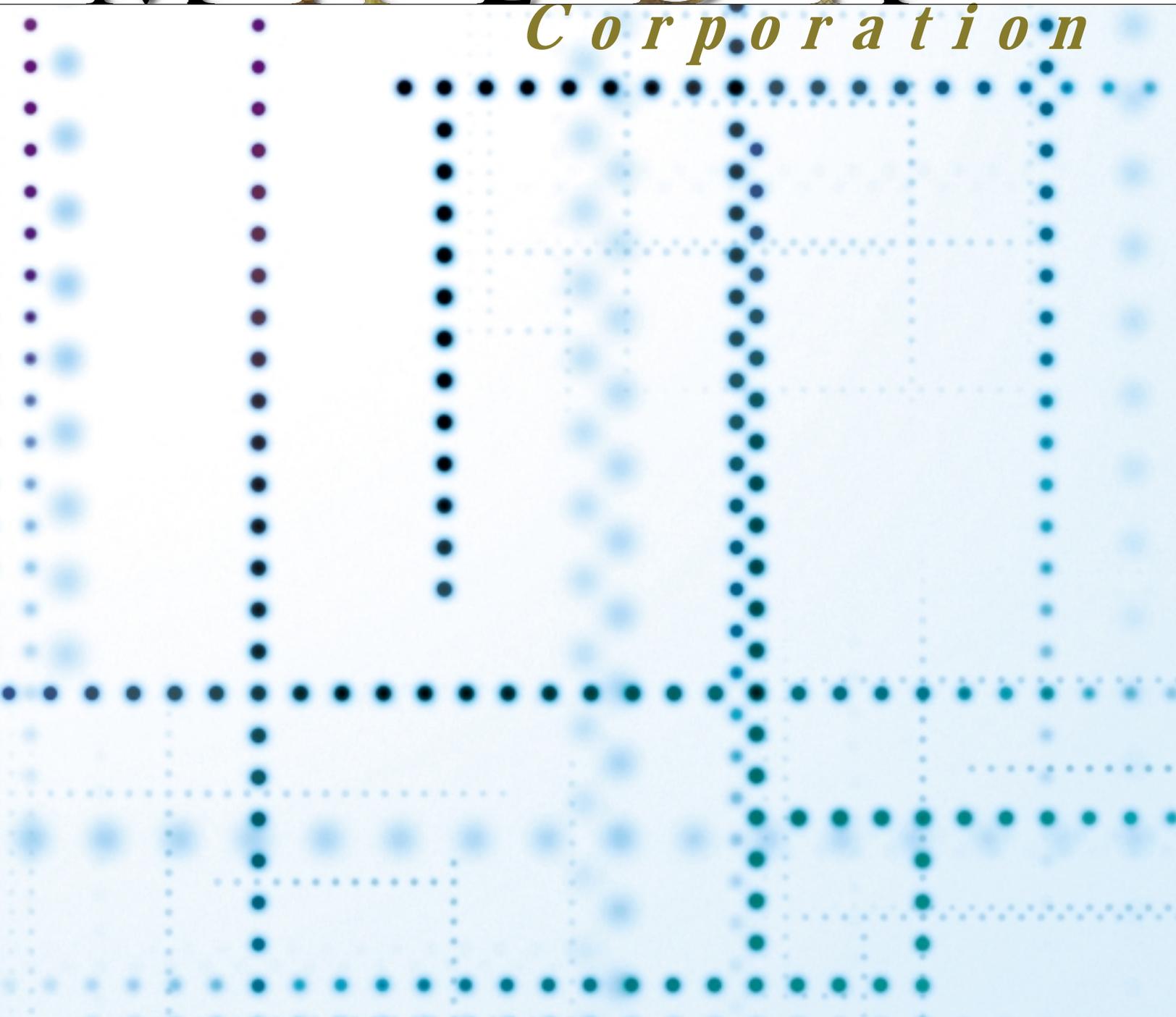




Annual Report 2000

MAEDA

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 on the results of operations for fiscal 2000, ended March 31, 2000, the 55th year since the Company's founding.

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During the term under review, the U.S. economy continued to expand despite concerns about an imminent slowdown. In Japan, although the government took measures to boost the economy, due to a lack of improvement in employment conditions and income levels as well as an ongoing slump in personal consumption, the economy as a whole remained sluggish despite the emergence of signs of recovery in the private sector.

In the construction industry, in addition to public investment backed by a government-created supplementary budget, low interest rates contributed to an increase in a part of the industry. Private-sector capital investment remained slow except in telecommunications-related industries, however, due to the perception that there was

excess capital investment, thus contributing to continued harsh conditions in the private sector.

Under these conditions, we successfully continued our three-year management plan to carry out structural reform, improve our record for staying within budgets, and reduce our interest-bearing liabilities with the aim of expanding our cash flow. Moreover, we took a proactive approach to achieving financial well-being by changing our accounting system to comply with international accounting standards.

Thanks to extensive preventive measures, Maeda did not experience any Y2K-related problems.

Looking at new orders, the value of orders for building projects rose 11.2%, to ¥240.1 billion, and for civil engineering projects slipped 16.1%, to ¥172.8 billion. Government projects comprised 37.0% of orders, while private-sector orders amounted to 63.0% of total orders.

Regarding work completed, revenues from building projects fell 10.3%, to ¥234.7 billion, and those from civil engineering projects fell 13.5%, to ¥180.9 billion. Net sales from work completed in the term fell 11.7%, to ¥415.7 billion.

At the end of the fiscal year, the value of uncompleted work was ¥759.1 billion, which is 0.3% less than that at the end of the previous fiscal year.

Operating income for the term shot up 18.9%, to ¥10.1 billion. However, prompted by intensified competition in the construction industry and new international accounting standards, we strove to ensure our solid financial footing by making payments to pension plans for past years as required by amendments to the method of accounting for pension costs, resulting in a ¥6.0 billion loss for the term. Retained earnings for the year under review amounted to ¥21.1 billion due to the application of tax-effect accounting to past years' figures, which resulted in a ¥26.8 billion adjustment.

Although government efforts to boost the economy are expected to continue, public-sector investment is anticipated to

decline in fiscal 2001. Although IT-related capital investment will grow, harsh business conditions will persist as capital investment in other sectors, particularly nonmanufacturing sectors, continues to decline.

Intensified competition in the construction industry due to a smaller market will require Maeda to actively seek ways in which to respond to complex and varied customer needs, for example by improving prices and competitiveness in project execution as well as strengthening its engineering abilities.

Under these conditions, Maeda will separate itself from the competition by devoting efforts to realizing financial well-being, achieving the goals set out in its three-year management plan, securing orders, and enhancing operating income. In addition, the current fiscal year will be an important one for the Company as it pursues growth in the 21st century and endeavors to develop private finance initiatives as well as its engineering abilities. Also, as part of Maeda's management reform efforts, and to accelerate decision making and clarify roles and responsibilities, the Company has introduced an executive committee this year.

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

June 2000



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 works 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 works 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 technology, Maeda successfully completed 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, Hawaii, 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 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 the 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.

V E R S E A S

In turning a concept into a reality, we believe that the whole is greater than the sum of its parts. From the simplest construct to the most complex installation, Maeda breathes life into all of its creations.



Hung Hom Interchange Bypass

Hung Hom Interchange Bypass

This 1.5-kilometer elevated roadway on the reclaimed land of Hung Hom Bay, Hong Kong, connects the Hung Hom Interchange Bypass and a major thoroughfare.



Hung Hom Interchange Bypass



D O M E S T I C

At Maeda, quality does not begin or end with the building materials and equipment used. It is equally important to accurately understand and fully satisfy customer needs through the comprehensive process of conceptualization.



River Country Garden Kyobashi

This 138-meter, high-rise apartment building made of reinforced concrete has 410 apartments on 40 floors and is located in an urban area near a JR station.



West Hall at the Koganei Campus of Hosei University

This building houses the Engineering and Industrial Engineering departments as well as the new Information Sciences Department and is connected via a LAN to the futuristic 14,000m² campus.



Clio Residence Tokyo

This European-style apartment building for families has 484 apartments on 14 floors, is surrounded by greenery and water, and has a view of the Tokyo Bay area.



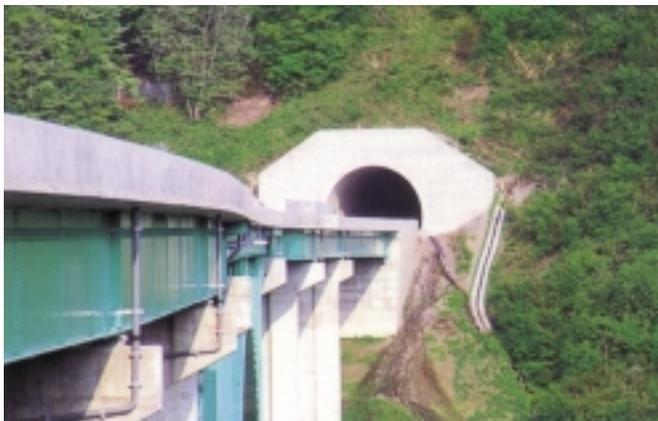
Southern Section of the Kawaguchi Saitama Rapid-Transit Railway—Stage 1
Approximately 1.6 kilometers of mud shielding protect this section of the subway that connects Kawaguchi-Motogo and Minami-Hatogaya.



Sixth Stage of Construction of the Unazuki Dam
 The primary purpose of this 97-meter-high concrete gravity dam is to prevent flooding by controlling the water supply. At the same time, the dam generates power.



Central Maritime Wholesale Market in Fukuoka
 This modern meat market serves all of Japan and boasts the highest-rated sanitation system available, the HACCP (Hazard Analysis Critical Control Process) system.

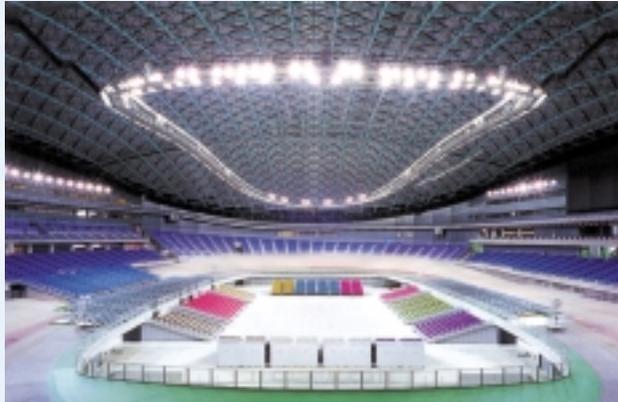


Sekiya Tunnel on the Yamagata Highway
 This 1,921-meter-long tunnel with a 72m² cross-section is outside Asahi Village in Higashi-Tagawa, Yamagata Prefecture.

M A E D A N E W S

Kitakyushu Media Dome
**JIDPO Good Design Award
 for Facilities**
Labor Minister's Quality Award

In 1999, the Kitakyushu Media Dome won both the Good Design Award for Facilities and the Labor Minister's Quality Award. The Good Design Award for Facilities is given by the Japan Industrial Design Promotion Organization (JIDPO) and recognizes building design as well as excellence in quality, function, and performance. Furthermore, during the construction of this building, which lasted from July 1996 through September 1998 and required over three million hours of labor, there were virtually no accidents, an achievement which earned this building the Labor Minister's Quality Award.



Maeda Corporation and
 the Environment
**Maeda employees undertake business
 activities with an awareness of and a
 concern for the environment. Here,
 one of Maeda's environmental mea-
 sures is introduced.**

Kagamihara, in Gifu Prefecture, is known for the water lily colony that graces Ogase Pond. Unfortunately, a few years ago an accumulation of sludge built up in the pond, raising concerns about the water lilies.

In the Ogase Pond Environmental Restoration Project, not only was the accumulated sludge cleared from the bottom of the pond to make the water clean, but also a park was built on the shore to allow residents of the town to enjoy the pond.

First, a suction system was used to dredge the sludge from the bottom of the pond, after which the sludge was treated using a machine developed by Maeda, the Super Vacuum Press.

The treated sludge was transformed into dehydrated cakes of dirt and transferred to the planned location of the Ogase Pond park. After the water from the sludge was treated to balance its pH and restore its clarity, it was returned to the pond.



NEWS FILE

Maeda Yokohama Branch Achieves ISO Certification

In line with the Maeda Environmental Activities Policies, which went into effect on July 1, 1994, Maeda has worked to be an environmentally aware company. In 1998, the Company responded to increased social pressure to further improve its environmental activities with the implementation of ISO 14001 environmental management system standards at its Building Design Department, located in the Head Office, as well as at its Hong Kong Office, and both offices were certified in the same year. In 1999, the Company introduced these standards at its Yokohama Branch, which received ISO 14001 certification in November of that year.

Maeda Receives Licenses to Use New Electric Heating Demolition Method and the SIMAR Method

Maeda obtained certification from the National Land Development Technology Center for the use of an electric heating method in the demolition of reinforced concrete buildings. Maeda's new method simplifies demolition by running an electric current through steel rods in reinforced concrete, thereby heating the rods, which causes them to expand and the concrete to crack. Furthermore, the Company received approval from the Transport Ministry for construction using the SIMAR (Soil Improvement Method by Advanced Rod-compaction) method. The SIMAR method improves soil quality by using a machine to absorb excess water in the ground, making rolling and compacting more effective.

EDI on the Internet

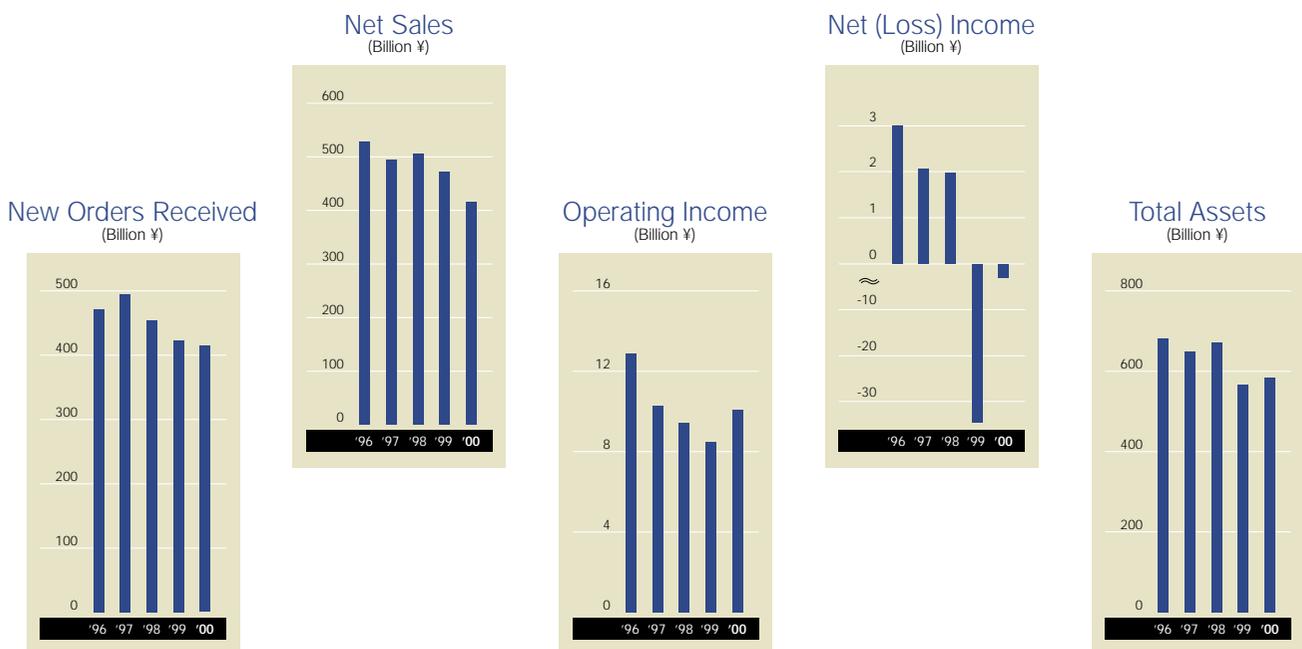
Since October 1999, Maeda has used CI-NET, an electronic data interchange (EDI) system developed by the Construction Industry Promotion Fund, to collect information for cost evaluations. This system is a secure EDI that uses encryption and user signatures, and Maeda plans to introduce the system in all of its domestic offices beginning next year.

Overseas Construction Materials Procurement over the Internet

In July 1999, soundproofed walls for use in one of the Company's major railway projects in Hong Kong were acquired over the Internet. The purpose of using the Internet is to be able to provide customers with high-quality products at a low cost, and Maeda was the first Japanese company to use the Internet to procure materials for use in an overseas project.

FINANCIAL HIGHLIGHTS	Millions of yen					Thousands of U.S. dollars (Note)
	1996	1997	1998	1999	2000	2000
For the year:						
Net sales	¥526,824	¥493,518	¥505,282	¥470,802	¥415,679	\$3,921,500
Operating income.....	12,849	10,276	9,405	8,487	10,095	95,236
(Loss) income before income taxes.....	11,748	8,206	8,137	(33,073)	(8,927)	(84,216)
Net (loss) income	3,008	2,076	1,987	(34,473)	(5,953)	(56,160)
At year-end:						
Total assets	681,219	649,435	670,091	567,306	584,229	5,511,594
Total shareholders' equity.....	160,269	166,909	167,092	130,829	148,698	1,402,812

Note: U.S. dollar amounts in the financial statements are translated from yen, for convenience only, at the rate of ¥106=US\$1, the exchange rate prevailing on March 31, 2000.



Non-Consolidated Balance Sheets

Maeda Corporation
March 31, 1999 and 2000

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	1999	2000	2000
Current Assets:			
Cash and time deposits	¥ 52,738	¥ 60,511	\$ 570,858
Marketable securities (Note 5)	10,286	10,413	98,236
Trade receivables:			
Notes	20,830	18,675	176,179
Accounts	62,072	61,517	580,349
Allowance for doubtful accounts	(3,235)	(3,391)	(31,991)
	79,667	76,801	724,537
Inventories (Note 3)	259,128	255,374	2,409,188
Deferred tax assets (Note 7)	—	15,968	150,642
Other current assets	42,932	41,653	392,953
Total current assets	444,751	460,720	4,346,415
Investments and Other Assets:			
Investments in securities	28,142	15,579	146,972
Investments in and advances to subsidiaries and affiliates	3,718	12,811	120,858
Deferred tax assets (Note 7)	—	14,189	133,858
Other investments	38,370	27,087	255,538
Allowance for doubtful accounts	(18,579)	(15,267)	(144,028)
Total investments and other assets	51,651	54,399	513,198
Property and Equipment, at Cost:			
Buildings and structures	49,318	49,187	464,028
Machinery and equipment	18,910	20,010	188,774
Ships and vehicles	3,523	3,932	37,094
Tools, furniture and fixtures	8,206	7,709	72,726
Land	34,716	34,107	321,764
Construction in progress	14	46	434
	114,687	114,991	1,084,820
Accumulated depreciation	(43,783)	(45,881)	(432,839)
Net, property and equipment	70,904	69,110	651,981
Total assets	¥567,306	¥ 584,229	\$ 5,511,594

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	1999	2000	2000
Current Liabilities:			
Short-term debt (Note 4)	¥ 44,550	¥ 46,590	\$ 439,528
Trade payables:			
Accounts	62,523	62,527	589,877
Subsidiaries and affiliates	12,455	14,476	136,566
	74,978	77,003	726,443
Advances on construction work in progress.....	224,291	218,369	2,060,085
Accrued expenses	3,870	3,720	35,094
Accrued income taxes.....	—	22	208
Deposit liabilities	13,817	15,096	142,415
Employees' savings deposits	6,829	6,626	62,509
Allowance for repairs and warranty	1,205	1,113	10,500
Provision for loss on restructuring of affiliated companies	919	—	—
Other current liabilities.....	5,821	4,885	46,086
Total current liabilities.....	376,280	373,424	3,522,868
Long-term Liabilities:			
Long-term debt (Note 4)	39,764	27,688	261,208
Accrued severance indemnities.....	18,165	18,158	171,302
Accrued expenses of adjustments for prior service costs.....	—	14,005	132,123
Other long-term liabilities.....	2,268	2,256	21,281
Total long-term liabilities.....	60,197	62,107	585,914
Shareholders' Equity:			
Common stock, ¥50 par value per share:			
Authorized—640,000 thousand shares;			
Issued—189,713 thousand shares at March 31, 1999 and 185,213 thousand shares at March 31, 2000, respectively.....	23,455	23,455	221,274
Additional paid-in capital	32,922	31,579	297,915
Legal reserve (Note 10)	3,972	4,152	39,170
Retained earnings (Note 10)	70,480	89,512	844,453
Total shareholders' equity.....	130,829	148,698	1,402,812
Total liabilities and shareholders' equity	¥567,306	¥584,229	\$5,511,594

Non-Consolidated Statements of Operations

Maeda Corporation
Years ended March 31, 1999 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 2)
	1999	2000	2000
Net Sales	¥470,802	¥415,679	\$3,921,500
Cost of Sales	435,209	376,562	3,552,472
Gross profit.....	35,593	39,117	369,028
Selling, General and Administrative Expenses	27,106	29,022	273,792
Operating income.....	8,487	10,095	95,236
Other Income (Expenses):			
Interest and dividend income.....	2,420	1,698	16,019
Interest expenses	(2,692)	(1,886)	(17,792)
Gain on sale of securities.....	228	768	7,245
Write-down of securities.....	(1,270)	(1,042)	(9,830)
Exchange loss.....	(1,509)	(1,345)	(12,689)
Bad debts.....	(15,242)	(550)	(5,189)
Loss on restructuring of affiliated companies	(5,159)	—	—
Expenses of adjustments for prior service costs.....	—	(14,005)	(132,123)
Additional expenses to pension plan assets.....	(1,168)	—	—
Loss on sale or disposal of property and equipment	(15,920)	—	—
Write-down of other investments	—	(2,609)	(24,613)
Other, net.....	(1,248)	(51)	(480)
	<u>(41,560)</u>	<u>(19,022)</u>	<u>(179,452)</u>
Loss before income taxes.....	(33,073)	(8,927)	(84,216)
Income Taxes (Note 7):			
Current.....	1,400	310	2,925
Deferred	—	(3,284)	(30,981)
	<u>1,400</u>	<u>(2,974)</u>	<u>(28,056)</u>
Net loss.....	¥ (34,473)	¥ (5,953)	\$ (56,160)
		Yen	U.S. dollars (Note 2)
Per Share:			
Primary deficit.....	¥(181.7)	¥(31.5)	\$ (0.30)

The accompanying notes are an integral part of these statements.

Non-Consolidated Statements of Shareholders' Equity

Maeda Corporation
Years ended March 31, 1999 and 2000

	Thousands	Millions of yen			
	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings
Balance at March 31, 1998.....	189,713	¥23,455	¥32,922	¥3,792	¥106,923
Net loss	—	—	—	—	(34,473)
Cash dividends paid at ¥9.0 per share.....	—	—	—	—	(1,707)
Transfer to legal reserve	—	—	—	180	(180)
Bonuses to directors.....	—	—	—	—	(83)
Balance at March 31, 1999.....	189,713	23,455	32,922	3,972	70,480
Cumulative effect of a change in accounting for deferred taxes	—	—	—	—	26,872
Net loss	—	—	—	—	(5,953)
Cash dividends paid at ¥9.0 per share.....	—	—	—	—	(1,707)
Transfer to legal reserve	—	—	—	180	(180)
Redemption of treasury stock	(4,500)	—	(1,343)	—	—
Balance at March 31, 2000.....	185,213	¥23,455	¥31,579	¥4,152	¥ 89,512

	Thousands of U.S. dollars (Note 2)			
Balance at March 31, 1999.....	\$221,274	\$310,585	\$37,472	\$664,906
Cumulative effect of a change in accounting for deferred taxes	—	—	—	253,509
Net loss	—	—	—	(56,160)
Cash dividends paid at \$0.08 per share.....	—	—	—	(16,104)
Transfer to legal reserve	—	—	1,698	(1,698)
Redemption of treasury stock	—	(12,670)	—	—
Balance at March 31, 2000.....	\$221,274	\$297,915	\$39,170	\$844,453

The accompanying notes are an integral part of these statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of presentation of non-consolidated financial statements

The accompanying non-consolidated financial statements have been prepared based on the accounts maintained by Maeda Corporation (the “Company”) in accordance with the provisions set forth in the Japanese Commercial Code and Japanese Securities and Exchange Law, in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Accounting Standards.

Certain items presented in the non-consolidated financial statements filed with the Ministry of Finance (the “MOF”) in Japan have been reclassified for the convenience of readers outside Japan.

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

(2) 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 to completed contracts is deferred and recorded as income when such installment receivables become due.

(3) Valuation of securities

Marketable securities in current and non-current assets are valued at the lower of cost or market. The other securities are valued at cost. In all cases, cost is determined on the moving-average method.

Until the year ended March 31, 1999, investments in subsidiaries and affiliates are stated at cost. Investments in companies which have incurred substantial losses and are not expected to recover such losses in the near future are written down to net realizable value.

With effect from the year ended March 31, 2000, the Company has changed its valuation of investments in subsidiaries and affiliates with market quotation to the lower of cost or market.

As a result of an amendment of the accounting principles generally accepted in Japan, the scope of affiliates was extended and certain of the Company’s stocks included in marketable securities in the past are defined as investments in affiliates. Previously, investments in affiliates were stated at cost, but these were exposed to have unrealized loss under the same valuation method. Considering the above fact, in order to value investments in affiliates with market quotation at the lower of cost or market, the accounting principles have been changed.

As a result of the change, “Loss before income taxes” was increased by ¥409 million (US\$3,858 thousand), as compared with the previous basis.

(4) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at the estimated amount of uncollectable receivables plus the maximum amount that can be charged to income under the Japanese income tax laws.

(5) Inventories

Construction work in progress is stated at the specific identification cost and real estate held for sale is stated at the lower of specific identification cost or market.

(6) Property, equipment and software for internal use

Property and equipment, including significant renewals and additions, is stated at cost. Depreciation is computed by the declining balance method over the estimated useful lives of the respective assets. Repairs and maintenance are charged to current income.

Pursuant to the application of the transition measure of “Guidance on Research and Development Costs” issued by the Accounting Standards Committee of the Japanese Institute of Certified Public Accountants on March 31, 1999, software costs

for internal use which had been capitalized as assets on and before March 31, 1999 and amortized thereafter remain to be carried as assets and amortized. Such costs are amortized over the assets' estimated useful lives (5 years) on a straight-line basis.

(7) Allowance for repairs and warranties

The Company repairs its heavy machinery used in construction every three to five years and provides an allowance for repairs based on the estimated amount necessary for repairs and actual operational record of the machinery during the current period.

The Company's warranties for completed projects normally last for two years after completion. However, in cases where defects have been caused by gross negligence, the warranty period extends to 10 years. The Company maintains reserves for possible defects based on the actual ratio of warranty costs to the amount of completed projects in the past.

The Company changed its accounting policy for providing for allowance for warranties from stating the possible defects at the maximum rate permitted under Japanese income tax law to the possible defects based on the actual ratio of warranty costs to the amount of completed projects in the past. This change was based on consideration of an amendment of the Japanese income tax law effective the year beginning on April 1, 1998. The cumulative effect of this accounting change is immaterial.

(8) Accrued severance indemnities

The Company has two retirement plans in effect—an unfunded lump-sum benefit plan and a funded contributory pension plan—generally covering all employees.

Under the terms of the lump-sum benefit plan, eligible employees are entitled (under most circumstances), upon mandatory retirement or earlier voluntary severance, to payments based on remuneration at the time of severance and the number of years of service. The liability as shown in the balance sheets for employees' retirement benefits represents 50 percent of the amount which would be required if all employees voluntarily terminated their services at the respective balance sheet dates.

The Company's pension plan covers all eligible employees. In general, the plan provides for pension payments for lifetime pensions commencing from the age of 60. The annual contribution to this plan includes current period costs, amortization over a 10-year period of prior service costs and interest on the unfunded portion. The contribution is determined actuarially and funded currently through an outside trustee.

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

In the past, prior service costs defined under periodic actuarial calculations were amortized and expensed through annual contributions. With effect from the year ended March 31, 2000, the Company changed its accounting treatment to recognize the costs on the accrual basis. This change was based on consideration of the materiality of the prior service costs that would be charged in the future, and to recognize such costs provided in proper periods, and to strengthen the financial position of the Company. As a result of this change, as compared with the previous method, loss before income taxes for the year ended March 31, 2000 increased by ¥14,004 million (US\$132,113 thousand).

(9) Legal reserve

The Japanese Commercial Code provides that an amount equivalent to at least 10 percent of any amount paid out by the Company as an appropriation of retained earnings shall be appropriated as a legal reserve until such reserve equals 25 percent of common stock. The legal reserve is not available for distribution as dividends, but may be used to reduce a deficit or may be transferred to common stock by proper actions of the Board of Directors and/or the shareholders.

(10) Income taxes

Income taxes of the Company consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

In the year ended March 31, 2000, the Company adopted the deferred tax accounting method in accordance with the amended regulations for the preparation of financial statements. Income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect to temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements. The cumulative effect of adopting deferred tax accounting at April 1, 1999 was charged to retained earnings.

In the year ended March 31, 1999, income taxes of the Company were provided for at an amount currently payable based on the tax returns filed with tax authorities.

As a result of this change, as compared with the previous method, for the year ended March 31, 2000, deferred tax assets of ¥30,156 million (US\$284,491 thousand) that consist of current taxes of ¥15,967 million (US\$150,632 thousand) and non-current taxes of ¥14,189 million (US\$133,859 thousand) were newly recorded, net loss decreased by ¥3,284 million (US\$30,981 thousand), and retained earnings increased by ¥30,187 million (US\$284,783 thousand).

(11) 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.

(12) Net income per share

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

2 U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥106=U.S.\$1, the rate of exchange on March 31, 2000, 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 this rate or any other rate.

3 INVENTORIES

At March 31, 1999 and 2000, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Construction work			
in progress	¥247,450	¥243,264	\$2,294,943
Real estate held for sale	11,520	11,999	113,198
Materials and supplies.....	158	111	1,047
	<u>¥259,128</u>	<u>¥255,374</u>	<u>\$2,409,188</u>

4 SHORT-TERM DEBT AND LONG-TERM DEBT

At March 31, 1999 and 2000, short-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Bank loans bearing interest rates ranging from 0.42% to 1.625% per annum	¥23,834	¥39,374	\$371,453
Commercial paper bearing interest rates ranging from 0.56% to 1.68%	20,500	—	—
2.75% 3rd series bonds due 2001	—	7,000	66,038
Current maturities of long- term debt.....	216	216	2,038
	<u>¥44,550</u>	<u>¥46,590</u>	<u>\$439,528</u>

At March 31, 1999 and 2000, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
10-year TSR + 0.15%			
1st series bonds due 2008	¥ 3,000	¥ 3,000	\$ 28,302
3.00% 2nd series bonds due 2002	10,000	10,000	94,340
2.75% 3rd series bonds due 2001	7,000	—	—
2.50% 4th series bonds due 2003	5,000	5,000	47,170
1.8% 2nd convertible bonds due 2002 convertible currently at ¥1,557.40 per share	8,209	8,209	77,443
Long-term loans from financial institutions due 2007 bearing interest rates ranging from 4.3% to 8.538%	6,771	1,695	15,991
	39,980	27,904	263,246
Less current maturities	(216)	(216)	(2,038)
	<u>¥39,764</u>	<u>¥27,688</u>	<u>\$261,208</u>

At March 31, 2000, the number of shares of common stock which would have been issuable upon conversion of all outstanding convertible bonds was 5,271,000.

The annual maturities of long-term debt at March 31, 2000 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2002	¥ 7,216	\$ 68,075
2003	10,216	96,377
2004 and thereafter	10,256	96,756
	<u>¥27,688</u>	<u>\$261,208</u>

5 PLEDGED ASSETS

At March 31, 2000, the following assets were pledged to customers as collateral for construction contracts:

	Millions of yen	Thousands of U.S. dollars
Marketable securities	¥78	\$736

6 LEASE TRANSACTIONS

Lease rental expenses on finance lease contracts without ownership-transfer for the years ended March 31, 1999 and 2000 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Lease rental expenses	¥176	¥143	\$1,349

The amount of outstanding minimum lease payments at March 31, 1999 and 2000, which included the portion of interest thereon, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Finance lease:			
Minimum lease payments:			
Within one year	¥125	¥131	\$1,236
Over one year	148	205	1,934
Total	<u>¥273</u>	<u>¥336</u>	<u>\$3,170</u>

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Operating lease:			
Minimum lease payments:			
Within one year	¥305	¥296	\$2,792
Over one year	22	145	1,368
Total	<u>¥327</u>	<u>¥441</u>	<u>\$4,160</u>

Acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets, which included the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Acquisition cost	¥1,091	¥745	\$7,028
Accumulated depreciation	818	409	3,858
Net book value	¥ 273	¥336	\$3,170
Depreciation	<u>¥ 176</u>	<u>¥143</u>	<u>\$1,349</u>

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

7 INCOME TAXES

The statutory tax rates used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2000 was 42%.

At March 31, 2000, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Accrued expenses of adjustments		
for prior service cost.....	¥ 5,881	\$ 55,481
Accrued severance indemnities.....	5,170	48,774
Allowance for doubtful accounts.....	3,673	34,651
Operating loss carryforwards		
for tax purpose.....	3,842	36,245
Write-down of inventories.....	3,555	33,538
Others.....	8,065	76,085
Total.....	30,186	284,774
Less—Valuation allowance.....	—	—
Total deferred tax assets.....	30,186	284,774
Deferred tax liabilities:		
Special tax-purpose reserve for condensed		
booking of property and equipment.....	30	283
Total deferred tax liabilities.....	30	283
Net deferred tax assets.....	¥30,156	\$284,491

For the year ended March 31, 2000, reconciliation of the statutory tax rate to the effective income tax rate is as follows:

	For the year ended March 31, 2000
Statutory tax rate.....	42.0%
Increase (decrease) in taxes resulting from:	
Expenses not deductible for income tax purposes.....	(8.6)
Income not deductible for income tax purposes.....	3.2
Per capita levy.....	(3.5)
Other factor.....	0.2
Effective income tax rate.....	33.3%

8 SHAREHOLDERS' EQUITY

The ordinary general meeting of shareholders held on June 26, 1998 authorized the Company, pursuant to 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, 2000, no common stock had been acquired under this authorization.

The ordinary general meeting of shareholders held on June 26, 1998 approved that, in addition to the shares discussed in the preceding paragraph, on and after June 26, 1998, the Company 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 ¥4 billion pursuant to Japanese regulations. During the year ended March 31, 2000, 4,500 thousand shares of common stock had been acquired at prices in total of ¥1,343 million (US\$12,670 thousand) under this approval.

9 COMMITMENTS AND CONTINGENT LIABILITIES

The Company was contingently liable at March 31, 2000 for endorsed trade notes receivable of ¥18,097 million (US\$170,726 thousand). In addition, the Company was contingently liable as guarantor of loans incurred by affiliates and others in the amount of ¥10,113 million (US\$95,406 thousand) at March 31, 2000.

10 SUBSEQUENT EVENT

The annual meeting of shareholders approved the following appropriations of retained earnings on June 29, 2000:

	Millions of yen	Thousands of U.S. dollars
Appropriations		
Cash dividends (¥9.0 per share).....	¥1,666	\$15,717
Bonuses to directors.....	55	519
Transfer to legal reserve.....	200	1,887
Total appropriations.....	¥1,921	\$18,123

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 non-consolidated balance sheets of Maeda Corporation as of March 31, 1999 and 2000, and the related non-consolidated statements of operations and shareholders' equity for each of the two years in the period ended March 31, 2000, 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 financial statements referred to above present fairly the non-consolidated financial position of Maeda Corporation as of March 31, 1999 and 2000, and the non-consolidated results of its operations for each of the two years in the period ended March 31, 2000, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis, except for the changes, with which we concur, in the valuation of securities and described in details in Note 1. (3) "Valuation of securities" and in the accounting for expenses on prior service costs of the pension plan as described in details in Note 1. (8) "Accrued severance indemnities" of the notes to the non-consolidated financial statements.

As described in Note 1, effective for the year ended March 31, 2000, Maeda Corporation has adopted new Japanese accounting standards for research and development costs and income taxes.

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 2 to the accompanying financial statements.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation

Tokyo, Japan
June 29, 2000

Outline of the Corporation

(As of March 31, 2000)

Year of Establishment
1919

Date of Incorporation
November 6, 1946

Number of Employees
3,978

Authorized Shares
635,500,000

Outstanding Shares
185,213,602

Paid-in Capital
¥23,455 million

Stock Listing
First Section of Tokyo Stock Exchange

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Fax: (03) 3262-3339
Telex: 2324033 MAECON J
Cable: MAEHONSHA TOKYO
URL: <http://www.maeda.co.jp/>

Board of Directors

(As of June 29, 2000)

Chairman and Representative Director
Matabee Maeda

Vice Chairman and Representative Director
Kazuo Terashima

President and Representative Director
Yasuji Maeda

Representative Directors
Masumi Takai
Iwao Asano

Directors
Yoichi Fuse
Kohei Fukui
Mamoru Minemoto

Representative Director
Nobuyoshi Kawashima

Directors
Miyahiko Kitamura
Hiroyoshi Taniguchi
Keiichiro Ueda
Yukihiro Sakuta
Naoyuki Kiyosue
Fumiyasu Hiromoto

Corporate Auditors
Akio Yoshihara
Tatsuo Kaigo
Teruaki Matsui
Yasumitsu Kiuchi

Executive Officers

(As of June 29, 2000)

President and Chief Executive Officer
Yasuji Maeda

Executive Vice Presidents
Masumi Takai
Iwao Asano
Yoichi Fuse
Kohei Fukui

Senior Managing Officers
Mamoru Minemoto
Nobuyoshi Kawashima
Akira Kato
Miyahiko Kitamura

Managing Officers
Hiroyoshi Taniguchi
Keiichiro Ueda
Yukihiro Sakuta
Naoyuki Kiyosue
Katsuhisa Hosono
Atsuo Kashiwagi
Minoru Akiba
Hiroki Nomizu
Eiji Sato

Executive Officers
Fumiyasu Hiromoto
Seiichi Yamashita
Satoshi Haratani
Kazuie Yamada
Norio Ikeda
Takashi Mochizuki
Yusaku Tomobe
Satoshi Yonetani
Ryuzaburo Inoue
Tsutomu Takahashi
Hiroshi Shibuya
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Fax: 86-21-6439-0132

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

Subsidiaries and Affiliates

Overseas:

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

Domestic:

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



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