

# Annual Report 2017

*For the fiscal year ended March 31, 2017*



TOA Corporation is one of the largest multinational construction and engineering companies in Japan. Founded in 1908 to enter into the business of developing vast diversified port facilities and adjacent industrial lands by dredging and reclaiming the shallow waters in Tokyo Bay, TOA has been in the forefront of coastal and maritime construction and engineering for more than 100 years.

As the postwar Japanese economy rapidly grew, TOA expanded its business fields into on-land infrastructure works, architectural works, and international operations. To meet the growing demands of modern society, TOA also develops the highest level of technologies and expertise for environmental sustainability, life cycle management of social assets, disaster prevention, and PFI projects.

On March 31, 2017, TOA established its headquarters in Tokyo, under which thirteen domestic branches, nine offshore offices, eleven consolidated subsidiaries, six non-consolidated subsidiaries, and seventeen affiliate companies have been actively involved in construction and other related businesses.

## Corporate Philosophy and Management Principles

Under its corporate philosophy, TOA Corporation strives for prosperity with advanced technologies and expertise, and fulfills its social responsibilities through steady and sound management.

Furthermore, TOA bases its management policies on the following three principles:

- 1) To maintain competitiveness through thorough corporate planning.
- 2) To gain the long-term confidence of clients and society through careful and conscientious work practices.
- 3) To enhance the personal competence of our staff and maximize the power of our organization.

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# FINANCIAL HIGHLIGHTS

TOA CORPORATION and its consolidated subsidiaries

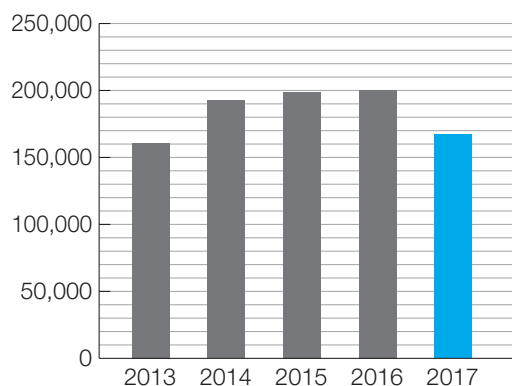
Years ended March 31,	Millions of Japanese Yen					Thousands of U.S. Dollars (Note)		
	2013	2014	2015	2016	2017	2017		
	<b>Consolidated</b>							
<b>For the year:</b>								
Net sales	¥ 160,984	¥ 192,607	¥ 198,884	¥ 200,282	¥ 167,200	\$ 1,492,865		
Profit (loss) before income taxes	1,904	2,232	5,513	8,732	▲ 10,018	▲ 89,450		
Profit (loss) attributable to owners of parent	209	819	2,080	6,038	▲ 7,438	▲ 66,412		
<b>At year-end:</b>								
Total assets	182,868	189,445	190,202	196,491	183,735	1,640,491		
Net assets	63,856	63,978	69,004	71,143	64,958	579,986		
Property, plant and equipment-net	29,986	29,510	29,468	29,483	27,651	246,885		

Per share of common stock:	Yen				U.S. Dollars	
	2013	2014	2015	2016	2017	2017
Net income (loss)	¥ 1.00	¥ 3.92	¥ 9.95	¥ 28.89	¥ ▲ 355.86	\$ ▲ 3.177
Cash dividends	—	2.00	2.00	4.00	—	—
Net assets	304.53	304.65	328.35	338.16	3,082.45	27.521

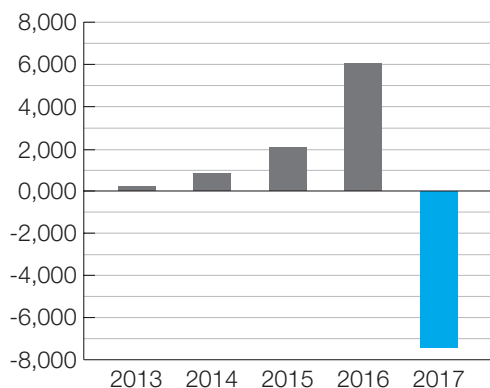
Note: The amount in U.S. dollars was converted at the rate of ¥112=US\$1, the effective rate at March 31, 2017.

The Company completed a reverse stock split of its common stock, at ratio of 1 share for 10 shares on October 1, 2016.

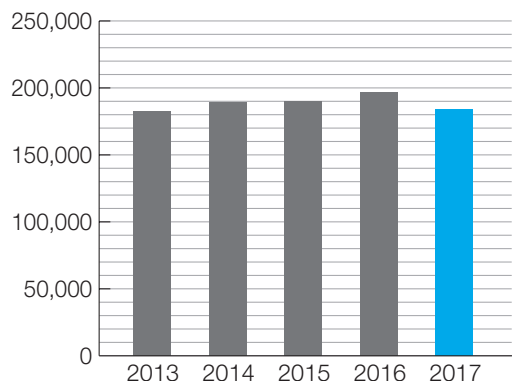
▶ **Net sales** (Unit: Millions of Yen)



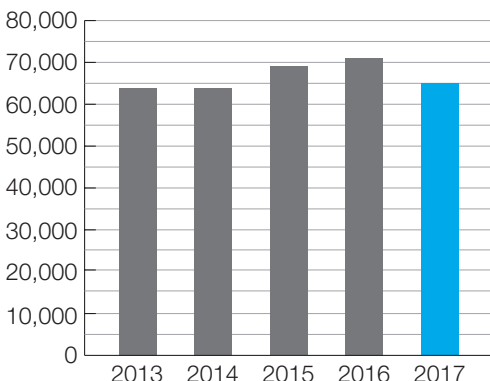
▶ **Net income** (Unit: Millions of Yen)



▶ **Total assets** (Unit: Millions of Yen)



▶ **Net assets** (Unit: Millions of Yen)



# MESSAGE FROM THE PRESIDENT

President and Chief Executive Officer

**Masaki Akiyama**



## **Summary of Business Performance of the Fiscal Year**

For the fiscal year just ended on March 31, 2017, there were signs that the Japanese economy was gradually and steadily recovering throughout the year, with improvements being made in corporate earnings and in the employment situation, due to the support of various economic measures by the government.

In the domestic construction industry, public investment showed steady

improvement primarily in such areas as disaster prevention and damage reduction, as well as maintenance and renewal of facilities to cope with the aging of social infrastructure. Private investment also showed steady improvement, backed by increased corporate earnings and reform of the tax system.

With regard to the consolidated results for the Toa Corporation Group for the fiscal year just ended, net sales

decreased 16.5% from the previous fiscal year to ¥167,200 million as a result of a decrease in the amount of orders received. Operating income decreased 47.4% from the previous fiscal year to ¥6,196 million, and ordinary income decreased 44.4% from the previous fiscal year to ¥5,897 million. Due to the huge impact of the losses incurred related to the remedial works that were carried out, a net loss of ¥7,438 million resulted.

## The performance of each segment of the Toa Corporation Group is as follows:

### (Domestic Civil Engineering Business)

The main business is in the field of marine civil engineering, with efforts continuously focused on building social infrastructure, such as the restoration of areas that suffered earthquake-related damage, as well as establishing and improving infrastructure in those areas. For the consolidated fiscal year just ended, net sales decreased 14.5% from the previous fiscal year to ¥85,437 million. The segment profit (operating income) decreased 31.8% from the previous fiscal year to ¥4,898 million.

### (Domestic Construction Business)

Efforts are being made to increase the amount of orders received for negotiation contract projects, works planned and proposed by the Company, and works designed and executed by the Company. For the consolidated fiscal year just ended, net sales increased 4.2% over the previous fiscal year to ¥43,685 million. The segment

profit (operating income) decreased 54.5% from the previous fiscal year to ¥709 million.

### (Overseas Business)

In the South Pacific and other areas with Southeast Asia at the center, the aim is to focus efforts on marine civil engineering construction and construction of thermal power plants and other plants. Net sales for the consolidated fiscal year just ended decreased 40.6% from the previous fiscal year to ¥28,927 million. The segment profit (operating income) decreased 41.4% from the previous fiscal year to ¥3,080 million.

### (Others)

Net sales for the consolidated fiscal year just ended decreased 5.5% from the previous consolidated fiscal year to ¥9,150 million, while the segment profit (operating income) decreased 42.1% from the previous fiscal year to ¥663 million.

## Summary of Financial Conditions of Fiscal Year Just Ended

Total assets at the end of the consolidated fiscal year just ended decreased ¥12,756 million compared with the end of the previous fiscal year to ¥183,735 million. The decrease was due primarily to the decrease of cash and bank deposits, costs of uncompleted construction works, and other items, even though there were increases of notes receivable, accounts receivable from completed construction works, and other items.

Liabilities decreased ¥6,571 million compared with the end of the previous fiscal year to ¥118,776 million due primarily to the decrease of notes payable, accounts payable on construction works, and other items. Net assets decreased ¥6,185 million compared with the end of the previous fiscal year to ¥64,958 million. Moreover, the shareholders equity ratio decreased 0.9 percentage points compared with the end of the previous fiscal year to 35.1%

## Summary of Cash Flows of Fiscal Year Just Ended

For the fiscal year just ended, cash flows from operating activities showed a decrease of ¥8,769 million in cash (the previous fiscal year showed an increase of ¥19,850 million in cash) due to the decrease in trade payable and other factors. Cash flows from investing activities showed a decrease of ¥1,263 million in cash (the previous fiscal year saw a decrease of ¥2,467 million in cash) due to acquisitions of property, plant, and equipment. Cash flows from financial activities showed a decrease of ¥1,639 million in cash (the previous fiscal year showed an increase of ¥65 million in cash) due repayment of debt and other factors. As a result of these activities, the balance of cash and cash equivalents at the end of the fiscal year just ended decreased ¥11,709 million compared with the end of the previous fiscal year to ¥28,187 million.

## Outlook for the Future

In the domestic construction market,

a gradual increase in facility investments is expected, due to an accommodative financial environment and heightened expectations for growth. Furthermore, in anticipation of the Tokyo Olympic and Paralympic Games, which will be held in 2020, intensive urban development is also expected. On the other hand, a number of issues remain that can be said to affect the construction industry as a whole, such as the recent trend of rising prices for materials and equipment and increasing unit labor costs, and anticipated labor shortages resulting from skilled workers leaving the work force due to aging.

In the overseas construction market, there continues to be steady growth in developed countries, with gradual growth also being expected in emerging countries due to the effect of measures undertaken by their respective governments. Therefore, it is expected that further development in social infrastructure, such as making improvements to large-scale container terminals and the construction of

thermal power plants, will move forward.

The current outlook for our performance in the future is indicated next page.

Since it was founded, the Toa Corporation Group has concentrated on the construction and maintenance of a wide range of social infrastructure, with a particular focus on ports. Going forward, we will continue to strive to provide safe, secure, high-quality construction structures and services, and build a society that cares deeply about the environment, and realize a sustainable society. Your continued support would be greatly appreciated.

President  
Masaki Akiyama



The year ending March 2018 (figures shown as percent (%) indicate comparison with previous year)

	Consolidated		Non - Consolidated	
	Amount	Change (%)	Amount	Change (%)
Amount of orders received	—	—	¥188,000 million	43.6%
Net sales	¥173,000 million	3.5%	¥165,000 million	3.7%
Operating income	¥2,500 million	-59.7%	¥2,300 million	-59.7%
Ordinary income	¥1,800 million	-69.5%	¥1,700 million	-69.4%
Net income	¥800 million	—	¥700 million	—

\* With regard to consolidated net income, the net income belonging to the shareholders of the parent company is indicated.

# MARINE CIVIL ENGINEERING

## Operations

Since its foundation in 1908, TOA has engaged in reclamation and marine construction works through various projects all over the world. Among them are reclamation works for industrial areas and offshore airports; port and harbor facilities, such as wharves and breakwaters; transportation facilities, such as coastal roads and bridges; and recreational facilities, such as marinas.

In order to complete those projects safely and successfully, TOA has developed various construction methods, working vessels, and equipment to overcome severe natural conditions on and under the sea. In addition, as lifecycle management of infrastructures, environmental sustainability, and protection from natural disasters are becoming of greater concern to society, TOA has developed new technologies for renewal and reinforcement of structures, environmental assessment and pollution control, sub-surface and sub-ground survey, disaster prevention, and so on.

With these work achievements, advanced technologies and accumulated expertise, TOA has earned a reputation for more than a century as a reliable contractor of maritime construction and engineering. TOA will make all possible efforts to improve technologies and cultivate human resources in order to respond to growing engineering requirements and emerging concerns, and strive for the prosperity of society and sustainability of the natural environment.

### Chubu Centrair International Airport (Aichi, Japan)

Chubu Centrair International Airport, inaugurated on February 7, 2005, is a first class airport with a 3,500m runway. It is designed to be the main international gateway to the Chubu (central) region of Japan. In order to be 24-hour operational, the airport is located in Ise Bay, 1.1km offshore of Tokoname City, Aichi Prefecture, to prevent disturbing local communities with airplane noise.

Throughout the construction of the 470ha artificial island, which commenced in November 2001, "Plug Magic" and "COS-NET," two of TOA's advanced

technologies, played critical roles in building the 12km-long enclosing seawalls and reclaiming 56,000,000m<sup>3</sup> of soil and earth in an economical, timely, safe, and environmentally-friendly manner. "Plug Magic" recycled the soft clayey material coming from dredging operations of navigational channels in Ise Bay into construction material suitable for reclamation, and saved 8,630,000m<sup>3</sup> of soil from having to be transported from on-land sources in the vicinity. "COS-NET" was adopted by contractors involved in the projects as a common system to monitor and control working vessels, and ensure their smooth and safe navigation around the working area.



TOA's "Plug Magic" dredging method was adopted in order to maximize the recycling of dredged soft materials



### Tokyo International Airport (Haneda Airport) (Tokyo, Japan)

Haneda Airport started in 1931 as a small nationally run airfield with a single 300-meter runway. Subsequent extensions were continuously carried out to keep pace with the continually increasing demand of the airport. To respond to this growth, Toa Corporation, too, moved forward with its state-of-the-art civil engineering technologies. A new artificial island was completed at the Haneda Airport site and put to use for the 4th runway (2,500 m).

The construction was carried out in cooperation with multiple construction companies under a variety of difficult conditions, including using a hybrid pier/reclamation construction, a structure rarely used anywhere in the world, short construction periods, and quick execution under restrictions by airlines.

Toa Corporation's technologies were

applied to nearly every part of the construction of the artificial island, including improving the weak foundation soil and producing landfill material by hardening dredged soil. Furthermore, the company

dedicated itself to ensuring quality by grasping the ever-changing movements of the foundation in real-time through meticulous management of work execution that was reflected in subsequent processes.



### Minami-Honmoku Container Terminal (Yokohama, Japan)

The Minami-Honmoku Pier is located at the Port of Yokohama, which is one of the ports in Keihin Port, a designated strategic international container port. With the aim of strengthening its international competitiveness, work is currently underway to make improvements to the facilities at the Minami-Honmoku Pier to transform it into an international container terminal capable of enabling large-scale container ships to come alongside the quay. Columns measuring 32 meters high with a diameter of 24.5 meters constructed of steel sheet structure cellular were employed in the work to construct the earthquake-resistant quay's foundation. The quay will, in the future, have a façade that is sunk to a

depth of 20 meters. The project was started in the 2007 fiscal year and is scheduled to be completed in the 2012 fiscal year. Work on

MC-3 was completed in the 2015 fiscal year. At present, work is being carried out on MC-4.



# MARINE CIVIL ENGINEERING

## Operations

### Manzanillo LNG Receiving Jetty (Mexico)

In June 2011, Toa Corporation completed work (design and execution) on the construction of an LNG Receiving Jetty, which was part of a construction project to build LNG Receiving and Supply Facility in Manzanillo, in the state of Corima, Mexico.

The client that placed the order for the construction was Terminal KMS de GNL, a special purpose company that was established for the purpose of building, owning and operating this LNG project.

It comprises unloading platform of 30 meters in width, 45 meters in length and 15 meters in depth, four breasting dolphins and six mooring dolphins.

In addition to executing the work on its part of the project, Toa Corporation was also involved as an Engineering Procurement and Construction Contractor of the LNG Receiving Jetty.

### Jebel Ali Container Terminal in Design and Construction (United Arab Emirates)

A new container terminal has been completed in Dubai of United Arab Emirates in March 2015. For this construction project, an existing general cargo berth was redesigned and renovated as a state-of-the-art container terminal.

Jebel Ali Port is the largest marine terminal in the Middle East and also has the largest man-made harbor in the world. With the completion of the new container terminal, Port Jebel Ali has become able to handle 19 million TEU containers a year.

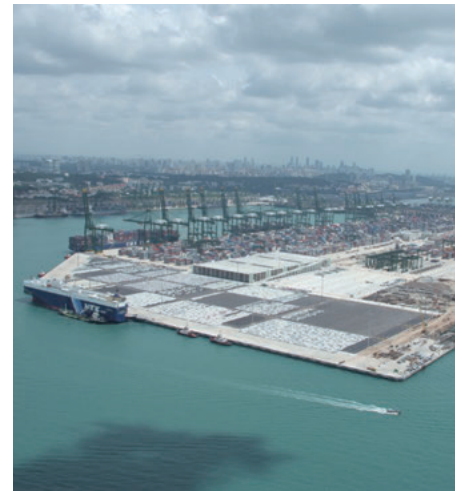
This project involves renovating the existing 1,860-meter berth at the Jebel Ali Free Zone Area (JAFZA), which is located in the United Arab Emirates and operated by DP World. Improvements were made to the existing berth (the quay has a depth of 11 meters) by constructing a container berth (1,860 meters) with a depth of 18 meters.

The work calls for the design and construction of container terminal including a 75-ha container yard behind the berth, building and MEP works.

### Pasir Panjang Container Terminal, Phase II (Singapore)

The Port of Singapore, which is connected to 600 ports in 123 countries, is one of the largest container hub ports in the world. The Pasir Panjang Container Terminal, located in the southwest part of Singapore Island, will have a total of 26 berths at the completion of Phase I and II of the project. All container berths have been designed to have a depth of 15 meters and be equipped with gantry cranes capable of reaching out across 18 rows of containers, making it possible to accommodate Post-Panamax class container ships.

Since 2005, TOA Corporation has been awarded 6 separate contracts to construct 14 container berths with a total quay length of 4,330 meters and a carry ferry terminal. The last 4 berths, with a total quay length of 1,300 meters, were completed in October 2009.



## Honiara Port Facilities (Solomon Islands)

Work has been completed on the Project for Improvement of Honiara Port Facilities in the Solomon Islands.

The international wharf facility for Honiara Port, which was originally established as a general cargo wharf, was unable to cope with the recent increase in the size of cargo containers and large vessels, and various problems, such as inefficiency in loading and unloading cargo and safety-related issues, were becoming more apparent. In order to realize the safe and effective operation of the facilities at Honiara Port, improvements were carried out on the facilities at International Wharf No. 2 and container yard. These improvements are expected to produce such positive results as eliminating the waiting times for berths.



■ Client

Ministry of Infrastructure Development,  
Solomon Islands

■ Construction period

September 2014 to June 2016

■ Site of construction

Solomon Islands

■ Project outline

Steel pipe pile and sheet pile-type quay wall L=150m, north-side embankment L=122m, south-side embankment L=33m, concrete pavement A=12,648m<sup>2</sup>, access road L=227m, lighting fixtures, water supply facilities

## Runway Expansion at Naha Airport (Okinawa, Japan)

Construction work on GS Section Embankment Construction Work for Naha Airport Runway Expansion has been completed in Naha, Okinawa prefecture.

Naha Airport plays an important role not only as a first class airport that serves as the gateway to Okinawa, with connections to various domestic and international locations, but also as a hub airport connecting Okinawa's remote islands with the main island. It is anticipated that the construction of another runway will enable the airport to respond properly to demand in the future, as well as contribute to the sustainable growth and development of Okinawa prefecture, and serve as a key base for domestic and international airway network in the future.



■ Client

Okinawa General Bureau

■ Construction period

May 2014 to August 2016

■ Project outline

Underwater exploration, work on foundation, work on main body, coating & foot protection work, work on superstructure, auxiliary work, wave damping work, backfilling work and other miscellaneous work on landfill embankment at GS section, S section, E section of the Naha Airport Runway Expansion project

# ON-LAND CIVIL ENGINEERING

## Operations

With a century-long history as a highly-reputed, reliable contractor in marine construction and engineering, TOA also has accumulated experience and expertise in on-land civil engineering through the completion of various projects. Among the projects are roads, bridges, railways, tunnels, water dams, river dikes and water gates, water supply and drainage systems, sewage collection and treatment facilities, land development, and environmental mitigation and rehabilitation programs. In each and every project, TOA has devoted all of its capabilities to faithfully execute its duties and responsibilities as a contractor, enhancing TOA's reputation as one of the most trustworthy contractors in Japan.

### Paiton III Power Plant (Indonesia)

The construction of a supercritical pressure coal-fired power generation plant was completed in April 2012 in Paiton, which is situated in East Java Province in the Republic of Indonesia, creating the largest coal-fired power plant in the country. Construction of the power plant was ordered by PT Paiton Energy, a company that was established through a joint venture as an IPP. Toa Corporation was in charge of the comprehensive civil engineering and construction work for this project.



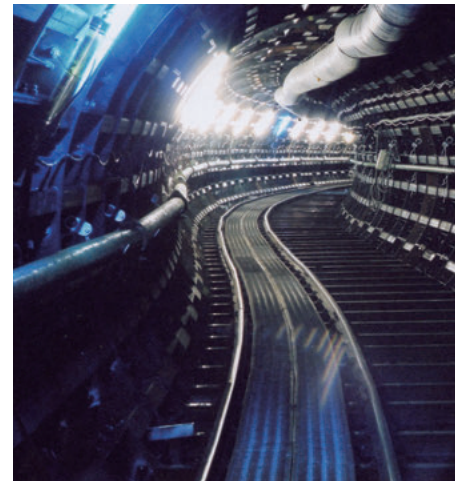
### 2nd Magsaysay Bridge and Butuan City Bypass Road (Philippines)

In the Republic of the Philippines, the road network bears 90% of the passenger traffic and 50% of the cargo transportation, but many roads in various areas are unpaved or too narrow to keep up with the growing volume of traffic. Funded by an aid-loan from Japan's ODA program, the Government planned a bypass road in Butuan City to improve traffic conditions and bolster the economy in the northeastern region of Mindanao Island. In this connection, the Philippines awarded a contract to a joint venture of TOA and Nippon Steel Corporation to build the 2nd Magsaysay Bridge, a steel cable-stayed bridge with a total length of 882m, a two-lane bypass road with a total length of 8.1km, and two link roads with a length of 1.33km and 2.9km respectively to connect the bypass road with the existing main road.



### Rehabilitation of Sewage Drainage System (Tokyo, Japan)

The sewerage network in downtown Tokyo, was constructed nearly one century ago. The Tokyo Metropolitan Government started a project to rehabilitate the sewage drainage network through reconstruction and refurbishment. TOA was awarded a contract to reconstruct the drainage system for surface runoff in Chiyoda ward. Against the construction site of narrow streets with heavy traffic and a dense concentration of buildings, TOA's highly-qualified engineers dealt with various difficulties and utilized the shield tunnel method to complete the drainage system, which measured 2,058m in length with an inner diameter of 2,200mm, on schedule without any accidents.



## Kozuchi 2nd Tunnel on National Route 45 (Iwate, Japan)

Work on the No. 2 Kozuchi Tunnel on National Route 45 in Kamihei-gun, Iwate prefecture, has been completed.

This project involved the construction of a new tunnel between Kozuchi and Otsuchi in Otsuchi-cho on the Kamaishi-Yamada Road, which runs for 23 kilometers from the city of Kamaishi to the town of Yamada, and is a section of the Sanriku Coast Expressway that is undergoing reconstruction as a part of the Early Recovery Leading Project for the Great East Japan Earthquake.

The opening of the Kamaishi-Yamada Road is expected to mitigate traffic congestion on National Route 45 and National Route 283, and also be effective as a measure to prevent natural disaster.



■ Client

Ministry of Land, Infrastructure, Transport and Tourism

■ Construction period

October 2013 to March 2017

■ Site of construction

Kamihei-gun, Iwate prefecture

■ Project outline

Tunneling work (NATM blasting excavation)

L=975m; slope construction (slope frame construction, ground anchor) A=1,075m<sup>2</sup>, P=51 piles, stone & block masonry (large-size blocks) A=253m<sup>2</sup>

## Kesen Ohashi Bridge (Iwate, Japan)

Construction has been completed on the Kesen Ohashi Bridge on National Route 45 in Rikuzentakata, Iwate prefecture.

This project called for the full-scale restoration of the Kesen Ohashi Bridge, for which Toa Corporation had carried out restoration work by building a temporary bridge, as the Kesen Ohashi Bridge had collapsed when it was struck by a tsunami caused by the Great East Japan Earthquake in 2011.

Before the earthquake, the bridge had been supported by four piers. For the restoration, the design called for the bridge to be supported by two piers and be four meters higher than the temporary bridge.

Although there were limitations on the period during which work operations could be carried out in the river because of the upstream migration of salmon and the release of salmon fingerlings into the river, the contributions made by Toa Corporation by carrying out construction work around the clock will make it possible to open the bridge early.



■ Client

Ministry of Land, Infrastructure, Transport and Tourism

■ Construction period

May 2014 to June 2016

■ Project outline

Steel pipe pile and sheet pile foundation work (P1: dia. 1,000, L=43.5m, n=48 piles, P2: dia. 1,000, L=42.0m, n=48 piles), bridge pier jacket construction, unloading work, slope embankment construction, work on restoration of farmland, temporary works, etc.

# ARCHITECTURAL BUILDING WORKS

## Operations

In 1973, TOA established the Building Department and became a full-fledged general contractor. Since then, TOA has accumulated experience and earned a reputation as a reliable and quality builder by completing various projects, including industrial buildings, such as factories, power plants, warehouses and cold storage warehouse; educational facilities, such as schools; cultural and recreational facilities, such as gymnasiums and sports centers; medical and welfare facilities, such as hospitals and nursing care facilities for the elderly; commercial buildings, such as offices, shopping malls and hotels; and residential buildings.

In response to the social demands in this modern era, TOA has developed new technologies, such as roof gardening, energy-saving designs for environmental sustainability, earthquake-proof mechanisms for disaster prevention and HACCP food processing systems for food safety.

### Thai Yokorei Wang Noi Distribution Center (Thailand)

In order to meet growing demand for distribution capacity and quality upgrading, Toa Corporation has been wrestled with development of the newest technology for constructing warehouses and factories.

The greatest cold storage warehouse in Southeast Asia was planned for circulation of the cold food which increases rapidly, and the reservation of quality. The efficient warehouse formed from cooling facility, freeze storage, cold storage and shipping/receiving area. Our original PC structure was adopted and this design-build project was completed in 2013.



### One's Tower (Tokyo, Japan)

In Higashi-Murayama City, located in the west part of the Tokyo Metropolitan Area, an urban renewal project was carried out in the district west of Higashi-Murayama Station of the Seibu Line. Among the projects undertaken there, TOA constructed "One's Tower," a 100-meter high-rise building that was completed in August 2009. The building, a symbol of the city, is connected directly with the train station and has shopping areas, public spaces from the 1st through 4th floors called "One's Plaza" and 182 rooms on the 5th through 25th floors.



### PT. Mitsuyoshi Manufacturing Indonesia Pressing Machine Factory (Indonesia)

Toa Corporation was engaged in building of a new pressing machine factory in Bukit Indah located nearby the automobile park in West Java, Indonesia. The area allocated for the whole factory was over 30,000m<sup>2</sup>. Toa Corporation was also in charge of the 2nd phase of the project, which was the construction of new administration building.



## New Packing Warehouse for PT. Fujitrans Logistics Indonesia (Indonesia)

Construction work on “Fujitrans Logistics Indonesia New Packing Warehouse Project” has been completed in Indonesia. This packing warehouse, which has approximately 35,000m<sup>2</sup> of floor space, is located in an industrial complex (GIC), about 40 km east of the center of Jakarta.

Moreover, as the warehouse is capable of handling packing operations for automobile parts and other components, packing and unpacking of large machinery and equipment, and temporary storage of packages before and after those packing and unpacking operations, it is expected that the warehouse will serve as a base for distribution to neighboring factories, which are currently undergoing large-scale development.



■ Client

PT. Fujitrans Logistics Indonesia

■ Construction period

November 2015 to October 2016

■ Site of construction

Republic of Indonesia

■ Project outline

Ambient temperature warehouse in GIC Industrial Complex in the suburbs of Jakarta, Indonesia. This is a new distribution warehouse established by an Indonesian local joint venture (founded in October 2013) of the logistics and transport company Fujitrans Corporation.

Site area: 64,358m<sup>2</sup>, Total floor space: 39,654m<sup>2</sup>; Warehouse: One-floor building (office portion has two floors)

## Cool Japan CLK Vietnam New Cold Storage Warehouse (Vietnam)

This construction work is the first stage of the Asia Cold Chain business (cold storage logistics), which is financed and carried forward by Cool Japan Fund. This project establishes the first full-scale cold storage warehouse in Vietnam, with the purpose of expanding distribution of high quality Japanese foodstuff throughout Southeast Asia. Further expansion of this project is expected.



■ Client

CLK Cold Storage Co., Ltd.

■ Construction period

July 2015 to July 2016

■ Site of construction

Socialist Republic of Vietnam

■ Project outline

Warehouse: Steel-frame building; one floor above ground (part of the building has two floors); Office building; Steel-frame building; two floors above ground; Other attached buildings, exterior fixtures; Total floor space: 8,804.08m<sup>2</sup>; Storage capacity: approx. 10,000tons

# RESEARCH & DEVELOPMENT

## Operations

From Yokohama Tsurumi to everywhere in Japan, to all the world, and to the future



### Developing “Technologies with a Vision for the Future”

We believe that the mission of TOA CORPORATION is to respond to the needs of society, which change with the times, and contribute continuously and appropriately to society as a construction company. In order to promote contributions to society, TOA Research and Development Center truly shoulders the responsibility of being “the foundation of TOA’s technology.”

The demands made of a construction company will change due to dramatic shifts in the consciousness of the people and in society.

- “Protect people’s livelihoods from natural disasters”
- “Reduce the burden on the environment, and live in harmony with nature”
- “Maintain and renew the facilities in service and utilize them for a long time”

To create a sustainable society, it is essential to respond to a wide variety of needs, including coexisting in harmony with nature, and prevention and reduction of damage from natural disasters, as well as safety and security.

We are fully prepared to respond to those needs.

We will effectively activate the research and development capabilities, know-how, and skills we have accumulated from the past to today, and thoroughly grasp the ever-changing needs to determine the direction our research and development will take.

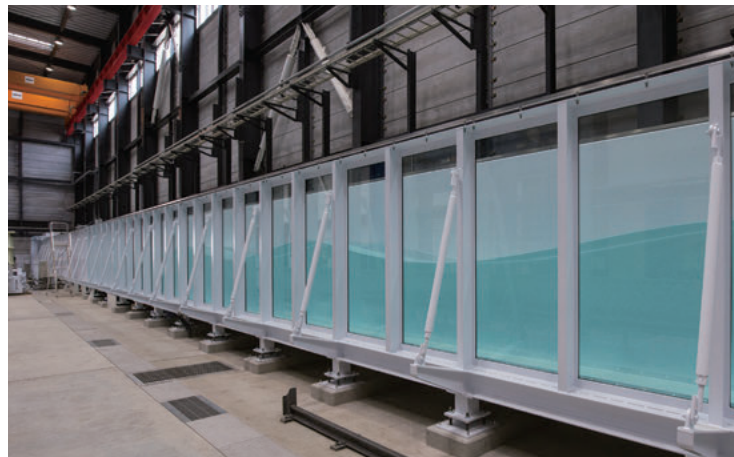
Going forward, in order to perfect “technologies with a vision for the future,” TOA Research and Development Center will continue its efforts in research and development of the technologies that will form the fundamentals of its those technologies.

### Large-Scale Wave Flume, Small-Scale Wave Flume

The large-scale wave flume, equipped with a wave generator and current generator, is capable of generating various types of waves and flows. Furthermore, various types of tsunami having the desired wave profiles can be generated by using either the wave generator, the current generator, or a tsunami generator independently, as well as by coordinating the various systems together.

This large-scale wave flume makes it possible to carry out large-scale experiments in about 1/20 scale. It can be used in the development of technologies for port and harbor structures, marine and coastal structures, floating structures, ships, coastal erosion, tsunami disaster prevention works, and other structures.

The small-scale wave flume, which is set up at



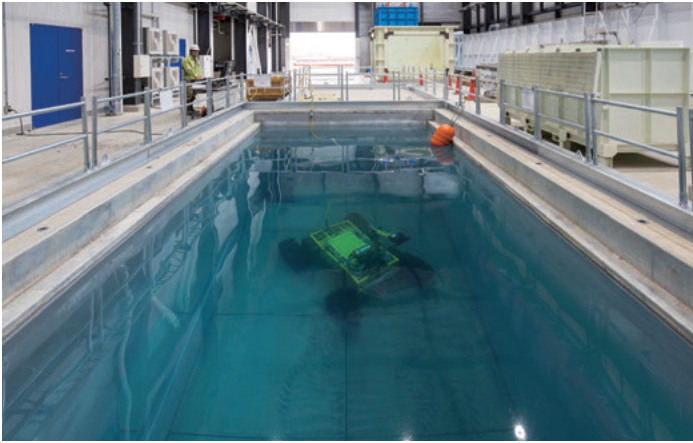
the same premises, is used to conduct basic experiments and preliminary experiments in about 1/100 scale. The system is very easy to use, making it possible to conduct



Tsunami generator

experiments speedily.





### Deep Water Basin

This is a huge water basin, which is installed in the basement, with the capability of reproducing on a large scale various working conditions that are encountered underwater. In this water basin, it is possible to conduct various types of construction experiments underwater, and carry out work experiments using underwater construction robots or other equipment.

Together we can observe the condition of the experiment from the 1st floor, and also from underwater through an observation window provided in the basement.



### Large-Scale Soil Container

The large soil container makes it possible to conduct large-scale experiments similar to in-situ tests, controlling the experimental condition on model ground accurately. We can apply a pile load test to observe bearing capacity and pile friction.

In addition, we can conduct pilot tests on soil improvement work by chemical grouting and cement mixing, etc.



### Large-Scale Loading Test Equipment

This is the equipment for performing loading tests of full-scale structural members such as columns, slabs, beams, as well as the joints of beam-columns, etc.

By utilizing a vertical jack in combination with a horizontal jack and/or a reaction frame, biaxial loading tests in the vertical and the horizontal directions can be performed.



### Severe Environment Reproducing Chamber

This is the chamber for reproducing various environments with extremely high or low temperatures, extremely high or low humidity.

It is possible to mix concrete and conduct various quality of tests of concrete, as well as to produce test specimens in the reproduced harsh environments, because of the spacious work area in the chamber. In addition, the durability test can be performed by exposing test specimens in harsh environments for an extended period.

Therefore it is possible to conduct advanced researches and developments of materials and construction methods taking into consideration the local and harsh environment of the construction site such as freezing warehouses or foreign countries' climate.

# RESEARCH & DEVELOPMENT

## Operations



### One-Dimensional Shaking Table Test Equipment

With this equipment, it is possible to conduct basic experiments in a gravitational field (1G gravitational field) related to liquefaction and deformation of foundation

material and soil structure caused by seismic vibration. This equipment can be applied to the development of ground improvement methods and foundation materials. The specifications of this equipment give it the capability to reproduce the maximum acceleration (approx. 1.8G) similar to the acceleration in the harbor area during the 2011 off the Pacific coast of Tohoku Earthquake. One to its small size, a large number of experiments can be conducted in a short period of time.



### Fatigue Testing Machine

This testing machine is equipped with vertically-oriented high-speed actuators. This is the machine for performing bending test and fatigue test of

structural members under static or dynamic load condition. By setting a hydraulic jack separately in the horizontal direction, biaxial loading can be performed.

## Environmental and energy-saving technologies implemented in the Research and Development Center

### Energy-saving facilities

#### Solar power generation

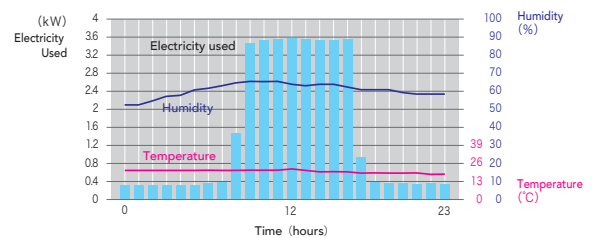


Rooftop solar panels

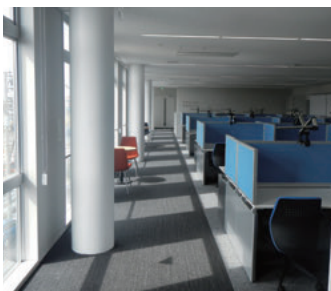
- Solar panels are installed on the spacious rooftop. Its capacity is 49.28kW.
- Its daily output can be monitored at the entrance lobby.

#### Visualization of the amount of electric power (with introduction of BEMS)

- Building Energy Management System (or BEMS) are computer-based systems that help to manage, control and monitor building technical services (HVAC, lighting etc.) and the energy consumption of devices used in the building. They provide the information and the tools that we need both to understand the energy usage of our facility and to control and improve its energy performance.



#### Daylight sensor, Task-ambient lighting and LED lighting



Office that actively brings in natural light

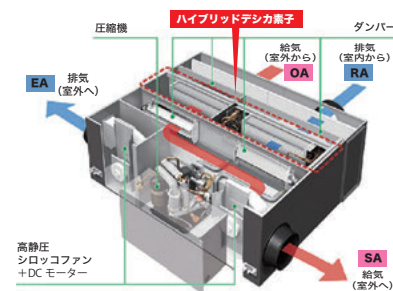
- Daylight sensor works to help using daylight energy effectively.
- Task-ambient lighting\* contributes higher energy saving when compared with most general lighting strategies, because higher light levels are provided for the task areas only.

\*Task ambient lighting

This is a system where the interior of a room as a whole is illuminated with a low level of lighting provided by ambient light, but a specific area where work is being performed is provided with a higher level of light by means of task (work) lighting.

#### A heat pump desiccant for humidity and outside air control unit without water piping

- "A heat pump desiccant humidity control outside air unit without water piping" permits individual integrated control of humidity and temperature, leading to increases in both comfort and energy saving.



Configuration and Structure of DESICA (manufactured by Daikin Industries, Ltd.)

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# INTERNAL CONTROL

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The TOA Corporation Group believes that good corporate governance enhances our competitiveness and performance, enabling us to fulfill corporate social responsibilities and increase the corporate value for shareholders. Recognizing that effective internal control plays a key role in achieving that goal, we are striving to improve the quality and effectiveness of our internal controls.

## 1. Compliance

All members of The TOA Corporation Group are required to be fully aware of the relevant laws, regulations, and social ethics that govern their business activities, and to strictly comply with them in fulfilling their roles and performing their duties.

## 2. Risk Management

We have developed a framework to appropriately identify, assess, and control risk factors associated with business activities of The TOA Corporation Group. All risk factors, once identified, are to be properly dealt with by a responsible department or a provisional task force designated in accordance with the framework.

In case of a natural disaster on a scale possibly jeopardizing our business continuity, the BCM Committee is promptly convened to take actions to minimize any adverse impact on our business activities and on our valued customers.

## 3. Information Management and Control

All forms of information regarding business activities and the fulfillment of the duties and responsibilities of the directors are to be categorized by their contents, classified by their security levels, recorded in the proper formats, and preserved in an appropriate manner for a required period of time in accordance with our internal Information Management Regulations and relevant laws and regulations.

## 4. Independent Auditors and Fair and Reliable Financial Statements

Each and every legal entity within The TOA Corporation Group guarantees that independent professional auditors shall be able to perform a proper and effective audit on the financial statements and internal control performance reports of the entity by holding regular meetings with its representative directors, corporate auditors, and relevant departments to exchange opinions and information, and deepen their mutual understanding. Thus, the fairness and reliability of our financial statements and internal control performance reports can be ensured, and the transparency of our management can be maintained.

## 5. Effective Audit by Corporate Auditors

The corporate auditors of The TOA Corporation Group are authorized to attend major meetings of each entity, hold regular meetings with the representative directors, regularly review the performance of the directors and respective departments, and access the information necessary to perform their audits. Thus, it can be ensured that the corporate auditors can independently appraise the effectiveness, legal compliancy and soundness of the management, and duly carry out their responsibilities.

## 6. Proper Management Control of The TOA Corporation Group

TOA Corporation, as the parent company of The TOA Corporation Group, has established the rules and regulations to govern each legal entity within The TOA Corporation Group in order to fulfill corporate social responsibilities and enhance its value as a corporate group. Based on their relevant provisions, important managerial issues of the respective entity are to be reported to the Board of Directors of the parent company for approval, and other less important issues are to be reviewed and approved by its Management Planning Department.

## 7. Fulfillment of Corporate Social Responsibilities

TOA Corporation has established the CSR Committee, which is chaired by the president, in order to ensure fulfillment of CSR as a corporate citizen. Two subcommittees, the Compliance Subcommittee, which deals with legal issues and internal controls, and the Risk Management Subcommittee, which copes with risk factors related to business activities, such as safety and sanitation, information security, environmental sustainability, and quality control, have been established under the CSR Committee in order to make thorough reviews and enhance the quality and effectiveness of our CSR performance.

TOA Corporation annually edits and opens to the public its Annual CSR Report in order to promote to society, its valued shareholders, and all members of The TOA Corporation Group an awareness and understanding of its engagement in CSR activities.

## 8. Sound and Sustainable Construction Industry

One of the highest-priority issues for The TOA Corporation Group is contributing to sound and sustainable construction industry. The Group is listening intently to the opinions of its customers and the market, offering high-value-added solutions to its customers through construction and civil engineering markets, and providing high-quality infrastructure related services. Moreover, TOA is taking active initiatives to contribute to society, principally through providing opportunities for technological education.

## 9. Environmental Approach

The TOA Corporation Group is committed to acting in an environmentally responsible manner and should, therefore, approach environmental issues positively. We created both our Environmental Statement and Environmental Policy and, with the Environmental Activities Working Group as the core, we are proactively working to reduce the environmental impact of our business activities.

# CONSOLIDATED BALANCE SHEET

TOA CORPORATION and its consolidated subsidiaries  
As of March 31, 2017 and 2016

ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
<b>Current assets:</b>			
Cash and bank deposits (Note 11)	¥ 28,217	¥ 39,965	\$ 251,945
Notes and accounts receivable, trade (Note 11)	78,288	73,974	699,002
Allowance for doubtful accounts	(550)	(524)	(4,919)
Real estate for sale	3,812	4,120	34,041
Cost on construction contracts in progress and other (Note 5)	7,703	12,450	68,777
Advanced money (Note 11)	10,965	12,564	97,910
Deferred tax assets (Note 15)	7,407	3,725	66,138
Other current assets (Note 5)	3,250	4,299	29,020
Total current assets	139,094	150,576	1,241,915
<b>Property, plant and equipment:</b>			
Land (Note 5)	18,398	18,653	164,273
Buildings and structures	15,985	16,643	142,725
Machinery, vehicles and equipment	20,017	20,992	178,728
Leased assets	151	151	1,351
Construction in progress	22	121	203
Total property, plant and equipment	54,575	56,562	487,283
Less accumulated depreciation	(26,924)	(27,078)	(240,398)
Property, plant and equipment—net	27,651	29,483	246,885
<b>Intangible fixed assets</b>	<b>544</b>	<b>637</b>	<b>4,859</b>
<b>Investments and other assets:</b>			
Investments in securities (Notes 5, 11 and 12)	13,988	12,237	124,893
Long-term loans (Note 5)	337	374	3,017
Deferred tax assets (Note 15)	773	1,808	6,907
Other (Note 5)	1,921	2,007	17,155
Allowance for doubtful accounts	(576)	(633)	(5,143)
Total investments and other assets	16,445	15,794	146,831
<b>Total assets</b>	<b>¥ 183,735</b>	<b>¥ 196,491</b>	<b>\$ 1,640,491</b>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
<b>Current liabilities:</b>			
Short-term borrowings (Notes 5 and 11)	¥ 8,463	¥ 8,376	\$ 75,566
Current portion of long-term debt (Notes 5 and 11)	5,535	5,744	49,428
Notes and accounts payable, trade (Note 11)	31,012	40,446	276,900
Electronically recorded obligations, operating (Notes 3 and 11)	8,429	10,660	75,267
Accrued income taxes	482	3,661	4,307
Advances received on construction contracts in progress	7,622	8,756	68,057
Reserve for indemnity on completed contracts	483	527	4,320
Reserve for loss on construction works (Note 5)	2,266	1,850	20,240
Deposits received (Note 11)	11,937	13,309	106,583
Reserve for loss on construction defects	14,100	—	125,892
Other current liabilities (Notes 5 and 11)	5,117	6,890	45,691
Total current liabilities	95,452	100,223	852,255
<b>Long-term liabilities:</b>			
Long-term debt (Notes 5 and 11)	15,196	15,784	135,679
Liability for retirement benefits (Note 14)	4,436	5,586	39,608
Deferred tax liabilities on revaluation of land (Notes 5 and 15)	2,358	2,397	21,053
Other long-term liabilities (Note 11)	1,333	1,355	11,907
Total long-term liabilities	23,324	25,123	208,250
Total liabilities	118,776	125,347	1,060,505
<b>Net assets (Note 8):</b>			
<b>Shareholders' equity:</b>			
Common stock,			
Authorized—60,000,000 shares			
Issued—22,494,629 shares at March 31, 2017 and 2016	18,976	18,976	169,434
Capital surplus	18,115	18,113	161,743
Retained earnings	23,020	31,353	205,539
Treasury stock, at cost 1,593 thousand shares and 1,592 thousand shares at March 31, 2017 and 2016, respectively	(2,056)	(2,053)	(18,364)
Total shareholders' equity	58,055	66,389	518,352
<b>Accumulated other comprehensive income:</b>			
Net unrealized gains (losses) on securities (Note 12)	4,193	2,966	37,441
Net deferred gains (losses) on hedges (Notes 11 and 13)	—	2	—
Revaluation reserve for land (Note 5)	3,629	3,570	32,402
Retirement benefits liability adjustments (Note 14)	(1,452)	(2,244)	(12,964)
Total accumulated other comprehensive income	6,370	4,294	56,879
<b>Non-controlling interests</b>	532	459	4,753
Total net assets	64,958	71,143	579,986
<b>Commitments and contingent liabilities (Note 5):</b>			
Total liabilities and net assets	¥ 183,735	¥ 196,491	\$ 1,640,491

The accompanying notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF INCOME

TOA CORPORATION and its consolidated subsidiaries  
For the years ended March 31, 2017 and 2016

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
<b>Net sales</b> (Note 6)	¥ 167,200	¥ 200,282	\$ 1,492,865
<b>Cost of sales</b> (Note 6)	150,990	178,543	1,348,131
Gross profit	16,210	21,739	144,733
<b>Selling, general and administrative expenses</b> (Note 6)	10,013	9,949	89,406
Operating income	6,196	11,789	55,326
<b>Other income (expenses):</b>			
Interest and dividend income	283	303	2,528
Interest expense	(388)	(423)	(3,467)
Provision for doubtful accounts, non-trade	33	(36)	298
Loss on impairment of fixed assets (Note 6)	(332)	(1,438)	(2,968)
Gain on sale of fixed assets (Note 6)	79	46	713
Guarantee fee (Note 3)	(72)	(117)	(644)
Exchange gain (loss), net	(88)	(921)	(788)
Loss on sale of fixed assets (Note 6)	(184)	(35)	(1,644)
Loss on disposal of fixed assets (Note 6)	(13)	(427)	(120)
Loss on construction defects (Note 6)	(15,374)	—	(137,269)
Other, net (Note 3)	(158)	(4)	(1,415)
	(16,215)	(3,056)	(144,777)
<b>Profit (loss) before income taxes</b>	(10,018)	8,732	(89,450)
<b>Income taxes</b> (Note 15):			
Current	884	4,020	7,898
Deferred	(3,539)	(1,414)	(31,598)
	(2,654)	2,606	(23,700)
<b>Profit (loss)</b>	(7,364)	6,126	(65,750)
<b>Profit (loss) attributable to :</b>			
Non-controlling interests	¥ 74	¥ 88	\$ 661
Owners of parent	¥ (7,438)	¥ 6,038	\$ (66,412)

The accompanying notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TOA CORPORATION and its consolidated subsidiaries  
For the years ended March 31, 2017 and 2016

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2017	2016	2017	
<b>Profit (loss)</b>	¥ (7,364)	¥ 6,126	\$ (65,750)	
<b>Other comprehensive income (loss):</b>				
Net unrealized gains (losses) on securities	1,227	(1,281)	10,958	
Net deferred gains (losses) on hedges	(2)	(49)	(23)	
Revaluation reserve for land (Note 5)	—	133	—	
Retirement benefits liability adjustments (Note 14)	792	(2,370)	7,078	
Total other comprehensive income (loss) (Note 7)	2,017	(3,568)	18,013	
<b>Comprehensive income (loss)</b>	¥ (5,346)	¥ 2,558	\$ (47,736)	
<b>Total comprehensive income (loss) attributable to:</b> (Note 7)				
Owners of parent	¥ (5,420)	¥ 2,470	\$ (48,398)	
Non-controlling interests	¥ 74	¥ 88	\$ 661	

The accompanying notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

TOA CORPORATION and its consolidated subsidiaries  
For the years ended March 31, 2017 and 2016

Millions of Japanese Yen

	Shareholders' equity				Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities (Note 12)	Net deferred gains (losses) on hedges	Revaluation reserve for land (Note 5)	Retirement benefits liability adjustments (Note 14)		
<b>Balance at March 31, 2015</b>	¥ 18,976	¥ 18,113	¥ 26,015	¥ (2,052)	¥ 4,247	¥ 51	¥ 3,154	¥ 125	¥ 371	¥ 69,004
Cash dividends			(418)							(418)
Profit attributable to owners of parent for the period			6,038							6,038
Acquisition of treasury stock				(0)						(0)
Reversal of revaluation reserve for land			(282)							(282)
Net changes in items other than shareholders' equity					(1,281)	(49)	415	(2,370)	88	(3,197)
<b>Balance at March 31, 2016</b>	¥ 18,976	¥ 18,113	¥ 31,353	¥ (2,053)	¥ 2,966	¥ 2	¥ 3,570	¥ (2,244)	¥ 459	¥ 71,143
Cash dividends			(836)							(836)
Profit (loss) attributable to owners of parent for the period			(7,438)							(7,438)
Acquisition of treasury stock				(2)						(2)
Increase or decrease of equity interests due to acquisition of shares of subsidiaries		1								1
Reversal of revaluation reserve for land			(58)							(58)
Net changes in items other than shareholders' equity					1,227	(2)	58	792	72	2,148
<b>Balance at March 31, 2017</b>	<b>¥ 18,976</b>	<b>¥ 18,115</b>	<b>¥ 23,020</b>	<b>¥ (2,056)</b>	<b>¥ 4,193</b>	<b>¥ —</b>	<b>¥ 3,629</b>	<b>¥ (1,452)</b>	<b>¥ 532</b>	<b>¥ 64,958</b>

The accompanying notes are an integral part of these financial statements.

Thousands of U.S. Dollars (Note 1)

	Shareholders' equity				Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities (Note 12)	Net deferred gains (losses) on hedges	Revaluation reserve for land (Note 5)	Retirement benefits liability adjustments (Note 14)		
<b>Balance at March 31, 2016</b>	\$169,434	\$161,730	\$279,938	\$ (18,338)	\$ 26,483	\$ 23	\$ 31,880	\$ (20,043)	\$ 4,105	\$635,214
Cash dividends			(7,465)							(7,465)
Profit (loss) attributable to owners of parent for the period			(66,412)							(66,412)
Acquisition of treasury stock				(26)						(26)
Increase or decrease of equity interests due to acquisition of shares of subsidiaries		12								12
Reversal of revaluation reserve for land			(521)							(521)
Net changes in items other than shareholders' equity					10,958	(23)	521	7,078	648	19,184
<b>Balance at March 31, 2017</b>	<b>\$169,434</b>	<b>\$161,743</b>	<b>\$205,539</b>	<b>\$ (18,364)</b>	<b>\$ 37,441</b>	<b>\$ —</b>	<b>\$ 32,402</b>	<b>\$ (12,964)</b>	<b>\$ 4,753</b>	<b>\$579,986</b>

The accompanying notes are an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

TOA CORPORATION and its consolidated subsidiaries  
For the years ended March 31, 2017 and 2016

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
<b>Cash flows from operating activities:</b>			
Profit (loss) before income taxes	¥ (10,018)	¥ 8,732	\$ (89,450)
Adjustments to reconcile income before income taxes and Non-controlling interests to net cash (used in) provided by operating activities:			
Depreciation and amortization	2,010	2,033	17,953
Loss on impairment of fixed assets	332	1,402	2,968
Exchange (gain) loss, net	35	504	316
(Gain) Loss on sale or disposal of fixed assets	106	143	951
Increase (decrease) in liability for retirement benefits	(114)	(898)	(1,019)
Increase (decrease) in allowance for doubtful accounts	(30)	9	(272)
Increase (decrease) in provision for loss on construction defects	14,100	—	125,892
Changes in:			
Notes and accounts receivable, trade	(4,313)	15,726	(38,512)
Real estate for sale	307	(11)	2,744
Cost on construction contracts in progress and other	4,747	(4,053)	42,388
Notes and accounts payable, trade	(11,664)	(1,660)	(104,148)
Advances received on construction contracts in progress	(1,134)	(760)	(10,129)
Other, net	1,090	950	9,734
Sub-total	(4,545)	22,119	(40,581)
Interest and dividend income received	297	298	2,654
Interest paid	(428)	(396)	(3,828)
Income taxes paid	(4,093)	(2,170)	(36,545)
Net cash (used in) provided by operating activities	(8,769)	19,850	(78,301)
<b>Cash flows from investing activities:</b>			
Payments for acquisition of investment in securities	(23)	(44)	(212)
Proceeds from sale of investment in securities	0	4	0
Payments for acquisition of property, plant and equipment	(1,693)	(2,928)	(15,120)
Proceeds from sale of property, plant and equipment	478	234	4,270
Other, net	(24)	266	(215)
Net cash (used in) provided by investing activities	(1,263)	(2,467)	(11,277)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	87	(14)	781
Proceeds from long-term debt	4,947	6,477	44,171
Repayment of long-term debt	(5,744)	(5,839)	(51,293)
Acquisition of treasury stock	(2)	(0)	(26)
Cash dividends paid	(832)	(416)	(7,430)
Other, net	(94)	(141)	(840)
Net cash (used in) provided by financing activities	(1,639)	65	(14,637)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(37)</b>	<b>(461)</b>	<b>(330)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(11,709)</b>	<b>16,986</b>	<b>(104,546)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>39,896</b>	<b>22,909</b>	<b>356,220</b>
<b>Cash and cash equivalents at end of year (Note 9)</b>	<b>¥ 28,187</b>	<b>¥ 39,896</b>	<b>\$ 251,673</b>

The accompanying notes are an integral part of these financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## 1. Significant Respects for the Basis of Preparing Consolidated Financial Statements:

The accompanying consolidated financial statements of TOA CORPORATION (the "Company") and its consolidated subsidiaries (the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. Certain reclassifications and rearrangements were made for the convenience of readers outside of Japan.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been rounded down to the nearest million Japanese yen.

### I. Basis of consolidation

The Company has 17 majority-owned subsidiaries as of March 31, 2017. The consolidated financial statements for the year ended March 31, 2017 include the accounts of the Company and 11 majority-owned subsidiaries. Principal consolidated subsidiaries were TOA Agency Co., Ltd., Shinko Corporation, TOA Kikai Kogyo Co., Ltd. Consolidated subsidiaries have the same financial period as the Company that ends on March 31.

Other 6 subsidiaries are not consolidated as they are at small scale and not significant in terms of total assets, net sales, retained earnings or net income in aggregate.

Investments in unconsolidated subsidiaries (Human Affair Co., Ltd. and others) and affiliates (Sengenyama Developing Co., Ltd. and others) are excluded from application of the equity method as they are not significant in terms of net income or retained earnings in aggregate.

### II. Basis of accounting treatment

#### (1) Basis of valuation for significant assets

##### a) Securities

Securities held by the Companies are classified into two categories;

Held-to-maturity debt securities are carried at amortized cost.

Other securities for which market quotations are available are stated at fair value. Net Unrealized gains or losses on these securities are treated as directly charged or credited to the net assets and cost of securities sold are computed by the moving average method.

Other securities for which market quotation are unavailable are stated at moving average cost method.

##### b) Derivatives

With changes in fair value included in net income or loss for the period in which they arise, derivatives are stated at fair value.

##### c) Inventories

Cost on construction contracts in progress, PFI projects and real estate for sale are stated at specific cost method for each contract. Materials and supplies are stated at moving average cost method.

However, in the case that net selling value falls below the acquisition cost at the end of the period, inventories except for cost on construction contracts in progress are carried at the net selling value on the balance sheet, regarded as decreased profitability of assets.

#### (2) Depreciation for property, plant and equipment and other

Except for leased assets, depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives. However, depreciation of buildings which the Companies acquired on or after April 1, 1998, and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 are computed on a straight-line basis over the estimated period. Useful lives and residual value are in conformity with the provisions of the Corporation Tax Law of Japan.

As for intangible fixed assets excluding leased assets and long-term prepaid expenses, amortization is computed by the straight-line method and the useful lives are in conformity with the provisions of the Corporation Tax Law of Japan.

As for leased assets related to finance lease, other than those which are deemed to transfer ownership of the leased assets to the lessee, depreciation is principally computed by the straight-line method over the useful lives equivalent to lease term and residual value is equal to zero.

#### (3) Reserve and allowance

##### a) Allowance for doubtful accounts

Allowance for general receivables are established in amounts considered to be appropriate based upon credit loss experience. For specific receivables such as doubtful accounts, allowance for these are established in amounts considered to be uncollectible based upon an evaluation of possibility of collection in each outstanding receivable.

##### b) Reserve for indemnity on completed contracts

Reserve for indemnity on completed contracts is provided for the future defect expenses based upon the estimated indemnity amount for net sales for the year.

##### c) Reserve for loss on construction works

Reserve for loss on construction works is provided for the amount equivalent to cover future loss by evaluating individual construction form which loss is assumed and estimated.

##### d) Reserve for loss on construction defects

Reserve for loss on construction defects is provided for the amount equivalent to cover future defect expenses based upon the estimated repair costs for construction defects for soil improvement projects.

#### (4) Retirement benefits

Liabilities for retirement benefits has been provided on an accrual basis as of the balance sheet date based on an estimate of the projected benefit obligation and the employees' pension plan assets.

To calculate projected benefit obligation, the benefit formula method is used to allocate expected retirement benefit payments to the each period through current fiscal year-end.

Actuarial gain or loss is amortized by the straight-line method over a defined period (13 years), not exceeding the average remaining service period of the employees from the next fiscal year after the incurrence.

Certain consolidated subsidiaries apply the simplified method which assumes retirement benefit obligation to be equal to the benefits payable assuming voluntary retirement of all employees at fiscal year-end.

#### (5) Recognition of contract revenue and cost

The Companies adopt the percentage-of-completion method for revenue recognition for the construction-type contracts where the outcome of the construction activities by the end of this year can be reliably estimated.

Completion method is adopted otherwise. The percentage of completion is measured by the ratio of the costs incurred to the estimated total costs for each contract.

#### (6) Hedge accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as a component of net assets and included in net income or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

For interest rate swaps, if certain hedging criteria are met, interest rate swaps are not recognized at their fair values but an alternative (short-cut) method under Japanese accounting standards is applied by which the amounts received or paid for such interest swap arrangements are recognized as interest over the life of each of the

arrangements.

The derivatives designated as hedging instruments by the Companies are principally interest swaps and forward exchange contracts. The related hedged item is bank loans and foreign currency monetary liabilities and forecasted transactions.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of interest rate fluctuation and foreign exchange fluctuation. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

#### **(7) Scope of cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of cash flows and composed of cash on hand, bank deposits which are able to be withdrawn on demand and short-term investment with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

#### **(8) Consumption taxes**

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

#### **(9) U.S. Dollar amounts**

The dollar amounts included in the financial statements and notes thereto represent the arithmetical results of translating yen to dollars at rate of ¥112=US\$1, the approximated rate of exchange prevailing on March 31, 2017. The inclusion of such dollar amounts is solely for the convenience of readers outside of Japan and is not intended to imply that yen and assets and liabilities originating in Yen have been or could be readily converted, realized or settled in dollars at this or any other rates.

Amounts less than one thousand have been rounded down to the nearest thousand dollars.

### **2.Changes in Accounting Policy**

The Company and its domestic consolidated subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) as a result of revisions to the Corporate Tax Act of Japan. Accordingly, the depreciation method for both facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

This change did not have a material impact on the Companies' consolidated operating income and

loss before income taxes in the current year.

### **3.Changes in Presentation**

The Companies have changed the presentation of items in the consolidated balance sheet as follows:

Electronically recorded obligations, operating included in Notes and accounts payable, trade of Current liabilities in the previous year, is presented separately in the current year.

To reflect this change in presentation, the Companies reclassified items of previous year in the consolidated balance sheet for the current year.

Consequently, Electronically recorded obligations, operating was newly shown in the amount of ¥10,660 million. Also Notes and account payable, trade in the previous year was shown in the amount of ¥40,446 million, compared with ¥51,107 million previously presented.

The Companies have changed the presentation of items in the consolidated statement of income as follows:

Guarantee fee included in Other, net of Other income (expenses) in the previous year, is presented separately in the current year.

To reflect this change in presentation, the Companies reclassified items of previous year in the consolidated statement of income for the current year.

Consequently, Guarantee fee was newly shown in the amount of ¥(117) million. Also Other, net of Other income (expenses) in the previous year was shown in the amount of ¥(4) million, compared with ¥(122) million previously presented.

### **4.Additional information**

The Company and its consolidated subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the beginning of the fiscal year ended March 31, 2017.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## 5. Notes to Consolidated Balance Sheet

### I. Cost on construction contracts in progress and other

Cost on construction contracts in progress and other as of March 31, 2017 and 2016 consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Cost on construction contracts in progress	¥5,605	¥10,322	\$50,049
PFI projects	1,353	1,604	12,080
Other inventories	744	523	6,646
Cost on construction contracts in progress and other	¥7,703	¥12,450	\$68,777

### II. Reserve for loss on construction works

Cost on construction contracts in progress and reserve account in relation to the construction works, which loss is assumed, are represented in current assets and liabilities, respectively without setoff.

Among cost on construction contracts in progress, amount in aggregate corresponding to reserve for loss on construction works as of March 31, 2017 and 2016 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
	¥625	¥1,148	\$5,588

### III. Investments in securities

Among investments in securities, amount in aggregate corresponding to unconsolidated subsidiaries and affiliates as of March 31, 2017 and 2016 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Investments in affiliates	¥247	¥247	\$2,205

### IV. Revaluation of land

In accordance with the "Act on Revaluation of Land" (Act No.34 promulgated on March 31, 1998) and the "Act on Partial Revision of the Act on Revaluation of Land" (Act No.19 promulgated on March 31, 2001), the Company revalued its land held for the business purpose and accounted for the amount equivalent to tax related to this differences on revaluation as "deferred tax liabilities on revaluation of land" in liabilities and accounted for the amount that tax amount were deducted from the differences on revaluation as "revaluation reserve for land" in net assets.

Furthermore, reviewing a collectability of "deferred tax assets for land revaluation" individually, among the amount equivalent to tax related to the differences on revaluation of land, the amount that were difficult to anticipate collectability were reduced from "revaluation reserve for land".

#### Revalued method

The Company revalued its land held for business purposes based on the value appraised by an appraiser, as regulated by Article No.2-4 of the "Enforcement Ordinance of the Law Concerning Land Revaluation (Article No.119 issued on March 31, 1998) with certain necessary adjustments.

Revalued date                      March 31, 2002

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Differences of the land after revaluation exceeded its fair value	¥4,230	¥4,117	\$37,776

### V. Assets pledged as collateral and secured liabilities

Assets pledged as collateral and secured liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Assets pledged as collateral:			
Current assets			
Other current assets	¥27	¥27	\$247
Investment and other assets			
Investment in securities	1,996	2,315	17,829
Long-term loans	221	247	1,974
Total	¥2,245	¥2,590	\$20,051

As of March 31, 2017, the assets listed above are pledged as collateral to secure contingent liabilities amounting to ¥1,686 million (US\$15,059 thousand) and liabilities based on the loan agreements with credit line between 12 PFI companies and financial institutions.

As of March 31, 2016, secured liabilities were in the amount of ¥1,618 million and liabilities were for 12 PFI companies.

#### VI. Securities lent

Among investment in securities, securities were lent to financial institution under the security lending agreement at March 31, 2017 and 2016 were as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2017	2016	2017
¥157	¥161	\$1,402

#### VII. Commitments and contingent liabilities

(a) The Companies are contingently liable for the following as of March 31, 2017 and 2016:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Employees (Loan guarantee to bank)	¥18	¥14	\$164
National Federation of Promotion for Fishing Ports and Villages	109	159	977
Fisheries Cooperative Association (Loan guarantee)			
Others	299	674	2,675
Total	¥427	¥848	\$3,818

(b) The company has been brought a damage suit (totaling 1,206 million yen (US\$10,768 thousand)) as the reasons of defect for building construction work (completed in 1997) by said client in the Tokyo District Court and it is currently pending. The trial results are unpredictable at this time.

#### VIII. Short-term borrowings

The Company had commitment lines for efficient financial arrangement from 7 banks at March 31, 2017 and 2016 as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Total amount of contracts of commitment lines	¥20,000	¥20,000	\$178,571
Outstanding borrowings	—	—	—
Balance	¥20,000	¥20,000	\$178,571

#### IX. Non-recourse debt

The following non-recourse debts are included in current portion of long-term debt and long-term debt with PFI business pledged as collateral. The amount of non-recourse debts as of March 31, 2017 and 2016 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Non-recourse debt included in current portion of long term debt	¥606	¥645	\$5,413
Non-recourse debt included in long-term debt	2,314	2,920	20,663
Total	¥2,920	¥3,565	\$26,077

The amount of PFI assets pledged as collateral for non-recourse debt as of March 31, 2017 and 2016 are as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2017	2016	2017
¥5,129	¥5,691	\$45,803

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## 6. Notes to Consolidated Statement of Income

### I .Net sales

The amounts of contract revenue which are accounted for by the percentage-of-completion method were as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2017	2016	2017
¥154,130	¥185,276	\$1,376,169

### II .Loss on valuation of inventory

The ending inventory was the carrying value after writing down due to the decreased profitability. Among the cost of sales, amount in aggregate corresponding to loss on valuation of inventory were as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2017	2016	2017
¥25	¥1,404	\$228

### III .Reserve for loss on construction works

Among the cost of sales, amount in aggregate corresponding to reserve for loss on construction works were as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2017	2016	2017
¥1,771	¥741	\$15,820

### IV .Selling, general and administrative expenses

The significant items of selling, general and administrative expenses were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Salaries to employees	¥4,285	¥4,214	\$38,260
Expenses for retirement benefits for employees	219	260	1,958
Research expenses	763	763	6,814
Provision for doubtful accounts, trade	2	(25)	26

### V .Research and development expenses

Among the general and administrative expenses and the cost on contract, amount in aggregate corresponding to research and development expenses were as follows:

Millions of Japanese Yen		Thousands of U.S. Dollars
2017	2016	2017
¥896	¥872	\$8,000

### VI .Gain on sale of fixed assets

The breakdown of the gain on sale of fixed assets were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Tools and fixtures	¥51	¥—	\$462
Vessels	14	15	125
Machinery and equipment	13	2	117
Others	0	29	8
Total	¥79	¥46	\$713

## VII .Loss on sale of fixed assets

The breakdown of the loss on disposition of fixed assets were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Buildings	¥113	¥16	\$1,013
Land	70	19	\$630
Total	¥184	¥35	\$1,644

## VIII .Loss on disposal of fixed assets

The breakdown of the loss on retirement of fixed assets were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Buildings	¥12	¥182	\$114
Vessels	0	237	0
Others	0	7	5
Total	¥13	¥427	\$120

## IX .Impairment of fixed assets

For the year ended March 31, 2017, the Companies recognized losses on impairment of the following assets:

Use	Type of assets	Location	Number of groups
Idle properties	Machinery and equipment and others	Tokyo and others	3

The construction business assets were grouped by each branch unit, the real estate leasing assets and the idle properties were grouped by each individual objective.

The carrying amount of the relevant assets was written down to the recoverable value due to the drop in fair value and ¥332 million (US\$2,968 thousand) was accounted for as loss on impairment of fixed assets, which consisted of ¥191 million (US\$1,709 thousand) for machinery and equipment, ¥103 million (US\$920 thousand) for Tools and Fixtures, ¥23 million (US\$212 thousand) for land and ¥13 million (US\$124 thousand) for others.

Meanwhile, the recoverable value of the relevant assets was based on the anticipated net sale value. Furthermore, the anticipated net sale value of land whose carrying amount was significant was applied to the appraisal value by the licensed real-estate appraiser.

For the year ended March 31, 2016, the Companies recognized losses on impairment of the following assets:

Use	Type of assets	Location	Number of groups
Idle properties	Land, buildings and others	Osaka and others	8

The construction business assets were grouped by each branch unit, the real estate leasing assets and the idle properties were grouped by each individual objective.

The carrying amount of the relevant assets was written down to the recoverable value due to the drop in fair value and ¥1,438 million was accounted for as loss on impairment of fixed assets, which consisted of ¥1,194 million for land, ¥195 million for buildings and ¥48 million for others.

Meanwhile, the recoverable value of the relevant assets was based on the anticipated net sale value. Furthermore, the anticipated net sale value of land whose carrying amount was significant was applied to the appraisal value by the licensed real-estate appraiser.

## X.Loss on construction defects

Due to the discovery of a construction defect and false reporting, certain contract specification requirements were determined to be unfulfilled for a soil improvement project at Haneda International Airport in Tokyo and other projects carried out by the Company.

As a result, the Company recognized a loss for repair costs and other incurred for these problems.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## 7. Notes to Consolidated Statement of Comprehensive Income

Reclassifications adjustments and tax effects in relation to the other comprehensive income were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrealized gains (losses) on securities:			
Amount arising during the year	¥1,738	¥(1,955)	\$15,523
Amount of reclassification adjustments	0	—	0
Amount before tax effect	1,738	(1,955)	15,523
Tax effect	(511)	673	(4,565)
Unrealized gains (losses) on securities	1,227	(1,281)	10,958
Deferred gains (losses) on hedges:			
Amount arising during the year	—	(5)	—
Amount of reclassification adjustments	(3)	(63)	(32)
Amount before tax effect	(3)	(69)	(32)
Tax effect	1	19	9
Deferred gains (losses) on hedges	(2)	(49)	(23)
Revaluation reserve for land:			
Tax effect	—	133	—
Revaluation reserve for land	—	133	—
Retirement benefits liability adjustments:			
Amount arising during the year	1,035	(3,637)	9,248
Amount of reclassification adjustments	106	217	951
Amount before tax effect	1,142	(3,420)	10,200
Tax effect	(349)	1,049	(3,121)
Retirement benefits liability adjustments	792	(2,370)	7,078
Total other comprehensive income (loss)	¥2,017	¥(3,568)	\$18,013

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

### I. Type and number of shares

For the year ended March 31, 2017

Type of shares	Number of shares at beginning of year	Increase	Decrease	Thousands of shares
				Number of shares at end of year
Issued stock				
Common stock	224,946	—	202,451	22,494
Treasury stock				
Common stock	15,923	3	14,332	1,593

Notes: The Company completed a reverse stock split of its common stock, at ratio of 1 share for 10 shares on October 1, 2016.

Notes: The major components of decrease in issued stock were as follows:

Decrease due to reverse stock split	202,451 thousand shares
-------------------------------------	-------------------------

Notes: The major components of increase and decrease in treasury stock were as follows:

Increase due to purchase of odd stock	3 thousand shares
Detail) before reverse stock split	2 thousand shares
after reverse stock split	1 thousand shares
Decrease due to reverse stock split	14,332 thousand shares



For the year ended March 31, 2016

Type of shares	Number of shares at beginning of year	Increase	Decrease	Thousands of shares
				Number of shares at end of year
Issued stock				
Common stock	224,946	—	—	224,946
Treasury stock				
Common stock	15,919	3	—	15,923

Notes: The major components of increase in treasury stock were as follows:

Increase due to purchase of odd stock 3 thousand shares

## II .Dividend payment

For the year ended March 31, 2017

Resolution	Type of share	Dividend resource	Millions of Japanese Yen		Thousands of U.S. Dollars		Record date	Effective date
			Total amount of dividends	Cash dividends per share (Yen)	Total amount of dividends	Cash dividends per share (Dollars)		
Annual Shareholders' Meeting held on June 29, 2016								
Common stock	Retained earnings	¥850	¥4	\$7,590	\$0.03	March 31, 2016	June 30, 2016	

Notes: Cash dividends per share are based on the dividend before the reverse stock split effective from October 1, 2016.

For the year ended March 31, 2016

Resolution	Type of share	Dividend resource	Millions of Japanese Yen		Record date	Effective date
			Total amount of dividends	Cash dividends per share (Yen)		
Annual Shareholders' Meeting held on June 26, 2015						
Common stock	Retained earnings	¥425	¥2	March 31, 2015	June 29, 2015	

## 9. Notes to Consolidated Statement of Cash Flows

Cash and cash equivalents consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Cash and bank deposits	¥28,217	¥39,965	\$251,945
Time deposits due over three months	(30)	(68)	(271)
Cash and cash equivalents	¥28,187	¥39,896	\$251,673

## 10. Leases

### Operating lease

The scheduled maturities of future operating lease payments, including an interest portion on such lease contracts as of March 31, 2017 and 2016, are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Due within one year	¥144	¥463	\$1,292
Due over one year	509	24	4,550
Total	¥654	¥488	\$5,842

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## 11. Financial Instruments

### I. Summary of financial instruments

#### a) Policy for financial instruments

The Companies limit its fund management to low-risk financial instruments, such as bank deposits in a short period and have a policy to raise low-interest funds through bank borrowings flexibly. The Companies utilize derivatives in order to reduce the risk of fluctuation in interest rates and foreign exchange rates for debts and credits in foreign currencies. The Companies, furthermore, utilize the hedging instruments for the purpose of stabilizing the cost on contracts and do not enter into derivatives for speculative purpose.

#### b) Contents of financial instruments, related risk and risk management

Notes and accounts receivable which categorized into operating receivables are exposed to client's credit risk.

These risks are reviewed at entering into contract and the concerned counterparts are managed by the administration headquarters in each case.

Investments in securities are exposed to fluctuation risks of market price.

Those securities are mainly shares of other companies with which the Company has business relationships and the Company monitors the monthly fair value.

Among the debt, short-term borrowings are principally applicable to funds for business activities and long-term debt (maturities are within five years in principle) are funds for capital investments. Long-term debt with variable interest rates are exposed to the risk of interest rate fluctuation. The Company utilizes derivatives which are the interest swaps in each contracts in order to avoid fluctuation risk of interest expenses and stabilize interest cost. In addition, the Company utilizes foreign currency exchange contracts to hedge foreign currency exposure of certain transactions related to construction work denominated in foreign currency.

Conducting of derivative transactions is managed by gaining approval by directors and derivatives provided by the highly-rated financial institutions are utilized in order to avoid credit risk.

#### c) Supplemental explanation for fair value of financial instruments

Notional amounts of derivatives are not indicative of the actual market risk involved in derivative transactions.

### II. Fair value of financial instruments

As of March 31, 2017, carrying amount, fair value and unrealized gain (loss) are as follows:

	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
	Millions of Japanese Yen			Thousands of U.S. Dollars		
Cash and bank deposits	¥28,217	¥28,217	¥—	\$251,945	\$251,945	\$—
Notes and accounts receivable, trade	78,287	78,287	—	698,995	698,995	—
Advanced money	10,965	10,965	—	97,910	97,910	—
Investments in securities						
Held-to-maturity debt securities	15	15	0	133	134	0
Other securities	12,061	12,061	—	107,694	107,694	—
Total assets	129,548	129,548	0	1,156,680	1,156,681	0
Notes and accounts payable, trade	31,012	31,012	—	276,900	276,900	—
Electronically recorded obligations, operating	8,429	8,429	—	75,267	75,267	—
Short-term borrowings	8,463	8,463	—	75,566	75,566	—
Deposits received	11,937	11,937	—	106,583	106,583	—
Long-term debt ( * )	20,732	20,927	195	185,108	186,852	1,744
Total liabilities	80,575	80,771	195	719,425	721,170	1,744
Derivative transactions	¥—	¥—	¥—	\$—	\$—	\$—

( \* ) Current portion of long-term debt of ¥5,535 million (US\$49,428 thousand) is included in long-term debts and carrying amount and fair value are represented.

As of March 31, 2016, carrying amount, fair value and unrealized gain (loss) are as follows:

	Carrying amount	Fair value	Unrealized gain (loss)
Millions of Japanese Yen			
Cash and bank deposits	¥39,965	¥39,965	¥—
Notes and accounts receivable, trade	73,974	73,974	—
Advanced money	12,564	12,564	—
Investments in securities			
Held-to-maturity debt securities	15	15	0
Other securities	10,298	10,298	—
Total assets	136,818	136,818	0
Notes and accounts payable, trade	40,446	40,446	—
Electronically recorded obligations, operating	10,660	10,660	—
Short-term borrowings	8,376	8,376	—
Deposits received	13,309	13,309	—
Long-term debt (*1)	21,529	21,839	310
Total liabilities	94,322	94,632	310
Derivative transactions (*2)	¥3	¥3	¥—

(\*1) Current portion of long-term debt of ¥5,744 million is included in long-term debts and carrying amount and fair value are represented.

(\*2) The assets and liabilities are reported as net amount.

#### a) Computation of fair value for financial instruments, investment in securities and derivative transactions

##### Assets

Cash and bank deposits, and advanced money in other current assets

Those accounts are carrying value, since those are settled in a short period and their fair value is equivalent to carrying amount approximately.

Notes and accounts receivable, trade

The most of its account are carrying value, since those are settled in a short period and their fair value is equivalent to carrying amount approximately.

Investments in securities

Fair value of investments in securities is based on market price at Stock Exchange or asking price from correspondent financial institution.

##### Liabilities

Notes and accounts payable, trade, electronically recorded obligations, operating, short-term borrowings, and deposits received in other current liabilities.

Those accounts are carrying value, since those are settled in a short period and their fair value is equivalent to carrying amount approximately.

Long-term debt

Fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied, provided that the equivalent loans are newly entered into.

Derivative Transactions

Please refer to Notes 13, Delivative Transactions, of the notes the consolidated financial statement.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## b) Financial instruments for which it is extremely difficult to determine fair value

Unlisted stocks are not included in Investments in securities, since those have no market price and it is extremely difficult to determine fair value.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unlisted stocks	¥1,911	¥1,923	\$17,065

## c) Projected redemption

The projected redemption of monetary claim as of March 31, 2017 were as follows:

	within one year	over one year within five years	over five years within ten years	over ten years	within one year	over one year within five years	over five years within ten years	over ten years
	Millions of Japanese Yen				Thousands of U.S. Dollars			
Cash and bank deposits	¥28,135	¥—	¥—	¥—	\$251,206	\$—	\$—	\$—
Notes and accounts receivable, trade	74,387	3,730	169	—	664,170	33,309	1,515	—
Investments in securities								
Held-to-maturity debt securities								
(Governmental bonds)	—	15	—	—	—	133	—	—
Other securities with maturities								
(Governmental bonds)	—	—	43	—	—	—	384	—
Total	¥102,522	¥3,745	¥212	¥—	\$915,377	\$33,443	\$1,900	\$—

The projected redemption of monetary claim as of March 31, 2016 were as follows:

	within one year	over one year within five years	over five years within ten years	over ten years
	Millions of Japanese Yen			
Cash and bank deposits	¥39,887	¥—	¥—	¥—
Notes and accounts receivable, trade	68,603	4,911	458	1
Investments in securities				
Held-to-maturity debt securities				
(Governmental bonds)	—	15	—	—
Other securities with maturities				
(Governmental bonds)	—	—	43	—
Total	¥108,490	¥4,926	¥501	¥1

## d) The projected repayment of short-term borrowings, long-term debt and lease obligation as of March 31, 2017 were as follows:

	within one year	over one year within two years	over two years within three years	over three years within four years	over four years within five years	over five years
	Millions of Japanese Yen					
Short-term borrowings	¥8,463	¥—	¥—	¥—	¥—	¥—
Long-term debt	5,535	5,333	3,941	3,572	2,280	68
Lease obligation	19	17	2	—	—	—
Total	¥14,018	¥5,350	¥3,944	¥3,572	¥2,280	¥68

	within one year	over one year within two years	over two years within three years	over three years within four years	over four years within five years	over five years
Thousands of U.S. Dollars						
Short-term borrowings	\$75,566	\$—	\$—	\$—	\$—	\$—
Long-term debt	49,428	47,617	35,195	31,893	20,361	611
Lease obligation	171	158	26	—	—	—
<b>Total</b>	<b>\$125,166</b>	<b>\$47,776</b>	<b>\$35,221</b>	<b>\$31,893</b>	<b>\$20,361</b>	<b>\$611</b>

The projected repayment of short-term borrowings, long-term debt and lease obligation as of March 31, 2016 were as follows:

	within one year	over one year within two years	over two years within three years	over three years within four years	over four years within five years	over five years
Millions of Japanese Yen						
Short-term borrowings	¥8,376	¥—	¥—	¥—	¥—	¥—
Long-term debt	5,744	5,436	4,118	2,727	2,357	1,145
Lease obligation	30	19	17	2	—	—
<b>Total</b>	<b>¥14,150</b>	<b>¥5,455</b>	<b>¥4,136</b>	<b>¥2,730</b>	<b>¥2,357</b>	<b>¥1,145</b>

## 12. Securities

(1) The following is certain information related to the aggregate acquisition costs, carrying amount and fair value of securities.

At March 31, 2017

	Millions of Japanese Yen			Thousands of U.S. Dollars		
	Acquisition cost	Fair value (Carrying value)	Unrealized gain (loss)	Acquisition cost	Fair value (Carrying value)	Unrealized gain (loss)
Held-to-maturity debt securities whose consolidated balance sheet amount exceeds its acquisition cost						
Government bond	¥15	¥15	¥0	\$133	\$134	\$0
Sub total	15	15	0	133	134	0
The securities whose consolidated balance sheet amount does not exceed its acquisition cost						
Government bond	—	—	—	—	—	—
Sub total	—	—	—	—	—	—
<b>Total</b>	<b>¥15</b>	<b>¥15</b>	<b>¥0</b>	<b>\$133</b>	<b>\$134</b>	<b>\$0</b>

	Millions of Japanese Yen			Thousands of U.S. Dollars		
	Acquisition cost	Fair value (Carrying value)	Unrealized gain (loss)	Acquisition cost	Fair value (Carrying value)	Unrealized gain (loss)
Other securities whose consolidated balance sheets amount exceeds its acquisition cost						
Stock	¥5,617	¥11,622	¥6,005	\$50,155	\$103,772	\$53,616
Government bond	39	43	3	350	384	33
Sub total	5,656	11,665	6,008	50,506	104,157	53,650
The securities consolidated balance sheets amount does not exceed its acquisition cost						
Stock	464	396	(68)	4,149	3,537	(611)
Government bond	—	—	—	—	—	—
Sub total	464	396	(68)	4,149	3,537	(611)
<b>Total</b>	<b>¥6,121</b>	<b>¥12,061</b>	<b>¥5,940</b>	<b>\$54,656</b>	<b>\$107,694</b>	<b>\$53,038</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

At March 31, 2016

	Millions of Japanese Yen		
	Acquisition cost	Fair value (Carrying value)	Unrealized gain (loss)
Held-to-maturity debt securities whose consolidated balance sheet amount exceeds its acquisition cost			
Government bond	¥15	¥15	¥0
Sub total	15	15	0
The securities whose consolidated balance sheet amount does not exceed its acquisition cost			
Government bond	—	—	—
Sub total	—	—	—
Total	¥15	¥15	¥0

	Millions of Japanese Yen		
	Acquisition cost	Fair value (Carrying value)	Unrealized gain (loss)
Other securities whose consolidated balance sheets amount exceeds its acquisition cost			
Stock	¥4,842	¥9,205	¥4,362
Government bond	38	43	4
Sub total	4,880	9,248	4,367
The securities consolidated balance sheets amount does not exceed its acquisition cost			
Stock	1,216	1,050	(165)
Government bond	—	—	—
Sub total	1,216	1,050	(165)
Total	¥6,097	¥10,298	¥4,201

(2) Other securities sold during the financial years ended March 31, 2017 and 2016 were as follows:

At March 31, 2017

	Millions of Japanese Yen			Thousands of U.S. Dollars		
	Sales	Gain on sales	Loss from sales	Sales	Gain on sales	Loss from sales
Stock	¥0	¥—	¥0	\$0	\$—	\$0
Other	—	—	—	—	—	—
Total	¥0	¥—	¥0	\$0	\$—	\$0

At March 31, 2016

The Companies did not sell other securities during the financial year.

## 13. Derivative Transactions

Derivative transactions for the year ended March 31, 2017 were classified into:

### a) Hedge accounting unapplied

Not applicable

### b) Hedge accounting applied

Notional amounts and fair value conditioned on contracts in each hedge accounting method are as follows:

Interest Rate related derivatives

Hedge accounting method	Types of derivative	Hedged item	Millions of Japanese Yen			Thousands of U.S. Dollars		
			Notional amount	Maturing over one year	Fair value	Notional amount	Maturing over one year	Fair value
Short-cut	Interest rate swaps Pay/fixed and receive/floating	Long-term debt	¥8,580	¥5,504	(*)	\$76,611	\$49,147	(*)

(\*) Fair value based on the short-cut method is included in fair value of these long-term debt, since the derivative transactions are treated with the hedged long-term debts collectively.

Derivative transactions for the year ended March 31, 2016 were classified into:

**a) Hedge accounting unapplied**

Not applicable

**b) Hedge accounting applied**

Notional amounts and fair value conditioned on contracts in each hedge accounting method are as follows:

(1) Currency related derivatives

Millions of Japanese Yen					
Hedge accounting method	Types of derivative	Hedged item	Notional amount	Maturing over one year	Fair value
Accounting in principle	Forward foreign exchange contracts Buying U.S. Dollars	Accounts payable	¥94	¥—	¥3 (*)

(\*) Fair value is calculated based on presented price by correspondent financial institution.

(2) Interest Rate related derivatives

Millions of Japanese Yen					
Hedge accounting method	Types of derivative	Hedged item	Notional amount	Maturing over one year	Fair value
Short-cut	Interest rate swaps Pay/fixed and receive/ floating	Long-term debt	¥10,907	¥7,225	(*)

(\*) Fair value based on the short-cut method is included in fair value of these long-term debt, since the derivative transactions are treated with the hedged long-term debts collectively.

## 14. Reserve for Retirement Benefits and Pension Plan

The Company and some of its consolidated subsidiaries have the funded/unfunded defined benefit retirement plans.

The Company has the funded defined benefit plan, the cash balance plan and sets up the retirement benefit trust.

Some consolidated subsidiaries have the unfunded retirement lump sum plans.

Furthermore, additional severance payment covering substantially all employees.

(1) The changes in the retirement benefit obligation during the year ended March 31, 2017 and 2016 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Retirement benefit obligation balance at the beginning of the year	¥22,283	¥21,445	\$198,959
Service cost	797	755	7,119
Interest cost	96	182	858
Actuarial gain	(466)	1,655	(4,168)
Retirement benefit paid	(1,113)	(1,754)	(9,941)
Retirement benefit obligation balance at the end of the year	¥21,596	¥22,283	\$192,827

(2) The changes in plan assets during the year ended March 31, 2017 and 2016 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Plan assets balance at the beginning of the year	¥16,697	¥18,598	\$149,082
Expected return on plan assets	204	200	1,828
Actuarial loss	569	(1,982)	5,080
Contributions by the Company	799	1,602	7,139
Retirement benefits paid	(1,110)	(1,721)	(9,911)
Plan assets balance at the end of the year	¥17,160	¥16,697	\$153,219

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

(3)The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2017 and 2016 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded retirement benefit obligation	¥21,210	¥21,930	\$189,377
Plan assets at fair value	(17,160)	(16,697)	(153,219)
	4,049	5,233	36,158
Unfunded retirement benefit obligation	386	353	3,450
Net liability for retirement benefits in the balance sheet	4,436	5,586	39,608
Liability for retirement benefits	4,436	5,586	39,608
Net liability for retirement benefits in the balance sheet	¥4,436	¥5,586	\$39,608

(4)The components of retirement benefit expense for the year ended March 31, 2017 and 2016 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Service cost	¥797	¥755	\$7,119
Interest cost	96	182	858
Expected return on plan assets	(204)	(200)	(1,828)
Amortization of actuarial loss	106	217	951
Other	11	11	105
Retirement benefit expense	¥807	¥966	\$7,206

Notes:

1. Service cost does not include the amounts contributed by employees with respect to welfare pension fund plans.
2. Retirement benefit expenses for consolidated subsidiaries adopting the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end are included in "Service cost."

(5)Unrecognized actuarial gain included in other comprehensive income (before tax effect) as of March 31, 2017 and 2016 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Actuarial gain (loss)	¥1,142	(¥3,420)	\$10,200

(6)Unrecognized actuarial gain (loss) included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized actuarial gain (loss)	¥2,092	¥3,234	\$18,680

(7)The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 and 2016 are as follows:

	2017	2016
	Stocks	42%
Bonds	38%	38%
General account assets	17%	17%
Other	3%	6%
Total	100%	100%

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.



(8)The assumptions used in accounting for the above plans as of March 31, 2017 and 2016 were as follows:

	(Weighted average)	
	2017	2016
Discount rate	0.5%	0.4%
Expected rate of return on plan assets	2.0%	2.0%
Expected rate of future salary increase	2.3%~6.8%	2.2%~6.9%

## 15. Tax Effect Accounting

1. The significant components of deferred tax assets and liabilities at March 31, 2017 and 2016 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
<b>Deferred Tax Assets:</b>			
Net liability for retirement benefits	¥2,243	¥2,819	\$20,032
Reserve for loss on construction works	689	541	6,155
Accrued bonus to employees	457	709	4,089
Unrealized losses on securities	175	250	1,567
Loss on valuation of utility rights	258	257	2,305
Loss on valuation of investment in securities	169	166	1,517
Loss on impairment of fixed assets	511	452	4,571
Loss on construction defects	4,334		38,703
Other	3,156	3,040	28,179
Valuation allowance	(1,878)	(1,187)	(16,769)
Deferred tax assets	¥10,119	¥7,050	\$90,350
<b>Deferred Tax Liabilities:</b>			
Revaluation reserve for land	(¥545)	(¥546)	(\$4,874)
Unrealized gains on securities	(1,921)	(1,494)	(17,156)
Other	(90)	(88)	(806)
Deferred tax liabilities	(2,557)	(2,129)	(22,837)
<b>Net Deferred Tax Assets</b>	<b>¥7,561</b>	<b>¥4,921</b>	<b>\$67,512</b>

(Note) Net deferred tax assets were included in the following items.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Current assets - Deferred tax assets	¥7,407	¥3,725	\$66,138
Investments and other assets - Deferred tax assets	773	1,808	6,907
Current liabilities - Other current liabilities	67	71	603
Long-term liabilities - Other long-term liabilities	552	541	4,929

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

2. A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2017 and 2016, and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2017	2016
Normal effective statutory tax rate	—	33.0%
Expenses not deductible for income tax purposes	—	2.1
Non-taxable income	—	(0.8)
Per capita levy of inhabitant taxes	—	1.3
Change in valuation allowance	—	1.7
Write-down of tax rate change for deferred tax assets	—	2.4
Foreign corporation tax	—	(3.1)
Reduction of revaluation reserve for land	—	(3.7)
Other-net	—	(3.1)
Actual effective tax rates	—	29.9%

Information of a reconciliation between the normal effective statutory tax rate and the actual effective tax rate for the years ended March 31, 2017 have been omitted, because the Company reported loss before income taxes in Consolidated Financial Statements.

## 16. Asset Retirement Obligations

Because of insignificant amounts in asset retirement obligations, the Companies have omitted notation in the Notes to Consolidated Financial Statements for the years ended March 31, 2017 and 2016.

## 17. Investment and Rental Property

Because of insignificant amounts in investment and rental property, the Companies have omitted notation in the Notes to Consolidated Financial Statements for the year ended March 31, 2017 and 2016.

## 18. Information on Various Segments

### I. Outline of the reportable segments

The reportable segments of the Companies are components for which discrete financial information is available and prepared for the regular review, so that the board of directors can make decisions on the distribution of management resources and evaluate the operating performance. The Company comprises "Civil Engineering General Headquarters" and "Building Construction General Headquarters", which control domestic construction businesses, and "International Division" for overseas businesses. Those Headquarters and International Division develop strategies comprehensively in each line of business and expand business activities.

Accordingly, the Company's businesses consist of segments classified by products and services based on the headquarters. The reportable segments are composed of "Domestic Civil Engineering Businesses", "Domestic Architectural Businesses", "Overseas Businesses" and principal activities in each segment are the following:

- 1) Domestic Civil Engineering Businesses: domestic civil engineering contracts, contracts related to design and others
- 2) Domestic Architectural Building Businesses: domestic architectural contracts, contracts related to design and others
- 3) Overseas Businesses: general overseas contracts

### II. Computation for the amount of net sales, profits or losses and other items in each reportable segment

The accounting policies of the reportable segments are substantially equivalent to the description in Significant Respects for the Basis of Preparing Consolidated Financial Statements. Intersegment net sales and transfers are based on the current market price. Meanwhile, assets are not allocated to the business segments.

### III .Information on net sales, profits or losses and other items in the reportable segments

For the year ended March 31, 2017

Millions of Japanese Yen								
	Reportable Segments				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Domestic Civil Engineering	Domestic Architectural Building	Overseas	Total				
Net sales:								
External customers	¥85,437	¥43,685	¥28,927	¥158,050	¥9,150	¥167,200	¥ —	¥167,200
Inter-segment	28	76	—	104	22,130	22,234	(22,234)	—
Total	¥85,465	¥43,761	¥28,927	¥158,154	¥31,281	¥189,435	(¥22,234)	¥167,200
Segment profits or losses	4,898	709	3,080	8,688	663	9,351	(3,154)	6,196
Other items								
Depreciation and amortization	¥432	¥1	¥655	¥1,088	¥540	¥1,629	¥381	¥2,010

For the year ended March 31, 2017

Thousands of U.S. Dollars								
	Reportable Segments				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Domestic Civil Engineering	Domestic Architectural Building	Overseas	Total				
Net sales:								
External customers	\$762,838	\$390,046	\$258,280	\$1,411,164	\$81,700	\$1,492,865	\$ —	\$1,492,865
Inter-segment	250	678	—	928	197,596	198,525	(198,525)	—
Total	\$763,088	\$390,725	\$258,280	\$1,412,093	\$279,296	\$1,691,390	(\$198,525)	\$1,492,865
Segment profits or losses	43,740	6,331	27,500	77,572	5,920	83,493	(28,166)	55,326
Other items								
Depreciation and amortization	\$3,862	\$10	\$5,848	\$9,721	\$4,826	\$14,547	\$3,406	\$17,953

Notes :

1. "Other" is excluded from the reportable segments and inclusive of Real Estate Business, Manufacture / Sale / Repairing of construction machineries.
2. Adjustment of the segment profits amounting to ¥(3,154) million (US\$(28,166) thousand) is inclusive of inter-segment elimination amounting to ¥137 million (US\$1,225 thousand) and Selling, General and Administrative Expenses amounting to ¥(3,291) million (US\$(29,392) thousand) which are not attributed to any reportable segments.
3. Segment profits or losses are adjusted to the operating income in the consolidated statements of income.
4. Assets are not described due to no allocation to the business segments.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

For the year ended March 31, 2016

Millions of Japanese Yen								
	Reportable Segments				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Domestic Civil Engineering	Domestic Architectural Building	Overseas	Total				
Net sales:								
External customers	¥99,937	¥41,925	¥48,736	¥190,599	¥9,682	¥200,282	¥ —	¥200,282
Inter-segment	2	1,479	—	1,482	30,963	32,445	(32,445)	—
<b>Total</b>	<b>¥99,940</b>	<b>¥43,405</b>	<b>¥48,736</b>	<b>¥192,082</b>	<b>¥40,645</b>	<b>¥232,728</b>	<b>(¥32,445)</b>	<b>¥200,282</b>
Segment profits or losses	7,178	1,559	5,256	13,994	1,145	15,139	(3,350)	11,789
Other items								
Depreciation and amortization	¥566	¥1	¥617	¥1,185	¥547	¥1,733	¥299	¥2,033

Notes :

- "Other" is excluded from the reportable segments and inclusive of Real Estate Business, Manufacture / Sale / Repairing of construction machineries.
- Adjustment of the segment profits amounting to ¥(3,350) million is inclusive of inter-segment elimination amounting to ¥1 million and Selling, General and Administrative Expenses amounting to ¥(3,351) million which are not attributed to any reportable segments.
- Segment profits or losses are adjusted to the operating income in the consolidated statements of income.
- Assets are not described due to no allocation to the business segments.

## 19.Related Information

### I .Information on products and services

Description is excluded since the similar information is disclosed in the segment information.

### II .Geographical information

1) Net sales

For the year ended March 31, 2017

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2017	2017
Japan	¥138,273	\$1,234,584
South east asia	20,282	181,095
Other	8,644	77,184
<b>Total</b>	<b>¥167,200</b>	<b>\$1,492,865</b>

For the year ended March 31, 2016

	Millions of Japanese Yen
	2016
Japan	¥151,563
Singapore	26,631
Other	22,087
<b>Total</b>	<b>¥200,282</b>

Note) Net sales are based on the customers' location and categorized into the countries or areas.

2) Tangible fixed assets

Description is excluded since the amounts of the tangible fixed assets registered at domestically exceed 90% of those amounts in the consolidated balance sheets.

### III .Information on principal customer

For the year ended March 31, 2017

Name of Customer	Related segments	Net sales	
		Millions of Japanese Yen 2017	Thousands of U.S. Dollars 2017
Japanese Ministry of Land, Infrastructure, Transport and Tourism	Domestic Civil Engineering Businesses, Domestic Architectural Businesses, others	¥33,496	\$299,073

For the year ended March 31, 2016

Name of Customer	Related segments	Net sales
		Millions of Japanese Yen 2016
Japanese Ministry of Land, Infrastructure, Transport and Tourism	Domestic Civil Engineering Businesses, Domestic Architectural Businesses, others	¥37,308

### IV .Information on the loss on impairment of fixed assets in each reportable segment

The losses on impairment of fixed assets were not allocated to the each reportable segment of the Companies. Description of the amounts and contents is excluded since the similar information is disclosed in the notes related to the consolidated statements of income for the year ended March 31, 2017 and 2016.

### V .Information on the amortization and the unamortized balance of goodwill in each reportable segment

The amortization was not applicable for the year ended March 31, 2017 and 2016.

### VI .Information on gain on negative goodwill in each reportable segment

The Companies did not allocate the gain on negative goodwill to the each reportable segment.

The gain was not applicable for the year ended March 31, 2017 and 2016.

## 20.Per Share Data

	Japanese Yen		U.S. Dollars
	2017	2016	2017
Net assets	¥3,082.45	¥3,381.65	\$27.521
Net income (loss)	(355.86)	288.88	(3.177)

Note 1 Diluted net income per share was not disclosed because there were no dilutive share for the year ended March 31, 2016

Note 2 Diluted net income per share was not disclosed because there were net loss per share although no dilutive share for the year ended March 31, 2017

Note 3 The Company completed a reverse stock split of its common stock, at ratio of 1 share for 10 shares on October 1, 2016. Net assets per share and net income per share as of and for the year ended March 31, 2016 are calculated under the assumption that the reverse stock split took place at the beginning of the year ended March 31, 2016.

Notes) The basic information for calculation of per share data were as follows:

#### 1.Per share data on net assets

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Net assets	¥64,958	¥71,143	\$579,986
Net assets amount for common stocks	64,426	70,684	575,232
Significant breakdown of differences			
Non-controlling interests	¥532	¥459	\$4,753

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

	Thousands of shares	
	2017	2016
Numbers of issued shares of common stocks	22,494	22,494
Numbers of treasury stocks of common stocks	1,593	1,592
Numbers of common stocks which were used for calculation for per share data on net assets	20,900	20,902

## 2.Per share data on net income (loss)

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2017	2016	2017
Profit (loss) attributable to owners of parent	¥(7,438)	¥6,038	\$(66,412)
Profit (loss) attributable to owners of parent which does not belong to common stockholders	—	—	—
Profit (loss) attributable to owners of parent for common stocks	¥(7,438)	¥6,038	\$(66,412)

	Thousands of Shares	
	2017	2016
Average number of shares of common stocks	20,901	20,902

## 21.Significant Subsequent Events

Note applicable

## Consolidated table for detailed statements

### Table for borrowing

	Millions of Japanese Yen		Thousands of U.S. Dollars		Average rates	Repayment deadline
	Beginning balance	Closing Balance	Beginning balance	Closing Balance	%	
Short-term borrowings	¥8,376	¥8,463	\$74,785	\$75,566	0.73%	
Current portion of Long-term debt	5,099	4,929	45,533	44,014	1.37%	
Current portion of Non-recourse debt	645	606	5,759	5,413	1.72%	
Current portion of lease obligations	30	19	269	171	—	
Long-term debt (excluding current portion)	12,864	12,881	114,859	115,016	1.21%	from 2018 to 2022
Non-recourse debt (excluding current portion)	2,920	2,314	26,077	20,663	1.84%	from 2018 to 2026
Lease obligation (excluding current portion)	39	20	355	184		from 2018 to 2019
Other debt	—	—	—	—		
<b>Total</b>	<b>¥29,975</b>	<b>¥29,235</b>	<b>\$267,640</b>	<b>\$261,031</b>		

Notes :

1.The "average rates" are balanced by the weighted average.

The average rates of lease obligations are not listed because interests are included in the lease obligation in the consolidated balance sheets.

2.The amount scheduled to be repayment of long-term debt, non-recourse debt and lease obligations (excluding current portions) within 5 years after the consolidated closing date were as follows:

	Millions of Japanese Yen				Thousands of U.S. Dollars			
	over one year within two years	over two years within three years	over three years within four years	over four years within five years	over one year within two years	over two years within three years	over three years within four years	over four years within five years
Long-term debt	¥4,765	¥3,396	¥3,029	¥1,690	\$42,546	\$30,327	\$27,048	\$15,093
Non-recourse debt	567	545	542	589	5,071	4,867	4,845	5,267
Lease obligations	17	2	—	—	158	26	—	—

**Table for asset retirement obligation**

The indication omitted due to the beginning balance and closing balance of asset retirement obligation were less than or equal to hundredth part of the beginning balance and closing balance of the liabilities and net assets.

## Independent Auditor's Report

The Board of Directors  
TOA CORPORATION

We have audited the accompanying consolidated financial statements of TOA CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOA CORPORATION and its consolidated subsidiaries as at March 31, 2017, 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.

*Ernst & Young Shinuhon LLC*

June 29, 2017  
Yokohama, Japan



## Quarterly Financial Information

For the fiscal year ended March 31, 2017

Cumulative period	Millions of Japanese Yen				Thousands of U.S. Dollars			
	First quarter	Second quarter	Third quarter	Consolidated accounting period	First quarter	Second quarter	Third quarter	Consolidated accounting period
Net sales	<b>¥40,305</b>	<b>¥77,946</b>	<b>¥118,384</b>	<b>¥167,200</b>	<b>\$359,872</b>	<b>\$695,948</b>	<b>\$1,057,002</b>	<b>\$1,492,865</b>
Profit (loss) before income taxes or quarterly profit (loss) before income taxes	<b>2,153</b>	<b>2,949</b>	<b>5,578</b>	<b>(10,018)</b>	<b>19,230</b>	<b>26,332</b>	<b>49,810</b>	<b>(89,450)</b>
Profit (loss) attributable to owners of parent or quarterly profit (loss) attributable to owners of parent	<b>¥1,469</b>	<b>¥1,967</b>	<b>¥3,715</b>	<b>¥(7,438)</b>	<b>\$13,122</b>	<b>\$17,568</b>	<b>\$33,172</b>	<b>\$(66,412)</b>

Cumulative period	Japanese Yen				U.S. Dollars			
	First quarter	Second quarter	Third quarter	Consolidated accounting period	First quarter	Second quarter	Third quarter	Consolidated accounting period
Per share data on profit (loss) or per share data on quarterly profit (loss)	<b>¥70.31</b>	<b>¥94.14</b>	<b>¥177.75</b>	<b>¥(355.86)</b>	<b>\$0.627</b>	<b>\$0.840</b>	<b>\$1.587</b>	<b>\$(3.177)</b>

Accounting period	Japanese Yen				U.S. Dollars			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Per share data on quarterly profit (loss)	<b>¥70.31</b>	<b>¥23.82</b>	<b>¥83.62</b>	<b>¥(533.64)</b>	<b>\$0.627</b>	<b>\$0.212</b>	<b>\$0.746</b>	<b>\$(4.764)</b>

The Company completed a reverse stock split of its common stock, at ratio of 1 share for 10 shares on October 1, 2016. Net assets per share and net income (loss) per share as of and for the year ended March 31, 2016 are calculated under the assumption that the reverse stock split took place at the beginning of the year ended March 31, 2016.

# INFORMATION



## Board of Directors

(As of June 29,2017)

### President and Representative Director

Masaki Akiyama

### Representative Director

Ryo Suetomi

### Directors

Masato Ikeda

Shigetoshi Kurosu

Seiichiro Ishii

Masahiko Okamura

Kosei Watanabe

### Audit & Supervisory Board Members

Eisuke Sassa

Yujiro Oku

Satoshi Nakano

Yoshikazu Mikami



## Executive Officers

(As of June 29,2017)

### President and Chief Executive Officer (CEO)

Masaki Akiyama

### Executive Vice President

Ryo Suetomi

### Senior Executive Officers

Motonobu Sugimoto

Seiichi Yamaguchi

Masato Ikeda

Shigetoshi Kurosu

### Managing Executive Officers

Mitsugi Okuda

Kazuyuki Higuchi

Masaharu Fukuda

Atsuro Moriwake

Masanori Iwaki

Atsushi Tamaki

Makoto Fujino

Seiichiro Ishii

Masayoshi Tatsuta

Masato Horisawa

### Executive Officers

Hiroshi Osumi

Tomoko Okiyama

Yoshinobu Fukushima

Seigo Suzuki

Masaki Uematsu

Takayuki Baba

Toshio Aono

Ryohei Goto

Yuko Shirakawa

Yoshika Hirose

Investor Information  
(As of June 29, 2017)

Head Office

TOA CORPORATION  
3-7-1, Nishi-shinjuku, Shinjuku-ku,  
Tokyo, 163-1031 Japan  
TEL : +81-3-6757-3800  
FAX : +81-3-6757-3830  
<http://www.toa-const.co.jp/>

International Division

3-7-1, Nishi-shinjuku, Shinjuku-ku,  
Tokyo, 163-1031 Japan  
TEL : +81-3-6367-0801  
FAX : +81-3-6367-0809

Date of Incorporation

January 1920

Paid-In Capital

¥18,976 million (As of March 31, 2017)

Authorized Shares

60,000,000

Outstanding Shares

22,494,629 shares in 2017 (As of March 31, 2017)

Number of Shareholders

9,383 (As of March 31, 2017)

Number of Employees

1,452 (As of March 31, 2017)

General Meeting

The General Meeting of Shareholders was held on June 29, 2017

Stock Listing

Tokyo Stock Exchange, 1st Section  
Sapporo Securities Exchanges

Transfer Agent

Mizuho Trust & Banking Co., Ltd.  
2-1, Yaesu 1 chome, Chuo-ku,  
Tokyo, 103-8670, Japan

Auditor

Ernst & Young ShinNihon LLC  
Hibiya Kokusai Building  
2-3, Uchisaiwai-cho 2 chome, Chiyoda-ku,  
Tokyo 100-0011, Japan

Domestic Branches

Hokkaido Branch  
Tohoku Branch  
Chiba Branch  
Tokyo Branch  
Yokohama Branch  
Hokuriku Branch  
Nagoya Branch  
Osaka Branch  
Shikoku Branch  
Chugoku Branch  
Kyushu Branch  
East Japan Architecture Branch  
West Japan Architecture Branch

Overseas Network

Head Office and Overseas Offices

HEAD OFFICE (International Division)

Shinjuku Park Tower 31F  
3-7-1, Nishi-Shinjuku, Shinjuku-ku,  
Tokyo, 163-1031 JAPAN  
TEL : +81-3-6367-0801  
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SINGAPORE

Singapore Office  
23 Pandan Crescent,  
SINGAPORE 128472  
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FAX : +65-6775-3542

INDONESIA

Indonesia Office  
L'AVENUE Office Building, Unit F,  
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16, Pancoran, Jakarta 12780,  
INDONESIA  
TEL:62-21-8066-7181

VIETNAM

Hanoi Office  
3rd Floor, Sky City Building,  
88 Lang Ha Street, Lang Ha Ward,  
Dong Da District, Hanoi  
VIETNAM  
TEL:84-24-3826-2606  
FAX:84-24-3826-2628

VIETNAM

Ho Chi Minh Office  
2nd Floor, VIPD Building,  
4 Nguyen Thi Minh Khai Street  
Dakao Ward, District 1, Ho Chi Minh City  
VIETNAM  
TEL:84-28-3820-1722  
FAX:84-28-3820-1724

MYANMAR

Myanmar Office  
MBIC Room, Ground Floor, No-(49),  
Thidar Street  
Kyauk Myaung Gyi Quarter,  
Tamwe Township, Yangon  
MYANMAR

SRI LANKA

Sri Lanka Office  
No.182/2, Hulftsdorp Street, Colombo 12,  
SRI LANKA  
TEL : +94-11-2321633  
FAX : +94-11-4617783

UNITED ARAB EMIRATES

Dubai Office  
LOB 15, Office 501, JAFZA, Dubai,  
UNITED ARAB EMIRATES  
TEL : +971-4-880-8868  
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KUWAIT

Kuwait Office  
Office 5, Floor 16, Al Salam Tower,  
Plot No.28, Block 13, Street 80, KUWAIT

CHINA

Hong Kong Office  
36/F., Tower Two, Times Square,  
1 Matheson Street, Causeway Bay,  
HONG KONG

Overseas Subsidiaries and Affiliates

TOA HARBOR(S) PTE., LTD.

23 Pandan Crescent,  
SINGAPORE 128472  
TEL : +65-6775-5044  
FAX : +65-6775-3542

TOA(M). SDN. BHD.

Suite 3.21, 3rd Floor, The Ampwalk, 218,  
Jalan Ampang, 50450 Kuala Lumpur,  
MALAYSIA  
TEL : +60-3-2161-5909  
FAX : +60-3-2161-5908

P.T. TOA TIRTA DHARMA

L'AVENUE Office Building, Unit F,  
28th Floor, Jl. Raya Pasar Minggu Kav.  
16, Pancoran, Jakarta 12780,  
INDONESIA  
TEL:62-21-8066-7181

TOA (LUX) S.A.

4 Rue Henri Schnadt L-2530,  
LUXEMBOURG  
TEL : +352-403727  
FAX : +352-403723

SIAM TOA CORPORATION LTD.

2 Jasmine Building, 12th Floor,  
Soi Prasammit (Sukhumvit 23),  
Sukhumvit Road, North Klongtoey,  
Wattana, Bangkok 10110, THAILAND

TOA (PHILS.), INC.

26F, U2607, One San Miguel Avenue  
Condominium, No. 1 San Miguel Avenue  
cor. Shaw Boulevard, Ortigas Center, Pasig  
City, 1605, PHILIPPINES  
TEL : +63-2-718-3068  
FAX : +63-2-718-3071

# Memo

A series of horizontal dashed lines for writing.





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