

Semiannual Report

For the six months ended September 30, 2003



Message from the President

For the six-month period ended September 30, 2003, Japanese economy experienced gradual effects created by countermeasures such as stabilization of financial system as well as slow recovery in earnings, and capital investment of the private sector which was caused by having upturned export environment in the back of favorable economy of the United States of America and Asia. On the other hand, personal consumption, employment and earnings in the domestic market had shown a slight movement and deflationary trend was not eradicated completely.

In the construction industry, public investment continued to decrease in total amount by stringent finance in the central and local governments, while housing investment in the private sector continued to be sluggish.

Under these conditions, TOA CORPORATION put its utmost effort to secure preferable projects in order to improve earnings and reduce costs for construction operation and administration expenses. As a result, new orders received on non-consolidated basis for the period under review increased by 7.6% over the same period of the previous fiscal year to ¥86,979 million (US\$783,598 thousand). However, net sales on consolidated basis decreased 30.0% from the same period of the previous fiscal year to ¥53,859 million (US\$485,217 thousand), and net loss for the period under review was ¥2,602 million (US\$23,446 thousand) due to the fact that net sales was seasonally biased in the latter half of the fiscal year.

Economy for the latter half of the fiscal year is forecast to improve gradually by countermeasures for stabilization of monetary and financial markets and conquest of deflation, while personal consumption, employment and income require certain amount of time to upturn. Thus, domestic economy continues to be in the same level.

In the construction industry, new orders and net income are forecast to be severe due to the fact that public investment is expected to remain unchanged under the budget compilation of central and local governments, and private investment is not expected to have a sharp upturn.

In order to overcome these situations, we continue to wrestle with the establishment of corporate strength through competitive operations, and stable earnings by promoting expansion of new orders in the new business fields, consolidation of operations, reduction of personal expenses and curtailment of debt with interests.

Finally, we would like to ask you for your continued support and cooperation.

November 2003

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, 2003 and 2002

ASSETS

	Millions of Japanese Yen 2003	Millions of Japanese Yen 2002	Thousands of U.S. Dollars 2003
Current assets:			
Cash and time deposits	¥ 26,653	¥ 24,755	\$ 240,121
Notes and accounts receivable, trade	28,532	34,082	257,045
Cost on contracts in progress	78,484	104,457	707,064
Other current assets	44,138	43,168	397,640
Allowance for doubtful accounts	(1,867)	(1,687)	(16,819)
Total current assets	<u>175,940</u>	<u>204,775</u>	<u>1,585,051</u>
Investments and other assets	29,344	30,750	264,358
Property, plant and equipment, at cost	86,102	91,544	775,693
Less accumulated depreciation	(35,974)	(35,509)	(324,088)
Property, plant and equipment—net	<u>50,128</u>	<u>56,035</u>	<u>451,605</u>
Total	<u>¥255,412</u>	<u>¥291,560</u>	<u>\$2,301,014</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Short-term borrowings	¥ 33,703	¥ 34,771	\$ 303,631
Notes and accounts payable	49,911	65,333	449,649
Advances on contracts in progress	51,398	64,660	463,043
Other current liabilities	33,439	46,572	301,250
Total current liabilities	<u>168,451</u>	<u>211,336</u>	<u>1,517,573</u>
Long-term debt	24,159	15,875	217,649
Reserve for Retirement benefits	13,755	16,293	123,922
Other long-term liabilities	3,105	3,270	27,975
Total liabilities	<u>209,470</u>	<u>246,774</u>	<u>1,887,119</u>
Minority interests	1,274	1,216	11,476
Shareholders' equity	44,668	43,570	402,419
Commitments and contingent liabilities:			
Total	<u>¥255,412</u>	<u>¥291,560</u>	<u>\$2,301,014</u>

Consolidated Statements of Operations and Retained Earnings

TOA CORPORATION and its consolidated subsidiaries

For the six months ended September 30, 2003 and 2002

	Millions of Japanese Yen 2003	Millions of Japanese Yen 2002	Thousands of U.S. Dollars 2003
Net sales	¥ 53,859	¥ 76,947	\$ 485,217
Cost of sales	49,098	70,279	442,329
Gross profit	4,761	6,668	42,888
Selling, general and administrative expenses . . .	7,485	7,567	67,437
Operating loss	(2,724)	(899)	(24,549)
Other income (expenses):			
Interest and dividends income	343	377	3,089
Interest expenses	(619)	(642)	(5,575)
Write-down of marketable securities and investment securities	(21)	(472)	(187)
Special provision for early retirement benefits. . . .	—	(2,737)	—
Other, net	(602)	(197)	(5,424)
	<u>(899)</u>	<u>(3,671)</u>	<u>(8,097)</u>
Income (loss) before income taxes and minority interests	(3,623)	(4,570)	(32,646)
Income taxes:			
Current	79	222	712
Deferred	(1,094)	(1,738)	(9,856)
Minority interests	(6)	0	(56)
Net income (loss)	<u>(¥2,602)</u>	<u>(¥3,054)</u>	<u>(\$23,446)</u>
Retained earnings:			
Balance at beginning of year	15,389	16,185	138,640
Cash dividends	(982)	(983)	(8,844)
Bonuses to directors and corporate auditors	(6)	(5)	(58)
Net income (loss)	(2,602)	(3,054)	(23,446)
Transfer from revaluation reserve for land	52	(33)	472
Balance at end of year	<u>¥ 11,851</u>	<u>¥ 12,110</u>	<u>\$ 106,764</u>
Per share data:	Japanese Yen	Japanese Yen	U.S. Dollars
Net income (loss)	(¥13.17)	(¥15.45)	(\$0.119)
Shareholders' equity	¥226.16	¥220.46	\$2.037

Note: U.S. dollar amounts are given solely for convenience and are translated at the rate of ¥111.00 = US\$1, the approximate effective rate of exchange at September 30, 2003.

Consolidated Statements of Cash Flows

*TOA CORPORATION and its consolidated subsidiaries
For the six months ended September 30, 2003 and 2002*

	Millions of Japanese Yen 2003	Millions of Japanese Yen 2002	Thousands of U.S. Dollars 2003
<i>Cash flows from operating activities:</i>			
Income (loss) before income taxes and minority interests	(¥3,624)	(¥4,570)	(\$32,646)
<i>Adjustment to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:</i>			
Depreciation and amortization	1,549	2,154	13,956
Provision for allowance for doubtful accounts	55	(618)	492
Write-down of marketable securities and investment securities	21	472	187
<i>Changes in:</i>			
Trade receivables	32,283	42,155	290,835
Cost of contracts in progress	(23,572)	(34,697)	(212,364)
Inventories	439	782	3,955
Trade payables	(13,553)	(38,290)	(122,097)
Advances on contracts in progress	17,712	24,687	159,569
Income taxes paid	(316)	(3,460)	(2,847)
Other, net	(1,739)	(1,059)	(15,670)
<i>Net cash provided by / (used in) operating activities</i>	<u>¥ 9,255</u>	<u>(¥12,444)</u>	<u>\$83,370</u>
<i>Cash flows from investing activities:</i>			
Acquisition of P.P. & E	(¥568)	(¥822)	(\$5,113)
Acquisition of investment in securities	(25)	(748)	(227)
Proceeds from sale or disposal of P.P. & E	3,242	—	29,207
Other, net	(242)	105	(2,176)
<i>Net cash provided by / (used in) investing activities</i>	<u>¥ 2,407</u>	<u>(¥1,465)</u>	<u>\$ 21,691</u>
<i>Cash flows from financing activities:</i>			
Proceeds from long-term debt	¥ 8,170	¥ 766	\$ 73,604
Repayment of long-term debt	(10,495)	(6,567)	(94,553)
Net increase in commercial paper	(7,500)	7,000	(67,568)
Cash dividends paid	(982)	(982)	(8,844)
Other, net	(134)	(3,529)	(1,207)
<i>Net cash provided by / (used in) financing activities</i>	<u>(¥10,941)</u>	<u>(¥3,312)</u>	<u>(\$98,568)</u>
<i>Effect of exchange rate changes on cash and cash equivalents</i>	(¥215)	(¥143)	(\$1,940)
<i>Net increase (decrease) in cash and cash equivalents</i>	506	(17,364)	4,553
<i>Cash and cash equivalents at beginning of year</i>	25,859	41,794	232,966
<i>Cash and cash equivalents at end of year</i>	¥ 26,365	¥ 24,430	\$237,519

Corporate Data

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