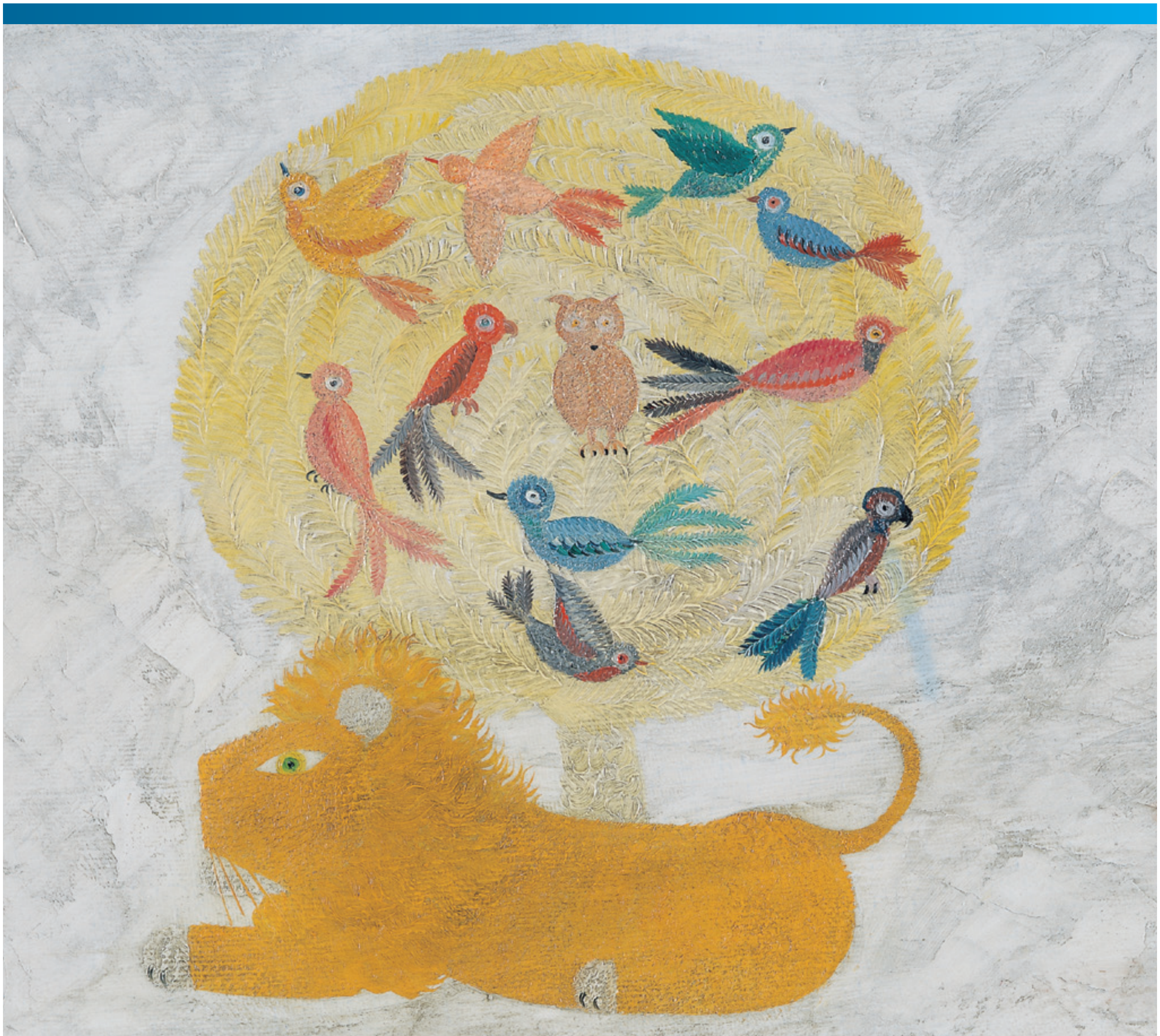
# Annual Report 2010

**For the fiscal year ended March 31. 2010**



TOA CORPORATION

# Corporate profile

TOA Corporation is one of the largest multinational construction and engineering companies in Japan. Founded in 1908 to enter into the business of developing port facilities and adjacent industrial lands by dredging and reclaiming the shallow waters in Tokyo Bay, TOA has been in the forefront of coastal and maritime construction and engineering for more than 100 years.

As the postwar Japanese economy rapidly grew, TOA expanded its business fields into on-land infrastructure works, architectural works, and international operations. To meet the growing demands of modern society, TOA also develops technologies and expertise for environmental sustainability, life cycle management of social assets, disaster prevention, and PFI projects.

On April 1, 2009, TOA established its headquarters in Tokyo, under which twelve domestic branches, nine offshore offices, eight consolidated subsidiaries, nine non-consolidated subsidiaries, and twelve affiliate companies have been actively involved in construction and other related businesses.

## CONTENTS



## Corporate Philosophy and Management Principles

Under its corporate philosophy, TOA Corporation strives for prosperity with advanced technologies and expertise, and fulfills its social responsibilities through steady and sound management.

Furthermore, TOA bases its management policies on the following three principles:

1) To maintain competitiveness through thorough corporate planning.
2) To gain the long-term confidence of clients and society through careful and conscientious work practices.
3) To enhance the personal competence of our staff and maximize the power of our organization.

## TOA Corporation Group's Code of Conduct

In order to dedicate ourselves to enhancing prosperity, good health, and sustainability of society, TOA Corporation established "TOA Corporation Group's Code of Conduct" in 2006.

As a corporate citizen, the entire TOA Corporation Group strictly follows the rules and principles set forth herein, which, we believe, helps us earn the respect and confidence of our valued customers and the public.

1) Provide high quality construction and services.
2) Comply thoroughly and completely with laws and social ethics.
3) Promote fair and transparent competition.
4) Reject all contact with antisocial activists and organizations.
5) Disclose corporate information in a timely and reliable manner.
6) Harmonize with and contribute to local communities.
7) Engage in environmental issues in an active and positive manner.
8) Enhance the quality of the working environment and the lives of the employees.
9) Harmonize with and contribute to the entire world.
10) Promote management's commitment to implement the Code and establish an effective self-monitoring mechanism.

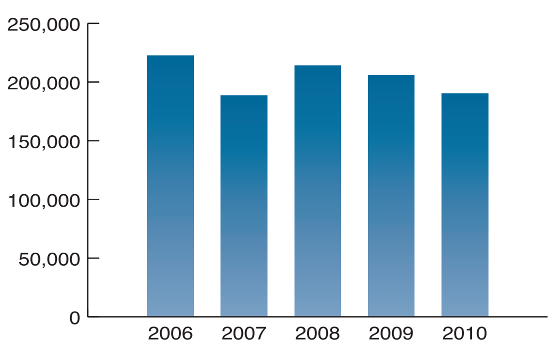
# Financial Highlights

TOA CORPORATION and its consolidated subsidiaries
Years ended March 31

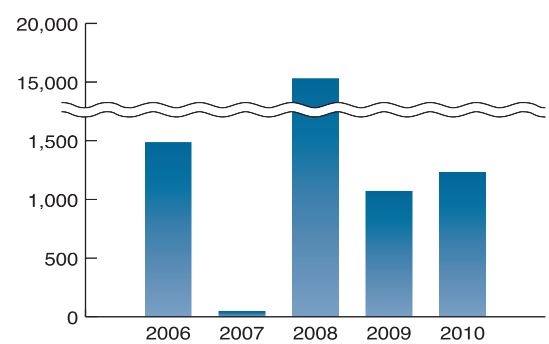
| | Millions of Japanese Yen | | | | Thousands of U.S. Dollars (Note) |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2010 |
| | Consolidated | | | | |
| **For the year:** | | | | | |
| Net sales | ¥ 188,573 | ¥ 213,825 | ¥ 205,979 | ¥ 190,301 | $ 2,046,249 |
| Income before income taxes and minority interests | 1,131 | 27,933 | 1,660 | 2,393 | 25,731 |
| Net income | 28 | 15,247 | 1,075 | 1,233 | 13,253 |
| **At year-end:** | | | | | |
| Total assets | 221,855 | 200,943 | 192,351 | 194,913 | 2,095,844 |
| Net assets | 48,766 | 61,571 | 59,452 | 60,872 | 654,551 |
| Property, plant and equipment-net | 43,651 | 34,683 | 34,056 | 32,844 | 353,168 |
| **Per share of common stock:** | Yen | | | | U.S. Dollars |
| Net income | ¥ 0.13 | ¥ 68.64 | ¥ 5.01 | ¥ 5.90 | $ 0.063 |
| Cash dividends | 0.00 | 0.00 | 2.00 | 2.00 | 0.022 |
| Net assets | 212.99 | 271.39 | 279.79 | 285.90 | 3.074 |

Note: The amount in U.S. dollars was converted at the rate of ¥93=US$1, the effective rate at March 31, 2010.

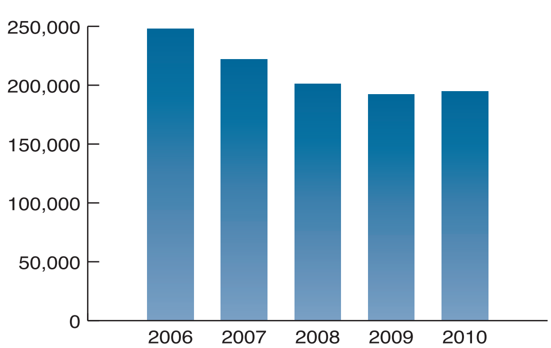
**Net sales**
(Unit: Millions of Yen)



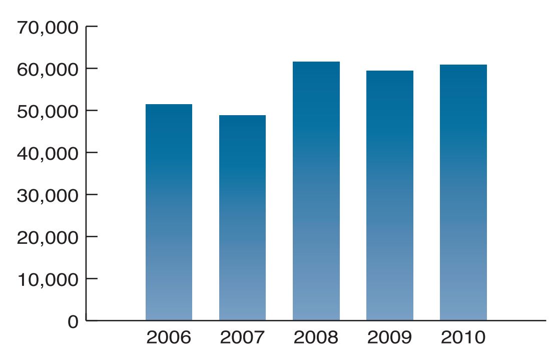

**Net income**
(Unit: Millions of Yen)




**Total assets**
(Unit: Millions of Yen)




**Net assets**
(Unit: Millions of Yen)



# Message from the President

Japan's economy for the fiscal year ending March 31, 2010 continued to suffer from a deflationary recession and serious conditions in employment and income, in spite of the slight recovery in export industries owing to favorable growth in new developing countries and the decrease in yen-appreciation. In the domestic construction industry, a supplementary budget to support consolidation of infrastructures was established, resulting in an increase in public investment, although some public projects had to be suspended. In the private sector, the decline in investments in construction showed signs of bottoming out, but the business environment for the construction industry remained extremely harsh due to intense price competition. Under these challenging market conditions, TOA Corporation and its consolidated subsidiaries faithfully pursued their business strategies incorporated in the "Mid-term Business Plan," and established the management foundation to cope with the severe market environment by strengthening the system for the comprehensive evaluation bidding process and the PFI method, as well as improving its financial constitution by maximizing the reduction level in expenses and debt with interest. As a result, consolidated net sales amounted to ¥190,301 million, a decrease of 7.6% from the previous fiscal year. Operating income increased by 9.3% over the previous fiscal year, amounting to ¥4,000 million, due to improvements in project profitability. Net income increased by 14.6% compared with the previous fiscal year, amounting to ¥1,233 million. New orders received for the construction segment on a consolidated basis amounted to ¥148,800 million, a decrease of 8.5% from the previous fiscal year. This was due to the decline in orders for civil engineering and building works in the domestic market that offset an increase in overseas works.

On the other hand, new orders received for the construction segment on a non-consolidated basis decreased by 8.1% from the previous fiscal year, amounting to ¥134,300 million, while orders from the domestic sector decreased by 17.5%, amounting to ¥101,400 million, and orders from the overseas markets increased by 42.3%, amounting to ¥32,800 million.

## Outlook for Fiscal year 2010

Japan's economy for the future is expected to recover gradually under the gentle growth of the world economy. However, recovery in corporate income requires a certain amount of time because of continued restraints in investments in plant and equipment, and employment adjustment. In the domestic market, a sharp decline in public investment is forecast, even if large-scale projects are taken into consideration. Housing investment is forecast to shrink in terms of units. Thus, the environment surrounding our management is expected to become uncertain. TOA is celebrating the beginning of the second century of its establishment and is striving to achieve sustainable growth. In order to make strides in overcoming the upcoming difficulties, TOA is putting every possible effort into securing new orders and increasing profits through the comprehensive bidding process, as well as other important operational strategies.

## Commitment to Shareholders

TOA devotes itself to satisfying the shareholders and prospective investors by providing stable annual dividends and returning profits based on the results of its operations, as well as internally reserving a proper amount of profits for sustainable growth in the future. Taking into account the income statement for the 2009 fiscal year, it was determined that we would resume the year-end dividends of ¥2 per share.

## Management Strategies

(1) Basic Principles in the Management

We are committed to our basic corporate principle "With its high level of technology, the Company strives to accomplish its social responsibility by expanding its business operations and building sound management to expand our activities." This will be achieved by successfully competing in a broad range of areas through steady planned management, establishing reliable relationships based on sincere, honest business practices, and responding to the requirements of customers.

(2) Mid-term Management strategies

The strategies we will strive to implement are:

a) To boost competitiveness and profitability in downsizing markets

b) To enhance the satisfaction of customers and to win their trust

c) To evolve into a global enterprise

d) To establish a strong management constitution

By carrying out these management strategies, we are confident that we will be able to remain flexible amidst a severe business environment, make social contributions through our fully integrated CSR programs, contribute to environmental protection and other increasingly serious social concerns, and continue to grow to become a global company.

We look forward to the continued full support and cooperation of all our shareholders, customers, and local communities.

M. Matsuo

**Masaomi Matsuo**
President and Representative Director

# MARINE CIVIL ENGINEERING
## Operations

Since its foundation in 1908, TOA has engaged in reclamation and marine construction works through various projects all over the world. Among them are reclamation works for industrial areas and offshore airports; port and harbor facilities, such as wharves and breakwaters; transportation facilities, such as coastal roads and bridges; and recreational facilities, such as marinas.

In order to complete those projects safely and successfully, TOA has developed various construction methods, working vessels, and equipment to overcome severe natural conditions on and under the sea. In addition, as lifecycle management of infrastructures, environmental sustainability, and protection from natural disasters are becoming of greater concern to society, TOA has developed new technologies for renewal and reinforcement of structures, environmental assessment and pollution control, sub-surface and sub-ground survey, disaster prevention, and so on.

With these work achievements, advanced technologies and accumulated expertise, TOA has earned a reputation for more than a century as a reliable contractor of maritime construction and engineering. TOA will make all possible efforts to improve technologies and cultivate human resources in order to respond to growing engineering requirements and emerging concerns, and strive for the prosperity of society and sustainability of the natural environment.

### Chubu Centrair International Airport

Chubu Centrair International Airport, inaugurated on February 7, 2005, is a first class airport with a 3,500m runway. It is designed to be the main international gateway to the Chubu (central) region of Japan. In order to be 24-hour operational, the airport is located in Ise Bay, 1.1km offshore of Tokoname City, Aichi Prefecture, to prevent disturbing local communities with airplane noise.

Throughout the construction of the 470ha artificial island, which commenced in November 2001, "Plug Magic" and "COS-NET," two of TOA's advanced technologies (see page 12 for details), played critical roles in building the 12km-long enclosing seawalls and reclaiming 56,000,000m$^3$ of soil and earth in an economical, timely, safe, and environmentally-friendly manner. "Plug Magic" recycled the soft clayey material coming from dredging operations of navigational channels in Ise Bay into construction material suitable for reclamation, and saved 8,630,000m$^3$ of soil from having to be transported from on-land sources in the vicinity. "COS-NET" was adopted by contractors involved in the projects as a common system to monitor and control working vessels, and ensure their smooth and safe navigation around the working area.

TOA's "Plug Magic" dredging method
(see page 12 for details) was adopted in order
to maximize the recycling of dredged soft materials

## Kansai International Airport 2nd Stage

Kansai International Airport 2nd Stage was to reclaim a new artificial 545ha island in the sea 200m off the existing island. The island was to have an average thickness of 19.5m and have a 4,000m-long runway parallel to the existing one, access ways between the two islands, and other related facilities. Development of the second island required the construction of a 13km-long seawall, reclamation of 250,000,000m$^3$ of soil, and improvement of the 20m-26m thick alluvial clay layer under the seabed. Work commenced in August 1999 and was completed in October 2005.

TOA devoted its rich experience and advanced technologies to carry out this super-scale project in a timely, top-quality, environmentally-friendly manner. Among these technologies were the "Beluga Surveying System," for accurate and speedy survey of the seabed formation (see page 12 for details), and the all-terrain GPS-positioning surveying buggy, for surveying wide and bumpy landforms.

## Second Expansion Project in Tokyo International Airport

This project, carried out from 2005 to 2010, comprised the consolidation of D runway, cargo terminal, and apron. The consolidation of the D runway is aimed at expanding the capacity for arrivals and departures from the present 296,000 to 407,000 times annually by constructing a fourth runway. Completion of this project will make it possible to resolve constraints on the capacity for arrivals and departures, as well as upgrade conveniences for passengers from various routes, and secure future expansion of operations of domestic and international routes.

D runway, designed to handle the latest type of large-body aircraft, is 2,500 meters in length, 60 meters in width, and 13 to 17 meters above sea level. It has a hybrid structure that employs a newly-developed pier constitution. TOA is engaged in the construction of Section IV of the seawall reclamation works and the section for the joint part of the seawall-pier.

# MARINE CIVIL ENGINEERING

## Operations

### Sakhalin II LNG Project in the Russian Far East

Provided by Sakhalin Energy

The Russian Government invited foreign investments to develop the natural gas and oil fields offshore of Sakhalin Island in the Russian Far East in the Sea of Okhotsk. For the Sakhalin II project, TOA was awarded contracts in 2003 to construct a LNG loading facility for natural gas processing, a liquefying plant, the foundations for the oil export terminal, and to provide ready-mixed for the entire project.

TOA overcame various difficulties that hampered the smooth execution of the construction work, such as the severe weather conditions that prevented offshore work throughout the winter and oftentimes other seasons as well, the strict environmental regulations to protect fish, other marine creatures, and their habitats around the worksite, and completed the project in 2008 on schedule.

### Cai Mep International Container Terminal in Southern Vietnam

In 2008, a joint venture in which TOA Corporation acted as the representative partner of TOYO Construction Co., Ltd. received a new order from the government of Vietnam to construct the Cai Mep International Container Terminal. This project is being funded by an aid-loan of Japan's ODA program. The new container terminal is located at the estuary of the Thi Vai Cai Mep River, approximately 50km south of Ho Chi Minh City. It will have a 600m-long, 14m-deep quay capable of accommodating two 80,000DWT-class container ships at a time, and a 38ha container yard with a handling capacity of 600,000TEU to 700,000TEU of containers per year.

In the tender process, TOA's work achievements and advanced technologies for soil improvement works were highly regarded because the terminal was to be constructed over thick layers of very soft alluvial clay.

### Pasir Panjang Container Terminal in Singapore

The Port of Singapore, which is connected to 600 ports in 123 countries, is one of the largest container hub ports in the world. The Pasir Panjang Container Terminal, located in the southwest part of Singapore Island, will have a total of 26 berths at the completion of Phase I and II of the project. All container berths have been designed to have a depth of 15 meters and be equipped with gantry cranes capable of reaching out across 18 rows of containers, making it possible to accommodate Post-Panamax class container ships.

Since 2005, TOA Corporation has been awarded 6 separate contracts to construct 14 container berths with a total quay length of 4,330 meters and a carry ferry terminal. The last 4 berths, with a total quay length of 1,300 meters, were completed n October 2009.

# Newly Completed Project

## Saigon Premier Container Terminal

The terminal, located in the longest harbor constructed in Ho Chi Minh City in the Socialist Republic of Vietnam, was completed in December 2009. The facility has a 500-meter wharf and 23-ha container yard with a capacity of 16,000TEU, enabling it to handle 930,000TEU of containers a year. TOA was engaged in dredging work of 985,000m$^3$, construction work for a 500-meter pier-seawall, and pavement work for a container yard covering 23ha. With regard to the construction, TOA applied its original technology for soil improvement, such as the CDM (Cement Deep Mixing) method and PVD (Plastic Vertical Drain) method, earning high praise from the client.

## Minami-Honmoku Container Terminal

In order to become an international port capable of handling giant container ships, container terminals with a depth of 20 meters, the deepest in Japan, were constructed. During the year under review, TOA manufactured and installed the Steel Sheet Structure Cellular to construct the 20-meter deep quay wall that currently extends to 400 meters.

The Steel Sheet Structure Cellular is the world's largest, measuring 32 meters in height and 24.5 meters in diameter.

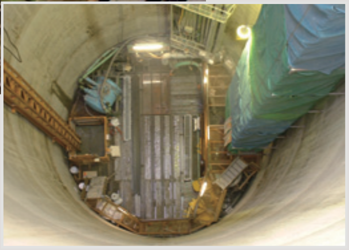
Project owner: The Ministry of Land, Infrastructure, and Transportation of Japan.

# ON-LAND CIVIL ENGINEERING

## Operations

With a century-long history as a highly-reputed, reliable contractor in marine construction and engineering, TOA also has accumulated experience and expertise in on-land civil engineering through the completion of various projects. Among the projects are roads, bridges, railways, tunnels, water dams, river dikes and water gates, water supply and drainage systems, sewage collection and treatment facilities, land development, and environmental mitigation and rehabilitation programs.
In each and every project, TOA has devoted all of its capabilities to faithfully execute its duties and responsibilities as a contractor, enhancing TOA's reputation as one of the most trustworthy contractors in Japan.

### Shibakawa Aqua-duct Shield Tunnel



The Shibakawa River, which flows through the Tokyo bed town of Saitama City, suffered from deteriorating water quality due to increases in domestic sewage from the growing population in its basin. As the channel slope of the Shibakawa River was too gentle for its natural flow to cope with the pollutants in the sewage, a plan was drawn up to build the Shibakawa Aqua-duct to introduce clean water from the Arakawa River, which flows west of the Shibakwa basin.
In 1999, TOA was awarded a contract to construct a shield tunnel having a total length of 2,330m and an inner diameter of 1,650mm to connect the two rivers. One of the key requirements of the contract was to recycle the shield sludge in order to minimize the adverse impact on the environment caused by the construction by-products. TOA's technical team properly responded to the requirement by developing an effective and efficient processing plant to process 5,300m$^3$ of soft and clayey shield sludge into a construction material with characteristics suitable for river embankment construction.

### 2nd Magsaysay Bridge and Butuan City Bypass Road in Mindanao, Republic of the Philippines

In the Republic of the Philippines, the road network bears 90% of the passenger traffic and 50% of the cargo transportation, but many roads in various areas are unpaved or too narrow to keep up with the growing volume of traffic. Funded by an aid-loan from Japan's ODA program, the Philippine Government planned a bypass road in Butuan City to improve traffic conditions and bolster the economy in the northeastern region of Mindanao Island.
In 2005, the Department of Public Works and Highways of the Philippines awarded a contract to a joint venture of TOA and Nippon Steel Corporation to build the 2nd Magsaysay Bridge, a steel cable-stayed bridge with a total length of 882m, a two-lane bypass road with a total length of 8.1km, and two link roads with a length of 1.33km and 2.9km respectively to connect the bypass road with the existing main road. For this project, TOA took part in constructing the single main pylon made of reinforced concrete, the foundations to support the bridge superstructure, and all civil works for the road section.

## Rehabilitation of Sewage Drainage System in Chiyoda Ward, Tokyo

As the sewerage network in downtown Tokyo, which was constructed nearly one century ago, has become obsolete both physically and functionally, the Tokyo Metropolitan Government started a project to rehabilitate the sewage drainage network through reconstruction and refurbishment. In 2000, TOA was awarded a contract to reconstruct the drainage system for surface runoff in Chiyoda ward. Although the construction site was along narrow streets with heavy traffic and a dense concentration of buildings, TOA's highly-qualified engineers dealt with various difficulties in the course of construction, and utilized the shield tunnel method to complete the drainage system, which measured 2,058m in length with an inner diameter of 2.200mm, on schedule without any accidents.

## Emergency Restoration Works of Seisho Bypass Toll Road, Kanagawa Prefecture

In September 2007, a typhoon washed away the shoreline retaining walls of the Seisho Bypass, a four-lane toll road running along the coastline of Sagami Bay in the western region of Kanagawa Prefecture. As its closure caused severe congestion on the local roads, the road administrator, Central Nippon Expressway Co., Ltd., gave TOA an emergency order to restore the damaged structures and reopen the road as soon as possible. TOA devoted all of its expertise and capabilities in marine engineering to provisionally reinforce the damaged structures, and tentatively reopened the bypass road after only 20 days. This was appreciated so much by the road administrator and the local communities that TOA was continuously engaged in the restoration work, mostly executing the work from the sea-side using various working vessels, and completing the repairs to make all four lanes traversable in April 2008.

## Denpasar Sewerage Development Project in Indonesia

Denpasar, the provincial capital of Bali and a world-famous tourist destination, had a serious problem as its sewerage system had become incapable of treating the growing volume of sewage discharged by local residents and tourists. In order to protect Bali's rich natural environment, the Denpasar Sewerage Development Project was established. In 2005, TOA was awarded a contract to construct a sewage treatment plant and lay a total of 47km of sewage drainage pipes under the busy streets of Denpasar. Introducing for the first time in Indonesia a method called the pipe-jacking method, which thrusts forward reinforced concrete pipes one after another using hydraulic jacks from the tail-end, TOA completed the project in 2007 with minimal inconvenience to road traffic and the local communities.

## O Mon Thermal Power Plant Project in Vietnam

The O Mon Thermal Power Plant in Can Tho, the biggest city in the Mekong Delta, was envisioned to generate 330MW of power to solve the growing shortage of electric power in Vietnam. As the full turn-key contractor of the project, TOA took charge of all civil and architectural works, and completed the project in 2009. TOA's expertise in geotechnical engineering was especially valuable as the soft alluvial clay layers under the plant site had to be improved to construct solid foundations.

Construction summary: soil improvement work using the Cement Deep Mixing (CDM) method; pile driving works with 6,000 poles measuring 45m each; concrete works with a total volume of 100,000m$^3$; building of a power generation facility, an administration building, and a central control building; foundation works for water treatment and other facilities; construction of a 140m-high chimney, 3 piers, water-intake facilities, and roads.

# ARCHITECTURAL BUILDING WORKS
## Operations

In 1973, TOA established the Building Department and became a full-fledged general contractor. Since the, TOA has accumulated experience and earned a reputation as a reliable and quality builder by completing various projects, including educational facilities, such as schools; cultural and recreational facilities, such as gymnasiums and sports centers; medical and welfare facilities, such as hospitals and nursing care facilities for the elderly; commercial buildings, such as offices, shopping malls, and hotels; industrial buildings, such as factories, power plants, and warehouses; and residential buildings.
In response to the social demands in this modern era, TOA has developed new technologies, such as roof gardening, and energy-saving designs for environmental sustainability, earthquake-proof mechanisms for disaster prevention, and HACCP food processing systems for food safety.

### Phu My Power Plant Phase I in Vietnam

Hoping to attract a steady inflow of foreign investments, the Vietnamese Government needed to solve the shortage of electric power, and designated the Phu My district, 80km southeast of Ho Chi Minh City, as the location to develop a new electric power complex. In 1998, with funding from an aid-loan from the Japanese Government, Vietnam Electricity gave a full turn-key contract to Mitsubishi Heavy Industries Co., Ltd. to build the Phu My Power Plant, Phase I, comprising four generation units capable of generating a total of 1,000MW. As a nominated contractor, TOA took charge of all civil and building works for the project. The TOA members selected for the project fully displayed a high level of skill and expertise in completing various architectural works, including a turbine-housing building, control and administration buildings, warehouses, and other utility buildings, in addition to civil engineering works, such as a coal unloading jetty and cooling water intake and discharge facilities, completing all works on schedule and providing great satisfaction to the client.

### Kawaminami Town Cultural Hall, Kawaminami Town, Miyazaki Prefecture

Kawaminami Town, located in Miyazaki Prefecture on Kyushu Island, planned to construct a cultural complex composed of a multipurpose hall seating 650 people, a library, seminar room, and auxiliary facilities with a total floor area of 6,613m$^2$ on a lot covering 10,740m$^2$. Construction commenced in 1997 and was completed in 1999. The exterior design of the main hall, which combined a circular truncated cone and stacked horseshoe shapes, was aimed at symbolizing ancient burial mounds preserved for generations by the local communities. The entire design used various geometric shapes interwoven with each other, blending in harmony with the topographical features and the rich natural environment of the town. TOA devoted its accumulated expertise to complete the project in an environmentally-friendly and safe manner.

## Anzen-cho Distribution Center

TOA has been engaged in a variety of land development projects at coastal districts in Japan. The Company has, in particular, made contributions to advancing the development of coastal areas in Tokyo Bay. Anzen-cho, the birthplace of the Company, is located in this area and was developed by the Company's founder, Souichiro Asano.

The area plays a key role in logistics, with its large-scale warehouses and distribution centers. To cope with demand arising from a highly-commercialized society, TOA has constructed many buildings with systems that can be integrated with safety and ecological considerations, and seismic isolation systems to cope with large-scale earthquakes.

## Kaolack Central Fish Market in Senegal

In 2003, TOA was awarded a contract by the Government of the Republic of Senegal to construct a new, modern fish market in Kaolack City, located approximately 200km southeast of Dakar. Funded by Japan's ODA loan program, the project included the construction of a market building with 1,936m$^2$ of floorspace, an 811m$^2$ ice plant building, a refrigeration system, an ice production plant, a sewage treatment system, and other auxiliary utilities. TOA carried out the project safely and in harmony with the local communities and the rich natural environment, providing excellent quality in completing all works in 2005 on schedule.

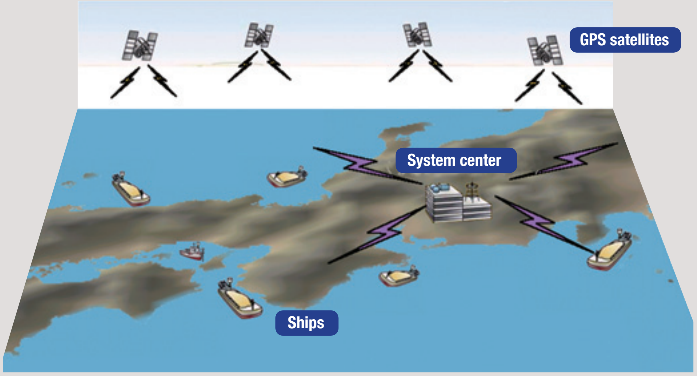
# Newly Completed Project

## One's Tower

In Higashi-Murayama City, located in the west part of the Tokyo Metropolitan Area, an urban renewal project was carried out in the district west of Higashi-Murayama Station of the Seibu Line. Among the projects undertaken there, TOA constructed "One's Tower," a 100-meter high-rise building that was completed in August 2009. The building, a symbol of the city, is connected directly with the train station and has shopping areas and public spaces from the 1st through 4th floors called "One's Plaza," and houses 182 stores on the 5th through 25th floors.

# RESEARCH & DEVELOPMENT

## COS-NET (Construction On the Sea Network)




COS-NET (Construction On the Sea Network) is a system for monitoring and controlling work vessels through a combination of GPS and IT technology. Utilizing this system makes it easy to obtain accurate positions and other operation data.

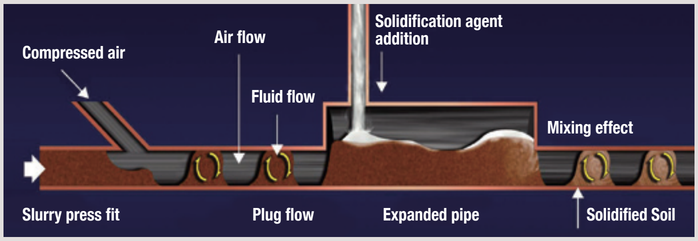
## Koukaku

Koukaku is a special vessel designed for use with the CDM (Cement Deep Mixing) method, which is utilized to improve soft ground into a solid foundation suitable for the construction of a seawall, wharf, or quay. Koukaku is essential for providing stable support for large-scale structures. In addition, it is the first ecologically-oriented vessel equipped with a hybrid system that combines the high efficiency of fuel energy and natural energy.

## Magical Dredging Ball

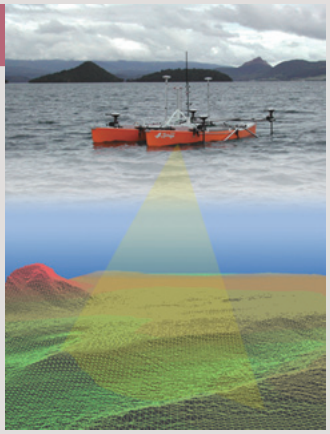
In collaboration with Tokyo Electric Power Company, TOA developed and has been putting to use the Magical Dredging Ball. This is a small-sized device for removing sediment, and is useful for eliminating sand and sludge from ponds for adjustment, as well as from reservoirs of dams for hydroelectric power plants.

## Plug Magic Method




TOA developed an engineering called the “Plug Magic Method.” This method enables soft dredged soil to be solidified efficiently for reuse as a filling material. This method requires no mixer, reducing the operating cost by as much as 10 to 15%. It is also an environmentally-friendly method that enables in-pipe transportation of soft mud from the dredging site to the reclamation site. Plug flow occurs when compressed air is mixed into soft mud in a pneumatic pipeline. This method kneads soft mud and solidification material in the pneumatic pipeline, utilizing the characteristics of plug flow. It has a maximum solidification capacity of 1,000$m^2$/h.

## Beluga System



This is an original system developed by TOA 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 and GPS, in order to acquire data in wide spaces.

# INTERNAL CONTROL

TOA Corporation Group believes that good corporate governance enhances our competitiveness and performance, enabling us to fulfill corporate social responsibilities and increase the corporate value for shareholders. Recognizing that effective internal control plays a key role in achieving that goal, we are striving to improve the quality and effectiveness of our internal controls.

## 1. Compliance

All members of TOA Corporation Group are required to be fully aware of the relevant laws, regulations, and social ethics that govern their business activities, and to strictly comply with them in fulfilling their roles and performing their duties.

## 2. Risk Management

We have developed a framework to appropriately identify, assess, and control risk factors associated with business activities of TOA Corporation Group. All risk factors, once identified, are to be properly dealt with by a responsible department or a provisional taskforce designated in accordance with the framework.

In case of a natural disaster on a scale possibly jeopardizing our business continuity, the BCM Committee is promptly convened to take actions to minimize any adverse impact on our business activities and on our valued customers.

## 3. Information Management and Control

All forms of information regarding business activities and the fulfillment of the duties and responsibilities of the directors are to be categorized by their contents, classified by their security levels, recorded in the proper formats, and preserved in an appropriate manner for a required period of time in accordance with our internal Information Management Regulations and relevant laws and regulations.

## 4. Independent Auditors and Fair and Reliable Financial Statements

Each and every legal entity within TOA Corporation Group guarantees that independent professional auditors shall be able to perform a proper and effective audit on the financial statements and internal control performance reports of the entity by holding regular meetings with its representative directors, corporate auditors, and relevant departments to exchange opinions and information, and deepen their mutual understanding. Thus, the fairness and reliability of our financial statements and internal control performance reports can be ensured, and the transparency of our management can be maintained.

## 5. Effective Audit by Corporate Auditors

The corporate auditors of TOA Corporation Group are authorized to attend major meetings of each entity, hold regular meetings with the representative directors, regularly review the performance of the directors and respective departments, and access the information necessary to perform their audits. Thus, it can be ensured that the corporate auditors can independently appraise the effectiveness, legal compliancy and soundness of the management, and duly carry out their responsibilities.

## 6. Proper Management Control of TOA Corporation Group

TOA Corporation, as the parent company of TOA Corporation Group, has established the rules and regulations to govern each legal entity within TOA Corporation Group in order to fulfill corporate social responsibilities and enhance its value as a corporate group.

Based on their relevant provisions, important managerial issues of the respective entity are to be reported to the Board of Directors of the parent company for approval, and other less important issues are to be reviewed and approved by its Corporate Planning Department.

## 7. Fulfillment of Corporate Social Responsibilities

TOA Corporation has established the CSR Committee, which is chaired by the president, in order to ensure fulfillment of CSR as a corporate citizen. Two subcommittees, the Compliance Subcommittee, which deals with legal issues and internal controls, and the Risk Management Subcommittee, which copes with risk factors related to business activities, such as safety and sanitation, information security, environmental sustainability, and quality control, have been established under the CSR Committee in order to make thorough reviews and enhance the quality and effectiveness of our CSR performance.

TOA Corporation annually edits and opens to the public its Annual CSR Report in order to promote to society, its valued shareholders, and all members of TOA Corporation Group an awareness and understanding of its engagement in CSR activities.

# CONSOLIDATED BALANCE SHEETS

TOA CORPORATION and its consolidated subsidiaries
As of March 31, 2010 and 2009

| ASSETS | Millions of Japanese Yen 2010 | Millions of Japanese Yen 2009 | Thousands of U.S. Dollers (Note 2) 2010 |
|---|---|---|---|
| **Current assets:** | | | |
| Cash and bank deposits (Notes 3 and 4) | **¥ 45,062** | ¥ 33,981 | **$ 484,536** |
| Marketable securities (Note 5) | **—** | 8 | **—** |
| Notes and accounts receivable, trade (Note 4) | **65,602** | 65,350 | **705,402** |
| Allowance for doubtful accounts | **(330)** | (385) | **(3,545)** |
| Real estate for sale | **5,775** | 8,447 | **62,102** |
| Cost on construction contracts in progress and other | **9,817** | 9,374 | **105,558** |
| Deferred tax assets (Note 10) | **2,663** | 2,324 | **28,633** |
| Other current assets (Note 6) | **16,624** | 21,809 | **178,742** |
| Total current assets | **145,213** | 140,908 | **1,561,428** |
| **Property, plant and equipment** (Notes 12 and 13)**:** | | | |
| Land | **20,149** | 20,405 | **216,658** |
| Buildings and structures | **16,221** | 16,349 | **174,424** |
| Machinery, vehicles and equipment | **27,733** | 28,058 | **298,201** |
| Leased assets | **37** | 32 | **399** |
| Construction in progress | **136** | 313 | **1,459** |
| Total property, plant and equipment | **64,276** | 65,157 | **691,141** |
| Less accumulated depreciation | **(31,432)** | (31,101) | **(337,973)** |
| Property, plant and equipment—net | **32,844** | 34,056 | **353,168** |
| **Investments and other assets:** | | | |
| Investments in affiliates | **568** | 549 | **6,111** |
| Investments in securities (Notes 4, 5 and 6) | **10,322** | 9,281 | **110,989** |
| Long-term loans (Note 6) | **830** | 776 | **8,923** |
| Deferred tax assets (Note 10) | **2,610** | 2,623 | **28,067** |
| Other (Note 6) | **3,650** | 8,826 | **39,246** |
| Allowance for doubtful accounts | **(1,124)** | (4,668) | **(12,088)** |
| Total investments and other assets | **16,856** | 17,387 | **181,248** |
| Total assets | **¥ 194,913** | ¥ 192,351 | **$ 2,095,844** |

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

| LIABILITIES AND NET ASSETS | Millions of Japanese Yen 2010 | 2009 | Thousands of U.S. Dollers (Note 2) 2010 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term borrowings (Notes 4 and 6) | **¥ 17,400** | ¥ 18,957 | **$ 187,097** |
| Current portion of long-term debt (Note 6) | **7,000** | 9,339 | **75,269** |
| Notes and accounts payable, trade (Note 4) | **54,935** | 54,716 | **590,703** |
| Accrued income taxes | **2,221** | 1,058 | **23,879** |
| Advances received on construction contracts in progress (Note 7) | **12,052** | 11,875 | **129,588** |
| Other current liabilities (Notes 4 and 10) | **20,654** | 17,825 | **222,082** |
| Total current liabilities | **114,262** | 113,770 | **1,228,618** |
| **Long-term liabilities:** | | | |
| Long-term debt (Notes 4 and 6) | **11,496** | 10,746 | **123,613** |
| Reserve for retirement benefits (Note 8) | **2,619** | 2,170 | **28,156** |
| Deferred tax liabilities on revaluation of land (Note 13) | **3,429** | 3,444 | **36,869** |
| Other long-term liabilities (Note 10) | **2,235** | 2,769 | **24,037** |
| Total long-term liabilities | **19,779** | 19,129 | **212,675** |
| Total liabilities | **134,041** | 132,899 | **1,441,293** |
| **Net assets** (Note 11)**:** | | | |
| **Shareholders' equity:** | | | |
| Common stock, | | | |
| Authorized—600,000,000 shares | | | |
| Issued—224,946,290 shares at March 31, 2010 and 2009, respectively | **18,977** | 18,977 | **204,050** |
| Capital surplus | **18,066** | 18,075 | **194,257** |
| Retained earnings | **23,569** | 22,733 | **253,435** |
| Treasury stock, at cost 15,660 thousand shares and 15,992 thousand shares at March 31, 2010 and 2009, respectively | **(1,959)** | (2,010) | **(21,069)** |
| Total shareholders' equity | **58,653** | 57,775 | **630,673** |
| **Valuation, translation adjustments and other:** | | | |
| Net unrealized gains (losses) on securities | **(13)** | (528) | **(135)** |
| Net deferred gains (losses) on hedges (Note 4) | **(88)** | (88) | **(942)** |
| Revaluation reserve for land (Note 13) | **1,283** | 1,304 | **13,800** |
| Total valuation, translation adjustments and other: | **1,182** | 688 | **12,723** |
| **Minority interests** | **1,037** | 989 | **11,155** |
| Total net assets | **60,872** | 59,452 | **654,551** |
| **Commitments and contingent liabilities (Notes 5, 6 and 14):** | | | |
| Total liabilities and net assets | **¥ 194,913** | ¥ 192,351 | **$ 2,095,844** |

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, 2010 and 2009

| | Millions of Japanese Yen | | Thousands of U.S. Dollers (Note 2) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| **Net sales** | **¥190,301** | ¥205,979 | **$ 2,046,249** |
| **Cost of sales** | **175,071** | 190,631 | **1,882,489** |
| Gross profit | **15,230** | 15,348 | **163,760** |
| **Selling, general and administrative expenses** (Note 9) | **11,230** | 11,689 | **120,750** |
| Operating income | **4,000** | 3,659 | **43,010** |
| **Other income (expenses):** | | | |
| Interest and dividend income | **429** | 513 | **4,611** |
| Interest expenses | **(726)** | (829) | **(7,807)** |
| Additional severance payment | **(158)** | — | **(1,695)** |
| Provision for doubtful accounts, non-trade | **(27)** | (133) | **(290)** |
| Loss on impairment of fixed assets | **(255)** | (56) | **(2,746)** |
| Gain on sale of fixed assets | **51** | 39 | **551** |
| Gain on sale of marketable securities and investment in securities | **8** | 558 | **82** |
| Gain on liquidation of affiliates | — | 201 | — |
| Other, net | **(929)** | (2,292) | **(9,985)** |
| | **(1,607)** | (1,999) | **(17,279)** |
| **Income before income taxes and minority interests** | **2,393** | 1,660 | **25,731** |
| **Income taxes** (Note 10)**:** | | | |
| Current | **1,840** | 634 | **19,786** |
| Deferred | **(721)** | (66) | **(7,748)** |
| | **1,119** | 568 | **12,038** |
| **Minority interests** | **41** | 17 | **440** |
| **Net income** | **¥ 1,233** | ¥ 1,075 | **$ 13,253** |

**Per share data** (Note 1)**:**

| | Japanese Yen | | U.S. Dollers (Note 2) |
|---|---|---|---|
| Net income : | | | |
| Basic | **¥ 5.90** | ¥ 5.01 | **$ 0.063** |
| Diluted | — | — | — |
| Cash dividends | **¥ 2.00** | ¥ 2.00 | **$ 0.022** |
| Net assets | **¥ 285.90** | ¥ 279.79 | **$ 3.074** |

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, 2010 and 2009

| | Millions of Japanese Yen | | Thousands of U.S. Dollars (Note 2) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| **Cash flows from operating activities:** | | | |
| Income before income taxes and minority interests | **¥ 2,393** | ¥ 1,660 | **$ 25,731** |
| Adjustments to reconcile income before income taxes and minority interests to net cash (used in) provided by operating activities: | | | |
| Depreciation and amortization | **3,317** | 3,603 | **35,667** |
| Loss on impairment of fixed assets | **255** | 56 | **2,746** |
| (Gain) Loss on sale or disposal of fixed assets | **60** | 185 | **649** |
| (Gain) Loss on sale of marketable securities and investment in securities | **9** | (558) | **100** |
| Write-down of marketable and investment in securities | **—** | 874 | **—** |
| Write-down of utility rights | **7** | 18 | **81** |
| Increase (decrease) in reserve for retirement benefits | **449** | 76 | **4,827** |
| Increase (decrease) in allowance for doubtful accounts | **(3,599)** | (213) | **(38,703)** |
| Changes in: | | | |
| Notes and accounts receivable, trade | **(252)** | 13,222 | **(2,718)** |
| Real estate for sale | **2,672** | 623 | **28,722** |
| Cost on construction contracts in progress and other | **(443)** | 5,717 | **(4,764)** |
| Notes and accounts payable, trade | **219** | (1,857) | **2,356** |
| Advances received on construction contracts in progress | **177** | (4,619) | **1,901** |
| Other, net | **11,016** | (4,089) | **118,462** |
| Sub-total | **16,280** | 14,698 | **175,057** |
| Interest and dividend income received | **408** | 508 | **4,386** |
| Interest paid | **(732)** | (827) | **(7,870)** |
| Income taxes paid and other | **(685)** | (809) | **(7,370)** |
| Net cash (used in) provided by operating activities | **15,271** | 13,570 | **164,203** |
| **Cash flows from investing activities:** | | | |
| Payments for acquisition of marketable and investment in securities | **(326)** | (468) | **(3,505)** |
| Proceeds from sale of marketable and investment in securities | **133** | 1,138 | **1,427** |
| Payments for acquisition of property, plant and equipment | **(5,897)** | (3,998) | **(63,412)** |
| Proceeds from sale of property, plant and equipment | **3,628** | 176 | **39,011** |
| Proceeds from sale of shares of subsidiary (Note 3) | **—** | 736 | **—** |
| Other, net | **3,228** | (3,524) | **34,718** |
| Net cash (used in) provided by investing activities | **766** | (5,940) | **8,239** |
| **Cash flows from financing activities:** | | | |
| Net increase (decrease) in short-term borrowings | **(1,557)** | 2,563 | **(16,744)** |
| Proceeds from long-term debt | **8,050** | 5,270 | **86,559** |
| Repayment of long-term debt | **(9,639)** | (9,315) | **(103,645)** |
| Sale of treasury stock | **42** | — | **456** |
| Acquisition of treasury stock | **(2)** | (1,593) | **(23)** |
| Cash devidends paid | **(413)** | — | **(4,444)** |
| Other, net | **(22)** | (13) | **(232)** |
| Net cash (used in) provided by financing activities | **(3,541)** | (3,088) | **(38,073)** |
| **Effect of exchange rate changes on cash and cash equivalents** | **(72)** | (413) | **(774)** |
| **Net increase in cash and cash equivalents** | **12,424** | 4,129 | **133,595** |
| **Cash and cash equivalents at beginning of year** | **32,492** | 28,363 | **349,377** |
| **Cash and cash equivalents at end of year** | **¥ 44,916** | ¥ 32,492 | **$ 482,972** |

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, 2010 and 2009

Millions of Japanese Yen

| | Number of shares issued | Shareholders' equity: Common stock | Capital surplus | Retained earnings | Treasury stock at cost | Total shareholders' equity |
|---|---|---|---|---|---|---|
| **Balance at March 31, 2008** | 224,946,290 | ¥ 18,977 | ¥ 18,079 | ¥ 21,807 | ¥ (462) | ¥ 58,401 |
| **Changes for the year** | | | | | | |
| Net income | | | | 1,075 | | 1,075 |
| Aquistition of treasury stock | | | | | (1,593) | (1,593) |
| Decrease due to change in ownership interest in consolidated subsidiaries | | | | | (1) | (1) |
| Increase due to sale of shares in ownership interest in consolidated subsidiaries | | | (4) | 4 | 46 | 46 |
| Reversal of revaluation reserve for land | | | | (153) | | (153) |
| Net changes of items other than shareholders' equity | | | | | | |
| **Total changes for the year** | — | — | (4) | 926 | (1,548) | (626) |
| **Balance at March 31, 2009** | 224,946,290 | ¥ 18,977 | ¥ 18,075 | ¥ 22,733 | ¥ (2,010) | ¥ 57,775 |
| **Changes for the year** | | | | | | |
| Cash dividends | | | | (418) | | (418) |
| Net income | | | | 1,233 | | 1,233 |
| Aquistition of treasury stock | | | | | (2) | (2) |
| Disposal of treasury stock | | | (9) | | 53 | 44 |
| Reversal of revaluation reserve for land | | | | 21 | | 21 |
| Net changes of items other than shareholders' equity | | | | | | |
| **Total changes for the year** | — | — | (9) | 836 | 51 | 878 |
| **Balance at March 31, 2010** | 224,946,290 | ¥ 18,977 | ¥ 18,066 | ¥ 23,569 | ¥ (1,959) | ¥ 58,653 |

Thousands of U.S. Dollars (Note 2)

| | Shareholders' equity: Common stock | Capital surplus | Retained earnings | Treasury stock at cost | Total shareholders' equity |
|---|---|---|---|---|---|
| **Balance at March 31, 2009** | $ 204,050 | $ 194,354 | $ 244,441 | $(21,613) | $ 621,232 |
| **Changes for the year** | | | | | |
| Cash dividends | | | (4,486) | | (4,486) |
| Net income | | | 13,253 | | 13,253 |
| Aquistition of treasury stock | | | | (23) | (23) |
| Disposal of treasury stock | | (97) | | 567 | 470 |
| Reversal of revaluation reserve for land | | | 227 | | 227 |
| Net changes of items other than shareholders' equity | | | | | |
| **Total changes for the year** | — | (97) | 8,994 | 544 | 9,441 |
| **Balance at March 31, 2010** | $ 204,050 | $ 194,257 | $ 253,435 | $(21,069) | $ 630,673 |

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

Millions of Japanese Yen

| | Valuation, translation adjustments and other | | | | | |
|---|---|---|---|---|---|---|
| | Net unrealized gains (losses) on securities | Net deferred gains (losses) on hedges (Note 4) | Revaluation reserve for land (Note 13) | Total valuation, translation adjustments and other | Minority interests | Total net asstes |
| **Balance at March 31, 2008** | ¥ 861 | ¥ (128) | ¥ 1,150 | ¥ 1,883 | ¥ 1,287 | ¥ 61,571 |
| **Changes for the year** | | | | | | |
| Net income | | | | | | 1,075 |
| Aquistition of treasury stock | | | | | | (1,593) |
| Decrease due to change in ownership interest in consolidated subsidiaries | | | | | (1) | (1) |
| Increase due to sale of shares in ownership interest in consolidated subsidiaries | | | | | | 46 |
| Reversal of revaluation reserve for land | | | | | | (153) |
| Net changes of items other than shareholders' equity | (1,389) | 40 | 154 | (1,195) | (298) | (1,493) |
| **Total changes for the year** | (1,389) | 40 | 154 | (1,195) | (298) | (2,119) |
| **Balance at March 31, 2009** | ¥ (528) | ¥ (88) | ¥ 1,304 | ¥ 688 | ¥ 989 | ¥ 59,452 |
| **Changes for the year** | | | | | | |
| Cash dividends | | | | | | (418) |
| Net income | | | | | | 1,233 |
| Aquistition of treasury stock | | | | | | (2) |
| Disposal of treasury stock | | | | | | 44 |
| Reversal of revaluation reserve for land | | | | | | 21 |
| Net changes of items other than shareholders' equity | 515 | 0 | (21) | 494 | 48 | 542 |
| **Total changes for the year** | 515 | 0 | (21) | 494 | 48 | 1,420 |
| **Balance at March 31, 2010** | ¥ (13) | ¥ (88) | ¥ 1,283 | ¥ 1,182 | ¥ 1,037 | ¥ 60,872 |

Thousands of U.S. Dollars (Note 2)

| | Valuation, translation adjustments and other | | | | | |
|---|---|---|---|---|---|---|
| | Net unrealized gains (losses) on securities | Net deferred gains (losses) on hedges (Note 4) | Revaluation reserve for land (Note 13) | Total valuation, translation adjustments and other | Minority interests | Total net asstes |
| **Balance at March 31, 2009** | $ (5,675) | $ (955) | $ 14,027 | $ 7,397 | $ 10,638 | $ 639,267 |
| **Changes for the year** | | | | | | |
| Cash dividends | | | | | | (4,486) |
| Net income | | | | | | 13,253 |
| Aquistition of treasury stock | | | | | | (23) |
| Disposal of treasury stock | | | | | | 470 |
| Reversal of revaluation reserve for land | | | | | | 227 |
| Net changes of items other than shareholders' equity | 5,540 | 13 | (227) | 5,326 | 517 | 5,843 |
| **Total changes for the year** | 5,540 | 13 | (227) | 5,326 | 517 | 15,284 |
| **Balance at March 31, 2010** | $ (135) | $ (942) | $ 13,800 | $ 12,723 | $ 11,155 | $ 654,551 |

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

## (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 17 majority-owned subsidiaries as of March 31, 2010 and 2009.

The consolidated financial statements for the years ended March 31, 2010 and 2009 include the accounts of the Company and 8 majority-owned subsidiaries of the Company.

The consolidated subsidiaries for 2010 were
TOA Real Estate Co., Ltd., TOA Tekko Co., Ltd.,
TOA Kikai Kogyo Co., Ltd., Shinko Corporation,
TOA Builtec Co., Ltd., TOA Agency Co., Ltd.,
TOA Kaiun Sangyo Co., Ltd. and Tsurumi Rinko Co., Ltd.

Consolidated subsidiaries have the same financial period as the Company that ends on March 31.

TOA Concrete Co., Ltd. was excluded from the Company's consolidation scope due to sale of shares in March 2009.

Other subsidiaries are not consolidated as they are 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 are excluded from application of the equity method as they are not significant in terms of net income or retained earnings in the aggregate.

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 which are able to be 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.

**(Ill) 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 construction 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 construction contracts in progress are carried at the net selling value on the balance sheet, regarded as decreased profitability of assets.

### (g) Research and development expenses:

Research and development expenses are charged to income as incurred. Research and development expenses charged to income in each two years ended March 31, 2010 and 2009 were ¥999 million (US$ 10,741 thousand) and ¥1,075 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.

Cost on construction contracts in progress and reserve account in relation to the construction works, which loss is assumed, are represented in current assets and liabilites, respectively without setoff.

Among cost on contracts in progress, amount in aggregate corresponding to reserve for loss on construction works for the years ended March 31, 2010 and 2009 were ¥1,818 million (US$ 19,551 thousand) and ¥1,343 million, respectively.

### (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 cost.

Unrecognized actuarial differences are amortized on a straight-line basis over a period of 13 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.

As for the amortization period of unrecognized actuarial differences, the Company has changed its period to 13 years from 15 years due to the fact that the average service period remained has been shorter than an amortization period by review for the year ended March 31, 2009.

As a result, both operating income and income before income taxes and minority interests decreased by ¥133 million for the year ended March 31, 2009.

Effective the year ended March 31, 2010, the Companies have adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan Statement No. 19 issued on July 31, 2008).

Referring to the amended standard, the Companies have no change in a discount rate from past year and there is no impact on this consolidated financial statements.

### (l) Depreciation for property, plant and equipment and other:

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 estimated period.

The Company and its domestic consolidated subsidiaries reviewed the useful lives of both machinery and equipment and adopted the revised useful lives in accordance with changes in the Corporation Tax Law introduced in the 2008 tax reform, concerning useful lives of depreciable assets from the year ended March 31, 2009.

This change did not affect net income and segment information significantly for the year ended March 31, 2009.

As for intangible fixed assets, amortization is computed by the straight-line method and the useful lives are in conformity with the provisions of the Corporation Tax Low of Japan. Computer software for internal use is amortized by the straight-line method over the estimated useful lives of five years.

### (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 ¥255 million (US$ 2,746 thousand) for the year ended March 31, 2010 and ¥56 million for the year ended March 31, 2009 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 2010 and 2009 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 and cost:

Effective the year ended March 31, 2009, the Companies have adopted the "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan Statement No.15 issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan Guidance No.18 issued on December 27, 2007).

In relation to the introduction of the above Statement and Guidance, the Companies adopt the percentage-of-completion method for revenue recognition for the construction-type contracts where the outcome of the construction activities is deemed accurate by the end of this year. Completion method is adopted otherwise. The percentage of completion are measured by the ratio of the costs incurred to the estimated total costs for each contract.

This adoption increased net sales by ¥5,990 million, operating income and income before income taxes and minority interests by ¥351 million for the year ended March 31, 2009.

The amounts of contract revenue for the year ended March 31, 2010 and 2009, which are accounted for by the percentage-of-completion method, were ¥161,383 million (US$ 1,735,298 thousand) and ¥162,082 million, respectively.

### (q) Leases:

**Leased assets;**

As for finance leases, other than those which are deemed to transfer ownership of the leased assets to the lessee, depreciation is principally computed by the straight-line basis over the useful lives equivalent to lease term and residual value is equal to zero. However, leases whose commencement date were on or before March 31, 2008, are accounted for as ordinary operating lease transactions.

As for finance leases, other than those which are deemed to transfer ownership of the leased assets to lessee, accounting treatments were based on ordinary operating lease transactions until the year ended March 31, 2008.

Effective the year ended March 31, 2009, the Company has adopted the "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan Statement No. 13 issued on June 17, 1993; revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (Accounting Standard Board of Japan Guidance No. 16 issued on January 18, 1994; revised on March 30, 2007).

In relation to this adoption, accounting treatments are based on ordinary sales transactions and no impact is on net income.

### (r) Net income and 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 2010 and 2009 due to the fact that there were no bonds with warrants and convertible bonds for the year ended March 31, 2010 and 2009.

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 ¥93 = US$1, the approximate rate of exchange prevailing on March 31, 2010. The inclusion of such dollar amounts is solely for convenience of readers outside of 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, 2010 and 2009 consisted of:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Cash and bank deposits | **¥ 45,062** | ¥ 33,981 | **$ 484,536** |
| Time deposits due over three months | **(146)** | (1,789) | **(1,564)** |
| Repurchase agreement in other current assets | — | 300 | — |
| Cash and cash equivalents | **¥ 44,916** | ¥ 32,492 | **$ 482,972** |

The Companies trade repurchase agreements and take marketable securities in pledge from repo counterparty. Fair value of the marketable securities as of March 31, 2009 was ¥300 million.

**Supplementary Cash Flow Information**

The Company excluded TOA Concrete Co., Ltd. from its consolidated subsidiaries scope by sales of its shares in March 2009. The total amount of sales was ¥900 million

(US$9,184 thousand) determined by the estimated value at the date of transaction.

| | Millions of Japanese Yen |
|---|---|
| | 2009 |
| Current assets | ¥ 496 |
| Fixed assets | 686 |
| Current liabilities | (339) |
| Long-term liabilities | (9) |
| Minority interest | (360) |
| Gain on sale of shares | 426 |
| Total sale of shares | 900 |
| Cash and cash equivalents | (164) |
| Proceeds from sale of shares | ¥ 736 |

## (4) Financial Instruments

Effective the year ended March 31, 2010, the Companies have adopted the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan Statement No.10 revised on March 10, 2008) and the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (Accounting Standards Board of Japan Guidance No.19 issued on March 10, 2008).

**(I) Summary of financial instruments**

a) Policy for financial instruments

The Companies limit low-risk financial instruments in fund management by use of bank deposits in a short period and have a policy to raise low-interest funds through bank borrowings flexibly. The Company utilizes derivatives in order to reduce the risk of fluctuation in interest rates and foreign exchange rates for debts and credits in foreign currencies. The Company, furthermore, utilizes the hedging instruments for the purpose of stabilizing the cost on contracts and does not enter into derivatives for speculative purpose.

b) Contents of financial instruments, related risk and risk management

Notes and accounts receivable which categorized into operating receivables are exposed to client's credit risk. These risks are reviewed at entering into contract and the concerned counterparts are managed by the administration headquarters in each case.

Investments in securities are exposed to fluctuation risks of market price. Those securities are mainly shares of other companies with which the Company has business relationships and the Company monitors the monthly fair value.

Among the debt, short-term borrowings are principally applicable to funds for business activities and long-term debt (maturities are within five years in principle) are funds for capital investments. Long-term debt with variable interest rates are exposed to the risk of interest rate fluctuation. The Company utilizes derivatives which are the interest swaps in each contracts in order to avoid fluctuation risk of interest expenses and stabilize interest cost. Conducting of derivative transactions is managed by gaining approval by board members and derivatives provided by the highly-rated financial institutions are available in order to avoid credit risk.

c) Supplemental explanation for fair value of financial instruments

Notional amounts of derivatives are not indicative of the actual market risk involved in derivative transactions.

**(II) Fair value of financial instruments**

As of March 31, 2010, carrying amount, fair value and unrealized gain(loss) are as follows:

| | Carrying amount (*1) | Fair value (*1) | Unrealized gain (loss) |
|---|---|---|---|
| | Millions of Japanese Yen | | |
| Cash and bank deposits | ¥ 45,062 | ¥ 45,062 | ¥ — |
| Notes and accounts receivable, trade | 65,327 | 65,327 | — |
| Investments in securities Other securities | 8,435 | 8,435 | — |
| Notes and accounts payable, trade | (54,935) | (54,935) | — |
| Short-term borrowings | (17,400) | (17,400) | — |
| Deposits received | (12,813) | (12,813) | — |
| Long-term debt (*2) | (18,496) | (18,603) | (107) |
| Derivative transactions (*3) | | | |
| Hedge accounting unapplied | — | — | — |
| Hedge accounting applied | ¥ (147) | ¥ (147) | ¥ — |

| | Carrying amount (*1) | Fair value (*1) | Unrealized gain (loss) |
|---|---|---|---|
| | Thousands of U.S. Dollars | | |
| Cash and bank deposits .. | $ 484,536 | $ 484,536 | $ — |
| Notes and accounts receivable, trade .......... | 702,436 | 702,436 | — |
| Investments in securities Other securities ........... | 90,700 | 90,700 | — |
| Notes and accounts payable, trade ............... | (590,703) | (590,703) | — |
| Short-term borrowings ... | (187,097) | (187,097) | — |
| Deposits received ........... | (137,776) | (137,776) | |
| Long-term debt (*2) ....... | (198,882) | (200,032) | (1,150) |
| Derivative transactions (*3) | | | |
| Hedge accounting unapplied ................... | — | — | — |
| Hedge accounting applied ....................... | $ (1,581) | $ (1,581) | $ — |

(*1) The amount in parentheses represents liability position.

(*2) Current portion of long-term debt of ¥7,000 million (US$75,269 thousand) is included in long-term debts and carrying amount and fair value are represented.

(*3) Net amount of debt and credit arising from derivative transactions are represented. The amount in parentheses represents net liabilities in total.

a) Computation of fair value for financial instruments, marketable securities and derivative transactions

Cash and bank deposits

Cash and bank deposits are carrying value, since those are settled in a short period and its fair value is equivalent to carrying amount approximately.

Notes and accounts receivable, trade

Notes and accounts receivable, trade are carrying value, since those are settled in a short period and its fair value is equivalent to carrying amount approximately.

Investments in securities

Fair value of investments in securities is based on market price at Stock Exchange.

Notes and accounts payable, trade

Notes and accounts payable, trade are carrying value, since those are settled in a short period and its fair value is equivalent to carrying amount approximately.

Short-term borrowings

Short-term borrowings are carrying value, since those are settled in a short period and its fair value is equivalent to carrying amount approximately.

Deposits received

Deposits received which are contained in other current liabilities are carrying value, since those are settled in a short period and its fair value is equivalent to carrying amount approximately.

Long-term debt

Fair value of Long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied, provided that the equivalent loans are newly entered into.

b) Financial instruments for which it is extremely difficult to determine fair value

Unlisted stocks of ¥2,455 million (US$26,400 thousand) are not included in investment in securities, since those have no market price and its future cash flows cannot be estimated and it is extremely difficult to determine fair value.

c) Projected redemption

| | within one year | over one year within five years | over five years within ten years | over ten years |
|---|---|---|---|---|
| | Millions of Japanese Yen | | | |
| Cash and bank deposits ............... | ¥ 44,991 | ¥ — | ¥ — | ¥ — |
| Notes and accounts receivable, trade .... | 64,895 | 432 | — | — |
| Investments in securities Other securities with maturities (Government bonds) ................ | — | 25 | — | 35 |
| Total | ¥ 109,886 | ¥ 457 | ¥ — | ¥ 35 |

| | within one year | over one year within five years | over five years within ten years | over ten years |
|---|---|---|---|---|
| | Thousands of U.S. Dollars | | | |
| Cash and bank deposits ............... | $ 483,773 | $ — | $ — | $ — |
| Notes and accounts receivable, trade .... | 697,796 | 4,640 | — | — |
| Investments in securities Other securities with maturities (Government bonds) ................ | — | 272 | — | 375 |
| Total | $ 1,181,569 | $ 4,912 | $ — | $ 375 |

**Derivative Transactions**

Delivative transactions for the year ended March 31, 2010 were classftied into:

a) Hedge accounting unapplied

Not applicable

b) Hedge accounting applied

Notional amounts and fair value conditioned on contracts in each hedge accounting method are as follows:

Millions of Japanese Yen

| Hedge accounting method | Types of derivative | Hedge coverage | Notional amount | Maturing over one year | Fair value |
|---|---|---|---|---|---|
| Principle (*1) | Interest rate swaps Pay/fixed and receive/floating | Short-term borrowings | 5,200 | 5,200 | (147) |
| Short-cut | Interest rate swaps Pay/fixed and receive/floating | Long-term debt | 14,942 | 9,203 | (*2) |

Thousands of U.S. Dollars

| Hedge accounting method | Types of derivative | Hedge coverage | Notional amount | Maturing over one year | Fair value |
|---|---|---|---|---|---|
| Principle (*1) | Interest rate swaps Pay/fixed and receive/floating | Short-term borrowings | 55,914 | 55,914 | (1,581) |
| Short-cut | Interest rate swaps Pay/fixed and receive/floating | Long-term debt | 160,667 | 98,957 | (*2) |

(*1) Computation of fair value is based on the amounts provided by financial institutions.

(*2) Fair value based on the short-cut method is represented included in fair value of these long-term debt, since the delivative transations are treated with the hedged long-term debts collectively.

## (5) 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 2010 | Millions of Japanese Yen 2009 | Thousands of U.S. Dollars 2010 |
|---|---|---|---|
| Carrying amount | | | |
| Government bond, municipal bond and other | — | ¥ 57 | — |
| Total | — | ¥ 57 | — |

| At March 31, Goverment bond, municipal bond and other | Millions of Japanese Yen 2010 | Millions of Japanese Yen 2009 | Thousands of U.S. Dollars 2010 |
|---|---|---|---|
| Carrying amount | — | ¥ 57 | — |
| Fair value | — | 58 | — |
| Unrealized gain | — | ¥ 1 | — |

(b) Other securities having its market value:

| At March 31, | Millions of Japanese Yen 2010 | Millions of Japanese Yen 2009 | Thousands of U.S. Dollars 2010 |
|---|---|---|---|
| Carrying amount | | | |
| Marketable equity securities | **¥ 8,375** | ¥ 7,263 | **$ 90,053** |
| Other | **60** | 83 | **647** |
| Total | **¥ 8,435** | ¥ 7,346 | **$ 90,700** |

| | Millions of Japanese Yen 2010 | Millions of Japanese Yen 2009 | Thousands of U.S. Dollars 2010 |
|---|---|---|---|
| Acquisition cost | **¥ 8,449** | ¥ 8,225 | **$ 90,848** |
| Fair value (Carrying value) | **8,435** | 7,346 | **90,700** |
| Unrealized gain (loss) | **¥ (14)** | ¥ (879) | **$ (148)** |

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

Other securities sold during the financial year ended March 31, 2010 and 2009 were amounting ¥133 million (US$ 1,427 thousand) and ¥1,138 million, respectively.

Investments in securities at March 31, 2010 and 2009 comprise investment in securities lent to the third parties under security loan agreements amounting to ¥106 million (US$1,144 thousand) and ¥83 million, respectively.

## (6) Short-term Borrowings and Long-term Debt

Short-term borrowings were represented generally by 365-day notes in 2010 and 2009 issued by the Companies, and bore interest principally at the short-term prime rates in effect in 2010 and 2009.

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, 2010 and 2009 consisted of the following:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Loans from banks and insurance companies with interest ranging from 2.075% to 2.147%, due various dates through 2015: | **¥ 18,496** | ¥ 20,085 | **$ 198,882** |
| Total | **18,496** | 20,085 | **198,882** |
| Current portion included in current liabilities | **(7,000)** | (9,339) | **(75,269)** |
| Total | ¥ 11,496 | ¥ 10,746 | $ 123,613 |

Note:The interest rates in long-term debt are balanced by the weighted average.

Lease obligations as of March 31, 2010 and 2009 consisted of the following:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Current | **¥ 15** | ¥ 14 | **$ 156** |
| Non-current | **25** | 32 | **271** |
| Total | **¥ 40** | ¥ 46 | **$ 427** |

Certain Companies' long-term debt agreements provide 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 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 7 banks amounting to ¥29,000 million (US$311,828 thousand)in total at March 31, 2010 and 2009.

Assets pledged as collateral and secured liabilities at March 31, 2010 and 2009 were as follows:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| **Assets pledged as collateral:** | **2010** | 2009 | **2010** |
| Investment in securities | **¥ 2,680** | ¥ 2,257 | **$ 28,814** |
| Loans | **593** | 595 | **6,377** |
| Other | **38** | 28 | **415** |
| Total | **¥ 3,311** | ¥ 2,880 | **$ 35,606** |
| **Liabilities secured thereby:** | | | |
| Contingent liabilities and other | **¥ 1,702** | ¥ 1,683 | **$ 18,304** |

The aggregate annual maturities of long-term debt (including current portion) as of March 31, 2010 were as follows:

| Year ending March 31, | Millions of Japanese Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2011 | **¥ 7,000** | **$ 75,269** |
| 2012 | **5,832** | **62,710** |
| 2013 | **2,943** | **31,645** |
| 2014 | **1,899** | **20,419** |
| 2015 | **822** | **8,839** |
| Total | **¥ 18,496** | **$ 198,882** |

## (7) Advances Received on Construction Contracts in Progress

The Companies usually receive payments from customers in the public sector on a progress basis in accordance with terms of the respective construction contracts.

## (8) Reserve for Retirement Benefits and Pension Plan

The Company and its consolidated subsidiaries adopt the cash balance plan, retirement lump sum 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 |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Projected benefit obligations | **¥(22,962)** | ¥(23,267) | **$(246,904)** |
| Plan assets | **15,204** | 12,354 | **163,489** |
| Unfunded retirement benefit obligations | **(7,758)** | (10,913) | **(83,415)** |
| Unrecognized actuarial differences | **5,220** | 8,814 | **56,125** |
| Reserve for employee retirement benefits | **¥ (2,538)** | ¥ (2,099) | **$ (27,290)** |

Net pension and severance costs expense related to the retirement benefits for the years ended March 31, 2010 and 2009 were as follows:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Service cost | **¥ 769** | ¥ 777 | **$ 8,266** |
| Interest cost | **571** | 571 | **6,136** |
| Expected return on plan assets | **(220)** | (250) | **(2,367)** |
| Amortization of unrecognized actuarial differences | **966** | 621 | **10,394** |
| Net pension and severance costs | **¥ 2,086** | ¥ 1,719 | **$ 22,429** |

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

| | 2010 | 2009 |
|---|---|---|
| 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 | 13 years | 13 years |
| Amortization period of 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 ¥80 million (US$866 thousands) and ¥71 million as of March 31, 2010 and 2009, 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.

## (9) Selling, General and Administrative Expenses

The significant items of selling, general and administrative expenses for 2010 and 2009 were as follows:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Salaries to employees | **¥ 4,358** | ¥ 4,389 | **$ 46,862** |
| Expenses for retirement benefits for employees | **688** | 586 | **7,398** |
| Provision for retirement benefits for directors and statutory auditors | **24** | 29 | **257** |
| Provision for doubtful accounts, trade | **169** | 501 | **1,822** |
| Depreciation | **194** | 199 | **2,088** |
| Reseach expenses | **¥ 979** | 951 | **$ 10,527** |

## (10)Income Taxes

(a) The significant components of deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| **Deferred Tax Assets:** | | | |
| Pension and severance costs | **¥ 2,205** | ¥ 1,959 | **$ 23,709** |
| Reserve for loss on construction works | **1,015** | 951 | **10,909** |
| Unrealized losses on securities | **65** | 445 | **698** |
| Write-down of utility rights | **427** | 432 | **4,594** |
| Write-down of investment in securities | **190** | 194 | **2,041** |
| Accrued bonus to employees | **584** | 459 | **6,281** |
| Other | **1,879** | 1,627 | **20,201** |
| Valuation allowance | **(1,000)** | (978) | **(10,756)** |
| Deferred Tax Assets | **¥ 5,365** | ¥ 5,089 | **$ 57,677** |

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| **Deferred Tax Liabilities:** | | | |
| Unrealized gains on securities | **¥ (31)** | ¥ (32) | **$ (332)** |
| Revaluation reserve for land | **(1,009)** | (1,102) | **(10,847)** |
| Other | **(115)** | (100) | **(1,238)** |
| Deferred Tax Liabilities | **(1,155)** | (1,234) | **(12,417)** |
| **Net Deferred Tax Assets** | **¥ 4,210** | ¥ 3,855 | **$ 45,260** |

(b) A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2010 and 2009, and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

| | 2010 | 2009 |
|---|---|---|
| Normal effective statutory tax rate | **40.4%** | 40.4% |
| Expenses not deductible for income tax purposes | **7.1** | 11.7 |
| Non-taxable income | **(1.5)** | (3.9) |
| Per capita levy of inhabitant taxes | **5.6** | 8.8 |
| Change in valuation allowance | **(5.3)** | (23.6) |
| Other-net | **0.5** | 0.8 |
| **Actual Effective Tax Rates** | **46.8%** | 34.2% |

## (11)Net Assets

Under Corporation Law of Japan ("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 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.

## (12)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, 2010 and 2009, 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 there of:

| Tools, equipment and other | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Acquisition costs | **¥ 200** | ¥ 1,472 | **$ 2,153** |
| Accumulated depreciation | **125** | 1,226 | **1,343** |
| Net book value | **¥ 75** | ¥ 246 | **$ 810** |

The scheduled maturities of future lease payments, including an interest portion on such lease contracts as of March 31, 2010 and 2009 are as follows:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Due within one year | **¥ 40** | ¥ 171 | **$ 427** |
| Due over one year | **35** | 75 | **383** |
| | **¥ 75** | ¥ 246 | **$ 810** |

Lease expenses incurred in connection with finance leases, other than those which are deemed to transfer the ownership of the leased assets to lessee, amount to ¥170 million (US$1,831 thousand) and ¥259 million for the year ended March 31, 2010 and 2009, respectively.

**Operating Lease**

The scheduled maturities of future operating lease payments, including an interest portion on such lease contracts as of March 31, 2010 and 2009 are as follows:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Due within one year | **¥ 520** | ¥ 6 | **$ 5,592** |
| Due over one year | **2,910** | 3 | **31,294** |
| | **¥ 3,430** | ¥ 9 | **$ 36,886** |

## (13)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, 2010 and 2009 by ¥6,074 million (US$65,315 thousand) and ¥5,716 million, respectively.

## (14)Commitments and Contingent Liabilities

The Companies are contingently liable for the following at March 31, 2010 and 2009:

| | Millions of Japanese Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Trade notes receivable discounted and endorsed ... | **¥ 140** | — | **$ 1,508** |
| Guarantees of short-term and long-term debt of employee, customers, unconsolidated subsidiaries and affiliates ............................ | **2,104** | 2,427 | **22,629** |
| | **¥ 2,244** | ¥ 2,427 | **$ 24,137** |

On December 11, 2007, the Company was brought a lawsuit by a logistic agency on commission fee amounting ¥123 million (US$ 1,330 thousand). At present, the lawsuit is pending and its result of arbitration is not predictable.

## (15)Investment and Rental Property

Effective the year ended March 31, 2010, the Companies have adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan Statement No. 20 issued on November 28, 2008) and the "Guidance on Accouting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan Guidance No. 23 issued on November 28, 2008).

Due to the low level of importance in total amounts of investment and rental property, the Companies have omitted note from notes to consolidated financial statement.

## (16)Segment Information

### a. Business Segments

**Business segments are principally composed of the following:**

Construction............Civil Engineering and Architectural Construction
Real Estate ..............Purchase, sale and rent of real estate
Other Businesses.....Building and Repair of Vessels and Agency Businesses

**Year Ended March 31, 2010** Millions of Japanese Yen

| | Construction | Real Estate | Other Businesses | Total | Elimination / Corporate | Consolidated |
|---|---|---|---|---|---|---|
| Net sales: | | | | | | |
| External customers | ¥ 185,197 | ¥ 1,494 | ¥ 3,610 | ¥ 190,301 | ¥ — | ¥ 190,301 |
| Inter-segment | 449 | 330 | 2,255 | 3,034 | (3,034) | — |
| Total | 185,646 | 1,824 | 5,865 | 193,335 | (3,034) | 190,301 |
| Operating expenses | 179,510 | 4,093 | 5,675 | 189,278 | (2,977) | 186,301 |
| Operating income | 6,136 | (2,269) | 190 | 4,057 | (57) | 4,000 |
| Total assets | 125,828 | 14,924 | 4,579 | 145,331 | 49,582 | 194,913 |
| Depreciation expenses | 3,083 | 157 | 117 | 3,357 | (40) | 3,317 |
| Impairment loss | 41 | 214 | — | 255 | — | 255 |
| Capital Expenditure | ¥ 2,590 | ¥ 8 | ¥ 23 | ¥ 2,621 | ¥ 24 | ¥ 2,645 |

**Year Ended March 31, 2009** Millions of Japanese Yen

| | Construction | Real Estate | Other Businesses | Total | Elimination / Corporate | Consolidated |
|---|---|---|---|---|---|---|
| Net sales: | | | | | | |
| External customers | ¥ 200,205 | ¥ 1,645 | ¥ 4,129 | ¥ 205,979 | ¥ — | ¥ 205,979 |
| Inter-segment | 1,434 | 439 | 1,370 | 3,243 | (3,243) | — |
| Total | 201,639 | 2,084 | 5,499 | 209,222 | (3,243) | 205,979 |
| Operating expenses | 198,712 | 1,677 | 5,129 | 205,518 | (3,198) | 202,320 |
| Operating income | 2,927 | 407 | 370 | 3,704 | (45) | 3,659 |
| Total assets | 130,942 | 18,507 | 5,005 | 154,454 | 37,897 | 192,351 |
| Depreciation expenses | 3,416 | 110 | 91 | 3,617 | (14) | 3,603 |
| Impairment loss | 46 | 10 | — | 56 | — | 56 |
| Capital Expenditure | ¥ 2,558 | ¥ 689 | ¥ 342 | ¥ 3,589 | ¥ (64) | ¥ 3,525 |

**Year Ended March 31, 2010** Thousands of U.S.Dollars

| | Construction | Real Estate | Other Businesses | Total | Elimination / Corporate | Consolidated |
|---|---|---|---|---|---|---|
| Net sales: | | | | | | |
| External customers | $1,991,363 | $ 16,070 | $ 38,816 | $ 2,046,249 | $ — | $ 2,046,249 |
| Inter-segment | 4,826 | 3,550 | 24,248 | 32,624 | (32,624) | — |
| Total | 1,996,189 | 19,620 | 63,064 | 2,078,873 | (32,624) | 2,046,249 |
| Operating expenses | 1,930,223 | 44,008 | 61,022 | 2,035,253 | (32,014) | 2,003,239 |
| Operating income | 65,966 | (24,388) | 2,042 | 43,620 | (610) | 43,010 |
| Total assets | 1,352,992 | 160,475 | 49,242 | 1,562,709 | 533,135 | 2,095,844 |
| Depreciation expenses | 33,154 | 1,686 | 1,256 | 36,096 | (429) | 35,667 |
| Impairment loss | 445 | 2,301 | — | 2,746 | — | 2,746 |
| Capital Expenditure | $ 27,850 | $ 85 | $ 248 | $ 28,183 | $ 260 | $ 28,443 |

Changes in accounting policies

1. The Company changed the amortization period of unrecognized actuarial differences as described in Note (1)-(k) "Reserve for retirement benefits". As a result, in segment Construction operating expenses increased by ¥133 million, while operating income decreased by the same amount, and in segment Real Estate operating expenses increased by ¥1 million, while operating income decreased by the same amount for the year ended March 31, 2009.
2. The Companies have adopted the "Accounting Standard for Construction Contracts" and the "Guidance on Accounting Standard for Construction Contracts" as described in Note (1)-(p) "Recognition of contract revenue and cost". As a result, net sales in segment Construction increased by ¥5,909 million, while operating income increased by ¥350 million, and net sales in segment Other Businesses increased by ¥87 million, while operating income increased by ¥2 million for the year ended March 31, 2009.

## b. Geographical Segments

**Each area primarily refers to the following countries:**

Southeast Asia.............Singapore, Philippines, Vietnam and Indonesia

Figures for the year ended March 31, 2009 do not contain data on Indonesia.

**Year Ended March 31, 2010** — Millions of Japanese Yen

| | Japan | Southeast Asia | Other Areas | Total | Elimination / Corporate | Consolidated |
|---|---|---|---|---|---|---|
| Net sales: | | | | | | |
| External customers | ¥ 155,814 | ¥ 27,834 | ¥ 6,653 | ¥ 190,301 | ¥ — | ¥ 190,301 |
| Inter-segment | 80 | — | — | 80 | (80) | — |
| Total | 155,894 | 27,834 | 6,653 | 190,381 | (80) | 190,301 |
| Operating expenses | 152,504 | 26,850 | 7,027 | 186,381 | (80) | 186,301 |
| Operating income | 3,390 | 984 | (374) | 4,000 | — | 4,000 |
| Total assets | ¥ 128,814 | ¥ 10,710 | ¥ 3,489 | ¥ 143,013 | ¥ 51,900 | ¥ 194,913 |

**Year Ended March 31, 2009** — Millions of Japanese Yen

| | Japan | Southeast Asia | Other Areas | Total | Elimination / Corporate | Consolidated |
|---|---|---|---|---|---|---|
| Net sales: | | | | | | |
| External customers | ¥ 159,096 | ¥ 34,188 | ¥ 12,695 | ¥ 205,979 | ¥ — | ¥ 205,979 |
| Inter-segment | 178 | — | — | 178 | (178) | — |
| Total | 159,274 | 34,188 | 12,695 | 206,157 | (178) | 205,979 |
| Operating expenses | 154,905 | 34,783 | 12,810 | 202,498 | (178) | 202,320 |
| Operating income | 4,369 | (595) | (115) | 3,659 | (—) | 3,659 |
| Total assets | ¥ 130,758 | ¥ 15,633 | ¥ 5,459 | ¥ 151,850 | ¥ 40,501 | ¥ 192,351 |

**Year Ended March 31, 2010** — Thousands of U.S.Dollars

| | Japan | Southeast Asia | Other Areas | Total | Elimination / Corporate | Consolidated |
|---|---|---|---|---|---|---|
| Net sales: | | | | | | |
| External customers | $ 1,675,423 | $ 299,289 | $ 71,537 | $ 2,046,249 | $ — | $ 2,046,249 |
| Inter-segment | 858 | — | — | 858 | (858) | — |
| Total | 1,676,281 | 299,289 | 71,537 | 2,047,107 | (858) | 2,046,249 |
| Operating expenses | 1,639,821 | 288,714 | 75,562 | 2,004,097 | (858) | 2,003,239 |
| Operating income | 36,460 | 10,575 | (4,025) | 43,010 | — | 43,010 |
| Total assets | $ 1,385,100 | $ 115,160 | $ 37,523 | $ 1,537,783 | $ 558,061 | $ 2,095,844 |

Changes in accounting policies

1. The Company changed the amortization period of unrecognized actuarial differences as described in Note (1)-(k) "Reserve for retirement benefits". As a result, in segment Japan operating expenses increased by ¥104 million, while operating income decreased by the same amount, in segment Southeast Asia operating expenses increased by ¥21 million, while operating loss increased by the same amount, and in segment Other Areas operating expenses increased by ¥8 million, while operating loss increased by the same amount for the year ended March 31, 2009.
2. The Companies have adopted the "Accounting Standard for Construction Contracts" and the "Guidance on Accounting Standard for Construction Contracts" as described in Note (1)-(p) "Recognition of contract revenue and cost". As a result, net sales in segment Japan increased by ¥5,990 million, and operating income increased by ¥351 million. There were no effects seen in segment Southeast Asia and Other Areas for the year ended March 31, 2009.

## c. Overseas Net Sales

**Each area primarily refers to the following countries:**

Southeast Asia..............Singapore, Philippines, Vietnam and Indonesia

Figures for the year ended March 31, 2009 do not contain data on Indonesia.

**Year Ended March 31, 2010** — Millions of Japanese Yen

| | Southeast Asia | Other Areas | Total |
|---|---|---|---|
| Overseas net sales | ¥ 27,834 | ¥ 6,653 | ¥ 34,487 |
| Consolidated net sales | — | — | 190,301 |
| Ratio (%) | 14.6 | 3.5 | 18.1 |

**Year Ended March 31, 2009** — Millions of Japanese Yen

| | Southeast Asia | Other Areas | Total |
|---|---|---|---|
| Overseas net sales | ¥ 34,188 | ¥ 12,695 | ¥ 46,883 |
| Consolidated net sales | — | — | 205,979 |
| Ratio (%) | 16.6 | 6.2 | 22.8 |

**Year Ended March 31, 2010** — Thousands of U.S.Dollars

| | Southeast Asia | Other Areas | Total |
|---|---|---|---|
| Overseas net sales | $ 299,289 | $ 71,537 | $ 370,826 |
| Consolidated net sales | — | — | $ 2,046,249 |

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
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# Report of Independent Auditors

The Board of Directors
TOA CORPORATION

We have audited the accompanying consolidated balance sheets of TOA CORPORATION and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

*Supplemental Information*

As described in Note (1)-(p), effective the year ended March 31, 2009, the Company and consolidated subsidiaries compiled the consolidated financial statements by adopting the Accounting Standard for Construction Contracts.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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).

Ernst & Young ShinNihon LLC

June 29, 2010

# INFORMATION

## Board of Directors

(As of June 29,2010)

**Chairman and Representative Director**
Yukio Suzuki

**President and Representative Director**
Masaomi Matsuo

**Representative Director**
Osamu Nakagome

**Directors**
Tsuyoshi Torii
Morimasa Tani
Masaki Akiyama

**Corporate Auditors**
Yasuhito Hayashi
Nobuyuki Isa
Kenji Kita
Satoshi Inaba

## Executive Officers

(As of April 1,2010)

**President and Chief Executive Officer (CEO)**
Masaomi Matsuo

**Executive Vice President**
Osamu Nakagome

**Senior Executive Officers**
Tsuyoshi Torii
Motonobu Sugimoto
Morimasa Tani

**Managing Executive Officers**
Mitsugi Okuda
Yoshio Sasaki
Takeshi Saito
Masashi Tanaka
Tsutomu Higashi
Kiyoshi Kazuma
Ryo Suetomi
Tsuyoshi Hyakutake
Masaki Akiyama

**Executive Officers**
Takao Kishida
Toshiro Sakasegawa
Hiroki Suda
Akio Aikawa
Yukio Toyama
Osamu Sasaki
Michio Kanezaki
Yasuo Fujikawa
Yutaro Ishii
Kazuyuki Mieno
Shigenori Hada

## Investor Information

(As of June 29,2010)

### Head Office

TOA CORPORATION
3-7-1, Nishi-shinjuku, Shinjuku-ku, Tokyo,
163-1031 Japan
Telephone : +81-3-6757-3800
Facsimile : +81-3-6757-3830
http://www.toa-const.co.jp/

### International Division

3-7-1, Nishi-shinjuku, Shinjuku-ku, Tokyo,
163-1031 Japan
Telephone : +81-3-6367-0801
Facsimile: +81-3-6367-0809
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### Date of Incorporation

January 1920

### Paid-In Capital

¥18,977 million (As of March 31, 2010)

### Authorized Shares

600,000,000

### Outstanding Shares

224,946,290 shares in 2010 (As of March 31, 2010)

### Number of Shareholders

13,235 (As of March 31, 2010)

### Number of Employees

1,591 (As of March 31, 2010)

### General Meeting

The General Meeting of Shareholders was held on June 29, 2010

### Stock Listing

Tokyo Stock Exchange, 1st Section Sapporo Securities Exchanges

### Transfer Agent

Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-ghome, 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
Shikoku Branch
Chugoku Branch
Kyushu Branch
Metropolitan Architecture Division
Engineering Research and Development Center

## Overseas Network

### Overseas Office

#### HEAD OFFICE (International Division)

3-7-1, Nishi-shinjuku, Shinjuku-ku, Tokyo,
163-1031 Japan
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#### SINGAPORE

Singapore Office
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Republic of Singapore 128472
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#### INDONESIA

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#### VIET NAM

Viet Nam Office
Room 2nd Floor, Kham Thien Building
195 Kham Thiem, Dong Do District,
Hanoi, Socialist Republic of Viet Nam
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Facsimile: (84-4)3826-2628

#### MALAYSIA

Malaysia Office
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Sultan Ismail 50250,
Kuala Lumpur, Malaysia
Telephone : (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
Telephone : (94-1)12572005
Facsimile: (94-1)12572535

#### U.A.E

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

### Overseas Subsidiaries and Affiliates

#### TOA HARBOR(S) PTE., LTD.

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

#### TOA(M) SENDIRIAN BERHAD

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

#### PT. TOA TIRTA DHARMA

Century Tower Building, 10th Floor,
Suite 1004 JL. HR. Rasuna Said Kav.
X-2 No.4 Kuningan, Jakarta 12950,
Republic of Indonesia
Telephone : (62-21)522-8781
Facsimile: (62-21)522-8782

#### TOA(LUX)S.A.

4, Rue Henri Schnadt L-2530,
Grand Duchy of Luxembourg
Telephone : (352)403727
Facsimile: (352)403723