

Delay in Submitting the Interim Report for the 62nd Term

December 25, 2006

Taikisha Ltd. regrets to announce that the company has no prospect of submitting the Interim Report for the Fiscal Year (62nd term) ending March 2007 to the Kanto Local Finance Bureau by the statutory due date of submission stipulated in Article 24, Section 5, Paragraph 1 of the Securities and Exchange Law.

Reason for the delay in submitting the Interim Report

Although the company has been preparing for the submission of the Interim Report on the six month account settlement, a letter was posted to our auditors and certified public accountant office on December 12, indicating the existence of a considerable amount of unrecorded and outstanding accounts payable, owed to partner companies involved in past construction projects ordered by some of our branches.

While the auditors expressed their opinion and the certified public accountant presented their proposal on the matter, in consideration of the importance of this matter, our company formed a special investigation team on December 15 and began a company-wide investigation regarding the authenticity of the letter. The investigation has been conducted mainly through hearing from those in managerial positions and those who have ordering authority, hearing from partner companies regarding debts and credits, and obtaining written confirmation of outstanding balances.

The investigation to this date revealed cases of inappropriate cost accounting procedures such as that our company's branches

had delayed recording of outstanding accounts payable and had added the cost of completed projects, which should have been included in the previous year's account settlement.

Potential effect on business performance and submission due date of the Interim Report

Our company shall continue its detailed and objective investigation in order to clarify the situation involving these cost accounting procedures. Although its potential effect on our business performance - including any possible effect on the previous year's account settlement - is not clear at this moment, we shall disclose an overview of the findings of the internal investigation without delay.

The aforementioned Interim Report and the Brief Announcement of the financial statement for the six-month period shall be submitted as soon as the internal investigation and auditing by accounting auditors are complete. In addition, the account settlement for the previous year shall be corrected if necessary. We are now considering submitting the Interim Report for the fiscal year ending March 2007 on February 2, 2007.

Managerial responsibility for the delay in submitting the Interim Report

To clearly and firmly place responsibility for these unfortunate and unacceptable developments and their impact on our valued shareholders and business partners, today the Board of Directors passed a resolution to replace the current President on January 1, 2007. For more information regarding change of the President, please refer to the "Announcement Regarding the Replacement of the Representative Director."

We deeply apologize to our valued shareholders and business partners for any inconvenience caused by this matter. Starting in January, under the leadership of the new President, by way of thorough investigation into the root causes of the current situation, and by implementing firm measures to prevent any such problem from reoccurring, we shall endeavor towards regaining the fullest confidence from those concerned in this matter.