KAJIMA CORPORATION

NOTICE OF INTERIM CONSOLIDATED AND NON-CONSOLIDATED FINANCIAL STATEMENTS

(For the Period from April 1 to September 30, 2005)

1. Date of the Board of Directors' Meeting to Approve the Interim Consolidated Financial Statements : November 17, 2005

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
	2005	2004	2005
Revenues	Yen 784,494	Yen 732,665	$ 6,942,425
Operating Income	19,463	18,912	172,239
Net Income (Loss)	3,798	(2,613)	33,611
	Yen		U.S. Dollars
Basic Net Income (Loss) per Share	Yen 3.61	Yen (2.48)	$ 0.03

(2) Assets and Equity

	As of September 30		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Total Assets	Yen 1,795,936	Yen 1,761,384	$ 15,893,239
Total Stockholders' Equity	241,332	200,962	2,135,681
Equity/Assets Ratio(%)	13.4	11.4	13.4
	Yen		U.S. Dollars
Equity per Share	Yen 229.42	Yen 190.96	$ 2.03

(3) Cash Flows

	First Half of Financial Years from April 1 to September 30		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Operating Activities	Yen 17,557	Yen 19,061	$ 155,372
Investing Activities	(10,565)	(134)	(93,496)
Financing Activities	(11,978)	(22,710)	(106,000)
Cash and Cash Equivalents, End of the Period	135,224	103,714	1,196,673

(4) Forecast for the financial year from April 1, 2005 to March 31, 2006

(a) Major Financial Results

	Year ending March 31, 2006	
	Millions of Yen	Thousands of U.S. Dollars
Revenues	Yen 1,700,000	$ 15,044,248
Construction projects	1,470,000	13,008,850
Real estate and other	230,000	2,035,398
Gross Profit	151,500	1,340,708
Gross profit margin (%)	8.9	8.9
Construction projects (%)	7.8	7.8
Real estate and other (%)	15.9	15.9
Selling, General and Administrative Expenses	98,000	867,257
Operating Income	53,500	473,451
Net Income	Yen 18,500	$ 163,717

(b) Contract Awards

	Year ending March 31, 2006	
	Millions of Yen	Thousands of U.S. Dollars
Construction contract awards		
Domestic	Yen 1,210,000	$ 10,707,965
Overseas	170,000	1,504,425
Total	Yen 1,380,000	$ 12,212,389

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). Difference between the accounting policies followed by the Companies and IFRSs is 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 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 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, 2005 of Yen113 = 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, 2005 include the accounts of the Company and its 72 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 59 subsidiaries were not consolidated as they would not have a material effect on the accompanying consolidated financial statements.

All unconsolidated subsidiaries and 60 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, 2005

Number of consolidated subsidiaries	:	72
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	:	59 ARTES Corporation, Japan Sea Works Co., Ltd. and 57 other companies
Number of affiliated companies accounted for using the equity method	:	60 Katabami Kogyo Co., Ltd., Yaesu Book Center Co., Ltd. and 58 other companies

ii) Changes in the first half of financial year from April 1 to September 30, 2005

Newly consolidated companies	:	Kyowa Kensetsu Kogyo Co. Ltd. and 1 subsidiary of Kajima Kona Holdings Inc.
Companies excluded from consolidation	:	1 subsidiary of Kajima Europe B.V.
Companies newly accounted for using the equity method	:	4 affiliated companies
Companies excluded from the equity method	:	2 subsidiaries, 1 subsidiary of Kajima U.S.A. Inc. and 2 affiliated companies of Kajima Europe B.V.

(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, 2005 and 2004 were 1,052,002,509 and 1,052,452,360 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 the Companies have nothing which might dilute the per share information for the first half of financial year from April 1 to September 30, 2005 and because of the net loss of the Companies for the first half of financial year to September 30, 2004.

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 have mounted a united effort to implement the Medium-Term Business Plan, a three-year endeavor ending on March 31, 2006.　Although we have essentially achieved our targets one year ahead of schedule, we remain fully engaged in pursuit of further growth.

In our core business of construction, we rely on our closely integrated network of marketing, design and construction teams to out-compete our rivals and secure sufficient amount of contracts. Equally important is to improve profit margins through rationalization and cost reduction on construction works.

We are also moving aggressively to expand, among others, real estate, PFI, and environment-related businesses while continuing to emphasize focused and efficient R&D. We simultaneously seek to control and reduce overhead, pay off interest bearing debt and increase stockholders' equity.

In addition to the above, steps will be taken to improve the profitability of our consolidated subsidiaries, domestic and overseas, and to enhance our operating performance on a consolidated basis. We are, for instance, conducting a thoroughgoing review of our construction operations in Europe.

(4) Corporate Governance

We are committed to building and maintaining fair and transparent management processes that serve stockholders' interest. 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.

Following stockholders' resolutions at the annual stockholders' meeting in June, 2005, we have reformed the Board of Directors, introduced the "Executive Officer" system, and reconfigured corporate management. The intention has been to more clearly separate "decision-making / supervision" from "business execution," and reduce the maximum number of Directors from 55 to 20. We thus hope to enhance the efficiency and speed of management.

As at today, the number of Directors is 14 with a two-year term, and the number of Executive Officers is 53 with a one-year term. Some of the Directors such as President Nakamura also serve as Executive Officers.

1) Governance Structure and Internal Control

The Board of Directors

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

Along with the Board of Directors reform, we have established the Management Committee and the Joint Committee of Directors and Executive Officers. The Management Committee, composed of Directors as well as *some* Auditors and Executive Officers, discusses and decides on major management issues. The Joint Committee of Directors and Executive Officers, composed of Directors as well as *all* Auditors and Executive Officers, serves to monitor and evaluate operational issues, as well as to allow its members to share those matters that are reported, discussed and decided upon at the Boards of Directors and the Management Committee meetings.

The Chairman of the Company, who chairs the Board of Directors meeting, is responsible for decision-making and supervision for the Company, while the President of the Company, who chairs the Management Committee and the Joint Committee of Directors and Executive Officers meetings, is responsible for the overall execution of business.

The Board of Corporate Auditors

The Company has adopted a corporate auditor system. Of the five corporate auditors, two are non-executives who have declared that they are not in a position of conflict of interest with the Company. Corporate auditors attend important meetings such as the Board of Directors meeting, and cooperate closely with independent auditors and the Audit Department to ensure an efficient and effective audit.

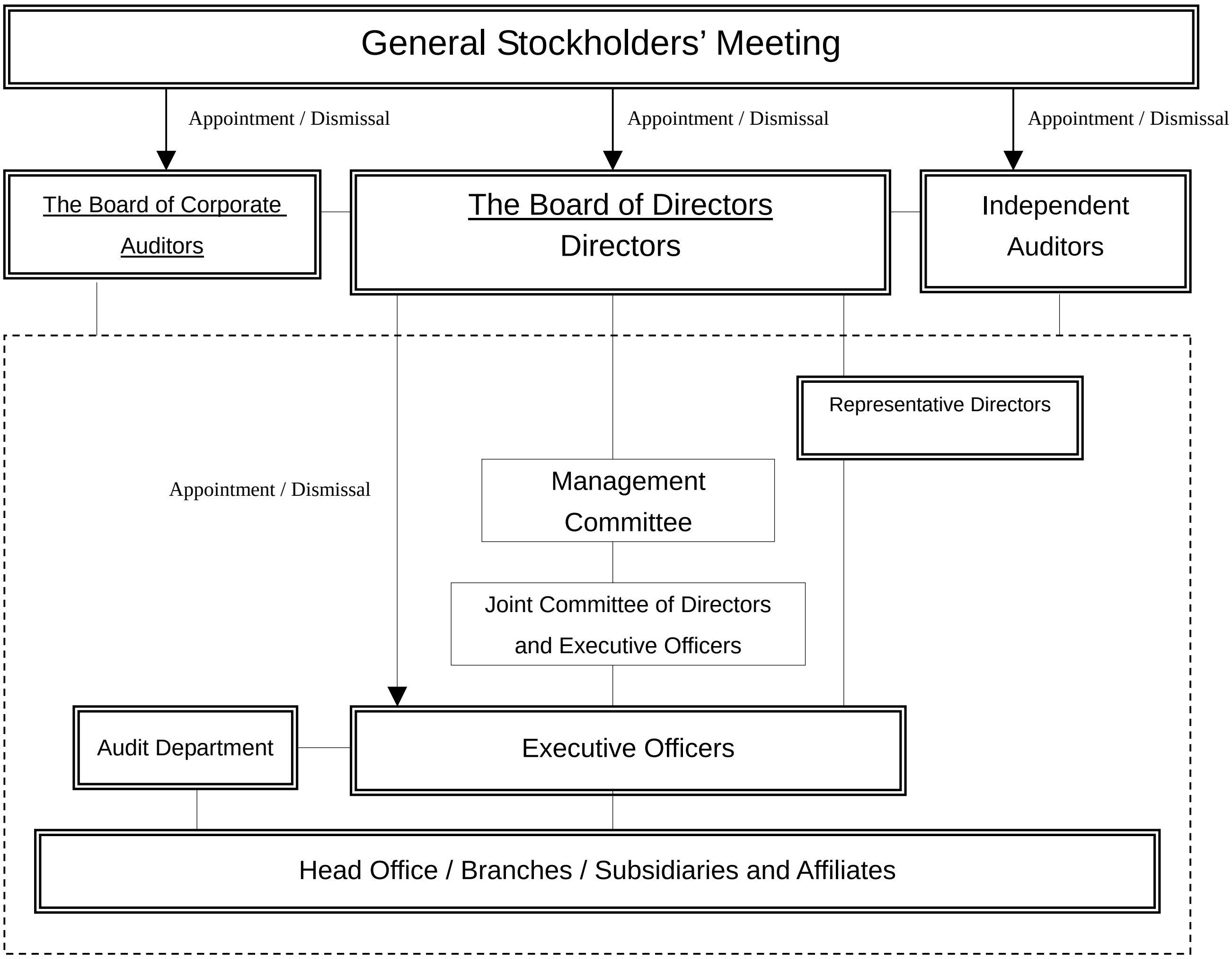
Audit Department

The Audit Department conducts regular internal audits on the Company including its group companies as a separate audit from those conducted by the corporate auditors and also by the independent auditors.

Independent Auditors

Deloitte Touche Tohmatsu has been retained as independent auditor to do audits on the Company in accordance with Commercial Code’s legal supplement as well as the Securities and Exchange Law. We hereby declare that no conflict of interest exists between the Company and the said auditor or the employees of the auditor engaged in the audit, and that the auditor as independent auditor conducts a fair and impartial audit of the Company.

The following diagram summarizes the current system of corporate governance of the Company:



2) Risk Management

Our specific officers, departments and special-purpose committees are responsible for implementing preventive and control measures against compliance risks in our business activities. We retain law firms to receive guidance and advice as required.

In order to fulfill our corporate social responsibility ("CSR") and to enforce compliance requirements, we have revised our Corporate Code of Conducts in December, 2004. Besides notifying all our employees of the revision and instructing its observance, we have established the Office of Compliance in the Administration and Human Resources Division and also the Office of Corporate Social Responsibility in the Corporate Planning Division in June, 2005, both to spearhead our efforts.

3) Proactive Disclosures

We are proactively working toward timely and appropriate disclosures of management information in our investor and/or public relations. For this purpose, we have established the Office of Investor Relations in the Corporate Management Department of the Corporate Planning Division.

(5) Other Issues (relating to the Parent Company etc.)

Not applicable.

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, 2005

Overview

In the first half of the financial year, strong corporate earnings led to increasing capital expenditure, and rising employment and income shored up private consumption. With all these improvements, the Japanese economy showed a gradual recovery driven primarily by domestic demand.

In the domestic construction market, while public works spending continued to shrink under the tight budget constraints, the private sector demand grew steadily, led by manufacturers.

Our consolidated result for the first half of the financial year from April 1 to September 30, 2005 is presented below.

(Contract Awards)

Consolidated construction contract awards recorded Yen 647.2 billion, down 8.7 % from the equivalent period last year, primarily due to a decrease of awards of building construction works to the Company and its consolidated overseas subsidiaries.

Non-consolidated construction contract awards came in at Yen 534.7 billion, down 2.5% from the equivalent period last year, with Yen 163.2 billion from civil engineering works, up 46.1%, and Yen 371.6 billion from building construction works, down 14.9%, respectively from the equivalent period last year.

(Revenues)

Consolidated revenues for the first half of this financial year reached Yen 784.5 billion, up 7.1% from the equivalent period last year, principally attributable to an increase of revenues posted in the construction business of the Company.

(Profits)

Consolidated operating income advanced to Yen 19.5 billion, up 2.9% from the equivalent period last year, primarily as a result of a higher gross profit margin, up 3.0% from the equivalent period last year, achieved in the construction business of the Company.

Consolidated net income was negatively impacted by “Loss on restructuring of business” in the amount of Yen 5.6 billion, which was related to fundamental reforms on our construction business in the U.K.. Nevertheless, the consolidated net income recorded Yen 3.8 billion and saw improvement over the equivalent period last year, which recorded a consolidated net loss of Yen 2.6 billion.

Segment Performance

(1) Construction Operations

Consolidated revenues rose to Yen 664.2 billion, up 16.4% from the equivalent period last year, primarily due to an increase of revenues of the Company and its consolidated overseas subsidiaries.

Consolidated gross profit on completed construction projects also soared to Yen 48.9 billion, up Yen 6.8 billion from the equivalent period last year, due to a revenue increase and a gross profit margin improvement on the building construction sector in the Company.

Consolidated operating income climbed to Yen 10.9 billion, up 101.9% form the equivalent period last year.

(2) Real Estate Operations

Consolidated revenues from real estate operations declined to Yen 71.3 billion, down 38.0% from the equivalent period last year. The decline occurred as the Company returned to a more normal level of business after it had recorded huge revenues from a large-scale real estate project in the equivalent period last year. The operating income stayed at Yen 8.2 billion, down 41.6% from the equivalent period last year.

(3) Others

Other segments, consisting mainly of processed construction materials, design/engineering, and property management services, reported consolidated revenues of Yen 49.0 billion, up 3.8% from the equivalent period last year, and a consolidated operating income of Yen 0.1 billion as opposed to a loss of Yen 0.4 billion in the equivalent period last year.

2. Declaration of Dividends

We plan on declaring an ordinary semi-annual payout of Yen 3.0 per share.

3. Business Performance Forecast for the Current Full Financial Year

In spite of the surging prices of crude oil and raw materials clouding the outlook for the world economy, the Japanese economy is expected to overcome these negative forces and to continue with its steady growth. The prospect for the domestic construction market, however, is not as promising because it continues to be a mixed bag of increasing private sector demand being offset by declining public works demand.

Consolidated revenues: Projected at Yen 1,700 billion, up 0.7% from last year.

Consolidated net income: Projected at Yen 18.5 billion.

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.

III.CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

	As of September 30		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	Yen 135,224	Yen 103,714	$ 1,196,673
Marketable securities	331	190	2,929
Notes and accounts receivable-trade	360,394	339,527	3,189,327
Allowance for doubtful accounts	(7,442)	(11,615)	(65,858)
Inventories:			
Construction projects in progress	151,879	174,695	1,344,062
Development projects in progress, real estate and other	230,339	209,700	2,038,398
Deferred income taxes	75,467	68,349	667,850
Other current assets	121,800	137,201	1,077,876
Total current assets	1,067,992	1,021,761	9,451,257
PROPERTY AND EQUIPMENT:			
Land	158,031	162,329	1,398,504
Buildings and structures	142,038	153,226	1,256,973
Machinery and equipment	17,357	17,838	153,602
Construction in progress	31,423	30,106	278,080
Total property and equipment	348,849	363,499	3,087,159
INVESTMENTS AND OTHER ASSETS:			
Investments in securities	243,722	199,342	2,156,832
Investments in unconsolidated subsidiaries and affiliates	37,911	28,973	335,496
Long-term loans receivable	31,393	29,035	277,814
Long-term loans to unconsolidated subsidiaries and affiliates	15,696	21,729	138,903
Allowance for doubtful accounts	(32,402)	(33,815)	(286,743)
Deferred income taxes	25,026	67,532	221,469
Other	57,749	63,328	511,052
Total investments and other assets	379,095	376,124	3,354,823
TOTAL	Yen 1,795,936	Yen 1,761,384	$ 15,893,239

	As of September 30		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings	Yen 108,855	Yen 163,588	$ 963,319
Commercial paper	25,000	16,500	221,239
Current portion of long-term debt	88,821	107,403	786,027
Notes and accounts payable-trade	448,854	416,668	3,972,159
Advances received:			
Construction projects in progress	196,218	175,903	1,736,442
Development projects in progress, real estate and other	57,038	65,012	504,761
Income taxes payable	5,584	2,400	49,416
Accrued expenses	24,977	21,686	221,035
Other current liabilities	172,843	170,702	1,529,584
Total current liabilities	1,128,190	1,139,862	9,983,982
LONG-TERM LIABILITIES:			
Long-term debt	251,807	236,798	2,228,381
Deferred income taxes on revaluation of land	16,066	15,956	142,177
Liability for retirement benefits	69,566	70,316	615,628
Allowance for loss on development projects	11,436	19,247	101,204
Equity loss in excess of investments in and loans to unconsolidated subsidiaries and affiliates	5,114	5,107	45,257
Other long-term liabilities	57,847	59,811	511,919
Total long-term liabilities	411,836	407,235	3,644,566
MINORITY INTERESTS	14,578	13,325	129,010
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 5)			
STOCKHOLDERS' EQUITY:			
Common stock, authorized, 2,500,000,000 shares in 2005 and 1,920,000,000 shares in 2004; issued, 1,057,312,022 shares	81,447	81,447	720,770
Additional paid-in capital	49,485	49,485	437,920
Retained earnings	30,547	17,680	270,327
Revaluation surplus of land	21,004	20,843	185,876
Unrealized gain on available-for-sale securities	60,426	34,092	534,743
Foreign currency statements translation adjustments	(22)	(1,219)	(194)
Treasury stock - at cost, 5,382,622 shares in 2005 and 4,936,229 shares in 2004	(1,555)	(1,366)	(13,761)
Total stockholders' equity	241,332	200,962	2,135,681
TOTAL	Yen 1,795,936	Yen 1,761,384	$ 15,893,239

CONSOLIDATED STATEMENTS OF OPERATIONS

	First Half of Financial Years from April 1 to September 30		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
REVENUES:			
Construction projects	Yen 664,238	Yen 570,464	$ 5,878,212
Real estate and other	120,256	162,201	1,064,213
Total revenues	784,494	732,665	6,942,425
COST OF REVENUES:			
Construction projects	615,325	528,361	5,445,354
Real estate and other	102,199	139,255	904,416
Total cost of revenues	717,524	667,616	6,349,770
Gross profit	66,970	65,049	592,655
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	47,507	46,137	420,416
Operating income	19,463	18,912	172,239
OTHER INCOME (EXPENSES):			
Interest and dividends	2,996	2,062	26,513
Interest expense	(3,981)	(4,161)	(35,230)
Equity in earnings of unconsolidated subsidiaries and affiliates	432	1,649	3,823
Valuation loss on marketable and investment securities	(229)	(697)	(2,027)
Gain on sales of marketable and investment securities-net	960	3,454	8,496
Loss on sales or disposals of property and equipment-net	(651)	(1,123)	(5,761)
Provision for doubtful accounts	(2,155)	(1,067)	(19,071)
Loss on restructuring of business	(5,580)	-	(49,381)
Loss on restructuring of affiliates	-	(15,190)	-
Loss on impairment of long-lived assets	-	(1,772)	-
Other-net	1,935	1,195	17,125
Other expenses-net	(6,273)	(15,650)	(55,513)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	13,190	3,262	116,726
INCOME TAXES			
Current	4,621	928	40,894
Deferred	5,512	6,396	48,779
Total income taxes	10,133	7,324	89,673
MINORITY INTERESTS	741	1,449	6,558
NET INCOME (LOSS)	Yen 3,798	Yen (2,613)	$ 33,611

CONSOLIDATED STATEMENTS OF CASH FLOWS

	First Half of Financial Years from April 1 to September 30		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
OPERATING ACTIVITIES :			
Income before income taxes and minority interests	Yen 13,190	Yen 3,262	$ 116,726
Adjustments for :			
Income taxes-paid	(3,724)	(889)	(32,956)
Depreciation and amortization	8,906	11,305	78,814
Provision for doubtful accounts	2,229	(1,093)	19,726
Equity in earnings of unconsolidated subsidiaries and affiliates	(432)	(1,649)	(3,823)
Loss on sales or disposals of property and equipment – net	651	1,123	5,761
Gain on sales of marketable and investment securities – net	(960)	(3,454)	(8,496)
Provision for loss on development projects	(9,004)	(577)	(79,681)
Loss on restructuring of affiliates	-	15,190	-
Loss on impairment of long-lived assets	-	1,772	-
Payment for restructuring of affiliates	-	(4,300)	-
(Increase) decrease in receivables	98,503	43,191	871,708
(Increase) decrease in inventories	(40,647)	30,877	(359,708)
Increase (decrease) in payables	(74,441)	(45,235)	(658,770)
Increase (decrease) in advances received	14,896	8,245	131,823
Increase (decrease) in liability for retirement benefits	733	(1,096)	6,487
Other – net	7,657	(37,611)	67,761
Net cash provided by operating activities	17,557	19,061	155,372
INVESTING ACTIVITIES:			
Payment for purchases of marketable and investment securities	(7,138)	(3,342)	(63,168)
Proceeds from sales and redemption of marketable and investment securities	2,704	7,408	23,929
Payment for purchases of property and equipment	(8,279)	(5,107)	(73,265)
Proceeds from sales of property and equipment	1,661	2,956	14,699
Disbursements for loans	(2,919)	(9,971)	(25,832)
Proceeds from collection of loans	4,539	8,091	40,168
Other – net	(1,133)	(169)	(10,027)
Net cash used in investing activities	(10,565)	(134)	(93,496)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings	10,557	10,336	93,425
Net issuance (repayment) of commercial paper	(1,000)	(27,500)	(8,850)
Proceeds from issuance of long-term debt	40,269	11,496	356,363
Repayment of long-term debt	(70,809)	(19,365)	(626,628)
Proceeds from issuance of bonds	12,841	5,104	113,637
Cash dividends paid	(3,678)	(2,628)	(32,549)
Other – net	(158)	(153)	(1,398)
Net cash used in financing activities	(11,978)	(22,710)	(106,000)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	613	96	5,425
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,373)	(3,687)	(38,699)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	139,597	107,476	1,235,372
CASH AND CASH EQUIVALENTS OF SUBSIDIARIES EXCLUDED FROM CONSOLIDATION, BEGINNING OF YEAR	-	(75)	-
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	Yen 135,224	Yen 103,714	$ 1,196,673

(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. 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.

(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 Yen255,635 million ($2,262,257 thousand) and Yen253,885 million as of September 30, 2005 and 2004, 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 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 Yen1,772 million 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, corporate auditors and executive officers are recorded to state the liability at the amount which would be required if all directors, corporate auditors and executive officers retired at the balance sheet date as stipulated in the retirement regulations.
Liability for retirement benefits as of September 30, 2005 includes retirement benefits for directors, corporate auditors and executive officers of Yen5,891 million ($52,133 thousand) and as of September 30, 2004 includes retirement benefits for directors and corporate auditors of Yen5,477 million. 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, 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 first half of financial years from April 1 to September 30, 2005 and 2004 were Yen424,385 million ($3,755,619 thousand) and Yen404,391 million, respectively.
The Companies provide for foreseeable losses on contract backlog. As of September 30, 2005, the accrual for foreseeable losses on contract backlog amounting to Yen4,319 million ($38,221 thousand) was recorded in other current liabilities.

(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.

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.

(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.

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, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Current:			
Government and corporate bonds	Yen 274	Yen 190	$ 2,425
Fund trusts and other	57	-	504
Total	Yen 331	Yen 190	$ 2,929
Non-Current:			
Equity securities	Yen 222,208	Yen 180,347	$ 1,966,442
Government and corporate bonds	618	25	5,469
Fund trusts and other	20,896	18,970	184,921
Total	Yen 243,722	Yen 199,342	$ 2,156,832

Information regarding the category of the securities classified as available-for-sale as of September 30, 2005 and 2004 were as follows:

As of September 30, 2005	Millions of Yen		
	Cost	Unrealized Gain (Loss)	Fair Value (Carrying Amount)
Available-for-sale:			
Equity securities	Yen 103,943	Yen 102,276	Yen 206,219
Government and corporate bonds	890	2	892
Fund trusts and other	1,787	174	1,961
Total	Yen 106,620	Yen 102,452	Yen 209,072

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, 2005	Thousands of U.S. Dollars		
	Cost	Unrealized Gain (Loss)	Fair Value (Carrying Amount)
Available-for-sale:			
Equity securities	$ 919,850	$ 905,097	$ 1,824,947
Government and corporate bonds	7,876	18	7,894
Fund trusts and other	15,814	1,540	17,354
Total	$ 943,540	$ 906,655	$ 1,850,195

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, 2005 and 2004 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Available-for-sale:			
Equity securities	Yen 15,989	Yen 15,270	$ 141,496
Fund trusts and other	18,992	17,374	168,070
Total	Yen 34,981	Yen 32,644	$ 309,566

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.Commitments and Contingent Liabilities

The Company sold accounts receivable-trade to financial institutions. As of September 30, 2005, accounts receivable-trade amounting to Yen16,664 million ($147,469 thousand) was excluded from the consolidated balance sheets.

As of September 30, 2005, contingent liabilities for loans guaranteed including related items of similar nature amounted to Yen19,223 million ($170,115 thousand).

6. Subsequent Event

The Board of Directors of the Company, at its meeting held on November 8, 2005, resolved to issue unsecured bonds in accordance with the following terms and conditions;

Aggregate issue amount:	Maximum of Yen 20,000 million ($176,991 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, 2006
Use of proceeds:	Working capital and bond redemptions

Note: In addition, the Board of Directors resolved that Senior Executive Officer, General Manager of Treasury Division (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, 2005					
	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers	Yen 664,238	Yen 71,300	Yen 48,956	Yen 784,494	Yen -	Yen 784,494
Inter-segments	1,246	792	8,382	10,420	(10,420)	-
Total	665,484	72,092	57,338	794,914	(10,420)	784,494
Operating expenses	654,593	63,920	57,225	775,738	(10,707)	765,031
Operating income	Yen 10,891	Yen 8,172	Yen 113	Yen 19,176	Yen 287	Yen 19,463

	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 (loss)	Yen 5,394	Yen 13,992	Yen (405)	Yen 18,981	Yen (69)	Yen 18,912

	Thousands of U.S. Dollars					
	First Half of Financial Year from April 1 to September 30, 2005					
	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers	$ 5,878,212	$ 630,974	$ 433,239	$ 6,942,425	$ -	$ 6,942,425
Inter-segments	11,027	7,008	74,177	92,212	(92,212)	-
Total	5,889,239	637,982	507,416	7,034,637	(92,212)	6,942,425
Operating expenses	5,792,858	565,664	506,416	6,864,938	(94,752)	6,770,186
Operating income	$ 96,381	$ 72,318	$ 1,000	$ 169,699	$ 2,540	$ 172,239

(2) Geographical Segments

	Millions of Yen						
	First Half of Financial Year from April 1 to September 30, 2005						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers	Yen 676,018	Yen 62,561	Yen 14,436	Yen 31,479	Yen 784,494	Yen -	Yen 784,494
Inter-segments	91	-	-	-	91	(91)	-
Total	676,109	62,561	14,436	31,479	784,585	(91)	784,494
Operating expenses	655,176	58,707	21,017	30,267	765,167	(136)	765,031
Operating Income (loss)	Yen 20,933	Yen 3,854	Yen (6,581)	Yen 1,212	Yen 19,418	Yen 45	Yen 19,463

	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 (loss)	Yen 25,327	Yen (1,910)	Yen (6,027)	Yen 1,522	Yen 18,912	Yen -	Yen 18,912

	Thousands of U.S. Dollars						
	First Half of Financial Year from April 1 to September 30, 2005						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers	$ 5,982,461	$ 553,637	$ 127,752	$ 278,575	$ 6,942,425	$ -	$ 6,942,425
Inter-segments	805	-	-	-	805	(805)	-
Total	5,983,266	553,637	127,752	278,575	6,943,230	(805)	6,942,425
Operating expenses	5,798,018	519,531	185,991	267,849	6,771,389	(1,203)	6,770,186
Operating income (loss)	$ 185,248	$ 34,106	$ (58,239)	$ 10,726	$ 171,841	$ 398	$ 172,239

(3)Overseas Revenues

	Millions of Yen				
	First Half of Financial Year from April 1 to September 30, 2005				
	North America	Europe	Asia	Other Area	Total
Overseas Revenues	Yen 62,676	Yen 14,770	Yen 45,026	Yen 3,443	Yen 125,915
Consolidated Revenues	-	-	-	-	784,494
Overseas/Consolidated Ratio(%)	8.0	1.9	5.8	0.4	16.1

	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

	Thousands of U.S. Dollars				
	First Half of Financial Year from April 1 to September 30, 2005				
	North America	Europe	Asia	Other Area	Total
Overseas Revenues	$ 554,655	$ 130,708	$ 398,460	$ 30,469	$ 1,114,292
Consolidated Revenues	-	-	-	-	6,942,425