

Notes to Consolidated Financial Statements

KAJIMA Corporation and Consolidated Subsidiaries
Years ended March 31, 2004 and 2003

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Kajima Corporation (the "Company") and its consolidated subsidiaries (together, the "Companies") have been prepared 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 (IFRSs). Differences between the accounting policies followed by the Companies and IFRSs are described in Note 3.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2003 consolidated financial statements to conform to classifications and presentations used in 2004. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

The accounts of the Company and its Japanese subsidiaries are maintained in Japanese yen, the currency of the country in which they are incorporated and principally operate. The U.S. dollar amounts included herein are presented solely for the convenience of the reader. Such dollar amounts have been translated from yen at the approximate exchange rate in Tokyo on March 31, 2004 of ¥106 = U.S.\$1. The translation should not be construed as representation that Japanese yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements for the year ended March 31, 2004 include the accounts of the Company and its 78 (84 in 2003) significant subsidiaries. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Other 65 (56 in 2003) subsidiaries were not consolidated as they would not have a material effect on the accompanying consolidated financial statements.

All unconsolidated subsidiaries and 48 (40 in 2003) affiliates were accounted for using the equity method.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary and affiliate at the date of acquisition is being amortized over a period of 5 years. All significant inter-company balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from inter-company transactions is eliminated.

The breakdown and changes of fully consolidated companies and companies accounted for using the equity method are summarized below:

i) Breakdown as of March 31, 2004

①Number of consolidated subsidiaries	:	78	Kajima Road Co., Ltd., Chemical Grouting Co., Ltd., Kajima Leasing Corporation, Kajima Mechatro Engineering Co., Ltd., Taiko Trading Co., Ltd., Kajima U.S.A. Inc. (KUSA) and its 18 subsidiaries, Kajima Europe B.V. (KE) and its 30 subsidiaries, Kajima Overseas Asia Pte. Ltd. (KOA) and its 9 subsidiaries and 13 subsidiaries of the Company
②Number of unconsolidated subsidiaries accounted for using the equity method	:	65	ARTES Corporation, Japan Sea Works Co., Ltd. and 63 other companies
③Number of affiliated companies accounted for using the equity method	:	48	Katabami Kogyo Co., Ltd., Yaesu Book Center Co., Ltd., and 46 other companies

ii) Changes for the year ended March 31, 2004

①Newly consolidated companies	:	4 subsidiaries of KE due to new establishments
②Companies excluded from consolidation	:	1 subsidiary of KUSA and 9 subsidiaries of KE due to liquidation and disposal of equity
③Companies newly accounted for using the equity method	:	4 subsidiaries and 15 affiliated companies due to new establishments, acquisition and other
④Companies excluded from the equity method	:	2 affiliated companies due to liquidation

b. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits, all of which mature or become due within three months of the date of acquisition.

c. Inventories — Construction projects in progress are stated at cost as determined on a specific project basis. Related general and administrative expenses and financial charges are principally excluded from such costs. Other inventories are primarily stated at cost determined on a specific project basis or by the moving-average method.

However, in the case of certain overseas subsidiaries, construction projects in progress and real estate for sale are stated at cost, when not in excess of net realizable value.

d. Capitalization of Interest — Interest costs incurred for real estate development projects (including property and equipment) conducted by certain overseas subsidiaries have been capitalized as a part of the development cost of such projects. Interest expense capitalized was ¥1,071 million (\$10,104 thousand) and ¥1,073 million for the years ended March 31, 2004 and 2003, respectively.

e. Marketable Securities and Investments in Securities — Marketable securities and investments in securities are classified and accounted for, depending on management's intent, as follows:

i) Trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value and the related unrealized gains and losses are included in earnings;

ii) Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost;

iii) Available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity.

All securities held by the Companies are classified as available-for-sale securities. The cost of securities sold is determined based on the moving-average method. However, securities held by certain overseas subsidiaries are stated at the lower of cost or market value. Non-marketable available-for-sale securities are stated at amortized cost or at cost determined by the moving-average method according to their nature. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

f. Property and Equipment — Property and equipment are principally stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization have been principally computed using the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The estimated useful lives for buildings and structures range from 2 to 50 years and for machinery and equipment range from 2 to 20 years.

However, in the accounts of certain overseas subsidiaries, depreciation is principally calculated using the straight-line method over the estimated useful lives of the respective assets.

Accumulated depreciation and amortization totaled ¥249,502 million (\$2,353,792 thousand) and ¥250,802 million as of March 31, 2004 and 2003, respectively.

g. Allowance for Doubtful Accounts — Allowance for doubtful accounts provided by the Company and its consolidated domestic subsidiaries is stated in amounts considered to be appropriate based on each company's past credit loss experience and an evaluation of potential losses in the receivables and others outstanding. However, the consolidated overseas subsidiaries provide for such possible losses using management's estimate.

h. Retirement Benefits — Under the employees' retirement benefit plans, the Company, its consolidated domestic subsidiaries and certain overseas subsidiaries have funded and/or unfunded retirement benefit plans covering all of their employees. Certain overseas subsidiaries have defined contribution plans.

The employees' retirement benefits are accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date in conformity with the accounting standard for employees' retirement benefits.

Retirement benefits to directors and corporate auditors are recorded to state the liability at the amount which would be required if all directors and corporate auditors retired at the balance sheet date as stipulated in the retirement regulations.

i. Allowance for Loss on Development Projects — The Companies provide for foreseeable losses arising from certain real estate projects.

j. Recognition of Revenues and Related Costs — In the Company and its consolidated domestic subsidiaries, individual construction projects, whose contract amounts are not less than ¥100 million and the contract periods are beyond one year, are recorded using the percentage-of-completion method without provision for remaining foreseeable losses, while individual construction projects except the aforementioned are recorded using the completed-contract method.

In the consolidated overseas subsidiaries, all construction projects are recorded using the percentage-of-completion method.

The revenues posted by way of the percentage-of-completion method for the years ended March 31, 2004 and 2003 were ¥758,461 million (\$7,155,292 thousand) and ¥813,128 million, respectively.

k. Costs of Research and Development, Share Issuance and Debenture Issuance — All research and development costs, share issuance costs and debenture issuance costs are charged to income as incurred. Costs of research and development for the years ended March 31, 2004 and 2003 totaled ¥11,098 million (\$104,698 thousand) and ¥11,428 million, respectively.

l. Leases — All leases are accounted for as operating leases. Under the Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

m. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred income taxes are measured by applying currently enacted tax laws to the temporary differences.

Effective from April 1, 2003, the Company files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries. Under the consolidated-tax system, a surcharge tax of 2% of taxable income is levied in addition to the national corporate income tax rate for the year ended March 31, 2004.

n. Appropriations of Retained Earnings — Appropriations of retained earnings are reflected in the accompanying consolidated financial statements for the following year upon stockholders' approval.

o. Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts or currency swaps.

p. Foreign Currency Financial Statements — The balance sheet accounts and revenue and expense accounts of the consolidated overseas subsidiaries are translated into Japanese yen at the current exchange rates as of each balance sheet date except for stockholders' equity, which is translated at the historical exchange rate.

Differences arising from such translation are shown in "Stockholders' equity" as foreign currency statements translation adjustments in the accompanying consolidated balance sheets.

q. Derivatives and Hedging Activities — The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange, interest rates and value of listed equity securities. Foreign exchange forward contracts, currency swaps, interest rate swaps and contracts for future delivery of the equity securities are principally utilized by the Companies to reduce the risks arising from the factors mentioned above. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

- i) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of operations, and
- ii) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions, however, the contracts for future delivery engaged in to hedge fluctuations in listed equity securities are measured at fair value and the unrealized gains and losses are charged to income.

The derivative instruments applied for forecasted or committed transactions are also measured at the fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed.

The monetary debts and credits denominated in foreign currencies, for which foreign exchange forward contracts or currency swaps are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the forward contracts or currency swaps qualify for hedge accounting.

The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the differential paid or received under the swap agreements are charged to income.

r. Treasury Stock — Effective April 1, 2002, the Companies adopted a new accounting standard for treasury stock issued by the Accounting Standards Board of Japan. This standard requires that where a consolidated subsidiary holds a parent company's stock, a portion that represents an equivalent ownership interest in such stock should be presented as treasury stock in a separate component of stockholders' equity and a portion that represents minority interests should be reduced from minority interest in the consolidated balance sheet. The Companies adopted this accounting standard for the year ended March 31, 2003.

s. Per Share Information — Basic net income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because of the net loss of the Companies for the year ended March 31, 2004 and because the Companies have nothing which might dilute the per share information for the year ended March 31, 2003.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

t. New Accounting Pronouncements — In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Company and its consolidated domestic subsidiaries expect to adopt these pronouncements as of April 1, 2004 and are currently in the process of assessing the effect of adoption of these pronouncements.

3. DIFFERENCES BETWEEN JAPANESE ACCOUNTING PRINCIPLES AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in Japan.

The main differences between such accounting principles and IFRSs are as follows:

- a. Recognition of Revenues and Related Costs — IAS 11 requires revenues and related costs to be recognized by reference to the stage of completion of contract activity where the outcome of a construction contract can be estimated reliably. Also, it demands the provision for foreseeable losses on contract backlog.

The Companies' reporting policy in relation to the recognition of revenues and related costs, which is in accordance with Japanese accounting principles, is set out in Note 2.j.

- b. Impairment Loss — IAS 36 requires impairment losses on assets including property and equipment to be recognized whenever the recoverable amount is less than its carrying amount.

The Companies' reporting policy in relation to property and equipment, which is in accordance with Japanese accounting principles, is set out in Notes 2.f. The Japanese new pronouncements with accounting for impairment of fixed assets were issued, and the Company and its consolidated domestic subsidiaries expect to adopt these pronouncements as of April 1, 2004 (see Note 2.t).

4. MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

Marketable securities and investments in securities as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Current:			
Government and corporate bonds	¥ 130	¥ 135	\$ 1,226
Fund trusts and other	—	185	—
Total	¥ 130	¥ 320	\$ 1,226
Non-Current:			
Equity securities	¥ 200,619	¥ 129,863	\$ 1,892,632
Government and corporate bonds	105	721	991
Fund trusts and other	9,629	9,250	90,839
Total	¥ 210,353	¥ 139,834	\$ 1,984,462

Information regarding the category of the securities classified as available-for-sale as of March 31, 2004 and 2003 were as follows:

As of March 31, 2004	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	¥ 108,184	¥ 77,119	¥ (668)	¥ 184,635
Government and corporate bonds	214	1	0	215
Fund trusts and other	1,772	172	(321)	1,623
Total	¥ 110,170	¥ 77,292	¥ (989)	¥ 186,473

As of March 31, 2003	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	¥ 105,061	¥ 23,159	¥ (10,528)	¥ 117,692
Government and corporate bonds	855	2	(21)	836
Fund trusts and other	1,958	—	(529)	1,429
Total	¥ 107,874	¥ 23,161	¥ (11,078)	¥ 119,957

As of March 31, 2004	Thousands of U.S. Dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities.....	\$ 1,020,604	\$ 727,538	\$ (6,302)	\$ 1,741,840
Government and corporate bonds.....	2,019	9	0	2,028
Fund trusts and other	16,717	1,623	(3,029)	15,311
Total	\$ 1,039,340	\$ 729,170	\$ (9,331)	\$ 1,759,179

The above figure includes marketable equity securities temporarily lent to a financial institution based on a securities lending agreement in an amount of ¥41,921 million (\$395,481 thousand) and ¥20,967 million as of March 31, 2004 and 2003, respectively.

Available-for-sale securities whose fair value is not readily determinable such as non-listed securities excluding over-the-counter securities as of March 31, 2004 and 2003 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Available-for-sale:			
Equity securities.....	¥ 15,984	¥ 12,171	\$ 150,792
Government and corporate bonds.....	20	20	189
Fund trusts and other	8,006	8,006	75,528
Total	¥ 24,010	¥ 20,197	\$ 226,509

Proceeds from sales of available-for-sale securities for the years ended March 31, 2004 and 2003 were ¥14,853 million (\$140,123 thousand) and ¥60,888 million, respectively. Realized gains and losses on these sales, computed on the moving average cost method, were ¥4,825 million (\$45,519 thousand) and ¥111 million (\$1,047 thousand) for the year ended March 31, 2004 and ¥19,545 million and ¥16,111 million for the year ended March 31, 2003, respectively.

The carrying values of bonds, fund trusts and other securities by contractual maturities for securities classified as available-for-sale as of March 31, 2004 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 130	\$ 1,226
Due after one year through five years	200	1,887
Due after five years through ten years	112	1,057
Total	¥ 442	\$ 4,170

5. REVALUATION OF LAND

Under the "Law of Land Revaluation", the Company and a domestic subsidiary adopted a one-time revaluation of their own-use land in Japan including land under trust estate to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes and minority interests, as a component of stockholders' equity. There is no effect on the consolidated statements of operations. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account, related deferred tax liabilities and minority interests.

As of March 31, 2004, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥16,076 million (\$151,660 thousand).

6. LONG-TERM LOANS RECEIVABLE

Long-term loans receivable primarily consist of loans to customers of the Companies.

7. PLEDGED ASSETS

As of March 31, 2004, the following assets of the Companies were pledged to secure the repayment of short-term borrowings of ¥1,756 million (\$16,566 thousand), current portion of long-term debt of ¥35 million (\$330 thousand), long-term debt of ¥3,059 million (\$28,858 thousand) and other long-term liabilities of ¥8 million (\$75 thousand) and to assure the performance by the Companies under certain agreements.

	Millions of Yen	Thousands of U.S. Dollars
Notes and accounts receivable-trade.....	¥ 366	\$ 3,453
Inventories:		
Development projects in progress, real estate and other.....	6,839	64,518
Other current assets.....	6,110	57,642
Land.....	62	585
Investments in unconsolidated subsidiaries and affiliates.....	14	132
Investments and other assets - Other.....	155	1,462
Total.....	¥ 13,546	\$ 127,792

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings were generally represented by 365-day notes in 2004 and 2003 issued by the Companies and bore interest principally at the short-term primary interest rates of 1.375% in effect as of March 31, 2004 and 2003, respectively.

Long-term debt as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
0.488% to 6.746% loans from banks, due 2004 - 2012.....	¥ 164,338	¥ 185,434	\$ 1,550,358
0.743% to 9.5% loans from insurance companies and other financial institutions, due 2005 - 2025.....	33,535	50,113	316,369
0.25% to 6.05% Medium Term Notes, due 2004 - 2008.....	34,250	39,181	323,113
0.86% to 2.9% bonds, due 2004 - 2010.....	115,000	136,000	1,084,906
Total.....	347,123	410,728	3,274,746
Current portion included in current liabilities.....	(58,442)	(111,585)	(551,340)
Total.....	¥ 288,681	¥ 299,143	\$ 2,723,406

In Japan, substantially all of the companies' bank borrowings are subject to general agreements with each bank which provide, among other things, that the relevant bank may request any security furnished to the bank or additional security, under certain conditions. However, the Company and its consolidated domestic subsidiaries have never received such request.

The aggregate annual maturities of long-term debt (including current portion) as of March 31, 2004 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005.....	¥ 58,442	\$ 551,340
2006.....	123,080	1,161,132
2007.....	77,170	728,019
2008.....	35,010	330,283
2009.....	16,123	152,104
2010 and thereafter.....	37,298	351,868
Total.....	¥ 347,123	\$ 3,274,746

In addition to the above balance, the Company entered into committed loan facility agreements aggregating to ¥150,000 million (\$1,415,094 thousand), with several Japanese banks as of March 31, 2004.

9. COMMERCIAL PAPER

Commercial paper was represented by 61 to 69-day paper issued by the Company with interest at 0.018% to 0.025% and 44 to 180-day paper at 0.039% to 0.19% as of March 31, 2004 and 2003, respectively.

10. ADVANCES RECEIVED ON CONSTRUCTION PROJECTS IN PROGRESS

The Companies normally receive payments from customers on a progress basis in accordance with the terms of the respective construction contracts.

11. RETIREMENT BENEFITS

The Company, its consolidated domestic subsidiaries and certain overseas subsidiaries have retirement benefit plans for employees, directors and corporate auditors. The amount of the employees' retirement benefits is, in general, determined on the basis of length of service and current basic salary at the time of termination of service. If the termination of service is involuntary, an employee is entitled to greater payments than in the case of voluntary termination. The allowance of retirement benefits for employees of the Companies is partially funded in non-contributory and contributory pension plans. In the case of the Company, the Kajima Pension Fund had been established, the assets of which are administrated by the board of trustees composed of management and employee representatives. The fund is established under the Japanese Welfare Pension Insurance Law, which covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government.

The Company obtained the approval of dissolution of the Kajima Pension Fund by Ministry of Health, Labor and Welfare on March 31, 2004 and dissolved the pension fund. The Company applied accounting treatments specified in the guidance issued by the Accounting Standards Board of Japan. The effect of dissolution was ¥33,484 million (\$315,887 thousand), recorded as loss on dissolution of welfare pension fund in the consolidated statements of operations for the year ended March 31, 2004.

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, 2004, the Company implemented the defined contribution pension plan by which the former qualified defined benefit pension plan was terminated and revised severance lump-sum payment plan.

Certain overseas subsidiaries have defined contribution plans.

Liability for retirement benefits as of March 31, 2004 and 2003 includes retirement benefits for directors and corporate auditors of ¥5,307 million (\$50,066 thousand) and ¥5,219 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of stockholders.

The information of employees' retirement benefits were as follows:

a. The liability for employees' retirement benefits as of March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation.....	¥ 117,039	¥ 360,910	\$ 1,104,142
Fair value of plan assets	(14,645)	(159,661)	(138,160)
Unrecognized prior service cost	(32,329)	20,541	(304,991)
Unrecognized actuarial loss	(3,960)	(132,607)	(37,359)
Net liability	¥ 66,105	¥ 89,183	\$ 623,632

b. The components of net periodic benefit costs for the years ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Service cost	¥ 14,548	¥ 13,829	\$ 137,245
Interest cost	9,840	11,481	92,830
Expected return on plan assets.....	(1,561)	(6,703)	(14,726)
Amortization of prior service cost	(1,932)	(1,098)	(18,226)
Amortization of actuarial loss	14,357	6,819	135,443
Other	171	164	1,613
Net periodic benefit costs	¥ 35,423	¥ 24,492	\$ 334,179

“Other” described in the above table consists of costs of defined contribution plans in certain overseas subsidiaries.

c. Assumptions used for the years ended March 31, 2004 and 2003

	2004	2003
Discount rate	2.0% to 2.5%	2.5% to 2.8%
Expected rate of return on plan assets	1.0% to 2.5%	2.5% to 4.0%
Amortization period of prior service cost	10 years	10 years
Recognition period of actuarial gain/loss	10 years	10 years

12. STOCKHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the “Code”) to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing stockholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the stockholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the stockholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the stockholders at the general stockholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general stockholders meeting.

The amount of retained earnings available for dividends under the Code was ¥47,063 million (\$443,991 thousand) as of March 31, 2004, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

The Board of Directors of the Company, at its meeting held on October 15, 2003, resolved that the Company issue new shares by public offering pursuant to the following terms. As of November 1, 2003, the number of issued and outstanding shares increased to 1,057,312,022 shares and the amount of common stock increased to ¥81,447 million (\$768,368 thousand) as a result of the capital increase by public offering.

Number of shares issued:	96,000,000 shares of common stock
Method of offering:	Public offering
Offer price for the public offering:	¥377.00 per share (\$3.56 per share)
Aggregate amount of the offer price for the public offering:	¥36,192 million (\$341,434 thousand)
Issue price:	¥361.60 per share (\$3.41 per share)
Aggregate amount of the issue price:	¥34,714 million (\$327,491 thousand)
Amount of the issue price capitalized:	¥17,376 million (\$163,925 thousand)
Dividend accruing date:	October 1, 2003
Use of proceeds from the share offering:	The entire amount of the net proceeds will be used for investment in stand-alone projects including development projects and PFI projects.

No underwriting commission was paid to underwriters. The disparity between the aggregate amount of the offer price for the public offering and the aggregate amount of the issue price paid by the underwriters to the Company was for the account of the underwriters.

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.5% for the years ended March 31, 2004 and 2003.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred Tax Assets:			
Inventories	¥ 42,445	¥ 45,318	\$ 400,425
Allowance for doubtful accounts.....	24,157	23,145	227,896
Tax loss carryforwards.....	22,788	9,124	214,981
Liability for retirement benefits.....	22,814	44,268	215,226
Valuation loss on securities.....	15,217	17,552	143,557
Property and equipment.....	13,675	14,099	129,009
Other	47,347	53,889	446,670
Subtotal	188,443	207,395	1,777,764
Valuation allowance	(18,550)	(22,368)	(175,000)
Total	169,893	185,027	1,602,764
Deferred Tax Liabilities:			
Unrealized gain available-for-sale securities	(30,714)	(4,816)	(289,755)
Property and equipment.....	(8,122)	(7,881)	(76,623)
Other	(29)	(10,192)	(273)
Total	(38,865)	(22,889)	(366,651)
Net Deferred Tax Assets.....	¥ 131,028	¥ 162,138	\$ 1,236,113

Deferred tax liabilities of ¥18 million (\$170 thousand) was included other long-term liabilities in the balance sheet as of March 31, 2004.

As of March 31, 2004, the Company has tax loss carryforwards of approximately ¥41,573 million (\$392,198 thousand) which will expire in fiscal 2010 to the extent they remain unutilized. Certain consolidated subsidiaries of the Company have tax loss carryforwards whose expiration dates range from 2005 to 2022. Due to the uncertainty of the realization of such subsidiaries' tax loss carryforwards, the Companies have established a valuation allowance to offset most of the related deferred tax assets in the amount of ¥4,792 million (\$45,208 thousand) as of March 31, 2004.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2004 and 2003 were as follows:

	2004	2003
Normal effective statutory tax rate.....	41.5 %	41.5 %
Expenses not deductible for income tax purposes	50.3	7.1
Non-taxable income	(46.7)	(4.9)
Inhabitant taxes.....	78.4	8.6
Valuation allowance.....	125.0	0.1
Effect of tax rate reduction.....	—	10.5
Effect of pro forma standard tax rate determination	61.3	—
Tax benefits not recognized on equity in earnings or losses of partnership	(20.3)	—
Tax benefits not recognized on equity in earnings or losses of unconsolidated subsidiaries and affiliates.....	(7.0)	(4.2)
Other-net.....	(10.9)	1.6
Actual effective tax rate	271.6%	60.3 %

On March 31, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 41.5% to 40.8%, effective for the years beginning on or after April 1, 2004.

The effects of this change in the consolidated balance sheets for the year ended March 31, 2003 were as follows:

Deferred income taxes:	Decrease by ¥2,571 million
Deferred income taxes on revaluation of land:	Decrease by ¥203 million
Minority interests:	Decrease by ¥96 million
Revaluation surplus of land:	Increase by ¥191 million
Unrealized gain on available-for-sale securities:	Increase by ¥82 million

Also, the effect on deferred income taxes and minority interests in the consolidated statements of operations for the year ended March 31, 2003 were increases of ¥2,652 million and ¥107 million, respectively.

In fiscal 2004, the normal effective statutory tax rate was determined to 40.5% due to determination of pro forma standard tax rate.

14. RELATED PARTY TRANSACTIONS

Transactions with unconsolidated subsidiaries and affiliates for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Construction and other revenues.....	¥ 11,939	¥ 11,069	\$ 112,632
Purchases.....	34,558	35,474	326,019

In addition, for the year ended March 31, 2002, the Company entered into a construction contract with a corporation owned by a director of the Company and his family of which contract amount was ¥1,700 million initially, and revised to ¥1,857 million subsequently. Revenues recognized through the percentage-of-completion method in this contract for the year ended March 31, 2004, was ¥404 million (\$3,811 thousand).

The above construction contract and purchase agreement are on an arm's-length basis and in the normal course of business.

Also, the Company entered into a loan agreement with an unconsolidated affiliate in the amount of ¥31,780 million (\$299,811 thousand) with no interest as of March 31, 2004.

15. LEASES

- a. Finance Leases as a Lessee — The Companies have a number of lease agreements, primarily for office space and computer equipment, which are renewable upon expiration and mainly cancellable. Rental expenses on such leases were approximately ¥6,954 million (\$65,604 thousand) and ¥7,881 million, including total lease payments of ¥1,028 million (\$9,698 thousand) and ¥750 million for the years ended March 31, 2004 and 2003, respectively, in connection with finance leases as described in Note 2.1.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation equivalent and interest equivalent of finance leases that do not transfer ownership of the leased property to the lessee on a "as if capitalized" basis for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen					
	2004			2003		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥ 3,634	¥ 969	¥ 4,603	¥ 3,146	¥ 400	¥ 3,546
Accumulated depreciation.....	(2,374)	(273)	(2,647)	(1,994)	(84)	(2,078)
Net lease property.....	¥ 1,260	¥ 696	¥ 1,956	¥ 1,152	¥ 316	¥ 1,468

	Thousands of U.S. Dollars		
	2004		
	Machinery and Equipment	Other	Total
Acquisition cost	\$ 34,283	\$ 9,142	\$ 43,425
Accumulated depreciation.....	(22,396)	(2,576)	(24,972)
Net lease property.....	\$ 11,887	\$ 6,566	\$ 18,453

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
	Due within one year	¥ 858	¥ 699
Due after one year	1,766	1,347	16,661
Total	¥ 2,624	¥ 2,046	\$ 24,755

The imputed interest equivalent portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation equivalent and interest equivalent under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
	Depreciation equivalent	¥ 990	¥ 711
Interest equivalent	152	142	1,434

Depreciation equivalent is computed by a declining-balance method for machinery and equipment and by a straight-line method for other investments using the effective life of the lease and nil residual value, respectively.

Depreciation equivalent and interest equivalent are not reflected in the accompanying consolidated statements of operations.

b. Finance Leases as a Lessor — The Companies also have a number of lease agreements, primarily for computer equipment, which are renewable upon expiration and mainly cancellable. Lease income earned on such leases in connection with finance leases as described in Note 2.l. were approximately ¥996 million (\$9,396 thousand) and ¥1,199 million for the years ended March 31, 2004 and 2003, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, receivables under finance leases, depreciation and interest equivalent of finance leases that do not transfer ownership of the leased property to the lessee for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen					
	2004			2003		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥ 3,164	¥ 2,638	¥ 5,802	¥ 3,465	¥ 2,920	¥ 6,385
Accumulated depreciation.....	(2,355)	(1,869)	(4,224)	(2,353)	(1,792)	(4,145)
Net lease property.....	¥ 809	¥ 769	¥ 1,578	¥ 1,112	¥ 1,128	¥ 2,240

	Thousands of U.S. Dollars		
	2004		
	Machinery and Equipment	Other	Total
Acquisition cost	\$ 29,849	\$ 24,887	\$ 54,736
Accumulated depreciation.....	(22,217)	(17,632)	(39,849)
Net lease property.....	\$ 7,632	\$ 7,255	\$ 14,887

Receivables under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	¥ 728	¥ 909	\$ 6,868
Due after one year	949	1,459	8,953
Total	¥ 1,677	¥ 2,368	\$ 15,821

The imputed interest equivalent portion which is computed using the interest method is excluded from the above receivables under finance leases.

Depreciation and interest equivalent under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Depreciation	¥ 890	¥ 1,083	\$ 8,396
Interest equivalent	82	109	774

c. Operating Leases as a Lessee — The minimum rental commitments under noncancellable operating leases as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	¥ 5,464	¥ 3,225	\$ 51,547
Due after one year	30,788	22,099	290,453
Total	¥ 36,252	¥ 25,324	\$ 342,000

d. Operating Leases as a Lessor — The minimum rental receivables under noncancellable operating leases as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	¥ 1,059	¥ 52	\$ 9,990
Due after one year	3,223	1,414	30,406
Total	¥ 4,282	¥ 1,466	\$ 40,396

16. DERIVATIVES

The Companies enter into derivative financial instruments (“derivatives”), including principally foreign exchange forward contracts, currency swaps, interest rate swap agreements and contracts for future delivery of equity securities.

The Companies do not hold or issue derivatives for trading or speculative purposes and it is the policy to use derivatives only for the purpose of reducing market risks and financing costs in accordance with internal regulation.

Derivative transactions entered into by the Companies, such as interest rate swaps that convert U.S. dollar floating rate to fixed Yen rate, are subject to market risk associated with U.S. dollar and Yen exchange rates. Interest swap transactions are also subject to market risk and are used to convert fixed interest rate to floating interest rate. Contracts for future delivery of the equity securities are subject to market risk, too.

The Companies do not anticipate any losses resulting from default by counter parties, as the counter parties are limited to major domestic or overseas financial institutions with sound operational foundations.

The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the exposure to credit or market risk.

The Companies have the following derivatives contracts outstanding as of March 31, 2004 and 2003:

	Millions of Yen							
	2004				2003			
	Contract / Notional Principal Amount		Fair Value	Unrealized Gain (Loss)	Contract / Notional Principal Amount		Fair Value	Unrealized Gain (Loss)
Within one year	After one year	Within one year			After one year			
Foreign Exchange Contracts								
Buying:								
Euro forward.....	¥ 509	¥ —	¥ 509	¥ 0	¥ 69	¥ —	¥ 69	¥ 0
Polish Zloty forward	217	—	217	0	—	—	—	—
Czech Koruni forward	126	—	126	0	—	—	—	—
U.S. Dollar forward	—	—	—	—	5,995	—	5,997	2
Selling:								
STG Pound Forward.....	4,571	—	4,571	0	2,770	—	2,770	0
Euro Forward	363	—	363	0	631	—	631	0
Total.....	¥ 5,786	¥ —	¥ 5,786	¥ 0	¥ 9,465	¥ —	¥ 9,467	¥ 2
Interest Rate Swaps								
Pay-fix / Receive-float	¥ 1,614	¥ —	¥ (6)	¥ (6)	¥ —	¥ —	¥ —	¥ —

	Thousands of U.S. Dollars			
	2004			
	Contract / Notional Principal Amount		Fair Value	Unrealized Gain (Loss)
Within one year	After one Year			
Foreign Exchange Contracts				
Buying:				
Euro forward.....	\$ 4,802	\$ —	\$ 4,802	\$ 0
Polish Zloty forward.....	2,047	—	2,047	0
Czech Koruni forward.....	1,189	—	1,189	0
Selling:				
STG Pound forward	43,123	—	43,123	0
Euro forward.....	3,424	—	3,424	0
Total.....	\$ 54,585	\$ —	\$ 54,585	\$ 0
Interest Rate Swaps				
Pay-fix / Receive-float	\$ 15,226	\$ —	\$ (57)	\$ (57)

Foreign currency forward contracts and currency swaps, which qualify for hedge accounting for the years ended March 31, 2004 and 2003 are excluded from the disclosure of market value information.

17. CONTINGENT LIABILITIES

As of March 31, 2004, contingent liabilities for loans guaranteed including related items of similar nature amounted to ¥25,600 million (\$241,509 thousand).

18. NET (LOSS) INCOME PER SHARE

Basis of calculation of the basic net (loss) income per share ("EPS") for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen	Thousand of Shares Weighted average shares	Yen EPS	Dollars EPS
<u>For the year ended March 31, 2004:</u>				
Basic EPS				
Net loss	¥ (4,474)			
Less bonuses to directors.....	(118)			
Net loss attributable to common stockholders.....	<u>¥ (4,592)</u>	<u>996,619</u>	<u>¥ (4.61)</u>	<u>\$ (0.043)</u>
<u>For the year ended March 31, 2003:</u>				
Basic EPS				
Net income.....	¥ 10,111			
Less bonuses to directors.....	(110)			
Net income attributable to common stockholders .	<u>¥ 10,001</u>	<u>958,434</u>	<u>¥ 10.44</u>	

19. SUBSEQUENT EVENT

On June 29, 2004, the stockholders' meeting of the Company approved the appropriation of retained earnings to pay a dividend of ¥2.50 (\$0.0236) per share (final for the year ended March 31, 2004) for a total amount of ¥2,641 million (\$24,915 thousand).

20. SEGMENT INFORMATION

a. Business Segments

Business segments are principally composed of the followings:

Construction	Civil Engineering and Architectural Construction
Real Estate	Development and sale of Land and Buildings
Other	Architecture, Engineering, Financing and any other relevant business

Year Ended March 31, 2004

Millions of Yen

	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers	¥ 1,317,382	¥ 186,192	¥ 118,186	¥ 1,621,760	¥ —	¥ 1,621,760
Inter-segments	331	1,944	23,175	25,450	(25,450)	—
Total	1,317,713	188,136	141,361	1,647,210	(25,450)	1,621,760
Operating expenses	1,293,572	172,108	140,408	1,606,088	(30,747)	1,575,341
Operating income	¥ 24,141	¥ 16,028	¥ 953	¥ 41,122	¥ 5,297	¥ 46,419
Assets	¥ 1,471,840	¥ 518,616	¥ 72,092	¥ 2,062,548	¥ (192,269)	¥ 1,870,279
Depreciation	9,517	7,771	2,965	20,253	(101)	20,152
Capital expenditures	4,230	19,475	1,635	25,340	(74)	25,266

Year Ended March 31, 2003

Millions of Yen

	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers	¥ 1,554,775	¥ 184,839	¥ 135,188	¥ 1,874,802	¥ —	¥ 1,874,802
Inter-segments	34,124	2,069	13,089	49,282	(49,282)	—
Total	1,588,899	186,908	148,277	1,924,084	(49,282)	1,874,802
Operating expenses	1,565,448	172,809	145,552	1,883,809	(45,305)	1,838,504
Operating income	¥ 23,451	¥ 14,099	¥ 2,725	¥ 40,275	¥ (3,977)	¥ 36,298
Assets	¥ 1,663,312	¥ 551,294	¥ 68,379	¥ 2,282,985	¥ (258,759)	¥ 2,024,226
Depreciation	10,446	7,450	3,808	21,704	(103)	21,601
Capital expenditures	11,012	16,378	2,838	30,228	(493)	29,735

Year Ended March 31, 2004

Thousands of U.S. Dollars

	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers	\$ 12,428,132	\$ 1,756,528	\$ 1,114,963	\$ 15,299,623	\$ —	\$ 15,299,623
Inter-segments	3,123	18,340	218,631	240,094	(240,094)	—
Total	12,431,255	1,774,868	1,333,594	15,539,717	(240,094)	15,299,623
Operating expenses	12,203,510	1,623,660	1,324,604	15,151,774	(290,066)	14,861,708
Operating income	\$ 227,745	\$ 151,208	\$ 8,990	\$ 387,943	\$ 49,972	\$ 437,915
Assets	\$ 13,885,283	\$ 4,892,604	\$ 680,113	\$ 19,458,000	\$ (1,813,858)	\$ 17,644,142
Depreciation	89,783	73,311	27,972	191,066	(953)	190,113
Capital expenditures	39,906	183,726	15,425	239,057	(699)	238,358

b. Geographical Segments

Each area primarily refers to the following countries:

North America	U. S. A.
Europe	United Kingdom and France
Asia	Singapore and Taiwan

Year Ended March 31, 2004	Millions of Yen						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers	¥ 1,460,206	¥ 105,287	¥ 21,819	¥ 34,448	¥ 1,621,760	¥ —	¥ 1,621,760
Inter-segments	898	—	—	335	1,233	(1,233)	—
Total	1,461,104	105,287	21,819	34,783	1,622,993	(1,233)	1,621,760
Operating expenses	1,418,262	101,906	24,280	32,126	1,576,574	(1,233)	1,575,341
Operating income (loss)	¥ 42,842	¥ 3,381	¥ (2,461)	¥ 2,657	¥ 46,419	¥ —	¥ 46,419
Assets	¥ 1,734,137	¥ 106,493	¥ 36,132	¥ 48,576	¥ 1,925,338	¥ (55,059)	¥ 1,870,279

Year Ended March 31, 2003	Millions of Yen						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers	¥ 1,696,279	¥ 124,088	¥ 18,135	¥ 36,300	¥ 1,874,802	¥ —	¥ 1,874,802
Inter-segments	930	—	—	—	930	(930)	—
Total	1,697,209	124,088	18,135	36,300	1,875,732	(930)	1,874,802
Operating expenses	1,664,709	120,536	20,239	33,950	1,839,434	(930)	1,838,504
Operating income (loss)	¥ 32,500	¥ 3,552	¥ (2,104)	¥ 2,350	¥ 36,298	¥ —	¥ 36,298
Assets	¥ 1,852,247	¥ 133,530	¥ 40,402	¥ 56,701	¥ 2,082,880	¥ (58,654)	¥ 2,024,226

Year Ended March 31, 2004	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers	\$13,775,528	\$ 993,274	\$ 205,840	\$ 324,981	\$ 15,299,623	\$ —	\$15,299,623
Inter-segments	8,472	—	—	3,160	11,632	(11,632)	—
Total	13,784,000	993,274	205,840	328,141	15,311,255	(11,632)	15,299,623
Operating expenses	13,379,830	961,378	229,057	303,075	14,873,340	(11,632)	14,861,708
Operating income (loss)	\$ 404,170	\$ 31,896	\$ (23,217)	\$ 25,066	\$ 437,915	\$ —	\$ 437,915
Assets	\$16,359,783	\$ 1,004,651	\$ 340,868	\$ 458,264	\$ 18,163,566	\$ (519,424)	\$17,644,142

c. Overseas Revenues

Each area primarily refers to the following countries:

North America U. S. A.
 Europe United Kingdom and France
 Asia Singapore and Taiwan
 Other Area Ethiopia, Central African Republic and Angola

Year ended March 31, 2004	Millions of Yen				
	North America	Europe	Asia	Other Area	Total
Overseas Revenues.....	¥ 105,302	¥ 22,395	¥ 62,927	¥ 2,994	¥ 193,618
Consolidated Revenues.....	—	—	—	—	1,621,760
Overseas/Consolidated Ratio(%)	6.5	1.4	3.9	0.1	11.9

Year ended March 31, 2003	Millions of Yen				
	North America	Europe	Asia	Other Area	Total
Overseas Revenues.....	¥ 124,088	¥ 18,721	¥ 51,550	¥ 5,471	¥ 199,830
Consolidated Revenues.....	—	—	—	—	1,874,802
Overseas/Consolidated Ratio(%)	6.6	1.0	2.8	0.3	10.7

Year ended March 31, 2004	Thousands of U.S. Dollars				
	North America	Europe	Asia	Other Area	Total
Overseas Revenues.....	\$ 993,415	\$ 211,274	\$ 593,651	\$ 28,245	\$ 1,826,585
Consolidated Revenues.....	—	—	—	—	15,299,623



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kajima Corporation:

We have audited the accompanying consolidated balance sheets of Kajima Corporation and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' 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 Kajima Corporation and consolidated subsidiaries as of March 31, 2004 and 2003, 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.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2004