(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 Director of Kanto Financial Bureau, 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 Director of Kanto Financial Bureau for the year ended March 31, 2001 and 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:

Until the year ended March 31, 2000, 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.

Effective from the year ended March 31, 2001, the Company adopted the new Japanese accounting standard for foreign currency translation, which is effective for periods beginning on or after April 1, 2000. Under the new standard, all monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rate prevailing at the balance sheet date. Resulting gains and losses are included net profit or loss for the period. The adoption of the new method had no material impact on the accompanying non-consolidated financial statements.

(c) Cash and cash equivalents:

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cash equivalents in the non-consolidated statements of cash flows are composed of cash on hand, bank deposits able to withdrawn on demand and short-term investment with an original maturity of three months or less and which represent an minus risk of fluctuation in value.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

Effective from the year ended March 31, 2001, the Company adopted the new Japanese accounting standard for financial instruments, which is effective for periods beginning on or after April 1, 2000. As a result of adoption of the new standard, the effect of income before income taxes for the year ended March 31, 2001 was immaterial, as compared with the amount which would have been reported if the previous standard had been applied consistently.

(I) Derivatives

Under the new standard, all derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see (III) Hedge Accounting, specified below).

(II) Securities

Until the year ended March 31, 2000, securities both in current assets and investments are stated at moving average cost.

Securities held by the Company, under the new standard, classified into three categories;

Held-to-maturity debt securities, that the Company has intent to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which are amortized over the period to maturity.

Investments of the Company in equity securities issued by subsidiaries and affiliates are stated at cost.

Other securities for which market quotation are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount. Other securities for which market quotation are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

Under the new standard, debt securities due within one year are presented as "current" and all the other securities are presented as "non-current". The securities held by the Company has been reclassified as of April 1, 2000 (the beginning of the year). As a result of such reclassification, the securities in the current portfolio have decreased by ¥12,945 million (US$ 104,395 thousand) and the securities in the non-current portfolio have increased by the same amount.

(III) Hedge Accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are principally interest swaps and forward exchange contracts. The related hedged items are trade accounts receivable and payable, long-term bank loans.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of interest rate fluctuation. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Company evaluates effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(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) Allowance for doubtful accounts:

Allowance for doubtful accounts are 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 receivable outstanding.

(g) 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 off, the cost and related depreciation are eliminated from the respective accounts and the different less, any amount 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.

(h) Reserve for retirement benefits:

Until the year ended March 31, 2000, the Company had 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 provided 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.

Effective from the year ended March 31, 2001, the Company adopted the new Japanese accounting standard for retirement benefits, which is effective for periods beginning on or after April 1, 2000. In accordance with the new standard, the reserve for retirement benefits as of March 31, 2001 represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the new standard, the unrecognized transition amount arising from adopting the new standard of ¥13,704 million (US$ 110,522 thousand) at April 1, 2000 (the beginning of year) is amortized within one year, and the unrecognized actuarial differences are amortized on straight-line basis over the period of 15 years from the next year in which they arise. As a result of adopting the new standard, net pension expense for the year ended March 31, 2001 has increased by ¥467 million (US$ 3,766 thousand) and income before income taxes has decreased by ¥11,531 million (US$ 92,992 thousand) as compared with the amounts which would have been reported if previous standard had been applied consistently.

With respect to corporate officer, 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.

(i) Income taxes:

The Company has adopted the asset-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.

(j) Consumption tax:

In Japan, consumption tax at the flat rate of 5% for 2001 and 2000 on all domestic consumption of goods and services (with certain exemption) is levied.

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

(k) 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 equal 25% of the common stock amount.

(l) 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$16 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.

(m) Appropriation of retained earnings:

Appropriation of retaining 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.

(n) 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.

(o) 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 ¥124=US$1, the approximate ratio of exchange effective at March 31, 2001.

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, 2001 and 2000 consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2001	2000	2001
Cash and bank deposits ……	¥ 31,374	¥ 36,663	$ 253,020
Time deposits with deposit term of 3 months ….	(734)	(971)	(5,927)
Cash and cash equivalents ..	¥ 30,640	¥ 35,692	$ 247,093

(4) Marketable Securities and Investment in Securities

(a) Held-to-maturity debt securities having its market value:

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2001	2001
Government bond and municipal bond ………..	¥ 15	$ 120
Corporate bond …………..	300	2,419
Total…………………	¥ 315	$ 2,539

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2001	2001
Carrying value…………….	¥ 315	$ 2,539
Market value……………..	314	2,535
Unrealized loss……………	¥ 1	$ 4

(b) Other securities having its market value:

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2001	2001
Marketable equity securities.	¥13,041	$105,169
Debentures………………..	5	42
Other………………………	178	1,436
Total…………………	¥13,224	$106,647

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2001	2001
Cost………………………..	¥13,911	$112,187
Market value……………..	13,224	106,647
Unrealized loss……………	¥ 687	$ 5,540

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

	Millions of Japanese Yen
	2000
Marketable equity securities …..	¥13,621
Bonds and other securities …….	221
	¥13,842
Market value of marketable securities …………………	¥16,458

(5) Short-term borrowings and Long-term Debt

Short-term borrowings at March 31, 2001 were represented generally by 30 to 365-days notes payable to banks, bearing an annual interest rate from 0.550% to 1.875%.

Long-term debt at March 31, 2001 and 2000 are summarized as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2001	2000	2001
3.20% Japanese yen unsecured bonds due 2002 ………	**¥4,000**	¥4,000	**$ 32,258**
3.45% Japanese yen unsecured bonds due 2003 ………	**¥5,900**	¥5,900	**$ 47,581**
3.55% Japanese yen unsecured bonds due 2004 ………	**3,900**	4,100	**31,452**
Loans from banks and insurance companies with interest rates ranging from 1.38% to 4.5%, due various dates through 2006:			
Collateralized or guaranteed ……..	**¥13,691**	¥16,712	**$110,415**
Total	**27,491**	30,712	**221,706**
Less current portion ……….	**(4,125)**	(4,532)	**(33,266)**
	¥23,366	¥26,180	**$188,440**

Certain of the Company's long-term debt agreements provide, among other things, that the lender may request the Company to submit proposals for appropriations of retained earnings (including payment of dividends) for review and, in some instances, approval prior to presentation to the shareholders. However, the Company has never received such a request.

In addition, as is customary in Japan, substantially all of the Company's bank borrowings are subject to general agreements with each bank which provide, among other things, that the relevant bank may treat any security furnished to the bank as well as cash deposited with it as security for all present and future indebtedness and may, when the bank deems it necessary, request additional security for the loans.

Assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2001 were as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
Assets pledged as collateral:		
Land ………………………	¥ 593	$ 4,780
Building and structures …..	355	2,870
Marketable securities and investment securities ……	2,119	17,088
	¥ 3,067	$ 24,738

	Millions of Japanese Yen	Thousands of U.S. Dollars
Liabilities secured thereby:		
Current portion of long-term debt	¥ 1,334	$ 10,758
Long-term debt	¥ 1,947	$ 15,698

The aggregate annual maturities of long-term loans (including current portion) as of March 31, 2001 were as follows:

Year ending March 31	Millions of Japanese Yen	Thousands of U.S. Dollars
2002	¥ 4,125	$ 33,266
2003	3,456	27,871
2004	5,256	42,391
2005	641	5,169
2006 and thereafter	213	1,718

(6) Advances on Contracts in Progress

The Company usually receives payments from customers in the public sector on a progress basis in accordance with terms of the respective construction contracts.

(7) Income Taxes

(a) The significant components of deferred tax assets at March 31, 2001 and 2000 were as follows.

Deferred Tax Assets:	Millions of Japanese Yen		Thousands of U.S. Dollars
	2001	2000	2001
Expense for retirement benefits ..	¥ 5,184	¥ —	$ 41,805
Devaluation of inventories	2,876	1,230	23,197
Allowance for doubtful accounts ...	954	1,615	7,691
Devaluation of securities	640	593	5,163
Reserve for retirement benefits to directors	515	665	4,153
Accrued bonus to employees	509	329	4,102
Accrued tax	376	235	3,031
Others	2,569	1,858	20,717
Deferred Tax Assets ..	¥ 13,623	¥ 6,525	$ 109,859

(b) A Reconciliation between the normal effective statutory tax rate for the year ended March 31, 2000 and the actual effective tax rates reflected in the accompanying non-consolidated statements of operations is as follows:

Normal effective statutory tax rate	41.7 %
Expenses not deductible for income tax purposes	13.5
Non-taxable income	(1.1)
Per capita levy of inhabitant taxes	4.5
Valuation allowance	5.7
Other-net	1.9
Actual effective tax rate	66.2 %

As a result of making loss before income taxes for the year ended March 31, 2001, the reconciliation between normal effective statutory tax rate for the year ended March 31, 2001 and the actual effective tax rates has not been presented.

(8) Shareholders' Equity

Under the Japanese Commercial Code, the entire amount of the issue price of new Share is required to be accounted for as stated capital, although the Company may account for an amount not exceeding 50% such issue price as additional paid-in capital (subject to the remainder being not less than the total par value of the new Shares being issued). The Board of Directors may transfer the whole or any part of additional paid-in capital and legal reserve to stated capital and grant to shareholders additional Shares free of charge by way of a stock split, without affecting the par value thereof, by reference to the whole or any part of the amount of additional paid-in capital and legal reserve so transferred to stated capital; such additional Shares may also be granted by reference to the amount representing the portion of the issue price of Shares in excess of the par value thereof which has been accounted for as stated capital. In either case, as a result of such granting to the shareholders of additional Shares by way of a stock split, the total par value of the Shares in issue may not exceed the stated capital.

Further, the net assets of the Company (as appearing in the latest balance sheet) divided by the number of Shares in issue must be at least ¥50.

The Japanese Commercial Code permits the Company to make a partially free distribution to shareholders by way of rights issue at a subscription price per Share which is less than the par value there of if (a) the difference between the subscription price and the par value does not exceed the amount of the stated capital minus the aggregate par value of all outstanding Shares, divided by the number of new Shares to be issued pursuant to such right issue, (b) the sum of the net assets of the Company (as appearing on the latest balance sheet) and the total subscription price, divided by the number of Shares in issue immediately after the issue of the new Shares, is at least ¥50 and (c) the subscription rights are made transferable. In order to satisfy the requirement mentioned in (a) above, the Board of Directors might transfer the whole or any part of additional paid-in capital or legal reserve to stated capital.

The Japanese Commercial Code permits the Company to transfer profits distributable as dividends to stated capital by resolution of the shareholders and distribute additional Shares to shareholders by way of a stock split without affecting the par value of the Shares.

(9) Leases

The Company leases tools, vehicles and certain other assets under operating leases. Leases qualifying as capital leases at March 31, 2001 and 2000 were as follows :

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2001	2000	2001
Machinery, vehicles, tools and others	¥1,055	¥1,215	$ 8,511
Accumulated depreciation	736	810	5,934
	¥ 319	¥ 405	$ 2,577

The scheduled maturities of future lease rental payments, including an interest portion on such lease contracts as of March 31, 2001 and 2000 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2001	2000	2001
Due within one year ...	¥ 159	¥ 217	$ 1,286
Due over one year	160	188	1,291
	¥ 319	¥ 405	$ 2,577

Under Japanese accounting regulations, finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are permitted to be accounted for by using an accounting method similar to that applicable to ordinary operating leases, if certain information is disclosed in the notes to the financial statements.

Lease rental expenses incurred in connection with finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees amount to ¥205 million (US$1,655 thousand) and ¥250 million for the years ended March 31, 2001 and 2000, respectively.

(10) Commitments and Contingent Liabilities

There were no commitments outstanding at March 31, 2001 and 2000 for the purchase of property, plant and equipment.

The Company is contingently liable for the following at March 31, 2001 and 2000:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2001	2000	2001
Contingently liable for guarantees of short-term and long-term debt of customers, subsidiaries and affiliates	¥12,782	¥14,028	$103,087

(11) Derivative Transactions

Derivative transactions of the Company at March 31, 2001 are omitted to describe here, due to adopting hedge accounting. Derivative transactions of the Company at March 31, 2000 are as follows:

a. Estimated Fair Value of Derivative Transactions Interest Rate-Related Derivatives:

2000				Millions of Japanese Yen
	Contract amount			
Unlisted transactions	Total	Due after one year	Estimated fair Value	Unrealized gain (loss)
Interest rate swaps:				
Pay Fix / Receive Float	¥ 10,200	¥ 9,200	¥ (180)	¥ (180)
Receive Fix / Pay Float	1,000	1,000	4	4
Total	¥ 11,200	¥ 10,200	¥ (176)	¥ (176)