TOC CO., LTD.

ANNUAL REPORT

2003

Profile

TOC Co., Ltd. is a comprehensive urban developer engaged in services ranging from project planning to development and management in the Greater Tokyo metropolitan area. Since opening the TOC Building as a total distribution center in 1970, we have continuously and successfully completed numerous projects, creating urban environments where people can get together, work and engage in a wide variety of activities.

We are also involved in the linen supply, pharmaceuticals and other businesses, and are steadily expanding operations by emphasizing close relationships with our customers.

Our corporate credo is to be a company of value to society and our customers. To this end, we will continue to improve our performance in existing business fields, while exploring new opportunities to meet the needs of our clientele and the world in which we live.

Contents

Financial Highlights

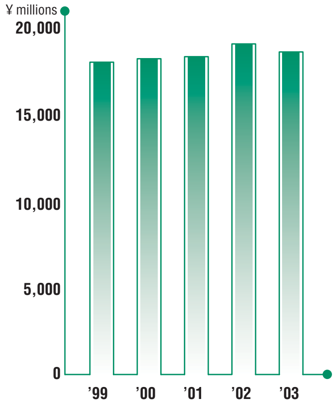
TOC Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
For the Year			
Net sales	**¥ 18,551**	¥ 19,013	**$ 154,592**
Operating income	**5,553**	5,351	**46,277**
Net income	**3,018**	2,781	**25,152**
At Year-End			
Shareholders' equity	**¥ 54,403**	¥ 52,717	**$ 453,357**
Total assets	**89,074**	76,852	**742,287**

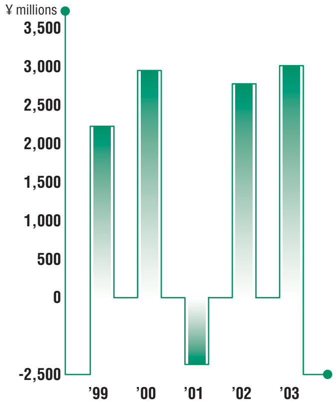
	Yen		U.S. Dollars
	2003	2002	**2003**
Per Share			
Net income	**¥ 45.60**	¥ 41.13	**$ 0.38**
Cash dividends	**11.00**	11.00	**0.09**

Note: U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥120 = US$1, the rate of exchange on March 31, 2003.

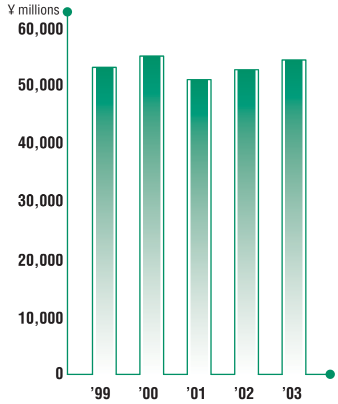
Net Sales



Net Income/Loss



Shareholders' Equity



TOC at a Glance

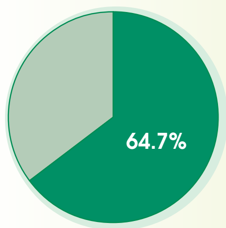
TOC is actively involved in a variety of business fields. These are categorized into three segments: Real Estate, our mainstay; Linen Supply; and Others, which includes our pharmaceuticals business.

TOC Building


Osaki New City

Real Estate Segment

This is the largest of our business segments, accounting for 64.7% of consolidated net sales. This segment is responsible for planning, execution and management of urban development projects. By providing lively, safe and comfortable environments, and promoting urban redevelopment attuned to the needs and preferences of the times, we are contributing to the building of a more vibrant future and the betterment of society as a whole.

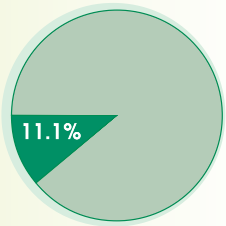


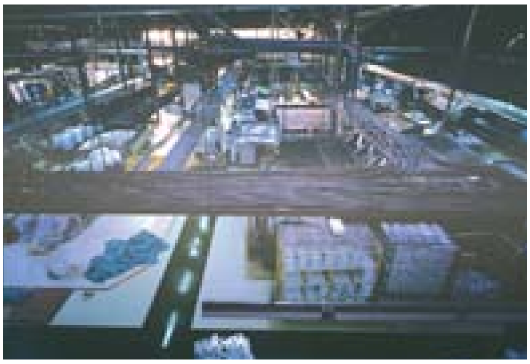

Asakusa ROX


Exhibition hall in use for a fashion show

Linen Supply Segment

This segment, which accounts for 11.1% of consolidated net sales, is involved in renting a wide variety of linens used in hotels and restaurants. It also provides dry cleaning services to guests at the Hotel New Otani and sells items such as bathrobes and towels.





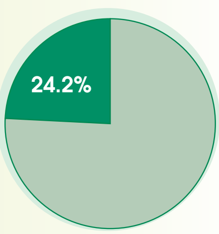
Atsugi Linen Cleaning Plant

Others Segment

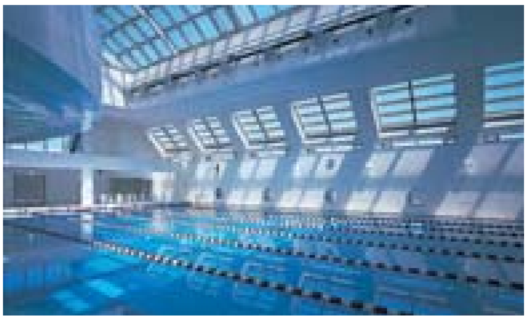
This segment accounts for 24.2% of consolidated net sales. It includes our pharmaceuticals business, building maintenance services, management of a sports club and a bathing facility, retail and restaurant businesses, and environmental protection and energy-saving businesses.

In April 2001, we opened a bathing facility, the largest to be established in a building complex in Tokyo, in our Asakusa ROX building. It offers 11 types of baths, including an open-air bath overlooking the city from a height of 30 meters, an aesthetic salon and a massage center. In conjunction with a sports club in the same building, this provides an environment where people can relax both physically and mentally. The number of users for both facilities continues to rise. In the twelve months ended March 31, 2003, the bathing facility welcomed more than 240,000 users.

"Hoshi Kumazasa Extract," the flagship product of our pharmaceutical line, is extracted through our proprietary technique from the young leaves of *kumazasa* bamboo. Rich in polysaccharides, this product has become widely popular as a naturally derived nutritional supplement highly beneficial to the health.



"Asakusa ROX Matsuri-Yu" Bathing Facility



"ROX FITNESS CLUB begin"

Hoshi Kumazasa Extract

Message from the President

The TOC Group's basic management policy is to undertake construction of buildings and facilities that perfectly serve the needs of both visitors and tenants. It is also our mission to improve the business performance of the Group as a whole and to contribute, through development, to society at large by looking closely at the demands of the surrounding environment.

Analysis of Operating Results for Fiscal 2003

The Japanese economy during the year ended March 31, 2003 remained anemic. Continued deflationary trends, depressed equity markets and persistent uncertainty over the state of the global economy were reflected in Japanese corporate performance, which showed no signs of sustained recovery.

Under these daunting circumstances, TOC posted consolidated net sales of ¥18,551 million (US$154,592 thousand), down 2.4% from fiscal 2002. This was despite vigorous sales activities that emphasized our strengths and concerted efforts to optimize overall management.

Income growth, on the other hand, was solidly positive, with operating income up 3.8% to ¥5,553 million (US$46,277 thousand), ordinary income rising 6.9% to ¥5,523 million (US$46,025 thousand), and net income increasing by 8.5% to ¥3,018 million (US$25,152 thousand). These results were due both to the vigorous streamlining of operations in fiscal 2003, and to non-recurring expenses posted in the previous year, including payment of a real estate acquisition tax and a one-time depreciation for a non-operating loss incurred in opening Asakusa ROX Matsuri-Yu.

Results by business segment are as follows.

Real Estate Segment

The office building market in fiscal 2003 continued to be challenging. In order to cope with the lingering economic slump, corporations sought cost reductions, moved out to cheaper rents or combined offices as part of corporate restructuring. The balance between supply and demand for office space worsened as one office complex after another was completed in Tokyo's main business districts. All these factors culminated in falling levels of tenant occupancy overall.

Reflecting this environment, net sales totaled ¥12,000 million (US$100,002 thousand), a decrease of 1.3% from fiscal 2002. Operating income, however, grew 3.5% to ¥5,299 million (US$44,159 thousand). We focused on improving the strengths of individual buildings we own, continuously renewing and beautifying them to meet evolving needs, and heightening their added value. Through these steps, and by providing existing tenants with enhanced operating and maintenance services at lower cost, as well as attracting new tenants suited to the characteristics of the buildings, we achieved an occupancy rate of 96.3%, a 0.9% increase over the previous fiscal year. On the down side, overall income from tenants decreased as tenants moved in and out of our buildings at a frequency we haven't seen in years, and income from the lease of exhibition halls and the parking business also declined as a result of the stagnant economy.

Linen Supply Segment

Since this business segment depends on the hotel industry as its main source of income, overall performance was hit hard by deflationary trends. Net sales amounted to ¥2,061 million (US$17,172 thousand), a decrease of 2.3% from fiscal 2002. Operating income rose dramatically by 43.2% to ¥54 million (US$446 thousand) as a result of management streamlining and vigorous cost reduction activities. However, despite impressive growth in income, this segment posted a net loss of ¥42 million (US$350 thousand), due largely to an extraordinary loss of ¥62 million (US$516 thousand) that arose from the impending breakup of the pension fund in which this segment has participated.

Others Segment

Total net sales in the Others segment amounted to ¥4,490 million (US$37,418 thousand), down 5.5% from fiscal 2002, with total operating income of ¥192 million (US$1,604 thousand), an increase of 3.5%. Sales of Pharmaceuticals, a field in which we have been involved since the founding of the company in 1926, decreased, due primarily to a reconsideration of marketing some outside products. Our Sports Club business provided a steady source of income since its reopening following renovations. Sales in the Bathing Facility business, which we initiated in April 2001, increased, with more than 240,000 visitors in fiscal 2003, an increase of 6.8% over fiscal 2002. Retail and Restaurant sectors saw decreased sales due to the closing of some outlets to rationalize management. Building Maintenance Services increased sales, reflecting an increase in demand for interior refurbishing. Sales in the Environmental Protection and Energy-Saving businesses declined as corporations refrained from capital investment.

We decided to transfer our Pharmaceutical Division (manufacturing) to Hoshi Pharmaceutical Co., Ltd. (marketing), one of our consolidated subsidiaries, in October 2003. This integration of manufacturing and marketing functions will enable us to establish a more streamlined, continuous flow from development through delivery, with faster decision making and increased management efficiency. This, in turn, will strengthen our competitive edge by allowing us to respond more effectively in a fast-moving business environment, and heightening our ability to provide high-quality products attuned to rapidly diversifying market needs.

Corporate Management and Measures for Implementation

The TOC Group's upper management system encompasses the functions of such bodies as the board of directors, meetings of the internal directors, executive council and divisional meetings. These bodies deliberate issues related to Japan's Commercial Code and other important matters, and exchange divisional information and insights in order to respond proactively to the variety of problems that may arise in the ever-changing world of business. At TOC, we do not employ a U.S.-style executive management system, but rather a unified management system where representative directors take joint responsibility for both management and business operations. We also strive to disclose information to our shareholders and other stakeholders as quickly and accurately as possible.

Business Outlook for Fiscal 2004

As prolonged deflation continues, consumer spending and corporate performance will likely remain weak. The building industry also is facing an exceptionally large supply of available office complex space, to an extent that we have never seen before.

Facing these conditions, we will focus on creating a vibrant future through new development projects. We will also continue to promote increased management flexibility to more effectively accommodate change in existing fields of business. For fiscal 2004, we forecast consolidated net sales of ¥18,400 million (US$153,333 thousand), a decrease of 0.8% from fiscal 2003, operating income of ¥5,600 million (US$46,666 thousand), up 0.8%, ordinary income of ¥5,400 million (US$45,000 thousand), down 2.2%, and net income of ¥3,000 million (US$25,000 thousand), a decrease of 0.6%.

As we look to secure further growth in shareholder value, we respectfully request a continuation of the support we have enjoyed to date.

June 2003

President

Takuo Otani

Through Major New Building Projects, TOC Is Striving to Expand Shareholder Value and Assure a Brighter Future.

The building industry has been hit hard by the prolonged economic downturn. Many Tokyo-area development projects have been or will be completed in 2003, tipping the balance of supply and demand for office space into overcapacity. Our development projects currently in progress will likely face fierce competition for tenants. To survive in this environment, we will seek to balance the buildings we already own with carefully considered new projects, taking the utmost advantage of our long-accumulated expertise and strong brand recognition.

The "Ariake Minami LM2-3 Zone" project (site area: 18,088.47 square meters), for example, is planned to cater to a wide variety of businesses, mainly for distribution purposes. We will begin construction of the "TOC Building for the 21st Century" here in 2003, with projected completion in 2005.

We originally intended to develop the "LM2 Zone" and "LM3 Zone" separately at different times. However, with the opening of the Rinkai Line between Shin-Kiba and Osaki in December 2002 bringing greatly improved access to the Tokyo waterfront, we decided to combine and proceed with both projects concurrently for more efficient and coherent development. Although we had initially secured a land lease agreement with the Tokyo Metropolitan Government for these projects in March 2001, we renegotiated a land sales contract and purchased the land outright on May 9, 2003. On the same day, this project was designated as a "private urban development project" by the Ministry of Land, Infrastructure and Transport under the Urban Renaissance Special Measure Law.

The "Minato-Mirai 21-28 District" project (site area: 6,611.00 square meters) is being developed directly in front of Sakuragi-cho Station, a major train station in Yokohama. Capitalizing on this prime location, we are planning a multi-purpose complex focusing on fashion and entertainment. Our know-how gained in managing the Asakusa ROX, another fashion- and entertainment-oriented facility we own, should prove valuable in this new project.

The "Marunouchi 1-1" project, of which we hold a 5% stake, is located at the Yaesu North exit of Tokyo Station, a gateway into the city from all over Japan. An office building in the final phases of construction on this site is scheduled for completion in September 2003.

We intend to channel the utmost effort and resources toward early completion of these projects, while implementing measures to provide a higher level of services at lower cost at our existing facilities. Furthermore, we will also strive to optimize business-performance efficiency throughout all of our business segments, with particular emphasis on cash flow and capital efficiency, to achieve a more nimble management structure responsive to the changing times.

"Ariake Minami LM2-3 Zone" Project
(Artist's rendering; completed buildings may differ in appearance from the illustration above.)

TOC Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements for the Years Ended March 31, 2003 and 2002, and Independent Auditors' Report

Financial Review

Net Sales

Consolidated net sales for fiscal 2003 amounted to ¥18,551 million, a decrease of ¥462 million (2.4%) from fiscal 2002. This occurred despite sales activities that emphasized our strengths and concerted efforts to strengthen overall business management throughout the consolidated Group as a whole.

By segment, net sales in the Real Estate segment totaled ¥12,000 million, a decrease of ¥153 million (1.3%). Though our occupancy rate was actually up, tenants moved in and out of our buildings at an unprecedented rate of frequency. Cost-reduction efforts among our customers also had an adverse effect on exhibition hall and parking income. Net sales in the Linen Supply segment amounted to ¥2,061 million, a decrease of ¥49 million (2.3%). Drawing its clientele primarily from the hotel industry, this segment was affected directly by depressed consumer spending and deflationary trends. Net sales in the Others segment totaled ¥4,490 million, a decrease of ¥261 million (5.5%). Increased sales in the Bathing Facility and Building Maintenance Services sectors were offset by decreases in sales of the Pharmaceuticals, Retail and Restaurant, and Environmental Protection and Energy-Saving businesses.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales for fiscal 2003 decreased ¥459 million (4.2%) from fiscal 2002 to ¥10,541 million, while the cost of sales to net sales ratio fell 1.1% to 56.8%. Selling, general and administrative (SGA) expenses decreased ¥205 million (7.7%) to ¥2,457 million, and the ratio of SGA expenses to net sales fell from 14.0% to 13.3%.

Operating Income

Operating income for fiscal 2003 rose ¥202 million (3.8%) to ¥5,553 million, with the ratio of operating income to net sales improving from 28.1% to 29.9%. By segment, operating income was ¥5,299 million for the Real Estate segment, ¥54 million for the Linen Supply segment and ¥192 million for the Others segment, respectively.

Net Income

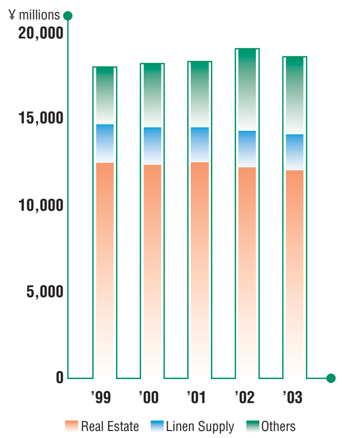
Net income for fiscal 2003 amounted to ¥3,018 million, up ¥238 million (8.5%) over fiscal 2002. On a per-share basis, net income grew even more dramatically, rising by nearly 10.9% from ¥41.13 to ¥45.60.

Financial Position

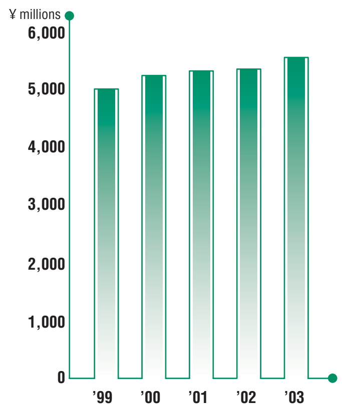
Total assets as of the end of fiscal 2003 stood at ¥89,074 million, an increase of ¥12,222 million (15.9%) over fiscal 2002. The primary causes of this were the acquisition of intangible assets amounting to ¥7,855 million, a ¥5,507 million increase in cash and cash equivalents, and an increase in long-term loans in the amount of ¥1,990 million.

Current assets grew by ¥8,412 million (79.9%) to ¥18,937 million, due mainly to an increase in cash and

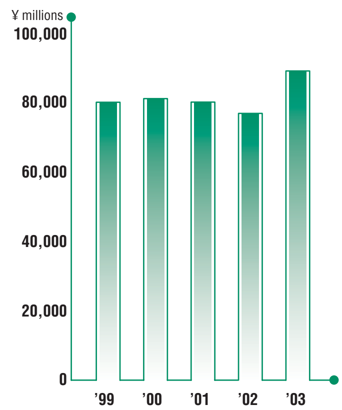
Net Sales by Segment



Operating Income



Total Assets



cash equivalents and deferred tax assets. Inventories shrank by ¥9 million (1.8%) to ¥508 million, while cash and cash equivalents increased ¥4,689 million (57.5%) to ¥12,842 million. Property, plant and equipment decreased ¥1,246 million (2.6%) to ¥46,031 million, attributable to a drop in buildings and structures. Intangible assets increased ¥7,856 million (111.4%) to ¥14,908 million, due to a large increase in leaseholds. And investments and other assets amounted to ¥9,197 million, a decrease of ¥2,799 million (23.3%).

Current liabilities totaled ¥13,835 million, up ¥1,931 million (16.2%) over fiscal 2002, mainly reflecting an increase in short-term borrowings, which rose by ¥1,300 million (17.6%) to ¥8,700 million. Long-term liabilities amounted to ¥20,521 million, an increase of ¥8,647 million (72.8%). This was due primarily to an increase in long-term bank loans, up ¥8,730 million (482.3%) to a total of ¥10,540 million. Of all the bank loans and borrowings, a total of ¥9,400 million was related to the Ariake Minami LM2-3 Zone project.

Shareholders' equity grew ¥1,686 million (3.2%) to ¥54,403 million. This is due to the fact that net income of ¥3,018 million outweighed the ¥726 million paid out in cash dividends and ¥606 million in purchases of treasury stock. The shareholders' equity ratio decreased 7.5 percentage points from 68.6% to 61.1%.

Cash Flows

Total cash and cash equivalents stood at ¥12,842 million at the end of March 2003, an increase of ¥4,689 million (57.5%) over fiscal 2002.

Net cash and cash equivalents provided by operating activities increased ¥1,051 million (28.9%) to ¥4,681 million, due to increases in income before income taxes and trade accounts payable, as well as a decrease in repayment of deposits from tenants.

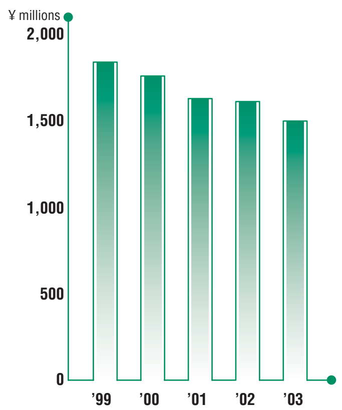
Net cash and cash equivalents used in investing activities increased sharply by ¥9,193 million to ¥9,268 million. Proceeds from sales of investment securities were offset by leasehold payments related to the Ariake Minami LM2-3 Zone project, and capital investment in the Pharmaceuticals business.

Net cash and cash equivalents provided by financing activities increased to ¥9,276 million from a negative ¥5,122 million in fiscal 2002. Payment for purchases of treasury stock was outweighed by bank loans and borrowings related to the Ariake Minami LM2-3 Zone project.

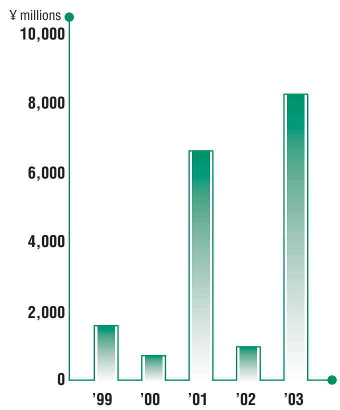
Dividends

Cash dividends for fiscal 2003 were ¥11.0 per share, representing a payout ratio of 24.6%.

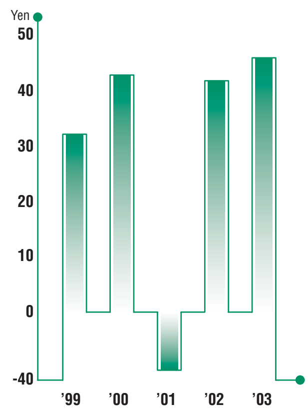
Depreciation and Amortization



Capital Expenditures



Net Income per Share



Consolidated Balance Sheets

March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 12,842	¥ 8,153	$ 107,020
Short-term investments (Note 3)	59	92	492
Marketable securities (Note 4)	20	20	170
Receivables:			
Trade notes	60	71	499
Trade accounts (Note 11)	867	1,075	7,222
Allowance for doubtful receivables	(22)	(20)	(185)
Inventories (Note 5)	508	518	4,235
Deferred tax assets (Note 9)	3,942	162	32,852
Prepaid expenses and other current assets (Notes 11 and 12)	661	454	5,503
Total current assets	18,937	10,525	157,808
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	29,669	29,616	247,245
Buildings and structures	49,117	49,035	409,304
Machinery and equipment	1,082	1,066	9,017
Construction in progress	57	132	472
Other	1,389	1,345	11,581
Total	81,314	81,194	677,619
Accumulated depreciation	(35,283)	(33,916)	(294,022)
Net property, plant and equipment	46,031	47,278	383,597
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	3,406	4,664	28,386
Investments in unconsolidated subsidiaries and associated company	559	311	4,662
Long-term loans	2,750	—	22,917
Leasehold	14,821	6,966	123,510
Deferred tax assets (Note 9)	160	3,938	1,330
Other assets	2,410	3,198	20,077
Allowance for doubtful receivables	—	(28)	—
Total investments and other assets	24,106	19,049	200,882
TOTAL	¥ 89,074	¥ 76,852	$ 742,287

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	¥ 8,700	¥ 7,400	$ 72,500
Current portion of long-term debt	670	90	5,580
Payables:			
Trade accounts	410	474	3,416
Other (Note 11)	695	674	5,792
Income taxes payable	1,203	1,106	10,026
Accrued bonuses	94	94	780
Accrued expenses and other current liabilities (Notes 11 and 12)	2,063	2,066	17,200
Total current liabilities	13,835	11,904	115,294
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	10,540	1,810	87,837
Deposits from tenants (Note 11)	9,688	9,785	80,730
Liability for employees' retirement benefits (Note 7)	163	137	1,360
Liability for retirement allowance for directors and corporate auditors (Note 7)	130	143	1,085
Total long-term liabilities	20,521	11,875	171,012
MINORITY INTERESTS	315	356	2,624
COMMITMENTS (Notes 10 and 13)			
SHAREHOLDERS' EQUITY (Notes 8 and 14):			
Common stock—authorized, 271,217,000 shares; issued, 66,770,416 shares	11,768	11,768	98,068
Capital surplus	9,327	9,327	77,723
Retained earnings	34,064	31,794	283,865
Unrealized gain (loss) on available-for-sale securities	17	(6)	139
Total	55,176	52,883	459,795
Treasury stock—at cost, 1,386,000 shares in 2003 and 214,000 shares in 2002	(773)	(166)	(6,438)
Total shareholders' equity	54,403	52,717	453,357
TOTAL	¥ 89,074	¥ 76,852	$ 742,287

Consolidated Statements of Income

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
NET SALES (Note 11)	¥ 18,551	¥ 19,013	$ 154,592
COST OF SALES (Note 11)	10,541	11,000	87,844
Gross profit	8,010	8,013	66,748
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,457	2,662	20,471
Operating income	5,553	5,351	46,277
OTHER INCOME (EXPENSES):			
Interest and dividends	113	135	938
Interest expense	(168)	(187)	(1,402)
Gain on sales of property, plant and equipment	—	10	—
Loss on disposal of property, plant and equipment	(15)	(36)	(121)
Equity in earnings of associated company	16	22	135
Other—net	(222)	(303)	(1,848)
Other expenses—net	(276)	(359)	(2,298)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	5,277	4,992	43,979
INCOME TAXES (Note 9):			
Current	2,317	2,203	19,308
Deferred	(17)	20	(142)
Total income taxes	2,300	2,223	19,166
MINORITY INTERESTS IN NET LOSS	(41)	(12)	(339)
NET INCOME	¥ 3,018	¥ 2,781	$ 25,152

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.m):			
Basic net income	¥ 45.60	¥ 41.13	$ 0.38
Cash dividends applicable to the year	11.00	11.00	0.09

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2003 and 2002

	Thousands	Millions of Yen				
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Treasury Stock
BALANCE, APRIL 1, 2001	67,370	¥ 11,768	¥ 9,327	¥ 30,155	¥ (66)	¥ (174)
Adjustment of retained earnings for newly consolidated subsidiary	—	—	—	(1)	—	—
Net income	—	—	—	2,781	—	—
Cash dividends, ¥11 per share	—	—	—	(739)	—	—
Bonuses to directors	—	—	—	(22)	—	—
Retirement of treasury stock	(600)	—	—	(380)	—	—
Increase in unrealized gain on available-for-sale securities	—	—	—	—	60	—
Decrease in treasury stock—net (7,000 shares)	—	—	—	—	—	8
BALANCE, MARCH 31, 2002	66,770	11,768	9,327	31,794	(6)	(166)
Net income	—	—	—	3,018	—	—
Cash dividends, ¥11 per share	—	—	—	(726)	—	—
Bonuses to directors	—	—	—	(22)	—	—
Increase in unrealized gain on available-for-sale securities	—	—	—	—	23	—
Increase in treasury stock—net (1,172,000 shares)	—	—	—	—	—	(607)
BALANCE, MARCH 31, 2003	66,770	¥ 11,768	¥ 9,327	¥ 34,064	¥ 17	¥ (773)

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Treasury Stock
BALANCE, MARCH 31, 2002	$ 98,068	$ 77,723	$ 264,948	$ (45)	$ (1,385)
Net income	—	—	25,152	—	—
Cash dividends, $0.09 per share	—	—	(6,050)	—	—
Bonuses to directors	—	—	(185)	—	—
Increase in unrealized gain on available-for-sale securities	—	—	—	184	—
Increase in treasury stock—net (1,172,000 shares)	—	—	—	—	(5,053)
BALANCE, MARCH 31, 2003	$ 98,068	$ 77,723	$ 283,865	$ 139	$ (6,438)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 5,277	¥ 4,992	$ 43,979
Adjustments for:			
Income taxes—paid	(2,220)	(2,238)	(18,500)
Depreciation and amortization	1,493	1,605	12,440
Loss on devaluation of investment securities	32	110	269
Write-down of golf club membership	13	—	110
Loss from revision of business plan	116	—	966
Provision for (reversal of) doubtful receivables	(26)	5	(218)
Bonuses to directors and corporate auditors	(22)	(22)	(186)
Loss on sales and disposals of property, plant and equipment—net	15	26	121
Equity in earnings of associated company	(16)	(22)	(135)
Changes in assets and liabilities—net:			
Decrease (increase) in trade notes and accounts receivable	219	(8)	1,829
Decrease in inventories	9	56	79
Increase (decrease) in trade accounts payable	64	(206)	534
Decrease in accrued expenses	(1)	(4)	(6)
Decrease in deposits from tenants	(206)	(555)	(1,720)
Increase (decrease) in liability for employees' retirement benefits	26	(70)	217
Decrease in liability for retirement allowance for directors and corporate auditors	(12)	(64)	(102)
Other—net	(80)	26	(669)
Total adjustments	(596)	(1,361)	(4,971)
Net cash provided by operating activities	4,681	3,631	39,008
INVESTING ACTIVITIES:			
Payment for purchases of time deposits	(59)	(482)	(490)
Proceeds from collection of time deposits	92	1,112	767
Proceeds from sales of marketable securities	20	320	167
Payment for purchases of property, plant and equipment	(470)	(965)	(3,920)
Proceeds from sales of property, plant and equipment	—	63	—
Payment for purchases of intangible assets	(7,875)	(11)	(65,626)
Payment for purchases of investment securities	(556)	(90)	(4,632)
Proceeds from sales of investment securities	1,559	522	12,990
Repayments of long-term debt	(1,990)	—	(16,584)
Other—net	11	(544)	92
Net cash used in investing activities	(9,268)	(75)	(77,236)
FINANCING ACTIVITIES:			
Proceeds from (repayments of) short-term borrowings—net	1,300	(4,010)	10,834
Proceeds from long-term debt	9,400	—	78,333
Repayments of long-term debt	(90)	(2)	(750)
Proceeds from sales of treasury stock	—	19	—
Payment for purchases of treasury stock	(606)	(390)	(5,048)
Cash dividends paid	(728)	(739)	(6,062)
Net cash provided by (used in) financing activities	9,276	(5,122)	77,307
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,689	(1,566)	39,079
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	—	117	—
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,153	9,602	67,941
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 12,842	¥ 8,153	$ 107,020

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2003 and 2002

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, 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 Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2002 financial statements to conform to classifications and presentations used in 2003.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TOC Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120 to $1, the approximate rate of exchange at March 31, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Consolidation**—The consolidated financial statements include the accounts of the Company and its seven significant subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in an associated company are accounted for by the equity method. Investments in an unconsolidated subsidiary are stated at cost. If the equity method of accounting had been applied to the investments in this company, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. **Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and bond funds, which mature within three months of the date of acquisition.

c. **Inventories**—Merchandise is principally stated at cost determined by the retail method as generally applied for the retail industry in Japan.

Finished products, work in process, raw materials and supplies are stated at cost determined by the moving-average method.

d. **Marketable and Investment Securities**—Marketable and investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. **Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is principally from 3 to 50 years for buildings and structures.

f. **Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

g. **Retirement and Pension Plans**—The Company and certain consolidated subsidiaries have funded and unfunded retirement plans.

Liability for retirement benefits is based on the projected benefit obligations and plan assets at the balance sheet date.

h. **Retirement Allowances for Directors and Corporate Auditors**—Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

i. **Leases**—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

j. **Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. **Appropriations of Retained Earnings**—Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

l. **Derivatives and Hedging Activities**—The Group uses derivative financial instruments to manage its exposures to fluctuations in interest rates. Interest rate swaps are utilized by the Group to reduce interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

The accounting standard requires that for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. However, the interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense.

m. **Per Share Information**—Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because it is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the year including dividends to be paid after the end of the year.

n. **Treasury Stock**—Prior to April 1, 2002, treasury stock held by the Company and that held by subsidiaries were separately presented in shareholders' equity. Effective April 1, 2002, such stock is presented together as treasury stock in the shareholders' equity in accordance with the new disclosure requirement for treasury stock.

Effective April 1, 2002, the Company adopted a new accounting standard for treasury stock issued by the Accounting Standards Board of Japan. This standard requires that where an associated company holds a parent company's stock, a portion that represents an equivalent ownership interest in such stock should be presented as treasury stock in a separate component of shareholders' equity and the carrying value of the investment in associated company should be reduced by the same amount. The Company adopted this accounting standard for the year ended March 31, 2003. Such treasury stock was not reflected in the Company's consolidated financial statements for the year ended March 31, 2002 since no accounting treatment was previously prescribed for the parent company's stock held by an associated company.

3. SHORT-TERM INVESTMENTS

Short-term investments consisted of time deposits which become due over three months.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2003 and 2002, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Current—Trust fund investments and other	**¥ 20**	¥ 20	**$ 170**
Total	**¥ 20**	¥ 20	**$ 170**
Non-current:			
Marketable equity securities	**¥ 312**	¥ 191	**$ 2,601**
Non-marketable equity securities	**3,002**	2,902	**25,020**
Government and corporate bonds	**51**	1,510	**425**
Trust fund investments and other	**41**	61	**340**
Total	**¥ 3,406**	¥ 4,664	**$ 28,386**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2003 and 2002, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2003				
Securities classified as available-for-sale:				
Equity securities	¥ 305	¥ 8	¥ 1	¥ 312
Government and corporate bonds	33	18	—	51
Trust fund investments and other	60	1	—	61
March 31, 2002				
Securities classified as available-for-sale:				
Equity securities	181	26	16	191
Government and corporate bonds	1,533	17	40	1,510
Trust fund investments and other	79	2	—	81

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2003				
Securities classified as available-for-sale:				
Equity securities	$ 2,538	$ 64	$ 1	$ 2,601
Government and corporate bonds	272	153	—	425
Trust fund investments and other	500	10	—	510

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2003 and 2002, were ¥3,002 million ($25,020 thousand) and ¥2,902 million, respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale with specific maturity dates at March 31, 2003, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 20	$ 170
Due after one year through five years	92	765
Total	¥ 112	$ 935

5. INVENTORIES

Inventories at March 31, 2003 and 2002, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Merchandise	**¥ 56**	¥ 59	**$ 467**
Finished products	**282**	311	**2,347**
Work in process	**49**	26	**408**
Raw materials	**56**	64	**469**
Supplies	**65**	58	**544**
Total	**¥ 508**	¥ 518	**$ 4,235**

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2003 and 2002, mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term borrowings ranged from 0.7% to 1.8% and from 0.6% to 1.8% at March 31, 2003 and 2002, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Unsecured loans from banks, 1.2% to 2.1%, due 2018	**¥ 6,810**	¥ 1,900	**$ 56,750**
Unsecured loans from banks, 1.2% to 1.3%, due 2007	**3,700**	—	**30,834**
Unsecured 1.2% loans from life insurance company due 2007	**700**	—	**5,833**
Total	**11,210**	1,900	**93,417**
Less current portion	**(670)**	(90)	**(5,580)**
Long-term debt, less current portion	**¥ 10,540**	¥ 1,810	**$ 87,837**

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
2004	¥ 670	$ 5,580
2005	843	7,022
2006	843	7,022
2007	3,736	31,135
2008	466	3,883
2009 and thereafter	4,652	38,775
Total	¥ 11,210	$ 93,417

The carrying amounts of assets pledged as collateral for the short-term borrowings of ¥2,330 million ($19,417 thousand) at March 31, 2003, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥ 4,990	$ 41,588
Land	689	5,740
Total	¥ 5,679	$ 47,328

7. RETIREMENT AND PENSION PLANS

Employees whose service with the Company and one of its subsidiaries is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payment than in the case of voluntary termination.

The liability for employees' retirement benefits at March 31, 2003 and 2002, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Projected benefit obligation	**¥ 685**	¥ 663	**$ 5,713**
Fair value of plan assets	**(522)**	(526)	**(4,353)**
Net liability	**¥ 163**	¥ 137	**$ 1,360**

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Service cost	**¥ 97**	¥ 67	**$ 806**
Net periodic benefit costs	**¥ 97**	¥ 67	**$ 806**

8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥29,812 million ($248,431 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

At the general shareholders meeting held on June 26, 2003, the Company's shareholders approved the following purchase of treasury stock:

The Board of Directors is authorized to repurchase up to 3,000 thousand shares of the Company's stock (aggregate amount of ¥1,500 million).

The balance of treasury stock recorded in the shareholders' equity section as of March 31, 2003, represents treasury stock purchased for the purpose of granting stock options to directors and key employees. As of March 31, 2003, stock options for 218,000 shares have been granted and are exercisable through June 30, 2005 with an exercise price of ¥762. This exercise price will change if the Company makes a stock split or issues stock at amounts less than fair value.

9. INCOME TAXES

The Company and its subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2003 and 2002.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 108**	¥ 96	**$ 897**
Retirement benefits for directors and corporate auditors	**55**	60	**458**
Unrealized gain on sales of property	**30**	35	**254**
Unrealized loss on available-for-sale securities	**—**	5	**—**
Devaluation of land and leasehold	**3,784**	3,799	**31,530**
Tax loss carryforwards of subsidiaries	**270**	299	**2,252**
Other	**224**	159	**1,872**
Less valuation allowance	**(345)**	(339)	**(2,879)**
Total	**4,126**	4,114	**34,384**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**11**	1	**96**
Deferred gains on sales of property	**13**	13	**106**
Total	**24**	14	**202**
Net deferred tax assets	**¥ 4,102**	¥ 4,100	**$ 34,182**

The valuation allowance mainly consisted of tax loss carryforwards of certain subsidiaries.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 42.05% to 40.69%, effective for years beginning on or after April 1, 2004. The effect of this change on deferred taxes in the consolidated statements of income for the year ended March 31, 2003 was not significant.

10. LEASES

The Group leases certain machinery and equipment, as well as other assets.

(1) Financing Leases

Total rental expenses under the above leases for the years ended March 31, 2003 and 2002, were ¥24 million ($202 thousand) and ¥38 million, respectively, including ¥21 million ($171 thousand) and ¥29 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2003 and 2002, was as follows:

	Millions of Yen					
	2003			2002		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥ 40	¥ 63	¥ 103	¥ 41	¥ 59	¥ 100
Accumulated depreciation	31	42	73	26	28	54
Net leased property	¥ 9	¥ 21	¥ 30	¥ 15	¥ 31	¥ 46

	Thousands of U.S. Dollars		
	2003		
	Machinery and Equipment	Other	Total
Acquisition cost	$ 336	$ 518	$ 854
Accumulated depreciation	259	344	603
Net leased property	$ 77	$ 174	$ 251

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 10	¥ 19	$ 80
Due after one year	15	29	127
Total	¥ 25	¥ 48	$ 207

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Depreciation expense	¥ 19	¥ 26	$ 154
Interest expense	1	2	12
Total	¥ 20	¥ 28	$ 166

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

(2) Operating Leases

The minimum rental commitments under noncancelable operating leases at March 31, 2003 and 2002, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 5	¥ 1	$ 37
Due after one year	5	—	45
Total	¥ 10	¥ 1	$ 82

11. RELATED PARTY TRANSACTIONS

Transactions of the Company with OSAKI SAIKAIHATSU BUILDING Co., Ltd. (an associated company), whose representative director is also a representative director of the Company, for the years ended March 31, 2003 and 2002, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Sales	¥ 269	¥ 279	$ 2,239
Purchases	483	506	4,024

The balances due from/to OSAKI SAIKAIHATSU BUILDING Co., Ltd. at March 31, 2003 and 2002, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Accounts receivable	¥ 3	¥ 3	$ 25
Prepaid expenses	28	29	235
Other payable	16	15	136
Other current liabilities	14	14	117
Deposits from tenants	774	784	6,448

12. DERIVATIVES

The Group enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

Derivative transactions are entered into to hedge interest within its business in principle. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization.

13. COMMITMENTS

Land Purchase Commitment

At March 31, 2003, the Company had a commitment with Metropolis of Tokyo, to purchase a division of the land at Ariake south area. For this commitment, the Company paid ¥7,855 million ($65,456 thousand) in April 2003.

14. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2003, were approved at the Company's shareholders meeting held on June 26, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥5.50 ($0.05) per share	¥ 359	$ 2,997
Bonuses to directors and corporate auditors	18	150

15. SEGMENT INFORMATION

The Company operates in the following industries:

Real estate—consisting of rental rooms, exhibition halls and parking lots.

Linen supply and laundry—consisting of linen supply and laundry service.

Other—consisting of selling goods, restaurant businesses, production and distribution of medicine, management of a gym and a bathhouse, building maintenance services, carpentry work services, environmental protection and energy-saving businesses.

Information about industry segments for the years ended March 31, 2003 and 2002, was as follows:

Industry Segments

a. Sales and Operating Income

	Millions of Yen					
	2003					
	Real Estate	Linen Supply and Laundry	Other	Total	Eliminations/ Corporate	Consolidation
Sales to customers	¥ 12,000	¥ 2,061	¥ 4,490	¥ 18,551	—	¥ 18,551
Intersegment sales	813	49	94	956	¥ (956)	—
Total sales	12,813	2,110	4,584	19,507	(956)	18,551
Operating expenses	7,514	2,056	4,392	13,962	(964)	12,998
Operating income	¥ 5,299	¥ 54	¥ 192	¥ 5,545	¥ 8	¥ 5,553

	Millions of Yen					
	2002					
	Real Estate	Linen Supply and Laundry	Other	Total	Eliminations/ Corporate	Consolidation
Sales to customers	¥ 12,153	¥ 2,109	¥ 4,751	¥ 19,013	—	¥ 19,013
Intersegment sales	800	46	107	953	¥ (953)	—
Total sales	12,953	2,155	4,858	19,966	(953)	19,013
Operating expenses	7,832	2,118	4,672	14,622	(960)	13,662
Operating income	¥ 5,121	¥ 37	¥ 186	¥ 5,344	¥ 7	¥ 5,351

	Thousands of U.S. Dollars					
	2003					
	Real Estate	Linen Supply and Laundry	Other	Total	Eliminations/ Corporate	Consolidation
Sales to customers	$ 100,002	$ 17,172	$ 37,418	$ 154,592	—	$154,592
Intersegment sales	6,774	404	787	7,965	$ (7,965)	—
Total sales	106,776	17,576	38,205	162,557	(7,965)	154,592
Operating expenses	62,617	17,130	36,601	116,348	(8,033)	108,315
Operating income	$ 44,159	$ 446	$ 1,604	$ 46,209	$ 68	$ 46,277

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen					
	2003					
	Real Estate	Linen Supply and Laundry	Other	Total	Eliminations/ Corporate	Consolidation
Assets	¥ 62,435	¥ 1,081	¥ 3,791	¥ 67,307	¥ 21,767	¥ 89,074
Depreciation	1,334	59	108	1,501	(8)	1,493
Capital expenditures	8,134	50	54	8,238	—	8,238

	Millions of Yen					
	2002					
	Real Estate	Linen Supply and Laundry	Other	Total	Eliminations/ Corporate	Consolidation
Assets	¥ 53,704	¥ 1,038	¥ 3,740	¥ 58,482	¥ 18,370	¥ 76,852
Depreciation	1,447	63	104	1,614	(9)	1,605
Capital expenditures	781	40	146	967	(2)	965

	Thousands of U.S. Dollars					
	2003					
	Real Estate	Linen Supply and Laundry	Other	Total	Eliminations/ Corporate	Consolidation
Assets	$ 520,295	$ 9,005	$ 31,590	$ 560,890	$ 181,397	$ 742,287
Depreciation	11,117	496	894	12,507	(67)	12,440
Capital expenditures	67,782	414	457	68,653	—	68,653

As the majority of operations and sales are domestic, information for geographical segments and sales to foreign customers is not applicable to the Group.

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Deloitte
Touche
Tohmatsu

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of TOC Co., Ltd.:

We have audited the accompanying consolidated balance sheets of TOC Co., Ltd. and consolidated 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 TOC Co., Ltd. and consolidated 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.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 26, 2003

Corporate Data
(as of March 31, 2003)

Corporate Name: TOC Co., Ltd.
Head Office: 7-22-17 Nishi-Gotanda, Shinagawa-ku, Tokyo
Tel: +81-3-3494-2111 Fax: +81-3-3494-2024
URL: www.toc.co.jp/toc/
Established: 1926
Paid-in Capital: 11,768,191,630 yen
Authorized Number of Shares: 66,770,416 shares
Number of Employees: 76
Subsidiaries: TO Linen Supply Co., Ltd.
ROX Health Plaza Co., Ltd.
TOC Supply Co., Ltd.
Hoshi Pharmaceutical Co., Ltd.
Tokyo Oroshiuri Center Distribution Group Co., Ltd.
A. A. J. Co., Ltd.
TOL Co., Ltd.

Board of Directors and Corporate Auditors (as of March 31, 2003)
Chairman: Kazuhiko Otani
President: Takuo Otani
Senior Managing Directors:
Takashi Ikeda
Motokazu Habiro
Yoshinori Matsuzaki
Masao Ohashi
Osamu Kawamura
Kazuo Iwai
Standing Auditor: Hiroshi Koda
Corporate Auditors: Yutaka Matsushima
Katsutoshi Nagasawa

Major Real Estate Property Holdings

TOC Building
Address: 7-22-17 Nishi-Gotanda, Shinagawa-ku, Tokyo
Constructed: 1970
Site Area: 21,522.23 square meters
Total Floor Space: 174,013.32 square meters

TOC Building 2
Address: 7-21-11 Nishi-Gotanda, Shinagawa-ku, Tokyo
Constructed: 1976
Site Area: 1,643.99 square meters
Total Floor Space: 12,741.02 square meters

TOC Building 3
Address: 7-23-1 Nishi-Gotanda, Shinagawa-ku, Tokyo
Constructed: 1971
Site Area: 1,044.88 square meters
Total Floor Space: 7,979.56 square meters

TOC Front Building
Address: 7-22-17 Nishi-Gotanda, Shinagawa-ku, Tokyo
Constructed: 1983
Site Area: Included in the site area of the TOC Building
Total Floor Space: 4,428.79 square meters

TOC Building 5
Address: 7-21-1 Nishi-Gotanda, Shinagawa-ku, Tokyo
Constructed: 1987
Site Area: 636.92 square meters
Total Floor Space: 4,456.90 square meters

Osaki New City 1
Address: 1-6-1 Osaki, Shinagawa-ku, Tokyo
Constructed: 1987
Site Area: 7,288.76 square meters (including both Osaki New City 1 and 2)
Total Floor Space: 27,592.87 square meters (including 4,053.37 square meters of shared space)

Osaki New City 2
Address: 1-6-2 Osaki, Shinagawa-ku, Tokyo
Constructed: 1987
Total Floor Space: 21,262.56 square meters (including 3,113.97 square meters of shared space)

Asakusa ROX
Address: 1-25-15 Asakusa, Taito-ku, Tokyo
Constructed: 1986
Site Area: 4,239.14 square meters
Total Floor Space: 36,498.84 square meters

ROX-2
Address: 1-24-1 Asakusa, Taito-ku, Tokyo
Constructed: 1990
Site Area: 529.28 square meters
Total Floor Space: 794.78 square meters

ROX-3
Address: 1-26-5 Asakusa, Taito-ku, Tokyo
Constructed: 1995
Site Area: 2,175.76 square meters
Total Floor Space: 3,449.50 square meters

ROX Dome
Address: 1-27-5 Asakusa, Taito-ku, Tokyo
Constructed: 1998
Site Area: 956.92 square meters
Total Floor Space: 1,293.76 square meters

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