

Toda Corporation *Annual Report 2002*



PROFILE OF TODA CORPORATION

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

Atago Green Hills Forest Tower

Atago 2-chome area, Minato-ku, Tokyo
Building Owner: Mori Building Co., Ltd.

Design: Mori Building Co., Ltd.; Irie Miyake Architects and Engineers; Cesar Pelli & Associates, Inc. (Design supervision)

Structure and dimensions: Steel-frame and reinforced-concrete composite construction (SRC), 42 stories with 4-story basement

Total floor area: 62,475.27m²

Housing units: 354

Parking capacity: 282 vehicles

Work period: June 1996 to October 2001



CONTENTS

Financial Highlights	1
Message from the Management	2
Review of Operations:	
Domestic	4
Overseas	5
Toda Corporation News	6
Financial Section	7
Corporate Data	21
Board of Directors	22

FINANCIAL HIGHLIGHTS

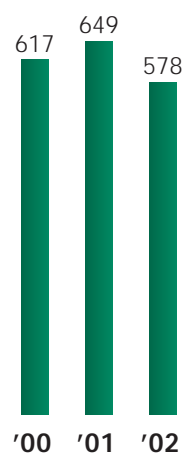
Toda Corporation and Consolidated Subsidiaries Years ended March 31

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Consolidated				
Total net revenues	¥578,120	¥648,840	¥617,403	\$4,338,617
Operating income	11,811	26,860	30,190	88,641
Net income	577	915	3,821	4,331
Total shareholders' equity	203,937	213,304	189,524	1,530,489
Total assets	704,818	785,312	742,835	5,289,440
Per share of common stock (in yen and U.S. dollars):				
Net income	¥1.82	¥2.88	¥12.03	\$0.014
Cash dividends applicable to the year	9.00	9.00	9.00	0.068
Net cash provided by operating activities	¥ (9,379)	¥ 4,872	¥ 17,039	\$ (70,385)
Net cash provided by investing activities	1,478	698	1,134	11,092
Net cash used in financing activities	(11,394)	(15,150)	(13,231)	(85,510)
Cash and cash equivalents at end of year	72,668	91,729	100,348	545,354
Number of employees	5,289	5,406	5,578	
Non-Consolidated				
Orders received	421,249	563,871	596,322	3,161,346

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥133.25=US\$1.00, the approximate exchange rate prevailing on March 29, 2002.

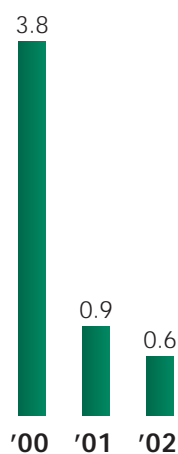
Total Net Revenues (Consolidated)

(¥ Billion)



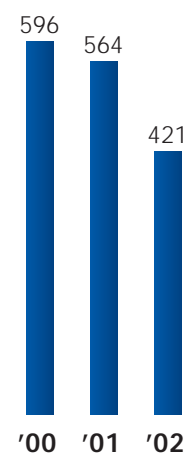
Net Income (Consolidated)

(¥ Billion)



Orders Received (Non-Consolidated)

(¥ Billion)



New Medium-Term Management Plan—We believe Toda can strengthen its operating base and bolster performance by relentless commitment to customer satisfaction.



Junnosuke Toda, Chairman



Moriji Toda, President

In the year ended March 31, 2002, the slowdown in the U.S. economy caused a slump in the IT industry, which was an engine of growth for the Japanese economy, pushing Japan deeper into recession. The world economy was further weakened by the fallout from the terrorist attacks on the United States in September, so overall business conditions for the period under review were very difficult.

The construction industry had another sluggish year, due to cut-backs in capital investment, which limited private-sector projects, and a steep drop in orders for government and municipal office buildings due to tighter public spending controls.

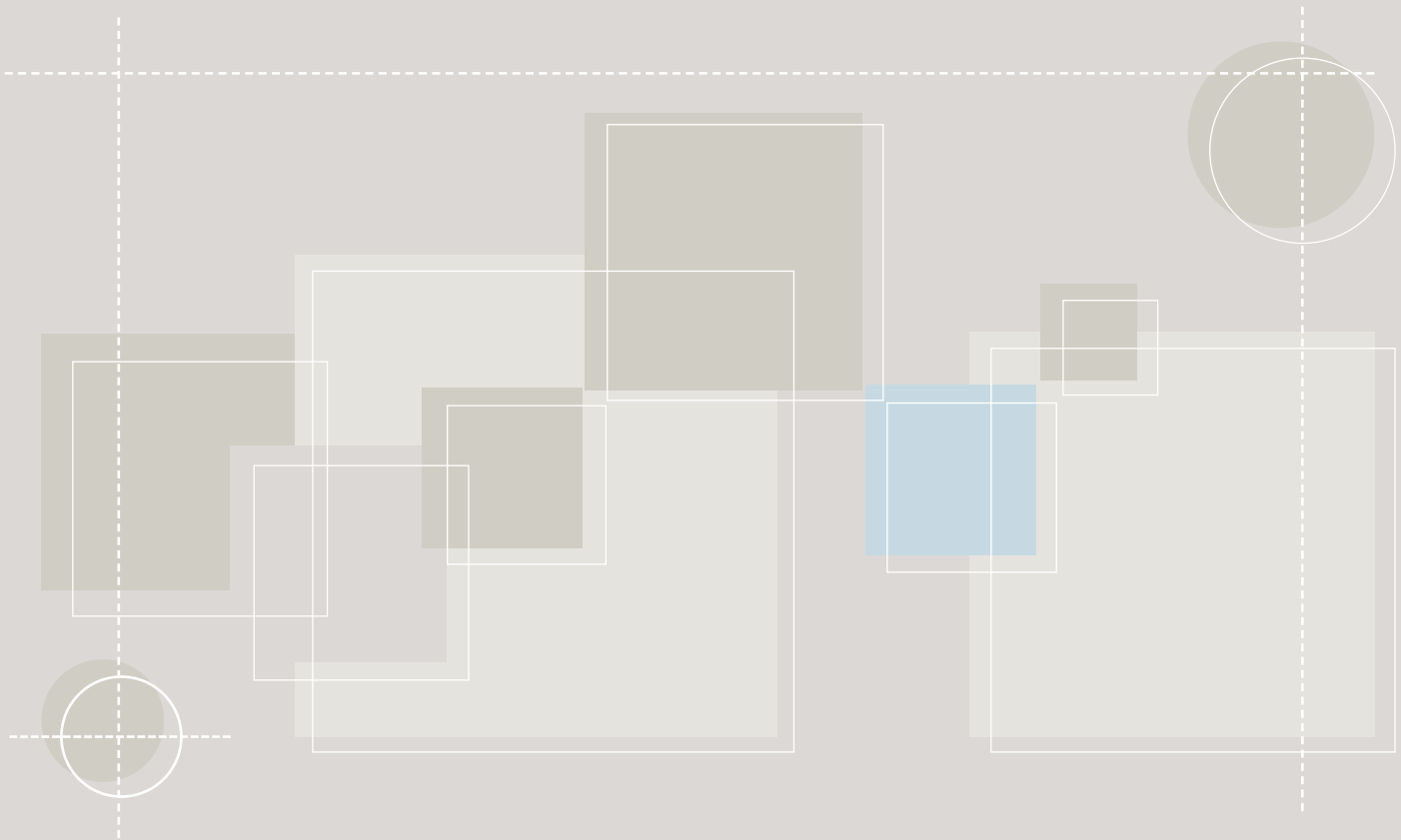
To combat these difficult conditions, Toda Corporation focused on strengthening its competitiveness and streamlining its management.

As a result of these efforts, the Company recorded consolidated net revenues of ¥578.1 billion, operating income of ¥11.8 billion, and net income of ¥0.6 billion. Cash dividends for the period under review were declared at ¥9.00 per share, the same as for the previous fiscal year.

Sharper Focus on the Environment

Toda has always regarded environmental protection as a management priority. We are engaged in Company-wide efforts to reduce environmental

load, and aim to pursue our corporate activities in a manner that brings about greater harmony between human and natural environments. Our track record in waste reduction includes achievement of zero emissions at a construction site, which is an industry first, and, in September 2001, zero emissions in shield-engineering tunnel works. Toda has recently pioneered a gypsum board-separating system, for which it is developing practical applications. In these and other ways, the Company is steadily developing green technologies that help to raise environmental awareness and encourage recycling throughout society. Additionally, disclosure and dialog with outside



parties are being stepped up through the publication of the findings of environmental audits and our annual environmental report. Toda will continue to fulfill its social responsibilities and reduce environmental load by aggressively seeking better ways to curtail emissions of greenhouse gases, encourage green procurement, and harness green technologies.

New Medium-Term Management Plan

Improvements in the economic environment and progress in inventory adjustments have raised expectations that the Japanese economy is moving toward recovery. However, there is no guarantee that this recovery will

be self-sustaining, and economic conditions will probably remain harsh.

In the construction industry, we expect an increase in demand from urban regeneration projects and commercial refurbishment works, but the underlying trend will probably continue to be one of shrinking markets. Therefore, we expect our business environment to grow even more difficult in the future.

Traditionally, the Company has implemented a series of consecutive three-year plans to execute medium- and long-term management strategies. The current medium-term management plan, which began in April 2002 and will end in March 2005, is in its first year.

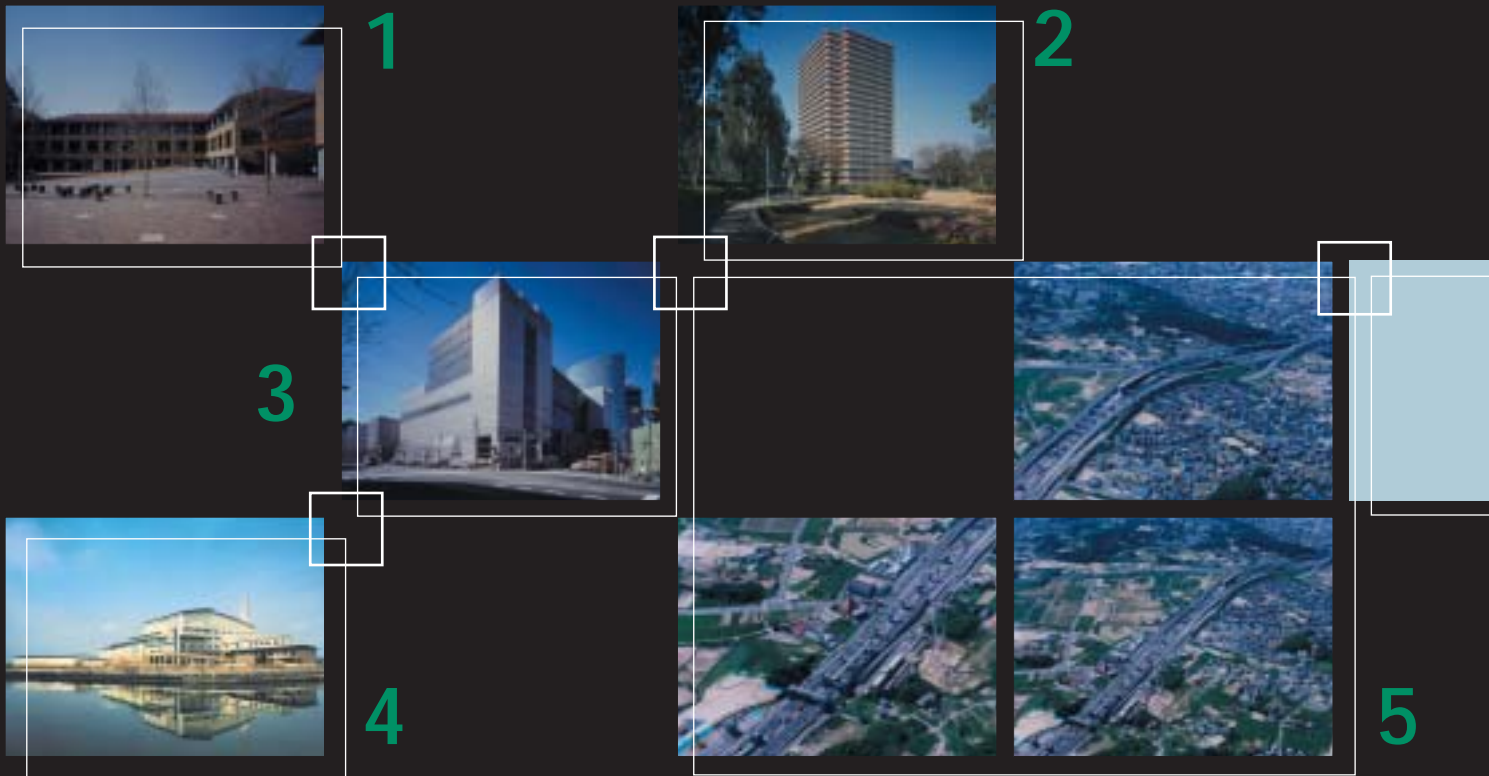
Through this plan, we believe Toda can strengthen its operating base and bolster performance by relentless commitment to customer satisfaction.

Junnosuke Toda
Junnosuke Toda, Chairman

Moriji Toda
Moriji Toda, President

DOMESTIC

Toda Corporation constantly strives to improve the quality of life for people in Japan through a variety of construction projects, including highways, tunnels, buildings, and factories. Noteworthy projects completed during fiscal 2001 include: in Tokyo, the primary school and junior high school of St. Margaret's College & Schools, the Meat Market Center Building of Tokyo Metropolitan Central Wholesale Market, Komatsugawa Lockgate; in Chiba, Lions Station Tower Matsudo; in Aichi, Hachiho Clean Center and Cleaning Plant; and in Aichi, the Nagoya Public Expressway Peer Substructure at Odaka.



Domestic

1

St. Margaret's College & Schools, primary school and junior high School

Work period: July 1999 to January 2002
Three stories with basement
Total floor area: 12,492 m²

2

Lions Station Tower Matsudo, Daikyo Incorporated

Work period: February 1999 to February 2002
26 stories with two-story basement
Total floor area: 27,661 m²

3

Meat Market Center Building of Tokyo Metropolitan Central Wholesale Market

Work period: January 1999 to December 2001
Nine stories with basement
Total floor area: 50,887 m²

4

Hachiho Clean Center and Cleaning Plant, Mitsubishi Heavy Industries, Ltd.,

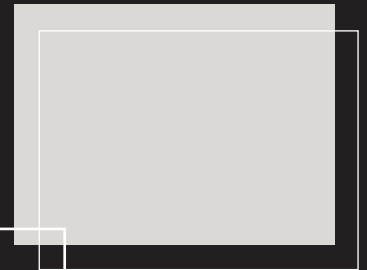
Work period: February 1999 to March 2002
Seven stories with basement
Total floor area: 30,896 m²

OVERSEAS

Throughout its long history of success in overseas development projects, Toda Corporation has improved the quality of life for people all over the world. The Company has built a strong global network of offices and subsidiaries that meets the diversified needs of its customers in different countries by supporting the Company's various projects. Overseas projects completed during fiscal 2001 include the construction of Factory Phase 2, Suzhou Shinetsu Polymer Co., Ltd. in China and the UNIP-Brasilia University in Brazil.



7



8



6

5

Nagoya Public Expressway Peer Substructure at Odaka, Nagoya Expressway Public Corporation

Work period: March 1998 to July 2001

Total length: 1,000m

6

Komatsugawa Lockgate, Ministry of Land, Infrastructure and Transport, Kanto Regional Development Bureau

Work period: March 1999 to November 2001

Front lockgate construction: 29.5m high, 28.2m wide

Overseas

7

Factory Phase 2, Suzhou Shinetsu Polymer Co., Ltd. (China)

Work period: October 2000 to September 2001

One story

Total floor area: 11,773 m²

8

UNIP-Brasilia University (Brazil)

Work period: November 2000 to August 2001

Four stories

Total floor area: 12,829 m²

CONSTRUCTION DIVISION

The new “ Super HRC System” structure for high-rise apartment blocks

Toda’s “ Super HRC System” (patent pending), which boasts high-grade earthquake-proofing, a freer living space design, and high durability, is a 21st-century construction solution for residential complexes. The method uses a framework format to assure maximum flexibility in creating residential units. The method also combines a wide range of technologies, such as under-floor spacing for piping to facilitate future refurbishment, highly earthquake-proof steel-tube reinforced concrete piers and piers resistant to shock waves, and high-strength concrete to enable freedom in designing floor plans for very high residential buildings. Use of high-strength reinforced concrete in the structure makes possible a 20 to 30% cut in construction costs in comparison with steel-frame methods.

The W Comfort Towers twin-tower (54 stories and 45 stories) high-rise apartment building, which is presently under construction, is an example of the above design and construction methods in practical application. W Comfort Towers is one of Japan’s largest residential buildings of this type, and comprises 1,149 residential units.



ENGINEERING DIVISION

Decontamination of soil polluted by oil using ultraviolet rays and bio-remediation

In partnership with Nishimatsu Construction Co., Ltd., Toda has developed the two-stage “ Hybrid Decontamination Method,” in which soil is cleansed using bio-remediation after the breaking down and processing of oil pollutants using ultraviolet rays.

This is the first time ultraviolet rays have been used for the processing of polluted soil in this field. The ultraviolet rays break down substances in the pollutants that are usually difficult to break down. After this treatment, the pollutants are then broken down into water and carbon dioxide using bio-remediation methods.

By using this system, it is possible to offer a swift and low-cost decontamination solution for soil polluted by heavy concentrations of oil, and soil with residual pollutants that are difficult to break down, neither of which respond well to conventional remediation methods.

With this system, decontamination work can be undertaken at the construction site, ultraviolet light processing does not produce harmful by-products, offgas processing is unnecessary, and soil that has undergone final bio-remediation is reusable. Toda believes that this technology can make a significant contribution to the goal of encouraging recycling throughout society.



FINANCIAL REVIEW

Toda Corporation and Consolidated Subsidiaries For the year ended March 31, 2002

RESULTS OF OPERATIONS

During fiscal 2001, ended March 31, 2002, Group net revenues slid 10.9%, amounting to ¥578.1 billion. Revenues from construction operations, which, as in the previous fiscal year, accounted for approximately 98% of all sales, fell 10.8%, to ¥566.8 billion, in line with the overall decrease in corporate revenues. The decline was due to a fall in orders for private-sector works and government and municipal office construction, amid cutbacks in capital investment and tighter public spending controls. The gross profit margin declined 2.1 percentage points, to 6.6%, reflecting deterioration in the profitability of construction projects. The ratio of operating income to net revenues declined 2.1 percentage points, to 2.0%, as efforts to reduce expenses yielded disappointing results, and operating income slumped 56.0%, to ¥11.8 billion. Although income before income taxes rose year on year, primarily reflecting a decrease in loss from valuation of real estate for sale and the absence of the previous fiscal year's amortization of shortfall in the reserve for retirement benefits, net income for the period under review fell 36.9%, to ¥0.6 billion, reflecting an increase in the income tax burden after tax-effect accounting. The ratio of net income to revenues remained unchanged from the previous term at 0.1%. ROE fell 0.2 percentage point, to 0.3%.

FINANCIAL POSITION

Total assets of the Group decreased ¥80.5 billion, 10.3%, to ¥704.8 billion in the period under review. Current assets dropped 12.0%, to ¥504.5 billion, due mainly to decreases in notes and accounts receivable-trade and inventory assets accompanying the fall in net revenues. Total liabilities fell 12.5%, to ¥496.5 billion. Current liabilities, which accounted for approximately 90.0% of total liabilities, fell ¥66.7 billion to ¥446.4 billion, due principally to a fall in notes and accounts payable-trade accompanying the decline in sales and reduced accrued corporate tax, which resulted from the fall in net income. Total shareholders' equity fell 4.4%, to ¥203.9 billion, chiefly reflecting a decline in unrealized gain on available-for-sale securities. As a result of the above, the current ratio improved 1.3 percentage points to 113.0%, and the shareholders' equity ratio rose 1.7 percentage points to 28.9% year on year.

CASH FLOWS

Net cash used in operating activities was ¥9.4 billion, and the shortfall in necessary funding for operations was met from funding in hand. A net inflow of funds was recorded from investment activities, reflecting the surplus of proceeds from sales of investment securities and other assets exceeded capital investment expenditures. Financing activities resulted in a net cash outflow, as reductions in interest-bearing debt exceeded borrowings. As a result, cash and cash equivalents at year-end fell ¥19.1 billion, to ¥72.7 billion.

CONSOLIDATED BALANCE SHEETS

Toda Corporation and Consolidated Subsidiaries March 31, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Current assets:			
Cash and time deposits (Note 6)	¥ 68,142	¥ 88,884	\$ 511,385
Marketable securities (Note 7)	100	100	750
Notes and accounts receivable	130,286	154,789	977,754
Allowance for doubtful receivables	(4,768)	(5,977)	(35,779)
Inventories:			
Construction work in progress	214,027	228,450	1,606,207
Real estate for sale and others	57,177	62,504	429,092
Deferred income taxes (Note 9)	21,808	23,540	163,664
Other current assets	17,750	20,816	133,206
Total current assets	504,522	573,106	3,786,279
Property and equipment:			
Land (Note 4)	51,256	45,901	384,660
Buildings and structures	38,993	36,810	292,631
Machinery and equipment	13,774	13,944	103,371
Construction in progress	2	110	17
Accumulated depreciation	(31,458)	(30,486)	(236,079)
Net property and equipment	72,567	66,279	544,600
Investments and other assets:			
Investment securities (Note 7)	103,495	123,481	776,699
Long-term loans receivable	13,547	12,405	101,666
Deferred income taxes (Note 9)	1,192	—	8,942
Others	22,362	23,378	167,817
Allowance for doubtful receivables	(12,867)	(13,337)	(96,563)
Total investments and non-current receivables	127,729	145,927	958,561
Total assets	¥704,818	¥785,312	\$5,289,440

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Current liabilities:			
Short-term bank loans (Note 11)	¥ 75,922	¥ 83,703	\$ 569,773
Current portion of long-term debt (Note 11)	3,268	4,604	24,524
Notes and accounts payable	111,053	151,620	833,418
Advance payments received on contracts	184,317	190,227	1,383,245
Accrued expenses	4,347	6,523	32,623
Accrued income taxes	3,028	20,225	22,727
Other current liabilities	64,514	56,231	484,148
Total current liabilities	446,449	513,133	3,350,458
Long-term liabilities:			
Long-term debt less current portion (Note 11)	8,972	8,318	67,332
Deferred income taxes (Note 9)	1,878	7,477	14,091
Allowance for retirement benefits (Note 8)	30,655	31,156	230,059
Other long-term liabilities	8,585	7,694	64,424
Total long-term liabilities	50,090	54,645	375,906
Minority interest	4,342	4,230	32,587
Contingent liabilities (Note 5)			
Shareholders' equity:			
Common stock:			
Authorized—759,000,000 shares			
Issued—322,656,796 shares (2002)			
—322,656,796 shares (2001)	23,001	23,001	172,620
Additional paid-in capital	25,573	25,573	191,919
Land revaluation difference (Note 4)	2,593	—	19,460
Retained earnings	138,837	141,192	1,041,931
Unrealized gain on available-for-sale securities	15,398	25,315	115,559
Translation adjustments	68	(254)	513
Treasury stock, at cost	(1,533)	(1,523)	(11,513)
Total shareholders' equity	203,937	213,304	1,530,489
Total liabilities and shareholders' equity	¥704,818	¥785,312	\$5,289,440

CONSOLIDATED STATEMENTS OF INCOME

Toda Corporation and Consolidated Subsidiaries For the years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Revenues:			
Net sales:			
Construction business	¥566,839	¥635,663	\$4,253,954
Real estate business (including other)	11,281	13,177	84,663
Total net revenues	578,120	648,840	4,338,617
Costs and expenses:			
Cost of sales	540,144	592,239	4,053,613
Selling, general and administrative	26,165	29,741	196,363
Total costs and expenses	566,309	621,980	4,249,976
Operating income	11,811	26,860	88,641
Other income (expenses):			
Interest and dividend income	1,290	1,837	9,683
Interest expenses	(1,283)	(1,599)	(9,625)
Gain on sale of investment securities	708	15,877	5,310
Loss from valuation of investment securities	(1,239)	(3,747)	(9,300)
Loss on sale of real estate for sale	(1,901)	—	(14,265)
Loss from valuation of real estate for sale	(3,581)	(17,340)	(26,877)
Amortization of shortfall in reserve for retirement benefits	—	(16,268)	—
Others, net	(900)	(1,221)	(6,759)
Total other income (expenses)	(6,906)	(22,461)	(51,833)
Income before income taxes	4,905	4,399	36,808
Income taxes (Note 9):			
Current	3,855	18,084	28,929
Deferred	285	(14,582)	2,135
Total income taxes	4,140	3,502	31,064
Minority interest	(188)	18	(1,413)
Net income	¥ 577	¥ 915	\$ 4,331
		Yen	U.S. dollars (Note 2)
Net income per share	¥1.82	¥2.88	\$0.014
Cash dividends per share applicable to the year	9.00	9.00	0.068

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Toda Corporation and Consolidated Subsidiaries For the years ended March 31, 2002 and 2001

	Number of shares of common stock (Thousands)	Millions of yen		
		Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 2000	322,656	¥23,001	¥25,573	¥143,622
Net income for the year	—	—	—	915
Cash dividends paid	—	—	—	(2,859)
Bonuses to directors and corporate auditors	—	—	—	(177)
Increase in surpluses due to increase in shareholders' equity	—	—	—	0
Decrease in surpluses due to decrease in number of subsidiaries	—	—	—	(309)
Balance at March 31, 2001	322,656	23,001	25,573	141,192
Net income for the year	—	—	—	577
Cash dividends paid	—	—	—	(2,859)
Bonuses to directors and corporate auditors	—	—	—	(131)
Increase in surpluses due to decrease in number of subsidiaries	—	—	—	58
Balance at March 31, 2002	322,656	¥23,001	¥25,573	¥138,837

	Thousands of U.S. dollars (Note 2)		
	Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 2001	\$172,620	\$191,919	\$1,059,601
Net income for the year	—	—	4,331
Cash dividends paid	—	—	(21,457)
Bonuses to directors and corporate auditors	—	—	(982)
Increase in surpluses due to decrease in number of subsidiaries	—	—	438
Balance at March 31, 2002	\$172,620	\$191,919	\$1,041,931

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Toda Corporation and Consolidated Subsidiaries For the years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Cash flows from operating activities:			
Income before income taxes	¥ 4,905	¥ 4,399	\$ 36,808
Depreciation and amortization	1,826	1,900	13,707
(Reversal) provision for doubtful accounts	(961)	940	(7,211)
(Reversal) provision for retirement benefits	(501)	15,331	(3,763)
(Reversal) provision for other reserves	(1,887)	615	(14,162)
Write-down of marketable and investment securities	1,239	3,747	9,300
Gain on sale of investment securities	(708)	(15,877)	(5,311)
Gain on disposal of property and equipment	(100)	(166)	(751)
Interest and dividend income	(1,290)	(1,837)	(9,682)
Interest expenses	1,283	1,599	9,625
Bonuses to directors and corporate auditors	(154)	(177)	(1,153)
(Increase) decrease in notes and accounts receivable	24,503	(18,346)	183,891
Decrease in costs on uncompleted construction contracts	14,423	4,265	108,239
Decrease in real estate and uncompleted real estate development projects	5,233	17,476	39,275
Increase (decrease) in notes and accounts payable	(40,567)	11,204	(304,443)
Decrease in advances received on uncompleted construction contracts	(5,910)	(11,098)	(44,349)
Other, net	10,399	2,284	78,034
Subtotal	11,733	16,259	88,054
Interest and dividends received	1,262	1,837	9,469
Interest paid	(1,283)	(1,599)	(9,625)
Income taxes paid	(21,091)	(11,625)	(158,283)
Net cash (used in) provided by operating activities	(9,379)	4,872	(70,385)
Cash flows from investing activities:			
Net increase in time deposits	1,782	525	13,375
Acquisition of marketable securities	(300)	(120)	(2,250)
Proceeds from sales of marketable securities	300	178	2,253
Acquisition of property and equipment	(2,585)	(1,149)	(19,403)
Proceeds from disposal of property and equipment	689	317	5,172
Acquisition of investment securities	(602)	(24,734)	(4,521)
Proceeds from sales of investment securities	2,850	29,092	21,386
Loans advanced	(1,551)	(3,931)	(11,642)
Proceeds from collection of loans	651	440	4,884
Other, net	244	80	1,838
Net cash provided by investing activities	1,478	698	11,092
Cash flows from financing activities:			
Net decrease in short-term borrowings	(9,117)	(1,197)	(68,419)
Proceeds from long-term borrowings	2,080	2,710	15,611
Repayments of long-term borrowings	(1,426)	(3,755)	(10,702)
Payments for the redemption of corporate bonds	—	(10,000)	—
Cash dividends paid	(2,859)	(2,859)	(21,457)
Other, net	(72)	(49)	(543)
Net cash used in financing activities	(11,394)	(15,150)	(85,510)
Effect of exchange rate changes on cash and cash equivalents	234	961	1,754
Net decrease in cash and cash equivalents	(19,061)	(8,619)	(143,049)
Cash and cash equivalents at beginning of year	91,729	100,348	688,403
Cash and cash equivalents at end of year (Note 6)	¥72,668	¥ 91,729	\$545,354

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Toda Corporation and Consolidated Subsidiaries

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

2 U.S. DOLLAR AMOUNTS

The U.S. dollar amounts are included solely for convenience and have been translated as a matter of arithmetical computation only at the rate of ¥133.25=US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 29, 2002. This translation should not be construed as a representation that the yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Consolidation

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

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

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

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

Consolidated subsidiaries	14
Equity method applied:	
Unconsolidated subsidiaries	0
Affiliates	0
Stated at cost:	
Unconsolidated subsidiaries	2
Affiliates	1

2) Marketable securities and investment securities

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

3) Depreciation and amortization

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

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

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

4) Allowance for doubtful receivables

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

5) Allowance for retirement benefits

Funds for retirement benefits for employees were based on estimates of unfunded retirement benefit obligations and pension assets in the fiscal year under review.

- 6) Foreign currency translation
Receivables and payables denominated in foreign currencies are translated into yen using the prevailing exchange rate on the balance sheet date, and exchange rate discrepancies are recorded as loss (income).
Assets, liabilities, income, and expenses of overseas subsidiaries are translated into yen using the prevailing exchange rate on the balance sheet date, and exchange rate discrepancies are charged as translation adjustments to minority interest under liabilities and shareholders' equity.
- 7) Leases
Finance leases, other than those where ownership of the lease assets is transferred to the lessee, are accounted for as operating leases.
- 8) Construction contracts
All short- and long-term construction contracts are accounted for using the completed contract method. Accordingly, the consolidated statements of income reflect sales prices and costs of contracts completed during each year.
Expenditures in connection with uncompleted contracts to be charged to cost of contracts at the time of completion are included in current assets. These expenditures are not offset against advances received and progress billings on uncompleted contracts, which are instead included in current liabilities. No profits or losses, therefore, are recognized before the completion of the work.
- 9) 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 withdrawn at any time, and highly liquid short-term investments with a maturity date within three months of acquisition.
- 10) Net income per share
The computation of net income per share of common stock is based on the weighted average number of shares of common stock outstanding during the period.

4 REVALUATION OF LAND FOR BUSINESS USE

Based on the Land Revaluation Law, we have revaluated land for business use, and have recorded any discrepancy in the Consolidated Balance Sheets.

- 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 book or supplementary land tax book.

- Date of revaluation March 31, 2002
- Book value before revaluation ¥39,952 million (\$299,827 thousand)
- Book value after revaluation ¥44,423 million (\$333,379 thousand)

5 CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Guarantees of loans	¥109	¥ 103	\$ 815
Guarantees of advances	812	1,096	6,096
	¥921	¥1,199	\$6,911

6 COMPONENTS OF CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash and time deposits	¥68,142	¥88,884	\$511,385
Without time deposits with maturities of more than three months	(3,373)	(5,153)	(25,314)
Cash equivalents	7,899	7,998	59,283
	¥72,668	¥91,729	\$545,354

7 MARKETABLE SECURITIES AND INVESTMENT SECURITIES

	Millions of yen		
	Amount recorded in the consolidated balance sheets	Market value	Difference
March 31, 2002			
Held-to-maturity debt securities:			
Items with a fair value that exceeds the amount recorded in the consolidated balance sheets	¥ 94	¥ 95	¥1
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets	100	100	(0)
Total	¥194	¥195	¥1

	Millions of yen		
	Acquisition cost	Amount recorded in the consolidated balance sheets	Difference
March 31, 2002			
Other securities with a fair value:			
Items with a fair value that exceeds the amount recorded in the consolidated balance sheets			
Stocks	¥33,353	¥65,743	¥32,390
Bonds	560	586	26
Other	—	—	—
Subtotal	33,913	66,329	32,416
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets			
Stocks	33,407	27,556	(5,851)
Bonds	5,005	4,995	(10)
Other	20	12	(8)
Subtotal	38,432	32,563	(5,869)
Total	¥72,345	¥98,892	¥26,547

	Millions of yen		
	Amount recorded in the consolidated balance sheets	Market value	Difference
March 31, 2001			
Held-to-maturity debt securities:			
Items with a fair value that exceeds the amount recorded in the consolidated balance sheets	¥ 29	¥ 30	¥1
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets	174	173	(1)
Total	¥203	¥203	¥0

	Millions of yen		
	Acquisition cost	Amount recorded in the consolidated balance sheets	Difference
March 31, 2001			
Other securities with a fair value:			
Items with a fair value that exceeds the amount recorded in the consolidated balance sheets			
Stocks	¥63,922	¥106,265	¥42,343
Bonds	6,059	8,284	2,225
Other	—	—	—
Subtotal	69,981	114,549	44,568
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets			
Stocks	5,031	4,116	(915)
Bonds	5	5	(0)
Other	23	17	(6)
Subtotal	5,059	4,138	(921)
Total	¥75,040	¥118,687	¥43,647

	Thousands of U.S. dollars		
	Amount recorded in the consolidated balance sheets	Market value	Difference
March 31, 2002			
Held-to-maturity debt securities:			
Items with a fair value that exceeds the amount recorded in the consolidated balance sheets			
	\$ 704	\$ 710	\$ 6
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets			
	705	749	(1)
Total	\$1,454	\$1,459	\$ 5

	Thousands of U.S. dollars		
	Acquisition cost	Amount recorded in the consolidated balance sheets	Difference
March 31, 2002			
Other securities with a fair value:			
Items with a fair value that exceeds the amount recorded in the consolidated balance sheets			
Stocks	\$250,305	\$493,384	\$243,079
Bonds	4,201	4,398	197
Other	—	—	—
Subtotal	254,506	497,782	243,276
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets			
Stocks	250,705	206,801	(43,904)
Bonds	37,561	37,487	(74)
Other	150	91	(59)
Subtotal	288,416	244,379	(44,037)
Total	\$542,922	\$742,161	\$199,239

8 RETIREMENT BENEFITS

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

Domestic consolidated subsidiaries have lump-sum benefit plans.

Projected benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Retirement benefit obligation	¥(53,024)	¥(52,350)	\$(397,927)
Eligible retirement pension assets	21,736	20,847	163,119
Unfunded retirement benefit obligation	(31,288)	(31,503)	(234,808)
Unrecognized actuarial differences	633	347	4,750
Unrecognized prior service costs	—	—	—
Amount recorded in consolidated balance sheets	(30,655)	(31,156)	(230,058)
Prepaid pension expenses	—	—	—
Retirement benefit reserves	¥(30,655)	¥(31,156)	\$(230,058)

Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service costs	¥2,049	¥ 1,954	\$15,379
Interest costs	1,777	1,741	13,339
Expected return on plan assets	71	177	533
Amortization of transition obligation	—	15,890	—
Amount of actuarial differences	69	—	520
Amortization of prior service costs	—	—	—
Retirement benefit expenses	¥3,966	¥19,762	\$29,771

Basis of calculating retirement benefit obligation

	2002	2001
Periodic allocation method of projected retirement benefit obligation	Straight-line method	Straight-line method
Discount rate	3.50%	3.50%
Expected return rate on plan assets	1.20%	1.20%
Amortized period of unrecognized prior service costs	—	—
Amortized period of unrecognized actuarial differences	5 years	5 years
Amortized period of unrecognized transition obligation	—	1 year

9 INCOME TAXES

Taxes on income applicable to the Companies resulted in a statutory tax rate of approximately 42 percent in 2002 and 2001.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Loss from valuation of real estate	¥14,757	¥13,019	\$110,744
Allowance for retirement benefits	9,187	8,759	68,943
Allowance for doubtful receivables	4,202	3,827	31,536
Loss from valuation of investment securities	984	1,226	7,388
Accrued bonuses	833	1,243	6,255
Accrued enterprise taxes	263	1,808	1,974
Others	6,957	7,511	52,208
Less: Valuation allowance	(613)	(648)	(4,603)
Deferred tax assets	36,570	36,745	274,445
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(11,150)	(18,332)	(83,680)
Property and equipment	(2,253)	(2,221)	(16,906)
Land revaluation difference	(1,878)	—	(14,092)
Others	(167)	(128)	(1,251)
Deferred tax liabilities	(15,448)	(20,681)	(115,929)
Net deferred tax assets	¥21,122	¥16,063	\$158,516

The reconciliation between the normal effective statutory tax rate for the years ended March 31, 2002 and 2001 and the actual effective tax rate reflected in the accompanying non-consolidated statements of income is as follows:

	2002	2001
Normal effective statutory tax rate	42.0%	42.0%
Expenses not deductible for income tax purposes	42.0	36.0
Non-taxable income	(5.3)	(5.1)
Others	5.6	6.1
Actual effective tax rate	84.4%	79.5%

10 SEGMENT INFORMATION

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

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

Information by industry segment for the years ended March 31, 2002 and 2001 is summarized as follows:

	Millions of yen				Elimination and/or corporate	Consolidated
	Construction	Real estate	Other	Total		
March 31, 2002						
Net sales:						
Customers	¥566,839	¥ 10,739	¥ 542	¥578,120	¥ —	¥578,120
Inter-segment	244	1,272	245	1,761	(1,761)	—
Total	567,083	12,011	787	579,881	(1,761)	578,120
Costs and expenses	558,137	9,162	752	568,051	(1,742)	566,309
Operating income	¥ 8,946	¥ 2,849	¥ 35	¥ 11,830	¥ (19)	¥ 11,811
Assets	¥428,462	¥107,243	¥13,676	¥549,381	¥155,437	¥704,818
Depreciation	1,087	661	78	1,826	—	1,826
Capital expenditures	1,473	1,162	1	2,636	—	2,636

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

March 31, 2002	Thousands of U.S. dollars					Elimination and/or corporate	Consolidated
	Construction	Real estate	Other	Total			
Net sales:							
Customers	\$4,253,954	\$ 80,592	\$ 4,071	\$4,338,617	\$ —	\$4,338,617	
Inter-segment	1,835	9,544	1,836	13,215	(13,215)	—	
Total	4,255,789	90,136	5,907	4,351,832	(13,215)	4,338,617	
Costs and expenses	4,188,646	68,760	5,642	4,263,048	(13,072)	4,249,976	
Operating income	\$ 67,143	\$ 21,376	\$ 265	\$ 88,784	\$ (143)	\$ 88,641	
Assets	\$3,215,476	\$804,825	\$102,631	\$4,122,932	\$1,166,508	\$5,289,440	
Depreciation	8,161	4,964	582	13,707	—	13,707	
Capital expenditures	11,053	8,718	10	19,781	—	19,781	

11 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

	Average interest rate (%)	Millions of yen		Thousands of U.S. dollars
		2002	2001	2002
		Short-term bank loans	1.19	¥75,922
Current portion of long-term debt	1.98	3,268	4,604	24,524
Long-term debt less current portion	1.70	8,972	8,318	67,332
		¥88,162	¥96,625	\$661,629

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

Year ending March 31,	Millions of yen			
	2004	2005	2006	2007
Long-term debt	¥2,907	¥2,111	¥1,159	¥475

Year ending March 31,	Thousands of U.S. Dollars			
	2004	2005	2006	2007
Long-term debt	\$21,819	\$15,841	\$8,697	\$3,563

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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Toda Corporation

We have examined the consolidated balance sheets of Toda Corporation at March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Toda Corporation at March 31, 2002 and 2001, and the consolidated results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

We have also reviewed the translation of the 2002 consolidated financial statements into United States dollars on the basis described in Note 2. In our opinion, such statements have been properly translated on such basis.

Tokyo, Japan
June 27, 2002


Seinan Audit Corporation

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/Kobe/
Hokuriku/Nagoya/
Sapporo/Tohoku/Hiroshima/
Shikoku/Kyushu

Laboratory

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

Subsidiaries and Affiliates

Toda Road Co., Ltd.
3-3, Kyobashi 1-chome,
Chuo-ku, Tokyo 104-0031, Japan

Chiyoda Reform Co., Ltd.
3-1, Kanda Suda-cho 1-chome,
Chiyoda-ku, Tokyo 101-0041,
Japan

Chiyoda Kenko Co., Ltd.
7-1, Kyobashi 1-chome,
Chuo-ku, Tokyo 104-0031, Japan

Sipco Industries Co., Ltd.
6, Kojimachi 1-chome,
Chiyoda-ku, Tokyo 102-0083,
Japan

Seiken Construction Co., Ltd.
4, Shimomiyahi-machi 1-chome,
Shinjuku-ku, Tokyo 162-0822,
Japan

**Chiyoda Tochi Tatemono
Co., Ltd.**
1-10, Nihonbashi Kayabacho
2-chome, Chuo-ku,
Tokyo 103-0025, Japan

**Toda Real Estate Development
Co., Ltd.**
7-1, Kyobashi 1-chome,
Chuo-ku, Tokyo 104-0031, Japan

Yachiyo Urban Co., Ltd.
7-1, Kyobashi 1-chome,
Chuo-ku, Tokyo 104-0031, Japan

Toda Finance Co., Ltd.
7-1, Kyobashi 1-chome,
Chuo-ku, Tokyo 104-0031, Japan

**Towa Kanko Kaihatsu
Co., Ltd.**
9, Funeiri Hon-machi 1-chome,
Naka-ku, Hiroshima 730-0843,
Japan

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°-And.,
São Paulo, Brazil
Phone: 11-3885-5844
Fax: 11-3885-0705

**Shanghai Zhuyi Toda
Construction Co., Ltd.**
282 Hu Nan Road,
Shanghai, China
Phone: 21-6471-5870
Fax: 21-6433-3065

Thai Toda Corporation Ltd.
174/5 Soi Sukhumvit 16,
Sukhumvit Road, Klongtoey,
Bangkok 10110, Thailand
Phone: 2-258-1773
Fax: 2-259-3912

**Toda Corporation
(Malaysia) Sdn. Bhd.**
Unit No. 1135, Block A3, No. 9,
Jalan PJS 8/9, Pusat Dangang
Setia Jaya (Leisure Commerce
Square), 46150 Petaling Jaya,
Kuala Lumpur, Malaysia
Phone: 3-7877-4033
Fax: 3-7877-4355

Overseas Offices

Bangkok Regional Office
174/5 Soi Sukhumvit 16,
Sukhumvit Road, Klongtoey,
Bangkok 10110, Thailand
Phone: 2-258-1773
Fax: 2-259-3912

**Kuala Lumpur Representative
Office**
Unit No. 1135, Block A3, No. 9,
Jalan PJS 8/9, Pusat Dangang
Setia Jaya (Leisure Commerce
Square), 46150 Petaling Jaya,
Kuala Lumpur, Malaysia
Phone: 3-7877-4033
Fax: 3-7877-4355

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

Hanoi Representative Office
120-H2 Thanh Cong,
Ba Dinh District,
Hanoi, Vietnam
Phone: 4-772-1319
Fax: 4-772-1275

Shanghai Representative Office
Room No. 503,
New Town Mansion,
55 Lou Shan Guan Road,
Shanghai, China
Phone: 21-6275-3479
Fax: 21-6295-5692

As of June 28, 2002

BOARD OF DIRECTORS

Chairman

Junnosuke Toda

Deputy Chairman

Hideshige Toda

President

Moriji Toda

Deputy Presidents

Hisao Kato

Tadataka Yamada

Shigeaki Shimizu

Senior Managing Directors

Seiji Tachibana

Tsunehiro Yoshizawa

Satoshi Kosai

Takashi Harada

Masatoshi Shimada

Morimichi Toda

Managing Directors

Tatsuya Ando

Yasuo Konishi

Yojiro Ishizaka

Shunzo Inoue

Tomotaro Ito

Hiroshi Kuwahara

Michio Suzuki

Noriyuki Tanaka

Directors

Kaichi Naruse

Takaya Endo

Masaaki Kawaguchi

Takashi Nakahara

Akira Shimizu

Shigeru Tanimoto

Kakushi Hamabe

Tomiya Aoki

Hiroyuki Ushijima

Yasuaki Kiyoura

Hiroyuki Kikuchi

Shunichiro Hanazono

Standing Corporate Auditors

Fumio Tsukahara

Yasuo Inaba

Corporate Auditors

Yoshimichi Kaji

Takashi Kobayashi



Junnosuke Toda



Moriji Toda

(As of June 28, 2002)



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



Printed on recycled paper in Japan