

Annual Report 2006

for the fiscal year ended March 31, 2006



PROFILE

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

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

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

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

Contents

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



KAISHUU was launched in the year 2002, and became one of the largest trailing section hopper dredgers in the world.

This jumbo trailer is equipped with a 9,500kw dredging pump and has a hopper capacity capable to carry and transport the volume of 16,500m³ of dredged material to its designated location.

The two main engines of 8,000kw provides propulsion to a maximum speed of 16.5 knots.



KAISHUU has been adopted to reclamation projects in Asian and Arabic countries to develop new man-made lands for residential lots.



The KAISHUU is 157m in length and is equipped with two side suction pipes which can dredge to a depth of 48m.

FINANCIAL HIGHLIGHTS

TOA CORPORATION and its consolidated subsidiaries
Years ended March 31

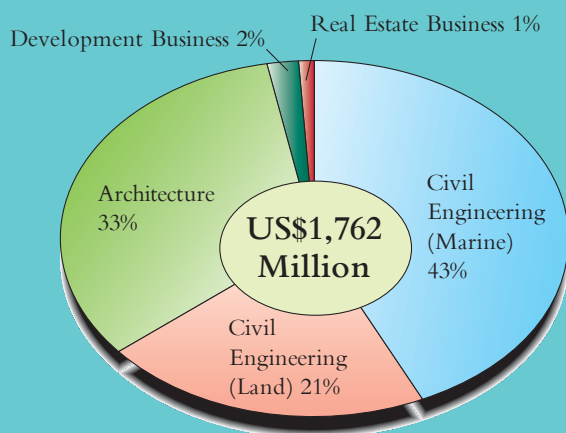
	Millions of Japanese Yen				Thousands of U.S. Dollars
	2006	2005	2004	2003	2006
Consolidated					
For the year:					
Net sales	¥222,530	¥201,158	¥209,217	¥237,923	\$ 1,901,963
Income (loss) before income taxes and minority interests	3,593	(7,634)	3,431	2,143	30,710
Net income (loss)	1,488	(5,181)	1,051	229	12,721
At year-end:					
Total assets	248,110	243,449	256,494	263,941	2,120,603
Shareholders' equity	51,415	43,989	49,601	46,204	439,448
Property, plant and equipment—net	44,250	45,788	49,229	55,002	378,211
Per share of common stock:					
		Yen			U.S. Dollars
Net income (loss)	¥ 7.03	¥(26.39)	¥ 5.33	¥ 1.12	\$0.060
Cash dividends	3.00	3.00	5.00	5.00	0.026
Shareholders' equity	231.51	224.20	252.49	233.84	1.979

Note: The amount in U.S. dollars was translated at the rate of ¥117 = US\$1, the effective rate at March 31, 2006.

Sales Composition by Project Type

(For the Year Ended March 31, 2006)

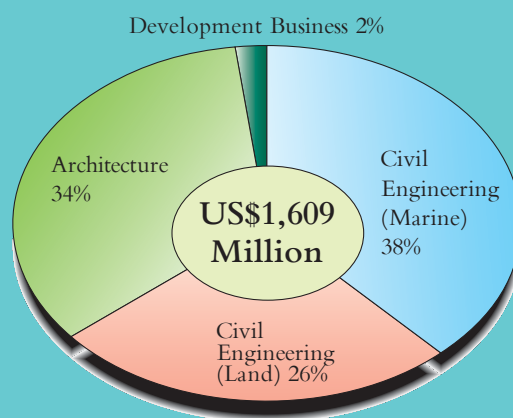
Non-consolidated



Orders Received by Project Type

(For the Year Ended March 31, 2006)

Non-consolidated



Japan's economy for the fiscal year ended March 31, 2006 showed gradual recovery, owing to growth of domestic private demand, such as improvement of profits in private corporations, expansion of investment in private plants and equipment, and brighter personal expenditure which offset higher prices of raw materials, including crude oil.

In the construction industry, investment in plants and equipment experienced steady growth centering on the manufacturing sector, while public expenditure continued to decline due to the severe financial condition. Thus, the management environment of Toa Corporation and its consolidated subsidiaries continued to be severe in their conditions.

Business Results for the Fiscal Year

In these management conditions, the Company has been wrestling with its Three Year Management Strategy, which has started its operation since the previous year, in order to establish tenacious organization speedily and to secure new orders and reasonable profits through strengthening its price competitiveness and reducing its administration costs.

New orders received on non-consolidated basis for the fiscal year under review amounted to ¥188,217 million, a 23.8% decline from the previous fiscal year which contained large-sized projects including the expansion work of the Haneda Airport.

Consolidated net sales for the year under review increased by 10.6% amounting to ¥222,529 million, owing to favorable executing works.

Income before income taxes and minority interest was ¥3,593 million and net income was ¥1,488 million, both achieving expansion from the previous fiscal year. These growths were owed to reduction of extraordinary losses.

Basic Principles in the Management

We emphasize our basic corporate principle "With its high level of technology, the Company strives to accomplish its social responsibility by expanding its business operations and building sound management" to carry out our business activities. This will be achieved by winning various competitions through steady planned management.

Medium Term Management Strategy

The Companies have been wrestling to complete the New Three Year Management Plan commenced from 2005 with its utmost effort.

The Companies will especially complete to reform its organization constitution to expand new order received for construction work in the private sector up to the 50% in total orders received from the domestic market by the final year of the plan. Furthermore, we have planned the following strategies for consolidation of our management base as well as intensification of profitability.

In the civil engineering division, we will be engaged in:

- ① Securing predominance by presentation of planning and technology and emphasizing promising local areas and fields.
- ② Expanding market shares in new orders received for renovation work, security-oriented works and environment related projects.
- ③ Improving profitability by efficient execution of work and thorough reduction of construction costs.

In the architecture division, we will be engaged in:

- ① Securing new orders by synthesizing forces of individual activities in sales, design and execution of work.
- ② Expanding new orders in the business fields of PFI, urban renewal work and renovation work.
- ③ Upgrading profitability by consolidation of cost



competitiveness and improvement of executing efficiency.

In the international division, we will be engaged in:

- ① Selecting business areas where we are actively putting forth our abilities under the consideration of country risk, and developing new markets globally.
- ② Intensifying design and construction technology as well as emphasizing profits.

In the administration divisions, we will be engaged in:

- ① Streamlining administration divisions, reducing its costs and establishing sound financial structures.

Outstanding Tasks

The economy for the coming year forecasts a steady progress.

This depends mainly on favorable operations to be expected in corporations, improved conditions in employment and personal expenditure in the background of recovering domestic economy even if we have unstable factors, such as highly raised price of crude oil and fluctuating US economy.

The construction industry is not viewed optimistically because we will have further decline in public expenditure while we expect to increase in private capital investment. Selected investment in specific fields and cost reduction oriented operations are expected in the industry.

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

We seek for the increased support and cooperation of all shareholders.

June 2006



Yukio Suzuki
President and Representative Director
President and Chief Executive Officer

Yukio Suzuki
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)

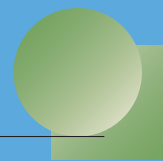
The CENTRAL JAPAN INTERNATIONAL AIRPORT is a full-fledged offshore airport with a 3,500m runway. Since it began its services from February 17, 2005, the airport has been operating 24 hours a day, and special consideration has been given to its facilities, systems and operations.

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. 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.

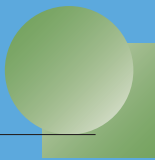
The project included the embankment construction with 7km in circumference, land formation for facility administration offices, construction of an ash-unloading jetty, and construction of the administration building. This involved 20 million m³ of reclamation work, 6 million m³ of dredging, 2 million m³ of stone riprap work and jetty extension of 580m. As a mitigation of land development, we have been engaged in mangrove plantation projects including the one with the area of 13 hectares in Singapore. This was carried out from sowing seeds to final planting of mangrove between 1996 and 1997.



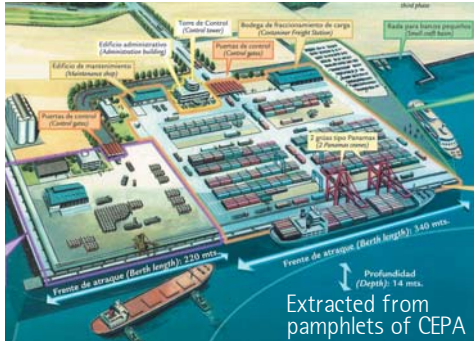
Map Ta Phut Power Plant in Thailand



A coal unloading jetty has been completed by TOA Corporation for the 1,400MW Map Ta Phut Power Plant in Thailand in September 2005 while the entire project itself is scheduled to be completed in 2006.



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.



Newly Completed Projects

Marina Coastal Drive in Singapore

The Marina South Pier, which is also known as New Clifford Pier, was completed in November 2005. The district is also planning to construct financial center, marina barrage, integrated resort facilities, a waterfront park and a Ferris wheel. Located in the Marina South District at the southern tip of Singapore, the project works included the construction of a two storey ferry terminal with rooftop garden, road works, two floating jetties, ten landing steps and a breakwater.



Yumeshima Tunnel in Osaka Harbor

The Yumeshima submerged tunnel is constructed between Yumeshima and Sakishima districts; the key places for the Technoport Osaka Project that consolidates a new metropolitan area for the 21st century. The tunnel, which completed in November 2005, extends 2,100 meters long with roads and rails. The submerged portion of the tunnel was constructed by the submerged tunnel method with caissons, while the on-land approach portion was constructed by excavating land. Toa Corporation was engaged in the construction of the on-land approach portion and placing of caissons.



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.





Newly Completed Projects

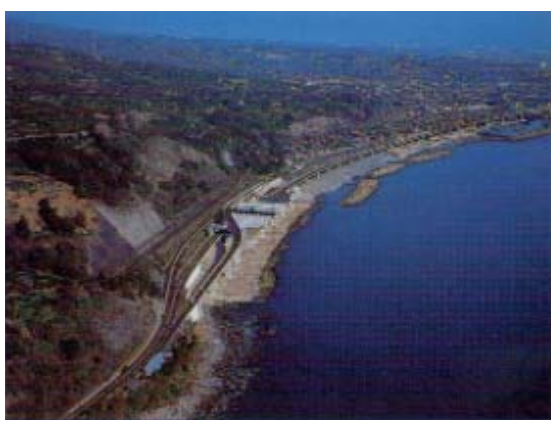
Kotonoumi Clean Center, Nagasaki

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.



Drainage Work in Chiyoda ward, Tokyo

Sewerage in Tokyo Metropolitan area has been consolidated since 1884. Ever since then, Tokyo has been urbanized. In other words, the grounds are covered with asphalt and housings have become high-rised, hence the total amount of sewerage increased immensely. In intensive rain, rainwater pours into rivers or waterways at a burst, sometimes resulting in damage by flooding. By the reconstruction of channel facilities for storing rainwater from local areas in Chiyoda ward, the completed project copes with increased rainwater that are poured into sewerage.



Nabari City Central Purification Center

According to the master plan for the sewerage disposal facilities in Nabari city, there are three facilities located in the North, the Central and the Southern areas. The completed facility called Nabari City Central Purification Center is one of the facilities in the first stage of project to consolidate final purification function of the center. Sewerage treatment capacity of the center is 7500m³ sewerage per day. Biological Oxygen Demand (BOD), which indicated impurity that generates odor from excretions and living drainage, is controlled to 10mg/liter from 200mg/liter.



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

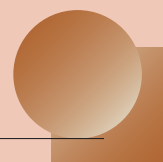
Vietnam has been enjoying a period of steady economic development, and it has been attracting foreign investment. With the development of society, maintaining a stable electric supply was becoming an urgent issue. To deal with this problem, Phu My district, 80km southeast of Ho Chi Minh city, was designated 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

Funeral Hall at Sapporo City

This is the first Funeral Hall constructed by the PFI business in Japan. To cope with increasing demand for cremation in an advancing aging society and dispersion of funeral halls in preparation for large-scale disasters, it is constructed and managed for its operation until 2026 based on the BOT system. The hall is introduced with a system to control the discharge of dioxin and other chemicals by our advanced technology. It is also constructed with universal design by effective utilization of natural energy and energy saving countermeasures including introduction of cooling system, light duct and insulating method.



Keihin Warehouse for Mitsubishi Group

A large-sized warehouse was completed at Keihin coastal industrial area in February 2006. This is one of the most exciting business district for international trading in Japan. To cope with rapidly expanding distribution business caused by growing international air cargo, consolidating business function in Tokyo International Airport and speedy delivery services, many distribution-related facilities are being constructed.

Newly completed warehouse is playing an important role for apparel and sundry goods industries. To maintain a quality at high level, the warehouse is equipped with facilities for refrigerating.

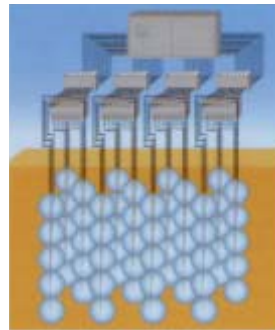




Steel Sheet Structure Cellular (Embedded) Method

New Offshore Waste Disposal Site

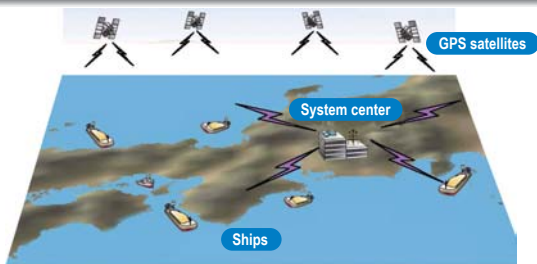
This method developed by TOA is used for many projects. A water-stop wall made of steel sheets, which will be placed in the brine surrounding the waste, will be built around the outer perimeter of the construction site. It is absolutely critical that the water-stop wall is sealed tightly so that the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

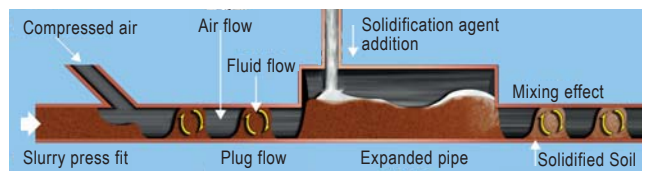
This is a new, but noteworthy technology to prevent soil from liquefaction. In this method, dozens to hundreds of nozzles are set three-dimensionally in the ground, and grout is automatically poured under the most suitable pressure and current volume based on pre-measured data.

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.

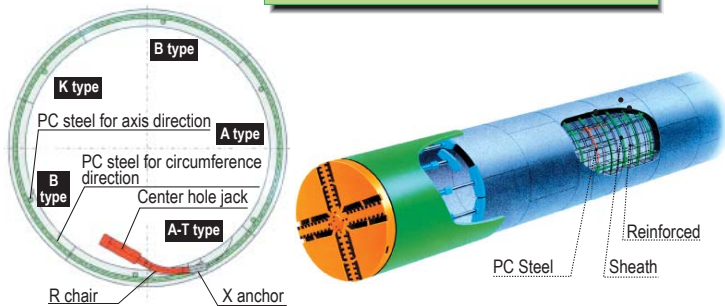
Plug Magic Method



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.

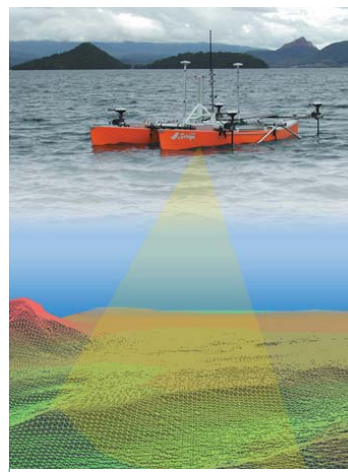
Cross Section

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 

Kasumigaseki Bldg. 32nd Floor
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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 2006, 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 2006, 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.

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 (2) to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan

June 29, 2006

CONSOLIDATED BALANCE SHEETS

TOA CORPORATION and its consolidated subsidiaries
As of March 31, 2006 and 2005

ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2006	2005	2006
Current assets:			
Cash and time deposits (Note 3)	¥ 24,857	¥ 23,606	\$ 212,455
Marketable securities (Note 4)	—	15	—
Notes and accounts receivable, trade	79,507	65,857	679,544
Allowance for doubtful accounts	(1,536)	(1,556)	(13,134)
Inventories, principally real estate for sale	14,564	16,738	124,481
Cost on contracts in progress	27,403	35,030	234,215
Deferred income taxes (Note 8)	5,327	5,553	45,531
Advanced money	13,314	—	113,793
Prepaid expenses and other current assets	6,654	20,301	56,877
Total current assets	<u>170,090</u>	<u>165,544</u>	<u>1,453,762</u>
Investments and other assets:			
Investments in affiliates	609	380	5,207
Investments in securities (Notes 4 and 5)	24,601	19,001	210,267
Long-term loans	914	663	7,810
Deferred income taxes (Note 8)	4,785	8,284	40,899
Others	9,351	10,646	79,924
Reserve for loss on investments to affiliates	(78)	—	(668)
Allowance for doubtful accounts	(6,412)	(6,857)	(54,809)
Total investments and other assets	<u>33,770</u>	<u>32,117</u>	<u>288,630</u>
Property, plant and equipment, at cost (Notes 5 and 10):			
Land	30,030	30,410	256,670
Buildings and structures	19,494	19,570	166,612
Machinery and equipment	31,837	31,637	272,115
Construction in progress	128	78	1,092
Total property, plant and equipment	<u>81,489</u>	<u>81,695</u>	<u>696,489</u>
Less accumulated depreciation	<u>(37,239)</u>	<u>(35,907)</u>	<u>(318,278)</u>
Property, plant and equipment—net	<u>44,250</u>	<u>45,788</u>	<u>378,211</u>
Total	<u>¥ 248,110</u>	<u>¥ 243,449</u>	<u>\$ 2,120,603</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)
	2006	2005	2006
Current liabilities:			
Short-term borrowings (Note 5)	¥ 31,151	¥ 30,974	\$ 266,248
Current portion of long-term debt (Note 5)	10,956	8,363	93,640
Commercial paper	11,000	6,000	94,017
Notes and accounts payable, trade	71,519	66,752	611,274
Accrued income taxes	1,111	1,934	9,495
Advances on contracts in progress (Note 6)	14,744	21,575	126,013
Other current liabilities	14,502	14,633	123,949
Total current liabilities	<u>154,983</u>	<u>150,231</u>	<u>1,324,636</u>
Long-term debt (Note 5)	20,717	26,381	177,070
Reserve for retirement benefits (Note 7)	7,013	11,418	59,939
Reserve for loss on development business	6,210	6,836	53,077
Reserve for loss on guarantees	560	—	4,786
Deferred income taxes on revaluation of land (Note 11)	2,829	—	24,178
Other long-term liabilities	2,863	3,206	24,474
Total liabilities	<u>195,175</u>	<u>198,072</u>	<u>1,668,160</u>
Minority interests	1,520	1,388	12,995
Shareholders' equity (Note 9):			
Common stock,			
Authorized—600,000,000 shares			
Issued 224,946,290 and 199,401,173 shares at March 31, 2006 and 2005, respectively	18,977	16,469	162,193
Additional paid-in capital	18,085	15,586	154,574
Revaluation reserve for land (Note 11)	(2,853)	(275)	(24,387)
Retained earnings	10,476	9,834	89,540
Net unrealized gain on securities	7,205	2,918	61,585
Treasury stock, at cost 2,862,000 shares and 3,194,000 shares at March 31, 2006 and 2005, respectively	(475)	(543)	(4,057)
Total shareholders' equity	<u>51,415</u>	<u>43,989</u>	<u>439,448</u>
Commitments and contingent liabilities (Note 12):			
Total	<u>¥ 248,110</u>	<u>¥ 243,449</u>	<u>\$ 2,120,603</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, 2006 and 2005

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2006	2005	2006
Net sales	¥222,530	¥201,158	\$ 1,901,963
Cost of sales	204,928	183,365	1,751,518
Gross profit	17,602	17,793	150,445
Selling, general and administrative expenses	13,707	13,791	117,150
Operating income	3,895	4,002	33,295
Other income (expenses):			
Interest and dividend income	522	446	4,458
Interest expenses	(932)	(921)	(7,962)
Write-down of marketable securities and investment securities	—	(8)	—
Write-down of real estate for sale	(555)	(2,988)	(4,745)
Doubtful accounts for long-term receivables	(1,977)	(4)	(16,896)
Reserve for loss on development business	—	(6,836)	—
Reserve for loss on guarantees	(560)	—	(4,786)
Reserve for loss on investments affiliates	(78)	—	(668)
Gain from overseas business credit in preceding years	1,033	—	8,827
Gain on securities contributed to employee retirement benefit trust..	2,423	—	20,713
Other, net	(178)	(1,325)	(1,526)
	<u>(302)</u>	<u>(11,636)</u>	<u>(2,585)</u>
Income (loss) before income taxes and minority interests	3,593	(7,634)	30,710
Income taxes:			
Current	1,049	1,870	8,963
Deferred	990	(4,377)	8,458
	<u>2,039</u>	<u>(2,507)</u>	<u>17,421</u>
Minority interests	66	54	568
Net income (loss)	<u>¥ 1,488</u>	<u>(¥5,181)</u>	<u>\$ 12,721</u>
Retained earnings:			
Balance at beginning of year	¥ 9,834	¥ 15,542	\$ 84,048
Cash dividends	(585)	(976)	(5,003)
Write-off from revaluation excess of land	(261)	449	(2,226)
Net income (loss)	1,488	(5,181)	12,721
Balance at end of year	<u>¥ 10,476</u>	<u>¥ 9,834</u>	<u>\$ 89,540</u>
Per share data (Note 1):			
	Japanese Yen		U.S. Dollars (Note 2)
Net income (loss)	¥ 7.03	(¥26.39)	\$0.060
Cash dividends	¥ 3.00	¥ 3.00	\$0.026

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, 2006 and 2005

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2006	2005	2006
Cash flows from operating activities:			
Net income (loss) before income taxes	¥ 3,593	(¥7,634)	\$ 30,710
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,706	2,871	23,131
Gain on sale or disposal of P.P. & E	(4)	(226)	(31)
Gain on sale of marketable securities	(160)	(9)	(1,367)
Write-down of marketable and investment securities	2	8	15
Write-down of real estate for sale and other	557	3,041	4,764
Provision for retirement benefits	(4,405)	(2,009)	(37,652)
Transfer to loss on development business	(626)	6,836	(5,350)
Provision for allowance for doubtful accounts	(464)	(395)	(3,969)
Changes in:			
Notes and accounts receivables, trade	(13,649)	4,167	(116,661)
Inventories, principally real estate for sale	1,540	1,833	13,166
Cost on contracts in progress	7,627	2,931	65,186
Notes and accounts payables, trade	4,767	(5,428)	40,743
Advances on contracts in progress	(6,831)	(1,616)	(58,386)
Other, net	3,235	307	27,653
Sub-total	(2,112)	4,677	(18,048)
Interest and dividend income received	521	454	4,453
Interest paid	(941)	(957)	(8,044)
Income taxes paid and other	(1,871)	(919)	(15,994)
Net cash provided by/(used in) operating activities	(4,403)	3,255	(37,633)
Cash flows from investing activities:			
Proceeds from sale of marketable and investment securities	926	29	7,912
Acquisition of investment in securities	(414)	(159)	(3,536)
Acquisition of P.P. & E	(1,798)	(1,662)	(15,371)
Proceeds from sale or disposal of P.P. & E	379	2,517	3,238
Other, net	3	385	22
Net cash provided by/(used in) investing activities	(904)	1,110	(7,735)
Cash flows from financing activities:			
Proceeds from long-term debt	5,292	10,460	45,231
Net increase/(decrease) in commercial paper	5,000	(1,000)	42,735
Net increase/(decrease) in short-term borrowings	177	(1,704)	1,509
Redemption of bonds	—	(3,700)	—
Issue of bonds	4,981	—	42,572
Repayment of long-term debt	(8,363)	(8,612)	(71,481)
Cash dividends paid	(585)	(976)	(5,003)
Other, net	51	(37)	444
Net cash provided by/(used in) financing activities	6,553	(5,569)	56,007
Effect of exchange rate changes on cash and cash equivalents..	181	86	1,548
Net increase (decrease) in cash and cash equivalents	1,426	(1,118)	12,182
Cash and cash equivalents at beginning of year	23,312	24,430	199,255
Cash and cash equivalents at end of year	¥ 24,738	¥ 23,312	\$ 211,437

The accompanying notes 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 conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements, as required by the Securities and Exchange Law of Japan have been reclassified and rearranged for the convenience of readers outside Japan.

(b) Basis of consolidation:

The Company had 20 and 18 majority-owned subsidiaries as of March 31, 2006, and 2005, respectively.

The consolidated financial statements for the years ended March 31, 2006 and 2005 include the accounts of the Company and 12 of its majority-owned subsidiaries.

The consolidated subsidiaries for 2006 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 BUILTTEC 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.

The assets and liabilities of consolidated subsidiaries are incorporated into the consolidated financial statements at fair value at the time of acquisition, and the differences between the cost of investments in consolidated subsidiaries and the equity in their net assets at date of acquisition are amortised over a period of five years.

Investments in other affiliates, not significant in amount, are carried at cost. Where there has been permanent impairment in the value of its investment, the Company has written them down.

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 minor risk of fluctuation in value.

(e) Financial instruments:

(I) Derivatives

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.

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, primarily based on the moving average cost method. Other than

temporary declines in the value of other securities are reflected in current income.

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.

(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 as well as 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 and adverse fluctuation in foreign exchange rates. 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.

For interest rate swaps, if certain hedging criteria are met, interest rate swaps are not recognized at their fair values as an alternative method under Japanese accounting standards.

The amounts received or paid for such interest swap arrangements are charged or credited to income as incurred.

(f) Inventories:

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

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) Reserve for loss on development business:

Reserve for loss on development business is provided for the amount sufficient to cover possible loss on development business, including housing development business by evaluating individual business condition.

(i) Reserve for loss on guarantees:

Reserve for loss on guarantees is provided for the amount sufficient to cover possible loss on guarantees by evaluating individual warrantee's financial positions.

(j) Reserve for loss on investments to affiliates:

Reserve for loss on investments to affiliates is provided for the amount sufficient to cover unrealized holding loss on investments to affiliates corresponding decreased amounts of by considering their financial positions.

(k) 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 computed on a straight-line basis over the shortened estimated period.

(l) Impairment of fixed assets:

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 Companies applied the new standard.

The accumulated impairment loss is deducted from net value of each asset, amounting ¥63 million (US\$539 thousand) for 2006 and ¥82 million for 2005.

(m) 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.

Unrecognized prior service costs are amortized based on the straight-line method over a period of five years beginning at the date of adoption of the plan amendment.

(n) Income taxes:

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

(o) Consumption tax:

In Japan, consumption tax at the flat rate of 5% for 2006 and 2005 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.

(p) 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 for more

than one year, the percentage being measured by the ratio of the costs incurred to the estimated total costs for each contract.

The amounts of contract revenue which are accounted for by the percentage of completion method were ¥90,856 million (US\$776,547 thousand) for 2006 and ¥71,964 million for 2005.

(q) Appropriation of retained earnings:

The appropriation of retained earnings reflected in the accompanying consolidated financial statements represents the result of an appropriation applicable to the preceding fiscal period.

(r) Leases:

Noncancelable leases are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that leases which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(s) 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 2006 and 2005, due to the fact that there were no bonds with warrant and convertible bonds at the end of 2006 and 2005.

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 ¥117 = US\$1, the approximate rate of exchange effective at March 31, 2006. 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, 2006 and 2005 consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2006	2005	2006
Cash and time deposits	¥ 24,857	¥ 23,606	\$ 212,455
Time deposits due over three months	(119)	(294)	(1,018)
Cash and cash equivalents	<u>¥ 24,738</u>	<u>¥ 23,312</u>	<u>\$ 211,437</u>

(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
	2006	2005	2006
Government bond, municipal bond and other	¥ 62	¥ 77	\$ 530
Corporate bond.	—	300	—
Total.....	<u>¥ 62</u>	<u>¥ 377</u>	<u>\$ 530</u>

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2006	2005	2006
Carrying value..	¥ 62	¥ 377	\$ 530
Market value....	61	381	523
Unrealized gain.	<u>¥ (0)</u>	<u>¥ 4</u>	<u>\$ (7)</u>

- (b) Other securities having its market value:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2006	2005	2006
Marketable equity securities.....	¥ 21,257	¥ 14,711	\$ 181,687
Debentures.....	8	6	68
Other.....	269	282	2,301
Total.....	<u>¥ 21,534</u>	<u>¥ 14,999</u>	<u>\$ 184,056</u>

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2006	2005	2006
Cost.....	¥ 9,435	¥ 10,099	\$ 80,641
Market value....	21,534	14,999	184,056
Unrealized gain.	<u>¥ 12,099</u>	<u>¥ 4,900</u>	<u>\$ 103,415</u>

Securities for which market quotations are not available are principally unlisted securities.

Investments in securities at March 31, 2006 and 2005 comprise investment securities lent to the third party under a security loan agreement amounting to ¥920 million and ¥472 million, respectively.

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

Short-term borrowings were represented generally by 365-day notes in 2006 and 2005 issued by the Companies and bore interest principally at the short-term primary interest rates in effect in 2006 and 2005.

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, 2006 and 2005 consisted of the following:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2006	2005	2006
Loans from banks and insurance companies with interest ranging from 0.35% to 1.29%, due various dates through 2011:	¥31,673	¥34,744	\$270,710
Total	<u>31,673</u>	<u>34,744</u>	<u>270,710</u>
Current portion included in current liabilities	(10,955)	(8,363)	(93,640)
Total	<u>¥20,717</u>	<u>¥26,381</u>	<u>\$177,070</u>

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

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

At March 31, 2006, the Company had credit lines from 8 banks amounting to ¥15,000 million (US\$128,205 thousand) in total.

Assets pledged as collateral for short-term borrowings, long-term debt and contingent liabilities at March 31, 2006 were as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
Assets pledged as collateral:		
Land	¥ 1,578	\$ 13,487
Building and structures	764	6,530
Investment securities	5,361	45,818
Investment	40	342
	<u>¥ 7,743</u>	<u>\$ 66,177</u>

Liabilities secured thereby:

Current portion of long-term debt	¥ 1,113	\$ 9,516
Long-term debt	¥ 2,037	\$ 17,407
Contingent liabilities	¥ 2,354	\$ 20,120

The aggregate annual maturities of long-term loans (including current portion) as of March 31, 2006 were as follows:

Year ending	Millions of Japanese Yen	Thousands of U.S. Dollars
March 31		
2007	¥ 10,956	\$ 93,640
2008	9,336	79,792
2009	6,815	58,251
2010	3,592	30,701
2011 and thereafter	974	8,325
Total	<u>¥ 31,673</u>	<u>\$ 270,709</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 and its consolidated subsidiaries have defined benefit retirement plans covering substantially all employees.

The reserve for retirement benefits as of March 31, 2006 and 2005 are analyzed as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2006	2005	2006
Projected benefit obligations.....	¥(26,408)	¥(26,044)	\$(225,711)
Plan assets	20,641	13,431	176,423
	<u>(5,767)</u>	<u>(12,613)</u>	<u>(49,288)</u>
Unrecognized actuarial differences	978	4,477	8,363
Unrecognized prior service cost	(2,124)	(3,187)	(18,158)
	<u>¥ (6,913)</u>	<u>¥(11,323)</u>	<u>\$ (59,083)</u>

Net pension expense related to the retirement benefits for the years ended March 31, 2006 and 2005 was as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2006	2005	2006
Service cost	¥ 909	¥ 917	\$ 7,773
Interest cost	646	632	5,520
Expected return on plan assets	(256)	(226)	(2,184)
Amortization of unrecognized actuarial differences amount.....	408	417	3,487
Amortization of prior service cost....	¥(1,062)	¥(1,062)	\$ (9,079)
Net pension and severance costs	<u>¥ 645</u>	<u>¥ 678</u>	<u>\$ 5,517</u>

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

	2006	2005
Discount rate	2.5%	2.5%

	2006	2005
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 ¥100 million (US\$856 thousands) and ¥95 million as of March 31, 2006 and 2005, respectively.

The reserve for retirement allowance for directors and statutory auditors are provided at the amount required on balance sheet dates in accordance with the internal rules of certain consolidated subsidiaries.

(8) Income Taxes

(a) The significant components of deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred Tax Assets:			
Pension and severance costs	¥ 3,648	¥ 4,856	\$ 31,184
Revaluation of inventories	2,951	3,483	25,221
Write-down of investments securities	321	373	2,743
Allowance for doubtful accounts ...	1,212	743	10,357
Accrued bonus to employees	593	524	5,065
Reserve for retirement benefits to directors .	—	33	—
Accrued tax	78	172	667
Reserve for loss on development business	3,085	3,085	26,367
Others	¥ 4,008	¥ 3,101	\$ 34,257
Valuation allowance..	(788)	(464)	(6,731)
Deferred Tax Assets ..	<u>¥ 15,108</u>	<u>¥ 15,906</u>	<u>\$ 129,130</u>

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred Tax Liabilities:			
Property and equipment	¥ (1,250)	¥ (1,263)	\$ (10,685)
Other	(4,975)	(2,037)	(42,522)
Deferred Tax Liabilities	<u>(6,225)</u>	<u>(3,301)</u>	<u>(53,205)</u>
Net Deferred Tax Assets	<u>¥ 8,883</u>	<u>¥ 12,605</u>	<u>\$ 75,923</u>

(b) A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2006 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.

	2006
Normal effective statutory tax rate	40.4 %
Expenses not deductible for income tax purposes	10.0
Non-taxable income	(2.1)
Per capita levy of inhabitant taxes	4.5
Other-net	3.9
Actual effective tax rate	<u>56.7 %</u>

(9) Shareholders' Equity

In accordance with the Commercial Code of Japan, (the "Code"), the Company has provided a legal reserve, which is included in additional paid-in capital. 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 shareholders. Par value stock is abolished and unifies in no-par value stock.

(10) Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net value of the leased assets, which included an interest portion at March 31, 2006 and 2005.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2006	2005	2006
Machinery, vehicles, tools and others	¥1,460	¥1,388	\$ 12,482
Accumulated depreciation	695	456	5,943
	<u>¥ 765</u>	<u>¥ 932</u>	<u>\$ 6,539</u>

The scheduled maturities of future lease rental payments, including an interest portion on such lease contracts as of March 31, 2006 and 2005 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year ...	¥ 245	¥ 230	\$ 2,098
Due over one year	520	702	4,441
	<u>¥ 765</u>	<u>¥ 932</u>	<u>\$ 6,539</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 ¥239 million (US\$2,046 thousand) and ¥203 million for the years ended March 31, 2006 and 2005, 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 liabilities amounting to ¥2,829 million (US\$24,178

thousand) for 2006 which was accounted for as deferred tax assets amounting to ¥186 million, included in other assets for 2005. Net excess having deducted the above taxes was presented in shareholders' equity as a reserve for land revaluation amounting to minus ¥2,853 million (US\$24,387 thousand) for 2006 and ¥275 million for 2005, respectively. On the date of revaluation of March 31, 2006, there was a difference in value between market and book after revaluation amounting to ¥6,711 million (US\$57,358 thousands).

(12) Commitments and Contingent Liabilities

The Companies are contingently liable for the following at March 31, 2006 and 2005:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2006	2005	2006
Trade notes receivable discounted and endorsed	¥ 32	¥ 196	\$ 281
Contingently liable for guarantees of short-term and long-term debt of employee, customers, unconsolidated subsidiaries and affiliates..	3,910	4,758	33,416
	<u>¥ 3,942</u>	<u>¥ 4,954</u>	<u>\$ 33,697</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 in 1989 by joint venture. The total construction cost was ¥757 million, including ¥378 million for the Company. At present, the result of arbitration is not predictable.

(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 ... Building and repair of vessels and agency business

Year Ended March 31, 2006

Millions of Japanese Yen

	Construction	Real Estate	Other Businesses	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	¥ 214,089	¥ 4,913	¥ 3,528	¥ 222,530	¥ —	¥ 222,530
Inter-segment	1,179	870	996	3,045	(3,045)	—
Total	215,268	5,783	4,524	225,575	(3,045)	222,530
Operating expenses	212,023	5,399	4,332	221,754	(3,119)	218,635
Operating income	3,245	384	192	3,821	74	3,895
Total assets	166,203	34,392	4,752	205,347	42,764	248,111
Depreciation expenses	2,448	186	75	2,709	(3)	2,706
Capital Expenditure	¥ 1,473	¥ 31	¥ 53	¥ 1,557	¥ 3	¥ 1,560

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 income	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, 2006

Thousands of U.S. Dollars

	Construction	Real Estate	Other Businesses	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	\$1,829,820	\$ 41,991	\$ 30,152	\$1,901,963	\$ —	\$ 1,901,963
Inter-segment	10,075	7,434	8,512	26,021	(26,021)	—
Total	1,839,895	49,425	38,664	1,927,984	(26,021)	1,901,963
Operating expenses	1,812,164	46,147	37,019	1,895,330	(26,662)	1,868,668
Operating income	27,731	3,278	1,645	32,654	641	33,295
Total assets	1,420,539	293,948	40,614	1,755,101	365,502	2,120,603
Depreciation expenses	20,924	1,591	645	23,160	(29)	23,131
Capital Expenditure	\$ 12,594	\$ 261	\$ 455	\$ 13,310	\$ 29	\$ 13,339

b. Geographical Segments

Each area primarily refers to the following countries:

Southeast AsiaSingapore, Philippines and Viet Nam

Year Ended March 31, 2006		Millions of Japanese Yen				
	Japan	Southeast Asia	Other Areas	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	¥ 190,897	¥ 17,808	¥ 13,825	¥ 222,530	¥ —	¥ 222,530
Inter-segment	—	—	—	—	(—)	—
Total	190,897	17,808	13,825	222,530	(—)	222,530
Operating expenses	186,327	18,098	14,210	218,635	(—)	218,635
Operating income	4,570	(290)	(385)	3,895	(—)	3,895
Total assets	¥ 180,025	¥ 13,872	¥ 7,462	¥ 201,359	¥ 46,752	¥ 248,111

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 income	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, 2006		Thousands of U.S. Dollars				
	Japan	Southeast Asia	Other Areas	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	\$1,631,600	\$ 152,205	\$ 118,158	\$1,901,963	\$ —	\$1,901,963
Inter-segment	—	—	—	—	(—)	—
Total	1,631,600	152,205	118,158	1,901,963	(—)	1,901,963
Operating expenses	1,592,541	154,680	121,447	1,868,668	(—)	1,868,668
Operating income	39,059	(2,475)	(3,289)	33,295	(—)	33,295
Total assets	\$1,538,672	\$ 118,565	\$ 63,774	\$1,721,011	\$ 399,592	\$2,120,603

c. Overseas Net Sales

Each area primarily refers to the following countries:

Southeast AsiaSingapore, Philippines and Viet Nam

Year Ended March 31, 2006		Millions of Japanese Yen	
	Southeast Asia	Other Areas	Total
Overseas net sales	¥ 17,808	¥ 13,825	¥ 31,633
Consolidated net sales	—	—	222,530
Ratio (%)	8.0	6.2	14.2

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, 2006		Thousands of U.S. Dollars	
	Southeast Asia	Other Areas	Total
Overseas net sales	\$ 152,205	\$118,158	\$ 270,363
Consolidated net sales	—	—	1,901,963

Board of Directors

(As of June 29, 2006)

Chairman of the Board and Representative Director

Masao Watanabe

President and Representative Director

Yukio Suzuki

Representative Directors

Hiroshi Shirasu
Hideaki Kimoto
Hiroshi Otani

Directors

Keiji Yoshikura
Hidechika Akiyama
Kentaro Imano
Ryosaku Asano
Motoichi Kobayashi
Morimasa Tani

Corporate Auditors

Shuji Kubo
Hirotohi Furuya
Minoru Oka
Tomohisa Uno

Executive Officers

(As of June 29, 2006)

President and Chief Executive Officer (CEO)

Yukio Suzuki

Executive Vice Presidents

Hiroshi Shirasu
Hideaki Kimoto
Hiroshi Otani

Senior Executive Officers

Keiji Yoshikura
Shintaro Ueki
Hidechika Akiyama
Takeshi Monji
Hideyo Maoka
Kentaro Imano
Ryosaku Asano
Motoichi Kobayashi

Managing Executive Officers

kenichi Takami
Kazuhiro Takagi
Osamu Nakagome
Masaomi Matsuo
Tsuyoshi Torii
Kazuo Oka

Executive Officers

Takehiko Kuroki
Norifumi Takamura
Mitsugi Okuda
Yoshio Sasaki
Takeshi Saito
Morimasa Tani
Sanji Kida
Masashi Tanaka
Katsutoshi Hisato
Masayuki Miyoshi
Takao Kishida

INVESTOR INFORMATION

(As of June 29, 2006)

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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 2005 (AS of March 31, 2006)

Number of Shareholders

15,509 (AS of March 31, 2006)

Number of Employees

1,857 (AS of March 31, 2006)

General Meeting

The General Meeting of Shareholders
was held on June 29, 2005

Stock Listing

Tokyo Stock Exchange, 1st Section
Sapporo Securities Exchanges

Transfer Agent

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2-1, Yaesu 1-home, Chuo-ku, Tokyo
103-8670, Japan

Auditor

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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

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U.A.E.

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