowance for employee's severance and retirement benefits	¥ 36,995	¥ -	\$ -
Net defined benefit liability	-	42,277	410,775
Inventories	25,950	28,774	279,576
Bad debt expenses and allowance for doubtful accounts	7,072	3,841	37,320
Accrued bonuses	4,333	4,680	45,472
Fixed assets	6,384	2,130	20,696
Investment securities	5,764	1,217	11,825
Others	5,674	6,393	62,117
Tax loss carryforward	2,337	2,328	22,620
Unrealized profits	7,389	7,372	71,628
Consolidation adjustment on investments in related companies	1,384	1,306	12,689
Sub-total	103,283	100,318	974,718
Valuation allowance	(8,729)	(4,718)	(45,841)
Total	94,554	95,600	928,877
Deferred income tax liabilities:			
Unrealized holding gains on securities	(25,380)	(32,954)	(320,190)
Gains on securities contribution to employee retirement benefit trust	(20,605)	(20,605)	(200,204)
Net defined benefit asset	-	(6,367)	(61,864)
Reserve for tax deferment on replacement of assets	(1,922)	-	-
Others	(588)	(1,419)	(13,788)
Total	(48,495)	(61,345)	(596,046)
Net total	¥ 46,059	¥ 34,255	\$ 332,831

In addition to the deferred income taxes shown above, deferred tax liabilities concerning revaluation of land amounting to ¥ 5,696 million at March 31, 2013 and ¥ 4,913 million (\$ 47,736 thousand) at March 31, 2014 were included in the consolidated balance sheets.

10. Investment and Rental Property

- (1) The Company and certain consolidated subsidiaries hold some office buildings for rent in Tokyo and other areas. The rental income on office buildings for rent was ¥ 3,467 million and ¥ 3,657 million (\$ 35,532 thousand) at the year ended on March 31, 2013 and 2014, respectively. Rental income is mainly booked on Net Sales: Real estate development and other, and rental cost is mainly booked on Cost of Sales.
- (2) The amounts of investment and rental property which booked on consolidated balance sheets, the amounts of increase or decrease, and fair value at March 31, 2013 and 2014 were as follows:

Millions of Yen			
2013			
Book value		Fair value	
March 31, 2012	increase (decrease)	March 31, 2013	March 31, 2013
¥ 89,120	¥ (2,390)	¥ 86,731	¥ 91,337

Millions of Yen			
2014			
Book value		Fair value	
March 31, 2013	increase (decrease)	March 31, 2014	March 31, 2014
¥ 86,731	¥ (27,596)	¥ 59,135	¥ 65,882

Thousands of U.S. Dollars			
2014			
Book value		Fair value	
March 31, 2013	increase (decrease)	March 31, 2014	March 31, 2014
\$ 842,702	\$ (268,130)	\$ 574,572	\$ 640,128

Note 1: Carrying amount is the amount that the accumulated depreciation and impairment losses are deducted from the cost of acquisition.

Note 2: The main reasons of decrease for the years ended March 31, 2013 and March 31, 2014 were sales of fixed assets in the amounts of ¥ 1 million and ¥ 18,421 million (\$ 178,984 thousand), impairment loss on fixed assets in the amounts of ¥ 838 million and ¥ 3,987 million (\$ 38,739 thousand), and reclassification to inventories (real estate) in the amounts of ¥ 1,002 million and ¥ 5,339 million (\$ 51,875 thousand), respectively.

Note 3: The book value at March 31, 2013 and 2014 included asset retirement obligations in the amounts of ¥ 373 million and ¥ 240 million (\$2,332 thousand), respectively.

Note 4: The fair value of investment and rental property as of March 31, 2013 and 2014 were mainly calculated by the Company according to the appraisal standard of real-estate (including those which were adjusted using the land price index, if any).

11. Employees' Severance and Retirement Benefits

For the year ended March 31, 2013

The Company and its main consolidated subsidiaries have adopted the defined-benefit pension plans which include defined-benefit corporate pension plans and lump-sum payment plans. 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 number of the companies applying lump-sum payment plans decreased by 1 and that applying defined-benefit corporate pension plans increased by 1, mainly for change in subsidiaries subject to consolidation, and accordingly, the number of companies which have adopted defined-benefit corporate pension plans and lump-sum payment plans were 9 and 20, respectively, as of March 31, 2013.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 consisted of the following:

	Millions of Yen
	2013
Projected benefit obligation	¥ (148,920)
Unrecognized actuarial differences	19,646
Unrecognized prior service liabilities	(13,361)
Less: Fair value of pension assets	115,634
Prepaid pension expense	(6,728)
Allowance for employees' severance and retirement benefits	¥ (33,729)

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

Severance and retirement benefit expenses included in the consolidated statements of operation for the years ended March 31, 2013 comprised of the following:

	Millions of Yen
	2013
Service costs – benefits earned during the year	¥ 6,014
Interest cost on projected benefit obligation	3,791
Expected return on plan assets	(2,101)
Amortization of actuarial differences	5,332
Amortization of prior service liabilities	(861)
Special retirement benefits and others	15
Severance and retirement benefit expenses	¥ 12,190

The discount rates used by the Company and its consolidated domestic subsidiaries for the years ended March 31, 2013 was 0.5% to 2.0%. The rates of expected return on the plan assets used by the Company and its consolidated domestic subsidiaries for the years ended March 31, 2013 was 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.

As from April 1, 2013, the Company transferred a part of the future service benefit of the funded non-contributory pension plan to defined-contribution pension plan, based on the agreement of the Company and its labor union on December 25, 2012.

For the year ended March 31, 2014

The Company and its main consolidated subsidiaries have adopted the defined-benefit pension plans and defined-contribution pension plans. The defined-benefit pension plans adopted consist of defined-benefit corporate pension plans and lump-sum payment plans.

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 Company may also pay additional retirement benefits which are not subject to actuarial calculation.

The Company has established a retirement benefit trust.

As a result of the change of retirement benefit system in the Company, the number of companies applying defined-contribution pension plan increased by 1, and accordingly the numbers of consolidated companies which have adopted defined-benefit corporate pension plans, lump-sum payment plans and defined-contribution pension plans were 9, 20 and 3, respectively, as of March 31, 2014.

Defined benefit plans

(1) Movement in retirement benefit obligations

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Balance at April 1, 2013	¥ 148,920	\$ 1,446,949
Service cost	5,632	54,722
Interest cost	2,760	26,817
Actuarial loss (gain)	790	7,676
Benefits paid	(12,848)	(124,835)
Past service costs	(97)	(942)
Other	437	4,246
Balance at March 31, 2014	¥ 145,594	\$ 1,414,633

Some of the consolidated subsidiaries use simplified method for the calculation of retirement benefit obligations. Retirement benefit expenses in the consolidated subsidiaries using simplifying method are recorded in service cost.

(2) Movements in plan assets

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Balance at April 1, 2013	¥ 115,634	\$ 1,123,533
Expected return on plan assets	1,629	15,828
Actuarial loss (gain)	7,449	72,377
Contributions paid by the employer	6,143	59,687
Benefits paid	(9,202)	(89,410)
Balance at March 31, 2014	¥ 121,653	\$ 1,182,015

(3) Reconciliation from retirement benefit obligations and plan assets to Net defined benefit liability (asset)

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Funded retirement benefit obligations	¥ 143,377	\$ 1,393,092
Plan assets	(121,653)	(1,182,015)
	21,724	211,077
Unfunded retirement benefit obligations	2,218	21,550
Net total at March 31, 2014	23,942	232,627
Net defined benefit liability	54,279	527,390
Net defined benefit asset	(30,337)	(294,763)
Net total at March 31, 2014	¥ 23,942	\$ 232,627

(4) Retirement benefit costs

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Service cost	¥ 5,632	\$ 54,722
Interest cost	2,760	26,817
Expected return on plan assets	(1,629)	(15,828)
Net actuarial loss amortization	1,503	14,604
Past service costs amortization	(1,736)	(16,867)
Other	16	155
Total retirement benefit costs for the fiscal year ended March 31, 2014	¥ 6,546	\$ 63,603

(5) Remeasurements of defined benefit plans

Items recorded in remeasurements of defined benefit plans (before considering tax effect) were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Unrecognized past service costs	¥ (11,722)	\$ (113,894)
Unrecognized actuarial gains and losses	11,524	111,970
Total balance at March 31, 2014	¥ (198)	\$ (1,924)

(6) Plan assets

① Plan assets comprise:

Equity securities	43 %
Bonds	24
General accounts	21
Special accounts	3
Cash and cash equivalents	0
Other	9
Total	100

The retirement benefit trust established for corporate pension plans accounts for 31% of total plan assets.

② Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(7) Actuarial assumptions

The principal actuarial assumptions at March 31, 2014 (expressed as weighted averages) follow:

Discount rate	
The Company and its consolidated domestic subsidiaries	0.5 – 2.0 %
Consolidated overseas subsidiaries	6.4
Long-term expected rate of return	1.0 – 3.5

Defined-contribution pension plans

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Amount payable for defined-contribution pension plans of the Company and its consolidated subsidiaries	¥ 2,058	\$ 19,996

Notes to Consolidated Financial Statements *(cont.)*

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

12. Net assets

Net assets comprise three subsections; which are shareholders' equity, accumulated other comprehensive income 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"), when 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, 2013 and 2014 were 1,213 thousand shares and 1,278 thousand shares, respectively.

13. Lease Transactions

Operating leases

(a) Lessee

Future minimum lease payments as of March 31, 2013 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Due within one year.....	¥ 4,190	¥ 4,386	\$ 42,616
Due after one year.....	30,159	29,046	282,219
Total.....	¥ 34,349	¥ 33,432	\$ 324,835

(b) Lesser

Future minimum lease receipts as of March 31, 2013 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Due within one year.....	¥ 3,624	¥ 3,337	\$ 32,423
Due after one year.....	25,577	25,601	248,747
Total.....	¥ 29,201	¥ 28,938	\$ 281,170

14. Derivative Transactions

(1) Derivative transactions of the Company and its consolidated subsidiaries as of March 31, 2013 and 2014 were as follows:

- ① Derivative transactions which were not accounted for by the hedge accounting
 • Corresponding derivative transactions at March 31, 2013 and 2014 were not applicable.

- ② Derivative transactions which were accounted for by the hedge accounting
 • 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.

(a) Special treatment of swap

	Millions of Yen		
	2013		
	Contract amount		
	Total	Due after one year	Market value
Interest rate swaps			
receive floating rate, pay fixed rate	¥ 153,673	¥ 127,492	¥ -

	Millions of Yen		
	2014		
	Contract amount		
	Total	Due after one year	Market value
Interest rate swaps			
receive floating rate, pay fixed rate	¥ 126,638	¥ 85,328	¥ -

	Thousands of U.S. Dollars		
	2014		
	Contract amount		
	Total	Due after one year	Market value
Interest rate swaps			
receive floating rate, pay fixed rate	\$ 1,230,451	\$ 829,071	\$ -

Notes 1: Market value of interest rate swaps was included in the corresponding hedged long-term debt (long term debt due within one year was considered as short-term debt) as those interest rate swaps were recorded as an adjustment to the corresponding hedged long-term debt under the special treatment.

(b) Deferred swap

	Millions of Yen		
	2013		
	Contract amount		
	Total	Due after one year	Market value
Interest rate swaps			
receive floating rate, pay fixed rate	¥ 20,000	¥ 20,000	¥ (316)

	Millions of Yen		
	2014		
	Contract amount		
	Total	Due after one year	Market value
Interest rate swaps			
receive floating rate, pay fixed rate	¥ 20,000	¥ 20,000	¥ (275)

	Thousands of U.S. Dollars		
	2014		
	Contract amount		
	Total	Due after one year	Market value
Interest rate swaps			
receive floating rate, pay fixed rate	\$ 194,326	\$ 194,326	\$ (2,672)

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

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

15. Asset Retirement Obligations

(1) General information on the asset retirement obligations is as follows:

Asset retirement obligations are based on the estimated future restoration obligations pursuant to the office rental agreements and future obligations for asbestos removal pursuant to the Ordinance on Prevention of Health Impairment due to Asbestos.

(2) Calculation method of the asset retirement obligations

Asset retirement obligations are calculated based on the estimated period of use depending on the period of useful life of the relevant tangible fixed assets and discounted by rates of 0.5-2.3% which are estimated based on the rate of return on government bonds for the each period mainly corresponding to the useful life.

(3) Asset retirement obligations as of March 31, 2013 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
As of April 1, 2012 and 2013	¥ 1,213	¥ 1,223	\$ 11,883
New obligations by acquisition of fixed assets	16	1	10
Changes in estimated obligations and accretion	24	23	223
Settlement payment	(14)	(10)	(97)
Others	(16)	(321)	(3,119)
As of March 31, 2013 and 2014	¥ 1,223	¥ 916	\$ 8,900

Notes 1: The balance of the asset retirement obligations as of April 1, 2010 was determined by application of ASBJ Statement No.18, Accounting Standard for Asset Retirement Obligations, and ASBJ Guidance No.21, Guidance on Accounting Standard for Asset Retirement Obligations (both issued by the ASBJ on March 31, 2008).

(4) Asset retirement obligations which were not recognized on the consolidated balance sheet were as follows:

The Company and its certain consolidated subsidiaries have obligation for future restoration mainly relating to the head offices, assumed pursuant to the office rental agreements. However, they did not recognize these obligations because they could not specify the timing of its pursuance and estimate reasonably the amounts of these obligations, for estimated period of use of the relevant tangible fixed assets was uncertain and no plan or expectation of relocation according to their business strategy was existed.

16. Related Party Transactions

Transactions of the Company's consolidated subsidiaries with related individuals, including shareholders and directors, for the years ended March 31, 2013 and 2014 were as follows:

	Millions of Yen			
	2013		2014	
(a) Name	Transactions during the year ended March 31, 2013		Balance at the end of the year	
(b) Attribution	Description of transaction	Amount	Amount	Amount
(c) Capital (Million yen)				
(d) Equity ownership percentage of the Company				
(a) Misao Akune	Sale of condominium apartment by Taisei Yuraku Real Estate Co., Ltd.	¥ 20	-	¥ -
(b) The representative director of the Corporation				
(c) -				
(d) 0.01%				
(a) Ken Akune	Sale of condominium apartment by Taisei Yuraku Real Estate Co., Ltd.	¥ 21	-	¥ -
(b) Close relative of the representative director of the Corporation				
(c) -				
(d) -				
(a) Keita Oomi	Housing construction by Taisei Housing Co., Ltd.	¥ 20	-	¥ -
(b) Close relative of the operating officer of the Corporation				
(c) -				
(d) -				
(a) Tadao Sakai	Housing construction by Taisei Housing Co., Ltd.	¥ 42	-	¥ -
(b) Close relative of the operating officer of the Corporation				
(c) -				
(d) -				
(a) Noriko Sakai	Housing construction by Taisei Housing Co., Ltd.	¥ 18	-	¥ -
(b) Close relative of the operating officer of the Corporation				
(c) -				
(d) -				

Millions of Yen				
2013				
	Transactions during the year ended March 31,		Balance at the end of the year	
	2013			
(a) Name	Description of transaction	Amount	Amount	Amount
(b) Attribution				
(c) Capital (Million yen)				
(d) Equity ownership percentage of the Company				
(a) Takashi Hayashi	Housing construction	¥ 27	-	¥ -
(b) The representative director of Taisei Yuraku Real Estate Co., Ltd.	by Taisei Housing Co., Ltd.			
(c) -				
(d) 0.00%				

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) Misao Akune, the representative director of the Corporation and his close relative, Ken Akune are joint owners of the condominium apartment.
- (3) 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.
- (4) Tadao Sakai and Noriko Sakai jointly ordered the housing construction.

Millions of Yen				
2014				
	Transactions during the year ended		Balance at the end of the year	
	March 31, 2014			
(a) Name	Description of transaction	Amount	Amount	Amount
(b) Attribution				
(c) Capital (Million yen)				
(d) Equity ownership percentage of the Company				
(a) Yoshiyuki Murata	Housing construction	¥ 23	-	¥ -
(b) The director of the Corporation	by Taisei Housing Co., Ltd.			
(c) -				
(d) 0.00%				
(a) Toyoko Murata	Housing construction	¥ 23	-	¥ -
(b) Close relative of the director of the Corporation	by Taisei Housing Co., Ltd.			
(c) -				
(d) -				
(a) Takao Kanai	Housing construction	¥ 23	-	¥ -
(b) Close relative of the operating officer of the Corporation	by Taisei Housing Co., Ltd.			
(c) -				
(d) 0.00%				

Thousands of U.S. dollars				
2014				
	Transactions during the year ended		Balance at the end of the year	
	March 31, 2014			
(a) Name	Description of transaction	Amount	Amount	Amount
(b) Attribution				
(c) Capital (Million yen)				
(d) Equity ownership percentage of the Company				
(a) Yoshiyuki Murata	Housing construction	\$ 223	-	\$ -
(b) The representative director of the Corporation	by Taisei Housing Co., Ltd.			
(c) -				
(d) 0.00%				
(a) Toyoko Murata	Housing construction	\$ 223	-	\$ -
(b) Close relative of the director of the Corporation	by Taisei Housing Co., Ltd.			
(c) -				
(d) -				
(a) Takao Kanai	Housing construction	\$ 223	-	\$ -
(b) Close relative of the operating officer of the Corporation	by Taisei Housing Co., Ltd.			
(c) -				
(d) 0.00%				

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

2: Business conditions and policy of business conditions

- (1) 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) Yoshiyuki Murata, the director of the Corporation and his close relative, Toyoko Murata jointly ordered the housing construction.

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

17. Segment Information

(1) Segment Information

(a) General information on reportable segments

Each reportable segment of the Companies is the business unit in the Companies, which discrete financial information is available. Reportable segments are reviewed periodically at the Board of Directors Meeting in order to determine distribution of management resources and evaluate business result on each reportable segment.

The headquarters in the head office are established by the products of construction and the services. Each headquarter proposes comprehensive domestic and overseas strategies with respect to products and services, and operates its business activities.

The Companies consists of segments identified by products and services based on the headquarters, and identifies the three segments, "Civil engineering," "Construction contracts," and "Real estate development" as reportable segments. "Civil engineering" is the business related to civil engineering, etc. "Construction contracts" is the business related to the construction of building and housing, etc. And "Real estate development" is the business related to resale and rental of land and buildings, etc.

(b) Basis of measurement on reported segment net sales, profit or loss and other material items

The accounting methods for each reportable segment are the same as that set forth in the "Summary of Significant Accounting Policies". The operating income (loss) is presented based on the operating income (loss) before recognizing the amortization of goodwill in the Consolidated Statement of Income. In addition, conditions of intersegment transactions and transfers are determined considering market prices as in the case of other general transactions.

The assets are not allocated to the segments. However, the corresponding depreciation expenses are allocated to the segments according to the rational bases such as the conditions of assets use.

(c) Information on reported segment net sales, profit or loss and other material items

Segment information as for the years ended March 31, 2013 and 2014 were as follows:

Millions of Yen							
2013							
	Reportable segments			Others	Total	Adjustments	Consolidated
	Civil engineering	Construction contracts	Real estate development				
Net sales:							
Customers	¥ 358,327	¥ 915,470	¥ 132,990	¥ 9,708	¥ 1,416,496	¥ -	¥ 1,416,496
Intersegment.....	22,746	44,060	6,087	2,360	75,253	(75,253)	-
Total.....	381,073	959,530	139,077	12,069	1,491,749	(75,253)	1,416,496
Operating income.....	9,681	19,236	¥ 5,690	¥ 465	¥ 35,072	534	35,606
Depreciation expense.....	¥ 2,625	¥ 2,403	¥ 1,816	¥ 73	¥ 6,917	¥ (51)	¥ 6,866
Increase (decrease) in allowance for losses on construction contracts.....	¥ 2,499	¥ 4,694	¥ -	¥ -	¥ 7,193	¥ -	¥ 7,193

Notes 1: "Others" presented businesses such as real estate managing business, incidental business to the construction business, leisure business, and other service businesses, which are not included in reportable segments.

2: Adjustment amount of operating income was ¥ 534 million, which included ¥ 591 million of intersegment elimination, etc. and ¥ (57) million of the amount of amortization of goodwill.

3: Segment operating income was adjusted against operating income of Consolidated Statement of Income.

Millions of Yen							
2014							
	Reportable segments			Others	Total	Adjustments	Consolidated
	Civil engineering	Construction contracts	Real estate development				
Net sales:							
Customers	¥ 418,526	¥ 922,647	¥ 182,346	¥ 9,954	¥ 1,533,473	¥ -	¥ 1,533,473
Intersegment.....	29,642	33,378	6,089	2,010	71,119	(71,119)	-
Total.....	448,168	956,025	188,435	11,964	1,604,592	(71,119)	1,533,473
Operating income.....	32,568	(8,950)	¥ 27,963	¥ 566	¥ 52,147	1,626	53,773
Depreciation expense.....	¥ 3,070	¥ 2,681	¥ 1,619	¥ 78	¥ 7,448	¥ (41)	¥ 7,407
Increase (decrease) in allowance for losses on construction contracts.....	¥ 555	¥ 18,814	¥ -	¥ -	¥ 19,369	¥ -	¥ 19,369

Thousands of U.S. Dollars							
2014							
	Reportable segments			Others	Total	Adjustments	Consolidated
	Civil engineering	Construction contracts	Real estate development				
Net sales:							
Customers	\$ 4,066,518	\$ 8,964,701	\$ 1,771,725	\$ 96,716	\$ 14,899,660	\$ -	\$ 14,899,660
Intersegment	288,010	324,310	59,162	19,530	691,012	(691,012)	-
Total	4,354,528	9,289,011	1,830,887	116,246	15,590,672	(691,012)	14,899,660
Operating income	\$ 316,440	\$ (86,961)	\$ 271,696	\$ 5,500	\$ 506,675	\$ 15,799	\$ 522,474
Depreciation expense	\$ 29,829	\$ 26,049	\$ 15,731	\$ 758	\$ 72,367	\$ (398)	\$ 71,969
Increase (decrease) in allowance for losses on construction contracts	\$ 5,393	\$ 182,820	\$ -	\$ -	\$ 188,195	\$ -	\$ 188,195

Notes 1: "Others" presented businesses such as real estate managing business, incidental business to the construction business, leisure business, and other service businesses, which are not included in reportable segments.

2: Adjustment amount of operating income was ¥ 1,626 million (\$ 15,799 thousand), which included ¥ 1,684 million (\$ 16,362 thousand) of intersegment elimination, etc. and ¥ (57) million (\$ (554) thousand) of the amount of amortization of goodwill.

3: Segment operating income was adjusted against operating income of Consolidated Statement of Income.

(2) Related Information

(a) Information about products and services

The information about products and services is included in "(c) Information about reported segment net sales, profit or loss and other material items" of "(1) Segment Information" for the years ended March 31, 2013 and 2014.

(b) Information about geographic areas

• Net sales

The information about net sales was not shown for the years ended March 31, 2013 and 2014 since sales to unaffiliated customers in Japan were more than 90% of net sales of Consolidated Statement of Income.

• Property and equipment

The information about property and equipment was not shown for the years ended March 31, 2013 and 2014 since the amounts of property and equipment that located in Japan were more than 90% of the amounts of property and equipment of Consolidated Balance Sheet.

(c) Information about major customers

The information about major customers was not shown for the years ended March 31, 2013 and 2014 since net sales to any customer were less than 10% of the amounts of net sales of Consolidated Statement of Income.

(d) Information about impairment loss on fixed assets by reported segment for the years ended March 31, 2013 and 2014 were as follows:

Millions of Yen						
2013						
	Reportable segments			Others	Elimination and/or corporate	Total
	Civil engineering	Construction contracts	Real estate development			
Impairment loss on fixed assets	¥ 187	¥ 234	¥ 981	¥ -	¥ -	¥ 1,402

Millions of Yen						
2014						
	Reportable segments			Others	Elimination and/or corporate	Total
	Civil engineering	Construction contracts	Real estate development			
Impairment loss on fixed assets	¥ 216	¥ 291	¥ 4,092	¥ -	¥ -	¥ 4,599

Thousands of U.S. Dollars						
2014						
	Reportable segments			Others	Elimination and/or corporate	Total
	Civil engineering	Construction contracts	Real estate development			
Impairment loss on fixed assets	\$ 2,099	\$ 2,827	\$ 39,759	\$ -	\$ -	\$ 44,685

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

(e) Information about the amount of amortization and unamortized balance of goodwill by reported segment for the years ended March 31, 2013 and 2014 were as follows:

	Millions of Yen					
	2013					
	Reportable segments					Elimination and/or corporate
Civil engineering	Construction contracts	Real estate development	Others			
Amortization of goodwill.....	¥ -	¥ -	¥ 57	¥ -	¥ -	¥ 57
Unamortized balance of goodwill.....	¥ -	¥ -	¥ 115	¥ -	¥ -	¥ 115

	Millions of Yen					
	2014					
	Reportable segments					Elimination and/or corporate
Civil engineering	Construction contracts	Real estate development	Others			
Amortization of goodwill.....	¥ -	¥ -	¥ 57	¥ -	¥ -	¥ 57
Unamortized balance of goodwill.....	¥ -	¥ -	¥ 57	¥ -	¥ -	¥ 57

	Thousands of U.S. Dollars					
	2014					
	Reportable segments					Elimination and/or corporate
Civil engineering	Construction contracts	Real estate development	Others			
Amortization of goodwill.....	\$ -	\$ -	\$ 554	\$ -	\$ -	\$ 554
Unamortized balance of goodwill.....	\$ -	\$ -	\$ 554	\$ -	\$ -	\$ 554

(f) Information about gains on negative goodwill by reported segment

Information about gains on negative goodwill for the years ended March 31, 2013 and 2014 were not applicable.

18. Contingent Liabilities and Commitment

The Company and its consolidated subsidiaries were contingently liable as guarantors for borrowings of companies, which were not consolidated, in the amount of ¥ 6,794 million and ¥ 5,647 million (\$ 54,868 thousand) at March 31, 2013 and 2014, respectively.

In addition, the Company and its consolidated subsidiaries were contingently liable to invest in the specific purpose companies for their repayment and other obligations of borrowings in the amount of ¥ 19,680 million and ¥ 17,280 million (\$ 167,897 thousand) at March 31, 2013 and 2014, respectively. The amounts indicated their shares of the additional investment obligations.

19. Revaluation Reserve for Land

In the year ended March 31, 2002, certain consolidated domestic subsidiaries executed revaluation of their land 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 other comprehensive income".

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, 2013 and 2014 was ¥ 7,290 million and ¥ 8,289 million (\$ 80,538 thousand), respectively (Including the excess amount of ¥ 1,693 million and ¥ 2,482 million (\$ 24,116 thousand) related to investment and rental property at March 31, 2013 and 2014, respectively).

20. Research and Development Expenses

Research and development expenses, which were included in selling, general and administrative expenses and cost of sales, amounted to ¥ 8,960 million and ¥ 9,534 million (\$ 92,635 thousand) for the years ended March 31, 2013 and 2014, respectively.

21. Impairment Losses of Fixed Assets

Impairment losses on fixed assets for the years ended March 31, 2013 and 2014 consisted of the following:

2013		
Use	Type of assets	Location
Assets for business use.....	Land, Building, structure, and others	Tokyo and others (25 lots)
Assets reclassified from business purpose to trading purpose.....	Land, building	Tokyo and others (4 lots)
Dormant assets	Land, building and others	Hokkaido and other (4 lots)

2014		
Use	Type of assets	Location
Assets for business use.....	Land, Building and others	Tokyo and others (14 lots)
Leased assets	Machinery and equipment	Hokkaido (1 lot)
Assets reclassified from business purpose to trading purpose.....	Land, Building, Structure	Kanagawa and others (3 lots)
Dormant assets	Land, Building, Structure	Nagano and another (2 lots)

The Company and its consolidated domestic subsidiaries grouped their fixed assets based on units, for which decisions for investments were 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
	2013	2014	2014
Buildings and structures	¥ 322	¥ 1,481	\$ 14,390
Land	1,071	2,982	28,974
Others	9	136	1,321
Total	¥ 1,402	¥ 4,599	\$ 44,685

The recoverable amount of the fixed assets for the years ended March 31, 2013 and 2014 were their net realizable values mainly based on amounts determined by valuations made in accordance with real estate appraisal standards.

22. Per Share Data

Net assets per share and net income per share as of and for the years ended March 31, 2013 and 2014 were as follows:

	Yen		U.S. Dollars
	2013	2014	2014
Net assets per share	¥ 299.84	¥ 335.42	\$ 3.259
Net income per share	17.60	28.17	0.274
Diluted Net income per share	-	-	-

Diluted net income per share for the years ended March 31, 2013 and 2014 were not presented because the Company had no shares with dilutive effects.

Calculation bases for basic net income per share for the years ended March 31, 2013 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Basic Net income per share			
Net income	¥ 20,051	¥ 32,089	\$ 311,786
Net income not available to common stock holders	-	-	-
Net income available to common stock	20,051	32,089	311,786
Average common stock outstanding (in thousands share)	1,139,213	1,139,022	

As described in "2. (w) Changes in accounting policy", the Company has adopted "Accounting Standard for Retirement Benefits" and applied transitional treatment stipulated in the paragraph 37 of "Accounting Standard for Retirement Benefits". As a result, net assets worth per share increased by ¥ 0.10 (\$ 0.00097).

Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

23. Comprehensive income

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Unrealized holding gains on securities			
Amount incurred	¥ 55,899	¥ 22,774	\$ 221,279
Recycling	(20)	(1,482)	(14,400)
Before Tax	55,879	21,292	206,879
Tax effect	(19,889)	(7,574)	(73,591)
Unrealized holding gains on securities, net of taxes	35,990	13,718	133,288
Deffered gains or losses on hedging derivatives			
Amount incurred	(341)	30	291
Recycling	120	11	107
Before Tax	(221)	41	398
Tax effect	77	(15)	(145)
Unrealized losses on hedging derivatives, net of taxes	(144)	26	253
Foreign currency translation adjustments			
Amount incurred	279	504	4,896
Recycling	(152)	(127)	(1,234)
Foreign currency translation adjustments, net of taxes	127	377	3,662
Share of other comprehensive income of associates accounted for using equity method			
Amount incurred	99	19	185
Total other comprehensive income	¥ 36,072	¥ 14,140	\$ 137,388

24. Subsequent Event

Cash dividends

The following appropriation of retained earnings at March 31, 2014 was approved at the annual meeting of the Company's shareholders held on June 27, 2014.

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥3.5 (\$0.027) per share	¥ 3,986	\$ 38,729

Independent Auditors' Report

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

Independent Auditor's Report

To the Board of Directors of Taisei Corporation:

We have audited the accompanying consolidated financial statements of Taisei Corporation (a Japanese corporation) and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Taisei Corporation and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 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 LLC

June 27, 2014
Tokyo, Japan