

Annual Report 2008

for the fiscal year ended March 31, 2008



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 lives.

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.

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FINANCIAL HIGHLIGHTS

TOA CORPORATION and its consolidated subsidiaries

Years ended March 31

| | Millions of Japanese Yen | | | | Thousands of |
|---|--------------------------|----------|----------|----------|---------------------|
| | 2008 | 2007 | 2006 | 2005 | U.S. Dollars (Note) |
| Consolidated | | | | | |
| For the year: | | | | | |
| Net sales | ¥213,825 | ¥188,573 | ¥222,530 | ¥201,158 | \$ 2,138,251 |
| Income (loss) before income taxes and minority interests | 27,933 | 1,131 | 3,593 | (7,634) | 279,325 |
| Net income (loss) | 15,247 | 28 | 1,488 | (5,181) | 152,466 |
| At year-end: | | | | | |
| Total assets | 200,943 | 221,855 | 248,110 | 243,449 | 2,009,432 |
| Net assets | 61,571 | 48,766 | 51,415 | 43,989 | 615,708 |
| Property, plant and equipment—net | 34,683 | 43,651 | 44,250 | 45,788 | 346,833 |
| Per share of common stock: | | | | | |
| | | Yen | | | U.S. Dollars |
| Net income (loss) | ¥68.64 | ¥ 0.13 | ¥ 7.03 | ¥(26.39) | \$0.069 |
| Cash dividends | 0.00 | 0.00 | 3.00 | 3.00 | 0.000 |
| Net assets | 271.39 | 212.99 | 231.51 | 224.20 | 2.714 |

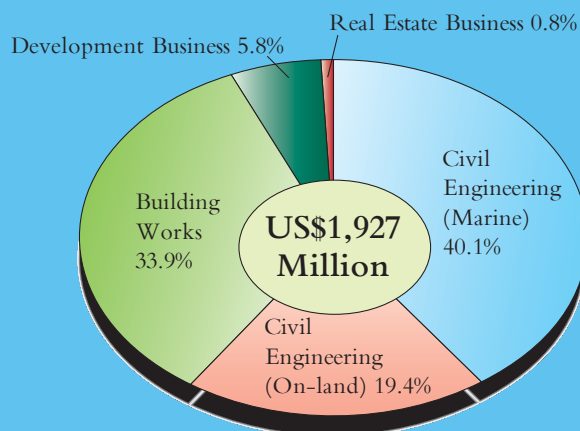
Note: The amount in U.S. dollars was translated at the rate of ¥100 = US\$1, the effective rate at March 31, 2008.

Net assets for 2008 and 2007 are presented under the new accounting standard, while figures for 2006 and 2005 are due to the previous standard.

Sales Composition by Project Type

(For the Year Ended March 31, 2008)

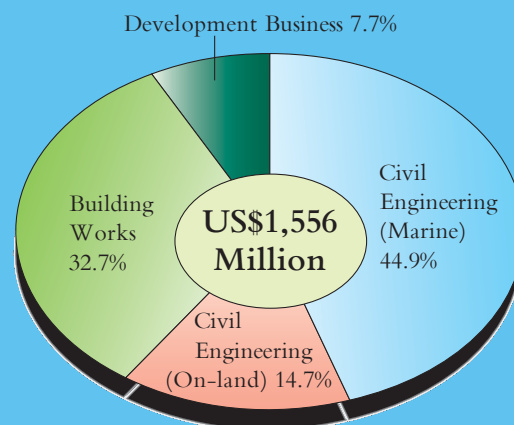
Non-consolidated



Orders Received by Project Type

(For the Year Ended March 31, 2008)

Non-consolidated



MESSAGE FROM THE PRESIDENT

Japan's economy for the year ended March 31, 2008 experienced high level of private capital investment owing to favorable export and gradual growth in personal consumption for the first part of the year, while it declined gradually due to fluctuation in exchange and stock markets where prices of raw materials rose and the Subprime Loan problem was issued in the global market for the latter half of the year.

In the construction industry, the investment in construction turned to decline from the previous year's level because of the delay in new construction brought by revision of construction standard enforced in June 2007 and 3% deduction in public investment, whilst new orders and profits were decreased by increasing prices in construction materials including steel and oil products.

Toa Corporation and its consolidated subsidiaries have wrestled with severe conditions by aggressively responding to the public projects with our own general evaluation system for bidding, newly establishing management organization reformed by Civil Engineering, Building and Administration of three Headquarters, reducing expenses in non-operation, reinforcing group management, and strengthening financial structure through upgrading usefulness that included sales of the building and land of Head Office.

Consolidated net sales for the year under review increased by 13.4% in comparison to the previous year to ¥213,825 million and operating income improved by 157.4% from the previous year to ¥3,745 million, due to reducing cost of sales and selling, general and administrative expenses. Consolidated net income increased by ¥15,200 million from the previous year to ¥15,246 million owing to sales of the building and land of Head

Office that amounted to ¥31,100 million. This income was created by enforcing the financial structure summing up to ¥32,620 million that offset foreign exchange loss that arose by sharp yen appreciation, ¥2,736 million for suspending expenses for overseas projects, and ¥1,647 million for write-down of real estate for sale.

Dividend Policy

Toa Corporation's basic policy is to continuously provide stable dividends by sharing profits with its shareholders according to its operation results whilst retaining earnings to improve its financial structure in order to ensure a sound management based against severe environment in the future. However, disbursement of the dividend for the fiscal year was refrained. Cash dividend for the coming fiscal year is expected to pay ¥2 per share.

Leading Principle in Management

The leading principle in management is to complete our social responsibility with our high level of technology, growing operations and sound management. By winning every competition through our steadily planned management and sincere operation, we establish reliability from customers and respond to their confidence and expectation for us.

Mid-term Management Strategies

In the difficult environment, we have started a new "Three year Management Strategy" since April 2007 to aim for reformation in our management quality.

The fundamental principles include:

- Establishing sustainable management base to meet with changing environment.
- Practicing transparent corporate management.
- Emphasizing profit oriented operation rather than



project volume.

In the second year of the Three-year Management Strategy, we currently aim to upgrade profitability and continue to build the stable management foundation.

The additional strategies by each division are as follows:

① Domestic Civil Engineering Division

- To strengthen the general evaluation of bidding system by integrating the Head Office and branches.
- To expand new orders by developing new clients for private civil engineering projects by cooperating with the Head Office and branches.
- To upgrade profitability by effective preferential operation.
- To develop market-oriented technology and methods.
- To intensify cooperation amongst Civil Engineering, Building, Administration and International Divisions.

② Domestic Building Division

- To reinforce the Sales Operation Headquarters.
- To intensify cooperation between Headquarters and branches.
- To strengthen site operation support.
- To upgrade accuracy in estimation of project management.
- To enforce domestic sales staff.

③ International Division

- To make inroads to Southeast Asian markets by managing every risk.
- To strengthen site operation support by reforming organization.
- To expand profits by strengthening competitiveness in price.
- To train global operational staff.

④ Administration Division

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



- and establish security administration system.
- To strengthen financial structure.
- To train and foster staff.
- To consolidate the Group management.

By accomplishing these strategies, the Company will overcome the harsh management environment, perform its social responsibility in the wide field including social contribution and environmental preservation, and aim to become a corporation with high level of equity and trust.

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

June 2008

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.

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 soil 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



In this project, a new 545-hectare airport island is completed to build 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 was completed in 2006. 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 utilized 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.

The Yumeshima 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 the Osaka Port.



Sakhalin / LNG Project-Civil Works



Provided by Sakhalin Energy

In Sakhalin Island located in the far east region of Russia, foreign investment are being used as a springboard for the development of the Sakhalin Project. We participated in the Sakhalin II LNG Project for the construction of the LNG loading facility including the placing of 25 reinforced concretecaisson units, foundation works of an oil export terminal and provision of concrete for other contractors taking part since June 2003. The severe weather conditions that were a normal part of the features of this project preclude works on the jetty being carried out during, in particular, the winter period. Great care was taken in the construction for the jetty as the feeding and breeding grounds for many fish and marine creatures were in close proximity to the project site.

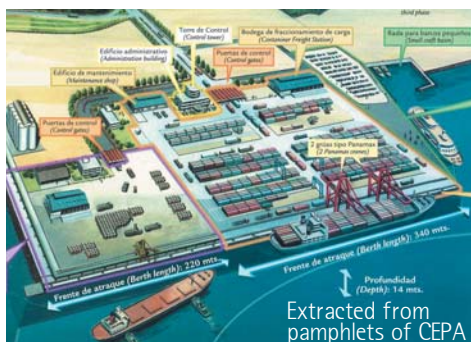
Construction of the Northern LNG Receiving Terminal in Taiwan

The newly constructing terminal inside Taizhong Harbor is the second LNG receiving facility in Taiwan. The terminal is for supplying fuel to one of the world's largest combined thermal power station in Da Tan. The construction projects ordered by Taiwan CPC comprised of three ground level tanks with the total capacity of 480,000m³, a unit of LNG vaporization plant, and a tanker berth.

The Company has been engaged in the construction of a dolphin type berth for a tanker with the capacity of 145,000m³ by organizing a consortium with Taiwanese engineering companies CTCI and RESI, and IHI of Japan. We also received the Golden Award from Taiwan Governmental Committee for excellent quality construction.



La Union Port Multi-Purpose Terminal

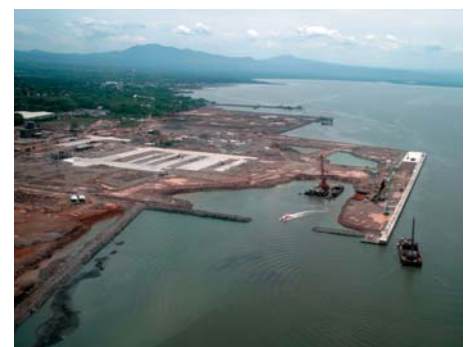


Extracted from pamphlets of CEPA

Ever since our first project in Argentina in 1989, we have been continuously working in the American regions, including the countries in the Caribbean. 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.





Saigon Premier Container Terminal



In Viet Nam, the Company has a vast amount of experience and technical data in improvement of soft ground. In July 2007, the Company received an order for the construction of a large-sized private-based international container terminal from Saigon Premier Container Terminal Ltd. (SPCT), a joint venture of world top class container terminal operator, “Dubai Ports World” and industrial zone managing company, “Tan Thuan Industrial Promotion Company”.

The project comprises 520,000m³ dredging works, construction works of jetty and wharf extending 500m, ground improvement work with 24ha in space, paving container yard with 24ha in space, and construction of 9 buildings.

The project site located 17km south of Ho Chi Minh City is expected to expand as a harbor business area in the southern part of Viet Nam.



Newly Completed Projects

The Pasir Panjang Container Terminal in Singapore

Singapore Port is world's largest container transshipment hub connections to 600 ports in 123 countries. The Pasir Panjang Container Terminal is a part of Singapore Port, consist of 23 Container Berths, has a 15m water depth and is equipped with 71 Gantry Cranes that are capable to handle 18 rows of containers hence enabling to receive world's largest containers' ship.

TOA CORPORATION since 2005 have been awarded in the construction of 14 Container Berths (total length 4330m) and a car ferry terminal in 6 separate contract. Currently, we are constructing the last section of container berth of 1300m and it will be completed in 2009.



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.

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.



2nd Magsaysay Bridge & Butuan City Bypass Road



Department of Public Works and Highways of the Philippines.

Toa Corporation completed the construction of the bypass road extending 8100m, two installation roads extending 1330m and 1640m, a steel-made cable stayed bridge of 360m in length, elevated bridges for approaching the main bridge which extends 372m to the east and 150m to the west, and their related facilities. The Company has been engaged in this project since May 1, 2005 to May 20, 2007 which was ordered by the





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.



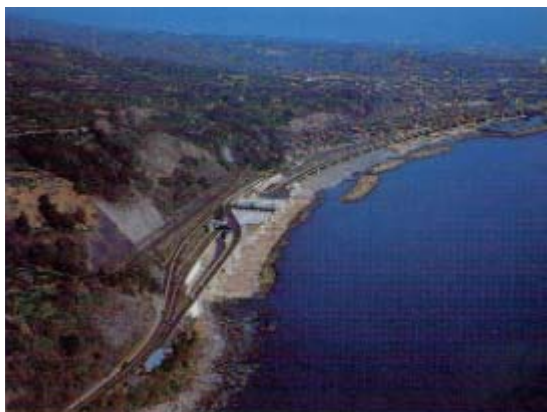
Denpasar Sewerage Development

Our efforts were well awarded when the new sewage treatment facility was successfully completed and introduced to the Denpasar City in Indonesia in the year 2007 after overcoming a multitude of cares. As being a famed tourist spot, careful study was conducted through out the project period in order to give priority on environmental preservation measures. A 47km long sewer culvert was laid within city limits, and great consideration had to be given to the environment in the residential areas.



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.



Newly Completed Projects

Plum Village Tunnel



On October 3, 2007, the Company completed the construction of the tunnel to connect two districts well known as plum sources. The tunnel, extending 2,159m in length, was constructed by NATM method that is most suitable to precipitous site and severe weather. This project, ordered by West Japan Highway Co., Ltd., a former Japan Highway Public Corporation, Kansai Branch, had started since September 29, 2004 and completed in approximately three year construction period. During this time, we put our best effort to carry out the civil engineering work most vigilantly to prevent accidents and disasters.

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 I 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 I. The Vietnamese Government loaned from the Japanese Government to construct the Phu My I 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 steam 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.



Cultural Hall and Library

This complex was planned as a part of the park embodying traditional Japanese hometown values. The complex was sited in an area of 10,740m² with a 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 bridge connecting 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 area, the environment was unaffected during and after the construction of the project.





Newly Completed Projects

Large-Sized Waste Treatment Facility in Saeki City

As people universally continue to consume products all around the world, 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.



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.



J&S Kawasaki Ukishima Distribution Center

Three Cranes Co., Ltd. ordered to construct a new warehouse in Ukishima, Kawasaki city, a suitable district for distribution. The 6-storey high steel structured warehouse, completed in November 2007, has the total floor space of 69,398m². It has two ramp ways in which heavy-duty trucks can go up and down directly to each floors. It is also equipped with a parking space on its rooftop.

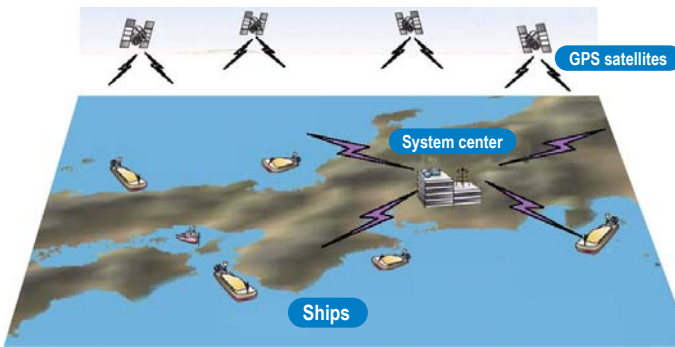


Suzuran — A Condominium for Aged People in Tokachi Plain

We have been engaged in the construction of various buildings such as mansion type houses, apartment houses, office buildings and educational institutions. During the year under review, we have completed many buildings including this "Suzuran" (meaning lily of the valley), a welfare condominium for aged people. The condominium, completed in September 2007, is constructed on the central part of a vast and fertile plain. It comprises of an 8-storey high reinforced concrete building with the total floor space of 6,407m², and a 2-storey wooden building with the total floor space of 640m². It was especially designed with the concept of bright and safe daily life for aged people.



COS-NET (Construction On the Sea Network)



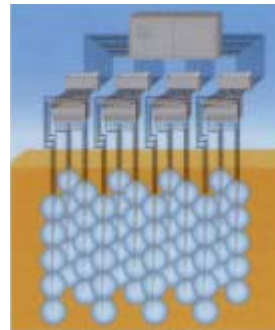
COS-NET (Construction On the Sea Network) is a system for monitoring and controlling work-vessels by the combination of GPS and IT technology. By the application of this system, the operation data including accurate positions are available.

RYUJIN



Production capacity: 360m³/hr of SGM light weight soil
 Solidification capacity: 500m³/hr
 Vessel specification: 65m long, 26m wide, 4.5m deep, 2m in water

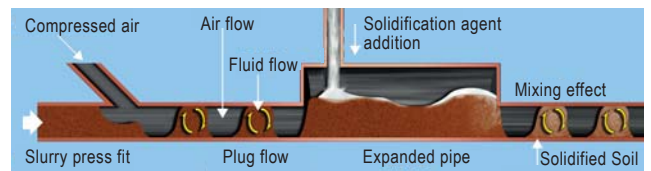
RYUJIN is Japan's first Super Geo-Material (SGM) vessel and is equipped to deal with demands of great volume at a rapid speed. It has a producing system capable of storing large volume of lightening agents and to conduct high-precision measurements.



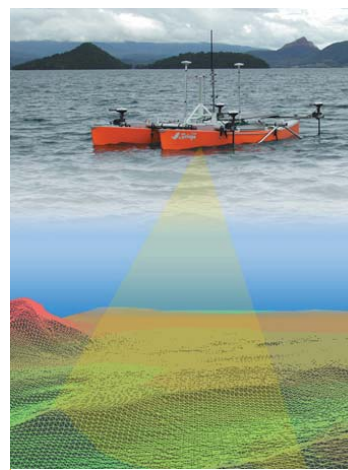
Ultra Multi-Permeation Grout Method

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.

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 an 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.



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.

FINANCIAL SECTION

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CONSOLIDATED BALANCE SHEETS

TOA CORPORATION and its consolidated subsidiaries
As of March 31, 2008 and 2007

| ASSETS | Millions of Japanese Yen | | Thousands of U.S. Dollars (Note 2) |
|---|--------------------------|------------------|--|
| | 2008 | 2007 | 2008 |
| Current assets: | | | |
| Cash and time deposits (Note 3) | ¥ 28,532 | ¥ 23,149 | \$ 285,319 |
| Marketable securities (Note 4) | 26 | 101 | 257 |
| Notes and accounts receivable, trade | 78,762 | 76,861 | 787,621 |
| Allowance for doubtful accounts | (947) | (1,192) | (9,473) |
| Inventories, principally real estate for sale | 9,091 | 12,348 | 90,913 |
| Cost on contracts in progress | 15,110 | 16,394 | 151,099 |
| Deferred tax assets (Note 9) | 2,004 | 6,417 | 20,045 |
| Prepaid expenses and other current assets | 15,148 | 17,706 | 151,476 |
| Total current assets | <u>147,726</u> | <u>151,784</u> | <u>1,477,257</u> |
| Investments and other assets: | | | |
| Investments in affiliates | 397 | 407 | 3,967 |
| Investments in securities (Notes 4 and 5) | 13,189 | 17,516 | 131,893 |
| Long-term loans (Note 5) | 749 | 1,214 | 7,488 |
| Deferred tax assets (Note 9) | 1,953 | 5,565 | 19,526 |
| Others (Note 5) | 6,567 | 6,693 | 65,674 |
| Allowance for doubtful accounts | (4,321) | (4,975) | (43,206) |
| Total investments and other assets | <u>18,534</u> | <u>26,420</u> | <u>185,342</u> |
| Property, plant and equipment (Notes 5,11 and 12): | | | |
| Land | 20,536 | 30,089 | 205,360 |
| Buildings and structures | 16,065 | 19,706 | 160,652 |
| Machinery and equipment | 31,116 | 30,016 | 311,162 |
| Construction in progress | 2 | 4 | 15 |
| Total property, plant and equipment | <u>67,719</u> | <u>79,815</u> | <u>677,189</u> |
| Less accumulated depreciation | <u>(33,036)</u> | <u>(36,164)</u> | <u>(330,356)</u> |
| Property, plant and equipment—net | <u>34,683</u> | <u>43,651</u> | <u>346,833</u> |
| Total | <u>¥ 200,943</u> | <u>¥ 221,855</u> | <u>\$ 2,009,432</u> |

The accompanying notes are an integral part of these financial statements.

| LIABILITIES AND NET ASSETS | Millions of Japanese Yen | | Thousands of U.S. Dollars (Note 2) |
|--|--------------------------|-----------|--|
| | 2008 | 2007 | 2008 |
| Current liabilities: | | | |
| Short-term borrowings (Note 5) | ¥ 16,394 | ¥ 29,490 | \$ 163,940 |
| Current portion of long-term debt (Note 5) | 9,315 | 11,396 | 93,154 |
| Commercial paper | — | 6,000 | — |
| Notes and accounts payable, trade | 56,858 | 63,956 | 568,578 |
| Accrued income taxes | 1,240 | 466 | 12,403 |
| Advances on contracts in progress (Note 6) | 16,494 | 14,916 | 164,940 |
| Other current liabilities | 15,401 | 12,267 | 154,014 |
| Total current liabilities | 115,702 | 138,491 | 1,157,029 |
| Long-term debt (Note 5) | 14,815 | 24,982 | 148,150 |
| Reserve for retirement benefits (Note 7) | 2,102 | 3,676 | 21,016 |
| Deferred tax liabilities on revaluation of land (Note 12) | 3,452 | 2,945 | 34,524 |
| Other long-term liabilities (Note 9) | 3,301 | 2,995 | 33,005 |
| Total liabilities | 139,372 | 173,089 | 1,393,724 |
| Net assets (Note 10): | | | |
| Shareholders equity: | | | |
| Common stock, | | | |
| Authorized—600,000,000 shares | | | |
| Issued—224,946,290 shares at March 31, 2008 and 2007, | | | |
| respectively | 18,977 | 18,977 | 189,767 |
| Additional paid-in capital | 18,079 | 18,079 | 180,793 |
| Retained earnings | 21,807 | 9,624 | 218,075 |
| Treasury stock, at cost—2,818,262 shares and 2,780,558 shares | | | |
| at March 31, 2008 and 2007, respectively | (462) | (456) | (4,624) |
| Total shareholders' equity | 58,401 | 46,224 | 584,011 |
| Valuation, translation adjustments and other: | | | |
| Net unrealized gains on securities | 861 | 3,752 | 8,605 |
| Net deferred gains (losses) on hedges | (128) | 26 | (1,284) |
| Revaluation reserve for land (Note 12) | 1,150 | (2,682) | 11,503 |
| Total valuation, translation adjustment and other | 1,883 | 1,096 | 18,824 |
| Minority interests | 1,287 | 1,446 | 12,873 |
| Total net assets | 61,571 | 48,766 | 615,708 |
| Commitments and contingent liabilities (Notes 5 and 13): | | | |
| Total | ¥ 200,943 | ¥ 221,855 | \$ 2,009,432 |

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF INCOME

TOA CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2008 and 2007

| | Millions of Japanese Yen | | Thousands of U.S. Dollars (Note 2) |
|---|--------------------------|----------|--|
| | 2008 | 2007 | 2008 |
| Net sales | ¥213,825 | ¥188,573 | \$ 2,138,251 |
| Cost of sales | 198,456 | 174,740 | 1,984,559 |
| Gross profit | 15,369 | 13,833 | 153,692 |
| Selling, general and administrative expenses (Note 8) | 11,623 | 12,378 | 116,233 |
| Operating income | 3,746 | 1,455 | 37,459 |
| Other income (expenses): | | | |
| Interest and dividend income | 560 | 484 | 5,601 |
| Interest expense | (1,096) | (988) | (10,956) |
| Write-down of real estate for sale | (1,648) | (2,579) | (16,478) |
| Additional severance payment | — | (1,532) | — |
| Provision for doubtful accounts | (59) | (321) | (596) |
| Gain from overseas business credit in preceding years | — | 120 | — |
| Gain from investment in partnership | — | 646 | — |
| Loss on impairment of fixed assets | (421) | (6) | (4,212) |
| Loss on the settlement of overseas projects | (2,736) | — | (27,365) |
| Gain on sale of fixed assets | 32,521 | 6 | 325,209 |
| Gain on sale of marketable securities and investment securities | 8 | 3,293 | 84 |
| Gain on securities contributed to employee retirement benefit trust.. | — | 1,383 | — |
| Other, net | (2,942) | (830) | (29,421) |
| | 24,187 | (324) | 241,866 |
| Income before income taxes and minority interests | 27,933 | 1,131 | 279,325 |
| Income taxes (Note 9) : | | | |
| Current | 1,414 | 461 | 14,143 |
| Deferred | 11,205 | 574 | 112,049 |
| | 12,619 | 1,035 | 126,192 |
| Minority interests | 67 | 68 | 667 |
| Net income | ¥ 15,247 | ¥ 28 | \$ 152,466 |
| Per share data (Note 1): | | | |
| Net income: | Japanese Yen | | U.S. Dollars (Note 2) |
| Basic | ¥ 68.64 | ¥ 0.13 | \$ 0.069 |
| Diluted | — | — | — |
| Cash dividends | ¥ 0.00 | ¥ 0.00 | \$ 0.000 |
| Net assets | ¥ 271.39 | ¥ 212.99 | \$ 2.714 |

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TOA CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2008 and 2007

| | Millions of Japanese Yen | | Thousands of U.S. Dollars (Note 2) |
|---|--------------------------|-----------------|--|
| | 2008 | 2007 | 2008 |
| Cash flows from operating activities: | | | |
| Income before income taxes and minority interests | ¥ 27,933 | ¥ 1,131 | \$ 279,325 |
| Adjustments to reconcile income before income taxes and minority interests to net cash used in operating activities: | | | |
| Depreciation and amortization | 2,682 | 2,263 | 26,821 |
| Loss on impairment of fixed assets | 421 | 6 | 4,212 |
| Gain (loss) on sale or disposal of fixed assets | (31,752) | 127 | (317,521) |
| Gain (loss) on sale of marketable securities and investment securities.. | 469 | (3,293) | 4,694 |
| Write-down of marketable and investment securities | 28 | 52 | 275 |
| Write-down of real estate for sale and other | 1,807 | 2,595 | 18,074 |
| Provision for retirement benefits | (1,575) | (3,286) | (15,747) |
| Transfer to loss on development business | — | (6,210) | — |
| Provision for doubtful accounts | (899) | (1,770) | (8,989) |
| Additional severance payment | — | 1,533 | — |
| Changes in: | | | |
| Notes and accounts receivable, trade | (1,900) | 2,624 | (19,008) |
| Inventories, principally real estate for sale | 1,609 | (363) | 16,086 |
| Cost on contracts in progress | 1,284 | 10,997 | 12,845 |
| Notes and accounts payable, trade | (7,098) | (7,501) | (70,982) |
| Advances on contracts in progress | 1,578 | 207 | 15,784 |
| Other, net | 7,752 | 2,388 | 77,522 |
| Sub-total | 2,339 | 1,500 | 23,391 |
| Interest and dividend income received | 559 | 505 | 5,589 |
| Interest paid | (1,050) | (974) | (10,500) |
| Payment of additional severance payment | (1,374) | (135) | (13,737) |
| Income taxes paid and other | (644) | (1,105) | (6,441) |
| Net cash used in operating activities | (170) | (209) | (1,698) |
| Cash flows from investing activities: | | | |
| Proceeds from sale of marketable and investment securities | 468 | 4,187 | 4,683 |
| Payments for acquisition of investment in securities | (1,519) | (152) | (15,188) |
| Payments for acquisition of property, plant and equipment | (3,416) | (2,226) | (34,162) |
| Proceeds from sale or disposal of property, plant and equipment | 42,228 | 204 | 422,278 |
| Other, net | (620) | (1,616) | (6,204) |
| Net cash provided by investing activities | 37,141 | 397 | 371,407 |
| Cash flows from financing activities: | | | |
| Proceeds from long-term debt | 300 | 19,800 | 3,000 |
| Net decrease in commercial paper | (6,000) | (5,000) | (60,000) |
| Net decrease in short-term borrowings | (13,096) | (1,310) | (130,966) |
| Repayment of long-term debt | (12,548) | (14,793) | (125,477) |
| Cash dividends paid | — | (665) | — |
| Other, net | (4) | (4) | (39) |
| Net cash used in financing activities | (31,348) | (1,972) | (313,482) |
| Effect of exchange rate changes on cash and cash equivalents.. | (332) | 118 | (3,317) |
| Net increase (decrease) in cash and cash equivalents | 5,291 | (1,666) | 52,910 |
| Cash and cash equivalents at beginning of year | 23,072 | 24,738 | 230,724 |
| Cash and cash equivalents at end of year | ¥ 28,363 | ¥ 23,072 | \$ 283,634 |

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

TOA CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2008 and 2007

Millions of Japanese Yen

| | Number of shares issued | Shareholders' equity | | | | Total shareholders' equity |
|--|----------------------------|----------------------|-------------------------------|----------------------|-------------------------------|----------------------------------|
| | | Common stock | Additional paid in capital | Retained earnings | Treasury stock, at cost | |
| Balance at March 31, 2006 | 224,946,290 | ¥18,977 | ¥18,085 | ¥10,476 | ¥(475) | ¥47,063 |
| Changes for the year | | | | | | |
| Dividends from surplus | | | | (665) | | (665) |
| Bonuses to directors and statutory auditors | | | | (0) | | (0) |
| Net income | | | | 28 | | 28 |
| Acquisition of treasury stock | | | | | (1) | (1) |
| Increase due to change in ownership interest in consolidated subsidiaries | | | | | (6) | (6) |
| Decrease due to change in scope of consolidation | | | (6) | (44) | 26 | (24) |
| Reversal of revaluation reserve for land | | | | (171) | | (171) |
| Net changes in items other than shareholders' equity... | | | | | | |
| Total changes for the year | — | — | (6) | (852) | 19 | (839) |
| Balance at March 31, 2007 | 224,946,290 | ¥18,977 | ¥18,079 | ¥9,624 | ¥(456) | ¥46,224 |
| Changes for the year | | | | | | |
| Net income | | | | 15,247 | | 15,247 |
| Acquisition of treasury stock | | | | | (0) | (0) |
| Increase due to change in ownership interest in consolidated subsidiaries | | | 0 | | (6) | (6) |
| Reversal of revaluation reserve for land | | | | (3,064) | | (3,064) |
| Net changes in items other than shareholders' equity... | | | | | | |
| Total changes for the year | | | | 12,183 | (6) | 12,177 |
| Balance at March 31, 2008 | 224,946,290 | ¥18,977 | ¥18,079 | ¥21,807 | ¥(462) | ¥58,401 |

Thousands of U.S. Dollars (Note 2)

| | Shareholders' equity | | | | Total shareholders' equity |
|--|----------------------|-------------------------------|----------------------|-------------------------------|----------------------------------|
| | Common stock | Additional paid in capital | Retained earnings | Treasury stock, at cost | |
| Balance at March 31, 2007 | \$189,767 | \$180,792 | \$96,240 | \$(4,560) | \$462,239 |
| Changes for the year | | | | | |
| Net income | | | 152,466 | | 152,466 |
| Acquisition of treasury stock | | | | (8) | (8) |
| Increase due to change in ownership interest in consolidated subsidiaries | | | 1 | (56) | (55) |
| Reversal of revaluation reserve for land | | | (30,631) | | (30,631) |
| Net changes in items other than shareholders' equity... | | | | | |
| Total changes for the year | — | 1 | 121,835 | (64) | 121,772 |
| Balance at March 31, 2008 | \$189,767 | \$180,793 | \$218,075 | \$(4,624) | \$584,011 |

The accompanying notes are an integral part of these financial statements.

Millions of Japanese Yen

| | Valuation, translation adjustments and other | | | | Minority interests | Total net assets |
|---|--|------------------------------|------------------------------|--|--------------------|------------------|
| | Net unrealized gains on securities | Net deferred gains on hedges | Revaluation reserve for land | Total valuation, translation adjustments and other | | |
| Balance at March 31, 2006 | ¥7,205 | — | ¥(2,853) | ¥4,352 | ¥1,520 | ¥52,935 |
| Changes for the year | | | | | | |
| Dividends from surplus | | | | | | (665) |
| Bonuses to directors and statutory auditors | | | | | | (0) |
| Net income | | | | | | 28 |
| Acquisition of treasury stock | | | | | | (1) |
| Increase due to change in ownership interest in consolidated subsidiaries | | | | | | (6) |
| Decrease due to change in scope of consolidation | | | | | | (24) |
| Reversal of revaluation reserve for land | | | | | | (171) |
| Net changes in items other than shareholders' equity... | (3,453) | 26 | 171 | (3,256) | (74) | (3,330) |
| Total changes for the year | (3,453) | 26 | 171 | (3,256) | (74) | (4,169) |
| Balance at March 31, 2007 | ¥3,752 | ¥26 | ¥(2,682) | ¥1,096 | ¥1,446 | ¥48,766 |
| Changes for the year | | | | | | |
| Net income | | | | | | 15,247 |
| Acquisition of treasury stock | | | | | | (0) |
| Increase due to change in ownership interest in consolidated subsidiaries | | | | | | (6) |
| Reversal of revaluation reserve for land | | | | | | (3,064) |
| Net changes in items other than shareholders' equity... | (2,891) | (154) | 3,832 | 787 | (159) | 628 |
| Total changes for the year | (2,891) | (154) | 3,832 | 787 | (159) | 12,805 |
| Balance at March 31, 2008 | ¥861 | ¥(128) | ¥1,150 | ¥1,883 | ¥1,287 | ¥61,571 |

Thousands of U.S. Dollars (Note 2)

| | Valuation, translation adjustments and other | | | | Minority interests | Total net assets |
|---|--|------------------------------|------------------------------|--|--------------------|------------------|
| | Net unrealized gains on securities | Net deferred gains on hedges | Revaluation reserve for land | Total valuation, translation adjustments and other | | |
| Balance at March 31, 2007 | \$37,525 | \$258 | \$(26,821) | \$10,962 | \$14,458 | \$487,659 |
| Changes for the year | | | | | | |
| Net income | | | | | | 152,466 |
| Acquisition of treasury stock | | | | | | (8) |
| Increase due to change in ownership interest in consolidated subsidiaries | | | | | | (55) |
| Reversal of revaluation reserve for land | | | | | | (30,631) |
| Net changes in items other than shareholders' equity... | (28,920) | (1,542) | 38,324 | 7,862 | (1,585) | 6,277 |
| Total changes for the year | (28,920) | (1,542) | 38,324 | 7,862 | (1,585) | 128,049 |
| Balance at March 31, 2008 | \$8,605 | \$(1,284) | \$11,503 | \$18,824 | \$12,873 | \$615,708 |

The accompanying notes are an integral part of these financial 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 of TOA CORPORATION (the "Company") and its consolidated subsidiaries (the "Companies") are prepared on the basis of 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, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications and rearrangements were made for the convenience of readers outside Japan.

(b) Basis of consolidation:

The Company had 16 and 17 majority-owned subsidiaries as of March 31, 2008 and 2007, respectively.

The consolidated financial statements for the years ended March 31, 2008 and 2007 include the accounts of 9 and 11 majority owned subsidiaries of the Company, respectively.

During the fiscal year 2008, TOA Agency Nishinohon Co., Ltd. that was a consolidated subsidiary of the Company was merged by another consolidated subsidiary of the Company, TOA Agency Co., Ltd. The Company merged its consolidated subsidiary, TOA Real Estate Co., Ltd. In connection with this, Tagawa Real Estate Co., Ltd. changed its name into TOA Real Estate Co., Ltd.

The consolidated subsidiaries for 2008 were TOA Real Estate Co., Ltd., TOA Tekko Co., Ltd., TOA Kikai Kogyo Co., Ltd., Shinko Corporation, TOA Bultec Co., Ltd., TOA Concrete Co., Ltd., TOA Agency 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 in the aggregate.

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 amortized over a period of five years.

Investments in non-consolidated subsidiaries and affiliates were not significant in terms of net income or retained earnings in the aggregate and are carried at cost. The Company has written down an permanent impairment in the value of its investment.

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 in net income 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**

With changes in fair value included in net income or loss for the period in which they arise, derivatives are stated at fair value, except for derivatives that are designated as "hedging instruments" (see (III) Hedge Accounting, specified below).

(II) **Securities**

Securities held by the Companies are 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 component of the net assets 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 net 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 income 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 income 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.

However, in the case that net selling value falls below the acquisition cost at the end of the period, inventories except for cost on contracts in progress are carried at the net selling value on the balance sheet, regarded as decreased profitability of assets.

Effective the year ended March 31, 2008, the Company has adopted Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan Statement No.9 issued on July 5, 2006).

This adoption decreased operating income by ¥231 million (US\$2,310 thousand) and income before income taxes and minority interests by ¥1,879 million (US\$18,790 thousand).

(g) Research and development expenses:

Research and development expenses are charged to income as incurred. Research and development expenses charged to income in each of two years ended March 31, 2008 and 2007 were ¥1,260 million (US\$12,600 thousand) and ¥1,149 million, respectively.

(h) 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.

(i) Reserve for indemnity on completed contracts:

Reserve for indemnity on completed contracts is provided for the future defect expenses based upon the estimated indemnity amount for net sales for the year.

(j) Reserve for loss on construction works:

Reserve for loss on construction works is provided for the amount equivalent to cover future loss by evaluating individual construction from which loss is assumed and estimated.

(k) Reserve for retirement benefits:

The reserve for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets as adjusted for unrecognized actuarial differences and unrecognized prior service costs. The unrecognized actuarial differences are amortized on a straight-line basis over a period of 15 years commencing the year following the 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.

(l) Property, plant and equipment and depreciation:

Depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives. Useful lives and residual value are in conformity with the provisions of the Corporation Tax Law of Japan. However, depreciation of buildings which the Companies acquired on or after April 1, 1998, is computed on a straight-line basis over the shortened estimated period.

In accordance with changes in the Corporation Tax Law introduced in the 2007 tax reform, concerning the depreciation of fixed assets acquired on or after April 1, 2007, method of computing depreciation expenses has been changed to that prescribed in the new regulation. The effect of this change was to decrease both operating income and income before income taxes and minority interests by ¥166 million (US\$1,660 thousand).

As for property, plant and equipment acquired before April 1, 2007, the Company depreciates the residual value over a period of five years equally from the following year when the concerned property, plant and equipment reached allowable limit for depreciation based on the pre-revised depreciation method. This is effective from the year ended March 31, 2008.

As a result, both operating income and income before income taxes and minority interests decreased by ¥101 million (US\$1,010 thousand).

(m) Impairment of fixed assets:

To judge an indicator of impairment of fixed assets, idle properties are grouped by each asset. Loss on impairment of ¥421 million (US\$4,212 thousand) for 2008 and ¥6 million for 2007 was recognized on idle properties with no specific plan of future use.

(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 2008 and 2007 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 construction-type contracts with contract amount less than ¥100 million, and the percentage-of-completion method for the construction-type contracts with contract amount of ¥100 million or more and construction period of more than one year, the percentage are 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 ¥110,403 million (US\$1,104,030 thousand) for 2008 and ¥96,240 million for 2007.

(q) Leases:

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

(r) **Net income, cash dividends and net assets per share:**

Net income per share before dilution is based on the weighted average number of shares of common stock outstanding during the respective years.

Diluted net income per share was not disclosed in 2008 and 2007 due to the fact that there were no bonds with warrant and convertible bonds at the end of 2008 and 2007.

Cash dividends per share for each year represent the dividends declared as applicable to the respective years.

Net assets per share are based on the number of shares of common stock outstanding at the year end.

(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 of ¥100 = US\$1, the approximate rate of exchange prevailing on March 31, 2008. The inclusion of such dollar amounts is solely for convenience of readers outside 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, 2008 and 2007 consisted of:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|--|--------------------------|-----------------|---------------------------|
| | 2008 | 2007 | 2008 |
| Cash and time deposits..... | ¥ 28,532 | ¥ 23,149 | \$ 285,319 |
| Time deposits due over three months..... | (169) | (77) | (1,685) |
| Cash and cash equivalents..... | <u>¥ 28,363</u> | <u>¥ 23,072</u> | <u>\$ 283,634</u> |

(4) Marketable Securities and Investments in Securities

The following is certain information related to

the aggregate acquisition costs, 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 |
|--|--------------------------|--------------|---------------------------|
| | 2008 | 2007 | 2008 |
| Carrying amount | | | |
| Government bond, municipal bond and other..... | ¥ 62 | ¥ 62 | \$ 621 |
| Total..... | <u>¥ 62</u> | <u>¥ 62</u> | <u>\$ 621</u> |
| | | | |
| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
| | 2008 | 2007 | 2008 |
| Carrying amount..... | ¥ 62 | ¥ 62 | \$ 621 |
| Fair value..... | 63 | 62 | 631 |
| Unrealized gain.. | <u>¥ 1</u> | <u>¥ (0)</u> | <u>\$ 10</u> |

(b) Other securities having its market value:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|-----------------------------------|--------------------------|-----------------|---------------------------|
| | 2008 | 2007 | 2008 |
| Carrying amount | | | |
| Marketable equity securities..... | ¥ 10,134 | ¥ 14,392 | \$ 101,346 |
| Debentures..... | 6 | 8 | 57 |
| Other..... | 129 | 269 | 1,287 |
| Total..... | <u>¥ 10,269</u> | <u>¥ 14,669</u> | <u>\$ 102,690</u> |
| | | | |
| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
| | 2008 | 2007 | 2008 |
| Acquisition cost.. | ¥ 8,811 | ¥ 8,351 | \$ 88,115 |
| Fair value (Carrying value)..... | 10,269 | 14,669 | 102,690 |
| Unrealized gain.. | <u>¥ 1,458</u> | <u>¥ 6,318</u> | <u>\$ 14,575</u> |

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

Investments in securities at March 31, 2008 and 2007 comprise investment securities lent to the third party under a security loan agreement amounting to ¥186 million (US\$1,860 thousand) and ¥508 million, respectively.

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

Short-term borrowings were represented generally by 365-day notes in 2008 and 2007 issued by the Companies, and bore interest principally at the short-term prim rates in effect in 2008 and 2007.

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, 2008 and 2007 consisted of the following:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|---|--------------------------|----------|---------------------------|
| | 2008 | 2007 | 2008 |
| Loans from banks and insurance companies with interest ranging from 1.92% to 2.02%, due various dates through 2012: | ¥24,130 | ¥36,378 | \$241,304 |
| Total..... | 24,130 | 36,378 | 241,304 |
| Current portion included in current liabilities..... | (9,315) | (11,396) | (93,154) |
| Total..... | ¥14,815 | ¥24,982 | \$148,150 |

Certain 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 loans.

The Company had credit lines from 9 banks amounting to ¥35,000 million (US\$350,000 thousand) in total at March 31, 2008 and 2007.

Assets pledged as collateral for short-term borrowings, long-term debt and contingent liabilities at March 31, 2008 and 2007 were as follows:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|--------------------------------------|--------------------------|---------|---------------------------|
| | 2008 | 2007 | 2008 |
| Assets pledged as collateral: | | | |
| Land..... | ¥ 105 | ¥ 1,578 | \$ 1,046 |
| Building and structures..... | — | 735 | — |
| Investment securities..... | ¥ 2,878 | ¥ 3,164 | \$ 28,783 |
| Loans..... | 597 | 513 | 5,967 |
| Others | 19 | — | 190 |
| | ¥ 3,599 | ¥ 5,990 | \$ 35,986 |

Liabilities secured thereby:

| | | | |
|--|---------|---------|-----------|
| Current portion of long-term debt..... | ¥ 100 | ¥ 787 | \$ 1,000 |
| Long-term debt..... | ¥ — | ¥ 2,263 | \$ — |
| Contingent liabilities.. | ¥ 1,763 | ¥ 2,053 | \$ 17,629 |

The aggregate annual maturities of long-term debt (including current portion) as of March 31, 2008 were as follows:

| Year ending | Millions of Japanese Yen | Thousands of U.S. Dollars |
|---------------------------|--------------------------|---------------------------|
| March 31, | | |
| 2009 | ¥ 9,315 | \$ 93,154 |
| 2010 | 8,643 | 86,430 |
| 2011 | 4,061 | 40,610 |
| 2012 and thereafter | 2,111 | 21,110 |
| Total | ¥ 24,130 | \$241,304 |

(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

The Company and its consolidated subsidiaries adopt the cash balance plan, retirement allowance plan, and additional severance payment covering

substantially all employees for the defined benefit retirement plans. Furthermore, the Company set up the retirement benefit trust.

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|--|--------------------------|-----------|---------------------------|
| | 2008 | 2007 | 2008 |
| Projected benefit obligations | ¥(23,313) | ¥(25,182) | \$(233,130) |
| Plan assets | 16,336 | 23,876 | 163,358 |
| | (6,977) | (1,306) | (69,772) |
| Unrecognized actuarial differences | 4,941 | (1,248) | 49,415 |
| Unrecognized prior service cost | — | (1,062) | — |
| | ¥ (2,036) | ¥ (3,616) | \$ (20,357) |

Net pension and severance costs related to the retirement benefits for the years ended March 31, 2008 and 2007 were as follows:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|--|--------------------------|---------|---------------------------|
| | 2008 | 2007 | 2008 |
| Service cost | ¥ 830 | ¥ 909 | \$ 8,294 |
| Interest cost | 625 | 654 | 6,251 |
| Expected return on plan assets | (327) | (303) | (3,267) |
| Amortization of unrecognized actuarial differences.. | 67 | 202 | 670 |
| Amortization of unrecognized prior service cost..... | (1,062) | (1,062) | (10,622) |
| Net pension and severance costs | ¥ 133 | ¥ 400 | \$ 1,326 |

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

| | 2008 | 2007 |
|---|----------------------------|---------------------|
| Discount rate | 2.5% | 2.5% |
| 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 period of unrecognized actuarial differences | 15 years | 15 years |
| Amortization period of unrecognized 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 ¥66 million (US\$659 thousands) and ¥60 million as of March 31, 2008 and 2007, 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) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses for 2008 and 2007 were as follows:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|--------------------------------------|--------------------------|---------|---------------------------|
| | 2008 | 2007 | 2008 |
| Salaries to employees | ¥ 4,264 | ¥ 5,001 | \$ 42,462 |
| Expenses for retirement benefits.. | — | 67 | — |
| Provision for retirement benefits.. | 30 | 28 | 299 |
| Provision for doubtful receivables.. | 674 | 170 | 6,737 |
| Depreciation | 254 | 262 | 2,540 |
| Research expenses | ¥ 1,098 | ¥ 1,322 | \$ 10,976 |

(9) Income Taxes

(a) The significant components of deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows.

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|--|--------------------------|---------|---------------------------|
| | 2008 | 2007 | 2008 |
| Deferred Tax Assets: | | | |
| Pension and severance costs | ¥ 1,940 | ¥ 2,527 | \$ 19,395 |
| Revaluation of inventories | — | 6,337 | — |
| Write-down of utility rights | 458 | 503 | 4,577 |
| Write-down of investments securities | 200 | 217 | 2,003 |
| Allowance for doubtful accounts .. | 418 | 412 | 4,183 |
| Accrued bonus to employees | 414 | 344 | 4,138 |

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|--|-----------------------------|----------|------------------------------|
| | 2008 | 2007 | 2008 |
| Accrued tax | ¥ 77 | ¥ 52 | \$ 775 |
| Reserve for loss on construction works | 659 | — | 6,588 |
| Tax loss carryforward. | — | 2,663 | — |
| Others | 1,915 | 3,137 | 19,149 |
| Valuation allowance.. | (1,406) | (968) | (14,055) |
| Deferred Tax Assets ... | ¥ 4,675 | ¥ 15,224 | \$ 46,753 |

Deferred Tax Liabilities:

| | | | |
|--|---------|----------|-----------|
| Unrealized gain on securities | (¥590) | (¥2,552) | (\$5,896) |
| Reserve for land | (1,102) | (1,250) | (11,021) |
| Other | (104) | (672) | (1,044) |
| Deferred Tax Liabilities | (1,796) | (4,474) | (17,961) |

Net Deferred Tax

| | | | |
|--------------|---------|----------|-----------|
| Assets | ¥ 2,879 | ¥ 10,751 | \$ 28,792 |
|--------------|---------|----------|-----------|

(b) A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2008 and 2007, and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows.

| | 2008 | 2007 |
|--|--------|--------|
| Normal effective statutory tax rate | 40.4 % | 40.4 % |
| Expenses not deductible for income tax purposes | 3.9 | 28.3 |
| Non-taxable income | (0.2) | (5.2) |
| Per capita levy of inhabitant taxes | 0.6 | 15.2 |
| Valuation allowance | 4.9 | — |
| Other-net | (4.4) | 12.8 |
| Actual effective tax rates | 45.2 % | 91.5 % |

(10) Net Assets

Corporation Law of Japan (“the Law”) become effective on May 1, 2006, replacing the Commercial Code of Japan. Under the Law, certain issuance of common shares is required to be credited to the common stock account for 50% of the proceeds. The Law permits, by resolution of the shareholders meeting, transfer from amounts of additional paid-in capital to the common stock.

The Law provides that an amount equal to 10

% of dividends of surplus shall be appropriated as a legal reserve or additional paid-in capital 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 or may be transferred to common stock by resolution of the shareholders' meeting. On condition that the total amount of total amount of legal reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, they are available for distributions by the resolution of the shareholders' meeting.

(11) Leases

Finance Lease

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2008 and 2007, which would have been reflected in the balance sheets if finance lease accounting had been applied to finance leases currently accounted for as operating leases, and are included an interest portion thereof:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|--|-----------------------------|--------|------------------------------|
| | 2008 | 2007 | 2008 |
| Machinery and equipment and other assets | | | |
| Acquisition costs | ¥1,478 | ¥1,601 | \$ 14,784 |
| Accumulated depreciation | 1,025 | 948 | 10,251 |
| | ¥ 453 | ¥ 653 | \$ 4,533 |

The scheduled maturities of future lease payments, including an interest portion on such lease contracts as of March 31, 2008 and 2007 are as follows:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|--------------------------|-----------------------------|-------|------------------------------|
| | 2008 | 2007 | 2008 |
| Due within one year..... | ¥ 249 | ¥ 264 | \$ 2,491 |
| Due over one year | 204 | 389 | 2,042 |
| | ¥ 453 | ¥ 653 | \$ 4,533 |

Lease 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 ¥273 million (US\$2,730 thousand) and ¥255 million for the years ended March 31, 2008

and 2007, respectively.

Operating Lease

The scheduled maturities of future operating lease payments, including an interest portion on such lease contracts as of March 31, 2008 and 2007 are as follows:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|--------------------------|--------------------------|----------|---------------------------|
| | 2008 | 2007 | 2008 |
| Due within one year..... | ¥ 5 | — | \$ 48 |
| Due over one year..... | 7 | — | 72 |
| | <u>¥ 12</u> | <u>—</u> | <u>\$ 120</u> |

(12) Revaluation of Land

The Company revalued its land held for business purposes based on the value appraised by an appraiser which is regulated by Article 2 No.4 of an Enforcement Ordinance, and No.119 of Law Concerning Land Revaluation (effective March 31, 1998) with certain necessary adjustments.

Deferences arising from the land revaluation have been accounted for as revaluation reserve for land under net assets at a net-of-tax amount.

The carrying value of the land after revaluation exceeded its fair value as of March 31, 2008 by ¥5,943 million (US\$59,437 thousand).

(13) Commitments and Contingent Liabilities

The Companies are contingently liable for the following at March 31, 2008 and 2007:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|--|--------------------------|----------------|---------------------------|
| | 2008 | 2007 | 2008 |
| Trade notes receivable discounted and endorsed | ¥ 10 | ¥ 77 | \$ 100 |
| Guarantees of short-term and long-term debt of employee, customers, unconsolidated subsidiaries and affiliates.. | 2,908 | 3,658 | 29,081 |
| | <u>¥ 2,918</u> | <u>¥ 3,735</u> | <u>\$ 29,181</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.

On December 11, 2007, the Company was brought a lawsuit by a logistic agency on commission fee amounting ¥123 million. At present, the lawsuit is pending and its result is not predictable.

(14) Accounting for business combination

In order to upgrade its group management efficiency, the Company merged its wholly-owned subsidiary, TOA Real Estate Co., Ltd. on December 1, 2007 and took over the subsidiary's business which is sales of land in lots.

The merger was accounted for as a transaction under common control based on Accounting Standard for Business Combinations issued by Business Accounting Council of Japan on October 31, 2003, and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures issued by the Accounting Standard Board of Japan on December 22, 2006.

(15) Subsequent Event

On May 28, 2008, the Board of Directors of the Company resolved an acquisition of treasury stock to ensure a capital policy responding to changes in economic circumstance flexibly.

Upon the resolution, the Company has plan to acquire common stock up to 16,000,000 shares (7.2% of issued shares). The budget for its acquisition is amounting to ¥2,000 million (US\$ 20,000 thousand) and an acquisition period is from May 29, 2008 to March 31, 2009.

(16) Segment Information

a. Business Segments

Business segments are principally composed of the following:

- Construction Civil Engineering and Architectural Construction
- Real Estate Development of Land and Buildings
- Other Businesses.. Building and Repair of Vessels and Agency Businesses

Year Ended March 31, 2008

Millions of Japanese Yen

| | Construction | Real Estate | Other Businesses | Total | Elimination / Corporate | Consolidated |
|-----------------------------|--------------|-------------|---------------------|-----------|----------------------------|--------------|
| Net sales: | | | | | | |
| External customers | ¥ 207,810 | ¥ 2,150 | ¥ 3,865 | ¥ 212,825 | ¥ — | ¥ 213,825 |
| Inter-segment | 847 | 981 | 1,622 | 3,450 | (3,450) | — |
| Total | 208,657 | 3,131 | 5,487 | 217,275 | (3,450) | 213,825 |
| Operating expenses | 205,185 | 2,970 | 5,064 | 213,218 | (3,139) | 210,079 |
| Operating income | 3,472 | 161 | 423 | 4,057 | (311) | 3,746 |
| Total assets | 142,259 | 18,346 | 5,025 | 165,630 | 35,313 | 200,943 |
| Depreciation expenses | 2,469 | 135 | 72 | 2,676 | 6 | 2,682 |
| Capital Expenditure | ¥ 4,575 | ¥ 7 | ¥ 41 | ¥ 4,623 | ¥ (10) | ¥ 4,613 |

Year Ended March 31, 2007

Millions of Japanese Yen

| | Construction | Real Estate | Other Businesses | Total | Elimination / Corporate | Consolidated |
|-----------------------------|--------------|-------------|---------------------|-----------|----------------------------|--------------|
| Net sales: | | | | | | |
| External customers | ¥ 181,876 | ¥ 2,839 | ¥ 3,858 | ¥ 188,573 | ¥ — | ¥ 188,573 |
| Inter-segment | 1,966 | 646 | 1,294 | 3,906 | (3,906) | — |
| Total | 183,842 | 3,485 | 5,152 | 192,479 | (3,906) | 188,573 |
| Operating expenses | 182,946 | 3,221 | 4,856 | 191,023 | (3,905) | 187,118 |
| Operating income | 896 | 264 | 296 | 1,456 | (1) | 1,455 |
| Total assets | 154,427 | 28,607 | 4,847 | 187,881 | 33,974 | 221,855 |
| Depreciation expenses | 2,033 | 160 | 71 | 2,264 | (1) | 2,263 |
| Capital Expenditure | ¥ 1,951 | ¥ 92 | ¥ 20 | ¥ 2,063 | ¥ (5) | ¥ 2,058 |

Year Ended March 31, 2008

Thousands of U.S. Dollars

| | Construction | Real Estate | Other Businesses | Total | Elimination / Corporate | Consolidated |
|-----------------------------|--------------|-------------|---------------------|-------------|----------------------------|--------------|
| Net sales: | | | | | | |
| External customers | \$2,078,106 | \$ 21,498 | \$ 38,647 | \$2,138,251 | \$ — | \$ 2,138,251 |
| Inter-segment | 8,468 | 9,809 | 16,222 | 34,499 | (34,499) | — |
| Total | 2,086,574 | 31,307 | 54,869 | 2,172,750 | (34,499) | 2,138,251 |
| Operating expenses | 2,051,850 | 29,698 | 50,637 | 2,132,185 | (31,393) | 2,100,792 |
| Operating income | 34,724 | 1,609 | 4,232 | 40,565 | (3,106) | 37,459 |
| Total assets | 1,422,585 | 183,458 | 50,253 | 1,656,296 | 353,136 | 2,009,432 |
| Depreciation expenses | 24,687 | 1,346 | 725 | 26,758 | 63 | 26,821 |
| Capital Expenditure | \$ 45,754 | \$ 70 | \$ 410 | \$ 46,234 | \$ (99) | \$ 46,135 |

b. Geographical Segments

Each area primarily refers to the following countries:

Southeast AsiaSingapore, Philippines and Viet Nam

| Year Ended March 31, 2008 | | Millions of Japanese Yen | | | | |
|---------------------------|-----------|--------------------------|-------------|-----------|-------------------------|--------------|
| | Japan | Southeast Asia | Other Areas | Total | Elimination / Corporate | Consolidated |
| Net sales: | | | | | | |
| External customers | ¥ 184,472 | ¥ 21,017 | ¥ 8,336 | ¥ 213,825 | ¥ — | ¥ 213,825 |
| Inter-segment | 323 | — | — | 323 | (323) | 0 |
| Total | 184,795 | 21,017 | 8,336 | 214,148 | (323) | 213,825 |
| Operating expenses | 182,234 | 20,669 | 7,499 | 210,402 | (323) | 210,079 |
| Operating income | 2,561 | 348 | 837 | 3,746 | (—) | 3,746 |
| Total assets | ¥ 141,256 | ¥ 15,461 | ¥ 6,286 | ¥ 163,003 | ¥ 37,940 | ¥ 200,943 |

| Year Ended March 31, 2007 | | Millions of Japanese Yen | | | | |
|---------------------------|-----------|--------------------------|-------------|-----------|-------------------------|--------------|
| | Japan | Southeast Asia | Other Areas | Total | Elimination / Corporate | Consolidated |
| Net sales: | | | | | | |
| External customers | ¥ 152,218 | ¥ 19,268 | ¥ 17,087 | ¥ 188,573 | ¥ — | ¥ 188,573 |
| Inter-segment | — | — | — | — | (—) | — |
| Total | 152,218 | 19,268 | 17,087 | 188,573 | (—) | 188,573 |
| Operating expenses | 150,342 | 19,586 | 17,190 | 187,118 | (—) | 187,118 |
| Operating income | 1,876 | (318) | (103) | 1,455 | (—) | 1,455 |
| Total assets | ¥ 156,377 | ¥ 13,232 | ¥ 13,743 | ¥ 183,352 | ¥ 38,503 | ¥ 221,855 |

| Year Ended March 31, 2008 | | Thousands of U.S. Dollars | | | | |
|---------------------------|-------------|---------------------------|-------------|-------------|-------------------------|--------------|
| | Japan | Southeast Asia | Other Areas | Total | Elimination / Corporate | Consolidated |
| Net sales: | | | | | | |
| External customers | \$1,844,726 | \$ 210,165 | \$ 83,360 | \$2,138,251 | \$ — | \$2,138,251 |
| Inter-segment | 3,232 | — | — | 3,232 | (3,232) | 0 |
| Total | 1,847,958 | 210,165 | 83,360 | 2,141,483 | (3,232) | 2,138,251 |
| Operating expenses | 1,822,344 | 206,685 | 74,995 | 2,104,024 | (3,232) | 2,100,792 |
| Operating income | 25,614 | 3,480 | 8,365 | 37,459 | (—) | 37,459 |
| Total assets | \$1,412,560 | \$ 154,608 | \$ 62,858 | \$1,630,026 | \$ 379,406 | \$2,009,432 |

c. Overseas Net Sales

Each area primarily refers to the following countries:

Southeast AsiaSingapore, Philippines and Viet Nam

Year Ended March 31, 2008

Millions of Japanese Yen

| | Southeast Asia | Other Areas | Total |
|------------------------------|----------------|-------------|----------|
| Overseas net sales | ¥ 21,017 | ¥ 8,336 | ¥ 29,353 |
| Consolidated net sales | — | — | 213,825 |
| Ratio (%) | 9.8 | 3.9 | 13.7 |

Year Ended March 31, 2007

Millions of Japanese Yen

| | | | |
|------------------------------|----------|----------|----------|
| Overseas net sales | ¥ 19,268 | ¥ 17,087 | ¥ 36,355 |
| Consolidated net sales | — | — | 188,573 |
| Ratio (%) | 10.2 | 9.1 | 19.3 |

Year Ended March 31, 2008

Thousands of U.S. Dollars

| | | | |
|------------------------------|------------|-----------|-------------|
| Overseas net sales | \$ 210,165 | \$ 83,360 | \$ 293,525 |
| Consolidated net sales | — | — | \$2,138,251 |

Report of Independent Auditors

The Board of Directors
TOA CORPORATION

We have audited the accompanying consolidated balance sheet of TOA CORPORATION and consolidated subsidiaries as of March 31, 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Company and consolidated subsidiaries as of March 31, 2007 and for the year then ended were audited by other auditors whose report dated June 28, 2007 expressed an unqualified opinion on those statements.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOA CORPORATION and consolidated subsidiaries at March 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As described in Note (1)-(f), effective the year ended March 31, 2008, the Company compiled the consolidated financial statements by adopting the Accounting Standard for Measurement of Inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note (2).



June 27, 2008

Board of Directors

(As of June 27, 2008)

President and Representative Director

Yukio Suzuki

Representative Directors

Keiji Yoshikura

Kentaro Imano

Directors

Osamu Nakagome

Masaomi Matsuo

Kazuo Oka

Morimasa Tani

Corporate Auditors

Yasuhito Hayashi

Nobuyuki Isa

Kenji Kita

Satoshi Inaba

Executive Officers

(As of June 27, 2008)

President and Chief Executive Officer (CEO)

Yukio Suzuki

Executive Vice Presidents

Keiji Yoshikura

Kentaro Imano

Senior Executive Officers

Osamu Nakagome

Masaomi Matsuo

Tsuyoshi Torii

Kazuo Oka

Motonobu Sugimoto

Managing Executive Officers

Mitsugi Okuda

Yoshio Sasaki

Takeshi Saito

Morimasa Tani

Masashi Tanaka

Executive Officers

Sanji Kida

Haruyuki Miyoshi

Takao Kishida

Toshiro Sakasegawa

Yoshio Sasaki

Tsutomu Higashi

Ryo Suetomi

Tsuyoshi Hyakutake

Masaki Akiyama

Kiyoshi Kazuma

Etsuhisa Hirose

Hiroki Suda

Akio Aikawa

Yukio Toyama

Osamu Sakaki

Michio Kanazaki

INVESTOR INFORMATION

(As of June 27, 2008)

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Phone: +81-3-3262-5102
http://www.toa-const.co.jp/

International Division

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102-8451, Japan
Phone: +81-3-5226-1232
Facsimile: +81-3-5226-1234
E-mail: webmaster@toa-const.co.jp

Date of Incorporation

January 1920

Paid-In Capital

¥18,977 million (As of March 31, 2008)

Authorized Shares

600,000,000

Outstanding Shares

224,946,290 shares in 2007 (As of March 31, 2008)

Number of Shareholders

15,744 (As of March 31, 2008)

Number of Employees

1,638 (As of March 31, 2008)

General Meeting

The General Meeting of Shareholders
was held on June 27, 2008

Stock Listing

Tokyo Stock Exchange, 1st Section
Sapporo Securities Exchanges

Transfer Agent

Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-chome, Chuo-ku, Tokyo
103-8670, Japan

Auditor

Ernst & Young ShinNihon
Hibiya Kokusai Building
2-3, Uchisaiwai-cho 2 chome,
Chiyoda-ku, Tokyo 100-0011, Japan

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
Engineering Research and Development Center

Overseas NETWORK

Overseas Offices

SINGAPORE

Singapore Office
23, Pandan Crescent,
Republic of Singapore 128472
Phone: (65) 6775-5044~5049
Facsimile: (65) 6775-3542, 6775-0373

INDONESIA

Indonesia Office
10th Floor, Century Tower,
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PHILIPPINE

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Legaspi Village, Makati City 1229,
Republic of Philippines
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Facsimile: (63- 2) 816-3561

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Viet Nam Office
Suite 707, Hanoi Tung Shing Sq.,
2 Ngo Quyen, Hoan Kiem Dist.,
Hanoi, Socialist Republic of Viet Nam
Phone: (84-4) 826-2606
Facsimile: (84-4) 826-2628

MALAYSIA

Malaysia Office
6th Floor, Wisma Genting Jalan,
Sultan Ismail 50250, Kuala Lumpur
Malaysia
Phone: (60-3) 2166-5909
Facsimile: (60-3) 2166-5908

SRI LANKA

Sri Lanka Office
8/5 Pansalhena Road, Kolonnawa,
Democratic Socialist Republic of Sri Lanka
Phone: (94-1) 12572005
Facsimile: (94-1) 12572535

CARIBBEAN ISLANDS

Carib Office
P.O.Box 2330 OWIA St.Vincent
West Indies
Phone: (1-784) 4589612
Facsimile: (1-784) 4589612

U.A.E.

Dubai Office
G 17, Lob 1, Jebel Ali Free Zone,
Dubai, United Arab Emirates
Phone: (971-4) 8871953
Facsimile: (971-4) 8872054

EL SALVADOR

La Union Office
Condominio La Hacienda, 3 Calle
Poniente # 5B, Col. Escalon, San
Salvador, Republic of EL Salvador
Phone: (503) 22647764
Facsimile: (503) 22644415

Overseas Subsidiaries and Affiliates

TOA HARBOR (S) PTE., LTD.

23, Pandan Crescent,
Republic of Singapore 128472
Phone: (65) 6775-5044
Facsimile: (65) 6775-3542

TOA (M) SENDIRIAN BERHAD

6th Floor, Wisma Genting Jalan,
Sultan Ismail 50250,
Kuala Lumpur, Malaysia
Phone: (60-3) 2166-5909
Facsimile: (60-3) 2166-5908

P.T. TOA TIRTA DHARMA

10thFloor, Century Tower,
Jl. HR. Rasuna Said Kav,
X-2 Kuningan, Jakarta 12950,
Republic of Indonesia
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