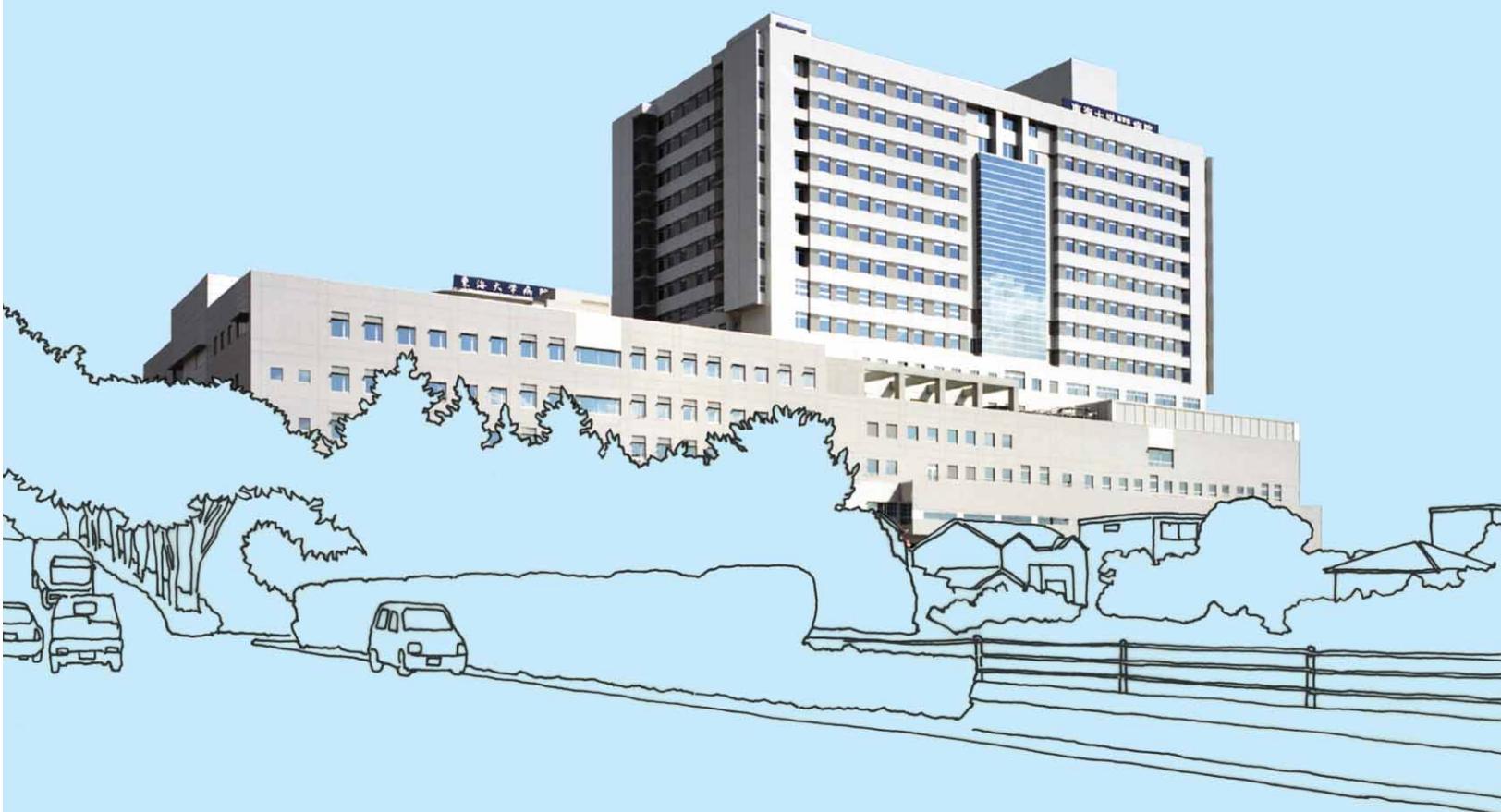


Thinking about the relationship between people and the environment.

Another of Toda Corporation's strengths.



125th anniversary

Since 1881



*Okuma Auditorium,
Waseda University (1927)*



*Hakone Bypass, Tengu Bridge
(1961)*



Tsubima Air Terminal (1983)



Miyagase Dam (1998)

1881

Toda-kata Construction was founded by Rihei Toda, who became its first president.

1909

Toda participates in building of facilities for Anglo-Japanese Fair in London.

1914

Tomita, who becomes Rihei Toda's adoptive heir, completes construction of facilities for Taisho Exhibition and goes to United States to construct Panama Exhibition facilities.

1936

Company is reorganized as Toda-Gumi Co., Ltd.

1958

Technology Research Dept. is established and following year is moved to Miyoshi-cho, becoming the Technical Research Institute.

1962

Overseas scholarship program is established.

1963

Company name is changed to Toda Corporation.

1969

Company is listed on Second Section of Tokyo Stock Exchange.

Since its foundation in 1881, Toda Corporation has upheld its company motto of “reliable, on-time delivery of high-quality construction work.” With its fundamental policy of delivering best-quality services, the Company proactively engages in environmental protection activities as well as the development of construction and public works technologies. Toda Corporation contributes to society through construction and is committed to remaining a highly reliable company.

Given the diversifying customer needs and the changes in the corporate environment in recent years, Toda Corporation will continue to respond faithfully to such needs and strive to deliver higher quality services. Together with these endeavors, the Company will make ongoing efforts to improve its collective strength as a reliable partner for its customers and enable Toda Corporation to offer new value in the years to come.



Pacifico Yokohama (1998)



*Hanshin Expressway,
Shimo-Yamaguchi Field (2002)*



*Marunouchi Kitaguchi Building,
Marunouchi oazo (2004)*



W Comfort Towers (2005)

1971

Company listing is transferred to First Section of Tokyo Stock Exchange.

1981

Company celebrates its 100th anniversary and implements full-scale Total Quality Control.

1987

Toda merges with Shimato Corporation.

1988

Contract awarded for construction of Japan’s first building project involving foreign contractors.
Construction starts on Yokohama Grand Intercontinental Hotel and Convention Center.

1991

Toda announces its policy of providing the best quality in Japan for the same price.

1994

Toda announces its Global Environment Charter.

1997

First comprehensive construction company in Japan to acquire ISO 9001 certification.



1999

Toda acquires ISO 14001 certification.



2001

Achievement of zero emissions at construction sites.

2002

Brazil Toda enters its 30th year.

2006

125th anniversary since establishment.

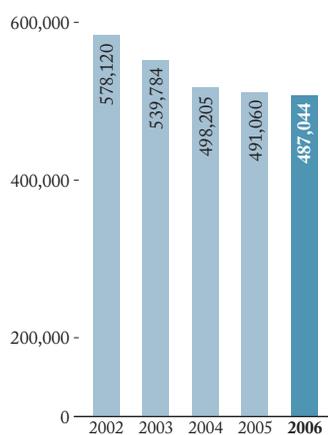
FINANCIAL HIGHLIGHTS

Toda Corporation and Consolidated Subsidiaries / Years ended March 31

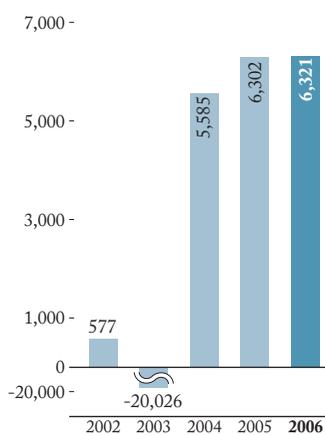
	Millions of yen					Thousands of U.S. dollars (See note)
	2002	2003	2004	2005	2006	2006
Consolidated						
Net sales	¥ 578,120	¥ 539,784	¥ 498,205	¥ 491,060	¥ 487,044	\$ 4,146,115
Ordinary income	12,536	3,939	12,456	14,912	10,460	89,044
Net income (loss)	577	(20,026)	5,585	6,302	6,321	53,811
Total shareholders' equity	203,937	171,790	198,455	201,481	244,323	2,079,880
Total assets	704,817	606,492	600,019	588,883	653,770	5,565,424
Per share of common stock						
(in yen and U.S. dollars):						
Net income (loss)	1.82	(62.68)	17.10	19.41	19.75	0.168
Cash dividends applicable to the year	9.00	5.00	5.00	6.00	7.00	0.060
Net cash (used in) provided by operating activities	(9,379)	14,559	1,014	22,223	8,269	70,393
Net cash (used in) provided by investing activities	1,477	(3,058)	4,723	(5,793)	(6,625)	(56,402)
Net cash used in financing activities	(11,394)	(7,042)	(12,060)	(12,727)	(6,620)	(56,354)
Cash and cash equivalents at end of year	72,668	76,876	70,293	73,909	69,168	588,819
Number of employees	5,289	4,977	4,779	4,611	4,523	
Non-Consolidated						
Orders received	421,249	448,013	427,773	455,805	457,278	3,889,086

Note: The rate of ¥117.58=US\$1.00, the foreign exchange rate on March 31, 2006, has been used for translation.

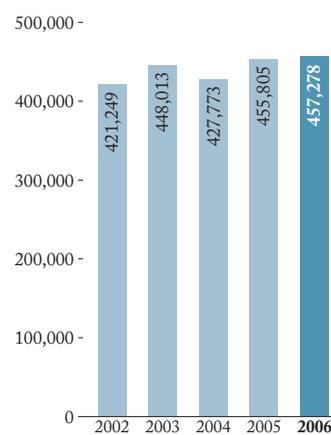
TOTAL NET REVENUES
(CONSOLIDATED)
(Millions of yen)



NET INCOME
(CONSOLIDATED)
(Millions of yen)



ORDERS RECEIVED
(NON-CONSOLIDATED)
(Millions of yen)



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Network of Companies 10 Financial Section 11 Independent Auditor's Report 28 Corporate Information/
Board of Directors, Corporate Auditors and Managing Officers 29

MESSAGE FROM THE PRESIDENT



Hisao Kato,
President and Representative Director

PROFIT THROUGH GROWTH IN A RAPIDLY CHANGING WORLD

Q. WHAT IS YOUR VERDICT ON THE ANNUAL RESULTS (FOR THE YEAR ENDED MARCH 31, 2006) ?

A. The Group's volume of orders received and total net sales were on par with the previous fiscal year, but ordinary income declined. The main factor was intense price competition.

The business environment for the construction industry continues to be unfavorable, and the situation has become especially acute in the Tokyo-area market, which is our principal zone of operations. In addition, through the reform of the bidding and contracting system, the "Overall Evaluation and Bidding System" has become widely used and the price and technical competition has intensified. This has happened much sooner than expected and this harsh business environment is expected to continue.

We are fully conscious of the need to respond swiftly, and fiscal 2007, the year ending March 31, 2007, sees the start of our medium-term management plan. Accomplishing the plan will strengthen our profitability and improve our performance.



Q. WHAT ARE THE OBJECTIVES OF THE NEW MEDIUM-TERM MANAGEMENT PLAN?

A. To reconstruct and strengthen our business platform by selecting and concentrating on growth areas. At the same time, to be thoroughly focused on our customers so that they can make full use of our buildings throughout their lifecycle and we can strengthen our originality as a solutions company. This is what is meant by *profit through growth*.

More specifically, our objective is reform to build a profit structure that can adapt to a changing environment. (Please see chart below)



Q. HOW DO YOU REBUILD A PROFIT STRUCTURE AT A TIME OF INTENSIFYING COMPETITION?

A. Depending on conditions when an order is received, we bring sales and technical people together at an early stage to share and discuss ways of carrying out tasks more efficiently at every level. On production sites as well, we conduct quality control and cost reduction activities.

In addition, the Development and PFI (private finance initiative) Divisions have been strengthened with a robust program of capital investment, which will lead to greater profit in our core Construction Division. In the fields of medical and welfare facilities as well as manufacturing facilities, a specialized unit set up at the Head Office is actively involved in every stage of the project, from planning to managing profitability.

Q. HOW CAN YOU IMPROVE CUSTOMER SATISFACTION?

A. We implement strategic project planning, technical drafts and technical support during the sales stage, and feed this information back to the sales force. Likewise, in the case of public works projects, the “Quality Assurance Act*” went into effect in

NEW MEDIUM-TERM MANAGEMENT PLAN (APRIL 2006 – MARCH 2009)

Fiscal 2009 Performance Targets

Orders received	¥ 470 billion
Total net sales	¥ 470 billion
Ordinary income	¥ 10 billion

1. Rebuild profit structure

Construct an integrated profit management system starting from the target-setting stage and continuing through sales and construction. In addition, improve business across regional, functional and departmental lines while reviewing production processes and establishing ways to improve profitability.

2. Improve customer satisfaction with strengthened emphasis on project proposals and quality assurance

By reviewing and upgrading sales activities, quality control and other core functions, work to improve comprehensive ability as a solutions company, building long-term, fruitful partnerships with clients.

2005 to assure the quality of public works projects, and the “Overall Evaluation and Bidding System” is increasingly required to consider various factors (a shift from “price competition” to “good procurement based on overall evaluation of both price and quality”). Preparing this overview gives us a much broader perspective, and we use it to our advantage in drawing up our technical drafts. We undertake thorough quality controls at every stage, from design blueprints through to construction, from digging the foundation to handing over the completed building. And we follow up beyond that. This is why we can provide complete customer satisfaction.

By being able to adapt to the client’s perspective at every stage in this way, we are building long-term, fruitful relations with our customers as business partners.

*Act for Promoting Quality Assurance in Public Works

Q. YOU MENTION FURTHER INITIATIVES IN PRIORITY AREAS. WHAT ARE THESE PRIORITY AREAS?

A. We have identified seven areas that set us apart from other companies and in which our objective is to generate high value-added business. Those areas are manufacturing, medical and educational facilities; super high-rise buildings; urban renaissance projects; energy-related projects; and solutions services.

Within solutions services, we are emphasizing asset management and more upstream sales activities. The experience that we gain from managing our own and clients’ land and real estate assets and from tenant placement is a valuable resource in efficient client asset management.

Q. What sort of measures are you taking regarding compliance and CSR (corporate social responsibility)?

A. The company’s adherence to laws, regulations and business ethics is enshrined in our management policy and code of conduct. Our CSR initiatives stem from these,

3. Deepen involvement in priority areas

Capitalize on the expertise and technologies we have accumulated in our priority areas; use these resources to generate distinctive, original, high value-added business models.

4. Strengthen consolidated management structure

Include M&A in our field of vision; maximize the Group’s internal synergies to strengthen the consolidated management structure.

5. Boost employee morale

While handing down technical knowledge and skills, review human resource structures to build an excellent team spirit and an organization that fully draws out employee ambition and skills.

6. Promote CSR (corporate social responsibility)

Strict compliance (with laws and corporate ethics) and risk management. Promote CSR with a focus on environmental measures. Construct a BCP (business continuity plan).

with a strong emphasis placed on environmental measures and activities that contribute to society.

Regarding compliance, as chair of the Corporate Ethics Committee, I call regular meetings in which priority areas for compliance policy are deliberated. In addition, we have established a Corporate Ethics Department, issued a guideline on conduct of our ethics and set up a corporate ethics helpline. We have a robust structure so that a healthy attitude towards compliance permeates all levels of the organization.

In terms of environmental measures, in addition to reducing the volume of waste materials produced in our construction activities as we work toward zero emissions, and implementing a green procurement policy, we are vigorously introducing technologies and systems to address energy-conservation, hazardous materials management and risk controls, garnering the entire company to get behind the need to lighten the environmental burden. Environmental management systems (EMS) were integrated at all our branches to promote environmental activities with better efficiency, and certifications of ISO 14001 were unified in February 2005. We published a report on our environmental and social activities in September 2005 and take the view that not only our environmental initiatives, but also our social activities should be openly communicated.

Q. FINALLY, DO YOU HAVE ANY MESSAGE FOR YOUR SHAREHOLDERS AND INVESTORS?

A. It is very important, now and in the future, that we put ourselves in our customers' position, that we continue to concern ourselves with quality, safety and the environment, and that we continue to earn the trust of all our stakeholders. This is a period of intense competition for our Group, and to get through it successfully, we must take the first step towards *profit through growth*.

We are declaring a steady dividend that takes into account our performance results and operating environment, and enhances our corporate value.

I sincerely appreciate your encouragement and support.



Hisao Kato,
President and Representative Director

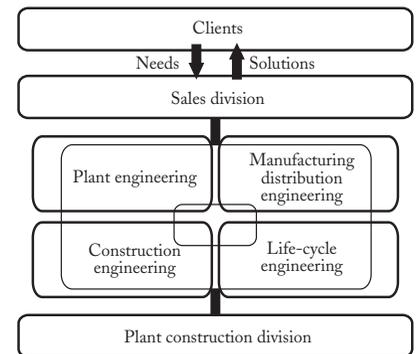
SPECIAL FEATURE

INCREASED ORDERS
FOR MANUFACTURING
FACILITIES

The domestic production of high-value-added products is becoming the established norm for the Japanese manufacturing industry, with the digital instrumentation sector at its core, and capital investment in domestic manufacturing facilities is expanding. Taking advantage of this domestic renaissance in the manufacturing industry, in March 2005, Toda established at its Head Office a Specialty Sector and Production Facilities Sales Department tasked with increasing contracts for factory construction. While providing organizational support to branch offices in their sales activities with regard to planning drafts, the department has engaged client needs to accelerate the delivery of optimum solutions. As a result, in the fiscal year ending March 31, 2006, the value of construction contracts received grew by 30% compared with the previous fiscal year, and a further increase in the current fiscal year is expected.

Another promising development was the transfer of expertise cultivated in full turnkey projects for pharmaceutical factories to factories for food producers and precision engineering, offering facilities and equipment that can respond flexibly to changes in production processes. In addition, in the field of factory refurbishment, we are now marshalling our skills in architectural engineering, backed by our principles of integrity and adhering to the basics, to offer work of reliable quality and timely completion. Furthermore, we are cooperating vigorously with client-originated BCP projects.

Looking ahead, we expect to increase orders received in our areas of particular expertise — medical and welfare, as well as educational facilities — in which we maintain a strong advantage and are targeting a growth in total net sales in the 11%-20% range. We are strengthening our overall sales prowess with contracts spread evenly across all sectors.



Toda Corporation Total Solutions

NEW CONSTRUCTION
TECHNOLOGY FOR
PRECAST ARCH-TYPE
ELEVATED BRIDGES

Since the passing of the “Quality Assurance Act,” in public works projects, the “Overall Evaluation and Bidding System” has been increasing. We are responding to this development and winning orders by distinguishing ourselves from the competition with the development of proprietary technologies, one of which is the Suisui-SWAN (Segment Wings for an Arched New Bridge) method.

Elevated bridges have been a feature of the recent increase in urban renewal programs, but the SWAN method represents a new technique for constructing arched bridges using three types of precast materials. This considerably reduces the completion time, while the graceful curves of the arch create an attractive visual environment.

Under the technical guidance of the Railway Technical Research Institute, Toda and Geostar Corporation have jointly developed a test facility modeled on an actual elevated bridge using a cross section made of the materials in a full-size proof-of-concept test rig. A trial assembly was conducted in March 2006. The test results confirmed the superior structural performance, as well as proving that the completion time can be reduced by approximately one-half.

Having confirmed through subsequent tests that a full-size proof-of-concept test rig can be rapidly and efficiently assembled based on this technical development, the method will be finalized and vigorously promoted.



Completed full-size, proof-of-concept test rig for the Suisui-SWAN method

MAJOR COMPLETIONS



① Tokai University Hospital

Location: Kanagawa Prefecture
Client: Tokai University

② GRAND ESTA

Location: Tokyo
Client: Tokyo Tatemono Co., Ltd.,
Heiwa Real Estate Co., Ltd.,
Total Tochi Tatemono Co., Ltd.

③ Toyosu Campus, Shibaura Institute of Technology (Zone III)

Location: Tokyo
Client: Shibaura Institute of Technology

④ Komaki Plant No.1,
NGK SPARK PLUG Co., Ltd.

Location: Aichi Prefecture
Client: NGK SPARK PLUG CO., LTD.

⑤ Motoooka Research Unit, Kyushu University

Location: Fukuoka Prefecture
Client: Kyushu University

⑥ Higashi Kyushu Expressway, East Section,
Nagano Tunnel

Location: Fukuoka Prefecture
Client: West Nippon Expressway
Company Limited

⑦ Kashihara-kita Interchange Bridge Supports,
Yamato-Gose Road

Location: Nara Prefecture
Client: Ministry of Land,
Infrastructure and Transport

⑧ Basell Poliolefinas Pindamonhangaba Factory

Location: Sao Paulo, Brazil
Client: Katoen Natie Logistica Ltda.

⑨ Elementary School in Mali

Location: Segou, Mali
Client: Republic of Mali



NETWORK OF COMPANIES

(As of June 29, 2006)

**Head Office**

7-1, Kyobashi 1-chome, Chuo-ku,
Tokyo 104-8388, Japan
Phone: 03-3535-1591 Fax: 03-3561-5745

Branch Offices

Tokyo/Chiba/Kanto/Yokohama/
Osaka/Hokuriku/Nagoya/Sapporo/
Tohoku/Hiroshima/Shikoku/Kyushu

Laboratory

Toda Institute of Construction
Technology
315, Kaname, Tsukuba City,
Ibaraki 300-2622, Japan

Subsidiaries and Affiliates

Toda Road Co., Ltd.
Chiyoda Reform Co., Ltd.
Chiyoda Kenkou Co., Ltd.
Sipco Industries Co., Ltd.
Chiyoda Tochi Tatemono Co., Ltd.
Yachiyo Urban Co., Ltd.
Toda Finance Co., Ltd.
Towa Kanko Kaihatsu Co., Ltd.
Chiyoda Staff Service Co., Ltd.

Overseas Offices

Bangkok Regional Office
Somerset Lake Point
(Tower-A, 5th Floor)
41 Soi Sukhumvit 16, Sukhumvit Road,
Klongtoey Bangkok 10110, Thailand
Phone: 2-261-6544 Fax: 2-261-6545

Singapore Branch

c/o Murata Electronics Singapore (Pte)
Ltd., 200 Yishun Ave. 7, Singapore
Phone: 6752-7543 Fax: 6755-0064

Hanoi Representative Office

No.9, Lot 2B Trung Hoa St.,
Cau Giay District, Hanoi, Vietnam
Phone: 4-783-1385 Fax: 4-783-1384

Ho Chi Minh Representative Office

R117 TECASIN, 243-243B
Hoang Van Thu St., Tan Binh Dist.,
Ho Chi Minh City, Vietnam
Phone: 8-997-4525 Fax: 8-997-4478

Overseas Subsidiaries

Toda America, Inc.
5816 Corporate Avenue, Suite 160,
Cypress, CA 90630, U.S.A.
Phone: 714-220-3141 Fax: 714-220-1360

Toda Development, Inc.

5816 Corporate Avenue, Suite 160,
Cypress, CA 90630, U.S.A.
Phone: 714-220-3141 Fax: 714-220-1360

Construtora Toda do Brasil S. A.

Rua Manoel da Nobrega,
1280-3° Andar, Sao Paulo, Brazil
Phone: 11-3886-5844 Fax: 11-3885-0705

Toda Construction (Shanghai) Co., Ltd.

282 Hu Nan Road, Shanghai, China
Phone: 21-6471-5870 Fax: 21-6433-3065

Guangzhou Branch

No. 5-9 Tianhe North Road, Guangzhou
Zhengban Bldg. 309 room, China
Phone: 20-8755-6201 Fax: 20-8755-6203

Thai Toda Corporation Ltd.

Somerset Lake Point
(Tower-A, 5th Floor)
41 Soi Sukhumvit 16, Sukhumvit Road,
Klongtoey Bangkok 10110, Thailand
Phone: 2-261-6544 Fax: 2-261-6545

Toda Corporation (Malaysia) Sdn. Bhd.

c/o Logan Sabpathy & Co20th Floor,
Wisma Hamazah-Kwong Hing,
No.1 Leboh Ampang,
50100 Kuala Lumpur, Malaysia

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FINANCIAL REVIEW

**Performance Overview for FY2006
(April 1, 2005 to March 31, 2006)**

During fiscal 2006, the fiscal year ended March 31, 2006, the Japanese economy experienced a continued moderate recovery buoyed by an upswing in corporate earnings. This resulted in increased capital expenditure and growth in personal consumption on the back of an improvement in employment conditions.

Despite signs of increased activity in the private sector, overall operating conditions in the construction industry remained harsh, buffeted by the decline in public works.

Under these circumstances, consolidated total net sales edged down 0.8% compared with the previous fiscal year to ¥487.0 billion. On the earnings front, ordinary income declined 29.9% year on year to ¥10.4 billion, reflecting the drop in gross profit. Accounting for an extraordinary gain of ¥2.4 billion for the fiscal year under review, net income was ¥6.3 billion, a slight increase of 0.3%.

Segment performance categorized by type of business was as follows.

Construction Business

Due to cutbacks in domestic construction works, net sales of construction business fell 0.5% compared with the previous fiscal year to ¥476.2 billion. In addition to suffering from intense competition, the Companies incurred losses on certain construction works. As a result, gross profit was ¥32.0 billion, down 12.1% year on year. The gross profit ratio of construction business was 6.7%, a decline of 0.9 of a percentage point.

On a non-consolidated basis, orders received of construction business saw a slight year-on-year increase. In Japan, orders for private works totaled ¥342.3 billion, down 1.2% compared with the previous fiscal year. In contrast, public works climbed 7.5% to ¥107.3 billion. Total orders, including overseas operations, edged up 0.7% to ¥451.3 billion and comprised orders for construction works of ¥352.5 billion and civil engineering works of ¥98.7 billion.

Real Estate and Other Business

In addition to its construction activities, the Companies are engaged in the real estate and other business. Net sales for this segment fell 14.2% year on year to ¥10.8 billion. Gross profit also declined 16.0% to ¥3.4 billion.

Cash Flow Status

Cash and cash equivalents (hereinafter referred to as “capital”) at the end of the fiscal year were ¥69.1 billion, a drop of ¥4.7 billion, or 6.4%, compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥8.2 billion. Principal cash inflow was income before income taxes of ¥12.5 billion. An increase in notes and accounts receivable lessened capital by ¥15.6 billion, but costs of construction work in progress decreased by ¥11.9 billion.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥6.6 billion. While proceeds from disposal of property and equipment totaled ¥2.1 billion and proceeds from sales of marketable securities were ¥2.2 billion, cash inflows were exceeded by the acquisition of property and equipment of ¥4.7 billion and the acquisition of investment securities totaling ¥5.8 billion.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥6.6 billion. Major components were repayments of debt of ¥4.6 billion and cash dividends paid of ¥1.9 billion.

Principal cash flow indicators are as follows.

	FY2006	FY2005	FY2004	FY2003	FY2002
Capital adequacy ratio.....	37.4%	34.2%	33.1%	28.3%	28.9%
Capital adequacy ratio based on market value.....	26.0%	28.9%	22.3%	10.9%	13.0%
Years of debt redemption.....	7.0	2.8	72.7	5.8	—
Interest coverage ratio (Times)	10.4	27.1	1.1	12.9	—

Notes: Capital adequacy ratio: Shareholders' equity / Total assets

Capital adequacy ratio based on market value: Market capitalization of shares (Closing price at the end of the fiscal period × Number of issued shares at the end of the fiscal period) / Total assets

Years of debt redemption: Interest-bearing liabilities / Operating cash flow

Interest coverage ratio: Operating cash flow / Amount of interest paid

1. All indicators are calculated on the basis of consolidated financial figures.

2. Cash flows from operating activities are used for cash flow. Interest-bearing liabilities refer to all items recorded on the balance sheet that attract interest payments.

CONSOLIDATED BALANCE SHEETS

Toda Corporation and Consolidated Subsidiaries March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
ASSETS			
Current assets:			
Cash and time deposits	¥ 64,648	¥ 68,750	\$ 550,344
Notes and accounts receivable	106,428	90,803	906,003
Marketable securities	149	99	1,276
Costs on construction work in progress	152,688	164,666	1,299,812
Real estate for sale and others	42,910	44,843	365,291
Deferred tax assets	17,063	20,457	145,257
Other current assets	8,964	9,288	76,309
Allowance for doubtful receivables	(2,623)	(2,009)	(22,334)
Total current assets	<u>390,230</u>	<u>396,898</u>	<u>3,321,961</u>
Non-current assets:			
Tangible fixed assets:			
Buildings and structures	37,265	35,433	317,233
Machinery and equipment	12,600	12,888	107,262
Land	59,462	57,833	506,197
Construction in progress	189	—	1,608
Accumulated depreciation	(31,101)	(30,622)	(264,757)
Net tangible fixed assets	<u>78,416</u>	<u>75,532</u>	<u>667,543</u>
Intangible fixed assets	631	798	5,375
Investments and other assets:			
Investment securities	179,106	110,207	1,524,699
Long-term loans receivable	3,078	3,156	26,210
Others	7,848	8,706	66,816
Allowance for doubtful receivables	(5,542)	(6,415)	(47,182)
Total investments and other assets	<u>184,491</u>	<u>115,654</u>	<u>1,570,543</u>
Total non-current assets	<u>263,539</u>	<u>191,985</u>	<u>2,243,463</u>
Total assets	<u>¥653,770</u>	<u>¥588,883</u>	<u>\$5,565,424</u>

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes and accounts payable	¥116,074	¥116,004	\$ 988,118
Short-term bank loans and current portion of long-term debt	50,107	56,342	426,557
Accrued income taxes	3,140	2,725	26,737
Advance payments received on contracts	119,040	120,109	1,013,365
Allowance for bonuses	4,718	4,714	40,167
Allowance for compensation for completed works	631	632	5,377
Allowance for losses on construction contracts	1,733	2,441	14,757
Deposits received	22,407	19,576	190,747
Other current liabilities	12,923	12,627	110,014
Total current liabilities	330,777	335,173	2,815,843
Long-term liabilities:			
Long-term debt less current portion	7,642	6,089	65,055
Deferred tax liabilities	33,091	6,956	281,700
Deferred tax liabilities following land revaluation	1,746	1,793	14,865
Allowance for retirement benefits	28,105	28,122	239,258
Allowance for directors' and corporate auditors' retirement benefits	812	986	6,914
Rental security deposits for real estate	3,670	4,948	31,242
Total long-term liabilities	75,067	48,895	639,037
Total liabilities	405,844	384,069	3,454,881
Minority interests	3,601	3,333	30,662
Shareholders' equity:			
Common stock:			
Authorized—759,000,000 shares			
Issued—322,656,796 shares in 2006 (322,656,796 shares in 2005)	23,001	23,001	195,808
Additional paid-in capital	25,595	25,573	217,886
Retained earnings	128,565	124,087	1,094,450
Land revaluation difference	2,544	2,612	21,659
Unrealized gain on available-for-sale securities	65,991	27,941	561,773
Translation adjustments	(434)	(832)	(3,701)
Treasury stock, at cost	(939)	(902)	(7,996)
Total shareholders' equity	244,323	201,481	2,079,880
Total liabilities and shareholders' equity	¥653,770	¥588,883	\$5,565,424

CONSOLIDATED STATEMENTS OF INCOME

Toda Corporation and Consolidated Subsidiaries For the years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Net Sales:			
Construction business	¥476,213	¥478,430	\$4,053,913
Real estate and other businesses	10,830	12,629	92,202
Total net sales	487,044	491,060	4,146,115
Cost of sales:			
Construction business	444,165	441,967	3,781,098
Real estate and other businesses	7,382	8,523	62,849
Total cost of sales	451,548	450,491	3,843,948
Gross profit:			
Construction business	32,047	36,462	272,814
Real estate and other businesses	3,448	4,106	29,352
Total gross profit	35,495	40,568	302,167
Selling, general and administrative expenses			
	26,590	26,999	226,360
Operation income	8,905	13,569	75,806
Non-operation income:			
Interest income	519	195	4,421
Dividend income	1,244	976	10,594
Other	797	1,140	6,789
Total non-operation income	2,561	2,311	21,805
Non-operation expenses:			
Interest income	795	818	6,769
Other	211	150	1,798
Total non-operation expenses	1,006	969	8,567
Ordinary income	10,460	14,912	89,044
Extraordinary gains:			
Reversal of allowance for doubtful reservables	58	370	499
Gain on disposal of property and equipment	1,224	197	10,421
Gain on sales of investment securities	1,093	301	9,307
Other	46	65	393
Total extraordinary gains	2,422	934	20,622
Extraordinary losses:			
Loss from sale of property and equipment	—	358	—
Loss from valuation of investment securities	28	315	243
Impairment loss of property and equipment	—	1,552	—
Loss from valuation of real estate for sale	19	239	167
Loss from valuation of golf course membership	131	—	1,118
Other	176	264	1,503
Total extraordinary losses	356	2,729	3,032
Income before income taxes and minority interests	12,526	13,117	106,634
Income taxes:			
Current	3,258	2,532	27,735
Deferred	2,709	4,180	23,067
Total income taxes	5,967	6,713	50,803
Minority interests	237	100	2,020
Net income	¥ 6,321	¥ 6,302	\$ 53,811
		Yen	U.S. dollars (Note 2)
Net income per share of common stock	¥ 19.75	¥ 19.41	\$ 0.168
Cash dividends per share of common stock applicable to the year	7.00	6.00	0.060

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Toda Corporation and Consolidated Subsidiaries For the years ended March 31, 2006 and 2005

	Number of shares of common stock (Thousands)	Millions of yen		
		Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 2004	322,656	¥ 23,001	¥ 25,573	¥ 119,382
Net income for the year	—	—	—	6,302
Increase due to increased number of consolidated subsidiaries	—	—	—	1
Land revaluation difference withdrawal	—	—	—	113
Cash dividends paid	—	—	—	(1,585)
Bonuses to directors and corporate auditors	—	—	—	(95)
Decrease due to sale of consolidated subsidiaries	—	—	—	(31)
Balance at March 31, 2005	322,656	¥ 23,001	¥ 25,573	¥ 124,087
Treasury stock disposal margin	—	—	21	—
Net income for the year	—	—	—	6,321
Land revaluation difference withdrawal	—	—	—	68
Cash dividends paid	—	—	—	(1,902)
Bonuses to directors and corporate auditors	—	—	—	(9)
Decrease due to share capital increase of consolidated subsidiaries	—	—	—	(0)
Balance at March 31, 2006	322,656	¥ 23,001	¥ 25,595	¥ 128,565
		Thousands of U.S. dollars (Note 2)		
		Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 2005		\$195,808	\$217,699	\$1,056,332
Treasury stock disposal margin		—	187	—
Net income for the year		—	—	53,811
Land revaluation difference withdrawal		—	—	581
Cash dividends paid		—	—	(16,192)
Bonuses to directors and corporate auditors		—	—	(79)
Decrease due to share capital increase of consolidated subsidiaries		—	—	(3)
Balance at March 31, 2006		\$195,808	\$217,886	\$1,094,450

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Toda Corporation and Consolidated Subsidiaries For the years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Cash flows from operating activities:			
Income before income taxes	¥ 12,526	¥ 13,117	\$ 106,634
Depreciation and amortization	1,655	1,797	14,095
Impairment loss of property and equipment	—	1,552	—
Increase (decrease) in allowance for doubtful receivables	(259)	(3,390)	(2,207)
Increase (decrease) in allowance for retirement benefits	(16)	162	(140)
Increase (decrease) in other reserves	(878)	2,351	(7,477)
Loss from valuation of real estate for sale	19	239	167
Loss from valuation of marketable securities and investment securities	28	315	243
Loss (gain) on sale of marketable securities and investment securities	(1,093)	(301)	(9,307)
Loss (gain) on disposal of property and equipment	(1,215)	160	(10,348)
Interest and dividend income	(1,763)	(1,171)	(15,016)
Interest expense	795	818	6,769
Bonuses paid to directors and corporate auditors	(14)	(112)	(121)
Decrease (increase) in notes and accounts receivable	(15,624)	1,839	(133,012)
Decrease in costs on construction work in progress	11,977	2,987	101,958
Decrease in real estate for sale	1,864	1,542	15,869
Increase in notes and accounts payable	69	8,491	593
Increase (decrease) in advances received on construction work in progress	(1,070)	(4,254)	(9,110)
Other, net	2,910	(3,938)	24,778
Subtotal	9,910	22,206	84,365
Interest and dividends received	1,354	1,147	11,528
Interest paid	(795)	(818)	(6,769)
Income taxes paid	(2,200)	(311)	(18,731)
Net cash provided by operating activities	8,269	22,223	70,393
Cash flows from investing activities:			
Increase in time deposits	(258)	(910)	(2,199)
Decrease in time deposits	22	1,476	187
Acquisition of marketable securities	(1,300)	(99)	(11,069)
Proceeds from sale of marketable securities	1,250	105	10,643
Acquisition of property and equipment	(4,793)	(9,428)	(40,805)
Proceeds from disposal of property and equipment	2,195	2,457	18,691
Acquisition of investment securities	(5,868)	(129)	(49,957)
Proceeds from sales of investment securities	2,289	704	19,487
Loans provided	(110)	(1,351)	(938)
Proceeds from collection of loans	207	796	1,770
Other, net	(259)	585	(2,213)
Net cash used in investing activities	(6,625)	(5,793)	(56,402)
Cash flows from financing activities:			
Increase in short-term borrowings	20,517	12,099	174,661
Decrease in short-term borrowings	(24,492)	(16,736)	(208,499)
Increase (decrease) in commercial paper	—	(5,000)	—
Proceeds from long-term debt	3,310	1,320	28,177
Repayments of long-term debt	(4,016)	(2,677)	(34,193)
Cash dividends paid by the parent company	(1,902)	(1,585)	(16,192)
Cash dividends paid to minority shareholders	(36)	(51)	(310)
Other, net	0	(95)	2
Net cash used in financing activities	(6,620)	(12,727)	(56,354)
Effect of exchange rate changes on cash and cash equivalents	235	(86)	2,007
Net increase (decrease) in cash and cash equivalents	(4,740)	3,615	(40,356)
Cash and cash equivalents at beginning of year	73,909	70,293	629,176
Cash and cash equivalents at end of year	¥ 69,168	¥ 73,909	\$ 588,819

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 Commercial Code of Japan and Securities and Exchange Law, 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 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 ¥117.47=US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2006, 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.

3. Scope of Consolidation

The accompanying consolidated financial statements include the accounts of Toda corporation and 14 subsidiaries, namely Toda Road Co., Ltd., Chiyoda Reform Co., Ltd., Chiyoda Kenko Co., Ltd., Sipco Industries Co., Ltd., Chiyoda Tochi Tatemono Co., Ltd., Yachiyo Urban Co., Ltd., Toda Finance Co., Ltd., Towa Kanko Kaihatsu Co.,

Ltd., Toda America, Inc., Toda Development, Inc., Construtora Toda do Brasil S/A, Toda Construction (Shanghai) Co., Ltd., Thai Toda Co., Ltd., and a newly-established Chiyoda Staff Service Co., Ltd. Other subsidiaries were not consolidated, as they were not significant in terms of total assets, net sales, retained earnings or net income.

4. Application of the Equity Method

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.

5. Fiscal Period of Consolidated Subsidiaries

Of the consolidated subsidiaries, Toda do Brasil S/A and Toda Construction (Shanghai) Co., Ltd. close their annual accounting period on December 31 each year. Meanwhile, Toda America Inc., Toda Development, Inc. and Thai Toda Co., Ltd. changed their annual accounting closing date from March 31 to December 31, beginning this past fiscal year. Due to this change, the Company's consolidated statement of income for the year ended March 31, 2006 includes 9-month income and loss transactions with respect to these three subsidiaries.

In preparing its consolidated financial statements, the Company used financial statements as of December 31 of all the above-named 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 period of all other consolidated subsidiaries is the same as that of the Company.

6. Summary of Significant Accounting Policies**1) Basis of valuation of important assets**

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.

Inventories are stated at cost.

2) Depreciation and amortization

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

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

Amortization of software used by the Companies are computed using the straight-line method based on an estimated useful life.

3) Allowance**(a) Allowance for doubtful receivables**

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

(b) Allowance for bonuses

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

(c) Allowance for compensation for completed works

To cover expenses for defects claimed concerning completed works, the allowance is provided based on the estimated amount of compensation in the future for the works completed during the current fiscal year (year ended March 31, 2006; hereinafter the same).

(d) Allowance for losses on construction contracts

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

(e) Allowance for retirement benefits

The allowance for retirement benefits for employees are calculated based on estimated amounts of retirement benefit obligations and pension assets as of the end of the current fiscal year.

(f) Allowance for directors' and corporate auditors' retirement benefits

To provide for the payment of directors' and corporate auditors' retirement benefits, an amount is allocated which is required to be paid at the end of the fiscal year according to internal regulations.

4) Leases

Finance leases, other than those where ownership of the lease assets is transferred to the lessee, are accounted for as operating leases.

5) Hedge accounting (derivative financial instruments)

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 works 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 till the end of the current fiscal year, 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.

6) Basis of recording sales of construction business

Sales of construction business (including long-term contract constructions) are recorded on a work completion basis, except for overseas subsidiaries which record construction sales on a percentage of completion basis.

7. Cash and Cash Equivalents

For the Statements of Consolidated Cash Flows, cash and cash equivalents are defined as cash on hand, deposits that can be with-

drawn at any time, and highly liquid short-term investments with a maturity date within three months after acquisition.

8. Notes to Consolidated Balance Sheets**1) Revaluation of land for business use**

Based on the Land Revaluation Law, the Companies have revaluated land held for business use, and have recorded any discrepancies in the Consolidated Balance Sheets as "Land revaluation difference."

•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 land tax register book or supplementary land tax register book.

•Date of revaluation: March 31, 2002

•Difference between fair value and postrevaluation book value at the end of the current fiscal year.

¥(5,037 million)

\$(42,881 thousand)

2) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Time deposits	¥510	¥ 500	\$4,341
Buildings and structures.....	—	1,945	—
Land	9	3,978	80
Investment securities.....	120	121	1,026
Long-term loans receivable.....	98	348	834
Total	¥737	¥6,894	\$6,282

3) Contingent liabilities

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Contingent liabilities	¥1,584	¥955	\$13,485

4) Discounts on Notes Receivable

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Discounts on notes receivable	¥210	¥234	\$1,787

9. Notes to Consolidated Statement of Income**1) Principal components of selling, general and administrative expenses**

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Employee salaries	¥11,866	¥11,588	\$101,016
Addition to allowance of bonuses	1,736	1,629	14,779
Retirement benefit cost	1,408	1,452	11,991

2) Research and development expenditures included in selling, general and administrative expenses and manufacturing costs

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Research and development expenditure included in selling, general and administrative expenses and manufacturing costs	¥2,406	¥2,382	\$20,487

10. Notes to Consolidated Statements of Cash Flows

Reconciliation between year-end cash and cash equivalents and the representation on the balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Cash and time deposits	¥64,648	¥68,750	\$550,344
(Loss) time deposits with maturities of more than three months	(1,080)	(841)	(9,195)
Cash equivalents	5,599	5,999	47,670
Cash and cash equivalents	¥69,168	¥73,909	\$588,819

11. Marketable Securities and Investment Securities

	Millions of yen		
	Amount recorded in the consolidated balance sheets	Market value	Difference
March 31, 2006			
Held-to-maturity debt securities:			
Items with a fair value that exceeds the amount recorded in the consolidated balance sheets	¥ 8	¥ 9	¥ 1
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets	169	168	0
Total	¥ 178	¥ 178	¥ 0

	Millions of yen		
	Acquisition cost	Amount recorded in the consolidated balance sheets	Difference
March 31, 2006			
Other securities with a fair value:			
Items with an amount recorded in the consolidated balance sheets that exceeds the acquisition cost			
Stocks	¥62,723	¥174,074	¥111,351
Bonds	—	—	—
Others	—	—	—
Subtotal	62,723	174,074	111,351
Items with an amount recorded in the consolidated balance sheets that does not exceed the acquisition cost			
Stocks	696	629	(67)
Bonds	—	—	—
Others	—	—	—
Subtotal	696	629	(67)
Total	¥63,420	¥174,704	¥111,284

	Millions of yen		
	Amount recorded in the consolidated balance sheets	Market value	Difference
March 31, 2005			
Held-to-maturity debt securities:			
Items with a fair value that exceeds the amount recorded in the consolidated balance sheets	¥ 87	¥ 88	¥ 0
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets	99	99	(0)
Total	¥ 187	¥ 188	¥ 0

March 31, 2005	Millions of yen		
	Acquisition cost	Amount recorded in the consolidated balance sheets	Difference
Other securities with a fair value:			
Items with an amount recorded in the consolidated balance sheets that exceeds the acquisition cost			
Stocks	¥57,051	¥104,394	¥ 47,343
Bonds	—	—	—
Others	—	—	—
Subtotal	57,051	104,394	47,343
Items with an amount recorded in the consolidated balance sheets that does not exceed the acquisition cost			
Stocks	1,372	1,147	(224)
Bonds	—	—	—
Others	—	—	—
Subtotal	1,372	1,147	(224)
Total	¥58,423	¥105,542	¥ 47,118

March 31, 2006	Thousands of U.S. dollars		
	Amount recorded in the consolidated balance sheets	Market value	Difference
Held-to-maturity debt securities:			
Items with a fair value that exceeds the amount recorded in the consolidated balance sheets			
	\$ 75	\$ 85	\$ 9
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets			
	1,442	1,437	(5)
Total	\$ 1,518	\$ 1,522	\$ 4

March 31, 2006	Thousands of U.S. dollars		
	Acquisition cost	Amount recorded in the consolidated balance sheets	Difference
Other securities with a fair value:			
Items with an amount recorded in the consolidated balance sheets that exceeds the acquisition cost			
Stocks	\$533,952	\$1,481,866	\$947,915
Bonds	—	—	—
Others	—	—	—
Subtotal	533,952	1,481,866	947,915
Items with an amount recorded in the consolidated balance sheets that does not exceed the acquisition cost			
Stocks	5,933	5,359	(573)
Bonds	—	—	—
Others	—	—	—
Subtotal	5,933	5,359	(573)
Total	\$539,884	\$1,487,226	\$947,342

12. Retirement Benefits

1) Summary of retirement benefit plans

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.

2) Projected benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Retirement benefit obligation	¥(53,472)	¥(53,903)	\$(455,204)
Qualified pension plan assets	26,777	23,798	227,955
Unfunded retirement benefit obligation	(26,694)	(30,104)	(227,249)
Unrecognized actuarial differences	(1,410)	1,982	(12,008)
Allowance for retirement benefits	¥(28,105)	¥(28,122)	\$(239,258)

3) Retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Service costs	¥1,944	¥2,027	\$16,550
Interest costs	1,321	1,345	11,248
Expected return on plan assets	(118)	(113)	(1,012)
Amount of actuarial differences	792	1,060	6,742
Retirement benefit cost	¥3,938	¥4,320	\$33,528

4) Basis of calculating retirement benefit obligation

	2006	2005
Periodic allocation method of projected retirement benefit obligation	Straight-line method	Straight-line method
Discount rate	2.50%	2.50%
Expected return on plan assets	1.20%	1.20%
Amortized period of unrecognized actuarial differences	5 years	5 years

13. Deferred Tax Accounting

The tax effects of temporary differences which gave rise to deferred tax assets and liabilities at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Deferred tax assets:			
Loss from valuation of real estate	¥ 12,845	¥ 13,820	\$ 109,348
Allowance for retirement benefits	11,427	10,641	97,283
Allowance for bonuses	1,920	1,919	16,350
Allowance for doubtful receivables	675	836	5,749
Loss from valuation of investment securities	693	776	5,901
Other	4,045	6,594	34,436
Tax loss carryforwards	244	423	2,078
Less: valuation allowance	(73)	(130)	(623)
Deferred tax assets	<u>31,778</u>	<u>34,881</u>	<u>270,527</u>
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(45,292)	(19,177)	(385,568)
Reserve for advanced depreciation	(2,514)	(2,203)	(21,402)
Land revaluation difference	(1,746)	(1,793)	(14,865)
Deferred tax liabilities	<u>(49,553)</u>	<u>(23,174)</u>	<u>(421,835)</u>
Net deferred tax assets (liabilities)	<u>¥(17,774)</u>	<u>¥ 11,707</u>	<u>\$(151,308)</u>

A reconciliation between the statutory income tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests for the years ended March 31, 2006 and 2005 is as follows:

	2006	2005
Statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	7.2	9.0
Non-taxable income	(2.0)	(1.3)
Inhabitant taxes (per capita levy)	2.5	2.4
Other	(0.7)	0.5
Effective tax rate	<u>47.6%</u>	<u>51.2%</u>

14. Segment Information

The Companies operate in the following three business segments:

Construction Building construction, civil engineering, etc.

Real estate Resale, rent, etc. of land, buildings, and other real estates

Other business..... Financing, leasing and hotel business

Information by business segment for the years ended March 31, 2006 and 2005 is summarized as follows:

	Millions of yen					
	Construction	Real estate	Other	Total	Elimination and/or corporate	Consolidated
March 31, 2006						
Net sales:						
Customers	¥ 476,213	¥ 10,320	¥ 510	¥ 487,044	¥ —	¥ 487,044
Inter-segment	170	947	209	1,327	(1,327)	—
Total	476,383	11,268	720	488,371	(1,327)	487,044
Operating costs and expenses	469,508	9,238	612	479,359	(1,219)	478,139
Operating income	¥ 6,874	¥ 2,030	¥ 107	¥ 9,012	¥ (107)	¥ 8,905
Assets	¥ 324,260	¥ 87,451	¥ 8,305	¥ 420,017	¥ 233,753	¥ 653,770
Depreciation and amortization	857	776	22	1,655	—	1,655
Capital expenditures	1,003	4,211	0	5,215	—	5,215

	Millions of yen					
	Construction	Real estate	Other	Total	Elimination and/or corporate	Consolidated
March 31, 2005						
Net sales:						
Customers	¥ 478,430	¥ 12,114	¥ 515	¥ 491,060	¥ —	¥ 491,060
Inter-segment	—	434	251	686	(686)	—
Total	478,430	12,548	767	491,746	(686)	491,060
Operating costs and expenses	467,169	10,220	642	478,032	(541)	477,490
Operating income	¥ 11,260	¥ 2,328	¥ 125	¥ 13,714	¥ (144)	¥ 13,569
Assets	¥ 323,173	¥ 87,227	¥ 9,584	¥ 419,985	¥ 168,898	¥ 588,883
Depreciation and amortization	986	766	44	1,797	—	1,797
Impairment loss of property and equipment	285	55	1,210	1,552	—	1,552
Capital expenditures	4,222	5,970	1	10,194	—	10,194

	Thousands of U.S. dollars					
	Construction	Real estate	Other	Total	Elimination and/or corporate	Consolidated
March 31, 2006						
Net sales:						
Customers	\$4,053,913	\$ 87,857	\$ 4,344	\$4,146,115	\$ —	\$4,146,115
Inter-segment	1,448	8,068	1,785	11,302	(11,302)	—
Total	4,055,362	95,926	6,129	4,157,417	(11,302)	4,146,115
Operating costs and expenses	3,996,878	78,641	5,211	4,080,731	(10,384)	4,070,347
Operating income	\$ 58,483	\$ 17,284	\$ 918	\$ 76,686	\$ (917)	\$ 75,768
Assets	\$2,760,366	\$744,460	\$70,699	\$3,575,525	\$1,989,898	\$5,565,424
Depreciation and amortization	7,297	6,610	187	14,095	—	14,095
Capital expenditures	8,543	35,855	—	44,399	—	44,399

15. Short-Term Bank Loans and Long-Term Debt

	Average interest rate (%)	Millions of yen		Thousands of U.S. dollars
		2006	2005	2006
Short-term bank loans	1.073	¥48,620	¥53,495	\$413,893
Current portion of long-term debt	1.851	1,487	2,847	12,664
Long-term debt less current portion	1.658	7,642	6,089	65,055
Total		¥57,749	¥62,431	\$491,613

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

Year ending March 31,	Millions of yen			
	2008	2009	2010	2011
Long-term debt	¥2,437	¥3,393	¥1,009	¥792

Year ending March 31,	Thousands of U.S. Dollars			
	2008	2009	2010	2011
Long-term debt	\$20,745	\$28,889	\$8,591	\$6,743

The interest rate and balance at year-end are used in the calculation of the average interest rate.

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, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2006 and 2005, 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.

We have also reviewed the translation of the 2006 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.

The signature of Seinan Audit Corporation is written in a cursive, black ink style. The text reads "Seinan Audit Corporation" and is enclosed within a light gray rectangular border.

Tokyo, Japan

June 29, 2006

Seinan Audit Corporation

CORPORATE INFORMATION

(As of June 29, 2006)

Company name:

TODA CORPORATION

Stock Listing:

Tokyo Stock Exchange

Osaka Stock 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 service for real estate

Capital:

¥ 23.0 billion (as of March 31, 2006)

Number of employees:

3,984 (as of March 31, 2006)

BOARD OF DIRECTORS, CORPORATE AUDITORS AND MANAGING OFFICERS

(As of June 29, 2006)

Directors*Chairman and Representative Director*

Junnosuke Toda

Director and Senior Adviser

Moriji Toda

President and Representative Director

Hisao Kato

Representative Directors

Morimichi Toda

Tsunehiro Yoshizawa

Satoshi Kosai

Directors

Shunzou Inoue

Michio Suzuki

Hideshige Toda

Corporate Auditors*Standing Corporate Auditors*

Yasuaki Kiyoura

Kunihiko Hayasaka

Corporate Auditors

Yoshiaki Kaji

Isao Itoga

Managing Officers*President and Chief Executive Officer*

Hisao Kato

Executive Vice Presidents

Morimichi Toda

Tsunehiro Yoshizawa

Satoshi Kosai

Senior Executive Managing Officers

Shunzou Inoue

Michio Suzuki

Yasuo Konishi

Yujirou Ishizaka

Noriyuki Tanaka

Akira Shimizu

Executive Managing Officers

Tomotarou Itou

Hiroshi Kuwahara

Hiroyuki Kikuchi

Kakushi Hamabe

Hiroshi Oonishi

Masaaki Kawaguchi

Taichi Ishige

Shouzaburou Kanamori

Takumi Nishiyama

Hiroyuki Ushijima

Managing Officers

Kuniaki Ishimaru

Shunichirou Hanazono

Kanji Nagano

Takeshi Kida

Takeshi Ooba

Tsukasa Kimura

Osamu Chiba

Toshirou Oka

Noboru Nomura

Masayuki Shirai

Hatsuaki Matsumoto

Masami Yamashita

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