

Japan's economic climate for the fiscal year ended March 31, 2007 has shown signs of undergoing gentle recovery with expanding export business due to the continuing growth of world economy and strong capital investment brought by high level of corporate profits.

Under these circumstances, the construction industry experienced increasing investment in construction in the private sector, but continuously declining public expenditure due to the financial reformation strategy by the Government. As a matter of fact, investment in construction has shrunk to less than two-third compared to the peak of investment amount, thus it is forecast that severe competition will continue amongst the construction and engineering companies.

To cope with this situation, Toa Corporation and its consolidated subsidiaries have established Urgent Management Strategies in November 2006 by its Organization Reformation Committee. The strategies are formed to realize streamlined system between the head office and its branches, reformed wage system and low-cost management system by voluntary retirees.

Business results of the year under review

New orders received on non-consolidated basis for the year under review amounted to ¥177,891 million, a 5.5% decline from the previous fiscal year. Consolidated net sales also decreased by 15.3% from the previous fiscal year, amounting to ¥188,573 million. From the standpoint of profits, operating income resulted in 62.6% decline from the previous fiscal year amounting to ¥1,455 million due to the decrease of gross profit generated by smaller net sales which offset reduction in selling, general and administrative expenses. Net income for the year under review resulted in ¥27 million, due to revaluation loss of land for sale on development business by the consolidated subsidiary, and

extraordinary loss by additional severance payment to voluntary retirees.

Forecast

The economy is expected to maintain recovery pace, thanks to favorable operations by companies as well as unstable but expanding personal expenses.

In the construction industry, there is a concern that the future will see a continuation of chronically intense competition over prices and difficulty in selection of brighter investment fields even in continued favorable investment in the private sector, while public expenditure is forecast to decline further.

Intermediate Management Strategy

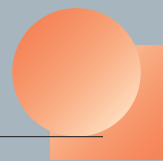
To overcome these changing but difficult operational environment, regain vitality, and to establish stable operation and management base, the Company has started a new "Three Year Management Strategy" since April 2007.

The fundamental principles include:

- Establishment of sustainable management base to cope with changing environment
- Transparent corporate management
- Profit oriented operation

To secure the principles, the following fundamental strategies are essential:

- To stable amounts of operations by winning competition through strengthening sales force, technological capacities and profitability.
- To establish sustainable management base by strengthening corporate constitution.
- To realize speedy management through strengthening effective and transparent management, and upgrade its social valuation and reliance.



In addition, strategies by each division are as follows.

① The Domestic Civil Engineering Division

- To secure operation amounts and profits by cooperative activities between sales and technology divisions.
- To expand operations for marine and technology predominant fields.

② The Domestic Building Division

- To contribute to management by receiving profit-oriented projects
- To strengthen competition force by reforming cost structure.

③ The International Division

- To make inroads to Southeast Asian markets by managing every risk.
- To expand profits by strengthening site operation support.

④ The Administration Division

- To establish compact and effective organization and system.
- To drive home corporate social responsibility (CSR).

With these strategies and operations, the Company will continue to grow by winning competitions with other companies even in harsh management environment.

At the end of fiscal year 2007, the Company will celebrate its 100th anniversary of foundation with every effort to achieve major targets in the new “Three Year Management Strategy” even under severe conditions. We seek for the increased support and cooperation from all our shareholders.

June 2007



Yukio Suzuki
President and Representative Director
President and Chief Executive Officer