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, 2002 and 2001 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:

Effective from the year ended March 31, 2001, the Company adopted the present Japanese accounting standard for foreign currency translation, which is effective for periods beginning on or after April 1, 2000. Under the present 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 present 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cash equivalents in the non-consolidated statements of cash flows are composed of cash on hand, bank deposits able to withdrawn on demand and short-term investment with an original maturity of three months or less and which represent an minus risk of fluctuation in value.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 present 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 present 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

Securities held by the Company, under the present 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 present standard, debt securities due within one year are presented as "current" and all the other securities are presented as "non-current".

(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. 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:

Effective from the year ended March 31, 2001, the Company adopted the present Japanese accounting standard for retirement benefits, which is effective for periods beginning on or after April 1, 2000. In accordance with the present 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.

The unrecognized actuarial differences are amortized on straight-line basis over the period of 15 years from the next year in which they arise.

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 2002 and 2001 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) 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$15 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.

(l) 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.

(m) Leases:

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that leases do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(n) 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 ¥133=US$1, the approximate ratio of exchange effective at March 31, 2002.

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, 2002 and 2001 consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2002	2001	2002
Cash and bank deposits ……	¥ 36,479	¥ 31,374	$ 274,278
Time deposits with deposit term of 3 months ….	(140)	(734)	(1,053)
Cash and cash equivalents ..	¥ 36,339	¥ 30,640	$ 273,225

(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
	2002	2001	2002
Government bond and municipal bond ……	¥ 20	¥ 15	$ 150
Corporate bond ………	300	300	2,256
Total………	¥ 320	¥ 315	$ 2,406

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2002	2001	2002
Carrying value………	¥ 320	¥ 315	$ 2,406
Market value …	293	314	2,203
Unrealized loss………..	¥ 27	¥ 1	$ 203

(b) Other securities having its market value:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2002	2001	2002
Marketable equity securities……	¥ 10,931	¥ 13,041	$ 82,189
Debentures……	5	5	40
Other…………	261	178	1,960
Total……..	¥ 11,197	¥ 13,224	$ 84,189

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2002	2001	2002
Cost…………..	¥ 12,594	¥ 13,911	$ 94,694
Market value…	11,197	13,224	84,189
Unrealized loss…………	¥ 1,397	¥ 687	$ 10,505

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

Short-term borrowings at March 31, 2002 and 2001 were represented generally by 30 to 365-days notes payable to banks, bearing an annual interest rate from 0.620% to 1.990%.

Long-term debt at March 31, 2002 and 2001 are summarized as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2002	2001	2002
3.20% Japanese yen unsecured bonds due 2002	**¥ 4,000**	¥ 4,000	**$ 30,075**
3.45% Japanese yen unsecured bonds due 2003	**5,500**	5,900	**41,353**
3.55% Japanese yen unsecured bonds due 2004	**3,800**	3,900	**28,571**
Collateralized or guaranteed	**¥ 13,780**	¥13,691	**$103,607**
Total	**27,080**	27,491	**203,606**
Less current portion	**(7,885)**	(4,125)	**(59,286)**
	¥ 19,195	¥ 23,366	**$144,320**

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.

At March 31, 2002, the Company had credit lines from 10 banks which totaled ¥15,000 million (US$112,781 thousand).

Assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2002 were as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
Assets pledged as collateral:		
Land	¥ 2,848	$ 21,412
Building and structures	348	2,617
Marketable securities and investment securities	1,773	13,334
	¥ 4,969	$ 37,363

	Millions of Japanese Yen	Thousands of U.S. Dollars
Liabilities secured thereby:		
Current portion of long-term debt	¥ 1,193	$ 8,970
Long-term debt	¥ 1,052	$ 7,914

The aggregate annual maturities of long-term loans (including current portion) as of March 31, 2002 were as follows:

Year ending March 31	Millions of Japanese Yen	Thousands of U.S. Dollars
2003	¥ 3,885	$ 29,211
2004	6,133	46,109
2005	2,108	15,850
2007	921	6,925
2008 and thereafter	733	5,511

(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, 2002 and 2001 were as follows.

Deferred Tax Assets:	Millions of Japanese Yen		Thousands of U.S. Dollars
	2002	2001	2002
Expense for retirement benefits	¥ 5,895	¥ 5,184	$ 44,320
Revaluation of inventories	2,897	2,876	21,784
Allowance for doubtful accounts	1,117	954	8,401

Revaluation of securities	1,166	640	8,770
Reserve for retirement benefits to directors	284	515	2,138
Accrued bonus to employees	316	509	2,375
Accrued tax	309	376	2,320
Others	2,816	2,569	21,169
Deferred Tax Assets	¥14,800	¥ 13,623	$ 111,277

(b) A Reconciliation between the normal effective statutory tax rate for the year ended March 31, 2002 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	12.8
Non-taxable income	(1.1)
Per capita levy of inhabitant taxes	4.7
Other-net	6.3
Actual effective tax rate	64.4 %

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 Commercial Code of Japan, certain issuance of common shares is required to be credited to the common stock account for 50% of the proceeds. The Code permits, upon approval of the board of directors, transfer of amounts from additional paid-in capital to the common stock.

Effective October 1, 2001, the Commercial Code of Japan provides that an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25 % of the stated amount of capital stock. Legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the board of directors. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, it is available for distributions by the resolution of shareholder' meeting. Par value stock is abolished and unifies in No-par value stock.

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.

(9) Leases

The Company leases tools, vehicles and certain other assets under operating leases. Leases qualifying as capital leases at March 31, 2002 and 2001 were as follows :

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2002	2001	2002
Machinery, vehicles, tools and others	¥ 971	¥1,055	$ 7,301
Accumulated depreciation	676	736	5,080
	¥ 295	¥ 319	$ 2,221

The scheduled maturities of future lease rental payments, including an interest portion on such lease contracts as of March 31, 2002 and 2001 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due within one year	¥ 169	¥ 159	$ 1,274
Due over one year	126	160	947
	¥ 295	¥ 319	$ 2,221

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 ¥191 million (US$1,435 thousand) and ¥205 million for the years ended March 31, 2002 and 2001, respectively.

(10) Revaluation of land

The Company revalued the land of ownership used for its own business purposes based on the value appraised by an appraiser who is regulated by Article 2 No.1 and 4 of an Enforcement Ordinance No.119 of Law Concerning Land Revaluation (effective March 31, 1998) with certain necessary adjustments.

As its result the excess of revaluation was recognized and taxes to be levied to its excess in future was declared as a deferred tax liability' amounting to ¥158 million (US$1,188 thousand) including in other long-term liabilities and net excess having deducted the above taxes was presented in shareholders' equities as a reserve for land revaluation amounting to ¥222 million (US$1,669 thousand).

Date of revaluation: March 31, 2002
Book value before revaluation
¥26,704 million (US$200,782 million)
Book value after revaluation
¥27,084 million (US$203,639 million)

(11) Commitments and Contingent Liabilities

There were no commitments outstanding at March 31, 2002 and 2001 for the purchase of property, plant and equipment.

The Company is contingently liable for the following at March 31, 2002 and 2001:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2002	2001	2002
Contingently liable for guarantees for short-term and long-term debt of customers, subsidiaries and affiliates	¥14,176	¥12,782	$106,587

(12) Subsequent events

The Company has decided to invite employees who want to retire on their own initiative at the Board of Directors Meeting held in May 24, 2002.

1. Reason to invite employees who want to retire on their own initiative :
   Management conditions to receive new orders in the domestic construction market is forecasted to become more severe due to sluggish capital investment in the private sector and decrease of public investment. To cope with this market trend, the Company has to establish the most suitable composition of employees.

2. Invited Age range :
   Employees from the age of 30 up to 58 years old.

3. Number of people invited to retire :
   150 (There are 2,224 employees as of March 31, 2002)

4. Period of application :
   From July 8 to August 31, 2002.

5. Date of retirement :
   By August 31, 2002.

6. Additional retirement allowance :
   If we have 150 applicants, total additional retirement allowance is expected to reach maximum amount of ¥2,800 million.