

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.

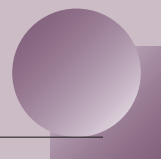
In order to achieve a sound financial structure, TOA and its consolidated subsidiaries appropriated for extraordinary loss, amounting to the total of ¥11,672 million. This included ¥6,836 million for the transfer to loss on development business, ¥2,988 million for the write-down of real estate for sale, 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