

# Semiannual Report

For the six months ended September 30, 2008



**TOA CORPORATION**

## Message from the President

During the six-month period ended September 30, 2008, Japan experienced sharp decline in economy due to convergence of long-term but gradual expansion in business, little progress in capital investment and personal consumption caused by steep rises in crude oil and raw materials, and confusion of global monetary markets.

In the construction industry, public investment in construction continued to reduce, private investment only had slight impact on construction confirmation application required by reversion of the construction standard, and as overall investment in construction has been decreasing, we still faced severe conditions with our management.

Based on the “Three-year Management Strategy” enforced since April 2007, Toa Corporation and its consolidated subsidiaries carried out to establish solid foundation in the first year, and reforming profit production system as a short-term strategy alongside with securing the stable management foundation as a medium-term strategy in the second year. These strategies were implemented to overcome severe market conditions in order to improve our operational results.

In these operational environments, the Company achieved consolidated net sales of ¥96,259 million and consolidated net loss of ¥917 million. Usually, sales of construction business, which is our major business core, are relatively lower in the first half of the fiscal year in comparison to those of latter half. In addition, as expenses to employees are constant, it becomes heavier in the first half than those of the latter half of the fiscal year.

### *Management Themes to be Tackled*

Parallel to the practice of “Three-year Management Strategy”, we will structuralize management system that copes with changing operational environments with speed and flexibility to upgrade management efficiency and cleanness. In addition, we will wrestle with consolidation of corporate governance by constantly practicing obedience of the law, social standards and corporate ethics.

The leading principle in management is to complete our social responsibility with our high level of technology, growing operations and sound management. Based on this, winning every competition and establishing reliability through our sincere operations, we will make sure not only to meet the trust and expectation from all our shareholders, but to improve and expand operational profits and corporate value stably.

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

December 2008

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

Yukio Suzuki  
President and Representative Director  
President and Chief Executive Officer

## Consolidated Balance Sheets

TOA CORPORATION and its consolidated subsidiaries  
As of September 30, 2008 and 2007

### ASSETS

	Millions of Japanese Yen 2008	Millions of Japanese Yen 2007	Thousands of U.S. Dollars 2008
<b>Current assets:</b>			
Cash and time deposits . . . . .	¥ 27,193	¥ 15,509	\$ 261,474
Notes and accounts receivable, trade . . . . .	61,048	63,547	587,002
Cost on contracts in progress . . . . .	13,689	41,819	131,627
Other current assets . . . . .	38,351	38,467	368,763
Allowance for doubtful accounts . . . . .	(1,033)	(1,190)	(9,942)
Total current assets . . . . .	<u>139,248</u>	<u>158,152</u>	<u>1,338,924</u>
<b>Investments and other assets . . . . .</b>	<b>16,621</b>	<b>23,853</b>	<b>159,818</b>
<b>Property, plant and equipment, at cost . . . . .</b>	<b>65,950</b>	<b>76,229</b>	<b>634,142</b>
Less accumulated depreciation . . . . .	(31,965)	(35,852)	(307,364)
Property, plant and equipment—net . . . . .	<u>33,985</u>	<u>40,377</u>	<u>326,778</u>
Total . . . . .	<u>¥189,854</u>	<u>¥222,382</u>	<u>\$1,825,520</u>

### LIABILITIES AND NET ASSETS

<b>Current liabilities:</b>			
Short-term borrowings . . . . .	¥ 24,181	¥ 23,718	\$ 232,510
Notes and accounts payable, trade . . . . .	56,441	66,401	542,705
Advances on contracts in progress . . . . .	12,640	29,154	121,536
Other current liabilities . . . . .	17,560	28,105	168,846
Total current liabilities . . . . .	<u>110,822</u>	<u>147,378</u>	<u>1,065,597</u>
<b>Long-term debt . . . . .</b>	<b>11,228</b>	<b>19,843</b>	<b>107,962</b>
<b>Reserve for retirement benefits . . . . .</b>	<b>2,032</b>	<b>2,972</b>	<b>19,543</b>
<b>Other long-term liabilities . . . . .</b>	<b>6,459</b>	<b>6,581</b>	<b>62,101</b>
Total liabilities . . . . .	<u>130,541</u>	<u>176,774</u>	<u>1,255,203</u>
<b>Net assets:</b>			
Shareholders' equity and valuation, translation adjustments and others . . . . .	58,021	44,345	557,895
Minority interests . . . . .	1,292	1,263	12,422
Total net assets . . . . .	<u>59,313</u>	<u>45,608</u>	<u>570,317</u>
Total . . . . .	<u>¥189,854</u>	<u>¥222,382</u>	<u>\$1,825,520</u>

## Consolidated Statements of Operations

TOA CORPORATION and its consolidated subsidiaries  
For the six months ended September 30, 2008 and 2007

	Millions of Japanese Yen 2008	Millions of Japanese Yen 2007	Thousands of U.S. Dollars 2008
<b>Net sales</b> .....	¥ 96,259	¥ 73,827	\$ 925,572
<b>Cost of sales</b> .....	91,360	69,331	878,467
Gross profit .....	4,899	4,496	47,105
<b>Selling, general and administrative expenses</b> ...	5,692	5,278	54,738
Operating loss .....	(793)	(782)	(7,633)
<b>Other income (expenses):</b>			
Interest and dividends income .....	389	420	3,746
Interest expenses .....	(414)	(607)	(3,985)
Gain on sale of marketable securities and investment securities .....	132	—	1,271
Loss on disposal of fixed assets .....	(145)	—	(1,399)
Write-down of marketable securities and investment securities .....	—	(7)	—
Write-down of real estate for sale .....	—	(1,648)	—
Other, net .....	(385)	248	(3,700)
	(423)	(1,594)	(4,067)
<b>Income (loss) before income taxes and minority interests</b> .....	(1,216)	(2,376)	(11,700)
<b>Income taxes:</b>			
Current .....	242	351	2,326
Deferred .....	(557)	241	(5,357)
<b>Minority interests</b> .....	16	40	151
<b>Net income (loss)</b> .....	¥917	(¥3,008)	(\$8,820)
<b>Per share data:</b>	Japanese Yen	Japanese Yen	U.S. Dollars
Net income (loss) .....	(¥4.18)	(¥13.54)	(\$0.04)
Net assets .....	¥269.47	¥199.64	\$2.591

Note: U.S. dollar amounts are given solely for convenience and are translated at the rate of  
¥104.00 = US\$1, the approximate effective rate of exchange at September 30, 2008.

# Consolidated Statements of Changes in Net Assets (1)

For the six months ended September 30, 2008

(Millions of Japanese Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
<b>Balance at the end of previous period</b> . . . . .	¥ 18,977	¥ 18,079	¥ 21,807	(¥ 462)	¥ 58,401
<b>Changes of items during the period:</b>					
Net income (loss) . . . . .			(917)		(917)
Purchases of treasury stock . . . . .				(837)	(837)
Equity change in consolidated subsidiaries . . . . .		0			
Revaluation of land . . . . .			(148)		(148)
Net changes of items other than shareholders' equity . . . . .					—
Total . . . . .	<u>—</u>	<u>0</u>	<u>(1,065)</u>	<u>(837)</u>	<u>(1,902)</u>
<b>Balance at the end of the current period</b> . . . . .	<u>¥ 18,977</u>	<u>¥ 18,079</u>	<u>¥ 20,742</u>	<u>(¥ 1,299)</u>	<u>¥ 56,499</u>

(Thousands of U.S. Dollars)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
<b>Balance at the end of previous period</b> . . . . .	\$182,468	\$173,839	\$209,687	(\$4,446)	\$561,548
<b>Changes of items during the period:</b>					
Net income (loss) . . . . .			(8,820)		(8,820)
Purchases of treasury stock . . . . .				(8,047)	(8,047)
Equity change in consolidated subsidiaries . . . . .		0			
Revaluation of land . . . . .			(1,418)		(1,418)
Net changes of items other than shareholders' equity . . . . .					—
Total . . . . .	<u>—</u>	<u>0</u>	<u>(10,238)</u>	<u>(8,047)</u>	<u>(18,285)</u>
<b>Balance at the end of the current period</b> . . . . .	<u>\$182,468</u>	<u>\$173,839</u>	<u>\$199,449</u>	<u>(\$12,493)</u>	<u>\$543,263</u>

## Consolidated Statements of Changes in Net Assets (2)

For the six months ended September 30, 2008

(Millions of Japanese Yen)

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gains on other marketable securities	Deferred gains or loss on hedges	Revaluation of land	Total Valuation and translation adjustments		
<b>Balance at the end of previous period</b> . . . . .	¥ 860	(¥128)	¥1,150	¥ 1,882	¥ 1,287	¥ 61,570
<b>Changes of items during the period:</b>						
Net income (loss) . . . . .						(917)
Purchases of treasury stock . . . . .						(837)
Equity change in consolidated subsidiaries . . . . .						
Revaluation of land . . . . .						(148)
Net changes of items other than shareholders' equity . . . . .	(570)	62	148	(360)	5	(355)
Total . . . . .	(570)	62	148	(360)	5	(2,257)
<b>Balance at the end of the current period</b> . . . . .	¥ 290	(¥66)	¥1,298	¥ 1,522	¥ 1,292	¥ 59,313

(Thousands of U.S. Dollars)

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gains on other marketable securities	Deferred gains or loss on hedges	Revaluation of land	Total Valuation and translation adjustments		
<b>Balance at the end of previous period</b> . . . . .	\$ 8,274	(\$1,234)	\$11,060	\$ 18,100	\$12,378	\$592,026
<b>Changes of items during the period:</b>						
Net income (loss) . . . . .						(8,820)
Purchases of treasury stock . . . . .						(8,047)
Equity change in consolidated subsidiaries . . . . .						
Revaluation of land . . . . .						(1,418)
Net changes of items other than shareholders' equity . . . . .	(5,477)	591	1,418	(3,468)	44	(3,424)
Total . . . . .	(5,477)	591	1,418	(3,468)	44	(21,709)
<b>Balance at the end of the current period</b> . . . . .	\$ 2,797	(\$643)	\$12,478	\$ 14,632	\$12,422	\$570,317

## Consolidated Statements of Cash Flows

TOA CORPORATION and its consolidated subsidiaries  
For the six months ended September 30, 2008 and 2007

	Millions of Japanese Yen 2008	Millions of Japanese Yen 2007	Thousands of U.S. Dollars 2008
<b>Cash flows from operating activities:</b>			
Loss before income taxes and minority interests . . . . .	(¥1,216)	(¥2,376)	(\$11,700)
<b>Adjustment to reconcile net income (loss) to net cash provided by operating activities:</b>			
Depreciation and amortization . . . . .	1,591	1,166	15,302
Provision for allowance for doubtful accounts . . . . .	189	(161)	1,819
Write-down of marketable securities and investment securities . . . . .	34	7	336
Write-down of real estate for sale and other . . . . .	—	1,648	—
<b>Changes in:</b>			
Notes and accounts receivables, trade . . . . .	17,714	13,315	170,326
Inventories, principally real estate for sale . . . . .	398	800	3,829
Cost on contracts in progress . . . . .	1,420	(25,424)	13,660
Notes and accounts payables, trade . . . . .	(416)	2,445	(4,004)
Advances on contracts in progress . . . . .	(3,854)	14,238	(37,060)
Income taxes paid . . . . .	(550)	(356)	(5,297)
Other, net . . . . .	(10,026)	(2,030)	(96,396)
<i>Net cash provided by / (used in) operating activities</i> . . . . .	<u>¥ 5,284</u>	<u>¥ 3,272</u>	<u>\$ 50,815</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of marketable and investment securities . . . . .	¥ 1,132	¥ 26	\$ 10,888
Acquisition of P.P. & E . . . . .	(1,361)	(836)	(13,093)
Acquisition of marketable and investment securities . . . . .	(30)	(42)	(296)
Proceeds from sale or disposal of P.P. & E . . . . .	91	3,629	884
Other, net . . . . .	(426)	(240)	(4,096)
<i>Net cash provided by / (used in) investing activities</i> . . . . .	<u>(¥594)</u>	<u>¥ 2,537</u>	<u>(\$5,713)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from long-term debt . . . . .	100	—	962
Repayment of long-term debt . . . . .	(4,811)	(5,758)	(46,264)
Purchases of treasury stock . . . . .	(837)	—	(8,039)
Net decrease in short-term borrowing . . . . .	(404)	(5,772)	(3,885)
Other, net . . . . .	(3)	(4)	(29)
<i>Net cash provided by / (used in) financing activities</i> . . . . .	<u>(¥5,955)</u>	<u>(¥13,534)</u>	<u>(\$57,255)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b> . . . . .	(¥64)	(¥6)	(\$621)
<b>Net increase (decrease) in cash and cash equivalents</b> . . . . .	(1,328)	(7,731)	(12,774)
<b>Cash and cash equivalents at beginning of year</b> . . . . .	28,363	23,072	272,725
<b>Cash and cash equivalents at end of year</b> . . . . .	<u>¥ 27,034</u>	<u>¥ 15,341</u>	<u>\$ 259,951</u>



# Corporate Data

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## Stock Listing

Tokyo Stock Exchange, 1st section  
Sapporo Securities Exchange

## Share Transfer

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