KAJIMA CORPORATION

NOTICE OF INTERIM CONSOLIDATED AND NON-CONSOLIDATED FINANCIAL STATEMENTS

(For the Period from April 1 to September 30, 2004)

1. Date of the Board of Directors` Meeting to Approve
   the Interim Consolidated Financial Statements : November 18, 2004

2. Financial Highlights

(1) Results of Operations

	First Half of Financial Years from April 1 to September 30		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Revenues	Yen 732,665	Yen 783,372	$ 6,600,586
Operating Income	18,912	17,011	170,378
Net Income (Loss)	(2,613)	6,080	(23,541)
	Yen		U.S. Dollars
Basic Net Income (Loss) per Share	Yen (2.48)	Yen 6.35	$ 0.02

(2) Assets and Equity

	As of September 30		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Total Assets	Yen 1,761,384	Yen 1,896,364	$ 15,868,324
Total Stockholders` Equity	200,962	180,148	1,810,468
Equity/Assets Ratio(%)	11.4	9.5	11.4
	Yen		U.S. Dollars
Equity per Share	Yen 190.96	Yen 188.32	$ 1.72

(3) Cash Flows

	First Half of Financial Years from April 1 to September 30		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Operating Activities	Yen 19,061	Yen 35,556	$ 171,721
Investing Activities	(134)	(8,225)	(1,207)
Financing Activities	(22,710)	(5,444)	(204,595)
Cash and Cash Equivalents, End of the Period	103,714	108,739	934,360

(4) Forecast for the financial year from April 1, 2004 to March 31, 2005

(a) Major Financial Results

	Year ending March 31, 2005	
	Millions of Yen	Thousands of U.S. Dollars
Revenues	Yen 1,670,000	$ 15,045,045
Construction projects	1,370,000	12,342,342
Real estate and other	300,000	2,702,703
Gross Profit	143,500	1,292,793
Gross profit margin (%)	8.6	8.6
Construction projects (%)	7.6	7.6
Real estate and other (%)	13.3	13.3
Selling, General and Administrative Expenses	95,000	855,856
Operating Income	48,500	436,937
Net Income	Yen 13,000	$ 117,117

(b) Contract Awards

	Year ending March 31, 2005	
	Millions of Yen	Thousands of U.S. Dollars
Construction contract awards		
Domestic	Yen 1,290,000	$ 11,621,622
Overseas	210,000	1,891,892
Total	Yen 1,500,000	$ 13,513,514

The above projections/forecasts are based on information available as of the release of this document and are subject to risks and uncertainties that may cause the actual results to vary.

(5) Basis of Presentation

(a) The accompanying consolidated financial statements of Kajima Corporation (the "Company") and its consolidated subsidiaries (together, the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards (IFRSs). Differences between the accounting policies followed by the Companies and IFRSs are described in Note 2.

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

The accounts of the Company and its Japanese subsidiaries are maintained in Japanese yen, the currency of the country in which they are incorporated and principally operate. The U.S. dollar amounts included in Financial Highlights above and elsewhere in the NOTICE 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 September 30, 2004 of Yen111 = 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.

(b) Scope of Consolidation

The consolidated financial statements for the first half of financial year from April 1 to September 30, 2004 include the accounts of the Company and its 75 significant subsidiaries. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Other 65 subsidiaries were not consolidated as they would not have a material effect on the accompanying consolidated financial statements.

All unconsolidated subsidiaries and 54 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 September 30, 2004

Number of consolidated subsidiaries	:	75
Principal consolidated subsidiaries	:	Taiko Trading Co., Ltd. Kajima Leasing Corporation Kajima Road Co., Ltd. Kajima U.S.A. Inc. Kajima Europe B.V. Kajima Overseas Asia Pte. Ltd.
Number of unconsolidated subsidiaries accounted for using the equity method	:	65 ARTES Corporation, Japan Sea Works Co., Ltd. and 63 other companies
Number of affiliated companies accounted for using the equity method	:	54 Katabami Kogyo Co., Ltd., Yaesu Book Center Co., Ltd. and 52 other companies

ii) Changes in the first half of financial year from April 1 to September 30, 2004

Companies excluded from consolidation	:	1 subsidiary and 2 subsidiaries of Kajima Europe B.V.
Companies newly accounted for using the equity method	:	1 subsidiary and 6 affiliated companies
Companies excluded from the equity method	:	1 subsidiary

(c) 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. The weighted-average number of common shares used in the computation for the first half of financial years from April 1 to September 30, 2004 and 2003 were 1,052,452,360 and 956,671,298 shares, respectively.

Equity per share data is calculated using the number of shares at the end of each period.

Diluted net income per share is not disclosed because of the net loss of the Companies for the first half of financial year to September 30, 2004 and because the Companies have nothing which might dilute the per share information for the first half of financial year from April 1 to September 30, 2003.

3. Further information is available at:

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I. Management Policies

(1) Corporate Philosophy

A cornerstone of Kajima's philosophy is a commitment to bringing scientific and humanitarian approaches to business. Our mission is to enhance social well-being through our creative endeavors and corporate achievements. Our quality policy requires that we provide products and services that best satisfy clients' needs throughout our business relationship and earn their confidence in placing repeated orders with us.

We are at our clients' disposal for delivering a broad range of quality products and services. With our extensive R&D and proven track record, the Group companies respond globally to clients' diverse requirements over the entire life cycle of their projects, from initial research and planning, design and construction, operation and maintenance through renovation or demolition.

We stand by our policies, and strive to meet and exceed stakeholder expectations by growing our business and our capabilities.

(2) Dividend Policy

We consider it appropriate to balance the need to maintain stable dividend payouts and the funding requirements of the company's ongoing operations, all in the context of our current and expected financial performance. It is also our goal to retain earnings to the extent necessary to build and maintain a stable financial base.

(3) Medium-Term Strategy

The Group companies are pushing ahead with the Medium-Term Business Plan, a three-year effort through March 31, 2006, in order to achieve a consolidated recurring profit target of 42 billion yen or more as well as other financial targets for the financial year ending March 31, 2006.

In our core construction business, we aim to increase market share by offering innovative business and technical solutions while simultaneously improving profit margins through efficiency and cost reduction measures. We also aim to expand the Company's revenue potential and solidify our business platform for the long run by reinforcing our businesses overseas, in real estate, in private finance initiatives (PFI) as well as in engineering and environment.

Towards this end, we continue to emphasize focused and efficient R&D, selling, general and administrative expenses reduction, improved asset utilization, and reduction of interest bearing debt.

(4) Corporate Governance:

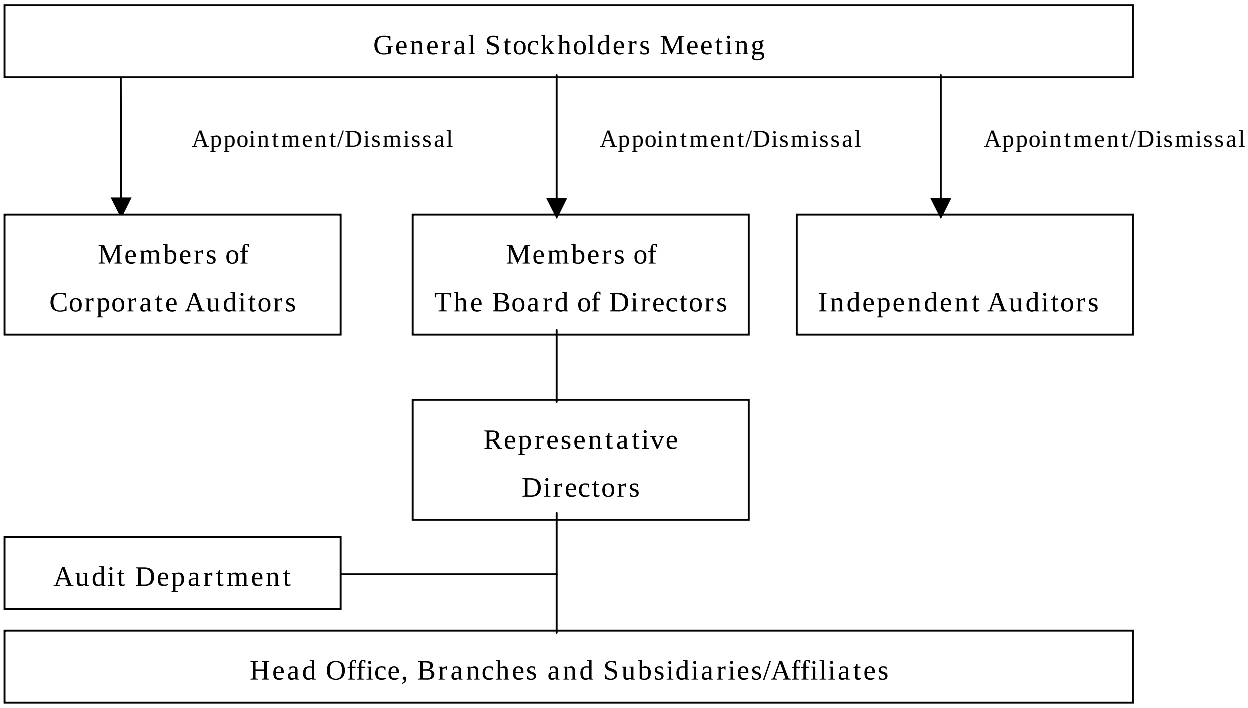
We are committed to building and maintaining fair and transparent management processes that serve shareholder interests. We believe it important that effective monitoring and surveillance procedures are in place to make sure that decisions are made and implemented in compliance with relevant rules and regulations, and that we meet the expectations and requirements of stockholders, clients and other stakeholders by achieving financial targets and enhancing the value of the Company.

1) Internal control:

The Board of Directors meets once a month, or more often as and when necessary. Its responsibilities include discussing and determining the strategic direction of the company, issues that board resolutions are legally required on and other management issues of importance, overseeing how the Company conducts its business, and monitoring the progress of business plans.

Of Kajima's five corporate auditors, two are non-executives who have declared that they are not in a position of conflict of interest with the Company.

Kajima has engaged Deloitte Touche Tohmatsu as independent auditor and retained law firms to seek legal advice as needed. Our Audit Department conducts regular internal audits of the Group companies to ensure that financial transactions are properly processed and recorded. The following diagram summarizes our system of corporate governance:



2) Risk Management

The Code of Corporate Conduct epitomizes Kajima's commitment to enforcing the highest standards of ethical behavior throughout the organization. We have specific officers, departments and special-purpose committees in charge of implementing preventive and control measures that are designed to anticipate and address various types of compliance risks inherent in our business activities.

3) Proactive disclosures

We believe in proactive investor/public relations and in timely disclosures of management information.

II. Summary and Forecast of Business Performance

(a) Business Performance

1. Summary of Business Performance for the first half of the financial year from April 1 to September 30, 2004

Overview

Buoyed by overseas market growths, our economy expanded steadily during the first half of the financial year on the strength of rising exports and capital expenditures.

In the domestic construction market, private sector construction demand was strong particularly in the digital-related industries as the growth of capital spending continued with the private companies, while the public sector showed further decline in demand.

Against such economic backdrop, the Companies performed during the first half of this financial year as follows.

Consolidated Construction Contract Awards reached Yen709.0 billion, up 10.0% from the same period last year, primarily due to increase in building contract awards to the Company. Non-Consolidated Construction Contract Awards came in at Yen548.4 billion, up 0.4% from the same period last year, with Yen111.7 billion from civil works, down 14.5%, and Yen436.7 billion from building construction works, up 5.1%, respectively from the same period last year.

Consolidated revenues for the first half of this financial year came in at Yen732.7 billion, down 6.5% from the same period last year, reflecting the setbacks in total construction revenues of the Company.

Despite the decline in revenue resulting in drop of gross profit by 2.4% against the same period last year, consolidated operating income advanced to Yen18.9 billion, up 11.2% from the same period last year, due to the successful reduction of selling, general and administrative cost of the Company and its consolidated subsidiaries. Consolidated net loss of Yen2.6 billion (as opposed to consolidated net income of Yen6.1 billion last year) was recorded mainly due to the posting of extraordinary loss of Yen19.4 billion, with Yen1.7 billion in impairment loss recorded in connection with the early adoption of the accounting standard for impairment of fixed assets and Yen15.1 billion in loss on restructuring of affiliates.

Segment Performance

(1) Construction Operations

Consolidated revenues declined to Yen570.5 billion, down 5.1% from the same period last year, primarily attributable to the decline in revenue to the Company and its consolidated domestic subsidiaries.

Consolidated gross profit on completed projects for this interim period also declined to Yen42.1 billion, down Yen1.1 billion from the same period last year. Gross profit declined sharply in overseas subsidiaries, while the Company achieved higher gross profit. The Company’s gross profit margin for this interim period improved to 9.0% from 7.4% of the same period last year.

Consolidated operating income climbed to Yen5.4 billion, up 119.0% form the same period last year, due to the successful reduction of selling, general and administrative expenses.

(2) Real Estate Operations

Consolidated revenues from real estate operations declined to Yen115.1 billion, down 8.9% from the same period last year. Overseas subsidiaries suffered a drop in revenue, while the Company at home enjoyed higher revenue against the same period last year, reflecting the sale of a large-scale real estate development project posted during this interim period. Consequently, the consolidated operating income came in at Yen14.0 billion, up 45.2% from the same period last year

(3) Others

Other segments, consisting mainly of processed construction materials and design/engineering and property management services, reported consolidated revenues of Yen47.1 billion (down 15.9% from the same period last year) and consolidated operating loss of Yen 0.4 billion (consolidated operating loss of Yen 0.5 billion was recorded for the same period last year).

2. Declaration of Dividends

We plan on declaring an ordinary semi-annual payout of Yen2.5 per share.

3. Business Performance Forecast for the Full Financial Year

While our nominal GDP growth is expected to exceed 3 percent, we may come in for an adjustment towards the second half of this financial year, depending on the behavior of the global economy and oil prices.

In the construction market at home, caution may be in order if private sector capital investment peaks out, as we expect public works spending to slide further.

Finally, the Company projects its consolidated financial performance for the full financial year as follows:

Revenue is projected at Yen 1,670 billion, up 3.0% from last year. Net profit is projected at Yen13 billion, reflecting a large income growth by the Company at home.

The above projections/forecasts are based on information available as of the release of this document and are subject to risks and uncertainties that may cause the actual results to vary. We have every intention to minimize the negative impact on corporate performance of any sudden changes in economic environment or financial markets, changes or abolition of existing laws and enactment of new laws by removing, hedging or diversifying away various risks inherent in our businesses environment. Nonetheless, should conditions change beyond what we currently assume, the Group’s business performance and financial conditions may turn out to be materially different from our projections and forecasts.

III.CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

	As of September 30		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	Yen 103,714	Yen 108,739	$ 934,360
Marketable securities	190	145	1,712
Notes and accounts receivable-trade	339,527	351,014	3,058,802
Allowance for doubtful accounts	(11,615)	(12,113)	(104,640)
Inventories:			
Construction projects in progress	174,695	217,111	1,573,829
Development projects in progress, real estate and other	209,700	236,864	1,889,189
Deferred income taxes	68,349	68,861	615,757
Other current assets	137,201	174,344	1,236,045
Total current assets	1,021,761	1,144,965	9,205,054
PROPERTY AND EQUIPMENT:			
Land	162,329	174,174	1,462,424
Buildings and structures	153,226	170,651	1,380,414
Machinery and equipment	17,838	20,359	160,703
Construction in progress	30,106	29,447	271,225
Total property and equipment	363,499	394,631	3,274,766
INVESTMENTS AND OTHER ASSETS:			
Investments in securities	189,974	180,161	1,711,477
Investments in unconsolidated subsidiaries and affiliates	28,973	26,232	261,018
Long-term loans receivable	29,035	49,988	261,577
Long-term loans to unconsolidated subsidiaries and affiliates	21,729	23,315	195,757
Allowance for doubtful accounts	(33,815)	(69,539)	(304,640)
Deferred income taxes	67,532	77,843	608,396
Other	72,696	68,768	654,919
Total investments and other assets	376,124	356,768	3,388,504
TOTAL	Yen 1,761,384	Yen 1,896,364	$ 15,868,324

	As of September 30		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
LIABILITIES AND STOCKHOLDERS` EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings	Yen 163,588	Yen 135,112	$ 1,473,766
Commercial paper	16,500	28,000	148,649
Current portion of long-term debt	107,403	82,691	967,595
Notes and accounts payable-trade	416,668	426,145	3,753,766
Advances received:			
Construction projects in progress	175,903	211,638	1,584,712
Development projects in progress, real estate and other	65,012	35,530	585,694
Income taxes payable	2,400	4,420	21,621
Accrued expenses	21,686	23,938	195,369
Other current liabilities	170,702	201,788	1,537,855
Total current liabilities	1,139,862	1,149,262	10,269,027
LONG-TERM LIABILITIES:			
Long-term debt	236,798	345,629	2,133,315
Deferred income taxes on revaluation of land	15,956	11,325	143,748
Liability for retirement benefits	70,316	96,847	633,478
Allowance for loss on development projects	19,247	21,695	173,396
Equity loss in excess of investments in and loans to unconsolidated subsidiaries and affiliates	5,107	11,515	46,009
Other long-term liabilities	59,811	64,794	538,838
Total long-term liabilities	407,235	551,805	3,668,784
MINORITY INTERESTS	13,325	15,149	120,045
CONTINGENT LIABILITIES (See Note 5)			
STOCKHOLDERS` EQUITY:			
Common stock, authorized, 1,920,000,000 shares; issued 1,057,312,022 shares in 2004 and 961,312,022 shares in 2003	81,447	64,071	733,757
Additional paid-in capital	49,485	32,147	445,811
Retained earnings	17,680	41,893	159,279
Revaluation surplus of land	20,843	16,012	187,775
Unrealized gain on available-for-sale securities	34,092	25,803	307,135
Foreign currency statements translation adjustments	(1,219)	1,497	(10,982)
Treasury stock - at cost, shares 4,936,229 in 2004 and 4,696,062 shares in 2003	(1,366)	(1,275)	(12,307)
Total stockholders` equity	200,962	180,148	1,810,468
TOTAL	Yen 1,761,384	Yen 1,896,364	$ 15,868,324

CONSOLIDATED STATEMENTS OF OPERATIONS

	First Half of Financial Years from April 1 to September 30		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
REVENUES:			
Construction projects	Yen 570,464	Yen 601,102	$ 5,139,316
Real estate and other	162,201	182,270	1,461,270
Total revenues	732,665	783,372	6,600,586
COST OF REVENUES:			
Construction projects	528,361	557,878	4,760,009
Real estate and other	139,255	158,869	1,254,550
Total cost of revenues	667,616	716,747	6,014,559
Gross profit	65,049	66,625	586,027
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	46,137	49,614	415,649
Operating income	18,912	17,011	170,378
OTHER INCOME (EXPENSES):			
Interest and dividends	2,062	2,129	18,577
Interest expense	(4,161)	(5,411)	(37,486)
Equity in earnings of unconsolidated subsidiaries and affiliates	1,649	44	14,856
Valuation loss on marketable and investment securities	(697)	(271)	(6,279)
Gain on sales of marketable and investment securities-net	3,454	1,394	31,117
Loss on sales or disposals of property and equipment-net	(1,123)	(149)	(10,117)
Provision for doubtful accounts	(1,067)	(2,026)	(9,613)
Loss on restructuring of affiliates	(15,190)	-	(136,847)
Loss on impairment of long-lived assets	(1,772)	-	(15,964)
Other-net	1,195	83	10,765
Other expenses-net	(15,650)	(4,207)	(140,991)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	3,262	12,804	29,387
INCOME TAXES			
Current	928	4,294	8,360
Deferred	6,396	3,282	57,622
Total income taxes	7,324	7,576	65,982
MINORITY INTERESTS	1,449	852	13,054
NET INCOME (LOSS)	Yen (2,613)	Yen 6,080	$ (23,541)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	First Half of Financial Years from April 1 to September 30		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
OPERATING ACTIVITIES :			
Income before income taxes and minority interests	Yen 3,262	Yen 12,804	$ 29,387
Adjustments for :			
Income taxes-paid	(889)	(3,126)	(8,009)
Depreciation and amortization	11,305	10,197	101,847
Provision for doubtful accounts	(1,093)	2,185	(9,847)
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(1,649)	(44)	(14,856)
Valuation loss on marketable and investment securities	697	271	6,279
Loss on sales or disposals of property and equipment – net	1,123	149	10,117
Gain on sales of marketable and investment securities – net	(3,454)	(1,394)	(31,117)
Loss on restructuring of affiliates	15,190	-	136,847
Loss on impairment of long-lived assets	1,772	-	15,964
Payment for restructuring of affiliates	(4,300)	-	(38,739)
(Increase) decrease in receivables	43,191	127,868	389,108
(Increase) decrease in inventories	30,877	11,087	278,171
Increase (decrease) in payables	(45,235)	(97,928)	(407,523)
Increase (decrease) in advances received	8,245	(13,452)	74,280
Increase (decrease) in liability for retirement benefits	(1,096)	2,445	(9,873)
Other – net	(38,885)	(15,506)	(350,315)
Net cash provided by operating activities	19,061	35,556	171,721
INVESTING ACTIVITIES:			
Payment for purchases of marketable and investment securities	(3,342)	(12,933)	(30,108)
Proceeds from sales and redemption of marketable and investment securities	7,408	5,933	66,739
Payment for purchases of property and equipment	(5,107)	(4,741)	(46,009)
Proceeds from sales of property and equipment	2,956	1,410	26,631
Disbursements for loans	(9,971)	(1,799)	(89,829)
Proceeds from collection of loans	8,091	1,035	72,892
Other – net	(169)	2,870	(1,523)
Net cash used in investing activities	(134)	(8,225)	(1,207)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings	10,336	14,047	93,117
Net issuance (repayment) of commercial paper	(27,500)	(26,000)	(247,748)
Proceeds from issuance of long-term debt	11,496	46,780	103,568
Repayment of long-term debt	(19,365)	(62,523)	(174,460)
Proceeds from issuance of bonds	5,104	24,764	45,982
Cash dividends paid	(2,628)	(2,389)	(23,676)
Other – net	(153)	(123)	(1,378)
Net cash used in financing activities	(22,710)	(5,444)	(204,595)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	96	107	865
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,687)	21,994	(33,216)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	107,476	86,745	968,252
CASH AND CASH EQUIVALENTS OF SUBSIDIARIES EXCLUDED FROM CONSOLIDATION, BEGINNING OF YEAR	(75)	-	(676)
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	Yen 103,714	Yen 108,739	$ 934,360

(NOTES)

1.Summary of Significant Accounting Policies

(a) 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.

(b) 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.

(c) Capitalization of Interest

Interest costs incurred for real estate development projects conducted by certain overseas subsidiaries have been capitalized as a part of the development cost of such projects.

(d) 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 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 the nature. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

(e) 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.

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 Yen253,885 million ($2,287,252 thousand) and Yen249,502 million as of September 30, 2004 and 2003, respectively.

(f) 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 fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal 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 its 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 Yen1,772 million ($15,964 thousand) for the first half of financial year from April 1 to September 30, 2004.
In addition, accumulated impairment losses are deducted directly from the related fixed assets.

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

(h) Retirement Benefits
Under the employees` retirement benefit plans, the Company, its consolidated domestic subsidiaries and certain overseas subsidiaries have funded and/or unfunded retirement benefit plans covering all of their employees. Certain overseas subsidiaries have defined contribution plans.
The employees` retirement benefits at semiannual closing accounts are accounted for the estimated liability for retirement benefits based on projected benefit obligations and plan assets at the financial year end 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. Liability for retirement benefits as of September 30, 2004 and 2003 includes retirement benefits for directors and corporate auditors of Yen5,477 million ($49,342 thousand) and Yen4,997 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of stockholders.

(i) Allowances for Loss on Development Projects
The Companies provide for foreseeable losses arising from certain real estate projects.

(j) Recognition of Revenues and Related Costs
In the Company and its consolidated domestic subsidiaries, individual construction projects, whose contract amounts are not less than Yen100 million and the contract periods are beyond one year, are recorded using the percentage-of-completion method without provision for remaining foreseeable losses, while individual construction projects except the aforementioned are recorded using the completed-contract method.
In the consolidated overseas subsidiaries, all construction projects are recorded using the percentage-of-completion method.
The revenues posted by way of the percentage-of-completion method for the first half of financial years from April 1 to September 30, 2004 and 2003 were Yen404,391 million ($3,643,162 thousand) and Yen357,312 million, respectively.

(k) Cost of Research and Development
All research and development costs are charged to income as incurred.

(l) Leases
All leases are accounted for as operating leases. Under the Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions.

(m) Income Taxes
The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred income taxes are measured by applying currently enacted tax laws to the temporary differences.
Effective April 1, 2003, the Company files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic

subsidiaries. Under the consolidated-tax system, a surcharge tax of 2% of taxable income is levied in addition to the national corporate income tax rate for the year ended March 31, 2004.

(n) Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the accompanying consolidated financial statements for the following year upon stockholders` approval.

(o) Foreign Currency Transactions

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

(p) Foreign Currency Financial Statements

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

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

(q) Derivatives and Hedging Activities

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

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

i) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of operations, and

ii)for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions, however, the contracts for future delivery engaged in to hedge fluctuations in listed equity securities are measured at fair value and the unrealized gains or 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.

2.Differences between Japanese Accounting Principles and International Financial Reporting Standards

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

The main difference between such accounting principles and IFRSs 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. Also, it demands the provision for foreseeable losses on contract backlog.

The Companies` reporting policy in relation to the recognition of revenues and related costs, which is in accordance with Japanese accounting principles, is set out in Note 1.(j).

3.Marketable Securities and Investments in Securities

Marketable securities and investments in securities as of September 30, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Current:			
Government and corporate bonds	Yen 190	Yen 145	$ 1,712
Non-Current:			
Equity securities	Yen 180,347	Yen 170,609	$ 1,624,748
Government and corporate bonds	25	90	225
Fund trusts and other	9,602	9,462	86,504
Total	Yen 189,974	Yen 180,161	$ 1,711,477

Information regarding the category of the securities classified as available-for-sale as of September 30, 2004 and 2003 were as follows:

As of September 30, 2004	Millions of Yen		
	Cost	Unrealized Gain (Loss)	Fair Value (Carrying Amount)
Available-for-sale:			
Equity securities	Yen 107,068	Yen 58,009	Yen 165,077
Government and corporate bonds	215	0	215
Fund trusts and other	1,772	(176)	1,596
Total	Yen 109,055	Yen 57,833	Yen 166,888

As of September 30, 2003	Millions of Yen		
	Cost	Unrealized Gain (Loss)	Fair Value (Carrying Amount)
Available-for-sale:			
Equity securities	Yen 111,338	Yen 44,421	Yen 155,759
Government and corporate bonds	214	1	215
Fund trusts and other	1,773	(317)	1,456
Total	Yen 113,325	Yen 44,105	Yen 157,430

As of September 30, 2004	Thousands of U.S. Dollars		
	Cost	Unrealized Gain (Loss)	Fair Value (Carrying Amount)
Available-for-sale:			
Equity securities	$ 964,576	$ 522,604	$ 1,487,180
Government and corporate bonds	1,937	0	1,937
Fund trusts and other	15,964	(1,586)	14,378
Total	$ 982,477	$ 521,018	$ 1,503,495

Available-for-sale securities whose fair value is not readily determinable such as non-listed securities excluding over-the-counter securities as of September 30, 2004 and 2003 were as follows:

	Carrying amount				
	Millions of Yen				Thousands of U.S. Dollars
	2004		2003		2004
Available-for-sale:					
Equity securities	Yen	15,270	Yen	14,850	$ 137,568
Government and corporate bonds		-		20	-
Fund trusts and other		8,006		8,006	72,126
Total	Yen	23,276	Yen	22,876	$ 209,694

4.Revaluation of Land

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

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

5.Contingent Liabilities

As of September 30, 2004, contingent liabilities for loans guaranteed including related items of similar nature amounted to Yen28,243 million ($254,441 thousand).

6.Subsequent Event

The Board of Directors of the Company, at its meeting held on October 20, 2004, resolved to issue unsecured bonds in accordance with the following terms and conditions;

Aggregate issue amount:	Maximum of Yen 20,000 million ($180,180 thousand) (the bonds may be issued at multiple times up to this aggregate issue amount)
Issue price:	100% of par value
Interest rate:	Not more than swap rate + 0.75%
Maturity:	Three years or more, but not more than ten years
Method of redemption:	A lump-sum payment at maturity
Issuing date:	Any date between the date of the meeting of the Board of Directors and March 31, 2005
Use of proceeds:	Working capital and bond redemptions

Note: In addition, the Board of Directors resolved that General Manager of Treasury Division (Senior Managing Director) of the Company be authorized to determine the issue amount, interest rate, maturity, issuing date and other matters in accordance with the above terms and conditions.

7. Segment Information

(1) Business Segments

	Millions of Yen					
	First Half of Financial Year from April 1 to September 30, 2004					
	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers	Yen 570,464	Yen 115,053	Yen 47,148	Yen 732,665	Yen -	Yen 732,665
Inter-segments	408	945	8,324	9,677	(9,677)	-
Total	570,872	115,998	55,472	742,342	(9,677)	732,665
Operating expenses	565,478	102,006	55,877	723,361	(9,608)	713,753
Operating income	Yen 5,394	Yen 13,992	Yen (405)	Yen 18,981	Yen (69)	Yen 18,912

	Millions of Yen					
	First Half of Financial Year from April 1 to September 30, 2003					
	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers	Yen 601,102	Yen 126,240	Yen 56,030	Yen 783,372	Yen -	Yen 783,372
Inter-segments	171	1,005	10,941	12,117	(12,117)	-
Total	601,273	127,245	66,971	795,489	(12,117)	783,372
Operating expenses	598,810	117,606	67,479	783,895	(17,534)	766,361
Operating income	Yen 2,463	Yen 9,639	Yen (508)	Yen 11,594	Yen 5,417	Yen 17,011

	Thousands of U.S. Dollars					
	First Half of Financial Year from April 1 to September 30, 2004					
	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers	$ 5,139,316	$ 1,036,513	$ 424,757	$ 6,600,586	$ -	$ 6,600,586
Inter-segments	3,675	8,514	74,991	87,180	(87,180)	-
Total	5,142,991	1,045,027	499,748	6,687,766	(87,180)	6,600,586
Operating expenses	5,094,396	918,973	503,397	6,516,766	(86,558)	6,430,208
Operating income	$ 48,595	$ 126,054	$ (3,649)	$ 171,000	$ (622)	$ 170,378

(2) Geographical Segments

	Millions of Yen						
	First Half of Financial Year from April 1 to September 30, 2004						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers	Yen 649,556	Yen 43,124	Yen 15,691	Yen 24,294	Yen 732,665	Yen -	Yen 732,665
Inter-segments	545	-	-	-	545	(545)	-
Total	650,101	43,124	15,691	24,294	733,210	(545)	732,665
Operating expenses	624,774	45,034	21,718	22,772	714,298	(545)	713,753
Operating income	Yen 25,327	Yen (1,910)	Yen (6,027)	Yen 1,522	Yen 18,912	Yen -	Yen 18,912

	Millions of Yen						
	First Half of Financial Year from April 1 to September 30, 2003						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers	Yen 699,335	Yen 52,992	Yen 12,900	Yen 18,145	Yen 783,372	Yen -	Yen 783,372
Inter-segments	188	-	-	-	188	(188)	-
Total	699,523	52,992	12,900	18,145	783,560	(188)	783,372
Operating expenses	683,729	52,912	13,328	16,580	766,549	(188)	766,361
Operating income	Yen 15,794	Yen 80	Yen (428)	Yen 1,565	Yen 17,011	Yen -	Yen 17,011

	Thousands of U.S. Dollars						
	First Half of Financial Year from April 1 to September 30, 2004						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers	$ 5,851,856	$ 388,505	$ 141,360	$ 218,865	$ 6,600,586	$ -	$ 6,600,586
Inter-segments	4,910	-	-	-	4,910	(4,910)	-
Total	5,856,766	388,505	141,360	218,865	6,605,496	(4,910)	6,600,586
Operating expenses	5,628,595	405,712	195,658	205,153	6,435,118	(4,910)	6,430,208
Operating income	$ 228,171	$ (17,207)	$ (54,298)	$ 13,712	$ 170,378	$ -	$ 170,378

(3)Overseas Revenues

	Millions of Yen				
	First Half of Financial Year from April 1 to September 30, 2004				
	North America	Europe	Asia	Other Area	Total
Overseas Revenues	Yen 43,127	Yen 16,269	Yen 36,139	Yen 1,885	Yen 97,420
Consolidated Revenues	-	-	-	-	732,665
Overseas/Consolidated Ratio(%)	5.9	2.2	4.9	0.3	13.3

	Millions of Yen				
	First Half of Financial Year from April 1 to September 30, 2003				
	North America	Europe	Asia	Other Area	Total
Overseas Revenues	Yen 52,994	Yen 13,476	Yen 30,654	Yen 1,058	Yen 98,182
Consolidated Revenues	-	-	-	-	783,372
Overseas/Consolidated Ratio(%)	6.8	1.7	3.9	0.1	12.5

	Thousands of U.S. Dollars				
	First Half of Financial Year from April 1 to September 30, 2004				
	North America	Europe	Asia	Other Area	Total
Overseas Revenues	$ 388,531	$ 146,568	$ 325,577	$ 16,982	$ 877,658
Consolidated Revenues	-	-	-	-	6,600,586