

OBAYASHI CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS 2004



Certified Public Accountants
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Report of Independent Auditors

The Board of Directors
OBAYASHI CORPORATION

We have audited the accompanying consolidated balance sheets of OBAYASHI CORPORATION and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OBAYASHI CORPORATION and consolidated subsidiaries at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2 to the consolidated financial statements, the Company applied Accounting Standards for the Impairment of Fixed Assets for the year ended March 31, 2004.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 and 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Shin Nihon & Co.

June 30, 2004

A handwritten signature in black ink that reads "Shin Nihon & Co." in a cursive, flowing script.

Consolidated Balance Sheets

OBUYASHI CORPORATION
March 31, 2004 and 2003

ASSETS

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2004	FY 2003	FY 2004	FY 2003
CURRENT ASSETS:				
Cash and deposits (Note 10).....	¥ 104,969	¥ 108,039	\$ 993,182	\$ 1,022,224
Notes and accounts receivable, trade.....	282,302	334,748	2,671,040	3,167,259
Marketable securities (Note 4).....	21	10,370	198	98,118
Inventories (Note 5).....	466,421	551,805	4,413,101	5,220,976
Other current assets (Notes 7 and 9).....	177,123	205,255	1,675,876	1,942,056
Allowance for doubtful receivables.....	(1,240)	(1,405)	(11,735)	(13,295)
Total current assets.....	1,029,596	1,208,812	9,741,662	11,437,338
PROPERTY AND EQUIPMENT (Note 7):				
Land.....	251,986	257,534	2,384,200	2,436,695
Buildings.....	218,787	218,326	2,070,082	2,065,719
Machinery and equipment.....	70,314	74,397	665,287	703,919
Construction in progress.....	1,227	1,807	11,614	17,098
Accumulated depreciation.....	(168,488)	(170,084)	(1,594,175)	(1,609,272)
Net property and equipment.....	373,826	381,980	3,537,008	3,614,159
INVESTMENTS AND OTHER ASSETS:				
Investment securities (Note 4).....	343,224	238,008	3,247,464	2,251,941
Investments in affiliates (Note 4).....	2,175	6,869	20,580	64,996
Long-term loans receivable (Note 7).....	31,891	33,152	301,737	313,674
Other (Note 9).....	46,742	85,930	442,251	813,037
Allowance for doubtful receivables.....	(5,570)	(6,173)	(52,708)	(58,414)
Total investments and other assets.....	418,462	357,786	3,959,324	3,385,234
TOTAL ASSETS	¥ 1,821,884	¥ 1,948,578	\$ 17,237,994	\$ 18,436,731

LIABILITIES AND SHAREHOLDERS' EQUITY

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2004	FY 2003	FY 2004	FY 2003
CURRENT LIABILITIES:				
Short-term borrowings (Note 6).....	¥ 184,198	¥ 208,872	\$ 1,742,809	\$ 1,976,266
Current portion of long-term debt (Notes 6 and 7).....	53,783	93,940	508,875	888,834
Current portion of PFI project finance loan (Note 6).....	430	357	4,072	3,374
Commercial paper (Note 6).....	-	10,000	-	94,616
Notes and accounts payable, trade.....	441,920	496,530	4,181,283	4,697,981
Income taxes payable.....	8,042	434	76,090	4,106
Advances received.....	348,894	426,131	3,301,107	4,031,897
Accrued expenses.....	16,009	15,557	151,475	147,191
Other current liabilities.....	134,243	168,353	1,270,155	1,592,899
Total current liabilities.....	1,187,519	1,420,174	11,235,866	13,437,164
LONG-TERM LIABILITIES:				
Long-term debt (Notes 6 and 7).....	126,169	117,028	1,193,762	1,107,273
PFI project finance loan (Note 6).....	12,323	10,725	116,600	101,479
Deferred income taxes on reserve for land revaluation (Note 9).....	23,650	23,043	223,765	218,028
Reserve for retirement benefits (Note 8).....	65,907	66,298	623,584	627,284
Reserve for losses on real estate business.....	-	2,225	-	21,053
Other long-term liabilities.....	43,323	35,839	409,908	339,092
Total long-term liabilities.....	271,372	255,158	2,567,619	2,414,209
MINORITY INTERESTS	18,720	12,886	177,119	121,931
SHAREHOLDERS' EQUITY (Notes 11 and 15):				
Common stock :				
Authorized; 1,224,335,000 Shares				
Issued; 721,509,646 shares.....	57,753	57,753	546,435	546,435
Capital surplus.....	41,705	41,695	394,601	394,497
Retained earnings.....	108,221	92,225	1,023,949	872,607
Reserve for land revaluation (Note 2).....	34,143	33,332	323,050	315,371
Unrealized holding gains on securities.....	103,866	37,116	982,744	351,180
Foreign exchange translation adjustments.....	(1,096)	(1,314)	(10,366)	(12,436)
Treasury stock at cost:				
976,546 shares in 2004 and				
1,346,483 shares in 2003.....	(319)	(447)	(3,023)	(4,227)
Total shareholders' equity.....	344,273	260,360	3,257,390	2,463,427
COMMITMENTS AND CONTINGENT LIABILITIES (Note 14)				
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	¥ 1,821,884	¥ 1,948,578	\$ 17,237,994	\$ 18,436,731

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Income

OBUYASHI CORPORATION

For the years ended March 31, 2004 and 2003

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2004	FY 2003	FY 2004	FY 2003
REVENUES (Note 12).....	¥ 1,346,298	¥ 1,341,004	\$ 12,738,176	\$ 12,688,085
COST OF REVENUES	1,227,666	1,232,115	11,615,727	11,657,813
Gross profit.....	118,632	108,889	1,122,449	1,030,272
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	80,657	80,398	763,147	760,693
Operating profit.....	37,975	28,491	359,302	269,579
OTHER INCOME (EXPENSES):				
Interest and dividend income.....	4,391	4,323	41,548	40,908
Interest expenses.....	(4,232)	(4,801)	(40,042)	(45,428)
Equity in earnings of affiliates.....	107	449	1,014	4,245
Gain on sales of marketable securities.....	7,344	2,885	69,490	27,294
Foreign currency transaction losses, net.....	(1,597)	(1,627)	(15,110)	(15,396)
Loss on write-down of investments in securities.....	(842)	(12,773)	(7,970)	(120,857)
Loss on real estate business.....	–	(5,403)	–	(51,117)
Impairment loss on fixed assets.....	(5,299)	–	(50,137)	–
Loss on write-down of real estate for sale.....	(1,441)	–	(13,630)	–
Other, net.....	1,851	295	17,512	2,795
Total.....	282	(16,652)	2,675	(157,556)
INCOME BEFORE INCOME TAXES	38,257	11,839	361,977	112,023
INCOME TAXES (Note 9):				
Current.....	8,735	1,157	82,651	10,945
Deferred.....	8,311	8,486	78,640	80,297
Total.....	17,046	9,643	161,291	91,242
MINORITY INTERESTS	(17)	928	(159)	8,777
NET INCOME	¥ 21,194	¥ 3,124	\$ 200,527	\$ 29,558
PER SHARE DATA (Note 15):				
Net income:				
Basic.....	¥ 29.42	¥ 4.27	\$ 0.28	\$ 0.04
Diluted.....	29.37	–	0.28	–

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

OBAYASHI CORPORATION

For the years ended March 31, 2004 and 2003

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2004	FY 2003	FY 2004	FY 2003
COMMON STOCK (Note 11):				
Balance at beginning of year.....	¥ 57,753	¥ 57,753	\$ 546,435	\$ 546,435
Balance at end of year.....	¥ 57,753	¥ 57,753	\$ 546,435	\$ 546,435
CAPITAL SURPLUS (Note 11):				
Balance at beginning of year.....	¥ 41,695	¥ 41,695	\$ 394,497	\$ 394,497
Gains on sales of treasury stock.....	10	-	104	-
Balance at end of year.....	¥ 41,705	¥ 41,695	\$ 394,601	\$ 394,497
RETAINED EARNINGS (Note 11):				
Balance at beginning of year.....	¥ 92,225	¥ 114,681	\$ 872,607	\$ 1,085,073
Net income for the year.....	21,194	3,124	200,527	29,558
Cash dividends paid.....	(4,318)	(5,038)	(40,858)	(47,663)
Bonuses to directors and corporate auditors.....	(23)	(41)	(222)	(392)
Reversal of reserve for land revaluation.....	(857)	(20,501)	(8,105)	(193,969)
Balance at end of year.....	¥108,221	¥ 92,225	\$ 1,023,949	\$ 872,607
RESERVE FOR LAND REVALUATION (Note 2):				
Balance at beginning of year.....	¥ 33,332	¥ 12,015	\$ 315,371	\$ 113,684
Reversal of reserve for land revaluation.....	857	20,501	8,105	193,969
Effect of change in the statutory tax rate.....	(46)	816	(426)	7,718
Balance at end of year.....	¥ 34,143	¥ 33,332	\$ 323,050	\$ 315,371
UNREALIZED HOLDING GAINS ON SECURITIES:				
Balance at beginning of year.....	¥ 37,116	¥ 65,385	\$ 351,180	\$ 618,653
Increase (decrease)	66,750	(28,269)	631,564	(267,473)
Balance at end of year.....	¥103,866	¥ 37,116	\$ 982,744	\$ 351,180
FOREIGN EXCHANGE TRANSLATION ADJUSTMENTS:				
Balance at beginning of year.....	¥ (1,314)	¥ (877)	\$ (12,436)	\$ (8,299)
Increase (decrease)	218	(437)	2,070	(4,137)
Balance at end of year.....	¥ (1,096)	¥ (1,314)	\$ (10,366)	\$ (12,436)
TREASURY STOCK:				
Balance at beginning of year.....	¥ (447)	¥ (292)	\$ (4,227)	\$ (2,763)
Purchases of treasury stock.....	(73)	(155)	(695)	(1,464)
Sales of treasury stock.....	201	-	1,899	-
Balance at end of year.....	¥ (319)	¥ (447)	\$ (3,023)	\$ (4,227)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

OBAYASHI CORPORATION

For the years ended March 31, 2004 and 2003

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2004	FY 2003	FY 2004	FY 2003
OPERATING ACTIVITIES:				
Net income	¥ 21,194	¥ 3,124	\$ 200,527	\$ 29,558
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	11,421	11,780	108,064	111,460
Allowance for doubtful receivables	(890)	(23,430)	(8,416)	(221,682)
Reserve for retirement benefits	(2,198)	(4,231)	(20,795)	(40,028)
Sales and disposal of property, equipment and marketable and investment securities	(7,842)	(442)	(74,201)	(4,187)
Write down of marketable, investment and subsidiaries and affiliates securities	842	12,773	7,970	120,857
Loss on revaluation of real estate for sale	1,441	1,411	13,630	13,352
Impairment loss on fixed assets	5,299	3,992	50,137	37,765
Deferred income taxes	8,311	8,487	78,640	80,297
Undistributed earnings of affiliate	(107)	(449)	(1,014)	(4,245)
Changes in assets and liabilities				
Trade receivables	64,410	45,882	609,420	434,120
Inventories	86,603	57,410	819,402	543,196
Other current assets	33,030	(50,182)	312,514	(474,804)
Trade payables	(64,120)	(808)	(606,678)	(7,641)
Accrued income taxes	7,608	(2,882)	71,985	(27,271)
Advances received	(78,583)	(41,667)	(743,522)	(394,242)
Accrued expenses	453	(2,409)	4,284	(22,790)
Other current liabilities	(27,494)	(9,021)	(260,136)	(85,350)
Other	(20,786)	7,734	(196,672)	73,168
Total adjustments	17,398	13,948	164,612	131,975
Net cash provided by operating activities	38,592	17,072	365,139	161,533
INVESTING ACTIVITIES:				
Purchases of marketable and investment securities and investments in subsidiaries and affiliates	(3,366)	(8,607)	(31,852)	(81,436)
Proceeds from sales of marketable and investment securities and investments in subsidiaries and affiliates	31,187	36,658	295,079	346,842
Proceeds from sales of property and equipment	6,566	5,430	62,128	51,375
Purchases of property and equipment	(11,183)	(5,450)	(105,806)	(51,566)
Proceeds from repayment of loans	3,171	6,952	30,003	65,776
Loans receivables made	(3,916)	(3,128)	(37,056)	(29,599)
Net (payments for) proceeds from acquisition of subsidiaries	(492)	67	(4,658)	630
Other	(220)	229	(2,078)	2,179
Net cash provided by investing activities	21,747	32,151	205,760	304,201
FINANCING ACTIVITIES:				
Proceeds from short-term and long-term debt	52,295	65,666	494,792	621,311
Commercial paper	(10,000)	10,000	(94,616)	94,616
Repayment of short-term and long-term debt	(116,978)	(88,948)	(1,106,804)	(841,594)
Proceeds from issue of bonds	30,000	10,000	283,849	94,616
Proceeds from PFI project finance loan debt	2,047	9,762	19,375	92,364
Repayment of PFI project finance loan debt	(376)	-	(3,556)	-
Redemption of bonds	(20,969)	(31,200)	(198,401)	(295,203)
Cash dividends	(4,318)	(5,047)	(40,858)	(47,754)
Other	444	(151)	4,202	(1,427)
Net cash used in financing activities	(67,855)	(29,918)	(642,017)	(283,071)
Effect of exchange rate changes on cash and cash equivalents	(511)	306	(4,832)	2,892
Net (decrease) increase in cash and cash equivalents	(8,027)	19,611	(75,950)	185,555
Cash and cash equivalents at beginning of the year	107,424	86,885	1,016,404	822,070
Increase due to inclusion of new subsidiaries in consolidation	4,147	928	39,237	8,779
Cash and cash equivalents at end of the year (Note 10)	¥ 103,544	¥ 107,424	\$ 979,691	\$ 1,016,404
SUPPLEMENTAL INFORMATION OF CASH FLOWS:				
Cash paid during the year for:				
interest	¥ 4,185	¥ 4,988	\$ 39,596	\$ 47,196
income taxes	1,127	4,039	10,667	38,216

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

OBAYASHI CORPORATION

For the years ended March 31, 2004 and 2003

1. Basis of presenting consolidated financial statements

- (a) The accompanying consolidated financial statements of OBAYASHI CORPORATION (the "Parent Company" or the "Company") and subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. For the purposes of this report, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan. The Parent company has prepared the consolidated statements of shareholders' equity and certain additional financial information for the purpose of inclusion in this report although such statements and information are not customarily prepared in Japan.
- (b) The Parent Company had 66 subsidiaries as of March 31, 2004 (60 as of March 31, 2003). The consolidated financial statements as of and for the years ended March 31, 2004 and 2003 included the accounts of the Parent Company and all subsidiaries (together "the Companies"). All significant intercompany accounts and transactions have been eliminated. Investments in all affiliates (21 companies for 2004, and 17 companies for 2003) are accounted for by the equity method of accounting. Differences between the cost and underlying net equity of investments in consolidated subsidiaries and other companies accounted for by the equity method are charged or credited to income as they occur.

2. Summary of significant accounting policies

- (a) Recognition of revenues and related costs
Revenues from construction contracts and the related costs are recorded on a completed-contract basis, except for those related to large-scale contracts with long-term construction periods of more than 2 years and contracted amounts in excess of ¥5 billion which are recognized by the percentage-of-completion method.
- (b) Foreign currency translation
The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of shareholders' equity which are translated at their historical exchange rates. Revenue and expense accounts are translated at the rate of exchange in effect at the balance sheet date.
- (c) Cash equivalents
All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.
- (d) Marketable securities and investment securities
Securities are classified into two categories: held-to-maturity and other securities.
Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity.
Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.
- (e) Inventories
Inventories other than materials and supplies are stated at cost as determined on a specific project basis. Materials and supplies are stated at cost as determined on the first-in first-out method.
- (f) Property and equipment
Property and equipment is stated principally at cost. Depreciation is computed principally by the declining-balance method over the estimated useful lives of the respective assets as follows:
Buildings : 3 - 50 years
Machinery and equipment : 3 - 15 years
- (g) Reserve for retirement benefits
Reserve for retirement benefits for employees is provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for unrecognized actuarial gain and loss.
Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (5 years or 10 years) which are shorter than the average remaining years of service of the employees.
Prior service cost ("PSC") is being amortized by the straight-line method over 10 years which is shorter than the average remaining years of service of the employees, while PSC of certain subsidiaries is expensed as incurred.
- (h) Income taxes
The Company and its consolidated subsidiaries apply deferred tax accounting for income taxes which requires recognition of income taxes by the asset/liability method.
Under the asset/liability method, deferred tax assets and liabilities are determined based on the difference between financial reporting basis and the tax basis of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.
- (i) Appropriations of retained earnings
Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.
- (j) Allowance for doubtful receivables
The allowance for doubtful receivables has been provided based on the Company's and its subsidiaries' historical experience with respect to write-offs and based on an estimate of the amount of specific uncollectible accounts.
- (k) Lease
Finance leases other than those which are deemed to transfer the ownership of leased property to lessees are accounted for in the same manner as operating leases.
- (l) Land revaluation
Pursuant to the "Law Concerning the Revaluation of Land", land used for the business operations was revalued on March 31, 2000. The excess of the revalued carrying amount over the book value before revaluation has been included in shareholders' equity as reserve for land revaluation.
The revaluation of the land was determined based on the official standard notice prices in accordance with Article 2, paragraph 1 of the "Enforcement Ordinance Concerning Land Revaluation" and the appraisal value made by the certified real estate appraisers in accordance with Article 2, paragraph 5 of the same Ordinance with certain necessary adjustments.
The excess of the revalued carrying amount over the market value at March 31, 2004, was ¥19,544 million (\$184,916 thousand).

(m) Derivative financial instruments

The Company and certain consolidated subsidiaries have entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates.

Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

As for interest rate swaps, used for converting receipts or payments of interest on a liability, if principal terms of the interest rate swaps such as notional amount, index of interest rates, date and interval of interest payments, contract period are essentially the same as those of the hedged liability, such interest rate swaps may not be measured at fair value, but the related interests may be adjusted to the interests on the hedged liabilities on an accrual basis.

(n) Reserve for losses on real estate business

Reserve for losses on real estate business is provided for the estimated losses to be incurred in restructuring the real estate-related business.

(o) Accounting Standards for the Impairment of Fixed Assets

Effective the year ended March 31, 2004, the Company and its domestic subsidiaries opted for early adoption of "Accounting Standards for the Impairment of Fixed Assets" issued by the Business Accounting Council (August 9, 2002) as well as "Guidance for the Impairment of Fixed Assets" issued by the Accounting Standards Board of Japan (October 31, 2003). As a result, property and equipment and income before income taxes each decreased by ¥5,299 million (\$50,137 thousand). Accumulated impairment has been directly deducted from each respective asset in accordance with the revised Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

3. United States dollar amounts

The United States dollar amounts included herein are presented solely for convenience. The translations should not be construed as representations that Japanese yen have been, could have been or could in the future be converted into United States dollars. Such dollar amounts have been translated from yen at the exchange rate of ¥105.69=\$1, the approximate exchange rate prevailing on March 31, 2004.

4. Securities

(a) Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2004 and 2003 is as follows;

Marketable held-to-maturity debt securities

Year ended March 31, 2004	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities of which fair value exceeds their carrying value:						
Government bonds, Municipal bonds.....	¥ 20	¥ 20	¥ 0	\$ 189	\$ 189	\$ 0
Subtotal.....	¥ 20	¥ 20	¥ 0	\$ 189	\$ 189	\$ 0
Securities of which fair value does not exceed their carrying value:						
Government bonds, Municipal bonds.....	¥ 65	¥ 65	¥ (0)	\$ 617	\$ 616	\$ (1)
Subtotal.....	¥ 65	¥ 65	¥ (0)	\$ 617	\$ 616	\$ (1)
Total.....	¥ 85	¥ 85	¥ (0)	\$ 806	\$ 805	\$ (1)

Year ended March 31, 2003

Year ended March 31, 2003	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Unrealized gain	Carrying value	Estimated fair value	Unrealized gain
Securities of which fair value exceeds their carrying value:						
Government bonds, Municipal bonds.....	¥ 20	¥ 20	¥ 0	\$ 189	\$ 189	\$ 0
Others.....	369	378	9	3,490	3,578	88
Total.....	¥ 389	¥ 398	¥ 9	\$ 3,679	\$ 3,767	\$ 88

Marketable other securities

Year ended March 31, 2004	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities of which carrying value exceeds their acquisition cost:						
Stock.....	¥ 131,298	¥ 308,072	¥ 176,774	\$ 1,242,295	\$ 2,914,863	\$ 1,672,568
Other.....	607	659	52	5,743	6,235	492
Subtotal.....	¥ 131,905	¥ 308,731	¥ 176,826	\$ 1,248,038	\$ 2,921,098	\$ 1,673,060
Securities of which carrying value does not exceed their acquisition cost :						
Stock.....	¥ 6,336	¥ 4,658	¥ (1,678)	\$ 59,945	\$ 44,066	\$ (15,879)
Other.....	61	60	(1)	577	571	(6)
Subtotal.....	¥ 6,397	¥ 4,718	¥ (1,679)	\$ 60,522	\$ 44,637	\$ (15,885)
Total.....	¥ 138,302	¥ 313,449	¥ 175,147	\$ 1,308,560	\$ 2,965,735	\$ 1,657,175

Year ended March 31, 2003	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities of which carrying value exceeds their acquisition cost:						
Stock.....	¥ 73,841	¥ 148,724	¥ 74,883	\$ 698,661	\$ 1,407,174	\$ 708,514
Other.....	21	44	23	197	412	214
Subtotal.....	¥ 73,862	¥ 148,768	¥ 74,906	\$ 698,858	\$ 1,407,586	\$ 708,728
Securities of which carrying value does not exceed their acquisition cost:						
Stock.....	¥ 71,957	¥ 59,389	¥ (12,568)	\$ 680,827	\$ 561,916	\$ (118,911)
Subtotal.....	71,957	59,389	(12,568)	680,827	561,916	(118,911)
Total.....	¥ 145,819	¥ 208,157	¥ 62,338	\$ 1,379,685	\$ 1,969,502	\$ 589,817

(b) Sales of securities classified as other securities

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
Sales.....	¥ 20,771	¥ 6,198	\$ 196,528	\$ 58,644
Aggregate gain.....	¥ 7,582	¥ 3,090	\$ 71,734	\$ 29,235
Aggregate loss.....	¥ 244	¥ 171	\$ 2,304	\$ 1,622

(c) In addition to the securities above, the Companies held investment securities with no market value available at March 31, 2004 and 2003 as follows:

Year ended March 31, 2004	Japanese Yen (million)		U.S. Dollars (thousand)	
	Carrying value		Carrying value	
Securities held-to-maturity				
Non-listed foreign bonds.....	¥ 8,814		\$ 83,394	
Other securities				
Non-listed stocks.....	13,398		126,764	
Preferred equity securities.....	7,500		70,963	

Year ended March 31, 2003	Japanese Yen (million)		U.S. Dollars (thousand)	
	Carrying value		Carrying value	
Securities held-to-maturity				
Non-listed foreign bonds.....	¥ 18,001		\$ 170,320	
Other securities				
Non-listed stocks.....	14,331		135,593	
Preferred equity securities.....	7,500		70,963	

(d) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as of March 31, 2004 and 2003 is summarized as follows:

Year ended March 31, 2004	Japanese Yen (million)				U.S. Dollars (thousand)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds.....	¥ 21	¥ 99	¥ -	¥ 30	\$ 199	\$ 936	\$ -	\$ 284
Other.....	-	8,801	-	-	-	83,272	-	-
Total.....	¥ 21	¥ 8,900	¥ -	¥ 30	\$ 199	\$ 84,208	\$ -	\$ 284

Year ended March 31, 2003	Japanese Yen (million)				U.S. Dollars (thousand)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds.....	¥ 1	¥ 30	¥ -	¥ -	\$ 11	\$ 283	\$ -	\$ -
Other.....	10,369	8,000	-	-	98,108	75,692	-	-
Total.....	¥ 10,370	¥ 8,030	¥ -	¥ -	\$ 98,119	\$ 75,976	\$ -	\$ -

5. Inventories

Inventories comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
Construction projects in progress.....	¥ 384,474	¥ 463,242	\$ 3,637,750	\$ 4,383,026
Real estate for sale.....	53,286	58,998	504,168	558,220
Development projects in progress.....	26,146	27,344	247,387	258,722
Materials and supplies.....	2,515	2,221	23,796	21,008
Total.....	¥ 466,421	¥ 551,805	\$ 4,413,101	\$ 5,220,976

6. Short-term borrowings and long-term debt

Short-term bank loans are represented generally by 180-day or 365-day notes issued by the Companies to banks and overdrafts with banks and bore interest at the average annual rate of 0.69 per cent. at March 31, 2004 (0.68 per cent. at March 31, 2003).

Long-term loans bore interest at the average annual rate of 1.28 per cent. at March 31, 2004. (1.78 per cent. at March 31, 2003).

(a) Short-term borrowings comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
Short-term loans from banks.....	¥ 184,198	¥ 208,872	\$ 1,742,809	\$ 1,976,266
Total.....	¥ 184,198	¥ 208,872	\$ 1,742,809	\$ 1,976,266

(b) Long-term debt comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
1.6 per cent. bond due August, 2004.....	¥ 20,000	¥ 20,000	\$ 189,233	\$ 189,233
2.03 per cent. bond due August, 2006.....	10,000	10,000	94,616	94,616
0.9 per cent. bond due July, 2007.....	10,000	10,000	94,616	94,616
0.49 per cent. bond due June, 2008.....	10,000	–	94,616	–
1.07 per cent. bond due June, 2013.....	10,000	–	94,616	–
1.48 per cent. bond due November, 2010.....	10,000	–	94,616	–
1.6 per cent. convertible bond due March, 2004.....	–	9,969	–	94,323
Bonds, due 2003-2005.....	5,000	16,000	47,308	151,387
Loans from Japanese banks.....	61,295	77,734	579,951	735,493
Loans from Japanese insurance companies.....	37,183	61,856	351,812	585,260
Loans from other financial institutions.....	6,474	5,409	61,253	51,179
	179,952	210,968	1,702,637	1,996,107
Less: Current portion of long-term debt.....	(53,783)	(93,940)	(508,875)	(888,834)
	¥ 126,169	¥ 117,028	\$ 1,193,762	\$ 1,107,273

The 1.6 per cent. convertible bond in the amount of ¥10,000 million due March 31, 2004, which was issued in Japan on March 31, 1989, was convertible into common stock at the option of the holders during the period from May 1, 1989 to March 30, 2004 at ¥1,865.7 (\$17.653) per share, subject to adjustment in certain circumstances.

The overseas-consolidated subsidiary issued bonds, due 2003-2005, partly at a fixed interest rate, partly at an interest rate linked to the actual London inter-bank offered rate.

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

Year ended March 31,	Japanese Yen (million)	U.S. Dollars (thousand)
2005.....	¥ 53,783	\$ 508,875
2006.....	29,233	276,588
2007.....	33,866	320,433
2008.....	23,624	223,519
2009 and thereafter.....	39,446	373,222
Total.....	¥179,952	\$ 1,702,637

As is customary in Japan, long-term and short-term bank loans are made under general agreements, which provide that additional security and guarantees for present and future indebtedness will be given under certain circumstances at the request of banks and that any collateral so furnished will be applicable to all indebtedness due to banks. In addition, the agreements provide that banks have the right to offset cash deposited against any long-term and short-term debt that becomes due and, in case of default and certain other specified events, against all other debts payable to banks. Such rights have never been exercised by banks against the Parent company or its consolidated subsidiaries.

(c) Commercial paper

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
Commercial paper (which matures within one year).....	¥ –	¥ 10,000	\$ –	\$ 94,616

(d) PFI project finance loan

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
PFI project finance loan.....	¥ 12,753	¥ 11,082	\$ 120,672	\$ 104,853
	12,753	11,082	120,672	104,853
Less: current portion.....	(430)	(357)	(4,072)	(3,374)
	¥ 12,323	¥ 10,725	\$ 116,600	\$ 101,479

The PFI project finance loan is a non-recourse loan payable to financial institutions, which consolidated special purpose company issued backed by the related PFI business as collateral.

Assets as collateral for the PFI project finance loan were as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
Notes and accounts receivable, trade.....	¥ 10,860	¥ 11,082	\$ 102,747	\$ 104,853
Inventories (real estate for sale).....	1,285	–	12,157	–
Construction in progress.....	1,060	–	10,033	–
Total.....	¥ 13,205	¥ 11,082	\$ 124,937	\$ 104,853

The aggregate annual maturities of PFI project finance loan subsequent to March 31, 2004 were as follows:

Year ended March 31,	Japanese Yen (million)	U.S. Dollars (thousand)
2005.....	¥ 430	\$ 4,072
2006.....	467	4,416
2007.....	587	5,553
2008.....	793	7,504
2009 and thereafter.....	10,476	99,127
Total	¥ 12,753	\$ 120,672

7. Pledged assets

Assets pledged as collateral for long-term debt were as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
ASSETS PLEDGED AS COLLATERAL:				
Land*.....	¥ 6,336	¥ 11,573	\$ 59,945	\$ 109,499
Buildings.....	2,935	15,437	27,773	146,061
Machinery and equipment.....	–	384	–	3,634
Short-term loans receivable (Real estate convertible loan).....	293	293	2,772	2,772
Long-term loans receivable (Real estate convertible loan).....	24,547	24,840	232,254	235,026
Total.....	¥ 34,111	¥ 52,527	\$ 322,744	\$ 496,992
LIABILITIES SECURED THEREBY:				
Current portion of long-term debt.....	¥ 549	¥ 9,287	\$ 5,194	\$ 87,874
Long-term debt.....	6,733	7,657	63,702	72,448
Long-term debt of Sanyu Building Corporation*.....	91	138	862	1,302
Total.....	¥ 7,373	¥ 17,082	\$ 69,758	\$ 161,624

* Obayashi Real Estate, Ltd. pledged its land in the amount of ¥499 million (\$4,720 thousand) to secure the long-term debt of Sanyu Building Corporation.

8. Retirement benefit plans

The Company and its domestic subsidiaries have tax-qualified defined benefit pension plans (established as of March 1, 1982) which cover 50% of the total amount of the pension benefits, in addition to lump-sum payments plans covering the remainder. However, these tax-qualified pension plans were terminated and, as a result of a recent amendment to the related laws, "Regulation type corporate pension plans" based on the "Defined Benefit Corporate Pension Law" have been introduced effective April 1, 2004.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2004 and 2003 for the Company's and the subsidiaries' defined benefit plans:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
Retirement benefit obligation.....	¥ (162,122)	¥ (159,563)	\$ (1,533,932)	\$ (1,509,732)
Plan assets at fair value.....	73,380	64,175	694,291	607,201
Unfunded retirement benefit obligation.....	(88,742)	(95,388)	(839,641)	(902,531)
Unrecognized actuarial gain or loss.....	23,604	29,190	223,336	276,188
Unrecognized prior service cost.....	(769)	–	(7,279)	–
Net retirement benefit obligation.....	(65,907)	(66,198)	(623,584)	(626,343)
Prepaid pension cost.....	–	(100)	–	(941)
Reserve for retirement benefits.....	¥ (65,907)	¥ (66,298)	\$ (623,584)	\$ (627,284)

The components of retirement benefit expenses for the year ended March 31, 2004 and 2003 are outlined as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
Service cost.....	¥ 5,786	¥ 5,352	\$ 54,743	\$ 50,639
Interest cost.....	3,998	5,100	37,827	48,254
Expected return on plan assets.....	(1,582)	(1,671)	(14,969)	(15,810)
Amortization of actuarial gain or loss.....	3,190	1,418	30,183	13,417
Amortization of prior service cost.....	(179)	–	(1,688)	–
Special retirement and severance benefits.....	962	2,033	9,103	19,236
Total.....	¥ 12,175	¥ 12,232	\$ 115,199	\$ 115,735

The assumptions used in accounting for the above plans were as follows:

Year ended March 31,	FY 2004	FY 2003
Discount rates.....	2.5%	2.5%
Expected return on assets.....	2.5%	2.5%

9. Income taxes

Income taxes applicable to the Company comprised corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 41.9% at 2004 and 2003.

On March 31, 2003, new legislation of enterprise tax was enacted, which resulted in an decrease in the statutory tax rate used to determine deferred income taxes on temporary differences to be reversed on and after April 1, 2004, from 41.9% to 40.4%.

Reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2004 and 2003 is summarized as follows:

	March 31	
	FY 2004	FY 2003
Statutory tax rate.....	41.9 %	41.9 %
Reconciliation:		
Permanent non-deductible items.....	4.2	15.9
Permanent non-recognized income.....	(1.3)	(12.0)
Change in statutory tax rate.....	–	29.4
Effect of unrecognised deferred taxes on subsidiaries - losses.....	1.0	14.4
Other.....	(1.2)	(8.2)
Effective tax rate.....	44.6 %	81.4 %

The major components of deferred tax assets and liabilities as of March 31, 2004 and 2003 are summarized as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
Deferred tax assets:				
Impairment loss on fixed assets.....	¥ 41,635	¥ 42,340	\$ 393,937	\$ 400,606
Loss on revaluation of real estate for sale.....	18,844	17,376	178,294	164,405
Reserve for retirement benefits.....	22,561	19,779	213,464	187,142
Tax loss carryforwards.....	3,019	12,995	28,567	122,954
Other.....	25,818	23,883	244,279	225,972
	111,877	116,373	1,058,541	1,101,079
Valuation allowance.....	(7,786)	(5,713)	(73,671)	(54,055)
Total deferred tax assets.....	104,091	110,660	984,870	1,047,024
Deferred tax liabilities:				
Unrealized holding gains on securities.....	(70,791)	(25,116)	(669,800)	(237,638)
Other.....	(888)	(870)	(8,398)	(8,232)
Total deferred tax liabilities.....	(71,679)	(25,986)	(678,198)	(245,870)
Net deferred tax assets.....	¥ 32,412	¥ 84,674	\$ 306,672	\$ 801,154

In addition to the above, the Companies recognized a deferred tax liability of ¥23,650 million (\$223,765 thousand) and of ¥23,043 million (\$218,028 thousand) related to reserve for land revaluation at March 31, 2004 and 2003, respectively.

10. Supplementary cash flow information

The following table represents a reconciliation of cash and cash equivalents as of March 31:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
Cash and deposits.....	¥ 104,969	¥108,039	\$ 993,182	\$ 1,022,224
Time deposits with a maturity of more than three months.....	(1,425)	(615)	(13,491)	(5,820)
Cash and cash equivalents.....	¥ 103,544	¥107,424	\$ 979,691	\$ 1,016,404

11. Shareholders' equity

The Japanese Commercial Code (the "JCC") requires that an amount equal to at least 10% of cash dividends and other distributions, including directors' and statutory auditors' bonuses, from retained earnings paid by the Company be appropriated as a legal reserve to the extent that the total amount of additional paid-in capital and the legal reserve equals 25% of the common stock.

The JCC also provides that to the extent that the sum of the additional paid-in capital and the legal reserve exceed 25% of the common stock, the amount of the excess, if any, is available for appropriations by the resolution of the shareholders prescribed by the JCC.

12. Segment information

(a) Business Segments

The Company and its subsidiaries are engaged in the following industry segments:

Construction	Building construction, civil engineering, etc.
Real estate	Resale and rental of land, houses and buildings
Other	Golf club related business, financing leasing and PFI*, etc

*The Private Finance Initiative ("PFI") business is the new business model under which private companies build, maintain and operate public facilities with their own capital, know-how and technical skills.

Year ended March 31, 2004	Japanese Yen (million)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers.....	¥1,296,121	¥ 45,058	¥ 5,119	¥ 1,346,298	¥ -	¥ 1,346,298
Intersegment.....	7,715	975	7,854	16,544	(16,544)	-
Total.....	1,303,836	46,033	12,973	1,362,842	(16,544)	1,346,298
Operating expenses.....	1,271,236	41,153	12,237	1,324,626	(16,303)	1,308,323
Operating profit.....	¥ 32,600	¥ 4,880	¥ 736	¥ 38,216	¥ (241)	¥ 37,975
Total Assets.....	¥1,476,038	¥301,476	¥ 99,033	¥ 1,876,547	¥ (54,663)	¥ 1,821,884
Depreciation.....	5,611	5,564	455	11,630	(35)	11,595
Impairment loss on fixed assets.....	-	2,381	2,918	5,299	-	5,299
Capital expenditures.....	8,434	3,688	3,166	15,288	(285)	15,003
Year ended March 31, 2003	Japanese Yen (million)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers.....	¥1,284,031	¥ 40,822	¥ 16,151	¥ 1,341,004	¥ -	¥ 1,341,004
Intersegment.....	21,003	797	5,863	27,663	(27,663)	-
Total.....	1,305,034	41,619	22,014	1,368,667	(27,663)	1,341,004
Operating expenses.....	1,280,587	38,330	21,503	1,340,420	(27,907)	1,312,513
Operating profit.....	¥ 24,447	¥ 3,289	¥ 511	¥ 28,247	¥ 244	¥ 28,491
Total Assets.....	¥1,524,695	¥370,109	¥ 95,410	¥ 1,990,214	¥ (41,636)	¥ 1,948,578
Depreciation.....	6,141	5,643	181	11,965	(98)	11,867
Capital expenditures.....	3,785	1,578	58	5,421	-	5,421

Year ended March 31, 2004	U.S. Dollars (thousand)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers	\$12,263,417	\$ 426,320	\$ 48,439	\$12,738,176	\$ -	\$12,738,176
Intersegment	73,002	9,230	74,303	156,535	(156,535)	-
Total	12,336,419	435,550	122,742	12,894,711	(156,535)	12,738,176
Operating expenses	12,027,966	389,380	115,775	12,533,121	(154,247)	12,378,874
Operating profit	\$ 308,453	\$ 46,170	\$ 6,967	\$ 361,590	\$ (2,288)	\$ 359,302
Total Assets	\$13,965,727	\$2,852,452	\$ 937,016	\$17,755,194	\$(517,200)	\$17,237,994
Depreciation	53,084	52,644	4,309	110,037	(331)	109,706
Impairment loss on fixed assets	-	22,531	27,606	50,137	-	50,137
Capital expenditures	79,799	34,893	29,956	144,648	(2,700)	141,948

Year ended March 31, 2003	U.S. Dollars (thousand)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers	\$12,149,033	\$ 386,238	\$ 152,814	\$12,688,085	\$ -	\$12,688,085
Intersegment	198,725	7,539	55,474	261,738	(261,738)	-
Total	12,347,758	393,777	208,288	12,949,823	(261,738)	12,688,085
Operating expenses	12,116,440	362,665	203,455	12,682,560	(264,054)	12,418,506
Operating profit	\$ 231,318	\$ 31,112	\$ 4,833	\$ 267,263	\$ 2,316	\$ 269,579
Total Assets	\$14,426,105	\$3,501,835	\$ 902,731	\$18,830,671	\$(393,940)	\$18,436,731
Depreciation	58,103	53,389	1,712	113,204	(924)	112,280
Capital expenditures	35,808	14,932	553	51,293	-	51,293

(b) Geographic segments

Information by geographic segments is not presented as domestic revenues and assets exceeded 90 percent of all segments for the years ended March 31, 2004 and 2003.

(c) Revenues by region

Information of revenues by region is not presented as domestic revenues exceeded 90 percent of revenues for the year ended March 31, 2004, and that for the year ended March 31, 2003 was follows:

Year ended March 31, 2003	Japanese Yen (million)			
	Asia	North America	Other regions	Total
I Overseas revenues	¥ 109,789	¥ 39,372	¥ 5,564	¥ 154,725
II Consolidated revenues	-	-	-	1,341,004
III Overseas revenues as a percentage of consolidated revenues	8.2%	2.9%	0.4%	11.5%

Year ended March 31, 2003	U.S. Dollars (thousand)			
	Asia	North America	Other regions	Total
I Overseas revenues	\$ 1,038,783	\$ 372,523	\$ 52,645	\$ 1,463,951
II Consolidated revenues	-	-	-	12,688,085
III Overseas revenues as a percentage of consolidated revenues	8.2%	2.9%	0.4%	11.5%

1. Countries are classified by the geographical proximity.

2. The above region represents the following countries and regions.

Asia: Singapore, Thailand, Taiwan
North America: USA
Other regions: Britain, Netherland, Australia

3. Overseas revenues represent those in the countries and regions outside Japan by the Parent Company and its subsidiaries.

13. Derivative financial instruments

Because all derivative instruments held by the Company and its subsidiaries at 31st March, 2004 and 2003 were for hedging purposes, the related information on their respective market is not presented.

14. Commitments and contingent liabilities

(a) Commitments

Future minimum lease payments subsequent to March 31, 2004 and 2003 for finance lease transactions accounted for as operating leases, except for lease agreements which stipulate the transfer of ownership of the leased property to the Company and its subsidiaries and non cancellable operating lease, are summarized as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
Finance lease with no ownership transaction:				
Due within one year	¥ 957	¥ 1,648	\$ 9,060	\$ 15,593
Due after one year	727	1,230	6,877	11,638
Total future payments	¥ 1,684	¥ 2,878	\$ 15,937	\$ 27,231
Operating lease:				
Due within one year	¥ 191	¥ 171	\$ 1,807	\$ 1,623
Due after one year	804	880	7,606	8,327
Total future payments	¥ 995	¥ 1,051	\$ 9,413	\$ 9,950

(b) Contingent liabilities

The Company and its subsidiaries are contingently liable for the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
Trade notes receivable endorsed	19	—	183	—
Guarantees of long-term debt of customers and affiliates	¥ 867	¥ 1,111	\$ 8,208	\$ 10,516

15. Amounts per share

Basic net income per share has been computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share has been computed based on the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the conversion of convertible bonds. Net assets per share have been computed based on the number of shares of common stock outstanding at the balance sheet date. Net income and net assets per share for the years ended and at March 31, 2004 and 2003 are as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2004	FY 2003	FY 2004	FY 2003
Net income per share of common stock				
Basic	¥ 29.42	¥ 4.27	\$ 0.28	\$ 0.04
Diluted*	29.37	—	0.28	—
Net assets per share of common stock	477.80	361.47	4.52	3.42

*Diluted net income per share has not been presented for the year ended March 31, 2003 since the 1.6 per cent. ¥9,969 million (\$94,323 thousand) convertible bond due March 2004 was antidilutive.

The following table sets forth the computation of net income per share of common stock for the years ended March 31, 2004 and 2003:

	Year ended March 31, 2004		Year ended March 31, 2003	
	(Millions of yen, except share)	(Thousands of U.S. dollar, except share)	(Millions of yen, except share)	(Thousands of U.S. dollar, except share)
Net income available to shareholders of common stock (numerator)				
Net income	¥ 21,194	\$ 200,527	¥ 3,124	\$ 29,558
Less: appropriation of bonuses to directors and statutory auditors	(2)	(15)	(44)	(420)
	¥ 21,192	\$ 200,512	¥ 3,080	\$ 29,138
Weighted average shares of common stock outstanding (denominator)	720,415		720,510	

16. Impairment loss on fixed assets

For the year ended March 31, 2004, the Company and its domestic subsidiaries recognized losses on the impairment of certain buildings and land at golf clubs, land leased to others, and unused buildings and land, which are grouped separately for the assessment of impairment.

As a result of a recent unexpected decline in real estate value and the worsening performance of golf clubs, the carrying value of the above assets has been reduced to their recoverable amounts. Accordingly, an impairment loss of ¥5,299 million (\$50,137 thousand) was recognized which consisted of ¥528 million (\$5,000 thousand) on buildings, ¥349 million (\$3,303 thousand) on fixture, ¥1 million (\$5 thousand) on machinery and equipment, and ¥4,421 million (\$41,829 thousand) on land. The recoverable amount utilized in the calculation was the higher of the net selling price or value in use. The net selling price is the appraised value less the costs of disposal, whereas value in use is the sum of the net projected future cash flows discounted at 2.5%.

17. Subsequent event

On June 29, 2004, the following appropriations of retained earnings were approved at the shareholders' meeting of the Parent company.

	Japanese Yen (million)	U.S. Dollars (thousand)
Cash dividends	¥ 3,603	\$ 34,095



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