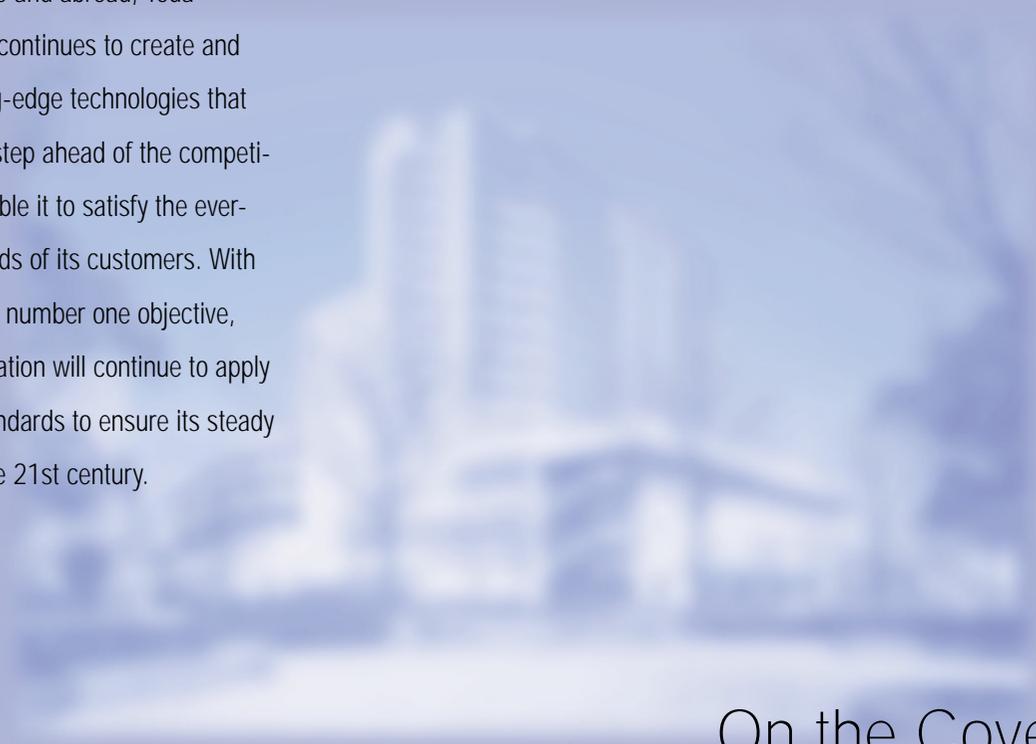




ANNUAL REPORT 2000

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.



On the Cover

Completed in March 2000, the redevelopment of Fukuoka's Wakamatsu A Area includes this 14-story structure, which houses stores, a library, offices, and housing. The building, with one basement and a total floor area of 53,958m², offers multifunctional facilities to satisfy a variety of needs under one roof.

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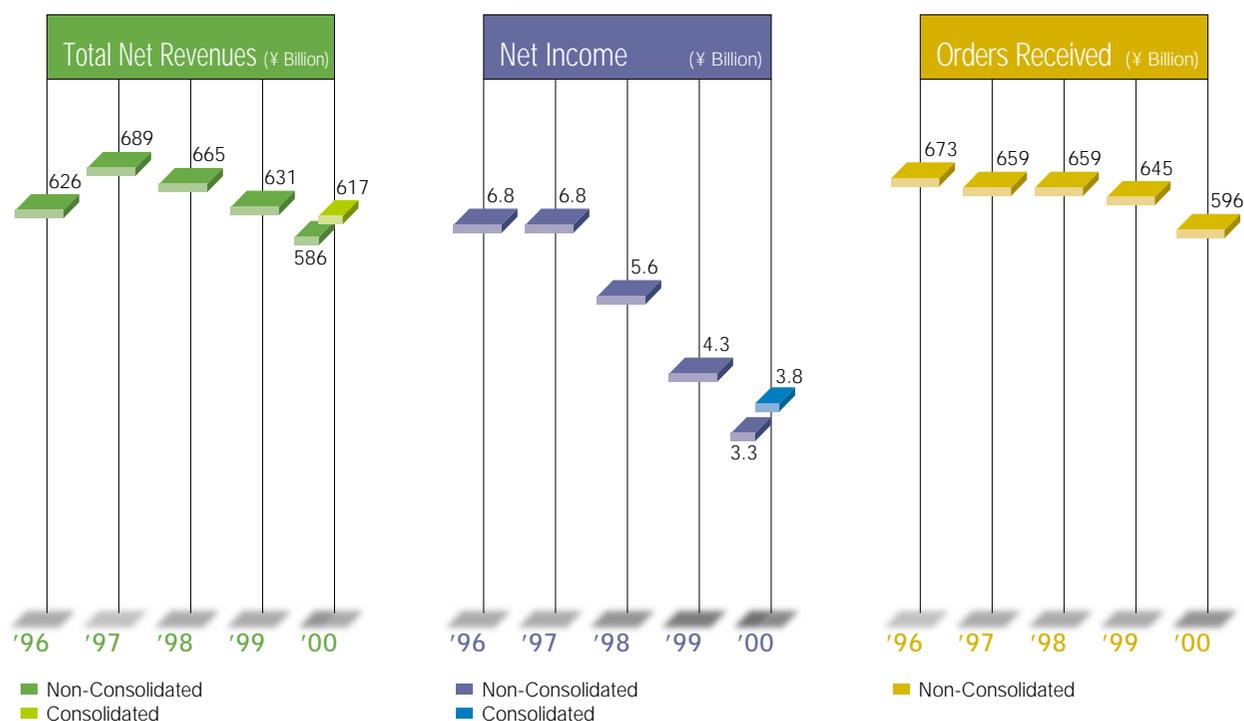
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Financial Highlights

Toda Corporation and Consolidated Subsidiaries Years ended March 31

	Millions of yen, except per share data					Thousands of U.S. dollars
	2000	1999	1998	1997	1996	2000
Consolidated						
For the year:						
Total net revenues	¥617,403	¥—	¥—	¥—	¥—	\$5,816,326
Income before income taxes	9,391	—	—	—	—	88,472
Net income	3,821	—	—	—	—	36,000
Per share of common stock (in yen and U.S. dollars):						
Net income	¥12.03	¥—	¥—	¥—	¥—	\$0.113
At year-end:						
Total assets	¥742,835	¥—	¥—	¥—	¥—	\$6,997,978
Total shareholders' equity	189,524	—	—	—	—	1,785,438
Number of employees	5,578	—	—	—	—	
Non-Consolidated						
For the year:						
Orders received	¥596,322	¥645,096	¥658,945	¥659,154	¥672,596	\$5,617,736
Total net revenues	586,182	630,618	664,961	689,398	625,509	5,522,207
Income before income taxes	8,252	10,052	16,900	23,778	25,485	77,745
Net income	3,318	4,252	5,550	6,848	6,785	31,260
Per share of common stock (in yen and U.S. dollars):						
Net income	¥10.28	¥13.18	¥17.22	¥21.29	¥21.09	\$0.097
Cash dividends applicable to the year	9.00	9.00	9.00	9.00	9.00	0.085
At year-end:						
Total assets	¥701,008	¥699,758	¥736,561	¥781,740	¥828,786	\$6,603,939
Total shareholders' equity	186,036	172,223	171,065	168,099	164,404	1,752,586
Common stock, par value ¥50 per share	23,001	23,001	23,001	22,720	22,714	216,690
Number of shareholders	20,285	17,742	17,816	17,733	18,371	
Number of employees	5,047	5,215	5,417	5,662	5,903	

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106.15=US\$1, the exchange rate prevailing on March 31, 2000.



A Message from the Management



Junnosuke Toda
Chairman

In the first half of fiscal 1999, ended March 31, 2000, the Japanese government was struggling to revive the economy. This resulted in the implementation of a series of such expansionary policies as public-sector investment projects and tax breaks for home buyers in an attempt to bolster the economy, making it seem as if Japan's recession had passed. In the latter half of the year, the number of positive economic indicators multiplied—among them signs that the decline in capital investment had ended and that imports were on the rise. At the same time, however, it was clear that private consumption remained weak and that public-sector investment had slowed dramatically, demonstrating that, contrary to reports that the economy was recovering, it was actually closer to leveling off, reflecting continued severe business conditions.

In the construction industry, policies to increase domestic demand were expected to lead to an increase in public works projects, but in the first half of the fiscal year there was a slight downturn, which had become a standstill by the latter half of the year. Thanks to orders from the manufacturing industry—mostly IT-related companies—and large-scale redevelopment in the Tokyo metropolitan area, certain areas of the private works sector

ended their decline. Overall, however, private works projects sank to a level lower than that of the preceding fiscal year.

Against this background, Toda Corporation strove to improve its operations with the goal of becoming a resilient company capable of surviving harsh business conditions.

As a result of these efforts, consolidated total net revenues during the term amounted to ¥617.4 billion (US\$5,816.3 million) and net income totaled ¥3.8 billion (US\$36.0 million).

Toda Corporation declared cash dividends applicable to the year of ¥9.00 (US\$0.085) per share, equal to the previous fiscal year's figure.

Business Partnership

In October, Toda Corporation entered into an agreement with Nishimatsu Construction Co., Ltd., to collaborate on projects in several fields.

The agreement covers technological R&D and the joint use of machinery and facilities as well as joint discussions concerning cooperation in other areas. Our first collaborative project was the development of seismic dampers for high-rise buildings. Such dampers respond to a variety of situations, protecting buildings from oscillations ranging from minor swaying resulting from strong winds to the tremors of major earthquakes. We have been

able to reduce the cost of this device more than 30% compared with that of earlier models.

We expect to profit from this partnership by raising our level of efficiency, and at the end of the five-year agreement both companies will discuss the advantages of continued partnership.

ISO Certification

All 13 Toda Corporation branches throughout Japan have been granted ISO 14001 certification. Throughout the year under review, we worked to develop technology that will conserve resources and energy and implemented business practices that will make us a company that can boast a good relationship with both the local community and the environment. We have maintained our product quality and environmental management systems on a Companywide basis since 1997, when all branches received ISO 9001 certification, and through efforts to protect the environment and sustain quality management we hope to contribute to the good of society.

Business Outlook

At Toda Corporation, we have adopted a mid-term management plan focused on orders, profits, and the environment. To secure more orders, Toda Corporation plans

to strengthen its technologies and project-proposal capabilities as well as implement the use of IT in sales and other operations at its offices. In addition, rather than depend on existing sources of orders, we will explore new markets for construction by formulating a strategy to respond to the growing need for nursing homes and healthcare facilities that is accompanying the demographic aging of Japanese society. This will allow us to take advantage of public finance initiatives (PFIs) and renewal projects and seek environment-related business projects. We plan to improve profitability through an overhaul of our manufacturing system as well as operational and organizational reform. We are also working toward a profitable financial situation by dealing with non-performing assets and bad debts in a timely manner as well as reducing our debt on interest-bearing liabilities. With regard to the environment, our goal is to take a responsible position and eliminate waste. Toda Corporation plans to exploit its business resources to the fullest while strengthening its use of technology and improving its project-proposal capabilities to fulfill its objective of being able to offer the best quality to the most clients throughout the lives of its buildings.

July 2000



Moriji Toda
President

Junnosuke Toda

Junnosuke Toda
Chairman

Moriji Toda

Moriji Toda
President

Review of Operations

DOMESTIC

Toda Corporation undertakes a vast array of construction projects that improve the quality of life for people in Japan, including highways, tunnels, buildings, and factories. Noteworthy projects completed during fiscal 1999 include: in Saitama, the Four Seasons Shiki and Marui Family; in Fukuoka, the Emergency Care Center at St. Mary's Patient- and Family-Focused Hospital as well as the redevelopment of Wakamatsu A Area; in Tsuyama, the Tsuyama Central Hospital; in Tokyo, the redevelopment of Seisekisakuragaoka Vita Commune; in Tochigi, an addition to the Sakushin Gakuin University; and in Yamanashi, the lower dam of the Kazunogawa river at the Kazunogawa Electric Power Plant.



❶ The Four Seasons Shiki and Marui Family, Shiki Branch (Saitama)

Work period:
September 1997 to February 2000
Eight stories with two basements
(three basements in one section)
Total floor area: 37,812m²

❷ Emergency Care Center, St. Mary's Patient- and Family-Focused Hospital (Fukuoka)

Work period: April 1996 to March 2000
Seven stories with one basement
Total floor area: 19,613m²

❸ Ventilation System for Highway KJ/125

Work period:
March 1996 to November 1999
Total length: 75.4m

❹ Sakushin Gakuin University Addition (Tochigi)

Work period: April 1999 to March 2000
Five stories with one basement
Total floor area: 22,472m²

❺ Tsuyama Central Hospital

Work period:
December 1997 to January 2000
Six stories with one basement
Total floor area: 23,532m²

❻ Redevelopment of Seisekisakuragaoka Vita Commune (Tokyo)

Work period:
March 1997 to September 1999
11 stories with three basements
Total floor area: 49,515m²

❼ Karuoka Tunnel on the Tokai-Hokuriku Highway

Work period: June 1997 to June 1999
Total length: 1,422m

❽ Lower Dam of the Kazunogawa River at Kazunogawa Electric Power Plant (Yamanashi)

Work period:
November 1992 to November 1999
Total water volume: 11,500,000m³



OVERSEAS

Toda Corporation has a long history of success in overseas development projects and is currently involved in a number of projects around the world. The Company has built a strong global network of offices and subsidiaries that meet the diversified needs of its customers around the world. Overseas projects completed during fiscal 1999 include, among others, the renovation of primary school facilities in Vietnam and the modernization of the world headquarters of Lynn Products, Inc., based in California, in the United States.



❶ Renovation of the Facilities of Primary Schools (Phase IV)

Quang Ninh Province, Vietnam
Work period:
February 1999 to March 2000
2 stories and 3 stories
Total floor area: 42,213m²

❷ Lynn Products, Inc., World Headquarters

California, United States
Work period:
January 1999 to November 1999
2 stories
Total floor area: 3,345m²

Financial Review

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

RESULTS OF OPERATIONS

During the year under review, severe business conditions in the Japanese economy continued due to a significant drop in public-sector investment and weak private-sector consumption, despite government expansionary policies and a number of positive economic indicators. In the construction industry, certain areas of the private works sector ended their decline, but overall, the number of both public and private works projects dropped, resulting in a severe operating environment for Toda Corporation.

Amid these harsh conditions, Toda Corporation and its consolidated subsidiaries strove to strengthen their operating foundations. On a non-consolidated basis, orders received during the term totaled ¥596,322 million (US\$5,617.7 million), comprising ¥589,518 million (US\$5,553.6 million) in orders for construction projects and ¥6,804 million (US\$64.1 million) in orders for real estate. On a consolidated basis, total net revenues for the year under review amounted to ¥617,403 million (US\$5,816.3 million). Cost of sales and selling, general and administrative expenses came to ¥557,294 million (US\$5,250.1 million) and ¥29,919 million (US\$281.9 million), respectively. Income before income taxes totaled ¥9,391 million (US\$88.5 million), and net income was ¥3,821 million (US\$36.0 million). Net income per share came to ¥12.03 (US\$0.113).

FINANCIAL POSITION

Looking at the financial position, cash and time deposits totaled ¥97,426 million (US\$917.8 million), while notes and accounts receivable less allowance for doubtful receivables amounted to ¥130,155 million (US\$1,226.1 million), and inventories were at ¥312,833 million (US\$2,947.1 million). Total assets were ¥742,835 million (US\$6,998.0 million) at fiscal year-end.

On the other side of the balance sheet, total current liabilities amounted to ¥513,316 million (US\$4,835.8 million), while total long-term liabilities totaled ¥35,682 million (US\$336.1 million). Retained earnings were ¥143,622 million (US\$1,353.0 million), and total shareholders' equity came to ¥189,524 million (US\$1,785.4 million) at fiscal year-end.

CASH FLOWS

During the year under review, net cash provided by operating activities totaled ¥17,039 million (US\$160.5 million). Cash and cash equivalents at end of year amounted to ¥100,348 million (US\$945.3 million).

Consolidated Balance Sheet

Toda Corporation and Consolidated Subsidiaries March 31, 2000

ASSETS	Millions of yen 2000	Thousands of U.S. dollars (Note 2) 2000
Current assets:		
Cash and time deposits (Notes 3 and 5)	¥ 97,426	\$ 917,816
Marketable securities (Notes 4 and 5)	29,483	277,753
Notes and accounts receivable	136,443	1,285,375
Allowance for doubtful receivables	(6,288)	(59,238)
Inventories:		
Construction work in progress	242,993	2,289,150
Real estate for sale	69,277	652,633
Raw materials and supplies	563	5,301
Deferred income taxes (Note 7)	16,322	153,762
Other current assets	21,071	198,499
Total current assets	607,290	5,721,051
 Property and equipment:		
Land (Note 5)	46,241	435,618
Buildings and structures (Note 5)	36,032	339,440
Machinery and equipment	13,850	130,476
Construction in progress	153	1,445
Less: Accumulated depreciation	(29,138)	(274,496)
Net property and equipment	67,138	632,483
 Investments and other assets:		
Investments in securities (Notes 4 and 5)	42,730	402,547
Long-term loans receivable	8,973	84,531
Deferred income taxes (Note 7)	3,442	32,430
Others	25,348	238,791
Allowance for doubtful receivables	(12,086)	(113,855)
Total investments and non-current receivables	68,407	644,444
Total assets	¥742,835	\$6,997,978

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	<u>Millions of yen</u> 2000	<u>Thousands of</u> <u>U.S. dollars (Note 2)</u> 2000
Current liabilities:		
Short-term bank loans	¥ 84,900	\$ 799,812
Current portion of long-term debt (Note 6)	13,550	127,648
Notes and accounts payable	140,416	1,322,810
Advance payments received on contracts	201,325	1,896,610
Accrued expenses	6,861	64,632
Accrued income taxes	13,765	129,680
Other current liabilities	52,499	494,571
Total current liabilities	513,316	4,835,763
Long-term liabilities:		
Long-term debt less current portion (Note 6)	10,417	98,132
Accrued severance indemnities	15,826	149,092
Other long-term liabilities	9,439	88,919
Total long-term liabilities	35,682	336,143
Minority interest	4,313	40,634
Contingent liabilities (Note 8)		
Shareholders' equity:		
Common stock, par value ¥50 per share:		
Authorized—759,000,000 shares		
Issued—322,656,796 shares (2000)		
—322,656,796 shares (1999)	23,001	216,690
Additional paid-in capital	25,573	240,915
Retained earnings	143,622	1,353,014
Total	192,196	1,810,619
Treasury stock 4,851 shares, at cost	(2)	(17)
Shares of parent company's stock owned by consolidated subsidiaries (4,968,184 shares)	(1,518)	(14,306)
Translation adjustments	(1,152)	(10,858)
Total shareholders' equity	189,524	1,785,438
Total liabilities and shareholders' equity	¥742,835	\$6,997,978

Consolidated Statement of Income

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

	Millions of yen 2000	Thousands of U.S. dollars (Note 2) 2000
Revenues:		
Net sales:		
Construction business	¥602,874	\$5,679,456
Real estate business (including other)	14,529	136,870
Total net revenues	617,403	5,816,326
Costs and expenses:		
Cost of sales	557,294	5,250,057
Selling, general and administrative	29,919	281,861
Total costs and expenses	587,213	5,531,918
Operating income	30,190	284,408
Other income (expenses):		
Interest and dividend income	1,658	15,625
Interest and other paid	(2,119)	(19,960)
Gain on disposal of property and equipment	131	1,239
Loss on sale of real estate for sale	(6,046)	(56,956)
Loss from valuation of real estate for sale	(12,125)	(114,228)
Loss from valuation of investment securities	(1,367)	(12,883)
Others, net	(931)	(8,773)
Total other income (expenses)	(20,799)	(195,936)
Income before income taxes	9,391	88,472
Income taxes (Note 7):		
Current	11,173	105,258
Deferred	(5,805)	(54,687)
Total income taxes	5,368	50,571
Minority interest	(202)	(1,901)
Net income	¥ 3,821	\$ 36,000
	Yen	U.S. dollars (Note 2)
Net income per share	¥12.03	\$0.113
Cash dividends per share applicable to the year	9.00	0.085

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

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

	Number of shares of common stock (Thousands)	Millions of yen		
		Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1999	322,656	¥23,001	¥25,573	¥129,194
Net income for the year	—	—	—	3,821
Cash dividends paid	—	—	—	(2,859)
Bonuses to directors and corporate auditors	—	—	—	(198)
Adjustment of retained earnings for newly applied accounting for allocation of income taxes	—	—	—	13,664
Balance at March 31, 2000	322,656	¥23,001	¥25,573	¥143,622

	Thousands of U.S. dollars (Note 2)		
	Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1999	\$216,690	\$240,915	\$1,217,095
Net income for the year	—	—	36,000
Cash dividends paid	—	—	(26,935)
Bonuses to directors and corporate auditors	—	—	(1,867)
Adjustment of retained earnings for newly applied accounting for allocation of income taxes	—	—	128,721
Balance at March 31, 2000	\$216,690	\$240,915	\$1,353,014

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

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

	Millions of yen 2000	Thousands of U.S. dollars (Note 2) 2000
Cash flows from operating activities:		
Income before income taxes	¥ 9,391	\$ 88,472
Depreciation and amortization	1,913	18,031
Reversal provision for allowance for doubtful accounts	(2,498)	(23,540)
Provision for accrued retirement benefits	245	2,314
Reversal provision for other reserves	(312)	(2,940)
Write-down of marketable and investment securities	3,019	28,443
Gain on sales of property and equipment	(131)	(1,240)
Interest and dividend income	(1,658)	(15,625)
Interest expenses	2,118	19,961
Bonuses to directors and corporate auditors	(198)	(1,867)
Decrease in notes and accounts receivable	21,844	205,785
Increase in costs on uncompleted construction contracts	(8,542)	(80,477)
Decrease in real estate and uncompleted real estate development projects	14,548	137,052
Decrease in notes and accounts payable	(15,915)	(149,934)
Increase in advances received on uncompleted construction contracts	4,018	37,855
Other, net	(49)	(457)
Subtotal	27,793	261,833
Interest and dividends received	1,658	15,625
Interest paid	(2,118)	(19,961)
Income taxes paid	(10,294)	(96,976)
Net cash provided by operating activities	17,039	160,521
Cash flows from investing activities:		
Net increase in time deposits	(686)	(6,469)
Acquisition of marketable securities	(182)	(1,722)
Proceeds from sales of marketable securities	263	2,481
Acquisition of property and equipment	(1,590)	(14,983)
Acquisition of investments in securities	(701)	(6,606)
Proceeds from sales of investments in securities	38	367
Loans advanced	(2,794)	(26,330)
Proceeds from collection of loans	5,490	51,722
Other, net	1,296	12,225
Net cash provided by investing activities	1,134	10,685
Cash flows from financing activities:		
Net decrease in short-term borrowings	(7,808)	(73,565)
Proceeds from long-term borrowings	5,718	53,868
Repayments of long-term borrowings	(8,224)	(77,477)
Cash dividends paid	(2,859)	(26,935)
Other, net	(58)	(539)
Net cash used in financing activities	(13,231)	(124,648)
Effect of exchange rate changes on cash and cash equivalents	(373)	(3,512)
Net increase in cash and cash equivalents	4,569	43,046
Cash and cash equivalents at beginning of year	95,779	902,301
Cash and cash equivalents at end of year (Note 3)	¥100,348	\$945,347

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 for the first time 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 ¥106.15=US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2000. This translation should not be construed as a representation that the yen amounts actually represent, or have been or could be converted into U.S. dollars at this or any other rate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements include the accounts of Toda Corporation, Toda Road Co., Ltd., Chiyoda Reform Co., Ltd., Chiyoda Kenko Co., Ltd., Sipco Industries Co., Ltd., Seiken Construction Co., Ltd., Chiyoda Tochi Tatemono Co., Ltd., Toda Real Estate Development Co., Ltd., Yachiyo Urban Co., Ltd., Toda Finance Co., Ltd., Towa Kanko Kaihatsu Co., Ltd., Toda America, Inc., Toda Construction of California, Inc., Toda Development, Inc., Toda Enterprises, 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	16
Equity method applied:	
Unconsolidated subsidiaries	0
Affiliates	0
Stated at cost:	
Unconsolidated subsidiaries	2
Affiliates	2

Marketable securities and investments in securities

Both marketable securities and investments in securities are valued at the lower of cost or quoted market price, cost being determined by the moving average method.

Investments in securities that have no market quotation are carried at cost, with an appropriate write-down if considered necessary.

Construction contracts

All short- and long-term construction contracts are accounted for on the completed contract method. Accordingly, the consolidated statement of income reflects sales prices and costs of contracts completed during the year.

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

Real estate business	The Companies develop real estate projects on their own. Real estate inventories are valued at cost. For this purpose, the cost includes the purchase cost of land and purchase overheads. Sales are recorded when the titles of properties sold are passed on to customers.
Allowance for doubtful receivables	Principally, the Companies have provided an allowance for doubtful receivables at the maximum amount permitted to be charged to income under Japanese income tax laws plus an estimated amount of probable bad debts.
Depreciation and amortization	<p>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.</p> <p>Amortization of intangible assets is computed by the straight-line method.</p> <p>Amortization of software used by the Companies is computed using the straight-line method based on an estimated useful life of five years.</p>
Retirement benefits	<p>The Company has retirement benefit plans for employees. The amount of the retirement benefit is, in general, determined on the basis of service and certain other factors. If the termination is involuntary, an employee is entitled to a larger amount than in the case of voluntary termination.</p> <p>The Company is funding 45 percent of the past and future costs by means of a non-contributory pension plan for employees who have served more than 15 years. Past service costs under the pension plan are being amortized over six years. As of January 31, 2000, the amount of unfunded past service liabilities under the pension plan was ¥1,632 million (US\$15,377 thousand). The funded amount of the pension plan is charged to income when paid.</p> <p>The annual accrued severance indemnities of the Companies are principally calculated at 40 percent of the liability which would be required if all employees were to retire voluntarily at the balance sheet date. Such provisions include those for directors and corporate auditors of the Companies.</p>
Income taxes	<p>Income taxes, current, consist of corporation tax, inhabitants' taxes and enterprise taxes.</p> <p>With effect from the period under review, the Companies have adopted accounting for allocation of income taxes in accordance with new accounting standards in Japan. As a result of this change, deferred tax assets totaled ¥19,764 million (US\$186,193 thousand), consolidated net income amounted to ¥5,805 million (US\$54,687 thousand), and retained earnings were ¥19,468 million (US\$183,408 thousand) for the period under review.</p>
Net income per share	The computation of net income per share of common stock is based on the weighted average number of shares of common stock outstanding during the period.
Foreign currency translation	<p>Current assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at each balance sheet date.</p> <p>Investments and non-current receivables denominated in foreign currencies are translated into yen at the exchange rates in effect at the time the transactions were made.</p> <p>Revenues and expenses recorded in foreign currencies are translated into yen at the rates in effect at the respective transaction dates.</p> <p>Foreign currency exchange adjustments mentioned above are charged or credited to income currently.</p>

Disclosure of accounting policy for the statement of cash flows

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

	Millions of yen 2000	Thousands of U.S. dollars 2000
Cash and time deposits	¥ 97,426	\$917,816
Without time deposits with maturities of more than three months (includes pledged deposits)	(5,678) (596)	(53,491) (5,615)
Cash equivalents	8,600	81,022
	¥100,348	\$945,347

4 MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

The book value and market value of marketable securities and investments in securities at March 31, 2000 were as follows:

	Millions of yen 2000	Thousands of U.S. dollars 2000
Book value:		
Marketable securities	¥ 29,483	\$ 277,753
Investments in securities	42,730	402,547
	¥ 72,213	\$ 680,300
Market value:		
Marketable securities	¥ 91,977	\$ 866,482
Investments in securities	74,046	697,560
	¥166,023	\$1,564,042

5 ASSETS PLEDGED AS COLLATERAL

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

	Millions of yen 2000	Thousands of U.S. dollars 2000
Marketable securities	¥1,560	\$14,696
Buildings and structures (net accumulated depreciation)	2,538	23,913
Land	1,119	10,544
Investments in securities	3,068	28,901
	¥8,285	\$78,054

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

	Millions of yen 2000	Thousands of U.S. dollars 2000
Time deposits	¥ 500	\$ 4,710
Buildings and structures (net accumulated depreciation)	1,958	18,439
Land	77	729
	¥2,535	\$23,878

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

	Millions of yen	Thousands of U.S. dollars
	2000	2000
Time deposits	¥ 96	\$ 904
Marketable securities	9	87
Investments in securities	87	820
	¥192	\$1,811

6 LONG-TERM DEBT

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

	Millions of yen	Thousands of U.S. dollars
	2000	2000
5.0% euro-yen bonds, due June 2000	¥10,000	\$ 94,206
Loans, principally from banks and insurance companies:		
Secured loans, due 2000–2005, annual interest rates ranging from 2.2% to 3.2%		
Unsecured loans, due 2000–2031, annual interest rates ranging from 2.175% to 4.7%	13,967	131,574
Less: Portion due within one year	(13,550)	(127,648)
	¥10,417	\$ 98,132

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

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2001	¥13,550	\$127,648
2002	4,589	43,228
2003	2,401	22,618
2004	1,596	15,039
2005	726	6,836
Thereafter	1,105	10,411
	¥23,967	\$225,780

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

7 INCOME TAXES

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

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

	Millions of yen	Thousands of U.S. dollars
	2000	2000
Deferred tax assets:		
Loss from valuation of real estate	¥ 6,003	\$ 56,554
Allowance for doubtful accounts	3,672	34,590
Accrued severance indemnities	1,536	14,471
Loss from valuation of investment securities	1,176	11,083
Accrued enterprise taxes	1,154	10,866
Accrued bonus indemnities	881	8,300
Others	7,668	72,238
Deferred tax assets	22,090	208,102
Deferred tax liabilities:		
Property and equipment	(2,198)	(20,705)
Others	(128)	(1,205)
Deferred tax liabilities	(2,326)	(21,910)
Net deferred tax assets	¥19,764	\$186,192

The reconciliation between the normal effective statutory tax rate for the year ended March 31, 2000 and the actual effective tax rate reflected in the accompanying consolidated statement of operations is as follows:

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

8 CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2000 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2000	2000
Guarantees of loans	¥797	\$7,505

9 SEGMENT INFORMATION

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

ConstructionBuilding 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 year ended March 31, 2000 is summarized as follows:

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

March 31, 2000		Thousands of U.S. dollars				
	Construction	Real estate	Other	Total	Elimination and/or corporate	Consolidated
Net sales:						
Customers	\$5,679,456	\$ 130,024	\$ 6,846	\$5,816,326	\$ —	\$5,816,326
Inter-segment	7,120	7,269	3,382	17,771	(17,771)	—
Total	5,686,576	137,293	10,228	5,834,097	(17,771)	5,816,326
Costs and expenses	5,436,948	102,267	9,860	5,549,075	(17,157)	5,531,918
Operating income	\$ 249,628	\$ 35,026	\$ 368	\$ 285,022	(614)	\$ 284,408
Assets	\$4,156,022	\$1,294,136	\$128,974	\$5,579,132	\$1,418,846	\$6,997,978
Depreciation	10,290	6,923	818	18,031	—	18,031
Capital expenditures	12,081	7,372	—	19,453	—	19,453

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

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

Report of Independent Certified Public Accountants

To the Board of Directors
Toda Corporation

We have examined the consolidated balance sheet of Toda Corporation at March 31, 2000, and the related consolidated statements of income, shareholders' equity and cash flows for the year 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, 2000, and the consolidated results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

We have also reviewed the translation of the 2000 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 29, 2000

A handwritten signature in black ink that reads "Seinan Audit Corporation". The signature is written in a cursive, flowing style.

Seinan Audit Corporation

Non-Consolidated Balance Sheets

Toda Corporation For the years ended March 31, 2000 and 1999

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
Current assets:			
Cash and time deposits (Note 6)	¥ 85,977	¥ 79,933	\$ 809,956
Marketable securities (Notes 5 and 6)	29,416	30,575	277,120
Notes and accounts receivable (Note 4):			
Notes receivable—trade	30,604	37,193	288,313
Accounts receivable—trade	101,974	120,597	960,658
Others	7,784	7,265	73,331
Allowance for doubtful receivables	(6,244)	(10,118)	(58,823)
Inventories:			
Construction work in progress	231,947	227,470	2,185,085
Real estate for sale	68,725	73,186	647,436
Raw materials and supplies	474	558	4,463
Deferred income taxes (Note 8)	16,046	—	151,162
Prepaid expenses and other current assets	6,084	5,520	57,312
Total current assets	572,787	572,179	5,396,013
Property and equipment:			
Land (Note 6)	37,587	37,554	354,097
Buildings and structures (Note 6)	26,710	26,483	251,622
Machinery and equipment	13,402	13,129	126,256
Construction in progress	153	204	1,445
Less: Accumulated depreciation	(25,019)	(23,914)	(235,694)
Net property and equipment	52,833	53,456	497,726
Investments and other assets:			
Investments in securities (Notes 5 and 6)	42,443	42,625	399,843
Investments in and long-term loans to subsidiaries and affiliates	10,449	9,765	98,433
Long-term loans receivable	8,951	11,569	84,324
Deferred income taxes (Note 8)	3,269	—	30,795
Others	24,565	23,073	231,420
Allowance for doubtful receivables	(14,289)	(12,909)	(134,615)
Total investments and non-current receivables	75,388	74,123	710,200
Total assets	¥701,008	¥699,758	\$6,603,939

See accompanying notes to non-consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
Current liabilities:			
Short-term bank loans	¥ 66,635	¥ 73,845	\$ 627,744
Current portion of long-term debt (Note 7)	13,153	2,934	123,910
Notes and accounts payable (Note 4):			
Notes payable—trade	66,297	72,738	624,560
Accounts payable—trade	69,539	75,852	655,099
Others	2,773	2,897	26,127
Advance payments received on contracts	195,779	192,925	1,844,359
Accrued expenses	6,641	6,926	62,564
Accrued income taxes	13,602	12,252	128,141
Other current liabilities	48,498	44,416	456,878
Total current liabilities	482,917	484,785	4,549,382
Long-term liabilities:			
Long-term debt less current portion (Note 7)	8,343	19,194	78,599
Accrued severance indemnities	15,202	15,029	143,209
Other long-term liabilities	8,510	8,527	80,163
Total long-term liabilities	32,055	42,750	301,971
Contingent liabilities (Note 10)			
Shareholders' equity:			
Common stock, par value ¥50 per share:			
Authorized—759,000,000 shares			
Issued—322,656,796 shares (2000)	23,001	23,001	216,690
—322,656,796 shares (1999)			
Additional paid-in capital	25,573	25,573	240,916
Legal reserve (Note 9)	5,750	5,750	54,172
Retained earnings (Note 11)	131,712	117,899	1,240,808
Total shareholders' equity	186,036	172,223	1,752,586
Total liabilities and shareholders' equity	¥701,008	¥699,758	\$6,603,939

Non-Consolidated Statements of Income

Toda Corporation For the years ended March 31, 2000, 1999 and 1998

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2000	1999	1998	2000
Revenues:				
Net sales:				
Construction business	¥579,378	¥622,771	¥657,151	\$5,458,103
Real estate business	6,804	7,847	7,810	64,104
Total net revenues (Note 4)	586,182	630,618	664,961	5,522,207
Costs and expenses:				
Cost of sales	530,547	574,572	606,394	4,998,092
Selling, general and administrative	27,252	27,987	31,839	256,728
Total costs and expenses (Note 4)	557,799	602,559	638,233	5,254,820
Operating income	28,383	28,059	26,728	267,387
Other income (expenses):				
Interest and dividend income	1,522	1,622	1,731	14,341
Interest and other paid	(1,931)	(2,203)	(2,635)	(18,190)
Gain (loss) on disposal of property and equipment	122	(13,421)	(5,578)	1,147
Loss on sale of real estate for sale	(5,867)	—	—	(55,275)
Loss from valuation of real estate for sale	(12,125)	—	—	(114,228)
Loss from valuation of investment securities	(824)	(1,173)	(1,457)	(7,763)
Loss from allowance for investments in affiliates	—	(2,000)	(2,110)	—
Others, net	(1,028)	(832)	221	(9,674)
Total other income (expenses)	(20,131)	(18,007)	(9,828)	(189,642)
Income before income taxes	8,252	10,052	16,900	77,745
Income taxes (Note 8):				
Current	10,685	5,800	11,350	100,660
Deferred	(5,751)	—	—	(54,175)
Total income taxes	4,934	5,800	11,350	46,485
Net income	¥ 3,318	¥ 4,252	¥ 5,550	\$ 31,260
		Yen		U.S. dollars (Note 2)
Net income per share	¥10.28	¥13.18	¥17.22	\$0.097
Cash dividends per share applicable to the year	9.00	9.00	9.00	0.085

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

Toda Corporation For the years ended March 31, 2000, 1999 and 1998

	Number of shares of common stock (Thousands)	Millions of yen			
		Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at March 31, 1997	321,708	¥22,720	¥25,293	¥5,678	¥114,408
Net income for the year	—	—	—	—	5,550
Cash dividends paid	—	—	—	—	(2,895)
Transfer to legal reserve	—	—	—	2	(2)
Bonuses to directors and corporate auditors	—	—	—	—	(250)
Conversion of convertible bonds	948	281	280	—	—
Balance at March 31, 1998	322,656	23,001	25,573	5,680	116,811
Net income for the year	—	—	—	—	4,252
Cash dividends paid	—	—	—	—	(2,904)
Transfer to legal reserve	—	—	—	70	(70)
Bonuses to directors and corporate auditors	—	—	—	—	(190)
Conversion of convertible bonds	—	—	—	—	—
Balance at March 31, 1999	322,656	23,001	25,573	5,750	117,899
Net income for the year	—	—	—	—	3,318
Cash dividends paid	—	—	—	—	(2,904)
Transfer to legal reserve	—	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(165)
Conversion of convertible bonds	—	—	—	—	—
Adjustment of retained earnings for newly applied accounting for allocation of income taxes	—	—	—	—	13,564
Balance at March 31, 2000	322,656	¥23,001	¥25,573	¥5,750	¥131,712

	Thousands of U.S. dollars (Note 2)			
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at March 31, 1999	\$216,690	\$240,916	\$54,172	\$1,110,676
Net income for the year	—	—	—	31,260
Cash dividends paid	—	—	—	(27,356)
Transfer to legal reserve	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(1,554)
Conversion of convertible bonds	—	—	—	—
Adjustment of retained earnings for newly applied accounting for allocation of income taxes	—	—	—	127,782
Balance at March 31, 2000	\$216,690	\$240,916	\$54,172	\$1,240,808

See accompanying notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Toda Corporation

1 BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

2 U.S. DOLLAR AMOUNTS

The U.S. dollar amounts are included solely for convenience and have been translated as a matter of arithmetical computation only at the rate of ¥106.15=US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2000. This translation should not be construed as a representation that the yen amounts actually represent, or have been or could be converted into U.S. dollars at this or any other rate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Non-Consolidation

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

Marketable securities and investments in securities

Both marketable securities and investments in securities are valued at the lower of cost or quoted market price, cost being determined by the moving average method.

Investments in securities that have no market quotation are carried at cost, with an appropriate write-down if considered necessary.

Construction contracts

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

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

Real estate business

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

Allowance for doubtful receivables

The Company has provided an allowance for doubtful receivables principally at the maximum amount permitted to be charged to income under Japanese income tax laws plus an estimated amount of probable bad debts.

Depreciation and amortization	<p>Property and equipment are stated at cost. Depreciation of property and equipment is computed by the straight-line method for buildings acquired from April 1, 1998 (with the exception of building fixtures) and by the declining-balance method for all other items.</p> <p>Amortization of intangible assets is computed by the straight-line method.</p> <p>Amortization of software used by the Company is computed by the straight-line method based on an estimated useful life of five years.</p>
Retirement benefits	<p>The Company has retirement benefit plans for employees. The amount of the retirement benefit is, in general, determined on the basis of service and certain other factors. If the termination is involuntary, an employee is entitled to a larger amount than in the case of voluntary termination.</p> <p>The Company is funding 45 percent of the past and future costs by means of a non-contributory pension plan for employees who have served more than 15 years. Past service costs under the pension plan are being amortized over six years. As of January 31, 2000, the amount of unfunded past service liabilities under the pension plan was ¥1,632 million. The funded amount of the pension plan is charged to income when paid.</p> <p>The annual accrued severance indemnities are calculated at 40 percent of the liability which would be required if all employees were to retire voluntarily at the balance sheet date, less estimated amounts covered by the Company's non-contributory trustee pension plan covering all employees. Such provisions include those for directors and corporate auditors of the Company.</p>
Income taxes	<p>Income taxes, current, consist of corporation tax, inhabitants' taxes and enterprise taxes.</p> <p>With effect from the period under review, the Company has adopted accounting for allocation of income taxes in accordance with new accounting standards in Japan. As a result of this change, deferred tax assets totaled ¥19,315 million (US\$181,957 thousand), non-consolidated net income amounted to ¥5,751 million (US\$54,175 thousand), and retained earnings were ¥21,485 million (US\$202,402 thousand) for the period under review.</p>
Net income per share	<p>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.</p>
Foreign currency translation	<p>Current assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at each balance sheet date.</p> <p>Investments and non-current receivables denominated in foreign currencies are translated into yen at the exchange rates in effect at the time the transactions were made.</p> <p>Revenues and expenses recorded in foreign currencies are translated into yen at the rates in effect at the respective transaction dates.</p> <p>Foreign currency exchange adjustments mentioned above are charged or credited to income currently.</p>

4 TRANSACTIONS AND BALANCES WITH SUBSIDIARIES AND AFFILIATES

Sales to and purchases from subsidiaries and affiliates at March 31, 2000, 1999 and 1998 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	2000
Sales	¥ 643	¥ 1,152	¥ 1,765	\$ 6,056
Purchases	51,042	63,385	55,310	480,845

Balances due from and to subsidiaries and affiliates at March 31, 2000, 1999 and 1998 are shown below:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Due from subsidiaries and affiliates			
Notes and accounts receivable:			
Notes receivable—trade	¥ 1,338	¥ 1,769	\$ 12,607
Accounts receivable—trade	351	2,785	3,302
Others	5,476	4,417	51,587
	¥ 7,165	¥ 8,971	\$ 67,496
Due to subsidiaries and affiliates			
Notes and accounts payable:			
Notes payable—trade	¥ 7,282	¥ 8,212	\$ 68,603
Accounts payable—trade	14,867	9,649	140,052
Others	98	610	923
	¥22,247	¥18,471	\$209,578

5 MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

The book value and market value of marketable securities and investments in securities at March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Book value:			
Marketable securities	¥ 29,416	¥ 30,575	\$ 277,120
Investments in securities	42,443	42,625	399,843
	¥ 71,859	¥ 73,200	676,963
Market value:			
Marketable securities	¥ 91,905	¥ 58,710	\$ 865,800
Investments in securities	73,747	75,602	694,740
	¥165,652	¥134,312	\$1,560,540

6 ASSETS PLEDGED AS COLLATERAL

The following assets were pledged as collateral for short-term and long-term debt at March 31, 2000 and 1999.

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Marketable securities	¥1,560	¥1,564	\$14,696
Buildings and structures (net accumulated depreciation)	622	672	5,858
Land	1,119	1,119	10,544
Investments in securities	3,068	3,070	28,901
	¥6,369	¥6,425	\$59,999

The following assets were pledged as collateral for short-term and long-term debt of customers at March 31, 2000 and 1999.

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Time deposits	¥ 500	¥—	\$ 4,710
Buildings and structures (net accumulated depreciation)	1,958	—	18,439
Land	77	77	729
	¥2,535	¥77	\$23,878

The following assets were pledged as guarantees (such as guarantees of completion contracts) at March 31, 2000 and 1999.

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Time deposits	¥ 96	¥ 80	\$ 904
Investments in securities	68	68	644
	¥164	¥148	\$1,548

7 LONG-TERM DEBT

Long-term debt at March 31, 2000 and 1999, was as follows:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
			2000
5.0% euro-yen bonds, due June 2000	¥10,000	¥10,000	\$ 94,206
Loans, principally from banks and insurance companies:			
Secured loans, due 1999–2033, annual interest rates ranging from 2.5% to 5.0%			
Unsecured loans, due 1999–2004, annual interest rates ranging from 2.5% to 4.5%	11,496	12,128	108,303
Less: Portion due within one year	(13,153)	(2,934)	(123,910)
	¥ 8,343	¥19,194	\$ 78,599

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

Year ending March 31,	Millions of yen	Thousands of
		U.S. dollars
2001	¥13,153	\$123,910
2002	3,924	36,968
2003	2,175	20,492
2004	1,371	12,913
2005	500	4,710
Thereafter	373	3,515
	¥21,496	\$202,508

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

8 INCOME TAXES

Taxes on income applicable to the Company resulted in statutory tax rates of approximately 42 percent in 2000 and 47 percent in 1999.

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

	Millions of yen	Thousands of U.S. dollars
	2000	2000
Deferred tax assets:		
Loss from valuation of real estate	¥ 5,093	\$ 47,976
Allowance for doubtful accounts	3,670	34,570
Loss from valuation of investment securities	2,085	19,643
Accrued severance indemnities	1,373	12,940
Accrued enterprise taxes	1,146	10,798
Accrued bonus indemnities	849	7,995
Others	7,297	68,740
Deferred tax assets	21,513	202,662
Deferred tax liabilities:		
Property and equipment	(2,198)	(20,705)
Net deferred tax assets	¥19,315	\$181,957

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

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

9 LEGAL RESERVE

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

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

10 CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
Guarantees of loans	¥2,657	¥7,741	\$25,030

11 SUBSEQUENT EVENT

The appropriation of retained earnings applicable to the year ended March 31, 2000, which was approved by the general meeting of shareholders held on June 29, 2000, was as follows:

	Millions of yen	Thousands of
		U.S. dollars
Retained earnings at March 31, 2000	¥131,712	\$1,240,808
Cash dividends	(2,904)	(27,356)
Transfer to legal reserve	—	—
Bonuses to directors and corporate auditors	(145)	(1,366)
Retained earnings to be carried forward	¥128,663	\$1,212,086

Report of Independent Certified Public Accountants

To the Board of Directors
Toda Corporation

We have examined the non-consolidated balance sheets of Toda Corporation at March 31, 1999 and 2000, and the related non-consolidated statements of income and shareholders' equity for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the non-consolidated financial position of Toda Corporation at March 31, 1999 and 2000, and the non-consolidated results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis during the period.

We have also reviewed the translation of the 2000 non-consolidated financial statements into United States dollars on the basis described in Note 2. In our opinion, such statements have been properly translated on such basis.

Tokyo, Japan
June 29, 2000



Seinan Audit Corporation

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Hideshige Toda

President

Moriji Toda

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Tadataka Yamada

Shigeaki Shimizu

Hisao Kato

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Seiji Tachibana

Tsunehiro Yoshizawa

Satoshi Kosai

Takashi Harada

Masatoshi Shimada

Morimichi Toda

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Noriyuki Tanaka

Directors

Hiromi Kanbayashi

Kaichi Naruse

Takaya Endo

Masaaki Kawaguchi

Takashi Nakahara

Akira Shimizu

Shigeru Tanimoto

Kakushi Hamabe

Tomiya Aoki

Standing Corporate Auditors

Fumio Tsukahara

Yasuo Inaba

Corporate Auditors

Yoshimichi Kaji

Takashi Kobayashi

(As of June 29, 2000)



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