

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