

Semiannual Report

For the six months ended September 30, 2002



TOA CORPORATION

Message from the President

Japan's economy for the six-month period ended September 30, 2002 has shown long-term depression of deflation which was unable to be terminated due to the high rate of unemployment, inactive personal consumption and continued sluggish investment in private plants and equipment which offset gradual expansion of the export industry.

The construction industry experienced more severe conditions of its management because of sharp decreases in public works which was due to thorough reviewing of financial expenditure in the central and local governments, decreased private capital investment caused by unclear future, and ever more serious competition in securing new orders and price.

Under these conditions, TOA CORPORATION and its consolidated subsidiaries put every effort into securing profitable works, establishing low-cost operating structure and reducing administrative expenses. As a result, new orders received on a non-consolidated basis during the period under review totaled ¥80,810 million (US\$ 657 million), an 11.1% decline from the same period of the previous year. Consolidated net sales totaled ¥76,947 million (US\$ 626 million) for the period under review, a decrease of 22.9% from the period of the previous year. In earnings, net sales for the first half period of the fiscal year generally amounted 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 ¥4,570 million (US\$ 37 million), and consolidated net loss totaled ¥3,054 million (US\$ 25 million), due to the special retirement payment caused by a staff arrangement project and appropriated revaluation loss of marketable securities which the Company has possessed.

Japan's economy is forecasted that early slough of the deflation phase is expected because of extremely low level of capital investment in the private sector and the long pathway to improve countermeasures in the severe time of sharp decline in the stock prices.

The construction industry is forecasted to be severe in receiving new orders and securing profits due to the fact that public investment is difficult to additionally increase under the financial restriction while the private sector will be low in demand.

To overcome these difficult management conditions, TOA and its group companies replaced the new three-year plan which reflects this present environment even closer. Particular emphasis has been given to expansion of new orders received in the new field, consolidation of accounting capabilities, reduction of personal expenses, reduction of interest-bearing debt and rebuilding IT system, and establishment of competitive corporate strength and stable profitability.

The Company has exchanged an operational agreement with ANDO Corporation in mutual cooperation in their owned technology, partnership of research and development, mutual utilization of cooperative companies, cooperative procurement of machinery and materials, cooperation of new businesses including eco-business, and mutual exchange of staff. The contract promotion committee of both companies started their activities, aiming at improving their operations in the future.

In these endeavors, we ask our shareholders for the warm, continual support and cooperation.

November 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, 2002 and 2001

ASSETS

	Millions of Japanese Yen 2002	Millions of Japanese Yen 2001	Thousands of U.S. Dollars 2002
Current assets:			
Cash and time deposits	¥ 24,755	¥ 33,491	\$ 201,257
Notes and accounts receivable, trade	34,082	56,890	277,089
Cost on contracts in progress	104,457	101,612	849,242
Other current assets	43,168	43,681	350,963
Allowance for doubtful accounts	(1,687)	(1,818)	(13,716)
Total current assets	<u>204,775</u>	<u>233,856</u>	<u>1,664,835</u>
Investments and other assets	30,750	32,576	250,004
Property, plant and equipment, at cost	91,544	89,099	744,257
Less accumulated depreciation	(35,509)	(32,330)	(288,687)
Property, plant and equipment□net	<u>56,035</u>	<u>56,769</u>	<u>455,570</u>
Total	<u>¥291,560</u>	<u>¥323,201</u>	<u>\$2,370,409</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Short-term borrowings	¥ 34,771	¥ 39,269	\$ 282,691
Notes and accounts payable, trade	65,333	92,907	531,165
Advances on contracts in progress	64,660	64,713	525,687
Other current liabilities	46,572	36,131	378,636
Total current liabilities	<u>211,336</u>	<u>233,020</u>	<u>1,718,179</u>
Long-term debt	15,875	25,990	129,069
Reserve for retirement benefits	16,293	16,339	132,465
Other long-term liabilities	3,270	3,259	26,581
Total liabilities	<u>246,774</u>	<u>278,608</u>	<u>2,006,294</u>
Minority interests	1,216	1,281	9,888
Shareholders' equity	43,570	43,312	354,227
Commitments and contingent liabilities:			
Total	<u>¥291,560</u>	<u>¥323,201</u>	<u>\$2,370,409</u>

Consolidated Statements of Operations and Retained Earnings

TOA CORPORATION and its consolidated subsidiaries
For the six months ended September 30, 2002 and 2001

	Millions of Japanese Yen 2002	Millions of Japanese Yen 2001	Thousands of U.S. Dollars 2002
Net sales	¥ 76,947	¥ 99,856	\$ 625,589
Cost of sales	70,279	92,129	571,380
Gross profit	6,668	7,727	54,209
Selling, general and administrative expenses ...	7,567	8,377	61,521
Operating loss	(899)	(650)	(7,312)
Other income (expenses):			
Interest and dividends income	377	401	3,067
Interest expenses	(642)	(724)	(5,220)
Write-down of marketable securities and investment securities	(472)	(781)	(3,836)
Special provision for early retirement benefits. ...	(2,737)	□	(22,251)
Other, net	(197)	(106)	(1,603)
	<u>(3,671)</u>	<u>(1,210)</u>	<u>(29,843)</u>
Loss before income taxes and minority interests	(4,570)	(1,860)	(37,155)
Income taxes:			
Current	222	258	1,808
Deferred	(1,738)	(559)	(14,133)
Minority interests	0	4	2
Net loss	<u>(¥3,054)</u>	<u>(¥1,563)</u>	<u>(\$24,832)</u>
Retained earnings:			
Balance at beginning of year	16,185	15,152	131,576
Cash dividends	(983)	(983)	(7,983)
Bonuses to directors and corporate auditors	(5)	(9)	(44)
Net loss	(3,054)	(1,563)	(24,832)
Transfer from revaluation reserve for land	(33)	□	(264)
Balance at end of year	<u>¥ 12,110</u>	<u>¥ 12,597</u>	<u>\$ 98,453</u>
Per share data:	Japanese Yen	Japanese Yen	U.S. Dollars
Net loss	(¥15.45)	(¥7.84)	(\$0.126)
Shareholders' equity	¥220.46	¥220.37	\$1.792

Note: U.S. dollar amounts are given solely for convenience and are translated at the rate of
¥123.00 = US\$1, the approximate effective rate of exchange at September 30, 2002.

Consolidated Statements of Cash Flows

TOA CORPORATION and its consolidated subsidiaries
For the six months ended September 30, 2002 and 2001

	Millions of Japanese Yen 2002	Millions of Japanese Yen 2001	Thousands of U.S. Dollars 2002
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	(¥4,570)	(¥1,860)	(\$37,155)
Adjustment to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	2,154	1,819	17,512
Provision for allowance for doubtful accounts	(618)	(1,145)	(5,022)
Write-down of marketable securities and investment securities	472	781	3,836
Changes in:			
Trade receivables	42,155	26,999	342,727
Cost of contracts in progress	(34,697)	(30,990)	(282,087)
Inventories	782	(260)	6,361
Trade payables	(38,290)	(13,631)	(311,304)
Advances on contracts in progress	24,687	20,264	200,706
Income taxes paid	(3,460)	(4,943)	(28,132)
Other, net	(1,059)	4,222	(8,616)
<i>Net cash provided by / (used in) operating activities</i>	<u>(¥12,444)</u>	<u>¥ 1,256</u>	<u>(\$101,174)</u>
Cash flows from investing activities:			
Acquisition of P.P. & E	(¥822)	(¥6,221)	(\$6,687)
Acquisition of investment in securities	(748)	(463)	(6,078)
Other, net	105	118	857
<i>Net cash provided by / (used in) investing activities</i>	<u>(¥1,465)</u>	<u>(¥6,566)</u>	<u>(\$11,908)</u>
Cash flows from financing activities:			
Proceeds from long-term debt	¥ 766	¥ 2,486	\$ 6,228
Repayment of long-term debt	(6,567)	(4,455)	(53,394)
Net increase in commercial paper	7,000	5,000	56,911
Cash dividends paid	(982)	(983)	(7,983)
Other, net	(3,529)	(91)	(28,683)
<i>Net cash provided by / (used in) financing activities</i>	<u>(¥3,312)</u>	<u>¥ 1,957</u>	<u>(\$26,921)</u>
Effect of exchange rate changes on cash and cash equivalents			
	(¥143)	¥ 64	(\$1,167)
Net increase (decrease) in cash and cash equivalents	(17,364)	(3,289)	(141,170)
Cash and cash equivalents at beginning of year	41,794	35,710	339,790
Cash and cash equivalents at end of year	¥ 24,430	¥ 32,421	\$ 198,620

Corporate Data

Head Office

5, Yonbancho, Chiyoda-ku, Tokyo 102-8451, Japan

Phone: (03) 3262-5102

Facsimile: (03) 3262-9536

<http://www.toa-const.co.jp/>

International Division

Science Plaza 4th FL., 5-3, Yonbancho, Chiyoda-ku, Tokyo 102-0081, Japan

Phone: (03) 3234-4809

Facsimile: (03) 3234-7698

E-mail: webmaster@toa-const.co.jp

Securities Traded

Common Stocks

Tokyo Stock Exchange, 1st section

Sapporo Stock Exchange

Share Transfer

Transfer Agent

Mizuho Trust & Banking Co., Ltd.

1-6-2, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan

Overseas Offices

Singapore Office

23, Pandan Crescent, Republic of Singapore 128472

Phone: (65) 7755044-49

Facsimile: (65) 7753542, 7750373

Jakarta Office

9th Floor, Permata Plaza, Jalan M.H. Thamrin 57, Jakarta 10350, Republic of Indonesia

Phone: (62-21) 3903168, 3141786, 3903425

Facsimile: (62- 21) 3903169

Manila Office

3F-B, ODC International Plaza, 219 Salcedo St., Legaspi Village, Makati Metro Manila, Republic of the Philippines

Phone: (63-2) 8184743, 8922809

Facsimile: (63-2) 8937158

Hanoi Office

Suite 707, Hanoi Tung Shing Sq., 2 Ngo Quyen, Hoan Kiem Dist., Hanoi, Republic of Viet Nam

Phone: (84-4) 8262606

Facsimile: (84-4) 8262628

Taiwan Office

11F Capital Commercial Bldg. 81, Section 2 Cheng de Road, Taipei, Taiwan, Republic of China

Phone: (886-2) 25505727

Facsimile: (886-2) 25490149