

Semiannual Report

For the six months ended September 30, 2004



TOA CORPORATION

Message from the President

With brisk activity in the Chinese market and the sound recovery of the world economy, the Japanese economy enjoyed favorable circumstances of export-led growth in the interim reporting period ending 30 September 2004. Many companies have also reported increased earnings, reflecting in share prices that had previously long remained sluggish. Personal consumption still appears rigid even with signs of optimism in the labor market, and the economy, while still opaque in some respects, enjoys a strong outlook.

In the construction industry, though private-sector was accompanied by good corporate capital spending, public sector remained weak due to financial difficulties of the national and local government. As a result, further constraints against the background of fiscal stringencies for public works at both the national and local levels, and conditions for combined public and private demand remained harsh, with increasingly severe price competition and scarce orders.

Under the circumstances, TOA CORPORATION and its consolidated subsidiaries have been working on promoting the following four main measures: 1) winning good construction works, 2) establishing low-cost oriented business structure, 3) through indirect cost cutting, 4) strengthening management system. As a result, we achieved consolidated net sales of ¥78,343 million (US\$706 million), an increase of 45.5% from the previous interim reporting period. With the objective of putting the Company on a sounder financial footing, we have proactively applied asset-impairment accounting to real estate assets held by our affiliates in anticipation of losses that may be expected to arise in worst-case scenarios for future market conditions and took total extraordinary losses of ¥10,613 million (US\$96 million), resulting in a net loss of ¥7,751 million (US\$70 million) for this interim reporting period.

Regarding the future of the Japanese economy, though domestic private demand shows stable recovery, it seems that a genuine recovery may take some

time yet by the effect of soaring crude oil and global political and economic trend.

In the construction industry, corporate capital spending is expected to continue to rise for the time being, reflecting improved corporate earnings, but public works face continued decline given national and local budgetary difficulties. The outlook for the construction industry remains one of a harsh environment for both order and profits.

To weather current hard business environment, TOA is steadily implementing, in line with the three-year management plan which is now underway; such measures as expanding orders in new business field, enhancing the quantity survey ability, reducing personnel costs and reducing the interest-bearing liabilities. With these measures, TOA aims to improve its performance and establish a firm corporate structure and stable business foundation.

In developing a new three-year management plan which starts from the next fiscal year, our basic policy is to “make efforts to be a company with well balanced setting civil work, architectural work and overseas work as three main business pillars as the decrement in public works is forecasted”, and we will continue to put every effort to establish a sound business structure and firm revenue stream.

To our shareholders, we request your further support and cooperation.

November 2004

A handwritten signature in black ink that reads "Masao Watanabe". The signature is written in a cursive, flowing style.

Masao Watanabe
President

Consolidated Balance Sheets

TOA CORPORATION and its consolidated subsidiaries
As of September 30, 2004 and 2003

ASSETS

	Millions of Japanese Yen 2004	Millions of Japanese Yen 2003	Thousands of U.S. Dollars 2004
Current assets:			
Cash and time deposits	¥ 22,007	¥ 26,653	\$ 198,259
Notes and accounts receivable, trade	46,098	28,532	415,298
Cost on contracts in progress	51,980	78,484	468,285
Other current assets	43,160	44,138	388,825
Allowance for doubtful accounts	(1,989)	(1,867)	(17,916)
Total current assets	<u>161,256</u>	<u>175,940</u>	<u>1,452,751</u>
Investments and other assets	31,444	29,344	283,280
Property, plant and equipment, at cost	84,665	86,102	762,749
Less accumulated depreciation	(36,885)	(35,974)	(332,297)
Property, plant and equipment—net	<u>47,780</u>	<u>50,128</u>	<u>430,452</u>
Total	<u>¥240,480</u>	<u>¥255,412</u>	<u>\$2,166,483</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Short-term borrowings	¥ 32,563	¥ 33,703	\$ 293,356
Notes and accounts payable	59,449	49,911	535,574
Advances on contracts in progress	32,193	51,398	290,028
Other current liabilities	31,303	33,439	282,017
Total current liabilities	<u>155,508</u>	<u>168,451</u>	<u>1,400,975</u>
Long-term debt	21,941	24,159	197,670
Reserve for retirement benefits	11,980	13,755	107,926
Reserve for development business loss	6,805	—	61,306
Other long-term liabilities	2,593	3,105	23,359
Total liabilities	<u>198,827</u>	<u>209,470</u>	<u>1,791,236</u>
Minority interests	1,337	1,274	12,042
Shareholders' equity	40,316	44,668	363,205
Commitments and contingent liabilities:			
Total	<u>¥240,480</u>	<u>¥255,412</u>	<u>\$2,166,483</u>

Consolidated Statements of Operations and Retained Earnings

TOA CORPORATION and its consolidated subsidiaries
For the six months ended September 30, 2004 and 2003

	Millions of Japanese Yen 2004	Millions of Japanese Yen 2003	Thousands of U.S. Dollars 2004
Net sales	¥ 78,343	¥ 53,859	\$ 705,792
Cost of sales	73,134	49,098	658,863
Gross profit	5,209	4,761	46,929
Selling, general and administrative expenses ...	6,849	7,485	61,700
Operating loss	(1,640)	(2,724)	(14,771)
Other income (expenses):			
Interest and dividends income	395	343	3,556
Interest expenses	(556)	(619)	(5,013)
Write-down of marketable securities and investment securities	(7)	(21)	(67)
Write-down of real estate for sale	(2,988)	—	(26,918)
Transfer to reserve for development business loss	(6,805)	—	(61,306)
Other, net	(708)	(602)	(6,374)
	<u>(10,669)</u>	<u>(899)</u>	<u>(96,122)</u>
Income (loss) before income taxes and minority interests	(12,309)	(3,623)	(110,893)
Income taxes:			
Current	338	79	3,041
Deferred	(4,913)	(1,094)	(44,264)
Minority interests	17	(6)	155
Net income (loss)	<u>(¥7,751)</u>	<u>(¥2,602)</u>	<u>(\$69,825)</u>
Retained earnings:			
Balance at beginning of year	15,542	15,389	140,015
Cash dividends	(976)	(982)	(8,796)
Bonuses to directors and corporate auditors	(0)	(6)	(3)
Net income (loss)	(7,751)	(2,602)	(69,825)
Write-off from revaluation reserve for land	26	52	232
Balance at end of year	<u>¥ 6,841</u>	<u>¥ 11,851</u>	<u>\$ 61,623</u>
Per share data:	Japanese Yen	Japanese Yen	U.S. Dollars
Net income (loss)	(¥39.45)	(¥13.17)	(\$0.355)
Shareholders' equity	¥205.23	¥226.16	\$1.849

Note: U.S. dollar amounts are given solely for convenience and are translated at the rate of
¥111.00 = US\$1, the approximate effective rate of exchange at September 30, 2004.

Consolidated Statements of Cash Flows

TOA CORPORATION and its consolidated subsidiaries
For the six months ended September 30, 2004 and 2003

	Millions of Japanese Yen 2004	Millions of Japanese Yen 2003	Thousands of U.S. Dollars 2004
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	(¥12,309)	(¥3,624)	(\$110,893)
Adjustment to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	1,377	1,549	12,408
Provision for allowance for doubtful accounts	(84)	55	(752)
Transfer to reserve for development business loss	6,805	—	61,306
Write-down of marketable securities and investment securities	7	21	67
Changes in:			
Notes and accounts receivables, trade	23,926	32,283	215,547
Cost of contracts in progress	(13,860)	(23,572)	(124,865)
Inventories, principally real estate for sale	141	439	1,274
Notes and accounts payables, trade	(12,732)	(13,553)	(114,699)
Advances on contracts in progress	9,003	17,712	81,104
Income taxes paid	(777)	(316)	(6,997)
Other, net	1,941	(1,739)	17,475
<i>Net cash provided by / (used in) operating activities</i>	<u>¥ 3,438</u>	<u>¥ 9,255</u>	<u>\$ 30,975</u>
Cash flows from investing activities:			
Acquisition of P.P. & E	(¥953)	(¥568)	(\$8,589)
Acquisition of investment in securities	(93)	(25)	(839)
Proceeds from sale or disposal of P.P. & E	172	3,242	1,550
Other, net	85	(242)	771
<i>Net cash provided by / (used in) investing activities</i>	<u>(¥789)</u>	<u>¥ 2,407</u>	<u>(\$7,107)</u>
Cash flows from financing activities:			
Proceeds from long-term debt	¥ 400	¥ 8,170	\$ 3,604
Repayment of long-term debt	(7,762)	(10,495)	(69,926)
Net increase/(decrease) in commercial paper	3,000	(7,500)	27,027
Cash dividends paid	(976)	(982)	(8,796)
Other, net	(119)	(134)	(1,075)
<i>Net cash provided by / (used in) financing activities</i>	<u>(¥5,457)</u>	<u>(¥10,941)</u>	<u>(\$49,166)</u>
Effect of exchange rate changes on cash and cash equivalents			
	¥ 107	(¥215)	969
Net increase (decrease) in cash and cash equivalents			
	(2,701)	506	(24,329)
Cash and cash equivalents at beginning of year	24,431	25,859	220,095
Cash and cash equivalents at end of year	¥ 21,730	¥ 26,365	\$ 195,766

Corporate Data

Head Office

5, Yonbancho, Chiyoda-ku, Tokyo 102-8451, Japan
Phone: (03) 3262-5102 Facsimile: (03) 3262-9536
<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

Stock Listing

Tokyo Stock Exchange, 1st section
Sapporo Stock Exchange

Share Transfer

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

Overseas Offices

Singapore Office

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

Jakarta Office

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

Manila Office

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

Hanoi Office

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

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 Office

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

Caribbean Islands Office

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

Russia Office

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