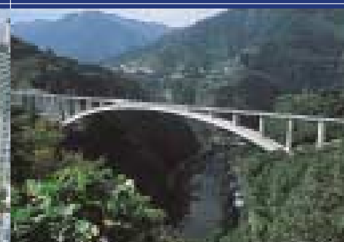
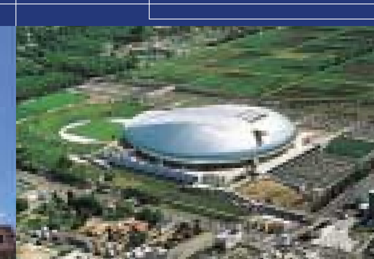
TAISEI





TAISEI CORPORATION **ANNUAL REPORT** 2001

Profile

Supporting Modern Society and Environmental Protection Through Leading-Edge Technologies

Over the past 127 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.

Contents

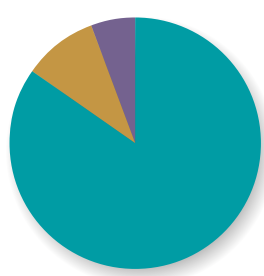
Financial Highlights

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2000 and 2001

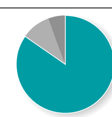
	Millions of Yen (except per share figures)		Thousands of U.S. Dollars* (except per share figures)	
	2000	**2001**	**2001**	Change (%)
Contract backlog at beginning of the year	¥1,957,879	**¥1,976,256**	**$15,937,548**	0.9%
New orders received during the year	1,699,684	**1,605,048**	**12,943,936**	(5.6)
Net sales	1,681,307	**1,750,392**	**14,116,065**	4.1
Contract backlog at end of the year	¥1,976,256	**¥1,830,912**	**$14,765,419**	(7.4%)
Net income (loss)	¥ (52,802)	**¥ 8,382**	**$ 65,597**	—%
Per share (in yen and dollars)	(54.73)	**8.69**	**0.070**	—
Cash dividends applicable to the year	4,824	**4,825**	**38,912**	0.0
Per share (in yen and dollars)	5.00	**5.00**	**0.040**	0.0
Shareholders' equity	185,748	**230,265**	**1,856,976**	24.0
Per share (in yen and dollars)	192.52	**238.67**	**1.925**	24.0
Total assets	2,285,929	**2,189,350**	**17,656,048**	(4.2)

*U.S.dollar amounts above and elsewhere in this Annual Report are translated from yen, for convenience only, at the rate of US$1 = ¥124, the approximate exchange rate at March 31, 2001.

Sales Composition

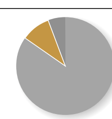


Construction



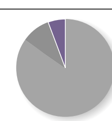
88.1%

Real Estate



6.7%

Other



5.2%

Message from the President

Management Philosophy

Taisei Corporation (the "Company") contributes to the formation of important social capital, including public and industrial infrastructures, by actively advancing our management philosophy of "creation of a vibrant environment for citizens," and cultivating a harmonious relationship between humankind and nature.

Guided by a corporate vision which identifies "Customer Satisfaction as the starting point for creating new values through technology and expertise," the Taisei Corporation Group will realize our mission in society through construction and construction-related business, providing total solutions in response to customer needs and offering exceptional quality and service at a reasonable cost.

Results

In fiscal 2001, the construction industry experienced a slight recovery in private-sector, non-housing investment centered on factories for Information Technology-related companies. However, overall business conditions remained harsh, as private-sector housing investment ran out of steam and public-sector investment declined.

Under these circumstances, consolidated group sales in fiscal 2001, ended March 31, 2001, rose 4.1% from the previous year to \1.7504 trillion, while the volume of orders fell 5.6% on the year to \1.605 trillion. The construction segment accounted for 88% of the total, with real estate development and other businesses representing 12%. Meanwhile, Taisei Corporation Group achieved a 53% year-on-year increase in operating income of \66.7 billion, benefiting from an all-out effort to bolster our management base and profitability. Net income was \8.4 billion after writing off unreserved debt as a lump sum payment, as required by the newly introduced accounting standard for employees' severance and pension benefits and reporting losses on loans provided by the Company and our financial subsidiaries.

Outlook

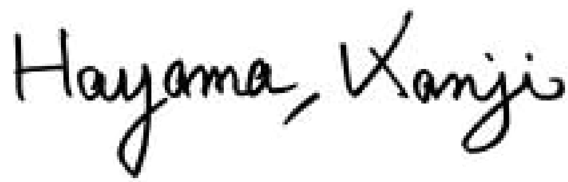
Business conditions are likely to remain severe for the construction industry in fiscal 2002, as public-sector investment is expected to continue its decline from last year, adding to the stagnation in private-sector construction investment.

In fiscal 2002, started April 1, 2001, the Taisei Corporation Group will launch a New Management Plan toward securing high profit in the face of adverse management conditions caused by contraction in the construction market, and to attain an even healthier, sounder management structure by reducing interest-bearing debt. Under this New Management Plan, the Company is targeting \1.75 trillion in new orders received, \1.7 trillion in sales and \68 billion in operating income on a consolidated basis by the end of fiscal 2004, the final year of the plan. And while the goal is to bring down interest-bearing debt to \680 billion, we will seek to exceed this goal ahead of schedule.

In fiscal 2002, the first year of the New Management Plan, we are targeting \1.68 trillion in volume of orders, \1.66 trillion in sales, and \19 billion in net income. To this end, we will place priority on the following measures.

We will first start by securing orders—to raise our share of orders in construction and civil engineering by strengthening our ability to provide technological solutions and by exploiting our cost competitiveness to expand our client base, while offering detailed services through our newly established division in the high-growth fields of environmental and building renewal businesses. Second, we will work towards improving profit levels—to strengthen purchasing power through economies of scale possessed by the Taisei Corporation Group and to promote higher efficiency in operations through Information Technology. Third, we will spare no effort reinforcing our financial structure—to continue reducing interest-bearing debt by raising the liquidity of asset holdings and by strengthening group management of finances. Finally, we will build on enhancing our group management—to seize the initiative to more effectively deploy the management resources of the entire group.

The Taisei Corporation Group is committed to mobilizing our comprehensive strengths to improve corporate results in fiscal 2002 and well into the new century. We look forward to the continuous support and cooperation of our shareholders.



Hayama Kanji
President and Chief Executive Officer

Year in Review

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

During fiscal 2001, ended March 31, 2001, performance in the construction segment remained weak due to a large decline in private sector investment and price competition. Meanwhile, the real estate segment reported a substantial recovery in sales compared with the previous year resulting from vigorous demand in the residential market.

CONSTRUCTION

Domestic Market

In fiscal 2001, while the construction industry experienced a slight recovery in private sector non-housing investment, mainly in factories for IT-related companies, overall business conditions remained harsh. In response, Taisei Corporation Group fully mobilized its resources to strengthen its management base and profitability.

As a result, fiscal 2001 sales in the construction segment grew 8.2% over the previous year to ¥1.5413 trillion, while operating income leapt 94.2% to ¥54.4 billion due to higher construction income on increased sales, and decreased selling, general and administrative expenses.

Especially in civil engineering, the Company secured sales and profits by making full use of exclusive technologies to expand operations and cut costs throughout its operations. Major projects completed during the term included construction of the Yamagata Station West Exit New Urban Center Building, the Garden City Towers, facilities for the Daikanyama Urban Area Redevelopment Project, and the No. 2 factory building for the Koshi Plant of Tokyo Electron Kyushu Limited.

Garden City Towers

International Operations

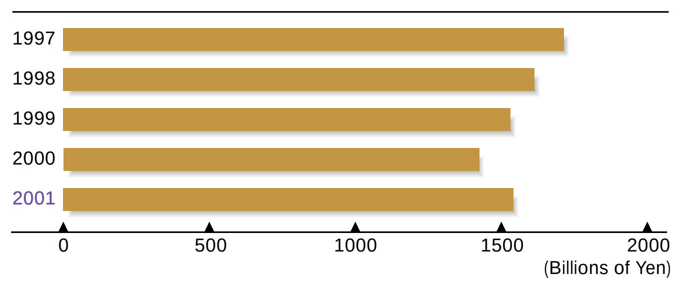
The Company has approximately 20 overseas marketing and liaison offices and around 30 local subsidiaries and affiliates, mainly in Asia, North America, Europe, the Middle East, Africa, and Latin America.

With regard to the future, economic conditions are recovering in Southeast Asia following the stagnation that resulted from the currency crisis of 1997. As a result, the Company expects to be awarded further projects in this region. Taiwan, in particular, has shown steady economic progress, although some uncertainty remains from the slump in exports in IT industries, the Company expects the country to remain a promising market. China is opening up to the world as it continues to change from a closed economy to a market economy, and therefore presents itself as being a highly attractive market with enormous potential. While the US economy is showing signs of a slowdown due to stagnation in the IT industry, its construction market has remained relatively favorable, and the Company intends to maintain business activities there, chiefly through local subsidiaries. In the other regions of Europe, the Middle East, Africa, and Latin America, the Company will continue to actively pursue projects that make effective use of its advanced technologies.

One of several large-scale projects which the Company completed during fiscal 2001 was the construction of a coal-fired thermal power plant in Ilo, Peru.

Coal-fired thermal power plant, Ilo, Peru

Sales of Construction (Consolidated)



Major Projects Completed During FY2001

Project	Client
Construction of West New Metropolis Building (Yamagata Station)	Yamagata New Metropolis Development, Ltd.
Building Construction of Garden City Towers	Rail City West Development Co., Ltd.
Building Construction of Daikanyama District Urban Redevelopment	Daikanyama District Urban Redevelopment Association
Building Construction of Koshi Plant (Factory 2 and Office Building)	Tokyo Electron Kyushu Limited
Site Preparation Work, On-shore Construction Work and Off-shore Construction Work for the Construction of the Central Termoelctrica Ilo 2, Peru Project	Hitachi, Ltd.
Building Construction of Sapporo Dome	Sapporo City

Major New Orders Received During FY2001

Project	Client
Building Construction of Industry Club of Japan Hall / Eiraku Building (Tower)	■ Mitsubishi Estate Co., Ltd. Industry Club of Japan
Building Construction for Omiya Kanezuka (A) District Urban Redevelopment	■ Omiya Kanezuka (A) District Urban Redevelopment Association
Construction of FASL Plant No. 3	■ Fujitsu A.M.D. Semiconductor Co., Ltd.
Construction projects of Joint Building at Yoyogi 3-Chome, New Office Building—Phase 2	■ Bunka Gakuen ■ Fujikura Ltd. ■ Century 21 Real Estate of Japan Ltd. ■ Keio Electric Railway Co., Ltd

REAL ESTATE DEVELOPMENT

In fiscal 2001, overall conditions in the real estate sales market were generally favorable, supported by tax cuts on housing and low interest rates offered by the Government Housing Loan Corporation. The real estate lease market, however, stopped short of recovery despite improved vacancy rates mainly in the Tokyo Metropolitan Area. Consequently, operating income for the Taisei Corporation Group rose at Yuraku Real Estate Co., Ltd. and other subsidiaries and affiliates. However, as a result of year-on-year declines in the Company's consolidated sales and operating income, sales fell 26.8% to ¥117.4 billion and operating income dropped 22.1% to ¥11.5 billion.

New construction orders have been dampened by the prolonged stagnation of the Japanese economy. Such challenging conditions require the ability to identify and propose plans to effectively respond to clients' needs. The Company possesses outstanding skills in developing strategic projects, as demonstrated in redevelopment projects in established old city areas. The Company has assisted in many redevelopment projects, including the Omiya Kanezuka Area-A Redevelopment Project and the Nihonbashi Hama-Cho 3-Chome West Area Redevelopment Project. In 1996, the Company was awarded a competitively bid local government contract for the Yamagata Station West Exit New Urban Center Building project, which opened for business in fiscal 2001 as the Kajo Central Building. Preparations are currently underway for the opening of the Sunport Takamatsu Symbol Center (tentative name) and the Akita Civic Plaza Center (tentative name), which were contracts awarded to the Company during fiscal 2000. The Company is recognized for its integrated capabilities in real estate development, and is playing a leading role across the board as a core contractor in each project.

Oval Court Ohsaki

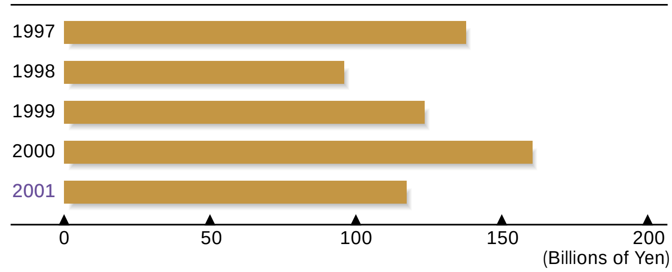
With respect to Private Financing Initiative (PFI) Projects, legislation was enacted in July 1999 regarding this new financing method. The Company, together with the NTT Group, submitted the winning proposal on the Disaster Prevention Center Project, funded by Fujisawa City in Kanagawa Prefecture, southwest of Tokyo. A business contract was signed with Fujisawa City, and construction began in December 2000. Various local governments are actively seeking to finance construction projects through PFI. The Company intends to aggressively meet the challenges of such projects by fully utilizing the integrated capabilities cultivated through its experience in real estate development.

The Company is also actively engaged in new fields which combine real estate and financial services, such as Real Estate Securitization and Real Estate Investment Trust, as potential new lines of business.

In response to the increasing diversification of real estate ownership and management, the Company is currently strengthening its Property Management (PM) business to help clients to efficiently manage and administrate real estate, by maximizing the profitability and value of real estate in terms of both economic and physical aspects. The Company will develop this business by taking full advantage of its expertise and systems for real estate management and administration based on its well-established construction technology and proven track record.

Yamagata New Metropolis Building

Sales of Real Estate Development (Consolidated)



Building Construction

1 Tokyo Electron Kyushu Limited
2 Sapporo Dome in Sapporo, Hokkaido, Japan
3 Garden City Towers
4 Aquamarine Fukushima
5 Tokyo Stadium

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Taisei is making continuous efforts to reduce costs and maintain the highest quality service to support an operating structure able to generate sustainable earnings despite the harsh operating environment for the construction industry.

To further raise long-term profit potential, the Company is reinforcing cost management capabilities, rationalizing material procurement and streamlining administrative functions, while at the same time raising customer satisfaction with specialized expertise and expanded services. The underlying goal is to provide customers with quality service at a reasonable price.

In areas with growth potential, including environmental business, renewal projects, responding to the needs of an aging society and IT-related fields, the Company aims to increase orders through technological strengths that differentiate it from the competition. Marketing activities emphasize the comprehensive and systematic technologies that have resulted in a substantial track record of advanced and diverse building construction.

Taisei is also committed to using the latest information technology. Efforts include the establishment of the G-Net electronic commerce site to link specialist contractors and the promotion of paperless operations.

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Civil Engineering

The new century has opened with an extremely challenging economic environment, in which civil engineering must undergo a dramatic transformation to meet the changing needs of the times. Taisei's Civil Engineering Division will continue to give top priority to site considerations thereby providing high quality and safety, and will maintain solid profit performance through enhanced productivity. By developing new technologies and effectively utilizing group resources, the Company will increase orders and improve profitability towards establishing a stable management foundation for the next 100 years.

Recognizing that steady progress will be required to build social capital under increasingly severe fiscal conditions, the Company will improve its technological strengths, enhance its competitiveness in design, introduce distinct technological competencies, and expand its renewal business and environmental business. Of these areas, technological strength represents the foundation for attracting new orders and strengthening production as the keystone for competing in the construction industry. Even greater results will be expected from technological development efforts, with particular attention to concrete outcomes in increased orders, cost-competitiveness, and new businesses.

In addition, Taisei will actively pursue technological alliances, in Japan and overseas, where such technology will provide advantages in order-receiving and production capabilities.

As the network era progresses into full stride, the Company will fully apply IT to enhance productivity and labor-saving performance in both on-site and office operations.

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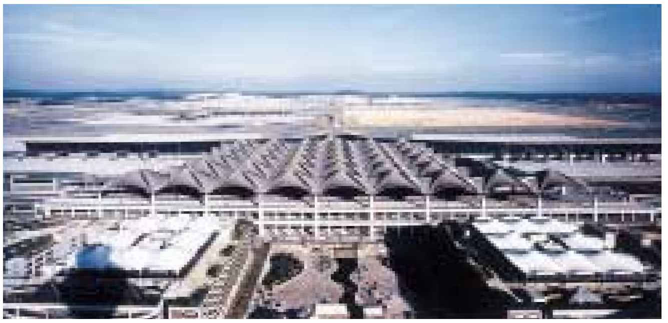
1 **Tensho-Ohashi Bridge in Nishi-Usuki-gun, Miyazaki Pref., Japan**
2 **Kansai International Airport, Osaka, Japan**
3 **Akashi-Ohashi Bridge**
4 **Kita-Kanto Expressway South—Maebashi Interchange, Maebashi, Gunma Pref., Japan**
5 **Ohkozu Bunsui Flood Control Dam, Nishi-Kanbara-gun Niigata Pref., Japan**
6 **Seikan Undersea Tunnel connecting Honshu and Hokkaido, Japan**

International Operations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Taisei's advanced technologies are supported by world-class research centers on a scale rarely found among contractors or engineering companies. This is in addition to a design division, that ranks as one of the best and largest architectural offices in Japan, plus an engineering division. Furthermore, the Company has put this construction technology to full use in its overseas operations. In the civil engineering field, Taisei has successfully applied such advanced technology in the Cirata Hydroelectric Power Station in Indonesia and the Toyota Proving Ground in Arizona. In the building construction field, noteworthy examples include the new Kuala Lumpur International Airport, IT-related production facilities such as several semiconductor plants, and biotechnology-related facilities including pharmaceutical facilities.

Taisei has strong capabilities and a track record of achievements not only in terms of construction, but also various software services such as those used in real estate development. In the cases of such projects as the development of the Bukit Indah City Industrial Park in West Java Province, Indonesia, as well as office buildings and hotels in the United States and the United Kingdom, Taisei not only carried out the construction work, but also executed total project services by integrating activities ranging from project planning to financing, site procurement and design. Moreover, by using its global network, Taisei is able to procure human resources, equipment, materials and funds effectively throughout the world.

Consequently, this means that when Taisei is commissioned to undertake a project, it makes use of all the resources of the Company head office, plus its research centers, architectural division and engineering division, as well as the strength of its global network and comprehensive capabilities.

Legal and tax systems, business practices and national character differ from country to country, and so Taisei can provide the comprehensive strengths which are needed to overcome these barriers. For this reason, Taisei is able to assist clients that are entering overseas markets.

In the future, Taisei intends to further focus its efforts on business fields where it can make good use of its earthquake-resistance technologies and environmental technologies. In various countries of the world, earthquakes and environmental disasters are causing human casualties and property destruction. However, by employing its technologies in Japan and internationally, Taisei aims to contribute to the well-being of mankind worldwide.

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1,2 **New Kuala Lumpur International Airport in Malaysia**

3 **Express way 2, Taiwan**

4 **Subaru Telescope, Hawaii, U.S.A.**

5 **Coal-fired thermal power plant, Ilo, Peru**

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Real Estate Development

1 Gate City Ohsaki
2 Yamagata New Metropolis Building
3 Landmark Tower and Queen's Square Yokohama of the MM21 project, Yokohama, Japan
4 Yebisu Garden Place, Tokyo, Japan
5 Oval Court Ohsaki

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Taisei made significant strides in large-scale real estate development. Beyond facility design and construction, the Company offers a wide range of services, including project master planning, the assembly of project teams, obtaining necessary development permits, fund procurement, and management services as well as maintenance and tenant leasing. Taisei has been able to provide these services due to its professional in-house staff, which provides the capability to offer support at every stage of real estate development. From this advantageous position, the Company receives orders by proposing the best possible real estate development to clients at the optimum level of investment for construction. During fiscal 2001, Taisei moved to more effectively focus its functions and human resources, establishing an Urban Development Division in January.

In real estate development, urban redevelopment is showing significant promise, which will increase in importance as the focus of government policy. Taisei is the leader among general contractors in this field and enjoys the best track record. Since 1979, the Company has been involved in roughly 20% of all urban redevelopment projects nationwide, completing operations in more than 90 regions. Furthermore, with nearly 70 certified redevelopment planners capable of taking the lead in redevelopment projects, Taisei has ample human resources at its command.

Public sector-led regional development projects are often awarded through a competitive process, where Taisei has frequently come out on top. A broad range of expertise is required to effectively engage in competitive bidding, and the Company's ability to demonstrate its integrated strengths has been a driving force behind its success.

Engineering

In 1968, Taisei became Japan's first comprehensive construction company to establish an engineering division. Since that time, the Company has continued to provide dependable engineering in step with the changing times across a wide range of areas, fully exploiting proven achievements in manufacturing facilities, distribution systems and facilities for environmental protection and energy.

Under the motto "consulting is the essence of engineering," the Engineering Division has vigorously promoted customer satisfaction by providing complete services, from consulting based on numerous achievements and extensive expertise, to the planning and design of facilities and post-construction services.

In manufacturing facilities, the Company has been mainly involved with pharmaceutical facilities, electronic-device facilities and food facilities, and employs the most advanced production automation technology, including production control systems. Taisei holds the top market share and best track record in pharmaceutical facilities. In electronic-device facilities, the Company offers high-efficiency, energy-conserving facilities that incorporate advanced machinery. In food facilities, Taisei applies

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proprietary expertise in preventing contamination and has earned a solid reputation for developing technology that meets Hazard Analysis Critical Control Point (HACCP) systems. In September 2000, the Company launched "e-Haccp," the industry's first Internet-based system for supporting HACCP implementation.

In distribution, the Company provides automated storage facilities and distribution centers which fully utilize computers and the latest distribution technology, offering a complete range of services from planning to design, construction, test runs and maintenance. Taisei's track record in this field exceeds 300 projects.

Taisei Corporation's involvement in engineering services related to energy facilities and infrastructures for oil, liquefied natural gas (LNG) and liquefied petroleum gas (LPG) extends well beyond national borders into overseas markets, and the Company is also able to handle nuclear power and new energy facilities.

The Company is expanding its operations beyond manufacturing to non-manufacturing opportunities, and is taking on a new area of mobile facilities, such as those around buildings, and also amusement facilities.

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1 **Tonen Chemical Corporation Kawasaki Refinery Ethylene Storage**
2 **Kamogawa Sea World, Chiba Pref., Japan**
3 **CASIO COMPUTER Co., Ltd., Japan**
4 **Daiichi Pharmaceutical (Beijing) Co., Ltd.**
5 **FANCL CORPORATION Chiba Factory, Japan**

Ecology

1 **Heating and Separating System**

2 **Medical Waste Treatment System, the JIKEI University Hospital, Japan**

3 **Bekkai Experimental Bio-plant and Related Facilities, Japan**

4 **Clean Park KINU (Landfill disposal site), Ibaraki Pref., Japan**

5 **Matsushige Intermediate Waste Processing Facility, Tokushima Pref., Japan**

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The dawning of the 21st century, popularly thought of as the Century of the Environment, has given rise to calls for stronger environmental preservation on a global scale. Taisei strengthened and expanded the Environment Department it originally set up in its Engineering Division in 2000 by establishing an Ecology Division in January 2001 in order to serve a wide range of customer needs related to environmental issues.

In the ecology business, the Company is combining technological and management capabilities gained over the years through construction, civil engineering and engineering operations to contribute to the creation of a sustainable society.

To that end, the Company plans to offer total solutions for environmental needs through a collaboration between its Soft Engineering and Facility Engineering Divisions.

Services provided by the Soft Engineering Division include Environmental Planning, to support planning and design facilitating coexistence with the environment and ecological preservation; Environmental Assessment Support that encourages coexistence with natural and social environments as well as consensus-building among local residents; and Environmental Consulting and Enterprise Planning which maximize client resources based on the Company's understanding of client needs.

Work undertaken by the Facility Engineering Division includes environmental preservation and restoration, comprising soil and underground water purification, preservation of water quality in closed water ecosystems, factory and household waste water treatment and preservation and restoration of ecosystems; Material Recycling, such as turning organic waste into compost and fodder and using plastic and styrofoam wastes as renewable resources; Thermal Recycling, including biomass power generation and utilizing heat, RDF and RPF power generation; Engineering for Waste Treatment and Disposal Facilities, such as intermediate treatment facilities and final disposal facilities; and efficient energy use, to utilize new and renewable energy sources toward building alliances both inside and outside the Company.


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Housing

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The housing business is a major pillar of Taisei's operations after construction and civil engineering. The Company's extensive history began in 1970, with the introduction of Palcon, a lightweight concrete housing corresponding to Japanese weather and climate conditions. In 1978, Taisei began selling Palwood, the forerunner of the Two-by-Four Framing Method in Japan. The Company has consistently met with the challenges of home building, as in the introduction in 1995 of the Imported House, which incorporated European and American architectural design, and the development in 1997 of Kukan-O (Majestic Space), which realized comfortable living conditions based on Japan's first Triple Monocoque Structure.

Palcon in particular has been acclaimed as a timeless masterpiece of concrete housing. The distinctive excellence of its materials and imaginative construction method affords superior resistance against earthquakes and fire, along with outstanding durability. Furthermore, its beautiful exterior of sculpted stone patterns and the soft touch rendered by its round-shaped-balcony also make it an attractive house from the viewpoint of originality.

In 1998, Taisei added Palcon III to this lineup, hybrid housing using eco-wood panels, a new heat-resistant structure, for the third-floor roof section of Palcon. While applying concrete to the first and second floors, which are without protective measures against insects and the high moisture content of soil, and so, may be susceptible to serious damage, the Company adopted eco-wood panels for third-floor roofing to take advantage of their ability to maintain comfortable living conditions even under scorching, mid-summer heat.

Meanwhile, Taisei's objective with its Imported House is not simply to import European and American homes and Western-style mansions, but to pursue an original brand of imported housing that befits the Japanese climate. The Company offers comfortable, fashionable homes that incorporate the advantages of Western housing, such as exterior and interior design, and facilities, while at the same time reflecting the Japanese lifestyle.

Kukan-O was Japan's first Triple Monocoque Structure, in which new heat-resistant structures were applied not only on the exterior wall as "Triple-Wall" but also on the roof as "Triple-Roof." Along with the development of a 24-hour circular air-conditioning system, the approach creates a structure of unprecedented space, safety, health and comfort, and has gained recognition for surpassing the conventional Two-by-Four Method.

As for service, Taisei is committed to providing a complete system of after-service and continuous improvement, as demonstrated by its 20-year quality guarantee, which advances its policy to comply with the Housing Quality Assurance Act.

Taisei's first and most important principle of home building is to safeguard the life, health and assets of customers who take up residence, followed by the provision of housing that satisfies customer demands, as well as the importance of responding to social priorities, such as durability, energy savings and measures for the elderly. In its housing business, the Company strives to express the hopes and dreams of families, and to completely fulfill customer expectations. Never settling for the status quo, Taisei will continue to achieve the highest ideals of home building.

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1 Funabashi Model House (Kukan-O)
2 Akabane Model House (Palcon)
3 Tsukuba Model House (Imported House)
4 Chigasaki Model House (Imported House)
5 Chigasaki Model House (Imported House)

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

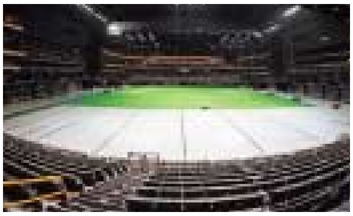
The history of construction and civil engineering is the evolution of engineering methods, requiring a steadfast resolve to meet the challenges of new technology. Throughout its own long journey, Taisei has accumulated a diverse range of expertise, building upon an impressive track record of achievement. 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.

Creating Comfortable Environments

Increasing the Efficiency of Thermal Adjustment in Large, Open Spaces

The Challenge of Managing Thermal Environments in Domed Structures

Complicated temperature patterns emerge within large spaces such as atriums and domed structures due to radiation from ceiling and air currents caused by the opening of doors or entryways. What is the most efficient way to adjust temperatures inside such large spaces? Where should air conditioning units be located in order to maintain comfortable temperatures only for seated audience areas? Taisei is able to model complicated thermal environments using data analysis and easy-to-understand computer graphic representations of the invisible flow of heat and air currents.

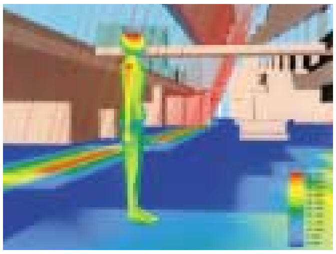


Heat and Thermal Analysis of the Saitama Super Arena. Only the seated audience area is displayed as green, indicating temperatures within the comfort zone.

Testing for Indoor Comfort Levels During the Planning Stage

Thermal Mannequin and Numerical Thermal Mannequin

People judge relative comfort or discomfort based on a complex combination of factors beyond ambient temperature, including humidity, air currents and thermal radiation. Perceptions of comfort are significantly shaped by the sense of temperature by various parts of the body, such as cold feet or a hot head. The Company's Thermal Mannequin is a life-sized figure fitted with internal heaters capable of accurately predicting human skin temperatures. The Numerical Thermal Mannequin is a virtual model of the human body exposed to computer-generated indoor thermal environments, enabling a hybrid analysis integrating these two test sources.



Ultra-Clean Environment Offers Control at Molecular Levels

Ultra-Clean Room (UCR)

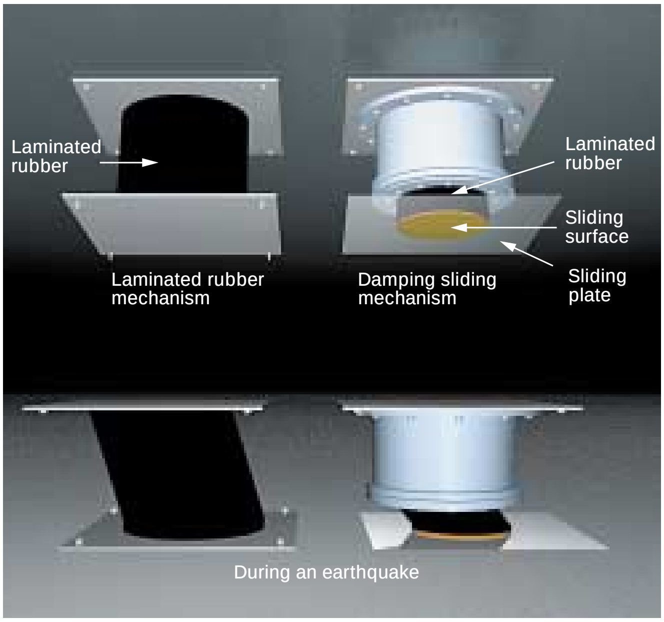
Taisei offers advanced clean rooms suitable for research, development, and production facilities for next-generation deep-submicron semiconductors. The environments control not only dust particles but also various out gases (molecular pollutants) generated by the materials constituting the clean room itself, at nanogram (one-billionth of a gram) levels, realizing the highest level of cleanliness in the world. The Company is also developing new technology for controlling submicron level vibrations that can affect the precision of products such as semiconductors and optical instruments.

Supporting Safe and Pleasant Living

Reducing Vibrations Caused by Earthquakes and Strong Winds

The Challenge of Managing Thermal Environments in Domed Structures

The Hybrid Taisei Shake Suspension System (TASS) combines the Company'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. It has also attracted attention as an effective, comparatively low-cost antiseismic system for existing buildings.



Yugawara Training Club: Eighth-floor Pillar where an antiseismic device was installed during the antiseismic retrofit construction work.

Transforming School Buildings into Antiseismic Structures without Interrupting Building Use

Antiseismic Retrofit

Antiseismic Retrofit is a method for significantly enhancing earthquake-resistance by placing antiseismic structures under the foundation of existing buildings or intermediate floors. It has gained attention as a method for improving the earthquake-resistance of buildings in use, since construction work takes place in a limited part of the building without affecting its exterior or interior work spaces or facility usage.
Antiseismicbased on the Hybrid TASS System was used for Building No. 3 on the Funabashi Campus of Science and Technology Department, Nihon University, allowing the building to be used for classes and research while retrofitting was underway. This construction work was awarded the Seventh Chiba Prefecture Architectural Culture Award for 2001.

Building No. 3 on the Funabashi Campus of Science and Technology Department, Nihon University

Exploiting Every Potential Use of Concrete

Reinforced Concrete

As buildings increase in height, reinforced concrete pillars have become indispensable for attaining open and comfortable residential space.

Taisei has succeeded in reinforcing the strength of conventional concrete three to five times by developing a specialized cement and improving the mixing agent. Enhanced liquid property has improved execution at construction sites and facilitated the construction of high-quality architectural structures.

Biocrete 21

Biocrete 21, an ultra-liquid concrete, is an innovative concrete material jointly developed with Takeda Chemical Industries, Ltd. The effort succeeded in achieving unprecedented levels of liquidity and separation resistance by using a specialized mixing agent called Biopoly, which consists of natural high polymers created by microorganisms. Biocrete 21 possesses a high replenishing quality which enables it to fill every corner of complicated molds without having to use vibrators for compaction, thereby increasing automation while decreasing thinking-time and cutting costs.


Jingu-Mae Building, constructed using Biocrete 21


Special Biopoly mixing agent PCI

Producing Innovative Technology

Fast, Cost-Efficient Tunnel Boring in Deep Underground Sites

Tunnel Boring

Tunnel Boring Machines (TBMs) are an excellent method of rapidly excavating tunnels through hard rock without blasting. However, unstable geological conditions can cause problems, and Japan's complex ground composition offers technological challenges. In response, Taisei has added a rotating shield to its TBMs, enablie them to change directions to avoid unfavorable land formations. This advanced technology has earned Taisei a strong track record in this field.

Spherical Shield Production Process

Taisei is the first company in the world to have developed the Spherical Shield Production Process, which is capable of continuously boring perpendicular and horizontal tunnels using a single machine. This is a landmark construction method allowing directional changes in tunnel excavation at will by incorporating a spherical unit into the shield machine. Spherical Shield Production consists of three main processes: the Horn industrial method for continuous boring in either perpendicular-to-horizontal or horizontal-to-horizontal directions; the Derun industrial method for boring from a horizontal underground tunnel toward the ground surface; and the Crane industrial method, which enables long-distance boring by reversing the spherical unit to facilitate replacement of worn out cutter bits. The process can be applied to a wide range of underground construction work in ways that go beyond conventional shield production process. Furthermore, since perpendicular tunnels can be smaller than before, the method has gained an excellent reputation for the various advantages it offers, such as the capacity for boring down from the surface in crowded residential areas, significantly shorter construction periods and reduced impact on the environment. The Spherical Shield Production Process has received the Japan Society of Civil Engineers Award for 1994 and the Imperial Invention Award for 1997.

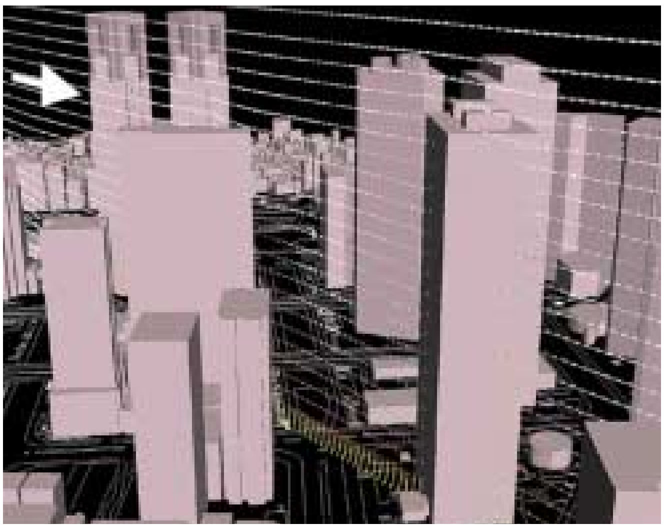
Preserving a Clean Earth Environment

Assessing Potential Environmental Impact Through High-Level Simulation Technology

Comprehensive Environmental Assessment Technology

The legal framework around environmental assessment has undergone major changes, in accordance with the

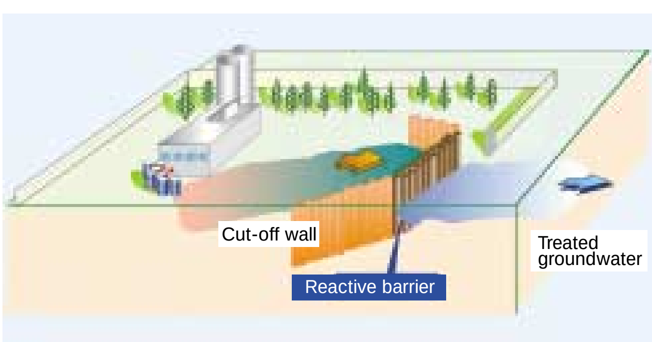
Environmental Impact Assessment Law which took effect in June 1999. Taisei supports environmental preservation measures from the stage of initial planning, utilizing its exclusive simulation technology to assess potential environmental impact by analyzing the flow of wind currents around high-rise buildings, air pollution, noise and scenery based on survey data, with significant results. The Company also records measurements during the construction and management stages to confirm actual versus simulated impacts.



Simulating atmospheric conditions

Effectively Detoxifying Widespread Ground Water Contamination

Permeable Reactive Barrier System

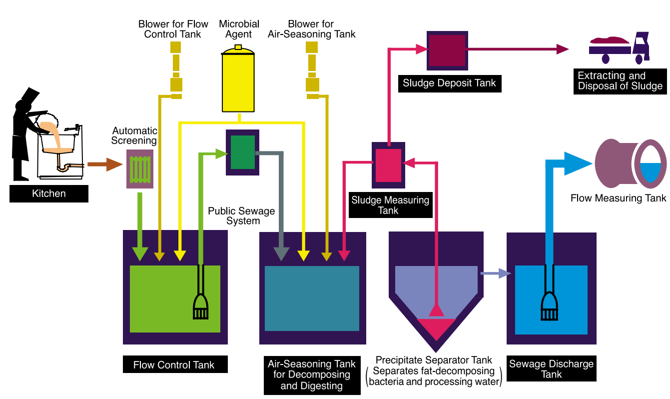


In recent years, ground water contamination caused by industrial facilities such as factories and plants has emerged as a new environmental problem. The Permeable Reactive Barrier System developed by Taisei sets up purification walls in the path of contaminated underground water that react with and detoxify the pollutants, thereby creating clean underground water. The process does not require any construction work for soil replacement, and furthermore is effective for treating polluted underground reserves over a wide area. Adsorbent materials such as sand and activated charcoal comprise the main components of the purification walls, enabling the application of reactants which correspond to the specific nature of the pollutant. The Permeable Reactive Barrier System received the Japan Society of Civil Engineers Environment Award for 1999.

Revolutionary Kitchen Wastewater System Utilizing Biotechnology

Biore

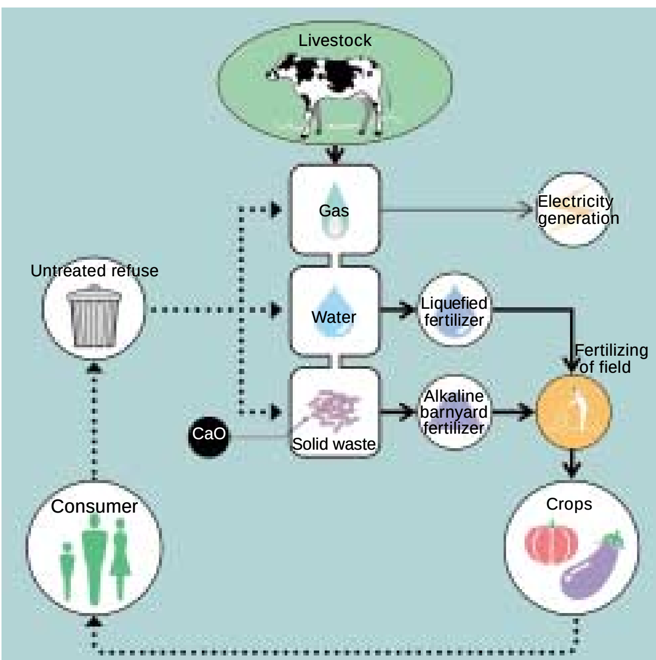
Kitchen wastewater generated by restaurants and hotels contains significant fat content and, by law, must be treated for purification inside the facility generating the wastewater. Biore is a completely new kitchen wastewater system that uses microbes to decompose the fat content. Due to its higher level of purification capacity compared with conventional methods, where coagulants are injected to remove fat content, less extra mud waste is required for treatment, making it possible to reuse the waste water for non-potable purposes, such as for flushing toilets, by applying a light after-treatment. Biore received the Technology Award of the Society of Heating, Air-Conditioning and Sanitary Engineers of Japan for 1996 as well as the Award for Environment for 1997.



Gas Electricity Generation Using Livestock Excrement as the Energy Source

Livestock Excrement

Left untreated, livestock excrement pollutes the soil and underground water reserves, and is therefore subject to strict regulation. Taisei has developed an electricity generation system using methane gas from decomposing excrement of livestock such as cows, pigs and poultry. A ton of cow excrement yields 50 KW of gas-generated electricity as well as hot water through the recovery of waste heat. A power plant with capacity corresponding to 1,000 cows will be constructed in Betsukai Town, Hokkaido. The system is winning recognition as a next-generation energy source and as a resource recycling system.



Seeking Co-Existence with the Environment

Designing Suitable Spaces Reflecting a Responsible Ecological Approach

Biotope Planning Technology

In order to responsibly maximize the use of a given piece of land, Taisei must first protect the existing plants and animals, then implement improvements through restoration and reconstruction, and finally determine development principles according to the priorities for establishing a new ecological balance. The Company uses numerical data obtained from satellite observations and from its own field surveys to ascertain existing plant and animal populations in a given region, as well as those that could be present in the future, as a natural network is formed with the surrounding environment.

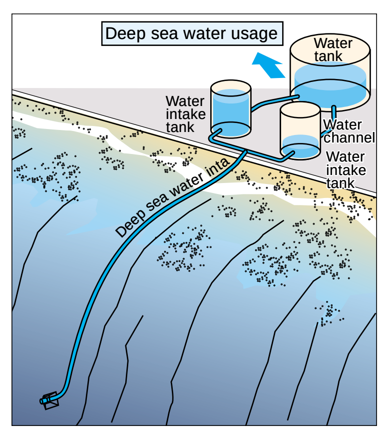
Taisei plans concrete development methods for shorelines and plant formation in accordance with a variety of plants and animals. The Company is building a track record in providing such services to schools and corporate residences.

Biotope (at an elementary school)

Opening a Path Towards Co-Existence with the Environment

Deep Sea Water Intake System

Deep sea water has attracted interest from a wide range of areas, including health food and pharmaceuticals, because its temperature remains stable at low levels year round, it is not significantly affected by bacterial pollution, and it represents a nutrient-rich resource containing minerals such as calcium and magnesium. Taisei's deep sea water intake system offers a hygienic method for collecting water without changing its quality. Furthermore, as the method does not require underground structures like water intake pits, there is no damage to the natural environment, such as shorelines. Taisei plans and designs water intake facilities as well as consulting and coordinating business plans for deep sea water-related products.



Taisei is one of four companies, including Keihin Electric Express Railway Co. Ltd., that jointly established a new company for the industrial sales of deep sea water, representing the first private enterprise to develop this area into a viable business. Taisei will collect sea water from a depth of approximately 300 meters by laying a pipeline along the seabed from Keikyu Aburatsubo Marine Park in Miura City, Kanagawa Prefecture, stretching roughly 5 kilometers offshore in Sagami Bay.

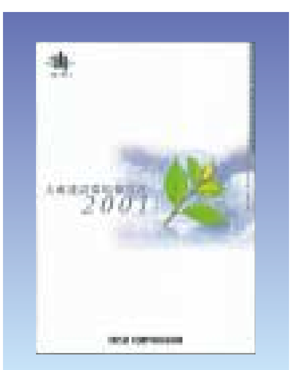
Environmental Activities

The Healthcare and Specialty Products

While contributing to the protection of the Earth's environment through its main construction and development businesses, Taisei, as a leading Japanese enterprise, also intends to encourage progress in environmental technology related to construction and civil engineering to establish new urban environments.

In developing environmental technologies under our commitment to "rejuvenating the city and environment," Taisei has vigorously pursued research and development ranging from residential and living environments to global environmental problems toward establishing a better mutual relationship between the ecosystem and humankind by observing and learning from nature.

Taisei has also acquired ISO 14001 certification at all 12 of its domestic branches, as well as in its Engineering Division and Design Division, while adopting an environmental management system that conforms to ISO 14001 standards at its international branches and Headquarters divisions, including the Housing Division.



Every April, Taisei announces the Taisei Agenda, which identifies environmental targets and action plans for the entire company, to actively promote environmental protection. The Company also makes public the results of these plans each year in the form of Environmental Accounts and by calculating reductions in environmental impact.

Outline of Taisei's Environmental Technology

■ **Environmental Surveys and Simulation Technology:**
Environmental assessment technology; simulation technology for thermal, wind, noise and other phenomena; other technologies.

■ **Environmental Planning and Design Technology:**
Strategic environmental consulting; ecological planning and other methods. Energy conservation planning measures; Life Cycle Assessment.

■ **Environment-Conscious Building Technology:**
Zero-emission projects; low noise and vibration technology.

■ **Global Environmental Infrastructure Technology:**
Field experiments for anti-desertification in progress in Burkina Faso; unused energy technology such as Biogas generation; research and development of salt-resistant vegetation; environmental purification technology; others.

■ **Environment Restoration Technology:**
Restoration technology for final waste disposal plants; renewal technology with additional Antiseismic and other features.

■ **Environment Creation Technology:**
Creation of Biotope and mitigation.

Building Construction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1 **Saitama Super Arena, Omiya, Saitama Pref., Japan**

2 **Landmark Tower and Queen's Square Yokohama of the MM21 project, Yokohama, Japan**

3 **Tokyo International Forum Hall**

4 **JR Central Towers in Nagoya, Aichi Pref., Japan**

5 **Palette Town, part of the Tokyo waterfront redevelopment project in Japan**

6 **Fukuoka International Airport terminal building for international lines in Fukuoka, Japan**

5

6

Civil Engineering

1 Yamagakamoto Waste Treatment Facility, Kamoto-gun, Kumamoto Pref., Japan
2 Hachiouji Road Tunnel, Tokyo, Japan
3 Jintuu-River Sewage Disposal, Shinminato, Toyama Pref., Japan
4 Trans-Tokyo Bay Expressway, Kawasaki Artificial Island "Kaze-no-To," Kanagawa Pref., Japan
5 Saitama Shin-Toshin Station, Saitama Pref., Japan
6 Floating Runway (Mega-Float), Yokosuka, Kanagawa Pref., Japan
7 Ube 72 Country Club, Yoshiki-gun, Yamaguchi Pref., Japan
8 Shiokawa Dam, Yamanashi Pref., Japan
9 Tachibana Bay Coal Thermal Power Station, Anan, Tokushima Pref., Japan
10 Arakawa River Bridge, Edogawa, Tokyo, Japan


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International Operations

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1 **Doha Power Plant, Kuwait**
2 **Cirata Hydroelectric Power Station, Indonesia**
3 **Fujitsu's Philippine Plant**
4 **Shore-line Square Building, Long Beach**
5 **River Plate House Office Building, London, the United Kingdom**
6 **Revement construction on Male Island, Maldives**
7 **Toyota Proving Ground, Arizona, U.S.A.**

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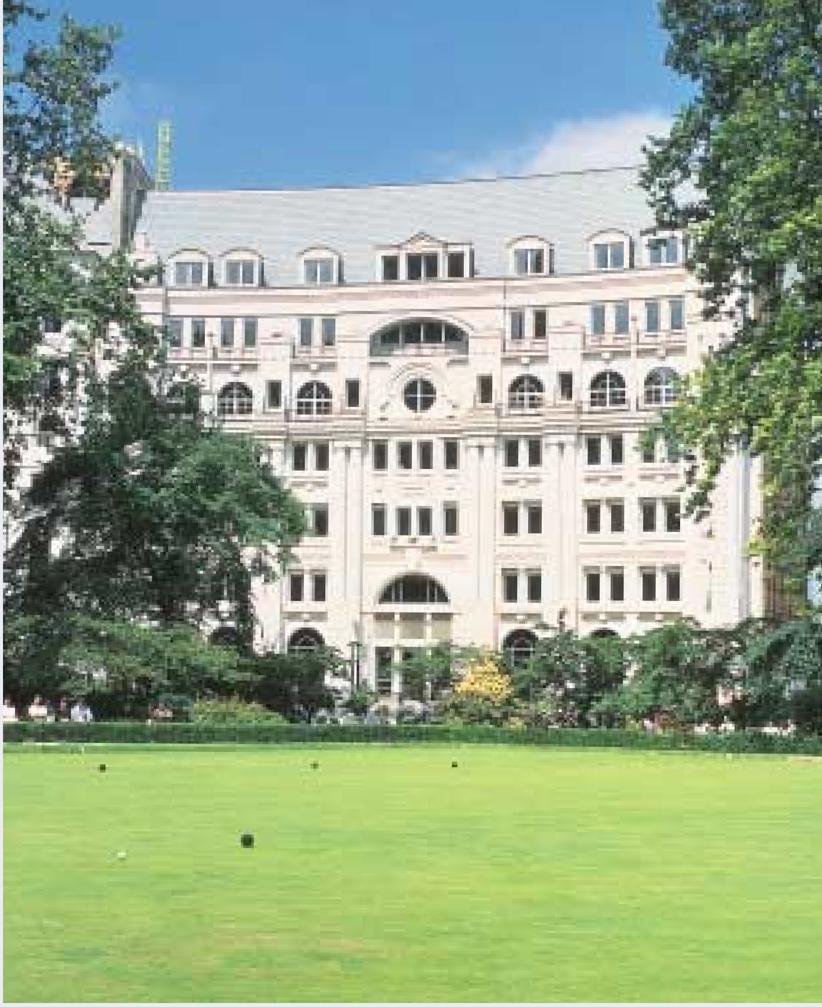
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International Operations

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1 Beijing Shangri-la International Hotel, China

2 Qurayyah Power Plant, Kingdom of Saudi Arabia

3 Oil Refinery, Kaduna, Nigeria

4 Cement Plant, Chin Fon, Hai Phong, Vietnam

5 Shanghai Lippo Plaza, Shanghai, China

6 Westin Taipei Hotel, Taiwan

7 Hotel Indonesia, Jakarta, Indonesia

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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

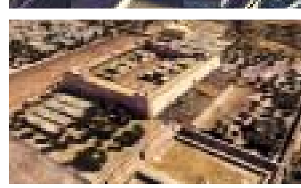
The exhibition space is divided into nine time zones, recreating through personal memorabilia and displays places where John lived or performed. Each zone is accompanied by background music symbolic of each period of John's life.

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.

Sharing the Joy of Art

Gallerie Taisei

Le Corbusier was a master of twentieth century architecture. In 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 presents his painting exhibition free of charge to the public, and under a variety of themes. Since 1995, Taisei has collected a nominal fee of ¥100 per pamphlet, which is donated to support creative activities and exhibitions by handicapped artists. 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)
An artist who embodied the ideals of modernism through his paintings, sculpture, city planning and architecture. 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.

Supporting Environmental Activities that Contribute to Society

Taisei Corporation Natural and Historical Environment Fund

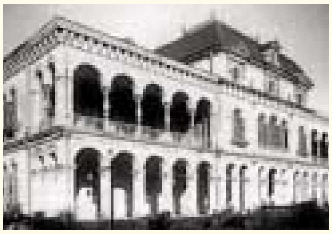
As a company involved in construction, an activity deeply connected to the global environment, Taisei is engaged in activities that aid society in preserving and enhancing the environment. In 1993, Taisei placed ¥1 billion in trust to establish the Charitable Trust Taisei Natural and Historical Environment 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 Support Committee for Restoring the Tongkonan, an organization based in Iwate Prefecture which received money from the fund, aims to support the restoration of the Tongkonan, the traditional style of housing of Indonesia's minority Toraja People, which is threatened by collapse or depletion. The photo shows a restored Alang, elevated rice barns which—like the Tongkonan—are becoming increasingly rare.

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

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
Transfered 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

Financial Section
Six-Year Summary
TAISEI CORPORATION and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen (except per share figures)						Thousands of U.S. Dollars* (except per share figures)
	1996	1997	1998	1999	2000	2001	2001
Revenue:							
Net sales:							
Construction	¥1,673,756	¥1,714,461	¥1,612,588	¥1,531,586	¥1,424,314	¥1,541,306	$12,429,888
Real estate (including other)	233,640	267,704	218,011	241,385	256,993	209,086	1,686,177
Total	1,907,396	1,982,165	1,830,599	1,772,971	1,681,307	1,750,392	14,116,065
% change from previous year	-4.5%	3.9%	-7.6%	-3.1%	-5.2%	4.1%	
Cost and expenses							
Cost of sales	1,722,856	1,812,811	1,643,673	1,592,758	1,480,357	1,547,466	12,479,565
Selling, general and administrative	143,821	149,185	145,774	138,800	157,311	136,179	1,098,218
Total	1,866,677	1,961,996	1,789,447	1,731,558	1,637,668	1,683,645	13,577,783
Operating income	40,719	20,169	41,152	41,413	43,639	66,747	538,282
Income (loss) before income taxes and other items	34,487	22,399	(98,726)	23,481	(85,505)	20,228	163,129
Income taxes	27,171	20,849	(29,614)	32,043	(28,950)	12,094	97,532
Net income (loss)	¥ (1,952)	¥ 5,784	¥ (66,963)	¥ (5,670)	¥ (52,802)	¥ 8,382	$ 67,597
Per 100 shares of common stock (in yen and dollars):							
Shareholders' equity	¥ 38,592	¥ 38,382	¥ 30,606	¥ 29,317	¥ 19,252	¥ 23,867	$ 192
Net income (loss)	(191)	567	(6,725)	(588)	(5,473)	869	7
Cash dividends	700	700	700	700	500	500	4
Financial ratios:							
Net income (loss) as a percentage of total revenue	(0.1)%	0.3%	(3.7)%	(0.3)%	(3.1)%	0.5%	
Total costs and expenses as a percentage of total revenue	97.9%	99.0%	97.8%	97.7%	97.4%	96.2%	
Dividends paid as a percentage of net income	—	123.4%	—	—	—	57.6%	
Financial position data:							
Current assets	¥2,230,076	¥1,999,532	¥1,828,797	¥1,719,364	¥1,403,912	¥1,286,330	$10,373,628
Current liabilities	2,008,867	1,954,627	1,980,995	1,899,790	1,577,480	1,424,921	11,491,298
Net property and equipment	538,284	595,916	612,833	610,677	506,468	465,119	3,750,960
Long-term debt	619,370	539,555	494,704	433,329	333,452	361,851	2,918,153
Shareholders' equity	393,520	391,416	295,289	282,852	185,748	230,265	1,856,976
Other data:							
New orders received during the year	¥1,824,311	¥1,988,310	¥1,725,284	¥1,634,592	¥1,699,684	¥1,605,048	$12,943,936
Contract backlog at end of the year	2,195,428	2,201,573	2,096,258	1,957,879	1,976,256	1,830,912	14,116,065
Shares issued (thousands)	1,019,698	1,019,803	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 = ¥124.*

Financial Review

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2000 and 2001

Overview

During fiscal 2001 ended March 31, 2001, although the Japanese economy exhibited gradual recovery during the first half of the year, the renewed threat of recession intensified in the latter half as exports declined and consumer spending stagnated. In the construction industry, there was a slight recovery in private-sector non-housing investment, mainly in factories for IT-related companies. However, overall conditions for orders remained harsh, as public-sector investment declined due to a slowdown in private-sector housing investment and fiscal restraints.

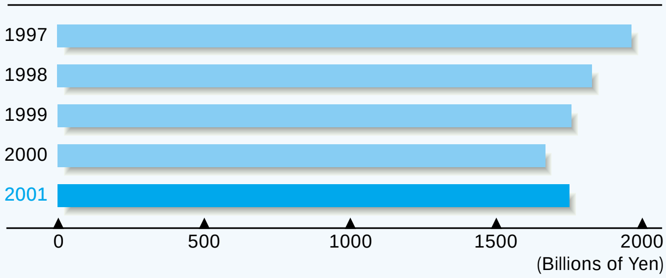
Under these circumstances, the volume of orders for Taisei Corporation and its consolidated subsidiaries (the "Companies") fell 5.6% on the year to \1.605 trillion. Meanwhile, sales exceeded the previous year, growing 4.1% to \1.7504 trillion supported by an all-out effort to strengthen profitability. At the same time, increased sales and reductions in administrative and sales costs boosted operating income 53% over the previous year. As a result, consolidated net income recovered to \8.4 billion, even after reporting losses on loans extended by the Company and its financial subsidiaries, in addition to writing off unreserved debt as a lump sum payment under the newly introduced accounting standards for employees' severance and pension benefits. Dividend per share for fiscal 2001 was \5.00, unchanged from fiscal 2000.

Revenues

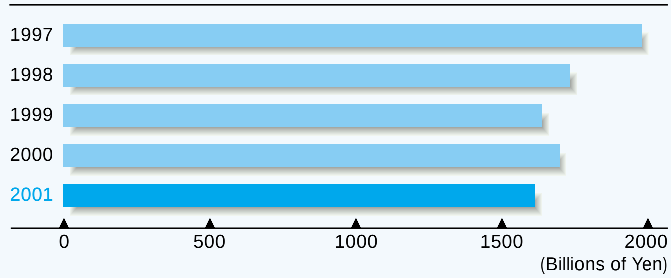
In performance by business segment, construction sales rose 8.2% over the previous year to \1.5413 trillion as a result of vigorous efforts to strengthen the management base and profitability even as business conditions in the industry remained severe. Sales in development operations, mainly in real estate sales, fell 26.8% to \117.4 billion. Market conditions were on the whole favorable, supported by reductions in housing taxes and low interest rates provided by the Housing Loan Corporation and other lenders.

In the real estate leasing market, however, improvement in vacancy rates in urban areas fell short of an overall recovery which was the major reason behind lower sales. Other business sales, including activities related to finance and leisure, decreased by 5.03% on the year to \91.7 billion amid extremely harsh business conditions, where consumer

Net Sales



New Orders Received During the Year



spending showed no signs of a recovery and price competition accelerated.

Total new construction orders declined 4.0% to \1.4076 trillion. Orders in development operations dropped 23.0% to \105.8 billion, and other orders fell 4.2% to \91.6 billion. In total, new orders received on a consolidated basis decreased by 5.6% to 1.605 trillion in fiscal 2001. The total balance of contract backlog fell 7.4% to \1.8309 trillion, as the number of completed contracts increased in fiscal 2001. The portion of the contract backlog represented by development operations and other orders decreased from \14.2 billion to \2.5 billion.

Net Income

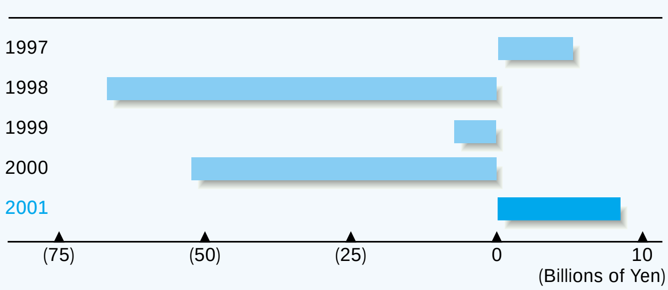
Cost of sales rose 4.5% year-on-year to \1.5475 trillion in line with the rise in net sales, and the ratio of cost of sales to net sales was 88.4%, up 0.4 points from the previous year. Meanwhile, selling, general and administrative (SG & A) expenses fell 13.4% on the year to \136.2 billion, bringing the ratio of SG & A expenses to net sales to 7.8%. Operating income grew 53% to \66.7 billion on higher net sales and lower cost of sales, and the operating income margin rose 1.2 points to 3.8%.

The Companies also reported \46.5 billion as other income (expenses), compared with \129.1 billion in fiscal 2000. As a result, income before income taxes and other items for fiscal 2001 was \12.1 billion. Net income per share was \8.7 and consolidated net income was \8.4 billion.

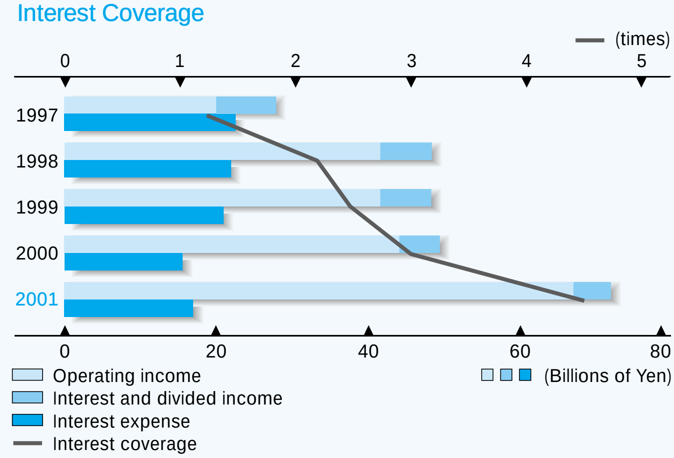
Financial Position

As of March 31, 2001, consolidated total assets were \2.1894 trillion, a 4.2% decline from the same period last year, as the Companies continued to write off or liquidate assets to streamline the balance sheet. Total current assets decreased by \117.6 billion to \1.2863 trillion in fiscal 2001, mainly the result of the Companies reviewing goals in securities holdings and transferring them from current assets to investments, along with a \26.9 billion decline in real estate development to \205.3 billion. Net property and equipment declined 8.2% to \465.1 billion, mostly due to a decrease of \13.3 billion to \281.2 billion in land and a decrease in buildings and structures to \245 billion. Investments and other assets increased 16.8% to \437.9 billion, as a result of an increase in the investment securities

Net Income (Loss)



Interest Coverage



account following the transfer of marketable securities from current assets.

Total current liabilities decreased by 9.7% to \1.4249 trillion. While trade payables (Notes and Accounts) increased by 29.2% to \510.7 billion, the Companies reduced short-term debt including commercial paper by \133.4 billion and long-term debt due within one year by \84.3 billion. Long-term debt grew by a fraction to \361.9 billion, due to a significant decrease in short-term debt. Shareholders' equity rose by \44.5 billion to \230.3 billion. The ratio of total shareholders' equity to total assets rose by 2.4 points to 10.5%. This low figure reflects the practice in the construction industry of receiving advances and progress billings on uncompleted contracts. As of March 31, 2001, this account stands at \386.4 billion and is an important source of the Company's capital resources.

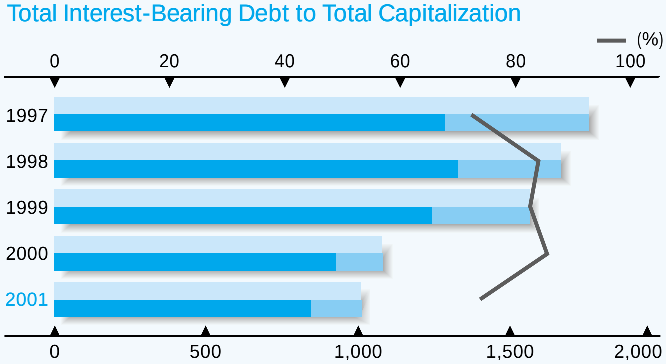
Statement of Cash Flows

Total cash flow from operations was \125 billion. This figure comprises \20.2 billion in income before income taxes and other items, \13.8 billion in depreciation and amortization expenses and redemption of annual installments, as well as an increase of \115.3 billion in trade payables. Other cash flows include a \27 billion decrease in inventories, and a \43.5 billion decrease in cost of uncompleted contracts. The above amounts offset a \50.1 billion increase in trade receivables and a \54 billion decrease in advances received and progress billings on uncompleted contracts.

Cash flow from investment activities totaled \54.8 billion. Continuing their stance from fiscal 2000, the Companies refrained from making major capital investments, focusing investment activities on selling assets to improve financial structure. As a result, the Companies gained \36.2 billion from the sale of property and equipment and \61.8 billion from the sale of marketable and investment securities.

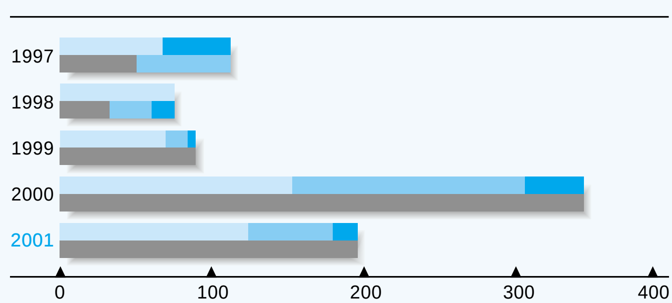
Total cash flow from financial activities came to negative \195.5 billion, as the Companies utilized resources to reduce interest-bearing debt, including \132.8 billion in short-term borrowings as well as \227.9 billion in long-term debt. Management of the above cash flow was offset in part by \170.2 billion in proceeds from long-term debt. Cash dividends, including those paid out to minority interests, totaled \5.1 billion.

Total Interest-Bearing Debt to Total Capitalization



Total capitalization
Shareholders' equity
Total interest-bearing debt
Total interest-bearing debt to total capitalization

Cash Flows



Net cash provided by (used in) operating activities
Net cash provided by (used in) investing activities
Net cash provided by (used in) financing activities
Net increase (decrease) in cash

Notes: 1. Cash flow figures for FY 2000 and FY 2001 were prepared under new accounting standards and are not directly comparable to prior periods.
2. The net decrease in cash in FY 2000 and FY 2001 includes the effect of exchange rate changes, respectively.

Consolidated Balance Sheets

TAISEI CORPORATION and Consolidated Subsidiaries
March 31, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	2000	2001	2001
Current assets:			
Cash (Note 4)	¥ 49,884	¥ 59,563	$ 480,347
Time deposits (Notes 4 and 6)	121,445	94,178	759,500
Marketable securities (Notes 5 and 6)	60,341	—	—
Trade receivables:			
Notes (Note 6)	74,254	85,939	693,056
Accounts	279,774	312,766	2,522,306
Loans	23,830	163	1,315
Allowance for doubtful accounts	(9,714)	(2,760)	(22,258)
Inventories:			
Real estate development (Note 6)	232,231	205,341	1,655,976
Raw materials and supplies	6,727	73,386	591,823
Cost of uncompleted contracts	443,258	333,285	2,687,782
Deferred income taxes (Note 8)	51,343	44,798	361,274
Prepaid expenses and other current assets	70,539	79,671	642,507
Total current assets	1,403,912	1,286,330	10,373,628
Property and equipment, at cost:			
Land (Note 6)	294,505	281,249	2,268,137
Buildings and structures (Note 6)	264,552	245,063	1,976,315
Machinery and equipment	85,590	77,540	625,323
Construction in progress	15,559	4,571	36,862
	660,206	608,423	4,906,637
Accumulated depreciation	(153,738)	(143,304)	(1,155,677)
Net property and equipment	506,468	465,119	3,750,960
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliated companies	5,029	2,674	21,565
Investment securities (Notes 5 and 6)	157,774	244,516	1,971,903
Deferred income taxes (Note 8)	102,240	71,394	575,758
Other assets	139,645	129,300	1,042,742
Allowance for doubtful accounts	(29,732)	(9,983)	(80,508)
	374,956	437,901	3,531,460
Foreign currency translation adjustments	593	—	—
	¥2,285,929	¥2,189,350	$17,656,048

See accompanying notes.

Liabilities and Shareholders' Equity	Millions of Yen 2000	Millions of Yen 2001	Thousands of U.S. Dollars (Note 1) 2001
Current liabilities:			
Short-term borrowings (Notes 6 and 7)	¥ 449,479	¥ 316,129	$ 2,549,427
Long-term debt due within one year (Notes 6 and 7)	183,330	99,020	798,548
Trade payables:			
Notes	134,452	196,083	1,581,315
Accounts	260,996	314,640	2,537,419
Advances received and progress billings on uncompleted contracts	440,316	386,444	3,116,485
Income taxes payable	4,886	3,855	31,089
Other current liabilities	104,021	108,750	877,015
Total current liabilities	1,577,480	1,424,921	11,491,298
Long-term debt (Notes 6 and 7)	333,452	361,851	2,918,153
Employees' severance and retirement benefits (Note 9)	77,714	63,581	512,750
Allowance for accrued severance indemnities to directors and corporate auditors (Note 9)	1,880	2,908	23,452
Allowance for losses on restructuring	27,381	20,078	161,919
Other non-current liabilities	47,266	52,242	421,307
Minority interest in consolidated subsidiaries	35,008	33,504	270,193
Contingent liabilities (Note 13)			
Shareholders' equity:			
Common stock, par value ¥50 per share:			
Authorized: 1,145,000,000 shares			
Issued: 964,802,821 shares	94,348	94,348	760,871
Additional paid-in capital	61,274	61,274	494,145
Retained earnings (Note 15)	30,126	33,652	271,387
Net unrealized holding gains on securities	—	43,221	348,557
Foreign currency translation adjustments	—	(2,230)	(17,984)
Total shareholders' equity	185,748	230,265	1,856,976
	¥2,285,929	¥2,189,350	$17,656,048

Financial Section

Consolidated Statements of Operations

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	2001	2001
Revenue:			
Net sales (Note 12):			
Construction	¥1,424,314	¥1,541,306	$12,429,888
Real estate (including other)	256,993	209,086	1,686,177
	1,681,307	1,750,392	14,116,065
Costs and expenses (Note 12):			
Cost of sales (Note 14)	1,480,357	1,547,466	12,479,565
Selling, general and administrative (Note 14)	157,311	136,179	1,098,218
	1,637,668	1,683,645	13,577,783
Operating income	43,639	66,747	538,282
Other income (expense):			
Interest and dividend income	4,371	5,017	40,460
Interest expense	(16,131)	(16,773)	(135,266)
Gain on sale of marketable and investment securities	16,252	10,417	84,008
Gain (Loss) on sale of property and equipment	18,449	(787)	(6,347)
Write-down of marketable and investment securities	(9,033)	(3,527)	(28,444)
Write-down of real estate for sale	(32,753)	(5,535)	(44,637)
Losses on investments in related companies	(30,278)	(3,423)	(27,605)
Provision for retirement benefits	(48,902)	—	—
Amortization of net transition obligation from adoption of the new accounting standard (Note 9)	—	(41,683)	(336,153)
Gain on securities contribution to employee retirement benefit trust (Note 9)	—	32,998	266,113
Other, net	(31,119)	(23,223)	(187,282)
	(129,144)	(46,519)	(375,153)
Income (Loss) before income taxes and other items	(85,505)	20,228	163,129
Income taxes (Note 8):			
Current	8,218	4,258	34,338
Deferred	(37,168)	7,836	63,194
	(28,950)	12,094	97,532
	(56,555)	8,134	65,597
Minority interest in net loss of consolidated subsidiaries	3,753	248	2,000
Net income (loss)	¥ (52,802)	¥ 8,382	$ 67,597

	Yen		U.S. Dollars (Note 1)
Amounts per share of common stock:			
Net income (loss)	¥ (54.73)	¥ 8.69	$ 0.070
Cash dividends applicable to the year	5.00	5.00	0.040

See accompanying notes.

Consolidated Statements of Shareholders' Equity

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2000 and 2001

	Number of shares of common stock (thousands)	Millions of Yen				
		Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustment
Balance at March 31, 1999	964,803	¥94,348	¥61,274	¥127,231		
Net loss	—	—	—	(52,802)		
Effect of change in treatment of appropriations	—	—	—	3,505		
Increase due to decrease in equity-method affiliated companies	—	—	—	136		
Cash dividends (¥6.00 per share)	—	—	—	(5,788)		
Bonuses to directors and corporate auditors	—	—	—	(129)		
Decrease resulting from changes of consolidated subsidiaries	—	—	—	(24,340)		
Elimination of unrealized losses	—	—	—	(17,687)		
Balance at March 31, 2000	964,803	94,348	61,274	30,126	¥ —	¥ —
Net income	—	—	—	8,382	—	—
Adjustment from translation of foreign currency financial statements	—	—	—	—	—	(2,230)
Adoption of new accounting standard for financial instruments	—	—	—	—	43,221	—
Cash dividends paid (¥5.00 per share)	—	—	—	(4,825)	—	—
Bonuses to directors and corporate auditors	—	—	—	(31)	—	—
Balance at March 31, 2001	964,803	¥94,348	¥61,274	¥ 33,652	¥43,221	¥ (2,230)

	Thousands of U.S. Dollars (Note 1)				
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustment
Balance at March 31, 2000	$760,871	$494,145	$242,952	$ —	$ —
Net income	—	—	67,597	—	—
Adjustment from translation of foreign currency financial statements	—	—	—	—	(17,984)
Adoption of new accounting standard for financial instruments	—	—	—	348,557	—
Cash dividends paid ($0.040 per share)	—	—	(38,912)	—	—
Bonuses to directors and corporate auditors	—	—	(250)	—	—
Balance at March 31, 2001	$760,871	$494,145	$271,387	$348,557	$ (17,984)

See accompanying notes.

Consolidated Statements of Cash Flows

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	2001	2001
Cash flows from operating activities:			
Income (loss) before income taxes and other items	¥ (85,505)	¥ 20,228	$ 163,129
Adjustments to reconcile income (loss) before income taxes and other items to net cash provided by operating activities:			
Depreciation and amortization	17,958	13,809	111,363
Decrease in allowance for doubtful accounts	(9,316)	(26,626)	(214,726)
Increase in retirement benefits	43,176	(7,945)	(64,073)
Increase in allowance for losses on restructuring	27,381	(7,302)	(58,887)
Interest and dividend income	(4,371)	(5,017)	(40,460)
Interest expense	16,131	16,773	135,266
Write-down of marketable and investment securities	9,033	3,527	28,444
Gain on sale of marketable and investment securities	(16,252)	(10,508)	(84,742)
(Gain) loss on sale of property and equipment	(18,449)	787	6,347
Gain on securities contribution to employee retirement benefit trust	—	(32,998)	(266,113)
Amortization of net transition obligation from adoption of new accounting standard	—	41,683	336,153
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	66,267	(50,111)	(404,121)
Decrease in loans receivables, trade	29,151	22,284	179,710
Decrease in cost of uncompleted contracts	56,824	43,451	350,411
Decrease in inventories	89,838	26,951	217,347
(Decrease) increase in trade payables	(39,007)	115,330	930,081
Decrease in advances received and progress billings on uncompleted contracts	(54,688)	(54,046)	(435,855)
Other, net	25,975	33,239	268,057
	154,146	143,509	1,157,331
Cash received (paid) during the year for:			
Interest and dividends received	5,386	3,734	30,113
Interest paid	(15,876)	(16,898)	(136,274)
Income taxes paid	(26,214)	(5,312)	(42,839)
Net cash provided by operating activities	117,442	125,033	1,008,331
Cash flows from investing activities:			
(Increase) decrease in time deposits	(1,065)	2,223	17,927
(Increase) decrease in short-term loans receivable	13,471	(3,143)	(25,347)
Purchase of marketable and investment securities	(25,527)	(23,851)	(192,347)
Proceeds from sale of marketable and investment securities	82,339	61,845	498,750
Purchase of property and equipment	(13,256)	(15,955)	(128,669)
Proceeds from sale of property and equipment	145,464	36,198	291,919
Other, net	(11,790)	(2,507)	(20,217)
Net cash provided by investing activities	189,636	54,810	442,016
Cash flows from financing activities:			
Decrease in short-term borrowings	(379,686)	(132,838)	(1,071,274)
Proceeds from long-term debt	124,539	170,205	1,372,621
Repayment of long-term debt	(82,008)	(227,889)	(1,837,815)
Cash dividends paid, including those to minority interest	(6,190)	(5,089)	(41,040)
Other, net	1	63	508
Net cash used in financing activities	(343,344)	(195,548)	(1,577,000)
Effect of exchange rate changes on cash and cash equivalents	(1,669)	327	2,637
Net decrease in cash and cash equivalents	(37,935)	(15,378)	(124,016)
Cash and cash equivalents at beginning of year	204,968	168,313	1,357,363
Increase in cash and cash equivalents by newly consolidated and excluded subsidiaries	1,280	—	—
Cash and cash equivalents at end of year (Note 4)	¥ 168,313	¥ 152,935	$ 1,233,347

See accompanying notes.

Notes to Consolidated Financial Statements

TAISEI CORPORATION and Consolidated Subsidiaries
March 31, 2000 and 2001

1. Basis of Presenting Consolidated Financial Statements

Taisei Corporation (the "Company") and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with Japanese GAAP and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of shareholders' equity have been prepared for the purpose of inclusion in the consolidated financial statements, although such statements were not required for domestic purpose and were not filed with the regulatory authority.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2001, which was ¥124 to U.S.$1.00. 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 58 of its subsidiaries in the year ended March 31, 2000 and 54 of its subsidiaries in the year ended March 31, 2001. All significant intercompany transactions and account balances are eliminated in consolidation.

Investments in significant affiliates, which were 12 companies for 2000 and 2001, were accounted for by the equity method.

The Company had included significant majority-owned subsidiaries in the consolidated financial statements through the years ended March 31, 1999.

Effective April 1, 1999, the Company prepared the consolidated financial statements in accordance with the revised Accounting Principles for Consolidated Financial Statements. According to this new accounting standard, 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 and existence of certain conditions evidencing controls by the Company of decision-making body of such companies.

Also, effective April 1, 1999, investments in affiliated companies (all 20% to 50% owned and certain others 15% to 20% owned) have been required to be accounted for by the equity method. According to this new accounting standard, investments in companies of which the Company has at least 15% and less than 20% of the voting rights are also accounted for using the equity method in the cases where the Company has the ability to exercise significant influence over operating and financial policies of the investees. Prior to April 1, 1999, only investments in companies of which the Company owns 20% to 50% of the voting rights and has the ability to significantly influence financial, operational or business policies were accounted for using the equity method.

The effect on retained earnings for 2000 of applying the new accounting standard was a net decrease of ¥41,891 million. This net decrease included a charge of ¥17,687 million to the retained earnings to adjust for the intercompany unrealized losses, which were previously eliminated in consolidation.

Unrealized profit resulted from transactions made before April 1, 1998 between consolidated subsidiaries was not eliminated in the year ended March 31, 2000 as permitted by the new rule.

(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.

(c) Consolidation Adjustments Account

The difference between the cost of investments and the related net assets of business acquired is charged or credited to consolidation adjustments account, which is principally amortized on a straight-line basis over a period of five years.

(d) Foreign Currency Translation

Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end exchange rates. Prior to April 1, 2000, long-term receivables and payables denominated in foreign currencies were translated at historical rates except for the assets and liabilities having forward exchange contracts.

Effective April 1, 2000, the Company and its consolidated subsidiaries (the "Companies") adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation," issued by the Business Accounting Deliberation Council on October 22, 1999 (the "Revised Accounting Standard"). Under the Revised Accounting Standard, long-term receivables and payables denominated in foreign currencies are also translated into Japanese yen at the year-end exchange rate.

The effect on the consolidated statement of operations of adopting the Revised Accounting Standard was immaterial to the consolidated financial statement for the year ended March 31, 2001.

The assets and liabilities in foreign currencies hedged by forward exchange contracts are translated at the contracted forward rate. Realized exchange gains and losses are reflected in the 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 foreign subsidiaries and affiliated companies are translated into Japanese yen at the exchange rate prevailing at the respective year-end dates except for shareholders' equity, which is translated at historical rates. The resulting translation adjustments are presented in the balance sheet.

Due to this adoption of the Revised Accounting Standard, the Company and its domestic subsidiaries report foreign currency translation adjustments in the shareholders' equity and minority interests. The prior year's amount, which is included in assets, has not been reclassified.

(e) 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 are considered to be cash and cash equivalents.

(f) 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.

(g) Marketable and Investment Securities

Prior to April 1, 2000, both marketable and investment securities of the Companies, other than investments in affiliated companies, if they are quoted in stock exchanges, are valued at the lower of moving-average cost or quoted market price. Investments in affiliated companies are stated using the equity method. Investment securities that have no market quotation are carried at moving-average cost, with appropriate write-down if considered necessary.

Effective April 1, 2000, the Companies adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999).

Upon applying the new accounting standard, it is required to examine the intent of holding each security and classify those securities 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) for 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 which 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.

The effect on the consolidated financial statements for the year ended March 31, 2001 of adopting the new accounting standard for financial instruments is shown in Note 3 "Change in Significant Accounting Policy."

(h) Derivatives and Hedge Accounting

The new accounting standard for financial instruments, effective from the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value 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 Companies 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.

The effect on the consolidated statement of operations of adopting the new accounting standard for financial instruments is shown in Note 3 "Change in Significant Accounting Policy."

(i) Construction Contracts

The great majority of short- and long-term construction contracts are accounted for by the completed-contract method. However, certain long-term and large-scale construction contracts are accounted for by the percentage-of-completion method.

The percentage-of-completion method is applied to constructions with the construction period exceeding 24 months and the contract amount in excess of ¥5,000 million ($40,323 thousand). 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. No profits or losses, therefore, are recognized before the completion of work.

(j) 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 valued at cost. For this purpose, the cost includes the purchase cost of land, purchase overhead, 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.

(k) 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 in accordance with the new accounting standard effective April 1, 1999.

(l) Property and Equipment
Property and equipment are recorded at cost and depreciated principally by the declining-balance method using standard useful lives prescribed by the Corporation Tax Law except for buildings.

Buildings are principally depreciated using the straight-line method. Effective April 1, 1999, the Company changed its depreciation of buildings acquired before March 31, 1998 from the declining-balance method to the straight-line method.

The effect due to this change on the consolidated statement of operations resulted in increase in operating income by ¥1,963 million and in decrease in loss before income taxes and other items by ¥1,963 million. The effect on segment information due to this change described above is explained in Note 12 "Segment Information."

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

(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.

Effective April 1, 1999, the Company and some consolidated subsidiaries provided 100% instead of 40% of the remaining portion of the liability for employees' retirement benefits which is not covered by the funded pension plans, and other consolidated subsidiaries provided for allowance for employees' retirement benefits at the present value of the estimated future retirement payments less the fair value of the assets of the funded pension plan.

The change resulted in increases in operating income by ¥2,044 million and in loss before income taxes and other items by ¥46,856 million.

The effects on segment information due to the changes described above are described in Note 12 "Segment Information."

Effective April 1, 2000, the Companies adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits," issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard"). Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries provided allowance for employees' severance and retirement benefits at March 31, 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥45,269 million ($365,073 thousand), of which ¥40,949 million ($330,234 thousand) was recognized as an expense as a result of the contribution of investment securities worth ¥47,871 million ($386,056 thousand) to the employee retirement benefit trust in April 2000. The total remaining net transition obligation excluding net transition obligation of one of consolidated subsidiaries, amounted to ¥734 million ($5,919 thousand) and was charged to income in the year ended March 31, 2001. The net transition obligation of the consolidated subsidiaries amounting to ¥3,587 million ($28,927 thousand) will be amortized over 10 years commencing with the year ended March 31, 2001. Prior service costs are recognized in expenses in equal amounts over certain years within the average of the estimated remaining service lives of the employees, and actuarial gains and losses are recognized in expenses using the declining-balance method over certain years within the average of the estimated remaining service lives commencing with the following period.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, retirement benefit expenses increased by ¥38,658 million ($311,758 thousand), operating income increased by ¥2,561 million ($20,653 thousand) and income before income taxes and other items decreased by ¥39,122 million ($315,500 thousand) compared with what would have been recorded under the previous accounting standard.

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 established amount of losses that the Company may incur with respect to future restructuring of consolidated subsidiaries in the case where such subsidiaries are dissolved.

(p) Net Income (Loss) and Cash Dividends per Share
The computation of net income (loss) per share is based on the weighted-average number of shares of common stock outstanding during each year.

The diluted net income per share for the years ended March 31, 2000 and 2001 was not shown, due to the results of operations for 2000 showing net loss, as well as since the Company had no securities with dilutive effect to net income per share, such as bonds with warrants and convertible bonds for 2001, respectively.

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

(q) Recognizing Appropriations of Retained Earnings
Effective April 1, 1999, the Company changed the accounting policy for preparing consolidated statements of retained earnings with respect to appropriations of retained earnings, and included in the consolidated statement of retained earnings for the year ended March 31, 2000 the appropriations of retained earnings approved by the shareholders at the general meeting during the year.

Previously, consolidated statements of retained earnings included appropriations of retained earnings approved by the shareholders subsequent to the fiscal year, but applicable to such year.

Due to the change, the retained earnings brought forward from March 31, 1999 was adjusted by a credit entry of ¥3,505 million at April 1, 1999.

The retained earnings at March 31, 2000 would have been increased by ¥2,541 million had the consolidated statement of retained earnings for 2000 been prepared using the accounting policy applied to the 1999 statement.

(r) Reclassifications
Certain reclassifications of the consolidated financial statements in the year ended March 31, 2000 have been made to conform to the presentation in the year ended March 31, 2001.

3. Change in Significant Accounting Policy

Effective April 1, 1999, the Company and some of its subsidiaries changed the accounting principles in property and equipment, retirement benefits and treatment of appropriations as explained in Notes 2 (k), 2 (m) and 2 (p).

Also, effective from the year ended March 31, 2001, the Companies adopted new Japanese accounting standards for foreign currency translation, financial instruments and employees' severance and retirement benefits as explained in Notes 2 (d), 2 (g), 2 (h) and 2 (n), and in Note 12.

As a result of adopting the new accounting standard for financial instruments, income before income taxes and other items increased by ¥868 million ($7,000 thousand). Also, based on the examination of the intent of holding each security upon application of the new accounting standard for financial instruments on April 1, 2000, held-to-maturity debt securities and available-for-sale securities maturing within one year from the balance sheet date were included in current assets, and other securities which amounted to ¥55,270 million ($445,725 thousand) were reclassified from current assets to investments and other assets.

4. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	2001	2001
Cash	¥ 49,884	¥ 59,563	$1,480,347
Time deposits	121,445	94,178	759,500
Less: Time deposits over three months	(3,016)	(805)	(6,495)
Total	¥168,313	¥152,935	$1,233,347

5. Market Value Information

A. Following tables summarized acquisition costs, book values and fair value of securities with available fair values as of March 31, 2001:

(a) Held-to-maturity debt securities:

	Millions of Yen	Thousands of U.S. Dollars
Securities with available fair values exceeding book values		
Book value	¥159	$1,282
Fair value	162	1,306
Difference	¥ 3	$ 24
Other securities		
Book value	¥ 7	$ 57
Fair value	7	57
Difference	¥ 0	$ 0

(b) Available-for-sale securities:

Securities with book values exceeding acquisition costs

Type	Millions of Yen		
	Acquisition cost	Book value	Difference
Equity securities	¥95,109	¥172,450	¥77,341
Bonds	741	762	20
Others	400	404	5
Total	¥96,250	¥173,616	¥77,366

Type	Thousands of U.S. Dollars		
	Acquisition cost	Book value	Difference
Equity securities	$767,008	$1,390,726	$623,718
Bonds	5,976	6,145	161
Others	3,226	3,258	40
Total	$776,210	$1,400,129	$623,919

Other securities

Type	Millions of Yen		
	Acquisition cost	Book value	Difference
Equity securities	¥19,778	¥15,799	¥ (3,979)
Bonds	20	20	0
Others	855	741	(113)
Total	¥20,653	¥16,560	¥ (4,092)

Type	Thousands of U.S. Dollars		
	Acquisition cost	Book value	Difference
Equity securities	$159,500	$127,411	$ (32,089)
Bonds	161	161	0
Others	6,895	5,976	(911)
Total	$166,556	$133,548	$ (33,000)

B. Following tables summarized book values of securities with no available fair values as of March 31, 2001:

(a) Held-to-maturity debt securities:

Type	Millions of Yen	Thousands of U.S. Dollars
	(Book value)	(Book value)
Non-listed domestic corporate bonds	¥10,000	$80,645

(b) Available-for-sale securities:

Type	Millions of Yen	Thousands of U.S. Dollars
	(Book value)	(Book value)
Non-listed foreign bonds	¥30,085	$242,621
Non-listed equity securities (exclusive of OTC registered stocks)	16,623	134,057
Non-listed preferred equity security	2,000	16,129
Non-listed domestic bonds	905	7,298
Money market funds	555	4,476
Total	¥50,168	$404,581

C. Redemption schedules of available-for-sale securities with maturities and held-to-maturity debt securities were as follows:

Type	Millions of Yen				
	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	¥ 566	¥ 222	¥ 56	¥ —	¥ 844
Corporate bonds	20	64	10,020	—	10,104
Others	4,696	11,685	3,501	—	19,882
Other securities	0	173	74	—	247
Total	¥5,282	¥12,144	¥13,651	¥ —	¥31,077

Type	Thousands of U.S. Dollars				
	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	$ 4,564	$ 1,790	$ 452	$ —	$ 6,806
Corporate bonds	162	516	80,806	—	81,484
Others	37,871	94,234	28,234	—	160,339
Other securities	0	1,395	597	—	1,992
Total	$42,597	$97,935	$110,089	$ —	$250,621

D. Total sales of available-for-sale securities sold in the year ended March 31, 2001 amounted to ¥33,650 million ($271,371 thousand) and the related gains and losses amounted to ¥10,724 million ($86,484 thousand) and ¥421 million ($3,395 thousand), respectively.

E. In April 2000, the Company contributed, receiving no cash, certain investment securities to its employee retirement benefit trust as explained in Notes 2 (n) and 9. The market value of the contributed securities at the time of contribution was ¥47,871 million ($382,911 thousand). Upon contribution of these securities, a "gain on securities contributed to employee retirement benefit trust" amounting to ¥32,998 million ($266,113 thousand) was recognized.

A summary of book value, market value and net unrealized gain of quoted securities of the Companies, both current and noncurrent, at March 31, 2000 was as follows:

	Millions of Yen
	2000
Book value	¥149,158
Market value	272,183
Net unrealized gain	¥123,025

6. Pledged Assets

The following assets were pledged principally as collateral for short-term borrowings and long-term debt, as obligations to return deposits or as guarantees (such as guarantees for the completion of construction contracts) at March 31, 2000 and 2001:

	Millions of Yen		Thousands of U.S. Dollars
	2000	2001	2001
Time deposits	¥ 147	¥ 108	$ 871
Marketable securities	6,033	—	—
Trade receivables: Notes	889	601	4,847
Inventories: Real estate development	—	2,302	18,565
Other current assets	—	245	1,976
Land	60,340	50,977	411,105
Buildings and structures (net of accumulated depreciation)	30,030	22,753	183,491
Investment securities	13,651	595	4,798
Total	¥111,090	¥77,581	$625,653

7. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2000 and 2001 mainly consisted of short-term notes and overdrafts from banks. The weighted average interest of short-term borrowings at March 31, 2000 and 2001 were 1.0% and 1.3% per annum, respectively.

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

Short-term borrowings at March 31, 2000 and 2001 included commercial paper in the amounts of \30,000 million and \20,000 million ($161,290 thousand), respectively. The weighted average interest of commercial paper at March 31, 2000 and 2001 were 0.2% and 0.7% per annum, respectively.

Long-term debt at March 31, 2000 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	2001	2001
Bonds and notes:			
Issues by the Company:			
3.8% yen bonds due 2001	¥ 30,000	¥ —	$ —
3.15% yen bonds due 2004	10,000	10,000	80,645
Floating rate yen notes due 2002	5,000	5,000	40,323
2.45% yen notes due 2000	11,000	—	—
Fixed-rate step-up yen notes due 2006 (with a call option exercisable in 2002)	4,000	4,000	32,258
3.05% yen bonds due 2003	10,000	10,000	80,645
2.7% yen bonds due 2001	10,000	10,000	80,645
2.0% yen bonds due 2002	10,000	10,000	80,645
2.04% yen bonds due 2003	5,000	5,000	40,323
1.8% yen bonds due 2002	5,000	5,000	40,323
2.55% yen bonds due 2009	10,000	10,000	80,645
2.0% yen bonds due 2001	10,000	—	—
2.0% yen bonds due 2002	10,000	10,000	80,645
2.52% yen bonds due 2001	5,000	5,000	40,323
3.0% yen bonds due 2002	5,000	5,000	40,323
2.3% yen bonds due 2002	30,000	30,000	241,935
2.2% yen bonds due 2004	10,000	10,000	80,645
2.0% yen bonds due 2004	20,000	20,000	161,290
Issues by subsidiaries:			
1.7% convertible bonds due 2002	5,475	5,450	43,952
Other fixed and floating rate bonds due 2000-2006	52,114	19,902	160,500
Loans, principally from banks and insurance companies:			
Secured loans	5,355	7,872	63,483
Unsecured loans	253,838	278,647	2,247,153
	516,782	460,871	3,716,701
Amount due within one year	(183,330)	(99,020)	(798,548)
Total long-term debt (due after one year)	¥ 333,452	¥361,851	$2,918,153

The fixed rate step-up yen notes due 2006 are redeemable in whole only, at par on March 20, 2002 by giving notice to the holders from February 18, 2002 to March 5, 2002.

The 1.7% convertible bonds are redeemable in whole or in part at the option of one of the subsidiaries at prices ranging from 103% to 100% of the principal amount after April 1, 1998, or are convertible into shares of common stock of that subsidiary at the option of the holders at prices provided in the indenture under which the bonds were issued. The bonds outstanding at March 31, 2001 were convertible into 4,874,776 shares of common stock of that subsidiary at the conversion price of \1,118 ($9.02) per share.

The overseas subsidiaries issued bonds due 2000-2006, partly at fixed interest rates and partly at interest rates linked to the actual LIBOR.

Long-term loans at March 31, 2000 and 2001 were principally from banks and insurance companies. The weighted average interest of loans at March 31, 2000 and 2001 were 2.6% and 2.1% per annum, respectively.

The aggregate annual maturities of long-term debt (including current portion) at March 31, 2001 were summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2002	¥ 99,020	$ 798,548
2003	121,134	976,887
2004	107,773	869,137
2005	53,457	431,105
2006	49,041	395,492
2007 and thereafter	30,446	245,532
Total	¥460,871	$3,716,701

8. Income Taxes

Taxes on income consist of corporation, enterprise and inhabitants taxes. The normal effective tax rates to calculate tax effect were 40.9% for the years ended March 31, 2000 and 2001. Differences between the actual effective tax rate and the normal effective tax rate are attributable primarily to (1) intercompany dividends eliminated in consolidation, (2) operating losses of certain subsidiaries for which deferred tax benefits have not been recognized, and (3) expenses not deductible for tax purposes.

The following table summarizes 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, 2001:

	2001
Statutory tax rate	40.9%
Permanent differences:	
Non-deductible expenses	16.8
Non-taxable income	(3.5)
Per capita inhabitant tax	3.0
Net operating loss carryforwards of subsidiaries	1.0
Unrecognized tax effect against unrealized gains	2.4
Others	(0.8)
Effective tax rate	59.8%

The information of significant differences between the statutory tax rate and the Company's effective tax rate for the year ended March 31, 2000 was not shown, due to loss before income taxes and other items for the year then ended.

Significant components of deferred income taxes at March 31, 2000 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	2001	2001
Deferred income tax assets:			
Disallowed portion of expenses and losses:			
Inventories	¥ 47,693	¥ 43,810	$ 353,306
Bad debt expenses and allowance for doubtful accounts	34,017	27,876	224,806
Retirement benefits	21,341	37,440	301,935
Allowance for losses on restructuring	11,199	8,212	66,226
Investment securities	2,772	—	—
Accrued bonus	2,311	3,584	28,903
Other	9,302	7,033	56,719
Tax loss carryforward	31,431	39,738	320,468
Unrealized profits	29,816	26,841	216,460
Sub-total	189,882	194,534	1,568,823
Valuation allowance	(33,271)	(32,564)	(262,613)
Total	¥156,611	¥161,970	$1,306,210
Deferred income tax liabilities:			
Net unrealized holding gains on securities	¥ —	¥ (30,069)	$ (242,492)
Gains on security contribution to employee retirement benefit trust	—	(13,496)	(108,839)
Reserve for tax deferment on replacement of assets	(2,978)	(2,624)	(21,161)
Special depreciation reserve	(50)	(45)	(363)
Total	(3,028)	(46,234)	(372,855)
Net total	¥153,583	¥115,736	$ 933,355

9. Employees' Severance and Retirement Benefits

As explained in Note 2 (n), effective April 1, 2000, the Companies adopted the new accounting standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits 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 sheet as of March 31, 2001 consists of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2001	2001
Projected benefit obligation	¥ (201,177)	$ (1,622,395)
Unrecognized actuarial differences	22,819	184,024
Less fair value of pension assets	111,549	899,589
Less unrecognized net transition obligation	3,228	26,032
Liability for severance and retirement benefits	(63,581)	(512,750)

Included in the consolidated statement of operations for the year ended March 31, 2001, severance and retirement benefit expenses comprised of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2001	2001
Service costs benefits earned during the year	¥ 8,037	$ 64,815
Interest cost on projected benefit obligation	6,058	48,855
Expected return on plan assets	(2,509)	(20,234)
Amortization of actuarial differences	(15)	(121)
Amortization of net transition obligation	42,042	339,048
Special retirement benefits and others	5,644	45,516
Severance and retirement benefit expenses	59,257	477,879

The discount rate and the rate of expected return on plan assets used by the Company are 3.0% and 0.0% to 4.5%, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in statement of income using the declining-balance method over 1 to 10 years.

10. Lease Transactions

(1) Finance Lease Transactions with No Ownership Transfer to Lessee

Finance lease transactions which do not transfer ownership of leased assets to lessee for the years ended March 31, 2000 and 2001 were as follows:

(a) Lessee

I. Purchase price equivalent, accumulated depreciation equivalent and book value equivalent:

	Millions of Yen					
	2000			2001		
	Purchase price equivalent	Accumulated depreciation equivalent	Book value equivalent	Purchase price equivalent	Accumulated depreciation equivalent	Book value equivalent
Buildings	¥ 3,667	¥1,695	¥1,972	¥ 3,789	¥2,242	¥1,547
Machinery and equipment	7,018	3,823	3,195	6,336	3,290	3,046
Other assets	38	19	19	42	28	14
Total	¥10,723	¥5,537	¥5,186	¥10,167	¥5,560	¥4,607

	Thousands of U.S. Dollars		
	2001		
	Purchase price equivalent	Accumulated depreciation equivalent	Book value equivalent
Buildings	$30,556	$18,081	$12,476
Machinery and equipment	51,097	26,532	24,564
Other assets	339	226	113
Total	$81,992	$44,839	$37,153

II. Lease obligations:

	Millions of Yen		Thousands of U.S. Dollars
	2000	2001	2001
Due within one year	\1,995	\1,720	$13,871
Due after one year	3,191	2,887	23,282
Total	\5,186	\4,607	$37,153

III. Lease payments (depreciation equivalent)

	Millions of Yen		Thousands of U.S. Dollars
	2000	2001	2001
Lease payments (depreciation equivalent)	\1,256	\2,267	$18,282

IV. Calculation method of depreciation equivalent

Depreciation equivalent is calculated by the straight-line method over the lease period with no residual value.

(b) Lessor

I. Purchase price, accumulated depreciation and book value:

	Millions of Yen		
	2000		
	Purchase price	Accumulated depreciation	Book value
Buildings	\271	\178	\ 93
Machinery and equipment	264	176	88
Total	\535	\354	\181

II. Lease obligations:

	Millions of Yen
	2000
Due within one year	\ 70
Due after one year	135
Total	\205

III. Lease revenues and depreciation

	Millions of Yen		Thousands of U.S. Dollars
	2000	2001	2001
Lease revenues	\104	\52	$419
Depreciation	\158	\43	$347

Information of finance lease transactions as lessor which do not transfer ownership of leased assets to lessee was not disclosed for the year ended March 31, 2001, since such finance lease contracts were all terminated.

(2) Operating Lease Transactions

Operating lease transactions for the years ended March 31, 2000 and 2001 were as follows:

(a) Lessee

I. Lease obligations:

	Millions of Yen		Thousands of U.S. Dollars
	2000	2001	2001
Due within one year	\7	\ —	$ —
Total	\7	\ —	$ —

11. Derivative Transactions

Derivative transactions of the Companies at March 31, 2000 and 2001 were as follows:

(1) Status of Derivative Transactions

The Companies utilize interest rate swaps and interest rate options to mitigate fluctuation risk in interest rates or to reduce financing costs. The Companies also enter into forward foreign exchange contracts to hedge foreign exchange risk. The Companies' 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. The Companies trade derivative transactions solely with internationally recognized, highly rated financial institutions and therefore consider there is little risk of default by counterparties.

The Companies 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 the Companies' products and interest rate increases with respect to borrowings, within the amounts of foreign currency borrowings or receivables.

Forward foreign currency and interest rate swap contracts are subject to risks of foreign exchange rate changes and interest rate changes, respectively.

The derivative transactions are executed and managed by the Company's 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 Companies 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:

2000

	Millions of Yen			
	Contract amount			
Unlisted transactions	Total	Due after one year	Market value	Unrealized gain (loss)
Interest rate options:				
Rate caps:				
Contracts to buy	\110,822	\ 85,700	\ 96	\ (653)
	(749)	(286)		
Contracts to sell	20,000	—	0	146
	(146)	(—)		
Interest rate swaps:				
Receive fix/Pay float	110,000	69,000	3,692	3,692
Receive float/Pay fix	184,280	146,280	(3,835)	(3,835)
Receive float/Pay float	15,000	10,000	92	92
Total	\440,102	\310,980	\ 45	\ (558)
	(603)	(286)		

Prior to April 1, 2000, derivative financial instruments were not stated at fair value, and the changes in fair value were not recognized as gains or losses.

2001

Unlisted transactions	Millions of Yen			
	Contract amount			
	Total	Due after one year	Market value	Recognized gain (loss)
Interest rate options:				
Rate caps:				
Contracts to buy	\ 82,700	\ 30,000	\ 1	\ (473)
Contracts to sell	3,139	3,139	(124)	122
Interest rate swaps:				
Receive fix/Pay float	69,000	49,000	3,318	3,346
Receive float/Pay fix	96,300	46,300	(2,691)	(2,627)
Receive float/Pay float	10,000	10,000	84	84
Total	\ 261,139	\ 138,439	\ 588	\ 452

2001

Unlisted transactions	Thousands of U.S. Dollars			
	Contract amount			
	Total	Due after one year	Market value	Recognized gain (loss)
Interest rate options:				
Rate caps:				
Contracts to buy	$ 666,935	$ 241,935	$ 8	$ (3,815)
Contracts to sell	25,315	25,316	(1,000)	984
Interest rate swaps:				
Receive fix/Pay float	556,452	395,161	26,758	26,984
Receive float/Pay fix	776,613	373,387	(21,702)	(21,185)
Receive float/Pay float	80,645	80,645	678	677
Total	$2,105,960	$1,116,444	$ 4,742	$ 3,645

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: The parenthesized numbers above represent the amount of option premium that is presented on the balance sheet.

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, 2000	\ 140,000 million
As at March 31, 2001	\ 90,000 million
	($725,806 thousand)

12. Segment Information

The Companies 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, 2000 and 2001 were summarized as follows:

2000

	Millions of Yen				
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers	¥1,424,314	¥160,450	¥ 96,543	¥ —	¥1,681,307
Intersegment	9,864	1,986	8,932	(20,782)	—
Total	1,434,178	162,436	105,475	(20,782)	1,681,307
Costs and expenses	1,406,159	147,688	103,669	(19,848)	1,637,668
Operating income	¥ 28,019	¥ 14,748	¥ 1,806	¥ (934)	¥ 43,639
II. Identifiable assets, depreciation expense and capital expenditures					
Identifiable assets	¥1,372,881	¥565,445	¥242,876	¥104,727	¥2,285,929
Depreciation expense	12,424	3,036	2,498	—	17,958
Capital expenditures	9,182	14,900	4,782	(10,821)	18,043

2001

	Millions of Yen				
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers	¥1,541,306	¥117,397	¥ 91,689	¥ —	¥1,750,392
Intersegment	24,404	1,966	7,086	(33,456)	—
Total	1,565,710	119,363	98,775	(33,456)	1,750,392
Costs and expenses	1,511,290	107,880	98,231	(33,756)	1,683,645
Operating income	¥ 54,420	¥ 11,483	¥ 544	¥ 300	¥ 66,747
II. Identifiable assets, depreciation expense and capital expenditures					
Identifiable assets	¥1,567,826	¥509,034	¥133,984	¥ (21,494)	¥2,189,350
Depreciation expense	8,420	3,022	2,367	—	13,809
Capital expenditures	10,688	7,879	961	(11)	19,497

2001

	Thousands of U.S. Dollars				
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers	$12,429,887	$ 946,750	$ 739,428	$ —	$14,116,065
Intersegment	196,807	15,855	57,144	(269,806)	—
Total	12,626,694	962,605	796,572	(269,806)	14,116,065
Costs and expenses	12,187,823	870,000	792,185	(272,225)	13,577,783
Operating income	$ 438,871	$ 92,605	$ 4,387	$ 2,419	$ 538,282
II. Identifiable assets, depreciation expense and capital expenditures					
Identifiable assets	$12,643,758	$4,105,113	$1,080,516	$ (179,339)	$17,656,048
Depreciation expense	67,903	24,371	19,089	—	111,363
Capital expenditures	86,032	63,540	7,750	(89)	157,234

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

2: Through the years ended March 31, 2000, certain portion of assets was not allocated to each of the business segments. Such assets consisted mainly of investments by the Company in liquid financial assets (e.g., cash, time deposits and marketable securities) and translation adjustment. Effective for the year ended March 31, 2001, such assets are also allocated to each of the business segments. This change was made in order to disclose segment information in more proper way, based on the reconsideration of a state of utilizing of such assets within the Group and basis of allocation, and in accordance with the revision of Japanese GAAP that translation adjustments has been included in the portion of shareholders' equity.
The effect of this change to the consolidated financial statement for the year ended March 31, 2001 resulted increase in the assets of construction segment, real estate segment and other segment by the amount of \79,096 million ($637,871 thousand), \1,709 million ($13,782 thousand) and \570 million ($4,597 thousand), respectively. The total amount of such assets for the year ended March 31, 2000 was \150,619 million and has not been restated.

3: As explained in Note 3 "Change in Significant Accounting Policy," effective April 1, 1999, the Company and some of its consolidated subsidiaries changed the accounting principles in property and equipment, retirement benefits and treatment of appropriations. The effect of this change to the consolidated financial statements for the year ended March 31, 2000 resulted in decrease in costs and expenses of construction and real estate, and operating income of other by \3,345 million, \731 million and \68 million, respectively, and in increase in operating income of construction and real estate, and costs and expenses of other by \3,345 million, \731 million and \68 million, respectively.

4: Also, as explained in Notes 2 (d), 2 (g), 2 (h) and 2 (n), effective from the year ended March 31, 2001, the Companies adopted new Japanese accounting standards for foreign currency translation, financial instruments and employees' severance and retirement benefits. The effect of these changes to the consolidated financial statements for the year ended March 31, 2001, resulted in decrease in costs and expenses of construction and real estate by \2,276 million and \42 million, and increase in that of other by \2 million, respectively, and increase in operating income of construction and real estate by \2,276 million and \42 million, and decrease in that of other by \2 million, respectively.

5: Information by geographic area for the years ended March 31, 2000 and 2001, 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.

6: Overseas sales for the years ended March 31, 2000 and 2001, were not shown since overseas sales were less than 10% of the Company's consolidated net sales.

13. Contingent Liabilities

At March 31, 2001, the Companies were contingently liable as guarantors for loans of affiliated companies, employees and others in the amount of \14,077 million ($113,524 thousand). Commitment to guarantee was included in the contingent liabilities in the amount of \652 million ($5,258 thousand). Also, contingent liability at March 31, 2001 for endorsed trade notes receivable amounted to \204 million ($1,645 thousand). In case there are other guarantors beside the Companies, the amount of the Companies' share of the contingent liabilities resulting from the guarantees is stated.

14. Research and Development Expenses

Effective April 1, 1999, research and development expenses are charged to expenses as they are incurred in accordance with the new accounting standard.

Such amounts were included in selling, general and administrative expenses and costs of sales, and amounted to \9,279 million and \10,012 million ($80,742 thousand) for the years ended March 31, 2000 and 2001, respectively.

The effect of adopting the new accounting standard was immaterial to the consolidated financial statement for the year ended March 31, 2000.

15. Subsequent Event

The following appropriations of retained earnings at March 31, 2001 were approved at the annual meeting of the Company's shareholders held on June 28, 2001.

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, \2.5 ($0.02) per share	\2,412	$19,452

Report of Independent Public Accountants

To the 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, 2000 and 2001 and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Taisei Corporation and consolidated subsidiaries as of March 31, 2000 and 2001 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis, except as noted in the following paragraph.

As explained in Notes 2 (a), 2 (k) and 14, in the year ended March 31, 2000, the Company and consolidated subsidiaries adopted new Japanese accounting standards for consolidation and equity method accounting, income taxes and research and development costs. Also in the year ended March 31, 2000, the Company and consolidated subsidiaries changed the accounting policies for depreciating buildings referred to in Note 2 (l), providing for employees' retirement benefits referred to in Note 2 (n) and recognizing appropriations referred to in Note 2 (q), with which we concur.

As explained in Notes 2 (d), 2 (g), 2 (h) and 2 (n) in the year ended March 31, 2001, the Company and consolidated subsidiaries adopted new Japanese accounting standards for foreign currency translation, marketable and investment securities, derivatives and hedge accounting and employees' retirement benefits. Also in the year ended March 31, 2001, the Company and consolidated subsidiaries changed the method for allocating of assets to segments referred to in Note 12, with which we concur.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co
(Member Firm of Andersen Worldwide SC)

Tokyo, Japan
June 28, 2001

STATEMENT ON ACCOUNTING PRINCIPLES AND AUDITING STANDARDS

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Director and Corporate Auditors

Chairman
Osamu Hirashima

President and Representative Director
Kanji Hayama

Director
Masaichi Hayakawa

Representative Directors
Hiroshi Ushioda
Hiromitsu Honda

Directors
Masami Ichikawa
Hiroshi Tamaru
Nobuhiko Tsuruta
Kunihiko Nanbu
Seiki Koda
Kouji Okumura
Hiromichi Hagiwara

Senior Corporate Auditors
Yoshishige Ito
Toshio Akahori

Corporate Auditors
Takeshi Kuwahara
Morimasa Taniguchi
Hideaki Saeki

Executive Officers

President and Chief Executive Officer
Kanji Hayama

Senior Executive Vice Presidents
Masaichi Hayakawa
In charge of Marketing & Sales
Hiroshi Ushioda
General Manager of Corporate Planning Office
Hiromitsu Honda
General Manager of Marketing & Sales (Building Construction) Division (Integrated)

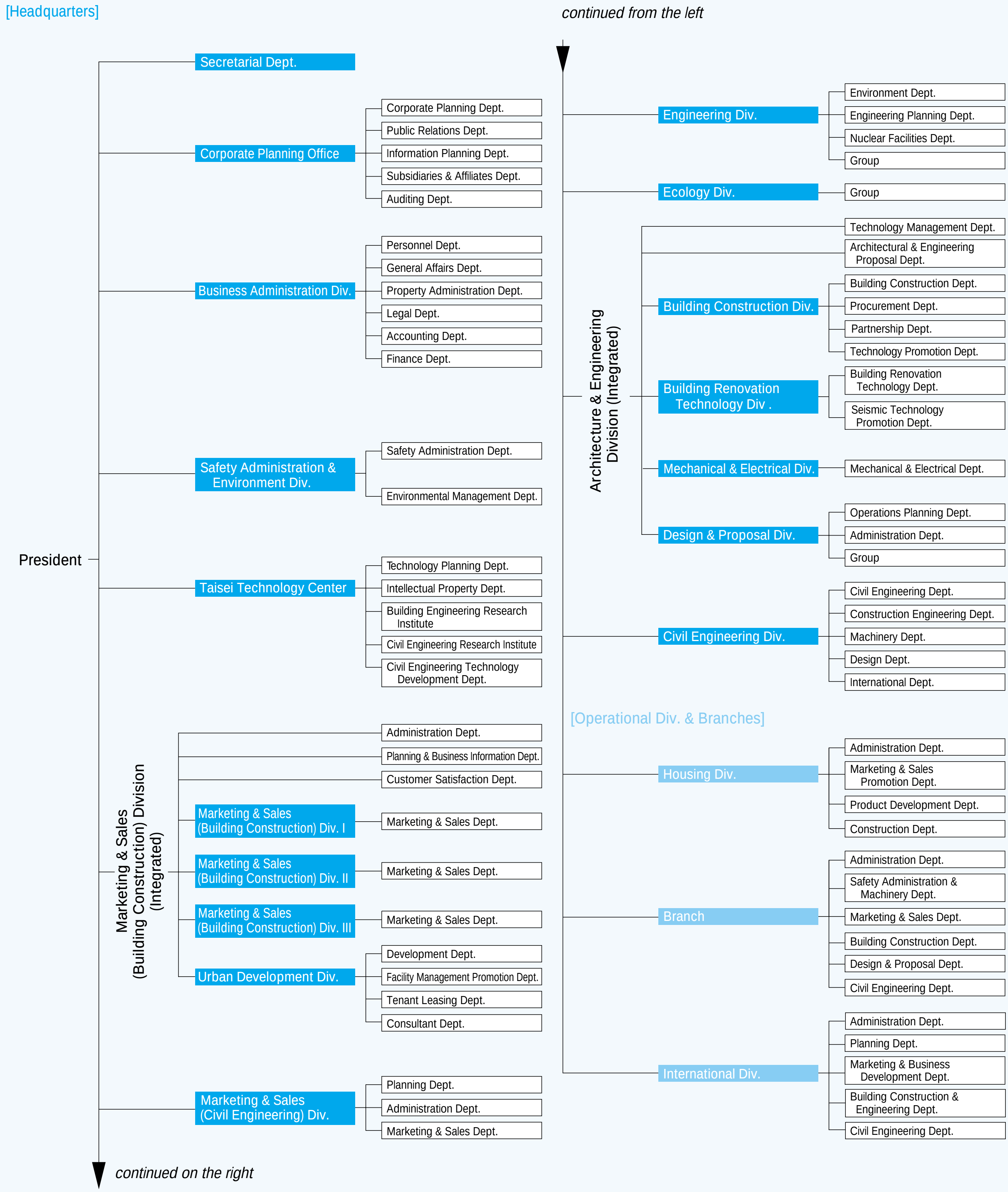
Executive Vice Presidents
Yasuyuki Hirota
In charge of Marketing & Sales
Masami Ichikawa
General Manager of Civil Engineering Division
Yuji Ohbayashi
In charge of Marketing & Sales
Tadao Ikeda
General Manager of Nagoya Branch
Makoto Nakagawa
In charge of Marketing & Sales
Hiroshi Tamaru
General Manager of Tokyo Branch & In charge of Marketing & Sales
Nobuhiko Tsuruta
General Manager of Architecture & Engineering Division (Integrated), General Manager of Architecture & Engineering Division, and In charge of Marketing & Sales
Kunihiko Nanbu
General Manager of Marketing & Sales (Civil Engineering) Division
Seiki Koda
General Manager of Business Administration Division
Mikio Ito
Deputy General Manager of Marketing & Sales (Building Construction) Division (Integrated)
Kunio Yokozawa
General Manager of Design & Proposal Division
Mitsuo Masuda
Deputy General Manager of Marketing & Sales (Civil Engineering) Division

Senior Vice Presidents
Shigeo Takeoka
General Manager of Safety Administration & Environmental Division
Kouji Okumura
General Manager of Housing Division
Toru Kobayashi
General Manager of Tohoku Division
Tsuyoshi Tsujii
General Manager of Research Institute
Hiroshi Yamada
General Manager of Sapporo Branch
Hiroyasu Takuma
General Manager of Urban Development Division and In charge of Property Administration
Yasuto Kikuoka
In charge of Marketing & Sales
Kenji Miyake
General Manager of Mechanical & Electrical Division
Kuniyuki Sonoda
General Manager of Marketing & Sales (Building Construction) Division I & II
Hiromichi Ujihara
General Manager of Kansai Branch
Hiromichi Hagiwara
General Manager of Engineering Division & General Manager of Ecology Division
Yukio Kobayashi
General Manager of Marketing & Sales (Building Construction) Division III
Keiichiro Jozaki
Deputy General Manager of Business Administration Division & Deputy General Manager of Corporate Planning Office

Vice Presidents
Fumio Ikawa
General Manager of Yokohama Branch
Koutarou Okazaki
General Manager of Hiroshima Branch
Kunio Funatsu
Deputy General Manager of Marketing & Sales (Building Construction) Division
Shizuo Hayashi
Deputy General Manager of Marketing & Sales (Civil Engineering) Division
Takashi Yamauchi
General Manager of Kanto Branch
Katsuhiko Ogura
General Manager of Kitashinetsu Branch
Shigenori Kawanishi
General Manager of International Division
Hitoshi Terashita
General Manager of Shikoku Branch
Masaru Kamata
General Manager of Chiba Branch
Yasuyuki Nakayama
In charge of Marketing & Sales
Masaya Segawa
In charge of Marketing & Sales
Mitsuo Nakatsumi
Manager of Secretarial Department
Tadakatsu Kyuma
General Manager of Kyushu Branch
Hiroaki Hibino
Deputy General Manager of Marketing & Sales (Building Construction) Division
Isao Komai
Deputy General Manager of Marketing & Sales (Building Construction) Division
Hiroshi Mitsuoka
Deputy General Manager of Architecture & Engineering Division (Integrated) & Deputy General Manager of Corporate Planning Office
Saisuke Kani
Deputy General Manager of Design & Proposal Division & Manager of Operation Planning Department
Masashi Kobayashi
Deputy General Manager of Civil Engineering Division & Manager of Civil Engineering Department & Deputy General Manager of Corporate Planning Office
Atsushi Okamoto
Deputy General Manager of Business Administration Division & Manager of Personnel Department
Tadatoshi Fujisaki
Deputy General Manager of Kansai Branch
Yoshihiro Fujiwara
Deputy General Manager of Urban Development Division
Hiroshi Kubo
Deputy General Manager of Marketing & Sales (Building Construction) Division
Hiroyuki Kimura
Deputy General Manager of Marketing & Sales (Civil Engineering) Division & Manager of Planning Section & Deputy General Manager of Civil Engineering Division (in charge of Design)

(As of July 1, 2001)

Organization



Corporate Auditor —Auditor's Secretarial Dept.

(As of July 1, 2001)

Corporate Data

Name:	Taisei Corporation
Established:	1873
Paid-in Capital:	¥94,348 million
Authorized Shares:	1,200,000,000 shares
Shares Issued:	964,802,821 shares
Number of Shareholders:	134,486
Number of Employees:	10,697
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.

Head Office:	1-25-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0606
Phone:	+81-3-3348-1111
Fax:	+81-3-3345-0481
Domestic Offices:	Tokyo, Kansai, Nagoya, Kyushu, Sapporo, Tohoku, Hiroshima, Yokohama, Hokushin-etsu, Shikoku, Chiba, Kanto, Kobe, Kyoto, Kawasaki
Overseas Offices:	Taipei, U.S.A., Hawaii, London, Hong Kong, Singapore, Kuala Lumpur, Jakarta, Baghdad, Seoul, Shanghai, The Philippines, Bangkok, Vietnam, Myanmar, Phnom Penh, Beijing, Qatar, Turkey

(As of March 31, 2001)

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	53.5%*1
Taisei Rotec Corporation	Tokyo, Japan	¥11,305 million	Road construction and construction material sales	50.7%
Taisei Prefab Construction *2 Co., Ltd.	Tokyo, Japan	¥ 7,280 million	Housing construction and real estate sales	53.2%
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	94.7%
Shirakawa Kogen Development Co., Ltd.	Fukushima, Japan	¥ 360 million	Golf course management	95.8%*1
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%
Keiyo Resort Development Co., Ltd.	Chiba, Japan	¥ 3,000 million	Hotel management	78.0%
Yuraku Real Estate Sales Co., Ltd.	Tokyo, Japan	¥ 600 million	Real estate brokerage and sales	100%*1
Taisei Kensetsu Housing Co., Ltd.	Tokyo, Japan	¥ 450 million	Housing construction	100%
Taisei Europe 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.*
*2 *Name changed to Taisei U-Lec Co., Ltd. on August 1, 2001.*

TAISEI

TAISEI CORPORATION

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