

Semiannual Report

For the six months ended September 30, 2000

Message from the President

With its management principle to win trust from customers and to advance through high level of technology, and with trustworthy project performance, TOA CORPORATION and its group companies continue to expand its operations along with improvement in profits.

Japan's economy for the six-month period ended September 30, 2000 has shown softened performance with the sign of spontaneous recovery. During the period under review, together with gradual improvement in profitability of corporations, investment in plants and equipment recovered in the independent part of industries, while personal consumption suffered from top-heavy income growth and severe employment conditions.

In the construction industry, conditions for both new orders received and earnings continued to be severe in competition due to slow down of housing starts and decreased public investment instead of bright private investment centering on the manufacturers.

Operation Results

Under the circumstance, TOA CORPORATION and 12 consolidated subsidiaries with their management strategy put their effort into expanding net sales, reducing operational cost and administrative expenses and maintaining operational results. As a result, consolidated net sales for the period under review was ¥86,474 million (US\$ 800,683 thousand).

Due to changes of accounting standards which caused to abolish adjustment item for interim profits and to transfer interim financial burden of depreciation which was introduced by accrued severe indemnities, net loss for the period under review was ¥4,953 million (US\$ 45,863 thousand).

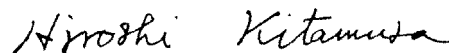
Prospectus

It is forecast that Japan's economy will continue to be unstable due to inactive personal consumption, raised price of petroleum and cloudy economy of the United States of America even if the Government's additional countermeasures to stimulate the economy are desired to make private demand recover earlier.

In the construction industry, both new orders and earnings are forecast to be continuously severe because public projects by complement budget are not expected to increase sharply and private demands are weak in the industries except the Information Technology (IT) related industry with favorable growth.

To overcome competitive environment of management, TOA CORPORATION has established the "2010 Vision" in March 2000 as TOA Group's leading management plan which is aiming to establish strong structure and stable foundation of our companies.

In these severe management environment, our Group, will continue to put every effort in maintaining stable operational results by strongly promoting the three-year plan which launched this fiscal year.



Hiroshi Kitamura
President

Consolidated Balance SheetsTOA CORPORATION and its consolidated subsidiaries
As of September 30, 2000**ASSETS**

| | Millions of Japanese Yen 2000 | Thousands of U.S. Dollars 2000 |
|---|-------------------------------------|--------------------------------------|
| Current assets: | | |
| Cash and time deposits | ¥ 43,692 | \$ 404,555 |
| Marketable securities | 264 | 2,449 |
| Notes and accounts receivable, trade | 45,672 | 422,887 |
| Inventories, principally real estate for sale | 14,473 | 134,006 |
| Cost on contracts in progress | 114,149 | 1,056,931 |
| Prepaid expenses and other current assets.. | 26,308 | 243,589 |
| Deferred income taxes | 3,819 | 35,364 |
| Allowance for doubtful accounts | (1,830) | (16,940) |
| Total current assets | <u>246,547</u> | <u>2,282,841</u> |
| Investments and other assets: | | |
| Investments in and long-term loans to affiliates | 77 | 716 |
| Investments in securities | 15,453 | 143,078 |
| Long-term loans | 610 | 5,651 |
| Deferred income taxes | 6,076 | 56,259 |
| Others | 6,426 | 59,501 |
| Total investments and other assets | <u>28,642</u> | <u>265,205</u> |
| Property, plant and equipment, at cost: | | |
| Land | 31,415 | 290,879 |
| Buildings and structures | 21,899 | 202,765 |
| Machinery and equipment | 30,438 | 281,835 |
| Construction in progress | 282 | 2,616 |
| Total property, plant and equipment | 84,034 | 778,095 |
| Less accumulated depreciation | (33,338) | (308,683) |
| Property, plant and equipment—net ... | <u>50,696</u> | <u>469,412</u> |
| Total | <u>¥325,885</u> | <u>\$3,017,458</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | Millions of Japanese Yen 2000 | Thousands of U.S. Dollars 2000 |
|---|-------------------------------------|--------------------------------------|
| Current liabilities: | | |
| Short-term borrowings | ¥ 47,675 | \$ 441,439 |
| Current portion of long-term debt | 4,823 | 44,657 |
| Notes and accounts payable, trade | 87,128 | 806,739 |
| Accrued income taxes | 1,094 | 10,132 |
| Advances on contracts in progress | 73,223 | 677,988 |
| Other current liabilities | 19,069 | 176,566 |
| Total current liabilities | <u>233,012</u> | <u>2,157,521</u> |
| Long-term debt | 32,310 | 299,165 |
| Accrued severance indemnities | 10,769 | 99,712 |
| Other long-term liabilities | 3,110 | 28,801 |
| Total liabilities | <u>279,201</u> | <u>2,585,199</u> |
| Minority interests | 1,360 | 12,596 |
| Shareholders' equity: | | |
| Common stock, ¥50 par value: Authorized—600,000,000 shares Issued—199,401,173 shares at September 30, 2000 | 16,469 | 152,495 |
| Additional paid-in capital | 15,582 | 144,279 |
| Retained earnings | 14,164 | 131,142 |
| Treasury stock | (542) | (5,024) |
| Revaluation of securities | (349) | (3,229) |
| Total shareholders' equity | <u>45,324</u> | <u>419,663</u> |
| Commitments and contingent liabilities: | | |
| Total | <u>¥325,885</u> | <u>\$ 3,017,458</u> |

Consolidated Statements of Operations and Retained Earnings

TOA CORPORATION and its consolidated subsidiaries
For the six months ended September 30, 2000

| | Millions of Thousands of | |
|--|--------------------------|--------------|
| | Japanese Yen | U.S. Dollars |
| | 2000 | 2000 |
| Net sales | ¥ 86,474 | \$ 800,683 |
| Cost of sales | 78,263 | 724,653 |
| Gross profit | 8,211 | 76,030 |
| Selling, general and administrative expenses | 8,091 | 74,915 |
| Operating income | 120 | 1,115 |
| Other income (expenses): | | |
| Interest expenses | (802) | (7,431) |
| Write-off of marketable securities and investment securities | (430) | (3,985) |
| Other, net | (6,196) | (57,369) |
| | (7,428) | (68,785) |
| Income (loss) before income taxes and other items | (7,308) | (67,670) |
| Income taxes: | | |
| Current | 239 | 2,216 |
| Deferred | (2,611) | (24,176) |
| Minority interests | 17 | 153 |
| Net income (loss) | (¥ 4,953) | (\$ 45,863) |
| Retained earnings: | | |
| Balance at beginning of year | ¥ 20,183 | \$ 186,877 |
| Cash dividends | (997) | (9,231) |
| Bonuses to directors and statutory auditors | (69) | (641) |
| Net income (loss) | (4,953) | (45,863) |
| Balance at end of year | ¥ 14,164 | \$ 131,142 |
| Per share data: | Japanese Yen | U.S. Dollars |
| Net income (loss) | (¥ 25.18) | (\$ 0.23) |
| Shareholders' equity | ¥ 230.43 | \$ 2.14 |

- Notes: 1. U.S. dollar amounts are given solely for convenience and are translated at the rate of ¥108.00 = US\$1, the approximate effective rate of exchange at September 30, 2000.
2. At September 30, 2000, the Company pledged assets as collateral amounting to ¥9,701 million (US\$89,823 thousand).
3. At September 30, 2000, the Company was contingently liable for guarantees of debt of certain companies, including subsidiaries and affiliates amounting to ¥6,125 million (US\$56,713 thousand).

Corporate Data

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Securities Traded

Common Stocks

Tokyo Stock Exchange, 1st section
Sapporo Stock Exchange

Share Transfer

Transfer Agent

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