



MAEDA

ANNUAL REPORT 2003

Corporation



MAEDA



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

***O**n behalf of all of us at Maeda Corporation, I am pleased to take this opportunity to report the Company's operating results for fiscal 2003, ended March 31, 2003, the 58th year since Maeda's incorporation.*

Japan's economy exhibited signs of recovery in the first half of the fiscal year ended March 31, 2003, driven by increased exports and progress in inventory adjustments. However, such factors as the sluggishness of the U.S. economy, the problem of nonperforming loans at Japanese financial institutions, and lackluster equity prices contributed to slack conditions in the second half of the fiscal year. In Japan, with recovery absent in private-sector capital investment and adjustments in the employment situation unabated, unemployment remained at record high levels. In light of a worsened income and employment environment and uncertain outlook, economic conditions in Japan looked bleak, adversely affected by such factors as restraint in consumer spending.

In the construction sector, while new construction starts of medical and welfare institutions, retail establishments, and certain other types of projects were on an upswing, overall investment in private-sector construction was sluggish, due to

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significant declines in previously strong construction starts of office buildings, factories, and condominiums.

At both the national and local government levels, streamlining of public works and budget cuts resulted in a significant decline in public-sector construction projects, causing annual total construction investment to dip below ¥60.0 trillion for the first time in 16 years.

In light of the challenges posed by this environment, we have worked to enhance managerial efficiency and flexibility by carrying out organizational reform that included, among other initiatives, vertical integration of both civil engineering and construction operations, from planning and design to sales and project implementation. Further, we are diligently creating a managerial system that will flexibly respond to changes in the business environment. Accordingly, with the objective of strengthening corporate governance, we are adopting such measures as reducing the length of the terms of members of the board and revising compliance procedures. In addition, we have rededicated ourselves to proactive sales and marketing through a number of initiatives, including enhancing the scope of our strategic alliances and areas of cooperation in both construction and related sectors, focusing on construction management as well as planning and technical proposal projects, and winning large-scale construction projects overseas.

Looking at contracts won amid the challenging conditions of the fiscal year ended March 31, 2003, Maeda earned high marks from customers for its technological capabilities and trustworthiness. As a result, orders for construction work rose 13.8% compared with the previous fiscal year, to ¥254.2 billion, while civil engineering orders remained steady at ¥140.9 billion, combining for total orders amounting to ¥395.1 billion, up 8.5% from the previous fiscal year.

Public-sector construction accounted for 42.2% of total construction orders, while private-sector contracts accounted for 57.8%.

Sales by our Construction Business, which represents a significant portion of our net sales, increased 5.3%, to ¥413.3 billion, while net sales of Other Business, which centers on construction-related business, slipped 3.3%, to ¥45.5 billion, resulting in consolidated net sales of ¥458.9 billion, up 4.3% from the previous fiscal year.

The completion of unprofitable large-scale construction projects, combined with the reduced profitability of completed construction work, particularly domestic civil engineering projects, resulted in an operating loss of ¥4.8 billion. Further, the Company recorded a net loss of ¥7.6 billion due primarily to

extraordinary losses related to unrealized losses on investment securities stemming from the bearish trend in the stock market.

Looking ahead, uncertainty regarding the international political situation, stock market weakness, and a sluggish U.S. economy, along with the dull domestic employment and wage environment, are forecast to prolong the economic downturn. In the construction industry, budget cutbacks in the public sector are expected to affect public works construction, while in private-sector construction investment, conditions characterized by excess office space and a sluggish recovery in infrastructure investment are not likely to improve in the near future. Consequently, the downsizing trend in the construction market is expected to continue over the long term. Moreover, forecasts point to intensified competition in the construction industry as sectorwide restructuring gains momentum with companies entering into mergers and tie-ups in business and technology-related activities.

Given the current challenging business climate, rather than striving for profitable growth through corporate realignment or merely adequate performance, Maeda plans to effect growth through far-reaching restructuring of its existing organization. To this end, we formulated a new three-year management plan, which commenced in fiscal 2002 and will transform the Company's business structure. Specifically, we plan to reevaluate all of our operations and business processes, building a flexible management foundation that will lead the industry in cost-competitiveness, technological acumen, and reliability. We will continue to focus on the plan's priority areas, which include enhancing cost-competitiveness, strengthening the Company's solution functions, raising brand value, and tapping into new markets. To achieve our goals in these areas, we are creating a new production system for the construction business, expanding orders—including renewals—in the engineering sector, and strengthening endeavors in such new areas as our retail business. With these activities, we are redoubling efforts to realize business expansion, striving toward our aim of providing greater satisfaction to all of our stakeholders.

We look forward to the continued guidance and support of our shareholders and business partners in all of our future endeavors.



June 2003
Yasuji Maeda
President, Chief Executive Officer, and Representative Director

Maeda 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
 Athletics and entertainment facilities
 Factories and warehouses

The United States

In 1985, Maeda decided to make a full-scale entry into the U.S. market and established Maeda International Corporation, now named MKK Technologies, Inc., in Michigan. MKK Technologies's first major project was the construction of the Mazda automobile manufacturing plant in Flat Rock, Michigan. Since then, MKK Technologies has undertaken numerous projects in 13 states, mostly in the Midwest, for both Japanese and American clients. Maeda has every confidence that MKK Technologies 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.

The Pacific Region

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.

Maeda's operations in Hong Kong date back to 1963. Since then, for 40 years, Maeda has continued to be present in the region as one of the major contractors delivering key infrastructure projects on time, on budget and to the desired quality.

Our list of representative projects completed after the 1970s includes: stations and tunnels for all phases of the Mass Transit Railway System; the world-renowned Hong Kong International Airport Passenger Terminal Building; Tsing Tsuen Bridge connecting Tsing Yi Island to Kowloon; the West Kowloon Expressway; the design and building of the cable-stayed Kap Shui Mun Bridge linking the airport and Kowloon Peninsula; and the natural gas fueled Black Point Power Station with a rated power capacity of 240MW.

Maeda's current projects are also key to the expanding infrastructure of Hong Kong. A 10 kilometer section of railway will be completed ahead of schedule, in autumn 2003. The new railway will give rise to a more efficient mode of transportation, leading to a substantial reduction in commuting time between the central business district and the north west of Hong Kong. The Kowloon-Canton Railway Corporation is constructing another rail link with China in addition to the existing one, and, again, Maeda is participating as a contractor for railway viaducts.

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 roads, 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

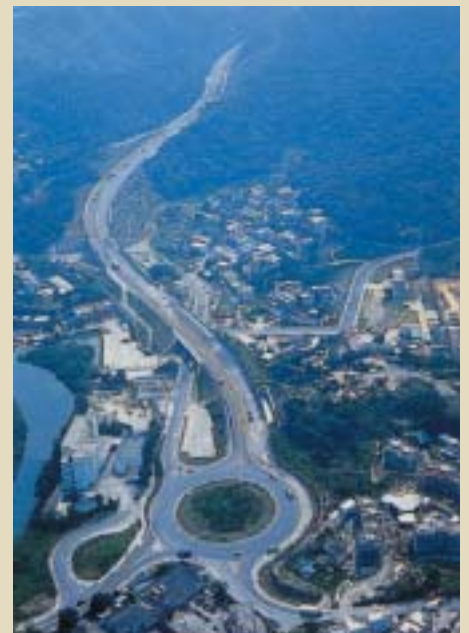


Construction of Kugusu River Dam for the Kugusu River General Development Project

This is a multipurpose dam built in Nei-gun, as part of the Kugusu River General Development Project being overseen by the government of Toyama Prefecture. With a height of 95 meters and a length across the top of 253 meters, this concrete gravity dam has an embankment volume of 470,000 cubic meters. It controls floodwaters and runoff from snowmelt, sustains the normal flow of the river, and generates hydroelectric power.

Hiram's Highway Improvement

This project is part of a development program in the Hong Kong Special Administrative Region to improve the Hiram's Highway, the only highway connecting the Kowloon Peninsula urban district and Sai Kung, Hong Kong's eastern resort hotel and residential area. The project, which involved the construction of a 750-meter long, two-lane detour around the four-lane highway, as well as a 70-meter diameter roundabout, took some four years to complete.



The Bridge over the Yomasu Dam, Part of the Hachinohe Plateau Cultivation Construction Project

This project was a contract from the Tohoku Regional Agriculture Bureau of the Ministry of Agriculture, Forestry and Fisheries to build a bridge over the Yomasu Dam as part of plans for an alternate highway under the ministry's Hachinohe Plateau Cultivation Construction Project. The bridge spans 246 meters, and the lower portions of its towers were built using Maeda's proprietary REED* technology.

**REED: A method for building bridge towers using ferroconcrete, developed to speed up construction.*



Completed Building Works



Tokyo Immigration Bureau Building

Maeda undertook construction of the new offices of the Tokyo Immigration Bureau, which relocated to the waterfront district of Tokyo's Minato Ward. In addition to being the center for processing immigration- and emigration-related matters, this facility represents Japan in its interactions with the rest of the world. The bold cross-shaped structure is eminently suited to the global society of the 21st century.



Otsuma Women's University New Chiyoda Campus Library

This project involved the construction of a new library on the Chiyoda Campus of Otsuma Women's University. The exquisite exterior consists of glass curtain walls with deep-set vertical aluminum louvers, creating a sense of open space in harmony with the surrounding environment. The library, which has a 500,000-volume capacity, features closed stacks on the second basement level and a full-scale book vault on the third basement level. The multimedia section on the first basement level boasts cutting-edge information hardware.

Second Japan Aviation High School of the Japan Aviation Academy

The Japan Aviation High School, which has reached the National High School Baseball Championships at Koshien for two consecutive years, opened a second campus as the Second Japan Aviation High School. The new school is adjacent to Noto Airport, and is slated to commence operations in July of 2003. The school will also serve as an advanced training academy for aeronautical engineers. The spacious grounds contain the school buildings, simulators for the YS-11 passenger jet and helicopters alike, and dormitories and cafeterias for the students. Maeda was single-handedly responsible for the design and construction of all of these structures.



Maeda News

Urban Renewal

Kitakyushu River Walk, Muromachi 1-Chome First Urban Redevelopment Project, Completed

Kitakyushu River Walk, the Muromachi 1-Chome First Urban Redevelopment Project, is one of the largest redevelopment projects to have been undertaken in Japan. The project is located near Kokura Castle, in Kitakyushu City, a locale steeped in history and culture. The site, which boasts a land area of approximately 22,000 square meters and a total floor area of approximately 162,000 square meters, consists of five buildings that combine a refined color scheme with imaginative, irregular shapes created by various curves and slopes. Kitakyushu River Walk will serve a wide range of functions, and will include newspaper offices, a cinema complex, shopping facilities, cultural facilities, and offices, making it ideal for reviving the area with a new “city.” We anticipate that it will become a major new landmark for Kitakyushu City enjoyed by its residents for many years to come.

This large project, which came with tremendous operational complexities, posed a significant challenge to Maeda. From the commencement of operations in July 2000, this project was a unified Companywide effort that drew heavily on Maeda’s technological know-how, management, and other corporate strengths in its aim to remain true to the project’s fundamental concept. As a result, we successfully completed the work on schedule, in March 2003.

In addition to being one of our outstanding accomplishments, we believe that, through working on the Kitakyushu River Walk project, we have further enhanced our technological and management capabilities.

Construction details

Location:	Muromachi 1-chome, Kokurakita-ku, Kitakyushu
Customer:	The Muromachi 1-Chome Area Urban Redevelopment Cooperative
Construction period:	July 2000 to March 2003
Total land area:	21,948 square meters
Total floor area:	162,161 square meters
Specifications:	One 16-story building with two basement levels, steel and steel-reinforced concrete construction and four other buildings



Mystique Court cinema complex and parking garage

Overview of Kitakyushu River Walk

The Yokohama Motomachi Urban Renewal Project

Maeda Received an Order from the Yokohama Yamashita Municipal Project



Completed concept illustration

Yamashita-cho, a district of Yokohama that borders Yamashita Park, Motomachi, and Yokohama Chinatown, is considered to be the heart of the city. Maeda was contracted to design and construct a 22-story, multipurpose building with one basement level. We submitted a bid to the Japan Regional Development Corporation's Department of Efficient Land Usage with our partner for this project, Secom Home Life Co., Ltd. The bid was accepted, with particular praise given to the Company's ability to spot market trends, as well as its overall capabilities and strong planning and engineering skills.

The building will have storefronts on the ground floor and offices for the property owners on the second floor. The third through 22nd floors will house residential units.

Plans call for the Central Entrance to Motomachi-Chinatown Station on the Minato Mirai 21 Subway Line to be located within the development. Accordingly, we are taking this feature into account in the design and construction of the building. The project, which is expected to bring increased vitality to the area, is proceeding according to schedule, and completion is timed to coincide with the spring 2004 opening of the Minato Mirai 21 Subway Line.

Construction details

Location:	67-1, Yamashita-cho, Naka-ku, Yokohama
Customer:	Secom Home Life Co., Ltd. (building and subway entrance)
Construction period:	December 2002 to February 2005 (building); August 2002 to December 2003 (subway entrance)
Total floor area:	29,801 square meters (building); 380 square meters (subway entrance)
Specifications:	Building: Reinforced concrete construction, 22 stories, observation deck, one basement level, 74.85 meters high, 265 residential units Subway entrance: Reinforced concrete, one story with one basement level

A Bid Based on Technology and Price: New Soka Municipal Hospital Construction Contract



Completed concept illustration

This project involves replacing an old hospital, which had reached the end of its lifespan, with a new one. Our emphasis on minimizing construction costs while maximizing our private-sector know-how resulted in a successful bid. The bidding process was the first of its kind in Japan, including public hearings attended by concerned citizens as well as private-sector experts and municipal executives.

Under this new bidding scheme, relevant departments collaborated on a proposal that would meet the customer's demands in terms of both cost and technology. Maeda was awarded the contract following audits, public hearings, and cost-related negotiations.

At present, construction is proceeding smoothly. Maeda is striving to complete the project in a timely manner so that citizens who are awaiting the opening of the new hospital may benefit from it as soon as possible.

Construction details

Location:	Soka 2-chome, Soka City, Saitama Prefecture
Customer:	Soka City
Construction period:	July 2002 to March 2004
Total floor area:	32,490 square meters
Specifications:	Steel-reinforced concrete construction (reinforced concrete patient wards), eight stories with one basement level

Maeda's First Construction Contract in Taiwan

Gaoxiong Orange Line Subway CO2 Construction Zone



Shield tunneling machine



Construction progress as of May 2003

In a joint venture with a local firm, Maeda is participating in the building of the subway district in Gaoxiong, its first construction contract in Taiwan. The entire project involves constructing two subway lines—the Orange Line, which runs east to west across the city; and the Red Line, which runs north to south. Maeda is constructing a 1.9-kilometer section of the Orange Line located in Gaoxiong's busiest shopping district.

Our plans call for designing and constructing three subway stations and four shield tunnels in only four years and two months. The project employs the build-operate-transfer (BOT) process*, which is being funded by the Taiwanese government and the city of Gaoxiong. Maeda's client is a private-sector group founded through collective investments by over ten firms, including a major steel manufacturer and a key Taiwanese financial institution. The bidding process involved audits of Maeda's credentials and technological capabilities, in addition to comprehensive evaluation of the Company, that included cost-value analysis, all of which showed the Company to have superior collective capabilities.

Construction details

Location:	Gaoxiong City, Taiwan
Customer:	Gaoxiong MRT Co., Ltd.
Construction period:	October 2002 to December 2006
Specifications:	Three subway stations, 20 meters wide, 20 meters deep, 200 meters long; four tunnels, two 426 meters long, two 873 meters long; pilot tunnel

*BOT: A process whereby costs for building transport infrastructure are recovered through fares or tolls. The projects in question are operated for a set period of time to recoup investment capital, after which they are transferred to central government control.

World's Longest Land-Based Tunnel

Nashinoki Section of Hakkoda Tunnel and Neighboring Tunnel Arms



Tohoku Shinkansen Line, between Hachinohe and Shin-Aomori



This photo was taken after boring began in January 2003.

The Hakkoda Tunnel will be the main artery for the Tohoku Shinkansen Line, which will link Tokyo and Aomori Prefecture. At 26.5 kilometers, the tunnel will be the world's longest of its kind. The Nashinoki section of the tunnel was constructed using the new Austrian tunneling method (NATM*) to bore through 4.6 kilometers of mountains on the edge of the Aomori section. Advancing at an average monthly rate of 102 meters, drilling the tunnel took some five years. The work progressed during this entire period without any accidents, coming to a close in January 2003 when the shield tunneling machine penetrated through to the neighboring arm of the tunnel.

Construction details

Location:	City of Aomori
Customer:	Japan Railway Construction Public Corporation
Construction period:	July 1998 to June 2004
Construction content:	4,600-meter extension (Nashinoki section)
Construction method:	NATM* (tunneling machine)
Cross-section:	Approximately 62 square meters (main interior tunnel)

*NATM: A tunnel construction method that uses sprayed shotcrete and rock bolts for support.

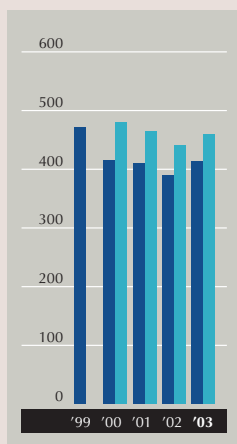
CONSOLIDATED FINANCIAL HIGHLIGHTS

Maeda Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note)
	2002	2003	2003
For the year:			
Net sales.....	¥439,756	¥458,856	\$3,817,438
Operating income (loss).....	9,848	(4,770)	(39,684)
Net income (loss).....	191	(7,579)	(63,053)
At year-end:			
Total assets.....	654,497	648,962	5,399,018
Total shareholders' equity.....	170,032	161,612	1,344,526

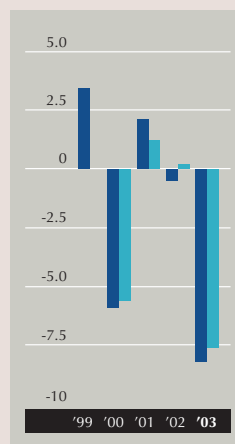
Note: U.S. dollar amounts in the financial statements are translated from yen, for convenience only, at the rate of ¥120.2=US\$1, the exchange rate prevailing on March 31, 2003.

Net Sales
(Billion ¥)

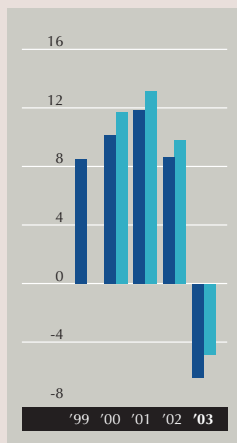


■ Non-consolidated
■ Consolidated

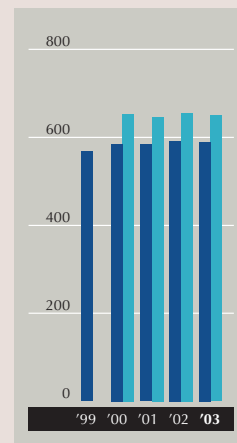
Net Income (Loss)
(Billion ¥)



Operating Income (Loss)
(Billion ¥)



Total Assets
(Billion ¥)



CONSOLIDATED BALANCE SHEETS

Maeda Corporation and Consolidated Subsidiaries
March 31, 2002 and 2003

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2003	2003
Current Assets:			
Cash and time deposits	¥ 54,482	¥ 58,734	\$ 488,636
Marketable securities (Note 4)	7	317	2,637
Trade receivables:			
Notes	29,067	23,405	194,717
Accounts	84,139	92,664	770,915
Allowance for doubtful accounts	(5,081)	(4,975)	(41,389)
	108,125	111,094	924,243
Inventories (Note 6)	268,280	260,240	2,165,058
Deferred tax assets (Note 10)	14,372	14,665	122,005
Other current assets	33,486	33,896	281,997
Total current assets	478,752	478,946	3,984,576
Investments and Other Assets:			
Investments in securities (Notes 4 and 7)	45,270	41,260	343,261
Investments in and advances to unconsolidated subsidiaries and affiliates	23,328	22,968	191,082
Deferred tax assets (Note 10)	7,795	8,982	74,725
Other investments	26,152	26,166	217,687
Allowance for doubtful accounts	(11,868)	(13,347)	(111,040)
Total investments and other assets	90,677	86,029	715,715
Property and Equipment, at Cost (Note 7):			
Buildings and structures	81,694	83,072	691,115
Machinery and equipment	23,197	23,461	195,183
Ships and vehicles	4,197	4,503	37,463
Tools, furniture and fixtures	9,597	9,532	79,301
Land	34,885	35,661	296,681
Construction in progress	67	133	1,106
	153,637	156,362	1,300,849
Accumulated depreciation	(68,569)	(72,375)	(602,122)
Property and equipment, net	85,068	83,987	698,727
Total assets	¥654,497	¥648,962	\$5,399,018

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2003	2003
Current Liabilities:			
Short-term debt (Note 7)	¥ 73,850	¥ 73,848	\$ 614,376
Trade payables	84,133	87,185	725,333
Advances on construction work in progress.....	215,101	209,386	1,741,980
Accrued income taxes.....	509	576	4,792
Allowance for repair and warranty	1,206	1,203	10,008
Accrued bonuses	2,866	2,696	22,429
Other current liabilities.....	28,055	27,742	230,799
Total current liabilities.....	405,720	402,636	3,349,717
Long-Term Liabilities:			
Long-term debt (Note 7)	32,913	44,504	370,250
Reserve for retirement benefits (Note 9)	33,198	33,445	278,245
Other long-term liabilities.....	6,195	3,838	31,929
Total long-term liabilities.....	72,306	81,787	680,424
Minority Interests in Consolidated Subsidiaries (Note 2 (9))	6,439	2,927	24,351
Commitments and Contingent Liabilities (Note 11)			
Shareholders' Equity (Note 2 (9)):			
Common stock, no par value:			
Authorized: 635,500 thousand shares			
Issued: 185,213 thousand shares at March 31, 2003.....	23,455	23,455	195,133
Additional paid-in capital	31,579	31,579	262,720
Retained earnings.....	111,607	102,264	850,782
Unrealized gains on investments	11,218	8,975	74,667
Adjustments on foreign currency statement translation.....	(41)	(49)	(408)
Treasury stock, at cost (Note 7)	(7,786)	(4,612)	(38,368)
Total shareholders' equity	170,032	161,612	1,344,526
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity.....	¥654,497	¥648,962	\$5,399,018

CONSOLIDATED STATEMENTS OF INCOME

Maeda Corporation and Consolidated Subsidiaries
Years ended March 31, 2002 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2003	2003
Net Sales	¥439,756	¥458,856	\$3,817,438
Cost of Sales	398,271	432,756	3,600,300
Gross profit.....	41,485	26,100	217,138
Selling, General and Administrative Expenses	31,637	30,870	256,822
Operating income (loss).....	9,848	(4,770)	(39,684)
Other Income (Expenses):			
Interest and dividend income.....	1,490	1,402	11,664
Interest expense.....	(2,056)	(1,768)	(14,709)
Loss on sale of securities.....	(34)	(31)	(258)
Write-down of securities.....	(1,723)	(2,224)	(18,502)
Foreign exchange gain (loss).....	107	(219)	(1,822)
Settlement payment relating to overseas construction contracts (Note 12)	(4,341)	—	—
Special reserve for retirement benefits	—	(499)	(4,151)
Others, net.....	(686)	(247)	(2,055)
	(7,243)	(3,586)	(29,833)
Profit (loss) before income taxes and minority interests.....	2,605	(8,356)	(69,517)
Income Taxes (Note 10):			
Current.....	1,320	841	6,997
Deferred	876	(1,755)	(14,601)
	2,196	(914)	(7,604)
Income (loss) before minority interests	409	(7,443)	(61,992)
Minority Interests in Net Loss (Income) of Consolidated Subsidiaries	(218)	(136)	(1,131)
Net income (loss).....	¥ 191	¥ (7,579)	\$ (63,053)
		Yen	U.S. dollars (Note 3)
Per Share (Note 2 (10))	¥1.2	¥(44.7)	\$(0.37)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Maeda Corporation and Consolidated Subsidiaries
Years ended March 31, 2002 and 2003

	Thousands	Millions of yen					
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Unrealized gains (losses) on investments	Adjustments on foreign currency statement translation	Treasury stock
Balance at March 31, 2001	185,213	¥23,455	¥31,579	¥113,181	¥14,916	¥(54)	¥(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)
Adjustments on foreign currency statement translation	—	—	—	—	—	13	—
Unrealized loss on investments	—	—	—	—	(3,698)	—	—
Balance at March 31, 2002	185,213	23,455	31,579	111,607	11,218	(41)	(7,786)
Adjustment to retained earnings at beginning of year due to change in accounting standard for treasury stock	—	—	—	321	—	—	—
Net loss for the year	—	—	—	(7,579)	—	—	—
Cash dividends paid at ¥9.0 per share	—	—	—	(1,667)	—	—	—
Bonuses to directors	—	—	—	(34)	—	—	—
Adjustment for inclusion of affiliates accounted for by the equity method	—	—	—	(384)	—	—	—
Transfer to minority interests in consolidated subsidiaries for change in accounting standard for treasury stock	—	—	—	—	—	—	3,186
Purchase of treasury stock	—	—	—	—	—	—	(12)
Adjustments on foreign currency statement translation	—	—	—	—	—	(8)	—
Unrealized loss on investments	—	—	—	—	(2,243)	—	—
Balance at March 31, 2003	185,213	¥23,455	¥31,579	¥102,264	¥ 8,975	¥(49)	¥(4,612)

	Thousands of U.S. dollars (Note 3)					
Balance at March 31, 2002	\$195,133	\$262,720	\$928,511	\$93,328	\$(341)	\$(64,775)
Adjustment to retained earnings at beginning of year due to change in accounting standard for treasury stock	—	—	2,671	—	—	—
Net loss for the year	—	—	(63,053)	—	—	—
Cash dividends paid at \$0.07 per share	—	—	(13,869)	—	—	—
Bonuses to directors	—	—	(283)	—	—	—
Adjustment for inclusion of affiliates accounted for by the equity method	—	—	(3,195)	—	—	—
Transfer to minority interests in consolidated subsidiaries for change in accounting standard for treasury stock	—	—	—	—	—	26,506
Purchase of treasury stock	—	—	—	—	—	(99)
Adjustments on foreign currency statement translation	—	—	—	—	(67)	—
Unrealized loss on investments	—	—	—	(18,661)	—	—
Balance at March 31, 2003	\$195,133	\$262,720	\$850,782	\$74,667	\$(408)	\$(38,368)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Maeda Corporation and Consolidated Subsidiaries
Years ended March 31, 2002 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2003	2003
Cash Flows from Operating Activities:			
Profit (loss) before income taxes and minority interests	¥ 2,605	¥ (8,356)	\$ (69,517)
Depreciation.....	6,057	5,910	49,168
Increase in allowance for doubtful accounts.....	566	1,373	11,423
Increase (decrease) in provision for severance indemnities.....	(385)	273	2,271
Interest and dividend income	(1,490)	(1,402)	(11,664)
Interest expense	2,056	1,768	14,709
Foreign exchange gain	(107)	(979)	(8,145)
Loss on sale of securities.....	34	31	258
Write-down of securities.....	1,723	2,224	18,502
Increase in trade receivables	(9,158)	(2,863)	(23,819)
Decrease (increase) in construction work in progress	(21,100)	10,020	83,361
Increase in other inventories	(474)	(1,979)	(16,464)
Increase (decrease) in trade payables	(5,531)	3,051	25,383
Increase (decrease) in advances on construction	10,323	(5,714)	(47,537)
Other.....	(301)	(4,769)	(39,676)
Subtotal.....	(15,182)	(1,412)	(11,747)
Receipt of interest and dividend income	1,753	1,667	13,869
Payment of interest expenses.....	(2,021)	(1,789)	(14,884)
Payment of income taxes	(485)	(774)	(6,439)
Cash flows from operating activities.....	(15,935)	(2,308)	(19,201)
Cash Flows from Investing Activities:			
Acquisition of property and equipment and intangible assets.....	(4,758)	(5,307)	(44,151)
Proceeds from sale of property and equipment and intangible assets	1,410	363	3,020
Acquisition of investments in securities.....	(6,333)	(3,427)	(28,511)
Proceeds from sale of marketable securities	—	27	225
Proceeds from sale of investments in securities.....	4,923	487	4,052
Lending of long-term loans receivable.....	(1,600)	(662)	(5,507)
Collection of long-term loans receivable	1,901	4,225	35,149
Other.....	1,070	(24)	(200)
Cash flows from investing activities	(3,387)	(4,318)	(35,923)
Cash Flows from Financing Activities:			
Increase in short-term debt	10,134	5,042	41,947
Borrowings of long-term debt.....	—	4,550	37,854
Repayment of long-term debt	(2,999)	(4,759)	(39,592)
Proceeds from issuance of bonds.....	14,500	16,000	133,111
Repayment of bonds.....	(10,500)	(8,209)	(68,295)
Payment of cash dividends.....	(1,667)	(1,667)	(13,869)
Proceeds from sales of treasury stocks	3	—	—
Acquisition of treasury stocks.....	(5)	(13)	(108)
Payment of cash dividends to minority shareholders	(5)	(5)	(42)
Cash flows from financing activities.....	9,461	10,939	91,006
Exchange Difference of Cash and Cash Equivalents	57	(56)	(466)
Increase (Decrease) in Cash and Cash Equivalents	(9,804)	4,257	35,416
Cash and Cash Equivalents at Beginning of Year.....	63,954	54,150	450,499
Cash and Cash Equivalents at End of Year.....	¥54,150	¥58,407	\$485,915

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 Commercial Code of Japan 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 15 subsidiaries ("controlling companies," the decision-making body of entity is controlled) as at March 31, 2003. 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	At March 31, 2003		
	Equity ownership percentage, including indirect ownership	Capital stock	
		Millions of yen	Thousands of U.S. dollars
Maeda Seisakusho Co., Ltd. ...	50.7%	¥3,160	\$26,290
Hikarigaoka Corporation.....	42.6	1,055	8,777
Fujimi Koken Co., Ltd.	75.0	250	2,080
Fujimi Building Services Co., Ltd.	100.0	100	832
Seiyu Estate Co., Ltd.	100.0	50	416
Miyama Kogyo Co., Ltd.	100.0	25	208

The accounts of the remaining nine 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, 2003, 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 five 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 elimination of intercompany profit at March 31, 2003, 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

Sales were principally recognized on the complete-contract method except those for long-term (over two years) contracts of ¥5 billion or more, which are recognized based on the percentage-of-completion method.

Effective for the year ended March 31, 2003, the Company changed contract-amount and term criteria for applying the percentage-of-completion method for long-term contracts from ¥20 billion or more to ¥5 billion or more and from three years or more to two years or more, respectively.

As a result of this change, in the year ended March 31, 2003, sales revenue increased by ¥451 million (\$3,752 thousand), and income before income taxes increased by ¥18 million (\$150 thousand). 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 an asset or liability and included in net profit or loss in the same

period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the 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 represent 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.

The Company and its subsidiaries decided to return the substitution portion of the welfare pension fund.

As a result, the Company and its subsidiaries accounted for estimated losses resulting from its return as other expenses.

(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) Accounting Standard for Treasury Stock and Reduction of Legal Reserves

Effective from the fiscal year beginning April 1, 2002, the Company adopted "Accounting Standard for Treasury Stock and Reduction of Legal Reserves" (Accounting Standard No. 1).

As a result, treasury stock and minority interests as of March 31, 2003 decreased by ¥3,184 million (\$26,489 thousand) and ¥3,611 million (\$30,042 thousand), respectively. It had an immaterial impact on the Company's results of operations.

(10) Net Income per Share

Effective from the fiscal year beginning April 1, 2002, the Company adopted "Accounting Standard for Earnings per Share" (Accounting Standard No. 2) and "Implementation Guidance on Accounting Standard for Earnings per Share" (Accounting Implementation Guidance No. 4). The effect of the adoption of these accounting standards and guidances on net income and net assets per share was immaterial for the current fiscal year.

(11) 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 ¥120.2=US\$1, the rate of exchange on March 31, 2003, 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 that 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 gains 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

Market value information on marketable securities, and investment in securities and unconsolidated subsidiaries/affiliates as of March 31, 2003 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 exceed book value.....	¥20	¥20	¥0
Securities with fair value that do not exceed book value.....	15	15	0
Total.....	¥35	¥35	¥0

	Thousands of U.S. dollars		
	Book value	Market value	Difference
Securities with fair value that exceed book value.....	\$165	\$166	\$1
Securities with fair value that do not exceed book value.....	125	125	0
Total.....	\$290	\$291	\$1

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

	Millions of yen		
	Acquisition cost	Book value	Net
Securities with fair value that exceed book value:			
Stocks.....	¥12,276	¥27,348	¥15,072
Others.....	368	391	23
Subtotal.....	12,644	27,739	15,095
Securities with fair value that do not exceed book value:			
Stocks.....	8,550	6,304	(2,246)
Others.....	1,202	1,070	(132)
Subtotal.....	9,752	7,374	(2,378)
Total.....	¥22,396	¥35,113	¥12,717

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Net
Securities with fair value that exceed book value:			
Stocks.....	\$102,130	\$227,521	\$125,391
Others.....	3,062	3,252	190
Subtotal.....	105,192	230,773	125,581
Securities with fair value that do not exceed book value:			
Stocks.....	71,131	52,446	(18,685)
Others.....	10,000	8,901	(1,099)
Subtotal.....	81,131	61,347	(19,784)
Total.....	\$186,323	\$292,120	\$105,797

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, 2003

	Millions of yen	Thousands of U.S. dollars
Amount sold.....	¥500	\$4,160
Gains.....	63	524
Losses.....	94	782

(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.....	¥ 1,660	\$ 13,810
Investments in non-consolidated subsidiaries and affiliates.....	22,968	191,082
Available-for-sale securities.....	4,769	39,676

(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.....	¥ 317	\$ 2,637
Over one year and within five years.....	697	5,799
Over five years and within ten years.....	1,822	15,158
Over ten years.....	318	2,646

5 DERIVATIVE FINANCIAL INSTRUMENTS

(1) 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 do not represent the volume of risk of derivative transactions.

(II) “Fair Value Information on Derivative Financial Instruments”

Interest Rate Contracts

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, 2003	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	¥(10)	¥(10)
(Due after one year)	(500)		

At March 31, 2003	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.....	\$ 4,160	\$(83)	\$(83)
(Due after one year)	(4,160)		

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, 2002 and 2003, inventories consisted of the following:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Construction work in progress...	¥249,874	¥239,853	\$1,995,449
Real estate held for sale	13,692	16,364	136,140
Other inventories.....	4,714	4,023	33,469
	¥268,280	¥260,240	\$2,165,058

7 SHORT-TERM DEBT AND LONG-TERM DEBT

At March 31, 2002 and 2003, short-term debt consisted of the following:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Bank loans bearing interest			
average rates 1.2% per annum	¥65,129	¥57,336	\$477,005
Commercial paper bearing interest			
average rates 0.2% per annum	—	9,000	74,875
1.8% 2nd convertible bonds due			
2002 convertible currently			
at ¥1,557.40 per share.....	8,209	—	—
2.50% 4th series bonds due 2003	—	5,000	41,597
2.15% 3rd series bonds of a			
consolidated subsidiary due 2003.....	—	500	4,160
Current portion of long-term loans....	512	2,012	16,739
	¥73,850	¥73,848	\$614,376

At March 31, 2002 and 2003, long-term debt consisted of the following:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
10-year TSR+0.15% 1st series bonds due 2008.....	¥ 3,000	¥ 3,000	\$ 24,958
2.50% 4th series bonds due 2003....	5,000	—	—
2.15% 3rd series bonds of a consolidated subsidiary due 2003...	500	—	—
1.10% 5th series bonds due 2006...	9,500	9,500	79,035
1.60% 6th series bonds due 2008...	5,000	5,000	41,597
1.16% 7th series bonds due 2007..	—	10,000	83,195
0.94% 8th series bonds due 2007..	—	3,000	24,959
0.90% 9th series bonds due 2007..	—	3,000	24,959
Long-term loans due in between 2002-2013 bearing interest average rate of 2.50% per annum...	10,425 33,425	13,016 46,516	108,286 386,989
Less—Portion due within one year ...	(512)	(2,012)	(16,739)
	¥32,913	¥44,504	\$370,250

The annual maturities of long-term debt at March 31, 2003 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2005.....	¥ 1,763	\$ 14,667
2006.....	8,363	69,576
2007.....	15,613	129,892
2008.....	13,113	109,093
2009 and thereafter	5,652	47,022
	¥44,504	\$370,250

At March 31, 2003, assets pledged as collateral for short-term debt and long-term debt were as follows:

At March 31, 2003	Millions of yen	Thousands of U.S. dollars
Investments in securities.....	¥ 288	\$ 2,396
Treasury stock, at cost	7,620	63,394
Buildings and structures	2,481	20,641
Land.....	1,062	8,835
Total	¥11,451	\$95,266

8 LEASE TRANSACTIONS

Lease rental expenses under finance lease contracts without ownership-transfer for the years ended March 31, 2002 and 2003, were summarized as follows:

For the year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Lease rental expenses.....	¥1,349	¥1,244	\$10,349

The amount of outstanding minimum lease payments at March 31, 2002 and 2003, which included the portion of interest thereon, was summarized as follows:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Finance leases:			
Minimum lease payments			
Within one year	¥1,164	¥1,096	\$ 9,118
Over one year	2,268	1,279	10,641
Total	¥3,432	¥2,375	\$19,759

At March 31,	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Operating leases:			
Minimum lease payments			
Within one year.....	¥424	¥208	\$1,730
Over one year	80	74	616
Total.....	¥504	¥282	\$2,346

Acquisition cost, accumulated depreciation, net book value and depreciation expenses of leased assets at March 31, 2002 and 2003, which included the portion of interest thereon, were summarized as follows:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Acquisition cost	¥6,520	¥5,668	\$47,155
Accumulated depreciation	3,088	3,293	27,396
Net book value	¥3,432	¥2,375	\$19,759
Depreciation.....	¥1,349	¥1,244	\$10,349

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

9 RETIREMENT BENEFIT PLANS

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
	2002	2003	2003
Employees' retirement benefits	¥32,566	¥32,999	\$274,534
Officers' retirement benefits	632	446	3,710
Total	<u>¥33,198</u>	<u>¥33,445</u>	<u>\$278,244</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, 2003 is analyzed as follows:

	Millions of yen	Thousands of U.S. dollars
(a) Projected benefit obligations	¥(97,069)	\$(807,562)
(b) Plan assets	37,305	310,358
(c) Unfunded benefit obligation [(a)+(b)]	(59,764)	(497,204)
(d) Unrecognized actuarial differences	35,515	295,466
(e) Unrecognized prior service costs	(8,750)	(72,796)
(f) Accrued severance indemnities		
[(c)+(d)+(e)]	<u>¥(32,999)</u>	<u>\$(274,534)</u>

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, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
(a) Service costs	¥2,853	\$23,736
(b) Interest costs	2,641	21,972
(c) Expected return on plan assets	(1,220)	(10,150)
(d) Amortization of actuarial differences	1,890	15,724
(e) Amortization of prior service costs	(625)	(5,200)
(f) Net pension expenses		
[(a)+(b)+ (c)+(d)+(e)+(f)]	<u>¥5,539</u>	<u>\$46,082</u>

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

- (a) Method of attributing the projected benefits to periods of serviceStraight-line basis
- (b) Discount rate 2.3%-2.8%
- (c) Expected rate of return on plan assets2.8%
- (d) Amortization of unrecognized actuarial differences.....Over 10 to 15 years (expenses from the next year)
- (e) Amortization of unrecognized prior service cost..... 15 years

10 INCOME TAXES

At March 31, 2002 and 2003, significant components of deferred tax assets and liabilities were as follows:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Deferred tax assets:			
Reserve for retirement benefits...	¥11,312	¥11,621	\$ 96,681
Net loss carryforwards	9,663	9,310	77,454
Allowance for doubtful accounts ...	2,123	3,439	28,611
Unrealized intercompany profit on fixed assets	3,498	3,573	29,725
Write-down of inventories.....	4,431	3,802	31,631
Other	4,336	6,582	54,759
Total	<u>35,363</u>	<u>38,327</u>	<u>318,861</u>
Less—Valuation allowance	(4,515)	(5,984)	(49,784)
Deferred tax assets	<u>30,848</u>	<u>32,343</u>	<u>269,077</u>
Deferred tax liabilities:			
Unrealized gains on investments....	(8,165)	(2,301)	(19,143)
Special tax-purpose reserve for condensed booking of tangible assets	(2,428)	(6,169)	(51,323)
Other	(456)	(226)	(1,881)
Total deferred tax liabilities ..	<u>(11,049)</u>	<u>(8,696)</u>	<u>(72,347)</u>
Net deferred tax assets	<u>¥19,799</u>	<u>¥23,647</u>	<u>\$196,730</u>

Due to the change in local tax law during the year ended March 31, 2003, the effective tax rate used for the calculation of deferred tax assets and liabilities was reduced to 40.5% for the current fiscal year from 42.0% for the prior fiscal year to temporary differences which will be resolved on or after April 1, 2004.

As a result, deferred tax assets, net of deferred tax liabilities, decreased by ¥186 million (\$1,547 thousand) as of March 31, 2003 and income taxes—deferred increased by ¥412 million (\$3,428 thousand) for the year ended March 31, 2003, as compared with the amounts which would have been recorded if the prior tax rate had been applied to the temporary differences stated previously.

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

As a result of making a loss before income taxes and minority interests for the year ended March 31, 2003, the reconciliation between the statutory tax rate for the year ended March 31, 2003 and effective income tax rates has not been presented.

11 COMMITMENTS AND CONTINGENT LIABILITIES

The Company was contingently liable at March 31, 2003 for endorsed trade notes receivable of ¥13,978 million (\$116,290 thousand). In addition, the Company was contingently liable as the guarantor of loans incurred by affiliates and others in the amount of ¥9,735 million (\$80,990 thousand) at March 31, 2003.

12 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."

13 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
- OtherProduction 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, 2002 and 2003, is presented below:

	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

	For the year ended March 31, 2003			
	Millions of yen			
	Construction	Other	Elimination/ Corporate	Consolidated
I. Net sales and operating income				
Net sales				
(1) Sales to outside customers	¥413,340	¥45,516	¥ —	¥458,856
(2) Inter-segment sales.....	1,508	10,912	(12,420)	—
Total	414,848	56,428	(12,420)	458,856
Operating expenses.....	420,803	54,650	(11,827)	463,626
Operating income (loss)	¥ (5,955)	¥ 1,778	¥ (593)	¥ (4,770)
II. Assets, depreciation and capital expenditure				
Assets.....	¥499,974	¥92,075	¥56,913	¥648,962
Depreciation.....	3,330	2,593	(13)	5,910
Capital expenditure	3,258	2,272	54	5,584

For the year ended March 31, 2003				
Thousands of U.S. dollars				
	Construction	Other	Elimination/ Corporate	Consolidated
I. Net sales and operating income				
Net sales				
(1) Sales to outside customers	\$3,438,769	\$378,669	\$ —	\$3,817,438
(2) Inter-segment sales	12,546	90,782	(103,328)	—
Total	3,451,315	469,451	(103,328)	3,817,438
Operating expenses	3,500,857	454,659	(98,394)	3,857,122
Operating income (loss)	\$ (49,542)	\$ 14,792	\$ (4,934)	\$ (39,684)
II. Assets, depreciation and capital expenditure				
Assets	\$4,159,517	\$766,015	\$473,486	\$5,399,018
Depreciation	27,704	21,572	(108)	49,168
Capital expenditure	27,105	18,902	449	46,456

Notes: 1. Unallocated operating expenses of ¥764 million (\$6,356 thousand) in the column "Elimination/Corporate" mainly consisted of corporate expenses at the administrative department of Maeda Corporation's headquarters.

2. Common assets of ¥62,810 million (\$522,546 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.

3. As described in Note 2 (1), effective for the year ended March 31, 2003, Maeda Corporation and its subsidiaries changed the method of accounting for long-term contracts.

As a result of this change, sales revenue of construction and income before income taxes for the year ended March 31, 2003, increased by ¥451 million (\$3,752 thousand) and ¥18 million (\$150 thousand), respectively.

(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.

14 SUBSEQUENT EVENTS

(1) The annual meeting of shareholders approved the following appropriations of Maeda Corporation's retained earnings on June 27, 2003.

Appropriations	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥7.0 per share)	¥1,296	\$10,786
Total appropriations	¥1,296	\$10,786

(2) At the directors' meeting held on June 10, 2003, it was decided that the Company will acquire 57,692 thousand newly issued shares of Toyo Construction Co., Ltd. for ¥2,999,984 thousand (\$24,958,270 thousand) in October, 2003.

As a result, the Company own 22.17% of the issued shares of Toyo Construction, which is defined as an affiliate of the Company.

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS 

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

To the Board of Directors and Shareholders of
Maeda Corporation

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

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

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

As described in Note 2(1), effective for the year ended March 31, 2003, Maeda Corporation and its subsidiaries changed the method of accounting for long-term contracts, with which we concur.

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


ChuoAoyama Audit Corporation

Tokyo, Japan
June 27, 2003

Outline of the Corporation

(As of March 31, 2003)

Year of Establishment

1919

Date of Incorporation

November 6, 1946

Number of Employees

3,733

Authorized Shares

635,500,000

Outstanding Shares

185,213,602

Paid-in Capital

¥23,455 million

Stock Listing

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Head Office

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(As of June 27, 2003)

Chairman and Representative Director

Matabee Maeda

President and Representative Director

Yasuji Maeda

Representative Directors

Mamoru Minemoto

Miyahiko Kitamura

Directors

Yoichi Fuse

Kohei Fukui

Nobuyoshi Kawashima

Keiichiro Ueda

Tadashi Hirota

Naoyuki Kiyosue

Eiji Sato

Soji Maeda

Kojiro Fukuda

Corporate Auditors

Tatsuo Kaigo

Toshio Kato

Keiji Uesugi

Yasumitsu Kiuchi

Katsutoshi Kuwata

Executive Officers

(As of June 27, 2003)

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

Jiro Nakajima

Executive Officers

Kojiro Fukuda

Ryuzaburo Inoue

Tsutomu Takahashi

Hiroshi Shibuya

Hirota Kenchi

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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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