Financial Review

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

Operations

In fiscal 2009, the fiscal year ended March 31, 2010, most major industrialized countries and China took steps to actively promote public spending. Efforts were also made to normalize financial systems with the aim of alleviating credit impairment. While these initiatives contributed to a positive turnaround in the global economy, the overall recovery remained weak.

On the domestic front, Japan is yet to enjoy a full-fledged, self-sustaining revival. Buoyed, however, by an increase in exports thanks largely to brisk economic activity throughout Asia and particularly China, as well as an upswing in consumption due to pump-priming measures implemented by the government, the nation has broken free from a period of prolonged decline.

Under these circumstances, the Taisei Corporation Group took stock of its existing medium-term business plan, a plan that encompassed the three-year period from fiscal 2007 to fiscal 2009, and embarked on a new medium-term business plan, covering the three-year period from fiscal 2009 to fiscal 2011. Under this revised plan, the Company has worked diligently to address a number of business issues. Guided by the ultimate goal of "securing profits in a shrinking market," the Group's operating result for fiscal 2009 are presented as follows.

Net Sales

Net sales in the fiscal year ended March 31, 2010 amounted to ¥1,441.9 billion, a 12.1% decrease compared with the previous fiscal year.

Operating Income, Recurring Income and Net Income

Operating income surged to ¥35.6 billion compared with an operating loss of ¥0.6 billion in the fiscal year ended March 31, 2009. In addition to an increase in gross profit due largely to improved profit margins for both the Company and Yuraku Real Estate Co., Ltd., this was mainly attributable to successful reduction efforts resulting in lower selling, general and administrative (SG&A) expenses. Turning to recurring income, results were supported by the positive turnaround in operating income. Buoyed also by improvements in other income (expenses) and particularly a drop in foreign exchange losses, recurring income amounted to ¥27.7 billion compared with a recurring loss of ¥11.0 billion in the previous fiscal year.

Taking into account the aforementioned factors, net income for the fiscal year ended March 31, 2010 totaled ¥21.2 billion against the net loss of ¥24.4 billion in fiscal 2008. This reflected the favorable upswing in extraordinary profit and loss, most notably gain on sales of investment securities and profit from negative goodwill.

Financial Positions

Assets

Total assets stood at ¥1,501.2 billion as of March 31, 2010, a decrease of ¥170.1 billion, or 10.2%, compared with the previous fiscal year-end. This was attributable to a variety of factors including reduced costs on uncompleted works owing to a lower balance brought forward and a drop in accounts receivable on completed works reflecting progress in receivables collection.

Liabilities

Total liabilities decreased ¥182.6 billion, or 13.2%, year on year to ¥1,204.1 billion due mainly to a decline in trade payables and a drop in interest-bearing liabilities relating to financing.

Net Assets

In addition to net income for the fiscal year under review, net assets were boosted by an increase in unrealized holding gains on securities, net of taxes, reflecting rising stock prices. As a result, total net assets stood at ¥297.1 billion as of March 31, 2010, an increase of ¥12.4 billion, or 4.4%, compared with the end of the previous fiscal year.

Cash flows

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥16.0 billion up from ¥7.1 billion in the previous fiscal year. This was largely attributable to income before income taxes and other items of ¥35.5 billion.

Cash Flows from Investing Activities

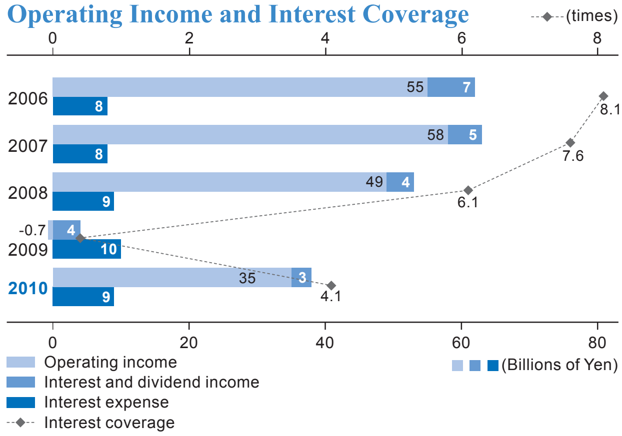
Net cash provided by investing activities amounted to ¥40.8 billion compared with net cash used in investing activities of ¥18.7 billion in fiscal 2008. The principal cash inflow for the period was proceeds from sale of marketable and investment securities.

Cash Flows from Financing Activities

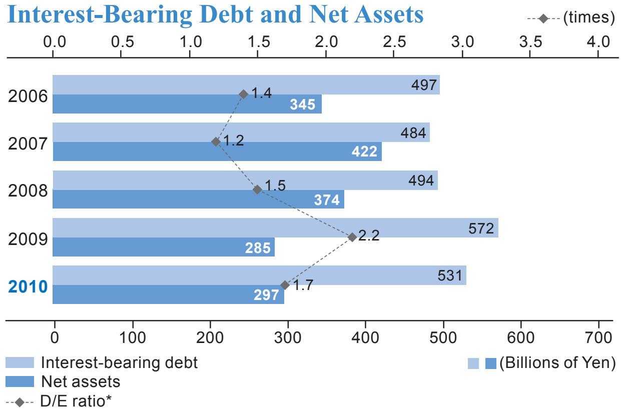
Net cash used in financing activities was ¥46.3 billion compared with net cash provided by financing activities of ¥71.1 billion in the fiscal year ended March 31, 2009. In the fiscal year under review, the Taisei Corporation Group undertook substantial repayment of interest-bearing liabilities relating to financing.

Taking into account each of the aforementioned activities, cash and cash equivalents as of March 31, 2010 stood at ¥155.9 billion, a year-on-year increase of ¥7.5 billion. In addition, the balance of interest-bearing liabilities relating to financing was ¥530.7 billion, down ¥40.7 billion compared with the previous fiscal year-end.

Operating Income and Interest Coverage

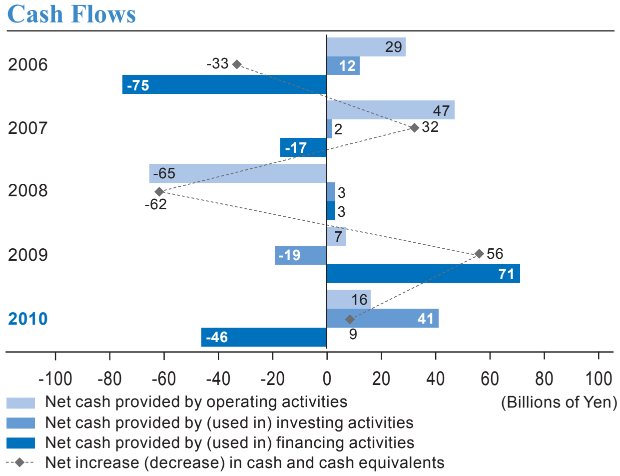


Interest-Bearing Debt and Net Assets



*Note: Minority interests are not included in Net assets in terms of the calculation of D/E ratio.

Cash Flows



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