

Asahi & Co

DAIHO CORPORATION

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2003 AND 2002
TOGETHER WITH AUDITORS' REPORT**

Asahi & Co

Independent Auditors' Report

To the Shareholders and the Board of Directors of DAIHO CORPORATION:

We have audited the accompanying consolidated balance sheets of DAIHO CORPORATION and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DAIHO CORPORATION and subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan as described in Note 1 to the consolidated financial statements.

The consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

Asahi & Co.

Tokyo, Japan
June 26, 2003

DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2003 and 2002

<u>ASSETS</u>	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Current assets:			
Cash and time deposits (Note 10)	¥ 12,228	¥ 16,560	\$ 101,730
Marketable securities (Note 4)	1,103	3,165	9,176
Receivables:			
Notes and accounts receivable-trade (Note 3)	47,339	42,678	393,835
Short-term loans receivable	342	1,670	2,845
Allowance for doubtful accounts	(240)	(250)	(1,996)
Costs of uncompleted contracts	35,220	37,130	293,012
Deferred tax assets (Note 8)	496	587	4,127
Other current assets	5,907	3,112	49,143
Total current assets	102,395	104,652	851,872
Property and equipment:			
Land	5,805	5,384	48,295
Buildings	6,918	6,913	57,554
Machinery and equipment	13,795	13,960	114,767
	26,518	26,257	220,616
Accumulated depreciation	(15,401)	(14,895)	(128,128)
	11,117	11,362	92,488
Investments and other non-current assets:			
Long-term loans receivable	698	1,101	5,807
Investment securities (Note 4)	4,854	6,236	40,383
Deferred tax assets (Note 8)	4,902	5,084	40,782
Other, non-current assets	2,061	3,248	17,146
Allowance for doubtful loans	(601)	(1,413)	(5,000)
	11,914	14,256	99,118
	¥ 125,426	¥ 130,270	\$ 1,043,478

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2003 and 2002

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Current liabilities:			
Banks loans (Note 5)	¥ 17,689	¥ 21,746	\$ 147,163
Long-term debt due within one year (Note 5)	2,811	944	23,386
Notes and accounts payable-trade (Note 3)	35,117	29,324	292,155
Advances received on uncompleted contracts	23,090	26,515	192,097
Income taxes payable (Note 8)	215	2,055	1,788
Accrued and other current liabilities	6,466	9,080	53,794
Total current liabilities	85,388	89,664	710,383
Long-term debt (Note 5)	70	110	582
Employees' severance and retirement benefits (Note 6)	13,438	12,642	111,797
Other long-term liabilities	638	888	5,308
Minority interests	194	201	1,614
Contingent liabilities (Note 7)			
Shareholders' equity (Note 9):			
Common stock,			
Authorized - 160,000,000 shares			
Issued - 67,170,143 shares	5,100	5,100	42,429
Capital surplus	3,611	3,611	30,042
Retained earnings	17,110	18,131	142,346
Net unrealized gains or losses on securities, net of tax	170	(76)	1,414
Treasury stock, at cost	(293)	(1)	(2,437)
Total shareholders' equity	25,698	26,765	213,794
	¥ 125,426	¥ 130,270	\$ 1,043,478

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Construction revenues	¥ 143,057	¥ 138,225	\$ 1,190,158
Costs and expenses:			
Cost of construction	133,706	127,456	1,112,363
Selling, general and administrative expenses	7,315	7,903	60,857
	<u>141,021</u>	<u>135,359</u>	<u>1,173,220</u>
Operating income	2,036	2,866	16,938
Other income (expenses):			
Interest and dividend income	279	377	2,321
Interest expense	(257)	(264)	(2,138)
Foreign exchange loss, net	(287)	(56)	(2,388)
Provision for doubtful accounts	(134)	(503)	(1,115)
Write-down of marketable and investment securities	(1,683)	(51)	(14,002)
Loss on disposal of property and equipment	(8)	(22)	(66)
Write-down of real estate for sale	(87)	—	(724)
Reversal of allowance for doubtful receivables	11	—	92
Insurance benefit	63	2	524
Other, net	(28)	(77)	(232)
	<u>(2,131)</u>	<u>(594)</u>	<u>(17,728)</u>
Income (Loss) before income taxes and minority interests	(95)	2,272	(790)
Income taxes (Note 8):			
Current	435	2,581	3,619
Deferred	95	(737)	791
Income (Loss) before minority interests	<u>(625)</u>	<u>428</u>	<u>(5,200)</u>
Minority interests in net income of consolidated subsidiaries	(6)	0	(50)
Net income (loss)	<u>¥ (619)</u>	<u>¥ 428</u>	<u>\$ (5,150)</u>

Amounts per share of common stock:	Yen		U.S. dollars (Note 1)
	¥	¥	\$
Net income (loss)	(9.24)	6.37	(0.08)
Diluted net income	—	—	—
Cash dividends applicable to the year	6.00	6.00	0.05

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years ended March 31, 2003 and 22

	Number of shares of common stock (Thousands)	Millions of yen				
		Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains or losses on securities, net of tax	Treasury stock
BALANCE AT MARCH 31, 2001	67,170	¥ 5,100	¥ 3,611	¥ 17,519	¥ 1,042	¥ 0
Net income	—	—	—	428	—	—
Increase in retained earnings due to addition of consolidated subsidiaries	—	—	—	587	—	—
Adjustment of net unrealized gains or losses on securities, net of tax	—	—	—	—	(1,118)	—
Treasury stock	—	—	—	—	—	(1)
Cash dividends paid (¥6 per share)	—	—	—	(403)	—	—
BALANCE AT MARCH 31, 2002	67,170	5,100	3,611	18,131	(76)	(1)
Net loss	—	—	—	(619)	—	—
Adjustment of net unrealized gains or losses on securities, net of tax	—	—	—	—	246	—
Treasury stock	—	—	—	—	—	(292)
Cash dividends paid (¥6 per share)	—	—	—	(402)	—	—
BALANCE AT MARCH 31, 2003	67,170	¥ 5,100	¥ 3,611	¥ 17,110	¥ 170	¥ (293)

	Thousands of U.S. dollars (Note 1)				
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains or losses on securities, net of tax	Treasury stock
BALANCE AT MARCH 31, 2002	\$ 42,429	\$ 30,042	\$ 150,840	\$ (632)	\$ (8)
Net loss	—	—	(5,150)	—	—
Adjustment of net unrealized gains or losses on securities, net of tax	—	—	—	2,046	—
Treasury stock	—	—	—	—	(2,429)
Cash dividends paid (\$0.05 per share)	—	—	(3,344)	—	—
BALANCE AT MARCH 31, 2003	\$ 42,429	\$ 30,042	\$ 142,346	\$ 1,414	\$ (2,437)

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Cash flows from operating activities:			
Net income (loss) before income taxes and minority interests	¥ (95)	¥ 2,272	\$ (790)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	869	954	7,230
Interest and dividend income	(279)	(377)	(2,321)
Interest expense	257	264	2,138
Increase (Decrease) in allowance for doubtful accounts	(822)	374	(6,839)
Provision for employees' severance and retirement benefits	796	656	6,622
Foreign exchange loss(gains), net	99	(48)	824
Loss on disposal of property and equipment	8	22	67
Write-down of real estate for sale	87	—	724
Loss(Gain) on sale of securities	4	(4)	33
Write-down of marketable securities and investment securities	1,683	51	14,002
Write-down of membership rights	1	32	8
Decrease in advance received on uncompleted contracts	(3,424)	(3,789)	(28,486)
Increase in receivables and other current assets	(4,660)	(4,372)	(38,769)
Decrease in inventories	1,839	4,336	15,299
Increase(Decrease) in payables and accrued expenses	5,793	(757)	48,195
Decrease (Increase) in other assets	(1,658)	880	(13,794)
Decrease in other liabilities	(2,864)	(206)	(23,827)
Subtotal	(2,366)	288	(19,684)
Interest and dividend received	279	377	2,321
Interest paid	(257)	(264)	(2,138)
Income taxes paid	(2,274)	(1,124)	(18,918)
Net cash used in operating activities	(4,618)	(723)	(38,419)
Cash flows from investing activities:			
Deposit in a term account	(135)	(40)	(1,123)
Withdrawal from a term account	145	866	1,206
Proceeds from sale of property and equipment	56	32	466
Payment for purchase of property and equipment	(232)	(434)	(1,930)
Purchase of marketable securities	(320)	(1,161)	(2,662)
Proceeds from sale of marketable securities	2,123	1,594	17,662
Purchase of investment securities	(620)	(1,281)	(5,158)
Proceeds from sale of investment securities	—	70	—
Payment for loans receivable	(2,406)	(550)	(20,017)
Collection of loans receivable	3,643	731	30,308
Other, net	(26)	(12)	(216)
Net cash provided by (used in) investing activities	2,228	(185)	18,536
Cash flows from financing activities:			
Decrease in short-term debt	(2,150)	(620)	(17,887)
Repayment of long-term debt	(40)	(1,996)	(333)
Proceeds from issuance of commercial paper	—	1,700	—
Repayment of commercial paper	—	(1,700)	—
Purchase of treasury stock	(292)	(5)	(2,429)
Proceeds from sale of treasury stock	—	4	—
Cash dividends paid	(402)	(403)	(3,345)
Cash dividends paid to minority interests	(1)	(1)	(8)
Net cash used in financing activities	(2,885)	(3,021)	(24,002)
Effect of exchange rate changes on cash and cash equivalents	(46)	3	(383)
Net decrease in cash and cash equivalents	(5,321)	(3,926)	(44,268)
Cash and cash equivalents at beginning of year (Note 10)	17,444	21,010	145,125
Increase in cash and cash equivalents due to increase in the number of subsidiaries	—	360	—
Cash and cash equivalents at end of year (Note 10)	¥ 12,123	¥ 17,444	\$ 100,857

See accompanying notes

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2003 and 2002

1. Basis of presenting consolidated financial statements

DAIHO CORPORATION (the "Company") and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with Japanese GAAP and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2003, which was ¥120.2 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

(1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant inter-company transactions and accounts have been eliminated. Investments in the other subsidiaries and affiliated companies were stated at costs since the Company's equity in net income or retained earnings in such companies were not material.

(2) Translation of foreign currency

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

(3) Revenue recognition

Construction revenues are generally recorded based on the completed-contract method. However, revenues from construction contracts with construction period exceeding one year and total contracted construction revenue exceeding ¥1,500 million (\$12,479 thousand) are recognized on the percentage-of-completion method.

(4) Marketable securities and investment securities

The present accounting standard for financial instruments requires companies to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, or (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities")

The Companies did not have trading securities or held -to-maturity debt securities. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost.

DAIHO CORPORATION
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Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost. If the market value of equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(5)Costs of uncompleted contracts

Costs of uncompleted contracts are stated at accumulated construction costs for each project.

(6)Property and equipment

Property and equipment are stated at cost. Depreciation is computed by the declining-balance method, except for the buildings acquired after March 31, 1998, which are depreciated using the straight-line method.

(7)Software costs

The Company amortizes software costs for internal use using the straight-line method over the estimated useful life (five years).

(8)Allowance for doubtful accounts

The Companies provide allowance for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy.

(9)Employees' severance and retirement benefits

The Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Companies provided allowance for employees' severance and retirement benefits at March 31, 2003 and 2002 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

Prior service costs are recognized in expenses using the straight-line method over 10 years within the average of the estimated remaining service lives of the employees.

Actuarial gains and losses are recognized in expenses using the straight-line method over 10 years within the average of the estimated remaining service lives of the employees commencing with the succeeding period.

(10)Retirement benefits for directors and corporate auditors

The Companies also has a retirement benefit plan for directors and corporate auditors. The liability for directors' and corporate auditors' retirement benefits is accrued at 100% of the amount which would be required to be paid, subject to shareholders' approval, if the directors and corporate auditors severed their service at the balance sheet date.

(11)Bonuses to directors and corporate auditors

As is customary in Japan, bonuses paid to directors and corporate auditors of the Company are accounted for as an appropriation of retained earnings.

(12)Accounting for certain lease transactions

Finance leases which do not transfer ownership to lessees are accounted for as operating leases under accounting principles generally accepted in Japan.

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2003 and 2002

(13) Derivatives and hedge accounting

The present accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
 - (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
 - (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract
2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The consolidated subsidiaries of the Company uses interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of interest rate increases with respect to interest payment of borrowings.

The interest rate swap contracts are subject to risks of interest rate changes.

The derivative transactions are executed in accordance with the resolution of the Board of Directors of the consolidated subsidiaries and information on such transactions is reported regularly to the accounting division of the Company.

As the interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on the hedged items.

(14) Income Taxes

Income taxes comprise corporation, enterprise and inhabitant taxes. The Companies recognize tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income included in the statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences (see Note 8).

(15) Amounts per share of common stock

Net income per share is computed using the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share is not disclosed because potentially dilutive securities are not issued.

Cash dividend per share represents the actual amount applicable to the respective years.

Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2003 and 2002

The adoption of the new accounting standard had no impact on the financial statements.

(16) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(17) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2002 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. Effect of bank holiday on March 31, 2002

As financial institutions in Japan were closed on March 31, 2002, amounts that would normally have been settled on March 31, 2002 were actually collected or paid on the first business day in April. Such amounts were accounted for as if they had been settled on March 31, 2002 as follows.

		Millions of yen		Thousands of U.S dollars
		2003	2002	2003
Notes and accounts receivable-trade	Increased by approximately	¥ —	¥ 272	\$ —
Notes payable, trade	Increased by approximately	—	208	—

4. Market value information for securities

A. The following tables summarize acquisition costs and book values of securities with available fair values as of March 31, 2003 and 2002:

Available-for-sale securities:

(1) Securities with book values exceeding acquisition costs

Type	Millions of yen		
	2002		
	Acquisition cost	Book value	Difference
Equity securities	¥ 1,206	¥ 2,307	¥ 1,101
Bonds	1,496	1,575	79
Others	450	456	6
Total	¥ 3,152	¥ 4,338	¥ 1,186

Type	Millions of yen		
	2003		
	Acquisition cost	Book value	Difference
Equity securities	¥ 1,543	¥ 2,216	¥ 673
Bonds	786	835	49
Others	450	452	2
Total	¥ 2,779	¥ 3,503	¥ 724

DAIHO CORPORATION
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Thousands of U.S. dollars			
2003			
Type	Acquisition cost	Book value	Difference
Equity securities	\$ 12,837	\$ 18,436	\$ 5,599
Bonds	6,539	6,947	408
Others	3,744	3,760	16
Total	\$ 23,120	\$ 29,143	\$ 6,023

(2) Securities with book values not exceeding acquisition costs

Million of yen			
2002			
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 3,270	¥ 2,027	¥ (1,243)
Bonds	874	841	(33)
Others	375	333	(42)
Total	¥ 4,519	¥ 3,201	¥ (1,318)

Million of yen			
2003			
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 1,369	¥ 948	¥ (421)
Bonds	171	168	(3)
Others	322	310	(12)
Total	¥ 1,862	¥ 1,426	¥ (436)

Thousands of U.S. dollars			
2003			
Type	Acquisition Cost	Book value	Difference
Equity securities	\$ 11,389	\$ 7,887	\$ (3,502)
Bonds	1,423	1,398	(25)
Others	2,679	2,579	(100)
Total	\$ 15,491	\$ 11,864	\$ (3,627)

B. The following tables summarize book values of securities with no available fair values as of March 31, 2003 and 2002:

Available-for-sale securities:

Type	Millions of yen		Thousands of U.S. dollars
	Book value		Book value
	2003	2002	2003
Commercial paper	¥ —	¥ 998	\$ —
Unlisted equity securities	1,002	778	8,336
Others	20	79	166

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2003 and 2002

C. Available-for-sale securities with maturities

Millions of yen					
2002					
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bond	¥ 1,433	¥ 1,038	¥ 23	¥ -	¥ 2,494
Others	1,731	-	11	-	1,742
Total	¥ 3,164	¥ 1,038	¥ 34	¥ -	¥ 4,236

Millions of yen					
2003					
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bond	¥ 844	¥ 606	¥ 25	¥ -	¥ 1,475
Others	259	-	8	-	267
Total	¥ 1,103	¥ 606	¥ 33	¥ -	¥ 1,742

Thousands of U.S. dollars					
2003					
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bond	\$ 7,021	\$ 5,042	\$ 208	\$ -	\$ 12,271
Others	2,155	-	67	-	2,222
Total	\$ 9,176	\$ 5,042	\$ 275	\$ -	\$ 14,493

Marketable securities of ¥546 million (\$4,542 thousand) were bonded in lieu of guarantee money for construction at March 31, 2003.

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2003 and 2002

5. Bank loans and long-term debt

Bank loans consisted mainly of short-term notes payable, bearing interest from 0.59% to 1.625 % per annum at March 31, 2003 and from 0.6% to 1.625 % per annum at March 31, 2002, respectively.

Long-term debt at March 31, 2003 and 2002 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Long-term borrowing from banks:			
Unsecured	¥ 110	¥ 1,054	\$ 915
Less amount due within one year	40	944	333
Long term debt	<u>¥ 70</u>	<u>¥ 110</u>	<u>\$ 582</u>

Annual maturities of long-term debt at March 31, 2003 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2004	¥ 40	\$ 333
2005	40	333
2006	30	249
	<u>¥ 110</u>	<u>\$ 915</u>

DAIHO CORPORATION
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March 31, 2003 and 2002

6. Employees' severance and retirement benefits

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2003 and 2002 consists of the following:

	Millions of yen		Thousands of U.S dollars
	2003	2002	2003
Projected benefit obligation	¥ 25,097	¥ 23,381	\$ 208,794
Unrecognized actuarial differences	(4,867)	(3,221)	(40,491)
Unrecognized prior service costs	494	548	4,110
Less fair value of pension assets	(7,286)	(8,066)	(60,616)
	¥ 13,438	¥ 12,642	\$ 111,797

Included in the consolidated statements of operations for the years ended March 31, 2003 and 2002 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S dollars
	2003	2002	2003
Service costs – benefits earned during the year	¥ 924	¥ 962	\$ 7,687
Interest cost on projected benefit obligation	690	684	5,741
Expected return on plan assets	(242)	(251)	(2,013)
Amortization of actuarial differences	351	286	2,920
Amortization of prior service cost	(55)	(4)	(458)
Severance and retirement benefit expenses	¥ 1,668	¥ 1,677	\$ 13,877

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

The discount rate and the rate of expected return on plan assets used by the Companies are 2.5 % and 3.0 %, respectively. Prior service costs are recognized in expenses using the straight-line method over 10 years. Actuarial gains and losses are recognized in income statement using the straight-line method over 10 years commencing with the succeeding year.

7. Contingent liabilities

At March 31, 2003, the Companies were contingently liable as a guarantor of indebtedness of customers aggregating ¥1,394 million (\$11,597 thousand).

The Companies were also contingently liable for trade notes receivable endorsed in the amount of ¥2 million (\$17 thousand).

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8. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rate in Japan of approximately 41.7% for the years ended March 31, 2003 and 2002.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2003 and 2002. No figures are shown for 2003 as a net loss was recorded.

	2003		2002	
Statutory tax rate	—	%	41.7	%
Permanent differences:				
Non-deductible expenses	—		31.2	
Non-taxable income	—		(0.6)	
Per capita inhabitant tax	—		7.5	
Others	—		1.4	
Effective tax rate	—	%	81.2	%

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred tax assets:			
Employees' severance and retirement benefits	¥ 4,764	¥ 4,320	\$ 39,634
Allowance for doubtful accounts	219	386	1,822
Retirement benefit for directors	141	162	1,173
Excess accrued bonuses	145	125	1,206
Enterprise tax payable	18	176	150
Other	400	687	3,328
Total deferred tax assets	5,687	5,856	47,313
Deferred tax liabilities:			
Unrealized gain on securities	(118)	(1)	(981)
Deferred gains on property and equipment	(131)	(142)	(1,090)
Other	(40)	(42)	(333)
Total deferred tax liabilities	(289)	(185)	(2,404)
Net deferred tax assets	¥ 5,398	¥ 5,671	\$ 44,909

The aggregate statutory income tax rate used for calculation of deferred income tax assets and liabilities was 41.7% for the year ended March 31, 2002. The aggregate statutory income tax rate will be reduced for the years commencing on April 1, 2004 or later due to the revised local tax law. At March 31, 2003, the Company and consolidated domestic subsidiaries applied the reduced aggregate statutory income tax rate of 40.2% for calculating deferred tax assets and liabilities that are expected to be recovered or settled in the years commencing on April 1, 2004 or later. As a result, deferred tax assets decreased by ¥163 million (\$1,356 thousand) and provision for deferred income taxes increased by ¥168 million (\$1,398 thousand) compared with what would be reported using the currently applicable tax rate of 41.7%.

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9. Shareholders' equity

Under the Commercial Code of Japan (the "Code"), the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. Prior to the revision in the Code effective October 1, 2001, such appropriations as a legal earnings reserve were required until the amount of legal earnings reserve equaled 25% of common stock.

The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distributions or certain other purposes by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Commercial Code of Japan.

Effective April 1, 2002, the Company adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reversal of Statutory Reserves", issued by the Accounting Standards Board of Japan on February 21, 2002).

The adoption of the new accounting standard had no impact on the financial statements.

10. Cash and cash equivalents

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S dollars
	2003	2002	2003
Cash and time deposits	¥ 12,228	¥ 16,560	\$101,730
Less: Time deposits with maturities exceeding three months	(105)	(115)	(873)
Add: Short-term highly liquid investments with maturities of not exceeding three months	—	999	—
Cash and cash equivalents	<u>¥ 12,123</u>	<u>¥ 17,444</u>	<u>\$100,857</u>

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11. Leases

(A) Information of finance leases accounted for as operating leases

- (1) A summary of assumed amounts of acquisition cost inclusive of interest, accumulated depreciation and net book value at March 31, 2003 and 2002 of finance leases that do not transfer ownership to the lessee is as follows

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Machinery and equipment:			
Acquisition cost	¥ 143	¥ 205	\$ 1,190
Accumulated depreciation	73	123	607
Net book value	¥ 70	¥ 82	\$ 583

- (2) Future lease payments inclusive of interest at March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Amount due within one year	¥ 27	¥ 33	\$ 225
Amount after one year	43	49	358
Total	¥ 70	¥ 82	\$ 583

- (3) Lease payments and depreciation equivalent for the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Lease payment	¥ 34	¥ 35	\$ 283
Depreciation equivalent	34	35	283

- (4) Calculation of depreciation equivalent

Assumed depreciation amounts are computed using the straight-line method over the lease terms assuming no residual value.

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12. Segment information

(A) Business segment information

The Company and its consolidated subsidiaries are primarily engaged in construction business. As the amounts of net revenues, operating income and total assets from construction business of the Company and its consolidated subsidiaries constituted more than 90% of the consolidated totals for both the years ended March 31, 2003 and 2002, the disclosure of business segment information has been omitted.

(B) Geographical segment information

The disclosure of geographical segment information has omitted as net revenues and total assets in Japan constituted more than 90% of the consolidated totals for both the years ended March 31, 2003 and 2002.

(C) Overseas revenues information

For the year ended March 31, 2002 overseas revenues information was not required to be disclosed as overseas revenues are less than 10% of consolidated revenues.

For the year ended March 31, 2003 overseas revenues of the Company and its consolidated subsidiaries are summarized as follows:

	Millions of yen		
	2003		
	Southeast Asia	Others	Total
Overseas revenues	¥ 16,370	¥ 43	¥ 16,413
Consolidated revenues	—	—	143,057
Ratio of overseas revenues to consolidated revenues	11.4%	0.0%	11.5%

	Thousands of U.S. dollars		
	2003		
	Southeast Asia	Others	Total
Overseas revenues	\$ 136,189	\$ 358	\$ 136,547
Consolidated revenues	—	—	1,190,158
Ratio of overseas revenues to consolidated revenues	11.4%	0.0%	11.5%