

# Brief Report on the Mid-term Financial Statements for the Period Ending March 2004 (consolidated)

Nov. 18, 2003

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: Toshikazu ANDO, Representative Director & President

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Date of Directors' meeting on mid-term closing of accounts: Nov. 18, 2003

Adoption of American Accounting Standards: No

## 1. Consolidated performance for the mid-term period ended Sept. 2003 (From April 1, 2003 to Sept. 30, 2003)

### (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. 2003	59,417	17.4	-1,791	-	-1,998	-
Mid-term period ended Sept. 2002	50,590	-15.4	-2,538	-	-2,719	-
Period ended March 2003	164,115		2,044		1,746	

	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. 2003	-1,603	-	-35.61	-
Mid-term period ended Sept. 2002	-1,895	-	-41.28	-
Period ended March 2003	1,017		22.26	-

Note: Investment profit or loss on equity method

Mid-term period ended September 2003: -38 million yen,

Mid-term period ended September 2002: 60 million yen,

Period ended March 2003: 43 million yen

Interim average number of shares (consolidated)

Mid-term period ended September 2003: 45,014,893 shares

Mid-term period ended September 2002: 45,926,196 shares

Period ended March 2003: 45,730,284 shares

Changes in accounting procedures: none

Percentage 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. 2003	130,611	43,596	33.4	968.62
Mid-term period ended Sept. 2002	141,334	41,904	29.6	912.68
Period ended March 2003	138,148	43,874	31.8	974.56

Note: Issued number of shares at the end of period (consolidated) Mid-term period ended September 2003: 45,008,983 shares

Mid-term period ended September 2002: 45,913,999 shares

Period ended March 2003: 45,019,424 shares

### (3) Consolidated cash flow condition

	Cash flow on sales activities	Cash flow on investment activities	Cash flow on financial activities	Period end balance of cash and equivalent items
	in millions of yen	in millions of yen	in millions of yen	in millions of yen
Mid-term period ended Sept. 2003	-9,804	604	-2,058	19,308
Mid-term period ended Sept. 2002	-890	-1,560	-746	25,754
Period ended March 2003	6,688	-1,705	-3,123	30,653

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

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

Number of affiliated 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 2004 (From April 1, 2003 to March 31, 2004)

	Sales amount	Ordinary profit	Current net profit
	in millions of yen	in millions of yen	in millions of yen
Full Year	150,000	1,450	510

(Reference) Estimated current net profit per share (for full-year term): 11 yen and 33 sen

(Reference) Estimated amount of work orders received: 156,000 million yen

\*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

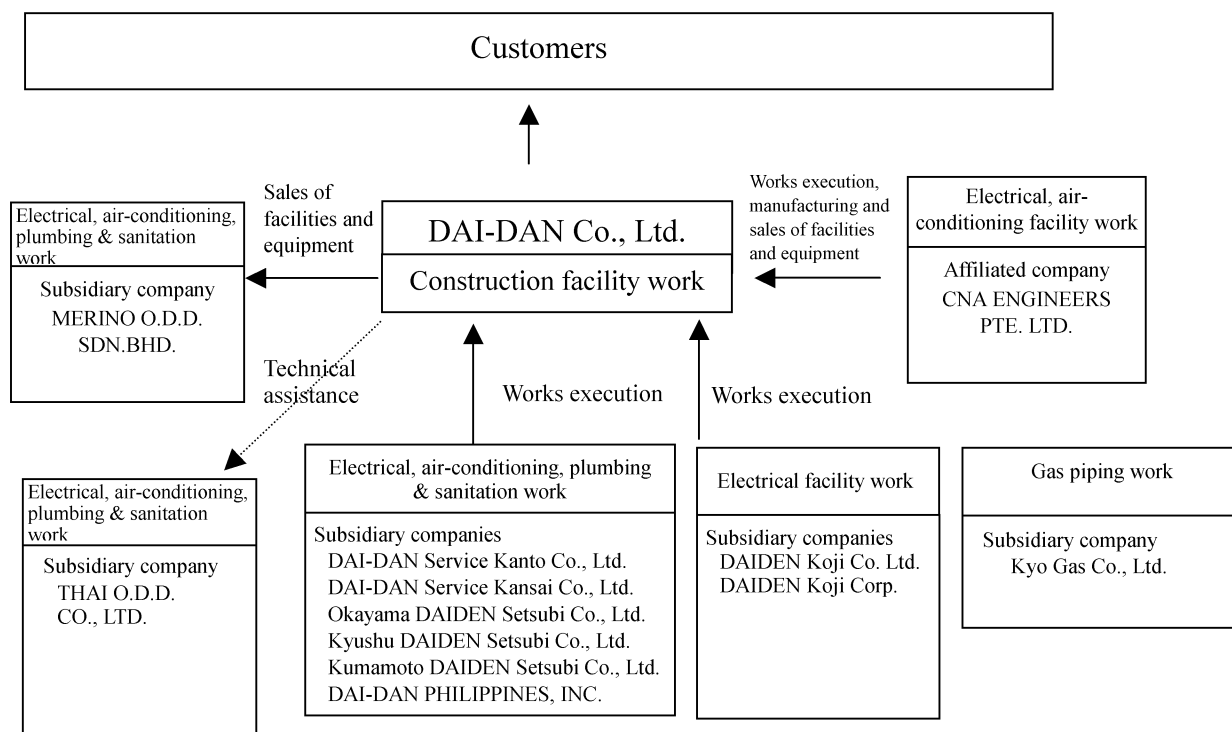
Electrical, air-conditioning, and plumbing/sanitation work

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., and DAI-DAN PHILIPPINES, INC. We sell facilities and equipment to MERINO O.D.D. SDN BHD. and offer technical assistance to THAI O.D.D. CO., LTD. Furthermore, CNA ENGINEERS PTE. LTD. takes charge of the works execution, manufacturing and sales of facilities and equipment.

Gas piping work

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

### (2) Systematic chart of business



## **2. Management Policies**

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

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

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

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

### **(3) Concept and policy on reduction of investment units**

As to the reduction of investment units, we would like to continue study on this issue in terms of shareholders’ benefits, while assessing the level of stock price, number of shareholders, liquidity, cost-effectiveness, and others.

### **(4) Corporate governance**

Our company is aiming to and making a company-wide, concerted effort to ensure revenues that provides the company with continuous progress, in adherence to the medium-term management plan “CHALLENGE NEW-DAIDAN 77” intended for three years from fiscal 2003 (the 75th Term) to fiscal 2005 (the 77th Term).

Specifically speaking, we are ahead of customers’ needs with technical developments and stepping up our proposal-oriented marketing activities. In addition, we are making efforts to find new customers and further strengthen our ties with existing customers, thus leading to the expansion of our businesses. Especially, we are putting our energies into winning orders for renewal works through the use of our strong points as a general contractor of facilities and equipment for electrical, air conditioning, and plumbing/sanitation work. Most of all, we are actively promoting to make proposals for the renewal works based on our energy-saving technology and also branching out into the ESCO business. Furthermore, we are carrying out a reduction of costs and addressing improvement in our price competitiveness, through an intensification of the work control system and review of the procurement system.

As to environmental issues, we are working toward providing technologies, pushing ahead with recycling, and reducing the production of waste, with considerations given to environmental conservation such as resource saving or energy saving, in adherence to the “ISO14001” with its certification that we have already obtained as a single company-wide certification.

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

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

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

#### **① Management council**

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

② Board of directors

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

③ Board of corporate auditors

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

④ Meeting of branch office managers

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

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

#### **(1) Outline of the current mid-term period**

In the construction and facilities industry, public investment remained on the decline. Private capital investment partially showed an upward trend. However, since the economy-wide future continued very much in doubt, we still had a tough time.

In the above economic climate, the consolidated amount of work orders received of our corporate group declined 1.4% on the previous mid-term period to 65,954 million yen. The consolidated amount of work completed accepted 17.4% on the previous mid-term period to 59,417 million yen.

As for the profits, since the works were completed with a concentration in the latter half of the period, operating loss totaled 1,791 million yen (2,538 million yen for the previous mid-term period), and ordinary loss totaled 1,998 million yen (2,719 million yen for the previous mid-term period). Furthermore, 340 million yen for amount transferred from allowance for bad debts and others were included in special losses. As a result, the net loss for the mid-term period totaled 1,603 million yen (1,895 million yen for the previous mid-term period).

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

(Cash flow status)

Cash and cash equivalent (hereinafter referred as to “the fund”) for the current mid-term period declined 11,344 million yen (37.0%) compared with that at the end of previous term to 19,308 million yen.

(Cash flow from operating activities)

Cash flow required for operating activities for the current mid-term period declined 9,804 million yen in the fund due to the net loss for the mid-term period before taxes, etc. of 2,299 million yen and a temporary increase in advance payment of work-related fund, which increased by 8,914 million yen in expenditures compared with the net loss for the same period a year earlier of 890 million yen.

(Cash flow from investing activities)

Cash flow required for investing activities for the current mid-term period accepted 604 million yen in the fund thanks to revenues of 642 million yen through the sell-off of other fixed assets, which accepted 2,165 million yen on balance, compared with that for the same period a year earlier of 1,560 million yen declined.

(Cash flow from financing activities)

Cash flow required for financing activities for the current mid-term period declined 2,058 million yen in the fund due to paid amount of dividends of 495 million yen, expenditures by return of loans of 1,557 million yen, and others, which increased by 1,312 million yen on balance, compared with that for the same period a year earlier of 746 million declined.

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

#### **(3) Outlook for the full-year period**

In the construction and facilities industry, it is predicted that tough environments continue due to expecting curtailment on construction investment.

In the full-year through March, we expect the consolidated amount of work orders received of 156,000 million yen, completed work of 150,000 million yen, ordinary profits of 1,450 million yen, and current net profit of 510 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, according to our basic policy on the profit sharing. 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, 2003)                 </div> <div style="flex: 1; text-align: center;">                     Outstanding at the end of the previous mid-term consolidated accounting period (As of Sept. 30, 2002)                 </div> <div style="flex: 1; text-align: center;">                     Summary consolidated balance sheet of the previous consolidated fiscal year (As of March 31, 2003)                 </div> </div>						
	Amount	Component ratio	Amount	Component ratio	Amount	Component ratio
<b>(Assets)</b>		%		%		%
<b>Current assets</b>						
Cash on hand and in banks	19,355		23,723		28,621	
Note receivables, completed work accounts receivables	40,031		33,263		50,282	
Securities	599		2,178		2,179	
Incomplete work expenditures	35,584		47,804		25,255	
Others	9,830		6,242		7,083	
Allowance for bad debts	- 193		- 523		- 176	
<b>Total current assets</b>	<b>105,209</b>	80.6	<b>112,688</b>	79.7	<b>113,245</b>	82.0
<b>Fixed assets</b>						
<b>Tangible fixed assets</b>	<b>5,495</b>		<b>5,755</b>		<b>5,571</b>	
<b>Intangible fixed assets</b>	<b>1,378</b>		<b>1,059</b>		<b>1,583</b>	
<b>Investments</b>	<b>18,527</b>		<b>21,830</b>		<b>17,748</b>	
Investment securities	11,617		10,521		9,226	
Others	8,140		13,033		9,526	
Allowance for bad debts	- 1,230		- 1,724		- 1,004	
<b>Total fixed assets</b>	<b>25,401</b>	19.4	<b>28,645</b>	20.3	<b>24,903</b>	18.0
<b>Total assets</b>	<b>130,611</b>	100.0	<b>141,334</b>	100.0	<b>138,148</b>	100.0

(in millions of yen)						
By period  Accounts	Outstanding at the end of the current mid-term consolidated accounting period (As of Sept. 30, 2003)		Outstanding at the end of the previous mid-term consolidated accounting period (As of Sept. 30, 2002)		Summary consolidated balance sheet of the previous consolidated fiscal year (As of March 31, 2003)	
	Amount	Component ratio	Amount	Component ratio	Amount	Component ratio
<b>(Liabilities)</b>		%		%		%
<b>Current liabilities</b>						
Notes payable, work accounts payable	43,871		38,193		54,211	
Short term loans payable	8,268		9,679		8,920	
Incomplete work accounts received	21,652		33,933		16,776	
Completed work compensation reserves	86		48		48	
Others	6,220		6,855		6,437	
<b>Total current liabilities</b>	<b>80,099</b>	61.3	<b>88,710</b>	62.8	<b>86,394</b>	62.5
<b>Fixed liabilities</b>						
Long-term loans payable	2,489		4,401		3,394	
Reserves for employees' retirement benefits	3,669		5,676		3,728	
Reserves for directors' retirement benefits	423		379		420	
Reserves for liabilities guarantee loss	210		210		210	
Others	51		24		71	
<b>Total Fixed liabilities</b>	<b>6,843</b>	5.3	<b>10,691</b>	7.6	<b>7,825</b>	5.7
<b>Total liabilities</b>	<b>86,942</b>	66.6	<b>99,402</b>	70.4	<b>94,219</b>	68.2
<b>(Minority interest equity)</b>						
Minority interest equity	71	0.1	27	0.0	54	0.0
<b>(Shareholders' equity)</b>						
Capital stock	4,479	3.4	4,479	3.2	4,479	3.3
Capital surplus reserves	4,716	3.6	4,716	3.3	4,716	3.4
Retained earnings	33,103	25.3	32,517	23.0	35,201	25.5
Evaluation difference of other securities	1,682	1.3	219	0.1	- 128	- 0.1
Currency translation adjustment account	26	0.1	- 4	- 0.0	10	0.0
Treasury stock	- 410	- 0.3	- 22	- 0.0	- 405	- 0.3
<b>Total Capital</b>	<b>43,596</b>	33.4	<b>41,904</b>	29.6	<b>43,874</b>	31.8
<b>Total liabilities, minority interest equity and shareholders' equity</b>	<b>130,611</b>	100.0	<b>141,334</b>	100.0	<b>138,148</b>	100.0

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

(in millions of yen)

Accounts	By period		The current consolidated accounting mid-term period From April 1, 2003 to Sept. 30, 2003		The previous consolidated accounting mid-term period From April 1, 2002 to Sept. 30, 2002		Summary of consolidated profit and loss statement of the previous fiscal year for consolidated accounting From April 1, 2002 to March. 31, 2003	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Completed work amount	59,417	100.0	50,590	100.0	164,115	100.0		
Completed work cost	55,497	93.4	47,231	93.4	150,684	91.8		
Completed work gross profit	3,920	6.6	3,358	6.6	13,430	8.2		
Selling expenses and general administrative expenses	5,711	9.6	5,896	11.6	11,386	6.9		
<b>Operating profit (-: Loss)</b>	<b>- 1,791</b>	<b>- 3.0</b>	<b>- 2,538</b>	<b>- 5.0</b>	<b>2,044</b>	<b>1.3</b>		
Non-operating revenue	(133)	0.2	(229)	0.4	(371)	0.2		
Interests received	21		19		40			
Dividends received	52		31		65			
Rent of real estate	32		32		66			
Insurance claim received	13		53		76			
Consolidated adjustment account depreciation	1		1		2			
Investment profit by equity method	—		60		43			
Others	12		30		76			
Non-operating expenses	(339)	0.6	(410)	0.8	(669)	0.4		
Interest payable	115		134		260			
Currency translation loss	161		242		348			
Investment loss by equity method	38		—		—			
Others	24		32		58			
<b>Ordinary profits (-: Loss)</b>	<b>- 1,998</b>	<b>- 3.4</b>	<b>- 2,719</b>	<b>- 5.4</b>	<b>1,746</b>	<b>1.1</b>		
Special profits	(96)	0.2	(7)	0.0	(3,035)	1.8		
Profit on sales of fixed assets	37		—		295			
Profit on sales of investments in securities	9		7		7			
Profit gained on returning allowance for bad debts	23		—		350			
Profit gained on absolution of substitution portions of employees' pension fund covered by the company on behalf of the government	—		—		2,381			
Profit gained on withdrawal from employees' pension fund	26		—		—			
Special losses	(398)	0.7	(136)	0.2	(1,922)	1.2		
Loss on sales of fixed assets	9		14		65			
Loss on retirement of fixed assets	8		12		31			
Loss on sales of investments in securities	—		12		12			
Evaluation loss on investments in securities	32		66		1,522			
Evaluation loss on golf club membership rights	8		29		54			
Amount transferred from allowance for bad debts	340		—		—			
Others	—		—		236			
<b>Mid-term period net loss before tax, adjustments etc.(-)</b>	<b>- 2,299</b>	<b>- 3.9</b>	<b>- 2,848</b>	<b>- 5.6</b>	<b>—</b>	<b>—</b>		
<b>Current net profits before tax adjustments, etc.</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,859</b>	<b>1.7</b>		
Corporate tax, residence tax and business tax	96	0.2	116	0.2	203	0.1		
Adjustment amounts such as for corporate taxes	- 810	- 1.4	- 1,015	- 2.0	1,663	1.1		
Profits of minority interests or losses (-)	17	0.0	- 53	- 0.1	- 26	- 0.0		
<b>Mid-term period net loss (-)</b>	<b>- 1,603</b>	<b>- 2.7</b>	<b>- 1,895</b>	<b>- 3.7</b>	<b>—</b>	<b>—</b>		
<b>Current net profit</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,017</b>	<b>0.6</b>		



### (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, 2003 to Sept. 30, 2003		The previous mid-term consolidated accounting period From April 1, 2002 to Sept. 30, 2002		The previous consolidated fiscal year From April 1, 2002 to March 31, 2003	
	Amount		Amount		Amount	
<b>(Capital surplus reserve)</b> <b>Capital surplus balance at the beginning of the period</b> Capital reserve balance at the beginning of the period <b>Capital surplus balance at the end of the mid-term period (the term period)</b>		4,716		4,716		4,716
		4,716		4,716		4,716
<b>(Retained earnings)</b> <b>Retained earnings balance at the beginning of the period</b> Consolidated surplus balance at the beginning of the period <b>Increased amount in retained earnings balance</b> Current net profit <b>Decreased amount in retained earnings balance</b> Shareholders' dividends Directors' bonuses <b>Mid-term period net loss</b> <b>Retained earnings balance at the end of the mid-term period (the term period)</b>		35,201		34,922		34,922
	—		—		1,017	1,017
	494		505		734	
	—		4		4	
	1,603	2,098	1,895	2,404	—	738
		33,103		32,517		35,201

#### (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, 2003 to Sept. 30, 2003	The previous mid-term consolidated accounting period From April 1, 2002 to Sept. 30, 2002	The previous consolidated fiscal year From April 1, 2002 to March. 31, 2003
		Amount	Amount	Amount
I. Cash flow on sales activities				
Mid-term period net loss before tax adjustments, etc. (-)		- 2,299	- 2,848	—
Current net profit before tax adjustments, etc.		—	—	2,859
Depreciation expenses		214	87	172
Consolidated adjustment account depreciation amount		- 1	- 1	- 2
Increased or decreased amount of allowance for bad debts		290	- 101	- 1,168
Increased or decreased amount of reserves for employees' retirement benefits and reserves for directors' retirement benefits		- 56	328	- 1,578
Earned interest and dividends received		- 73	- 51	- 105
Interest paid		115	134	260
Investment profit or loss by equity method		38	- 60	- 43
Evaluation loss on investments in securities		32	66	1,522
Profit or loss on sales of investments in securities		- 9	4	4
Profit or loss on sales of fixed assets		- 27	14	- 229
Loss on retirement of fixed assets		8	12	31
Evaluation loss on golf club membership rights		—	—	2
Paid amount of directors' bonuses		—	- 6	- 6
Increased or decreased amount of sales credits		9,959	21,595	5,215
Increased or decreased amount of incomplete work expenditures		- 10,326	- 17,212	5,346
Other increased or decreased amounts of current assets		- 1,941	963	- 47
Increased or decreased amount of procurement credits		- 10,339	- 22,204	- 6,186
Increased or decreased amount of incomplete work received amount		4,875	17,356	199
Other increased or decreased amounts of current liabilities		- 93	1,254	853
Sub-total		- 9,634	- 667	7,099
Received amount of interests and dividends		73	51	106
Paid interest amount		- 111	- 128	- 247
Paid amount of corporate tax, etc.		- 131	- 146	- 270
Cash Flow on Sales Activities		- 9,804	- 890	6,688
II. Cash flow on investment activities				
Expenditures by depositing of time deposits		—	- 27	- 27
Revenue by pay back of time deposits		—	213	213
Expenditures by acquiring of securities		- 1,048	- 549	- 1,598
Revenue by sales of securities		548	651	1,700
Expenditures by acquiring of tangible fixed assets		- 11	- 33	- 80
Revenue by sales of tangible fixed assets		0	4	368
Expenditures by acquiring of investment securities		- 58	- 1,557	- 2,828
Revenue by sales of investment securities		683	30	530
Expenditures by acquiring of stocks of subsidiary companies		—	- 10	- 10
Expenditures by loans		- 108	- 3	- 102
Revenue by recovery of loans		136	8	47
Expenditures by acquiring of other fixed assets		- 179	- 1,034	- 1,645
Revenue by sales of other fixed assets		642	745	1,727
Cash Flow on Investment Activities		604	- 1,560	- 1,705
III. Cash flow on financial activities				
Revenue by short term loans		5,210	7,840	19,110
Expenditures by return of short term loans		- 5,360	- 7,240	- 18,604
Revenue by long term loans		1,150	2,300	3,500
Expenditures by return of long term loans		- 2,556	- 3,130	- 6,001
Expenditures by acquiring of treasury stock		- 5	- 8	- 391
Paid amount of dividends		- 495	- 505	- 734
Paid dividend to minority interests		- 0	- 1	- 1

<b>Cash Flow on Financial Activities</b>	- 2,058	- 746	- 3,123
IV. Translation difference relating to cash and cash equivalents	- 86	- 52	- 211
V. Increased or decreased amount of cash and cash equivalents	- 11,344	- 3,249	1,648
VI. Balance at the beginning of period of cash and cash equivalents	30,653	29,004	29,004
VII. Balance of cash and cash equivalents at the end of mid-term period (term end)	19,308	25,754	30,653

**(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 mid-term account closing date of the above affiliated company is different from the consolidated mid-term account closing date, but the mid-term financial statements for the mid-term accounting period 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 mid-term financial statements as of the mid-term account closing date. 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)

Other securities

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.)

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

2) Derivative:

Market price method

3) Inventories

Incomplete work expenditures Cost method based on the specific identification method

Materials and supplies Cost method based on the moving average method

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

Tangible fixed assets

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

Intangible fixed assets

Straight-line method

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

(3) Recording basis applied to important allowances and reserves

1) Allowance for bad debts

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

2) Allowance for completed work compensation

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

3) Reserves for 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.

(Additional information)

Domestic consolidated subsidiary companies, which affiliated themselves to DAI-DAN employees' pension fund, withdrew from the said employees' pension fund as of September 30, 2003. In this connection, we included "profit gained on withdrawal from employees' pension fund" amounting to 26 million yen in special profits of the current mid-term consolidated accounting period.

4) Reserves for directors' retirement benefits

In order to prepare for the payment of directors' retirement benefits, we reserve and record an amount required to pay at the end of the mid-term period in accordance with the bylaws of the company.

5) Reserves for liabilities guarantee loss

In order to prepare for losses incurred by liabilities guarantee, in consideration of financing standing and others of guarantees, we record an estimated amount of losses.

(4) Important leases treating method

Financing leases other than those by which ownership rights of the lease property can be transferred to the lessee are treated in accordance with a method relevant to ordinary leases.

(5) Important hedge accounting method

1) Hedge accounting method: Deferred hedging treatment has been adopted.

2) Hedging means and targets

- Hedging means: Interest swap transactions
- Hedging items: Interest expenses for long-term loans  
Dividends receivable of non-listed stocks

3) Hedging policy

In order to hedge risks associated with interest rate fluctuations, we have been using derivatives to prepare for interest expenses for long-term loans. Furthermore, as for the dividends received from non-listed stocks, since the amount of dividends is determined on the basis of market interest rates, we have been using derivatives to hedge the fluctuation risk of the dividends receivable associated with the market interest rate fluctuations.

Furthermore, we do not hold derivatives for speculation purpose.

4) Evaluation method of hedging availability

Hedging availability is evaluated by means of ratio analysis between the cumulative total of cash flow fluctuations for hedging items and the cumulative total of cash flow fluctuations for hedging means.

(6) Other important items for the 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.

**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 previous consolidated accounting period
1. Accumulated amount of depreciation of tangible fixed assets	4,933	5,025	4,880
2. Pledged assets and secured liabilities			
(1) Assets given as security			
Time deposits	27	27	27
Investment securities	1,397	787	639
(2) Liabilities for the above			
Work payable	0	35	136
Long-term loans expecting to return within 1 year	488	683	593
Long-term loans	369	489	488
3. Amount of transfer of endorsed notes receivable	36	3	44

(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	1,880	1,926	3,701
Reserves for employees' retirement benefits	415	695	1,052
Amount transferred from reserves for directors' retirement benefits	42	35	76
Amounts of computers	753	486	1,167
Communication and transportation expenses	531	551	1,044
Amounts transferred from allowance for bad debts	—	4	—
Depreciation expenses	204	72	146
2. Amount transferred from allowance for bad debts included in evaluation loss on golf club membership rights	8	29	51

3. Seasonal variations of the amount of completed works

As for amount of completed works with our corporate 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	113,524 million yen
Current mid-term consolidated accounting period	59,417 million yen
Total	172,942 million yen

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 mid-term 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	19,355	23,723	28,621
Securities account	599	2,178	2,179
Total	19,955	25,902	30,800
Time deposits with time period more than 3 months	- 47	- 47	- 47
Securities other than add-on type bond investment trusts	- 599	- 100	- 100
Cash and cash equivalents	19,308	25,754	30,653

[Relating to leases]

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

1. Amount equivalent to acquisition cost of the leased property, amount equivalent to accumulated depreciation amount, and amount equivalent to the balance at the end of the 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	3,168	1,865	3,229
Amount equivalent to accumulated depreciation amount	1,134	842	1,106
Amount equivalent to the balance at the end of the mid-term period	2,033	1,022	2,122

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	752	427	709
Over 1 year	1,308	615	1,436
Total	2,061	1,042	2,146

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	422	237	598
Amount equivalent to depreciation expenses	396	222	562
Amount equivalent to interest payable	22	15	36

4. Calculation method of amount equivalent to depreciation expenses

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

5. Calculation method of amount equivalent to interest

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



## 5. Relating to Securities

The following section describes securities at the end of the current mid-term consolidated accounting period (as of September 30, 2003).

### 1. Securities with market value

(in millions of yen)

Category	Recording amount in the mid-term consolidated balance sheet	Market value	Balance
(1) Held-to-maturity bonds			
① Corporate bonds	200	200	0
Total	200	200	0
Category	Acquisition cost	Recording amount in the mid-term consolidated balance sheet	Balance
(2) Other securities			
① Stocks	5,277	8,134	2,857
② Bonds			
Corporate bonds	2	3	0
③ Others	155	148	- 6
Total	5,435	8,286	2,850

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

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

(in millions of yen)

	Amount in the mid-term consolidated balance sheet
(1) Held-to-maturity bonds	
① Discount bank debentures	99
② Corporate bonds	500
③ Unlisted foreign bonds	0
Total	599
(2) Other securities	
① Unlisted stocks (excluding over-the-counter stocks)	2,644
Total	2,644
(3) Stocks of affiliated companies	
① Unlisted stocks	486
Total	486

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

1. Securities with market value

(in millions of yen)

Category	Recording amount in the mid-term consolidated balance sheet	Market value	Balance
(1) Held-to-maturity bonds			
① Corporate bonds	700	700	0
Total	700	700	0
Category	Acquisition cost	Recording amount in the mid-term consolidated balance sheet	Balance
(2) Other securities			
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.

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

(in millions of yen)

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

The following section describes securities at the end of the previous full-year consolidated accounting period (as of March 31, 2003).

# 1. Securities with market value

(in millions of yen)

Category	Recording amount in the mid-term consolidated balance sheet	Market value	Balance
(1) Held-to-maturity bonds			
① Corporate bonds	700	703	3
Total	700	703	3
Category	Acquisition cost	Recording amount in the mid-term consolidated balance sheet	Balance
(2) Other securities			
① Stocks	5,333	5,186	- 147
② Bonds			
Corporate bonds	2	2	0
③ Others	285	215	- 70
Total	5,622	5,405	- 217

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

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

(in millions of yen)

	Amount in the full-year consolidated balance sheet
(1) Held-to-maturity bonds	
① Discount bank debentures	99
② Unlisted foreign bonds	0
Total	100
(2) Other securities	
① Money management funds	1,182
② Mid-term government bond funds	896
③ Unlisted stocks (excluding over-the-counter stocks)	2,604
Total	4,683
(3) Stocks of affiliated companies	
① Unlisted stocks	515
Total	515

## **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, 2003 to September 30, 2003), the previous mid-term consolidated accounting period (April 1, 2002 to September 30, 2002), and the previous full-year consolidated accounting period (April 1, 2002 to March 31, 2003),

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, 2003 to September 30, 2003), the previous mid-term consolidated accounting period (April 1, 2002 to September 30, 2002), and the previous full-year consolidated accounting period (April 1, 2002 to March 31, 2003),

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, 2003 to September 30, 2003), the previous mid-term consolidated accounting period (April 1, 2002 to September 30, 2002), and the previous full-year consolidated accounting period (April 1, 2002 to March 31, 2003),

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