Financial Review

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2011

Operations

In fiscal 2010, the fiscal year ended March 31, 2011, economic growth in newly emerging nations was generally firm. Developed countries, on the other hand, failed to achieve a self-sustaining recovery with the overall pace of expansion considered moderate. On the domestic front, the Japanese economy continued to experience a mild recovery. This positive upswing, however, lacked power and depth.

The scale of Japan's construction market contracted throughout the fiscal year under review. This was attributable to a variety of factors including the slump in domestic economic activity and the value of the yen which continued to hover at a high level. Weak operating conditions were exacerbated by cutbacks in corporate-sector capital expenditure and the persistent downturn in public-sector works. Overseas, construction markets were robust reflecting domestic demand growth in China and India and generally firm economic conditions throughout Asia and other regions.

Under these circumstances, the Taisei Group continued to pursue its medium-term business plan, which covers the three-year period from fiscal 2009 to fiscal 2011. In tackling the basic business issue of "securing profits in a shrinking market", the Taisei Group recorded operating results for fiscal 2010 as follows.

Net Sales

Net sales in the fiscal year ended March 31, 2011 amounted to ¥1,218.1 billion, a 15.5% decrease compared with the previous fiscal year.

Operating Income, Recurring Income and Net Income

From an operating income perspective, results were impacted by the drop in gross profit reflecting the decline in net sales. Despite this downturn, operating income climbed 1.9% compared with the previous fiscal year to ¥36.2 billion. This was largely attributable to successful efforts to reduce costs, which led to lower selling, general and administrative expenses. Turning to recurring income, results were affected by an increase in exchange losses. Taking into consideration the deterioration in other expenses, recurring income contracted 13.3% year on year to ¥24.0 billion.

In the fiscal year under review, net income dropped 48.7% compared with the previous fiscal year to ¥10.8 billion. This was mainly due to the decline in gains on sale of investment securities as well as the absence of the gains on negative goodwill recorded in the previous fiscal year.

Financial Positions

Assets

Total assets as of March 31, 2011 stood at ¥1,395.4 billion, a decrease of ¥105.7 billion, or 7.1%, compared with the end of the previous fiscal year. This was mainly attributable to the decline in accounts receivable on completed works reflecting progress in receivables collection.

Liabilities

Total liabilities contracted ¥99.2 billion, or 8.2%, compared with March 31, 2010 and amounted to ¥1,104.8 billion. In addition to the drop in deposits received, this largely reflected the decline in interest-bearing liabilities relating to financing.

Net Assets

Net assets stood at ¥290.5 billion as of March 31, 2011. This was ¥6.5 billion, or 2.2%, lower than the end of the previous fiscal year. Despite the contribution of the net income for the period, net assets declined as a result of such factors as the decrease in unrealized holding gains on securities, net of taxes reflecting falling stock prices.

Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥118.8 billion, up from ¥16.0 billion in the previous fiscal year. This was primarily attributable to the upturn in cash flows as a result of improved balance in construction-related activities.

Cash Flows from Investing Activities

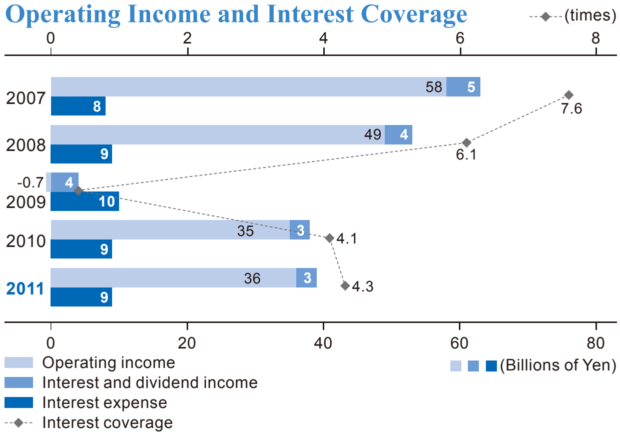
Net cash used in investing activities amounted to ¥3.9 billion for the fiscal year under review. This was compared with net cash provided by investing activities of ¥40.8 billion in the previous fiscal year. The major cash outflows for the period were purchase of investment securities and purchase of property and equipment.

Cash Flows from Financing Activities

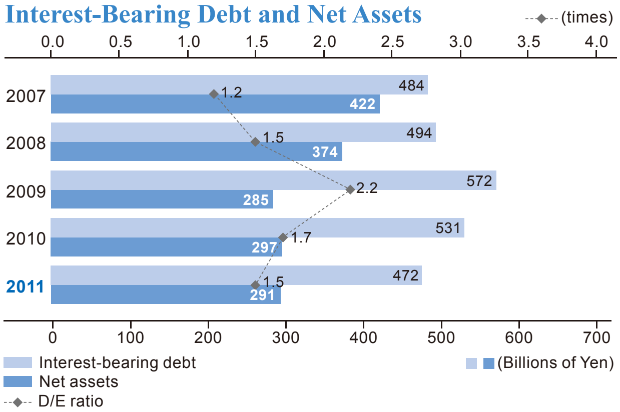
Net cash used in financing activities for the fiscal year ended March 31, 2011 amounted to ¥64.7 billion, up from ¥46.3 billion in the previous fiscal year. The major cash outflow was the repayment of interest-bearing liabilities relating to financing.

Taking into account each of the aforementioned activities, cash and cash equivalents as of March 31, 2011 stood at ¥203.6 billion, an increase of ¥47.7 billion compared with the end of the previous fiscal year. In addition, the balance of interest-bearing liabilities relating to financing was ¥472.0 billion, down ¥58.7 billion compared with the previous fiscal year-end.

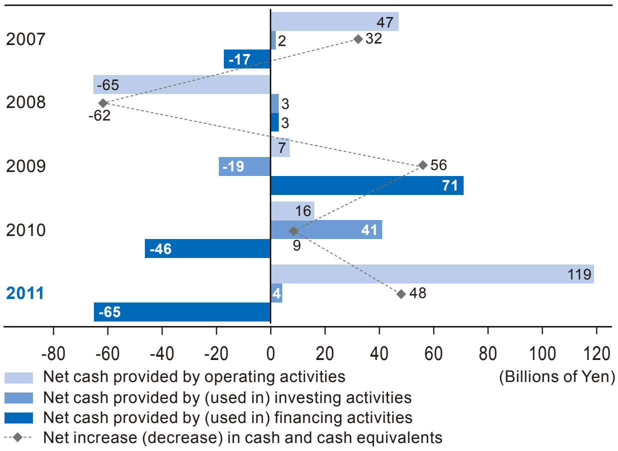
Operating Income and Interest Coverage



Interest-Bearing Debt and Net Assets



Cash Flows



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