

Brief report on the Financial Statements for the period ending March, 2004 (consolidated)

May 19, 2004

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

Code No.: 1980

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

Representative of Company: Toshikazu ANDO, President

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Date of Directors' meeting on closing of accounts: May 19, 2004

Adoption of American Accounting Standards: None

Listed Stock Exchanges: Tokyo and Osaka

Location of Head Office: Osaka Pref.

1. Consolidated performance for the period ending March, 2004 (From April 1, 2003 to March 31, 2004)

(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 2004	154,832	-5.7	1,609	-21.3	1,352	-22.6
Period ending March 2003	164,115	-1.7	2,044	21.7	1,746	-3.1

	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 2004	574	-43.5	12.81		-		1.3	1.0
Period ending March 2003	1,017	-	22.26		-		2.3	1.2

- Note: 1) Investment profit or loss on equity method End of March 2004 -66 million yen End of March 2003 43 million yen
 2) Interim average number of shares (consolidated) End of March 2004 44,890,465 shares End of March 2003 45,730,284 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 2004	129,848	45,646	35.2	1,036.29
Period ending March 2003	138,148	43,874	31.8	974.56

Note: Issued number of shares at the end of period (consolidated)
 End of March 2004 44,048,172 shares
 End of March 2003 45,019,424 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 2004	-2,347	371	-2,400	26,118
Period ending March 2003	6,688	-1705	-3,123	30,653

(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 2005 (From April 1, 2004 to March 31, 2005)

	Sales amount	Ordinary profit	Current net profit
	Million yen	Million yen	Million yen
Interim	55,000	-2,200	-1,450
Total period	155,000	2,000	750

- (Reference) Estimated current net profit per share (for total period) 17.03 yen
 2 Estimated amount of work order received (interim) 67,000 million yen
 3 Estimated amount of work order received (full year) 156,000 million 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

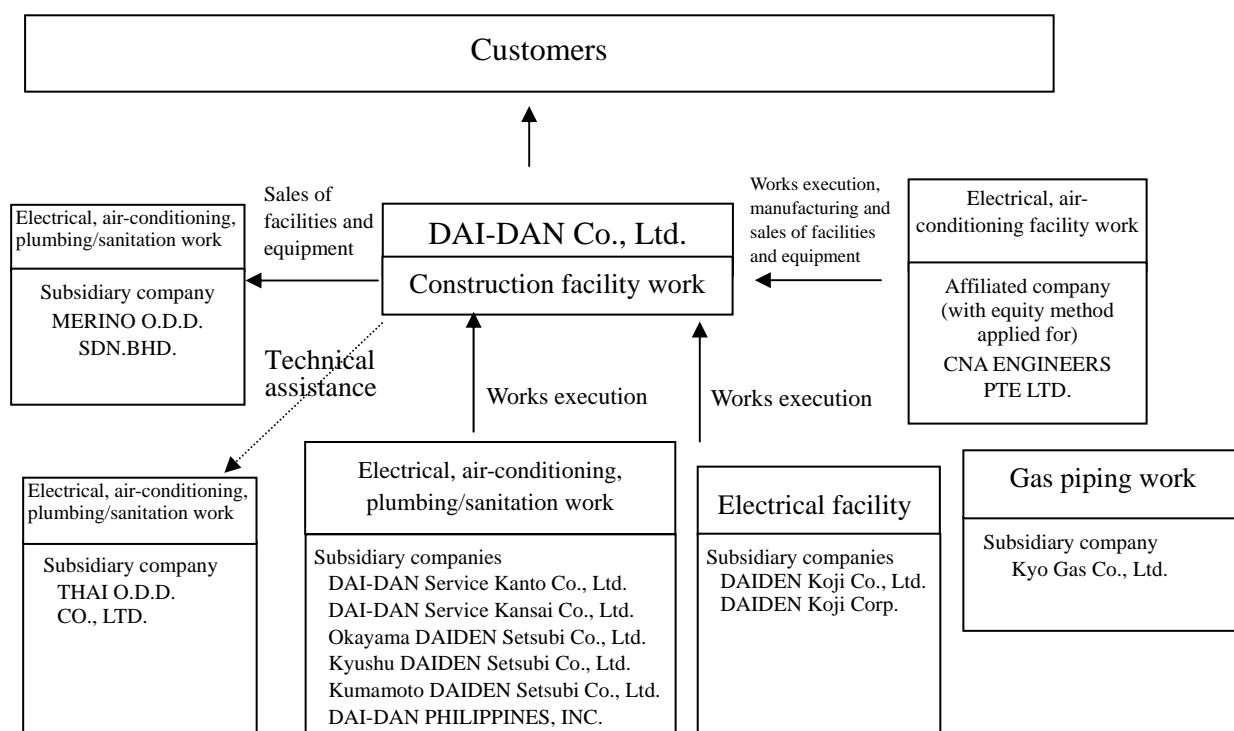
Electrical, air-conditioning, and plumbing/sanitation work

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., 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. Furthermore, CAN ENGINEERS PTE. LTD. takes charge of the manufacture and sale as well as the construction work of facilities and equipment.

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) Concept and policy on reductions of investment units

Regarding the reductions of investment units, we would like to carry out continued studies on this issue on the basis of shareholders’ benefits, while assessing the level of stock price, number of shareholders, liquidity, cost-effectiveness, and others.

(4) Medium- and long-term management strategy

In accordance with the medium-term management plan “CHALLENGE NEW – DAIDAN 77”, which has been carried out since April 2003, we are making a company-wide concerted effort with an eye toward securing revenues, by which the company will accomplish the continuous development. To be more specific, through taking customers’ needs in advance to push ahead with engineering development and step up proposal-oriented marketing activities, we are struggling to find new customers and further strengthen our ties with existing customers, thus challenging the increase of orders received. Concurrently, we are focusing on order-taking activities for renewal works on the basis of our strong points, i.e., technologies for integrating electrical, air conditioning, and plumbing/sanitation works into total facilities. In particular, we are aggressively marketing renewal works with proposals capitalizing on our energy saving technologies. In this connection, we have already branched out into the ESCO business.

In addition, we have newly established a demonstration experiment building in our Technical Research Institute, in order to verify compatibility between quality ensuring and cost cutting. Furthermore, we have strengthened our construction management framework and pushed ahead with new procurement methods, through which we have ensured safety and quality and also accomplished cost cutting, thus addressing the improvement in our competitiveness.

In April last year, we completed reshaping the company-wise information system and put this system into full-scale operation. As a result, through enhanced productivity on site and the sharing of information among sections, we are challenging to the creation of revenues, integration and increase in efficiency of indirect operations, and reduction of expenditures.

As to personnel affairs aspects, in April this year, we made further revision of the pay-for-performance program for the fair and just pay and benefits for our employees. Through this revision, we will push ahead with invigorating the company organization and making the best possible use of human resources.

As to environmental issues, we are working toward providing technologies, promoting the recycling, and reducing the production of waste, with considerations given to environmental conservation such as resource saving or energy saving.

Furthermore, we are taking operating profit ratio to shareholders’ equity as our management benchmark.

(5) 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.

To be more specific, we are making the following management system effectively functional.

1) Management council

The management council is held twice every month, in principle. The council carries out a wide variety of studies on the planning of management policy and measures and the check on their progress, and further the deliberation about corporate management strategies and issues critical to company-wide management, thus bringing them up for the board of directors, as occasion arises.

2) Board of directors

The board of directors is held once every month 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.

3) 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.

4) 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 the progress of operations is checked and 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

In the construction industry, public investment remained on the decline. Even though private capital investment slightly showed an upward trend, due to a prolonged slump in investment in construction, the economy continued to be in a severe situation.

The consolidated amount of work orders received of our corporate group increased 0.9% on the previous term to 145,497 million yen. The amount of work completed declined 5.7% on the previous consolidated accounting year to 154,832 million yen.

As for the profits, the operating profit declined 21.3% on the previous consolidated accounting year to 1,609 million yen and the ordinary profit declined 22.6% on the previous consolidated accounting year to 1,352 million yen. As a result, the net profit for the current term declined 43.5% on the previous consolidated accounting year to 574 million yen.

(2) Financial standing

Status of cash flow

Cash and cash equivalent for the current consolidated accounting year (hereinafter referred to as “the fund”) declined 4,534 million yen (14.8%) on the previous consolidated accounting year to 26,118 million yen.

(Cash flow from sales activities)

Cash flow used in sales activities for the current consolidated accounting year declined 2,347 million yen due to the advance payment of work-related fund, which declined 9,036 million yen on balance, compared with the increase of 6,688 million yen in fund for the previous consolidated accounting year.

(Cash flow from investing activities)

Cash flow used in investing activities for the current consolidated accounting year increased 371 million yen in the fund thanks to revenues through the sell-off of investment securities and other fixed assets, which increased 2,076 million yen on balance, compared with the decline of 1,705 million yen in fund for the previous consolidated accounting year.

(Cash flow from financing activities)

Cash flow used in financing activities for the current consolidated accounting year declined 2,400 million yen in the fund due to paid amount of dividends of 720 million yen, expenditures for the return of loans having exceeded the earnings by new borrowing by 1,159 million yen and others, which increased 723 million yen on balance, compared with the decline of 3,123 million yen for the previous consolidated accounting year.

(3) Outlook for next term

In the construction industry, it is predicted that the economy will continue to be in a severe situation due to expecting curtailment of public investment, even though private investment sector starts showing a sign of economic upturn in part of the industries.

Regarding the outlook for the next term of our corporate group, we expect the consolidated amount of work orders received of 156,000 million yen, completed work of 155,000 million yen, ordinary profits of 2,000 million yen, and current net profit of 750 million yen.

4. Consolidated Financial Statements, etc.

(1) Consolidated balance sheet

(in millions of yen)

By period Accounts		End of the current consolidated accounting year (As of March 31, 2004)		End of the previous consolidated accounting year (As of March 31, 2003)		Difference
		Amount	Component ratio	Amount	Component ratio	
(Assets)			%		%	
Current assets						
Cash on hand and in banks		26,155		28,621		- 2,465
Note receivables, completed work accounts receivables		48,139		50,282		-2,143
Securities		100		2,179		-2,079
Beneficial interest in trust		2,655		—		2,655
Incomplete work expenditures		21,307		25,255		- 3,947
Deferred tax reserves		704		1,116		-411
Others		7,088		5,967		1,121
Allowance for bad debts		- 219		- 176		-42
Total current assets		105,931	81.6	113,245	82.0	- 7,313
Fixed assets						
Tangible fixed assets						
Buildings and structures		3,249		3,262		-12
Machinery and equipment, and transportation equipment		56		69		-13
Tools and facilities		153		164		-11
Land		2,049		2,075		-25
Total tangible fixed assets		5,508		5,571		-62
Intangible fixed assets						
Consolidated adjustment account		1		—		1
Others		1,241		1,583		-341
Total intangible fixed assets		1,242		1,583		-340
Investments and other assets						
Investment securities		12,184		9,226		2,958
Long-term loans receivables		182		234		-52
Deferred tax reserves		1,990		4,230		-2,239
Others		4,537		5,061		-524
Allowance for bad debts		-1,729		-1,004		-724
Total investments and other assets		17,165		17,748		-583
Total fixed assets		23,916	18.4	24,903	18.0	-986
Total assets		129,848	100.0	138,148	100.0	-8,300

(in millions of yen)

By period Accounts	End of the current consolidated accounting year (As of March 31, 2004)		End of the previous consolidated accounting year (As of March 31, 2003)		Difference
	Amount	Component ratio	Amount	Component ratio	
(Liabilities)		%		%	
Current liabilities					
Notes payable, work accounts payable	49,331		54,211		-4,879
Short-term loans payable	8,387		8,920		-533
Corporate taxes, etc. payable	395		89		305
Incomplete work accounts received	13,990		16,776		-2,786
Completed work compensation reserves	76		48		27
Others	5,403		6,347		-944
Total current liabilities	77,584	59.7	86,394	62.5	-8,809
Fixed liabilities					
Long-term loans payable	2,768		3,394		-626
Reserves for retirement benefits	3,278		3,728		-450
Reserves for directors' retirement benefits	465		420		45
Reserves for liabilities guarantee loss	—		210		-210
Consolidated adjustment account	—		1		-1
Others	12		69		-57
Total fixed liabilities	6,525	5.0	7,825	5.7	-1,299
Total liabilities	84,110	64.7	94,219	68.2	-10,109
(Minority interest equity)					
Minority interest equity	91	0.1	54	0.0	36
(Shareholders' equity)					
Capital stock	4,479	3.4	4,479	3.3	—
Capital surplus	4,716	3.7	4,716	3.4	—
Retained earnings	35,056	27.0	35,201	25.5	-144
Evaluation difference of other securities	2,327	1.8	-128	-0.1	2,456
Currency translation adjustment account	-8	0.0	10	0.0	-19
Treasury stock	-925	-0.7	-405	-0.3	-519
Total capital	45,646	35.2	43,874	31.8	1,772
Total liabilities, minority interest equity and shareholders' equity	129,848	100.0	138,148	100.0	-8,300

(2) Consolidated profit and loss statement

(in millions of yen)

Accounts	By period		Previous consolidated accounting year (From April 1, 2002 to March 31, 2003)		Difference
	Amount	Percentage	Amount	Percentage	
		%		%	
Completed work amount	154,832	100.0	164,115	100.0	-9,282
Completed work cost	142,096	91.8	150,684	91.8	-8,588
Completed work gross profit	12,736	8.2	13,430	8.2	-694
Selling expenses and general administrative expenses	11,126	7.2	11,386	6.9	-260
Operating profit	1,609	1.0	2,044	1.3	-434
Non-operating revenue	(280)	0.2	(371)	0.2	(-91)
Interests received	28		40		-12
Dividends received	102		65		37
Rent of real estate	60		66		-6
Insurance claim received	60		76		-16
Consolidated adjustment account depreciation	2		2		-0
Investment profit by equity method	—		43		-43
Others	25		76		-50
Non-operating expenses	(537)	0.3	(669)	0.4	(-131)
Interest payable	223		260		-37
Payment guarantee charge	39		52		-13
Currency translation loss	202		348		-146
Investment loss by equity method	66		—		66
Others	5		6		-1
Ordinary profits	1,352	0.9	1,746	1.1	-394
Special profits	(1,137)	0.7	(3,035)	1.8	(-1,897)
Profit on sales of fixed assets	40		295		-254
Profit on sales of investments in securities	1,027		7		1,019
Profit gained by returning allowance for bad debts	—		350		-350
Profit gained on withdrawal of substitution portions of employees' pension fund covered by the company on behalf of the government			2,381		-2,381
Profit gained on withdrawal from employees' pension fund	28		—		28
Profit gained by returning provision for loss on guarantees	41		—		41
Special losses	(444)	0.3	(1,922)	1.2	(-1,478)
Loss on sales of fixed assets	35		65		-30
Loss on retirement of fixed assets	19		31		-12
Loss on sales of investments in securities	—		12		-12
Evaluation loss on investments in securities	45		1,522		-1,477
Evaluation loss on golf club membership rights	24		54		-30
Amount transferred from allowance for bad debts	320		—		320
Others	—		236		-236
Current net profits before tax adjustments, etc.	2,046	1.3	2,859	1.7	-813
Corporate tax, residence tax and business tax	466	0.3	203	0.1	262
Adjustment amounts such as for corporate taxes	967	0.6	1,663	1.0	-696
Profit of minority interests	37	0.0	-26	-0.0	63
Current net profit	574	0.4	1,017	0.6	-442

(3) Statement of consolidated surplus

(in millions of yen)

<div> <div>By period</div> <div>Accounts</div> </div>	Current consolidated accounting year (From April 1, 2003 to March 31, 2004)		Previous consolidated accounting year (From April 1, 2002 to March 31, 2003)	
	Amount		Amount	
(Capital surplus)				
Capital surplus balance at the beginning of the period		4,716		
Capital reserves balance at the beginning of the period			4,716	4,716
Capital surplus balance at the end of the term		4,716		4,716
(Retained earnings)				
Retained earnings balance at the beginning of the period		35,201		
Consolidated surplus balance at the beginning of the period			34,922	34,922
Retained earnings increased amount				
Net profit for the current term	574	574	1,017	1,017
Retained earnings decreased amount				
Shareholders' dividends	719		734	
Directors' bonuses	—	719	4	738
		35,056		35,201
Retained earnings balance at the end of the term				

(4) Statement of consolidated cash flow

(in millions of yen)

Accounts	By period	Current consolidated accounting year (From April 1, 2003 to March 31, 2004)	Previous consolidated accounting year (From April 1, 2002 to March 31, 2003)
		Amount	Amount
I. Cash flow on sales activities			
Current net profit before tax adjustments, etc.		2,046	2,859
Depreciation expenses		431	172
Consolidated adjustment account depreciation amount		-2	-2
Increased or decreased amount of allowance for bad debts		707	-1,168
Increased or decreased amount of reserves for retirement benefits and reserves for directors' retirement benefits		-404	-1,578
Earned interest and dividends received		-131	-105
Interest paid		223	260
Investment profit or loss by equity method		66	-43
Profit gained by returning provision for loss on guarantees		-41	
Evaluation loss on investments in securities		45	1,522
Profit or loss on sales of investments in securities		-1,027	4
Profit or loss on sales of fixed assets		-5	-229
Loss on retirement of fixed assets		19	31
Evaluation loss on golf club membership rights		0	2
Paid amount of directors' bonuses		—	-6
Increased or decreased amount of sales credits		1,494	5,215
Increased or decreased amount of incomplete work expenditures		3,945	5,346
Other increased or decreased amounts of current assets		-907	-47
Increased or decreased amount of procurement credits		-4,879	-6,186
Increased or decreased amount of incomplete work received amount		-2,786	199
Other increased or decreased amounts of current liabilities		-866	853
Sub-total		-2,071	7,099
Received amount of interests and dividends		131	106
Paid interest amount		-223	-247
Paid amount of corporate tax, etc.		-184	-270
Cash flow on sales activities		-2,347	6,688
II. Cash flow on investment activities			
Expenditures by depositing of time deposits		10	-27
Revenue by pay back of time deposits		-0	213
Expenditures by acquiring of securities		-1,098	-1,598
Revenue by sales of securities		1,098	1,700
Expenditures by acquiring of beneficial interest in trust		-2,655	-
Expenditures by acquiring of tangible fixed assets		-153	-80
Revenue by sales of tangible fixed assets		31	368
Expenditures by acquiring of investment securities		-119	-2,828
Revenue by sales of investment securities		2,249	530
Expenditures by acquiring of stocks of subsidiary companies		—	-10
Expenditures by loans		-201	-102
Revenue by recovery of loans		273	47
Expenditures by acquiring of other fixed assets		-275	-1,645
Revenue by sales of other fixed assets		1,212	1,727
Cash flow on investment activities		371	-1,705
III. Cash flow on financial activities			
Revenue by short-term loans		20,005	19,110
Expenditures by return of short-term loans		-19,908	-18,604
Revenue by long-term loans		3,500	3,500
Expenditures by return of long-term loans		-4,756	-6,001
Expenditures by acquiring of treasury stock		-519	-391
Paid amount of dividends		-720	-734
Paid dividend to minority interests		-0	-1
Cash flow on financial activities		-2400	-3,123
IV. Translation difference relating to cash and cash equivalents		-158	-211
V. Increased or decreased amount of cash and cash equivalents		-4,534	1,648
VI. Balance of cash and cash equivalents at the beginning of period		30,653	29,004
VII. Balance of cash and cash equivalents at the end of period		26,118	30,653

(5) Basic items for producing consolidated financial statements

1. Items relating to scope of consolidation

Eleven (11) subsidiaries are included in the consolidated financial statements.

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 consolidated 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

1) Tangible fixed assets

Our company and domestic consolidated subsidiary companies

Buildings (excluding accessory equipment) Straight-line method

Others Declining balance method

Overseas consolidated subsidiary companies Straight-line method

Furthermore, the following section shows the depreciation periods of major assets.

Buildings and structures 15 to 50 years

2) Intangible fixed assets Straight-line method

Furthermore, as to software of the company's own use, the straight-line method based on in-company applicable period (i.e., five years) 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 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) 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.

(5) 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.

(6) 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-subsiidiaries record the completed works amount on the work progressing basis.

Unearned profit realized amount	12 million yen
Unearned profit deducted amount	<u>— million yen</u>
Total	12 million yen

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

The 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

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

7. Items relating to treatment of surplus appropriation accounts

The 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.

Notes

[Relating to consolidated balance sheet]

	Current consolidated accounting year	(in millions of yen) Previous consolidated accounting year
1. Accumulated amount of depreciation of tangible fixed assets	4,962	4,880
2. Amount of transfer of endorsed notes receivable	37	44
3. Issued number of stocks	45,963,803 shares (Common stocks)	45,963,803 shares
4. Number of treasury stocks owned by the consolidated subsidiaries	1,915,631 shares (Common stocks)	944,379 shares
5. Shares of affiliated companies		
Investments securities	458	515
6. Pledged assets and secured liabilities		
(1) Assets given as security		
Time deposit	27	27
Investment securities	1,858	639
(2) Liabilities for the above		
Work payable	88	136
Long-term loans expecting to return within 1 year.	491	593
Long-term loans	197	488

[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 accounting year	(in millions of yen) Previous consolidated accounting year
Salaries and allowances to employees	3,549	3,701
Reserves for retirement benefits	227	1,052
Amount transferred from reserves for directors' retirement benefits	85	76
Amount of computers	1,389	1,167
Communication and transportation expenses	1,026	1,044
Amount of transferred from allowance for bad debts	426	—
Depreciation expenses	415	146
2. Total expenditures for research and development (Breakdown)	488	412
Selling costs and general administrative costs	488	412
3. Amounts transferred from allowance for bad debts, included in evaluation loss on golf club membership rights, etc.	23	51

[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 accounting year	(in millions of yen) Previous consolidated accounting year
Cash and deposit accounts	26,155	28,621
Securities account	100	2,179
Total	26,255	30,800
Time deposits with time period more than 3 months	- 37	- 47
Securities other than add-on type bond investment trusts	- 100	- 100
Cash and cash equivalent objects	26,118	30,653

[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)

		Current consolidated accounting year	Previous consolidated accounting year
Amount equivalent to acquisition cost	Tools and equipment	1,164	1,569
	Software	1,906	1,659
	Total	3,070	3,229
Amount equivalent to accumulated depreciation amount	Tools and equipment	713	907
	Software	660	199
	Total	1,373	1,106
Amount equivalent the full-year period to the balance at the end of the full-year period	Tools and equipment	451	662
	Software	1,245	1,459
	Total	1,697	2,122

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

(in millions of yen)

	Current consolidated accounting year	Previous consolidated accounting year
Within 1 year	718	709
Over 1 year	1,006	1,436
Total	1,724	2,146

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

(in millions of yen)

	Current consolidated accounting year	Previous consolidated accounting year
Rental revenue payable	820	598
Amount equivalent to depreciation expenses	784	562
Amount equivalent to interest payable	41	36

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, 2004)

(in millions of yen)

	Amount in the consolidated 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	200	201	1
Others	—	—	—
Sub-total	200	201	1
(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	200	201	1

2. Other securities with market value (March 31, 2004)

(in millions of yen)

	Acquisition cost	Amount in the consolidated balance sheet	Balance
(Those whose amount in consolidated balance sheet is above the acquisition cost)			
Stocks	3,794	7,978	4,183
Bonds			
Government bonds/local government bonds	—	—	—
Corporate bonds	2	3	0
Others	—	—	—
Others	—	—	—
Sub-total	3,797	7,981	4,183
(Those whose amount in consolidated balance sheet is not above the acquisition cost)			
Stocks	1,093	854	- 238
Bonds			
Government bonds/local government bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Sub-total	1,093	854	- 238
Total	4,890	8,835	3,945

(Note) As for other securities with market value, 6 million yen is treated as shrinkage losses.

3. Other securities sold for the current consolidated accounting year (From April 1, 2003 to March 31, 2004)
(in millions of yen)

Sale value	Total of sale profit	Total of sale loss
2,800	1,027	—

4. Contents of securities with no valuation at the market value and amount in the consolidated balance sheet
(March 31, 2004)

(1) Held-to-maturity bonds

Unlisted foreign bonds	0 million yen
Discount bank debentures	99 million yen

(2) Other securities

Unlisted stocks (excluding over counter stocks)	2,690 million yen
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5. Estimated amount of redemption for other securities with maturity and held-to-maturity (March 31, 2004)
(in millions of yen)

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

(Previous consolidated accounting year)

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

(in millions of yen)

	Amount in the consolidated 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 consolidated 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) 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 5 years	Over 5 years and within 10 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 advanced redemption privilege (call option), and it is possible that they will be redeemed after June 2003 by executing the advanced redemption privilege (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

1) Hedge accounting method

Deferred hedge processing is applied.

2) 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

3) 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.

4) 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 has set up such systems as employees' pension fund, approved retirement annuity system, and termination allowance plan as defined benefit pension plan. Furthermore, the company revised the overall retirement benefit scheme during the current consolidated accounting year and enforced the revised scheme as of April 1, 2004. As a part of the scheme, on the same day, the company shifted from the employees' pension fund and approved retirement annuity system to the new corporate pension plan (corporate pension fund) that is a defined benefit pension plan.

The domestic consolidated subsidiaries have adopted the retirement benefit scheme including but not limited to the approved retirement annuity system in addition to the termination allowance plan.

Furthermore, six (6) domestic consolidated subsidiaries had joined the DAI-DAN Pension Fund, but withdrew from this Fund in the current consolidated accounting year.

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	- 15,736	- 15,692
b. Pension fund	13,487	9,624
c. Unreserved retirement benefits liabilities (a + b)	- 2,248	- 6,067
d. Unrecognized pension assets	- 1,662	-
e. Unrecognized differences on mathematical calculation	3,152	3,449
f. Unrecognized past service liabilities (decreased liabilities) (Note 1)	-	-
g. Net amount in consolidated balance sheet (c +d +e +f)	- 758	- 2,618
h. Prepaid pension costs	2,519	1,110
i. Reverses for retirement benefits (g - h) (Note 2)	- 3,278	- 3,728

Notes: 1. Due to the revision of the overall retirement benefit scheme made during the current consolidated accounting year, the past service liabilities (decreased liabilities) were incurred. However, since the past service liabilities were batch-processed in the year when these liabilities were incurred, there are no unrecognized balances outstanding at the end of the current consolidated accounting year. Furthermore, the amount batch-processed in the current consolidated accounting year is listed as the "e. Processed amount of past service liabilities" in the box of "3. Items relating to retirement benefits".

2. As for the domestic consolidated subsidiaries, in order to calculate retirement benefits liabilities relating to the termination allowance, the simple method is adopted.

3. Items relating to retirement benefits

(in millions of yen)

	Current consolidated accounting year	Previous consolidated accounting year
a. Service costs (Note 1,2)	513	700
b. Interest costs	449	732
c. Expected operational profits	- 166	- 360
d. Processed amount of differences on mathematical calculation	376	420
e. Processed amount of past service liabilities	- 1,730	- 191
f. Retirement benefits (a+b+c+d+e)	- 557	1 302
g. Profit on the withdrawal from substitution portions of employees' pension fund covered by us on behalf of the government	-	- 2,381
h. Profit on the withdrawal from employees' pension fund	- 28	-
i. Total	- 585	- 1,079

Notes:

1. In the previous consolidated accounting year, our company and part of its domestic consolidated subsidiaries returned the government the portion of the employees' pension fund the company manages and paid on behalf of the government. The service expenses involved from a period of time until the return of the portion, which the company managed and paid on behalf of the government, were calculation after the deduction of employees' contribution amount.
2. Retirement benefits of consolidated subsidiaries adopting an easy method are accounted as "a. Service costs".

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

	Current consolidated accounting year	Previous consolidated 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	2.0%	3.0%
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.	Same as in the left
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	3,384	Surplus of transferred reserves for retirement benefits	4,065
Repudiated evaluation loss on real estate	1,257	Repudiated evaluation loss on real estate	1,285
Repudiated write-down of incomplete work expenditures	233	Carry-forward loss	492
Surplus of transferred allowance for bad debt	301	Repudiated write-down of incomplete work expenditures	371
Repudiated reserves for directors' retirement allowance	190	Surplus of transferred allowance for bad debt	222
Repudiated evaluation loss on golf club membership rights	116	Repudiated reserves for director's retirement allowance	172
Others	843	Repudiated evaluation loss on golf club membership rights	131
		Repudiated reserves for liability guarantee loss	86
		Subsidiaries' loss carry-forward on taxes	38
		Others	681
Deferred tax asset sub-total	6,327	Deferred tax asset sub-total	7,547
Amount of valuation reserves	- 156	Amount of valuation reserves	- 315
Deferred tax asset total	6,170	Deferred tax asset total	7,231
Deferred tax liability		Deferred tax liability	
Profits from retirement benefits in trust	- 1,661	Profits from retirement benefits in trust	-1,661
Entertainment expenses included in incomplete work expenditures	- 68	Entertainment expenses included in incomplete work expenditures	-114
Evaluation difference of securities	- 1617	Reserve from fixed asset reduction	-68
Reserve from fixed asset reduction	- 66	Others	-41
Others	- 61		
Deferred tax liability total	- 3,475	Deferred tax liability total	- 1,885
Deferred tax asset net amount	2,695	Deferred tax asset net amount	5,346

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		Previous consolidated accounting year	
Statutory effective tax rate (Adjustment)	42.0%	Statutory effective tax rate (Adjustment)	42.0%
Items not included in deductible expenses permanently, such as entertainment and social expenses, etc.	23.3	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.	- 1.8	Items not included in gross revenue permanently, such as dividends received, etc.	- 0.8
Taxation per capita basis for inhabitants tax	3.9	Taxation per capita basis for inhabitant tax	1.5
Amount of adjustment of taxable income not applicable to tax effect	1.2	Amount of adjustment of taxable income not applicable to tax effect	- 1.1
Others	1.5	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	70.1	Burden rate of corporate taxes, etc. after application of tax effect accounting	65.3

9. Segment Information

1. Segment information by type of business

The current consolidated accounting year (April 1, 2003 to March 31, 2004) and the previous consolidated accounting year (April 1, 2002 to March 31, 2003)

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, 2003 to March 31, 2004) and the previous consolidated accounting year (April 1, 2002 to March 31, 2003)

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, 2003 to March 31, 2004) and the previous consolidated accounting year (April 1, 2002 to March 31, 2003)

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