

# **Results Briefing**

## **for the Year Ended March 31, 2015**

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**May 18, 2015**

**TODA CORPORATION**

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

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

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

# Today's Schedule

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

Executive Manager Yushi Kikutani

## **2. Medium-Term Management Plan 2017**

President Masanori Imai

# 1. Summary of Financial Results



Executive Manager Yushi Kikutani

# **1-1. Summary of Financial Results for the Year Ended March 31, 2015**



# Highlights: FY2014

- **Consolidated Net Sales: ¥420.3 billion, down 6.4% year-on-year**

- : Net sales fell 6.4% year-on-year to ¥420.3 billion, as completed construction contracts declined.

- **Operating Income: ¥12.9 billion, up 171.4% year-on-year**

- : Operating income increased 171.4% year on year, to ¥12.9 billion, as gross profit on completed construction contracts improved due to the thorough adoption of a profitability-oriented order receipt policy.

- **Orders Received (non-consolidated): ¥449.7 billion, down 1.0% year on year**

- : Orders for architectural construction fell 7.0% year on year, due to the impact of large construction orders received in the previous fiscal year, but thanks to civil engineering-related large public sector projects, overall orders received fell 1.0% to ¥449.7 billion.

# Summary: FY2014

(Billions of yen)

	FY2013	FY2014			
		<i>Forecasts (announced on Feb 13, 2015)</i>	<b>Actuals</b>	<i>Change (year on year)</i>	<i>Difference (vs. forecast)</i>
<b>Consolidated net sales</b>	<b>448.9</b>	413.0	<b>420.3</b>	-6.4%	7.3
<b>Operating income</b>	<b>4.7</b>	8.7	<b>12.9</b>	171.4%	4.2
<b>Ordinary income</b>	<b>6.5</b>	10.3	<b>14.8</b>	125.0%	4.5
<b>Net income</b>	<b>10.2</b>	10.5	<b>14.0</b>	37.1%	3.5
<b>Orders received (non-consolidated)</b>	<b>454.4</b>	425.0	<b>449.7</b>	-1.0%	24.7

# Main Orders Received

	Ordering Parties	Name of Works
Architectural Construction	The Kitasato Institute	Rebuilding of School of Pharmacy Building and Kitasato Main Building, Shirokane Campus
	Federation of National Public Service Personnel Mutual Aid Associations	Toranomon Hospital development project
	Urban Redevelopment Association	Kojiya Station area urban redevelopment project
	Takasaki City	New gymnasium
	Kenseikai	Tachikawa Sogo Hospital
Civil Engineering	Central Nippon Expressway Company Limited	Main line tunnel, Tokyo Outer Ring Road
	East Nippon Expressway Company Limited	Tenjindo Tunnel, Joshin-etsu Expressway
	Democratic Socialist Republic of Sri Lanka	Northern Colombo non-revenue water reduction project
	Osaka Gas Co., Ltd.	No. 2 east shield construction, Izumiotsu, etc.

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



# Main Works Completed

	Ordering Parties	Name of Works
Architectural Construction	Japan Post Co., Ltd.	Omiya Sakuragi-cho 1-chome project
	Waseda University	Waseda campus D Building
	Otsuma Gakuin	Reconstruction of Chiyoda school building
	Shimadzu Corporation	E1 Building construction project
	St. Mary's School	Seiko Gakuin new school building development
Civil Engineering	Central Nippon Expressway Company Limited	Shin tomei Expressway Nukata Tunnel
	Bureau of Waterworks, Tokyo Metropolitan Government	Advanced Water Treatment Facility Phase II, Asaka Purification Plant
	Keio Corporation	Chofu Station area connecting grade separated crossing
	West Nippon Expressway Company Limited	Nishi Meihan Expressway Kooriyama-kita construction 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

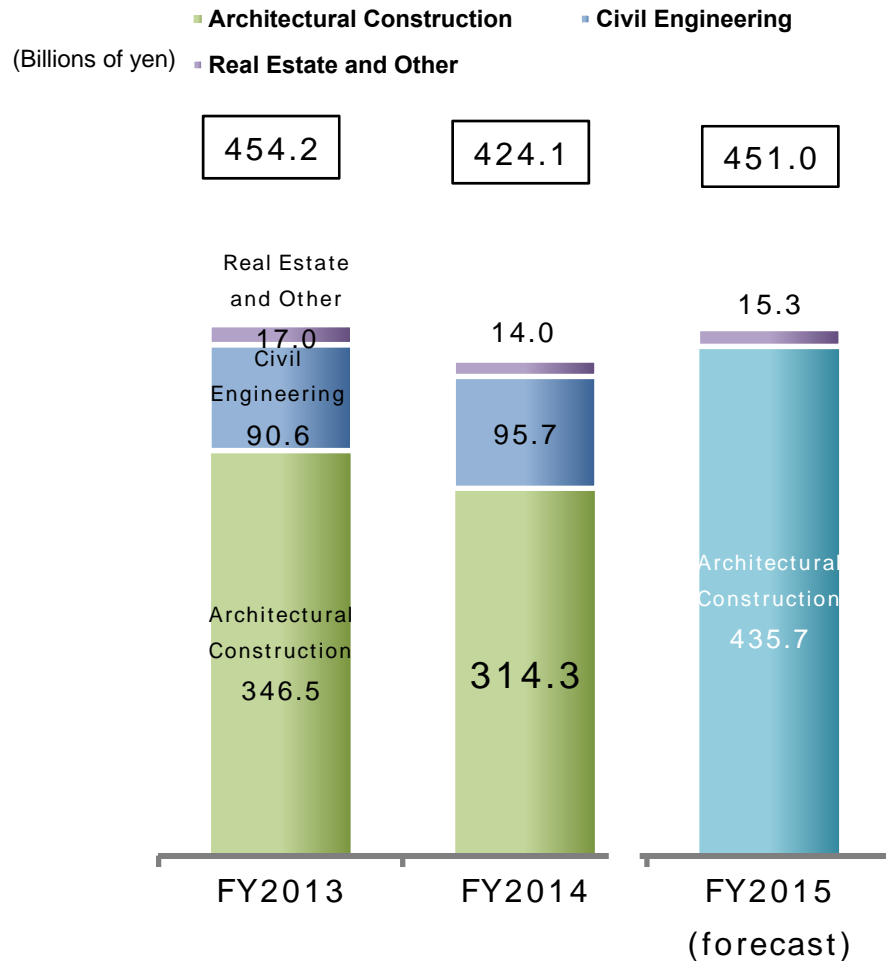
FY2014 Billions of yen	Toda Corporation		Subsidiaries Total		FY2014 Consolidated		Ratio of consolidated to non-consolidated
		%		%		%	
Net sales	383.8		54.0		420.3		1.10
Gross profit	31.9	8.3	4.5	8.5	36.1	8.6	1.13
Selling, general and administrative expenses	20.3		2.9		23.1		
Operating income	11.6	3.0	1.6	3.0	12.9	3.1	1.12
Non-operating income	1.5		0.3		1.8		
Ordinary income	13.1	3.4	1.9	3.7	14.8	3.5	1.13
Extraordinary income	-0.2		-0.6		0.2		
Income before income taxes	12.9		1.3		15.1		
Income taxes	0.2		0.4		1.0		
Net income	12.6	3.3	0.9	1.8	14.0	3.3	1.11

# (Consolidated) Statements of Income

Billions of yen	FY2013 (actual)		FY2014 (actual)		Change %	FY2015 (Forecast)	
		%		%			%
Net sales	448.9		420.3		-6.4	451.0	
Gross profit	25.4	5.7	36.1	8.6	42.0	34.3	7.6
Selling, general and administrative expenses	20.6		23.1			24.3	
Operating income	4.7	1.1	12.9	3.1	171.4	10.0	2.2
Non-operating income	1.8		1.8			1.6	
Ordinary income	6.5	1.5	14.8	3.5	125.0	11.6	2.6
Extraordinary income	4.4		0.2			0.0	
Income before income taxes	11.0		15.1			11.6	
Income taxes	0.8		1.0			1.5	
Net income	10.2	2.3	14.0	3.3	37.1	10.1	2.2

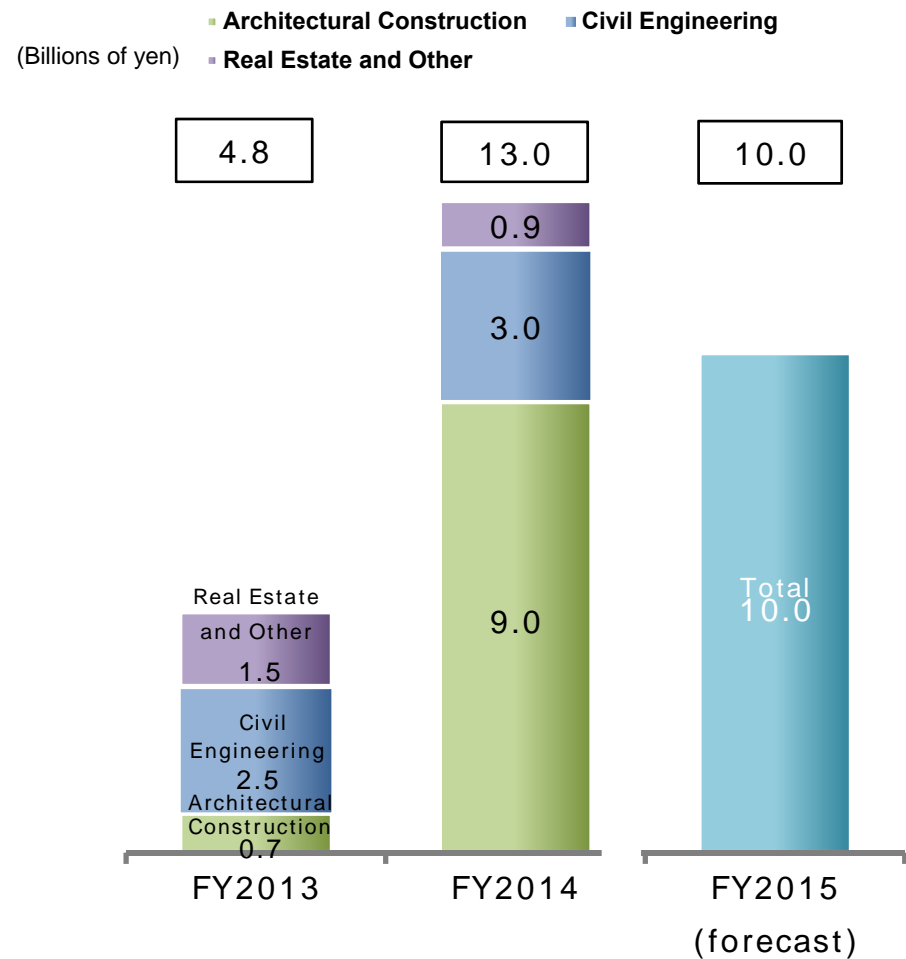
# (Consolidated) Net Sales and Operating Income by Segment

## Net Sales



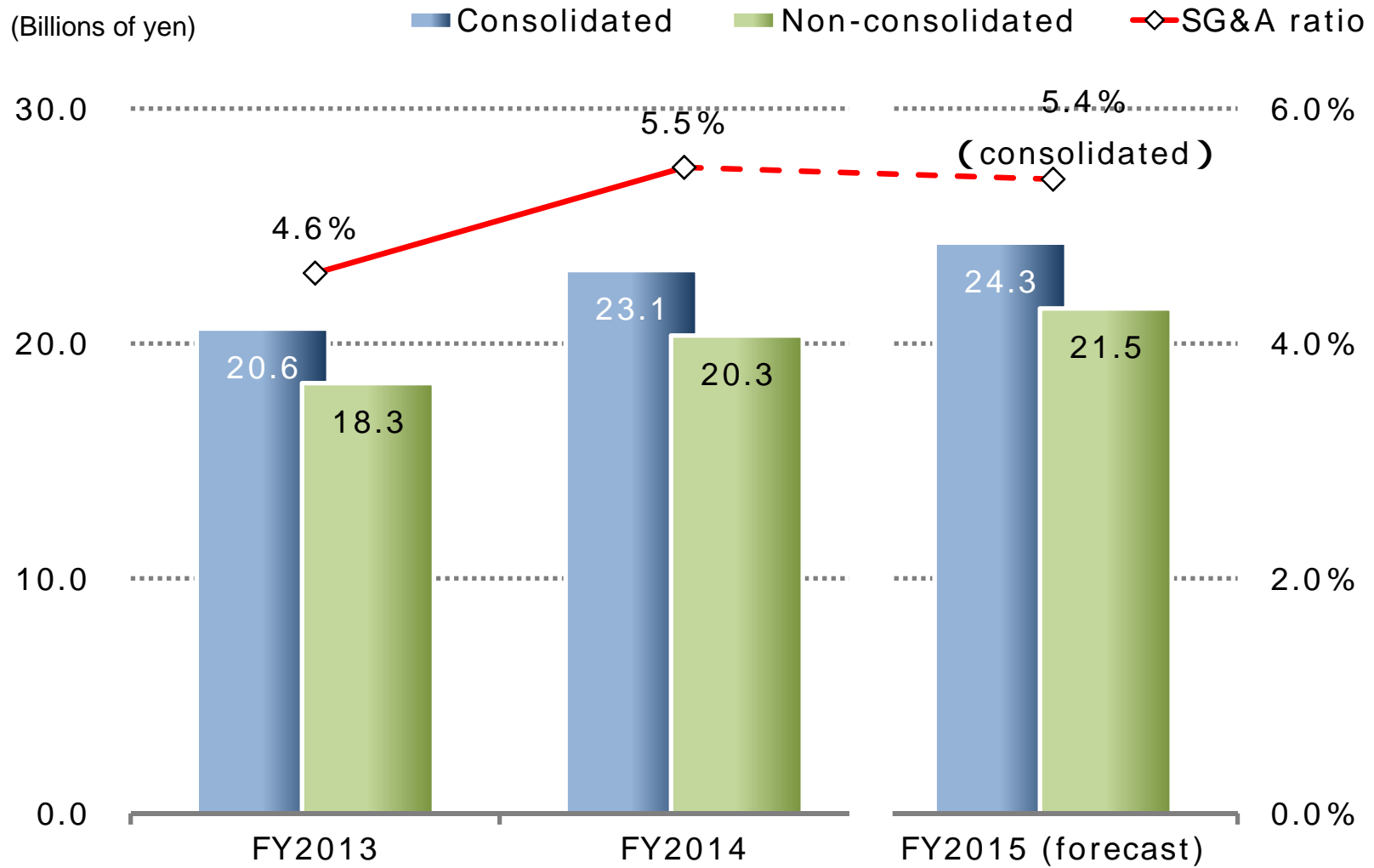
\* Net sales by segment include intersegment transactions.

## Operating Income



\* Net sales by segment include intersegment transactions.

# (Consolidated) Change in SG&A

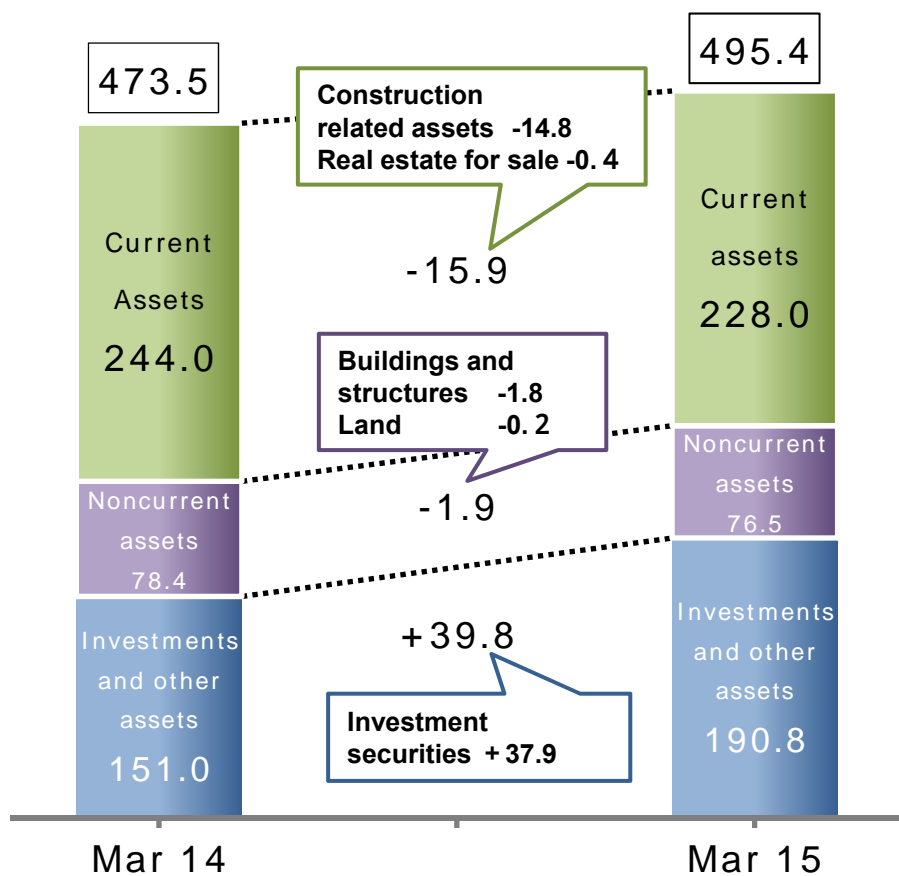


# (Consolidated) Balance Sheets

## Assets

(Billions of yen)

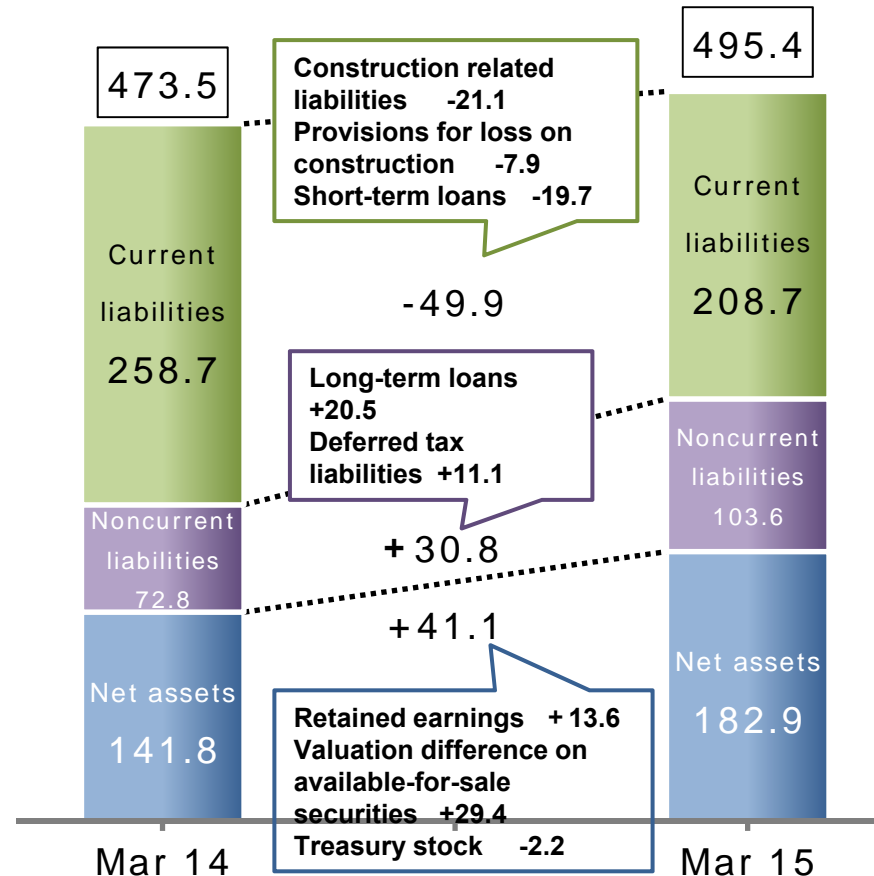
+ 21.9



## Liabilities and Net Assets

(Billions of yen)

+ 21.9

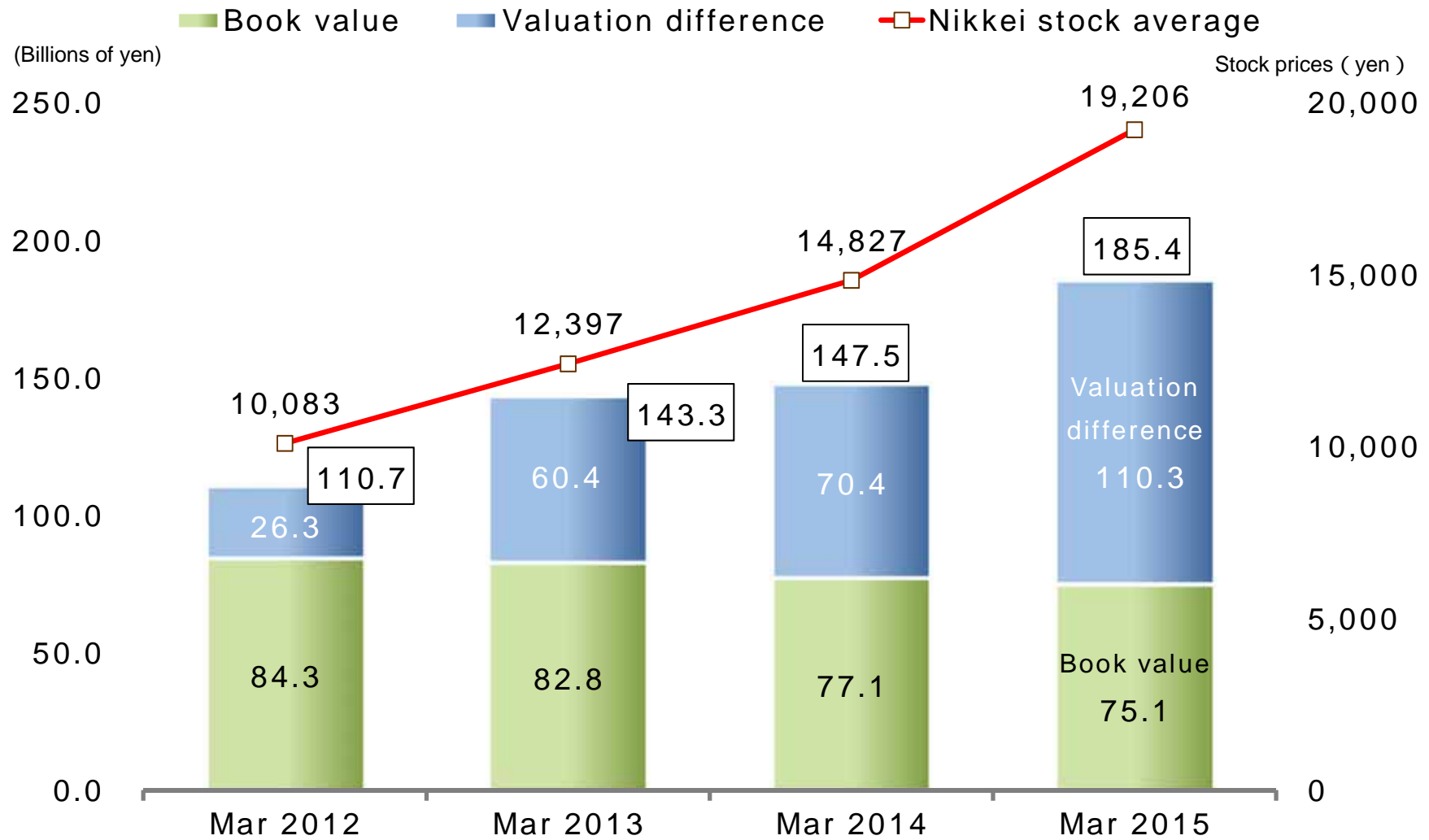


100.0% **Current ratio** 119.4%

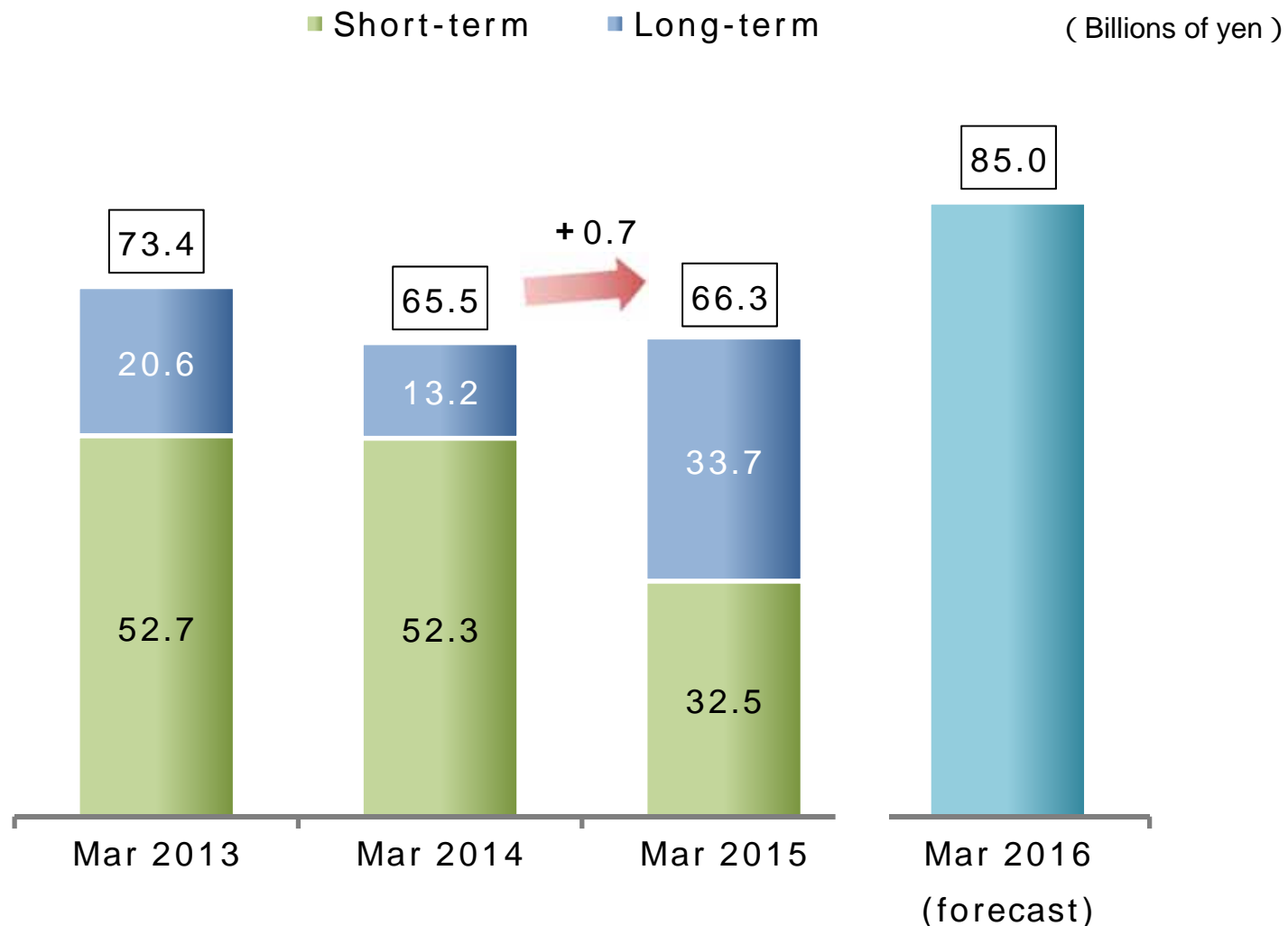
29.1% **Equity ratio** 36.4%



# (Consolidated) Change in Investment Securities



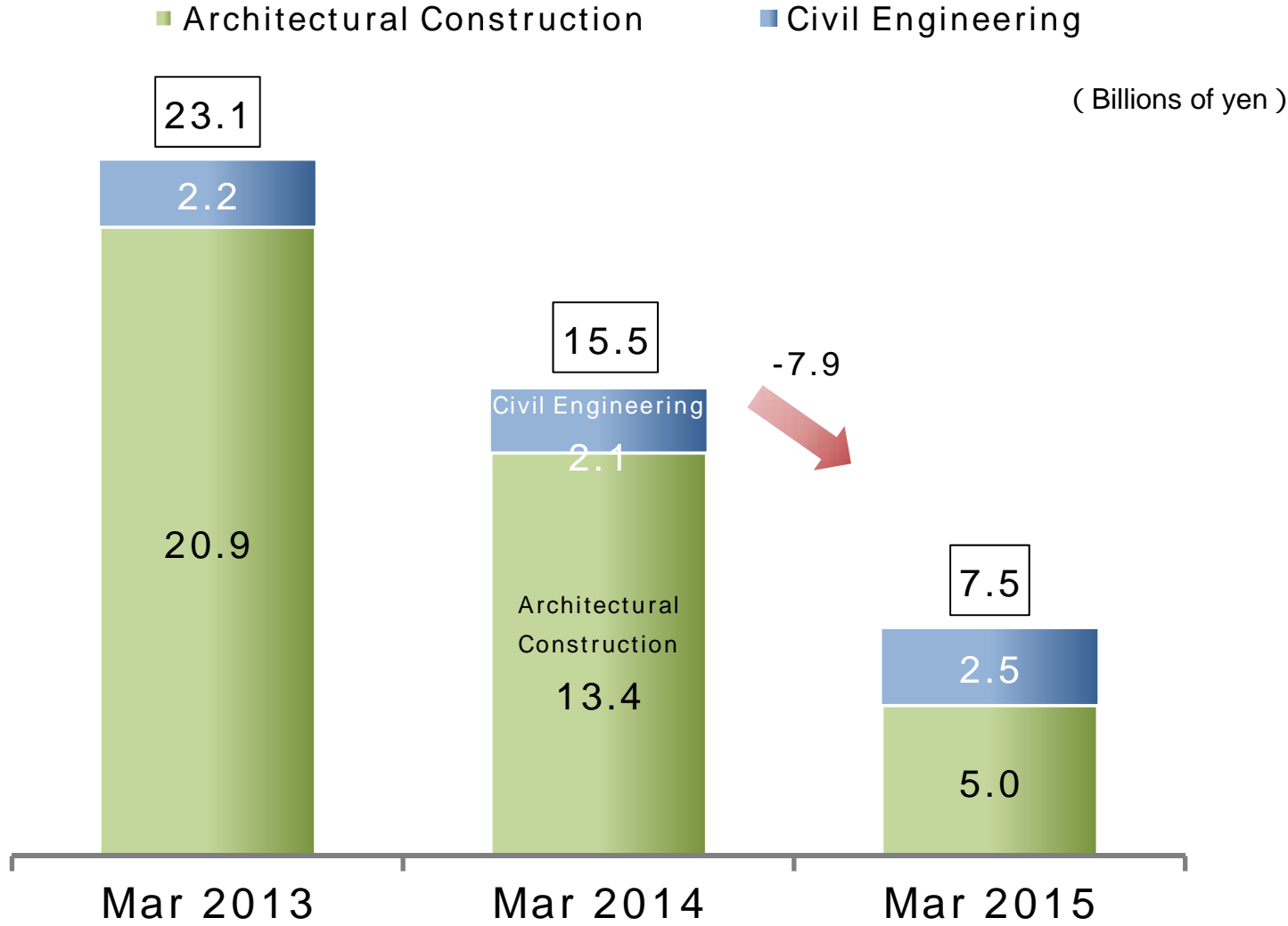
# (Consolidated) Change in Interest-Bearing Liabilities



<b>D/E Ratio</b>	0.59x	0.48x	0.37x
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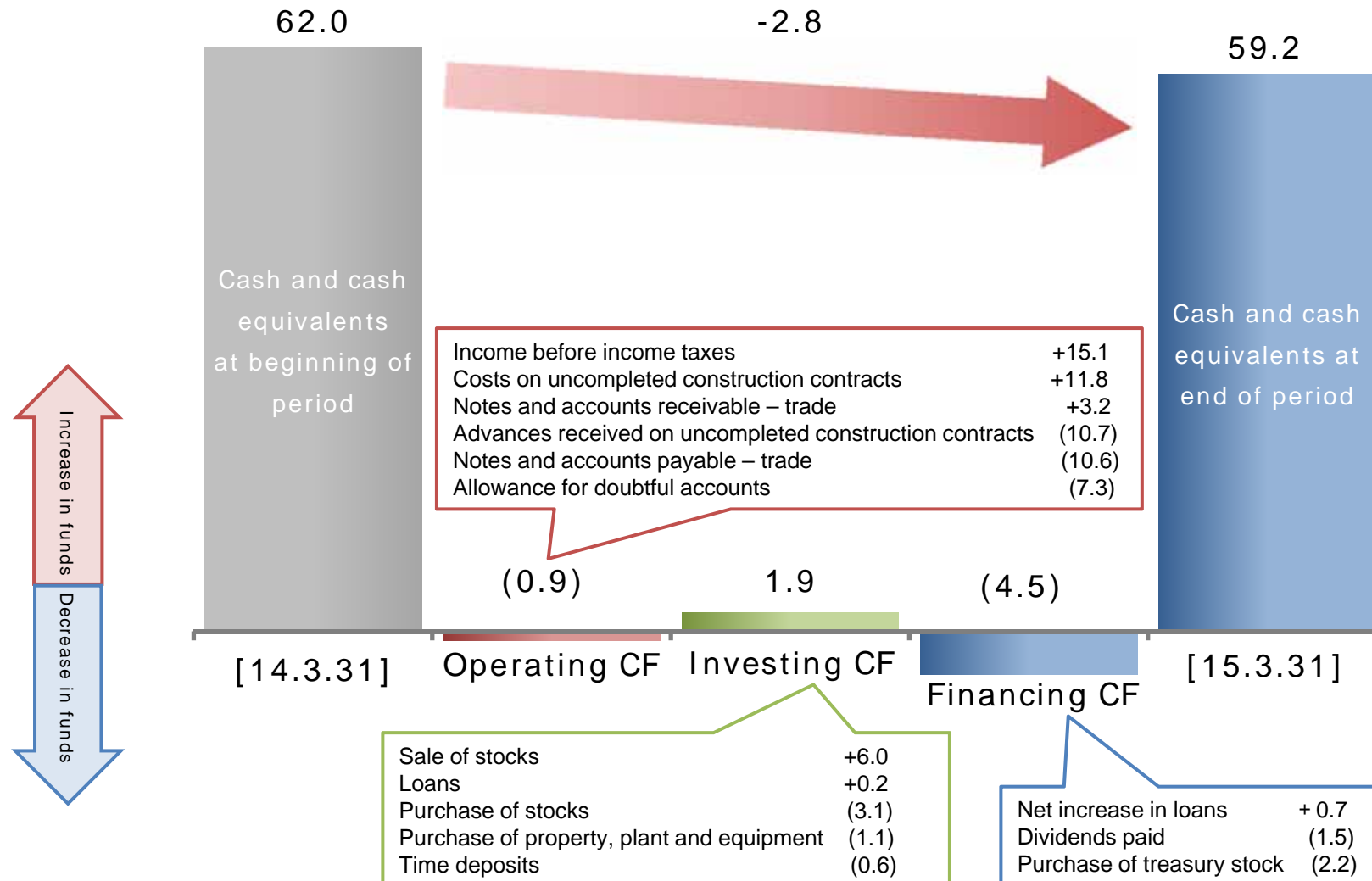
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# (Consolidated) Change in Provision for Loss on Construction Contracts



# (Consolidated) Statement of Cash Flow

(Billions of yen)



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

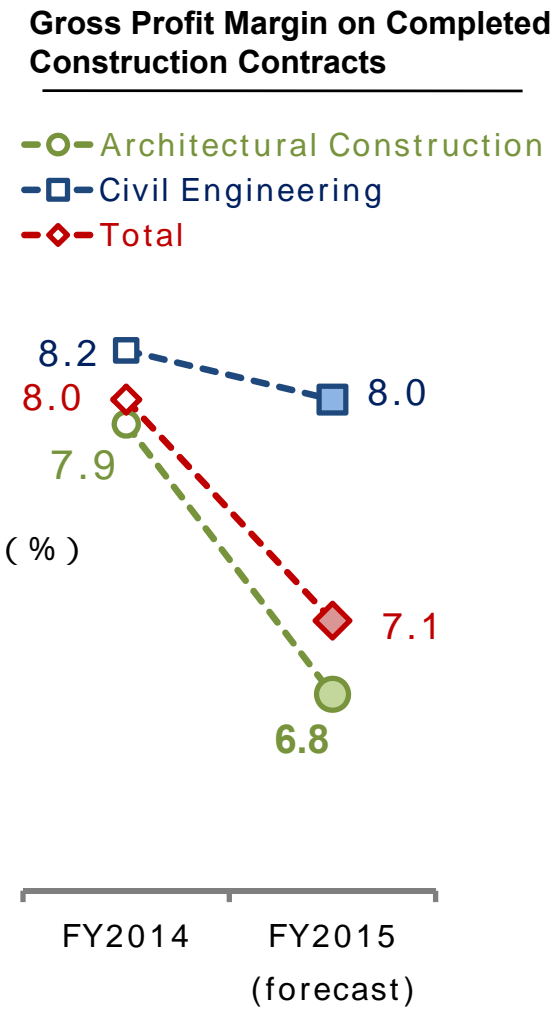
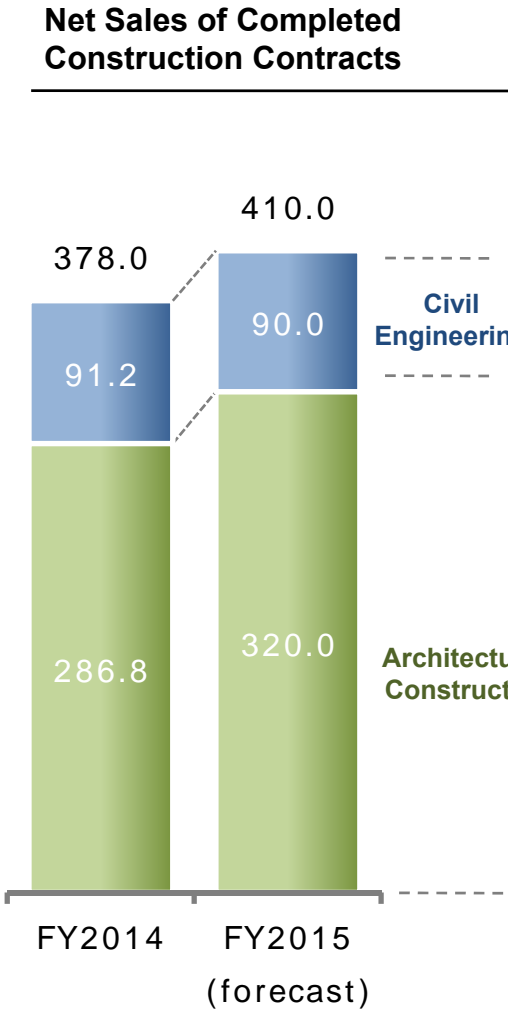
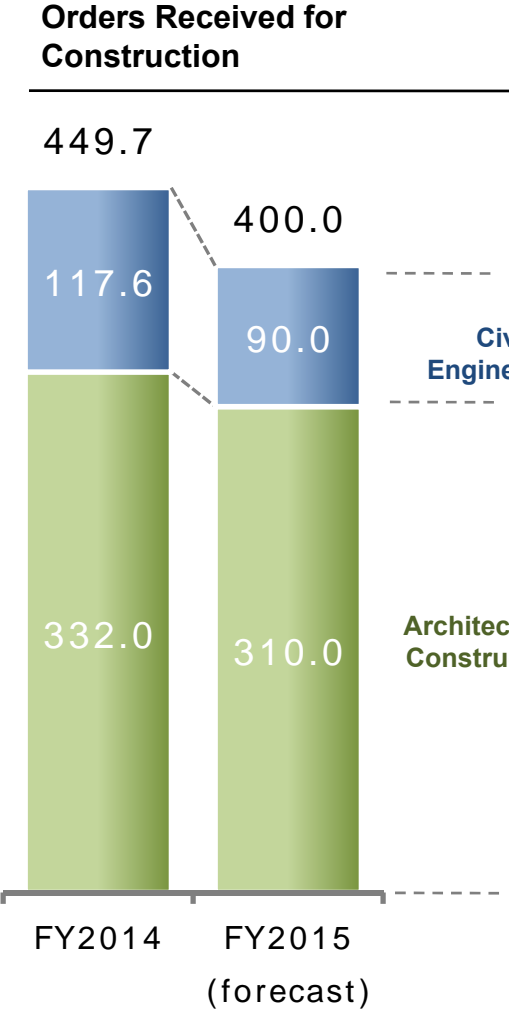


## Forecasts for FY2015 (Year Ending March 31, 2016)

(Billions of yen)	FY2014	FY2015		
		Forecasts	Change (year on year)	
<b>Consolidated net sales</b>	<b>420.3</b>	<b>451.0</b>	<b>7.3%</b>	<b>30.6</b>
<b>Operating income</b>	<b>12.9</b>	<b>10.0</b>	<b>-23.0%</b>	<b>-2.9</b>
<b>Ordinary income</b>	<b>14.8</b>	<b>11.6</b>	<b>-21.7%</b>	<b>-3.2</b>
<b>Net income</b>	<b>14.0</b>	<b>10.1</b>	<b>-28.0%</b>	<b>-3.9</b>
<b>Orders received (Non-consolidated)</b>	<b>449.7</b>	<b>400.0</b>	<b>-11.1%</b>	<b>-49.7</b>

# (Non-consolidated) Forecasts for the Construction Business

(Billions of yen)



## Non-consolidated Forecasts for FY2015

	Amount ( billions of yen )	Profitability ( % )
<b>Net sales</b>	<b>417.0</b>	
<b>Gross profit</b>	<b>30.7</b>	<b>7.4</b>
<b>Profits in the construction business</b>	<b>29.0</b>	<b>7.1</b>
<b>[Architectural construction]</b>	<b>[21.8]</b>	<b>[6.8]</b>
<b>[Civil engineering]</b>	<b>[7.2]</b>	<b>[8.0]</b>
<b>Profits in the real estate business</b>	<b>1.7</b>	<b>24.3</b>
<b>Selling, general and administrative expenses</b>	<b>21.5</b>	
<b>Operating income</b>	<b>9.2</b>	<b>2.2</b>
<b>Ordinary income</b>	<b>10.7</b>	<b>2.6</b>
<b>Extraordinary income</b>	<b>0</b>	
<b>Net income</b>	<b>9.5</b>	<b>2.3</b>



## **2 . Medium-term Management Plan 2017**



President Masanori Imai

# Focus of Medium-term Management Plan 2017

- **Break away from conventional concepts and create new value and systems -**

## **No.1 in Productivity**

**Establish the highest level of productivity in the general construction sector**

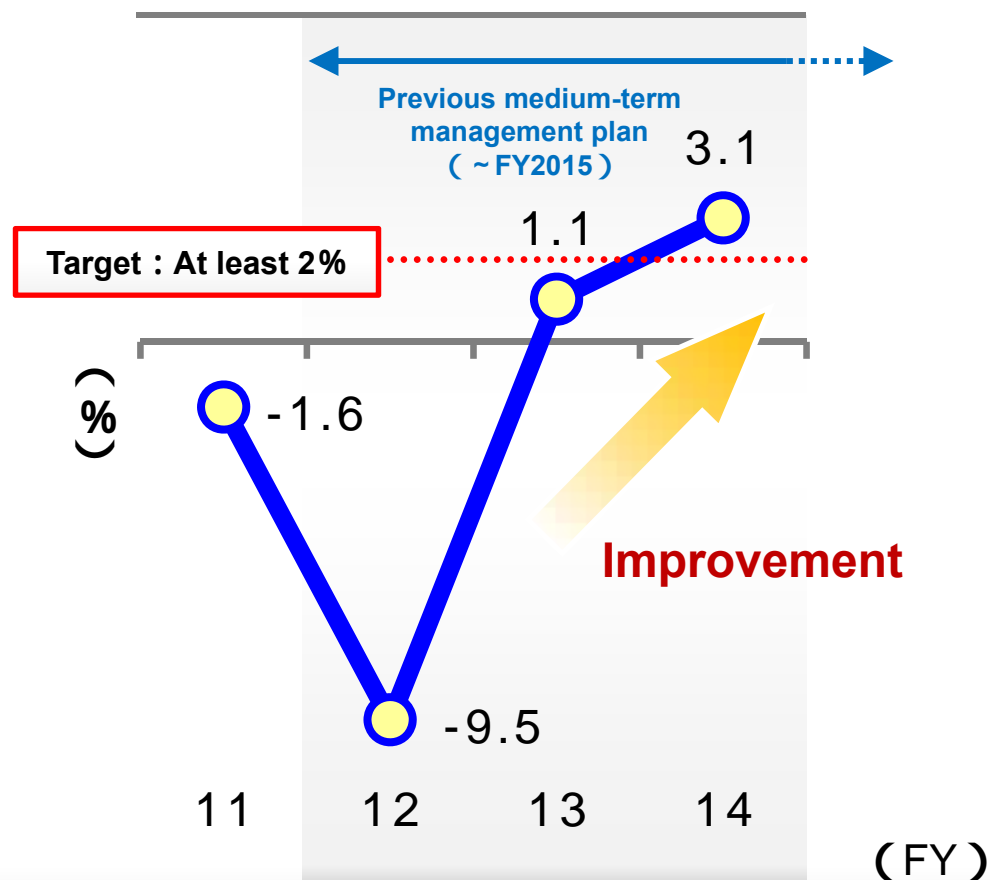
## **Foundation for Growth**

**Pursue synergies between business domain expansion and construction**

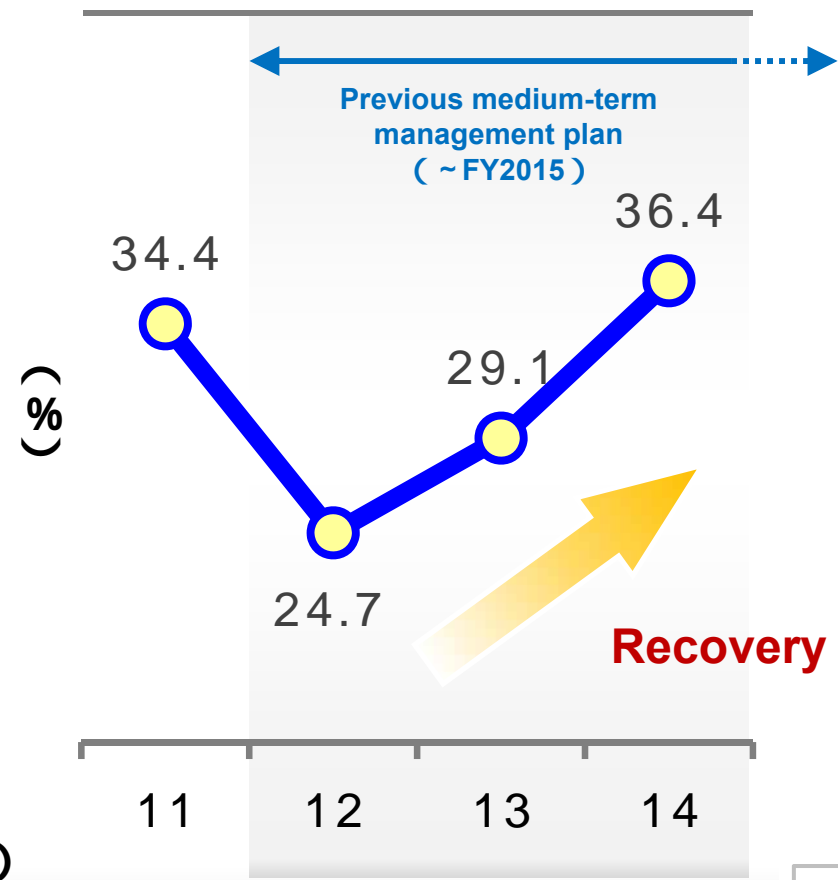
# Recap of Previous Medium-term Management Plan

**Achieve performance targets 1 year ahead of schedule and a recovery of financial soundness**

## Operating Income Ratio



## Equity Ratio



# Recap of Previous Medium-term Management Plan

## Responsibility/promotion framework aimed at resolving issues

<b>FY 2013</b>	<p><b>Value Creation Promotion Office</b> &lt;&lt;</p> <ul style="list-style-type: none"><li>• Create Toda Corp.'s own value</li><li>• Reform operations and rebuild ICT</li></ul> <p><b>Group Control Office</b> &lt;&lt;</p> <ul style="list-style-type: none"><li>• Provide value to customers through the construction lifecycle</li></ul> <p><b>Overseas Business Division</b> &lt;&lt;</p> <ul style="list-style-type: none"><li>• Undertake challenges in overseas markets which continue to grow</li></ul>
<b>FY 2014</b>	<p><b>Investment &amp; Development Project Office</b> &lt;&lt;</p> <ul style="list-style-type: none"><li>• Expand business domain with an eye to the future</li><li>• Try for large civil engineering projects</li></ul> <p><b>Metropolitan Area Civil Engineering Branch</b> &lt;&lt;</p> <ul style="list-style-type: none"><li>• Additional success in the Civil Engineering segment</li></ul>

The period is the period of consideration and decision-making

# Recognition of Environment

## The start line towards new challenges, from regeneration to growth

### Market / Industry

- Over the medium term, expect solid domestic construction investment, centered in cities.
- Due to the declining population, fiscal constraints, etc., it is difficult to foresee long-term investment growth.
- In the construction industry, which is a labor-intensive industry, boosting productivity is a pressing issue.

### Toda Corporation

- Achieved performance target of the previous medium-term management plan (operating income ratio of at least 2%) ahead of schedule.
- Completed structural reforms for pursuing growth strategy.
- Formulated the Toda Corporation Group global vision, creating a shared vision for future.

# Significance and Direction of Management Plan

## Phase I aimed at actualizing the global vision



- Pursue productivity improvements by rebuilding production systems and work flow.
- Expand business domain with an eye to the future.
- Diversify personnel and values, thereby building a new corporate culture.

# FY2017 Group Performance Targets

(Billions of yen)

	FY2014 Actuals	FY2015 Forecasts	FY2017 Targets
<b>Consolidated net sales</b>	<b>420.3</b>	<b>451.0</b>	<b>480.0</b>
Architectural Construction (Japan)	<b>286.7</b>	<b>318.6</b>	<b>330.0</b>
Civil engineering (Japan)	<b>91.1</b>	<b>88.5</b>	<b>97.5</b>
Investment & Development	<b>5.7</b>	<b>7.0</b>	<b>5.0</b>
Overseas	<b>21.0</b>	<b>19.7</b>	<b>25.0</b>
Domestic group companies	<b>33.1</b>	<b>36.0</b>	<b>40.0</b>
Consolidated eliminations	<b>-17.5</b>	<b>-18.8</b>	<b>-17.5</b>
<b>Operating income</b>	<b>12.9</b>	<b>10.0</b>	<b>17.0</b>
<b>Operating income ratio</b>	<b>3.1%</b>	<b>2.2%</b>	<b>3.5%</b>
<b>Labor productivity</b> Non-consolidated, (yen)	<b>11,540,000</b>	<b>11,200,000</b>	<b>13,000,000</b>

Labor productivity = Amount of value added ( Operating income + Total personnel costs) / Number of employees ( average during fiscal year, including non-permanent employees, etc.)

# Profit Targets by Business

(Billions of yen, [%])

	FY2014 Actuals		FY2015 Forecasts		FY2017 Targets		Long-term Targets
<b>Operating income</b>	<b>12.9</b>	<b>[100]</b>	<b>10.0</b>	<b>[100]</b>	<b>17.0</b>	<b>[100]</b>	<b>[100]</b>
Architectural Construction (Japan)	8.9	[69.3]	7.3	[73.0]	11.5	[67.6]	[50.0]
Civil engineering (Japan)	3.0	[23.3]	2.4	[24.0]	3.6	[21.2]	[15.0]
Investment & Development	0.6	[5.3]	0.4	[4.0]	0.5	[2.9]	[15.0]
Overseas	-0.3	[-2.5]	-0.8	[-8.0]	0.7	[4.1]	[10.0]
Domestic group companies	0.8	[6.7]	0.7	[7.0]	0.7	[4.1]	[10.0]
Consolidated eliminations	-0.2	[-2.0]	0.0	[0.0]	-	[ - ]	[ - ]

Figures in brackets are percentages of total

Long-term targets represent management vision for 2021 and beyond



# Shareholder Returns, etc.

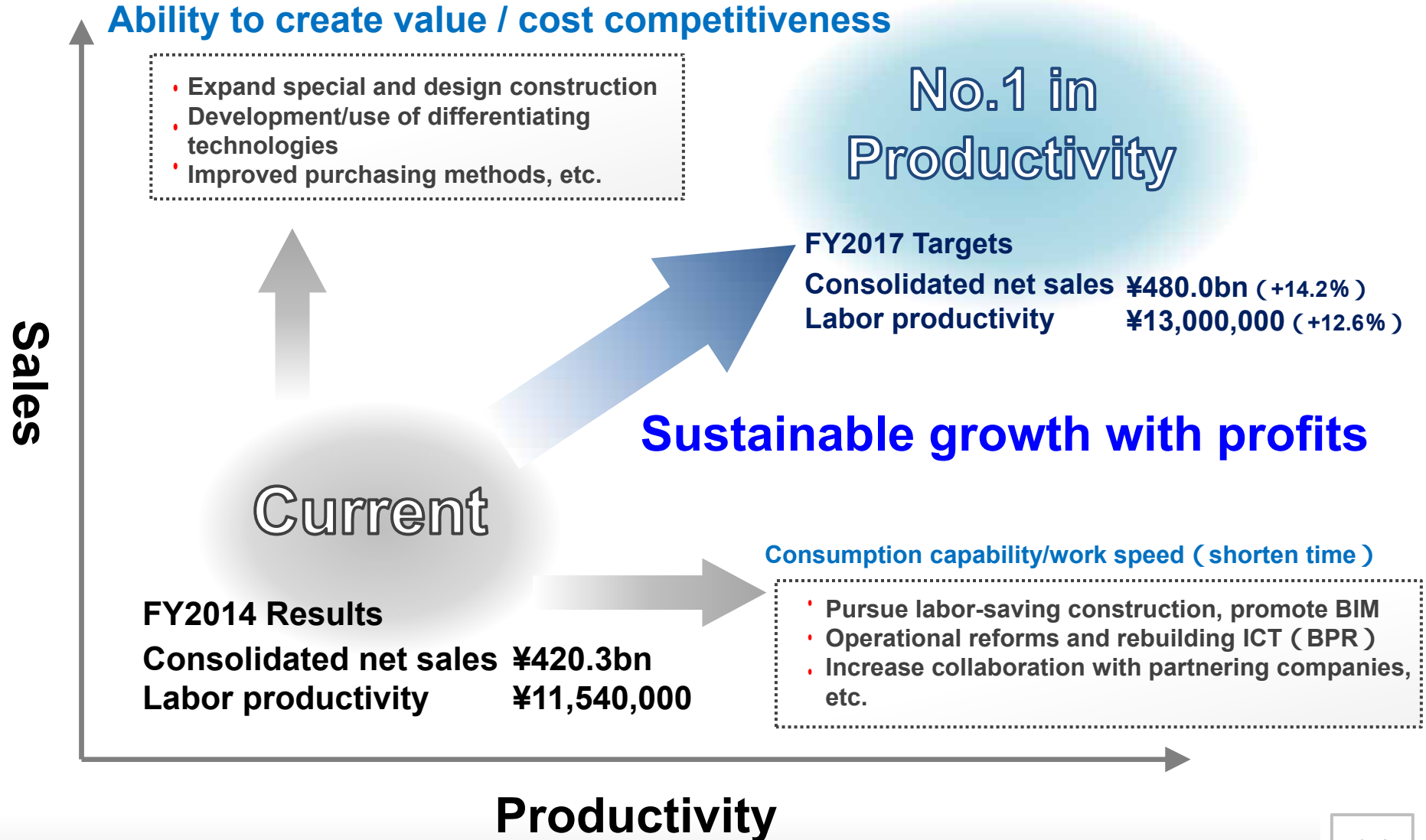
Labor productivity × Number of employees	Value-added amount	Total amount of personnel costs		Employees	
		Operating income	Non-operating income (loss)	Creditors, etc.	
			Extraordinary income (loss)	—	
			Income taxes	Society	
		Net income	Dividend	Shareholders	20 ~ 30%
			Surplus, etc.	(Shareholders)	80 ~ 70%

**Payout ratio (/Net income)**

Equity ratio consistently at least 35%

Based on the above policy, dividends will be determined taking continuity and stability into consideration

# No.1 in Productivity



# Foundation for Growth

## Investment & Development

- Effective use of company-owned real estate ( machinery and equipment center, etc.)
- Headquarters building reconstruction project
- New business investment ( healthcare, agriculture, environment/energy, etc. )

**Full-fledged investment from FY2017**

## Overseas

- Revise local subsidiaries, expand regions in which we do business
- Development business ( environment business, smart cities, etc.

**Net Sales ( Target )**

**FY17 ¥25.0bn, FY20 ¥40.0bn**

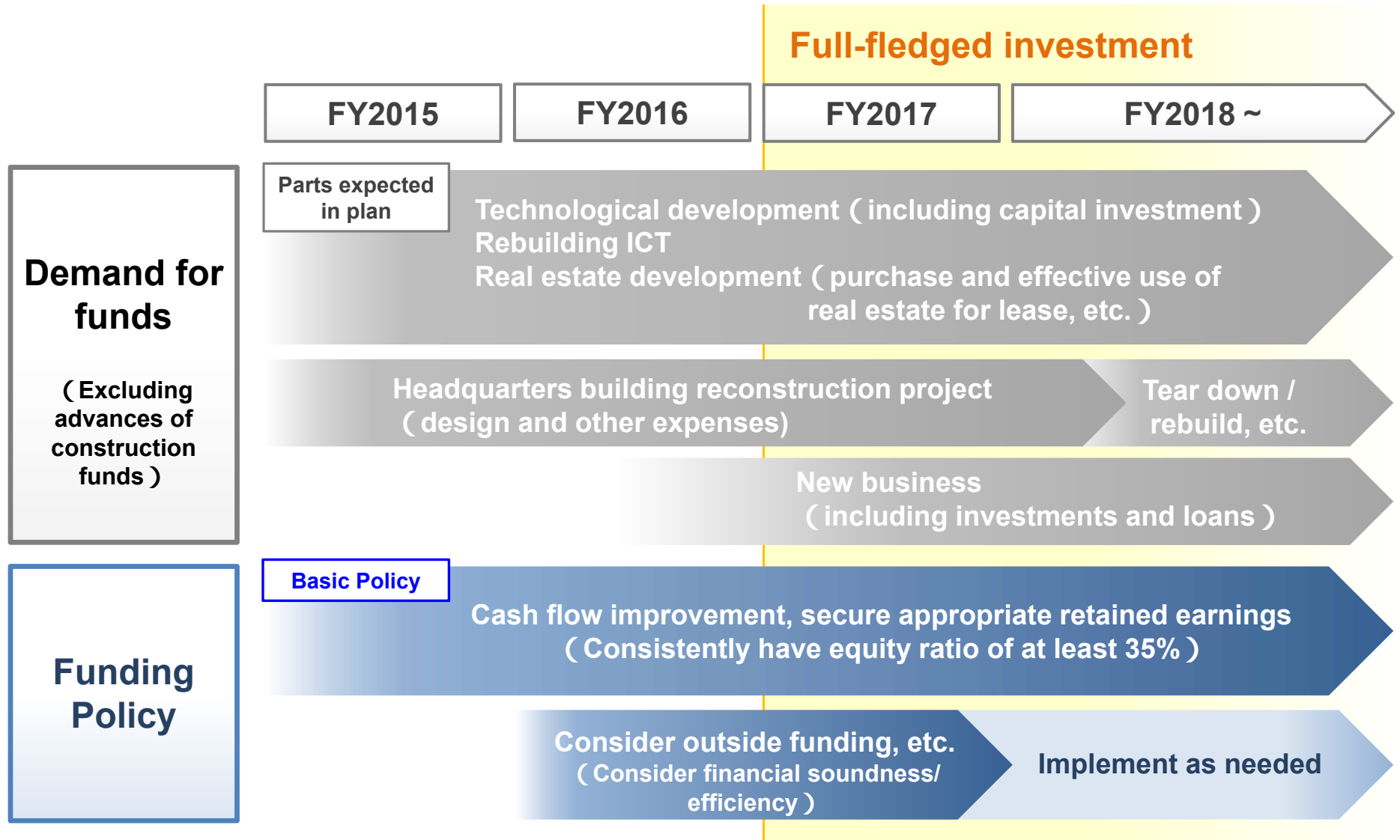
## Domestic Group Companies

- Secure core customers by bolstering Group teamwork
- Enhance framework targeting renovation demand

**Net Sales ( Target )**

**FY17 ¥40.0bn, FY20 ¥45.0bn**

# Response to Investment Demand



The amount and the timing of investments for the headquarters building reconstruction and new businesses are currently still undecided.

## Management Strategy Roadmap (FY2015~FY2020)

Basic Recognition: Become a company that changes the "joy" of customers, employees, related parties, and overall society into confidence and pride, and achieve continual growth.

Tokyo Olympics 140th Anniversary of founding

		Phase I			Phase II			Phase III		
		FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Business Environment (Assumptions)		Solid construction investment, tightening labor situation			Hosing of Tokyo Olympics, construction investment (real) will peak out			Return to an era of intensifying competition		
Consolidated performance targets		Net sales Operating income (ratio)			¥480 bn ¥17 bn	3.5%		Pursue additional growth Stable operating income ratio of at least 3%		
Positioning / Vision [ Targets to achieve ]		Break away from conventional concepts and			No.1 in Productivity Foundation for Growth [Labor productivity: ¥13mil]			Continue and deepen reforms		
					No. 1 in toughness Establish new business model [ROE boost ※8% in long term]			A corporate group that makes Your success possible		
Business Development	1-1. Core Businesses Architectural Construction and Civil Engineering	Value for customer	Special/design construction, take lump orders for maintenance and management, promote			Expand core orders by boosting customer satisfaction			Stable earnings base through value creation and productivity improvement	
		Boost productivity	Initiatives to boost productivity ※Production systems, operational reforms,			Promote the movement and diversification of personnel, reassignment to high profit,				
		Production systems	Collaborate with partnering companies and businesses, establish technological innovation,			Continue to innovate				
		Social innovation	Initiatives for Tokyo Olympics, urban redevelopment, social infrastructure (mega-regions), compact cities, global offshore wind turbine generator, etc.			Challenges towards near future technologies				
	Business domain	Investments in healthcare, agriculture, environment/energy fields, etc.			Promote high value-added (= high profits) model					
		Pursue in-house venture businesses, expand and utilize intellectual property								
	1-2. Strategic Businesses	Investment & Development	Investments in new businesses, promote M&A strategy ※Link with business domain expansion			Effective use of company-owned real estate (workshops, etc.), headquarters building reconstruction				
		Group companies	Bolster/revise existing businesses, promote Group teamwork, enhance renovation			Create and enhance new Group value				
		Overseas	Reorganize local subsidiaries, expand the scope of countries in which we do business, civil			Join development projects in emerging countries				
	2-1. People	Labor environment	Promote health management (Healthy and exciting working style)			Establish a TODA global work style (Diverse working styles and appropriate treatment)				A management base full of vitality that supports agile
Diversity		Develop and add female managers, apply benefit systems to non-Japanese								
Personnel development		Foster employees who take initiative on their own, revise evaluation system and career			Establish tough and resilient organization by having valuable employees					
2-2. Assets / Money	Cash flow	Generate free cash flow, improve credit rating			Boost asset/capital efficiency, implement funding policy (outside)					
	Operational reforms / ICT	Revision and standardization of work flow			Establish perpetual operational reforms as a part of the corporate culture					
Rebuild internal information system			Further improvements to convenience, productivity, and risk/crisis management through							
2-3. Information										

# Reference : Business Domains and Scope of Financial Results

