

OBAYASHI CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS 2005

 **ERNST & YOUNG SHINNIHON**

■ **Certified Public Accountants**

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Report of Independent Auditors

The Board of Directors
OBAYASHI CORPORATION

We have audited the accompanying non-consolidated balance sheets of OBAYASHI CORPORATION as of March 31, 2005 and 2004, and the related non-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 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 financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of OBAYASHI CORPORATION at March 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the years ended March 31, 2005 and 2004 are presented solely for convenience. Our audits 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 non-consolidated financial statements.

ERNST & YOUNG SHINNIHON

June 30, 2005

Ernst & Young ShinNihon

Non-Consolidated Balance Sheets

OBUYASHI CORPORATION
March 31, 2005 and 2004

ASSETS

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
CURRENT ASSETS:				
Cash and deposits.....	¥ 87,873	¥ 80,821	\$ 818,258	\$ 752,592
Trade receivables:				
Notes.....	29,289	23,604	272,734	219,798
Accounts.....	211,021	197,513	1,964,999	1,839,209
Marketable securities.....	31	—	289	—
Inventories (Note 5).....	447,246	441,093	4,164,692	4,107,395
Deferred tax assets (Note 8).....	34,236	34,231	318,796	318,759
Other accounts receivable.....	101,184	103,723	942,214	965,856
Other current assets (Note 7).....	14,648	12,058	136,402	112,275
Allowance for doubtful receivables.....	(633)	(897)	(5,894)	(8,353)
Total current assets.....	924,895	892,146	8,612,490	8,307,531
PROPERTY AND EQUIPMENT:				
Land (Note 7).....	195,060	192,581	1,816,368	1,793,285
Buildings and structures (Note 7).....	115,277	116,732	1,073,444	1,086,987
Machinery, equipment and vehicles.....	50,355	49,926	468,902	464,905
Construction in progress.....	625	260	5,815	2,424
Accumulated depreciation.....	(100,389)	(99,739)	(934,808)	(928,752)
Net property and equipment.....	260,928	259,760	2,429,721	2,418,849
INVESTMENTS AND OTHER ASSETS:				
Investment securities.....	330,813	329,027	3,080,482	3,063,848
Investments in subsidiaries and affiliates (Note 4).....	10,391	10,185	96,759	94,839
Long-term loans receivable (Note 7).....	24,511	30,293	228,241	282,089
Long-term loans receivable from subsidiaries and affiliates.....	15,684	18,434	146,049	171,655
Deferred tax assets (Note 8).....	1,341	567	12,496	5,272
Other.....	31,613	36,877	294,360	343,402
Allowance for doubtful receivables.....	(14,990)	(17,973)	(139,582)	(167,359)
Total investments and other assets.....	399,363	407,410	3,718,805	3,793,746
TOTAL ASSETS.....	¥ 1,585,186	¥ 1,559,316	\$ 14,761,016	\$ 14,520,126

LIABILITIES AND SHAREHOLDERS' EQUITY

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
CURRENT LIABILITIES:				
Short-term borrowings (Note 6).....	¥ 80,721	¥ 123,343	\$ 751,664	\$ 1,148,549
Current portion of long-term debt (Notes 6 and 7).....	10,906	39,438	101,555	367,241
Trade payables:				
Notes.....	81,961	79,404	763,211	739,402
Accounts.....	365,920	310,191	3,407,394	2,888,449
Income taxes payable.....	14,590	7,481	135,857	69,660
Advances received on uncompleted construction contracts, real estate and other.....	326,797	337,992	3,043,082	3,147,339
Accrued expenses.....	13,694	13,057	127,513	121,583
Deposits received.....	88,613	87,942	825,150	818,899
Employees' savings deposits.....	27,997	29,165	260,702	271,579
Other current liabilities.....	12,142	12,388	113,077	115,363
Total current liabilities.....	1,023,341	1,040,401	9,529,205	9,688,064
LONG-TERM LIABILITIES:				
Long-term debt (Notes 6 and 7).....	105,961	82,427	986,693	767,548
Deferred income taxes on reserve for land revaluation (Note 8).....	21,768	21,150	202,703	196,946
Reserve for retirement benefits.....	62,277	59,355	579,911	552,710
Reserve for losses on real estate business.....	10,871	10,353	101,232	96,408
Other long-term liabilities.....	8,082	10,009	75,253	93,203
Total long-term liabilities.....	208,959	183,294	1,945,792	1,706,815
SHAREHOLDERS' EQUITY (Notes 10 and 14):				
Common stock:				
Authorized; 1,224,335,000 shares				
Issued; 721,509,646 shares.....	57,753	57,753	537,784	537,784
Capital surplus.....	41,695	41,695	388,252	388,252
Retained earnings.....	116,555	101,544	1,085,346	945,560
Reserve for land revaluation.....	31,981	31,072	297,798	289,340
Unrealized holding gains on securities.....	105,347	103,817	980,972	966,726
Treasury stock at cost:				
1,124,497 shares in 2005 and				
816,066 shares in 2004.....	(445)	(260)	(4,133)	(2,415)
Total shareholders' equity.....	352,886	335,621	3,286,019	3,125,247
CONTINGENT LIABILITIES (Note 13)				
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	¥ 1,585,186	¥ 1,559,316	\$ 14,761,016	\$ 14,520,126

The accompanying notes to the non-consolidated financial statements are an integral part of these statements.
U.S. Dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥107.39.

Non-Consolidated Statements of Income

OBAYASHI CORPORATION
For the years ended March 31, 2005 and 2004

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
REVENUES (Note 11):				
Construction.....	¥ 1,174,676	¥ 1,161,593	\$ 10,938,410	\$ 10,816,581
Real estate and other.....	38,398	37,164	357,558	346,074
	1,213,074	1,198,757	11,295,968	11,162,655
COST OF REVENUES (Note 11):				
Construction.....	1,080,918	1,066,458	10,065,353	9,930,701
Real estate and other.....	30,547	30,491	284,449	283,928
	1,111,465	1,096,949	10,349,802	10,214,629
Gross profit.....	101,609	101,808	946,166	948,026
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	62,937	68,355	586,059	636,515
Operating profit.....	38,672	33,453	360,107	311,511
OTHER INCOME(EXPENSES):				
Interest and dividend income.....	5,155	4,604	48,001	42,868
Interest expense.....	(2,502)	(3,146)	(23,302)	(29,294)
Gain on sales of marketable and investment securities.....	10,297	7,337	95,889	68,322
Provision for doubtful accounts.....	(822)	(683)	(7,654)	(6,364)
Exchange gains (losses), net.....	336	(840)	3,126	(7,820)
Gain on sales of property and equipment.....	633	90	5,899	834
Impairment loss on fixed assets.....	-	(4,974)	-	(46,314)
Loss on write-down of real estate for sale.....	(8,711)	(1,441)	(81,112)	(13,414)
Loss on write-down of investments in securities and other investments.....	(768)	(837)	(7,150)	(7,790)
Loss on write-down of investments in and loans from subsidiaries and affiliates.....	(1,011)	(109)	(9,411)	(1,011)
Other, net.....	(2,244)	831	(20,906)	7,726
Total.....	363	832	3,380	7,743
INCOME BEFORE INCOME TAXES	39,035	34,285	363,487	319,254
INCOME TAXES (Note 8):				
Current.....	17,832	7,960	166,050	74,123
Deferred.....	(1,203)	7,208	(11,201)	67,121
Total.....	16,629	15,168	154,849	141,244
NET INCOME	¥ 22,406	¥ 19,117	\$ 208,638	\$ 178,010
PER SHARE DATA (Note 14):				
Net income:				
Basic.....	¥ 30.16	¥ 26.52	\$ 0.28	\$ 0.25
Diluted.....	-	26.49	-	0.25
Cash dividends.....	8.00	8.00	0.07	0.07

The accompanying notes to the non-consolidated financial statements are an integral part of these statements.
U.S. Dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥107.39.

Non-Consolidated Statements of Shareholders' Equity

OBAYASHI CORPORATION

For the years ended March 31, 2005 and 2004

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
COMMON STOCK (Note 10):				
Balance at beginning of year.....	¥ 57,753	¥ 57,753	\$ 537,784	\$ 537,784
Balance at end of year.....	¥ 57,753	¥ 57,753	\$ 537,784	\$ 537,784
CAPITAL SURPLUS (Note 10):				
Balance at beginning of year.....	¥ 41,695	¥ 41,695	\$ 388,252	\$ 388,252
Balance at end of year.....	¥ 41,695	¥ 41,695	\$ 388,252	\$ 388,252
RETAINED EARNINGS (Note 10):				
Balance at beginning of year.....	¥ 101,544	¥ 87,678	\$ 945,560	\$ 816,443
Net income for the year.....	22,406	19,117	208,638	178,010
Cash dividends paid.....	(6,486)	(4,325)	(60,394)	(40,274)
Reversal of reserve for land revaluation.....	(909)	(926)	(8,458)	(8,619)
Balance at end of year.....	¥ 116,555	¥ 101,544	\$ 1,085,346	\$ 945,560
RESERVE FOR LAND REVALUATION:				
Balance at beginning of year.....	¥ 31,072	¥ 30,194	\$ 289,340	\$ 281,166
Reversal of reserve for land revaluation.....	909	926	8,458	8,619
Effect of change in the statutory tax rate.....	-	(48)	-	(445)
Balance at end of year.....	¥ 31,981	¥ 31,072	\$ 297,798	\$ 289,340
UNREALIZED HOLDING GAINS ON SECURITIES:				
Balance at beginning of year.....	¥ 103,817	¥ 37,063	\$ 966,726	\$ 345,121
Increase.....	1,530	66,754	14,246	621,605
Balance at end of year.....	¥ 105,347	¥ 103,817	\$ 980,972	\$ 966,726
TREASURY STOCK:				
Balance at beginning of year.....	¥ (260)	¥ (187)	\$ (2,415)	\$ (1,742)
Purchases of treasury stock.....	(185)	(73)	(1,718)	(673)
Balance at end of year.....	¥ (445)	¥ (260)	\$ (4,133)	\$ (2,415)

The accompanying notes to the non-consolidated financial statements are an integral part of these statements.
U.S. Dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥107.39.

Non-Consolidated Statements of Cash Flows

OBAYASHI CORPORATION

For the years ended March 31, 2005 and 2004

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
OPERATING ACTIVITIES:				
Income before income taxes.....	¥ 39,035	¥ 34,285	\$ 363,487	\$ 319,254
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization.....	7,663	7,371	71,358	68,636
Allowance for doubtful receivables.....	(3,247)	3,074	(30,235)	28,623
Reserve for retirement benefits.....	2,921	(2,227)	27,202	(20,733)
Net gain on sales and disposal of property and equipment and marketable and investment securities.....	(10,235)	(6,591)	(95,302)	(61,373)
Loss on write-down of investments in securities and other investments.....	768	837	7,150	7,790
Loss on write-down of real estate for sale.....	8,711	1,441	81,112	13,414
Impairment loss on fixed assets.....	-	4,974	-	46,314
Changes in assets and liabilities				
Trade receivables.....	(14,709)	62,128	(136,965)	578,531
Inventories.....	(9,250)	93,876	(86,130)	874,158
Other current assets.....	423	31,830	3,941	296,398
Trade payables.....	58,286	(72,809)	542,755	(677,987)
Advances received on uncompleted construction contracts, real estate and other.....	(11,196)	(82,534)	(104,257)	(768,548)
Accrued expenses.....	637	686	5,930	6,385
Other current liabilities.....	(4,275)	(23,179)	(39,810)	(215,838)
Other.....	2,034	(9,068)	18,932	(84,426)
Sub total.....	67,566	44,094	629,168	410,598
Interest and dividend received.....	5,299	4,742	49,342	44,157
Interest paid.....	(2,472)	(3,107)	(23,021)	(28,934)
Income taxes paid.....	(10,723)	(651)	(99,852)	(6,065)
Net cash provided by operating activities.....	59,670	45,078	555,637	419,756
INVESTING ACTIVITIES:				
Purchases of marketable and investment securities and investments in subsidiaries and affiliates.....	(4,438)	(5,392)	(41,327)	(50,209)
Proceeds from sales of marketable and investment securities and investments in subsidiaries and affiliates.....	15,914	21,125	148,192	196,719
Proceeds from sales of property and equipment.....	2,233	5,077	20,794	47,277
Purchases of property and equipment.....	(16,722)	(39,905)	(155,713)	(371,592)
Proceeds from collection of loans.....	6,970	3,549	64,906	33,049
Loans receivables made.....	(2,492)	(1,916)	(23,202)	(17,845)
Other.....	336	-	3,123	-
Net cash provided by (used in) investing activities.....	1,801	(17,462)	16,773	(162,601)
FINANCING ACTIVITIES:				
Short-term borrowings.....	(42,621)	(18,883)	(396,884)	(175,838)
Commercial paper.....	-	(10,000)	-	(93,119)
Proceeds from long-term debt.....	4,440	17,100	41,345	159,233
Repayment of long-term debt.....	(19,438)	(38,028)	(181,004)	(354,111)
Proceeds from issue of bonds.....	30,000	30,000	279,356	279,356
Redemption of bonds.....	(20,000)	(9,969)	(186,237)	(92,830)
Cash dividends.....	(6,486)	(4,325)	(60,394)	(40,274)
Other.....	(185)	(74)	(1,721)	(684)
Net cash used in financing activities.....	(54,290)	(34,179)	(505,539)	(318,267)
Effect of exchange rate changes on cash and cash equivalents.....	206	(325)	1,918	(3,026)
Net increase (decrease) in cash and cash equivalents.....	7,387	(6,888)	68,789	(64,138)
Cash and cash equivalents at beginning of the year.....	80,221	87,109	747,005	811,143
Cash and cash equivalents at end of the year.....	¥ 87,608	¥ 80,221	\$ 815,794	\$ 747,005

The accompanying notes to the non-consolidated financial statements are an integral part of these statements.
U.S. Dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥107.39.

Notes to Non-Consolidated Financial Statements

OBAYASHI CORPORATION

For the years ended March 31, 2005 and 2004

1. Basis of presenting non-consolidated financial statements

The accompanying non-consolidated financial statements of OBAYASHI CORPORATION (the "Company") 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 non-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 non-consolidated financial statements in a format which is familiar to readers outside Japan. In addition, certain amounts in the prior years' financial statements have been reclassified to conform to the current years' presentation. The Company has prepared the non-consolidated statements of shareholders' equity, cash flows and certain additional information for the purpose of inclusion in this report, although such statements and information are not customarily prepared in Japan.

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 2 years or more and contracted amounts of ¥5 billion or more which are recognized by the percentage-of-completion method.

(b) Foreign currency translation

All foreign currency denominated receivables and payables 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 or 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) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at cost determined based on the moving average method. The Company had 62 subsidiaries and 20 affiliates as of March 31, 2005.

(f) 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.

(g) Property and equipment

Property and equipment are 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 and structures: 3 - 50 years

Machinery, equipment and vehicles: 3 - 15 years

(h) 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 and unrecognized prior service cost.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method over 10 years which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized by the straight-line method over 10 years which are shorter than the average remaining years of service of the employees.

(i) Income taxes

The Company applies 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.

(j) Appropriations of retained earnings

Appropriations of retained earnings are accounted for and reflected in the accompanying non-consolidated financial statements when approved by the shareholders.

(k) Allowance for doubtful receivables

The allowance for doubtful receivables has been provided based on the Company's historical experience with respect to write-offs and based on an estimate of the amount of specific uncollectible accounts.

(l) 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.

(m) 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, net of applicable income taxes. 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, 2005, was ¥28,923 million (\$269,327 thousand).

(n) Derivative financial instruments

The Company has 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, 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 liability on an accrual basis.

(o) 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.

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 ¥107.39=\$1, the approximate exchange rate prevailing on March 31, 2005.

4. Investment in subsidiaries with fair value

Certain investments in subsidiaries are marketable equity securities, which have carrying value of ¥2,004 million (\$18,662 thousand) and fair value of ¥5,343 million (\$49,751 thousand) at March 31, 2005. The corresponding amounts at March 31, 2004 were ¥2,004 million (\$18,662 thousand) and ¥4,462 million (\$41,546 thousand), respectively.

5. Inventories

Inventories comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Construction projects in progress.....	¥ 382,219	¥ 368,804	\$ 3,559,165	\$ 3,434,247
Real estate for sale.....	54,582	56,948	508,257	530,289
Development projects in progress.....	9,351	14,140	87,086	131,665
Materials and supplies.....	1,094	1,201	10,184	11,194
Total.....	¥ 447,246	¥ 441,093	\$ 4,164,692	\$ 4,107,395

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 Company to banks and overdrafts with banks and bore interest at the average annual rate of 0.57 per cent. at March 31, 2005 (0.58 per cent. at March 31, 2004).

Long-term loans bore interest at the average annual rate of 1.28 per cent. at March 31, 2005 (1.30 per cent. at March 31, 2004).

(a) Short-term borrowings comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Short-term borrowings from banks	¥ 80,721	¥ 123,343	\$ 751,664	\$ 1,148,549
Total.....	¥ 80,721	¥ 123,343	\$ 751,664	\$ 1,148,549

(b) Long-term debt comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
1.60 per cent. bond due August, 2004.....	¥ -	¥ 20,000	\$ -	\$ 186,237
2.03 per cent. bond due August, 2006.....	10,000	10,000	93,119	93,119
0.9 per cent. bond due July, 2007.....	10,000	10,000	93,119	93,119
0.49 per cent bond due June, 2008.....	10,000	10,000	93,119	93,119
1.07 per cent bond due June, 2013.....	10,000	10,000	93,119	93,119
1.48 per cent bond due November, 2010.....	10,000	10,000	93,119	93,119
0.85 per cent bond due June, 2009.....	10,000	-	93,119	-
0.89 per cent bond due October, 2009.....	10,000	-	93,119	-
1.34 per cent bond due October, 2011.....	10,000	-	93,119	-
Loans from Japanese banks.....	19,337	24,525	180,061	228,372
Loans from Japanese insurance companies.....	16,680	26,190	155,321	243,876
Loans from other financial institutions.....	850	1,150	7,914	10,709
	116,867	121,865	1,088,248	1,134,789
Less: Current portion of long-term debt.....	(10,906)	(39,438)	(101,555)	(367,241)
Total.....	¥ 105,961	¥ 82,427	\$ 986,693	\$ 767,548

The aggregate annual maturities of long-term debt (including current portion) subsequent to March 31, 2005 were as follows:

Year ended March 31,	Japanese Yen (million)		U.S. Dollars (thousand)	
2005.....	¥	10,906	\$	101,555
2006.....		19,402		180,669
2007.....		18,616		173,349
2008.....		14,617		136,111
2009 and thereafter.....		53,326		496,564
Total.....		¥ 116,867		\$ 1,088,248

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 Company.

7. Pledged assets

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

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
ASSETS PLEDGED AS COLLATERAL:				
Land.....	¥ -	¥ 5,190	\$ -	\$ 48,327
Buildings and structures.....	-	1,066	-	9,928
Short-term loans receivable (Real estate convertible loan).....	293	293	2,728	2,728
Long-term loans receivable (Real estate convertible loan).....	24,254	24,547	225,850	228,577
Total.....	¥ 24,547	¥ 31,096	\$ 228,578	\$ 289,560
LIABILITIES SECURED THEREBY:				
Current portion of long-term debt.....	¥ 544	¥ 549	\$ 5,066	\$ 5,112
Long-term debt.....	4,054	4,598	37,750	42,816
Total.....	¥ 4,598	¥ 5,147	\$ 42,816	\$ 47,928

8. 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 40.5% in 2005 and 41.9% in 2004.

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 or after April 1, 2004, from 41.9% to 40.5%.

(a) Reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2005 and 2004 is summarized as follows:

	FY 2005	FY 2004
Statutory tax rate.....	40.5 %	41.9 %
Reconciliation:		
Permanent non-deductible items.....	3.9	4.2
Permanent non-taxable items.....	(1.9)	(1.4)
Tax credit.....	-	(2.3)
Other.....	0.1	1.8
Effective tax rate.....	42.6 %	44.2 %

(b) The major components of deferred tax assets and liabilities as of March 31, 2005 and 2004 are summarized as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Deferred tax assets:				
Impairment loss on fixed assets.....	¥ 30,325	¥ 32,785	\$ 282,379	\$ 305,293
Loss on revaluation of real estate for sale.....	18,960	18,127	176,548	168,800
Reserve for retirement benefits.....	23,394	20,386	217,842	189,831
Allowance for doubtful receivables.....	10,324	9,193	96,136	85,604
Reserve for losses on real estate business.....	4,403	4,193	41,000	39,045
Loss on revaluation of investments in and receivables from subsidiaries and affiliated companies.....	1,267	1,267	11,798	11,798
Other.....	19,310	20,218	179,815	188,271
Total deferred tax assets.....	¥ 107,982	¥ 106,170	\$ 1,005,518	\$ 988,642
Deferred tax liabilities:				
Unrealized holding gains on securities.....	¥ (71,707)	¥ (70,665)	\$ (667,720)	\$ (658,024)
Deferred gain with respect to property for tax purposes.....	(331)	(353)	(3,086)	(3,291)
Other.....	(367)	(354)	(3,420)	(3,296)
Total deferred tax liabilities.....	¥ (72,405)	¥ (71,372)	\$ (674,226)	\$ (664,611)
Net deferred tax assets.....	¥ 35,577	¥ 34,798	\$ 331,292	\$ 324,031

In addition to the above, the Company recognized a deferred tax liability of ¥21,768 million (\$202,703 thousand) and of ¥21,150 million (\$196,946 thousand) related to reserve for land revaluation at March 31, 2005 and 2004, respectively.

9. Supplementary cash flow information

The following table represents a reconciliation of cash and deposits to cash and cash equivalents as of March 31, 2005 and 2004:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Cash and deposits.....	¥87,873	¥80,821	\$ 818,258	\$ 752,592
Time deposits with a maturity of more than three months.....	(265)	(600)	(2,464)	(5,587)
Cash and cash equivalents.....	¥87,608	¥80,221	\$ 815,794	\$ 747,005

10. Shareholders' equity

Retained earnings include a legal reserve provided in accordance with the Japanese Commercial Code (the "JCC"). 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 legal reserve amounted to ¥14,438 million (\$134,445 thousand) at March 31, 2005. The JCC provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of shareholders or may be transferred to common stock by resolution of the Board of Directors. 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.

11. Transactions with subsidiaries and affiliates

Purchases from and sales to subsidiaries and affiliates for the years ended March 31, 2005 and 2004 were as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Purchases.....	¥ 144,830	¥ 77,334	\$ 1,348,638	\$ 720,121
Sales.....	17,808	10,036	165,830	93,457

12. Lease transactions

Lessee's accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2005 and 2004, which would have been reflected in the non-consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

FY2005	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles.....	¥ 2,426	¥ 1,876	¥ 550	\$ 22,591	\$ 17,463	\$ 5,128
Other.....	20	15	5	188	142	46
Total.....	¥ 2,446	¥ 1,891	¥ 555	\$ 22,779	\$ 17,605	\$ 5,174

FY2004	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles.....	¥ 4,736	¥ 3,279	¥ 1,457	\$ 44,102	\$ 30,537	\$ 13,565
Other.....	265	231	34	2,469	2,150	319
Total.....	¥ 5,001	¥ 3,510	¥ 1,491	\$ 46,571	\$ 32,687	\$ 13,884

Future minimum lease payments subsequent to March 31, 2005 on noncancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

Year ended March 31,	Japanese Yen (million)		U.S. Dollars (thousand)	
	Finance leases	Operating leases	Finance leases	Operating leases
2006.....	¥ 427	¥ 15	\$ 3,975	\$ 134
2007 and thereafter.....	128	26	1,199	243
Total.....	¥ 555	¥ 41	\$ 5,174	\$ 377

Lease payments relating to finance leases accounted for as operating leases in the accompanying non-consolidated financial statements amounted to 1,017 million (\$9,470 thousand) and ¥1,684 million (\$15,679 thousand) for the years ended March 31, 2005 and 2004, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms with no residual value for the years ended March 31, 2005 and 2004 were ¥1,017 million (\$9,470 thousand) and ¥1,684 million (\$15,679 thousand), respectively. The figures shown above include the portion of interest.

13. Contingent liabilities

The Company is contingently liable for the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Guarantees of long-term debt of customers and employees.....	¥ 5,224	¥ 776	\$ 48,648	\$ 7,229
Commitments of guarantees for short-term and long-term debt of customers, subsidiaries and affiliates.....	96,333	95,640	897,036	890,589

14. 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 March 31, 2005 and 2004 are as follows:

	Japanese Yen		U.S. Dollars	
	FY 2005	FY 2004	FY 2005	FY 2004
Net income per share of common stock				
Basic.....	¥ 31.09	¥ 26.52	\$ 0.29	\$ 0.25
Diluted.....	-	26.49	-	0.25
Net assets per share of common stock.....	489.86	465.69	4.56	4.34

The following table sets forth the computation of net income per share of common stock for the years ended March 31, 2005 and 2004:

	Year ended March 31, 2005		Year ended March 31, 2004	
	(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.....	¥ 22,406	\$ 208,638	¥ 19,117	\$ 178,010
Less: appropriation of bonuses to directors and statutory auditors.....	-	-	-	-
	¥ 22,406	\$ 208,638	¥ 19,117	\$ 178,010
Weighted average shares of common stock outstanding (denominator).....	720,565		720,788	

15. Subsequent event

On June 29, 2005, the following appropriations of retained earnings were approved at the shareholders' meeting of the Company.

	Japanese Yen (million)	U.S. Dollars (thousand)
Cash dividends	¥ 2,882	\$ 26,832



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