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Notice Regarding Reversal of Deferred Tax Assets and Revisions to Earnings and Dividend Forecasts

We hereby announce revisions to the earnings and dividend forecasts for the first six months of the fiscal year ending March 31, 2013, which were publicly announced on August 9, 2012, as described below, taking into account trends of recent business performance and other factors.

I Revisions to Earnings Forecast

Revisions to the forecasts of the consolidated business performance for the six months of FY2012, the year ending March 31, 2013 (from April 1, 2012, to September 30, 2012) (Millions of yen unless otherwise stated)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Previous forecast (A)	229,000	(5,200)	(4,700)	(4,100)	(13.17)
Revised forecast (B)	212,800	(14,400)	(13,600)	(33,800)	(108.56)
Increase/decrease (B – A)	-16,200	-9,200	-8,900	-29,700	
Rate of change (%)	-7.1	—	—	—	
(Reference) Actual results for the six months of FY2011	181,721	(77)	670	41	0.13

Revisions to the forecasts of the full-year consolidated business performance for FY2012, the year ending March 31, 2013 (from April 1, 2012, to March 31, 2013) (Millions of yen unless otherwise stated)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Previous forecast (A)	477,800	4,100	5,200	1,200	3.85
Revised forecast (B)	509,800	(19,300)	(18,000)	(38,500)	(123.66)
Increase/decrease (B – A)	32,000	-23,400	-23,200	-39,700	
Rate of change (%)	6.7	—	—	—	
(Reference) Actual results for the full year of FY2011	489,385	(7,994)	(6,690)	(19,872)	(64.28)

Revisions to the forecasts of the non-consolidated business performance for the six months of FY2012, the year ending March 31, 2013 (from April 1, 2012, to September 30, 2012) (Millions of yen unless otherwise stated)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Previous forecast (A)	213,500	(5,600)	(5,100)	(4,300)	(13.81)
Revised forecast (B)	197,000	(14,800)	(14,000)	(34,500)	(110.81)
Increase/decrease (B – A)	-16,500	-9,200	-8,900	-30,200	
Rate of change (%)	-7.7	—	—	—	
(Reference) Actual results for the six months of FY2011	168,772	(133)	497	(94)	(0.30)

Revisions to the forecasts of the full-year non-consolidated business performance for FY2012, the year ending March 31, 2013 (from April 1, 2012, to March 31, 2013) (Millions of yen unless otherwise stated)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Previous forecast (A)	440,000	2,600	3,700	500	1.61
Revised forecast (B)	472,000	(20,600)	(19,300)	(39,800)	(127.83)
Increase/decrease (B – A)	32,000	-23,200	-23,000	-40,300	
Rate of change (%)	7.3	—	—	—	
(Reference) Actual results for the full year of FY2011	457,387	(8,236)	(7,182)	(19,603)	(62.96)

Reason for the revisions

1. Non-consolidated earnings forecast

(1) First six months of the fiscal year ending March 31, 2013

Net sales are expected to decrease ¥16.5 billion from the previous forecast, because the progress of contracted construction has fallen short of expectations.

Operating income and ordinary income are expected to decrease ¥9.2 billion and ¥8.9 billion, respectively, due to a considerable fall in profits from construction work. Net income is expected to decline ¥30.2 billion, mainly because the Company projects a loss on valuation of investment securities of ¥3.6 billion (compared to the previous forecast of ¥2.8 billion) to extraordinary loss and fully reverse deferred tax assets of ¥19.4 billion due to a deterioration of performance.

Regarding the loss on valuation of investment securities, the Company posted a loss of ¥2.8 billion as of the end of the first quarter of the fiscal year ending March 31, 2013, as publicly announced in “Notice Regarding Loss on Valuation of Investment Securities in the First Quarter of the Fiscal Year Ending March 31, 2013” dated July 13, 2012.

(2) Full year

Net sales are expected to increase ¥32.0 billion from the previous forecast, because construction work is likely to progress further in the third and fourth quarters of the year than initially projected.

Operating income and ordinary income are expected to decrease ¥23.2 billion and ¥23.0 billion, respectively, because profit from construction work will continue to decline significantly. Net income is projected to decrease ¥40.3 billion, due mainly to the expected posting of ¥3.6 billion for a loss on valuation of investment securities to extraordinary loss and the reversal of ¥19.4 billion in deferred tax assets in the second quarter.

2. Consolidated earnings forecast

The relevant figures of the consolidated earnings forecast have been revised due to same reasons to those for the revisions to the non-consolidated earnings forecast.

3. Major Factors Behind Revisions to Earnings Forecast

(1) Major decline in profits from construction work

Improving the profitability of construction work has been difficult, primarily due to the increasing severity of the cost management environment caused by tight labor conditions and other factors, which resulted in the recognition of a loss on purchase price adjustments under labor and facility contracts far beyond the initial projections, mainly with respect to large-scale architectural construction work.

Under such circumstances, the Company re-examined the projection for profit from construction business and revised the previous forecast to a decrease in profit from construction business of ¥9.6 billion (non-consolidated) for the second quarter and ¥23.2 billion (non-consolidated) for the full year.

Breakdown of non-consolidated earnings forecast of Construction business for FY2012

(Millions of yen)

	Full year			Six months		
	Architectural construction (Profit margin)	Civil engineering (Profit margin)	Construction business total (Profit margin)	Architectural construction (Profit margin)	Civil engineering (Profit margin)	Construction business total (Profit margin)
Previous forecast (A)	17,500 5.1%	4,700 5.4%	22,200 5.1%	2,500 1.5%	1,300 3.3%	3,800 1.8%
Revised forecast (B)	(5,000) -1.3%	4,000 4.4%	(1,000) -0.2%	(7,400) -4.7%	1,600 4.5%	(5,800) -3.0%
Increase/decrease (B – A)	-22,500	-700	-23,200	-9,900	300	-9,600
Rate of change (%)	—	-14.9	—	—	23.1	—
(Reference) Actual results for the full year of FY2011	13,279 3.8%	4,686 4.6%	17,966 4.0%	8,013 5.8%	971 3.4%	8,985 5.4%

(2) Reversal of deferred tax assets

Given the major deterioration in earnings in the second quarter, the Company has revised its projection on the recoverability of deferred tax assets and will fully reverse ¥19.4 billion (non-consolidated) in deferred tax assets. In conjunction with this reversal, income taxes-deferred is expected to be ¥17.2 billion (non-consolidated) in the second quarter as a result of partially reversing deferred tax liabilities of ¥2.1 billion (non-consolidated).

For the reasons described above, the Company is revising the earnings forecasts for the first six months and for the full year of the fiscal year ending March 31, 2013.

Future Outlook

Having taken seriously the circumstances in which the business is expected to fall into deficit again after the previous period, the Company has established an internal Structural Reform Committee headed by the President with the aim of promoting fundamental reforms of the business and cost structure of Toda along with its Group companies. Going forward, the Committee will take the lead in implementing initiatives to secure profits in the year ending March 2014, including ensuring profits at the time an order is received and enhancing the profit management structure, as well as further promoting reductions of general expenses.

Details of the Company's initiatives will be notified when announcing the results of the second quarter on November 12, 2012, along with the notice regarding partial revisions to the current Medium-term Management Plan (announced on May 14, 2012).

II Revisions to Dividend Forecast

(Yen)

	Annual dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Previous forecast	—	—	—	6.00	6.00
Revised forecast	—	—	—	5.00	5.00
Actual result for FY2012	—	—	—		
Actual result for the full year of FY2011	—	—	—	6.00	6.00

Reason for the revisions

The Company's basic policy on returning profits to shareholders is to continue to provide each of its shareholders with stable dividend payments by taking into account business performance and the business environment, while ensuring that there are sufficient internal reserves to strengthen its competitiveness and financial structure.

Based on this policy, the Company has revised the forecast of the annual dividend per share for FY2012 to ¥5.00 by comprehensively taking into account the aforementioned forecasts of the full-year business performance and the anticipated future business environment.

(Note) The forecasts above were based on information currently available to the Company. Actual results may, therefore, differ from those described above due to various unforeseen factors.

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