

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