

Semiannual Report

For the six months ended September 30, 2005



TOA CORPORATION

Message from the President

For the six-month period ended September 30, 2005, Japanese economy has shown recovery, owing to continual expansion of capital investment in the private sector, and steady growth of personal consumption based on the favorable conditions in employment and wage which have guided domestic demand to improvement from launching stage of the economy.

In the construction industry, non-housing investment in the private sector has expanded steadily, while public investment continued to decrease in amount even if there was an increase for retrieval of disasters. Thus, we had severe business environment to receive new orders.

Under these environments, the Company has wrestled with expansion of private works, improvement of operational efficiency and reduction of our costs. As a result, we achieved consolidated net sales of ¥87,018 million (US\$ 770 million), an increase of 11.1% from the previous interim reporting period. Net loss for the interim reporting period resulted in an increase due to the unexpected expansion in sales amounting to minus ¥618 million (US\$ 5 million).

It is forecasted that in the coming future, Japan's economy will continue to recover, guided by the growth of domestic expansion based on favorable capital investment in the private sector and steady personal expenditure which is created by expanding employment and rising wages, although the price of crude oil is rising and the US economy is opaque.

In the construction industry, total investment in construction is not expected to change into expansion because of decrease in public investment, which that will offset steady growth in private investment.

Under these business environments, TOA and its consolidated subsidiaries has started a New Three Year Management Strategy since April 2005. This

aims to restructure its organization constitution in order to expand the construction work for the private sector from approximately 40% to 50% in total orders received from the domestic market by March 2008. By carrying out basic business strategies steadily, we have strong confidence that we will establish our new, flexible and solid management to cope with changing environment and lead ourselves to advancement in the future.

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

December 2005

A handwritten signature in black ink that reads "Masao Watanabe". The signature is written in a cursive style with a large, stylized initial 'W'.

Masao Watanabe
President and Representative Director
President and Chief Executive Officer

Consolidated Balance Sheets

TOA CORPORATION and its consolidated subsidiaries
As of September 30, 2005 and 2004

ASSETS

	Millions of Japanese Yen 2005	Millions of Japanese Yen 2004	Thousands of U.S. Dollars 2005
<i>Current assets:</i>			
Cash and time deposits	¥ 24,660	¥ 22,007	\$ 218,230
Notes and accounts receivable, trade	55,960	46,098	495,221
Cost on contracts in progress	49,688	51,980	439,721
Other current assets	42,989	43,160	380,430
Allowance for doubtful accounts	(1,487)	(1,989)	(13,162)
Total current assets	<u>171,810</u>	<u>161,256</u>	<u>1,520,440</u>
<i>Investments and other assets</i>	33,324	31,444	294,900
<i>Property, plant and equipment, at cost</i>	82,094	84,665	726,497
Less accumulated depreciation	(36,712)	(36,885)	(324,881)
Property, plant and equipment—net	<u>45,382</u>	<u>47,780</u>	<u>401,616</u>
Total	<u>¥250,516</u>	<u>¥240,480</u>	<u>\$2,216,956</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

<i>Current liabilities:</i>			
Short-term borrowings	¥ 31,154	¥ 32,563	\$ 275,699
Notes and accounts payable, trade	64,972	59,449	574,974
Advances on contracts in progress	30,879	32,193	273,268
Other current liabilities	31,314	31,303	277,119
Total current liabilities	<u>158,319</u>	<u>155,508</u>	<u>1,401,060</u>
<i>Long-term debt</i>	22,097	21,941	195,545
<i>Reserve for retirement benefits</i>	10,789	11,980	95,482
<i>Reserve for loss on development business</i>	6,423	6,805	56,841
<i>Other long-term liabilities</i>	5,679	2,593	50,255
Total liabilities	<u>203,307</u>	<u>198,827</u>	<u>1,799,183</u>
<i>Minority interests</i>	1,437	1,337	12,714
<i>Shareholders' equity</i>	45,772	40,316	405,059
<i>Commitments and contingent liabilities:</i>			
Total	<u>¥250,516</u>	<u>¥240,480</u>	<u>\$2,216,956</u>

Consolidated Statements of Operations and Retained Earnings

TOA CORPORATION and its consolidated subsidiaries
For the six months ended September 30, 2005 and 2004

	Millions of Japanese Yen 2005	Millions of Japanese Yen 2004	Thousands of U.S. Dollars 2005
Net sales	¥ 87,018	¥ 78,343	\$ 770,070
Cost of sales	80,934	73,134	716,234
Gross profit	6,084	5,209	53,836
Selling, general and administrative expenses ...	6,487	6,849	57,409
Operating loss	(403)	(1,640)	(3,573)
Other income (expenses):			
Interest and dividends income	406	395	3,593
Interest expenses	(472)	(556)	(4,178)
Write-down of marketable securities and investment securities	(2)	(7)	(15)
Write-down of real estate for sale	(105)	(2,988)	(933)
Reserve for loss on development business	—	(6,805)	—
Other, net	153	(708)	1,357
	(20)	(10,669)	(176)
Income (loss) before income taxes and minority interests	(423)	(12,309)	(3,749)
Income taxes:			
Current	186	338	1,641
Deferred	(42)	(4,913)	(373)
Minority interests	51	17	448
Net income (loss)	(¥618)	(¥7,751)	(\$5,465)
Retained earnings:			
Balance at beginning of year	9,834	15,542	87,023
Cash dividends	(585)	(976)	(5,180)
Bonuses to directors and corporate auditors	—	(0)	—
Net income (loss)	(618)	(7,751)	(5,465)
Write-off from revaluation reserve for land	(27)	26	(239)
Balance at end of year	¥ 8,604	¥ 6,841	\$ 76,139
Per share data:	Japanese Yen	Japanese Yen	U.S. Dollars
Net income (loss)	(¥3.05)	(¥39.45)	(\$0.027)
Shareholders' equity	¥214.81	¥205.23	\$1.901

Note: U.S. dollar amounts are given solely for convenience and are translated at the rate of
 ¥113.00 = US\$1, the approximate effective rate of exchange at September 30, 2005.

Consolidated Statements of Cash Flows

TOA CORPORATION and its consolidated subsidiaries
For the six months ended September 30, 2005 and 2004

	Millions of Japanese Yen 2005	Millions of Japanese Yen 2004	Thousands of U.S. Dollars 2005
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	(¥424)	(¥12,309)	(\$3,749)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,278	1,377	11,310
Provision for allowance for doubtful accounts	(74)	(84)	(652)
Reserve for loss on development business	(413)	6,805	(3,655)
Write-down of marketable securities and investment securities	2	7	15
Changes in:			
Notes and accounts receivables, trade	9,897	23,926	87,586
Inventories, principally real estate for sale	1,071	141	9,477
Cost on contracts in progress	(14,659)	(13,860)	(129,722)
Notes and accounts payables, trade	(1,780)	(12,732)	(15,754)
Advances on contracts in progress	9,305	9,003	82,342
Income taxes paid	(1,651)	(777)	(14,609)
Other, net	(2,419)	1,941	(21,410)
<i>Net cash provided by / (used in) operating activities</i>	¥ 133	¥ 3,438	\$ 1,179
Cash flows from investing activities:			
Proceeds from sale of marketable and investment securities	¥ 543	—	\$ 4,805
Acquisition of P.P. & E	(1,113)	(953)	(9,851)
Acquisition of investment in securities	(19)	(93)	(172)
Proceeds from sale or disposal of P.P. & E	23	172	205
Other, net	165	85	1,462
<i>Net cash provided by / (used in) investing activities</i>	(¥401)	(¥789)	(\$3,551)
Cash flows from financing activities:			
Proceeds from long-term debt	¥ 4,981	¥ 400	\$ 44,079
Repayment of long-term debt	(3,254)	(7,762)	(28,796)
Net increase/(decrease) in commercial paper	—	3,000	—
Cash dividends paid	(585)	(976)	(5,180)
Other, net	242	(119)	2,140
<i>Net cash provided by / (used in) financing activities</i>	¥ 1,384	(¥5,457)	\$ 12,243
Effect of exchange rate changes on cash and cash equivalents	¥ 61	¥ 107	\$ 546
Net increase (decrease) in cash and cash equivalents	1,177	(2,701)	10,417
Cash and cash equivalents at beginning of year	23,313	24,431	206,309
Cash and cash equivalents at end of year	¥ 24,490	¥ 21,730	\$ 216,726

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