Brief report on the Financial Statements for the period ending March, 2005 (consolidated)

May 19, 2005

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, President
Inquiries to be addressed to: Goh TAJIMA, Director & General Manager of General Administration Division
Tel. (06) 6441 - 8231

Date of Directors' meeting on closing of accounts: May 19, 2005
Adoption of American Accounting Standards: None

1. Consolidated performance for the period ending March, 2005 (From April 1, 2004 to March 31, 2005)

(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 2005	156,175	0.9	1,391	-13.6	1,412	4.4
Period ending March 2004	154,832	-5.7	1,609	-21.3	1,352	-22.6

	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 2005	766	33.4	17.18	—	1.7	1.1	0.9
Period ending March 2004	574	-43.5	12.18	—	1.3	1.0	0.9

Note: 1) Investment profit or loss on equity method End of March 2005 15 million yen End of March 2004 -66 million yen
2) Interim average number of shares (consolidated) End of March 2005 44,566,892 shares End of March 2004 44,890,465 shares
3) Changes in accounting procedures: Made
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 2005	136,540	46,115	33.8	1,024.98
Period ending March 2004	129,848	45,646	35.2	1,036.29

Note: Issued number of shares at the end of period (consolidated) End of March 2005 44,990,535 shares
End of March 2004 44,048,172 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 2005	-8,744	4,921	406	22,712
Period ending March 2004	-2,347	371	-2,400	26,118

(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: —
Number of affiliated company with equity method applied: —

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

Consolidated (new): — (Excluded): — Equity method (new): — (Excluded): 1

2. Estimated of consolidated performance for the period ending March 2006 (From April 1, 2005 to March 31, 2006)

	Sales amount	Ordinary profit	Current net profit
	Million yen	Million yen	Million yen
Interim	62,000	-1,700	-1,150
Total period	150,000	1,100	550

(Reference) 1)Estimated current net profit per share (for total period) 12.22 yen
2) Estimated amount of work order received (interim) 70,000 million yen
3) Estimated amount of work order received (full year) 152,000 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 6.

1. Situation of the Corporate Group

Our corporate group (our company and our affiliated company) consists of our company and 11 subsidiary companies, 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

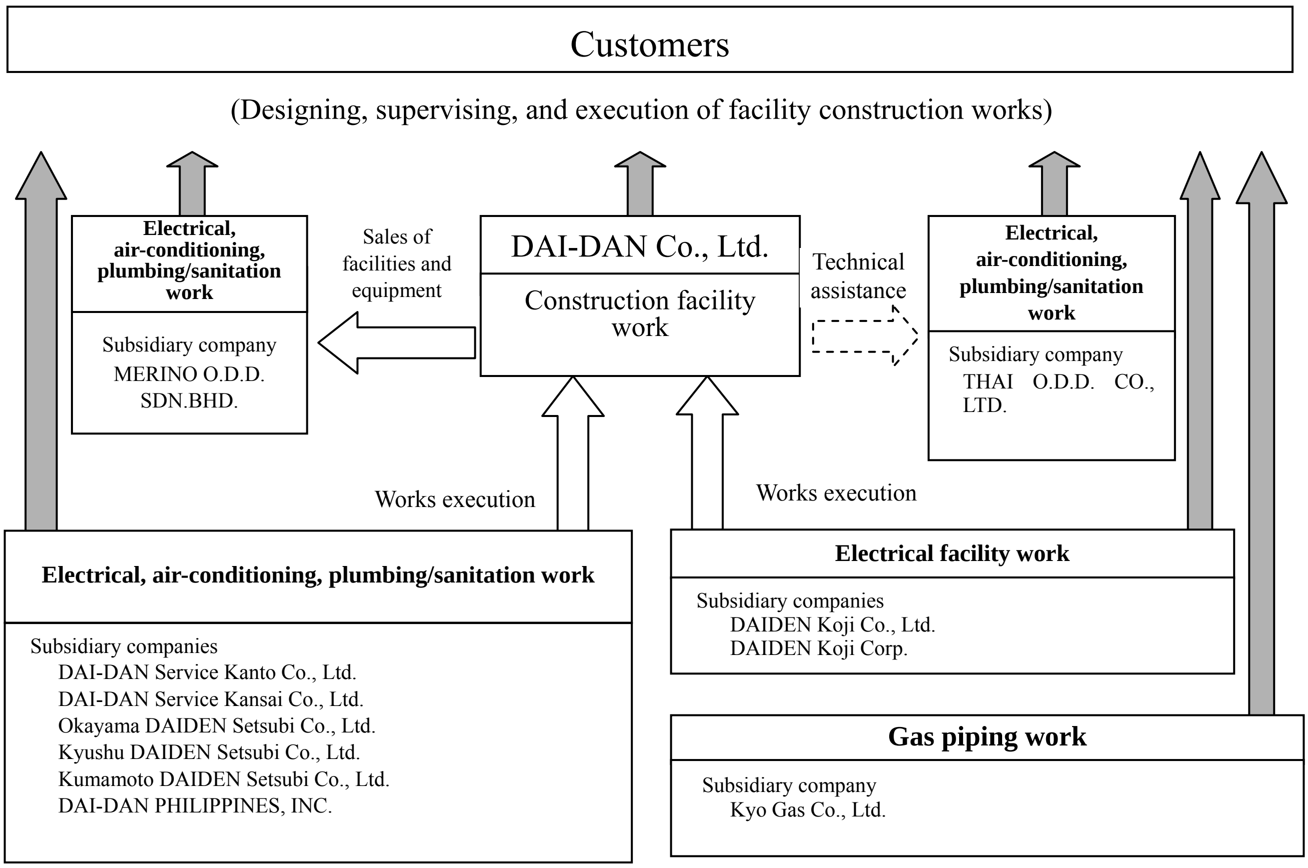
Part of the work of orders received by us is relegated to DAI-DAN Service Kanto Co., Ltd., DAIDEN Koji Co., Ltd., DAIDEN Koji Corp., DAI-DAN Service Kansai Co., Ltd., Okayama DAIDEN Setsubi Co., Ltd., Kyushu DAIDEN Setsubi Co., Ltd., Kumamoto DAIDEN Setsubi Co., Ltd., and DAI-DAN PHILIPPINES, INC. We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

Furthermore, CNA ENGINEERS PTE. LTD. sold its shares in November 2004 and, therefore, was excluded from our affiliated company (with equity method applied).

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 policy is to consider the return of our profits by dividend to our shareholders as top-priority management measures and endeavor to build a solid financial constitution, thus paying dividends stably and continuously to the shareholders.

(3) Concept and policy on reductions of investment units

Regarding the reductions of investment units, we carried out studies on this issue on the basis of shareholders' benefits. As a result, we think that we are in no situation to implement the reductions of investment units at the current moment in terms of the level of stock price, number of shareholders, liquidity, cost-effectiveness, and others. However, we will continue studies on this issue.

(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 aiming to secure earnings necessary to achieve continuous growth of out business taking the operating profit ratio on shareholders' equity as our targeted management benchmark, through effective use of management resources.
For a specific strategy, we are stepping up the finding of potential customers through proposal-oriented marketing activities that make use of technologies in our possession and, at the same time, challenging further increase of order received for renewal works by making the relation with existing customers more close.
In addition, we have strengthened our construction management framework, through which we are making effort to ensure safety and quality and also accomplish cost cutting, thus addressing the improvement in our competitiveness.
As part of our attempt to strengthen our ability in these fields, we divided Engineering Division into Production Engineering Division and Technical Development Division as of October 1, 2004 to rearrange the organization, thus enabling us to cope further sensitively with customers' needs and facilitate faster and efficient mobilization of management resources including human resources.
Furthermore, in order to promote new procurement methods, we set up Purchase Department within Production Engineering Division as of January 1, 2005.
As to challenges to environmental issues, since the Kyoto Protocol intended to prevent global warming came into effect in February 2005, we will put far more effort into providing technologies developed with consideration given to reduction in environmental burdens such as resource saving and energy saving, resource recycling, cutting in construction wastes, and others. Particularly, we have upgraded our ESCO business that capitalizes on our strengths as a total facility work contractor to push ahead with energy saving proposals.
Besides, by making use of our company-wide information system, we are pushing ahead with cost cutting through putting together and increasing efficiency of indirect operations as well as trying to upgrade on-site productivity and sharing information between sections.
As to the personnel system, we have revised our compensation system to output- and role-oriented compensation system as of April 1, 2005, thus promoting the invigoration of the company organization and the effective use of human resources under fair conditions.

(5) Basic concept regarding corporate governance and implementation status of measures

In order to keep up with cataclysmic changes in the management environment as well as promoting complete compliance, we will aim to enhance our corporate governance system for quick and on-target decision making and operation performance on important managerial issue.

In order to ensure fair and efficient management, our company has adopted an auditing system to make the following management organization effectively functional.

- 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.
- 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.
- Management council
  The management council has basic members consisting of directors selected and appointed by the board of directors and temporary members selected and appointed according to subjects on the agenda. 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.
- 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.

As to the in-company control, our company defines the official authority for each department and office organization according to the official authority regulations to promote mutual supervision.
As to the in-company inspection system, In-company Inspection Department under the direct jurisdiction of the president of our company carries out operation and account audits to properly keep track of the company assets and the status of the progress of operations, thus promoting increase and improvement of efficiency of the operations.
The corporate auditors not only attend the board of directors but also conduct field audits at our headquarters, business establishments, and subsidiary companies to achieve strict audits on the general operation performance of our company.
As to accounting audits, we have been receiving proper audits according to generally-accepted accounting standards by an audit corporation, KPMG AZSA & Co. selected and appointed as an accounting auditor by our company. The certified public accountants to have audited our accounting are Hikoyuki Miwa (four years with continuous audit) and Masahiro Miyahara (two years with the same), who belong to the said audit corporation.
Furthermore, the compensation for KPMG AZSA & Co. of the current term includes 33 million yen for compensation concerning audit certification under the attestation engagement and 1 million yen for other compensation, amounting to a total of 34 million yen.

3. Management Record and Financial Standing

(1) Management record

During the current term, economy in our country remained on a recovery trend regardless of the presence of concerns including the slowdown of overseas economy, escalating crude oil price, and production/inventory adjustment of information-related products, and corporate earnings show a steady growth.
Under these circumstances, in the construction industry, public investment remained on the decline even though private capital investment, which was driven by booming enterprises such as manufacturing industry, showed an upward trend. Furthermore, due to a reduction in total construction investment, the economy continued to be in a severe situation.
In this kind of environment, our group companies made maximum concerted efforts together to secure orders and profits and, consequently, accomplished the consolidated record for the current term as shown below.
The consolidated amount of work orders received of our corporate group increased 4.1% on the previous consolidated accounting year to 151,481 million yen. The amount of work completed in creased 0.9% on the previous consolidated accounting year to 156,175 million yen.
As for the profits, the operating profit declined 13.6% on the previous consolidated accounting year to

1,391 million yen and the ordinary profit increased 4.4% on the previous consolidated accounting year to 1,412 million yen. As a result, the net profit for the current term increased 33.4% on the previous consolidated accounting year to 766 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 3,405 million yen (13.0%) on the previous consolidated accounting year to 22,712 million yen.

(Cash flow from sales activities)
Cash flow used in sales activities for the current consolidated accounting year declined 8,744 million yen due to the advance payment of work-related fund, which declined 6,397 million yen on balance, compared with the decline of 2,347 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 4,921 million yen in the fund thanks to revenues through the redemption of beneficial interest in trust and the sell-off of investment securities and fixed assets, which increased 4,549 million yen on balance, compared with the increase of 371 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 increased 406 million yen in the fund due to paid amount of dividends of 709 million yen, earnings be the sell-off of treasury stock of 550 million yen, and expenditures for the return of loans having exceeded the earnings by new borrowing by 604 million yen and others, which increased 2,806 million yen on balance, compared with the decline of 2,400 million yen for the previous consolidated accounting year.

Trend of cash flow index group

	Period ending March 2001	Period ending March 2002	Period ending March 2003	Period ending March 2004	Period ending March 2005
Shareholders' equity ratio	28.5%	30.1%	31.8%	35.2%	33.8%
Shareholders' equity ratio at market value	12.5%	13.5%	14.2%	21.6%	26.3%
Number of debt redemption years	7.2 years	–	2.0 years	–	–
Interest coverage ratio	7.5 times	–	27.1 times	–	–

Shareholder's equity ratio: Shareholder's equity/Total assets
Shareholders' equity ratio at market value: Aggregate market value of shares/Total assets
Number of debt redemption years: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest paid

∗Indexes are all calculated by financial values on a consolidated basis.

∗For the operating cash flow, the cash flow from sales activities (interest-paid and before corporate tax, etc.) recorded in the Statement of consolidated cash flow is used. The interest-bearing debt is subject to all debts, which bear interest, among those recorded in the Consolidated balance sheet. Furthermore, for the interest paid, the amount of interest paid, which is recorded in the Statement of consolidated cash flow, is used.

(3) Outlook for next term

In the construction industry, it is predicted that the overall investment in construction will move slow and the economy will continue to be in a severe situation due to slow increase in private capital investment and continued downturn in public investment, even though the private capital investment remains on an upward trend.
Regarding the outlook for the next term of our corporate group, we expect the consolidated amount of work orders received of 152,000 million yen, completed work of 150,000 million yen, ordinary profits of 1,100 million yen, and current net profit of 550 million yen.

(4) Business risk, etc.

The following section describes risks that may have significant influence of the judgment of investors regarding the business of our corporate group. In this connection, our corporate group will recognize the potential for these risks to occur and then make effort to prevent the risks from occurring and deal with them if occurred.

1) Disasters and accidents
   Our corporate group executes construction on the basis of safety-first and exerts its utmost effort in quality control. However, there may be cases where an unexpected disaster or accident in the course of construction occurs resulting in compensation for damage, defect liability, or else and further has influence on the performance.
2) Bad debts
   Depending on the rapid worsening of earnings or financial situation of customers, part of receivables, etc. owned by our corporate group may become unrecoverable.
3) Fluctuations in country risk and exchange rate
   Our corporate group has been expanding its overseas business centering on Southeast Asian markets. The group performance can be influenced by the occurrence of terrorism or political instability, worsening of market conditions, or exchange rate fluctuations.

4. Consolidated Financial Statements, etc.

(1) Consolidated balance sheet

(in millions of yen)

Accounts \ By period	End of the current consolidated accounting year (As of March 31, 2005)		End of the previous consolidated accounting year (As of March 31, 2004)		Difference
	Amount	Component ratio	Amount	Component ratio	
(Assets)		%		%	
Current assets					
Cash on hand and in banks	22,739		26,155		-3,415
Note receivables, completed work accounts receivables	58,646		48,139		10,507
Securities	100		100		0
Beneficial interest in trust	—		2,655		-2,655
Incomplete work expenditures	25,319		21,307		4,012
Deferred tax reserves	915		704		211
Others	7,294		7,088		205
Allowance for bad debts	-251		- 219		-32
Total current assets	114,764	84.1	105,931	81.6	8,832
Fixed assets					
Tangible fixed assets					
Buildings and structures	2,876		3,249		-372
Machinery and equipment, and transportation equipment	42		56		-13
Tools and facilities	146		153		-6
Land	1,920		2,049		-128
Total tangible fixed assets	4,986		5,508		-521
Intangible fixed assets					
Consolidated adjustment account	3		1		2
Others	856		1,241		-385
Total intangible fixed assets	860		1,242		-382
Investments and other assets					
Investment securities	11,407		12,184		-776
Long-term loans receivables	129		182		-52
Deferred tax reserves	1,572		1,990		-418
Others	3,664		4,537		-872
Allowance for bad debts	-845		-1,729		884
Total investments and other assets	15,928		17,165		-1,236
Total fixed assets	21,776	15.9	23,916	18.4	-2,140
Total assets	136,540	100.0	129,848	100.0	6,692

(in millions of yen)

Accounts / By period	End of the current consolidated accounting year (As of March 31, 2005)		End of the previous consolidated accounting year (As of March 31, 2004)		Difference
	Amount	Component ratio	Amount	Component ratio	
(Liabilities)	©	%		%	
Current liabilities					
Notes payable, work accounts payable	56,525		49,331		7,194
Short-term loans payable	8,496		8,387		109
Corporate taxes, etc. payable	915		395		520
Incomplete work accounts received	12,316		13,990		-1,673
Completed work compensation reserves	76		76		0
Work loss reserves	592		—		592
Others	4,427		5,403		-976
Total current liabilities	83,350	61.0	77,584	59.7	5,766
Fixed liabilities					
Long-term loans payable	3,264		2,768		495
Reserves for retirement benefits	3,216		3,278		-61
Reserves for directors' retirement benefits	470		465		4
Others	3		12		-9
Total fixed liabilities	6,954	5.1	6,525	5.0	428
Total liabilities	90,305	66.1	84,110	64.7	6,194
(Minority interest equity)					
Minority interest equity	119	0.1	91	0.1	28
(Shareholders' equity)					
Capital stock	4,479	3.3	4,479	3.4	–
Capital surplus	4,782	3.5	4,716	3.7	66
Retained earnings	35,112	25.7	35,056	27.0	56
Evaluation difference of other securities	2,264	1.7	2,327	1.8	-63
Currency translation adjustment account	-44	-0.0	-8	-0.0	-35
Treasury stock	-478	-0.4	-925	-0.7	446
Total capital	46,115	33.8	45,646	35.2	469
Total liabilities, minority interest equity and shareholders' equity	136,540	100.0	129,848	100.0	6,692

(2) Consolidated profit and loss statement

(in millions of yen)

Accounts \ By period	Current consolidated accounting year (From April 1, 2004 to March 31, 2005) Amount	Percentage	Previous consolidated accounting year (From April 1, 2003 to March 31, 2004) Amount	Percentage	Difference
		%		%	
Completed work amount	156,175	100.0	154,832	100.0	1,343
Completed work cost	144,316	92.4	142,096	91.8	2,220
Completed work gross profit	11,859	7.6	12,736	8.2	-876
Selling expenses and general administrative expenses	10,468	6.7	11,126	7.2	-657
Operating profit	1,391	0.9	1,609	1.0	-218
Non-operating revenue	(285)	0.2	(280)	0.2	(5)
Interests received	15		28		-13
Dividends received	120		102		17
Rent of real estate	–		60		-60
Insurance claim received	–		60		-60
Gain on foreign exchange	73		–		73
Consolidated adjustment account depreciation	2		2		–
Investment profit by equity method	15		–		15
Others	58		25		32
Non-operating expenses	(264)	0.2	(537)	0.3	(-272)
Interest payable	229		223		5
Payment guarantee charge	25		39		-14
Currency translation loss	–		202		-202
Investment loss by equity method	–		66		–66
Others	10		5		4
Ordinary profits	1,412	0.9	1,352	0.9	59
Special profits	(995)	0.6	(1,137)	0.7	(-142)
Profit on sales of fixed assets	324		40		283
Profit on sales of investments in securities	671		1,027		-356
Profit gained on withdrawal from employees' pension fund	–		28		-28
Profit gained by returning provision for loss on guarantees	–		41		-41
Special losses	(401)	0.2	(444)	0.3	(-42)
Loss on sales of fixed assets	134		35		99
Loss on retirement of fixed assets	118		19		99
Loss on sales of investments in securities	2		–		2
Evaluation loss on investments in securities	8		45		-36
Evaluation loss on golf club membership rights	109		24		85
Amount transferred from allowance for bad debts	–		320		-320
Others	28		–		28
Current net profits before tax adjustments, etc.	2,006	1.3	2,046	1.3	-40
Corporate tax, residence tax and business tax	981	0.6	466	0.3	514
Adjustment amounts such as for corporate taxes	227	0.2	967	0.6	-740
Profit of minority interests	30	0.0	37	0.0	-6
Current net profit	766	0.5	574	0.4	191

(3) Statement of consolidated surplus

(in millions of yen)

Accounts \ By period	Current consolidated accounting year (From April 1, 2004 to March 31, 2005) Amount		Previous consolidated accounting year (From April 1, 2003 to March 31, 2004) Amount	
(Capital surplus)				
Capital surplus balance at the beginning of the period		4,716		4,716
Increase in capital surplus balance				
Gain on disposal of treasury stock	66	66	–	–
Capital surplus balance at the end of the term		4,782		4,716
(Retained earnings)				
Retained earnings balance at the beginning of the period		35,056		35,201
Retained earnings increased amount				
Net profit for the current term	766	766	574	574
Retained earnings decreased amount				
Shareholders' dividends	709		719	
Directors' bonuses	1	710	–	719
Retained earnings balance at the end of the term		35,112		35, 056

(4) Statement of consolidated cash flow

(in millions of yen)

Accounts \ By period	Current consolidated accounting year (From April 1, 2004 to March 31, 2005)	Previous consolidated accounting year (From April 1, 2003 to March 31, 2004)
	Amount	Amount
I. **Cash flow on sales activities**		
Current net profit before tax adjustments, etc.	2,006	2,046
Depreciation expenses	392	431
Consolidated adjustment account depreciation amount	-2	-2
Increased or decreased amount of allowance for bad debts	-778	707
Increased or decreased amount of reserves for retirement benefits and reserves for directors' retirement benefits	-170	-404
Earned interest and dividends received	-135	-131
Interest paid	229	223
Investment profit or loss by equity method	-15	66
Evaluation loss on investments in securities	8	45
Profit or loss on sales of investments in securities	-668	-1,027
Profit or loss on sales of fixed assets	-189	-5
Loss on retirement of fixed assets	118	19
Increased or decreased amount of sales credits	-9,998	1,494
Increased or decreased amount of incomplete work expenditures	-4,018	3,945
Increased or decreased amount of procurement credits	7,194	-4,879
Increased or decreased amount of incomplete work received amount	-1,673	-2,786
Other increased or decreased amounts of current liabilities	-434	-1,814
Sub-total	-8,136	-2,071
Received amount of interests and dividends	136	131
Paid interest amount	-222	-223
Paid amount of corporate tax, etc.	-522	-184
Cash flow on sales activities	-8,744	-2,347
II. **Cash flow on investment activities**		
Expenditures by depositing of time deposits	-0	-0
Revenue by pay back of time deposits	10	10
Expenditures by acquiring of securities	-99	-1,098
Revenue by sales of securities	99	1,098
Expenditures by acquiring of beneficial interest in trust	-534	-2,655
Revenue by redemption of beneficial interest in trust	3,196	-
Expenditures by acquiring of tangible fixed assets	-27	-153
Revenue by sales of tangible fixed assets	544	31
Expenditures by acquiring of investment securities	-246	-119
Revenue by sales of investment securities	1,677	2,249
Expenditures by loans	-40	-201
Revenue by recovery of loans	67	273
Expenditures by acquiring of other fixed assets	-187	-275
Revenue by sales of other fixed assets	461	1,212
Cash flow on investment activities	4,921	371
III. **Cash flow on financial activities**		
Revenue by short-term loans	29,070	20,005
Expenditures by return of short-term loans	-28,280	-19,908
Revenue by long-term loans	4,100	3,500
Expenditures by return of long-term loans	-4,286	-4,756
Expenditures by acquiring of treasury stock	-37	-519
Revenue by sales of treasury stock	550	-
Paid amount of dividends	-709	-720
Paid dividend to minority interests	-0	-0
Cash flow on financial activities	406	-2,400
IV. **Translation difference relating to cash and cash equivalents**	11	-158
V. **Increased or decreased amount of cash and cash equivalents**	-3,405	-4,534
VI. **Balance of cash and cash equivalents at the beginning of period**	26,118	30,653
VII. **Balance of cash and cash equivalents at the end of period**	22,712	26,118

Basic important 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

CNA ENGINEERS PTE. LTD., to which the equity method was applied up to the previous consolidated accounting year, sold its all shares in November 2004. Consequently, we applied the equity method to this company up to the first half of the current consolidated accounting year and excluded it from the application scope of the equity method at the beginning of the second half. Furthermore, we have no other non-consolidated subsidiary and affiliated companies to which the equity method is applied.

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) Work loss reserves
In order to provide against future loss caused by work orders received in hand, we record an estimated amount of loss for works, which are highly likely to cause loss and the amount of which can be reasonably estimated.
(Changes in accounting procedure)
As to loss estimated relevant to work orders received in hand, we conventionally treated it by reducing the amount of incomplete work expenditures. Since account processing to record the work loss reserves has become generally adopted, however, we changed to an accounting procedure by which the loss estimated is recorded as work loss reserves in the liabilities (current liabilities) section of the consolidated balance sheet, from the current consolidated accounting year in order to clearly indicate the loss in the consolidated balance sheet. The changes in accounting procedure have no influence on the profit and loss for the current consolidated accounting year.
Furthermore, the amount, which was deducted from the incomplete work expenditures of the previous consolidated accounting year, was 569 million yen.

4) 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.
(Changes in accounting procedure)
Since the "Partial revision to "Accounting standards regarding retirement benefits"" (No. 3 of Corporate accounting standards dated March 16, 2005) and the "Application Guideline regarding the partial revision to "Accounting standards regarding retirement benefits"" (No. 7 of Corporate accounting standards dated March 16, 2005) are become applicable to consolidated accounting year ending March 31, 2005, we applied the said accounting standards and application guideline to the current consolidated accounting year onward to change the conventional accounting procedure for unrecognized pension assets. According to the changes in accounting procedure, the current operating profits, ordinary profits, and net profits before tax adjustment, etc, increased 166 million yen.

5) 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.

(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
As for the dividends received from non-listed stocks, since the amount of dividends is determined on the basis of market interest rates, in order to hedge risks of fluctuations in the dividends receivable due to the market interest rate fluctuations, we have been using derivatives.
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-subsidiaries record the completed works amount on the work progressing basis.

Unearned profit realized amount	37 million yen
Unearned profit deducted amount	12 million yen
Total	24 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.

(Changes in indication method)

Relating to consolidated profit and loss

Since the rent of real estate (8 million yen for the current consolidated accounting year) and the insurance claim received (1 million yen for the current consolidated accounting year) of non-operating revenues became of scare importance in terms of amount for the current consolidated accounting year, these items are recorded in the “Others” section.

Notes

[Relating to consolidated balance sheet]

(in millions of yen)

	Current consolidated accounting year	Previous consolidated accounting year
1. Accumulated amount of depreciation of tangible fixed assets	4,813	4,962
2. Amount of transfer of endorsed notes receivable	18	37
3. Issued number of stocks	45,963,803 shares	45,963,803 shares
	（Common stocks）	
4. Number of treasury stocks owned by the consolidated subsidiaries	973,268 shares	1,915,631 shares
	（Common stocks）	
5. Shares of affiliated companies		
Investments securities	–	458
6. Pledged assets and secured liabilities		
(1) Assets given as security		
Time deposit	27	27
Investment securities	1,007	1,858
(2) Liabilities for the above		
Work payable	245	88
Long-term loans expecting to return within 1 year.	361	491
Long-term loans	379	197
Liabilities of investing companies	676	–
(Amount equivalent to investment ratio of our company)	(135)	(–)

[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.

(in millions of yen)

	Current consolidated accounting year	Previous consolidated accounting year
Salaries and allowances to employees	3,464	3,549
Reserves for retirement benefits	434	227
Amount transferred from reserves for directors' retirement benefits	79	85
Amount of computers	1,206	1,389
Communication and transportation expenses	916	1,026
Amount of transferred from allowance for bad debts	35	426
Depreciation expenses	377	415
2. Total expenditures for research and development	419	488
(Breakdown)		
Selling costs and general administrative costs	419	488
3. Amounts transferred from allowance for bad debts, included in evaluation loss on golf club membership rights, etc.	67	23

[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

(in millions of yen)

	Current consolidated accounting year	Previous consolidated accounting year
Cash and deposit accounts	22,739	26,155
Securities account	100	100
Total	22,840	26,255
Time deposits with time period more than 3 months	-27	- 37
Securities other than add-on type bond investment trusts	- 100	- 100
Cash and cash equivalent objects	22,712	26,118

[Relating to leases]

Since our company has gone through the electronic disclosing procedure according to the provision under 30-6 of Article 27 of the Securities Exchange Law, the description of this subject is omitted.

5. Securities

(Current consolidated accounting year)

1. Held-to-maturity bonds with market value (March 31, 2005)

(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)			
Corporate bonds	200	201	1
(Those whose market value is not above the amount in the consolidated balance sheet)			
	–	–	–
Total	200	201	1

2. Other securities with market value (March 31, 2005) (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	4,063	8,060	3,996
Bonds			
Corporate bonds	2	3	1
Sub-total	4,066	8,064	3,997
(Those whose amount in consolidated balance sheet is not above the acquisition cost)			
Stocks	634	474	-160
Total	4,701	8,538	3,837

3. Other securities sold for the current consolidated accounting year (From April 1, 2004 to March 31, 2005)

(in millions of yen)

Sale value	Total of sale profit	Total of sale loss
1,231	671	1

4. Contents of securities with no valuation at the market value and amount in the consolidated balance sheet (March 31, 2005)

(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) 2,668 million yen

5. Estimated amount of redemption for other securities with maturity and held-to-maturity (March 31, 2005)

(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)				
Corporate bonds	100	200	–	–
(Other Securities)				
Bonds				
Corporate bonds	–	2	–	–
Total	100	202	–	–

(Previous consolidated accounting year)

5. 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)			
Corporate bonds	200	201	1
(Those whose market value is not above the amount in the consolidated balance sheet)			
	–	–	–
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			
Corporate bonds	2	3	0
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
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)

5. 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

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)				
Corporate bonds	100	200	–	–
(Other Securities)				
Bonds				
Corporate bonds	–	2	–	–
Total	100	202		

6. Relating to Derivatives

Since our company has gone through the electronic disclosing procedure according to the provision under 30-6 of Article 27 of the Securities Exchange Law, the description of this subject is omitted.

7. Relating to Retirement Benefits

1. Outline of adopted retirement benefits system

Our company has set up such systems as corporate pension fund system and termination allowance plan, which are defined benefit systems.

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.

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	-15,787	-15,736
b. Pension fund	13,485	13,487
c. Unreserved retirement benefits liabilities (a + b)	-2,302	-2,248
d. Unrecognized pension assets (Note 1)	–	-1,662
e. Unrecognized differences on mathematical calculation	1,683	3,152
f. Unrecognized past service liabilities (decreased liabilities)		
g. Net amount in consolidated balance sheet (c +d +e +f)	-618	-758
h. Prepaid pension costs	2,597	2,519
i. Reverses for retirement benefits (g - h) (Note 2)	-3,216	-3,278

Notes: 1. We applied the “Partial revision to “Accounting standards regarding retirement benefits”” (No. 3 of Corporate accounting standards dated March 16, 2005) and the “Application Guideline regarding the partial revision to “Accounting standards regarding retirement benefits”” (No. 7 of Corporate accounting standards dated March 16, 2005) and changed the accounting procedure for unrecognized pension assets. According to this change, we regarded the unrecognized pension assets that were incurred during the previous consolidated accounting year as differences in terms of unrecognized actuarial calculation generated at the beginning of the current consolidated accounting year to depreciate them from the current consolidated accounting year.

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

3. Items relating to retirement benefits

(in millions of yen)

	Current consolidated accounting year	Previous consolidated accounting year
a. Service costs (Note 1)	494	513
b. Interest costs	308	449
c. Expected operational profits	-241	-166
d. Processed amount of differences on actuarial calculation	217	376
e. Processed amount of past service liabilities (Note 2)	–	-1,730
f. Retirement benefits (a+b+c+d+e)	779	-557
g. Profit on the withdrawal from employees' pension fund	–	-28
Total	779	-585

Notes:

1. Retirement benefits of consolidated subsidiaries adopting an easy method are recorded in the " a. Service costs" section.
2. Since we made a revision to the overall retirement benefit system in the previous consolidated accounting year, the past service liabilities (deduction in amount of liabilities) were incurred. However, we batch processed them in the previous consolidated accounting year.

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 on the left
b. Discount rate	2.0%	Same as on the left
c. Expected operational profit rate	3.0%	Same as on 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 on 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 on 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	3,447	Surplus of transferred reserves for retirement benefits	3,384
Repudiated evaluation loss on real estate	1,131	Repudiated evaluation loss on real estate	1,257
Work loss reserves	242	Repudiated write-down of incomplete work expenditures	233
Reserve for bonuses	377	Surplus of transferred allowance for bad debt	301
Repudiated reserves for directors' retirement allowance	192	Repudiated reserves for directors' retirement allowance	190
Repudiated evaluation loss on golf club membership rights	55	Repudiated evaluation loss on golf club membership rights	116
Others	613	Others	843
Deferred tax asset sub-total	6,060	Deferred tax asset sub-total	6,327
Amount of valuation reserves	-147	Amount of valuation reserves	-156
Deferred tax asset total	5,913	Deferred tax asset total	6,170
Deferred tax liability	-1,656	Deferred tax liability	-1,661
Profits from retirement benefits in trust	-65	Profits from retirement benefits in trust	-68
Entertainment expenses included in incomplete work expenditures	-1,573	Entertainment expenses included in incomplete work expenditures	-1,617
Evaluation difference of securities	-63	Evaluation difference of securities	-66
Reserve from fixed asset reduction		Reserve from fixed asset reduction	
Others	-65	Others	-61
Deferred tax liability total	-3,425	Deferred tax liability total	-3,475
Deferred tax asset net amount	2,488	Deferred tax asset net amount	2,695

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	41.0%	Statutory effective tax rate	42.0%
(Adjustment)		(Adjustment)	
Items not included in deductible expenses permanently, such as entertainment and social expenses, etc.	18.5	Items not included in deductible expenses permanently, such as entertainment and social expenses, etc.	23.3
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.	-1.8
Taxation per capita basis for inhabitants tax	4.1	Taxation per capita basis for inhabitant tax	3.9
Amount of adjustment of taxable income not applicable to tax effect	-1.8	Amount of adjustment of taxable income not applicable to tax effect	1.2
Others	1.0	Others	1.5
Burden rate of corporate taxes, etc. after application of tax effect accounting	61.0	Burden rate of corporate taxes, etc. after application of tax effect accounting	70.1

9. Segment Information

1. Segment information by type of business

The current consolidated accounting year (April 1, 2004 to March 31, 2005) and the previous consolidated accounting year (April 1, 2003 to March 31, 2004)

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, 2004 to March 31, 2005) and the previous consolidated accounting year (April 1, 2003 to March 31, 2004)

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, 2004 to March 31, 2005) and the previous consolidated accounting year (April 1, 2003 to March 31, 2004)

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