Notes to the Consolidated Financial Statements

For the years ended 31 March 2004 and 2003

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of THE NIPPON ROAD CO., LTD.(the “Company) and its consolidated subsidiaries (hereinafter referred to in total as the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are complied from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

As at 31 March 2004, the consolidated financial statements include the accounts of the Company and its 43 (2003: 43) subsidiaries (40 domestic subsidiaries and 3 overseas subsidiaries). During the year ended 31 March 2004, 1 subsidiary was established and included in the consolidation and 1 subsidiary was excluded from the consolidation due to the liquidation the company. All assets and liabilities of consolidated subsidiaries are revalued to fair market value as of the date of establishment of control. Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary, if any at the date of establishment of control, has been expensed when incurred as such difference was minor. All significant intercompany accounts and transactions and unrealized profit among the Companies, if any, have been eliminated on consolidation.

The unconsolidated subsidiaries and affiliates would have not have a material effect on the Consolidated Financial Statements of the Companies and therefore have been excluded from consolidation. Those companies are not accounted for using the equity method for the same reason described above.

Overseas consolidated subsidiaries have adopted accounting principles generally accepted in their respective countries and no adjustment have been made to their financial statements on consolidation, as allowed under accounting principles and practices generally accepted in Japan. In addition, the financial statements of three overseas subsidiaries (Nippon Road (M) Sdn. Bhd., Thai Nippon Road Co., Ltd. and Thai Nippon Holding Ltd.) are prepared on a calendar year basis. Significant transactions that occurred between 1 January and 31 March are reflected in the accompanying consolidated financial statements.

(2) Securities Valuation

Securities held by the Company and its subsidiaries are classified into three categories;

a) Held-to-maturity debt securities, that the Company and its subsidiaries intend to hold to maturity, are stated at cost after accounting for any premium or discount on acquisition, which is amortized over the period to maturity.

b) Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates are valued at the cost, cost being determined by the moving average method.

c) Other securities for which market quotations are stated at fair value.
Other securities for which market quotations are unavailable are valued at cost, cost being determined by the moving average method.

(3) Inventory Valuation

Inventories are classified into three categories:

a) Cost on uncompleted construction contracts and b) other inventories are valued at cost as determined by the job order costing method.

c) Raw materials and supplies are valued at cost as determined by the moving average method.

(4) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued “Accounting Standard for Impairment of Fixed Assets”. The standard requires that fixed assets reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and 2005.

The Company has not yet applied this new standard nor has determined the effect of applying it on the Company’s consolidated financial statements.

(5) Tangible Fixed Assets

The acquisition costs of tangible fixed assets, excluding leased assets, are depreciated using the declining-balance method over the estimated useful lives at the balance sheet date.
Leased assets are depreciated using the straight-line method over the lease term.
Normal repairs and maintenance including minor renewals and improvements are charged to income as incurred.

(6) Intangible Assets

Amortization of intangible assets and long-term prepaid expenses included in "Other Assets" is computed using the straight-line method, over a period prescribed by the Japanese tax laws.

Software costs for internal use are amortized over their expected useful lives (less than 5 years) on a straight-line basis.

Research and development costs incurred for specific projects in search of new products and new technology are charged to income as incurred.

(7) Reserves and Allowances

(i) Allowance for doubtful accounts

The Company and its domestic subsidiaries provided an allowance for doubtful accounts at an amount equivalent to the maximum limit allowed for deduction under the Japanese income tax law, in addition to the amount of potential losses from irrecoverable receivables based on management's estimate.

The foreign consolidated subsidiaries provided for potential losses from irrecoverable receivables based on management's estimate.

(ii) Warranty Reserve for completed construction contracts

A warranty reserve for completed construction contracts is provided at an estimated amount, based on the actual level of defects and related warranty costs found on completed construction contracts.

(iii) Reserve for retirement benefits

(a) Retirement Benefits to Employees

A reserve for retirement benefits to employees is provided at an amount equal to the present value of the projected benefit obligation less the fair value of the plan assets at the year-end.

Unrecognized actuarial differences are amortized on a straight-line basis over 13 years from the year after they occur.

(b) Retirement Benefits to the Directors and Corporate Auditors

The Company and its subsidiaries have provided for the accrued cost of retirement benefits payable to the Directors and Corporate Auditors at an amount equivalent to 100 per cent. of such benefits that the Company and subsidiaries would be required to pay, had all eligible Directors and Corporate Auditors retired at the year-end date.

(8) Translation of Foreign Currency

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rate prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

Assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at exchange rates prevailing at the balance sheet date. Shareholder's equity at the beginning of the year is translated into Japanese yen at the historical rates. Profit and loss accounts for the year are translated into Japanese yen using the exchange rates prevailing at the balance sheet date. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" in the shareholders' equity.

(9) Accounting for Leases

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except those leases, which do not transfer ownership of the assets at the end of the lease term, which are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(10) Hedge Accounting

The derivatives designated as hedging instruments by the Company are principally foreign exchange contracts and interest swaps for future transactions and borrowings denominated in foreign currency.

The Companies have a policy to utilize hedging instruments in order to reduce the Companies' risk of fluctuation in interest and exchange rates. Therefore, the Companies' purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

Gains or losses from changes in the fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net income for the same year during which the gains or losses on the hedged items or transactions are recognized. However, interest rate swaps, if they meet conditions for hedge accounting and their nominal amount, terms on interest and contract period are substantially the same as those of hedged items, are not valued at fair value, but are accrued net of the swap interests paid and received.

The Companies evaluate the effectiveness of its hedging activities by the level of co-relationship in fluctuation of market value of hedged items and hedging instruments accumulated from the commencement of the hedges to the point of evaluation of its effectiveness. However, the Company does not evaluate effectiveness of hedging activities by interest rate swaps, which meets the condition described above.

(11) Revenues Recognition

The Company and its domestic consolidated subsidiaries adopt the completion method in recognition of revenues and costs relating to all construction contracts. The foreign consolidated subsidiaries adopt the percentage of completion method.

(12) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(13) Accounting for Consumption Tax

Consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions).

The consumption tax withheld upon sale and consumption tax paid by the Companies on their purchases of goods and services is not included in the amounts of respective revenue and cost or expense items in the accompanying consolidated statements of income. The consumption tax withheld and consumption tax paid are recorded as assets or liabilities and the net balance is included in "Notes and accounts payables - Other" of the consolidated balance sheets at 31 March 2004 and 2003.

(14) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes.

From the beginning of the year ended 31 March 2000, the Company and its subsidiaries adopted deferred tax accounting in accordance with the amended regulations for preparation of consolidated financial statements. Income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements. The cumulative effect of adopting deferred tax accounting at 1 April 1999 was charged directly to retained earnings.

(15) Appropriation of Retained Earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the appropriation of retained earnings proposed by the Board of Directors is subject to approval by the shareholders at a meeting which must be held within three months of the end of each financial year. The appropriations of retained earnings reflected in the accompanying consolidated financial statements include the results of such appropriations applicable to the immediately preceding financial year as approved at the shareholders' meeting, and effected, during the relevant year. Dividends are paid to shareholders on the shareholders' register as at the end of each financial year. As is customary practice in Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings through an appropriation, instead of being charged to the income of the year. The Japanese Commercial Code provides that interim cash dividends may be paid as a part of the annual dividend upon approval by the Board of Directors. The Company does not pay such interim dividends to its shareholders.

(16) Legal Reserves

Additional paid-in capital, recorded pursuant to the Japanese Commercial Code, primarily consists of proceeds on issuance of shares of common stock of the Company that were not recorded as “common stock” (Under the Japanese Commercial Code, the Company is allowed to account for an amount not exceeding one-half of the issue price of new shares as additional paid-in capital.) Capital reserve may be transferred to other additional paid in capital to the extent that the sum of additional paid-in capital and earned reserve (collectively, “legal reserves”) does not fall below 25% of stated capital. However, additional paid-in capital may not be transferred to retained earnings.

The Japanese Commercial Code requires all the Companies to appropriate as an earned reserve an amount equivalent to at least 10% of cash payments for appropriation of retained earnings until the legal reserves equals 25% of stated capital. The earned reserve may be transferred to unappropriated retained earnings to the extent that the legal reserves do not fall below 25% of stated capital.

Legal reserves may be transferred to stated capital through suitable directors' actions or offset against deficit through suitable shareholders' actions.

(17) Earnings Per Share

The computation of basic net income per common share is based on the weighted average number of outstanding shares of common stock. The average number of shares used in the computation was 97,616,187 for the both years ended 31 March 2004 and 2003. As new accounting standards for earnings per share was effective on or after 1 April 2002, net income per share for the year ended 31 March 2003 during the year. The effect of the change is disclosed in consolidated statements of income.

(18) Changes in Accounting Presentation

Changes in accounting presentation have been made in the consolidated cash flow statement for the year ended 31 March 2004 as follows.

a) Gain on sales of investment in securities in the cash flow from operating activities is individually itemized from the year ended 31 March 2004 because it is now deemed to be important. It was itemized on 'others' in the cash flow from operating activities for the year ended 31 March 2003. The amount of gain on sales of invest in securities itemized on others in the cash flow from operating activities for the year ended 31 March 2003 was ¥ (0) million.

b) Increase in account payable in the cash flow from operating activities is individually itemized from the year ended 31 March 2004 because it is now deemed to be important. It was itemized on 'others' in the cash flow from operating activities for the year ended 31 March 2003. The amount of gain on sales of invest in securities itemized on others in the cash flow from operating activities for the year ended 31 March 2003 was ¥ (174) million.

3. United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥105.63=U.S. $1, the approximate rate of exchange prevailing at 31 March 2004 has been used in translation. The inclusion of such amounts are not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rates.

4. Cash and Cash Equivalents

Cash and Cash Equivalents at 31 March 2004 and 2003 consisted of:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
31 March	**2004**	2003	**2004**
Cash in hand and at bank	**¥13,619**	¥13,654	**$128,931**
Fixed Deposit over 3 months	**(123)**	(127)	**(1,161)**
Over Draft	**-**	(101)	**-**
Cash and Cash Equivalents	**¥13,496**	¥13,426	**$127,770**

5. Investments in Securities

Investments in securities as at 31 March 2004 and 2003 were as follows:

	Millions of Yen					
	2004			2003		
	Fair market value	Unrealized gain	Book value	Fair market value	Unrealized gain	Book value
Held-to-maturity debt securities						
Governmental and municipal bonds	**¥48**	**¥3**	**¥45**	¥49	¥4	¥45
	Acquisition cost	Unrealized gain	Fair market value (book value)	Acquisition cost	Unrealized gain	Fair market value (book value)
Other securities with market quotation						
Equity securities	**¥2,678**	**¥3,079**	**¥5,757**	¥3,074	-¥197	¥2,877
Debt securities:						
Convertible bonds	**10**	**-**	**10**	10	-	10
Others	**-**	**-**	**-**	53	-	53
	¥2,688	**¥3,079**	**¥5,767**	¥3,137	-¥197	¥2,940
Other securities without market quotation						
Unlisted shares ‘excluding OTC shares)			**¥980**			¥990
Investments in unconsolidated subsidiaries and affiliates			**¥119**			¥110
Total investments in securities			**¥6,911**			¥4,085

	Thousands of U.S. dollars (Note 3)		
		2004	
	Fair market value	Unrealized gain/(loss)	Book value
Held-to-maturity debt securities			
Governmental and municipal bonds	**$454**	**$28**	**$426**
	Acquisition cost	Unrealized gain/(loss)	Fair market value (book value)
Other securities			
Equity securities	**$25,353**	**$29,149**	**$54,502**
Debt securities:			
Convertible bonds	**95**	**0**	**95**
Others	**-**	**-**	**-**
	$25,448	**$29,149**	**$54,597**
Other securities without market quotation			
Unlisted shares ‘excluding OTC shares)			**$9,278**
Investments in unconsolidated subsidiaries and affiliates			**$1,126**
Total investments in securities			**$65,427**

6. Short-term Debt and Long-term Debt

a) Short-term debt consists principally of bank overdrafts, bearing interest at annual rates ranging from 0.6 per cent. to 4.6 per cent. and from 0.6 per cent. to 6.9 per cent. as at 31 March 2004 and 2003, respectively. It is normal business custom in Japan for short-term borrowings to be rolled over each year.

Short-term debt as at 31 March 2004 and 2003 was as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
31 March	**2004**	2003	**2004**
Bank			
Unsecured	**5,705**	5,581	**54,009**
Current portion of long-term debt	**1,656**	1,681	**15,678**
	¥7,361	¥7,262	**$69,687**

b) Long-term debt as at 31 March 2003and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
31 March	**2004**	2003	**2004**
Unsecured payable to domestic banks, insurance Companies and others, with interest Rates shown below (* 1)	**7,267**	7,735	**68,797**

For the year ended 31 March	**2004**	2003
(*1) Interest rates	1.4 per cent. To 6.8per cent	0.8 per cent. to 6.8 per cent

Annual maturities of long-term debt are as follows:

Year ending on 31 March	Millions of Yen	Thousands of U.S. Dollars (Note 3)
2005	¥1,656	$15,678
2006	561	5,311
2007	1,359	12,866
2008	5,041	47,723
2009 and thereafter	306	2,897
	¥8,923	$84,475

7. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in the statutory tax rate of approximately 42.05% for the years ended 31 March 2004 and 2003. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

At 31 March 2004 and 2003, significant components of deferred tax assets and liabilities were as follows:

31 March 2004	Millions of Yen	Thousands of U.S. Dollars (Note 3)
Deferred tax assets:		
Evaluation loss for real estate for sale	¥ 3,156	$ 29,878
Excess over the limit of reserve for bad debt...........	1,217	11,521
Excess over the limit of reserve for retirement benefit to employees...	576	5,453
Tax loss carried forward	301	2,850
Excess over the limit of reserve for bonus..............	534	5,055
Evaluation loss for investments in securities...........	333	3,153
Evaluation loss for facility membership..................	222	2,102
Disallowed accrued enterprise taxes........................	11	104
Unrealized loss on other securities..........................	(1)	(9)
Others	365	3,454
Sub total of deferred tax assets	6,714	63,561
Less valuation allowance	(1,182)	(11,190)
Total of deferred tax assets	5,532	52,371
Deferred tax liabilities		
Reserve for advanced depreciation of fixed assets	(532)	(5,036)
Unrealized gain on other securities	(1,153)	(10,915)
Special depreciation reserve....................................	(4)	(38)
Others	(6)	(57)
Total of deferred tax liabilities	(1,695)	(16,046)
Net deferred tax assets	3,837	36,235
Current assets	3,622	34,290
Non-current assets	215	2,035
Other non-current liabilities	-	-

31 March 2003	Millions of Yen
Deferred tax assets:	
Evaluation loss for real estate for sale	¥ 3,300
Excess over the limit of reserve for bad debt	791
Excess over the limit of reserve for retirement benefit to employees	1,703
Tax loss carried forward	776
Excess over the limit of reserve for bonus..............	511
Evaluation loss for investments in securities...........	418
Evaluation loss for facility membership	308
Disallowed accrued enterprise taxes	6
Unrealized loss on other securities	80
Others	412
Sub total of deferred tax assets	8,305
Less valuation allowance	(1,625)
Total of deferred tax assets	6,680
Deferred tax liabilities	
Reserve for advanced depreciation of fixed assets	(534)
Unrealized gain on other securities	(0)
Special depreciation reserve	(9)
Others..	(5)
Total of deferred tax liabilities	(548)
Net deferred tax assets	6,132
Current assets	4,254
Non-current assets...	1,883
Other Non-current liabilities	(5)

In assessing the realizability of deferred tax assets, management of the Company considers whether it is more likely than not that some portion will not be realized. The ultimate realization of deferred tax assets is entirely dependent on the generation of future taxable income in specific tax jurisdictions during the periods in which those temporary differences become deductible. Although realization is not assured, management considered the projected future taxable income in making this assessment. Based on these factors, management believes it is more likely than not the Company will realize the benefit of these deductible differences, net of the existing valuation allowances as of 31 March 2004.

At 31 March 2004 and 2003, the reconciliation of the statutory tax rate to the effective income tax rate is as follows:

31 March 2004	2004	
Statutory tax rate	42.05	%
Adjustments		
Permanent non-deductible differences	8.94	
Permanent non-taxable differences	(1.01)	
Inhabitant tax per capital	6.51	
Reassessment of temporary differences	2.44	
Other	0.87	
Effective income tax rate	59.80	%

31 March 2003	2003	
Statutory tax rate	42.05	%
Adjustments		
Permanent non-deductible differences	21.60	
Permanent non-taxable differences	(1.33)	
Inhabitant tax per capital	14.60	
Valuation allowance to deferred tax assets	33.40	
Change in statutory tax rate	13.77	
Non-recoverable temporary differences	5.52	
Other	(0.60)	
Effective income tax rate	129.01	%

8. Leases

The Companies use certain machinery, equipment and other fixed assets under the finance lease contracts. Information regarding the leased assets such as acquisition cost, accumulated depreciation and future minimum lease payments under finance leases that do not transfer the ownership of the leased property to the lessee for the years ended 31 March 2004 and were as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note3)
31 March 2004	Acquisition Costs	Accumulated Depreciation	Balance	Balance
Machinery and equipment	**¥ 16,865**	**¥ 8,176**	**¥8,689**	**$82,259**
Other	**209**	**145**	**64**	**606**
	¥17,074	**¥8,321**	**¥8,753**	**$82,865**

	Millions of Yen		
31 March 2003	Acquisition Costs	Accumulated Depreciation	Balance
Machinery and equipment	¥15,317	¥7,927	¥7,390
Other	197	135	62
	¥15,514	¥8,062	¥7,452

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
31 March	**2004**	2003	**2004**
The scheduled maturities of future lease payments, on such lease contracts were as follows:			
Due within one year	**¥2,507**	¥2,223	**$23,734**
Due over one year	**5,103**	4,446	**48,310**
	¥7,610	¥6,669	**$72,044**

Following is the information regarding the leased assets such as acquisition cost, accumulated depreciation and future minimum lease payments under finance leases that do not transfer the ownership of the leased property to the companies as lessee for the years ended 31 March 2004 and were as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
31 March 2004	Acquisition Costs (equivalent)	Accumulated Depreciation (equivalent)	Balance (equivalent)	Balance (equivalent)
Machinery and equipment	**¥ 23**	**¥ 4**	**¥18**	**$170**
	¥23	**¥4**	**¥18**	**$170**

31 March	Millions of Yen 2004	2003	Thousands of U.S. Dollars (Note 3) 2004
The scheduled maturities of future lease payments, on such lease contracts (equivalent) were as follows:		-	
Due within one year	**¥4**	-	**$38**
Due over one year	**14**	-	**132**
	¥18	-	**$170**

9. Derivative and Hedging Activities

The Companies use forward currency exchange contracts to hedge against the exchange rate risk associated with monetary receivables and payables denominated in foreign currencies. Interest rate swap transactions and interest rate cap transactions are used in order to minimize the risk of fluctuation in interest rates on borrowings.

The Companies have established a control environment which includes policies and procedures for risk assessments and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Companies do not hold or issue derivative financial instruments for trading purposes.
he Companies are exposed to certain market risks arising from their forward exchange contracts and swap agreements. The Companies are also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest; however, the Companies do not anticipate nonperformance by any of these counterparties all of whom are financial institutions with high credit ratings.

At 31 March 2004, outstanding interest rate swap agreements were as follows:

For the year ended 31 March 2004	Millions of Yen Notional Amount	Unrealized Gain
Interest-rate swap agreements:		
Valuable-rate into fixed-rate		
Obligations..	¥2,000	¥ (91)

For the year ended 31 March 2004	Thousands of U.S. Dollars (Note 3) Notional Amounts	Unrealized Gain
Interest-rate swap agreements:		
Valuable-rate into fixed-rate		
Obligations..	$18,934	$(861)

10. Retirement Benefits

The Company and its domestic consolidated subsidiaries operate severance payment plan and qualified pension plan. Furthermore, an additional payment can be allowed for the certain case.
25 of domestic consolidated subsidiaries participate in another type of contributory severance payment plan, operated by two independent pension plans.

1) Reserve for retirement benefits as at 31 March 2004 and 2003 are summarized as follows:

		Millions of Yen			Thousand of U.S. dollars (Note 3)
31 March		**2004**		2003		**2004**
Projected benefit obligations	¥	**(12,402)**	¥	(14,288)	$	**(117,410)**
Plan assets		**9,649**		8,687		**91,347**
Unfunded benefit obligations		**(2,753)**		(5,601)		**(26,063)**
Unrecognized actuarial differences		**1,278**		2,221		**12,099**
Unrecognized past service obligations		**(1,740)**		-		**(16,472)**
	¥	**(3,215)**	¥	(3,380)	$	**(30,436)**

(Note) Domestic consolidated subsidiaries calculate the projected benefit obligation by the simple method permitted under the Japanese accounting standard.

The net periodic pension expense is summarized as follows:

31 March		Millions of Yen				Thousand of U.S. dollars (Note 3)
		2004		2003		**2003**
Service cost	¥	**497**	¥	679	$	4,705
Interest cost		**309**		408		2,925
Expected return on plan assets		**(217)**		(247)		(2,054)
Amortization of unrecognized actuarial differences		**183**		139		1,732
Amortization of unrecognized past service obligations		**(144)**				(1,363)
	¥	**628**	¥	979	$	5,945

Note) Service cost includes net periodic pension expense incurred by certain consolidated subsidiaries which adopt the simple method for calculation of projected benefit obligations.

2) Assumptions used in calculation of the above information:

	2004	2003
Method of attributing the projected benefits to period of service s	Benefit/year of service approach	Benefit/ year of service approach
Discount rate	2.5%	2.5%
Expected rate of return	2.5%	2.5%

11. Contingent Liabilities and Commitments

1) As at 31 March 2004, the Companies other than consolidated companies are contingently liable for guarantees as follows:

31 March 2004	Millions of Yen	Thousands of U.S. Dollars (Note 3)
Guarantees of loans from banks	¥ 30	$ 284

2) The Company had total ¥4,300 million ($40,708 Thousand) of overdraft contracts and credit lines from two banks to facilitate efficient funds. Unutilized portion was ¥4,300 million ($40,708 Thousand) as of March 31, 2004

3) Litigation

With regard to the compensation for loss court case, which the company has been litigated by the client due to the company performance on the earth work of housing development contract from 1976 to 1981, the first judgement was given by Otsu regional court on 30 March 1998, which decided the company to discharge ¥1,943 million, includes interests, as a compensation. The company appealed of dissatisfaction to the Osaka high court, and on 28 March 2002, second finding, for which the company discharges ¥285 million ($2,660 Thousand) that is inclusive of interests, as a compensation money to the client, was given. The client protested against a decision and appealed to the Supreme Court, however this appeal was withdrawn on 31 May 2004. Therefore, fore-said decision by Osaka high court has been confirmed.

12. Subsequent Events

The appropriation of retained earnings of the Company, including cash dividends applicable to the year ended 31 March 2004, which was proposed by the Board of Directors and approved at the shareholders' meeting held on 29 June 2004, was for the purpose of paying cash dividends to shareholders of record at 31 March 2004 in the aggregate amount of ¥488 million ($4,620 thousand) (¥5 per share). Bonuses to directors were not proposed.

13. Segment Information

(1) Industry Segment Information

The operations of the Company and its consolidated subsidiaries for the years ended 31 March 2004 and 2003 are summarized by product group as follows:

For the year ended 31 March 2004	Construction	Material Sales	Leasing Business	Other	Eliminations or Corporate Assets*	Consolidated Total
	Millions of Yen					
Sales						
Sales to external customers	**¥110,078**	**¥ 24,001**	**¥ 5,129**	**¥ 999**	**¥ —**	**¥ 140,207**
Inter-segment sales	**171**	**4,576**	**1,024**	**538**	**(6,309)**	**—**
Total	**110,249**	**28,577**	**6,153**	**1,537**	**(6,309)**	**140,207**
Operating costs and expenses	**108,310**	**25,927**	**5,960**	**1,475**	**(3,640)**	**138,032**
Operating income (loss)	**¥ 1,939**	**¥ 2,650**	**¥ 193**	**¥ 62**	**¥ (2,669)**	**¥ 2,175**
Assets	**¥ 64,224**	**¥ 23,598**	**¥ 13,330**	**¥ 6,846**	**¥ 22,882**	**¥ 130,880**
Depreciation	**¥ 715**	**¥ 1,085**	**¥ 3,106**	**¥ 49**	**¥ 162**	**¥ 5,117**
Capital expenditure	**¥ 454**	**¥ 1,467**	**¥ 4,888**	**¥ 1**	**¥ 52**	**¥ 6,862**

For the year ended 31 March 2003	Construction	Material Sales	Leasing Business	Other	Eliminations or Corporate Assets*	Consolidated Total
	Millions of Yen					
Sales						
Sales to external customers	¥110,236	¥ 25,150	¥ 4,867	¥ 1,295	¥ —	¥ 141,548
Inter-segment sales	70	5,767	981	453	(7,271)	—
Total	110,306	30,917	5,848	1,748	(7,271)	141,548
Operating costs and expenses	108,032	27,861	5,661	1,677	(4,384)	138,847
Operating income	¥ 2,274	¥ 3,056	¥ 187	¥ 71	¥ (2,887)	¥ 2,701
Assets	¥ 73,974	¥ 22,718	¥ 12,026	¥ 7,451	¥ 20,030	¥ 136,199
Depreciation	¥ 680	¥ 1,083	¥ 3,199	¥ 60	¥ 167	¥ 5,189
Capital expenditure	¥ 850	¥ 1,259	¥ 3,435	¥ 39	¥ 17	¥ 5,600

For the year ended 31 March 2004	Construction	Material Sales	Leasing Business	Other	Eliminations or Corporate Assets*	Consolidated Total
	Thousands of U.S. Dollars (Note3)					
Sales						
Sales to external customers	**$ 1,042,109**	**$ 227,218**	**$ 48,556**	**$ 9,458**	**$ —**	**$ 1,327,341**
Inter-segment sales	**1,619**	**43,321**	**9,694**	**5,093**	**(59,727)**	**—**
Total	**1,043,728**	**270,539**	**58,250**	**14,551**	**(59,727)**	**1,327,341**
Operating costs and expenses	**1,025,372**	**245,451**	**56,423**	**13,964**	**(34,460)**	**1,306,750**
Operating income	**$ 18,356**	**$ 25,088**	**$ 1,827**	**$ 587**	**$ (25,267)**	**$ 20,591**
Assets	**$ 608,009**	**$ 223,403**	**$ 126,195**	**$ 64,811**	**$ 216,624**	**$ 1,239,042**
Depreciation	**$ 6,768**	**$ 10,272**	**$ 29,405**	**$ 464**	**$ 1,534**	**$ 48,443**
Capital expenditure	**$ 4,298**	**$ 13,888**	**$ 46,275**	**$ 9**	**$ 492**	**$ 64,962**

(2) Geographic Segment Information

Segment information classified by geographic area* was omitted because a majority of the Companies' operations were performed in Japan.

(3) Export sales and sales by overseas subsidiaries

Segment information for Export sales and sales by overseas subsidiaries is omitted since the sales is less than 10% of consolidated sales and immaterial.

14. Related Party Transactions

Material transactions of the Company with its related companies and individuals, excluding transactions with consolidated subsidiaries which are eliminated in the consolidated financial statements and other than those disclosed elsewhere in these financial statements, for the years ended 31 March 2004 and 2003 were as follows:

				Millions of Yen/Thousands of U.S. Dollars (Note 3)					
				Transactions			Resulting Accounting Balance		
					For the year ended 31 March			At 31 March,	
Name of Related Company	Paid-in Capital	Principal Business	Equity Ownership Percentage by the Company	Description of the Company's Transactions	2004	2003	Account	2004	2003
Shimizu Corporation	¥74,365 millions	Construction & Development	22.6%	Construction contracts and	¥ 11,963 ($113,254)	¥14,632	Notes & account receivable -trade	¥4,422 ($41,863)	¥6,229
				Material Sales	10 ($ 95)	28	Advances received on uncompleted contracts	384 ($3,635)	549
				Construction order	963 ($9,117)	46	Notes & accounts payable-trade	- ($-)	39

The terms and conditions of the above transactions are on an arm's-length basis.