

Brief Report on the Mid-term Financial Statements for the Period Ending March 2007 (Consolidated)

November 16, 2006

Name of listed company: DAI-DAN Co., Ltd. Listed Stock Exchanges: Tokyo and Osaka
 Code No.: 1980 Location of Head Office: Osaka Pref.
 (URL <http://www.daidan.co.jp/>)
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 Date of Directors' meeting on closing accounts: November 16, 2006
 Adoption of American Accounting Standards: None

1. Consolidated performance for the mid-term period ended September, 2006 (From April 1, 2006 to September 30, 2006) (1) Consolidated management performance (Note: Amounts are indicated with figures less than 1 million yen discarded.)

	Sales amount		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
Mid-term period ended Sept. 2006	62,179	3.9	-1,131	—	-1,000	—
Mid-term period ended Sept. 2005	59,864	9.5	-1,398	—	-1,196	—
Period ended March 2006	151,859		-1,192		-713	

	Current net profit (mid-term)		Current net earnings per share (mid-term)		Current net earnings per share after making potential share adjustments (mid-term)	
	Million yen	%	Yen	Sen	Yen	Sen
Mid-term period ended Sept. 2006	-882	—	-19.63		—	
Mid-term period ended Sept. 2005	-997	—	-22.18		—	
Period ended March 2006	-810		-18.06		—	

Note: 1) Investment profit or loss on equity method Mid-term period ended September 2006: - million yen, Period ended March 2006: - million yen
 2) Interim average number of shares (consolidated) Mid-term period ended September 2006: 44,944,333 shares Mid-term period ended September 2005: 44,984,195 shares
 3) Changes in accounting procedures: None Period ended March 2006: 44,972,761 shares
 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. 2006	127,868	45,281	35.3	1,007.57
Mid-term period ended Sept. 2005	131,449	45,630	34.7	1,014.54
Period ended March 2006	130,362	47,402	36.4	1,054.52

Note: Issued number of shares at the end of period (consolidated)
 Mid-term period ended September 2006: 44,940,724 shares
 Mid-term period ended September 2005: 44,976,550 shares
 Period ended March 2006: 44,950,183 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. 2006	818	-14	-947	22,983
Mid-term period ended Sept. 2005	1,511	455	-1,950	22,771
Period ended March 2006	1,072	1,824	-2,539	23,139

(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. Estimate of consolidated performance for the period ending March 2007 (From April 1, 2006 to March 31, 2007)

	Sales amount	Ordinary profit	Current net profit
	Million yen	Million yen	Million yen
Total period	145,000	1,450	780

(Reference) • Estimated current net profit per share (for total period) 17.36 yen
 , Estimated amount of work order received 145,000 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 consists of our company, 11 consolidated subsidiaries, and one non- consolidated subsidiary, 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

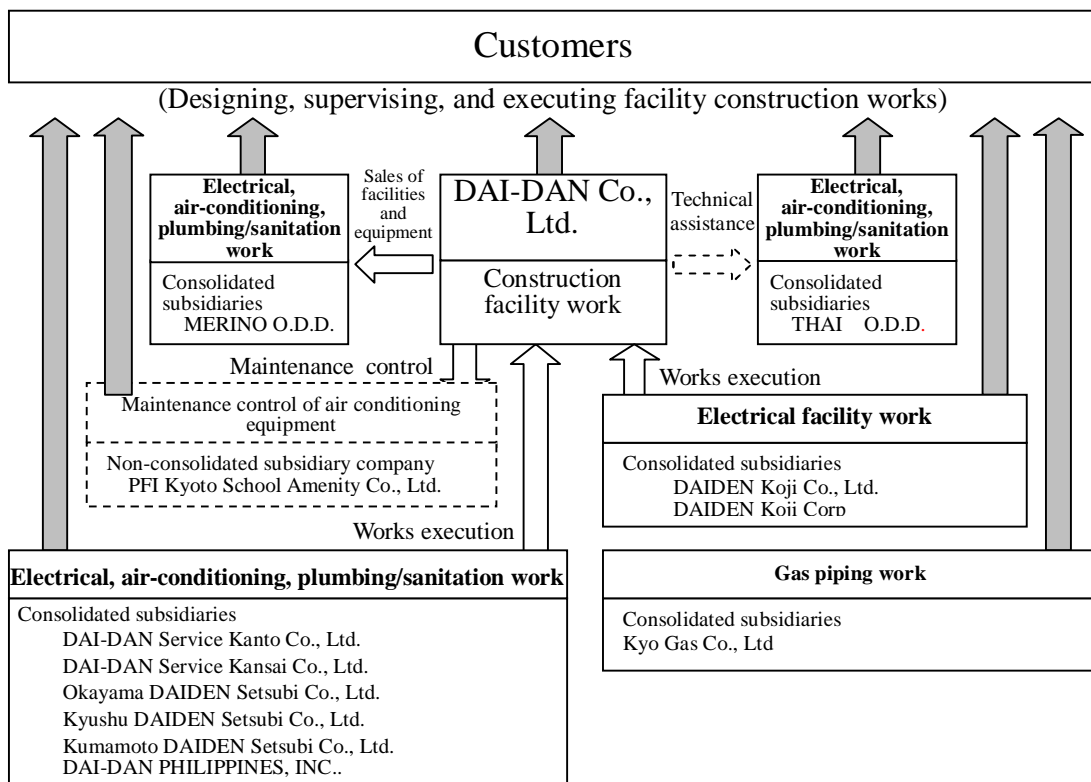
Electrical, air-conditioning, and plumbing/sanitation work

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.

(2) Systematic chart of business



2. Management Policies

(1) Basic policy on management

The 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 “DAIDAN Evolution 80” for the three years from fiscal 2006 (the 78th Term) to fiscal 2008 (the 80th Term), we are making a company-wide concerted effort with the aim of securing earnings that enable continued progress of the Company and also establishing a structural basis for future growth.

To be more specific, we are working toward finding new customers and strengthening our ties with existing customers, thus challenging the expansion of business. Particularly, we are focusing on marketing operations to secure orders for renewal works through capitalizing on our total facility engineering technologies for electrical, air conditioning, plumbing and sanitation works, and others. Furthermore, we are stepping up efforts to expand business in plant projects and others with recent boosts in private capital investments. To accomplish those challenges, we are pushing ahead with technical development through predicting the trends of customer needs as well as conducting proposal-oriented marketing activities by the use of technologies owned by the Company.

As to construction works, we ensure steady implementation of construction review sessions and completion assessment sessions to enhance communications, thus not only achieving provision of quality and safety but also accomplishing cost cutting.

As to challenges to environmental issues, we are working toward recycling resources, cutting in construction wastes, and others, and also providing technologies developed with consideration given to reduction in environmental burdens such as resource saving and energy saving. Particularly, we upgrade energy saving proposals capitalizing on our strength as a total facility construction work contractor, thus pressing on with involvement in the ESCO business.

Furthermore, with the aim of further invigorating and upskilling human resources, we are proceeding with the establishment of a continued education and training system directly linked to working knowledge for engineers. Thus, we will rebuild the “DAI-DAN with Proud Technologies” as well as be committed ourselves to enhancing customer satisfaction and strengthening cost competitiveness. In addition, to accomplish this medium-term management plan, we will establish a scheme to periodically check for the progress of a variety of measures taken, thus working for steadily achieving the goal.

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

(5) Issues relating to the parent company

Not applicable.

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 an upturn, even though it is mild, 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, even though private capital investment continued strong, public investment remained on the decline. Furthermore, due to intensified price-cutting competition, the construction business continued to be in a severe situation.

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

The consolidated amount of work orders received by our corporate group increased 15.6% (increased by 10,508 million yen) compared with the previous mid-term period to 77,895 million yen. The amount of work completed increased 3.9% (increased by 2,314 million yen) compared with the previous mid-term period to 62,179 million yen.

As for the profits, since the works were completed with a concentration in the latter half of the period,

operating loss totaled 1,131 million yen (decrease of 266 million yen on the previous mid-term period), ordinary loss totaled 1,000 million yen (decrease of 195 million yen on the previous mid-term period). As a result, the net loss for the mid-term period totaled 882 million yen (decreased of 115 million yen on the previous mid-term period).

(2) Financial standing

Status of cash flow

Cash and cash equivalent for the end of the current mid-term consolidated accounting period (hereinafter referred to as “the fund”) declined 155 million yen compared with the end of the previous consolidated accounting year to 22,983 million yen.

(Cash flow from sales activities)

Cash flow relating to sales activities for the current mid-term consolidated accounting period increased 818 million yen (declined 693 million yen compared with the previous mid-term consolidated accounting period) in the fund, due to accounts receivable declined by 13,199 million yen, incomplete work expenditures increased by 10,835 million yen, incomplete work accounts receivable increased by 3,245 million yen, and other factors, even though the current mid-term period net profit before tax adjustments, etc. amounted to minus 991 million yen.

(Cash flow from investing activities)

Cash flow relating to investing activities for the current mid-term consolidated accounting period declined 14 million yen in the fund (declined 470 million yen compared with the previous mid-term consolidated accounting period) due to making fixed deposits in banks and other factors.

(Cash flow from financing activities)

Cash flow relating to financing activities for the current mid-term consolidated accounting period declined 947 million yen (declined 1,002 million yen compared with the previous mid-term consolidated accounting period) in the fund due to paid amount of dividends of 494 million yen and aggressive repayment of loans, which exceeded the earnings by new borrowing by 444 million yen, and other factors.

Trend of cash flow index group

	Mid-term period ending September 2004	Period ending March 2005	Mid-term period ending September 2005	Period ending March 2006	Mid-term period ending September 2006
Shareholders' equity ratio	35.2%	33.8%	34.7%	36.4%	35.3%
Shareholders' equity ratio at market value	21.0%	26.3%	27.3%	30.1%	23.2%
Number of debt redemption years	—	—	7.3 years	9.9 years	12.4 years
Interest coverage ratio	—	—	14.0 times	5.5 times	9.9 times

Shareholders' equity ratio:

Shareholders' equity/Total assets

Shareholders' equity ratio at market value: Aggregate market value of shares/Total assets

Number of debt redemption years: $\text{Interest-bearing debt} / \text{Operating cash flow}$

Interest coverage ratio: $\text{Operating cash flow} / \text{Interest paid}$

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

* The total market value of stocks is calculated by Closing stock price at the end of term \times Issued number of stocks at the end of term (after deduction of common stocks)

* 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 private capital investments will continuously show steady transition, but that public investments will remain sluggish and order receiving environments will still be in a severe situation due to intensified cost-cutting competition.

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

(4) Business risk, etc.

The following section describes risks that may have significant influence on the judgment of investors regarding the business of our corporate group. In this connection, our corporate group will recognize the potential for these risks to occur and then make 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, unexpected legislative modifications/amendments, 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)

By period Accounts	Outstanding at the end of the current mid-term consolidated accounting period (As of September 30, 2006)		Outstanding at the end of the previous mid-term consolidated accounting period (As of September 30, 2005)		Summary consolidated balance sheet of the previous consolidated accounting year (As of March 31, 2006)	
	Amount	Component ratio %	Amount	Component ratio %	Amount	Component ratio %
(Assets)						
Current assets						
Cash on hand and in banks	23,210		22,798		23,166	
Note receivables, completed work accounts receivables	41,733		43,358		54,873	
Securities	300		100		200	
Incomplete work expenditures	33,191		36,039		22,360	
Others	5,218		7,741		6,651	
Allowance for bad debts	-158		-228		-188	
Total current assets	103,495	80.9	109,810	83.5	107,064	82.1
Fixed assets						
Tangible fixed assets	3,614		4,065		3,700	
Intangible fixed assets	473		733		655	
Investments and other assets						
Investment securities	14,828		13,546		16,371	
Others	6,016		4,125		3,140	
Allowance for bad debts	-560		-831		-568	
Total investments and other assets	20,285		16,840		18,942	
Total fixed assets	24,373	19.1	21,639	16.5	23,297	17.9
Total assets	127,868	100.0	131,449	100.0	130,362	100.0
(Liabilities)						
Current liabilities						
Notes payable, work accounts payable	47,985		45,674		49,353	
Short-term loans payable	7,684		7,601		7,721	
Incomplete work accounts received	15,567		19,115		12,322	
Completed work compensation reserves	152		94		92	
Work loss reserves	1,173		892		1,573	
Others	5,075		5,908		5,894	
Total current liabilities	77,639	60.7	79,286	60.3	76,956	59.0
Fixed liabilities						
Long-term loans payable	1,845		2,715		2,253	
Reserves for retirement benefits	2,501		3,193		2,360	
Reserves for directors' retirement benefits	573		492		532	
Others	27		4		697	
Total fixed liabilities	4,948	3.9	6,406	4.9	5,843	4.5
Total liabilities	82,587	64.6	85,693	65.2	82,800	63.5
(Minority interest equity)						
Minority interest equity	—	—	125	0.1	158	0.1

(in millions of yen)

By period Accounts	Outstanding at the end of the current mid-term consolidated accounting period (As of September 30, 2006)		Outstanding at the end of the previous mid-term consolidated accounting period (As of September 30, 2005)		Summary consolidated balance sheet of the previous consolidated accounting year (As of March 31, 2006)	
	Amount	Component ratio	Amount	Component ratio	Amount	Component ratio
(Net Assets)		%		%		%
Shareholders' equity						
Capital stock	4,479	3.5	—	—	—	—
Capital surplus	4,783	3.7	—	—	—	—
Retained earnings	32,203	25.2	—	—	—	—
Treasury stock	-519	-0.4	—	—	—	—
Total shareholders' equity	40,946	32.0	—	—	—	—
Evaluation / Currency translation difference, etc.						
Evaluation difference of other securities	4,247	3.3	—	—	—	—
Deferred profits and losses on hedges	-1	-0.0	—	—	—	—
Currency translation adjustment account	-59	-0.0	—	—	—	—
Total evaluation / currency translation difference, etc.	4,186	3.3	—	—	—	—
Minority interest equity	148	0.1	—	—	—	—
Total net assets	45,281	35.4	—	—	—	—
Total liabilities and net assets	127,868	100.0	—	—	—	—
(Shareholders' equity)						
Capital stock	—	—	4,479	3.4	4,479	3.4
Capital surplus	—	—	4,782	3.6	4,782	3.7
Retained earnings	—	—	33,618	25.6	33,581	25.8
Evaluation difference of other securities	—	—	3,264	2.5	5,093	3.9
Currency translation adjustment account	—	—	-25	-0.0	-23	-0.0
Treasury stock	—	—	-488	-0.4	-511	-0.4
Total capital	—	—	45,630	34.7	47,402	36.4
Total liabilities, minority interest equity and shareholders' equity	—	—	131,449	100.0	130,362	100.0

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

(in millions of yen)

By period Accounts	The current mid-term consolidated accounting period (From April 1, 2006 to September 30, 2006)		The previous mid-term consolidated accounting period (From April 1, 2005 to September 30, 2005)		Summary of consolidated profit and loss statement of the previous consolidated accounting year (From April 1, 2005 to March 31, 2006)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Completed work amount	62,179	100.0	59,864	100.0	151,859	100.0
Completed work cost	58,587	94.2	56,190	93.9	143,639	94.6
Completed work gross profit	3,591	5.8	3,674	6.1	8,220	5.4
Selling expenses and general administrative expenses	4,723	7.6	5,072	8.4	9,412	6.2
Operating loss (–)	-1,131	-1.8	-1,398	-2.3	-1,192	-0.8
Non-operating revenue	(225)	0.4	(327)	0.5	(707)	0.5
Interests received	11		6		16	
Dividends received	99		72		109	
Insurance claim received	46		116		254	
Currency translation profit	53		120		298	
Others	14		10		28	
Non-operating expenses	(94)	0.2	(125)	0.2	(229)	0.2
Interest payable	85		107		195	
Payment guarantee charge	4		16		23	
Others	5		0		9	
Ordinary loss (–)	-1,000	-1.6	-1,196	-2.0	-713	-0.5
Special profits	(33)	0.0	(265)	0.4	(944)	0.6
Profit on sales of fixed assets	16		237		647	
Profit on sales of investments in securities	–		10		261	
Profit gained by returning allowance for bad debts	17		17		35	
Special losses	(24)	0.0	(355)	0.6	(1,231)	0.8
Loss on sales of fixed assets	6		196		247	
Loss on retirement of fixed assets	10		5		43	
Loss on sales of investments in securities	–		–		0	
Evaluation loss on investments in securities	6		18		139	
Shrinkage loss	–		135		135	
Special loss on overseas work	–		–		658	
Others	–		–		8	
Mid-term (current) period net loss before tax adjustments, etc. (–)	-991	-1.6	-1,286	-2.2	-1,000	-0.7
Corporate tax, residence tax and business tax.	77	0.1	100	0.2	176	0.1
Adjustment amounts such as for corporate taxes	-179	-0.3	-398	-0.7	-410	-0.3
Profits or losses of minority interests (–)	-7	-0.0	9	0.0	43	0.0
Mid-term (current) period net loss (–)	-882	-1.4	-997	-1.7	-810	-0.5

(3) Statement of mid-term period consolidated surplus

(in millions of yen)

By period Accounts	The previous mid-term consolidated accounting period (From April 1, 2005 to September 30, 2005)		The previous consolidated accounting year (From April 1, 2005 to March 31, 2006)	
	Amount		Amount	
(Capital surplus)				
Capital surplus balance at the beginning of the period		4,782		4,782
Increased amount in capital surplus balance				
Profits through disposal of treasury stocks	0	0	0	0
Capital surplus balance at the end of the mid-term period (the term period)		4,782		4,782
(Retained earnings)				
Retained earnings balance at the beginning of the period		35,112		35,112
Retained earnings decreased amount				
Shareholders' dividends	494		719	
Directors' bonuses	1		1	
Mid-term (current) period net loss (-)	997	1,493	810	1,531
Retained earnings balance at the end of the mid-term period (the term period)		33,618		33,581

(4) Statement of changes in mid-term consolidated shareholders' equity, etc.

Current mid-term consolidated accounting period (from April 1, 2006 to September 30, 2006)

(in millions of yen)

Item	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	4,479	4,782	33,581	-511	42,332
Amount of changes made during mid-term consolidated accounting period					
Acquisition of treasury stock				-9	-9
Disposition of treasury stock		0		1	1
Dividend of earned surplus			-494		-494
Directors' bonuses			-1		-1
Mid-term period net loss			-882		-882
Total amount of changes made during mid-term consolidated accounting period	-	0	-1,378	-7	-1,385
Balance as of September 30, 2006	4,479	4,783	32,203	-519	40,946

Item	Evaluation / Currency translation difference, etc.				Minority interest equity	Total net assets
	Evaluation difference of other securities	Profit or loss on hedge carried forward	Currency translation adjustment account	Total evaluation / currency translation difference, etc.		
Balance as of March 31, 2006	5,093	-	-23	5,070	158	47,561
Amount of changes made during mid-term consolidated accounting period						
Acquisition of treasury stock						-9
Disposition of treasury stock						1
Dividend of earned surplus						-494
Directors' bonuses						-1
Mid-term period net loss						-882
Amount (net amount) of changes made in items other than shareholders' equity during mid-term consolidated accounting period	-846	-1	-36	-883	-10	-894
Total amount of changes made during mid-term consolidated accounting period	-846	-1	-36	-883	-10	-2,280
Balance as of September 30, 2006	4,247	-1	-59	4,186	148	45,281

(5) 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, 2006 to September 30, 2006)	The previous mid-term consolidated accounting period (From April 1, 2005 to September 30, 2005)	The previous consolidated accounting year (From April 1, 2005 to March 31, 2006)
		Amount	Amount	Amount
I. Cash flow on sales activities				
Mid-term (current) period net loss before tax adjustments, etc. (-)		-991	-1,286	-1,000
Depreciation expenses		200	186	377
Consolidated adjustment account depreciation amount		—	0	1
Goodwill depreciation amount		1	—	—
Increased or decreased amount of allowance for bad debts		-36	-1	-148
Increased or decreased amount of reserves for retirement benefits and reserves for directors' retirement benefits		182	-1	-793
Earned interest and dividends received		-110	-79	-126
Interest paid		85	107	195
Shrinkage loss		—	135	135
Evaluation loss on investments in securities		6	18	139
Profit or loss on sales of investments in securities		—	-10	-261
Profit or loss on sales of fixed assets		-9	-40	-400
Loss on retirement of fixed assets		10	5	43
Increased or decreased amount of sales credits		13,199	15,239	3,822
Increased or decreased amount of incomplete work expenditures		-10,835	-10,723	2,957
Increased or decreased amount of procurement credits		-1,368	-10,851	-7,172
Increased or decreased amount of incomplete work received amount		3,245	6,798	5
Others		-2,664	2,887	4,290
Sub-total		914	2,384	2,064
Received amount of interests and dividends		111	79	126
Paid interest amount		-82	-107	-196
Paid amount of corporate tax, etc		-125	-844	-921
Cash flow on sales activities		818	1,511	1,072
II. Cash flow on investment activities				
Expenditures by depositing of time deposits		-200	—	-0
Expenditures by acquiring of securities		-49	-49	-200
Revenue by sales of securities		49	49	99
Expenditures by acquiring of tangible fixed assets		-31	-26	-413
Revenue by sales of tangible fixed assets		45	786	1,796
Expenditures by acquiring of investment securities		-2	-466	-746
Revenue by sales of investment securities		2	15	701
Expenditures by loans		-25	-7	-115
Revenue by recovery of loans		54	28	56
Expenditures by acquiring of other fixed assets		-13	-137	-257
Revenue by sales of other fixed assets		158	263	902
Expenditures by decline in other fixed liabilities		-3	—	—
Cash flow on investment activities		-14	455	1,824
III. Cash flow on financial activities				
Revenue by short-term loans		8,530	9,743	20,313
Expenditures by return of short-term loans		-8,330	-10,156	-20,626
Revenue by long-term loans		800	750	1,962
Expenditures by return of long-term loans		-1,444	-1,779	-3,434
Expenditures by acquiring of treasury stocks		-9	-10	-34
Revenue by sales of treasury stocks		2	0	1
Paid amount of dividends		-494	-494	-719
Paid dividend to minority interests		-1	-2	-2
Cash flow on financial activities		-947	-1,950	-2,539
IV. Translation difference relating to cash and cash equivalents		-11	41	69
V. Increased or decreased amount of cash and cash equivalents		-155	59	426
VI. Balance of cash and cash equivalents at the beginning of period		23,139	22,712	22,712
VII. Balance of cash and cash equivalents at the end of mid-term period (term end)		22,983	22,771	23,139

Basic important items for producing mid-term period consolidated financial statements

1. Items relating to scope of consolidation

- (1) Eleven (11) subsidiaries are included in the consolidated financial statements.
Names of major consolidated subsidiaries are described in “Section 1. Situation of the Corporate Group”.
- (2) Number of non-consolidated subsidiaries: One (1)
The name of non-consolidated subsidiary is as described below.
PFI Kyoto School Amenity Co., Ltd.
- (3) Reason to exclude the non-consolidated subsidiary from the scope of consolidated accounting
The total assets, completed work amount, mid-term net profit/loss (worth the amount of the equity method), earned surplus (worth the amount of the equity method), and other factors all have no significant influence on the mid-term consolidated financial statements so that the company aforementioned is excluded from the scope of consolidation.

2. Items relating to application of the equity method

- (1) We have no non-consolidated subsidiaries or affiliates to which the equity method was applied.
- (2) The following section shows non-consolidated subsidiaries or affiliates to which the equity method is not applied.
PFI Kyoto School Amenity Co., Ltd.
- (3) Reason not to apply the equity method
Since the company aforementioned has minor influence on the mid-term net profit/loss, earned surplus, and other factors and further is of no importance in terms of the overall performance, it is excluded from the scope of application of the equity method.

3. Items relating to the accounting year, etc. 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 sales 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
- (3) Recording basis applied to important allowances and reserves
- 1) Allowance for bad debts
- In order to provide against bad debts due to failure in recovery of completed work accounts due, loans receivable, and others, we review the recoverability of general credits based on the past actual percentage of credit losses and particular credits such as those having bad debts risk based on individual cases, thus recording anticipated unrecoverable amount.
- 2) Allowance for completed work compensation
- This is provided for the purpose of defect compensation for completed works. We record an amount for works to be compensated based on past results plus possibility of future compensation.
- 3) Work loss reserves
- In order to provide against future loss caused by work orders received in hand, we record an estimated amount of loss for works, which are highly likely to cause loss and the amount of which can be reasonably estimated.
- 4) Reserves for 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 shall treat the differences aforementioned using an amount

proportioned by the straight-line method with a specified number of years (i.e., 10 years) within the employees' average remaining length of service at the time of occurrence of the differences during each consolidated accounting year, from the account settled for next consolidated accounting year. In contrast, we process past service obligation as a single unit within the year of occurrence.

Furthermore, as of April 1, 2006, we shifted to the defined contribution pension system for part of the future service portion of the termination allowance plan.

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. For some works, however, we adopt deferred payment standards under Corporation Tax Law, thus counting the amount equivalent to profits corresponding to uncollected amount in the completed work costs to reschedule the profits and to return it at the time of collection. Furthermore, our overseas consolidated-subsiaries record the completed works amount on the work progressing basis.

Unearned profit returned amount	4 million yen
Unearned profit deducted amount	– million yen
Total	4

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 for Presentation of Net Assets in Balance Sheet, etc.)

Since the current mid-term consolidated accounting period, we have applied the “Accounting Standards for Presentation of Net Assets in Balance Sheet” (Corporate Accounting Standard No. 5 published on December 9, 2005) and the “Implementation Guidance on Accounting Standards for Presentation of Net Assets in Balance Sheet, etc.” (Implementation Guidance No. 8 on Corporate Accounting Standards published on December 9, 2005). This application has no influence on profit and loss.

Furthermore, the amount corresponding to the sum of the section on “Shareholders’ equity” under the previous standards is 45,134 million yen.

Due to revision to the Rules for Presenting the Mid-term Consolidated Financial Statements, we have prepared the section on “Net assets” in the mid-term consolidated financial statements for the current mid-term consolidated accounting period in accordance with the revised “Rules for Presenting the 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	3,481	4,205	3,561
2. Amount of transfer of endorsed notes receivable	16	30	28
3. Pledged assets and secured liabilities			
(1) Assets given as security			
Time deposit	27	27	27
Investment securities	535	1,096	603
(2) Liabilities for the above			
Long-term loans expecting to return within 1 year.	347	329	339
Long-term loans	75	322	140
Liabilities of investing companies	33,692	9,732	15,462
(Amount equivalent to investment ratio of our company)	(3,966)	(442)	(536)
4. Accounting for notes that mature on the closing date of the term is processed on the clearing date of the notes. Consequently, since the closing date of the current mid-term consolidated accounting period falls on holiday of financial institutions, the following notes that mature on the closing date of the term are included in the balance as of the closing date of the current mid-term consolidated accounting period.			
Notes receivable	306 million yen		
Notes payable	903		

[Relating to mid-term period consolidated profit and loss statement]

(in millions of yen)

1. The following section describes important expense items and amount out of the selling and general administrative expenses.

	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	1,651	1,639	2,956
Reserves for retirement benefits	-8	223	233
Amounts transferred from reserves for directors' retirement benefits	41	39	79
Amount of computers	516	607	1,136
Communication and transportation expenses	432	443	881
Amounts transferred from allowance for bad debts	21	16	—
Depreciation expenses	198	185	373

2. 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	91,995 million yen
Current mid-term consolidated accounting period	62,179 million yen
Total	154,174 million yen

3. Paid amount of taxes and adjustment amount such as corporate taxes, etc. for the current 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 be reversed by the disposal of predetermined profits in the current consolidated accounting year.

(Relating to statement of changes in mid-term consolidated shareholders' equity)

Current mid-term consolidated accounting period (from April 1, 2006 to September 30, 2006)

1. Items relating to the type and number of issued stocks

Type of stock	End of the previous consolidated accounting year	Increase	Decrease	End of the current mid-term consolidated accounting period
Common stock (in thousands of stocks)	45,963	—	—	45,963

2. Items relating to the type and number of treasury stocks

Type of stock	End of the previous consolidated accounting year	Increase	Decrease	End of the current mid-term consolidated accounting period
Common stock (in thousands of stocks)	1,013	12	2	1,023

(Note) 1 "Increase" results from the purchase of odd-lot stocks.

2 "Decrease" results from the delivery of odd-lot stocks at the request for additional purchase.

3. Items relating to share warrant

Not applicable.

4. Items relating to dividend

(1) Paid amount of dividend

Resolution	Type of stock	Total dividends (in millions of yen)	Dividend per stock (in yen)	Record date	Effective date
Ordinary general meeting of shareholders on June 29, 2006	Common stock	494	11.00	March 31, 2006	June 30, 2006

(2) Dividends having effective date after the end of the current mid-term consolidated accounting period, out of dividends having record date within the current mid-term consolidated accounting period

Resolution	Type of stock	Resource for dividend	Total dividends (in millions of yen)	Dividend per stock (in yen)	Record date	Effective date
Board of directors on November 16, 2006	Common stock	Surplus earnings	224	5.00	September 30, 2006	December 4, 2006

[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	23,210	22,798	23,166
Securities account	300	100	200
Total	23,510	22,899	23,366
Time deposits with time period of more than three months	-227	-27	-27
Securities other than add-on type bond investment trusts	-300	-100	-200
Cash and cash equivalent objects	22,983	22,771	23,139

[Relating to leases]

Since we disclose the Mid-term Financial Report via EDINET, no description of this item is provided.

5. Relating to Securities

The following section describes securities at the end of the mid-term consolidated accounting period (as of September 30, 2006).

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			
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			
Stocks	4,911	12,110	7,198
Total	4,911	12,110	7,198

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

2. Main securities with no valuation at the market value

(in million of yen)

Category	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	
Unlisted stocks	2,700
Total	2,700

(Note) For the other securities with no valuation at the market price, 6 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, 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			
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. Main securities with no valuation at the market value

(in millions of yen)

Category	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	
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 fully-year consolidated accounting period (as of March 31, 2006).

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			
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			
j Stocks	4,909	13,541	8,632
k Bonds			
Corporate bonds	2	4	1
Total	4,912	13,545	8,633

(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)

Category	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	
Unlisted stocks	2,707
Total	2,707

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

6. Relating to Derivatives

Since we disclose the Mid-term Financial Report via EDINET, no description of this item is provided.

7. Segment Information

1. Business segments information

For the current mid-term consolidated accounting period (April 1, 2006 to September 30, 2006), the previous mid-term consolidated accounting period (April 1, 2005 to September 30, 2005) and the previous full-year consolidated accounting period (April 1, 2005 to March 31, 2006),

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, 2006 to September 30, 2006), the previous mid-term consolidated accounting period (April 1, 2005 to September 30, 2005), and the previous full-year consolidated accounting period (April 1, 2005 to March 31, 2006),

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, 2006 to September 30, 2006), the previous mid-term consolidated accounting period (April 1, 2005 to September 30, 2005), and the previous full-year consolidated accounting period (April 1, 2005 to March 31, 2006)

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