

# **Results Briefing**

## **for the Year Ended March 31, 2017**

**May 15, 2017**

**TODA CORPORATION**

This report contains forward-looking statements regarding Toda Corporation and the Group's corporate plans, strategies, and business forecasts.

These statements include Toda Corporation's forecasts based on information currently available as of the announcement date, which are subject to a number of risks and uncertainties.

Therefore, the actual results or developments may differ from those presented in these forward-looking statements due to changes in various factors.

# Today's Schedule

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## **1. Summary of Financial Results**

Executive Manager Yushi Kikutani

## **2. Medium-term Management Plan 2019**

President Masanori Imai

# 1. Summary of Financial Results



Executive Manager Yushi Kikutani

# **1-1. Summary of Financial Results for the Year Ended March 31, 2017**



# Highlights: FY2016

- **Consolidated Net Sales: ¥422.7 billion, down 14.2% year-on-year**
  - ⋮ Net sales fell 14.2% year-on-year to ¥422.7 billion, as completed construction contracts decreased.
  
- **Operating Income: ¥24.9 billion, up 15.6% year-on-year**
  - ⋮ Operating income increased 15.6% year on year, to ¥24.9 billion, as gross profit on completed construction contracts improved due to the thorough adoption of a profitability-oriented order receipt policy.
  
- **Orders Received (non-consolidated): ¥473.3 billion, up 14.6% year on year**
  - ⋮ Orders for both architectural construction and civil engineering rose 14.6% year on year to ¥473.3 billion, with architectural construction in particular posting a 16.0% increase thanks to a large-scale project.

# Summary: FY2016

(Billions of yen)

	FY2015	FY2016			
		<i>Forecasts (announced in Feb. 2017)</i>	<b>Actuals</b>	<i>Change (year on year)</i>	<i>Difference (vs. forecast)</i>
<b>Consolidated net sales</b>	<b>492.6</b>	<i>430.0</i>	<b>422.7</b>	<i>-14.2%</i>	<b>-7.3</b>
<b>Operating income</b>	<b>21.6</b>	<i>23.0</i>	<b>24.9</b>	<i>15.6%</i>	<b>1.9</b>
<b>Ordinary income</b>	<b>23.7</b>	<i>25.0</i>	<b>27.1</b>	<i>14.6%</i>	<b>2.1</b>
<b>Profit attributable to owners of parent</b>	<b>20.0</b>	<i>23.5</i>	<b>42.0</b>	<i>110.0%</i>	<b>18.5</b>

<b>Orders received (non-consolidated)</b>	<b>412.8</b>	<i>450.0</i>	<b>473.3</b>	<i>14.6%</i>	<b>23.3</b>
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# Main Orders Received

Ordering Parties		Name of Works
Architectural Construction	<b>Tokyo College of Music</b>	<b>Construction of new campus of Tokyo College of Music</b>
	<b>J.F. Oberlin University</b>	<b>J.F. Oberlin University's Hyakunincho Campus plan</b>
	<b>PILOT Corporation</b>	<b>Planning, design work and new construction for Kyobashi 2 – 6</b>
	<b>Hakodate Kokusai Hotel</b>	<b>Hakodate Kokusai Hotel reconstruction</b>
	<b>Kurume University</b>	<b>New construction of foundation for block 3, hospital north block, etc.</b>
	<b>Tsuyama Jifu kai</b>	<b>New hospital block extension of Tsuyama Central Hospital</b>
Civil Engineering	<b>Japan Railway Construction, Transport and Technology Agency</b>	<b>Central Alps Tunnel for Chuo Shinkansen,</b>
	<b>Chubu Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism</b>	<b>FY2016 Tunnel No.3, San-en Expressway</b>

\*Honorific prefixes are omitted. Work names are abbreviations.



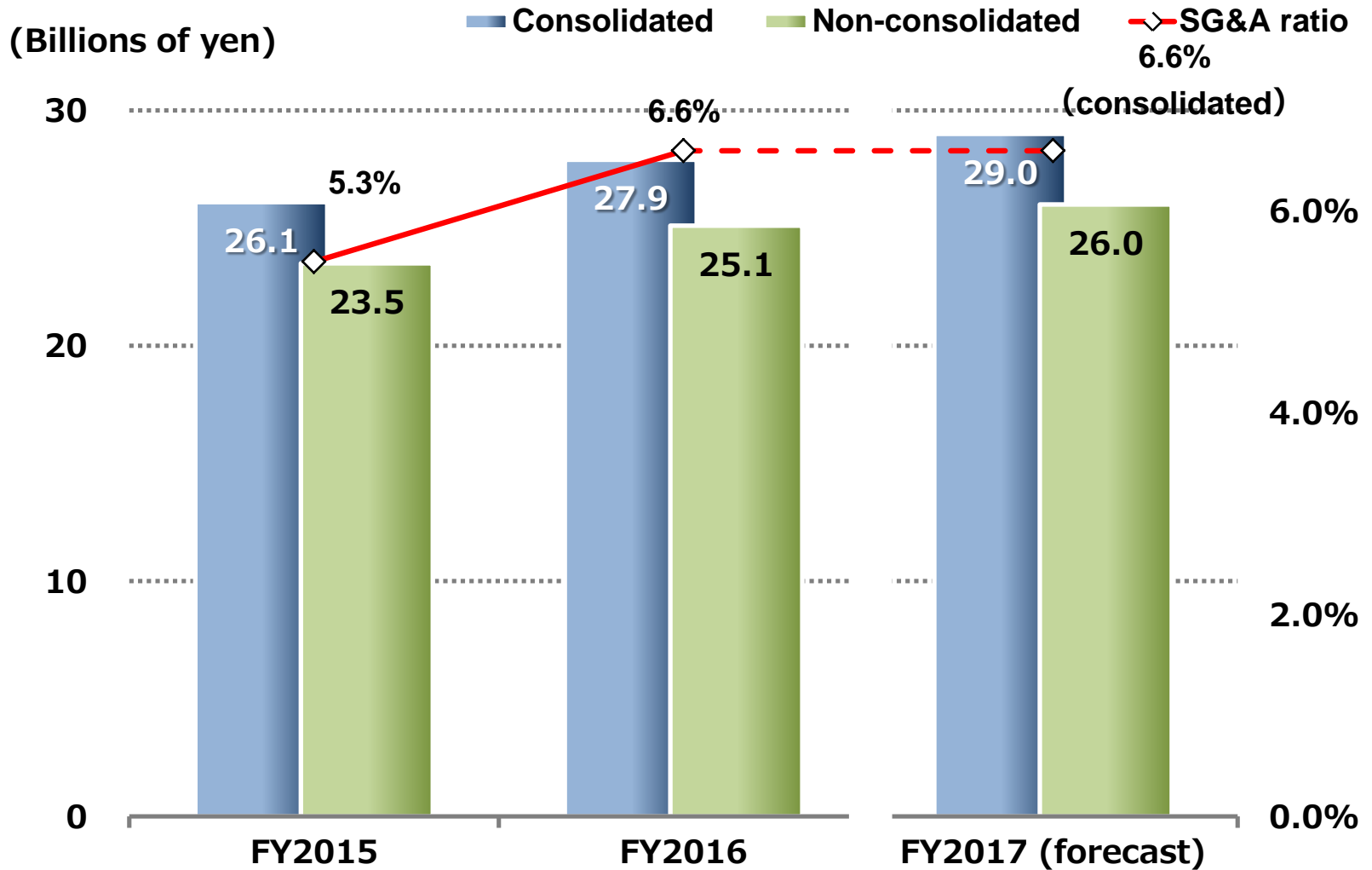
# 1-2. Details of Financial Results



# (Consolidated) Toda Group

Business		Subsidiaries in Japan	Overseas Subsidiaries	16 companies
Construction	Architectural Construction	<p>APEC Engineering Co., Ltd.</p> <p>Chiyoda Kenkou Co., Ltd.</p>	<p>Construtora Toda do Brazil S/A</p> <p>Toda Construction (Shanghai) Co., Ltd.</p> <p>Thai Toda Corporation Ltd.</p> <p>TODA Philippines, Inc.</p> <p>Toda Vietnam Co., Ltd.</p> <p>ABTD, inc.</p>	8 companies
	Civil Engineering	<p>Toda Road Co., Ltd.</p>		1 company
Real Estate		<p>Toda Bldg. Partners Co., Ltd.</p>	<p>Toda America, Inc.</p>	2 companies
Other		<p>Toda Finance Co., Ltd.</p> <p>Toda Staff Service Co., Ltd.</p> <p>Towa Kanko Kaihatsu Co., Ltd.</p> <p>Goto Floating Wind Power LLC.</p> <p>Offshore Wind Farm Construction LLC</p>		5 companies

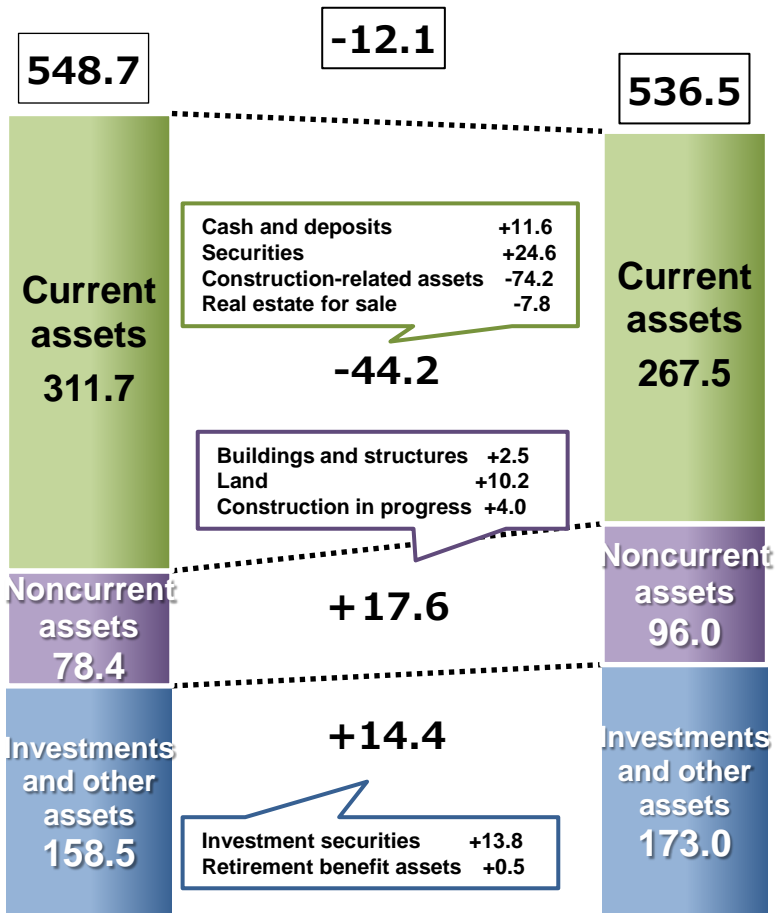
# (Consolidated) Change in SG&A



# (Consolidated) Balance Sheets

## Assets

(Billions of yen)



Mar 2016

Mar 2017

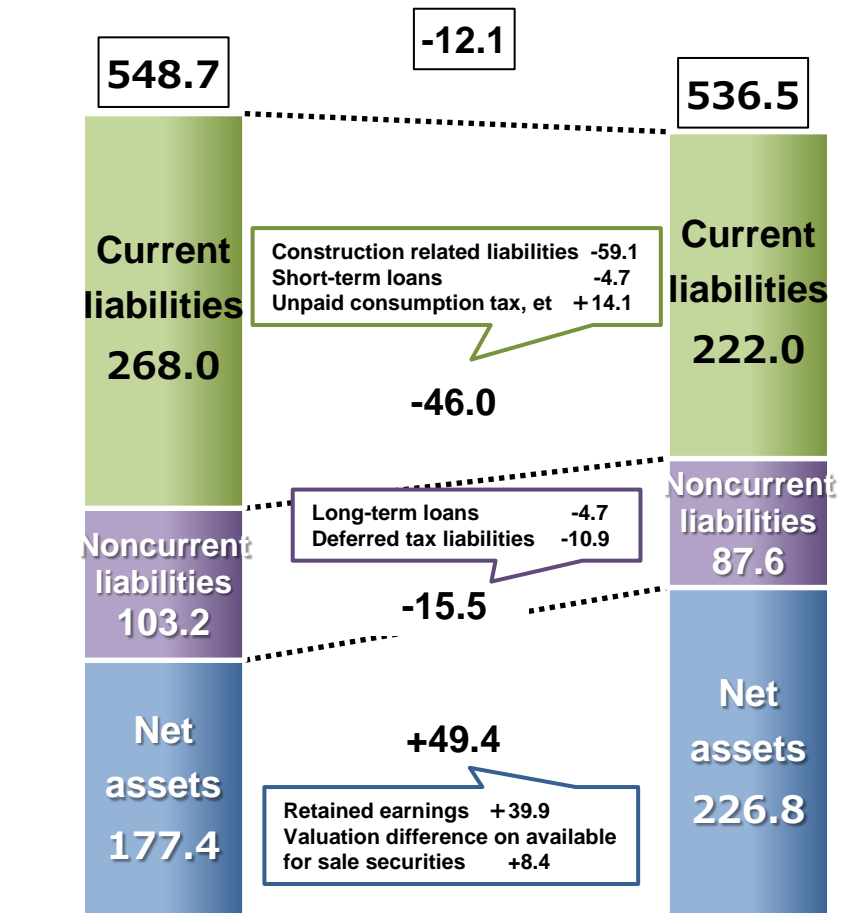
116.2%

**Current ratio**

120.5%

## Liabilities and Net Assets

(Billions of yen)



Mar 2016

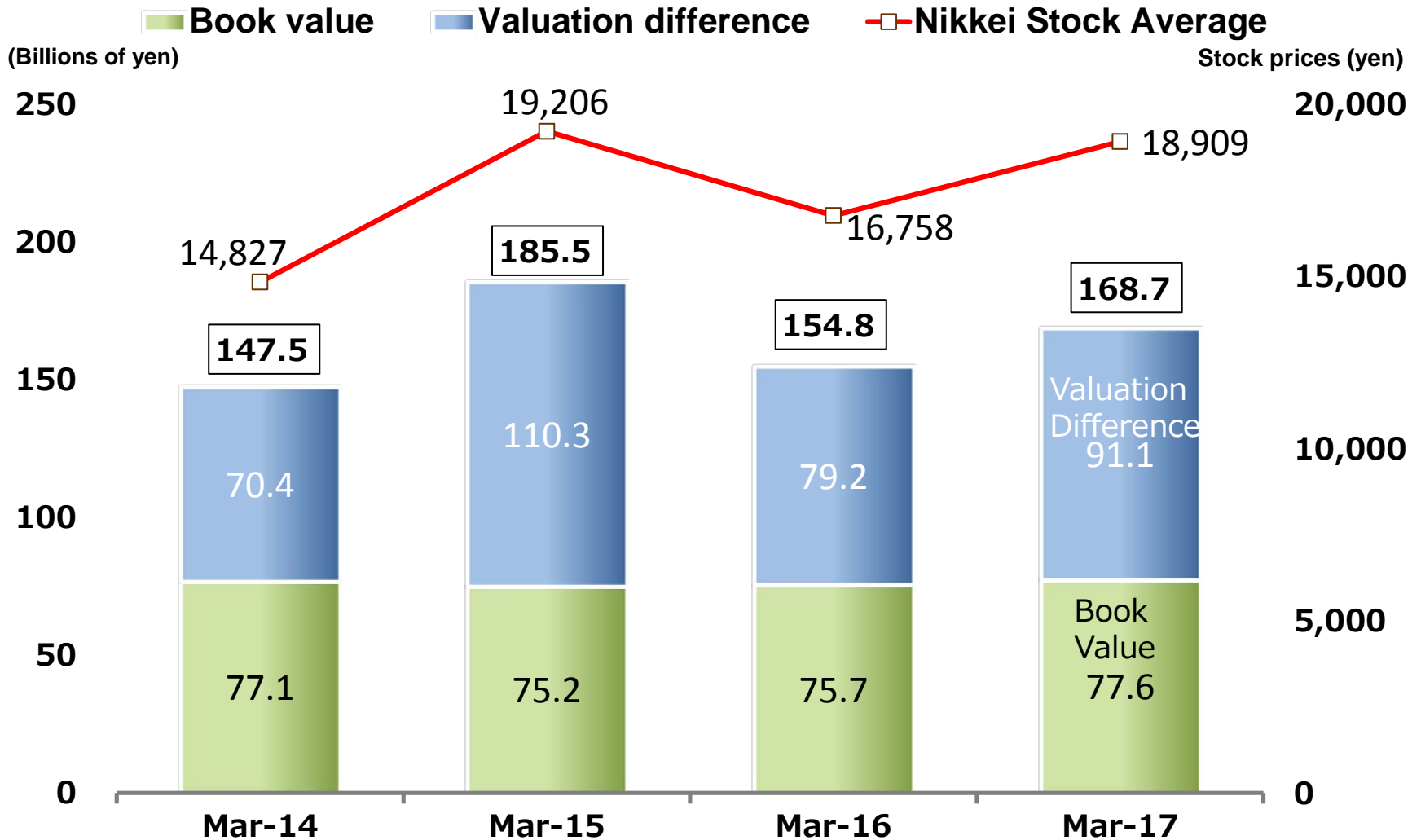
Mar 2017

31.9%

**Equity ratio**

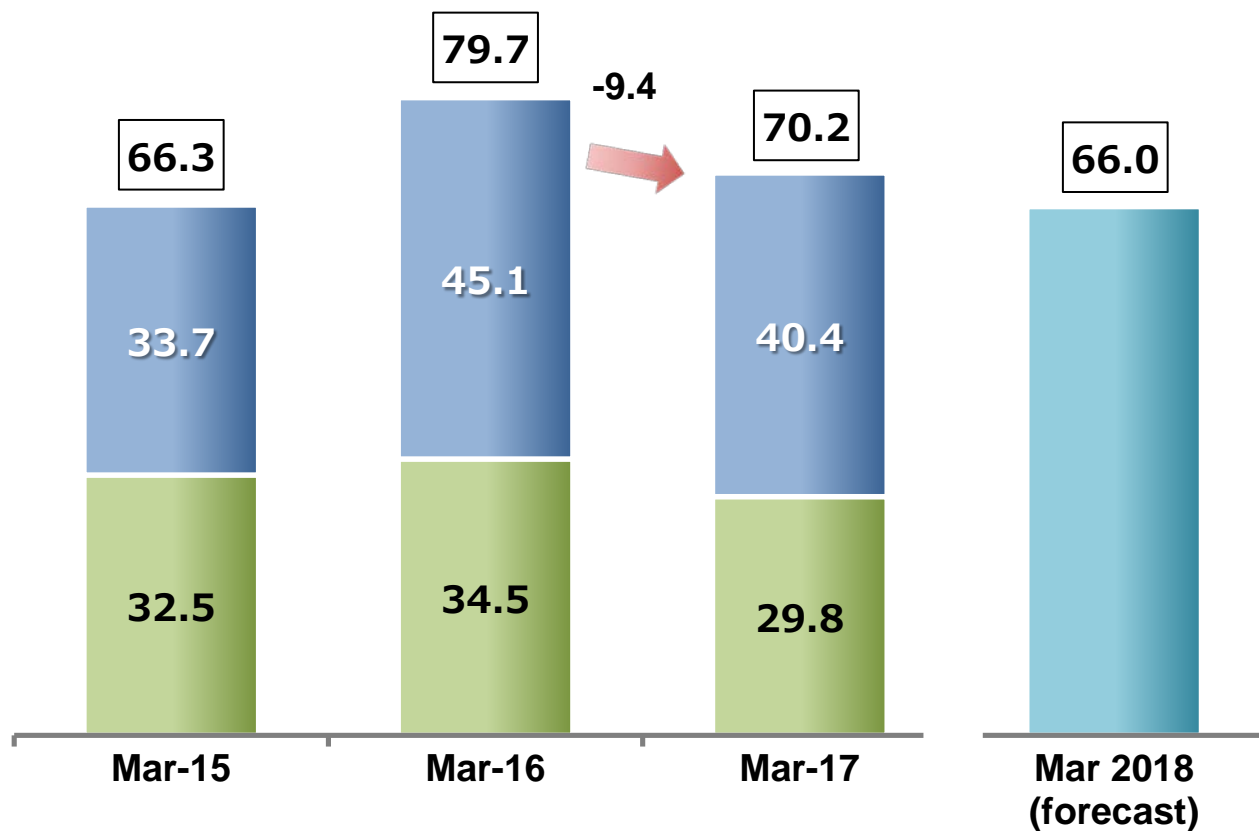
41.7%

# (Consolidated) Change in Investment Securities



# (Consolidated) Change in Interest-Bearing Liabilities

■ Short-term      ■ Long-term      (Billions of yen)



<b>D/E ratio</b>	<b>0.37x</b>	<b>0.45x</b>	<b>0.27x</b>
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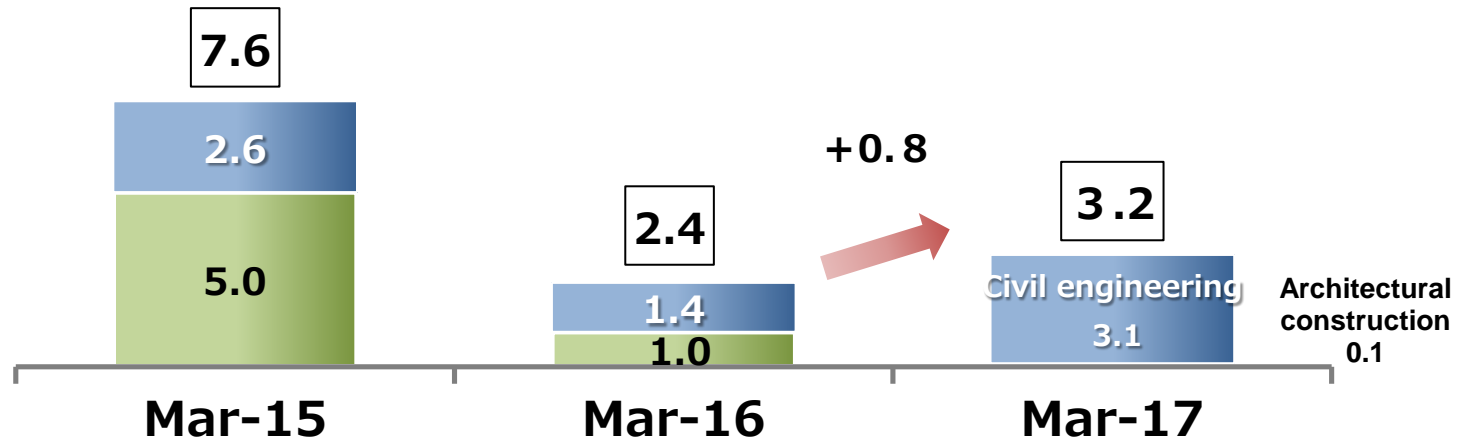
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# (Consolidated) Change in Provision for Loss on Construction Contracts

■ Architectural construction

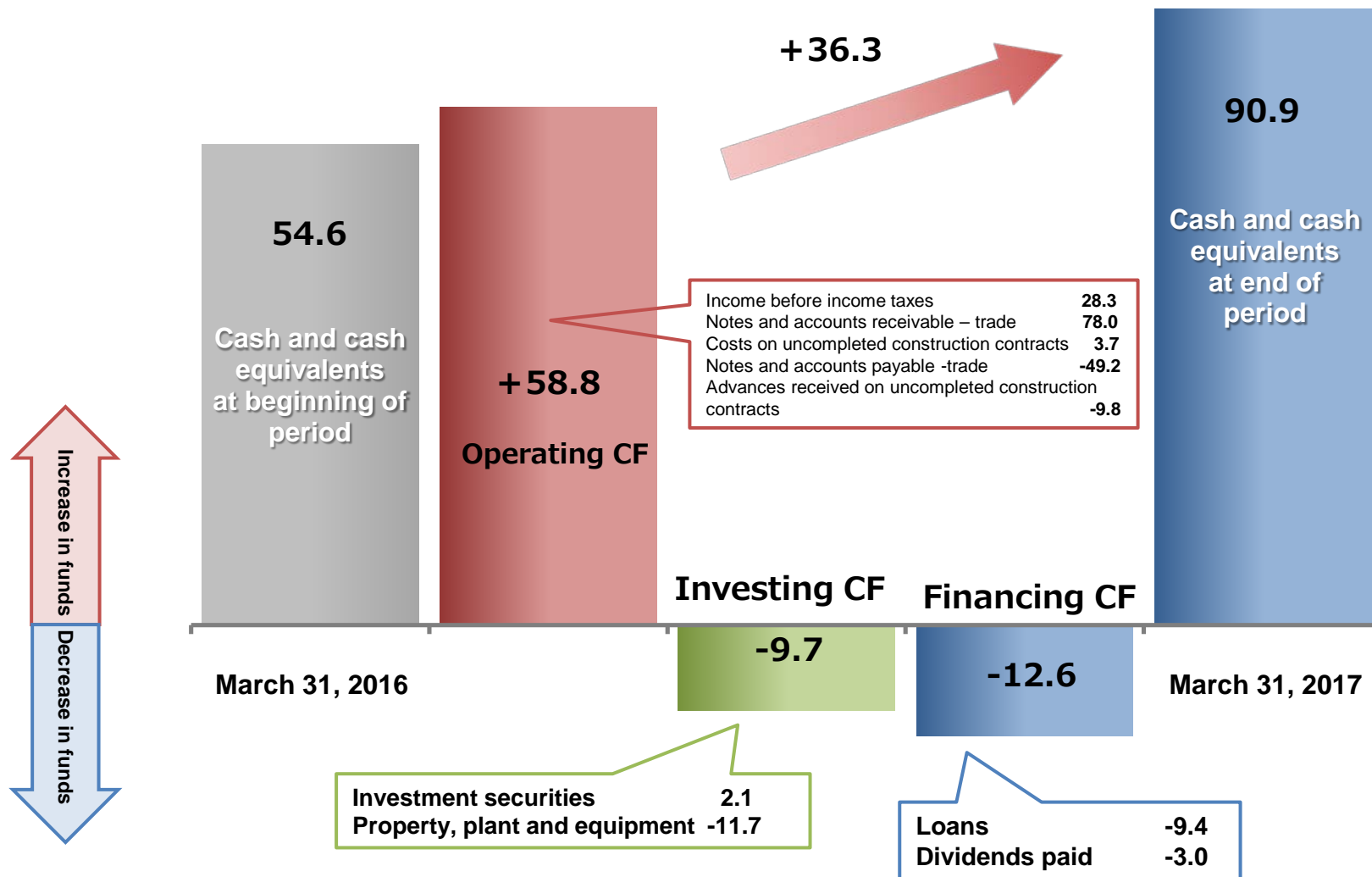
■ Civil engineering

(Billions of yen)



# (Consolidated) Statement of Cash Flow

(Billions of yen)





# 1-3. Performance Forecasts

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# Forecasts for FY2017 (Year Ending March 31, 2018)

(Billions of yen)

	FY2016	FY2017		
		Forecasts	Change (year-on-year)	
Consolidated net sales	422.7	437.0	3.4%	14.2
Operating income	24.9	19.0	-24.0%	-5.9
Ordinary income	27.1	21.0	-22.8%	-6.1
Profit attributable to owners of the parent	42.0	14.0	-66.7%	-28.0
Orders received (Non-consolidated)	473.3	445.0	-6.0%	-28.3

# (Non-consolidated) Forecasts for the Construction Business

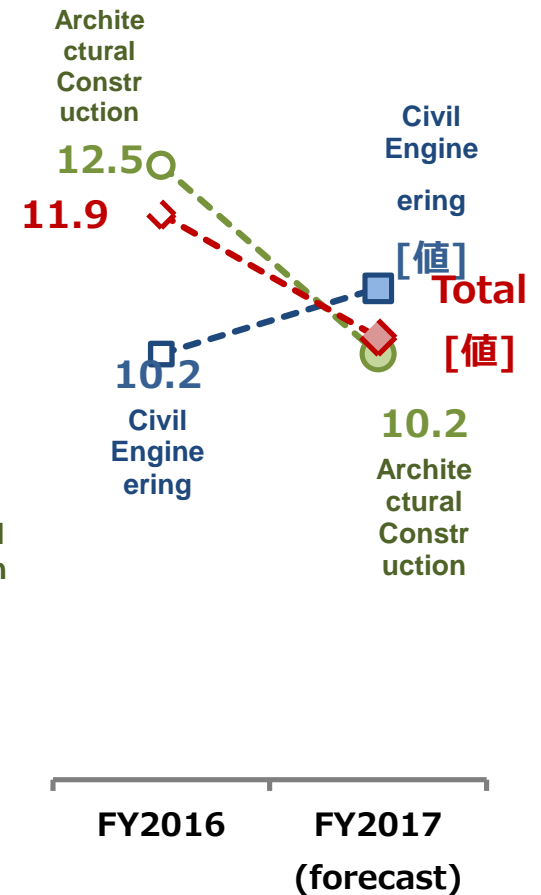
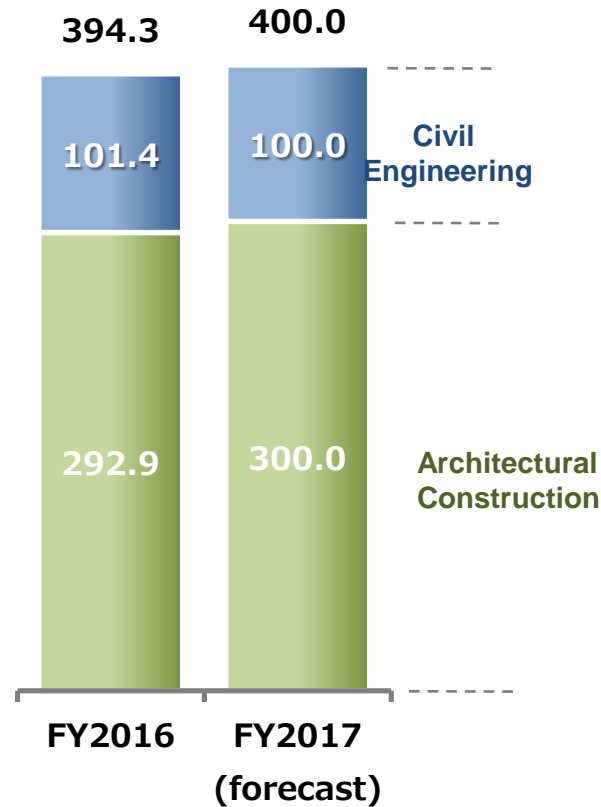
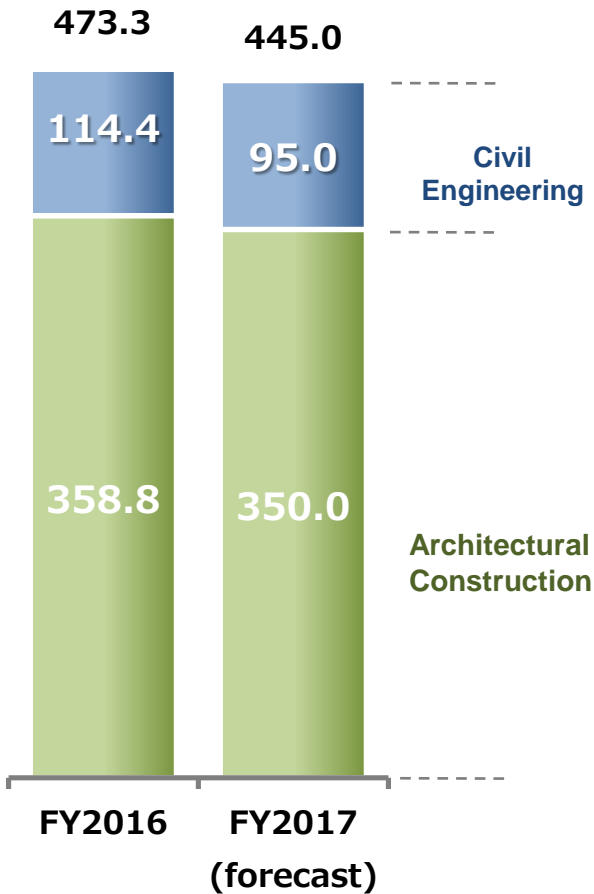
(Billions of yen)

(%)

Orders Received for Construction

Net Sales of Completed Construction Contracts

Gross Profit Margin on Completed Construction Contracts



# Non-consolidated Forecasts for FY2017

	Amount (billions of yen)	Profitability (%)
<b>Net sales</b>	<b>404.5</b>	
<b>Gross profit</b>	<b>43.1</b>	<b>10.7</b>
<b>Profits in the construction business</b>	<b>41.5</b>	<b>10.4</b>
[Architectural construction]	[30.5]	[10.2]
[Civil engineering]	[11.0]	[11.0]
<b>Profits in the real estate business</b>	<b>1.6</b>	<b>35.6</b>
<b>Selling, general and administrative expenses</b>	<b>26.0</b>	
<b>Operating income</b>	<b>17.1</b>	<b>4.2</b>
<b>Ordinary income</b>	<b>18.9</b>	<b>4.7</b>
<b>Extraordinary income</b>	<b>0.0</b>	
<b>Profit</b>	<b>12.7</b>	<b>3.1</b>

# **2. Medium-term Management Plan 2019**

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**President Masanori Imai**

# Positioning of Medium-term Management Plan 2019

Toda Group Global Vision

**A corporate group that makes your success possible**

**To a new phase to realize the global vision**

FY2015 - FY2016

FY2017 - FY2019

FY2020 -

Phase I

Phase II

**Establishing growth foundation**  
(business, mindset reform)

**Building profit base for continuous growth**  
(resource shift and new value creation)

**Continuous growth**  
(tenacity, diversity)

# **1. Achievements of Previous Medium-term Plan and Issues**



# Performance Targets in the Previous Medium-term Plan and Achievement Status

**Achieved profitability and productivity goals ahead of schedule, to move to new Medium-term Plan**

(Billions of yen)

	FY2015 Actuals	FY2016 Actuals	FY2017 Forecast	Previous medium-term targets (FY2017)
<b>Consolidated net sales</b>	<b>492.6</b>	<b>422.7</b>	<b>437.0</b>	<b>480.0</b>
<b>Operating income</b>	<b>21.6</b>	<b>24.9</b>	<b>19.0</b>	<b>20.0</b>
<b>Operating income ratio</b>	<b>4.4%</b>	<b>5.9%</b>	<b>4.3%</b>	<b>4.2%</b>
<b>Labor productivity (million yen)</b>	<b>14.55</b>	<b>15.45</b>	<b>13.45</b>	<b>13.20</b>

\* Labor productivity = Added values (Operating income + Overall labor cost) ÷ Number of employees (average during fiscal year, including temporary staff, etc.)

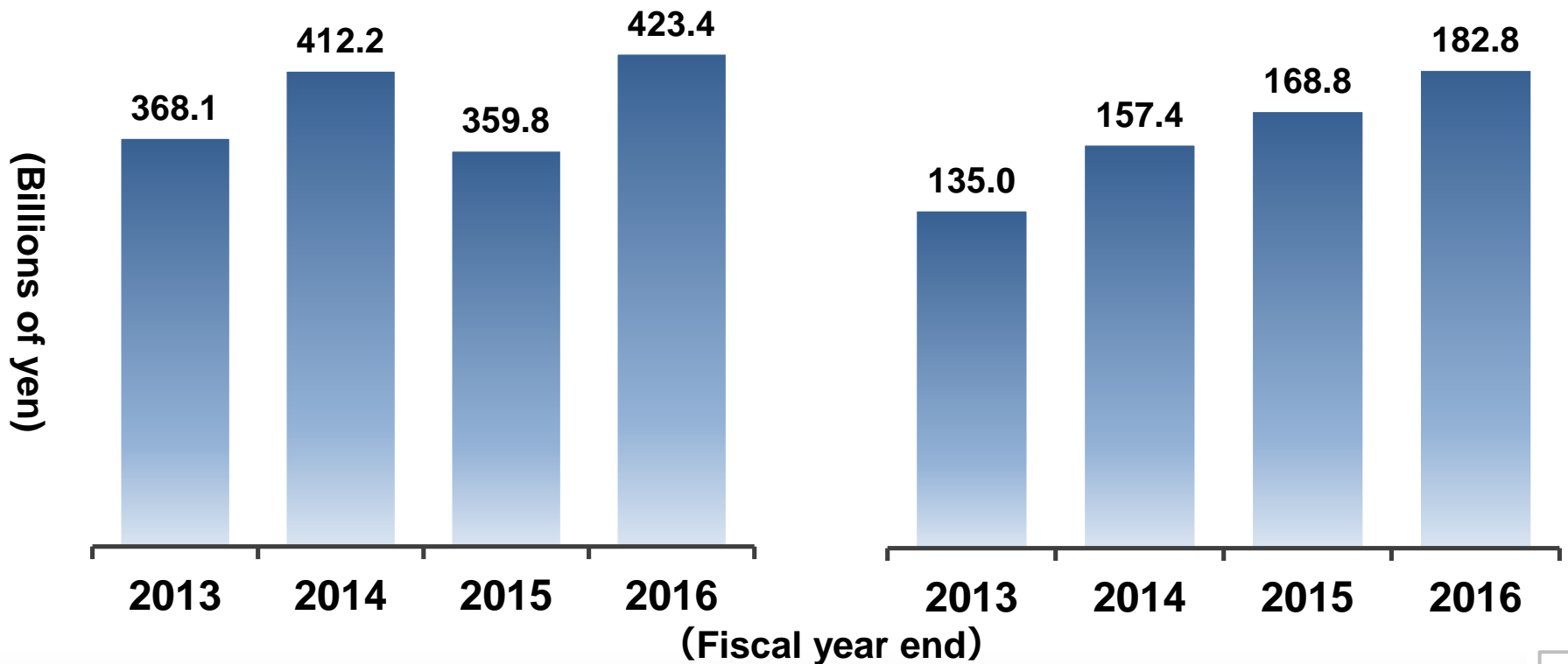


# Status of Construction Work Carried Forward

**Both Architectural Construction and Civil Engineering works in hand are at a high level**

**Architectural Construction (Japan)**

**Civil Engineering (Japan)**



# Review of Strategy

	FY2013	FY2014	FY2015	FY2016
<b>Strategic phase</b>	<b>Regeneration period</b> – Winning back trust after two consecutive terms of posting losses –		<b>Establishing growth foundation</b> – Efforts to reach No.1 in productivity and safety –	
<b>Organizational restructuring</b>	-Customer center -Toda Bldg. Partners Co., Ltd. -Value Creation Promotion Office -Overseas Business Division -Group Control Office	-Floating Offshore Wind Turbine Generator Business Promotion Committee -Diversity Promotion Office -Investment & Development Division -Metropolitan Area Civil Engineering Branch	-Productivity No.1 Promotion Committee -Safety Management Control Division, Safety Management Division -Goto FWP	-OWFC -Toda Mirai Foundation -Strategic Business Promotion Office
<b>Reform and implementation</b>	-Order settlement based on operating income ratio -Proposal by structural reform WG -Visualization through management strategy roadmap	-Business Process Reengineering, start of ICT rebuilding -Activities by Vision Draft PJT, drafting of global vision -Restructuring of important meetings	-Performance evaluation based on labor productivity -Promotion of utilization and evaluation of technologies in possession -Review of occupational groups, retirement extension standards, etc.	-Get better with age PJ, new business initiatives -Development of Tsukuba Institute of Construction Technology -Next Future Map, <i>Mirai no Arukikata</i>

\*Organizational restructuring is the timing for discussion and finalization

# Initiatives for Continuous Growth

## Investments for future revenue

- Headquarters building reconstruction
- Floating Offshore Wind Turbine Generator (Goto WF)
- New real estate
- Effective utilization of assets owned (Machinery and equipment center, etc.)
- Sixth-order industrialization of agriculture



Reconstruction of the headquarters building



Photo: Hoichi Nishiyama

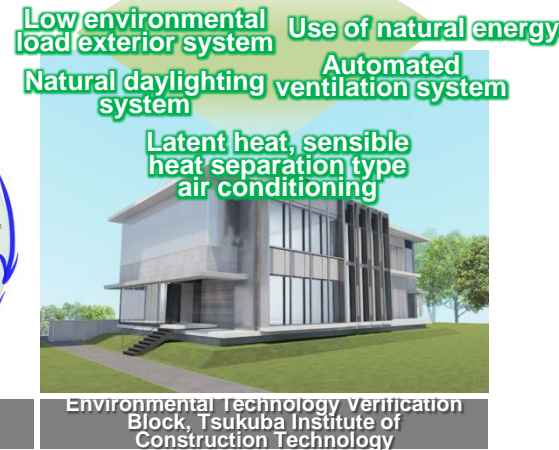
Floating offshore wind turbine generator

## Investments for business foundation

- Business Process Restructuring, expanding education
- Rebuilding ICT
- Developing Tsukuba Institute of Construction Technology facility, technology development
- Improving treatment of employees and partner companies, etc.



Integrated profit management system



Environmental Technology Verification Block, Tsukuba Institute of Construction Technology

# Promotion of Social Contribution Activity through Toda Mirai Foundation

## List of recipients of the 1st Grants for Activities to Promote Hiring and Nurturing of Young Engineers

	Company/organization	Based in	Activity theme
1	SHOKUNINIKUSEIJUKU Project	Kagawa	Operation of workmen's school, collaboration with the community through the school and enlightenment in the industry
2	TAKENOBE Co., Ltd.	Osaka	Operation of facility for development of construction work engineers for hiring, nurturing, development and acquisition of certificates
3	Hidaka Region Human Resource Development Center	Hokkaido	Training of civil engineers for construction companies in the Hidaka area
4	HIRAIWA TOSO Co., Ltd.	Tokyo	Activities for hiring, nurturing of high school graduates (enrollment in vocational training schools, participation in external seminars, etc.)
5	Tohwa Corp.	Saitama	Training program aimed at nurturing and continuation of young engineers (in-house OJT, utilization of vocational training facilities)
6	Nihonkutai	Tokyo	Creation of public certification system, the Japan Construction Skeleton Concrete Placement Certificate, improvement of civil engineering workers' wage and position

**The second round of grant recipients to be decided and announced on May 18**

\*Honorific prefixes are omitted. In no particular order.

# Recognition of Issues

## At the moment

- Improve capacity in response to strong order environment
- Issues faced by the construction industry  
(reform of way of working, shortage of workers, social insurance, etc.)

## Medium- to long-term

- Decline in construction investment anticipated after 2020
- Change in social structure due to dwindling birthrate and ageing of society
- Impact of reconstruction of the headquarters building (funds, human resources)

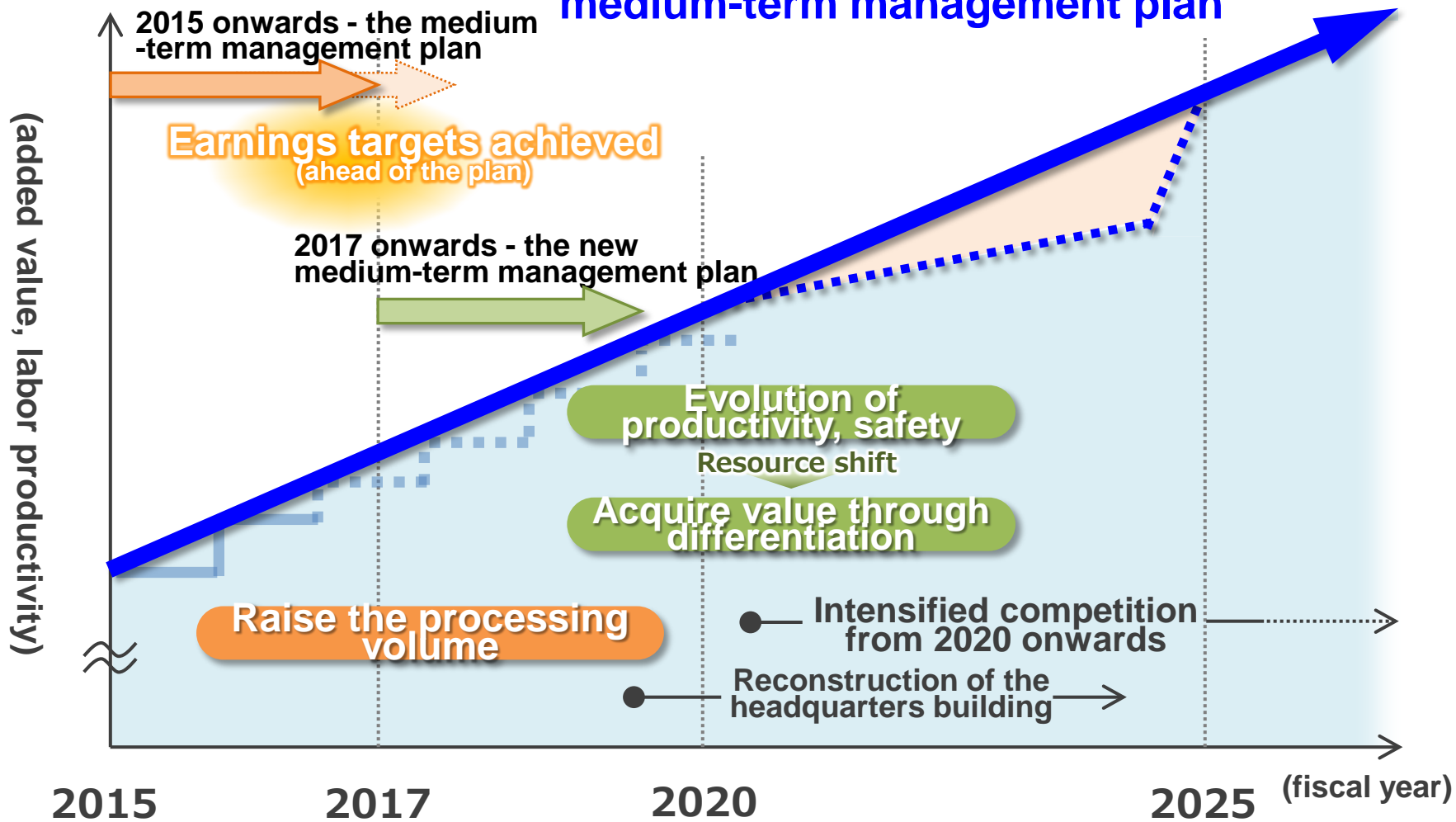
\*Demolition: FY2019, 2020; construction: from 2021 to 2023

**Promote resource shift through productivity improvement**  
**Build revenue base**

# Medium-term Issues and Direction of Corporate Activities

**Continuous growth we aspire to achieve**

**Anticipate changes in environment and formulate new medium-term management plan**

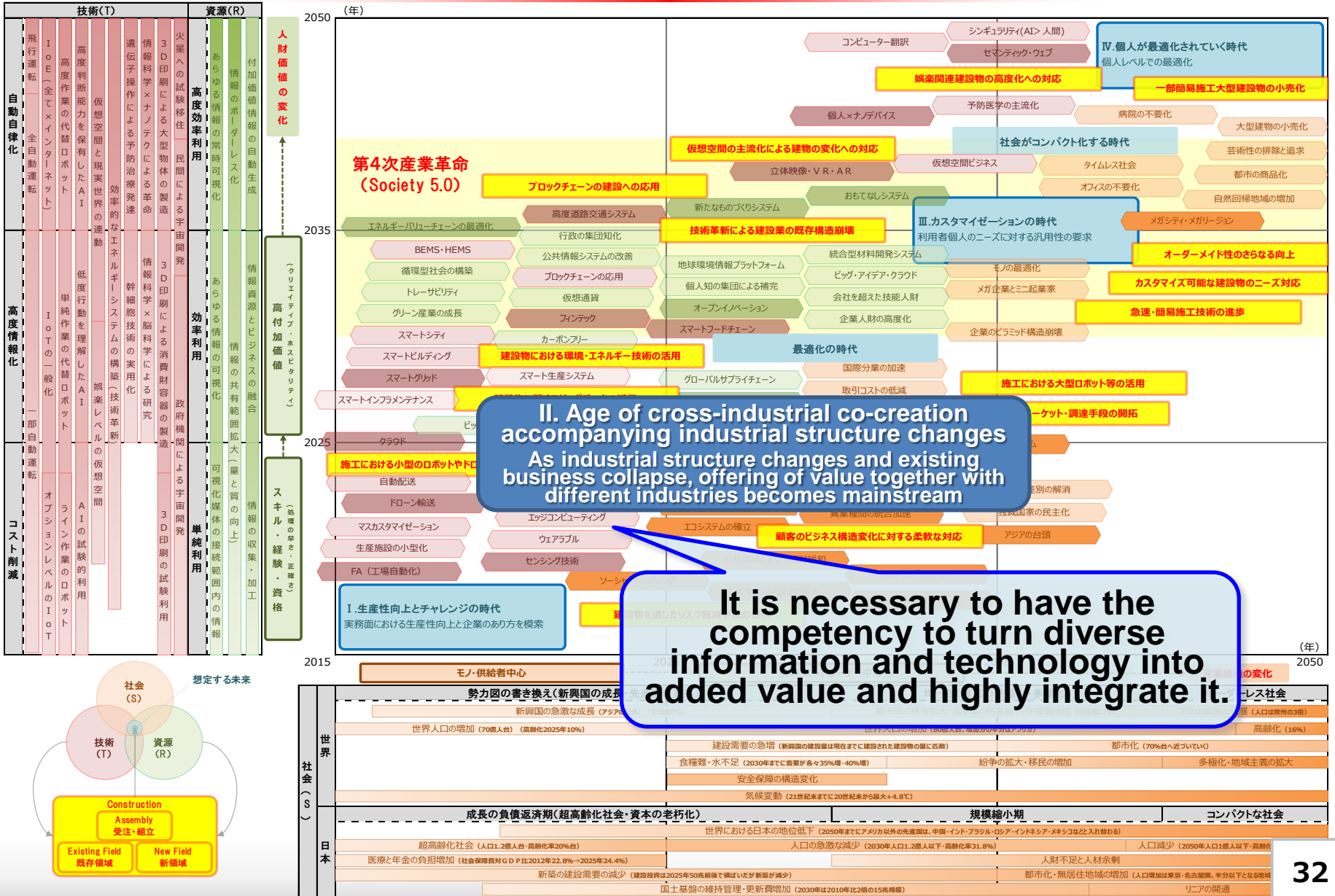


## **2. What We Aspire to Be**



# 30 Years in Toda's View

## Next Future Map





# What We Aspire to Be

## Create new values through Assembly & Collaboration

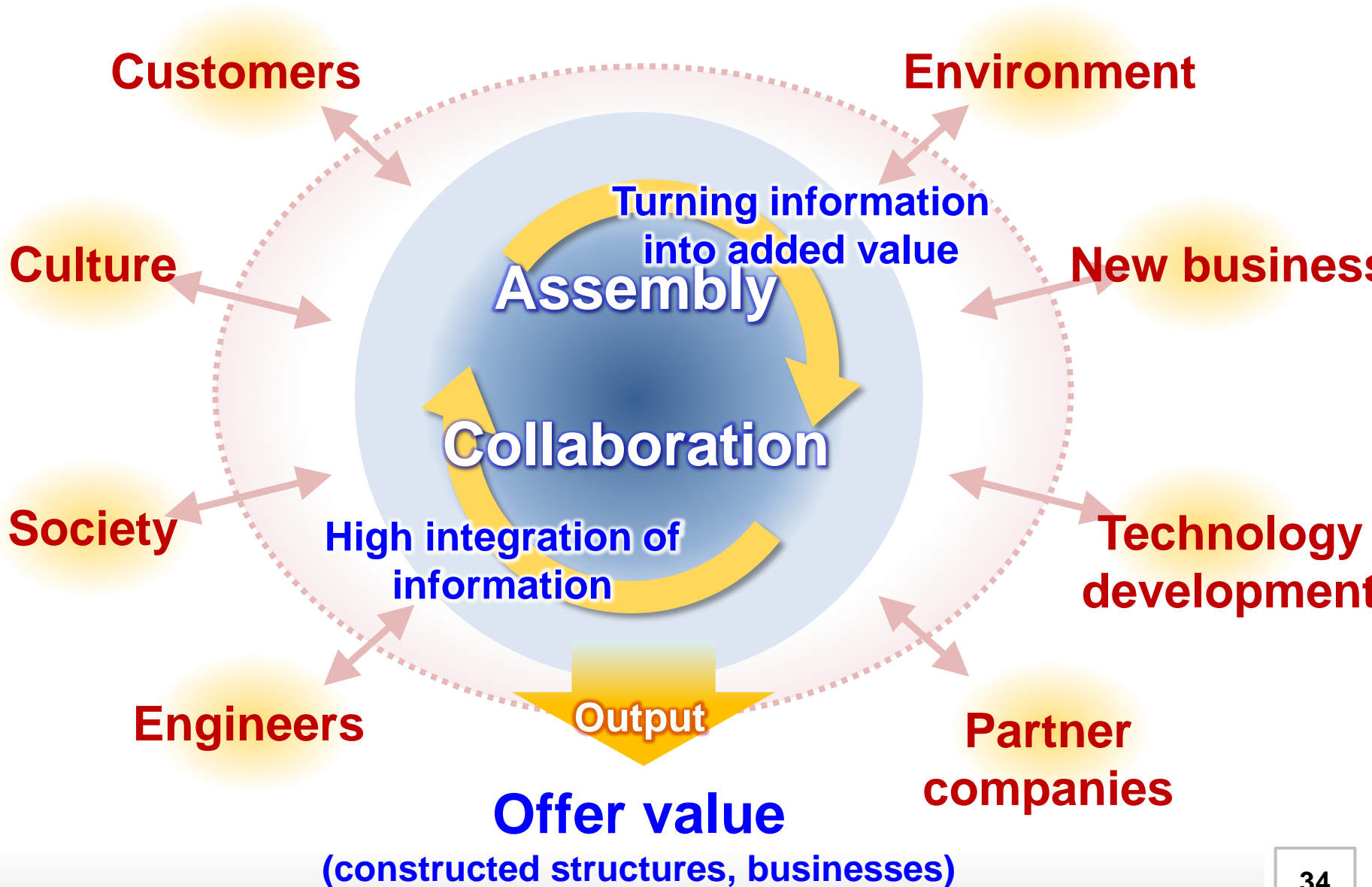
### ■ Evolution of No. 1 productivity, No. 1 safety

Take on challenge of achieving a 30% improvement in net sales of completed construction contracts per worker, no overtime, no accident

### ■ Acquisition of values through differentiation

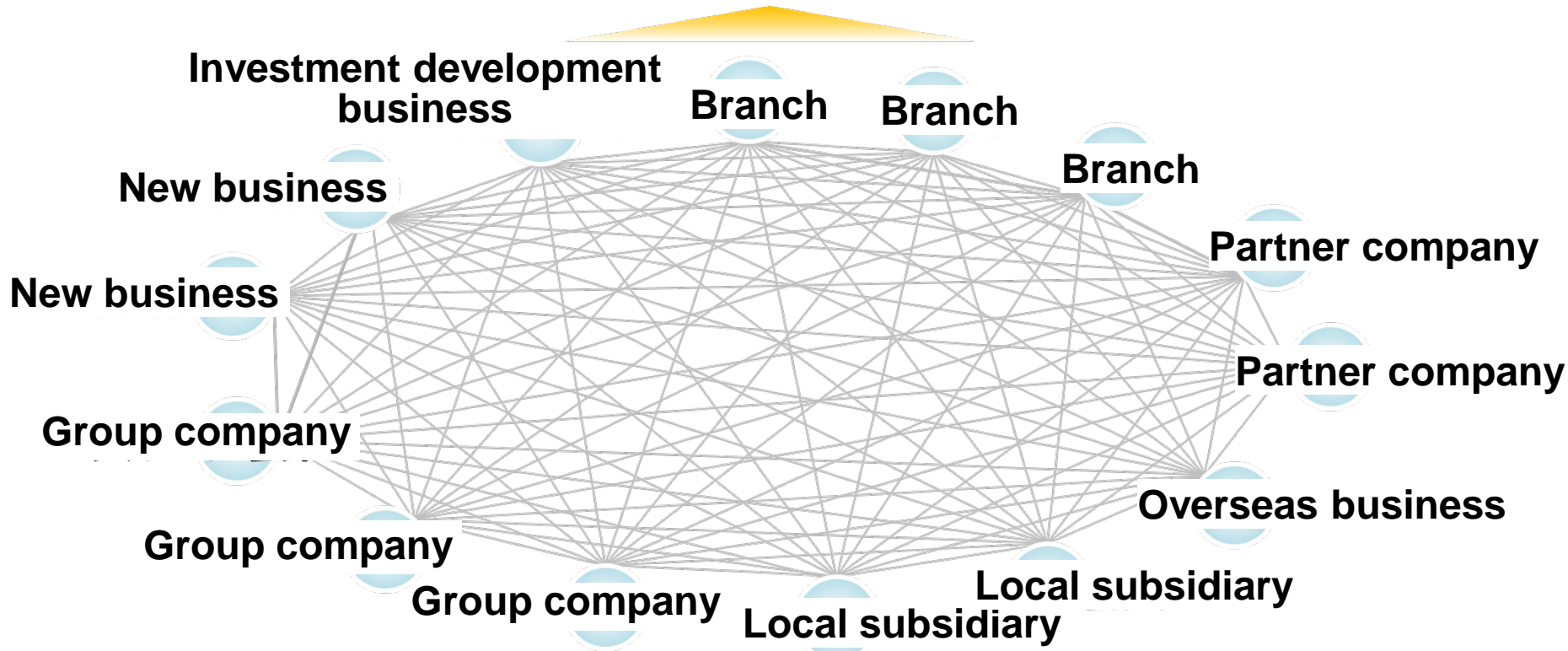
Explore advantages, strengthen them further and diversify revenue bases

# Significance of Toda Group



# Business Structure for Continuous Growth

**Maximize group corporate value**



Architectural Construction Business Unit, Civil Engineering Business Unit, Administrative Unit, Value Creation Promotion Office, Information Center, Audit Office, Human Resource Strategy Office, Risk Management Office

# 3. Performance Targets



# Group Earnings Targets for FY2019

(Billions of yen)

	FY2016 actuals	FY2017 forecasts	FY2019 targets
<b>Consolidated net sales</b>	<b>422.7</b>	<b>437.0</b>	<b>500.0</b>
Architectural construction (Japan)	291.7	298.0	340.0
Civil engineering (Japan)	100.5	97.2	115.0
Investment & development + new fields	5.2	4.5	8.5
Domestic group companies	35.4	32.5	36.0
Overseas	9.6	17.2	22.0
Consolidated eliminations	(19.9)	(12.5)	(21.5)
<b>Operating income</b>	<b>24.9</b>	<b>19.0</b>	<b>25.0</b>
<b>Operating income ratio</b>	<b>5.9%</b>	<b>4.3%</b>	<b>5.0%</b>
<b>Labor productivity</b> (non-consolidated, millions of yen)	<b>15.45</b>	<b>13.45</b>	<b>15.00</b>

\*The new fields include energy-related business and other businesses

\* Labor productivity = Added values (Operating income + Overall labor cost) ÷ Number of employees (average during fiscal year, including temporary staff, etc.)

# Profit Target by Business

(Billions of yen, %)

	FY2016 results		FY2017 forecasts		FY2019 targets		Long-term targets
<b>Operating income</b>	<b>24.9</b>	[100]	<b>19.0</b>	[100]	<b>25.0</b>	[100]	[100]
Architectural construction (Japan)	19.7	[79.0]	12.4	[65.3]	16.5	[66.0]	[50.0]
Civil engineering (Japan)	4.5	[18.2]	5.2	[27.4]	6.5	[26.0]	[15.0]
Investment & development + new fields	0.4	[1.7]	0.5	[2.6]	0.4	[1.6]	[15.0]
Domestic group companies	1.5	[6.4]	1.2	[6.3]	1.6	[6.4]	[10.0]
Overseas	(1.1)	[-4.5]	(0.3)	[-1.6]	0.0	[0.0]	[10.0]
Consolidated eliminations	(0.1)	[-0.7]	—	[—]	—	[—]	[—]

\*[ ] shows composition ratio.

\*The long-term targets are the management directions, taking into account 2020 onwards.

# Capital Efficiency, Shareholder Returns, Investment Plan

[Capital efficiency, shareholder returns]	FY2016 actuals	FY2017 forecasts	FY2019 targets
ROE (return on equity)	21.1% (9.7%)	7.0%	About 8.0%
Total return ratio	11.0% (23.8%)	26.3%*	About 30.0%

\*Total return ratio= Total shareholder return (total dividends paid + total amount of treasury stock purchased)÷ Profit attributable to owners of parent

\*The figure in ( ) for FY2016 actuals is the amount calculated by multiplying profit before income taxes with effective statutory tax rate

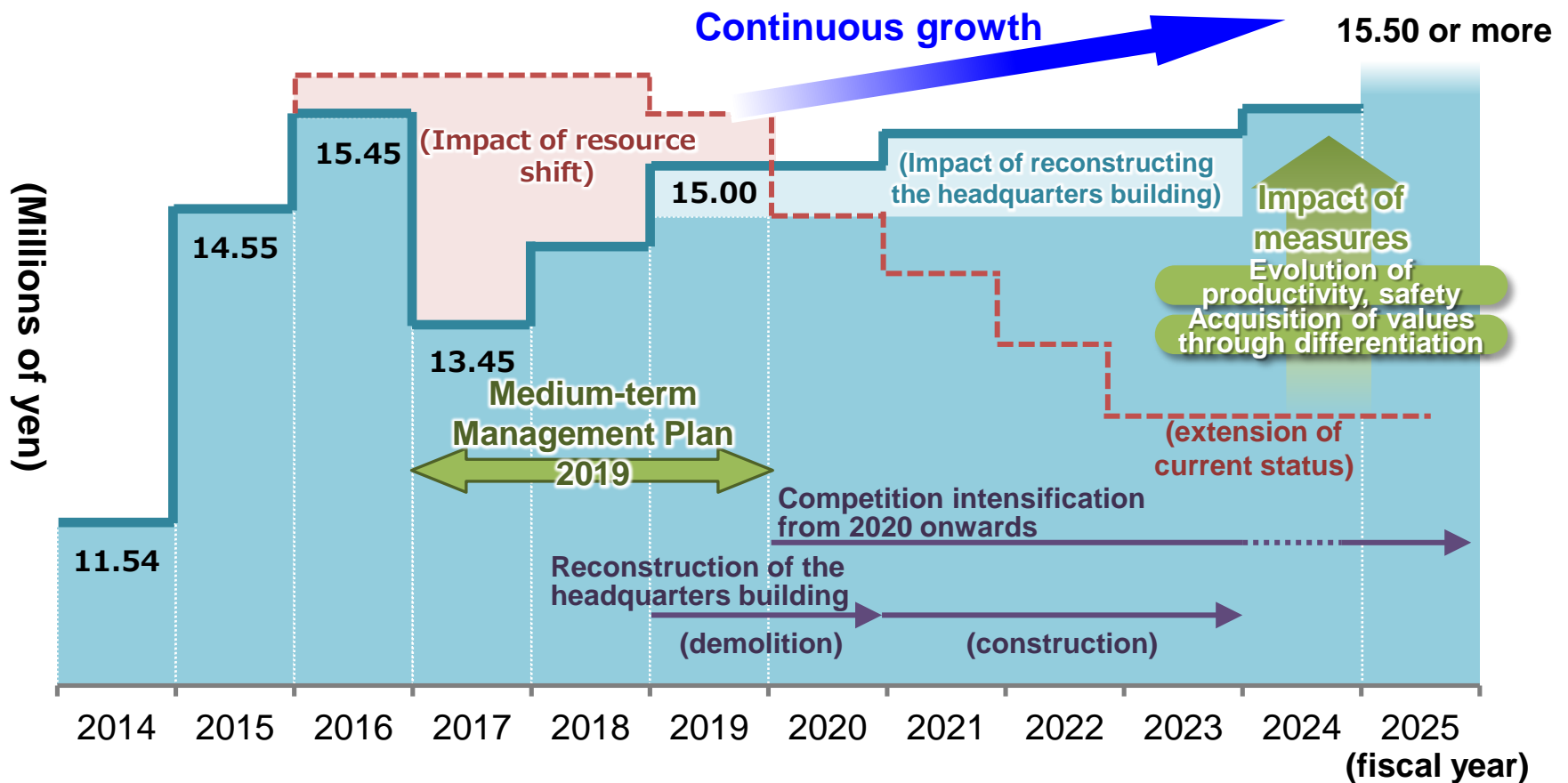
\*The total return ratio for FY2017 does not take into account purchase of treasury stock.

(Billions of yen)

[Investment plan]	Total for the period	Fiscal year average
Investment development (real estate, etc.)	42.0	14.0
New fields (energy, etc.)	24.0	8.0
Institute of Construction Technology improvement, ICT reconstruction	6.0	2.0
<b>Total</b>	<b>72.0</b>	<b>24.0</b>

# Performance Targets and How to Grasp Impact of Measures

## Labor productivity





# 4. Business Policy



# Evolution of No. 1 in Productivity, No. 1 in Safety

Evolution of front loading



Development, application  
of new technology, ICT

## Enhanced implementation structure (March 2017)

Architectural Construction (Japan)	BIM-CM Office	Structural enhancement
	Front Loading Promotion Section (branches)	New
Civil Engineering (Japan)	ICT Promotion Section	New
Technology Development Center	Construction Innovation Unit	New

# Acquire values through differentiation

**Create strengths corresponding to competitiveness in each field**

**Stable growth fields (area of specialty)**

**Offer values unique to Toda Group**

Hospitals,  
schools

Redevelopment

Mountain  
tunnel

Lot  
development

**Key reinforcement fields**

**Continuously win contracts, improve technological capability**

High value added  
offices

Large-scale  
infrastructure

Technology for  
creating buildings that  
get better with time

# Strategic Businesses

## Promote shifting resources to future income pillars (newly established the Strategic Business Promotion Office in March 2017)

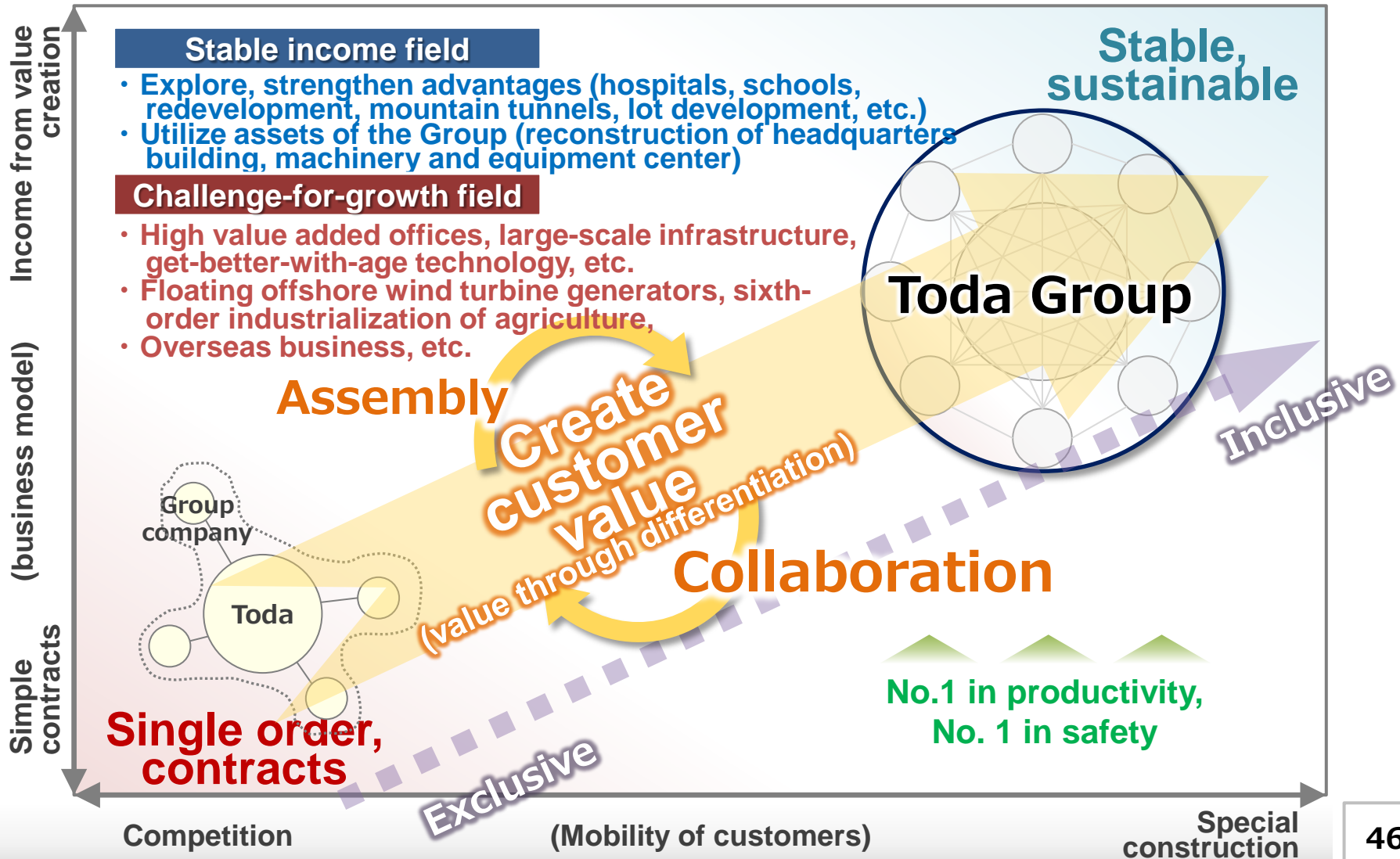
Business	Main initiatives
Investment development	<ul style="list-style-type: none"><li>• Investment, operation of earning properties, lot development projects, etc.</li><li>• Promote Kyobashi 1-chome East Side development plan (reconstruction of headquarters building)</li><li>• Utilize company assets including the machinery and equipment center</li></ul>
New fields	<ul style="list-style-type: none"><li>• Commercialize floating offshore wind turbine generators</li><li>• New energy, sixth-order industrialization of agriculture, new businesses</li></ul>
Group companies in Japan	<ul style="list-style-type: none"><li>• Strengthen offering of omni-azimuth customer values, construction life-cycle business (building management, renewal, facilities, etc.)</li><li>• Acquire special technologies through M&amp;As, etc.</li></ul>
Overseas	<ul style="list-style-type: none"><li>• Strengthen sales capabilities in Brazil and Southeast Asia</li><li>• Continuously win orders of civil engineering projects overseas</li><li>• Deploy technologies the Group has</li></ul>

# Strengthen Management Base, Improve Stakeholder Value

<b>Human resources</b>	<b>Boost diversity, variety, potential of employees through reform for flexible use of human resources and working styles</b>
<b>Financial</b>	<b>Improve cash flow and secure appropriate level of internal reserve (about 40% of equity ratio)</b>
<b>Sustainability</b>	<b>Promote initiatives for building a sustainable society led by environmental conservation</b>

# Summary

## Maximize corporate value of Toda Group



**A corporate group that makes  
Your success possible**



**TODA**

**TODA CORPORATION**

**(SINCE 1881)**