

Annual Report 2004

for the fiscal year ended March 31, 2004



PROFILE

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

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

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

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

Contents

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



Our self-propelling hopper dredger, "KAISHUU", that was completed its construction in April 2002.



She is currently engaged in reclamation work of Ubin Tekon in Singapore.

FINANCIAL HIGHLIGHTS

TOA CORPORATION and its consolidated subsidiaries

Years ended March 31

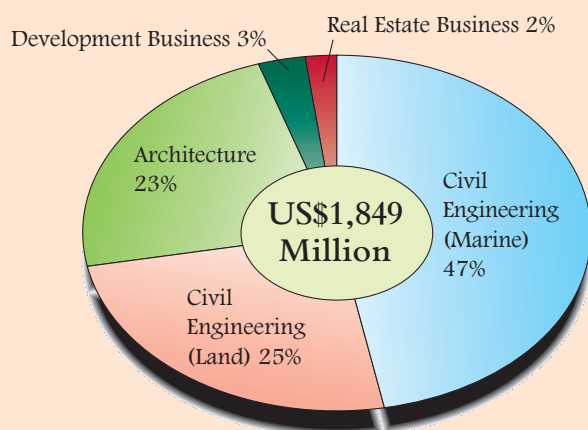
	Millions of Japanese Yen				Thousands of U.S. Dollars
	2004	2003	2002	2001	2004
Consolidated					
For the year:					
Net sales	¥209,217	¥237,923	¥288,932	¥294,693	\$ 1,973,747
Income (loss) before income taxes and minority interests	3,431	2,143	5,502	(5,783)	32,363
Net income (loss)	1,051	229	2,025	(3,965)	9,913
At year-end:					
Total assets	256,494	263,941	325,949	318,018	2,419,761
Shareholders' equity	49,601	46,204	47,065	46,248	467,934
Property, plant and equipment—net	49,229	55,002	57,361	52,151	464,428
		Yen			U.S. Dollars
Per share of common stock:					
Net income (loss)	¥ 5.33	¥ 1.12	¥ 10.30	¥ (20.17)	\$ 0.050
Cash dividends	5.00	5.00	5.00	5.00	0.047
Shareholders' equity	252.49	233.84	239.65	235.31	2.382

Note: The amount in U.S. dollars was translated at the rate of ¥106 = US\$1, the effective rate at March 31, 2004.

Sales Composition by Project Type

(For the Year Ended March 31, 2004)

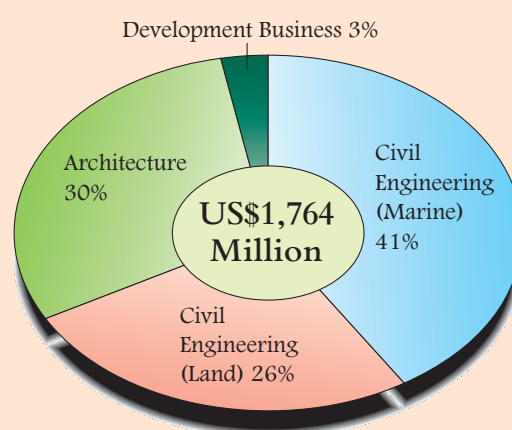
Non-consolidated



Orders Received by Project Type

(For the Year Ended March 31, 2004)

Non-consolidated



MESSAGE FROM THE PRESIDENT

In the fiscal 2004 (ended March 31, 2004), Japanese economy was buoyed by favorable exports with variations in business sentiment apparent by industry and region. Capital investment has turned positive with the improvement in corporate earnings and the progress of stocktaking, and in a severe employment environment, even personal consumption shows gradual recovery. Thus business conditions have shown some glimmer of light since the beginning of last autumn and are in transition. Under the circumstances, domestic sales amounted to ¥189,212 million (a 13.6% reduction from the previous fiscal year on a consolidated basis) and the operating profit amounted to ¥5,447 million (a 22.9% increase from the previous fiscal year on a consolidated basis).

In the construction industry, some signs of recovery in private investment can be seen. Residential housing starting at a low level firmed up, though public investment declined reflecting a long-term policy of budget reduction by central and local government. The total demand for construction could not escape from its downward trend, and together with intensifying price competition, this has placed the business environment in a still more severe situation.

Under the circumstances, in order to adapt to this age of rapid change, we have overhauled our business structure on one hand, and have been promoting, made efforts to increase orders and to press forward with a low cost orientation so as to insure profits and to strengthen our financial structure. As a result, though sales fell by 12.4% from the previous fiscal year to ¥201,557 million on a consolidated basis, the consolidated operating profit increased 26.2% from the previous fiscal year and stood at ¥4,719 million by promoting the cost reduction.

In the real estate business, efforts were made to preserve stable returns. Compared with the previous fiscal year, consolidated proceeds fell by 3.4% to ¥6,893 million, but operating profits rose by 104.9% to ¥664 million from the previous fiscal year. Consolidated proceeds from other business declined by 14.0% to ¥4,197 million from the previous fiscal year, and operating profits fell by 85.1% to ¥28 million from the previous fiscal year.

Consolidated net profits for the current period stand at ¥1,051 million, which is an increase of ¥821 million from the previous fiscal year. There was an improvement in special profits and losses due to improvement in operating profits and the ending of premium severance pay that accompanied the recruitment of voluntary retirees in the previous consolidated fiscal year. There was also a virtual end to appraisal losses from retained stock such as occurred in the previous consolidated fiscal year resulting from a fall in stock prices. As a result in

this period, the net profit per unit of stock was ¥5.33.

Cash flow environment

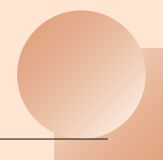
For fiscal 2004, cash flows from operating activities amounted to a capital increase of ¥6,561 million, considering net profits before taxes and depreciation cost for the period (cf. capital decrease of ¥13,462 million in consolidated fiscal 2003). For cash flows from investment activities, sales of tangible fixed assets and securities for investments brought an increase in capital of ¥2,860 million (cf. decrease of ¥4,055 million in consolidated fiscal 2003). For cash flows from financing activities, there was a capital decrease of ¥10,457 million, through redemption of bonds and cutting interest-bearing debt (cf. increase of ¥1,960 million in consolidated fiscal 2003). As a result, the balance at the end of the consolidated fiscal 2004 for cash and cash equivalents amounted to ¥24,430 million, decreasing ¥1,429 million compared to the end of the consolidated fiscal 2003.

The state of corporate governance

TOA is creating a solid management framework to increase management efficiency and transparency and to make and execute decisions swiftly and flexibly to deal with changes in the business environment. We are also implementing fair management with a high level of trustworthiness, centering our focus on shareholders by ongoing activity to ensure compliance with laws and ordinances relating to company activities and also compliance with social norms and ethics.

Progress in implementing various policies relating to corporate governance

1. As a rule, the board of directors meets once every month to review and discuss substantial matters, make decisions, and supervise the level of business performance. Of those issues reviewed and decided by the board of directors, matters of special importance are previously discussed at management meetings. In addition, we are taking an Executive Officer system with the decision making function separated from the function of administering corporate business, and this is aimed to make management more efficient and to strengthen its function. Also, in order to construct management system best prepared to adapt to the changes in the business environment, term of office of the director is reduced to one year. In addition, at the directors' meeting on May 21 2004, the compensation system for directors and auditors was reviewed as a part of the management reforms. As a result, retirement allowance for directors was abolished and they will be paid based on business performance each year. The number of directors was reduced from 14 to 11 duly executed at the regular



shareholders meeting convened on June 29 2004.

2. The company adopts an auditor system and amongst 4 auditors present, 3 auditors are from outside the company. The auditors attend directors' meetings, management meetings and other significant meetings under a system that allows them to observe directors' work.
3. The internal control system is set up by top management and there is a management office to check how the control system is functioning.
4. In order to take in how thoroughly company activities are based on enterprise ethics and a law abiding approach, a compliance committee has been set up and the company, as a whole, is addressing the compliance rule. Activities are also being carried out to implement the laws and ordinances such as the committee holding regular monthly meetings and receiving reports of activities from each of the departments.
5. In order to increase transparency of management for all shareholders and investors, top management carry out regular IR activities and make timely press releases. Also IR information and news is actively displayed on the company home page.

Outstanding tasks

The future prospects for the economy have received a boost from the government policies promoting restructure, stabilizing the financial capital markets and overcoming deflation. An increasing brightness can be discerned due to an improvement in company profits supported by ongoing favorable exports and a trend to recovery in capital investment. This is accompanied by briskness expected in personal consumption.

In the construction industry, central and local government bodies are keeping to their policy of restraint in public works, and although change for the better can be hoped for in demand of the private sector against a background of enterprise profit rising and personal consumption reviving, overall construction demand continues to decrease and it is thought that competition for orders will become increasingly severe, putting the very survival of enterprises at risk, we are following medium-term management plan developed in 2002. We will do our best to maintain orders and profits in the civil engineering sector, and architectural sector established its principal to an independent structure and set up the Metropolitan Architecture Division in April 2004 based on this decision. Regarding the international division, we are expanding our business in the areas and new business field and



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

conversion to a strong enterprise structure is being implemented.

As a basic strategy relating to taking orders:

- Expansion into the following business fields: renovation, disaster prevention work, medical and welfare facilities, facilities for family ceremonial occasions, facilities for HACCP (hazards analysis and critical control points).
- Active advancement into: urban renewal work, private finance initiative (PFI) projects and environment related work.

In the area of profit:

- Increase gross profit through strengthening estimating skills for construction works and increase efficiency in management execution.
- Reduce costs and personnel expenses.

On the financial structure and management efficiency side:

- Further promote reduction of interest bearing liabilities and improvement in the financial structure.
- Place the new core system on track directed to systematize information and further develop the database.

These strategies will be vigorously promoted and it is intended to build a strong, healthy financial structure and we look forward to improved results.

We seek the increased support and cooperation of all shareholders.

June 2004

Masao Watanabe
President and Representative Director
President and Chief Executive Officer

Marine Civil Engineering

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

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

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

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

Construction of the Central Japan International Airport (centrair)

The Central Japan International Airport will be a full-fledged offshore airport with a 3,500m runway. The airport operates 24-hours a day, and special consideration has been given to its facilities, systems, and operations. Terminal Buildings are now under construction to start service on February 17, 2005. A 470 hectare airport site was reclaimed using earth and sand of 56,000,000m³, 8,630,000m³ of those soils are recycled materials, which were provided by effectively utilizing recycled material dredged in the Nagoya Port, in which TOA was in charge of. The PLUG MAGIC method was applied to this reclamation work, which contributed to shorten the construction period. The remaining 4,500,000m³ consists of mountain soil was transported to the site from other area.



PLUG MAGIC method



Kansai International Airport 2nd Stage



(Photo : KALD)



In this project, a 545-hectare new airport island will be built 200m off the existing island to construct a second 4,000m runway, apron and taxiway. The island will need 250,000,000m³ earth and sand as it is deep as 19.5m in average at the site. The revetment work, began in July 1999, was completed in November 2001. And reclamation work is now proceeding. It is important to build a firm foundation free from any ground subsidence when preparing the ground for an airport. In order to ensure the construction of a firm foundation, TOA is utilizing various technologies and techniques for this reclamation work. One of the good examples is the use of GPS to ensure the accurate positioning and the height of reclaimed land.

Construction of High-Standard Container Terminal in Osaka Bay

This project was planned to accommodate large containerships and those increasing container transportation that plays a major role in international logistics. Construction works of an submerged tunnel for roads and rails, which connects Yumeshima Island and downtown of Osaka to ensure smooth transportation of goods, is almost complete. Osaka city awarded TOA the contract for the basic parts of the railway of this tunnel, and we provided full execution of the tunnel section of the road and railway. TOA is also engaged in construction works of the high-standard container terminal (-15m), as part of the Osaka Bay construction project.



The 2nd LNG Berth at Futtsu Thermal Power Station



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



Road Construction in Philippines



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

Semakau Island Offshore Landfill Project, Singapore

TOA completed and delivered the Semakau Island offshore landfill project to the Ministry of Environment in Singapore. Located between Semakau Island and Sekang Island, some 10km south of Singapore Mainland, this large sized waste-receiving island constituted a major construction project.

The project included embankment construction with 7km in circumference, land formation for facility administration offices, construction of an ash-unloading jetty, and construction of the administration building. This involved 20 million m³ of reclamation work, 6 million m³ of dredging, 2 million m³ of stone riprap work and jetty extension of 580m.



Punggol Reclamation Project (Phase 4)



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

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



International Passenger Terminal at Osanbashi Pier in Yokohama port

Since its construction in 1894, Osanbashi Pier has contributed greatly to the development of Yokohama as Japan's marine gateway to the world. Nearly a century since its construction, the pier had aged, and reconstruction of the pier from its foundation began in 1988. Then between 2000 and 2002, a new international passenger terminal was built on the new pier. These new facilities will carry on the tradition and continue to serve as a gateway between Japan and the rest of the world. It has a total floor space of 43,843m² and is in good repute as berths for large ocean vessels.



Newly Completed Projects

South Container Terminal, Tobishima Pier

Construction of a new container terminal is underway at the southern district of Tobishima Pier in Nagoya Bay to accommodate large container ships and increasing amount of container. This container terminal provides following features; -16m berth which is the deepest in Japan, a 500m length and a huge backyard of 17.5 hectares.



Yokohama Bay Bridge Common Area and Honmoku-Daikoku Coastal Road

Yokohama Bay Bridge Common Area and Honmoku - Daikoku Coastal Road Yokohama Bay Bridge has contributed greatly to smooth transportation, and it has become a symbol of Yokohama for its beauty. This year, TOA completed the road construction works that stretches from the Yokohama Bay Bridge to Honmoku - Daikoku coastal road. This will bring those effects such as making the container transportation more efficient between Honmoku area and the Daikoku Pier area, alleviating congestion in Yokohama urban area with fewer volumes of container traffics and improving urban environment.



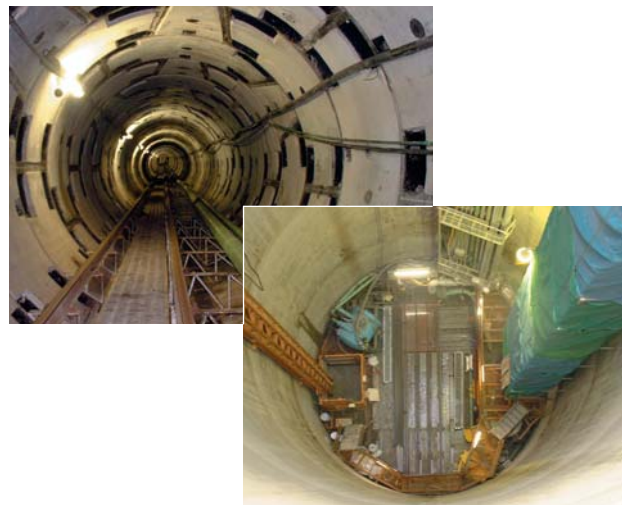
On-land Civil Engineering

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

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

Construction of New Shibakawa Tunnel

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



Dangozaka Service Area, Chuo Expressway

The Chuo Expressway underwent reconstruction work between the Uenohara interchange and the Otsuki junction in order to ease congestion resulting from increased traffic volumes and to provide more parking space at rest areas, and extension work along the full expressway was completed.

The work consisted of 1) widening inbound and outbound traffic lanes covering 1,334m on the expressway proper over a length of 2,230m and 2) expansion of the Dangozaka service area, and TOA's civil engineering capabilities were fully up to the task.

Since the bridge connecting to the service area facilities was no longer enough to reach them, we removed the bridge to the Tokyo side after performing strengthening work, repairs and painting.





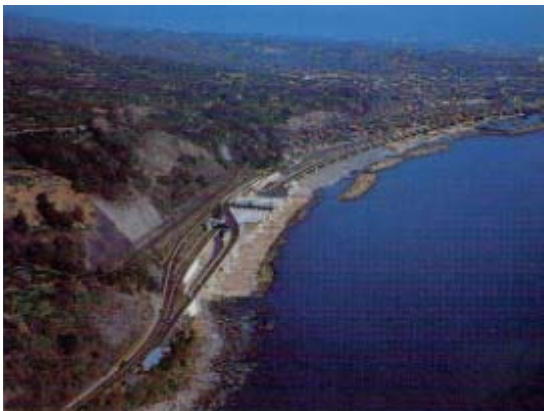
Kotonoumi Clean Center, Nagasaki

TOA was awarded a contract for the construction of a sewage treatment facility. The new facility provides sewage treatment for the drainage of the farming and fishing communities in the Negoto area of Nagasaki and required high levels of engineering in the treatment facilities, sewage and civil engineering.



Seisho Bypass Improvement Work

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



Newly Completed Projects

MM21 Yokohama Subway

The Minato Mirai line has now opened in Yokohama and been highly appreciated for its innovative spatial design. The Minato Mirai station, which TOA worked on in the form of Joint Venture, create a pleasant atmosphere of future potential of the MM21 area and the ships in the port nearby.



Kanigasawa Tunnel

This is a drainage tunnel 1,900m long with an interior cross-section of 9m² meters. It was completed as part of emergency works for disaster relief.



Architecture

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

Phu My Power Plant

Vietnam has been enjoying a period of steady economic development, and it has been attracting foreign investment. With the development of society, maintaining a stable electric supply was becoming a urgent issue. To deal with this problem, Phu My district, 80km southeast of Ho Chi Minh City, was designated as an important power supply district. Another three units of power plant were constructed in addition to the existing power plant, Phu My 1. The Vietnamese Government got a loan from the Japanese Government to construct the Phu My 1 Power Plant (approximately 1,000 MW power generation). In this project, TOA was in charge of civil engineering, construction works and other related works. These construction works included following facilities: (1) a steam turbine building, (2) a gas turbine building, (3) a central control building, (4) and administration building, (5) C/W intake/discharge facilities, (6) an oil unloading jetty, amongst others. The project was completed in May 2002.



Completion of Large-sized Waste Treatment Facility in Saeki City

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





Prai Combined Cycle Gas Turbine Power Plant

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



Completion of Kaolack Central Fish Market

TOA was awarded from the Government of the Republic of Senegal to construct a central fish market in Kaolack city, 200km southeast of the capital Dakar. This project consists of the construction works of 12 buildings, including the fish market of 1,936m² and the ice plant of 811m², as well as electrical system work, ice-plant refrigeration system work, sewage treatment system work and delivery of machinery.



Newly Completed Projects

Park House 2-Bancho

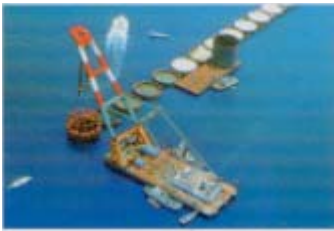
The 14-story high-rise condominium was completed at 2-Bancho, Chiyoda-ku, a center of Tokyo. This is a comfortable living-life oriented building.



Kanazawa University

TOA completed construction of Kanazawa University's general research facility. Built of reinforced concrete, the building stands five stories above ground and has a total floorspace of 9,987.24m² and a building area of 4,451.45m².

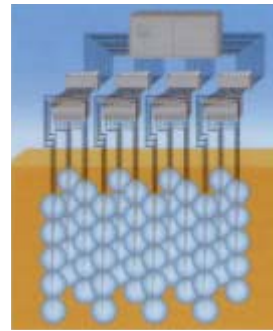




Steel Sheet Structure Cellular (Embedded) Method

New Offshore Waste Disposal Site

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



Ultra Multi-Permeation Grout Method

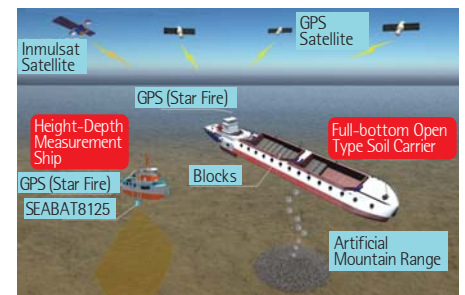
This is a new, but noteworthy technology to prevent soil from liquefaction. In this method, dozens to hundreds of nozzles are set three-dimensionally in the ground, and grout is automatically poured under the most suitable pressure and current volume based on pre-measured data.



Re-main

With regard to the concrete structure in harbors, it is important to investigate, design and maintaining properly to protect them from salt erosion. Strategies developed by TOA include understanding concrete aging mechanism and mechanical countermeasures for repairs and maintenance. This includes diagnosis of conditions, judgment for necessary repairs and most suitable method for repair and maintenance.

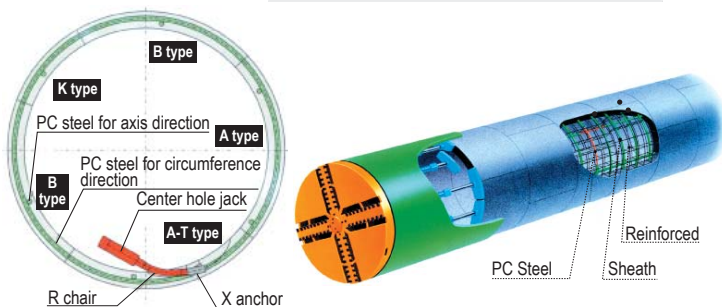
Sea Hunter System



The Seahunter System developed by TOA is the first adoption in Japan of the StarFire System operated by the American firm Navcom Technology Inc. for correcting GPS measurement error. This system allows the calculation of level position to decimeter precision even without access to a GPS reference station, enabling the construction and operation of next-generation support systems that may be used deep underwater or far out to sea where development is forecast to increase in future.

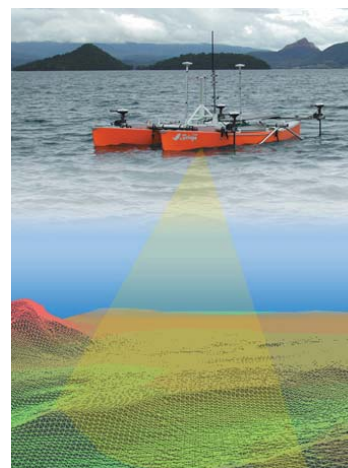
Cross Section

Pre-stressed & Pre-cast Concrete Segment Method



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

Beluga System



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

REPORT OF INDEPENDENT AUDITORS

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

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

To the Board of Directors TOA CORPORATION

We have audited the accompanying consolidated balance sheets of TOA CORPORATION and its subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, and retained earnings, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOA CORPORATION and its subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note (1), effective for the year ended March 31, 2004, TOA CORPORATION and its subsidiaries (the "Companies") changed their accounting policy for the revenue recognition for the contracts in amount of or exceeding ¥100 million to percentage of completion method. In the previous years, the Companies followed the completion method for revenue from those contracts except for contracts in amounts of or exceeding ¥2 billion.

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 Pricewaterhouse Coopers

ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 29, 2004

CONSOLIDATED BALANCE SHEETS

TOA CORPORATION and its consolidated subsidiaries
As of March 31, 2004 and 2003

ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2004	2003	2004
Current assets:			
Cash and time deposits (Note 3)	¥ 24,721	¥ 26,171	\$ 233,220
Marketable securities (Notes 4)	5	25	47
Notes and accounts receivable, trade	70,024	60,815	660,602
Allowance for doubtful accounts	(2,087)	(1,708)	(19,696)
Inventories, principally real estate for sale	17,164	17,143	161,930
Cost on contracts in progress	37,961	54,912	358,124
Deferred income taxes (Note 8)	4,068	5,156	38,382
Prepaid expenses and other current assets	25,937	18,965	244,686
Total current assets	<u>177,793</u>	<u>181,479</u>	<u>1,677,295</u>
Investments and other assets:			
Investments in and long-term loans to affiliates	575	767	5,422
Investments in securities (Notes 4 and 5)	18,015	13,264	169,955
Long-term loans	492	535	4,645
Deferred income taxes (Note 8)	6,376	8,667	60,150
Others	10,735	11,272	101,273
Allowance for doubtful accounts	(6,721)	(7,045)	(63,407)
Total investments and other assets	<u>29,472</u>	<u>27,460</u>	<u>278,038</u>
Property, plant and equipment, at cost (Notes 5 and 10):			
Land	32,085	35,893	302,688
Buildings and structures	21,628	22,008	204,041
Machinery and equipment	32,076	33,115	302,601
Construction in progress	170	33	1,607
Total property, plant and equipment	<u>85,959</u>	<u>91,049</u>	<u>810,937</u>
Less accumulated depreciation	<u>(36,730)</u>	<u>(36,047)</u>	<u>(346,509)</u>
Property, plant and equipment—net	<u>49,229</u>	<u>55,002</u>	<u>464,428</u>
 Total	 <u>¥ 256,494</u>	 <u>¥ 263,941</u>	 <u>\$ 2,419,761</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND SHAREHOLDERS EQUITY	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2004	2003	2004
Current liabilities:			
Short-term borrowings (Note 5)	¥ 32,678	¥ 33,832	\$ 308,283
Current portion of long-term debt (Note 5)	12,147	15,607	114,595
Commercial paper	7,000	12,500	66,038
Notes and accounts payable, trade	72,180	63,464	680,946
Accrued income taxes	980	558	9,245
Advances on contracts in progress (Note 6)	23,190	33,686	218,778
Other current liabilities	16,507	16,502	155,726
Total current liabilities	<u>164,682</u>	<u>176,149</u>	<u>1,553,611</u>
Long-term debt (Note 5)	24,449	23,664	230,653
Reserve for retirement benefits (Note 7)	13,427	13,402	126,666
Other long-term liabilities	3,001	3,214	28,314
Total liabilities	<u>205,559</u>	<u>216,429</u>	<u>1,939,244</u>
Minority interests	1,334	1,308	12,583
Shareholders equity (Note 9):			
Common stock, ¥50 par value:			
Authorized—600,000,000 shares			
Issued—199,401,173 shares at March 31, 2004 and 2003	16,469	16,469	155,372
Additional paid-in capital	15,582	15,582	147,001
Revaluation reserve for land (Note 11)	175	265	1,649
Retained earnings	15,542	15,389	146,619
Net unrealized gain (loss) on securities	2,334	(1,159)	22,020
Common stock owned by consolidated subsidiaries, at cost	(501)	(342)	(4,727)
Total shareholders' equity	<u>49,601</u>	<u>46,204</u>	<u>467,934</u>
Commitments and contingent liabilities (Note 12):			
Total	<u>¥ 256,494</u>	<u>¥ 263,941</u>	<u>\$ 2,419,761</u>

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

TOA CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2004 and 2003

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2004	2003	2004
Net sales	¥209,217	¥ 237,923	\$ 1,973,747
Cost of sales	189,185	217,608	1,784,765
Gross profit	20,032	20,315	188,982
Selling, general and administrative expenses	14,852	15,988	140,117
Operating income	5,180	4,327	48,865
Other income (expenses):			
Interest and dividend income	404	457	3,813
Interest expenses	(1,204)	(1,340)	(11,356)
Write-down of marketable securities and investment securities	(66)	(1,078)	(623)
Write-down of real estate for sale	(292)	—	(2,753)
Special provision for early retirement benefits	—	(2,795)	—
Gain from the transfer of the substitutional portion of the employee pension fund liabilities	—	3,008	—
Doubtful accounts for long-term receivables	(134)	—	(1,265)
Other, net	(457)	(436)	(4,318)
	<u>(1,749)</u>	<u>(2,184)</u>	<u>(16,502)</u>
Income before income taxes and minority interests	3,431	2,143	32,363
Income taxes			
Current	1,373	552	12,954
Adjustment of prior-year	—	(700)	—
Deferred	954	1,970	8,995
Minority interests	53	92	501
Net income	<u>¥ 1,051</u>	<u>¥ 229</u>	<u>\$ 9,913</u>
Retained earnings:			
Balance at beginning of year	¥ 15,389	¥ 16,185	\$ 145,180
Cash dividends	(982)	(982)	(9,261)
Bonuses to directors and corporate auditors	(6)	(6)	(61)
Write-off from revaluation excess of land	90	(37)	848
Net income	1,051	229	9,913
Balance at end of year	<u>¥ 15,542</u>	<u>¥ 15,389</u>	<u>\$ 146,619</u>
Per share data (Note 1):			
	Japanese Yen		U.S. Dollars (Note 2)
Net income	¥ 5.33	¥ 1.12	\$ 0.050
Cash dividends	¥ 5.00	¥ 5.00	\$ 0.047

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TOA CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2004 and 2003

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2004	2003	2004
Cash flows from operating activities:			
Net income before income taxes	¥ 3,431	¥ 2,143	\$ 32,363
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,343	4,238	31,534
Loss on sales or disposal of P.P. & E	587	157	5,538
(Gain)/Loss on sales of marketable securities	(588)	313	(5,548)
Write-down of marketable and investment securities	66	1,078	623
Write-down of real estate for sale and other	355	286	3,343
Provision for severance indemnities	24	(3,690)	229
Provision for allowance for doubtful accounts	57	(589)	534
Changes in:			
Notes and accounts receivables, trade	(9,209)	15,422	(86,877)
Inventories, principally real estate for sale	(314)	(5,742)	(2,961)
Cost on contracts in progress	16,951	14,848	159,911
Notes and accounts payables, trade	8,716	(40,159)	82,230
Advances on contracts in progress	(10,495)	(6,287)	(99,011)
Other, net	(4,535)	8,988	(42,761)
Sub-total	8,389	(8,994)	79,147
Interest and dividend income received	401	441	3,782
Interest paid	(1,278)	(1,390)	(12,053)
Income taxes paid and other	(951)	(3,699)	(8,971)
Net cash provided by/(used in) operating activities	6,561	(13,642)	61,905
Cash flows from investing activities:			
Payment for purchases of securities	—	(9)	—
Proceeds from sale of marketable and investment securities	1,683	511	15,879
Acquisition of investment in securities	(139)	(2,589)	(1,309)
Acquisition of P.P. & E	(1,893)	(2,104)	(17,863)
Proceeds from sale or disposal of P.P. & E	3,583	358	33,799
Other, net	(374)	(222)	(3,520)
Net cash provided by/(used in) investing activities	2,860	(4,055)	26,986
Cash flows from financing activities:			
Proceeds from long-term debt	12,932	13,765	122,000
Net increase/(decrease) in commercial paper	(5,500)	4,500	(51,887)
Net decrease in short-term borrowings	(1,154)	(4,462)	(10,890)
Redemption of bonds	(4,800)	(4,400)	(45,283)
Repayment of long-term debt	(10,807)	(6,452)	(101,955)
Cash dividends paid	(981)	(982)	(9,261)
Other, net	(147)	(9)	(1,384)
Net cash provided by/(used in) financing activities	(10,457)	1,960	(98,660)
Effect of exchange rate changes on cash and cash equivalents..	(393)	(198)	(3,709)
Net increase (decrease) in cash and cash equivalents	(1,429)	(15,935)	(13,478)
Cash and cash equivalents at beginning of year	25,859	41,794	243,955
Cash and cash equivalents at end of year	¥ 24,430	¥ 25,859	\$ 230,477

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

(1) Summary of Significant Accounting Policies

(a) Basis of presenting consolidated financial statements:

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

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

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

(b) Basis of consolidation:

The Company had 19 majority-owned subsidiaries as of March 31, 2004

The consolidated financial statements for the years ended March 31, 2004 and 2003 include the accounts of the Company and 12 of its majority-owned subsidiaries.

The consolidated subsidiaries for 2004 included TOA Real Estate Co., Ltd., TOA Tekko Co., Ltd., TOA Kikai Kogyo Co., Ltd., Tagawa Real Estate Co., Ltd., TOA Doboku Co., Ltd., Shinko Corporation, TOA Bultec Co., Ltd., TOA Concrete Co., Ltd., TOA Agency Co., Ltd., TOA Agency Nishinohon Co., Ltd., TOA Kaiun Sangyo Co., Ltd., and Tsurumi Rinko Co., Ltd.

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

sales, retained earnings or net income.

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

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

(c) Foreign currency translation:

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

(d) Cash and cash equivalents:

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

(e) Financial instruments:

(I) **Derivatives**

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

(II) **Securities**

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

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

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

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

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

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

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

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

(III) Hedge Accounting

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

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

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

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

(f) Inventories:

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

and supplies are stated at moving average cost.

(g) Allowance for doubtful accounts:

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

(h) Property, plant and equipment and depreciation:


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

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use. The standard shall be effective for fiscal years beginning April 1, 2005.

The Company has not yet applied this new standard nor has determined the effect of applying it on the Company's consolidated financial statements.

(i) Reserve for retirement benefits:

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



On March 31, 2004 the Companies changed the retirement and severance benefits system to the benefits pension plans substantially covering all employees from the employees welfare pension fund.

In addition, all funds of lump-sum severance payments were transferred to the benefits pension plan, which is the so-called cash-balance plan system.

(j) Income taxes:

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

(k) Consumption tax:

In Japan, consumption tax at the flat rate of 5% for 2004 and 2003 on all domestic consumption of goods and services (with certain exemptions) is levied.

The Companies have adopted the accounting method by which the consumption tax does not primarily affect net income.

(l) Recognition of contract revenue:

The Companies adopt the completion method for revenue recognition for the contracts in amounts of less than ¥100 million and the percentage of completion method for the contracts in amounts of ¥100 million or more, the percentage being measured by the ratio of the costs incurred to the estimated total costs for each contract.

In the previous years, the Companies adopted the completion method for the contracts in amounts of less than ¥2 billion. In the year ended March 31, 2004, due to amounts of orders received being smaller in size, under severe economic conditions, the Companies changed the criteria to ¥100 million.

The amounts of contract revenue which are accounted for by the percentage of completion method were ¥32,223 million (US\$303,996 thousand) for 2004 and ¥31,165 million for 2003.

(m) Appropriation of retained earnings:

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

(n) Leases:

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

(o) Net income and cash dividend per share:

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

Net income per share assuming full dilution was not disclosed in 2004 and 2003, due to the fact that there were no bonds with warrant and convertible bonds at the end of 2004 and 2003.

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

(2) U.S. Dollar Amounts

The dollar amounts included in the financial statements and notes thereto represent the arithmetical results of translating yen to dollars at rate ¥106 = US\$1, the approximate rate of exchange effective at March 31, 2004. The inclusion of such dollar amounts is solely for convenience of readers outside of Japan and is not intended to imply that yen and assets and liabilities originating in yen have been or could be readily converted, realized or settled in dollars at this or any other rates.

(3) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2004 and 2003 consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2004	2003	2004
Cash and bank deposits	¥ 24,721	¥ 26,171	\$ 233,220
Time deposits with deposit term of 3 months	(290)	(312)	(2,743)
Cash and cash equivalents ..	<u>¥ 24,431</u>	<u>¥ 25,859</u>	<u>\$ 230,477</u>

(4) Marketable Securities and Investments in Securities

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

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2004	2003	2004
Government bond, municipal bond and other	¥ 77	¥ 77	\$ 728
Corporate bond.	300	300	2,830
Total.....	<u>¥ 377</u>	<u>¥ 377</u>	<u>\$ 3,558</u>

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2004	2003	2004
Carrying value..	¥ 377	¥ 377	\$ 3,558
Market value....	379	369	3,574
Unrealized gain (loss).....	<u>¥ 2</u>	<u>¥ (8)</u>	<u>\$ 16</u>

(b) Other securities having its market value:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2004	2003	2004
Marketable equity securities.....	¥ 13,697	¥ 9,057	\$ 129,218
Debentures.....	6	5	57
Other.....	296	239	2,796
Total.....	<u>¥ 13,999</u>	<u>¥ 9,301</u>	<u>\$ 132,071</u>

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2004	2003	2004
Cost.....	¥ 10,080	¥ 11,246	\$ 95,093
Market value....	13,999	9,301	132,071
Unrealized gain (loss).....	<u>¥ 3,919</u>	<u>¥ (1,945)</u>	<u>\$ 36,978</u>

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

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

Short-term borrowings were represented generally by 365-day notes in 2004 and 2003 issued by the Companies and bore interest principally at the short-term primary interest rates in effect in 2004 and 2003.

As is customary in Japan, the Company and its consolidated domestic subsidiaries maintain deposit balances with banks with which they have short-term bank loans or long-term debt.

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

Long-term debt as of March 31, 2004 and 2003 consisted of the following:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2004	2003	2004
3.45% bond, due 2003	¥ —	¥ 4,800	\$ —
3.55% bond, due 2004	3,700	3,700	34,905
Loans from banks and insurance companies with interest ranging from 0.09% to 2.80%, due various dates through 2009:			
Collateralized or guaranteed	¥32,896	¥30,771	\$310,343
Total	<u>36,596</u>	<u>39,271</u>	<u>345,248</u>
Current portion included in current liabilities	(12,147)	(15,607)	(114,595)
Total	<u>¥24,449</u>	<u>¥23,664</u>	<u>\$230,653</u>

Certain of the Companies' long-term debt

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

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

At March 31, 2004, the Company had credit lines from 7 banks amounting to ¥15,000 million (US\$141,509 thousand) in total.

Assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2004 were as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
Assets pledged as collateral:		
Land	¥ 3,250	\$ 30,664
Building and structures	1,101	10,391
Investment securities	5,725	54,009
	<u>¥ 10,076</u>	<u>\$ 95,064</u>

	Millions of Japanese Yen	Thousands of U.S. Dollars
Liabilities secured thereby:		
Current portion of		
long-term debt	¥ 1,594	\$ 15,038
Long-term debt	¥ 2,262	\$ 21,339

The aggregate annual maturities of long-term loans (including current portion) as of March 31, 2004 were as follows:

Year ending	Millions of Japanese Yen	Thousands of U.S. Dollars
March 31		
2005	¥ 8,447	\$ 79,689
2006	7,669	72,347
2007	8,421	79,440
2008	5,232	49,361
2009 and thereafter	3,127	29,506
Total	<u>¥ 32,896</u>	<u>\$310,343</u>

(6) Advances on Contracts in Progress

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

(7) Reserve for retirement benefits and Pension Plan

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

The Company obtained the approval from the Minister of Health, Labor and Welfare on March 1, 2003, for an exemption from the future benefit obligation related to the substituted government's portion of pension benefits provided by social welfare pension fund.

All funds of lump-sum severance payments were transferred to the cash-balance plan system.

The change resulted in past service cost amounting to ¥5,311 million (US\$50 million), ¥1,062 million (US\$10 million) of which was amortized in 2004.

The reserve for retirement benefits as of March 31, 2004 and 2003 are analyzed as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars	
	<u>2004</u>	<u>2003</u>	<u>2004</u>
Projected benefit obligations.....	¥(25,470)	¥(29,968)	\$(240,289)
Plan assets	12,079	8,459	113,957
	<u>(13,391)</u>	<u>(21,509)</u>	<u>(126,332)</u>
Unrecognized actuarial differences	5,027	8,978	47,433
Unrecognized prior service cost	(4,248)	—	(40,084)
	<u>¥(12,612)</u>	<u>¥(12,531)</u>	<u>\$(118,983)</u>

Net pension expense related to the retirement benefits for the years ended March 31, 2004 and 2003 was as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars	
	<u>2004</u>	<u>2003</u>	<u>2004</u>
Service cost	¥ 1,249	¥ 1,840	\$ 11,787
Interest cost	745	1,256	7,027
Expected return on plan assets	(159)	(500)	(1,503)

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2004	2003	2004
Amortization of unrecognized actuarial differences amount.....	¥ 638	¥ 503	\$ 6,017
Amortization of prior service cost....	(1,062)	—	(10,021)
Net pension expense. ¥	1,411	¥ 3,099	\$ 13,307
Gain due to the transfer of the substitutional portion of the employee pension fund liabilities	—	(3,008)	—
	¥ 1,411	¥ 91	\$ 13,307

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

	2004	2003
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis
Amortization of unrecognized actuarial differences	15 years	15 years
Amortization of prior service cost	5 years	—

The balance of reserve for retirement benefits included the reserve for retirement allowance for directors and statutory auditors in amounts of ¥814 million (US\$7,682 thousands) and ¥871 million as of March 31, 2004 and 2003, respectively.

(8) Income Taxes

(a) The significant components of deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows.

Deferred Tax Assets:	Millions of Japanese Yen		Thousands of U.S. Dollars
	2004	2003	2004
Expense for retirement benefits ..¥	5,086	¥ 4,684	\$ 47,981
Revaluation of inventories	2,426	2,828	22,883
Write-down of investments securities	456	511	4,301

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2004	2003	2004
Allowance for doubtful accounts ..¥	886	¥ 1,146	\$ 8,362
Accrued bonus to employees	556	482	5,246
Reserve for retirement benefits to directors .	328	358	3,092
Accrued tax	106	16	1,004
Others	2,263	3,878	21,346
Deferred Tax Assets ..¥	12,107	¥ 13,903	\$ 114,215

Deferred Tax Liabilities:

Property and equipment	¥ (1,535)	¥ (1,535)	\$ (14,483)
Other	(1,642)	(55)	(15,490)
Deferred Tax Liabilities	(3,177)	(1,590)	(29,973)
Net Deferred Tax Assets	¥ 8,930	¥ 12,313	\$ 84,242

(b) A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2004 and the actual effective tax rates reflected in the accompanying consolidated statements of operations is as follows:

	2004
Normal effective statutory tax rate	41.7 %
Expenses not deductible for income tax purposes	11.9
Non-taxable income	(0.7)
Per capita levy of inhabitant taxes	5.0
Other-net	9.9
Actual effective tax rate	67.8 %

(9) Shareholders' Equity

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

The Commercial Code of Japan provides that an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated as a legal reserve until the total amount of legal reserve and additional paid-in

capital equals 25 % of the stated amount of capital stock. Legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the board of directors. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, it is available for distributions by the resolution of shareholder' meeting. Par value stock is abolished and unifies in no-par value stock.

(10) Leases

The Companies lease tools, vehicles and certain other assets under operating leases. Leases qualifying as capital leases at March 31, 2004 and 2003 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2004	2003	2004
Machinery, vehicles, tools and others	¥1,417	¥1,103	\$ 13,373
Accumulated depreciation	1,000	501	9,435
	<u>¥ 417</u>	<u>¥ 602</u>	<u>\$ 3,938</u>

The scheduled maturities of future lease rental payments, including an interest portion on such lease contracts as of March 31, 2004 and 2003 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year ...	¥ 206	¥ 164	\$ 1,947
Due over one year	794	438	7,488
	<u>¥1,000</u>	<u>¥ 602</u>	<u>\$ 9,435</u>

Lease rental expenses incurred in connection with finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees amount to ¥217 million (US\$2,049 thousand) and ¥190 million for the years ended March 31, 2004 and 2003, respectively.

(11) Revaluation of land

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

As a result the excess of revaluation was recognized and taxes to be levied to its excess in future was declared as deferred tax liabilities amounting to ¥118 million (US\$1,118 thousand) included in other long-term liabilities and net excess having deducted the above taxes was presented in shareholders' equity as a reserve for land revaluation amounting to ¥175 million (US\$1,649 thousand).

On the date of revaluation of March 31, 2004, there was a difference in value between market and book after revaluation amounting to ¥3,693 million (US\$34,841 thousands).

(12) Commitments and Contingent Liabilities

There were no commitments outstanding at March 31, 2004 and 2003 for the purchase of property, plant and equipment.

The Companies are contingently liable for the following at March 31, 2004 and 2003:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2004	2003	2004
Trade notes receivable discounted	¥ 129	¥ 287	\$ 1,222
Contingently liable for guarantees of short-term and long-term debt of customers, unconsolidated subsidiaries and affiliates..	5,322	4,414	50,211
	<u>¥5,451</u>	<u>¥4,701</u>	<u>\$ 51,433</u>

To the Central Council of Troubles about Construction Works, the Company has and is raising arbitration by the contractor of work which was constructed and completed by its joint ventures.

(13) Segment Information

a. Business Segments

Business segments are principally composed of the followings:

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

Year Ended March 31, 2004

Millions of Japanese Yen

	Construction	Real Estate	Other Businesses	Total	Elimination	Consolidated
Net sales:						
Customers	¥ 200,121	¥ 6,281	¥ 2,814	¥ 209,217	¥ 0	¥ 209,217
Inter-segment	1,436	611	1,382	3,430	(3,430)	0
Total	201,557	6,893	4,197	212,647	(3,430)	209,217
Operating expenses	196,838	6,229	4,169	207,236	(3,198)	204,037
Operating profit	4,719	664	28	5,411	(231)	5,180
Total assets	172,247	48,419	4,039	224,705	31,789	256,494
Depreciation expenses	2,957	284	93	3,334	9	3,343
Capital Expenditure	¥ 2,089	¥ 108	¥ 12	¥ 2,210	¥ (3)	¥ 2,207

Year Ended March 31, 2003

Millions of Japanese Yen

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

Year Ended March 31, 2004

Thousands of U.S. Dollars

	Construction	Real Estate	Other Businesses	Total	Elimination	Consolidated
Net sales:						
Customers	\$1,887,936	\$ 59,259	\$ 26,552	\$1,973,747	\$ 0	\$ 1,973,747
Inter-segment	13,547	5,766	13,042	32,355	(32,355)	0
Total	1,901,483	65,025	39,594	2,006,102	(32,355)	1,973,747
Operating expenses	1,856,960	58,760	39,334	1,955,054	(30,172)	1,924,882
Operating profit	44,523	6,265	260	51,048	(2,183)	48,865
Total assets	1,624,969	456,789	38,104	2,119,862	299,899	2,419,761
Depreciation expenses	27,895	2,677	877	31,450	84	31,534
Capital Expenditure	\$ 19,712	\$ 1,023	\$ 111	\$ 20,846	\$ (25)	\$ 20,821

b. Geographical Segments

Each area primarily refers to the following countries:

Southeast AsiaSingapore, Philippines and Viet Nam

Year Ended March 31, 2004						Millions of Japanese Yen	
	Japan	Southeast Asia	Other Areas	Total	Elimination	Consolidated	
Net sales:							
Customers	¥ 189,212	¥ 16,905	¥ 3,100	¥ 209,217	¥ —	¥ 209,217	
Inter-segment	—	—	—	—	(—)	—	
Total	189,212	16,905	3,100	209,217	(—)	209,217	
Operating expenses	183,765	17,243	3,029	204,037	(—)	204,037	
Operating profit	5,447	(338)	71	5,180	(—)	5,180	
Total assets	¥ 201,201	¥ 13,380	¥ 1,726	¥ 216,307	¥ 40,187	¥ 256,494	

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

Year Ended March 31, 2004						Thousands of U.S. Dollars	
	Japan	Southeast Asia	Other Areas	Total	Elimination	Consolidated	
Net sales:							
Customers	\$1,785,019	\$ 159,482	\$ 29,245	\$1,973,747	\$ —	\$1,973,747	
Inter-segment	—	—	—	—	(—)	—	
Total	1,785,019	159,482	29,245	1,973,747	(—)	1,973,747	
Operating expenses	1,733,636	162,672	28,574	1,924,882	(—)	1,924,882	
Operating profit	51,383	(3,190)	671	48,865	(—)	48,865	
Total assets	\$1,898,121	\$126,232	\$ 16,285	\$2,040,638	\$ 379,123	\$2,419,761	

c. Overseas Net Sales

Each area primarily refers to the following countries:

Southeast AsiaSingapore, Philippines and Viet Nam

Year Ended March 31, 2004		Millions of Japanese Yen	
	Southeast Asia	Other Areas	Total
Overseas net sales	¥ 16,905	¥ 3,100	¥ 20,005
Consolidated net sales	—	—	209,217
Ratio (%)	8.1	1.5	9.6

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

Year Ended March 31, 2004		Thousands of U.S. Dollars	
	Southeast Asia	Other Areas	Total
Overseas net sales	\$ 159,482	\$ 29,245	\$ 188,728
Consolidated net sales	—	—	1,973,747

Board of Directors

(As of June 29, 2004)

Chairman of the Board and Representative Director

Hiroshi Kitamura

President and Representative Director

Masao Watanabe

Representative Directors

Hiroshi Shirasu

Koki Tokunaga

Hideaki Kimoto

Directors

Hiroshi Otani

Hiroshi Ogawa

Keiji Yoshikura

Hidechika Akiyama

Hisahiko Uemura

Motoichi Kobayashi

Corporate Auditors

Shuji Kubo

Hirotohi Furuya

Minoru Oka

Tomohisa Uno

Executive Officers

(As of June 29, 2004)

President and Chief Executive Officer (CEO)

Masao Watanabe

Executive Vice Presidents

Hiroshi Shirasu

Koki Tokunaga

Hideaki Kimoto

Senior Executive Officers

Hiroshi Otani

Hiroshi Ogawa

Fumio Ichinose

Keiji Yoshikura

Shintaro Ueki

Hidechika Akiyama

Hisahiko Uemura

Takeshi Monji

Hideyo Maoka

Managing Executive Officers

Kentaro Imano

Sadao Kurasawa

Koki Honjo

Ryosaku Asano

Yukio Suzuki

Motoichi Kobayashi

kenichi Takami

Executive Officers

Norifumi Takamura

Takehiko Kuroki

Kazuhiro Takagi

Osamu Nakagome

Masaomi Matsuo

Tsuyoshi Torii

Mitsugi Okuda

Kazuo Oka

Yoshio Sasaki

INVESTOR INFORMATION

(As of June 29, 2004)

Head Office

TOA CORPORATION
5, Yonbancho, Chiyoda-ku, Tokyo
102-8451, Japan
Phone: (03) 3262-5102
<http://www.toa-const.co.jp/>

International Division

Shinjuku Park-Towers 30F,
3-7-1, Nishishinjuku,
Shinjuku-ku, Tokyo 163-1030, Japan
Phone: (03) 5324-7081
Facsimile: (03) 5324-7085
E-mail: webmaster@toa-const.co.jp

Date of Incorporation

January 1920

Paid-In Capital

¥16,469 million (AS of March 31, 2004)

Authorized Shares

600,000,000

Outstanding Shares

199,401,173 shares in 2004 (AS of March 31, 2004)

Number of Shareholders

16,862 (AS of March 31, 2004)

Number of Employees

1,909 (AS of March 31, 2004)

General Meeting

The General Meeting of Shareholders
was held on June 29, 2004

Stock Listing

Tokyo Stock Exchange, 1st Section
Sapporo Securities Exchanges

Transfer Agent

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

Auditor

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

Domestic Branches

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

Overseas NETWORK

Overseas Offices

SINGAPORE

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

INDONESIA

Jakarta Office
Century Tower Building, 10th Floor,
Suite 1004 Jl. HR. Rasuna Said Kav.
X-2 No.4 Kuningan, Jakarta 12950,
Republic of Indonesia
Phone: (62-21) 5228781
Facsimile: (62- 21) 5228782

PHILIPPINES

Manila Office
3F, 1st Life Center, 174Salcedo Street,
Legaspi Village, Makati City 1229,
Republic of Philippines
Phone: (63-2) 8163560
Facsimile: (63- 2) 8163561

VIETNAM

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

TAIWAN

Taiwan Office
11F Capital Commercial Bldg. 81,
Section 2 Cheng de Road,
Taipei, Taiwan, Republic of China
Phone: (886-2) 25505727
Facsimile: (886-2) 25490149

SRI LANKA

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

CARIBBEAN ISLANDS

Carib Office
Fort Jeudy, St., George's Grenada W.I.
Phone: (1-473) 4434400
Facsimile: (1-473) 4434401

RUSSIA

Yuzhno-Sakhalinsk Office
3rd Floor, 16 Sentyabrskaya St.,
Yuzhno-Sakhalinsk City, Russia
Phone: (7-4242) 770777
Facsimile: (7-4242) 771020

Overseas Subsidiaries and Affiliates

TC AMERICA, INC.

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

TOA HARBOR (S) PTE., LTD.

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

TOA (M) SENDIRIAN BERHAD

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

P.T. TOA TIRTA DHARMA

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

TOA (LUX) S.A.

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



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