

MESSAGE FROM

THE PRESIDENT

Summary of Business Performance of the Fiscal Year

For the fiscal year just ended on March 31, 2019, although the slowdown in economic conditions overseas was having an impact on exports and production in Japan, there were signs that the Japanese economy was gradually recovering, with continued improvements 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 prevention and damage reduction, as well as maintenance and renewal of facilities to cope with the aging of social infrastructure. Furthermore, private investment also showed steady improvement, backed by increased corporate earnings and reform of the tax system.

Amidst this environment, 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,” the Toa Corporation Group has been carrying forward various measures and achieving its management goals, with the aim of steadily strengthening its management base and 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

Accordingly, the consolidated results achieved by the Toa Corporation Group for the fiscal year just ended were an increase in net sales of 7.9% over the previous consolidated fiscal year to ¥173,692 million, and an increase in operating income of 38.2% over the previous consolidated fiscal year to ¥3,980 million. And as a result of

such endeavors in sales and other efforts, ordinary income increased 45.3% over the previous consolidated fiscal year to ¥3,943 million, and net income attributed to the shareholders of the parent company was ¥3,072 million for the fiscal year just ended, an increase of 75.5% over the previous consolidated fiscal year.

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 and social capital, such as ports, railways, and power plants. For the consolidated fiscal year just ended, net sales increased 25.4% over the previous consolidated fiscal year to ¥93,980 million. The segment profit (operating income) increased 134.1% over the previous consolidated fiscal year to ¥5,203 million.

Due to the impact of such things as receiving a number of orders for large-scale government projects, non-consolidated orders for the Company increased by ¥33,839 million over the previous fiscal year to ¥112,604 million.

(Domestic Construction Business)

Efforts are being made to expand the amount of orders received from negotiation contract projects, planned and proposed work projects, and designed and executed work projects. For the consolidated fiscal year just ended, net sales decreased 2.1% from the previous consolidated fiscal year to ¥51,907 million. The segment profit (operating income) decreased 7.4% from the previous consolidated fiscal year to ¥2,042 million.

Due not only to orders continuously

received from existing clients, but also to efforts made to find and cultivate new customers, non-consolidated orders for the Company increased by ¥3,699 million over the previous fiscal year to ¥52,316 million.

(Overseas Business)

In Middle East and Africa and other areas primarily in Southeast Asia, efforts are being made in marine civil engineering construction and construction of power plants and other plants. Net sales for the consolidated fiscal year just ended decreased 15.7% from the previous consolidated fiscal year to ¥19,564 million. The segment loss (operating loss) was ¥1,056 million (the previous consolidated fiscal year showed a segment profit of ¥961 million).

Due to the impact of such things as receiving a number of orders for large-scale projects, non-consolidated orders for the Company increased by ¥31,626 million over the previous fiscal year to ¥50,528 million.

(Others)

Net sales for the consolidated fiscal year just ended decreased 16.4% over the previous consolidated fiscal year to ¥8,239 million, and the segment profit (operating income) increased 33.6% over the previous consolidated fiscal year to ¥1,079 million.

Summary of Financial Conditions of the Fiscal Year Just Ended

Total assets at the end of the consolidated fiscal year just ended increased ¥12,238 million compared with the end of the previous consolidated fiscal year to ¥202,514 million. The increase was due primarily to an increase in advances paid, such as notes receivable and accounts receivable from completed construction works, resulting from an increase in net sales and cost of sales, although there was a decrease in cash and bank deposits, and investment securities. Liabilities increased ¥11,140 million compared with the end of the previous

consolidated fiscal year to ¥133,669 million. This was due primarily to the increase of electronically recorded obligations, notes payable, accounts payable on construction works, and other items, resulting from an increase in cost of sales. Net assets increased ¥1,098 million compared with the end of the previous consolidated fiscal year to ¥68,845 million. Moreover, the shareholders equity ratio decreased 1.6 percentage points compared with the end of the previous consolidated fiscal year to 33.7%.

Summary of Cash Flows of the Fiscal Year Just Ended

For the consolidated fiscal year just ended, cash flows from operating activities showed a decrease of ¥2,347 million in cash (the previous consolidated fiscal year saw an increase of ¥9,928 million in cash) due to the increase in trade receivables and other factors. Cash flows from investing activities showed a decrease of ¥1,496 million in cash (the previous consolidated fiscal year saw a decrease of ¥714 million in cash) due to acquisitions of property, plant, and

equipment, etc. Cash flows from financial activities showed a decrease of ¥1,042 million in cash (the previous consolidated fiscal year saw a decrease of ¥674 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 consolidated fiscal year just ended decreased ¥4,852 million compared with the end of the previous consolidated fiscal year to ¥31,799 million.

Outlook for the Future

In the domestic construction market, it is anticipated that government investment in construction will be increased in order to carry out concentrated measures over a three-year period, from FY2018 to FY2020, with ¥7 trillion budgeted for the total project cost, aimed at maintaining the functions of key infrastructure and other facilities, in accordance with the Three-Year Emergency Response Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience (finalized by the Cabinet on December 14, 2018). In

addition, it is expected that demand will continue for work related to the Tokyo Olympic and Paralympic Games. In the overseas construction market, further development is expected to continue in social infrastructure, such as wharf facilities and cold storage warehouses, primarily in emerging countries.

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

Fiscal Year ending March 31, 2020

	Consolidated		Non-consolidated	
	Forecast	Percentage change compared with previous fiscal year	Forecast	Percentage change compared with previous fiscal year
Amount of orders received	—	—	¥177,000 million	-17.8%
Net sales	¥184,000 million	5.9%	¥177,000 million	5.8%
Operating income	¥6,300 million	58.9%	¥5,500 million	87.4%
Ordinary income	¥6,100 million	54.7%	¥5,400 million	83.4%
Net income	¥3,900 million	26.9%	¥3,500 million	41.3%

* With regard to the consolidated net income, the net income attributed to the shareholders of the parent company is indicated. (Ref.) The forecasts for the Fiscal Year ending March 31, 2020 indicated in the Mid-term Business Plan (from FY2017 to FY2019)

Fiscal Year ending March 31, 2020

	Consolidated	Non-consolidated
	Target	Target
Amount of orders received	—	¥177,000 million
Net sales	¥184,000 million	¥176,000 million
Gross profit	¥15,800 million	¥14,300 million
Operating income	¥6,000 million	¥5,500 million
Ordinary income	¥5,500 million	¥5,100 million

Issues that must be addressed

Regarding the defective work on ground improvement projects, which came to light in 2016, we, as the contractor, will endeavor to restore trust by taking full responsibility and putting every possible effort into faithfully and as quickly as possible completing work that we were ordered to carry out to repair those defects, as well as continuously carrying out initiatives to prevent any recurrence in the future.

Through “advanced technologies” and “reliable construction work,” as stated in the Company’s Corporate Philosophy, we will deliver work and services of high quality that will satisfy customers,

and through constant efforts to raise the awareness of employees regarding compliance, and by creating an honest, upstanding corporate culture, we will steadily strengthen our management base, with the aim of being a corporation capable of achieving sustainable growth and meeting the expectations of customers and society.

I would be grateful for the continued and lasting cooperation and support of all of our shareholders, our business partners with whom we have built a bond of mutual trust, and our employees.

President and Chief Executive Officer
Masaki Akiyama