

# Notes to Consolidated Financial Statements

KAJIMA Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2005 and 2004

## 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). Difference between the accounting policies followed by the Companies and IFRSs is 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 2004 consolidated financial statements to conform to classifications and presentations used in 2005. 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, 2005 of ¥107 = 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, 2005 include the accounts of the Company and its 71 (78 in 2004) 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 62 (65 in 2004) subsidiaries were not consolidated as they would not have a material effect on the accompanying consolidated financial statements.

All unconsolidated subsidiaries and 58 (48 in 2004) 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, 2005

①Number of consolidated subsidiaries	:	71 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 17 subsidiaries, Kajima Europe B.V. (KE) and its 25 subsidiaries, Kajima Overseas Asia Pte. Ltd. (KOA) and its 9 subsidiaries and 12 subsidiaries of the Company
②Number of unconsolidated subsidiaries accounted for using the equity method	:	62 ARTES Corporation, Japan Sea Works Co., Ltd. and 60 other companies
③Number of affiliated companies accounted for using the equity method	:	58 Katabami Kogyo Co., Ltd., Yaesu Book Center Co., Ltd., and 56 other companies

### ii) Changes for the year ended March 31, 2005

①Companies excluded from consolidation	:	1 subsidiary, 1 subsidiary of KUSA and 5 subsidiaries of KE due to liquidation, disposal of equity and other
②Companies newly accounted for using the equity method	:	2 subsidiaries and 13 affiliated companies due to new establishments and other
③Companies excluded from the equity method	:	5 subsidiaries and 3 affiliated companies due to merger, liquidation and disposal of equity

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 ¥587 million (\$5,486 thousand) and ¥1,071 million for the years ended March 31, 2005 and 2004, 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 ¥255,869 million (\$2,391,299 thousand) and ¥249,502 million as of March 31, 2005 and 2004, respectively.

g. Long-lived Assets — 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 years beginning on or after April 1, 2005 with early adoption permitted for years ending on or after March 31, 2004.

The Company and its consolidated domestic subsidiaries adopted the new accounting standard for impairment of fixed assets as of April 1, 2004. The Company and its consolidated domestic subsidiaries review their long-lived assets for impairment whenever events or changes in circumstances indicate 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 effect of adoption of the new accounting standard was to decrease income before income taxes and minority interests by ¥1,772 million (\$16,561 thousand) for the year ended March 31, 2005.

In addition, accumulated impairment losses are deducted directly from the related fixed assets.

h. 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.

i. 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 liability for employees' retirement benefits are 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.

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

k. 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 whose contract periods are beyond one year, are recorded using the percentage-of-completion method, while individual construction projects except the aforementioned are recorded using the completed-contract method.

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

The revenues posted by way of the percentage-of-completion method for the years ended March 31, 2005 and 2004 were ¥875,456 million (\$8,181,832 thousand) and ¥758,461 million, respectively.

The Companies provide for foreseeable losses on contract backlog. As of March 31, 2005, the accrual for foreseeable losses on contract backlog amounting to ¥3,920 million (\$36,636 thousand) was recorded in other current liabilities, in accordance with guidance of Japanese Institute of Certified Public Accountants (JICPA).

As of March 31, 2004, foreseeable losses on contract backlog amounting to ¥2,200 million, however, were deducted from construction projects in progress.

l. 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, 2005 and 2004 totaled ¥10,025 million (\$93,692 thousand) and ¥11,098 million, respectively.

m. 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.

n. 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 was levied in addition to the national corporate income tax rate for the year ended March 31, 2004. The surcharge tax is no longer levied for the year ended March 31, 2005, and thereafter.

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

p. 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.

q. 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 translation adjustments in the accompanying consolidated balance sheets.

r. Derivatives and Hedging Activities — The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange, interest rates and the 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.

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 the Companies have nothing which might dilute the per share information for the year ended March 31, 2005 and because of the net loss of the Companies for the year ended March 31, 2004.

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.

### 3. DIFFERENCE 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 difference between such accounting principles is as follows:

**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.

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.k.

### 4. MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

Marketable securities and investments in securities as of March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Current:			
Government and corporate bonds .....	¥ 180	¥ 130	\$ 1,682
Fund trusts and other .....	48	—	449
<b>Total</b> .....	<b>¥ 228</b>	<b>¥ 130</b>	<b>\$ 2,131</b>
Non-Current:			
Equity securities .....	¥ 183,896	¥ 200,619	\$ 1,718,654
Government and corporate bonds .....	25	105	234
Fund trusts and other .....	20,513	17,699	191,710
<b>Total</b> .....	<b>¥ 204,434</b>	<b>¥ 218,423</b>	<b>\$ 1,910,598</b>

Information regarding the category of the securities classified as available-for-sale as of March 31, 2005 and 2004 was as follows:

As of March 31, 2005	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities .....	¥ 98,762	¥ 70,312	¥ (451)	¥ 168,623
Government and corporate bonds.....	205	0	(0)	205
Fund trusts and other .....	1,771	168	(248)	1,691
<b>Total</b> .....	<b>¥ 100,738</b>	<b>¥ 70,480</b>	<b>¥ (699)</b>	<b>¥ 170,519</b>
As of March 31, 2004				
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
<b>Total</b> .....	<b>¥ 110,170</b>	<b>¥ 77,292</b>	<b>¥ (989)</b>	<b>¥ 186,473</b>

As of March 31, 2005

	Thousands of U.S. Dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities.....	\$ 923,009	\$ 657,122	\$ (4,215)	\$ 1,575,916
Government and corporate bonds.....	1,916	0	(0)	1,916
Fund trusts and other .....	16,552	1,570	(2,318)	15,804
<b>Total.....</b>	<b>\$ 941,477</b>	<b>\$ 658,692</b>	<b>\$ (6,533)</b>	<b>\$ 1,593,636</b>

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 as of March 31, 2004.

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2005 and 2004 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Available-for-sale:			
Equity securities.....	¥ 15,273	¥ 15,984	\$ 142,738
Government and corporate bonds.....	—	20	—
Fund trusts and other .....	18,870	16,076	176,355
<b>Total.....</b>	<b>¥ 34,143</b>	<b>¥ 32,080</b>	<b>\$ 319,093</b>

Over-the-counter securities were excluded from the above amount of equity securities as of March 31, 2004.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005 and 2004 were ¥23,571 million (\$220,290 thousand) and ¥14,853 million, respectively. Realized gains and losses on these sales, computed on the moving average cost method, were ¥10,846 million (\$101,364 thousand) and ¥352 million (\$3,290 thousand) for the year ended March 31, 2005 and ¥4,825 million and ¥111 million for the year ended March 31, 2004, 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, 2005 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year .....	¥ 228	\$ 2,131
Due after one year through five years .....	185	1,729
<b>Total.....</b>	<b>¥ 413</b>	<b>\$ 3,860</b>

## 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 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, 2005, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥ 17,551 million (\$164,028 thousand).

## 6. LONG-LIVED ASSETS

For the year ended March 31, 2005, the Company and its consolidated domestic subsidiaries recognized loss on impairment of the following assets:

Use	Type of assets	Location	Number of assets
Assets used for rent .....	Land, Buildings and structures	Saitama Prefecture and others	5
Idle properties.....	Land and other	Hokkaido Prefecture and others	12
Assets used for business.....	Land, Buildings and structures, and others (including leased property)	Hokkaido Prefecture and others	5

For purposes of evaluating and measuring impairment, assets used for rent and idle properties are individually considered. Assets used for business are considered to constitute a group by each branch.

Carrying amounts of certain assets used for rent, idle properties and assets used for business were devalued to their recoverable amounts, due to sluggish rental market, substantial declines in the fair market value, and a decline in the profitability of each branch of certain consolidated subsidiaries.

As a result, the Company and its consolidated domestic subsidiaries recognized an impairment loss of ¥1,772 million (\$16,561 thousand), which consisted of assets used for rent ¥929 million (\$8,682 thousand), idle properties ¥482 million (\$4,505 thousand) and assets used for business ¥361 million (\$3,374 thousand).

Recoverable amounts of certain assets were net selling price at disposition. The Company and its consolidated domestic subsidiaries principally used appraisal value, less the cost of disposal, for calculating net selling price at disposition.

## 7. LONG-TERM LOANS RECEIVABLE

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

## 8. PLEDGED ASSETS

As of March 31, 2005, the following assets of the Companies were pledged to secure the repayment of short-term borrowings of ¥332 million (\$3,103 thousand), current portion of long-term debt of ¥47 million (\$439 thousand), long-term debt of ¥3,597 million (\$33,617 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.....	¥ 332	\$ 3,103
Inventories:		
Development projects in progress, real estate and other .....	6,385	59,673
Land .....	62	579
Investments in unconsolidated subsidiaries and affiliates.....	67	626
Long-term loans to unconsolidated subsidiaries and affiliates .....	371	3,467
Investments and other assets - Other.....	155	1,449
<b>Total.....</b>	<b>¥ 7,372</b>	<b>\$ 68,897</b>

## 9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings were generally represented by 365-day notes in 2005 and 2004 issued by the Companies and bore interest principally at the short-term primary interest rates of 1.375% in effect as of March 31, 2005 and 2004, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
0.585% to 6.153% loans from banks, due 2005 – 2014 .....	¥ 166,626	¥ 164,338	\$ 1,557,252
0.63% to 4.26% loans from insurance companies and other financial institutions, due 2005 – 2021 .....	35,557	33,535	332,308
0.25% to 6.05% Medium Term Notes, due 2005 – 2009 .....	34,062	34,250	318,337
0.58% to 2.9% bonds, due 2005 – 2012 .....	115,000	115,000	1,074,766
Total .....	351,245	347,123	3,282,663
Current portion included in current liabilities .....	(107,689)	(58,442)	(1,006,439)
<b>Total .....</b>	<b>¥ 243,556</b>	<b>¥ 288,681</b>	<b>\$ 2,276,224</b>

Substantially all of the short-term and long-term loans from banks are made under agreements which, as is customary in Japan, provide that the bank may, under certain conditions, require the borrower to provide collateral (or additional collateral) or guarantors with respect to the loans, and that the bank may treat any collateral, whether furnished as security for short-term or long-term loans or otherwise, as collateral for all indebtedness to such bank. 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, 2005 were as follows:

Year Ending	Millions of Yen	Thousands of U.S. Dollars
March 31		
2006 .....	¥ 107,689	\$ 1,006,439
2007 .....	99,160	926,729
2008 .....	53,464	499,664
2009 .....	31,826	297,439
2010 .....	31,880	297,944
2011 and thereafter .....	27,226	254,448
<b>Total .....</b>	<b>¥ 351,245</b>	<b>\$ 3,282,663</b>

In addition to the above balance, the Company entered into committed loan facility agreements aggregating ¥100,000 million (\$934,579 thousand) with several Japanese banks as of March 31, 2005.

## 10. COMMERCIAL PAPER

Commercial paper was represented by 61 to 62-day paper issued by the Company with interest at 0.028% to 0.041% and 61 to 69-day paper at 0.018% to 0.025% as of March 31, 2005 and 2004, respectively.

## 11. 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.

## 12. 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 an employee's 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 the 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 the dissolution was ¥33,484 million, 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 for establishment of a defined contribution

pension plan by the 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 the severance lump-sum payment plan was revised.

Certain overseas subsidiaries have defined contribution plans.

Liability for retirement benefits as of March 31, 2005 and 2004 includes retirement benefits for directors and corporate auditors of ¥5,796 million (\$54,168 thousand) and ¥5,307 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of stockholders.

The information for employees' retirement benefits was as follows:

a. The liability for employees' retirement benefits as of March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligation.....	¥ 112,196	¥ 117,039	\$ 1,048,561
Fair value of plan assets .....	(15,384)	(14,645)	(143,776)
Unrecognized prior service cost.....	(29,085)	(32,329)	(271,822)
Unrecognized actuarial loss .....	(4,857)	(3,960)	(45,393)
<b>Net liability .....</b>	<b>¥ 62,870</b>	<b>¥ 66,105</b>	<b>\$ 587,570</b>

b. The components of net periodic benefit costs for the years ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost .....	¥ 4,822	¥ 14,548	\$ 45,065
Interest cost .....	2,256	9,840	21,084
Expected return on plan assets.....	(224)	(1,561)	(2,093)
Amortization of prior service cost .....	3,261	(1,932)	30,477
Amortization of actuarial loss .....	556	14,357	5,196
Other.....	2,182	171	20,392
<b>Net periodic benefit costs.....</b>	<b>¥ 12,853</b>	<b>¥ 35,423</b>	<b>\$ 120,121</b>

"Other" in the above table consists of the cost of defined contribution plans.

c. Assumptions used for the years ended March 31, 2005 and 2004

	2005	2004
Discount rate .....	2.0%	2.0% to 2.5%
Expected rate of return on plan assets .....	1.0% to 2.5%	1.0% to 2.5%
Amortization period of prior service cost .....	10 years	10 years
Recognition period of actuarial gain/loss .....	10 years	10 years

### 13. STOCKHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock are 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 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 Code allows Japanese companies to repurchase treasury stock and to dispose of such treasury stock by resolution of the Board of

Directors. 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 stockholders' meeting.

The amount of retained earnings available for dividends under the Code was ¥45,290 million (\$423,271 thousand) as of March 31, 2005, 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 financial 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 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
Aggregate amount of the offer price for the public offering:	¥36,192 million
Issue price:	¥361.60 per share
Aggregate amount of the issue price:	¥34,714 million
Amount of the issue price capitalized:	¥17,376 million
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.

#### 14. 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 rates of approximately 40.5% and 41.5% for the years ended March 31, 2005 and 2004, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
<b>Deferred Tax Assets:</b>			
Inventories .....	¥ 40,147	¥ 42,445	\$ 375,206
Liability for retirement benefits .....	24,994	22,814	233,589
Allowance for doubtful accounts .....	15,512	24,157	144,972
Valuation loss on securities .....	11,822	15,217	110,486
Property and equipment .....	11,615	13,675	108,551
Tax loss carryforwards .....	5,662	22,788	52,916
Other .....	65,249	47,347	609,803
Subtotal .....	175,001	188,443	1,635,523
Valuation allowance .....	(19,198)	(18,550)	(179,420)
<b>Total .....</b>	<b>155,803</b>	<b>169,893</b>	<b>1,456,103</b>
<b>Deferred Tax Liabilities:</b>			
Unrealized gain on available-for-sale securities .....	(28,545)	(30,714)	(266,776)
Property and equipment .....	(7,945)	(8,122)	(74,252)
Other .....	(34)	(29)	(318)
<b>Total .....</b>	<b>(36,524)</b>	<b>(38,865)</b>	<b>(341,346)</b>
<b>Net Deferred Tax Assets .....</b>	<b>¥ 119,279</b>	<b>¥ 131,028</b>	<b>\$ 1,114,757</b>

Deferred tax liabilities of ¥1 million (\$9 thousand) and ¥12 million (\$113 thousand) were included in other current liabilities and other long-term liabilities in the balance sheet as of March 31, 2005 and ¥18 million was included in other long-term liabilities in the balance sheet as of March 31, 2004, respectively.

Certain consolidated subsidiaries of the Company have tax loss carryforwards whose expiration dates range from 2006 to 2022. Due to the uncertainty of the realization of such tax loss carryforwards, the Companies have established a valuation allowance to offset most of the related deferred tax assets in the amount of ¥4,743 million (\$44,327 thousand) and ¥4,792 million as of March 31, 2005 and 2004, respectively.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Normal effective statutory tax rate .....	<b>40.5 %</b>	41.5 %
Expenses not deductible for income tax purposes.....	<b>6.4</b>	50.3
Non-taxable income .....	<b>(1.0)</b>	(46.7)
Inhabitant taxes .....	<b>3.7</b>	78.4
Valuation allowance.....	<b>16.2</b>	125.0
Effect of pro forma standard tax rate determination.....	—	61.3
Tax benefits not recognized on equity in earnings or losses of partnership .....	<b>(3.8)</b>	(20.3)
Tax benefits not recognized on equity in earnings or losses of unconsolidated subsidiaries and affiliates .....	<b>(2.5)</b>	(7.0)
Other-net.....	<b>1.9</b>	(10.9)
Actual effective tax rate .....	<b><u>61.4%</u></b>	<b><u>271.6 %</u></b>

## 15. RELATED PARTY TRANSACTIONS

Transactions with unconsolidated subsidiaries and affiliates for the years ended March 31, 2005 and 2004 were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>
Construction and other revenues.....	¥ <b>27,090</b>	¥ 11,939	<b>\$ 253,178</b>
Purchases.....	<b>28,655</b>	34,558	<b>267,804</b>

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 with an initial contract amount of ¥1,700 million which was subsequently revised to ¥1,857 million. Revenues recognized through the percentage-of-completion method on this contract for the year ended March 31, 2004, were ¥404 million.

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 affiliate in the amount of ¥31,780 million with no interest as of March 31, 2004.

The loan was written off against the allowance for doubtful accounts and the allowance for loss on investments in subsidiaries and affiliates as of March 31, 2005.

Additionally, the Company provided financial support to a restructuring by the affiliates in the amount of ¥15,310 million (\$143,084 thousand) which was recorded as a loss on restructuring of affiliates in the consolidated statements of operations for the year ended March 31, 2005.

## 16. 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 ¥7,569 million (\$70,738 thousand) and ¥6,954 million, including total lease payments of ¥1,208 million (\$11,290 thousand) and ¥1,028 million for the years ended March 31, 2005 and 2004, respectively, in connection with finance leases as described in Note 2.m.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, 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, 2005 and 2004 was as follows:

	Millions of Yen					
	2005			2004		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost .....	¥ 4,967	¥ 984	¥ 5,951	¥ 3,634	¥ 969	¥ 4,603
Accumulated depreciation.....	(3,065)	(472)	(3,537)	(2,374)	(273)	(2,647)
Accumulated impairment loss .....	(18)	—	(18)	—	—	—
Net lease property.....	¥ 1,884	¥ 512	¥ 2,396	¥ 1,260	¥ 696	¥ 1,956

	Thousands of U.S. Dollars		
	2005		
	Machinery and Equipment	Other	Total
Acquisition cost .....	\$ 46,421	\$ 9,196	\$ 55,617
Accumulated depreciation.....	(28,645)	(4,411)	(33,056)
Accumulated impairment loss .....	(168)	—	(168)
Net lease property.....	\$ 17,608	\$ 4,785	\$ 22,393

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
	Due within one year .....	¥ 986	¥ 858
Due after one year .....	2,218	1,766	20,729
<b>Total</b> .....	<b>¥ 3,204</b>	<b>¥ 2,624</b>	<b>\$ 29,944</b>

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

Allowance for impairment loss on leased property of ¥18 million (\$168 thousand) as of March 31, 2005 is deducted from the obligations under finance leases.

Depreciation equivalent, interest equivalent and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
	Depreciation equivalent .....	¥ 1,172	¥ 990
Interest equivalent .....	161	152	1,505
Reversal of allowance for impairment loss on leased property .....	7	—	65
Impairment loss .....	25	—	234

Depreciation equivalent is computed by the declining-balance method for machinery and equipment and by the straight-line method for other leased assets 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 cancelable. Lease income earned on such leases in connection with finance leases as described in Note 2.m. were approximately ¥2,367 million (\$22,121 thousand) and ¥996 million for the years ended March 31, 2005 and 2004, 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, 2005 and 2004 was as follows:

	Millions of Yen						
	2005				2004		
	Buildings and Structures	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost.....	¥ 9,151	¥ 3,414	¥ 2,553	¥ 15,118	¥ 3,164	¥ 2,638	¥ 5,802
Accumulated depreciation...	(2,996)	(1,613)	(1,822)	(6,431)	(2,355)	(1,869)	(4,224)
Net lease property.....	¥ 6,155	¥ 1,801	¥ 731	¥ 8,687	¥ 809	¥ 769	¥ 1,578

	Thousands of U.S. Dollars			
	2005			
	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost.....	\$ 85,523	\$ 31,907	\$ 23,860	\$ 141,290
Accumulated depreciation...	(28,000)	(15,075)	(17,028)	(60,103)
Net lease property.....	\$ 57,523	\$ 16,832	\$ 6,832	\$ 81,187

Receivables under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
	Due within one year .....	¥ 2,729	¥ 728
Due after one year .....	6,289	949	58,776
<b>Total</b> .....	¥ 9,018	¥ 1,677	\$ 84,280

The imputed interest equivalent portion 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
	2005	2004	2005
	Depreciation .....	¥ 1,543	¥ 890
Interest equivalent .....	1,058	82	9,888

c. Operating Leases as a Lessee — The minimum rental commitments under noncancellable operating leases as of March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
	Due within one year .....	¥ 5,030	¥ 5,464
Due after one year .....	25,747	30,788	240,626
<b>Total</b> .....	¥ 30,777	¥ 36,252	\$ 287,636

d. Operating Leases as a Lessor — The minimum rental receivables under noncancellable operating leases as of March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year .....	¥ 1,831	¥ 1,059	\$ 17,112
Due after one year .....	7,868	3,223	73,533
<b>Total</b> .....	<b>¥ 9,699</b>	<b>¥ 4,282</b>	<b>\$ 90,645</b>

## 17. 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 rates to floating interest rates. Contracts for future delivery of equity securities are also subject to market risk.

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, 2005 and 2004:

	Millions of Yen							
	2005				2004			
	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 .....	¥ 118	¥ —	¥ 120	¥ 2	¥ 509	¥ —	¥ 509	¥ 0
Polish Zloty forward .....	—	—	—	—	217	—	217	0
Czech Koruni forward .....	—	—	—	—	126	—	126	0
U.S. Dollar forward .....	1,001	—	996	(5)	—	—	—	—
Selling:								
STG Pound Forward .....	—	—	—	—	4,571	—	4,571	0
Euro Forward .....	—	—	—	—	363	—	363	0
<b>Total</b> .....	<b>¥ 1,119</b>	<b>¥ —</b>	<b>¥ 1,116</b>	<b>¥ (3)</b>	<b>¥ 5,786</b>	<b>¥ —</b>	<b>¥ 5,786</b>	<b>¥ 0</b>
Interest Rate Swaps								
Pay-fix / Receive-float .....	¥ —	¥ —	¥ —	¥ —	¥ 1,614	¥ —	¥ (6)	¥ (6)

Thousands of U.S. Dollars				
2005				
	Contract / Notional Principal Amount		Fair Value	Unrealized Gain(Loss)
	Within one year	After one year		
Foreign Exchange Contracts				
Buying:				
Euro forward.....	\$ 1,103	\$ —	\$ 1,122	\$ 19
U.S. Dollar forward.....	9,355	—	9,308	(47)
<b>Total.....</b>	<b>\$ 10,458</b>	<b>\$ —</b>	<b>\$ 10,430</b>	<b>\$ (28)</b>

Foreign currency forward contracts and currency swaps, which qualify for hedge accounting for the years ended March 31, 2005 and 2004 are excluded from the disclosure of market value information.

#### 18. COMMITMENTS AND CONTINGENT LIABILITIES

The Company sold accounts receivable-trade to financial institutions. As of March 31, 2005, accounts receivable-trade amounted to ¥32,754 million (\$306,112 thousand), have been excluded from the consolidated balance sheets.

As of March 31, 2005, contingent liabilities for loans guaranteed including related items of similar nature amounted to ¥24,049 million (\$224,757 thousand).

#### 19. NET INCOME (LOSS) PER SHARE

Basis of calculation of the basic net income (loss) per share ("EPS") for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen	Thousand of Shares	Yen	U.S. Dollars
		Weighted Average Shares	EPS	
<b>For the year ended March 31, 2005:</b>				
Basic EPS				
Net income.....	¥ 13,220			
Less bonuses to directors.....	(296)			
Net income attributable to common stockholders.....	¥ 12,924	1,052,321	¥ 12.28	\$ 0.115
<b>For the year ended March 31, 2004:</b>				
Basic EPS				
Net loss.....	¥ (4,474)			
Less bonuses to directors.....	(118)			
Net loss attributable to common stockholders.....	¥ (4,592)	996,619	¥ (4.61)	

#### 20. SUBSEQUENT EVENT

On June 29, 2005, the stockholders of the Company approved the appropriation of retained earnings to pay a dividend of ¥3.50 (\$0.033) per share (final for the year ended March 31, 2005) for a total amount of ¥3,695 million (\$34,533 thousand).

The stockholders also approved to increase the total number of shares authorized to be issued from 1,920,000,000 to 2,500,000,000 shares.

## 21. 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, 2005	Millions of Yen					
	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers .....	¥ 1,375,804	¥ 204,267	¥ 107,309	¥ 1,687,380	¥ —	¥ 1,687,380
Inter-segments .....	1,862	1,520	16,133	19,515	(19,515)	—
Total .....	1,377,666	205,787	123,442	1,706,895	(19,515)	1,687,380
Operating expenses .....	1,350,551	186,258	122,813	1,659,622	(19,357)	1,640,265
Operating income .....	¥ 27,115	¥ 19,529	¥ 629	¥ 47,273	¥ (158)	¥ 47,115
Assets .....	¥ 1,421,936	¥ 506,194	¥ 86,782	¥ 2,014,912	¥ (197,182)	¥ 1,817,730
Depreciation .....	8,916	9,624	2,166	20,706	(94)	20,612
Impairment loss.....	319	1,404	49	1,772	—	1,772
Capital expenditures .....	5,417	5,559	2,726	13,702	(117)	13,585

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, 2005	Thousands of U.S. Dollars					
	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers .....	\$ 12,857,982	\$ 1,909,037	\$ 1,002,888	\$ 15,769,907	\$ —	\$ 15,769,907
Inter-segments.....	17,402	14,205	150,776	182,383	(182,383)	—
Total .....	12,875,384	1,923,242	1,153,664	15,952,290	(182,383)	15,769,907
Operating expenses .....	12,621,972	1,740,729	1,147,785	15,510,486	(180,906)	15,329,580
Operating income .....	\$ 253,412	\$ 182,513	\$ 5,879	\$ 441,804	\$ (1,477)	\$ 440,327
Assets.....	\$ 13,289,121	\$ 4,730,785	\$ 811,047	\$ 18,830,953	\$ (1,842,822)	\$ 16,988,131
Depreciation .....	83,327	89,944	20,243	193,514	(878)	192,636
Impairment loss.....	2,981	13,122	458	16,561	—	16,561
Capital expenditures .....	50,626	51,953	25,477	128,056	(1,093)	126,963

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, 2005	Millions of Yen						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers .....	¥ 1,483,469	¥ 107,540	¥ 35,707	¥ 60,664	¥ 1,687,380	¥ —	¥ 1,687,380
Inter-segments .....	548	—	—	—	548	(548)	—
Total .....	1,484,017	107,540	35,707	60,664	1,687,928	(548)	1,687,380
Operating expenses .....	1,425,845	106,553	50,580	57,912	1,640,890	(625)	1,640,265
Operating income (loss) .....	¥ 58,172	¥ 987	¥ (14,873)	¥ 2,752	¥ 47,038	¥ 77	¥ 47,115
Assets .....	¥ 1,666,097	¥ 112,287	¥ 34,044	¥ 56,082	¥ 1,868,510	¥ (50,780)	¥ 1,817,730

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, 2005	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers .....	\$ 13,864,197	\$ 1,005,047	\$ 333,710	\$ 566,953	\$ 15,769,907	\$ —	\$ 15,769,907
Inter-segments .....	5,121	—	—	—	5,121	(5,121)	—
Total .....	13,869,318	1,005,047	333,710	566,953	15,775,028	(5,121)	15,769,907
Operating expenses .....	13,325,654	995,823	472,710	541,234	15,335,421	(5,841)	15,329,580
Operating income (loss) .....	\$ 543,664	\$ 9,224	\$ (139,000)	\$ 25,719	\$ 439,607	\$ 720	\$ 440,327
Assets .....	\$ 15,571,000	\$ 1,049,411	\$ 318,168	\$ 524,131	\$ 17,462,710	\$ (474,579)	\$ 16,988,131

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 ..... Russia and Ethiopia

Year ended March 31, 2005	Millions of Yen				
	North America	Europe	Asia	Other Area	Total
Overseas Revenues.....	¥ 107,543	¥ 36,291	¥ 87,972	¥ 3,244	¥ 235,050
Consolidated Revenues .....	—	—	—	—	1,687,380
Overseas/Consolidated Ratio(%) .....	6.4	2.2	5.2	0.1	13.9

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, 2005	Thousands of U.S. Dollars				
	North America	Europe	Asia	Other Area	Total
Overseas Revenues.....	\$ 1,005,075	\$ 339,168	\$ 822,168	\$ 30,318	\$ 2,196,729
Consolidated Revenues .....	—	—	—	—	15,769,907



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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, 2005 and 2004, 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, 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.

As discussed in Note 2.g to the consolidated financial statements, the Company and its domestic subsidiaries adopted the new accounting standard for impairment of fixed assets as of April 1, 2004.

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, 2005