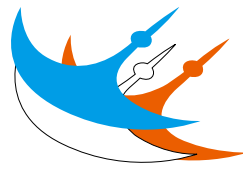




# Annual Report 2018

For the fiscal year ended March 31, 2018





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, 2018, TOA established its headquarters in Tokyo, under which thirteen domestic branches, ten offshore offices, eleven consolidated subsidiaries, six non-consolidated subsidiaries, and eighteen 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.

# CORPORATE PROFILE

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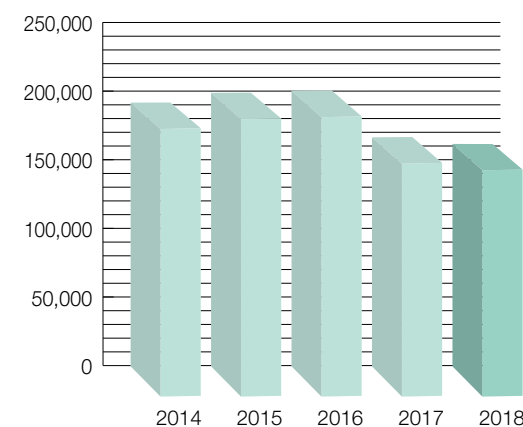
# FINANCIAL HIGHLIGHTS

TOA CORPORATION and its consolidated subsidiaries

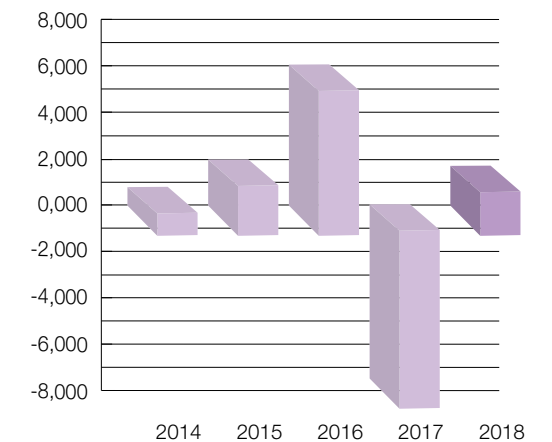
Years ended March 31,	Millions of Japanese Yen					Thousands of U.S. Dollars (Note)
	2014	2015	2016	2017	2018	2018
	<b>Consolidated</b>					
<b>For the year:</b>						
Net sales	¥ 192,607	¥ 198,884	¥ 200,282	¥ 167,200	¥ 161,045	\$ 1,519,294
Profit (loss) before income taxes	2,232	5,513	8,732	▲ 10,018	2,557	24,123
Profit (loss) attributable to owners of parent	819	2,080	6,038	▲ 7,438	1,750	16,511
<b>At year-end:</b>						
Total assets	189,445	190,202	196,491	183,735	190,297	1,795,257
Net assets	63,978	69,004	71,143	64,958	67,747	639,124
Property, plant and equipment-net	29,510	29,468	29,483	27,651	26,673	251,634
<b>Per share of common stock:</b>	Yen				U.S. Dollars	
Net income (loss)	¥ 3.92	¥ 9.95	¥ 28.89	¥ ▲ 355.86	¥ 83.74	\$ 0.790
Cash dividends	2.00	2.00	4.00	—	20.0	0.188
Net assets	304.65	328.35	338.16	3,082.45	3,214.86	30.328

Note: The amount in U.S. dollars was converted at the rate of ¥106=US\$1, the effective rate at March 31, 2018.  
The Company completed a reverse stock split of its common stock, at ratio of 1 share for 10 shares on October 1, 2016.

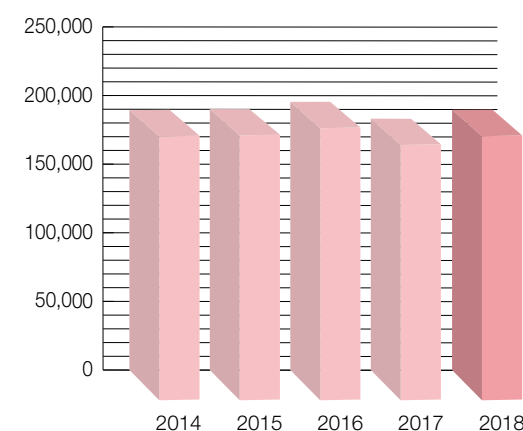
**Net sales** (Unit: Millions of Yen)



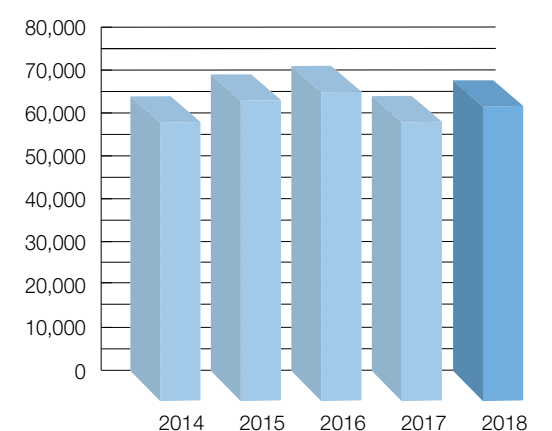
**Net income** (Unit: Millions of Yen)



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



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



# MESSAGE FROM THE PRESIDENT

## Summary of Business Performance of the Fiscal Year

For the fiscal year just ended on March 31, 2018, there were signs that the Japanese economy was gradually recovering, with improvements continuing in the employment and income conditions resulting from improvements in the financial performance of companies 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 damage prevention and disaster damage reduction, as well as maintenance and renewal of facilities to cope

with the aging social infrastructure. Private investment also showed steady improvement, backed by increased corporate earnings and reform of the tax system.

Amidst this environment, the Toa Corporation Group, which comprises Toa Corporation and its consolidated subsidiaries, has been carrying forward various measures based on its Mid-Term Business Plan (from FY2017 to FY2019), under the basic principle of “*Change* for Recovery of Trust, *Growth* Starting from Building a Foundation that Makes the Most of Technology and Quality,” and achieving its management goals, with the aim of becoming a company capable of sustainable growth that is able to respond to the expectations and trust of its customers and society.

President and Chief Executive Officer

*M. Akizama*

With regard to the consolidated results for the Toa Corporation Group for the fiscal year just ended, net sales decreased 3.7% from the previous fiscal year to ¥161,045 million; operating income decreased 53.5% from the previous fiscal year to ¥2,879 million; and ordinary

income decreased 54.0% from the previous fiscal year to ¥2,714 million. The net income attributable to the shareholders of the parent company was ¥1,750 million for the fiscal year just ended, compared with the net loss of ¥7,438 million for the previous fiscal year.

## The performance of each segment of the Toa Corporation Group

**(Domestic Civil Engineering Business)**  
The main business is in the field of marine civil engineering, with efforts continuously focused on building infrastructure, such as railways and power plants, as well as social infrastructure. For the consolidated fiscal year just ended, net sales decreased 12.3% from the previous fiscal year to ¥74,939 million. The segment profit (operating income) decreased 54.6% from the previous fiscal year to ¥2,223 million.

**(Domestic Construction Business)**  
Efforts are being made to expand the amount of orders received from 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 21.4% over the previous fiscal year to ¥53,035 million. The segment profit (operating income) increased 211.1% over the previous fiscal year to ¥2,206 million.

**(Overseas Business)**  
In the Middle East, Africa, 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 19.7% from the previous fiscal year to ¥23,217 million. The segment profit (operating income) decreased 68.8% from the previous fiscal year to ¥961 million.

**(Others)**  
Net sales for the consolidated fiscal year just ended increased 7.7% over the previous consolidated fiscal year to ¥9,852 million, while the segment profit (operating income) increased 21.8% over the previous fiscal year to ¥807 million.

## MESSAGE FROM THE PRESIDENT

### Summary of Financial Conditions of Fiscal Year Just Ended

Total assets at the end of the fiscal year just ended increased ¥6,562 million compared with the end of the previous fiscal year to ¥190,297 million. The increase was due primarily to the increase of cash and bank deposits, notes receivable, accounts receivable from completed construction works, and other items, even though there was a decrease in advances paid. Liabilities increased ¥3,773 million compared with the end of the

previous fiscal year to ¥122,550 million due primarily to the increase of electronically recorded obligations, notes payable, accounts payable on construction works, and other items.

Net assets increased ¥2,788 million compared with the end of the previous fiscal year to ¥67,747 million. Moreover, the shareholders equity ratio decreased 0.2 percentage points compared with the end of the previous fiscal year to 35.3%.

### Summary of Cash Flows of Fiscal Year Just Ended

For the fiscal year just ended, cash flows from operating activities showed an increase of ¥9,928 million in cash (the previous fiscal year saw a decrease of ¥8,769 million in cash) due to the increase in trade payable and other factors. Cash flows from investing activities showed a decrease of ¥714 million in cash (the previous fiscal year saw a decrease of ¥1,263 million in cash) due to acquisitions of property, plant,

and equipment, etc. Cash flows from financial activities showed a decrease of ¥674 million in cash (the previous fiscal year saw an increase of ¥1,639 million in cash) due to 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 increased ¥8,464 million compared with the end of the previous fiscal year to ¥36,652 million.

### Outlook for the Future

In the domestic construction market, the realization of the government's growth strategies and initiatives aimed at ensuring a sense of safety and security of the people are moving forward. Furthermore, in the Tokyo Metropolitan Area, the establishment of various facilities and improvement of infrastructure are underway in preparation for

the Tokyo Olympic and Paralympic Games, which will be held in 2020. In addition, an increase in private housing investment is expected as a result of last-minute demand brought about by the increase in the consumption tax rate.

In the overseas construction market, further development is expected to continue in social infrastructure,

such as wharf facilities, power plans, civil engineering and construction work on plants, and cold storage warehouses, primarily in emerging countries.

The current outlook for our performance in the future is indicated in the appended table.

### Confirmation of Management Philosophy

We will make every possible effort to complete projects for which we receive orders faithfully and as early as possible.

By doing so, we will fulfill our responsibility as a contractor and endeavor to further increase trust in us.

Our aim is to become a company capable of sustainable growth that is able to respond to the expectations of its customers and society. We will constantly strive to achieve this aim by fully satisfying our

customers with the highest quality in everything we provide, by "utilizing the highest level of technology" and "carrying out work conscientiously and with integrity," as set forth in the Management Philosophy of the Company, and to enhance the awareness of compliance of our employees and cultivate a trustworthy corporate culture.

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

President  
Masaki Akiyama

The fiscal year ending March 2019 (figures shown as (%) indicate a comparison with the previous year)

	Consolidated		Non - Consolidated	
	Amount	Change (%)	Amount	Change (%)
Amount of orders received	—	—	¥170,000 million	16.2%
Net sales	¥170,000 million	5.6%	¥166,000 million	9.0%
Operating income	¥3,700 million	28.5%	¥3,100 million	25.7%
Ordinary income	¥3,400 million	25.3%	¥2,900 million	22.2%
Net income	¥2,000 million	14.3%	¥1,700 million	-1.3%

\*With regard to the consolidated net income, the net income attributed 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 m in length and 15 m 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 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.



## Newly Completed Project

### Construction Work on Phase III of Container Terminal at Pasir Panjang Terminal

Singapore is one of the largest container handlers in the world. And the volume is increasing day by day. In order to alleviate congestion at the terminal in Singapore, and as part of an effort to increase the volume of containers to be handled, fifteen new berths were built at Pasir Panjang Container Terminal, without disrupting the operation of the terminal. Toa Corporation built 12 of the 15 berths that were built, as well as a container yard having an area of approximately 160 ha. On the west side of this terminal, TOA has also built 14 berths and a container yard covering an area of 140 ha, all of which are currently in operation.



#### ■ Project outline

Construction work to build a container terminal in the Pasir Panjang district.

(P30, P34&P35): Berth construction work, 1,125 m; construction of container yard, 458,000 m<sup>2</sup>

(P27, P28&P29): Berth construction work, 1,264 m; construction of container yard, 441,000 m<sup>2</sup>

(P36-P41): Berth construction work, 2,205 m; construction of container yard, 668,000 m<sup>2</sup>

Incidental construction work: RC pile placement, laying electrical piping, laying telecommunication piping, drainage, sewage works, waterworks, construction of reefer platforms, construction of substation, taking soundings

#### ■ Client

PSA Corporation

#### ■ Construction period

November 2013 to June 2017

#### ■ Site of construction

Republic of Singapore

### Project for Fisheries Promotion in Sekondi

This project called for the large-scale renovation of the Sekondi Fishing Harbour, which is one of the two major fishing harbours in Ghana.

The main construction works in this project were the extension and enlargement of the jetty for mooring fishing boats and other vessels and the ice making facility, and paving the fish handling area. Although Sekondi Harbour had been suffering from such issues as congestion and the deterioration in the quality of fresh fish due to the inadequate supply of ice, the improvements made in the facilities through the use of Japanese technologies has significantly raised the work efficiency of the people involved in the fishing business, and making it possible for fresh fish to be speedily delivered to local residents.



#### ■ Client

Port and Harbour Authority of the Republic of Ghana

#### ■ Construction period

April 2016 to March 2018

#### ■ Site of construction

Republic of Ghana

#### ■ Project outline

Additional lay-by wharf L=180m, Access driveway L=319m, Pavement works, Building works (administration office, ice making plant, etc.)



# 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.



## Newly Completed Project

### Earthquake Resistance Construction Work on Shibakawa Floodgate (H25)

The land that spreads out in the downstream part of the Arakawa River is an area that is below sea level, and should the Arakawa River overflow and breach its banks due to flooding or other reasons, it is anticipated that the area would suffer devastating damage. The Shibakawa Floodgate, which is double-slucice gate type floodgate located at the confluence of the Arakawa River and the Shibakawa River along the left bank of the Arakawa River about 19.7 km from its mouth, was installed for the purpose of preventing floodwater from the Arakawa River flowing back into the Shibakawa River. An earthquake resistance project is underway to enable the floodgate to function even if an earthquake occurs directly underneath Tokyo, in addition to its function to reduce damage from flooding.

Toa Corporation executed earthquake resistance construction work on



the right side of the floodgate as viewed in the photograph. The Company is carrying out construction work on left side of the floodgate, too, under a separate work contract.

**Client**  
Ministry of Land, Infrastructure, Transport and Tourism

**Construction period**  
October 2013 to June 2017  
**Site of construction**  
Kawaguchi City, Saitama Prefecture  
**Project outline**  
Work to strengthen rebar jacketing (floodgate column: AT-P method) 257m<sup>2</sup>, Shear reinforcement work (floor slab: PHb method) 1,760 bars, Shear reinforcement work (slucice column: RMA method) 480 anchors, Rebar installation through middle slucice column 160 rebars, Construction work on temporary cofferdam (steel stoplogs)

### Disaster Recovery Construction Work on Facilities for Preventing Destruction of Woodland in Omagarihama (Hamaichi section)

The coastal disaster prevention forest along the coast of Miyagi Prefecture was effective to a certain degree, achieving such results as reducing damage from the tsunami to the area behind it, but it suffered devastating damage from the earthquake. Work was completed on the construction of the embankment foundation and restoration of the seawall at Omagarihama, Highashimatsushima, with the aim of realizing the early regeneration of the coastal disaster prevention forest through the restoration of the damaged seawall and land where subsidence had occurred.



**Client**  
Miyagi Prefecture  
**Construction period**  
December 2014 to October 2017

**Site of construction**  
Higashimatsushima City, Miyagi Prefecture

**Project outline**  
Work to recovery damage from the Great East Japan Earthquake. Total length of construction: L=3,551.3 m; Construction of seawall embankment body (embankment fill): V=144,932 m<sup>3</sup>; Waterside slope covering work (concrete block): A=28,858.5 m<sup>2</sup>; Land side slope covering work (concrete block): A=21,547.3 m<sup>2</sup>; Levee crown covering work (concrete): L=2,387.6 m; Vegetation base formation work: V=156,135.8 m<sup>3</sup>



# 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.

## 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.



## 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.



## 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.



## Newly Completed Project

### Construction of New Building for UI Kasukabe Logistics Center

The site is located at the place in Saitama Prefecture where National Route 16 intersects National Route 4, making it ideal as a base for distribution to the Tokyo Metropolitan Area.

The facility has all the features of a modern distribution facility, such as a floor load of 1.5 t/m<sup>2</sup> and a ceiling height of 6.0 m with no obstructions. The facility was built using an RCS hybrid construction that employed a combination of a reinforced concrete structure for the columns and a steel-frame structure for the beams. This is a structural work method technology that makes large spans and large spaces possible by using RC (reinforced concrete) materials, which have high compressive strength, for columns and S (steel frame) materials, which have high bending and shearing strength as well as being lightweight, for beams. And this method is also



superior for its workability and economic efficiency as it facilitates framework assembly, thereby shortening the construction period.

- **Client**  
UI Kasukabe Special Purpose Company
- **Construction period**  
February 2017 to February 2018
- **Site of construction**  
Kasukabe City, Saitama Prefecture
- **Project outline**  
Use of building: Warehouse; Scale and structure: RCS structure; Five floors above ground (warehouse consists of four levels)  
Total floor space: 23,037.26m<sup>2</sup>  
Building area: 6,224.44m<sup>2</sup>

### Construction of New Auto Care Center for Isuzu Vietnam

This facility, built in the Tan Phu Trung Industrial Zone in Cu Chi district, which is in the northern part of Ho Chi Minh City, serves as the automobile parts warehouse, training center, and office for Isuzu Vietnam.

This facility fulfills three functions: storage for parts, training of employees of dealerships, and repairs that are particularly difficult or challenging. The warehouse stocks 6,000 kinds of parts. At the training center, Japanese trainers provide education and guidance to mechanics of the dealerships. The facility also handles repairs that cannot be performed at the dealerships. With the establishment of a reliable after-sales maintenance structure, the facility is expected to serve as a base for increasing customer satisfaction.



- **Client**  
Isuzu Vietnam Co., Ltd.
- **Construction period**  
January 2017 to September 2017
- **Site of construction**  
Socialist Republic of Vietnam
- **Project outline**  
Office building: Two-story steel-frame RC building; Training building: One-story steel-frame RC building (part of the building has two stories); Parts warehouse building: One-story steel-frame RC building  
Total floor space of all buildings: 4,123 m<sup>2</sup>  
Site area: 8,811 m<sup>2</sup>



# 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 experiments speedily.



Tsunami generator

### 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

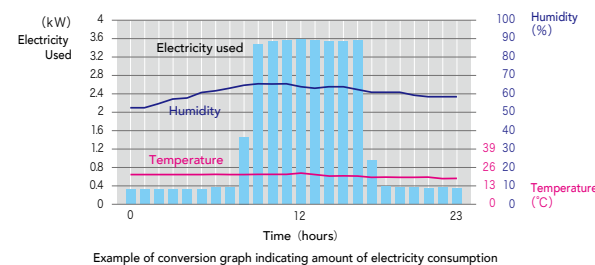
- Solar panels are installed on the spacious rooftop. Its capacity is 49.28kW.
- Its daily output can be monitored at the entrance lobby.



Rooftop solar panels

#### ■ 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

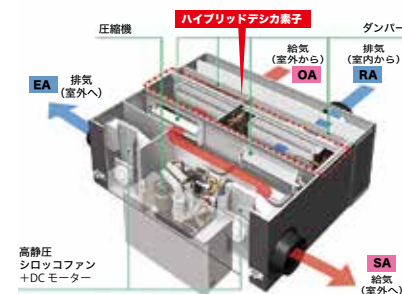
- Daylight sensor works to help using daylight energy effectively.
- Task-ambient lighting\* contributes higher energy saving when compared with most general lighting strategies, because higher light levels are provided for the task areas only.



Office that actively brings in natural light

#### ■ 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.)

\*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.

# TOA CORPORATION GROUP "CODE OF CONDUCT"

After reflection upon the misconduct related to the execution of soil improvement work and other issues, and to prevent the lessons that were learned from being forgotten, TOA CORPORATION has revised the "TOA CORPORATION GROUP CODE OF CONDUCT." Going forward, we shall thoroughly instill this conduct in

all executives and employees, and carrying forward our business activities with this as the foundation, we shall engage in efforts to realize our corporate philosophy of "developing the company's business with high-level technology and fulfilling our social responsibilities through sound management."

## Article 1 Carry out fair and sincere corporate activities

- 1. Observe Laws and Regulations, and carry out fair and sincere corporate activities**  
We shall observe Laws and Regulations as well as the spirit of Laws and Regulations without exception, refrain from putting priority on our own reasons or circumstances, and follow social decency, in carrying out fair and sincere corporate activities.
- 2. Fair competition and proper transactions**  
We shall promote fair and transparent free competition, and proper transactions.
- 3. Shut off any relationships with anti-social forces**  
We shall shut off any and all relationships with anti-social forces that pose a threat to the order and safety of society.
- 4. Protect intellectual property**  
We shall respect the intellectual property rights of others, and properly manage and protect information, including personal information, utilized in the course of conducting business activities.
- 5. Ensure proper disclosure of corporate information and the transparency of**

**management**  
We shall endeavor to ensure the transparency of management as an "Open Company" through the disclosure of corporate information in the proper manner and at the right time.

**6. Maintain proper relationships with political and government bodies**  
With regard to our relationship with political and government bodies, we shall observe all relevant Laws and Regulations, and maintain a transparent and proper relationship.

## Article 2 Execution of social responsibilities

- 1. Provide high-quality construction and services**  
We shall thoroughly implement measures, including the reliable sharing of information, to prevent the recurrence of misconduct related to the execution of work, and provide high-quality construction and services, by scrupulously executing work, in order to prove worthy of the client's trust.
- 2. Improve construction technologies**  
We shall endeavor to develop technologies and improve technologies in order to respond to the various needs of the client. Moreover, we shall, without fail, conduct inspections and other actions on technologies provided to the client, in order to prove worthy of trust.
- 3. Make every possible effort to prevent disasters to the public**  
We shall never forget the lessons learned

from the incident of the disaster to the public, and every possible effort shall be made to prevent disasters to the public.

**4. Response to natural disasters**  
When a natural disaster strikes, we shall promptly and systematically carry out disaster response actions, such as rescue of inhabitants of the devastated area and secure their safety, and emergency repairs on disaster-stricken structures.

## Article 3 Respect for humans

- 1. Realize a good working environment and enrichment for workers**  
We shall respect "people," who are the pillar of our corporate activities, and endeavor to establish a good working environment that is rewarding and that they can take pride in, and realize enrichment for the working people.
- 2. Strengthen and enhance measures for occupational safety and health**  
We shall promote strengthening and enhancing our occupational safety and health measures in order to prevent
- 3. Prohibit discrimination and unfair treatment**  
We shall prohibit any form of discrimination and unfair treatment of employees with regard to hiring and how they are dealt with, because of nationality, gender, beliefs, or other reasons.

work-related accidents and work-related illnesses, and ensure the safety and good health of people involved in construction work.

**4. Human resources development**  
We shall nurture employees who are capable of taking action by becoming aware of on their own and thinking for themselves about what action needs to be taken, by not only raising the capabilities of each individual through education and training and self-enlightenment, but also by promoting a climate that enhances dialog with superiors and subordinates.

## Article 4 Coexistence with society

- 1. Carry out widespread communication**  
We shall enhance communications with our stakeholders, including stockholders, clients, and business partners, and promote mutual understanding with regard to corporate activities, with the aim of becoming a trusted "Open Company."
- 2. Promote CSR activities**  
We shall always have an awareness that we are a company involved in improving
- 3. Efforts to preserve the environment and other initiatives**  
We shall endeavor to coexist with the environment in all areas of corporate activities, and proactively carry out efforts in the preservation of the environment, renewable energy, and saving energy, in response to demands from society.

social infrastructure, and endeavor as a "good corporate citizen" to make contributions to society.

**4. Be in harmony with and contribute to the international community**  
In the international community, it goes without saying that we shall observe international rules as well as local Laws and Regulations, and respect the culture and customs of local communities, and promote business activities that contribute to their development.

Enacted June 2006  
Revised April 2018



# CONSOLIDATED BALANCE SHEET

TOA CORPORATION and its consolidated subsidiaries  
As of March 31, 2018 and 2017

ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Current assets:</b>			
Cash and bank deposits (Note 10)	¥ 36,682	¥ 28,217	\$ 346,063
Notes and accounts receivable, trade (Notes 4 and 10)	79,344	78,288	748,534
Allowance for doubtful accounts	(296)	(550)	(2,793)
Securities (Notes 10 and 11)	15	—	141
Real estate for sale	3,963	3,812	37,394
Cost on construction contracts in progress and other (Note 4)	6,466	7,703	61,001
Advanced money (Note 10)	7,524	10,965	70,987
Deferred tax assets (Note 14)	6,048	7,407	57,061
Other current assets (Note 4)	5,930	3,250	55,948
Total current assets	145,680	139,094	1,374,340
<b>Property, plant and equipment:</b>			
Land (Note 4)	17,913	18,398	168,995
Buildings and structures	15,442	15,985	145,683
Machinery, vehicles and equipment	20,430	20,017	192,740
Leased assets	596	151	5,624
Construction in progress	10	22	97
Total property, plant and equipment	54,393	54,575	513,141
Less accumulated depreciation	(27,719)	(26,924)	(261,507)
Property, plant and equipment—net	26,673	27,651	251,634
<b>Intangible fixed assets:</b>	562	544	5,304
<b>Investments and other assets:</b>			
Investments in securities (Notes 4, 10 and 11)	14,609	13,988	137,821
Long-term loans (Note 4)	309	337	2,916
Deferred tax assets (Note 14)	1,197	773	11,298
Other (Note 4)	1,833	1,921	17,298
Allowance for doubtful accounts	(567)	(576)	(5,357)
Total investments and other assets	17,381	16,445	163,977
<b>Total assets</b>	<b>¥ 190,297</b>	<b>¥ 183,735</b>	<b>\$ 1,795,257</b>

LIABILITIES AND NET ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Current liabilities:</b>			
Short-term borrowings (Notes 4 and 10)	¥ 8,516	¥ 8,463	\$ 80,339
Current portion of long-term debt (Notes 4 and 10)	5,412	5,535	51,058
Notes and accounts payable, trade (Notes 4 and 10)	34,351	31,012	324,067
Electronically recorded obligations, operating (Note 10)	13,556	8,429	127,890
Accrued income taxes	353	482	3,334
Advances received on construction contracts in progress	8,554	7,622	80,698
Reserve for indemnity on completed contracts	587	483	5,545
Reserve for loss on construction works (Note 4)	1,072	2,266	10,121
Deposits received (Note 10)	14,019	11,937	132,256
Reserve for loss on construction defects	10,776	14,100	101,665
Other current liabilities (Notes 4 and 10)	3,740	5,117	35,288
Total current liabilities	100,940	95,452	952,265
<b>Long-term liabilities:</b>			
Long-term debt (Notes 4 and 10)	14,703	15,196	138,716
Liability for retirement benefits (Note 13)	2,889	4,436	27,261
Deferred tax liabilities on revaluation of land (Notes 4 and 14)	2,348	2,358	22,156
Other long-term liabilities (Note 10)	1,667	1,333	15,733
Total long-term liabilities	21,610	23,324	203,868
Total liabilities	122,550	118,776	1,156,133
<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, 2018 and 2017	18,976	18,976	179,025
Capital surplus	18,115	18,115	170,898
Retained earnings	24,791	23,020	233,879
Treasury stock, at cost 1,593 thousand shares and 1,592 thousand shares at March 31, 2018 and 2017, respectively	(2,058)	(2,056)	(19,418)
Total shareholders' equity	59,824	58,055	564,385
<b>Accumulated other comprehensive income:</b>			
Net unrealized gains (losses) on securities (Note 11)	4,634	4,193	43,721
Net deferred gains (losses) on hedges (Notes 10 and 12)	(17)	—	(165)
Revaluation reserve for land (Note 4)	3,606	3,629	34,027
Retirement benefits liability adjustments (Note 13)	(857)	(1,452)	(8,085)
Total accumulated other comprehensive income	7,366	6,370	69,497
<b>Non-controlling interests</b>	<b>555</b>	<b>532</b>	<b>5,241</b>
Total net assets	67,747	64,958	639,124
<b>Commitments and contingent liabilities (Note 4):</b>			
Total liabilities and net assets	¥ 190,297	¥ 183,735	\$ 1,795,257



## CONSOLIDATED STATEMENT OF OPERATIONS

TOA CORPORATION and its consolidated subsidiaries  
For the years ended March 31, 2018 and 2017

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Net sales</b> (Note 5)	¥ 161,045	¥ 167,200	\$ 1,519,294
<b>Cost of sales</b> (Note 5)	148,029	150,990	1,396,504
Gross profit	13,015	16,210	122,789
<b>Selling, general and administrative expenses</b> (Note 5)	10,135	10,013	95,620
Operating income	2,879	6,196	27,168
<b>Other income (expenses):</b>			
Interest and dividend income	314	283	2,962
Interest expense	(342)	(388)	(3,228)
Provision for doubtful accounts, non-trade	(16)	33	(158)
Loss on impairment of fixed assets (Note 5)	(59)	(332)	(565)
Additional severance payment (Note 3)	(46)	(78)	(439)
Gain on sale of fixed assets (Note 5)	81	79	766
Compensation for damage	(72)	—	(679)
Commission fee (Note 3)	(110)	(42)	(1,047)
Guarantee fee	(62)	(72)	(591)
Loss on sale of fixed assets (Note 5)	(5)	(184)	(53)
Loss on disposal of fixed assets (Note 5)	(37)	(13)	(355)
Loss on construction defects (Note 5)	—	(15,374)	—
Other, net (Note 3)	36	(125)	344
	(322)	(16,215)	(3,045)
<b>Profit (loss) before income taxes</b>	2,557	(10,018)	24,123
<b>Income taxes</b> (Note 14):			
Current	307	884	2,900
Deferred	476	(3,539)	4,493
	783	(2,654)	7,393
<b>Profit (loss)</b>	1,773	(7,364)	16,729
<b>Profit (loss) attributable to :</b>			
Non-controlling interests	¥ 23	¥ 74	\$ 218
Owners of parent	¥ 1,750	¥ (7,438)	\$ 16,511

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

TOA CORPORATION and its consolidated subsidiaries  
For the years ended March 31, 2018 and 2017

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Profit (loss)</b>	¥ 1,773	¥ (7,364)	\$ 16,729
<b>Other comprehensive income:</b>			
Net unrealized gains on securities	441	1,227	4,160
Net deferred gains on hedges	(17)	(2)	(165)
Revaluation reserve for land (Note 4)	(1)	—	(14)
Retirement benefits liability adjustments (Note 13)	594	792	5,612
Total other comprehensive income (Note 6)	1,016	2,017	9,593
<b>Comprehensive income (loss)</b>	¥ 2,790	¥ (5,346)	\$ 26,322
<b>Total comprehensive income (loss) attributable to</b> (Note 6):			
Owners of parent	¥ 2,767	¥ (5,420)	\$ 26,104
Non-controlling interests	¥ 23	¥ 74	\$ 218



## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

TOA CORPORATION and its consolidated subsidiaries  
For the years ended March 31, 2018 and 2017

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 11)	Net deferred gains (losses) on hedges	Revaluation reserve for land (Note 4)	Retirement benefits liability adjustments (Note 13)		
<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>	¥ 18,976	¥ 18,115	¥ 23,020	¥ (2,056)	¥ 4,193	¥ —	¥ 3,629	¥ (1,452)	¥ 532	¥ 64,958
Cash dividends										—
Profit (loss) attributable to owners of parent for the period			1,750							1,750
Acquisition of treasury stock				(1)						(1)
Reversal of revaluation reserve for land			20							20
Net changes in items other than shareholders' equity					441	(17)	(22)	594	23	1,019
<b>Balance at March 31, 2018</b>	¥ 18,976	¥ 18,115	¥ 24,791	¥ (2,058)	¥ 4,634	¥ (17)	¥ 3,606	¥ (857)	¥ 555	¥ 67,747

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 11)	Net deferred gains (losses) on hedges	Revaluation reserve for land (Note 4)	Retirement benefits liability adjustments (Note 13)		
<b>Balance at March 31, 2017</b>	\$179,025	\$170,898	\$217,173	\$ (19,404)	\$ 39,560	\$ —	\$ 34,236	\$ (13,698)	\$ 5,022	\$612,815
Cash dividends										—
Profit (loss) attributable to owners of parent for the period			16,511							16,511
Acquisition of treasury stock				(14)						(14)
Reversal of revaluation reserve for land			194							194
Net changes in items other than shareholders' equity					4,160	(165)	(209)	5,612	218	9,617
<b>Balance at March 31, 2018</b>	\$179,025	\$170,898	\$233,877	\$ (19,418)	\$ 43,720	\$ (165)	\$ 34,028	\$ (8,085)	\$ 5,240	\$639,124

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, 2018 and 2017

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Cash flows from operating activities:</b>			
Profit (loss) before income taxes	¥ 2,557	¥ (10,018)	\$ 24,123
Adjustments to reconcile income before income taxes and Non-controlling interests to net cash (used in) provided by operating activities:			
Depreciation and amortization	1,771	2,010	16,712
Loss on impairment of fixed assets	59	332	565
Exchange (gain) loss, net	62	35	586
(Gain) loss on sale or disposal of fixed assets	(64)	106	(610)
Increase (decrease) in liability for retirement benefits	(988)	(114)	(9,325)
Increase (decrease) in allowance for doubtful accounts	(262)	(30)	(2,480)
Increase (decrease) in provision for loss on construction defects	(3,323)	14,100	(31,353)
Changes in:			
Notes and accounts receivable, trade	(1,056)	(4,313)	(9,966)
Real estate for sale	229	307	2,167
Cost on construction contracts in progress and other	1,236	4,747	11,668
Notes and accounts payable, trade	8,464	(11,664)	79,856
Advances received on construction contracts in progress	931	(1,134)	8,788
Other, net	787	1,090	7,429
Sub-total	10,405	(4,545)	98,162
Interest and dividend income received	328	297	3,094
Interest paid	(378)	(428)	(3,573)
Income taxes paid	(426)	(4,093)	(4,020)
Net cash (used in) provided by operating activities	9,928	(8,769)	93,663
<b>Cash flows from investing activities:</b>			
Payments for acquisition of investment in securities	(33)	(23)	(311)
Proceeds from sale of investment in securities	22	0	207
Payments for acquisition of property, plant and equipment	(1,072)	(1,693)	(10,114)
Proceeds from sale of property, plant and equipment	483	478	4,561
Other, net	(114)	(24)	(1,084)
Net cash (used in) provided by investing activities	(714)	(1,263)	(6,740)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	52	87	495
Proceeds from long-term debt	4,920	4,947	46,415
Repayment of long-term debt	(5,535)	(5,744)	(52,226)
Acquisition of treasury stock	(1)	(2)	(14)
Cash dividends paid	(0)	(832)	(4)
Other, net	(109)	(94)	(1,030)
Net cash (used in) provided by financing activities	(674)	(1,639)	(6,365)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(74)</b>	<b>(37)</b>	<b>(700)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,464</b>	<b>(11,709)</b>	<b>79,856</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>28,187</b>	<b>39,896</b>	<b>265,919</b>
<b>Cash and cash equivalents at end of year (Note 8)</b>	<b>¥ 36,652</b>	<b>¥ 28,187</b>	<b>\$ 345,776</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, 2018. The consolidated financial statements for the year ended March 31, 2018 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 investment 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 ¥106=US\$1, the approximated rate of exchange prevailing on March 31, 2018. 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. Issued but not yet adopted accounting standard and others

Accounting Standard and Implementation Guidance on Revenue Recognition.

On March 30, 2018, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

### (1) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the "following five-step model that will apply to revenue from customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

### (2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

### (3) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its 'consolidated financial statements.

## 3. Changes in Presentation

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

Exchange gain (loss), net presented separately in the previous year, is included in Other, net of Other income (expenses) in the current year.

Additional severance payment and Commission 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 operations for the current year.

Consequently, Exchange gain (loss), net in the amount of ¥(88) million was included in Other, net and Additional severance payment and Commission fee were newly shown in the amount of ¥(78) million and ¥(42) million. Also Other, net of Other income (expenses) in the previous year was shown in the amount of ¥(125) million, compared with ¥(158) million previously presented.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## 4. 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, 2018 and 2017 consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Cost on construction contracts in progress	¥4,702	¥5,605	\$44,367
PFI projects	1,152	1,353	10,868
Other inventories	611	744	5,766
Cost on construction contracts in progress and other	¥6,466	¥7,703	\$61,001

### 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, 2018 and 2017 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
	¥249	¥625	\$2,353

### III. Investments in securities

Among investments in securities, amount in aggregate corresponding to unconsolidated subsidiaries and affiliates as of March 31, 2018 and 2017 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Investments in affiliates	¥252	¥247	\$2,381

### 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
	2018	2017	2018
Differences of the land after revaluation exceeded its fair value	¥4,066	¥4,230	\$38,363

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

Assets pledged as collateral and secured liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Assets pledged as collateral:			
Current assets			
Other current assets	¥28	¥27	\$264
Investment and other assets			
Investment in securities	1,900	1,996	17,925
Long-term loans	194	221	1,835
Total	¥2,122	¥2,245	\$20,024

As of March 31, 2018, the assets listed above are pledged as collateral to secure contingent liabilities amounting to ¥1,707million (US\$16,109 thousand) and liabilities based on the loan agreements with credit line between 12 PFI companies and financial institutions.

As of March 31, 2017, secured liabilities were in the amount of ¥1,686 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, 2018 and 2017 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
	¥174	¥157	\$1,642

### VII. Commitments and contingent liabilities

(a) The Companies are contingently liable for the following as of March 31, 2018 and 2017:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Employees (Loan guarantee to bank)	¥22	¥18	\$211
National Federation of Promotion for Fishing Ports and Villages Fisheries Cooperative Association (Loan guarantee)	86	109	816
Others	53	299	500
Total	¥161	¥427	\$1,528

(b) A lawsuit has been brought against the Company seeking damages (totaling ¥1,206 million (US\$11,378 thousand)) for alleged defects in building construction work (construction completed in 1997) by a client, and the case is currently pending in the Tokyo District Court. However, it is the Company's position that it bears no liability for any defect, and the Company has filed a counterclaim. This litigation is ongoing. It is not possible to predict the outcome of the litigation at this time.

(c) In relation to an overseas construction project completed in 2015, a subcontractor filed a Request for Arbitration and Statement of Claim seeking additional payment in the amount of approximately ¥1,018 million with an International Arbitration Center. The Company then filed a Statement of Defence and Counterclaim seeking contra charges in the amount of approximately ¥443 million. It is not possible to predict the outcome of the arbitration at this time.

### VIII. Short-term borrowings

The Company had commitment lines for efficient financial arrangement from 7 banks at March 31, 2018 and 2017 as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Total amount of contracts of commitment lines	¥20,000	¥20,000	\$188,679
Outstanding borrowings	—	—	—
Balance	¥20,000	¥20,000	\$188,679

### 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, 2018 and 2017 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Non-recourse debt included in current portion of long term debt	¥567	¥606	\$5,358
Non-recourse debt included in long-term debt	1,746	2,314	16,474
Total	¥2,314	¥2,920	\$21,832

The amount of PFI assets pledged as collateral for non-recourse debt as of March 31, 2018 and 2017 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
	¥4,570	¥5,129	\$43,117

### X. Notes receivable and notes payables

On March 31, 2018, financial institutions were on a holiday in Japan, and therefore the following notes receivable and payable maturing on that date were included in the balance sheet and were settled on the next business day.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Notes receivable	¥26	—	\$245
Notes payable	103	—	980

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## 5. Notes to Consolidated Statement of Operations

### 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
2018	2017	2018
¥148,177	¥154,130	\$1,397,898

### 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
2018	2017	2018
¥123	¥25	\$1,163

### 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
2018	2017	2018
¥438	¥1,771	\$4,140

### 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
	2018	2017	2018
Salaries to employees	¥4,271	¥4,285	\$40,298
Expenses for retirement benefits for employees	271	219	2,557
Research expenses	891	763	8,414
Provision for doubtful accounts, trade	(0)	2	(0)

### 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
2018	2017	2018
¥960	¥896	\$9,063

### 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
	2018	2017	2018
Land	¥51	¥—	\$489
Vessels	24	14	234
Buildings	3	—	37
Others	0	65	4
Total	¥81	¥79	\$766

### 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
	2018	2017	2018
Tools and fixture	¥5	¥—	\$50
Land	0	70	2
Buildings	—	113	—
Total	¥5	¥184	\$53

### 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
	2018	2017	2018
Buildings and structures	¥37	¥12	\$351
Others	0	0	3
Total	¥37	¥13	\$355

### IX .Impairment of fixed assets

For the year ended March 31, 2018, the Companies recognized losses on impairment of the following assets:

Use	Type of assets	Location	Number of groups
Idle properties	Land and building	Hiroshima and others	5

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 ¥59 million (US\$565 thousand) was accounted for as loss on impairment of fixed assets, which consisted of ¥58 million (US\$551 thousand) for Land, ¥1 million (US\$14 thousand) for buildings.

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, 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	4

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 was accounted for as loss on impairment of fixed assets, which consisted of ¥191 million for machinery and equipment, ¥103 million for Tools and Fixtures, ¥23 million for land and ¥13 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

The Company recognized a loss for repair costs and other incurred for a construction defect for a soil improvement project.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## 6. Notes to Consolidated Statement of Comprehensive Income (Loss)

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrealized gains (losses) on securities:			
Amount arising during the year	¥635	¥1,738	\$5,996
Amount of reclassification adjustments	(0)	0	(0)
Amount before tax effect	635	1,738	5,996
Tax effect	(194)	(511)	(1,836)
Unrealized gains (losses) on securities	441	1,227	4,160
Deferred gains (losses) on hedges:			
Amount arising during the year	(25)	—	(238)
Amount of reclassification adjustments	—	(3)	—
Amount before tax effect	(25)	(3)	(238)
Tax effect	7	1	73
Deferred gains (losses) on hedges	(17)	(2)	(165)
Revaluation reserve for land:			
Tax effect	(1)	—	(14)
Revaluation reserve for land	(1)	—	(14)
Retirement benefits liability adjustments:			
Amount arising during the year	557	1,035	5,263
Amount of reclassification adjustments	299	106	2,820
Amount before tax effect	856	1,142	8,084
Tax effect	(261)	(349)	(2,471)
Retirement benefits liability adjustments	594	792	5,612
Total other comprehensive income	¥1,016	¥2,017	\$9,593

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

### I. Type and number of shares

For the year ended March 31, 2018

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	22,494	—	—	22,494
Treasury stock				
Common stock	1,593	0	—	1,594

Notes: The principal details for increase and decrease in treasury stock were as follows:

Increase due to purchase of odd stock	0 thousand 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 principal details for decrease in issued stock were as follows:

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

Notes: The principal details for 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

### II. Dividend payment

For the year ended March 31, 2017

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 29, 2016	Common stock	Retained earnings	¥850	¥4	March 31, 2016	June 30, 2016

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

### III. Among dividends whose record date belong in the current fiscal year, dividends which become effective in the following fiscal year was as follows:

For the year ended March 31, 2018

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 28, 2018	Common stock	Retained earnings	¥425	¥20	\$4,009	\$0.18	March 31, 2018	June 29, 2018

## 8. Notes to Consolidated Statement of Cash Flows

Cash and cash equivalents consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Cash and bank deposits	¥36,682	¥28,217	\$346,063
Time deposits due over three months	(30)	(30)	(286)
Cash and cash equivalents	¥36,652	¥28,187	\$345,776

## 9. Leases

### Operating lease

The scheduled maturities of future operating lease payments, including an interest portion on such lease contracts as of March 31, 2018 and 2017, are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due within one year	¥139	¥144	\$1,314
Due over one year	372	509	3,517
Total	¥512	¥654	\$4,832

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## 10. 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, 2018, 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	¥36,682	¥36,682	¥—	\$346,063	\$346,063	\$—
Notes and accounts receivable, trade	79,344	79,344	—	748,534	748,534	—
Advanced money	7,524	7,524	—	70,987	70,987	—
Investments in securities						
Held-to-maturity debt securities	15	15	0	141	141	0
Other securities	12,724	12,724	—	120,045	120,045	—
Total assets	136,291	136,291	0	1,285,772	1,285,773	0
Notes and accounts payable, trade	34,351	34,351	—	324,067	324,067	—
Electronically recorded obligations, operating	13,556	13,556	—	127,890	127,890	—
Short-term borrowings	8,516	8,516	—	80,339	80,339	—
Deposits received	14,019	14,019	—	132,256	132,256	—
Long-term debt (*1)	20,116	20,235	119	189,774	190,898	1,123
Total liabilities	90,558	90,677	119	854,328	855,452	1,123
Derivative transactions (*2)	¥25	¥25	¥—	\$238.0	\$238.0	\$—

(\*1) Current portion of long-term debt of ¥5,412 million (US\$51,058 thousand) is included in long-term debts and carrying amount and fair value are represented.

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

As of March 31, 2017, 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	¥28,217	¥28,217	¥—
Notes and accounts receivable, trade	78,287	78,287	—
Advanced money	10,965	10,965	—
Investments in securities			
Held-to-maturity debt securities	15	15	0
Other securities	12,061	12,061	—
Total assets	129,548	129,548	0
Notes and accounts payable, trade	31,012	31,012	—
Electronically recorded obligations, operating	8,429	8,429	—
Short-term borrowings	8,463	8,463	—
Deposits received	11,937	11,937	—
Long-term debt ( * )	20,732	20,927	195
Total liabilities	80,575	80,771	195
Derivative transactions	¥—	¥—	¥—

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

#### 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 with variable interest rates is approximately equal to the book value because it reflects market interest rates in the short term.

Fair value of long-term debt with fixed rates is based on the present value of the total of principal and interest discounted by the interest rate to be applied in the event that similar new loans were entered into.

In addition, certain long-term debt with variable interest rates is hedged by interest rate swaps subject to the special treatment. The total amount of the principal and interest together with the corresponding interest rate swap is discounted using the interest rate to be applied, in the event that similar new loans were entered into.

Derivative Transactions

Please refer to Note 12, Derivative 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
	2018	2017	2018
Unlisted stocks	¥1,884	¥1,911	\$17,775

## c) Projected redemption

The projected redemption of monetary claim as of March 31, 2018 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	¥36,682	¥—	¥—	¥—	\$346,063	\$—	\$—	\$—
Notes and accounts								
receivable, trade	74,681	4,641	21	—	704,546	43,786	201	—
Investments in securities								
Held-to-maturity debt securities								
(Governmental bonds)	15	—	—	—	141	—	—	—
Other securities with maturities								
(Governmental bonds)	—	43	—	—	—	405	—	—
Total	¥111,379	¥4,684	¥21	¥—	\$1,050,751	\$44,192	\$201	\$—

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
	Millions of Japanese Yen			
Cash and bank deposits	¥28,135	¥—	¥—	¥—
Notes and accounts				
receivable, trade	74,387	3,730	169	—
Investments in securities				
Held-to-maturity debt securities				
(Governmental bonds)	—	15	—	—
Other securities with maturities				
(Governmental bonds)	—	—	43	—
Total	¥102,522	¥3,745	¥212	¥—

## d) The projected repayment of short-term borrowings, long-term debt and lease obligation as of March 31, 2018 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	¥8,516	¥—	¥—	¥—	¥—	¥—
Long-term debt	5,412	5,157	4,787	3,495	1,243	20
Lease obligation	139	124	122	99	—	—
Total	¥14,067	¥5,281	¥4,909	¥3,595	¥1,243	¥20

	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	\$80,339	\$—	\$—	\$—	\$—	\$—
Long-term debt	51,058	48,651	45,163	32,977	11,734	189
Lease obligation	1,315	1,178	1,155	940	—	—
Total	\$132,713	\$49,830	\$46,318	\$33,918	\$11,734	\$189

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

## 11. Securities

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

At March 31, 2018

	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	\$141	\$141	\$0
Sub total	15	15	0	141	141	0
The securities whose consolidated balance sheet amount does not exceed its acquisition cost						
Government bond	—	—	—	—	—	—
Sub total	—	—	—	—	—	—
Total	¥15	¥15	¥0	\$141	\$141	\$0

	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	¥5,702	¥12,392	¥6,689	\$53,801	\$116,906	\$63,105
Government bond	39	43	3	376	405	29
Sub total	5,742	12,435	6,692	54,177	117,312	63,134
The securities consolidated balance sheets amount does not exceed its acquisition cost						
Stock	406	289	(117)	3,838	2,733	(1,105)
Government bond	—	—	—	—	—	—
Sub total	406	289	(117)	3,838	2,733	(1,105)
Total	¥6,149	¥12,724	¥6,575	\$58,016	\$120,045	\$62,029

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

At March 31, 2017

	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	¥5,617	¥11,622	¥6,005
Government bond	39	43	3
Sub total	5,656	11,665	6,008
The securities consolidated balance sheets amount does not exceed its acquisition cost			
Stock	464	396	(68)
Government bond	—	—	—
Sub total	464	396	(68)
Total	¥6,121	¥12,061	¥5,940

(2) Other securities sold during the financial years ended March 31, 2018 and 2017 were as follows:

At March 31, 2018

	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, 2017

	Millions of Japanese Yen		
	Sales	Gain on sales	Loss from sales
Stock	¥0	¥—	¥0
Other	—	—	—
Total	¥0	¥—	¥0

## 12. Derivative Transactions

Derivative transactions for the year ended March 31, 2018 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
Accounting in principle	Interest rate swaps Pay/fixed and receive/ floating	Long-term debt	¥2,912	¥2,576	¥25 (*1)	\$27,476	\$24,306	¥238 (*1)
Short-cut	Interest rate swaps Pay/fixed and receive/ floating	Long-term debt	¥4,162	¥2,263	(*2)	\$39,264	\$21,356	(*2)

(\*1) Fair value is calculated based on presented price by correspondent financial institution.

(\*2) 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, 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		
			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	(*)

(\*) 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.

## 13. 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, 2018 and 2017 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Retirement benefit obligation balance at the beginning of the year	¥21,596	¥22,283	\$203,742
Service cost	776	797	7,328
Interest cost	107	96	1,015
Actuarial gain	418	(466)	3,943
Retirement benefit paid	(1,413)	(1,113)	(13,336)
Retirement benefit obligation balance at the end of the year	¥21,485	¥21,596	\$202,693



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

(2)The changes in plan assets during the year ended March 31, 2018 and 2017 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Plan assets balance at the beginning of the year	¥17,160	¥16,697	\$161,891
Expected return on plan assets	215	204	2,037
Actuarial loss	975	569	9,207
Contributions by the Company	1,640	799	15,478
Retirement benefits paid	(1,397)	(1,110)	(13,182)
Plan assets balance at the end of the year	¥18,595	¥17,160	\$175,432

(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, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Funded retirement benefit obligation	¥21,070	¥21,210	\$198,776
Plan assets at fair value	(18,595)	(17,160)	(175,432)
	2,474	4,049	23,344
Unfunded retirement benefit obligation	415	386	3,917
Net liability for retirement benefits in the balance sheet	2,889	4,436	27,261
Liability for retirement benefits	2,889	4,436	27,261
Net liability for retirement benefits in the balance sheet	¥2,889	¥4,436	\$27,261

(4)The components of retirement benefit expense for the year ended March 31, 2018 and 2017 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Service cost	¥776	¥797	\$7,328
Interest cost	107	96	1,015
Expected return on plan assets	(215)	(204)	(2,037)
Amortization of actuarial loss	299	106	2,820
Other	46	78	439
Retirement benefit expense	¥1,014	¥874	\$9,566

Notes:

- Service cost does not include the amounts contributed by employees with respect to welfare pension fund plans.
- 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, 2018 and 2017 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Actuarial gain (loss)	¥856	¥1,142	\$8,084

(6)Unrecognized actuarial gain (loss) included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrecognized actuarial gain (loss)	¥1,235	¥2,092	\$11,653

(7)The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 are as follows:

	2018	2017
Stocks	43%	42%
Bonds	28%	38%
General account assets	16%	17%
Other	13%	3%
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, 2018 and 2017 were as follows:

	(Weighted average)	
	2018	2017
Discount rate	0.4%	0.5%
Expected rate of return on plan assets	2.0%	2.0%
Expected rate of future salary increase	2.6%~6.9%	2.3%~6.8%

## 14. Tax Effect Accounting

1.The significant components of deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
<b>Deferred tax assets:</b>			
Net liability for retirement benefits	¥1,874	¥2,243	\$17,681
Loss carried forward	1,106	—	10,442
Reserve for loss on construction works	330	689	3,114
Accrued bonus to employees	501	457	4,731
Unrealized losses on securities	201	175	1,902
Loss on valuation of utility rights	258	258	2,437
Loss on valuation of investment in securities	170	169	1,610
Loss on impairment of fixed assets	314	511	2,965
Loss on construction defects	3,299	4,334	31,129
Others	3,024	3,156	28,532
Deferred tax assets	¥11,082	¥11,997	\$104,550
Valuation allowance	(¥1,686)	(¥1,878)	(15,914)
Total deferred tax assets	¥9,395	¥10,119	88,635
<b>Deferred tax liabilities:</b>			
Revaluation reserve for land	(¥545)	(¥545)	(5,146)
Unrealized gains on securities	(2,142)	(1,921)	(20,211)
Other	(82)	(90)	(781)
Total deferred tax liabilities	(2,770)	(2,557)	(26,139)
<b>Net deferred tax assets</b>	<b>¥6,624</b>	<b>¥7,561</b>	<b>\$62,495</b>

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Current assets - Deferred tax assets	¥6,048	¥7,407	\$57,061
Investments and other assets - Deferred tax assets	1,197	773	11,298
Current liabilities - Other current liabilities	61	67	582
Long-term liabilities - Other long-term liabilities	559	552	5,282

# 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, 2018 and 2017, and the actual effective tax rates reflected in the accompanying consolidated statements of operations is as follows:

	2018	2017
Normal effective statutory tax rate	30.9%	—
Expenses not deductible for income tax purposes	7.2	—
Non-taxable income	(1.0)	—
Per capita levy of inhabitant taxes	4.4	—
Change in valuation allowance	(11.3)	—
Other-net	0.5	—
Actual effective tax rates	30.7%	—

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.

## 15.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, 2018 and 2017.

## 16.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, 2018 and 2017.

## 17.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, 2018

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	¥74,939	¥53,035	¥23,217	¥151,193	¥9,852	¥161,045	¥ —	¥161,045
Inter-segment	159	67	—	226	19,841	20,067	(20,067)	—
Total	¥75,098	¥53,102	¥23,217	¥151,419	¥29,693	¥181,113	(¥20,067)	¥161,045
Segment profits or losses	2,223	2,206	961	5,390	807	6,198	(3,318)	2,879
Other items								
Depreciation and amortization	¥437	¥0	¥570	¥1,008	¥460	¥1,468	¥302	¥1,771

For the year ended March 31, 2018

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	\$706,980	\$500,335	\$219,033	\$1,426,348	\$92,944	\$1,519,294	\$ —	\$1,519,294
Inter-segment	1,500	633	—	2,133	187,187	189,320	(189,320)	—
Total	\$708,480	\$500,968	\$219,033	\$1,428,482	\$280,131	\$1,708,614	(\$189,320)	\$1,519,294
Segment profits or losses	20,971	20,811	9,071	50,854	7,618	58,474	(31,305)	27,168
Other items								
Depreciation and amortization	\$4,123	\$8	\$5,386	\$9,517	\$4,340	\$13,858	\$2,853	\$16,712

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 ¥(3,318) million (US\$(31,305) thousand) is inclusive of inter-segment elimination amounting to ¥(23) million (US\$(220) thousand) and Selling, General and Administrative Expenses amounting to ¥(3,295) million (US\$(31,085) 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 operations.
4. Assets are not described due to no allocation to the business 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



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

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 is inclusive of inter-segment elimination amounting to ¥137 million and Selling, General and Administrative Expenses amounting to ¥(3,291) million which are not attributed to any reportable segments.
3. Segment profits or losses are adjusted to the operating income in the consolidated statements of operations.
4. Assets are not described due to no allocation to the business segments.

## 18.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, 2018

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2018	2018
Japan	¥137,828	\$1,300,270
South east asia	12,783	120,595
Other	10,433	98,427
Total	¥161,045	\$1,519,294

For the year ended March 31, 2017

	Millions of Japanese Yen
	2017
Japan	¥138,273
South east asia	20,282
Other	8,644
Total	¥167,200

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, 2018

Name of Customer	Related segments	Net sales	
		Millions of Japanese Yen 2018	Thousands of U.S. Dollars 2018
Japanese Ministry of Land, Infrastructure, Transport and Tourism	Domestic Civil Engineering Businesses,others	¥28,334	\$267,307

For the year ended March 31, 2017

Name of Customer	Related segments	Net sales
		Millions of Japanese Yen 2017
Japanese Ministry of Land, Infrastructure, Transport and Tourism	Domestic Civil Engineering Businesses,others	¥33,496

### 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 operations for the year ended March 31, 2018 and 2017.

### 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, 2018 and 2017.

### 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, 2018 and 2017.

## 19.Per Share Data

	Japanese Yen		U.S. Dollars
	2018	2017	2018
Net assets	¥3,214.86	¥3,082.45	\$30.328
Net income (loss)	83.74	(355.86)	0.790

Note 1 Diluted net income per share was not disclosed because a net loss per share was recorded although there were no dilutive shares for the year ended March 31, 2017

Note 2 Diluted net income per share was not disclosed because there were no dilutive shares for the year ended March 31, 2018

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, 2017 are calculated under the assumption that the reverse stock split took place at the beginning of the year ended March 31, 2017.

Note) 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
	2018	2017	2018
Net assets	¥67,747	¥64,958	\$639,124
Net assets amount for common stocks	67,191	64,426	633,882
Significant breakdown of differences			
Non-controlling interests	¥555	¥532	\$5,241

	Thousands of shares	
	2018	2017
Numbers of issued shares of common stocks	22,494	22,494
Numbers of treasury stocks of common stocks	1,594	1,593
Numbers of common stocks which were used for calculation for per share data on net assets	20,900	20,900

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2018	2017	2018
Profit (loss) attributable to owners of parent	¥1,750	¥(7,438)	\$16,511
Profit (loss) attributable to owners of parent which does not belong to common stockholders	—	—	—
Profit (loss) attributable to owners of parent for common stocks	¥1,750	¥(7,438)	\$16,511

	Thousands of Shares	
	2018	2017
Average number of shares of common stocks	20,900	20,901

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOA CORPORATION and its consolidated subsidiaries

## 20. Significant Subsequent Events

Not 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	¥8,463	¥8,516	\$79,844	\$80,339	0.75%	
Current portion of Long-term debt	4,929	4,844	46,505	45,700	1.29%	
Current portion of Non-recourse debt	606	567	5,720	5,358	1.72%	
Current portion of lease obligations	19	139	181	1,315	—	
Long-term debt (excluding current portion)	12,881	12,957	121,526	122,241	1.13%	from 2019 to 2023
Non-recourse debt (excluding current portion)	2,314	1,746	21,832	16,474	1.87%	from 2019 to 2026
Lease obligation (excluding current portion)	20	347	194	3,274	—	from 2019 to 2022
Other debt	—	—	—	—	—	
<b>Total</b>	<b>¥29,235</b>	<b>¥29,118</b>	<b>\$275,806</b>	<b>\$274,704</b>	<b>—</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	¥4,611	¥4,731	¥2,418	¥1,195	\$43,508	\$44,641	\$22,814	\$11,277
Non-recourse debt	545	542	455	183	5,142	5,119	4,295	1,726
Lease obligations	124	122	99	—	1,178	1,155	940	—

#### 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, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal 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, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young Shinnikon LLC*

June 28, 2018  
Tokyo, Japan

## Quarterly Financial Information

For the fiscal year ended March 31, 2018

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	¥35,767	¥74,290	¥113,006	¥161,045	\$337,425	\$700,852	\$1,066,119	\$1,519,294
Profit before income taxes or quarterly profit before income taxes	966	2,611	3,398	2,557	9,118	24,633	32,065	24,123
Profit attributable to owners of parent or quarterly profit attributable to owners of parent	¥680	¥1,895	¥2,556	¥1,750	\$6,417	\$17,884	\$24,115	\$16,511

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 or per share data on quarterly profit	¥32.55	¥90.70	¥122.31	¥83.74	\$0.307	\$0.855	\$1.153	\$0.790

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)	¥32.55	¥58.16	¥31.60	¥(38.57)	\$0.307	\$0.548	\$0.298	\$(0.363)

# INFORMATION

## Board of Directors

(As of July 1, 2018)

President and Representative Director

Masaki Akiyama

Representative Directors

Masato Ikeda

Shigetoshi Kurosu

Directors

Ryo Suetomi

Seiichiro Ishii

Yoshika Hirose

Masahiko Okamura

Kosei Watanabe

Audit & Supervisory Board Members

Eisuke Sassa

Yujiro Oku

Satoshi Nakano

Yoshikazu Mikami

## Executive Officers

(As of July 1, 2018)

President and Chief Executive Officer (CEO)

Masaki Akiyama

Executive Vice President

Masato Ikeda

Senior Executive Officers

Motonobu Sugimoto

Seiichi Yamaguchi

Shigetoshi Kurosu

Atsushi Tamaki

Seiichiro Ishii

Managing Executive Officers

Masaharu Fukuda

Atsuro Moriwake

Masanori Iwaki

Makoto Fujino

Masato Horisawa

Yoshinobu Fukushima

Seigo Suzuki

Executive Officers

Tomoko Okiyama

Masaki Uematsu

Takayuki Baba

Toshio Aono

Ryohei Goto

Yuko Shirakawa

Yoshika Hirose

Kenichi Ogata

Kazuhiko Takase

Masato Honda

## Investor Information

(As of July 1, 2018)

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, 2018)

Authorized Shares

60,000,000

Outstanding Shares

22,494,629 shares in 2018 (As of March 31, 2018)

Number of Shareholders

8,387 (As of March 31, 2018)

Number of Employees

1,438 (As of March 31, 2018)

General Meeting

The General Meeting of Shareholders was held on June 28, 2018

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  
TEL : +65-6775-5044  
FAX : +65-6775-3542

INDONESIA

Indonesia Office  
L'AVENUE Office Building, Unit F,  
28th Floor, Jl. Raya Pasar Minggu Kav.  
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,  
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  
FAX : +971-4-880-8670

KUWAIT

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

MOZAMBIQUE

Mozambique Office  
Avenida 24 de Julho, nr 129, 5º andar  
direito, Cidade de Maputo, MOZAMBIQUE

## 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

PT. 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 Prasarnmitr (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





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