

Brief Report on the Mid-term Financial Statements for the Period Ending March 2005 (Consolidated)

November 18, 2004

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

Code No.: 1980

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

Representative of Company: Toshikazu ANDO, President

Inquiries to be addressed to: Goh TAJIMA, Director & General Manager of General Administration Division

Tel. (06) 6441 - 8231

Date of Directors' meeting on mid-term closing accounts: November 18, 2004

Adoption of American Accounting Standards: None

Listed Stock Exchanges: Tokyo and Osaka

Location of Head Office: Osaka Pref.

1. Consolidated performance for the mid-term period ended September, 2004 (From April 1, 2004 to September 30, 2004)

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

	Sales amount		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
Mid-term period ended Sept. 2004	54,673	-8.0	-1790	-	-1709	-
Mid-term period ended Sept. 2003	59,417	17.4	-1791	-	-1998	-
Period ended March 2004	154,832		1,609		1,352	

	Current net profit (mid-term)		Current net earnings per share (mid-term)		Current net earning per share after making potential share adjustments (mid-term)	
	Million yen	%	Yen	Sen	Yen	Sen
Mid-term period ended Sept. 2004	-1,249	-	-28.31		-	
Mid-term period ended Sept. 2003	-1,603	-	-35.61		-	
Period ended March 2004	574		12.81		-	

Note: 1) Investment profit or loss on equity method

Mid-term period ended September 2004: 15 million yen,

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

Period ended March 2004: -66 million yen

2) Interim average number of shares (consolidated)

Mid-term period ended September 2004: 44,123,615 shares

Period ended March 2004: 44,890,465 shares

3) Changes in accounting procedures: None

4) 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	Shareholder's capital	Shareholders capital rate	Shareholder's capital per share
	Million yen	Million yen	%	Yen Sen
Mid-term period ended September 2004	124,827	43,979	35.2	976.59
Mid-term period ended September 2003	130,611	43,596	33.4	968.62
Period ended March 2004	129,848	45,646	35.2	1,036.29

Note: Issued number of shares at the end of period (consolidated)

Mid-term period ended September 2004: 45,033,407 shares

Mid-term period ended September 2003: 45,008,983 shares

Period ended March 2004: 44,048,172 shares

(3) Consolidated cash flow condition

	Cash flow on sales activities	Cash flow on investment activities	Cash flow on financial activities	Period end balance of cash and equivalent items
	Million yen	Million yen	Million yen	Million yen
Mid-term period ended September 2004	-5,545	2,654	276	23,543
Mid-term period ended September 2003	-9,804	604	-2,058	19,308
Period ended March 2004	-2,347	371	-2,400	26,118

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

Number of consolidated subsidiaries: 11

Number of non-consolidated subsidiaries with equity method applied: None

Number of affiliated company with equity method applied: 1

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

Consolidated (new): None (Excluded): None Equity method (new): None (Excluded): None

2. Estimated of consolidated performance for the period ending March 2005 (From April 1, 2004 to March 31, 2005)

	Sales amount	Ordinary profit	Current net profit
	Million yen	Million yen	Million yen
Total period	155,000	1,500	650

(Reference) Estimated current net profit per share (for total period) 14.43 yen

Estimated amount of work order received 156,000 million yen

* Since the consolidated performance is estimated based on the information available as of the announcing date, actual results can be different from the estimated ones due to various factors.

For the items of the above performance consolidated estimate, see information on page 4 in the attached material for consolidation.

1. Situation of the Corporate Group

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

(1) Position of our group relating to business

Facility construction works

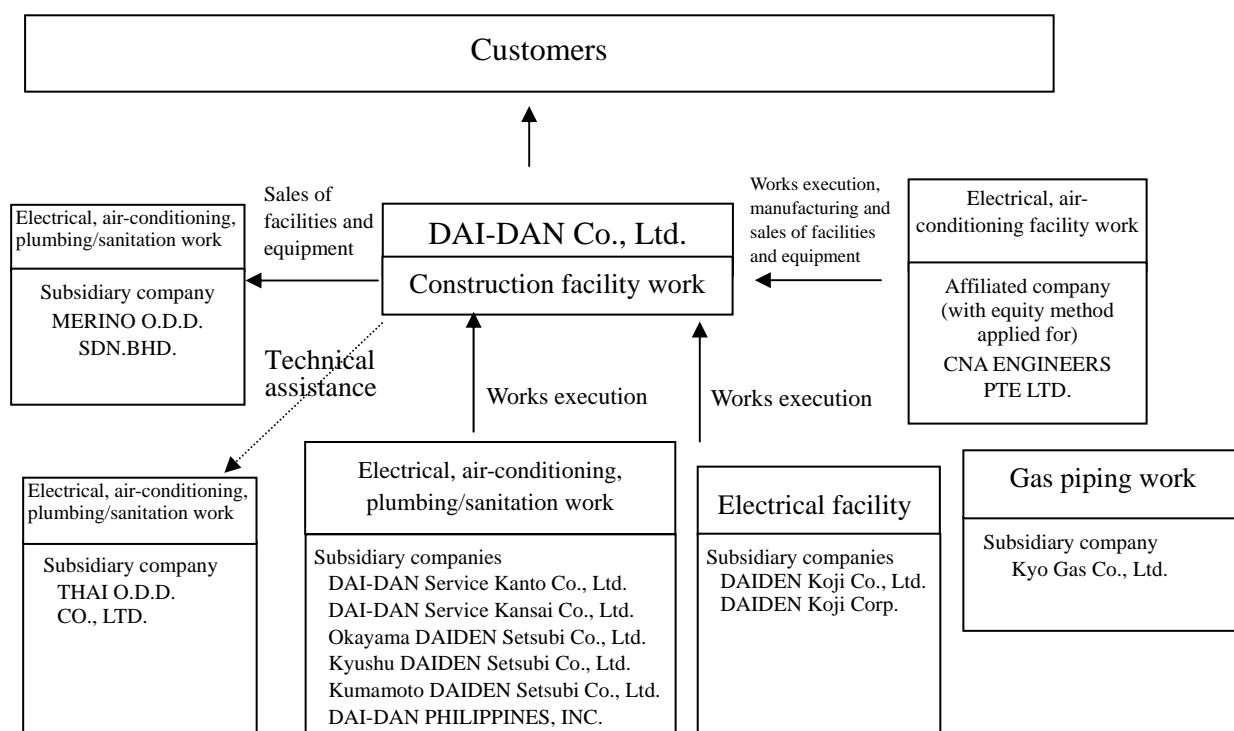
Electrical, air-conditioning, and plumbing /sanitation work

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

Gas piping work

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

(2) Systematic chart of business



2. Management Policies

(1) Basic policy on management

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

(2) Basic policy on distribution of profits

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

(3) Concept and policy on reductions of investment units

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

(4) Medium- and long-term management strategy

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

Furthermore, we have strengthened our construction management framework and pushed ahead with new procurement methods through which we have ensured safety and quality and also accomplished cost cutting, thus addressing the improvement in our competitiveness.

As part of our attempt to strengthen our ability in these fields, we divided Engineering Division into Construction Engineering Division and Technical Development Division as of October 1, 2004 to rearrange the organization, thus enabling us to cope further carefully with customers’ needs and flexibly and efficiently put management resources including human resources.

The demonstration experiment building, which was completed in our Technical Research Institute last year in order to accomplish compatibility between quality ensuring and cost cutting, has been put into full-scale operation, enabling us to cope with a wide variety of needs from customers which require to use the demonstration experiment.

We can now forecast that the Kyoto Protocol aiming the prevention of global warming goes into effect. Under these circumstances, we are further focusing on environmental issues. As to the construction field, we are working toward providing technologies, promoting the recycling, and reducing wastes, with consideration given to environmental conservation such as resource and energy saving. In particular, we have been strengthening the ESCO business on the basis of our strong capability as a general facility construction company and also moving ahead on energy saving proposal.

By taking advantage of the company-wide information system that we completed reshaping last April, through enhanced productivity on site and the sharing of information among sections, we are challenging to enhance site productivity, create revenues with information sharing throughout in-company operations, integrate and increase in efficiency of indirect operations, and reduce expenditures.

As to personnel affairs aspect, we continued examination to establish the pay-for-performance program for the fair and just pay and benefits for our employees. Under fair conditions, we will push ahead with invigorating the company organization and making the best possible use of human resources.

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

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

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

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

1) Management council

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

2) Board of directors

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

3) Board of corporate auditors

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

4) Meeting of branch office managers

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

3. Management Record and Financial Standing

(1) Overview of the current mid-term period

In the construction industry, private construction investment has been showing an upward trend. In contrast, public investment has been expected to significantly decline, which has led to the overall decline in the construction investment. Under these circumstances, the economy has continued to be in a severe situation.

The consolidated amount of work orders received of our corporate group increased 5.4% on the previous mid-term period to 69,534 million yen. The amount of work completed declined 8.0% on the previous mid-term period to 54,673 million yen.

As for the profits, since the works were completed with a concentration in the latter half of the period, operating loss totaled 1,790 million yen (1,791 million yen for the previous mid-term period), ordinary loss totaled 1,709 million yen (1,998 million yen for the previous mid-term period). The net loss for the mid-term period totaled 1,249 million yen (1,603 million yen for the previous mid-term period).

(2) Financial standing

Status of cash flow

Cash and cash equivalent for the current mid-term period (hereinafter referred to as “the fund”) increased 21.9% on the previous mid-term period and declined 9.9% on the previous consolidated accounting year to 23,543 million yen.

(Cash flow from operating activities)

Cash flow used in operating activities for the current mid-term period declined 5,545 million yen in the fund due to the net loss for the mid-term period before taxes, etc. of 1,707 million yen and advance payments of work-related fund (increased 4,259 million yen on the previous mid-term period).

(Cash flow from investing activities)

Cash flow used in investing activities for the current mid-term period increased 2,654 million yen in the fund thanks to revenues of 3,196 million yen through the redemption of beneficial interest in trust (increased 2,050 million yen on the previous mid-term period).

(Cash flow from financing activities)

Cash flow used in financing activities for the current mid-term period increased 276 million yen (increased 2,335 million yen on the previous mid-term period) in the fund thanks to revenues of 549 million yen from the sales of treasury stock, revenues of 221 million yen through slight increase in borrowing and declined 484 million yen in the fund due to paid amount of dividends.

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 industry, even though the private construction investment has continued to rise, this investment shows slowdown in the rising rate. Furthermore, since the public investment is still on a downward trend, it is predicted that overall construction investment will remain on the downward trend. Consequently, we make a prediction that we will have another tough time in the future. .

Regarding the outlook for the full-year period of our corporate group, we expect the consolidated amount of work orders received of 156,000 million yen, completed work of 155,000 million yen, ordinary profits of 1,500 million yen, and current net profit of 650 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)

Accounts	By period		Outstanding at the end of the current mid-term consolidated accounting period (As of September 30, 2004)		Outstanding at the end of the previous mid-term consolidated accounting period (As of September 30, 2003)		Summary consolidated balance sheet of the previous consolidated fiscal year (As of March 31, 2004)	
	Amount	Component ratio	Amount	Component ratio	Amount	Component ratio	Amount	Component ratio
(Assets)		%		%		%		%
Current assets								
Cash on hand and in banks	23,580		19,355		26,155			
Note receivables, completed work accounts receivables	37,267		40,031		48,139			
Securities	100		599		100			
Beneficial interest in trust	-		-		2,655			
Incomplete work expenditures	32,545		35,584		21,307			
Others	8,190		9,830		7,793			
Allowance for bad debts	-238		-193		-219			
Total current assets	101,445	81.3	105,209	80.6	105,931	81.6		
Fixed assets								
Tangible fixed assets	5,408		5,495		5,508			
Intangible fixed assets	1,068		1,378		1,242			
Investments and other assets	16,905		18,527		17,165			
Investment securities	11,592		11,617		12,184			
Others	6,606		8,140		6,709			
Allowance for bad debts	-1,293		-1,230		-1,729			
Total fixed assets	23,381	18.7	25,401	19.4	23,916	18.4		
Total assets	124,827	100.0	130,611	100.0	129,848	100.0		

(in millions of yen)

By period Accounts		Outstanding at the end of the current mid-term consolidated accounting period (As of September 30, 2004)		Outstanding at the end of the previous mid-term consolidated accounting period (As of September 30, 2003)		Summary consolidated balance sheet of the previous consolidated fiscal year (As of March 31, 2004)	
		Amount	Component ratio	Amount	Component ratio	Amount	Component ratio
(Liabilities)			%		%		%
Current liabilities							
Notes payable, work accounts payable		39,061		43,871		49,331	
Short-term loans payable		8,436		8,268		8,387	
Incomplete work accounts received		20,259		21,652		13,990	
Completed work compensation reserves		74		86		76	
Others		6,272		6,220		5,798	
Total current liabilities		74,104	59.4	80,099	61.3	77,584	59.7
Fixed liabilities							
Long-term loans payable		2,941		2,489		2,768	
Reserves for retirement benefits		3,270		3,669		3,278	
Reserves for directors' retirement benefits		430		423		465	
Reserves for liabilities guarantee loss		-		210		-	
Others		7		51		12	
Total fixed liabilities		6,651	5.3	6,843	5.3	6,525	5.0
Total liabilities		80,755	64.7	86,942	66.6	84,110	64.7
(Minority interest equity)							
Minority interest equity		92	0.1	71	0.0	91	0.1
(Shareholders' equity)							
Capital stock		4,479	3.6	4,479	3.4	4,479	3.4
Capital surplus		4,781	3.8	4,716	3.6	4,716	3.7
Retained earnings		33,321	26.7	33,103	25.4	35,056	27.0
Evaluation difference of other securities		1,895	1.5	1,682	1.3	2,327	1.8
Currency translation adjustment account		-48	-0.0	26	0.0	-8	-0.0
Treasury stock		-450	-0.4	-410	-0.3	-925	-0.7
Total capital		43,979	35.2	43,596	33.4	45,646	35.2
Total liabilities, minority interest equity and		124,827	100.0	130,611	100.0	129,848	100.0

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

(in millions of yen)

Accounts	By period		The current mid-term consolidated accounting period		The previous mid-term consolidated accounting period		Summary of consolidated profit and loss statement of the previous fiscal year for consolidated accounting (From April 1, 2003 to March 31, 2004)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Completed work amount	54,673	100.0	59,417	100.0	154,832	100.0		
Completed work cost	50,821	93.0	55,497	93.4	142,096	91.8		
Completed work gross profit	3,851	7.0	3,920	6.6	12,736	8.2		
Selling expenses and general administrative expenses	5,642	10.3	5,711	9.6	11,126	7.2		
Operating profits (- : Loss)	-1,790	-3.3	-1,791	-3.0	1,609	1.0		
Non-operating revenue	(213)	0.4	(133)	0.2	(280)	0.2		
Interests received	6		21		28			
Dividends received	71		52		102			
Rent of real estate	4		32		60			
Insurance claim received	1		13		60			
Currency translation profit	99		-		-			
Consolidated adjustment account depreciation	1		1		2			
Investment profit by equity method	15		-		-			
Others	12		12		25			
Non-operating expenses	(132)	0.2	(339)	0.6	(537)	0.3		
Interest payable	109		115		223			
Currency translation loss	-		161		202			
Investment loss by equity method	-		38		66			
Others	22		24		45			
Ordinary profits (- : Loss)	-1,709	-3.1	-1,998	-3.4	1,352	0.9		
Special profits	(73)	0.1	(96)	0.2	(1,137)	0.7		
Profit on sales of fixed assets	37		37		40			
Profit on sales of investments in securities	19		9		1,027			
Profit gained by returning allowance for bad debts	15		23		-			
Profit gained on withdrawal from employees' pension fund	-		26		28			
Profit gained by returning provision for loss on guarantees	-		-		41			
Special losses	(71)	0.1	(398)	0.7	(444)	0.3		
Loss on sales of fixed assets	26		9		35			
Loss on retirement of fixed assets	45		8		19			
Evaluation loss on investments in securities	-		32		45			
Evaluation loss on golf club membership rights	-		8		24			
Amount transferred from allowance for bad debts	-		340		320			
Mid-term period net loss before tax adjustments, etc. (-)	-1,707	-3.1	-2,299	-3.9	-	-		
Current net profits before tax adjustments, etc.	-	-	-	-	2,046	1.3		
Corporate tax, residence tax and business tax	117	0.2	96	0.2	466	0.3		
Adjustment amounts such as for corporate taxes	-579	-1.0	-810	-1.4	967	0.6		
Profits of minority interests	3	0.0	17	0.0	37	0.0		
Mid-term period net loss (-)	-1,249	-2.3	-1,603	-2.7	-	-		
Current net profit	-	-	-	-	574	0.4		

(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, 2004 to September 30, 2004)		The previous mid-term consolidated accounting period (From April 1, 2003 to September 30, 2003)		The previous consolidated fiscal year (From April 1, 2003 to March 31, 2004)	
	Amount		Amount		Amount	
(Capital surplus)						
Capital surplus balance at the beginning of the		4,716		4,716		4,716
Increased amount in capital surplus balance						
Profits through disposal of treasury stocks	65	65	-	-	-	-
Capital surplus balance at the end of the mid-term period (the term period)		4,781		4,716		4,716
(Retained earnings)						
Retained earnings balance at the beginning		35,056		35,201		35,201
Retained earnings increased amount						
Net profit for the current term	-	-	-	-	574	574
Retained earnings decreased amount						
Shareholders' dividends	484		494		719	
Directors' bonuses	1		-		-	
Mid-term period net loss	1,249	1,734	1,603	2,098	-	719
Retained earnings balance at the end of the mid-term period (the term period)		33,321		33,103		35,056

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

(in millions of yen)

Accounts	By period	The current mid-term consolidated accounting period (From April 1, 2004 to September 30, 2004)	The previous mid-term consolidated accounting period (From April 1, 2003 to September 30, 2003)	The previous consolidated fiscal year (From April 1, 2003 to March 31, 2004)
		Amount	Amount	Amount
I. Cash flow on sales activities				
Mid-term period net profit before tax adjustments, etc. (- : Net loss)		-1,707	-2,299	2,046
Depreciation expenses		205	214	431
Consolidated adjustment account depreciation amount		-1	-1	-2
Increased or decreased amount of allowance for bad debts		-380	290	707
Increased or decreased amount of reserves for retirement benefits and reserves for directors' retirement benefits		-42	-56	-404
Earned interest and dividends received		-78	-73	-131
Interest paid		109	115	223
Investment profit or loss by equity method		-15	38	66
Evaluation loss on investments in securities		-	32	45
Profit or loss on sales of investments in securities		-19	-9	-1,027
Profit or loss on sales of fixed assets		-11	-27	-5
Loss on retirement of fixed assets		45	8	19
Increased or decreased amount of sales credits		10,865	9,959	1,494
Increased or decreased amount of incomplete work expenditures		-11,245	-10,326	3,945
Increased or decreased amount of procurement credits		-10,270	-10,339	-4,879
Increased or decreased amount of incomplete work received amount		6,269	4,875	-2,786
Others		1,163	-2,035	-1,814
Sub-total		-5,113	-9,634	-2,071
Received amount of interests and dividends		77	73	131
Paid interest amount		-109	-111	-223
Paid amount of corporate tax, etc.		-399	-131	-184
Cash flow on sales activities		-5,545	-9,804	-2,347
II. Cash flow on investment activities				
Expenditures by depositing of time deposits		-	-	-0
Revenue by pay back of time deposits		-	-	10
Expenditures by acquiring of securities		-49	-1,048	-1,098
Revenue by sales of securities		49	548	1,098
Expenditures by acquiring of beneficial interest in trust		-534	-	-2,655
Revenue by redemption of beneficial interest in trust		3,196	-	-
Expenditures by acquiring of tangible fixed assets		-23	-11	-153
Revenue by sales of tangible fixed assets		39	0	31
Expenditures by acquiring of investment securities		-167	-58	-119
Revenue by sales of investment securities		20	683	2,249
Expenditures by loans		-46	-108	-201
Revenue by recovery of loans		44	136	273
Expenditures by acquiring of other fixed assets		-70	-179	-275
Revenue by sales of other fixed assets		196	642	1,212
Cash flow on investment activities		2,654	604	371
III. Cash flow on financial activities				
Revenue by short-term loans		10,998	5210	20,005
Expenditures by return of short-term loans		-10,518	-5,360	-19,908
Revenue by long-term loans		2,050	1,150	3,500
Expenditures by return of long-term loans		-2,308	-2,556	-4,756
Expenditures by acquiring of treasury stock		-9	-5	-519
Revenue by sales of treasury stocks		549	-	-
Paid amount of dividends		-484	-495	-720
Paid dividend to minority interests		-0	-0	-0
Cash flow on financial activities		276	-2,058	-2,400
IV. Translation difference relating to cash and cash equivalents		37	-86	-158
V. Increased or decreased amount of cash and cash equivalents		-2,575	-11,344	-4,534
VI. Balance of cash and cash equivalents at the beginning of period		26,118	30,653	30,653
VII. Balance of cash and cash equivalents at the end of mid-term period (term end)		23,543	19,308	26,118

Basic items for producing mid-term period consolidated financial statements

1. Items relating to scope of consolidation

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

Names of major consolidated subsidiary companies are described in “Section 1. Situation of the Corporate Group”

2. Items relating to application of the equity method

Number of affiliated companies with equity method applied: 1 company

Company Name:

CNA ENGINEERS PTE LTD.

The 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 relating to the mid-term period account closing date and others of consolidated subsidiaries

Out of the consolidated subsidiaries, following three subsidiaries close their account for the mid-term period on June 30.

MERINO O.D.D.SDN.BHD.

THAI O.D.D.CO.,LTD.

DAI-DAN PHILIPPINES, INC.

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 relating to accounting procedure basis

(1) Valuation basis and method applied to important assets

1) Securities

Held-to-maturity bonds: Depreciable cost method (Straight-line method)

Other securities

With market value Market price method based on the market price as of the mid-term consolidated accounting period closing date (Valuation differences are treated according to full capital direct accounting method, and sale cost is calculated according to the moving average method.)

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

2) Derivative: Market price method

3) Inventories

Incomplete work expenditures Cost method based on the specific identification method

Materials and supplies Cost method based on the moving average method

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

1) Tangible fixed assets

Our company and domestic consolidated subsidiary companies

Buildings (excluding accessory equipment) Straight-line method

Others Declining balance method

Overseas consolidated subsidiary companies Straight-line method

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

Buildings and structures 15 to 50 years

2) Intangible fixed assets Straight-line method

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

(3) Recording basis applied to important allowances and reserves

1) Allowance for bad debts

In order to provide against bad debts due to failure in recovery of completed work accounts due, loans receivable, and others, we review the recoverability of general credits based on

the past actual percentage of credit losses and particular credits such as those having bad debts risk based on individual cases, thus recording anticipated unrecoverable amount.

2) Allowance for completed work compensation

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

3) Reserves for 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 year.

As for differences on the mathematical calculation, we shall treat them using an amount proportioned by the specific identification method with a specified number of years (i.e., 10 years) within the employees' average remaining length of service at the time of the occurrence of the differences while in each consolidated accounting year, from the account settled for next consolidated accounting year of the occurrence.

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 consolidated accounting period in accordance with the bylaws of the company.

5) Reserves for liabilities guarantee loss

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

(4) Important leases treating method

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

(5) Important hedge accounting method

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

2) Hedging means and targets

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

3) Hedging policy

In order to hedge risks associated with interest rate fluctuations, we have been using derivatives to prepare for interest expenses for long-term loans. Furthermore, as for the dividends received from non-listed stocks, since the amount of dividends is determined on the basis of market interest rates, we have been using derivatives to hedge the fluctuation risk of the dividends receivable associated with the market interest rate fluctuations. Furthermore, we do not hold derivatives for speculation purpose.

4) Evaluation method of hedging availability

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

(6) Other important items for the mid-term period consolidated financial statements

1) Completed works amount recording basis

Work completion basis is adopted. For part of works, however, we adopt deferred payment standards under Corporation Tax Law, thus counting the amount equivalent to profits corresponding to uncollected amount in the completed work costs to reschedule the profits. Furthermore, our overseas consolidated-subsidaries record the completed works amount on the work progressing basis.

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

2) Accounting of consumption tax and others

They are treated in accordance with a method exclusive of tax.

5. 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	4,983	4,933	4,962	
2. Amount of transfer of endorsed notes receivable	17	36	37	
3. Pledged assets and secured liabilities				
(1) Assets given as security				
Time deposit	27	27	27	
Investment securities	1,551	1,397	1,858	
(2) Liabilities for the above				
Work payable	-	0	88	
Long-term loans expecting to return within 1 year.	443	488	491	
Long-term loans	226	369	197	

[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)
	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	
Salaries and allowances to employees	1,863	1,880	3,549	
Reserves for retirement benefits	298	415	227	
Amount transferred from reserves for directors' retirement benefits	39	42	85	
Amount of computers	626	753	1,389	
Communication and transportation expenses	475	531	1,026	
Amount of transferred from allowance for bad debts	175	-	426	
Depreciation expenses	198	204	415	
2. Amounts transferred from allowance for bad debts, included in evaluation loss on golf club membership rights, etc.	-	8	23	

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	95,414 million yen
<u>Current mid-term consolidated accounting period</u>	<u>54,673 million yen</u>
Total	150,088 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)

	Current mid-term consolidated accounting period	Previous mid-term consolidated accounting period	Previous consolidated accounting year
Cash and deposit accounts	23,580	19,355	26,155
Securities account	100	599	100
Total	23,680	19,955	26,255
Time deposits with time period more than 3 months	-37	-47	-37
Securities other than add-on type bond investment trusts	-100	-599	-100
Cash and cash equivalent objects	23,543	19,308	26,118

[Relating to leases]

Since we have been proceeding with online discovery procedure in accordance with the provisions under Article 27-30-6 of the Securities and Exchange Law, the reference relating to leases is omitted

5. Relating to Securities

The following section describes securities at the end of the mid-term consolidated accounting period (as of September 30, 2004).

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	201	1
Total	200	201	1
Category	Acquisition cost	Recording amount in the mid-term consolidated balance sheet	Balance
(2) Other securities			
① Stocks	4,956	8,177	3,220
② Bonds			
Corporate bonds	2	3	0
③ Others	102	93	-8
Total	5,061	8,273	3,212

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

(in million 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 Unlisted stocks (excluding over-the-counter stocks)	2,686
Total	2,686

The following section describes securities at the end of the previous 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
(3) Held-to-maturity bonds	
① Discount bank debentures	99
② Corporate bonds	499
③ Unlisted foreign bonds	0
Total	599
(4) Other securities	
① Unlisted stocks (excluding over-the-counter stocks)	2,644
Total	2,644

The following section describes securities at the end of the previous fully-year consolidated accounting period (as of March 31, 2004).

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	201	1
Total	200	201	1
Category	Acquisition cost	Recording amount in the mid-term consolidated balance sheet	Balance
(2) Other securities			
① Stocks	4,887	8,832	3,945
② Bonds			
Corporate bonds	2	3	0
Total	4,890	8,835	3,945

(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 Unlisted foreign bonds	0
Total	100
(2) Other securities	
① Unlisted stocks (excluding over-the-counter stocks)	2,690
Total	2,690

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, 2004 to September 30, 2004), the previous mid-term consolidated accounting period (April 1, 2003 to September 30, 2003) and the previous full-year consolidated accounting period (April 1, 2003 to March 31, 2004),

Since our corporate group is engaged in facility construction works, there are no business types other than those. Accordingly, segment information by business type is not described.

2. Geographic segments information

For the current mid-term consolidated accounting period (April 1, 2004 to September 30, 2004), the previous mid-term consolidated accounting period (April 1, 2003 to September 30, 2003), and the previous full-year consolidated accounting period (April 1, 2003 to March 31, 2004),

Since the total sales amount of all segments of "Japan" exceeds 90%, description of segment information by location is omitted.

3. Overseas sales

For the current mid-term consolidated accounting period (April 1, 2004 to September 30, 2004), the previous mid-term consolidated accounting period (April 1, 2003 to September 30, 2003), and the previous full-year consolidated accounting period (April 1, 2003 to March 31, 2004),

Since overseas sales amount is less than 10% of the total consolidated sales, description of overseas sales is omitted.