(1) Summary of Significant Accounting Policies

(a) Basis of presenting non-consolidated financial statements:

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by TOA CORPORATION, (the “Company”), in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in the non-consolidated financial statements filed with the Ministry of Finance in Japan, (the “MOF”), have been reclassified for the convenience of readers outside Japan. In addition, the non-consolidated statements of cash flows are not required to be filed with the MOF for the year ended March 31, 2000 but such statements have been prepared specifically for inclusion in the accompanying non-consolidated financial statements in accordance with the standards for cash flow statements which has recently been established and become effective from the year ended March 31, 2000.

(b) Foreign currency translation:

Foreign currencies and short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Long-term receivables and payables are translated into Japanese yen at rates prevailing when the related assets were acquired or the related liabilities were incurred.

(c) Cash and cash equivalent:

Cash and cash equivalent in the non-consolidated statement of cash flows are composed of cash on hand, bank deposits able to withdrawn on demand and short-term investment with an original maturity of three months or less and which represent an minus risk of fluctuation in value.

(d) Securities:

Securities both in current assets and investments are stated at moving average cost.

(e) Inventories:

Real estate held for sale is stated at specific cost for each lot. Materials and supplies are stated at moving average cost.

(f) Investments in subsidiaries and affiliates:

Investments in subsidiaries and affiliates are stated at cost.

(g) Allowance for doubtful accounts:

Allowance for doubtful accounts is established in amounts considered to be appropriate based primarily upon the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(h) Property, plant and equipment, and depreciation:

Property, plant and equipment, including significant renewals and additions, are carried at cost. Maintenance, repairs and purchase of small equipment are recorded as expenses as incurred. When retired or otherwise disposed of, the cost and related depreciation are eliminated from the respective accounts and the difference less, any amounts realized on disposal, is reflected in current income. Depreciation is principally computed by a declining-balance method at rates based on the estimated useful lives of the related assets.

(i) Accrued severance indemnities:

The Company has an unfunded plan for lump-sum severance payments for employees, the amount of which is generally determined by reference to the length of service and current basic salary at the time of termination of employment or retirement. The Company provides for this liability to the extent of 40% of the amount which would be required if all employees terminate their service voluntarily with the Company at the balance sheet dates.

With respect to corporate officers, directors and statutory auditors, the Company provides for lump-sum severance indemnities on the basis of 100% of the amount required in the event of ordinary retirement at the balance sheet dates.

Previously, with respect to corporate officers, directors and statutory auditors, the Company provided for lump-sum severance indemnities on the basis of 50% of the amount required in the event of ordinary retirement at the balance sheet dates. However, from the fiscal year ended March 31, 2000, the Company provided for lump-sum severance indemnities on the basis of 100% of the amount required.

This accounting change was made to allocate costs for services of corporate officers, period appropriately considering the fact that it is unnecessary to discount severance indemnities to present value because their service period has shorten recent years. The accounting change resulted in increasing accrued severance indemnities by ¥571 million, (US$5,389 thousand) and decreasing operating income by ¥66 million (US$623 thousand) and income before income taxes by ¥571 million (US$5,389 thousand).

(j) Income taxes:

The Company has adapted the assets-liability method of tax effect amounting to recognize the effect of all temporary differences in the recognition of tax basis assets, and liabilities and their financial reporting amounts.

(k) Consumption tax:

In Japan, consumption tax at the flat rate of 5% for 2000 and 1999 on all domestic consumption of goods and services (with certain exemptions) is levied.

The Company has adopted the accounting method by which the consumption tax does not primarily affect net income.

(l) Legal reserve:

Under the Japanese Commercial Code, a company is required to appropriate an amount equal to at least 10% of cash dividends paid and other cash distributions from retained earnings to a legal reserve until the reserve equals 25% of the common stock amount.

(m) Recognition of contract revenue:

The Company follows the completed contract method of accounting for revenue from contracts except for projects in amounts of ¥2 billion (US$17 million) and over and those requiring more than one year for completion. These are accounted for by the percentage of completion method, measured by the ratio of the costs incurred to the estimated total costs for each contract.

(n) Appropriation of retained earnings:

Appropriation of retained earnings approved by shareholders subsequent to the balance sheet date is recorded as if such approval was made at the respective balance sheet dates in the accompanying financial statements.

(o) Leases:

Finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessees are principally accounted for by the method that is applicable to ordinary operating leases.

(p) Net income per share:

Net income per share assuming no dilution is based on the weighted average number of shares of common stock outstanding during the respective years.

(2) U.S. Dollar Amounts

The dollar amounts included in the financial statements and notes thereto represent the arithmetical results of translating yen to dollars at rate of ¥106 = US$1, the approximate rate of exchange effective at March 31, 2000.

The inclusion of such dollar amounts is solely for convenience of readers outside of Japan and is not intended to imply that yen and assets and liabilities originating in yen have been or could be readily converted, realized or settled in dollars at this or at any other rates.

(3) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2000 , consisted of:

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2000	2000
Cash and bank deposits	¥ 36,663	$ 345,875
Time deposits with deposit term of 3 months	(971)	(9,160)
Cash and cash equivalents	¥ 35,692	$ 336,715

(4) Marketable Securities

At March 31, 2000 and 1999, marketable securities consisted of the following:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2000	1999	2000
Marketable equity securities	¥ 13,621	¥14,873	$ 128,503
Bonds and other securities	221	770	2,083
	13,842	15,643	130,586
Market value of marketable securities	¥ 16,458	¥13,928	$ 155,262