

Semiannual Report

For the six months ended September 30, 2007



TOA CORPORATION

Message from the President

Japan's economy for the six-month period ended September 30th experienced gradual expansion centering on the private demand sector, owing to favorable business results in enterprises and recovery in the employment market which offset high rise of worldwide crude oil price. In addition, it enjoyed steady growth in capital investment and personal consumption.

In the construction industry, public investment in construction continued to be severe, and due to reformation in the construction standard, new housing started to decline sharply in number compared to that of the previous year. Thus, our management environment continued to be very severe. To overcome these difficulties, we have wrested with strategic management operations including strengthening proposal stage based on our rich technology, introducing the integrated value system, consolidating competition force led by the improvement of cost performance and streamlining the organization by our Organization Reform Committee. As a result, consolidated net sales for the year under review totaled ¥73,827 million, a 1.6% decline from the previous year, while net income resulted in the loss of ¥3,008 million.

Forecast for the coming period

Economy in Japan forecasts gradual expansion for the coming period, even if its speed is expected to more or less throttle. It is forecasted that we cannot be optimistic due to the slow down in the US economy issued by sub-prime loan problem and increased prices in consumption and production materials created by high-rise crude oil price.

In the construction industry, it is forecasted that private demand is solid, while public investment in construction continues to be reduced together with severe price competition. Considering these market environments, TOA Corporation and its consolidated subsidiaries have wrestled with consolidation of both sales force, by sharing information amongst the sales and engineering division, and taking aggressive sales activities globally, especially in Southeast Asia and its peripheral nations under thorough-going risk management. Within our group companies, we promote integration of affiliated companies, efficient utilization of assets, and upgrade of sales percentage in the private sector in the domestic sales.

Towards the 100th anniversary of TOA Corporation in 2008, we continue to put every effort into establishing further solid management. We ask for your continued supported and cooperation.

December 2007

A handwritten signature in black ink that reads "Y. Suzuki". The signature is written in a cursive, flowing style.

Yukio Suzuki
President and Representative Director
President and Chief Executive Officer

Consolidated Balance Sheets

TOA CORPORATION and its consolidated subsidiaries
As of September 30, 2007 and 2006

ASSETS

	Millions of Japanese Yen 2007	Millions of Japanese Yen 2006	Thousands of U.S. Dollars 2007
Current assets:			
Cash and time deposits	¥ 15,509	¥ 20,317	\$ 134,864
Notes and accounts receivable, trade	63,547	55,680	552,580
Cost on contracts in progress	41,819	37,707	363,642
Other current assets	38,467	40,067	334,496
Allowance for doubtful accounts	(1,190)	(1,430)	(10,346)
Total current assets	<u>158,152</u>	<u>152,341</u>	<u>1,375,236</u>
Investments and other assets	23,853	32,067	207,417
Property, plant and equipment, at cost	76,229	80,373	662,858
Less accumulated depreciation	(35,852)	(36,303)	(311,755)
Property, plant and equipment—net	<u>40,377</u>	<u>44,070</u>	<u>351,103</u>
Total	<u>¥ 222,382</u>	<u>¥ 228,478</u>	<u>\$ 1,933,756</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Short-term borrowings	¥ 23,718	¥ 30,356	\$ 206,243
Notes and accounts payable, trade	66,401	61,464	577,398
Advances on contracts in progress	29,154	16,528	253,513
Other current liabilities	28,105	34,329	244,389
Total current liabilities	<u>147,378</u>	<u>142,677</u>	<u>1,281,543</u>
Long-term debt	19,843	18,145	172,552
Reserve for retirement benefits	2,972	6,324	25,841
Reserve for loss on development business	—	6,003	—
Other long-term liabilities	6,581	5,697	57,227
Total liabilities	<u>176,774</u>	<u>178,846</u>	<u>1,537,163</u>
Shareholders' equity	44,345	48,227	385,610
Minority interests	1,263	1,405	10,983
Total	<u>¥ 222,382</u>	<u>¥ 228,478</u>	<u>\$ 1,933,756</u>

Consolidated Statements of Operations

TOA CORPORATION and its consolidated subsidiaries
For the six months ended September 30, 2007 and 2006

	Millions of Japanese Yen 2007	Millions of Japanese Yen 2006	Thousands of U.S. Dollars 2007
Net sales	¥ 73,827	¥ 74,995	\$ 641,975
Cost of sales	69,331	70,497	602,879
Gross profit	4,496	4,498	39,096
Selling, general and administrative expenses ...	5,278	6,200	45,893
Operating loss	(782)	(1,702)	(6,797)
Other income (expenses):			
Interest and dividends income	420	366	3,651
Interest expenses	(607)	(454)	(5,275)
Write-down of marketable securities and investment securities	(7)	(51)	(64)
Write-down of real estate for sale	(1,648)	(12)	(14,329)
Doubtful accounts for long-term receivables	—	(156)	—
Gain from overseas business credit in preceding years	—	120	—
Other, net	248	(167)	2,156
	<u>(1,594)</u>	<u>(354)</u>	<u>(13,861)</u>
Income (loss) before income taxes and minority interests	(2,376)	(2,056)	(20,658)
Income taxes:			
Current	351	118	3,049
Deferred	241	(631)	2,100
Minority interests	40	34	350
Net income (loss)	<u>(¥3,008)</u>	<u>(¥1,577)</u>	<u>(\$26,157)</u>
Per share data:	Japanese Yen	Japanese Yen	U.S. Dollars
Net income (loss)	(¥13.54)	(¥7.10)	(\$0.118)
Shareholders' equity	¥199.64	¥217.07	\$1.736

Note: U.S. dollar amounts are given solely for convenience and are translated at the rate of
 ¥115.00 = US\$1, the approximate effective rate of exchange at September 30, 2007.

Consolidated Statements of Changes in Net Assets (1)

For the six months from April 1, 2007 to September 30, 2007

(Millions of Japanese Yen)

	Equity capital				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total equity capital
Balance at the end of previous period	¥ 18,977	¥ 18,079	¥ 9,624	(¥ 456)	¥ 46,224
Changes of items during the period:					
Net income (loss)			(3,008)		(3,008)
Purchases of treasury stock				(0)	(0)
Equity change in consolidated subsidiaries		0		(6)	(6)
Revaluation of land			(2,760)		(2,760)
Net changes of items other than shareholders' equity					—
Total	<u>—</u>	<u>0</u>	<u>(5,768)</u>	<u>(6)</u>	<u>(5,774)</u>
Balance at the end of the current period	<u>¥ 18,977</u>	<u>¥ 18,079</u>	<u>¥ 3,855</u>	<u>(¥ 462)</u>	<u>¥ 40,449</u>

(Thousands of U.S. Dollars)

	Equity capital				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total equity capital
Balance at the end of previous period	\$ 165,014	\$ 157,211	\$ 83,687	(\$3,965)	\$401,947
Changes of items during the period:					
Net income (loss)			(26,158)		(26,158)
Purchases of treasury stock				(5)	(5)
Equity change in consolidated subsidiaries		0		(48)	(48)
Revaluation of land			(24,003)		(24,003)
Net changes of items other than shareholders' equity					—
Total	<u>—</u>	<u>0</u>	<u>(50,161)</u>	<u>(53)</u>	<u>(50,214)</u>
Balance at the end of the current period	<u>\$ 165,014</u>	<u>\$ 157,211</u>	<u>\$ 33,526</u>	<u>(\$4,018)</u>	<u>\$351,733</u>

Consolidated Statements of Changes in Net Assets (2)

For the six months from April 1, 2007 to September 30, 2007

(Millions of Japanese Yen)

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gains on other marketable securities	Deferred gains or loss on hedges	Revaluation of land	Total Valuation and translation adjustments		
Balance at the end of previous period	¥ 3,752	¥ 26	(¥2,682)	¥ 1,096	¥ 1,446	¥ 48,766
Changes of items during the period:						
Net income (loss)						(3,008)
Purchases of treasury stock						(0)
Equity change in consolidated subsidiaries						(6)
Revaluation of land						(2,760)
Net changes of items other than shareholders' equity	(1,086)	(65)	3,951	2,800	(183)	2,617
Total	(1,086)	(65)	3,951	2,800	(183)	(3,158)
Balance at the end of the current period	¥ 2,666	(¥39)	¥1,269	¥ 3,896	¥ 1,263	¥ 45,608

(Thousands of U.S. Dollars)

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gains on other marketable securities	Deferred gains or loss on hedges	Revaluation of land	Total Valuation and translation adjustments		
Balance at the end of previous period	\$ 32,630	\$ 224	(\$23,323)	\$ 9,532	\$ 12,572	\$ 424,051
Changes of items during the period:						
Net income (loss)						(26,158)
Purchases of treasury stock						(5)
Equity change in consolidated subsidiaries						(48)
Revaluation of land						(24,003)
Net changes of items other than shareholders' equity	(9,444)	(572)	34,360	24,344	(1,588)	22,756
Total	(9,444)	(572)	34,360	24,344	(1,588)	(27,458)
Balance at the end of the current period	\$ 23,186	(\$348)	\$ 11,037	\$ 33,876	\$ 10,983	\$ 396,593

Consolidated Statements of Cash Flows

TOA CORPORATION and its consolidated subsidiaries
For the six months ended September 30, 2007 and 2006

	Millions of Japanese Yen 2007	Millions of Japanese Yen 2006	Thousands of U.S. Dollars 2007
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	(¥2,376)	(¥2,055)	(\$20,658)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,166	1,103	10,141
Provision for allowance for doubtful accounts	(161)	165	(1,401)
Reserve for loss on development business	—	(207)	—
Write-down of marketable securities and investment securities	7	51	64
Write-down of real estate for sale and other	1,648	—	14,329
Changes in:			
Notes and accounts receivables, trade	13,315	23,805	115,779
Inventories, principally real estate for sale	800	(45)	6,953
Cost on contracts in progress	(25,424)	(10,316)	(221,082)
Notes and accounts payables, trade	2,445	(9,994)	21,259
Advances on contracts in progress	14,238	1,819	123,812
Income taxes paid	(356)	(767)	(3,095)
Other, net	(2,030)	(1,007)	(17,655)
<i>Net cash provided by / (used in) operating activities</i>	<u>¥ 3,272</u>	<u>¥ 2,552</u>	<u>\$ 28,446</u>
Cash flows from investing activities:			
Proceeds from sale of marketable and investment securities	¥ 26	¥ 11	\$ 228
Acquisition of P.P. & E	(836)	(1,057)	(7,272)
Acquisition of investment in securities	(42)	(139)	(364)
Costs arisen from sale of a consolidated subsidiary	—	(196)	—
Proceeds from sale or disposal of P.P. & E	3,629	70	31,558
Other, net	(240)	(1,103)	(2,085)
<i>Net cash provided by / (used in) investing activities</i>	<u>¥ 2,537</u>	<u>(¥2,414)</u>	<u>\$ 22,065</u>
Cash flows from financing activities:			
Proceeds from long-term debt	—	¥ 6,281	—
Repayment of long-term debt	(5,758)	(9,846)	(50,072)
Net decrease in commercial paper	(2,000)	—	(17,391)
Net decrease in short-term borrowing	(5,772)	—	(50,196)
Cash dividends paid	—	(665)	—
Other, net	(4)	(448)	(32)
<i>Net cash provided by / (used in) financing activities</i>	<u>(¥13,534)</u>	<u>(¥4,678)</u>	<u>(\$117,691)</u>
Effect of exchange rate changes on cash and cash equivalents			
<i>Net increase (decrease) in cash and cash equivalents</i>	<u>(¥6)</u>	<u>¥ 47</u>	<u>(\$50)</u>
Cash and cash equivalents at beginning of year	<u>23,072</u>	<u>24,738</u>	<u>200,629</u>
Cash and cash equivalents at end of year	<u>¥15,341</u>	<u>¥ 20,245</u>	<u>\$133,399</u>

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