TOC CO., LTD.

ANNUAL REPORT 2005

Profile

TOC Co., Ltd. is a comprehensive urban developer in the Greater Tokyo metropolitan area. Though our primary focus is on the leasing of buildings and business space, we are also actively involved in many other phases of urban development attuned to the ongoing evolution of social and business dynamics in the region that encompasses all-inclusive operations from project planning to development and management.

In the Shinagawa-Ohsaki district, we have completed the TOC Building, TOC Building 2, TOC Building 3, TOC Front Building, TOC Building 5 and Ohsaki New City, a pioneering project in subcenter development. In the Asakusa district, we operate the Asakusa ROX, ROX-2, ROX-3 and ROX Dome buildings.

We commenced construction of the TOC Ariake building — also known as the TOC Building for the 21st Century — for the "Ariake Minami LM2-3 Zone" project in the Rinkai (waterfront) Subcenter, which is scheduled for completion in summer 2006, and will continue to explore new opportunities to further expand our businesses.

Financial Highlights

TOC Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
For the Year			
Net sales	**¥ 17,726**	¥ 17,831	**$ 165,661**
Operating income	**5,592**	5,554	**52,257**
Net income	**2,565**	2,577	**23,974**
At Year-End			
Shareholders' equity	**¥ 57,926**	¥ 56,276	**$ 541,366**
Total assets	**89,397**	85,995	**835,487**

	Yen		U.S. Dollars
	2005	2004	**2005**
Per Share			
Net income	**¥ 38.90**	¥ 39.14	**$ 0.36**
Cash dividends	**11.00**	11.00	**0.10**

Note: U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥107 = US$1, the rate of exchange on March 31, 2005.

Contents

TOC Ariake — The Latest Landmark in the Rinkai Subcenter

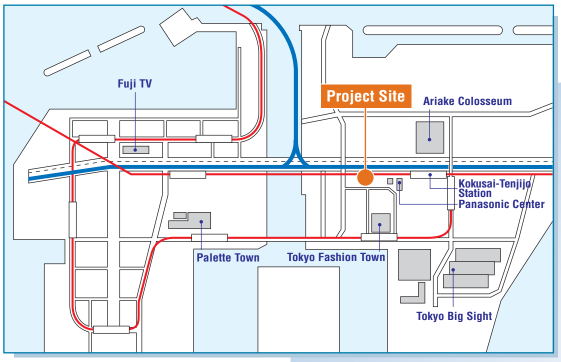
We promote development projects with the aim of balancing the buildings we already own with carefully considered new projects, taking the utmost advantage of our long-accumulated expertise and strong brand recognition. The TOC Ariake building, scheduled for completion in summer 2006, represents one example of our ongoing efforts to achieve our objectives.

"TOC Ariake" is a 21-story twin-tower building under construction in Ariake, one of the Rinkai Subcenters designated by the Tokyo metropolitan government as a hub for international businesses. We believe the building will serve as a base of activities for a variety of companies.

Located only six kilometers from the center of Tokyo, Ariake is optimally situated at the junction of land, sea and air transportation. It lies between the two international airports in Narita and Haneda as well as between Chiba and Yokohama, and forms a core commerce hub of the Tokyo metropolitan area. Tokyo Big Sight, an international exhibition center, and a variety of other facilities are located in the vicinity of TOC Ariake. In line with future growth, the transportation network is rapidly being built, promising even more advantages to expanding businesses in this area.

Measuring 18,100 square meters, TOC Ariake plans to set aside approximately 2,300 square meters for public use, providing comfortable spaces where everyone from tenants to visitors and passersby can relax and enjoy themselves. TOC's technology, know-how and ingenuity accumulated over the years have been incorporated into the twin-tower business wing, parking-lot wing and warehouse wing that make up the building. Equipped with 25 large elevators, the business wing offers comfort, security and user-friendly features, with offices and showrooms on the upper floors and shops, convention spaces and other service facilities on the lower levels.

The self-propelled parking lot has a 659-vehicle capacity, whereas the warehouse has a storage space of some 4,320 square meters and enables total distribution operations from storage to processing and shipment. Both represent some of the largest constructed facilities connected to an office building in Japan. TOC Ariake also offers advanced safety and security features, including a state-of-the-art, 24-hour security system, an anti-seismic structure that combines concrete-filled steel tubes (CFT) with anti-seismic damper, an emergency power-generating system using natrium-sulfur (NAS) batteries and a fully stockpiled emergency supply warehouse. With these major features and more, TOC Ariake is poised to become a new landmark of the Rinkai Subcenter.



TOC Ariake
(Artist's rendering; completed buildings may differ in appearance from the above illustration.)

Message from the President

The TOC Group undertakes its operations based on the corporate credo of "becoming a company useful to society." We believe it is our mission to provide fun, lively and relaxing venues that please both visitors and tenants. Taking this approach, we constantly strive to earn high acclaim from our customers in every business being undertaken. We are committed to improving the business performance of the Group as a whole and in turn contributing to overall society through our development efforts.

Analysis of Operating Results for Fiscal 2005

During the year ended March 31, 2005, the Japanese economy saw expanded capital investment on the back of strong corporate earnings and an upswing in consumer spending. On the other hand, concerns regarding deceleration emerged during the latter half of the fiscal year as a result of a sharp increase in crude oil prices and inventory adjustments in the IT and digital-related sectors.

Under these circumstances, the TOC Group posted consolidated net sales of ¥17,726 million (US$165,661 thousand), down 0.6% from fiscal 2004. This was despite vigorous sales activities that emphasized each segment's strengths and added value in accordance with our corporate credo as well as concerted efforts to augment segment performance. Operating income was ¥5,592 million (US$52,257 thousand), up 0.7% from fiscal 2004. Net income, however, amounted to ¥2,565 million (US$23,974 thousand), down 0.5%, as a result of posting a loss on devaluation of investment securities.

Results by business segment are as follows.

Real Estate Segment

In the office building market in fiscal 2005, the overall vacancy rate improved in the Greater Tokyo metropolitan area. Rent levels also showed signs of a rebound centered around new office complexes in central Tokyo. Conversely, in the commercial building market, consumer preferences became increasingly selective, highlighting a wide gap between the most desirable and least desirable method of building management.

Under this environment, net sales totaled ¥11,639 million (US$108,780 thousand), a decrease of 1.7% from fiscal 2004. Operating income amounted to ¥5,494 million (US$51,350 thousand), a decrease of 0.2%. The decrease for operating income was kept to a minimum due to efforts to provide a higher level of services at a lower cost as well as ensuring efficient building management.

During fiscal 2005, we focused on improving the strengths of individual buildings we own, continuously renewing and beautifying them to meet evolving customer needs, and heightening their added value. Although we strove to attract new tenants suited to the characteristics of respective buildings, our occupancy rate decreased 0.9% to 95.9% from the previous fiscal year owing to a turnover of major tenants, resulting in a decrease in income from the lease of buildings. While there was a decrease in sales from the lease of exhibition halls and conference rooms, including those involving banquet management, profits increased due to an increase in income from the rental of facilities arising from the acquisition of new clients and success of self-planned events. Sales of the parking business declined as a result of a decrease in period parking contracts that accompanied cost-reduction efforts by tenants.

Linen Supply and Laundry Segment

Net sales of this segment, for which main customer is the hotel industry, amounted to ¥2,016 million (US$18,840 thousand), an increase of 0.5% from fiscal 2004. Operating income jumped 42.9% to ¥50 million (US$472 thousand). These increases were the result of the absence of such negative factors as the SARS epidemic during the previous fiscal year as well as the effects of cost-reduction efforts, including energy-saving operation of equipment.

Others Segment

Net sales in the Others segment amounted to ¥4,071 million (US$38,041 thousand), up 2.2% from fiscal 2004. Operating income amounted to ¥39 million (US$352 thousand), a remarkable turnaround from an operating loss of ¥1 million in fiscal 2004. Sales and profits of the Pharmaceuticals business increased due primarily to expanded sales of Kumazasa-related items, its mainstay product. Sales of the newly integrated Sports Club and Bathing Facility business slightly decreased. Even though club members steadily utilized these facilities, the business was adversely affected by fierce competition among bathing facilities within Tokyo. The Retail and Restaurant businesses saw higher sales due mainly to the renewal opening of our ROX-2G building and a reassessment of sales promotion activities. The Building Maintenance Services business also posted higher sales, reflecting an increase in orders for interior refurbishing. Sales in the Environmental Protection and Energy-Saving businesses declined slightly. During fiscal 2005, I-TINK Co., Ltd., which is engaged in the information systems business, became one of our subsidiaries (with 97% voting rights).

Basic Policy Regarding Corporate Management

We regard corporate governance as one of the key management issues in terms of improved management soundness, transparency and efficiency. The TOC Group's upper management system encompasses the functions of such bodies as the board of directors, meetings of the executive directors and executive councils, as well as management groups at individual divisions and subsidiaries. These bodies deliberate issues related to Japan's Commercial Code and other important management matters, and exchange divisional information and insights, in order to respond proactively to the variety of problems that may arise in the ever-changing world of business. At TOC, we do not employ a U.S.-style executive management system, but rather a unified management system where representative directors take joint responsibility for both management and business operations. We also strive to disclose information to our shareholders and other stakeholders as quickly and accurately as possible.

Business Outlook for Fiscal 2006

Overall, the domestic economy still precludes optimism. Although corporate revenues are expected to remain strong, the price hikes of raw materials led by surging crude oil prices may have an adverse impact. Overseas, uncertainties loom concerning economic trends in the United States and China.

In the office building sector, we face increased polarization of new and old buildings, as well as adverse effects on the supply environment as a result of the opening of new office complexes. However, we expect slow yet steady improvements in occupancy rates and rent levels, as many companies — backed by a strong business performance — indicate a willingness to expand office space or relocate to other offices. In the commercial building sector, despite solid consumer spending, we anticipate increased competition accompanied by numerous planned openings of new, large-scale commercial facilities.

In addressing these conditions, we will balance the buildings we already own with carefully considered new projects, as well as focus on the development of buildings of originality that incorporate our recognized expertise and know-how. For the "Ariake Minami LM2-3 Zone" project (site area: 18,088.47 square meters), we will proceed with the TOC Ariake building, which is designed to cater to a wide variety of businesses, as the TOC Building for the 21st Century, with completion scheduled for summer 2006. As for the "Minato-Mirai 21-28 District" project (site area: 8,255.12 square meters), we plan to start construction of a multi-purpose commercial complex in 2006 that will garner support from a wide range of clientele. Our long-standing know-how gained in managing various commercial facilities attuned to the diverse needs of consumers and other end users should prove invaluable in this project. With regard to existing buildings, we undertook renovation of the ROX-2G building in September 2004, and we will aggressively promote the renewal of other buildings by paying close attention to changes in operational status and the business environment.

In the field of commercial facilities, we have consolidated the Sports Club and Bathing Facility businesses by integrating respective subsidiaries during fiscal 2005. In doing so, we will pursue flexible business management that achieves further synergy among our commercial facilities.

For fiscal 2006, ending March 31, 2006, we forecast consolidated net sales of ¥17,700 million (US$165,421 thousand), a decrease of 0.1% from fiscal 2005; operating income of ¥5,550 million (US$51,869 thousand), down 0.8% from fiscal 2005; and net income of ¥2,850 million (US$26,636 thousand), an increase of 11.1%.

As we look to secure further growth in shareholder value, we respectfully request a continuation of the support we have enjoyed to date.

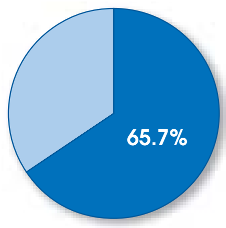
June 2005

President
Takuo Otani

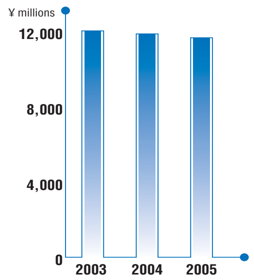
TOC at a Glance

TOC is actively involved in a variety of business fields. These are categorized into three segments: Real Estate, our mainstay business, Linen Supply and Laundry, and Others, which includes our pharmaceuticals business.

Percentage of Net Sales



Net Sales of Real Estate Segment



Principal Group Companies

- TOC Supply Co., Ltd.
- Tokyo Oroshiuri Center Distribution Group Co., Ltd.
- Ohsaki Redevelopment Buildings Co., Ltd.

Real Estate Segment

This is the largest of our business segments, accounting for 65.7% of consolidated net sales. This segment is responsible for planning, execution and management of urban development projects. By providing fun, lively and relaxing venues and promoting urban redevelopment attuned to the needs and preferences of the times, we are contributing to the building of a more vibrant future and the betterment of society as a whole.

TOC Building

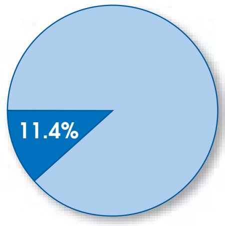
Exhibition hall in use for a fashion show

Ohsaki New City

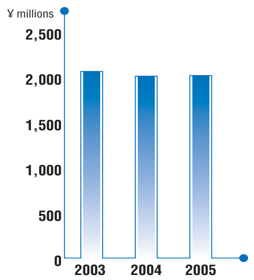
Asakusa ROX

Linen Supply and Laundry Segment

Percentage of Net Sales



Net Sales of Linen Supply and Laundry Segment



Principal Group Companies

- TO Linen Supply Co., Ltd.

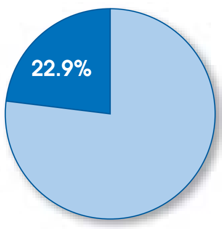
This segment, which accounts for 11.4% of consolidated net sales, is involved in renting a wide variety of linens used in hotels and restaurants. It also provides dry cleaning services to guests at hotels and sells items such as bathrobes and towels.


Ironing performed for cleaning services

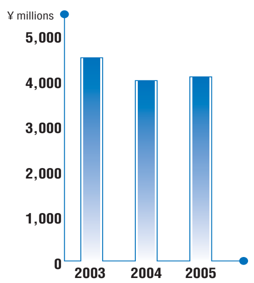

High-quality linen item

Others Segment

Percentage of Net Sales



Net Sales of Others Segment

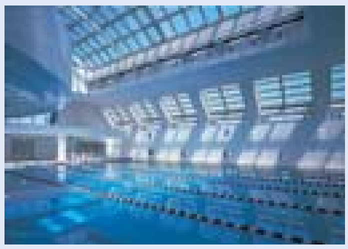


Principal Group Companies

- Hoshi Pharmaceutical Co., Ltd.
- Anima Japan Co., Ltd.
- TOL Co., Ltd.
- I-TINK Co., Ltd.

This segment accounts for 22.9% of consolidated net sales. It includes our pharmaceuticals business, building maintenance services, management of a sports club and a bathing facility, retail and restaurant businesses, and environmental protection and energy-saving businesses.

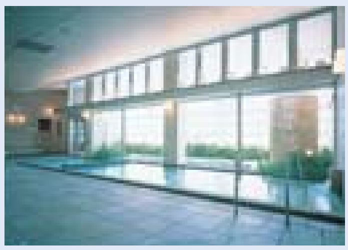
"Hoshi Kumazasa Extract," the flagship product of our pharmaceutical line, is extracted through our proprietary technique from the young leaves of *kumazasa* bamboo. Rich in polysaccharides, this product has become widely popular as a naturally derived nutritional supplement with significant health benefits.


"ROX FITNESS CLUB begin"


"Tifalo" olive aromatic bath oil

ホシ隈笹エキス


"Hoshi Kumazasa Extract"


"Asakusa ROX Matsuri-Yu" bathing facility

Financial Review

Net Sales

Consolidated net sales for fiscal 2005 amounted to ¥17,726 million, a decrease of ¥105 million (0.6%) from fiscal 2004. This occurred despite concerted sales activities that emphasized our strengths and added value throughout the Group in accordance with our corporate credo of "becoming a company useful to society" as well as our efforts to strengthen segment performance.

By segment, net sales in the Real Estate segment totaled ¥11,639 million, a decrease of ¥201 million (1.7%), due primarily to relocation by large tenants. Net sales in the Linen Supply and Laundry segment amounted to ¥2,016 million, an increase of ¥10 million (0.5%), bolstered by the absence of the SARS epidemic during the previous year that adversely impacted the hotel industry, the segment's main client, and aggressive cost-reduction efforts. Net sales in the Others segment totaled ¥4,071 million, an increase of ¥86 million (2.2%), attributable chiefly to increased sales in the Pharmaceuticals business.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales for fiscal 2005 decreased ¥153 million (1.5%) from fiscal 2004 to ¥9,759 million, while the cost of sales to net sales ratio fell 0.5% to 55.1%. Selling, general and administrative (SGA) expenses increased ¥10 million (0.4%) to ¥2,375 million, and the ratio of SGA expenses to net sales was 13.4%, a slight increase from fiscal 2004.

Operating Income

Operating income for fiscal 2005 amounted to ¥5,592 million, an increase of ¥38 million (0.7%) over fiscal 2004. The ratio of operating income to net sales improved from 31.1% to 31.5%. By segment, operating income was ¥5,494 million for the Real Estate segment, ¥50 million for the Linen Supply and Laundry segment and ¥39 million for the Others segment.

Net Income

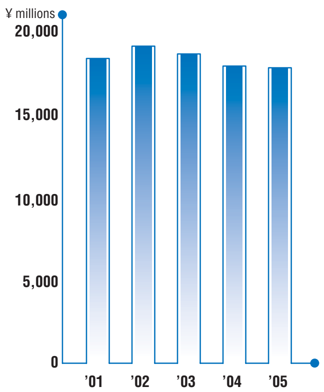
Net income for fiscal 2005 amounted to ¥2,565 million, down ¥12 million (0.5%) from fiscal 2004. On a per-share basis, net income fell from ¥39.14 to ¥38.90.

Financial Position

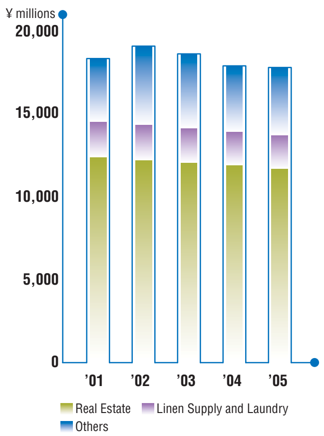
Total assets as of the end of fiscal 2005 stood at ¥89,397 million, an increase of ¥3,402 million (4.0%) from fiscal 2004.

Current assets dropped ¥2,825 million (18.9%) to ¥12,083 million due mainly to a significant decrease in

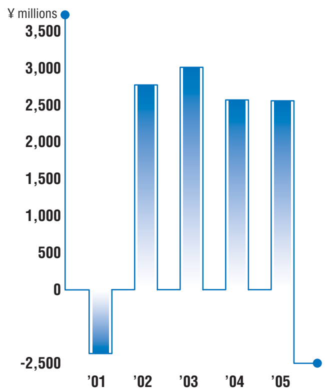
Net Sales



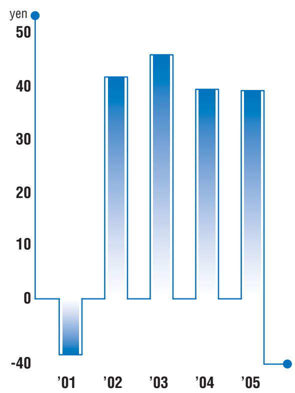
Net Sales by Segment



Net Income/Loss



Net Income/Loss per Share



deferred tax assets. Inventories decreased ¥56 million (10.2%) to ¥492 million, while cash and cash equivalents increased ¥604 million (6.2%) to ¥10,298 million. Property, plant and equipment increased ¥3,705 million (6.9%) to ¥57,314 million, attributable chiefly to a significant increase in construction in progress. Investments and other assets amounted to ¥20,000 million, an increase of ¥2,522 million (14.4%). This increase was due mainly to a significant increase in deferred tax assets despite a significant drop in investments in and advances to unconsolidated subsidiaries and associated company.

Current liabilities totaled ¥7,202 million, down ¥427 million (5.6%) from fiscal 2004. Long-term liabilities amounted to ¥23,949 million, an increase of ¥2,163 million (9.9%). This was due primarily to an increase in long-term debt, up ¥2,559 million (21.0%) to a total of ¥14,757 million.

Shareholders' equity grew ¥1,650 million (2.9%) to ¥57,926 million. The shareholders' equity ratio decreased 0.6 percentage point from 65.4% to 64.8%.

Cash Flows

Net cash provided by operating activities amounted to ¥5,176 million. Despite income taxes paid in the amount of ¥1,081 million, net cash and cash equivalents increased as a result of income before income taxes and minority interests in the amount of ¥4,533 million and depreciation and amortization in the amount of ¥1,281 million. Compared with fiscal 2004, net cash provided by operating activities increased ¥1,812 million (53.9%) due to a decrease in income taxes paid and other factors.

Net cash used in investing activities increased ¥2,081 million to ¥4,866 million due primarily to payment for purchases of property, plant and equipment in relation to the "TOC Ariake" project.

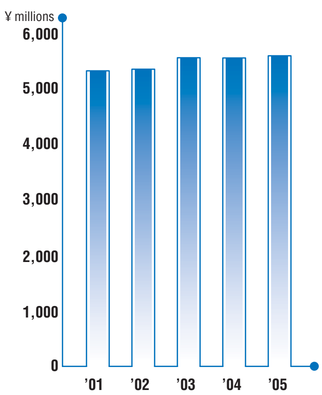
Net cash provided by financing activities totaled ¥268 million due mainly to borrowings related to the "TOC Ariake" project, compared with net cash used in financing activities of ¥3,727 million in fiscal 2004.

As a result, total cash and cash equivalents stood at ¥10,298 million at the end of March 2005, an increase of ¥604 million (6.2%) from fiscal 2004.

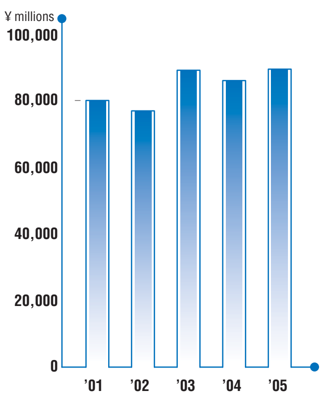
Dividends

Cash dividends for fiscal 2005 were ¥11.0 per share, representing a payout ratio of 29.2%.

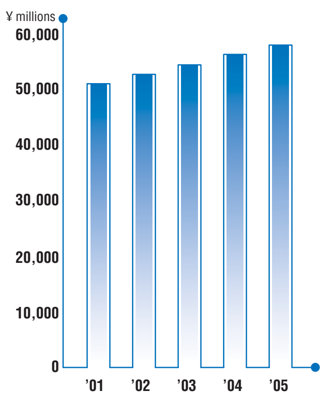
Operating Income



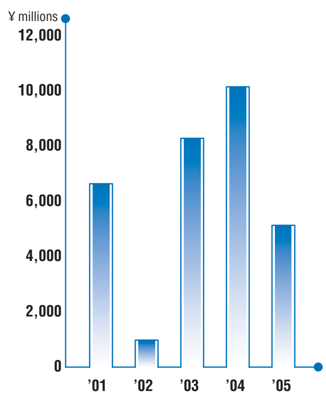
Total Assets



Shareholders' Equity



Capital Expenditures



Consolidated Balance Sheets

March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 10,298	¥ 9,694	$ 96,242
Short-term investments (Note 3)	57	57	533
Marketable securities (Note 4)	31	61	286
Receivables:			
Trade notes	40	39	381
Trade accounts	796	885	7,439
Allowance for doubtful receivables	(5)	(12)	(43)
Inventories (Note 5)	492	548	4,594
Deferred tax assets (Note 9)	171	3,259	1,597
Prepaid expenses and other current assets (Notes 11 and 12)	203	377	1,898
Total current assets	12,083	14,908	112,927
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 6)	38,282	38,297	357,774
Buildings and structures (Note 6)	49,242	48,930	460,211
Machinery and equipment	1,111	1,100	10,381
Construction in progress	4,753	239	44,424
Other	1,384	1,386	12,934
Total	94,772	89,952	885,724
Accumulated depreciation	(37,458)	(36,343)	(350,078)
Net property, plant and equipment	57,314	53,609	535,646
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	3,568	3,645	33,344
Investments in and advances to unconsolidated subsidiaries and associated company	288	1,362	2,689
Long-term loans	2,750	2,750	25,701
Leasehold	6,966	6,966	65,107
Insurance reserve fund	2,330	2,192	21,778
Deferred tax assets (Note 9)	3,714	191	34,707
Other assets	413	372	3,861
Allowance for doubtful receivables	(29)	—	(273)
Total investments and other assets	20,000	17,478	186,914
TOTAL	¥ 89,397	¥ 85,995	$ 835,487

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	¥ 1,916	¥ 3,685	$ 17,907
Current portion of long-term debt (Note 6)	1,141	992	10,664
Payables:			
Trade accounts	189	209	1,770
Other	671	788	6,269
Income taxes payable	1,742	343	16,285
Accrued bonuses	89	92	827
Accrued expenses and other current liabilities (Note 12)	1,454	1,520	13,588
Total current liabilities	7,202	7,629	67,310
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	14,757	12,198	137,913
Deposits from tenants	8,605	9,042	80,420
Liability for employees' retirement benefits (Note 7)	176	159	1,641
Liability for retirement allowance for directors and corporate auditors	170	151	1,592
Other long-term liabilities	241	236	2,252
Total long-term liabilities	23,949	21,786	223,818
MINORITY INTERESTS	320	304	2,993
COMMITMENTS (Note 10)			
SHAREHOLDERS' EQUITY (Notes 8 and 14):			
Common stock — authorized, 271,217,000 shares; issued, 66,770,416 shares	11,768	11,768	109,983
Capital surplus	9,331	9,335	87,209
Retained earnings	37,488	35,903	350,351
Unrealized gain on available-for-sale securities	52	28	490
Total	58,639	57,034	548,033
Treasury stock — at cost, 1,294,364 shares in 2005 and 1,356,548 shares in 2004	(713)	(758)	(6,667)
Total shareholders' equity	57,926	56,276	541,366
TOTAL	¥ 89,397	¥ 85,995	$ 835,487

Consolidated Statements of Income

Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
NET SALES	¥ 17,726	¥ 17,831	$ 165,661
COST OF SALES	9,759	9,912	91,202
Gross profit	7,967	7,919	74,459
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,375	2,365	22,202
Operating income	5,592	5,554	52,257
OTHER INCOME (EXPENSES):			
Interest and dividends income	41	64	379
Interest expense	(250)	(284)	(2,335)
Gain (loss) on sales of property, plant and equipment	3	(137)	24
Loss on disposal of property, plant and equipment	(18)	(129)	(171)
Equity in earnings of associated company	26	24	247
Loss on devaluation of investment securities	(813)	(20)	(7,602)
Other — net	(48)	(350)	(434)
Other expenses — net	(1,059)	(832)	(9,892)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	4,533	4,722	42,365
INCOME TAXES (Note 9):			
Current	2,405	1,511	22,474
Deferred	(452)	645	(4,221)
Total income taxes	1,953	2,156	18,253
MINORITY INTERESTS IN NET INCOME (LOSS)	15	(11)	138
NET INCOME	¥ 2,565	¥ 2,577	$ 23,974

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.m and 13):			
Basic net income	¥ 38.90	¥ 39.14	$ 0.36
Diluted net income	38.88	—	0.36
Cash dividends applicable to the year	11.00	11.00	0.10

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2005 and 2004

	Thousands of Shares/Millions of Yen						
	Common Stock		Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Treasury Stock	
	Shares	Amount				Shares	Amount
BALANCE, APRIL 1, 2003	66,770	¥ 11,768	¥ 9,327	¥ 34,064	¥ 17	(1,384)	¥ (773)
Net income				2,577			
Cash dividends, ¥11 per share				(720)			
Bonuses to directors				(18)			
Disposal of treasury stock			8			51	29
Purchases of treasury stock						(23)	(14)
Increase in unrealized gain on available-for-sale securities					11		
BALANCE, MARCH 31, 2004	66,770	11,768	9,335	35,903	28	(1,356)	(758)
Adjustment of retained earnings for newly consolidated subsidiary				(243)			
Net income				2,565			
Cash dividends, ¥11 per share				(719)			
Bonuses to directors				(18)			
Disposal of treasury stock			(4)			97	77
Purchases of treasury stock						(35)	(32)
Increase in unrealized gain on available-for-sale securities					24		
BALANCE, MARCH 31, 2005	66,770	¥ 11,768	¥ 9,331	¥ 37,488	¥ 52	(1,294)	¥ (713)

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Treasury Stock
BALANCE, MARCH 31, 2004	$ 109,983	$ 87,238	$ 335,545	$ 262	$ (7,087)
Adjustment of retained earnings for newly consolidated subsidiary			(2,273)		
Net income			23,974		
Cash dividends, $0.10 per share			(6,727)		
Bonuses to directors			(168)		
Disposal of treasury stock		(29)			420
Increase in unrealized gain on available-for-sale securities				228	
BALANCE, MARCH 31, 2005	$ 109,983	$ 87,209	$ 350,351	$ 490	$ (6,667)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 4,533	¥ 4,722	$ 42,365
Adjustments for:			
Income taxes — paid	(1,081)	(2,371)	(10,102)
Depreciation and amortization	1,281	1,384	11,969
Loss on devaluation of investment securities	813	20	7,602
Provision for (reversal of) allowance for doubtful receivables	22	(10)	201
Bonuses to directors	(18)	(18)	(168)
Loss on sales and disposals of property, plant and equipment — net	15	239	147
Equity in earnings of an associated company	(26)	(24)	(247)
Changes in assets and liabilities, net of effects from consolidating previously unconsolidated subsidiary:			
Decrease in trade notes and accounts receivable	87	3	816
(Increase) decrease in inventories	12	(85)	110
Decrease in trade accounts payable	(85)	(150)	(792)
Decrease in accrued expenses	(4)	(1)	(33)
Decrease in deposits from tenants	(450)	(628)	(4,204)
(Decrease) increase in liability for employees' retirement benefits	17	(5)	159
Increase in liability for retirement allowance for directors and corporate auditors	19	21	178
Other — net	41	267	376
Total adjustments	643	(1,358)	6,012
Net cash provided by operating activities	5,176	3,364	48,377
INVESTING ACTIVITIES:			
Payment for purchases of time deposits	(57)	(58)	(533)
Proceeds from withdrawal of time deposits	57	60	533
Proceeds from sales of marketable securities	20	20	187
Proceeds from the redemption of bonds	40	—	374
Payment for purchases of property, plant and equipment	(5,114)	(10,039)	(47,794)
Proceeds from sales of property, plant and equipment	253	8,520	2,366
Payment for purchases of other assets	(38)	(15)	(352)
Payment for purchases of investment securities	(1)	(1,103)	(9)
Proceeds from sales of investment securities	112	10	1,045
Other — net	(138)	(180)	(1,293)
Net cash used in investing activities	(4,866)	(2,785)	(45,476)
FINANCING ACTIVITIES:			
Repayments of short-term borrowings — net	(1,769)	(5,015)	(16,533)
Proceeds from long-term debt	3,700	2,800	34,579
Repayments of long-term debt	(992)	(820)	(9,276)
Proceeds from sales of treasury stock	78	37	727
Payment for purchases of treasury stock	(33)	(15)	(306)
Cash dividends paid	(716)	(714)	(6,693)
Net cash provided by (used in) financing activities	268	(3,727)	2,498
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	578	(3,148)	5,399
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR	26	—	243
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,694	12,842	90,600
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 10,298	¥ 9,694	$ 96,242

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2005 and 2004

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made to the 2004 financial statements to conform to classifications and presentations used in 2005.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TOC Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥107 to $1, the approximate rate of exchange at March 31, 2005. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Consolidation**—The consolidated financial statements include the accounts of the Company and its seven significant subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Effective October 1, 2004, a certain consolidated subsidiary (TOL Co., Ltd.) merged with a certain consolidated subsidiary (ROX HEALTH PLAZA Co., Ltd.).

Effective April 1, 2004, I-TINK Co., Ltd. was consolidated due to an increase in influence as a result of an expansion in operations.

The effect of the above newly consolidated company on retained earnings is presented as "Adjustment of retained earnings for a newly consolidated subsidiary."

Investment in an associated company is accounted for by the equity method. Investment in an unconsolidated subsidiary is stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. **Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and bond funds, which mature within three months of the date of acquisition.

c. **Inventories**—Merchandise is principally stated at cost determined by the retail method as generally applied for the retail industry in Japan.

Finished products, work in process, raw materials and supplies are stated at cost determined by the moving-average method.

d. **Marketable and Investment Securities**—Marketable and investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. **Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is principally from 3 to 50 years for buildings and structures.

f. **Allowance for Doubtful Receivables**—The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

g. **Retirement and Pension Plans**—The Company and certain consolidated subsidiaries have funded and unfunded retirement plans.

Liability for retirement benefits is based on the projected benefit obligations and plan assets at the balance sheet date.

h. **Retirement Allowances for Directors and Corporate Auditors**—Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

i. **Leases**—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

j. **Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. **Appropriations of Retained Earnings**—Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

l. **Derivatives and Hedging Activities**—The Group uses derivative financial instruments to manage its exposures to fluctuations in interest rates. Interest rate swaps are utilized by the Group to reduce interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

m. **Per Share Information**—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised into common stock. Diluted net income per share of common stock assumes purchasing stocks at the market average at the time of exercising the stock options.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective year including dividends to be paid after the end of the year.

n. **New Accounting Pronouncements**—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASB") issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005, with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Group expects to adopt these pronouncements as of April 1, 2005, and is currently in the process of assessing the effect of adoption of these pronouncements.

3. SHORT-TERM INVESTMENTS

Short-term investments consisted of time deposits which become due over three months.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2005 and 2004, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Current:			
Government and corporate bonds	¥ 10	¥ 41	$ 94
Trust fund investments and other	21	20	192
Total	¥ 31	¥ 61	$ 286
Non-current:			
Marketable equity securities	¥ 284	¥ 332	$ 2,658
Non-marketable equity securities	3,284	3,282	30,686
Government and corporate bonds	—	10	—
Trust fund investments and other	—	21	—
Total	¥ 3,568	¥ 3,645	$ 33,344

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2005 and 2004, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2005				
Securities classified as available-for-sale:				
Equity securities	¥ 201	¥ 83	¥ —	¥ 284
Government and corporate bonds	6	4	—	10
Trust fund investments and other	20	1	—	21

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2004				
Securities classified as available-for-sale:				
Equity securities	¥ 305	¥ 59	¥ 32	¥ 332
Government and corporate bonds	33	18	—	51
Trust fund investments and other	40	1	—	41

	Thousands of U.S. Dollars			
	Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
March 31, 2005				
Securities classified as available-for-sale:				
Equity securities	**$ 1,881**	**$ 777**	**$ —**	**$ 2,658**
Government and corporate bonds	**59**	**35**	**—**	**94**
Trust fund investments and other	**187**	**5**	**—**	**192**

Available-for-sale securities whose fair values were not readily determinable as of March 31, 2005 and 2004, were ¥3,284 million ($30,686 thousand) and ¥3,282 million, respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale with specific maturity dates at March 31, 2005, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 31	$ 286

5. INVENTORIES

Inventories at March 31, 2005 and 2004, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Merchandise	**¥ 30**	¥ 38	**$ 280**
Finished products	**221**	271	**2,067**
Work in process	**159**	143	**1,480**
Raw materials	**64**	62	**597**
Supplies	**18**	34	**170**
Total	**¥ 492**	¥ 548	**$ 4,594**

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2005 and 2004, mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term borrowings ranged from 0.7% to 1.8% at March 31, 2005 and 2004.

Long-term debt at March 31, 2005 and 2004, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Unsecured loans from banks, 1.2% to 2.1%, due 2018	**¥ 7,551**	¥ 6,517	**$ 70,570**
Unsecured loans from banks, 1.0% to 1.3%, due 2007	**6,822**	5,536	**63,757**
Unsecured loans from life insurance company, 1.1% to 1.3%, due 2007	**1,525**	1,137	**14,250**
Total	**15,898**	13,190	**148,577**
Less current portion	**(1,141)**	(992)	**(10,664)**
Long-term debt, less current portion	**¥ 14,757**	¥ 12,198	**$ 137,913**

Annual maturities of long-term debt at March 31, 2005, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 1,141	$ 10,664
2007	8,318	77,736
2008	586	5,477
2009	586	5,477
2010	586	5,477
2011 and thereafter	4,681	43,746
Total	¥ 15,898	$ 148,577

The carrying amounts of assets pledged as collateral for the short-term borrowings of ¥1,020 million ($9,533 thousand) at March 31, 2005, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥ 4,211	$ 39,353
Land	689	6,437
Total	¥ 4,900	$ 45,790

7. RETIREMENT AND PENSION PLANS

Employees whose service with the Company and one of its subsidiaries is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to larger payment than in the case of voluntary termination.

The liability for employees' retirement benefits at March 31, 2005 and 2004, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Projected benefit obligation	**¥ 818**	¥ 750	**$ 7,647**
Fair value of plan assets	**(642)**	(591)	**(6,006)**
Net liability	**¥ 176**	¥ 159	**$ 1,641**

The components of net periodic benefit costs for the years ended March 31, 2005 and 2004, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Service cost	**¥ 64**	¥ 69	**$ 598**
Net periodic benefit costs	**¥ 64**	¥ 69	**$ 598**

8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock are recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock.
The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the shareholders' meeting.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥33,470 million ($312,808 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

The balance of treasury stock recorded in the shareholders' equity section as of March 31, 2005, represents treasury stock purchased for the purpose of granting stock options to directors and key employees. As of March 31, 2005, stock options for 218,000 shares have been granted and are exercisable through June 30, 2005, with an exercise price of ¥762. This exercise price will change if the Company makes a stock split or issues stock at amounts less than fair value.

9. INCOME TAXES

The Company and its subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 41% and 42% for the years ended March 31, 2005 and 2004, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred tax assets:			
Accrued enterprise taxes	¥ 133	¥ 31	$ 1,243
Retirement benefits for directors and corporate auditors	69	62	648
Unrealized gain on sales of property	24	27	225
Devaluation of land and leasehold	3,190	3,189	29,808
Loss on devaluation of investment securities	341	16	3,188
Tax loss carryforwards of subsidiaries	358	312	3,347
Other	328	234	3,063
Less valuation allowance	(512)	(390)	(4,787)
Total	3,931	3,481	36,735
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	34	19	316
Deferred gains on sales of property	12	12	115
Total	46	31	431
Net deferred tax assets	¥ 3,885	¥ 3,450	$ 36,304

The valuation allowance mainly consisted of tax loss carryforwards of certain subsidiaries.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2005, is as follows:

	2005
Normal effective statutory tax rate	41%
Increase in valuation allowance	1
Other — net	1
Actual effective tax rate	43%

10. LEASES

The Group leases certain machinery and equipment, as well as other assets.

(1) Financing Leases

Total rental expenses under the above leases for the years ended March 31, 2005 and 2004, were ¥13 million ($124 thousand) and ¥14 million, respectively, including ¥9 million ($82 thousand) and ¥10 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2005 and 2004, was as follows:

	Millions of Yen					
	2005			2004		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥ 11	¥ 40	¥ 51	¥ 11	¥ 25	¥ 36
Accumulated depreciation	9	20	29	7	14	21
Net leased property	¥ 2	¥ 20	¥ 22	¥ 4	¥ 11	¥ 15

	Thousands of U.S. Dollars		
	2005		
	Machinery and Equipment	Other	Total
Acquisition cost	$ 103	$ 379	$ 482
Accumulated depreciation	83	191	274
Net leased property	$ 20	$ 188	$ 208

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year	¥ 9	¥ 7	$ 81
Due after one year	14	8	132
Total	¥ 23	¥ 15	$ 213

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Depreciation expense	¥ 8	¥ 9	$ 76
Interest expense	1	1	4
Total	¥ 9	¥ 10	$ 80

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

(2) Operating Leases

The minimum rental commitments under noncancelable operating leases at March 31, 2005 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year	¥ 1	¥ 4	$ 8
Due after one year	—	1	—
Total	¥ 1	¥ 5	$ 8

11. RELATED PARTY TRANSACTIONS

Related party transactions for the years ended March 31, 2005 and 2004, were not significant.

12. DERIVATIVES

The Group enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

Derivative transactions are entered into to hedge interest rate risk within the Company. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization.

Fair Value of Derivative Financial Instruments

The fair values of the Group's derivative financial instruments at March 31, 2005 and 2004 were as follows:

	Millions of Yen					
	2005			2004		
	Contract Amount	Fair Value	Unrealized Loss	Contract Amount	Fair Value	Unrealized Loss
Interest rate swaps — Pay fixed/receive floating	¥ 3,000	¥ (241)	¥ (241)	¥ 3,000	¥ (236)	¥ (236)

	Thousands of U.S. Dollars		
	2005		
	Contract Amount	Fair Value	Unrealized Loss
Interest rate swaps — Pay fixed/receive floating	$ 28,037	$ (2,252)	$ (2,252)

Interest rate swaps which qualify for hedge accounting for the years ended March 31, 2005 and 2004, and such amounts which are assigned to the associated assets and liabilities and are recorded on the balance sheets at March 31, 2005 and 2004, are excluded from disclosure of market value information.

13. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2005, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended March 31, 2005				
Basic EPS — Net income available to common shareholders	¥ 2,546	65,448	¥ 38.90	$ 0.36
Effect of dilutive securities — Warrants	—	26		
Diluted EPS — Net income for computation	¥ 2,546	65,474	¥ 38.88	$ 0.36

Diluted EPS for the year ended March 31, 2004, is not disclosed because it is anti-dilutive.

14. SUBSEQUENT EVENTS

a. Stock Split

On April 19, 2005, the Board of Directors of the Company approved a stock split by way of a free share distribution at the rate of 2.05 shares for each outstanding share. As a result, 70,108,936 shares will be issued to shareholders of record on May 31, 2005, as of July 11, 2005.

b. Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2005, were approved at the Company's shareholders' meeting held on June 29, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥5.50 ($0.05) per share	¥ 360	$ 3,362
Bonuses to directors and corporate auditors	19	178

15. SEGMENT INFORMATION

The Company operates in the following industries:

- Real estate — consisting of rental rooms, exhibition halls and parking lots
- Linen supply and laundry — consisting of linen supply and laundry service
- Other — consisting of selling goods, restaurant businesses, production and distribution of medicine, management of a gym and a bathhouse, building maintenance services, carpentry work services, environmental protection, energy-saving businesses and information processing

Information about industry segments for the years ended March 31, 2005 and 2004, was as follows:

Industry Segments

a. Sales and Operating Income (Loss)

	Millions of Yen					
	2005					
	Real Estate	Linen Supply and Laundry	Other	Total	Eliminations/ Corporate	Consolidation
Sales to customers	¥ 11,639	¥ 2,016	¥ 4,071	¥ 17,726	—	¥ 17,726
Intersegment sales	806	49	108	963	¥ (963)	—
Total sales	12,445	2,065	4,179	18,689	(963)	17,726
Operating expenses	6,951	2,015	4,140	13,106	(972)	12,134
Operating income	¥ 5,494	¥ 50	¥ 39	¥ 5,583	¥ 9	¥ 5,592

	Millions of Yen					
	2004					
	Real Estate	Linen Supply and Laundry	Other	Total	Eliminations/ Corporate	Consolidation
Sales to customers	¥ 11,840	¥ 2,006	¥ 3,985	¥ 17,831	—	¥ 17,831
Intersegment sales	814	47	95	956	¥ (956)	—
Total sales	12,654	2,053	4,080	18,787	(956)	17,831
Operating expenses	7,149	2,018	4,081	13,248	(971)	12,277
Operating income (loss)	¥ 5,505	¥ 35	¥ (1)	¥ 5,539	¥ 15	¥ 5,554

	Thousands of U.S. Dollars					
	2005					
	Real Estate	Linen Supply and Laundry	Other	Total	Eliminations/ Corporate	Consolidation
Sales to customers	$ 108,780	$ 18,840	$ 38,041	$ 165,661	—	$ 165,661
Intersegment sales	7,535	456	1,009	9,000	$ (9,000)	—
Total sales	116,315	19,296	39,050	174,661	(9,000)	165,661
Operating expenses	64,965	18,824	38,698	122,487	(9,083)	113,404
Operating income	$ 51,350	$ 472	$ 352	$ 52,174	$ 83	$ 52,257

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen					
	2005					
	Real Estate	Linen Supply and Laundry	Other	Total	Eliminations/ Corporate	Consolidation
Assets	¥ 66,404	¥ 1,122	¥ 3,691	¥ 71,217	¥ 18,180	¥ 89,397
Depreciation	1,142	65	80	1,287	(6)	1,281
Capital expenditures	5,011	63	100	5,174	(64)	5,110

	Millions of Yen					
	2004					
	Real Estate	Linen Supply and Laundry	Other	Total	Eliminations/ Corporate	Consolidation
Assets	¥ 63,175	¥ 1,041	¥ 3,549	¥ 67,765	¥ 18,230	¥ 85,995
Depreciation	1,231	73	87	1,391	(7)	1,384
Capital expenditures	9,997	54	34	10,085	—	10,085

	Thousands of U.S. Dollars					
	2005					
	Real Estate	Linen Supply and Laundry	Other	Total	Eliminations/ Corporate	Consolidation
Assets	$ 620,600	$ 10,488	$ 34,491	$ 665,579	$ 169,908	$ 835,487
Depreciation	10,668	611	746	12,025	(56)	11,969
Capital expenditures	46,828	589	936	48,353	(595)	47,758

As the majority of operations and sales are domestic, information for geographical segments and sales to foreign customers is not applicable to the Group.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of TOC Co., Ltd.:

We have audited the accompanying consolidated balance sheets of TOC Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOC Co., Ltd. and consolidated subsidiaries as of March 31, 2005 and 2004, 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.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2005

Corporate Data
(as of March 31, 2005)

Corporate Name: TOC Co., Ltd.

Head Office: 7-22-17 Nishi-Gotanda, Shinagawa-ku, Tokyo
Tel: +81-3-3494-2111 Fax: +81-3-3494-2024
URL: www.toc.co.jp/toc/

Established: 1926

Paid-in Capital: 11,768,191,630 yen

Number of Shares Issued: 66,770,416 shares

Number of Employees: 73

Subsidiaries: TO Linen Supply Co., Ltd.
TOC Supply Co., Ltd.
Hoshi Pharmaceutical Co., Ltd.
Tokyo Oroshiuri Center Distribution Group Co., Ltd.
Anima Japan Co., Ltd.
TOL Co., Ltd.
I-TINK Co., Ltd.

Affiliate Accounted for by the Equity Method:
Ohsaki Redevelopment Buildings Co., Ltd.

Board of Directors and Corporate Auditors (as of June 29, 2005)

Chairman: Kazuhiko Otani
President: Takuo Otani
Managing Director: Takashi Ikeda
Directors: Motokazu Habiro
Yoshinori Matsuzaki
Masao Ohashi
Osamu Kawamura
Kazuo Iwai
Standing Corporate Auditor:
Shuji Nagatani
Corporate Auditors: Masataka Terasawa
Katsutoshi Nagasawa

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