

Brief report on the mid-term Financial Statements for the period ending March 2003 (consolidated)

Nov. 21, 2002

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

Listed Stock Exchanges: Tokyo and Osaka

Code No.: 1980

Location of Head Office: Osaka Prefecture

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

Representative of Company: Hiroshi KIKUCHI, Representative Director & President

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Date of Directors' meeting on mid-term closing of accounts: Nov. 21, 2002

Adoption of American Accounting Standards: No

1. Consolidated performance for the mid-term period ended Sept. 2002 (From April 1, 2002 to Sept. 30, 2002)

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

	Sales amount		Operating profit		Ordinary profit	
	in millions of yen	in percentage	in millions of yen	in percentage	in millions of yen	in percentage
Mid-term period ended Sept. 2002	50,590	-15.4	-2,538	—	-2,719	—
Mid-term period ended Sept. 2001	59,769	-8.7	-2,019	—	-2,071	—
Period ended March 2002	166,904		1,679		1,803	

	Current net profit (mid-term)		Current net earnings per share (mid-term)	Current net earning per share after making potential share adjustments (mid-term)
	in millions of yen	in percentage		
Mid-term period ended Sept. 2002	-1,895	—	-41.29	—
Mid-term period ended Sept. 2001	-1,600	—	-34.84	—
Period ended March 2002	-1,455		-31.69	—

Note: ①Investment profit or loss on equity method

Mid-term period ended September 2002: 60 million yen,
Mid-term period ended September 2001: 16 million yen,
Period ended March 2002: 0 million yen
Mid-term period ended September 2002: 45,906,628 shares
Mid-term period ended September 2001: 45,928,093 shares
Period ended March 2002: 45,923,188 shares

②Interim average number of shares (consolidated)

③Changes in accounting procedures: none

④Percentage indications of sales amount, operating profit, ordinary profit, and mid-term (current) net profit show increase or decrease compared with previous mid-term period.

(2) Consolidated financial condition

	Total assets	Shareholders' capital	Shareholders' capital rate	Shareholders' capital per share
	in millions of yen	in millions of yen	in percentage	in yen and sen
Mid-term period ended Sept. 2002	141,334	41,904	29.6	913.07
Mid-term period ended Sept. 2001	138,741	44,331	31.9	965.19
Period ended March 2002	147,454	44,422	30.1	967.50

Note: Issued number of shares at the end of period (consolidated) Mid-term period ended September 2002: 45,894,559 shares
Mid-term period ended September 2001: 45,930,461 shares
Period ended March 2002: 45,914,005 shares

(3) Consolidated cash flow condition

	Cash flow on sales activities	Cash flow on investment activities	Cash flow on financial activities	Period end balance of cash and equivalent items
	in millions of yen	in millions of yen	in millions of yen	in millions of yen
Mid-term period ended Sept. 2002	-890	-1,560	-746	25,754
Mid-term period ended Sept. 2001	-4,472	279	-1,030	27,867
Period ended March 2002	-499	213	-3,814	29,004

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

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

Number of affiliated companies with equity method applied: 1

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

Consolidated(new): none, (Excluded): none, Equity method(new): none, (Excluded): none

2. Estimate of consolidated performance of period ending March 2003 (From April 1, 2002 to March 31, 2003)

	Sales amount	Ordinary profit	Current net profit
	in millions of yen	in millions of yen	in millions of yen
Full Year	160,000	1,800	1,150

(Reference) Estimated current net profit per share (for full-year term): 25 yen and 06 sen

*The estimate of consolidated performance was produced in accordance with data available as of the date of the announcement.

Thus, actual performance figures may differ from the above estimated figures in accordance with a variety of factors ahead.

As for any items related to the above estimate of consolidated performance, please refer to information at page 5 of attached data.

1. Situation of the Corporate Group

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

(1) Position of our group relating to business

Facility job work

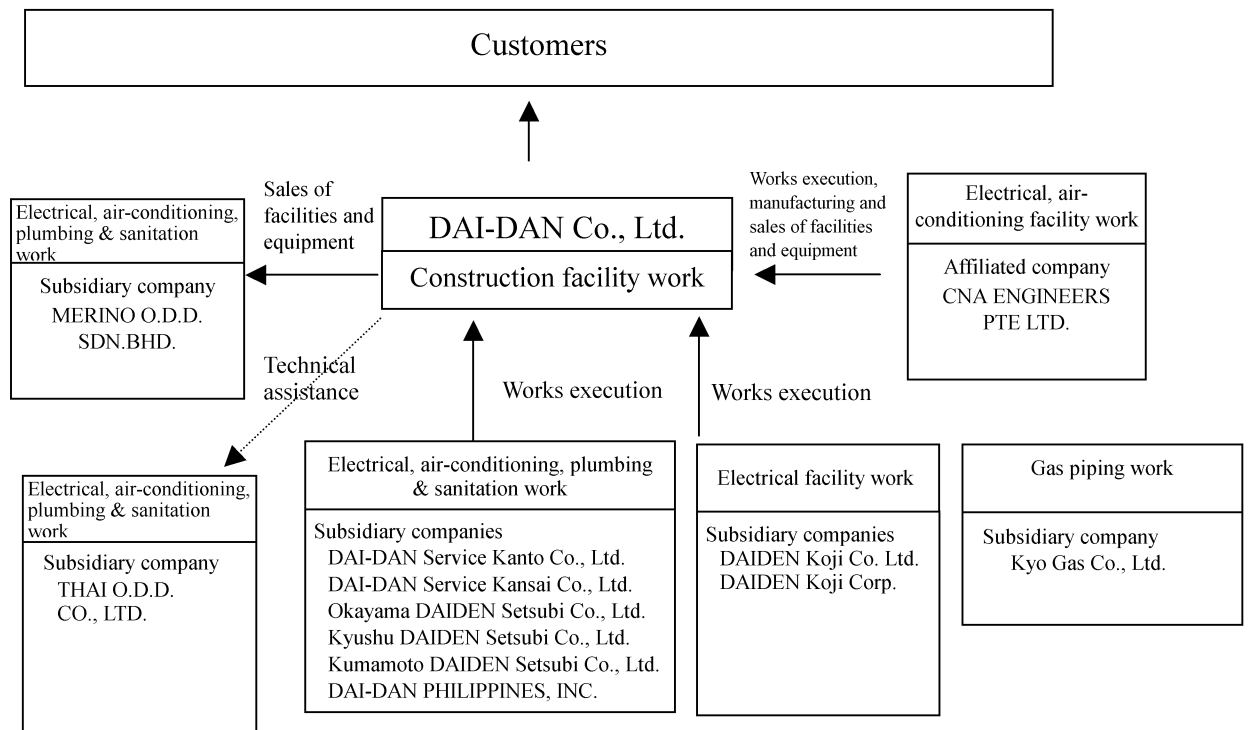
Electrical, air-conditioning, and plumbing/sanitation work

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

Gas piping work

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

(2) Systematic chart of business



2. Management Policies

(1) Basic policy on management

Our company, as a general facility job company, enforces a basic management policy of providing a safe, usable, and high-quality environment with “Technology responding to customer confidence and satisfaction” and “Technology contributing to environmental friendliness”, thus leading to our philanthropy.

With such a management policy, based on designing and execution of electrical, air-conditioning, plumbing/sanitation work and others, in order to respond sensitively to changes in the industrial structure and customer needs, the company boldly challenges to develop new technologies that create new businesses toward a vigorous company.

As a management index, we aim for the Return on Equity of 5% or more.

(2) Basic policy on distribution of profits

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

(3) Corporate governance

In order to respond immediately to drastic changes in the management environment, our management council has been set up to study right countermeasures against important management issues with expedition, and to make decisions on the management policies and measures by adopting opinions that are given from inside and outside the company and also on the basis of opinions from a committee of young leaders toward a promising future. At the same time, proposals are made to the board of directors, thereby aiming to invigorate the board of directors.

The auditors hold their meeting before the meeting of the board of directors is held, and confirm the items to be discussed by the board of directors and fully report the opinions of the auditors’ meeting to the board of directors. This has become an established practice.

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

(4) Management strategy for the medium and long term

Regarding the medium-term management campaign “Challenge NEW DAI-DAN 100”, which has been carried out since April 2000, we review the progress of the campaign every year in order to respond to changes in the management environment, and push ahead with concrete measures as detailed below.

1) Sales aspects

Regarding energy-saving technologies typified by co-generation system, open network technologies typified by LONWORKS, and clean technologies typified by electronic device industry and biotechnology industry, we are taking those technologies as our core fields to continuously make positive sales promotion through every organization, from planning to execution and maintenance. Furthermore, we place the fields of pharmaceutical, food, and IT-related industries in addition to medical industry of our expertise as core markets with every organization from planning to execution and maintenance in view, thus developing proposal-oriented sales activities with development of new technologies and improvement of existing technologies.

In addition, we are strongly pushing ahead with boost in sales of renewal work with giving our extensive accomplishment over the years full play and making good use of the energy-saving technologies, thus branching out into the ESCO Project as part of the renewal work.

2) Development technology aspects

We are pushing ahead with the research and development of new technologies by accurately getting a grip on changes in the state of society to meet the growing needs of the market.

Furthermore, we are holding our course to make efforts on not only research and development but also improvement of the existing development system and products to ensure the work execution quality and enhance the working efficiency.

3) Work execution technology aspects

We continuously supply facilities with not only high quality but also high cost performance by fully utilizing our work execution technology that we have accumulated over a hundred years.

In addition, we are strengthening our supervising department for the work execution technologies and, at the same time, stepping up the system supporting the execution site, thus forging ahead with supply of construction facilities responding to customer needs with taking quality, safety, and environmental conservation as a significant challenge.

4) Information technology (IT) aspects

We are further proceeding with the restructuring of company-wide information system purporting to stock information between departments for more efficient and speedy operation, towards its complete operation in April 2003. Part of the company-wide information system is already in operation.

5) ISO

We acquired the ISO14001 certification for the entire company en bloc in February 2002. As for the certified “ISO 9000 Series”, we are taking steps to comply with its revision of the year 2000. About a half of our divisions will complete the compliance with the revision in this fiscal year, while all the divisions will do so in the next fiscal year.

6) Personnel affairs aspects

We are making efforts to establish a pay-for-performance program using “New Target Management Evaluation” and let the “Competency Evaluation System” take root in the company, thus pushing ahead with the best possible use of human resources and invigoration of the company organization. Furthermore, on the enforcement of Fixed-benefit Corporate Pension Act, we are under review to reform our pension plan and retirement benefit plan, in view of giving back an alternative payer for employee pension fund.

With positive execution of a variety of measures mentioned above, our entire company will make a concerted effort to improve the corporate performance towards March 2003 when the company celebrates its hundredth anniversary.

3. Management Record and Financial Standing

(1) Outline of the current mid-term period

As for the economy of Japan through the current mid-term period, even though part of export-related companies showed a pickup sign at the beginning of the term, due to accelerating deflation and falling stock prices, no signs of improving the employment and earnings pictures were shown. Furthermore, guarding against the slackening U.S. economy caused sluggish domestic demand and personal consumption stayed at its low level due to lingering depression, thus still putting us in a long way from making a recovery in the economy.

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

In the above economic climate, our corporate group steadily implemented the mid-term management plan as mentioned above. However, the consolidated amount of work orders received declined 0.0% on the previous mid-term period to 66,885 million yen. The consolidated amount of work completed declined 15.4% on the previous mid-term period to 50,590 million yen.

As for the profits, since the works were completed with a concentration in the latter half of the period, operating loss totaled 2,538 million yen (2,019 million yen for the previous mid-term period), and ordinary loss totaled 2,719 million yen (2,071 million yen for the previous mid-term period). As a result, the net loss for the mid-term period totaled 1,895 million yen (1,600 million yen for the previous mid-term period).

(2) Financial standing

Cash and cash equivalent for the current mid-term period (hereinafter referred to as “the fund”) declined 3,249 million yen (11.2%) compared with that at the end of previous term to 25,754 million yen.

(Cash flow from operating activities)

Cash flow required for operating activities for the current mid-term period declined 890 million yen in the fund due to the net loss for the mid-term period before taxes, etc. of 2,848 million yen and others, which increased by 3,582 million yen on balance thanks to improvement in cash flow related to construction works, compared with the net loss for the same period a year earlier of 4,472 million yen.

(Cash flow from investing activities)

Cash flow required for investing activities for the current mid-term period declined 1,560 million yen in the fund due to expenditures by acquiring investment securities of 1,557 million yen and others, which declined 1,839 million yen on balance, compared with that for the same period a year earlier of 279 million yen increased.

(Cash flow from financing activities)

Cash flow required for financing activities for the current mid-term period declined 746 million yen in the fund due to paid amount of dividends of 505 million yen, expenditures by return of loans of 230 million yen, and others, which increased by 284 million yen on balance, compared with that for the same period a year earlier of 1,030 million declined.

Regarding stock dividends of our company, we paid an ordinary dividend of 5 yen per stock in the current mid-term period same as in the previous mid-term period based on our basic policy concerning the profit sharing.

(3) Outlook for the full-year period

The nation’s future economic outlook seems to be further unstable due to accelerating disposal of bad loans, flagging stock prices, slackening U.S. economy, and others.

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

In order to cope with future changes in economic conditions, our corporate group will make a concerted effort to secure profits from works and to enhance efficiency of work execution.

In the full-year through March, we expect the consolidated amount of work orders received of 160,000 million yen, completed work of 160,000 million yen, ordinary profits of 1,800 million yen, and current net profit of 1,150 million yen.

Regarding the term-end stock dividends, we will pay an ordinary dividend of 5 yen and a special dividend of 6 yen per stock, a total of 11 yen per stock for the period. Since an ordinary dividend of 5 yen per stock was paid for the mid-term period, the total dividend for the entire period will amount to 16 yen per stock.

4. Mid-term period Consolidated Financial Statements, etc.

(1) Mid-term period consolidated balance sheet

(in millions of yen)

<div style="display: flex; align-items: center;"> <div style="flex: 1; text-align: center;">By period</div> <div style="flex: 1; text-align: center;"> Outstanding at the end of the current mid-term consolidated accounting period (As of Sept. 30, 2002) </div> <div style="flex: 1; text-align: center;"> Outstanding at the end of the previous mid-term consolidated accounting period (As of Sept. 30, 2001) </div> <div style="flex: 1; text-align: center;"> Summary consolidated balance sheet of the previous consolidated fiscal year (As of March 31, 2002) </div> </div>						
	Amount	Component ratio	Amount	Component ratio	Amount	Component ratio
(Assets)		%		%		%
Current assets						
Cash on hand and in banks	23,723		25,598		27,110	
Note receivables, completed work accounts receivables	33,263		40,470		55,009	
Securities	2,178		2,626		2,330	
Incomplete work expenditures	47,804		36,642		30,594	
Others	6,242		6,260		6,318	
Allowance for bad debts	- 523		- 400		- 699	
Total current assets	112,688	79.7	111,196	80.1	120,663	81.8
Fixed assets						
Tangible fixed assets	5,755		5,998		5,834	
Intangible fixed assets	1,059		148		419	
Investments	21,830		21,398		20,537	
Investment securities	10,521		10,713		9,102	
Others	13,033		11,403		13,085	
Allowance for bad debts	- 1,724		- 719		- 1,650	
Total fixed assets	28,645	20.3	27,544	19.9	26,791	18.2
Total assets	141,334	100.0	138,741	100.0	147,454	100.0

(in millions of yen)

<div>By period</div> <div>Accounts</div>	Outstanding at the end of the current mid-term consolidated accounting period (As of Sept. 30, 2002)		Outstanding at the end of the previous mid-term consolidated accounting period (As of Sept. 30, 2001)		Summary consolidated balance sheet of the previous consolidated fiscal year (As of March 31, 2002)	
	Amount	Component ratio	Amount	Component ratio	Amount	Component ratio
(Liabilities)		%		%		%
Current liabilities						
Notes payable, work accounts payable	38,193		42,741		60,398	
Short term loans payable	9,679		11,731		9,486	
Incomplete work accounts received	33,933		22,847		16,577	
Completed work compensation reserves	48		35		34	
Others	6,855		6,171		5,641	
Total current liabilities	88,710	62.8	83,526	60.2	92,137	62.5
Fixed liabilities						
Long-term loans payable	4,401		5,122		4,824	
Reserves for employees' retirement benefits	5,676		5,024		5,284	
Reserves for directors' retirement benefits	379		404		442	
Reserves for liabilities guarantee loss	210		210		210	
Others	24		42		39	
Total Fixed liabilities	10,691	7.6	10,803	7.8	10,801	7.3
Total liabilities	99,402	70.4	94,329	68.0	102,939	69.8
(Minority interest equity)						
Minority interest equity	27	0.0	79	0.1	93	0.1
(Shareholders' equity)						
Capital stock	—	—	4,479	3.2	4,479	3.0
Capital reserves	—	—	4,716	3.4	4,716	3.2
Consolidated surplus reserves	—	—	35,006	25.2	34,922	23.7
Evaluation difference of other securities	—	—	102	0.1	270	0.2
Currency translation adjustments account	—	—	40	0.0	55	0.0
Treasury stock	—	—	- 0	- 0.0	- 7	- 0.0
Stocks of parent company owned by subsidiary companies	—	—	- 14	- 0.0	- 14	- 0.0
Capital stock	4,479	3.2	—	—	—	—
Capital surplus reserves	4,716	3.3	—	—	—	—
Retained earnings	32,517	23.0	—	—	—	—
Evaluation difference of other securities	219	0.1	—	—	—	—
Currency translation adjustment account	- 4	- 0.0	—	—	—	—
Treasury stock	- 22	- 0.0	—	—	—	—
Total Capital	41,904	29.6	44,331	31.9	44,422	30.1
Total liabilities, minority interest equity and shareholders' equity	141,334	100.0	138,741	100.0	147,454	100.0

(2) Mid-term period consolidated profit and loss statement

(in millions of yen)

By period Accounts	The current consolidated accounting mid-term period From April 1, 2002 to Sept. 30, 2002		The previous consolidated accounting mid-term period From April 1, 2001 to Sept. 30, 2001		The previous fiscal year for consolidated accounting From April 1, 2001 to March. 31, 2002	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Completed work amount	50,590	100.0	59,769	100.0	166,904	100.0
Completed work cost	47,231	93.4	56,147	93.9	153,611	92.0
Completed work gross profit	3,358	6.6	3,622	6.1	13,292	8.0
Selling expenses and general administrative expenses	5,896	11.6	5,641	9.5	11,613	7.0
Operating profit (-: Loss)	- 2,538	- 5.0	- 2,019	- 3.4	1,679	1.0
Non-operating revenue	(229)	0.4	(172)	0.3	(472)	0.3
Interests received	19		32		54	
Dividends received	31		37		58	
Rent of real estate	32		32		64	
Insurance claim received	53		40		91	
Consolidated adjustment account depreciation	1		3		6	
Investment profit by equity method	60		16		0	
Others	30		9		199	
Non-operating expenses	(410)	0.8	(224)	0.4	(348)	0.2
Interest payable	134		149		290	
Del credere commission	—		—		40	
Currency translation loss	242		59		—	
Others	32		15		17	
Ordinary profits (-: Loss)	- 2,719	- 5.4	- 2,071	- 3.5	1,803	1.1
Special profits	(7)	0.0	(9)	0.0	(244)	0.1
Profit on sales of fixed assets	—		9		242	
Profit on sales of investments in securities	7		0		1	
Special losses	(136)	0.2	(257)	0.4	(3,644)	2.2
Loss on sales of fixed assets	14		1		8	
Loss on retirement of fixed assets	12		6		14	
Loss on sales of investments in securities	12		—		6	
Evaluation loss on investments in securities	66		112		2,207	
Evaluation loss on golf club membership rights	29		136		334	
Amount transferred from allowance for bad debts	—		—		751	
Others	—		—		321	
Mid-term period (current) net loss before taxes, etc.(-)	- 2,848	- 5.6	- 2,319	- 3.9	-1,596	- 1.0
Corporate tax, residence tax and business tax	116	0.2	104	0.1	235	0.1
Adjustment amounts such as for corporate taxes	- 1,015	- 2.0	- 795	- 1.3	- 362	- 0.2
Loss of minority interests (-)	- 53	- 0.1	- 27	- 0.0	- 14	- 0.0
Mid-term period (Current) net loss (-)	- 1,895	- 3.7	- 1,600	- 2.7	- 1,455	- 0.9

(3) Statement of mid-term period consolidated surplus

(in millions of yen)

<div>By period</div> <div>Accounts</div>	The current mid-term consolidated accounting period From April 1, 2002 to Sept. 30, 2002		The previous mid-term consolidated accounting period From April 1, 2001 to Sept. 30, 2001		The previous consolidated fiscal year From April 1, 2001 to March. 31, 2002	
	Amount		Amount		Amount	
Consolidated surplus balance at the beginning of the period		—		37,113		37,113
Consolidated surplus decreased amount						
Shareholders' dividends	—		505		734	
Directors' bonuses	—		0		0	
(Out of which auditors' portion)	—	—	(0)	505	(0)	735
Mid-term period (Current) net loss		—		1,600		1,455
Consolidated surplus balance at the end of the mid-term period (term end)		—		35,006		34,922
(Capital surplus reserve)						
Capital surplus balance at the beginning of the period						
Capital reserve balance at the beginning of the period		4,716		—		—
Capital surplus balance at the end of the mid-term period		4,716		—		—
(Retained earnings)						
Retained earnings balance at the beginning of the period						
Consolidated surplus balance at the beginning of the period		34,922		—		—
Retained earnings decreased amount						
Shareholders' dividends	505		—		—	
Directors' bonuses	4		—		—	
(Out of which auditors' portion)	(0)		—		—	
Mid-term period net loss	1,895	2,404	—	—	—	—
Retained earnings balance at the end of the mid-term period		32,517		—		—

(4) Statement of mid-term period consolidated cash flows

(in millions of yen)

By period Accounts		The current mid-term consolidated accounting period From April 1, 2002 to Sept. 30, 2002	The previous mid-term consolidated accounting period From April 1, 2001 to Sept. 30, 2001	The previous consolidated fiscal year From April 1, 2001 to March. 31, 2002
		Amount	Amount	Amount
I. Cash flow on sales activities				
Mid-term period (current) net loss before taxes, etc. (-)		- 2,848	- 2,319	- 1,596
Depreciation expenses		87	98	194
Consolidated adjustment account depreciation amount		- 1	- 3	- 6
Increased or decreased amount of allowance for bad debts		- 101	121	1,350
Increased or decreased amount of reserves for employees' retirement benefits and reserves for directors' retirement benefits		328	215	514
Earned interest and dividends received		- 51	- 70	- 112
Interest paid		134	149	290
Investment profit or loss by equity method		- 60	- 16	- 0
Evaluation loss on investments in securities		66	112	2,207
Profit or loss on sales of investments in securities		4	- 0	4
Profit or loss on sales of fixed assets		14	- 7	- 234
Loss on retirement of fixed assets		12	6	14
Evaluation loss on golf club membership rights		—	28	115
Paid amount of directors' bonuses		- 6	- 1	- 1
Increased or decreased amount of sales credits		21,595	25,079	9,745
Increased or decreased amount of incomplete work expenditures		- 17,212	- 8,944	- 2,889
Other increased or decreased amounts of current assets		963	2,627	818
Increased or decreased amount of procurement credits		- 22,204	- 25,171	- 7,515
Increased or decreased amount of incomplete work received amount		17,356	5,036	- 1,233
Other increased or decreased amounts of current liabilities		1,254	- 1,221	- 1,807
Sub-total		- 667	- 4,281	- 141
Received amount of interests and dividends		51	73	116
Paid interest amount		- 128	- 144	- 283
Paid amount of corporate tax, etc.		- 146	- 120	- 191
Cash Flow on Sales Activities		- 890	- 4,472	- 499
II. Cash flow on investment activities				
Expenditures by depositing of time deposits		- 27	- 2	- 179
Revenue by pay back of time deposits		213	—	—
Expenditures by acquiring of securities		- 549	- 49	- 201
Revenue by sales of securities		651	99	149
Expenditures by acquiring of tangible fixed assets		- 33	- 42	- 100
Revenue by sales of tangible fixed assets		4	51	406
Expenditures by acquiring of investment securities		- 1,557	- 225	- 459
Revenue by sales of investment securities		30	0	219
Expenditures by acquiring of stocks of subsidiary companies		- 10	- 5	- 5
Expenditures by loans		- 3	- 10	- 44
Revenue by recovery of loans		8	25	38
Expenditures by acquiring of other fixed assets		- 1,034	- 430	- 702
Revenue by sales of other fixed assets		745	868	1,092
Cash Flow on Investment Activities		- 1,560	279	213
III. Cash flow on financial activities				
Revenue by short term loans		7,840	5,600	11,760
Expenditures by return of short term loans		- 7,240	- 5,798	- 13,808
Revenue by long term loans		2,300	3,180	5,830
Expenditures by return of long term loans		- 3,130	- 3,508	- 6,850
Expenditures by acquiring of treasury stock		- 8	—	- 7
Revenue by sales of treasury stock		—	0	0
Revenue by sales of stocks of parent company owned by subsidiary company		—	1	1

Paid amount of dividends	- 505	- 504	- 738
Paid dividend to minority interests	- 1	- 1	- 1
Cash Flow on Financial Activities	- 746	- 1,030	- 3,814
IV. Translation difference relating to cash and cash equivalents	- 52	24	37
V. Increased or decreased amount of cash and cash equivalents	- 3,249	- 5,200	- 4,063
VI. Balance at the beginning of period of cash and cash equivalents	29,004	33,068	33,068
VII. Balance of cash and cash equivalents at the end of mid-term period (term end)	25,754	27,867	29,004

(5) Basic items for producing mid-term period consolidated financial statements

1. Items relevant to scope of consolidation

All of the 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 relevant to application of the equity method

Number of affiliated companies with equity method applied: 1 company

Company Name:

CNA ENGINEERS PTE LTD.

The account closing date of the above affiliated company is different from that for the mid-term period, but the financial statements for the accounting year of the company concerned are used.

3. Items relevant to mid-term period account closing date 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 mid-term period on June 30.

In order to produce consolidated financial statements for the mid-term period, we use financial statements as of June 30. As for important transactions arising between June 30 and the consolidated account closing date for the mid-term period, we make adjustments required for the consolidated account.

4. Items relevant 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)
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Other securities	
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With market value	Market price method based on the market price as of the mid-term period 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.)
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With no market value	Cost method based on the moving average method
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2) Derivative:	Market price method
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3) Inventories

Incomplete work expenditures	Cost method based on the specific identification method
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Materials and supplies	Cost method based on the moving average method
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(2) Depreciation and amortization method applied to important depreciable assets

Tangible fixed assets

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

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

(3) Recording basis applied to important allowances and reserves

1) Allowance for bad debts

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

2) Allowance for completed work compensation

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

- 3) Reserves for employees' retirement benefits
 In order to prepare for the payment of employees' retirement benefits, we record an amount that is deemed to have incurred as of the end of this current consolidated accounting mid-term period in accordance with the estimates of debt obligations for retirement benefits and pension assets at the end of current consolidated accounting period.
 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
 - 4) Reserves for directors' retirement benefits
 In order to prepare for the payment of directors' retirement benefits, we reserve and record an amount required to pay at the end of the mid-term period in accordance with the bylaws of the company.
 - 5) Reserves for liabilities guarantee loss
 In order to prepare for losses incurred by liabilities guarantee, in consideration of financing standing and others of guarantees, we record an estimated amount of losses.
- (4) Basis for translating important assets or liabilities in foreign currencies into domestic currency
 The monetary claims and liabilities in foreign currencies are translated into yen currency using the spot exchange rate as of the mid-term period account closing date, and the differences incurred by the currency translation are treated as profit or loss. Furthermore, Further, the assets and liabilities of overseas subsidiaries are translated into yen currency using the spot exchange rate as of the mid-term period account closing date. Their earnings and expenditures are translated into yen currency using the average exchange rate during the term, and the differences due to the currency translation are included in the currency translation adjustments account and minority interest equity in Shareholders' equity.
- (5) Important leases treating method
 Financing leases other than those by which ownership rights of the leased property can be transferred to the lessee are treated in accordance with a method relating to ordinary leases.
- (6) Important hedge accounting method
- 1) Hedge accounting method: Deferred hedging treatment has been adopted.
 - 2) Hedging means and targets
 - Hedging means: Interest swap transactions
 - Hedging items: Interest expenses for long-term loans
Dividends receivable of non-listed stocks
 - 3) Hedging policy
 In order to hedge risks associated with interest rate fluctuations, we have been using derivatives to prepare for interest expenses for long-term loans. Furthermore, as for the dividends received from non-listed stocks, since the amount of dividends is determined on the basis of market interest rates, we have been using derivatives to hedge the fluctuation risk of the dividends receivable associated with the market interest rate fluctuations.
 Furthermore, we do not hold derivatives for speculation purpose.
 - 4) Evaluation method of hedging availability
 Hedging availability is evaluated by means of ratio analysis between the cumulative total of cash flow fluctuations for hedging items and the cumulative total of cash flow fluctuations for hedging means.
- (7) Other important items for the mid-term period consolidated financial statements
- 1) Completed works amount recording basis
 Work completion basis is adopted. Overseas consolidated subsidiaries adopt work progressing basis.
 - 2) Accounting of consumption tax and others
 They are treated in accordance with a method exclusive of tax.

5. Scope of funds in the mid-term period consolidated cash flow statement

Funds (cash and cash equivalents) listed in the mid-term period 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.

(Additional information)

Accounting for dipping into treasury stocks, legal reserves, and others

From the current mid-term consolidated accounting period, we adopt the “Accounting Basis for dipping into treasury stocks, legal reserves, and others” (Corporate Accounting Basis No. 1). This adoption, however, has no effect on profit and loss for the current mid-term consolidated accounting period.

Mid-term period consolidated balance sheet

1. Due to the amendment of regulations concerning mid-term period consolidated financial statements, we list the “Capital reserves” as “Capital surplus” and the “Consolidated surplus” as “Retained earnings” from the current mid-term consolidated accounting period.
2. The “stocks of parent company owned by subsidiaries” (14 million yen for the current mid-term consolidated accounting period), which were independently listed for the previous mid-term consolidated accounting period, are included for the current mid-term consolidated accounting period in the sections of “treasury stocks” (5 million yen for the current mid-term consolidated accounting period) and “minority interest equity” (8 million yen for the current mid-term consolidated accounting period) due to the amendment of regulations concerning mid-term period consolidated financial statements.

Mid-term period consolidated surplus statement

1. Due to the amendment of regulations concerning mid-term period consolidated financial statements, we divide the mid-term period consolidated surplus statement and list it in the sections of “Capital surplus” and “Retained earnings” respectively from the current mid-term consolidated accounting period.
2. Due to the amendment of regulations concerning mid-term period consolidated financial statements, we list the “Consolidated surplus balance at the beginning of the period” as “Retained earnings at the beginning of the period”, “Consolidated surplus decreased amount” as “Retained earnings decreased amount”, and “Consolidated surplus balance at the end of the mid-term period” as “Retained earnings at the end of the mid-term period” from the current mid-term consolidated accounting period.
Furthermore, the “Mid-term period net loss”, which was independently listed for the previous mid-term consolidated accounting period, is listed as a breakdown of the “Retained earnings decreased amount”.

Notes:

(Relating to mid-term period consolidated balance sheet)

	(in millions of yen)		
	Outstanding at the end of current mid-term consolidated accounting period	Outstanding at the end of previous mid-term consolidated accounting period	Outstanding at the end of previou consolidated accounting period
1. Accumulated amount of depreciation of tangible fixed assets	5,025	5,109	4,973
2. Pledged assets and secured liabilities			
(1) Assets given as security			
Time deposits	27	- 1	27
Investment securities	787	1,473	1,092
(2) Liabilities for the above			
Work payable	35	- 1	43
Long-term loans expecting to return within 1 year	683	611	742
Long-term loans	489	239	781
3. Amount of transfer of endorsed notes receivable	3	150	155

4. Method of accounting notes maturing on the last day of the mid-term consolidated accounting period
(the last day of the term)

Regarding the method of accounting notes maturing on the last day of the mid-term consolidated accounting period (the last day of the full-year term), the notes are cleared on the note clearing date. Furthermore, since the last day of the previous mid-term consolidated accounting period (the last day of the previous full-year term) was a holiday of the financial institutions, the notes, which mature on the last date of the next mid-term consolidated accounting period (the last day of the full-year term) are included in the balance as of the end of the current mid-term consolidated accounting period (end of the full-year term).

	(in millions of yen)		
Notes receivable	- 1	1,326	640
Notes payable	- 1	3,294	3,739

(Relating to mid-term period 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 mid-term consolidated accounting period	Previous mid-term consolidated accounting period	Previous consolidated accounting period
Salaries and allowances to employees	1,926	1,996	3,910
Reserves for employees' retirement benefits	695	469	954
Amount transferred from reserves for directors' retirement benefits	35	38	77
Amounts of computers	486	337	706
Communication and transportation expenses	551	538	1,081
Amounts transferred from allowance for bad debts	4	68	405
Depreciation expenses	72	84	165

2. Seasonal variations of the amount of completed works

As for amount of completed works with our company group, since the stock of works completed during the second half of the fiscal year is more than that during the first half as normal business pattern of the company, there is a significant difference in the amount of completed works between the first and second halves of the consolidated fiscal year, thus resulting in seasonal variations of the performance between the first and second halves of the fiscal year.

The amount of completed works for 1 year through the end of the current mid-term consolidated accounting period is as follows.

Second half of the previous consolidated fiscal year	107,134 million yen
<u>Current mid-term consolidated accounting period</u>	<u>50,590 million yen</u>
Total	157,724 million yen

3. The amount transferred from the allowance for bad debts of 29 million yen is included in valuation loss on golf club membership rights.

4. Paid amount of taxes and adjustment amount such as for corporate taxes for the mid-term consolidated accounting period were accounted by the amount for the current mid-term consolidated accounting period presuming that reserves for reduction on fixed assets are reversed by the disposal of predetermined profits in the current consolidated fiscal year.

(Relating to consolidated cash flow statement)

The following table shows the relationship between the balance of cash and cash equivalents at the end of the mid-term period (at the end of full-year period) and the amounts of accounts listed in the mid-term period consolidated balance sheet (full-year consolidated balance sheet).

(in millions of yen)

	Current mid-term consolidated accounting period	Previous mid-term consolidated accounting period	Previous consolidated fiscal year
Cash and deposit accounts	23,723	25,598	27,110
Securities account	2,178	2,626	2,330
Total	25,902	28,224	29,440
Time deposits with time period more than 3 months	- 47	- 56	- 233
Securities other than add-on type bond investment trusts	- 100	- 300	- 202
Cash and cash equivalents	25,754	27,867	29,004

[Relating to leases]

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

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

(in millions of yen)

Tools and equipment, fixtures	Current mid-term consolidated accounting period	Previous mid-term consolidated accounting period	Previous consolidated fiscal year
Amount equivalent to acquisition cost	1,865	1,573	1,451
Amount equivalent to accumulated depreciation amount	842	841	867
Amount equivalent to the balance at the end of the mid-term period	1,022	731	584

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

(in millions of yen)

Tools and equipment, fixtures	Current mid-term consolidated accounting period	Previous mid-term consolidated accounting period	Previous consolidated fiscal year
Within 1 year	427	349	315
Over 1 year	615	406	290
Total	1,042	755	606

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

(in millions of yen)

Tools and equipment, fixtures	Current mid-term consolidated accounting period	Previous mid-term consolidated accounting period	Previous consolidated fiscal year
Rental revenue payable	237	199	406
Amount equivalent to depreciation expenses	222	184	375
Amount equivalent to interest payable	15	14	26

4. Calculation method of amount equivalent to depreciation expenses

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

5. Calculation method of amount equivalent to interest

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

5. Relating to Securities

The following section describes securities at the end of the current mid-term consolidated accounting period (as of September 30, 2002).

1. Held-to-maturity bonds with market value

(in millions of yen)

	Recording amount in the mid-term consolidated balance sheet	Market value	Balance
Corporate bonds	700	700	0
Total	700	700	0

2. Other securities with market value

(in millions of yen)

	Acquisition cost	Recording amount in the mid-term consolidated balance sheet	Balance
(1) Stocks	6,718	7,133	414
(2) Bonds			
Corporate bonds	2	2	0
(3) Others	285	249	- 36
Total	7,007	7,385	378

(Note) As for other securities with market value, 66 million yen is treated as shrinkage losses.

3. Contents of main securities with no valuation at the market value

(in millions of yen)

	Amount in the mid-term consolidated balance sheet	Remarks
(1) Held-to-maturity bonds		
Discount bank debentures	99	
Unlisted foreign bonds	0	
Total	100	
(2) Other securities		
Money management funds	1,182	
Mid-term government bond funds	896	
Unlisted stocks (excluding over counter stocks)	1,904	
Total	3,983	
(3) Stocks of affiliated companies		
Unlisted stocks	531	
Total	531	

The following section describes securities at the end of the previous mid-term consolidated accounting period (as of September 30, 2001).

1. Held-to-maturity bonds with market value

(in millions of yen)

	Recording amount in the mid-term consolidated balance sheet	Market value	Balance
Corporate bonds	700	700	0
Total	700	700	0

2. Other securities with market value

(in millions of yen)

	Acquisition cost	Recording amount in the mid-term consolidated balance sheet	Balance
(1) Stocks	8,368	8,683	314
(2) Bonds			
Corporate bonds	2	3	0
(3) Others	302	164	- 138
Total	8,674	8,850	176

(Note) As for other securities with market value, 103 million yen is treated as shrinkage losses.

3. Contents of main securities with no valuation at the market value

(in millions of yen)

	Amount in the mid-term consolidated balance sheet	Remarks
(1) Held-to-maturity bonds		
Discount bank debentures	99	
Non-public domestic bonds	2	
Unlisted foreign bonds	0	
Total	102	
(2) Other securities		
Money management funds	1,471	
Mid-term government bond funds	855	
Unlisted stocks (excluding over counter stocks)	866	
Total	3,192	
(4) Stocks of affiliated companies		
Unlisted stocks	494	
Total	494	

The following section describes securities at the end of the previous full-year consolidated accounting period (as of March 31, 2002).

1. Held-to-maturity bonds with market value

(in millions of yen)

	Recording amount in the mid-term consolidated balance sheet	Market value	Balance
Corporate bonds	700	696	- 3
Total	700	696	- 3

2. Other securities with market value

(in millions of yen)

	Acquisition cost	Recording amount in the mid-term consolidated balance sheet	Balance
(1) Stocks	6,489	6,956	466
(2) Bonds			
Corporate bonds	2	2	0
(3) Others	183	183	—
Total	6,676	7,143	466

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

3. Contents of main securities with no valuation at the market value

(in millions of yen)

	Amount in the full-year consolidated balance sheet	Remarks
(1) Held-to-maturity bonds		
Discount bank debentures	99	
Non-public domestic bonds	2	
Unlisted foreign bonds	0	
Total	102	
(2) Other securities		
Money management funds	1,232	
Mid-term government bond funds	895	
Unlisted stocks (excluding over counter stocks)	880	
Total	3,009	
(5) Stocks of affiliated companies		
Unlisted stocks	478	
Total	478	

6. Relating to Derivatives

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

7. Segment Information

1. Business segments information

For the current mid-term consolidated accounting period (April 1, 2002 to September 30, 2002), the previous mid-term consolidated accounting period (April 1, 2001 to September 30, 2001), and the previous full-year consolidated accounting period (April 1, 2001 to March 31, 2002),

Since our corporate group is engaged in facility construction works and in no businesses other than that, business segments information is not described.

2. Geographic segments information

For the current mid-term consolidated accounting period (April 1, 2002 to September 30, 2002), the previous mid-term consolidated accounting period (April 1, 2001 to September 30, 2001), and the previous full-year consolidated accounting period (April 1, 2001 to March 31, 2002),

Geographic segments information is not provided due to the fact that more than 90% of total sales are recorded in Japan.

3. Overseas sales

For the current mid-term consolidated accounting period (April 1, 2002 to September 30, 2002), the previous mid-term consolidated accounting period (April 1, 2001 to September 30, 2001), and the previous full-year consolidated accounting period (April 1, 2001 to March 31, 2002),

Information on overseas sales is not provided due to the fact that less than 10% of total consolidated sales are recorded to overseas customers.