MESSAGE FROM THE PRESIDENT

Summary of Business Performance of the Fiscal Year

For the fiscal year just ended on March 31, 2020, while the Japanese economy suffered a slowdown of its economic growth due to the deterioration in the relationship between China and the United States, and the impact of the spread of COVID-19 infection, public investment showed solid improvement in the domestic construction industry, primarily in such areas as disaster prevention and damage reduction, as well as maintenance and renewal of facilities to cope with aging social infrastructure. And private investment showed steady improvement too, backed by increased corporate earnings and reform of the tax system. Furthermore, the overseas construction industry also achieved steady growth, primarily in newly emerging countries.

Amidst this environment, 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 Utilizes 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.

The consolidated results achieved by Toa Corporation Group for the fiscal year just ended were an increase in net sales of 9.5% over the previous consolidated fiscal year to ¥190,278 million, an increase in operating income of 99.9% over the previous consolidated fiscal year to ¥7,957 million, an increase in ordinary income of 92.8% over the previous consolidated fiscal year to ¥7,604 million, and net income attributed to shareholders of the parent company was ¥5,007 million, a 63.0% increase over the previous consolidated fiscal year.

President and Chief Executive Officer

M. Akiyama

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 roads. For the consolidated fiscal year just ended, steady work on construction projects that were already ordered resulted in an increase in net sales of 8.0% over the previous consolidated fiscal year to ¥101,454 million. The segment profit (operating income) increased 37.9% over the previous consolidated fiscal year to ¥7,172 million due to the increase in net sales and improvement of the profitability of construction.

Compared with the previous fiscal year, when there were a number of large-scale on-land construction projects, non-consolidated orders for the Company decreased ¥23,635 million to ¥88,969 million.

(Domestic Architectural Building Business)

Efforts are being made to expand the amount of orders received from the projects through negotiations, planning and proposal projects, and based design built projects. For the consolidated fiscal year just ended, net sales decreased 4.8% from the previous consolidated fiscal year to ¥49,439 million, due to delays in the start of construction of some projects. However, as a result of efforts to improve profitability at the time of the order as well as productivity, the segment profit (operating income) increased 27.5% over the previous consolidated fiscal year to ¥2,605 million.

Non-consolidated orders for the Company improved steadily on the whole, increasing by ¥419 million compared with the previous fiscal year to ¥52,736 million.

(Overseas Business)

While marine civil engineering projects primarily in Southeast Asia are the principal business, efforts are being made to broaden the regions to advance into and the fields of construction work. Although there was a delay in the start of construction of some projects, work moved forward on construction projects that were already ordered, resulting in an increase of 48.3% in net sales to ¥29,012 million for the consolidated fiscal year just ended over the previous consolidated fiscal year. With regard to profits, because there were some unprofitable projects and the budgets of some construction projects that had been temporarily postponed were reexamined due to the effects of COVID-19, the segment profit (operating income) was ¥248 million (the previous consolidated fiscal year saw a segment loss of ¥1,056 million).

As a result of efforts to broaden the regions to advance into and the fields of construction work, non-consolidated orders for the Company increased ¥15,412 million over the previous fiscal year to ¥65,940 million.

(Others)

For the consolidated fiscal year just ended, net sales increased 25.9% over the previous consolidated fiscal year to ¥10,372 million, and the segment profit (operating income) increased 69.8% over the previous consolidated fiscal year to ¥1,832 million.

Summary of Financial Conditions of the Fiscal Year Just Ended

Total assets at the end of the consolidated fiscal year just ended increased ¥142 million compared with the end of the previous consolidated fiscal year to ¥202,657 million. The increase was due primarily to an increase in cash and bank deposits, and a decrease in advances paid, such as notes receivable and accounts receivable for completed construction work, and investment securities.

Liabilities decreased ¥177 million compared with the end of the previous consolidated fiscal year to ¥133,491 million. This was due primarily to an increase in convertible bonds with stock acquisition rights, and a decrease in electronically recorded obligations, notes payable, accounts payable for construction work, and other items.

Net assets increased ¥320 million compared with the end of the previous consolidated fiscal year to ¥69,166 million. Moreover, the shareholders equity ratio increased 0.1 percentage points compared with the end of the previous consolidated fiscal year to 33.8%.

On December 13, 2019, funds totaling ¥7,000 million were procured through the issuance of a "yen-denominated convertible bond with stock acquisition rights with a maturity date of 2024." Approximately ¥5,000 million has been allocated as construction funds (including the amount prepaid by drawing down cash on hand) for a self-elevating platform (SEP) that will be used in the construction of an offshore wind power generation facility, and approximately ¥2,000 million has been allocated to the repurchase of the Company's own shares.

In the future, not only will funds be allocated for investment in areas where growth is expected, but efforts will also be made to improve investment efficiency and enhance return to shareholders.

Summary of Cash Flows of the Fiscal Year Just Ended

For the consolidated fiscal year just ended, cash flow from operating activities showed an increase of ¥11,496 million in cash (the previous consolidated fiscal year saw a decrease of ¥2,347 million in cash) due to the decrease in trade receivables and other factors. Cash flows from investing activities showed a decrease of ¥2,851 million in cash (the previous consolidated fiscal year saw a decrease of ¥1,496 million in cash) due to acquisitions of property, plant, and equipment, etc. Cash flows from financial activities showed an increase of ¥3,373 million in cash (the previous consolidated fiscal year saw a decrease of ¥1,042 million in cash) due to the issuance of corporate bonds and other activities. As a result of such activities, the balance of cash and cash equivalents at the end of the consolidated fiscal year just ended increased ¥11,946 million compared with the end of the previous consolidated fiscal year to ¥43,746 million.

Fundamental Management Policy Regarding Distribution of Profits and Dividends for the Fiscal Year Just Needed

With regard to dividends, it is the fundamental policy to return profits based on the results of the Company's performance, while putting priority on continuously providing stable dividends. Moreover, efforts are being made to increase internal reserves in order to realize the financial standing for a stable management base.

The cash dividends for the fiscal year just ended, which are based on the abovementioned policies, and also comprehensively take into consideration the Company's performance for the fiscal year just ended, the financial conditions, and other factors, will be ¥10 higher than initially anticipated and are expected to be ¥50. A resolution regarding the increase in dividends was brought up at the 130th Ordinary General Meeting of Shareholders held on June 26, 2020, where a decision was formally made and the process undertaken to carry out the decision.

Issues That Should be Addressed

In the short-term, while constant public investment is expected, primarily in the areas of disaster prevention and damage reduction and for countermeasures to deal with aging infrastructure, there is a risk that the domestic construction market will shrink due to the effects of long-term population decline. In addition, it is believed that it will be necessary to deal with the fields of i-Construction and AI, where rapid development is anticipated, and cutting-edge technologies, such as automated construction, as well as engage in aggressive investments aimed at improving productivity and safety. Furthermore, to realize a sustainable society, there are calls for Toa Corporation Group, too, to carry forward ESG Management and make even greater contributions to SDGs

Amidst these conditions, Toa Corporation Group put forth its Long-Term Vision 2030 to "Build a prosperous society and connect people with the entire world for a better future," to describe what the Company should be 10 years from now. Based on its Corporate Philosophy, the Company will endeavor to be a company that supports society through its foundation of high-level technology and human resources, contributes to the establishment of social infrastructure that will connect people with the entire world, and meets the expectations of the stakeholders, to build a better future.

In order to realize the Long-Term Vision, the Company formulated the Mid-Term Management Plan (FY2020 to FY2022), which advocates changes in the business structure as its basic principle.

Specifically, the Company will

- Make advances to existing businesses by accelerating growth in competitive business domains
- Accelerate expansion of business domains through diversification aimed at continuous expansion of business
- Strengthen management base by strengthening the execution structure that supports the business strategies, and improving productivity

The executives of Toa Corporation Group will share and steadily implement the abovementioned measures and endeavor to resolve management issues.

Moreover, the planned figures for FY2022, which is the final year of the Mid-Term Management Plan, are indicated below.

Fiscal year ending March 31, 2023

	Consolidated	Non-consolidated
	Numerical goals	Numerical goals
Net sales	¥234,000 million	¥226,000 million
Operating income	¥10,200 million	¥9,200 million
Net income	¥6,500 million	¥6,000 million

* Consolidated net income is net income attributable to owners of the parent company

President and Chief Executive Officer
Masaki Akiyama