



TAISEI CORPORATION
ANNUAL REPORT
2004



Profile

Supporting Modern Society and Environmental Protection Through Leading-Edge Technologies

Over the past 131 years since its establishment, Taisei Corporation has undertaken many notable projects in Japan and overseas. Our corporate roots coincided with Japan's development as a modern nation and we have continuously met the demands of a changing era and people's aspirations for the future through sound construction operations.

As the world enters the second century of modern urban construction, there is a strong need to preserve historic scenery, protect the environment and create attractive public and private spaces. Taisei Corporation is responding with even more advanced technologies through research and development. With a capital position among the strongest in the industry, we are redoubling efforts to produce world-class, leading-edge technologies. Operations extend internationally, including the construction of dams and other environmental and infrastructure projects in developing nations.

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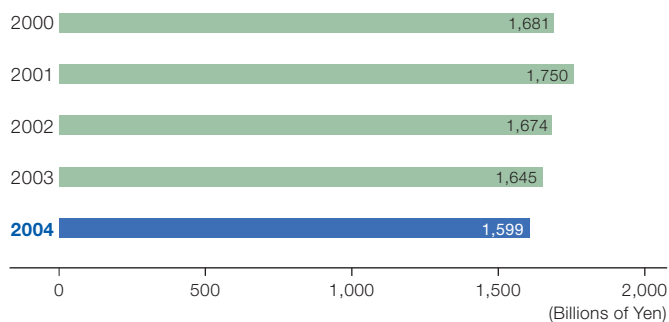
Financial Highlights

TAISEI CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2003 and 2004

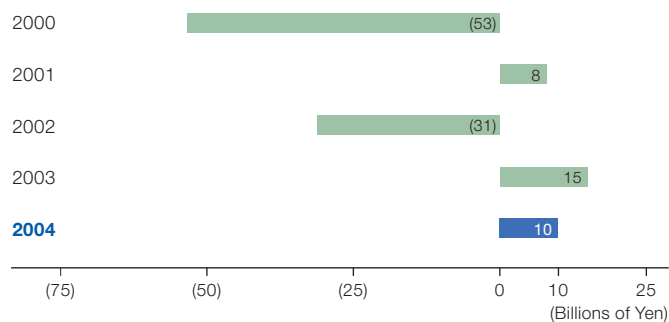
	Millions of Yen (except for per share figures)		Thousands of U.S. Dollars*	Change (%)
	2003	2004	2004 (except for per share figures)	
Contract backlog at beginning of the year	¥1,816,355	¥1,773,559	\$16,731,689	(2.4)%
New orders received during the year	1,601,842	1,539,253	14,521,255	(3.9)
Net sales	1,644,638	1,598,512	15,080,302	(2.8)
Contract backlog at end of the year	¥1,773,559	¥1,714,300	\$16,172,642	(3.3)%
Net income (loss)	¥ 14,999	¥ 10,353	\$ 97,670	(31.0)%
Per share (in yen and dollars)	15.52	10.80	0.102	(30.4)
Cash dividends applicable to the year	4,823	4,796	45,245	(0.6)
Per share (in yen and dollars)	5.00	5.00	0.047	—
Shareholders' equity	174,538	204,243	1,926,821	17.0
Per share (in yen and dollars)	180.91	211.70	1.997	17.0
Total assets	1,893,488	1,772,143	16,718,330	(6.4)

* U.S. dollar amounts above and elsewhere in this Annual Report are translated from yen, for convenience only, at the rate of US \$1 = ¥106, the approximate exchange rate at March 31, 2004.

Net Sales



Net Income (Loss)



Message from the Management

Management Philosophy

Upholding its management philosophy of “creating a vibrant environment for citizens,” Taisei Corporation seeks to cultivate a harmonious relationship between humankind and nature as it contributes to the formulation of important social capital, including social and industrial infrastructure.

Meanwhile, the Taisei Corporation Group, under its vision identifying “customer satisfaction as the starting point for creating new value through technology and expertise,” will fulfill its mission to society by offering outstanding quality and service at a reasonable price and providing comprehensive solutions for its customers’ construction-related needs.

Results

Though the construction industry began to see signs that the decline in private construction spending would stop, budget cuts resulted in lower government construction spending and overall conditions remained difficult in the year under review.

Within this context, the volume of orders booked by the Taisei Corporation Group fell 3.9% below the level of the previous year to ¥1.539 trillion, and sales declined 2.8% to ¥1.599 trillion. Construction accounted for 87% of orders, and real estate development and other businesses, the remaining 13%. Operating income increased 21.0% to ¥59.9 billion. Net income came to ¥10.4 billion.



Osamu Hirashima
Chairman



Kanji Hayama
President and Chief Executive Officer

Outlook

Though a slight improvement in private construction spending is expected in the year ending March 31, 2005, the overall outlook for the construction industry is for difficult conditions to continue due to further cuts in public-sector investment.

Under these circumstances, the Taisei Corporation Group will embark upon a Business Plan from April 2004. Taisei Corporation has significant earnings power and is the industry's top company in the fields of urban development and engineering. To maintain its industry-leading position and top ranking in terms of orders received, profits, quality, and technology, Taisei will push forward with the following measures.

1 Orders

Active investments will be made to secure orders for securitized and PFI projects, which are increasing in number, and for large-scale projects. Outstanding technical expertise and long years of performance will be applied in securing more overseas construction orders. Personnel will be assigned to promising markets, sales opportunities will be increased, and orders will be secured by enhancing consulting capabilities and price competitiveness.

2 Profits

A production system suited to the new era will be assembled and efforts will be made to improve the profitability of low-profit construction work. Additionally, further efforts will be made to reduce costs as much as possible.

3 Quality

Quality standards focusing on functionality and quality after projects are handed over will be created and organizational quality management will be implemented to gain the absolute trust of customers.

4 Technology

Looking to the future, investments will be made to develop strategic technologies and train and add personnel.

5 Corporate Governance

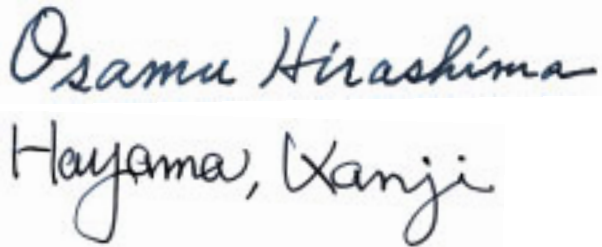
A unified vision for group management will be achieved and maximum overall strength will be exercised by having executives-in-charge also function as group company representatives.

6 Employees/Organization

Integration and consolidation of offices will be advanced to greatly scale back the organization of the head office and all branches.

Consolidated goals for the last year of the Mid-Term Management Plan, the year ending March 31, 2007, are orders of ¥1.580 trillion and sales of ¥1.570 trillion.

The Taisei Corporation Group looks forward to the ongoing support and guidance of its shareholders.



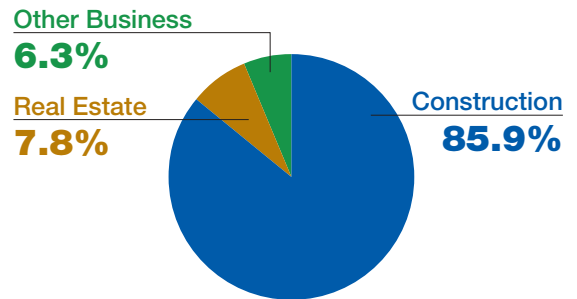
Osamu Hirashima
Hayama, Kanji

Year in Review

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

During the year ended March 31, 2004, performance in the construction segment suffered severely, mainly due to a large decline in Public Sector investment and intensifying price competition. Similarly, the real estate segment saw sales decrease compared with the previous year due to the effects of the economic recession.

Sales figures include inter-segment sales.



Construction



Takamatsu Symbol Tower, Kagawa Pref., Japan

Supported by rising exports and capital expenditures, the Japanese economy entered a recovery trend in the year ended March 31, 2004. The construction market saw an increase in orders from the manufacturing industry, but, in general, private construction investment remained unchanged from the previous year. Government construction investment declined greatly due to fiscal restraints, so overall market conditions continued to be very difficult.

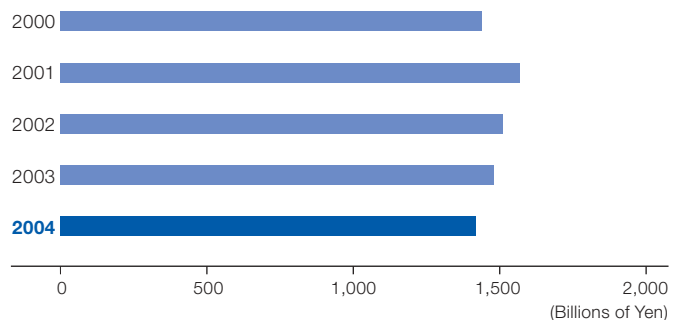
Overseas, there was an increase in demand for mostly urban infrastructure in China, Southeast Asia, the Middle East, and Central and Eastern Europe. We view these areas as promising markets for the future and will move aggressively to win orders.

Net sales for the Taisei Corporation Group's Construction Business came to ¥1.414 trillion, a year-on-year decline of 4.2% due to lower non-consolidated net sales and other factors. Operating income, however, ended the year at ¥45.5 billion, 16.4% higher than for the previous year, because of reductions in selling, general and administrative expenses.



Kohat Tunnel, Pakistan

Construction Sales (Consolidated)



Orders Received

Project	Client	Value (Billions of Yen)
Central Common Government Offices No. 7 Construction Project	■ Kasumigaseki Building 7 PFI Co., Ltd.	Confidential
Kawaguchi 1-chome 1 Urban Redevelopment Construction Project	■ Kawaguchi 1-chome Urban Redevelopment Association	Confidential
East-Ikebukuro 4-chome Area Urban Redevelopment Construction Project (Phase 1)	■ East-Ikebukuro 4-chome Area Urban Redevelopment Association	17.4 (total: 21.7)
Singapore MRT Circle Line Stage3 C853 Project	■ Singapore Land Transport Authority	10.6
Namikata Terminal Propane Storage Tank	■ Japan Oil, Gas and Metals National Corporation	7.2 (total: 12.0)

Completed Projects

Project	Client	Value (Billions of Yen)
Symbol Tower Project	■ Symbol Tower Development Corporation	Confidential
Kawasaki Station Nishi-guchi Area Urban Redevelopment Construction Project	■ Urban Development Corporation, Kanagawa Area Branch	20.2
Omiya Kanazuka Area A Urban Redevelopment Construction Project	■ Omiya Kanazuka Area A Urban Redevelopment Association	Confidential
Pakistan Indus Highway Project Kohat Tunnel and Access Roads	■ Pakistan National Highway Authority	13.9
Tokai Hokuriku Line Hida Tunnel (Phase 2)	■ Japan Highway Public Corporation, Chubu Regional Bureau	5.6 (total: 16.6)

Projects Carried Over to the Next Fiscal Year

Project	Client	Value (Billions of Yen)
U.A.E. Shuweihat Water Transmission Scheme	■ Abu Dhabi Electricity & Water Authority	Confidential
(Provisional Name) Taihei 4-chome, Kinshi-cho Development Plan, Administration and Commerce Building	■ Kinshi-cho Project Special Purpose Company	Confidential
Nagaoka Chuo General Hospital Transfer Project	■ Niigata Prefecture Welfare and Agriculture Cooperative	14.7
(Provisional Name) Fuji Heavy Industries Miyahara Shopping Center Construction(Block3-4)	■ Subaru Kosan Co., Ltd.	11.3
Central Circular Shinjuku Route (Yoyogi Shield Tunnel)	■ Metropolitan Expressway Public Corporation	11.0 (total: 24.4)

Real Estate Development

In the real estate sales market, the ongoing massive addition of new condominiums in the Tokyo metro area served as the backdrop as competition to sell individual units intensified with developments such as a growing disparity in sales for individual

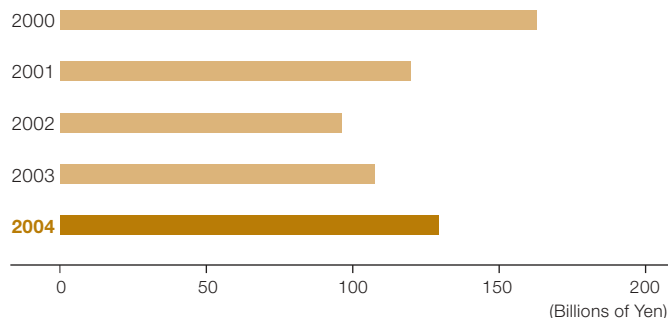
units. In the lease market, vacancy rates stopped rising and rents stopped falling in metro Tokyo and other areas, but overall severe conditions continued.

Against these conditions, net sales for the Taisei Corporation Group's Real Estate Development Business came to ¥128.9 billion, increasing 20.3% year-on-year, and operating income came to ¥13.2 billion, increasing 51.5% year-on-year. In both cases results for the year under review were significantly higher than for the previous year.

Topics

Taisei Corporation Group adopted early the accounting standard for impairment of fixed assets, which will be required beginning in the year ended March 31, 2004.

Real Estate Development Sales (Consolidated)



Other Business

The Taisei Corporation Group's Other Business Segment consists principally of finance and leisure operations.

Operating conditions for these businesses remained very difficult, as the trend toward lower prices has become endemic, with ongoing weakness in personal consumption and other factors keeping feelings of uncertainty about the economy from abating.

In addressing these conditions, the Taisei Corporation Group worked to further strengthen its profit structure, and though Other Businesses net sales came to ¥103.6 billion, a year-on-year increase of 7.8%, operating income reached only ¥1.3 billion, a year-on-year decrease of 19.2%.

Building Construction

By strengthening its business management abilities through steps such as material procurement rationalization, and by providing the highest quality service through an integrated system covering throughout from marketing to design and construction, Taisei is working to make it possible for its Construction Business to continue successfully in a sustainable manner, even in the midst of the extremely difficult conditions in the construction industry.

Aiming to provide customers with high-quality service at reasonable prices, Taisei is pursuing initiatives that apply expert knowledge and expanded services to achieve even greater customer satisfaction. In its approach to promising growth fields such as the environment-related market, renewal projects, engineering, overseas projects, and markets related to Japan's aging society and IT, Taisei will work to gain more orders by taking advantage of its strength in technology to differentiate itself from competitors.

In marketing, Taisei applies its strengths in cutting-edge, comprehensive and systematic technologies that it has proven in various types of building construction to constantly use the latest information in providing high-quality service.

Taisei employs approximately 900 designers divided into specialty sections for architectural design, structural engineering, and building services, where they apply expert skills. Each of these sections has amassed various types of expertise, which they apply in making recommendations to customers.

Additionally, the Design Division has developed and employs a comprehensive construction production system, called T-APPROACH, which contributes to more efficient design work, more rational construction work and lower costs. The division has strength in various building types including factories with technologies such as micro-vibration control technology for facilities manufacturing the most advanced electronics devices and outgas control technology for cleanroom facilities, both of which are viewed as particularly promising growth areas.

Taisei is also actively using the latest information technology to enhance its business management abilities. Examples of the Company's efforts in this regard include implementation of GIPS (a workplace network) to realize a new workplace style applying IT, and promotion of TRIO-Plaza (an electronic procurement system) and paperless work functions.



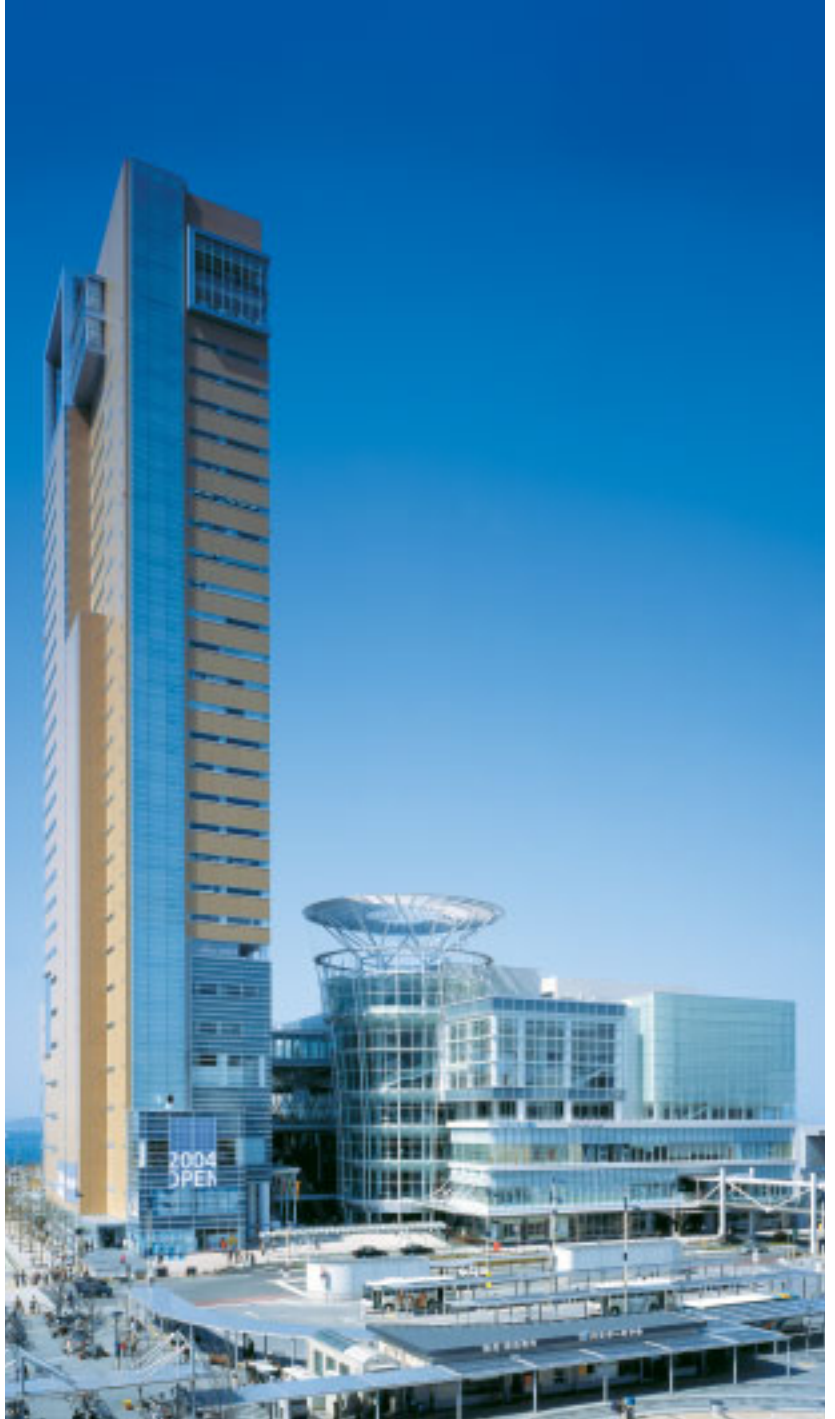
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- 1 Roppongi Hills Grand Hyatt Tokyo, Tokyo., Japan
- 2 National Theatre Okinawa, Okinawa Pref., Japan
- 3 Akita Kyoten Center ALVE, Akita Pref., Japan
- 4 Takamatsu Symbol Tower, Kagawa Pref., Japan
- 5 Kyushu National Museum, Fukuoka Pref., Japan

Civil Engineering

In an age of intense competition and reform, the civil engineering industry must also change with the times. Under conditions such as these, Taisei Corporation's Civil Engineering Operations, based on the principle of giving first priority to project sites and a policy of speeding up our efforts to continuously take on new challenges and execute reforms, will maintain its high profitability. The keys to this endeavor will be high quality, safety and even greater productivity. The Company will strive to expand orders and boost profitability by strengthening sales, design and technology, and construction in an integrated fashion and build a foundation for achieving stable operations in a new era.

With demand for steady progress in the construction of social capital infrastructure, even as both the national and local governments face increasingly difficult fiscal conditions, the Taisei Corporation Group will direct its energies toward technical prowess enhancement, competitive design services, technology

with the power to differentiate, and expansion of its share of growth businesses, namely, remodeling and environmental projects. Among these, technical prowess is essential for gaining orders and improving productivity, and the wellspring of competitiveness for a construction company.

Consequently, in technical development the Company will emphasize technologies that will boost orders, improve cost competitiveness, open doors to new businesses and have other concrete impacts. Furthermore, the Company will actively seek technical alliances with both domestic and foreign companies, so long as the technologies to be gained can be advantageously applied in gaining orders and improving productivity.

With the age of computer networks now in full swing, Taisei will apply IT to boost productivity and efficiency both in the field and in offices, alike.



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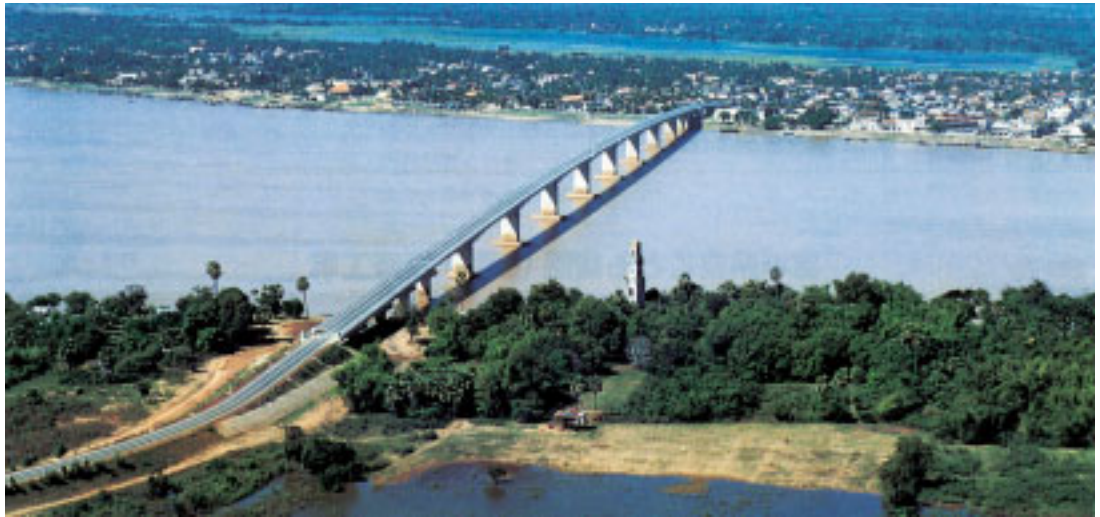
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- 1 Kanegasaka Tunnel, Hyogo Pref., Japan
- 2 Construction Work for the Japan Automobile Research Institute, Ibaraki Pref., Japan
- 3 Ryuto Ohashi Bridge, Niigata Pref., Japan
- 4 Construction Work for New Kitakyushu Airport, Fukuoka Pref., Japan
- 5 Toyooka Elevated Bridge, New Tomei Expressway, Shizuoka Pref., Japan
- 6 Construction Work for the Oso Bridge, Kumamoto Pref., Japan

International Operations



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- 1 Mekong Bridge (Kizuna Bridge), Cambodia
- 2 New Kuala Lumpur International Airport, Malaysia
- 3 Kohat Tunnel, Pakistan
- 4 Christmas Island, Kiribati
- 5 Hotel Nikko Jakarta, Indonesia
- 6 Funadu Berth and Male Island Seawall, Maldives



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Since completing the Hotel Indonesia, the first overseas construction project by a Japanese company after WWII, Taisei has been involved in construction projects in a wide variety of fields in over 50 countries. The Taisei Corporation Group's global network has grown to the point where it now has local subsidiaries and affiliates in Asia, America, Europe, Africa.

The projects Taisei undertakes through its overseas subsidiaries and affiliates are supported by a world-class research and development center, a design group ranked as one of Japan's best architectural offices, and the Company's Engineering Division, which applies the most advanced construction technology.

Using these technologies, Taisei has accumulated a long list of successful projects. These include civil engineering projects, such as the Cirata Hydroelectric Power Station in Indonesia and Toyota Proving Ground in Arizona, and construction projects, such as the Kuala Lumpur International Airport, numerous semiconductor and other IT-related production facilities, and pharmaceutical and other biotechnology-related production facilities. These projects showcase the most advanced civil engineering and construction technologies available anywhere in the world.

Taisei has expertise in not only the construction of buildings and facilities, but also real estate, urban planning and various

other business areas. The Company offers a wide array of services covering everything from project planning, profitability analysis, site acquisition, acquisition of various permits, design, and engineering to facility operation and maintenance. It has won accolades not only for the construction work it has performed in Indonesia for an industrial park in West Java Province and for office, hotel and other development projects in America and the United Kingdom, but also for its ability to support all aspects of these projects.

Moving into the future, BOT (Build Operation Transfer) and PFI (Private Finance Initiative) infrastructure construction schemes, which are already being used overseas, will likely gain importance in Japan, as well. Taisei, therefore, believes that transferring expertise back to Japan is an important mission of involvement in such overseas projects.

As a general contractor, Taisei is always searching for new opportunities. The Company's goal is to apply its overall capabilities, centered on construction, to meet not just the genuine needs of its clients, but also those of the countries and localities where projects are located, and to contribute globally through projects that lead to the creation of rich living environments.



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Real Estate Development



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- 1 Landmark Tower and Queen's Square Yokohama of the MM21 project, Kanagawa Pref., Japan
- 2 Nishi-Shinjuku 6-chome South District Redevelopment, Tokyo., Japan
- 3 Takamatsu Symbol Tower, Kagawa Pref., Japan
- 4 Oval Court Ohsaki, Tokyo., Japan
- 5 Diamond City Soleil, Hiroshima Pref., Japan



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Taisei Corporation has a long track record of success in large-scale real estate development projects. In this area, its role goes far beyond facility design and construction. Addressing projects from multiple perspectives, the Company provides a wide variety of services, such as project master planning, assembly of project teams, acquisition of necessary permits, fund procurement, tenant leasing, and property management.

Taisei established its Urban Development Division in January 2001 and as of June 2004 was handling real estate development projects with approximately 300 employees located all across Japan. Among them were 77 certified redevelopment planners and as many as 23 urban and regional planning engineers. With such an in-house staff of specialists, one of the Company's strengths is the ability to provide wide-ranging, integrated support for real estate development projects. In the end, by having clients invest in the most appropriate construction, the Company gains orders for construction work.

At a time when urban redevelopment has become an important topic in Japan, redevelopment of urban properties is gaining attention as a matter of government policy and is expected to be a promising business area. Taisei has the best track record in this field among general contractors and has been involved in approximately 20% of all urban redevelopment projects in Japan.

As of this year, the Company has completed projects in over 110 areas throughout the country.

For development plans led by Japan's public sector, PFI (Private Finance Initiative) schemes have become increasingly common in recent years. As of June 2004, Taisei had been selected as the PFI contractor for 10 projects and has, as a result, become one of Japan's leading companies in this area. In particular, in April of 2003, Taisei was selected as the contractor for the Central Government Office Building No. 7 Project, the first full-fledged PFI based operation authorized as an urban redevelopment project by the Ministry of Land, Infrastructure and Transport. The Company is currently moving forward with preparations to start construction in January 2005.

Taisei has also accumulated a wealth of experience in real estate securitization and various forms of project finance. REITs (Real Estate Investment Trusts) are one form of real estate securitization. Taisei invested early on in one (Japan Prime Realty Investment Corporation) as a general contractor and has helped to bring outstanding development projects to fruition.

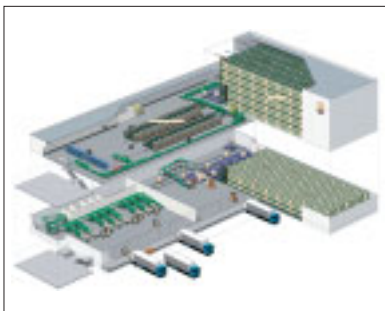
These are only a few of the ways that Taisei fully applies its comprehensive strength extending from construction and civil engineering to areas such as finance and project management and makes richer, more attractive urban development a reality.



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- 1 Kyorin Pharmaceutical Co., Ltd.'s Noshiro Factory, Akita Pref., Japan
- 2 Fujiyakuin Co., Ltd.'s Toyama 2nd Factory, Toyama Pref., Japan
- 3 Tsumura & Co.'s Western Japan Distribution Center, Hyogo Pref., Japan
- 4 JINNAI FARM 21's PLANT FACTORY, Hokkaido., Japan
- 5 Enoshima Aquarium, Kanagawa Pref., Japan
- 6 FPD Research Facility (Provisional), Miyagi Pref., Japan
- 7,8 Improvement plan for SAPPORO SHUSEI Co., Ltd. to establish HACCP

In 1968, Taisei became the first general construction company to establish its own engineering division. Since then, the company has accumulated a solid record in production, distribution, energy and social infrastructure related facilities, and based on that record and experience Taisei is developing, engineering services that are reliable and always in step with the changing times, across a wide range of fields.

The policy of Taisei's Engineering Division is "Engineering to contribute solving the problems of our customer." Following this policy, Taisei's Engineering Division pursues customer satisfaction through comprehensive consulting service that provides solutions for customer's problems, facility planning and design which translate those solutions into reality, and post-construction services including inspecting the effectiveness of those solutions.

In the field of manufacturing facilities, Taisei's main business areas are pharmaceutical, electronic device, and food production facilities. In particular, the Company's market share and results in construction and engineering services for pharmaceutical facilities are second to none. In the area of electronic device facilities, Taisei designs and constructs high-efficiency, energy efficient

plants integrating manufacturing equipment, focusing in particular on plants for manufacturing FPDs (flat-panel displays). Meanwhile, in food facilities, the Company has original expertise for preventing contamination. Taisei was among the earliest companies to address HACCP (Hazard Analysis Critical Control Point) requirements and has earned high praise for actively addressing the needs of AIB (American Institute of Baking) audits. In the field of distribution, Taisei offers SCM (Supply Chain Management)- based consulting services and constructs various types of distribution facilities to meet customer needs. Taisei also offers a wide array of engineering services for petroleum, LNG, LPG and other types of energy facilities and social infrastructure not only in Japan, but in many other countries as well, and can address the engineering needs of facilities for new energy sources such as biogas and wind power.

Taisei is expanding its activities from its traditional stronghold in industrial facilities to reach into areas related to social facilities, such as amusement parks and aquariums and so on, by applying expertise gained from its plentiful achievements in industrial engineering.



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Ecology

We have entered the Century of the Environment. Measures for addressing global warming and various other environmental issues are being reinforced on a global scale. These issues are intimately related to the social economy and cannot be solved unless efforts to lower the environmental burden are pursued in daily activities. These environmental problems should be solved by devoting additional energies to various activities described by the words, “think globally and act locally.”

In response to such changing times, Taisei Corporation has made its corporate mission as “creating a vibrant environment for citizens” and is leveraging its wealth of technical and management expertise in a wide range of activities aimed at lowering environmental burden and contributing to the formation of an environmentally conscious society.

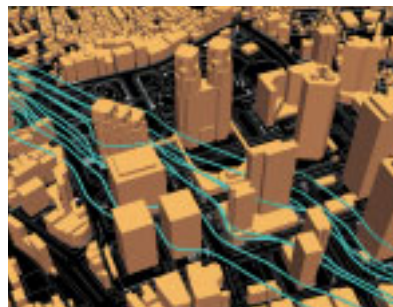
Taisei is engaging in such activities from two perspectives. The first perspective is that of lowering its environmental burden, which is a responsibility that comes with being a leading company in the construction industry. The Company conducts all of its construction projects with an emphasis on environmental conservation and preservation. It does this through green procurement and activities aimed at achieving zero emissions by reducing the production of, sorting and recycling construction by-products. Taisei plans to continue with these measures in the future.

The second perspective is that of addressing society's environmental problems by offering environmental solution services. Prior to implementing project plans, the Company engages in environmental assessments, in which it performs surveys, forecasts, and evaluations of possible environmental impacts, and environmental planning, which consists of planning and design work intended to promote co-existence with the environment and protect the ecology of the project site. Applying indigenous local resources, Taisei aims to increase the vitality of local areas by working to build a rich living environment for coexisting with the environment and provide for the new social capital to support it. Furthermore, through Environmental Preservation and Remediation, which includes activities such as soil and groundwater remediation, water treatment, and ecosystem protection, as well as other initiatives addressing waste products as precious resources, the Company contributes to the development of a recycling-oriented society and offers its customers environmentally conscious, energy-efficient products.

To leave precious resources to future generations, Taisei is using expertise and advanced technology relevant to the environment and ecology to preserve the natural environment and realize the creation of new combinations of social and living environments.



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- 1 Biomass Recycle Center, Ibaraki Pref., Japan
- 2 TWinds-Wind simulation and evaluation system
- 3 Eco Park IZUMOZAKI (Landfill disposal site), Niigata Pref., Japan
- 4 Industry Club of Japan Building, Mitsubishi Trust and Banking Building Green Wall
- 5 Heating and Separating System
- 6 Betsukai Experimental Bio-plant and Related Facilities, Hokkaido, Japan



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Housing



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- 1 Palcon Switch
- 2,3 Kukan-O (Seta Model House)
- 4,5 Kukan-O (Komazawa Model House)
- 6 Palcon FLEX



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Housing is one of Taisei's core businesses and is the third largest after construction and civil engineering. The Company's long history in housing construction began in 1970 when it began selling Palcon pre-cast concrete homes, which are well suited for climatic conditions in Japan. Eight years later, it introduced Palwood, the forerunner of the two-by-four framing method, to Japan. Taisei began selling Imported House, which features European and American architectural designs, in 1995 and its Kukan-O homes in 1997. The latter offer a comfortable living environment through the first application of the Triple Monocoque Structure in Japan. Taisei Corporation has constantly risen to the challenge of bringing new housing construction concepts to Japan.

Palcon homes, in particular, have been highly praised as timeless masterpieces of concrete housing. Built with a creative construction method and unique material with excellent characteristics, they offer superb durability and outstanding resistance to earthquakes and fire. Palcon homes also employ a new foundation system that Taisei has earned high marks for developing and that makes it easy to repair or replace plumbing and communications wiring and adds the finishing touch, perfecting Palcon as a housing system with excellent durability. Taisei developed the Palcon Switch line of exposed-concrete home designs in 2001 as a response to the simple and modern needs of urban dwellers. Based on the three-dimensional concept of expanding space upward and "switching" a small lot into an element of uniqueness, Palcon Switch won a 2003 Good Design Award. The Palcon Flex multipurpose structure was designed by Taisei based on these functions and designs and is being used to meet demand for buildings such as housing complexes, hotels,

and hospitals.

Kukan-O represents the first application of the Triple Monocoque Structure in Japan and uses Triple Wall, a new structural insulation, not only for exterior walls, but also for roofs as a product called Triple Roof. Combined with a 24-hour circulating ventilation system, TARCAS, Kukan-O offers living space that breaks new ground in terms of structural design, safety, health and comfort and is achieving customer satisfaction as a housing concept that surpasses the conventional two-by-four construction method. Taisei offers numerous high quality homes, including the Kukan-O EURO COLLECTION of homes meticulously designed to combine European and American exteriors with unique functions and features suited for Japan's climate and planning (floor plans) tailored to Japanese lifestyles.

Regarding service, Taisei has established a post-construction service system in the form of a 20-year quality guaranty that is in compliance with the Housing Quality Assurance Act. The Company is also fully committed to providing quality remodeling work.

At Taisei, homes are built before all else to protect the lives, health and assets of the people who will live in them. Working from that principle, the Company strives to offer homes that thoroughly incorporate clients' wishes and at the same time meet current needs for homes to be durable, energy efficient and suited to an aging society. Taisei's Housing Operations will also never be satisfied with the status quo. It, therefore, will continue stretching the bounds of the ideal to offer homes embodying the dreams and happiness of families, and achieve even greater client satisfaction.



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Technological Strengths

Rising to the Challenge of Cutting-Edge Technology with Abundant Expertise and Bold Ideas

The history of construction and civil engineering is the evolution of engineering methods, requiring a steadfast resolve to meet the challenges of new technology. Throughout its own long journey, Taisei has accumulated a diverse range of expertise, building upon an impressive track record of achievement. The Company has also introduced many innovative engineering methods, resulting from a willingness to move well beyond conventional approaches. By combining abundant expertise with bold ideas, the Company advances technological innovation across a broad range of fields, from the creation of comfortable living environments to improved safety and reduced environmental impact.

Contributing to the Creation of High-Quality Social Infrastructure

Meeting Demands for More Highly Precise Deep Construction

Underground Drive-Hollow Motor Execution Technology

With cities moving to use underground space more intensively, it is necessary to develop technologies that make possible the high-precision construction of earth-retaining cut-off walls at great depths.

Taisei has participated in the joint development of the world's first Underground Drive-Hollow Motor Execution Technology (UD-HOMET), a type of in-situ churning construction method in which the drive portion of the excavating equipment is positioned where the screw has been discretionarily placed, making it possible to advance the drive portion of the excavating equipment through the earth as excavation takes place. The development of a revolving outer motor makes for a structure in which soil removal is not obstructed even if the drive portion of the machine is located in the screw section. Compared to conventional top-drive machines, this technology makes it possible to excavate and churn with high precision and significantly greater stability. There are leading and flying versions



UD-HOMET

of UD-HOMET, and testing of both in the construction of a tunnel in Osaka is providing verification of high construction precision and low noise levels.

Supporting Safe and Comfortable Living

Reducing Vibrations Caused by Earthquakes and Strong Winds

Hybrid TASS Method

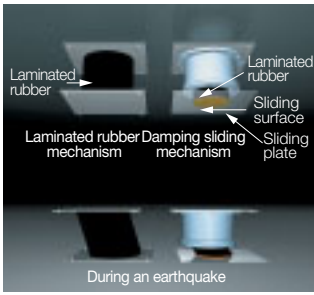
In the wake of the Great Hanshin Awaji Earthquake of 1995, major construction companies in Japan have been working to develop seismic isolation construction methods as part of their efforts to offer earthquake resistant buildings. The Hybrid Taisei Shake Suspension System (TASS) combines Taisei's proprietary laminated rubber and sliding mechanism to significantly reduce seismic force. Laminated rubber is a powerful defense against pitching motions caused by earthquakes, and has the effect of lengthening seismic waves through buildings. The sliding mechanism absorbs horizontal seismic force in the form of friction energy in a sliding motion.

Seismic isolation technology developed by Taisei has been applied in high-rise buildings, as well. Taisei has won high praise for its development and implementation of this technology and was awarded a 2004 AIJ (Architectural Institute of Japan) Prize (Building Engineering Division) for its efforts.



With a total of 41 floors, and a height of 135 meters, this building is the largest residential complex (at time of completion) made of reinforced concrete and with a seismic isolation system. By using the hybrid TASS construction method Taisei is able to make safe yet luxurious and high quality skyscrapers complete with seismic isolation systems at comparatively low-costs.

*Thousand Tower: The entire Shin-kawasaki project has been named Thousand City, and building no. 1, the skyscraper, is called the Thousand Tower.



Natural rubber-based laminated rubber mechanism



Sliding mechanism



Steel dampers

Responding to Demands for High Earthquake and Fire Resistance and Excellent Durability

Ultra high strength Concrete-

TAISEI has developed the pre-blend binder for ultra high strength concretes, and has established the technology on production of ultra high-strength concrete with the specified design strength of 80-150MPa. It has been proved by the experiments that the structure members using these concretes have good earthquake resistance, good fire resistance, and good durability. Taisei has also developed a high-quality production management method for ultra high-strength concrete based on a method for swiftly measuring the unit water content of fresh concrete.

In Japan, this technology has been already applied to about ten high-rise buildings, and has obtained high satisfaction and high reliance of many customers. Based on such an actual result, this technology has won many technical awards in Japan Concrete Institute, the Architectural Institute of Japan, the



Tokyo Twin Parks, Tokyo., Japan

Society of Materials Science, Japan, etc.

Taisei has introduced the advanced concrete technology not only domestically but also internationally at venues such as the triennial International Symposium on Utilization of High-Strength/High-Performance Concrete, which has been held in the UK, Germany, and Norway.

Leading to Optimum Solutions

Building Pharmaceutical Plants that Meet the Latest Demands for Sophistication and Versatility

Pharmaceutical Plant Engineering

When the revised Pharmaceutical Affairs Law takes effect in April 2005, the focus of approvals will shift from manufacturing to sales, and it will become possible for companies to sell pharmaceuticals even if they do not own a manufacturing facility. Consequently, there is pressure to improve operational efficiency by, for example, spinning off plants or offering or using outsourced manufacturing services. And this in turn is driving demand for facilities that are more flexible than today's plants in terms of quality, cost, and products that can be turned out.

Taisei, in addition to providing construction proposals covering details such as air conditioning system designs that allow precise humidity control and site usage plans emphasizing future growth, brings together its 30-plus years of engineering experience in fields such as production, distribution, and information systems to build high-quality pharmaceutical manufacturing facilities that balance building and production functions in an efficient, rational manner.



Fujiyakuhin Co., Ltd.'s Toyama No. 2 Factory, Toyama Pref., Japan

Technological Strengths

At a Time When Facility Construction Applying the Latest Technologies is in Demand

Super Advanced Research Center for Flat Panel Display

Taisei created the construction plan for the Super Advanced Research Center for Flat Panel Display (SARF), the world's most advanced research facility for the development at a moderate cost manufacturing technologies for next-generation large-screen flat panel displays.

Construction of this facility had to be performed with high quality, on a short construction schedule, and at low cost. It, therefore, involved a broad range of engineering technologies spanning all project phases from planning to actual construction. These technologies also had to address all areas of research facility construction, including structures, building equipment, utilities for research equipment, and automation systems.

The building housing this research facility is a two-story reinforced concrete structure with a footprint of 5,600m² and total floor space of 9,800m². Within it, an extremely advanced research environment has been created to perform research and development on liquid crystal display manufacturing technologies radically different from those used to date. This environment thoroughly excludes chemical contaminants, micro vibrations, and other factors that can negatively impact research and manufacturing. Additionally, as an environmentally conscious facility, energy saving and recycling technologies have been adopted in SARF.



Super Advanced Research Center for Flat Panel Display (SARF)

Passing On A Rich Natural Environment to the Next Generation

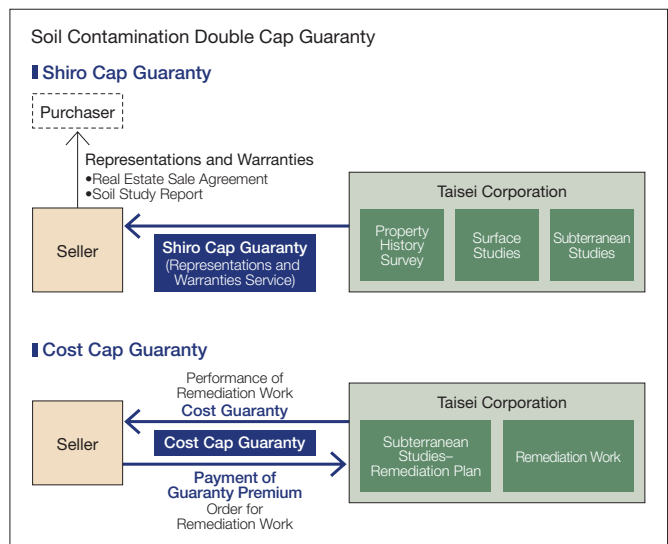
Answering the Growing Need for Risk Indemnification in Soil Remediation

Development of Guaranty Products for Soil Remediation

With rising environmental consciousness and the need to redevelop and effectively use land, Taisei is year by year adding to its list of achievements in soil remediation by developing soil remediation technologies, one example of which is a permeable wall that cleans groundwater.

For transactions involving former factory sites, new and growing needs to lower contamination risk and fix expenses for risk-reduction measures have been added to needs for lower remediation costs. In response, Taisei, working in cooperation with a non-life insurer, developed two liability cap guaranties. Under the Shiro Cap Guaranty, landowners can receive a guarantee that their property is not contaminated after an examination of its history, depth studies, and other tests are performed and show that to be the case. The Cost Cap Guaranty fixes remediation costs, covering additional costs even if additional contamination is discovered.

Taisei offers a full complement of both remediation technology and risk guaranties to promote more effective land usage now and in the future.



Meeting Needs for Environmental Conditions that Increase Biodiversity

Ecological Planning - The Noritake Garden Project

Responding to the need for greater biodiversity in the local environment, Taisei conducted an environmental revitalization project at Noritake Garden, located in the heart of Nagoya and deep within an urban setting.

As part of this project, Taisei examined the characteristics of the natural environment in urban Nagoya, especially the area surrounding the Noritake Garden site. Using the results of this study, we then created a landscape that would allow the formation of a natural network in which animals and insects could move among the various green spaces in the surrounding area. We also devoted significant effort to effectively using existing industrial assets and the waste resulting from demolition to create expressions of the history and unique aspects of the location.

The entire Noritake Garden site is open for use as a park during the day and is a favorite place to relax for local residents. The site received the Good Design Award 2003, the 2nd ecobuild Award, the 23rd Minister of Land, Infrastructure and Transport Prize Winners of Green City Awards and many other Awards.



Noritake Garden

Helping to Bring About a Recycling-Oriented Society

New Recycling Center PFI Project for Tahara City

Companies are now expected to reduce the environmental burden of their activities and great significance is now placed on the creation of a recycling-oriented society focused on reducing waste.

Taisei designed and built a recycling center for burnable waste coming from one city (Tahara) and one town (Atsumi) in Aichi Prefecture, and it is managing a BOT-format PFI project in which it will operate and maintain the recycling center, which it will retain for 15 years.

The recycling center is operated by an SPC (Special Purpose Company) established by Taisei and four other companies from different industries. Contributing to the creation of a recycling-oriented society, the SPC performed a study of the characteristics of the area to be served and has embarked upon a scheme in which burnable waste from households and businesses will be recycled into carbide that will be used as a fuel and raw material for the manufacture of steel. In addition to contributing to the creation of a recycling-oriented society, environmental conservation, reliability of technology implemented, economical construction and operation, and risk management have also been included as important initiatives in facilities and operational planning. In the future, Taisei will offer other regions new proposals aimed at creating a recycling-oriented society.

*BOT (Build, Operate, Transfer): Construction method in which a facility is transferred after being operated for a certain period of time after construction.

*PFI (Private Finance Initiative): Projects for pursuing the construction, renovation, etc. of public facilities with capital and other inputs from private sources.



New Recycling Center, Aich Pref., Japan

Technological Strengths

In an age of the need for preventing global warming

Technology of producing fuel grade ethanol

Construction industry in Japan is trying to reduce and recycle construction and demolition wastes that account for 20% of all industry wastes because the greenhouse gas emissions are needed to be reduced throughout all over the world.

Taisei Corporation is planning to produce fuel grade ethanol that can contribute to reducing CO₂ emissions and could be an alternative energy resource to petroleum oil using waste woods from construction debris.

Taisei Corporation has established the company to produce fuel grade ethanol from construction waste woods as the largest stockholder of the one and this company is expected to diffuse the use of ethanol-blended gas and tackle the tasks of developing global warming countermeasure technology.



Bringing Back Beautiful Marine Environments with Appropriate Analysis and Clean-Up

Coastal Clean-Up Technology

In coastal areas where water quality continues to worsen, tidal flats are being revived to help restore the ocean's ability to clean itself. Taisei is engaged in just such an experiment in Mie Prefecture's Ago Bay, famous for cultured pearls. There, it is using sludge dredged from the ocean floor to make artificial tidal flats and creating marine environments to foster the growth of eel grass. Taisei is also performing exhaustive studies of the tides and water quality in the inner bay, which is suffering from worsening water quality, and developing an "Aquatic Simulation System" to produce high-precision forecasts of changes in seawater and marine ecosystems. Taisei is working from the perspectives of both cleaning technology and analytical methods to achieve its goal of restoring and improving aquatic environments.



Ago Bay, Mie Pref., Japan

Environmental Preservation Activities

Healthcare and Specialty Products



Taisei helps to protect the environment by applying technologies it has developed through its principal construction and civil engineering operations. As a leading company in Japan's construction industry, it also promotes research and development of environmental technologies and works to create or restore sustainable environments, such as ones in which municipal facilities and infrastructure coexist with nature.

Taisei acquired ISO14001 certification for all 12 of its domestic branches and its Engineering and Architectural Divisions by the end of 1999. In fiscal 2004, it will bring all certified branches, the international branch, which has not to be certified but is implementing EMS activities, the Housing Division, and headquarters under a fully integrated environmental management system, and then acquire a single ISO14001 certification for the integrated whole in October 2004. The purpose of this step is to increase work efficiency and achieve greater performance.

Taisei is developing a business aimed at creating or restoring sustainable environments by applying its technology and know-how to respond to ever-greater environmental needs. Targeting the new business areas of urban redevelopment, environmental engineering and renewal, Taisei has achieved results not only in Japan but also overseas, as well. Taisei announces the Taisei Agenda, consisting of environmental targets and action plans, in April of each year

and actively pursues environmental preservation activities. It discloses what it has accomplished through these activities in terms of environmental impact reductions, environmental accounting results and other concrete measures in the Taisei Annual Environmental and Social Report.

Taisei leads the industry in environmental preservation activities and enjoys strong evaluations in overseas company evaluation indices.



Taisei's Principal Environmental Technologies

■ Environmental preservation and creation technologies

- Environmental assessment
- Regional environmental creation
- Ecosystem preservation
- Ecosystem remediation

■ Soil and groundwater purification technologies

■ Wastewater treatment technologies

- Industrial wastewater treatment
- Residential wastewater treatment
- Effective water usage

■ Recycling technologies

- Material recycling
- Thermal recycling

■ Waste treatment & disposal technologies

- Sorting & Transfer Facility Planning
- Sorting & relay-facilities planning
- Medical waste
- Incinerators
- Landfills

■ Energy technologies

- New energy
- Energy efficiency

Our Accomplishments

Building Construction



1



2



3

- 1 Kirara Dome, Kirara Sports Park, Yamaguchi Pref., Japan

- 2 Nihon University, College of Science and Technology, Tokyo., Japan

- 3 JR Central Towers in Nagoya, Aichi Pref., Japan

- 4 Tokyo Metropolitan Roka High School, Tokyo., Japan

- 5 Sapporo Dome in Sapporo, Hokkaido., Japan



4



5

Our Accomplishments

Civil Engineering



1



2

- 1 Ibigawa Bridge on New Meishin Expressway
- 2 Ohkoku Bunsui flood control Dam in Nishi-Kanbara-gun Niigata. Pref., Japan
- 3 Akashi-Kaikyo-Ohashi Bridge (Pearl Bridge)
- 4 Shimagawa Dam, Gunma Pref., Japan
- 5 Kansai International Airport in Osaka, Japan
- 6 Magari Tunnel, Wakayama Pref., Japan
- 7 Seikan Tunnel connecting Honshu and Hokkaido islands in Japan
- 8 Electrical Power Trunk Line, Osaka Pref., Japan



3



4



5



6



7



8

Our Accomplishments

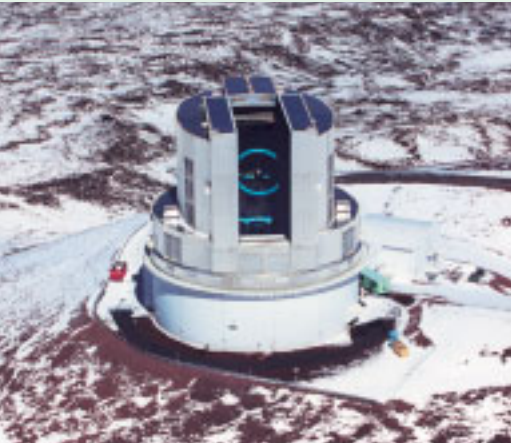
International Operations



1



2



3



4



5



6



7



8



9

- 1 Express way 2, Taiwan
- 2 Purification Plant Facilities, Sofia City, Bulgaria
- 3 Subaru Telescope, Hawaii, U.S.A.
- 4 River Plate House Office Building, London, United Kingdom
- 5 Fujitsu's Philippines Plant, Philippines
- 6 Beijing Shangri-la International Hotel, China
- 7 Oil refinery, Kaduna, Nigeria
- 8 Johor Bahru City Square, Malaysia
- 9 Revement construction on Male Island, Maldives

Our Accomplishments

International Operations



1



2



4

- 1 Shore-line Square Building, Long Beach, U.S.A.
- 2 WESTIN TAIPEI HOTEL, Taiwan
- 3 Toyota Proving Ground, Arizona, U.S.A.
- 4 Qurayyah Power Plant, Saudi Arabia
- 5 Coal-fired thermal power plant in Ilo, Peru
- 6 Cirata Hydroelectric Power Station, Indonesia
- 7 Legend Hotel Saigon, Saigon Riverside Office Center
- 8 Cement plant, Chin Fon, Hai Phong, Vietnam



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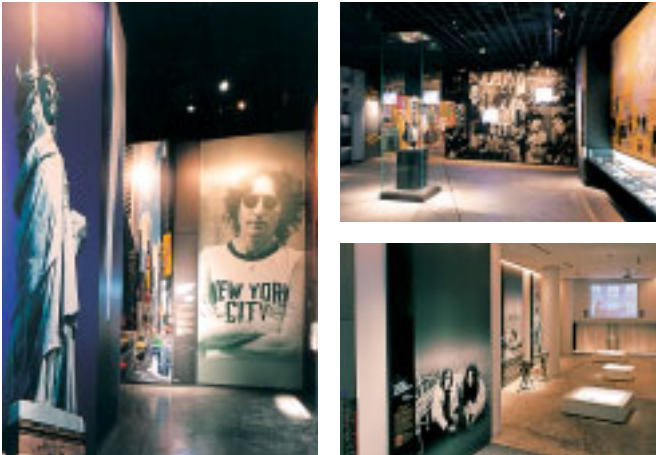
Corporate Citizenship

For Society, For the Earth A Rich Variety of Pathways for Demonstrating Corporate Citizenship

Taisei contributes to the creation of an affluent, forward-thinking society, not only through its business operations but also through various activities that express its commitment to create a vibrant living environment for all members of society. The Company recognizes that attaining widespread, enduring trust as a good corporate citizen is only possible through a variety of efforts, including support of the arts, such as the planning and management of galleries, and activities that contribute to society as well as the preservation of the global environment.

Carrying John Lennon's Spirit into Tomorrow

The John Lennon Museum



The exhibition space is divided into nine time zones, recreating through personal memorabilia and displays places where John lived or performed. Each zone is accompanied by background music symbolic of each period of John's life.

John Lennon was a well-loved artist whose life and work continues to influence people around the world today. This museum was set up to pass on his 40-year life story and message to future generations. With formal approval from John's wife, Yoko Ono, Taisei became the principal organizer for the first permanent museum dedicated to the artist in Japan, inside the Saitama Super Arena in the Saitama New Urban Center. The museum portrays John's life with approximately 130 exhibits, including photographs and many personal items made available to the public for the first time, depicting his boyhood days in Liverpool, UK, through the forming of The Beatles, to his solo performances following the breakup of the band. The museum has welcomed many visitors since opening on October 9, 2000, the sixtieth anniversary of John's birth.

State-of-the-art Computer Graphics Technology

Bringing Lost Ancient Cities Back to Life

Taisei has produced many computer graphic images of lost ancient cities and large-scale architecture using technology developed for simulating scenery. In "The World's Four Great Civilizations," an NHK special program broadcast in the summer, Taisei utilized state-of-the-art technology to provide realistic reproductions of a variety of sites, including Ur, the ancient Sumerian city state of the Mesopotamian Civilization, and the Dholavira ruins located in the Indian state of Gujarat, which is thought to hold the key to unraveling the mysteries of the Indus Civilization. These images offer lively depictions of ancient civilizations, and have received acclaim for the high value they represent for both academic and reference purposes. Taisei is also distributing video productions of ancient city civilizations free of charge to schools and educational institutions nationwide.



The City of Ur of the Mesopotamian Civilization, top; and the City of Dholavira of the Indus Civilization, below. Buildings have been realistically reproduced, including the original color tones and texture of their walls.

Gallerie Taisei



In November 1992, Taisei opened Gallerie Taisei in the Shinjuku Center Building to make its collection of paintings by Le Corbusier available to the general public. The Gallerie focuses mainly on Le Corbusier's and holds exhibitions of his

work free of charge to the public, and under a variety of themes. Since its opening, the gallery has held more than 50 exhibitions, and also shows Taisei's collection of his paintings. The gallery has recently started to establish a virtual museum of Le Corbusier's work on the internet. The Company also supports a variety of other artistic activities, such as collecting the paintings of Shunichi Kadowaki, dubbed the "Ukiyo-E Master of Our Times," and organizing exhibitions to introduce paintings reflecting his originality.

Le Corbusier (1887~1965)

One of the most important and influential architects of the twentieth century, his work ranged widely from urban planning, writing and painting to sculpture. Hoping to introduce Le Corbusier's achievements to as wide an audience as possible, Taisei conducts research and studies of his paintings, sculpture and craftwork which form the basis of his design activities, and collects his artwork for public exhibition while at the same time preserving and maintaining them.

Taisei Corporation Natural and Historical Environment Fund

As a company involved in construction, an activity deeply connected to the global environment, Taisei is engaged in activities that aid society in preserving and enhancing the environment both in Japan and overseas. In 1993, Taisei placed ¥1 billion in trust to establish the Charitable Trust Taisei Natural and Historical Environment Fund, to commemorate its 120th anniversary. The Company funds organizations involved in conducting research and preserving natural environments and historical architecture that are among mankind's common treasures.



The photo on the left shows a survey of sea turtle population, nesting and hatching by the Sea Turtle Association of Japan. The picture on the right shows a restored Alang, a type of elevated rice barn that is becoming increasingly rare. We have also supported the restoration of Tongkonan—traditional houses of the Toraja People, a minority group in Indonesia—which are threatened by collapse and depletion.

Organizations Subsidized by the Natural Environment Fund

- FY1996: Park Volunteer Group for the Aso Region, and 15 other organizations
- FY1997: Park Volunteer Group for Yakushima, and 17 other organizations
- FY1998: Support Committee for Restoring the Tongkonan, and 17 other organizations
- FY1999: Friends of the Abunze, Park Volunteer Group for the Goto Region of Saikai National Park, and 21 other organizations
- FY2000: The Ecosystem Conservation Society—Japan, and 23 other organizations
- FY2001: Sea Turtle Association of Japan, and 20 other organizations
- FY2002: NPO ERECON (=Institute of Environment Rehabilitation and Conservation), and 21 other organizations
- FY2003: The Asia/Pacific Cultural Centre for UNESCO (ACCU) and 22 other organizations

Corporate History

1837 Birth of founder Okura Kihachiro

1873 Established Okuragumi Shokai

1874 Opened Okuragumi Shokai branch office in London

1879 Completed construction of Sendai Shujikan (Prison)

1882 Arc lighting lit in front of Okuragumi Shokai in Ginza

1883 Completed construction of Rokumeikan



1887 Established Nippon Doboku Co., Ltd. (Japan's first construction company)

1889 Completed construction of Kabukiza Theatre

1900 Opened Okura Commercial School (currently Tokyo Keizai University)

1917 Established Okura Doboku Gumi Corporation (first construction corporation in Japan)

1920 Changed name to Nippon Doboku Corporation

1927 Completed construction of Japan's first subway, which ran between Asakusa and Ueno

1936 Completed construction of the Kawana Golf Links and the Kawana Hotel



1939 Completed construction of the special Japanese pavilion at the San Francisco Exposition

1946 Changed name to Taisei Corporation

1955 Completed construction of the terminal building at Tokyo International Airport (Haneda)

1956 Initial public offering on the Tokyo over-the-counter market

1957 Listed on the Tokyo Stock Exchange

1958 Completed construction of the National Athletic Stadium



1960 Established a technical research center, Toyosu Research Institute

1962 Completed construction of Hotel Indonesia (the first overseas construction since WW II)
Completed construction of Hotel Okura

1963 Completed construction of Kurobe River Power Plant No.4 of Kansai Electric Power Co., Inc.

1964 Completed construction of the main building of Hotel New Otani



1965 Completed construction of the NHK Broadcasting Center

1966 Completed construction of the SONY Building
Completed construction of Fuji Bank's headquarters

1967 Taisei Truss awarded the Imperial Invention Award
Completed construction of the Japanese pavilion at the Montreal Exposition

1968 Completed construction of the new Imperial Palace

1969 Entered the housing construction business

1970 Initiated sale of Palcon concrete housing

1972 Tie-up with Bechtel Corporation of the U.S.
Completed construction of the Mt. Fuji Meteorological Observatory

1973 Celebrated 100th Anniversary since establishment

1974 Completed construction of the towers for Hotel New Otani

1976 Stock listed on the Frankfurt Stock Exchange

1979 Completed construction of our new headquarters, the Shinjuku Center Building
Transferred to new headquarters

1982 Opened U.S. office in New York

1983 Established an Engineering Division

1985 Established Taisei Holland B.V.
Passed through the main tunnel of the Seikan Tunnel, the world's longest underground tunnel
Completed construction of the UBN Complex in Malaysia

1986 Entered the hotel business
Completed construction of the ANA Hotel Tokyo and the Shangri-la Hotel, Beijing

1987 Opened the Grand Seto Bridge, which links Honshu with Shikoku

1988 Opened the Sheraton Grande Tokyo Bay Hotel and Towers
Completed construction of Shoreline Square in Long Beach (U.S.)
Completed construction of Cirata Hydro-electric Power Station in Indonesia

1989 Completed construction of Yokohama Bay Bridge

1990 Established a new management philosophy and a corporate symbol

1991 Initiated the advertising campaign series, "Filling the Map with Memories"
Completed construction of Tokyo Metropolitan Government Main Building No.1



1992 Established the Environmental Preservation Committee

1993 Celebrated 120th Anniversary since establishment
Established the charitable trust, Charitable Trust Taisei Corporation Natural and Historical Environment Fund
Completed construction of the Landmark Tower(Yokohama) and Tokyo International Airport West Passenger Terminal Building

1994 Completed construction of the Yebisu Garden Place, the Mitsubishi Heavy Industries Building in Yokohama, and the Nomura Building in Otemachi

1995 Launched our Internet homepage
Completed construction of the JT Headquarters and the NTT Shinjuku Building

1996 ISO 9000 certification acquired
Completed construction of Tokyo International Forum Hall



1997 Developed the Concrete Thermal Storage Air-Conditioning System
Taisei's spherical shield production process won the Imperial Invention Award Tokyo Bay Aqualine completed

1998 Recorded the Company's first loss since being listed, as a result of due to an extraordinary loss incurred in capital restructuring
Completed construction of Akashi-Kaikyo Bridge

1999 Announced measures to reform financial structure

2000 Completed construction of Sapporo Dome
Completed construction of JR Central Towers



2001 Completed construction of Yamagata New Metropolis Building

2002 Completed construction of the Prudential Tower



2003 Completed construction of Okinawa National Theatre



2004 Completed construction of Takamatsu Sunport

Financial Section

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*
	1999	2000	2001	2002	2003	2004	2004 (except for per share figures)
Revenue:							
Net sales:							
Construction	¥1,531,586	¥1,424,314	¥1,541,306	¥1,488,297	¥1,449,265	¥1,383,890	\$13,055,566
Real estate (including other)	241,385	256,993	209,086	185,537	195,373	214,622	2,024,736
Total	1,772,971	1,681,307	1,750,392	1,673,834	1,644,638	1,598,512	15,080,302
% change from previous year	(3.1)%	(5.2)%	4.1%	(4.4)%	(1.7)%	(2.8)%	
Costs and expenses							
Cost of sales	1,592,758	1,480,357	1,547,466	1,486,537	1,469,436	1,419,901	13,395,292
Selling, general and administrative	138,800	157,311	136,179	131,771	125,712	118,712	1,119,925
Total	1,731,558	1,637,668	1,683,645	1,618,308	1,595,148	1,538,613	14,515,217
Operating income	41,413	43,639	66,747	55,526	49,490	59,899	565,085
Income (loss) before income taxes and other items							
taxes and other items	23,481	(85,505)	20,228	(52,383)	29,013	27,782	262,094
Income taxes	32,043	(28,950)	12,094	(13,115)	14,212	11,886	112,132
Net income (loss)	¥ (5,670)	¥ (52,802)	¥ 8,382	¥ (30,997)	¥ 14,999	¥ 10,353	\$ 97,670
Per 100 shares of common stock							
(in yen and dollars):							
Shareholders' equity	¥ 29,317	¥ 19,252	¥ 23,867	¥ 18,443	¥ 18,091	¥ 21,170	\$ 200
Net income (loss)	(588)	(5,473)	869	(3,213)	1,552	1,080	10
Cash dividends	700	500	500	500	500	500	5
Financial ratios:							
Net income (loss) as a percentage of total revenue	(0.3)%	(3.1)%	0.5%	(1.9)%	0.9%	0.6%	
Total costs and expenses as a percentage of total revenue	97.7%	97.4%	96.2%	96.7%	97.0%	96.3%	
Dividends paid as a percentage of net income	—	—	57.6%	—	32.2%	46.3%	
Financial position data:							
Current assets	¥1,719,364	¥1,403,912	¥1,286,330	¥1,197,769	¥1,173,621	¥1,076,988	\$10,160,264
Current liabilities	1,899,790	1,577,480	1,424,921	1,309,900	1,217,421	1,141,804	10,771,736
Net property and equipment	610,677	506,468	465,119	391,612	385,440	314,858	2,970,358
Long-term debt	433,329	333,452	361,851	317,026	345,301	307,733	2,903,142
Shareholders' equity	282,852	185,748	230,265	177,931	174,538	204,243	1,926,821
Other data:							
New orders received during the year ..	¥1,634,592	¥1,699,684	¥1,605,048	¥1,659,277	¥1,601,842	¥1,539,253	\$14,521,255
Contract backlog at end of the year ..	1,957,879	1,976,256	1,830,912	1,816,355	1,773,559	1,714,300	16,172,642
Shares issued (thousands)	964,803	964,803	964,803	964,803	964,803	964,803	

*U.S. dollar amounts are translated from yen, for convenience only, at the rate of US \$ 1 = ¥106

Financial Review

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31

Operations

During the year under review, in general, severe business conditions in Japan's domestic construction market continued, while the Japanese economy entered a recovery trend. Within that context, Taisei Corporation and its consolidated subsidiaries (the "Taisei Corporation Group") devoted all of its efforts to boosting profits.

As a result, though net sales declined 2.8% year-on-year to ¥1.599 trillion, operating income grew 21.0% to ¥59.9 billion.

Early adoption of the accounting standard for impairment of fixed assets, for enhancing financial soundness, resulted in the recording of an impairment loss of ¥52.6 billion and net income of ¥10.4 billion, a year-on-year decrease of 31.0%.

The dividend was maintained at the level of the previous year, with a distribution of ¥5 per share.

Financial Position

As of March 31, 2004, total consolidated assets had declined ¥121.3 billion from the level of a year ago to ¥1.772 trillion. Net property and equipment declined significantly to ¥70.6 billion due to the recording of impairment losses.

On the other side of balance sheet, employees' severance and retirement benefits fell by ¥24.9 billion because of the increase of fair value of pension assets and so on. As a result of the Taisei Corporation Group's efforts to improve its financial position, total consolidated interest-bearing debt decreased by ¥57.2 billion to ¥584.5 billion.

Shareholders' equity increased ¥29.7 billion to ¥204.2 billion with an increase of net unrealized holding gains on securities in line with the recovery of the market value, and the ratio of total shareholders' equity to total assets increased 2.3 percentage points to 11.5%.

Cash Flows

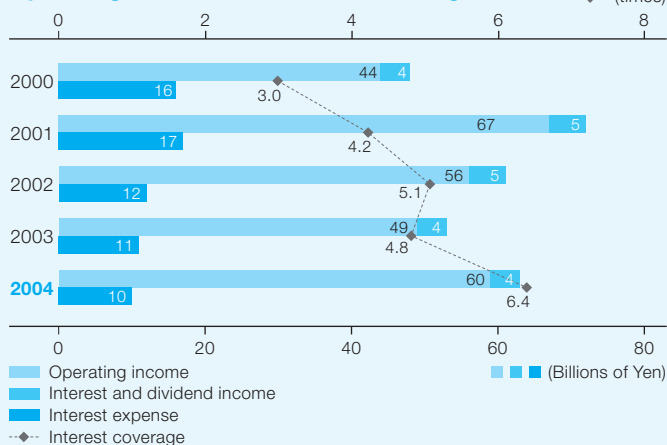
Net cash provided by operating activities increased by ¥53.1 billion over the year to ¥80.4 billion. The primary reason for the increase was ¥45.0 billion in net flows in inventories, from a ¥22.9 billion increase in the previous year to a ¥22.1 billion decrease.

Net cash used in investing activities amounted to ¥16.4 billion. The figure reflected increased purchase and reduced sale of marketable and investment securities.

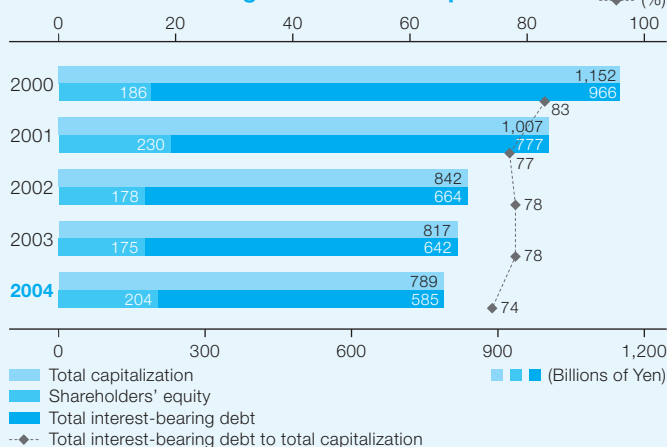
A significant portion of the net cash provided by operations were used to repay interest-bearing debt, so cash flows from financing activities ended the year in a net negative figure (cash used) of ¥63.1 billion.

As a result, cash and cash equivalents at end of year increased ¥0.7 billion for the year, coming to ¥129.6 billion.

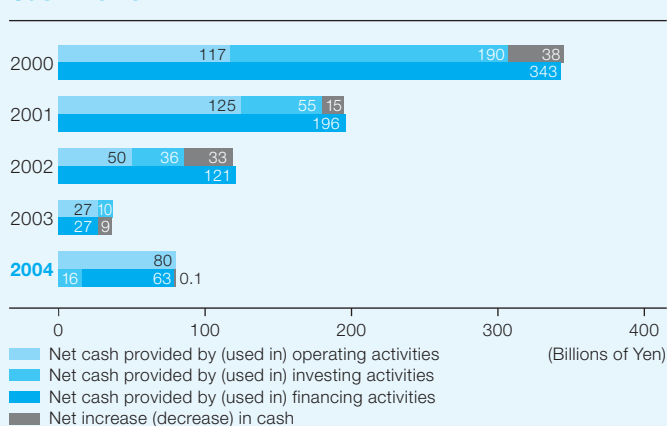
Operating Income and Interest Coverage



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.

Financial Section

Consolidated Balance Sheets

 TAISEI CORPORATION and Consolidated Subsidiaries
 March 31, 2003 and 2004

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Current assets:			
Cash (Note 3).....	¥ 119,043	¥ 122,173	\$ 1,152,575
Time deposits (Notes 3 and 5).....	10,447	9,097	85,821
Trade receivables:			
Notes.....	30,909	22,731	214,443
Accounts.....	300,436	279,797	2,639,594
Loans.....	136	120	1,132
Allowance for doubtful accounts.....	(3,227)	(2,017)	(19,028)
Inventories:			
Real estate development (Note 5).....	127,789	90,371	852,557
Raw materials and supplies.....	71,018	70,983	669,651
Cost of uncompleted contracts.....	360,608	339,871	3,206,330
Deferred income taxes (Note 7).....	72,610	68,919	650,179
Prepaid expenses and other current assets (Note 5).....	83,852	74,943	707,010
Total current assets.....	1,173,621	1,076,988	10,160,264
Property and equipment, at cost (Note 17):			
Land (Note 5).....	232,446	191,719	1,808,670
Buildings and structures (Note 5).....	216,145	195,766	1,846,849
Machinery and equipment.....	73,895	74,813	705,783
Construction in progress.....	5,540	621	5,858
	528,026	462,919	4,367,160
Accumulated depreciation.....	(142,586)	(148,061)	(1,396,802)
Net property and equipment.....	385,440	314,858	2,970,358
Investments and other assets (Note 17):			
Investments in unconsolidated subsidiaries and affiliated companies.....	3,632	3,866	36,472
Investment securities (Notes 4 and 5).....	147,533	198,741	1,874,915
Deferred income taxes (Note 7).....	72,002	52,451	494,821
Deferred income taxes for revaluation of land (Notes 7 and 14).....	7	8	75
Other assets (Note 5).....	118,172	133,158	1,256,208
Allowance for doubtful accounts.....	(6,919)	(7,927)	(74,783)
	334,427	380,297	3,587,708
	¥1,893,488	¥1,772,143	\$16,718,330

See accompanying notes.

Liabilities and Shareholders' Equity	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Current liabilities:			
Short-term borrowings (Notes 5 and 6)	¥ 154,979	¥ 147,845	\$ 1,394,764
Long-term debt due within one year (Notes 5 and 6)	141,421	128,957	1,216,575
Trade payables:			
Notes	125,004	111,922	1,055,868
Accounts	317,723	323,499	3,051,877
Advances received and progress billings on uncompleted contracts	328,751	296,015	2,792,595
Income taxes payable (Note 7)	1,906	4,812	45,396
Other current liabilities	147,637	128,754	1,214,660
Total current liabilities	1,217,421	1,141,804	10,771,736
Long-term debt (Notes 5 and 6)	345,301	307,733	2,903,142
Employees' severance and retirement benefits (Note 8)	64,417	39,531	372,934
Allowance for accrued severance indemnities to directors and corporate auditors	3,081	2,624	24,754
Deferred income taxes for revaluation of land (Notes 7 and 14)	3,275	4,131	38,972
Allowance for losses on restructuring	15,152	325	3,066
Other non-current liabilities	48,778	45,924	433,245
Minority interest in consolidated subsidiaries	21,525	25,828	243,660
Contingent liabilities (Note 13)			
Shareholders' equity (Notes 9 and 16):			
Common stock			
Authorized: 1,145,000,000 shares			
Issued: 964,802,821 shares	94,348	94,348	890,075
Capital surplus	61,274	61,505	580,236
Retained earnings	10,262	16,528	155,925
Revaluation reserve for land (Note 14)	3,029	2,450	23,113
Net unrealized holding gains on securities	7,072	31,116	293,547
Foreign currency translation adjustments	(1,405)	(1,674)	(15,792)
	174,580	204,273	1,927,104
Less : Treasury stock at cost	(42)	(30)	(283)
Total shareholders' equity	174,538	204,243	1,926,821
	¥1,893,488	¥1,772,143	\$16,718,330

Financial Section

Consolidated Statements of Operations

 TAISEI CORPORATION and Consolidated Subsidiaries
 Years Ended March 31, 2003 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Revenue:			
Net sales (Note 12):			
Construction	¥1,449,265	¥1,383,890	\$13,055,566
Real estate (including other)	195,373	214,622	2,024,736
	1,644,638	1,598,512	15,080,302
Costs and expenses (Note 12):			
Cost of sales (Note 15)	1,469,436	1,419,901	13,395,292
Selling, general and administrative (Note 15)	125,712	118,712	1,119,925
	1,595,148	1,538,613	14,515,217
Operating income	49,490	59,899	565,085
Other income (expense):			
Interest and dividend income	4,111	4,073	38,425
Interest expense	(10,973)	(10,174)	(95,981)
Gain on sale of investment securities	4,674	13,909	131,217
Gain on sale of property and equipment	1,781	21	198
Gain on investment securities contribution to employees' retirement benefit trust	—	24,880	234,717
Gain on sale of reacquired land from the Organization for Promoting Urban Development	—	25,830	243,679
Write-down of investment securities	(10,243)	(762)	(7,189)
Write-down of real estate for sale	(6,701)	(17,560)	(165,660)
Impairment losses on fixed assets (Note 17)	—	(52,592)	(496,151)
Loss on investments in related companies	(2,618)	(369)	(3,482)
Other, net	(508)	(19,373)	(182,764)
	(20,477)	(32,117)	(302,991)
Income before income taxes and other items	29,013	27,782	262,094
Income taxes (Note 7):			
Current	2,378	5,530	52,170
Deferred	11,834	6,356	59,962
	14,212	11,886	112,132
	14,801	15,896	149,962
Minority interest in net loss (income) of consolidated subsidiaries	198	(5,543)	(52,292)
Net income	¥ 14,999	¥ 10,353	\$ 97,670
Amounts per share of common stock:			
	Yen		U.S. Dollars (Note 1)
Net income (Note 16)	¥ 15.52	¥ 10.80	\$ 0.102
Cash dividends applicable to the year	5.00	5.00	0.047

See accompanying notes.

Financial Section

Consolidated Statements of Shareholders' Equity

 TAISEI CORPORATION and Consolidated Subsidiaries
 Years Ended March 31, 2003 and 2004

	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 adjustment	Treasury stock
Balance at March 31, 2002	964,803	¥94,348	¥61,274	¥ 4,811	¥ (1,668)	¥20,627	¥(1,455)	¥ (6)
Net income	—	—	—	14,999	—	—	—	—
Net unrealized holding gains on securities	—	—	—	—	—	(13,555)	—	—
Foreign currency translation adjustments	—	—	—	47	—	—	50	—
Treasury stock	—	—	—	—	—	—	—	(36)
Cash dividends paid (¥5.00 per share)	—	—	—	(4,823)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(31)	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	(4,741)	4,697	—	—	—
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	¥61,505	¥16,528	¥2,450	¥31,116	¥(1,674)	¥(30)

	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 adjustment	Treasury stock	
Balance at March 31, 2003	\$890,075	\$578,057	\$ 96,811	\$28,575	\$ 66,717	\$(13,255)	\$(396)	
Net income	—	—	97,670	—	—	—	—	
Net unrealized holding gains on securities	—	—	—	—	226,830	—	—	
Foreign currency translation adjustments	—	—	113	—	—	(2,537)	—	
Increase of consolidated subsidiaries	—	—	(226)	—	—	—	—	
Increase of affiliated subsidiaries	—	—	8,198	—	—	—	—	
Treasury stock	—	—	—	—	—	—	113	
Gain on exchange of treasury stock	—	2,179	—	—	—	—	—	
Cash dividends paid (¥5.00 per share)	—	—	(45,245)	—	—	—	—	
Bonuses to directors and corporate auditors	—	—	(292)	—	—	—	—	
Reversal of revaluation reserve for land	—	—	1,047	(5,462)	—	—	—	
Decrease due to revaluation of assets of consolidated overseas subsidiaries	—	—	(2,151)	—	—	—	—	
Balance at March 31, 2004	\$890,075	\$580,236	\$155,925	\$23,113	\$293,547	\$(15,792)	\$(283)	

See accompanying notes.

Financial Section

Consolidated Statements of Cash Flows

 TAISEI CORPORATION and Consolidated Subsidiaries
 Years Ended March 31, 2003 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Cash flows from operating activities:			
Income before income taxes and other items	¥ 29,013	¥ 27,782	\$ 262,094
Adjustments to reconcile income before income taxes and other items to net cash provided by operating activities:			
Depreciation and amortization	12,732	12,773	120,500
Impairment losses on fixed assets	—	52,592	496,151
Increase (decrease) in retirement benefits	(2,683)	3,757	35,443
Interest and dividend income	(4,111)	(4,073)	(38,425)
Interest expense	10,973	10,174	95,981
Write-down of investment securities	10,243	762	7,189
Gain on sale of investment securities	(4,673)	(13,908)	(131,208)
Write-down of real estate for sale	6,701	17,560	165,660
Gain on sale of property and equipment	(1,781)	(21)	(198)
Gain on securities contribution to employees' retirement benefit trust	—	(24,880)	(234,717)
Changes in assets and liabilities:			
Decrease in trade receivables	14,684	32,763	309,085
Decrease in cost of uncompleted contracts	36,734	21,091	198,972
(Increase) decrease in inventories	(22,868)	22,142	208,887
Decrease in claim in bankruptcy and reorganization claim	4,412	4,610	43,491
(Increase) decrease in other investments	6,045	(17,563)	(165,689)
Decrease in trade payables	(37,504)	(12,020)	(113,396)
Decrease in advances received and progress billings on uncompleted contracts	(14,405)	(32,804)	(309,472)
Increase (decrease) in deposit received	18,230	(8,083)	(76,255)
Other, net	(24,878)	(3,099)	(29,235)
	36,864	89,555	844,858
Cash received (paid) during the year for:			
Interest and dividends received	3,136	3,748	35,358
Interest paid	(10,839)	(10,231)	(96,518)
Income taxes paid	(1,864)	(2,713)	(25,594)
Net cash provided by operating activities	27,297	80,359	758,104
Cash flows from investing activities:			
(Increase) decrease in time deposits	292	(816)	(7,698)
Decrease in short-term loans receivable	30	23	217
Purchase of marketable and investment securities	(16,808)	(32,211)	(303,877)
Proceeds from sale of marketable and investment securities	39,812	27,409	258,575
Purchase of property, equipment and intangible assets	(19,157)	(12,764)	(120,415)
Proceeds from sale of property, equipment and intangible assets	7,214	2,369	22,349
Other, net	(1,366)	(401)	(3,783)
Net cash provided by (used in) investing activities	10,017	(16,391)	(154,632)
Cash flows from financing activities:			
Decrease in short-term borrowings	(59,347)	(7,274)	(68,623)
Proceeds from long-term debt	175,228	97,445	919,292
Repayment of long-term debt	(138,247)	(146,768)	(1,384,604)
Purchase of treasury stock	(36)	(2,507)	(23,650)
Cash dividends paid, including those to minority interest	(4,943)	(5,018)	(47,339)
Other, net	—	998	9,415
Net cash used in financing activities	(27,345)	(63,124)	(595,509)
Effect of exchange rate changes on cash and cash equivalents	(616)	(1,029)	(9,708)
Net increase (decrease) in cash and cash equivalents	9,353	(185)	(1,745)
Cash and cash equivalents at beginning of year	119,539	128,892	1,215,962
Increase in cash and cash equivalents by newly consolidated and excluded subsidiaries	—	848	8,000
Cash and cash equivalents at end of year (Note 3)	¥128,892	¥129,555	\$1,222,217

See accompanying notes.

Notes to Consolidated Financial Statements

TAISEI CORPORATION and Consolidated Subsidiaries
March 31, 2003 and 2004

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, 2004, which was ¥106 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 47 of its subsidiaries in the year ended March 31, 2003 and 57 of its subsidiaries in the year ended March 31, 2004. All significant intercompany transactions and account balances are eliminated in consolidation.

Investments in significant affiliates, which were 7 companies for 2003 and 9 companies for 2004, 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 10 consolidated overseas subsidiaries for 2003 and 12 consolidated overseas subsidiaries for 2004, whose fiscal years end on December 31. Significant transactions, if any, in the three months ended March 31, 2003 and 2004 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 assets and liabilities denominated in foreign currencies hedged by forward exchange contracts are translated at the contracted forward rate. Realized exchange gains and losses are reflected in the consolidated statements of operations. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions are made. The resulting exchange losses and gains are charged or credited to income.

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 unrealized 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.

(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 of 24 months or more and the contract amount of ¥5,000 million (\$47,170 thousand) or more.

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 Notes 2 (t) and 17, the Company and its consolidated subsidiaries adopted early 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 computes the provision for income taxes based on the pretax income included in the consolidated statement of operations 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 post-employment benefit plans, 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.

The actuarial differences of the Company, which had previously been amortized using the declining-balance method over 10 years, was changed to be amortized using the straight-line method over 10 years effective April 1, 2002. This change was made in effort to recognize periodic allocation of expenses properly for each year. As a result, operating income and income before income taxes and other items increased by ¥2,759 million, compared with what would have been recorded under the previously adopted method.

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) Treasury stock and reversal of statutory reserves

Effective April 1, 2002, the Company and its consolidated subsidiaries adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reversal of Statutory Reserves", issued by the Accounting Standards Board of Japan on February 21, 2002). The adoption of the new accounting standard had no impact on the financial statements.

Effective April 1, 2002, the presentation formats of the consolidated balance sheets and the consolidated statements of shareholders' equity were revised by following the revision of those formats on Japanese GAAP. As a result of adopting the new formats, the shareholders' equity section on the consolidated balance sheets and the consolidated statements of shareholders' equity for the year ended March 31, 2002 have been restated to conform to the current year presentation. There was no impact on net income (loss) in the period.

(q) Net Income (Loss) 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, 2003 and 2004 was not shown, since the Company had no securities with dilutive effect to net income per share.

Effective April 1, 2002, the Company and its consolidated subsidiaries adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4,

"Implementation Guidance for Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002). The effect of adopting of the new standard and guidance is disclosed in the note for earnings per share.

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

(r) 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, 2004 include amounts representing the year-end cash dividends, which were approved at the shareholders' meeting held on June 25, 2004 as described in Note 18, and bonuses to directors subsequently approved by shareholders of a consolidated subsidiary.

(s) Social Insurance Premium related to Bonus

Effective from the year ended March 31, 2003, the Company had changed the accounting policy for social insurance premium related to bonus, since bonus payments were subject to payments of social insurance premium from April 1, 2003 according to the revised Employees' Pension Insurance Law etc., and it had significant impact. As a result, social insurance premium associated with bonus was accrued and charged to income for the year ended March 31, 2003. This change resulted in decrease in gross profits by ¥969 million and decreases in operating income, ordinary income, and income before income taxes by ¥1,588 million.

(t) 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 ending March 31, 2004, the Company and its consolidated subsidiaries adopted early 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 (\$496,151 thousand) compared to what would have been recorded under the previous accounting standard. In addition, accumulated impairment losses are deducted directly from the related fixed assets.

(u) Reclassifications

Certain reclassifications of the consolidated financial statements for the year ended March 31, 2003 have been made to conform to the presentation for the year ended March 31, 2004.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Cash	¥119,043	¥122,173	\$1,152,575
Time deposits	10,447	9,097	85,821
Less: Time deposits over three months	(598)	(1,715)	(16,179)
Total	¥128,892	¥129,555	\$1,222,217

4. Securities

(1) Following tables summarized acquisition costs, book values and fair value of securities with available fair values as of March 31, 2003 and 2004:

(a) Held-to-maturity debt securities:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Securities with available fair values exceeding book values			
Book value	¥ 49	¥101	\$952
Fair value	49	101	952
Difference	¥ 0	¥ 0	\$ 0
Other securities			
Book value	¥121	¥ 89	\$840
Fair value	121	89	840
Difference	¥ (0)	¥ (0)	\$ (0)

(b) Available-for-sale securities:

Securities with book values exceeding acquisition costs

Type	Millions of Yen						Thousands of U.S. Dollars		
	2003			2004			2004		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥47,091	¥65,194	¥18,103	¥78,731	¥132,553	¥53,822	\$742,745	\$1,250,500	\$507,755
Bonds	51	58	7	37	44	7	349	415	66
Others	1,381	1,578	197	1,581	2,251	670	14,915	21,236	6,321
Total	¥48,523	¥66,830	¥18,307	¥80,349	¥134,848	¥54,499	\$758,009	\$1,272,151	\$514,142

Other securities

Type	Millions of Yen						Thousands of U.S. Dollars		
	2003			2004			2004		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥39,263	¥32,848	¥(6,415)	¥18,056	¥16,809	¥(1,247)	\$170,340	\$158,575	\$(11,765)
Bonds	63	63	(0)	60	60	(0)	566	566	(0)
Others	564	505	(59)	365	338	(27)	3,443	3,189	(254)
Total	¥39,890	¥33,416	¥(6,474)	¥18,481	¥17,207	¥(1,274)	\$174,349	\$162,330	\$(12,019)

(2) Following tables summarized book values of securities with no available fair values as of March 31, 2003 and 2004:

(a) Held-to-maturity debt securities:

Type	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Unlisted domestic corporate bonds	¥10,000	¥10,000	\$94,340

(b) Available-for-sale securities:

Type	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Unlisted foreign bonds	¥ 3,824	¥ 3,030	\$ 28,585
Unlisted equity securities (exclusive of OTC registered stocks)	23,995	23,392	220,679
Unlisted preferred equity securities	10,210	10,210	96,321
Total	¥38,029	¥36,632	\$345,585

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

Type	Millions of Yen				
	2003				
	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	¥ 33	¥ 211	¥ —	¥—	¥ 244
Corporate bonds	—	46	10,000	—	10,046
Others	752	3,267	—	—	4,019
Other securities	—	191	19	—	210
Total	¥785	¥3,715	¥10,019	¥—	¥14,519

Type	Millions of Yen				
	2004				
	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	¥ 10	¥—	¥ 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	¥10,041	¥—	¥13,544

Type	Thousands of U.S. Dollars				
	2004				
	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	\$1,075	\$ 1,179	\$ 94	\$—	\$ 2,348
Corporate bonds	94	321	94,340	—	94,755
Others	38	28,340	—	—	28,378
Other securities	1,123	877	292	—	2,292
Total	\$2,330	\$30,717	\$94,726	\$—	\$127,773

(4) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Total sales of available-for-sale securities sold	¥28,896	¥26,439	\$249,425
Gain on sale of available-for-sale securities	5,939	14,023	132,292
Loss on sale of available-for-sale securities	1,265	114	1,075

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 (\$270,274 thousand) 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 (\$234,717 thousand) 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, 2003 and 2004:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Time deposits	¥ 31	¥ 1,771	\$ 16,708
Inventories: Real estate development	2,074	768	7,245
Other current assets	25	—	—
Land	28,389	27,549	259,896
Buildings and structures (net of accumulated depreciation)	17,104	22,175	209,198
Investment securities	251	395	3,727
Other assets	247	247	2,330
Total	¥48,121	¥52,905	\$499,104

6. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2003 and 2004 mainly consisted of short-term notes and overdrafts from banks. The weighted average interest rates of short-term borrowings at March 31, 2003 and 2004 was 1.0% per annum.

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, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Bonds and notes:			
Issues by the Company:			
3.15% yen bonds due in 2004	¥ 10,000	¥ —	\$ —
3.05% yen bonds due in 2003	10,000	—	—
2.04% yen bonds due in 2003	5,000	—	—
2.55% yen bonds due in 2009	10,000	10,000	94,340
2.2% yen bonds due in 2004	10,000	—	—
2.0% yen bonds due in 2004	20,000	—	—
1.2% yen bonds due in 2004	10,000	10,000	94,340
1.85% yen bonds due in 2006	10,000	10,000	94,340
1.5% yen bonds due in 2006	20,000	20,000	188,679
1.15% yen bonds due in 2007	—	15,000	141,509
0.93% yen bonds due in 2008	—	10,000	94,340
1.31% yen bonds due in 2008	—	10,000	94,340
Issues by subsidiaries:			
1.3% yen bonds due in 2007	1,000	1,000	9,434
Other fixed and floating rate bonds due in 2004-2006	6,591	1,981	18,688
Loans, principally from banks and insurance companies:			
Secured loans	11,242	14,730	138,962
Unsecured loans	362,889	333,979	3,150,745
	486,722	436,690	4,119,717
Amount due within one year	(141,421)	(128,957)	(1,216,575)
Total long-term debt (due after one year)	¥345,301	¥307,733	\$2,903,142

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, 2003 and 2004 were principally from banks and insurance companies. The weighted average interest of loans at March 31, 2003 and 2004 was 1.4% per annum.

The aggregate annual maturities of long-term debt (including current portion) at March 31, 2004 were summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2005	¥128,957	\$1,216,575
2006	114,588	1,081,019
2007	104,126	982,321
2008	49,522	467,189
2009	25,727	242,708
2010 and thereafter	13,770	129,905
Total	¥436,690	\$4,119,717

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 aggregate statutory income tax rate used for calculation of deferred income tax assets and liabilities was 40.9% for the year ended March 31, 2002. Effective for years commencing on April 1, 2004 or later, according to the revised local tax law, income tax rates for enterprise taxes were reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income tax assets and liabilities, the Company and its consolidated subsidiary used the aggregate statutory income tax rate of 40.7% at March 31, 2003. As a result of the change in the aggregate statutory income tax rates, deferred income tax assets (net) decreased by ¥513 million, provision for deferred income taxes increased by ¥513 million and net income decreased by ¥501 million. Also deferred income tax assets for revaluation of land decreased by ¥0 million, deferred income tax liabilities for revaluation of land decreased by ¥38 million, revaluation reserve for land increased by ¥22 million and minority interest in consolidated

subsidiaries increased by ¥16 million compared with what would have been recorded under the previous local tax law.

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, 2003:

	2003
Statutory tax rate	40.9%
Permanent differences:	
Non-deductible expenses	10.9
Non-taxable income	(1.0)
Per capita inhabitant tax	2.1
Adjustment on deferred tax assets due to	
change in the aggregate statutory rate	1.8
Unrecognized tax effect against unrealized gains	1.0
Valuation allowance	(8.2)
Others	1.5
Effective tax rate	49.0%

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, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Deferred income tax assets:			
Disallowed portion of expenses and losses:			
Inventories	¥ 55,701	¥ 56,550	\$ 533,490
Bad debt expenses and allowance for doubtful accounts	10,729	13,653	128,802
Retirement benefits	40,769	44,427	419,123
Allowance for losses on restructuring	6,168	—	—
Fixed assets	—	12,052	113,698
Consolidation adjustment on investments in related companies	—	17,102	161,340
Accrued bonus	5,007	4,548	42,906
Other	12,941	12,419	117,160
Tax loss carryforward	29,009	6,143	57,953
Unrealized profits	21,723	12,475	117,689
Sub-total	182,047	179,369	1,692,161
Valuation allowance	(16,618)	(10,037)	(94,689)
Total	165,429	169,332	1,597,472
Deferred income tax liabilities:			
Net unrealized holding gains on securities	(4,829)	(21,646)	(204,207)
Gains on securities contribution to employee retirement benefit trust	(13,430)	(23,556)	(222,226)
Reserve for tax deferral on replacement of assets	(2,485)	(2,255)	(21,274)
Special depreciation reserve	(32)	(34)	(321)
Adjustment on investments in related companies regarding consolidated tax system	(52)	(472)	(4,453)
Other	(1)	(0)	(0)
Total	(20,829)	(47,963)	(452,481)
Net total	¥144,600	¥121,369	\$1,144,991

Deferred tax liabilities amounting to ¥12 million and ¥1 million (\$9 thousand) were included in other non-current liabilities in the consolidated balance sheets at March 31, 2003 and 2004, respectively.

In addition to the deferred income taxes shown above, deferred tax assets and deferred tax liabilities concerning the revaluation of land amounting to ¥7 million and ¥3,275 million at March 31, 2003

and ¥8 million (\$75 thousand) and ¥4,131 million (\$38,972 thousand) at March 31, 2004, are included in the consolidated balance sheets as of March 31, 2003 and 2004.

Effective April 1, 2002, income taxes are calculated based on the system of consolidated tax returns. This change resulted in increases in net income by ¥2,262 million in comparison with the amount under the previous method.

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, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Projected benefit obligation	¥(206,147)	¥(205,042)	\$(1,934,359)
Unrecognized actuarial differences	60,745	10,974	103,528
Unrecognized prior service cost	(634)	(547)	(5,160)
Less: Fair value of pension assets	81,779	155,087	1,463,085
Prepaid pension expense	(160)	(3)	(28)
Employees' severance and retirement benefits	¥ (64,417)	¥ (39,531)	\$ (372,934)

Included in the consolidated statement of operations for the years ended March 31, 2003 and 2004, severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Service costs - benefits earned during the year	¥ 7,237	¥ 7,614	\$ 71,830
Interest cost on projected benefit obligation	5,815	5,053	47,670
Expected return on plan assets ..	(2,230)	(1,833)	(17,292)
Amortization of actuarial differences	3,908	8,545	80,613
Amortization of prior service cost	(51)	(86)	(811)
Special retirement benefits and others	386	369	3,481
Severance and retirement benefit expenses	¥15,065	¥19,662	\$185,491

The discount rate used by the Company and its consolidated domestic subsidiaries for the year ended March 31, 2003 and 2004 was 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, 2003 and 2004 were 1.2% to 4.0% and 1.2% 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 10 years, the period within the estimated average remaining service life of the employees.

As explained in note 2(n), actuarial differences of the Company were previously amortized using the declining-balance method over 10 years prior to April 1, 2002. Effective April 1, 2002, actuarial differences are amortized using the straight-line method over 10 years.

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 non-consolidated subsidiaries adopting the equity method as of March 31, 2003 and 2004 were 197 and 109 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, 2003 and 2004, inclusive of interest, were summarized as follows:

	Millions of Yen					
	2003			2004		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Buildings	¥ 4,757	¥2,038	¥2,719	¥ 3,556	¥1,626	¥1,930
Machinery and equipment	7,102	3,183	3,919	6,702	3,221	3,481
Total	¥11,859	¥5,221	¥6,638	¥10,258	¥4,847	¥5,411

	Thousands of U.S. Dollars		
	2004		
	Acquisition cost	Accumulated depreciation	Book value
Buildings	\$33,547	\$15,339	\$18,208
Machinery and equipment	63,227	30,387	32,840
Total	\$96,774	\$45,726	\$51,048

Future lease payments at March 31, 2003 and 2004, inclusive of interest, under such leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Due within one year	¥2,055	¥1,831	\$17,274
Due after one year	4,583	3,579	33,764
Total	¥6,638	¥5,410	\$51,038

Lease expenses (assumed data as to depreciation of the leased assets) for the years ended March 31, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Lease payments (assumed depreciation)	¥2,121	¥2,183	\$20,594

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, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Due within one year	¥ 2,745	¥ 3,504	\$ 33,057
Due after one year	33,379	34,434	324,849
Total	¥36,124	¥37,938	\$357,906

(b) Lessor

Future minimum lease receipts as of March 31, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Due within one year	¥ 1,014	¥ 1,222	\$ 11,528
Due after one year	15,183	15,275	144,104
Total	¥16,197	¥16,497	\$155,632

11. Derivative Transactions

Derivative transactions of the Company and its consolidated subsidiaries at March 31, 2003 and 2004 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 forward foreign exchange contracts to hedge foreign exchange risk. Their derivative positions related to interest rate swaps, interest rate options 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 currency 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.

(2) Market Value of Derivative Transactions

Interest Rate-Related Derivatives:

2003

Unlisted transactions	Millions of Yen			
	Contract amount			Unrealized gain (loss)
	Total	Due after one year	Market value	
Interest rate swaps:				
Receive fix/Pay float	¥30,000	¥15,000	¥2,595	¥2,622
Receive float/Pay fix	22,500	12,500	(2,027)	(1,979)
Receive float/Pay float	5,000	—	10	10
Total	¥57,500	¥27,500	¥ 578	¥ 653

2004

Unlisted transactions	Millions of Yen			
	Contract amount			Unrealized gain (loss)
	Total	Due after one year	Market value	
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

2004

Unlisted transactions	Thousands of U.S. Dollars			
	Contract amount			Unrealized gain (loss)
	Total	Due after one year	Market value	
Interest rate swaps:				
Receive fix/Pay float	\$141,509	\$141,509	\$14,132	\$14,349
Receive float/Pay fix	94,340	94,340	(8,802)	(8,519)
Total	\$235,849	\$235,849	\$ 5,330	\$ 5,830

- 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. Set forth below indicates 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:
- As at March 31, 2003 ¥45,000 million
- As at March 31, 2004 ¥20,000 million (\$188,679 thousand)

12. 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, 2003 and 2004 were summarized as follows:

2003

	Millions of Yen				
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers	¥1,449,265	¥105,239	¥90,134	¥ —	¥1,644,638
Intersegment	27,309	1,868	5,967	(35,144)	—
Total	1,476,574	107,107	96,101	(35,144)	1,644,638
Costs and expenses	1,437,518	98,370	94,482	(35,222)	1,595,148
Operating income	¥ 39,056	¥ 8,737	¥ 1,619	¥ 78	¥ 49,490
II. Identifiable assets, depreciation expense and capital expenditures					
Identifiable assets	¥1,329,918	¥482,733	¥103,204	¥(22,367)	¥1,893,488
Depreciation expense	7,809	2,784	2,139	—	12,732
Capital expenditures	11,835	5,886	3,473	(396)	20,798

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

2004

	Thousands of U.S. Dollars				
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers	\$13,055,566	\$1,200,151	\$824,585	\$ —	\$15,080,302
Intersegment	286,868	15,566	152,462	(454,896)	—
Total	13,342,434	1,215,717	977,047	(454,896)	15,080,302
Costs and expenses	12,913,547	1,090,821	964,698	(453,849)	14,515,217
Operating income	\$ 428,887	\$ 124,896	\$ 12,349	\$ (1,047)	\$ 565,085
II. Identifiable assets, depreciation expense and capital expenditures					
Identifiable assets	\$12,432,538	\$3,901,604	\$481,302	\$ (97,114)	\$16,718,330
Depreciation expense	61,019	26,198	33,283	—	120,500
Impairment losses on fixed assets	37,726	122,717	335,708	—	496,151
Capital expenditures	65,519	33,689	19,085	(1,085)	117,208

Notes

1. The types of business above are based upon the Standard Industrial Classification in Japan and net sales categories in the consolidated statements of operations.
2. As explained in note 2(n), the actuarial differences of the Company, which had previously been amortized using the declining-balance method over 10 years, was changed to be amortized using the straight-line method over 10 years effective April 1, 2002. The effect of this change was decreases in the costs and expenses of construction and real estate by ¥2,744 million, and ¥15 million, respectively, and increases in operating income of construction and real estate by ¥2,744 million, and ¥15 million, respectively.
3. As explained in note 2(s), effective from the year ended March 31, 2003, the Company had changed the accounting policy for social insurance premium related to bonus, since bonus payments were subject to payments of social insurance premium from April 1, 2003 according to the revised Employees' Pension Insurance Law etc., and it had significant impact. As a result, social insurance premium associated with bonus was accrued and charged to income for the year ended March 31, 2003. The effect of this change was increases in the costs and expenses of construction, real estate, and other by ¥1,439 million, ¥83 million, and ¥66 million, respectively, and decreases in operating income of construction, real estate, and other by ¥1,439 million, ¥83 million, and ¥66 million, respectively.
4. Information by geographic area for the years ended March 31, 2003 and 2004, 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.
5. Overseas sales for the years ended March 31, 2003 and 2004, were not shown since overseas sales were less than 10% of the Company's consolidated net sales.

13. Contingent Liabilities and Commitments

At March 31, 2004, 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 ¥8,910 million (\$84,057 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.

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 (\$943,396 thousand), however, there is no amount of loans as of March 31, 2004.

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. And the differences between these amounts, net of taxes, were stated as "Revaluation reserve for land" in the shareholders' equity.

Also, 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, 2003 and 2004 were ¥2,805 million and ¥3,922 million (\$37,000 thousand), respectively.

15. Research and Development Expenses

Research and development expenses, which were included in selling, general and administrative expenses and costs of sales,

amounted to ¥9,915 million and ¥9,438 million (\$89,038 thousand) for the years ended March 31, 2003 and 2004, respectively.

16. Net Income (Loss) per Share

Effective April 1, 2002, the Company and its consolidated subsidiaries adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

	Yen		U.S. Dollars
	2003	2004	2004
Net assets worth per share	¥180.91	¥211.70	\$1.997
Net income (loss) per share	15.52	10.80	0.102

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, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Net income	¥14,999	¥10,353	\$97,670
Net income not available to common stock holders	30	15	142
(Net income appropriated as bonuses to directors)	(30)	(15)	(142)
Net income available to common stock	14,969	10,338	97,528
Average common stock outstanding (in thousands share)	964,718	957,385	

17. Impairment of Fixed Assets

As described in Note 2 (t), the Company and its consolidated subsidiaries adopted early 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	Thousands of U.S. dollars
Buildings and structures	¥ 4,994	\$ 47,113
Land	4,927	46,481
Others	2,154	20,321
Total	¥12,075	\$113,915

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

	Millions of Yen	Thousands of U.S. dollars
Buildings and structures	¥13,113	\$123,708
Land	14,712	138,792
Others	1,023	9,651
Total	¥28,848	\$272,151

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

	Millions of Yen	Thousands of U.S. dollars
Buildings and structures	¥ 4,566	\$ 43,075
Land	7,020	66,227
Others	83	783
Total	¥11,669	\$110,085

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 Yen 52,592 million (\$496,151 thousand) 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%.

18. Subsequent Event

Cash dividends

The following appropriations of retained earnings at March 31, 2004 were approved at the annual meeting of the Company's shareholders held on June 25, 2004.

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥2.5 (\$ 0.02) per share	¥ 2,412	\$22,755

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, 2003 and 2004, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the two years in the period ended March 31, 2004, 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, 2003 and 2004, and the consolidated results of their operations and their cash flows for each of the two years in the period ended March 31, 2004, 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 (n) and 12 to the consolidated financial statements, effective April 1, 2002, the Company changed its accounting method for amortization of the actuarial differences.
- (2) As discussed in Note 2 (t) 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, 2004 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 25, 2004

Director and Corporate Auditors

Chairman and Representative Director

Osamu Hirashima

President and Representative Director

Kanji Hayama

Director

Masaichi Hayakawa

Representative Directors

Hiromitsu Honda

Masami Ichikawa

Directors

Nobuhiko Tsuruta

Kunihiko Nambu

Hiroshi Yamada

Representative Director

Hiroyasu Takuma

Directors

Tetsuo Sekiya

Yoshiro Yamamoto

Senior Corporate Auditors

Hiroshi Ushioda

Hiroshi Tamaru

Corporate Auditors

Tadashi Yamamoto

Takefumi Higuchi

Hajime Okamura

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 (Building Construction) Division (Integrated)

Masami Ichikawa

General Manager, Civil Engineering Division and In charge of Marketing & Sales and in charge of Safety Administration

Nobuhiko Tsuruta

General Manager, Corporate Planning Office

Kunihiko Nambu

General Manager, International Division

Executive Vice Presidents

Yasuyuki Hirota

In charge of Marketing & Sales

Mikio Ito

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

Mitsuo Masuda

General Manager, Marketing & Sales (Civil Engineering) Division and Deputy General Manager, Corporate Planning Office

Kouji Okumura

General Manager, Housing Division

Hiroshi Yamada

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

Hiroyasu Takuma

General Manager, Business Administration Division

Kuniyuki Sonoda

General Manager, Marketing & Sales (Building Construction) Division I & II and Deputy General Manager, Corporate Planning Office

Hiromichi Hagiwara

General Manager, Engineering Division and General Manager, Ecology Division

Hiromichi Ujihara

Deputy General Manager, Corporate Planning Office

Koutarou Okazaki

General Manager, Nagoya Branch

Takashi Yamauchi

General Manager, Building Construction Division and Deputy General Manager, Corporate Planning Office

Senior Vice Presidents

Toru Kobayashi

General Manager, Tohoku Branch

Yasuto Kikuoka

In charge of Marketing & Sales

Yukio Kobayashi

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

Fumio Ikawa

General Manager, Safety Administration & Environmental Division

Daisuke Takahashi

In charge of Marketing & Sales

Yosuke Nawa

In charge of Marketing & Sales

Katsuhiko Ogura

General Manager, Urban Development Division and In charge of Property Administration

Saisuke Kani

General Manager, Design & Proposal Division

Masashi Kobayashi

General Manager, Sapporo Branch

Atsushi Okamoto

Deputy General Manager, Business Administration Division and General Manager, Personnel Department and Deputy General Manager, Corporate Planning Office

Hitoshi Terashita

General Manager, Kansai Branch

Michio Gokita

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

Vice Presidents

Yasuyuki Nakayama

In charge of Marketing & Sales

Masaya Segawa

In charge of Marketing & Sales

Mitsuo Nakatsumi

General Manager, Secretarial Department

Tadakatsu Kyuma

General Manager, Kyushu Branch

Hiroaki Hibino

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

Isao Komai

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

Hiroshi Mitsuoka

General Manager, Yokohama Branch

Tadatoshi Fujisaki

Deputy General Manager, Kansai Branch

Yoshihiro Fujiwara

Deputy General Manager, Urban Development Division

Hiroshi Kubo

General Manager, Hiroshima Branch

Hiroyuki Kimura

Deputy General Manager, Marketing & Sales (Civil Engineering) Division and Deputy General Manager, Civil Engineering Division

Kenji Nakamura

Deputy General Manager, Civil Engineering Division and General Manager, Civil Engineering Department and Deputy General Manager, Corporate Planning Office

Soichi Kawamura

General Manager, Taisei Technology Center and General Manager, Nuclear Facilities Division

Nobuyuki Motegi

General Manager, Chiba Branch

Takaharu Kubozoe

Deputy General Manager, Corporate Planning Office and General Manager, Corporate Planning Department

Kunihiko Hirano

Deputy General Manager, International Division and General Manager, Building Construction Department

Hiroshi Tada

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

Isao Nagashima

Deputy General Manager, International Division and General Manager, Civil Engineering Department

Tetsuo Seki

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

Yasuhiro Arai

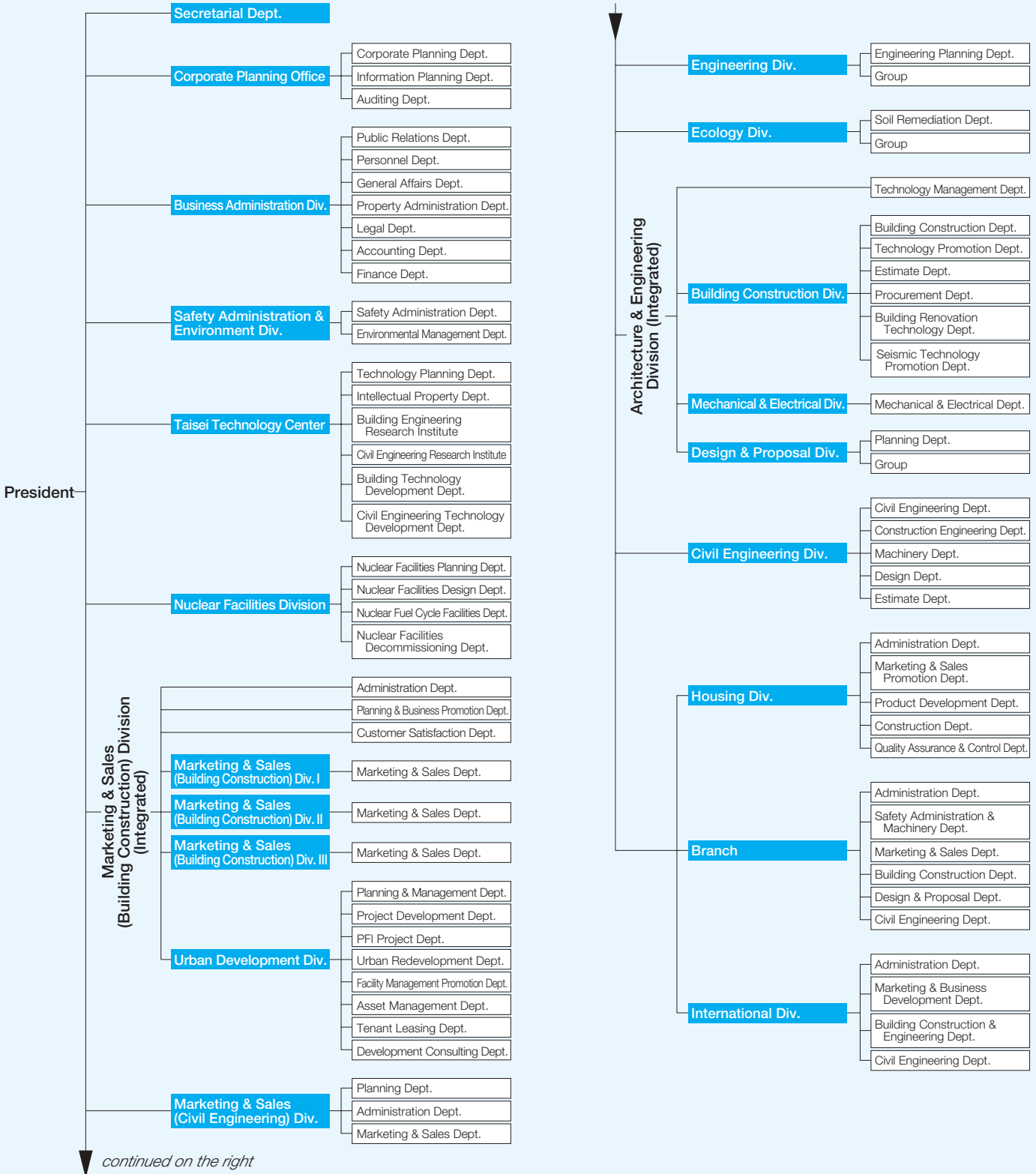
General Manager, Hokushin-etsu Branch

Misao Akune

Deputy General Manager, Business Administration Division and General Manager, Accounting Department

(As of August 1, 2004)

Organization



Corporate Auditor — Auditor's Secretarial Dept.

(As of July 1, 2004)

Corporate Data

Name:	Taisei Corporation	Head Office:	1-25-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0606
Established:	1873	Phone:	+81-3-3348-1111
Paid-in Capital:	¥94,348 million	Fax:	+81-3-3345-0481
Authorized Shares:	1,145,000,000 shares	Domestic Offices:	Tokyo, Kansai, Nagoya, Kyushu, Sapporo, Tohoku, Hiroshima, Yokohama, Hokushin-etsu, Shikoku, Chiba, Kanto
Shares Issued:	964,802,821 shares	Overseas Offices:	Seoul, Hong Kong, Philippines, Myanmar, Kuala Lumpur, Singapore, Frankfurt, Jakarta, London, U.S.A., Hawaii, Peru
Number of Shareholders:	117,769		
Number of Employees:	9,748		
General Meeting of Shareholders:	The General Meeting of Shareholders is held within three months of the day immediately following the day on which the accounts are closed.		
Transfer Agent:	Mizuho Trust & Banking Co., Ltd.		

(As of March 31, 2004)

Principal Subsidiaries and Affiliates

COMPANY	LOCATION	PAID-IN CAPITAL	MAJOR BUSINESSES	EQUITY OWNERSHIP
Subsidiaries				
Yuraku Real Estate Co., Ltd.	Tokyo, Japan	¥ 12,264 million	Real estate sales and insurance	61.4% *1
Taisei Rotec Corporation	Tokyo, Japan	¥ 11,305 million	Road construction and construction material sales	58.2%
Taisei U.Lec Co., Ltd.	Tokyo, Japan	¥ 7,280 million	Housing construction and real estatesales	100%
Seiwa Kiko Co., Ltd.	Tokyo, Japan	¥ 300 million	Construction	100%
Taisei Setsubi Co., Ltd.	Tokyo, Japan	¥ 625 million	Servicing of air-conditioning, plumbing and electric installations	96.9%
Taisei Tourist Agency Ltd.	Tokyo, Japan	¥ 80 million	Tour agent and insurance	100% *1
Taisei Service Co., Ltd.	Tokyo, Japan	¥ 100 million	Real estate management and security	100%
Tojo Golf Club Co., Ltd.	Hyogo, Japan	¥ 30 million	Golf course management	100%
Keiyo Resort Development Co., Ltd.	Chiba, Japan	¥ 3,000 million	Hotel management	78.0%
Yuraku Real Estate Sales Co., Ltd.	Tokyo, Japan	¥ 1,800 million	Real estate brokerage and sales	100% *1
Taisei Kensetsu Housing Co., Ltd.	Tokyo, Japan	¥ 100 million	Housing construction	100%
Taisei UK Ltd.	London, United Kingdom	STG£ 2 million	Construction	100%
Taisei Properties (Hong Kong) Ltd.	Hong Kong, China	HK\$ 18 million	Real estate sales	100%
Affiliates				
Taisei Philippine Construction, Inc.	Makati City, Philippines	P 12.5 million	Construction	40.0%
P.T. Indotaisei Indah Development	Jawa Barat, Indonesia	Rp 70,840 million	Real estate development	49.0%

*1 Figures include indirect ownership.



TAISEI CORPORATION

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