Annual Report 2001

for the fiscal year ended March 31,2001

TOA CORPORATION

Since its establishment in 1908, TOA CORPORATION has been contributing to the business of developing coastal industrial zones together with their attendant seaside facilities.

With its unique state-of-the-art technology and abundant accumulated experience, Toa has been aggressively involved in large-scale projects in the fields of on-land civil engineering, architecture, energy development plants and waterfront facilities, gaining the firm trust of customers in all areas.

We are determined to meet the expectations of our customers by expanding and leveraging our capabilities.

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FINANCIAL HIGHLIGHTS

TOA CORPORATION

Years ended March 31

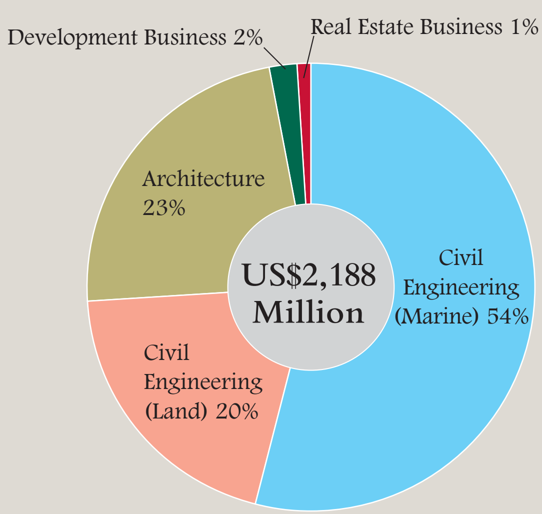
	Millions of Japanese Yen					Thousands of U.S. Dollars
	2001	2000	2001	2000	1999	2001
	Non-consolidated		Consolidated			
For the year:						
Net sales	¥ 271,307	¥ 245,100	¥294,693	¥266,807	¥257,633	$ 2,376,557
Income (loss) before income taxes and other items	(7,055)	4,453	(5,783)	6,222	(6,198)	(46,639)
Net income (loss)	(4,632)	1,507	(3,965)	2,221	(6,420)	(31,977)
At year-end:						
Total assets	283,869	276,638	318,018	303,875	280,342	2,564,665
Shareholders' equity	43,996	50,090	46,248	51,692	42,545	372,974
Property, plant and equipment—net	40,604	39,414	52,151	51,224	41,545	420,572
	Yen		Yen			U.S. Dollars
Per share of common stock:						
Net income (loss)	¥ (23.23)	¥ 7.55	¥ (19.89)	¥ 11.29	¥ (32.20)	$ (0.160)
Cash dividends	5.00	5.00	5.00	5.00	3.00	0.040

Note: The amount in U.S. dollars was translated at the rate of ¥124 = US$1, the effective rate at March 31, 2001.

Sales Composition by Project Type

(For the Year Ended March 31, 2001)

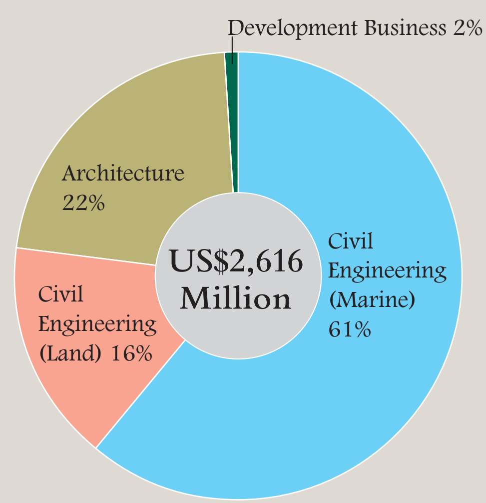
Non-consolidated



Orders Received by Project Type

(For the Year Ended March 31, 2001)

Non-consolidated



Message from the Management

Japan's economy for the fiscal year ended March 31, 2001 started to show a sign of economic recovery by improvement of earnings in corporations and the Government measures. However, economy turned down to a phase of deflation in the midst of autonomous recovery in the serious conditions such as severe labor situations, sluggish personal consumption, increased bad debt owned by financial institutes and slow-down of US economy.

Severe Management Environment

The construction industry experienced extremely serious situations, including depressed public works reflected by financial stringency in the central and local governments, inactive private capital investment though partial expansion in the limited industries, slight decline in investment in housing construction and keen price competition.

Results for the Fiscal Period

In the midst of the management condition, TOA CORPORATION and its consolidated subsidiaries put every effort into maintaining sales by the strategies such as consolidation of domestic sales system to cope with a new age and aggressive sales activities overseas. In addition, we push on ahead to strengthening financial structure and maintaining earnings through a low-cost construction system. As a result, consolidated net sales totaled ¥294,693 million (US$2,377 million), an increase of 10.5% compared to the previous fiscal year.

Operating Performance

Looking at a breakdown of new orders received on a non-consolidated basis, construction projects in the year under review were ¥320,101 million (US$2,581 million), an increase of 37.3% from the previous year, while development projects were ¥4,337 million (US$35 million), a 5.8% increase from the previous year. Among orders by regional market, domestic orders received increased by 1.7% amounting to ¥237,702 million (US$1,917 million), and orders in the overseas project summed up to ¥82,398 million (US$665 million), a sharp expansion over the previous year which suffered from foreign exchange transaction.

Broken down by field of construction, 61.3% was in marine civil engineering, 15.7% in land civil engineering and 21.7% in building works. Broken down by source of order, 53% was in the Japanese public sector, 22% in the Japanese private sector and 25% for the overseas sector.

Looking at a breakdown of consolidated sales, revenue from construction projects came to ¥284,733 million (US$2,296 million), up 13.5% over the previous year, and revenue from real estate business and development operation totaled to ¥9,960 million (US$80 million), a 51.4% decline from the previous year.

In earnings, shortage of reserve for retirement benefits for the previous fiscal year was refunded completely due to introduction of the accounting for reserve for retirement benefits, resulting in net loss of ¥3,965 million (US$32 million) for the year under review.

Cash flow provided by operating activities totaled ¥11,167 million (US$90 million), with the net loss before income taxes and other items of ¥5,783 million (US$47 million). However, expenditure of funds covering debt created by time difference by change in accrued severance indemnities were exempt from payment.

Cash flow from investing activities totaled ¥4,190 million (US$34 million), mainly by acquisition of property, plant and equipment, while cash flow from financing activities declined to ¥12,433 million (US$100 million), partially by repayment of borrowings.

As a result, cash and cash equivalent at end of the year totaled ¥35,710 million (US$288 million), a decrease of ¥5,197 million (US$42 million) compared to the previous fiscal year.

With its corporate principle, "We complete our social responsibility by sound management with high level of technology to advance our operations", TOA continues to win the competition with its steady strategic management, establishing everlasting creditability based on its sincere operations, meeting customers' reliability and expectations, and advance together towards the 21st century.

Medium-term Management Plan

With an aim to establish a strong corporate function and stable management foundation in order to overcome severe competition, TOA and its group companies have established their basic strategies, entitled "2010 Vision" in March 2000, and have launched a three-year plan to realize this business vision, starting from the year 2000.

Our sales strategy consists of:

(1) Consolidating our total engineering functions and expand our opportunities to participate in major projects over the medium and long term.
(2) Enhancing our sales organization to work closely with local governments in an environment of decentralization.
(3) Active participation in the environmental sector and PFI projects.
(4) Aggressive entry into new fields, in addition to marine civil engineering, overseas.

Our strategy on profits and corporate structural consolidation consists of:

(1) More thorough target management to establish our low-cost structure as a permanent feature.
(2) Improving earnings by architectural division to raise their contribution to operating performance.
(3) Pursuit of further reductions in indirect expenses and the establishment of a profit-generating organization.
(4) To curtail expenses on Research & Development and operations by effectively developing and possessing technology for mechanical operations and vessels under the unified group strategy.
(5) To expand consolidated earnings by strategic group activities to aim for independent management by each group company.
(6) To raise asset efficiency and reduce liabilities with interest.
(7) To promote efficiencies throughout operations by exploiting information technologies.

Masao Watanabe, President

Forecast for the Coming Year

Japan's economy is expected to turn out of the bottom by Governmental measures to stimulate itself and upgrade structural reformation. However, it will take time to achieve autonomic recovery because of the slowdown in US economy and sluggish personal consumption and private investment in plants and equipment.

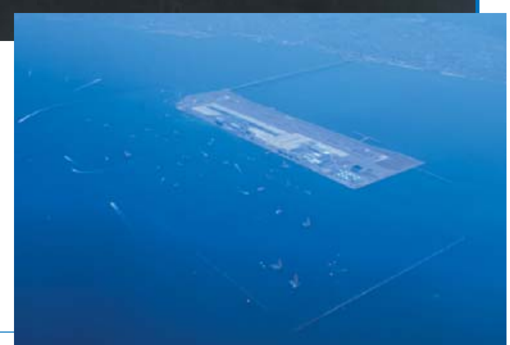
In the construction industry, central and local governments engaged in financial restructuring by tight financial measures offer public works at fewer level of orders, while private capital investment and housing investment are forecast to reduce to certain level because of cloudy markets. Therefore, we predict that competition for receiving new orders will intensify further. As a result, both public and private projects are requested to be lower in costs, remaining sales environment severe.

In these endeavors, we ask our shareholders for their warm, continual support and cooperation.

June 2001

Masao Watanabe
President

Kansai International Airport 2nd Stage



Award Winner of "Monument of the Millennium" of ASCE

This is 24 hours operating international airport opened in September 1994. The 2nd stage of the project is to construct the airport island for the new 4000 meters long runway and airport facilities. Since its start of the construction, TOA is fully engaged in the airport island construction which is located in the offing of the first stage construction. The airport island to be reclaimed is in the area of 18 to 20 meters water deep with soft clayey ground which is thicker than those in the 1st stage project, its various construction conditions are more severe. During this fiscal year, TOA has been engaged in sand spreading and soil improvement works both in the airport island embankment and reclamation parts.

Chubu International Airport

The construction works of Chubu International Airport located in the eastern part of Isewan Bay, also known as "Centrair" project, has started from August 2000 with the aim of its completion in 2005. This airport is expected to function as a 24 hours operating international offshore hub-airport. With its own technology, TOA has completed the construction of the embankment and is fully engaged in the airport island construction by reclamation in order to build 3500 meters runway and airport facilities. In reclamation works, huge volume of dredged marine sand is used to reduce collection of sand from onshore mountains, and environmental protection-oriented operations and systems such as mixing and solidifying process are fully applied from the environmental view points.

The 2nd LNG Berth at Futtsu Thermal Power Station

To meet with annually increasing demand for the electric power in Tokyo Metropolitan area, it is urgent to construct the LNG (Liquefied Natural Gas) receiving facilities for the combined cycle power generation of Futtsu Thermal Power Station. TOA is engaged in the expansion works for the dolphin type LNG receiving berth.

Minami-Honmoku wharf at Yokohama harbor

With the history of 142 years since its opening, Yokohama Harbor has had an island type wharf, such as reclaimed Minami-Honmoku wharf. Yokohama City Authority has spent approximately ¥37 billion during last 10 years for construction of the world's largest container terminal for the above reclaimed island. This container terminal is specially designed for super-large container ships and the wharf length is 700m, 350,000m^2 in area, and 16 meters in depth. It has equipped with five gantry cranes for loading and unloading for containers, and is expected to function as a hub port in the East Asia.

With its remarkable technology and vast accumulated know-how in harbor construction, TOA is greatly proud of its full commitment from the primary stage to the final stage of the project.

Shirotori-Ohchi Interchange Work in Takamatsu Highway

The Shikoku Island Intersection Highway crossing the Setouchi Inland Sea and Pacific Ocean with the total mileage of 441km, is expected to play an important role for the industry, economy and culture of Shikoku Island. The newly opened Takamatsu Highway, with the traveling distance of 32.5km, which is located in the north eastern area of Shikoku Island, is also contributing to the industry and culture for these areas, both locally and the island as a whole. This completed section includes the earth works of the total volume of 6.3 million m^3 along the Setouchi Inland sea. It consists of the construction works of highway, general road, tunnels, parking service area and four interchanges including this Shirotori-Ohchi-Interchange.

Hyosaka Tunnel

TOA has completed a great number of tunnel construction projects. Among the projects completed this fiscal year, the Hyosaka Tunnel was included and this tunnel improves the mountainous road along with river facing steep slopes and will contribute to more safe road transportation and local community activation. NATM construction method has been used for Hyosaka Tunnel project.

Tokyo Stadium

Tokyo Stadium was opened in March 2001 in Tama area, Tokyo. Its construction works has been started since June 1998. It has a capacity of 50,000 seats in two layer system, and the field is covered with natural lawn. A suspension roof structure covers three fourth of the stadium and the seats are specially designed so that the audience can see the field easily from each and every seat.

Construction of “Shiu-land Kaiyuukann” in Aomori Prefecture

Currently, there are three full-fledged thalassotherapie facilities in Japan. Thalassotherapie is a medical therapy program using marine water, seaweed, marine and mud which are suitable and promote health for the people. Japan’s first thalassotherapie facility is the Talasso Shima which is located in Toba City, Mie Prefecture, and this facilities have been constructed by TOA. The thalassotherapie facility “Shiu-land Kaiyuukann” has been constructed by TOA employing our know-how and technology. This facility is the first thalassoterapie facility planned by the local authority as the core base for health promotion of the local people.

International Projects

TOA has been constructing various fishing related facilities. These include dredging and reclamation works and construction of wharves, jetties, piers and fish market facilities. Among the fishing port related projects completed during this fiscal year, Boulvinet Fishing Port in Guinea, Melville Street Fish Market in Grenada located in the Caribbeans are included. In addition, Mindelo Fishing Port of Sao Vicente Island, Republic of Cape Verde, located offshore of Africa in the Atlantic Ocean is included. These construction works include dredging, reclamation and building of pier, wharf and refrigerating facilities.

Mindelo Fishing Port of Sao Vicente Island

Punggol Reclamation Project (Phase 4)

Singapore is a small island and it is important to use the coast line effectively. Housing Development Board of Singapore has sincerely wrested with the development of housing land in the mouth of Punggol district with the reclamation of 11 million m^3 of soil, revetment construction of 8.8 kilometers in length and soil improvement works of 5.1 million m^3.

TOA will complete its reclamation works in the north eastern coast of Singapore by November 2001. It will be a new waterfront with resident areas, recreation facilities, shopping centers and marine parks in the future.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

TOA CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2001 and 2000

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2001	2000	2001
Net sales	¥ 294,693	¥ 266,807	$ 2,376,557
Cost of sales	266,570	237,826	2,149,758
Gross profit	28,123	28,981	226,799
Selling, general and administrative expenses	17,160	17,776	138,386
Operating income	10,963	11,205	88,413
Other income (expenses):			
Interest and dividends income	551	—	4,441
Interest expenses	(1,661)	(1,725)	(13,400)
Devaluation of marketable securities and investment securities	(413)	(748)	(3,330)
Write-down for real estate for sale	(241)	(2,829)	(1,942)
Provision for accrued severance indemnities	—	(568)	—
Amortization of transition amount for retirement benefits	(13,743)	—	(110,829)
Other, net	(1,239)	887	(9,992)
	(16,746)	(4,983)	(135,052)
Income (loss) before income taxes and minority interest	(5,783)	6,222	(46,639)
Income taxes			
Current	5,035	3,146	40,606
Deferred	(6,941)	693	(55,978)
Minority interest	88	162	710
Net income (loss)	¥ (3,965)	¥ 2,221	$ (31,977)
Retained earnings:			
Balance at beginning of year	¥ 20,183	¥ 10,494	$ 162,764
Cumulative effect of adopting deferred tax accounting at April 1, 1999	—	7,758	—
Inclusion in consolidation of non-consolidated subsidiaries	—	306	—
Cash dividends	(997)	(581)	(8,040)
Bonuses to directors and statutory auditors	(69)	(15)	(558)
Net income (loss)	(3,965)	2,221	(31,977)
Balance at end of year	¥ 15,152	¥ 20,183	$ 122,189
Per share data (Note 1)**:**	Japanese Yen		U.S. Dollars (Note 2)
Net income (loss)	¥ (19.89)	¥ 11.29	$ (0.160)
Cash dividend	¥ 5.00	¥ 5.00	$ 0.040

The accompanying notes are an integral part of this statement.

CONSOLIDATED BALANCE SHEETS

TOA CORPORATION and its consolidated subsidiaries
As of March 31, 2001 and 2000

ASSETS	Millions of Japanese Yen 2001	Millions of Japanese Yen 2000	Thousands of U.S. Dollars (Note 2) 2001
Current assets:			
Cash and time deposits (Note 3)	¥ 36,766	¥ 42,135	$ 296,497
Marketable securities (Notes 4 and 5)	—	14,056	—
Notes and accounts receivable, trade	83,889	72,435	676,527
Inventories, principally real estate for sale	13,040	14,841	105,165
Cost on contracts in progress	70,622	71,653	569,532
Prepaid expenses and other current assets	25,416	22,793	204,967
Deferred income taxes (Note 8)	4,774	4,133	38,497
Allowance for doubtful accounts	(1,982)	(1,835)	(15,983)
Total current assets	232,525	240,211	1,875,202
Investments and other assets:			
Investments in and long-term loans to affiliates	1,734	77	13,984
Investments in securities (Notes 4 and 5)	15,721	3,444	126,782
Long-term loans	582	606	4,694
Deferred income taxes (Note 8)	9,478	1,400	76,437
Others	13,876	14,846	111,906
Allowance for doubtful accounts	(8,049)	(7,933)	(64,912)
Total investments and other assets	33,342	12,440	268,891
Property, plant and equipment, at cost (Notes 5 and 10)**:**			
Land	31,174	31,415	251,407
Buildings and structures	21,765	21,895	175,521
Machinery and equipment	28,962	29,690	233,566
Construction in progress	1,395	811	11,248
Total property, plant and equipment	83,296	83,811	671,742
Less accumulated depreciation	(31,145)	(32,587)	(251,170)
Property, plant and equipment—net	52,151	51,224	420,572
Total	¥ 318,018	¥ 303,875	$ 2,564,665

The accompanying notes are an integral part of this statement.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Japanese Yen 2001	2000	Thousands of U.S. Dollars (Note 2) 2001
Current liabilities:			
Short-term borrowings (Note 5)	¥ 39,402	¥ 46,099	$ 317,760
Current portion of long-term debt (Note 5)	4,561	6,260	36,782
Notes and accounts payable, trade	106,538	89,598	859,180
Accrued expenses	—	3,502	—
Accrued income taxes	5,286	3,106	42,630
Advances on contracts in progress (Note 6)	44,450	49,024	358,466
Other current liabilities	19,005	12,125	153,262
Total current liabilities	219,242	209,714	1,768,080
Long-term debt (Note 5)	31,728	34,611	255,866
Reserve for retirement benefits (Note 7)	16,278	5,078	131,275
Other long-term liabilities	3,249	1,458	26,204
Total liabilities	270,497	250,861	2,181,425
Minority interest	1,273	1,322	10,266
Shareholders' equity (Note 9)**:**			
Common stock, ¥50 par value:			
Authorized—600,000,000 shares			
Issued—199,401,173 shares at March 31, 2001 and 2000	16,469	16,469	132,818
Additional paid-in capital	15,582	15,582	125,662
Retained earnings	15,152	20,183	122,189
Evaluation differences of securities	(393)	—	(3,164)
Common stock owned by consolidated subsidiaries, at cost	(562)	(542)	(4,531)
Total shareholders' equity	46,248	51,692	372,974
Commitments and contingent liabilities (Note 11)**:**			
Total	¥ 318,018	¥ 303,875	$ 2,564,665

The accompanying notes are an integral part of this statement.

Consolidated Statements of Cash Flows

TOA CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2001 and 2000

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2001	2000	2001
Cash flows from operating activities:			
Net income (loss) before income taxes	¥ (5,783)	¥ 6,222	$ (46,639)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,295	3,272	26,571
Gain on sales or disposal of P.P. & E	(318)	(491)	(2,567)
Gain on sales of securities	(219)	(1,896)	(1,765)
Devaluation of marketable securities and investment securities	413	748	3,331
Devaluation of real estate for sale and other	4,326	3,544	34,888
Provision for severance indemnities	11,200	644	90,323
Provision for allowance for doubtful accounts	263	756	2,124
Changes in:			
Trade receivables	(11,454)	4,209	(92,374)
Inventories	(786)	(1,844)	(6,342)
Cost of contracts in progress	315	(1,794)	2,542
Prepaid expenses and other current assets	(2,623)	3,468	(21,159)
Trade payables	16,940	(4,878)	136,616
Accrued consumption tax	—	(625)	—
Advances on contracts in progress	(4,575)	(3,059)	(36,893)
Other current liabilities	3,378	(4,836)	27,237
Other, net	767	2,365	6,195
Sub-total	15,139	5,805	122,088
Interest and dividends income received	541	617	4,365
Interest paid	(1,693)	(1,909)	(13,648)
Income taxes paid	(2,820)	(808)	(22,745)
Net cash provided by operating activities	11,167	3,705	90,060
Cash flows from investing activities:			
Payment for purchases of securities	(239)	(483)	(1,929)
Proceeds from sale of marketable and investment securities	1,124	3,692	9,066
Acquisition of investment in securities	(1,552)	(99)	(12,519)
Acquisition of P.P. & E	(4,510)	(2,089)	(36,373)
Proceeds from sale or disposal of P.P. & E	953	887	7,685
Purchase of intangible assets	(260)	(260)	(2,095)
Other, net	294	(629)	2,371
Net cash provided by/(used in) investing activities	(4,190)	1,019	(33,794)
Cash flows from financing activities:			
Proceeds from long-term debt	2,113	2,490	17,042
Net decrease in short-term borrowings	(7,908)	(1,048)	(63,777)
Redemption of bonds	(300)	(2,000)	(2,419)
Repayment of long-term debt	(5,184)	(4,534)	(41,805)
Cash dividends paid	(997)	(580)	(8,040)
Redemption of commercial paper	—	(1,000)	—
Other, net	(157)	(64)	(1,264)
Net cash used in financing activities	(12,433)	(6,736)	(100,263)
Effect of exchange rate changes on cash and cash equivalents	259	(402)	2,087
Net decrease in cash and cash equivalents	(5,197)	(2,414)	(41,910)
Increase in cash due to additions of consolidated subsidiaries	—	2,458	—
Cash and cash equivalents at beginning of the year	40,907	40,863	329,895
Cash and cash equivalents at end of the year	¥ 35,710	¥ 40,907	$ 287,985

The accompanying notes to the financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

TOA CORPORATION and its consolidated subsidiaries

(1) Summary of Significant Accounting Policies

(a) Basis of presenting consolidated financial statements:

The accompanying consolidated financial statements have been prepared from the accounts maintained by TOA CORPORATION, (the "Company") and its consolidated subsidiaries together "the Companies", 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 consolidated financial statements filed with Director of Kanto Financial Bureau, as required by the Securities and Exchange Law of Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(b) Basis of consolidation:

The Company had 18 majority-owned subsidiaries as of March 31, 2001 (16 as of March 31, 2000).

The consolidated financial statements for the years ended March 31, 2001 and 2000 include the accounts of the Company and 12 of its majority-owned subsidiaries.

The consolidated subsidiaries for 2001 included TOA Real Estate Co., Ltd., TOA Tekko Co., Ltd., TOA Kikai Kogyo Co., Ltd., TOA Agency Co., Ltd., Tagawa Real Estate Co., Ltd., TOA Builtec Co., Ltd., TOA Agency Nishinihon Co., Ltd., TOA Doboku Co., Ltd., TOA Kaiun Sangyo Co., Ltd., Shinko Corporation, Tsurumi Rinko Co., Ltd., and TOA Concrete Co., Ltd.

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

Investment in unconsolidated subsidiaries and affiliates (companies owned 15% to 40%), are stated at cost.

All significant inter-company accounts and transactions have been eliminated in consolidation.

(c) Foreign currency translation:

Until the year ended March 31, 2000, foreign currencies and short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Long-term receivables and payables were 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 Companies 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 consolidated financial statements.

(d) Cash and cash equivalents:

Cash and cash equivalents in the 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 a minus risk of fluctuation in value.

(e) Financial instruments:

Effective from the year ended March 31, 2001, the Companies 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 Companies, under the new standard, have been reviewed as of April 1, 2000 (the beginning of the year). In result, the securities are classified into three categories;

Held-to-maturity debt securities, that the Companies have 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 Companies in equity securities issued by unconsolidated 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 unconsolidated 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 companies have 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 ¥12,954 million (US$ 104,468 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 Companies are principally interest swaps and forward exchange contracts. The related hedged items are trade accounts receivable and payable, long-term bank loans.

The Companies have 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 Companies evaluate 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.

(f) Inventories:

Cost on contracts in progress and real estate for sale are stated at specific cost for each lot. Materials and supplies are stated at moving average cost.

(g) Allowance for doubtful accounts:

Allowance for general receivables are established in amounts considered to be appropriate based upon credit loss experience. For specific receivables such as doubtful accounts, allowance for these are established in amounts considered to be uncollectible based upon an evaluation of possibility of collection in the each receivables outstanding.

(h) Property, plant and equipment and depreciation:

Depreciation is principally computed by a declining-balance method at rates based on the estimated useful lives. Useful life and residual value are in conformity to the provisions of the income tax law. However, depreciation of building which the Companies acquired on and after April 1, 1998, is amortized on a straight-line basis over the shortened estimated period.

(i) Reserve for retirement benefits:

Until the year ended March 31, 2000, the Companies 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 that 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 Companies 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 ¥13,743 million (US$ 110,829 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 ¥470 million (US$ 3,790 thousand) and income before income taxes has decreased by ¥11,572 million (US$ 93,323 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.

(j) Income taxes:

The Companies have 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 report amounts.

(k) 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 exemptions) is levied.

The Companies have 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 equal 25% of the common stock amount.

This reserve is not available for dividend payments but may be used to reduce deficits by a resolution of the shareholders or may be transferred to the stated capital by a resolution of the Board of Directors.

(m) Recognition of contract revenue:

The Companies follow 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 contact.

The amounts of contract revenue which are accounted for by the percentage of completion method were ¥39,001 million (US$314,528 thousand) for 2001 and ¥39,821 million for 2000.

(n) Appropriation of retained earnings:

Appropriation of retained earnings approved by shareholders subsequent to the balance sheet date are 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 and cash dividend 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.

Net income per share assuming full dilution was not disclosed in 2001 and 2000, due to the fact that there were no bonds with warrant and convertible bonds at the end of 2001 and 2000.

Cash dividends per share for each year represent the dividends declared as applicable to 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 ¥124 = US$1, the approximate rate 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 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 ……	¥ 36,766	¥ 42,135	$ 296,497
Time deposits with deposit term of 3 months ….	(1,056)	(1,228)	(8,512)
Cash and cash equivalents ..	¥ 35,710	¥ 40,907	$ 287,985

(4) Marketable Securities and Investments in Securities

The following is certain information relating to the aggregate carrying amount and fair value of securities after the adoption of the new standard in 2001.

(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 ………..	¥ 25	$ 199
Corporate bond …………..	300	2,419
Total…………………	¥ 325	$ 2,618

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2001	2001
Carrying value…………….	¥ 325	$ 2,618
Market value……………..	324	2,615
Unrealized loss…………..	¥ 1	$ 3

(b) Other securities having its market value:

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2001	2001
Marketable equity securities.	¥ 13,198	$ 106,431
Debentures………………..	16	127
Other………………………	167	1,351
Total…………………	¥ 13,381	$ 107,909

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2001	2001
Cost………………………..	¥ 14,049	$ 113,300
Market value……………..	13,381	107,909
Unrealized loss…………..	¥ 668	$ 5,391

Securities for which market quotations are not available are principally non-listed securities.

The carrying values and aggregate market values of securities for which market quotations are available included in marketable securities and investments in securities as of March 31, 2000 were as follows:

	Millions of Japanese Yen	
	Current:	Non-Current:
Carrying value (cost)……	¥ 13,996	¥ 1,018
Aggregate market value…	15,465	1,211
Unrealized gain…………	¥ 1,469	¥ 193

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

Short-term borrowings were represented generally by 365-day notes in 2001 and 2000 issued by the Companies and bore interest principally at the short-term primary interest rates in effect in 2001 and 2000.

As is customary in Japan, the Company and its consolidated domestic subsidiaries maintain deposit balances with banks with which they have short-term bank loans or long-term debt.

Such deposit balance are not legally or contractually restricted as to withdrawal.

Long-term debt as of March 31, 2001 and 2000 consisted of the following:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2001	2000	2001
3.20% bond, due 1996–2002	**¥ 3,700**	¥ 3,700	**$ 29,839**
3.45% bond, due 1996–2003	**5,800**	5,900	**46,774**
3.55% bond, due 1996–2004	**3,900**	4,100	**31,452**
Loans from banks and insurance companies with interest ranging from 1.40% to 2.30%, due various dates through 2009:			
Collateralized or guaranteed	**¥22,889**	¥ 27,171	**$184,583**
Total	**36,289**	40,871	**292,648**
Current portion included in current liabilities	**(4,561)**	(6,260)	**(36,782)**
Total	**¥31,728**	¥ 34,611	**$255,866**

Certain of the Companies' long-term debt agreements provide, among other things, that the lender may request the Companies 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 Companies has never received such a request.

In addition, as is customary in Japan, substantially all of the Companies' 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	¥ 2,813	$ 22,688
Building and structures	838	6,760
Investment securities	2,119	17,087
	¥ 5,770	$ 46,535

	Millions of Japanese Yen	Thousands of U.S. Dollars
Liabilities secured thereby:		
Current portion of long-term debt	¥ 1,314	$ 10,597
Long-term debt	¥ 3,805	$ 30,684

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	¥ 4,561	$ 36,782
2003	6,423	51,799
2004	8,558	69,012
2005	1,980	15,968
2006	807	6,506
2007 and thereafter	560	4,516
Total	¥ 22,889	$184,583

(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) Reserve for retirement benefits

The Company has defined benefit retirement plans covering substantially all employees.

The reserve for retirement benefits as of March 31, 2001 is analyzed as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2001	2001
Projected benefit obligations.	¥(40,354)	$(325,439)
Plan assets	19,316	155,779
	(21,038)	(169,660)
Unrecognized actuarial differences	6,109	49,263
	¥(14,929)	$(120,397)

(Note: The above table includes the amounts related to the portion subject to the Japanese Welfare Pension Insurance Law.)

Net pension expense related to the retirement benefits for the year ended March 31, 2001 was as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2001	2001
Service cost	¥ 1,550	$ 12,503
Interest cost	1,217	9,817
Expected return on plan assets	(606)	(4,891)
Amortization of transition amount	13,743	110,829
Net pension expense	¥ 15,904	$ 128,258

Assumptions used in calculation of the above information were as follows:

Discount rate	3.0%
Expected rate of return on plan assets	3.5%
Method of attributing the projected benefits to periods of services	Straight-line basis
Amortization of transition amount	1 year
Amortization of unrecognized actuarial Differences	15 years

The balance of reserve for retirement benefits included the reserve for retirement allowance for directors and statutory auditors in amounts of ¥1,348 million (US$10,878 thousands) and ¥1,232 million as of March 31, 2001 and 2000, respectively.

(8) Income Taxes

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
Deferred Tax Assets:	2001	2000	2001
Expense for retirement benefits ..	¥ 5,216	¥ —	$ 42,067
Devaluation of inventories ..	2,877	1,230	23,197
Devaluation of securities	989	671	7,974
Allowance for doubtful accounts ...	955	1,617	7,699
Accrued bonus to employees	554	347	4,468
Reserve for retirement benefits to directors .	547	685	4,415
Accrued tax	421	141	3,394
Others	2,738	2,431	22,082
Deferred Tax Assets ...	14,297	7,122	115,296
Deferred Tax Liabilities:			
Property and equipment	(1,537)	(1,537)	(12,398)
Other	(47)	(57)	(379)
Deferred Tax Liabilities	(1,584)	(1,594)	(12,777)
Net Deferred Tax Assets	¥ 12,713	¥ 5,528	$ 102,519

(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 consolidated statements of operations is as follows:

Normal effective statutory tax rate	41.7 %
Expenses not deductible for income tax purposes	10.4
Non-taxable income	(0.7)
Per capita levy of inhabitant taxes	3.3
Valuation allowance	4.1
Other-net	2.9
Actual effective tax rate	61.7 %

As a result of making loss before income taxes and minority interest 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.

(9) 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 Companies 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 Share 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 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 Share 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 Companies (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 Companies 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 Companies (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 Companies 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.

The Japanese Commercial Code also provides that neither additional paid-in capital nor the legal reserve are available for each dividend, but may be used to reduce a capital deficit by a resolution of a shareholders' meeting or may be capitalized by a resolution of the Board of Directors.

(10) Leases

The Companies lease 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	¥ 645	¥ 765	$ 5,203
Accumulated depreciation	444	513	3,582
	¥ 201	¥ 252	$ 1,621

The scheduled maturities of future lease rental payments, including an interest portion on such lease con-tracts 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 ...	¥ 102	¥ 140	$ 823
Due over one year	99	112	798
	¥ 201	¥ 252	$ 1,621

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 ¥121 million (US$979 thousand) and ¥158 million for the years ended March 31, 2001 and 2000, respectively.

(11) Commitments and Contingent Liabilities

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

The Companies are contingently liable for the following at March 31, 2001 and 2000:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2001	2000	2001
Trade notes receivable endorsed	¥ 3	¥ 456	$ 24
Contingently liable for guarantees of short-term and long-term debt of customers, unconsolidated subsidiaries and affiliates..	¥5,161	¥6,467	$ 41,624

(12) Segment Information

a. Business Segments

Business segments are principally composed of the followings:

Construction ………... Civil Engineering and Architectural Construction
Real Estate ………….. Development of Land and Buildings
Other Areas …………. Architecture, Engineering and any other relevant business

Year Ended March 31, 2001 — Millions of Japanese Yen

	Construction	Real Estate	Other Businesses	Total	Elimination	Consolidated
Net sales:						
Customers ………………..	¥ 284,733	¥ 4,925	¥ 5,035	¥ 294,693	¥ 0	¥ 294,693
Inter-segment …………….	2,379	376	2,692	5,447	(5,447)	0
Total …………….	287,112	5,301	7,727	300,140	(5,447)	294,693
Operating expenses …………	277,028	4,667	7,317	289,012	(5,282)	283,730
Operating profit …………….	10,084	634	410	11,128	(165)	10,963
Total assets …………………..	227,937	42,536	4,967	275,440	42,578	318,018
Depreciation expenses ………	2,856	305	108	3,269	26	3,295
Capital Expenditure …………	¥ 5,120	¥ 14	¥ 30	¥ 5,164	¥ (286)	¥ 4,878

Year Ended March 31, 2001 — Thousands of U.S. Dollars

	Construction	Real Estate	Other Businesses	Total	Elimination	Consolidated
Net sales:						
Customers ………………..	$ 2,296,233	$ 39,720	$ 40,604	$ 2,376,557	$ 0	$ 2,376,557
Inter-segment …………….	19,184	3,036	21,708	43,928	(43,928)	0
Total …………….	2,315,417	42,756	62,312	2,420,485	(43,928)	2,376,557
Operating expenses …………	2,234,091	37,643	59,008	2,330,742	(42,598)	2,288,144
Operating profit …………….	81,326	5,113	3,304	89,743	(1,330)	88,413
Total assets …………………..	1,838,205	343,029	40,057	2,221291	343,374	2,564,665
Depreciation expenses ………	23,034	2,457	871	26,362	209	26,571
Capital Expenditure …………	$ 41,290	$ 117	$ 243	$ 41,650	$ (2,306)	$ 39,344

Information by business segments for the years ended March 31, 2000 was not shown since aggregate sales of construction business were more than 90% of total net sales of all segments and aggregate assets of operation were more than 90% of total assets of all segments.

b. Geographical Segments

Each area primarily refers to the following countries:

Southeast Asia ....Singapore, Philippines and Viet Nam

Year Ended March 31, 2001 — Millions of Japanese Yen

	Japan	Southeast Asia	Other Areas	Total	Elimination	Consolidated
Net sales:						
Customers	¥ 276,308	¥ 16,387	¥ 1,998	¥ 294,693	¥ —	¥ 294,693
Inter-segment	—	—	—	—	(—)	—
Total	276,308	16,387	1,998	294,693	(—)	294,693
Operating expenses	266,700	15,385	1,645	283,730	(—)	283,730
Operating profit	9,608	1,002	353	10,963	(—)	10,963
Total assets	¥ 260,874	¥ 9,273	¥ 589	¥ 270,736	¥ 47,282	¥ 318,018

Year Ended March 31, 2000 — Millions of Japanese Yen

	Japan	Southeast Asia	Other Areas	Total	Elimination	Consolidated
Net sales:						
Customers	¥ 245,825	¥ 16,846	¥ 4,136	¥ 266,807	¥ —	¥ 266,807
Inter-segment	—	—	—	—	(—)	—
Total	245,825	16,846	4,136	266,807	(—)	266,807
Operating expenses	235,844	16,187	3,571	255,602	(—)	255,602
Operating profit	9,981	659	565	11,205	(—)	11,205
Total assets	¥ 250,693	¥ 8,619	¥ 1,522	¥ 260,834	¥ 43,041	¥ 303,875

Year Ended March 31, 2001 — Thousands of U.S. Dollars

	Japan	Southeast Asia	Other Areas	Total	Elimination	Consolidated
Net sales:						
Customers	$2,228,287	$ 132,153	$ 16,117	$2,376,557	$ —	$2,376,557
Inter-segment	—	—	—	—	(—)	—
Total	2,228,287	132,153	16,117	2,376,557	(—)	2,376,557
Operating expenses	2,150,801	124,073	13,270	2,288,144	(—)	2,288,144
Operating profit	77,486	8,080	2,847	88,413	(—)	88,413
Total assets	$2,103,825	$ 74,782	$ 4,751	$2,183,358	$381,307	$2,564,665

c. Overseas Net Sales

Each area primarily refers to the following countries:

Southeast Asia ....Singapore, Philippines and Viet Nam

Year Ended March 31, 2001			Millions of Japanese Yen
	Southeast Asia	Other Areas	Total
Overseas net sales	¥ 16,387	¥ 1,998	¥ 18,385
Consolidated net sales	—	—	294,693
Overseas / Consolidated Ratio (%)	5.5	0.7	6.2

Year Ended March 31, 2000			Millions of Japanese Yen
Overseas net sales	¥ 16,846	¥ 4,136	¥ 20,982
Consolidated net sales	—	—	266,807
Overseas / Consolidated Ratio (%)	6.3	1.6	7.9

Year Ended March 31, 2001			Thousands of U.S. Dollars
Overseas net sales	$ 132,153	$ 16,117	$ 148,270
Consolidated net sales	—	—	2,376,557

(13) Derivative Transactions

Derivative transaction of the Companies at March 31, 2001 is omitted to describe here, due to adopting hedge accounting.

Derivative transactions of the Companies at March 31, 2000 are as follows:

a. Estimated Fair Value of Derivative Transactions Interest Rated-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	¥ 10,981	¥ 9,781	¥ (203)	¥ (203)
Receive Fix / Pay Float	1,000	1,000	1	1
Total	¥ 11,981	¥ 10,781	¥ (202)	¥ (202)

Report of Independent Accountants

ChuoAoyama Audit Corporation

PricewaterhouseCoopers

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To the Board of Directors
TOA CORPORATION

We have audited the accompanying consolidated balance sheets of TOA CORPORATION and its consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of operations and retained earnings and of cash flows for the years then ended, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied 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 consolidated financial statements referred to above present fairly the consolidated financial position of TOA CORPORATION and its consolidated subsidiaries as of March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As described in Note (1)(e) and (i), effective from the year ended March 31, 2001, TOA CORPORATION and its consolidated subsidiaries have adopted the new Japanese accounting standards for financial instrument and reserve for retirement benefits.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers, have been translated on the basis set forth in Note (2) to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

Tokyo, Japan
June 28, 2001

Non-consolidated Balance Sheets

TOA CORPORATION
As of March 31, 2001 and 2000

ASSETS	Millions of Japanese Yen 2001	Millions of Japanese Yen 2000	Thousands of U.S. Dollars (Note 2) 2001
Current assets:			
Cash and time deposits (Note 3)	¥ 31,374	¥ 36,663	$ 253,020
Marketable securities (Notes 4 and 5)	—	13,842	—
Notes and accounts receivable:			
Construction contracts accounts	75,812	64,594	611,384
Subsidiaries and affiliates	4,620	4,958	37,260
Others	16,384	15,482	132,126
Allowance for doubtful accounts	(1,911)	(1,830)	(15,407)
Inventories, principally real estate for sale	11,009	12,588	88,784
Deferred income taxes (Note 7)	4,448	3,835	35,870
Cost on contracts in progress	59,817	63,375	482,392
Prepaid expenses and other current assets	5,777	6,961	46,586
Total current assets	207,330	220,468	1,672,015
Investments and other assets:			
Investments in and long-term loans to subsidiaries and affiliates	4,884	3,219	39,390
Investments in securities (Notes 4 and 5)	15,575	3,248	125,600
Deferred income taxes (Note 7)	9,175	2,690	73,989
Long-term loans	582	563	4,693
Other investments	4,191	5,152	33,802
Other assets	9,575	1,884	77,217
Allowance for doubtful accounts	(8,047)	—	(64,891)
Total investments and other assets	35,935	16,756	289,800
Property, plant and equipment, at cost (Notes 5 and 9)**:**			
Land	25,472	25,593	205,420
Buildings and structures	15,562	15,706	125,502
Machinery and equipment	5,210	4,972	42,017
Vessels	14,125	14,137	113,913
Construction in progress	1,392	809	11,221
Total property, plant and equipment	61,761	61,217	498,073
Less accumulated depreciation	(21,157)	(21,803)	(170,621)
Property, plant and equipment—net	40,604	39,414	327,452
Total	¥ 283,869	¥ 276,638	$2,289,267

The accompanying notes to the financial statements are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2001	2000	2001
Current liabilities:			
Short-term borrowings (Note 5)	¥ 34,194	¥ 42,277	$ 275,758
Current portion of long-term debt (Note 5)	4,125	4,532	33,266
Notes and accounts payable:			
Contract costs	87,156	72,642	702,873
Subsidiaries and affiliates	8,567	11,023	69,088
Others	3,907	3,559	31,507
Accrued income taxes	4,700	2,275	37,908
Advances on contracts in progress	43,674	47,644	352,209
Other current liabilities	13,736	11,334	110,772
Total current liabilities	200,059	195,286	1,613,381
Long-term debt (Note 5)	23,366	26,180	188,440
Reserve for retirement benefits	16,040	4,901	129,352
Other long-term liabilities	408	181	3,288
Total liabilities	239,873	226,548	1,934,461
Shareholders' equity (Note 8)**:**			
Common stock, ¥50 par value:			
Authorized—600,000,000 shares			
Issued—199,401,173 shares at March 31, 2001 and 2000	16,469	16,469	132,819
Additional paid-in capital	15,582	15,582	125,662
Legal reserve	2,137	2,032	17,235
Retained earnings	10,212	16,007	82,350
Evaluation differences of securities	(404)	—	(3,260)
Total shareholders' equity	43,996	50,090	354,806
Commitments and contingent liabilities (Note 10)			
Total	¥283,869	¥276,638	$ 2,289,267

The accompanying notes to the financial statements are an integral part of these statements.

Non-consolidated Statements of Operations and Retained Earnings

TOA CORPORATION

For the years ended March 31, 2001 and 2000

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2001	2000	2001
Net sales	¥ 271,307	¥ 245,100	$ 2,187,956
Cost of sales	247,053	220,437	1,992,363
Gross profit	24,254	24,663	195,593
Selling, general and administrative expenses	14,694	15,501	118,496
Operating income	9,560	9,162	77,097
Other income (expenses):			
Interest and dividends income	596	630	4,806
Interest expenses	(1,499)	(1,706)	(12,089)
Prior-year profit adjustment	79	52	641
Prior-year loss adjustment	(2)	(585)	(17)
Devaluation of marketable securities and investment securities	(406)	(585)	(3,273)
Gain on sales or disposals of property and equipment-net	518	511	4,178
Write-down of real estate and others	(1,078)	(3,544)	(8,691)
Amortization of transition amount for retirement benefits	(13,704)	—	(110,522)
Other, net	(1,119)	518	(9,031)
	(16,615)	(4,709)	(133,998)
Income (loss) before income taxes	(7,055)	4,453	(56,901)
Income taxes			
Current	4,392	2,147	35,419
Deferred	(6,815)	799	(54,960)
Net income (loss)	¥ (4,632)	¥ 1,507	$ (37,360)
Retained earnings:			
Balance at beginning of year	16,007	7,834	129,089
Cumulative effect of adopting deferred tax accounting at April, 1999	—	7,324	—
Cash dividends	(997)	(598)	(8,040)
Transfer to legal reserve	(106)	(60)	(855)
Bonuses to directors and statutory auditors	(60)	—	(484)
Net income (loss)	(4,632)	1,507	(37,360)
Balance at end of year	¥ 10,212	¥ 16,007	$ 82,350

Per share data (Note 1):	Japanese Yen		U.S. Dollars (Note 2)
Net income (loss)	¥ (23.23)	¥ 7.55	$ (0.19)
Cash dividend	¥ 5.00	¥ 5.00	$ 0.040

The accompanying notes are an integral part of this statement.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

TOA CORPORATION
For the years ended March 31, 2001 and 2000

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 2)
	2001	2000	2001
Cash flows from operating activities:			
Net income (loss) before income taxes	¥ (7,055)	¥ 4,453	$ (56,901)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,028	2,115	16,355
Gain on sales or disposal of P.P. & E	(507)	(512)	(4,088)
Gain on sales of securities	(212)	(1,989)	(1,710)
Devaluation of marketable securities and investment securities	406	746	3,273
Devaluation of real estate for sale and other	4,290	0	34,596
Provision for severance indemnities	11,139	584	89,828
Provision for allowance for doubtful accounts	192	862	1,548
Changes in:			
Trade receivables	(11,783)	716	(95,023)
Inventories	(242)	(1,465)	(1,949)
Cost of contracts in progress	2,076	(1,407)	16,744
Prepaid expenses and other current assets	184	(588)	1,486
Trade payables	12,407	6,300	100,055
Advances on contracts in progress	(3,970)	(1,796)	(32,018)
Other current liabilities	2,402	(402)	19,365
Other, net	1,552	(5,454)	12,530
Sub-total	12,907	2,163	104,091
Interest and dividends income received	587	630	4,730
Interest paid	(1,468)	(1,709)	(11,841)
Income taxes paid	(1,967)	(316)	(15,862)
Net cash provided by operating activities	10,059	768	81,118
Cash flows from investing activities:			
Net decrease in securities	—	3,205	—
Proceeds from sale of marketable and investment securities	1,214	—	9,792
Acquisition of investment in securities	(1,700)	(98)	(13,711)
Acquisition of P.P. & E	(3,355)	(1,270)	(27,058)
Proceeds from sale or disposal of P.P. & E	911	894	7,346
Increase in investments in, short and long-term loans	(202)	(379)	(1,630)
Other, net	62	(459)	505
Net cash provided by/(used in) investing activities	(3,070)	1,893	(24,756)
Cash flows from financing activities:			
Proceeds from long-term debt	1,512	1,000	12,193
Net decrease in short-term borrowings	(8,083)	(485)	(65,185)
Redemption of bonds	(200)	(2,000)	(1,613)
Repayment of long-term debt	(4,532)	(3,744)	(36,548)
Cash dividends paid	(997)	(582)	(8,040)
Other, net	0	(1,000)	0
Net cash used in financing activities	(12,300)	(6,811)	(99,193)
Effect of exchange rate changes on cash and cash equivalents	259	(401)	2,087
Net decrease in cash and cash equivalents	(5,052)	(4,551)	(40,744)
Cash and cash equivalents at beginning of the year	35,692	40,243	287,837
Cash and cash equivalents at end of the year	¥ 30,640	¥ 35,692	$ 247,093

The accompanying notes to the financial statements are an integral part of these statements.

Notes to Non-consolidated Financial Statements

TOA CORPORATION and its consolidated subsidiaries

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

	Millions of Japanese Yen 2001	Thousands of U.S. Dollars 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 2001	Millions of Japanese Yen 2000	Thousands of U.S. Dollars 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)

Report of Independent Accountants

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

To the Board of Directors
TOA CORPORATION

We have audited the accompanying non-consolidated balance sheets of TOA CORPORATION as of March 31, 2001 and 2000, and the related non-consolidated statements of operations and retained earnings and of cash flows for the years then ended, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied 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 non-consolidated financial statements referred to above present fairly the non-consolidated financial position of TOA CORPORATION as of March 31, 2001 and 2000, and the non-consolidated results of its operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As described in Note (1)(d) and (h), effective from the year ended March 31, 2001, TOA CORPORATION has adopted the new Japanese accounting standards for financial instrument and reserve for retirement benefits.

The amounts expressed in U.S. dollars which are provided solely for the convenience of the readers, have been translated on the basis set forth in Note (2) to the accompanying non-consolidated financial statements.

ChuoAoyama Audit Corporation

Tokyo, Japan
June 28, 2001

Board of Directors

(As of June 28, 2001)

Chairman of the Board and Representative Director

Hiroshi Kitamura

President and Representative Director

Masao Watanabe

Representative Directors

Hiroshi Shirasu
Koki Tokunaga

Directors

Hiroshi Otani
Ryoichi Tomioka
Jun Kawamura
Isao Sakamoto
Shuji Kubo
Isao Morikawa
Hiroshi Ogawa
Keiji Yoshikura
Hidechika Akiyama
Kentaro Imano

Corporate Auditors

Taketo Fujiike
Hirotoshi Furuya
Hiroyasu Morita
Minoru Oka

Executive Officers

(As of June 28, 2001)

President and Chief Executive Officer (CEO)

Masao Watanabe

Executive Vice Presidents

Hiroshi Shirasu
Koki Tokunaga

Senior Executive Officers

Hiroshi Otani
Ryoichi Tomioka
Hisato Yamada
Jun Kawamura
Isao Sakamoto
Shuji Kubo

Managing Executive Officers

Jinpei Yanai
Isao Morikawa
Hiroshi Ogawa
Fumio Ichinose
Keiji Yoshikura
Shintaro Ueki
Hidechika Akiyama
Kentaro Imano
Takeshi Monji

Executive Officers

Sadao Kurasawa
Hisahiko Uemura
Akiyasu Kuroiwa
Koki Honjo
Shojiro Ishida
Norifumi Takamura
Toshikatsu Kasagi
Ryosaku Asano
Yukio Suzuki
Hisao Sawamura

INVESTOR INFORMATION

(As of March 31, 2001)

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5, Yonbancho, Chiyoda-ku, Tokyo
102-8451, Japan
Phone: (03) 3262-5102
http://www.toa-const.co.jp/

International Division
Science Plaza 4th Fl, 5-3, Yonbancho,
Chiyoda-ku, Tokyo 102-0081, Japan
Phone: (03) 3234-4809
Facsimile: (03) 3234-7698
E-mail: webmaster@toa-const.co.jp

Date of Incorporation
January 1920

Paid-In Capital
¥16,469 million

Authorized Shares
600,000,000

Outstanding Shares
199,401 thousand shares in 2001

Number of Shareholders
17,696

Number of Employees
2,274

General Meeting
The General Meeting of Shareholders was held on June 28, 2001

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