Brief report on the Financial Statements for the period ending March, 2006 (consolidated)

May 18, 2006

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
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Date of Directors' meeting on closing of accounts: May 18, 2006
Adoption of American Accounting Standards: None

1. Consolidated performance for the period ending March, 2006 (From April 1, 2005 to March 31, 2006)

(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 2006	151,859	-2.8	-1,192	—	-713	—
Period ending March 2005	156,175	0.9	1,391	-13.6	1,412	4.4

	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 2006	-810	—	-18.06	—	-1.7	-0.5	-0.5
Period ending March 2005	766	33.4	17.18	—	1.7	1.1	0.9

Note: 1) Investment profit or loss on equity method End of March 2006 - million yen End of March 2005 15 million yen
2) Interim average number of shares (consolidated) End of March 2006 44,972,761 shares End of March 2005 44,566,892 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	Shareholders' capital	Shareholders' capital rate	Shareholders' capital per share
	Million yen	Million yen	%	Yen Sen
Period ending March 2006	130,362	47,402	36.4	1,054.55
Period ending March 2005	136,540	46,115	33.8	1,024.98

Note: Issued number of shares at the end of period (consolidated) End of March 2006 44,950,183 shares
End of March 2005 44,990,535 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 2006	1,072	1,824	-2,539	23,139
Period ending March 2005	-8,744	4,921	406	22,712

(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: None

(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 2007 (From April 1, 2006 to March 31, 2007)

	Sales amount	Ordinary profit	Current net profit
	Million yen	Million yen	Million yen
Interim	62,000	-1,080	-740
Total period	145,000	1,450	780

(Reference) ① Estimated current net profit per share (for total period) 17.35 yen
② Estimated amount of work order received (interim) 67,000 million yen
③ Estimated amount of work order received (full year) 145,000 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 on page 5.

1. Situation of the Corporate Group

Our corporate group consists of the Company, 11 consolidated subsidiaries, and 1 non-consolidated subsidiary, 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

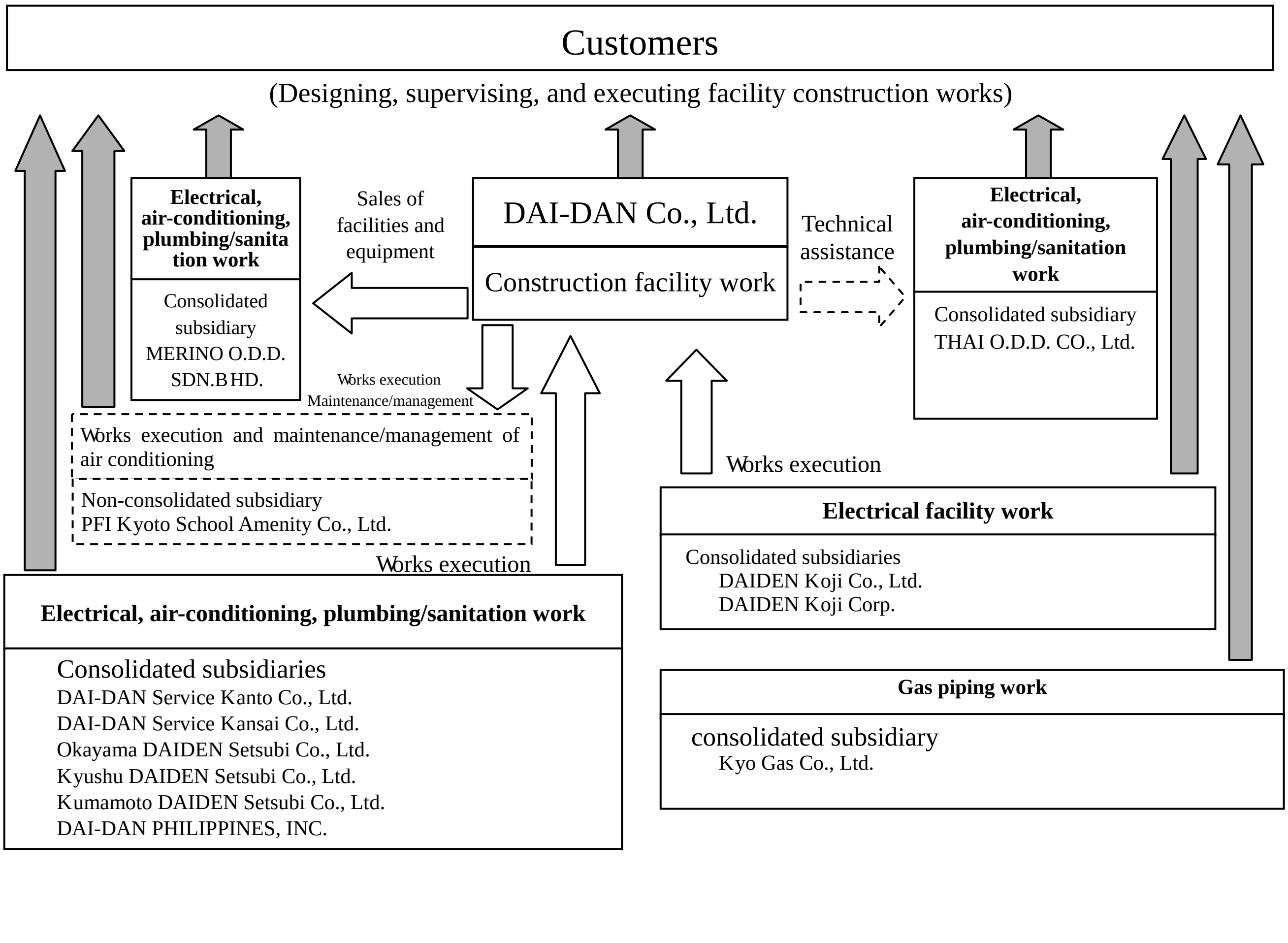
Electrical, air-conditioning, and plumbing/sanitation work

Part of the work of orders received by us is relegated to DAI-DAN Service Kanto Co., Ltd., DAI-DAN Service Kansai Co., Ltd., DAIDEN Koji Co., Ltd., DAIDEN Koji Corp., 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.

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 AND ISSUES TO ADDRESS

In accordance with the medium-term management plan , which was completed in March 2006, we took a variety of measures below in order to secure earnings contributing to continuous development of the Company through the effective use of management resources.

We stepped up proposal-oriented marketing operations through making use of technologies owned by the Company to find new customers and further strengthen our ties with existing customers, thus challenging the expansion of business. Above all, we focused on marketing operations to secure orders for renewal works through capitalizing on our total facility engineering technologies for electrical, air conditioning, and plumbing/sanitation works and others. Furthermore, we are stepping up efforts to expand business in plant projects and others with recent increases in private capital investments.

As to challenges to environmental issues, we not only worked toward providing technologies developed with consideration given to reduction in environmental burdens such as resource saving and energy saving, recycling resources, cutting in construction wastes, and others, but also upgraded our ESCO business that capitalized on our strengths as a total facility work contractor to push ahead with energy saving proposals.

Furthermore, as part of the enhancing scheme of our construction management system, we introduced the Occupational Health and Safety Management System for Construction Industry in April 2005. Through the introduction of this System, we made the safety awareness more thoroughly known to everyone involved in the construction and, at the same time, achieved ensuring quality and cost cutting, thus working toward enhancing customer satisfaction as well as strengthening competitiveness.

It is regretted, however, that we could not accomplish our goal due to changes in environments surrounding the Company at a greater-than-expected level, such as scaled-back public work projects and intensified price-cutting competition.

Based on these circumstances, we develop a new medium-term management plan for the 80th Term ending in March 2009 to rebuild the “DAI-DAN with Proud Technologies” through not only carrying on the measures that have ever been implemented but also invigorating and upskilling human resources that are the greatest management resource, thus aiming at securing earnings that enable continued development of the Company and also establishing a structural basis for future growth.

In addition, we work for making the compliance known to all directors and staff of our Group and fulfilling our social responsibilities.

Furthermore, we set the shareholder’s share operating income margin as our target management benchmark.

3. Management Record and Financial Standing

(1) Management record

During the current term, economy in our country remained on an upturn regardless of the presence of causes for concerns such as steep rises of crude oil and raw material prices, as corporate earnings turned up through resting on the rise in stock markets and steady export.

In the construction industry, however, even though private capital investment was strong, public investment remained on the substantial decline. Furthermore, due to intensified price-cutting competition, the construction business continued to be in a severe situation.

Under these circumstances, our corporate group made maximum concerted efforts to secure orders and profits. As a result, the consolidated record for the current term was shown below.

The consolidated amount of work orders received of our corporate group declined 1.0% (dropped by 1,524 million yen) compared with the previous consolidated accounting year to 149,957 million yen. The amount of work completed declined 2.8% (dropped by 4,315 million yen) compared with the previous consolidated accounting year to 151,859 million yen.

As for the profits, the operating profit declined 2,583 million yen compared with the previous consolidated accounting year to minus 1,192 million yen and the ordinary profit declined 2,125 million yen compared with the previous consolidated accounting year to minus 713 million yen. As a result, the net profit for the current term declined 1,577 million yen compared with the previous consolidated accounting year to minus 810 million yen.

(2) Financial standing

Status of cash flow

Cash and cash equivalent for the end of current consolidated accounting year (hereinafter referred to as “the fund”) increased 426 million yen compared with the end of previous consolidated accounting year to 23,139 million yen.

(Cash flow from sales activities)

Cash flow relating to sales activities for the current consolidated accounting year increased 1,072 million yen thanks to improvement in the collection of accounts receivable, which increased 9,817 million yen on balance, compared with the decline of 8,744 million yen in fund for the previous consolidated accounting year.

(Cash flow from investing activities)

Cash flow relating to investing activities for the current consolidated accounting year increased 1,824 million yen in fund thanks to revenues through the sell-off of fixed assets and others, which declined 3,096 million yen on balance, compared with the increase of 4,921 million yen in fund for the previous consolidated accounting year.

(Cash flow from financing activities)

Cash flow relating to financing activities for the current consolidated accounting year declined 2,539 million yen in fund due to the paid amount of dividends and aggressive repayment of loans, which declined 2,946 million yen on balance, compared with the increase of 406 million yen in fund for the previous consolidated accounting year.

Trend of cash flow index group

	Period ending March 2002	Period ending March 2003	Period ending March 2004	Period ending March 2005	Period ending March 2006
Shareholders’ equity ratio	30.1%	31.8%	35.2%	33.8%	36.4%
Shareholders’ equity ratio at market value	13.5%	14.2%	21.6%	26.3%	30.1%
Number of debt redemption years	-	2.0 years	-	–	9.9 years
Interest coverage ratio	-	27.1 times	-	–	5.5 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 after reduction of 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 show steady transition with increasing corporate earnings, but the economy will continue to be in a severe situation due to intensified price-cutting competition.

Regarding the outlook for the next term of our corporate group, we expect the consolidated amount of work orders received of 145,000 million yen, completed work of 145,000 million yen, ordinary profits of 1,450 million yen, and current net profit of 780 million yen.

(4) Business risk, etc.

The following section describes risks that may have significant influence on 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) Seasonal variation of performance
Our corporate group completes works with many concentrated in the second half of the accounting year, while the selling expenses and general administrative expenses are almost evenly spent in the first and second halves of the accounting year. Consequently, the group performance for the first half has a tendency to result in operating loss.

2) Uncollectible accounts receivable
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) Steep rises of prices of materials and supplies
If it is hard to pass steeply risen prices of equipment and materials on to contract amounts, these prices can have influence on our corporate group performance.

4) Occurrence of loss-making work
If any loss-making work occurs due to an unexpected increase of construction cost or else arising in the course of construction, it can have influence on our corporate group performance.

5) Decline in values of owned assets due to their declined market prices
For immovable properties or securities owned by the Company, if they should be treated as shrinkage loss due to decline in their market prices, that can have influence on our corporate group performance.

6) 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.

7) 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, unexpected legislative modifications/amendments, worsening of market conditions, or exchange rate fluctuations.

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, 2006)		End of the previous consolidated accounting year (As of March 31, 2005)		Difference
	Amount	Component ratio	Amount	Component ratio	
(Assets)		%		%	
Current assets					
Cash on hand and in banks	23,166		22,739		426
Note receivables, completed work accounts receivables	54,873		58,646		-3,772
Securities	200		100		100
Incomplete work expenditures	22,360		25,319		-2959
Deferred tax reserves	1,619		915		704
Others	5,032		7,294		-2,262
Allowance for bad debts	-188		-251		63
Total current assets	107,064	82.1	114,764	84.1	-7,700
Fixed assets					
Tangible fixed assets					
Buildings and structures	2,352		2,876		-524
Machinery and equipment, and transportation equipment	26		42		-16
Tools and facilities	182		146		35
Land	1,140		1,920		-780
Total tangible fixed assets	3,700		4,986		-1,286
Intangible fixed assets					
Consolidated adjustment account	2		3		-1
Others	652		856		-203
Total intangible fixed assets	655		860		-205
Investments and other assets					
Investment securities	16,371		11,407		4,963
Long-term loans receivables	191		129		61
Deferred tax reserves	-		1,572		-1,572
Others	2,948		3,664		-715
Allowance for bad debts	-568		-845		276
Total investments and other assets	18,942		15,928		3,013
Total fixed assets	23,297	17.9	21,776	15.9	1,521
Total assets	130,362	100.0	136,540	100.0	-6,178

(in millions of yen)

By period / Accounts	End of the current consolidated accounting year (As of March 31, 2006)		End of the previous consolidated accounting year (As of March 31, 2005)		Difference
	Amount	Component ratio	Amount	Component ratio	
(Liabilities)		%		%	
Current liabilities					
Notes payable, work accounts payable	49,353		56,525		-7,172
Short-term loans payable	7,721		8,496		-775
Corporate taxes, etc. payable	145		915		-769
Incomplete work accounts received	12,322		12,316		5
Completed work compensation reserves	92		76		15
Work loss reserves	1,573		592		981
Others	5,748		4,427		1,321
Total current liabilities	76,956	59.0	83,350	61.0	-6,393
Fixed liabilities					
Long-term loans payable	2,253		3,264		-1,010
Reserves for retirement benefits	2,360		3,216		-855
Reserves for directors' retirement benefits	532		470		61
Deferred tax liability	687		-		687
Others	10		3		6
Total fixed liabilities	5,843	4.5	6,954	5.1	-1,110
Total liabilities	82,800	63.5	90,305	66.1	-7,504
(Minority interest equity)					
Minority interest equity	158	0.1	119	0.1	39
(Shareholders' equity)					
Capital stock	4,479	3.4	4,479	3.3	–
Capital surplus	4,782	3.7	4,782	3.5	0
Retained earnings	33,581	25.8	35,112	25.7	-1,531
Evaluation difference of other securities	5,093	3.9	2,264	1.7	2,829
Currency translation adjustment account	-23	-0.0	-44	-0.0	20
Treasury stock	-511	-0.4	-478	-0.4	-32
Total capital	47,402	36.4	46,115	33.8	1,286
Total liabilities, minority interest equity and shareholders' equity	130,362	100.0	136,540	100.0	-6,178

(2) CONSOLIDATED PROFIT AND LOSS STATEMENT

(in millions of yen)

Accounts / By period	Current consolidated accounting year (From April 1, 2005 to March 31, 2006)		Previous consolidated accounting year (From April 1, 2004 to March 31,2005)		Difference
	Amount	Percentage	Amount	Percentage	
		%		%	
Completed work amount	151,859	100.0	156,175	100.0	-4,315
Completed work cost	143,639	94.6	144,316	92.4	-676
Completed work gross profit	8,220	5.4	11,859	7.6	-3,639
Selling expenses and general administrative expenses	9,412	6.2	10,468	6.7	-1,056
Operating profit or Operating loss (–)	-1,192	-0.8	1,391	0.9	-2,583
Non-operating revenue	(707)	0.5	(285)	0.2	(421)
Interests received	16		15		1
Dividends received	109		120		-10
Insurance claim received	254		-		254
Gain on foreign exchange	298		73		224
Consolidated adjustment account depreciation	-		2		-2
Investment profit by equity method	-		15		-15
Others	28		58		-29
Non-operating expenses	(229)	0.2	(264)	0.2	(-35)
Interest payable	195		229		-33
Payment guarantee charge	23		25		-2
Others	9		10		-0
Ordinary profit or Ordinary loss (–)	-713	-0.5	1,412	0.9	-2,125
Special profits	(944)	0.6	(995)	0.6	(-50)
Profit on sales of fixed assets	647		324		323
Profit on sales of investments in securities	261		671		-409
Profit gained by returning allowance for bad debts	35		-		35
Special losses	(1,231)	0.8	(401)	0.2	(830)
Loss on sales of fixed assets	247		134		113
Loss on retirement of fixed assets	43		118		-74
Loss on sales of investments in securities	0		2		-2
Evaluation loss on investments in securities	139		8		130
Evaluation loss on golf club membership rights., etc.	-		109		-109
Shrinkage loss	135		-		135
Special loss on overseas work	658		-		658
Others	8		28		-19
Current net profit before tax adjustments, etc. or Current net loss before tax adjustments, etc. (–)	-1,000	-0.7	2,006	1.3	-3,006
Corporate tax, residence tax and business tax	176	0.1	981	0.6	-804
Adjustment amounts such as for corporate taxes	-410	-0.3	227	0.2	-638
Profit of minority interests	43	0.0	30	0.0	12
Current net profit or Current net loss (–)	-810	-0.5	766	0.5	-1,577

(3) STATEMENT OF CONSOLIDATED SURPLUS

(in millions of yen)

Accounts / By period	Current consolidated accounting year (From April 1,2005 to March 31,2006) Amount		Previous consolidated accounting year (From April 1, 2004 to March 31,2005) Amount	
(Capital surplus)				
Capital surplus balance at the beginning of the period		4,782		4,716
Increase in capital surplus balance				
Gain on disposal of treasury stock	0	0	66	66
Capital surplus balance at the end of the term		4,782		4,782
(Retained earnings)				
Retained earnings balance at the beginning of the period		35,112		35,056
Retained earnings increased amount				
Net profit for the current term	-	-	766	766
Retained earnings decreased amount				
Shareholders' dividends	719		709	
Directors' bonuses	1		1	
Current net loss	810	1,531	-	710
Retained earnings balance at the end of the term		33,581		35,112

(4) Statement of consolidated cash flow

(in millions of yen)

Accounts / By period	Current consolidated accounting year (From April 1, 2005 to March 31, 2006) Amount	Previous consolidated accounting year (From April 1, 2004 to March 31, 2005) Amount
I. Cash flow on sales activities		
Current net profit before tax adjustments, etc. or Current net loss before tax adjustments, etc. (−)	-1,000	2,006
Depreciation expenses	377	392
Consolidated adjustment account depreciation amount	1	-2
Increased or decreased amount of allowance for bad debts	-148	-778
Increased or decreased amount of reserves for retirement benefits and reserves for directors' retirement benefits	-793	-170
Earned interest and dividends received	-126	-135
Interest paid	195	229
Investment profit or loss by equity method	-	-15
Shrinkage loss	135	-
Evaluation loss on investments in securities	139	8
Profit or loss on sales of investments in securities	-261	-668
Profit or loss on sales of fixed assets	-400	-189
Loss on retirement of fixed assets	43	118
Increased or decreased amount of sales credits	3,822	-9,998
Increased or decreased amount of incomplete work expenditures	2,957	-4,018
Increased or decreased amount of procurement credits	-7,172	7,194
Increased or decreased amount of incomplete work received amount	5	-1,673
Others	4,290	-434
Sub-total	2,064	-8,136
Received amount of interests and dividends	126	136
Paid interest amount	-196	-222
Paid amount of corporate tax, etc.	-921	-522
Cash flow on sales activities	1,072	-8,744
II. Cash flow on investment activities		
Expenditures by depositing of time deposits	-0	-0
Revenue by pay back of time deposits	-	10
Expenditures by acquiring of securities	-200	-99
Revenue by sales of securities	99	99
Expenditures by acquiring of beneficial interest in trust	-	-534
Revenue by redemption of beneficial interest in trust	-	3,196
Expenditures by acquiring of tangible fixed assets	-413	-27
Revenue by sales of tangible fixed assets	1,796	544
Expenditures by acquiring of investment securities	-746	-246
Revenue by sales of investment securities	701	1,677
Expenditures by loans	-115	-40
Revenue by recovery of loans	56	67
Expenditures by acquiring of other fixed assets	-257	-187
Revenue by sales of other fixed assets	902	461
Cash flow on investment activities	1,824	4,921
III. Cash flow on financial activities		
Revenue by short-term loans	20,313	29,070
Expenditures by return of short-term loans	-20,626	-28,280
Revenue by long-term loans	1,962	4,100
Expenditures by return of long-term loans	-3,434	-4,286
Expenditures by acquiring of treasury stock	-34	-37
Revenue by sales of treasury stock	1	550
Paid amount of dividends	-719	-709
Paid dividend to minority interests	-2	-0
Cash flow on financial activities	-2,539	406
IV. Translation difference relating to cash and cash equivalents	69	11
V. Increased or decreased amount of cash and cash equivalents	426	-3,405
VI. Balance of cash and cash equivalents at the beginning of period	22,712	26,118
VII. Balance of cash and cash equivalents at the end of period	23,139	22,712

BASIC IMPORTANT ITEMS FOR PRODUCING CONSOLIDATED FINANCIAL STATEMENTS

1. ITEMS RELATING TO SCOPE OF CONSOLIDATION

(1) Eleven (11) subsidiaries are included in the consolidated financial statements.
Names of major consolidated subsidiary companies
Since the names are described in "Section 1. Situation of the Corporate Group", the description is omitted.

(2) Number of non-consolidated subsidiaries: One (1)
The name of the non-consolidated subsidiary is described below.
PFI Kyoto School Amenity Co., Ltd.

(3) Reason to exclude the non-consolidated subsidiary from the scope of consolidated accounting
The total assets, completed work amount, current net profit/loss (worth the amount of the equity method), earned surplus (worth the amount of the equity method), and others all have no significant influence on the consolidated financial statements so that the company aforementioned is excluded from the scope of consolidation.

2. ITEMS RELATING TO APPLICATION OF THE EQUITY METHOD

(1) We have no non-consolidated subsidiaries or affiliates to which the equity method was applied.

(2) The following section shows non-consolidated subsidiaries or affiliates to which the equity method is not applied.
PFI Kyoto School Amenity Co., Ltd.

(3) Reason not to apply the equity method
Since the company aforementioned has minor influence on the current net profit/loss, earned surplus, and others and further is of no importance in terms of the overall performance, it is excluded from the scope of application of the equity method.

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 and others 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	Lower-of-cost market method based on the moving average method

(2) Depreciation 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.

4) Reserves for retirement benefits
In order to prepare for the payment of retirement benefits of employees, 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.
Furthermore, as of April 1, 2006, the Company shifted to the defined contribution pension system based on the Defined-contribution Pension Law for part of the future service portion of the termination allowance plan and applied the "Accounting concerning shifts between retirement benefit schemes" (No. 1 of Corporate accounting standards).

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 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: Preferential treatment has been adopted.

2) Hedging means and targets
• Hedging means: Interest swap transactions
• Hedging items: Interest expenses for long-term loans

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, we do not hold derivatives for speculation purpose.

4) Evaluation method of hedging availability
Since the preferential treatment for interest swap transactions is adopted, the reference relating to the evaluation of hedging availability is omitted

(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 and to return it at the time of collection. Furthermore, our overseas consolidated-subsidiaries record the completed works amount on the work progressing basis.

Unearned profit returned amount	35 million yen
Unearned profit deducted amount	48 million yen
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 AND OTHERS

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 accounting)

Accounting standards relating to the shrinkage loss of fixed assets

Since the current consolidated accounting year, we have applied the "Accounting standards relating to the shrinkage loss of fixed assets" ("Statement of position regarding the establishment accounting standards relating to the shrinkage loss of fixed assets" (published on August 9, 2002 by the Business Accounting Council)) and the "Application Guideline for accounting standards relating to the shrinkage loss of fixed assets" (Business Accounting Standards Application Guideline No. 6 published on October 31, 2003 by the Business Accounting Standards Committee).

These changes resulted in an increase of 135 million yen in the current net loss before tax adjustments, etc. Furthermore, the accumulated shrinkage loss was directly deducted from the amount of each asset under the amended regulations concerning consolidated financial statements.

(Changes in indication method)

Relating to consolidated profit and loss

Since the "insurance claim received" of non-operating revenues increased monetary significance for the current consolidated accounting year, it is separately recorded.

Furthermore, the "insurance claim received (1 million yen)" for the previous consolidated accounting year was 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		3,561	4,813
2. Amount of transfer of endorsed notes receivable		28	18
3. Issued number of stocks	（Common stocks）	45,963,803 shares	45,963,803 shares
4. Number of treasury stocks Number of treasury stocks owned by the consolidated subsidiaries	（Common stocks）	1,013,620 shares	973,268 shares
5. Shares of non-consolidated subsidiaries, etc.			
Investments securities		17	–
6. Pledged assets and secured liabilities			
(1) Assets given as security			
Time deposit		27	27
Investment securities		603	1,007
(2) Liabilities for the above			
Work payable		-	245
Long-term loans expecting to return within 1 year.		339	361
Long-term loans		140	379
Liabilities of investing companies (Amount equivalent to investment ratio of our company)		15,462 (536)	676 (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	2,956	3,464
Reserves for retirement benefits	233	434
Amount transferred from reserves for directors' retirement benefits	79	79
Amount of computers	1,136	1,206
Communication and transportation expenses	881	916
Amount transferred from allowance for bad debts	-	35
Depreciation expenses	373	377
2. Total expenditures for research and development	465	419
(Breakdown)		
Selling costs and general administrative costs	465	419
3. Amounts transferred from allowance for bad debts, included in evaluation loss on golf club membership rights, etc.	-	67

4. Shrinkage loss

For the current consolidated accounting year, our corporate group recorded shrinkage loss for the asset group listed in the table below.

Application	Category	Location	Shrinkage loss
Idle assets	Land and building	Tokorozawa City, Saitama Pref.	48 million yen
	Land and building	Ichikawa City, Chiba Pref.	21
	Land and building	Kashiwa City, Chiba Pref.	14
	Land and building, etc.	Others	50
Total			135 million yen

Our corporate group conducts asset grouping based on whether or not it generates approximately independent revenues. Business assets are grouped in units of business establishment by region in terms of management accounting being used to keep track of the balance of these assets. Leased assets and idle assets are grouped by individual object.

Due to falling land prices or else, we reduced the book values to the recoverable values and recorded the decrease concerned as shrinkage loss (of 135 million yen) in the special losses. The shrinkage loss includes 69 million yen for land, 65 million yen for building, and 0 million yen for others.

Furthermore, we measured the recoverable values of the asset groups using the net amount of assets sold and evaluated them according to the amount evaluated by real-estate appraisal.

5. Special loss on overseas work

A large-scaled overseas work caused a substantial extension of construction work due to external factors, and it turned out that we would have no chance to recover additional costs resulting from the said extension, which led to loss amounting to 658 million yen. Consequently, we recorded it as special loss.

[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	23,166	22,739
Securities account	200	100
Total	23,366	22,840
Time deposits with time period more than 3 months	-27	-27
Securities other than add-on type bond investment trusts	-200	-100
Cash and cash equivalent objects	23,139	22,712

[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, 2006)

(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	200	0
Total	200	200	0

2. Other securities with market value (March 31, 2006)

(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	4,074	12,749	8,674
Bonds			
Corporate bonds	2	4	1
Sub-total	4,077	12,753	8,676
(Those whose amount in consolidated balance sheet is not above the acquisition cost)			
Stocks	834	792	-42
Total	4,912	13,545	8,633

3. Other securities sold for the current consolidated accounting year
(From April 1, 2005 to March31, 2006)

(in millions of yen)

Sale value	Total of sale profit	Total of sale loss
339	**261**	**0**

4. Contents of securities with no valuation at the market value and amount in the consolidated balance sheet

(March 31, 2006)

(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) 2,707 million yen

(Note) For the other securities with no valuation at the market price, 139 million yen was treated as shrinkage loss.

5. Estimated amount of redemption for other securities with maturity and held-to-maturity
(March 31, 2006)

(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	200	100	-	-
(Other Securities)				
Bonds				
Corporate bonds	2	-	-	-
Total	203	100	-	-

(Previous 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
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

(Note) For the other securities with no valuation at the market price, 8 million yen was treated as shrinkage loss.

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	–	–

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	-14,588	-15,787
b. Pension fund	17,989	13,485
c. Unreserved retirement benefits liabilities (a + b)	3,400	-2,302
d. Unrecognized differences on mathematical calculation	-3,018	1,683
e. Net amount in consolidated balance sheet (c + d)	382	-618
f. Prepaid pension costs	2,743	2,597
g. Reverses for retirement benefits (e - f) (Note)	-2,360	-3,216

Notes: 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)	486	494
b. Interest costs	309	308
c. Expected operational profits	-260	-241
d. Processed amount of differences on actuarial calculation	258	217
e. Processed amount of past service liabilities (Note 2)	-755	–
f. Retirement benefits (a+ b+ c+ d+ e)	38	779
Total	38	779

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 current consolidated accounting year, the past service liabilities (deduction in amount of liabilities) were incurred. However, we batch processed them in the current 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	3,179	Surplus of transferred reserves for retirement benefits	3,447
Work loss reserves	645	Repudiated evaluation loss on real estate	1,131
Reserve for bonuses	257	Work loss reserves	242
Repudiated reserves for directors' retirement allowance	218	Reserve for bonuses	377
Repudiated evaluation loss on golf club membership rights, etc.	64	Repudiated reserves for directors' retirement allowance	192
Amount of loss carried forward	1,829	Repudiated evaluation loss on golf club membership rights, etc.	55
Others	282	Others	613
Deferred tax asset sub-total	6,477	Deferred tax asset sub-total	6,060
Amount of valuation reserves	-198	Amount of valuation reserves	-147
Deferred tax asset total	6,279	Deferred tax asset total	5,913
Deferred tax liability		**Deferred tax liability**	
Profits from retirement benefits in trust	-1,656	Profits from retirement benefits in trust	-1,656
Entertainment expenses included in incomplete work expenditures	-37	Entertainment expenses included in incomplete work expenditures	-65
Evaluation difference of securities	-3,539	Evaluation difference of securities	-1,573
Reserve from fixed asset reduction	-61	Reserve from fixed asset reduction	-63
Others	-51	Others	-65
Deferred tax liability total	-5,347	Deferred tax liability total	-3,425
Deferred tax asset net amount	932	Deferred tax asset net amount	2,488

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	
Since the current net loss is recorded, the description relating to the breakdown is omitted.	Statutory effective tax rate	41.0%
	(Adjustment)	
	Items not included in deductible expenses permanently, such as entertainment and social expenses, etc.	18.5
	Items not included in gross revenue permanently, such as dividends received, etc.	-1.8
	Taxation per capita basis for inhabitant tax	4.1
	Amount of adjustment of taxable income not applicable to tax effect	-1.8
	Others	1.0
	Burden rate of corporate taxes, etc. after application of tax effect accounting	61.0

9. Segment Information

1. Segment information by type of business
   The current consolidated accounting year (April 1, 2005 to March 31, 2006) and
   the previous consolidated accounting year (April 1, 2004 to March 31, 2005)

   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, 2005 to March 31, 2006) and
   the previous consolidated accounting year (April 1, 2004 to March 31, 2005)

   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, 2005 to March 31, 2006) and
   the previous consolidated accounting year (April 1, 2004 to March 31, 2005)

   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