

Message from the President

For the fiscal year just ended on March 31, 2012, amidst the lingering effects of the catastrophic damage caused by the Great East Japan Earthquake on the Japanese economy, as a result of the recovery in the supply chain and emergence of demand fueled by reconstruction projects, there was a trend towards a gradual recovery of the economy as a whole. However, because of uncertainties regarding the supply of electric power resulting from the suspension of operations of nuclear power plants, concerns about the financial crisis in Europe, and the impact of prolonged appreciation of the yen, the outlook for the economy remained murky.

In the domestic construction industry, public investment showed steady progress due to the implementation of the budget for recovery and restoration from the earthquake-related disaster, and there was a trend towards a recovery in investments in facilities and equipment of corporations, which had been through a period when private-sector capital investment were sluggish. However, because of a number of concerns, such as intensified competition over orders, and increases in unit labor costs and costs for mechanical equipment and materials brought about by the greater volume of recovery and restoration work, the business environment continues to be harsh.

Amidst these harsh conditions, the Toa Corporation Group has been carrying forward its Mid-term Business Plan (from FY2010 to FY2012), in which the basic principle of “bring together the strengths of its technologies, its organization, and its individuals, with the aim of achieving sustainable growth” is set forth, and in addition, has been undertaking efforts for the recovery and restoration of the social infrastructure that was destroyed by the Great East Japan Earthquake.

Because of such causes as the delayed start of the construction of projects as a result of the lateness of the period when orders were received, the consolidated results for the Toa Corporation Group for the fiscal year just ended showed a decrease from the previous fiscal year of 17.5% to ¥136,008 million for net sales, and a decrease from the previous fiscal year of 75.2% to ¥1,434 million for operating income.

Although gain on negative goodwill was counted as extraordinary income, in conjunction with making consolidated subsidiary Tsurumi Rinko Tetsudo Co., Ltd. a wholly-owned subsidiary through an exchange of shares, deferred tax assets were disposed of because of the official announcement about the law reducing the corporate tax rate. The amount of foreign taxes, which is normally treated as a tax credit, was included in deductible expenses and counted as income taxes. As a result of these and other factors, net income showed a decrease from the previous fiscal year of 51.9% to ¥679 million.

With regard to the amount of orders received for the fiscal year just ended, on a non-consolidated basis there was an increase of 5.2% over the previous fiscal year to ¥141,448 million.

Outlook and Issues for the Next Fiscal Year

For the 2012 fiscal year, it is projected that demand fueled by restoration projects related to the Great East Japan Earthquake will get fully underway, and there is also expected to be an increase in public works expenditures for such initiatives as making public facilities earthquake-resistant and measures to deal with tsunami.

Furthermore, with regard to the budget related to ports, although it can be said that the brakes have been put on for a certain period of time on the shrinking trend in the construction industry through such actions as appropriating funds for carrying out improvements on strategic ports and harbours with the aim of strengthening international competitiveness, there are still serious concerns that factors such as the growing intensity of competition over orders, and increases in unit labor costs and costs for mechanical equipment and materials brought about by the greater volume of recovery and restoration work, will cause the business environment to continue to be harsh.

Amidst such conditions, the Toa Corporation Group is carrying forward its Mid-term Business Plan, in which the basic principle of “bring together the strengths of its technologies, its organization, and its individuals, with the aim of achieving sustainable growth” is set forth.

As the 2012 fiscal year is the final year of the Mid-term Business Plan, it is strategically positioned as a year in which the groundwork must be laid for further growth. In order to successfully achieve its business goals, the entire Toa Corporation Group will carry out efforts to secure the volume of projects, and improve profitability and quality, and at the same time, in order to fulfill its social responsibilities as a contractor, take part in the recovery and restoration of the areas devastated by the Great East Japan Earthquake.

Our Management Philosophy

In order to have even more investors continue to make investments, Toa Corporation will strive to improve the corporate value of the Toa Corporation Group, and by extension, increase the mutual profits of the shareholders, by thoroughly embracing its management philosophy, which states “the Company, with its high level of technology, will strive to accomplish its social responsibility by expanding its business operations and building sound management to expand our activities,” and undertaking efforts to implement the Mid-term Business Plan for realizing this philosophy. Furthermore, alongside these efforts, actions are being taken to strengthen and further develop our corporate governance.

Regarding Policies for Business Segments

(Domestic Civil Engineering Business)

- The newly-established Engineering Department, which was set up inside the Civil Engineering General Headquarters, will play a key role, strengthening efforts for taking part in the overall evaluation bidding method through such actions as horizontally spreading technical and other information, and securing orders for government projects, which are a mainstay of our profits.
- Efforts will be made to deepen Toa Corporation's civil engineering technologies in such areas as liquefaction countermeasures and tsunami countermeasures, and to support efforts by business operators to strengthen their disaster damage prevention functions, with the aim of expanding the volume of orders received.
- Efforts will be undertaken to increase profitability by improving the work-profit ratio through even greater cost reduction, and efficiently carrying out the operation of our own ships.

(Domestic Building Construction Business)

- By continuously receiving orders for such facilities as distribution warehouses, and medical- and welfare-related facilities, for which Toa Corporation's unique technologies and business solution proposals are highly regarded, it will be possible to secure a steady volume of business.
- Toa Corporation will support the disaster damage prevention efforts of business operators through proposal-based sales that make use of its technologies in seismic response control and base-isolation, with the aim of expanding the volume of orders received.
- Efforts will be made to strengthen the design supervision and quality control systems, as well as improve the quality of work execution.

(Overseas Business)

- Singapore will be the base, due to its superior geographical location, enabling support for construction work and making cost estimates to be speedily provided to various parts of Southeast Asia.
- Improve the execution of work by employing newly-built ships, and establish Toa Corporation's superiority.

- A mid- to long-term view will be taken for improving technological capabilities and nurturing human resources, and efforts will be made to achieve a gradual growth of business.

(Areas of Management and Administration)

- Put safety and sanitation management into practice in which all employees take part, so that a high degree of awareness regarding safety firmly takes root at the workplace level, in order to create an organization that is well-prepared in matters of safety.
- Hold interest-bearing debt under ¥30,000 million and keep the D/E ratio in the 0.5 times range in maintaining financial soundness.
- Make efficient use of manpower resources by nurturing human resources that precisely match the strategies and needs of each department and effectively deploying them.

We will meet the challenges presented by changes in the harsh economic environment by implementing the various measures mentioned above. In addition, we will accomplish a broad range of corporate social responsibilities, including earthquake recovery efforts and preservation of the environment, and form a safe and secure workplace environment based on a thorough awareness of "safety must have priority over all else," and aim to achieve sustainable growth as a fair and highly-trusted corporation.

We would be very grateful for the continued cooperation and full support of all of our shareholders.

June 28, 2012

President and Chief Executive Officer

M. Matsuo

