

Annual Report 2005

for the fiscal year ended March 31, 2005



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.

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Our trailing suction hopper dredger, "KAISHUU", built in April 2002.



She is currently engaged in reclamation projects in Singapore.

FINANCIAL HIGHLIGHTS

TOA CORPORATION and its consolidated subsidiaries
Years ended March 31

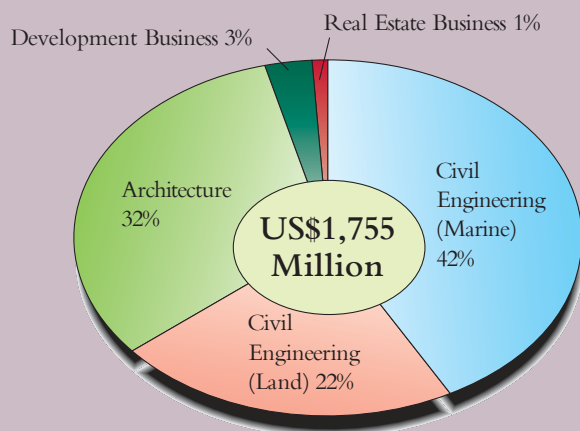
	Millions of Japanese Yen				Thousands of U.S. Dollars
	2005	2004	2003	2002	2005
Consolidated					
For the year:					
Net sales	¥201,158	¥209,217	¥237,923	¥288,932	\$ 1,879,985
Income (loss) before income taxes and minority interests	(7,634)	3,431	2,143	5,502	(71,344)
Net income (loss)	(5,181)	1,051	229	2,025	(48,422)
At year-end:					
Total assets	243,449	256,494	263,941	325,949	2,275,231
Shareholders' equity	43,989	49,601	46,204	47,065	411,115
Property, plant and equipment—net	45,788	49,229	55,002	57,361	427,928
Per share of common stock:					
			Yen		U.S. Dollars
Net income (loss)	¥(26.39)	¥ 5.33	¥ 1.12	¥ 10.30	\$(0.247)
Cash dividends	3.00	5.00	5.00	5.00	0.028
Shareholders' equity	224.20	252.49	233.84	239.65	2.095

Note: The amount in U.S. dollars was translated at the rate of ¥107 = US\$1, the effective rate at March 31, 2005.

Sales Composition by Project Type

(For the Year Ended March 31, 2005)

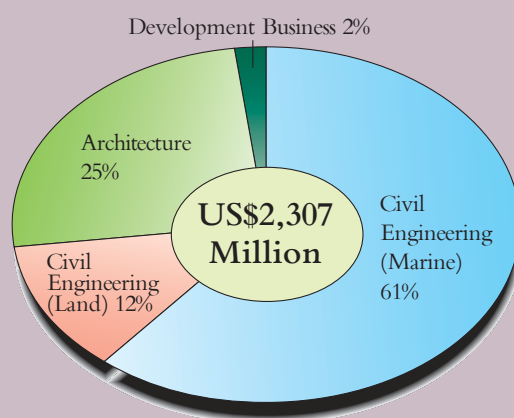
Non-consolidated



Orders Received by Project Type

(For the Year Ended March 31, 2005)

Non-consolidated



MESSAGE FROM THE PRESIDENT

Japan's economy for the fiscal year ended March 31, 2005 has shown recovery from low level of activities. This was due to favorable expansion of businesses in private companies for the first half of the year, which was accompanied by the increase in capital investment and brighter condition of employment. However, in the latter half of the year, personal expenditure reduced and leveled off. The export also became weak and has shown the so-called "landing" of the economy.

In the construction industry, private investment in plants and equipment and housing investment steadily performed well, while public investment continued to decline reflecting a long-term policy of budget reduction by central and local governments. Therefore, the management condition of TOA CORPORATION and its consolidated subsidiaries has been placed in a continuously severe situation.

Under these circumstances, we have wrestled with our participation in Haneda Airport Expansion Project and have received new and large-sized orders for global projects. In addition, we have made every effort to secure earnings by strengthening our price competitiveness and reducing our costs in administration. As a result, new orders received on non-consolidated basis for the year under review totaled ¥246,882 million, an increase of 32.0% over the previous fiscal year.

However, as the large-sized orders received for the year under review will contribute to sales expansion in the following years, consolidated net sales for the year under review amounted to ¥201,158 million, a decrease of 3.9% from the previous year.

The breakdown of the amount of new orders received was ¥240,612 million, or an increase of 32.3% in the construction business, and ¥6,270 million in the development business, representing an increase of 24.5%. In the domestic market, the amount of new orders received was about ¥218,429 million, an increase of 30.0%, while the overseas market saw an increase of 49.9%, amounting to ¥28,453 million.

In the construction business, 62% accounted for

marine civil engineering work, 12% for on-land civil engineering, and 26% for architecture. In terms of orders placed by customers, 59% accounted for domestic government sector, 29% for domestic private sector, and 12% for overseas organizations.

The breakdown of the amount of consolidated net sales for the year under review was ¥193,689 million, or a decline of 3.9% in the construction business, ¥6,282 million, or a decline of 8.9% in the real estate business, and ¥5,020 million, or an increase of 19.6% in other businesses.

In earnings, total amount of completed civil engineering work declined, hence resulting in a decrease in gross profit. Operating income for the year under review was ¥4,001 million, or a decrease of 22.7% compared to the previous fiscal year, and loss before income taxes and minority interests amounting to ¥7,634 million was incurred.

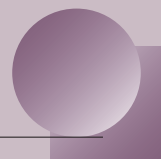
In order to achieve a sound financial structure, TOA and its consolidated subsidiaries appropriated for extraordinary loss, amounting to the total of ¥11,672 million. This included ¥6,836 million for the transfer to loss on development business, ¥2,988 million for the write-down of real estate for sale, and ¥82 million for an impairment loss caused by early adoption of accounting standard for impairment of fixed assets.

Basic Principles in the Management

"With its high level of technology, the Company will accomplish its social responsibility through sound management, and will aim for an expansion of its business performance." With this corporate principle, we have overcome various competitions based on our steady planned management. By establishing long-term credit through sincere construction execution, the Company will live up to its gained trust and expectation, and as our basic principle in the management, we will develop alongside with our customers.

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.

Medium-term Management Strategy

Although there are slight concerns about rising prices of raw materials including crude oil, and the rising severity of export circumstances, the economy in Japan is forecasted to rigidly recover from the “landing” under the conditions where private companies are expected to further expand in their business performances, and with the improvement in employment and personal consumption.

The construction industry, especially in the public investment, is forecasted to suffer from continual reduction based on cost-oriented investment in selected but concentrated fields, even if the temporary investment in retrieval related work caused by natural disaster is to increase.

Private investment in plants and equipment is forecasted to grow steadily for the time being owing to their favorable business activities.

Under these market conditions, TOA has planned a New Three Year Management Strategy, commencing 2005. In the coming three years, the Company will rapidly restructure its organization constitution in order to expand the construction work for the private sector to 50% in total orders received from the domestic market by the final year of this new management plan.

The following subjects are to be dealt with, placing major landing strategies in the New Three Year Management plan.

- In the civil engineering business, we will continue to struggle with the expansion of our market share in the industry and to reduce cost drastically.
- In the architecture business, we will wrestle with the upgrading of quality and quantity extension of customer data, and further improve the efficiency of our overall operations.



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

-In the global business, we will strive to diversify regional markets and practical projects, and advance technology for design and execution.

-In the administrative operation, we will establish a solid financial foundation.

By ensuring to carry out these basic strategies, the Company feels confident that it will cope with changing management environments, overcome every competition, and lead itself to advancement for the future.

We seek for the increased support and cooperation from all our shareholders.

June 2005

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.

Completion of the Central Japan International Airport (centrair)

The CENTRAL JAPAN INTERNATIONAL AIRPORT is a full-fledged offshore airport with a 3,500m runway. Since it began its services from February 17, 2005, the airport has been operating 24 hours a day, and special consideration has been given to its facilities, systems and operations.

A 470-hectare airport site was reclaimed using 56,000,000m³ of earth and sand, of which 8,630,000m³ of those soil were provided by effectively utilized recycled materials dredged in the Nagoya Port executed by TOA. Our dredging technologies were applied to the reclamation works that contributed to shorten the construction period. The remaining 4,500,000m³ soils came from mountains, and were transported to the site from other areas.

The revetment with a circumference of 12km surrounds the area. The minimum distance between the revetment and the opposite shore is at least 1.1km, and the island was curbed to prevent eddy currents. These measures will help to ensure that any potential impact on the tidal stream from this project is minimized.



TOA's dredging method "Plug Magic" (see page 12 for detail) was adopted in order to maximize the recycle of dredged soft soil.



Kansai International Airport 2nd Stage



(Photo : KALD)



In this project, a new 545-hectare airport island is being built 200m off the existing island to construct a second 4,000m runway, apron and taxiway. The island needs 250,000,000m³ of earth and sand as it is deep as 19.5m on average at site. The revetment work that began in July 1999 was completed in November 2001, and the reclamation work is now proceeding. When preparing the ground for an airport, it is important to build a firm foundation free from any ground subsidence. 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.

Completion of Container Terminal in Osaka Bay

The YUMESHIMA CONTAINER TERMINAL was planned to upgrade the container berth consisting three submerged type berths of -15m in order to accommodate post panamax and those increasing container transportation that plays a major role in international logistics. The 350m long wharf consists of steel pipe pile foundations driven into the front area of the caisson revetments and the jetty superstructure.

We conducted extensive studies of concrete cold joints and methods to control cracking after pouring concrete over a large area for the superstructure of wharf and achieved greater results than expected in quality assurance and safety control. Learning

from the destruction hit on port facilities in the Great Hanshin Earthquake, we designed the wharf to be available for emergency purposes, giving it a -15m and providing it with functions for an earthquake proof structure. As a sole contractor for this project, we were able to make extensive use of our marine engineering technologies and experiences.

The Yumeshima and Maishima linking bridge for floating portion (878m and 410m long, respectively) has attracted the attention for becoming the world's first floating type bridge. When post panamax is navigating, the floating portion of this bridge revolves with a pivot placed adjacent to Maishima.

Construction works of a submerged tunnel for roads and rails, which connects the Yumeshima Island and downtown Osaka to ensure smooth transportation of goods, have been completed. Other than offshore civil works, we have completed the administration building, maintenance shop building for the repair of various port facilities and support of container handlings, and the gatehouse building used for entry and exit of trailers. These facilities are the core of this Yumeshima Container Terminal C-11, which is one of the largest physical distribution site at Osaka Port.



Construction of Infrastructure in Cebu City, Philippines



The Company has been engaged in integrated waterfront development in many Asian countries and gained itself an utmost reputation. TOA is currently consolidating various infrastructures in the re-climatized land of Cebu City. The city has faced urgent construction projects of roads, urban infrastructural facilities to supply gas, electricity and water, and treatment facilities of sewage and waste. The Company completed and delivered newly constructed road and sewage treatment facilities during the year under review. This was 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 the sea that required improvement of the foundation. The project was completed by TOA's advanced technology of marine civil engineering such as Paper Drain. The project also included the construction of the road extending 800m on the land.

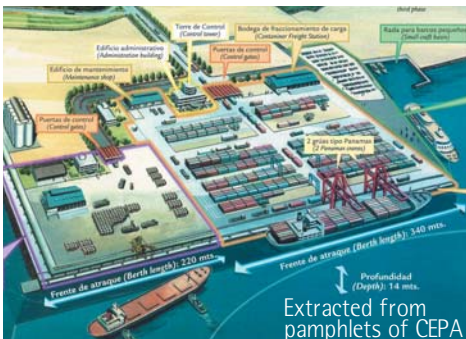
Semakau Island Offshore Landfill Project, Singapore

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 the 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.



New Order Received from El Salvador



Ever since our first project in Argentina in 1989, we have been continuously working in the American regions, including the countries of the Caribbean islands. Based on Japan's official development assistance program, we have mainly been involved in the development of fishery relating facilities and have made great contribution to the local residents.

In the year 2005, TOA was awarded the contract for the construction of a new multi-purpose terminal in La Union, El Salvador. Local labor and organizations have been utilized to great effect on the project and will enhance the local community by bringing them directly into the project from its inception through to completion. This contract has become the largest project

funded in this region by the Japanese Government and has also become a great challenge for us.



New Clifford Pier and Ferry Terminal to be Completed in Singapore

Singapore is a highly advanced nation contributing to the world industry, and the Singapore government has strengthened to consolidate various infrastructures. With a well-planned strategy, TOA Corporation has received and completed many projects including the construction of offshore facilities, roads and land through dredging and reclamation, and both public and private buildings. From Housing Development Board of Singapore, the Company received the proposal of new erection of 2-storey ferry terminal with roof garden at Marina Coastal Drive on Lot 14 (Part), Ts 30 in April 2004. The project scheduled to be completed in November 2005 includes the construction of ferry terminal, two piers, breakwater and road consolidation. These harbor facilities will contribute to the expansion of multiple industries in Singapore.



Newly Completed Projects

Naha Submerged Tunnel

Okinawa Prefecture is located in the southern part of Japan. It is the gate to East Asia including Mainland China where its economy is extremely expanding recently. Thus, Okinawa is rapidly increasing its economical aspect and has consolidated its infrastructure. In connection with this, the Naha Submerged Tunnel is constructed as one of the integrated road consolidation project between Naha Airport and Naha Harbor.

The tunnel is constructed with eight hybrid caissons of full-sandwiched structure that is independently constructed on-land and conjugated under the sea. This submerged tunnel construction method has reduced the operation cost compared to the conventional methods including the shield tunnel construction method. The most important procedure in this method is to drive a specific concrete stably to the submerged caisson. To achieve this goal, TOA has developed its own quality control system called ORCA. NET.



Hibikinada Container Terminal

TOA has been engaged in marine construction for many years and have gained high reputation amongst both domestic and global clients. Other than offshore civil works, we have completed various types of harbor related facilities as an integrated part of the construction.

The Hibikinada Container Terminal Project in Kitakyushu City, Japan commenced in February 2004 for the construction of container facilities including building construction works of the control building, maintenance building, gate house, marine house, and other relating facilities. After its completion in February 2005, it became Japan's first container terminal operated by a private company.



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

The Shibakawa River suffered from a deteriorating quality of water mainly caused by the waste water from various sources and being unable to clear this due to the lack of headspring. In order to ensure the quality of water in the river, clean water had to be introduced from Ariake River. This could only be achieved by constructing a 2,300m tunnel to connect the two rivers.

The construction work was hampered due to the amount of sludge that was being generated by the river. In order to overcome this problem, TOA utilized its technology, where a specialized equipment to recycle this sludge into suitable material for banking was introduced. The amount of sludge generated and recycled during the construction was 5,300m³, but our technology and specialized equipment easily coped with this amount of sludge during construction. Due to the ability to successfully utilize the recycled sludge to form the embankments allowed the reduction of both time and cost for the Client.

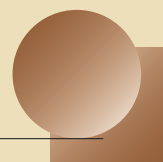


Dangozaka Service Area, Chuo Expressway

Reconstruction work was undertaken between Uenohara Interchange in Kanagawa prefecture and Otsuki Junction in Yamanashi prefecture in order to ease the congestion caused by ever increasing traffic, and to provide more parking spaces at parking areas.

The works generally consisted of road widening construction over a length of 2,230m, of which 1,334m was the expressway area. In addition to this, the Dangozaka service area was expanded, and with this expansion in conjunction with the widening of the road, the connecting bridge to the service area was removed by TOA after the completion of the necessary strengthening works, repairs and painting.





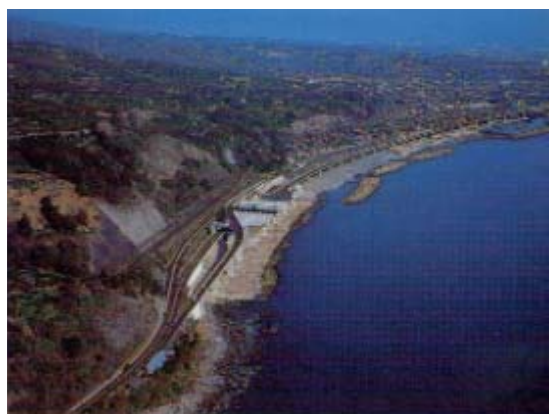
Kotonoumi Clean Center, Nagasaki

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, requiring 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 and without accidents. 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 1,900m extension, TOA was in charge of the work area of 366m and the substructure section of the Hayakawa Bridge.



Newly Completed Projects

Manyo Tunnel at Masuda Road

Public investment has declined in total amounts and numbers every year. Accompanied by this trend, competition amongst the constructors have intensified and good companies are automatically selected to complete public projects, including construction of roads, tunnels, bridges and environment-oriented civil works.

Amongst various public projects, the Manyo Tunnel was completed during the fiscal year, gaining the highest mark in the official inspection of estimation on advanced technology, construction performance, creativeness, appearance, social emphasis, etc. The tunnel is approximately 500m. Under the precipitous site and severe weather, the Company completed the tunnel by NATM method.



Kyushu Bullet Railway

TOA has been engaged in constructing railways for many years, accumulating high technologies and know-how in its concerned sites.

During the year under review, the Company has been working on several construction sections for Kyushu Bullet Train, including the project located between Shin-Yashiro station and Shin-Minamata station. The section extends to 1,071m in length, including 256m long bridge and 600m long elevated railroad.



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 halls, libraries, sport stadiums, health care centers for aged people, hospitals, hotels, parks, apartment buildings, commercial buildings, plants and distribution centers. They have 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 an 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 loaned 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 main facilities: (1) a stream turbine building, (2) a gas turbine building, (3) a central control building, (4) administration building, (5) C/W intake/discharge facilities, and (6) an oil unloading jetty. The project was completed in May 2002.



Completed Building Construction Works

This complex was planned as a part of park embodying traditional Japanese hometown values. The complex was sited in an area of 10,740m² with floor area of 6,613m². The design complements the history and topography of the town by stressing the horizon with an interweaving format recalling the outline of a group of ancient burial mounds rising luxuriantly from the ground. In addition, this complex is firmly rooted in nature with particular emphasis on the locale. The exterior appearance of the complex is a complicated shape creating three-dimensional curbs and cylindrical frames. A part of the facilities within this complex include a cultural hall with a capacity for 650 people plus a library, where the upper part of the library is integrated with a deck and a connecting bridge to the park. In order to execute this project, TOA gave much thought to the surrounding environment and the possible effects of the project on the environment. By using the knowledge and expertise in this are, the environment was unaffected during and after the construction of the project.





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.



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

Airport Base Building at Kansai International Airport

Kansai International Airport is currently in the 2nd stage of its consolidation, where TOA is engaged from its reclamation work for a new airport island to building airport-related facilities. TOA has completed the building for administration office and a hangar standing three stories high with a total floor space of 3,608m² and a building area of 2,659m². The building was completed in April 2004, with the construction period of 30 months.

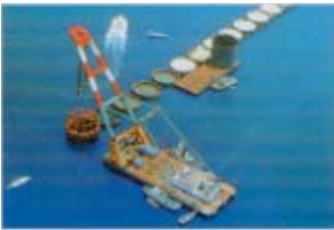


Town Office Building for Toshio City

By the completion of various types of office buildings, TOA has accumulated abundant know-how. Town Offices are contributing themselves to the upgrading of services provided including IT, securities and environment-related aspects.

This is reinforced concrete building standing three stories high with a total floor space of 2,987m². It was completed on October 2004, with a construction period of 13 months.

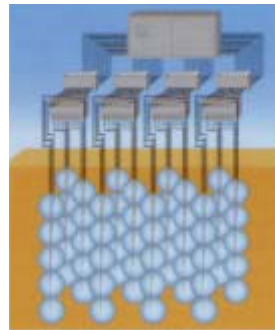




Steel Sheet Structure Cellular (Embedded) Method

New Offshore Waste Disposal Site

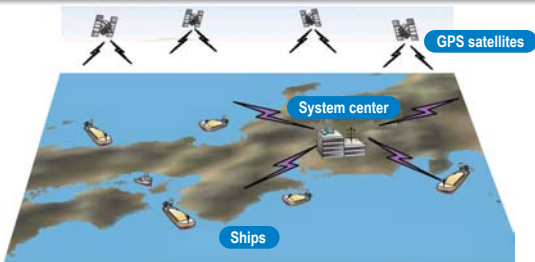
This method developed by TOA is used for many projects. A water-stop wall made of steel sheets, which will be placed in the brine surrounding the waste, will be built around the outer perimeter of the construction site. It is absolutely critical that the water-stop wall is sealed tightly so that the 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

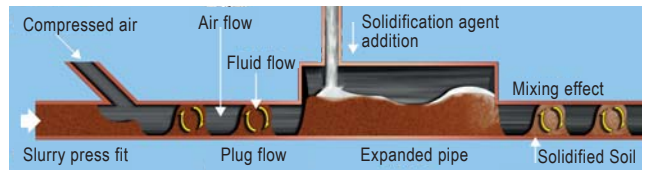
This is a new, but noteworthy technology to prevent soil from liquefaction. In this method, dozens to hundreds of nozzles are set three-dimensionally in the ground, and grout is automatically poured under the most suitable pressure and current volume based on pre-measured data.

COS-NET (Construction On the Sea Network)



COS=NET (Construction On the Sea Network) is a system for monitoring and controlling work-vessels by the combination of GPS and IT technology. By the application of this system, the operation data including accurate positions are available.

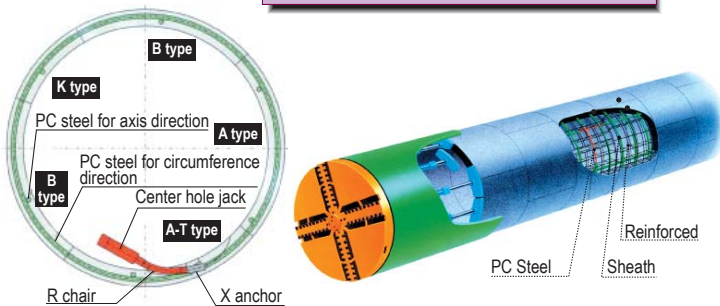
Plug Magic Method



TOA has established an engineering technique named Plug Magic Method that enables soft dredged soil to be solidified efficiently for reuse as a filling material. This method requires no mixer, and the operating cost can be reduced by 10-15%. It is also an eco-friendly method enabling a through in-pipe transportation of soft mud from dredging site to reclamation site. Plug flow occurs when compressed air gets mixed into soft mud in pneumatic pipeline. This method kneads soft mud and solidification material in the pneumatic pipeline, utilizing the characteristic of plug flow. It has maximum solidification capacity of 1,000m³/h.

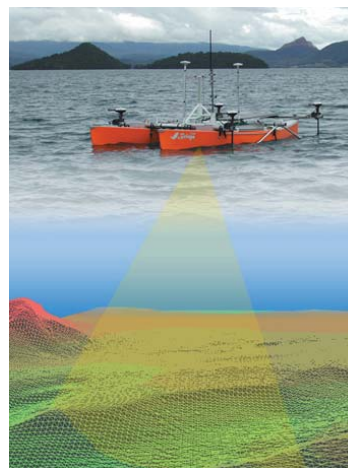
Cross Section

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 

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Tokyo 100-6088, Japan

To the Board of Directors and Shareholders of TOA CORPORATION

We have audited the accompanying consolidated balance sheets of TOA CORPORATION and its subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, 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, 2005 and 2004, 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 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 PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 29, 2005

CONSOLIDATED BALANCE SHEETS

TOA CORPORATION and its consolidated subsidiaries
As of March 31, 2005 and 2004

ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	2005
Current assets:			
Cash and time deposits (Note 3)	¥ 23,606	¥ 24,721	\$ 220,619
Marketable securities (Notes 4)	15	5	140
Notes and accounts receivable, trade	65,857	70,024	615,489
Allowance for doubtful accounts	(1,556)	(2,087)	(14,546)
Inventories, principally real estate for sale	16,738	17,164	156,433
Cost on contracts in progress	35,030	37,961	327,382
Deferred income taxes (Note 8)	5,553	4,068	51,901
Prepaid expenses and other current assets	20,301	25,937	189,725
Total current assets	<u>165,544</u>	<u>177,793</u>	<u>1,547,143</u>
Investments and other assets:			
Investments in and long-term loans to affiliates	380	575	3,549
Investments in securities (Notes 4 and 5)	19,001	18,015	177,580
Long-term loans	663	492	6,197
Deferred income taxes (Note 8)	8,284	6,376	77,420
Others	10,646	10,735	99,501
Allowance for doubtful accounts	(6,857)	(6,721)	(64,087)
Total investments and other assets	<u>32,117</u>	<u>29,472</u>	<u>300,160</u>
Property, plant and equipment, at cost (Notes 5 and 10):			
Land	30,410	32,085	284,205
Buildings and structures	19,570	21,628	182,898
Machinery and equipment	31,637	32,076	295,669
Construction in progress	78	170	734
Total property, plant and equipment	<u>81,695</u>	<u>85,959</u>	<u>763,506</u>
Less accumulated depreciation	<u>(35,907)</u>	<u>(36,730)</u>	<u>(335,578)</u>
Property, plant and equipment—net	<u>45,788</u>	<u>49,229</u>	<u>427,928</u>
 Total	 <u>¥ 243,449</u>	 <u>¥ 256,494</u>	 <u>\$ 2,275,231</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)
	2005	2004	2005
Current liabilities:			
Short-term borrowings (Note 5)	¥ 30,974	¥ 32,678	\$ 289,481
Current portion of long-term debt (Note 5)	8,363	12,147	78,161
Commercial paper	6,000	7,000	56,075
Notes and accounts payable, trade	66,752	72,180	623,853
Accrued income taxes	1,934	980	18,074
Advances on contracts in progress (Note 6)	21,575	23,190	201,632
Other current liabilities	14,633	16,507	136,755
Total current liabilities	<u>150,231</u>	<u>164,682</u>	<u>1,404,031</u>
Long-term debt (Note 5)	26,381	24,449	246,551
Reserve for retirement benefits (Note 7)	11,418	13,427	106,712
Reserve for loss on development business	6,836	—	63,888
Other long-term liabilities	3,206	3,001	29,961
Total liabilities	<u>198,072</u>	<u>205,559</u>	<u>1,851,143</u>
Minority interests	1,388	1,334	12,973
Shareholders' equity (Note 9):			
Common stock, ¥50 par value:			
Authorized—600,000,000 shares			
Issued—199,401,173 shares at March 31, 2005 and 2004	16,469	16,469	153,920
Additional paid-in capital	15,586	15,582	145,666
Revaluation reserve for land (Note 11)	(275)	175	(2,571)
Retained earnings	9,834	15,542	91,903
Net unrealized gain (loss) on securities	2,918	2,334	27,272
Common stock owned by consolidated subsidiaries, at cost	(543)	(501)	(5,075)
Total shareholders' equity	<u>43,989</u>	<u>49,601</u>	<u>411,115</u>
Commitments and contingent liabilities (Note 12):			
Total	<u>¥ 243,449</u>	<u>¥ 256,494</u>	<u>\$ 2,275,231</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, 2005 and 2004

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	2005
Net sales	¥201,158	¥209,217	\$ 1,879,985
Cost of sales	183,365	189,185	1,713,696
Gross profit	17,793	20,032	166,289
Selling, general and administrative expenses	13,791	14,852	128,890
Operating income	4,002	5,180	37,399
Other income (expenses):			
Interest and dividend income	446	404	4,171
Interest expenses	(921)	(1,204)	(8,607)
Write-down of marketable securities and investment securities	(8)	(66)	(74)
Write-down of real estate for sale	(2,988)	(292)	(27,927)
Doubtful accounts for long-term receivables	(4)	(134)	(37)
Reserve for loss on development business	(6,836)	—	(63,888)
Other, net	(1,325)	(457)	(12,381)
	<u>(11,636)</u>	<u>(1,749)</u>	<u>(108,743)</u>
Income (loss) before income taxes and minority interests	(7,634)	3,431	(71,344)
Income taxes			
Current	1,870	1,373	17,476
Deferred	(4,377)	954	(40,899)
Minority interests	54	53	501
Net income (loss)	<u>(¥5,181)</u>	<u>¥ 1,051</u>	<u>(\$48,422)</u>
Retained earnings:			
Balance at beginning of year	¥ 15,542	¥ 15,389	\$ 145,249
Cash dividends	(976)	(982)	(9,125)
Bonuses to directors and corporate auditors	0	(6)	(3)
Write-off from revaluation excess of land	449	90	4,204
Net income (loss)	(5,181)	1,051	(48,422)
Balance at end of year	<u>¥ 9,834</u>	<u>¥ 15,542</u>	<u>\$ 91,903</u>
Per share data (Note 1):			
		Japanese Yen	U.S. Dollars (Note 2)
Net income (loss)	(¥26.39)	¥ 5.33	(\$0.247)
Cash dividends	¥ 3.00	¥ 5.00	\$0.028

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, 2005 and 2004

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2005	2004	2005
Cash flows from operating activities:			
Net income (loss) before income taxes	(¥7,634)	¥ 3,431	(\$71,344)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,871	3,343	26,836
(Gain)/Loss on sale or disposal of P.P. & E	(226)	587	(2,119)
Gain on sale of marketable securities	(9)	(588)	(88)
Write-down of marketable and investment securities	8	66	74
Write-down of real estate for sale and other	3,041	355	28,423
Provision for severance indemnities	(2,009)	24	(18,770)
Transfer to loss on development business	6,836	—	63,888
Provision for allowance for doubtful accounts	(395)	57	(3,694)
Changes in:			
Notes and accounts receivables, trade	4,167	(9,209)	38,939
Inventories, principally real estate for sale	1,833	(314)	17,135
Cost on contracts in progress	2,931	16,951	27,395
Notes and accounts payables, trade	(5,428)	8,716	(50,729)
Advances on contracts in progress	(1,616)	(10,495)	(15,101)
Other, net	307	(4,535)	2,865
Sub-total	4,677	8,389	43,710
Interest and dividend income received	454	401	4,243
Interest paid	(957)	(1,278)	(8,944)
Income taxes paid and other	(919)	(951)	(8,587)
Net cash provided by/(used in) operating activities	3,255	6,561	30,422
Cash flows from investing activities:			
Proceeds from sale of marketable and investment securities	29	1,683	271
Acquisition of investment in securities	(159)	(139)	(1,483)
Acquisition of P.P. & E	(1,662)	(1,893)	(15,529)
Proceeds from sale or disposal of P.P. & E	2,517	3,583	23,523
Other, net	385	(374)	3,600
Net cash provided by/(used in) investing activities	1,110	2,860	10,382
Cash flows from financing activities:			
Proceeds from long-term debt	10,460	12,932	97,757
Net decrease in commercial paper	(1,000)	(5,500)	(9,346)
Net decrease in short-term borrowings	(1,704)	(1,154)	(15,921)
Redemption of bonds	(3,700)	(4,800)	(34,579)
Repayment of long-term debt	(8,612)	(10,807)	(80,487)
Cash dividends paid	(976)	(981)	(9,125)
Other, net	(37)	(147)	(348)
Net cash provided by/(used in) financing activities	(5,569)	(10,457)	(52,049)
Effect of exchange rate changes on cash and cash equivalents..	86	(393)	800
Net increase (decrease) in cash and cash equivalents	(1,118)	(1,429)	(10,445)
Cash and cash equivalents at beginning of year	24,430	25,859	228,323
Cash and cash equivalents at end of year	¥ 23,312	¥ 24,430	\$ 217,878

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 18 majority-owned subsidiaries as of March 31, 2005

The consolidated financial statements for the years ended March 31, 2005 and 2004 include the accounts of the Company and 12 of its majority-owned subsidiaries.

The consolidated subsidiaries for 2005 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 Builtec 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 is effective for fiscal years beginning April 1, 2005, but earlier application is permitted. Effective from the year ended March 31, 2005, the Company applied the new standard.

(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 2005 and 2004 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 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 projects worth ¥100 million or more.

The amounts of contract revenue which are accounted for by the percentage of completion method were ¥71,964 million (US\$672,557 thousand) for 2005 and ¥32,223 million for 2004.

(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 2005 and 2004, due to the fact that there were no bonds with warrant and convertible bonds at the end of 2005 and 2004.

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 ¥107 = US\$1, the approximate rate of exchange effective at March 31, 2005. 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, 2005 and 2004 consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
Cash and bank deposits	¥ 23,606	¥ 24,721	\$ 220,619
Time deposits with deposit term of 3 months	(294)	(290)	(2,741)
Cash and cash equivalents	¥ 23,312	¥ 24,430	\$ 217,878

(4) Marketable Securities and Investments in Securities

The following is certain information related to the aggregate carrying amount and fair value of securities.

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
Government bond, municipal bond and other	¥ 77	¥ 77	\$ 720
Corporate bond.	300	300	2,804
Total.....	¥ 377	¥ 377	\$ 3,524

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
Carrying value..	¥ 377	¥ 377	\$ 3,524
Market value....	381	379	3,557
Unrealized gain.	¥ 4	¥ 2	\$ 33

- (b) Other securities having its market value:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
Marketable equity securities.....	¥ 14,711	¥ 13,697	\$ 137,488
Debentures.....	6	6	52
Other.....	282	296	2,637
Total.....	¥ 14,999	¥ 13,999	\$ 140,177

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
Cost.....	¥ 10,099	¥ 10,080	\$ 94,385
Market value....	14,999	13,999	140,177
Unrealized gain.	¥ 4,900	¥ 3,919	\$ 45,792

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 2005 and 2004 issued by the Companies and bore interest principally at the short-term primary interest rates in effect in 2005 and 2004.

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, 2005 and 2004 consisted of the following:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
3.55% bond, due 2004	¥ —	¥ 3,700	\$ —
Loans from banks and insurance companies with interest ranging from 0.09% to 2.80%, due various dates through 2010:			
Collateralized or guaranteed	¥34,744	¥32,896	\$ 324,712
Total	34,744	36,596	324,712
Current portion included in current liabilities	(8,363)	(12,147)	(78,161)
Total	¥26,381	¥24,449	\$ 246,551

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, 2005, the Company had credit lines from 8 banks amounting to ¥15,000 million (US\$140,187 thousand) in total.

Assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2005 were as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
Assets pledged as collateral:		
Land	¥ 1,831	\$ 17,115
Building and structures	1,034	9,661
Investment securities	3,868	36,151
	<u>¥ 6,733</u>	<u>\$ 62,927</u>

	Millions of Japanese Yen	Thousands of U.S. Dollars
Liabilities secured thereby:		
Current portion of long-term debt	¥ 1,095	\$ 10,231
Long-term debt	¥ 2,260	\$ 21,125

The aggregate annual maturities of long-term loans (including current portion) as of March 31, 2005 were as follows:

Year ending	Millions of Japanese Yen	Thousands of U.S. Dollars
March 31		
2006	¥ 8,363	\$ 78,161
2007	10,732	100,295
2008	8,039	75,130
2009	5,107	47,734
2010 and thereafter	2,503	23,392
Total	<u>¥ 34,744</u>	<u>\$ 324,712</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, ¥1,062 million of which was amortized in 2004.

The reserve for retirement benefits as of March 31, 2005 and 2004 are analyzed as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligations.....	¥(26,044)	¥(25,470)	\$(243,400)
Plan assets	<u>13,431</u>	<u>12,079</u>	<u>125,523</u>
	<u>(12,613)</u>	<u>(13,391)</u>	<u>(117,877)</u>
Unrecognized actuarial differences	4,477	5,027	41,841
Unrecognized prior service cost	<u>(3,187)</u>	<u>(4,248)</u>	<u>(29,782)</u>
	<u>¥(11,323)</u>	<u>¥(12,612)</u>	<u>\$(105,818)</u>

Net pension expense related to the retirement benefits for the years ended March 31, 2005 and 2004 was as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥ 917	¥ 1,249	\$ 8,570
Interest cost	632	745	5,906
Expected return on plan assets	(226)	(159)	(2,109)

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
Amortization of unrecognized actuarial differences amount.....	¥ 417	¥ 638	\$ 3,897
Amortization of prior service cost....	(1,062)	(1,062)	(9,927)
Net pension expense.	¥ 678	¥ 1,411	\$ 6,337

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

	2005	2004
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	5 years

The balance of reserve for retirement benefits included the reserve for retirement allowance for directors and statutory auditors in amounts of ¥95 million (US\$893 thousands) and ¥814 million as of March 31, 2005 and 2004, respectively.

(8) Income Taxes

(a) The significant components of deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred Tax Assets:			
Expense for retirement benefits ..	¥ 4,856	¥ 5,086	\$ 45,383
Revaluation of inventories	3,483	2,426	32,554
Write-down of investments securities	373	456	3,482
Allowance for doubtful accounts ...	743	886	6,941
Accrued bonus to employees	524	556	4,897
Reserve for retirement benefits to directors .	33	328	307

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
Accrued tax	¥ 172	¥ 106	\$ 1,608
Reserve for loss on development business	3,085	—	28,831
Others	3,101	2,263	28,981
Valuation allowance..	(464)	—	(4,333)
Deferred Tax Assets ..	¥ 15,906	¥ 12,107	\$ 148,651

Deferred Tax Liabilities:

Property and equipment	¥ (1,263)	¥ (1,535)	\$ (11,807)
Other	(2,037)	(1,642)	(19,039)
Deferred Tax Liabilities	(3,301)	(3,177)	(30,846)
Net Deferred Tax Assets	¥ 12,605	¥ 8,930	\$ 117,805

(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. However, loss before income taxes and minority interests for the year ended March 31, 2005 was incurred, thus there is no description of tax rates here.

	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, 2005 and 2004 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
Machinery, vehicles, tools and others	¥1,388	¥1,417	\$ 12,971
Accumulated depreciation	456	417	4,260
	<u>¥ 932</u>	<u>¥1,000</u>	<u>\$ 8,711</u>

The scheduled maturities of future lease rental payments, including an interest portion on such lease contracts as of March 31, 2005 and 2004 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year ...	¥ 230	¥ 206	\$ 2,154
Due over one year	702	794	6,557
	<u>¥ 932</u>	<u>¥1,000</u>	<u>\$ 8,711</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 ¥203 million (US\$1,893 thousand) and ¥217 million for the years ended March 31, 2005 and 2004, 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.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 on its excess in future was declared as deferred tax assets amounting to ¥186 million (US\$1,743 thousand) for 2005 which was accounted for as deferred tax liabilities amounting to ¥118 million, included in other long-term liabilities for 2004. Net excess having deducted the above taxes was presented in shareholders' equity as a reserve for land revaluation amounting to minus ¥275 million (US\$2,571 thousand) for 2005 and ¥175 million for 2004, respectively. On the date of revaluation of March 31, 2005, there was a difference in value between market and book after revaluation amounting to ¥6,000 million (US\$56,077 thousands).

(12) Commitments and Contingent Liabilities

There were no commitments outstanding at March 31, 2005 and 2004 for the purchase of property, plant and equipment.

The Companies are contingently liable for the following at March 31, 2005 and 2004:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2005	2004	2005
Trade notes receivable discounted and endorsed	¥ 196	¥ 129	\$ 1,833
Contingently liable for guarantees of short-term and long-term debt of customers, unconsolidated subsidiaries and affiliates..	4,758	5,322	44,469
	<u>¥ 4,954</u>	<u>¥ 5,451</u>	<u>\$ 46,302</u>

The Company has received a declaration for arbitration from the owner through the "Central dispute committee of construction works" for work which was constructed and completed by joint venture.

(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 Business ...	Architecture, Engineering and any other relevant business

Year Ended March 31, 2005

Millions of Japanese Yen

	Construction	Real Estate	Other Businesses	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	¥ 191,893	¥ 5,582	¥ 3,683	¥ 201,158	¥ —	¥ 201,158
Inter-segment	1,797	700	1,337	3,834	(3,834)	—
Total	193,690	6,282	5,020	204,992	(3,834)	201,158
Operating expenses	190,274	5,985	4,669	200,928	(3,772)	197,156
Operating profit	3,416	297	351	4,064	(62)	4,002
Total assets	165,753	38,623	4,796	209,172	34,277	243,449
Depreciation expenses	2,523	258	82	2,863	8	2,871
Capital Expenditure	¥ 1,616	¥ 101	¥ 17	¥ 1,734	¥ 134	¥ 1,868

Year Ended March 31, 2004

Millions of Japanese Yen

	Construction	Real Estate	Other Businesses	Total	Elimination / Corporate	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, 2005

Thousands of U.S. Dollars

	Construction	Real Estate	Other Businesses	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	\$1,793,391	\$ 52,169	\$ 34,425	\$1,879,985	\$ —	\$ 1,879,985
Inter-segment	16,793	6,542	12,492	35,827	(35,827)	—
Total	1,810,184	58,711	46,917	1,915,812	(35,827)	1,879,985
Operating expenses	1,778,266	55,932	43,635	1,877,833	(35,247)	1,842,586
Operating profit	31,918	2,779	3,282	37,979	(580)	37,399
Total assets	1,549,090	360,963	44,825	1,954,878	320,353	2,275,231
Depreciation expenses	23,580	2,413	770	26,763	73	26,836
Capital Expenditure	\$ 15,107	\$ 939	\$ 161	\$ 16,207	\$ 1,253	\$ 17,460

b. Geographical Segments

Each area primarily refers to the following countries:

Southeast AsiaSingapore, Philippines and Viet Nam

Year Ended March 31, 2005					Millions of Japanese Yen	
	Japan	Southeast Asia	Other Areas	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	¥ 178,270	¥ 16,547	¥ 6,341	¥ 201,158	¥ —	¥ 201,158
Inter-segment	—	—	—	—	(—)	—
Total	178,270	16,547	6,341	201,158	(—)	201,158
Operating expenses	173,792	16,618	6,746	197,156	(—)	197,156
Operating profit	4,478	(71)	(404)	4,002	(—)	4,002
Total assets	¥ 183,705	¥ 12,683	¥ 7,606	¥ 203,994	¥ 39,455	¥ 243,449

Year Ended March 31, 2004					Millions of Japanese Yen	
	Japan	Southeast Asia	Other Areas	Total	Elimination / Corporate	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, 2005					Thousands of U.S. Dollars	
	Japan	Southeast Asia	Other Areas	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	\$1,666,073	\$ 154,648	\$ 59,264	\$1,879,985	\$ —	\$1,879,985
Inter-segment	—	—	—	—	(—)	—
Total	1,666,073	154,648	59,264	1,879,985	(—)	1,879,985
Operating expenses	1,624,227	155,313	63,046	1,842,586	(—)	1,842,586
Operating profit	41,846	(665)	(3,782)	37,399	(—)	37,399
Total assets	\$1,716,866	\$118,537	\$ 71,082	\$1,906,485	\$ 368,746	\$2,275,231

c. Overseas Net Sales

Each area primarily refers to the following countries:

Southeast AsiaSingapore, Philippines and Viet Nam

Year Ended March 31, 2005		Millions of Japanese Yen	
	Southeast Asia	Other Areas	Total
Overseas net sales	¥ 16,547	¥ 6,341	¥ 22,888
Consolidated net sales	—	—	201,158
Ratio (%)	8.2	3.2	11.4

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, 2005		Thousands of U.S. Dollars	
	Southeast Asia	Other Areas	Total
Overseas net sales	\$ 154,648	\$ 59,264	\$ 213,912
Consolidated net sales	—	—	1,879,985

(14) Subsequent events

Based on the resolution at the Board of Directors' Meeting held on April 27, 2005, the Company has issued ¥5 billion of the 1st unsecured convertible debenture on May 13, 2005.

Amount issued : ¥5 billion
Issued price : ¥100 par value
Issued date : May 13, 2005
Date of maturity : May 11, 2007

Board of Directors

(As of June 29, 2005)

Chairman of the Board and Representative Director

Hiroshi Kitamura

President and Representative Director

Masao Watanabe

Representative Directors

Hiroshi Shirasu

Hideaki Kimoto

Hiroshi Otani

Directors

Hiroshi Ogawa

Keiji Yoshikura

Hidechika Akiyama

Hisahiko Uemura

Yukio Suzuki

Motoichi Kobayashi

Corporate Auditors

Shuji Kubo

Hirotohi Furuya

Minoru Oka

Tomohisa Uno

Executive Officers

(As of June 29, 2005)

President and Chief Executive Officer (CEO)

Masao Watanabe

Executive Vice Presidents

Hiroshi Shirasu

Hideaki Kimoto

Hiroshi Otani

Senior Executive Officers

Hiroshi Ogawa

Fumio Ichinose

Keiji Yoshikura

Shintaro Ueki

Hidechika Akiyama

Hisahiko Uemura

Takeshi Monji

Hideyo Maoka

Kentaro Imano

Yukio Suzuki

Managing Executive Officers

Sadao Kurasawa

Ryosaku Asano

Motoichi Kobayashi

kenichi Takami

Takehiko Kuroki

Kazuhiro Takagi

Osamu Nakagome

Masaomi Matsuo

Tsuyoshi Torii

Executive Officers

Norifumi Takamura

Mitsugi Okuda

Kazuo Oka

Yoshio Sasaki

Takeshi Saito

Morimasa Tani

Sanji Kida

INVESTOR INFORMATION

(As of June 29, 2005)

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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, 2005)

Authorized Shares

600,000,000

Outstanding Shares

199,401,173 shares in 2004 (AS of March 31, 2005)

Number of Shareholders

15,509 (AS of March 31, 2005)

Number of Employees

1,857 (AS of March 31, 2005)

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

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CARIBBEAN ISLANDS

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3rd Floor, 16 Sentyabrskaya St.,
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6th Floor, Wisma Genting
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