MESSAGE FROM THE PRESIDE NT

Conditions were harsh in the Japanese economy for the fiscal year just ended on March 31, 2021, due in part to the prolonged stagnation of economic activities because of the resurgence of the spread of infection from the COVID-19 virus.

In the construction industry, although investments in construction by the private sector declined due to the sluggishness of the Japanese economy, public investments remained strong, and looking to the future, we have high expectations that investments will be steady, because the Cabinet finalized the Five-Year Response Plan for Acceleration of Disaster Prevention, Disaster Mitigation, and Building National Resilience.

For the Toa Corporation Group, domestic construction was not significantly affected by the COVID-19 virus, with construction work steadily going forward. Overseas, on the other hand, it was unavoidable that construction in some countries had to be suspended because the government of those countries imposed controls, such as lockdowns forbidding people from going outside and restrictions limiting foreigners from entering or leaving the country. However, since June of last year, work has resumed in an orderly manner on construction projects that had been suspended, with work getting underway on nearly all projects in the second half of the fiscal year.

Under these circumstances, the Toa Corporation Group is steadfastly carrying forward the Mid-Term Management Plan (FY2020 to FY2022), which advocates changes in its business structure as its basic principle, and will continuously strive for continual change and growth.

With regard to the consolidated results achieved by the Toa Corporation Group for the consolidated fiscal year just ended, net sales decreased 0.3% from the previous consolidated fiscal year to ¥189,712 million; operating income increased 9.5% over the previous consolidated fiscal year to ¥8,714 million; ordinary income increased 21.6% over the previous consolidate fiscal year to ¥9,247 million; and net income attributed to the shareholders of the parent company increased 37.0% over the previous consolidated fiscal year to ¥6,859 million.

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 overhead capital, such as ports, railways, and roads. As there were few non-consolidated orders received that counted as significant net sales compared with the previous consolidated fiscal year, net sales for the consolidated fiscal year just ended decreased 6.0% from the previous consolidated fiscal year to ¥95,385 million.
Although improvements were seen in some unprofitable projects, because of such factors as a decrease in net sales, the segment profit (operating income) decreased 1.0% from the previous consolidated fiscal year to ¥7,100 million.
As a result of efforts that were focused not only on the field of marine civil engineering, but also on targeting various expressway companies to expand the amount of orders received for road construction work, non-consolidated orders received by the Company increased ¥38,847 million to ¥127, 816 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. The growth in net sales from large-scale projects in such fields as distribution and housing resulted in net sales for the consolidated fiscal year just ended increasing 15.3% over the previous consolidated fiscal year to ¥57,024 million. The segment profit (operating income) increased 37.7% over the previous consolidated fiscal year to ¥3,586 million due to improvement in profitability of construction work.
Non-consolidated orders received by the Company improved steadily as a whole, increasing ¥5,268 million over the previous fiscal year to ¥58,004 million.

(Overseas Business)
Marine civil engineering and other construction work is being carried out in the Middle East and Africa and other areas primarily in Southeast Asia. The Company's overseas business was affected in some countries by the suspension of construction work because of the effects of the COVID-19 virus, resulting in net sales for the consolidated fiscal year just ended decreasing 7.6% from the previous consolidated fiscal year to ¥26,812 million. Due to the decrease in net sales and the worsening of the profit and loss balance of some unprofitable projects, the segment loss (operating loss) was ¥495 million (the segment profit for the previous consolidated fiscal year was ¥248 million).
Non-consolidated orders received by the Company decreased ¥3,015 million from the previous fiscal year to ¥62,925 million.

(Others)
Net sales for the consolidated fiscal year just ended increased 1.1% over the previous consolidated fiscal year to ¥10,490 million, and the segment profit (operating income) increased 8.6% over the previous consolidated fiscal year to ¥1,989 million.

President and Chief Executive Officer
M. Akiyama

MESSAGE FROM THE PRESIDENT

Summary of Financial Conditions of the Fiscal Year Just Ended

Total assets at the end of the consolidated fiscal year just ended increased ¥1,542 million compared with the end of the previous consolidated fiscal year to ¥204,200 million. The increase was due primarily to an increase in advances paid, such as notes receivable and accounts receivable for completed construction work, although there was a decrease in cash and bank deposits.
Liabilities decreased ¥5,466 million compared with the end of the previous consolidated fiscal year to ¥128,025 million. This was due primarily to a decrease in short-term borrowings, while there was an increase in advances received on uncompleted construction works.
Net assets increased ¥7,009 million compared with the end of the previous consolidated fiscal year to ¥76,175 million due primarily to an increase in retained earnings by including net income attributable to owners of the parent company. Moreover, the shareholders' equity ratio increased 3.1 percentage points compared with the end of the previous consolidated fiscal year to 36.9%.

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 ¥1,471 million in cash (the previous consolidated fiscal year saw an increase of ¥11,496 million in cash). Cash flow from investing activities showed a decrease of ¥4,731 million in cash (the previous consolidated fiscal year saw a decrease of ¥2,851 million in cash) due to acquisitions of property, plant, and equipment, etc. Cash flows from financial activities showed a decrease of ¥8,254 million (the previous consolidated fiscal year saw an increase of ¥3,373 million in cash) due to repayment of short-term borrowings, etc. As a result of such activities, the balance of cash and cash equivalents at the end of the consolidated fiscal year just ended decreased ¥11,436 million compared with the end of the previous consolidated fiscal year to ¥32,310 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, with the aim of maintaining the functions of key infrastructure and other facilities. Furthermore, with regard to investments in domestic construction by the private sector, while it will be necessary to consider a review of investments because of the impact caused by the COVID-19 virus, it is expected that going forward vigorous investments will continue in some fields, such as distribution facilities, which is an area where the Company has significant expertise.
In the overseas construction market, while there are concerns about the effects of the COVID-19 virus, steadfast efforts will continue to be carried forward to develop social infrastructure, primarily in emerging countries. Shown below are the current forecasts of the Company's performance.

Fiscal year ending March 31, 2022

	Consolidated		Non-consolidated	
	Forecast	Percentage change compared with the previous fiscal year	Forecast	Percentage change compared with the previous fiscal year
Amount of orders received	—	—	¥191,000 million	- 23.2%
Net sales	¥223,000 million	17.5%	¥215,000 million	19.0%
Operating income	¥9,000 million	3.3%	¥8,400 million	15.2%
Ordinary income	¥8,700 million	- 5.9%	¥8,100 million	3.7%
Net income	¥6,000 million	- 12.5%	¥5,600 million	- 8.2%

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

(Ref.) The numerical goals for the fiscal year ending March 31, 2023 indicated in the Mid-Term Management Plan (from FY2020 to FY2022)

Fiscal year ending March 31, 2023

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

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

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, in the Mid-Term Management Plan (from FY2020 to FY2022), a payout ratio (non-consolidated) of 20% to 30% is aimed at as an indicator for shareholder return.

At the time the dividend for the fiscal year just ended was announced on March 22, 2021, the cash dividend for shareholders was to be ¥70 per share. However, as disclosed in the "Notice Regarding Dividends for Retained Earnings (increase of dividends)" issued on May 14, 2021, there would be an additional ¥10 cash dividend for shareholders, bringing the total to ¥80 per share. A resolution regarding this increase in dividends was brought up at the 131st Ordinary General Meeting of Shareholders held on June 29, 2021, where a decision was formally made.
Therefore, the cash dividend for shareholders for the next fiscal year are expected to be ¥80 per share.

With regard to the consolidated fiscal year just ended, the spread of infection from COVID-19 did not result in the suspension of construction work at domestic worksites, and nearly all the construction work that had been temporarily suspended at worksites overseas has resumed. While some aspects of the recovery from the COVID-19 crisis are still unclear, I believe it is possible to achieve the planned figures for FY2022, which is the final year of the Mid-Term Management Plan, and going forward, we will continue to strive steadily towards realizing them.

President and Chief Executive Officer
Masaki Akiyama