Our CO2 emission reduction targets were certified as science-based targets (SBT).

Paper used in this report is produced using fiber sourced from well-managed forests and other forests whose unacceptable sources have been excluded, as defined by the Forest Stewardship Council.

Only environmentally-friendly, zero-VOC (Volatile organic compounds) inks were used in the printing of this report. The CO2 emitted during manufacturing processes is offset by investments in actions that reduce such emissions.
Financial and Non-Financial Highlights

Key performance indicators

Data on economic aspects (consolidated)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>448,987</td>
<td>420,324</td>
<td>492,621</td>
<td>422,722</td>
<td>420,825</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>6,584</td>
<td>14,813</td>
<td>23,723</td>
<td>27,197</td>
<td>33,857</td>
</tr>
<tr>
<td>Profit (loss) for the year attributable to the owners of the parent</td>
<td>10,228</td>
<td>14,826</td>
<td>20,030</td>
<td>24,591</td>
<td>25,405</td>
</tr>
<tr>
<td>Comprehensive income (loss)</td>
<td>16,874</td>
<td>46,182</td>
<td>33,818</td>
<td>52,673</td>
<td>29,652</td>
</tr>
<tr>
<td>Total net assets</td>
<td>141,680</td>
<td>182,588</td>
<td>177,417</td>
<td>226,895</td>
<td>243,394</td>
</tr>
<tr>
<td>Total assets</td>
<td>473,510</td>
<td>465,442</td>
<td>548,711</td>
<td>526,562</td>
<td>562,994</td>
</tr>
</tbody>
</table>

Per share of common stock (in yen and U.S. dollars): |
- Net assets | 443,32 | 587,83 | 569,72 | 720,35 | 803,43 | 7,902 |
- Cash dividends applicable to the year | 3.00 | 7.00 | 10.00 | 15.00 | 20.00 | 198 |
- Net cash provided by (used in) operating activities | 12,171 | (947) | (8,863) | 56,874 | 19,331 | 18,192 |
- Net cash provided by (used in) investing activities | 11,441 | 1,962 | (6,099) | (9,757) | (7,912) | (75,535) |
- Net cash provided by (used in) financing activities | (10,248) | (4,576) | 11,148 | (12,608) | (2,081) | (18,986) |
- Cash and cash equivalents at end of period | 62,061 | 55,245 | 54,650 | 90,986 | 100,529 | 946,219 |

Non-Consolidated Orders received (non-consolidated)

Non-Financial Highlights

CO2 emissions / Basic unit (workplace)

Construction waste generated/Percentage disposed of as landfill (non-consolidated)

Orders received for the construction industry business, but the domestic building construction business included only with a 0.2% decrease, but increased 67% for the investment development business. 15% for the domestic Group business, and 45% for construction business. In total, the net sales attributable to owners of the parent decreased 0.7% to 468 billion yen (a decrease of 238 billion yen).

Ordinary income

CO2 emissions increased slightly in fiscal 2017; however, basic units of CO2 emissions decreased slightly. CO2 emissions increased in the building construction business. As a result, ordinary income increased 21.5% year on year to 200,000 million yen (an increase of 44,700 million yen).

Government and Corporate Report 2018

From fiscal 2018 onwards, we will continue to promote front-level in fiscal 2016. In addition, there were zero work-related loading to maintain working conditions and aim to be the No. 1 corporation group in safety of all of our business activities, in order to achieve a year higher target than 4.5 million yen (an increase of 238 billion yen) due to the increase in retained earnings arising from the addition of net income. Total assets increased 0.1% year on year to 200,000 million yen (an increase of 238 billion yen) due to the increase in corporate bonds and deferred tax liabilities.

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 will be to reinforce the investment development business and others.

Data on social and environmental aspects (non-consolidated)

Total net assets / Total assets

Data on financial and environmental aspects

Sales by business and as percentage of total sales

Ordinary income attributable to owners of the parent

Although net sales essentially held steady, profit reform increased 21.5% year on year to 200,000 million yen (an increase of 473 billion yen) due to the increase in retained earnings arising from the addition of net income. Total assets increased 0.1% year on year to 200,000 million yen (an increase of 238 billion yen) due to the increase in corporate bonds and deferred tax liabilities.

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 will be to reinforce the investment development business and others.

Overview for Value Creation

ESG Initiatives

Financial Section

Construction waste generated/Percentage disposed of as landfill (non-consolidated)
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.

Prospects for fiscal 2018

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 increase of 11.9%). 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 2019

Regarding prospects for performance in fiscal 2019, we plan calls for sales of 110.0 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 12.9%) due to factors such as increased general administrative expenses toward future growth.

As for detailed results, the figure for sales comprises 5.9 billion yen for investment development and new business fields, and 38.2 billion yen for domestic Group business. The figure for operating income comprises 1.0 billion yen and 1.2 billion yen for the respective categories.

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 utilizing 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.

Prospects for fiscal 2019

Regarding prospects for performance in fiscal 2019, we plan calls for sales of 110.0 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 12.9%) due to factors such as increased general administrative expenses toward future growth.

As for detailed results, the figure for sales comprises 5.9 billion yen for investment development and new business fields, and 38.2 billion yen for domestic Group business. The figure for operating income comprises 1.0 billion yen and 1.2 billion yen for the respective categories.
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.

Implementation of Global Vision

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.

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 human infrastructure, bases, etc.
- Intellectual capital
  - Intellectual property, know-how, related technology, and other such resources that provide the foundation for creating value and sustainable 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
  - Management culture, etc.
  - Disaster risk

- Main social issues
  - Considerations of global environmental problems (disposal of waste material generated during construction, dust, noise, vibration, etc.)
  - Energy-saving and CO2 reduction in the project construction and operation stages
  - Disaster management (seismic resistance technology, reconstruction assistance in disaster areas, etc.)
  - Construction of social infrastructure that people can use with a sense of security

Sustainable Development Goals (SDGs)

- SDGs: Sustainable Development Goals, a set of nineteen 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 all its forms, fight inequality, and take steps to address climate change while ensuring that no one is left behind.

Our future vision for the Toda Group and its value

Vision of the Future

- Next Future Map
- "Path to the Future"

No.1 in Productivity

- Improving labor productivity/ROE
- Achieving economic rationality

No.1 in Safety

- Zero disasters/accidents

Quality/Delivery

- Quality backed by history
- Front-loading
- Purposeful Guidelines

Good Corporate Citizenship

- Enhancing the appeal of the construction industry
- Promoting social contribution activities

Corporate Philosophy

- Management Policy
- Corporate Action Charter
- Corporate governance
- CSR management
- Compliance

Governance

Culture

Technology development

Environment

Local subsidiaries

Corporation

Branch offices

Main business

- Building construction business
- Manufacturing business
- Investment development business
- New business

Social

- Quality backed by history
- Front-loading
- Purposeful Guidelines

The Environment

- Achievement of a decarbonized society
- Evolution of construction waste
- Development of environmentally friendly technology
- Preservation of biodiversity

Recognition of business risks and social issues

- Main business risks
  - Investment in construction, prices, and other trends
  - Construction risk, etc.
  - Client credit risk
  - Disaster risk

- Main social issues
  - Considerations of global environmental problems (disposal of waste material generated during construction, dust, noise, vibration, etc.)
  - Energy-saving and the reduction of CO2 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

Human capital

- The highly developed motivation of directors and employees founded on Toda Group corporate philosophy, expertise, skills, etc.

Intellectual capital

- Intellectual property, know-how, related technology, and other such resources that provide the foundation for creating value and sustainable social infrastructure

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 human infrastructure, bases, etc.
- Intellectual capital
  - Intellectual property, know-how, related technology, and other such resources that provide the foundation for creating value and sustainable social infrastructure
- Natural capital
  - Natural resources such as water, air, and earth; the energy resources used in production, etc.
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.

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

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 society 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 make other contributions.

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 make other contributions.

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.

**Path to the Future: Toda Corporation’s Vision of the Construction Industry in the Future**

This pamphlet describes the new technology we expect to see in the next 10 to 15 years, and our vision for a more productive construction industry achieved through a shift toward more advanced information, industrialization, and other industrial technologies.

Our aims are to illustrate our course of action, encourage the members of our Company to embark on cutting-edge construction and management technology, and use the concept of open innovation to employ ideas and technology from other companies to contribute to future technology development and to make other contributions.

Path to the Future: Toda Corporation’s Vision of the Construction Industry in the Future (based on Next Future Map 5.1*)

Path to the Future: Toda Corporation’s Vision of the Construction Industry in the Future (Published March 2017)

Path to the Future: Toda Corporation’s Vision of the Construction Industry in the Future (Published May 2018)

Path to the Future: Toda Corporation’s Vision of the Construction Industry in the Future (Published March 2019)}

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

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%, year on year increase of 1.6 points, and gross profit on sales rose to 63.5 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 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%).

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".

<table>
<thead>
<tr>
<th>Fiscal 2019 Group Performance Targets</th>
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</thead>
<tbody>
<tr>
<td><strong>Fiscal 2017 results</strong></td>
</tr>
<tr>
<td>Consolidated net sales</td>
</tr>
<tr>
<td>Domestic construction</td>
</tr>
<tr>
<td>Domestic civil engineering</td>
</tr>
<tr>
<td>Investment and development + New fields</td>
</tr>
<tr>
<td>Domestic Group companies</td>
</tr>
<tr>
<td>Overseas</td>
</tr>
<tr>
<td>Consolidated operating income</td>
</tr>
<tr>
<td>Consolidated operating income (margin)</td>
</tr>
<tr>
<td>Labor productivity (non-consolidated, unit: 10 thousand yen)</td>
</tr>
</tbody>
</table>

* Fiscal 2019 figures reflect changes in consolidated net sales totals.*  
* 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.
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.

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 FY2017 to FY2019) is progressing smoothly, and we are rolling out initiatives to secure stable profits and differentiated value.

Stable growth fields (fields of specialization)

<table>
<thead>
<tr>
<th>Priority fields</th>
<th>Continuous receipt of orders/improvement of technological capabilities</th>
<th>High-added value services</th>
<th>Large-scale infrastructure</th>
<th>Technologies for engineering solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital/ schools</td>
<td>Reinvestment in income-producing properties and subdivision development, etc.</td>
<td>Investment in income-producing properties and subdivision development, etc.</td>
<td>Investment in income-producing properties and subdivision development, etc.</td>
<td>Investment in income-producing properties and subdivision development, etc.</td>
</tr>
<tr>
<td>Reinvestment in</td>
<td>Promotion of the Kyobashi 1-Chome next side development plan (head office building reconstruction)</td>
<td>Effective utilization of assets held, such as workshops</td>
<td>Effective utilization of assets held, such as workshops</td>
<td>Effective utilization of assets held, such as workshops</td>
</tr>
<tr>
<td>Reinvestment in</td>
<td>cloves</td>
<td>cloves</td>
<td>cloves</td>
<td>cloves</td>
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<td>Reinvestment in</td>
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</tbody>
</table>

Business

<table>
<thead>
<tr>
<th>Strategic Businesses</th>
<th>Major initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment and</td>
<td>Investment in income-producing properties and subdivision development, etc.</td>
</tr>
<tr>
<td>development</td>
<td>Promotion of the Kyobashi 1-Chome next side development plan (head office building reconstruction)</td>
</tr>
<tr>
<td></td>
<td>Effective utilization of assets held, such as workshops</td>
</tr>
<tr>
<td>New fields</td>
<td>Commericalization of floating offshore wind power generation</td>
</tr>
<tr>
<td></td>
<td>To engage with renewable energy, such as solar farming, industrial solar, and new businesses</td>
</tr>
<tr>
<td>Domestic Group companies</td>
<td>Provision of comprehensive value to customers and enhancement of the building lifecycle business (building management, rehabilitation, relocation, etc.)</td>
</tr>
<tr>
<td></td>
<td>Development of long-term technologies through R&amp;D, etc.</td>
</tr>
<tr>
<td>Overseas</td>
<td>Development of technologies that can be used in developing countries</td>
</tr>
<tr>
<td></td>
<td>Development of technology that can be used in developing countries</td>
</tr>
</tbody>
</table>

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 Pacer, 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 Constructora Toda do Brasil S.A.

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 who 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 aim 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.
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 remain a company that accomplishes reforms that challenge the status quo in order to remain a company that is selected by customers.

Strategic professional development

1. Ongoing evolution of our value for customers
   - Leverage 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 increase 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
- Construction at Shin-Meishin Expressway Tenpindo Tunnel - West Nippon Expressway Co., Ltd.
- Construction at Shin Meishin Expressway Minoh Interchange - West Nippon Expressway Co., Ltd.
- National Road 45 Shimokakka Road Construction - Tohoku Regional Development Bureau, Ministry of Land, Infrastructure and Transport

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
   - Strategic professional development
   - Leveraging AI and ICT
   - Enhancing cooperation with Group companies and partners
2. Sustainable productivity improvement
   - Promoting work style reforms and developing self-motivated personnel
   - Setting up and implementing professional development programs
3. Persistent increases in employee value
   - Promoting the solution of social issues through business activities
4. Contribution to the sustainable development of customers and society through business activities
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.

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 billion yen in new fields such as energy and sixth sector industrialization of agriculture, in order to secure stable profits and differentiated value.

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, 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.

We aim to achieve work efficiency by leveraging external knowledge and experience.

Toda Corporation and others represented a group of business operators on the consortium 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 Kujukushima, Goto City, Nagasaki, in October 2013. Two years after the completion of the 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 offshore wind power generation facilities using newly constructed semi-submersible spud barges and contribute to the realization of a carbon-free society.

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 on customers' needs (continued/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 (FF), we will establish a solid position and take the lead in the creation of a new market in the renewable energy field.

The FF 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 decided whether to conduct effective 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 Foods.

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 FM through the utilization of technologies such as BIM and EPC.

We will 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 GTI.

*Goals and feedback 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 CSR (Creating Shared Value)

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

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.

8. Ongoing evolution of our value for customers

Investment and development

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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 utilizing water for farming, etc., to put 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 know-how 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, 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 water for farming, etc., to put pressure on power generation. Because of this, the expectations placed on new forms of renewable energy are increasing.

1. Ongoing evolution of our value for customers
   Increasing customer satisfaction
   We aim to improve customer satisfaction based on QES (quality, security, 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 aid not only in using the data gained to revitalize 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 move in-depth education programs, such as by conducting short domestic training sessions for local employees and QIT 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.

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

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.

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. 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.

Support for children in orphanages
In December 2017, we visited the Ban-Vengpeng orphanage in Chiang Mai. Ban-Vengpeng 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.
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.

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*. 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 knowledge 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.

Organizational composition (as of end April, 2018)

<table>
<thead>
<tr>
<th>Research and Development Center</th>
<th>Business Promotion Unit</th>
<th>Engineering Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Technological Strategy Unit</td>
<td>Material Engineering Unit</td>
</tr>
<tr>
<td></td>
<td>Structural Engineering Unit</td>
<td>Infrastructure Construction Unit</td>
</tr>
<tr>
<td></td>
<td>Environmental and Material Engineering Unit</td>
<td>Infrastructure Sustenance Unit</td>
</tr>
<tr>
<td></td>
<td>Innovative Construction Unit</td>
<td></td>
</tr>
</tbody>
</table>

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)*2 to respond to heightened social awareness concerning the environment, energy conservation, and curbing CO2 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.

Research and Development

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 CO2. Toda shares these values, and we have set targets for reducing CO2 emissions by 2050 in order to hand down a healthy global environment to the next generation. As a company that promotes safety, security, 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 CO2 emissions during construction and targets

-80%

-60%

Eco temporary office

Solar power generation

Small-scale wind power

Biodiesel-powered machinery

Hybrid construction machinery

Temporary lighting controlled by motion sensors

Energy-recovering and energy-efficient temporary lift

Tower crane powered by engine when stopped

Temporary fencing

Working Towards the Realization of a Carbon-Free Society

Toda has continuously implemented activities to reduce CO2 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 CO2 reduction measures and track their effectiveness.

TO-MINICA low-carbon construction system

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

SBI (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.
**ESG Initiatives**

**Development of Environmentally Friendly Technology**

- **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.

**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.

**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.

**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.

**Creating a new safety culture**

- **Introduction of AEDs to workplaces with an eye to usage by third parties**
  
  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 promoting 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.

**Number of initiatives for the preservation of biodiversity**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>6</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
</tr>
<tr>
<td>2014</td>
<td>3</td>
</tr>
<tr>
<td>2015</td>
<td>4</td>
</tr>
<tr>
<td>2016</td>
<td>6</td>
</tr>
<tr>
<td>2017</td>
<td>3 (planned)</td>
</tr>
</tbody>
</table>

**Final disposal rate of construction waste**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>19.1</td>
</tr>
<tr>
<td>2005</td>
<td>8.9</td>
</tr>
<tr>
<td>2010</td>
<td>5.6</td>
</tr>
<tr>
<td>2015</td>
<td>5.6</td>
</tr>
<tr>
<td>2017</td>
<td>2.6</td>
</tr>
</tbody>
</table>

**Number of accidents resulting in four or more days' absence**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Frequency*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>21</td>
<td>0.56</td>
</tr>
<tr>
<td>2013</td>
<td>17</td>
<td>0.53</td>
</tr>
<tr>
<td>2014</td>
<td>15</td>
<td>0.48</td>
</tr>
<tr>
<td>2015</td>
<td>19</td>
<td>0.40</td>
</tr>
<tr>
<td>2016</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>14</td>
<td></td>
</tr>
</tbody>
</table>

**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 farsite ideas. To this end, we are conducting safe assembly and work 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.
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. 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 executive directors other than the president also assign executive directors, 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.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Independence Status</th>
<th>Status of activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setsuhiro Amiya</td>
<td>Audit Committee</td>
<td>Independent</td>
<td>The attended 16 of the 17 board of directors meetings, and provided advice and recommendations from the perspective of a company owner</td>
</tr>
<tr>
<td>Setsuhiro Shigemasa</td>
<td>Compliance Committee</td>
<td>Independent</td>
<td>Provided advice and recommendations from the perspective of a company owner</td>
</tr>
<tr>
<td>Shunsuke Kanamaru</td>
<td>Remuneration Committee</td>
<td>Independent</td>
<td>Provided advice and recommendations from the perspective of a company owner</td>
</tr>
</tbody>
</table>

Enhancement of auditing systems

Our company has adopted a system of corporate auditors under which, through meetings 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 audit 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 directors other than the president. Non-audit internal audits of Group companies are also conducted as required, in accordance with the management rules of the companies concerned.

In April 2016, 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 2015 to develop and improve our Group companies, including local affiliates in other countries. In May 2015, with an aim of managing 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.

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 related rules, 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 observe 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 and management. We also examine the risks and manages risks using a Division Implementation Plan for their division to prevent the occurrence of any crises. (Please see P25 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 activities as well as the substitute 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.
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 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, 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.

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.

**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)**

<table>
<thead>
<tr>
<th>Major risks relating to climate change</th>
<th>Responses</th>
</tr>
</thead>
</table>
| Increasing severity of abnormal weather events such as typhoons and floods | • Extended construction times due to abnormal weather events  
• Cancellation of urban civil engineering work and damage to construction machinery  
• Measures to prevent wind damage to temporary materials and equipment |
| Increasing average temperature | • 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  
• At each worksite, we provide emergency heat stroke treatment kits, and provide treatment if a worker shows signs of heat stroke |
| Reputation risk (inability to fulfill Eco-First promises (CO2 reduction targets)) | • We have entered an agreement with a private weather company that is able to predict rainfall and strong winds at worksites locations with pinpoint accuracy, and we are able to take measures at worksites by obtaining information in advance  
• We report CO2 emissions reduction progress to the Ministry of the Environment annually  
• Eco-First promises are incorporated in ISO 14001 and we have established CO2 emissions reduction targets having reflected them in the policies of each department  
• We have implemented our unique low-carbon construction system TO MINAMIC at all worksites nationwide |

* TCFA refers to 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.
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 (KPIs), and we are taking steps to manage the status of our progress and pursue ongoing improvement by implementing the Plan-Do-Check-Act (PDCA) cycle.

- **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.

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

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

Toshihiro Omo
Senior Vice President, General Manager of Administrative Division
Executive Officer in Charge of Public Relations and CSR Division

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 has 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 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.

---

### CSR Management

- **Four CSR policies**
  - Soundness and fairness
  - Skilled manufacturing
  - Communication
  - Job satisfaction

---

### CSR Promotion System

- **President**
  - Executive officer in charge of CSR
  - Presidents of Group companies
  - Members of the CSR Liaison Conference

---

### We contribute to society through our corporate activities

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

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2017</th>
<th>2018</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes and accounts payable-trade (Note 11)</td>
<td>¥ 100,366</td>
<td>¥ 88,699</td>
<td>$ 833,011</td>
</tr>
<tr>
<td>Short-term loans payable (Note 11)</td>
<td>29,855</td>
<td>25,496</td>
<td>239,987</td>
</tr>
<tr>
<td>Income taxes payable (Note 11)</td>
<td>3,523</td>
<td>3,723</td>
<td>35,049</td>
</tr>
<tr>
<td>Advances received on uncompleted construction contracts</td>
<td>28,580</td>
<td>29,657</td>
<td>279,156</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>6,754</td>
<td>7,371</td>
<td>69,381</td>
</tr>
<tr>
<td>Provision for warranties for completed construction</td>
<td>4,089</td>
<td>4,089</td>
<td>38,493</td>
</tr>
<tr>
<td>Provision for loss on construction contracts (Note 5B)</td>
<td>3,289</td>
<td>444</td>
<td>4,181</td>
</tr>
<tr>
<td>Deposits received</td>
<td>17,933</td>
<td>23,324</td>
<td>219,549</td>
</tr>
<tr>
<td>Other</td>
<td>27,661</td>
<td>25,221</td>
<td>237,600</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>222,054</td>
<td>207,827</td>
<td>1,956,211</td>
</tr>
</tbody>
</table>

Noncurrent liabilities:
- Notes and accounts payable-trade (Note 11) | ¥ 3,061 | 3,078 | 30,463 |
- Asset retirement obligations | 1,095 | 1,089 | 10,258 |
- 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 |

NET ASSETS

<table>
<thead>
<tr>
<th>Shares</th>
<th>2017</th>
<th>2018</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital stock</td>
<td>23,001</td>
<td>23,001</td>
<td>216,506</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>25,682</td>
<td>25,681</td>
<td>241,734</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>116,816</td>
<td>136,336</td>
<td>1,283,291</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>(8,233)</td>
<td>(9,427)</td>
<td>(88,834)</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>157,267</td>
<td>175,582</td>
<td>1,452,695</td>
</tr>
</tbody>
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Accumulated other comprehensive income (Note 7)

<table>
<thead>
<tr>
<th>Value</th>
<th>2017</th>
<th>2018</th>
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<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>63,131</td>
<td>56,949</td>
<td>630,357</td>
</tr>
<tr>
<td>Deferred gains on hedges</td>
<td>1</td>
<td>13</td>
<td>32</td>
</tr>
<tr>
<td>Revaluation reserve for land (Note 5)</td>
<td>5,474</td>
<td>5,676</td>
<td>53,432</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(612)</td>
<td>(608)</td>
<td>(6,202)</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans (1,957)</td>
<td>(1,249)</td>
<td>(1,175)</td>
<td>(11,759)</td>
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<tr>
<td>Total accumulated other comprehensive income</td>
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<td>70,734</td>
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</tr>
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<td>70,734</td>
<td>655,795</td>
</tr>
</tbody>
</table>
### Consolidated Statements of Changes in Net Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2017</td>
<td>$216,506</td>
<td>$241,734</td>
<td>$(25,228)</td>
</tr>
<tr>
<td>Changes during period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>(3,070)</td>
<td>(3,070)</td>
<td>0</td>
</tr>
<tr>
<td>Profit for the year attributable to owners of the parent</td>
<td></td>
<td></td>
<td>64,655</td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td>(19)</td>
<td>240</td>
<td>(259)</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(238)</td>
<td>(238)</td>
<td>(238)</td>
</tr>
<tr>
<td>Transfer of loss on disposal of treasury stock</td>
<td>19</td>
<td>(19)</td>
<td>(19)</td>
</tr>
<tr>
<td>Change in parent's ownership interests arising from capital increase of consolidated subsidiary</td>
<td></td>
<td></td>
<td>25,455</td>
</tr>
<tr>
<td>Reversal of revaluation reserve for land</td>
<td></td>
<td></td>
<td>25,455</td>
</tr>
<tr>
<td>Net changes of items other than shareholders' equity</td>
<td></td>
<td></td>
<td>261,949</td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td>95</td>
<td>39,990</td>
<td>40,945</td>
</tr>
<tr>
<td>Balance at March 31, 2018</td>
<td>$28,973</td>
<td>$2,347,464</td>
<td>$(2,298,491)</td>
</tr>
</tbody>
</table>

### Consolidated Statements of Cash Flows

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before income taxes and non-controlling interests</td>
<td>¥337,293</td>
<td>¥35,834</td>
<td>¥291,460</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,840</td>
<td>17,326</td>
<td>(15,486)</td>
</tr>
<tr>
<td>Impairment loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td></td>
<td>326</td>
<td>326</td>
</tr>
<tr>
<td>Increase (decrease) in allowance for doubtful accounts</td>
<td>(10)</td>
<td>100</td>
<td>(110)</td>
</tr>
<tr>
<td>Increase (decrease) in net defined benefit liability</td>
<td>3,479</td>
<td></td>
<td>3,479</td>
</tr>
<tr>
<td>Increase (decrease) in net defined benefit asset</td>
<td>(2,095)</td>
<td>(2,095)</td>
<td>(2,095)</td>
</tr>
<tr>
<td>Increase (decrease) in other provision</td>
<td>(20,913)</td>
<td></td>
<td>(20,913)</td>
</tr>
<tr>
<td>Loss on valuation of investment securities</td>
<td>18</td>
<td></td>
<td>18</td>
</tr>
<tr>
<td>Loss (gain) on sales of investment securities</td>
<td>(28,094)</td>
<td>(28,094)</td>
<td>(28,094)</td>
</tr>
<tr>
<td>Net cash provided by (used in) net cash provided by owners of the parent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>4,262</td>
<td></td>
<td>4,262</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>7,754</td>
<td></td>
<td>7,754</td>
</tr>
<tr>
<td>Decrease in notes and accounts receivable-trade</td>
<td>(23,377)</td>
<td></td>
<td>(23,377)</td>
</tr>
<tr>
<td>Decrease (increase) in costs on uncompleted construction contracts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in real estate for sale</td>
<td>15,038</td>
<td></td>
<td>15,038</td>
</tr>
<tr>
<td>Increase (decrease) in other current liabilities</td>
<td>19,711</td>
<td></td>
<td>19,711</td>
</tr>
<tr>
<td>Other, net</td>
<td>1,942</td>
<td></td>
<td>1,942</td>
</tr>
<tr>
<td>Subtotal</td>
<td>206,943</td>
<td></td>
<td>204,508</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes paid</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments into time deposits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from withdrawal of time deposits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from withdrawal of time deposits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from impairment of intangible assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from subordination income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase (decrease) in short-term loans payable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from long-term loans payable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayments of long-term loans payable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issuance of bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends paid to non-controlling interests</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of exchange rate change on cash and cash equivalents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
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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
Other subsidiaries were not consolidated, as they were not significant in terms of the effect on 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., Consturctors Toda do Brasil S/A, Toda Corporation Ltd., Toda Vietnam Co. and other 3 companies ended 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 the 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 Inventor cost method (straight line method) Available-for-sale securities
(b) Securities with a fair value
(c) Inventories
(c) Costs on uncompleted construction contracts
(2) Accruals and provisions for important assets
(a) Allowance for doubtful accounts
(b) Provision for bad debts
(c) Provision for warranties
(d) Provision for loss on construction contracts
(e) Provision for losses on sales of subsidiaries and affiliates

5) Methods of depreciation and amortization
depreciable assets
(a) Property, plant and equipment (excluding lease assets)
(b) Intangible assets (excluding lease assets)
(c) Lease assets
(d) Leasehold improvements
(e) Leasehold improvements
(f) Leasehold improvements

6) Allowances and provisions
(a) Allowance for doubtful accounts
(b) Provision for bad debts
(c) Provision for warranties
(d) Provision for loss on construction contracts
(e) Provision for losses on sales of subsidiaries and affiliates

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 10 years.

8) Recognition of net sales from construction contracts and related costs
The Company applies the percentage of completion method to these contracts in which the percentage of completion of 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.

10) Hedge Accounting
The Companies apply hedge accounting as follows:
Deferred 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 (“Specified Rate”).
(b) Measure and objectives
1. Measurers: Forward foreign exchange contracts
(a) Objects: Transactions to be paid in foreign currencies in cases of overseas construction of works and overseas procurement of materials.
2. Measures: Interest rate swap
(a) Objects: Borrowings
(c) Hedging significant:
Based on internal regulations which stipulate the execution authority regarding on derivative transactions and these 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 various 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 consolidation 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.

3. Accounting Standards Issued But Not Yet Adopted
(a) Accounting Standard for Revenue Recognition (ASB Statement No.29) issued on March 30, 2018
(b) Guidance on Accounting Standard for Revenue Recognition (ASB/Guidance No.30 issued on March 30, 2018)

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 the 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 enhance the corporate value, performance over the medium- to long-term and shareholders emphasis.
The plan is in principle 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 of medium-term performance targets.

5. The Companies’ 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 (including any unrealized appreciation).
The book value and the number of these treasury stocks in the Trust as of March 31, 2017 were ¥181 million and 101,000 shares (BIP Trust), ¥10 million and 184,000 shares (ESOP Trust). These are in addition to the number of these treasury stocks in the Trust as of March 31, 2016 which were ¥181 million ($1,970 thousand) and 34,910 shares (BIP Trust), ¥10 million ($177 thousand) and 104,460 shares (ESOP Trust).

10) Hedge Accounting
The Companies apply hedge accounting as follows:
Deferred 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 (“Specified Rate”).
5. Notes to Consolidated Balance Sheets

<table>
<thead>
<tr>
<th>As of March 31</th>
<th>2017</th>
<th>2018</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Accumulated depreciation of property, plant and equipment</td>
<td>¥ 36,970</td>
<td>¥ 37,141</td>
<td>$ 349,603</td>
</tr>
<tr>
<td>2) Advanced depreciation:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>-</td>
<td>33</td>
<td>316</td>
</tr>
<tr>
<td>Machinery, vehicles, tools, furniture and fixtures</td>
<td>-</td>
<td>1,872</td>
<td>17,621</td>
</tr>
<tr>
<td>Total</td>
<td>¥ -</td>
<td>¥ 1,905</td>
<td>¥ 17,937</td>
</tr>
<tr>
<td>3) Investments in Non-consolidated subsidiaries and affiliates included in investment securities</td>
<td>¥ 1,819</td>
<td>¥ 1,782</td>
<td>$ 16,776</td>
</tr>
<tr>
<td>4) Assets pledged as collateral:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term investment securities</td>
<td>49</td>
<td>29</td>
<td>282</td>
</tr>
<tr>
<td>Investment securities</td>
<td>466</td>
<td>414</td>
<td>5,781</td>
</tr>
<tr>
<td>Long-term loans receivable</td>
<td>421</td>
<td>364</td>
<td>3,431</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 1,138</td>
<td>¥ 1,008</td>
<td>$ 9,495</td>
</tr>
<tr>
<td>5) Contingent liabilities (guarantee liabilities)</td>
<td>¥ 250</td>
<td>¥ 235</td>
<td>$ 2,218</td>
</tr>
<tr>
<td>6) Loan commitment agreement: Maximum limit under the agreement</td>
<td>¥ 10,000</td>
<td>¥ 30,000</td>
<td>$ 282,379</td>
</tr>
<tr>
<td>Loan balance outstanding</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difference (minus portion)</td>
<td>¥ 10,000</td>
<td>¥ 30,000</td>
<td>$ 282,379</td>
</tr>
<tr>
<td>Total</td>
<td>¥ -</td>
<td>¥ 4,108</td>
<td>$ 3,657</td>
</tr>
<tr>
<td>7) Land revaluation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8) Provision for loss on construction contracts included in costs on uncompleted construction contracts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of March 31</td>
<td>¥ 2,839</td>
<td>¥ 309</td>
<td>$ 2,910</td>
</tr>
</tbody>
</table>

6. Notes to Consolidated Statements of Income

For the years ended March 31

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Provision for loss on construction contracts included in costs of sales</td>
<td>¥ 2,704</td>
</tr>
<tr>
<td>2) Principal components of selling, general and administrative expenses:</td>
<td></td>
</tr>
<tr>
<td>Employees’ salaries and allowances</td>
<td>¥ 10,587</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>4,125</td>
</tr>
<tr>
<td>Retirement benefit expenses</td>
<td>1,026</td>
</tr>
<tr>
<td>Provision (reversal) of allowance for doubtful accounts</td>
<td>(520)</td>
</tr>
<tr>
<td>3) Research and development expenditures included in selling, general and administrative expenses and construction costs</td>
<td>¥ 1,135</td>
</tr>
<tr>
<td>4) Gain on sales of noncurrent assets:</td>
<td></td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>-</td>
</tr>
<tr>
<td>Land</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
</tr>
<tr>
<td>5) Loss on abandonment of noncurrent assets:</td>
<td></td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
</tr>
<tr>
<td>Dismantlement cost</td>
<td>320</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 323</td>
</tr>
<tr>
<td>6) Impairment loss on fixed assets</td>
<td></td>
</tr>
<tr>
<td>The group posts 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.</td>
<td></td>
</tr>
</tbody>
</table>

For the fiscal year ended March 31, 2017

<table>
<thead>
<tr>
<th>Location</th>
<th>Purpose</th>
<th>Type</th>
<th>Impairment loss (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goto City, Nagasaki, and other</td>
<td>Assets for businesses</td>
<td>Machinery and Intangible assets</td>
<td>¥913</td>
</tr>
</tbody>
</table>

The recoverable value is mainly 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

Note

7. Notes to Consolidated Statements of Comprehensive Income

Reclassification and tax effect of comprehensive income for the years ended March 31

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation difference on available-for-sale securities:</td>
<td></td>
</tr>
<tr>
<td>Accrual</td>
<td>¥ 14,136</td>
</tr>
<tr>
<td>Reclassification</td>
<td>(2,161)</td>
</tr>
<tr>
<td>Before adjust tax effect</td>
<td>11,975</td>
</tr>
<tr>
<td>Tax effect</td>
<td>(3,001)</td>
</tr>
<tr>
<td>Total valuation difference on available-for-sale securities</td>
<td>¥ 8,474</td>
</tr>
<tr>
<td>Deferred gains (losses) on hedges:</td>
<td></td>
</tr>
<tr>
<td>Accrual</td>
<td>¥ 101</td>
</tr>
<tr>
<td>Reclassification</td>
<td>(73)</td>
</tr>
<tr>
<td>Before adjust tax effect</td>
<td>28</td>
</tr>
<tr>
<td>Tax effect</td>
<td>2</td>
</tr>
<tr>
<td>Deferred gains (losses) on hedges</td>
<td>¥ 29</td>
</tr>
<tr>
<td>Foreign currency translation adjustments:</td>
<td></td>
</tr>
<tr>
<td>Accrual</td>
<td>¥ 24</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans:</td>
<td></td>
</tr>
<tr>
<td>Accrual</td>
<td>¥ 138</td>
</tr>
<tr>
<td>Reclassification</td>
<td>49</td>
</tr>
<tr>
<td>Before adjust tax effect</td>
<td>1,097</td>
</tr>
<tr>
<td>Tax effect</td>
<td>246</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>1,336</td>
</tr>
<tr>
<td>Total of other comprehensive income</td>
<td>¥ 8,611</td>
</tr>
</tbody>
</table>

8. Notes to Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2017

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>April 1, 2017</th>
<th>Increase</th>
<th>Decrease</th>
<th>March 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued stock</td>
<td>Common stock</td>
<td>¥322,654,796</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>Common stock</td>
<td>15,561,320</td>
<td>483,455</td>
<td>455,000</td>
</tr>
<tr>
<td>Issued stock</td>
<td>Common stock</td>
<td>¥322,654,796</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>Common stock</td>
<td>15,589,775</td>
<td>2,998,238</td>
<td>2,504,034</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For the fiscal year ended March 31, 2018

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>April 1, 2017</th>
<th>Increase</th>
<th>Decrease</th>
<th>March 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued stock</td>
<td>Common stock</td>
<td>¥322,654,796</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>Common stock</td>
<td>15,589,775</td>
<td>2,998,238</td>
<td>2,504,034</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For the fiscal year ended March 31, 2017

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>April 1, 2016</th>
<th>Increase</th>
<th>Decrease</th>
<th>March 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued stock</td>
<td>Common stock</td>
<td>¥4,612,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>Common stock</td>
<td>15,089,775</td>
<td>2,998,238</td>
<td>2,504,034</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For the fiscal year ended March 31, 2018

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>April 1, 2017</th>
<th>Increase</th>
<th>Decrease</th>
<th>March 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued stock</td>
<td>Common stock</td>
<td>¥4,612,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>Common stock</td>
<td>15,089,775</td>
<td>2,998,238</td>
<td>2,504,034</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. Notes to Consolidated Statements of Cash Flows

For the fiscal year ended March 31, 2017

<table>
<thead>
<tr>
<th>Item</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and deposits of the consolidated balance sheets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Less) time deposits with maturities of more than three months</td>
<td>¥ 66,386</td>
<td>¥ 80,597</td>
</tr>
<tr>
<td>Short-Term investment securities</td>
<td>24,700</td>
<td>20,000</td>
</tr>
<tr>
<td>Cash and cash equivalents of the consolidated statements of cash flows</td>
<td>¥ 90,786</td>
<td>¥ 100,597</td>
</tr>
</tbody>
</table>
10. Lease Transactions

As of March 31

Millions of yen Thousands of U.S. dollars

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2018</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future minimum lease payments under non-cancellable operating leases:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due within one year</td>
<td>¥ 119</td>
<td>¥ 81</td>
<td>$ 765</td>
</tr>
<tr>
<td>Due after one year</td>
<td>208</td>
<td>157</td>
<td>1,481</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 327</td>
<td>¥ 238</td>
<td>$ 2,246</td>
</tr>
</tbody>
</table>

11. Fair value of Financial Instrument

As of March 31, 2017

Millions of yen

<table>
<thead>
<tr>
<th>Description</th>
<th>Book value</th>
<th>Fair value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Cash and deposits</td>
<td>¥ 6,386</td>
<td>¥ 6,386</td>
<td>¥ -</td>
</tr>
<tr>
<td>(2) Notes and accounts receivable - trade</td>
<td>133,206</td>
<td>133,188</td>
<td>(18)</td>
</tr>
<tr>
<td>(3) Short-term investment securities, investment securities (Note)</td>
<td>183,130</td>
<td>183,365</td>
<td>234</td>
</tr>
<tr>
<td>(4) Long-term loans receivable</td>
<td>555</td>
<td>617</td>
<td>61</td>
</tr>
<tr>
<td>Assets total</td>
<td>¥ 383,279</td>
<td>¥ 383,557</td>
<td>¥ 278</td>
</tr>
</tbody>
</table>

As of March 31, 2018

Millions of yen

<table>
<thead>
<tr>
<th>Description</th>
<th>Book value</th>
<th>Fair value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Notes and accounts payable - trade</td>
<td>¥ 100,366</td>
<td>¥ 100,366</td>
<td>¥ -</td>
</tr>
<tr>
<td>(2) Short-term loans payable</td>
<td>29,855</td>
<td>29,855</td>
<td>¥ -</td>
</tr>
<tr>
<td>(3) Income taxes payable</td>
<td>3,523</td>
<td>3,523</td>
<td>¥ -</td>
</tr>
<tr>
<td>(4) Bonds payable</td>
<td>10,080</td>
<td>10,080</td>
<td>¥ 88</td>
</tr>
<tr>
<td>(5) Long-term loans payable</td>
<td>30,621</td>
<td>30,587</td>
<td>14</td>
</tr>
<tr>
<td>Liabilities total</td>
<td>¥ 174,166</td>
<td>¥ 174,420</td>
<td>¥ 254</td>
</tr>
</tbody>
</table>

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.

12. Marketable Securities and Investment Securities

Held-to-maturity debt securities:

As of March 31, 2017

Millions of yen

<table>
<thead>
<tr>
<th>Description</th>
<th>Book value</th>
<th>Fair value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities with a fair value that exceeds the book value:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>¥ 1,578,491</td>
<td>¥ 1,580,651</td>
<td>¥ 2,159</td>
</tr>
<tr>
<td>Bonds</td>
<td>833,011</td>
<td>833,011</td>
<td>¥ -</td>
</tr>
<tr>
<td>Others</td>
<td>¥ 2,643</td>
<td>¥ 2,672</td>
<td>¥ 29</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 2,443</td>
<td>¥ 2,672</td>
<td>¥ 229</td>
</tr>
</tbody>
</table>

Securities with a fair value that does not exceed the book value:

As of March 31, 2017

Millions of yen

<table>
<thead>
<tr>
<th>Description</th>
<th>Book value</th>
<th>Fair value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks</td>
<td>¥ 30,535</td>
<td>¥ 32,305</td>
<td>¥ 1,769</td>
</tr>
<tr>
<td>Bonds</td>
<td>7,146</td>
<td>7,146</td>
<td>¥ -</td>
</tr>
<tr>
<td>Others</td>
<td>800</td>
<td>800</td>
<td>¥ -</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 38,535</td>
<td>¥ 39,315</td>
<td>¥ 780</td>
</tr>
</tbody>
</table>

Note: The companies recognized losses on write-down of ¥4 million for available-for-sale securities, which are not accounted for by the equity method.

For the fiscal year ended March 31, 2018

Millions of yen

<table>
<thead>
<tr>
<th>Description</th>
<th>Sale amount</th>
<th>Total gain or loss</th>
<th>Total loss on sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available-for-sale securities sold</td>
<td>¥ 5,274</td>
<td>¥ 3,329</td>
<td>¥ 0</td>
</tr>
</tbody>
</table>

Held-to-maturity debt securities:

As of March 31, 2017

Millions of yen

<table>
<thead>
<tr>
<th>Description</th>
<th>Book value</th>
<th>Fair value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities with a fair value that exceeds the book value:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>¥ 2,643</td>
<td>¥ 2,672</td>
<td>¥ 29</td>
</tr>
<tr>
<td>Bonds</td>
<td>800</td>
<td>800</td>
<td>¥ -</td>
</tr>
<tr>
<td>Others</td>
<td>7,534</td>
<td>7,534</td>
<td>¥ -</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 2,443</td>
<td>¥ 2,672</td>
<td>¥ 229</td>
</tr>
</tbody>
</table>

Securities with a fair value that does not exceed the book value:

As of March 31, 2017

Millions of yen

<table>
<thead>
<tr>
<th>Description</th>
<th>Book value</th>
<th>Fair value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks</td>
<td>833,011</td>
<td>833,011</td>
<td>¥ -</td>
</tr>
<tr>
<td>Bonds</td>
<td>833,011</td>
<td>833,011</td>
<td>¥ -</td>
</tr>
<tr>
<td>Others</td>
<td>¥ 2,643</td>
<td>¥ 2,672</td>
<td>¥ 29</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 2,443</td>
<td>¥ 2,672</td>
<td>¥ 229</td>
</tr>
</tbody>
</table>
Available-for-sale securities with a fair value:

<table>
<thead>
<tr>
<th>Book value</th>
<th>Acquisition cost</th>
<th>Difference</th>
<th>Book value</th>
<th>Acquisition cost</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥ 153,484</td>
<td>¥ 57,661</td>
<td>¥ 95,823</td>
<td>¥ 1,444,697</td>
<td>¥ 540,868</td>
<td>¥ 903,828</td>
</tr>
</tbody>
</table>

 Securities with a book value that exceeds the acquisition cost:
- Stocks
  - ¥ 221,200
- Bonds
  - ¥ 200,21
- Others
  - ¥ 3,325,341
- Subtotal
  - ¥ 157,373,60,987

 Securities with a book value that does not exceed the acquisition cost:
- Stocks
  - ¥ 1,600,1,799
- Bonds
  - ¥ 20,000,20,000
- Others
  - ¥ 21,600,21,799
- Subtotal
  - ¥ 178,973,82,786

For the fiscal year ended March 31, 2018

<table>
<thead>
<tr>
<th>Available-for-sale securities sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales amount</td>
</tr>
<tr>
<td>¥ 5,647</td>
</tr>
</tbody>
</table>

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:
- Exceptional treatment of interest rate swaps
  - Method of processing: Buy USD, Buy EUR
  - Forward foreign exchange contracts: Forecated purchasing transaction
  - Contract amount: ¥ 1,237, ¥ 304
  - Estimated fair value: ¥ 11,651, ¥ 2,867

- Total: ¥ 13,518

- Exceptional treatment of interest rate swaps
  - Interest rate swaps: Payment fixed, Receive floating
  - Long-term loans payable
  - Contract amount: ¥ 9,290
  - Estimated fair value: ¥ 87,443

- Total: ¥ 96,731

- Exceptional treatment of interest rate swaps
  - Payable ¥ 1,908, ¥ 450
  - Long-term loans payable: ¥ 36,1
  - Estimated fair value: ¥ 11,651

- Total: ¥ 23,562

Estimated fair value was calculated based on price information provided by the counterparty financial institution.

14. Retirement Benefits

The Company has 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. The other consolidated subsidiaries have lump-sum benefit plans.

The schedule of the defined benefit obligation

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>Balance at the beginning of the fiscal year</td>
<td>¥ 44,889, ¥ 43,541</td>
</tr>
<tr>
<td>Service cost</td>
<td>¥ 1,971</td>
</tr>
<tr>
<td>Interest cost</td>
<td>¥ 87</td>
</tr>
<tr>
<td>Actuarial gain and loss</td>
<td>(104)</td>
</tr>
<tr>
<td>Benefit paid</td>
<td>(3,301)</td>
</tr>
<tr>
<td>Balance at the end of the fiscal year</td>
<td>¥ 43,541, ¥ 42,700</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Balance at the beginning of the fiscal year</td>
<td>¥ 22,813, ¥ 22,281</td>
</tr>
<tr>
<td>Expected return on pension assets</td>
<td>¥ 271</td>
</tr>
<tr>
<td>Actuarial gain and loss</td>
<td>¥ 34</td>
</tr>
<tr>
<td>Contributions by the employer</td>
<td>¥ 1,743</td>
</tr>
<tr>
<td>Benefit paid</td>
<td>(1,292)</td>
</tr>
<tr>
<td>Balance at the end of the fiscal year</td>
<td>¥ 22,813, ¥ 22,582</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>Retirement benefit obligation of funded plan</td>
<td>¥ 21,657, ¥ 21,977</td>
</tr>
<tr>
<td>Pension assets</td>
<td>(22,281)</td>
</tr>
<tr>
<td>Net amount of liabilities and assets recognized in consolidated balance sheet</td>
<td>¥ 21,260, ¥ 20,387</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Retirement benefit obligation of funded plan</td>
<td>¥ 21,657, ¥ 21,977</td>
</tr>
<tr>
<td>Pension assets</td>
<td>(22,281)</td>
</tr>
<tr>
<td>Net amount of liabilities and assets recognized in consolidated balance sheet</td>
<td>¥ 21,260, ¥ 20,387</td>
</tr>
</tbody>
</table>
The breakdown of items in retirement benefit costs

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Service cost</td>
<td>¥ 1,971</td>
<td>¥ 2,064</td>
</tr>
<tr>
<td>Interest cost</td>
<td>87</td>
<td>84</td>
</tr>
<tr>
<td>Expected return on pension assets</td>
<td>(271)</td>
<td>(267)</td>
</tr>
<tr>
<td>Amortization of actuarial differences</td>
<td>969</td>
<td>951</td>
</tr>
<tr>
<td>Retirement benefit costs</td>
<td>¥ 2,736</td>
<td>¥ 2,815</td>
</tr>
</tbody>
</table>

Revaluations of defined benefit plans

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Actuarial gain and loss</td>
<td>¥ 1,087</td>
<td>¥ 1,020</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 1,087</td>
<td>¥ 1,020</td>
</tr>
</tbody>
</table>

Unrecognized revaluations of defined benefit plans

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>¥ 2,821</td>
<td>¥ 1,800</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 2,821</td>
<td>¥ 1,800</td>
</tr>
</tbody>
</table>

The breakdown of pension assets by major category

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>22%</td>
<td>24%</td>
</tr>
<tr>
<td>Equities</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>General account</td>
<td>62%</td>
<td>62%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The items of actuarial assumptions

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>0.20%</td>
<td>0.20%</td>
</tr>
<tr>
<td>Expected long-term return on pension assets</td>
<td>1.20%</td>
<td>1.20%</td>
</tr>
<tr>
<td>Expected rate of salary raise</td>
<td>5.60%</td>
<td>5.60%</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate for sale</td>
<td>¥ 478</td>
<td>¥ 400</td>
</tr>
<tr>
<td>Buildings, structures and land</td>
<td>1,244</td>
<td>1,304</td>
</tr>
<tr>
<td>Investment securities</td>
<td>469</td>
<td>467</td>
</tr>
<tr>
<td>Allowance for doubtful receivables</td>
<td>344</td>
<td>349</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>2,119</td>
<td>2,288</td>
</tr>
<tr>
<td>Provision for loss on construction contracts</td>
<td>1,013</td>
<td>129</td>
</tr>
<tr>
<td>Net defined benefit liability</td>
<td>6,745</td>
<td>6,686</td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>7,653</td>
<td>2,089</td>
</tr>
<tr>
<td>Other</td>
<td>2,372</td>
<td>2,288</td>
</tr>
<tr>
<td>Subtotal</td>
<td>22,641</td>
<td>16,598</td>
</tr>
<tr>
<td>Less: valuation allowance</td>
<td>(3,624)</td>
<td>(2,969)</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>¥ 19,016</td>
<td>¥ 13,628</td>
</tr>
<tr>
<td>Deferred tax liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>(27,625)</td>
<td>(29,207)</td>
</tr>
<tr>
<td>Net defined benefit asset</td>
<td>(252)</td>
<td>(454)</td>
</tr>
<tr>
<td>Other</td>
<td>(1,116)</td>
<td>(924)</td>
</tr>
<tr>
<td>Net deferred tax assets (liabilities)</td>
<td>¥ (8,977)</td>
<td>¥ (16,957)</td>
</tr>
</tbody>
</table>

Reconciliation between the statutory tax rate and the effective tax rate

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory tax rate</td>
<td>30.9%</td>
<td>30.9%</td>
</tr>
<tr>
<td>Expenses not deductible for income tax purposes</td>
<td>1.6%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Non-taxable income</td>
<td>-0.5%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Inhabitant tax (per capita levy)</td>
<td>0.8%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>-80.2%</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Other</td>
<td>-1.6%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>-47.6%</td>
<td>28.7%</td>
</tr>
</tbody>
</table>

16. Business Combinations

Business combination through acquisition

(1) Outline of the business combination

1) Name and business of the acquired company
   - Nisshin Life Co.
   - Business: Real estate, rent and management of real estate
2) Principal reason for business combination
   - The Company acquiring 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 of 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 Nisshin 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

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consideration for acquisition</td>
<td>¥ 5,538</td>
<td>$ 52,132</td>
</tr>
<tr>
<td>Acquisition cost</td>
<td>¥ 5,538</td>
<td>$ 52,132</td>
</tr>
</tbody>
</table>

(4) Major acquisition-related costs and nature

- Advisory fee and other: ¥5 million (US$53 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

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>¥ 2,781</td>
<td>$ 26,181</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>3,041</td>
<td>28,813</td>
</tr>
<tr>
<td>Total assets</td>
<td>¥ 5,842</td>
<td>$ 54,994</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>¥ 155</td>
<td>$ 1,465</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>841</td>
<td>7,919</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>¥ 997</td>
<td>$ 9,380</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
<tr>
<th>Book Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 42,213</td>
<td>$ 121,029</td>
</tr>
</tbody>
</table>

As of March 31, 2018

<table>
<thead>
<tr>
<th>Book Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 65,890</td>
<td>$ 129,697</td>
</tr>
</tbody>
</table>

19. Segment Information

The Companies operate in the following 4 reporting segments:

1. Domestic Group Companies
   - Business carried out by domestic consolidated subsidiaries

2. Investment Development
   - Self-development, resale and rent of real estate

3. Construction
   - Tunnel construction, and architectural and comprehensive engineering and consulting related thereto

4. Civil Engineering
   - Business carried out by domestic consolidated subsidiaries

3. Segment profit (loss) is adjusted in accordance with operating income as recorded in the consolidated statements of income.

2. Adjustments of segment profit (loss) is negative ¥246 million and negative ¥147 million (US$1,386 thousand) elimination of intersegment

20. Related Party Transactions

Related party transactions between the Corporation and related parties

For the year ended March 31, 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>Related Party</th>
<th>Address</th>
<th>Capital in Investment (Millions of ¥)</th>
<th>Type of Business</th>
<th>Percentage of Voting Rights Held by Related</th>
<th>Relationship</th>
<th>Nature of Transaction</th>
<th>Amount of Transaction</th>
<th>Balance of the Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officer</td>
<td>(equivalent to officer) and his close family</td>
<td>Toda Mirai Foundation</td>
<td>*1</td>
<td>-</td>
<td>-</td>
<td>Interlocking directors</td>
<td>Cash donation</td>
<td>¥30,463</td>
<td>-</td>
</tr>
</tbody>
</table>

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

For the year ended March 31, 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Related Party</th>
<th>Address</th>
<th>Capital in Investment (Millions of ¥)</th>
<th>Type of Business</th>
<th>Percentage of Voting Rights Held by Related</th>
<th>Relationship</th>
<th>Nature of Transaction</th>
<th>Amount of Transaction</th>
<th>Balance of the Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officer</td>
<td>(equivalent to officer) and his close family</td>
<td>Toda Mirai Foundation</td>
<td>*1</td>
<td>-</td>
<td>-</td>
<td>Interlocking directors</td>
<td>Disposal of treasury shares through third-party allotment</td>
<td>¥40</td>
<td>-</td>
</tr>
</tbody>
</table>

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

21. Per Share Information

As of March 31, 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$729.35</td>
</tr>
<tr>
<td>2018</td>
<td>$803.43</td>
</tr>
</tbody>
</table>

Profit for the year per share of common stock

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$137.07</td>
</tr>
<tr>
<td>2018</td>
<td>$82.71</td>
</tr>
</tbody>
</table>

2017 2018

Net assets per share of common stock

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$239,599</td>
</tr>
<tr>
<td>2018</td>
<td>$249,394</td>
</tr>
</tbody>
</table>

Profit for the year per share of common stock

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$2,347,464</td>
</tr>
<tr>
<td>2018</td>
<td>$2,318,491</td>
</tr>
</tbody>
</table>

Years ended March 31

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$233,583</td>
</tr>
<tr>
<td>2018</td>
<td>$254,266</td>
</tr>
</tbody>
</table>

Basis for calculation of net assets per share

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$232,938</td>
</tr>
<tr>
<td>2018</td>
<td>$253,661</td>
</tr>
</tbody>
</table>

Basis for calculation of profit for the year per share

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$2,091,181</td>
</tr>
<tr>
<td>2018</td>
<td>$2,250,563</td>
</tr>
</tbody>
</table>

Basis for calculation of profit for the year attributable to owners of the parent

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$2,091,181</td>
</tr>
<tr>
<td>2018</td>
<td>$2,250,563</td>
</tr>
</tbody>
</table>

Average number of shares of common stock outstanding during the fiscal year

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$2,091,181</td>
</tr>
<tr>
<td>2018</td>
<td>$2,250,563</td>
</tr>
</tbody>
</table>

Notes:

1. "Other" is a business segment which is not included in any reporting segment, and includes the new business fields (floating offshore power generation business, new energy, agricultural diversification, new business) and overseas business.

2. Adjustments of segment profit (loss) is negative ¥246 million and negative ¥147 million (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:

1. Domestic Building Construction
   - Domestic construction

2. Civil Engineering
   - Business carried out by domestic consolidated subsidiaries

3. Investment Development
   - Development

4. Construction
   - Construction

TODA Corporate Report 2018

TODA Corporate Report 2018
Independent Auditor’s Report

Toda Corporation and Consolidated Subsidiaries

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 controls, 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.

Seinan Audit Corporation

June 29, 2018
Tokyo, Japan

Corporate Information

Company overview

[As of March 31, 2018]

<table>
<thead>
<tr>
<th>Company Name</th>
<th>TODA CORPORATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Headquarters</td>
<td>7-1 Kyobashi 1-Chome, Chuo-ku, Tokyo, Japan 104-8388</td>
</tr>
<tr>
<td>Founded</td>
<td>January 5, 1881</td>
</tr>
<tr>
<td>Capital Stock</td>
<td>¥23.0 billion</td>
</tr>
<tr>
<td>Number of employees</td>
<td>4,994 (Consolidated) 4,016 (Non-consolidated)</td>
</tr>
</tbody>
</table>
| 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 services.
2. Research, planning, design, management, and execution associated with local development, urban development and other comprehensive engineering and consulting services.
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.
1920 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.
1924 Company participates in the construction of facilities for the Panama-Pacific Exhibition held in San Francisco.
1932 The company’s stock is listed on the Tokyo Stock Exchange.
1936 In incorporation: Company is reorganized as Toda-Gumi Co., Ltd.
1946 Toda participates in the construction of the Pacific Convention Plaza Yokohama, Japan’s first building project involving foreign contractors (completed in 1991).
1958 Thai Toda Corporation Ltd. is established.
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 Constructora Toda do Brasil S.A. and Toda America, Inc. are established.
1981 Company celebrates its centennial.
1994 Company participates in the construction of facilities for the Panama-Pacific Exhibition held in San Francisco.
1995 Toda becomes Japan’s first general contractor to acquire ISO 9001 certification.
1997 Toda acquires ISO 14001 certification.
2000 Toda’s CO2 reduction targets receive SBT approval (first for the Japanese construction industry)
2005 Toda’s CO2 reduction targets receive SBT approval (first for the Japanese construction industry)
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Rua Manuel da Nobrega, 1280-3° Andar. São Paulo, Brasil
Phone: +55-11-3888-5844

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199 Column Tower 20th Floor, Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand
Phone: +66-2-261-6544 Fax: +66-2-261-6545

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10th Floor, Star Building, 33ter-33bis Mac Dinh Chi Street, Da Kao Ward, District 1, Ho Chi Minh City, Vietnam
Phone: +84-28-6291-4127 Fax: +84-28-6291-4126

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

Our CO2 emission reduction targets were certified as science-based targets (SBT).

Paper used in this report is produced using fiber sourced from well-managed forests and other forests whose unacceptable sources have been excluded, as defined by the Forest Stewardship Council.

Only environmentally-friendly, zero-VOC (volatile organic compounds) inks were used in the printing of this report.

The CO2 emitted during manufacturing processes is offset by investments in actions that reduce such emissions.