

TODA CORPORATION

Annual
Report
2001



Established in 1936, Toda Corporation is a technology-driven, R&D-oriented enterprise that is a recognized leader in Japan's construction industry. With an impressive list of achievements both at home and abroad, Toda Corporation continues to create and apply cutting-edge technologies that keep it one step ahead of the competition and enable it to satisfy the ever-evolving needs of its customers. With quality as its number one objective, Toda Corporation will continue to apply exacting standards to ensure its steady growth in the 21st century.

Completed in November 2000, the Canal Wharf Towers in Toyosu is the first example of "zero emissions" in the history of building construction. The two 36-story high-rise apartment buildings with a total of 72,791m² of floor space reflect Toda Corporation's commitment to environmental protection.



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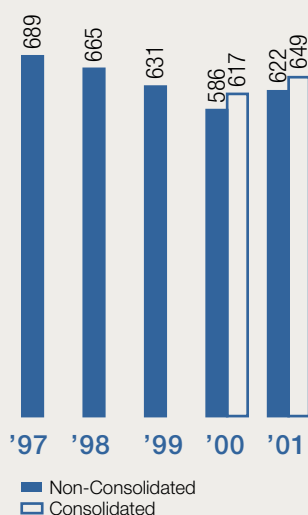
Financial Highlights

Toda Corporation and Consolidated Subsidiaries Years ended March 31

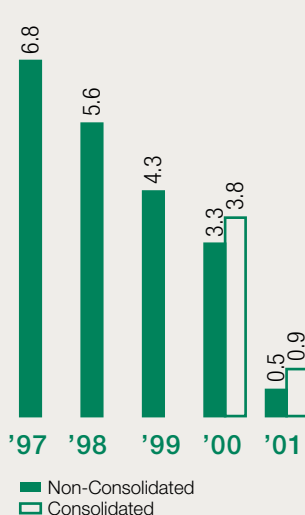
	Millions of yen					Thousands of U.S. dollars
	2001	2000	1999	1998	1997	2001
Consolidated						
For the year:						
Total net revenues	¥648,840	¥617,403	¥—	¥—	¥—	\$5,236,802
Income before income taxes	4,399	9,391	—	—	—	35,501
Net income	915	3,821	—	—	—	7,383
Per share of common stock (in yen and U.S. dollars):						
Net income	¥2.88	¥12.03	¥—	¥—	¥—	\$0.023
At year-end:						
Total assets	¥785,312	¥742,835	¥—	¥—	¥—	\$6,338,276
Total shareholders' equity	213,304	189,524	—	—	—	1,721,586
Number of employees	5,406	5,578	—	—	—	
Non-Consolidated						
For the year:						
Orders received	¥563,871	¥596,322	¥645,096	¥658,945	¥659,154	\$4,551,018
Total net revenues	622,464	586,182	630,618	664,961	689,398	5,023,919
Income before income taxes	3,383	8,252	10,052	16,900	23,778	27,302
Net income	504	3,318	4,252	5,550	6,848	4,070
Per share of common stock (in yen and U.S. dollars):						
Net income	¥1.56	¥10.28	¥13.18	¥17.22	¥21.29	\$0.013
Cash dividends applicable to the year	9.00	9.00	9.00	9.00	9.00	0.073
At year-end:						
Total assets	¥746,385	¥701,008	¥699,758	¥736,561	¥781,740	\$6,024,095
Total shareholders' equity	208,804	186,036	172,223	171,065	168,099	1,685,273
Common stock, par value ¥50 per share	23,001	23,001	23,001	23,001	22,720	185,646
Number of shareholders	18,093	20,285	17,742	17,816	17,733	
Number of employees	4,889	5,047	5,215	5,417	5,662	

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥123.90=US\$1.00, the approximate exchange rate prevailing on March 31, 2001.

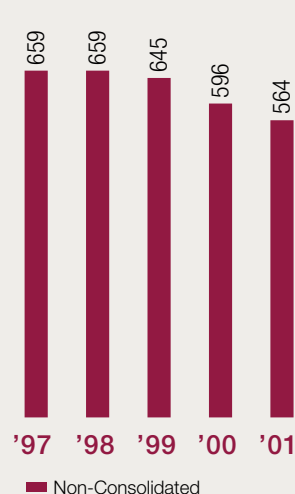
Total Net Revenues (¥ Billion)



Net Income (¥ Billion)



Orders Received (¥ Billion)



Message from the Management



Junnosuke Toda
Chairman

In the first half of fiscal 2000, ended March 31, 2001, the Japanese economy was characterized by an increase in capital investment—led by IT-related industries—and strong exports, giving the impression of a gradual recovery. However, in the second half of the year, sluggishness in overseas economies, particularly in the United States, stagnating capital investment, a slowdown in exports, and weak personal consumption, which was compounded by the continuing harshness of debt and employment conditions, caused the business environment to remain severe.

In the first half of the year under review, the construction industry was buoyed by strong demand for private works projects, including housing and capital investment concentrated in IT-related sectors. However, efforts by businesses to curb capital investment as a result of difficult financial conditions, a lack of vitality in the housing market in the latter half of the year, and a sharp drop in government-related works projects resulted in continued harsh conditions for the industry.

Against this backdrop, the Toda Group bolstered its overall marketing strengths to respond to intensified competition for orders and price wars and worked to create a solid corporate structure that would allow for survival in the fierce business environment.

As a result of the aforementioned factors, on a consolidated basis, total net revenues for the term under review reached ¥648.8 billion (US\$5,237 million), operating income amounted to ¥26.9 billion (US\$217 million), and net income totaled ¥0.9 billion (US\$7 million). Toda Corporation declared cash dividends applicable to the year of ¥9.00 (US\$0.073) per share, the same as for the previous fiscal year.

ISSUES In 1999, all 13 of Toda's branches nationwide obtained ISO 14001 certification, the international standard for environmental management systems. At Toda, we are actively working to carry out our corporate activities in a manner that will strengthen our ties with the community and protect the environment. Of particular importance to us is the promotion of zero waste at construction sites.



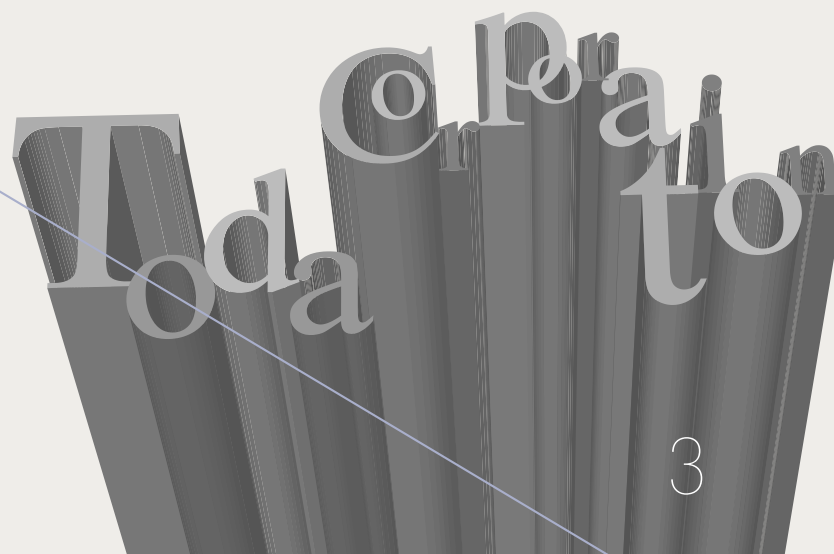
Moriji Toda
President

During the construction of a new high-rise apartment building that was completed in November 2000, Toda Corporation achieved zero emissions. In close cooperation with our client, from the start of the project we carefully separated waste to control waste output and assist recycling, developed new recycling methods, and found processors for all waste materials. Furthermore, in September 2001 we expect to achieve zero emissions in a shield-tunneling civil engineering project for the Tokyo Waterworks Department and hope to expand our environment-related achievements to include similar projects in the future.

These efforts have set the standard for Toda Corporation's zero-emissions policy and added to the measures by which the Company contributes to a better environment.

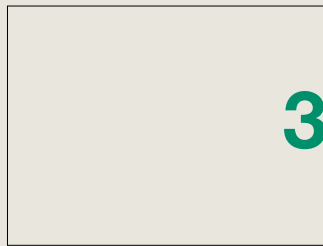
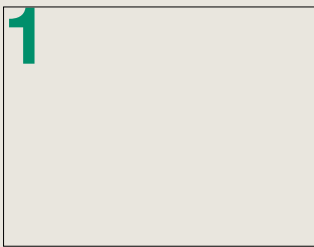
FUTURE ISSUES Amid continuing problems related to low capital investment and harsh employment conditions, it is anticipated that the large-scale changes taking place in society will continue. The construction market has contracted due to structural changes in society, prolonging the harsh environment for orders. Under such circumstances, we will fully capitalize on our price competitiveness, technical expertise, proposal capabilities, and creditworthiness, while actively promoting value engineering proposals and labor-saving technologies, to secure orders and profits. Furthermore, we will aim to overcome the severe business environment by reassessing both our business activities and management system to realize a stronger corporate structure.

By actively pursuing environmental preservation activities that aim to achieve zero emissions and quality-assurance activities that enable the Company to provide high-quality structures, Toda Corporation aims to be a construction company that makes a significant contribution to society.



DOMESTIC

Toda Corporation constantly strives to improve the quality of life for people in Japan through a variety of construction projects, including highways, tunnels, buildings, and factories. Noteworthy projects completed during fiscal 2000 include: in Tokyo, Canal Wharf Towers, the construction industry's first project to achieve zero emissions; in Kanagawa, the central block of the Showa University Northern Hospital (Yokohama); in Osaka, Etre Toyonaka; in Chiba, the east building of Wayo Women's College; in Shizuoka, the Numadzu Tunnel of the Second Tokyo–Nagoya Tomei Expressway; and in Fukuoka, Pier Walk Marinao City.



Domestic

1
Second Tokyo–Nagoya Tomei Expressway, Numadzu Tunnel (Shizuoka)

Work period: March 1998 to March 2001
 Total length: 1,400m

2
Showa University Northern Hospital (Yokohama), Central Block (Kanagawa)

Work period: June 1998 to January 2001
 Nine stories with three-story basement
 Total floor area: 53,395m²

3
Pier Walk Marinao City, Fukuoka City (Fukuoka)

Work period: March 2000 to October 2000
 Four stories
 Total floor area: 48,061m²

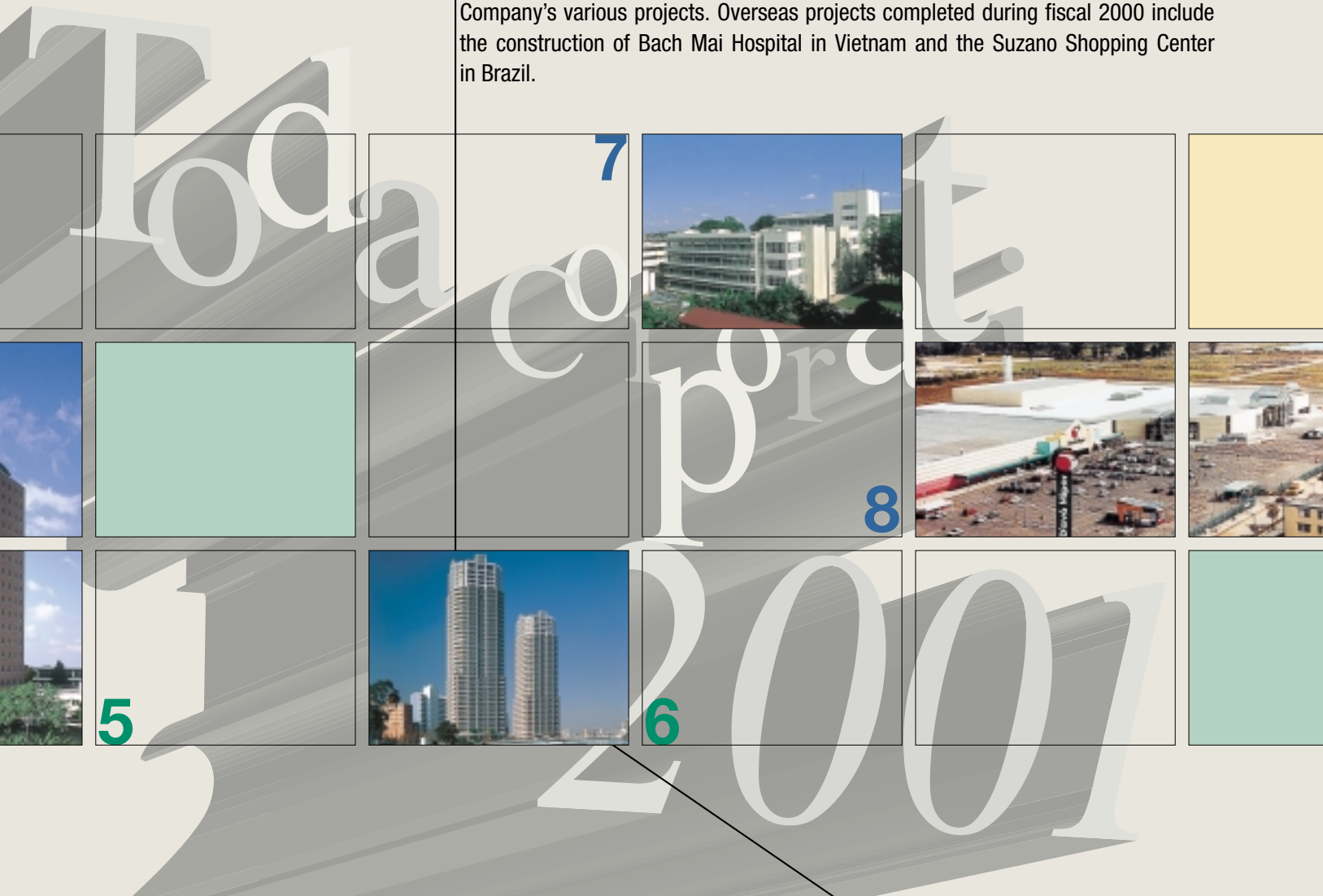
4
Etre Toyonaka (Osaka)

Work period: December 1997 to September 2000
 Nine stories with five-story basement
 Total floor area: 32,237m²

OVERSEAS

Throughout its long history of success in overseas development projects, Toda Corporation has improved the quality of life for people all over the world.

The Company has built a strong global network of offices and subsidiaries that meets the diversified needs of its customers in different countries by supporting the Company's various projects. Overseas projects completed during fiscal 2000 include the construction of Bach Mai Hospital in Vietnam and the Suzano Shopping Center in Brazil.



5

Wayo Women's College, East Building (Chiba)

Work period: October 1998 to October 2000
19 stories with two-story basement
Total floor area: 23,901m²

6

Canal Wharf Towers (Tokyo)

Work period: June 1998 to November 2000
36 stories with basement
Total floor area: 72,791m²

Overseas

7

Bach Mai Hospital (Vietnam)

Work period: September 1998 to June 2000
Hospital: Six stories
Technology building: four stories
Machinery building: one story
Total floor area (all three buildings): 28,436m²

8

Suzano Shopping Center (Brazil)

Work period: June 1999 to June 2000
Two stories
Total floor area: 20,000m²

In constructing the Canal Wharf Towers, two 36-story high-rise apartment buildings in Toyosu, Tokyo, that have a total of 72,791m² of floor space, Toda Corporation achieved zero emissions for the first time in the history of the construction industry. “Zero emissions” is a term that refers to the recycling of waste materials from one industry into materials for use in another, thereby eliminating waste emissions and reducing the burden of industry on society. From the time that construction commenced in June 1998, Toda Corporation, with the cooperation of its client, pursued its goal of zero emissions. The achievement of this goal has established a standard for achieving zero emissions in future projects. The measures that were taken fall into the three categories outlined below.

A. Controlling Waste Output

■ *Improvements to processes*

Using precast concrete (PC) sheets, reducing on-site processing through the use of unit materials, and controlling waste emissions volumes

■ *Reductions in packaging*

Encouraging delivery companies to promote the use of simple packaging and returnable boxes



B. Securing Recycling Facilities

■ *Use of general recycling facilities*

Recycling cardboard, waste metal products, concrete, etc.

■ *Use of recycling facilities for materials for which recycling facilities are scarce**

Securing facilities for waste wood materials, etc.

■ *Establishment of new recycling methods*

Finding new ways of recycling waste plastic, dirt, etc.

* By April 2000, recycling was secured for all the construction materials that could not be recycled when construction commenced.



C. Separating, Collecting, and Transporting Waste Materials

■ *Establishment of different categories of waste materials*

Established 15 different categories for the separation and collection of waste materials

■ *Strict enforcement of rules for separation*

Ensuring all employees effectively separate waste

■ *Implementation of separation yard checks*

Carrying out bi-weekly checks of the separation yard and re-separating improperly separated materials



Financial Review

Toda Corporation and Consolidated Subsidiaries For the year ended March 31, 2001

RESULTS OF OPERATIONS

During fiscal 2000, ended March 31, 2001, a rise in capital investment and exports in the first half of the fiscal year appeared to signal a recovery in the domestic economy. However, the second half of the year was characterized by sluggishness—originating in a downturn in the U.S. economy—that stalled exports and capital investment while exacerbating continuing concerns about debt and unemployment, resulting in severe business conditions. The construction industry reflected general economic trends, resulting in a harsh operating environment for Toda Corporation.

To combat these harsh conditions, Toda Corporation and its consolidated subsidiaries strove to create a corporate structure that will enable them to prosper amid intensified competition. On a non-consolidated basis, orders received during the term totaled ¥563.9 billion (US\$4,551 million).

On a consolidated basis, total net revenues for the year under review amounted to ¥648.8 billion (US\$5,237 million). Cost of sales and selling, general and administrative expenses came to ¥592.2 billion (US\$4,780 million) and ¥29.7 billion (US\$240 million), respectively. Income before income taxes totaled ¥4.4 billion (US\$36 million), and net income was ¥0.9 billion (US\$7 million). Net income per share came to ¥2.88 (US\$0.023).

FINANCIAL POSITION

Looking at the financial position, cash and time deposits totaled ¥88.9 billion (US\$717 million), while notes and accounts receivable, less allowance for doubtful receivables, amounted to ¥148.8 billion (US\$1,201 million), and inventories were ¥291.0 billion (US\$2,348 million). Total assets were ¥785.3 billion (US\$6,338 million) at fiscal year-end.

On the other side of the balance sheet, total current liabilities amounted to ¥513.1 billion (US\$4,142 million), while total long-term liabilities totaled ¥54.6 billion (US\$441 million). Retained earnings were ¥141.2 billion (US\$1,140 million), and total shareholders' equity came to ¥213.3 billion (US\$1,722 million) at fiscal year-end.

CASH FLOWS

During the year under review, net cash provided by operating activities totaled ¥4.9 billion (US\$39 million). Cash and cash equivalents at end of year amounted to ¥91.7 billion (US\$740 million).

Consolidated Balance Sheets

Toda Corporation and Consolidated Subsidiaries March 31, 2001 and 2000

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Current assets:			
Cash and time deposits (Notes 3 and 5)	¥ 88,884	¥ 97,426	\$ 717,390
Marketable securities (Notes 4 and 5)	100	29,483	806
Notes and accounts receivable	154,789	136,443	1,249,308
Allowance for doubtful receivables	(5,977)	(6,288)	(48,244)
Inventories:			
Construction work in progress	228,450	232,715	1,843,825
Real estate for sale and others	62,504	80,118	504,476
Deferred income taxes (Note 7)	23,540	16,322	189,990
Other current assets	20,816	21,071	168,006
Total current assets	573,106	607,290	4,625,557
Property and equipment:			
Land (Note 5)	45,901	46,241	370,471
Buildings and structures (Note 5)	36,810	36,032	297,094
Machinery and equipment	13,944	13,850	112,545
Construction in progress	110	153	888
Accumulated depreciation	(30,486)	(29,138)	(246,058)
Net property and equipment	66,279	67,138	534,940
Investments and other assets:			
Investment securities (Notes 4 and 5)	123,481	42,730	996,616
Long-term loans receivable	12,405	8,973	100,120
Deferred income taxes (Note 7)	—	3,442	—
Others	23,378	25,348	188,685
Allowance for doubtful receivables	(13,337)	(12,086)	(107,642)
Total investments and non-current receivables	145,927	68,407	1,177,779
Total assets	¥785,312	¥742,835	\$6,338,276

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Current liabilities:			
Short-term bank loans	¥ 83,703	¥ 84,900	\$ 675,570
Current portion of long-term debt (Note 6)	4,604	13,550	37,157
Notes and accounts payable	151,620	140,416	1,223,729
Advance payments received on contracts	190,227	201,325	1,535,326
Accrued expenses	6,523	6,861	52,647
Accrued income taxes	20,225	13,765	163,233
Other current liabilities	56,231	52,499	453,847
Total current liabilities	513,133	513,316	4,141,509
Long-term liabilities:			
Long-term debt less current portion (Note 6)	8,318	10,417	67,133
Deferred income taxes (Note 7)	7,477	—	60,346
Allowance for retirement benefits	32,110	15,826	259,161
Other long-term liabilities	6,740	9,439	54,401
Total long-term liabilities	54,645	35,682	441,041
Minority interest	4,230	4,313	34,140
Contingent liabilities (Note 8)			
Shareholders' equity:			
Common stock, par value ¥50 per share:			
Authorized—759,000,000 shares			
Issued—322,656,796 shares (2001)			
—322,656,796 shares (2000)	23,001	23,001	185,646
Additional paid-in capital	25,573	25,573	206,402
Retained earnings	141,192	143,622	1,139,563
Unrealized gain on available-for-sale securities	25,315	—	204,320
Translation adjustments	(254)	(1,152)	(2,055)
Treasury stock, at cost	(5)	(2)	(33)
Shares of parent company's stock owned by consolidated subsidiaries	(1,518)	(1,518)	(12,257)
Total shareholders' equity	213,304	189,524	1,721,586
Total liabilities and shareholders' equity	¥785,312	¥742,835	\$6,338,276

Consolidated Statements of Income

Toda Corporation and Consolidated Subsidiaries For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Revenues:			
Net sales:			
Construction business	¥635,663	¥602,874	\$5,130,448
Real estate business (including other)	13,177	14,529	106,354
Total net revenues	648,840	617,403	5,236,802
Costs and expenses:			
Cost of sales	592,239	557,294	4,779,977
Selling, general and administrative	29,741	29,919	240,039
Total costs and expenses	621,980	587,213	5,020,016
Operating income	26,860	30,190	216,786
Other income (expenses):			
Interest and dividend income	1,837	1,658	14,828
Interest expenses	(1,599)	(2,119)	(12,909)
Gain on sale of investment securities	15,877	—	128,145
Loss from valuation of investment securities	(3,747)	(1,367)	(30,242)
Loss on sale of real estate for sale	—	(6,046)	—
Loss from valuation of real estate for sale	(17,340)	(12,125)	(139,948)
Amortization of shortfall in reserve for retirement benefits	(16,268)	—	(131,296)
Others, net	(1,221)	(800)	(9,863)
Total other income (expenses)	(22,461)	(20,799)	(181,285)
Income before income taxes	4,399	9,391	35,501
Income taxes (Note 7):			
Current	18,084	11,173	145,960
Deferred	(14,582)	(5,805)	(117,698)
Total income taxes	3,502	5,368	28,262
Minority interest	18	(202)	144
Net income	¥ 915	¥ 3,821	\$ 7,383
		Yen	U.S. dollars (Note 2)
Net income per share	¥2.88	¥12.03	\$0.023
Cash dividends per share applicable to the year	9.00	9.00	0.073

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Toda Corporation and Consolidated Subsidiaries For the years ended March 31, 2001 and 2000

	Number of shares of common stock (Thousands)	Millions of yen		
		Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1999	322,656	¥23,001	¥25,573	¥129,194
Net income for the year	—	—	—	3,821
Cash dividends paid	—	—	—	(2,859)
Bonuses to directors and corporate auditors	—	—	—	(198)
Adjustment of retained earnings for newly applied accounting for allocation of income taxes	—	—	—	13,664
Balance at March 31, 2000	322,656	23,001	25,573	143,622
Net income for the year	—	—	—	915
Cash dividends paid	—	—	—	(2,859)
Bonuses to directors and corporate auditors	—	—	—	(177)
Increase in surpluses due to increase in shareholders' equity	—	—	—	0
Decrease in surpluses due to decrease in number of subsidiaries	—	—	—	(309)
Balance at March 31, 2001	322,656	¥23,001	¥25,573	¥141,192

	Thousands of U.S. dollars (Note 2)		
	Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 2000	\$185,646	\$206,402	\$1,159,180
Net income for the year	—	—	7,383
Cash dividends paid	—	—	(23,076)
Bonuses to directors and corporate auditors	—	—	(1,427)
Increase in surpluses due to increase in shareholders' equity	—	—	0
Decrease in surpluses due to decrease in number of subsidiaries	—	—	(2,497)
Balance at March 31, 2001	\$185,646	\$206,402	\$1,139,563

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Toda Corporation and Consolidated Subsidiaries For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Cash flows from operating activities:			
Income before income taxes	¥ 4,399	¥ 9,391	\$ 35,501
Depreciation and amortization	1,900	1,913	15,333
(Reversal) provision for doubtful accounts	940	(2,498)	7,590
Provision for retirement benefits	15,331	245	123,734
(Reversal) provision for other reserves	615	(312)	4,968
Write-down of marketable and investment securities	3,747	3,019	30,242
Gain on sale of investment securities	(15,877)	—	(128,145)
Gain on disposal of property and equipment	(166)	(131)	(1,338)
Interest and dividend income	(1,837)	(1,658)	(14,828)
Interest expenses	1,599	2,118	12,909
Bonuses to directors and corporate auditors	(177)	(198)	(1,427)
(Increase) decrease in notes and accounts receivable	(18,346)	21,844	(148,077)
(Increase) decrease in costs on uncompleted construction contracts	4,265	(8,542)	34,426
Decrease in real estate and uncompleted real estate development projects	17,476	14,548	141,049
Increase (decrease) in notes and accounts payable	11,204	(15,915)	90,425
Increase (decrease) in advances received on uncompleted construction contracts	(11,098)	4,018	(89,574)
Other, net	2,284	(49)	18,436
Subtotal	16,259	27,793	131,224
Interest and dividends received	1,837	1,658	14,828
Interest paid	(1,599)	(2,118)	(12,909)
Income taxes paid	(11,625)	(10,294)	(93,829)
Net cash provided by operating activities	4,872	17,039	39,314
Cash flows from investing activities:			
Net increase in time deposits	525	(686)	4,241
Acquisition of marketable securities	(120)	(182)	(967)
Proceeds from sales of marketable securities	178	263	1,438
Acquisition of property and equipment	(1,149)	(1,590)	(9,271)
Proceeds from disposal of property and equipment	317	—	2,558
Acquisition of investment securities	(24,734)	(701)	(199,631)
Proceeds from sales of investment securities	29,092	38	234,803
Loans advanced	(3,931)	(2,794)	(31,725)
Proceeds from collection of loans	440	5,490	3,549
Other, net	80	1,296	649
Net cash provided by investing activities	698	1,134	5,644
Cash flows from financing activities:			
Net decrease in short-term borrowings	(1,197)	(7,808)	(9,660)
Proceeds from long-term borrowings	2,710	5,718	21,872
Repayments of long-term borrowings	(3,755)	(8,224)	(30,308)
Payments for the redemption of corporate bonds	(10,000)	—	(80,710)
Cash dividends paid	(2,859)	(2,859)	(23,076)
Other, net	(49)	(58)	(398)
Net cash used in financing activities	(15,150)	(13,231)	(122,280)
Effect of exchange rate changes on cash and cash equivalents	961	(373)	7,759
Net increase (decrease) in cash and cash equivalents	(8,619)	4,569	(69,563)
Cash and cash equivalents at beginning of year	100,348	95,779	809,916
Cash and cash equivalents at end of year (Note 3)	¥ 91,729	¥100,348	\$740,353

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Toda Corporation and Consolidated Subsidiaries

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Toda Corporation (the "Company") and its consolidated subsidiaries (together, the "Companies") prepared their consolidated financial statements in accordance with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements incorporate certain modifications in format so as to make the financial statements more meaningful to readers outside Japan.

These modifications have no effect on net income or shareholders' equity.

2 U.S. DOLLAR AMOUNTS

The U.S. dollar amounts are included solely for convenience and have been translated as a matter of arithmetical computation only at the rate of ¥123.90=US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2001. This translation should not be construed as a representation that the yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements include the accounts of Toda Corporation, Toda Road Co., Ltd., Chiyoda Reform Co., Ltd., Chiyoda Kenko Co., Ltd., Sipco Industries Co., Ltd., Seiken Construction Co., Ltd., Chiyoda Tochi Tatemono Co., Ltd., Toda Real Estate Development Co., Ltd., Yachiyo Urban Co., Ltd., Toda Finance Co., Ltd., Towa Kanko Kaihatsu Co., Ltd., Toda America, Inc., Toda Construction of California, Inc., Toda Development, Inc., Construtora Toda do Brasil S/A and Shanghai Zhuyi Toda Construction Co., Ltd.

Other subsidiaries were not consolidated, as they were not significant in terms of total assets, net sales, retained earnings or net income.

All unconsolidated subsidiaries and affiliates were not accounted for using the equity method, as these companies were not significant in terms of retained earnings or net income of the consolidated financial statements.

The number of consolidated subsidiaries and companies for which the equity method is applied is summarized below:

Consolidated subsidiaries	15
Equity method applied:	
Unconsolidated subsidiaries	0
Affiliates	0
Stated at cost:	
Unconsolidated subsidiaries	2
Affiliates	2

On November 30, 2000, Toda Enterprises, Inc., which was accounted for as a consolidated subsidiary in the previous fiscal year, was dissolved. The effect on the consolidated financial statements was immaterial.

Marketable securities and investment securities

Held-to-maturity securities are stated at amortized cost based on the straight-line method. Stocks of subsidiaries and affiliated companies are stated at cost based on the moving average method. Available-for-sale securities are stated at fair value with changes in unrealized holding gains or losses recorded as capital, using the moving average method to calculate the selling price. Non-marketable equity securities are stated at cost based on the moving average method.

Construction contracts

All short- and long-term construction contracts are accounted for using the completed contract method. Accordingly, the consolidated statements of income reflect sales prices and costs of contracts completed during each year.

Expenditures in connection with uncompleted contracts to be charged to cost of contracts at the time of completion are included in current assets. These expenditures are not offset against advances received and progress billings on uncompleted contracts, which

are instead included in current liabilities. No profits or losses, therefore, are recognized before the completion of the work.

Real estate business

The Companies develop real estate projects on their own. Real estate inventories are valued at cost. For this purpose, the cost includes the purchase cost of land and purchase overheads. Sales are recorded when the titles of properties sold are passed on to customers.

Allowance for doubtful receivables

An allowance for doubtful receivables has been provided for by the Companies at the aggregate amount of estimated loss for doubtful receivables and a general reserve for other receivables calculated based on historical loss experience.

Depreciation and amortization

Property and equipment are stated at cost. Depreciation of property and equipment is principally computed by the straight-line method for buildings acquired from April 1, 1998 (with the exception of building fixtures) and by the declining-balance method for all other items.

The amortization of intangible assets is computed by the straight-line method.

The amortization of software used by the Companies is computed using the straight-line method based on an estimated useful life of five years.

Retirement benefits

The Company has a defined benefit plan that consists of a qualified pension plan and a lump-sum benefit plan. When employees take advantage of the Company's early retirement incentive scheme, additional retirement benefits may be paid.

Consolidated subsidiaries have lump-sum benefit plans.

In previous years, the Company recorded 40% of payments to voluntary retirees at year-end. However, due to a change in Japanese accounting standards for retirement benefits in the year under review, the allowance for retirement benefits is principally based on the estimated amount of retirement benefit obligations and assets at year-end.

Income taxes

The Companies have adopted accounting for allocation of income taxes.

Net income per share

The computation of net income per share of common stock is based on the weighted average number of shares of common stock outstanding during the period.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at each balance sheet date.

Revenues and expenses recorded in foreign currencies are translated into yen at the rates in effect at the respective transaction dates.

Foreign currency exchange adjustments mentioned above are charged or credited to income currently.

Disclosure of accounting policy for the statements of cash flows

Components of cash and cash equivalents at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Cash and time deposits	¥88,884	¥ 97,426	\$717,390
Without time deposits with maturities of more than three months	(5,153)	(5,678)	(41,586)
Cash equivalents	7,998	8,600	64,549
	¥91,729	¥100,348	\$740,353

4 MARKETABLE SECURITIES AND INVESTMENT SECURITIES

Marketable securities and investment securities include equity securities, debt securities and investment trusts. Aggregate cost, gross unrealized gains and losses and fair value pertaining to available-for-sale securities at March 31, 2001 were as follows:

	Millions of yen			Fair value
	Cost	Gross unrealized gains	Gross unrealized losses	
Equity securities	¥68,953	¥42,343	¥915	¥110,381
Debt securities	6,064	2,224	0	8,288
Investment trusts	23	—	6	17
	¥75,040	¥44,567	¥921	¥118,686

	Thousands of U.S. dollars			Fair value
	Cost	Gross unrealized gains	Gross unrealized losses	
Equity securities	\$556,521	\$341,752	\$7,383	\$890,890
Debt securities	48,940	17,957	1	66,896
Investment trusts	185	—	50	135
	\$605,646	\$359,709	\$7,434	\$957,921

5 ASSETS PLEDGED AS COLLATERAL

The following assets were pledged as collateral for short-term and long-term debt at March 31, 2001 and 2000.

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Marketable securities	¥ —	¥1,560	\$ —
Buildings and structures (net accumulated depreciation)	2,433	2,538	19,635
Land	1,014	1,119	8,183
Investment securities	—	3,068	—
	¥3,447	¥8,285	\$27,818

The following assets were pledged as collateral for short-term and long-term debt of customers at March 31, 2001 and 2000.

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Time deposits	¥ 500	¥ 500	\$ 4,036
Buildings and structures (net accumulated depreciation)	1,825	1,958	14,729
Land	77	77	624
	¥2,402	¥2,535	\$19,389

The following assets were pledged as guarantees (such as guarantees of completion of construction contracts) at March 31, 2001 and 2000.

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Time deposits	¥ 80	¥ 96	\$ 646
Marketable securities	—	9	—
Investment securities	103	87	832
	¥183	¥192	\$1,478

6 LONG-TERM DEBT

Long-term debt at March 31, 2001 and 2000 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
5.0% euro-yen bonds, due June 2000	¥ —	¥10,000	\$ —
Loans, principally from banks and insurance companies	12,921	13,967	104,290
Less: Portion due within one year	(4,604)	(13,550)	(37,157)
	¥ 8,318	¥10,417	\$ 67,133

The annual maturities of long-term debt are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2002	¥ 4,604	\$ 37,157
2003	2,878	23,229
2004	2,372	19,147
2005	1,482	11,959
2006	839	6,769
Thereafter	746	6,029
	¥12,921	\$104,290

As is customary in Japan, collateral must be given under certain circumstances if requested by the lenders, and such lenders have the right to offset cash deposited with them against any debt or obligation that becomes due and, in the case of default or certain other specified events, against all debt payable to the lenders. The Companies have never received any such request, nor has such right ever been exercised.

7 INCOME TAXES

Taxes on income applicable to the Companies resulted in a statutory tax rate of approximately 42 percent in 2001 and 2000.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Deferred tax assets:			
Loss from valuation of real estate	¥13,019	¥ 6,003	\$105,077
Allowance for retirement benefits	8,759	1,536	70,691
Allowance for doubtful receivables	3,827	3,672	30,889
Accrued enterprise taxes	1,808	1,154	14,589
Accrued bonuses	1,243	881	10,029
Loss from valuation of investment securities	1,226	1,176	9,896
Others	7,511	7,668	60,620
Less: Valuation allowance	(648)	—	(5,232)
Deferred tax assets	36,745	22,090	296,559
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(18,332)	—	(147,956)
Property and equipment	(2,221)	(2,198)	(17,925)
Others	(128)	(128)	(1,035)
Deferred tax liabilities	(20,681)	(2,326)	(166,916)
Net deferred tax assets	¥16,063	¥19,764	\$129,644

The reconciliation between the normal effective statutory tax rate for the years ended March 31, 2001 and 2000, and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2001	2000
Normal effective statutory tax rate	42.0%	42.0%
Expenses not deductible for income tax purposes	36.0	16.4
Non-taxable income	(5.1)	(3.6)
Others	6.1	2.4
Actual effective tax rate	79.5%	57.2%

8 CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Guarantees of loans	¥1,199	¥797	\$9,676

9 SEGMENT INFORMATION

The Companies are primarily engaged in the following three major industry segments:

- Construction.....Building construction and civil engineering, etc.
- Real estateResale and rental of land, houses and buildings, etc.
- Other businessFinancing, leasing and hotel business

Information by industry segment for the years ended March 31, 2001 and 2000 is summarized as follows:

Millions of yen						
March 31, 2001	Construction	Real estate	Other	Total	Elimination and/or corporate	Consolidated
Net sales:						
Customers	¥635,663	¥ 12,650	¥ 527	¥648,840	¥ —	¥648,840
Inter-segment	286	1,336	271	1,893	(1,893)	—
Total	635,949	13,986	798	650,733	(1,893)	648,840
Costs and expenses	611,627	11,395	814	623,836	(1,856)	621,980
Operating income	¥ 24,322	¥ 2,591	¥ (16)	¥ 26,897	¥ (37)	¥ 26,860
Assets	¥458,887	¥121,740	¥14,135	¥594,762	¥190,550	¥785,312
Depreciation	1,087	730	82	1,899	—	1,899
Capital expenditures	905	537	10	1,452	—	1,452

Millions of yen						
March 31, 2000	Construction	Real estate	Other	Total	Elimination and/or corporate	Consolidated
Net sales:						
Customers	¥602,874	¥ 13,802	¥ 727	¥617,403	¥ —	¥617,403
Inter-segment	756	771	359	1,886	(1,886)	—
Total	603,630	14,573	1,086	619,289	(1,886)	617,403
Costs and expenses	577,132	10,855	1,047	589,034	(1,821)	587,213
Operating income	¥ 26,498	¥ 3,718	¥ 39	¥ 30,255	¥ (65)	¥ 30,190
Assets	¥441,162	¥137,372	¥13,691	¥592,225	¥150,610	¥742,835
Depreciation	1,092	735	86	1,913	—	1,913
Capital expenditures	1,282	783	—	2,065	—	2,065

Thousands of U.S. dollars						
March 31, 2001	Construction	Real estate	Other	Total	Elimination and/or corporate	Consolidated
Net sales:						
Customers	\$5,130,448	\$102,098	\$ 4,256	\$5,236,802	\$ —	\$5,236,802
Inter-segment	2,307	10,784	2,188	15,279	(15,279)	—
Total	5,132,755	112,882	6,444	5,252,081	(15,279)	5,236,802
Costs and expenses	4,936,459	91,973	6,569	5,035,001	(14,985)	5,020,016
Operating income	\$ 196,296	\$ 20,909	\$ (125)	\$ 217,080	\$ (294)	\$ 216,786
Assets	\$3,703,692	\$982,563	\$114,087	\$4,800,342	\$1,537,934	\$6,338,276
Depreciation	8,774	5,895	664	15,333	—	15,333
Capital expenditures	7,304	4,338	81	11,723	—	11,723

Notes: 1. Information by geographic area for the years ended March 31, 2001 and 2000 was not shown since aggregate overseas sales were less than 10% of total net sales of all segments and aggregate overseas assets were less than 10% of total assets of all segments.

2. Overseas sales for the years ended March 31, 2001 and 2000 were not shown since overseas sales were less than 10% of the Company's consolidated net sales.

Report of Independent Certified Public Accountants

To the Board of Directors
Toda Corporation

We have examined the consolidated balance sheets of Toda Corporation at March 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Toda Corporation at March 31, 2001 and 2000, and the consolidated results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

We have also reviewed the translation of the 2001 consolidated financial statements into United States dollars on the basis described in Note 2. In our opinion, such statements have been properly translated on such basis.

Tokyo, Japan
June 28, 2001


Seinan Audit Corporation

Non-Consolidated Balance Sheets

Toda Corporation March 31, 2001 and 2000

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Current assets:			
Cash and time deposits (Note 5)	¥ 75,134	¥ 85,977	\$ 606,409
Marketable securities (Note 5)	100	29,416	807
Notes and accounts receivable (Note 4):			
Notes receivable—trade	35,806	30,604	288,990
Accounts receivable—trade	116,294	101,974	938,608
Others	8,695	7,784	70,176
Allowance for doubtful receivables	(5,880)	(6,244)	(47,456)
Inventories:			
Construction work in progress	223,648	226,347	1,805,068
Real estate for sale and others	60,753	74,799	490,340
Deferred income taxes (Note 7)	23,177	16,046	187,064
Prepaid expenses and other current assets	6,108	6,084	49,299
Total current assets	543,835	572,787	4,389,305
Property and equipment:			
Land (Note 5)	37,709	37,587	304,353
Buildings and structures (Note 5)	27,242	26,710	219,871
Machinery and equipment	13,274	13,402	107,133
Construction in progress	110	153	888
Less: Accumulated depreciation	(25,858)	(25,019)	(208,697)
Net property and equipment	52,477	52,833	423,548
Investments and other assets:			
Investment securities (Note 5)	123,105	42,443	993,584
Investments in and long-term loans to subsidiaries and affiliates	5,298	10,449	42,761
Long-term loans receivable	12,393	8,951	100,021
Deferred income taxes (Note 7)	—	3,269	—
Others	22,619	24,565	182,560
Allowance for doubtful receivables	(13,342)	(14,289)	(107,684)
Total investments and non-current receivables	150,073	75,388	1,211,242
Total assets	¥746,385	¥701,008	\$6,024,095

See accompanying notes to non-consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Current liabilities:			
Short-term bank loans	¥ 66,585	¥ 66,635	\$ 537,413
Current portion of long-term debt (Note 6)	4,042	13,153	32,623
Notes and accounts payable (Note 4):			
Notes payable—trade	72,833	66,297	587,834
Accounts payable—trade	72,333	69,539	583,798
Others	1,959	2,773	15,813
Advance payments received on contracts	188,972	195,779	1,525,200
Accrued expenses	6,309	6,641	50,916
Accrued income taxes	19,601	13,602	158,201
Other current liabilities	53,084	48,498	428,445
Total current liabilities	485,718	482,917	3,920,243
Long-term liabilities:			
Long-term debt, less current portion (Note 6)	6,797	8,343	54,855
Deferred income taxes (Note 7)	7,882	—	63,618
Allowance for retirement benefits	31,257	15,202	252,277
Other long-term liabilities	5,926	8,510	47,829
Total long-term liabilities	51,863	32,055	418,579
Contingent liabilities (Note 9)			
Shareholders' equity:			
Common stock, par value ¥50 per share:			
Authorized—759,000,000 shares			
Issued—322,656,796 shares (2001)			
—322,656,796 shares (2000)	23,001	23,001	185,646
Additional paid-in capital	25,573	25,573	206,402
Legal reserve (Note 8)	5,750	5,750	46,412
Retained earnings (Note 10)	129,167	131,712	1,042,511
Unrealized gain on available-for-sale securities	25,313	—	204,302
Total shareholders' equity	208,804	186,036	1,685,273
Total liabilities and shareholders' equity	¥746,385	¥701,008	\$6,024,095

Non-Consolidated Statements of Income

Toda Corporation For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Revenues:			
Net sales:			
Construction business	¥616,026	¥579,378	\$4,971,958
Real estate business	6,438	6,804	51,961
Total net revenues (Note 4)	622,464	586,182	5,023,919
Costs and expenses:			
Cost of sales	570,359	530,547	4,603,377
Selling, general and administrative	27,094	27,252	218,677
Total costs and expenses (Note 4)	597,453	557,799	4,822,054
Operating income	25,011	28,383	201,865
Other income (expenses):			
Interest and dividend income	1,638	1,522	13,220
Interest expenses	(1,456)	(1,931)	(11,755)
Gain on sale of investment securities	15,877	—	128,145
Loss from valuation of investment securities	(3,747)	(824)	(30,242)
Loss on sale of real estate for sale	—	(5,867)	—
Loss from valuation of real estate for sale	(17,292)	(12,125)	(139,564)
Amortization of shortfall in reserve for retirement benefits	(16,067)	—	(129,681)
Others, net	(581)	(906)	(4,686)
Total other income (expenses)	(21,628)	(20,131)	(174,563)
Income before income taxes	3,383	8,252	27,302
Income taxes (Note 7):			
Current	17,189	10,685	138,731
Deferred	(14,310)	(5,751)	(115,499)
Total income taxes	2,879	4,934	23,232
Net income	¥ 504	¥ 3,318	\$ 4,070
		Yen	U.S. dollars (Note 2)
Net income per share	¥1.56	¥10.28	\$0.013
Cash dividends per share applicable to the year	9.00	9.00	0.073

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

Toda Corporation For the years ended March 31, 2001 and 2000

	Number of shares of common stock (Thousands)	Millions of yen			
		Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at March 31, 1999	322,656	¥23,001	¥25,573	¥5,750	¥117,899
Net income for the year	—	—	—	—	3,318
Cash dividends paid	—	—	—	—	(2,904)
Bonuses to directors and corporate auditors	—	—	—	—	(165)
Adjustment of retained earnings for newly applied accounting for allocation of income taxes	—	—	—	—	13,564
Balance at March 31, 2000	322,656	23,001	25,573	5,750	131,712
Net income for the year	—	—	—	—	504
Cash dividends paid	—	—	—	—	(2,904)
Bonuses to directors and corporate auditors	—	—	—	—	(145)
Balance at March 31, 2001	322,656	¥23,001	¥25,573	¥5,750	¥129,167

	Thousands of U.S. dollars (Note 2)			
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at March 31, 2000	\$185,646	\$206,402	\$46,412	\$1,063,049
Net income for the year	—	—	—	4,070
Cash dividends paid	—	—	—	(23,437)
Bonuses to directors and corporate auditors	—	—	—	(1,171)
Balance at March 31, 2001	\$185,646	\$206,402	\$46,412	\$1,042,511

See accompanying notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Toda Corporation

1 BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

Toda Corporation (the “Company”) maintains its records and prepares its financial statements in accordance with accounting principles generally accepted in Japan.

The accompanying non-consolidated financial statements, which were also prepared in accordance with accounting principles generally accepted in Japan, incorporate certain modifications in format to the financial statements and include statements of shareholders’ equity and certain additional notes which are not customarily prepared in Japan so as to make the financial statements more meaningful to readers outside Japan. Cash flows do not appear as part of the non-consolidated financial statements for the period under review as they are included in the consolidated financial statements.

These modifications have no effect on net income or shareholders’ equity.

2 U.S. DOLLAR AMOUNTS

The U.S. dollar amounts are included solely for convenience and have been translated as a matter of arithmetical computation only at the rate of ¥123.90=US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2001. This translation should not be construed as a representation that the yen amounts actually represent, or have been or could be converted into U.S. dollars at this or any other rate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Non-consolidation

The accompanying non-consolidated financial statements include only the accounts of the Company. Investments in subsidiaries and affiliates are stated at cost, and the equity method has not been adopted. The effect on net income and net assets is immaterial when neither the principles of consolidation nor the equity method are applied.

Marketable securities and investment securities

Held-to-maturity securities are stated at amortized cost based on the straight-line method. Available-for-sale securities are stated at fair value with changes in unrealized holding gains or losses recorded as capital, using the moving average method to calculate the selling price. Non-marketable equity securities are stated at cost based on the moving average method.

Construction contracts

All short- and long-term construction contracts are accounted for using the completed contract method. Accordingly, the non-consolidated statements of income reflect sales prices and costs of contracts completed during each year.

Expenditures in connection with uncompleted contracts to be charged to cost of contracts at the time of completion are included in current assets. These expenditures are not offset against advances received and progress billings on uncompleted contracts, which are instead included in current liabilities. No profits or losses, therefore, are recognized before the completion of the work.

Real estate business

The Company develops real estate projects on its own. Real estate inventories are valued at cost. For this purpose, the cost includes the purchase cost of land and purchase overheads. Sales are recorded when the titles of properties sold are passed on to customers.

Allowance for doubtful receivables

An allowance for doubtful receivables has been provided for by the Company at the aggregate amount of estimated loss for doubtful receivables and a general reserve for other receivables calculated based on historical loss experience.

Depreciation and amortization

Property and equipment are stated at cost. Depreciation of property and equipment is computed by the straight-line method for buildings acquired from April 1, 1998 (with the exception of building fixtures) and by the declining-balance method for all other items.

The amortization of intangible assets is computed by the straight-line method.

The amortization of software used by the Company is computed by the straight-line method based on an estimated useful life of five years.

Retirement benefits

The Company has a defined benefit plan that consists of a qualified pension plan and a lump-sum benefit plan. When employees take advantage of the Company's early retirement incentive scheme, additional retirement benefits may be paid.

In previous years, the Company recorded 40% of payments to voluntary retirees at year-end. However, due to a change in Japanese accounting standards for retirement benefits in the year under review, the allowance for retirement benefits is principally based on the estimated amount of retirement benefit obligations and assets at year-end.

Income taxes

The Company has adopted accounting for allocation of income taxes.

Net income per share

The computation of net income per share of common stock is based on the weighted average number of shares of common stock outstanding during the period.

Foreign currency translation

Investments in subsidiaries and affiliates denominated in foreign currencies are translated into yen at the exchange rates in effect at the time the transactions were made.

Other assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at each balance sheet date.

Revenues and expenses recorded in foreign currencies are translated into yen at the rates in effect at the respective transaction dates.

Foreign currency exchange adjustments mentioned above are charged or credited to income currently.

4 TRANSACTIONS AND BALANCES WITH SUBSIDIARIES AND AFFILIATES

Sales to and purchases from subsidiaries and affiliates at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Sales	¥ 1,050	¥ 643	\$ 8,478
Purchases	52,006	51,042	419,744

Balances due from and to subsidiaries and affiliates at March 31, 2001 and 2000 are shown below:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Due from subsidiaries and affiliates			
Notes and accounts receivable:			
Notes receivable—trade	¥ 2,992	¥ 1,338	\$ 24,151
Accounts receivable—trade	52	351	424
Others	2,665	5,476	21,510
	¥ 5,709	¥ 7,165	\$ 46,085
Due to subsidiaries and affiliates			
Notes and accounts payable:			
Notes payable—trade	¥ 7,727	¥ 7,282	\$ 62,367
Accounts payable—trade	14,013	14,867	113,096
Others	109	98	877
	¥21,849	¥22,247	\$176,340

5 ASSETS PLEDGED AS COLLATERAL

The following assets were pledged as collateral for short-term and long-term debt at March 31, 2001 and 2000.

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Marketable securities	¥ —	¥1,560	\$ —
Buildings and structures (net accumulated depreciation)	575	622	4,644
Land	1,014	1,119	8,183
Investment securities	—	3,068	—
	¥1,589	¥6,369	\$12,827

The following assets were pledged as collateral for short-term and long-term debt of customers at March 31, 2001 and 2000.

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Time deposits	¥ 500	¥ 500	\$ 4,036
Buildings and structures (net accumulated depreciation)	1,825	1,958	14,729
Land	77	77	624
	¥2,402	¥2,535	\$19,389

The following assets were pledged as guarantees (such as guarantees of completion of contracts) at March 31, 2001 and 2000.

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Time deposits	¥ 80	¥ 96	\$ 646
Investment securities	74	68	597
	¥154	¥164	\$1,243

6 LONG-TERM DEBT

Long-term debt at March 31, 2001 and 2000 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
5.0% euro-yen bonds, due June 2000	¥ —	¥10,000	\$ —
Loans, principally from banks and insurance companies	10,839	11,496	87,478
Less: Portion due within one year	(4,042)	(13,153)	(32,623)
	¥ 6,797	¥ 8,343	\$54,855

The annual maturities of long-term debt are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2002	¥ 4,042	\$32,623
2003	2,560	20,663
2004	2,127	17,165
2005	1,256	10,137
2006	613	4,948
Thereafter	241	1,942
	¥10,839	\$87,478

As is customary in Japan, collateral must be given under certain circumstances if requested by the lenders, and such lenders have the right to offset cash deposited with them against any debt or obligation that becomes due and, in the case of default or certain other specified events, against all debt payable to the lenders. The Company has never received any such request, nor has such right ever been exercised.

7 INCOME TAXES

Taxes on income applicable to the Company resulted in a statutory tax rate of approximately 42 percent in 2001 and 2000.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Deferred tax assets:			
Loss from valuation of real estate	¥12,355	¥ 5,093	\$ 99,720
Accrued severance indemnities	8,491	1,373	68,533
Allowance for doubtful receivables	3,796	3,670	30,634
Accrued enterprise taxes	1,802	1,146	14,546
Allowance for retirement benefits	1,195	849	9,649
Loss from valuation of investment securities	1,192	2,085	9,624
Others	7,014	7,297	56,609
Deferred tax assets	35,845	21,513	289,315
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(18,330)	—	(147,943)
Property and equipment	(2,220)	(2,198)	(17,925)
Deferred tax liabilities	(20,550)	(2,198)	(165,868)
Net deferred tax assets	¥15,295	¥19,315	\$123,447

The reconciliation between the normal effective statutory tax rate for the years ended March 31, 2001 and 2000 and the actual effective tax rate reflected in the accompanying non-consolidated statements of income is as follows:

	2001	2000
Normal effective statutory tax rate	42.0%	42.0%
Expenses not deductible for income tax purposes	42.6	18.1
Non-taxable income	(7.4)	(3.9)
Others	8.0	3.6
Actual effective tax rate	85.1%	59.8%

8 LEGAL RESERVE

The Commercial Code of Japan provides that an amount equal to or greater than 10 percent of cash dividends and bonuses to directors and corporate auditors applicable to each financial period shall be appropriated to a legal reserve until such reserve equals 25 percent of stated capital.

The legal reserve may be used to eliminate or reduce a deficit upon resolution of the shareholders, or it may be transferred to common stock accounts upon resolution of the Board of Directors, but it is not available for distribution as dividends.

9 CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Guarantees of loans	¥2,834	¥2,657	\$22,870

10 SUBSEQUENT EVENT

The appropriation of retained earnings applicable to the year ended March 31, 2001, which was approved by the general meeting of shareholders held on June 28, 2001, was as follows:

	Millions of yen	Thousands of U.S. dollars
Retained earnings at March 31, 2001	¥129,167	\$1,042,511
Cash dividends	(2,904)	(23,437)
Bonuses to directors and corporate auditors	(100)	(807)
Retained earnings to be carried forward	¥126,163	\$1,018,267

Report of Independent Certified Public Accountants

To the Board of Directors
Toda Corporation

We have examined the non-consolidated balance sheets of Toda Corporation at March 31, 2001 and 2000, and the related non-consolidated statements of income and shareholders' equity for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the non-consolidated financial position of Toda Corporation at March 31, 2001 and 2000, and the non-consolidated results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis during the period.

We have also reviewed the translation of the 2001 non-consolidated financial statements into United States dollars on the basis described in Note 2. In our opinion, such statements have been properly translated on such basis.

Tokyo, Japan
June 28, 2001



Seinan Audit Corporation

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Deputy Chairman

Hideshige Toda

President

Moriji Toda

Deputy Presidents

Tadataka Yamada

Shigeaki Shimizu

Hisao Kato

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Morimichi Toda

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Takaya Endo

Masaaki Kawaguchi

Takashi Nakahara

Akira Shimizu

Shigeru Tanimoto

Kakushi Hamabe

Tomiya Aoki

Hiroyuki Ushijima

Yasuaki Kiyoura

Hiroyuki Kikuchi

Standing Corporate Auditors

Fumio Tsukahara

Yasuo Inaba

Corporate Auditors

Yoshimichi Kaji

Takashi Kobayashi

(As of June 28, 2001)



Junnosuke Toda



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