

# **Results Briefing**

## **for the Year Ended March 31, 2014**

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**May 20, 2014**

**TODA CORPORATION**

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

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

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

# Today's Schedule

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

Executive Manager Yushi Kikutani

## **2. Management Initiatives**

President Masanori Imai

# 1. Summary of Financial Results



Executive Manager Yushi Kikutani

# **1-1. Summary of Financial Results for the Year Ended March 31, 2014**



# Highlights: FY2013

- **Consolidated Net Sales: ¥448.9 billion, down 9.7% year-on-year**
  - ∴ Net sales fell 9.7% year-on-year to ¥448.9 billion, as completed construction contracts at the Company and domestic subsidiaries declined
  
- **Operating Income: ¥4.7 billion, up ¥51.7 billion year-on-year**
  - ∴ Operating income came to ¥4.7 billion, as gross profit on completed construction contracts improved due to adoption of profitability-oriented order receipt policy in the previous fiscal year and prudent estimate of construction profits.
  
- **Orders Received (non-consolidated): ¥454.4 billion, up 34.0% year-on-year**
  - ∴ Orders received rose 34.0%, as large-scale redevelopment projects in architectural construction and orders for railway and road civil engineering projects in public sector increased.

# Summary:FY2013

(Millions of yen)

	FY2012	FY2013			
		<i>Forecasts (announced on Feb 13, 2014)</i>	<b>Actuals</b>	<i>Change (year on year)</i>	<i>Difference (vs. forecast)</i>
<b>Consolidated net sales</b>	<b>497,048</b>	<i>450,000</i>	<b>448,987</b>	<i>-9.7%</i>	<i>-1,013</i>
<b>Operating income (loss)</b>	<b>(46,997)</b>	<i>4,700</i>	<b>4,782</b>	<i>—</i>	<i>82</i>
<b>Ordinary income (loss)</b>	<b>(45,581)</b>	<i>6,000</i>	<b>6,584</b>	<i>—</i>	<i>584</i>
<b>Net income (loss)</b>	<b>(65,285)</b>	<i>10,000</i>	<b>10,228</b>	<i>—</i>	<i>228</i>
<b>Orders received (Non-consolidated)</b>	<b>339,067</b>	<i>415,000</i>	<b>454,405</b>	<i>34.0%</i>	<i>39,405</i>

# Main Orders Received

	Ordering Parties	Name of Works
Architectural Construction	Mitsubishi Estate Co., Ltd., etc.	Otemachi 1-chome No.3 District category 1 urban redevelopment
	Hiroshima Station South Exit C-block Urban Redevelopment Union	Hiroshima Station south exit C-block category 1 urban redevelopment
	Federation of National Public Service Personnel Mutual Aid Associations	Overall Support Center for the elderly, Kudanzaka Hospital
	Japanese Red Cross Society	Renovation and building of a new addition to the Japanese Red Cross Tottori Hospital
	National Hospital Organization Kyushu Cancer Center	Construction of Kyushu Cancer Center
	Tsukuba Memorial Association	Extension of Tsukuba Memorial Hospital central block
Civil Engineering	Tohoku Regional Development Bureau, Ministry of Land, Infrastructure and Transport	National Road 45 Shimoakka Road
	Japan Railway Construction, Transport and Technology Agency	Hokkaido Shinkansen Line Tateiwa Tunnel
	Urban Renaissance Agency	FY2013 Yamada district, et al. land readjustment
	East Nippon Expressway Company, Limited	Higashi-kanto Expressway Momiji work

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



# Main Works Completed

	Ordering Parties	Name of Works
Architectural Construction	JGC CORPORATION	Mental health center maintenance and operation
	Nintendo Co., Ltd.	N New office building construction
	Saitama Prefectural Government	Saitama Cancer Center new hospital
	MORI TRUST CO., LTD.	Kyobashi Trust Tower
	Kinki Regional Development Bureau, Ministry of Land, Infrastructure and Transport	Kyoto National Museum The Collections Hall
	Osaka Heart Care Partners	Osaka Psychiatric Medical Center reorganization and maintenance
Civil Engineering	Miyagi Prefecture	Disaster waste disposal
	West Nippon Expressway Company, Limited	Higashi-kyushu Expressway Izumi Work
	Kanto Regional Development Bureau, Ministry of Land, Infrastructure and Transport	Chubu Odan Daigoyama Tunnel Part 2
	West Nippon Expressway Company, Limited	Higashi-kyushu Expressway Nobunaga Work

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

## **1-2. Details of Financial Results**



# (Consolidated) Toda Group

Business		Subsidiaries in Japan	Overseas Subsidiaries	14 companies
Construction	Architectural Construction	<p>APEC Engineering Co., Ltd.</p> <p>Chiyoda Kenkou Co., Ltd.</p>	<p>Construtora Toda do Brazil S/A</p> <p>Toda Construction (Shanghai) Co., Ltd.</p> <p>Thai Toda Corporation Ltd.</p> <p>Toda Vietnam Co., Ltd.</p> <p>TODA Philippines, Inc.      ABTD, inc.</p>	8 companies
	Civil Engineering	<p>Toda Road Co., Ltd.</p>		1 company
Real Estate		<p>Toda Bldg. Partners Co., Ltd.</p>	<p>Toda America, Inc.</p>	2 companies
Other		<p>Toda Finance Co., Ltd.</p> <p>Chiyoda Staff Service Co., Ltd.</p> <p>Towa Kanko Kaihatsu Co., Ltd.</p>		3 companies

# (Consolidated) Summary of Group Performance

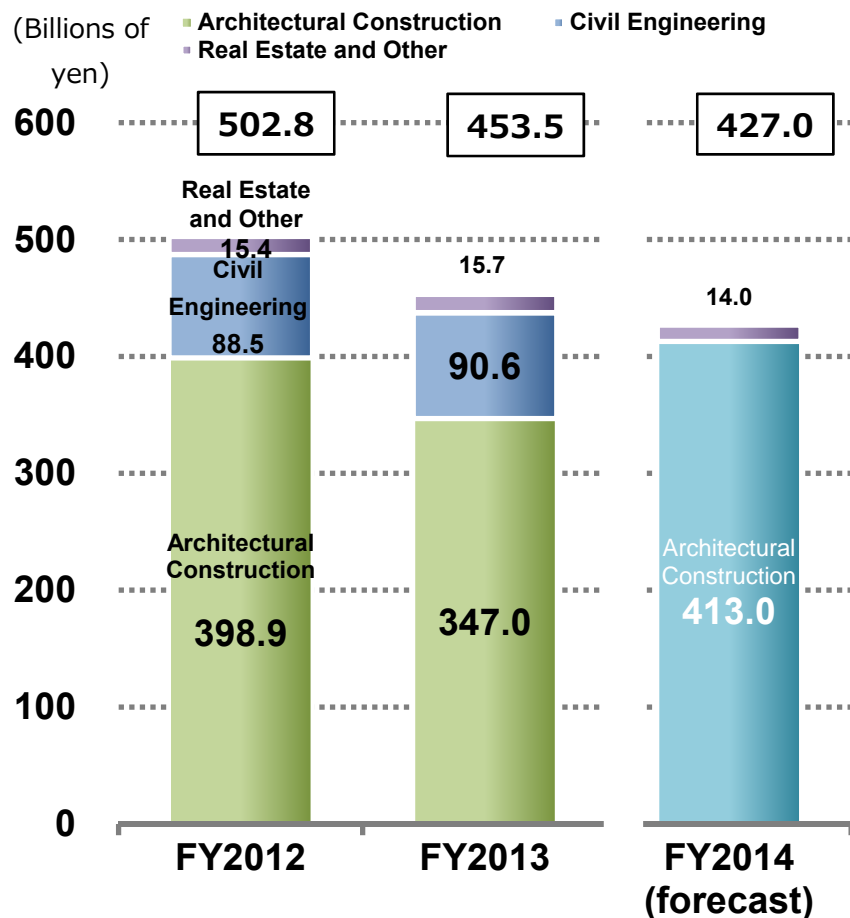
FY2013 Billions of yen	Toda Corporation		Subsidiaries total		FY2013 consolidated		Ratio of consolidated results to non-consolidated Results
		%		%		%	
Net sales	409.5		57.9		448.9		1.10
Gross profit	23.0	5.6	2.8	5.0	25.4	5.7	1.11
Selling, general and administrative expenses	18.3		2.7		20.6		
Operating income	4.6	1.1	0.1	0.3	4.7	1.1	1.02
Non-operating income	1.5		0.1		1.8		
Ordinary income	6.2	1.5	0.2	0.5	6.5	1.5	1.05
Extraordinary income	3.0		1.3		4.4		
Income before income taxes	9.2		1.6		11.0		
Income taxes	0.0		0.4		0.8		
Net income	9.2	2.3	1.1	2.0	10.2	2.3	1.11

# (Consolidated) Statements of Income

Billions of yen	FY2012 (actual)		FY2013 (actual)		Changes	FY2014 (forecast)	
		%		%			%
Net sales	497.0		448.9		-9.7	427.0	
Gross profit (loss)	(24.6)	-5.0	25.4	5.7	—	26.4	6.2
Selling, general and administrative expenses	22.3		20.6			22.5	
Operating income (loss)	(46.9)	-9.5	4.7	1.1	—	3.9	0.9
Non-operating income	1.4		1.8			1.4	
Ordinary income (loss)	(45.5)	-9.2	6.5	1.5	—	5.3	1.2
Extraordinary income (loss)	(2.2)		4.4			0.0	
Income (Loss) before income taxes	(47.8)		11.0			5.3	
Income taxes	17.4		0.8			0.6	
Net income (loss)	(65.2)	-13.1	10.2	2.3	—	4.7	1.1

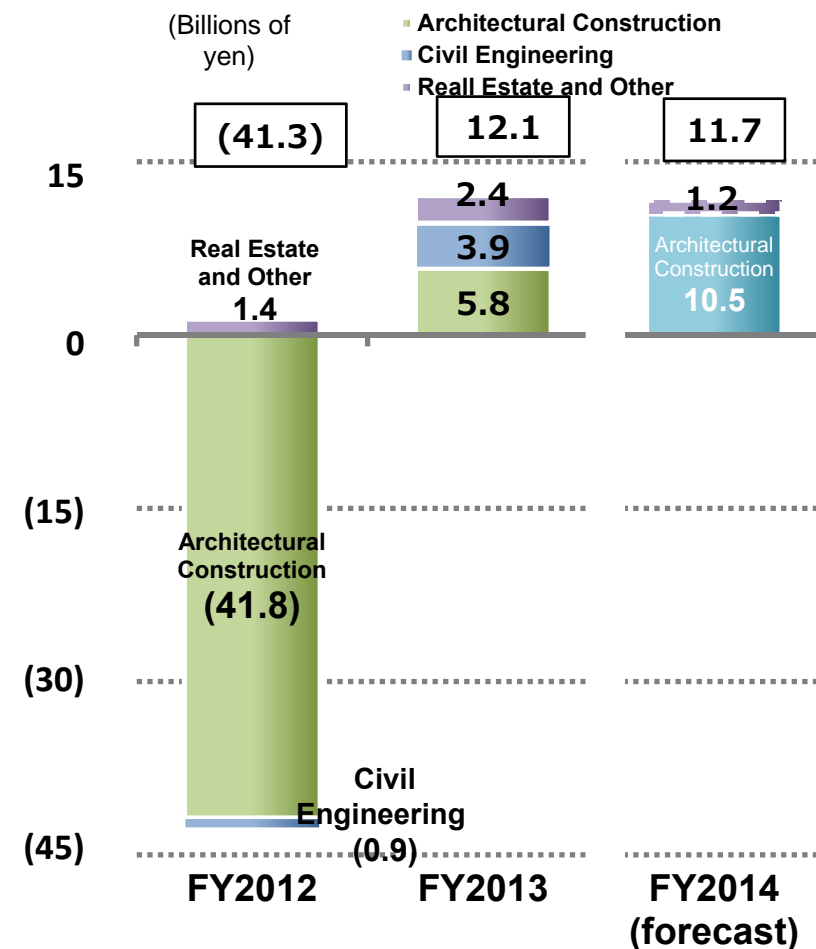
# (Consolidated) Net Sales and Operating Income (Loss) by Segment

## Net Sales



\* Net sales by segment include intersegment transactions.

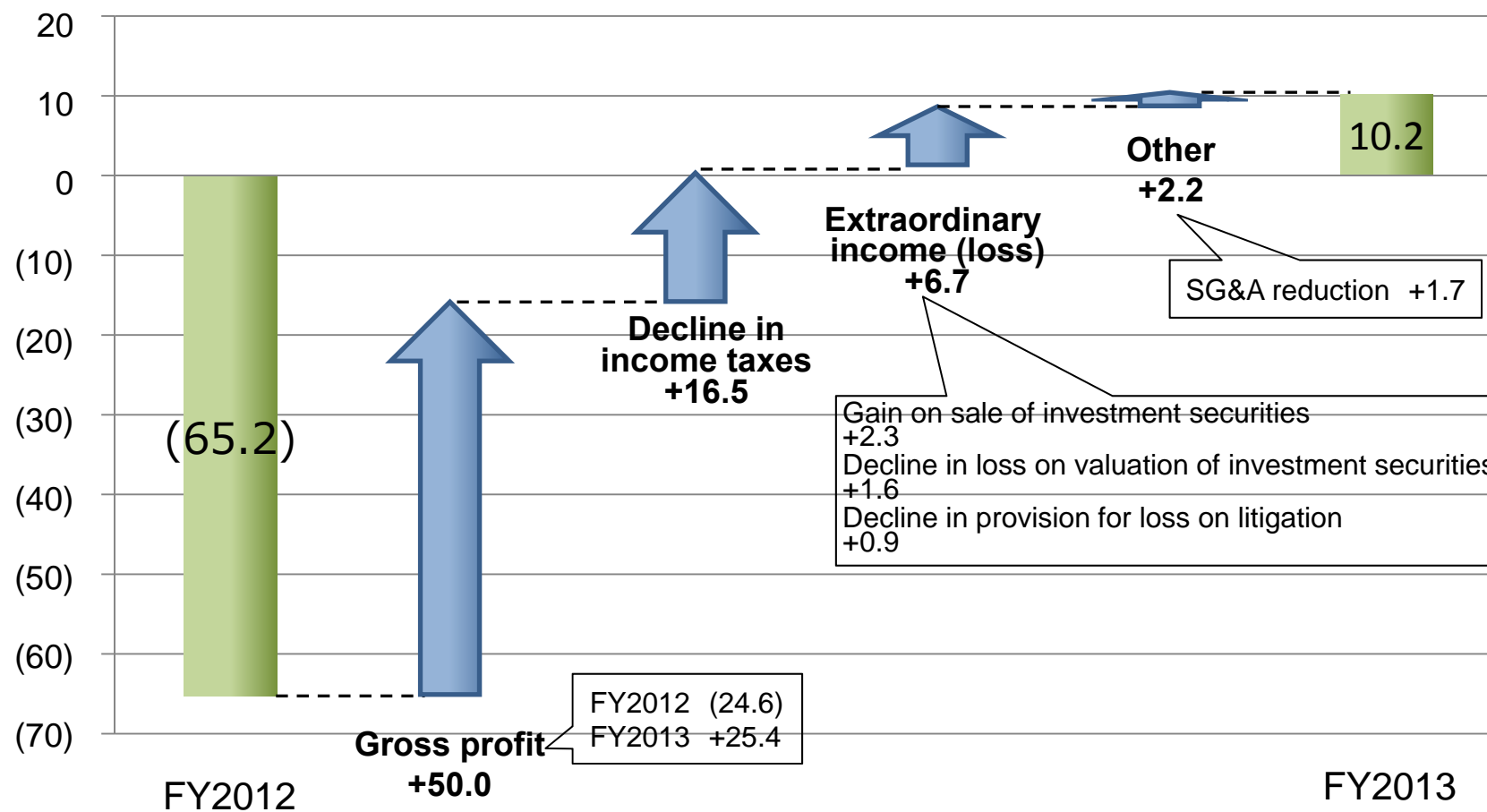
## Operating Income (Loss)



\* Companywide expenses are not included in operating income (loss) by segment.

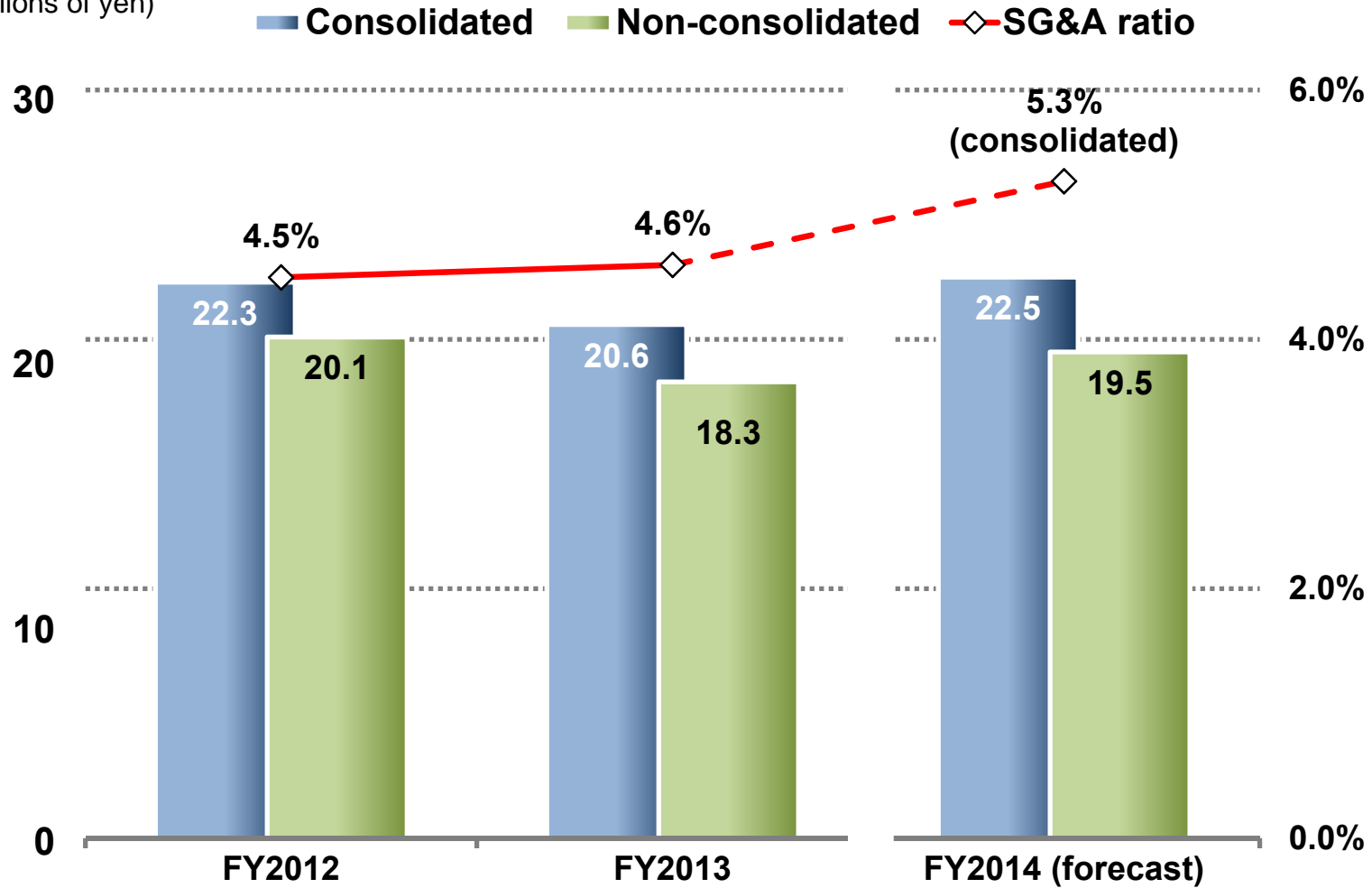
# (Consolidated) Breakdown of Net Income Increase

(Billions of yen)



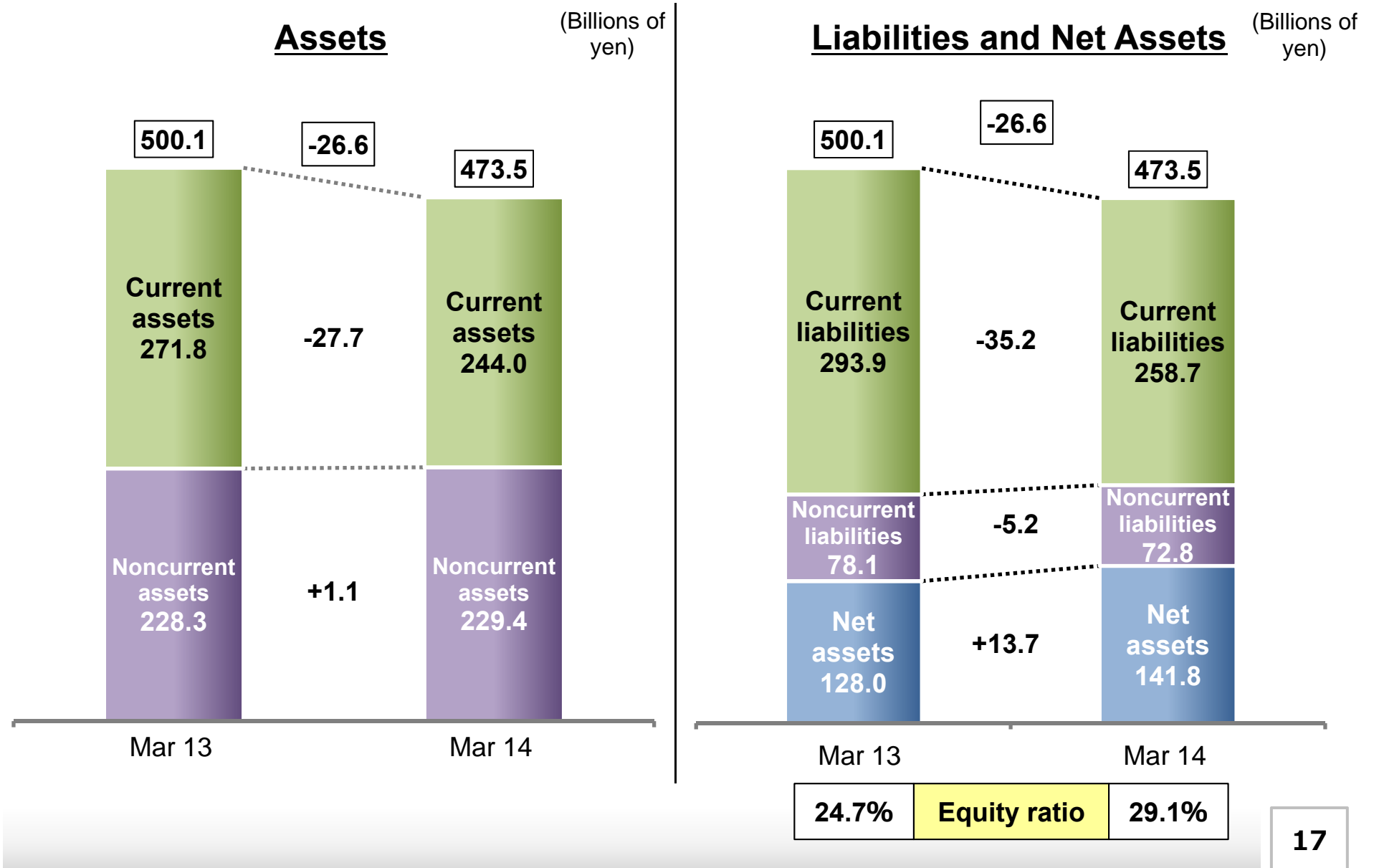
# (Consolidated) Change in SG&A

(Billions of yen)

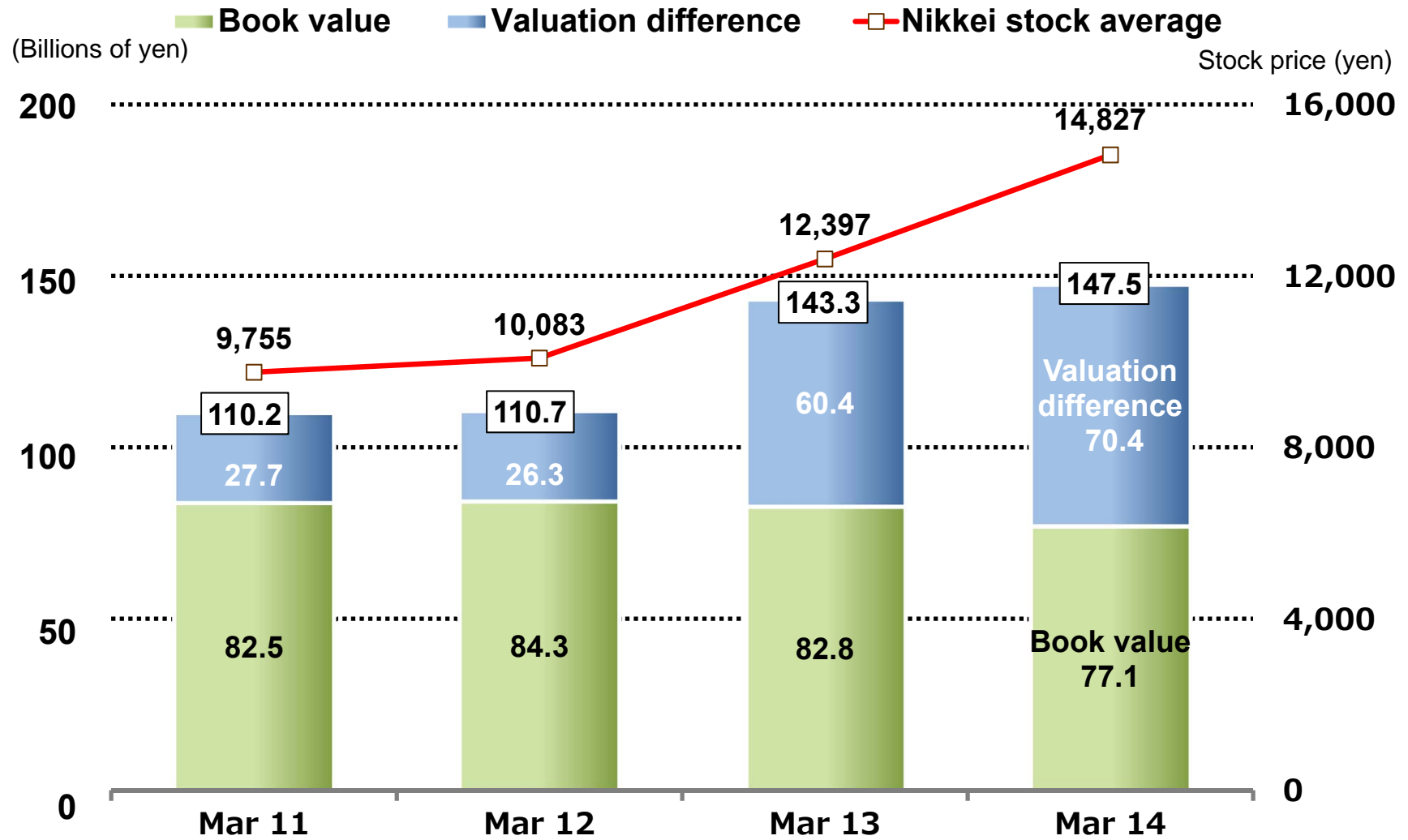




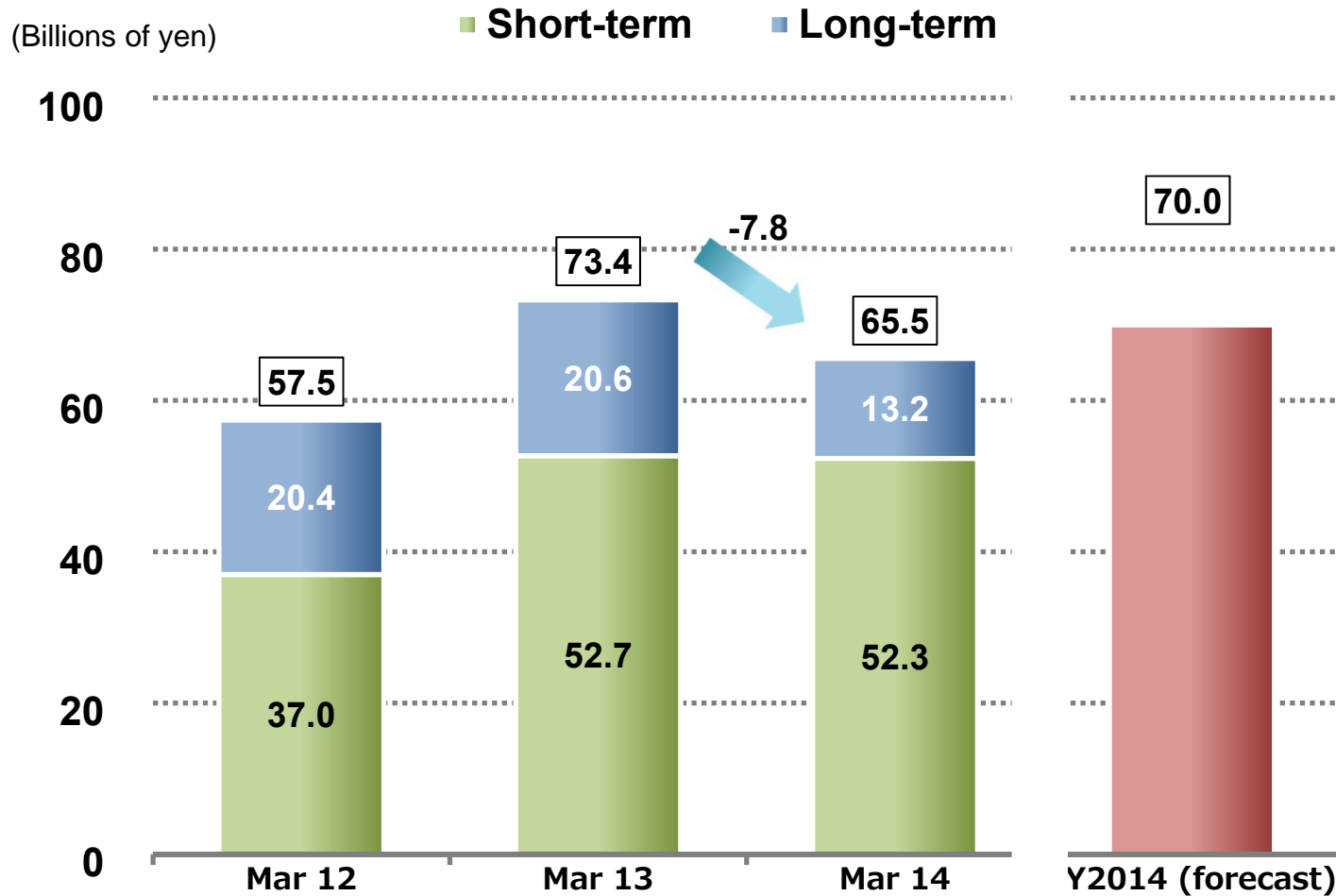
# (Consolidated) Balance Sheets



# (Consolidated) Change in Investment Securities



# (Consolidated) Change in Interest-Bearing Liabilities



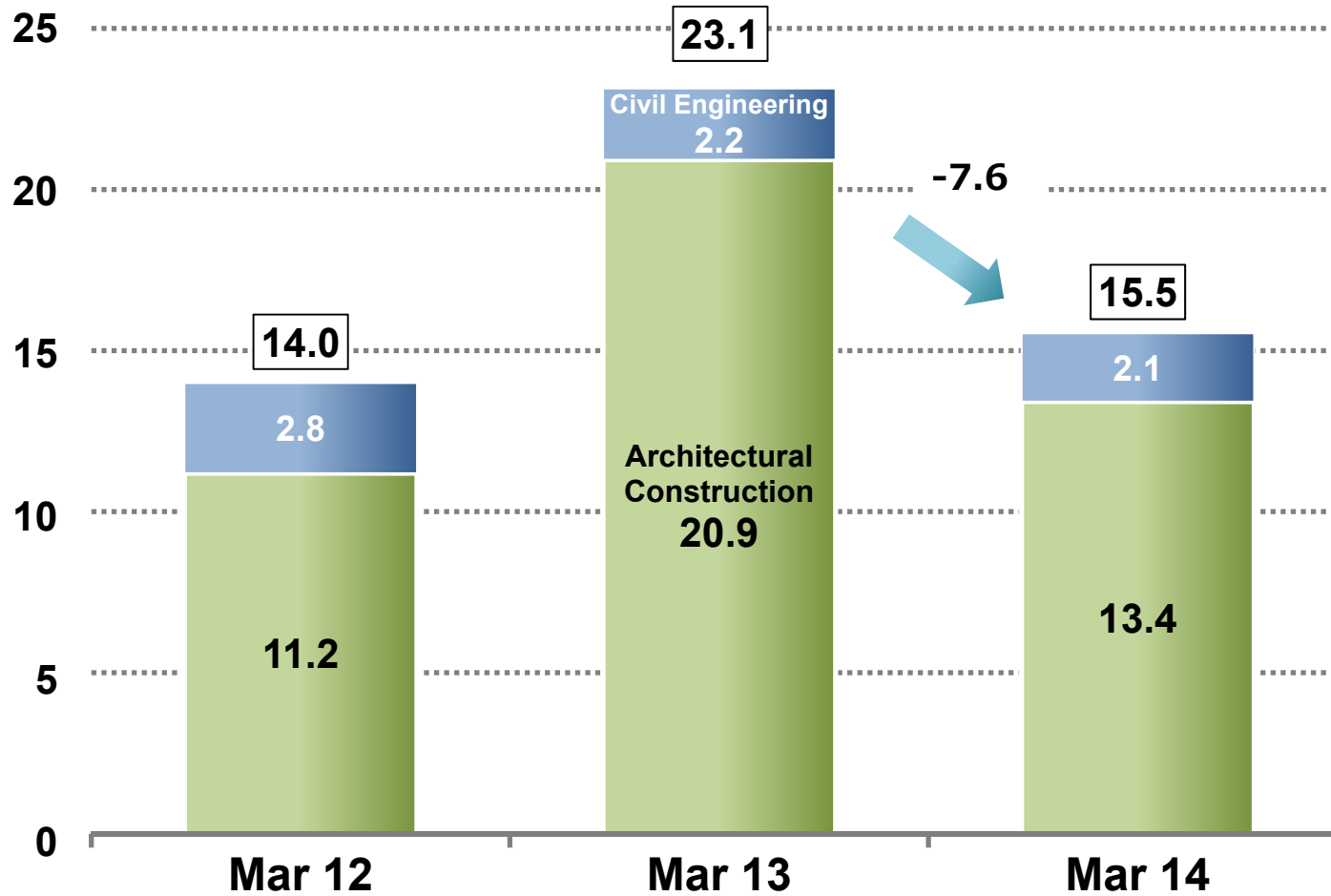
Ratio of interest-bearing liabilities	11.8%	14.7%	13.8%
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# (Consolidated) Change in Provision for Loss on Construction Contracts

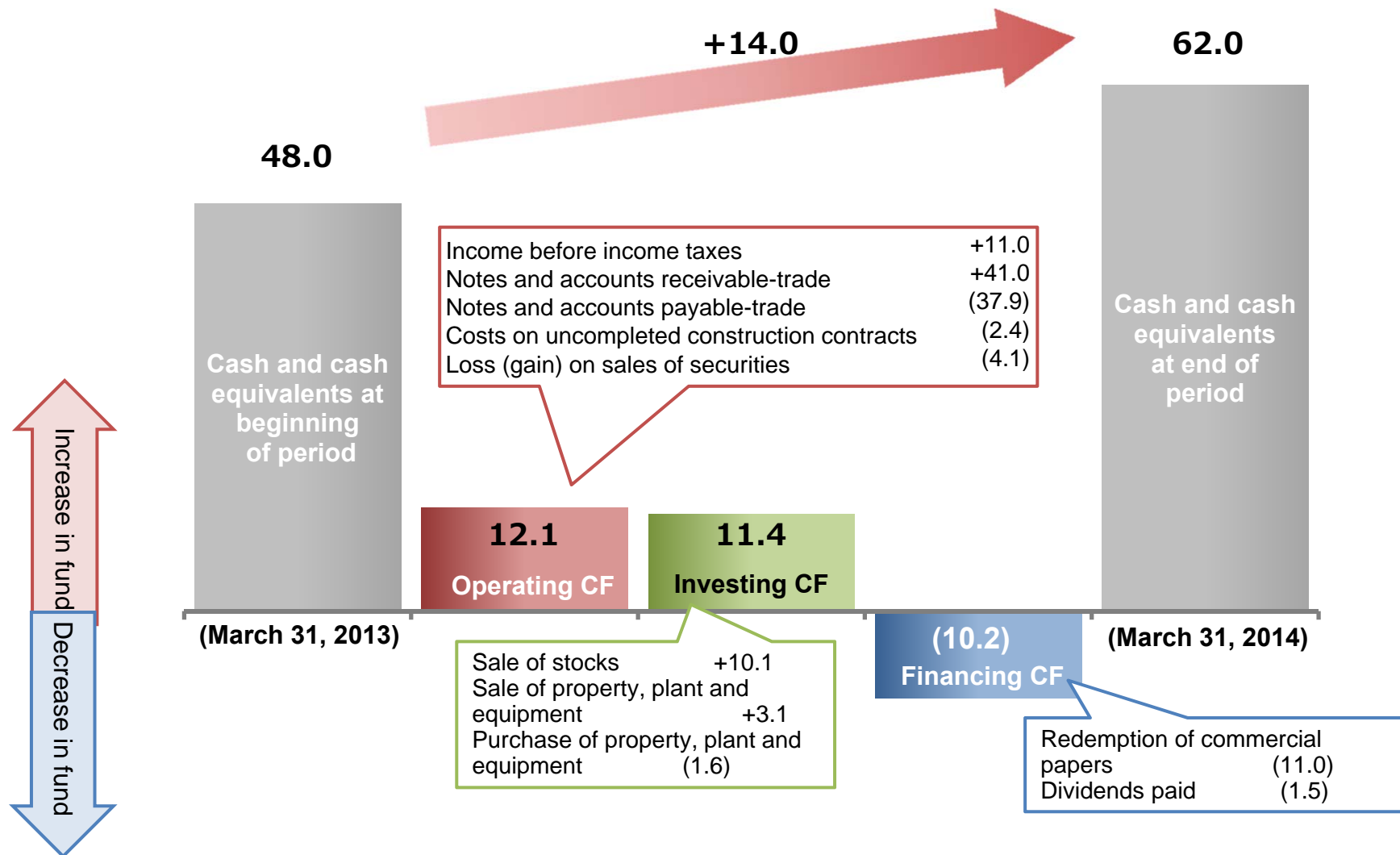
(Billion of yen)

■ Architectural Construction ■ Civil Engineering



# (Consolidated) Statement of Cash Flow

(Billions of yen)



## **1-3. Performance Forecasts**



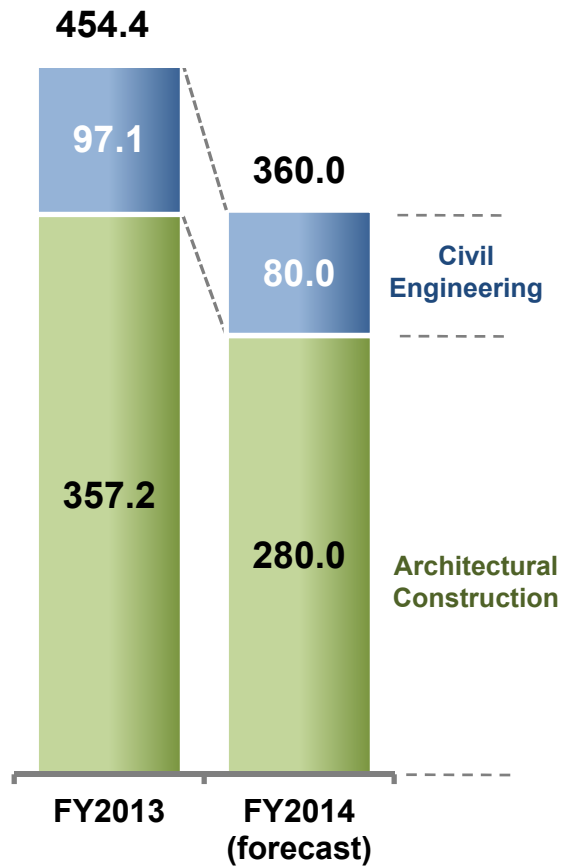
## Forecasts for FY2014 (Year Ending March 31, 2015)

(Billions of yen)	FY2013	FY2014		
		Forecasts	<i>Change (year on year)</i>	
<b>Consolidated net sales</b>	<b>448.9</b>	<b>427.0</b>	<b>-4.9%</b>	<b>-21.9</b>
<b>Operating income</b>	<b>4.7</b>	<b>3.9</b>	<b>-18.5%</b>	<b>-0.8</b>
<b>Ordinary income</b>	<b>6.5</b>	<b>5.3</b>	<b>-19.5%</b>	<b>-1.2</b>
<b>Net income</b>	<b>10.2</b>	<b>4.7</b>	<b>-54.1%</b>	<b>-5.5</b>
<b>Orders received (Non-consolidated)</b>	<b>454.4</b>	<b>360.0</b>	<b>-20.8%</b>	<b>-94.4</b>

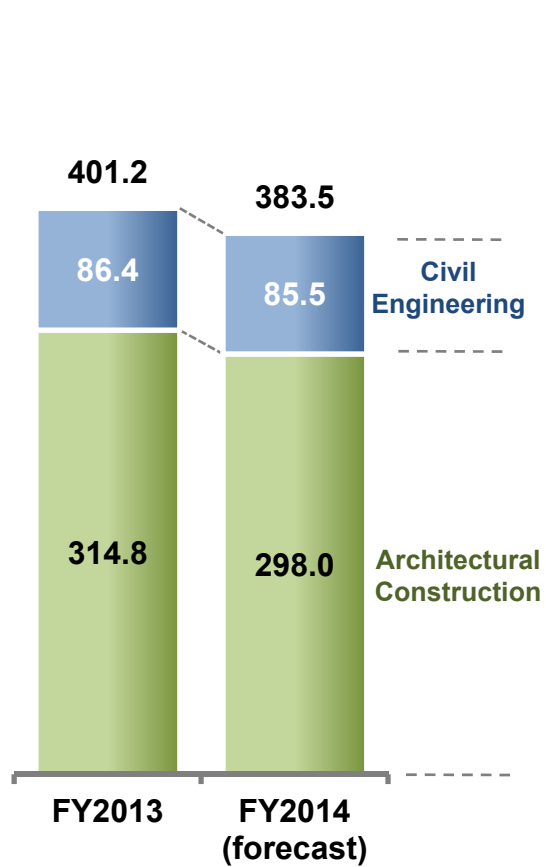
# (Non-consolidated) Forecasts for the Construction Business

(Billions of yen)

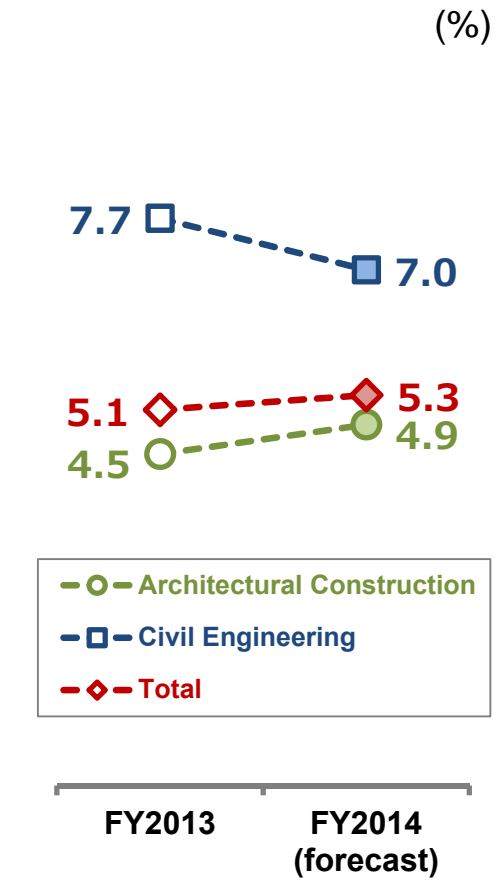
**Orders Received for Construction**



**Net Sales of Completed Construction Contracts**



**Gross Profit Margin on Completed Construction Contracts**





## Non-consolidated Forecasts for FY2014

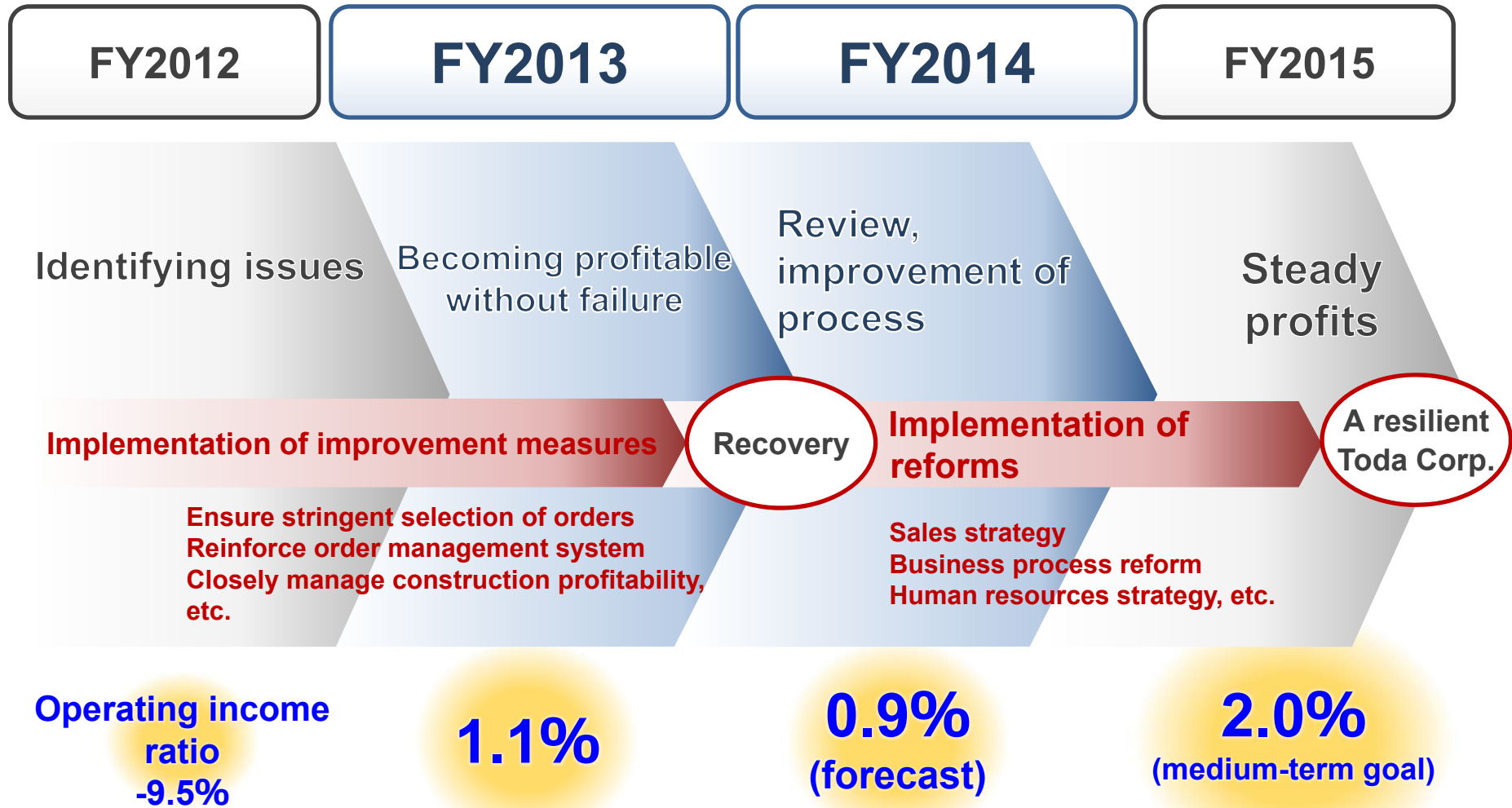
	Amount (billions of yen)	Profitability (%)	
<b>Net sales</b>	<b>390.0</b>		
<b>Gross profit</b>	<b>22.5</b>	<b>5.8</b>	
<b>Profits in the construction business</b>	<b>20.5</b>	<b>5.3</b>	
<b>[Architectural construction]</b>	<b>[14.5]</b>	<b>[4.9]</b>	
<b>[Civil engineering]</b>	<b>[6.0]</b>	<b>[7.0]</b>	
<b>Profits in the real estate business</b>	<b>2.0</b>	<b>30.8</b>	
<b>Selling, general and administrative expenses</b>	<b>19.5</b>		
<b>Operating income</b>	<b>3.0</b>	<b>0.8</b>	
<b>Ordinary income</b>	<b>4.3</b>	<b>1.1</b>	
<b>Extraordinary income</b>	<b>0</b>		Gain on sales of investment securities
<b>Net income</b>	<b>4.2</b>	<b>1.1</b>	

## **2. Management Initiatives**



President Masanori Imai

# Positioning of Each Term



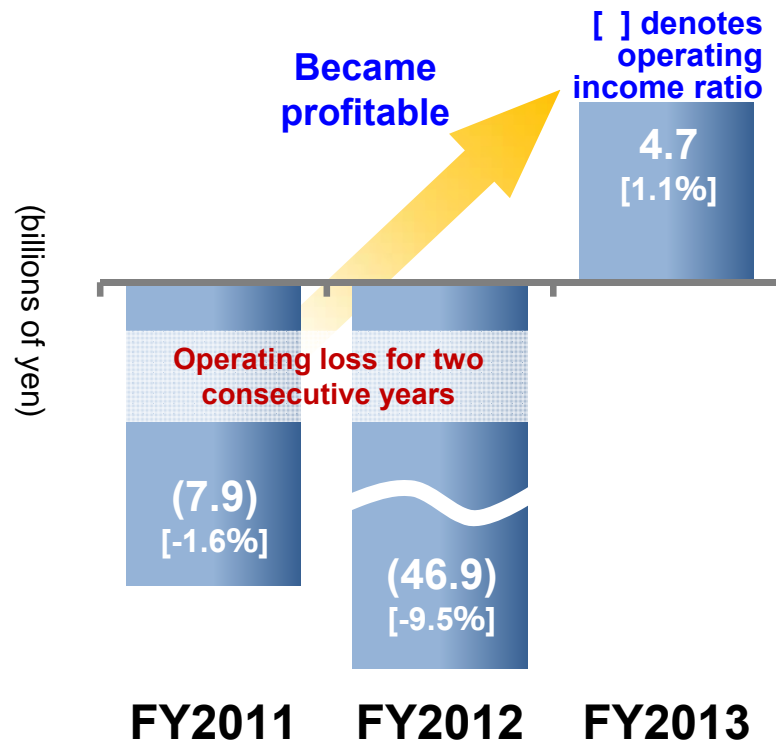
## **2-1. Results and Recognition of Current Situation**



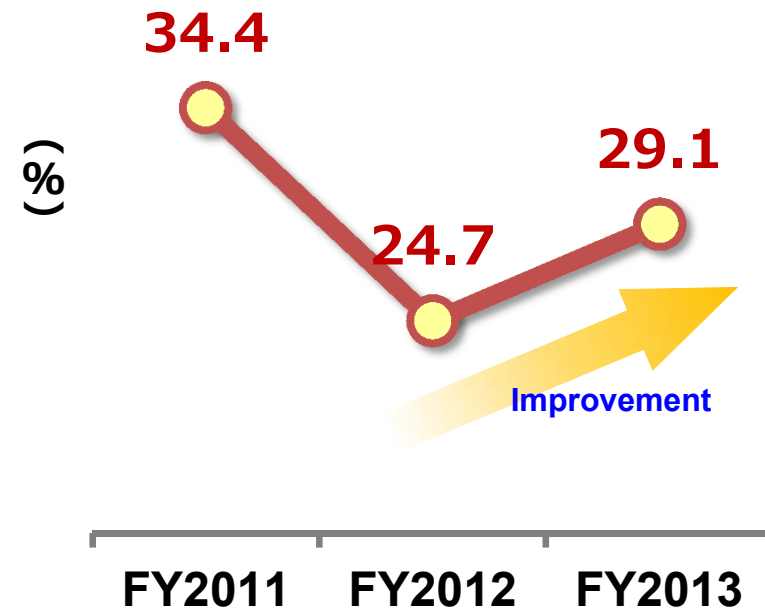
# Improve Performance and Financial Condition

**Secure business profitability by ensuring implementation of improvement measures**

## Operating income (loss)



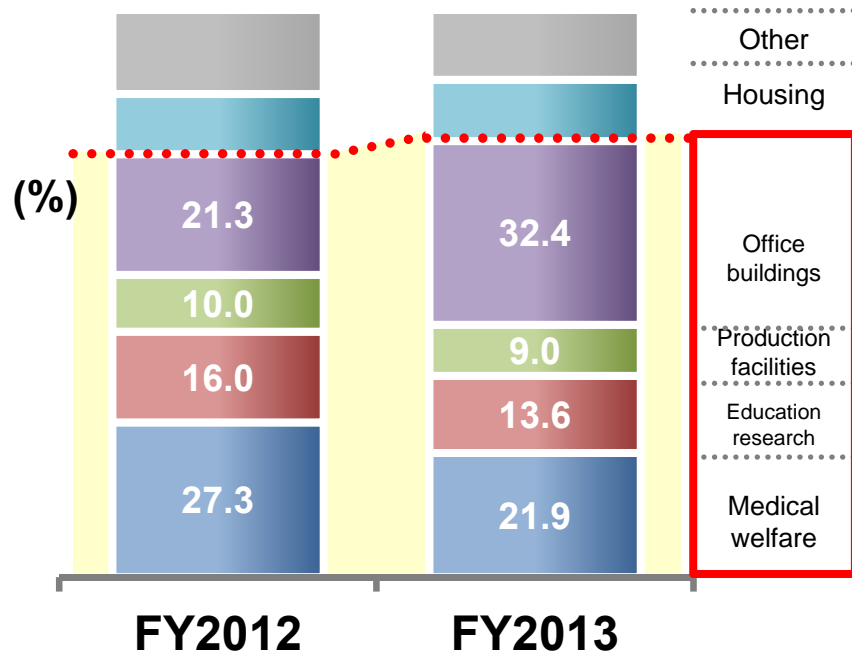
## Equity ratio



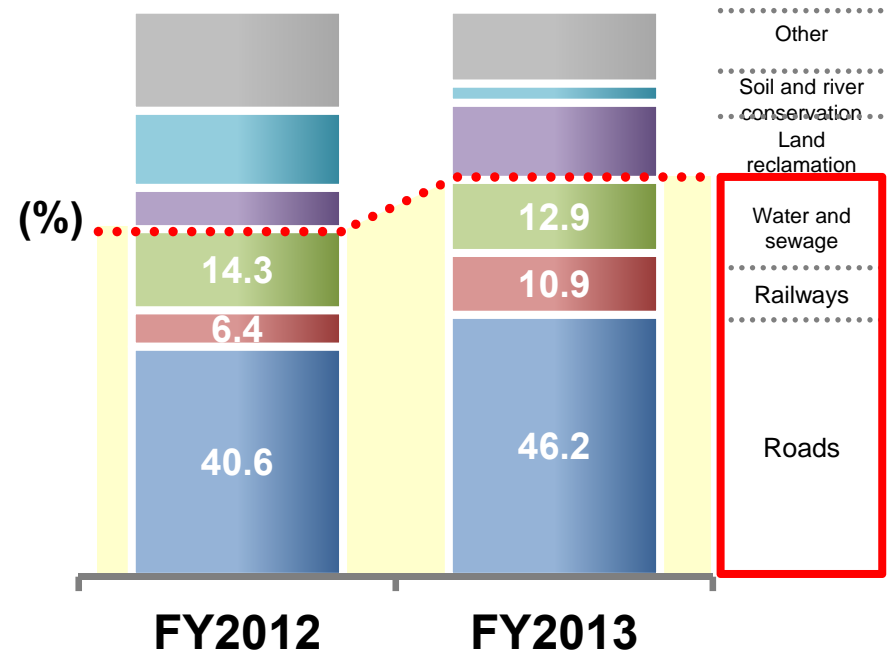
# Order Composition Ratio (Non-consolidated)

Received stable orders from Medical welfare, Office buildings and Road categories

### Architectural Construction (by construction category)



### Civil Engineering (by construction category)



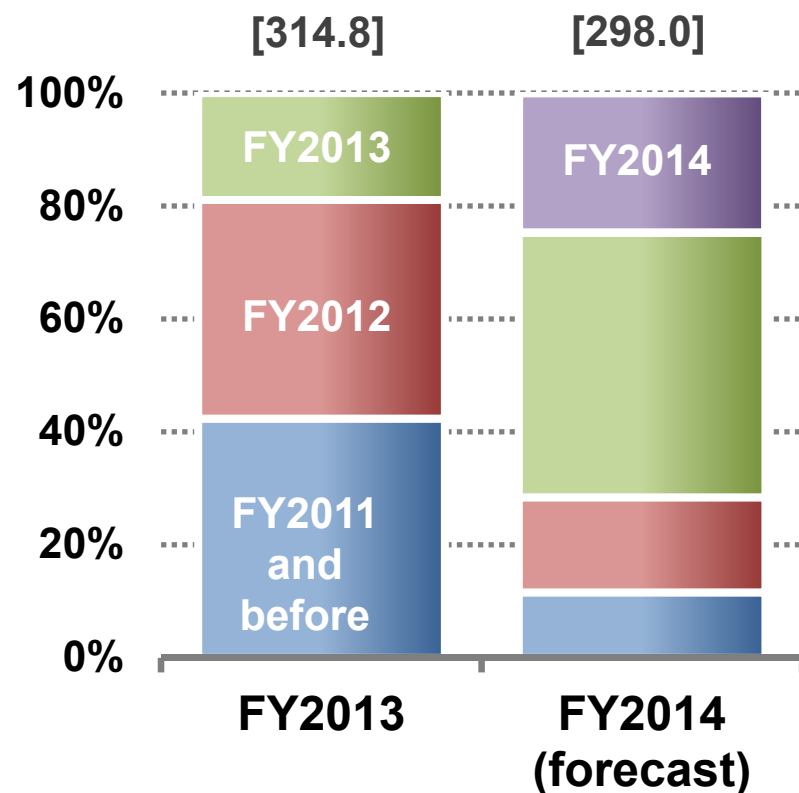
Note:  denotes priority areas.

# Completed Construction Composition Ratio (Non-consolidated, Architectural Construction)

## Construction completed (by year)

(billions of yen)

[ ] denotes net sales of completed construction contracts



**Construction work orders received in FY2013 contributed main part of earnings**

Orders from FY2011 and before, a period in which large, unprofitable projects were concentrated, declined.

Operating margin upon receipt of orders in FY2013 improved thanks to stringent selection of orders.

# Reform of Head Office Structure (as of Jan 1, Apr 1)

## Four new organizational entities set up for realizing the policy

\*All equivalent to supervisory or business divisions

[Structure for realizing the policy]

[Policy]

Toda Corporation as a valuable company  
Strengthening of strategic fields

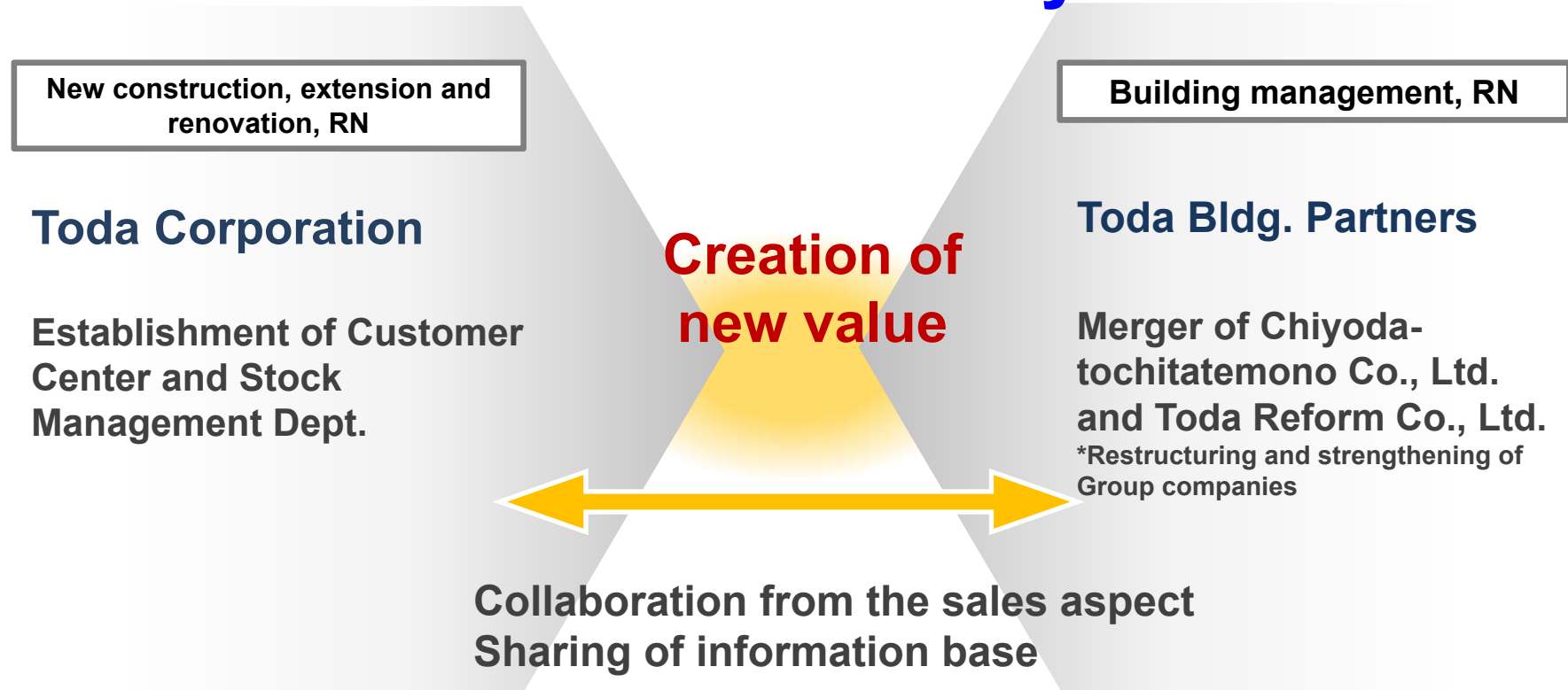
Environment & Energy	International
Investment & Development	Group companies

**Value Creation Promotion Office**  
**Overseas Business Division**  
**Investment & Development Project Office**  
**Group Control Office**



# Restructuring Aftercare Business

## Strengthen initiatives over construction life cycle



# Summary of FY2013

**Shifted focus to concrete activities aimed at  
reviving earning power**

## Issues and successes of FY2013

- 1. Take all possible measures to ensure profitability**
- 2. Revive earning power**

**Ensure profits, improve financial standing**

**Rebuild internal infrastructure**  
(Structural reform, restructuring of group companies, etc.)

## **2-2. Initiatives for FY2014**



# Future Direction: Value Creation

**Improve corporate value**  
(social responsibility, performance improvement)

Value for customers

**Profitable orders**

(Select orders, solutions)

**Productivity**

Business process  
review

(Process, support tools)

Human resources  
value

Improve capability of each  
and every employee  
(Cultivate human resources,  
right person in right position)

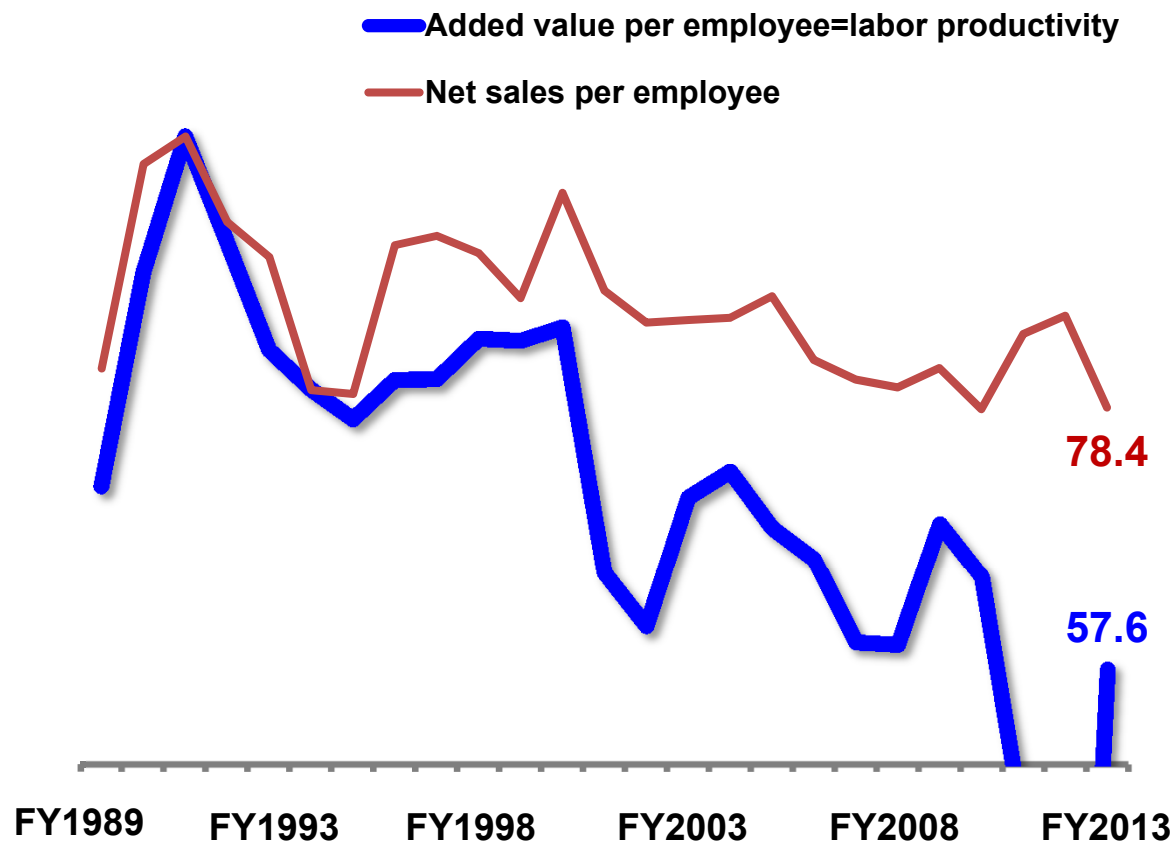
# Positioning of New Organization

**Ensure responsibilities and promotion structure that would realize value creation**

Established	Value for customers	Productivity	Human resources value
Sep 2013	Customer center		
Jan 2014	Investment & Development Project Office		
	Value Creation Promotion Office		
		Group Control Office	
Mar	Stock Management Dept.	BIM-CM Office	Human Resources Strategy Office
	Engg. & Design Dept.	Risk Management Office	
Apr	Overseas Business Dept.		

# Productivity Improvement

Benchmarks per employee (Non-consolidated; FY1991=100)



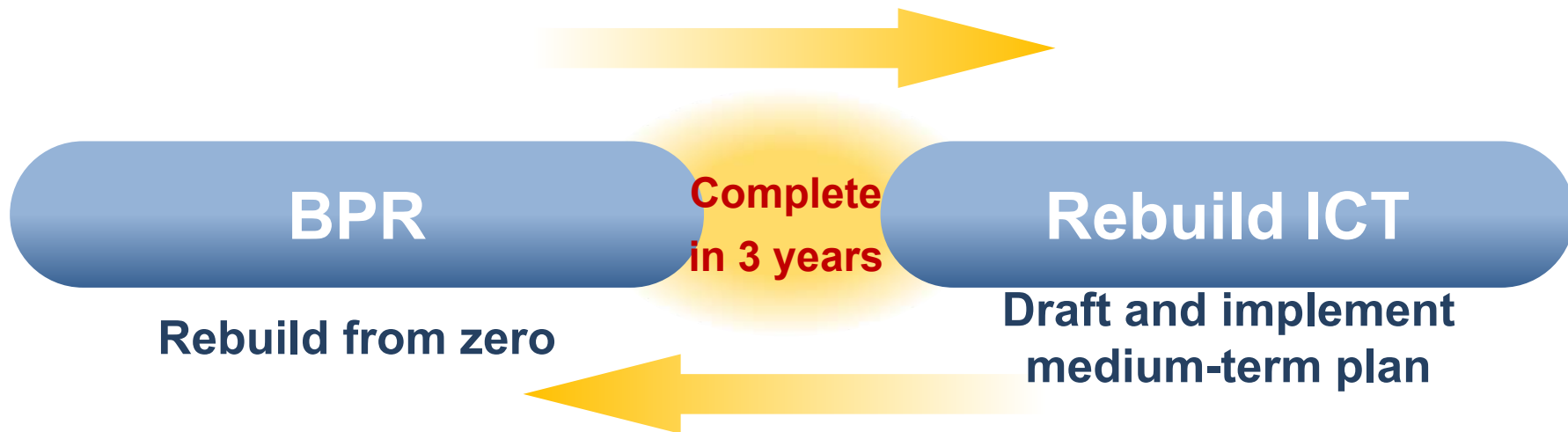
Even as the work remained busy on site, the current situation came about without effective productivity improvement measures



**Necessity of reforms**

# Implementation of BPR (Business Process Re-engineering)

Review the business process and further streamline it using ICT (information and communication technology)



**Project implementation being led by  
Value Creation Promotion Office (ICT Strategy Unit)**

\* BPR: Business Process Re-engineering  
ICT: Information and Communication Technology

# Overseas and Real Estate Businesses Performance Forecast

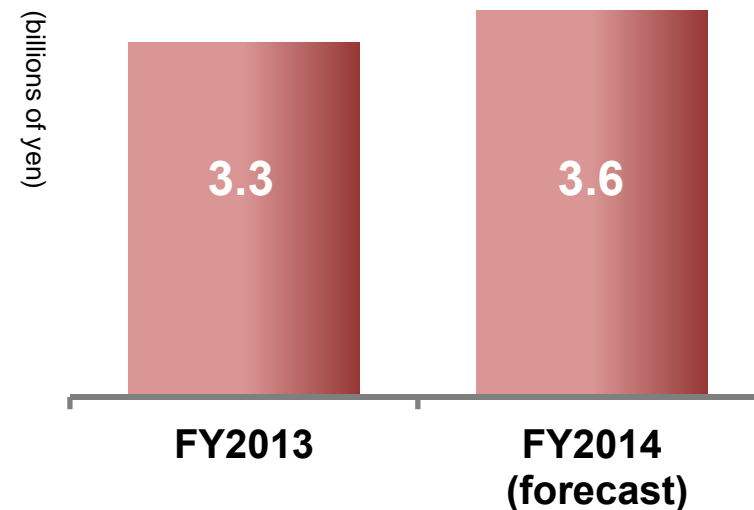
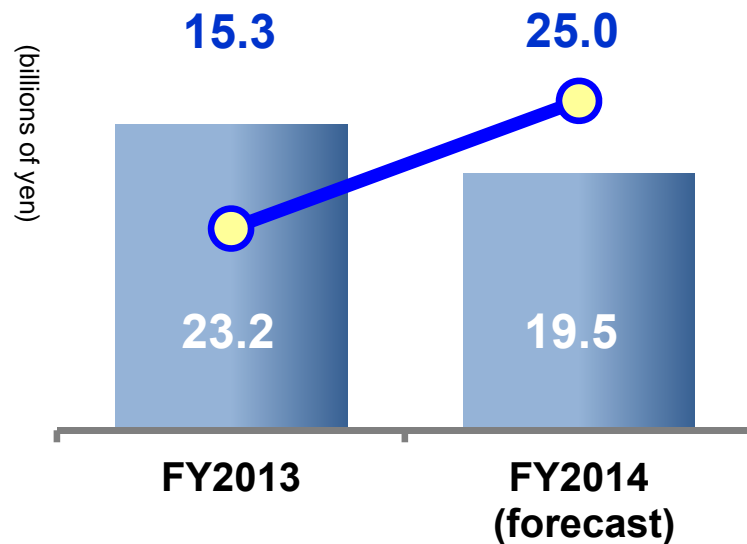
Target for FY2015: Net sales of ¥30.0 billion

Target for FY2015: Gross profit of ¥4.0 billion

## Net sales of overseas construction (consolidated)

## Income from real estate, etc. (consolidated)

Line graph signifies net orders received

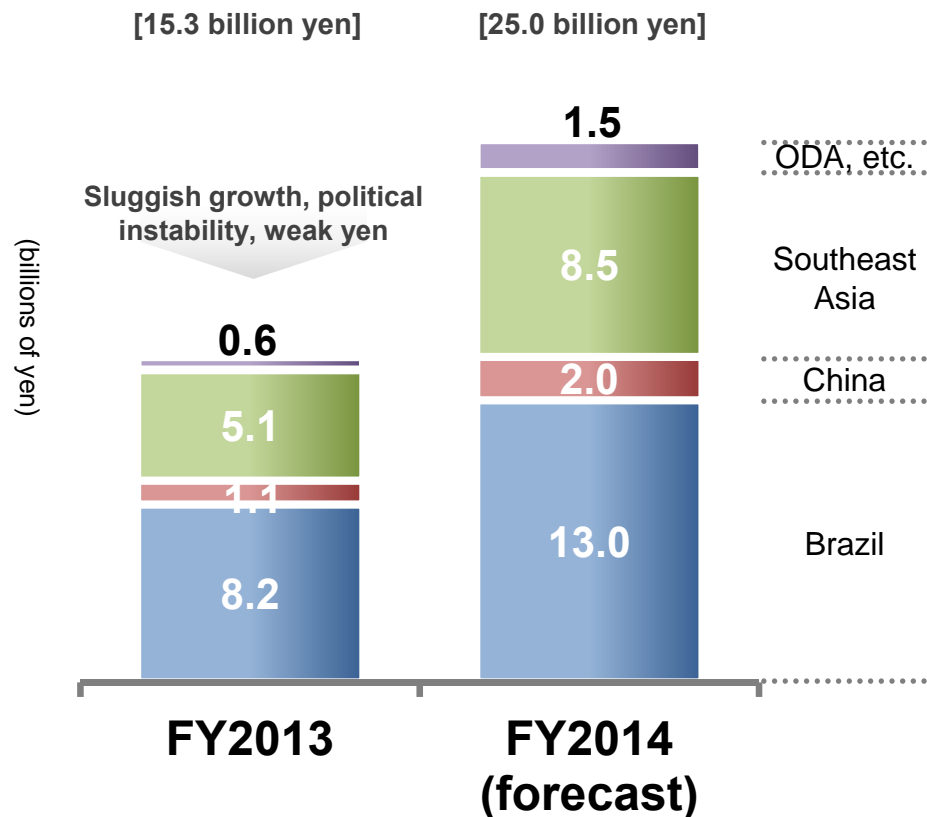


Note: FY2014 estimated rate: US\$1=¥103.0



# Overseas Business: Regional Strategy

Overseas construction orders received (by region)



## [Brazil]

Focus on local hospitals and schools in addition to production facilities of Japanese and non-Japanese businesses.

In the medium-term, we plan to enter the civil engineering field with an eye on M&As, etc.

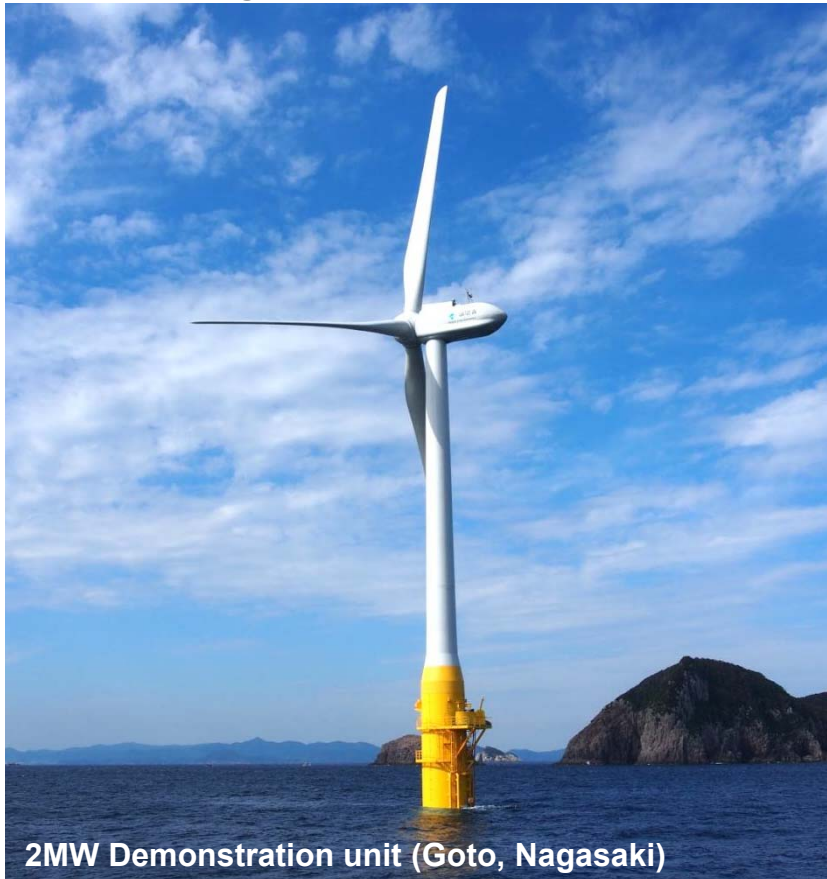
## [Southeast Asia]

Focus on unearthing the latent needs for entry of Japanese companies

Implement re-assessment of each region and local branch with Thailand as the base

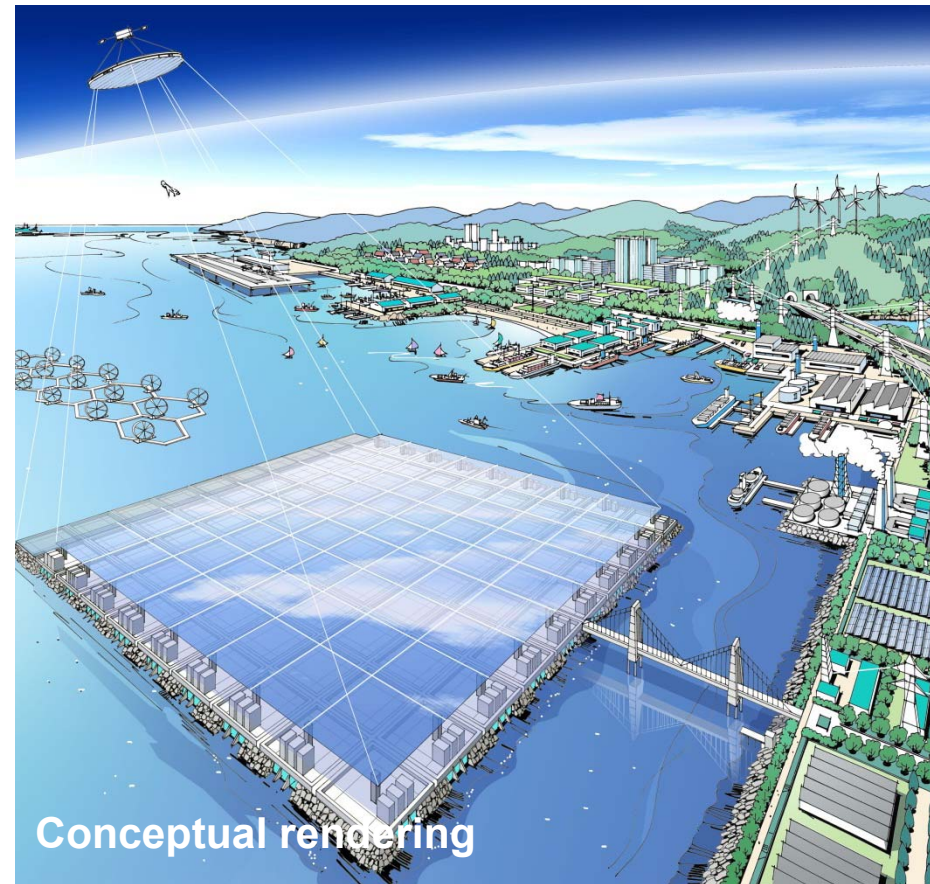
# Environmental Initiatives

## Power generation from floating offshore wind turbines



**Demonstration project aimed at commercialization in progress**

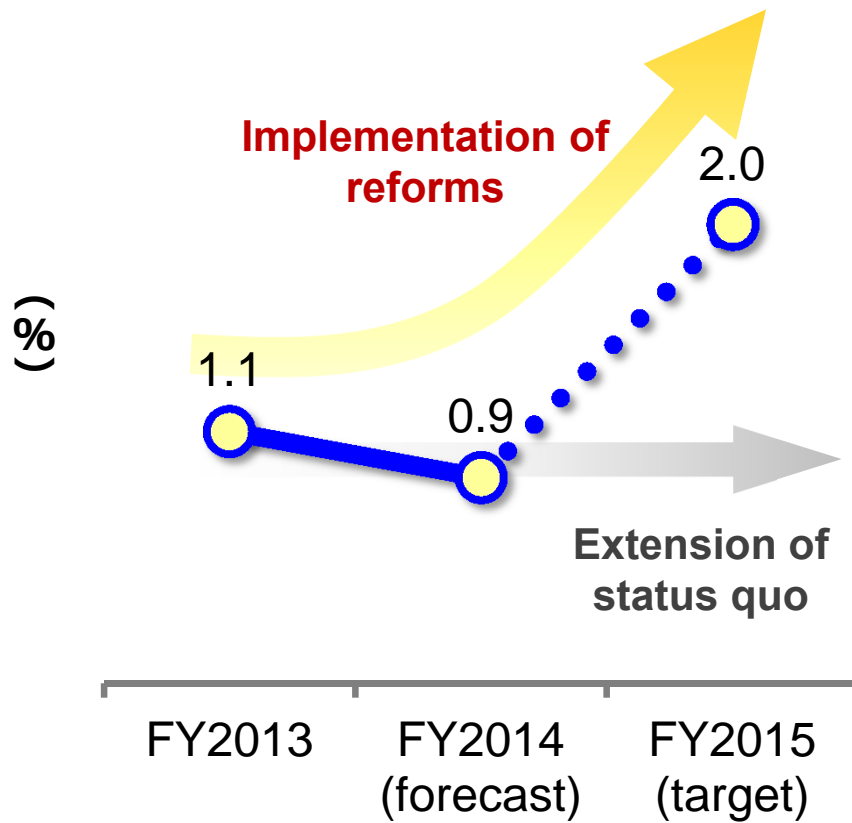
## Marine inverse dam



**Established a consortium to realize the project**

# Performance Targets

## Operating income ratio



**Implement reforms with the aim of achieving goals**

Implement structural and operational reform and build a structure that would increase profits steadily.

# Strengthening the Functions of the Board of Directors

## Ensure Firm Governance for Sustainable Growth

**Appointment of two external directors**  
**Establish Human Resources Committee**

**Note:** Director appointment plan to be discussed at the 91<sup>st</sup> ordinary general meeting of shareholders. Members of the Human Resources Committee to be appointed in the Board of Directors meeting to be held following the ordinary general meeting of shareholders (committee chairman: external director).

