

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.

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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 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.