

# **Results Briefing for the Second Quarter Ended September 30, 2013**

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November 14, 2013

**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. Issues and Initiatives**

President Masanori Imai

# 1. Summary of Financial Results



Executive Manager Yushi Kikutani

# **1-1. Summary of Financial Results for the Second Quarter**



# Highlights: FY2013 2Q

- **Consolidated Net Sales: ¥208.3 billion, down 2.1% year-on-year**
  - ⋮ Consolidated net sales remained at the same level as the second quarter of the previous year, but were down 2.1% year on year, to ¥208.3 billion
  
- **Operating Income: ¥5.8 billion, up ¥20.3 billion year-on-year**
  - ⋮ The Company posted ¥5.8 billion in operating income, reflecting a switch to a profitability-oriented policy for orders conducted in FY2012, as well as an improved gross profit margin on completed construction contracts as a result of producing construction revenue estimates in a careful manner
  
- **Orders Received (non-consolidated): ¥317.6 billion, up 111.8% year-on-year**
  - ⋮ Orders received surged 111.8% year on year, partly because of orders for large-scale redevelopment works

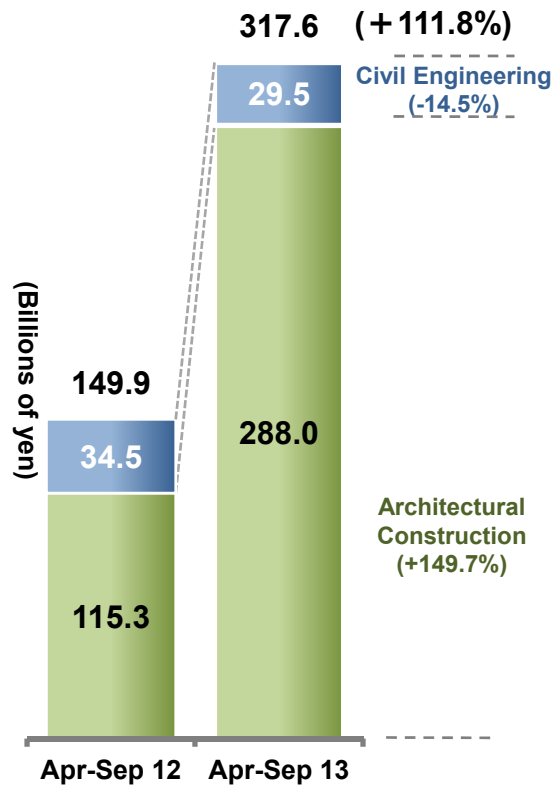
# Summary: FY2013 2Q

(Millions of yen)

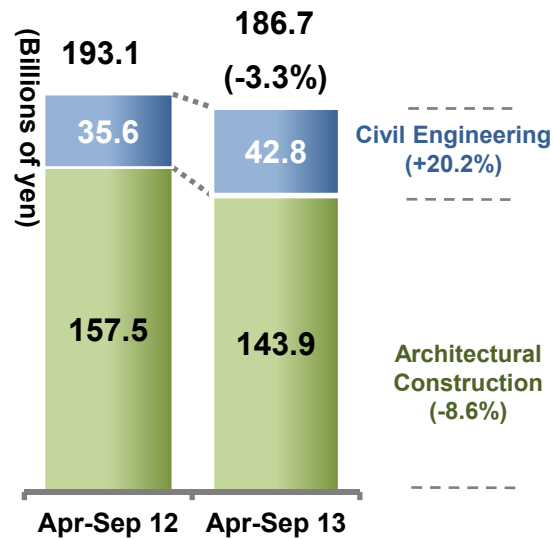
	Apr-Sep FY2012	Apr-Sep FY2013			
		Forecasts (announced on May 14, 2013)	Actuals	Change (year on year)	Difference (vs. forecast)
Consolidated net sales	212,830	203,000	208,387	-2.1%	5,387
Operating income (loss)	(14,415)	(400)	5,892	—	6,292
Ordinary income (loss)	(13,608)	240	6,665	—	6,425
Net income (loss)	(33,824)	3,800	11,109	—	7,309
Orders received (Non-consolidated)	149,964	152,000	317,605	111.8%	165,605

# Construction Business Performance (Non-consolidated)

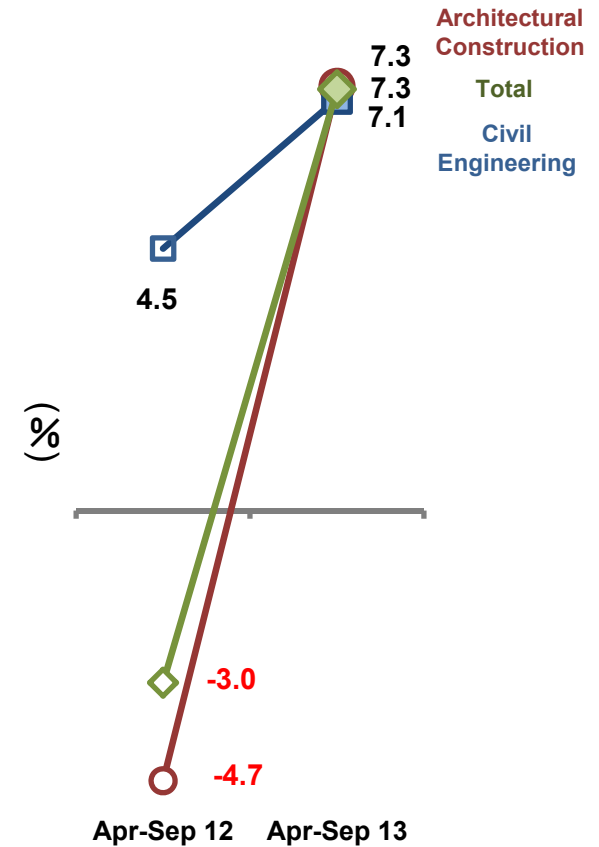
Orders Received for Construction



Net Sales of Completed Construction Contracts



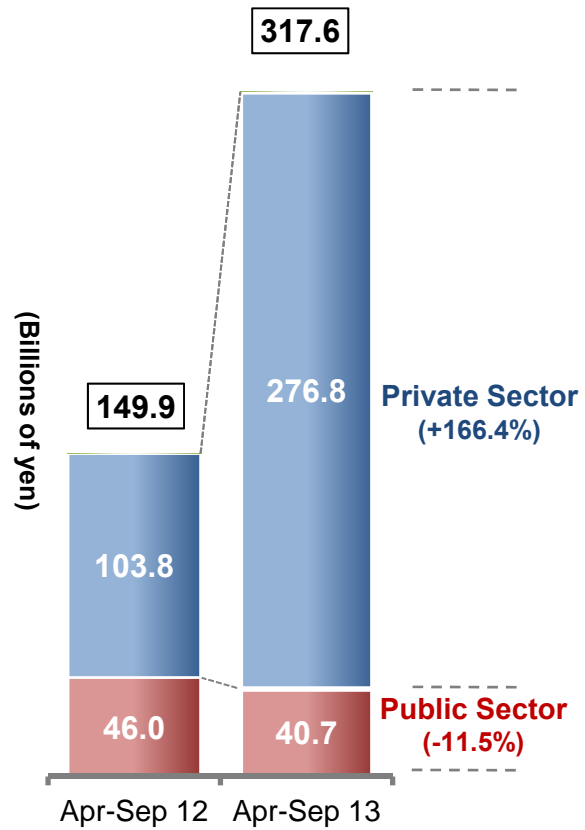
Gross Profit Margin on Completed Construction Contracts



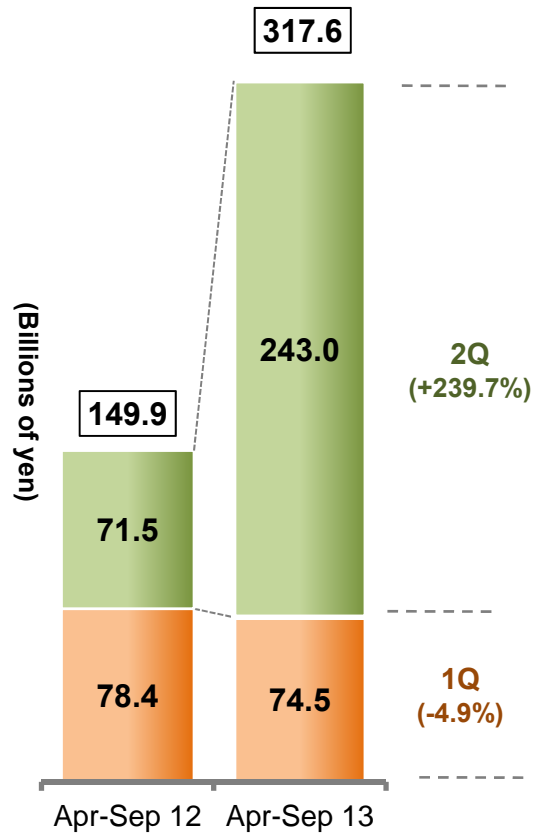


# Breakdown of the Orders Received (Non-consolidated)

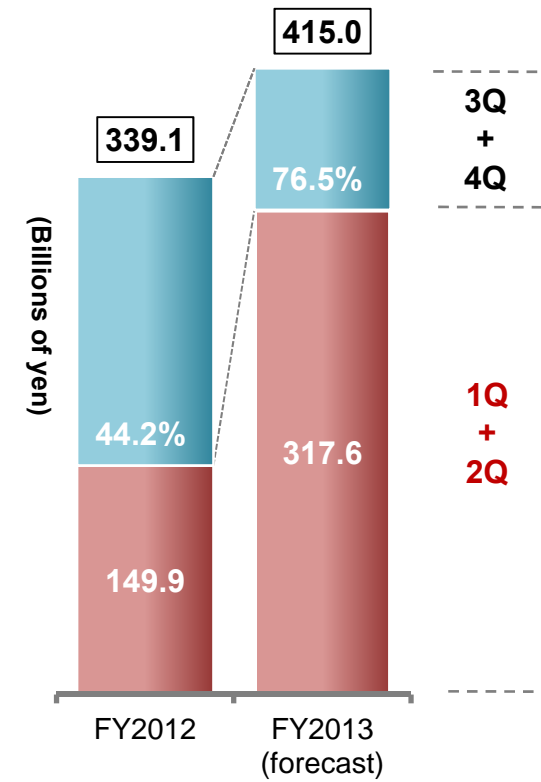
## Breakdown by Client



## By Quarter



## (Reference) Progress



# Main Orders Received

Ordering Parties		Name of Works
Architectural Construction	Mitsubishi Estate Co., Ltd. and others	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 the building of a new addition to the Japanese Red Cross Tottori Hospital
	National Hospital Organization Kyushu Cancer Center	Construction of Kyushu Cancer Center
	Kobe Gakuin University	Kobe Gakuin University Port Island Campus Building D and Gymnasium
Civil Engineering	Urban Renaissance Agency	FY2012 Orikasa and Yamada districts land readjustment
	Japan Sewage Works Agency	Construction of rainwater pump station in Higashikariki, Sapporo City

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

# Main Works Completed

	Ordering Parties	Name of Works
Architectural Construction	Kinki Regional Development Bureau, Ministry of Land, Infrastructure and Transport	Construction of Kyoto National Museum Collections Hall
	Tokyu Land Corporation	Construction of TOKYU Harvest Club Atami
	MEGMILK SNOW BRAND Co., Ltd.	Construction of Integrated Dairy Products Factory
	Urban Redevelopment Association	Kita Toda Station East 1 District Redevelopment
	Tajimi City, Gifu Prefecture	Construction of New Tajimi Municipal Hospital
Civil Engineering	Global Environment Bureau, Ministry of the Environment	FY2012 Floating Offshore Wind Turbine Demonstration Project
	Japan Railway Construction, Transport and Technology Agency	Hokkaido Shinkansen Line, Mantaro road bed, etc.
	Tohoku Regional Bureau, Ministry of Land, Infrastructure and Transport	Sendai Bay South Area MLIT Recovery Project – Nakahama construction area, Sakamoto District

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

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



# (Consolidated) Toda Group

Business		Subsidiaries in Japan	Overseas Subsidiaries	15 Companies
Construction	Architectural Construction	<p>Toda Reform Co., Ltd.</p> <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>	9 Companies
	Civil Engineering	<p>Toda Road Co., Ltd.</p>		1 Company
Real Estate		<p>Chiyoda Tochi Tatemono 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

Apr-Sep 13 Billions of yen	Toda Corporation		Subsidiaries total		Consolidated		Ratio of consolidated results to non-consolidated results
		%		%		%	
Net sales	191.8		24.9		208.3		1.09
Gross profit	15.0	7.9	0.7	3.1	15.6	7.5	1.04
Selling, general and administrative expenses	8.5		1.3		9.7		
Operating income (loss)	6.4	3.4	(0.5)	-2.3	5.8	2.8	0.91
Non-operating income	0.7		0.0		0.7		
Ordinary income (loss)	7.2	3.8	(0.5)	-2.2	6.6	3.2	0.92
Extraordinary income	3.7		1.3		4.6		
Income before income taxes	10.9		0.7		11.2		
Income taxes	0.0		0.0		0.1		
Net income	10.9	5.7	0.6	2.6	11.1	5.3	1.02

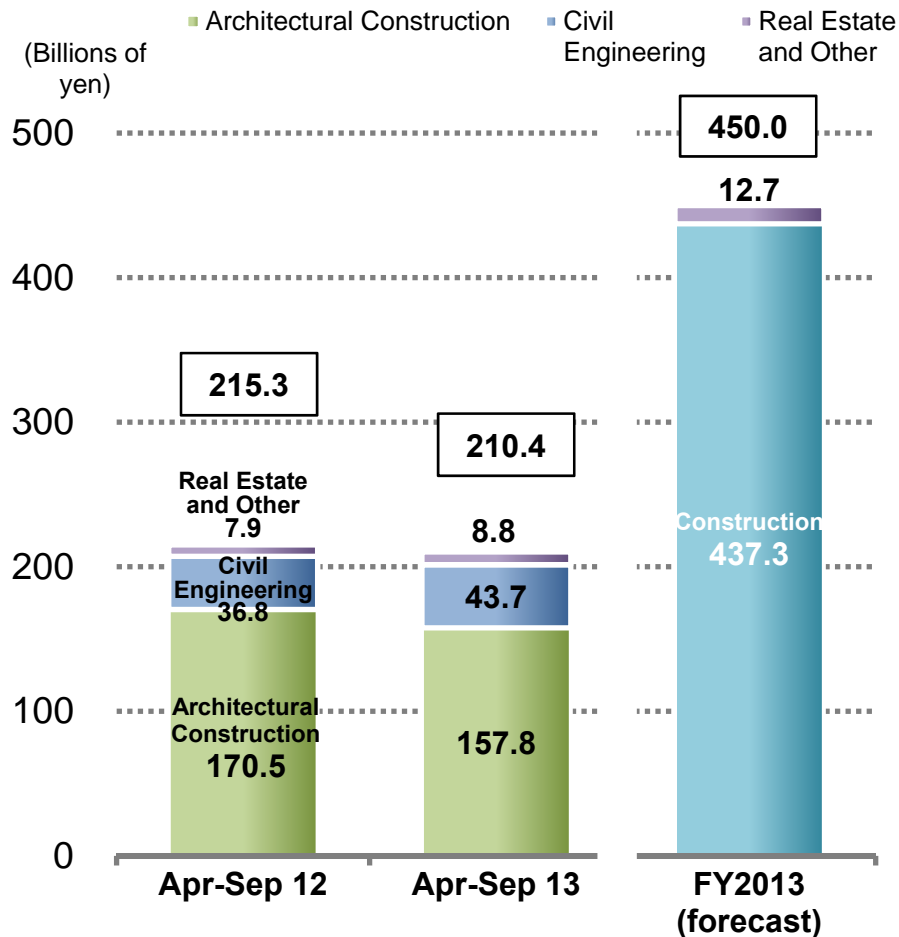
# (Consolidated) Statements of Income

Billions of yen	Apr-Sep 12 (Actual)		Apr-Sep 13 (Actual)		Changes	FY2013 (Forecast)	
		%		%	%		%
Net sales	212.8		208.3		-2.1	450.0	
Gross profit (loss)	(3.1)	-1.5	15.6	7.5	—	26.1	5.8
Selling, general and administrative expenses	11.2		9.7			21.4	
Operating income (loss)	(14.4)	-6.8	5.8	2.8	—	4.7	1.0
Non-operating income	0.8		0.7			1.3	
Ordinary income (loss)	(13.6)	-6.4	6.6	3.2	—	6.0	1.3
Extraordinary income (loss)	(3.1)		4.6			4.5	
Income (loss) before income taxes	(16.7)		11.2			10.5	
Income taxes	17.0		0.1			0.5	
Net income (loss)	(33.8)	-15.9	11.1	5.3	—	10.0	2.2

\*Forecasts for FY2013 were revised in the second quarter.

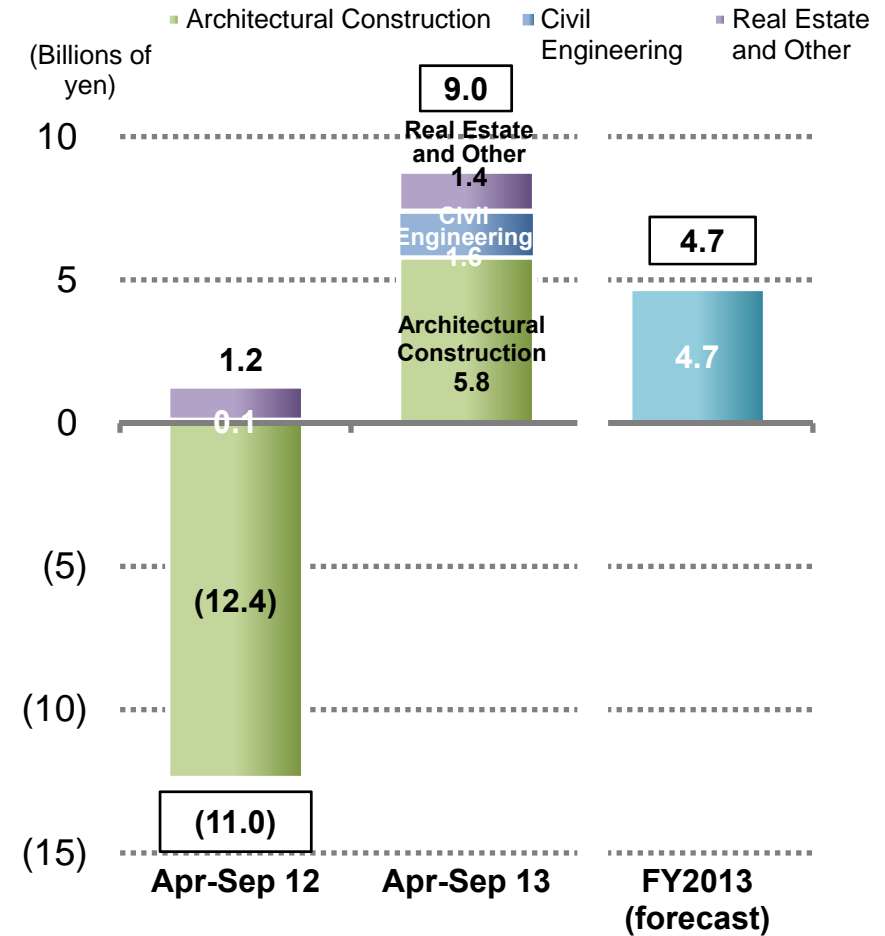
# (Consolidated) Net Sales and Operating Income (Loss) by Segment

## Net Sales



\* Net sales by segment include intersegment transactions.

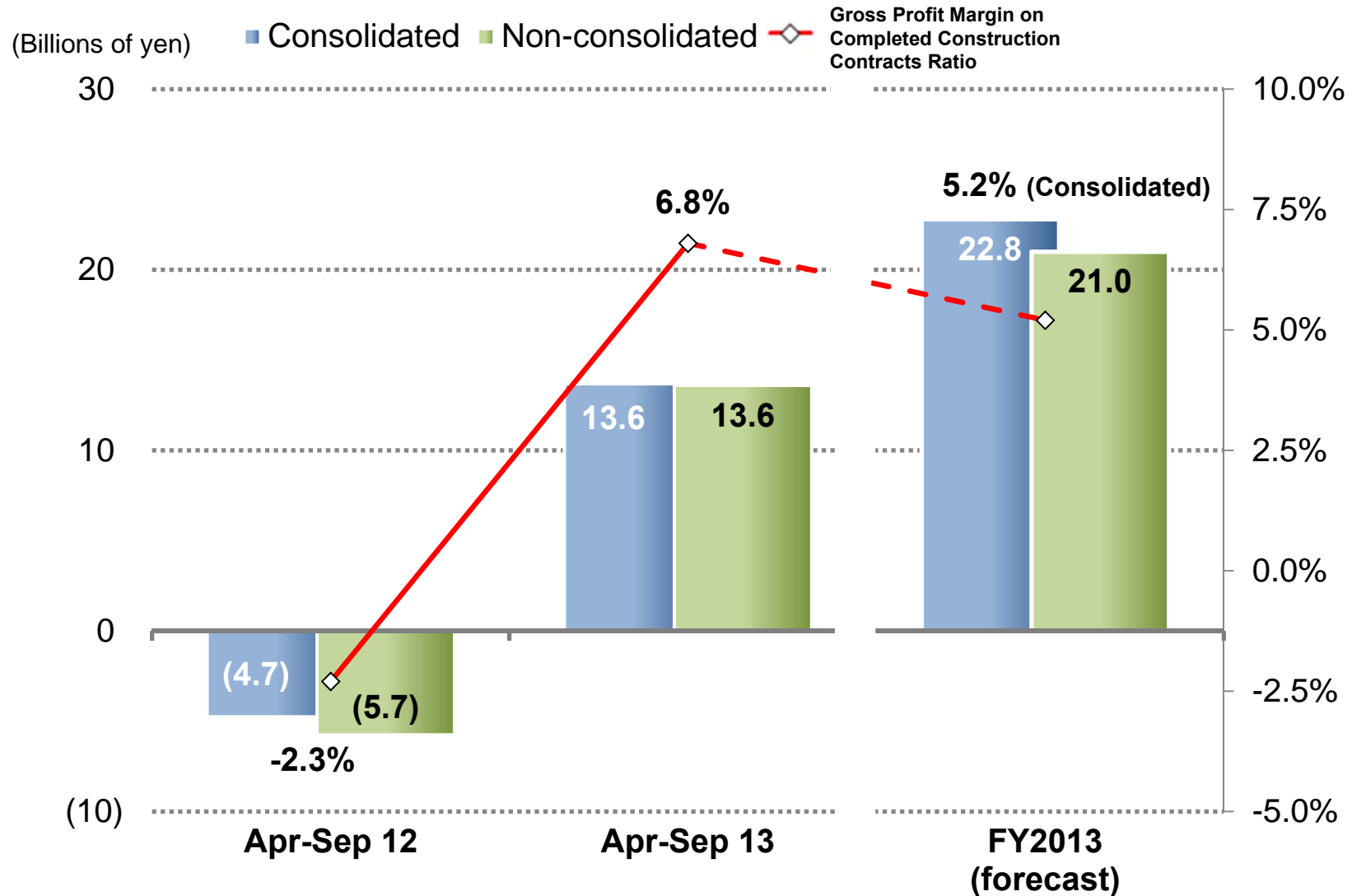
## Operating Income (Loss)



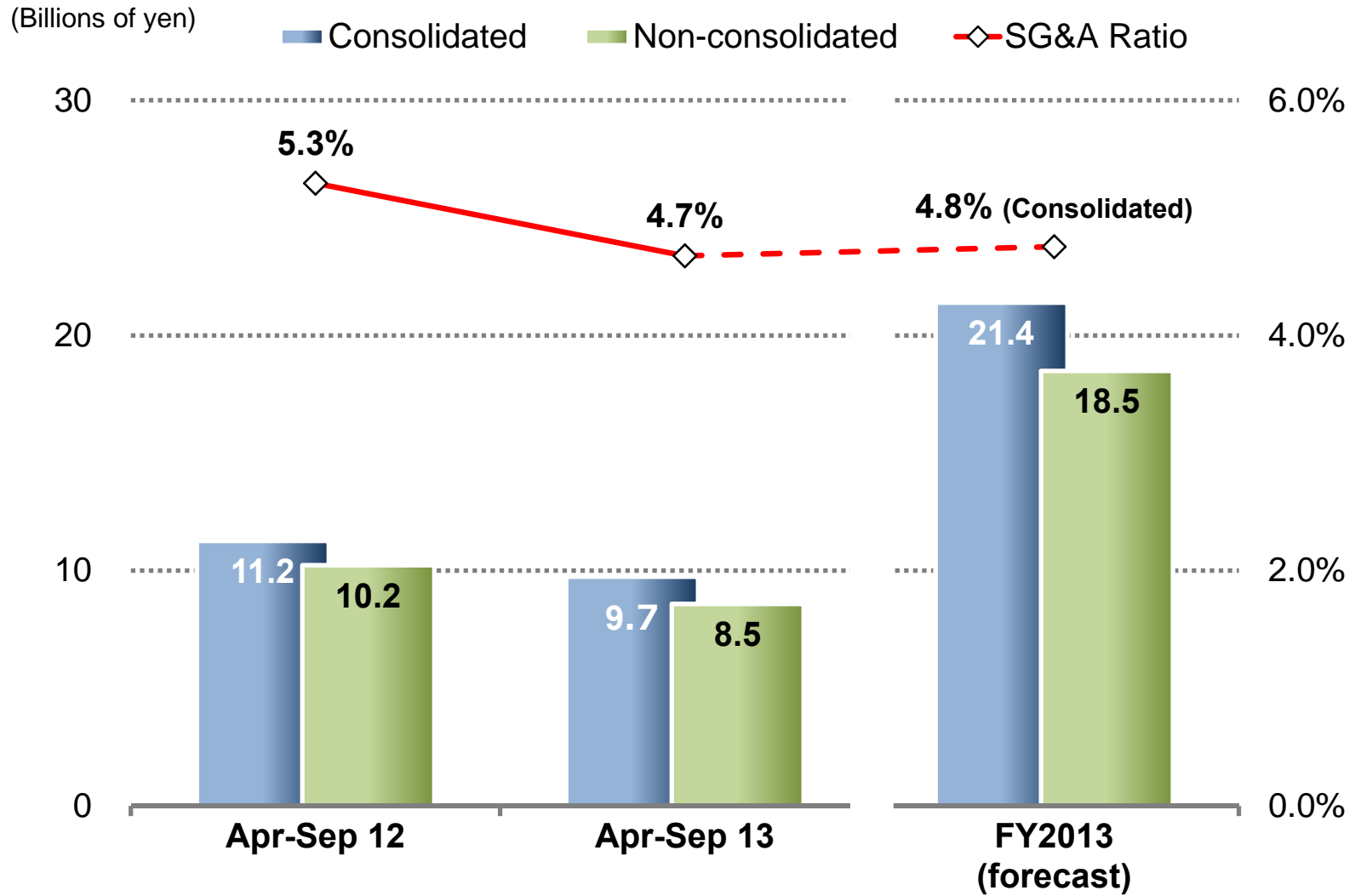
\* Companywide expenses are not included in operating income (loss) by segment.



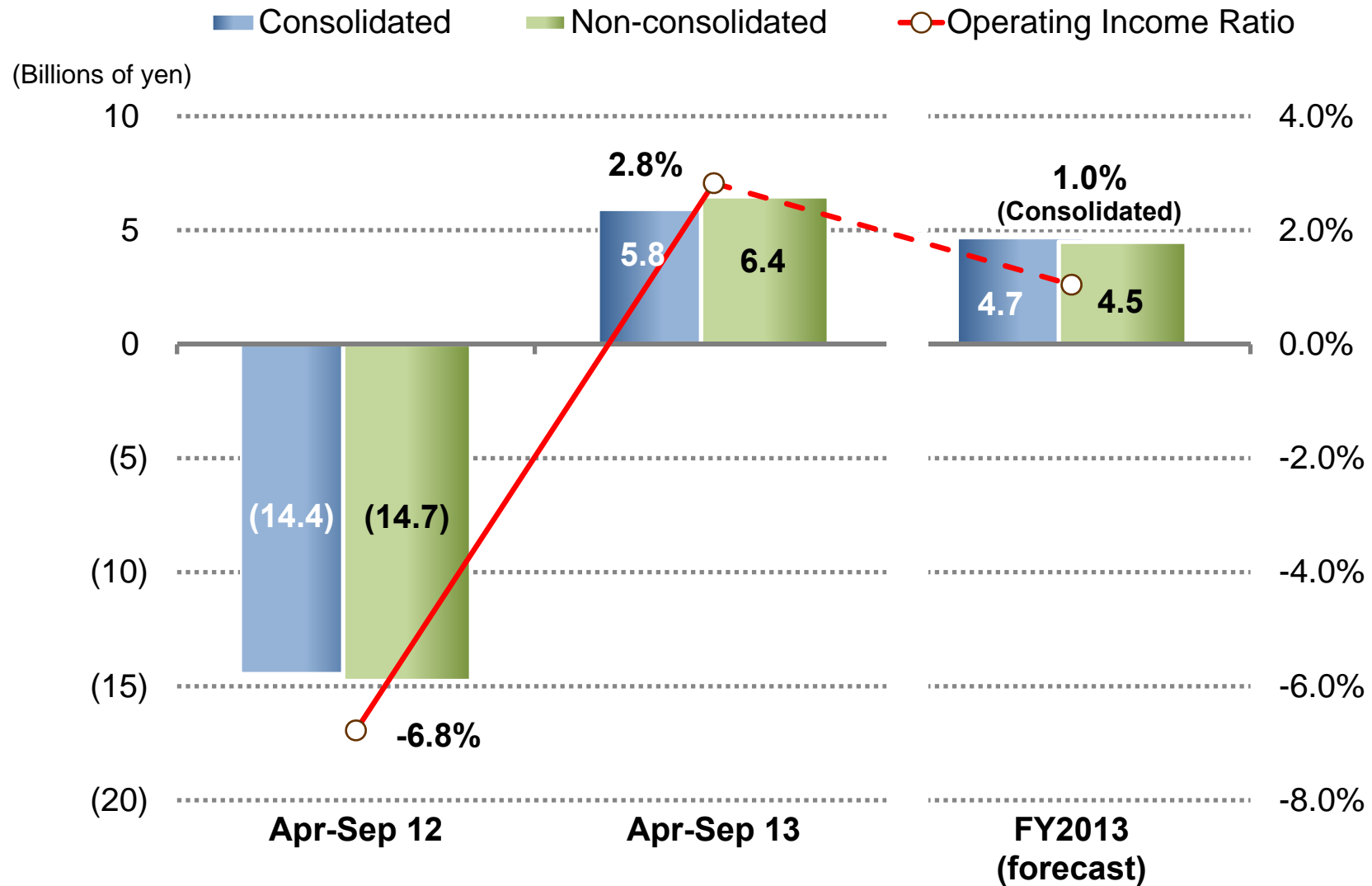
# Change in Gross Profit (Loss) on Completed Construction Contracts



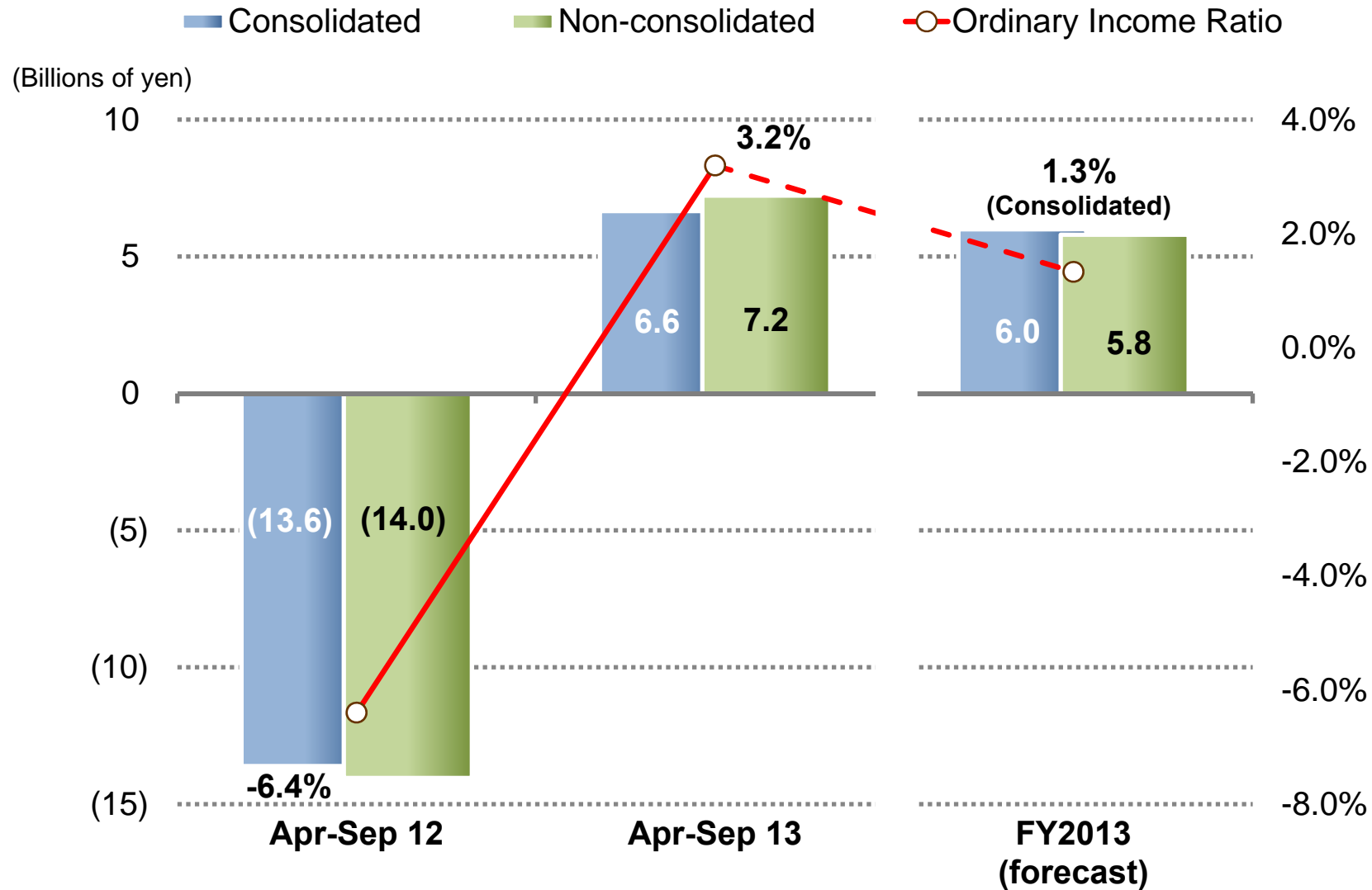
# Change in SG&A



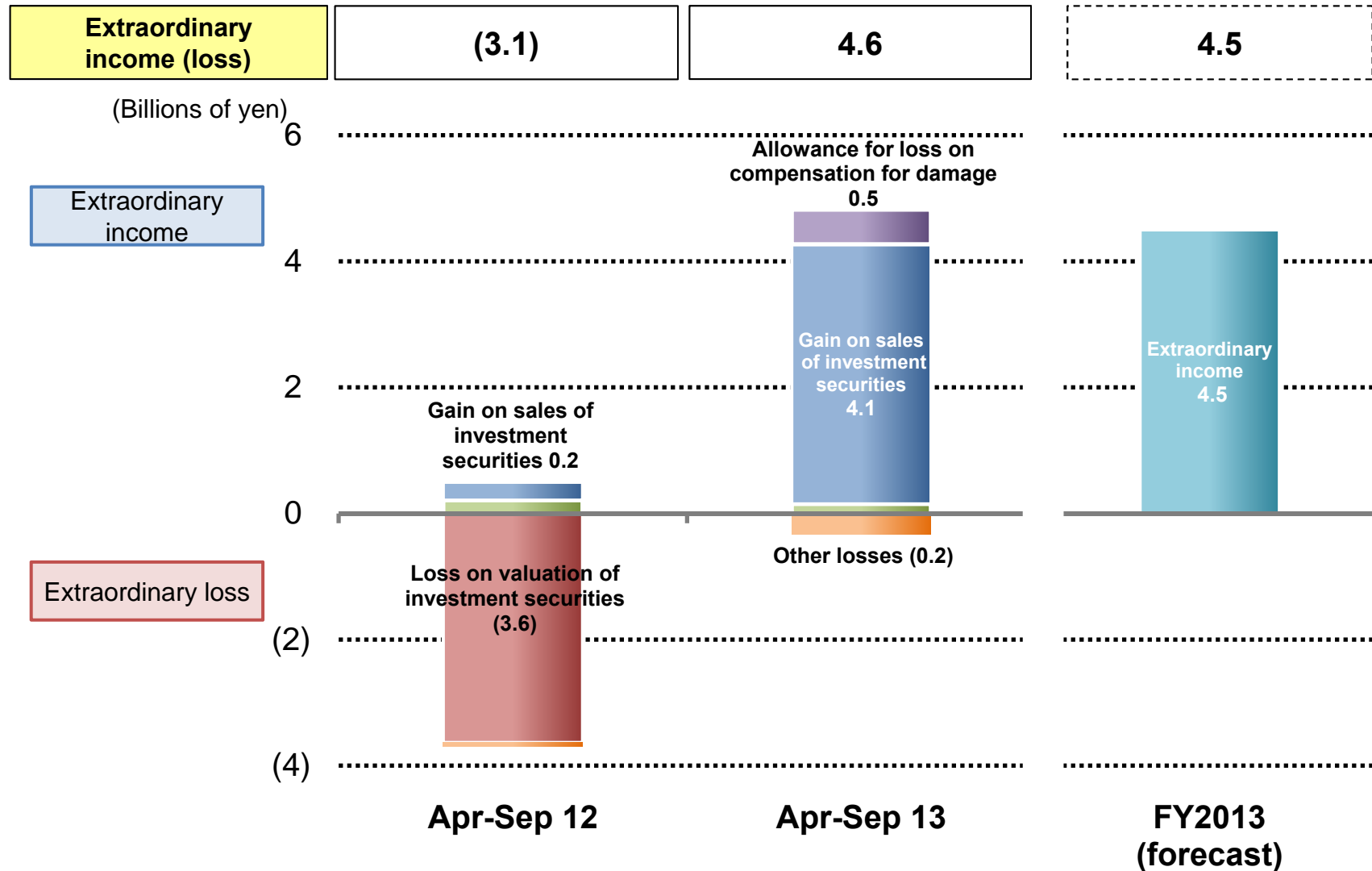
# Change in Operating Income (Loss)



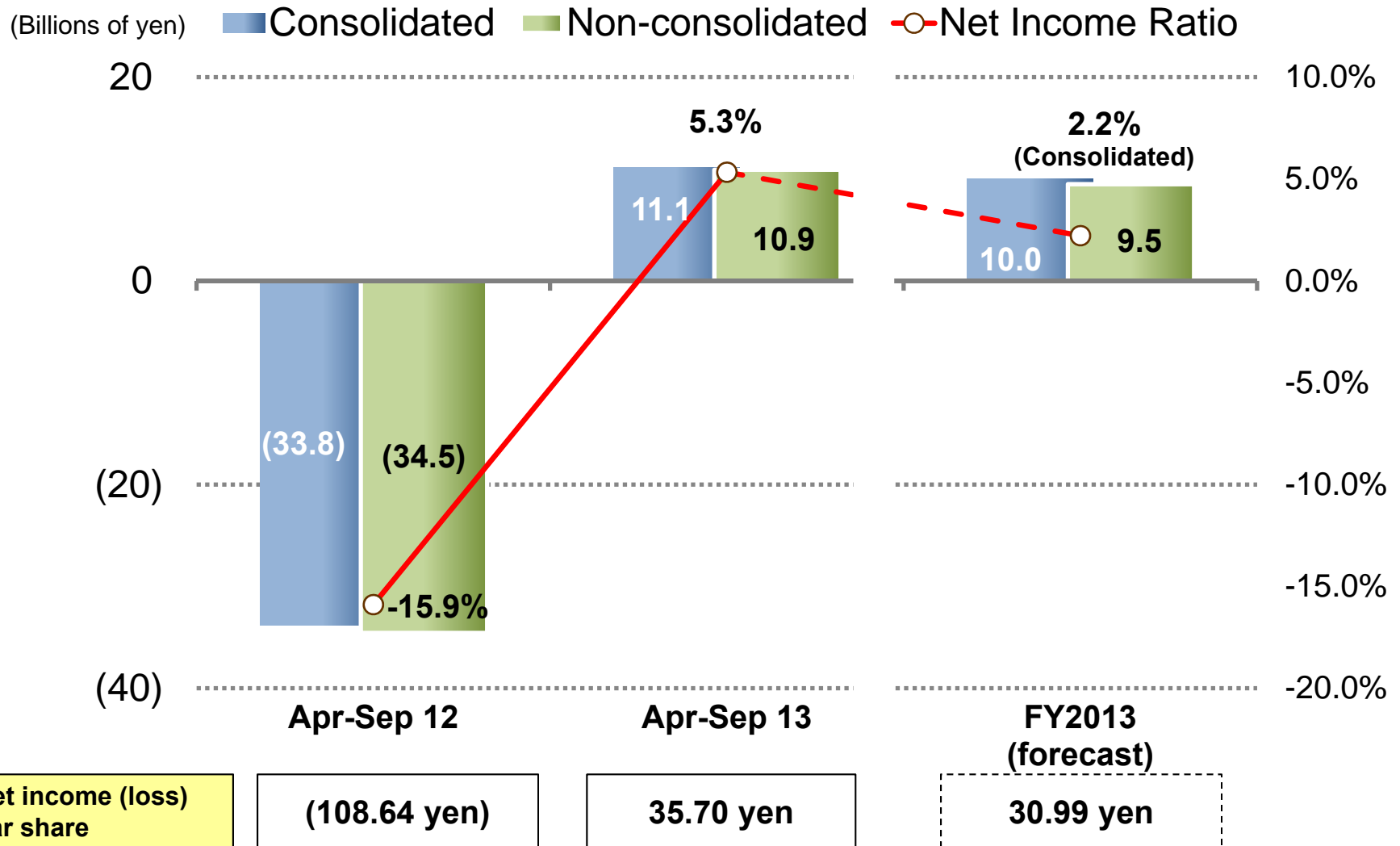
# Change in Ordinary Income (Loss)



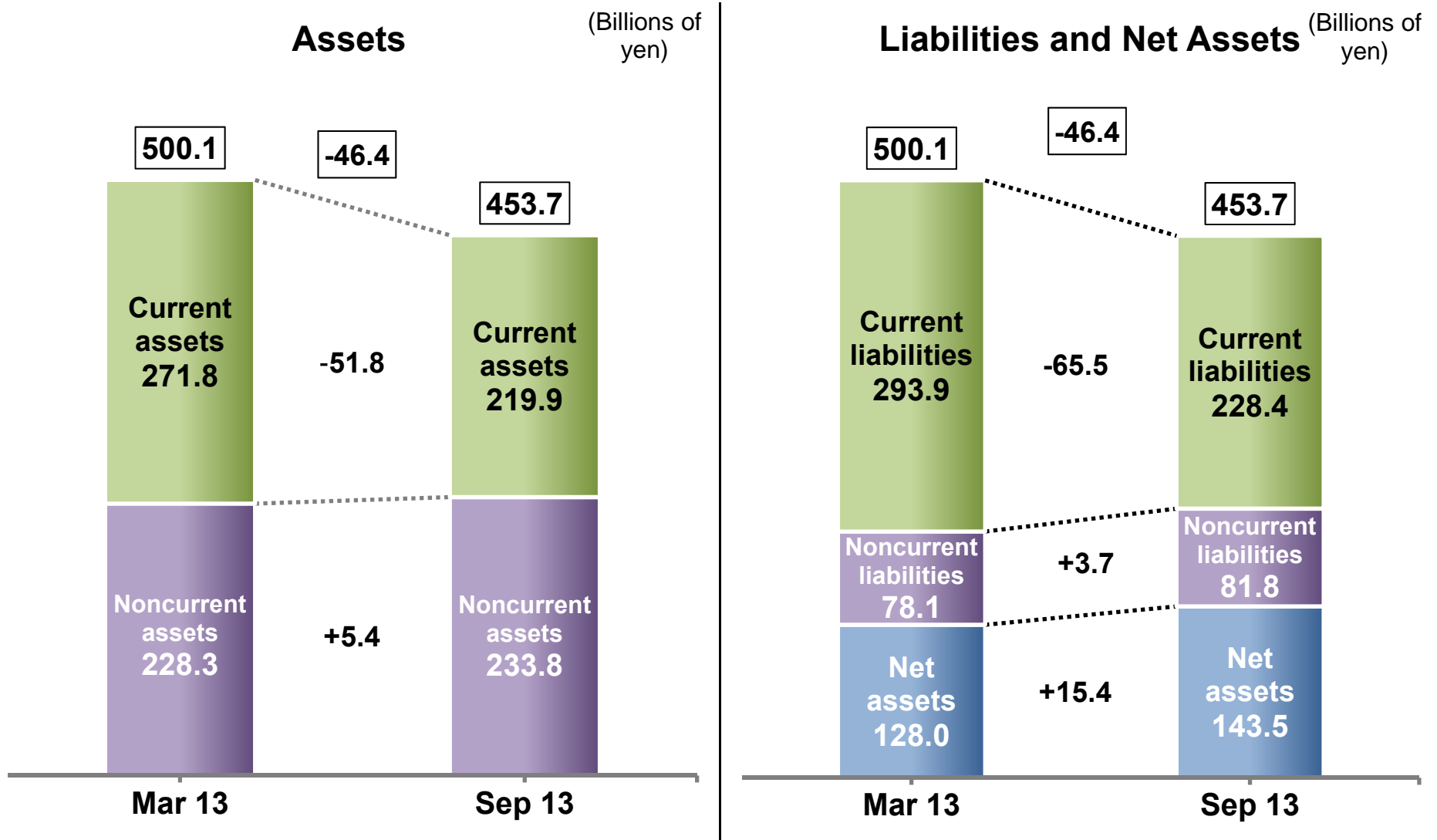
# (Consolidated) Change in Extraordinary Income (Loss)



# Change in Net Income (Loss)



# (Consolidated) Balance Sheets



## (Consolidated) Detailed Consolidated Balance Sheets

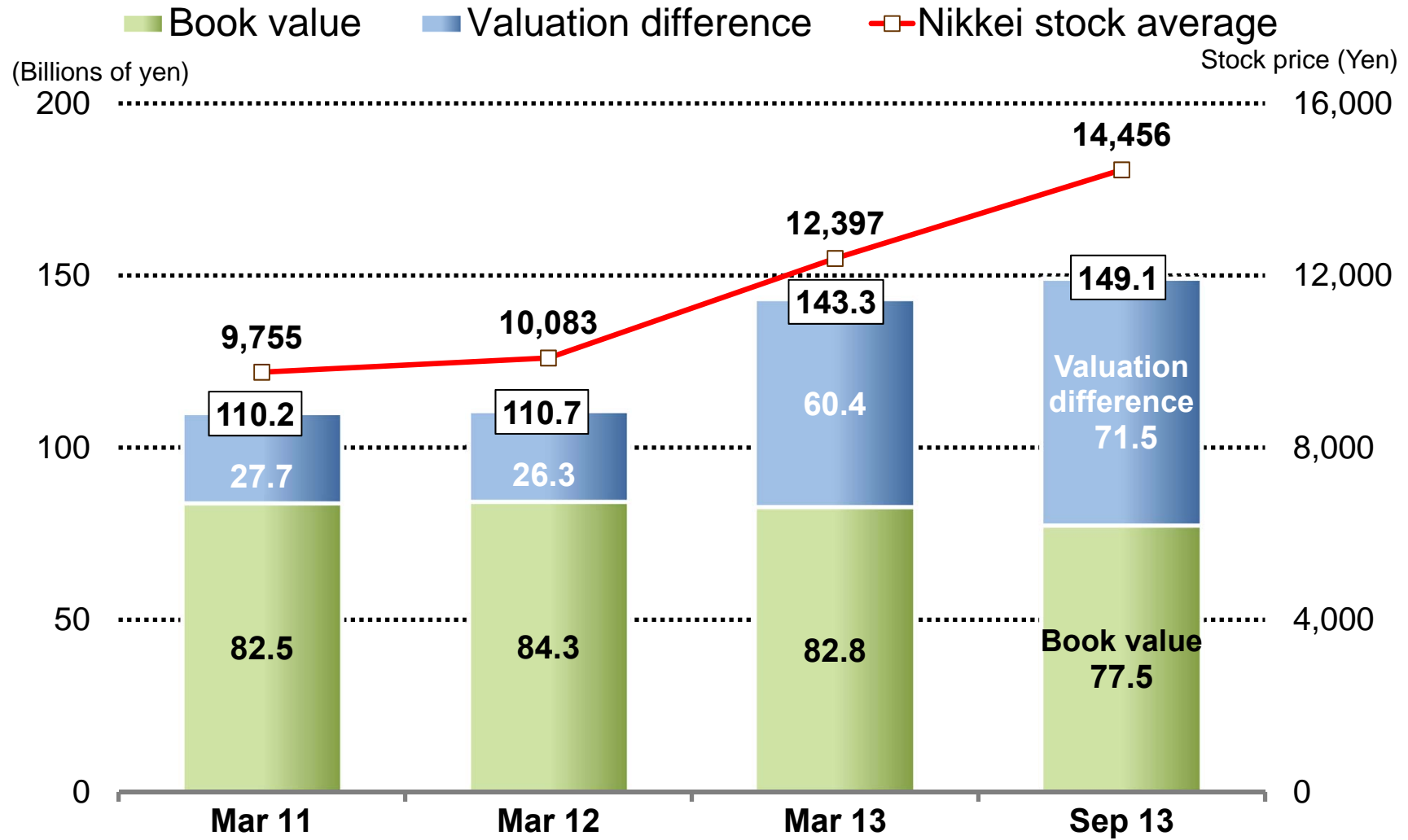
Billions of yen	Mar 13	Sep 13	Remarks
			Figures in ( ) are changes from the previous year
(Assets)			
Current assets	<b>271.8</b>	<b>219.9</b>	Cash <span style="float: right;"><b>34.6 (-4.1)</b></span> Notes receivable, accounts receivable from completed construction contracts and other <span style="float: right;"><b>118.4 (-46.2)</b></span> Real estate for sale <span style="float: right;"><b>22.3 (-2.4)</b></span> Costs on uncompleted construction contracts <span style="float: right;"><b>27.4 (+7.2)</b></span>
Noncurrent assets	<b>228.3</b>	<b>233.8</b>	
Property, plant and equipment	<b>78.1</b>	<b>78.2</b>	Buildings and structures <span style="float: right;"><b>16.0 (-0.3)</b></span> Land <span style="float: right;"><b>61.1 (+0.2)</b></span>
Intangible assets	<b>3.0</b>	<b>2.8</b>	
Investments and other assets	<b>147.1</b>	<b>152.7</b>	Goodwill <span style="float: right;"><b>- (-0.3)</b></span>  Investment securities <span style="float: right;"><b>149.1 (+5.8)</b></span>
Total assets	<b>500.1</b>	<b>453.7</b>	



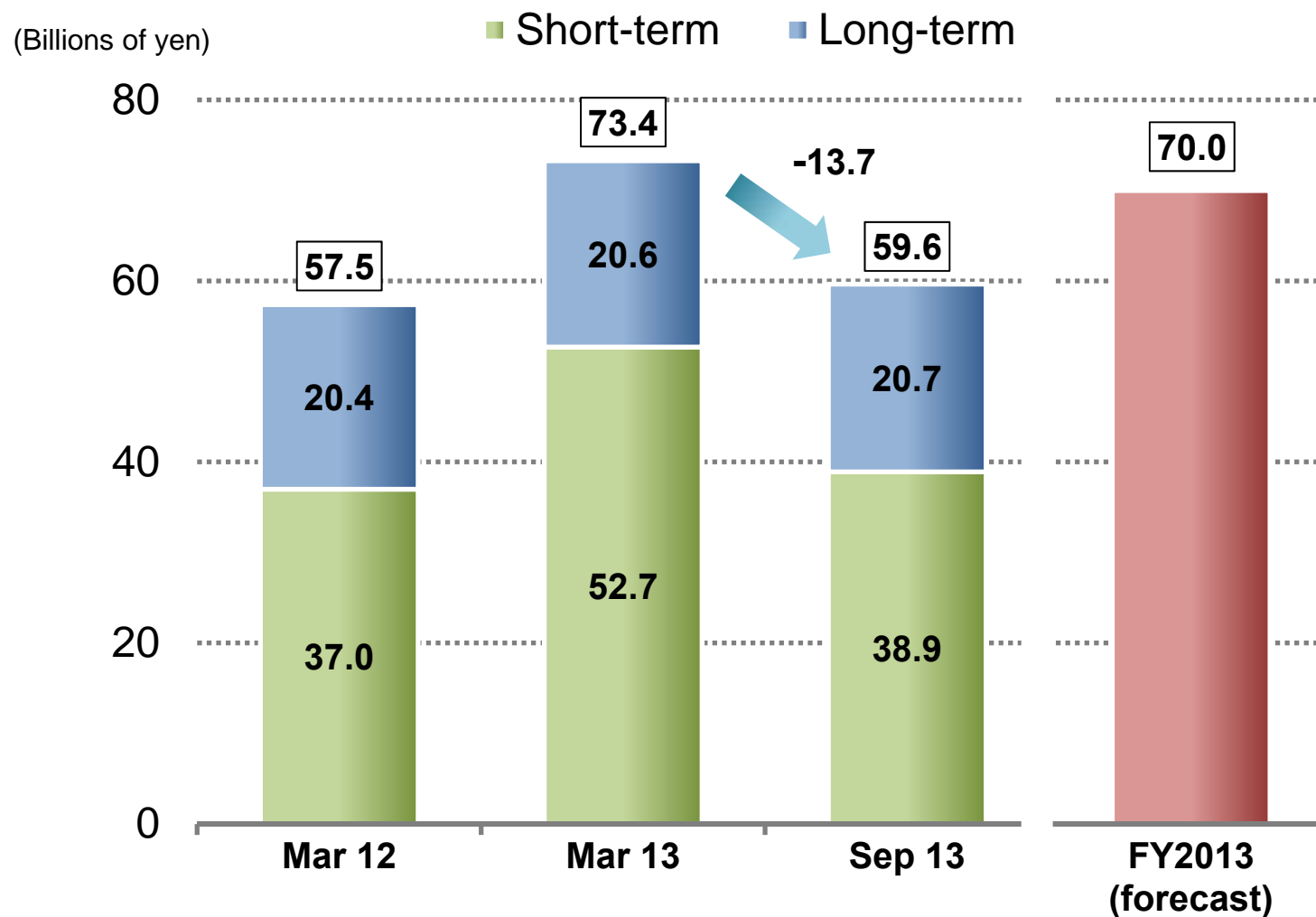
## (Consolidated) Detailed Consolidated Balance Sheets

Billions of yen	Mar 13	Sep 13	Remarks Figures in ( ) are changes from the previous year
(Liabilities)			
Current liabilities	<b>293.9</b>	<b>228.4</b>	<div style="border: 1px solid black; padding: 5px;"> <p>Notes payable and other accounts payable <b>109.7 (-45.4)</b></p> <p>Short-term loans payable / CP <b>38.9 (-13.8)</b></p> <p>Advances received on uncompleted construction contracts <b>34.5 (+0.2)</b></p> <p>Provision for loss on construction contracts <b>15.6 (-7.5)</b></p> </div>
Noncurrent liabilities	<b>78.1</b>	<b>81.8</b>	<div style="border: 1px solid black; padding: 5px;"> <p>Long-term loans payable <b>20.7 (+0.0)</b></p> <p>Deferred tax liabilities <b>25.4 (+3.0)</b></p> <p>Provision for retirement benefits <b>21.9 (+0.5)</b></p> </div>
(Net assets)			
Shareholders' equity	<b>79.2</b>	<b>88.6</b>	
Valuation and conversion adjustment	<b>48.8</b>	<b>54.8</b>	<div style="border: 1px solid black; padding: 5px;"> <p>Retained earnings <b>46.1 (+9.4)</b></p> </div>
Total liabilities and net assets	<b>500.1</b>	<b>453.7</b>	<div style="border: 1px solid black; padding: 5px;"> <p>Valuation difference on available-for-sale securities <b>46.2 (+6.2)</b></p> </div>

## (Consolidated) Change in Investment Securities

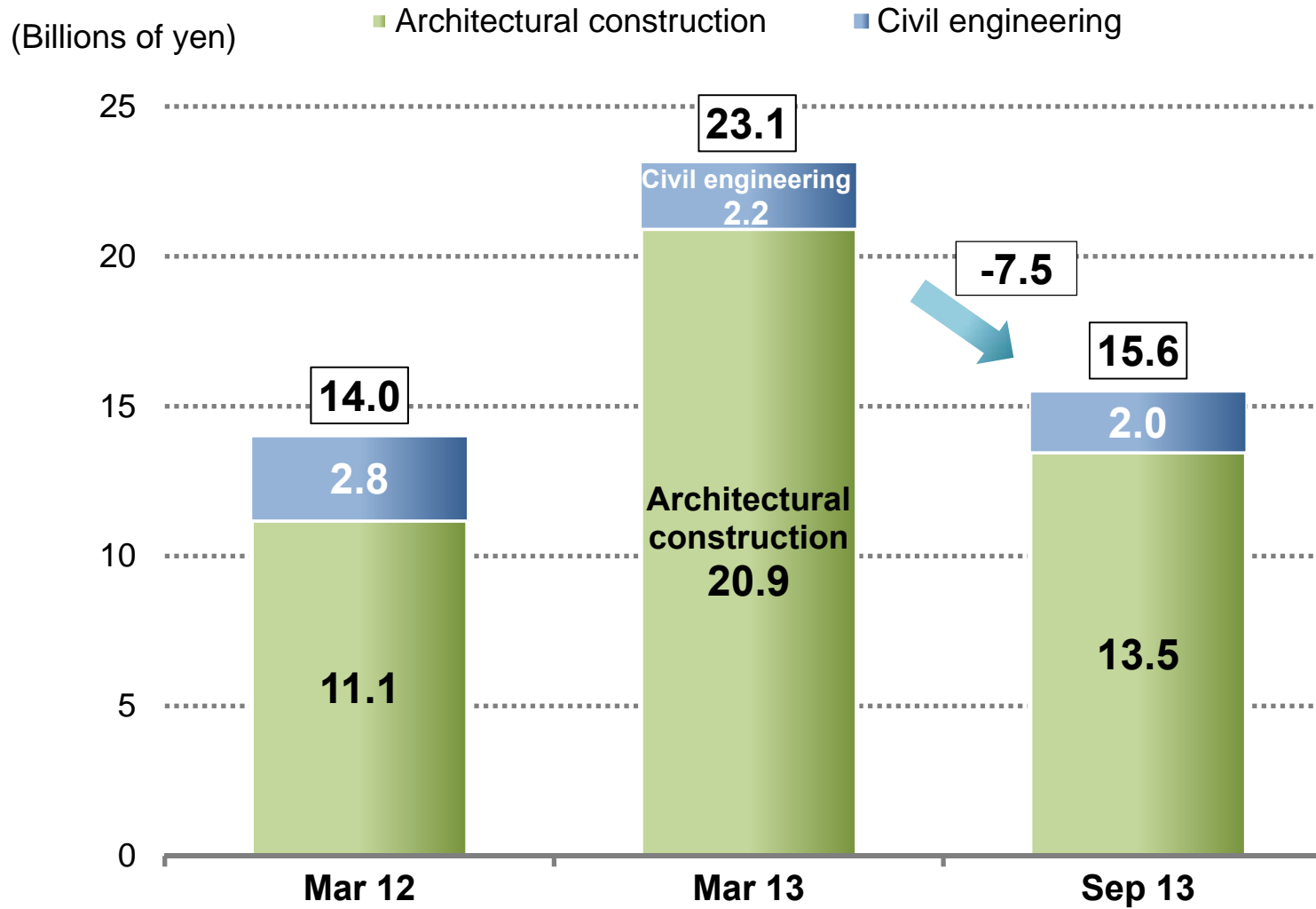


## (Consolidated) Change in Interest-Bearing Liabilities



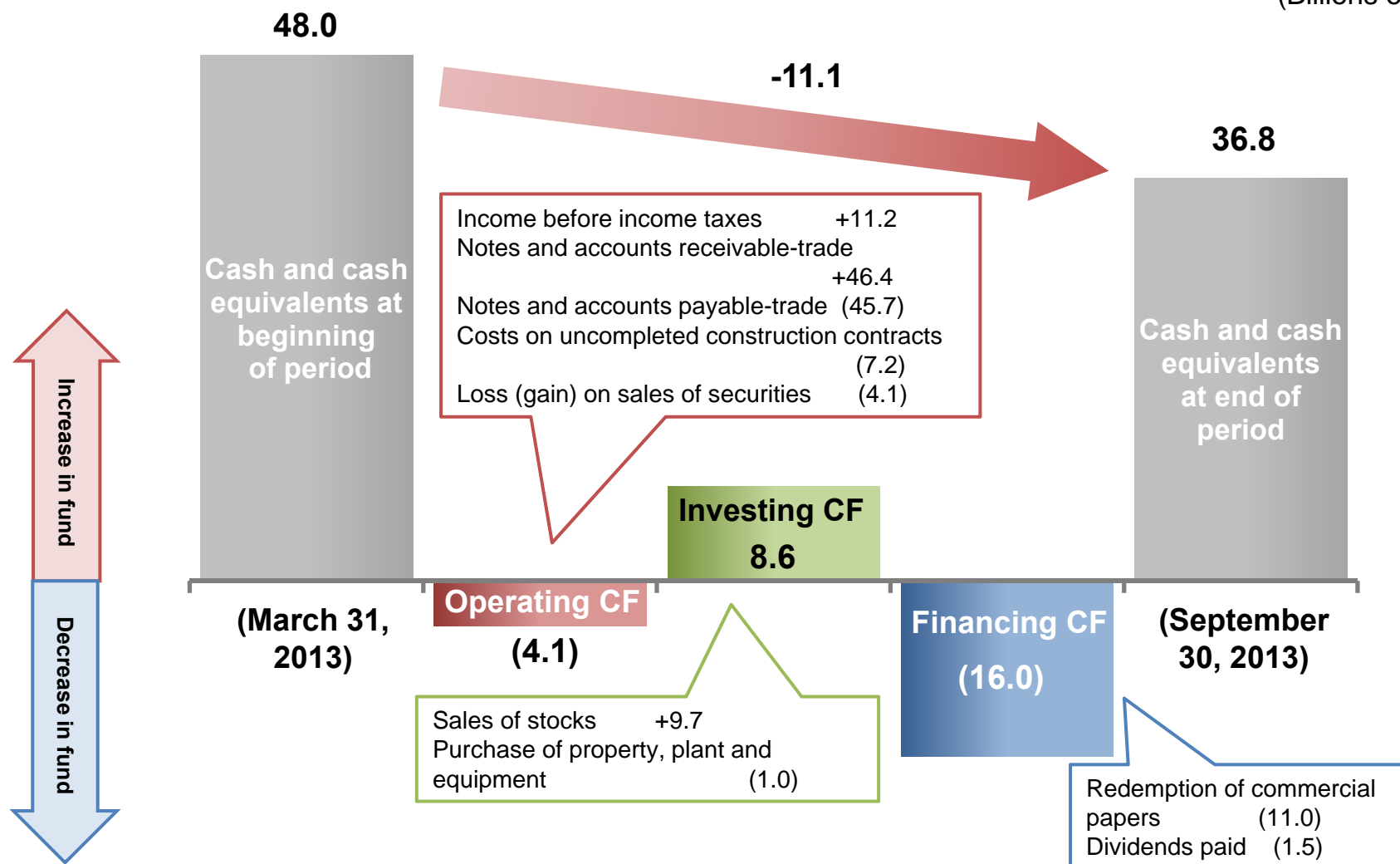
Ratio of interest-bearing liabilities	11.8%	14.7%	13.1%	—
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## (Consolidated) Change in Provision for Loss on Construction Contracts



# (Consolidated) Statement of Cash Flow

(Billions of yen)



# 1-3. Performance Forecasts



## Forecasts for FY2013 (Year Ending March 31, 2014)

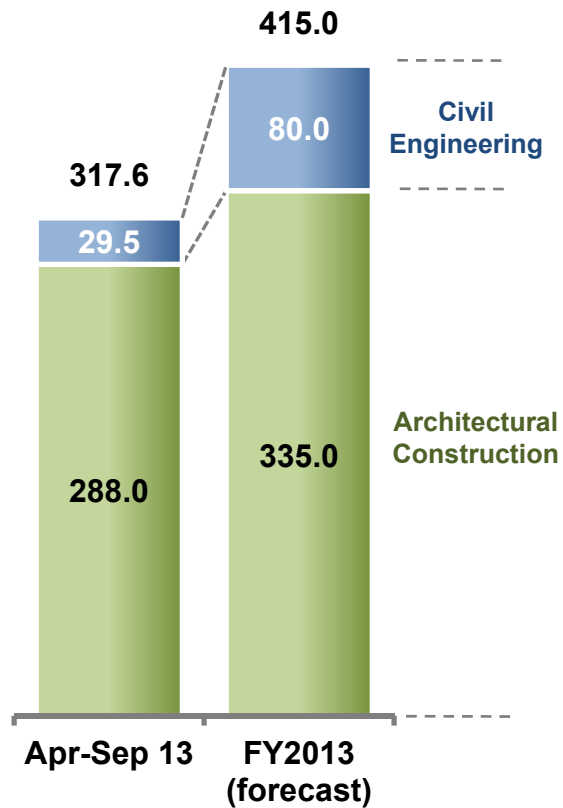
(Billions of yen)	FY2012	FY2013		
		Forecasts	Change (year on year)	
Consolidated net sales	497.0	450.0	-9.5%	-47.0
Operating income (loss)	(46.9)	4.7		+51.6
Ordinary income (loss)	(45.5)	6.0		+51.5
Net income (loss)	(65.2)	10.0		+75.2
Orders received (Non-consolidated)	339.0	415.0	+22.4%	+75.9

\*Forecasts for FY2013 were revised in the second quarter.

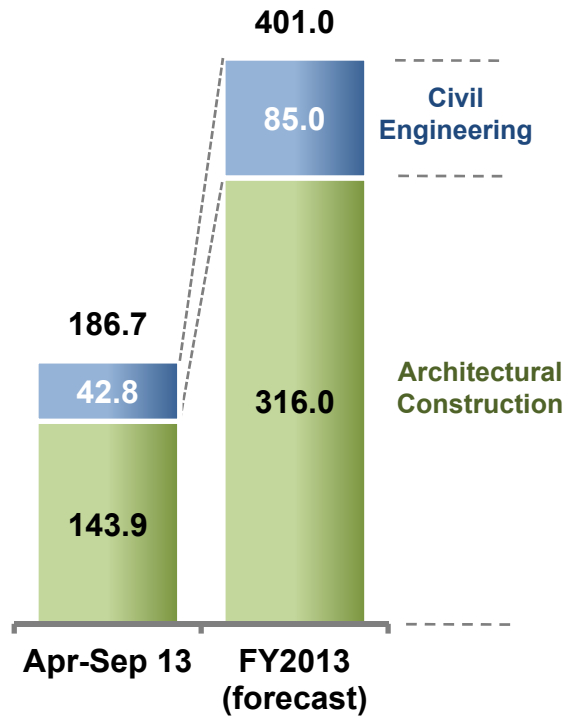
# (Non-consolidated) Forecasts for the Construction Business

(Billions of yen)

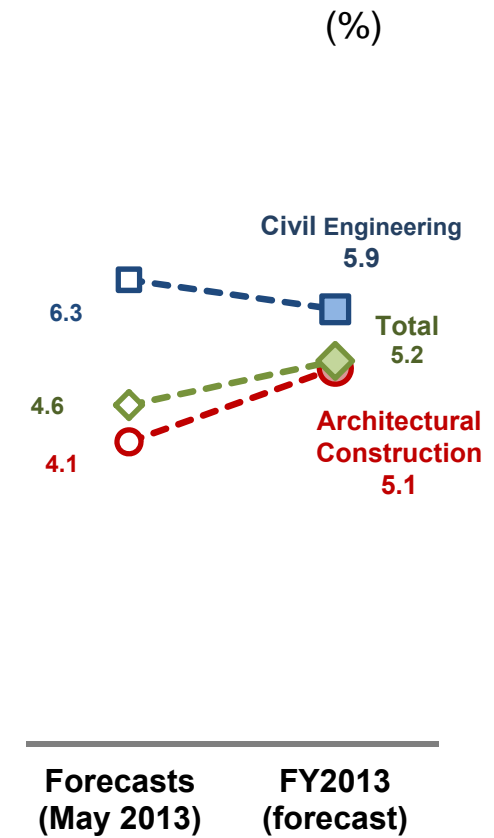
**Orders Received for Construction**



**Net Sales of Completed Construction Contracts**



**Gross Profit Margin on Completed Construction Contracts**



\*Forecasts for FY2013 were revised in the second quarter.



## Non-Consolidated Forecasts for FY2013

	Amount (Billions of yen)	Profitability (%)	
<b>Net sales</b>	<b>408.0</b>		
<b>Gross profit</b>	<b>23.0</b>	<b>5.6</b>	
<b>Profits in the construction business</b>	<b>21.0</b>	<b>5.2</b>	
<b>[Architectural construction]</b>	<b>[16.0]</b>	<b>[5.1]</b>	
<b>[Civil engineering]</b>	<b>[5.0]</b>	<b>[5.9]</b>	
<b>Profits in the real estate business</b>	<b>2.0</b>	<b>28.6</b>	
<b>Selling, general and administrative expenses</b>	<b>18.5</b>		
<b>Operating income</b>	<b>4.5</b>	<b>1.1</b>	
<b>Ordinary income</b>	<b>5.8</b>	<b>1.4</b>	
<b>Extraordinary income</b>	<b>3.7</b>		Gain on sales of investment securities
<b>Net income</b>	<b>9.5</b>	<b>2.3</b>	

\*Forecasts for FY2013 were revised in the second quarter.

## 2. Issues and Initiatives



President Masanori Imai

# Strategies for FY2013

## 1. Take all possible measures to be in the black

- Ensure execution of improvement measures
- Ensure through monitoring and prompt response

## 2. Revive earning power

- Convert sense of values in the Company
- Create mechanisms and structures for growth

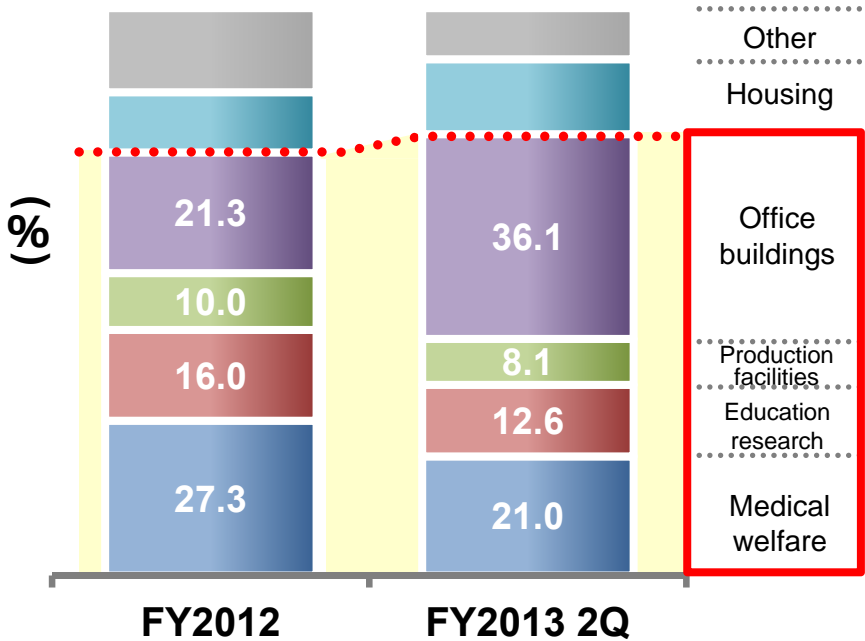
# Status of Improvement Measures

<b>Make selection of orders more stringent</b>	<b>Concentrate on priority areas. Reinforce selection and planning from upstream processes for areas of opportunity</b>
<b>Reinforce order management system</b>	<b>Review the approval flow of sales to orders received and budgeting. Enhance profit margins upon receiving orders</b>
<b>Closely manage profitability of construction</b>	<b>Produce more conservative revenue estimates and ensure through monitoring. Raise full-year forecasts for profits from completed construction contracts</b>
<b>Reduce selling, general and administrative expenses</b>	<b>Performing largely as planned. Full-year forecasts: ¥18.5 billion (down 8.0% year on year on a non-consolidated basis)</b>

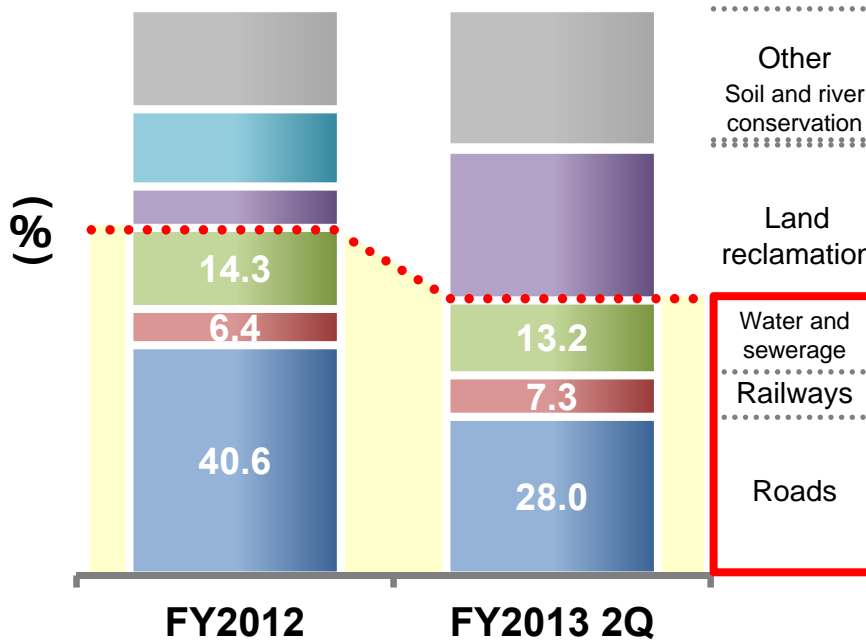
# Order Composition Ratio in the Construction Business

Ratio changing due to orders of large-scale redevelopment and reconstruction projects

**Architectural Construction**  
(by construction category)



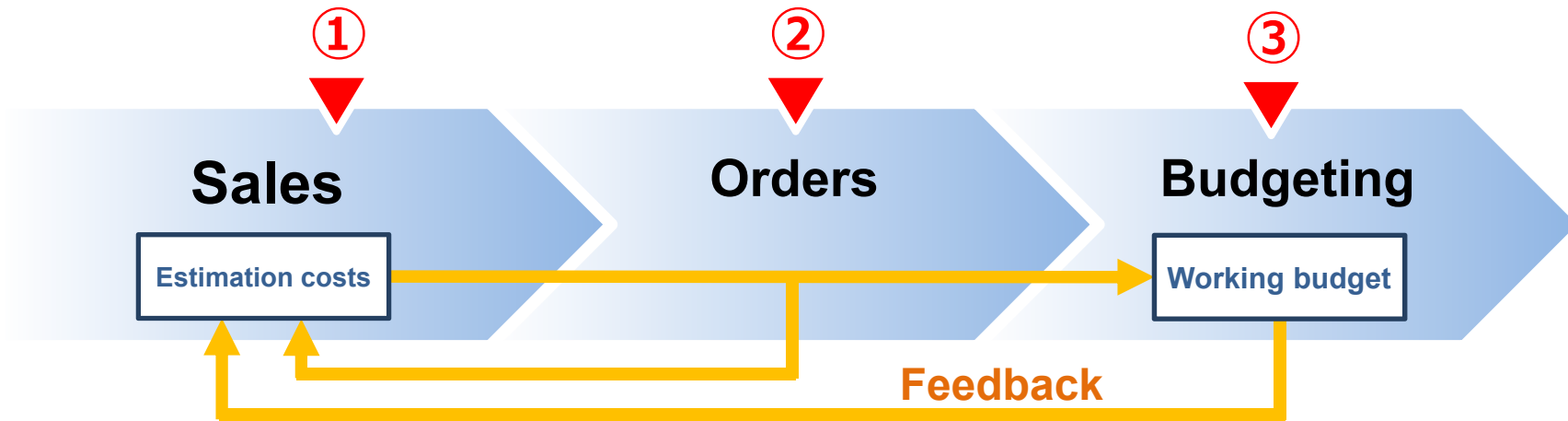
**Civil Engineering**  
(by construction category)



Note:  means priority areas.

# Reinforce order management system

Promote judgment and verification cycles through processes



**(1) Order Approval Meeting**

(Established in April 2013)

**(2) Committee for Review on  
Judgments taken at Order Receipt**

(Established in October 2012;  
restructured)

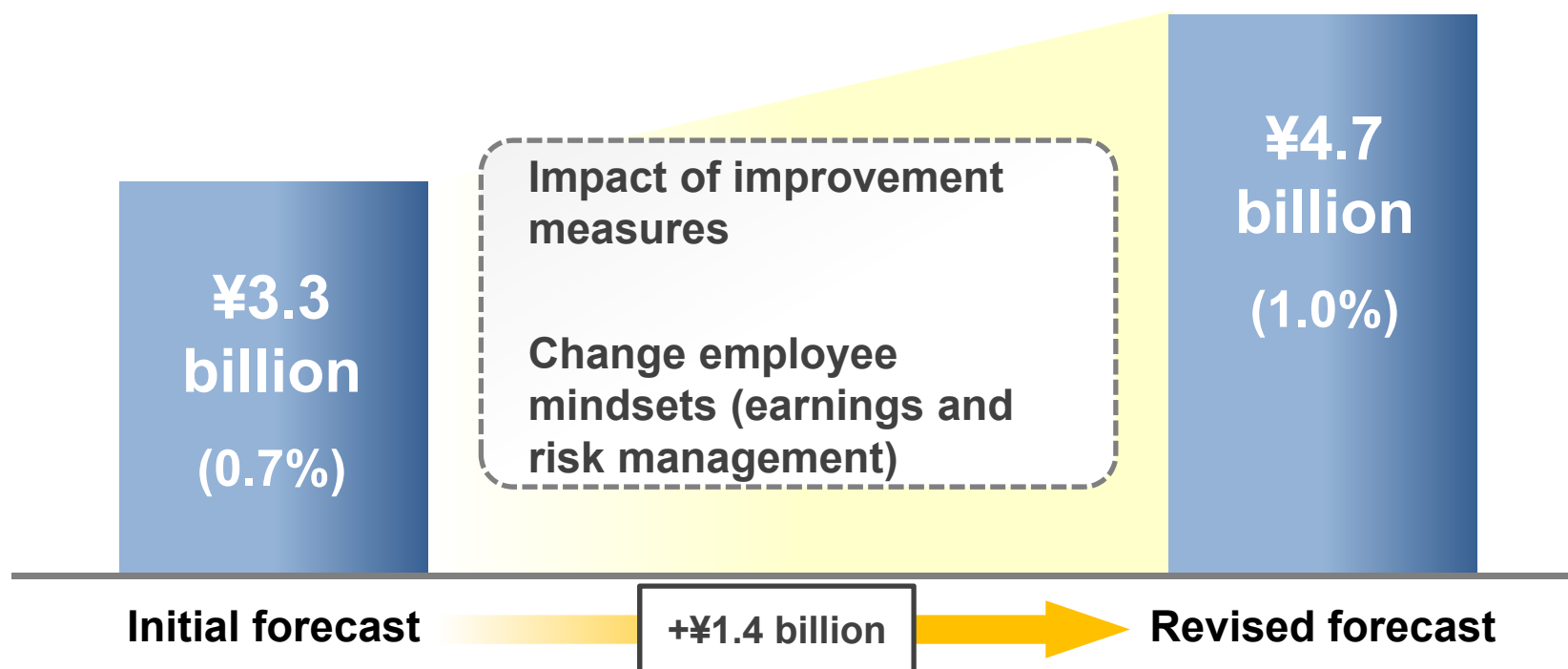
**(3) Working Budget Council**

(Restructured)

**Ensure timeliness and contribute to expansion by the head  
office and the administration department**

# Forecasts for this Fiscal Year and Operating Income

**Continue with initiatives and ensure black figures**



Note: Figures in parentheses are operating income ratios

# Strategies for FY2013

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## 1. Take all possible measures to be in the black

- Ensure execution of improvement measures
- Ensure through monitoring and prompt response

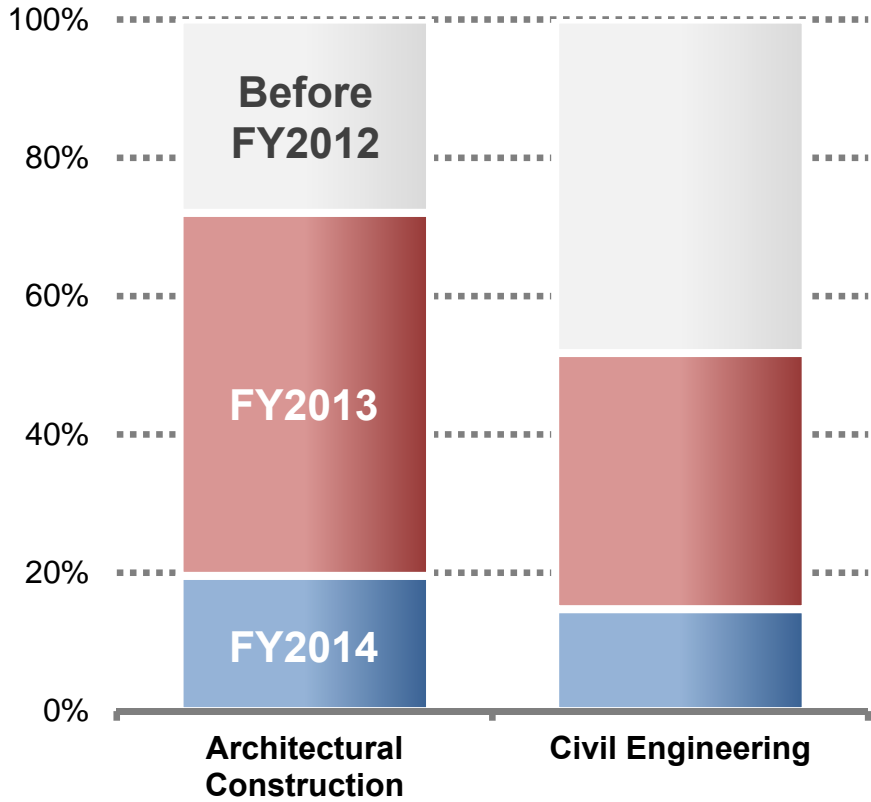
## 2. Revive earning power

- Convert sense of values in the Company
- Create mechanisms and structures for growth



# Composition Ratio of Sales in the Construction Business (FY2014 Forecasts)

Composition Ratio of Sales for FY2014 (by year)



**Sales primarily from orders received in FY2013 and FY2014**

Will book most orders received for the architectural construction business in FY2013 by 2Q

# Initiatives for the Second Half

**Reinforce earning power for FY2014 and beyond**  
(Improve earnings in contracted construction works and reinforce selection and planning in areas of opportunity)

## Key priorities

**Swiftly attain a desired position and growth base**

**Create values**

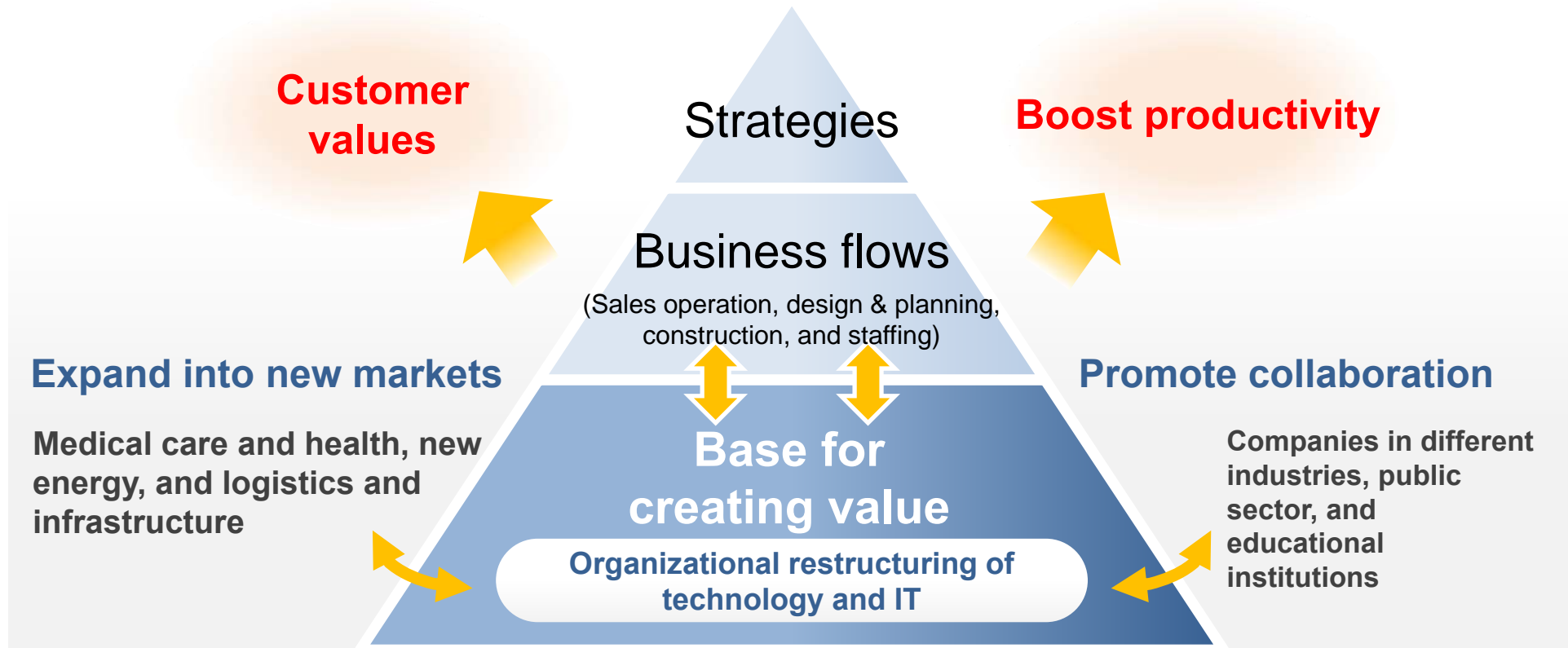
**Reinforce strategic areas**

**Boost productivity**

**Continue improvement measures**

# Build a Base for Creating Values

## Revamp Structures for Autonomously Creating Values



# Direction of Efforts to Reinforce Strategic Areas

## International

Act swiftly to introduce a business department system

Rebuild medium- to long-term strategies, including for developing businesses and cultivating human resources

## Investment & Development

Narrow down pilot operations

Explore integrating construction & development & real estate rental businesses

## Environment & Energy

Underpin the organization with a value creation base

Push ahead with efforts to commercialize power generation by floating offshore wind turbines

## Subsidiaries and Affiliates

Shift to a management structure that creates values for customers through construction life cycles

# Overseas Business and Real Estate Businesses Earnings Forecast

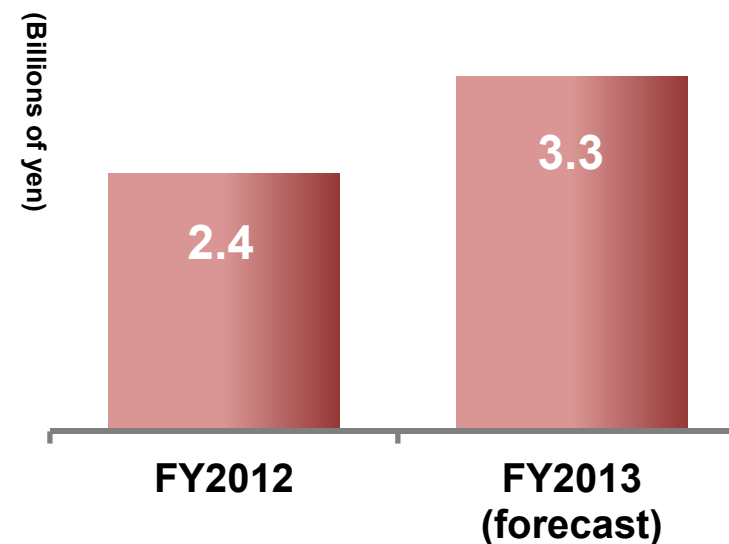
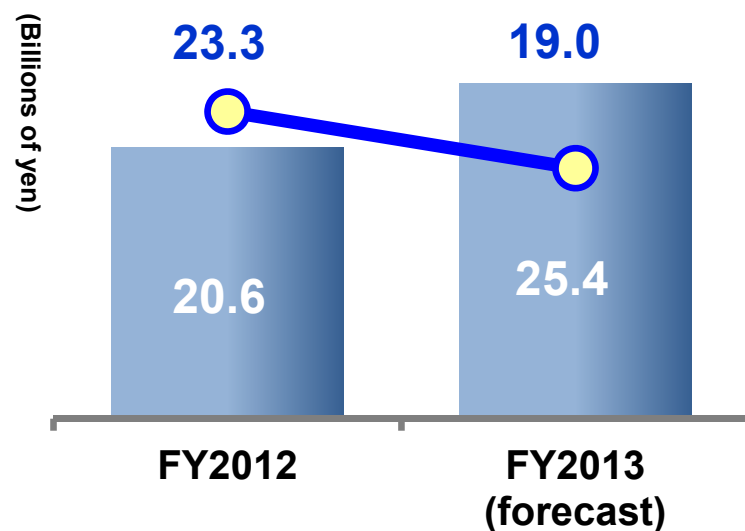
Target for FY2015: Net sales for of ¥30.0 billion

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 sales of orders received



Note: FY2013 estimated rate: 1US\$ = ¥96.9

Note: Loss on valuation FY2012: ¥0.5 billion

# Initiatives of Power Generation by Floating Offshore Wind Turbines



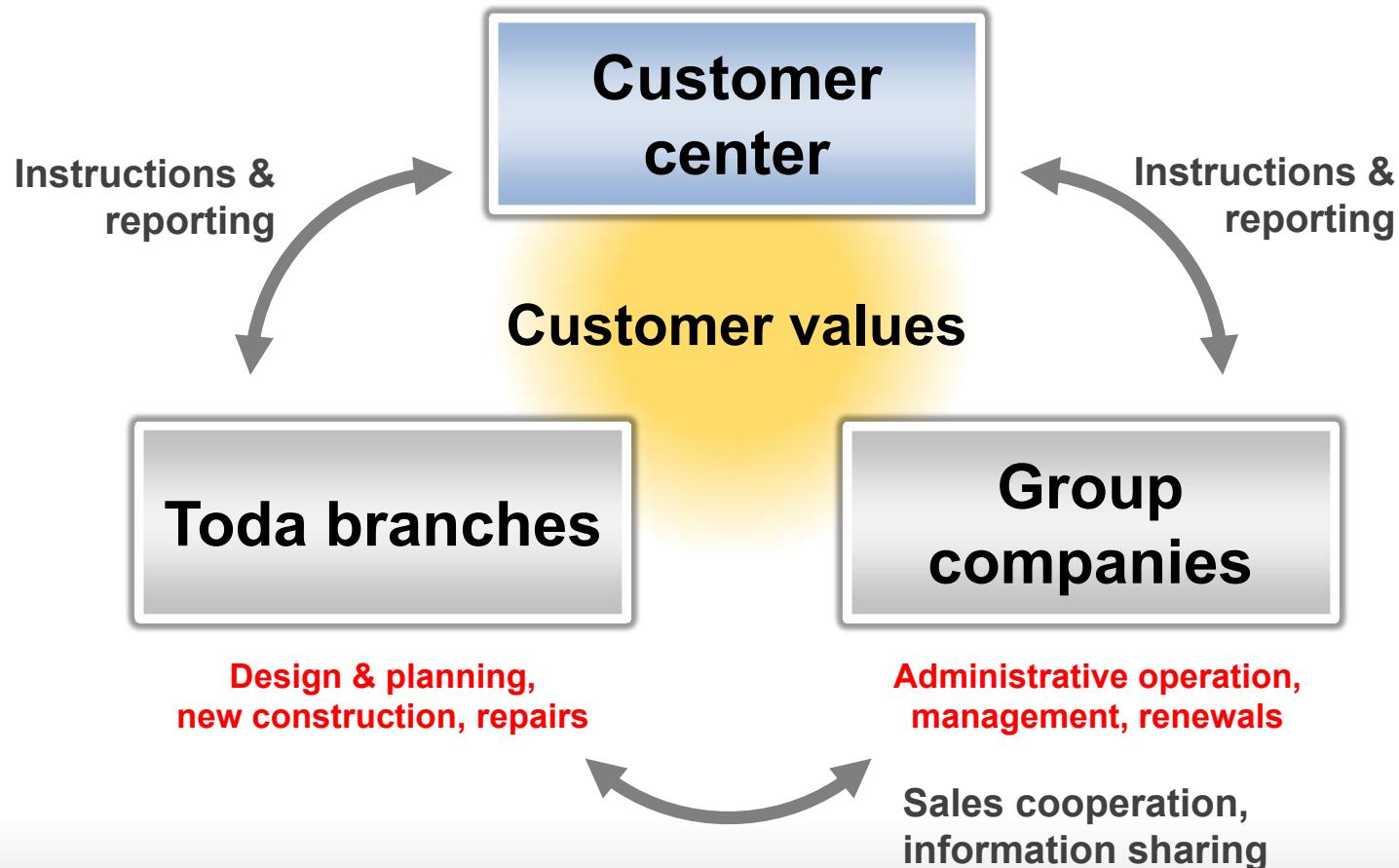
## Inaugurating a two-megawatt demonstration facility

In October, we began operating a power generation by floating offshore wind turbine, incorporating a two-megawatt turbine, near Kabashima, Goto City, Nagasaki Prefecture

This was the first commercial-scale facility of its type in Japan and the first hybrid-spar platform in the world

# Creation of Customer Values through Construction Life Cycles

**Increase its organizational power by intergroup collaboration and information sharing**  
**Centralize customer contacts and take prompt response**



# Establishment of a New Organization

**Swiftly accommodating market needs**

**September 8**

Tokyo chosen to host the  
2020 Summer Olympics



**September 20**

Set up the Tokyo Olympics  
Project Office within the  
Tokyo Branch

**Future direction: Linear Chuo Shinkansen and  
government growth strategies**



# Medium- to Long-Term Objectives and Image

