

# TODA Corporate Report 2018

Year ended March 31, 2018



# Financial and Non-Financial Highlights

Key performance indicators

Data on economic aspect (consolidated)	Millions of yen					Thousands of U.S. dollars (Note)
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017
<b>Consolidated</b>						
Net sales <a href="#">Graph</a>	448,987	420,324	492,621	422,722	<b>429,026</b>	<b>4,038,274</b>
Ordinary income <a href="#">Graph</a>	6,584	14,813	23,723	27,197	<b>33,037</b>	<b>310,969</b>
Profit (loss) for the year attributable to owners of the parent <a href="#">Graph</a>	10,228	14,026	20,039	42,091	<b>25,455</b>	<b>239,599</b>
Comprehensive income (loss)	16,874	46,192	(3,381)	52,073	<b>29,652</b>	<b>279,109</b>
Total net assets <a href="#">Graph</a>	141,880	182,988	177,417	226,895	<b>249,394</b>	<b>2,347,464</b>
Total assets <a href="#">Graph</a>	473,510	495,442	548,711	536,582	<b>563,994</b>	<b>5,308,686</b>
Per share of common stock (in yen and U.S. dollars):						
Net assets	443.32	587.83	569.92	729.35	<b>803.43</b>	<b>7.562</b>
Profit for the year attributable to owners of the parent	32.87	45.42	65.25	137.07	<b>82.71</b>	<b>0.778</b>
Cash dividends applicable to the year	5.00	7.00	10.00	15.00	<b>20.00</b>	<b>0.188</b>
Net cash provided by (used in) operating activities	12,171	(947)	(8,863)	58,874	<b>19,331</b>	<b>181,962</b>
Net cash provided by (used in) investing activities	11,441	1,982	(6,099)	(9,797)	<b>(7,812)</b>	<b>(73,535)</b>
Net cash provided by (used in) financing activities	(10,248)	(4,576)	11,148	(12,608)	<b>(2,015)</b>	<b>(18,966)</b>
Cash and cash equivalents at end of period	62,061	59,245	54,650	90,986	<b>100,526</b>	<b>946,219</b>
<b>Non-Consolidated</b>						
Orders received <a href="#">Graph</a>	462,626	455,516	420,769	478,587	<b>449,522</b>	<b>4,231,202</b>

Note: The rate of ¥106.24=US\$1.00, the foreign exchange rate on March 31, 2018, has been used for translation.

Data on social and environmental aspects (non-consolidated)	Units	FY2013	FY2014	FY2015	FY2016	FY2017
Number of employees (consolidated)	(Persons)	4,912	4,817	4,742	4,872	<b>4,994</b>
Number of employees	(Persons)	3,918	3,861	3,823	3,968	<b>4,016</b>
Men	(Persons)	3,468	3,397	3,364	3,447	<b>3,479</b>
Women	(Persons)	450	464	459	521	<b>537</b>
Average age	(Years)	44.6	44.9	45.0	44.4	<b>44.4</b>
Average years of continuous employment	(Years)	20.1	20.1	20.2	19.5	<b>19.4</b>
Occupational accident frequency <sup>*1</sup> <a href="#">Graph</a>	(Frequency)	1.17	1.26	0.56	0.53	<b>0.48</b>
Number of occupational accidents resulting in four or more days' absence from work	(Accidents)	46 (4)	43 (1)	20 (1)	16 (2)	<b>14 (0)</b>
Figures in parentheses ( ) indicate number of accidents involving fatalities						
CO <sub>2</sub> emissions (workplace) <sup>*2</sup> <a href="#">Graph</a>	(t-CO <sub>2</sub> )	73,185	76,709	74,510	69,688	<b>70,326</b>
SCOPE 1 <sup>*3</sup>	(t-CO <sub>2</sub> )	55,366	57,292	52,336	44,051	<b>51,132</b>
SCOPE 2 <sup>*2,*4</sup>	(t-CO <sub>2</sub> )	20,877	19,417	25,504	29,284	<b>22,670</b>
SCOPE 3 <sup>*5</sup>	(t-CO <sub>2</sub> )	7,921,923	13,860,683	10,597,058	7,208,503	<b>8,149,306</b>
CO <sub>2</sub> emissions basic unit (workplace) <a href="#">Graph</a>	(t-CO <sub>2</sub> /100 million yen)	18.3	20.3	16.4	17.0	<b>16.5</b>
Construction waste generated <a href="#">Graph</a>	(10,000 t)	78.8	70.8	66.6	79.2	<b>99.4</b>
Percentage of construction waste disposed of as landfill <a href="#">Graph</a>	(%)	5.1	6.7	5.0	4.6	<b>2.6</b>

\*1 Frequency: An index showing the incidence of occupational accidents in every million man-hours of work.

\*2 Location-based (calculated based on alternative values for CO<sub>2</sub> emission factors published by the Ministry of the Environment/Ministry of Economy, Trade and Industry) emissions shown. The web version contains figures for Scope 2 and market-based (calculated based on adjusted emissions factors for retail electricity providers) CO<sub>2</sub> emissions (workplace).

\*3 Scope 1: Greenhouse gases that are direct emissions resulting from corporate activity.

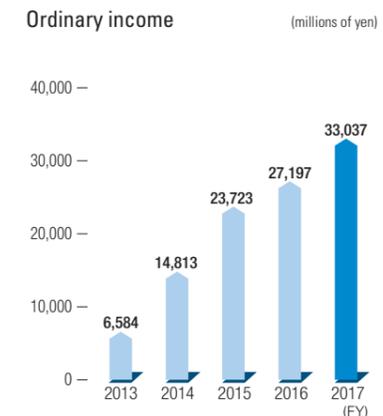
\*4 Scope 2: Greenhouse gases that are indirect emissions resulting from energy use for corporate activity.

\*5 Scope 3: Greenhouse gases that are indirect emissions excluding Scope 1 and Scope 2. The web version contains figures for each category.

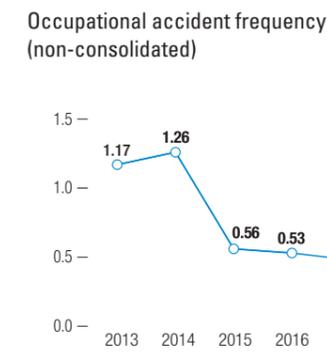
Up to fiscal 2013, categories 2, 3, 5, 6, 7, and 11 were calculated, but from fiscal 2014, categories 1, 4, and 12 were added to the calculation. From fiscal 2015, category 13 was added to the calculation.



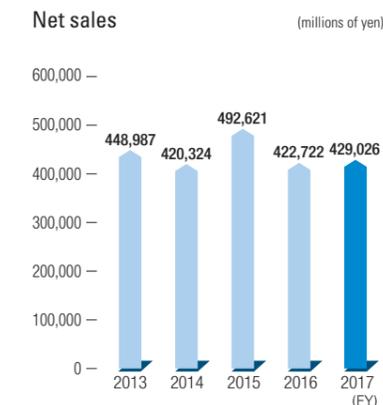
Orders received in the construction industry firmed, but the domestic building construction and domestic civil engineering construction businesses decreased 8.3% and 3.2%, respectively, compared to the previous fiscal year. In combination with the investment development business and others, the total for orders received decreased 6.1% to 449.5 billion yen (a decrease of 29.0 billion yen).



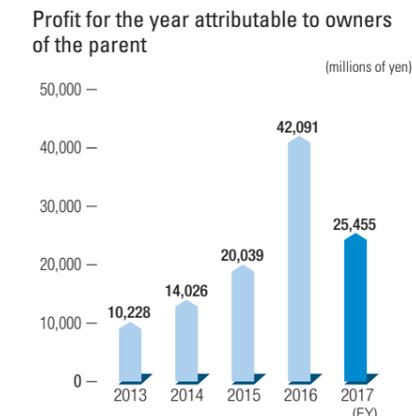
Although net sales essentially held steady, profit reforms (increasing income from completed construction) are progressing smoothly in the building construction business. As a result, ordinary income increased 21.5% year on year to 33.0 billion yen (an increase of 5.8 billion yen).



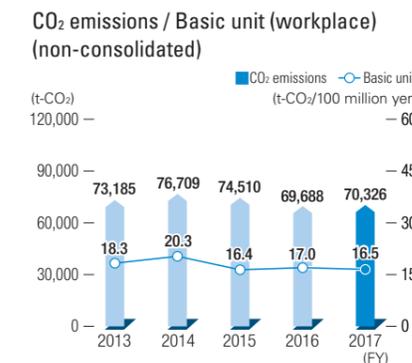
Accident frequency for fiscal 2017 improved to 0.48 from the level in fiscal 2016. In addition, there were zero work-related deaths for the first time in seven years. From fiscal 2018 onwards, we will continue to promote front-loading to maintain working conditions and aim to be the No. 1 corporate group for safety in all of our business activities, in order to achieve an even higher target (less than 0.4), while also thoroughly conducting activities to eliminate occupational accidents.



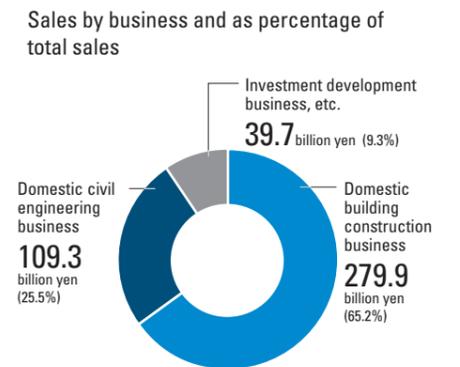
Given the solid environment for orders received, net sales for the domestic building construction business essentially held steady with a 0.3% decrease, but increased 8.6% for the investment development business, 15.4% for domestic Group business, and 43.6% for overseas business. In sum, net sales increased 1.5% to 429.0 billion yen (an increase of 6.3 billion yen).



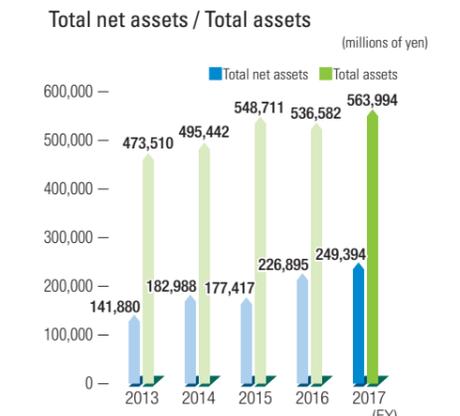
Profit for the year before taxes posted solid growth with an increase of 26.3% year on year to 35.8 billion yen (an increase of 7.4 billion yen) due to increased profits from the building construction business. However, increases in corporate taxes and other burdens pushed profit for the year attributable to owners of the parent down 39.5% year on year to 25.4 billion yen (a decrease of 16.6 billion yen).



CO<sub>2</sub> emissions increased slightly in fiscal 2017; however, basic units of CO<sub>2</sub> emissions decreased slightly. CO<sub>2</sub> emissions decreased slightly in the building construction department, and increased slightly in the civil engineering department. Basic units of CO<sub>2</sub> emissions increased in the building construction sector due to excavation projects on large-scale workites; however, a decrease in shield work and grading work in the civil engineering department resulted in an overall decrease. An increase in large-scale tunnel projects is anticipated in fiscal 2018, meaning that we expect an increase in basic units of CO<sub>2</sub> emissions.



As before, Toda's sales by business segment mainly comprise domestic building construction. No significant change is expected in the future, but our business strategy for the medium to long term calls for steps to reinforce the investment development business and others.



Total net assets increased 9.9% year on year to 249.3 billion yen (an increase of 22.4 billion yen) and the capital ratio was 43.7% due to the increase in retained earnings arising from the addition of net income. Total assets increased 5.1% year on year to 563.9 billion yen (an increase of 27.4 billion yen) due to an increase in corporate bonds and deferred tax liabilities.



In fiscal 2017, compared to the previous fiscal year, there was an increase in waste generated; however, there was a decrease in the percentage disposed of as landfill. This was mainly due to the increase in concrete chunks from demolition work by the building construction department. The amount of waste generated and the percentage disposed of as landfill are substantially affected by the amount and types of construction in each fiscal year. Nonetheless, in fiscal 2018, we will continue to promote the reduction of waste generated and the percentage disposed of as landfill by limiting the amount of waste created and thoroughly sorting waste.

# At a Glance

## Building Construction

### Business climate

Public sector investment tended to diminish in the building construction business, but orders for private sector construction have firmed. Overall, levels have stayed on par with the previous fiscal year. Meanwhile, the labor crunch and promoting work style reforms are issues that are being dealt with on an industry-wide basis, and Toda is also conducting initiatives to increase productivity and establish favorable working conditions.

In addition, the scale of construction work continues to increase and locations of projects continue to concentrate unevenly in urban areas, two factors that compound the challenge of handling construction work, let alone performing it profitably and well. Thus, it is becoming more important to provide consistent construction systems.



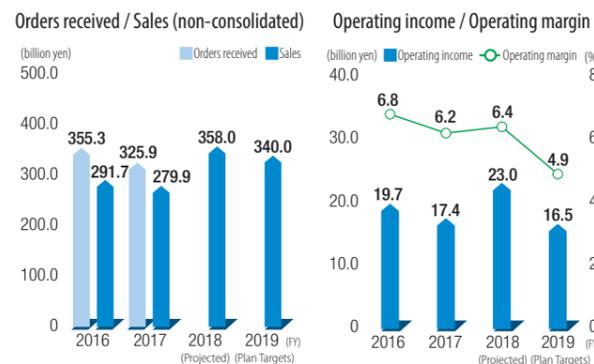
### Fiscal 2017 results (Building Construction in Japan: non-consolidated)

Fiscal 2017 sales amounted to 279.9 billion yen (year-on-year decrease of 4.0%). Income from completed construction essentially held steady, but the decrease in sales led this segment to record operating income of just 17.4 billion yen (year-on-year decrease of 11.7%).

Orders received reduced to 325.9 billion yen (year-on-year decrease of 8.3%) due to a decrease in orders, namely those for private sector construction.

### Prospects for fiscal 2018 (Building Construction in Japan: non-consolidated)

Regarding prospects for performance in fiscal 2018, construction underway posted solid growth, recording a year-on-year increase of 10.8% at 469.3 billion yen (as of March 31, 2018, non-consolidated), and the timing of construction progress after orders have been received has changed due to an increase in design and implementation projects. These two factors informed our plans for substantial increases in sales at 358.0 billion yen (year-on-year increase of 27.3%) and operating income of 23.0 billion yen (year-on-year increase of 29.2%). The planned figure for orders is 358.0 billion yen (year-on-year increase of 9.8%).



## Civil Engineering

### Business climate

Orders from both the public and private sectors have firmed throughout the industry due to factors such as an increase in major construction projects for expressways, the Linear Chuo Shinkansen, the Hokkaido Shinkansen and others.

However, it is unclear how long this favorable environment for government projects will last; thus, it is imperative to prepare to deal with harsher competition in the future.

In addition, the entire industry is facing the issue of labor shortage for the future. Toda is working to resolve this issue through measures such as using ICT to boost productivity, and scheduling at least eight days off every four weeks and other efforts to improve working conditions.



### Fiscal 2017 results (Civil Engineering in Japan: non-consolidated)

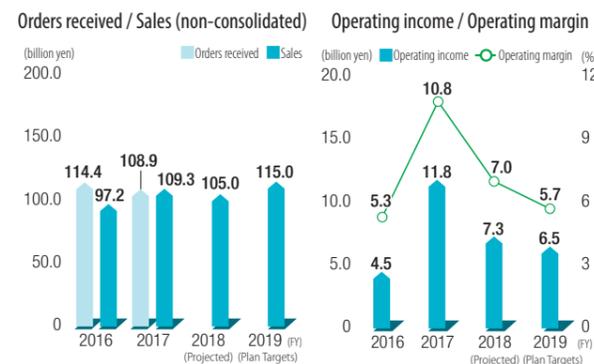
Fiscal 2017 sales amounted to 109.3 billion yen (year-on-year increase of 10.8%). Income from completed construction increased substantially due to initiatives to improve productivity, the achievement of effective design changes and other factors, and drove the operating income of this segment to 11.8 billion yen (previous period: 4.5 billion yen).

Orders received firmed, namely due to large tunnels through mountains and shield work, leading us to record a figure of 108.9 billion yen (year-on-year decrease of 3.2%) that marked our fourth consecutive fiscal year over 100 billion yen.

### Prospects for fiscal 2018 (Civil Engineering in Japan: non-consolidated)

Regarding prospects for performance in fiscal 2018, our plan calls for sales of 105.0 billion yen, which is equivalent to the previous fiscal year's figure (year-on-year decrease of 4.0%), and operating income of 7.3 billion yen (year-on-year decrease of 38.1%).

For orders received, the plan calls for 125.0 billion yen (year-on-year increase of 14.8%) in consideration of the strong momentum of work underway at 182.4 billion yen (year-on-year decrease of 0.2%) (as of March 31, 2018).



## Strategic Businesses

### Business climate

Regarding investment development business, despite concern about an oversupply of office buildings and the like, demand should remain firm in Greater Tokyo and other urban areas. We therefore intend to continue to secure and optimally operate high-performing assets to expand and stabilize profits.

Regarding energy business, expectations continue to mount for floating offshore wind power generation. We will therefore continue to devote energy to the full-scale commercialization of this technology as soon as possible.

Regarding domestic Group business, construction-related demand has firmed. We will therefore continue to strengthen the management of the entire Group.



### Fiscal 2017 results

Fiscal 2017 sales amounted to 40.1 billion yen, which is equivalent to the previous fiscal year's figure (year-on-year increase of 1.0%). However, operating income enjoyed a year-on-year increase of 15.0% to 2.3 billion yen due to factors such as profit recovery in real estate sales.

As for detailed results, the figure for sales comprises 5.9 billion yen for investment development and new business fields, and 34.2 billion yen for domestic Group business. The figure for operating income comprises 1.1 billion yen and 1.2 billion yen for the respective categories.

### Prospects for fiscal 2018

Regarding prospects for performance in fiscal 2018, our plan calls for sales of 46.0 billion yen (year-on-year increase of 11.9%) due to factors such as increased real estate sales, and operating income of 1.1 billion yen (year-on-year decrease of 52.2%) due to factors such as increased general administrative expenses toward future growth.

As for detailed plans, the figure for sales comprises 9.8 billion yen for investment development and new business fields, and 36.2 billion yen for domestic Group business. The figure for operating income comprises 0 billion yen and 1.1 billion yen for the respective categories.



## Overseas Business

### Business climate

Brazil continues to be a difficult place to win business. Although its economic stagnation appeared to bottom out in late 2017, the impending presidential election in October 2018 and the accompanying launch of the new government in January 2019 have caused a decline in private sector construction orders.

In Southeast Asia, despite projections for continued, consistent growth, competition for construction orders—namely from Japanese-affiliated companies—remains harsh.

We intend to strengthen our business base by finding new customers and otherwise focusing on local corporations in order to continue to meet the construction needs of various overseas regions.



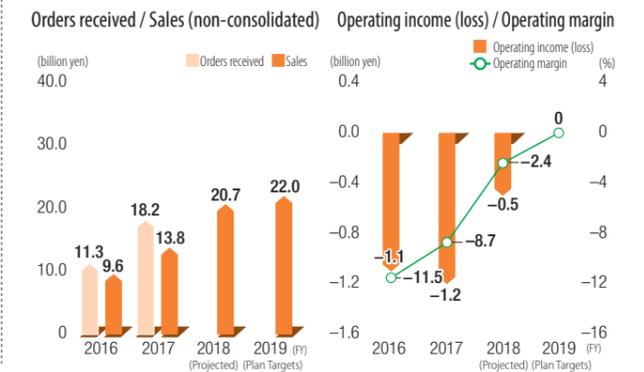
### Fiscal 2017 results

Fiscal 2017 sales were 13.8 billion yen (year-on-year increase of 43.8%), which is lower than planned due to factors such as a decrease in finished construction by postponements. This segment recorded an operating loss of 1.2 billion yen (previous period: loss of 1.1 billion yen) due to factors such as disappointing profit margins for partial construction.

Despite a challenging environment, orders received amounted to 18.2 billion yen (year-on-year increase of 61.1%), thanks to orders for large-scale projects and the like.

### Prospects for fiscal 2018

Regarding prospects for performance in fiscal 2018, we expect an increase in work underway due to the increase in orders received in the previous fiscal year, and economic recovery is anticipated in Thailand. Hence, our plan calls for sales of 20.7 billion yen (year-on-year increase of 50.0%) and an operating loss of 500 million yen (operating margin of -2.4%). The planned figure for orders is 20.0 billion yen (increase of 6.5%) due to the expected economic recovery and intensification of efforts to find new customers.



# The Value Creation Process

The Toda Group aims to be a corporate group that makes your success possible by achieving sustainable growth of corporate value with stakeholders and promoting ESG management through the following value creation processes.

**Main capital invested**

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

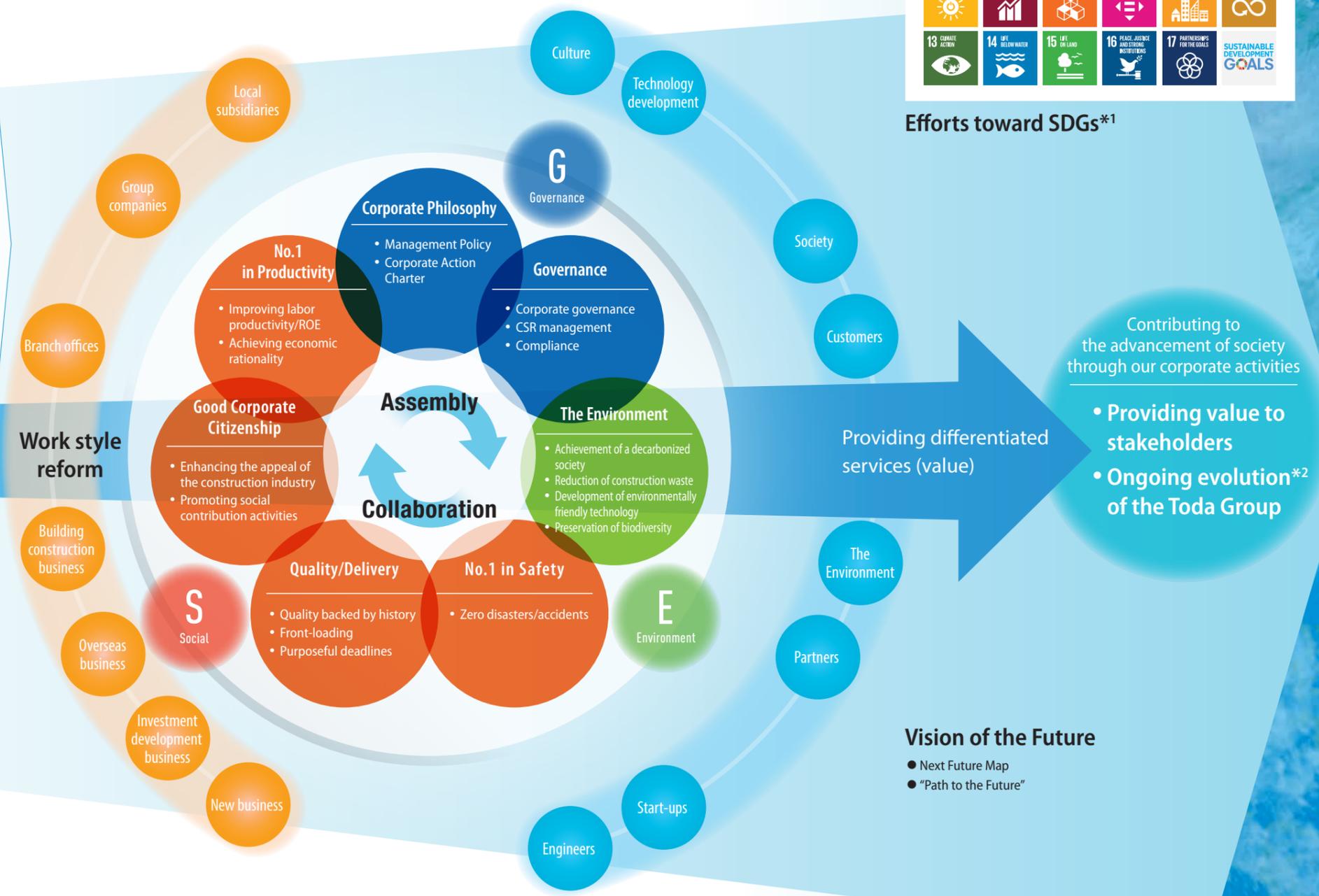
**Recognition of business risks and social issues**

**Main business risks**

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

**Main social issues**

- Consideration to 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



Efforts toward SDGs\*1

## Implementation of Global Vision

**Our future vision for the Toda Group and its value**

**A corporate group that makes your success possible**

**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 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 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.

Contributing to the advancement of society through our corporate activities

- Providing value to stakeholders
- Ongoing evolution\*2 of the Toda Group

Providing differentiated services (value)

### Vision of the Future

- Next Future Map
- "Path to the Future"

\*1 SDGs (Sustainable Development Goals): a set of seventeen goals incorporated into the 2030 Agenda for Sustainable Development that world leaders adopted at the historic UN Sustainable Development Summit in September 2015. Based on new goals that apply universally to all nations, each nation will take initiatives over the following fifteen years to end poverty in any form, fight inequality, and take steps to address climate change while ensuring that no one is left behind.

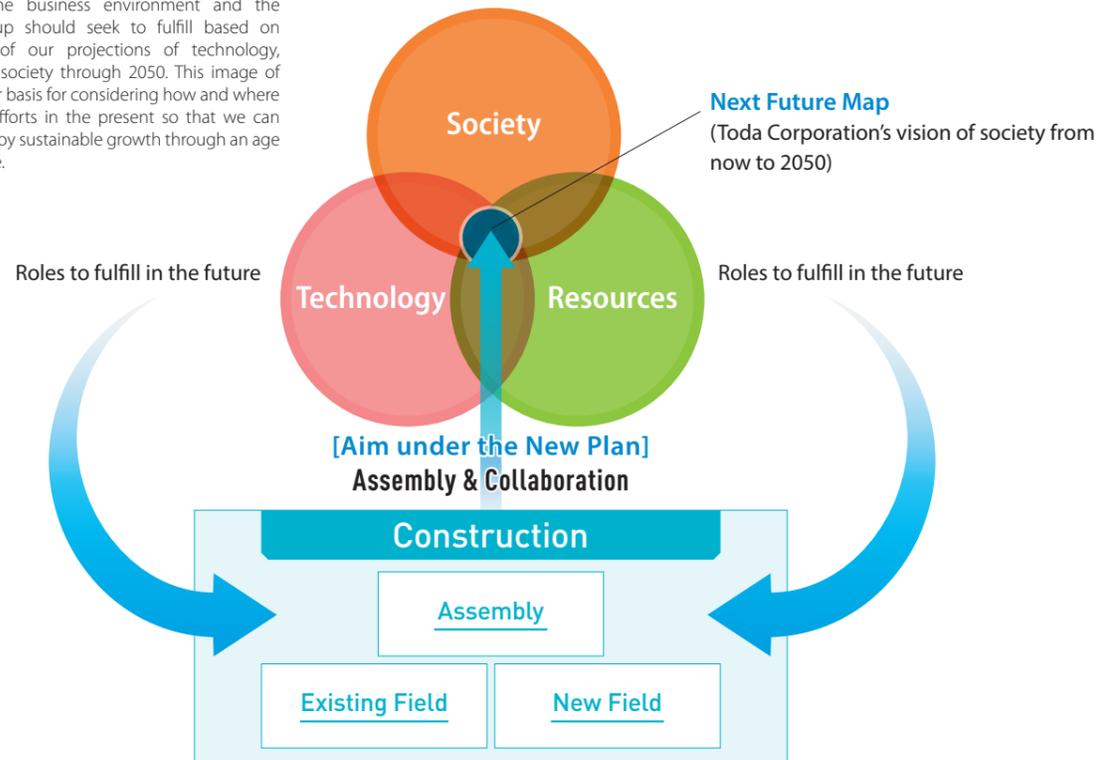
\*2 Originally refers to retention of value and evolution through the continuous maintenance and updating of buildings and urban areas.

# Toda Corporation's Vision of the Future

Japanese society is facing an age of sweeping change. Therefore, when developing our Medium-Term Management Plan 2019 (hereinafter, "New Plan"), we created the Next Future Map, which projects societal changes through 2050 and clearly describes the roles of the Toda Group in future years. The Next Future Map served as our basis for mapping out a long-term strategy in terms of what we aim to achieve in the future. Through these efforts, we arrived at our aim under the New Plan: "creating new value through assembly and collaboration."

## Development of Long-Term Strategy Based on Toda Corporation's Vision of the Future (Next Future Map)

Our Next Future Map is an expression of anticipated changes to the business environment and the roles our Group should seek to fulfill based on combinations of our projections of technology, resources, and society through 2050. This image of the future is our basis for considering how and where to direct our efforts in the present so that we can continue to enjoy sustainable growth through an age of great change.



## Creating New Value through Assembly and Collaboration

The management keywords for the Group going forward are "sustainable growth." To stay relevant in the age of sweeping change already underway and achieve sustainable growth and flourish in the future, it is important to anticipate future changes in the environment and formulate strategies that focus on customer needs and the industries that will develop in ensuing eras.

The society that we envision 30 years hence will see changes to the industrial structure due to the effects of technological innovation, and the delivery of value through integration will become mainstream (the age of multi-industry co-creation). In this kind of society, it will be necessary to have the capacity to increase added value and promote further integration through a variety of information and technologies in a broad network that extends beyond individual companies.

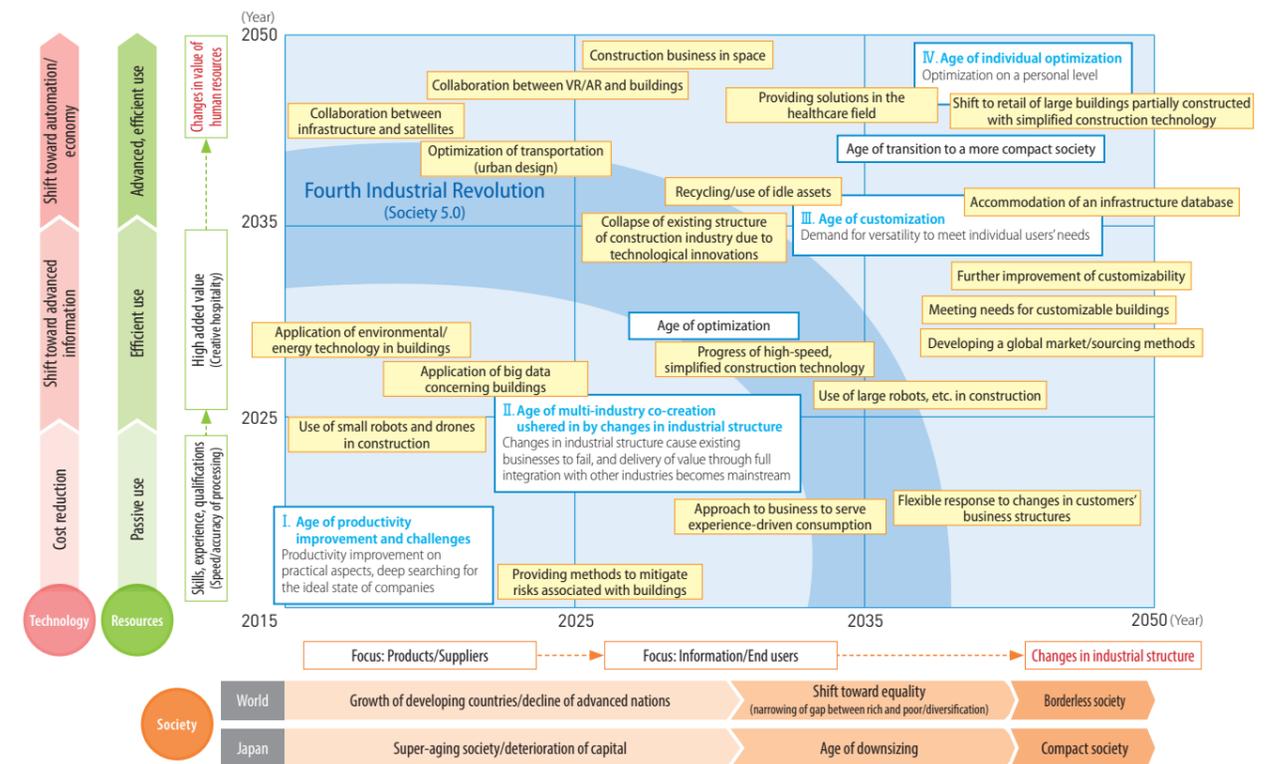
The Toda Group, which has progressed thus far by focusing on construction, has amassed an optimal combination of knowledge from both inside and outside the Company to provide society and customers with the high-quality buildings and safe, secure infrastructure that they desire, while understanding the wishes

of our customers and the environments and social significance in which they exist, and engaging in co-creation with a range of external interested parties, including our partners.

Although the nature of the value we provide changes to keep up with the times and meet the needs of our customers, our will to provide value has remained consistent since our founding. In other words, the fact that our purpose is "creating new value through assembly and collaboration" underscores our belief that the reason our Group exists is to fulfill our social mission to leverage the strengths of this viewpoint to provide new value to customers and society in this modern age of increasingly complex social issues.

Thus, we intend to continue to make the most of the technological capabilities and know-how that we have developed over our long history, to maximize the value we provide by increasing added value and promoting further integration through a variety of information, and to grow together with society in a sustainable manner.

## Toda Corporation's Vision of Society through 2050 (based on Next Future Map 5.1\*)



\*Toda Corporation will continue to revise the Next Future Map to increase the suitability of our efforts.

## Path to the Future: Toda Corporation's Vision of the Construction Industry in the Future

We published the "Path to the Future" pamphlet in an effort to describe our image of the future and the direction of our efforts set out in the Next Future Map in more detail, and share it with our employees as well as our stakeholders. We are constantly considering the roles the construction industry of the future can fulfill to continue to provide happiness to all stakeholders while accommodating changes to society, and intend to continue to seek out and try new ways to fulfill those roles.

- This pamphlet describes the new technology we expect to see in the next 10 to 15 years, and our dream for a more productive construction industry achieved through a shift toward more advanced information, industrialization, and other industrial technologies.
- This pamphlet introduces our ideal image of architecture in 30 years when considered from the perspective of design, and describes our image of the future for our implementation of reform in line with changes to society and achievement of the ongoing evolution of buildings and urban areas together with stakeholders.
- This pamphlet describes our image of a future in which our overseas business successfully contributes to the realization of Sustainable Development Goals (SDGs) by connecting Japan and the world and resolving social issues that arise at home and abroad.
- This pamphlet acknowledges differences in characteristics at each stage of urban development, and sets out our approaches to solving problems in line with the growth stage of each country.\*1

\*1 Three approaches: (1) Approach to developing countries (Brazil), (2) Approach to Japanization of urban areas (Southeast Asia), and (3) Hubs of Innovation Formed in Optimal Places Throughout the World (North America/Europe)

# Message from Management



We will work to improve our technology and service. We aim to become the group that is most relied on and a “valuable Toda Group” by producing ongoing evolution through the longstanding trust of our customers and providing solutions that exceed expectations.

decline in taxation expenses due to the Company recording deferred tax assets in fiscal 2016. In this way, we have certainly increased profitability by improving our operating margin for completed construction by increasing productivity and securing additional constructions in the civil engineering business, etc. with the domestic construction business showing the greatest increase against the backdrop of a strong ordering environment. Furthermore, we have secured a high rate of construction carried forward, which will contribute to profitability from the next fiscal year onwards.

Future economic conditions are expected to continue to display a moderate recovery overall, with improvements in the employment and earnings environments, and it is necessary to remain aware of uncertainty in overseas economies and

fluctuations in financial capital markets. In the construction industry, the market environment is expected to remain strong; however, there are still matters of concern due to factors such as uncertainty when assessing business conditions for private enterprise and increasing construction costs due to the labor crunch, etc.

Based on these conditions, the Toda Group anticipates that results for fiscal 2018 will amount to consolidated sales of 514.0 billion yen (year on year increase of 19.8%), operating income of 31.0 billion yen (year on year increase of 1.8%), ordinary income of 33.3 billion yen (year on year increase of 0.8%), and profit for the year attributable to owners of the parent of 22.3 billion yen (year on year decrease of 12.4%).

▶ At a Glance P.3-4

## Fiscal 2019 Group Performance Targets

	Fiscal 2017 results	Fiscal 2018 forecasts	Fiscal 2019 targets
Consolidated net sales	429.0	514.0	500.0
Domestic construction	279.9	358.0	340.0
Domestic civil engineering	109.3	105.0	115.0
Investment and development + New fields	5.9	9.8	8.5
Domestic Group companies	34.2	36.2	36.0
Overseas	13.8	20.7	22.0
Consolidated operating income	30.4	31.0	25.0
Consolidated operating margin	7.1%	6.0%	5.0%
Labor productivity (non-consolidated, unit: 10 thousand yen)	165.6	161.0	150.0

\* New fields refers to energy related businesses and other new businesses

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

\* Consolidated elimination reflected in consolidated net sales totals

## Overview of fiscal 2017 and outlook for fiscal 2018

The domestic construction business is steadily increasing in revenue to achieve increased profits overall, against the backdrop of a solid ordering environment.

The Group is currently promoting Medium-Term Management Plan 2019. Target results include achieving at least 500.0 billion yen in net sales and 25.0 billion yen in operating income (ratio of operating income to sales of 5.0%) in 2019, which is the final year of operation. With regard to labor productivity, which has been used as a control index since the previous medium-term management plan, we have set a target of at least 15.00 million yen.

In fiscal 2017, which is the first year of operation of Medium-Term Management Plan 2019, the domestic economy is gradually recovering, with improvements in the employment and earnings environment and an observable recovery in individual consumption and exports. In the construction industry, orders for public sector construction fell short of the previous fiscal year; however, private sector construction exceeded the previous fiscal year, meaning that construction was steady overall.

Under these circumstances, consolidated results for the Toda Group were as follows: Consolidated net sales increased 1.5% year on year to 429.0 billion yen, mainly due to increased net sales to external companies by domestic Group companies and the progress of construction underway for foreign subsidiaries. In terms of operating income and loss, the gross profit margin on sales rose to 14.1%, a year on year increase of 1.6 points, and gross profit on sales rose to 60.3 billion yen (a year on year increase of 14.0%) due to increased profitability of the construction business because of ongoing initiatives to increase productivity. Meanwhile, selling, general, and administrative expenses rose to 29.8 billion yen, a year on year increase of 6.9%, while operating income reached rose 21.9% year on year to 30.4 billion yen. Profit for the year attributable to owners of the parent amounted to 25.4 billion yen (year on year decrease of 39.5%) due to the increased burden of corporation tax, etc. The cause of this is the significant

## Outline and Progress of Medium-Term Management Plan 2019

The New Plan lists “creating new value through assembly and collaboration” as its aim, and we aim to achieve sustainable growth hand in hand with society.

Medium-Term Management Plan 2019, which the Group is currently promoting, is a growth strategy created by backcasting from a hypothetical future according to a clear idea of the Toda Group's purpose in future society, based on Next Future Map, which predicts what society will be like in 2050, which is about 30 years away. The plan is positioned to be phase 2 toward achieving the Toda Group Global Vision, and we are working to shift resources and create new value in order to create a revenue base for sustainable growth.

Improvements in the climate for business have been accompanied by a steady rise in profit levels. However, forecasts tell us even harsher conditions will prevail in the years from 2020 onward. Accordingly, it is important for us to anticipate future changes in the environment and develop a strategy that is aimed at meeting the needs of our customers as well as future growth industries, etc. The society that the Company predicts for 30 years

from now will see changes to the industrial structure due to the effects of many different technological innovations, such as ICT, causing existing businesses to collapse and the main source of income being from delivering value through full-integration with other industries (the age of multi-industry co-creation). In this kind of society, it will be necessary to be able to provide added value and high-level integration to a range of information and technologies in a broad network that extends beyond individual companies. The plan lists “creating new value through assembly and collaboration” as its aim, and we are implementing various strategies under the three business policies of “evolution of No.1 in productivity and No.1 in safety,” “securing differentiated value,” and “enhancing the business foundation and improving stakeholder value.”

▶ Toda Corporation's Vision of the Future P.7-8

Positioning of Medium-Term Management Plan 2019

Toda Group Global Vision

A Corporate Group That Makes Your Success Possible



Evolution of No.1 in Productivity and No.1 in Safety

In the midst of concerns about future labor shortages, initiatives to improve productivity and ensure safety are the most important ways to achieve sustainable growth. In order to succeed in these initiatives, we must reform production systems and work processes, and further enhance the development of new technologies. We began expanding our systems to promote this in March 2017\*1.

In March 2018 we announced that we had designed Toda Innovation Sites, and we are conducting new initiatives that aim to realize specific construction technologies that we expect to become possible in the next five years. Furthermore, in recent years, orders for all-in-one design and construction packages have accounted for a rising proportion of total orders. We are promoting the front loading of tasks and inter-organizational collaboration from the initial stages of the project and conducting initiatives to resolve construction issues at the early stages.

\*1 We established the Front Loading Promotion Department (branch), ICT Promotion Department, and Construction Reform Unit, and expanded the BIM-CIM office.

- ▶ Striving to Become the Company that is No.1 in Safety P.22
- ▶ Research and Development P.19

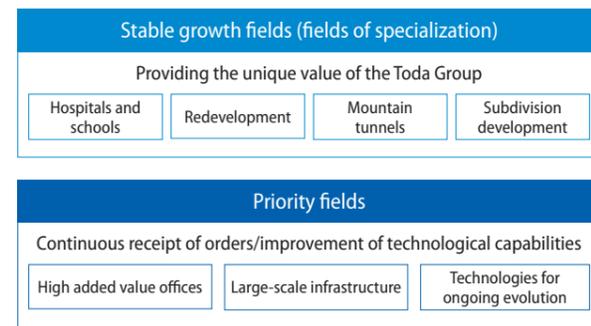
Securing Differentiated Value

In the domestic construction business, we are working to continue providing unique value in our fields of expertise, define future fields of emphasis, and create new strengths, by leveraging the strengths that have been developed by the Group up to this point. We have positioned strategic businesses as one of the main foundations of future earnings, and we will enhance investment and development and new business fields that we are already pursuing, as well as shifting resources to domestic Group companies and overseas. Furthermore, the investment plan during the term of this medium-term management plan (plan for 72.0 billion yen during the term of the period and approximately

27.5 billion yen during fiscal 2018) is progressing smoothly, and we are rolling out initiatives to secure stable profits and differentiated value.

Securing Differentiated Value

- Creating "strengths" tailored to our competitiveness in each field -



Strategic Businesses

Business	Major initiatives
Investment and development	<ul style="list-style-type: none"> <li>Investment in income-producing properties and subdivision development, etc.</li> <li>Promotion of the Kyobashi 1-Chome east side development plan (head office building reconstruction)</li> <li>Effective utilization of assets held, such as workshops</li> </ul>
New fields	<ul style="list-style-type: none"> <li>Commercialization of floating offshore wind power generation</li> <li>Initiatives to engage with renewable energy, sixth sector farming industrialization, and new businesses</li> </ul>
Domestic Group companies	<ul style="list-style-type: none"> <li>Provision of comprehensive value to customers and enhancement of the building lifecycle business (building management, refurbishment, facilities, etc.)</li> <li>Acquiring unique technologies through M&amp;A, etc.</li> </ul>
Overseas	<ul style="list-style-type: none"> <li>Enhancement of marketing capabilities in Brazil and South-East Asia</li> <li>Continuous receipt of orders for overseas civil engineering businesses</li> <li>Development of technology already possessed</li> </ul>

The main success of strategic businesses in fiscal 2017 was the issue of Toda Corporation Green Bonds in December 2017 (the first such issuance by a company for its own business in Japan), which were used to procure 10.0 billion yen in capital for the future roll out of the floating offshore wind power generation that we have been working towards. As this business is being scaled up, we established an energy division in March 2018, and we are working to enhance our core businesses by focusing on this division. Furthermore, in May 2018, we unveiled the semi-submersible spud barge, Float Raiser, which we had been constructing with support from the Ministry of the Environment to reduce the cost and encourage implementation of low-carbon floating offshore wind power generation. In the overseas business, we have pursued enhancements to the sales structure, such as by the establishment of a Paraguay branch by Construtora Toda do Brasil S.A.

▶ Business Strategy P.13-18

Enhancing the Business Foundation and Improving Stakeholder Value

Initiatives relating to the business policy of "enhancing the business foundation and improving stakeholder value" are important to ensure the sustainable growth of the Toda Group, and in particular, we have designated initiatives relating to personnel, who are the

main source of value provided to society, as priority measures that directly affect the growth of the Group.

As social issues become more complex and the speed of social change increases, we feel that developing self-motivated personnel that are able to take note of issues, come up with proposals for solutions, and act to achieve a vibrant society and satisfy stakeholders will become even more important. With that in mind we aim to diversify, and increase the variation and potential of our workforce through staff movement (rotation) and work-style reforms. In order to achieve this, we introduced a flextime system in June 2018 for all employees, even those at workshops, and worked to encourage staff to challenge themselves to adopt a self-directed work-style, and implement work-style reforms for the approximately 1,200 staff that have been temporarily relocated during the head office reconstruction (scheduled completion in 2023). The crux of these initiatives lies in implementing a highly productive work-style and being able to create valuable leisure time for our employees. By reducing total work hours, we are increasing the potential of workers and encouraging increased cultural and social sensitivity through effective use of leisure time. This will not only increase work efficiency, but also create new distinctive output and lead to greater enthusiasm for work by staff. We would like to provide the maximum value to stakeholders by making this virtuous cycle a reality as quickly as possible.

To Our Stakeholders

Becoming a corporate group that makes your success possible

The Toda Group Global Vision, which is to be "a corporate group that makes your success possible," expresses the sentiment of wanting to be a company that makes success possible for customers, staff, partners, and the whole of society, and to use that feeling as a source of confidence and pride in order to continue to grow. Not only do we aim for the Group to grow, we seek fulfillment for all of our stakeholders.

The construction industry currently has increasing responsibilities, such as earthquake recovery, disaster mitigation measures, and rejuvenation of aging infrastructure. Furthermore, changes in the economic situation have grown more severe, making global and dynamic actions essential. We must deal with issues in a speedy fashion as the issues being dealt with by customers are diversifying.

The Group will strive to continue to improve its technology and service. We aim to become the company that is most relied on and a "valuable Toda Corporation" by producing ongoing evolution through the longstanding trust of our stakeholders and providing solutions that exceed expectations.



President and Representative Director

Masanori Imai



Aiming to be a company that always looks towards the future and attempts and accomplishes reforms that challenge the status quo in order to remain a company that is selected by customers.

**Hiroyuki Miyazaki**

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



Becoming the company that is chosen by society and customers. Aiming to display each employee's individual worth and to communicate our corporate value, which differentiates us from other companies.

**Ken Fujita**

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

## Medium to Long-Term Strategy

In fiscal 2018, we will promote the initiatives to improve productivity that were successful under Medium-Term Management Plan 2017, ensuring that we have the ability to handle the current strong ordering environment and the reduction in resources coinciding with the project for reconstruction of the head office building that will commence in fiscal 2019.

Furthermore, as the scale of orders and uneven ordering volume between regions increases, our flexible responsiveness and ability to handle construction projects have been called into question, and it is becoming more important to secure stable construction systems. Also, the forms of hospitals and schools, etc. which are Toda's fields of expertise, are changing in line with changes in society, so construction of highly versatile buildings is becoming more sought after.

It is essential to constantly conduct initiatives that look towards the future in order to ensure that our present positive results are not due to the business environment, but rather, that we would be selected by customers under any circumstances, and that we continue to grow sustainably. Based on the following four policies, we will accomplish reforms that challenge the status quo and achieve ongoing evolution:

- 1. Ongoing evolution of our value for customers**  
Loose connections between branches to "pool and share"  
Developing a new business model that focuses on energy and the environment  
Developing diverse customer channels from a medium to long-term perspective
- 2. Sustainable productivity improvement**  
Improved construction productivity  
Securing design and construction systems that cover all branches
- 3. Persistent increases in employee value**  
Strategic professional development  
Securing and handing down construction quality and technology
- 4. Contribution to the sustainable development of customers and society through business activities**  
Customer value creation  
Initiatives to alleviate future labor shortages

### Main Results in Fiscal 2017



New Construction of Kyushu University (Ito) International Library (Stage II)  
Kyushu University



New Construction of the Japanese Sword Museum  
Nihon Bijutsu Token Hozon Kyokai (NBTHK)



Construction of the Kamaishi Civic Hall  
Kamaishi City, Iwate Prefecture

## Medium to Long-Term Strategy

With regard to the civil engineering business, we expect the strong ordering environment to continue for the time being, due to the need to rejuvenate infrastructure, such as by upgrading aging expressways and investing in the renewable energy market, etc. However, long-term demand is expected to decline, and social issues such as labor shortages and aging infrastructure are expected to worsen. The most important management issue that we are facing is to maximize the value of the Company and its employees and enhance initiatives to ensure that Toda continues to be chosen by society and customers, in order to aim for sustainable growth even in these difficult circumstances.

We will evolve our improvement initiatives that have delivered results up to this point, and change the corporate culture by enhancing and reforming organizations over the next three years in order to create a strong Civil Engineering Group that is able to contribute to the advancement of society through the following four policies:

- 1. Ongoing evolution of our value for customers**  
Proactive development of differentiated technology, which is essential for medium to long-term growth  
Improving our ability to accept large orders by enhancing technological sales capabilities  
Creating differentiated value through cooperation  
Enhancing initiatives aimed at the infrastructure rejuvenation sector, etc.
- 2. Sustainable productivity improvement**  
Strategic professional development  
Leveraging AI and ICT  
Enhancing cooperation with Group companies and partners
- 3. Persistent increases in employee value**  
Promoting work style reforms and developing self-motivated personnel  
Setting up and implementing professional development programs  
Improving the work environment and promoting health management
- 4. Contribution to the sustainable development of customers and society through business activities**  
Promoting the solution of social issues through business

### Main Results in Fiscal 2017



Construction of the Joshin-Etsu Expressway Tenjindo Tunnel  
East Nippon Expressway Co., Ltd.



Construction at Shin-Meishin Expressway Minoh Interchange  
West Nippon Expressway Co., Ltd.



National Road 45 Shimoakka Road Construction  
Tohoku Regional Development Bureau, Ministry of Land, Infrastructure and Transport



**Hiroshi Uekusa**

Director  
Executive General Manager  
General Manager of the Promotion Office for Strategic Business

Business Strategy **Strategic Businesses**

Continuing to challenge ourselves to create value to solve social issues, and creating a secure revenue base through knowledge and technology.

**Medium to Long-Term Strategy**

In the construction industry, we must create new business opportunities by creating differentiated value that enables sustainable growth in difficult conditions, as demand is expected to weaken in the future.

Toda Corporation aims to create new revenue bases to supplement the construction business by accelerating initiatives to those we are already actively promoting, such as improving productivity by leveraging ICT and introducing new technology, working with the construction, civil engineering, and other related divisions, and further increasing cooperation. In March 2017, we newly established the Promotion Office for Strategic Business. In March 2018, we established the Promotion Office for Strategic Business at all branches nationwide, and we are working to enhance cooperation on a national level.

The Office aims to create new business opportunities through the four fields, which are investment and development businesses, such as the real estate business, energy businesses that are rolling out renewable energy projects such as floating offshore wind power generation projects, new business fields in which we will develop and run new projects through collaboration with customers and other industries, and group businesses in which domestic Group companies participate.

During the term of Medium-Term Management Plan 2019 we will actively and strategically implement a range of initiatives to promote growth in each business field. In fiscal 2018, we plan to invest 16.2 billion yen in effective leveraging and development of assets already owned and 9.0 billion yen in new fields such as energy and sixth sector industrialization of agriculture, in order to secure stable profits and differentiated value.

**1. Ongoing evolution of our value for customers**

**Investment and development**

We aim to increase and stabilize profit by stockpiling and optimally investing in exceptional assets according to customers' needs (continuation/revision).

- Promoting the head office building reconstruction project scheduled to be completed in 2023
- (Tentative name) Toda Building Hatchobori 2-Chome Construction

**Energy business**

By commercializing the floating offshore wind power generation pilot farm (PF), we will establish a solid position and take the lead in the creation of a new market in the renewable energy field.

- The PF project will begin with eight 2 MW generators and one 5 MW generator off the coast of Goto City.
- The environmental assessment will conclude in autumn, and it will be possible to conduct efficient construction by using semi-submersible spud barges manufactured in conjunction with other companies.
- Investment in a solar fund

**New business fields**

Accepting the challenge of participating in unexplored fields and businesses through collaboration with customers and other industries.

- Initiatives aimed at sixth sector industrialization of agriculture. We will establish schemes with high commercial viability through trials at *Toda Nobo*.

**Group businesses**

We aim to maximize added value through synergistic effects and complementarity between each domestic Group company.

**2. Sustainable productivity improvement**

- We aim to achieve work efficiency by leveraging external knowledge and experience.
- We will promote new FMs through the utilization of technologies such as BIM and ESP.
- We aim to promote the use of ICT and improve work efficiency and productivity at each domestic Group company.

**3. Persistent increases in employee value**

- We will develop self-motivated personnel, increase diversity and variety, and develop GRIT\*.
- \*Guts and Resilience and Initiative, Tenacity
- We will actively create a network both inside and outside the Company, which will be a source of value creation.

**4. Contribution to the sustainable development of customers and society through business activities**

**Promoting CSV (Creating Shared Value)**

We aim to achieve sustainable corporate growth through contribution to the solution of social issues by promoting the environment/energy business and investment/development business.

**Challenging ourselves through overseas business**

We will work to accumulate technology and knowhow in the renewable energy field, including floating offshore wind power generation and the real estate business, and create value for our customers and society by challenging ourselves to leverage our knowledge and experience through the overseas business.

TOPICS **Investment and Development Business (Kyobashi 1-Chome East Side Development Project)**

**Creating a new center for art and culture in Tokyo Station area**

**Project overview**

Toda Corporation is participating in a large-scale development project in the Kyobashi 1-Chome east side area as the project implementer. The project will create a new center for art and culture and increase the marketing potential of the area. In B Block (the largest block) in which the head office building reconstruction project is being carried out, the lower floors will contain a range of facilities, including experiential, education, and promotional functions for art and culture. In the newly established large public space, we will conduct area management (attractions such as art events are being considered) in conjunction with the business operators on the adjacent block, which is owned by the Artizon Museum (formerly the Bridgestone Museum of Art). We are planning activities that are suitable for such a center and will give a diverse range of people the opportunity to gather and mingle.



People will gather at the large public space and various art and culture facilities

B Block overview	
<b>Purpose:</b>	Offices, stores, cultural facilities, parking, etc.
<b>Scale:</b>	28 above ground floors, 3 below ground floors, SRC, RC, and S construction Site area - approx. 6,150 m <sup>2</sup> Total floor area - 101,500 m <sup>2</sup>
<b>Construction period:</b>	FY2021 to FY2023



New Head Office Building (B Block)

**Energy Business (Floating Offshore Wind Power Generation Project)**

**Promotion of full-scale commercialization in Goto City, Nagasaki Prefecture**

**Project overview**

Toda Corporation and others represented a group of contractors, which was formed in September 2010, in order to conduct an offshore wind power generation demonstration for the Ministry of the Environment. The group succeeded in setting up the world's first hybrid-spar (floating type with the lower portion made of concrete and the upper portion made of steel) demonstration equipment in the ocean around Kabajima, Goto City, Nagasaki, in October 2013. After two years of trial operation, the demonstration models were granted to Goto City in March 2016, and from April 2016, the generators have been loaned to Toda Corporation to operate a power generation business. Going forward, we will efficiently construct floating offshore wind power generation facilities using newly constructed semi-submersible spud barges and contribute to the realization of a carbon-free society.



Floating offshore wind farm (Illustration)



**Multi-function vessel (Yoshihiro No. 2)**

Fitted with Japan's only seabed cable-laying equipment and floating offshore power generation equipment mooring equipment

**Vessel specifications:** Length - 110 m, width - 32 m, depth - 7m  
**Load capacity:** Approx. 13,600 t

**Domestic Group Businesses: Notable Results, etc.**



- Tachikawa District Disaster Prevention Center (equipment, cleaning, facilities protection)
- Tachikawa Sogo Hospital (cleaning)
- O-Hara Bookkeeping and Law School (equipment, cleaning)

Tachikawa District South Block  
(Building management: Toda Bldg. Partners)



Route 20 Hino City Tamadaira road surface restoration  
(Construction: Toda Road Co., Ltd.)



Sunshine Sazanseto (Yamaguchi)  
(Resort hotel management: Towa Kankai kaihatsu Co., Ltd.)



Decisively tackling issues relating to construction needs and contributing to society.

Tadashi Nishimura Managing Officer Overseas Division

### Medium to Long-Term Strategy

Harsh conditions continue for performance due to the effects of sudden fluctuations in international conditions and social and economic conditions in nations in which we are active. As the future outlook is unclear, the Group is accelerating initiatives to build an earnings structure to improve results, such as by establishing organizational structures, improving marketing capabilities and construction capabilities, and expanding business fields, in order to construct a business foundation for the future while domestic businesses that are likely to display a long-term tendency to contract remain strong.

In particular, we are conducting investigation and research with regard to meeting the needs of individual countries, such

as by expanding the renewable energy business, with an eye to expanding business fields. For example, in Brazil, there is a high degree of reliance on hydroelectric power, and issues relating to utilization of water for farming, etc. are putting pressure on power generation. Because of this, the expectations placed on new forms of renewable energy are increasing. We are currently investigating and researching the circumstances and needs of Brazil in order to conduct expansion, leveraging our technology and knowhow such as Toda Corporation's floating wind power generation and solar power generation capabilities. Going forward, we will pursue a range of projects in addition to our main business, based on the needs of each individual country.

#### 1. Ongoing evolution of our value for customers

##### Increasing customer satisfaction

We aim to improve customer satisfaction based on SQEs (health and safety, quality, and environmental policies) that are at the same level as domestic policies.

##### Earning customers' trust

We are working to earn trust by understanding the needs of customers in each industry and region and enhancing our ability to make proposals, ensure quality, prevent defects, strictly adhere to deadlines, and conduct detailed maintenance, etc. accordingly.

##### Evolving our business strategy and increasing the level of our sales activities

We are conducting investigations and analyses of the needs of customers in each country from a medium to long-term perspective, and this will lead not only to using the data gained to evolve our business strategy, but also further enhancing our organizational sales and proposal capabilities through sales staff at local subsidiaries.

#### 2. Sustainable productivity improvement

##### Improving productivity based on improvement activities

We aim to improve productivity and profitability by enhancing communication and cooperation between divisions and partners and continuously researching and discovering exceptional partner companies.

#### 3. Persistent increases in employee value

##### Securing local employees

We continuously conduct hiring activities in countries in which we operate and secure exceptional personnel. We have also introduced a five-day work week (implemented in Thailand) and are conducting an intern program in consideration of the laws and customs of individual countries.

##### Promoting diversity and fostering global personnel

We are strategically fostering global personnel by promoting diversity through more in-depth education programs, such as by conducting short domestic training sessions for local employees and OJT for employees at the design department and at branches, as well as language training for domestic employees.

##### Promoting health management

We are promoting department-wide health management initiatives (including at overseas subsidiaries) based on the awareness that our staff are our most valuable asset.

#### 4. Contribution to the sustainable development of customers and society through business activities

- We will promote investigation and research with an eye toward overseas expansion of the renewable energy business.
- We will conduct activities aimed at future investment and expansion of business fields.

### Main Results in Fiscal 2017



Yusen Logistics Co., Ltd. warehouse plan (Vietnam)



Itoh Seiko Co., Ltd. Factory No. 2 (Thailand)



SENAI Vocational Training Institute (Brazil)

### TOPICS Address by President Imai at the Sri Lanka-Japan Economic Forum



A mission visiting India and Sri Lanka by the Japan Chamber of Commerce and Industry and the Tokyo Chamber of Commerce and Industry took place from January 21, 2018 to January 27, 2018. President Imai gave an address on January 25 at Sri Lanka-Japan Economic Forum held in Sri Lanka and attended by Prime Minister Ranil Wickremesinghe and other Sri Lankan government officials, in which he outlined his requests to the Sri Lankan government, and expressed his desire to engage in initiatives to strengthen the economic relationship between the two countries. This economic mission is conducted every year, and plays the role of promoting constructive private economic negotiations by exchanging information and opinions, in order to promote expansion of trade, investment, and the transfer of technology, etc.

### Social Contribution Activities by Overseas Subsidiaries

#### Construtora Toda do Brasil S.A.

##### Support for child cancer patient support organization

Since May 2010, we have been making ongoing donations to GRAACC, which is a nonprofit organization that operates hospitals for the treatment of child cancer. The donations are used to cover hospital operating costs and medical equipment purchasing costs.



Certificate of appreciation for donations

#### Thai Toda Corporation Ltd.

##### Participation in Ayutthaya Kizuna Ekiden 2018

Ayutthaya Kizuna Ekiden is a competition that was initially held in 2017 to commemorate 130 years of friendship between Thailand and Japan (Organizer: Thai Ministry of Tourism and Sports). This year is the second consecutive year that the event has been held in the World Heritage listed city of Ayutthaya. A condition for entry is that teams must include both Japanese and Thai members, and our team comprised one Japanese member and three Thai members.



Members who completed the event

##### Support for children in orphanages

In December 2017, we visited the Ban-Viengping orphanage in Chiang Mai. Ban-Viengping is an orphanage for children who have been abandoned by their parents for various reasons. We donated necessities and educational supplies, and we were welcomed and thanked warmly by the children.



Presentation of inventory of donations



Commemorative picture with all of the children



## Research and Development

Our aim is to discover new possibilities in construction in response to changes in the times and in society, so as to provide our customers with valuable technology to clear the way to a new age.

Morimichi Toda

Director  
Senior Executive Managing Officer  
Director of Promotion Office for Value Creation

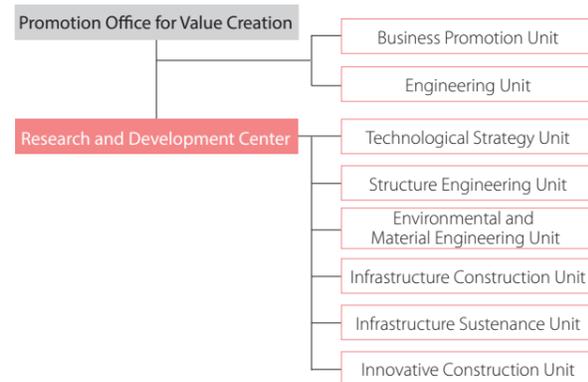
## Research and Development System

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, which is the central division of the Promotion Office, engages in activities that 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, and research and development for new businesses in the Blue Ocean<sup>1</sup>. A subsection of the Center is the Innovative Construction Unit, which works to shorten research and development lead time and respond to the needs of work sites in a short period through collaboration with operational departments such as work sites. We newly established the Infrastructure Construction Unit and Infrastructure Rejuvenation Unit in March 2018, and we will concentrate knowhow accumulated in the construction and civil engineering fields, share it, and conduct research and development for new technology, by enhancing the research and development system in the civil engineering field. We also engage in technical exchange with public agencies,

universities, and competing corporations in the same industry. We actively promote joint research and open innovation, and we conduct research and development in a variety of different fields.

\*1 An undeveloped market where there is no competition.

Organizational composition (as of end April, 2018)



## Technical Research and Development Trends and Medium to Long-Term Plan

The Research and Development Department is determining themes for technology research and development that take the needs of society into consideration, in addition to improving productivity and differentiated value, which is a priority target under Medium-Term Management Plan 2019, and promoting development accordingly.

One of these themes is the development of social infrastructure and structural technology for safety and security in the event of disasters caused by earthquakes, typhoons, or floods, which have been frequently occurring in recent years. We are also working to develop and test a range of environmental and energy-saving technologies using the Environmental Technology Demonstration Building, which was completed at the Tsukuba Research and Development Center in June 2017, with the aim of achieving a zero net energy building (ZEB)<sup>2</sup> to respond to heightened social awareness concerning the environment, energy conservation, and curbing CO<sub>2</sub> emissions. Furthermore, we are concentrating on initiatives to develop technology in the in the health and welfare fields, where Toda has particular strengths, and develop mechanization and automation technology, as well as production

management rationalization technology that utilizes ICT, to improve productivity and respond to the labor shortages due to the recent aging of the construction workforce.

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



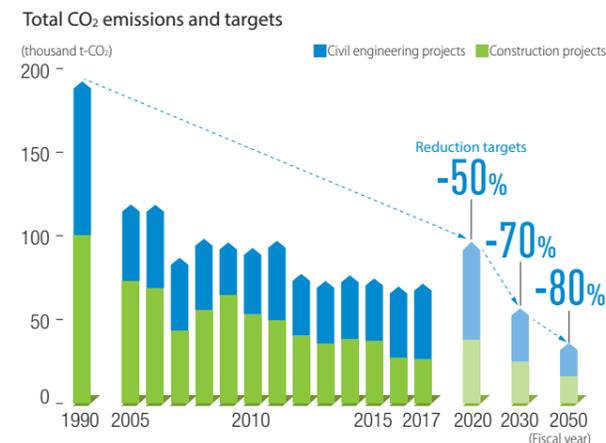
Environmental Technology Demonstration Building

# Environment

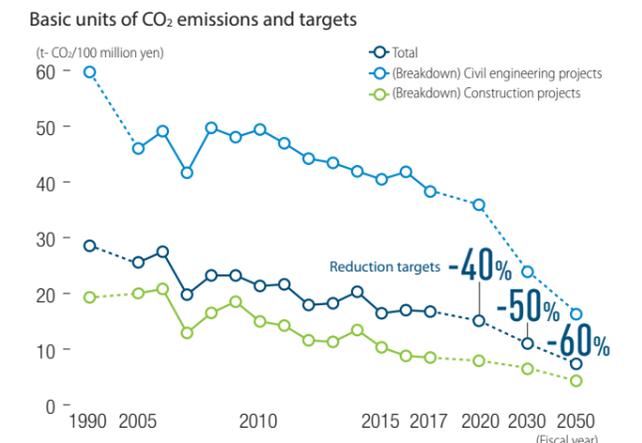
In December 2015, the Paris Agreement was adopted as the United Nations Framework Convention on Climate Change at the 21st United Nations Climate Change Conference (COP21), in which it was agreed that society would become carbon-free and not emit any CO<sub>2</sub>. Toda shares these values, and we have set targets for reducing CO<sub>2</sub> emissions by 2050 in order to hand down a healthy global environment to the next generation. As a company that promotes security, safety, and the creation of a comfortable society through the construction industry, we are pursuing environmental conservation activities throughout all of our business activities, centered on preventing global warming and extending the lifespan of buildings.

## Working Towards the Realization of a Carbon-Free Society

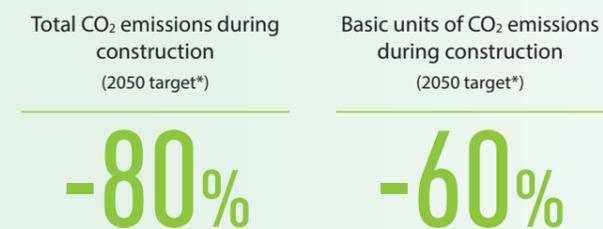
### Toda's record of reducing CO<sub>2</sub> emissions during construction and targets



Note: The fiscal 2017 CO<sub>2</sub> emissions data was verified by Sustainability Accounting Co., Ltd. in order to ensure fairness, reliability, and transparency and we have received an assurance report (posted on the website).



### Long-term scenario for a carbon-free society



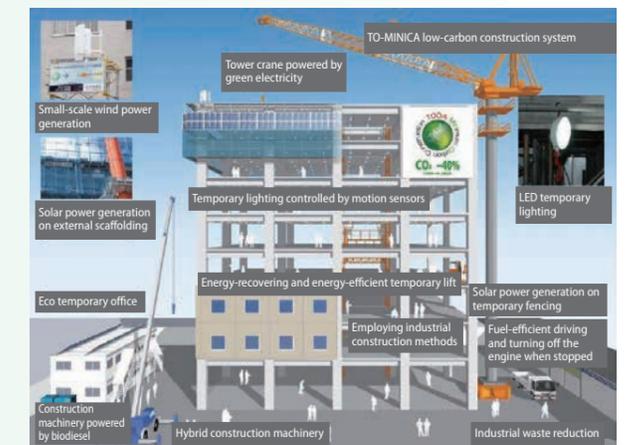
Toda has set the above two ambitious targets for 2050 as its long-term scenario for a carbon-free society.

SBTi (Science Based Targets initiative), which is an international initiative, has affirmed that these targets have a scientific basis. In addition, we have promised the Minister of the Environment that these targets will be met through the Ministry of the Environment's Eco-First system.



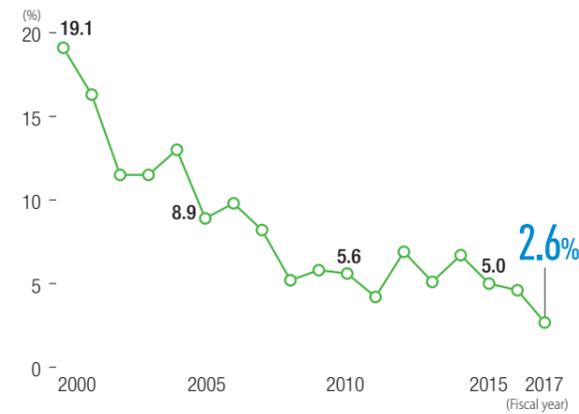
### TO-MINICA low-carbon construction system

Toda has continuously implemented activities to reduce CO<sub>2</sub> emissions that arise during construction work since 2010. We call these activities TO-MINICA, and we are implementing them at construction sites nationwide. Using a web-based program, we are able to devise CO<sub>2</sub> reduction measures and track their effectiveness.



## Construction Waste Reduction

Final disposal rate of construction waste



### Reuse of surplus soil and concrete chunks from demolition

During the construction of a building for a hospital in Kumamoto, we finely crushed the concrete chunks from the demolition of the existing hospital, and used the resulting substance for temporary paths and roadbeds used for construction within the worksite. We also reused sludge that is a byproduct of pile work within the worksite after confirming its safety. These initiatives were awarded a fiscal 2017 3Rs (Reduce, Reuse, and Recycle) Promotion Merit Award by the Minister of Land, Infrastructure, Transport and Tourism.



# Social

As concern about future labor shortage is an issue faced by the entire construction industry, safety initiatives and work-style reforms including productivity improvements have become extremely important to achieve sustainable growth. We are conducting a range of initiatives to create a safer and more comfortable workplace environment.



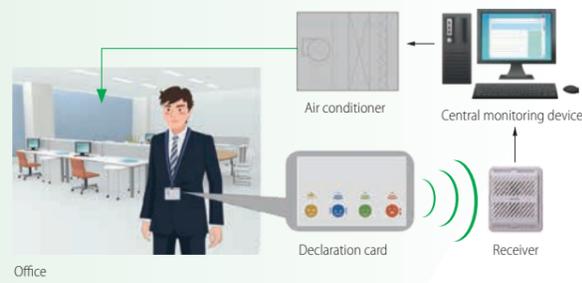
## Development of Environmentally Friendly Technology

Environment-related technology development projects (internal development projects)



### Development of a declaration-based air conditioning system

Using a declaration card, residents declare whether they feel hot or cold, and the air conditioning system adjusts the temperature accordingly. We expect that this will increase satisfaction with the ambient office temperature while saving energy.

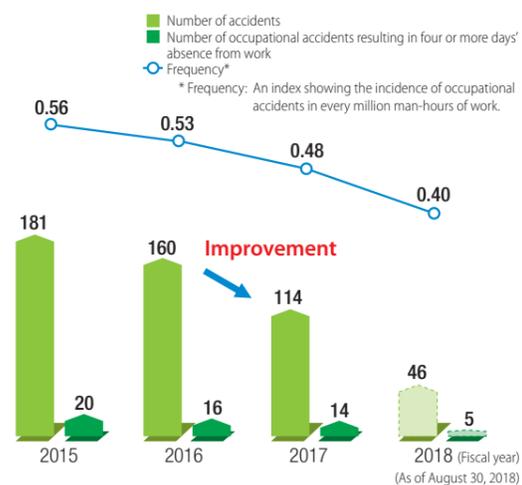


## Striving to Become the Company That is No.1 in Safety

### Initiatives that place safety at the core of corporate activities

Toda has been implementing the new philosophy that "safety is a core value" since fiscal 2016, and with this in mind, we have been working to promote front loading of management of labor conditions, implement workplace accident prevention initiatives, and achieve an appealing construction industry since fiscal 2017.

Safety record (domestic construction business)



### Creating a new safety culture

Toda has worked to prevent workplace accidents based on the principle of "safety first" from the standpoint of respecting human life. However, the effect of merely conducting health and safety management activities in the workplace is limited in terms of preventing workplace accidents. Thus, we came up with the philosophy of "Safety is not just a priority but a CORE VALUE," under which we are promoting front loading of management of labor conditions with safety at its core and the elimination of workplace accidents, from the initial stages of upstream marketing and design activities.



## Preservation of Biodiversity

Number of initiatives for the preservation of biodiversity



### Conservation of rare animals and preservation and utilization of the natural environment

Raptors, which sit atop the ecological pyramid, are an indicator species for the local environment. Consideration during construction is particularly necessary in a radius of 400 m from the nest during the several months until the chicks achieve independence. We will be considerate of the ecosystem by implementing measures as necessary for construction in areas in which raptors reside. For example, we have conducted initiatives including substituting large backhoes for smaller models, employing noise dampers, and conducting construction work in nesting areas outside of the breeding season, while conducting fixed-point observation of the nesting tree using cameras, microphones, and drones, etc.



### Health and safety policy: Aiming for zero danger from upstream

The fiscal 2018 health and safety policy places safety at the core of all business activities, promotes the formation of a safe working environment that is conducive to work, and aims to achieve zero danger by eliminating danger from all workplaces based on failsafe ideas. To this end, we are conducting safe assembly in upstream workplaces, eliminating danger from workplaces, ensuring compliance with laws and internal rules, and thoroughly conducting risk assessments in conjunction with our partners in order to ensure inherent safety.

### [Example of major initiatives] Introduction of AEDs to workplaces with an eye to usage by third parties

Toda installed AEDs (Automated External Defibrillators) in construction and civil engineering worksites nationwide (150 locations in total as of March 2018) in cooperation with Nihon Kohden Corporation, which is Japan's only AED manufacturer. Introduction of these devices will further improve health and safety, and we are also giving consideration to use by third parties including local residents.

Going forward, we will train instructors nationwide and work to employ them effectively in locations where necessary.



## 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.

\*1 Arrangement made for disciplining corporate management.

### 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 August 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.

### Reinforcing the functionality of the board of directors and 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 10 members (as of June 28, 2018). As a rule, the board meets once a month to deliberate on important management matters and oversee the execution of corporate business. Since fiscal 2018, we have appointed three directors from outside the company as a measure to further strengthen transparency, objectivity, and propriety, and the accountability of the board of directors. In addition, the self-evaluations completed by executive directors each period are used to analyze and verify their effectiveness and work toward improvements. 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.

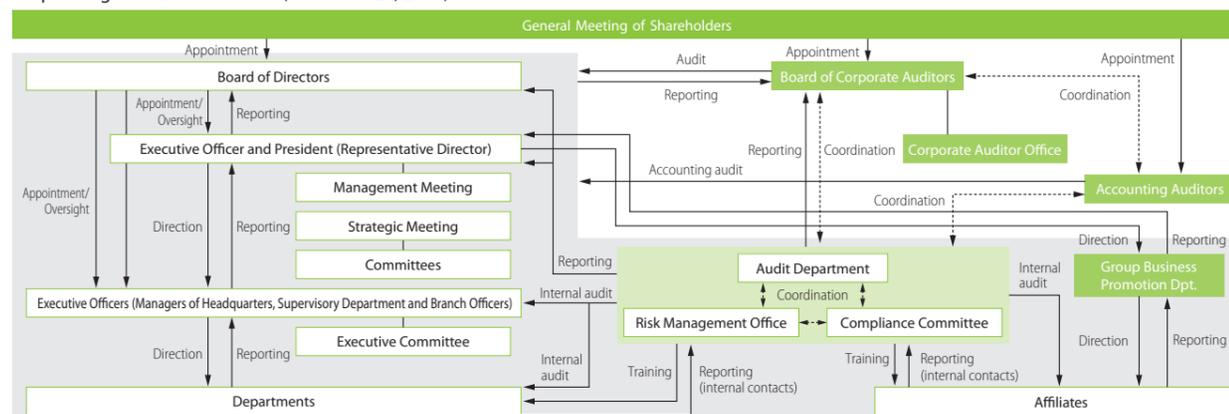
### Appointment of outside directors and status of activities

With regard to the appointment of outside directors, Toda has stipulated an appointment policy in the Basic Policy for Corporate Governance, as well formulating Standards for the Independence of the Outside Directors, which particularly values independence. In fiscal 2017, the status of the activities of each outside director was as follows.

Appointment of outside directors and status of activities

Name	Reason for appointment (fiscal 2017)	Status of main activities
Setsuhiro Shimomura	Possesses a wealth of experience and extensive insight as a company owner, and can be expected to provide sound advice and recommendations to the board of directors from an objective standpoint independent of the management team that executes business operations	Has attended 16 of the 17 board of directors meetings, and provided various advice and recommendations from the perspective of a company owner
Shunsuke Amiya	Possesses a wealth of experience and extensive insight as a company owner, and can be expected to provide sound advice and recommendations to the board of directors from an objective standpoint independent of the management team that executes business operations	Has attended all seventeen board of directors meetings, and provided various advice and recommendations from the perspective of a company owner

Corporate governance structure (as of June 28, 2018)



### 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 April 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 2017)

Director category	Total compensation amount
Directors (11 persons)	325 million yen
Corporate auditors (5 persons)	56 million yen

Note: The figures above include 18 million yen in costs recorded as performance-linked stock-based compensation to directors (excluding outside directors).

### 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.

### Risk management

The Compliance Committee and the Risk Management Office, under the direct control of the president, coordinate and collaborate to evaluate 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 should a risk be revealed.

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. In addition, each division head records and manages risks using a Division Implementation Plan for their division to prevent the occurrence of any crises. (Please see P.25 for Risks and Responses)

### 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 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.

### IR activities report

	FY2017
Results briefings	2
Corporate briefings (for individual investors)	1
Individual meetings, etc.	70

# Risks and Responses

We identify and evaluate internal and external business risks as appropriate, in order to increase the safety and efficiency of work. We would like to introduce some specific initiatives below.

## BCP (business continuity plan) initiatives

### Acquiring Resilience Certification

Toda obtained Association for Resilience Japan Certification (Resilience Certification) in November 2017. This certification system recognizes businesses that are actively implementing initiatives to achieve business continuity in line with the government's goals for national resilience. The system began in February 2016 for the purpose of spreading these initiatives. Our disaster preparedness, our earthquake drills that we conduct on an ongoing basis, and our continually improved BCP initiatives were highly rated as meeting the criteria for certification, and certification was granted accordingly.



Resilience Certification logo

### Comprehensive earthquake drills

In the event of a large-scale earthquake, construction companies will be expected to play a role in the swift restoration of buildings and roads.

In July 2006, we established a BCP in case of a large-scale earthquake, and tested its effectiveness through comprehensive earthquake drills.

The fiscal 2017 drills were the 13th occasion on which drills have been conducted, and confirmed the roles and responses of each department in the various circumstances that are anticipated in the event of a disaster, in the scenario that multiple large-scale earthquakes strike regions around Japan during work at 1:00 pm on a weekday.

The drills for officers at General Response Headquarters were for the purpose of refining and enhancing decision-making processes for the General Response Headquarters at the early stages of a disaster when information is limited. Going forward, we will test our BCP by conducting periodic drills, and increase its effectiveness while continuously maintaining and improving our business continuity capabilities.



Rescue using a ladder truck



Joint Response Headquarters

## Response to risks posed by climate change

In 2017, the TCFD\* released its recommendations on corporate responses to climate change and disclosures of such, which led to heightened awareness of corporate responses to climate change and their disclosure.

We are treating the effects that climate change will have on our business (risks and opportunities) as major management issues and are working to address these issues

### Major risks relating to climate change and responses to them (partial excerpt)

Risks	Risks for Toda	Responses
Increasing severity of abnormal weather events such as typhoons and floods	<ul style="list-style-type: none"> <li>Extended construction times due to abnormal weather events</li> <li>Cancellation of urban civil engineering work and damage to construction machinery</li> <li>Measures to prevent wind damage to temporary materials and equipment</li> </ul>	<ul style="list-style-type: none"> <li>We have entered an agreement with a private weather company that is able to predict rainfall and strong winds at worksite locations with pinpoint accuracy, and we are able to take measures at worksites by obtaining information in advance</li> </ul>
Increasing average temperature	<ul style="list-style-type: none"> <li>Loss due to leave (workers unable to work due to heat stroke that results in loss)</li> </ul>	<ul style="list-style-type: none"> <li>At construction sites, we take preventive measures such as distributing candy and oral rehydration solution (sports drinks, etc.) to workers to provide minerals, and installing electric fans</li> <li>At each worksite, we provide emergency heat stroke treatment kits, and provide treatment if a worker shows signs of heat stroke</li> </ul>
Reputation risk (Inability to fulfill Eco-First promises (CO <sub>2</sub> reduction targets))	<ul style="list-style-type: none"> <li>Eco-First promises are promises made to Minister of the Environment. Failure to fulfill them leads to reduced social credibility and reduced orders for public work</li> </ul>	<ul style="list-style-type: none"> <li>We report CO<sub>2</sub> emissions reduction progress to the Ministry of the Environment annually</li> <li>Eco-First promises are incorporated in ISO 14001 and we have established CO<sub>2</sub> emissions reduction targets having reflected them in the policies of each department</li> <li>We have implemented our unique low-carbon construction system TO-MINICA at all worksites nationwide</li> </ul>

\* Task Force on Climate-related Financial Disclosures: A task force that seeks disclosure of the effects of climate change from the perspective of the stability of financial systems, which was established by the Financial Stability Board in December 2015.



Risk management initiatives and information security initiatives are available on the website.

# Board of Directors, Corporate Auditors, and Managing Officers (as of October 1, 2018)

## 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



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



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



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



**Toshihiro Otomo**  
Director  
Executive Managing Officer  
General Manager of Administrative Division  
Executive Officer in Charge of Public Relations and CSR



**Hiroshi Uekusa**  
Director  
Executive Managing Officer  
General Manager of the Promotion Office for Strategic Business



**Setsuhiro Shimomura**  
Outside Director



**Shunsuke Amiya**  
Outside Director



**Toshihiko Itami**  
Outside Director

## Corporate Auditors



**Keiichi Ebihara**  
Standing Corporate Auditor



**Atsushi Ouchi**  
Standing Corporate Auditor



**Kazuhiko Kamiya**  
Outside Corporate Auditor



**Hisatoshi Adachi**  
Outside Corporate Auditor



**Keiichiro Maruyama**  
Outside Corporate Auditor

## Executive Officers

Executive Officer President  
Senior Executive Managing Officers

Masanori Imai

Yushi Kikutani

Hiroyuki Miyazaki

Ken Fujita

Morimichi Toda

Executive Managing Officers

Toshihiro Otomo

Hiroshi Uekusa

Toshio Hirata

Kaoru Mitsumochi

Yoshihiko Yamamoto

Kouichi Takahashi

Managing Officer

Hiroyuki Yamada

Yuji Yokomizo

Atsuo Miyachi

Hitoshi Asano

Shinichi Nagata

Yoshiaki Masuda

Takao Fukashiro

Masato Miyake

Kouchi Kubota

Hidemi Wakabayashi

Toshihiro Yamazaki

Mitsuhiro Tokuhisa

Takamitsu Koga

Takanobu Tateno

Tetsuya Kamio

Mutsuhiro Nagai

Seisuke Otani

Kouchiro Yoshioka

Kazuaki Takemura

Tadashi Nishimura

Yoshio Naito

Takashi Ichihara

Yoshinori Machida

Ushio Nagashima

# 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.

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 that 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\*1 “Sustainability Reporting Standards”, ISO 26000\*2, which are international CSR standards, and SDGs.



### Comment from the Executive Officer in Charge of CSR

#### We contribute to society through our corporate activities

Our management policy of contributing to the advancement of society through our corporate activities is the basis for our efforts to achieve our goal to be a company that continuously contributes to resolving social issues and realizing a sustainable society while envisioning our company in the future amidst the constantly changing business environment. The intensification of ESG efforts and other developments in recent years have heightened expectations of corporations to respond more proactively to stakeholder expectations and fulfill the role of contributing to the resolution of social issues. Toward that end, Toda is making efforts on various aspects to further improve CSR activities.

On the environmental front, we issued the first-ever green bonds in Japan for internal business, and secured funding for floating offshore wind power generation, a project for which preparation toward a full-scale project is underway. We are also providing support to our partners for their recruiting activities and making other efforts to resolve the issue of labor shortage for the future, which is an issue for the construction industry. In addition, we revised our Corporate Action Charter in April 2018, adding provisions in consideration of the principles of SDGs to further strengthen our companywide approach toward resolving social issues.

We intend to develop and spread these types of activities in an effort to achieve our goal of becoming a company that grows sustainably along with our stakeholders.



**Toshihiro Otomo**  
Director  
Executive Managing Officer  
General Manager of Administrative  
Division  
Executive Officer in Charge of Public  
Relations and CSR

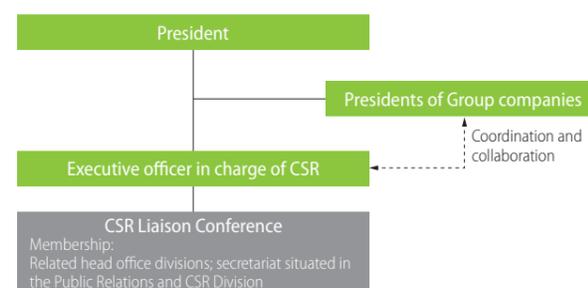
We have also engaged in dialogue with stakeholders inside and outside the company and taken their views into account.

## 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.

# Consolidated Balance Sheets

Toda Corporation and consolidated Subsidiaries - As of March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 9 and 11)	¥ 66,386	¥ 80,597	\$ 758,633
Notes and accounts receivable-trade (Note 11)	133,206	135,438	1,274,831
Short-term investment securities (Notes 5.4), 11 and 12)	24,749	20,029	188,535
Real estate for sale	7,974	7,400	69,658
Costs on uncompleted construction contracts (Note 5.8))	19,881	12,449	117,181
Other inventories	867	1,669	15,716
Deferred tax assets (Note 15)	4,178	5,846	55,033
Other	11,494	17,442	164,182
Allowance for doubtful accounts	(1,200)	(1,071)	(10,086)
<b>Total current assets</b>	<b>267,538</b>	<b>279,802</b>	<b>2,633,686</b>
<b>Noncurrent assets:</b>			
Property, plant and equipment: (Notes 5.1) and 17)			
Buildings and structures, net	14,135	17,067	160,648
Machinery, vehicles, tools, furniture and fixtures, net	585	4,445	41,845
Land (Notes 5.7))	70,001	71,670	674,610
Lease assets, net	102	91	856
Construction in progress	4,300	2,111	19,877
<b>Total property, plant and equipment</b>	<b>89,125</b>	<b>95,386</b>	<b>897,839</b>
<b>Intangible assets</b>			
Goodwill	-	658	6,196
Other	6,878	8,284	77,980
<b>Total intangible assets</b>	<b>6,878</b>	<b>8,942</b>	<b>84,176</b>
<b>Investments and other assets:</b>			
Investment securities (Notes 5.3), 4) , 11 and 12)	168,738	174,775	1,645,104
Long-term loans receivable (Notes 5.4) and 11)	555	489	4,607
Net defined benefit assets (Note 14)	824	1,484	13,971
Deferred tax assets (Note 15)	154	323	3,045
Other	2,900	3,051	28,727
Allowance for doubtful accounts	(131)	(262)	(2,472)
<b>Total investments and other assets</b>	<b>173,041</b>	<b>179,862</b>	<b>1,692,983</b>
<b>Total noncurrent assets</b>	<b>269,044</b>	<b>284,191</b>	<b>2,674,999</b>
<b>Total assets</b>	<b>¥ 536,582</b>	<b>¥ 563,994</b>	<b>\$ 5,308,686</b>

# Consolidated Statements of Income

Toda Corporation and Consolidated Subsidiaries - For the years of March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Notes and accounts payable-trade (Note 11)	¥ 100,366	¥ 88,499	\$ 833,011
Short-term loans payable (Note 11)	29,855	25,496	239,987
Income taxes payable (Note 11)	3,523	3,723	35,049
Advances received on uncompleted construction contracts	28,580	29,657	279,156
Provision for bonuses	6,754	7,371	69,381
Provision for warranties for completed construction	4,089	4,089	38,493
Provision for loss on construction contracts (Note 5.8))	3,289	444	4,181
Deposits received	17,933	23,324	219,549
Other	27,661	25,221	237,400
Total current liabilities	222,054	207,827	1,956,211
<b>Noncurrent liabilities:</b>			
Bonds payable (Note 11)	10,000	20,000	188,253
Long-term loans payable (Note 11)	30,421	29,979	282,190
Deferred tax liabilities (Note 15)	13,302	23,023	216,709
Deferred tax liabilities for land revaluation (Note 15)	7,272	7,272	68,455
Provision for directors' retirement benefits	144	170	1,600
Provision for stock payments for directors	60	120	1,130
Provision for loss on liquidation of subsidiaries and affiliates	188	104	985
Net defined benefit liability (Note 14)	22,084	21,872	205,876
Asset retirement obligations	1,095	1,089	10,258
Other	3,061	3,139	29,549
Total noncurrent liabilities	87,633	106,772	1,005,009
Total liabilities	309,687	314,600	2,961,221
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Capital stock	23,001	23,001	216,506
Capital surplus	25,682	25,681	241,734
Retained earnings	116,816	136,336	1,283,291
Treasury stock	(8,233)	(9,437)	(88,836)
Total shareholders' equity	157,267	175,582	1,652,695
<b>Accumulated other comprehensive income (Note 7)</b>			
Valuation difference on available-for-sale securities	63,513	66,969	630,357
Deferred gains on hedges	1	(3)	(32)
Revaluation reserve for land (Note 5.7))	5,676	5,676	53,432
Foreign currency translation adjustments	(542)	(658)	(6,202)
Remeasurements of defined benefit plans	(1,957)	(1,249)	(11,759)
Total accumulated other comprehensive income	66,691	70,734	665,795
<b>Non-controlling interests</b>	2,937	3,078	28,973
Total net assets	226,895	249,394	2,347,464
<b>Total liabilities and net assets</b>	¥ 536,582	¥ 563,994	\$ 5,308,686

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
<b>Net sales:</b>			
Net sales of construction contracts	¥ 409,238	¥ 414,177	\$ 3,898,509
Net sales of investment development business and other	13,483	14,848	139,765
Total net sales	422,722	429,026	4,038,274
<b>Cost of sales:</b>			
Cost of sales of construction contracts (Notes 6.1) and 3))	359,694	358,408	3,373,571
Cost of sales of investment development business and other	10,085	10,276	96,727
Total cost of sales	369,779	368,684	3,470,299
<b>Gross profit:</b>			
Gross profit on construction contracts	49,544	55,769	524,937
Gross profit on investment development business and other	3,398	4,572	43,038
Total gross profit	52,942	60,341	567,975
<b>Selling, general and administrative expenses (Notes 6.2) and 3))</b>	27,944	29,878	281,235
<b>Operating income</b>	24,998	30,463	286,740
<b>Non-operating income:</b>			
Interest income	329	318	2,994
Dividend income	2,482	2,755	25,940
Dividend income of insurance	261	240	2,265
Other	258	334	3,153
Total non-operating income	3,332	3,649	34,354
<b>Non-operating expenses:</b>			
Interest expenses	875	823	7,754
Commission fee	194	109	1,027
Other	63	142	1,343
Total non-operating expenses	1,133	1,075	10,124
<b>Ordinary income</b>	27,197	33,037	310,969
<b>Extraordinary income:</b>			
Gain on sales of noncurrent assets (Note 6.4))	4	24	230
Gain on sales of investment securities (Note 12)	2,329	2,991	28,157
Other	117	268	2,530
Total extraordinary income	2,451	3,284	30,917
<b>Extraordinary loss:</b>			
Loss on abandonment of noncurrent assets (Note 6.5))	323	452	4,262
Impairment loss (Note 6.6))	913	-	-
Other	48	35	332
Total extraordinary losses	1,286	488	4,594
<b>Profit before income taxes and non-controlling interests</b>	28,362	35,834	337,293
<b>Income taxes-current</b>	4,470	4,985	46,930
<b>Income taxes-deferred</b>	(18,369)	5,302	49,910
Total income taxes (Note 15)	(13,898)	10,288	96,841
<b>Profit for the year</b>	42,261	25,545	240,451
<b>Profit for the year attributable to non-controlling interests</b>	169	90	852
<b>Profit for the year attributable to owners of the parent (Note 21)</b>	¥ 42,091	¥ 25,455	\$ 239,599

# Consolidated Statements of Comprehensive Income

Toda Corporation and Consolidated Subsidiaries - For the years of March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
<b>Profit for the year</b>	¥ 42,261	¥ 25,545	\$ 240,451
<b>Other comprehensive income (Note 7)</b>			
Valuation difference on available-for-sale securities	8,474	3,456	32,537
Deferred gains or losses on hedges	27	(5)	(47)
Foreign currency translation adjustment	(24)	(53)	(501)
Remeasurements of defined benefit plans	1,334	708	6,668
Total other comprehensive income	9,811	4,106	38,657
<b>Comprehensive income</b>	52,073	29,652	279,109
<b>Comprehensive income attributable to</b>			
Owners of the parent	51,931	29,498	277,654
Non-controlling interests	¥ 141	¥ 154	\$ 1,454

# Consolidated Statements of Changes in Net Assets

Toda Corporation and consolidated subsidiaries - For the years ended March 31, 2017 and 2018

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, 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
Changes during period													
Dividends from surplus	-	-	(3,070)	-	(3,070)	-	-	-	-	-	-	-	(3,070)
Profit for the year attributable to owners of the parent	-	-	42,091	-	42,091	-	-	-	-	-	-	-	42,091
Disposal of treasury stock	-	(19)	-	240	221	-	-	-	-	-	-	-	221
Purchase of treasury stock	-	-	-	(238)	(238)	-	-	-	-	-	-	-	(238)
Transfer of loss on disposal of treasury stock	-	19	(19)	-	-	-	-	-	-	-	-	-	-
Change in parent's ownership interests arising from capital increase of consolidated subsidiary	-	95	-	-	95	-	-	-	-	-	-	-	95
Reversal of revaluation reserve for land	-	-	989	-	989	-	-	-	-	-	-	-	989
Net changes of items other than shareholders' equity	-	-	-	-	-	8,474	27	(989)	3	1,334	8,850	538	9,388
Total changes of items during the period	-	95	39,990	2	40,088	8,474	27	(989)	3	1,334	8,850	538	49,477
Balance at March 31, 2017	¥23,001	¥25,682	¥116,816	¥(8,233)	¥157,267	¥63,513	¥1	¥5,676	¥(542)	¥(1,957)	¥66,691	¥2,937	¥226,895
Changes during period													
Dividends from surplus	-	-	(4,612)	-	(4,612)	-	-	-	-	-	-	-	(4,612)
Profit for the year attributable to owners of the parent	-	-	25,455	-	25,455	-	-	-	-	-	-	-	25,455
Disposal of treasury stock	-	(1,321)	-	1,326	4	-	-	-	-	-	-	-	4
Purchase of treasury stock	-	-	-	(2,530)	(2,530)	-	-	-	-	-	-	-	(2,530)
Transfer of loss on disposal of treasury stock	-	1,321	(1,321)	-	-	-	-	-	-	-	-	-	-
Change in parent's ownership interests arising from capital increase of consolidated subsidiary	-	(0)	-	-	(0)	-	-	-	-	-	-	-	(0)
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-	3,455	(5)	-	(116)	708	4,042	140	4,183
Total changes of items during the period	-	(0)	19,520	(1,204)	18,315	3,455	(5)	-	(116)	708	4,042	140	22,499
Balance at March 31, 2018	¥23,001	¥25,681	¥136,336	¥(9,437)	¥175,582	¥66,969	¥(3)	¥5,676	¥(658)	¥(1,249)	¥70,734	¥3,078	¥249,394

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, 2017	\$216,506	\$241,743	\$1,099,551	\$ (77,499)	\$1,480,301	\$597,829	\$14	\$53,432	\$ (5,108)	\$ (18,428)	\$627,740	\$27,647	\$2,135,689
Changes during period													
Dividends from surplus	-	-	(43,418)	-	(43,418)	-	-	-	-	-	-	-	(43,418)
Profit for the year attributable to owners of the parent	-	-	239,599	-	239,599	-	-	-	-	-	-	-	239,599
Disposal of treasury stock	-	(12,439)	-	12,481	42	-	-	-	-	-	-	-	42
Purchase of treasury stock	-	-	-	(23,818)	(23,818)	-	-	-	-	-	-	-	(23,818)
Transfer of loss on disposal of treasury stock	-	12,439	(12,439)	-	-	-	-	-	-	-	-	-	-
Change in parent's ownership interests arising from capital increase of consolidated subsidiary	-	(8)	-	-	(8)	-	-	-	-	-	-	-	(8)
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-	32,528	(47)	-	(1,094)	6,668	38,055	1,325	39,381
Total changes of items during the period	-	(8)	183,740	(11,336)	172,394	32,528	(47)	-	(1,094)	6,668	38,055	1,325	211,775
Balance at March 31, 2018	\$216,506	\$241,734	\$1,283,291	\$ (88,836)	\$1,652,695	\$630,357	\$ (32)	\$53,432	\$ (6,202)	\$ (11,759)	\$665,795	\$28,973	\$2,347,464

# Consolidated Statements of Cash Flows

Toda Corporation and consolidated subsidiaries - For the years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
<b>Net cash provided by (used in) operating activities:</b>			
Profit before income taxes and non-controlling interests	¥ 28,362	¥ 35,834	\$ 337,293
Depreciation and amortization	1,736	1,840	17,326
Impairment loss	913	-	-
Amortization of goodwill	-	34	326
Increase (decrease) in allowance for doubtful accounts	(717)	10	100
Increase (decrease) in net defined benefit liability	(431)	369	3,475
Increase (decrease) in net defined benefit asset	(584)	(222)	(2,095)
Increase (decrease) in other provision	3,078	(2,221)	(20,913)
Loss on valuation of investment securities	4	1	18
Loss (gain) on sales of investment securities	(2,329)	(2,983)	(28,086)
Loss (gain) on sales of property, plant and equipment	(4)	(24)	(228)
Loss on abandonment of noncurrent assets	323	452	4,262
Interest and dividend income	(2,812)	(3,074)	(28,935)
Interest expenses	875	823	7,754
Decrease in notes and accounts receivable-trade	78,090	(2,266)	(21,337)
Decrease (increase) in costs on uncompleted construction contracts	(3,759)	7,437	70,002
Decrease in real estate for sale	1,276	1,597	15,038
Increase (decrease) in other current assets	1,948	(6,783)	(63,852)
Increase (decrease) in notes and accounts payable-trade	(49,273)	(11,804)	(111,114)
Increase (decrease) in advances received on uncompleted construction contracts	(9,886)	1,035	9,746
Increase (decrease) in other current liabilities	12,145	2,094	19,711
Other, net	1,894	(206)	(1,942)
Subtotal	60,853	21,943	206,548
Interest and dividend income received	2,812	3,078	28,976
Interest expenses paid	(862)	(810)	(7,629)
Income taxes paid	(3,928)	(4,879)	(45,933)
Net cash provided by (used in) operating activities	58,874	19,331	181,962
<b>Net cash provided by (used in) investing activities:</b>			
Payments into time deposits	(165)	(194)	(1,830)
Proceeds from withdrawal of time deposits	200	220	2,072
Purchase of property, plant and equipment	(10,586)	(6,790)	(63,913)
Proceeds from sales of property, plant and equipment	5	38	364
Purchase of intangible assets	(1,119)	(1,888)	(17,779)
Proceeds from subsidy income	-	1,905	17,937
Purchase of investment securities	(3,203)	(5,051)	(47,549)
Proceeds from sales and redemption of investment securities	5,393	6,979	65,694
Collection of loans receivable	58	66	623
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(2,771)	(26,082)
Other, net	(381)	(326)	(3,072)
Net cash provided by (used in) investing activities	(9,797)	(7,812)	(73,535)
<b>Net cash provided by (used in) financing activities:</b>			
Net increase (decrease) in short-term loans payable	(6,159)	120	1,129
Proceeds from long-term loans payable	5,430	5,220	49,134
Repayments of long-term loans payable	(8,714)	(10,140)	(95,449)
Proceeds from issuance of bonds	-	10,000	94,126
Cash dividends paid	(3,070)	(4,612)	(43,418)
Cash dividends paid to non-controlling interests	(7)	(14)	(137)
Purchase of treasury stock	(16)	(2,530)	(23,818)
Other, net	(69)	(56)	(531)
Net cash provided by (used in) financing activities	(12,608)	(2,015)	(18,966)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(133)	35	333
<b>Net increase (decrease) in cash and cash equivalents</b>	36,336	9,539	89,793
<b>Cash and cash equivalents at the beginning of current period</b>	54,650	90,986	856,425
<b>Cash and cash equivalents at the end of current period (Note 10)</b>	90,986	100,526	946,219

# 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.

## 2. Summary of Significant Accounting Policies

### 1) Scope of consolidation

The accompanying consolidated financial statements include the accounts of Toda Corporation and 18 subsidiaries, namely Toda Road Co., Ltd., Toda Bldg. Partners Co., Ltd., Chiyoda Kenkou Co., Ltd., Toda Staff Service Co., Ltd., APEC Engineering Co., Ltd., Toda Finance Co., Ltd., Towa Kanko Kaihatsu Co., Ltd., Goto Floating Wind Power LLC., Offshore Wind Farm Construction LLC., Nisshin Life Co., Toda America, Inc., Construtora Toda do Brasil S/A, Thai Toda Corporation Ltd., Toda Vietnam Co., Ltd. and other 4 companies.

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, Thai Toda Corporation Ltd., Toda Vietnam Co. and other 3 companies 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.)

(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 ¥106.24 = US\$1, the exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2018, 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.

### 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 and building fixtures and other structures acquired on and after April 1, 2016.

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 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.

(g) Provision for stock payments for directors

The provision for stock payments for directors is provided for stock award debt based on predetermined regulations for awarding stock, which is prepared for future awards of the Company shares to its directors and executive officers.

### 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.

### 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.

## 3. Accounting Standards Issued but Not Yet Adopted

- Accounting Standard for Revenue Recognition (ASBJ Statement No.29 issued on March 30, 2018)
- Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30 issued on March 30, 2018)

### 1) Overview

It is a comprehensive accounting standard for revenue recognition.

Revenue is recognized by applying the following five steps.

Step 1: Identify the contract with the customer

Step 2: Identify the contractual performance obligation

Step 3: Arrive at value of the transaction

Step 4: Allocate value of the transaction to the contractual performance obligation

Step 5: Recognize revenue when satisfying performance obligation or satisfying

## 4. Additional Information

(Performance-linked stock compensation plan for directors and executive officers)

1) Transaction summary

At the Board of Directors held on May 13, 2016 and the Company's 94th annual general meeting of shareholders held on June 29, 2016, matters concerning introduction of a performance-linked stock compensation plan for its directors and executive officers (the "Directors") was resolved. The plan is with the goal of increasing management consciousness to further enhancing the corporate value, performance over the medium-to-long-term and shareholders emphasis.

The plan is incentive for the Directors. The Company's shares are acquired through the Board Incentive Plan Trust ("BIP Trust") and the Employee Stock Ownership Plan Trust ("ESOP Trust") and awarded to the Directors in accordance with achievement degree of performance targets.

## 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 ("special treatment").

(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 special treatment.

### 11) Goodwill

Goodwill is amortized by the straight-line method over a period of 10 years.

### 12) 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.

### 2) Planned date of adoption

From the beginning of the fiscal year ending March 31, 2022.

### 3) Effect of adoption of the guidance

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

2) The Company's own stock in the Trust

The Company's own stock in the Trust is recorded in treasury stock under net assets based on the value in the Trust (excluding ancillary expenses). The book value and the number of these treasury stocks in the Trust as of March 31, 2017 were ¥170 million and 351,000 shares (BIP Trust), ¥50 million and 104,000 shares (ESOP Trust). The book value and the number of these treasury stocks in the Trust as of March 31, 2018 were ¥168 million (\$1,590 thousand) and 346,966 shares (BIP Trust), ¥50 million (\$477 thousand) and 104,000 shares (ESOP Trust).

## 5. Notes to Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
As of March 31			
1) Accumulated depreciation of property, plant and equipment	¥ 34,970	¥ 37,141	\$ 349,603
2) Advanced depreciation:			
Buildings and structures	-	33	316
Machinery, vehicles, tools, furniture and fixtures	-	1,872	\$ 17,621
Total	¥ -	¥ 1,905	\$ 17,937
3) Investments in Non-consolidated subsidiaries and affiliates included in investment securities	¥ 1,819	¥ 1,782	\$ 16,776
4) Assets pledged as collateral:			
Short-term investment securities	49	29	282
Investment securities	666	614	5,781
Long-term loans receivable	421	364	3,431
Total	¥ 1,138	¥ 1,008	\$ 9,495
5) Contingent liabilities (guarantee liabilities)	¥ 250	¥ 235	\$ 2,218
6) Loan commitment agreement:			
Maximum limit under the agreement	¥ 10,000	¥ 30,000	\$ 282,379
Loan balance outstanding	-	-	-
Difference (unused portion)	¥ 10,000	¥ 30,000	\$ 282,379

### 7) 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.

### 8) Provision for loss on construction contracts included in costs on uncompleted construction contracts

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
As of March 31			
Costs on uncompleted construction contracts	¥ 2,839	¥ 309	\$ 2,910

## 6. Notes to Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
For the years ended March 31			
1) Provision for loss on construction contracts included in costs of sales	¥ 2,704	¥ 427	\$ 4,026
2) Principal components of selling, general and administrative expenses:			
Employees' salaries and allowances	¥ 10,587	¥ 11,075	\$ 104,245
Provision for bonuses	4,125	4,452	41,908
Retirement benefit expenses	1,026	1,057	9,953
Provision (reversal) of allowance for doubtful accounts	(520)	45	428
3) Research and development expenditures included in selling, general and administrative expenses and construction costs	¥ 1,135	¥ 1,421	\$ 13,377
4) Gain on sales of noncurrent assets:			
Buildings and structures	¥ -	¥ 0	\$ 6
Land	-	8	80
Other	4	15	142
Total	¥ 4	¥ 24	\$ 230
5) Loss on abandonment of noncurrent assets:			
Buildings and structures	¥ 0	¥ 0	\$ 1
Other	2	0	2
Dismantlement cost	320	452	4,258
Total	¥ 323	¥ 452	\$ 4,262

### 6) 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, 2017

Location	Purpose	Type	Impairment loss (Millions of Yen)
Goto City, Nagasaki, and other	Assets for businesses	Machinery and Intangible assets	¥913

The recoverable value is mainly value in use. Value in use is measured as the sum of anticipated future cash flows discounted at a rate of 5.0% for the year ended March 31, 2018. (The sum of anticipated future cash flows are expected to be caused by continued use and disposal after use.)

For the fiscal year ended March 31, 2018

None

## 7. Notes to Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Reclassification and tax effect of comprehensive income for the years ended March 31			
Valuation difference on available-for-sale securities:			
Accrual	¥ 14,136	¥ 7,823	\$ 73,644
Reclassification	(2,161)	(2,785)	(26,215)
Before adjust tax effect	11,974	5,038	47,428
Tax effect	(3,500)	(1,582)	(14,891)
Valuation difference on available-for-sale securities	¥ 8,474	¥ 3,456	\$ 32,537
Deferred gains (losses) on hedges:			
Accrual	¥ 101	¥ 49	\$ 469
Reclassification	(73)	(57)	(539)
Before adjust tax effect	28	(7)	(69)
Tax effect	(0)	2	22
Deferred gains (losses) on hedges	¥ 27	¥ (5)	\$ (47)
Foreign currency translation adjustments:			
Accrual	¥ (24)	¥ (53)	\$ (501)
Remeasurements of defined benefit plans:			
Accrual	¥ 138	¥ 69	\$ 653
Reclassification	949	951	8,956
Before adjust tax effect	1,087	1,020	9,609
Tax effect	246	(312)	(2,940)
Remeasurements of defined benefit plans	1,334	708	6,668
Total of other comprehensive income	¥ 9,811	¥ 4,106	\$ 38,657

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

For the fiscal year ended March 31, 2017	Class of shares	Number of shares			March 31, 2017
		April 1, 2016	Increase	Decrease	
Issued stock	Common stock	322,656,796	-	-	322,656,796
Treasury stock	Common stock	15,561,320	483,455	455,000	15,589,775
For the fiscal year ended March 31, 2018	Class of shares	April 1, 2017	Increase	Decrease	March 31, 2018
Issued stock	Common stock	322,656,796	-	-	322,656,796
Treasury stock	Common stock	15,589,775	2,989,238	2,504,034	16,074,979
For the fiscal year ended March 31, 2017	Class of shares	Total Dividends	Dividends per share	Record date	Effective date
June 29, 2016 Resolution by Annual General Meeting of Shareholders	Common stock	¥3,070million	¥10.00	March 31, 2016	June 30, 2016
June 29, 2017 Resolution by Annual General Meeting of Shareholders	Common stock	¥4,612million	¥15.00	March 31, 2017	June 30, 2017
For the fiscal year ended March 31, 2018	Class of shares	Total Dividends	Dividends per share	Record date	Effective date
June 29, 2017 Resolution by Annual General Meeting of Shareholders	Common stock	¥4,612million (\$43,418thousand)	¥15.00	March 31, 2017	June 30, 2017
June 28, 2018 Resolution by Annual General Meeting of Shareholders	Common stock	¥6,140million (\$57,799thousand)	¥20.00	March 31, 2018	June 29, 2018

## 9. Notes to Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Reconciliation between cash and deposits on the consolidated balance sheets and cash and cash equivalents at the fiscal year-end:			
Cash and deposits of the consolidated balance sheets	¥ 66,386	¥ 80,597	\$ 758,633
(Less) time deposits with maturities of more than three months	(100)	(70)	(667)
Short-Term investment securities	24,700	20,000	188,253
Cash and cash equivalents of the consolidated statements of cash flows	¥ 90,986	¥ 100,526	\$ 946,219

## 10. Lease Transactions

As of March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Future minimum lease payments under non-cancelable operating leases:			
Due within one year	¥ 119	¥ 81	\$ 765
Due after one year	208	157	1,481
Total	¥ 327	¥ 238	\$ 2,246
Future minimum lease income under non-cancelable operating leases:			
Due within one year	¥ 2,418	¥ 2,212	\$ 20,821
Due after one year	9,419	8,137	76,592
Total	¥ 11,838	¥ 10,349	\$ 97,414

## 11. Fair value of Financial Instrument

As of March 31, 2017	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 66,386	¥ 66,386	¥ -
(2) Notes and accounts receivable - trade	133,206	133,188	(18)
(3) Short-term investment securities, investment securities (Note)	183,130	183,365	234
(4) Long-term loans receivable	555	617	61
Assets total	¥ 383,279	¥ 383,557	¥ 278
(1) Notes and accounts payable - trade	¥ 100,366	¥ 100,366	¥ -
(2) Short-term loans payable	29,855	29,855	-
(3) Income taxes payable	3,523	3,523	-
(4) Bonds payable	10,000	10,088	88
(5) Long-term loans payable	30,421	30,587	165
Liabilities total	¥ 174,166	¥ 174,420	¥ 254
Derivative transactions (Note)	¥ (16)	¥ (16)	-

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, 2017 (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	¥ 83
Stocks of affiliated companies	207
Unlisted preferred equity securities	1,528
Other investment securities	
Unlisted stocks	¥ 5,224
Unlisted preferred equity securities	140
Investments in silent partnerships	596
Others	2,577

As of March 31, 2018	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and deposits	¥ 80,597	¥ 80,597	¥ -	\$ 758,633	\$ 758,633	\$ -
(2) Notes and accounts receivable - trade	135,438	135,417	(21)	1,274,831	1,274,634	(197)
(3) Short-term investment securities, investment securities (Note)	182,217	182,405	188	1,715,151	1,716,920	1,769
(4) Long-term loans receivable	489	545	55	4,607	5,133	526
Assets total	¥ 398,742	¥ 398,965	¥ 222	\$ 3,753,223	\$ 3,755,321	\$ 2,098
(1) Notes and accounts payable - trade	¥ 88,499	¥ 88,499	¥ -	\$ 833,011	\$ 833,011	\$ -
(2) Short-term loans payable	25,496	25,496	-	239,987	239,987	-
(3) Income taxes payable	3,723	3,723	-	35,049	35,049	-
(4) Bonds payable	20,000	20,087	87	188,253	189,076	823
(5) Long-term loans payable	29,979	30,121	141	282,190	283,527	1,336
Liabilities total	¥ 167,698	¥ 167,928	¥ 229	\$ 1,578,491	\$ 1,580,651	\$ 2,159
Derivative transactions (Note)	¥ 2	¥ 2	¥ -	\$ 27	\$ 27	\$ -

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, 2018 (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	¥ 83	\$ 787
Stocks of affiliated companies	204	1,928
Unlisted preferred equity securities	1,493	14,060
Other investment securities		
Unlisted stocks	¥ 5,224	\$ 49,172
Unlisted preferred equity securities	1,340	12,614
Investments in silent partnerships	700	6,588
Others	3,541	33,335

## 12. Marketable Securities and Investment Securities

### Held-to-maturity debt securities:

As of March 31, 2017	Millions of yen		
	Book value	Fair value	Difference
Securities with a fair value that exceeds the book value	¥ 3,298	¥ 3,534	¥ 235
Securities with a fair value that does not exceed the book value	102	100	(1)
Total	¥ 3,400	¥ 3,635	¥ 234

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

As of March 31, 2017	Millions of yen		
	Book value	Acquisition cost	Difference
Securities with a book value that exceeds the acquisition cost:			
Stocks	¥ 150,484	¥ 59,471	¥ 91,012
Bonds	221	200	21
Others	3,032	2,787	244
Subtotal	153,737	62,459	91,278
Securities with a book value that does not exceed the acquisition cost:			
Stocks	1,292	1,421	(129)
Bonds	-	-	-
Others	24,700	24,700	-
Subtotal	25,992	26,121	(129)
Total	¥ 179,729	¥ 88,581	¥ 91,148

Note: The Companies recognized losses on write-down of ¥4 million for available-for-sale securities.

For the fiscal year ended March 31, 2017	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Available-for-sale securities sold	¥ 5,274	¥ 2,329	0

### Held-to-maturity debt securities:

As of March 31, 2018	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	¥ 2,443	¥ 2,672	¥ 229	\$ 23,001	\$ 25,158	\$ 2,157
Securities with a fair value that does not exceed the book value	800	759	(41)	7,534	7,146	(387)
Total	¥ 3,244	¥ 3,432	¥ 188	\$ 30,535	\$ 32,305	\$ 1,769

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

As of March 31, 2018	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	¥ 153,484	¥ 57,461	¥ 96,022	\$ 1,444,697	\$ 540,868	\$ 903,828
Bonds	221	200	21	2,087	1,882	205
Others	3,666	3,325	341	34,513	31,298	3,214
Subtotal	157,373	60,987	96,386	1,481,298	574,049	907,248
Securities with a book value that does not exceed the acquisition cost:						
Stocks	1,600	1,799	(198)	15,064	16,935	(1,871)
Bonds	-	-	-	-	-	-
Others	20,000	20,000	-	188,253	188,253	-
Subtotal	21,600	21,799	(198)	203,317	205,188	(1,871)
Total	¥ 178,973	¥ 82,786	¥ 96,187	\$ 1,684,615	\$ 779,238	\$ 905,376

Note: We chose not to describe the detail in the report due to its immateriality. 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, 2018	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	¥ 5,447	¥ 2,793	¥ 7	\$ 51,273	\$ 26,298	\$ 70

### 13. Derivative Transactions

For the year ended March 31, 2017

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	¥ 0	¥ -	¥ 0
	Buy EUR	Forecasted purchasing transaction	¥ 1,362	¥ 873	¥ (19)
	Non-deliverable forwards				
	Sell BRL	Forecasted sales transaction	¥ 361	¥ -	¥ 2
Total			¥ 1,724	¥ 873	¥ (16)

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	¥ 8,190	¥ 6,870	*

(\*) The fair value of interest rate swaps that qualify for special treatment is included in long-term loans payable.

For the year ended March 31, 2018

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	¥ 1,237	¥ 304	¥ (46)	\$ 11,651	\$ 2,867	\$(435)
	Buy EUR	Forecasted purchasing transaction	¥ 671	¥ 146	¥ 49	\$ 6,316	\$ 1,374	\$ 462
Total			¥ 1,908	¥ 450	¥ 2	\$ 17,968	\$ 4,241	\$ 27

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	¥ 9,290	¥ 7,430	*	\$ 87,443	\$ 69,935	*

(\*) The fair value of interest rate swaps that qualify for special treatment is included in long-term loans payable.

### 14. 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
	2017	2018	2018
Balance at the beginning of the fiscal year	¥ 44,889	¥ 43,541	\$ 409,843
Service cost	1,971	2,046	19,260
Interest cost	87	84	796
Actuarial gain and loss	(104)	115	1,090
Benefit paid	(3,301)	(2,820)	(26,543)
other	(0)	1	16
Balance at the end of the fiscal year	¥ 43,541	¥ 42,970	\$ 404,463

The schedule of the pension assets

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Balance at the beginning of the fiscal year	¥ 22,613	¥ 22,281	\$ 209,727
Expected return on pension assets	271	267	2,516
Actuarial gain and loss	34	185	1,743
Contributions by the employer	1,147	1,141	10,740
Benefit paid	(1,786)	(1,292)	(12,169)
Balance at the end of the fiscal year	¥ 22,281	¥ 22,582	\$ 212,558

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
	2017	2018	2018
Retirement benefit obligation of funded plan	¥ 21,457	¥ 21,097	\$ 198,587
Pension assets	(22,281)	(22,582)	(212,558)
	(824)	(1,484)	(13,971)
Retirement benefit obligation of unfunded plan	22,084	21,872	205,876
Net amount of liabilities and assets recognized in consolidated balance sheet	21,260	20,387	191,904
Net defined benefit liability	22,084	21,872	205,876
Net defined benefit asset	(824)	(1,484)	(13,971)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 21,260	¥ 20,387	\$ 191,904

The breakdown of items in retirement benefit costs	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service cost	¥ 1,971	¥ 2,046	\$ 19,260
Interest cost	87	84	796
Expected return on pension assets	(271)	(267)	(2,516)
Amortization of actuarial differences	949	951	8,956
Retirement benefit costs	¥ 2,736	¥ 2,815	\$ 26,496
Remeasurements of defined benefit plans			
	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Actuarial gain and loss	¥ 1,087	¥ 1,020	\$ 9,609
Total	¥ 1,087	¥ 1,020	\$ 9,609
Unrecognized remeasurements of defined benefit plans			
	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized actuarial (gain) loss	¥ 2,821	¥ 1,800	\$ 16,944
Total	¥ 2,821	¥ 1,800	\$ 16,944
The breakdown of pension assets by major category			
	2017	2018	
Bonds	22%	24%	
Equities	9%	8%	
General account	62%	62%	
other	7%	6%	
Total	100%	100%	
The items of actuarial assumptions			
	2017	2018	
Discount rate	0.20%	0.20%	
Expected long-term return on pension assets	1.20%	1.20%	
Expected rate of salary raise	5.60%	5.60%	

## 15. Deferred Tax Accounting

The tax effects of temporary differences which gave rise to deferred tax assets and liabilities at March 31, 2017 and 2018 are as follows:	Millions of yen		Thousands of U.S. dollars
As of March 31	2017	2018	2018
Deferred tax assets:			
Real estate for sale	¥ 678	¥ 400	\$ 3,774
Buildings, structures and land	1,244	1,304	12,282
Investment securities	469	467	4,401
Allowance for doubtful receivables	344	349	3,288
Provision for bonuses	2,119	2,288	21,537
Provision for loss on construction contracts	1,013	129	1,219
Net defined benefit liability	6,745	6,686	62,940
Tax loss carryforwards	7,653	2,089	19,666
Other	2,372	2,881	27,122
Subtotal	22,641	16,598	156,232
Less: valuation allowance	(3,624)	(2,969)	(27,948)
Deferred tax assets	¥ 19,016	¥ 13,628	\$ 128,284
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(27,625)	(29,207)	(274,919)
Net defined benefit asset	(252)	(454)	(4,275)
Other	(116)	(924)	(8,706)
Deferred tax liabilities	(27,993)	(30,586)	(287,901)
Net deferred tax assets (liabilities)	¥ (8,977)	¥ (16,957)	\$ (159,617)

In addition to the above, the Companies recognized deferred tax liabilities of ¥7,272million and ¥7,272million (US\$68,455 thousand) related to revaluation reserve for land at March 31, 2017 and 2018, respectively.

Reconciliation between the statutory tax rate and the effective tax rate	2017	2018
Statutory tax rate	30.9%	30.9%
Expenses not deductible for income tax purposes	1.6%	1.2%
Non-taxable income	-0.5%	-0.6%
Inhabitant taxes (per capita levy)	0.8%	0.6%
Valuation allowance	-80.2%	-1.8%
Other	-1.6%	-1.6%
Effective tax rate	-49.0%	28.7%

## 16. Business Combinations

Business combination through acquisition

### (1) Outline of the business combination

- 1) Name and business of the acquired company  
Name of the acquired company : Nisshin Life Co.  
Business : Resale, rent and management of real estate
- 2) Principal reason for business combination  
The Company acquires good real estate owned by Nisshin Life Co., and intends to strengthen profitability of Investment Development.
- 3) Date of the business combination  
October 2, 2017
- 4) Legal form of business combination  
Acquisition of shares by cash
- 5) Name after the business combination  
Nisshin Life Co.
- 6) Ratio of voting rights acquired  
100%
- 7) Principal basis for determination of the acquiring company  
Through the acquisition of shares of Nissin Life Co. by cash, the Company holds 100% of voting rights

### (2) Period of the operating results of the acquired company included in the accompanying consolidated financial statements

October 2, 2017 through March 31, 2018

### (3) Acquisition cost of the acquired company and details of the type of consideration

	Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	¥ 5,538	\$ 52,132
Acquisition cost	5,538	52,132

### (4) Major acquisition-related costs and nature

Advisory fee and other : ¥3 million (US\$31 thousand)

### (5) Amount of goodwill generated, reason for generation of goodwill, method of amortization and amortization period

- 1) Amount of goodwill  
¥693 million (US\$6,523 thousand)
- 2) Reason for generation of goodwill  
Acquisition cost exceeded net amount of assets acquired and liabilities assumed.  
The excess amount has been recorded as goodwill.
- 3) Method of amortization and amortization period  
Straight-line method basis over 10 years

### (6) Amount of assets acquired and liabilities assumed as of the date of business combination and major breakdown

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 2,781	\$ 26,181
Non-current assets	3,061	28,813
Total assets	¥ 5,842	\$ 54,994
Current liabilities	¥ 155	\$ 1,465
Non-current liabilities	841	7,919
Total liabilities	¥ 997	\$ 9,385

### (7) Estimated amount of the effect on the consolidated statement of income for the current fiscal year assuming that the business combination was completed at the beginning of the fiscal year, and the calculation method.

Since the estimated amount of the effect on the consolidated statement of income for the current fiscal year is immaterial, details are omitted.

## 17. Asset Retirement Obligations

### The asset retirement obligations in financial statement

We chose not to describe the detail in the report due to its immateriality.

## 18. Investment and Rental Properties

As of March 31, 2017	Millions of yen	
	Book Value	Fair Value
Real estate for rent	¥ 62,213	¥ 121,029

As of March 31, 2018	Millions of yen		Thousands of U.S. dollars	
	Book Value	Fair Value	Book Value	Fair Value
Real estate for rent	¥ 65,890	¥ 129,697	\$ 620,204	\$ 1,220,801

## 19. Segment Information

For the year ended March 31, 2017	Millions of yen									
	Reporting segments					Total	Other (Note 1)	Total	Adjustments	Consolidated
Domestic Building Construction	Domestic Civil Engineering	Investment Development	Domestic Group Companies	Total						
Net sales:										
Customers	¥ 291,739	¥ 98,575	¥ 5,191	¥ 17,413	¥ 412,919	¥ 9,802	¥ 422,722	¥ -	¥ 422,722	
Inter-segment	1,917	89	993	17,697	20,698	-	20,698	[20,698]	-	
Total	293,656	98,664	6,184	35,111	433,617	9,802	443,420	[20,698]	422,722	
Segment profit (loss)	¥ 19,266	¥ 4,256	¥ 1,524	¥ 1,441	¥ 26,488	¥ [1,243]	¥ 25,245	¥ [246]	¥ 24,998	
Depreciation and amortization	¥ 672	¥ 191	¥ 575	¥ 94	¥ 1,533	¥ 202	¥ 1,736	¥ -	¥ 1,736	

For the year ended March 31, 2018	Millions of yen									
	Reporting segments					Total	Other (Note 1)	Total	Adjustments	Consolidated
Domestic Building Construction	Domestic Civil Engineering	Investment Development	Domestic Group Companies	Total						
Net sales:										
Customers	¥ 279,971	¥ 109,263	¥ 5,637	¥ 20,092	¥ 414,966	¥ 14,060	¥ 429,026	¥ -	¥ 429,026	
Inter-segment	1,384	79	993	13,778	16,235	-	16,235	[16,235]	-	
Total	281,356	109,343	6,631	33,870	431,201	14,060	445,261	[16,235]	429,026	
Segment profit (loss)	¥ 17,874	¥ 11,784	¥ 1,580	¥ 883	¥ 32,124	¥ [1,513]	¥ 30,610	¥ [147]	¥ 30,463	
Depreciation and amortization	¥ 672	¥ 193	¥ 628	¥ 144	¥ 1,639	¥ 201	¥ 1,840	¥ -	¥ 1,840	

For the year ended March 31, 2018	Thousands of U.S. dollars									
	Reporting segments					Total	Other (Note 1)	Total	Adjustments	Consolidated
Domestic Building Construction	Domestic Civil Engineering	Investment Development	Domestic Group Companies	Total						
Net sales:										
Customers	\$ 2,635,278	\$ 1,028,459	\$ 53,068	\$ 189,125	\$ 3,905,932	\$ 132,342	\$ 4,038,274	\$ -	\$ 4,038,274	
Inter-segment	13,032	750	9,347	129,689	152,819	-	152,819	[152,819]	-	
Total	2,648,310	1,029,210	62,416	318,814	4,058,751	132,342	4,191,094	[152,819]	4,038,274	
Segment profit (loss)	\$ 168,246	\$ 110,925	\$ 14,880	\$ 8,320	\$ 302,373	\$ [14,246]	\$ 288,126	\$ [1,386]	\$ 286,740	
Depreciation and amortization	\$ 6,333	\$ 1,824	\$ 5,916	\$ 1,357	\$ 15,432	\$ 1,893	\$ 17,326	\$ -	\$ 17,326	

- Notes: 1. "Other" is a business segment which is not included in any reporting segment, and includes the new business fields (floating offshore wind power generation business, new energy, agricultural diversification, new business) and overseas business.  
2. Adjustments of segment profit (loss) is negative ¥246million and negative ¥147million (US\$1,386 thousand) elimination of intersegment transactions.  
3. Segment profit (loss) is adjusted in accordance with operating income as recorded in the consolidated statements of income.

The Companies operate in the following 4 reporting segments:

- Domestic Building Construction .....Domestically our company's research, planning, design, management and execution of building construction work, and architectural and comprehensive engineering and consulting related thereto  
Domestic Civil Engineering .....Domestically our company's research, planning, design, management and execution of civil engineering work, such as tunnel construction, and architectural and comprehensive engineering and consulting related thereto  
Investment Development .....Self-development, resale and rent of real estate  
Domestic Group Companies .....Business carried out by domestic consolidated subsidiaries (building construction, civil engineering, real estate mainly for building management, hotel business, worker dispatching mainly for the group companies and financing and leasing)

## 20. Related Party Transactions

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

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

For the year ended March 31, 2017

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
Officer (equivalent to officer) and his close family	Toda Mirai Foundation (*1)	Chuo Ward, Tokyo	-	(*2)	-	interlocking directors	cash donation (*3)	40	-	-

\*1 The president of the foundation is Masanori Imai, President and Representative Director.

\*2 The purpose of the Foundation is to expand job opportunities and to improve skills and techniques of construction workers and then to contribute to the progress of the construction industry through social activities like subsidy programs for fostering workers especially in younger generation.

\*3 We make donations to the Foundation to support their activities, and the donations have been decided with the approval of the Board of Directors.

For the year ended March 31, 2018

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	Thousands of U.S. Dollars	Account	Millions of Yen
Officer (equivalent to officer) and his close family	Toda Mirai Foundation (*1)	Chuo Ward, Tokyo	-	(*2)	0.81% (Direct)	interlocking directors	Disposal of treasury shares through third-party allotment (*3)	2	23	-	-

\*1 The president of the foundation is Masanori Imai, President and Representative Director.

\*2 The purpose of the Foundation is to expand job opportunities and to improve skills and techniques of construction workers and then to contribute to the progress of the construction industry through social activities like subsidy programs for fostering workers especially in younger generation.

\*3 Disposal of treasury shares through third-party allotment was performed in order to generate funds for the social contribution activities of the Toda Mirai Foundation, an incorporated foundation, with the dividend of the Company (¥2.5 million for 2.5 million shares). As the issuance amount of ¥1 per share corresponds to advantageous placement, the issuance was performed with the approval at the Company's 94th annual general meeting of shareholders held on June 29, 2017.

## 21. Per Share Information

As of March 31	Yen		U.S. dollars
	2017	2018	2018
Net assets per share of common stock	¥ 729.35	¥ 803.43	\$ 7.562
Profit for the year per share of common stock	137.07	82.71	0.778

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Basis for calculation of net assets per share:			
Total net assets	¥ 226,895	¥ 249,394	\$ 2,347,464
Amount attributable to items other than common stock	2,937	3,078	28,973
Net assets attributable to common stock	¥ 223,958	¥ 246,316	\$ 2,318,491
Number of shares of common stock outstanding at fiscal year-end	307,067,021 shares	306,581,817 shares	
Basis for calculation of profit for the year per share:			
Profit for the year attributable to owners of the parent	¥ 42,091	¥ 25,455	\$ 239,599
Profit for the year attributable to owners of the parent attributable to common stock	¥ 42,091	¥ 25,455	\$ 239,599
Average number of shares of common stock outstanding during the fiscal year	307,083,827 shares	307,744,702 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, 2018, 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, 2018, 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.



June 29, 2018  
Tokyo, Japan

# Corporate Information

Company overview

(As of March 31, 2018)

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	4,994 (Consolidated) 4,016 (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 4. Power generation and related business for renewable energy, etc.

## 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.
2016	Toda is included on the CDP's Climate A List
2017	Toda's CO <sub>2</sub> reduction targets receive SBT approval (first for the Japanese construction industry) Toda becomes the first industrial corporation in Japan to finance its own project through the issuance of Green Bonds.

# TODA CORPORATION

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## **Main overseas affiliated companies**

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

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

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

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

## **Cover photograph**

**Takasaki Arena**

(Takasaki, Japan)



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