

# Year in Review

Taisei Corporation's operations are broadly divided into two main segments: construction and real estate. The construction segment comprises building construction and civil engineering operations. The Company is also actively engaged in international operations.

During fiscal year 2002, ended March 31, performance in the construction segment suffered severely, mainly due to a large decline in private sector investment and intensifying price competition. Similarly, the real estate segment saw sales decrease compared with the previous year due to the effects of the economic recession.

## Construction

### Domestic Market

On the strength of rising exports and other factors, the Japanese economy exhibited positive performance during the first half of fiscal 2002. Entering the second half, however, a slowdown in the US economy, as well as factors such as weak domestic demand, ongoing deflation, and falling stock prices sent the economy into an adjustment phase.

In the construction market, demand for medical and social welfare facilities and educational and research facilities continued at strong levels. However, with weak demand for plant and office construction and persistently lackluster demand for port facilities and water and sewage systems, severe overall market conditions continued.

In response, the Taisei Corporation Group has moved aggressively in accordance with its New Management Plan to, for example, expand orders in strategically targeted construction activities, enhance its ability to propose new applications to technology, and take advantage of its cost competitiveness in developing new customers. Consequently, order volume and sales in our Construction Business Segment achieved levels similar to those of a year ago, however, operating income declined 10.3% to ¥39.1 billion.

In our Real Estate and Other Business Segments, sales increased 5.3% compared to the previous year, reaching ¥203.2 billion. However, rising vacancy rates and falling rents caused by the



longstanding weakness in the real estate sales market and the abundant supply of large urban high-rises in the leasing market, anemic personal consumption in the leisure market, and chronic declines in product prices caused operating income to decline 6.6% to ¥10.4 billion.

The Prudential Tower

### International Operations

Taisei Corporation is strengthening its sales on a global scale through its overseas marketing and liaison offices and local subsidiaries and affiliates. Large-scale projects completed in fiscal 2002 include the Pampanga Delta Irrigation Project in the field of civil engineering and the Hotel Nikko Jakarta in the field of construction.

Major new orders received during the fiscal year under review include a subway system in Taiwan, a water project in the UAE, and a highway project in Eastern Europe, all in the field of civil engineering, and stations for a high-speed railway in Taiwan, in the field of construction.

Taisei Corporation will make Asia, where it has a strong track record and competitive advantage, a key area for business development and will pursue aggressive sales activities there. It is expected that Taiwan, Singapore, the Philippines, Malaysia and Indonesia will remain particularly promising markets. Additionally, China, now a member of the WTO bears watching for its gigantic market, though future orders will basically be received by the Company's local subsidiary.

The US economy as a whole is threatened by weakness in IT-related industries, but the construction market is relatively strong, and the Company will pursue business there mainly through its US subsidiaries.

In Europe, the Middle East, Africa, and Central and South America,



Taisei Corporation will actively seek to participate in projects in which it can apply its advanced technologies.

Pampanga Delta Development Project Irrigation Component

### Major Completed Construction Projects

| Project  | Client   |
|--|--|
| Prudential Tower (Chiyoda Ward, Tokyo)   | Rockwood Venture LLC   |
| Tokyo Twin Parks (Minato Ward, Tokyo)  | Association of Corporations for the Development of Shiodome Ward D South                             |
| Thousand City (Kawasaki City, Kanagawa Pref)   | Housing Supply Corporation of Kanagawa Prefecture and Kawasaki City Housing Supply Corporation       |
| Kyushu Shinkansen Tagami Tunnel Second Construction Site North (Yatsushiro Gun, Kumamoto Pref) | Japan Railway Construction, Transport and Technology Agency  |
| Quint Shinjuku Cultural Building (Shibuya Ward, Japan)   | Bunka Gakuen (Cultural Academy)/Fujikura Ltd, Tokyo Civil Development Co., Keio Electric Railway Co. |
| Port Island Offshore Seawall Construction Plant No. 4 (Kobe City, Hyogo Pref)                  | Kobe City  |
| Pampanga Delta Development Project Irrigation Component  | National Irrigation Administration   |

### Major Construction Orders Received

| Project Name   | Client  |
|--|---|
| SHUWEIHAT WATER TRANSMISSION SCHEME, UAE   | ABU DHABI WATER AND ELECTRICITY AUTHORITY   |
| Construction of New Business and Commercial Buildings for the Kinshicho Taihei 4-chome Development Project | Kinshicho Project Special Purpose Company   |
| Construction of Facilities for Type 1 Urban Redevelopment of the Nihonbashi Hamacho 3-chome West           | Association for the Urban Redevelopment of Nihonbashi Hamacho 3-chome West        |
| Construction of New Buildings Corresponding with the Move of Nagasaki Chuo General Hospital                | Nigata Prefectural Federation of Agricultural Cooperatives for Health and Welfare |
| Construction for Tunnel at Hachioji Castle Ruins (No. 4)   | Ministry of Land, Infrastructure and Transport Kanto Regional Development Bureau  |

## Real Estate Development

To secure orders and profits in a construction market weakened by persistent recessionary conditions, Taisei Corporation is applying its wealth of experience and expertise in pursuing urban redevelopment projects, one of its strengths. Additionally, the Company, an industry pioneer in the use of PFI (Private Finance Initiative) schemes, real estate securitization and other new techniques, is actively applying them with good results.

In fiscal 2002, the Urban Development Division garnered orders totaling ¥182 billion, approximately 15% of the Company's total of ¥1,207 trillion in orders for the year.

By project type, redevelopment of existing urban areas accounts for the greatest portion of orders, approximately 40% of the ¥182 billion figure mentioned above. Examples of orders the Company won include the Koto-ku, Shirakawa 3-Chome Area Redevelopment Project and the Nihonbashi, Hamacho 3-Chome Area Redevelopment Project. We were also selected to participate in the Okayama City Station Moto-machi Area Redevelopment Project, the first-ever project to be pursued under the Designated Builder System provided for under fiscal 1999 legal revisions. Work on this project is currently underway.

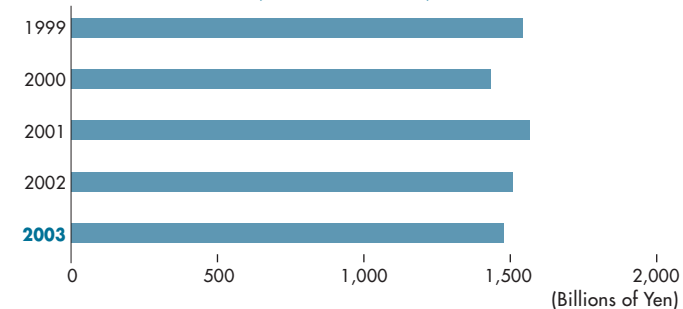
Local governments have chosen our area development proposals

through competitive selection processes, and Taisei Corporation has responded, proving itself in numerous joint public-private development projects. In fiscal 2002, the Company was selected for the Sun Port Takamatsu Symbol Tower Project, which includes construction of the tallest building in Shikoku, and the Akita Kyoten Center Project, which will make use of a former rail yard at the east exit of Akita Station. Work on both of these projects is already underway with completion scheduled for 2004. The Company was also selected as a preferred bidder for the Minami-Aoyama 1-Chome Condominium Refurbishment Project, the first urban redevelopment project to be authorized by the Ministry of Land, Infrastructure and Transport.

In fiscal 2002, Taisei Corporation accomplished a great deal on PFI projects (formalized as a system for pursuing public-sector projects in 1999). Work was begun on both the Kochi Medical Center and the Hokkaido Rubeshibe-cho Final Disposal Site for General Waste. And the Company was selected as the winning bidder or a preferred bidder for six other projects, including the Ichikawa City Junior High School No. 7 Reconstruction Project and the Saitama Prefecture, Sugito-machi Lifelong Learning Center Project. In the future, PFI schemes will be used by more and more local governments to arrange construction project financing, and Taisei Corporation will devote even greater attention to being an active part of them.

Taisei Corporation has been an enthusiastic participant in real estate securitizations, REITs (real estate investment trusts) and other new fields of finance. In fiscal 2002, the Company sold the floor it was to acquire within the Sapporo El Plaza building to an REIT just prior to the completion of construction. And for a Nagoya project, the Company participated in a bid for the land, established an SPC (special purpose company), won the construction order and assembled a mechanism for the smooth transfer of the property to the prospective owner upon completion. Taisei Corporation intends to use financing methods such as these to put together post-construction ownership/use schemes, distribute development risk and gain business opportunities.

### Construction Sales (Consolidated)



### Real Estate Development Sales (Consolidated)

