

# MESSAGE FROM THE PRESIDENT



President and Chief Executive Officer  
Masaki Akiyama

For the fiscal year ended March 31, 2016, against a backdrop of improvements to the employment situation and corporate earnings that were partly the result of emergency economic measures implemented by the Japanese government, the Japanese economy continued to show signs of a gradual recovery.

In the domestic construction industry, public investment showed improvement, primarily in such areas as prevention and reduction of damage from natural disasters, based on the Fundamental Plan for National Resilience, and due to increases in

corporate profits, investments in the private sector began to see, although still only gradually, a bright spot in the direction of capital investments.

However, the prices for materials and equipment continue to rise, and labor costs due to the shortage of workers, too, remain high, creating harsh business challenges for today's construction industry.

Amidst this environment, the Toa Corporation Group carried forward various measures, based on its Medium-Term Business Plan (from FY2013 to FY2015), in which the

basic principles to “firmly maintain the scale of its business,” “endeavor to increase profitability,” and “enhance its customer-oriented approach” are set forth, to strengthen its management base.

With regard to the consolidated results for the fiscal year just ended of Toa Corporation and the entire Group, due to such management efforts, net sales increased 0.7% over the previous consolidated fiscal year to ¥200,282 million. Due to such factors as improved profitability of our overseas construction business, operating income increased 107.0% over the previous consolidated fiscal year to ¥11,789 million. Ordinary income increased 99.8% over the previous consolidated fiscal year to more than ¥10,606 million. An impairment loss of ¥1,438 million from such things as land for business was allocated as an extraordinary loss, but net income increased 190.2% over the previous consolidated fiscal year to ¥6,038 million.

The results for the fiscal year just ended for the segments of the Toa Corporation Group are described below.

### Domestic Civil Engineering Business

The core business of the Toa Corporation Group is in the field of marine civil engineering, with efforts focused on building social capital. Moreover, efforts continue to be made to restore as well as build infrastructure in the areas that suffered earthquake-related damage. Net sales for the consolidated fiscal year just ended increased 11.1% over the previous consolidated fiscal year to ¥99,937 million, and the segment profit decreased 21.0% from the previous consolidated fiscal year to ¥7,178 million.

### Domestic Construction Business

The Toa Corporation Group is striving to ensure profits by increasing orders received of sole-source projects, works planned and proposed by the Company, and works designed and executed by the Company, as well as by pursuing minimum costs through the rigorous checking of construction cost. Net sales for the consolidated fiscal year just ended decreased 23.4% from the previous consolidated fiscal year to ¥41,925 million. As a result of a reduction in unprofitable construction work, the segment profit increased 111.4% over the previous

consolidated fiscal year to ¥1,559 million.

### Overseas Business

The Toa Corporation Group is focusing its efforts on marine civil engineering construction and construction of thermal power plants and other plants primarily Southeast Asia, but also throughout the South Pacific and other regions. Net sales for the consolidated fiscal year just ended increased 19.7% over the previous consolidated fiscal year to ¥48,736 million. The segment loss for the previous consolidated fiscal year was ¥1,653 million, but as a result of a reduction in unprofitable construction work, the segment profit was ¥5,256 million.

### Others

Net sales for the consolidated fiscal year just ended decreased 28.0% from the previous consolidated fiscal year to ¥9,682 million, while the segment profit increased 162.0% over the previous consolidated fiscal year to ¥1,145 million.

## FUNDAMENTAL MANAGEMENT POLICY REGARDING DISTRIBUTION OF PROFITS AND DIVIDENDS FOR THE FISCAL YEAR JUST ENDED AND THE NEXT FISCAL YEAR

With regard to dividends, it is the fundamental policy to return profits based on the results of the Company's performance, to place priority on continuously providing stable dividends, 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.

Based on the abovementioned policy, the cash dividend for shareholders for the fiscal year just ended is expected to be ¥4 per share.

## THE COMPANY'S BASIC PRINCIPLES OF MANAGEMENT

The Company's mission statement is "Expand the Company's business through its advanced technologies, and fulfill its social responsibility through sound management." For the Company, the corporate philosophy is embodied in successfully competing

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through steady management plans, and building long-lasting trust by carrying out work conscientiously and with integrity, meeting the expectations and justifying the trust of customers, and developing and growing together with the customers.

## MEDIUM- AND LONG-TERM COMPANY MANAGEMENT STRATEGIES AND ISSUES THAT SHOULD BE ADDRESSED

### Issues in FY2016

With regard to the recent incidents involving chemical grouting work, it was ascertained that the work was defective and contrary to specifications, and in addition, that in the completion forms and other documents, data had been falsified and reports altered. Going forward, the investigative commission, which includes experts in the field, will look into the causes of the incidents, and based on the findings of the commission, carry out thorough measures to prevent the recurrence of such incidents, and strive to regain the trust of the public.

The 2016 fiscal year is the first year of our three-year Medium-Term Management Plan, which will be

drawn up by incorporating various measures that place top priority on strict observance of compliance and regaining the trust of the public, and after taking a very close look at the impact that the recent incidents will have on our business results. Plans call for the Management Plan to then be made public.

The medium- and long-term strategies of the divisions include “continuing to secure stable profits” for the domestic civil engineering division; “achieving and sustaining complete independence as a business division” for the domestic construction division; “gradually expanding the scale of its business” for the overseas division; and “thorough observance of compliance” for the management and administration division.

### Key Measures by Division

#### • Domestic Civil Engineering Business

\*Establish itself as the leader in all water areas, including marine and rivers.

\*Make strategic and efficient use of large-scale work vessels.

\*In the field of on-land works, secure business volume and profits while being meticulous in the

selection and focus of the projects.

#### • Domestic Construction Business

\*Putting priority on the importance of profitability, secure the targeted business volume.

\*Increase the proportion of orders received of sole-source projects, as well as works designed and executed by the Company.

\*Efforts will be made to carry out more effective operations of the two construction branch offices system comprising the Eastern Japan Block and Western Japan Block.

#### • Overseas Business

\*Efforts will be made to gradually expand the scale of our business with an eye on global markets, with Southeast Asia as our base.

\*Strategically carry out activities to secure orders in the four key fields of marine civil engineering construction, plant construction, on-land civil engineering construction, and architectural building construction.

\*Efforts will be made to strengthen project management.

#### • For All Businesses

\*Improve capabilities to collect

information and make business proposals; strengthen collaboration between divisions, as well as inside Japan and abroad; and strive to properly grasp the needs of customers and propose technologies that meet the needs of customers.

\*Efforts will be made to raise the level of satisfaction of customers by executing high-quality work.

\*Maximize the cutting-edge facilities at the TOA Research and Development Center, which was completed this fiscal year, to make advances in the development of new technologies as well as proprietary technologies. Focus on developing technologies that anticipate the needs of the market, especially in such areas as prevention and reduction of damage from natural disasters, renewable energy, development of marine resources, and maintenance and management as well as renovation of infrastructure.

• Business Management and Personnel Measures, etc.

\*Spread awareness throughout all employees of all of the Group companies that corporate activities are to be carried out with top

priority placed on compliance.

\*Efforts will be made to enhance and strengthen our risk management system.

\*Ensure all employees share the awareness of “safety must have priority over all else,” and promote safety and health activities that will act as preventive measures.

\*Make efforts to strengthen the collaboration and profitability of each of the companies in the Group, and thereby enhance the value of the entire corporate Group.

\*Systematically cultivate and nurture the human resources that will be the next generation of leaders.

Efforts will be made to resolve management issues through the sharing of these key measures by the executives of the Toa Corporation Group, and the steady implementation of various measures based on the strategies of the divisions. 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. Moreover, we aim to regain credibility as a fair and highly trusted corporation, and earn lasting acclaim by thoroughly and meticulously

practicing corporate governance.

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

June 2016

President and Chief Executive Officer

*M. Akizama*