KPMG

DAIHO CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2005 AND 2004
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

KPMG AZSA & Co.
June 2005

KPMG

Independent Auditors' Report

To the Board of Directors of DAIHO CORPORATION:

We have audited the accompanying consolidated balance sheets of DAIHO CORPORATION and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 consolidated subsidiaries as of March 31, 2005 and 2004, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2005

DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2005 and 2004

ASSETS	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Current assets:			
Cash and time deposits (Notes 4 and 11)	¥ 18,532	¥ 27,060	$ 172,551
Marketable securities (Notes 3 and 4)	1,119	366	10,419
Receivables:			
Trade notes and accounts receivable	51,246	57,954	477,151
Short-term loans receivable	108	290	1,006
Allowance for doubtful accounts	(263)	(287)	(2,449)
Costs of uncompleted contracts	51,852	58,123	482,793
Deferred tax assets (Note 9)	1,187	702	11,052
Other current assets	7,553	11,817	70,326
Total current assets	131,334	156,025	1,222,849
Property and equipment:			
Land	6,530	6,010	60,801
Buildings	7,193	7,025	66,974
Machinery and equipment	12,735	12,840	118,575
Construction in progress	5	10	47
	26,463	25,885	246,397
Accumulated depreciation	(15,091)	(14,966)	(140,512)
	11,372	10,919	105,885
Investments and other non-current assets:			
Long-term loans receivable	668	655	6,220
Investment securities (Notes 3 and 4)	7,843	9,206	73,026
Deferred tax assets (Note 9)	6,232	6,414	58,026
Other non-current assets (Note 4)	4,852	3,169	45,177
Allowance for doubtful accounts	(2,868)	(1,073)	(26,704)
	16,727	18,371	155,745
	¥ 159,433	¥ 185,315	$ 1,484,479

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2005 and 2004

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Current liabilities:			
Banks loans (Note 5)	¥ 19,551	¥ 21,360	$ 182,039
Long-term debt due within one year (Note 5)	30	40	279
Trade notes and accounts payable	45,962	55,214	427,952
Advances received on uncompleted contracts	34,755	35,634	323,603
Income taxes payable (Note 9)	3,201	1,327	29,805
Deferred tax liabilities (Note 9)	267	2,830	2,486
Allowance for losses on construction contracts	291	—	2,709
Accrued and other current liabilities (Note 8)	9,132	15,752	85,028
Total current liabilities	113,189	132,157	1,053,901
Long-term liabilities:			
Long-term debt (Note 5)	—	30	—
Deferred tax liabilities (Note 9)	3	3	28
Consolidated adjustment accounts(Note8)	4,801	6,001	44,702
Employees' severance and retirement benefits (Note 6)	9,175	12,211	85,428
Allowance for losses on construction contracts	2,954	2,834	27,505
Other long-term liabilities	3,598	4,191	33,501
Total long-term liabilities	20,531	25,270	191,164
Minority interests	262	188	2,440
Contingent liabilities (Note 7)			
Shareholders' equity (Note 10):			
Common stock,			
Authorized - 160,000,000 shares			
Issued - 67,170,143 shares	5,100	5,100	47,486
Capital surplus	3,611	3,611	33,622
Retained earnings	15,685	17,319	146,043
Net unrealized gains on securities, net of tax	1,899	2,211	17,681
Treasury stock, at cost	(844)	(541)	(7,858)
Total shareholders' equity	25,451	27,700	236,974
	¥ 159,433	¥ 185,315	$ 1,484,479

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Construction revenues	¥ 166,875	¥ 137,323	$ 1,553,771
Costs and expenses:			
Cost of construction	156,479	128,743	1,456,974
Selling, general and administrative expenses	9,342	6,880	86,983
	165,821	135,623	1,543,957
Operating income	1,054	1,700	9,814
Other income (expenses):			
Interest and dividend income	130	130	1,210
Interest expense	(229)	(214)	(2,132)
Amortization of consolidated adjustment accounts(Note8)	1,206	–	11,229
Provision for doubtful accounts	(1,817)	(516)	(16,918)
Loss on business acquisition(Note8)	(894)	–	(8,324)
Loss on construction contracts	(2,077)	(1,456)	(19,339)
Gain on the release from the substitutional portion of the Employee's Pension Fund (Note 6)	–	1,822	–
Gain on dissolution of the Emploees' Pension Fund (Note 6)	929	–	8,650
Gain on sale of investment securities (Note 3)	1,041	727	9,693
Other, net	(22)	(361)	(205)
	(1,733)	132	(16,136)
Income (loss) before income taxes and minority interests	(679)	1,832	(6,322)
Income taxes (Note 9):			
Current	3,223	1,474	30,009
Deferred	(2,657)	(248)	(24,739)
Income (loss) before minority interests	(1,245)	606	(11,592)
Minority interests	7	5	65
Net income (loss)	¥ (1,252)	¥ 601	$ (11,657)

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income (loss)	¥ (19.88)	¥ 9.34	$ (0.19)
Cash dividends applicable to the year	6.00	6.00	0.06

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years ended March 31, 2005 and 2004

	Number of shares of common stock (Thousands)	Millions of yen				
		Common stock	Capital surplus	Retained earnings	Net unrealized gains(losses) on securities, net of tax	Treasury stock
BALANCE AT MARCH 31, 2003	67,170	¥ 5,100	¥ 3,611	¥ 17,110	¥ 170	¥ (293)
Net income	–	–	–	601	–	–
Adjustment of net unrealized gains (losses) on securities, net of tax	–	–	–	–	2,041	–
Bonuses to directors	–	–	–	(1)	–	–
Treasury stock	–	–	–	–	–	(248)
Cash dividends paid (¥6 per share)	–	–	–	(391)	–	–
BALANCE AT MARCH 31, 2004	67,170	5,100	3,611	17,319	2,211	(541)
Net loss	–	–	–	(1,252)	–	–
Adjustment of net unrealized gains (losses) on securities, net of tax	–	–	–	–	(312)	–
Treasury stock	–	–	–	–	–	(303)
Cash dividends paid (¥6 per share)	–	–	–	(382)	–	–
BALANCE AT MARCH 31, 2005	67,170	¥ 5,100	¥ 3,611	¥ 15,685	¥ 1,899	¥ (844)

	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Retained earnings	Net unrealized gains(losses) on securities, net of tax	Treasury stock
BALANCE AT MARCH 31, 2004	$ 47,486	$ 33,622	$ 161,257	$ 20,587	$ (5,037)
Net loss	–	–	(11,657)	–	–
Adjustment of net unrealized gains (losses) on securities, net of tax	–	–	–	(2,906)	–
Treasury stock	–	–	–	–	(2,821)
Cash dividends paid ($0.06 per share)	–	–	(3,557)	–	–
BALANCE AT MARCH 31, 2005	$ 47,486	$ 33,622	$ 146,043	$ 17,681	$ (7,858)

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Cash flows from operating activities:			
Net income (loss) before income taxes and minority interests	¥ (679)	¥ 1,832	$ (6,322)
Adjustments to reconcile net income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	623	625	5,801
Amortization of consolidated adjustment account	(1,206)	–	(11,229)
Interest and dividend income	(130)	(130)	(1,210)
Interest expense	229	214	2,132
Increase in allowance for doubtful accounts	1,770	520	16,480
Provision for employees' severance and retirement benefits	(3,036)	(1,227)	(28,268)
Foreign exchange loss (gain), net	(9)	185	(84)
Increase in allowance for losses on construction contracts	411	–	3,827
Loss on disposal of property and equipment	117	3	1,089
Gain on sale of investment securities	(1,041)	(727)	(9,693)
Decrease in advances received on uncompleted contracts	(879)	(2,433)	(8,184)
Decrease in receivables and other current assets	6,759	2,424	62,933
Decrease in inventories	6,450	3,146	60,056
Increase (decrease) in payables and accrued expenses	(9,252)	491	(86,145)
Decrease in other assets	2,448	3,015	22,793
Increase (decrease) in other liabilities	(326)	249	(3,035)
Other, net	78	2	726
Subtotal	2,327	8,189	21,667
Interest and dividend received	130	131	1,210
Interest paid	(229)	(214)	(2,132)
Income taxes paid	(1,452)	(414)	(13,520)
Net cash provided by operating activities	776	7,692	7,225
Cash flows from investing activities:			
Deposit in time deposits	(117)	(140)	(1,089)
Withdrawal from time deposits	90	165	838
Proceeds from sale of property and equipment	54	403	503
Payment for purchase of property and equipment	(1,176)	(481)	(10,950)
Purchase of marketable securities	–	(100)	–
Proceeds from sale of marketable securities	–	837	–
Purchase of investment securities	(256)	(640)	(2,384)
Proceeds from sale of investment securities	1,384	826	12,886
Payment for loans receivable	(26)	(5)	(242)
Collection of loans receivable	50	317	466
Cash-in-flow(out-flow) through transfer of business (Note 8)	(6,787)	5,915	(63,194)
Other, net	(10)	18	(93)
Net cash provided by (used in) investing activities	(6,794)	7,115	(63,259)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(1,809)	900	(16,844)
Repayment of long-term debt	(40)	(40)	(372)
Purchase of treasury stock	(303)	(248)	(2,821)
Cash dividends paid	(382)	(390)	(3,557)
Cash dividends paid to minority interests	(1)	(1)	(9)
Net cash provided by (used in) financing activities	(2,535)	221	(23,603)
Effect of exchange rate changes on cash and cash equivalents	(2)	(171)	(18)
Net increase (decrease) in cash and cash equivalents	(8,555)	14,857	(79,655)
Cash and cash equivalents at beginning of year (Note 11)	26,980	12,123	251,210
Cash and cash equivalents at end of year (Note 11)	¥ 18,425	¥ 26,980	$ 171,555

See accompanying notes.

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2005 and 2004

1. Basis of presenting consolidated financial statements

DAIHO CORPORATION (the "Company") and its domestic consolidated subsidiaries (together the "Companies") maintain their accounts and records in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107.4 to U.S. $1. 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.

In the year ended March 31, 2005, the Companies did not adopt early the new accounting standard for impairment of fixed Assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption.

The Companies have begun their analysis of possible impairment of fixed assets. The Companies cannot currently estimate the effect of adoption of the new standard, because the Companies have not yet completed their analysis. However, adoption of the new standard could have a material effect on the consolidated financial statements.

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.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

The consolidated adjustment accounts which are differences between the cost of investments and equity in net assets at the date of acquisition are being amortized over five years with minor exceptions.

(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 ($13,966 thousand) are recognized on the percentage-of-completion method.

Construction revenues recognized by the percentage-of-completion method amounted to ¥41,726 million ($ 388,510 thousand) and ¥47,113 million for the years ended March 31, 2005 and 2004, respectively.

(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 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. 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 ,and available-for-sale securities 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
Up until March 31,2005,The Companies provide two types of severance and retirement benefit plans, unfunded lump-sum payment plans and funded contributory pension plans(the "Employees' Pension Fund"), 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.

On March 31, 2005, the Company dissolved the Employees' Pension Fund under the approval of the Minister of Health, Labor and Welfare and implemented a defined contribution pension plan on April 1, 2005. (See Note6)

The Companies provided allowance for employees' severance and retirement benefits at March 31, 2005 and 2004 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 have 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 Companies are accounted for as an appropriation of retained earnings.

(12) Allowance for losses on construction contracts
The Companies provide allowance for losses on uncompleted construction contracts at the fiscal year-end when substantial losses are certainly anticipated for the next fiscal year and later and such losses can be reasonably estimated.

(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.

The Companies had used no derivative transaction throughout the fiscal year ended March 31, 2005.

<u>(14) Accounting for certain lease transactions</u>
Finance leases which do not transfer ownership to lessees are accounted for as operating leases under accounting principles generally accepted in Japan.

<u>(15) Income Taxes</u>
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.

<u>(16) Amounts per share of common stock</u>
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 dividends per share represent dividends declared as applicable to the respective years.

<u>(17) Cash and cash equivalents</u>
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.

<u>(18) Reclassifications</u>
Certain prior year amounts have been reclassified to conform to the 2005 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. 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, 2005 and 2004:

Available-for-sale securities:
(1) Securities with book values exceeding acquisition costs

	Millions of yen		
	2005		
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 2,457	¥ 5,710	¥ 3,253
Bonds	954	971	17
Others	64	74	10
Total	¥ 3,475	¥ 6,755	¥ 3,280

	Millions of yen		
	2004		
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 2,610	¥ 6,352	¥ 3,742
Bonds	719	750	31
Others	118	128	10
Total	¥ 3,447	¥ 7,230	¥ 3,783

	Thousands of U.S. dollars		
	2005		
Type	Acquisition cost	Book value	Difference
Equity securities	$ 22,877	$ 53,166	$ 30,289
Bonds	8,883	9,041	158
Others	596	689	93
Total	$ 32,356	$ 62,896	$ 30,540

(2) Securities with book values not exceeding acquisition costs

	Millions of yen					
	2005					
Type	Acquisition cost		Book value		Difference	
Equity securities	¥	901	¥	819	¥	(82)
Bonds		135		135		(0)
Others		380		362		(18)
Total	¥	1,416	¥	1,316	¥	(100)

	Millions of yen					
	2004					
Type	Acquisition cost		Book value		Difference	
Equity securities	¥	1,077	¥	1,000	¥	(77)
Bonds		171		170		(1)
Others		305		300		(5)
Total	¥	1,553	¥	1,470	¥	(83)

	Thousands of U.S. dollars					
	2005					
Type	Acquisition cost		Book value		Difference	
Equity securities	$	8,389	$	7,625	$	(764)
Bonds		1,257		1,257		(0)
Others		3,538		3,371		(167)
Total	$	13,184	$	12,253	$	(931)

(B) The following tables summarize book values of securities with no available fair values as of March 31, 2005 and 2004:

Available-for-sale securities:

	Millions of yen				Thousands of U.S. dollars	
	Book value				Book value	
Type	2005		2004		2005	
Unlisted equity securities	¥	887	¥	867	$	8,259

(C) Available-for-sale securities with maturities

	Millions of yen				
	2005				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bonds	¥ 777	¥ 329	¥ –	¥ –	¥ 1,106
Others	–	33	–	–	33
Total	¥ 777	¥ 362	¥ –	¥ –	¥ 1,139

	Millions of yen				
	2004				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bonds	¥ –	¥ 890	¥ –	¥ –	¥ 890
Others	366	–	12	–	378
Total	¥ 366	¥ 890	¥ 12	¥ –	¥ 1,268

	Thousands of U.S. dollars				
	2005				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bonds	$ 7,235	$ 3,063	$ –	$ –	$ 10,298
Others	–	307	–	–	307
Total	$ 7,235	$ 3,370	$ –	$ –	$ 10,605

(D) Available-for-sale securities sold and the related gains and losses

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Total sales of available-for-sale securities sold	¥ 1,384	¥ 1,663	$ 12,886
Gain on sale of available-for-sale securities	1,041	727	9,693
Loss on sale of available-for-sale securities	–	0	–

4. Pledged assets

As of March 31, 2005, the following assets of the Companies were pledged in lieu of guarantee money for construction.

	Millions of yen	Thousands of U.S. dollars
Cash and time deposits	¥ 86	$ 801
Marketable securities	350	3,259
Investment securities	502	4,674
Other non-current assets	631	5,875
	¥ 1,569	$ 14,609

5. Bank loans and long-term debt

Bank loans consisted mainly of short-term notes payable, bearing interest from 0.59 % to 1.63 % per annum as of March 31, 2005 and 2004, respectively.

Long-term debt as of March 31, 2005 and 2004 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Unsecured long-term borrowing from banks	¥ 30	¥ 70	$ 279
Less amount due within one year	30	40	279
Long-term debt	¥ –	¥ 30	$ –

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, 2005 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Projected benefit obligation	¥ 9,384	¥ 14,446	$ 87,374
Unrecognized actuarial differences	(209)	(646)	(1,946)
Unrecognized prior service costs	—	43	—
Less fair value of pension assets	—	(1,632)	—
	¥ 9,175	¥ 12,211	$ 85,428

Included in the consolidated statements of operations for the years ended March 31, 2005 and 2004 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Service costs – benefits earned during the year	¥ 865	¥ 787	$ 8,054
Interest cost on projected benefit obligation	282	547	2,626
Expected return on plan assets	(41)	(139)	(382)
Amortization of actuarial differences	103	448	959
Amortization of prior service cost	(5)	(43)	(47)
Severance and retirement benefit expenses	¥ 1,204	¥ 1,600	$ 11,210

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 2.0% and 2.5%, 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.

Employees of Japanese companies are compulsorily included in the Welfare Pension Insurance Scheme operated by the government. Employers are legally required to deduct employees' welfare pension insurance contributions from their payroll and to pay them to the government together with employers' own contributions. For companies that have established their own Employees' Pension Fund which meets certain legal requirements, it is possible to transfer a part of their welfare pension insurance contributions (referred to as the "substitutional portion" of the government's Welfare Pension Insurance Scheme) to their own Employees' Pension Fund under the government's permission and supervision.

Based on the newly enacted Defined Benefit Corporate Pension Law, the Company decided to restructure its Employees' Pension Fund and was permitted by the Minister of Health, Labor and Welfare on January 26, 2004 to be released from its future obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme. Pension assets for the substitutional portion maintained by the Employees' Pension Fund are to be transferred back to the government's scheme.

The Company applied the transitional provisions as prescribed in paragraph 47-2 of the JICPA Accounting Committee Report No. 13, "Practical Guideline for Accounting of Retirement Benefits (Interim Report)", and the effect of transferring the substitutional portion was recognized on the date permission was received from the Ministry of Health, Labor and Welfare. As the result, in the year ended March 31, 2004, the Company recorded gain on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme amounting to ¥ 1,822 million, which was calculated based on the amount of the substitutional portion of the projected benefit obligations as of the permission date, the related pension assets determined pursuant to the government formula, and the related unrecognized items.

On March 31, 2005, The Company obtained the approval of dissolution of the Employees' Pension Fund by the Minister of Health, Labor and Welfare and dissolved the pension fund. The Company applied accounting treatments specified in guidance issued by the Accounting Standards Board of Japan. The effect of dissolution was ¥929 million ($8,650 thousand), recorded as gain on dissolution of the Employees' Pension Fund in the consolidated statements of operations for the year ended March 31, 2005.

At the same time of dissolution of the pension fund, the Company obtained the approval of a regulation of defined contribution pension plan by Ministry of Health, Labor and Welfare. On April 1, 2005, the Company implemented the defined contribution pension plan by which the Employees' Pension Found was terminated.

7. Contingent liabilities

As of March 31, 2005, the Companies were contingently liable as a guarantor of indebtedness of customers aggregating ¥1,816 million ($16,909 thousand).

8. Business acquisition

In the year ended March 31, 2004, the Company acquired the construction business and related assets and liabilities of Morimoto Corporation. Account payable for the business acquisition is provided in accrued and other current liabilities as of March 31, 2004.

Breakdown of assets and liabilities which increased through the business acquisition in the year ended March 31, 2004 is as follows:

	Millions of yen
Cash and cash equivalents	¥ 5,915
Current assets except cash and cash equivalents	47,728
Fixed assets	4,233
Current liabilities	(39,842)
Fixed liabilities	(12,233)
Balance: Account payable for business acquisition	¥ 5,801

9. Income taxes

The Companies are subject to a number of taxes based on income, which, in the aggregate, indicate statutory rate in Japan of approximately 41.7% for the year ended March 31, 2004.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the year ended March 31, 2004. No figures are shown for 2005 as a net loss was recorded.

	2004	
Statutory tax rate	41.7	%
Permanent differences:		
Non-deductible expenses	14.3	
Non-taxable income	(0.5)	
Per capita inhabitant taxes	8.5	
Other	2.9	
Effective tax rate	66.9	%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Employees' severance and retirement benefits	¥ 3,492	¥ 4,533	$ 32,514
Allowance for doubtful accounts	1,036	411	9,646
Retirement benefits for directors and corporate auditors	149	144	1,387
Allowance for losses on construction contracts	1,312	1,146	12,216
Excess accrued bonuses	130	143	1,210
Enterprise taxes payable	249	107	2,319
Consolidated adjustment accounts	1,941	2,427	18,073
Other	1,821	1,044	16,955
Subtotal	10,130	9,955	94,320
Valuation allowance	(325)	–	(3,026)
Total deferred tax assets	9,805	9,955	91,294
Deferred tax liabilities:			
Unrealized gain on securities	(1,279)	(1,488)	(11,909)
Deferred gains on property and equipment	(121)	(126)	(1,126)
Temporary differences about assets acquired through transfer of business	(1,199)	(4,023)	(11,164)
Other	(57)	(35)	(531)
Total deferred tax liabilities	(2,656)	(5,672)	(24,730)
Net deferred tax assets	¥ 7,149	¥ 4,283	$ 66,564

10. 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. The total amount of legal earnings reserve and additional paid-in capital of the Company has been reached to 25% of common stock, and therefore the Company is not required to provide legal earnings reserve any more.

The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' 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 the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated 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.

11. 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, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Cash and time deposits	¥ 18,532	¥ 27,060	$ 172,551
Less: Time deposits with maturities exceeding three months	(107)	(80)	(996)
Cash and cash equivalents	¥ 18,425	¥ 26,980	$ 171,555

12. 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 as of March 31, 2005 and 2004 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		Thousands of U.S. dollars
Machinery and equipment:	2005	2004	2005
Acquisition cost	¥ 139	¥ 154	$ 1,294
Accumulated depreciation	78	55	726
Net book value	¥ 61	¥ 99	$ 568

(2) Future lease payments inclusive of interest as of March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Amount due within one year	¥ 31	¥ 38	$ 289
Amount after one year	30	61	279
Total	¥ 61	¥ 99	$ 568

(3) Lease payments and depreciation equivalent for the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Lease payment	¥ 35	¥ 35	$ 326
Depreciation equivalent	35	35	326

(4) Calculation of depreciation equivalent
Assumed depreciation amounts are computed using the straight-line method over the lease terms assuming no residual value.

13. Segment information

(A) Business segment information

The Companies are primarily engaged in construction business. As the amounts of net revenues, operating income and total assets from construction business of the Companies constituted more than 90% of the consolidated totals for both the years ended March 31, 2005 and 2004, 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, 2005 and 2004.

(C) Overseas revenues information

Overseas sales for the year ended March 31, 2005 was not shown since overseas sales were less than 10% of the Company's consolidated net sales.
For the year ended March 31, 2004, overseas revenues of the Companies are summarized as follows:

	Millions of yen		
	2004		
	Southeast Asia	Others	Total
Overseas revenues	¥ 13,518	¥ 529	¥ 14,047
Consolidated revenues	–	–	137,323
Ratio of overseas revenues to consolidated revenues	9.8%	0.4%	10.2%