



# MAEDA

ANNUAL REPORT 2002

## *Corporation*





Yasuji Maeda, President, Chief Executive Officer, and Representative Director

*On behalf of all of us at Maeda Corporation, I am pleased to take this opportunity to report the Company's operating results for fiscal 2002, ended March 31, 2002, the 57th year since Maeda's incorporation.*

During the fiscal year under review, after the September 11 terrorist attacks in the United States, stagnancy in the U.S. economy became further entrenched and the global economy showed signs of a slowdown, while in the domestic economy, such factors as the failure by financial institutions to resolve the problem of bad debts contributed to ongoing uncertainty about the economy's direction, resulting in a widespread economic recession. Although signs of an economic recovery in the U.S. economy were seen in certain industries at fiscal year-end, in Japan, corporate performance failed to improve, resulting in a significant decline in corporate earnings and capital investment. Furthermore, the dismal domestic employment and wage environment stemming from a record high unemployment rate led to falling prices and continued sluggishness in

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private consumption that contributed to a continuing deflationary trend in the economy.

In the construction industry, difficult financial circumstances and restructuring by central and local governments put a curb on investment, leading to a decline in public works construction. Looking at capital investment in the private sector, in manufacturing, the IT sector's slump led to a dull market for electronic devices and machinery, while the non-manufacturing industries pulled back from aggressive investment due to such factors as weak demand for houses and condominiums. The above-mentioned factors contributed to an overall decline in construction investment, and the environment for contracts remained harsh. However, integration as well as business and technological tie-ups between construction companies reflected a trend toward the restructuring of the industry.

In response to this environment, we have worked to raise customer satisfaction by improving our prioritized marketing system while actively working to maximize our engineering functions and generate business funded by Private Finance Initiatives in an effort to expand marketing activities. Amid these difficult circumstances, we redoubled efforts to strengthen our business foundations. However, sales by our Construction Business, which represents a significant portion of the Company's net sales, fell 5.6%, to ¥392.7 billion, while net sales of Other Business, which centers on construction-related business, slipped 2.4%, to ¥47.1 billion, resulting in consolidated net sales of ¥439.8 billion, down 5.3% from the previous fiscal year. Operating income dropped to ¥9.8 billion, down 25.0% from the previous fiscal year, while net income plummeted 84.3%, to ¥0.2 billion.

Looking at non-consolidated performance, net sales fell 4.7%, to ¥389.7 billion and, despite efforts to curb administrative expenses, income from completed construction works decreased due to such factors as intensified competition for orders, resulting in a 26.6% fall in operating income, to ¥8.6 billion. Furthermore, we recorded a net loss of ¥0.5 billion due to special losses related to the payment of settlement money related to an overseas construction project combined with an unrealized loss on investment securities stemming from the stock market's bearish trend.

Looking ahead, although an upturn in the U.S. economy combined with streamlining of inventories by domestic businesses is expected to spur recovery, lingering uncertainty about the future stemming from the ongoing difficulty in the employment environment as well as the persistent problem of financial institutions' bad debts is expected to prolong the recession. In the construction industry, private-sector capital investment is not anticipated to recover soon, while restructuring in the public sector is expected to lead to further reductions in public works construction. In addition, an overhaul of the bidding and contract system and a diversification of orders will require that we improve our ability to respond to various changes in the market environment.

Maeda will strive to succeed in this environment under its new three-year management plan, which commenced in fiscal 2002 and sets targets of improving cost competitiveness, strengthening the Company's solution functions, raising brand value, and entering new markets. Specifically, we plan to create a new production system for our construction business, expand orders in the engineering field, including renewals, and strengthen our endeavors in such new areas as our retail and IT solutions businesses. Furthermore, we plan to reform all systems—our personnel system in particular—through measures that include streamlining and raising the efficiency of the organization, in addition to which we will work to raise efficiency in business activities, including the reconstruction of our information systems to incorporate a consolidated database. We will continue our ongoing environmental preservation activities, which not only contribute to the betterment of society but also serve to further develop our business operations.

We look forward to the continued guidance and support of our shareholders and business partners in the current fiscal year.

June 2002



**Yasuji Maeda**

President, Chief Executive Officer, and Representative Director

Maeda Corporation was established in Japan in 1919. Since then, it has progressed to become one of Japan's leading building and civil engineering contractors. Maeda has a well-earned reputation for completing contracts with high-quality work and technical standards within short construction periods at very competitive prices. The experience that Maeda has gained in civil engineering and building is extensive and includes projects in the following categories:

### Civil Engineering

- Dams and power stations (hydro, thermal, and nuclear), railways, subways, tunnels, subterranean works, highways, and bridges
- Harbor, river, and levee works, reclamation, dredging, and land development
- Water supply, drainage, and sewage disposal systems
- Irrigation and water control systems
- Airports

**The Takase Dam** is a good example of the scale of work successfully undertaken by Maeda. This is one of the largest rock-filled dams in Asia, with a height of 176 meters and an embankment volume of 11.4 million cubic meters. The Takase Dam was built for the Tokyo Electric Power Co., Inc., in connection with a 1,280-megawatt hydroelectric plant.

**The Seikan Undersea Tunnel** illustrates Maeda's status as one of Japan's leading tunneling contractors. As a member of a construction joint venture, but employing its own construction methods and technologies, Maeda successfully completed its work on this challenging project. This tunnel, with a total length of 53.85 kilometers, connects Honshu (the main island of Japan) with Hokkaido (the northern island of Japan) and is now the world's longest railway tunnel.

Traversing the Seto Inland Sea, the **Seto-Ohashi Bridge** links Honshu with Shikoku (a southwestern island of Japan). This bridge consists of three long suspension spans and seven elevated spans that carry both road and rail traffic. Maeda's

principal role in the project was the construction of the substructure supports, which involved the construction of steel and concrete foundations and tower supports in deep water with very strong currents.

### Building

- Schools, hospitals, and office buildings
- Residential buildings
- Stores
- Athletic and entertainment facilities
- Factories and warehouses

### The United States and the Pacific Region

In 1985, Maeda decided to make a full-scale entry into the U.S. market and established MKK Technologies, Inc., in Michigan. MKK's first major project was the construction of the Mazda automobile manufacturing plant in Detroit. Since then, MKK has undertaken numerous projects in 12 states, mostly in the Midwest, for both Japanese and American clients. Maeda has every confidence that MKK will expand, based on trust in the Maeda name among Japanese companies, and grow as a local company with roots firmly planted in the United States.

Maeda is continuing to develop new business in the Pacific region, including Guam and the West Coast of the United States, and has completed projects that include deluxe condominiums, golf courses, and the renovation of luxury hotels. Maeda has also undertaken the construction of the Truk International Airport in the Federated States of Micronesia.

### China and the Special Administrative Region of Hong Kong

In collaboration with Chinese and French contractors, Maeda has constructed the main building for a nuclear power plant in China's Guangdong Province. This building houses the plant's twin 900-megawatt pressurized water reactors and associated steam turbines. The reactors went into operation in 1994.

In a joint venture with its Chinese counterpart, Maeda also received an order in January 1987 to build a power plant and the 3.5-million-cubic-meter Shuikou concrete gravity dam in Fujian Province.

In Hong Kong, Maeda is employing advanced construction methods and know-how in a substantial contribution to improving this international city's transportation network. Our first construction project there was in 1963, and in the late '70s, early '80s, and late '90s we have been responsible for a significant part of the new Mass Transit System. Our latest achievement in the city includes the completion of the New Hong Kong International Airport Terminal Building, one of world's biggest building projects.

### Southeast Asia

In addition to the extensive amount of work undertaken in its home country as well as in China, including Hong Kong, as described above, Maeda is very active in many other countries in Southeast Asia.

In Thailand, since participating in the Lampang-Chiangmai Highway project, Maeda has completed Lam Dom Noi Dam, a new runway for Bangkok International Airport, and approach viaducts for the Rama IX Bridge over the Chao Phya River.

In Malaysia, Maeda has built Penang International Airport, the Crocker Range Highway in the state of Sabah, the Batang Ai Hydroelectric Power Plant, and the Sarawak Electricity Supply Corporation's headquarters building.

In Cambodia, Maeda has built the Prek Thnot Dam, a number of road projects, and some schools. In Macau, Maeda has built the Coloane Thermal Power Plant.

### Europe

Maeda has constructed office buildings, a warehouse, and other buildings in the United Kingdom and France for Japanese clients. Maeda has also undertaken the Chokushi-Mon Restoration Project at Kew Gardens in England.

# Completed Civil Engineering Works



## Construction of Lower Toyota Intersection

This construction project, ordered by the Japan Highway Public Corp., is at the lower part of the Toyota intersection, where the Second Tomei Expressway intersects with the present Tomei Expressway. Taking into consideration the impact of this project on the landscape, we used a half-turbine design and colored concrete for the overpass supports. We carried out construction on the lower portion of this section of the intersection, which is 4,168 meters long, including ramps.



## Nagashima Dam Construction

The primary purpose of this dam construction project ordered by the Ministry of Land, Infrastructure and Transport was flood control on the main stretch of the Ooi River. This concrete gravity dam, one of the largest in Japan, took more than 13 years to complete and boasts a height of 109 meters, a length across the top of 318 meters, and an embankment volume of 860 thousand cubic meters.

### Third Section of Principal Civil Engineering Construction for Maizuru Power Plant

The new drainage tunnel (a submarine tunnel of 176 meters out of a total of 2,506 meters) and drainage outlet (a seawater drainage tower with a vertical depth of 26.3 meters) were constructed as part of the Kansai Electric Power Co., Inc.'s new Maizuru Power Plant (two generators providing 900,000 kilowatts). The project, which commenced in December 1996, took five and a half years to complete.



## Completed Construction Works



### Kirari Wakaeiwata

This is a multipurpose complex with a total floor area of 62,330 square meters and is part of the plan for the redevelopment of the area to the north of Wakaeiwata station on the Kintetsu Nara line. The complex comprises a 29-story skyscraper condominium building with 305 units as well as a 6-story building for commercial and public welfare facilities. This building provides convenience and comfort for 21st century lifestyles and is a new landmark in the rapidly growing area of Higashiosaka City.



### Tokyo Metropolitan Tsubasa Sogo Senior High School

This is the second metropolitan high school for integrated learning based on the credit system. The school, which is located in the Haneda area of Ota Ward, was built so that the working mechanisms of such machinery as the elevator and automatic doors and such plumbing facilities as the system toilets are visible, thereby arousing students' interest in technology and making the school itself material for study.



### Kobe Women's Student Dormitory

This dormitory is the largest in Japan, boasting 770 studio apartments and a 24-hour-a-day security system to provide the ultimate in safety and convenience. To save on labor costs, we used our independently developed quake-resistant walls of slit steel board for the building's frame.

# Maeda News

## A Stronger Construction Solutions Function

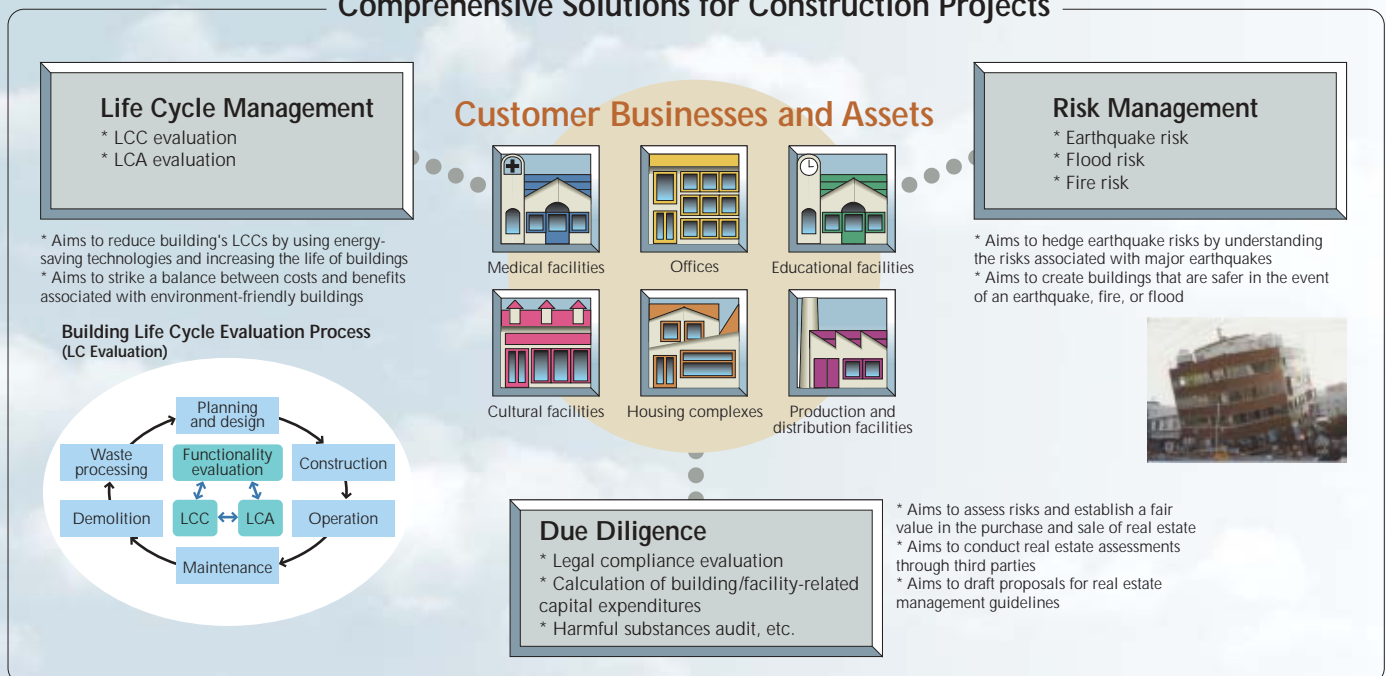
### A Decision-Making Tool for Our Customers

Maeda has made a full-fledged entry into the construction solutions business, providing customers with decision-making tools that center around the concepts of due diligence, risk management, and life cycle management.

- Due diligence refers to a process in the trade or operation of real estate whereby specialists in various fields conduct a comprehensive audit of a piece of real estate to determine a fair property value. Maeda creates an engineering report that covers all facilities, including office buildings and housing complexes, and provides real estate securitization support as well as the data necessary for grasping the status of and engaging in the purchase or sale of real estate.
- In risk management, we propose solutions to damage arising from earthquakes, fires, and other such disasters by evaluating the potential physical and operating losses posed by such disasters and devising a plan for antquake and other renovations that maximize the customer's investment. By enabling customers to anticipate potential risks, this solution contributes to the construction of safer buildings.
- Life cycle management encompasses the evaluation of a building's life cycle costs (LCCs), which includes expenses incurred from building design and construction, energy consumption, and renovation when the building is in use to demolition, as well as a life cycle assessment (LCA), which evaluates the environmental impact of a building throughout its life cycle. This function allows Maeda to consider the aspects of function, economy, and environmental impact in creating the optimum proposal.

We combine these services to provide comprehensive construction solutions that support our customers' asset management activities. We have already employed these solutions in approximately 80 projects, and we plan to use the experience gained to increase orders from businesses and individuals through the marketing networks of each of our branches, our Web site, and presentations as well as contribute to new construction orders and renovation projects.

## Comprehensive Solutions for Construction Projects





## Large-Scale Development Business

### M.M. Towers (I and II)

Model of completed work



Construction site, April 2002

In partnership with Mitsubishi Estate Co., Ltd., we are constructing the M.M. Towers (I and II), the first residential district in Yokohama's 186-hectare Minato Mirai area, development of which began in 1983.

These quake-absorbing, super-high-rise condominiums employ laminated rubber bearings with a 1.5 meter diameter, the largest in Japan, to ensure sufficient earthquake damping. In addition, the use of core wall construction ensures that pillars and beams do not interrupt the condominium units, thereby significantly contributing to floor plan flexibility. The project uses a number of precast components created at the construction site, including pillars, water circulation steps, and balconies, allowing construction to proceed smoothly at a rate of one floor every five days.

#### Construction details

Location:	4-10 Minato Mirai, Nishi-ku, Yokohama
Orderer:	Mitsubishi Estate Co., Ltd., and Maeda Corporation
Construction period:	September 2000 to October 2003
Total floor area:	81,239.55 square meters
Specifications:	<ul style="list-style-type: none"> <li>• 30 stories with one basement level and a 2-story penthouse</li> <li>• Height: 99.9 meters, 2 buildings, 574 condominiums</li> <li>• 30 stories (basement to 1st story: reinforced concrete; 2nd to 30th stories: pre-cast core wall; penthouse, core section: S construction; parking lot, utility room, etc.: special reinforced concrete, reinforced concrete)</li> </ul>

## Japan's First Full-Face Twin Tunnel Without a Central Wall

### Miyakoshimoitozu Tunnel in Kitakyushu City



To relieve traffic congestion in the Kitakyushu metropolitan area and help revitalize the local economy, the Kitakyushu construction bureau has drawn up plans for a bypass for the Miyakoshimoitozu highway. This project comprises a tunnel with a total length of 309 meters in the middle section of the Miyakoshimoitozu highway.

This project aims to create the first full-face twin tunnel in Japan without a central wall. In the construction of twin bore tunnels, it is customary to build a concrete central wall between the tunnels to help bear the weight of the ground. In this project, to realize time and cost savings, 240 meters of the tunnel were constructed using the new method. In addition to the new method, the distance between ground level and the tunnel's roof ranged from 2 to 20 meters, which is a relatively small depth, making construction under graveyards and local streets difficult, but construction time from the March 2001 start was greatly reduced, and the project was completed in March 2002.

#### Construction details

Location:	Kamiitozu 1-chome to Shimoitozu 3-chome, Kokurakita-ku, Kitakyushu	
Customer:	Kitakyushu City	
Principal work:	NATM* tunnel	280 meters
	Open cut tunnel	29 meters
	Inner cross section	65 square meters

\*NATM: Tunnel construction method that uses sprayed shotcrete and rock bolts for support.

## Order for Kanazawa Meat Distribution Center in Ishikawa Prefecture



Model of completed work

Maeda has worked to boost its engineering capabilities related to Hazard Analysis Critical Control Point (HACCP) systems related to food and hygiene. HACCP is a system that ensures safety by scientifically analyzing food manufacturing processes. We won the contract for the construction of the Kanazawa Meat Distribution Center in Ishikawa Prefecture in an open competition thanks to our joint-venture proposal. We were chosen for the project on the strength of our accumulated engineering capabilities, particularly in the latest HACCP systems.

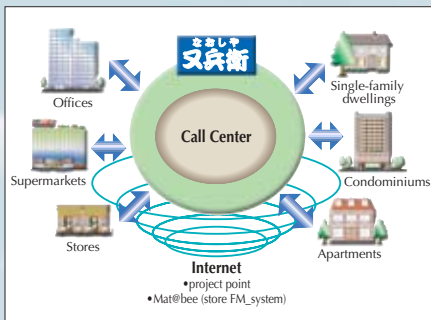
This facility will provide total user support in both structural and nonstructural areas, with such features as centralized livestock data management to ensure the safety of meat to prevent the spread of mad cow disease, or bovine spongiform encephalopathy.

### Construction details

Location:	337 Saidamachi, Kanazawa, Ishikawa Prefecture
Customer:	Kanazawa City
Building area:	9,281.22 square meters
Total floor area:	10,808.11 square meters
Scope of work:	Design and construction of meat processing facilities, construction of HACCP system

## Full-Fledged Start of Naoshiya Mat@bee Retail Business

### Operations system



Naoshiya Mat@bee, Maeda's retail business, formerly operating under a feasibility trial, commenced full-scale operations in 2001. This is an innovative new system wherein professional craftsmen visit residences, businesses, and stores to carry out construction at uniform prices nationwide based on labor hours. The charge for these services, which are provided under a system that is fair and worry-free, is ¥3,000 per hour.

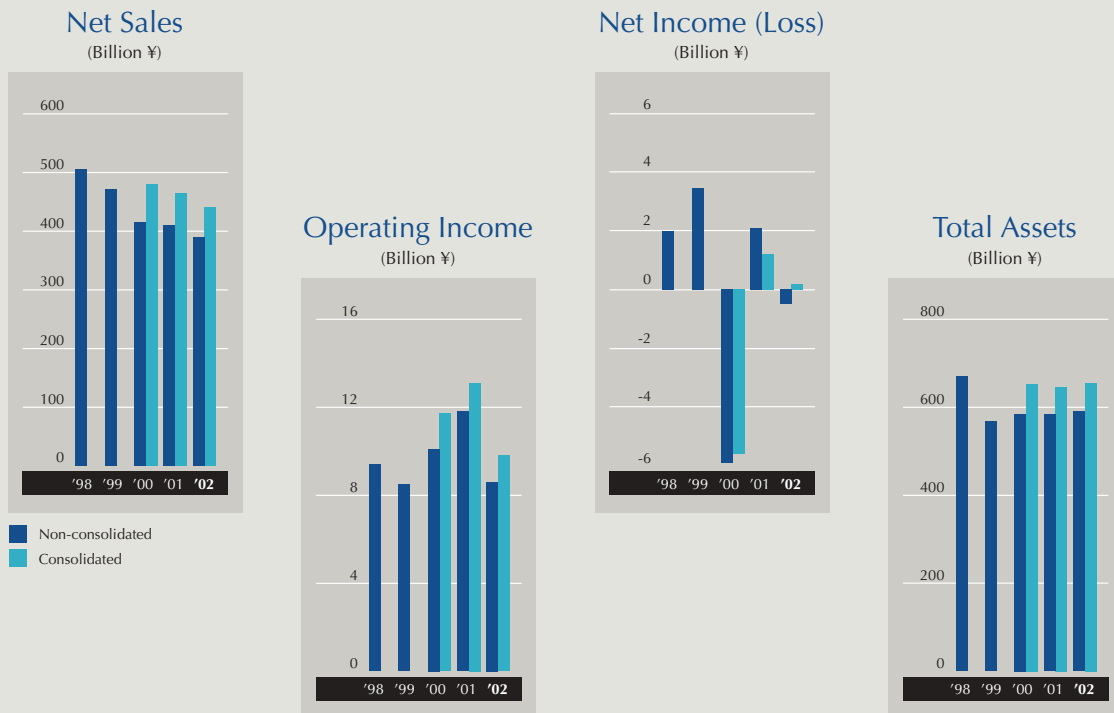
Furthermore, in collaboration with Yamato Transport Co., Ltd., we developed the Rakuraku Office Relocation system, which offers services that include interior construction and restoration in combination with Yamato Transport's moving services. Also, in conjunction with Seven-Eleven Japan Co., Ltd., our construction engineers visit Seven-Eleven stores to develop our construction evaluation system to carry out inspections, repairs, and renovations to facilitate building maintenance and reduce life cycle costs. In the future, focusing on the Tokyo metropolitan area, we plan to improve our regional services at our 14 nationwide bases to effect further business expansion.

# CONSOLIDATED FINANCIAL HIGHLIGHTS

Maeda Corporation and Consolidated Subsidiaries  
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note)
	2001	2002	2002
<b>For the year:</b>			
Net sales.....	¥464,340	<b>¥439,756</b>	<b>\$3,300,233</b>
Operating income.....	13,130	<b>9,848</b>	<b>73,906</b>
Net income.....	1,220	<b>191</b>	<b>1,433</b>
<b>At year-end:</b>			
Total assets.....	645,757	<b>654,497</b>	<b>4,911,797</b>
Total shareholders' equity.....	175,293	<b>170,032</b>	<b>1,276,038</b>

Note: U.S. dollar amounts in the financial statements are translated from yen, for convenience only, at the rate of ¥133.3=US\$1, the exchange rate prevailing on March 31, 2002.



## CONSOLIDATED BALANCE SHEETS

Maeda Corporation and Consolidated Subsidiaries  
March 31, 2001 and 2002

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2001	2002	2002
<b>Current Assets:</b>			
Cash and time deposits .....	¥ 64,706	¥ 54,482	\$ 408,871
Marketable securities (Note 4) .....	—	7	53
Trade receivables:			
Notes .....	26,270	29,067	218,139
Accounts .....	77,777	84,139	631,437
Allowance for doubtful accounts .....	(3,730)	(5,081)	(38,131)
	100,317	108,125	811,445
Inventories (Note 6) .....	246,206	268,280	2,013,358
Deferred tax assets (Note 10) .....	14,119	14,372	107,857
Other current assets .....	35,280	33,486	251,302
Total current assets .....	460,628	478,752	3,592,886
<b>Investments and Other Assets:</b>			
Investments in securities (Notes 4 and 7) .....	52,235	45,270	339,737
Investments in and advances to unconsolidated subsidiaries and affiliates .....	23,256	23,328	175,069
Deferred tax assets (Note 10) .....	6,004	7,795	58,499
Other investments .....	28,278	26,152	196,263
Allowance for doubtful accounts .....	(12,654)	(11,868)	(89,066)
Total investments and other assets .....	97,119	90,677	680,502
<b>Property and Equipment, at Cost (Note 7):</b>			
Buildings and structures .....	80,672	81,694	613,088
Machinery and equipment .....	24,210	23,197	174,086
Ships and vehicles .....	4,259	4,197	31,497
Tools, furniture and fixtures .....	9,934	9,597	72,023
Land .....	35,821	34,885	261,801
Construction in progress .....	222	67	503
	155,118	153,637	1,152,998
Accumulated depreciation .....	(67,108)	(68,569)	(514,589)
Property and equipment, net .....	88,010	85,068	638,409
 Total assets .....	¥645,757	¥654,497	\$4,911,797

The accompanying notes are an integral part of these statements.

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	Millions of yen		Thousands of U.S. dollars (Note 3)
	2001	2002	2002
<b>Current Liabilities:</b>			
Short-term debt (Note 7) .....	¥ 64,205	¥ 73,850	\$ 554,221
Trade payables .....	89,665	84,133	631,392
Advances on construction work in progress.....	204,777	215,101	1,614,266
Accrued income taxes.....	487	509	3,820
Allowance for repair and warranty .....	1,168	1,206	9,051
Accrued bonuses .....	3,442	2,866	21,508
Other current liabilities.....	29,783	28,055	210,545
Total current liabilities.....	393,527	405,720	3,044,803
<b>Long-Term Liabilities:</b>			
Long-term debt (Note 7) .....	31,422	32,913	247,002
Reserve for retirement benefits (Note 9) .....	33,584	33,198	249,141
Other long-term liabilities.....	5,620	6,195	46,492
Total long-term liabilities.....	70,626	72,306	542,634
<b>Minority Interests in Consolidated Subsidiaries</b> .....	6,311	6,439	48,322
<b>Commitments and Contingent Liabilities</b> (Note 12)			
<b>Shareholders' Equity</b> (Note 11):			
Common stock, no par value:			
Authorized: 635,500 thousand shares			
Issued: 185,213 thousand shares at March 31, 2002 .....	23,455	23,455	176,023
Additional paid-in capital .....	31,579	31,579	236,991
Retained earnings.....	113,181	111,607	837,576
Unrealized gains on investments .....	14,916	11,218	84,188
Adjustments on foreign currency statement translation.....	(54)	(41)	(308)
Treasury stock, at cost (Note 7) .....	(7,784)	(7,786)	(58,432)
Total shareholders' equity .....	175,293	170,032	1,276,038
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity.....	¥645,757	¥654,497	\$4,911,797

# CONSOLIDATED STATEMENTS OF INCOME

Maeda Corporation and Consolidated Subsidiaries  
Years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2001	2002	2002
<b>Net Sales</b> .....	¥464,340	¥439,756	\$3,300,233
<b>Cost of Sales</b> .....	416,479	398,271	2,988,901
Gross profit.....	47,861	41,485	311,332
<b>Selling, General and Administrative Expenses</b> .....	34,731	31,637	237,426
Operating income.....	13,130	9,848	73,906
<b>Other Income (Expenses):</b>			
Interest and dividend income.....	1,561	1,490	11,182
Interest expense.....	(2,325)	(2,056)	(15,430)
Gains (loss) on sale of securities .....	36	(34)	(255)
Write-down of securities .....	(1,277)	(1,723)	(12,931)
Foreign exchange gain.....	150	107	803
Bad debt .....	(2,592)	—	—
Transition obligation expenses to implement new accounting for reserve for retirement benefits.....	(1,207)	—	—
Arbitration expense.....	(1,400)	—	—
Settlement expense for pneumoconiosis suit .....	(1,389)	—	—
Settlement payment relating to overseas construction contracts (Note 13) .....	—	(4,341)	(32,578)
Write-down of other investments.....	(1,268)	—	—
Others, net.....	(334)	(686)	(5,148)
	(10,045)	(7,243)	(54,357)
Profit before income taxes and minority interests.....	3,085	2,605	19,549
<b>Income Taxes</b> (Note 10):			
Current.....	700	1,320	9,906
Deferred .....	3,483	876	6,574
	4,183	2,196	16,480
Income (loss) before minority interests .....	(1,098)	409	3,069
<b>Minority Interests in Net (Loss) Income of Consolidated Subsidiaries</b> .....	2,318	(218)	(1,636)
Net income.....	¥ 1,220	¥ 191	\$ 1,433
<b>Per Share</b> (Note 2 (9)) .....	¥7.7	¥1.2	\$0.009

The accompanying notes are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Maeda Corporation and Consolidated Subsidiaries  
Years ended March 31, 2001 and 2002

	Thousands	Millions of yen				
	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gains on Investments	Treasury Stock
Balance at March 31, 2000 .....	185,213	¥23,455	¥31,579	¥113,725	¥ —	¥(7,784)
Net income for the year.....	—	—	—	1,220	—	—
Cash dividends paid at ¥9.0 per share.....	—	—	—	(1,667)	—	—
Bonuses to directors .....	—	—	—	(97)	—	—
Unrealized gains on investments.....	—	—	—	—	14,916	—
Balance at March 31, 2001 .....	185,213	23,455	31,579	113,181	14,916	(7,784)
Net income for the year.....	—	—	—	191	—	—
Cash dividends paid at ¥9.0 per share.....	—	—	—	(1,667)	—	—
Bonuses to directors .....	—	—	—	(98)	—	—
Purchase of treasury stock.....	—	—	—	—	—	(2)
Unrealized gains on investments.....	—	—	—	—	(3,698)	—
<b>Balance at March 31, 2002 .....</b>	<b>185,213</b>	<b>¥23,455</b>	<b>¥31,579</b>	<b>¥111,607</b>	<b>¥11,218</b>	<b>¥(7,786)</b>

	Thousands of U.S. dollars (Note 3)				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gains on Investments	Treasury Stock
Balance at March 31, 2001 .....	\$176,023	\$236,991	\$849,396	\$111,932	\$(58,417)
Net income for the year.....	—	—	1,433	—	—
Cash dividends paid at \$0.07 per share.....	—	—	(12,510)	—	—
Bonuses to directors .....	—	—	(743)	—	—
Purchase of treasury stock.....	—	—	—	—	(15)
Unrealized gains on investments.....	—	—	—	(27,744)	—
<b>Balance at March 31, 2002 .....</b>	<b>\$176,023</b>	<b>\$236,991</b>	<b>\$837,576</b>	<b>\$ 84,188</b>	<b>\$(58,432)</b>

The accompanying notes are an integral part of these statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Maeda Corporation and Consolidated Subsidiaries  
Years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2001	2002	2002
<b>Cash Flows from Operating Activities:</b>			
Profit before income taxes.....	¥ 3,085	¥ 2,605	\$ 19,549
Depreciation.....	6,394	6,057	45,456
Increase (decrease) in allowance for doubtful accounts.....	(2,914)	566	4,248
Decrease in provision for severance indemnities.....	(775)	(385)	(2,889)
Interest and dividend income .....	(1,561)	(1,490)	(11,182)
Interest expense .....	2,325	2,056	15,430
Foreign exchange gain .....	(846)	(107)	(803)
Loss (gains) on sale of securities .....	(36)	34	255
Write-down of securities.....	1,277	1,723	12,931
Decrease (increase) in trade receivables .....	183	(9,158)	(68,728)
Decrease (increase) in construction work in progress .....	16,489	(21,100)	(158,349)
Decrease in other inventories .....	(3,045)	(474)	(3,557)
Increase (decrease) in trade payables .....	1,579	(5,531)	(41,508)
Increase (decrease) in advances on construction .....	(15,045)	10,323	77,471
Other.....	4,500	(301)	(2,260)
Subtotal.....	11,610	(15,182)	(113,936)
Receipt of interest and dividend income .....	1,834	1,753	13,156
Payment of interest expenses.....	(2,330)	(2,021)	(15,167)
Payment of income taxes .....	(601)	(485)	(3,640)
Cash flows from operating activities.....	10,513	(15,935)	(119,587)
<b>Cash Flows from Investing Activities:</b>			
Acquisition of property and equipment and intangible assets.....	(4,525)	(4,758)	(35,707)
Proceeds from sale of property and equipment and intangible assets.....	582	1,410	10,582
Acquisition of investments in securities.....	(2,989)	(6,333)	(47,527)
Proceeds from sale of investments in securities.....	2,162	4,923	36,946
Lending of long-term loans receivable.....	(4,624)	(1,600)	(12,008)
Collection of long-term loans receivable .....	3,100	1,901	14,266
Other.....	525	1,070	8,029
Cash flows from investing activities .....	(5,769)	(3,387)	(25,419)
<b>Cash Flows from Financing Activities:</b>			
Decrease (increase) in short-term bank loans .....	(5,261)	10,134	76,053
Borrowings of long-term debt.....	7,900	—	—
Repayment of long-term debt.....	(2,038)	(2,999)	(22,507)
Proceeds from issuance of bonds.....	—	14,500	108,818
Repayment of bonds.....	(6,500)	(10,500)	(78,799)
Payment of cash dividends.....	(1,667)	(1,667)	(12,510)
Proceeds from sales of treasury stocks .....	—	3	23
Acquisition of treasury stocks.....	—	(5)	(38)
Payment of cash dividends to minority shareholders.....	(5)	(5)	(38)
Cash flows from financing activities.....	(7,571)	9,461	71,002
<b>Exchange Difference of Cash and Cash Equivalents</b> .....	13	57	428
<b>Decrease in Cash and Cash Equivalents</b> .....	(2,814)	(9,804)	(73,576)
<b>Cash and Cash Equivalents at Beginning of Year</b> .....	66,768	63,954	479,955
<b>Cash and Cash Equivalents at End of Year</b> .....	¥63,954	¥54,150	\$406,379

The accompanying notes are an integral part of these statements.



**1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Accounting Principles and Presentation**

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Maeda Corporation and its consolidated subsidiaries (the “Company”) in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law, 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 the Ministry of Finance (the “MOF,” currently the Financial Services Agency) in Japan have been reclassified in these accounts 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.

**(2) Scope of Consolidation**

The Company had 14 subsidiaries (“controlling companies,” the decision-making body of entity is controlled) as at March 31, 2002. The consolidated financial statements include the accounts of the Company and six of its subsidiaries. The major consolidated subsidiaries are listed below:

Name of subsidiary	Equity ownership percentage, including indirect ownership	At March 31, 2002	
		Capital stock	
		Millions of yen	Thousands of U.S. dollars
Maeda Seisakusho Co., Ltd. ...	50.7%	¥3,160	\$23,715
Hikarigaoka Corporation.....	42.6	1,055	7,917
Fujimi Koken Co., Ltd. ....	75.0	250	1,876
Fujimi Building Services Co., Ltd. ....	100.0	100	750
Seiyu Estate Co., Ltd. ....	100.0	50	375
Miyama Kogyo Co., Ltd. ....	100.0	25	188

The accounts of the remaining eight subsidiaries have not been consolidated with the Company because of the insignificant amount of total assets, net sales, net income and retained earnings.

**(3) Consolidation and Elimination**

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Company have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

The cost of investments in the common stock of consolidated subsidiaries is eliminated with the underlying equity in net assets of such subsidiaries. The differences between the cost of the investments in subsidiaries and the amount of underlying equity in net assets of the subsidiaries are expensed out as incurred due to the immaterial amount.

**(4) Investments in Unconsolidated Subsidiaries and Affiliates**

At March 31, 2002, the Company had six affiliates (“influencing companies,” financial and operating or business decision making of an entity that is not a subsidiary can be influenced to a material degree).

Investments in four unconsolidated subsidiaries and two affiliates are accounted for by the equity method, under which the Company’s equity in net income of these affiliates is included in consolidated income with appropriate eliminations of intercompany profit at March 31, 2002, and for the year then ended. The remaining investments in unconsolidated subsidiaries and affiliates are stated at cost since the investments do not have a material effect on consolidated net income and retained earnings in the consolidated financial statements.

**(5) Remeasurement of Assets and Liabilities of Subsidiaries**

The Company adopts the “full fair value method” that the full portion of the assets and liabilities of the subsidiaries is marked to fair value as of the acquisition of control.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) Revenue Recognition

The Company is engaged in the construction business under long-term contracts and has recorded sales principally on the completed-contract method. Profit on installment receivables in respect of completed contracts is deferred and recorded as income when such installment receivables become due.

### (2) Financial Instruments

#### (a) Securities

Bonds held to maturity: Amortized cost method

Available-for-sale securities

Securities with market quotation available: Market price method based on the fair market value as of the date of the balance sheet. (Sales costs are calculated based on a moving average cost method.)

In the case of the Company and certain subsidiaries: Unrealized gains on these securities are reported as a separate item in shareholders' equity at a net-of-tax amount, and unrealized losses on these securities are included in net profit or loss for the period.

In the case of certain consolidated subsidiaries: Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount.

Securities without market quotation: Moving average cost method

#### (b) Derivatives

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."

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as assets or liabilities 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 Company are principally interest swaps and forward exchange contracts. The related hedged items are trade accounts receivable and payable, long-term bank loans, and debt securities issued by the Company.

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

The Company evaluates the 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.

### (3) Allowance for Doubtful Accounts

The Company and consolidated subsidiaries provide the allowance for doubtful accounts by the method which uses the percentage of its own actual experience of bad debt loss written off against the balance of total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

### (4) Inventories

Construction work in progress is stated at the specific identification cost. Real estate held for sale is stated at the lower specific identification cost or market. Other inventories are stated at cost determined by the moving average method. Real estate for sale and other inventories held by certain consolidated subsidiaries are stated at the specific identification cost.

### (5) Property and Equipment

Property and equipment, including significant renewals and additions, is stated at cost. Depreciation of property and equipment except for buildings is computed by the declining balance method over estimated useful lives of respective assets.

Depreciation of buildings is computed by the straight-line method over estimated useful lives of respective assets. Repairs and maintenance are charged to current income.

Depreciation of certain tangible assets held by certain consolidated subsidiaries is computed in the proportion that production for a period relates to management's estimate of ultimate production.

### (6) Accrued Bonuses

Accrued bonuses represents the estimated amount bonuses to employees attributable to their services rendered within the period.

### (7) Reserve for Retirement Benefits

The Company has different defined benefit pension plans for employees and officers, respectively.

Concerning the officers' one, the obligation is provided through accruals. The officer retirement allowance is recorded at 100% of the obligation, on the assumption that all officers retired at the respective balance sheet dates.

Concerning the employees' retirement plan, the accrued retirement benefit represents the estimated present value of projected benefit obligations.

Unrecognized actuarial differences are amortized on a straight-line basis over 10 to 15 years from the next year.

Unrecognized prior service costs are amortized on a straight-line basis over 15 years.

### (8) Accounting for Leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method that is applicable to ordinary operating leases.

### (9) Net Income per Share

Net income per share is based on the weighted average number of shares of common stock outstanding during the year.

### (10) Cash and Cash Equivalents

For the preparation of cash flow statements, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of overdrafts, and all highly liquid investments with maturities of three months or less.

## 3 U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥133.3=US\$1, the rate of exchange on March 31, 2002, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the rate or any other rate.

## 4 MARKET VALUE INFORMATION

Market value information on marketable securities, and investment in securities and unconsolidated subsidiaries/affiliates as of March 31, 2002 was summarized as follows:

### (1) Market Value of Bonds Held to Maturity

	Millions of yen		
	Book value	Market value	Difference
Securities with fair value that exceeds book value.....	¥34	¥34	¥0
Securities with fair value that does not exceed book value .....	—	—	—
Total .....	¥34	¥34	¥0

	Thousands of U.S. dollars		
	Book value	Market value	Difference
Securities with fair value that exceeds book value.....	\$255	\$255	\$0
Securities with fair value that does not exceed book value .....	—	—	—
Total .....	\$255	\$255	\$0

### (2) Available-for-Sale Securities with Defined Values

	Millions of yen		
	Acquisition cost	Book value	Net
Securities with fair value that exceeds book value:			
Stocks.....	¥15,802	¥35,182	¥19,380
Others .....	375	402	27
Subtotal.....	16,177	35,584	19,407
Securities with fair value that does not exceed book value:			
Stocks.....	5,109	3,864	(1,245)
Others .....	1,783	1,240	(543)
Subtotal.....	6,892	5,104	(1,788)
Total .....	¥23,069	¥40,688	¥17,619

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Net
Securities with fair value that exceeds book value:			
Stocks.....	\$118,589	\$264,030	\$145,441
Others.....	2,814	3,017	203
Subtotal.....	121,403	267,047	145,644
Securities with fair value that does not exceed book value:			
Stocks.....	38,341	28,998	(9,343)
Others.....	13,381	9,306	(4,075)
Subtotal.....	51,722	38,304	(13,418)
Total.....	\$173,125	\$305,351	\$132,226

Unrealized gain on securities are recorded as a separate component of shareholders' equity, net of tax.

### (3) Available-for-Sale Securities Sold during the Fiscal Year Ended March 31, 2002

	Millions of yen	Thousands of U.S. dollars
Amount sold.....	¥210	\$1,576
Gains.....	12	90
Losses.....	46	345

### (4) Major Components and Book Values of Securities without Market Value

	Book value	
	Millions of yen	Thousands of U.S. dollars
Bonds held to maturity.....	¥ 1,680	\$ 12,608
Investments in non-consolidated subsidiaries and affiliates.....	23,328	175,069
Available-for-sale securities.....	2,873	21,561

### (5) Repayment Schedule of Available-for-Sale Securities and Bonds Held to Maturity

	Book value	
	Millions of yen	Thousands of U.S. dollars
Within one year.....	¥ 6	\$ 45
Over one year and within five years.....	608	4,563
Over five years and within ten years.....	2,330	17,486
Over ten years.....	409	3,069

## 5 DERIVATIVE FINANCIAL INSTRUMENTS

### (I) Outline of Derivative Transactions

#### (1) Description of Derivative Transactions

The Company enters into currency-related derivative transactions, such as forward foreign exchange contracts, and interest rate related derivative transactions, such as interest rate swap transactions.

#### (2) Policies on Derivative Transactions

In principle, the Company enters into derivative transactions that have underlying assets and liabilities, and does not enter into derivative transactions for the purpose of obtaining a gain on sale or speculative transactions.

#### (3) Purpose of Derivative Transactions

The Company enters into currency-related derivative transactions, such as forward foreign exchange contracts, for the purpose of avoiding exchange rate risk in the future markets related to the demand for and collection of foreign currency denominated funds. The Company enters into interest rate related derivative transactions, such as interest rate swap transactions, for the purpose of avoiding risks of interest rate fluctuations in the future markets due to changes in market interest rates.

#### (4) Risks of Derivative Transactions

The Company enters into forward foreign exchange contracts for the purpose of fixing the yen amount of fund-raising costs. Accordingly, there is no risk of fluctuation in exchange rates. Interest rate swap transactions are exposed to risks of fluctuation in market interest rates. The counterparties of derivative transactions are limited to creditworthy international financial institutions. Accordingly, management believes that there are no credit risks such as default of counterparties.

#### (5) Risk Management of Derivative Transactions

The president determines the fundamental policies on derivative transactions of the Company. Executions of the transactions are performed by the accounting department after receiving approval from the managing director of the administrative division. The current status of derivative transactions are reported to the managing director in charge.

## (6) Supplemental Explanations on “Fair Value of Derivative Financial Instruments”

“Contractual value or notional principal amount” included in “Fair value of derivative financial instruments” represents notional contract amounts or amounts for calculation purposes of the derivative transactions and does not represent the volume of risk of derivative transactions.

## (II) “Fair Value Information on Derivative Financial Instruments” Interest Rate Contracts

At March 31, 2001	Millions of yen		
	Contractual value or notional principal amount	Fair value	Unrealized gains (losses)
Other than exchange-traded interest rate swap transactions:			
To receive float, pay fixed.....	¥500	¥(20)	¥(20)
(Due after one year) .....	(500)		

At March 31, 2002	Millions of yen		
	Contractual value or notional principal amount	Fair value	Unrealized gains (losses)
Other than exchange-traded interest rate swap transactions:			
To receive float, pay fixed.....	¥500	¥(17)	¥(17)
(Due after one year) .....	500		

At March 31, 2002	Thousands of U.S. dollars		
	Contractual value or notional principal amount	Fair value	Unrealized gains (losses)
Other than exchange-traded interest rate swap transactions:			
To receive float, pay fixed.....	\$ 3,752	\$(128)	\$(128)
(Due after one year) .....	(3,752)		

Notes: 1. Fair value and unrealized gains (losses) were determined based on the amount quoted by the financial statements.  
2. Interest rate swap transactions which are designed as hedging instruments are not included in the above table.

## 6 INVENTORIES

At March 31, 2001 and 2002, inventories consisted of the following:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Construction work in progress...	¥228,774	¥249,874	\$1,875,227
Real estate held for sale .....	13,397	13,692	102,754
Other inventories.....	4,035	4,714	35,377
	¥246,206	¥268,280	\$2,013,358

## 7 SHORT-TERM DEBT AND LONG-TERM DEBT

At March 31, 2001 and 2002, short-term debt consisted of the following:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Bank loans bearing interest			
average rates 1.10% per annum ...	¥53,839	¥65,129	\$488,773
3.00% 2nd series bonds due 2002....	10,000	—	—
1.80% 2nd series bonds due 2003 ...	—	8,209	61,606
Current portion of long-term debt ...	366	512	3,842
	¥64,205	¥73,850	\$554,221

At March 31, 2001 and 2002, long-term debt consisted of the following:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
10-year TSR+0.15% 1st series bonds due 2008.....	¥ 3,000	¥ 3,000	\$ 22,514
3.00% 2nd series bonds due 2002....	—	—	—
2.50% 4th series bonds due 2003....	5,000	5,000	37,523
2.15% 3rd series bonds of a consolidated subsidiary due 2003...	500	500	3,752
1.50% 4th series bonds of a consolidated subsidiary due 2002 ....	500	—	—
1.10% 5th series bonds due 2008...	—	9,500	71,295
1.60% 6th series bonds due 2010...	—	5,000	37,523
1.80% 2nd convertible bonds due 2002 convertible currently at ¥1,557.40 per share.....	8,209	—	—
Long-term loans due in between 2002~2013 bearing interest			
average rate of 2.50% per annum...	14,579	10,425	78,237
	31,788	33,425	250,844
Less—Portion due within one year ...	(366)	(512)	(3,842)
	¥31,422	¥32,913	\$247,002

At March 31, 2002, the number of shares of common stock which would have been issuable upon conversion of all outstanding convertible bonds was 5,271 thousand.

The annual maturities of long-term debt at March 31, 2002 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2004.....	¥ 6,478	\$ 48,614
2005.....	330	2,476
2006.....	7,330	55,008
2007.....	9,830	73,770
2008 and thereafter .....	8,945	67,134
	<u>¥32,913</u>	<u>\$247,002</u>

At March 31, 2002, assets pledged as collateral for short-term debt and long-term debt were as follows:

At March 31, 2002	Millions of yen	Thousands of U.S. dollars
Investments in securities.....	¥ 511	\$ 3,835
Treasury stock, at cost .....	7,620	57,186
Buildings and structures .....	2,645	19,850
Land.....	1,062	7,970
Total .....	<u>¥11,838</u>	<u>\$88,841</u>

## 8 LEASE TRANSACTIONS

Lease rental expenses under finance lease contracts without ownership-transfer for the years ended March 31, 2001 and 2002, were summarized as follows:

For the year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Lease rental expenses.....	<u>¥1,750</u>	<u>¥1,349</u>	<u>\$10,124</u>

The amount of outstanding minimum lease payments at March 31, 2001 and 2002, which included the portion of interest thereon, was summarized as follows:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Finance leases:			
Minimum lease payments			
Within one year .....	¥1,593	<b>¥1,164</b>	<b>\$ 8,735</b>
Over one year.....	2,905	<b>2,268</b>	<b>17,021</b>
Total .....	<u>¥4,498</u>	<u>¥3,432</u>	<u>\$25,756</u>

At March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Operating leases:			
Minimum lease payments			
Within one year.....	¥222	<b>¥424</b>	<b>\$3,182</b>
Over one year .....	101	<b>80</b>	<b>600</b>
Total.....	<u>¥323</u>	<u>¥504</u>	<u>\$3,782</u>

Acquisition cost, accumulated depreciation, net book value and depreciation expenses of leases assets at March 31, 2001 and 2002, which included the portion of interest thereon, were assumed as follows:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Acquisition cost .....	¥7,678	<b>¥6,520</b>	<b>\$48,931</b>
Accumulated depreciation .....	3,180	<b>3,088</b>	<b>23,175</b>
Net book value .....	<u>¥4,498</u>	<u>¥3,432</u>	<u>\$25,756</u>
Depreciation.....	¥1,750	<b>¥1,349</b>	<b>\$10,124</b>

Depreciation is computed on the straight-line method over the lease term of the leased assets.

## 9 RETIREMENT BENEFIT PLAN

The Company has different defined benefit pension plans for employees and officers, respectively, as follows:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Employees' retirement benefits .....	¥33,050	<b>¥32,566</b>	<b>\$244,398</b>
Officers' retirement benefits .....	534	<b>632</b>	<b>4,743</b>
Total .....	<u>¥33,584</u>	<u>¥33,198</u>	<u>\$249,141</u>

The Company and its subsidiaries have defined benefit retirement plans covering substantially all employees. Approximately 50% of the benefits under the plans are covered by a plan which is governed by the regulations of the Japanese Welfare Pension Insurance Law.

The reserve for retirement benefits as of March 31, 2002 is analyzed as follows:

	Millions of yen	Thousands of U.S. dollars
(a) Projected benefit obligations .....	¥(94,361)	\$(708,150)
(b) Plan assets .....	43,587	327,107
(c) Unfunded benefit obligation [(a)+(b)] .....	(50,774)	(381,043)
(d) Unrecognized transition amount .....	(9,375)	(70,356)
(e) Unrecognized actuarial differences .....	27,583	207,002
(f) Accrued severance indemnities		
[(c)+(d)+(e)] .....	¥(32,566)	\$(244,397)

Note: The above table includes the amounts related to the portion subject to the Japanese Welfare Pension Insurance Law.

Net pension expenses related to the retirement benefits for the year ended March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
(a) Service costs .....	¥2,957	\$22,191
(b) Interest costs .....	3,136	23,535
(c) Expected return on plan assets .....	(2,067)	(15,512)
(d) Amortization of transition amount .....	786	5,899
(e) Net pension expenses		
[(a)+(b)+ (c)+(d)+(e)] .....	¥4,812	\$36,113

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

(a) Method of attributing the projected benefits to periods of service .....	Straight-line basis
(b) Discount rate .....	2.5%~2.8%
(c) Expected rate of return on plan assets .....	4.5%
(d) Amortization of transition amount .....	Over 10 to 15 years (expenses from the next year)
(e) Amortization of unrecognized actuarial differences .....	15 years

## 10 INCOME TAXES

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2001 and 2002 was 42%.

At March 31, 2001 and 2002, significant components of deferred tax assets and liabilities were as follows:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Deferred tax assets:			
Reserve for retirement benefits...	¥11,400	<b>¥11,312</b>	<b>\$ 84,893</b>
Net loss carryforwards .....	5,705	<b>9,663</b>	<b>72,518</b>
Allowance for doubtful accounts ...	2,816	<b>2,123</b>	<b>15,932</b>
Unrealized intercompany profit on fixed assets .....	3,520	<b>3,498</b>	<b>26,251</b>
Write-down of inventories .....	4,917	<b>4,431</b>	<b>33,253</b>
Other .....	6,993	<b>4,336</b>	<b>32,542</b>
Total .....	35,351	<b>35,363</b>	<b>265,389</b>
Less—Valuation allowance .....	(4,515)	<b>(4,515)</b>	<b>(33,884)</b>
Deferred tax assets .....	30,836	<b>30,848</b>	<b>231,505</b>
Deferred tax liabilities:			
Unrealized gains on investments...	(10,805)	<b>(8,165)</b>	<b>(61,276)</b>
Special tax-purpose reserve for condensed booking of tangible assets .....	(1,978)	<b>(2,428)</b>	<b>(18,221)</b>
Other .....	(18)	<b>(456)</b>	<b>(3,422)</b>
Total deferred tax liabilities ..	(12,801)	<b>(11,049)</b>	<b>(82,919)</b>
Net deferred tax assets .....	¥18,035	<b>¥19,799</b>	<b>\$148,586</b>

For the year ended March 31,	2001	2002
Statutory tax rate .....	42.0%	<b>42.0%</b>
Increase in taxes resulting from:		
Expenses not deductible for income tax purposes...	38.1	<b>30.9</b>
Income not deductible for income tax purposes ..	(7.5)	<b>(10.3)</b>
Per capita levy .....	11.7	<b>13.6</b>
Unrecognized deferred taxes for net loss carryforwards .....	63.1	<b>0.9</b>
Unrecognized deferred taxes for equity in earnings ...	(11.8)	<b>(0.5)</b>
Enterprise tax .....	—	<b>7.7</b>
Effective income tax rate .....	135.6%	<b>84.3%</b>

## 11 SHAREHOLDERS' EQUITY

The ordinary general meeting of shareholders held on June 26, 1998 authorized Maeda Corporation, pursuant to the Japanese regulations, to acquire and retire up to a total not exceeding 9 million outstanding shares of its common stock with its profit, on and after June 26, 1998, whenever deemed necessary by the Board of Directors. At March 31, 2002, no common stock had been acquired under this authorization.

The ordinary general meeting of shareholders held on June 26, 2000 approved that in addition to the shares discussed in the preceding paragraph, on and after June 26, 2000, Maeda Corporation may, by a resolution of the Board of Directors, acquire and retire up to a total not exceeding 9 million outstanding shares of its common stock with its additional paid-in capital at prices in total not exceeding ¥3,500 million pursuant to the Japanese regulations. At March 31, 2002, no common stock had been acquired under this authorization.

## 12 COMMITMENTS AND CONTINGENT LIABILITIES

The Company was contingently liable at March 31, 2002 for endorsed trade notes receivable of ¥19,494 million (\$146,296 thousand). In addition, the Company was contingently liable as guarantor of loans incurred by affiliates and others in the amount of ¥5,318 million (\$39,910 thousand) at March 31, 2002.

## 13 SETTLEMENT PAYMENT RELATING TO OVERSEAS CONSTRUCTION CONTRACTS

As a member of the joint venture (hereinafter the 'JV') for the construction of deep sewage tunnels for the Government of Hong Kong (now the Government of Hong Kong SAR), we have been applying to the High Court of Hong Kong on appealing the arbitration made by the tribunal in January 2001. However, an out-of court settlement has been made by the JV and the Government of Hong Kong SAR, thereby related payments needed are accounted as "Settlement payment relating to overseas construction contracts."

## 14 SEGMENT INFORMATION

### (1) Industry Segment Information

The Company operates principally in the following two industrial segments:

- Construction...Civil engineering, building, and other businesses related to construction work
- Other .....Production and sales of construction machinery and concrete secondary products  
Sales and leasing of real estate  
Related service businesses

The segment information of the Company for the years ended March 31, 2001 and 2002, is presented below:

	For the year ended March 31, 2001			
	Millions of yen			
	Construction	Other	Elimination/ Corporate	Consolidated
I. Net sales and operating income				
Net sales				
(1) Sales to outside customers.....	¥416,127	¥48,213	¥ —	¥464,340
(2) Inter-segment sales.....	1,975	9,568	(11,543)	—
Total .....	418,102	57,781	(11,543)	464,340
Operating expenses.....	404,291	57,727	(10,808)	451,210
Operating income (loss) .....	¥ 13,811	¥ 54	¥ (735)	¥ 13,130
II. Assets, depreciation and capital expenditure				
Assets .....	¥487,630	¥90,726	¥67,401	¥645,757
Depreciation .....	3,565	2,852	(23)	6,394
Capital expenditure .....	3,991	6,840	11	10,842

	For the year ended March 31, 2002			
	Millions of yen			
	Construction	Other	Elimination/ Corporate	Consolidated
I. Net sales and operating income				
Net sales				
(1) Sales to outside customers.....	¥392,688	¥47,068	¥ —	¥439,756
(2) Inter-segment sales.....	1,630	9,218	(10,848)	—
Total .....	394,318	56,286	(10,848)	439,756
Operating expenses.....	383,951	56,202	(10,245)	429,908
Operating income (loss) .....	¥ 10,367	¥ 84	¥ (603)	¥ 9,848
II. Assets, depreciation and capital expenditure				
Assets.....	¥511,050	¥90,320	¥53,127	¥654,497
Depreciation.....	3,287	2,760	10	6,057
Capital expenditure .....	5,528	1,666	80	7,274



<b>For the year ended March 31, 2002</b>				
Thousands of U.S. dollars				
	Construction	Other	Elimination/ Corporate	Consolidated
<b>I. Net sales and operating income</b>				
Net sales				
(1) Sales to outside customers .....	<b>\$2,947,002</b>	<b>\$353,231</b>	<b>\$ —</b>	<b>\$3,300,233</b>
(2) Inter-segment sales .....	<b>12,233</b>	<b>69,178</b>	<b>(81,411)</b>	<b>—</b>
Total .....	<b>2,959,235</b>	<b>422,409</b>	<b>(81,411)</b>	<b>3,300,233</b>
Operating expenses .....	<b>2,881,433</b>	<b>421,779</b>	<b>(76,885)</b>	<b>3,226,327</b>
Operating income (loss) .....	<b>\$ 77,802</b>	<b>\$ 630</b>	<b>\$ (4,526)</b>	<b>\$ 73,906</b>
<b>II. Assets, depreciation and capital expenditure</b>				
Assets .....	<b>\$3,835,272</b>	<b>\$677,824</b>	<b>\$398,701</b>	<b>\$4,911,797</b>
Depreciation .....	<b>24,688</b>	<b>20,713</b>	<b>75</b>	<b>45,456</b>
Capital expenditure .....	<b>41,486</b>	<b>12,503</b>	<b>600</b>	<b>54,589</b>

Notes: 1. Unallocated operating expenses of ¥840 million (\$6,304 thousand) in the column "Elimination/Corporate" mainly consisted of corporate expenses at the administrative department of Maeda Corporation's headquarters.

2. Common assets of ¥58,573 million (\$439,572 thousand) in the column "Elimination/Corporate" mainly consist of surplus working funds (cash and marketable securities), long-term investment funds (investments in securities) and other assets which belong to the administrative departments.

## (2) Geographic Segment Information

Since the amounts of sales and assets in Japan exceeded 90% of the consolidated amounts, disclosure of geographic segment information was omitted.

## (3) Export Sales and Sales by Overseas Subsidiaries

Since the amount of overseas sales was less than 10% of the consolidated sales, disclosure of details of overseas sales was omitted.

## 15 SUBSEQUENT EVENT

The annual meeting of shareholders approved the following appropriations of Maeda Corporation's retained earnings on June 27, 2002.

Appropriations	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥9.0 per share) .....	¥1,667	\$12,510
Total appropriations .....	¥1,667	\$12,510

## ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS 

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

To the Board of Directors of  
Maeda Corporation

We have audited the accompanying consolidated balance sheets of Maeda Corporation and its consolidated subsidiaries as at March 31, 2001 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the two years in the period ended March 31, 2002, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Maeda Corporation and its consolidated subsidiaries as at March 31, 2001 and 2002, and the consolidated results of their operations and cash flows for each of the two years in the period ended March 31, 2002, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

The amounts expressed in U.S. dollars, 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, 2002

## Outline of the Corporation

(As of March 31, 2002)

### Year of Establishment

1919

### Date of Incorporation

November 6, 1946

### Number of Employees

3,810

### Authorized Shares

635,500,000

### Outstanding Shares

185,213,602

### Paid-in Capital

¥23,455 million

### Stock Listing

First Section of Tokyo Stock Exchange

### Head Office

10-26, Fujimi 2-chome, Chiyoda-ku,

Tokyo 102-8151, Japan

Tel: (03) 3265-5551

Fax: (03) 3262-3339

Telex: 2324033 MAECON J

Cable: MAEHONSHA TOKYO

URL: <http://www.maeda.co.jp/>

## Board of Directors

(As of June 27, 2002)

### Chairman and Representative Director

Matabee Maeda

### President and Representative Director

Yasuji Maeda

### Representative Directors

Mamoru Minemoto

Miyahiko Kitamura

### Directors

Yoichi Fuse

Kohei Fukui

### Representative Director

Nobuyoshi Kawashima

### Directors

Keiichiro Ueda

Tadashi Hirota

Naoyuki Kiyosue

Eiji Sato

Soji Maeda

Kojiro Fukuda

### Corporate Auditors

Akio Yoshihara

Tatsuo Kaigo

Teruaki Matsui

Yasumitsu Kiuchi

## Executive Officers

(As of June 27, 2002)

### President and Chief Executive Officer

Yasuji Maeda

### Executive Vice Presidents

Mamoru Minemoto

Miyahiko Kitamura

Yoichi Fuse

Kohei Fukui

### Senior Managing Officers

Nobuyoshi Kawashima

Keiichiro Ueda

Tadashi Hirota

Akira Kato

### Managing Officers

Naoyuki Kiyosue

Eiji Sato

Yusaku Tomobe

Kazuie Yamada

Minoru Yamato

Yasunao Tomioka

Yasuaki Fujimori

Kazuo Kudo

Soji Maeda

### Executive Officers

Kojiro Fukuda

Ryuzaburo Inoue

Tsutomu Takahashi

Hiroshi Shibuya

Hiroataka Kenchi

Shoichiro Kawase

Masaaki Akashima

Yasuhiko Ichikawa

Ryuta Maruo

Shuichi Shindo

Toshimasa Takeuchi

Toshihide Ooki

### Head Office

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### Los Angeles Office

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Tel: 1-310-375-4918  
Fax: 1-310-375-4928

### Europe Office

3rd Floor, 14 Dover Street,  
London W1S 4LW, U.K.  
Tel: 44-207-495-7247  
Fax: 44-207-495-7324

### R Branches:

Hokkaido, Tohoku, Kanto,  
Higashi-Kanto, Kita-Kanto,  
Yokohama, Nagano, Hokuriku,  
Fukui, Chubu, Kansai, Kobe,  
Shikoku, Chugoku, Kyushu

### Subsidiaries and Affiliates

### Overseas:

R MKK Technologies, Inc.  
R Thai Maeda Corporation, Ltd.  
R PT. MAEDA-NRC

### Domestic:

R Maeda Road Construction Co., Ltd.  
R Maeda Seisakusho Co., Ltd.  
R Hikarigaoka Corporation  
R Fujimi Koken Co., Ltd.  
R Miyama Kogyo Co., Ltd.  
R Fujimi Building Services Co., Ltd.  
R Seiyu Estate Co., Ltd.  
R Hikarigaoka Enterprise Co., Ltd.





**M A E D A**

## **Maeda Corporation**

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