Brief Report on the Mid-term Financial Statements for the Period Ending March 2006 (Consolidated)

November 17, 2005

Name of listed company: DAI-DAN Co., Ltd. Listed Stock Exchanges: Tokyo and Osaka
Code No.: 1980 Location of Head Office: Osaka Pref.
(URL http://www.daidan.co.jp/)
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Date of Directors' meeting on closing accounts: November 17, 2005
Adoption of American Accounting Standards: None

1. Consolidated performance for the mid-term period ended September, 2005 (From April 1, 2005 to September 30, 2005)

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

	Sales amount		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
Mid-term period ended Sept. 2005	59,864	9.5	-1,398	—	-1,196	—
Mid-term period ended Sept. 2004	54,673	-8.0	-1,790	—	-1,709	—
Period ended March 2005	156,175		1,391		1,412	

	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. 2005	-997	—	-22.18	—
Mid-term period ended Sept. 2004	-1,249	—	-28.31	—
Period ended March 2005	766		17.18	—

Note: 1) Investment profit or loss on equity method — Mid-term period ended September 2005: - million yen, Mid-term period ended September 2004 : 15 million yen, Period ended March 2005 : 15 million yen

2) Interim average number of shares (consolidated) — Mid-term period ended September 2005 : 44,984,195 shares, Mid-term period ended September 2004: 44,123,615 shares, Period ended March 2005 44,566,892 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 Sept. 2005	131,449	45,630	34.7	1,014.54
Mid-term period ended Sept. 2004	124,827	43,979	35.2	976.59
Period ended March 2005	136,540	46,115	33.8	1,024.98

Note: Issued number of shares at the end of period (consolidated)
Mid-term period ended September 2005 : 44,976,550 shares
Mid-term period ended September 2004 : 45,033,407 shares
Period ended March 2005: 44,990,535 shares

(3) Consolidated cash flow condition

	Cash flow on sales activities	Cash flow on investment activities	Cash flow on financial activities	Period end balance of cash and equivalent items
	Million yen	Million yen	Million yen	Million yen
Mid-term period ended Sept. 2005	1,511	455	-1,950	22,771
Mid-term period ended Sept. 2004	-5,545	2,654	276	23,543
Period ended March 2005	-8,744	4,921	406	22,712

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

Number of consolidated subsidiaries: 11 Number of non-consolidated subsidiaries with equity method applied: None
Number of affiliated company with equity method applied: None

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

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

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

	Sales amount	Ordinary profit	Current net profit
	Million yen	Million yen	Million yen
Total period	150,000	830	430

(Reference) ①Estimated current net profit per share (for total period) 9.56 yen
② Estimated amount of work order received 152,000 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 5 in the attached material for consolidation.

1. Situation of the Corporate Group

Our corporate group (our company and its affiliated company) consists of our company and 11 subsidiary companies, mainly engaged in the business of designing, supervising, and executing electrical, air conditioning, and plumbing/sanitation works.
The position of our corporate 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

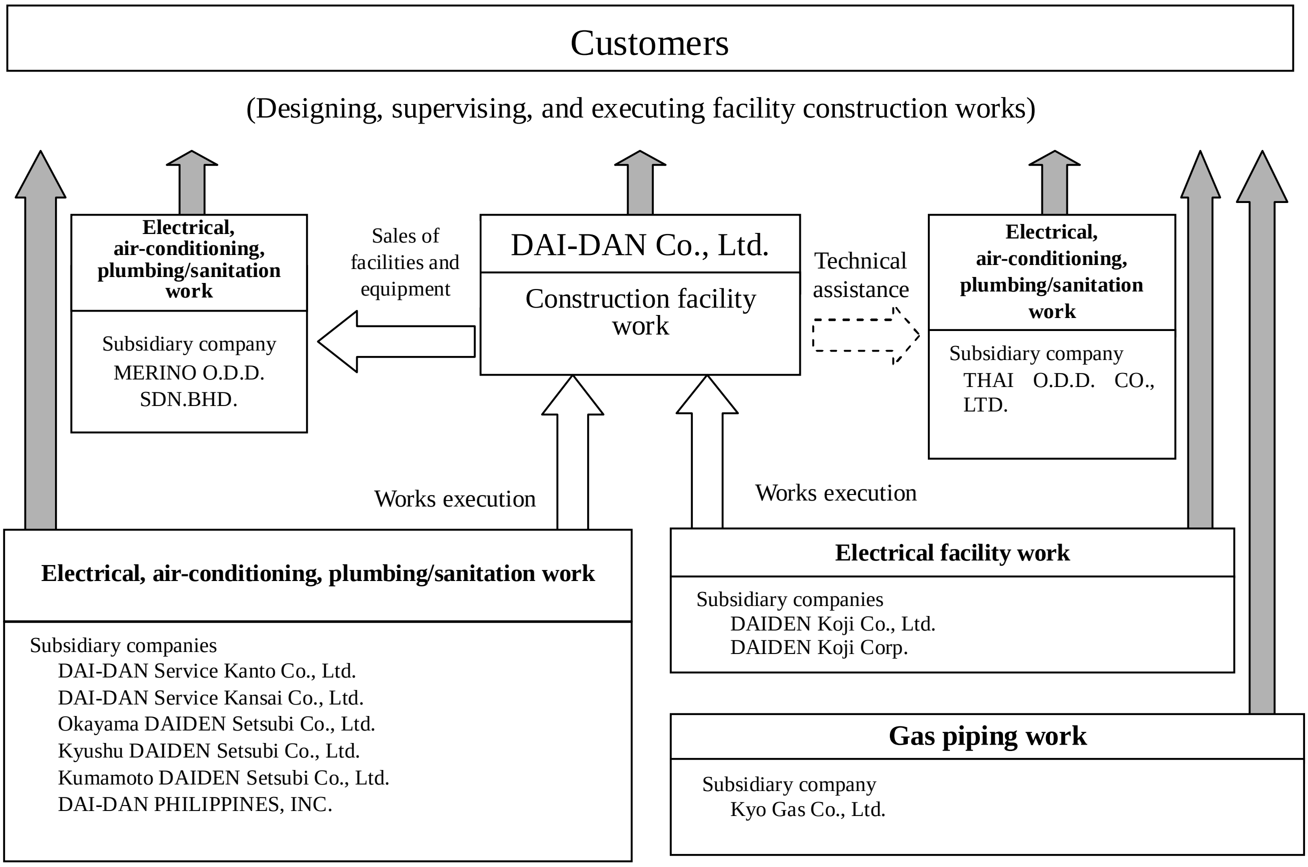
Electrical, air-conditioning, and plumbing/sanitation work

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, we sell facilities and equipment to MERINO O.D.D. SDN. BHD. and provide 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 an integrated facility work contractor, enforces a basic management policy of "challenging to create new values 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 speedy and practical management with an eye toward becoming a vigorous company.

(2) Basic policy on distribution of profits

We make it a basic policy to consider returning our profits to our shareholders through profit sharing as a top-priority management policy, thus working toward building a sound financial structure and further paying stable and continual dividends to them.

(3) Concept and policy on reductions of investment units

Regarding the reductions of investment units, after reviewing this subject from the standpoint of shareholders' benefits, we believe that we are in no situation to carry out these reductions at this time in terms of the level of stock price, number of shareholders, liquidity, cost-effectiveness, and others. However, we will perform continued studies on the reductions of investment units.

(4) Medium- and long-term management strategy and challenges

In accordance with the medium-term management plan "CHALLENGE NEW-DAIDAN 77", which has been carried out since April 2003, we aim at securing revenues through the effective use of management resources for continued business expansion. In this connection, we take the operating profit on shareholders' equity as a targeted management benchmark.

To achieve the aim, we take a specific strategy of stepping up proposal-oriented marketing operations through making use of technologies owned by the company to find new customers and further strengthen our ties with existing customers, thus challenging the expansion of business. Above all, we focus on marketing operations to secure orders for renewal works through the incorporation of our total facility engineering technologies for electrical, air conditioning, and plumbing/sanitation works into those operations.

To achieve order increase for hospital facilities that are in the company's speciality, we obtained a license for the distributor of medical devices with high concentrations in management at our major business establishments.

In October last year, we divided Engineering Division into Production Engineering Division and Technical Development Division and further decided to hold communications conferences of the managers of construction engineering departments from the major business establishments hosted by the Production Engineering Division on a monthly basis from this year. Thus, we rearranged to the organization through which we would sensitively cope with customers' needs and facilitate faster and more effective mobilization of our management resources including human resources. This will enable us to not only secure safety and quality of our products but also achieve cost cutting, leading to an upgraded customer satisfaction and enhanced competitiveness.

In addition, we are pushing ahead with a new procurement system at the Procurement Department of Production Engineering Division, which was set up in January this year.

To address environment concern, since the Kyoto Protocol designed to prevent global warming entered into force in February 2005, we will make further effort to actively respond to new energy technologies, provide technologies developed with consideration given to a reduction in environmental burden such as resource saving and energy saving, recycle resources, and reduce construction wastes.

In particular, we have stepped up the ESCO business capitalizing on our strengths as the integrated facility work contractor, moving ahead with approaches to energy saving.
Furthermore, through making use of the company-wide information system, we are conducting productivity improvement on site and sharing information among departments, and also facilitating cost-cutting activities by combining and streamlining indirect operations.
As to the personnel system, we are pushing ahead with invigorating the corporate organization and making effective use of human resources while fairly handling the company members by the performance- and role-oriented pay system, the revision to which was made in April this year.

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

In order to achieve thorough compliance with the corporate governance and at the same time keep up with tough changes in the management environment, we will enhance the framework of corporate governance for quick and accurate decision-making on essential business challenges.

To ensure fair and effective management, we have adopted an auditing system to make the management organizations shown below operate effectively.

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

Ÿ 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.

Ÿ Management council
The management council has primary members consisting of directors elected by the board of directors and temporary members elected according to the substance to be deliberated and conducts a wide variety of reviews on the planning of management policy and measures and the check on their progress, and further deliberates on corporate management strategies and essential issues regarding to the overall management, thus bringing them up for the board of directors as occasion arises.

Ÿ Meeting of branch office managers
In order to harmonize the company-wide operations, the meeting of branch office managers is 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 each branch are discussed, thus making efforts to make immediate solutions.

As to the company's internal control, we define the work responsibilities and assigned departments according to the official authority regulations to construct a framework through which each department performs its proper operations. Furthermore, important management information is promptly submitted and reported to the board of directors.
As to the internal inspection system, Internal Inspection Division under the direct jurisdiction of the president of our company carries out operation and account audits to properly keep track of the company assets and the status of the progress of operations, thus picking out points at issue and making suggestions about improvement of them on an as-needed basis. At the same time, the results of the audits are reported to the President and the board of directors.

The corporate auditors attend not only the board of directors but also the meeting of branch managers as occasion arises to work for keeping track of the status of progress of the operations of each branch. They also conduct field audits at our headquarters, business establishments, and subsidiary companies to achieve strict audits on the overall operation performance of our company.
As to accounting audits, we have been receiving proper audits in accordance with generally accepted accounting standards by an audit corporation, KPMG AZSA & Co. selected and appointed as an accounting auditor by our company. The certified public accountants that have audited our accounting are Hikoyuki Miwa (four and a half years with continuous audit) and Masahiro Miyahara (two and a half years with the same), who belong to the said audit corporation.

3. Management Record and Financial Standing

(1) Overview of the current mid-term period

During the current mid-term period, economy in our country remained on a recovery trend regardless of the presence of causes for concerns such as steep rises of crude oil and raw material prices, as corporate earnings turned up through steady personal consumption and capital investment.
In the construction industry, however, even though private capital investment was strong, public investment remained on the substantial decline. Furthermore, due to intensified competition resulting from a reduction in total construction investment, the economy continued to be in a severe situation.
Under these circumstances, our corporate group made maximum concerted efforts to secure orders and profits. As a result, the group accomplished the consolidated record for the current term as shown below.
The consolidated amount of work orders received by our corporate group totaled 67,387 million yen (decrease of 2,147 million yen on the previous mid-term period). The amount of work completed totaled 59,864 million yen (increase of 5,190 million yen on the previous mid-term period).
As for the profits, since the works were completed with a concentration in the latter half of the period, operating loss totaled 1,398 million yen (decrease of 392 million yen on the previous mid-term period), ordinary loss totaled 1,196 million yen (decrease of 512 million yen on the previous mid-term period). The net loss for the mid-term period totaled 997 million yen (decrease of 251 million yen on the previous mid-term period).

(2) Financial standing

Status of cash flow
Cash and cash equivalent for the current mid-term consolidated accounting period (hereinafter referred to as “the fund”) increased 59 million yen on the previous consolidated accounting year to 22,771 million yen.

(Cash flow from sales activities)
Cash flow used in sales activities for the current mid-term consolidated accounting period increased 1,511 million yen (increase of 7,056 million yen on the previous mid-term consolidated accounting period) in the fund due to decrease of 15,239 million yen in sales credit and increase of 6,798 million yen in incomplete work received amount, even though the mid-term period net loss before tax adjustments, etc. totaled 1,286 million yen.

(Cash flow from investing activities)
Cash flow used in investing activities for the current mid-term consolidated accounting period increased 455 million yen in the fund (decrease of 2,199 million yen on the previous mid-term consolidated accounting period) thanks to the sell-off of fixed assets and others.

(Cash flow from financing activities)
Cash flow used in financing activities for the current mid-term consolidated accounting period decreased 1,950 million yen (decrease of 2,226 million yen on the previous mid-term consolidated accounting period) in the fund due to paid amount of dividends of 494 million yen and the return of loans having exceeded the earnings by new borrowing by 1,443 million yen and others.

Trend of cash flow index group

	Mid-term period ending September 2003	Period ending March 2004	Mid-term period ending September 2004	Period ending March 2005	Mid-term period ending September 2005
Shareholders' equity ratio	33.4%	35.2%	35.2%	33.8%	34.7%
Shareholders' equity ratio at market value	17.8%	21.6%	21.0%	26.3%	27.3%
Number of debt redemption years	–	–	–	–	7.3 years
Interest coverage ratio	–	–	–	–	14.0 times

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

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

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

(3) Outlook for the full-year period

In the construction industry, it is predicted that the economy will continue to be in a severe situation since the whole construction investment is flat.
Regarding the outlook for the full-year period of our corporate group, we expect the consolidated amount of work orders received of 152,000 million yen, completed work of 150,000 million yen, ordinary profits of 830 million yen, and current net profit of 430 million yen.
Regarding the term-end stock dividends, according to our basic policy on the profit sharing, 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 full-year period will amount to 16 yen per stock.

(4) Business risk, etc.

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

1) Seasonal variation of performance
Our corporate group completes works with many concentrated in the second half of the accounting year, while the selling expenses and general administrative expenses are almost evenly spent in the first and second halves of the accounting year. Consequently, the group performance for the first half has a tendency to result in operating loss.
2) Unrecoverable sales credits
Depending on the rapid worsening of the earning or financial standing of customers, part of sales credits owned by our corporate group can turn unrecoverable.
3) Steep rises of prices of materials and supplies
If it is hard to pass steeply risen prices of equipment and materials on to contract amounts, these prices can have influence on our corporate group performance.
4) Underperforming work
If any underperforming work results from an unexpected increase of construction cost or else arising in the course of construction, it can have influence on our corporate group performance.
5) Decline in values of owned assets due to their declined market prices
For immovable properties or securities owned by the company, if they should be treated as shrinkage loss due to decline in their market prices, that can have influence on our corporate group performance.
6) Disasters and accidents
Our corporate group executes construction on the basis of safety-first and exerts its utmost effort in quality control. However, if an unexpected disaster or accident occurs in the course of construction, it can result in compensation for damage, defect liability, or else and further have influence on the group performance.
7) Fluctuations in country risk and exchange rate
Our corporate group has been expanding its overseas business centering on Southeast Asian markets. The group performance can be influenced by the occurrence of terrorism or political instability, worsening of market conditions, or exchange rate fluctuations.

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, 2005)		Outstanding at the end of the previous mid-term consolidated accounting period (As of September 30, 2004)		Summary consolidated balance sheet of the previous consolidated accounting year (As of March 31, 2005)	
	Amount	Component ratio	Amount	Component ratio	Amount	Component ratio
(Assets)		%		%		%
Current assets						
Cash on hand and in banks	22,798		23,580		22,739	
Note receivables, completed work accounts receivables	43,358		37,267		58,646	
Securities	100		100		100	
Incomplete work expenditures	36,039		32,545		25,319	
Others	7,741		8,190		8,210	
Allowance for bad debts	-228		-238		-251	
Total current assets	**109,810**	83.5	**101,44**5	81.3	**114,764**	84.1
Fixed assets						
Tangible fixed assets	**4,065**		**5,408**		**4,986**	
Intangible fixed assets	**733**		**1,068**		**860**	
Investments and other assets						
Investment securities	13,546		11,592		11,407	
Others	4,125		6,606		5,366	
Allowance for bad debts	-831		-1,293		-845	
Total investments and other assets	**16,840**		**16,905**		**15,928**	
Total fixed assets	**21,639**	16.5	**23,381**	18.7	**21,776**	15.9
Total assets	**131,449**	100.0	**124,827**	100.0	**136,540**	100.0

(in millions of yen)

Accounts / By period	Outstanding at the end of the current mid-term consolidated accounting period (As of September 30, 2005)		Outstanding at the end of the previous mid-term consolidated accounting period (As of September 30, 2004)		Summary consolidated balance sheet of the previous consolidated accounting year (As of March 31, 2005)	
	Amount	Component ratio	Amount	Component ratio	Amount	Component ratio
(Liabilities)		%		%		%
Current liabilities						
Notes payable, work accounts payable	45,674		39,061		56,525	
Short-term loans payable	7,601		8,436		8,496	
Incomplete work accounts received	19,115		20,259		12,316	
Completed work compensation reserves	94		74		76	
Work loss reserves	892		–		592	
Others	5,908		6,272		5,342	
Total current liabilities	**79,286**	60.3	**74,104**	59.4	**83,350**	61.0
Fixed liabilities						
Long-term loans payable	2,715		2,941		3,264	
Reserves for retirement benefits	3,193		3,270		3,216	
Reserves for directors' retirement benefits	492		430		470	
Others	4		7		3	
Total fixed liabilities	**6,406**	4.9	**6,651**	5.3	**6,954**	5.1
Total liabilities	**85,693**	65.2	**80,755**	64.7	**90,305**	66.1
(Minority interest equity)						
Minority interest equity	**125**	0.1	**92**	0.1	**119**	0.1
(Shareholders' equity)						
Capital stock	**4,479**	3.4	**4,479**	3.6	**4,479**	3.3
Capital surplus	**4,782**	3.6	**4,781**	3.8	**4,782**	3.5
Retained earnings	**33,618**	25.6	**33,321**	26.7	**35,112**	25.7
Evaluation difference of other securities	**3,264**	2.5	**1,895**	1.5	**2,264**	1.7
Currency translation adjustment account	**-25**	-0.0	**-48**	-0.0	**-44**	-0.0
Treasury stock	**-488**	-0.4	**-450**	-0.4	**-478**	-0.4
Total capital	**45,630**	34.7	**43,979**	35.2	**46,115**	33.8
Total liabilities, minority interest equity and shareholders' equity	**131,449**	100.0	**124,827**	100.0	**136,540**	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 (From April 1, 2005 to September 30, 2005)		The previous mid-term consolidated accounting period (From April 1, 2004 to September 30, 2004)		Summary of consolidated profit and loss statement of the previous consolidated accounting year (From April 1, 2004 to March 31, 2005)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
		%		%		%
Completed work amount	59,864	100.0	54,673	100.0	156,175	100.0
Completed work cost	56,190	93.9	50,821	93.0	144,316	92.4
Completed work gross profit	3,674	6.1	3,851	7.0	11,859	7.6
Selling expenses and general administrative expenses	5,072	8.4	5,642	10.3	10,468	6.7
Operating profits (- : Loss)	**-1,398**	-2.3	**-1,790**	-3.3	**1,391**	0.9
Non-operating revenue	(327)	0.5	(213)	0.4	(285)	0.2
Interests received	6		6		15	
Dividends received	72		71		120	
Insurance claim received	116		1		1	
Currency translation profit	120		99		73	
Consolidated adjustment account depreciation	–		1		2	
Investment profit by equity method	–		15		15	
Others	10		17		56	
Non-operating expenses	(125)	0.2	(132)	0.2	(264)	0.2
Interest payable	107		109		229	
Others	17		22		35	
Ordinary profits (-)	**-1,196**	-2.0	**-1,709**	-3.1	**1,412**	0.9
Special profits	(265)	0.4	(73)	0.1	(995)	0.6
Profit on sales of fixed assets	237		37		324	
Profit on sales of investments in securities	10		19		671	
Profit gained by returning allowance for bad debts	17		15		–	
Special losses	(355)	0.6	(71)	0.1	(401)	0.2
Loss on sales of fixed assets	196		26		134	
Loss on retirement of fixed assets	5		45		118	
Loss on sales of investments in securities	–		–		2	
Evaluation loss on investments in securities	18		–		8	
Evaluation loss on golf club membership rights	–		–		109	
Shrinkage loss	135		–		–	
Others	–		–		28	
Mid-term period net loss before tax adjustments, etc. (-)	**-1,286**	-2.2	**-1,707**	-3.1	–	
Current net profits before tax adjustments, etc.	–	–	–	–	**2,006**	1.3
Corporate tax, residence tax and business tax	100	0.2	117	0.2	981	0.6
Adjustment amounts such as for corporate taxes	-398	-0.7	-579	-1.0	227	0.2
Profits of minority interests	9	0.0	3	0.0	30	0.0
Mid-term period net loss (-)	**-997**	-1.7	**-1,249**	-2.3	–	–
Current net profit	–	–	–	–	**766**	0.5

(3) Statement of mid-term period consolidated surplus

(in millions of yen)

Accounts / By period	The current mid-term consolidated accounting period (From April 1, 2005 to September 30, 2005)		The previous mid-term consolidated accounting period (From April 1, 2004 to September 30, 2004)		The previous consolidated accounting year (From April 1, 2004 to March 31, 2005)	
	Amount		Amount		Amount	
(Capital surplus)						
Capital surplus balance at the beginning of the period		**4,782**		**4,716**		**4,716**
Increased amount in capital surplus balance						
Profits through disposal of treasury stocks	0	**0**	65	**65**	66	**66**
Capital surplus balance at the end of the mid-term period (the term period)		**4,782**		**4,781**		**4,782**
(Retained earnings)						
Retained earnings balance at the beginning of the period		**35,112**		**35,056**		**35,056**
Retained earnings increased amount						
Net profit for the current term	–	–	–	–	766	**766**
Retained earnings decreased amount						
Shareholders' dividends	494		484		709	
Directors' bonuses	1		1		1	
Mid-term period net loss	997	**1,493**	1,249	**1,734**	–	**710**
Retained earnings balance at the end of the mid-term period (the term period)		**33,618**		**33,321**		**35,112**

(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, 2005 to September 30, 2005)	The previous mid-term consolidated accounting period (From April 1, 2004 to September 30, 2004)	The previous consolidated accounting year (From April 1, 2004 to March 31, 2005)
	Amount	Amount	Amount
I. **Cash flow on sales activities**			
Mid-term period net profit before tax adjustments, etc. (- : Net loss)	-1,286	-1,707	2,006
Depreciation expenses	186	205	392
Consolidated adjustment account depreciation amount	0	-1	-2
Increased or decreased amount of allowance for bad debts	-1	-380	-778
Increased or decreased amount of reserves for retirement benefits and reserves for directors' retirement benefits	-1	-42	-170
Earned interest and dividends received	-79	-78	-135
Interest paid	107	109	229
Investment profit or loss by equity method	–	-15	-15
Shrinkage loss	135	–	–
Evaluation loss on investments in securities	18	–	8
Profit or loss on sales of investments in securities	-10	-19	-668
Profit or loss on sales of fixed assets	-40	-11	-189
Loss on retirement of fixed assets	5	45	118
Increased or decreased amount of sales credits	15,239	10,865	-9,998
Increased or decreased amount of incomplete work expenditures	-10,723	-11,245	-4,018
Increased or decreased amount of procurement credits	-10,851	-10,270	7,194
Increased or decreased amount of incomplete work received amount	6,798	6,269	-1,673
Others	2,887	1,163	-434
Sub-total	2,384	-5,113	-8,136
Received amount of interests and dividends	79	77	136
Paid interest amount	-107	-109	-222
Paid amount of corporate tax, etc.	-844	-399	-522
Cash flow on sales activities	1,511	-5,545	-8,744
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	-49	-99
Revenue by sales of securities	49	49	99
Expenditures by acquiring of beneficial interest in trust	–	-534	-534
Revenue by redemption of beneficial interest in trust	–	3,196	3,196
Expenditures by acquiring of tangible fixed assets	-26	-23	-27
Revenue by sales of tangible fixed assets	786	39	544
Expenditures by acquiring of investment securities	-466	-167	-246
Revenue by sales of investment securities	15	20	1,677
Expenditures by loans	-7	-46	-40
Revenue by recovery of loans	28	44	67
Expenditures by acquiring of other fixed assets	-137	-70	-187
Revenue by sales of other fixed assets	263	196	461
Cash flow on investment activities	455	2,654	4,921
III. **Cash flow on financial activities**			
Revenue by short-term loans	9,743	10,998	29,070
Expenditures by return of short-term loans	-10,156	-10,518	-28,280
Revenue by long-term loans	750	2,050	4,100
Expenditures by return of long-term loans	-1,779	-2,308	-4,286
Expenditures by acquiring of treasury stock	-10	-9	-37
Revenue by sales of treasury stocks	0	549	550
Paid amount of dividends	-494	-484	-709
Paid dividend to minority interests	-2	-0	-0
Cash flow on financial activities	-1,950	276	406
IV. **Translation difference relating to cash and cash equivalents**	41	37	11
V. **Increased or decreased amount of cash and cash equivalents**	59	-2,575	-3,405
VI. **Balance of cash and cash equivalents at the beginning of period**	22,712	26,118	26,118
VII. **Balance of cash and cash equivalents at the end of mid-term period (term end)**	22,771	23,543	22,712

Basic important 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

No non-consolidated or affiliated companies apply to the equity method.

In addition, we sold all shares of CNA ENGINEERS PTE LTD. in November 2004. Consequently, we applied the equity method to this company until the previous mid-term consolidated accounting period and exempted it from the application scope of the equity method at the beginning of the second half of the previous consolidated accounting year.

3. Items relating to the mid-term period account closing date and others of consolidated subsidiaries

Out of the consolidated subsidiaries, the 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) Work loss reserves

In order to provide against future loss caused by work orders received in hand, we record an estimated amount of loss for works, which are highly likely to cause loss and the amount of which can be reasonably estimated.

As to loss estimated relevant to work orders received in hand, we conventionally treated it by reducing the amount of incomplete work expenditures. However, we made a change to an accounting procedure by which the loss estimated is recorded as work loss reserves in the liabilities (current liabilities) section of the consolidated balance sheet, from the second half of the previous consolidated accounting year.

This change was made to review the processing of estimated loss relevant to work orders received in hand in the second half of the previous consolidated accounting year and to change the recording section in the consolidated balance sheet, thus treating the loss by reducing the amount of incomplete work expenditures for the previous mid-term consolidated accounting period. Therefore, even if the accounting procedure that was changed during the previous mid-term consolidated accounting period is applied to, there will be no influence on the profit and loss.

Furthermore, the amount, which was deducted from the incomplete work expenditures of the previous mid-term consolidated accounting period, was 936 million yen.

4) 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 the current mid-term consolidated accounting 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 will treat them using an amount proportioned by the specific identification method with a specified number of years (i.e., ten 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.

Since the second half of the previous consolidated accounting year, we have applied the "Partial revision to "Accounting standards regarding retirement benefits"" (No. 3 of Corporate accounting standards dated March 16, 2005) and the "Application Guideline regarding the partial revision to "Accounting standards regarding retirement benefits"" (No. 7 of Corporate accounting standards dated March 16, 2005) and made a change to the accounting procedure for unrecognized pension assets. This change produced a decrease of 83 million yen in the operating loss, ordinary loss, and mid-term net loss before tax adjustment, etc. for the current mid-term consolidated accounting period, compared to those recorded by applying the same accounting procedure as that for the previous mid-term consolidated accounting period.

5) Reserves for directors' retirement benefits

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

(4) Important leases treating method

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

(5) Important hedge accounting method

1) Hedge accounting method: Preferential treatment has been adopted.

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

3) Hedging policy
In order to hedge risks associated with interest rate fluctuations, we have been using derivatives to prepare for interest expenses for long-term loans.
Furthermore, we do not hold derivatives for speculation purpose.

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

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

1) Completed works amount recording basis
Work completion basis is adopted. To some of works, however, we apply deferred payment standards under Corporation Tax Law, thus counting the amount equivalent to profits corresponding to uncollected amount in the completed work costs to reschedule the profits.
Furthermore, our overseas consolidated-subsidiaries record the completed works amount on the work progressing basis.

Unearned profit realized amount	13 million yen
Unearned profit deducted amount	– million yen
Total	13 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 that mature within three months after the acquisition date, and short-term investments that have no fixed maturity or redemption date, facilitate cash-out, and take a slight risk of price fluctuations.

(Changes of basic important items for producing mid-term period consolidated financial statements)
Accounting standards relating to the shrinkage loss of fixed assets
Since the current mid-term consolidated accounting period, we have applied the “Accounting standards relating to loss due to the shrinkage loss of fixed assets” (“Statement position regarding the establishment accounting standards relating to loss due to the shrinkage loss of fixed assets” (published on August 9, 2002 by the Business Accounting Council)) and the “Application Guideline for accounting standards relating to loss due to the shrinkage loss of fixed assets” (Business Accounting Standards Application Guideline No. 6 published on October 31, 2003 by the Business Accounting Standards Committee).
These changes resulted in an increase of 135 million yen in the mid-term net loss before tax adjustments, etc.
Furthermore, the accumulated shrinkage loss was directly deducted from the amount of each asset under the regulations concerning mid-term consolidated financial statements.

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 year
1. Accumulated amount of depreciation of tangible fixed assets	4,205	4,983	4,813
2. Amount of transfer of endorsed notes receivable	30	17	18
3. Pledged assets and secured liabilities			
(1) Assets given as security			
Time deposit	27	27	27
Investment securities	1,096	1,551	1,007
(2) Liabilities for the above			
Work payable	–	–	245
Long-term loans expecting to return within 1 year.	329	443	361
Long-term loans	322	226	379
Liabilities of investing companies	9,732	–	676
(Amount equivalent to investment ratio of our company)	(442)	(–)	(135)

[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 year
Salaries and allowances to employees	1,639	1,863	3,464
Reserves for retirement benefits	223	298	434
Amounts transferred from reserves for directors' retirement benefits	39	39	79
Amount of computers	607	626	1,206
Communication and transportation expenses	443	475	916
Amounts transferred from allowance for bad debts	16	175	35
Depreciation expenses	185	198	377
2. Amounts transferred from allowance for bad debts, included in evaluation loss on golf club membership rights, etc.	–	–	67

3. Seasonal variations of the amount of completed works

As for amount of completed works with our corporate group, since works to be completed during the second half of the accounting year absorb a larger percentage compared to those to be completed during the first half as normal business pattern of the company, there is a substantial difference in the amount of completed works between the first and second halves of the consolidated accounting year, thus resulting in seasonal variations of the performance between the first and second halves of the accounting year.

The following section shows the amount of completed works for one year through the end of the current mid-term consolidated accounting period.

Second half of the previous consolidated accounting year	101,502 million yen
Current mid-term consolidated accounting period	59,864 million yen
Total	161,366 million yen

4. Paid amount of taxes and adjusted amount of corporate taxes, etc. 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 accounting year.

5. Shrinkage loss

For the current mid-term consolidated accounting period, our corporate group recorded shrinkage loss for the asset group listed in the table below.

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

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

Due to falling land prices or else, we reduced the book values to the recoverable values and recorded the decrease concerned as shrinkage loss (of 135 million yen) in the special losses.

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

[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 accounting year
Cash and deposit accounts	22,798	23,580	22,739
Securities account	100	100	100
Total	22,899	23,680	22,840
Time deposits with time period of more than three months	-27	-37	-27
Securities other than add-on type bond investment trusts	-100	-100	-100
Cash and cash equivalent objects	22,771	23,543	22,712

[Relating to leases]

Since we have been proceeding with online disclosure 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, 2005).

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			
j 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			
j Stocks	4,781	10,314	5,532
k Bonds			
Corporate bonds	2	3	1
Total	4,784	10,318	5,534

(Note) The values listed in the "Acquisition cost" column all represent book values after shrinkage loss is treated.

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	
j Discount bank debentures	99
k Unlisted foreign bonds	0
Total	100
(2) Other securities	
j Unlisted stocks	3,028
Total	3,028

(Note) For the other securities with no valuation at the market price, 18 million yen was treated as shrinkage loss.

The following section describes securities at the end of the previous 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			
j 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			
j Stocks	4,956	8,177	3,220
k Bonds			
Corporate bonds	2	3	0
l Others	102	93	-8
Total	5,061	8,273	3,212

(Note) The values listed in the "Acquisition cost" column all represent book values after shrinkage loss is treated.

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	
j Discount bank debentures	99
k Unlisted foreign bonds	0
Total	100
(2)Other securities	
j Unlisted stocks (excluding over-the-counter stocks)	2,686
Total	2,686

The following section describes securities at the end of the previous fully-year consolidated accounting period (as of March 31, 2005).

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			
j 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			
j Stocks	4,698	8,534	3,836
k Bonds			
Corporate bonds	2	3	1
Total	4,701	8,538	3,837

(Note) The values listed in the "Acquisition cost" column all represent book values after shrinkage loss is treated.

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	
j Discount bank debentures	99
k Unlisted foreign bonds	0
Total	100
(2) Other securities	
j Unlisted stocks	2,668
Total	2,668

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

6. Relating to Derivatives

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

7. Segment Information

1. Business segments information

For the current mid-term consolidated accounting period (April 1, 2005 to September 30, 2005), the previous mid-term consolidated accounting period (April 1, 2004 to September 30, 2004) and the previous full-year consolidated accounting period (April 1, 2004 to March 31, 2005),

Since our corporate group is engaged in facility construction works, there are no business types other than those. Consequently, the reference to business segments information is omitted.

2. Geographic segments information

For the current mid-term consolidated accounting period (April 1, 2005 to September 30, 2005), the previous mid-term consolidated accounting period (April 1, 2004 to September 30, 2004), and the previous full-year consolidated accounting period (April 1, 2004 to March 31, 2005),

Since the total sales amount of all segments of "Japan" exceeds 90%, the reference to geographic segments information is omitted.

3. Overseas sales

For the current mid-term consolidated accounting period (April 1, 2005 to September 30, 2005), the previous mid-term consolidated accounting period (April 1, 2004 to September 30, 2004), and the previous full-year consolidated accounting period (April 1, 2004 to March 31, 2005),

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