

# Message from the President

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Japan's economy for the fiscal year ending March 31, 2011, showed some signs of recovery as a result of such factors as favorable growth in exports to newly emerging nations, primarily in Asia, and economic stimulus packages by the government. However, the Great East Japan Earthquake, which struck in March 2011, made the economic prospects for the future murky and chaotic.

Although public investment was increased through the establishment of a supplementary budget, various factors, such as the continued stagnation in government investment in construction and the reassessment of private-sector capital investment in domestic capital investment due to the appreciation of the yen, the domestic construction industry remained at a low level, continuing the trend from the previous fiscal year, resulting in an even harsher environment in which to secure orders.

Based on its Mid-term Business Plan, which was launched in the 2010 fiscal year, the TOA Corporation Group has implemented a wide range of measures, such as strengthening its capabilities in the comprehensive evaluation bidding process, systematically making capital investments, and nurturing overseas personnel, with the aim of bolstering its revenue base. However, for the fiscal year just ended, due to the impact of such factors as a suspension on participating in certain tenders, domestic orders for both engineering and construction works fell dramatically.

For the fiscal year just ended, the consolidated net sales for the TOA Corporation Group amounted to ¥164,772 million, a decrease of 13.4% from the previous fiscal year. However, due to the reductions in work cost and other efforts, operating income increased 44.4% over the previous fiscal year to ¥5,774 million. Although there were losses from revaluation of investment securities and the Great East Japan Earthquake, net income for the fiscal year just ended increased 14.5% over the previous fiscal year to ¥1,412 million.

The amount of orders received for the fiscal year just ended on a non-consolidated basis was ¥117,791 million, a decrease of 16.0% from the previous fiscal year.

## Outlook for the Next Fiscal Year

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Japan's economy was showing signs of gradual recovery due to improvements in corporate profits, but the impact of the devastating damage caused by the Great East Japan Earthquake in March 2011 quickly gave rise to concerns that the economy would deteriorate. It is believed that it will take a great deal of time before the economy gets back on a steady path to recovery.

With regard to the domestic construction industry, while funds provided through the establishment of a supplementary budget will be added to investment amounts, it is projected that public investment will remain at a low level. Furthermore, private-sector capital investments are also expected to continue to be sluggish.

Amidst this harsh economic climate, the TOA Corporation Group aims to secure new orders in the fiscal year ending March 31, 2012, which is the second year of the Mid-term Business Plan, by making every possible effort to steadily and surely carry out key measures, such as further strengthening its capabilities in the comprehensive bidding process.

## Fundamental Management Policy Regarding Distribution of Profits and Dividends for the Fiscal Year Just Ended and Next Fiscal Year

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With regard to dividends, it is the fundamental policy to return profits based on the results of the Company's performance, on condition that stable dividends can be continuously provided, and to maintain internal reserves for use in improving the Company's financial standing in order to strengthen the management base and enable the Company to meet the challenges of the harsh business environment in the future.

The cash dividend for shareholders for the fiscal year just ended based on the scale of the net income for the fiscal year just ended is ¥2 per share. Furthermore, it is anticipated that a dividend of ¥2 per share will be distributed for the next fiscal year.

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## Our Basic Principles of Management and Issues and Policies That Should be Addressed

The Company's mission statement is "With its high level of technology, the Company strives to accomplish its social responsibility by expanding its business operations and building sound management to expand our activities." For the Company, the basic principles of management are embodied in successfully competing through steady management plans, and building long-lasting trust through sincere, honest business practices, meeting the expectations and justifying the trust of customers, and developing and growing together with the customers.

Based on these basic principles of management, the Company will bring together the strengths of its technologies, its organization, and its individuals, and undertake concrete issues and measures in order to bolster its revenue base, with the aim of achieving sustainable growth.

With regard to the domestic civil engineering business:

- Undertake efforts to strengthen the ability to propose technical solutions by forming collaborations between Sales, Technology, the Head Office, and branch offices, with the aim of increasing the number of orders obtained by means of the comprehensive bidding process.
- Revolving around the newly-established Projects Department, planned investments will be made in preparation to secure projects in shipping and facilities and equipment, and a medium- and long-term approach will be taken to secure projects.

With regard to the domestic construction business:

- Engage in efforts to strengthen operational and technological capabilities, as well as improve work quality, by establishing strategic organizations.
- Secure a steady volume of work by continuously obtaining orders from highly-valued customers in housing-related industries, and maintaining the volume of orders for warehouses in coastal areas, which are a speciality of the Company, as well as for medical and welfare-related facilities.

With regard to business overseas:

- With Southeast Asia as the base, efforts will be made to achieve gradual growth of businesses, while taking a mid- to long-term view for raising the technological capabilities and nurturing human resources.
- Secure high-value business by conducting meticulous and thorough risk management and careful selection of orders for acceptance.

With regard to the areas of management and administration:

- Promote thorough awareness of "safety must have priority over all else."
- The Company must fulfill its corporate social responsibility (CSR).
- Strive to further strengthen the Company's financial standing.

It is our sincere hope that the Company will be able to meet the challenges of the harsh economic environment, as well as accomplish a broad range of corporate social responsibilities, including earthquake recovery efforts and preservation of the environment, by faithfully fulfilling its mission statement, mentioned earlier, and its mid- and long-term management strategies, and based on a thorough awareness that "safety must have priority over all else," continue to develop and grow as a fair and highly-trusted corporation.

We look forward to the continued patronage, full support, and cooperation of all our shareholders, and our new as well as our longstanding customers, and everyone in the local communities.

June 29, 2011

*President and  
Chief executive officer*

*M. Matsuo*

