

Semiannual Report

For the six months ended September 30, 2001



Message from the President

Japan's economy for the six-month period ended September 30, 2001 showed no sign of recovery from long-term depression in spite of the Government's indication of structural reformation in finance and measures to stabilize monetary markets. Economy turned down to a phase of deflation in the midst of serious conditions such as continued sluggish personal consumption, the worst level of unemployment and decelerating world economy which have created severe conditions for corporation earnings.

The construction industry experienced extremely serious situations in the competition of new orders received and project profitability, due to the fact that public works continued to be inactive by delay of new orders reflected by financial stringency in the local governments even in the same amount of budget compared to the previous year. In addition, moderate private capital investment was caused by anxiety of economic recovery and investment in housing construction was decreased by slow-down in its demand.

Under these conditions, TOA CORPORATION and its consolidated subsidiaries put every effort into maintaining sales by integrating their management strength and securing profits by reducing construction costs and administrative expenses. As a result, new orders received on a non-consolidated basis during the period under review totaled ¥90,928 million (US\$764 million), a 23.4% decline from the same period of the previous fiscal year. Consolidated net sales totaled ¥99,856 million (US\$ 839 million) for the period under review, an increase of 15.5% over the same period of the previous fiscal year.

In earnings, net sales for the first half period of the fiscal year amount generally one third of total net sales of the fiscal year, which is a season-flexible factor in the construction industry. Therefore, loss before income taxes and minority interest amounted ¥1,860 million (US\$16

million), due to the fact that devaluation of marketable securities and investment securities for the period under review totaling ¥781 million (US\$ 7 million) was included. As a result, consolidated net loss totaled ¥1,563 million (US\$ 13 million).

Japan's economy is concerned to accelerate recession more than ever in expectation that world economy will become more cloudy due to simultaneous multi-terrorism which happened on September 11, 2001 in the United States of America, domestic corporations centering on manufacture industries with turn down in business performance and financial institutes in Japan sharply decreasing their profits.

In these periods, the Government is especially expected to carry out its drastic operations. In the construction industry, a revised budget related to public works is currently difficult to expect expansion in the Governmental policy of financial restructuring, while private capital investment continues to be inactive. Therefore, we predict that competition for receiving new orders and effort to securing profits will intensify further for the time being. With the three-year plan in order to overcome difficult management environments, TOA and its group companies aim at expanding new orders, especially projects in their strong fields and put their effort to secure profitable works by posting costs and administrative expenses, while consolidated financial structure to stabilize foundation of management and establish corporate strength. In these endeavors, we ask our shareholders for the warm, continual support and cooperation.

January 2002

A handwritten signature in black ink that reads "Masao Watanabe". The signature is written in a cursive, flowing style.

Masao Watanabe
President

Consolidated Balance Sheets

TOA CORPORATION and its consolidated subsidiaries
As of September 30, 2001 and 2000

ASSETS

	Millions of Japanese Yen 2001	Millions of Japanese Yen 2000	Thousands of U.S. Dollars 2001
Current assets:			
Cash and time deposits	¥ 33,491	¥ 43,692	\$ 281,437
Notes and accounts receivable, trade	56,890	45,672	478,067
Cost on contracts in progress	101,612	114,149	853,881
Other current assets	43,681	44,864	367,066
Allowance for doubtful accounts	(1,818)	(1,830)	(15,274)
Total current assets	<u>233,856</u>	<u>246,547</u>	<u>1,965,177</u>
Investments and other assets	32,576	28,642	273,749
Property, plant and equipment, at cost	89,099	84,034	748,732
Less accumulated depreciation	(32,330)	(33,338)	(271,678)
Property, plant and equipment net	<u>56,769</u>	<u>50,696</u>	<u>477,054</u>
Total	<u><u>323,201</u></u>	<u><u>325,885</u></u>	<u><u>2,715,980</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Short-term borrowings	39,269	47,675	329,992
Notes and accounts payable, trade	92,907	87,128	780,731
Advances on contracts in progress	64,713	73,223	543,812
Other current liabilities	36,131	24,986	303,621
Total current liabilities	<u>233,020</u>	<u>233,012</u>	<u>1,958,156</u>
Long-term debt	25,990	32,310	218,407
Reserve for retirement benefits	16,339	10,769	137,301
Other long-term liabilities	3,259	3,110	27,389
Total liabilities	<u>278,608</u>	<u>279,201</u>	<u>2,341,253</u>
Minority interests	1,281	1,360	10,762
Shareholders' equity	43,312	45,324	363,965
Commitments and contingent liabilities:			
Total	<u><u>¥323,201</u></u>	<u><u>¥325,885</u></u>	<u><u>\$2,715,980</u></u>

Consolidated Statements of Operations and Retained Earnings

TOA CORPORATION and its consolidated subsidiaries
For the six months ended September 30, 2001 and 2000

	Millions of Japanese Yen 2001	Millions of Japanese Yen 2000	Thousands of U.S. Dollars 2001
Net sales	¥ 99,856	¥ 86,474	\$ 839,129
Cost of sales	<u>92,129</u>	<u>78,263</u>	<u>774,193</u>
Gross profit	7,727	8,211	64,936
Selling, general and administrative expenses ...	<u>8,377</u>	<u>8,091</u>	<u>70,402</u>
Operating income (loss)	(650)	120	(5,466)
Other income (expenses):			
Interest and dividends income	401	374	3,366
Interest expenses	(724)	(871)	(6,080)
Devaluation of marketable securities and investment securities	(781)	(430)	(6,563)
Other, net	(106)	(6,501)	(887)
	<u>(1,210)</u>	<u>(7,428)</u>	<u>(10,164)</u>
Loss before income taxes and minority interests	(1,860)	(7,308)	(15,630)
Income taxes:			
Current	258	239	2,170
Deferred	(559)	(2,611)	(4,699)
Minority interests	<u>4</u>	<u>17</u>	<u>31</u>
Net loss	<u>(¥1,563)</u>	<u>(¥4,953)</u>	<u>(\$13,132)</u>
Retained earnings:			
Balance at beginning of year	15,152	20,183	127,323
Cash dividends	(983)	(997)	(8,258)
Bonuses to directors and statutory auditors	(9)	(69)	(79)
Net loss	(1,563)	(4,953)	(13,132)
Balance at end of year	<u>¥ 12,597</u>	<u>¥ 14,164</u>	<u>\$ 105,854</u>
Per share data:	Japanese Yen	Japanese Yen	U.S. Dollars
Net loss	(¥7.84)	(¥25.18)	(\$0.066)
Shareholders' equity	¥4.93	¥230.43	\$0.041

Note: U.S. dollar amounts are given solely for convenience and are translated at the rate of
 ¥119.00 = US\$1, the approximate effective rate of exchange at September 30, 2001.

Consolidated Statements of Cash Flows

TOA CORPORATION and its consolidated subsidiaries
For the six months ended September 30, 2001

	Millions of Japanese Yen 2001	Thousands of U.S. Dollars 2001
Cash flows from operating activities:		
Loss before income taxes and minority interests	(¥ 1,860)	(\$15,630)
Adjustment to reconcile loss before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	1,819	15,288
Provision for allowance for doubtful accounts	(1,145)	(9,624)
Devaluation of marketable securities and investment securities	781	6,563
Changes in:		
Trade receivables	26,999	226,885
Cost of contracts in progress	(30,990)	(260,419)
Inventories	(260)	(2,188)
Trade payables	(13,631)	(114,549)
Advances on contracts in progress	20,264	170,284
Income taxes paid	(4,943)	(41,541)
Other, net	4,222	35,483
<i>Net cash provided by operating activities</i>	<u>¥ 1,256</u>	<u>\$ 10,552</u>
Cash flows from investing activities:		
Acquisition of P.P. & E	¥ (6,221)	\$ (52,280)
Acquisition of investment in securities	(463)	(3,888)
Other, net	118	992
<i>Net cash used in investing activities</i>	<u>(¥ 6,566)</u>	<u>(\$55,176)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	¥ 2,486	\$ 20,891
Repayment of long-term debt	(4,455)	(37,433)
Net increase in commercial paper	5,000	42,017
Cash dividends paid	(983)	(8,258)
Other, net	(91)	(766)
<i>Net cash provided by financing activities</i>	<u>¥ 1,957</u>	<u>\$ 16,451</u>
Effect of exchange rate changes on cash and cash equivalents	¥ 64	\$ 537
Net decrease in cash and cash equivalents	(3,289)	(27,636)
Cash and cash equivalents at beginning of year	35,710	300,086
Cash and cash equivalents at end of year	¥ 32,421	\$ 272,450

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Securities Traded

Common Stocks

Tokyo Stock Exchange, 1st section

Sapporo Stock Exchange

Share Transfer

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