TODA
TODA CORPORATION

ANNUAL REPORT 2004

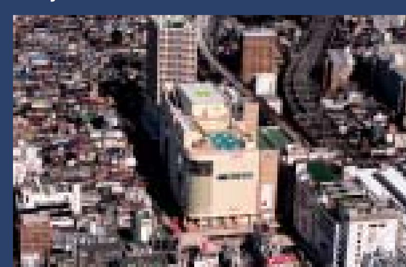
Profile

Established in 1881, Toda Corporation has accumulated industry-leading technical capabilities and realized numerous achievements in its history of more than 120 years, as a result of consistently focusing on construction quality, safety and on-time delivery.

We demonstrate our strengths across a wide range of fields, not only those areas in which we excel (e.g., hospitals, medical facilities and schools), but also in high-rise apartment buildings, urban redevelopment projects, mountain tunneling, shield-tunnel construction, and even the development of environment-related proprietary technologies. Our steady efforts in building a track record, both domestically and internationally, have earned us an enviable reputation.
Toda Corporation will continue to offer you the highest quality and services in construction and related activities.

Index

Senju Mildix I



Location:	Tokyo
Owner:	Kita-Senju Eki Nishiguchi Urban Redevelopment Association
Architect:	Azusa Sekkei
Project duration:	February 2001 to January 2004
Total Floor area:	80,437m^2
Structure and Floors:	Steel frame construction (partly steel frame and RC composite construction), 13 aboveground, 4 underground

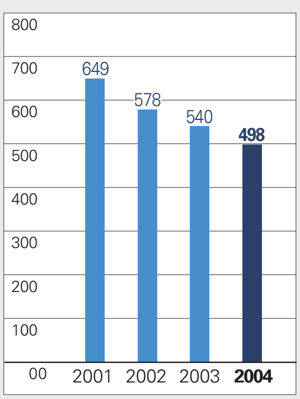
Financial Highlights

Toda Corporation and Consolidated Subsidiaries Years ended March 31

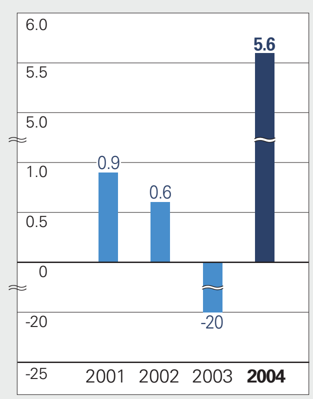
	Millions of yen				Thousands of U.S. dollars
	2004	2003	2002	2001	**2004**
Consolidated					
Total net revenues	**498,206**	539,784	578,120	648,840	**4,713,839**
Operating income	**11,015**	2,997	11,811	26,860	**104,222**
Net income (loss)	**5,585**	(20,027)	577	915	**52,848**
Total shareholders' equity	**198,456**	171,791	203,937	213,304	**1,877,714**
Total assets	**600,019**	606,492	704,818	785,312	**5,677,164**
Per share of common stock (in yen and U.S. dollars):					
Net income (loss)	**17.10**	(62.68)	1.82	2.88	**0.162**
Cash dividends applicable to the year	**5.00**	5.00	9.00	9.00	**0.047**
Net cash (used in) provided by operating activities	**1,015**	14,559	(9,379)	4,872	**9,599**
Net cash (used in) provided by investing activities	**4,723**	(3,059)	1,478	698	**44,689**
Net cash used in financing activities	**(12,060)**	(7,042)	(11,394)	(15,150)	**(114,111)**
Cash and cash equivalents at end of year	**70,294**	76,876	72,668	91,729	**665,094**
Number of employees	**4,779**	4,977	5,289	5,406	
Non-Consolidated					
Orders received	**427,774**	448,013	421,249	563,871	**4,047,441**

Note: U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥105.69 = US$1.00, the approximate exchange rate as at March 31, 2004

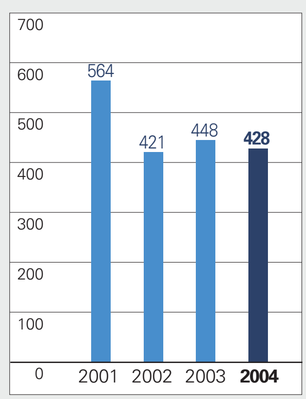
Total net revenues (Consolidated)
(Billions of yen)



Net income (Consolidated)
(Billions of yen)



Orders received (Non-Consolidated)
(Billions of yen)



"Aiming to be an Excellent Corporation" — This is our basic policy to achieve renewed growth

Business Performance in Fiscal Year 2004

The Japanese economy finally started to show some signs of progress in this period (fiscal year ending March 2004) supported by the recovery of overseas economies. Employment conditions and consumer spending, however, failed to achieve full recovery. As a result, overall economic recovery remained sluggish.

Although some signs of recovery were seen in the private sector, the construction industry continued to experience extremely harsh conditions on the whole, as the number of public works declined significantly because of financial difficulties in both the government and local governments. Under these conditions, the Group reported consolidated sales of ¥498.2 billion (a decrease of 7.7% compared to the previous fiscal year). In terms of profit, the operating income increased dramatically to ¥11 billion (an increase of 267.5% compared to the previous fiscal year) as the improvement of the net profit ratio of completed works progressed steadily. This is mainly attributable to selecting projects on a strict profit ratio management basis when accepting orders and a reduction in costs due to our central purchasing strategy. Moreover, the net income in this period was ¥5.5 billion. On the other hand, the number of orders received in units decreased by 4.5% compared to the previous fiscal year, but we will focus all our efforts on acquiring orders even under these harsh conditions.

Establishment of a New Medium-term Management Plan (Fiscal Years 2005 to 2007)

The Company is implementing a medium-term management plan, ending March 31, 2005, but the income target of the final FY (an operating income of ¥10 billion or more) has already been achieved; thus, a new medium-term management plan starting from FY2005 was established.

In the new medium-term management plan, we launched a company-wide policy, "aiming to be an excellent corporation," to accommodate the scale-down of the conventional construction market and changes in the environment surrounding the management to achieve renewed growth. We will consolidate the current profit recovery trend and implement various measures for establishing our corporate brand.

[Basic Policy "Aiming to be an Excellent Corporation"]
What is an "excellent corporation"?
• It assures good quality.
• It secures stable orders and profits.
• It maintains financial strength and a sound corporate culture that people can trust.
• It ensures that the corporate climate remains rich in vitality and enterprising spirit.

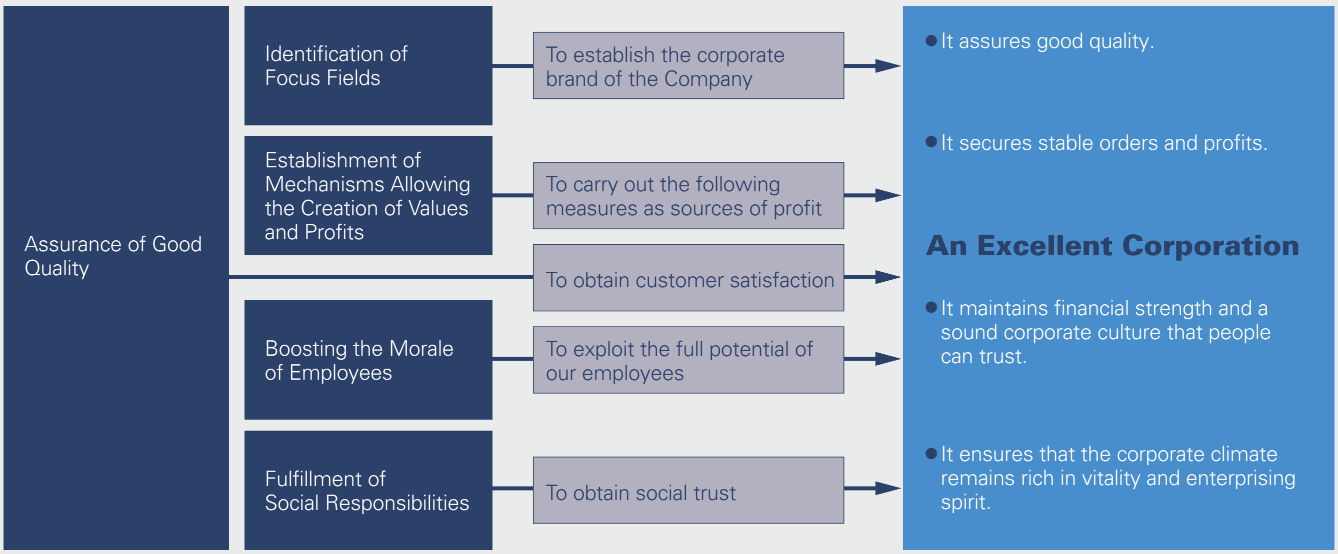
We believe that an excellent corporation achieves these requirements and satisfies all stakeholders. The Company aims to be such an "excellent corporation" by implementing various measures.

[Main Measures in the Medium-term Management Plan]
Assurance of Good Quality
Based on the recognition that "quality is the basis for everything," we will conduct thorough quality control in the design and construction phases and provide stable, reliable services by clearly specifying windows that handle customer relations after delivery. Moreover, we will build a mechanism for keeping track of customer satisfaction (CS) and endeavor to heighten CS.

Identification of Focus Fields
We will identify the market needs and focus our management resources in the following strategic fields to establish the corporate brand of the Company:
[1] Medical field
- In addition to the know-how related to the construction technologies that we have acquired so far, we will focus efforts on proposals related to business planning and hospital operations, for which demands have been lately increasing.

Hisao Kato, President

Basic Policy “Aiming to be an Excellent Corporation”



[2] Education field
- We will propose that educational facilities be adapted to the new demands generated by the progress of the aging population combined with the diminishing number of children.

[3] High-rise buildings
- We will propose high-rise condominiums, for which demand is expected to grow in the future, and high-rise office buildings that can be landmarks of city centers, getting the most out of our technical capabilities in both tangible and intangible aspects.

[4] Urban renaissance projects
- We will promote urban redevelopment projects and aim to increase added value and secure profit-making sources for landowners and participants in projects.
- We will proceed with technical proposals for land readjustment projects, overhead crossing interchange projects, deep subterranean development, etc.

[5] Environment related projects
- We will reinforce our efforts toward becoming an ESCO business*, through proposals for reduction in running costs, including energy saving.

***ESCO(Energy Service Company) business:**
Business that pursues the provision of the “technologies,” “equipment,” “human resources,” “funds,” etc. that are required to comprehensively save energy in buildings and factories, achieve energy saving without disturbing the status-quo, and guarantee the effects.

- We will engage in environment-related projects, including demolishing/newly constructing waste disposal factories, closing old/constructing new dump yards and purifying contaminated soil.

[6] Renewal business
- We will categorize buildings whose construction is undertaken by us as “existing resources,” and propose continuous maintenance works and renewal works even after the completion of such projects to enlarge the number of orders.
- We will also actively participate in the renewal works of existing facilities (e.g., roads, railroads and sewage systems).

Establishment of Mechanisms Allowing the Creation of Values and Profits

We will create further added value for customers through the entire lifecycle of buildings as well as carrying out the following measures as sources of profit:

[1] Solution sales and marketing
- We will actively make proposals based on a thorough understanding of the potential needs of our customers, in all the processes from planning/designing to construction, maintenance management, and demolition of buildings.
- We will aggressively work on proposals for production facilities, warehouses and distribution facilities that achieve high production efficiency and operation efficiency.

[2] Efforts toward investment-type projects
- We will identify certain sources of income for our future business balance and take part in the investments we regard necessary. Moreover, we will promote proposals of business plans that accurately reflect the requests of owners in our PFI* business.

***PFI (Private Finance Initiative):** A new method that takes advantage of the funds, technologies and know-how of private corporations to provide efficient, high-quality service in communal facilities.

[3] Overseas operation
- We will aggressively engage in business operations targeted toward Japanese-affiliated firms in China, Southeast Asia and Brazil, in addition to conventional ODA projects.

[4] Technology development
- We will strive to strengthen our environment-related businesses and information-related technologies focusing on “energy saving,” which is in high demand. We will also differentiate ourselves in the market by advancing high-rise reinforced concrete construction technologies and audio environment technologies even further.
- We will promote the development of technologies required for overhead crossing interchange construction in short-duration projects as well as the deep subterranean construction technologies involved in urban renaissance-related projects. Moreover, we will strengthen our technologies concerning dumping grounds for highly radioactive waste.

[5] Cost reduction
- We will not only develop our central purchasing and overseas procurement further, but will also improve the efficiency of operations in staff departments, covering facilities, production design and technology, taking advantage of information technology.

Boosting the Morale of Employees

To exploit the full potential of our employees, we will conduct organizational/structural reforms, including the clarification and transfer of responsibilities and authority, as well as reviewing our evaluation system.

Fulfillment of Social Responsibilities

To fulfill our social responsibilities as an enterprise, we will place the highest priority on compliance, and maintain a sound financial position and thoroughly manage risk. Moreover, through strengthening our public relations and Investor Relation (IR) functions, we intend to obtain social trust by disclosing relevant information to society at the appropriate time.

Promotion of Activities toward Fulfillment of Corporate Social Responsibility (CSR)

We recognize that strengthening corporate governance and continuously improving the value of the corporation are very important managerial issues. For the compliance system, in particular, we have conducted various activities to make company officials and employees thoroughly aware of compliance. For example, meetings of the enterprise ethics committee with the president as chairman are regularly held. We also established the “enterprise ethics office” as a division in charge in November 2003, and formulated the “charter of corporate behavior of Toda Corporation” and “code of conduct of Toda Corporation,” and opened a corporate ethics helpline. We will upgrade the managerial system and promote necessary measures in the future as well, aiming for efficient business performance, the establishment of a supervisory system, thorough conformation to the compliance system and securing the transparency of the management.

Furthermore, we understand that environmental activities also constitute an important issue in management. In 1994, we constituted the environment philosophy of “aiming for the creative revitalization of the global environment by taking human beings and the environment into consideration” and have conducted various environment protection activities in order to contribute to forming a sustainable society. In addition to these initiatives, we will promote activities aiming for the company-wide integration of ISO14001 within FY2005. We will make further company-wide efforts to promote activities to reduce the environmental burden. In the future as well, we will carry out further effective and continuous environment activities and fulfill our social responsibilities through business activities that place little burden on the environment.

Outlook for Next Year

Regarding the economic climate in the future, it is anticipated that corporate earnings will further improve and the Japanese economy will further recover, although some uncertainties such as currency exchange rate development remain. In the construction industry, we expect severe conditions to continue, due to cutbacks in public works as well as intensified competition in private works, price increases of steel materials, etc.

Given the above factors, the company aims to report consolidated sales of ¥500 billion (an increase of 0.4% compared to the previous fiscal year), an operating income of ¥13 billion (an increase of 18.0% compared to the previous fiscal year) and a net income of ¥7 billion (an increase of 25.3% compared to the previous fiscal year) for the coming year. Note that we expect cash dividends of ¥6 per share.

Toda Corporation will ensure that each measure is carried out according to the new medium-term management plan to further increase our corporate value and fulfill our social responsibilities, living up to the trust that stakeholders have placed in us.

We look forward to your further support and guidance.

Hisao Kato, President

Board of Directors and Auditors


Chairman
Junnosuke Toda


Director – Advisor
Moriji Toda


President
Hisao Kato


Deputy President
Morimichi Toda


Deputy President
Tsunehiro Yoshizawa


Deputy President
Satoshi Kosai

Chairman
Junnosuke Toda

Director - Advisor
Moriji Toda

President
Hisao Kato

Deputy Presidents
Morimichi Toda
Tsunehiro Yoshizawa
Satoshi Kosai

Senior Managing Directors
Tatsuya Ando
Shunzo Inoue
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Kuniaki Ishimaru
Takumi Nishiyama
Hiroyuki Ushijima
Shunichiro Hanazono
Shozaburo Kanamori
Kanji Nagano

Standing Corporate Auditors
Yasuaki Kiyoura
Kunihiko Hayasaka

Corporate Auditors
Yoshiaki Kaji
Isao Itoga

(As of June 29, 2004)

Major Completions

Domestic

Yokohama Customs

Location: Kanagawa Prefecture
Owner: Ministry of land, Infrastructure and Transport
Architect: Hisao Kohyama Atelier, Hidetoshi Ohno + Architects Planners League
Project duration: March 2001 to November 2003
Total Floor area: 15,850m^2
Structure and Floors: (extension work) S construction, 7 aboveground

Leaf Minatomirai

Location: Kanagawa Prefecture
Owner: Yokohama Design Center
Architect: Mitsubishi Jisho Sekkei, Toda Corporation
Project duration: April 2002 to March 2004
Total Floor area: 47,710m^2
Structure and Floors: Steel frame and RC composite construction, 12 aboveground, 4 underground

Liebell Oji

Location: Nara Prefecture
Owner: Oji-ekimae Kudo Urban Redevelopment Association
Architect: Urban Design Union
Project duration: July 2001 to March 2004
Total Floor area: 85,578m^2
Structure and Floors: Steel frame and RC composite construction, 11 aboveground, 1 underground

Atras Tower Koishikawa

Location: Tokyo
Owner: Asahi Kasei Homes
Architect: Kume Sekkei
Project duration: May 2001 to January 2004
Total Floor area: 32,745m^2
Structure and Floors: Steel frame and RC composite construction, 28 aboveground, 2 underground

Tateyama Motorway Kimitsu Interchange

Location: Chiba Prefecture
Owner: Japan Highway Public Corporation
Project duration: January 2001 to October 2003
Length: 3,960m

Konohana Dome

Location: Miyazaki Prefecture
Owner: Miyazaki Prefectual Government
Architect: Daiken Sekki
Project duration: December 2002 to March 2004
Total Floor area: 11,463m^2
Structure and Floors: Wooden construction(roof), RC construction, 2 aboveground

Tsukuba Express Rokucho Station(south side)

Location: Tokyo
Owner: Japan Railway Construction, Transport and Technology Agency
Project duration: January 1999 to March 2004
Structure: Open cut method
Station: 75m
Tunnel: 113m

Overseas

Senegal National development school and social

Location: Dakar,Senegal
Owner: Senegal government
Architect: Yamashita Sekkei
Project duration: September 2002 to February 2004
Total Floor area: 3,661m^2
Structure and Floors: RC construction, 4 aboveground

Pirelli Baiha Factory

Location: Feira de Santana, Brazil
Owner: Pirelly
Architect: Toda do Brazil
Project duration: July 2002 to August 2003
Total Floor area: 33,462m^2
Structure and Floors: S construction, RC consrtruction, 1 aboveground

Technology

1 An urban oasis where human beings can contact nature has become a reality. — Promotion of the amenity-type rooftop biotope.

We have established a model facility of amenity-type rooftop biotopes in our Technical Research Institute aiming for coexistence between human beings and natural life in urban areas as well as the preservation/recovery of the natural ecosystem.

This amenity-type biotope provides an environment where humans and nature can contact each other, and contains plants that represent seasonal changes, bird baths with water fountains, brooks and bridges, etc., allowing us to observe the birds and insects that visit the biotope. Moreover, it employs a system that can improve water quality by circulating rainwater using solar energy generation and wind power generation.

In the future, we will propose this system as a rooftop greenery option that can be adopted in hospitals, communal facilities, schools and condominiums in inner-city districts.

2 Namikata project has commenced in Ehime prefecture for underground LPG storage. — A new phase of R & D in the radioactive waste disposal technique.

We have been importing an underground storage technique from Fortum in Finland since 1978. Fortum owns many underground caverns used for oil and LPG storage and has considerable experience in designing, building and operating such facilities.

The joint venture in which Toda Corporation has participated has already completed the Kikuma project for underground crude oil storage and is now constructing the Namikata project for underground LPG storage. In these projects, in order to prevent the leakage of oil and gas from these caverns, a water barrier system was applied.

Fortum also has an excellent technique for dealing with radioactive waste. Toda Corporation will continue solving the various technical problems associated with the radioactive waste disposal facilities through exchange with Fortum. Toda Corporation has commenced a fresh R&D effort aimed at aspects of radioactive waste disposal such as the long-term stability of the facility and the filling materials.

3 We acquired an architectural technology certificate for the steel tube cotter (TO-STC) method. — It is possible to apply quakeproof reinforcement to a building as is without chipping the finished mortar.

We have been developing the steel tube cotter method into a quakeproof reinforcement method and acquired an architectural technology certificate for it through examination by the General Building Research Corporation of Japan. Now that we have obtained a performance guarantee by a third-party organization, we can omit explanation to individual examination agencies when we use this method in quakeproof reinforcement works.

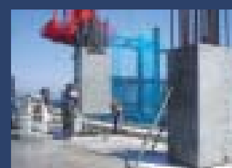
This method allows steel tube cotters to be used as is when the finished mortar of columns and beams has a certain strength, without chipping it off. It is thus possible to reduce chipping work and associated noise, vibration and coarse particles; it is not only friendly to the environment, but also allows reinforcement works to be conducted while people are using the buildings. In the future, we will carry out technology development so that this method can be used for the reinforcement of building exteriors as well.

The biggest high-rise condominiums in Japan will appear in Koto-ku, Tokyo in April 2005.
—The “Super HRC System,” a structure for high-rise RC buildings developed by Toda Corporation, has been introduced.

Currently, Toda Corporation is building a pair of high-rise condominiums, the “W Comfort Towers,” consisting of two buildings of 54 stories and 45 stories, respectively, in Shinonome, Koto-ku, located in a coastal area in Tokyo. To accomplish the difficult task of building high-rise condominiums on soft ground, Toda Corporation has assembled various building technologies and developed a new structure for high-rise condominiums, the “Super HRC System.” By doing so, we have achieved a new level of freedom in the layout of residential areas while taking advantage of the high interior comfort and economical efficiency that are the merits of conventional RC buildings, and achieved shorter project durations as well. We aim to complete the construction of the largest, safe, comfortable high-rise condominiums in Japan using this new technology, and will make efforts in research and development to support even taller buildings in the future.

Four technologies comprising the “Super HRC System”

■ Pre-cast PCa combined method



PCa units manufactured in factories in advance are used for the columns, beams, walls and floors of building frames. The only work required at the building site is to assemble the parts; it is possible to omit formwork, reinforcement work, etc., which means that onsite tasks can be made more efficient and construction can be completed more rapidly.

■ Super-high strength RC method

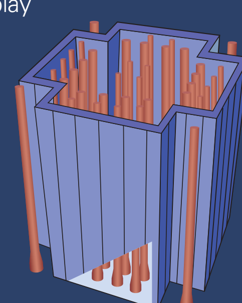
For columns on first and second floors, super-high strength concrete that meets a specified design strength of 100N/mm^2 is used. This concrete is three to four times stronger than conventional concrete and is able to support the weight of a 180-m-tall 54-storied building.

■ RC studs with energy dissipation devices

The RC studs are constructed with special embedded steel plating, which has the flexibility to be moderately deformed in earthquakes. This allows not only a reduction in the effect of earthquake tremors, but also the minimization of damage to the building.

■ Continuous wall foundations underground

Boxed concrete walls in a box configuration with a depth of 53 m and a thickness of up to 1.8 m are laid down continuously to form boxes, which play the role of piles and underground frames at the same time. This reduces the effect of earthquake tremors in soft ground and contributes to shortening project durations, as it eliminates the need to temporarily set underground works.



Performance Overview for FY2004 (April 1, 2003 - March 31, 2004)

The Japanese economy in this period was supported by a general growth of export and business investments primarily caused by the recovery of overseas economies, especially China and the US, and corporate earnings have progressively improved. On the other hand, the efforts aimed at improving the employment conditions and consumer spending did not achieve significant results. Thus, the business conditions did not improve much overall.

The construction industry experienced an extremely harsh year as a whole, suffering the effects of the decline of public works due to financial difficulties in the government and local government sector, although some signs of recovery were seen in the private sector. In light of these circumstances, the Group achieved the following performance.

The consolidated sales decreased by 7.7% compared to the previous fiscal year, to ¥498.2 billion. The operating income was ¥11.0 billion, a dramatic increase of 267.5% compared to the previous fiscal year, as the total profit ratio of our completed works improved. The net income of this fiscal year was ¥5.6 billion.

Segment Overview for FY 2004

The segment performance categorized by type of business was as follows :

Construction

Due to cutbacks of domestic construction works, the sales of completed works were ¥483.7 billion, a decrease of 8.5% compared to the previous fiscal year. However, the total profit of completed works was ¥33.5 billion, an increase of 29.8% compared to the previous fiscal year, as a result of our company-wide efforts to improve our technical capacities and work profitability, and the total profit ratio of competed works was 6.9%, showing an improvement by 2.0%.

Note that the amount of orders accepted was ¥340.2 billion for private works, an increase of 8.8% compared to the previous fiscal year (in Japan), but the corresponding amount for public works was only ¥75.5 billion, a decrease of 39.8%. Thus, in total (including overseas), we reported orders of ¥419.0 billion (¥318.9 billion for construction works and ¥100.2 billion for civil engineering works), a decrease of 5.4% compared to the previous fiscal year.

Business Performance by Segment

	Billions of yen			
	2004	2003	2002	2001
Sales of completed works	**483.7**	528.6	566.8	635.7
Total profit of completed works	**33.5**	25.8	33.9	53.0

Real Estate and Others

In addition to construction activities, we run real estate businesses etc., and reported total sales of ¥14.5 billion, along with a total income from sales of ¥3.6 billion.

Business Performance by Segment

	Billions of yen			
	2004	2003	2002	2001
Total sales	**14.5**	10.6	10.7	12.7
Total income	**3.6**	3.0	4.1	3.6

Cash Flow Status

As for the conditions of cash and cash equivalents (hereinafter referred to as “capital”) in this period, there was an increase in capital of ¥1.0 billion due to operating activities and ¥4.7 billion due to investing activities such as sales of marketable securities and others; on the negative side, we had a capital decrease of ¥12.1 billion in our financial activities including redemption of borrowing etc. As a result, the accumulated capital at the end of this fiscal year was ¥70.3 billion (a decrease of ¥6.6 billion, i.e., 8.6%, compared to the end of the previous fiscal year).

Cash Flow Trends

	Billions of yen			
	2004	2003	2002	2001
Net cash (used in) provided by operating activities	**1.0**	14.6	(9.4)	4.9
Net cash (used in) provided by investing activities	**4.7**	(3.1)	1.5	0.7
Net cash used in financing activities	**(12.1)**	(7.0)	(11.4)	(15.2)

Cash Flows from Operating Activities

Our cash flows from operating activities produced a net inflow of ¥1.0 billion, a decrease of ¥13.5 billion compared to the previous fiscal year. This can be attributed to an inflow of capital of the amount of ¥11.6 billion as income before income taxes, ¥10.1 billion resulting from collection of notes and accounts receivable, ¥5.3 billion due to a decrease in costs on uncompleted construction contracts and ¥6.9 billion due to an increase of purchase debts, while there was an outflow of capital amounting to ¥26.9 billion due to a decrease in advances received on uncompleted construction contracts.

Cash Flows from Investing Activities

Cash flows from investing activities produced a net inflow of ¥4.7 billion. This is attributable to an inflow amounting to ¥5.5 billion due to sales of marketable securities, while there was an outflow of ¥0.9 billion due to acquisition of investment securities and ¥1.1 billion due to loans advanced.

Cash Flows from Financing Activities

Cash flows from financing activities produced a net outflow of ¥12.1 billion, attributable to a decrease in interest-bearing liabilities amounting to ¥10.4 billion and amount of ¥1.6 billion paid in cash dividends.

	2004	2003	2002	2001
Capital adequacy ratio	**33.1%**	28.3%	28.9%	27.2%
Capital adequacy ratio based on market value	**22.3%**	10. 9%	13.0%	22.4%
Years of debt redemption	**72.7 years**	5.8 years	—	19.8 years
Interest coverage ratio	**1.1 times**	12.9 times	—	3.0 times

Capital adequacy ratio: Shareholders' equity / Total assets
Capital adequacy ratio based on market value: Market capitalization of shares / Total assets
Years of debt redemption: Interest-bearing liabilities / Operating cash flow
Interest coverage ratio: Operating cash flow / Amount of interest paid

1. All indexes are calculated on the basis of consolidated financial figures.
2. Cash flows from operating activities are used for the cash flow. Interest-bearing liabilities refer to all borrowings and loans declared in the balance sheet, for which interest is paid.

Consolidated Balance Sheets

Toda Corporation and Consolidated Subsidiaries March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 2)
Assets	**2004**	2003	**2004**
Current assets:			
Cash and time deposits (Note 6)	**¥ 65,500**	¥ 71,134	**$ 619,741**
Notes and accounts receivable	**92,643**	103,719	**876,550**
Marketable securities (Note 7)	**105**	5,534	**993**
Inventories:			
Construction work in progress	**167,654**	172,638	**1,586,279**
Real estate for sale and others	**41,705**	44,283	**394,597**
Deferred income taxes (Note 9)	**25,021**	32,383	**236,739**
Other current assets	**13,111**	14,419	**124,058**
Allowance for doubtful receivables	**(2,136)**	(5,310)	**(20,210)**
Total current assets	**403,603**	438,800	**3,818,747**
Property and equipment:			
Buildings and structures	**37,773**	39,951	**357,396**
Machinery and equipment	**12,952**	13,132	**122,543**
Land (Note 4)	**51,043**	52,026	**482,949**
Construction in progress	**37**	46	**346**
Accumulated depreciation	**(30,925)**	(31,975)	**(292,597)**
Net property and equipment	**70,880**	73,180	**670,637**
Investments and other assets:			
Investment securities (Note 7)	**113,222**	72,911	**1,071,266**
Long-term loans receivable	**9,909**	15,470	**93,753**
Deferred income taxes (Note 9)	**—**	5,752	**—**
Others	**12,085**	14,434	**114,349**
Allowance for doubtful receivables	**(9,680)**	(14,055)	**(91,588)**
Total investments and non-current receivables	**125,536**	94,512	**1,187,780**
Total assets	**¥ 600,019**	¥ 606,492	**$5,677,164**

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars (Note 2) 2004
Current liabilities:			
Notes and accounts payable	**¥ 107,513**	¥ 100,616	**$1,017,251**
Short-term bank loans			
and current portion of long-term debt (Note 11)	**61,997**	75,917	**586,592**
Commercial paper	**5,000**	—	**47,308**
Accrued income taxes	**653**	386	**6,179**
Advance payments received on contracts	**124,364**	151,253	**1,176,689**
Accrued expenses	**5,813**	3,863	**55,003**
Deposits received	**28,223**	31,455	**267,039**
Other current liabilities	**14,217**	23,142	**134,507**
Total current liabilities	**347,780**	386,632	**3,290,568**
Long-term liabilities:			
Long-term debt less current portion (Note 11)	**6,744**	8,196	**63,812**
Deferred income taxes (Note 9)	**8,174**	—	**77,337**
Land revaluation of deferred income taxes (Note 4)	**1,871**	1,862	**17,705**
Allowance for retirement benefits (Note 8)	**27,960**	28,839	**264,548**
Allowance for officers' retirement benefits	**1,037**	1,002	**9,815**
Allowance for loss on repurchase of land	**492**	492	**4,655**
Rental security deposits for real estate	**4,072**	4,206	**38,524**
Total long-term liabilities	**50,350**	44,597	**476,396**
Minority interest	**3,433**	3,472	**32,486**
Contingent liabilities (Note 5)			
Shareholders' equity:			
Common stock:			
Authorized —759,000,000 shares			
Issued —322,656,796 shares (2004)			
—322,656,796 shares (2003)	**23,001**	23,001	**217,633**
Additional paid-in capital	**25,573**	25,573	**241,964**
Retained earnings	**119,382**	115,770	**1,129,551**
Land revaluation difference (Note 4)	**2,726**	2,736	**25,796**
Unrealized gain on available-for-sale securities	**29,489**	6,016	**279,006**
Translation adjustments	**(909)**	(537)	**(8,604)**
Treasury stock, at cost	**(806)**	(768)	**(7,632)**
Total shareholders' equity	**198,456**	171,791	**1,877,714**
Total liabilities and shareholders'equity	**¥ 600,019**	¥ 606,492	**$5,677,164**

Consolidated Statements of Income

Toda Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	**2004**
Revenues:			
Net sales:			
Construction business	**¥483,750**	¥528,602	**$4,577,063**
Real estate business (including other)	**14,456**	11,182	**136,776**
Total net revenues	**498,206**	539,784	**4,713,839**
Costs and expenses:			
Cost of sales	**461,036**	510,935	**4,362,149**
Selling, general and administrative	**26,155**	25,852	**247,468**
Total costs and expenses	**487,191**	536,787	**4,609,617**
Operating income	**11,015**	2,997	**104,222**
Other income (expenses):			
Interest income	**594**	299	**5,622**
Dividend income	**892**	815	**8,436**
Interest expenses	**(920)**	(1,133)	**(8,705)**
Gain on disposal of property and equipment	**1**	35	**13**
Gain on sale of investment securities	**—**	120	**—**
Reversal of allowance for loss on investment in affiliates	**—**	558	**—**
Reversal of allowance for doubtful receivables	**93**	—	**884**
Loss due to prior-period adjustments	**—**	(732)	**—**
Loss from valuation of real estate for sale	**—**	(4,240)	**—**
Loss from valuation of investment securities	**(60)**	(10,584)	**(570)**
Loss from development projects	**—**	(12,683)	**—**
Provision for allowance of doubtful receivables	**—**	(2,965)	**—**
Early job-switching incentives	**(493)**	(1,495)	**(4,663)**
Others, net	**470**	(155)	**4,443**
Total other income (expenses)	**577**	(32,160)	**5,460**
Income (loss) before income taxes	**11,592**	(29,163)	**109,682**
Income taxes (Note 9):			
Current	**719**	797	**6,804**
Deferred	**5,115**	(9,983)	**48,397**
Total income taxes	**5,834**	(9,186)	**55,201**
Minority interest	**173**	50	**1,633**
Net income (loss)	**¥ 5,585**	¥ (20,027)	**$ 52,848**

	Yen		U.S. dollars (Note 2)
Net income (loss) per share	**¥ 17.10**	¥ (62.68)	**$ 0.162**
Cash dividends per share applicable to the year	**5.00**	5.00	**0.047**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Toda Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2004 and 2003

Millions of yen

	Number of shares of common stock (Thousands)	Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 2002	322,656	¥ 23,001	¥ 25,573	¥ 138,837
Cash dividends paid	—	—	—	(2,859)
Bonuses to directors and corporate auditors	—	—	—	(108)
Net loss for the year	—	—	—	(20,027)
Reversal of land revaluation difference	—	—	—	(73)
Balance at March 31, 2003	**322,656**	**¥ 23,001**	**¥ 25,573**	**¥ 115,770**
Reduction due to merger of consolidated subsidiaries	**—**	**—**	**—**	**(367)**
Cash dividends paid	**—**	**—**	**—**	**(1,587)**
Bonuses to directors and corporate auditors	**—**	**—**	**—**	**(19)**
Net income for the year	**—**	**—**	**—**	**5,585**
Balance at March 31, 2004	**322,656**	**¥ 23,001**	**¥ 25,573**	**¥ 119,382**

Thousands of U.S. dollars (Note 2)

	Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 2003	**$ 217,633**	**$ 241,964**	**$1,095,369**
Reduction due to merger of consolidated subsidiaries	**—**	**—**	**(3,473)**
Cash dividends paid	**—**	**—**	**(15,012)**
Bonuses to directors and corporate auditors	**—**	**—**	**(181)**
Net income for the year	**—**	**—**	**52,848**
Balance at March 31, 2004	**$ 217,633**	**$ 241,964**	**$1,129,551**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Toda Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	**2004**
Cash flows from operating activities:			
Income (loss) before income taxes	**¥ 11,592**	¥ (29,163)	**$ 109,682**
Depreciation and amortization	**1,891**	1,947	**17,890**
(Reversal) provision for doubtful accounts	**(790)**	2,447	**(7,473)**
(Reversal) provision for retirement benefits	**(879)**	(1,817)	**(8,314)**
(Reversal) provision for other reserves	**1,985**	(390)	**18,779**
Loss from valuation of real estate for sale	**—**	4,240	**—**
Loss from valuation of investment securities	**60**	10,584	**570**
(Gain) loss on sale of investment securities	**50**	(118)	**469**
Loss from development projects	**—**	12,683	**—**
Gain on disposal of property and equipment	**(1)**	(34)	**(13)**
Interest and dividend income	**(1,486)**	(1,115)	**(14,058)**
Interest expenses	**920**	1,133	**8,705**
Bonuses to directors and corporate auditors	**(41)**	(131)	**(387)**
Decrease (increase) in notes and accounts receivable	**10,126**	25,985	**95,807**
Decrease (increase) in costs on uncompleted construction contracts	**5,328**	40,468	**50,412**
Decrease (increase) in real estate and uncompleted real estate development projects	**4,898**	1,733	**46,345**
Increase (decrease) in notes and accounts payable	**6,897**	(10,437)	**65,255**
Increase (decrease) in advances received on uncompleted construction contracts	**(26,889)**	(33,064)	**(254,411)**
Other, net	**(12,486)**	(8,868)	**(118,136)**
Subtotal	**1,175**	16,083	**11,122**
Interest and dividends received	**1,182**	1,093	**11,177**
Interest paid	**(920)**	(1,133)	**(8,705)**
Income taxes paid	**(422)**	(1,484)	**(3,995)**
Net cash (used in) provided by operating activities	**1,015**	14,559	**9,599**
Cash flows from investing activities:			
Increase in time deposits	**(857)**	(1,149)	**(8,109)**
Decrease in time deposits	**902**	3,033	**8,534**
Acquisition of marketable securities	**(100)**	(100)	**(946)**
Proceeds from sales of marketable securities	**5,516**	100	**52,190**
Acquisition of property and equipment	**(311)**	(3,090)	**(2,941)**
Proceeds from disposal of property and equipment	**24**	119	**223**
Acquisition of investment securities	**(896)**	(2,087)	**(8,474)**
Proceeds from sales of investment securities	**103**	332	**979**
Loans advanced	**(1,088)**	(2,298)	**(10,296)**
Proceeds from collection of loans	**589**	862	**5,576**
Other, net	**841**	1,219	**7,953**
Net cash (used in) provided by investing activities	**4,723**	(3,059)	**44,689**
Cash flows from financing activities:			
Increase in short-term borrowings	**10,491**	5,956	**99,262**
Decrease in short-term borrowings	**(23,576)**	(10,462)	**(223,063)**
Increase (decrease) in commercial paper	**5,000**	—	**47,308**
Proceeds from long-term borrowings	**1,380**	3,960	**13,057**
Repayments of long-term borrowings	**(3,668)**	(3,503)	**(34,704)**
Cash dividends paid by the parent company	**(1,587)**	(2,859)	**(15,012)**
Cash dividends paid to minority shareholders	**(63)**	(67)	**(597)**
Other, net	**(37)**	(67)	**(362)**
Net cash used in financing activities	**(12,060)**	(7,042)	**(114,111)**
Effect of exchange rate changes on cash and cash equivalents	**(260)**	(250)	**(2,458)**
Net increase (decrease) in cash and cash equivalents	**(6,582)**	4,208	**(62,281)**
Cash and cash equivalents at beginning of year	**76,876**	72,668	**727,375**
Cash and cash equivalents at end of year (Note 6)	**¥ 70,294**	¥ 76,876	**$ 665,094**

See accompanying notes to consolidated financial statements.

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 ¥105.69=US$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2004. 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., 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 Toda Construction (Shanghai) 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 which are stated at cost is summarized below:

Consolidated subsidiaries	13
Stated at cost:	
Unconsolidated subsidiaries	3
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 Companies are 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 the 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.

6) Allowance for loss on repurchase of land

We declared the loss expected to be incurred in the event of buying back the land sold to the Organization for Promoting Urban Development, considering that the right to sell it back is likely to be exercised.

7) 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 to minority interest and shareholders' equity as translation adjustments.

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

9) 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.

10) 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.

11) Net income per share
The computation of the 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 discrepancies 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
•Difference between year-end fair value and post-revaluation book value
¥(4,063million) $(38,438thousand)

5. Contingent Liabilities

Contingent liabilities at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Guarantees of loans	**¥ 979**	¥ 93	**$ 9,267**
Guarantees of advances	**130**	240	**1,229**
Contingent liabilities	**¥ 1,109**	¥ 333	**$ 10,496**

6. Components of Cash and Cash Equivalents

Components of cash and cash equivalents at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Cash and time deposits	**¥ 65,500**	¥ 71,134	**$ 619,741**
Without time deposits with maturities of more than three months	**(1,406)**	(1,457)	**(13,312)**
Cash equivalents	**6,200**	7,199	**58,665**
Cash and cash equivalents	**¥ 70,294**	¥ 76,876	**$ 665,094**

7. Marketable Securities and Investment Securities

Millions of yen

March 31, 2004	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	**¥ 25**	**¥ 25**	**¥ 0**
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets	**—**	**—**	**—**
Total	**¥ 25**	**¥ 25**	**¥ 0**

Millions of yen

March 31, 2004	Acquisition cost	Amount recorded in the consolidated balance sheets	Difference
Other securities with a fair value:			
Items with a fair value that exceeds the amount recorded in the consolidated balance sheets			
Stocks	**¥ 54,786**	**¥105,009**	**¥ 50,223**
Bonds	**13**	**13**	**0**
Others	**—**	**—**	**—**
Subtotal	**54,799**	**105,022**	**50,223**
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets			
Stocks	**3,880**	**3,385**	**(495)**
Bonds	**5**	**5**	**(0)**
Others	**—**	**—**	**—**
Subtotal	**3,885**	**3,390**	**(495)**
Total	**¥ 58,684**	**¥108,412**	**¥ 49,728**

Millions of yen

March 31, 2003	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	¥ 194	¥ 194	¥ 0
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets	—	—	—
Total	¥ 194	¥ 194	¥ 0

Millions of yen

March 31, 2003	Acquisition cost	Amount recorded in the consolidated balance sheets	Difference
Other securities with a fair value:			
Items with a fair value that exceeds the amount recorded in the consolidated balance sheets			
Stocks	¥ 26,671	¥ 43,685	¥ 7,014
Bonds	5,364	5,378	14
Others	9	9	—
Subtotal	32,044	49,072	7,028
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets			
Stocks	32,042	25,126	(6,916)
Bonds	5	5	0
Others	—	—	—
Subtotal	32,047	25,131	(6,916)
Total	¥ 64,091	¥ 74,203	¥ 10,112

Thousands of U.S. dollars

March 31, 2004	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	**$ 234**	**$ 235**	**$ 1**
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets	**—**	**—**	**—**
Total	**$ 234**	**$ 235**	**$ 1**

Thousands of U.S. dollars

March 31, 2004	Acquisition cost	Amount recorded in the consolidated balance sheets	Difference
Other securities with a fair value:			
Items with a fair value that exceeds the amount recorded in the consolidated balance sheets			
Stocks	**$518,370**	**$993,560**	**$475,190**
Bonds	**123**	**124**	**1**
Others	**—**	**—**	**—**
Subtotal	**518,493**	**993,684**	**475,191**
Items with a fair value that does not exceed the amount recorded in the consolidated balance sheets			
Stocks	**36,712**	**32,023**	**(4,689)**
Bonds	**47**	**47**	**(0)**
Others	**—**	**—**	**—**
Subtotal	**36,759**	**32,070**	**(4,689)**
Total	**$555,252**	**$1,025,754**	**$470,502**

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
	2004	2003	**2004**
Retirement benefit obligation	**¥ (55,842)**	¥ (53,737)	**$(528,363)**
Eligible retirement pension assets	**23,496**	21,569	**222,315**
Unfunded retirement benefit obligation	**(32,346)**	(32,168)	**(306,048)**
Unrecognized actuarial differences	**4,386**	3,329	**41,500**
Retirement benefit reserves	**¥ (27,960)**	¥ (28,839)	**$(264,548)**

Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Service costs	**¥ 1,917**	¥ 2,027	**$ 18,137**
Interest costs	**1,568**	1,804	**14,840**
Expected return on plan assets	**(22)**	—	**210**
Amount of actuarial differences	**708**	140	**6,697**
Retirement benefit expenses	**¥ 4,171**	¥ 3,971	**$ 39,464**

Basis of calculating retirement benefit obligation

	2004	2003
Periodic allocation method of projected retirement benefit obligation	**Straight-line method**	Straight-line method
Discount rate	**2,50%**	3.00%
Expected return rate on plan assets	**1.20%**	1.20%
Amortized period of unrecognized actuarial differences	**5 years**	5 years

9. Income Taxes

Taxes on income applicable to the Companies resulted in a statutory tax rate of approximately 42% in 2004 and 2003.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Deferred tax assets:			
Loss from valuation of real estate	**¥ 14,039**	¥ 18,195	**$ 132,831**
Allowance for retirement benefits	**10,206**	9,321	**96,569**
Allowance for doubtful receivables	**2,156**	4,121	**20,397**
Accrued bonuses	**2,104**	1,165	**19,907**
Loss from valuation of investment securities	**965**	1,053	**9,130**
Others	**6,351**	4,101	**60,088**
Tax loss carryforwards	**3,912**	7,326	**37,014**
Less: valuation allowance	**(464)**	(765)	**(4,389)**
Deferred tax assets	**39,269**	44,517	**371,547**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(20,239)**	(4,095)	**(191,494)**
Property and equipment	**(2,183)**	(2,172)	**(20,651)**
Land revaluation difference	**(1,871)**	(1,862)	**(17,705)**
Others	**—**	(115)	**—**
Deferred tax liabilities	**(24,293)**	(8,244)	**(229,850)**
Net deferred tax assets	**¥ 14,976**	¥ 36,273	**$ 141,697**

The reconciliation between the normal effective statutory tax rate for the years ended March 31, 2004 and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2004	2003
Normal effective statutory tax rate	**42.0%**	—
Expenses not deductible for income tax purposes	**8.5**	—
Non-taxable income	**(1.4)**	—
Others	**1.2**	—
Actual effective tax rate	**50.3%**	—

This information was omitted because loss before income taxes was declared in FY 2003.

10. Segment Information

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

Construction............Building construction and civil engineering, etc.

Real estate ....Resale and rental of land, houses and buildings, etc.

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

Information by industry segment for the years ended March 31, 2004 and 2003 is summarized as follows:

Millions of yen

March 31, 2004	Construction	Real estate	Other	Total	Elimination and/or corporate	Consolidated
Net sales:						
Customers	**¥ 483,750**	**¥ 13,890**	**¥ 566**	**¥ 498,206**	**¥ —**	**¥ 498,206**
Inter-segment	**124**	**1,013**	**262**	**1,399**	**(1,399)**	**—**
Total	**483,874**	**14,903**	**827**	**499,605**	**(1,399)**	**498,206**
Costs and expenses	**474,744**	**13,054**	**751**	**488,549**	**(1,358)**	**487,191**
Operating income	**¥ 9,130**	**¥ 1,849**	**¥ 77**	**¥ 11,056**	**¥ (41)**	**¥ 11,015**
Assets	**¥ 335,898**	**¥ 86,721**	**¥ 11,239**	**¥ 433,856**	**¥ 166,161**	**¥ 600,014**
Depreciation	**988**	**840**	**63**	**1,891**	**—**	**1,891**
Capital expenditures	**749**	**40**	**9**	**798**	**—**	**798**

Millions of yen

March 31, 2003	Construction	Real estate	Other	Total	Elimination and/or corporate	Consolidated
Net sales:						
Customers	¥ 528,602	¥ 10,630	¥ 552	¥ 539,784	¥ —	¥ 539,784
Inter-segment	33	792	239	1,064	(1,064)	—
Total	528,635	11,422	791	540,848	(1,064)	539,784
Costs and expenses	527,149	9,912	741	537,802	(1,015)	536,787
Operating income	¥ 1,486	¥ 1,510	¥ 50	¥ 3,046	¥ (49)	¥ 2,997
Assets	¥ 362,654	¥ 93,226	¥ 12,849	¥ 468,729	¥ 137,763	¥ 606,492
Depreciation	1,009	871	67	1,947	—	1,947
Capital	623	2,583	2	3,208	—	3,208

Thousands of U.S. dollars

March 31, 2004	Construction	Real estate	Other	Total	Elimination and/or corporate	Consolidated
Net sales:						
Customers	**$4,577,063**	**$ 131,425**	**$ 5,351**	**$4,713,839**	**$ —**	**$4,713,839**
Inter-segment	**1,174**	**9,581**	**2,485**	**13,240**	**(13,240)**	**—**
Total	**4,578,237**	**141,006**	**7,836**	**4,727,079**	**(13,240)**	**4,713,839**
Costs and expenses	**4,491,857**	**123,510**	**7,100**	**4,622,467**	**(12,850)**	**4,609,617**
Operating income	**$ 86,380**	**$ 17,496**	**$ 735**	**$ 104,611**	**$ (390)**	**$ 104,222**
Assets	**$3,178,139**	**$ 820,526**	**$ 106,342**	**$4,105,007**	**$1,572,157**	**$5,677,164**
Depreciation	**9,358**	**7,944**	**594**	**17,891**	**—**	**17,891**
Capital expenditures	**7,083**	**381**	**88**	**7,552**	**—**	**7,552**

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

	Average interest rate (%)	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars 2004
Short-term bank loans	**1.176**	**¥ 58,332**	¥ 71,416	**$ 551,915**
Current portion of long-term debt	**1.577**	**3,665**	4,501	**34,677**
Long-term debt less current portion	**1.532**	**6,744**	8,196	**63,812**
Commercial paper	**0.015**	**5,000**	—	**47,308**
	1.127	**¥ 73,741**	¥ 84,113	**$ 697,712**

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

Millions of yen

Year ending March 31,	2006	2007	2008	2009
Long-term debt	¥ 3,943	¥ 1,446	¥ 864	¥ 349

Thousands of U.S. Dollars

Year ending March 31,	2006	2007	2008	2009
Long-term debt	$ 37,309	$ 13,678	$ 8,177	$ 3,301

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

Report of Independent Auditors

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, 2004 and 2003, 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 discloseres in the consolidated finacial 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, 2004 and 2003, 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 2004 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.

Seinan Audit Corporation

Tokyo, Japan
June 29, 2004

Seinan Audit Corporation

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(As of June 29, 2004)

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