

Market Overview and Financial Results for Fiscal Year 2008

Having encountered the global recession and financial crisis, the Japanese economy took a sharp downturn for fiscal year 2008 ending March 31, 2009, with decline in industrial outputs, loss of exports, increase in unemployment, and weak consumption. In these severe economic climates, the Japanese construction industry had to face harsh realities such as depressed private-sector construction investments, continuously declining public-sector construction investments, and increased bad credits from the defaulting customers.

Under such challenging market conditions, TOA Corporation and its consolidated subsidiaries faithfully pursued their business strategies incorporated in the “Mid-term Business Plan” for fiscal years 2007-2009 which is outlined here-in-after, and recorded the following financial results for fiscal year 2008.

- Consolidated sales decreased 3.7% year on year to ¥205,978 million. Sales amounts by business segments were ¥200,204 million in construction works, a decline of 3.7%, ¥1,645 million in real estate business, a decline of 23.5%, and ¥4,128 million in other businesses, an increase of 6.8%. Geographically, domestic sales amounted to ¥159,095 million, a decline of 13.8%, and overseas sales ¥46,882 million, an increase of 59.7%.
- Consolidated operating income decreased 2.3% to ¥3,658 million, while net ordinary income increased 4.5% to ¥2,442 million, as interest expenses decreased.
- Consolidated net profit amounted to ¥1,075 million, a decline of 92.9% due to the sharp increase of extraordinary profit for fiscal year 2007 to ¥32,520 million realized by sale of fixed assets of the Head Office.
- Consolidated construction orders decreased 4.4% year

on year to ¥162.6 billion.

- Non-consolidated construction orders decreased 2.3% to ¥151.1 billion. While non-consolidated orders from the domestic public-sector increased 48.3%, orders from the domestic private-sector and overseas markets decreased 27.3% and 22.5%, respectively.

Mid-term Business Plan

In 2007, TOA Corporation structured a new mid-term business plan for fiscal years 2007-2009 which aims at restoring a steady business foundation in order to weather the volatile market conditions. The basic principles and goals incorporated in this plan are:

- ① To establish a solid profit base resilient and sustainable against the volatile business environment,
- ② To enhance efficiency and transparency in management, and
- ③ To strategically emphasize on profit-oriented operations rather than scale-oriented ones.

Outlook and Business Strategies for Fiscal Year 2009

As the economy is expected to remain sluggish worldwide for a while, we foresee the construction market becomes more competitive both domestically and internationally. In order to stride over the upcoming difficulties, TOA elaborates and vigorously carries out the following business strategies for fiscal year 2009;

- Fully deploying our technical and engineering talents in order to steadily win public-sector contracts tendered through the comprehensive evaluation bidding process or offered as PFI projects.
- Promoting relationships with private-sector organizations in order to widen our customer base as well as tighten bonds with existing ones by taking cross-organizational approach with greater collaboration among the headquarters and the relevant branches and departments.



- Emphasizing profit-oriented approach in business operations coupled with proper management of risks expected in the course of operations.
- Developing or improving technologies and construction methods to properly meet the diversified demands and requirements of the current and prospective customers.
- Introducing a new education program in order to cultivate skillful and creative young talents who are expected to assimilate knowledge and experience accumulated for generations within the company and play active roles in various business fields.

Fulfilling Corporate Social Responsibilities

TOA believes that a private enterprise should live together with the society by continuously fulfilling corporate social responsibilities and enhancing welfare and prosperity of people and communities. In this regard, TOA initiates an integrated CSR program to commit ourselves into legal compliance, business ethics, internal control, health and safety at work, business continuation program, environmental sustainability, regional contributions, proper public relations, and other socially growing concerns.

Commitment to Shareholders

TOA devotes itself to the satisfaction of the shareholders and prospective investors by providing stable annual dividends as well as internally reserving proper amount of profits for sustainable growth in the future. Taking account of our financial and income statements for fiscal year 2008, we determined to resume the end-year dividends of ¥2.00 per share after two consecutive fiscal years with no dividends provided.

TOA will continue doing everything in our power to enhance corporate value and fulfill corporate social



responsibilities and to earn the continued confidence of all stakeholders surrounding us.

We look forward to the full support and continued cooperation from all our shareholders.

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Yukio Suzuki
President, Representative Director