



# TODA Corporate Report 2016

Year ended March 31, 2016



# 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.

Reinvest in business

## Recognition of business risks and social issues

We strive to keep an accurate grasp on a variety of different business risks and social issues, and take them into consideration in pursuing our business activities.

### Main business risks

- Investment in construction, prices, and other trends
- Construction risk, etc.
- Supplier credit risk
- Legal and compliance risks
- Disaster risk
- Country risk

### Main social issues

- Global environmental problems (Disposal of waste material generated during construction, dust, noise, vibration, etc.)
- Energy saving and CO<sub>2</sub> reduction in the project construction and operation stages
- Disaster management (seismic isolation, vibration control, earthquake resistance technology, reconstruction assistance in disaster areas, etc.)
- Construction of social infrastructure that people can use with a sense of security

## Main capital invested Strategy

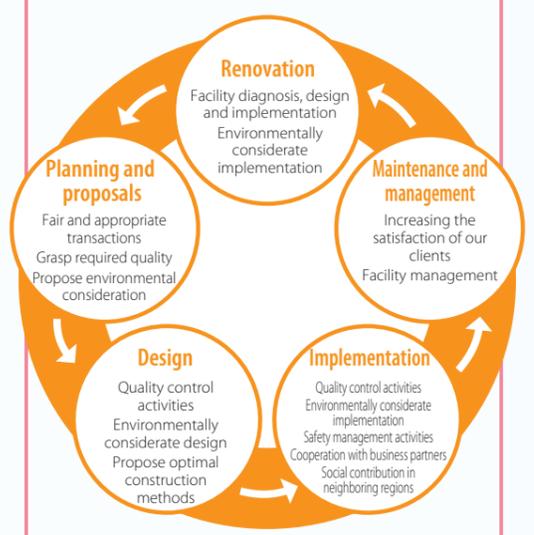
Toda engages in business activities with a diversity of capital (resources) allocated strategically and appropriately.

- Financial capital**  
Funds from shareholders and investors, financing from financial institutions, etc.
- Manufacturing capital**  
Manufacturing facilities and various infrastructure, bases, etc.
- Intellectual capital**  
Intellectual property, know-how, related technology and other such resources that provide the foundation for creating safe and comfortable social infrastructure
- Human capital**  
The highly developed motivation of directors and employees founded on our corporate philosophy, expertise, skills, etc.
- Social capital**  
The trust of our clients and our strong relationships with suppliers and other stakeholders
- Natural capital**  
Natural resources such as water, air and earth; the energy resources used in production, etc.

Value creation strategy

## Value creation activities [Business activities]

We implement business activities in accordance with the priority measures given in the Medium-Term Management Plan. By engaging in dialogue with stakeholders, we grasp needs and expectations regarding buildings that are becoming more diverse and more complex, and we offer solutions for the entire range of the construction lifecycle.



## Contribute to society through construction

We share the value created through our business activities with stakeholders and also reinvest it in future business. In this way we will realize sustainable growth.

- Provide value to stakeholders**  
Result of business activities
- To our clients**
    - We provide high-quality structures and services
    - We support business continuity in times of disaster
    - We develop infrastructure with safety and a sense of security
  - To our shareholders and investors**
    - We disclose appropriate information
    - We return profits equitably
    - We maintain and enhance corporate value
  - To our business partners**
    - We conduct fair and appropriate transactions
    - We form partnerships
    - We pursue thoroughgoing safety and sanitation management
  - To local communities**
    - We contribute to local communities
    - We support neighboring areas in times of disaster
  - To the global environment**
    - We seek to prevent global warming
    - We conserve resources and ecosystems
  - To our employees**
    - We provide employment and skill development
    - We offer worthwhile work

## Increase in Toda Group corporate value

	Fiscal 2016 forecast	Fiscal 2017 target
Consolidated net sales	445 billion yen	480 billion yen
Consolidated operating income	18.5 billion yen	20 billion yen

## 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.

## Foundation for business activities

Taking the corporate philosophy, corporate governance, and other such statements of principle as the foundation for Toda business activities, we are moving forward with value-creating activities that we apply in earning further trust.

- TODA CORPORATION corporate philosophy**  
Management Policy  
Charter of Corporate Behavior and the President's Precepts for the Field  
CSR Policy
- Credibility earned with a history of 135 years**
- Base for value creation**  
Corporate governance  
CSR management  
Compliance and related matters
- Dialogue with stakeholders**

An accumulation of credibility

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# Financial and Non-Financial Highlights: Key performance indicators

## Toda Corporation and Consolidated Subsidiaries—Fiscal year

Data on economic aspect (consolidated)	Millions of yen					Thousands of U.S. dollars (Note)
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2015
<b>Consolidated</b>						
Net sales <a href="#">Graph</a>	489,385	497,048	448,987	420,324	<b>492,621</b>	<b>4,371,864</b>
Ordinary income (loss) <a href="#">Graph</a>	(6,690)	(45,581)	6,584	14,813	<b>23,723</b>	<b>210,539</b>
Profit (loss) for the year attributable to owners of the parent <a href="#">Graph</a>	(19,872)	(65,285)	10,228	14,026	<b>20,039</b>	<b>177,844</b>
Comprehensive income (loss)	(17,167)	(41,516)	16,874	46,192	<b>(3,381)</b>	<b>(30,011)</b>
Total net assets <a href="#">Graph</a>	171,537	128,095	141,880	182,988	<b>177,417</b>	<b>1,574,529</b>
Total assets <a href="#">Graph</a>	487,160	500,199	473,510	495,442	<b>548,711</b>	<b>4,869,642</b>
Per share of common stock (in yen and U.S. dollars):						
Net assets	537.53	397.18	443.32	587.83	<b>569.92</b>	<b>5.057</b>
Profit (loss) for the year attributable to owners of the parent	(64.28)	(209.70)	32.87	45.42	<b>65.25</b>	<b>0.579</b>
Cash dividends applicable to the year	6.00	5.00	5.00	7.00	<b>10.00</b>	<b>0.088</b>
Net cash provided by (used in) operating activities	(48)	(17,757)	12,171	(947)	<b>(8,863)</b>	<b>(78,659)</b>
Net cash provided by (used in) investing activities	(7,837)	(445)	11,441	1,982	<b>(6,099)</b>	<b>(54,130)</b>
Net cash provided by (used in) financing activities	(1,557)	13,834	(10,248)	(4,576)	<b>11,148</b>	<b>98,937</b>
Cash and cash equivalents at end of period	52,024	48,015	62,061	59,245	<b>54,650</b>	<b>485,007</b>
<b>Non-Consolidated</b>						
Orders received <a href="#">Graph</a>	411,691	346,775	462,626	455,516	<b>420,769</b>	<b>3,734,200</b>

Note: The rate of ¥112.68=US\$1.00, the foreign exchange rate on March 31, 2016, has been used for translation.

## Data on social and environmental aspects (non-consolidated)

	Units	FY2011	FY2012	FY2013	FY2014	FY2015
Number of employees (consolidated)	(Persons)	5,101	5,091	4,912	4,817	<b>4,742</b>
Number of employees	(Persons)	4,072	4,028	3,918	3,861	<b>3,823</b>
Men	(Persons)	3,617	3,570	3,468	3,397	<b>3,364</b>
Women	(Persons)	455	458	450	464	<b>459</b>
Average age	(Years)	44.8	44.9	44.6	44.9	<b>45.0</b>
Average years of continuous employment	(Years)	20.3	20.4	20.1	20.1	<b>20.2</b>
Occupational accident frequency <a href="#">Graph</a>	(Frequency)	0.92	1.02	1.17	1.26	<b>0.56</b>
Number of occupational accidents resulting in four or more days' absence from work	(Accidents)	43 (3)	52 (1)	46 (4)	43 (1)	<b>20 (1)</b>
<small>Figures in parentheses ( ) indicate number of accidents involving fatalities</small>						
CO <sub>2</sub> emissions (workplace) <a href="#">Graph</a>	(t-CO <sub>2</sub> )	87,862	89,249	73,185	76,709	<b>74,510</b>
SCOPE 1 <sup>*2</sup>	(t-CO <sub>2</sub> )	66,701	70,302	55,366	57,292	<b>52,336</b>
SCOPE 2 <sup>*3</sup>	(t-CO <sub>2</sub> )	23,798	21,146	20,877	19,417	<b>25,504</b>
SCOPE 3 <sup>*4</sup>	(t-CO <sub>2</sub> )	-	9,615,865	7,921,923	13,860,683	<b>10,597,058</b>
CO <sub>2</sub> emissions basic unit (workplace) <a href="#">Graph</a>	(t-CO <sub>2</sub> /100 million yen)	19.6	19.7	18.3	20.3	<b>16.4</b>
Construction waste generated <a href="#">Graph</a>	(10,000 t)	66.3	77.1	78.8	70.8	<b>66.6</b>
Percentage of construction waste disposed of as landfill <a href="#">Graph</a>	(%)	4.2	6.9	5.1	6.7	<b>5.0</b>

\*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.

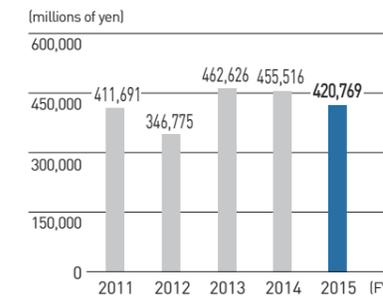
\*3 Scope 2: Greenhouse gases that are indirect emissions resulting from energy use for corporate activity.

\*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.

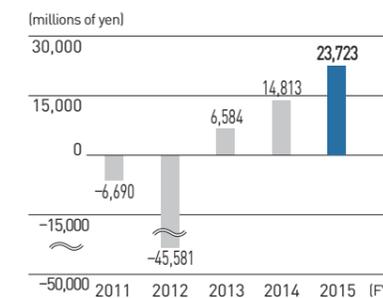
## Toda Corporation and Consolidated Subsidiaries—Fiscal year

### Orders received (non-consolidated)



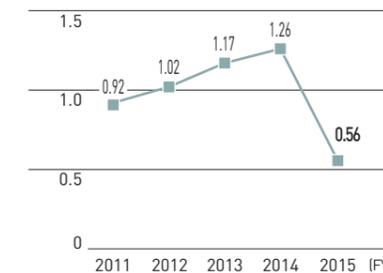
Thoroughgoing concentration on profitability-oriented construction orders, even in a business climate that was favorable in terms of orders received, brought year on year decreases of 6.9% in building construction and 11.9% in civil engineering construction. Results like these, combined with the real estate business, yielded a 7.6% decrease for a total of 420.7 billion yen (a decrease of 34.7 billion yen).

### Ordinary income (loss)



The increase in sales and the significant improvement in construction profitability yielded a 60.1% increase year on year to 23.7 billion yen (an increase of 8.9 billion yen).

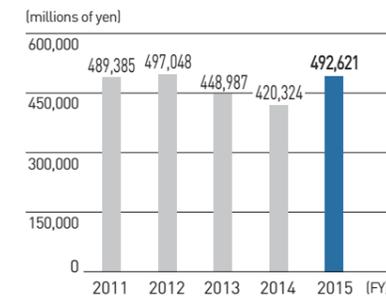
### Occupational accident frequency



An organizational reform of safety management was carried out in fiscal 2015, and the Administrative Group, Construction Group, and Civil Engineering Group were each integrated into single organizations. As a result, there was a decrease in the number of occupational accidents resulting in four or more days' absence from work, and accident frequency improved to 0.56.

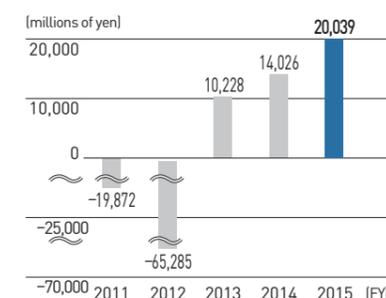
The frequency target for fiscal 2016 has been set to under 0.4, with the aim of having the top safety in the construction industry. For that purpose, we are striving to heighten the safety awareness and knowledge of each individual member. Taking respect for human life as the basic principle, we will continue to press forward with activities to prevent fatal accidents from occurring.

### Net sales



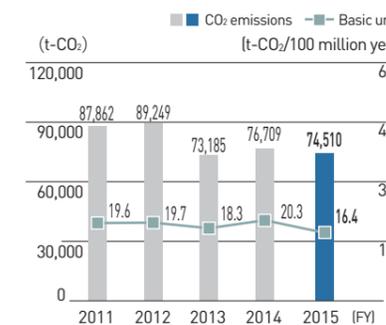
Growth in private sector building construction expanded significantly over the previous year, greatly exceeding the decrease in overseas construction, which experienced a harsh business climate. Total sales showed a 17.2% increase year on year to 492.6 billion yen (an increase of 72.2 billion yen).

### Profit (loss) for the year attributable to owners of the parent



As a result of steadily growing profit from construction, we recorded a 42.9% increase year on year to 20.0 billion yen (an increase of 6.0 billion yen).

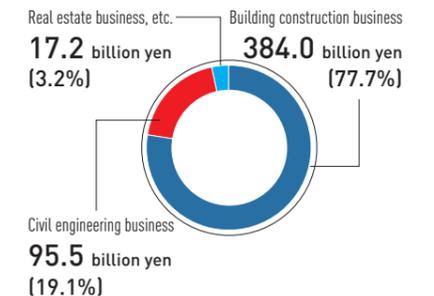
### CO<sub>2</sub> emissions / Basic unit (workplace)



Both CO<sub>2</sub> emissions and CO<sub>2</sub> emissions basic unit in fiscal 2015 are lower than in the previous fiscal year. The fact that both figures declined in building construction was a major factor in this. The reason for it is that excavations of soil for large-scale building construction projects had ended the previous fiscal year, so that many projects in fiscal 2015 were at the stage of building frame construction and finishing work, which emits less CO<sub>2</sub>.

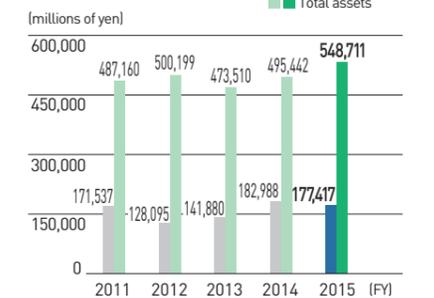
In fiscal 2016, there will be an increase in excavation work for large-scale construction projects. Therefore, the CO<sub>2</sub> basic unit is expected to increase over fiscal 2015.

## Sales by business and as percentage of total sales



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 civil engineering construction and real estate businesses.

### Total net assets/Total assets



Although there was growth in net income, total net assets were influenced by the current price of shareholdings to show a decrease of 3.0% year on year to 177.4 billion yen (a decrease of 5.5 billion yen). Total net assets were buoyed by vigorous business activity in construction and showed a 10.7% increase year on year to 548.7 billion yen.

### Construction waste generated/ Percentage disposed of as landfill



The amount of waste generated and the amount disposed of as landfill both diminished. In the case of waste generated, one factor was the decrease in the amount generated by civil engineering construction. For the amount disposed of as landfill, the result was influenced by the overall progress made in recycling.

The figures for amount of waste generated and percentage disposed of as landfill are determined by the amount of construction done and the amount of concrete debris generated (the amount of demolition work done) in that fiscal year. We will continue making every effort to limit the amounts generated and to sort the waste more thoroughly so that we can maintain the levels from fiscal 2015.

# Unceasing business reform to become a company that grows sustainably



## Fiscal 2015 outlook and status of management plan progress

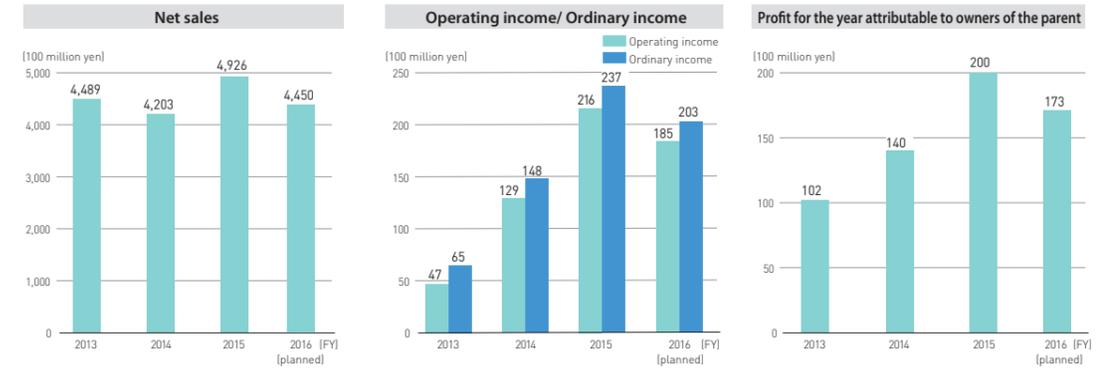
### Significant improvement in fiscal 2015 performance

While the business climate in Japan in fiscal 2015 was affected by growing concern about slowing growth in the developing countries and other economic downturns, employment and corporate earnings tended to remain rock solid so that moderate growth has continued. The construction industry has seen public sector construction turn downward, but at the same time, private sector construction orders have remained firm, especially in the manufacturing industry. Overall, therefore, levels have stayed on a par with the previous fiscal year.

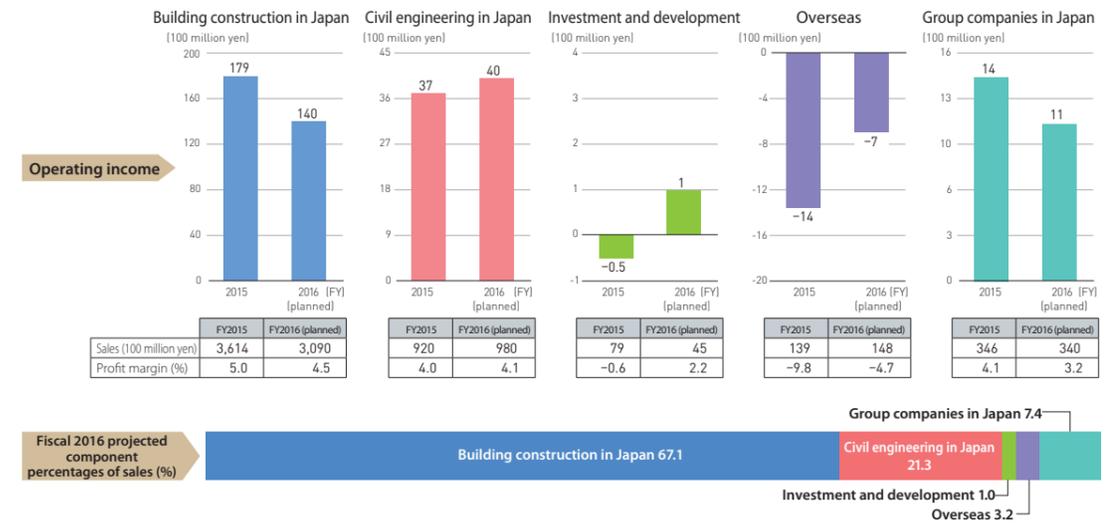
Under these circumstances, consolidated results for the Toda Group have been as follows. Largely because of an increase in construction completion in our company, sales reached 492.6 billion yen (17.2% increase year on year). In terms of operating income and loss, thoroughgoing implementation of a policy to focus on profitability in the construction business, which is our main business, 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 9.7%, a year on year increase of 1.1 points, and gross profit on sales rose to 47.8 billion yen (year on year increase of 32.4%). Meanwhile, selling, general, and administrative expenses rose to 26.1 billion yen, a year on year increase of 13.2%, so that operating income reached 21.6 billion yen (year on year increase of 66.7%). Under ordinary income and loss, factors including interest income and dividend income from investment securities brought ordinary income to 23.7 billion yen (year on year increase of 60.1%). Regarding net income belonging to shareholders of the parent company, an impairment loss of 1.2 billion yen and other extraordinary losses resulted in a figure of 20.0 billion yen (year on year increase of 42.9%).

Toda Group plans for fiscal 2016 results call for consolidated sales of 445.0 billion yen (year on year decrease of 9.7%), operating income of 18.5 billion yen (year on year decrease of 14.5%), ordinary income of 20.3 billion yen (year on year decrease of 14.4%), and net income belonging to parent company shareholders of 17.3 billion yen (year on year decrease of 13.7%).

## Financial Highlights - Toda Corporation and Consolidated Subsidiaries



## Performance by business (fiscal 2015 results and fiscal 2016 planned)



## Status of management plan progress: Resetting fiscal 2017 performance targets toward sustainable growth

For the coming construction market, increasing construction investment looking ahead to the Tokyo Olympics and Paralympics to be held in 2020 is anticipated. Meanwhile, there are also concerns about rising construction costs and related issues due to the uncertain outlook for private-sector industry and resurgence of the labor crunch and other such factors.

The Toda Group will address these circumstances by aiming to epitomize "a corporate group that makes your success possible" as declared in the Toda Group Global Vision. The entire Group is joining together to act as one for this initiative.

What we are aiming for is growth for the Toda Group at the same time that we pursue prosperity for our stakeholders as a whole. This includes customers, shareholders, investors, business partners, local communities, the global environment, Toda employees, and others.

Toda positions the Medium-Term Management Plan 2017, which is currently under way, as Phase I leading to realization of this global vision. We are pursuing implementation with achieving "No. 1 in productivity" and realizing a "Foundation for Growth" as key directions. In fiscal 2015, which is the initial fiscal year of the plan, we have succeeded not only in improving profits from the construction business, but also in achieving ahead of schedule the indicators that we initially declared as performance targets for fiscal 2017. The "No.

1 in productivity" Promotion Committee that we established in July 2015 has made progress in conducting measures that cut across sectors, and labor productivity (the amount of added value per employee) rose to 14.55 million yen (previous period 11.54 million yen). On the other hand, there is still room for improvement in the speed and volume of operations that can be handled, and we are aware that continuing measures have to be taken to move forward with reforms of production systems and operational processes as well as with development of new technology and other such measures.

In terms of improving the "Foundation for Growth," we have positioned investment and development, business in other countries, and operation of our group companies in Japan as strategic businesses. We are proceeding with development and reinforcement of structures and systems in those areas. However, the liquidation of assets in the investment and development business in fiscal 2015 resulted in a loss on valuation of real estate that was recorded as a decrease in profit. As to Toda businesses in other countries, growth in the economies of Brazil and other developing countries has flattened out and the future outlook is extremely uncertain.

Taking these recent circumstances into consideration, we have decided to take steps to further strengthen our initiatives by resetting performance targets for fiscal 2017.

● Positioning and orienting the plan  
Phase I in concrete implementation of our global vision



- Reorganize production systems and operational flow to pursue improvements in productivity.
- Promote enlargement of our areas of business with a view to the future.
- Take steps to diversify our personnel and values, and build a new corporate climate.

● Results and issues

	Relating to performance	Relating to policies and measures
Results	<ul style="list-style-type: none"> <li>● Profit improvement</li> <li>● Achieved medium-term targets ahead of schedule</li> </ul>	<ul style="list-style-type: none"> <li>● Advancing measures for added-value improvement</li> </ul>
Issues	<ul style="list-style-type: none"> <li>● Increasing profits from strategic businesses</li> </ul>	<ul style="list-style-type: none"> <li>● Improve implementation capabilities, operational speed</li> </ul>

Further reinforce measures for achieving "No. 1 in productivity"  
(Reset targets for continuing promotion of implementation)

● Reset fiscal 2017 performance targets

Fiscal 2017	Initial targets	Revised targets
Consolidated sales	Approx. 480 billion yen	<b>Approx. 480 billion yen</b>
Operating income	17 billion yen or more	<b>20 billion yen or more</b>
Operating margin	3.5% or higher	<b>4.2% or higher</b>
Labor productivity (non-consolidated) <sup>*1</sup>	13 million yen or more	<b>13.2 million yen or more</b>

\*1 Labor productivity=Amount of added value per employee (operating income + total personnel expenses) ÷ number of employees (average for the period, including temporary employees, etc.)

## Growth strategy to assure sustainable growth

### Priority measures in fiscal 2016

The keyword for future management in the Toda Group is "sustainable growth." Improvement of the climate for business has been accompanied by a rise in profit levels. However, forecasts tell us even harsher conditions will prevail in the years from 2020 onward. Accordingly, we must ceaselessly review our present situation and continue carrying out reforms to achieve sustainable growth and dramatic advances.

As the second year of the "Medium-Term Management Plan," therefore, fiscal 2016 is positioned as "the year for establishing a deep-rooted profit structure and for taking measures to gain footholds for moving toward a new stage of growth." First of all, in connection with production system reform, we will make use of "Building Information Modeling (BIM)"<sup>\*2</sup> and other such means of promoting front loading<sup>\*3</sup>. Where operational reform is concerned, one result of fiscal 2015 activities was the presentation of improvement proposals that would contribute to a 25% reduction in total working hours. In the current fiscal year, results of this kind will be deployed horizontally across the whole company, and we will make efforts to standardize these measures. In the area of research and development, too, we will make every effort to heighten productivity and move forward with the development of unmanned and automated implementation systems. So far as actual results are concerned, we have already established labor-

saving technology, such as our automated system for measurement and adjustment of plumbing in steel columns. We are committed to developing this kind of technology, refining it, and creating safer and more efficient product management systems. From fiscal 2016, we will be starting on improvement of our Tsukuba Technical Research Institute (Tsukuba City, Ibaraki Prefecture), and we are taking measures to strengthen our R&D systems.

In our strategic business areas, we will concentrate our capabilities to achieve progress on the Kyobashi 1-Chome East District Development Project (reconstruction of the Toda headquarters building), scheduled for completion in 2024, and on the floating offshore wind power generation project. In April 2016, we brought this electric power generation facility to commercial feasibility by means of our 100% subsidiary, Goto Floating Wind Power LLC. We are collecting data on power generation and accumulating knowledge on operation, maintenance, and management with the intention of developing this initiative into a future profit-making business.

Measures of this kind are promoted by the Group as a whole. This realizes a sustainable improvement in productivity that makes it possible to reassign and optimize our human resources. Using that as capital, we seize differentiated value from competing corporations and further increase the profitability of our strategic businesses. The resulting profits are shared with our stakeholders as a whole, leading to success for all.

### Conceptual approach to management A corporation that grows sustainably

**Sustainable growth in productivity**  
(Reform of production systems and operational processes, rebuilding ICT, mechanized construction, etc.)

**Reassignment and optimization of human resources**

Acquire differentiated value    Make strategic businesses more profitable

**Secure and distribute appropriate profit**  
(Realizing stakeholder success and contributing to the growth of society)

\*2 BIM: A method of integrating and managing a variety of different information in design and implementation by using a three-dimensional building model created with a computer.

\*3 Front loading: This means advancing operations ahead of schedule for the early resolution of problems so as to reduce the cost and manpower needed in the event of problems or failures that occur during later processes.

## To Our Stakeholders

### Becoming a corporate group that makes your success possible

Our creed since Toda Corporation was founded in 1881 has been commitment to the best in quality, construction time frames, and safety. Our management policy is to contribute to the advancement of society's welfare through construction, to develop the company business on the basis of society's trust, and to seek stability in the company business on the basis of appropriate profit earned through sound management. With that as our declared foundation, and with backing from our provision of a wide range of services to our clients and our many years of results, we have won recognition for building relationships of trust with our stakeholders.

The main sources of corporate value in the Toda Group, as we see it, include our provision of high-quality buildings by the technological capabilities and know-how we have accumulated, the relationships of trust we have with stakeholders, and the employees who will support the corporate culture of the Toda Group in times to come. There are also the fine cooperative relationships we have with partner companies we have been working with over the course of many years.

Our efforts in maintaining and developing these sources of value will also contribute to the Toda Group's realization of corporate value to the maximum extent.

In 2021, the year following the Tokyo Olympics and Paralympics, Toda will celebrate the 140th anniversary of the company's founding. Until then we will pursue our aim of improvement to make Toda Corporation the most productive and financially most robust of the construction companies so that we can continue making an enduring contribution to society.



President and Representative Director

Masanori Imai



Rendering of completed project



Rendering of art event held by two blocks together

# Building Construction

To remain as a valuable corporation, we will continue to take on challenges that break the status quo.

**Hiroyuki Miyazaki**

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



## Looking back at fiscal 2015

### Business climate

Public sector investment tended to diminish in the building construction business, but private sector construction demand have remained firm, especially in the manufacturing industry. Overall, levels have stayed on a par with the previous fiscal year. Meanwhile, the outlook remains uncertain amid persistent concerns over rising personnel costs and the labor crunch. Toda will continue accepting orders with an emphasis on implementation capabilities and profitability.

### Fiscal 2015 results (Building Construction in Japan: non-consolidated)

Fiscal 2015 sales amounted to 361.4 billion yen (year-on-year increase of 26.0%). Due to an increase in income from completed construction, this segment recorded operating income of 17.9 billion yen (previous period: 8.9 billion yen).

As to orders received, we recorded a figure of 309.0 billion yen (year-on-year decrease of 6.6%) due to our thoroughgoing emphasis on profitability.

## Strategy for realization of the Medium-Term Management Plan

### Prospects for the next period (Building Construction in Japan: non-consolidated)

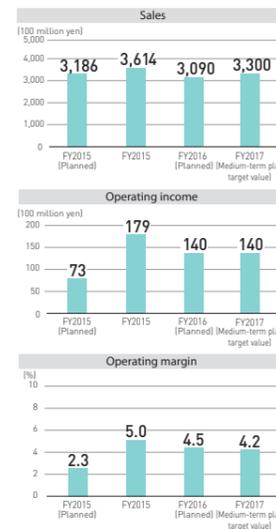
Regarding prospects for performance in fiscal 2016, our plan calls for sales of 309.0 billion yen (year-on-year decrease of 14.5%) and operating income of 14.0 billion yen (operating margin: 4.5%).

The planned figure for orders is 350.0 billion yen (including overseas, year-on-year increase of 13.2%).

### Medium to long-term strategy

In the time ahead, various changes will take place in the business environment, such as the decline in building construction demand in Japan that is anticipated from 2020 onwards. We will respond to such changes flexibly and will continue to take on the challenges of reform and improvement so that we can take steps toward sustainable improvement of our corporate value.

Specifically, this means that we will upgrade our value-creation capabilities and expand our specially negotiated contracts by conducting solution-oriented sales with a grasp of our customers' true needs as well as utilizing and evolving our technological holdings, while at the same time improving our procurement methods to strengthen our cost competitiveness. We will also use such means as adopting front loading in design and implementation projects, making effective use of ICT, and expanding our cooperative work with partner companies in order to enhance our productivity and take steps to enhance our worksite-centered implementation capabilities and operational speed. Additionally, we will expand our operational foundation by creating strategic sales sectors through collaboration with companies in other kinds of business. We will further measures and policies to create value in our human resources, which will be the foundation of the future building construction business.



## Main results in fiscal 2015



**Yamawaki Gakuen Junior High School and High School**  
Yamawaki Gakuen (Educational Institution)



**Chigasaki Municipal Office Building**  
Chigasaki City, Kanagawa Prefecture



**Comprehensive Support Center for the Elderly and Kudanzaka Hospital**  
Federation of National Public Service Personnel Mutual Aid Associations

# Civil Engineering

We aim to become a valuable corporation underpinned by the continuing creation of profit. That cannot be without persistent and flexible policies with future prospects, and trust of society.

**Shunichi Akiba**

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



## Looking back at fiscal 2015

### Business climate

In the civil engineering business, we have been through a cycle of orders related to Great East Japan Earthquake reconstruction, and public sector investment as a whole has tended to diminish. Meanwhile, there is also a trend toward larger-scale orders. Reliable large-scale orders and expanded private sector construction orders are issues in terms of future sustainable growth.

### Fiscal 2015 results (Civil Engineering in Japan: non-consolidated)

Sales in fiscal 2015 reached 92.0 billion yen (year-on-year increase of 1.0%). Due to an increase in income from completed construction, this segment recorded operating income of 3.7 billion yen (previous period: 3.0 billion yen).

As to orders received, we exceeded forecasts at the start of the period with 103.5 billion yen (year-on-year decrease of 8.8%).

## Strategy for realization of the Medium-Term Management Plan

### Prospects for the next period (Civil Engineering in Japan: non-consolidated)

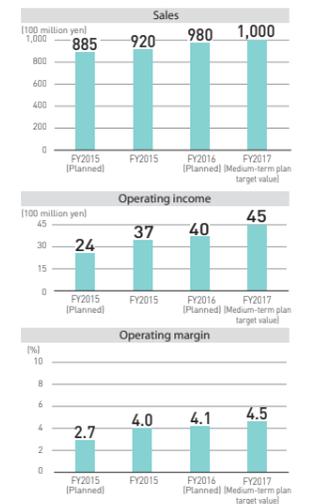
In performance forecasts for fiscal 2016, the plan is for sales of 98.0 billion yen (year-on-year increase of 6.4%) and operating income of 4.0 billion yen (operating margin: 4.1%).

For orders received, the plan is for 90.0 billion yen (including overseas, year-on-year decrease of 13.1%).

### Medium to long-term strategy

With public sector business expected to shrink in the time ahead, the Tokyo Metropolitan Area branch offices established in fiscal 2015 will handle large-scale projects such as the Metropolitan Area ring roads. We will strengthen our measures in new fields, with the floating offshore wind power generation project and other activities in the renewable energy sector; for instance, the sixth sector industrialization of agriculture, the infrastructure renewal field, and other such fields. As such, we will take steps to obtain profits.

We also intend to continue pursuing measures to assure (make visible) a sense of security and safety by means of quality measures. Moreover, we provide customer value by means of technology development, to improve productivity by utilizing ICT, and to advance the value of our human resources by employee training and active promotion. By these and other measures, we will aim to be a valuable corporation with trust of society and sustainable growth.



## Main results in fiscal 2015



**Kinki Regional Development Bureau, Kisei Line Wabukagawa Tunnel construction**  
Kinki Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism



**Yamoto Ishinomaki Highway substructure construction**  
Tohoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism



**Kochi City Enokuchi shield tunneling construction**  
Kochi City, Kochi Prefecture

# Overseas Business

We will prepare for future contraction of the building construction business in Japan by expanding our profit base in other countries as strategic business, thereby contributing to sustainable Group growth.



**Takamitsu Koga** | Managing Officer Overseas Division

## Looking back at fiscal 2015

### Business climate

In fiscal 2015, stagnation in the Chinese economy and active capital investment in Japan were among the factors that curtailed investment in other countries by Japanese-affiliated corporations. The competition for orders grew more intense, and in combination with political unrest and economic stagnation in Brazil and other deployment destinations, this has resulted in an extremely harsh business climate.

### Fiscal 2015 results

Fiscal 2015 sales were 13.9 billion yen (year-on-year decrease of 34.0%). Operating income, influenced by such factors as sluggishness in orders received and construction completion and the sudden drop in the value of the real in Brazil, recorded a loss of 1.4 billion yen (previous period loss of 300 million yen).

As to orders received, sluggishness in overseas investment by Japanese-affiliated corporations and other such factors resulted in a figure of 9.9 billion yen (year-on-year decrease of 52.9%).

## Strategy for realization of the Medium-Term Management Plan

### Prospects for the next period

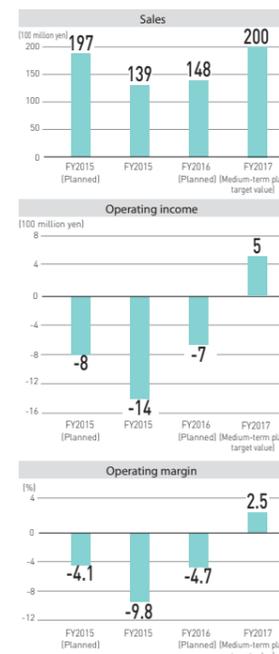
Regarding prospects for performance in fiscal 2016, our plan calls for sales of 14.8 billion yen (year-on-year increase of 6.7%) and in operating income, a loss of 700 million yen (operating margin of -4.7%).

For orders received, our plan calls for 20.0 billion yen (year-on-year increase of 101.9%).

### Medium to long-term strategy

Influenced by sudden changes in international economic conditions and by political and economic circumstances in deployment destinations, the outlook ahead is uncertain. Under these conditions, the Toda Group is moving ahead with improvement of human resources and business foundations in other countries while businesses in Japan are steady. In this way we are building strategic sources of stable earnings.

In order to realize this objective, we are working to enhance value for our customers by handling business with the same sense of speed we have in Japan as well as by an insistence on quality. At the same time, we are improving productivity by establishing improvement activities, taking steps to secure and train global human resources, and continuing measures toward development of new businesses in order to expand our profit bases. By these means we will aim for sustainable Group growth.



## Main results in fiscal 2014-2015

Brazil



**Stanley Electric do Brasil Ltda. Limeira Plant**  
STANLEY ELECTRIC DO BRASIL LTDA.

Brazil



**Honda Automoveis do Brasil Ltda. New Itirapina Plant**  
HONDA AUTOMOVEIS DO BRASIL LTDA.

Thailand



**Bridgestone Asia Pacific Technical Center Co., Ltd. New Research Center**  
BRIDGESTONE ASIA PACIFIC TECHNICAL CENTER CO., LTD.

## TOPICS

### Senko Global Logistics (Thailand) Co., Ltd. Laem Chabang Distribution Center

#### Overview of construction

This project is for the construction of warehouse buildings A, B, and C at the Laem Chabang Distribution Center operated by Senko Global Logistics (Thailand) Co., Ltd., the local affiliate of Senko Co., Ltd.

This affiliate was established for the purpose of initiating a full-fledged warehouse business in addition to the existing transportation business in Thailand. The aim is to develop a total distribution service. The affiliate is located near Laem Chabang Port, a center for Thai trade. Consideration is also being given to handling the demand for storage of frozen and refrigerated cargo, which is growing rapidly in the ASEAN region. Senko is aiming to provide a wide range of distribution services geared to their customers' business styles.



Full view

#### Construction overview

**Location:** Chonburi Province, Kingdom of Thailand  
**Implementer:** Senko Global Logistics (Thailand) Co., Ltd.  
**Size:** One story above ground, reinforced concrete structure with a portion of steel construction, total floor area 22,359 m<sup>2</sup>  
**Construction period:** June 2014 to March 2015

#### Main measures taken in design and implementation

Advanced technological capability with Japanese quality was used to meet the client's demand for high quality.

#### The building exterior was made to look rich and impressive while achieving structural stability with reduced use of steel framing.

The large eaves above the truck berths were built on a curve continuous with the building structure. In addition to giving a rich and impressive appearance to the building exterior, which tends to look uniform, the ends of the curved beams supporting the large eaves were connected to the building by horizontal beams. Thus, they achieve a balance between structural stability and reduced use of steel frame material. Field tests were also conducted of the appropriate curvature of skylights (FRP) positioned on the roof.



Field test of eaves (truck berth portions) with curved shape.

## VOICE

### Cooperative work with local staff members made it possible to provide a high-quality structure.

Japan and Thailand do not have differences in terms of the required functions in building. This is even more so in the case of a client that is a Japanese corporation. People connected with the client would come from Japan and China to observe the worksite while construction was under way. It made me truly happy when they commented that the work was no different from Japan in quality.

After construction was finished, we took steps to build friendly relations with staff members and workers. We gathered together to enjoy playing futsal, for instance, and in respect for Thai culture, we went on visits to temples with the families of Thai staff members.

If the start of the ASEAN Economic Community brings about thoroughgoing unification of ASEAN, we will probably see an increase in new deployment to the area by Japanese corporations. Going forward, I will work together with our staff members to continue making buildings that earn the trust of our customers.



**Takanori Hashimoto**  
THAI TODA CORPORATION LTD.  
(temporary assignment)

# 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.

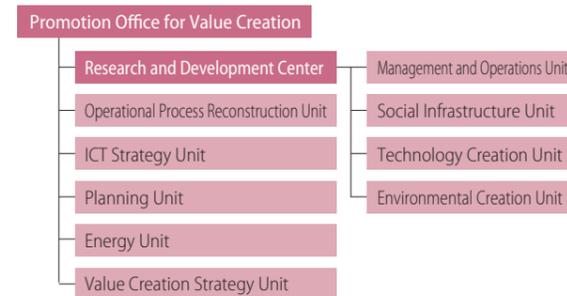


**Morimichi Toda**  
Director  
Senior Executive Managing Officer  
Director of Promotion Office for Value Creation

## 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, one of its divisions, engages in a wide range of activities from basic research to new product development. These 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, research and development on new businesses in the Blue Ocean\*, and so on. We also engage in technical exchange 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 2016)



\*1 Blue Ocean: An undeveloped market where there is no competition

## Fiscal 2015 results

### Main results of technology research and development in fiscal 2015

- (1) Automated steel column measurement and plumbing adjustment system
- (2) "Pair Lock Clip\*" earthquake-resistant ceiling clips
- (3) "Yure Kanchi (tremor detector)" earthquake health evaluation system
- (4) "Frozen pile head treatment process" utilizing water freezing pressure
- (5) Granular damping material for ceiling to reduce heavy-weight floor impact sound
- (6) On-site management system utilizing head-mounted display
- (7) "Automated control system for integrated management" to maintain proper working environment in tunnel portals

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

In our Medium-Term Management Plan (2015-2017), we aim to achieve "No. 1 in productivity" in the construction industry and to build a solid foundation for growth. We are pursuing development with the emphasis on achieving these objectives and determining themes for technology research and development that take the needs of society into consideration. 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)\*\* technology and floating offshore wind power generation in the environment and energy field. We are improving our Tsukuba Research and Development Center facilities so that we can have technology to deal with future sudden changes in society. We took a major first step in this effort in May 2016 by starting construction on an Environmental Technology Demonstration Building intended for use in realizing ZEB application.



Environmental Technology Demonstration Building  
(conceptual view of exterior)

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

# Board of Directors, Corporate Auditors, and Managing Officers

As of June 29, 2016

## 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



**Yutaka Nishizawa**  
Director  
Executive Managing Officer  
General Manager of Sales Promotion Division for Building Construction



**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 Sales Promotion Division for Civil Engineering



**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	Masanori Imai					
Senior Executive Managing Officers	Yushi Kikutani	Shunichi Akiba	Hiroyuki Miyazaki	Morimichi Toda		
Executive Managing Officers	Makoto Hayakawa	Yutaka Nishizawa	Toshihiro Otomo	Hiroshi Uekusa	Katsuaki Fukushima	Kaoru Mitsumochi
	Yoshihiko Yamamoto	Kouichi Takahashi				
Managing Officer	Hiroyuki Yamada	Yuji Yokomizo	Toshio Hirata	Kenichi Okabe	Takao Fukashiro	Takanori Matsushima
	Yoshinori Shibuya	Atsushi Ouchi	Toshiaki Gunji	Masato Miyake	Kouichi Kubota	Hitoshi Asano
	Shinichi Nagata	Ken Fujita	Toshiaki Agata	Hidemi Wakabayashi	Toshihiro Yamazaki	Mitsuhiko Tokuhisa
	Takamitsu Koga	Takanobu Tateno				

# 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.

## 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 December 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 11 members (as of June 29, 2016). 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. 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.

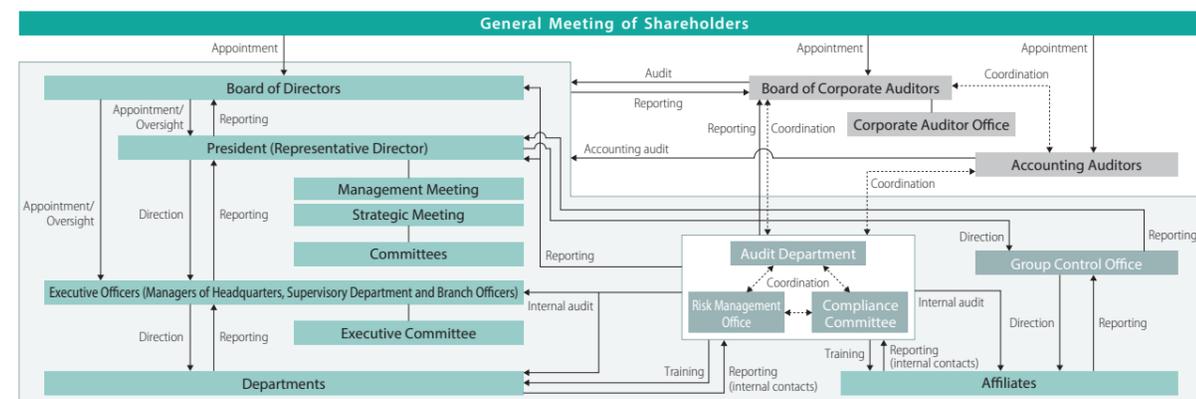
The executive officers execute Toda corporate business in accordance with basic management policy decided by the board of directors. We also hold regular meetings of the Management Committee, Strategy Committee, and Executive Committee to deliberate on important matters of management and company business 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.

\*1 Corporate governance: Arrangement made for disciplining corporate management.

**Status of main measures in response to the Corporate Governance Code**

- 1 Capital policy**
  - We understand that capital policy is expected to clearly state the conceptual approach to management.
  - However, we took into consideration ways of having our investors gain a grasp of our orientation as a first step.
  - As a result, the Medium-Term Management Plan that was announced in May 2015 presented a target level of 20%-30% for the dividend payout ratio.
- 2 Shares held for strategic reasons**
  - Toda has large holdings of securities and we are often asked by our investors to explain the reasons for this and the advantages of it.
  - The current policy does not go so far as to define explicit rules for holding shares, but in future, we will have the board of directors determine once a year whether or not to continue holding shares.
- 3 Directors and board of directors-related (appointment procedures, independent outside directors, board of directors evaluations)**
  - It has been recognized from before that it would be necessary for the board of directors to adopt an independent perspective (since fiscal 2014, two independent outside directors have been appointed).
  - For important personnel matters in the board of directors and key executives in the operating divisions, a Personnel and Compensation Advisory Committee chaired by an outside director has been established (after deliberating on suitability and other such matters, it will report to the board of directors).
  - As to board of directors evaluations, the policy is for directors to perform self-evaluation.

## Corporate governance structure (as of June 29, 2016)



## 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 March 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 2015)

Director category	Total compensation amount
Directors (12 persons)	288 million yen
Corporate auditors (6 persons)	57 million yen

## 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. We have also declared September to be risk management month. During that period we hold meetings that all personnel attend to conduct a comprehensive inspection of risks that exist in day-to-day operations. We then take steps to prevent the crises in advance.

## 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 Stewardship code: 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.

# CSR Management

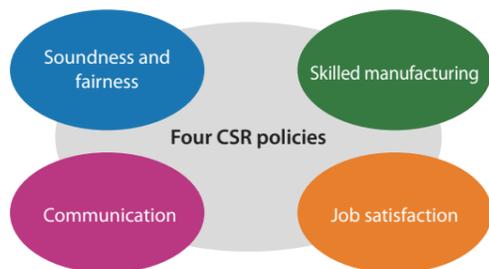
Toda Group Global Vision calls for us to become "a corporate group that makes your success possible." In order to realize that vision, we promote CSR activities under four CSR policies. Toda engages seriously with each one of these so as to take measures to resolve social issues by means of our core 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. Under these four CSR policies we have designated priority program items and selected key performance indicators (KPI), and we are taking steps to manage the status of our progress and pursue ongoing improvement by implementing the Plan-Do-Check-Action (PDCA) cycle.

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

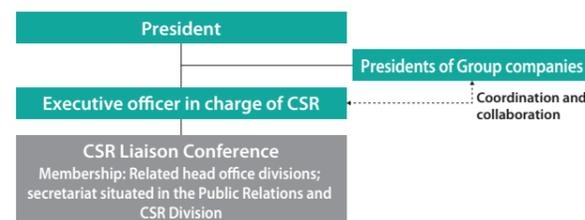


## CSR promotion system

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.

### CSR promotion system



\*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.

# 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 2015

### Cooperating with "Tsukuba Chibikko Hakase" (Tsukuba Little Kid Professors)

Toda is the only construction company participating and cooperating with the "Tsukuba Chibikko Hakase" (Tsukuba Little Kid Professors) program organized by Tsukuba City and the Tsukuba City Board of Education. At the Toda Institute of Construction Technology, we introduced a variety of construction technologies to the participating elementary and junior high school students so they would take an interest in the construction industry.



Demonstrating sound reverberation in a reverberation chamber

### Installing a rest station for pilgrims on the Shikoku pilgrimage route

A Toda worksite faced a road where pilgrims walking the 88-station Shikoku pilgrimage route were coming and going day after day. We therefore installed a rest station where pilgrims could take a break from the heat of the summer or the cold of the winter. We received many comments from the people who used the rest station; thanking us, cheering us on with our construction work, and so on.



We installed a rest room exclusively for women, and also put up information signs in English

### Conducting evacuation drills (Towa Kanko Kaihatsu Co., Ltd.\*)

At Towa Kanko Kaihatsu, we hold fire evacuation drills and earthquake and tsunami evacuation drills envisioning a Tonankai and Nankai earthquake in June and December every year. Held with Fire Department guidance, these drills are to assure the security and safety of our guests. The drills include training in how to use fire extinguishers and AED devices, and we also make the effort to maintain the functionality to serve as an emergency aid station for the area in the event that becomes necessary.



Evacuation drills are intended mainly to assure the security and safety of our guests

### Holding hands-on study tours

At the construction project for the new Dazaifu Municipal Fitness and Sports Facility in Fukuoka Prefecture, we invited children from an elementary school near the worksite to come with their guardians for hands-on worksite study tours. About 200 people came on the tours, which included soap bubble art creation and other activities. During summer vacation, we also held study tours for the families of our workers, giving parents and children opportunities to experience construction with concrete and other activities.



Parent and child experience construction with concrete

### Making donations to local elementary schools

Volunteer members of Thai Toda Corporation, Ltd. visited elementary schools in the Bangkok area to give gifts of stationery and other items. There is still a large gap in income levels in the Kingdom of Thailand, so there are many families that are unable to buy stationery, and this kind of welfare activity occurs widely. Going forward, we intend to expand our social contribution activities in the local community with volunteer employee participation.



We received thank-you letters from the schools

### Providing assistance to Kanto and Tohoku areas affected by heavy rainfall

In September 2015, Joso City in Ibaraki Prefecture suffered extremely heavy damage during the Kanto and Tohoku rainstorm. On request from the city, 88 employees from Toda and partner companies went to the Misakashinden district and the Okishinden district for a four-day period starting September 20. We sent 28 trucks and other heavy equipment to provide disaster relief by transporting waste material and conducting other support activities.



We also provided support in the form of goods to emergency evacuation areas

\* Towa Kanko Kaihatsu is a Toda Group company that manages the Hotel & Resort Sunshine Sazaneto (Suo-Oshima Town, Yamaguchi Prefecture).

## Comment from the Executive Officer in Charge of CSR



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

## We are contributing to society by means of construction

It has become important for corporations in recent years to be aware that the business activities they engage in have various effects on society and to engage in responsible behavior; for example, by disclosing information to stakeholders. We could even say that corporate activities are themselves CSR activities. We grasp the CSR initiative from four sides, assigning activity objectives to each one, and we are engaging in active measures accordingly.

Our Global Vision is to aim to become "a corporate group that makes your success possible." This also expresses our resolve to present our stakeholders with the value that the company creates, and in so doing to contribute to a resolution of social issues and fulfill our responsibility to society as a corporation. For example, Toda has developed an automated system for measurement and adjustment of plumbing in steel columns that also addresses social issues of labor shortages caused by declining birth rates and the aging population, and of eliminating industrial accidents on the construction worksite by reducing the need for work in high places. There is also the floating offshore wind power generation project that has been positioned as a strategic business for the company. This business actively engages the issue of developing technology for renewable energy sources in order to curb global warming.

We are committed to striving for further improved and expanded CSR activities in the future so that we may realize our philosophy of contributing to society through our construction work.

# 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 CO<sub>2</sub> emissions, but it also generates a certain amount of construction waste. Operation of the building after completion also consumes energy, and that also emits CO<sub>2</sub>. 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<sup>\*1</sup> and other initiatives).

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

## Environmental management measures

In light of the Toda Group Global Vision, which was formulated in January 2015, we reviewed our environmental policies in April 2016.

We will make every effort to restore and protect the global environment by "implementing environmental protection activities through all our business activities." With the aim of leaving a better global environment to be inherited by the next generation, we will continue to promote environmental management.

At present we are taking steps for a wide-ranging review of our systems in order to build an environmental management system in compliance with ISO 14001, which was revised in 2015. (The new system is scheduled to enter operation in fiscal 2017.)

### Environmental policy

Implementing environmental protection activities through all our business activities

We will make every effort to restore and protect the global environment and will continuously implement the following activities in order to leave a better global environment to be inherited by the next generation.

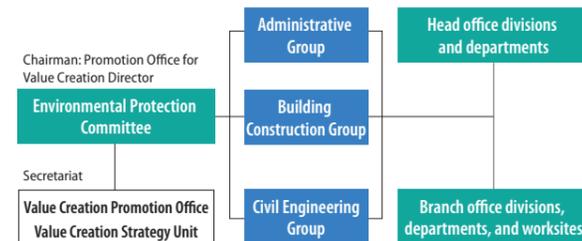
1. We will promote environmental impact mitigation activities relating to prevention of global warming, prevention of pollution, effective use of resources, maintenance and protection of biodiversity, and so on.
2. We will engage in environment-related business and technology development, and we will implement environmental protection activities in all aspects of building design and execution as well as in management of facilities and other such matters.
3. In addition to complying with laws, regulations, and agreements regarding the environment, we will also strive to disclose information and take steps for communication with society.



TODA CORPORATION  
FOR THE EARTH ENVIRONMENT

Instituted on April 1, 2016

## Framework for Promotion of Environmental Protection Activities



## Promote the Eco First<sup>\*2</sup> commitment

We were recognized as an "Eco First" company by the Ministry of the Environment in 2010. Thus, we are mobilizing the entire company to move forward with environmental activities. As part of this recognition, we made an "Eco First Commitment to the Minister of the Environment," and we submit annual progress reports to the Ministry of the Environment to show that we are taking positive action to execute our commitment.



Presentation of our follow-up report<sup>\*3</sup> to the Minister of the Environment (March 30, 2016)

\*2 Eco First Commitment: This is a program involving commitment by the corporation to the Ministry of the Environment to engage in measures to combat global warming, measures with regard to waste material and recycling, and other such measures for environmental protection.  
\*3 Follow-up report: Periodic confirmation for the Ministry of the Environment that positive action is being taken to execute the commitment.

## Evaluation from outside the company: Second-highest CDP<sup>\*4</sup> score in the industry

Measures by Toda to counter global warming have steadily been yielding results. In fiscal 2014, the CO<sub>2</sub> emissions basic unit for construction work was reduced 28.8% relative to the 1990 level. In addition, the CDP information disclosure score has also been improving year by year, and in fiscal 2015 we received the high score of 99 points. This rates ours as the second-highest evaluation in the construction industry.

\*4 CDP: An NPO for international environmental evaluation with offices located in London. The CDP sends questionnaires to leading corporations worldwide seeking disclosure of information on measures regarding climate change and specifics on greenhouse gas (GHG) emissions. The responses are analyzed and evaluated, and the results are announced. (In Japan, the CDP covers the 500 companies with the highest aggregate market value.)

## Status of environmental measures over building lifecycles

	Manufacturing and building stage		Maintenance stage		
	Planning and design	Execution, completion, delivery	Maintenance, diagnosis, renovation	Demolition	
Global warming prevention (Eco First Commitment)	<ul style="list-style-type: none"> <li>Energy-saving design ⇒ Toda's ZEB concept</li> <li>Construction of Environmental Technology Demonstration Building starts</li> </ul>	<p>Of the buildings that underwent CASBEE evaluation of design and execution in fiscal 2015, <b>21</b> buildings received rankings of A or higher.</p> <p>Construction was started on the Environmental Technology Demonstration Building where we will verify technology for application to the Head Office building reconstruction plan (Kyobashi 1-chome East District) and for realization of ZEB.</p>	<ul style="list-style-type: none"> <li>Earth-friendly construction systems Low-carbon construction system (TO-MINICA) CO<sub>2</sub> -40% 1990-2020</li> <li>CO<sub>2</sub> visualization vision CO<sub>2</sub> MPAS</li> </ul>		
	<p>Total fiscal 2015 emissions: 74,510 t-CO<sub>2</sub> (Reduced 61.3% from 1990 base year level)</p> <p>Eco First Commitment target: 50% reduction in total emissions already achieved</p> <p>Fiscal 2015 emissions basic unit: 16.43 t-CO<sub>2</sub>/100 million yen (Reduced 42.4% from 1990 base year level)</p> <p>Eco First Commitment target: 40% reduction in total emissions already achieved</p>		<p>72 worksites achieved zero emission status (cumulative for 2000 to 2015)</p>		
Resource recycling and effective use	<ul style="list-style-type: none"> <li>High-quality and long-life design</li> </ul>	<ul style="list-style-type: none"> <li>Promote waste reduction and recycling</li> </ul>	<ul style="list-style-type: none"> <li>Proposal of energy-saving measures in renovation work</li> </ul>	<ul style="list-style-type: none"> <li>Promote recycling by separation and disassembly</li> </ul>	
Use of renewable energy	<p>Achieved fiscal 2015 target percentage of 9% or lower for construction waste disposed of as landfill Limited to 5.0% or lower</p>				
	<ul style="list-style-type: none"> <li>Manufacture and use of biodiesel fuel (BDF)                             <ul style="list-style-type: none"> <li>Amount of BDF used by worksites in 2015: 13,000 kL</li> <li>Fuel for Matsudo City waste collection vehicles</li> </ul> </li> <li>Use of natural energy from photovoltaic (solar power) generation Mega Solar construction and business participation</li> </ul>	<ul style="list-style-type: none"> <li>Natural energy utilization through floating offshore wind power generation Practical application of Japan's first floating offshore wind power generation facility</li> </ul>			
Protection of biodiversity	<p>Participation in Mega Solar power generation project 3 cases in Kyushu region, 1 case in Tohoku region Total 21.6 MW</p>				
Pollution prevention	<ul style="list-style-type: none"> <li>Consideration for biodiversity through network for rooftop greening, biotope, and wall surface greening</li> </ul>		<ul style="list-style-type: none"> <li>Ecosystem monitoring study and management</li> </ul>		
	<ul style="list-style-type: none"> <li>Measures to prevent noise during construction Toda Active Noise Control System "TANC" High-performance sound-proof wall "Edge Silencer"</li> </ul>				

## Independent third-party assurance of CO<sub>2</sub> emissions data

Toda underwent verification by the Sustainability Accounting Co., Ltd. to assure the fairness, reliability, and transparency of CO<sub>2</sub> 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 CO<sub>2</sub> emissions in the future.

Verification coverage: Scope 1 and 2 (energy-derived CO<sub>2</sub> emissions), Scope 3 (emissions from downstream leased assets), and CO<sub>2</sub> emissions basic unit 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 rights education given during training for incoming employees

## 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 system criteria to make them more broadly applicable to capable employees, and career course changes and appointments were therefore made for 88 employees.

### Outstanding technician system

Toda revised the outstanding technician system in October 2015, raising the allowance amounts and expanding the range of personnel covered. One feature of this system is that allowances are disbursed to primary partner companies so that the allowances are then paid by the partner companies to the technicians. Primary contractors and partner companies therefore join as one in the aim of raising wages. We expect the current improvement in compensation to contribute to the development of strong partnerships between Toda, our partner companies, and foremen in the workplace. Going forward, we intend to continue our measures to improve our hiring and retention of skilled workers.

### 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 2016, we hired 26 new employees on the building construction technology track, seven on the civil engineering track, and 14 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.

## Maintaining and improving employee health

Toda has declared the promotion of health management to be an important 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 conduct regular mental health lecture workshops in small groups. We are also taking steps to incorporate provision for adequate follow-up in our stress checking system.

### TOPICS

#### Recipient of the Minister of Health, Labour and Welfare Award for Excellence

In the fiscal 2015 recognition for safety and health by the Minister of Health, Labour and Welfare, a business represented by the Toda Group was commended for achieving an extremely high safety record in its work on construction of expanded continuous grade separated crossings on the Odawara Line of the Odakyu Electric Railway. The No. 2 Construction Section worksite between Yoyogi Uehara Station and Umegahara Station (Setagaya Ward, Tokyo) was recognized as an outstanding business establishment that serves as a model for other such enterprises and was presented with an award for excellence.



Employees who received the award

## 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. We provide division managers with training to give them the knowledge and skills needed to improve operations, and also provide them occasions for sharing information, and we have begun the labor of reviewing operational processes and the application of systems to operations. Improvement activities conducted in fiscal 2015 included a proposal for operational improvement that could lead to a 25% reduction in total work hours. Going forward, we will continue to vitalize our activities for operational improvement and aim for efficient organization-building with higher productivity and without waste.

## Realizing a safe and comfortable workplace environment

In 2003, we introduced the TODA-OHSMS\* occupational health and safety management system, and we are working with our partner companies to implement voluntary health and safety activities. At Toda, we consider safety to be a core value that is essential for the continued existence and growth of the corporation. We put safety first in our actions at all times and under all circumstances. We are making every effort to develop a safe and comfortable working environment. In addition to our aim of earning the warm trust of society as a corporation rated "No. 1 in safety," we will also contribute to making the construction industry more attractive.

### Reforming the health and safety management organization

In fiscal 2015, we reformed our organization for health and safety management. Deterioration of the construction work environment had been accompanied by an absence of comprehensive health and safety management. This contributed to deterioration in accident frequency. We have, therefore, made health and safety management a division that is independent of the implementation divisions as a way of increasing the management functionality of the management units as well as heightening safety awareness in the implementation divisions.

\*Occupational health and safety management system (OHSMS): 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.

## Related data

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	
Average training and lecture time per person (hours)	26.2	26.2	25.6	24.9	24.3	
Number of personnel qualified for career course change and appointment	8	11	8	31	88	
Number of new hires *Management track	Men	106	105	68	73	173
	Women	11	11	6	10	47
Number of women hired on management track	Technology track	10	10	4	7	33
	Administrative track	1	1	2	3	14
Employment rate for persons with disabilities (%) *As of June 1 of each year	1.40	1.52	1.56	1.47	1.90	
Number of personnel rehired	82	55	44	45	68	
Number of personnel using the system of reduced working hours for childcare	Men	0	0	0	1	2
	Women	18	25	25	32	37
Number of personnel using the system of childcare leave	Men	1	0	0	0	2
	Women	20	22	23	25	30
Number of personnel taking leave for family care and sick or injured childcare	2	0	3	1	20	
Number of personnel taking leave for volunteer activities	4	2	2	34	26	

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, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 10 and 12)	¥ 43,488	¥ 54,768	\$ 486,050
Notes and accounts receivable-trade (Note 12)	121,009	211,237	1,874,667
Short-term investment securities (Notes 6.3), 12 and 13)	10,235	119	1,063
Real estate for sale(Notes 6.8))	20,903	15,830	140,486
Costs on uncompleted construction contracts (Note 6.7))	10,806	16,120	143,063
Other inventories	424	990	8,792
Deferred tax assets (Note 16)	230	195	1,731
Other	22,088	14,093	125,077
Allowance for doubtful accounts	(1,114)	(1,608)	(14,274)
<b>Total current assets</b>	<b>228,072</b>	<b>311,747</b>	<b>2,766,657</b>
<b>Noncurrent assets:</b>			
Property, plant and equipment: (Notes 6.1) and 18)			
Buildings and structures, net (Note 6.8))	12,179	11,560	102,594
Machinery, vehicles, tools, furniture and fixtures, net	709	625	5,553
Land (Notes 6.6), 8))	60,367	59,743	530,207
Lease assets, net	182	159	1,412
Construction in progress	122	255	2,269
<b>Total property, plant and equipment</b>	<b>73,561</b>	<b>72,344</b>	<b>642,036</b>
Intangible assets	2,969	6,075	53,917
Investments and other assets:			
Investment securities (Notes 6.2), 3) , 12 and 13)	185,476	154,840	1,374,159
Long-term loans receivable (Notes 6.3) and 12)	765	614	5,454
Net defined benefit assets (Note 15)	2,296	240	2,130
Deferred tax assets (Note 16)	176	389	3,454
Other	2,630	2,923	25,941
Allowance for doubtful accounts	(506)	(463)	(4,111)
<b>Total investments and other assets</b>	<b>190,839</b>	<b>158,544</b>	<b>1,407,030</b>
<b>Total noncurrent assets</b>	<b>267,370</b>	<b>236,964</b>	<b>2,102,984</b>
<b>Total assets</b>	<b>¥ 495,442</b>	<b>¥ 548,711</b>	<b>\$ 4,869,642</b>

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Notes and accounts payable-trade (Note 12)	¥ 107,216	¥ 149,638	\$ 1,327,993
Short-term loans payable (Note 12)	32,597	34,588	306,961
Income taxes payable (Note 12)	651	2,774	24,626
Advances received on uncompleted construction contracts	26,763	38,455	341,282
Provision for bonuses	3,905	6,320	56,096
Provision for warranties for completed construction	2,316	2,237	19,857
Provision for loss on construction contracts (Note 6.7))	7,576	2,421	21,490
Provision for loss on litigation	435	-	-
Deposits received	15,314	18,134	160,938
Other	11,992	13,497	119,783
<b>Total current liabilities</b>	<b>208,769</b>	<b>268,069</b>	<b>2,379,030</b>
<b>Noncurrent liabilities:</b>			
Bonds payable (Note 12)	-	10,000	88,746
Long-term loans payable (Note 12)	33,735	35,131	311,781
Deferred tax liabilities (Note 16)	36,252	24,224	214,983
Deferred tax liabilities for land revaluation (Note 16)	8,268	7,708	68,413
Provision for directors' retirement benefits	133	149	1,322
Provision for loss on liquidation of subsidiaries and affiliates	532	400	3,557
Net defined benefit liability (Note 15)	21,466	22,515	199,822
Asset retirement obligations	167	182	1,623
Other	3,126	2,910	25,830
<b>Total noncurrent liabilities</b>	<b>103,684</b>	<b>103,224</b>	<b>916,081</b>
<b>Total liabilities</b>	<b>312,454</b>	<b>371,293</b>	<b>3,295,112</b>
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Capital stock	23,001	23,001	204,132
Capital surplus	25,504	25,587	227,079
Retained earnings	59,155	76,825	681,804
Treasury stock	(8,212)	(8,236)	(73,093)
<b>Total shareholders' equity</b>	<b>99,449</b>	<b>117,178</b>	<b>1,039,922</b>
<b>Accumulated other comprehensive income (Note 8)</b>			
Valuation difference on available-for-sale securities	74,942	55,038	488,453
Deferred gains on hedges	3	(25)	(229)
Revaluation reserve for land (Note 6.6))	6,017	6,665	59,156
Foreign currency translation adjustments	40	(545)	(4,844)
Remeasurements of defined benefit plans	91	(3,292)	(29,218)
<b>Total accumulated other comprehensive income</b>	<b>81,095</b>	<b>57,840</b>	<b>513,317</b>
<b>Non-controlling interests</b>	<b>2,443</b>	<b>2,398</b>	<b>21,289</b>
<b>Total net assets</b>	<b>182,988</b>	<b>177,417</b>	<b>1,574,529</b>
<b>Total liabilities and net assets</b>	<b>¥ 495,442</b>	<b>¥ 548,711</b>	<b>\$ 4,869,642</b>

# Consolidated Statements of Income

Toda Corporation and Consolidated Subsidiaries - For the years of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
<b>Net sales:</b>			
Net sales of construction contracts	¥ 407,650	¥ 475,433	\$ 4,219,320
Net sales of real estate business and other	12,673	17,188	152,543
Total net sales	420,324	492,621	4,371,864
<b>Cost of sales:</b>			
Cost of sales of construction contracts (Notes 7.1) and 4))	374,595	430,601	3,821,457
Cost of sales of real estate business and other (Note 7.2))	9,619	14,214	126,145
Total cost of sales	384,215	444,815	3,947,602
<b>Gross profit:</b>			
Gross profit on construction contracts	33,055	44,831	397,863
Gross profit on real estate business and other	3,054	2,974	26,398
Total gross profit	36,109	47,805	424,261
<b>Selling, general and administrative expenses (Notes 7.3) and 4))</b>	23,130	26,176	232,304
<b>Operating income</b>	12,978	21,629	191,956
<b>Non-operating income:</b>			
Interest income	416	389	3,459
Dividend income	2,097	2,306	20,466
Dividend income of insurance	173	224	1,991
Other	346	379	3,365
Total non-operating income	3,033	3,299	29,284
<b>Non-operating expenses:</b>			
Interest expenses	902	963	8,549
Commission fee	193	179	1,593
Other	103	62	558
Total non-operating expenses	1,198	1,205	10,701
<b>Ordinary income</b>	14,813	23,723	210,539
<b>Extraordinary income:</b>			
Gain on sales of noncurrent assets (Note 7.5))	307	277	2,465
Gain on sales of investment securities (Note 13)	1,051	563	5,000
Reversal of provision for loss on litigation	-	281	2,500
Gain on negative goodwill	480	-	-
Other	1	21	190
Total extraordinary income	1,842	1,144	10,156
<b>Extraordinary loss:</b>			
Loss on sales of noncurrent assets (Note 7.6))	13	11	97
Loss on abandonment of noncurrent assets (Note 7.7))	186	573	5,088
Impairment loss (Note 7.8))	802	1,271	11,280
Loss on sales of investment securities (Note 13)	-	17	157
Loss on valuation of investment securities (Note 13)	-	64	571
Provision for loss on liquidation of subsidiaries and affiliates	532	-	-
Other	12	0	2
Total extraordinary losses	1,548	1,937	17,199
<b>Profit before income taxes and non-controlling interests</b>	15,107	22,929	203,496
<b>Income taxes-current</b>	930	3,058	27,146
<b>Income taxes-deferred</b>	(219)	(314)	(2,786)
Total income taxes (Note 16)	711	2,744	24,359
<b>Profit for the year</b>	14,395	20,185	179,137
<b>Profit for the year attributable to non-controlling interests</b>	369	145	1,292
<b>Profit for the year attributable to owners of the parent (Note 22)</b>	¥ 14,026	¥ 20,039	\$ 177,844

# Consolidated Statements of Comprehensive Income

Toda Corporation and Consolidated Subsidiaries - For the years of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
<b>Profit for the year</b>	¥ 14,395	¥ 20,185	\$ 179,137
<b>Other comprehensive income (Note 8)</b>			
Valuation difference on available-for-sale securities	29,467	(19,902)	(176,631)
Deferred gains or losses on hedges	3	(29)	(259)
Foreign currency translation adjustment	867	(679)	(6,030)
Revaluation reserve for land	844	428	3,800
Remeasurements of defined benefit plans	613	(3,383)	(30,028)
Total other comprehensive income	31,796	(23,566)	(209,148)
<b>Comprehensive income</b>	46,192	(3,381)	(30,011)
Comprehensive income attributable to			
Owners of the parent	45,694	(3,434)	(30,484)
Non-controlling interests	¥ 498	¥ 53	\$ 473

# Consolidated Statements of Changes in Net Assets

Toda Corporation and consolidated subsidiaries - For the years ended March 31, 2015 and 2016

	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, 2014	¥23,001	¥25,504	¥45,472	¥(6,007)	¥87,971	¥45,477	-	¥5,722	¥(700)	¥(522)	¥49,977	¥3,930	¥141,880
Cumulative effects of changes in accounting policies	-	-	662	-	662	-	-	-	-	-	-	-	662
Restated balance	23,001	25,504	46,135	(6,007)	88,634	45,477	-	5,722	(700)	(522)	49,977	3,930	142,542
Changes during period													
Dividends from surplus	-	-	(1,555)	-	(1,555)	-	-	-	-	-	-	-	(1,555)
Profit for the year attributable to owners of the parent	-	-	14,026	-	14,026	-	-	-	-	-	-	-	14,026
Purchase of treasury stock	-	-	-	(2,205)	(2,205)	-	-	-	-	-	-	-	(2,205)
Equity transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of revaluation reserve for land	-	-	549	-	549	-	-	-	-	-	-	-	549
Net changes of items other than shareholders' equity	-	-	-	-	-	29,465	3	294	740	613	31,117	(1,487)	29,630
Total changes of items during the period	-	-	13,020	(2,205)	10,815	29,465	3	294	740	613	31,117	(1,487)	40,445
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
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated balance	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
Purchase of treasury stock	-	-	-	(23)	(23)	-	-	-	-	-	-	-	(23)
Equity transactions with non-controlling interests	-	82	-	-	82	-	-	-	-	-	-	-	82
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

	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, 2015	\$204,132	\$226,344	\$524,988	\$(72,882)	\$882,582	\$665,094	\$29	\$53,406	\$357	\$809	\$719,697	\$21,686	\$1,623,966
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated balance	204,132	226,344	524,988	(72,882)	882,582	665,094	29	53,406	357	809	719,697	21,686	1,623,966
Changes during period													
Dividends from surplus	-	-	(19,080)	-	(19,080)	-	-	-	-	-	-	-	(19,080)
Profit for the year attributable to owners of the parent	-	-	177,844	-	177,844	-	-	-	-	-	-	-	177,844
Purchase of treasury stock	-	-	-	(210)	(210)	-	-	-	-	-	-	-	(210)
Equity transactions with non-controlling interests	-	735	-	-	735	-	-	-	-	-	-	-	735
Reversal of revaluation reserve for land	-	-	(1,949)	-	(1,949)	-	-	-	-	-	-	-	(1,949)
Net changes of items other than shareholders' equity	-	-	-	-	-	(176,640)	(259)	5,749	(5,201)	(30,028)	(206,379)	(397)	(206,777)
Total changes of items during the period	-	735	156,815	(210)	157,339	(176,640)	(259)	5,749	(5,201)	(30,028)	(206,379)	(397)	(49,437)
Balance at March 31, 2016	\$204,132	\$227,079	\$681,804	\$(73,093)	\$1,039,922	\$488,453	\$(229)	\$59,156	\$(4,844)	\$(29,218)	\$513,317	\$21,289	\$1,574,529

# Consolidated Statements of Cash Flows

Toda Corporation and consolidated subsidiaries - For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
<b>Net cash provided by (used in) operating activities:</b>			
Profit before income taxes and non-controlling interests	¥ 15,107	¥ 22,929	\$ 203,496
Depreciation and amortization	1,667	2,002	17,775
Impairment loss	802	1,271	11,280
Increase (decrease) in allowance for doubtful accounts	(435)	470	4,173
Increase (decrease) in net defined benefit liability	(245)	1,051	9,327
Increase (decrease) in net defined benefit asset	(1,444)	2,056	18,248
Increase (decrease) in other provision	(6,898)	(3,345)	(29,685)
Gain on negative goodwill	(480)	-	-
Loss on valuation of investment securities	-	64	571
Loss (gain) on sales of investment securities	(1,051)	(545)	(4,842)
Loss (gain) on sales of property, plant and equipment	(294)	(266)	(2,367)
Loss on abandonment of noncurrent assets	186	573	5,088
Interest and dividend income	(2,514)	(2,696)	(23,926)
Interest expenses	902	963	8,549
Decrease in notes and accounts receivable-trade	3,237	(90,459)	(802,804)
Decrease (increase) in costs on uncompleted construction contracts	11,828	(5,318)	(47,201)
Decrease in real estate for sale	1,663	5,668	50,304
Increase (decrease) in notes and accounts payable-trade	(10,697)	42,695	378,911
Increase (decrease) in advances received on uncompleted construction contracts	(10,715)	11,776	104,516
Other, net	(1,801)	1,223	10,854
Subtotal	(1,183)	(9,885)	(87,729)
Interest and dividend income received	2,515	2,693	23,904
Interest expenses paid	(892)	(938)	(8,330)
Income taxes paid	(1,386)	(732)	(6,504)
Net cash provided by (used in) operating activities	(947)	(8,863)	(78,659)
<b>Net cash provided by (used in) investing activities:</b>			
Payments into time deposits	(200)	(179)	(1,591)
Proceeds from withdrawal of time deposits	193	270	2,404
Purchase of property, plant and equipment	(2,439)	(3,819)	(33,894)
Proceeds from sales of property, plant and equipment	1,845	2,078	18,441
Purchase of intangible assets	(525)	(4,099)	(36,380)
Purchase of investment securities	(3,124)	(2,590)	(22,990)
Proceeds from sales and redemption of investment securities	6,013	2,484	22,046
Payments of loans receivable	(1)	(0)	(4)
Collection of loans receivable	232	151	1,344
Other, net	(11)	(395)	(3,506)
Net cash provided by (used in) investing activities	1,982	(6,099)	(54,130)
<b>Net cash provided by (used in) financing activities:</b>			
Net increase (decrease) in short-term loans payable	(7,236)	(3,031)	(26,899)
Proceeds from long-term loans payable	24,470	10,280	91,231
Repayments of long-term loans payable	(16,459)	(3,862)	(34,275)
Proceeds from issuance of bonds	-	10,000	88,746
Cash dividends paid	(1,555)	(2,149)	(19,080)
Cash dividends paid to non-controlling interests	(17)	(6)	(57)
Payments for acquisition of shares of subsidiaries not affecting the scope of consolidation	-	(8)	(77)
Purchase of treasury stock	(2,205)	(23)	(210)
Payments for purchase of treasury stock by consolidated subsidiaries	(1,494)	-	-
Other, net	(75)	(49)	(439)
Net cash provided by (used in) financing activities	(4,576)	11,148	98,937
<b>Effect of exchange rate change on cash and cash equivalents</b>	725	(780)	(6,930)
<b>Net increase (decrease) in cash and cash equivalents</b>	(2,815)	(4,595)	(40,781)
<b>Cash and cash equivalents at the beginning of current period</b>	62,061	59,245	525,789
<b>Cash and cash equivalents at the end of current period (Note 10)</b>	59,245	54,650	485,007

# 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 ¥112.68 = US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2016, 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 15 subsidiaries, namely Toda Road Co., Ltd., Toda Bldg. Partners Co., Ltd., Chiyoda Kenkou Co., Ltd., Chiyoda Staff Service Co., Ltd., APEC Engineering Co., Ltd., Toda Finance Co., Ltd., Towa Kanko Kaihatsu Co., Ltd., Goto Floating Wind Power 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.

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 litigation

The provision for loss on litigation is provided at the estimated amount for a possible future loss arising from litigation.

(g) 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.

### 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.

Prior service cost is amortized 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.

### 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.

## 3. Change in accounting method

The Company has adopted the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) effective from the fiscal period ended March 31, 2016. Under the adopted accounting standards, differences arising from the change in the Company's ownership interest in subsidiaries are accounted for as capital surplus as long as the Company retains control over its subsidiaries, and acquisition-related costs are accounted for as expenses in the fiscal period in which such costs are incurred. Furthermore, effective for business combinations occurring on or after the beginning of the fiscal period ended March 31, 2016, adjustments of the provisional allocation of acquisition costs for a business combination due to the completion of measurement are retrospectively reflected as if the accounting for the business combination had been completed at the acquisition date. In addition, the title "net income" has been changed to "profit for the year attributable to owners of the parent," and the title "minority interests" has been changed to "non-controlling interests."

## 4. Accounting standards issued but not yet adopted

(Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26 issued on March 28, 2016)

### 1) Overview

Regarding the treatment of the recoverability of deferred tax assets, a necessary review was conducted following the framework of Japanese Institution of Certified Public Accountants Audit Committee Report No.66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets,"whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

(a) Treatment of companies that do not satisfy any of the category requirements for (Category1) through (category 5)

(b) Category requirements for (Category 2) and (Category 3)

## 5. Change in accounting estimates

In the fiscal year ended March 31, 2016, the Board of the Company decided to rebuild the headquarters.

The Company shortened the estimated useful life of properties of the headquarters due to the reason that it is impossible to use such properties as initially estimated. Due to the change of the useful life, gross

(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 exceptional 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.

The consolidated financial statements for the previous fiscal year have been reclassified to reflect these changes in presentation.

In accordance with the transitional treatment prescribed in Clause 58-2 (4) of the "Accounting Standard for Business Combinations," in Clause 44-5 (4) of the "Accounting Standard for Consolidated Financial Statements" and in Clause 57-4 (4) of the "Accounting Standard for Business Divestitures," the aforementioned accounting standards have been adopted from the beginning of the fiscal period ended March 31, 2016.

In the consolidated statement of cash flows for the fiscal year ended March 31, 2016, cash flows related to acquisition or sale of shares of subsidiaries not affecting the scope of consolidation are classified into "Net cash provided by (used in) financing activities," while cash flows related to expenses arising from acquisition of shares of subsidiaries affecting the scope of consolidation or expenses arising from acquisition or sale of shares of subsidiaries not affecting the scope of consolidation are classified into "Net cash provided by (used in) operating activities."

The effects of these changes on the consolidated financial statements were negligible.

(c) Treatment related to future deductible temporary differences which cannot be scheduled in companies that qualify as (category 2)

(d) Treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)

(e) Treatment in cases that companies that satisfy the category requirements for (Category 4) but qualify as (Category 2) or (Category 3)

2) Planned date of adoption

From the beginning of the fiscal year ending March 31, 2017.

3) Effect of adoption of the guidance

The effect is under assessment at the time of preparation of the accompanying consolidated financial statements.

profit decreased ¥132 million (US\$1,178thousand) and operating income, ordinary income and profit before income taxes and non-controlling interests for the fiscal year ended March 31, 2016 decreased each by ¥321 million (US\$2,853thousand) .

## 6. Notes to Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
1) Accumulated depreciation of property, plant and equipment	¥ 32,772	¥ 32,390	\$ 287,454
2) Investments in Non-consolidated subsidiaries and affiliates included in investment securities	¥ 1,445	¥ 1,841	\$ 16,341
3) Assets pledged as collateral:			
Short-term investment securities	235	119	1,063
Investment securities	397	739	6,566
Long-term loans receivable	509	466	4,141
Total	¥ 1,141	¥ 1,326	\$ 11,770
4) Contingent liabilities (guarantee liabilities)	¥ 267	¥ 417	\$ 3,706
5) Loan commitment agreement:			
Maximum limit under the agreement	¥ 30,000	¥ 30,000	\$ 266,240
Loan balance outstanding	-	-	-
Difference (unused portion)	¥ 30,000	¥ 30,000	\$ 266,240

### 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
	2015	2016	2016
Costs on uncompleted construction contracts	¥ 37	¥ 178	\$ 1,585

### 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
	2015	2016	2016
Land	-	47	424

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
	2015	2016	2016
Buildings and structures	771	36	328
Land	398	600	5,327

## 7. Notes to Consolidated Statements of Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
1) Provision for loss on construction contracts included in costs of sales	¥ 2,719	¥ 815	\$ 7,233
2) Valuation loss on real estate for sale included in costs of sales	¥ 53	¥ 655	\$ 5,816
3) Principal components of selling, general and administrative expenses:			
Employees' salaries and allowances	¥ 10,165	¥ 10,200	\$ 90,526
Provision for bonuses	2,337	3,680	32,662
Retirement benefit expenses	730	753	6,687
Provision (reversal) of allowance for doubtful accounts	(24)	514	4,569
4) Research and development expenditures included in selling, general and administrative expenses and construction costs	¥ 1,066	¥ 1,049	\$ 9,311
5) Gain on sales of noncurrent assets:			
Buildings and structures	¥ 0	¥ 138	\$ 1,233
Land	284	133	1,183
Other	22	5	48
Total	¥ 307	¥ 277	\$ 2,465
6) Loss on sales of noncurrent assets:			
Buildings and structures	¥ 0	¥ 5	\$ 49
Land	13	5	47
Other	0	-	-
Total	¥ 13	¥ 11	\$ 97
7) Loss on abandonment of noncurrent assets:			
Buildings and structures	¥ 143	¥ 330	\$ 2,931
Other	2	1	9
Dismantlement cost	40	242	2,147
Total	¥ 186	¥ 573	\$ 5,088

## 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, 2015

Location	Purpose	Type	Impairment loss (Millions of Yen)
Chuo Ward , Tokyo, and other	Rental locations	Buildings, structures and land	¥802

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, 2016

Location	Purpose	Type	Impairment loss (Millions of Yen)	Impairment loss (Thousands of U.S. dollars)
Chuo Ward , Tokyo, and other	Rental locations	Buildings, structures, fixtures, land, intangible assets (land lease rights and other)	¥1,271	\$11,280

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.

## 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
	2015	2016	2016
Valuation difference on available-for-sale securities:			
Accrual	¥ 40,934	¥ (30,629)	\$(271,831)
Reclassification	(1,051)	(503)	(4,467)
Before adjust tax effect	39,882	(31,133)	(276,299)
Tax effect	(10,415)	11,230	99,667
Valuation difference on available-for-sale securities	¥ 29,467	¥ (19,902)	\$(176,631)
Deferred gains (losses) on hedges:			
Accrual	¥ 8	¥ (6)	\$(57)
Reclassification	(3)	(24)	(216)
Before adjust tax effect	4	(30)	(273)
Tax effect	(1)	1	14
Deferred gains (losses) on hedges	¥ 3	¥ (29)	\$(259)
Foreign currency translation adjustments:			
Accrual	¥ 867	¥ (679)	\$(6,030)
Revaluation reserve for land:			
Tax effect	¥ 844	¥ 428	\$ 3,800
Revaluation reserve for land	¥ 844	¥ 428	\$ 3,800
Remeasurements of defined benefit plans:			
Accrual	¥ 1,076	¥ (4,267)	\$(37,874)
Reclassification	(287)	91	812
Before adjust tax effect	789	(4,176)	(37,061)
Tax effect	(175)	792	7,033
Remeasurements of defined benefit plans	613	(3,383)	(30,028)
Total of other comprehensive income	¥ 31,796	¥ (23,566)	\$(209,148)

## 9. Notes to Consolidated Statements of Changes in Net Assets

### Type and number of outstanding shares

For the fiscal year ended March 31, 2015	Class of shares	Number of shares			March 31, 2015
		April 1, 2014	Increase	Decrease	
Issued stock	Common stock	322,656,796	-	-	322,656,796
Treasury stock	Common stock	11,482,089	4,038,545	-	15,520,634

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

### Dividends

For the fiscal year ended March 31, 2015	Class of shares	Total Dividends	Dividends per share	Record date	Effective date
June 27, 2014 Resolution by Annual General Meeting of Shareholders	Common stock	¥1,555million	¥5.00	March 31, 2014	June 30, 2014
June 26, 2015 Resolution by Annual General Meeting of Shareholders	Common stock	¥2,149million	¥7.00	March 31, 2015	June 29, 2015

For the fiscal year ended March 31, 2016	Class 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 (\$19,080thousand)	¥7.00	March 31, 2015	June 29, 2015
June 29, 2016 Resolution by Annual General Meeting of Shareholders	Common stock	¥3,070million (\$27,253thousand)	¥10.00	March 31, 2016	June 30, 2016

## 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
	2015	2016	2016
Cash and deposits of the consolidated balance sheets	¥ 43,488	¥ 54,768	\$ 486,050
(Less) time deposits with maturities of more than three months	(241)	(117)	(1,043)
Short-Term investment securities	10,000	-	-
Current assets: Other	5,999	-	-
Cash and cash equivalents of the consolidated statements of cash flows	¥ 59,245	¥ 54,650	\$ 485,007

## 11. Lease Transactions

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Future minimum lease payments under non-cancelable operating leases:			
Due within one year	¥ 94	¥ 114	\$ 1,013
Due after one year	153	226	2,011
Total	¥ 248	¥ 340	\$ 3,025
Future minimum lease income under non-cancelable operating leases:			
Due within one year	¥ 2,195	¥ 2,144	\$ 19,028
Due after one year	5,629	11,152	98,973
Total	¥ 7,824	¥ 13,296	\$ 118,002

## 12. Fair value of Financial Instrument

As of March 31, 2015	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 43,488	¥ 43,488	-
(2) Notes and accounts receivable - trade	121,009	120,939	(70)
(3) Short-term investment securities, investment securities (Note)	188,230	188,462	232
(4) Long-term loans receivable	765	818	52
Assets total	¥ 353,494	¥ 353,709	¥ 214
(1) Notes and accounts payable - trade	¥ 107,216	¥ 107,216	-
(2) Short-term loans payable	32,597	32,597	-
(3) Income taxes payable	651	651	-
(4) Long-term loans payable	33,735	33,790	¥ 54
Liabilities total	¥ 174,201	¥ 174,256	¥ 54
Derivative transactions (Note)	¥ 2	¥ 2	-

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, 2015(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	¥ 109
Stocks of affiliated companies	281
Unlisted preferred equity securities	1,055
Other investment securities	
Unlisted stocks	¥ 5,384
Unlisted preferred equity securities	140
Investments in silent partnerships	500
Others	9

As of March 31, 2016	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and deposits	¥ 54,768	¥ 54,768	¥ -	\$ 486,050	\$ 486,050	\$ -
(2) Notes and accounts receivable - trade	211,237	211,228	(8)	1,874,667	1,874,589	(78)
(3) Short-term investment securities, investment securities (Note)	147,378	147,649	271	1,307,934	1,310,341	2,407
(4) Long-term loans receivable	614	685	71	5,454	6,086	632
Assets total	¥ 413,998	¥ 414,332	¥ 333	\$ 3,674,106	\$ 3,677,068	\$ 2,961
(1) Notes and accounts payable - trade	149,638	149,638	-	1,327,993	1,327,993	-
(2) Short-term loans payable	34,588	34,588	-	306,961	306,961	-
(3) Income taxes payable	2,774	2,774	-	24,626	24,626	-
(4) Bonds payable	10,000	10,114	114	88,746	89,763	1,016
(5) Long-term loans payable	35,131	35,291	159	311,781	313,198	1,416
Liabilities total	¥ 232,133	¥ 232,407	¥ 274	\$ 2,060,110	\$ 2,062,542	\$ 2,432
Derivative transactions (Note)	¥ (18)	¥ (18)	¥ -	\$ (161)	\$ (161)	\$ -

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	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	¥ 82	\$ 728
Stocks of affiliated companies	207	1,844
Unlisted preferred equity securities	1,551	13,768
Other investment securities		
Unlisted stocks	¥ 5,289	\$ 46,941
Unlisted preferred equity securities	140	1,243
Investments in silent partnerships	300	2,662
Others	11	99

## 13. Marketable Securities and Investment Securities

### Held-to-maturity debt securities:

As of March 31, 2015	Millions of yen		
	Book value	Fair value	Difference
Securities with a fair value that exceeds the book value	¥ 3,057	¥ 3,292	¥ 234
Securities with a fair value that does not exceed the book value	242	240	(2)
Total	¥ 3,300	¥ 3,532	¥ 232

### Available-for-sale securities with a fair value:

As of March 31, 2015	Millions of yen		
	Book value	Acquisition cost	Difference
Securities with a book value that exceeds the acquisition cost:			
Stocks	¥ 172,793	¥ 62,494	¥ 110,298
Bonds	-	-	-
Others	1,617	1,529	87
Subtotal	174,410	64,024	110,386
Securities with a book value that does not exceed the acquisition cost:			
Stocks	519	598	(79)
Bonds	-	-	-
Others	10,000	10,000	-
Subtotal	10,519	10,598	(79)
Total	¥ 184,930	¥ 74,623	¥ 110,307

Note: The Companies recognized no loss on write-down.

For the fiscal year ended March 31, 2015	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Available-for-sale securities sold	¥ 3,286	¥ 1,051	-

### Held-to-maturity debt securities:

As of March 31, 2016	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	¥ 3,223	¥ 3,496	¥ 273	\$ 28,603	\$ 31,034	\$ 2,431
Securities with a fair value that does not exceed the book value	202	199	(2)	1,795	1,772	(23)
Total	¥ 3,425	¥ 3,696	¥ 271	\$ 30,399	\$ 32,806	\$ 2,407

### Available-for-sale securities with a fair value:

As of March 31, 2016	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	¥ 134,087	¥ 54,234	¥ 79,853	\$ 1,189,989	\$ 481,314	\$ 708,674
Bonds	208	200	8	1,850	1,774	75
Others	2,420	2,259	160	21,477	20,052	1,425
Subtotal	136,716	56,694	80,022	1,213,317	503,141	710,175
Securities with a book value that does not exceed the acquisition cost:						
Stocks	7,236	8,084	(848)	64,217	71,751	(7,533)
Bonds	-	-	-	-	-	-
Others	-	-	-	-	-	-
Subtotal	7,236	8,084	(848)	64,217	71,751	(7,533)
Total	¥ 143,952	¥ 64,778	¥ 79,173	\$ 1,277,534	\$ 574,893	\$ 702,641

Note: The Companies recognized losses on write-down of ¥64 million (US\$571 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, 2016	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	1,746	563	17	15,502	5,000	157

## 14. Derivative Transactions

For the year ended March 31, 2015

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	¥ 1,329	¥ 17	¥ 2
<b>Total</b>			<b>¥ 1,329</b>	<b>¥ 17</b>	<b>¥ 2</b>

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	¥ 4,360	¥ 4,100	*

(\*) These interest rate swaps, subject to the exceptional treatment are treated en bloc with the relevant long-term loans payable. Therefore, the fair value of the contracts is included in the fair value of the relevant long-term loans payable.

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			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	¥ 304	¥ 20	¥ (18)	\$ 2,702	\$ 180	\$(161)
<b>Total</b>			<b>¥ 304</b>	<b>¥ 20</b>	<b>¥ (18)</b>	<b>\$ 2,702</b>	<b>\$ 180</b>	<b>\$(161)</b>

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	¥ 6,450	¥ 5,890	*	\$ 57,241	\$ 52,271	*

(\*) These interest rate swaps, subject to the exceptional treatment are treated en bloc with the relevant long-term loans payable. Therefore, the fair value of the contracts is included in the fair value of the relevant 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.

The schedule of the defined benefit obligation	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at the beginning of the fiscal year	¥ 44,118	¥ 41,960	\$ 372,389
Cumulative effects of changes in accounting policies	(965)	-	-
Restated balance	43,152	41,960	372,389
Service cost	1,783	1,716	15,229
Interest cost	503	489	4,341
Actuarial losses	(229)	4,100	36,387
Benefit paid	(3,251)	(3,374)	(29,948)
other	2	(1)	(17)
<b>Balance at the end of the fiscal year</b>	<b>¥ 41,960</b>	<b>¥ 44,889</b>	<b>\$ 398,381</b>

The schedule of the pension assets

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at the beginning of the fiscal year	¥ 22,293	¥ 22,790	\$ 202,256
Expected return on pension assets	267	273	2,427
Actuarial losses	847	(167)	(1,486)
Contributions by the employer	1,184	1,161	10,305
Benefit paid	(1,802)	(1,443)	(12,812)
<b>Balance at the end of the fiscal year</b>	<b>¥ 22,790</b>	<b>¥ 22,613</b>	<b>\$ 200,690</b>

The reconciliation of the defined benefit obligations and pension assets to the liabilities and assets on retirement benefits recognized in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Funded defined benefit obligations	¥ 41,960	¥ 44,889	\$ 398,381
Pension assets	(22,790)	(22,613)	(200,690)
	19,170	22,275	197,691
Net amount of liabilities and assets recognized in consolidated balance sheet	19,170	22,275	197,691
Net defined benefit liability	21,466	22,515	199,822
Net defined benefit asset	(2,296)	(240)	(2,130)
<b>Net amount of liabilities and assets recognized in consolidated balance sheet</b>	<b>¥ 19,170</b>	<b>¥ 22,275</b>	<b>\$ 197,691</b>

The breakdown of items in retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Service cost	¥ 1,783	¥ 1,716	\$ 15,229
Interest cost	503	489	4,341
Expected return on pension assets	(267)	(273)	(2,427)
Amortization of actuarial differences	9	91	812
Amortization of prior service costs	(296)	-	-
<b>Retirement benefit costs</b>	<b>¥ 1,731</b>	<b>¥ 2,023</b>	<b>\$ 17,955</b>

Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Prior service cost	¥ (296)	¥ -	\$ -
Actuarial loss	1,086	(4,176)	(37,061)
<b>Total</b>	<b>¥ 789</b>	<b>¥ (4,176)</b>	<b>\$ (37,061)</b>

Unrecognized remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrecognized actuarial (gain) loss	¥ (267)	¥ 3,909	\$ 34,691
<b>Total</b>	<b>¥ (267)</b>	<b>¥ 3,909</b>	<b>\$ 34,691</b>

The breakdown of pension assets by major category

	2015	2016
Bonds	25%	26%
Equities	13%	11%
General account	61%	62%
other	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The items of actuarial assumptions

	2015	2016
Discount rate	1.20%	0.20%
Expected long-term return on pension assets	1.20%	1.20%
Expected rate of salary raise	5.60%	5.60%

## 16. Deferred Tax Accounting

The tax effects of temporary differences which gave rise to deferred tax assets and liabilities at March 31, 2015 and 2016 are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Deferred tax assets:			
Real estate for sale	¥ 293	¥ 179	\$ 1,593
Buildings and structures	1,319	1,591	14,123
Investment securities	1,211	1,208	10,723
Allowance for doubtful receivables	461	701	6,223
Provision for bonuses	1,299	1,966	17,456
Provision for loss on construction contracts	2,456	751	6,665
Net defined benefit liability	6,875	6,348	56,344
Tax loss carryforwards	18,114	13,170	116,880
Other	2,323	1,950	17,306
Subtotal	34,355	27,867	247,317
Less: valuation allowance	(33,939)	(27,230)	(241,665)
Deferred tax assets	¥ 416	¥ 636	\$ 5,651
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(35,356)	(24,125)	(214,104)
Net defined benefit asset	(741)	(73)	(652)
Other	(166)	(80)	(715)
Deferred tax liabilities	(36,264)	(24,279)	(215,471)
Net deferred tax assets (liabilities)	¥ (35,847)	¥ (23,642)	\$(209,820)

In addition to the above, the Companies recognized deferred tax liabilities of ¥8,268million and ¥7,708million (US\$68,413 thousand) related to revaluation reserve for land at March 31, 2015 and 2016, respectively.

Reconciliation between the statutory tax rate and the effective tax rate	2015	2016
Statutory tax rate	35.6%	33.1%
Expenses not deductible for income tax purposes	3.1%	2.3%
Non-taxable income	-2.5%	-0.7%
Gain on negative goodwill	-1.1%	-%
Inhabitant taxes (per capita levy)	1.6%	1.0%
Valuation allowance	-30.3%	-23.8%
Other	-1.7%	0.1%
Effective tax rate	4.7%	12.0%

## 17. Business Combination (Transaction under common control)

### 1) Additional investment in subsidiary

(a) Summary of transaction

a) Name and businesses of the combined company

Company name	Business
Toda Road Co., Ltd.	Road work and pavement construction

b) Date of the business combination

June 30, 2015

c) Scheme of the business combination

Stock acquisition from non-controlling interests (additional acquisition)

d) Name of the company after transaction

No change

e) Other information on the summary of the transaction

The Company acquired the stock held by the non-controlling interests to strengthen corporate governance, focused on the integrated business framework of the Group.

(b) Accounting for the transaction

The transaction was recognized as a transaction with non-controlling interests under common control, pursuant to Accounting Standard for Business Combination and Implementation Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures.

(c) Specifics on additional investment in subsidiary

Detail of acquisition cost

	Millions of yen	Thousands of U.S. dollars
Value of the acquisition	¥ 8	\$ 78
Acquisition cost	¥ 8	\$ 78

(d) Matters concerning changes in the Company's equity interest reflecting transactions with non-controlling interests

a) Primary reason for change in capital surplus

Additional investment in subsidiary

b) Increase in capital surplus due to transactions with non-controlling interests:

¥82million (\$735thousand)

## 2) Investment in kind in consolidated subsidiary

(a) Summary of transaction

a) Name and businesses of the combined company

Company name	Business
Goto Floating Wind Power LLC.	Wind generated electricity

b) Date of the business combination

March 25, 2016

c) Scheme of the business combination

Investment in kind of property, plant and equipment owned by the Company in Goto Floating Wind Power LLC.

d) Name of the company after transaction

No change

e) Other information related to the summary of transaction

The Company effected the investment in kind with a view to improving the efficient allocation of management resources in order to establish more robust management bases.

(b) Accounting for the transaction

The transaction was accounted for at appropriate book value as transaction under common control, pursuant to Accounting Standard for Business Combination and Implementation Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures.

(c) Specifics on additional investment in subsidiary

Detail of acquisition cost

	Millions of yen	Thousands of U.S. dollars
Value of the acquisition	¥ 836	\$ 7,424
Structures, machineries and other		

## 18. Asset retirement obligations

### The asset retirement obligations excluded in financial statement

We have the obligations for restoration to some of the assets belonging to wind generated electricity power.

Period of use of these assets are not clear and at present, the methods to dispose of these assets are not decided.

Since we cannot reasonably estimate the asset retirement obligations, we do not record the asset retirement obligations worth of the assets.

## 19. Investment and rental properties

As of March 31, 2015	Millions of yen	
	Book Value	Fair Value
Real estate for rent	¥ 49,234	¥ 80,751

As of March 31, 2016	Millions of yen		Thousands of U.S. dollars	
	Book Value	Fair Value	Book Value	Fair Value
Real estate for rent	¥ 53,195	¥ 102,009	\$ 472,091	\$ 905,300

## 20. Segment Information

For the year ended March 31, 2015	Millions of yen						
	Reporting segments				Total	Adjustments	Consolidated
	Building construction	Civil Engineering	Real estate	Other			
Net sales:							
Customers	¥ 313,453	¥ 94,854	¥ 11,485	¥ 531	¥ 420,324	¥ -	¥ 420,324
Inter-segment	902	886	1,566	475	3,830	(3,830)	-
Total	314,355	95,741	13,051	1,007	424,155	(3,830)	420,324
Segment profit (loss)	¥ 9,020	¥ 3,051	¥ 984	¥ (14)	¥ 13,041	¥ (62)	¥ 12,978
Depreciation and amortization	¥ 807	¥ 117	¥ 728	¥ 13	¥ 1,667	¥ -	¥ 1,667

For the year ended March 31, 2016	Millions of yen						
	Reporting segments				Total	Adjustments	Consolidated
	Building construction	Civil Engineering	Real estate	Other			
Net sales:							
Customers	¥ 382,886	¥ 94,328	¥ 14,843	¥ 563	¥ 492,621	¥ -	¥ 492,621
Inter-segment	1,171	1,256	1,351	486	4,265	(4,265)	-
Total	384,057	95,584	16,195	1,049	496,887	(4,265)	492,621
Segment profit (loss)	¥ 17,215	¥ 3,883	¥ 537	¥ (3)	¥ 21,632	¥ (3)	¥ 21,629
Depreciation and amortization	¥ 1,035	¥ 177	¥ 775	¥ 14	¥ 2,002	¥ -	¥ 2,002

Thousands of U.S. dollars

For the year ended March 31, 2016	Building construction	Civil Engineering	Real estate	Other	Total	Adjustments	Consolidated
Net sales:							
Customers	\$ 3,397,996	\$ 837,132	\$ 131,734	\$ 5,000	\$ 4,371,864	\$ -	\$ 4,371,864
Inter-segment	10,395	11,152	11,995	4,313	37,857	(37,857)	-
Total	3,408,392	848,284	143,730	9,314	4,409,721	(37,857)	4,371,864
Segment profit (loss)	\$ 152,780	\$ 34,460	\$ 4,773	\$ (30)	\$ 191,984	\$ (27)	\$ 191,956
Depreciation and amortization	\$ 9,189	\$ 1,576	\$ 6,883	\$ 126	\$ 17,775	\$ -	\$ 17,775

- Adjustments of segment profit (loss) is negative ¥62million and negative ¥3million (US\$27 thousand) elimination of intersegment transactions.
- Segment profit (loss) is adjusted in accordance with operating income as recorded in the consolidated statements of income.

The Companies operate in the following four reporting segments:

Building Construction ..... Research, planning, design, management and execution of building construction work, and architectural and comprehensive engineering and consulting related thereto

Civil Engineering ..... Research, planning, design, management and execution of civil engineering work, such as tunnel construction, and architectural and comprehensive engineering and consulting related thereto

Real estate ..... Resale, rent and intermediating of real estate and building management

Other business ..... Worker dispatching and hotel business, and financing and leasing mainly for the group companies

## 21. Related Party Transactions

### 1. Related party transactions between the Corporation and related parties

Parent Company and major shareholders (Company, etc. only), etc., of the Corporation

For the year ended March 31, 2015

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	Account	Millions of Yen	Account
Main share- holder	Daiichi- Shokusan Co.,Ltd.*1	Chuo-ku Tokyo	12	Real estate business	Direct: (12.55%)	interlocking directors	Purchase of land*2	¥820	-	-	-

\*1 64.5% of voting rights are held by our officer and his close family.

\*2 Purchase amount of the land was determined considering the valuations of independent real-estate appraisers.

For the year ended March 31, 2016

Not applicable

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

For the year ended March 31, 2015

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	Account	Millions of Yen	Account
Officer (equivalent to officer) and his close family	Hideshige Toda	-	-	adviser (former director)	Direct: (4.79%)	-	Acquisition of treasury stock*1	¥831	-	-	-
	Hidehiro Toda	-	-	Oldest son of Hideshige Toda	Direct: (1.96%)	-	Acquisition of treasury stock*1	¥1,073	-	-	-

\*1 The Company purchased through an off auction treasury stock trading at Tokyo Stock Exchange, Inc. (ToSTNeT-3) on August 11, 2014 at 547 yen which was the closing price (including the final special bid and asked price) based on the resolution of the Board of Directors' meeting held on June 25, 2014.

For the year ended March 31, 2016

Not applicable

## 2. Related party transactions between subsidiaries and related parties

Parent Company and major shareholders (Company, etc. only), etc., of the Corporation

For the year ended March 31, 2015

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	Account	Millions of Yen	Account
Main share- holder	Daiichi- Shokusan Co.,Ltd.*1	Chuo-ku Tokyo	12	Real estate business	Direct: (11.77%)	interlocking directors	consolidated subsidiary's stock acquisition*2 Acquisition price	¥1,494	-	-	-
							Gain on negative goodwill	¥461	-	-	-

\*1 64.5% of voting rights are held by our officer(equivalent to officer) and his close family.

\*2 Trading price is decided by accordance with fair appraisal prices and consultation between both parties.

For the year ended March 31, 2016

Not applicable

## 22. Per share information

As of March 31	Yen		U.S. dollars
	2015	2016	2016
Net assets per share of common stock	¥ 587.83	¥ 569.92	\$ 5.057
Profit for the year per share of common stock	45.42	65.25	0.579
	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2015	2016	2016
Basis for calculation of net assets per share:			
Total net assets	¥ 182,988	¥ 177,417	\$ 1,574,529
Amount attributable to items other than common stock	2,443	2,398	21,289
Net assets attributable to common stock	¥ 180,544	¥ 175,019	\$ 1,553,240
Number of shares of common stock outstanding at fiscal year-end	307,136,162 shares	307,095,476 shares	
Basis for calculation of profit for the year per share:			
Profit for the year attributable to owners of the parent	¥ 14,026	¥ 20,039	\$ 177,844
Profit for the year attributable to owners of the parent attributable to common stock	¥ 14,026	¥ 20,039	\$ 177,844
Average number of shares of common stock outstanding during the fiscal year	308,810,907 shares	307,113,598 shares	

# 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, 2016, 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, 2016, 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.

*Seinan Audit Corporation*

June 29, 2016  
Tokyo, Japan

# Corporate Information

Company overview

(As of March 31, 2016)

Company Name	TODA CORPORATION
Company Headquarters	7-1 Kyobashi 1-Chome, Chuo-ku, Tokyo, Japan 104-8388
Founded	January 5, 1881
Capital Stock	¥23.0 billion
Number of employees	4,742 (Consolidated) 3,823 (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.

# TODA CORPORATION

7-1, Kyobashi 1-chome, Chuo-ku, Tokyo 104-8388, Japan

Phone: +81-3-3535-1591 Fax: +81-3-3561-5745

## **Overseas affiliated companies**

### **CONSTRUTORA TODA DO BRASIL S.A.**

Rua Manuel da Nobrega, 1280-3º Andar. São Paulo, Brasil

Phone: +55-11-3886-5844

### **THAI TODA CORPORATION LTD.**

199 Column Tower 20th Floor, Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand

Phone: +66-2-261-6544 Fax: +66-2-261-6545

### **TODA VIETNAM CO., LTD.**

10th Floor, Star Building, 33ter-33bis Mac Dinh Chi Street, Da Kao Ward, District 1, Ho Chi Minh City, Vietnam

Phone: +84-8-6291-4127 Fax: +84-8-6291-4126

### **TODA AMERICA, INC.**

600 Townsend Street, Suite 115W, San Francisco, CA 94103, U.S.A.

## **Cover photograph**

### **TOKYO METROPOLITAN TEIEN ART MUSEUM**

(Minato-ku, Tokyo, Japan)



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