

Annual Report **2009**

Year ended March 31, 2009

## PROFILE

Under its corporate creed of “Realizing high-quality construction, safely and on time,” TODA CORPORATION has developed its business based on steady management and the ongoing development of customer trust since its foundation in 1881.

In recent years, Toda has reinforced its existing business—centered on the construction of hospitals, medical facilities and schools—by selecting and concentrating on such strategic fields as the construction of production facilities and office buildings. Amid the trend in the construction industry to shift to a “stock-oriented business model,” Toda will leverage its longstanding experience and technology to improve the engineering capability of its business operations in contributing to the entire lifecycle of structures.

Toda, along with its Group companies, will aim for sustainable growth by exercising its unique strengths in the construction industry by providing comprehensive solutions to our customers, creating deeper and stronger long-lasting relationships.

## COVER PHOTO

### Marunouchi Trust Tower Main

Location: Tokyo, Japan  
Client: Mori Trust Co., Ltd.



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### Forward-Looking Statements

This report contains forward-looking statements regarding Toda Corporation's corporate plans, strategies, forecasts and other statements that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which Toda Corporation operates. As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, including and without limitation, changes in economic conditions; fluctuations in currency exchange rates; changes in the competitive environment; the outcome of pending and future litigation; and the continued availability of financing, financial instruments and financial resources, actual results may differ materially from those presented in these forward-looking statements. Toda Corporation, therefore, wishes to caution that readers should not place undue reliance on forward-looking statements and, further, that Toda Corporation undertakes no obligation to update any forward-looking statements as a result of new information, or other future developments.

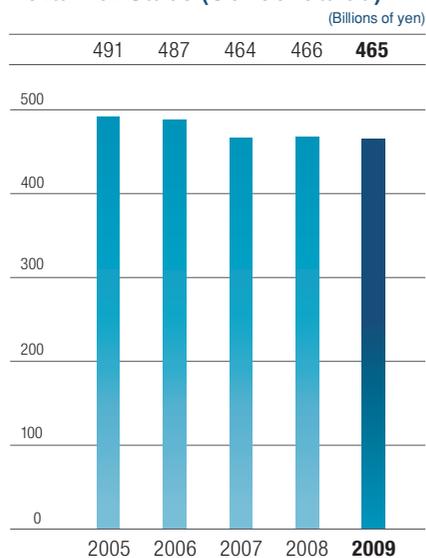
# FINANCIAL HIGHLIGHTS

Toda Corporation and Consolidated Subsidiaries Years ended March 31

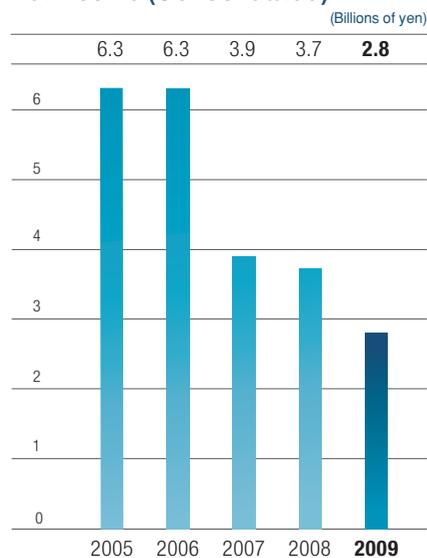
	2005	2006	2007	2008	Millions of yen 2009	Thousands of U.S. dollars (Note) 2009
<b>Consolidated:</b>						
Net sales	¥491,060	¥487,044	¥464,041	¥466,285	<b>¥465,893</b>	<b>\$4,742,889</b>
Ordinary income	14,912	10,460	9,241	6,817	<b>5,780</b>	<b>58,850</b>
Net income	6,302	6,321	3,928	3,733	<b>2,817</b>	<b>28,686</b>
Total net assets	201,481	244,323	255,005	216,214	<b>181,546</b>	<b>1,848,177</b>
Total assets	588,883	653,770	672,890	608,899	<b>541,495</b>	<b>5,512,525</b>
Per share of common stock: (in yen and U.S. dollars)						
Net assets	¥ 629.90	¥ 764.26	¥ 786.47	¥ 678.20	<b>¥ 567.37</b>	<b>\$ 5.776</b>
Net income	19.41	19.75	12.29	11.82	<b>9.01</b>	<b>0.092</b>
Cash dividends applicable to the year	6.00	7.00	7.00	7.00	<b>7.00</b>	<b>0.071</b>
Net cash provided by (used in) operating activities	¥ 22,223	¥ 8,269	¥ 1,093	¥ 6,669	<b>¥ (8,577)</b>	<b>\$ (87,317)</b>
Net cash provided by (used in) investing activities	(5,793)	(6,625)	(8,509)	(2,171)	<b>(8,478)</b>	<b>(86,311)</b>
Net cash provided by (used in) financing activities	(12,727)	(6,620)	(7,504)	(6,525)	<b>4,422</b>	<b>45,019</b>
Cash and cash equivalents at end of period	73,909	69,168	54,280	52,258	<b>39,302</b>	<b>400,109</b>
Number of employees	4,611	4,523	4,733	4,866	<b>4,996</b>	
<b>Non-Consolidated:</b>						
Orders received	¥455,805	¥457,278	¥414,337	¥440,785	<b>¥434,428</b>	<b>\$4,422,560</b>

Note: The rate of ¥98.23=US\$1.00, the foreign exchange rate on March 31, 2009, has been used for translation.

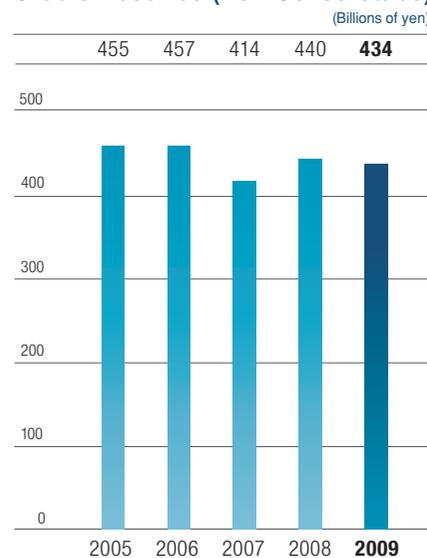
## Total Net Sales (Consolidated)



## Net Income (Consolidated)



## Orders Received (Non-Consolidated)



## MESSAGE FROM THE PRESIDENT



*Even in a challenging economic environment, we are exerting our characteristic strengths and aiming for sustainable growth.*

Shunzo Inoue  
President

### CONSOLIDATED BUSINESS PERFORMANCE IN FY 2008 (ENDED MARCH 31, 2009)

The Japanese economy in the fiscal year under review deteriorated rapidly from the autumn, buffeted by major declines in corporate profits and exports, as well as the resulting impact of these conditions on the employment situation.

In the construction industry, underlying trends in the decline in construction investments for public works are continuing, and competition among companies is intensifying. In addition, a dire economic environment has materialized as a result of the private sector keeping new capital investments in check due to the worldwide economic downturn. Amidst these conditions, Toda and its Group companies have worked together to develop man-

agement that supports the aim of “growth with profit.”

As a result, in FY 2008, the Group maintained a stable level of consolidated net sales, edging down by 0.1 percent from the previous fiscal year, to ¥465.8 billion. In terms of profit, a lower gross profit margin caused operating income to decline by 16.5 percent from the previous fiscal year to ¥4.3 billion, while ordinary income fell by 15.2 percent to ¥5.7 billion. Reflecting an extraordinary loss on abandonment of noncurrent assets of ¥0.7 billion, net income declined 24.5 percent to ¥2.8 billion.

### PROMOTION OF THE NEW MEDIUM-TERM MANAGEMENT PLAN

In the previous Medium-term Management Plan, from FY 2006 to FY 2008, we used selection and concentration to identify priority areas of construction, enabling the Company to achieve a certain degree of success, including a sustained level of sales and an expanded ratio of orders in priority areas.

Over the three-year period, however, escalating competition and soaring raw materials costs exacerbated a profit environment that deteriorated at a speed greater than expected. With regard to profits, this slump continues. Furthermore, the impact of the worldwide economic downturn is expected to constrain new capital investments.

These circumstances require the construction industry to shift to a “business model focused on existing stock,” taking note of a building’s lifecycle. The lifecycle of a building extends over the

course of decades, beginning from operational planning to construction, facility management and finally renovation. Given this, the sustainable technologies and services offered at each stage will become ever more important. Based on this awareness, Toda has formulated a New Medium-term Management Plan that should recover profits and assure further growth into the future. In the execution of the New Medium-term Management Plan, Toda and each member of the Group will take advantage of their unique strengths—based on their expertise as solutions providers—to make deeper and more sustained contributions to customers in the construction field. We establish and undertake measures to attain the performance goals set for three years into the future on an annual rolling basis in line with the basic concept of realizing ongoing growth.

# MEDIUM-TERM MANAGEMENT PLAN

Toda Corporation has established a New Medium-term Management Plan to be carried out over the three years FY 2009 through FY 2011.

During the previous three years (FY 2006 through FY 2008), Toda Corporation used selection and concentration to identify priority areas (types of construction) for promoting its Medium-term Management Plan. This action successfully maintained sales size and increased the share of priority areas within the company's orders.

During this period, however, competition intensified and raw materials prices soared, worsening the earnings environment at an unanticipated pace and causing profits to stagnate. Furthermore, the impact of the worldwide recession is expected to constrain new capital investment, requiring a shift in the construction industry to business models that emphasize existing stock.

Aware of these factors, Toda Corporation has established the following New Medium-term Management Plan to restore profits and ensure future growth.

## 1. Basic concept (direction) of the plan

Toda Corporation and the companies of the Toda Group will realize their individual strengths and achieve sustainable growth by serving clients more deeply over longer periods as a solutions company in the construction industry.

## 2. Earnings targets and major policies

In accordance with the above "Basic concept (direction) of the plan," rolling earnings targets (for three years later) will be designated during each fiscal year, and steps to meet them will be developed.

### • Earnings Targets

	FY 2011
Consolidated Sales	Approx. ¥500 billion
Current Income	Approx. ¥12 billion

### • Major policies

#### 1) Rebuilding earnings structure (long-term strategy)

- (i) By strengthening relationships among clients, Group companies and sectors, promote efforts that address the entire construction lifecycle. In particular, rethink the current system for architectural remodeling construction, bringing it up to a 25 percent share of completed work (from its current 15 percent).
- (ii) Work to deepen involvement in priority areas (types of construction), maintaining their current share of overall orders (about 70 percent).

#### Priority Areas:

**Building Construction:** medical/welfare facilities, educational facilities, office buildings, production facilities

**Civil Engineering:** urban infrastructure (roads, highways, water supply and sewer systems)

- (iii) With the establishment of the Overseas Division (in April 2009), upgrade overseas business, building it up to ¥20 billion in consolidated orders (from its current approximately ¥10 billion).

- (iv) For items currently being planned, carry out a total of ¥23 billion in real estate investment. Furthermore, study and carry out investment mainly in tenant buildings in Tokyo's three central wards (Chiyoda-ku, Chuo-ku, and Minato-ku) in order to supplement the construction business with a stable income base.

- (v) Along with raising the Tokyo metropolitan area's share of domestic sales to 60 percent (from its current approximately 50 percent), promote better and more efficient personnel placement and organizational structures.

- The "Tokyo metropolitan area" refers to the combined sales of the four branches in the Kanto area (Tokyo, Chiba, Kanto and Yokohama)

## 2) Thorough risk management

- (i) Carry out thorough compliance.
- (ii) Address contract and credit risk and internal controls organizationally, working to balance work and maintain a sound financial structure.
- (iii) Through tie-ups between marketing and construction, carry out early incorporation of construction costs, while ensuring transparency through painstaking cost management.
- (iv) Prepare for changes in the financial environment to ensure stable capital procurement.

## 3) Human resources strategy and corporate social responsibility (CSR)

- (i) Rethink various human resources systems to promote the creation of workplaces where diverse personnel can find satisfaction in their work
- (ii) While passing along techniques to the next generation, promote initiatives to enhance skilled manufacture (quality, cost, safety, environment, customer satisfaction).
- (iii) Work to improve the Toda brand.

## 3. Shareholder return

As for the fruits of this Plan, Toda Corporation will work to spread the profits in order to secure the satisfaction and trust of all stakeholders. Regarding per-share dividends, founded on payment of sustained, stable dividends, if FY 2011 earnings targets are achieved, Toda Corporation will consider a ¥9.0 per share dividend.

As specific measures, we focus our efforts on architectural remodeling construction and endeavor to cultivate priority areas, including medical and welfare facilities, educational facilities and urban infrastructure, and to strengthen overseas business. In addition, we strive to expand and reinforce the real estate business while aiming to secure a stable income base that supple-

ments the construction business.

Based on a further enhanced level of internal control, together with achieving thorough compliance, our most valuable assets are our people, and we promote the creation of a work place that enables workers to feel a sense of job satisfaction while working towards higher business results.

## PROFIT SHARING

To furnish each of its shareholders with stable dividend payments over the long term, the Company ensures that there are sufficient internal reserves for strengthening its competitiveness and financial position. Based on this policy, the full-year dividend for the year under review was ¥7 per share.

To continue to be the trusted company its stakeholders in Japan and overseas expect it to be, Toda Corporation will create true value through its construction business and endeavor to provide complete satisfaction.

We thank our stakeholders, including our shareholders, for their continued support and understanding of Toda Corporation's business operations.

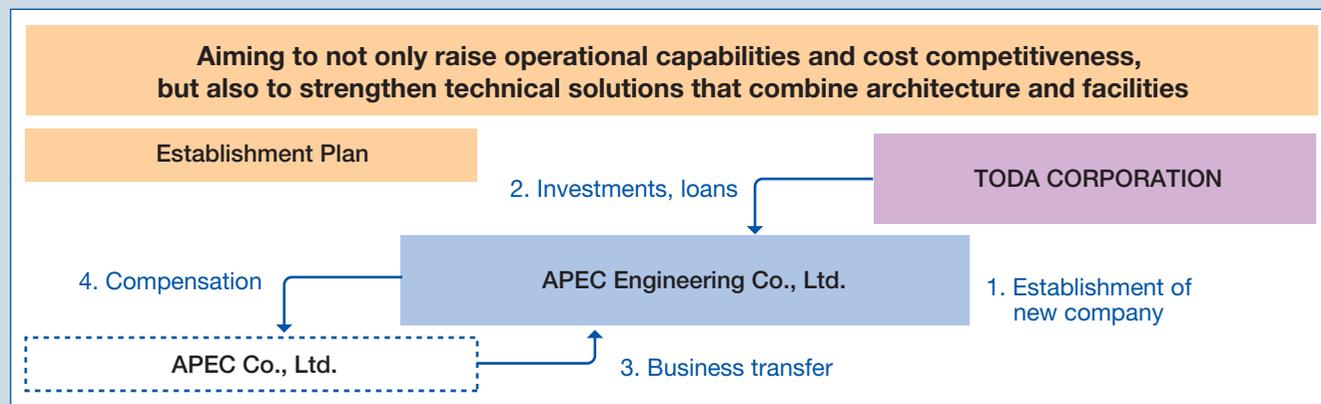


## TOPICS

Toda believes in the importance of enhancing its abilities in the equipment installation field as it expands its business. As one way to accomplish this, we established APEC Engineering Co., Ltd. as a consolidated subsidiary, and this included the acquisition of the air-conditioning, water supply and sanitation equipment installation-related business of APEC Co., Ltd., its forerunner. From this time forward, by working with APEC Engineering, which is now responsible for equipment installation-related sales, design, estimation, purchasing and construction,

we are endeavoring to raise the overall capabilities of the Toda Group and expand business operations.

APEC conducted its business operations mainly in the Tokyo metropolitan area and specialized in the renovation of office buildings, medical facilities and shopping centers. APEC Engineering, the recipient of these business operations, also works to maintain and expand this sales foundation, while striving to raise Group performance.



## SPECIAL FEATURE—ESTABLISHMENT OF OVERSEAS DIVISION

On April 1, 2009, Toda established its Overseas Division to more precisely respond to customer issues, given the increasingly global and diverse nature of customer needs and the rapidly evolving economic environment. With the backing of a solid organizational structure, the Overseas Division provides the ideal platform to offer the technology and solutions Toda has cultivated over the years. In establishing the Overseas Division, Toda will comprehensively manage and promote overseas construction undertaken by the Group.

Toda's first overseas work was the construction of a pavilion for display of articles at the Japan-British Exhibition held in London in 1910. Ever since, Toda has engaged in construction projects around the world, based always on the principles of seeing things from a local perspective and contributing to each country's development. This philosophy underlies the Company's establishment of local affiliates, beginning with Construtora Toda do Brasil S.A. in Brazil in 1972. The result has been the acquisition of unique expertise based on local trust and the compilation of a strong record of achievement. A sampling of Toda's overseas activities follows.

### CONSTRUTORA TODA DO BRASIL S.A.

Construtora Toda do Brasil S.A. (TBC) will this year mark its 37th anniversary. TBC is engaged in the construction of factories, schools, hospitals, office buildings and other structures. With annual transactions of approximately ¥4.0 billion, TBC is among the top 50 construction companies in Brazil. Previously, almost 70 percent of TBC's customers had been non-Japanese, but in the past two years, orders from Japanese companies have increased. TBC is currently Brazil's only Japan-affiliated general contractor.



### TODA CONSTRUCTION (SHANGHAI) CO., LTD.

Established in 1987, Toda Construction (Shanghai) Co., Ltd. (TSC) was the first Japanese construction company to form a local affiliate in the Shanghai area. For over 20 years it has provided interior renovations, factory construction and other support to numerous Japanese customers in Shanghai, Jiangsu, and Zhejiang. TSC continues to gain the trust of its customers and is making all-out efforts in an expanding China market.



### THAI TODA CORPORATION LTD.

Established in 1988, Thai Toda Corporation Ltd. (TTC) celebrated its 20th anniversary last year. Ever since its inauguration, TTC has steadily added to its portfolio of successfully completed construction projects, including factories, hospitals, residences and other undertakings. From early 2000, TTC has received orders for factory construction projects from many Japanese companies, primarily automobile and related parts makers, who have actively set up and expanded their operations in Thailand. This is one reason TTC sales have soared in the past few years.



### TODA VIETNAM CO., LTD.

Toda Vietnam Co., Ltd. (TVC) is a new affiliate, scheduled to be established in 2009. Since 1993, when the Hanoi Representative Office was established, TVC has participated in the overseas development assistance (ODA) activities of the Japanese government in Vietnam in the construction of national hospitals and approximately 200 elementary schools. In the private sector, TVC has supported the establishment of Japanese companies' operations in Vietnam through factory construction and other projects. In becoming a local affiliate, TVC is continuing to add new chapters to its history in the promising Vietnam market.



# REVIEW OF OPERATIONS

The domestic construction market continued to experience an extremely severe operating environment, compounded by escalating competition over the past few years and declining private-sector construction as a result of constrained new capital investment. Under the previous Medium-term Management Plan, Toda Corporation used selection and concentration to identify priority areas (types of construction). This action successfully maintained sales volume and increased the share of priority areas within the company's orders. As a result, net sales by segment and a breakdown of completions by project in FY 2008 are as follows.

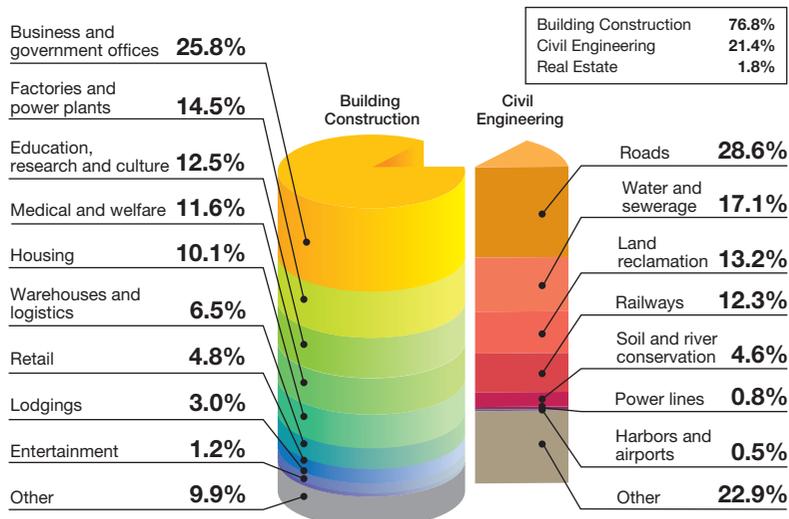
Consolidated Net Sales (Millions of yen)

	FY 2007	FY 2008
Completed Construction Contracts	¥450,471	¥452,604
Real Estate Business and Other	15,814	13,289
<b>Total Net Sales</b>	<b>¥466,285</b>	<b>¥465,893</b>

Non-Consolidated Net Sales (Millions of yen)

	FY 2007	FY 2008
Completed Construction Contracts	¥430,856	¥431,272
Real Estate Business and Other	10,183	7,724
<b>Total Net Sales</b>	<b>¥441,040</b>	<b>¥438,997</b>

Breakdown of Completions by Project (Consolidated)



## PRINCIPAL COMPLETED CONSTRUCTION CONTRACTS

	Client	Construction Name	Location	
Building Construction	Mori Trust Co., Ltd.	Marunouchi Trust Tower Main	Tokyo, Japan	①
	Fuji Grand LLC, other	EMIFULL MASAKI	Ehime Prefecture, Japan	②
	The Bank of Fukuoka, Ltd.	Fukuoka Financial Group Headquarter Building	Fukuoka Prefecture, Japan	③
Current Building	Chugoku Regional Development Bureau	The Grade Separation Viaduct on National Route 2 in Okayama City	Okayama Prefecture, Japan	④
	Land Development Public Corporation of Oita Prefecture	Sannomiya, Hita City Industrial-Use Land Development Work	Oita Prefecture, Japan	⑤
Overseas	Olympus Corporation, Olympus Vietnam Co., Ltd.	Olympus Vietnam Factory Construction Project	Long Thanh Industrial Zones, Dong Nai Province, Vietnam	⑥



# CORPORATE GOVERNANCE

Toda Corporation aims to continue to raise its corporate value through efficient execution of business operations and by building a monitoring structure, securing the transparency and integrity of management and by enhancing compliance.

## STRENGTHENING THE BOARD OF DIRECTORS AND BUSINESS EXECUTION FUNCTIONS

In addition to Corporation Law-based company bodies such as shareholders' meetings, the Board of Directors, and the Board of Corporate Auditors, the Company has built its own mechanisms, including an executive officer system and internal audits.

As of August 28, 2009, the Board of Directors is comprised of eight directors who conduct management decision making and supervision of business execution. In order to clarify management responsibilities, strengthen the management structure and enable a swift response to changes in the management environment, directors serve a term of one year.

From June 2005, the Company has adopted an executive officer system in its aim to ensure a prompt and efficient business execution structure. Executive officers selected by the Board of Directors execute the duties of the Company under the direction of the President and in accordance with the basic policies of management determined by the Board of Directors.

Toda has adopted a corporate auditor system in which audits for

legality and appropriateness are conducted through such measures as the attendance by corporate auditors at board of directors' meetings. From June 2008, in addition to the two standing internal corporate auditors, the number of corporate external auditors was increased from two to three. In addition, with regard to personnel matters and organizational changes of the Corporate Auditor Office, the department that supplements the activities of corporate auditors, the Company stipulates the advanced coordination of opinions from the Board of Corporate Auditors or from the corporate auditors specified by the Board of Corporate Auditors, and maintains independence from directors and executive officers.

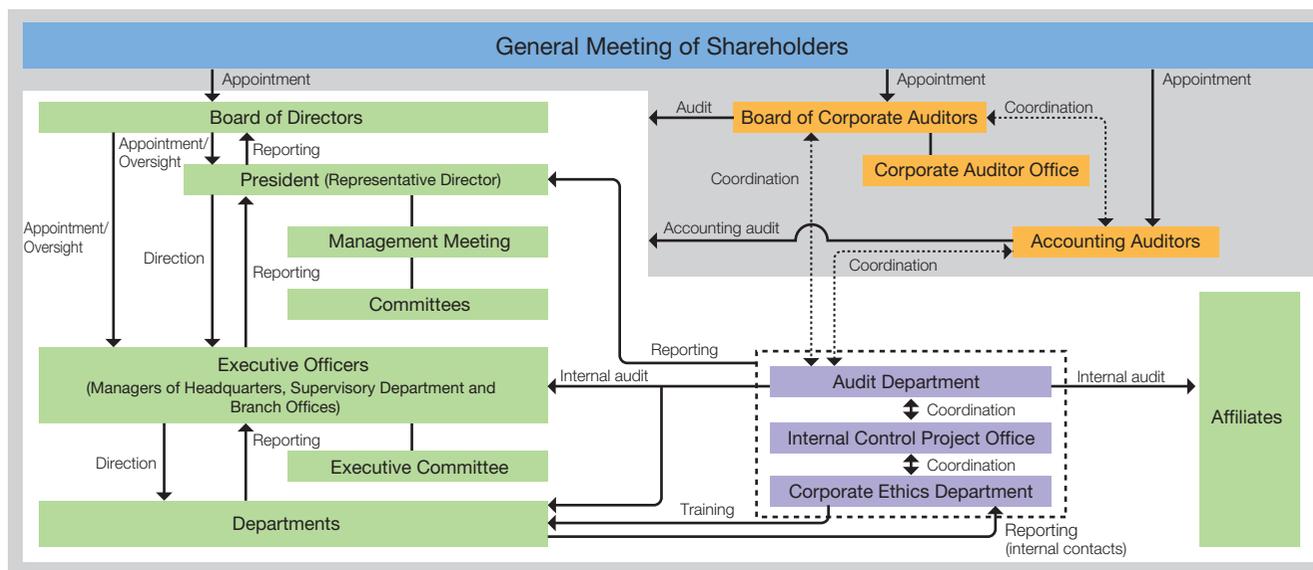
As an internal audit authority, the Company established the Audit Department, which periodically conducts internal audits on the business status of each business division in the Company. In addition, mutual cooperation is achieved by conducting such activities as reporting the results of audits and exchanging views among corporate auditors and accounting auditors.

## BUILDING AN INTERNAL CONTROL STRUCTURE

In accordance with the Corporation Law, Toda stipulates the maintenance of an effective internal control system in its basic policy. In addition to having conducted maintenance and operation of overall internal control, to comply with the Internal Control Reporting System based on the Financial Instruments and Exchange Law which came into effect from April 2008, Toda's Internal Control Project Office has

been the main driver of maintaining an internal control structure over financial reporting. As a result, as of March 31, 2009, Toda's management evaluated and confirmed that the Company's internal control over financial reporting functions effectively. Accordingly, the Internal Control Report was attached to the FY 2008 Securities Report by accounting auditors.

Diagram of Corporate Governance



# CONSOLIDATED BALANCE SHEETS

Toda Corporation and Consolidated Subsidiaries As of March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits (Note 3 2 )	¥ 37,294	¥ 40,369	\$ 410,972
Notes receivable, accounts receivable from completed construction contracts and other	96,054	101,309	1,031,347
Short-term investment securities	11,150	160	1,631
Real estate for sale	35,059	32,643	332,312
Costs on uncompleted construction contracts	180,412	157,079	1,599,098
Other inventories	1,022	858	8,738
Deferred tax assets	17,067	18,404	187,358
Other	11,086	3,098	31,544
Allowance for doubtful accounts	(511)	(514)	(5,240)
Total current assets	388,635	353,408	3,597,764
<b>Noncurrent assets:</b>			
Property, plant and equipment:			
Buildings and structures	38,496	40,256	409,818
Machinery, vehicles, tools, furniture and fixtures	11,801	10,467	106,562
Land (Note 3 2 ) 6 )	59,408	63,236	643,761
Lease assets	—	293	2,989
Construction in progress	136	201	2,056
Accumulated depreciation	(31,978)	(31,112)	(316,732)
Total property, plant and equipment	77,865	83,343	848,455
Intangible assets:			
Goodwill	—	539	5,491
Other (Note 3 6 )	1,097	1,436	14,621
Total intangible assets	1,097	1,975	20,112
Investments and other assets:			
Investment securities (Note 3 1 ) 2 )	136,687	91,180	928,233
Long-term loans receivable (Note 3 2 )	1,831	1,761	17,931
Deferred tax assets	—	5,640	57,425
Other	5,295	6,720	68,414
Allowance for doubtful accounts	(2,513)	(2,535)	(25,812)
Total investments and other assets	141,300	102,767	1,046,191
Total noncurrent assets	220,263	188,086	1,914,760
<b>Total assets</b>	¥608,899	¥541,495	\$5,512,525

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Notes payable, accounts payable for construction contracts and other	¥110,424	¥107,055	\$1,089,849
Short-term loans payable (Note 3 5 )	47,898	47,677	485,365
Income taxes payable	2,381	387	3,947
Advances received on uncompleted construction contracts	137,394	114,522	1,165,860
Provision for bonuses	4,125	3,831	39,004
Provision for warranties for completed construction	1,011	938	9,557
Provision for loss on construction contracts	2,852	3,212	32,699
Deposits received	23,171	15,637	159,190
Other	11,433	12,971	132,056
Total current liabilities	340,692	306,235	3,117,531
<b>Noncurrent liabilities:</b>			
Long-term loans payable	4,678	11,586	117,957
Deferred tax liabilities	12,828	—	—
Deferred tax liabilities for land revaluation (Note 3 6 )	3,579	11,998	122,149
Provision for retirement benefits	26,652	25,796	262,613
Provision for directors' retirement benefits	83	125	1,273
Other	4,168	4,206	42,822
Total noncurrent liabilities	51,992	53,713	546,816
Total liabilities	392,684	359,948	3,664,347
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Capital stock	23,001	23,001	234,160
Capital surplus	25,595	25,595	260,563
Retained earnings	128,902	124,965	1,272,172
Treasury stock	(5,300)	(5,360)	(54,569)
Total shareholders' equity	172,198	168,201	1,712,327
<b>Valuation and translation adjustments:</b>			
Valuation difference on available-for-sale securities	35,072	6,021	61,297
Deferred gains or losses on hedges	(5)	20	213
Revaluation reserve for land (Note 3 6 )	5,215	4,497	45,783
Foreign currency translation adjustment	(410)	(1,425)	(14,510)
Total valuation and translation adjustments	39,872	9,114	92,783
<b>Minority interests</b>	4,143	4,230	43,066
Total net assets	216,214	181,546	1,848,177
<b>Total liabilities and net assets</b>	¥608,899	¥541,495	\$5,512,525

# CONSOLIDATED STATEMENTS OF INCOME

Toda Corporation and Consolidated Subsidiaries For the years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
<b>Net sales:</b>			
Net sales of completed construction contracts	¥450,471	¥452,604	\$4,607,594
Net sales on real estate business and other	15,814	13,289	135,294
Total net sales	466,285	465,893	4,742,889
<b>Cost of sales:</b>			
Cost of sales of completed construction contracts	424,238	426,675	4,343,640
Cost of sales on real estate business and other (Note 4 1 )	11,271	9,363	95,324
Total cost of sales	435,510	436,039	4,438,964
<b>Gross profit:</b>			
Gross profit on completed construction contracts	26,232	25,928	263,954
Gross profit on real estate business and other	4,542	3,926	39,970
Total gross profit	30,775	29,854	303,924
<b>Selling, general and administrative expenses (Note 4 2 )</b>	25,619	25,552	260,127
<b>Operating income</b>	5,155	4,302	43,797
<b>Non-operating income:</b>			
Interest income	270	259	2,636
Dividends income	1,976	2,052	20,890
Dividends income of insurance	341	333	3,395
Other	341	281	2,867
Total non-operating income	2,930	2,926	29,790
<b>Non-operating expenses:</b>			
Interest expenses	1,051	1,076	10,962
Foreign exchange losses	35	188	1,917
Other	181	182	1,856
Total non-operating expenses	1,267	1,447	14,736
<b>Ordinary income</b>	6,817	5,780	58,850
<b>Extraordinary income:</b>			
Reversal of allowance for doubtful accounts	267	29	302
Gain on sales of noncurrent assets (Note 4 4 )	2,366	394	4,020
Gain on sales of investment securities	136	222	2,263
Other	—	1	13
Total extraordinary income	2,770	648	6,600
<b>Extraordinary loss:</b>			
Loss on sales of noncurrent assets	5	4	42
Loss on abandonment of noncurrent assets	70	788	8,024
Loss on valuation of investment securities	269	240	2,446
Loss on valuation of golf club membership	62	31	324
Surcharges	442	16	166
Other	3	170	1,733
Total extraordinary losses	853	1,251	12,738
<b>Income before income taxes</b>	8,734	5,177	52,712
<b>Income taxes—current</b>	1,269	564	5,743
<b>Refund of income taxes for prior periods</b>	—	(1,695)	(17,259)
<b>Income taxes—deferred</b>	3,484	3,313	33,732
Total income taxes	4,753	2,182	22,216
<b>Minority interests in income</b>	247	177	1,810
<b>Net income</b>	¥ 3,733	¥ 2,817	\$ 28,686

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Toda Corporation and Consolidated Subsidiaries For the years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
<b>Shareholders' equity</b>			
<b>Capital stock:</b>			
Balance at the end of previous period	¥ 23,001	¥ 23,001	\$ 234,160
Changes of items during the period	—	—	—
Balance at the end of current period	¥ 23,001	¥ 23,001	\$ 234,160
<b>Capital surplus:</b>			
Balance at the end of previous period	¥ 25,595	¥ 25,595	\$ 260,563
Changes of items during the period	—	—	—
Balance at the end of current period	¥ 25,595	¥ 25,595	\$ 260,563
<b>Retained earnings:</b>			
Balance at the end of previous period	¥130,595	¥128,902	\$1,312,254
Changes of items during the period:			
Revise the surplus of consolidated subsidiaries	(181)	—	—
Dividends from surplus	(2,236)	(2,188)	(22,283)
Net income	3,733	2,817	28,686
Reversal of revaluation reserve for land	(3,007)	(4,566)	(46,484)
Total changes of items during the period	(1,692)	(3,937)	(40,081)
Balance at the end of current period	¥128,902	¥124,965	\$1,272,172
<b>Treasury stock:</b>			
Balance at the end of previous period	¥ (1,016)	¥ (5,300)	\$ (53,962)
Changes of items during the period:			
Purchase of treasury stock	(4,284)	(59)	(607)
Total changes of items during the period	(4,284)	(59)	(607)
Balance at the end of current period	¥ (5,300)	¥ (5,360)	\$ (54,569)
<b>Total shareholders' equity:</b>			
Balance at the end of previous period	¥178,175	¥172,198	\$1,753,016
Changes of items during the period:			
Revise the surplus of consolidated subsidiaries	(181)	—	—
Dividends from surplus	(2,236)	(2,188)	(22,283)
Net income	3,733	2,817	28,686
Purchase of treasury stock	(4,284)	(59)	(607)
Reversal of revaluation reserve for land	(3,007)	(4,566)	(46,484)
Total changes of items during the period	(5,976)	(3,996)	(40,688)
Balance at the end of current period	¥172,198	¥168,201	\$1,712,327
<b>Valuation and translation adjustments</b>			
<b>Valuation difference on available-for-sale securities:</b>			
Balance at the end of previous period	¥ 71,218	¥ 35,072	\$ 357,040
Changes of items during the period:			
Net changes of items other than shareholders' equity	(36,146)	(29,050)	(295,743)
Total changes of items during the period	(36,146)	(29,050)	(295,743)
Balance at the end of current period	¥ 35,072	¥ 6,021	\$ 61,297
<b>Deferred gains or losses on hedges:</b>			
Balance at the end of previous period	¥ (1)	¥ (5)	\$ (55)
Changes of items during the period:			
Net changes of items other than shareholders' equity	(4)	26	268
Total changes of items during the period	(4)	26	268
Balance at the end of current period	¥ (5)	¥ 20	\$ 213
<b>Revaluation reserve for land:</b>			
Balance at the end of previous period	¥ 2,208	¥ 5,215	\$ 53,099
Changes of items during the period:			
Net changes of items other than shareholders' equity	3,007	(718)	(7,316)
Total changes of items during the period	3,007	(718)	(7,316)
Balance at the end of current period	¥ 5,215	¥ 4,497	\$ 45,783
<b>Foreign currency translation adjustment:</b>			
Balance at the end of previous period	¥ (292)	¥ (410)	\$ (4,178)
Changes of items during the period:			
Net changes of items other than shareholders' equity	(118)	(1,014)	(10,332)
Total changes of items during the period	(118)	(1,014)	(10,332)
Balance at the end of current period	¥ (410)	¥ (1,425)	\$ (14,510)
<b>Minority interests</b>			
Balance at the end of previous period	¥ 3,696	¥ 4,143	\$ 42,184
Changes of items during the period:			
Net changes of items other than shareholders' equity	447	86	881
Total changes of items during the period	447	86	881
Balance at the end of current period	¥ 4,143	¥ 4,230	\$ 43,066
<b>Total net assets</b>			
Balance at the end of previous period	¥255,005	¥216,214	\$2,201,107
Changes of items during the period:			
Revise the surplus of consolidated subsidiaries	(181)	—	—
Dividends from surplus	(2,236)	(2,188)	(22,283)
Net income	3,733	2,817	28,686
Purchase of treasury stock	(4,284)	(59)	(607)
Reversal of revaluation reserve for land	(3,007)	(4,566)	(46,484)
Net changes of items other than shareholders' equity	(32,813)	(30,671)	(312,241)
Total changes of items during the period	(38,790)	(34,668)	(352,929)
Balance at the end of current period	¥216,214	¥181,546	\$1,848,177

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Toda Corporation and Consolidated Subsidiaries For the years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
<b>Net cash provided by (used in) operating activities:</b>			
Income before income taxes	¥ 8,734	¥ 5,177	\$ 52,712
Depreciation and amortization	1,836	1,981	20,174
Amortization of goodwill	—	18	189
Increase (decrease) in allowance for doubtful accounts	(630)	10	103
Increase (decrease) in provision for retirement benefits	(792)	(1,034)	(10,534)
Increase (decrease) in other provision	564	33	340
Loss (gain) on valuation of short-term and long term investment securities	269	240	2,446
Loss (gain) on sales of short-term and long term investment securities	(136)	(222)	(2,263)
Loss (gain) on sales of property, plant and equipment	(2,360)	(390)	(3,978)
Interest and dividends income	(2,246)	(2,310)	(23,524)
Interest expenses	1,051	1,076	10,962
Decrease (increase) in notes and accounts receivable-trade	12,696	(4,872)	(49,603)
Decrease (increase) in costs on uncompleted construction contracts	(11,065)	24,636	250,801
Decrease (increase) in real estate for sale	3,079	1,225	12,479
Increase (decrease) in notes and accounts payable-trade	(9,487)	(4,283)	(43,610)
Increase (decrease) in advances received on uncompleted construction contracts	11,042	(25,811)	(262,761)
Other, net	(2,504)	(4,412)	(44,917)
Subtotal	10,048	(8,937)	(90,984)
Interest and dividends income received	2,235	2,299	23,406
Interest expenses paid	(1,049)	(1,076)	(10,961)
Income taxes paid	(4,565)	(862)	(8,777)
Net cash provided by (used in) operating activities	6,669	(8,577)	(87,317)
<b>Net cash provided by (used in) investing activities:</b>			
Payments into time deposits	(283)	(644)	(6,561)
Proceeds from withdrawal of time deposits	224	908	9,244
Purchase of short-term investment securities	(150)	(161)	(1,645)
Proceeds from sales and redemption of securities	70	50	511
Purchase of property, plant and equipment	(918)	(6,029)	(61,384)
Proceeds from sales of property, plant and equipment	3,989	1,064	10,839
Purchase of investment securities	(5,542)	(3,848)	(39,182)
Proceeds from sales and redemption of investment securities	259	388	3,956
Payments for transfer of business	—	(101)	(1,030)
Payments of loans receivable	(129)	(518)	(5,279)
Collection of loans receivable	284	608	6,196
Other, net	25	(194)	(1,975)
Net cash provided by (used in) investing activities	(2,171)	(8,478)	(86,311)
<b>Net cash provided by (used in) financing activities:</b>			
Net increase (decrease) in short-term loans payable	240	1,530	15,575
Proceeds from long-term loans payable	2,375	8,690	88,465
Repayment of long-term loans payable	(2,599)	(3,531)	(35,956)
Cash dividends paid	(2,236)	(2,188)	(22,283)
Cash dividends paid to minority shareholders	(20)	(17)	(175)
Purchase of treasury stock	(4,284)	(59)	(607)
Net cash provided by (used in) financing activities	(6,525)	4,422	45,019
<b>Effect of exchange rate change on cash and cash equivalents</b>	6	(322)	(3,279)
<b>Net increase (decrease) in cash and cash equivalents</b>	(2,022)	(12,956)	(131,896)
<b>Cash and cash equivalents at beginning of period</b>	54,280	52,258	532,005
<b>Cash and cash equivalents at end of period (Note 6)</b>	¥ 52,258	¥ 39,302	\$ 400,109

See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Toda Corporation and Consolidated Subsidiaries

## 1. Basis of Presenting Consolidated Financial Statements

The consolidated financial statements presented herein of Toda Corporation (the "Company") and its consolidated subsidiaries (together, the "Companies") are prepared in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law of Japan, and in conformity with accounting principles generally accepted in Japan.

These 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 total assets, net sales, retained earnings or net income.

## 2. Summary of Significant Accounting Policies

### 1) Scope of consolidation

The accompanying consolidated financial statements include the accounts of Toda Corporation and 14 subsidiaries, namely Toda Road Co., Ltd., Toda Reform Co., Ltd., Chiyoda Kenkou Co., Ltd., Chiyoda Staff Service Co., Ltd., Sipco Industries Co., Ltd., APEC Engineering Co., Ltd., Chiyoda Tochi Tatemono Co., Ltd., Yachiyo Urban Co., Ltd., Toda Finance Co., Ltd., Towa Kanko Kaihatsu Co., Ltd., Toda America, Inc., Construtora Toda do Brasil S/A, Toda Construction (Shanghai) Co., Ltd., and Thai Toda Corporation Ltd.

As from the consolidated fiscal year ended March 31, 2009, APEC Engineering Co., Ltd. has been included as a consolidated subsidiary as a result of Toda Corporation's acquisition of all issued shares within that consolidated fiscal year.

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

### 2) Application of the equity method

All non-consolidated 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.

### 3) Fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, Toda America, Inc., Construtora Toda do Brasil S/A, Toda Construction (Shanghai) Co., Ltd. and Thai Toda Corporation Ltd. close their fiscal year on December 31 each year.

In preparing the consolidated financial statements, the Company used financial statements as of December 31 of all these subsidiaries. However, adjustments necessary for the purpose of consolidation have been made for significant transactions that arose during the period from January 1 to March 31, the consolidated fiscal year-end.

The fiscal year-end of all other consolidated subsidiaries is the same as the consolidated fiscal year-end.

### 4) Standards and evaluation methods for important assets

#### (a) Held-to-maturity debt securities

Amortized cost method (straight-line method)

Available-for-sale securities

Securities with a fair value:

Stated at fair value, determined by the market price valuation method on the consolidated fiscal year-end (the difference between the book value and the fair value is included in net assets, while the cost of securities sold is computed using the moving-average method)

Securities with no fair value:

Stated at cost, determined by the moving-average method

#### (b) Derivatives

Stated at fair value

#### (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 ¥98.23=US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2009, and have been then rounded down to the nearest thousand. 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.

#### (c) Inventories

Costs on uncompleted construction contracts

Stated at cost, determined by the specific identification cost method

Real estate for sale

Stated at cost, determined by the specific identification cost method

(The book value on the consolidated balance sheets is presented after write-down for decline in profitability.)

### 5) Methods for depreciating and amortizing depreciable assets

#### (a) Property, plant and equipment (excluding lease assets)

The declining-balance method is primarily used. However, the straight-line method is used for buildings (excluding building fixtures) acquired on and after April 1, 1998.

Identical standards to regulations in the Corporate Income Tax Law are utilized to determine expected lifetime and residual value.

#### (b) Intangible fixed assets (excluding lease assets)

The straight-line method is used.

Identical standards to regulations in the Corporate Income Tax Law are utilized to determine expected lifetime and residual value.

However, the amortization of software used by each company is computed using the straight-line method based on the estimated useful life.

#### (c) Lease assets

Lease assets under finance leases other than those that are deemed to transfer ownership of the leased assets to lessees

Depreciation is based on the straight-line method over the lease term of the leased assets with no residual value.

### 6) Allowances and provisions

#### (a) Allowance for doubtful accounts

The allowance for doubtful trade receivables and loans has been provided based on historic loss experience for general accounts and also includes the aggregate amount of the estimated loss for the accounts for which concern actually exists for collectibility.

#### (b) Provision for bonuses

This is provided for the payment of bonuses for employees, based on expected payment amount.

#### (c) Provision for warranties for completed construction

To cover expenses for defects claimed concerning completed work, this is provided based on the estimated amount of compensation in the future for the work completed during the consolidated fiscal year.

#### (d) Provision for loss on construction contracts

To cover losses which have a high probability of occurring at the future time of work completion, the provision for estimated losses is provided based on the amount of orders received and the estimated cost.

#### (e) Provision for retirement benefits

The provision for retirement benefits for employees is calculated based on estimated amounts of retirement benefit obligations and pension assets as of the consolidated fiscal year-end.

- (f) Provision for directors' retirement benefits  
To provide for the payment of directors' retirement benefits, an amount is allocated which would have been required to be paid according to internal regulations if directors had retired at the consolidated fiscal year-end.

#### 7) Translation of foreign currency assets and liabilities

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the consolidated fiscal year-end. The resulting gains and losses are included in net income or loss for the consolidated fiscal year. The assets, liabilities, income and expense accounts of foreign consolidated subsidiaries are translated into Japanese yen at the exchange rate prevailing at their fiscal year-end. The resulting translation adjustments are included in foreign currency translation adjustment and minority interests in the net assets of the consolidated balance sheet.

#### 8) Hedge accounting

The Companies apply hedge accounting as follows:

- (a) Method of hedge accounting employed:  
Deferral hedge accounting
- (b) Measures and objects:  
Measures: Forward foreign exchange contracts  
Objects: Transactions to be paid in foreign currencies in cases of overseas construction work and overseas procurement of materials
- (c) Hedging principles:  
The Companies utilize forward foreign exchange contracts to fix the payment amount in yen and procure necessary foreign currency funds, thus evading the risk of increase in payment amount due to currency exchange rate fluctuations.
- (d) Evaluation method of effectiveness of hedging:  
During the period from the time when the hedging first started until the consolidated fiscal year-end, the Companies have been assessing the hedge effectiveness primarily by comparing, in terms of variation amounts, (1) cumulative cash flow changes or exchange rate changes of the hedge objects and (2) cumulative cash flow changes or exchange rate changes of the hedge measures.

#### 9) Basis of recording net sales of completed construction contracts

Toda Corporation and its domestic consolidated subsidiaries apply the percentage of completion method to those contracts started from the fiscal year ended March 31, 2009 that exceed ¥1.0 billion contract amount and extend for a period of over two years. Foreign consolidated subsidiaries use the percentage of completion method to record all construction sales.

(Accounting principles and changes in preparation method)

With regard to recording net sales of completed construction contracts, Toda Corporation and its domestic consolidated subsidiaries previously applied the completed-contract method. However, the percentage of completion method is applied to those contracts started from the fiscal year ended March 31, 2009 that exceed ¥1.0 billion contract amount and extend for a period of over two years.

This change is based on Accounting Standards for Construction Contracts, which is applied from the consolidated fiscal year commencing from April 1, 2009 and is intended to achieve early elimination of the parallel application of the completed-contract method and percentage of completion method, as well as to facilitate comparisons of period losses and gains. As a result, compared to calculations conducted with the previous method, net sales increased ¥7,535 million, and total gross profit, operating income, ordinary income and income before income taxes posted respective increases of ¥279 million.

#### 10) Valuation of assets and liabilities of consolidated subsidiaries

The assets and liabilities of consolidated subsidiaries are evaluated at fair value.

#### 11) Amortization of goodwill and negative goodwill

As a general rule, goodwill is amortized over a period of 10 years.

#### 12) Cash and cash equivalents

For the consolidated statements of cash flows, cash and cash equivalents are defined as cash on hand, deposits that can be withdrawn at any time, and highly liquid short-term investments with a maturity date within three months after acquisition.

### 3. Notes to Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
<b>1) Non-consolidated subsidiaries and affiliates included in investment securities</b>	¥ 213	¥ 503	\$ 5,121
<b>2) Assets pledged as collateral:</b>			
Time deposits	¥ 500	¥ 500	\$ 5,090
Land	9	9	96
Investment securities	73	145	1,478
Long-term loans receivable	555	655	6,669
Total	¥ 1,138	¥ 1,309	\$ 13,334
<b>3) Contingent liabilities</b>	¥ 3,736	¥ 2,760	\$ 28,104
<b>4) Discounts on notes receivable</b>	¥ 15	¥ 484	\$ 4,930
<b>5) Loan commitment agreement:</b>			
Maximum limit under the agreement	¥23,000	¥43,000	\$ 437,748
Balance outstanding	3,000	3,000	30,540
Difference (unused portion)	¥20,000	¥40,000	\$ 407,207

#### 6) Land revaluation

Based on the Land Revaluation Law, the Company has revaluated land held for business use and has recorded any discrepancies in the consolidated balance sheet as revaluation reserve for land.

#### Method of revaluation

In accordance with Item 3 of Article 2 of the Land Revaluation Law,

revaluation is calculated by making rational adjustments to values listed in the tax register book or supplementary land tax register book.

**Date of revaluation:** March 31, 2002

In the consolidated fiscal year ended March 31, 2009, the fair value of revaluated land exceeds the book value following revaluation.

#### 4. Notes to Consolidated Statements of Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
<b>1) Valuation loss on real estate for sale</b>	¥ 26	¥ 273	\$ 2,782
<b>2) Principal components of selling, general and administrative expenses:</b>			
Employee salaries	¥ 11,826	¥ 11,587	\$ 117,962
Additions to provision for bonuses	1,310	1,214	12,363
Retirement benefit cost	1,061	956	9,740
Provision of allowance for doubtful accounts	—	464	4,726
<b>3) Research and development expenditures included in selling, general and administrative expenses and manufacturing costs</b>	¥ 2,247	¥ 2,253	\$ 22,946
<b>4) Gain on sales of noncurrent assets:</b>			
Land	¥ 2,223	¥ 341	\$ 3,472
Machinery, vehicles, tools, furniture and fixtures	142	53	548
Total	¥ 2,366	¥ 394	\$ 4,020

#### 5. Notes to Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2008	Class of shares	Number of shares			March 31, 2008
		March 31, 2007	Increase	Decrease	
Issued stock	Common Stock	322,656,796	—	—	322,656,796
Treasury stock	Common Stock	3,116,815	6,845,012	—	9,961,827

For the year ended March 31, 2009	Class of shares	Number of shares			March 31, 2009
		March 31, 2008	Increase	Decrease	
Issued stock	<b>Common Stock</b>	<b>322,656,796</b>	—	—	<b>322,656,796</b>
Treasury stock	<b>Common Stock</b>	<b>9,961,827</b>	<b>170,122</b>	—	<b>10,131,949</b>

For the year ended March 31, 2008	Class of shares	Number of shares			
		Total Dividends	Dividend per share	Record date	Effective date
June 28, 2007 Resolution by Annual General Meeting of Shareholders	Common Stock	¥2,251 million	¥7.00	March 31, 2007	June 29, 2007
June 27, 2008 Resolution by Annual General Meeting of Shareholders	Common Stock	¥2,203 million	¥7.00	March 31, 2008	June 30, 2008

Note 1: Total Dividends of June 28, 2007 Resolution exclude dividends (an equivalent amount of equity) to consolidated subsidiaries.

Note 2: Total Dividends of June 27, 2008 Resolution include dividends (an equivalent amount of equity) to consolidated subsidiaries.

For the year ended March 31, 2009	Class of shares	Number of shares			
		Total Dividends	Dividend per share	Record date	Effective date
June 27, 2008 Resolution by Annual General Meeting of Shareholders	<b>Common Stock</b>	<b>¥2,188 million</b>	<b>¥7.00</b>	<b>March 31, 2008</b>	<b>June 30, 2008</b>
June 26, 2009 Resolution by Annual General Meeting of Shareholders	<b>Common Stock</b>	<b>¥2,202 million</b>	<b>¥7.00</b>	<b>March 31, 2009</b>	<b>June 29, 2009</b>

Note 1: Total Dividends of June 27, 2008 Resolution exclude dividends (an equivalent amount of equity) to consolidated subsidiaries.

Note 2: Total Dividends of June 26, 2009 Resolution include dividends (an equivalent amount of equity) to consolidated subsidiaries.

#### 6. Notes to Consolidated Statements of Cash Flows

As of March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Reconciliation between cash and deposits on the consolidated balance sheets and cash and cash equivalents at end of period:			
Cash and deposits of the consolidated balance sheets	¥37,294	¥40,369	\$ 410,972
(Less) time deposits with maturities of more than three months	(1,330)	(1,067)	(10,863)
Cash equivalents	16,293	—	—
Cash and cash equivalents at end of period	¥52,258	¥39,302	\$ 400,109

#### 7. Lease Transactions

As of March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Future minimum lease payments under noncancellable operating leases:			
Due within one year	¥20	¥ 32	\$ 330
Due after one year	50	39	400
Total	¥71	¥ 71	\$ 730
Future minimum lease income under noncancellable operating leases:			
Due within one year	¥—	¥ 1,260	\$ 12,827
Due after one year	—	9,347	95,158
Total	¥—	¥10,607	\$ 107,985

## 8. Marketable Securities and Investment Securities

As of March 31, 2008	Millions of yen		
	Book value	Fair value	Difference
Held-to-maturity debt securities:			
Securities with a fair value that exceeds the book value	¥ 9	¥ 9	¥ 0
Securities with a fair value that does not exceed the book value	—	—	—
Total	¥ 9	¥ 9	¥ 0

As of March 31, 2008	Millions of yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with a fair value:			
Securities with the book value that exceeds the acquisition cost			
Stocks	¥62,634	¥122,860	¥60,226
Others	12	13	1
Subtotal	¥62,646	¥122,874	¥60,227
Securities with the book value that does not exceed the acquisition cost			
Stocks	¥ 7,352	¥ 6,268	¥ (1,084)
Others	—	—	—
Subtotal	¥ 7,352	¥ 6,268	¥ (1,084)
Total	¥69,999	¥129,143	¥59,143

Note: The Companies recognized losses on write-down of ¥269 million.

For the year ended March 31, 2008	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Available-for-sale securities sold	¥236	¥136	¥(0)

As of March 31, 2008	Millions of yen
	Book value
Available-for-sale securities with no fair value	¥18,685

As of March 31, 2008	Millions of yen		
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years
Redemption schedule of available-for-sale securities with maturities and held-to-maturity debt securities	¥11,150	¥50	¥110

As of March 31, 2009	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Held-to-maturity debt securities:						
Securities with a fair value that exceeds the book value	¥ 78	¥ 80	¥ 2	\$ 795	\$ 823	\$ 28
Securities with a fair value that does not exceed the book value	1,200	1,195	(4)	12,216	12,172	(43)
Total	¥1,278	¥1,276	¥(1)	\$13,011	\$12,996	\$(15)

As of March 31, 2009	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Available-for-sale securities with a fair value:						
Securities with the book value that exceeds the acquisition cost						
Stocks	¥40,135	¥58,100	¥17,965	\$408,588	\$591,476	\$182,888
Others	—	—	—	—	—	—
Subtotal	¥40,135	¥58,100	¥17,965	\$408,588	\$591,476	\$182,888
Securities with the book value that does not exceed the acquisition cost						
Stocks	¥30,590	¥22,779	¥ (7,811)	\$311,419	\$231,901	\$(79,518)
Others	—	—	—	—	—	—
Subtotal	¥30,590	¥22,779	¥ (7,811)	\$311,419	\$231,901	\$(79,518)
Total	¥70,726	¥80,880	¥10,153	\$720,008	\$823,377	\$103,369

Note: The Companies recognized losses on write-down of ¥240 million.

For the year ended March 31, 2009	Millions of yen			Thousands of U.S. dollars		
	Sales amount	Total gain on sales	Total loss on sales	Sales amount	Total gain on sales	Total loss on sales
Available-for-sale securities sold	¥375	¥222	¥—	\$3,818	\$2,263	\$—

As of March 31, 2009	Millions of yen	Thousands of U.S. dollars
	Book value	Book value
Available-for-sale securities with no fair value	¥9,182	\$93,474

As of March 31, 2009	Millions of yen			Thousands of U.S. dollars		
	Less than 1 year	Over 1 year Less than 5 years	Over 5 years Less than 10 years	Less than 1 year	Over 1 year Less than 5 years	Over 5 years Less than 10 years
Redemption schedule of available-for-sale securities with maturities and held-to-maturity debt securities	¥160	¥70	¥1,310	\$1,631	\$712	\$13,336

## 9. Retirement Benefits

The Company has a defined benefit plan that consists of a qualified pension plan and a lump-sum benefit plan. Domestic consolidated subsidiaries have lump-sum benefit plans.

As of March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Provision for retirement benefits:			
Retirement benefit obligation	¥ (52,016)	¥ (52,844)	\$ (537,966)
Qualified pension plan assets	25,894	23,520	239,440
Unfunded retirement benefit obligation	¥ (26,122)	¥ (29,324)	\$ (298,525)
Unrecognized actuarial differences	(530)	3,527	35,912
Provision for retirement benefits	¥ (26,652)	¥ (25,796)	\$ (262,613)

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Retirement benefit cost:			
Service cost	¥ 1,854	¥ 1,849	\$ 18,828
Interest cost	1,291	1,272	12,958
Expected return on plan assets	(324)	(310)	(3,163)
Amount of actuarial differences	122	(194)	(1,982)
Retirement benefit cost	¥ 2,944	¥ 2,616	\$ 26,641

Basis of calculating retirement benefit obligation:	2008	2009
	Periodic allocation method of projected retirement benefit obligation	Straight-line method
Discount rate	2.50%	<b>2.00%</b>
Expected return on plan assets	1.20%	<b>1.20%</b>
Amortized period of unrecognized actuarial differences	5 years	<b>5 years</b>

## 10. Deferred Tax Accounting

As of March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets:			
Real estate for sale	¥ 12,290	¥ 11,998	\$ 101,635
Buildings and structures	783	563	4,777
Land	225	—	—
Investment securities	692	692	5,863
Allowance for doubtful accounts	688	790	6,697
Provision for bonuses	1,679	1,559	13,214
Provision for loss on construction contracts	1,160	1,307	11,074
Provision for retirement benefits	10,841	10,499	88,945
Tax loss carryforwards	—	1,834	15,537
Other	2,873	3,054	25,875
Subtotal	¥ 31,236	¥ 32,300	\$ 273,620
Less: valuation allowance	(34)	(1,478)	(12,525)
Deferred tax assets	¥ 31,201	¥ 30,822	\$ 261,095
Deferred tax liabilities:			
Reserve for advanced depreciation of noncurrent assets	¥ (2,891)	¥ (2,630)	\$ (22,279)
Valuation difference on available-for-sale securities	(24,071)	(4,132)	(35,007)
Deferred gains or losses on hedges	—	(14)	(121)
Deferred tax liabilities	¥ (26,962)	¥ (6,777)	\$ (57,408)
Net deferred tax assets (liabilities)	¥ 4,239	¥ 24,045	\$ 203,686

Reconciliation between the statutory tax rate and the effective tax rate:	2008	2009
	Statutory tax rate	40.7%
Expenses not deductible for income tax purposes	12.9	—
Non-taxable income	(3.8)	—
Inhabitant taxes (per capital levy)	3.5	—
Other	1.1	—
Effective tax rate	54.4%	—%

Note: The difference between the statutory tax rate and the Company's effective tax rate for the year ended March 31, 2009 is not disclosed because the difference is less than 5% of the statutory tax rate.

## 11. Business Combination

For the year ended March 31, 2009  
(Application of the purchase method)

### 1) Outline of the business combination

- (1) The Company acquired the business of air-conditioning, water supply and sanitation equipment installation from APEC Co., Ltd.  
(2) Principal reason for the business combination To enhance the Group's equipment installation division  
(3) Date of the business combination December 19, 2008  
(4) Legal form of the business combination Business transfer through APEC Engineering Co., Ltd. (consolidated subsidiary)

### 2) Period of the acquired business financial results included in the consolidated financial statements

From December 19, 2008 to March 31, 2009

### 3) Acquisition cost and breakdown of the acquired business

Value of acquisition (cash)	¥134 million
Direct expenses for acquisition (including advisory expense)	58
Acquisition cost	¥192 million

### 4) Goodwill, reason for recognizing goodwill, amortization method and amortization term

- (1) Amount of goodwill ¥558 million  
(2) Reason for recognizing goodwill  
In each of the equipment installation areas of sales, design, estimation, purchasing and construction, Apec Engineering will occupy a central position to strengthen Group cohesiveness enabling the realization of expanded earnings power.  
(3) Method and term to amortize goodwill Straight-line method over 10 years

### 5) Amount and breakdown of assets and liabilities accepted on the date of business combination

Current assets	¥1,778 million	Current liabilities	¥1,988 million
Noncurrent assets	23	Noncurrent liabilities	178
Goodwill	558	Total liabilities	¥2,167 million
Total assets	¥2,360 million		

## 12. Segment Information

	Millions of yen				Eliminations and/or corporate	Consolidated
	Construction	Real estate	Other	Total		
For the year ended March 31, 2008						
Net sales:						
Customers	¥ 450,471	¥ 14,851	¥ 963	¥ 466,285	¥ —	¥ 466,285
Inter-segment	3	1,155	258	1,417	(1,417)	—
Total	450,474	16,006	1,221	467,703	(1,417)	466,285
Operating costs and expenses	448,508	12,854	1,102	462,466	(1,335)	461,130
Operating income	¥ 1,965	¥ 3,152	¥ 119	¥ 5,237	¥ (81)	¥ 5,155
Assets	¥ 341,806	¥ 84,206	¥ 7,931	¥ 433,944	¥ 174,955	¥ 608,899
Depreciation and amortization	940	867	28	1,836	—	1,836
Capital expenditures	865	506	33	1,405	—	1,405

	Millions of yen				Eliminations and/or corporate	Consolidated
	Construction	Real estate	Other	Total		
For the year ended March 31, 2009						
Net sales:						
Customers	¥ 452,604	¥ 12,722	¥ 567	¥ 465,893	¥ —	¥ 465,893
Inter-segment	52	1,183	314	1,551	(1,551)	—
Total	452,656	13,906	882	467,445	(1,551)	465,893
Operating costs and expenses	450,934	11,295	831	463,060	(1,469)	461,591
Operating income	¥ 1,721	¥ 2,611	¥ 50	¥ 4,384	¥ (82)	¥ 4,302
Assets	¥ 328,626	¥ 88,017	¥ 9,493	¥ 426,137	¥ 115,357	¥ 541,495
Depreciation and amortization	1,039	905	37	1,981	—	1,981
Capital expenditures	2,955	8,073	53	11,082	—	11,082

Thousands of U.S. dollars

For the year ended March 31, 2009	Construction	Real estate	Other	Total	Eliminations and/or corporate	Consolidated
Net sales:						
Customers	\$ 4,607,594	\$ 129,520	\$ 5,774	\$ 4,742,889	\$ —	\$ 4,742,889
Inter-segment	532	12,053	3,205	15,791	(15,791)	—
Total	4,608,126	141,573	8,980	4,758,680	(15,791)	4,742,889
Operating costs and expenses	4,590,597	114,985	8,465	4,714,048	(14,956)	4,699,091
Operating income	\$ 17,529	\$ 26,587	\$ 514	\$ 44,632	\$ (834)	\$ 43,797
Assets	\$ 3,345,481	\$ 896,033	\$ 96,643	\$ 4,338,158	\$ 1,174,366	\$ 5,512,525
Depreciation and amortization	10,578	9,218	377	20,174	—	20,174
Capital expenditures	30,084	82,187	545	112,816	—	112,816

The Companies operate in the following three business segments:

Construction.....	Building construction, civil engineering, etc.	Other business .....	Financing, leasing, staff agency and hotel business
Real estate .....	Resale, rent, etc. of land, buildings, and other real estate		

### 13. Per Share Information

	Yen		U.S. dollars
	2008	2009	2009
Net assets per share of common stock	¥ 678.20	¥ 567.37	\$ 5.776
Net income per share of common stock	11.82	9.01	0.092

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Basis of calculation for net assets per share:			
Total net assets	¥ 216,214	¥ 181,546	\$ 1,848,177
Amount attributable to items other than common stock	4,143	4,230	43,066
Net assets attributable to common stock	¥ 212,070	¥ 177,316	\$ 1,805,111
Number of shares outstanding at March 31	312,694,969 shares	312,524,847 shares	
Basis of calculation for net income per share:			
Net income	¥ 3,733	¥ 2,817	\$ 28,686
Net income attributable to common stock	¥ 3,733	¥ 2,817	\$ 28,686
Average number of shares outstanding	315,913,482 shares	312,613,467 shares	

Note: The Company has no outstanding securities with dilutive effects.

# INDEPENDENT AUDITORS' REPORT

Toda Corporation and Consolidated Subsidiaries

## Independent Auditors' Report

To the Board of Directors

Toda Corporation

We have audited the accompanying consolidated balance sheets of Toda Corporation and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 Toda Corporation and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

### Supplemental Information:

As of described in Note 2 9), the completed contract method had been used for revenue recognition for all construction work projects. However, the Company has changed to applying the percentage of completion method for large long-term construction work projects that newly started on or after April 1, 2008.

We have also reviewed the translation of the 2009 consolidated financial statements into United States dollars on the basis described in Note 1. In our opinion, such statements have been properly translated on such basis.

Tokyo, Japan

June 26, 2009

  
Seinan Audit Corporation

# CORPORATE INFORMATION

As of June 26, 2009

**Company Name:**

TODA CORPORATION

**Founded:**

January 5, 1881

**Company Headquarters:**

7-1, Kyobashi 1-chome, Chuo-ku, Tokyo 104-8388, Japan

**Stock Listings:**

Tokyo Stock Exchange and  
Osaka Securities Exchange

**Areas of Business:**

1. Civil engineering/construction, design/application contracts
2. Local development; research, planning, administration of municipal development; and other comprehensive engineering and consulting services
3. Sale, rental, management, and intermediary services for real estate

**Capital Stock:**

¥23.0 billion (as of March 31, 2009)

**Number of Employees** (as of March 31, 2009)

4,996 (Consolidated)

4,116 (Non-Consolidated)

## BOARD OF DIRECTORS, CORPORATE AUDITORS AND MANAGING OFFICERS

As of August 28, 2009

**Directors****Director and Honorary Chairman**

Junnosuke Toda

**Director and Senior Adviser**

Moriji Toda

**Chairman and Representative Director**

Hisao Kato

**President and Representative Director**

Shunzo Inoue

**Representative Directors**

Masayuki Shirai

Toshiro Oka

**Directors**

Michio Suzuki

Hideshige Toda

**Corporate Auditors****Standing Corporate Auditors**

Morimichi Toda

Hiroyuki Naito

**Corporate Auditors**

Yoshiaki Kaji

Kenichi Masuda

Katsutoshi Suzuki

**Managing Officers****President and Chief Executive Officer**

Shunzo Inoue

**Senior Executive Managing Officers**

Masayuki Shirai

Toshiro Oka

Noboru Nomura

Michio Suzuki

Hiroshi Onishi

Kuniaki Ishimaru

**Executive Managing Officers**

Masami Yamashita

Hatsuaki Matsumoto

Hiroyuki Ushijima

Kazuo Yamane

Shoji Takahashi

Etsuo Nonoguchi

Masanori Imai

**Managing Officers**

Osamu Chiba

Kikuo Sumi

Norimasa Togami

Morihiro Wada

Takashi Doi

Toshihiro Abe

Katsuaki Fukushima

Yushi Kikutani

Yasushi Miyazaki

Tetsunaga Yamaguchi

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Masatoshi Murayama

Masashi Nishimura

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