Notes to Consolidated Financial Statements

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

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Taisei Corporation (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

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 six items as applicable.

Japanese GAAP requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. 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, adjustments for the following six items are required in the consolidation process so that their impacts on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

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

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 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 34 and 28 for the years ended March 31, 2010 and 2011, respectively. All significant intercompany transactions and account balances were eliminated in consolidation. Investments in significant affiliates, which were 9 companies for 2010 and 2011,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 7 and 6 consolidated overseas subsidiaries for 2010 and 2011, respectively, whose fiscal years end on December 31. Significant transactions, if any, in the period until ended March 31, 2010 and 2011 were adjusted in the respective consolidated financial statements.

Effective for the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted ASBJ Statement No.16, "Accounting Standard for equity method" and ASBJ Guidance No.24, "Guidance on Accounting Standard for equity method" (both issued by the ASBJ on March 3, 2008).

This change has no impact on the consolidated financial statements.

(b) Valuation of Assets and Liabilities of Subsidiaries

In the elimination of the investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on their fair value at the time the Company acquired control of the respective subsidiaries.

(c) Goodwill

Significant excesses of investment cost over net equity of consolidated subsidiaries and affiliated companies accounted for under the equity method are recognized as goodwill(negative goodwill , if credit balance) , and they are amortized principally over five years or less than twenty years on a straight-line basis for the years ended March 31, 2010 and 2011, respectively. However goodwill charged to income in the year if the goodwill is immaterial. Negative goodwill are charged 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 of not exceeding three months at the time of purchase and with insignificant risks of change in value are considered to be cash and cash equivalents.

(f) Marketable and Investment Securities

Marketable and investment securities are classified, depending on management's intent, as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies that are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized 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 sale of such securities are computed using moving-average cost. Debt securities with no available fair market value are stated at amortized cost, net of an amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

(g) Construction Contracts

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

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

(h) Real Estate Business

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

(i) Property and Equipment

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

(j) Accounting for lease transactions as lessee

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.

However, as permitted, finance leases commencing prior to April 1, 2008 which do not transfer ownership have been accounted for as operating lease with disclosure of certain "as if capitalized" information (to be referred to Note 13).

(k) Derivatives and Hedge Accounting

Derivative financial instruments are stated at fair value and changes in fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated domestic subsidiaries defer recognition of gains or losses resulting from changes in fair value of the derivative financial instruments until related losses or gains on hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

(1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, net amounts to be paid or received under the interest rate swap contracts are added to or deducted from the interest on liabilities for which the swap contract were executed.

(l) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided to cover probable losses on collection. It consists of an estimated uncollectible amount of certain identified doubtful receivables and an amount calculated applying percentages of losses on collection in the past to the rest of the receivables.

(m) Income Taxes

The Company and its wholly owned domestic subsidiaries apply the system of consolidated tax returns.

The Company computes the provision for income taxes based on the pretax income included in the consolidated statement of income and recognizes deferred tax assets and liabilities for expected future tax consequences of temporary differences between the financial statement basis and the tax basis of assets and liabilities.

(n) Severance and Retirement Benefits

The Company and certain consolidated subsidiaries provide two types of severance and retirement benefit plans for employees, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Company and its consolidated subsidiaries provided allowance for employees' severance and retirement benefits at year-end based on estimated amounts of projected benefit obligation and fair value of the plan assets at that date.

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 estimated average remaining service period of the employees.

Notes to Consolidated Financial Statements *(cont.)*

TAISEI CORPORATION and Consolidated Subsidiaries
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Unrecognized actuarial gains and losses are amortized from the next financial year 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.

Allowances for accrued severance indemnities to directors and corporate auditors of certain consolidated subsidiaries have been set up in accordance with each company's regulations.

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

(p) Allowance for Losses on Construction Contracts
Allowance for losses on construction contracts is provided with respect to construction projects for which eventual losses are reasonably estimated.

(q) Allowance for Losses on Investments in Subsidiaries and Affiliates
Allowance for losses on investments in subsidiaries and affiliates are provided for estimated losses from certain subsidiaries and affiliates in liquidation.

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

(s) Net Income (Loss) and Cash Dividends per Share
Net income (loss) per share is calculated by dividing net income (loss) available to common shares by the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated similarly, except that it includes the dilutive effect of the assumed exercise of securities.

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

(t) Recognizing Appropriations of Retained Earnings
In accordance with the customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the period in which they were resolved. Retained earnings at March 31, 2011 include amounts representing the year-end cash dividends, which were resolved at the shareholders' meeting held on June 29, 2011 as described in Note 24.

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

(v) Accounting Standard for Asset Retirement Obligations
Effective from the year ended March 31, 2011, the Company adopted 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).

As a result of this change, operating income decreased by ¥ 52 million and income before income taxes and other items decreased by ¥ 611 million in comparison with what would have been accounted for under the previous accounting policy.

(w) Change in financial statement presentation
Effective from the year ended March 31, 2011, the Company adopted ASBJ Statement No. 22 "Accounting Standard for Consolidated Financial Statements" (issued by the ASBJ on December 26, 2008)

As a result, "Income before minority interests" is presented in the consolidated statement of income for the year ended March 31, 2011.

Effective from the year ended March 31, 2011, the Company adopted ASBJ Statement No.25, Accounting Standard for Presentation of Comprehensive Income (issued by the ASBJ on March June 30, 2010).

As a result, "Valuation and translation adjustments" and "Total valuation and translation adjustments" in the consolidated balance sheet and the consolidated statement of changes in net assets as of March 31, 2011 are changed presentation to "Total accumulated other comprehensive income" and "Accumulated other comprehensive income", respectively.

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

3. Cash and Cash Equivalents

(1) Cash and cash equivalents at March 31, 2010 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Cash and time deposits	¥ 156,680	¥ 203,996	$ 2,453,349
Less: Time deposits over three months	(751)	(322)	(3,872)
Cash and cash equivalents	¥ 155,929	¥ 203,674	$ 2,449,477

(2) Significant non-cash transaction

YURAKU REAL ESTATE CO., LTD., one of the Company's consolidated subsidiaries, became a wholly-owned subsidiary of the Company as a result of share exchange. Consequently, capital surplus increased by ¥10,254 million ($ 123,319 thousand).

4. Financial Instruments

(1) Status of financial instruments

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

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

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

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

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

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

The derivative transactions are executed and managed by their Finance Department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

(2) Fair Value of Financial Instruments

Book values of the financial instruments included in the consolidated balance sheet, the fair values of said items, and the differences between these figures as of March 31, 2010 and 2011, were as follows. Items which were exceedingly difficult to estimate their fair value were not included in the following table (see Note 2 below).

		Millions of Yen		
		2010		
		Book Value	Fair Value	Difference
[ASSETS]	Cash and time deposits	¥ 156,680	¥ 156,680	¥ -
	Receivables: Trade notes and Trade accounts	394,555	394,385	△170
	Investment securities			
	Debt securities intended to be held to maturity	5,509	5,493	△16
	Available-for-sale securities	137,032	137,032	-
[LIABILITIES]	Trade payables: Notes and Accounts	370,424	370,424	-
	Short-term borrowings and Long term debt due within one year	250,673	251,687	△1,014
	Commercial papers	29,990	29,990	-
	Deposits received	87,591	87,591	-
	Long-term debt	250,083	254,613	△4,530
	Derivative financial instruments	200	200	-

		Millions of Yen		
		2011		
		Book Value	Fair Value	Difference
[ASSETS]	Cash and time deposits	¥ 203,996	¥ 203,996	¥ -
	Receivables: Trade notes and Trade accounts	292,757	292,734	△24
	Investment securities			
	Debt securities intended to be held to maturity	604	606	△2
	Available-for-sale securities	118,534	118,534	-
[LIABILITIES]	Trade payables: Notes and Accounts	365,025	365,025	-
	Short-term borrowings and Long term debt due within one year	236,427	237,536	△1,109
	Long-term debt	235,607	241,124	△5,517
	Derivative financial instruments	228	228	-

Notes to Consolidated Financial Statements *(cont.)*

TAISEI CORPORATION and Consolidated Subsidiaries
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		Thousands of U.S. dollars		
		2011		
		Book Value	Fair Value	Difference
[ASSETS]	Cash and time deposits	$ 2,453,349	$ 2,453,349	$ -
	Receivables: Trade notes and Trade accounts	3,520,841	3,520,553	△288
	Investment securities			
	Debt securities intended to be held to maturity	7,264	7,288	24
	Available-for-sale securities	1,425,544	1,425,544	-
[LIABILITIES]	Trade payables: Notes and Accounts	4,389,958	4,389,958	-
	Short-term borrowings and Long term debt due within one year	2,843,379	2,856,717	△13,338
	Long-term debt	2,833,518	2,899,868	△66,350
	Derivative financial instruments (*)	2,742	2,742	-

(*)Note The derivative financial instruments are stated net of assets and liabilities. ( ) indicates net liability position.

Note 1: The estimation method of the fair value

[ASSETS]

・Cash and time deposits and Receivables: Trade notes and Trade accounts

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

・Investment securities

The fair values of the marketable securities are based on the quoted market value, and bonds are based on the market value, the price indicated by a third party such as broker, or the present value of discounted cash flows, respectively.

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

[LIABILITIES]

・Trade payables: Notes and Accounts, Short-term borrowings and Long term debt due within one year, Commercial papers and Deposits received

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

・Long-term debt

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

・Derivative financial instruments

See the notes on "14 Derivative Transactions".

Note 2: Financial instruments which are exceedingly difficult to estimate the fair value

Nonmarketable securities (book value amount to ¥ 60,770 million and ¥ 75,786 million ($ 911,437 thousand) at March 31, 2010 and 2011, respectively) are not included in the above [Assets] Investment securities – Available-for-sale securities; since it is difficult to estimate the fair values thereof because neither market quoted value is available nor future cash flows can be estimated.

Note 3: Scheduled redemption amounts after the consolidated balance sheet date for monetary claims and securities with period of maturity as of March 31, 2010 and 2011 were as follows

	Millions of Yen		
	2010		
	Within one year	Over one year but within five years	Over five years but within ten years
Cash and time deposits	¥ 98,739	¥ -	¥ -
Receivables: Trade notes and Trade accounts	382,985	11,570	-
Investment securities			
Debt securities intended to be held to maturity			
Government bonds	77	322	60
Bonds	-	-	5,000
Other bonds	-	50	-
Available-for-sale securities			
Government bonds	0	9	143
Bonds	3	100	-
Others	-	21	30
Total	¥ 481,804	¥ 12,072	¥ 5,233

	Millions of Yen		
	2011		
	Within one year	Over one year but within five years	Over five years but within ten years
Cash and time deposits: time deposits	¥ 203,495	¥ -	¥ -
Receivables: Trade notes and Trade accounts	290,955	1,802	-
Investment securities			
Debt securities intended to be held to maturity			
Government bonds	5	457	72
Bonds	-	20	-
Other bonds	-	50	-
Available-for-sale securities			
Government bonds	0	52	148
Bonds	-	100	-
Others	-	21	-
Total	¥ 494,455	2,502	220

	Thousands of U.S. Dollars		
	2011		
	Within one year	Over one year but within five years	Over five years but within ten years
Cash and time deposits: time deposits	$2,447,324	$ -	$ -
Receivables: Trade notes and Trade accounts	3,499,158	21,672	-
Investment securities			
Debt securities intended to be held to maturity			
Government bonds	60	5,496	866
Bonds	-	241	-
Other bonds	-	601	-
Available-for-sale securities			
Government bonds	0	625	1,780
Bonds	-	1,203	-
Others	-	252	-
Total	$5,946,542	$ 30,090	$ 2,646

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

(Additional information)

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

5. Securities

(1) Following tables summarized acquisition costs, book values and fair values of securities with available fair values as of March 31, 2010 and 2011:

(a) Held-to-maturity debt securities:

Securities with available fair values exceeding book values

	Millions of Yen		
	2010		
Type	Book value	Fair value	Difference
Government bonds	¥ 217	¥ 218	¥ 1
bonds	-	-	-
Total	¥ 217	¥ 218	¥ 1

	Millions of Yen			Thousands of U.S. Dollars		
	2011			2011		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	¥ 460	¥ 463	¥ 3	$ 5,532	$ 5,568	$ 36
Bonds	20	20	0	241	241	0
Total	¥ 480	¥ 483	¥ 3	$ 5,773	$ 5,809	$ 36

Notes to Consolidated Financial Statements *(cont.)*

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Other securities

	Millions of Yen		
	2010		
Type	Book value	Fair value	Difference
Government bonds	¥ 242	¥ 241	¥ △1
Bonds	5,000	4,986	△14
Others	50	48	△2
Total	¥ 5,292	¥ 5,275	¥ △17

	Millions of Yen			Thousands of U.S. Dollars		
	2011			2011		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	¥ 74	¥ 74	¥ △0	$ 890	$ 890	$ △0
Bonds	-	-	-	-	-	-
Others	50	49	△1	601	589	$ △12
Total	¥ 124	¥ 123	¥ △1	$ 1,491	$ 1,479	$ △12

(b) Available-for-sale securities:

Securities with book values exceeding acquisition costs

	Millions of Yen		
	2010		
Type	Book value	Acquisition cost	Difference
Equity securities	¥101,896	¥ 67,628	¥ 34,268
Government bonds	15	15	0
Others	546	508	38
Total	¥102,457	¥ 68,151	¥ 34,306

	Millions of Yen			Thousands of U.S. Dollars		
	2011			2011		
Type	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Equity securities	¥54,824	¥33,649	¥21,175	$659,339	$404,678	$254,661
Government bonds	158	156	2	1,900	1,876	24
Others	532	476	56	6,398	5,725	673
Total	¥55,514	¥34,281	¥21,233	$667,637	$412,279	$255,358

Other securities

	Millions of Yen		
	2010		
Type	Book value	Acquisition cost	Difference
Equity securities	¥ 33,937	¥ 40,683	¥△6,746
Government bonds	136	139	△3
Bonds	104	104	-
Others	398	447	△49
Total	¥ 34,575	¥ 41,373	¥△6,798

	Millions of Yen			Thousands of U.S. Dollars		
	2011			2011		
Type	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Equity securities	¥62,452	¥76,031	¥ △13,579	$ 751,076	$ 914,384	$△163,308
Government bonds	43	43	△0	517	517	△0
Bonds	100	100	-	1,203	1,203	-
Others	425	479	△54	5,111	5,760	△649
Total	¥63,020	¥76,653	¥ △13,633	$ 757,907	$ 921,864	$△163,957

(2) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2010 and 2011 were as follows:

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

	Millions of Yen		
	2011		
Type	Equity securities	Others	Total
Total sales of available-for-sale securities sold	¥ 2,214	¥ -	¥ 2,214
Gains on sale of available-for-sale securities	1,265	-	1,265
Losses on sale of available-for-sale securities	6	-	6

	Thousands of U.S. Dollars		
	2011		
Type	Equity securities	Others	Total
Total sales of available-for-sale securities sold	$ 26,627	$ -	$ 26,627
Gains on sale of available-for-sale securities	15,213	-	15,213
Losses on sale of available-for-sale securities	72	-	72

(3) Impairment losses on securities

The Companies recognized losses on write-down of ¥ 502 million and ¥ 2,522million ($ 30,331thousand) on its securities for the year ended March 31, 2010 and 2011, respectively.

6. Pledged Assets

The following assets were pledged principally as collateral for short-term borrowings, long-term debt, guarantee deposits received or guarantees (such as guarantees for the completion of construction contracts) at March 31, 2010 and 2011:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Time deposits	¥ 43	¥ 43	$ 517
Inventories: Real estate development	749	10,571	127,132
Land	42,274	42,274	508,406
Buildings and structures (net of accumulated depreciation)	19,865	19,725	237,222
Machinery and equipment	-	3	36
Investment securities	2,382	2,071	24,907
Other assets	1,820	1,952	23,476
Total	¥ 67,133	¥ 76,639	$ 921,696

Notes to Consolidated Financial Statements *(cont.)*

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

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

Short-term borrowings at March 31, 2010 and 2011 mainly consisted of short-term notes and overdrafts from banks. The weighted average interest rates of short-term borrowings at March 31, 2010 and 2011 were 1.1% and 0.9% per annum, respectively.

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

The weighted average interest rate of commercial papers at March 31, 2010 was 0.4%.

Long-term debt at March 31, 2010 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Bonds and notes:			
Issued by the Company:			
1.74% yen bonds due in 2011	¥ 10,000	¥ 10,000	$ 120,265
1.56% yen bonds due in 2011	10,000	10,000	120,265
1.80% yen bonds due in 2014	10,000	10,000	120,265
1.81% yen bonds due in 2014	10,000	7,800	93,806
1.49% yen bonds due in 2015	-	15,000	180,397
1.58% yen bonds due in 2017	-	10,000	120,265
4.517% yen convertible bonds due in 2014	20,000	20,000	240,529
Loans, principally from banks and insurance companies:			
Secured loans	79,794	67,433	810,980
Unsecured loans	200,923	278,175	3,345,460
	340,717	345,608	4,156,440
Amount due within one year	(90,634)	(110,001)	(1,322,922)
Total long-term debt (due after one year)	¥ 250,083	¥ 235,607	$ 2,833,518

Long-term loans at March 31, 2010 and 2011 were principally from banks and insurance companies. The weighted average interest of loans at March 31, 2010 and 2011 were 1.3% and 1.2% per annum, respectively.
The aggregate annual maturities of long-term debt (including current portion) at March 31, 2011 were summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 110,001	$ 1,322,922
2013	90,660	1,090,319
2014	44,095	530,307
2015	70,140	843,536
2016	20,710	249,068
2017 and thereafter	-	-
Total	¥ 335,606	$ 4,036,152

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, 2010 and 2011 were 150,000 million ($ 1,803,969 thousand), however there was no amount of loans as of March 31, 2010 and 2011, respectively.

8. Income Taxes

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

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, 2011.

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

	2011
Statutory tax rate	40.7%
Permanent differences:	
Non-deductible expenses	12.2
Non-taxable income	(7.1)
Per capita inhabitant tax and others	2.6
Liquidation of a consolidated subsidiary and others	(4.2)
Others	(0.3)
Effective tax rate	43.9%

Significant components of deferred income taxes at March 31, 2010 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Deferred income tax assets:			
Disallowed portion of expenses and losses:			
Allowance for employee's severance and retirement benefits	¥ 41,498	¥ 41,931	$ 504,281
Inventories	27,792	28,270	339,988
Bad debt expenses and allowance for doubtful accounts	19,389	17,905	215,334
Accrued bonuses	4,788	4,603	55,358
Fixed assets	5,285	4,670	56,164
Investment securities	1,515	1,580	19,002
Others	9,162	7,497	90,162
Tax loss carryforward	8,331	12,979	156,091
Unrealized profits	7,490	7,400	88,996
Consolidation adjustment on investments in related companies	9,690	843	10,138
Sub-total	134,940	127,678	1,535,514
Valuation allowance	(11,904)	(11,199)	(134,684)
Total	123,036	116,479	1,400,830
Deferred income tax liabilities:			
Unrealized holding gains on securities	(11,175)	(3,277)	(39,411)
Gains on securities contribution to employee retirement benefit trust	(23,556)	(23,556)	(283,295)
Reserve for tax deferment on replacement of assets	(2,123)	(2,123)	(25,532)
Others	(310)	(235)	(2,827)
Total	(37,164)	(29,191)	(351,065)
Net total	¥ 85,872	¥ 87,288	$1,049,765

In addition to the deferred income taxes shown above, deferred tax liabilities concerning revaluation of land amounting to ¥7,762 million at March 31, 2010 and ¥7,736 million ($93,037 thousand) at March 31, 2011 were included in the consolidated balance sheets.

9. Business Combination (Transaction under common control)

(1) Name of these parties of this transaction, Scheme of this business combination, Name of the company after transaction, and Purpose of the transaction for the year ended March 31, 2010 were as follows.

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

・Parent company

Company name	Business
TAISEI CORPORATION	General construction

・Wholly owned subsidiary

Company name	Business
TAISEI ROTEC CORPORATION (The "Rotec")	Road and civil construction, and sales of asphalt mixtures

b) Effective date on share exchange
October 1, 2009

Notes to Consolidated Financial Statements *(cont.)*

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

d) Name of the company after transaction
Not change

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

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

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

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

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

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

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

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

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

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

(4) Name of these parties of this transaction, Scheme of this business combination, Name of the company after transaction, and Purpose of the transaction for the year ended March 31, 2011 were as follows.
a) Name of these parties of this transactions and its businesses
・Parent company

Company name	Business
TAISEI CORPORATION	General construction

・Wholly owned subsidiary

Company name	Business
YURAKU REAL ESTATE CO., LTD (The "Yuraku")	Sales of housing, Leasing of office buildings and residential properties, Agency and Appraisal of real estate and Insurance agency

b) Effective date on share exchange
April 1, 2010

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

d) Name of the company after transaction
Not change

e) Purpose of this transaction
This agreement aims to achieve stability in the group's profitability in the development business, and to improve business efficiency of the Taisei Group through integration of both companies so that management resources may be effectively employed.

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

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

Consideration	Common stock of the Yuraku	¥ 10,254 Million	$123,319 thousand
Direct costs	Advisory fees, etc.	¥ 70 Million	$ 842 thousand
Total(*)		¥ 10,324 Million	$124,161 thousand

(*)The acquisition costs by the Company's consolidated subsidiaries at ¥36 Million ($433 thousand) are not included.

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

Classes of stocks	Common stock of the Company	Common stock of the Yuraku
Share exchange ratio	1	1.90

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

・Issued number of stocks by share exchange (in share)
49,536,178 (Excluding those issued to the Company's consolidated subsidiaries (110,200 shares))

c) The amount of goodwill, reason of occurring, amortization method and period
・The amount of goodwill
¥270 Million ($ 3,247 thousand)

・Reason of occurring
Goodwill occurred since the acquisition cost of the Yuraku common stocks exceeded the minority interest of the Yuraku.

・Amortization method and period
Amortization using the straight-line method over 5 years

10. Investment and Rental Property

(1) The Company and certain consolidated subsidiaries are holding some office buildings for rent in Tokyo and other areas. The rental income about office buildings for rent was ¥ 3,724 million and ¥ 3,334 million ($40,096 thousand) at the year ended on March, 31 2010 and 2011, respectively. Mainly rental income is booked on Net sales: Real estate (including other), and rental cost is booked on Cost of Sales.

(2) The amounts of investment and rental property which booked on consolidated balance sheets, the amounts of increase and decrease, and fair value at March 31, 2010 and 2011 were follows:

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

Millions of Yen			
2011			
Book value			Fair value
March 31, 2010	increase(decrease)	March 31, 2011	March 31, 2011
¥ 108,358	**¥ (1,471)**	**¥ 106,887**	**¥ 105,196**

Notes to Consolidated Financial Statements *(cont.)*

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

Thousands of U.S. Dollars			
2011			
Book value			Fair value
March 31, 2010	increase (decrease)	March 31, 2011	March 31, 2011
$ 1,303,163	$ (17,691)	$ 1,285,472	$ 1,265,135

Note 1: The book value was a net book value amount.
Note 2: The main reason of increase for the year ended March 31, 2010 was transfer from inventories (real estate) in the amounts of ¥7,221million. The main reason of decrease was impairment losses on fixed assets in the amounts of ¥2,718 million.
Note 3: The main reason of decrease for the year ended March 31, 2011 was exclusion of consolidated subsidiaries from the scope of consolidation in the amounts of ¥1,034 million ($12,435 thousand).
Note 4: The book value at March 31, 2011 included asset retirement obligations in the amounts of ¥409 million ($4,919 thousand).
Note 5: The fair value of investment and rental property as of March 31, 2010 and 2011 were mainly estimated by the Company according to the appraisal standard of real-estate (including those which were estimated by employing the land price index with necessary adjustments, if any).

11. Allowance for Employees' severance and retirement benefits

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

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2010 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Projected benefit obligation	¥ (170,182)	¥ (162,999)	$ (1,960,301)
Unrecognized actuarial differences	40,363	41,062	493,830
Unrecognized prior service cost	(3,477)	(2,877)	(34,600)
Less: Fair value of pension assets	108,184	98,366	1,182,995
Prepaid pension expense	(2,709)	(3,117)	(37,486)
Employees' severance and retirement benefits	¥ (27,821)	¥ (29,565)	$ (355,562)

Severance and retirement benefit expenses included in the consolidated statements of operation for the years ended March 31, 2010 and 2011 comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Service costs – benefits earned during the year	¥ 6,468	¥ 6,287	$ 75,610
Interest cost on projected benefit obligation	4,343	4,166	50,102
Expected return on plan assets	(2,065)	(2,138)	(25,713)
Amortization of actuarial differences	10,067	7,396	88,948
Amortization of prior service cost	(598)	(600)	(7,216)
Special retirement benefits and others	74	59	710
Severance and retirement benefit expenses	¥ 18,289	¥ 15,170	$ 182,441

The discount rates used by the Company and its consolidated domestic subsidiaries for the years ended March 31, 2010 and 2011 were 1.5% to 2.5%. The rates of expected return on the plan assets used by the Company and its consolidated domestic subsidiaries for the years ended March 31, 2010 and 2011 were 1.0% to 3.5%. The estimated amount of all retirement benefits to be paid at the future retirement date was allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses were recognized using mainly the straight-line method over 1 to 10 years. Prior service costs were amortized using mainly the straight-line method over 1 to 10 years, the period within the estimated average remaining service life of the employees.

12. Net assets

Net assets comprise three subsections, which are shareholders' equity, 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"), in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

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

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

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

The number of treasury stock owned by the Company, consolidated subsidiaries and affiliated companies adopting the equity method as of March 31, 2010 and 2011 were 585 thousand shares and 684 thousand shares, respectively.

13. Lease Transactions

(1) Finance leases

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

(a) Lessee

Assumed data concerning the acquisition cost, accumulated depreciation, impairment loss and book value of the leased assets under the finance leases which were accounted for in the same manner as operating leases as of March 31, 2010 and 2011, inclusive of interest, were summarized as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2010				2011				2011			
	Acquisition cost	Accumulated depreciation	Impairment loss	Book value	Acquisition cost	Accumulated depreciation	Impairment loss	Book value	Acquisition cost	Accumulated depreciation	Impairment loss	Book value
Buildings	¥ 821	¥ 570	¥ 88	¥ 163	¥ 279	¥ 174	¥ 20	¥ 85	$ 3,356	$ 2,093	$ 241	$ 1,022
Machinery and equipment	1,972	1,273	3	696	1,489	1,101	2	386	17,907	13,241	24	4,642
Total	¥ 2,793	¥ 1,843	¥ 91	¥ 859	¥ 1,768	¥ 1,275	¥ 22	¥ 471	$ 21,263	$ 15,334	$ 265	$ 5,664

Future minimum lease payments as of March 31, 2010 and 2011, inclusive of interest, under such leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Due within one year	¥ 445	¥ 265	$ 3,187
Due after one year	505	228	2,742
Total	¥ 950	¥ 493	$ 5,929

Allowance for impairment loss on leased assets of ¥91 million and ¥22 million ($265 thousand) as of March 31, 2010 and 2011 were included in future lease payments.

Lease expenses (assumed data as to depreciation of the leased assets), reversal of allowance for impairment losses and impairment losses as of March 31, 2010 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Lease payments (assumed depreciation)	¥ 567	¥ 353	$ 4,245
Reversal of allowance for impairment losses	156	87	1,046
Impairment losses	56	18	216

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

Notes to Consolidated Financial Statements *(cont.)*

TAISEI CORPORATION and Consolidated Subsidiaries
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(2) Operating leases

(a) Lessee
Future minimum lease payments as of March 31, 2010 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Due within one year	¥ 5,339	¥ 5,060	$ 60,854
Due after one year	40,984	37,030	445,340
Total	¥46,323	¥ 42,090	$ 506,194

(b) Lesser
Future minimum lease receipts as of March 31, 2010 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Due within one year	¥ 3,889	¥ 4,069	$ 48,936
Due after one year	32,306	29,485	354,600
Total	¥36,195	¥ 33,554	$ 403,536

14. Derivative Transactions

(1) Derivative transactions of the Company and its consolidated subsidiaries as of March 31, 2010 and 2011 were as follows:

(a) Derivative transactions which were not accounted for by the hedge accounting
・Currency related derivatives:

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

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.
Corresponding derivatives at March 31, 2011 were not applicable.

(b) Derivative transactions which were accounted for by the hedge accounting
・Currency related derivatives:
Main items which hedged by forward foreign exchange contracts are trade payable: accounts.
The following forward foreign exchange contracts which meet certain conditions, the hedged items are stated by the forward foreign exchange rates.

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

	Millions of Yen		
	2011		
	Contract amount		
	Total	Due after one year	Market value
Forward contracts:			
To buy US Dollar	¥ 683	¥ 425	¥ 623
To buy Euro	483	179	441
To buy Turkish lira	1,557	1,037	1,431

	Thousands of U.S. Dollars		
	2011		
	Contract amount		
	Total	Due after one year	Market value
Forward contracts:			
To buy US Dollar	$ 8,214	$ 5,111	$ 7,492
To buy Euro	5,809	2,153	5,304
To buy Turkish lira	18,725	12,471	17,210

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.

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

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

	Millions of Yen		
	2011		
	Contract amount		
	Total	Due after one year	Market value
Interest rate swaps			
receive floating rate, pay fixed rate	¥ 169,586	¥ 135,036	¥ -

	Thousands of U.S. Dollars		
	2011		
	Contract amount		
	Total	Due after one year	Market value
Interest rate swaps			
receive floating rate, pay fixed rate	$ 2,039,519	$ 1,624,005	$ -

Notes to Consolidated Financial Statements *(cont.)*

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

15. Asset retirement obligations

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

Asset retirement obligations are based upon 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 upon the estimated period of use depending on the period of useful life of the relevant tangible fixed assets and discounted by discount rates of 0.9-2.3% which are estimated based upon the rate of return on government bonds matures corresponding periods.

(3) Asset retirement obligations as of March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
As of April 1, 2010	¥ 1,179	$ 14,179
New obligations by acquisition of fixed assets	6	72
Changes in estimated obligations and accretion	23	277
Settlement payment	(22)	(265)
Others	16	193
As of March 31, 2011	1,202	14,456

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 consolidated subsidiaries assumed obligation for future restoration pursuant to the office rental agreements. However, the estimated period of use of the relevant tangible fixed assets were uncertain and there were no plans or expectation of any plans to relocate, according to their business strategy. Therefore, these obligations were not recognized because the timing of its pursuance was not specified and the amounts of these obligations could not be reasonably estimated.

16. Related Party Transactions

Transactions of the Company's consolidated subsidiaries with related individual, including shareholders and directors, for the years ended March 31, 2010 and 2011 were as follows:

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

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

(a) Name (b) Attribution (c) Capital (Million yen) (d) Equity ownership percentage of the Company	Millions of Yen 2011 Transactions during the year ended March 31, 2011 Description of transaction	Amount	Balance at the end of the year Amount	Amount
(a) Hidehiro Moriya (b) Director's close relative (c) - (d) 0.00%	Housing construction	¥ 14	-	¥ -
(a) Kazuya Iwata (b) Corporate officer's close relative (c) - (d) 0.00%	Housing construction	¥ 25	-	¥ -
(a) Syoko Iwata (b) Corporate officer's close relative (c) - (d) 0.00%	Housing construction	¥ 11	-	¥ -

(a) Name (b) Attribution (c) Capital (Million yen) (d) Equity ownership percentage of the Company	Thousands of U.S. dollars 2011 Transactions during the year ended March 31, 2011 Description of transaction	Amount	Balance at the end of the year Amount	Amount
(a) Hidehiro Moriya (b) Director's close relative (c) - (d) 0.00%	Housing construction	$ 168	-	$ -
(a) Kazuya Iwata (b) Corporate officer's close relative (c) - (d) 0.00%	Housing construction	$ 301	-	$ -
(a) Syoko Iwata (b) Corporate officer's close relative (c) - (d) 0.00%	Housing construction	$ 132	-	$ -

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

17. Segment Information

(1) Segment Information

(a) General information about reportable segments

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

The headquarters in the head office are divided 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 the three segments, "Civil engineering," "Construction," and "Real estate", are identified as reportable segments. "Civil engineering" is the business which is related to civil engineering, etc. "Construction" is the business which is related to the construction of building and housing, etc. And "Real estate" is the business which is related to resale and rental of land and buildings, etc.

(b) Basis of measurement about 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 conformity to the operating income (loss) before the amount of amortization of goodwill of Consolidated Statement of Operations. In addition, conditions of intersegment transactions and transfers are determined considering normal 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 based on the conditions of assets use or any other rational standards.

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

Segment information as for the year ended March 31, 2010 which was restated in conformity with the requirements of the Standard was as follows.

	Millions of Yen						
	2010						
	Reportable segments						
	Civil engineering	Construction	Real estate	Others	Total	Adjustments	Consolidated
Net sales:							
Customers	¥ 456,949	¥ 851,910	¥ 87,961	¥ 45,155	¥ 1,441,975	¥ -	¥ 1,441,975
Intersegment	28,150	39,001	7,101	12,408	86,660	(86,660)	-
Total	485,099	890,911	95,062	57,563	1,528,635	(86,660)	1,441,975
Operating income	¥ 5,001	¥ 29,230	¥ 2,114	¥ 1,718	¥ 38,063	¥ (2,436)	¥ 35,627
Depreciation expense	¥ 3,182	¥ 3,577	¥ 2,136	¥ 397	¥ 9,292	¥ (121)	¥ 9,171
Increase (decrease) in allowance for losses on construction contracts	¥ (294)	¥ (1,967)	¥ -	¥ -	¥ (2,261)	¥ -	¥ (2,261)

Notes 1: "Others" presented businesses such as real estate managing business, incidental business to the construction business, leisure business, and other service businesses, which were not included in reportable segments.
2: Adjustment amount of operating income was ¥(2,436) Million, which included ¥(2,434) Million of intersegment elimination, etc and ¥(2) Million of the amount of amortization of goodwill.
3: Segment operating income was adjusted against operating income of Consolidated Statement of Operations.

	Millions of Yen						
	2011						
	Reportable segments						
	Civil engineering	Construction	Real estate	Others	Total	Adjustments	Consolidated
Net sales:							
Customers	¥ 311,999	¥ 783,397	¥ 77,308	¥ 45,415	¥ 1,218,119	¥ -	¥ 1,218,119
Intersegment	24,509	42,831	1,852	9,953	79,145	(79,145)	-
Total	336,508	826,228	79,160	55,368	1,297,264	(79,145)	1,218,119
Operating income	¥ (660)	¥ 35,448	¥ 38	¥ 1,638	¥ 36,464	(170)	36,294
Depreciation expense	¥ 3,251	¥ 3,073	¥ 1,979	¥ 304	¥ 8,607	¥ (87)	¥ 8,520
Increase (decrease) in allowance for losses on construction contracts	¥ (864)	¥ (382)	¥ -	¥ -	¥ (1,246)	¥ -	¥ (1,246)

	Thousands of U.S. Dollars						
	2011						
	Reportable segments						
	Civil engineering	Construction	Real estate	Others	Total	Adjustments	Consolidated
Net sales:							
Customers	$ 3,752,243	$ 9,421,492	$ 929,741	$ 546,181	$ 14,649,657	$ -	$ 14,649,657
Intersegment	294,756	515,105	22,273	119,700	951,834	(951,834)	-
Total	4,046,999	9,936,597	952,014	665,881	15,601,491	(951,834)	14,649,657
Operating income	$ (7,937)	$ 426,314	$ 457	$ 19,699	$ 438,533	$ (2,044)	$ 436,489
Depreciation expense	$ 39,098	$ 36,957	$ 23,800	$ 3,657	$ 103,512	$ (1,047)	$ 102,465
Increase (decrease) in allowance for losses on construction contracts	$ (10,391)	$ (4,594)	$ -	$ -	$ (14,985)	$ -	$ (14,985)

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 ¥ (170) Million ($ (2,044) thousand), which included ¥ (113) Million ($ (1,359) thousand) of intersegment elimination, etc and ¥ (57) Million ($ (686) thousand) of the amount of amortization of goodwill.
3: Segment operating income was adjusted against operating income of Consolidated Statement of Operations.
4: A part of the real estate rental business, etc was transferred from "Others" section to "Real estate" segment during the year ended March 31, 2011 as the segmentation was reconsidered based on the internal administrative system, etc. As a result of this change, net sales of "Real estate" increased by ¥4,907 Million ($59,014 thousand), and operating income increased by ¥2,683 Million ($32,267 thousand), respectively compared to the results that would have been obtained under the former method.

(Additional Information)

Effective April 1, 2010, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan ("ASBJ") Statement No.17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosure about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 issued on March 21, 2008).

(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".

(b) Information about geographic areas

・Net sales

The information about net sales was not shown since sales to unaffiliated customers in Japan were more than 90% of net sales of Consolidated Statement of Operations.

・Property and equipment

The information about property and equipment was not shown since the amount of property and equipment that located in Japan was more than 90% of the amount of property and equipment of Consolidated Balance Sheet.

(c) Information about major customers

The information about major customers was not shown since net sale to any customer was less than 10% of the amount of net sales of Consolidated Statement of Operations.

(d) Information about impairment loss of fixed assets by reported segment

	Millions of Yen					
	2011					
	Reportable segments					
	Civil engineering	Construction	Real estate	Others	Elimination and/or corporate	Total
Impairment loss of fixed assets	¥ 15	¥ 397	¥ 1,077	¥ 1,897	¥ (180)	¥ 3,206

	Thousands of U.S. Dollars					
	2011					
	Reportable segments					
	Civil engineering	Construction	Real estate	Others	Elimination and/or corporate	Total
Impairment loss of fixed assets	$ 180	$ 4,775	$ 12,952	$ 22,815	$ (2,165)	$ 38,557

Notes 1: The amount of "Others" was mainly the impairment loss of fixed assets of the real estate management business.

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(e) Information about the amount of amortization and unamortized balance of goodwill by reported segment

	Millions of Yen					
	2011					
	Reportable segments					
	Civil engineering	Construction	Real estate	Others	Elimination and/or corporate	Total
Amortization of goodwill	¥ -	¥ -	¥ 57	¥ -	¥ -	¥ 57
Unamortized balance of goodwill	¥ -	¥ -	¥ 229	¥ -	¥ -	¥ 229

	Thousands of U.S. Dollars					
	2011					
	Reportable segments					
	Civil engineering	Construction	Real estate	Others	Elimination and/or corporate	Total
Amortization of goodwill	$ -	$ -	$ 686	$ -	$ -	$ 686
Unamortized balance of goodwill	$ -	$ -	$ 2,754	$ -	$ -	$ 2,754

(f) Information about gains on negative goodwill by reported segment
The information about gains on negative goodwill by reported segment was not shown since gains on negative goodwill did not occur.

18. Contingent Liabilities and Commitment

At March 31, 2011, the Company and its consolidated subsidiaries were contingently liable as guarantors for loans of companies, employees and others, which were not consolidated companies, in the amount of ¥ 12,951 million ($ 155,755 thousand).

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 ¥ 18,580 million ($ 223,452 thousand). The amount indicated the Company and its consolidated subsidiaries' share of the additional investment obligation.

19. Revaluation Reserve for land

In the year ended March 31, 2002, certain consolidated domestic subsidiaries executed revaluation of their land owned for business in accordance with the Law Concerning Revaluation of Land (the "Law") .

As a result of this revaluation, deferred income taxes concerning the differences between the amounts after revaluation and the book values before revaluation were stated in the assets and liabilities in the consolidated balance sheets. The differences between these amounts, net of taxes, were stated as "Revaluation reserve for land" in "Accumulated 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, 2011 was ¥ 10,252 million ($ 123,295 thousand). (Including the excess amount of ¥ 5,648 million ($ 67,925 thousand) related to investment and rental property.)

20. Research and Development Expenses

Research and development expenses, which were included in selling, general and administrative expenses and cost of sales, amounted to ¥ 8,165 million and ¥8,641 million ($ 103,921 thousand) for the years ended March 31, 2010 and 2011, respectively.

21. Impairment of fixed assets

Impairment losses on fixed assets for the years ended March 31, 2010 and 2011 consisted of the following:

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

	2011	
Use	Type of assets	Location
Assets for business use	Land, Building, structure, and others	Hyogo and 11 others (12 lots)
Dormant assets	Land, building	Shizuoka

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
	2010	2011	2011
Buildings and structures	¥ 656	¥ 1,604	$ 19,290
Land	2,366	1,252	15,057
Leased assets	56	-	-
Others	10	350	4,210
Total	¥ 3,088	¥ 3,206	$ 38,557

The recoverable amounts of the fixed assets for the year ended March 31, 2010 were the larger of (1) their net realizable values mainly based on amounts determined by valuations made in accordance with real estate appraisal standards, or (2) the present values of expected future cash flows from on-going utilization and subsequent disposition of the fixed assets based on a discount rate of 5.0%.

The recoverable amount of the fixed assets for the year ended March 31, 2011 was 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 worth per share and net income per share as of and for the years ended March 31, 2010 and 2011 were as follows:

	Yen		U.S. Dollars
	2010	2011	2011
Net assets worth per share	¥ 262.15	¥ 253.94	$ 3.054
Basic			
Net income per share	19.74	9.58	0.115
Diluted			
Net income per share	19.24	9.56	0.115

Calculation bases for basic net income per share and diluted net income per share for the years ended March 31, 2010 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Basic Net income per share			
Net income	¥ 21,222	¥ 10,883	$ 130,884
Net income not available to common stock holders	-	-	-
Net income available to common stock	21,222	10,883	130,884
Average common stock outstanding (in thousands share)	1,075,048	1,135,681	
Diluted Net income per share			
Adjustment made on net income	491	536	6,446
(interest paid with tax adjustment)	491	536	6,446
Increase of common stocks(in thousands share)	53,672	58,480	
Shares resulting in an anti-dilutive effect (in thousands share)	-	-	-

Notes to Consolidated Financial Statements *(cont.)*

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23. Comprehensive income

Comprehensive income for the year ended March 31, 2010 was as follow:

	Millions of Yen
Comprehensive income attribute to owners of the parent	¥ 30,792
Comprehensive income attribute to minority interests	16
Total comprehensive income	¥ 30,808

Other comprehensive income for the year ended March 31, 2010 was as follow:

	Millions of Yen
Unrealized holding gains on securities, net of taxes	¥ 10,404
Unrealized losses on hedging derivatives, net of taxes	346
Foreign currency translation adjustments	(1,042)
Revaluation reserve for land	(1)
Share of other comprehensive income of associates accounted for using equity method	47
Total other comprehensive income	¥ 9,754

24. Subsequent Event

Cash dividends

The following appropriation of retained earnings at March 31, 2011 was approved at the annual meeting of the Company's shareholders held on June 29, 2011.

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥ 2.5 ($ 0.030) per share	**¥ 2,849**	**$ 34,263**