

# Brief report on the Financial Statements for the period ending March, 2003 (consolidated)

May 22, 2003

Name of listed company: DAI-DAN Co., Ltd.

Listed Stock Exchanges: Tokyo and Osaka

Code No.: 1980

Location of Head Office: Osaka Pref.

(URL <http://www.daidan.co.jp>)

Representative of Company: Toshikazu ANDO, Representative Director & President

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Date of Directors' meeting on closing of accounts: May 22, 2003

Adoption of American Accounting Standards: None

## 1. Consolidated performance for the period ending March, 2003 (From April 1, 2002 to March 31, 2003)

### (1) Consolidated management performance (Note: Amounts are indicated with figures less than 1 million yen discarded.)

|                          | Sales amount |      | Operating profit |      | Ordinary profit |      |
|--------------------------|--------------|------|------------------|------|-----------------|------|
|                          | Million yen  | %    | Million yen      | %    | Million yen     | %    |
| Period ending March 2003 | 164,115      | -1.7 | 2,044            | 21.7 | 1,746           | -3.1 |
| Period ending March 2002 | 166,904      | -6.5 | 1,679            | 57.6 | 1,803           | 36.9 |

|                          | Current net profit |   | Current net earnings per share | Current net earning per share after making potential share adjustments | Shareholders capital Current net profit rate | Total capital Ordinary profit rate | Sales amount Ordinary profit rate |
|--------------------------|--------------------|---|--------------------------------|------------------------------------------------------------------------|----------------------------------------------|------------------------------------|-----------------------------------|
|                          | Million yen        | % | Yen Sen                        | Yen Sen                                                                | %                                            | %                                  | %                                 |
| Period ending March 2003 | 1,017              | — | 22.26                          | —                                                                      | 2.3                                          | 1.2                                | 1.1                               |
| Period ending March 2002 | -1,455             | — | -31.69                         | —                                                                      | -3.2                                         | 1.2                                | 1.1                               |

Note: 1) Investment profit or loss on equity method End of March 2003 43 million yen End of March 2002 0 million yen

2) Interim average number of shares (consolidated) End of March 2003 45,730,284 shares End of March 2002 45,923,188 shares

3) Changes in accounting procedures: none

4) Percentage indication of sales amount, operating profit, ordinary profit, and current net profit show increase or decrease compared with previous period

### (2) Consolidated financial condition

|                          | Total assets | Shareholder's capital | Shareholders capital rate | Shareholder's capital per share |
|--------------------------|--------------|-----------------------|---------------------------|---------------------------------|
|                          | Million yen  | Million yen           | %                         | Yen Sen                         |
| Period ending March 2003 | 138,148      | 43,874                | 31.8                      | 974.56                          |
| Period ending March 2002 | 147,454      | 44,422                | 30.1                      | 967.50                          |

Note: Issued number of shares at the end of period (consolidated)

End of March 2003 45,019,424 shares

End of March 2002 45,914,005 shares

### (3) Consolidated cash flow condition

|                          | Cash flow on sales activities | Cash flow on investment activities | Cash flow on financial activities | Period end balance of cash and equivalent items |
|--------------------------|-------------------------------|------------------------------------|-----------------------------------|-------------------------------------------------|
|                          | Million yen                   | Million yen                        | Million yen                       | Million yen                                     |
| Period ending March 2003 | 6,688                         | -1,705                             | -3,123                            | 30,653                                          |
| Period ending March 2002 | -499                          | 213                                | -3,814                            | 29,004                                          |

### (4) Consolidation scope and items relating to application of equity method

Number of consolidated subsidiaries: 11 Number of non-consolidated subsidiaries with equity method applied: none

Number of affiliated company with equity method applied: 1

### (5) Consolidation scope and situation on changes in equity method application

Consolidated (new): none (excluded): none Equity method (new): none (excluded): none

## 2. Estimated of consolidated performance for the period ending March 2004 (From April 1, 2003 to March 31, 2004)

|              | Sales amount | Ordinary profit | Current net profit |
|--------------|--------------|-----------------|--------------------|
|              | Million yen  | Million yen     | Million yen        |
| Interim      | 55,000       | -2,400          | -1,700             |
| Total period | 155,000      | 2,000           | 700                |

(Reference) Estimated current net profit per share (for total period) 15.55 yen

\* Since the performance is estimated based on the information available as of the announcing date, actual results can be different from estimated ones due to various factors.

For the items of the above performance estimate, see the attached material for consolidation at page 4.

## 1. Situation of the Corporate Group

Our corporate group consists of our company, 11 subsidiary companies and 1 affiliated company, mainly engaged in the business of designing, supervising, and execution of electrical, air conditioning, and plumbing/sanitation work. The position of our group relating to business and the systematic chart of our business are as follows:

### (1) Position of our group relating to business

Facility construction works

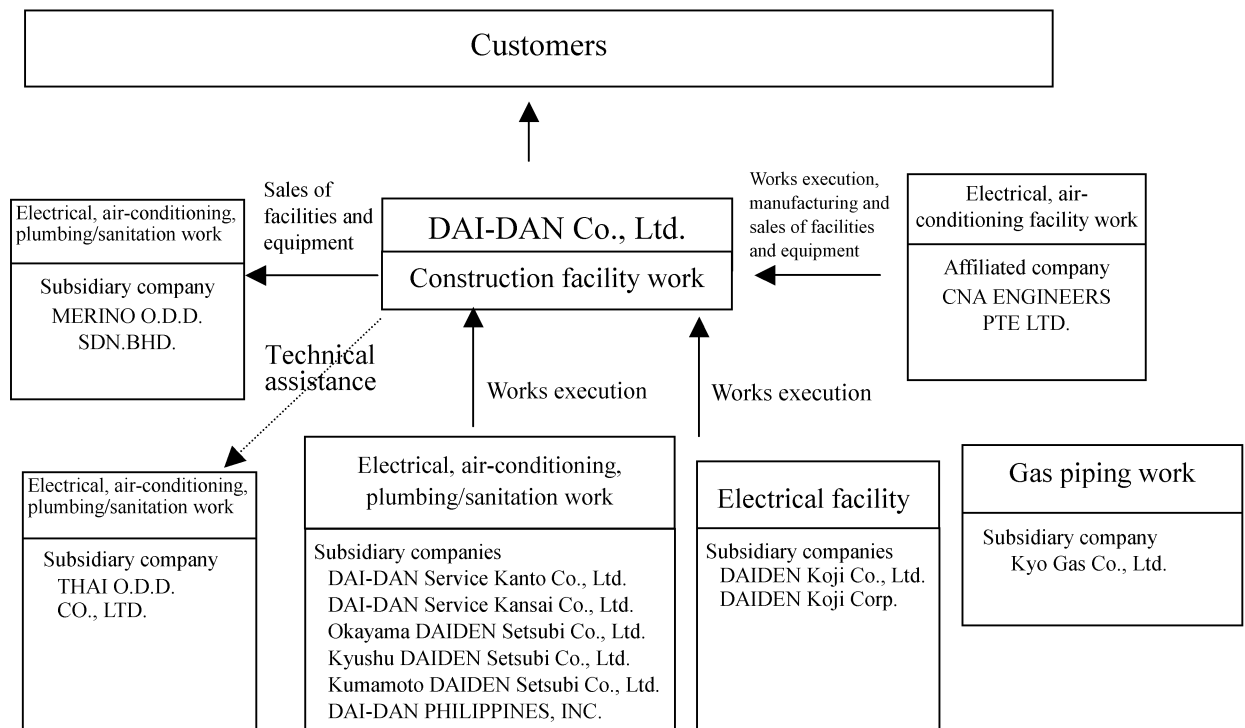
Electrical, air-conditioning, and plumbing/sanitation work

Part of the work of orders received by us is relegated to DAI-DAN Service Kanto Co., Ltd., DAIDEN Koji Co., Ltd., DAIDEN Koji Corp., DAI-DAN Service Kansai Co., Ltd., Okayama DAIDEN Setsubi Co., Ltd., Kyushu DAIDEN Setsubi Co., Ltd., Kumamoto DAIDEN Setsubi Co., Ltd., CNA ENGINEERS PTE LTD. and DAI-DAN PHILIPPINES, INC. We sell facilities and equipment to MERINO O.D.D. SDN BHD. and offer technical assistance to THAI O.D.D. CO., LTD.

Gas piping work

Kyo Gas Co., Ltd. executes the gas piping work for orders placed by Osaka Gas Co., Ltd. and receives only a few orders from our company.

### (2) Systematic chart of business



## **2. Management Policies**

### **(1) Basic policy on management**

Our company, as a general facility work company, enforces a basic management policy of “challenging to create a new value and contributing to the achievement of more favorable global environment and the progress of society at all times” and provides customers with technologies and services, which are ahead of their needs, thus working toward upgrading the corporate value. Furthermore, the company has an on-target grasp of changes in the industrial structure and conducts the speedy and practical management with an eye toward becoming a vigorous company.

### **(2) Basic policy on distribution of profits**

Our basic, consistent policy is to endeavor to build a solid financial constitution and return profits stably and continuously to our shareholders to live up to their expectations.

### **(3) Corporate governance**

The medium-term management plan, which has been carried out since April 2000, was terminated as of March 2003. The following section describes the principal contents of the fund.

We completed the reorganization of company-wide information system with the aim of achieving a high level of effectiveness of and a speedup in operations, which went into the full-scale operation on April 2003.

Regarding the marketing and technical aspects, we pushed ahead with proposal-oriented marketing activities through the development of new technologies and the improvement/upgrading of the existing technologies, and branched out into the ESCO business through capitalizing on energy-saving technologies. Besides safety terms, on the basis of the “ISO 9000 Series” with its certification received for quality terms and of the “ISO 14001” with its certification received as a single company-wide certification for environmental terms, we have been providing construction equipment to meet customer needs.

We celebrated the 100th anniversary of our foundation on March 2003 and placed this 101st year as the first year of our new foundation, thus aiming at securing earnings conducive to our continuous development and creating a new profitable opportunity through considering the era of cataclysmic changes as that having business chances

As the first step in giving a concrete form to the creation above, we laid down a new medium-term management plan “CHALLENGE NEW – DAIDAN 77” toward the 77th Term closing on March 2006.

### **(4) Basic concept regarding corporate governance and implementation status of measures**

In order to keep up with cataclysmic changes in the management environment, we are carrying out extensive studies on critical issues involved in the management, making quick and fair decisions, and implementing measures as soon as decided. Speaking concretely, we are making the following management system effectively functional.

#### **|| Management council**

The management council is held twice every month. Based on opinions given not only by the management layer but also by a team making up of young managerial staffs and executive officers, the council makes a wide range of analysis of the planning of measures and the check on their progress as well as of management policy, thus bringing up them for the board of directors, as occasion arises.

¶ Board of directors

The board of directors is held once every month in principle or extraordinarily as occasion arises. The board of directors makes decisions regarding critical issues involved in the management including issues under discussion by the management council and, at the same time, monitors the progress of operations.

@ Board of corporate auditors

We make it as an established practice that four auditors (including two outside auditors) hold the board of corporate auditors before the board of directors is held and carefully examine the issues discussed by the board of directors, and turn up the board of directors to present their suggestions.

% Meeting of branch office managers

In order to harmonize the company-wide operations, the meeting of branch office managers is being held every month, where not only management policies and measures are presented but also a variety of issues in branch offices are discussed, thus making efforts to make immediate solutions.

### **3. Management Record and Financial Standing**

#### **(1) Management record**

As for the construction industry, public investment further declined and private capital investment by companies showed a sharp drop due to an uncertain feeling about the future. Hence tough order environments still continued.

The consolidated amount of work orders received of our corporate group declined 6.8% on the previous term to 144,267 million yen. The amount of work completed declined 1.7% on the previous term to 164,115 million yen.

As for the profits, the operating profit increased 21.7% on the previous term to 2,044 million yen and the ordinary profit declined 3.1% on the previous term to 1,746 million yen. Furthermore, we recorded profits including a profit of 2,381 million yen gained on the absorption of the substitution portions of the employees' pension fund covered by the company on behalf of the government as special profit and losses including evaluation loss on holding securities of 1,522 million yen due to a sharp fall in stock prices as special loss. As a result, the net profit for the current term totaled 1,017 million yen.

#### **(2) Financial standing**

Cash and cash equivalent for the current consolidated accounting year (hereinafter referred to as "the fund") increased 1,648 million yen (5.7%) compared with that at the end of previous term to 30,653 million yen.

(Cash flow from operating activities)

Cash flow used in operating activities for the current consolidated accounting year increased 6,688 million yen in the fund thanks to increased earnings through improved net profit before tax adjustments, etc. for the current term in addition to significant improvement in cash flow related to construction work, which increased 7,188 million yen on balance, compared with the decline of 499 million yen in fund for the previous term.

(Cash flow from investing activities)

Cash flow used in investing activities for the current consolidated accounting year decreased 1,705 million yen in the fund due to expenditures by acquiring investment securities of 2,828 million yen and others, which decreased 1,918 million yen on balance, compared with the increase of 213 million yen in fund for the previous term.

(Cash flow from financing activities)

Cash flow used in financing activities for the current consolidated accounting year decreased 3,123 million yen in the fund due to paid amount of dividends of 734 million yen, expenditures for the return of loans having exceeded the earnings by new borrowing by 1,995 million yen and others, which increased 690 million yen on balance, compared with the decline of 3,814 million yen for the previous term.

**(3) Outlook for next term**

In the construction industry, it is predicted that tough order environments continue due to cutback on public investment and low private equipment investment drive.

Regarding the outlook for the next term of our corporate group, we expect the consolidated amount of work orders received of 160,000 million yen, completed work of 155,000 million yen, ordinary profits of 2,000 million yen, and current net profit of 700 million yen.

## 4. Consolidated Financial Statements, etc.

### (1) Consolidated balance sheet

(in millions of yen)

| Accounts                                              | By period | End of the current consolidated accounting year<br>(As of March 31, 2003) |                 | End of the previous consolidated accounting year<br>(As of March 31, 2002) |                 | Difference |
|-------------------------------------------------------|-----------|---------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------|-----------------|------------|
|                                                       |           | Amount                                                                    | Component ratio | Amount                                                                     | Component ratio |            |
| <b>(Assets)</b>                                       |           |                                                                           | %               |                                                                            | %               |            |
| <b>Current assets</b>                                 |           |                                                                           |                 |                                                                            |                 |            |
| Cash on hand and in banks                             |           | 28,621                                                                    |                 | 27,110                                                                     |                 | 1,510      |
| Note receivables, completed work accounts receivables |           | 50,282                                                                    |                 | 55,009                                                                     |                 | - 4,726    |
| Securities                                            |           | 2,179                                                                     |                 | 2,330                                                                      |                 | - 151      |
| Incomplete work expenditures                          |           | 25,255                                                                    |                 | 30,594                                                                     |                 | - 5,339    |
| Deferred tax reserves                                 |           | 1,116                                                                     |                 | 534                                                                        |                 | 581        |
| Others                                                |           | 5,967                                                                     |                 | 5,783                                                                      |                 | 184        |
| Allowance for bad debts                               |           | - 176                                                                     |                 | - 699                                                                      |                 | 522        |
| <b>Total current assets</b>                           |           | 113,245                                                                   | 82.0            | 120,663                                                                    | 81.8            | - 7,417    |
| <b>Fixed assets</b>                                   |           |                                                                           |                 |                                                                            |                 |            |
| <b>Tangible fixed assets</b>                          |           |                                                                           |                 |                                                                            |                 |            |
| Buildings and structures                              |           | 3,262                                                                     |                 | 3,437                                                                      |                 | - 175      |
| Machinery and equipment, and transportation equipment |           | 69                                                                        |                 | 100                                                                        |                 | - 31       |
| Tools and facilities                                  |           | 164                                                                       |                 | 177                                                                        |                 | - 13       |
| Land                                                  |           | 2,075                                                                     |                 | 2,118                                                                      |                 | - 42       |
| Total tangible fixed assets                           |           | 5,571                                                                     |                 | 5,834                                                                      |                 | - 263      |
| <b>Intangible fixed assets</b>                        |           | 1,583                                                                     |                 | 419                                                                        |                 | 1,164      |
| <b>Investments</b>                                    |           |                                                                           |                 |                                                                            |                 |            |
| Investment securities                                 |           | 9,226                                                                     |                 | 9,102                                                                      |                 | 123        |
| Long-term loans receivables                           |           | 234                                                                       |                 | 190                                                                        |                 | 44         |
| Deferred tax reserves                                 |           | 4,230                                                                     |                 | 6,190                                                                      |                 | - 1,960    |
| Others                                                |           | 5,061                                                                     |                 | 6,704                                                                      |                 | - 1,642    |
| Allowance for bad debts                               |           | - 1,004                                                                   |                 | - 1,650                                                                    |                 | 645        |
| Total investments                                     |           | 17,748                                                                    |                 | 20,537                                                                     |                 | - 2,789    |
| <b>Total fixed assets</b>                             |           | 24,903                                                                    | 18.0            | 26,791                                                                     | 18.2            | - 1,888    |
| <b>Total assets</b>                                   |           | 138,148                                                                   | 100.0           | 147,454                                                                    | 100.0           | - 9,306    |

(in millions of yen)

| By period<br>Accounts                                                       | End of the current consolidated<br>accounting year<br>(As of March 31, 2003) |                    | End of the previous<br>consolidated accounting year<br>(As of March 31, 2002) |                    | Difference     |
|-----------------------------------------------------------------------------|------------------------------------------------------------------------------|--------------------|-------------------------------------------------------------------------------|--------------------|----------------|
|                                                                             | Amount                                                                       | Component<br>ratio | Amount                                                                        | Component<br>ratio |                |
| <b>(Liabilities)</b>                                                        |                                                                              | %                  |                                                                               | %                  |                |
| <b>Current liabilities</b>                                                  |                                                                              |                    |                                                                               |                    |                |
| Notes payable, work accounts payable                                        | 54,211                                                                       |                    | 60,398                                                                        |                    | - 6,186        |
| Short-term loans payable                                                    | 8,920                                                                        |                    | 9,486                                                                         |                    | - 565          |
| Corporate taxes, etc. payable                                               | 89                                                                           |                    | 156                                                                           |                    | - 66           |
| Incomplete work accounts received                                           | 16,776                                                                       |                    | 16,577                                                                        |                    | 199            |
| Completed work compensation reserves                                        | 48                                                                           |                    | 34                                                                            |                    | 14             |
| Others                                                                      | 6,347                                                                        |                    | 5,485                                                                         |                    | 862            |
| <b>Total current liabilities</b>                                            | <b>86,394</b>                                                                | <b>62.5</b>        | <b>92,137</b>                                                                 | <b>62.5</b>        | <b>- 5,743</b> |
| <b>Fixed liabilities</b>                                                    |                                                                              |                    |                                                                               |                    |                |
| Long-term loans payable                                                     | 3,394                                                                        |                    | 4,824                                                                         |                    | - 1,430        |
| Reserves for retirement benefits                                            | 3,728                                                                        |                    | 5,284                                                                         |                    | - 1,556        |
| Reserves for directors' retirement benefits                                 | 420                                                                          |                    | 442                                                                           |                    | - 22           |
| Reserves for liabilities guarantee loss                                     | 210                                                                          |                    | 210                                                                           |                    | —              |
| Consolidated adjustment account                                             | 1                                                                            |                    | 14                                                                            |                    | - 13           |
| Others                                                                      | 69                                                                           |                    | 24                                                                            |                    | 45             |
| <b>Total fixed liabilities</b>                                              | <b>7,825</b>                                                                 | <b>5.7</b>         | <b>10,801</b>                                                                 | <b>7.3</b>         | <b>- 2,976</b> |
| <b>Total liabilities</b>                                                    | <b>94,219</b>                                                                | <b>68.2</b>        | <b>102,939</b>                                                                | <b>69.8</b>        | <b>- 8,719</b> |
| <b>(Minority interest equity)</b>                                           |                                                                              |                    |                                                                               |                    |                |
| Minority interest equity                                                    | 54                                                                           | 0.0                | 93                                                                            | 0.1                | - 39           |
| <b>(Shareholders' equity)</b>                                               |                                                                              |                    |                                                                               |                    |                |
| <b>Capital stock</b>                                                        | —                                                                            | —                  | 4,479                                                                         | 3.0                | - 4,479        |
| <b>Capital reserves</b>                                                     | —                                                                            | —                  | 4,716                                                                         | 3.2                | - 4,716        |
| <b>Consolidated surplus</b>                                                 | —                                                                            | —                  | 34,922                                                                        | 23.7               | - 34,922       |
| <b>Evaluation difference of other securities</b>                            | —                                                                            | —                  | 270                                                                           | 0.2                | - 270          |
| <b>Currency translation adjustment account</b>                              | —                                                                            | —                  | 55                                                                            | 0.0                | - 55           |
| <b>Treasury stock</b>                                                       | —                                                                            | —                  | - 7                                                                           | - 0.0              | 7              |
| <b>Stocks of parent company owned by subsidiary companies</b>               | —                                                                            | —                  | - 14                                                                          | - 0.0              | 14             |
| <b>Capital stock</b>                                                        | 4,479                                                                        | 3.3                | —                                                                             | —                  | 4,479          |
| <b>Capital surplus</b>                                                      | 4,716                                                                        | 3.4                | —                                                                             | —                  | 4,716          |
| <b>Retained earnings</b>                                                    | 35,201                                                                       | 25.5               | —                                                                             | —                  | 35,201         |
| <b>Evaluation difference of other securities</b>                            | - 128                                                                        | - 0.1              | —                                                                             | —                  | - 128          |
| <b>Currency translation adjustment account</b>                              | 10                                                                           | 0.0                | —                                                                             | —                  | 10             |
| <b>Treasury stock</b>                                                       | - 405                                                                        | - 0.3              | —                                                                             | —                  | - 405          |
| <b>Total capital</b>                                                        | <b>43,874</b>                                                                | <b>31.8</b>        | <b>44,422</b>                                                                 | <b>30.1</b>        | <b>- 547</b>   |
| <b>Total liabilities, minority interest equity and shareholders' equity</b> | <b>138,148</b>                                                               | <b>100.0</b>       | <b>147,454</b>                                                                | <b>100.0</b>       | <b>- 9,306</b> |

## (2) Consolidated profit and loss statement

(in millions of yen)

| Accounts                                                                                                                           | By period |            | Current consolidated accounting year<br>(From April 1, 2002 to March 31, 2003) |            | Difference |
|------------------------------------------------------------------------------------------------------------------------------------|-----------|------------|--------------------------------------------------------------------------------|------------|------------|
|                                                                                                                                    | Amount    | Percentage | Amount                                                                         | Percentage |            |
|                                                                                                                                    |           | %          |                                                                                | %          |            |
| Completed work amount                                                                                                              | 164,115   | 100.0      | 166,904                                                                        | 100.0      | - 2,789    |
| Completed work cost                                                                                                                | 150,684   | 91.8       | 153,611                                                                        | 92.0       | - 2,926    |
| Completed work gross profit                                                                                                        | 13,430    | 8.2        | 13,292                                                                         | 8.0        | 137        |
| Selling expenses and general administrative expenses                                                                               | 11,386    | 6.9        | 11,613                                                                         | 7.0        | - 226      |
| <b>Operating profit</b>                                                                                                            | 2,044     | 1.3        | 1,679                                                                          | 1.0        | 364        |
| Non-operating revenue                                                                                                              | (371)     | 0.2        | (472)                                                                          | 0.3        | (- 100)    |
| Interests received                                                                                                                 | 40        |            | 54                                                                             |            | - 13       |
| Dividends received                                                                                                                 | 65        |            | 58                                                                             |            | 7          |
| Consolidated adjustment account depreciation                                                                                       | 2         |            | 6                                                                              |            | - 3        |
| Investment profit by equity method                                                                                                 | 43        |            | 0                                                                              |            | 43         |
| Others                                                                                                                             | 219       |            | 353                                                                            |            | - 133      |
| Non-operating expenses                                                                                                             | (669)     | 0.4        | (348)                                                                          | 0.2        | ( 320)     |
| Interest payable                                                                                                                   | 260       |            | 290                                                                            |            | - 29       |
| Others                                                                                                                             | 408       |            | 57                                                                             |            | 350        |
| <b>Ordinary profits</b>                                                                                                            | 1,746     | 1.1        | 1,803                                                                          | 1.1        | - 56       |
| Special profits                                                                                                                    | (3,035)   | 1.8        | (244)                                                                          | 0.1        | ( 2,790)   |
| Profit on sales of fixed assets                                                                                                    | 295       |            | 242                                                                            |            | 52         |
| Profit on sales of investments in securities                                                                                       | 7         |            | 1                                                                              |            | 5          |
| Profit gained by returning allowance for bad debts                                                                                 | 350       |            | —                                                                              |            | 350        |
| Profit gained on absolution of substitution portions of employees' pension fund covered by the company on behalf of the government | 2,381     |            | —                                                                              |            | 2,381      |
| Special losses                                                                                                                     | (1,922)   | 1.2        | (3,644)                                                                        | 2.2        | (- 1,721)  |
| Loss on sales of fixed assets                                                                                                      | 65        |            | 8                                                                              |            | 57         |
| Loss on retirement of fixed assets                                                                                                 | 31        |            | 14                                                                             |            | 16         |
| Loss on sales of investments in securities                                                                                         | 12        |            | 6                                                                              |            | 6          |
| Evaluation loss on investments in securities                                                                                       | 1,522     |            | 2,207                                                                          |            | - 685      |
| Evaluation loss on golf club membership rights                                                                                     | 54        |            | 334                                                                            |            | - 279      |
| Amount transferred from allowance for bad debts                                                                                    | —         |            | 751                                                                            |            | - 751      |
| Others                                                                                                                             | 236       |            | 321                                                                            |            | - 85       |
| <b>Current net profits (or loss) before tax adjustments, etc.</b>                                                                  | 2,859     | 1.7        | -1,596                                                                         | - 1.0      | 4,456      |
| Corporate tax, residence tax and business tax                                                                                      | 203       | 0.1        | 235                                                                            | 0.1        | - 31       |
| Adjustment amounts such as for corporate taxes                                                                                     | 1,663     | 1.0        | - 362                                                                          | - 0.2      | 2,026      |
| Profit of minority interests (or loss)                                                                                             | - 26      | - 0.0      | - 14                                                                           | - 0.0      | - 11       |
| <b>Current net profit (or loss)</b>                                                                                                | 1,017     | 0.6        | - 1,455                                                                        | - 0.9      | 2,473      |

### (3) Statement of consolidated surplus

(in millions of yen)

| Accounts                                                           | By period | Current consolidated accounting year<br>(From April 1, 2002<br>to March 31, 2003) |        | Previous consolidated accounting year<br>(From April 1, 2001<br>to March 31, 2002) |        |
|--------------------------------------------------------------------|-----------|-----------------------------------------------------------------------------------|--------|------------------------------------------------------------------------------------|--------|
|                                                                    |           | Amount                                                                            |        | Amount                                                                             |        |
| <b>Consolidated surplus balance at the beginning of the period</b> |           |                                                                                   | —      |                                                                                    | 37,113 |
| <b>Consolidated surplus decreased amount</b>                       |           |                                                                                   |        |                                                                                    |        |
| Shareholders' dividend                                             |           | —                                                                                 |        | 734                                                                                |        |
| Directors' bonuses                                                 |           | —                                                                                 |        | 0                                                                                  |        |
| (Out of which auditors' portion)                                   |           | —                                                                                 | —      | (0)                                                                                | 735    |
| <b>Net loss for the current period</b>                             |           |                                                                                   | —      |                                                                                    | 1,455  |
| <b>Consolidated surplus balance at the end of the period</b>       |           |                                                                                   | —      |                                                                                    | 34,922 |
| <b>(Capital surplus)</b>                                           |           |                                                                                   |        |                                                                                    |        |
| <b>Capital surplus balance at the beginning of the period</b>      |           |                                                                                   |        |                                                                                    |        |
| Capital reserves balance at the beginning of the period            |           |                                                                                   | 4,716  |                                                                                    | —      |
| <b>Capital surplus balance at the end of the term</b>              |           |                                                                                   | 4,716  |                                                                                    | —      |
| <b>(Retained earnings)</b>                                         |           |                                                                                   |        |                                                                                    |        |
| <b>Retained earnings balance at the beginning of the period</b>    |           |                                                                                   |        |                                                                                    |        |
| Consolidated surplus balance at the beginning of the period        |           |                                                                                   | 34,922 |                                                                                    | —      |
| <b>Retained earnings increased amount</b>                          |           |                                                                                   |        |                                                                                    |        |
| Net profit for the current term                                    |           |                                                                                   | 1,017  |                                                                                    | —      |
| <b>Retained earnings decreased amount</b>                          |           |                                                                                   |        |                                                                                    |        |
| Shareholders' dividends                                            |           | 734                                                                               |        | —                                                                                  |        |
| Directors' bonuses                                                 |           | 4                                                                                 |        | —                                                                                  |        |
| (Out of which auditors' portion)                                   |           | (0)                                                                               | 738    | —                                                                                  | —      |
| <b>Retained earnings balance at the end of the term</b>            |           |                                                                                   | 35,201 |                                                                                    | —      |

**(4) Statement of consolidated cash flow**

(in millions of yen)

| Accounts                                                                                                          | By period | Current consolidated accounting year<br>(From April 1, 2002 to March 31, 2003) | Previous consolidated accounting year<br>(From April 1, 2001 to March 31, 2002) |
|-------------------------------------------------------------------------------------------------------------------|-----------|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
|                                                                                                                   |           | Amount                                                                         | Amount                                                                          |
| <b>I. Cash flow on sales activities</b>                                                                           |           |                                                                                |                                                                                 |
| Current net profit (or loss) before tax adjustments, etc.                                                         |           | 2,859                                                                          | - 1,596                                                                         |
| Depreciation expenses                                                                                             |           | 172                                                                            | 194                                                                             |
| Consolidated adjustment account depreciation amount                                                               |           | - 2                                                                            | - 6                                                                             |
| Increased or decreased amount of allowance for bad debts                                                          |           | - 1,168                                                                        | 1,350                                                                           |
| Increased or decreased amount of reserves for retirement benefits and reserves for directors' retirement benefits |           | - 1,578                                                                        | 514                                                                             |
| Earned interest and dividends received                                                                            |           | - 105                                                                          | - 112                                                                           |
| Interest paid                                                                                                     |           | 260                                                                            | 290                                                                             |
| Investment profit or loss by equity method                                                                        |           | - 43                                                                           | - 0                                                                             |
| Evaluation loss on investments in securities                                                                      |           | 1,522                                                                          | 2,207                                                                           |
| Profit or loss on sales of investments in securities                                                              |           | 4                                                                              | 4                                                                               |
| Profit or loss on sales of fixed assets                                                                           |           | - 229                                                                          | - 234                                                                           |
| Loss on retirement of fixed assets                                                                                |           | 31                                                                             | 14                                                                              |
| Evaluation loss on golf club membership rights                                                                    |           | 2                                                                              | 115                                                                             |
| Paid amount of directors' bonuses                                                                                 |           | - 6                                                                            | - 1                                                                             |
| Increased or decreased amount of sales credits                                                                    |           | 5,215                                                                          | 9,745                                                                           |
| Increased or decreased amount of incomplete work expenditures                                                     |           | 5,346                                                                          | - 2,889                                                                         |
| Other increased or decreased amounts of current assets                                                            |           | - 47                                                                           | 818                                                                             |
| Increased or decreased amount of procurement credits                                                              |           | - 6,186                                                                        | - 7,515                                                                         |
| Increased or decreased amount of incomplete work received amount                                                  |           | 199                                                                            | - 1,233                                                                         |
| Other increased or decreased amounts of current liabilities                                                       |           | 853                                                                            | - 1,807                                                                         |
| <b>Sub-total</b>                                                                                                  |           | 7,099                                                                          | - 141                                                                           |
| Received amount of interests and dividends                                                                        |           | 106                                                                            | 116                                                                             |
| Paid interest amount                                                                                              |           | - 247                                                                          | - 283                                                                           |
| Paid amount of corporate tax, etc.                                                                                |           | - 270                                                                          | - 191                                                                           |
| <b>Cash flow on sales activities</b>                                                                              |           | 6,688                                                                          | - 499                                                                           |
| <b>II. Cash flow on investment activities</b>                                                                     |           |                                                                                |                                                                                 |
| Expenditures by depositing of time deposits                                                                       |           | - 27                                                                           | - 179                                                                           |
| Revenue by pay back of time deposits                                                                              |           | 213                                                                            | -                                                                               |
| Expenditures by acquiring of securities                                                                           |           | - 1,598                                                                        | - 201                                                                           |
| Revenue by sales of securities                                                                                    |           | 1,700                                                                          | 149                                                                             |
| Expenditures by acquiring of tangible fixed assets                                                                |           | - 80                                                                           | - 100                                                                           |
| Revenue by sales of tangible fixed assets                                                                         |           | 368                                                                            | 406                                                                             |
| Expenditures by acquiring of investment securities                                                                |           | - 2,828                                                                        | - 459                                                                           |
| Revenue by sales of investment securities                                                                         |           | 530                                                                            | 219                                                                             |
| Expenditures by acquiring of shares of subsidiary companies                                                       |           | - 10                                                                           | - 5                                                                             |
| Expenditures by loans                                                                                             |           | - 102                                                                          | - 44                                                                            |
| Revenue by recovery of loans                                                                                      |           | 47                                                                             | 38                                                                              |
| Expenditures by acquiring of other fixed assets                                                                   |           | - 1,645                                                                        | - 702                                                                           |
| Revenue by sales of other fixed assets                                                                            |           | 1,727                                                                          | 1,092                                                                           |
| <b>Cash flow on investment activities</b>                                                                         |           | - 1,705                                                                        | 213                                                                             |
| <b>III. Cash flow on financial activities</b>                                                                     |           |                                                                                |                                                                                 |
| Revenue by short-term loans                                                                                       |           | 19,110                                                                         | 11,760                                                                          |
| Expenditures by return of short-term loans                                                                        |           | - 18,604                                                                       | - 13,808                                                                        |
| Revenue by long-term loans                                                                                        |           | 3,500                                                                          | 5,830                                                                           |
| Expenditures by return of long-term loans                                                                         |           | - 6,001                                                                        | - 6,850                                                                         |
| Expenditures by acquiring of treasury stock                                                                       |           | - 391                                                                          | - 7                                                                             |
| Revenue by sales of shares of parent company owned by subsidiary company                                          |           | -                                                                              | 1                                                                               |
| Paid amount of dividends                                                                                          |           | - 734                                                                          | - 738                                                                           |
| Paid dividend to minority interests                                                                               |           | - 1                                                                            | - 1                                                                             |
| <b>Cash flow on financial activities</b>                                                                          |           | - 3,123                                                                        | - 3,814                                                                         |
| <b>IV. Translation difference relating to cash and cash equivalents</b>                                           |           | - 211                                                                          | 37                                                                              |
| <b>V. Increased or decreased amount of cash and cash equivalents</b>                                              |           | 1,648                                                                          | - 4,063                                                                         |
| <b>VI. Balance of cash and cash equivalents at the beginning of period</b>                                        |           | 29,004                                                                         | 33,068                                                                          |
| <b>VII. Balance of cash and cash equivalents at the end of period</b>                                             |           | 30,653                                                                         | 29,004                                                                          |

## **(5) Basic items for producing consolidated financial statements**

### **1. Items relating to scope of consolidation**

Names of major consolidated subsidiary companies are described in “Section 1. Situation of the Corporate Group”

### **2. Items relating to application of the equity method**

Number of affiliated companies with equity method applied: 1 company

Company Name:

CNA ENGINEERS PTE LTD.

The account closing date of the above affiliated company is different from the consolidated account closing date, but the financial statements for the accounting year of the company concerned are used.

### **3. Items relating to the accounting year and others of consolidated subsidiaries**

Out of the consolidated subsidiaries, MERINO O.D.D. SDN. BHD, THAI O.D.D. CO., Ltd. and DAI-DAN PHILIPPINES, INC. close their account for the term on December 31.

In order to produce consolidated financial statements for the term, we use financial statements as of December 31. As for important transactions arising between December 31 and the consolidated account closing date for the term, we make adjustments required for the consolidated account.

### **4. Items relating to accounting procedure basis**

(1) Valuation basis and method applied to important assets

1) Securities

Held-to-maturity bonds: Depreciable cost method (Straight-line method)

Other securities

With market value Market price method based on the market price as of the account closing date  
(Valuation differences are treated according to full capital direct accounting method, and sale cost is calculated according to the moving average method.)

With no market value Cost method based on the moving average method

2) Derivative: Market price method

3) Inventories

Incomplete work expenditures Cost method based on the specific identification method

Materials and supplies Cost method based on the moving average method

(2) Depreciation and amortization method applied to important depreciable assets

Tangible fixed assets

Straight-line method is applied to buildings (excluding equipment) and declining balance method is applied to other tangible fixed assets. However the straight-line method is applied to those of overseas consolidated subsidiaries.

As for depreciation period and salvage value in our company and domestic consolidated subsidiaries, the same standard as that stipulated in Corporation Tax Law is applied.

(3) Recording basis applied to important allowances and reserves

1) Allowance for bad debts

In order to provide against bad debts due to failure in recovery of completed work accounts due, loans receivable, and others, we review the recoverability of general credits based on the past actual percentage of credit losses and particular credits such as those having bad debts risk based on individual cases, thus recording anticipated unrecoverable amount.

2) Allowance for completed work compensation

This is provided for the purpose of defect compensation for completed works. We record an amount for works to be compensated based on past results plus possibility of future compensation.

- 3) Reserves for retirement benefits  
 In order to prepare for the payment of retirement benefits, we record an amount that is deemed to have incurred as of the end of this current consolidated accounting mid-term period in accordance with the estimates of debt obligations for retirement benefits and pension assets at the end of current consolidated accounting year.  
 As for differences on the mathematical calculation, we shall treat them using an amount proportioned by the specific identification method with a specified number of years (i.e., 10 years) within the employees' average remaining length of service at the time of the occurrence of the differences while in each consolidated accounting year, from the account settled for next consolidated accounting year of the occurrence, by contrast, we batch process past service obligation within the year of occurrence.
- 4) Reserves for directors' retirement benefits  
 In order to prepare for the payment of directors' retirement benefits, we reserve and record an amount required to pay at the end of the mid-term period in accordance with the bylaws of the company.
- 5) Reserves for liabilities guarantee loss  
 In order to prepare for losses incurred by liabilities guarantee, in consideration of financing standing and others of guarantees, we record an estimated amount of losses.
- (4) Basis for translating important assets or liabilities in foreign currencies into domestic currency  
 The monetary claims and liabilities in foreign currencies are translated into yen currency using the spot exchange rate as of the account closing date, and the differences incurred by the currency translation are treated as profit or loss. Furthermore, the assets and liabilities of overseas consolidated subsidiaries are translated into yen currency using the spot exchange rate as of the account closing date. Their earnings and expenditures are translated into yen currency using the average exchange rate during the term, and the differences due to the currency translation are included in the currency translation adjustments account and minority interest equity in shareholders' equity.
- (5) Important leases treating method  
 Financing leases other than those by which ownership rights of the leased property can be transferred to the lessee are treated in accordance with a method relating to ordinary leases.
- (6) Important hedge accounting method
  - 1) Hedge accounting method: Deferred hedging treatment has been adopted.
  - 2) Hedging means and targets
    - Hedging means: Interest swap transactions
    - Hedging items: Interest expenses for long-term loans  
Dividends receivable of non-listed stocks
  - 3) Hedging policy  
 In order to hedge risks associated with interest rate fluctuations, we have been using derivatives to prepare for interest expenses for long-term loans. Furthermore, as for the dividends received from non-listed stocks, since the amount of dividends is determined on the basis of market interest rates, we have been using derivatives to hedge the fluctuation risk of the dividends receivable associated with the market interest rate fluctuations.  
 Furthermore, we do not hold derivatives for speculation purpose.
  - 4) Evaluation method of hedging availability  
 Hedging availability is evaluated by means of ratio analysis between the cumulative total of cash flow fluctuations for hedging items and the cumulative total of cash flow fluctuations for hedging means.
- (7) Other important items for the consolidated financial statements
  - 1) Completed works amount recording basis  
 Work completion basis is adopted. For part of works, however, we adopt deferred payment standards under Corporation Tax Law, thus counting the amount equivalent to profits corresponding to uncollected amount in the completed work costs to reschedule the profits. Furthermore, our overseas consolidated-subsidiaries record the completed works amount

on the work progressing basis.

|                                 |               |
|---------------------------------|---------------|
| Unearned profit realized amount | – million yen |
| Unearned profit deducted amount | 38            |
| Total                           | 38            |

2) Accounting of consumption tax and others

They are treated in accordance with a method exclusive of tax.

**5. Items relating to evaluation of assets and liabilities of consolidated subsidiaries**

Evaluation method of assets and liabilities of consolidated subsidiaries is in accordance with total market price evaluation method.

**6. Items relating to depreciation of consolidated adjustment account**

Consolidated adjustment account is depreciated by straight line method over 5 years.

**7. Items relating to treatment of surplus appropriation accounts**

Consolidated surplus calculation is made basing on surplus appropriation decided during the consolidated accounting year.

**8. Scope of funds in the consolidated cash flow statement**

Funds (cash and cash equivalents) listed in the consolidated cash flow statement include currency on hand, bank money, time deposits of which maturities come within 3 months after the acquisition date, and short-term investments with no fixed maturity or redemption date, ease of cash-out, and taking a slight risk of price fluctuations.

**(Change of accounting policy)**

1. Dipping into treasury stocks and legal reserves, etc.

As for the accounting policy for dipping into treasury stocks and legal reserves, etc., the “Accounting standards for dipping into treasury stocks and legal reserves, etc.” (Corporate Accounting Standards No. 1) has come to be applied from the current consolidated accounting year. Therefore, we apply to these accounting standards, which, however, have no effect on the profit and loss for the current accounting year.

Furthermore, due to the amendment of the regulations concerning consolidated financial statements, we have listed the (Shareholders’ equity) in the consolidated balance sheet and the statement of consolidated surplus for the current consolidated accounting year according to the amended regulations concerning consolidated financial statements.

2. Per-share information

As for the accounting policy concerning the per-share information, the “Accounting standards for net profit per share for the current term” (Corporate Accounting Standards No. 2) and the “Guidelines for application of accounting standards for net profit per share for the current term” (Guidelines for Application of Accounting Standards No. 4) have come to be applied from the current consolidated accounting year. Therefore, we apply to these accounting standards, which, however, have no effect on the per share data for the current accounting year.

**(Additional information)**

Absolution of substitution portions of employees’ pension fund

With the enforcement of defined-benefit corporate pension act, we were permitted to be absolved from our future payment obligations for substitution portions of the employees’ pension fund covered by us on behalf of the government by the Minister of Health, Labor and Welfare as of December 1, 2002. For the accounting procedure, our company and part of its domestic consolidated subsidiaries applied to the transitional measure under Section 47-2 in the “Practical guidelines for retirement benefits accounting (interim report)” (Report No. 13 from Accounting System Committee of The Japanese Institute of Certified Public Accountants) and recognized that the retirement benefit liabilities involved in the substitution portions and the pension assets equivalent to the amount returned expired as of the date of the applicable permission.

The amount equivalent to the return of pension assets at the end of the current consolidated accounting year is 9,366 million yen.

## Notes

[Relating to consolidated balance sheet]

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Current consolidated<br>accounting year | (in millions of yen)<br>Previous consolidated<br>accounting year |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------|
| 1. Accumulated amount of depreciation of tangible fixed assets                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 4,880                                   | 4,973                                                            |
| 2. Amount of transfer of endorsed notes receivable                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 44                                      | 155                                                              |
| 3. Number of treasury stocks owned                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                         |                                                                  |
| Number of treasury stocks owned by the company                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 931,419 shares<br>(Common stocks)       |                                                                  |
| Number of treasury stocks owned by the consolidated subsidiaries                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 12,960 shares<br>(Common stocks)        |                                                                  |
| 4. Shares of affiliated companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                         |                                                                  |
| Investments securities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 515                                     | 478                                                              |
| 5. Pledged assets and secured liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                         |                                                                  |
| (1) Assets given as security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                         |                                                                  |
| Time deposit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 27                                      | 27                                                               |
| Investment securities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 639                                     | 1,092                                                            |
| (2) Liabilities for the above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                         |                                                                  |
| Work payable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 136                                     | 43                                                               |
| Long-term loans expecting to return within 1 year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 593                                     | 742                                                              |
| Long-term loans                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 488                                     | 781                                                              |
| 6. Accounting procedure for promissory notes maturing on the last date of the consolidated accounting year                                                                                                                                                                                                                                                                                                                                                                                                             |                                         |                                                                  |
| Regarding the accounting procedure for promissory notes maturing on the last date of the consolidated accounting year, the settlement processing is being done on the date of exchanging the promissory note. Thus, since the last date of the previous consolidated accounting year was a holiday for financial institutions, the amount of promissory notes, which mature on the last date of next consolidated accounting year, is included in the balance at the end of the previous consolidated accounting year. |                                         |                                                                  |
| Notes receivable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | —                                       | 640                                                              |
| Notes payable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | —                                       | 3,739                                                            |

[Relating to consolidated profit and loss statement]

1. The following section describes important expense items and amount out of the selling and general administrative expenses.

|                                                                     | Current consolidated<br>accounting year | (in millions of yen)<br>Previous consolidated<br>accounting year |
|---------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------|
| Salaries and allowances to employees                                | 3,701                                   | 3,910                                                            |
| Reserves for retirement benefits                                    | 1,052                                   | 954                                                              |
| Amount transferred from reserves for directors' retirement benefits | 76                                      | 82                                                               |
| Amount of computers                                                 | 1,167                                   | 706                                                              |
| Communication and transportation expenses                           | 1,044                                   | 1,081                                                            |
| Amount of transferred from allowance for bad debts                  | —                                       | 405                                                              |
| Depreciation expenses                                               | 146                                     | 165                                                              |

2. Total expenditures for research and development

|                                                |     |     |
|------------------------------------------------|-----|-----|
| Selling costs and general administrative costs | 412 | 375 |
|------------------------------------------------|-----|-----|

3. Amounts transferred from allowance for bad debts, included in evaluation loss on golf club membership rights, etc.

|    |     |
|----|-----|
| 51 | 268 |
|----|-----|

[Relating to consolidated cash flow statement]

The following table shows the relationship between the balance of cash and cash equivalents at the end of full-year period and the amount of accounts listed in the full-year consolidated balance sheet

|                                                          | Current consolidated<br>accounting year | (in millions of yen)<br>Previous consolidated<br>accounting year |
|----------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------|
| Cash and deposit accounts                                | 28,621                                  | 27,110                                                           |
| Securities account                                       | 2,179                                   | 2,330                                                            |
| Total                                                    | 30,800                                  | 29,440                                                           |
| Time deposits with time period more than 3 months        | - 47                                    | - 233                                                            |
| Securities other than add-on type bond investment trusts | - 100                                   | - 202                                                            |
| Cash and cash equivalent objects                         | 30,653                                  | 29,004                                                           |

[Relating to leases]

The following section describes financing leases other than those by which ownership rights of the leased property can be transferred to the lessee.

1. Amount equivalent to acquisition cost of the leased property, amount equivalent to accumulated depreciation amount, and amount equivalent to the balance at the end of the full-year period.

(in millions of yen)

| Tools and equipment, fixtures                                       | Current consolidated accounting year | Previous consolidated accounting year |
|---------------------------------------------------------------------|--------------------------------------|---------------------------------------|
| Amount equivalent to acquisition cost                               | 3,229                                | 1,451                                 |
| Amount equivalent to accumulated depreciation amount                | 1,106                                | 867                                   |
| Amount equivalent to the balance at the end of the full-year period | 2,122                                | 584                                   |

2. Amount equivalent to the balance of unearned rental revenue at the end of the full-year period.

(in millions of yen)

| Tools and equipment, fixtures | Current consolidated accounting year | Previous consolidated accounting year |
|-------------------------------|--------------------------------------|---------------------------------------|
| Within 1 year                 | 709                                  | 315                                   |
| Over 1 year                   | 1,436                                | 290                                   |
| Total                         | 2,146                                | 606                                   |

3. Rental revenue payable, amount equivalent to depreciation expenses, and amount equivalent to interest payable

(in millions of yen)

| Tools and equipment, fixtures              | Current consolidated accounting year | Previous consolidated accounting year |
|--------------------------------------------|--------------------------------------|---------------------------------------|
| Rental revenue payable                     | 598                                  | 406                                   |
| Amount equivalent to depreciation expenses | 562                                  | 375                                   |
| Amount equivalent to interest payable      | 36                                   | 26                                    |

4. Calculation method of amount equivalent to depreciation expenses

This amount is calculated by the straight-line method with lease period taken as the period of depreciation and salvage value set at zero (0).

5. Calculation method of amount equivalent to interest

Amount equivalent to interest is defined as a difference between the sum total of rental revenue and the amount equivalent to acquisition costs of the leased property. This amount is allocated to each accounting period in accordance with the interest method.

## 5. Securities

(Current consolidated accounting year)

### 1. Held-to-maturity bonds with market value (March 31, 2003)

(in millions of yen)

|                                                                                      | Amount in the consolidated<br>balance sheet | Market value | Balance |
|--------------------------------------------------------------------------------------|---------------------------------------------|--------------|---------|
| (Those whose market value is above the amount in the consolidated balance sheet)     |                                             |              |         |
| Government bonds/local government bonds                                              | —                                           | —            | —       |
| Corporate bonds                                                                      | 700                                         | 703          | 3       |
| Others                                                                               | —                                           | —            | —       |
| Sub-total                                                                            | 700                                         | 703          | 3       |
| (Those whose market value is not above the amount in the consolidated balance sheet) |                                             |              |         |
| Government bonds/local government bonds                                              | —                                           | —            | —       |
| Corporate bonds                                                                      | —                                           | —            | —       |
| Others                                                                               | —                                           | —            | —       |
| Sub-total                                                                            | —                                           | —            | —       |
| Total                                                                                | 700                                         | 703          | 3       |

### 2. Other securities with market value (March 31, 2003)

(in millions of yen)

|                                                                                      | Acquisition cost | Amount in the<br>consolidated<br>balance sheet | Balance |
|--------------------------------------------------------------------------------------|------------------|------------------------------------------------|---------|
| (Those whose amount in consolidated balance sheet is above the acquisition cost)     |                  |                                                |         |
| Stocks                                                                               | 1,460            | 2,050                                          | 589     |
| Bonds                                                                                |                  |                                                |         |
| Government bonds/local government bonds                                              | —                | —                                              | —       |
| Corporate bonds                                                                      | 2                | 2                                              | 0       |
| Others                                                                               | —                | —                                              | —       |
| Others                                                                               | —                | —                                              | —       |
| Sub-total                                                                            | 1,463            | 2,053                                          | 590     |
| (Those whose amount in consolidated balance sheet is not above the acquisition cost) |                  |                                                |         |
| Stocks                                                                               | 3,873            | 3,136                                          | - 736   |
| Bonds                                                                                |                  |                                                |         |
| Government bonds/local government bonds                                              | —                | —                                              | —       |
| Corporate bonds                                                                      | —                | —                                              | —       |
| Others                                                                               | —                | —                                              | —       |
| Others                                                                               | 285              | 215                                            | - 70    |
| Sub-total                                                                            | 4,159            | 3,351                                          | - 807   |
| Total                                                                                | 5,622            | 5,405                                          | - 217   |

(Note) As for other securities with market value, 1,522 million yen is treated as shrinkage losses.

3. Other securities sold for the current consolidated accounting year (From April 1, 2002 to March 31, 2003)  
(in millions of yen)

| Sale value | Total of sale profit | Total of sale loss |
|------------|----------------------|--------------------|
| 35         | 7                    | 12                 |

4. Contents of securities with no valuation at the market value and amount in the consolidated balance sheet  
(March 31, 2003)

|                                                     |                   |
|-----------------------------------------------------|-------------------|
| (1) Held-to-maturity bonds                          |                   |
| Unlisted foreign bonds                              | 0 million yen     |
| Discount bank debentures                            | 99 million yen    |
| (2) Stocks of subsidiaries and affiliated companies |                   |
| Stocks of affiliated companies                      | 515 million yen   |
| (3) Other securities                                |                   |
| Unlisted stocks (excluding over counter stocks)     | 2,604 million yen |
| Money management funds                              | 1,182 million yen |
| Mid-term government bond funds                      | 896 million yen   |

5. Estimated amount of redemption for other securities with maturity and held-to-maturity (March 31, 2003)  
(in millions of yen)

|                                         | Within 1 year | Over 1 year and within five years | Over 5 years and within ten years | Over 10 years |
|-----------------------------------------|---------------|-----------------------------------|-----------------------------------|---------------|
| (Held-to-maturity bonds)                |               |                                   |                                   |               |
| Government bonds/local government bonds | —             | —                                 | —                                 | —             |
| Corporate bonds                         | 100           | 200                               | —                                 | 500           |
| Others                                  | —             | —                                 | —                                 | —             |
| Sub-total                               | 100           | 200                               | —                                 | 500           |
| (Other Securities)                      |               |                                   |                                   |               |
| Bonds                                   |               |                                   |                                   |               |
| Government bonds/local government bonds | —             | —                                 | —                                 | —             |
| Corporate bonds                         | —             | 2                                 | —                                 | —             |
| Others                                  | —             | —                                 | —                                 | —             |
| Others                                  | —             | —                                 | —                                 | —             |
| Sub-total                               | —             | 2                                 | —                                 | —             |
| Total                                   | 100           | 202                               | —                                 | 500           |

Note: Out of held-to-maturity corporate bonds, those whose maturity is over 10 years, 500 million yen, are perpetuity subordinated bonds with call option, and it is possible that they will be redeemed after June 2003 by executing call option.

(Previous consolidated accounting year)

1. Held-to-maturity bonds with market value (March 31, 2002)

(in millions of yen)

|                                                                                      | Amount in the consolidated<br>balance sheet | Market value | Balance |
|--------------------------------------------------------------------------------------|---------------------------------------------|--------------|---------|
| (Those whose market value is above the amount in the consolidated balance sheet)     |                                             |              |         |
| Government bonds/local government bonds                                              | —                                           | —            | —       |
| Corporate bonds                                                                      | 50                                          | 50           | 0       |
| Others                                                                               | —                                           | —            | —       |
| Sub-total                                                                            | 50                                          | 50           | 0       |
| (Those whose market value is not above the amount in the consolidated balance sheet) |                                             |              |         |
| Government bonds/local government bonds                                              | —                                           | —            | —       |
| Corporate bonds                                                                      | 650                                         | 646          | -3      |
| Others                                                                               | —                                           | —            | —       |
| Sub-total                                                                            | 650                                         | 646          | -3      |
| Total                                                                                | 700                                         | 696          | -3      |

2. Other securities with market value (March 31, 2002)

(in millions of yen)

|                                                                                      | Acquisition cost | Amount in the<br>consolidated<br>balance sheet | Balance |
|--------------------------------------------------------------------------------------|------------------|------------------------------------------------|---------|
| (Those whose amount in consolidated balance sheet is above the acquisition cost)     |                  |                                                |         |
| Stocks                                                                               | 2,053            | 3,012                                          | 958     |
| Bonds                                                                                |                  |                                                |         |
| Government bonds/local government bonds                                              | —                | —                                              | —       |
| Corporate bonds                                                                      | 2                | 2                                              | 0       |
| Others                                                                               | —                | —                                              | —       |
| Others                                                                               | —                | —                                              | —       |
| Sub-total                                                                            | 2,056            | 3,015                                          | 959     |
| (Those whose amount in consolidated balance sheet is not above the acquisition cost) |                  |                                                |         |
| Stocks                                                                               | 4,436            | 3,944                                          | -492    |
| Bonds                                                                                |                  |                                                |         |
| Government bonds/local government bonds                                              | —                | —                                              | —       |
| Corporate bonds                                                                      | —                | —                                              | —       |
| Others                                                                               | —                | —                                              | —       |
| Others                                                                               | 183              | 183                                            | —       |
| Sub-total                                                                            | 4,620            | 4,128                                          | -492    |
| Total                                                                                | 6,676            | 7,143                                          | 466     |

(Note) As for other securities with market value, 2,207 million yen is treated as shrinkage losses.

3. Other securities sold for the current consolidated accounting year (From April 1, 2001 to March 31, 2002)  
(in millions of yen)

| Sale value | Total of sale profit | Total of sale loss |
|------------|----------------------|--------------------|
| 22         | 1                    | 6                  |

4. Contents of securities with no valuation at the market value and amount in the consolidated balance sheet  
(March 31, 2002)

|                                                     |                   |
|-----------------------------------------------------|-------------------|
| (1) Held-to-maturity bonds                          |                   |
| Unlisted foreign bonds                              | 0 million yen     |
| Discount bank debentures                            | 99 million yen    |
| Non-public domestic bonds                           | 2 million yen     |
| (2) Stocks of subsidiaries and affiliated companies |                   |
| Stocks of affiliated companies                      | 478 million yen   |
| (3) Other securities                                |                   |
| Unlisted stocks (excluding over counter stocks)     | 880 million yen   |
| Money management funds                              | 1,232 million yen |
| Mid-term government bond funds                      | 895 million yen   |

5. Estimated amount of redemption for other securities with maturity and held-to-maturity (March 31, 2002)  
(in millions of yen)

|                                         | Within 1 year | Over 1 year and within five years | Over 5 years and within ten years | Over 10 years |
|-----------------------------------------|---------------|-----------------------------------|-----------------------------------|---------------|
| (Held-to-maturity bonds)                |               |                                   |                                   |               |
| Government bonds/local government bonds | —             | —                                 | —                                 | —             |
| Corporate bonds                         | 201           | 100                               | —                                 | 500           |
| Others                                  | —             | —                                 | —                                 | —             |
| Sub-total                               | 201           | 100                               | —                                 | 500           |
| (Other Securities)                      |               |                                   |                                   |               |
| Bonds                                   |               |                                   |                                   |               |
| Government bonds/local government bonds | —             | —                                 | —                                 | —             |
| Corporate bonds                         | —             | —                                 | 2                                 | —             |
| Others                                  | —             | —                                 | —                                 | —             |
| Others                                  | —             | —                                 | —                                 | —             |
| Sub-total                               | —             | —                                 | 2                                 | —             |
| Total                                   | 201           | 100                               | 2                                 | 500           |

Note: Out of held-to-maturity corporate bonds, those whose maturity is over 10 years, 500 million yen, are perpetuity subordinated bonds with call option, and it is possible that they will be redeemed after March 2003 by executing call option.

## **6. Relating to Derivatives**

### 1. Items relating to transaction conditions

#### (1) Contents and purpose of transactions

As for some interests of long-term borrowings with floating rate, our company is conducting interest rate swap transactions, in which interest cost is fixed, in order to hedge the interest rate risk. In addition, as for the dividends received on unlisted stocks to be determined on the basis of market interest rates, the company is conducting interest rate swap transactions in order to hedge the risk due to the fluctuation.

Furthermore, we are making use of derivative transactions to conduct the hedge accounting

|| Hedge accounting method

Deferred hedge processing is applied.

¶ Means for and subject to hedging

- Means for hedging: Interest rate swap transaction
- Subject to hedging: Interest costs of long-term borrowings  
Dividends received on unlisted stocks

@Hedging policy

As for the interest costs of long-term borrowings, we are making use of derivative transactions in order to hedge the risk due to the fluctuations in interest rates. In addition, as for the dividends received on unlisted stocks, since the amount of dividend of the applicable stocks is determined on the basis of market interest rates, we are making use of derivative transactions in order to hedge the fluctuation risk of the dividends received due to the fluctuations in the market interest rates.

Furthermore, it is our policy to conduct no derivative transactions intended for speculation.

%Assessment method of hedging effectiveness

We are applying the ratio analysis method between the cumulative total of fluctuations in cash flow subject to hedging and that of fluctuations in cash flow as means for hedging.

#### (2) Policy for derivative transactions and contents of risks involved

The company is only adopting a policy of making use of the derivative transactions in order to hedge the risks due to the fluctuations in dividends received on unlisted stocks, which are determined on the basis of the interest rate risk of borrowings and the market interest rates and of conducting no derivative transactions intended for speculation and of a high level of leverage effect.

We decide that, since derivative transactions relating to interest rate are interest rate swap transactions, in which floating rate and fixed rate are exchanged, there is little risk due to the fluctuations in the market interest rates. Furthermore, we decide that there is little credit risk due to the counterpart's breach of contract, since the contractants of derivative transactions are domestic financial institutions with a high level of credit rating.

#### (3) Risk management system for transactions

In accordance with company rules, interest rate swap transactions are implemented and managed by the accounting dept. of the head office.

### 2. Item relating to market value of transactions

Since the company applies hedge accounting, even though the company enters into derivatives such as interest rate swaps, notes relating to the derivatives are not provided.

## **7. Relating to Retirement Benefits**

### 1. Outline of adopted retirement benefits system

Our company and domestic consolidated subsidiaries have set up such systems as employees' pension fund, approved retirement annuity system, and lump-sum retirement allowance as defined benefit pension plan. Our company has also set up retirement benefits in trust. Furthermore, with the enforcement of defined-benefit corporate pension act, the Daidan Pension Fund consisting of our company and part of its domestic consolidated subsidiaries was permitted to be absolved from our future payment obligations for substitution portions of the employees' pension fund covered by us on behalf of the government by the Minister of Health, Labor and Welfare as of December 1, 2002.

### 2. Items relating to retirement benefits obligation

(in millions of yen)

|                                                                           | End of the current consolidated accounting year | End of the previous consolidated accounting year |
|---------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------|
| a. Retirement benefits liabilities                                        | - 15,692                                        | - 31,376                                         |
| b. Pension fund                                                           | 9,624                                           | 21,241                                           |
| c. Unreserved retirement benefits liabilities (a + b)                     | - 6,067                                         | - 10,134                                         |
| d. Unrecognized differences on mathematical calculation                   | 3,449                                           | 5,383                                            |
| e. Unrecognized past service liabilities (Decreased liabilities) (Note 2) | —                                               | —                                                |
| f. Net amount in consolidated balance sheet (c+d+e)                       | - 2,618                                         | - 4,750                                          |
| g. Prepaid pension costs                                                  | 1,110                                           | 533                                              |
| h. Reverses for retirement benefits (f - g) (Note 3)                      | - 3,728                                         | - 5,284                                          |

- Notes:
1. With the enforcement of defined-benefit corporate pension act, the Daidan Pension Fund consisting of our company and part of its domestic consolidated subsidiaries was permitted to be absolved from our future payment obligations for substitution portions of the employees' pension fund covered by us on behalf of the government by the Minister of Health, Labor and Welfare as of December 1, 2002. For the accounting procedure, the company and part of its domestic consolidated subsidiaries applied to the transitional measure under Section 47-2 in the "Practical guidelines for retirement benefits accounting (interim report)" (Report No. 13 from Accounting System Committee of The Japanese Institute of Certified Public Accountants) and recognized that the retirement benefit liabilities (15,957 million yen) involved in the substitution portions and the pension liabilities equivalent to the amount returned (9,318 million yen) expired as of the date of the applicable permission and, at the same time, a difference (−4,257 million yen) on unrecognized mathematical calculation as expense.  
As a result, "the profit on the absolution from substitution portions of employees' pension fund" (2,381 million yen) covered by us on behalf of the government was recorded in special profits for the current consolidated accounting year. By contrast, for the previous consolidated accounting year, the substitution portions of employees' pension fund was included.
  2. In the current consolidated accounting year, we revised the regulations on the raise of the benefit rate and that of the age for the start of benefits involved in the additional portions of the employees' pension fund of the company and part of its domestic consolidated subsidiaries, thus resulting in the past service liabilities (decreased liabilities).
  3. As for the domestic consolidated subsidiaries, in order to calculate retirement benefits liabilities relating to lump-sum retirement benefits, the simple method is adopted.

### 3. Items relating to retirement benefits

(in millions of yen)

|                                                                                                                             | Current consolidated<br>accounting year | Previous consolidated<br>accounting year |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------|
| a. Service costs (Note 1,2)                                                                                                 | 700                                     | 843                                      |
| b. Interest costs                                                                                                           | 732                                     | 895                                      |
| c. Expected operational profits                                                                                             | - 360                                   | - 475                                    |
| d. Processed amount of differences on mathematical calculation                                                              | 420                                     | 265                                      |
| e. Processed amount of past service liabilities (Note 3)                                                                    | - 191                                   | —                                        |
| f. Retirement benefits (a+b+c+d+e)                                                                                          | 1,302                                   | 1,528                                    |
| g. Profit on the absolution from substitution portions of employees' pension fund covered by us on behalf of the government | - 2,381                                 | —                                        |
| h. Total                                                                                                                    | - 1,079                                 | —                                        |

Notes:

1. Amount of employees' contribution to employees' pension fund is deducted.
2. Retirement benefits of consolidated subsidiaries adopting an easy method are accounted as "a. Service costs".
3. Amount of costs involved in the past service liabilities in (Note) 2 of "2. Items relating to retirement benefits liabilities" and processed in the current consolidated accounting year.

### 4. Items relating to the basis of calculation of retirement benefits liabilities

|                                                                                    | Current consolidated<br>accounting year                                                                                                                                                                                                                           | Previous consolidated<br>accounting year |
|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| a. Method of period allocation for estimated amount of retirement benefits         | Period fixed amount basis                                                                                                                                                                                                                                         | Same as in the left                      |
| b. Discount rate                                                                   | 3.0%                                                                                                                                                                                                                                                              | Same as in the left                      |
| c. Expected operational profit rate                                                | 3.0%                                                                                                                                                                                                                                                              | Same as in the left                      |
| d. The number of years when amount of past service liabilities is processed        | Processed in a lump in the occurrence year.                                                                                                                                                                                                                       | —                                        |
| e. The number of years when differences on mathematical calculation are processed. | 10 years (Costs to be processed from next consolidated accounting year of each occurrence year, in accordance with the straight-line method based on the given number of years within average residual service years of employees at the time of the occurrence.) | Same as in the left                      |

## **8. Those Relating to Tax Effect Accounting**

### 1. Contents of main causes for occurrence of deferred tax assets and deferred tax liabilities

(in millions of yen)

| End of the current consolidated accounting year                 |       | End of the previous consolidated accounting year                |       |
|-----------------------------------------------------------------|-------|-----------------------------------------------------------------|-------|
| Deferred tax assets                                             |       | Deferred tax assets                                             |       |
| Surplus of transferred reserves for retirement benefits         | 4,106 | Surplus of transferred reserves for retirement benefits         | 4,850 |
| Repudiated evaluation loss on real estate                       | 1,285 | Repudiated evaluation loss on real estate                       | 1,384 |
| Loss carry-forward                                              | 492   | Repudiated evaluation loss on investments in securities         | 846   |
| Repudiated write-down of incomplete work expenditures           | 371   | Surplus of transferred allowance for bad debt                   | 594   |
| Surplus of transferred allowance for bad debt                   | 222   | Repudiated write-down of incomplete work expenditures           | 205   |
| Repudiated reserves for directors' retirement allowance         | 172   | Repudiated reserves for director's retirement allowance         | 186   |
| Repudiated evaluation loss on golf club membership rights       | 131   | Repudiated evaluation loss on golf club membership rights       | 155   |
| Repudiated reserves for liability guarantee loss                | 86    | Repudiated reserves for liability guarantee loss                | 88    |
| Subsidiaries' loss carry-forward on taxes                       | 38    | Subsidiaries' loss carry-forward on taxes                       | 67    |
| Others                                                          | 681   | Others                                                          | 713   |
| Deferred tax asset sub-total                                    | 7,587 | Deferred tax asset sub-total                                    | 9,093 |
| Amount of valuation reserves                                    | - 315 | Amount of valuation reserves                                    | - 213 |
| Deferred tax asset total                                        | 7,272 | Deferred tax asset total                                        | 8,880 |
| Deferred tax liability                                          |       | Deferred tax liability                                          |       |
| Profits from retirement benefits in trust                       | 1,701 | Profits from retirement benefits in trust                       | 1,701 |
| Entertainment expenses included in incomplete work expenditures | 114   | Other evaluation differences of securities                      | 196   |
| Reserve from fixed asset reduction                              | 68    | Entertainment expenses included in incomplete work expenditures | 134   |
| Others                                                          | 41    | Reserve from fixed asset reduction                              | 72    |
|                                                                 |       | Others                                                          | 48    |
| Deferred tax liability total                                    | 1,925 | Deferred tax liability total                                    | 2,154 |
|                                                                 |       |                                                                 |       |
| Deferred tax asset net amount                                   | 5,346 | Deferred tax asset net amount                                   | 6,725 |

2. Contents of main items which became causes for critical difference where there is a critical difference between the statutory effective tax rate and the burden rate of corporate taxes, etc. after application of tax effect accounting.

|                                                                                                        | Current consolidated accounting year |
|--------------------------------------------------------------------------------------------------------|--------------------------------------|
| Statutory effective tax rate<br>(Adjustment)                                                           | 42.0%                                |
| Items not included in deductible expenses permanently, such as entertainment and social expenses, etc. | 19.6                                 |
| Items not included in gross revenue permanently, such as dividends received, etc.                      | - 0.8                                |
| Taxation per capita basis for inhabitants tax                                                          | 1.5                                  |
| Amount of adjustment of taxable income not applicable to tax effect                                    | - 1.1                                |
| Adjustment for decrease of end-of-term deferred tax assets due to change of tax rate                   | 3.8                                  |
| Others                                                                                                 | 0.3                                  |
| Burden rate of corporate taxes, etc. after application of tax effect accounting                        | 65.3                                 |

Since net loss was recorded in the previous accounting year, the description is omitted.

3. According to the promulgation on March 31, 2003 of the law (2003 Law No. 9) to partially revise the Local Tax Law, the statutory effective tax rate used for the calculation of the deferred tax assets and the deferred tax liabilities for the current consolidated accounting year (however, limiting to those expected to resolve on and after April 1, 2004) was changed from 42.0% for the previous term to 41.0%. As a result, the amount of deferred tax assets at the end of the current term (after the deduction of the amount of deferred tax liabilities) declined by 109 million yen, while the adjustment amount for corporate tax, etc. recorded in the current term increased by 107 million yen and the evaluation loss on investments in securities by 2 million yen respectively.

## **9. Segment Information**

1. Segment information by type of business

The current consolidated accounting year (April 1, 2002 to March 31, 2003) and the previous consolidated accounting year (April 1, 2001 to March 31, 2002)

Since our corporate group is engaged in facility construction works, there are no business types other than this. Accordingly, segment information by business type is not described.

2. Segment information by location

The current consolidated accounting year (April 1, 2002 to March 31, 2003) and the previous consolidated accounting year (April 1, 2001 to March 31, 2002)

Since the total sales amount of all segments of "Japan" exceeds 90%, description of segment information by location is omitted.

3. Overseas sales amount

The current consolidated accounting year (April 1, 2002 to March 31, 2003) and the previous consolidated accounting year (April 1, 2001 to March 31, 2002)

Since overseas sales amount is less than 10% of the total consolidated sales, description of overseas sales is omitted.

## **10. Transactions with Related Parties**

Non-applicable