f. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation is computed using the declining-balance method, except for buildings owned by the Company and leased property owned by a certain leasing subsidiary which are computed using the straight-line method, based on the estimated useful lives of the assets. The range of useful lives is from 11 to 57 years (38 to 64 years in 2002) for buildings and structures, from 4 to 13 years for machinery and equipment and from 2 to 15 years for tools, furniture and fixtures.

g. Other Assets — Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method over their estimated useful lives. Software for internal use is amortized on a straight-line basis over its estimated useful life (5 years at the maximum).

h. Allowance for Contingent Loss — The allowance for contingent loss is provided at the amount deemed necessary to cover possible losses on construction contracts based on the estimation of each contingency.

i. Retirement Benefits — Employees of the Company and its certain consolidated subsidiaries are under most circumstances, entitled to certain lump-sum severance payments and pension payments.

Effective April 1, 2000, the Company and domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation of ¥12,123 million ($101,025 thousand), determined as of April 1, 2000, is being amortized and charged to income over 15 years and presented as operating expense in the statements of income.

Retirement benefits to directors, officers and corporate auditors are provided at the amount which would be required if all directors, officers and corporate auditors terminated at the end of each period.

j. Research and Development Costs — Research and development costs are charged to income when incurred.

k. Leases — All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

l. Income Taxes — The Company and wholly owned domestic subsidiaries adopted consolidation tax payment on March 31, 2003. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. Foreign Currency Transactions — Both short-term and long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the balance sheet date.

However, short-term and long-term receivables and payables covered by forward exchange contracts are translated at the contract rates.

Any differences between the foreign exchange contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts.

n. Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation were shown as a separate component of shareholders' equity as "Foreign currency translation adjustments."

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of balance sheet date.

o. Derivative Financial Instruments — The Company uses a variety of derivative financial instruments, including foreign currency forward contracts and currency options as a means of hedging exposure to foreign currency risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign exchange risks. Certain assets and liabilities on construction con-