

Annual Report 2003

for the fiscal year ended March 31, 2003



PROFILE

Since its establishment in 1908, TOA CORPORATION has been engaged in dredging and reclamation for the construction of harbors and their related facilities, design and execution of coastline buildings, construction of airports, marine leisure facilities, warehouses for distribution, factories, and power plants.

With its state-of-the-art technology, TOA has completed many projects of urban development, commercial buildings, hotels, medical, educational, cultural and residential facilities, and has gained a high reputation for each and every design, execution of construction, and maintenance.

Furthermore, we have put our best effort into substantiality and consolidation of infrastructures including roads, tunnels, bridges, and waste disposal facilities which is essential for our daily life.

Based on our abundant and accumulated experience and its highest level of technology, we have been wrestling with the development of research attached to the importance of global environment and natural energy as well as recycling projects using biotechnology.

Contents

Financial Highlights	1
Message from the Management	2
Marine Civil Engineering	4
On-land Civil Engineering	8
Architecture	10
Research & Development	12
Report of Independent Auditors	13
Consolidated Balance Sheets	14
Consolidated Statements of Income and Retained Earnings	16
Consolidated Statements of Cash Flows	17
Notes to Consolidated Financial Statements	18
Information	28



Our self-propelling hopper dredger, “KAISHUU”, which was completed its construction in April 2002, is currently engaged in reclamation work in Singapore.

FINANCIAL HIGHLIGHTS

TOA CORPORATION and its consolidated subsidiaries

Years ended March 31

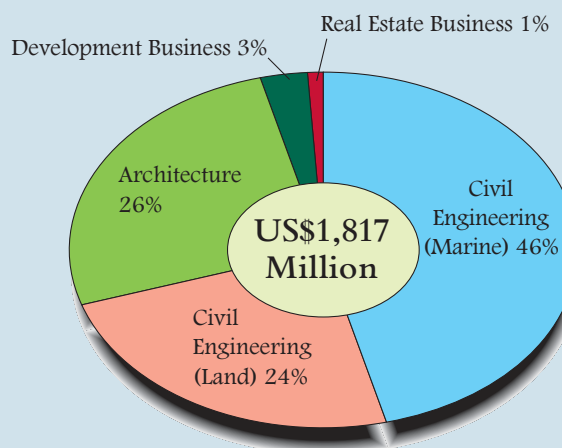
	Millions of Japanese Yen				Thousands of U.S. Dollars
	2003	2002	2001	2000	2003
Consolidated					
For the year:					
Net sales	¥237,923	¥288,932	¥294,693	¥266,807	\$ 1,982,695
Income (loss) before income taxes and other items	2,143	5,502	(5,783)	6,222	17,855
Net income (loss)	229	2,025	(3,965)	2,221	1,912
At year-end:					
Total assets	263,941	325,949	318,018	303,875	2,199,510
Shareholders' equity	46,204	47,065	46,248	51,692	385,039
Property, plant and equipment—net	55,002	57,361	52,151	51,224	458,353
		Yen			U.S. Dollars
Per share of common stock:					
Net income (loss)	¥ 1.12	¥ 10.30	¥ (19.89)	¥ 11.29	\$ 0.009
Cash dividends	5.00	5.00	5.00	5.00	0.042
Shareholders' equity	233.84	239.65	235.31	262.80	1.949

Note: The amount in U.S. dollars was translated at the rate of ¥120 = US\$1, the effective rate at March 31, 2003.

Sales Composition by Project Type

(For the Year Ended March 31, 2003)

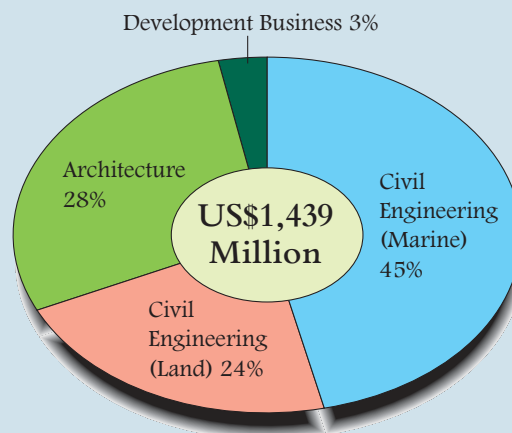
Non-consolidated



Orders Received by Project Type

(For the Year Ended March 31, 2003)

Non-consolidated



MESSAGE FROM THE PRESIDENT

Japan's economy for the fiscal year ended March 31, 2003 continued to be inactive despite the sign of partial and gradual recovery, generally due to the unclear global conditions including the war in Iraq. It has also suffered from sluggish personal consumption because of severe income and employment conditions, and the situation is difficult to turn itself into autonomic recovery even if the Governmental counter-measures were put in operation under the prolonged depression, featuring deflation.

In the construction industry, public works formed the keynote of decreases due to financial restrictions on central and local governments while private capital investment sharply declined because of the fear of overinvestment in plants and equipment and the sharp drop of stock prices in the future. The whole market of construction industry tending to reduction became severe in competition to receive orders, leading itself to reorganization and selection in the industry as well as its bewilderment in management situations.

Under these conditions, TOA CORPORATION and its consolidated subsidiaries put their best effort to upgrade their profitability, ensure good quality works and to maintain operational results through the reduction of execution costs and administrative expenses.

However, the Company has suffered from the most severe environment for its management, resulting in a decline of 21.6% from the previous fiscal year, amounting to ¥172,713 million (US\$1,439 million) in new orders received for the fiscal year under review.

The breakdown of the amount of orders received was ¥167,118 million (US\$ 1,393 million), or a decrease of 20.6% in the construction business, and ¥5,595 million (US\$ 47 million) in the development business, representing a decrease of 44.0%. In the domestic market, the amount of orders received was ¥159,311 million (US\$ 1,328 million), a decrease of 20.2%, while the overseas market saw a decrease of 35.5%, amounting to ¥13,402 million (US\$ 112 million). In the construction business, marine civil engineering work accounted for 46%, 24% for land civil engineering, and 29% for architecture. In terms of orders placed by customers, the domestic government sector accounted for 62%, 30% for domestic private sector, and 8% for overseas organizations.

Net sales amounted to ¥237,923 million (US\$1,983 million), down 17.1% from the previous year on a consolidated accounting basis. As for earnings on a

consolidated basis, gross profit for the fiscal year under review declined due to the decrease in net sales and the completion of partially unprofitable projects. This gave a result in decline of 49.2% in operating income amounting to ¥4,327 million (US\$ 36 million). Special income amounting ¥3,008 million (US\$ 25 million) was added due to the transfer of the partial execution of Welfare Pension Fund that was approved in March 2003. This was offset by special loss amounting ¥5,115 million (US\$ 43 million), including special expenses of ¥2,795 million (US\$ 23 million) arising out of advertisement for retirement, and ¥1,078 million (US\$ 9 million) for revaluation loss of owned stocks. As a result, net income for the year under review amounted to ¥229 million (US\$ 2 million), a decline of ¥1,795 million (US\$ 15 million) compared to the previous fiscal year.

Financial Situation

The amount of capital decreased by ¥13,642 million (US\$ 114 million) through operating activities in the current year. This is because payment of notes and accounts payable that should be paid at the end (holiday) of the previous fiscal year increased in amount, and the payment of retirement benefits arose out of staff reduction increase too.

Cash flow due to investing activities decreased by ¥4,055 million (US\$ 34 million) as a result of the acquisition of property, plant and equipment, and investment in securities. Cash flow due to financing activities was ¥1,960 million (US\$ 16 million) as a result of financing by the issuance of commercial paper. As a result, cash and cash equivalent at the end of year decreased by ¥15,935 million (US\$ 133 million) to ¥25,859 million (US\$ 215 million).

Economy in the coming years is forecasted that a certain amount of time is required to achieve full-fledged recovery, even if the Government continues to wrestle to stabilize financial and monetary markets and overcome deflation. This is due to the expectation of uncertain and unclear economy, inactive personal consumption, and difficulty in early growth of capital investment.

The construction industry is forecasted to be generally sluggish due to severe financial conditions of central and local governments, and the low level of capital and housing investment that has arisen from worsened economy. This is strongly expected to bring an early effect on urban revitalizing projects and rural activation works based on expanding demands in the private sector.

New Three-year Management Plan

To overcome such an increasingly severe management environment, our group replaced the three-year management plan that started in 2002 with a new three-year plan that closely reflects this present environment. Particular emphasis has been given to address the following management problems:

1. Maintenance of the current level of orders and profits by the civil engineering division;
2. Improvement of the low-profit system in the architecture division;
3. Expansion of the international business division; and
4. Conversion of the organization into a stronger corporate structure.

The following measures are to be undertaken with respect to orders received:

- (1) Expansion of the fields of business in the categories of restoration, deep water related facilities, medical welfare facilities, halls for ceremonial occasions, facilities for HACCP (Hazard Analysis Critical Control Point), etc.;
- (2) Aggressive development of business activity in the fields of urban revitalizing business, PFI projects, and projects related to the environment; and
- (3) Launch into new business areas and fields overseas.

The following steps are to be taken to enhance profits:

- (1) Increase profit margins by improving the capability of quantity surveys for construction work and by adopting more efficient construction management methods; and
- (2) Introduce specific measures to improve productivity and implement greater cost controls in order to reduce expenditures and personnel costs.

The following measures have been planned in order to enhance financial strength and improve the efficiency of management:

- (1) Reduction of interest-bearing debt and increase financial strength; and
- (2) Systematization of information and establishment of a company-wide, network based database.

The above plans and policy measures have been set forth as the basic strategy of the organization to improve its position and advance more successfully during the next



Masao Watanabe, President and Representative Director
President and Chief Executive Officer

three years establishing a sound, tenacious corporate structure to improve corporate performance.

On September 19, 2002, 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 to improve their operations in the future.

In these endeavors, we ask our shareholders for their kind, continual support and cooperation.

June 2003

A handwritten signature in black ink that reads "Masao Watanabe".

Masao Watanabe
President and Representative Director
President and Chief Executive Officer

Marine Civil Engineering

TOA was established at the beginning of 20th century, and has aggressively engaged in the development of coastal industrial zones, starting from Keihin Coastal Industrial Zone. TOA has been contributing to the formation of infrastructure, consolidation of industrial foundation and many project completions for our rich, daily life in various local areas.

Among our completed results, it includes the land development for industrial zones, construction of advanced harbor related facilities such as piers, sea berth, container terminals and warehouses, and colossal building facilities that are required for long-term construction period. We also provided high level of technology for the construction of airports, artificial islands, bridges and facilities including coastal plants, marina and offshore amusement spots. In the background of these completion of large but quality based marine civil engineering projects, there is the requirement for "modernization" in Japan, and we are confident that we have our specific mission and technology to realize these social needs.

In every project, we always think of the importance of harmony between man and nature. Therefore, we initially investigate and study the topography, soil conditions, water and marine sources of the site thoroughly. We then consider the human factors including culture and industries before we engage in our projects. This results in solid reputation, not only in the local societies and industries, but from local inhabitants too.

Future projects for marine civil engineering forecast that they require higher level of technology, more remarkable equipments, richer experience and environmental friendly human nature.

Construction of the Central Japan International Airport

The Central Japan International Airport will be a full-fledged offshore airport with a 3,500-meter long runway. This will be an international airport open around the clock, and special consideration has been given to its facilities, systems, and operations. Due to start service in 2005, reclamation work, revetment work, and terminal building construction are progressing simultaneously. A 470 hectare airport site is to be reclaimed using 56,000,000 m³ of earth and sand, of which 8,600,000 m³ are provided by effectively utilizing earth and sand as recycled material dredged in the Nagoya Port, in which the Company is in charge of reclamation work (Part 1) as a leading company Joint Venture business, after cement-type material is added for solidification. The remaining 4,500,000 m³ consists of mountain soil transported to the site by the sea. A revetment having a circumference of twelve kilometers will surround the airport island. The minimum distance in the sea area between the revetment and the opposite shore will be at least 1.1km, and the island will be curbed to prevent eddy currents. These measures will help ensure that any potential impact on the tidal stream from this project is minimized.



Kansai International Airport 2nd Stage



In this project, a 545-hectare airport island will be built 200 meters off the airport in the first stage in order to construct a second 4,000-meter long parallel runway, apron, and taxiway. The island will need 250,000,000 m³ earth and sand because the average depth of the water at the site is some 19.5 meters deep. The revetment for the project began in July 1999 was completed in November 2001, and full-fledged reclamation work is proceeding along at this time. It is important to build a strong foundation free from any ground subsidence when preparing the ground for an airport. In order to ensure the construction of a strong foundation, TOA is freely using numerous technologies and techniques at the reclamation work site.

Construction of New Hitachi Naka Thermal Power Plant (Coal Unloading Jetty)

Two electric power companies installed on 1,000,000kW generating system each in order to construct a 2,000,000kW coal-fired thermal power plant in Ibaraki Prefecture. In this project, TOA constructed a jetty to unload coals transported to the plant from overseas. One of the features of this work was to make an SRC jacket structure as the main structure of the jetty by making use of the exposed base rock at the sea bottom. Large blocks of the structure were then installed on top using a large crane ship, thereby shortening the work period and reducing construction costs substantially. The foundation work was conducted at a depth of twenty meters and consisted of excavating the soft rock layer by two meters in order to place underwater concrete.



The 2nd LNG Berth at Futtsu Thermal Power Station



To meet with annually increasing demand for the electric power in Tokyo Metropolitan area, it is urgent to construct the LNG (Liquefied Natural Gas) receiving facilities for the combined cycle power generation of Futtsu Thermal Power Station. TOA is engaged in the expansion works for the dolphin type LNG receiving berth.

Construction of Niigata Minato Tunnel at Niigata Port



Niigata city, located in the mouth of Shinano River, is a key port town facing Sea of Japan which exalts the beautiful sea and nature. Securing effective traffic flow between the port and urban district is an important factor for further economic development in the area. In order to facilitate a smoother flow of people and goods between the port and the city, TOA is moving ahead with the construction to connect these two points by an under-river tunnel. The total length of the tunnel is 1,423 meters. It was constructed by the submerged tunnel construction method in which eight hybrid caissons of full-sandwich structure measuring different sizes in width, height and length were joined together. The tunnel was completed in May 2002.

Traffic situation in a big city is a major concern at all times in relation to industrial development of the city and the surrounding region, improving life of residents, and preservation of the environment. The highway links the two cities located on either side of Tokyo: Kawasaki city, Kanagawa Prefecture and Kisarazu city, Chiba Prefecture. Trans-Tokyo Bay Highway has not only contributed in revitalizing lives and industries of the cities on both end, but it also diversified metropolitan function including production, distribution and tourism of Tokyo Bay area. TOA has made full use of its abundant experience and knowledge to implement the difficult construction including man-made island where both tunnel and the bridge connect, and interchange on the bridges.

Trans-Tokyo Bay Highway



Punggol Reclamation Project (Phase 4)



Singapore is a small country and it is important to use the coastline of Peninsula effectively. Housing Development Board (HDB) of Singapore has sincerely wrestled with the development of housing land in the mouth of Punggol district with the reclamation of 11 million m³ of soil, revetment construction of about 10 kilometers in length, and soil improvement works of 5.1 million m³.

TOA completed its reclamation works in the north-eastern coast of Singapore and gained Quality Award from HDB in honor of reclamation work in 2002. There will be 15 new waterfront with resident areas, recreation facilities, shopping centers and marine parks in the future.



Semakau Island Offshore Landfill Project, Singapore

TOA completed and delivered the Semakau Island offshore landfill project to the Ministry of Environment in Singapore. Located between Semakau Island and Sekang Island, some 10km south of Singapore Mainland, this large sized waste-receiving island constituted a major construction project. The project included embankment construction with 7km in circumference, land formation for facility administration offices, construction of an ash-unloading jetty, and construction of the administration building. This involved 20 million m³ of reclamation work, 6 million m³ of dredging, 2 million m³ of stone riprap work and jetty extension of 580m.



Newly Completed Projects

International Terminal for Passenger Boats at Ohsambashi Pier at Yokohama Harbor

This is a renewed terminal opened in December 2002 with a total floor space of 43,843 m².



Honmoku Wharf

TOA has been engaged from the primary stage to the final stage in the construction of the wharf with the world's largest container terminal. In this project, TOA is renewing the conventional wharf to enable the large-sized container to come alongside (projected sea depth of 15.6m and its total length of 700m). The wharf is also to expand its function of transship by constructing a precast concrete-type of quay with aseismatic structure composed of driven steel piles.



Road Construction in Philippines

This is a project to construct the road on the sea of the south bay in Cebu City. The road extending 4,300m on the sea is now constructed by embanking sea which requires the improvement of foundation. The project is completed by TOA's advanced technology of marine civil engineering, such as Paper Drain. In addition, the project includes the construction of the road extending 800m on the land.



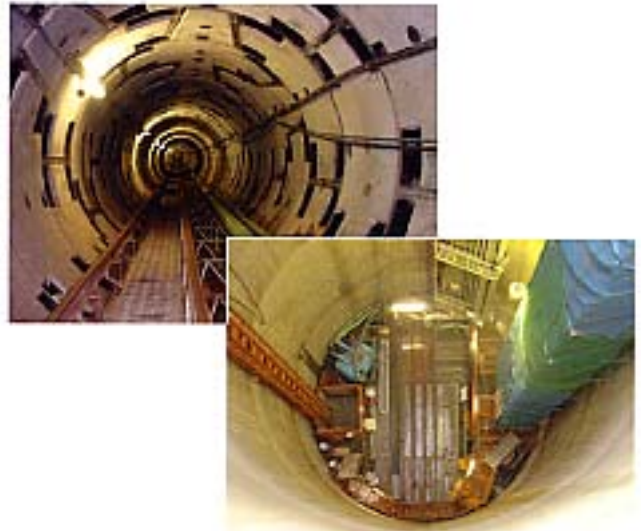
On-land Civil Engineering

Through its dredging and reclamation business to create industrial zones, TOA has accumulated a lot of technical know-hows and has achieved to take long strides for on-land civil engineering businesses. We have completed many construction projects of roads, water supply and drainage, bridges, railway bridges and land development for plants and housing with its highest level of technology and abundant experiences. All of these are considered to harmonize with the natural environment so that people can enjoy their richness in life as well. Each and every project has different characteristics, such as remarkable contents representing change in time, newly required concepts on new infrastructure, and satisfaction of new functions.

We are expecting that projects for all-round development, which require our integrated power of technology, planning and execution, will be born in both domestic and global markets in the future. Toward these projects in the near future, TOA continues to strive to create an ideal relationship between our corporate companies.

Construction of New Shibakawa Tunnel

Shibakawa is a river without a headspring, and the deterioration of water quality due to household wastewater from various sources became a problem with ever increasing concern. To improve this situation, a project was promoted to introduce clean water from Arakawa River for purification by constructing Shibakawa water tunnel. It was difficult to recycle the sludge produced by the construction work that contained large quantities of water using conventional technologies and equipment. Accordingly, we introduced the sludge recycling system into the 2,300-meter long shield tunneling work site to recycle the sludge generated by the construction work. A total of approximately 5,300m³ of excavated mud was recycled for use as banking material. Our efforts are highly rated and acknowledged as the model for effective recycling work, winning the Chairman's Award of the Recycling Promotion Committee.



Shirotori-Ohchi Interchange Work in Takamatsu Highway

The Shikoku Island Intersection Highway crossing the Setouchi Inland Sea and Pacific Ocean with the total mileage of 441km, is playing an important role for the industry, economy and culture of Shikoku Island. The newly opened Takamatsu Highway (which is located in the north eastern area of Shikoku Island) with the traveling distance of 32.5km, is also contributing to the industry and culture for these areas, both locally and the island as a whole. This completed section included the earth works with the total volume of 6.3 million m³ along the Setouchi Inland Sea. It consists of the construction works of highway, general road, tunnels, parking service area and four interchanges including this Shirotori-Ohchi Interchange.



Completion of Hyosaka Tunnel

In the precipitous site and severe weather, the Company completed the 620m long Hyosaka Tunnel by NATM method. In addition, TOA improved the road connection of both sides of the tunnel which totaled 700m. During the period, we put our best effort to carry out most careful civil engineering work in order to have no accidents and disasters.



Seisho Bypass Improvement Work

The Seisho Bypass improvement work commissioned by the Japan Highway Public Corporation was completed within the scheduled construction period, without any accidents. The project was to extend the existing Seisho Bypass along the coastal route in order to alleviate the traffic congestion in Odawara city, Kanagawa Prefecture. As for the topography around the site, there is a hill with steep slopes. Along the entire length of the 1.9 kilometer extension, TOA was in charge of 366 meters and the substructure section of the Hayakawa Bridge.



Newly Completed Projects

Expansion Works of Dangozaka Service Area

To improve traffic retardation in Chuo Expressway, the Authority completed to expand the width of the road between Ueno IC and Ohtsuki JCT, including the expansion in Dangozaka Service Area.



Kasubuchi Tunnel

The tunnel extending 316m is a part of Ohchi Bypass in the National Road Route 375; it is contributing to the convenience of local transportation.



Architecture

One of our corporate mission emphasize on the contribution to the lives of human being. With its various technologies, the Company has pursued richness in daily life through our business of constructing facilities for culture and amusement. We have also participated in many construction projects of schools, gymnasiums, college research centers, medical colleges, cultural hall, libraries, sport stadiums, health care centers for aged people, hospitals, hotels, parks, mansion, commercial building, plants and distribution center, which all gained a strong reputation for our consideration towards urban communities and corporate life in our completed urban building projects. In addition, TOA has constructed global environment-oriented facilities for sewage treatment and waste disposal, and our developed wind power generation system which use the sources effectively.

Masinloc Coal-Fired Thermal Power Plant

Contributing to the consolidation of infrastructure for the Philippines, this project involved the construction of two new 300 MW coal-fired thermal power plants on the coast in Masinloc, Zambales state, some 250km northwest of Manila. Handled entirely by TOA CORPORATION and completed in June 1998, this turnkey civil engineering project encompassed land formation for the power plants, buildings for turbines and generators, equipment foundations, a reinforced-concrete chimney, C.W. intake and outfall, and a coal unloading jetty.



Completion of Large-sized Dust Treatment Facility in Saeki City

People in the advanced countries continue to consume products, hence, the dust problem remains to increase in the urban areas year by year. In Japan, demand for dust treatment facilities is expanding rapidly. TOA has rich experience and technological know-how for constructing dust treatment facilities. In construction of this facility in Saeki City, TOA has been engaged in civil engineering works including pile driving work, heaping soil, and excavating work.



Nagano Medical Training College

Nagano Medical Training College, located in the old site of athlete's village of Winter Olympic Game in Nagano, is a well-organized school of medical trainings. We enjoy a fine reputation for our extensive construction work on schools, hospitals, commercial buildings, hotels, apartment complexes, and athletic, cultural and leisure facilities. We are also active in reconstruction projects to provide functional improvements and increase the quality of the spaces of existing structures. This not only requires superior technical capability and experience in design and execution, but also a high degree of creativity suited to the 21st century. This reconstruction project shows the technical capability, experience and creativity of TOA to full advantage.



Kawaminami-cho Culture Center

We completed a cultural complex with a site area of 10,740 m², a building area of 5,020 m² and a floor space of 6,613 m². Planned as part of a park embodying traditional hometown values, this cultural complex is a structure expressive of the history and topography of the town, and firmly rooted in nature, it stresses the horizon, interweaving a form recalling a group of ancient burial mounds rising luxuriantly from the earth. Its exterior appearance is a complicated shape which is created by three-dimensional curbs and cylindrical frames. The completed complex includes a wing with a cultural hall with a capacity of 650, and a library where the upper part is integrated with a deck and a bridge that connects to the park. Since both interior and exterior are almost entirely formed in curbed lines and open space, the most important aspect of the structure and finishing work was to ensure safety of the temporary scaffoldings.



Newly Completed Projects

JICA, Yokohama International Centre

At the new harbor district in Minato-Mirai 21, Yokohama city, the JICA international centre for Metropolitan zone was completed by TOA and others.



Prai Combined Cycle Gas Turbine Power Plant

The latest, advanced combined cycle gas turbine power plant was completed in Malaysia.

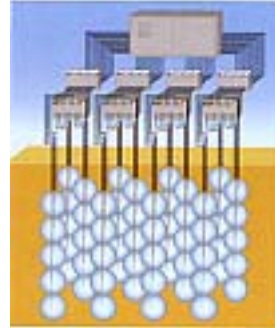




Steel Sheet Structure Cellular (Embedded) Method

New Offshore Waste Disposal Site

This method developed by TOA is used for many projects. A water-stop wall made of steel sheets, which will be placed in the brine surrounding the waste, will be built around the outer perimeter of the construction site. It is absolutely critical that the water-stop wall is sealed tightly so that the seawater does not overflow and allow the polluted water to leak out. This is where our technology and know-how has been put to work.



Ultra Multi-Permeation Grout Method

This is a new, but noteworthy technology to prevent soil from liquefaction. In this method, dozens to hundreds of nozzles are set three-dimensionally in the ground, and grout is automatically poured under the most suitable pressure and current volume based on pre-measured data.



Re-main

As for the damage from salt in concrete, it is important that concrete structures in harbors, centering on jetties, should be repaired properly and maintained by computer-aided strategies. Strategies developed by TOA include understanding concrete aging mechanism and mechanical countermeasures for repairs and maintenance. This includes diagnosis of conditions, judgment for necessary repairs and most suitable method for repair and maintenance.

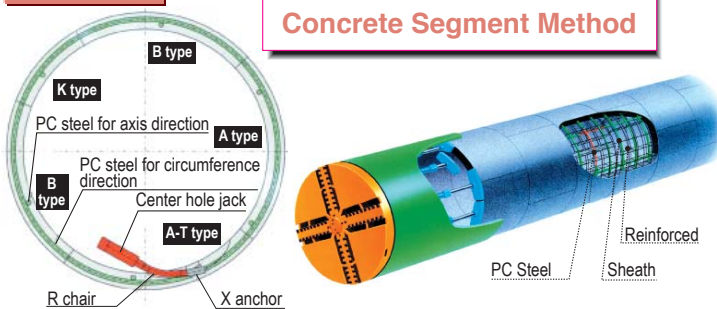


Seawalls for Recreation and Biotope

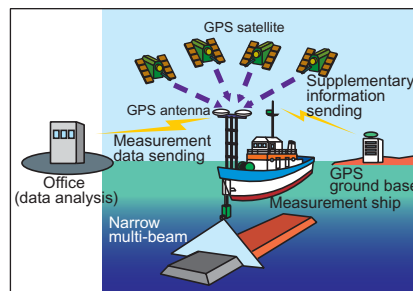
Among its own systems for diagnosis and revitalization, TOA presents a seawall renewal concept and its actual promotion process. With our completion of seawalls for recreation and biotope, people will realize the harmony established between their local environments and diversified living plants and animals.

Cross Section

Pre-stressed & Pre-cast Concrete Segment Method



This is the method to form the segment ring of pre-cast concrete structure that is expected to contribute to the shield tunnel technology. The technology has great potentiality because of its vast application to the shield works such as construction of roads, subways and sewage system.



Beluga System

This is our originally developed system for accurate and speedy measurement of the depth of ground level in water by effectively combining the latest measurement devices, including the narrow multi-beam depth measuring sonar, in order to acquire data in wide regions and the GPS.

REPORT OF INDEPENDENT AUDITORS

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS 

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

To the Board of Directors TOA CORPORATION

We have audited the accompanying consolidated balance sheets of TOA CORPORATION and its subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, and retained earnings, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOA CORPORATION and its subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation
Tokyo, Japan
June 27, 2003

CONSOLIDATED BALANCE SHEETS

TOA CORPORATION and its consolidated subsidiaries
As of March 31, 2003 and 2002

ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Current assets:			
Cash and time deposits (Note 3)	¥ 26,171	¥ 42,130	\$ 218,092
Marketable securities (Notes 4)	25	30	208
Notes and accounts receivable, trade	60,815	76,237	506,790
Allowance for doubtful accounts	(1,708)	(2,132)	(14,230)
Inventories, principally real estate for sale	17,143	11,400	142,855
Cost on contracts in progress	54,912	69,760	457,598
Deferred income taxes (Note 8)	5,156	4,654	42,969
Prepaid expenses and other current assets	18,965	35,627	158,045
Total current assets	<u>181,479</u>	<u>237,706</u>	<u>1,512,327</u>
Investments and other assets:			
Investments in and long-term loans to affiliates	767	204	6,389
Investments in securities (Notes 4 and 5)	13,264	13,837	110,533
Long-term loans	535	662	4,457
Deferred income taxes (Note 8)	8,667	10,914	72,227
Others	11,272	12,474	93,931
Allowance for doubtful accounts	(7,045)	(7,209)	(58,707)
Total investments and other assets	<u>27,460</u>	<u>30,882</u>	<u>228,830</u>
Property, plant and equipment, at cost (Notes 5 and 10):			
Land	35,893	35,991	299,106
Buildings and structures	22,008	21,746	183,402
Machinery and equipment	33,115	33,394	275,957
Construction in progress	33	65	279
Total property, plant and equipment	<u>91,049</u>	<u>91,196</u>	<u>758,744</u>
Less accumulated depreciation	<u>(36,047)</u>	<u>(33,835)</u>	<u>(300,391)</u>
Property, plant and equipment—net	<u>55,002</u>	<u>57,361</u>	<u>458,353</u>
Total	<u>¥ 263,941</u>	<u>¥ 325,949</u>	<u>\$ 2,199,510</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Current liabilities:			
Short-term borrowings (Note 5)	¥ 33,832	¥ 38,294	\$ 281,936
Current portion of long-term debt (Note 5)	15,607	10,128	130,060
Commercial paper	12,500	8,000	104,167
Notes and accounts payable, trade	63,464	103,623	528,866
Accrued income taxes	558	4,400	4,648
Advances on contracts in progress (Note 6)	33,686	39,973	280,713
Other current liabilities	16,502	26,350	137,515
Total current liabilities	<u>176,149</u>	<u>230,768</u>	<u>1,467,905</u>
Long-term debt (Note 5)	23,664	26,230	197,203
Reserve for retirement benefits (Note 7)	13,402	17,093	111,685
Other long-term liabilities	3,214	3,327	26,782
Total liabilities	<u>216,429</u>	<u>277,418</u>	<u>1,803,575</u>
Minority interest	1,308	1,466	10,896
Shareholders' equity (Note 9):			
Common stock, ¥50 par value:			
Authorized—600,000,000 shares			
Issued—199,401,173 shares at March 31, 2003 and 2002	16,469	16,469	137,246
Additional paid-in capital	15,582	15,582	129,851
Revaluation reserve for land (Note 11)	265	222	2,206
Retained earnings	15,389	16,185	128,242
Net unrealized loss on securities	(1,159)	(811)	(9,654)
Treasury stock	(342)	(582)	(2,852)
Total shareholders' equity	<u>46,204</u>	<u>47,065</u>	<u>385,039</u>
Commitments and contingent liabilities (Note 12):			
Total	<u>¥ 263,941</u>	<u>¥ 325,949</u>	<u>\$ 2,199,510</u>

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

TOA CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2003 and 2002

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Net sales	¥ 237,923	¥ 288,932	\$ 1,982,695
Cost of sales	217,608	263,422	1,813,401
Gross profit	20,315	25,510	169,294
Selling, general and administrative expenses	15,988	16,985	133,235
Operating income	4,327	8,525	36,059
Other income (expenses):			
Interest and dividends income	457	561	3,809
Interest expenses	(1,340)	(1,446)	(11,172)
Write-down of marketable securities and investment securities	(1,078)	(1,383)	(8,987)
Write-down of real estate for sale	—	(95)	—
Special provision for early retirement benefits	(2,795)	—	(23,288)
Gain from the transfer of the substitutional portion of the employee pension fund liabilities	3,008	—	25,067
Other, net	(436)	(660)	(3,633)
	<u>(2,184)</u>	<u>(3,023)</u>	<u>(18,204)</u>
Income before income taxes and minority interest	2,143	5,502	17,855
Income taxes			
Current	552	4,373	4,596
Adjustment of prior-year	(700)	—	(5,833)
Deferred	1,970	(1,055)	16,417
Minority interest	92	159	763
Net income	<u>¥ 229</u>	<u>¥ 2,025</u>	<u>\$ 1,912</u>
Retained earnings:			
Balance at beginning of year	¥ 16,185	¥ 15,152	\$ 134,865
Cash dividends	(982)	(983)	(8,183)
Bonuses to directors and corporate auditors	(6)	(9)	(45)
Write-off from revaluation excess of land	(37)	—	(307)
Net income	229	2,025	1,912
Balance at end of year	<u>¥ 15,389</u>	<u>¥ 16,185</u>	<u>\$ 128,242</u>
Per share data (Note 1):	Japanese Yen		U.S. Dollars (Note 2)
Net income	¥ 1.12	¥ 10.30	\$ 0.009
Cash dividends	¥ 5.00	¥ 5.00	\$ 0.042

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TOA CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2003 and 2002

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	2003
Cash flows from operating activities:			
Net income before income taxes	¥ 2,143	¥ 5,502	\$ 17,855
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,238	4,391	35,318
Loss on sales or disposal of P.P. & E	157	151	1,304
Loss on sales of marketable securities	313	241	2,610
Write-down of marketable securities and investment securities	1,078	1,383	8,987
Write-down of real estate for sale and other	286	261	2,387
Provision for severance indemnities	(3,690)	815	(30,754)
Provision for allowance for doubtful accounts	(589)	(689)	(4,911)
Changes in:			
Notes and accounts receivable, trade	(766)	7,652	(6,382)
Inventories, principally real estate for sale	(5,742)	1,545	(47,849)
Cost on contracts in progress	14,848	862	123,737
Prepaid expenses and other current assets	16,188	10,266	134,904
Notes and accounts payable, trade	(13,087)	(2,915)	(109,062)
Advances on contracts in progress	(6,287)	(4,477)	(52,392)
Other current liabilities	(27,072)	(10,433)	(225,603)
Other, net	8,988	(1,022)	74,906
Sub-total	(8,994)	13,533	(74,945)
Interest and dividends income received	441	560	3,676
Interest paid	(1,390)	(1,455)	(11,583)
Income taxes paid and other	(3,699)	(5,245)	(30,825)
Net cash provided by/(used in) operating activities	(13,642)	7,393	(113,677)
Cash flows from investing activities:			
Payment for purchases of securities	(9)	(1,061)	(79)
Proceeds from sale of marketable and investment securities	511	1,790	4,257
Acquisition of investment in securities	(2,589)	(1,059)	(21,572)
Acquisition of P.P. & E	(2,104)	(9,165)	(17,535)
Proceeds from sale or disposal of P.P. & E	358	239	2,986
Other, net	(222)	1,907	(1,855)
Net cash used in investing activities	(4,055)	(7,349)	(33,798)
Cash flows from financing activities:			
Proceeds from long-term debt	13,765	5,203	114,708
Increase in commercial paper	4,500	8,000	37,500
Net decrease in short-term borrowings	(4,462)	(1,108)	(37,180)
Redemption of bonds	(4,400)	(500)	(36,667)
Repayment of long-term debt	(6,452)	(4,633)	(53,763)
Cash dividends paid	(982)	(983)	(8,183)
Other, net	(9)	(24)	(80)
Net cash provided by financing activities	1,960	5,955	16,335
Effect of exchange rate changes on cash and cash equivalents..	(198)	85	(1,651)
Net increase (decrease) in cash and cash equivalents	(15,935)	6,084	(132,791)
Cash and cash equivalents at beginning of year	41,794	35,710	348,284
Cash and cash equivalents at end of year	¥ 25,859	¥ 41,794	\$ 215,493

The accompanying notes to the financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

(1) Summary of Significant Accounting Policies

(a) Basis of presenting consolidated financial statements:

The accompanying consolidated financial statements have been prepared from the accounts maintained by TOA CORPORATION, (the "Company") and its consolidated subsidiaries together "the Companies", in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements filed with Director of Kanto Financial Bureau, as required by the Securities and Exchange Law of Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(b) Basis of consolidation:

The Company had 18 majority-owned subsidiaries as of March 31, 2003

The consolidated financial statements for the years ended March 31, 2003 and 2002 include the accounts of the Company and 12 of its majority-owned subsidiaries.

The consolidated subsidiaries for 2003 included TOA Real Estate Co., Ltd., TOA Tekko Co., Ltd., TOA Kikai Kogyo Co., Ltd., Tagawa Real Estate Co., Ltd., TOA Doboku Co., Ltd., Shinko Corporation, TOA Builtec Co., Ltd., TOA Concrete Co., Ltd., TOA Agency Co., Ltd., TOA Agency Nishinohon Co., Ltd., TOA Kaiun Sangyo Co., Ltd., and Tsurumi Rinko Co., Ltd.

Other subsidiaries were not consolidated as they were not significant in terms of total assets, net

sales, retained earnings or net income.

Investment in unconsolidated subsidiaries and affiliates (companies owned 15% to 40%), are stated at cost.

All significant inter-company accounts and transactions have been eliminated in consolidation.

(c) Foreign currency translation:

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rate prevailing at the balance sheet date. Resulting gains and losses are included net profit or loss for the period.

(d) Cash and cash equivalents:

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to withdrawn on demand and short-term investment with an original maturity of three months or less and which represent a minus risk of fluctuation in value.

(e) Financial instruments:

(I) **Derivatives**

Under the new standard, all derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see (III) Hedge Accounting, specified below).

(II) **Securities**

Securities held by the Companies, under the present standard, classified into three categories;

Held-to-maturity debt securities, that the Companies have intent to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which are amortized over the period to maturity.

Investments of the Companies in equity securities issued by unconsolidated subsidiaries and affiliates are stated at cost.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are

reported as a separate item in the shareholders' equity at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

Under the present standard, debt securities due within one year are presented as "current" and all the other securities are presented as "non-current".

(III) Hedge Accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Companies are principally interest swaps and forward exchange contracts. The related hedged items are trade accounts receivable and payable, long-term bank loans.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of interest rate fluctuation. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(f) Inventories:

Cost on contracts in progress and real estate for sale are stated at specific cost for each lot. Materials

and supplies are stated at moving average cost.

(g) Allowance for doubtful accounts:

Allowance for general receivables are established in amounts considered to be appropriate based upon credit loss experience. For specific receivables such as doubtful accounts, allowance for these are established in amounts considered to be uncollectible based upon an evaluation of possibility of collection in the each receivables outstanding.

(h) Property, plant and equipment and depreciation:

Depreciation is principally computed by a declining-balance method at rates based on the estimated useful lives. Useful life and residual value are in conformity to the provisions of the income tax law. However, depreciation of building which the Companies acquired on and after April 1, 1998, is amortized on a straight-line basis over the shortened estimated period.

(i) Reserve for retirement benefits:

The reserve for retirement benefits as of March 31, 2002 and 2003 represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets. The unrecognized actuarial differences are amortized on straight-line basis over the period of 15 years from the next year in which they arise.

With respect to corporate officer, directors and statutory auditors, the Company provides for lump-sum severance indemnities on the basis of 100% of the amount required in the event of ordinary retirement at the balance sheet dates.

(j) Income taxes:

The Companies have adopted the asset-liability method of tax effect amounting to recognize the effect of all temporary differences in the recognition of tax basis assets and liabilities and their financial report amounts.

(k) Consumption tax:

In Japan, consumption tax at the flat rate of 5% for 2003 and 2002 on all domestic consumption of goods and services (with certain exemptions) is levied.

The Companies have adopted the accounting

method by which the consumption tax does not primarily affect net income.

(l) Recognition of contract revenue:

The Companies follow the completed contract method of accounting for revenue from contracts except for projects in amounts of ¥2 billion (US\$17 million) and over and those requiring more than one year for completion. These are accounted for by the percentage of completion method, measured by the ratio of the costs incurred to the estimated total costs for each contract.

The amounts of contract revenue which are accounted for by the percentage of completion method were ¥31,165 million (US\$259,708 thousand) for 2003 and ¥47,987 million for 2002.

(m) Appropriation of retained earnings:

Appropriation of retained earnings approved by shareholders subsequent to the balance sheet date are recorded as if such approval was made at the respective balance sheet dates in the accompanying financial statements.

(n) Leases:

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that leases do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(o) Net income and cash dividend per share:

Net income per share assuming no dilution is based on the weighted average number of shares of common stock outstanding during the respective years.

Net income per share assuming full dilution was not disclosed in 2003 and 2002, due to the fact that there were no bonds with warrant and convertible bonds at the end of 2003 and 2002.

Cash dividends per share for each year represent the dividends declared as applicable to the respective years.

Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share

and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share"). The effect of adopting the Guidelines is stated in Note 9.

(2) U.S. Dollar Amounts

The dollar amounts included in the financial statements and notes thereto represent the arithmetical results of translating yen to dollars at rate ¥120 = US\$1, the approximate rate of exchange effective at March 31, 2003. The inclusion of such dollar amounts is solely for convenience of readers outside of Japan and is not intended to imply that yen and assets and liabilities originating in yen have been or could be readily converted, realized or settled in dollars at this or any other rates.

(3) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2003 and 2002 consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2003	2002	2003
Cash and bank deposits	¥ 26,171	¥ 42,130	\$ 218,092
Time deposits with deposit term of 3 months	(312)	(336)	(2,599)
Cash and cash equivalents ..	<u>¥ 25,859</u>	<u>¥ 41,794</u>	<u>\$ 215,493</u>

(4) Marketable Securities and Investments in Securities

The following is certain information relating to the aggregate carrying amount and fair value of securities after the adoption of the new standard in 2002

- (a) Held-to-maturity debt securities having its market value:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2003	2002	2003
Government bond, municipal bond and other	¥ 77	¥ 45	\$ 640
Corporate bond.	300	300	2,500
Total.....	¥ 377	¥ 345	\$ 3,140

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2003	2002	2003
Carrying value..	¥ 377	¥ 345	\$ 3,140
Market value....	369	318	3,073
Unrealized loss..	¥ 8	¥ 27	\$ 67

(b) Other securities having its market value:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2003	2002	2003
Marketable equity securities.....	¥ 9,057	¥ 11,074	\$ 75,476
Debentures.....	5	5	45
Other.....	239	290	1,990
Total.....	¥ 9,301	¥ 11,369	\$ 77,511

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2003	2002	2003
Cost.....	¥ 11,246	¥ 12,751	\$ 93,715
Market value....	9,301	11,369	77,511
Unrealized loss..	¥ 1,945	¥ 1,382	\$ 16,204

Securities for which market quotations are not available are principally non-listed securities.

(5) Short-term Borrowings and Long-term Debt

Short-term borrowings were represented generally by 365-day notes in 2003 and 2002 issued by the Companies and bore interest principally at the short-term primary interest rates in effect in 2003 and 2002.

As is customary in Japan, the Company and its consolidated domestic subsidiaries maintain deposit

balances with banks with which they have short-term bank loans or long-term debt.

Such deposit balance are not legally or contractually restricted as to withdrawal.

Long-term debt as of March 31, 2003 and 2002 consisted of the following:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2003	2002	2003
3.20% bond, due 2002	¥ —	¥ 3,700	\$ —
3.45% bond, due 2003	4,800	5,400	40,000
3.55% bond, due 2004	3,700	3,800	30,833

Loans from banks and insurance companies with interest ranging from 0.60% to 2.95%, due various dates through 2009:

Collateralized or guaranteed	¥30,771	¥23,458	\$256,430
Total	39,271	36,358	327,263
Current portion included in current liabilities	(15,607)	(10,128)	(130,060)
Total	¥23,664	¥26,230	\$197,203

Certain of the Companies' long-term debt agreements provide, among other things, that the lender may request the Companies to submit proposals for appropriations of retained earnings (including payment of dividends) for review and, in some instances, approval prior to presentation to the shareholders. However, the Companies has never received such a request.

In addition, as is customary in Japan, substantially all of the Companies' bank borrowings are subject to general agreements with each bank which provide, among other things, that the relevant bank may treat any security furnished to the bank as well as cash deposited with it as security for all present and future indebtedness and may, when the bank deems it necessary, request additional security for the loans.

At March 31, 2003, the Company had credit lines from 8 banks amounting to ¥15,000 million (US\$125,000 thousand) in total.

Assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2003 were as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
Assets pledged as collateral:		
Land	¥ 4,096	\$ 34,134
Building and structures	1,396	11,635
Investment securities	4,855	40,459
	<u>¥ 10,347</u>	<u>\$ 86,228</u>
	Millions of Japanese Yen	Thousands of U.S. Dollars

Liabilities secured thereby:

Current portion of long-term debt	¥ 2,337	\$ 19,476
Long-term debt	¥ 2,261	\$ 18,839

The aggregate annual maturities of long-term loans (including current portion) as of March 31, 2003 were as follows:

Year ending March 31	Millions of Japanese Yen	Thousands of U.S. Dollars
2004	¥ 10,807	\$ 90,060
2005	6,832	56,935
2006	5,297	44,144
2007	4,557	37,977
2008	3,166	26,384
2009 and thereafter	112	930
Total	<u>¥ 30,771</u>	<u>\$256,430</u>

(6) Advances on Contracts in Progress

The Company usually receives payments from customers in the public sector on a progress basis in accordance with terms of the respective construction contracts.

(7) Reserve for retirement benefits and Pension Plan

The Company has defined benefit retirement plans covering substantially all employees.

The Company obtained the approval from the Minister of Health, Labor and Welfare on March 1, 2003, for an exemption from the future benefit

obligation related to the substituted government's portion of pension benefits provided by social welfare pension fund.

The reserve for retirement benefits as of March 31, 2003 and 2002 are analyzed as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligations.....	¥(29,968)	¥(42,032)	\$(249,738)
Plan assets	8,459	18,580	70,492
	<u>(21,509)</u>	<u>(23,452)</u>	<u>(179,246)</u>
Unrecognized actuarial differences	8,978	7,132	74,824
	<u>¥(12,531)</u>	<u>¥(16,320)</u>	<u>\$(104,422)</u>

The Company, on the approval date, recognized the relinquishment of the substituted portion of benefit obligation of welfare pension funds and the corresponding portion of plan assets.

The amount of plan assets to be transferred back to the government was ¥8,099 million (US\$67,496 thousand) as of March 31, 2003.

Net pension expense related to the retirement benefits for the years ended March 31, 2003 and 2002 was as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost	¥ 1,840	¥ 1,844	\$ 15,336
Interest cost	1,256	1,206	10,468
Expected return on plan assets	(500)	(502)	(4,171)
Amortization of unrecognized actuarial differences amount.....	503	407	4,189
Net pension expense.	<u>¥ 3,099</u>	<u>¥2,955</u>	<u>\$ 25,822</u>
Gain by the transfer of the substitutional portion of the employee pension fund liabilities	<u>(3,008)</u>	<u>—</u>	<u>(25,067)</u>
	<u>¥ 91</u>	<u>¥2,955</u>	<u>\$ 755</u>

Assumptions used in calculation of the above information were as follows:

	2003	2002
Discount rate	2.5%	3.0%
Expected rate of return on plan assets	2.5%	3.0%
Method of attributing the projected benefits to periods of services	Straight- line basis	Straight- line basis
Amortization of unrecognized actuarial differences	15 years	15 years

The balance of reserve for retirement benefits included the reserve for retirement allowance for directors and statutory auditors in amounts of ¥871 million (US\$7,263 thousands) and ¥773 million as of March 31, 2003 and 2002, respectively.

(8) Income Taxes

(a) The significant components of deferred tax assets and liabilities at March 31, 2003 and 2002 were as follows.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred Tax Assets:			
Expense for retirement benefits ..¥	4,684	¥ 5,943	\$ 39,031
Revaluation of inventories	2,828	2,916	23,570
Write-down of investments securities	511	1,228	4,258
Allowance for doubtful accounts ...	1,146	1,131	9,547
Accrued bonus to employees	482	374	4,013
Reserve for retirement benefits to directors .	358	313	2,985
Accrued tax	16	365	137
Others	3,878	3,539	32,313
Deferred Tax Assets ..	<u>¥13,903</u>	<u>¥15,809</u>	<u>\$ 115,854</u>
Deferred Tax Liabilities:			
Property and equipment	¥ (1,535)	¥ (1,537)	\$ (12,793)
Other	(55)	(231)	(453)
Deferred Tax Liabilities	<u>(1,590)</u>	<u>(1,769)</u>	<u>(13,246)</u>
Net Deferred Tax Assets	<u>¥ 12,313</u>	<u>¥ 14,040</u>	<u>\$ 102,607</u>

(b) A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2003 and the actual effective tax rates reflected in the accompanying consolidated statements of operations is as follows:

	2003
Normal effective statutory tax rate	41.7 %
Expenses not deductible for income tax purposes	25.6
Non-taxable income	(1.4)
Per capita levy of inhabitant taxes	9.4
Other-net	9.7
Actual effective tax rate	<u>85.0 %</u>

According to the portional revision concerning to the Local Tax Law issued on March 31, 2003, the effective income tax rate used for calculating deferred tax assets and liabilities for this year was changed. As a result, deferred tax assets decreased by ¥132 million (US\$1,100 thousands), whilst the income taxes and minority interest increased by ¥132 million.

(9) Shareholders' Equity

Under the Commercial Code of Japan, certain issuance of common shares is required to be credited to the common stock account for 50% of the proceeds. The Code permits, upon approval of the board of directors, transfer of amounts from additional paid-in capital to the common stock.

The Commercial Code of Japan provides that an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25 % of the stated amount of capital stock. Legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the board of directors. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, it is available for distributions by the resolution of shareholder' meeting. Par value stock is abolished and unifies in no-par value stock.

Effective April 1, 2002, the Company adopted

the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share"). For the year ended March 31, 2003, net income per share is ¥1.17 (US\$0.010), as compared with the amount which would have been reported if the previous standard had been applied.

(10) Leases

The Companies lease tools, vehicles and certain other assets under operating leases. Leases qualifying as capital leases at March 31, 2003 and 2002 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2003	2002	2003
Machinery, vehicles, tools and others	¥1,103	¥ 648	\$ 9,188
Accumulated depreciation	501	439	4,176
	<u>¥ 602</u>	<u>¥ 209</u>	<u>\$ 5,012</u>

The scheduled maturities of future lease rental payments, including an interest portion on such lease contracts as of March 31, 2003 and 2002 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year ...	¥ 164	¥ 110	\$ 1,366
Due over one year	438	99	3,647
	<u>¥ 602</u>	<u>¥ 209</u>	<u>\$ 5,013</u>

Lease rental expenses incurred in connection with finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees amount to ¥190 million (US\$1,587 thousand) and ¥124 million for the years ended March 31, 2003 and 2002, respectively.

(11) Revaluation of land

The Company revalued the land of ownership used for its own business purposes based on the value appraised by an appraiser who is regulated by Article 2 No.1 and 4 of an Enforcement Ordinance No.119 of Law Concerning Land Revaluation (effective from March 31, 1998) with certain

necessary adjustments.

As its result the excess of revaluation was recognized and taxes to be levied to its excess in future was declared as deferred tax liabilities amounting to ¥179 million (US\$1,496 thousand) including in other long-term liabilities and net excess having deducted the above taxes was presented in shareholders' equity as a reserve for land revaluation amounting to ¥265 million (US\$2,206 thousand).

On the date of revaluation of March 31, 2003, there was difference in value between market and book after revaluation amounting ¥2,354 million (US\$19,617 thousands).

(12) Commitments and Contingent Liabilities

There were no commitments outstanding at March 31, 2003 and 2002 for the purchase of property, plant and equipment.

The Companies are contingently liable for the following at March 31, 2003 and 2002:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2003	2002	2003
Trade notes receivable endorsed	¥ —	¥ 32	\$ —
Trade notes receivable discounted	287	246	2,393
Contingently liable for guarantees of short-term and long-term debt of customers, unconsolidated subsidiaries and affiliates..	<u>4,414</u>	<u>5,390</u>	<u>36,786</u>
	<u>¥4,701</u>	<u>¥5,668</u>	<u>\$ 39,179</u>

(13) Segment Information

a. Business Segments

Business segments are principally composed of the followings:

Construction	Civil Engineering and Architectural Construction
Real Estate	Development of Land and Buildings
Other Areas	Architecture, Engineering and any other relevant business

Year Ended March 31, 2003

Millions of Japanese Yen

	Construction	Real Estate	Other Businesses	Total	Elimination	Consolidated
Net sales:						
Customers	¥ 228,066	¥ 6,501	¥ 3,356	¥ 237,923	¥ 0	¥ 237,923
Inter-segment	1,901	631	1,526	4,058	(4,058)	0
Total	229,967	7,132	4,882	241,981	(4,058)	237,923
Operating expenses	226,229	6,808	4,697	237,734	(4,138)	233,596
Operating profit	3,738	324	185	4,247	80	4,327
Total assets	177,542	52,672	4,365	234,579	29,362	263,941
Depreciation expenses	3,898	238	91	4,227	11	4,238
Capital Expenditure	¥ 1,961	¥ 132	¥ 231	¥ 2,324	¥ (9)	¥ 2,315

Year Ended March 31, 2002

Millions of Japanese Yen

	Construction	Real Estate	Other Businesses	Total	Elimination	Consolidated
Net sales:						
Customers	¥ 278,953	¥ 6,943	¥ 3,036	¥ 288,932	¥ 0	¥ 288,932
Inter-segment	2,367	1,098	2,394	5,859	(5,859)	0
Total	281,319	8,041	5,430	294,791	(5,859)	288,932
Operating expenses	273,555	6,990	5,184	285,729	(5,322)	280,407
Operating profit	7,765	1,051	246	9,062	(537)	8,525
Total assets	224,975	54,291	4,236	283,502	42,447	325,949
Depreciation expenses	3,990	279	95	4,364	26	4,390
Capital Expenditure	¥ 6,326	¥ 3,426	¥ 194	¥ 9,947	¥ (605)	¥ 9,342

Year Ended March 31, 2003

Thousands of U.S. Dollars

	Construction	Real Estate	Other Businesses	Total	Elimination	Consolidated
Net sales:						
Customers	\$1,900,555	\$ 54,177	\$ 27,963	\$1,982,695	\$ 0	\$ 1,982,695
Inter-segment	15,840	5,260	12,718	33,818	(33,818)	0
Total	1,916,395	59,437	40,681	2,016,513	(33,818)	1,982,695
Operating expenses	1,885,240	56,737	39,146	1,981,123	(34,487)	1,946,636
Operating profit	31,155	2,700	1,535	35,390	669	36,059
Total assets	1,479,517	438,934	36,372	1,954,823	244,688	2,199,511
Depreciation expenses	32,485	1,980	762	35,227	91	35,318
Capital Expenditure	\$ 16,345	\$ 1,099	\$ 1,926	\$ 19,370	\$ (81)	\$ 19,289

b. Geographical Segments

Each area primarily refers to the following countries:

Southeast AsiaSingapore, Philippines and Viet Nam

Year Ended March 31, 2003					Millions of Japanese Yen	
	Japan	Southeast Asia	Other Areas	Total	Elimination	Consolidated
Net sales:						
Customers	¥ 219,164	¥ 15,500	¥ 3,259	¥ 237,923	¥ —	¥ 237,923
Inter-segment	—	—	—	—	(—)	—
Total	219,164	15,500	3,259	237,923	(—)	237,923
Operating expenses	214,731	15,909	2,956	233,596	(—)	233,596
Operating profit	4,433	(409)	303	4,327	(—)	4,327
Total assets	¥ 213,366	¥ 10,388	¥ 990	¥ 224,744	¥ 39,197	¥ 263,941

Year Ended March 31, 2002					Millions of Japanese Yen	
	Japan	Southeast Asia	Other Areas	Total	Elimination	Consolidated
Net sales:						
Customers	¥ 267,036	¥ 20,145	¥ 1,751	¥ 288,932	¥ —	¥ 288,932
Inter-segment	—	—	—	—	(—)	—
Total	276,036	20,145	1,751	288,932	(—)	288,932
Operating expenses	258,445	20,347	1,615	280,407	(—)	280,407
Operating profit	8,591	(202)	136	8,525	(—)	8,525
Total assets	¥ 260,867	¥ 10,045	¥ 751	¥ 271,662	¥ 54,287	¥ 325,949

Year Ended March 31, 2003					Thousands of U.S. Dollars	
	Japan	Southeast Asia	Other Areas	Total	Elimination	Consolidated
Net sales:						
Customers	\$1,826,370	\$ 129,170	\$ 27,155	\$1,982,695	\$ —	\$1,982,695
Inter-segment	—	—	—	—	(—)	—
Total	1,826,370	129,170	27,155	1,982,695	(—)	1,982,695
Operating expenses	1,789,426	132,579	24,631	1,946,636	(—)	1,946,636
Operating profit	36,944	(3,409)	2,524	36,059	(—)	36,059
Total assets	\$1,778,048	\$ 86,570	\$ 8,247	\$1,872,865	\$ 326,646	\$2,199,511

c. Overseas Net Sales

Each area primarily refers to the following countries:

Southeast AsiaSingapore, Philippines and Viet Nam

Year Ended March 31, 2003		Millions of Japanese Yen	
	Southeast Asia	Other Areas	Total
Overseas net sales	¥ 15,500	¥ 3,259	¥ 18,759
Consolidated net sales	—	—	237,923
Ratio (%)	6.5	1.4	7.9

Year Ended March 31, 2002		Millions of Japanese Yen	
	Southeast Asia	Other Areas	Total
Overseas net sales	¥ 20,145	¥ 1,751	¥ 21,896
Consolidated net sales	—	—	288,932
Ratio (%)	7.0	0.6	7.6

Year Ended March 31, 2003		Thousands of U.S. Dollars	
	Southeast Asia	Other Areas	Total
Overseas net sales	\$ 129,170	\$ 27,155	\$ 156,325
Consolidated net sales	—	—	1,982,695

Board of Directors

(As of June 27, 2003)

Chairman of the Board and Representative Director

Hiroshi Kitamura

President and Representative Director

Masao Watanabe

Representative Directors

Hiroshi Shirasu

Koki Tokunaga

Directors

Hiroshi Otani

Isao Sakamoto

Shuji Kubo

Hiroshi Ogawa

Keiji Yoshikura

Hidechika Akiyama

Kentaro Imano

Yukio Suzuki

Motoichi Kobayashi

Masaomi Matsuo

Corporate Auditors

Taketo Fujiike

Hirotohi Furuya

Minoru Oka

Tomohisa Uno

Executive Officers

(As of June 27, 2003)

President and Chief Executive Officer (CEO)

Masao Watanabe

Executive Vice Presidents

Hiroshi Shirasu

Koki Tokunaga

Senior Executive Officers

Hiroshi Otani

Isao Sakamoto

Shuji Kubo

Hideaki Kimoto

Hiroshi Ogawa

Fumio Ichinose

Keiji Yoshikura

Shintaro Ueki

Hidechika Akiyama

Managing Executive Officers

Kentaro Imano

Takeshi Monji

Sadao Kurasawa

Hisahiko Uemura

Hideyo Maoka

Koki Honjo

Ryosaku Asano

Yukio Suzuki

Motoichi Kobayashi

Executive Officers

Norifumi Takamura

Hisao Sawamura

Takehiko Kuroki

Kazuhiro Takagi

Osamu Nakagome

Masaomi Matsuo

Tsuyoshi Torii

Mitsugi Okuda

INVESTOR INFORMATION

(As of March 31, 2003)

Head Office

TOA CORPORATION
5, Yonbancho, Chiyoda-ku, Tokyo
102-8451, Japan
Phone: (03) 3262-5102
<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

Date of Incorporation

January 1920

Paid-In Capital

¥16,469 million

Authorized Shares

600,000,000

Outstanding Shares

199,401,173 shares in 2003

Number of Shareholders

15,894

Number of Employees

1,993

General Meeting

The General Meeting of Shareholders
was held on June 27, 2003

Stock Listing

Tokyo Stock Exchange, 1st Section
Sapporo Stock Exchanges

Transfer Agent

Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-chome, Chuo-ku, Tokyo
103-8670, Japan

Auditor

ChuoAoyama Audit Corporation
Kasumigaseki Building, 32nd Floor,
3-2-5, Kasumigaseki, Chiyoda-ku, Tokyo
100-6088, Japan

Domestic Branches

Hokkaido Branch
Tohoku Branch
Chiba Branch
Tokyo Branch
Yokohama Branch
Hokuriku Branch
Nagoya Branch
Osaka Branch
Chugoku Branch
Shikoku Branch
Kyushu Branch
Technical Research Institute

Overseas NETWORK

Overseas Offices

SINGAPORE

Singapore Office
23, Pandan Crescent,
Republic of Singapore 128472
Phone: (65) 7755044~49
Facsimile: (65) 7753542, 7750373

INDONESIA

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

PHILIPPINES

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

VIETNAM

Hanoi Office
Suite 707, Hanoi Tung Shing Sq.,
2 Ngo Quyen, Hoan Kiem Dist.,
Hanoi, Socialist Republic of Vietnam
Phone: (84-4) 8262606
Facsimile: (84-4) 8262628

TAIWAN

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

SRI LANKA

Sri Lanka Office
8/5 Pansalhena Road, Kolonnawa,
Democratic Socialist Republic of Sri Lanka
Phone: (94-1) 2572005
Facsimile: (94-1) 572535

CARIBBEAN ISLANDS

Carib Office
Genville Fish Market, St. Andrew's,
Grenada
Phone: (1-473) 4383743
Facsimile: (1-473) 4383744

Overseas Subsidiaries and Affiliates

TC AMERICA, INC.

725 South Figueroa St.,
Suite 1200, Los Angeles,
California 90017-5476, U.S.A.
Phone: (1-213)4887100
Facsimile: (1-213) 6291033

TOA HARBOR (S) PTE., LTD.

23, Pandan Crescent,
Republic of Singapore 128472
Phone: (65) 7755044
Facsimile: (65) 7753542

TOA (M) SENDIRIAN BERHAD

6th Floor, Wisma Genting
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
Phone: (60-3) 21665909
Facsimile: (60-3) 21665908

P.T. TOA TIRTA DHARMA

9th Floor, Permata Plaza,
Jalan M.H. Thamrin 57,
Jakarta 10350, Republic of Indonesia
Phone: (62-21) 3903168
Facsimile:(62-21) 3903169

TOA (LUX) S.A.

4, Rue Henri Schnadt L-2530,
Luxembourg
Phone: (352) 403727
Facsimile:(352) 403723



Address: 5, Yonban-cho, Chiyoda-ku, Tokyo 102-8451, Japan