TAISEI

ANNUAL REPORT 2005

Profile

Supporting modern society and environmental protection through technical development

In the 132 years since its establishment, Taisei Corporation has developed a track record of outstanding construction project achievements in Japan and overseas. Our corporate beginnings coincided with Japan's development as a modern nation, and as people's aspirations and society's expectations have changed through the years, we too have adapted and grown to become a recognized leader in the construction industry.

Our expertise extends to building construction, civil engineering, international operations, real estate development, engineering, environmental solutions and housing. We have been primary contractor on some of the world's most significant infrastructure projects, including hydroelectric power stations, tunnels, and initiatives in developing nations.

As the world enters the second century of modern urban construction, the need is stronger than ever for historic preservation, environmental protection, and the creation of attractive private and public spaces. Supported by Taisei's strong financial base and sound management principles, our research and development activities are helping create the new technologies and methods needed to meet the demands of this modern society.

Contents

The 2,617m, six-lane Kao Ping Hsi Bridge, Taiwan

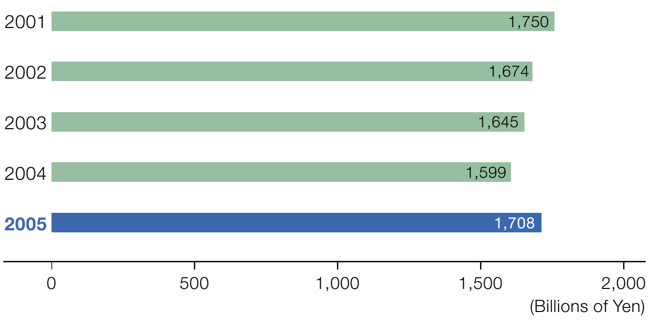
Financial Highlights

TAISEI COPORATION and Consolidated Subsidiaries
Years ended March 31, 2004 and 2005

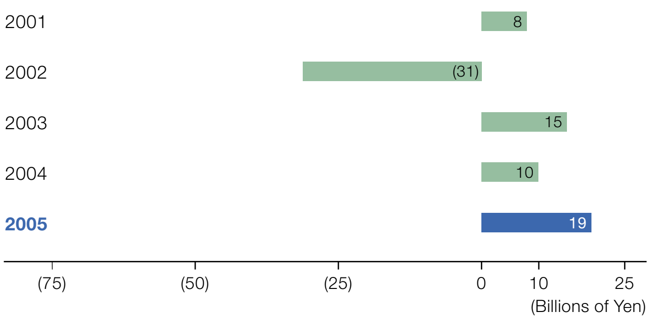
	Millions of Yen (except for per share figures)		Thousands of U.S. Dollars* (except for per share figures)	
	2004	**2005**	**2005**	Change (%)
Contract backlog at beginning of the year	¥1,773,559	**¥1,714,300**	**$15,963,311**	(3.3)%
New orders received during the year	1,539,253	**1,805,425**	**16,811,854**	17.3
Net sales	1,598,512	**1,707,953**	**15,904,209**	6.8
Contract backlog at end of the year	¥1,714,300	**¥1,811,772**	**$16,870,956**	5.7%
Net income	¥ 10,353	**¥ 19,098**	**$ 177,838**	84.5%
Per share (in yen and dollars)	10.80	**19.76**	**0.184**	83.0
Cash dividends applicable to the year	4,796	**4,823**	**44,911**	0.6
Per share (in yen and dollars)	5.00	**5.00**	**0.047**	—
Shareholders' equity	204,243	**257,748**	**2,400,112**	26.2
Per share (in yen and dollars)	211.70	**242.10**	**2.254**	14.4
Total assets	1,772,143	**1,815,332**	**16,904,107**	2.4

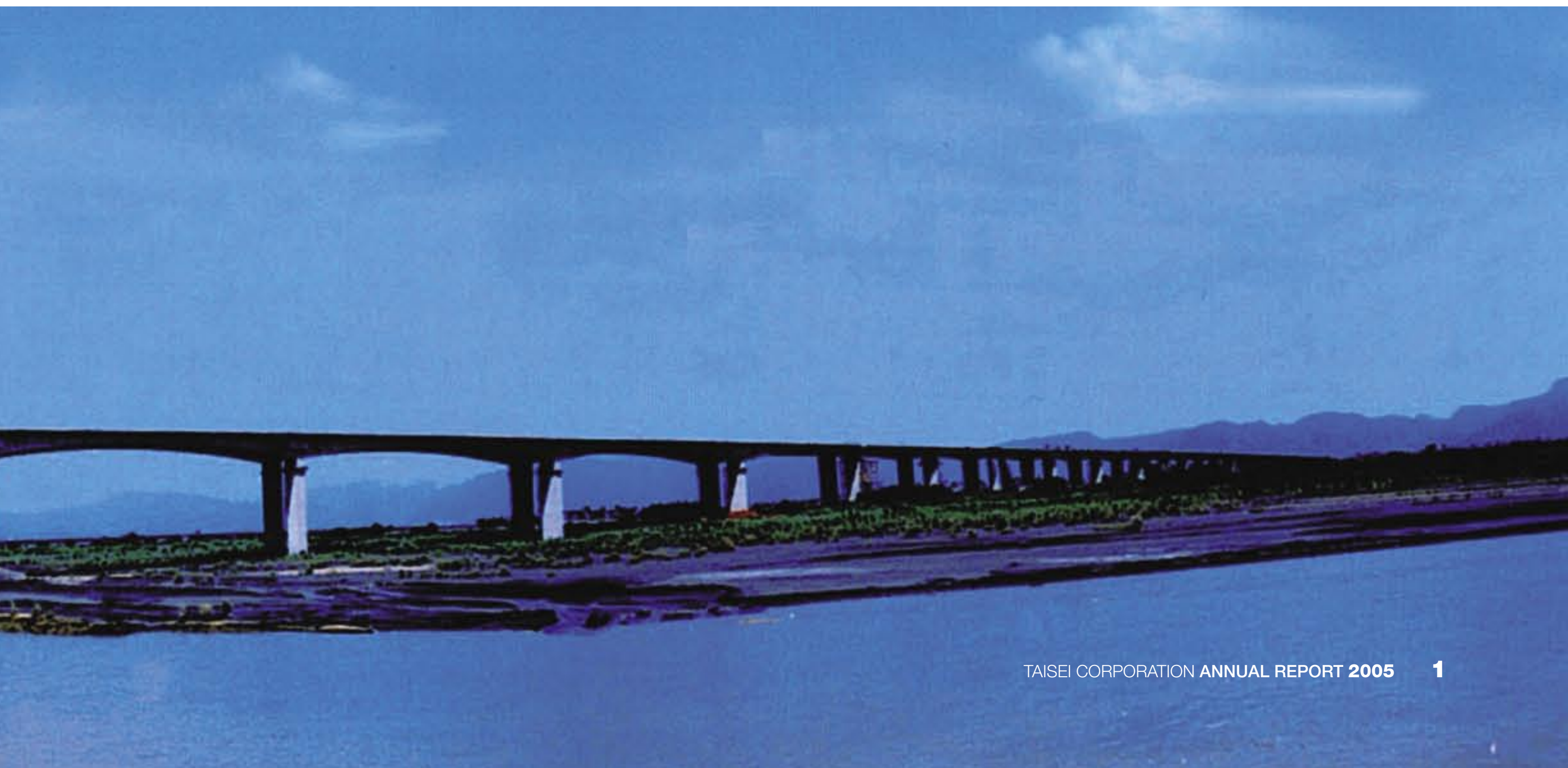
* U.S. dollar amounts above and elsewhere in this Annual Report are translated from yen, for convenience only, at the rate of US $1.00 = ¥107.39, the approximate exchange rate at March 31, 2005.

Net Sales



Net Income (Loss)



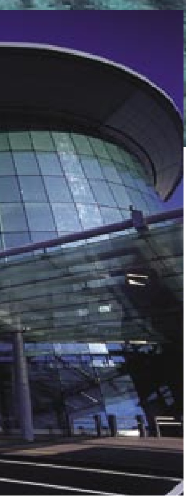


Cirata Hydroelectric Project, Indonesia

Bali Beach Conservation Project, Indonesia

Tokyo International (Haneda) Airport, Japan

Yahagigawa Bridge, Japan



Filling the Map with Memories

Message from the Management

Management Philosophy

While seeking to develop a balance between humanity and nature, Taisei Corporation's philosophy is to create a vibrant environment for all people while contributing to important social capital, including social and industrial infrastructure.

Maintaining a vision of customer satisfaction as the starting point for creating new value through technology and expertise, we seek to fulfill our mission to society by offering outstanding quality and service at fair and reasonable prices, and providing comprehensive solutions for our customers' construction-related needs.

Osamu Hirashima, *Chairman*

Results

Growth in the Japanese economy showed signs of leveling off in the year ended March 31, 2005. In the construction industry, private sector business performed well, driven by factors such as active investment in the manufacturing sector, while public works projects decreased in the face of budget cuts and other constraints. Moreover, price competition became even fiercer in the context of continued structural oversupply in the industry, which in combination with a steep rise in the cost of materials created a difficult overall operating environment.

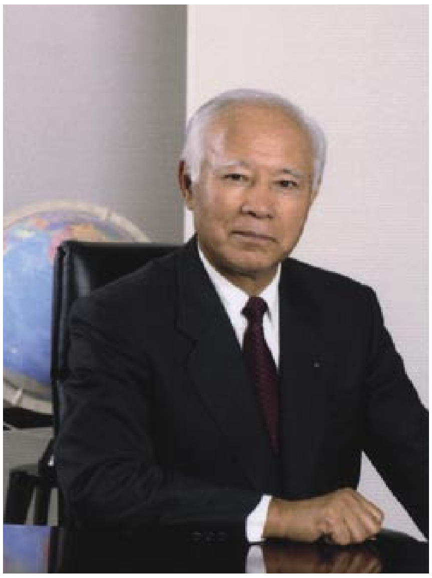
Based on our business plan, our focus during the year was to expand orders, ensure profitability, and reduce expenses. As a result of our efforts, orders rose 17.3% year on year to reach ¥1.805 trillion, and sales rose 6.8% to ¥1.708 trillion. Construction accounted for 87% of sales, with real estate development and other businesses accounting for the remaining 13%.

Operating income for the year decreased 18.2% year on year to ¥49.0 billion, and ordinary income decreased 15.3% to ¥43.6 billion. Net income for the fiscal year ended March 2005 was ¥19.01 billion.

Outlook

We expect that in the year ending March 2006 the Japanese economy will resume a mild growth track. In the construction industry, we expect to face new challenges and opportunities in response to further economic globalization, public sector financial constraints, an aging population, environmental issues, and a transition from national uniformity to regional differentiation in social infrastructure. Under these circumstances we recognize the necessity of improving our financial fundamentals by strengthening our capital base and reducing interest-bearing debt, and to achieve this we must ensure profitability. In conjunction with this, we consider it our role as an industry leader to demonstrate a sound and attractive construction industry business model.

We believe that results and quantitative measures relating to orders received, profit, and safety are key indicators of our collective strength as an organization. The year ending March 2006 is the middle year of our current three-year business plan, and in order to meet our targets for the year we intend to focus on the following three key items.



Kanji Hayama, *President & CEO*

1. Expanding orders

We believe that the regions in Japan most likely to produce construction growth are the Tokyo Metropolis and the Kinki district (Osaka and environs). Overseas, demand can be expected from oil producing nations and from the developing economies of the so-called BRICs countries of Brazil, Russia, India and China. Promising business areas for securing construction orders include urban development and PFI projects, high added value factories and research facilities supporting the recovery in the manufacturing industry, logistics facilities, and welfare institutions being developed in response to the increase in the elderly population.

We intend to allocate human resources to these areas, and make strategic investments drawing on increased capital. Our efforts to secure more orders will be backed by our strong technical expertise in engineering and other areas and by intensified measures to ensure price competitiveness.

2. Increasing profitability

We will continue initiatives to increase operational efficiency and reduce costs in our head office and branch network organizational structure. To succeed in a climate of intense price competition we will improve our procurement systems, and pursue higher profitability through measures such as the establishment of our condominium project division.

3. Improving work processes

We will be working to improve safety and further develop quality control by boosting human resources in our construction/production divisions, in addition to measures to enhance the working environment for our employees. We aim to create a system of work processes and project implementation that will support ongoing growth.

We greatly appreciate your interest in Taisei Corporation, and look forward to the continued support of our shareholders as we work on their behalf to create a company of even greater enduring value.

September 2005

平島 治

Osamu Hirashima
Chairman

葉山莞児

Kanji Hayama
President & CEO

Year in Review

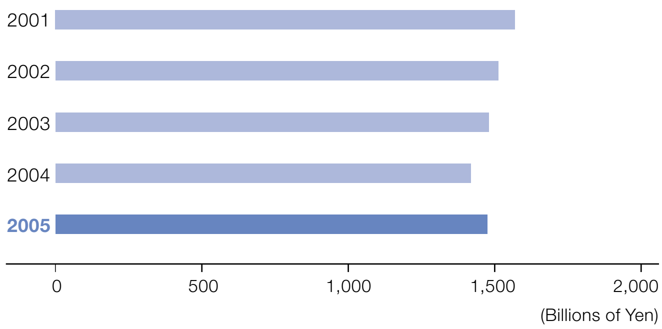
Taisei Corporation's operations are broadly divided into two segments: Construction and Real Estate. Additional operations, primarily financing and leasing, are included in Other.

	Billions of Yen		
FY ended March,	2004	**2005**	Change
Net sales	¥ 1,598.5	**¥ 1,708.0**	109.5
Construction	1,383.9	**1,477.4**	93.5
Real Estate, Other	214.6	**230.6**	16.0
Operating income	60.0	**49.0**	(11.0)
Construction	45.5	**33.2**	(12.3)
Real Estate, Other	14.5	**15.8**	1.3

Construction

The construction segment comprises building construction, civil engineering, and housing construction operations. In the year under review, demand from the private sector was strong, supported by investment in construction by the manufacturing industry. However, the environment for public sector projects remained harsh. Group net sales in this segment rose 5.4% year-on-year to ¥1,490.9 billion. Operating income decreased 26.9% year-on-year to ¥33.2 billion, with lower SG&A costs not fully offsetting a decline in gross profit.

Construction Sales (Consolidated)



Orders received

Project	Client
Bosphorus Tube Crossing Tunnels and Stations Project, Turkey (Marmaray Project)	The Republic of Turkey, The Ministry of Transportation, Railways, Harbours and Airports
Tokyo International Airport Runway D	Ministry of Land, Infrastructure and Transport Kanto Regional Development Bureau
Tokyo Mid-town Project (B and E blocks)	RP Beta SPC and nine others
Ushijima Redevelopment (Phase II)	Ushijima Urban Renewal Association
Tokyo Baycourt Club Hotel and Spa Resort	Resorttrust, Inc.

Completed projects

Project	Client
Tokyo International (Haneda) Airport Passenger Terminal 2 (Phase II) *(see photo, right)*	Japan Airport Terminal Co., Ltd.
Centrair (Central Japan International Airport) Passenger Terminal (Phase I)	Central Japan International Airport Co., Ltd.
Diamond City Lucle Shopping Center	Mitsubishi Corporation
Metropolitan Expressway Kawasaki Tunnel (Phase II)	Metropolitan Expressway Public Corporation
Yung Xuan Taipei Office Building Project, Taiwan	Yung Xuan Ltd.

Real Estate Development

The real estate segment includes the resale and rental of land, houses, buildings, and related activities.

In the real estate sales market there continued to be a large supply of new condominiums, with an increasing differentiation in the performance and appeal of individual projects. Competition increased for commercial land in the Tokyo metropolitan area, and although an improvement in vacancy rates spread into the regions, overall rental levels continued a declining trend, and general conditions in the real estate market remained difficult. Group net sales in this segment increased 13.6% year-on-year to ¥146.3 billion, supported by higher revenues at Taisei Corporation and Yuraku Real Estate Co., Ltd. A decrease in Taisei Corporation operating income was offset by an increase in operating income at Yuraku Real Estate Co., Ltd., and overall operating income for the real estate development segment increased 5.2% year-on-year to ¥13.9 billion.

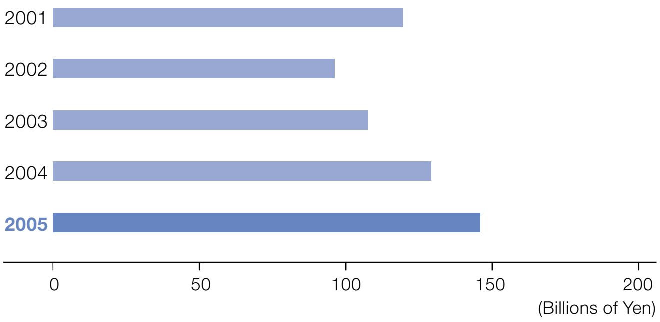
Topics

Taisei Corporation Group at the end of March 2004 completed early adoption of impairment accounting for commercial real estate assets, set to become compulsory in March 2006.

Projects carried over to the next fiscal year

Project	Client
U.A.E. Shuweihat Water Transmission Scheme	Abu Dhabi Electricity & Water Authority
(Provisional name) Taihei 4-chome, Kinshi-cho Development Plan, Administration and Commerce Building	Kinshi-cho Project Special Purpose Company
Central Common Government Offices No. 7 Construction Project	Kasumigaseki Building 7 PFI Co., Ltd.
East Ikebukuro 4-chome Area Urban Redevelopment Construction (Phrase 1)	East Ikebukuro 4-chome Area Urban Redevelopment Association
Namikata Terminal Propane Storage Tank	Japan Oil, Gas and Metals National Corporation

Real Estate Development Sales (Consolidated)



Other Business

This segment includes finance- and leisure-related operations and businesses related to the construction industry such as contract research.

In leisure-related operations, a difficult trading environment continued. Although consumer spending firmed, this did not lead to a fully-fledged recovery, and in addition to an intensification of competition, operations were impacted by unstable weather conditions such as a record-breaking heat and repeated typhoons.

Group net sales in this segment decreased slightly, falling 1.8% year-on-year to ¥101.6 billion. Operating income increased significantly, rising 53.3% year on year to ¥2.0 billion. This reflected factors such as the absence of impairment losses recorded in the previous fiscal year for subsidiaries in leisure-related operations.

Tokyo International (Haneda) Airport, Japan

Six-Year Summary

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31

	Millions of Yen (except for per share figures)						Thousands of U.S. Dollars* (except for per share figures)
	2000	2001	2002	2003	2004	2005	2005
Revenue:							
Net sales:							
Construction	¥1,424,314	¥1,541,306	¥1,488,297	¥1,449,265	¥1,383,890	¥1,477,387	$13,757,212
Real estate (including other)	256,993	209,086	185,537	195,373	214,622	230,566	2,146,997
Total	1,681,307	1,750,392	1,673,834	1,644,638	1,598,512	1,707,953	15,904,209
% change from previous year	(5.2)%	4.1%	(4.4)%	(1.7)%	(2.8)%	6.8%	
Costs and expenses							
Cost of sales	1,480,357	1,547,466	1,486,537	1,469,436	1,419,901	1,541,694	14,356,029
Selling, general and administrative expenses	157,311	136,179	131,771	125,712	118,712	117,303	1,092,309
Total	1,637,668	1,683,645	1,618,308	1,595,148	1,538,613	1,658,997	15,448,338
Operating income	43,639	66,747	55,526	49,490	59,899	48,956	455,871
Income (loss) before income taxes and other items	(85,505)	20,228	(52,383)	29,013	27,782	41,987	390,977
Income taxes	(28,950)	12,094	(13,115)	14,212	11,886	20,495	190,846
Net income (loss)	¥ (52,802)	¥ 8,382	¥ (30,997)	¥ 14,999	¥ 10,353	¥ 19,098	177,838
Per share of common stock (in yen and dollars):							
Shareholders' equity	¥ 192.52	¥ 238.67	¥ 184.43	¥ 180.91	¥ 211.70	¥ 242.10	$ 2.254
Net income (loss)	(54.73)	8.69	(32.13)	15.52	10.80	19.76	0.184
Cash dividends	5.00	5.00	5.00	5.00	5.00	5.00	0.047
Financial ratios:							
Net income (loss) as a percentage of total revenue	(3.1)%	0.5%	(1.9)%	0.9%	0.6%	1.1%	
Total costs and expenses as a percentage of total revenue	97.4%	96.2%	96.7%	97.0%	96.3%	97.1%	
Dividends paid as a percentage of net income	—	57.6%	—	32.2%	46.3%	25.3%	
Financial position data:							
Current assets	¥1,403,912	¥1,286,330	¥1,197,769	¥1,173,621	¥1,076,988	¥1,100,443	$10,247,165
Current liabilities	1,577,480	1,424,921	1,309,900	1,217,421	1,141,804	1,130,483	10,526,892
Net property and equipment	506,468	465,119	391,612	385,440	314,858	307,239	2,860,964
Long-term debt	333,452	361,851	317,026	345,301	307,733	312,450	2,909,489
Shareholders' equity	185,748	230,265	177,931	174,538	204,243	257,748	2,400,112
Other data:							
New orders received during the year	¥1,699,684	¥1,605,048	¥1,659,277	¥1,601,842	¥1,539,253	¥1,805,425	$16,811,854
Contract backlog at end of the year	1,976,256	1,830,912	1,816,355	1,773,559	1,714,300	1,811,772	16,870,956
Shares issued (thousands)	964,803	964,803	964,803	964,803	964,803	1,064,803	

**U.S. dollar amounts are translated from yen, for convenience only, at the rate of US $1.00 = ¥107.39.*

TAISEI CORPORATTION and Consolidated Subsidiaries
Years Ended March 31

Operations

Growth in the Japanese economy showed signs of leveling off in the fiscal year under review. In the construction industry, private sector business performed well, driven by factors such as active investment in the manufacturing sector, while public works projects decreased in the face of budget cuts and other constraints. Moreover, price competition became even fiercer in the context of continued structural oversupply in the industry, which in combination with a steep rise in the cost of materials created a difficult overall operating environment.

Based on its medium-term business plan, the focus of Taisei Corporation and its consolidated subsidiaries ("Taisei Corporation Group") during the year was to expand orders, ensure profitability, and reduce expenses.

As a result, net sales rose 6.8% year on year to ¥1.708 trillion. Operating income for the year decreased 18.2% to ¥49.0 billion, and ordinary income decreased 15.3% to ¥43.6 billion.

Net income for the fiscal year ended March 2005 increased 84.5% year on year to ¥19.11 billion. This was primarily because of a significant reduction in extraordinary expenses, which in the previous year had included an impairment loss of ¥52.6 billion due to the early adoption of the accounting standard for impairment of fixed assets.

The dividend was maintained at the level of the previous year, with a distribution of ¥5 per ordinary share, including an interim dividend of ¥2.5 per share.

Financial Position

As of March 31, 2005, total consolidated assets had increased 2.4% to ¥1.815 trillion. Although real estate inventories declined due to sales and disposals, and deferred tax assets, current assets and property and equipment also declined, this was more than offset by an increase in cash from a capital increase, and an increase in investment securities.

Total liabilities decreased 0.8% year on year to ¥1.529 trillion, primarily because of a reduction in short-term borrowings and other factors. As of March 31, 2005, total consolidated interest-bearing debt was ¥565.4 billion, ¥19.1 billion lower than one year earlier.

Shareholders equity increased 26.2% year on year to ¥257.7 billion. The main factors contributing to this increase were an increase in paid-in capital due to a capital increase, an increase in capital reserve, and an increase in retained earnings resulting from the net income recorded for the period. The ratio of total shareholders' equity to total assets increased 2.7 percentage points to 14.2%.

Cash Flows

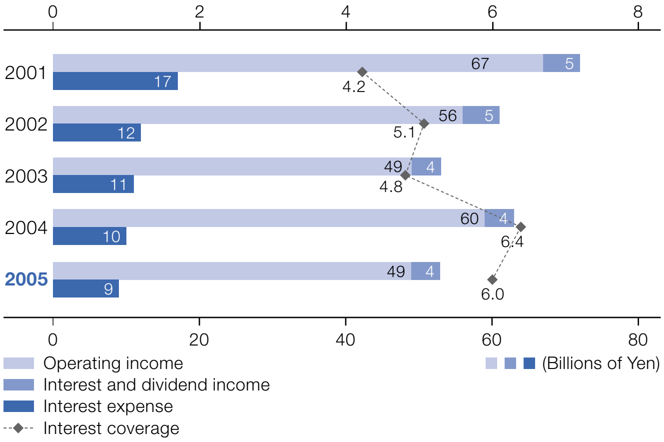
Net cash provided by operating activities decreased by ¥21.5 billion year on year to ¥58.7 billion. Although an increased net income before income taxes of ¥41.9 billion was recorded for the period and cash was generated from the sale of real estate assets, non-cash items such as impairment losses on fixed assets decreased.

Net cash used in investing activities amounted to ¥47.9 billion, compared to net cash used in the previous year of ¥16.4 billion. This reflects the acquisition of investment and marketable securities and of property and equipment.

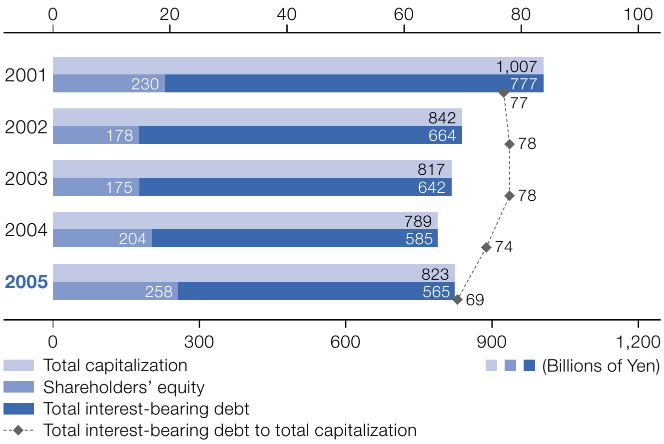
Net cash provided by financing activities was ¥11.4 billion, compared to net cash used in the previous year of ¥63.1 billion. Factors contributing to this outcome included the procurement of ¥55.7 billion in funding from share and bond issues, along with the repayment of interest-bearing debt and the payment of dividends.

As a result, cash and cash equivalents as of March 31, 2005 were ¥153.7 billion, ¥24.1 billion higher than one year earlier.

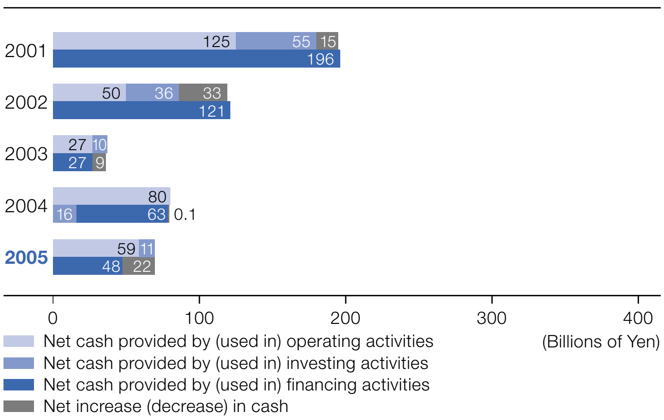
Operating Income and Interest Coverage



Total Interest-Bearing Debt to Total Capitalization



Cash Flows



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

Consolidated Balance Sheets

TAISEI CORPORATION and Consolidated Subsidiaries
March 31, 2004 and 2005

Assets

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2005	2005
Current assets:			
Cash and time deposits (Notes 3 and 5)	¥ 131,270	¥ 155,373	$ 1,446,811
Receivables:			
Trade notes	22,731	24,396	227,172
Trade accounts	279,797	334,438	3,114,238
Loans	120	109	1,015
Allowance for doubtful accounts	(2,017)	(2,032)	(18,922)
Inventories:			
Real estate development (Note 5)	90,371	77,806	724,518
Raw materials and supplies	70,983	71,231	663,293
Cost of uncompleted contracts	339,871	292,910	2,727,535
Deferred income taxes (Note 7)	68,919	61,782	575,305
Prepaid expenses and other current assets (Note 5)	74,943	84,430	786,200
Total current assets	1,076,988	1,100,443	10,247,165
Property and equipment, at cost (Note 17)**:**			
Land (Note 5)	191,719	189,448	1,764,112
Buildings and structures (Note 5)	195,766	183,722	1,710,792
Machinery and equipment	74,813	74,126	690,250
Construction in progress	621	2,828	26,334
	462,919	450,124	4,191,488
Accumulated depreciation	(148,061)	(142,885)	(1,330,524)
Net property and equipment	314,858	307,239	2,860,964
Investments and other assets (Note 17)**:**			
Investments in unconsolidated subsidiaries and affiliated companies	3,866	4,546	42,332
Investment securities (Notes 4 and 5)	203,774	246,201	2,292,588
Deferred income taxes (Note 7)	52,451	40,986	381,656
Deferred income taxes for revaluation of land (Notes 7 and 14)	8	8	74
Other assets (Note 5)	128,125	124,739	1,161,552
Allowance for doubtful accounts	(7,927)	(8,830)	(82,224)
Total investments and other assets	380,297	407,650	3,795,978
	¥1,772,143	¥1,815,332	$16,904,107

See accompanying notes.

Liabilities and Shareholders' Equity

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2005	2005
Current liabilities:			
Short-term borrowings (Notes 5 and 6)	¥ 147,845	¥ 127,940	$ 1,191,359
Long-term debt due within one year (Notes 5 and 6)	128,957	125,065	1,164,587
Trade payables:			
Notes	111,922	76,106	708,688
Accounts	323,499	382,359	3,560,471
Advances received and progress billings on uncompleted contracts	296,015	275,909	2,569,224
Income taxes payable (Note 7)	4,812	4,770	44,417
Other current liabilities	128,754	138,334	1,288,146
Total current liabilities	1,141,804	1,130,483	10,526,892
Long-term debt (Notes 5 and 6)	307,733	312,450	2,909,489
Employees' severance and retirement benefits (Note 8)	39,531	36,571	340,544
Allowance for accrued severance indemnities to directors and corporate auditors	2,624	2,770	25,794
Deferred income taxes for revaluation of land (Notes 7 and 14)	4,131	4,055	37,760
Allowance for losses on restructuring	325	—	—
Other non-current liabilities	45,924	43,252	402,756
Minority interest in consolidated subsidiaries	25,828	28,003	260,760
Contingent liabilities (Note 13)			
Shareholders' equity (Notes 9 and 16):			
Common stock			
Authorized: 1,145,000,000 shares			
Issued: 1,064,802,821 shares	94,348	112,448	1,047,099
Capital surplus	61,505	79,473	740,041
Retained earnings	16,528	30,982	288,500
Revaluation reserve for land (Note 14)	2,450	2,395	22,302
Net unrealized holding gains on securities	31,116	34,051	317,078
Foreign currency translation adjustments	(1,674)	(1,486)	(13,837)
	204,273	257,863	2,401,183
Less : Treasury stock at cost	(30)	(115)	(1,071)
Total shareholders' equity	204,243	257,748	2,400,112
	¥1,772,143	¥1,815,332	$16,904,107

Consolidated Statements of Income

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2005	2005
Revenue:			
Net sales (Note 12):			
Construction	¥ 1,383,890	¥ 1,477,387	$13,757,212
Real estate (including other)	214,622	230,566	2,146,997
	1,598,512	1,707,953	15,904,209
Costs and expenses (Note 12):			
Cost of sales (Note 15)	1,419,901	1,541,694	14,356,029
Selling, general and administrative expenses (Note 15)	118,712	117,303	1,092,309
	1,538,613	1,658,997	15,448,338
Operating income	59,899	48,956	455,871
Other income (expense):			
Interest and dividend income	4,073	4,194	39,054
Interest expense	(10,174)	(8,858)	(82,484)
Gain on sale of investment securities	13,908	2,643	24,611
Gain on investment securities contribution to employees' retirement benefit trust	24,880	—	—
Gain on sale of reacquired land from the Organization for Promoting Urban Development	25,830	—	—
Write-down of real estate for sale	(17,560)	(1,704)	(15,867)
Impairment losses on fixed assets (Note 17)	(52,592)	(19)	(177)
Other, net	(20,482)	(3,225)	(30,031)
	(32,117)	(6,969)	(64,894)
Income before income taxes and other items	27,782	41,987	390,977
Income taxes (Note 7):			
Current	5,530	3,967	36,940
Deferred	6,356	16,528	153,906
	11,886	20,495	190,846
Income before minority interests	15,896	21,492	200,131
Minority interest in net income of consolidated subsidiaries	(5,543)	(2,394)	(22,293)
Net income	¥ 10,353	¥ 19,098	$ 177,838

	Yen		U.S. Dollars (Note 1)
Amounts per share of common stock:			
Net income (Note 16)	¥ 10.80	¥ 19.76	$ 0.184
Cash dividends applicable to the year	5.00	5.00	0.047

See accompanying notes.

Consolidated Statements of Shareholders' Equity

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2005

		Millions of Yen						
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Revaluation reserve for land	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2003	964,803	¥ 94,348	¥61,274	¥10,262	¥3,029	¥7,072	¥(1,405)	¥ (42)
Net income	—	—	—	10,353	—	—	—	—
Net unrealized holding gains on securities	—	—	—	—	—	24,044	—	—
Foreign currency translation adjustments	—	—	—	12	—	—	(269)	—
Increase of consolidated subsidiaries	—	—	—	(24)	—	—	—	—
Increase of affiliated companies	—	—	—	869	—	—	—	—
Treasury stock	—	—	—	—	—	—	—	12
Gain on exchange of treasury stock	—	—	231	—	—	—	—	—
Cash dividends paid (¥5.00 per share)	—	—	—	(4,796)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(31)	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	111	(579)	—	—	—
Decrease due to revaluation of assets of consolidated overseas subsidiaries	—	—	—	(228)	—	—	—	—
Balance at March 31, 2004	964,803	94,348	61,274	16,528	3,029	7,072	(1,405)	¥ (30)
Net income	—	—	—	19,098	—	—	—	—
Net unrealized holding gains on securities	—	—	—	—	—	2,935	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	188	—
Treasury stock	—	—	—	—	—	—	—	(85)
New stock issue	100,000	18,100	17,964	—	—	—	—	—
Gain on exchange of treasury stock	—	—	4	—	—	—	—	—
Cash dividends paid (¥5.00 per share)	—	—	—	(4,823)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(15)	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	55	(55)	—	—	—
Decrease due to revaluation of assets of consolidated overseas subsidiaries	—	—	—	139	—	—	—	—
Balance at March 31, 2005	1,064,803	¥112,448	¥79,473	¥30,982	¥2,395	¥34,051	¥(1,486)	¥(115)

	Thousands of U.S. Dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Revaluation reserve for land	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2004	$ 878,555	$572,726	$153,906	$22,814	$289,748	$(15,588)	$ (279)
Net income	—	—	177,838	—	—	—	—
Net unrealized holding gains on securities	—	—	—	—	27,330	—	—
Foreign currency translation adjustments	—	—	—	—	—	1,751	—
Treasury stock	—	—	—	—	—	—	(792)
New stock issue	168,544	167,278	—	—	—	—	—
Gain on exchange of treasury stock	—	37	—	—	—	—	—
Cash dividends paid (¥5.00 per share)	—	—	(44,911)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	(140)	—	—	—	—
Reversal of revaluation reserve for land	—	—	512	(512)	—	—	—
Decrease due to revaluation of assets of consolidated overseas subsidiaries	—	—	1,295	—	—	—	—
Balance at March 31, 2005	$1,047,099	$740,041	$288,500	$22,302	$317,078	$(13,837)	$(1,071)

See accompanying notes.

Consolidated Statements of Cash Flows

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2005	2005
Cash flows from operating activities:			
Income before income taxes and other items	¥ 27,782	¥ 41,987	$ 390,977
Adjustments to reconcile income before income taxes and other items to net cash provided by operating activities:			
Depreciation and amortization	12,773	11,376	105,932
Impairment losses on fixed assets	52,592	19	177
Increase (decrease) in retirement benefits	3,757	(3,034)	(28,252)
Interest and dividend income	(4,073)	(4,194)	(39,054)
Interest expense	10,174	8,858	82,484
Write-down of investment securities	762	1,224	11,398
Gain on sale of investment securities	(13,908)	(2,643)	(24,611)
Write-down of real estate for sale	17,560	1,704	15,867
Gain on sale of property and equipment	(21)	(200)	(1,862)
Gain on securities contribution to employees' retirement benefit trust	(24,880)	—	—
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	32,763	(56,421)	(525,384)
Decrease in cost of uncompleted contracts	21,091	47,797	445,079
Decrease in inventories	22,142	15,794	147,071
Increase (decrease) in trade payables	(12,020)	22,931	213,530
Decrease in advances received and progress billings on uncompleted contracts	(32,804)	(20,975)	(195,316)
Increase (decrease) in deposit received	(8,083)	4,543	42,304
Other, net	(16,052)	670	6,238
	89,555	69,436	646,578
Cash received (paid) during the year for:			
Interest and dividends received	3,748	3,453	32,154
Interest paid	(10,231)	(9,038)	(84,161)
Income taxes paid	(2,713)	(5,066)	(47,174)
Net cash provided by operating activities	80,359	58,785	547,397
Cash flows from investing activities:			
(Increase) decrease in time deposits	(816)	42	391
Decrease in short-term loans receivable	23	93	866
Purchase of marketable and investment securities	(32,211)	(45,726)	(425,794)
Proceeds from sale of marketable and investment securities	27,409	8,363	77,875
Purchase of property, equipment and intangible assets	(12,764)	(13,719)	(127,749)
Proceeds from sale of property, equipment and intangible assets	2,369	3,052	28,420
Other, net	(401)	(19)	(177)
Net cash used in investing activities	(16,391)	(47,914)	(446,168)
Cash flows from financing activities:			
Decrease in short-term borrowings	(7,274)	(19,905)	(185,352)
Proceeds from long-term debt	97,445	133,200	1,240,339
Repayment of long-term debt	(146,768)	(132,533)	(1,234,128)
Proceeds from issuance of stock	—	35,847	333,802
Proceeds from sales of treasury stock	998	—	—
Cash dividends paid, including those to minority interest	(5,018)	(5,058)	(47,100)
Other, net	(2,507)	(80)	(745)
Net cash provided by (used in) financing activities	(63,124)	11,471	106,816
Effect of exchange rate changes on cash and cash equivalents	(1,029)	470	4,377
Net increase (decrease) in cash and cash equivalents	(185)	22,812	212,422
Cash and cash equivalents at beginning of year	128,892	129,555	1,206,397
Increase in cash and cash equivalents by newly consolidated and excluded subsidiaries	848	1,362	12,683
Cash and cash equivalents at end of year (Note 3)	¥129,555	¥153,729	$1,431,502

See accompanying notes.

Notes to Consolidated Financial Statements

TAISEI CORPORATION and Consolidated Subsidiaries
March 31, 2004 and 2005

1. Basis of Presenting Consolidated Financial Statements

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

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of Taisei Corporation (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 Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107.39 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, 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 57 of its subsidiaries in the year ended March 31, 2004 and 2005. All significant intercompany transactions and account balances are eliminated in consolidation. Investments in significant affiliates, which were 9 companies for 2004 and 2005, 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 12 consolidated overseas subsidiaries for 2004 and 11 consolidated overseas subsidiaries for 2005, whose fiscal years end on December 31, and 1 consolidated domestic subsidiary for 2005, whose fiscal year end on February 28. Significant transactions, if any, in the three months ended March 31, 2004 and 2005 are adjusted in the respective consolidated financial statements.

(b) Valuation of Assets and Liabilities of Subsidiaries

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

(c) Consolidation Adjustments Account

The significant excess of the cost over the underlying net equity of investments in consolidated subsidiaries and affiliated companies accounted for on the equity method is recognized as Consolidation Adjustments Account and amortized principally over a period of five years on a straight-line basis.

(d) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the 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 the rates of exchange prevailing when such transactions are made.

The financial statements of consolidated foreign subsidiaries and affiliated companies on equity method are translated into Japanese yen at the exchange rates prevailing at the respective year-end dates except for shareholders' equity, which is translated at historical rates. The resulting foreign currency translation adjustments are presented in the shareholders' equity 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 the 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 shareholders' equity. 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 the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

TAISEI CORPORATION and Consolidated Subsidiaries
March 31, 2004 and 2005

(g) Construction Contracts

The great majority of short-term and long-term construction contracts are accounted for by the completed-contract method. No profits or losses, therefore, are recognized before the completion of work. However, certain long-term and large-scale construction contracts are accounted for by the percentage-of-completion method.

The percentage-of-completion method is applied to constructions with the construction period exceeding 12 months and the contract amount of ¥1,000 million ($9,312 thousand) or more.

Effective for the construction started on and after April 1, 2004, the Company changed the definition of the percentage-of-completion method from construction period of 24 months or longer and the contract amount equal or excess of ¥5,000 million ($46,559 thousand) to those with the period exceeding 12 months and the amount equal or excess of ¥1,000 million ($9,312 thousand). This change has been made in view of the trend, which is believed likely to continue, toward the declining size of orders received, owing to changes in the operating environment. The Company believes that expanding the scope of application of the percentage-of-completion method, which reflects the trend of international accounting standard, will provide a more accurate view of performance.

As a result of changing the accounting policy, sales for the year ended March 31, 2005 increased by ¥33,266 million ($309,768 thousand) compared to what would have been recorded under the previous accounting policy. Consequently, gross profits, operating income, ordinary income and income before income taxes for the year ended March 31, 2005 increased by each of ¥1,554 million ($14,471 thousand) compared to what would have been recorded under the previous accounting policy.

Expenditures in connection with uncompleted contracts to be charged to the cost of contracts at the time of completion are included in current assets. These expenditures are not offset against advances received and progress billings on uncompleted contracts, which are instead included in current liabilities.

(h) Real Estate Business

The Company and certain of its subsidiaries develop real estate projects on their own account. Real estate inventories, including work in process of development, are stated at cost. 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 the 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.

As described in Note 2 (r) and 17, the Company and its consolidated subsidiaries adopted the accounting standard for impairment of fixed assets, and book values of certain fixed assets were reduced by the amounts of impairment losses.

(j) 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 derivative financial instruments until the related losses or gains on the 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, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(k) Lease Transactions
Finance lease transactions that do not transfer ownership of the leased assets to the lessee are accounted for in the same manner as operating leases.

(l) Allowance for Doubtful Accounts
The allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated by applying the percentage of actual losses on collection experienced in the past to the remaining 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 the 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 some of 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 the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

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

(o) Allowance for Losses on Restructuring
The Company provided for the estimated amount of losses that the Company may incur with respect to future restructuring of consolidated subsidiaries in the case where such subsidiaries are dissolved.

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

Diluted net income per share for the years ended March 31, 2004 and 2005 was not shown, since the Company had no securities with dilutive effect to net income per share.

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

(q) 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 subsequent accounting period after the shareholders' approval has been obtained. Retained earnings at March 31, 2005 include amounts representing the year-end cash dividends, which were approved at the shareholders' meeting held on June 28, 2005 as described in Note 18, and bonuses to directors subsequently approved by shareholders of a consolidated subsidiary.

(r) Impairment of Fixed Assets
Effective April 1, 2003, as accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003) can be applied to the consolidated financial statement relating to the consolidated fiscal year ended March 31, 2004, the Company and its consolidated subsidiaries adopted the new accounting standard and the guidance.

As a result of adopting the new standard and the guidance, income before income taxes and other items for the year ended March 31, 2004 decreased by ¥52,592 million compared to what would have been recorded under the previous accounting standard. Accumulated impairment losses are deducted directly from the related fixed assets.

(s) Reclassifications
Certain reclassifications of the consolidated financial statements for the year ended March 31, 2004 have been made to conform to the presentation for the year ended March 31, 2005.

TAISEI CORPORATION and Consolidated Subsidiaries
March 31, 2004 and 2005

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Cash and time deposits	¥131,270	¥155,373	$1,446,811
Less: Time deposits over three months	(1,715)	(1,644)	(15,309)
Cash and cash equivalents	¥129,555	¥153,729	$1,431,502

4. Securities

(1) Following tables summarized acquisition costs, book values and fair value of securities with available fair values as of March 31, 2004 and 2005:

(a) Held-to-maturity debt securities:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Securities with available fair values exceeding book values			
Book value	¥ 101	¥154	$1,434
Fair value	101	155	1,444
Difference	¥ 0	¥ 1	$ 10
Other securities			
Book value	¥ 89	¥116	$1,080
Fair value	89	116	1,080
Difference	¥ (0)	¥ (0)	$ (0)

(b) Available-for-sale securities:

Securities with book values exceeding acquisition costs

	Millions of Yen						Thousands of U.S. Dollars		
	2004			2005			2005		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥78,731	¥132,553	¥53,822	¥102,790	¥161,753	¥58,963	$957,166	$1,506,220	$ 549,054
Bonds	37	44	7	28	34	6	261	317	56
Others	1,581	2,251	670	1,563	2,454	891	14,554	22,851	8,297
Total	¥80,349	¥134,848	¥54,499	¥104,381	¥164,241	¥59,860	$971,981	$1,529,388	$ 557,407

Other securities

	Millions of Yen						Thousands of U.S. Dollars		
	2004			2005			2005		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥18,056	¥16,809	¥(1,247)	¥28,023	¥26,264	¥(1,759)	$260,946	$244,567	$(16,379)
Bonds	60	60	(0)	—	—	—	—	—	—
Others	365	338	(27)	270	247	(23)	2,514	2,300	(214)
Total	¥18,481	¥17,207	¥(1,274)	¥28,293	¥26,511	¥(1,782)	$263,460	$246,867	$(16,593)

(2) Following tables summarized book values of securities with no available fair values as of March 31, 2004 and 2005:

(a) Held-to-maturity debt securities:

Type	Millions of Yen 2004	Millions of Yen 2005	Thousands of U.S. Dollars 2005
Unlisted domestic corporate bonds	¥10,000	¥10,000	$93,119

(b) Available-for-sale securities:

Type	Millions of Yen 2004	Millions of Yen 2005	Thousands of U.S. Dollars 2005
Unlisted equity securities (exclusive of OTC registered stocks)	¥23,392	¥22,022	$205,066
Unlisted preferred equity securities	10,210	15,650	145,730
Unlisted foreign bonds	3,030	1,189	11,071
Unlisted domestic bonds	—	503	4,684
Investments in anonymous association	—	6,890	64,159
Total	¥36,632	¥46,254	$430,710

(3) Redemption schedule of available-for-sale securities with maturities and held-to-maturity debt securities were as follows:

	Millions of Yen				
	2004				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Government bonds	¥114	¥ 125	¥ —	¥—	¥ 249
Corporate bonds	10	34	10,000	—	10,044
Others	4	3,004	—	—	3,008
Other securities	119	93	31	—	243
Total	¥247	¥3,256	¥10,031	¥—	¥13,544

	Millions of Yen				
	2005				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Government bonds	¥ 126	¥135	¥ 10	¥—	¥ 271
Corporate bonds	14	20	10,000	—	10,034
Others	1,163	504	—	—	1,667
Other securities	36	186	—	—	222
Total	¥1,339	¥845	¥10,010	¥—	¥12,194

	Thousands of U.S. Dollars				
	2005				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Government bonds	$ 1,173	$1,257	$ 93	$—	$ 2,523
Corporate bonds	130	186	93,119	—	93,435
Others	10,830	4,693	—	—	15,523
Other securities	335	1,732	—	—	2,067
Total	$12,468	$7,868	$93,212	$—	$113,548

TAISEI CORPORATION and Consolidated Subsidiaries
March 31, 2004 and 2005

(4) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Total sales of available-for-sale securities sold	¥26,439	¥8,110	$75,519
Gain on sale of available-for-sale securities	14,023	2,670	24,863
Loss on sale of available-for-sale securities	114	27	251

In addition to that, the Company established an employees' retirement benefit trust for the payments of retirement benefits with contribution of investment securities worth ¥28,649 million in the year ended March 31, 2004. In connection with the contribution, the Company recognized gain on investment securities contribution to employees' retirement benefit trust amounted to ¥24,880 million as other income for the year ended March 31, 2004.

5. 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, 2004 and 2005:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Time deposits	¥ 1,771	¥ 1,647	$ 15,337
Inventories: Real estate development	768	768	7,151
Other current assets	—	10	93
Land	27,549	15,880	147,872
Buildings and structures (net of accumulated depreciation)	22,175	15,596	145,228
Investment securities	395	589	5,485
Other assets	247	953	8,874
Total	¥52,905	¥35,443	$330,040

6. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2004 and 2005 mainly consisted of short-term notes and overdrafts from banks. The weighted average interest rates of short-term borrowings at March 31, 2004 and 2005 were 1.0% 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.

Long-term debt at March 31, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Bonds and notes:			
Issues by the Company:			
2.55% yen bonds due in 2009	¥ 10,000	¥ 10,000	$ 93,119
1.2% yen bonds due in 2004	10,000	—	
1.85% yen bonds due in 2006	10,000	10,000	93,119
1.5% yen bonds due in 2006	20,000	20,000	186,237
1.15% yen bonds due in 2007	15,000	15,000	139,677
0.93% yen bonds due in 2008	10,000	10,000	93,119
1.31% yen bonds due in 2008	10,000	10,000	93,119
1.10% yen bonds due in 2009	—	10,000	93,119
0.92% yen bonds due in 2009	—	10,000	93,119
Issues by subsidiaries:			
1.3% yen bonds due in 2007	1,000	1,000	9,311
Other fixed and floating rate bonds due in 2004-2006	1,981	2,028	18,884
Loans, principally from banks and insurance companies:			
Secured loans	14,730	5,138	47,844
Unsecured loans	333,979	334,349	3,113,409
Amount due within one year	436,690	437,515	4,074,076
Total long-term debt (due after one year)	¥(128,957)	¥(125,065)	$(1,164,587)

The overseas subsidiaries issued bonds due in 2004-2006, partly at fixed interest rates and partly at interest rates linked to the actual LIBOR.

Long-term loans at March 31, 2004 and 2005 were principally from banks and insurance companies. The weighted average interest of loans at March 31, 2004 and 2005 were 1.4% and 1.3% per annum, respectively.

The aggregate annual maturities of long-term debt (including current portion) at March 31, 2005 were summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2005	¥125,065	$1,164,587
2006	122,290	1,138,747
2007	73,663	685,939
2008	47,691	444,092
2009	65,378	608,790
2010 and thereafter	3,428	31,921
Total	¥437,515	$4,074,076

The Company has a commitment line provided by co-financing consisted of seven correspondent financial institutions for the purpose of securing financing in case of an emergency. The commitment line amount was ¥100,000 million ($931,185 thousand), however, there is no amount of loans as of March 31, 2005.

TAISEI CORPORATION and Consolidated Subsidiaries
March 31, 2004 and 2005

7. Income Taxes

Taxes on income consist of corporation, enterprise and inhabitants taxes. Differences between the actual effective tax rate and the statutory tax rate are attributable primarily to (1) intercompany dividends eliminated in consolidation, (2) operating losses of certain subsidiaries for which deferred tax benefits have not been recognized and (3) expenses not deductible for tax purposes.

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, 2005:

	2005
Statutory tax rate	40.7%
Permanent differences:	
Non-deductible expenses	7.1
Non-taxable income	(1.3)
Per capita inhabitant tax	1.4
Others	0.9
Effective tax rate	48.8%

Since the difference between the statutory tax rate and the Company's effective tax rate for the year ended March 31, 2004 was immaterial, the information for 2004 was not shown.

Significant components of deferred income taxes at March 31, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Deferred income tax assets:			
Disallowed portion of expenses and losses:			
Inventories	¥ 56,550	¥ 50,794	¥472,986
Bad debt expenses and allowance for doubtful accounts	13,653	9,333	86,908
Retirement benefits	44,427	44,719	416,417
Fixed assets	12,052	9,558	89,003
Consolidation adjustment on investments in related companies	17,102	8,738	81,367
Accrued bonus	4,548	5,893	54,875
Other	12,419	9,533	88,770
Tax loss carryforward	6,143	10,566	98,389
Unrealized profits	12,475	12,492	116,324
Sub-total	179,369	161,626	1,505,039
Valuation allowance	(10,037)	(9,153)	(85,232)
Total	169,332	152,473	1,419,807
Deferred income tax liabilities:			
Net unrealized holding gains on securities	(21,646)	(23,642)	(220,151)
Gains on securities contribution to employee retirement benefit trust	(23,556)	(23,556)	(219,350)
Reserve for tax deferment on replacement of assets	(2,255)	(2,253)	(20,980)
Special depreciation reserve	(34)	(29)	(270)
Adjustment on investments in related companies regarding consolidated tax system	(472)	—	—
Other	(0)	(225)	(2,095)
Total	(47,963)	(49,705)	(462,846)
Net total	¥121,369	¥102,768	¥956,961

In addition to the deferred income taxes shown above, deferred tax assets and deferred tax liabilities concerning the revaluation of land amounting to ¥8 million and ¥4,131 million at March 31, 2004 and ¥8 million ($74 thousand) and ¥4,055 million ($37,760 thousand) at March 31, 2005, are included in the consolidated balance sheets.

8. 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 the 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, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Projected benefit obligation	¥(205,042)	¥(202,939)	$(1,889,738)
Unrecognized actuarial differences	10,974	38,201	355,722
Unrecognized prior service cost	(547)	(534)	(4,973)
Less: Fair value of pension assets	155,087	129,121	1,202,356
Prepaid pension expense	(3)	(420)	(3,911)
Employees' severance and retirement benefits	¥ (39,531)	¥ (36,571)	$ (340,544)

Included in the consolidated statement of income for the years ended March 31, 2004 and 2005, severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Service costs - benefits earned during the year	¥ 7,614	¥ 7,576	$ 70,547
Interest cost on projected benefit obligation	5,053	5,014	46,690
Expected return on plan assets	(1,833)	(2,135)	(19,881)
Amortization of actuarial differences	8,545	1,470	13,688
Amortization of prior service cost	(86)	(247)	(2,300)
Special retirement benefits and others	369	429	3,995
Severance and retirement benefit expenses	¥19,662	¥12,107	$112,739

The discount rate used by the Company and its consolidated domestic subsidiaries for the year ended March 31, 2004 and 2005 were 2.0 to 2.5%. The rate of expected return on plan assets used by the Company and its consolidated domestic subsidiaries for the year ended March 31, 2004 and 2005 were 1.2% to 3.0% and 0.3% to 3.0%, respectively. 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.

TAISEI CORPORATION and Consolidated Subsidiaries
March 31, 2004 and 2005

9. Shareholders' Equity

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The total amount of legal earnings reserve and additional paid-in capital of the Company has reached 25% of common stock, and therefore the Company is not required to provide legal earnings reserve any more. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

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 Commercial Code.

The number of treasury stock owned by the Company, consolidated subsidiaries and affiliated companies adopting the equity method as of March 31, 2004 and 2005 were 109 thousand shares and 314 thousand shares, respectively.

10. Lease Transactions

(1) Finance leases

(a) Lessee

Assumed data concerning to the acquisition cost, accumulated depreciation and book value of the leased assets under the finance leases which were accounted for in the same manner as operating leases at March 31, 2004 and 2005, inclusive of interest, were summarized as follows:

	Millions of Yen					
	2004			2005		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Buildings	¥ 3,556	¥1,626	¥1,930	¥ 3,188	¥1,837	¥1,351
Machinery and equipment	6,702	3,221	3,481	7,030	3,632	3,398
Total	¥10,258	¥4,847	¥5,411	¥10,218	¥5,469	¥4,749

	Thousands of U.S. Dollars		
	2005		
	Acquisition cost	Accumulated depreciation	Book value
Buildings	$29,686	$17,106	$12,580
Machinery and equipment	65,463	33,821	31,642
Total	$95,149	$50,927	$44,222

Future lease payments at March 31, 2004 and 2005, inclusive of interest, under such leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Due within one year	¥1,831	¥1,734	$16,147
Due after one year	3,579	3,015	28,075
Total	¥5,410	¥4,749	$44,222

Lease expenses (assumed data as to depreciation of the leased assets) for the years ended March 31, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Lease payments (assumed depreciation)	¥2,183	¥2,001	$18,633

Assumed depreciation was calculated by the straight-line method over the lease period, assuming estimated residual value to be zero.
Since there is no impairment loss on finance leases, the information is not disclosed.

(2) Operating leases
(a) Lessee
Future minimum lease payments as of March 31, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Due within one year	¥ 3,504	¥ 4,485	$ 41,763
Due after one year	34,434	41,586	387,243
Total	¥37,938	¥46,071	$429,006

(b) Lessor
Future minimum lease receipts as of March 31, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Due within one year	¥ 1,222	¥ 1,611	$ 15,002
Due after one year	15,275	22,155	206,304
Total	¥16,497	¥23,766	$221,306

11. Derivative Transactions

Derivative transactions of the Company and its consolidated subsidiaries at March 31, 2004 and 2005 were as follows:

(1) Status of Derivative Transactions

The Company and its consolidated subsidiaries utilize interest rate swaps and interest rate options to mitigate fluctuation risk in interest rates or to reduce financing costs. They also enter into currency swaps and forward foreign exchange contracts to hedge foreign exchange risk. Their derivative positions related to interest rate swaps, interest rate options, currency swaps and forward foreign exchange contracts are exposed to the fluctuation of market interest rates and foreign exchange rates. They trade derivative transactions solely with internationally recognized, highly rated financial institutions and therefore consider there is little risk of default by counterparties.

The Company and its consolidated subsidiaries use forward foreign exchange contracts and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates with respect to foreign currency receivables from the sale of their products and interest rate increases with respect to borrowings, within the amounts of foreign currency borrowings or receivables.

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. The Manager of the Finance Department reports information on derivative transactions to the Board of Directors on certain periodic basis.

The Company and its consolidated subsidiaries evaluate hedge effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

TAISEI CORPORATION and Consolidated Subsidiaries
March 31, 2004 and 2005

(2) Market Value of Derivative Transactions

Interest Rate-Related Derivatives:

2004

	Millions of Yen			
	Contract amount			
Unlisted transactions	Total	Due after one year	Market value	Unrealized gain (loss)
Interest rate swaps:				
Receive fix/Pay float	¥15,000	¥15,000	¥1,498	¥1,521
Receive float/Pay fix	10,000	10,000	(933)	(903)
Total	¥25,000	¥25,000	¥ 565	¥ 618

2005

	Millions of Yen			
	Contract amount			
Unlisted transactions	Total	Due after one year	Market value	Unrealized gain (loss)
Interest rate swaps:				
Receive fix/Pay float	¥15,000	¥15,000	¥1,427	¥1,446
Receive float/Pay fix	10,000	10,000	(897)	(872)
Total	¥25,000	¥25,000	¥ 530	¥ 574

2005

	Thousands of U.S. Dollars			
	Contract amount			
Unlisted transactions	Total	Due after one year	Market value	Unrealized gain (loss)
Interest rate swaps:				
Receive fix/Pay float	$139,678	$139,678	$13,288	$13,465
Receive float/Pay fix	93,118	93,118	(8,353)	(8,120)
Total	$232,796	$232,796	$ 4,935	$ 5,345

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.
2: Derivative transactions which were accounted for by hedge accounting were excluded.
3: A notional amount of interest rate swaps, for which complete offsetting positions have been created in order for relevant positions to be effectively immunized from market risks related to interest rate fluctuation is ¥20,000 million ($186,237 thousand) as of March 31, 2004 and 2005.

12. Segment Information

(1) Industry segment information

The Company and its consolidated subsidiaries are primarily engaged in the following three major industry segments:

Construction ······ Building construction, civil engineering and housing construction, etc.
Real estate ······ Resale and rental of land, houses and buildings, etc.
Other business ······ Financing and leasing, etc.

Information by industry segment for the years ended March 31, 2004 and 2005 were summarized as follows:

2004

	Millions of Yen				
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers	¥1,383,890	¥127,216	¥87,406	¥ —	¥1,598,512
Intersegment	30,408	1,650	16,161	(48,219)	—
Total	1,414,298	128,866	103,567	(48,219)	1,598,512
Costs and expenses	1,368,836	115,627	102,258	(48,108)	1,538,613
Operating income	¥ 45,462	¥ 13,239	¥ 1,309	¥ (111)	¥ 59,899
II. Identifiable assets, depreciation expense and capital expenditures					
Identifiable assets	¥1,317,849	¥413,570	¥51,018	¥(10,294)	¥1,772,143
Depreciation expense	6,468	2,777	3,528	—	12,773
Impairment losses on fixed assets	3,999	13,008	35,585	—	52,592
Capital expenditures	6,945	3,571	2,023	(115)	12,424

2005

	Millions of Yen				
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers	¥1,477,387	¥145,124	¥85,442	¥ —	¥1,707,953
Intersegment	13,589	1,255	16,256	(31,100)	—
Total	1,490,976	146,379	101,698	(31,100)	1,707,953
Costs and expenses	1,457,748	132,458	99,691	(30,900)	1,658,997
Operating income	¥ 33,228	¥ 13,921	¥ 2,007	¥ (200)	¥ 48,956
II. Identifiable assets, depreciation expense and capital expenditures					
Identifiable assets	¥1,396,024	¥373,420	¥61,435	¥(15,547)	¥1,815,332
Depreciation expense	6,891	2,480	2,005	—	11,376
Impairment losses on fixed assets	19	—	—	—	19
Capital expenditures	11,170	1,863	1,181	—	14,214

2005

	Thousands of U.S. Dollars				
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers	$13,757,212	$1,351,373	$795,624	$ —	$15,904,209
Intersegment	126,539	11,686	151,373	(289,598)	—
Total	13,883,751	1,363,059	946,997	(289,598)	15,904,209
Costs and expenses	13,574,337	1,233,429	928,308	(287,736)	15,448,338
Operating income	$ 309,414	$ 129,630	$ 18,689	$ (1,862)	$ 455,871
II. Identifiable assets, depreciation expense and capital expenditures					
Identifiable assets	$12,999,572	$3,477,233	$572,074	$(144,772)	$16,904,107
Depreciation expense	64,168	23,094	18,670	—	105,932
Impairment losses on fixed assets	177	—	—	—	177
Capital expenditures	104,013	17,348	10,997	—	132,358

Notes 1. The types of business above are based upon the Standard Industrial Classification in Japan and net sales categories in the consolidated statement of income.

2. As explained in note 2(g), effective for the construction started on and after April 1, 2004, the Company changed the definition of the percentage-of-completion method from construction period of 24 months or longer and the contract amount equal or excess of ¥5,000 million ($46,559 thousand) to those with the period exceeding 12 months and the amount equal or excess of ¥1,000 million ($9,312 thousand). The effect of this change was increases in net sales, the costs and expenses, and operating income of construction by ¥33,266 million ($309,768 thousand), ¥31,712 million ($295,297 thousand), and ¥1,554 million ($14,471 thousand), respectively.

TAISEI CORPORATION and Consolidated Subsidiaries
March 31, 2004 and 2005

(2) Geographical segment information
Geographic segment information for the years ended March 31, 2004 and 2005, was not shown since aggregate sales of overseas subsidiaries were less than 10% of total net sales of all segments and aggregate assets of overseas subsidiaries were less than 10% of total assets of all segments.

(3) Overseas sales
Overseas sales for the year ended March 31, 2005 was summarized as follows:

	Millions of Yen				
	2005				
	Asia	Middle East	North America	Others	Total
Overseas sales	¥93,575	¥33,459	¥11,007	¥4,678	¥ 142,719
Consolidated sales					¥1,707,953
Percentage of overseas sales over consolidated sales	5.5%	2.0%	0.6%	0.3%	8.4%

	Thousands of U.S. dollars				
	2005				
	Asia	Middle East	North America	Others	Total
Overseas sales	$871,357	$311,565	$102,496	$43,561	$ 1,328,979
Consolidated sales					$15,904,209

Notes 1. Geographical distances are considered in classification of country or area. Major countries and areas included in each segment were as follows:

Asia .... Chinese Taipei and Singapore
Middle East .... UAE and Turkey
North America .... USA

2. Overseas sales represent sales of the Company and consolidated subsidiaries to countries and areas outside of Japan.
3. Overseas sales for the years ended March 31, 2004 was not shown since overseas sales were less than 10% of the Company's consolidated net sales.

13. Contingent Liabilities and Commitments

At March 31, 2005, 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 ¥8,035 million ($74,821 thousand). In case there were other guarantors beside the Company and its consolidated subsidiaries, the amount of their share of the contingent liabilities resulting from the guarantees was stated.

14. 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 the shareholders' equity.

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 consolidated subsidiaries, which was merged with another consolidated subsidiary on December 1, 2001, executed the revaluation on November 30, 2001.

According to the Law, the Company and its consolidated subsidiaries were not permitted to revalue the land at any time even in case that the fair value of the land rises. Such unrecorded revaluation gain at March 31, 2004 and 2005 were ¥3,922 million and ¥5,220 million ($48,608 thousand), respectively.

15. Research and Development Expenses

Research and development expenses, which were included in selling, general and administrative expenses and cost of sales, amounted to ¥9,438 million and ¥8,994 million ($83,751 thousand) for the years ended March 31, 2004 and 2005, respectively.

16. Per share data

Net assets worth per share and net income per share as of and for the years ended March 31, 2004 and 2005 were as follows:

	Yen		U.S. Dollars
	2004	2005	2005
Net assets worth per share	¥211.70	¥242.10	$2.254
Net income (loss) per share	10.80	19.76	0.184

Diluted net income per share is not presented, since the Company has never issued any dilutive securities.

Calculation bases for net income per share for the years ended March 31, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Net income	¥10,353	¥19,098	$177,838
Net income not available to common stock holders	15	34	317
(Net income appropriated as bonuses to directors)	(15)	(34)	(317)
Net income available to common stock	10,338	19,064	177,521
Average common stock outstanding (in thousands share)	957,385	964,858	

17. Impairment of Fixed Assets

As described in Note 2 (r), the Company and its consolidated subsidiaries adopted the accounting standard for impairment of fixed assets. Following tables summarized impairment losses for the year ended March 31, 2004:

Kanto Region (mainly rental buildings and golf courses: 9 properties in total)

	Millions of Yen
Buildings and structures	¥ 4,994
Land	4,927
Others	2,154
Total	¥12,075

Kansai Region (mainly rental buildings, golf courses and commercial facilities: 6 properties in total)

	Millions of Yen
Buildings and structures	¥13,113
Land	14,712
Others	1,023
Total	¥28,848

Other Region (mainly rental buildings and idle recreation facilities: 15 properties in total)

	Millions of Yen
Buildings and structures	¥ 4,566
Land	7,020
Others	83
Total	¥11,669

The Company and its consolidated domestic subsidiaries grouped their fixed assets based on units, for which decisions for making investments are made, and recognized impairment losses for 30 properties with low earnings comprised of rental buildings, golf courses, commercial facilities and other properties. Book values of those fixed assets were reduced to recoverable amounts and impairment loss of ¥52,592 million was recognized in the year ended March 31, 2004.

The recoverable amounts of the fixed assets are the larger of (1) their net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards or publicly-assessed land values in case of less material properties, 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 3.8%.

Since impairment losses for the year ended March 31, 2005 was immaterial, the information for 2005 was not shown.

18. Subsequent Event

Cash dividends

The following appropriations of retained earnings at March 31, 2005 were approved at the annual meeting of the Company's shareholders held on June 28, 2005.

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥2.5 ($ 0.02) per share	¥ 2,661	$24,779

Independent Auditors' Report

To the Shareholders and Board of Directors of Taisei Corporation

We have audited the accompanying consolidated balance sheets of Taisei Corporation (a Japanese corporation) and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taisei Corporation and consolidated subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

(1) As discussed in Notes 2 (g) and 12 to the consolidated financial statements, effective for the construction started on and after April 1, 2004, the Company changed the definition of the percentage-of-completion method from construction period of 24 months or longer and the contract amount equal or excess of 5,000 million yen to those with the period exceeding 12 months and the amount equal or excess of 1,000 million yen.

(2) As discussed in Note 2 (r) to the consolidated financial statements, effective April 1, 2003, the Company adopted the new accounting standard for impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 28, 2005

Directors, Corporate Auditors and Executive Officers

Directors and Corporate Auditors

Chairman and Director
Osamu Hirashima

President and Representative Director
Kanji Hayama*

Directors
Hiromitsu Honda*
Masami Ichikawa*
Nobuhiko Tsuruta
Kunihiko Nambu
Mitsuo Masuda
Hiroshi Yamada
Hiroyasu Takuma*
Kuniyuki Sonoda
Takashi Yamauchi
Atsushi Okamoto
Tetsuo Sekiya
Yoshiro Yamamoto

Senior Corporate Auditors
Hiroshi Ushioda
Hiroshi Tamaru

Corporate Auditors
Tadashi Yamamoto
Takefumi Higuchi
Hajime Okamura

**Representative Director*

Executive Officers

President and Chief Executive Officer
Kanji Hayama

Senior Executive Vice Presidents

Masaichi Hayakawa
In charge of Marketing & Sales

Hiromitsu Honda
General Manager, Marketing & Sales Division (Integrated)

Masami Ichikawa
In charge of Civil Engineering; In charge of Safety Administration

Nobuhiko Tsuruta
General Manager, Corporate Planning Office

Kunihiko Nambu
General Manager, International Division

Executive Vice Presidents

Mikio Ito
In charge of Marketing & Sales

Mitsuo Masuda
Deputy General Manager, Marketing & Sales Division (Integrated); General Manager, Marketing & Sales (Civil Engineering) Division; Deputy General Manager, Corporate Planning Office

Kouji Okumura
General Manager, Housing Division

Hiroshi Yamada
General Manager, Architecture & Engineering Division (Integrated); General Manager, Tokyo Branch; In charge of Marketing & Sales

Hiroyasu Takuma
General Manager, Business Administration Division

Kuniyuki Sonoda
Deputy General Manager, Marketing & Sales Division (Integrated); General Manager, Marketing & Sales (Building Construction) Division I; Deputy General Manager, Corporate Planning Office

Hiromichi Hagiwara
General Manager, Engineering Division; General Manager, Ecology Division

Koutarou Okazaki
General Manager, Nagoya Branch

Takashi Yamauchi
General Manager, Building Construction Division; Deputy General Manager, Corporate Planning Office

Daisuke Takahashi
In charge of Marketing & Sales

Yosuke Nawa
In charge of Marketing & Sales

Atsushi Okamoto
Deputy General Manager, Business Administration Division; Deputy General Manager, Corporate Planning Office

Senior Vice Presidents

Yasuto Kikuoka
In charge of Marketing & Sales

Fumio Ikawa
General Manager, Safety Administration & Environmental Division

Katsuhiko Ogura
General Manager, Marketing & Sales (Building Construction) Division III

Saisuke Kani
General Manager, Design & Proposal Division

Masashi Kobayashi
General Manager, Civil Engineering Division; Deputy General Manager, Corporate Planning Office

Hitoshi Terashita
General Manager, Kansai Branch

Michio Gokita
Deputy General Manager, International Division (In charge of Building Construction)

Masaru Kamata
General Manager, Building Construction (Condominium Project) Division

Makoto Maeda
In charge of Marketing & Sales

Junji Yamada
In charge of Marketing & Sales

Tadakatsu Kyuma
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Isao Komai
General Manager, Marketing and Sales (Building Construction) Division II

Yoshihiro Fujiwara
General Manager, Urban Development Division; In Charge of Property Administration

Hiroyuki Kimura
Deputy General Manager, Marketing & Sales (Civil Engineering) Division; Deputy General Manager, Civil Engineering Division

Soichi Kawamura
General Manager, Taisei Technology Center; General Manager, Nuclear Facilities Division

Vice Presidents

Yasuyuki Nakayama
In charge of Marketing & Sales

Masaya Segawa
In charge of Marketing & Sales

Hiroshi Kubo
General Manager, Hiroshima Branch

Nobuyuki Motegi
General Manager, Tohoku Branch

Takaharu Kubozoe
General Manager, Marketing & Sales Promotion Division; General Manager, Administration Department

Kunihiko Hirano
Deputy General Manager, International Division; General Manager, Building Construction & Engineering Department

Hiroshi Tada
Deputy General Manager, Marketing & Sales (Building Construction) Division

Isao Nagashima
Deputy General Manager, International Division; General Manager, Civil Engineering Department

Tetsuo Seki
Deputy General Manager, Marketing & Sales (Building Construction) Division

Yasuhiro Arai
General Manager, Hokushin-etsu Branch

Misao Akune
Deputy General Manager, Business Administration Division; Deputy General Manager, Corporate Planning Office; General Manager, Corporate Planning Department

Hidemi Omi
Deputy General Manager, Civil Engineering Division; General Manager, Civil Engineering Department

Tatsuo Yoshida
General Manager, Yokohama Branch

Makoto Kosuge
General Manager, Shikoku Branch

Hirofumi Ichihara
General Manager, Kanto Branch

Takashi Furumaya
General Manager, Chiba Branch

Satoru Ogata
Deputy General Manager, International Division; General Manager, Marketing & Sales (Building Construction) Department

Mitsuyasu Ide
Deputy General Manager, International Division; General Manager, Business Administration Department

Shigeru Sekine
Deputy General Manager, Marketing & Sales (Building Construction) Division

Kiyoshi Onozawa
General Manager, Sapporo Branch

Motofumi Fujiwara
Deputy General Manager, Marketing & Sales (Civil Engineering) Division; General Manager, Marketing & Sales Department

Akira Yoshida
General Project Manager (Civil Engineering), International Division

Akinobu Kojima
Deputy General Manager, Marketing & Sales (Building Construction) Division

(As of August 1, 2005)

TAISEI CORPORATION ORGANIZATION CHART (AS OF SEPTEMBER 1, 2005)

- President
  - Secretarial Dept.
  - Corporate Planning Office
    - Corporate Planning Dept.
    - Information Planning Dept.
    - Auditing Dept.
  - Business Administration Div.
    - Public Relations Dept.
    - Personnel Dept.
    - General Affairs Dept.
    - Property Administration Dept.
    - Legal Dept.
    - Accounting Dept.
    - Finance Dept.
  - Safety Administration & Environment Div.
    - Safety Administration Dept.
    - Environmental Management Dept.
  - Taisei Technology Center
    - Technology Planning Dept.
    - Intellectual Property Dept.
    - Building Engineering Research Institute
    - Civil Engineering Research Institute
    - Building Technology Development Dept.
    - Civil Engineering Technology Development Dept.
  - Nuclear Facilities Division
    - Nuclear Facilities Planning Dept.
    - Nuclear Facilities Design Dept.
    - Nuclear Fuel Cycle Facilities Dept.
    - Nuclear Facilities Decommissioning Dept.
  - Marketing & Sales Division (Integrated)
    - Marketing & Sales Promotion Div.
      - Administration Dept.
      - Planning & Business Promotion Dept.
      - Customer Satisfaction Dept.
      - Facility Management Promotion Dept.
      - Seismic Technology Promotion Dept.
    - Marketing & Sales (Building Construction) Div. I
      - Marketing & Sales Depts.
    - Marketing & Sales (Building Construction) Div. II
      - Marketing & Sales Depts.
    - Marketing & Sales (Building Construction) Div. III
      - Marketing & Sales Depts.
    - Urban Development Div.
      - Planning & Management Dept.
      - Project Development Dept.
      - PFI Project Dept.
      - Urban Redevelopment Dept.
      - Asset Management Dept.
      - Tenant Leasing Dept.
      - Development Consulting Dept.
    - Marketing & Sales (Civil Engineering) Div.
      - Marketing & Sales Depts.
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  - Engineering Div.
    - Engineering Planning Dept.
    - Groups
  - Ecology Div.
    - Soil Remediation Dept.
    - Groups
  - Architecture & Engineering Division (Integrated)
    - Technology Management Dept.
    - Building Construction Div.
      - Building Construction Dept.
      - Technology Promotion Dept.
      - Estimate Dept.
      - Procurement Dept.
      - Building Renovation Technology Dept.
    - Building Construction (Condominium Project) Div.
      - Planning and Coordination Dept.
      - Construction Supervision Dept.
    - Mechanical & Electrical Div.
      - Mechanical & Electrical Dept.
    - Design & Proposal Div.
      - Planning Dept.
      - Groups
  - Civil Engineering Div.
    - Civil Engineering Dept.
    - Construction Engineering Dept.
    - Machinery Dept.
    - Design Dept.
    - Estimate Dept.
  - Housing Div.
    - Administration Dept.
    - Marketing & Planning Dept.
    - Construction Dept.
  - Branch
    - Administration Dept.
    - Safety Administration & Machinery Dept.
    - Marketing & Sales Dept.
    - Building Construction Dept.
    - Design & Proposal Dept.
    - Civil Engineering Dept.
  - International Div.
    - Administration Dept.
    - Marketing & Business Development Dept.
    - Building Construction & Engineering Dept.
    - Civil Engineering Dept.

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- Corporate Auditor
  - Auditor's Secretarial Dept.

Corporate Data

Name:	Taisei Corporation
Established:	1873
Paid-in Capital:	¥112,448 million
Authorized Shares:	1,145,000,000 shares
Shares Issued:	1,064,802,82 shares
Number of Shareholders:	102,501
Number of Employees:	9,249
General Meeting of Shareholders:	The General Meeting of Shareholders is held within three months of the day immediately following the day on which the account is closed.
Transfer Agent:	Mizuho Trust & Banking Co., Ltd.
Head Office:	1-25-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0606
Phone:	+81-3-3348-1111
Fax:	+81-3-3345-0481
Domestic Offices:	Tokyo, Kansai, Nagoya, Kyushu, Sapporo, Tohoku, Hiroshima, Yokohama, Hokushin-etsu, Shikoku, Chiba, Kanto
Overseas Offices:	Seoul, Hong Kong, Philippines, Myanmar, Kuala Lumpur, Singapore, Frankfurt, Jakarta, London, U.S.A., Hawaii, Peru

(As of March 31, 2005)

Principal Subsidiaries and Affiliates

COMPANY	LOCATION	PAID-IN CAPITAL	MAJOR BUSINESSES	EQUITY OWNERSHIP
Subsidiaries				
Taisei Rotec Corporation	Tokyo, Japan	¥ 11,305 million	Road construction and construction material sales	58.5%
Yuraku Real Estate Co., Ltd.	Tokyo, Japan	¥ 12,264 million	Real estate sales and insurance	61.7%
Taisei U. Lec Co, Ltd.	Tokyo, Japan	¥ 7,280 million	Housing construction and real estate sales	100.0%
Taisei Setsubi Co., Ltd.	Tokyo, Japan	¥ 625 million	Servicing of air-conditioning, plumbing and electric installations	96.9%
Taisei Service Co., Ltd.	Tokyo, Japan	¥ 100 million	Real estate management and security	100.0%
Seiwa Kiko Co., Ltd.	Tokyo, Japan	¥ 300 million	Construction	100.0%
Keiyo Resort Development Co., Ltd.	Chiba, Japan	¥ 100 million	Hotel management	78.0%
Yuraku Real Estate Sales Co., Ltd.	Tokyo, Japan	¥ 500 million	Real estate brokerage and sales	100.0%
Taisei Kensetsu Housing Tokyo Co., Ltd.	Tokyo, Japan	¥ 100 million	Construction	100.0%
TAISEI CONSTRUCTION CORPORATION	LA, California, U.S.A.	US$ 34.3 million	Construction	100.0%
CSCEC-TAISEI Construction, Ltd.	Beijing, China	RMB 50 million	Construction	50.0%
Affiliates				
VSL Japan Ltd.	Tokyo, Japan	¥ 100 million	Construction method licensing; sales and leasing of equipment, etc.	22.9%
Sakae Development Ltd.	Nagoya, Japan	¥ 500 million	Real estate leasing	19.0%
Taisei Philippine Construction, Inc.	Makati City, Philippines	P 12.5 million	Construction	40.0%
P.T. Indotaisei Indah Development	Jawa Barat, Indonesia	Rp 70.8 million	Industrial park development and operation	49.0%

Filling the Map with Memories

TAISEI
TAISEI CORPORATION
1-25-1, Nishi-Shinjuku, Shinjuku-ku,Tokyo 163-0606, Japan
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