

OBAYASHI CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS 2003



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Independent Auditors' Report

The Board of Directors
OBAYASHI CORPORATION

We have audited the accompanying non-consolidated balance sheets of OBAYASHI CORPORATION as of March 31, 2003 and 2002, and the related non-consolidated statements of operations and shareholders' equity for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices 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, 2003 and 2002, and the results of its operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2003 and 2002 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 non-consolidated financial statements.

Shin Nihon & Co.

June 30, 2003

A handwritten signature in cursive script that reads "Shin Nihon & Co." The signature is written in dark ink and is positioned to the right of the printed name.

See Note 1 to the non-consolidated financial statements which explains the basis of preparation of the non-consolidated financial statements of OBAYASHI CORPORATION under Japanese accounting principles and practices.

Non-Consolidated Balance Sheets

OBUYASHI CORPORATION March 31, 2003 and 2002

ASSETS

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2003	FY 2002	FY 2003	FY 2002
CURRENT ASSETS:				
Cash and deposits (Note 2).....	¥ 87,709	¥ 73,755	\$ 729,690	\$ 613,600
Trade receivables:				
Notes.....	28,854	52,567	240,046	437,333
Accounts.....	254,672	259,278	2,118,738	2,157,056
Marketable securities (Note 2).....	370	1	3,078	12
Inventories (Notes 2 and 5).....	535,913	598,141	4,458,513	4,976,211
Other current assets (Notes 2,7 and 8).....	183,038	130,307	1,522,781	1,084,085
Allowance for doubtful receivables (Note 2).....	(1,163)	(1,350)	(9,676)	(11,231)
Total current assets.....	1,089,393	1,112,699	9,063,170	9,257,066
PROPERTY AND EQUIPMENT (Notes 2 and 7):				
Land.....	195,691	201,848	1,628,042	1,679,267
Buildings.....	108,649	111,119	903,901	924,454
Machinery and equipment.....	53,812	56,358	447,688	468,872
Construction in progress.....	675	2,541	5,619	21,141
Accumulated depreciation.....	(103,614)	(102,873)	(862,015)	(855,855)
Net property and equipment.....	255,213	268,993	2,123,235	2,237,879
INVESTMENTS AND OTHER ASSETS:				
Investment securities (Note 2).....	225,610	285,457	1,876,954	2,374,849
Investments in subsidiaries and affiliates (Notes 2 and 4).....	8,041	7,879	66,894	65,549
Long-term loans receivable (Note 7).....	31,718	34,934	263,873	290,634
Long-term loans receivable from subsidiaries and affiliates.....	17,988	11,117	149,653	92,491
Other (Notes 2 and 8).....	89,153	87,938	741,709	731,590
Allowance for doubtful receivables (Note 2).....	(14,633)	(35,367)	(121,737)	(294,238)
Total investments and other assets.....	357,877	391,958	2,977,346	3,260,875
TOTAL ASSETS	¥ 1,702,483	¥ 1,773,650	\$ 14,163,751	\$ 14,755,820

LIABILITIES AND SHAREHOLDERS' EQUITY

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2003	FY 2002	FY 2003	FY 2002
CURRENT LIABILITIES:				
Short-term borrowings (Note 6).....	¥ 142,315	¥ 139,590	\$ 1,183,987	\$ 1,161,318
Current portion of long-term debt (Notes 6 and 7).....	47,997	32,131	399,309	267,311
Commercial paper (Note 6).....	10,000	-	83,195	-
Trade payables:				
Notes.....	123,631	157,202	1,028,547	1,307,837
Accounts.....	338,773	306,078	2,818,408	2,546,402
Accrued income taxes.....	172	2,437	1,428	20,277
Advances received.....	420,527	461,915	3,498,562	3,842,888
Accrued expenses.....	12,371	35,081	102,921	291,851
Employees' savings deposits.....	30,299	31,518	252,074	262,216
Other current liabilities.....	127,607	111,274	1,061,620	925,743
Total current liabilities.....	1,253,692	1,277,226	10,430,051	10,625,843
LONG-TERM LIABILITIES:				
Long-term debt (Notes 6 and 7).....	74,765	97,512	622,005	811,248
Reserve for retirement benefits (Note 2).....	61,582	63,652	512,330	529,548
Reserve for losses on real estate business (Note 2).....	25,963	32,721	215,998	272,224
Other long-term liabilities (Notes 2 and 8).....	32,285	18,426	268,592	153,291
Total long-term liabilities.....	194,595	212,311	1,618,925	1,766,311
COMMITMENTS AND CONTINGENT LIABILITIES (Note 11)				
SHAREHOLDERS' EQUITY:				
Common stock : (Note 9)				
Authorized; 1,224,335,000 shares				
Issued; 721,509,646 shares (2003) and				
721,509,646 shares (2002).....	57,753	57,753	480,471	480,471
Additional paid-in capital (Note 9).....	41,695	41,695	346,875	346,875
Legal reserve (Notes 2 and 9).....	-	14,438	-	120,117
Retained earnings (Notes 2 and 9).....	87,678	95,876	729,432	797,639
Reserve for land revaluation (Note 2).....	30,194	8,937	251,201	74,355
Unrealized holding gains on securities (Note 2).....	37,063	65,445	308,341	544,467
Treasury stock at cost:				
651,068 shares in 2003 and				
72,412 shares in 2002.....	(187)	(31)	(1,545)	(258)
Total shareholders' equity.....	254,196	284,113	2,114,775	2,363,666
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	¥ 1,702,483	¥ 1,773,650	\$ 14,163,751	\$ 14,755,820

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=¥120.20.

Non-Consolidated Statements of Operations

OBAYASHI CORPORATION For the years ended March 31, 2003 and 2002

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2003	FY 2002	FY 2003	FY 2002
REVENUES (Notes 2 and 10):				
Construction.....	¥ 1,171,118	¥ 1,255,205	\$ 9,743,076	\$ 10,442,640
Real estate and other.....	31,056	31,339	258,371	260,721
	1,202,174	1,286,544	10,001,447	10,703,361
COST OF SALES (Notes 2 and 10):				
Construction.....	1,081,216	1,170,532	8,995,144	9,738,201
Real estate and other.....	26,113	28,090	217,245	233,694
	1,107,329	1,198,622	9,212,389	9,971,895
Gross profit.....	94,845	87,922	789,058	731,466
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	68,210	73,995	567,472	615,601
Operating income.....	26,635	13,927	221,586	115,865
OTHER INCOME(EXPENSES):				
Interest and dividend income.....	4,416	5,223	36,737	43,449
Interest expenses.....	(3,526)	(3,923)	(29,331)	(32,640)
Loss on revaluation of real estate business and other (Note 2).....	-	(138,591)	-	(1,153,003)
Other, net.....	(15,464)	3,097	(128,647)	25,769
Total.....	(14,574)	(134,194)	(121,241)	(1,116,425)
INCOME (LOSS) BEFORE INCOME TAXES	12,061	(120,267)	100,345	(1,000,560)
INCOME TAXES (Notes 2 and 8):				
Current.....	510	6,653	4,243	55,349
Deferred.....	8,636	(55,619)	71,853	(462,725)
Total.....	9,146	(48,966)	76,096	(407,376)
NET INCOME (LOSS)	¥ 2,915	¥ (71,301)	\$ 24,249	\$ (593,184)
PER SHARE DATA (Note 9):				
Net income (loss) :				
Assuming no dilution.....	¥ 4.04	¥ (98.47)	\$ 0.03	\$ (0.82)
Assuming full dilution.....	4.04	(98.47)	0.03	(0.82)
Cash dividends.....	6.00	8.00	0.05	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=¥120.20.

Non-Consolidated Statements of Shareholders' Equity

OBAYASHI CORPORATION For the years ended March 31, 2003 and 2002

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2003	FY 2002	FY 2003	FY 2002
COMMON STOCK (Note 9):				
Balance at beginning of year.....	¥ 57,753	¥ 57,752	\$ 480,471	\$ 480,467
Conversion of convertible bonds.....	-	1	-	4
Balance at end of year.....	¥ 57,753	¥ 57,753	\$ 480,471	\$ 480,471
ADDITIONAL PAID-IN CAPITAL (Note 9):				
Balance at beginning of year.....	¥ 41,695	¥ 41,694	\$ 346,875	\$ 346,871
Conversion of convertible bonds.....	-	1	-	4
Balance at end of year.....	¥ 41,695	¥ 41,695	\$ 346,875	\$ 346,875
LEGAL RESERVE (Note 9):				
Balance at beginning of year.....	¥ 14,438	¥ 14,438	\$ 120,117	\$ 120,117
Transfer to retained earnings.....	(14,438)	-	(120,117)	-
Balance at end of year.....	¥ -	¥ 14,438	\$ -	\$ 120,117
RETAINED EARNINGS (Notes 2 and 9):				
Balance at beginning of year.....	¥ 95,876	¥ 180,268	\$ 797,639	\$ 1,499,734
Transfer from legal reserve.....	14,438	-	120,117	-
Net income (loss) for the year.....	2,915	(71,301)	24,249	(593,184)
Cash dividends paid.....	(5,049)	(5,797)	(42,011)	(48,230)
Bonuses to directors.....	-	(160)	-	(1,332)
Reversal of reserve for land revaluation.....	(20,502)	(4,144)	(170,562)	(34,475)
Retirement of treasury stock.....	-	(2,990)	-	(24,874)
Balance at end of year.....	¥ 87,678	¥ 95,876	\$ 729,432	\$ 797,639
RESERVE FOR LAND REVALUATION (Note 2):				
Balance at beginning of year.....	¥ 8,937	¥ 4,793	\$ 74,354	\$ 39,879
Reversal of reserve for land revaluation.....	20,502	4,144	170,562	34,475
Effect of change in the statutory tax rate.....	755	-	6,285	-
Balance at end of year.....	¥ 30,194	¥ 8,937	\$ 251,201	\$ 74,354
UNREALIZED HOLDING GAINS ON SECURITIES (Note 2):				
Balance at beginning of year.....	¥ 65,445	¥ 97,534	\$ 544,467	\$ 811,427
Decrease.....	(28,382)	(32,089)	(236,126)	(266,960)
Balance at end of year.....	¥ 37,063	¥ 65,445	\$ 308,341	\$ 544,467
TREASURY STOCK (Note 2):				
Balance at beginning of year.....	¥ (31)	¥ -	\$ (258)	\$ -
Transfer from other current assets.....	-	(2)	-	(18)
Purchase of treasury stock.....	(156)	(3,060)	(1,287)	(25,454)
Retirement.....	-	2,990	-	24,874
Sales of treasury stock.....	-	41	-	340
Balance at end of year.....	¥ (187)	¥ (31)	\$ (1,545)	\$ (258)

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=¥120.20.

Notes to Non-Consolidated Financial Statements

OBAYASHI CORPORATION For the years ended March 31, 2003 and 2002

1. Basis of presenting non-consolidated financial statements

OBAYASHI CORPORATION (the "Company") maintains its accounting records and prepares its non-consolidated financial statements in accordance with accounting principles and practices generally accepted in Japan. The accompanying non-consolidated financial statements have been compiled from the financial statements filed with the Financial Services Agency as required by the Securities and Exchange Law of Japan and include certain additional financial information for the convenience of readers outside Japan. Accordingly, the accompanying non-consolidated financial statements may differ in some material respects in presenting the financial position, results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. For the purposes of this document, certain reclassifications have been made to present the accompanying non-consolidated financial statements in a format which is familiar to readers outside Japan. The Company has prepared the non-consolidated statements of shareholders' equity for the purpose of inclusion in this report, although such statements 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 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

All foreign currency denominated receivables and payables are translated at the rate of exchange in effect at the balance sheet date.

(c) 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.

(d) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at cost determined based on the moving average method. The Company had 60 subsidiaries and 17 affiliates as of March 31, 2003.

(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 or loss. Actuarial gain or loss is attributed to each period by the straight-line method over 10 years.

(h) 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.

(i) 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.

(j) 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.

(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, 2003, was ¥14,609 million (\$121,544 thousand).

(m) 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. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. 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 liability 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 liquidating the real estate for sale and restructuring the real estate-related business.

(o) Accounting Standard for Treasury Stocks and Reclassification of Legal Reserves

Effective April 1, 2002, the Company applied "Accounting Standard for Treasury Stocks and Reclassification of Legal Reserves." The adoption of the new standard, however, did not have an effect on the operations of the Company's for the period from April 1, 2002 to March 31, 2003. In addition, the Company initially applied the revised Regulations Concerning Terminology, Forms and Preparation Methods of the Financial Statements and changed the format of the equity section on the balance sheet.

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 ¥120.2=\$1, the approximate exchange rate prevailing on March 31, 2003.

4. Investment in subsidiaries with market value

Certain investments in subsidiaries are marketable equity securities, which have carrying value of ¥2,004 million (\$16,674 thousand) and quoted market value of ¥3,299 million (\$27,449 thousand) at March 31, 2003. The corresponding amounts at March 31, 2002 were ¥2,004 million (\$16,674 thousand) and ¥3,581 million (\$29,789 thousand).

5. Inventories

Inventories comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Construction projects in progress.....	¥ 455,481	¥ 510,679	\$ 3,789,362	\$ 4,248,573
Real estate for sale.....	62,653	66,134	521,239	550,203
Development projects in progress.....	16,454	19,104	136,888	158,936
Materials and supplies.....	1,325	2,224	11,024	18,499
	¥ 535,913	¥ 598,141	\$ 4,458,513	\$ 4,976,211

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 0.6 per cent. at March 31, 2003 (0.66 per cent. at March 31, 2002).

Long-term loans bore interest at the average annual rate of 1.61 per cent. at March 31, 2003. (1.9 per cent. at March 31, 2002).

(a) Short-term borrowings comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Short-term loans from banks.....	¥ 141,858	¥ 138,490	\$ 1,180,187	\$ 1,152,166
Short-term loans from insurance companies.....	-	1,100	-	9,152
Short-term loans from affiliated company.....	457	-	3,800	-
	¥ 142,315	¥ 139,590	\$ 1,183,987	\$ 1,161,318

(b) Long-term debt comprised the following:

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
2.9 per cent. bond due September, 2002.....	¥ -	¥ 10,000	\$ -	\$ 83,195
1.6 per cent. bond due August, 2004.....	20,000	20,000	166,389	166,389
2.03 per cent. bond due August, 2006.....	10,000	10,000	83,195	83,195
0.9 per cent. bond due July, 2007.....	10,000	-	83,195	-
1.6 per cent. convertible bond due March, 2004.....	9,969	9,969	82,937	82,937
Loans from Japanese banks.....	38,286	44,114	318,519	367,005
Loans from Japanese insurance companies.....	33,081	33,970	275,216	282,611
Loans from other financial institutions.....	1,426	1,590	11,863	13,227
	¥ 122,762	¥ 129,643	\$ 1,021,314	\$ 1,078,559
Less: Current portion of long-term debt.....	(47,997)	(32,131)	(399,309)	(267,311)
	¥ 74,765	¥ 97,512	\$ 622,005	\$ 811,248

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, is 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 (\$15.522) per share, subject to adjustment in certain circumstances.

The aggregate annual maturities of long-term debt (including current portion) subsequent to March 31, 2003 were as follows:

Year ended March 31,	Japanese Yen (million)	U.S. Dollars (thousand)
2004.....	¥ 47,997	\$ 399,309
2005.....	37,192	309,418
2006.....	6,459	53,735
2007.....	14,462	120,316
2008 and thereafter.....	16,652	138,536
	¥ 122,762	\$ 1,021,314

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 has 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.

(c) Commercial paper

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Commercial paper (which matures within one year).....	¥ 10,000	¥ -	\$ 83,195	\$ -

7. Pledged assets

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

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
ASSETS PLEDGED AS COLLATERAL:				
Land*.....	¥ 10,350	¥ 10,350	\$ 86,107	\$ 86,107
Buildings.....	1,127	1,193	9,379	9,928
Short-term loans receivable (Real estate convertible loan).....	293	293	2,438	2,438
Long-term loans receivable (Real estate convertible loan).....	¥ 24,840	¥ 25,133	\$ 206,654	\$ 209,092
	36,610	36,969	304,578	307,565
LIABILITIES SECURED THEREBY:				
Current portion of long-term debt.....	¥ 549	¥ 549	\$ 4,567	\$ 4,567
Long-term debt.....	¥ 5,147	¥ 5,696	\$ 42,820	\$ 47,388
Long-term debt of Obayashi Real Estate, Ltd. (the Company's subsidiary)*.....	¥ 8,692	¥ 9,467	\$ 72,312	\$ 78,764

*The Company pledged its land in the amount of ¥5,160 million (\$42,931 thousand) to secure the long-term debt of Obayashi Real Estate, Ltd.

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 41.9% at 2003 and 2002.

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%. As a result, deferred tax assets, net of deferred tax liabilities decreased by ¥2,599 million (\$21,624 thousand), and deferred income tax provision for the year and unrealized holding gains on securities increased by ¥3,532 million (\$29,385 thousand) and ¥933 million (\$7,760 thousand), respectively. In addition, land revaluation reserve increased by ¥756 million (\$6,286 thousand) and a net deferred tax liability related thereto decreased by the same amount.

Reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2002 is not presented, as permitted, since the Company incurred a loss before income taxes for the years then ended. Reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2003 is summarized as follows:

Statutory tax rate.....	41.9 %
Reconciliation:	
Permanent non-deductible items.....	13.6
Permanent non-recognized income.....	(11.0)
Change in statutory tax rate.....	29.3
Other.....	2.0
Effective tax rate.....	75.8 %

The major components of deferred tax assets and liabilities as of March 31, 2003 and 2002 are summarized as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Deferred tax assets:				
Loss on revaluation of non-current asset.....	¥ 38,631	¥ 39,316	\$ 321,394	\$ 327,089
Loss on revaluation of real estate for sale.....	17,361	21,357	144,437	177,676
Reserve for retirement benefits.....	18,643	17,242	155,100	143,444
Allowance for doubtful receivables.....	10,046	9,178	83,577	76,356
Tax loss carryforwards.....	8,535	–	71,007	–
Loss on revaluation of investments in and receivables from subsidiaries and affiliated companies.....	3,640	3,660	30,283	30,449
Other.....	15,959	15,812	132,764	131,552
Total deferred tax assets.....	¥ 112,815	¥ 106,565	\$ 938,562	\$ 886,566
Deferred tax liabilities:				
Unrealized holding gains on securities.....	¥ (25,123)	¥ (47,197)	\$(209,010)	\$(392,654)
Deferred gain with respect to property for tax purposes.....	(360)	(153)	(2,991)	(1,273)
Other.....	(411)	(517)	(3,419)	(4,301)
Total deferred tax liabilities.....	¥ (25,894)	¥ (47,867)	\$(215,420)	\$(398,228)
Net deferred tax assets.....	¥ 86,921	¥ 58,698	\$ 723,142	\$ 488,338

In addition to the above, the Company recognized a deferred tax liability of ¥20,475 million (\$170,340 thousand) and of ¥6,445 million (\$53,622 thousand) related to reserve for land revaluation at March 31, 2003 and 2002, respectively.

9. 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' 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.

10. Transactions with subsidiaries

Purchases from and sales to subsidiaries for the years ended March 31, 2003 and 2002 were as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2003	FY 2002	FY 2003	FY 2002
Purchases.....	¥ 38,691	¥ 41,320	\$ 321,887	\$ 343,764
Sales.....	21,174	4,517	176,154	37,580

11. Commitments and contingent liabilities

(a) Commitments

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2003 and 2002 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 non cancellable operating lease, are summarized as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Finance lease with no ownership transaction:				
Due within one year.....	¥ 770	¥ 1,016	\$ 6,404	\$ 8,458
Due after one year.....	533	1,069	4,437	8,890
Total future payments.....	¥ 1,303	¥ 2,085	\$ 10,841	\$ 17,348
Operating lease:				
Due within one year.....	¥ 27	¥ 34	\$ 224	\$ 282
Due after one year.....	30	48	246	403
Total future payments.....	¥ 57	¥ 82	\$ 470	\$ 685

(b) Contingent liabilities

The Company is contingently liable for the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Guarantees of long-term debt of customers, subsidiaries and affiliates.....	¥ 1,019	¥ 3,371	\$ 8,476	\$ 28,042
Commitments of guarantees for short-term and long-term debt of customers, subsidiaries and affiliates.....	116,801	163,277	971,724	1,358,375

12. Amounts Per Share

Effective the year ended March 31, 2003, the Company adopted a new accounting standard for earning per share, under which the amount not available for common stockholders is excluded from the computation of earning per share.

Net income (loss) per share has been computed based on the weighted average number of shares of common stock outstanding during the year. Net assets per share have been computed based on the number of shares of common stock outstanding at the balance sheet date. Net income (loss) and net assets per share for the years ended and at March 31, 2003 and 2002 are as follows:

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Net income (loss) per share of common stock.....	¥ 4.04	¥ (98.47)	\$ 0.03	\$ (0.82)
Net assets per share of common stock.....	352.63	393.81	2.93	3.28

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

	(Millions of yen, except share)	(Thousands of U.S.dollar, except share)
Net income available to shareholders of common stock (numerator)		
Net income.....	¥ 2,915	\$ 24,249
Less: appropriation of bonuses to directors and statutory auditors.....	-	-
	2,915	24,249
Weighted average shares of common stock outstanding (denominator).....	¥ 721,205	\$ 721,205

Diluted net income (loss) per share has not been presented for the years ended March 31, 2003 and 2002 since the 1.6 per cent. ¥9,969 million convertible bond due March 2004 was antidilutive.

Had the Company computed net loss and net assets per share of common stock by the new method for the year ended and at March 31, 2002, they would be as follows:

	Japanese Yen	U.S. Dollars
Net loss per share of common stock.....	¥ 98.47	\$ 0.82
Net assets per share of common stock.....	393.81	3.28

13. Subsequent event

(a) On June 27, 2003, the following appropriations of retained earnings were approved at the shareholders' meeting of the company.

	Japanese Yen (million)	U.S. Dollars (thousand)
Cash dividends	¥2,163	\$ 17,991

(b) The Company issued 0.49% bond due June 3, 2008 of ¥10,000 million (\$83,195 thousand) and 1.07% bond due June 3, 2013 of ¥10,000 million (\$83,195 thousand) on June 3, 2003.



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