



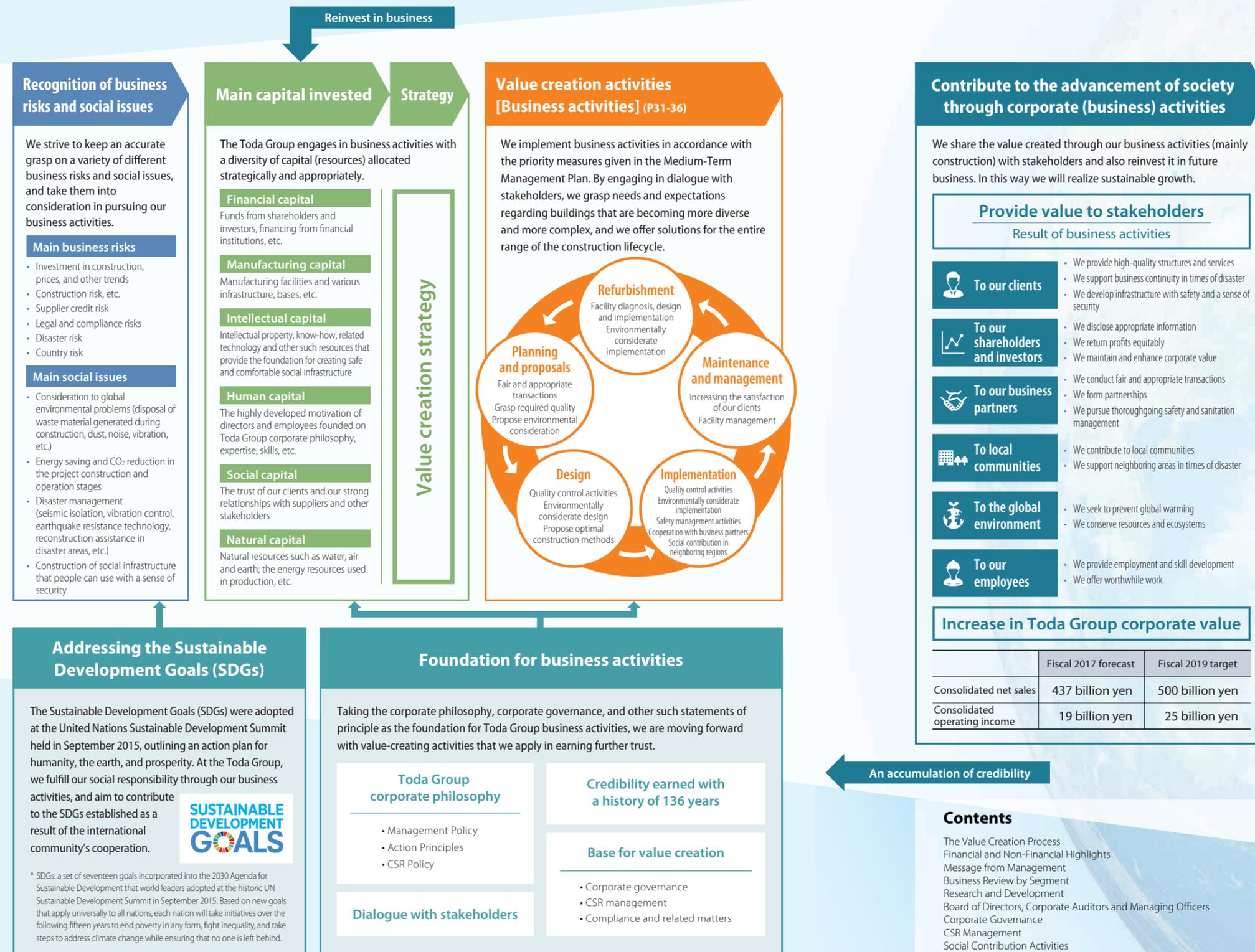
TODA Corporate Report 2017

Year ended March 31, 2017



The Value Creation Process

The Toda Group aims to achieve sustainable growth of corporate value with stakeholders and become a corporate group that makes your success possible by means of the following value creation processes.



Implementation of Global Vision

Our future vision for the Toda Group and its value

A corporate group that makes your success possible

For the satisfaction of our clients

We will build strong, reliable partnerships with our clients by delivering our precise technical expertise and comprehensive human resources.

For work we can be proud of

All of us at TODA work together to create a successful environment that allows us to bring passion and a strong sense of responsibility to each project we undertake.

For future generations and our planet

We will create an environment-friendly society that is both safe and secure by aggressively tackling challenges posed by changing times and social circumstances.

Financial and Non-Financial Highlights

Key performance indicators

Data on economic aspect (consolidated)	Millions of yen					Thousands of U.S. dollars (Note)
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2016
Consolidated						
Net sales Graph	497,048	448,987	420,324	492,621	422,722	3,767,914
Ordinary income (loss) Graph	(45,581)	6,584	14,813	23,723	27,197	242,424
Profit (loss) for the year attributable to owners of the parent Graph	(65,285)	10,228	14,026	20,039	42,091	375,182
Comprehensive income (loss)	(41,516)	16,874	46,192	(3,381)	52,073	464,150
Total net assets Graph	128,095	141,880	182,988	177,417	226,895	2,022,422
Total assets Graph	500,199	473,510	495,442	548,711	536,582	4,782,805
Per share of common stock (in yen and U.S. dollars):						
Net assets	397.18	443.32	587.83	569.92	729.35	6.500
Profit (loss) for the year attributable to owners of the parent	(209.70)	32.87	45.42	65.25	137.07	1.221
Cash dividends applicable to the year	5.00	5.00	7.00	10.00	15.00	0.133
Net cash provided by (used in) operating activities	(17,757)	12,171	(947)	(8,863)	58,874	524,775
Net cash provided by (used in) investing activities	(445)	11,441	1,982	(6,099)	(9,797)	(87,327)
Net cash provided by (used in) financing activities	13,834	(10,248)	(4,576)	11,148	(12,608)	(112,381)
Cash and cash equivalents at end of period	48,015	62,061	59,245	54,650	90,986	811,004

Non-Consolidated	FY2012	FY2013	FY2014	FY2015	FY2016
Orders received Graph	346,775	462,626	455,516	420,769	478,587

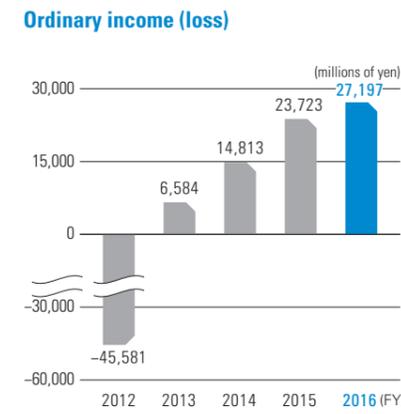
Note: The rate of ¥112.19=US\$1.00, the foreign exchange rate on March 31, 2017, has been used for translation.

Data on social and environmental aspects (non-consolidated)	Units	FY2012	FY2013	FY2014	FY2015	FY2016
Number of employees (consolidated)	(Persons)	5,091	4,912	4,817	4,742	4,872
Number of employees	(Persons)	4,028	3,918	3,861	3,823	3,968
Men	(Persons)	3,570	3,468	3,397	3,364	3,447
Women	(Persons)	458	450	464	459	521
Average age	(Years)	44.9	44.6	44.9	45.0	44.4
Average years of continuous employment	(Years)	20.4	20.1	20.1	20.2	19.5
Occupational accident frequency ^{*1} Graph	(Frequency)	1.02	1.17	1.26	0.56	0.53
Number of occupational accidents resulting in four or more days' absence from work <small>Figures in parentheses () indicate number of accidents involving fatalities</small>	(Accidents)	52 (1)	46 (4)	43 (1)	20 (1)	16 (2)
CO ₂ emissions (workplace) Graph	(t-CO ₂)	89,249	73,185	76,709	74,510	69,688
SCOPE 1 ^{*2}	(t-CO ₂)	70,302	55,366	57,292	52,336	44,051
SCOPE 2 ^{*3}	(t-CO ₂)	21,146	20,877	19,417	25,504	29,284
SCOPE 3 ^{*4}	(t-CO ₂)	9,615,865	7,921,923	13,860,683	10,597,058	7,208,503
CO ₂ emissions basic unit (workplace) Graph	(t-CO ₂ /100 million yen)	19.7	18.3	20.3	16.4	17.0
Construction waste generated Graph	(10,000 t)	77.1	78.8	70.8	66.6	79.2
Percentage of construction waste disposed of as landfill Graph	(%)	6.9	5.1	6.7	5.0	4.6

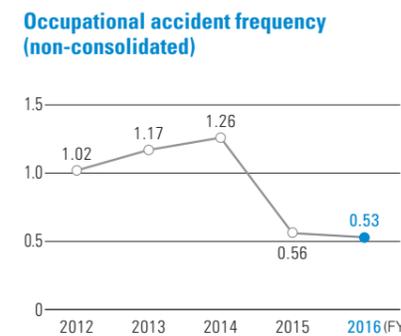
*1 Frequency: An index showing the incidence of occupational accidents in every million man-hours of work. *2 Scope 1: Greenhouse gases that are direct emissions resulting from corporate activity. *3 Scope 2: Greenhouse gases that are indirect emissions resulting from energy use for corporate activity. *4 Scope 3: Greenhouse gases that are indirect emissions excluding Scope 1 and Scope 2. Up to fiscal 2013, categories 2, 3, 5, 6, 7, and 11 were calculated, but from fiscal 2014, categories 1, 4, and 12 were added to the calculation. From fiscal 2015, category 13 was added to the calculation.



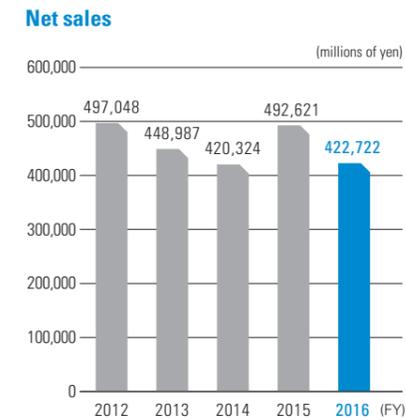
Orders received were solid, with a focus on large projects, such as the Linear Shinkansen, and our specialty areas of hospitals and schools. On a year-on-year basis, building construction increased by 16.0%, civil engineering construction increased by 10.5%, and in combination with the real estate business, we saw a combined increase of 13.7% to 478.5 billion yen (an increase of 57.8 billion yen).



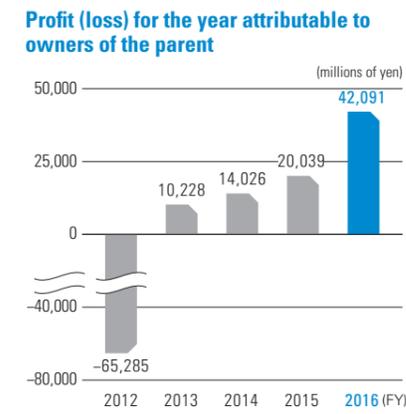
In the building construction business, which is Toda's main business, profit reforms are progressing smoothly, and the improvement in construction profitability saw profits continue to increase, irrespective of the decline in net sales. As a result, ordinary income increased 14.6% year on year to 27.1 billion yen (an increase of 3.4 billion yen).



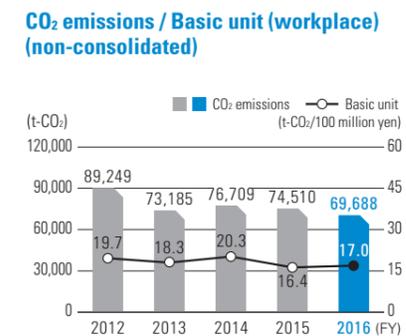
Accident frequency improved to 0.53 from a level in excess of 1.0 in fiscal 2016 as a result of an organizational reform of safety management in fiscal 2015 and activities that were conducted to minimize occupational accidents. From fiscal 2017 onwards, we will continue to promote front loading to maintain working conditions and aim to be the No. 1 corporate group for safety in all of our business activities, in order to achieve an even higher target (less than 0.4), while also thoroughly conducting activities to eliminate occupational accidents.



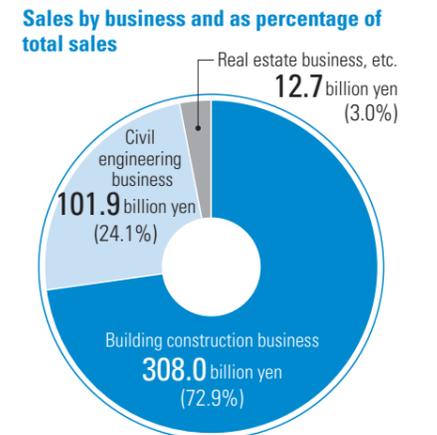
In the civil engineering construction, we achieved levels in excess of the previous fiscal year. However, in building construction, levels fell short of the previous fiscal year, due to the end of a cycle of large orders. In combination with the real estate business, overall levels declined by 14.2% to 422.7 billion yen (a decrease of 69.8 billion yen).



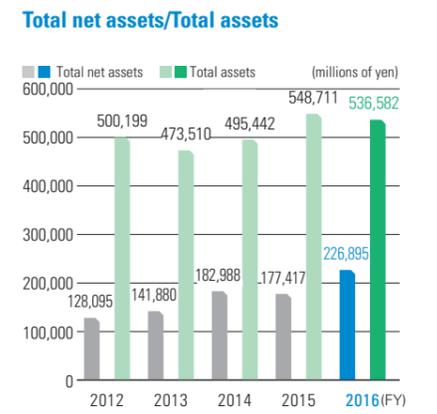
In addition to the solid increase in profit in the building construction business, we saw a year-on-year increase of 110.0% to 42.0 billion yen (an increase of 22.0 billion yen) due to the addition of deferred tax assets.



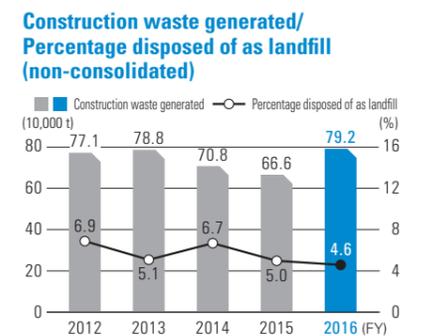
CO₂ emissions declined in fiscal 2016; however, basic units of CO₂ emissions increased slightly. The main cause of the reduction in CO₂ emissions in the building construction department was the reduction in large-scale worksites that conducted soil excavation activities, which has a high rate of CO₂ emissions. In spite of the reduction in the building construction department, basic units of CO₂ emissions increased overall, due to the slight increase in civil engineering, which has a relatively high level. In fiscal 2017, the building construction department is expected to increase excavation on large-scale projects, and the civil engineering is expected to increase tunnel projects and large-scale excavations, meaning that we expect an increase in basic units of CO₂ emissions.



As before, Toda's sales by business segment show that building construction makes up 70% or more of the total figure. No significant change in this is expected in the future, but our business strategy for the medium to long term calls for steps to reinforce the real estate business and new business fields.



Total net assets increased 27.9% year on year to 226.8 billion yen (an increase of 49.4 billion yen) due to the increase in retained earnings arising from the addition of net income. Total assets declined 2.2% year on year to 536.5 billion yen (a decrease of 12.1 billion yen) due to a decline in notes and accounts receivable - trade.



In fiscal 2016, compared to the previous fiscal year, there was an increase in overall waste generated; however, there was a decrease in the percentage disposed of as landfill. This was mainly due to the reduction in construction sludge that cannot be re-used by the civil engineering department, as well as the increase in concrete chunks from demolition works by the building construction department. It is unavoidable that the figures for the amount of waste generated and the percentage disposed of as landfill are affected by the amount of construction and the amount of concrete chunks generated from the demolition of buildings, etc. in the fiscal year at hand. However, in fiscal 2017, we will continue to promote the reduction of the percentage disposed of as landfill by limiting the amount of waste created and thoroughly sorting waste.



Evolution of Initiatives for Sustainable Growth: Formulation of Medium-Term Management Plan 2019

Revision of the Toda Group Corporate Philosophy

Going forward, our value as a corporation in terms of how we can contribute to society will be further questioned. We will increase the Group's value and contribute to the development of a sustainable society, using the corporate philosophy that has been revised on this occasion as a foundation.

The Company developed its management policy in 1967, and we have worked to build up a relationship of trust with all of our stakeholders, including our customers, by conducting our corporate activities based on this policy. On the other hand, social conditions, social demands, and the Group's business mix, etc. have changed markedly since the management policy was first developed 50 years ago. Going forward, we feel that we are entering an age where our value as a corporation will be questioned even more than at present, and the importance of contributing to society and our stakeholders will only grow.

Against this backdrop, we believe that it is important to reconfirm the values and spirit that the Company has developed over the course of its long history, and once again stipulate our principles for the future. In January 2017, we revised our corporate philosophy in order to achieve sustainable growth and enhance our management structure. This revision is simple and concise, is based on the perspectives of CSR (Corporate Social Responsibility) and CSV (Creating Shared Value), and builds on the existing text. Furthermore, the scope of application of the management principles has been expanded from the Company on its own to the entire Group. Thus, in addition to the revision of our Corporate Action Charter, which expresses our action principles, we conducted reviews on our philosophy, including the Global Vision, which was established in 2015 to express the Group's value to society and aims for the future.

Going forward, engaging with each issue as a unified group with a shared purpose will form a strong driving force to achieve

sustainable growth amid a business environment that is expected to undergo change. We will continue to promote activities based on our corporate philosophy, increase the Group's value, and contribute to the development of a sustainable society.

Expressions of Our Philosophy



Overview of fiscal 2016 and outlook for fiscal 2017

We achieved our performance targets under Medium-Term Management Plan 2017 ahead of schedule, in a solid earnings environment.

The domestic economy in fiscal 2016 continued to show signs of a moderate recovery, such as improvements in the employment and earnings environment and an observable recovery in individual consumption. In the construction industry, the earnings environment was firm for both public and private sector construction, with orders received exceeding the previous fiscal year's, etc.

Under these circumstances, consolidated results for the Toda Group were as follows. Consolidated net sales amounted to 422.7 billion yen (14.2% decrease year on year), mainly due to a decline in construction completion. In terms of operating income and loss, thoroughgoing implementation of a policy focusing on profitability in our main construction business, even as the outlook in the environment business operates in remained unclear, was among the factors that raised the gross profit margin on completed construction contracts. As a result, the gross profit margin on sales rose to 12.5%, a year-on-year increase of 2.8%, and gross profit on sales rose to 52.9 billion yen (year-on-year increase of 10.7%). Meanwhile, selling, general and administrative expenses rose to 27.9 billion yen, a year-on-year increase of 6.8%, so that operating income reached 24.9 billion yen (year-on-year increase of 15.6%). Regarding net income belonging to shareholders of the parent company, the effects of taxation expenses, etc. arising from the calculation of deferred tax assets resulted in a total of 42 billion yen (year-on-year increase of 110%).

Future economic conditions are expected to continue improving in the employment and earnings environments, and moderate recovery overall. In the construction industry, a recovery

is expected for housing investment and private capital investment; however, there are concerns due to factors such as uncertainty when assessing business conditions for private enterprise and increasing construction costs due to the labor crunch, etc.

Based on these conditions, the Toda Group anticipates that results for fiscal 2017 will amount to consolidated sales of 437.0 billion yen (year-on-year increase of 3.4%), operating income of 19.0 billion yen (year-on-year decrease of 24.0%), ordinary income of 21.0 billion yen (year-on-year decrease of 22.8%), and net income belonging to parent company shareholders of 14.0 billion yen (year-on-year decrease of 66.7%).

Achievement of Performance Targets Under the Previous Plan
– Profitability and productivity targets have been achieved ahead of schedule, paving the way for a new plan –

	Fiscal 2015 results	Fiscal 2016 results	Fiscal 2017 forecast	Previous Plan targets (fiscal 2017)
Consolidated net sales	492.6 billion yen	422.7 billion yen	437.0 billion yen	480.0 billion yen
Consolidated operating income	21.6 billion yen	24.9 billion yen	19.0 billion yen	20.0 billion yen
Consolidated operating profit margin	4.4%	5.9%	4.3%	4.2%
Labor productivity*	14.55 million yen	15.45 million yen	13.45 million yen	13.20 million yen

* Amount of added value (operating income + total personnel expenses) ÷ number of employees (average for the period, including temporary employees, etc.)

Formulation of the new Medium-Term Management Plan

We believe that it is necessary to rapidly promote shifting management resources through increased productivity in preparation for changes in the operating environment, such as the decline in construction investment that is anticipated from 2020 and the change in social composition due to the declining birthrate and aging population.

From fiscal 2015 until now, the Toda Group has promoted Medium-Term Management Plan 2017 (hereinafter, "Previous Plan"), for which fiscal 2017 is the final year of operation. Under this plan, the Group positioned the plan as phase 1 for the achievement of the Toda Group Global Vision, which is to be "a corporate group that makes your success possible," and promoted initiatives to achieve the priority measures of becoming "No.1 in productivity" and building a "foundation for growth."

In the two years of the Previous Plan's operation, we have smoothly implemented measures to become "No.1 in productivity" and build a "foundation for growth." In each of the two periods since the plan commenced operation in fiscal 2015, we have achieved an operating profit margin of at least 4.2%, which is also the target for final year of the plan. It is expected that we will also achieve this target in fiscal 2017.

Overview of the Strategy

	FY2013	FY2014	FY2015	FY2016
Strategy phase	Renewal period – Restoring trust after losses in two consecutive fiscal years –		Maintaining a foundation for growth – Striving to be No. 1 in productivity and No.1 in safety –	
Restructure	<ul style="list-style-type: none"> Customer center Toda Bldg. Partners Promotion Office for Value Creation Overseas Division Group Management Office 	<ul style="list-style-type: none"> Floating Offshore Wind Power Generation Project Promotion Committee Diversity Promotion Office Investment and Development Division Tokyo Metropolitan Area branch offices 	<ul style="list-style-type: none"> No. 1 in Productivity Promotion Committee Safety Management Division Goto FWP 	<ul style="list-style-type: none"> OWFC Toda Mirai Foundation Promotion Office for Strategic Businesses
Reform and development	<ul style="list-style-type: none"> Approval of orders based on operating profit margin Suggestions from structural reform WG Visualization using the Management Strategy Roadmap 	<ul style="list-style-type: none"> Commencement of operational reforms and ICT restructuring Activities from the Vision Development PJT and development of the Global Vision Rearrangement of main committees 	<ul style="list-style-type: none"> Labor productivity results evaluation Promotion and evaluation of utilization of proprietary technology Review of occupational groups and standards for the extension of retirement age, etc. 	<ul style="list-style-type: none"> Initiatives for new businesses and ongoing-evolution projects Establishment of Tsukuba Technological Research Institute Creation of the Next Future Map: Path to the Future

Furthermore, from a medium to long-term perspective, as management issues such as the decline in construction investment that is anticipated from 2020, the change in social composition due to the declining birthrate and aging population, and the injection of funds and personnel due to the reconstruction of the head office building gradually materialize, we are aware that we must rapidly promote shifting management resources through increased productivity in order to respond flexibly to these changes in the environment in which we operate.

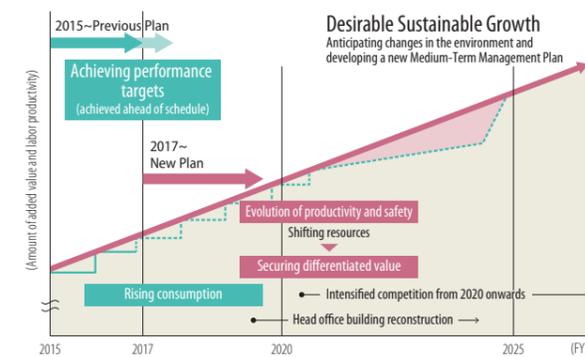
Based on these conditions, we completed the Previous Plan one year ahead of schedule, and from fiscal 2017 we will commence Medium-Term Management Plan 2019 (hereinafter, "New Plan"), which aims to build a revenue base for sustainable growth as phase 2 of realizing the Toda Group Global Vision.

2020 onward. Accordingly, it is important for us to anticipate future changes in the environment and develop a strategy that evolves to meet the needs of our customers as well as manufacturing, etc. that will be developed heading into a new age. With this in mind, when developing the New Plan, we created the Next Future Map, which envisions society in 2050, and drafted a long-term strategy based on a clear idea of the Toda Group's place in society. Our aim under the New Plan is "creating new value through assembly and collaboration."

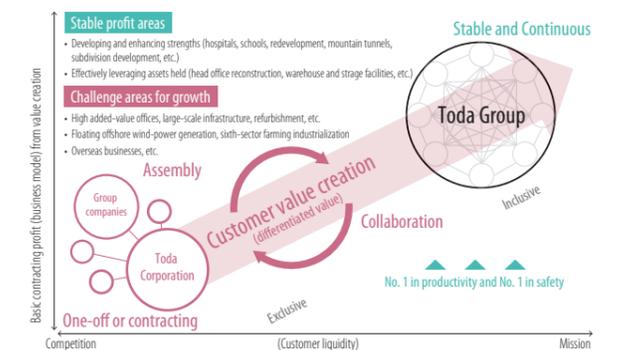
The society that the Company envisions 30 years hence will see changes to the industrial structure due to the effects of multiple technological innovations such as ICT, causing existing businesses to collapse and delivering value by fully integrating with other industries and becoming the main source of income (the age of multi-industry co-creation). In this kind of society, it will be necessary to provide added value and high-level integration to a variety of information and technologies in a broad network that extends beyond individual companies.

The Toda Group, which has progressed thus far by focusing on

Trends in Medium-Term Issues and Business Activities



Summary



Awareness of Issues

Immediate	<ul style="list-style-type: none"> Increase ability to respond to a solid ordering environment Issues facing the construction industry (work-style reforms, insufficient responsible personnel, social insurance, etc.)
Medium to Long-Term	<ul style="list-style-type: none"> Decline in construction investment that is anticipated from 2020 Change in social composition due to the declining birthrate and aging population Effects of the reconstruction of the head office building (funds and personnel) <p>* Demolition: Fiscal 2019-2020, Construction: Fiscal 2021-2023</p>

Promotion of Shifting Resources Through Productivity Improvements
Building a Revenue Base

Positioning of Medium-Term Management Plan 2019



Aim under Medium-Term Management Plan 2019

The New Plan lists "creating new value through assembly and collaboration" as its aim, as we strive to achieve sustainable growth hand in hand with society.

The management keywords for the Group going forward are "sustainable growth." Improvements in the climate for business

have been accompanied by a steady rise in profit levels. However, forecasts warn of even harsher conditions prevailing in the years from

Medium-Term Management Plan 2019 Business Policy

We will achieve our aims under Medium-Term Management Plan 2019 based on the three business policies of "evolution of No.1 in productivity and No.1 in safety," "securing differentiated value," and "enhancing the business foundation and improving stakeholder value."

Business Policy 1 Evolution of No.1 in productivity and No.1 in safety
Initiatives to improve productivity and ensure safety are the most important ways to achieve sustainable growth. We will enhance these initiatives, increase our construction completion per person by 30%, and challenge ourselves to reduce overtime and accidents to zero.

As concern about future lack of responsible personnel is an issue faced by the entire construction industry, we feel that initiatives to improve productivity and ensure safety are the most important ways to achieve sustainable growth. While we have been successful with the various measures we have promoted up to this point, there is room for improvement in terms of the amount and speed of tasks. We must therefore continue to conduct reforms of production systems and work processes, and development of new technology, etc. We expanded our promotion mechanisms in March 2017, in order to enhance these initiatives.

Going forward, we aim to improve construction completion

per person by 30% and reduce overtime and accidents to zero, by promoting front-loading of tasks at the design and construction stage (basic and working design, construction planning, establishing working conditions, etc.) even more than we have in the past, and further actively developing and implementing automated and mechanized construction, as well as new technology and ICT (Information and Communications Technology).

Evolution of No.1 in productivity and No.1 in safety

Promoting front-loading	×	Developing and implementing new technology and ICT
Expanded promotion mechanisms (March 2017)		
Domestic construction	BIM-CM Office	Enhanced mechanisms
	Front-loading Promotion Department (branch)	New
Domestic civil engineering	ICT Promotion Department	New
Research and Development Center	Construction Reform Unit	New

Message from Management

Business Policy 2 Securing differentiated value

We aim to create strengths tailored to the competitiveness of the Toda Group, and achieve diversification of our revenue base, by further enhancing the strengths that we have developed to date.

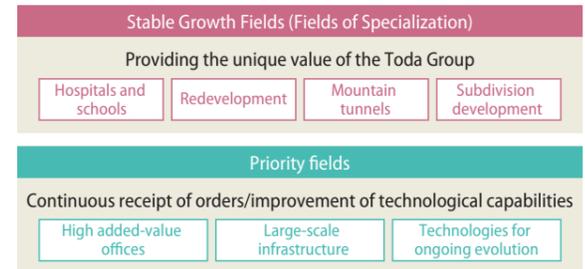
With regard to the second business policy of "securing differentiated value," we aim to create strengths tailored to the competitiveness of the Toda Group.

First, as measures in stable growth fields, we will enhance our strengths in fields the Group excels in, such as hospitals, schools, redevelopment, mountain tunnels, and subdivision development, and achieve stable growth by providing new and unique value. We are creating unique strengths with the knowhow that we have developed, and are continuously honing our competitiveness in priority fields by continuously taking orders for high added-value office buildings and large scale infrastructure, updates aimed at ongoing evolution, etc., and continuing to improve our technological capabilities.

In addition, as initiatives to support future earnings are important to achieve sustainable growth, we will promote investment and development in new business fields that we are already pursuing, as well as shifting resources to domestic Group companies and overseas.

Securing Differentiated Value

– Creating "strengths" tailored to the our competitiveness in each field –



Strategic Businesses

Business	Major Initiatives
Investment and development	<ul style="list-style-type: none"> Investment in income-producing properties and subdivision development, etc. Promotion of the Kyobashi 1-Chome East Side Development Project (head office building reconstruction) Effective utilization of assets held, such as workshops
New fields	<ul style="list-style-type: none"> Commercialization of floating offshore wind power generation Initiatives to engage with new energy, sixth-sector farming industrialization, and new businesses
Domestic Group companies	<ul style="list-style-type: none"> Provision of comprehensive value to customers and enhancement of the building lifecycle business (building management, refurbishment, facilities, etc.) Acquisition of unique technologies, such as through M&A
Overseas	<ul style="list-style-type: none"> Enhancement of marketing capabilities in Brazil and Southeast Asia Continuously receive orders for overseas civil engineering businesses Development of proprietary technology

Business Policy 3 Enhancing the business foundation and improving stakeholder value

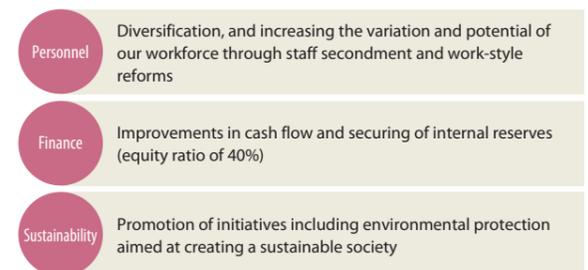
We aim to maximize value to stakeholders by increasing employee potential, such as by providing training for self-motivated employees.

Initiatives relating to the third business policy of "enhancing the business foundation and improving stakeholder value" are essential

to ensuring the sustainable growth of the Toda Group. In particular, we have designated initiatives relating to personnel, who are the main source of value provided to society, as priority measures that directly affect the growth of the Group.

As social issues become more complex and the speed of social change increases, we believe that taking note of issues, coming up with proposals for solutions, and developing self-motivated personnel that are able to act to achieve a vibrant society, and satisfy stakeholders will become even more important. With this in mind we aim to diversify, and increase the variation and potential of our workforce through staff secondment and work-style reform. I believe that the essence of these initiatives lies in how we create valuable leisure time for our employees. Shortening work hours and effectively utilizing leisure time will lead to increasing the potential as well as the cultural and social sensitivity of each individual. This will not only improve work efficiency, but will also lead to the creation of unique new output and provide fulfillment for personnel. I would

Securing Differentiated Value



like to provide stakeholders with maximum value to by making this virtuous cycle a reality as quickly as possible.

Performance Targets

Through these measures, we hope to achieve performance targets of 500.0 billion yen in consolidated net sales, and operating income of at least 25.0 billion yen (operating margin of 5.0%) in fiscal 2019, the final year of the plan. With regard to labor productivity, which we have been using as a control index from Medium-Term Management Plan 2017, we aim to achieve at least 15.0 million yen.

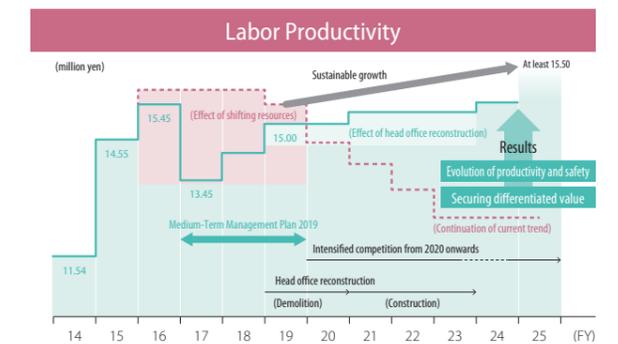
Fiscal 2019 Group Performance Targets

(Unit: billion yen)

	Fiscal 2016 results	Fiscal 2017 forecasts	Fiscal 2019 targets
Consolidated net sales	422.7	437.0	500.0
Domestic construction	291.7	298.0	340.0
Domestic civil engineering	100.5	97.2	115.0
Investment and 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 elimination	(19.9)	(12.5)	(21.5)
Consolidated operating income	24.9	19.0	25.0
Consolidated operating margin	5.9%	4.3%	5.0%
Labor productivity (non-consolidated; unit: million yen)	15.45	13.45	15.00

*New fields refers to energy-related businesses and other new businesses
 *Labor productivity = Amount of added value (operating income + total personnel expenses) ÷ number of employees (average for the period, including temporary employees, etc.)

How to Interpret Performance Targets and Results



To Our Stakeholders

Our identity and our mission are predicated on contributing to the advancement of society through our corporate activities, and this stance will not change, regardless of how times may change.

In recent years, it has become necessary to engage in the resolution of social issues as a unified international community in order to achieve a sustainable society, as we have been faced with a multitude of social issues that must be dealt with on a global scale. In addition, there is a growing movement to use corporate ESG*1 initiatives as a criterion for evaluating companies.

The Toda Group has worked towards the resolution of social issues in collaboration and cooperation with industry organizations, with a focus on social issues that relate to the construction industry, such as by responding to environmental issues, maintaining social infrastructure, and addressing concerns about future construction labor shortages. In particular, in response to concerns about insufficient responsible personnel, considered to be the greatest issue facing the construction industry, we established the Toda Mirai Foundation in October 2016 and commenced training activities for future leaders. Initiatives aimed at resolving these social issues are essential for humanity's continued existence, and we believe it is our responsibility as a company to actively engage in them. Since Toda Corporation was founded in 1881, it has been our identity and our mission to contribute to social advancement through corporate activities, and this stance has not changed. Going forward, we will develop into a corporate group that successfully achieves a leading role in establishing a sustainable society by committing ourselves to these initiatives and actively contributing to SDGs and RE100*2.

*1 Abbreviation of "Environment, Social, Governance."

*2 Abbreviation of "Renewable Energy 100%." This initiative was launched in 2014 by member businesses that aim to conduct business management using 100% renewable energy.

President and Representative Director

Masanori Imai

Building Construction

We will accelerate our acceptance of the challenge of breaking the status quo by “creating new systems” with the aim of being a company that provides value to customers and continues to be chosen by customers for that reason.

Representative Director
Senior Executive Managing Officer
Executive General Manager of Building Construction Group

Hiroyuki Miyazaki



Looking back at fiscal 2016

Business climate

Public sector investment tended to diminish in the building construction business, but private sector construction demand has remained firm. Overall, levels have stayed on a par with the previous fiscal year. Meanwhile, the labor crunch and promoting work style reforms are issues that are being dealt with on an industry-wide basis, and Toda is also conducting initiatives to increase productivity and establish favorable working conditions.

Strategy for realization of the Medium-Term Management Plan

Prospects for fiscal 2017 (Building Construction in Japan: non-consolidated)

Regarding prospects for performance in fiscal 2017, although construction underway increased steadily, recording a year-on-year increase of 17.7% at 423.4 billion yen (as of the end of March 31, 2017, non-consolidated), the timing of construction progress after orders have been received has changed due to an increase in design and implementation projects, meaning that our plan calls for slightly higher sales at 298.0 billion yen (year-on-year increase of 2.2%) and operating income of 12.4 billion yen (year-on-year decrease of 37.1%).

The planned figure for orders is the equivalent to the previous fiscal year at 350.0 billion yen (including overseas projects, year-on-year decrease of 2.5%).

Medium to long-term strategy

As a result of devoting ourselves to achieving productivity increases by promoting “ideal construction management” and front-loading under the Previous Plan, we met profit targets ahead of schedule. Furthermore, we are conducting initiatives to maintain favorable work conditions, etc. by improving the techniques and skills of employees, securing employees, and reforming work style, in the midst of strong concerns about lack of future responsible personnel.

During the period of the New Medium-Term Management Plan, we will further promote those initiatives to improve productivity that were successful under the Previous Plan, ensuring our ability to

Fiscal 2016 results (Building Construction in Japan: non-consolidated)

Fiscal 2016 sales amounted to 291.7 billion yen (year-on-year decrease of 19.3%). Income from completed construction increased due to initiatives to increase workshop productivity, leading this segment to record operating income of 19.7 billion yen (previous period: 17.9 billion yen).

As to orders received, orders firmed, particularly in relation to our specialties of hospitals and schools, leading us to record a figure of 355.3 billion yen (year-on-year increase of 15.0%).

handle the current strong ordering environment and the reduction in resources coinciding with the project for the reconstruction of the head office building, which will start from fiscal 2019. Furthermore, we are implementing the following four measures with the aim of responding rapidly to environmental changes in any circumstances and creating a system to increase corporate value in a sustainable manner.

1 Seeking customer satisfaction (providing sustainable value)

- Engage in projects that contribute to performance from a company-wide perspective, in addition to aiming for improved cooperation between neighboring branches and increased customer satisfaction.
- Pursue customer satisfaction and continuously build favorable relations by promoting platform-type stock businesses, such as ESP and EMS businesses.

2 Sustainable productivity improvement

- Aim for further workplace productivity and profitability by promoting front-loading (product design for design and implementation projects and preconstruction for projects designed other companies) and BIM, leveraging ICT technology, and enhancing collaboration with partners.

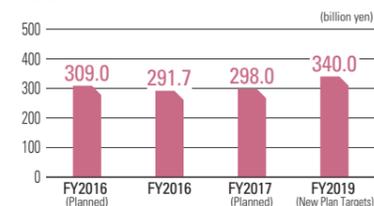
3 Sustainable increases in employee value

- Strategically develop personnel with knowhow, by conducting strategic rotation of personnel between head office and branches and dispatch of personnel to other companies including partners.

4 Sustainable challenges for strategic businesses

- Enhance development of stock businesses, etc., focusing on advanced medical facilities and original construction through tie-ups with other industries such as joint research.

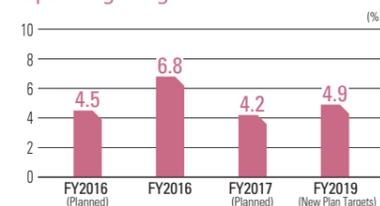
Sales



Operating income



Operating margin



Civil Engineering

We aim to maximize corporate value by linking improvement activities we have been conducting to innovation, and contributing to the solution of social issues such as through the reuse of infrastructure.

Representative Director
Senior Executive Managing Officer
Executive General Manager of Civil Engineering Group

Shunichi Akiba



Looking back at fiscal 2016

Business climate

Orders firmed for the civil engineering business due to factors such as infrastructure investment for the 2020 Tokyo Olympic Games. Overall, levels have surpassed those of the previous fiscal year. However, the issue of insufficient responsible personnel in the future is being faced by the entire industry and Toda is working to resolve it through measures such as productivity increases using ICT and improvements in working conditions.

Strategy for realization of the Medium-Term Management Plan

Prospects for fiscal 2017 (Civil Engineering in Japan: non-consolidated)

Regarding prospects for performance in fiscal 2017, our plan calls for sales of 97.2 billion yen, which is equivalent to the previous fiscal year's (year-on-year decrease of 3.3%) and operating income of 5.2 billion yen (year-on-year increase of 15.6%) due to improved operating margin for completed construction.

For orders received, the plan is for 95.0 billion yen (including overseas, year-on-year decrease of 17.0%) in consideration of a year-on-year increase of 8.2% to 182.8 billion yen for work underway (as of the end of March 2017, non-consolidated).

Medium to long-term strategy

Under the Previous Plan, we achieved profit targets ahead of schedule by conducting a range of improvement activities focusing on construction, such as initiatives to improve productivity by leveraging ICT. Furthermore, we have solidly increased orders received in our specialty field of mountain tunnels, such as by receiving orders for work on the central alps main line of the Linear Shinkansen, a national project, achieving orders in excess of 100.0 billion yen in three consecutive periods.

We have chosen “Chain of Change” as the keywords for the period of operation of the New Medium-Term Management Plan, and we are devoting ourselves to the four initiatives listed to the right. In addition, we aim to maximize corporate value by enhancing improvement initiatives that we have conducted up to this point, which will lead to innovation, and contributing to the solution of social issues such as by

Fiscal 2016 results (Civil Engineering in Japan: non-consolidated)

Fiscal 2016 sales amounted to 100.5 billion yen (year-on-year increase of 9.2%). Due to an increase in income from completed construction, this segment recorded operating income of 4.5 billion yen (previous period: 3.7 billion yen).

Orders received firmed, particularly in relation to large constructions such as the Linear Shinkansen, leading us to record a figure of 114.4 billion yen (year-on-year increase of 10.6%).

alleviating concerns about scarcity of workers and reusing infrastructure to secure business content within the industry even more than now.

1 Seeking customer satisfaction (providing sustainable value)

- Strategically enhance technological marketing capabilities and increase orders received for large-scale projects requiring high-level technologies.
- With regard to concrete and underground construction technology, promote the development of differentiating technologies through active collaboration with other industries.
- Actively promote patent activities, etc. and enhance on-site capabilities for the future.

2 Sustainable productivity improvement

- Improve productivity and profitability through reform of production systems to make them suitable for i-Construction, and nationwide rollout of construction technology and construction management that utilizes ICT.
- Strengthen collaboration with Group companies and partners, and promote work efficiency and workload reduction through optimum allocation of personnel.

3 Sustainable increases in employee value

- Work to increase the potential of personnel through more comprehensive education of young employees.
- Promote improvements in working conditions, such as by granting workshop staff eight days off per four-week period and closing workshops on at least two Saturdays per month.

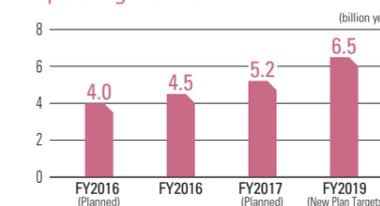
4 Sustainable challenges for strategic businesses

- Challenge ourselves to develop and actualize new strategic businesses such as projects to strengthen national infrastructure and achieve high-order forestry industrialization in addition to working to establish the technology and foundation for floating offshore wind power generation projects and sixth sector industrialization of agriculture projects.

Sales



Operating income



Operating margin



We will contribute to global manufacturing by catering to overseas construction needs.

Takamitsu Koga Managing Officer Overseas Division



Main results in fiscal 2016

Thailand



Nikkei MC Aluminum Thai Sriracha Plant

Brazil



Japan House Sao Paulo

Brazil



Hospital Sao Jose

Looking back at fiscal 2016

Business climate

Investment declined in fiscal 2016 due to the economic stagnation caused by political unrest in Brazil, which is a nation in which we are making inroads. Operating conditions were harsh in Southeast Asia as well, with a wide-ranging decline in construction investment from Japanese companies among contributing factors. Although future prospects remain unclear, we are working to strengthen our business base for all operations with a focus on local subsidiaries in Brazil, Thailand, and Vietnam, in order to continue to cater to the construction needs of each region.

Strategy for realization of the Medium-Term Management Plan

Prospects for fiscal 2017

Regarding prospects for performance in fiscal 2017, we expect to receive orders for projects that have been postponed from last fiscal year, and economic recoveries are anticipated in Brazil and Thailand, etc. Hence our plan calls for sales of 17.2 billion yen (year-on-year increase of 79.2%) and in operating income, a loss of 300 million yen (operating margin of -1.7%). Similarly, the planned figure for orders is 20.0 billion yen (year-on-year increase of 75.8%) due to the expected economic recovery, etc.

Medium to long-term strategy

Under the Previous Plan, harsh conditions continued for performance due to the effects of sudden fluctuations in international conditions and social and economic conditions in nations in which we are active. Under these conditions, the Toda Group has promoted improvements in productivity and securing and education of global personnel. We are also engaging in research and development, etc. for new businesses, aimed at expansion of an even more stable earnings base, in order to build a business base for the future while the domestic business, although likely to contract in the long term, is still strong.

During the period of the New Medium-Term Management Plan, we will further accelerate initiatives geared towards the early establishment of a profit structure despite an unclear future outlook.

Fiscal 2016 results

Fiscal 2016 sales were sluggish, amounting to 9.6 billion yen (year-on-year decrease of 30.9%). This segment recorded operating loss of 1.1 billion yen (previous period loss of 1.4 billion yen).

As to orders received, in spite of factors such as large-scale projects being postponed, results amounted to a figure of 11.3 billion yen (year-on-year increase of 14.1%).

1 Seeking customer satisfaction (providing sustainable value)

- Aim to improve customer satisfaction by enhancing sales capabilities based on SQEs (health and safety, quality, and environmental policies) that are at the same level as domestic policies.
- Work to earn trust by understanding customer needs according to each industry and region and enhancing our ability to make proposals and conduct detailed maintenance, etc.

2 Sustainable productivity improvement

- Improve productivity and profitability by thoroughly implementing improvement activities, and conducting continuous investigations and continuously researching and discovering exceptional partner companies.

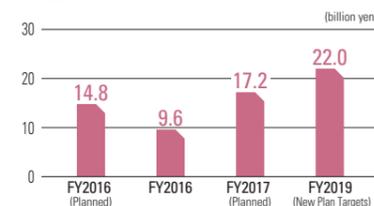
3 Sustainable increases in employee value

- Promote health management, including at local subsidiaries, in addition to continuing to create a more comprehensive education system in relation to language training, etc., secure local staff, and conduct domestic training and strategically educating global personnel.

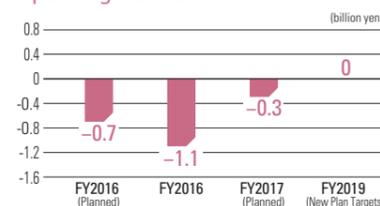
4 Sustainable challenges for strategic businesses

- Promote investigation and research in relation to the overseas development of strategic businesses such as ZEB*, stock management, and renewable energy, with specific challenges in mind.
- * A conceptual approach for reducing the energy used in a building to a level as close as possible to zero.

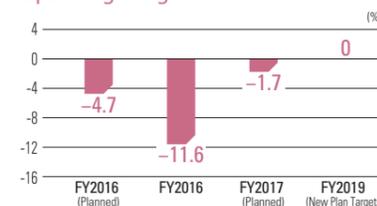
Sales



Operating income



Operating margin



TOPICS Project Introduction

Project for Urgent Improvement of Water Supply System in Yangon City

Project overview

This project took place in Yangon City, the largest city in Myanmar, and comprised (1) replacement of the underground water mains and supply pipes laid along main roads; and (2) establishment of a water distribution network in residential areas. With regard to (1), we employed a jacking method* leveraging Toda's technological capabilities, which is a first for Myanmar, and is a non-open-cut method, which will avoid excavating the road surface, at crossings of main roads with high traffic volume. For (2), we educated employees of the local water department on maintenance methods for the measuring and management equipment (in-pipe water volume and pressure) that we installed, and provided assistance to improve management capabilities.

*This method involves burying pipes by tunneling underground. It is suitable for work in locations where excavation is difficult.

Main implementation initiatives

Conducting education, etc. relating to the upkeep and maintenance of high needs local water supply infrastructure

Improving the road surface conditions and reducing congestion on main roads: (1)
In Myanmar, water escaped onto the road surface due to aging water supply infrastructure, occasionally resulting in fissures and cave-ins that caused traffic congestion. We therefore replaced water pipes under main roads with high traffic volume, and for some, employed a jacking method that requires high technical capabilities and is a first for Myanmar, in order to lay pipes beneath the road without interrupting traffic.

Establishment of a water distribution network in residential areas and transmission of operation and maintenance knowhow: (2)

We conducted a pilot project to establish a water network in urban (residential) areas, including education on water pipe management and repair.

- Replacement of existing water pipes and installation of measurement devices (water meters, etc.)
 - Reduction of water leakage and more precise measurement of amount used (increased earnings by local government)
- Education of local water department personnel
 - Education relating to management methods using measurement devices and repairs of small pipes (OJT)

[Construction overview]

Location	Yangon City, Myanmar
Customer	Yangon City Development Committee
Construction period	March 2015 to April 2016
Overview	(1) Main roads: Replacement of 1.5 km of water mains (Ø1,000 mm) and water distribution pipes (Ø200/300 mm) (2) Water distribution network: Establishment of a water distribution network to residential areas (north/south 1.5 km, east/west 0.7 km) (total length 12.6 km)



Myanmar's first jacked pipe-laying (1)
Presentation of training completion certificates to local water department personnel (2)

Local water supply volunteers

Each year, Myanmar faces a serious water shortage from early to mid-May, immediately before the wet season. At this time, at the end of the dry season, we used the water supply trucks that had been utilized for the construction work to supply water to around 70 villages, much to the delight of the residents. (2016)



Water delivery truck delivering water

VOICE The pride and responsibility I felt from being Japanese on my first overseas assignment

This was my first overseas assignment. It was a case of trial-and-error from start to finish. I had to interview, hire, and instruct local staff myself, and I had to teach them everything, including the requirement of wearing a helmet at the worksite. This project was eagerly anticipated by local residents as well as the customer, and I felt a great sense of satisfaction as a civil engineer at seeing the joy of the locals. Also, this project included Myanmar's first-ever jacked pipe-laying, which gave the locals a real appreciation for Japanese technology. With these expectations and this appreciation, I really felt the pride and responsibility that comes with being Japanese. I think this is the attraction of overseas projects.



Tomoki Onodera Civil Engineering Dept. Overseas Division

Strategic Businesses

We will create value for the future of the Group and society while embracing the challenge of establishing a new profit base.



Hiroshi Uekusa
Director
Executive Managing Officer
General Manager of the Promotion Office for Strategic Business

Business climate

In the construction industry, the creation of differentiated value is required amid concerns about a future labor crunch and the sustainability of favorable market conditions. Amid these conditions all companies in the industry are actively pursuing improvements in productivity, leveraging ICT and the introduction of new technology, in order to alleviate any future shortage of responsible personnel and create new business opportunities. Toda has promoted these initiatives ahead of competitors; however, we also established the Promotion Office for Strategic Business in March 2017 in order to accelerate our initiatives and create differentiated value that leverages the Company's unique strengths.

Classification of Organization



Fiscal 2016 results

Fiscal 2016 sales amounted to 40.7 billion yen (year-on-year decrease of 4.3%) because of a decline in large sales. Due to a recovery in profits from real estate sales, this segment recorded operating income of 2.0 billion yen (year-on-year increase of 45.1%).

Medium to long-term strategy

During the period of the Previous Plan, we conducted initiatives such as promoting the reconstruction of the head office building (investment and development), establishing a subsidiary for floating offshore wind power generation projects (new business field), and commencing operation of a demonstration greenhouse (new business field) to achieve sixth sector industrialization of agriculture, as initiatives to provide the value that is unique to Toda.

Under the New Medium-Term Management Plan, we aim to

Prospects for fiscal 2017

Regarding prospects for performance in fiscal 2017, our plan calls for sales of 37.0 billion yen (year-on-year decrease of 9.1%) due to reduced income from domestic Group companies and operating income of 1.7 billion yen (year-on-year decrease of 15.7%).

promote accelerated growth in the fields of research and development, new business fields, and group businesses, by strategically shifting human resources that have been made available by the initiatives to improve productivity that we have pursued up to now to this project, and create a new profit base that complements the construction business by further increasing collaboration and cooperation with the construction department, the civil engineering department, and other related departments.

Investment and development

- Investigate and rapidly implement effective utilization, including sales, of real estate held, in order to create maximum value.
- Thoroughly explore measures to increase the profitability of the Kyobashi 1-Chome East Side Development Project (head office reconstruction), and promotion of a plan to do so.

New business fields

- Promote initiatives aimed at commercialization of floating offshore wind power generation.
- Thoroughly promote new businesses, such as sixth sector industrialization of agriculture and new energy and pursue discovery of new projects.

Group businesses

- Provide comprehensive support for customers' businesses and aim to increase customer satisfaction, by enhancing the building lifecycle business, in collaboration with Group companies that handle building management and refurbishment, etc.
- Encourage utilization of ICT at Group companies, and achieve further productivity through personnel fluidity between Group companies.

VOICE

We are devoting our strength to town planning with agriculture as its theme, leveraging the first-ever national-scale agriculture!

Together with Joso City and local farmers, we are considering measures to create "towns that invest their dreams in food and agriculture businesses," and that have "the ability to continue attracting people," which is essential for business continuity. There are many issues to be addressed, including "what to grow and how to process it in order to create differentiation from other regions," "what facilities should be established in urban areas to create a synergy with agricultural areas," and "how to create scenery that will be talked about." We are seeking the best solutions by pooling the wisdom of all concerned.



Takeshi Fukuda
Public Private Partnership
Promotion Section,
Investment Promotion Department,
Investment Development Division

TOPICS

Investment and development

Town planning by creating a center for art and culture (Kyobashi 1-Chome East Side Development Project)

Project overview

Toda is the project implementer for a large-scale development project in the Kyobashi 1-Chome East-side area. The project will enable diverse people to overcome previous barriers to create a place in a favourable location fronting Chuo-dori in front of Tokyo Station for people to gather, converse, and collaborate, providing the ability to experience, learn about, and disseminate art and culture. It will also provide a large public space in the lower levels, with the aim of "creating a center for art and culture within the town."

Toda will relocate its head office to the largest block (B Block), and contribute to the development of the area, as well as increase its leasing capabilities, by operating a large, newly built office building in the center of Tokyo.

[B Block overview]

Use	Offices, stores, cultural facilities, parking, etc.
Size	Site area: Approx. 6,150 m ² Floor area: Approx. 101,500 m ² 3 basement floors and 28 above-ground floors
Construction period	FY2021 to FY2023



Lower B Block public space

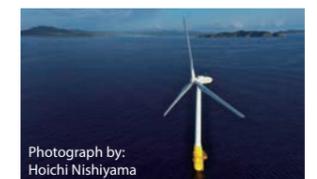
TOPICS

New business fields

Floating offshore wind power generation project

Project overview

Toda Corporation and others represented a group of contractors formed in September 2010 to conduct an offshore wind power generation demonstration for the Ministry of the Environment. The group succeeded in October 2013 in setting up the world's first hybrid spur (floating type with lower portion made of concrete and upper portion made of steel) demonstration equipment in the ocean around Kabashima, Goto City, Nagasaki. Subsequently, the demonstration model was moved off the coast of Sakiyama. After completion of the project in March 2016, ownership was transferred from the Ministry of the Environment to Goto City, and a power generation business was jointly conducted by Goto City and one of our subsidiaries. Going forward, we will continue initiatives with the goal of achieving a floating wind farm that will contribute to the easing of global warming.



Photograph by:
Hoichi Nishiyama

TOPICS

Group businesses

Main results, etc.



- Tachikawa District Disaster Prevention Center (equipment, cleaning, facilities protection)
- Tachikawa Sogo Hospital (cleaning)
- O-Hara Bookkeeping and Law School (equipment, cleaning)

Tachikawa District South Block
(building management: Toda Bldg. Partners)



Route 20 Hino City Tamadaira road surface restoration
(construction: Toda Road Co., Ltd.)



Sunshine Sazanseto (Yamaguchi)
(resort hotel management: Towa Kanko Kaihatsu Co., Ltd.)

Research and Development

Our aim is to discover new possibilities in building structures in response to changes in the times and in society, so as to provide our customers with valuable technology to open the way.

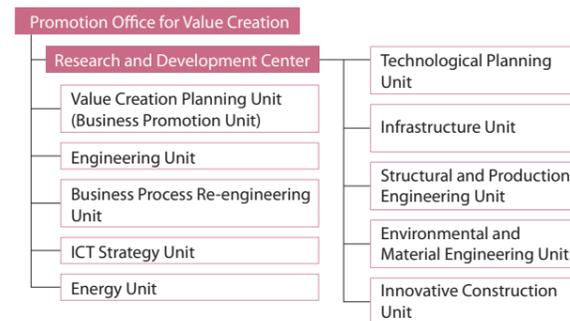


Morimichi Toda
Director
Senior Executive Managing Officer
Director of Promotion Office for Value Creation

Research and development system

At Toda Corporation, we seek to exceed the expectations of society and our customers by creating astonishing new value. To that end, we established a Promotion Office for Value Creation in January 2014. The Research and Development Center, which is one of the divisions of the Promotion Office, engages in activities that include research and development cognizant of changes in social structure with the aim of creating value for customers, research and development to contribute to rationalization of production systems, and research and development for new businesses in the Blue Ocean*1. In March 2017, we established the Innovative Construction Unit to strengthen the ties between workshops and the Research and Development Center. We also engage in technical exchanges with public agencies, universities, corporations pursuing other types of business, and competing corporations in the same industry. We actively promote joint research, and we conduct research and development in a variety of different fields.

Organizational structure (as of end April 2017)



*1 An undeveloped market where there is no competition.

Technology research and development trends and medium to long-term strategy

The Research and Development Department is determining themes for technology research and development that take the needs of society into consideration in addition to improving productivity and differentiated value, which is a priority target under the Medium-Term Management Plan (2017~2019), and promoting development accordingly. Specifically, we are working to assure a sense of security and safety by development and popularization of earthquake damping technology and the "Yure Kanchi (tremor detector)" for instantly determining the magnitude of a building's shaking and the extent of damage to it during an earthquake. Beyond that, we are engaging in initiatives for mechanization and automation technology to improve productivity and production management rationalization technology utilizing ICT, as well as technology development in the health and welfare fields, where Toda has particular strengths. With a view to value creation based on perception of future needs in society, we are also focusing resources on development and dissemination of zero net energy building (ZEB)*2 technology and floating offshore wind power generation in the environment and energy field. We are improving our Tsukuba Technical Research Institute facilities to provide technology to

deal with future sudden changes in society. We took a major first step in this effort by completing construction in 2017 on an Environmental Technology Demonstration Building intended for use in realizing ZEB applications.



Environmental Technology Demonstration Building

*2 A conceptual approach for reducing the energy used in a building to a level as close as possible to zero.

Main plans for technology research and development in fiscal 2017

- (1) ZEB suitable technology
- (2) Technology to withstand a major earthquake
- (3) Composite construction technology
- (4) Technology that utilizes the IoT
- (5) Concrete technology for productivity improvement
- (6) Steel frame construction automation technology
- (7) Walk mist construction method (self-propelled surrounding area mist emission construction method)
- (8) Lining concrete compaction sensor (flexible surface sensor)
- (9) Underground structure variable cross-section joint
- (10) Border wall construction method (wall to prevent subsidence on soft foundations)



Steel frame construction automation technology

Board of Directors, Corporate Auditors, and Managing Officers

(As of October 1, 2017)

Directors



Masanori Imai
President and Representative Director
Executive Officer and President
Director of Human Resources Strategy Office



Yushi Kikutani
Representative Director
Senior Executive Managing Officer
Executive General Manager of Administrative Group



Shunichi Akiba
Representative Director
Senior Executive Managing Officer
Executive General Manager of Civil Engineering Group



Hiroyuki Miyazaki
Representative Director
Senior Executive Managing Officer
Executive General Manager of Building Construction Group



Morimichi Toda
Director
Senior Executive Managing Officer
Director of Promotion Office for Value Creation



Makoto Hayakawa
Director
Executive Managing Officer
General Manager of Building Construction General Manager of Safety Management Division



Toshihiro Otomo
Director
Executive Managing Officer
General Manager of Administrative Division
Manager of Risk Management Office



Hiroshi Uekusa
Director
Executive Managing Officer
General Manager of the Promotion Office for Strategic Business



Setsuhiro Shimomura
Outside Director



Shunsuke Amiya
Outside Director

Corporate Auditors



Takeshi Nishimaki
Standing Corporate Auditor



Keiichi Ebihara
Standing Corporate Auditor



Kazuhiko Kamiya
Outside Corporate Auditor



Hisatoshi Adachi
Outside Corporate Auditor



Keiichiro Maruyama
Outside Corporate Auditor

Executive Officers

Executive Officer President

Senior Executive Managing Officers

Executive Managing Officers

Managing Officer

Masanori Imai

Yushi Kikutani

Makoto Hayakawa

Kouichi Takahashi

Takao Fukashiro

Shinichi Nagata

Takamitsu Koga

Kazuaki Takemura

Shunichi Akiba

Toshihiro Otomo

Hiroyuki Yamada

Yoshinori Shibuya

Ken Fujita

Takanobu Tateno

Hiroyuki Miyazaki

Hiroshi Uekusa

Yuji Yokomizo

Atsushi Ouchi

Toshiaki Agata

Tetsuya Kamio

Morimichi Toda

Toshio Hirata

Atsuo Miyachi

Masato Miyake

Hidemi Wakabayashi

Mutsuhiro Nagai

Kaoru Mitsumochi

Kouichi Kubota

Toshihiro Yamazaki

Seisuke Otani

Yoshihiko Yamamoto

Hitoshi Asano

Mitsuhiko Tokuhisa

Kouichiro Yoshioka

Corporate Governance

We take the view that active engagement in corporate governance*1 measures to achieve continuing enhancement of corporate value is a crucial issue for management. With a view to the efficient execution of corporate business, the creation of supervisory structures, the assurance of sound, transparent management and the strengthening of compliance, we are putting in place the needed management structures and arrangements and enacting the measures required.

*1 Arrangement made for disciplining corporate management.

Formulation of Basic Policy for Corporate Governance

In order to achieve sustainable corporate value improvement, we are required to put in place a foundation for corporate governance and realize a more rational, more efficient management environment. In August 2015, we enacted a Basic Policy for Corporate Governance with approval from the board of directors. This sets forth our basic conceptual approach to corporate governance and gives a framework and guidelines for operation.

The board of directors and reinforcing the functionality of business operations

Our company has adopted the executive officer system, which separates management decision-making by directors from business operations by executive officers. This clearly delineates the scope of roles and responsibilities, and we are making every effort to reinforce functionality in those respective areas.

The board of directors has 10 members (as of June 29, 2017). As a rule, the board meets once a month to deliberate on important management matters and oversee the execution of corporate business. Since fiscal 2014, we have been appointing two directors from outside the company as a measure to further strengthen transparency, objectivity, and propriety, and the accountability of the board of directors. In addition, the self-evaluations completed by executive directors each period are used to analyze and verify their effectiveness and work toward improvements. Important personnel matters regarding the board of directors and directors in the operating divisions together with compensation for officers and other such executives are to be reviewed in the Personnel and Compensation Advisory Committee chaired by an outside director and reported to the board of directors.

The executive officers execute Toda corporate business in accordance with basic management policy decided by the board of directors. We also hold regular meetings of the Management

Committee, Strategy Committee, and Executive Committee to deliberate on important matters of management and company business and make their findings known. These bodies also assign responsible executives, establish the scope of their responsibilities, prescribe procedures, and determine other such matters regarding company organization, division of duties, management authority, and formal approval procedures according to their respective rules and regulations.

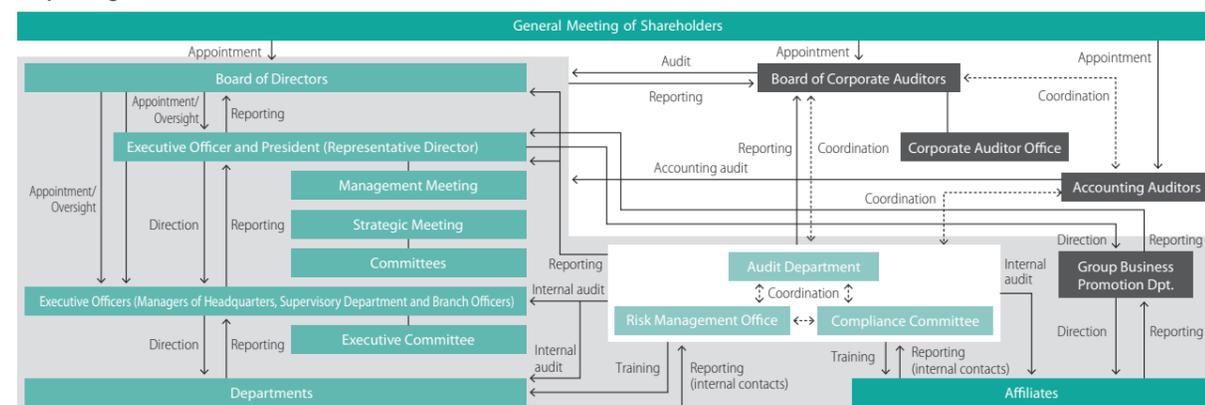
Appointment of outside directors and status of activities

With regard to the appointment of outside directors, Toda has stipulated an appointment policy in the Basic Policy for Corporate Governance, as well formulating Standards for the Independence of the Outside Directors, which particularly values independence. In fiscal 2016, the status of the activities of each outside director was as follows.

Appointment of outside directors and status of activities

Name	Reason for appointment (fiscal 2016)	Status of main activities
Setsuhiro Shimomura	Possesses a wealth of experience and extensive insight as a company owner, and can be expected to provide sound advice and recommendations to the board of directors from an objective standpoint independent of the management team that executes business operations	Has attended all seventeen board of directors' meetings, and provided various advice and recommendations from the perspective of a company owner
Shunsuke Amiya	Possesses a wealth of experience and extensive insight as a company owner, and can be expected to provide sound advice and recommendations to the board of directors from an objective standpoint independent of the management team that executes business operations	Has attended all seventeen board of directors' meetings, and provided various advice and recommendations from the perspective of a company owner

Corporate governance structure (as of June 29, 2017)



Enhancement of auditing systems

Our company has adopted a system of corporate auditors under which auditors, through seats on the board of directors and other means, audit the legality and propriety of operations.

The Corporate Auditor Office is a unit that aids corporate auditors in their duties. Our rules call for personnel and organizational changes in this office to be determined in advance by the board of corporate auditors or in accordance with advice sought from auditors designated by the board of corporate auditors. This arrangement preserves the independence of auditors from the directors and executive officers.

We also maintain the effectiveness of audits by arranging for regular sharing of management information with representative directors and accounting auditors and providing opportunities for attendance at the various corporate meetings.

Enhancement of internal controls

In March 2014, Toda established a Risk Management Office for the purpose of risk awareness and reform of corporate culture on a company-wide basis, and for institution of more advanced management. Through this office, we are promoting the rearrangement of internal control groups and crisis management systems. We have also established an Audit Office as an internal audit unit that conducts regular audits of the state of operations in the various corporate departments and divisions. Audit results are reported to the board of directors and the president, and additionally to the board of corporate auditors, while various other steps are also taken for collaboration and coordination by means of regular exchanges of views with accounting auditors regarding their vision for internal auditing. Internal audits of Group companies are also conducted as required, in accordance with the management rules of the companies concerned.

In April 2006, a corporate resolution was passed regarding basic policies on building internal control systems as provided in the Companies Act, and we have taken measures accordingly to further strengthen our management foundation. We also took measures in fiscal 2010 to develop and improve our Group companies, including local affiliates in other countries. In May 2015, we revised the above basic policies and took steps to enhance the internal controls of the Toda Group as a whole.

Compensation for directors

Compensation Standards for Directors, etc. were formulated regarding compensation for directors and executive officers. Relevant matters are reviewed by the Personnel and Compensation Advisory Committee chaired by an outside director and then decided by the board of directors.

In fiscal 2016, a performance share system was adopted for directors and executive officers for the purpose of improving medium to long-term performance, increasing corporate value, and heightening shareholder-oriented management awareness.

Total compensation paid to directors and corporate auditors (fiscal 2016)

Director category	Total compensation amount
Directors (11 persons)	379 million yen
Corporate auditors (8 persons)	57 million yen

Note: The figures above include 60 million yen in costs recorded as performance-linked stock-based compensation to directors (excluding outside directors).

Instituting thoroughgoing compliance

This initiative is led by a Compliance Committee that is chaired by the president. The committee develops the Toda Group Corporate Code of Conduct and other related regulations, establishes and operates a contact point for reporting and consultation (the corporate ethics help line), and continuously implements educational activities (training by e-learning, group training of various kinds, etc.).

We also take steps for various measures and activities related to compliance, such as conducting a compliance awareness questionnaire survey of all Group companies as a way of further heightening objective awareness of the effects of those measures and activities, and improving on them. We also hear the views of all the affiliates and partner companies to check on their degree of understanding.

Thoroughgoing risk management

The Compliance Committee and the Risk Management Office, under the direct control of the president, coordinate and collaborate to grasp risks that may have serious negative impact on the achievement of management objectives as well as on business activities. To that end, they formulate and execute risk reduction measures, and implement lateral measures across divisions to be prepared to mitigate as much as possible any damage or harm that may result in the unlikely event that a risk surfaces.

We have developed a system whereby each division identifies risks at the beginning of the period every year. Those risks are organized in lists, and the serious management risks that are critical for the Toda Group are selected from among them and are prioritized for handling. In addition, each division head records and manages risks using a Division Implementation Plan for their division to prevent the occurrence of any crises.

Promoting constructive dialogue with shareholders

Toda has established basic policies to promote constructive dialogue with our shareholders, and we are making every effort to develop systems and implement measures accordingly. The views expressed by shareholders and investors at IR activities as well as the substance of question and answer sessions and other such information that is judged to contribute to our company management is all presented as feedback in an appropriate manner to the board of directors or other regular meetings attended by management leaders.

Toda has announced its acceptance of a Japanese version of stewardship code*2. It is our policy to attach importance to institutional investors that seek to realize long-term sustainable growth for the company, and to actively seek dialogue with them.

*2 Regulations (code) regarding the way that institutional investors should act. It was applied before the corporate governance code. Steward is used in the sense of an administrator or curator of property.

IR activities report

	FY2016
Results briefings	2
Small meetings	2
Individual meetings, etc.	67

CSR Management

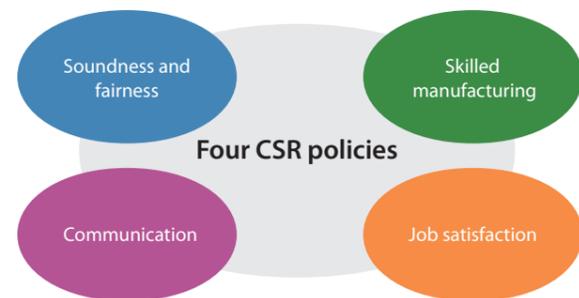
Toda Group Global Vision calls for us to become "a corporate group that makes your success possible." In order to realize that vision, we promote CSR activities under four CSR policies. Toda engages seriously with each one of these so as to take measures to resolve social issues by means of our core business, and we will go on contributing to the creation of a sustainable society that is secure, safe, and comfortable.

CSR policy and KPI selection

In recent years there has been a wide variety of social issues such as environmental problems and social infrastructure that are related to the construction industry and for which solutions are anticipated.

Out of the various issues involved with our business activities, the Group has identified four topics in which society has shown a high degree of concern and which we think the Group should address in the interest of achieving sustainable growth with society. We have designated these as our four CSR policies: soundness and fairness, skilled manufacturing, job satisfaction, and communication.

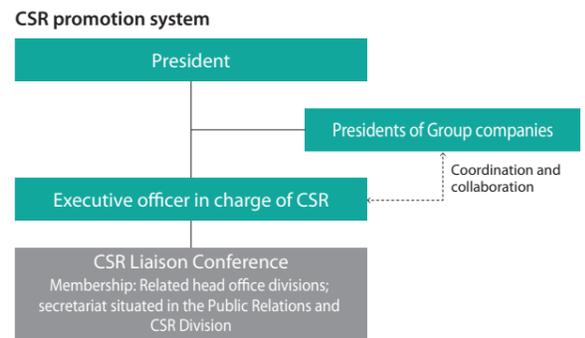
In determining priority program items and KPI, we have taken into consideration the GRI*1 Guidelines (4th edition), ISO 26000,*2 which are international CSR standards, and SDGs. We have also engaged in dialogue with stakeholders inside and outside the company and taken their views into account.



CSR promotion system

The concept of corporate social responsibility (CSR) is becoming an essential element in upholding the competitiveness of a business. In order to promote CSR as a function integral with business throughout the entire Group, executive officers in charge of CSR have been appointed under the president and a CSR Liaison Conference has also been created to formulate CSR policy, approve programs, and manage progress in these and related areas.

In order to promote the more widespread awareness and adoption of CSR activities, we conduct a questionnaire survey of employee awareness of these matters (a separate Group survey is also conducted). Issues identified by comparative analysis of surveys and other sources are included in factors considered for our efforts to improve and promote CSR activities.



*1 GRI: (Global Reporting Initiative): a non-profit organization with the mission of creating international guidelines for sustainability reporting. It is a United Nations Environment Programme (UNEP) Collaborating Center with headquarters in the Netherlands.
*2 ISO 26000: international guidelines for the social responsibility of organizations, published by the international Organization for Standardization (ISO) in November 2010.

Comment from the Executive Officer in Charge of CSR We are contributing to society by means of construction

To eradicate poverty and set the world on a sustainable path, the United Nations has released the Sustainable Development Goals (SDGs), seventeen environmental targets and other goals to achieve by 2030. At the same time, the social landscape in which companies must operate is changing, demanding greater productivity and reform of working styles. We consider it our critical mission to work toward the resolution of these issues through our corporate activities and disclose the status of our initiatives to all of our stakeholders.

In recognition of our activities to reduce CO₂ emissions and protect the environment as well as our environmental disclosure, the CDP named us to their "Climate A List 2016" (out of only twenty-two companies in Japan). Meanwhile, awareness of working-style reforms is gradually spreading among our employees as well. For example, one of our employees won the Grand Prize at the Ikuboss Award 2016 sponsored by the Ministry of Health, Labour and Welfare.

The construction industry faces a labor shortage due to factors including the declining birthrate and aging population. As a result, securing and training the next generation of workers and creating an environment where women can succeed are urgent tasks. We have launched the Toda Mirai Foundation to begin tackling these issues. The foundation provides aid and assistance to efforts such as training young technicians to work in the field and supporting female technicians who are raising families.

Based on our management policy of contributing to the advancement of society through our corporate activities, we will work toward the achievement of the SDGs through not only our business activities, but also a variety of other initiatives.



Yoshinori Shibuya
Executive Officer in Charge of Public Relations and CSR
General Manager of Secretariat Division

Social Contribution Activities

By taking steps to enter active dialogue with our stakeholders, we pursue two-way communication that deepens trust and sympathy. The Toda Group acts as a good corporate citizen in implementation of social contribution activities matched with the characteristics of our business. We also promote measures to transmit the appeal and the joy of skilled manufacturing to succeeding generations.

As part of this initiative, we took steps in December 2015 to establish a new system of recognizing and commending social contribution activities in the Toda Group.

Basic Toda Group policy for social contribution

Basic philosophy

The Toda Group, as a good corporate citizen, is committed to the active promotion of social contribution activities that fulfill our responsibility to society in accordance with the characteristics of our company business and management environment.

Basic activity guidelines

In accordance with our basic philosophy, we declare "consideration for the global environment," "disaster prevention and disaster relief," "activities contributing to local communities," and "active participation by company personnel" to be priority fields. The Toda Group as a whole will promote concrete activities in these fields.



Main social contribution activities in fiscal 2016

Using temporary barricades to provide a relaxing space with art objects (Nara City, Nara)

The construction site for the Onyado Nono Nara New Construction Plan is visited not only by local residents, but also by tourists visiting Nara, one of the preeminent tourist attractions in Japan. Thus, we have used temporary barricades to provide a space with relaxing objects that can be enjoyed by people passing through. We have also proposed ideas that are suitable for local residents.



Fish tanks containing colored carp were well received

Seasonally updated objects

Playing a lead role in environmental organizations and promoting CSR activities

In March 2013, Toda Bldg. Partners established the environmental organization Tokyo Energy Information Networks (abbreviated as TREIN) in conjunction with specialists and experts in the fields of the environment and energy, etc. and has been conducting CSR activities such as prevention of global warming and provision of assistance to disaster-affected areas. We conducted observation (assistance) of disaster-affected areas (Iwate, Miyagi, Fukushima) on more than 10 occasions, including removal of debris, provision of resources, and forest maintenance activities, as well as meeting and communing with disaster victims, etc.



Disaster recovery assistance (Higashimatsushima City, Miyagi)

Extracting the oldest water pipe in Nagoya (Nagoya City, Aichi)

We discovered an extremely old water pipe during removal of the existing distribution reservoir at the Nagoya Higashiyama Third Distribution Reservoir worksite. After an investigation was conducted in consideration of its historical value, it was determined to be the oldest water pipe in Nagoya. We therefore conducted a careful removal with the expectation that it be used as a display piece, and provided it to the client (Nagoya City Waterworks & Sewerage Bureau). (It is anticipated that the pipe will be displayed in the Historical Museum of Waterworks and Sewerage operated by Nagoya City.)



The oldest water pipe in Nagoya

The engraving "first year of Taisho" (1912) can be observed

TOPICS

Establishment of the Toda Mirai Foundation

In recent years, a decline in the proportion of young workers has become apparent in the construction industry, making the issue of aging even more conspicuous than in other industries. It is essential for us to establish a production system by securing and training a stable supply of responsible workers, in order to continue to fulfill the social role of the construction industry, which is to build and maintain safe and reliable social infrastructure.

Due to the above circumstances, we established the Toda Mirai Foundation on October 3, 2016. The Toda Mirai Foundation receives applications for grants, before their selection and implementation.

Main business activities of the Toda Mirai Foundation

- (1) Grants relating to hiring, training, and obtaining qualifications for young technical experts
- (2) Grants relating to continuous employment for female technical experts
- (3) Grants for the acceptance of foreign technical intern trainees

The Environment

At a construction site, building materials are transported in and then assembled using heavy construction equipment and cranes. Not only does this result in CO₂ emissions, but it also generates a certain amount of construction waste. Operation of the building after completion also consumes energy, and that also emits CO₂. Toda actively engages in the development of environmentally friendly technology in order to reduce this impact on the environment. We also promote environmental protection activities in our day-to-day operations. In order to pass on a healthy Earth to the future, the Toda Group conducts business activities with constant awareness of global environmental problems as well as of energy saving and resource conservation (promotion of 3Rs*1 and other initiatives).

This section will introduce the Toda Group's major environmental initiatives relating to SDGs.

*1 3Rs (reduce, reuse, and recycle)

Related SDGs	Examples of major initiatives
 <p>6 CLEAN WATER AND SANITATION</p>	<p>Sanitization of effluent during construction We adopted the "Zero System" turbid water treatment plant, which uses a flocculent based on natural minerals, as well as pure water.</p> <p>Utilization of grey water We re-used water used to wash hands on-site for flushing of toilets.</p> <p>Firefly room The firefly room is a breeding biotope that allows research and investigation into the firefly's ecology and habitat in an indoor environment.</p>  <p>Turbid water treatment plant</p>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>Operation of mega solar power plants with a total output capacity of 21.6 MW in four locations around Japan The mega solar power plants that we operate generate approximately 25.65 million kWh of electricity. (3,814 households: Fiscal 2016)</p> <p>Construction of boats that use hydrogen as a fuel source</p>  <p>Hydrogen fuel cell boat</p>
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>Development and implementation of the low carbon concrete, SlagCrete®*2 SlagCrete is a concrete that actively uses finely powdered furnace slag, a byproduct of ironworks, as a replacement for cement. It greatly reduces the amount of cement used, which is a major source of CO₂ emissions when manufacturing concrete.</p> <p>*2 SlagCrete was developed through joint research by Toda Corporation, Nishimatsu Construction Co., Ltd., and the Public Works Research Institute</p> <p>Reduction in waste-stabilizing liquid through the AWARD-Sapli construction method When boring for piles, we have reduced waste-stabilizing liquid by using a material that applies a hydrophilic polymer as a porous wall-stabilizing liquid (normally used in disposable diapers, etc.) in order to prevent the soil from collapsing.</p>  <p>Application (rooftop parapet)</p>  <p>(Before adding separating agent) (After adding separating agent) Waste-stabilizing liquid Separation and reduction Reduction</p>
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>Completion of Tsukuba Technical Research Institute Environmental Technology Demonstration Building We completed the Environmental Technology Demonstration Building for the purpose of demonstrating a range of initiatives relating to reducing energy usage and CO₂ emissions, such as natural lighting, natural ventilation, eco-voids, double-skin curtain walls, lighting with modulated brightness and color tone, latent/sensible heat separation air conditioning, and utilization of rainwater to produce heat for air conditioning. (2017)</p>  <p>Environmental Technology Demonstration Building</p>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Sixth sector industrialization of agriculture in Joso City, Ibaraki We are working to promote projects in conjunction with the promotion council, which is a civic and landowners association, as part of the "Josso City Metropolitan Inter-City Expressway Josso IC Area Development Project (Agriscience Valley Pilot)." The Agriscience Valley Pilot aims to revitalize agriculture, one of the city's key industries, through sixth sector industrialization.</p>  <p>Visualization of sixth sector industrialization</p> <p>Reusing resources Toda manufactures BDF, a component of tempura cooking oil, and provides it to Matsudo City to power its PET bottle collection trucks.</p>  <p>Sticker image (displayed on collection truck)</p>  <p>PET bottle collection truck</p>

 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Fuel-efficient driving We hold practical fuel-efficient backhoe driving seminars where we give tips on fuel-efficient driving. Worksites that conducted the seminars achieved an average reduction in energy usage of 16.2% (fiscal 2016).</p>  <p>Commemorative photograph of seminar</p>
 <p>13 CLIMATE ACTION</p>	<p>TO-MINICA TO-MINICA is a system to support the development of CO₂ reduction plans at the site construction stage, and also features the ability to calculate the quantity of CO₂ emissions from energy used to operate the site based on these plans.</p> <p>Implementation of renewable energy initiatives Mega solar, floating offshore wind power, biomass power generation</p> <p>CO₂ reduction targets have received SBT approval (first for the Japanese construction industry) – Deemed to be in accordance with the targets under the Paris Agreement Toda's CO₂ reduction targets were certified on August 4, 2017 as having a scientific basis by SBTi (Science Based Targets initiative), an international initiative. A world-first in the Japanese construction industry, it confirms our recognition as contributing to the realization of the Paris Agreement target of limiting temperature increases to 2°C warmer than pre-industrialization levels.</p>  <p>Miyazaki Kunitomi Mega Solar Power Plant</p>
 <p>14 LIFE BELOW WATER</p>	<p>Protecting the bounty of the sea</p> <ul style="list-style-type: none"> • By using natural rocks on the surface of seawalls, we protect the habitat of living organisms. • We employ construction methods that do not pollute the oceans.  <p>Base of sea wall that uses natural rocks</p>
 <p>15 LIFE ON LAND</p>	<p>Protection of the bounty of the land</p> <ul style="list-style-type: none"> • We conduct activities for the conservation of rare flora and fauna, such as the protection of goshawk nesting grounds. → Initiatives at the Atsugi City Planning Project's Atsugi City Morinosato Land Reallocation Project (diagram on the right), etc. • We are improving the quality of contaminated water produced during construction, giving consideration to lighting, and reducing the use of lumber from deforestation as much as possible.  <p>Image following completion of land reallocation project</p>

TOPICS

Initiatives aimed at environmental management (commencement of implementation of revised ISO 14001)

We are working to rehabilitate and conserve the environment by implementing conservation activities throughout our businesses, and promoting environmental management for the purpose of passing on the global environment in good condition to the next generation. We have thoroughly revised our environmental management system to meet the requirements of ISO 14001, which was revised in 2015. (Implementation commenced from fiscal 2017)

Independent third-party assurance of CO₂ emissions data

Toda underwent verification by the Sustainability Accounting Co., Ltd. to assure the fairness, reliability, and transparency of CO₂ emissions data for fiscal 2015, and received an assurance report. This was carried out in accordance with ISAE 3000 and ISAE 3410. By receiving independent third-party assurance, we obtain recognition that the computation methods we use and their results are valid. We intend to continue advancing our measures to pursue further reduction of CO₂ emissions in the future.



Scope of verification: Scope 1 (greenhouse gases emitted directly from business activities)
Scope 2 (greenhouse gases emitted indirectly as a result of energy used in the course of business activities)
Scope 3 (Greenhouse gases emitted indirectly, excluding scopes 1 and 2), as well as basic units of CO₂ emitted during construction

Human Rights / Labor Practices

It is our working employees and the personnel in partner companies that powerfully support skilled manufacturing. We are implementing measures to build a workplace environment that will enable all of our employees, and every single person involved on-site, to work to the maximum of their own talents and capabilities. It also gives a strong sense of responsibility and enthusiasm to their job and to do their job with a strong sense of responsibility and enthusiasm. We are also actively promoting measures for the future growth of our business, including training young engineers and promoting active participation by women.

Human rights measures

The Toda Group Charter of Corporate Behavior declares our respect for human rights and the individual, and prohibits discrimination. We are making every effort to build a workplace environment that respects the capabilities and individuality of every individual employee and that promotes mutual improvement of all, regardless of gender, age, nationality, race, ethnicity, creed, religion, social status, handicap, or other such attributes. The Charter also provides that we will not engage in harassment or any such behavior that devalues the person. In addition to taking measures for the enlightenment and awareness of our employees, we are also establishing contact points for consultation and making arrangements so that, if issues do arise, it will be possible to deal with them promptly.

Human resource development

— Basic policies for human resource development —
"Create human resources that possess advanced capabilities and that have autonomy and creativity."

Our company's greatest resource, of which we are justly proud, is our employees. In order to continue providing something of value to society over the long term, we aim to properly apply the cycle of training, utilization, evaluation, and compensation in our personnel system and build up a workplace environment in which our employees can acquire advanced specialized capabilities and gain a sense of satisfaction in their work by applying their capabilities.

Career course change and appointment system

We have put in place a system for career course changes and appointments and a system for self-assessment so that we can take steps to heighten employee motivation and vitalize the organization by utilizing human resources that have a will to work. The career course change and appointment system as a rule makes selections once a year. In fiscal 2015, we revised the our systems for the purpose of discovering promising staff and increasing motivation etc., and we eased the requirements to sit our examinations in order to enable more staff to sit examinations. This increased the number of people sitting examinations, so that in fiscal 2016, 32 people passed and succeeded in changing their career course. Going forward, we will further improve productivity by effectively utilizing our human resources and their capabilities, including the movement of these successful candidates, etc.

TOPICS

Establishment of a dedicated department to ensure full staff education and renewal of education for new staff

We have established the Division for the Promotion of Education, which is a dedicated department for drafting and implementing education plans in order to ensure even fuller education for staff in construction-related roles. We have revised our education plan covering the first five years for staff that entered the Company in 2017. As a part of this revision, we now provide for group education of new staff through a six-month training camp at head office. Subsequently our revisions provide for systematic training rotations through branch assignments to improve basic knowledge and abilities, etc., before staff receive their final placement at a worksite.



New staff training

Active participation by diverse human resources

Our Charter of Corporate Behavior calls for the realization of a workplace environment in which people understand diversity and can make maximum use of their qualities and capabilities. This is achieved by realizing ample latitude and prosperity for the people who are involved with the Toda Group and our partner companies, or who are involved in other such ways. It also requires to ensure their security and work and work friendly environment and respect their personalities. We are engaged in measures to these ends.

Promoting active participation by women

We are taking measures to seek the active participation of women as fully qualified management-track employees so that employees will be able to make use of their capabilities in their work regardless of gender. In April 2017, we hired 17 new employees on the building construction technology track, two on the civil engineering track, and 10 on the administrative track. We look forward to the active participation of these employees at the construction management level at our worksites and other such levels in other workplaces, and we will also devote attention to developing these employees by means of their training, assignments, and so on.

TOPICS

Receiving the grand prize in the Ministry of Health, Labour and Welfare Ikuboss Award 2016

In October 2016, a member of Toda staff was awarded the Ikuboss Award 2016 grand prize, by the Ministry of Health, Labour and Welfare, at the Symposium for the Promotion of Ikumen held at Miraikan – The National Museum of Emerging Science and Innovation (Koto-ku, Tokyo).

In addition, Toda was awarded First Prize in the First Construction Komachi Participation Awards by the Japan Federation of Construction Contractors for its Ikuboss*1 initiatives in March 2016.

*1 Recognising managers that give consideration to the work life balance of subordinates and staff in the same workplace, support those people in their careers and personal lives, and produce results within their organization, while also finding joy in their own work and personal life.



Award ceremony (the person at the center of the front row is an employee of Toda)

Improvement of work-life balance

Japan's business world announced a "Declaration of Working Style Reform by Management" (issued July 2016 by 61 organizations including the Keidanren, or Japan Business Federation). Realization of a working environment with enthusiasm is being promoted.

At Toda, we seek to pursue this intent by developing a healthful workplace environment where every single employee can make good use of their capabilities in good health, greater motivation, and with a sense of security. To that end, we are implementing measures for improvement of work-life balance not only by achieving a balance between work and personal lives, but also, for example, by continuously providing for a well-modulated working style that allows employees a sense of fulfillment in their personal lives, as well.

Measures to improve operations

At Toda, we conduct comprehensive inspections of operations by the participation of all employees, with a focus on managers, in order to do away with wasted time, effort, and resources in our operations. Managers are provided with training to acquire the knowledge and skills necessary for business improvement and opportunities to share information, with the aim of creating organizations that are suited to the realization of workforce revitalization and improvements in productivity without being limited to revision of work processes and restructuring of systems.



Meeting for the consideration of improvement activities

In fiscal 2016, a total of 280 staff at all branches participated in the meetings for the consideration of improvement activities that have been conducted since fiscal 2014, with a particular focus on managerial departments.

Maintaining and improving employee health

Toda has declared the promotion of health management to be a priority measure for the company. For physical health, we conduct two regular medical examinations annually, which exceeds the legal requirement. For mental and emotional health, we have industrial psychiatrists and nurses conduct regular mental health workshops in small groups. We are also taking steps to incorporate provision for adequate follow-up in our stress checking system.

Realizing a safe and comfortable workplace environment

In 2003, we introduced the TODA-OHSMS*2 occupational health and safety management system, and we are working with our partner companies to implement voluntary health and safety activities. From fiscal 2016 onwards, we are shifting our awareness from "No. 1 in safety" to "Safety is not just a priority but a CORE VALUE." Thus, from fiscal 2017, we are contributing to the realization of an attractive construction industry by promoting front-loading of management of labor conditions in all business activities.

*2 This is a system for defining the process of health and safety activities and engaging in voluntary activities in order to raise the standard of health and safety management at work and business locations.

TOPICS

Receiving the Minister of Health, Labour and Welfare's Commendation

We received two awards for excellence (Kojiya Station District Type-1 Urban Renewal Facilities Building Construction Project and New Takasaki Gymnasium Project) and three honourable mentions at the "Fiscal 2017 Minister of Health, Labour and Safety Commendations for Industrial Health and Safety" that is conducted as part of National Safety Week.



Commemorative photograph of involved parties

Related data

	FY2012	FY2013	FY2014	FY2015	FY2016	
Average training and lecture time per person (hours)	26.2	25.6	24.9	24.3	16.0	
Number of personnel qualified for career course change and appointment	11	8	31	88	32	
Number of new hires on management track	Men	105	68	73	131	
	Women	11	6	10	47	29
Number of women hired on management track	Technology track	10	4	7	33	19
	Administrative track	1	2	3	14	10
Employment rate for persons with disabilities (%) *As of June 1 of each year	1.52	1.56	1.47	1.90	1.91	
Number of personnel rehired	55	44	45	68	48	
Number of personnel using the system of reduced working hours for childcare	Men	0	0	1	2	2
	Women	25	25	32	37	48
Number of personnel using the system of childcare leave	Men	0	0	0	2	23
	Women	22	23	25	30	32
Number of personnel taking leave for family care and sick or injured childcare	0	2	2	20	30	
Number of personnel taking leave for volunteer activities	2	2	28	16	20	

Safety-related data can be found in the Financial and Non-Financial Highlights on page 3.

Consolidated Balance Sheets

Toda Corporation and consolidated Subsidiaries - As of March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
ASSETS			
Current assets:			
Cash and deposits (Notes 10 and 12)	¥ 54,768	¥ 66,386	\$ 591,735
Notes and accounts receivable-trade (Note 12)	211,237	133,206	1,187,331
Short-term investment securities (Notes 6.3), 12 and 13)	119	24,749	220,607
Real estate for sale(Notes 6.8))	15,830	7,974	71,078
Costs on uncompleted construction contracts (Note 6.7))	16,120	19,881	177,209
Other inventories	990	867	7,728
Deferred tax assets (Note 16)	195	4,178	37,245
Other	14,093	11,494	102,456
Allowance for doubtful accounts	(1,608)	(1,200)	(10,701)
Total current assets	311,747	267,538	2,384,692
Noncurrent assets:			
Property, plant and equipment: (Notes 6.1) and 17)			
Buildings and structures, net (Note 6.8))	11,560	14,135	125,995
Machinery, vehicles, tools, furniture and fixtures, net	625	585	5,216
Land (Notes 6.6), 8))	59,743	70,001	623,954
Lease assets, net	159	102	916
Construction in progress	255	4,300	38,328
Total property, plant and equipment	72,344	89,125	794,411
Intangible assets	6,075	6,878	61,308
Investments and other assets:			
Investment securities (Notes 6.2), 3) , 12 and 13)	154,840	168,738	1,504,042
Long-term loans receivable (Notes 6.3) and 12)	614	555	4,951
Net defined benefit assets (Note 15)	240	824	7,346
Deferred tax assets (Note 16)	389	154	1,378
Other	2,923	2,900	25,849
Allowance for doubtful accounts	(463)	(131)	(1,174)
Total investments and other assets	158,544	173,041	1,542,393
Total noncurrent assets	236,964	269,044	2,398,113
Total assets	¥ 548,711	¥ 536,582	\$ 4,782,805

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
LIABILITIES			
Current liabilities:			
Notes and accounts payable-trade (Note 12)	¥ 149,638	¥ 100,366	\$ 894,612
Short-term loans payable (Note 12)	34,588	29,855	266,115
Income taxes payable (Note 12)	2,774	3,523	31,403
Advances received on uncompleted construction contracts	38,455	28,580	254,753
Provision for bonuses	6,320	6,754	60,202
Provision for warranties for completed construction	2,237	4,089	36,447
Provision for loss on construction contracts (Note 6.7))	2,421	3,289	29,324
Deposits received	18,134	17,933	159,845
Other	13,497	27,661	246,563
Total current liabilities	268,069	222,054	1,979,269
Noncurrent liabilities:			
Bonds payable (Note 12)	10,000	10,000	89,134
Long-term loans payable (Note 12)	35,131	30,421	271,158
Deferred tax liabilities (Note 16)	24,224	13,302	118,573
Deferred tax liabilities for land revaluation (Note 16)	7,708	7,272	64,825
Provision for directors' retirement benefits	149	144	1,291
Provision for stock payments for directors	-	60	542
Provision for loss on liquidation of subsidiaries and affiliates	400	188	1,683
Net defined benefit liability (Note 15)	22,515	22,084	196,849
Asset retirement obligations	182	1,095	9,764
Other	2,910	3,061	27,290
Total noncurrent liabilities	103,224	87,633	781,113
Total liabilities	371,293	309,687	2,760,383
NET ASSETS			
Shareholders' equity:			
Capital stock	23,001	23,001	205,023
Capital surplus	25,587	25,682	228,922
Retained earnings	76,825	116,816	1,041,236
Treasury stock	(8,236)	(8,233)	(73,389)
Total shareholders' equity	117,178	157,267	1,401,793
Accumulated other comprehensive income (Note 8)			
Valuation difference on available-for-sale securities	55,038	63,513	566,123
Deferred gains on hedges	(25)	1	13
Revaluation reserve for land (Note 6.6))	6,665	5,676	50,598
Foreign currency translation adjustments	(545)	(542)	(4,837)
Remeasurements of defined benefit plans	(3,292)	(1,957)	(17,450)
Total accumulated other comprehensive income	57,840	66,691	594,447
Non-controlling interests	2,398	2,937	26,181
Total net assets	177,417	226,895	2,022,422
Total liabilities and net assets	¥ 548,711	¥ 536,582	\$ 4,782,805

Consolidated Statements of Income

Toda Corporation and Consolidated Subsidiaries - For the years of March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Net sales:			
Net sales of construction contracts	¥ 475,433	¥ 409,238	\$ 3,647,729
Net sales of real estate business and other	17,188	13,483	120,184
Total net sales	492,621	422,722	3,767,914
Cost of sales:			
Cost of sales of construction contracts (Notes 7.1) and 4))	430,601	359,694	3,206,117
Cost of sales of real estate business and other (Note 7.2))	14,214	10,085	89,894
Total cost of sales	444,815	369,779	3,296,011
Gross profit:			
Gross profit on construction contracts	44,831	49,544	441,611
Gross profit on real estate business and other	2,974	3,398	30,290
Total gross profit	47,805	52,942	471,902
Selling, general and administrative expenses (Notes 7.3) and 4))	26,176	27,944	249,080
Operating income	21,629	24,998	222,822
Non-operating income:			
Interest income	389	329	2,938
Dividend income	2,306	2,482	22,129
Dividend income of insurance	224	261	2,329
Other	379	258	2,306
Total non-operating income	3,299	3,332	29,703
Non-operating expenses:			
Interest expenses	963	875	7,804
Commission fee	179	194	1,734
Other	62	63	562
Total non-operating expenses	1,205	1,133	10,101
Ordinary income	23,723	27,197	242,424
Extraordinary income:			
Gain on sales of noncurrent assets (Note 7.5))	277	4	37
Gain on sales of investment securities (Note 13)	563	2,329	20,765
Reversal of provision for loss on litigation	281	-	-
Other	21	117	1,045
Total extraordinary income	1,144	2,451	21,848
Extraordinary loss:			
Loss on sales of noncurrent assets (Note 7.6))	11	0	0
Loss on abandonment of noncurrent assets (Note 7.7))	573	323	2,887
Impairment loss (Note 7.8))	1,271	913	8,142
Loss on sales of investment securities (Note 13)	17	0	0
Loss on valuation of investment securities (Note 13)	64	4	43
Other	0	43	389
Total extraordinary losses	1,937	1,286	11,464
Profit before income taxes and non-controlling interests	22,929	28,362	252,807
Income taxes-current	3,058	4,470	39,848
Income taxes-deferred	(314)	(18,369)	(163,736)
Total income taxes (Note 16)	2,744	(13,898)	(123,887)
Profit for the year	20,185	42,261	376,695
Profit for the year attributable to non-controlling interests	145	169	1,513
Profit for the year attributable to owners of the parent (Note 21)	¥ 20,039	¥ 42,091	\$ 375,182

Consolidated Statements of Comprehensive Income

Toda Corporation and Consolidated Subsidiaries - For the years of March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Profit for the year	¥ 20,185	¥ 42,261	\$ 376,695
Other comprehensive income (Note 8)			
Valuation difference on available-for-sale securities	(19,902)	8,474	75,537
Deferred gains or losses on hedges	(29)	27	244
Foreign currency translation adjustment	(679)	(24)	(222)
Revaluation reserve for land	428	-	-
Remeasurements of defined benefit plans	(3,383)	1,334	11,895
Total other comprehensive income	(23,566)	9,811	87,455
Comprehensive income	(3,381)	52,073	464,150
Comprehensive income attributable to Owners of the parent	(3,434)	51,931	462,886
Non-controlling interests	¥ 53	¥ 141	\$ 1,264

Consolidated Statements of Changes in Net Assets

Toda Corporation and consolidated subsidiaries - For the years ended March 31, 2016 and 2017

	Millions of Yen												
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2015	¥23,001	¥25,504	¥59,155	¥(8,212)	¥99,449	¥74,942	¥3	¥6,017	¥40	¥91	¥81,095	¥2,443	¥182,988
Changes during period													
Dividends from surplus	-	-	(2,149)	-	(2,149)	-	-	-	-	-	-	-	(2,149)
Profit for the year attributable to owners of the parent	-	-	20,039	-	20,039	-	-	-	-	-	-	-	20,039
Disposal of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	(23)	(23)	-	-	-	-	-	-	-	(23)
Transfer of loss on disposal of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity transactions with non-controlling interests	-	82	-	-	82	-	-	-	-	-	-	-	82
Change in parent's ownership interests arising from capital increase of consolidated subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of revaluation reserve for land	-	-	(219)	-	(219)	-	-	-	-	-	-	-	(219)
Net changes of items other than shareholders' equity	-	-	-	-	(19,903)	(29)	647	(586)	(3,383)	(23,254)	(44)	(23,299)	
Total changes of items during the period	-	82	17,669	(23)	17,729	(19,903)	(29)	647	(586)	(3,383)	(23,254)	(44)	(5,570)
Balance at March 31, 2016	¥23,001	¥25,587	¥76,825	¥(8,236)	¥117,178	¥55,038	¥(25)	¥6,665	¥(545)	¥(3,292)	¥57,840	¥2,398	¥177,417
Changes during period													
Dividends from surplus	-	-	(3,070)	-	(3,070)	-	-	-	-	-	-	-	(3,070)
Profit for the year attributable to owners of the parent	-	-	42,091	-	42,091	-	-	-	-	-	-	-	42,091
Disposal of treasury stock	-	(19)	-	240	221	-	-	-	-	-	-	-	221
Purchase of treasury stock	-	-	-	(238)	(238)	-	-	-	-	-	-	-	(238)
Transfer of loss on disposal of treasury stock	-	19	(19)	-	-	-	-	-	-	-	-	-	-
Equity transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in parent's ownership interests arising from capital increase of consolidated subsidiary	-	95	-	-	95	-	-	-	-	-	-	-	95
Reversal of revaluation reserve for land	-	-	989	-	989	-	-	-	-	-	-	-	989
Net changes of items other than shareholders' equity	-	-	-	-	-	8,474	27	(989)	3	1,334	8,850	538	9,388
Total changes of items during the period	-	95	39,990	2	40,088	8,474	27	(989)	3	1,334	8,850	538	49,477
Balance at March 31, 2017	¥23,001	¥25,682	¥116,816	¥(8,233)	¥157,267	¥63,513	¥1	¥5,676	¥(542)	¥(1,957)	¥66,691	¥2,937	¥226,895

	Thousands of U.S. dollars												
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2016	\$205,023	\$228,071	\$684,782	\$(73,412)	\$1,044,464	\$490,587	\$(230)	\$59,414	\$(4,865)	\$(29,346)	\$515,559	\$21,382	\$1,581,406
Changes during period													
Dividends from surplus	-	-	(27,372)	-	(27,372)	-	-	-	-	-	-	-	(27,372)
Profit for the year attributable to owners of the parent	-	-	375,182	-	375,182	-	-	-	-	-	-	-	375,182
Disposal of treasury stock	-	(171)	-	2,146	1,975	-	-	-	-	-	-	-	1,975
Purchase of treasury stock	-	-	-	(2,123)	(2,123)	-	-	-	-	-	-	-	(2,123)
Transfer of loss on disposal of treasury stock	-	171	(171)	-	-	-	-	-	-	-	-	-	-
Equity transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in parent's ownership interests arising from capital increase of consolidated subsidiary	-	851	-	-	851	-	-	-	-	-	-	-	851
Reversal of revaluation reserve for land	-	-	8,816	-	8,816	-	-	-	-	-	-	-	8,816
Net changes of items other than shareholders' equity	-	-	-	-	-	75,536	244	(8,816)	28	11,895	78,888	4,799	83,687
Total changes of items during the period	-	851	356,454	23	357,328	75,536	244	(8,816)	28	11,895	78,888	4,799	441,016
Balance at March 31, 2017	\$205,023	\$228,922	\$1,041,236	\$(73,389)	\$1,401,793	\$566,123	\$13	\$50,598	\$(4,837)	\$(17,450)	\$594,447	\$26,181	\$2,022,422

Consolidated Statements of Cash Flows

Toda Corporation and consolidated subsidiaries - For the years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Net cash provided by (used in) operating activities:			
Profit before income taxes and non-controlling interests	¥ 22,929	¥ 28,362	\$ 252,807
Depreciation and amortization	2,002	1,736	15,479
Impairment loss	1,271	913	8,142
Increase (decrease) in allowance for doubtful accounts	470	(717)	(6,392)
Increase (decrease) in net defined benefit liability	1,051	(431)	(3,842)
Increase (decrease) in net defined benefit asset	2,056	(584)	(5,206)
Increase (decrease) in other provision	(3,345)	3,078	27,437
Loss on valuation of investment securities	64	4	43
Loss (gain) on sales of investment securities	(545)	(2,329)	(20,765)
Loss (gain) on sales of property, plant and equipment	(266)	(4)	(36)
Loss on abandonment of noncurrent assets	573	323	2,887
Interest and dividend income	(2,696)	(2,812)	(25,067)
Interest expenses	963	875	7,804
Decrease in notes and accounts receivable-trade	(90,459)	78,090	696,053
Decrease (increase) in costs on uncompleted construction contracts	(5,318)	(3,759)	(33,514)
Decrease in real estate for sale	5,668	1,276	11,382
Increase (decrease) in other current assets	1,066	1,948	17,367
Increase (decrease) in notes and accounts payable-trade	42,695	(49,273)	(439,193)
Increase (decrease) in advances received on uncompleted construction contracts	11,776	(9,886)	(88,118)
Increase (decrease) in other current liabilities	4,663	12,145	108,255
Other, net	(4,506)	1,894	16,890
Subtotal	(9,885)	60,853	542,416
Interest and dividend income received	2,693	2,812	25,065
Interest expenses paid	(938)	(862)	(7,688)
Income taxes paid	(732)	(3,928)	(35,018)
Net cash provided by (used in) operating activities	(8,863)	58,874	524,775
Net cash provided by (used in) investing activities:			
Payments into time deposits	(179)	(165)	(1,472)
Proceeds from withdrawal of time deposits	270	200	1,785
Purchase of property, plant and equipment	(3,819)	(10,586)	(94,360)
Proceeds from sales of property, plant and equipment	2,078	5	51
Purchase of intangible assets	(4,099)	(1,119)	(9,975)
Purchase of investment securities	(2,590)	(3,203)	(28,558)
Proceeds from sales and redemption of investment securities	2,484	5,393	48,076
Payments of loans receivable	(0)	-	-
Collection of loans receivable	151	58	523
Other, net	(395)	(381)	(3,399)
Net cash provided by (used in) investing activities	(6,099)	(9,797)	(87,327)
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	(3,031)	(6,159)	(54,897)
Proceeds from long-term loans payable	10,280	5,430	48,400
Repayments of long-term loans payable	(3,862)	(8,714)	(77,673)
Proceeds from issuance of bonds	10,000	-	-
Cash dividends paid	(2,149)	(3,070)	(27,372)
Cash dividends paid to non-controlling interests	(6)	(7)	(70)
Payments for acquisition of shares of subsidiaries not affecting the scope of consolidation	(8)	-	-
Purchase of treasury stock	(23)	(16)	(147)
Other, net	(49)	(69)	(618)
Net cash provided by (used in) financing activities	11,148	(12,608)	(112,381)
Effect of exchange rate change on cash and cash equivalents	(780)	(133)	(1,186)
Net increase (decrease) in cash and cash equivalents	(4,595)	36,336	323,879
Cash and cash equivalents at the beginning of current period	59,245	54,650	487,125
Cash and cash equivalents at the end of current period (Note 10)	54,650	90,986	811,004

Notes to Consolidated Financial Statements

Toda Corporation and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The consolidated financial statements presented herein of Toda Corporation (the "Company") and its consolidated subsidiaries (together, the "Companies") are prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan, and in conformity with accounting principles generally accepted in Japan.

These consolidated financial statements incorporate certain modifications in format so as to make the financial statements more meaningful to readers outside Japan.

These modifications have no effect on total assets, net sales, retained earnings or profit for the year.

(U.S. Dollar Amounts)

The U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of ¥112.19 = US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2017, and have been then rounded down to the nearest thousand. This translation should not be construed as a representation that the yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

2. Summary of Significant Accounting Policies

1) Scope of consolidation

The accompanying consolidated financial statements include the accounts of Toda Corporation and 16 subsidiaries, namely Toda Road Co., Ltd., Toda Bldg. Partners Co., Ltd., Chiyoda Kenkou Co., Ltd., Toda Staff Service Co., Ltd., APEC Engineering Co., Ltd., Toda Finance Co., Ltd., Towa Kanko Kaihatsu Co., Ltd., Goto Floating Wind Power LLC., Offshore Wind Farm Construction LLC., Toda America, Inc., Construtora Toda do Brasil S/A, Toda Construction(Shanghai) Co., Ltd., Thai Toda Corporation Ltd., Toda Vietnam Co., Ltd., ABTD, INC. and Toda Philippines, INC.

Other subsidiaries were not consolidated, as they were not significant in terms of the effect on total assets, net sales, profit for the year or retained earnings of the consolidated financial statements.

2) Application of the equity method

All non-consolidated subsidiaries and affiliates were not accounted for using the equity method, as these companies were not significant in terms of the effect on profit for the year or retained earnings of the consolidated financial statements.

3) Fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, Toda America, Inc., Construtora Toda do Brasil S/A, Toda Construction (Shanghai) Co., Ltd., Thai Toda Corporation Ltd., Toda Vietnam Co., Ltd., ABTD, INC. and Toda Philippines, INC. close their fiscal year on December 31 each year.

In preparing the consolidated financial statements, the Company used financial statements as of December 31 of all these subsidiaries.

However, adjustments necessary for the purpose of consolidation have been made for fiscal year-end.

The fiscal year-end of all other consolidated subsidiaries is the same as the consolidated fiscal year-end.

4) Standards and evaluation methods for important assets

(a) Short term investment securities and investment securities

Held-to-maturity debt securities

Amortized cost method (straight-line method)

Available-for-sale securities

• Securities with a fair value:

Stated at fair value, determined by the market price at the consolidated fiscal year-end date (the difference between the book value and the fair value is recorded as a component of net assets, while the cost of securities sold is computed using the moving-average method)

• Securities with no fair value:

Stated at cost, determined by the moving-average method

(b) Inventories

Costs on uncompleted construction contracts

Stated at cost, determined by the specific identification cost method

Real estate for sale

Stated at cost, determined by the specific identification cost method (The book value on the consolidated balance sheets is presented after write-down for decline in profitability.)

5) Methods of depreciation and amortization depreciable assets

(a) Property, plant and equipment (excluding lease assets)

The declining-balance method is primarily used. However, the straight-line method is used for buildings (excluding building fixtures) acquired on and after April 1, 1998 and building fixtures and other structures acquired on and after April 1, 2016.

Standards identical to regulations in the Corporate Income Tax Law are utilized to determine expected lifetime and residual value.

(b) Intangible fixed assets (excluding lease assets)

The straight-line method is used.

Standards identical to regulations in the Corporate Income Tax Law are utilized to determine expected lifetime and residual value.

However, the amortization of software used by the companies is computed using the straight-line method based on the estimated useful life.

(c) Lease assets

Leased assets under finance leases other than those that are deemed to transfer ownership to lessees

Depreciation is based on the straight-line method over the lease term of the leased assets with no residual value.

6) Allowances and provisions

(a) Allowance for doubtful accounts

The allowance for doubtful trade receivables and loans has been provided based on historic loss experience for general accounts and also includes the aggregate amount of the estimated loss for the accounts for which concern actually exists for collectability.

(b) Provision for bonuses

This is provided for the payment of bonuses for employees, based on expected payment amount.

(c) Provision for warranties for completed construction

To cover expenses for defects claimed concerning completed work, this is provided based on the estimated amount of compensation in the future for the work completed during the consolidated fiscal year.

(d) Provision for loss on construction contracts

The provision for loss on construction contracts is provided at the estimated amount for the future losses on contract backlog at the fiscal year-end which will be probably incurred and which can be reasonably estimated.

(e) Provision for directors' retirement benefits

To prepare for the payment of retirement benefits for executive officers and subsidiaries' directors, the provision is provided at the amount to be paid according to internal regulations if they had retired at the consolidated fiscal year-end.

(f) Provision for loss on liquidation of subsidiaries and affiliates

The provision for loss on liquidation of subsidiaries and affiliates is provided at the estimated amount for a possible future loss arising from liquidation.

(g) Provision for stock payments for directors

The provision for stock payments for directors is provided for stock award debt based on predetermined regulations for awarding stock, which is prepared for future awards of the Company shares to its directors and executive officers.

7) Accounting Policies of retirement benefits

The provision for retirement benefits for employees is calculated based on estimated amounts of retirement benefit obligations and pension assets as of the consolidated fiscal year-end.

Regarding lump-sum severance indemnity plan for the consolidated subsidiaries, the amount is calculated based on simplified method (method to assume required payment amount based on voluntary termination of employment on the closing date as retirement benefit obligations).

The estimated amount of retirement benefit is allocated to periods of service based on the benefit formula.

Actuarial differences are amortized commencing the following year after the difference is recognized primarily by the straight-line method over a period of five years.

8) Recognition of net sales from construction contracts and related costs

The Companies apply the percentage of completion method to those contracts in which the percentage of completion at the consolidated fiscal year-end can be reliably estimated, and other contracts are recorded under the completed contract method.

9) Translation of foreign currency assets and liabilities

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the consolidated fiscal year-end.

The resulting gains and losses are included in net income or loss for the consolidated fiscal year.

Assets and liabilities accounts of foreign consolidated subsidiaries are translated into Japanese yen at the exchange rate prevailing at the fiscal year-end.

Income and expense accounts of foreign consolidated subsidiaries are translated into Japanese yen at the average annual exchange rate.

The resulting translation adjustments are included in foreign currency translation adjustment and minority interests in the net assets of the consolidated balance sheets.

3. Change in accounting method

The Company and its domestic subsidiaries adopted "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016"(Practical Issues Task Force ("PITF") Statement No.32 issued on June 17, 2016) from the beginning of the fiscal year ended March 31, 2017 in accordance with the revision of the Corporation Tax Law of Japan, and changed their method of

4. Changes in Presentation

(Consolidated Statements of Cash Flows)

"Increase (decrease) in other current assets" and "Increase (decrease) in other current liabilities" included in "Other,net" of "Net cash provided by (used in) operating activities" in the fiscal year ended March 31, 2016 are described separately because of increase in materiality from the fiscal year ended March 31, 2017. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2016 have been reclassified.

5. Additional Information

(Performance-linked stock compensation plan for directors and executive officers)

1) Transaction summary

The Board of Directors of the Company resolved at its meeting held on August 9, 2016 matters concerning introduction of a performance-linked stock compensation plan for its directors and executive officers (the "Directors"). The plan is with the goal of increasing management consciousness to further enhancing the corporate value, performance over the medium-to-long-term and shareholders emphasis.

The plan is incentive for the Directors. The Company's shares are acquired through the Board Incentive Plan Trust ("BIP Trust") and the Employee Stock Ownership Plan Trust ("ESOP Trust") and awarded to the Directors in accordance with achievement degree of performance targets.

10) Hedge Accounting

The Companies apply hedge accounting as follows:

(a) Method of hedge accounting adopted

Deferral hedge accounting

If the interest rate swap contracts are used as hedge and meet certain hedging criteria, net amounts to be paid or received under the interest rate swap contracts are added to or deducted from the interest or liabilities for which the swap contract were executed ("special treatment").

(b) Measure and objects

1. Measures: Forward foreign exchange contracts

Objects: Transactions to be paid in foreign currencies in cases of overseas construction of work and overseas procurement of materials

2. Measures: Interest rate swap

Objects: Borrowings

(c) Hedging principles:

Based on internal regulations which stipulate the execution authority regarding on derivative transactions and those for transaction limits, the Companies utilize hedges to minimize the risk of currency exchange rate and interest rate fluctuations associated with the hedge objects.

(d) Evaluation method of effectiveness of hedging:

During the period from the time when the hedging first started until the consolidated fiscal year-end, the Companies have been assessing the hedge effectiveness primarily by comparing, in terms of variation amounts, (1)cumulative cash flow changes or exchange rate changes of the hedge objects and (2)cumulative cash flow changes or exchange rate changes of the hedge measures.

However, the evaluation of hedge effectiveness is omitted for interest swaps as they meet certain hedging criteria for the special treatment.

11) Cash and cash equivalents

For the consolidated statements of cash flows, cash and cash equivalents are defined as cash on hand, deposits that can be withdrawn at any time and highly liquid short-term investments with a maturity date within three months after acquisition.

accounting for depreciation of building fixtures and other structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change on the consolidated financial statements was negligible.

As a result, "Other,net" of "Net cash provided by (used in) operating activities" for consolidated statements of cash flows ¥5,729 million (US\$51,072 thousand) have been reclassified into "Increase (decrease) in other current assets" ¥1,066 million (US\$9,508 thousand) and into "Increase (decrease) in other current liabilities" ¥4,663 million (US\$41,564 thousand).

2) The Company's own stock in the Trust

The Company's own stock in the Trust is recorded in treasury stock under net assets based on the value in the Trust (excluding ancillary expenses). The book value and the number of these treasury stocks in the Trust as of March 31, 2017 were ¥170 million (\$1,515 thousand) and 351,000 shares (BIP Trust), ¥50 million (\$446 thousand) and 104,000 shares (ESOP Trust), respectively.

(Implementation Guidance on Recoverability of Deferred Tax Assets)

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26 issued on March 28, 2016) have been adopted from the beginning of the fiscal year ended March 31, 2017.

6. Notes to Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
1) Accumulated depreciation of property, plant and equipment	¥ 32,390	¥ 34,970	\$ 311,711
2) Investments in Non-consolidated subsidiaries and affiliates included in investment securities	¥ 1,841	¥ 1,819	\$ 16,219
3) Assets pledged as collateral:			
Short-term investment securities	119	49	445
Investment securities	739	666	5,943
Long-term loans receivable	466	421	3,757
Total	¥ 1,326	¥ 1,138	\$ 10,146
4) Contingent liabilities (guarantee liabilities)	¥ 417	¥ 250	\$ 2,233
5) Loan commitment agreement:			
Maximum limit under the agreement	¥ 30,000	¥ 10,000	\$ 89,134
Loan balance outstanding	-	-	-
Difference (unused portion)	¥ 30,000	¥ 10,000	\$ 89,134

6) Land revaluation

Based on the Land Revaluation Law, the Company has revaluated land held for business use and has recorded any discrepancies in the consolidated balance sheets as revaluation reserve for land.

7) Provision for loss on construction contracts included in costs on uncompleted construction contracts

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Costs on uncompleted construction contracts	¥ 178	¥ 2,839	\$ 25,312

8) Change in holding purpose of assets

The following real estate held for sale was reclassified as noncurrent assets due to change in holding purpose.

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Buildings and structures	¥ -	¥ 929	\$ 8,281
Land	47	5,887	52,473
Construction in progress	-	77	691

The following noncurrent assets were reclassified as real estate held for sale due to change in holding purpose.

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Buildings and structures	¥ 36	¥ -	\$ -
Land	600	-	-

7. Notes to Consolidated Statements of Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
1) Provision for loss on construction contracts included in costs of sales	¥ 815	¥ 2,704	\$ 24,105
2) Valuation loss on real estate for sale included in costs of sales	¥ 655	¥ -	\$ -
3) Principal components of selling, general and administrative expenses:			
Employees' salaries and allowances	¥ 10,200	¥ 10,587	\$ 94,367
Provision for bonuses	3,680	4,125	36,770
Retirement benefit expenses	753	1,026	9,153
Provision (reversal) of allowance for doubtful accounts	514	(520)	(4,635)
4) Research and development expenditures included in selling, general and administrative expenses and construction costs	¥ 1,049	¥ 1,135	\$ 10,119
5) Gain on sales of noncurrent assets:			
Buildings and structures	¥ 138	¥ -	\$ -
Land	133	-	-
Other	5	4	37
Total	¥ 277	¥ 4	\$ 37
6) Loss on sales of noncurrent assets:			
Buildings and structures	¥ 5	¥ -	\$ -
Land	5	-	-
Other	-	0	0
Total	¥ 11	¥ 0	\$ 0
7) Loss on abandonment of noncurrent assets:			
Buildings and structures	¥ 330	¥ 0	\$ 5
Other	1	2	25
Dismantlement cost	242	320	2,856
Total	¥ 573	¥ 323	\$ 2,887

8) Impairment loss on fixed assets

The group puts its assets for business purposes, primarily into main office and branch office. And other assets are put each properties. Impairment loss on fixed assets was as follows.

For the fiscal year ended March 31, 2016

Location	Purpose	Type	Impairment loss (Millions of Yen)
Chuo Ward , Tokyo, and other	Rental locations	Buildings, structures, fixtures, land, intangible assets (land lease rights and other)	¥1,271

The recoverable value is mainly the net sale value. The net sale value is computed by withholding the cost of disposal from the sale value.

For the fiscal year ended March 31, 2017

Location	Purpose	Type	Impairment loss (Millions of Yen)	Impairment loss (Thousands of U.S. dollars)
Goto City , Nagasaki, and other	Assets for businesses	Machinery and Intangible assets	¥913	\$8,142

The recoverable value is mainly value in use. Value in use is measured as the sum of anticipated future cash flows discounted at a rate of 5.0% for the year ended March 31, 2017.(The sum of anticipated future cash flows are expected to be caused by continued use and disposal after use.)

8. Notes to Consolidated Statements of comprehensive income

Reclassification and tax effect of comprehensive income for the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Valuation difference on available-for-sale securities:			
Accrual	¥ (30,629)	¥ 14,136	\$ 126,005
Reclassification	(503)	(2,161)	(19,267)
Before adjust tax effect	(31,133)	11,974	106,738
Tax effect	11,230	(3,500)	(31,200)
Valuation difference on available-for-sale securities	¥ (19,902)	¥ 8,474	\$ 75,537
Deferred gains (losses) on hedges:			
Accrual	¥ (6)	¥ 101	\$ 907
Reclassification	(24)	(73)	(656)
Before adjust tax effect	(30)	28	251
Tax effect	1	(0)	(7)
Deferred gains (losses) on hedges	¥ (29)	¥ 27	\$ 244
Foreign currency translation adjustments:			
Accrual	¥ (679)	¥ (24)	\$ (222)
Revaluation reserve for land:			
Tax effect	¥ 428	¥ -	\$ -
Revaluation reserve for land	¥ 428	¥ -	\$ -
Remeasurements of defined benefit plans:			
Accrual	¥ (4,267)	¥ 138	\$ 1,238
Reclassification	91	949	8,459
Before adjust tax effect	(4,176)	1,087	9,697
Tax effect	792	246	2,197
Remeasurements of defined benefit plans	(3,383)	1,334	11,895
Total of other comprehensive income	¥ (23,566)	¥ 9,811	\$ 87,455

9. Notes to Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2016	Class of shares	Number of shares			
		April 1, 2015	Increase	Decrease	March 31, 2016
Issued stock	Common stock	322,656,796	-	-	322,656,796
Treasury stock	Common stock	15,520,634	40,686	-	15,561,320

For the fiscal year ended March 31, 2017	Class of shares	Number of shares			
		April 1, 2016	Increase	Decrease	March 31, 2017
Issued stock	Common stock	322,656,796	-	-	322,656,796
Treasury stock	Common stock	15,561,320	483,455	455,000	15,589,775

For the fiscal year ended March 31, 2016	Class of shares	Number of shares			
		Total Dividends	Dividends per share	Record date	Effective date
June 26, 2015 Resolution by Annual General Meeting of Shareholders	Common stock	¥2,149million	¥7.00	March 31, 2015	June 29, 2015
June 29, 2016 Resolution by Annual General Meeting of Shareholders	Common stock	¥3,070million	¥10.00	March 31, 2016	June 30, 2016

For the fiscal year ended March 31, 2017	Class of shares	Number of shares			
		Total Dividends	Dividends per share	Record date	Effective date
June 29, 2016 Resolution by Annual General Meeting of Shareholders	Common stock	¥3,070million (\$27,372thousand)	¥10.00	March 31, 2016	June 30, 2016
June 29, 2017 Resolution by Annual General Meeting of Shareholders	Common stock	¥4,612million (\$41,116thousand)	¥15.00	March 31, 2017	June 30, 2017

10. Notes to Consolidated Statements of Cash Flows

Reconciliation between cash and deposits on the consolidated balance sheets and cash and cash equivalents at the fiscal year-end:	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Cash and deposits of the consolidated balance sheets	¥ 54,768	¥ 66,386	\$ 591,735
(Less) time deposits with maturities of more than three months	(117)	(100)	(892)
Short-Term investment securities	-	24,700	220,162
Cash and cash equivalents of the consolidated statements of cash flows	¥ 54,650	¥ 90,986	\$ 811,004

11. Lease Transactions

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Future minimum lease payments under non-cancelable operating leases:			
Due within one year	¥ 114	¥ 119	\$ 1,061
Due after one year	226	208	1,859
Total	¥ 340	¥ 327	\$ 2,920
Future minimum lease income under non-cancelable operating leases:			
Due within one year	¥ 2,144	¥ 2,418	\$ 21,561
Due after one year	11,152	9,419	83,957
Total	¥13,296	¥ 11,838	\$ 105,519

12. Fair value of Financial Instrument

As of March 31, 2016	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 54,768	¥ 54,768	¥ -
(2) Notes and accounts receivable - trade	211,237	211,228	(8)
(3) Short-term investment securities, investment securities (Note)	147,378	147,649	271
(4) Long-term loans receivable	614	685	71
Assets total	¥ 413,998	¥ 414,332	¥ 333
(1) Notes and accounts payable - trade	¥ 149,638	¥ 149,638	¥ -
(2) Short-term loans payable	34,588	34,588	-
(3) Income taxes payable	2,774	2,774	-
(4) Bonds payable	10,000	10,114	114
(5) Long-term loans payable	35,131	35,291	159
Liabilities total	¥ 232,133	¥ 232,407	¥ 274
Derivative transactions (Note)	¥ (18)	¥ (18)	-

Note: 1. The fair value of unlisted stocks is considered to be extremely difficult to calculate, as there are no market prices and no valuations of future cash flow. Therefore, these stocks are not included in "Short-term investment securities and investment securities."

2. Net receivables/payables arising from derivatives are shown. Items that are net payables are shown in parenthesis.

Unlisted stocks

As of March 31, 2016 (stated at book value)	Millions of yen
Stocks of non-consolidated subsidiaries and affiliated companies which are not accounted for by the equity method:	
Stocks of subsidiaries	¥ 82
Stocks of affiliated companies	207
Unlisted preferred equity securities	1,551
Other investment securities	
Unlisted stocks	¥ 5,289
Unlisted preferred equity securities	140
Investments in silent partnerships	300
Others	11

As of March 31, 2017	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and deposits	¥ 66,386	¥ 66,386	¥ -	\$ 591,735	\$ 591,735	\$ -
(2) Notes and accounts receivable - trade	133,206	133,188	(18)	1,187,331	1,187,167	(164)
(3) Short-term investment securities, investment securities (Note)	183,130	183,365	234	1,632,324	1,634,415	2,091
(4) Long-term loans receivable	555	617	61	4,951	5,503	552
Assets total	¥ 383,279	¥ 383,557	¥ 278	\$ 3,416,342	\$ 3,418,822	\$ 2,479
(1) Notes and accounts payable - trade	¥ 100,366	¥ 100,366	¥ -	\$ 894,612	\$ 894,612	\$ -
(2) Short-term loans payable	29,855	29,855	-	266,115	266,115	-
(3) Income taxes payable	3,523	3,523	-	31,403	31,403	-
(4) Bonds payable	10,000	10,088	88	89,134	89,923	788
(5) Long-term loans payable	30,421	30,587	165	271,158	272,637	1,479
Liabilities total	¥ 174,166	¥ 174,420	¥ 254	\$ 1,552,424	\$ 1,554,692	\$ 2,268
Derivative transactions (Note)	¥ (16)	¥ (16)	¥ -	\$ (149)	\$ (149)	\$ -

Note: 1. The fair value of unlisted stocks is considered to be extremely difficult to calculate, as there are no market prices and no valuations of future cash flow. Therefore, these stocks are not included in "Short-term investment securities and investment securities."

2. Net receivables/payables arising from derivatives are shown. Items that are net payables are shown in parenthesis.

Unlisted stocks

As of March 31, 2017 (stated at book value)	Millions of yen	Thousands of U.S. dollars
Stocks of non-consolidated subsidiaries and affiliated companies which are not accounted for by the equity method:		
Stocks of subsidiaries	¥ 83	\$ 745
Stocks of affiliated companies	207	1,852
Unlisted preferred equity securities	1,528	13,621
Other investment securities		
Unlisted stocks	¥ 5,224	\$ 46,571
Unlisted preferred equity securities	140	1,249
Investments in silent partnerships	596	5,312
Others	2,577	22,973

13. Marketable Securities and Investment Securities

Held-to-maturity debt securities:

As of March 31, 2016	Millions of yen		
	Book value	Fair value	Difference
Securities with a fair value that exceeds the book value	¥ 3,223	¥ 3,496	¥ 273
Securities with a fair value that does not exceed the book value	202	199	(2)
Total	¥ 3,425	¥ 3,696	¥ 271

Available-for-sale securities with a fair value:

As of March 31, 2016	Millions of yen		
	Book value	Acquisition cost	Difference
Securities with a book value that exceeds the acquisition cost:			
Stocks	¥ 134,087	¥ 54,234	¥ 79,853
Bonds	208	200	8
Others	2,420	2,259	160
Subtotal	136,716	56,694	80,022
Securities with a book value that does not exceed the acquisition cost:			
Stocks	7,236	8,084	(848)
Bonds	-	-	-
Others	-	-	-
Subtotal	7,236	8,084	(848)
Total	¥ 143,952	¥ 64,778	¥ 79,173

Note: The Companies recognized losses on write-down of ¥64 million for available-for-sale securities.

For the fiscal year ended March 31, 2016	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Available-for-sale securities sold	¥ 1,746	¥ 563	17

Held-to-maturity debt securities:

As of March 31, 2017	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with a fair value that exceeds the book value	¥ 3,298	¥ 3,534	¥ 235	\$ 29,400	\$ 31,503	\$ 2,102
Securities with a fair value that does not exceed the book value	102	100	(1)	910	898	(11)
Total	¥ 3,400	¥ 3,635	¥ 234	\$ 30,310	\$ 32,402	\$ 2,091

Available-for-sale securities with a fair value:

As of March 31, 2017	Millions of yen			Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with a book value that exceeds the acquisition cost:						
Stocks	¥ 150,484	¥ 59,471	¥ 91,012	\$ 1,341,334	\$ 530,099	\$ 811,234
Bonds	221	200	21	1,971	1,782	188
Others	3,032	2,787	244	27,027	24,847	2,180
Subtotal	153,737	62,459	91,278	1,370,333	556,729	813,603
Securities with a book value that does not exceed the acquisition cost:						
Stocks	1,292	1,421	(129)	11,517	12,674	(1,156)
Bonds	-	-	-	-	-	-
Others	24,700	24,700	-	220,162	220,162	-
Subtotal	25,992	26,121	(129)	231,680	232,837	(1,156)
Total	¥ 179,729	¥ 88,581	¥ 91,148	\$ 1,602,013	\$ 789,566	\$ 812,446

Note: The Companies recognized losses on write-down of ¥4 million (US\$43 thousand) for available-for-sale securities.

Write-down losses are recognized in each of following cases.

Case of securities with a fair value

- Fair value of fiscal year end and quarter settlement day in a row decline more than 30% compared to book value in succession.
- Fair value declined more than 50% compared to book value.

Case of securities without a fair value

- Net worth of equivalent of Equity declines more than 50% compared to acquisition cost.

For the fiscal year ended March 31, 2017	Millions of yen			Thousands of U.S. dollars		
	Sales amount	Total gain on sales	Total loss on sales	Sales amount	Total gain on sales	Total loss on sales
Available-for-sale securities sold	5,274	2,329	0	47,010	20,765	0

14. Derivative Transactions

For the year ended March 31, 2016

Derivative transactions to which the hedge accounting method is not applied:
None

Derivative transactions to which the hedge accounting method is applied:

(1) Currency-related transactions

Method of processing	Measures	Objects	Millions of yen		
			Contract amount	more than 1 year	Estimated fair value
Method in principle	Forward foreign exchange contracts				
	Buy USD	Forecasted purchasing transaction	¥ 304	¥ 20	¥ (18)
Total			¥ 304	¥ 20	¥ (18)

Estimated fair value was calculated based on price information provided by the counterparty financial institution.

(2) Interest-related transactions

Method of processing	Measures	Objects	Millions of yen		
			Contract amount	more than 1 year	Estimated fair value
Exceptional treatment of interest rate swaps	Interest rate swaps Payment fixed , Receive floating	Long-term loans payable	¥ 6,450	¥ 5,890	*

(*) The fair value of interest rate swaps that qualify for special treatment is included in long-term loans payable.

For the year ended March 31, 2017

Derivative transactions to which the hedge accounting method is not applied:
None

Derivative transactions to which the hedge accounting method is applied:

(1) Currency-related transactions

Method of processing	Measures	Objects	Millions of yen			Thousands of U.S. dollars		
			Contract amount	more than 1 year	Estimated fair value	Contract amount	more than 1 year	Estimated fair value
Method in principle	Forward foreign exchange contracts							
	Buy USD	Forecasted purchasing transaction	¥ 0	¥ -	¥ (0)	\$ 6	\$ -	\$ (0)
	Buy EUR	Forecasted purchasing transaction	¥ 1,362	¥ 873	¥ (19)	\$ 12,146	\$ 7,790	\$ (173)
	Non-deliverable forwards							
	Sell BRL	Forecasted sales transaction	¥ 361	¥ -	¥ 2	\$ 3,219	\$ -	\$ 23
Total			¥ 1,724	¥ 873	¥ (16)	\$ 15,372	\$ 7,790	\$ (149)

Estimated fair value was calculated based on price information provided by the counterparty financial institution.

(2) Interest-related transactions

Method of processing	Measures	Objects	Millions of yen			Thousands of U.S. dollars		
			Contract amount	more than 1 year	Estimated fair value	Contract amount	more than 1 year	Estimated fair value
Exceptional treatment of interest rate swaps	Interest rate swaps Payment fixed , Receive floating	Long-term loans payable	¥ 8,190	¥ 6,870	*	\$ 73,001	\$ 61,235	*

(*) The fair value of interest rate swaps that qualify for special treatment is included in long-term loans payable.

15. Retirement Benefits

The Company had a defined benefit plan that consists of a defined benefit pension plan and a lump-sum benefit plan. Some of the foreign consolidated subsidiaries have defined contribution plans. And the other consolidated subsidiaries have lump-sum benefit plans.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
The schedule of the defined benefit obligation			
Balance at the beginning of the fiscal year	¥ 41,960	¥ 44,889	\$ 400,121
Service cost	1,716	1,971	17,570
Interest cost	489	87	778
Actuarial gain and loss	4,100	(104)	(928)
Benefit paid	(3,374)	(3,301)	(29,429)
other	(1)	(0)	(5)
Balance at the end of the fiscal year	¥ 44,889	¥ 43,541	\$ 388,107

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
The schedule of the pension assets			
Balance at the beginning of the fiscal year	¥ 22,790	¥ 22,613	\$ 201,566
Expected return on pension assets	273	271	2,418
Actuarial gain and loss	(167)	34	309
Contributions by the employer	1,161	1,147	10,228
Benefit paid	(1,443)	(1,786)	(15,919)
Balance at the end of the fiscal year	¥ 22,613	¥ 22,281	\$ 198,604

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
The reconciliation of the defined benefit obligations and pension assets to the liabilities and assets on retirement benefits recognized in the consolidated balance sheet			
Funded defined benefit obligations	¥ 44,889	¥ 43,541	\$ 388,107
Pension assets	(22,613)	(22,281)	(198,604)
	22,275	21,260	189,503
Net amount of liabilities and assets recognized in consolidated balance sheet	22,275	21,260	189,503
Net defined benefit liability	22,515	22,084	196,849
Net defined benefit asset	(240)	(824)	(7,346)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 22,275	¥ 21,260	\$ 189,503

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
The breakdown of items in retirement benefit costs			
Service cost	¥ 1,716	¥ 1,971	\$ 17,570
Interest cost	489	87	778
Expected return on pension assets	(273)	(271)	(2,418)
Amortization of actuarial differences	91	949	8,459
Retirement benefit costs	¥ 2,023	¥ 2,736	\$ 24,389

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Remeasurements of defined benefit plans			
Actuarial gain and loss	¥ (4,176)	¥ 1,087	\$ 9,697
Total	¥ (4,176)	¥ 1,087	\$ 9,697

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrecognized remeasurements of defined benefit plans			
Unrecognized actuarial (gain) loss	¥ 3,909	¥ 2,821	\$ 25,145
Total	¥ 3,909	¥ 2,821	\$ 25,145

The breakdown of pension assets by major category	2016	2017
Bonds	26%	22%
Equities	11%	9%
General account	62%	62%
other	1%	7%
Total	100%	100%

The items of actuarial assumptions	2016	2017
Discount rate	0.20%	0.20%
Expected long-term return on pension assets	1.20%	1.20%
Expected rate of salary raise	5.60%	5.60%

20. Related Party Transactions

Related party transactions between the Corporation and related parties

Directors and principal shareholders (only individual shareholders), etc., of the Corporation

For the year ended March 31, 2016
Not applicable

For the year ended March 31, 2017

Category	Related Party	Address	Capital or Investment (Millions of Yen)	Type of Business	Percentage of voting rights held (Held by others)	Relationship	Nature of Transaction	Amounts of Transaction			Balance at the end of the year	
								Millions of Yen	Thousands of U.S. Dollars	Account	Millions of Yen	Thousands of U.S. Dollars
Officer (equivalent to officer) and his close family	Toda Mirai Foundation(*1)	Chuo Ward, Tokyo	-	(*2)	-	interlocking directors	cash donation (*3)	40	356	-	-	-

*1 The president of the foundation is Masanori Imai, President and Representative Director.

*2 The purpose of the Foundation is to expand job opportunities and to improve skills and techniques of construction workers and then to contribute to the progress of the construction industry through social activities like subsidy programs for fostering workers especially in younger generation.

*3 We make donations to the Foundation to support their activities, and the donations have been decided with the approval of the Board of Directors.

21. Per share information

As of March 31	Yen		U.S. dollars
	2016	2017	2017
Net assets per share of common stock	¥ 569.92	¥ 729.35	\$ 6.501
Profit for the year per share of common stock	65.25	137.07	1.221

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Basis for calculation of net assets per share:			
Total net assets	¥ 177,417	¥ 226,895	\$ 2,022,422
Amount attributable to items other than common stock	2,398	2,937	26,181
Net assets attributable to common stock	¥ 175,019	¥ 223,958	\$ 1,996,241
Number of shares of common stock outstanding at fiscal year-end	307,095,476 shares	307,067,021 shares	
Basis for calculation of profit for the year per share:			
Profit for the year attributable to owners of the parent	¥ 20,039	¥ 42,091	\$ 375,182
Profit for the year attributable to owners of the parent attributable to common stock	¥ 20,039	¥ 42,091	\$ 375,182
Average number of shares of common stock outstanding during the fiscal year	307,113,598 shares	307,083,827 shares	

22. Subsequent events

The Board of Directors of the Company resolved at its meeting held on April 28, 2017 matters concerning the Company's disposal of treasury stock by third-party allocation to Toda Mirai Foundation ("The Foundation"). The purpose of this resolution is to support The Foundation's social activities continuously and stably.

And also the Board of Directors of the Company resolved at the same meeting matters concerning the Company's purchase of treasury stock pursuant to Article 156 of the Business Corporation Law as applied pursuant to Article 165, Paragraph 3 thereof, as detailed below.

The purpose of The Foundation is to expand job opportunities and to improve skills and techniques of construction workers and then to contribute to the progress of the construction industry through social activities like subsidy programs for fostering workers especially in younger generation. We believe that such activities surely contribute its sustainable growth and to increase the corporate value in the medium-to-long-term.

Concerning Disposal of treasury stock, it has been approved at the ninety fourth stock holders' meeting as of June 29, 2017 and also Purchase of treasury stock has been approved at the same meeting.

The effect of this Disposal and Purchase on the Company's financial status and earning results is immaterial.

(1) Disposal of treasury stock	
(a) Total number of shares that may be disposed	Common stock 2,500,000 shares (0.77% of issued shares)
(b) Disposal price	¥1 per share
(c) Amount of funding	¥2.5million (\$22thousand)
(d) Recruitment or Method of disposal	Disposal by third-party allocation
(e) Disposal destination	The Master Trust Bank of Japan, Ltd
(f) Period of disposal	September 1, 2017
(2) Purchase of treasury stock	
(a) Class of shares to be purchased	Common stock
(b) Total number of shares that may be purchased	3,000,000 shares (maximum) (0.98% of issued shares (excluding treasury stock))
(c) Aggregate purchase price	¥2,500million (\$22,283thousand) (maximum)
(d) Period of purchase	From the end of General meeting of shareholders held on June 29, 2017 to March 31, 2018.

Independent Auditor's Report

Toda Corporation and Consolidated Subsidiaries

Independent Auditor's Report

The Board of Directors
Toda Corporation

We have audited the accompanying consolidated financial statements of Toda Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toda Corporation and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Seinun Audit Corporation

June 29, 2017
Tokyo, Japan

Corporate Information

Company overview

(As of March 31, 2017)

Company Name	TODA CORPORATION
Company Headquarters	7-1, Kyobashi 1-chome, Chuo-ku, Tokyo 104-8388, Japan
Founded	January 5, 1881
Capital Stock	¥23.0 billion
Number of employees	4,872 (Consolidated) 3,968 (Non-consolidated)
Areas of business	1. Research, planning, design, management, and execution associated with all aspects of architectural and civil engineering together with related comprehensive engineering and consulting 2. Research, planning, design, management, and execution associated with local development, urban development and other comprehensive engineering and consulting 3. Real estate sale and purchase, rental, intermediary services, management, and appraisal

History

1881	Foundation: Toda-kata Construction was founded by Rihei Toda, who became its first president.
1908	Company changes its name from Toda-kata to Toda-gumi.
1910	Toda participates in the building of facilities for the Anglo-Japanese Fair in London.
1914	Company participates in the construction of facilities for the Taisho Exhibition held in Tokyo. Company participates in the construction of facilities for the Panama-Pacific Exhibition held in San Francisco.
1936	Incorporation: Company is reorganized as Toda-Gumi Co., Ltd.
1963	Company changes its name to the Toda Corporation.
1969	The company's stock is listed on the Tokyo Stock Exchange.
1970	Company builds nine pavilions, including the Swiss pavilion, for Expo '70 in Osaka.
1972	Construtora Toda do Brasil S.A. and Toda America, Inc. are established.
1981	Company celebrates its centennial.
1988	Company participates in the construction of the Pacific Convention Plaza Yokohama, Japan's first building project involving foreign contractors (completed in 1991). Thai Toda Corporation Ltd. is established.
1994	Toda announces its Global Environment Charter.
1995	Toda becomes Japan's first general contractor to acquire ISO 9001 certification.
1999	Toda acquires ISO 14001 certification.
2000	Toda becomes Japan's first company to achieve zero emissions at construction sites.
2003	Toda announces its Charter of Corporate behavior.
2005	Toda introduces an executive officer system.
2009	Toda Vietnam Co., Ltd. is established.
2010	Toda is certified as an "Eco-First" company. Company celebrates the 100th anniversary of the start of overseas operations.
2012	Toda acquires ISO 27001 certification. Southeast Asia Regional Office is established.
2013	Jakarta Representative Office is established.
2015	The Toda Group Global Vision is unveiled. Yangon Branch Office is established.
2016	Toda is certified as "A List" in CDP Climate Change Report 2016.
2017	Toda's CO ₂ reduction targets receive SBT approval (first for the Japanese construction industry)

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