

November 14, 2012

**Results Briefing for the Second Quarter  
Ended September 30, 2012**



This report contains forward-looking statements regarding Toda Corporation and the Group's corporate plans, strategies, and business forecasts.

These statements include Toda Corporation's forecasts based on information currently available as of the announcement date, which are subject to a number of risks and uncertainties.

Therefore, the actual results or developments may differ from those presented in these forward-looking statements due to changes in various factors.

# **1. Summary of Financial Results**

Executive Manager Yushi Kikutani

# **2. Review on Medium-Term Management Plan**

President Shunzo Inoue

# 1. Summary of Financial Results

Executive Manager Yushi Kikutani

# **1-1. Summary of Financial Results for the Second Quarter**

\*Six Months from April 1, 2012 to September 30, 2012

# Highlights: FY2012 2Q

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■ **Consolidated Net Sales: ¥212.8 billion**  
**(up 17.1% year-on-year)**

- : Earnings were up 17.1% year on year as the net sales of completed construction contracts rose due to the progress of contracted construction.

■ **Operating Income: -¥14.4 billion**

- : Operating loss was recognized due to a considerable decrease in profits in the construction business (-¥4.7 billion).

■ **Orders Received (non-consolidated): ¥149.9 billion**  
**(down 27.1% year-on-year)**

- : Orders were received for restoration and other work associated with the Great East Japan Earthquake in addition to the priority areas (medical and welfare facilities, educational facilities, offices, production facilities and urban infrastructures.)

# Summary: FY2012 2Q



(Millions of yen)

	Apr-Sep FY2011	Apr-Sep FY2012			
		<i>Forecasts (announced on Aug. 9, 2012)</i>	Actuals	<i>Change (year on year)</i>	<i>Difference (vs. forecast)</i>
Consolidated net sales	181,721	229,000	212,830	+17.1%	-16,169
Operating income	(77)	(5,200)	(14,415)	—	-9,215
Ordinary income	670	(4,700)	(13,608)	—	-8,908
Net income	41	(4,100)	(33,824)	—	-29,724
Orders received (Non-consolidated)	205,644	160,000	149,964	-27.1%	-10,035

# Main Factors for Losses

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## ■ Decrease in profits in the construction business

- ： Due to the increased harshness of the cost management environment, a loss on purchase price adjustments reflecting a major gap between initial projections and results was recognized.  
→Profits in the construction business did not recover due to a delay in recovery of profitability.  
(Architectural construction: -¥7.3 billion, Civil engineering: ¥1.6 billion, Construction total: -¥5.7 billion [non-consolidated])

## ■ Extraordinary losses

- ： Loss on valuation of investment securities was ¥3.6 billion.

## ■ Increase in income taxes

- ： Deferred tax assets were fully reversed as a result of revising the recoverability of deferred tax assets given the considerable deterioration in performance.

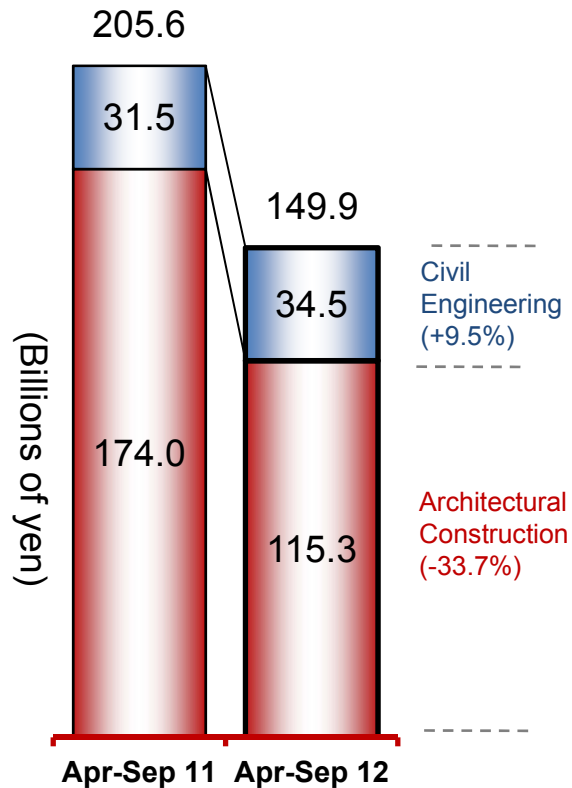


# Construction Business Performance (Non-consolidated)



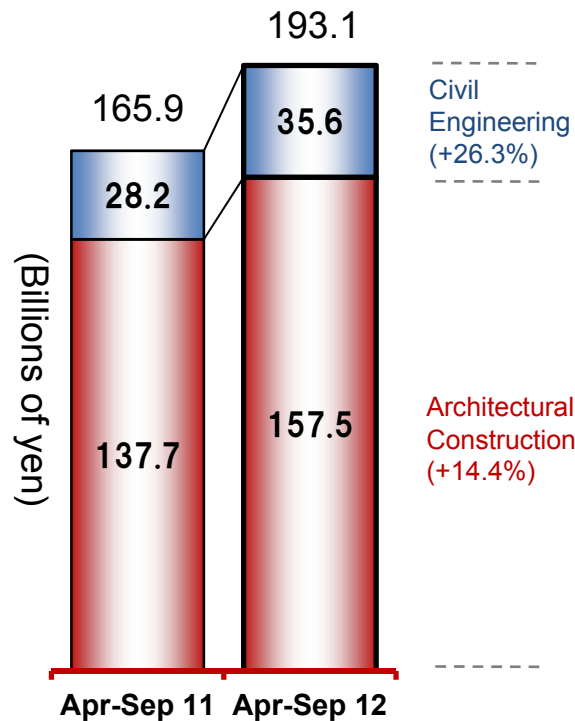
## Orders Received for Construction

(-27.1%)

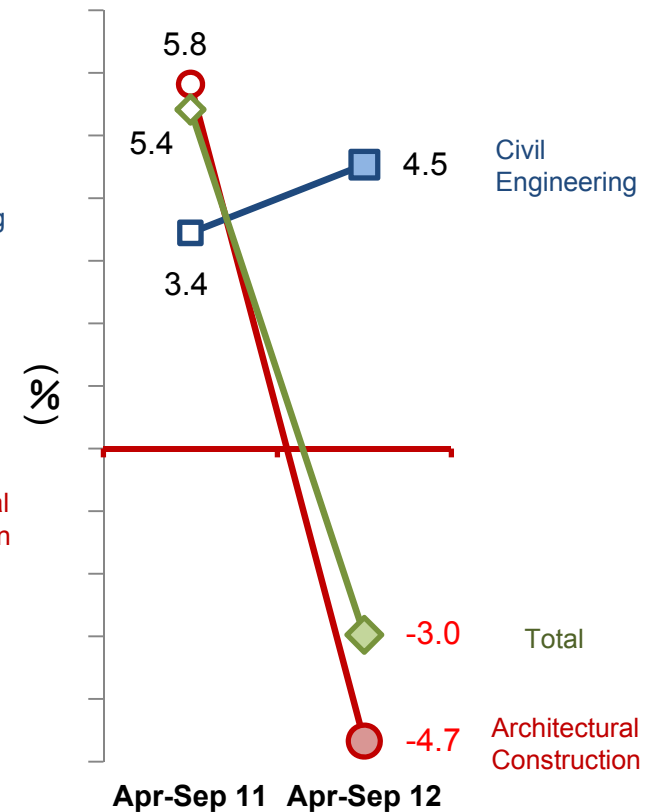


## Net Sales of Completed Construction Contracts

(+16.4%)

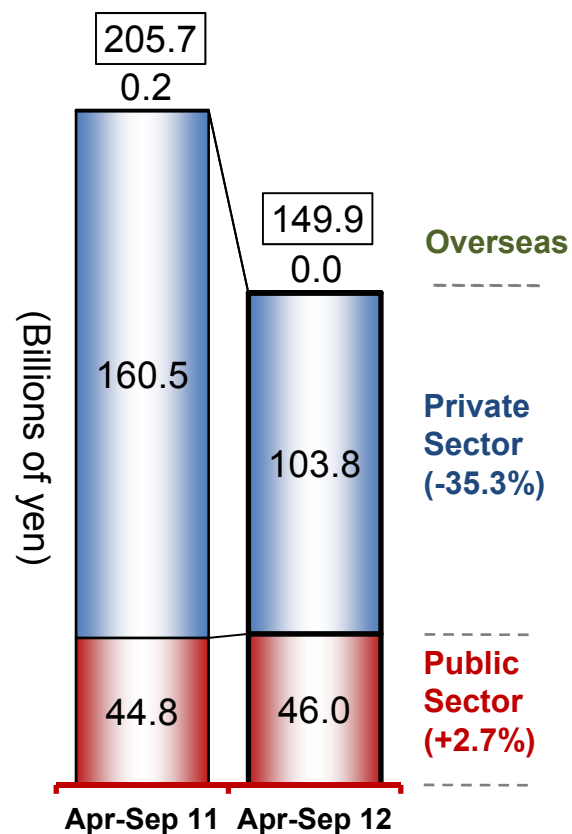


## Gross Profit Margin on Completed Construction Contracts

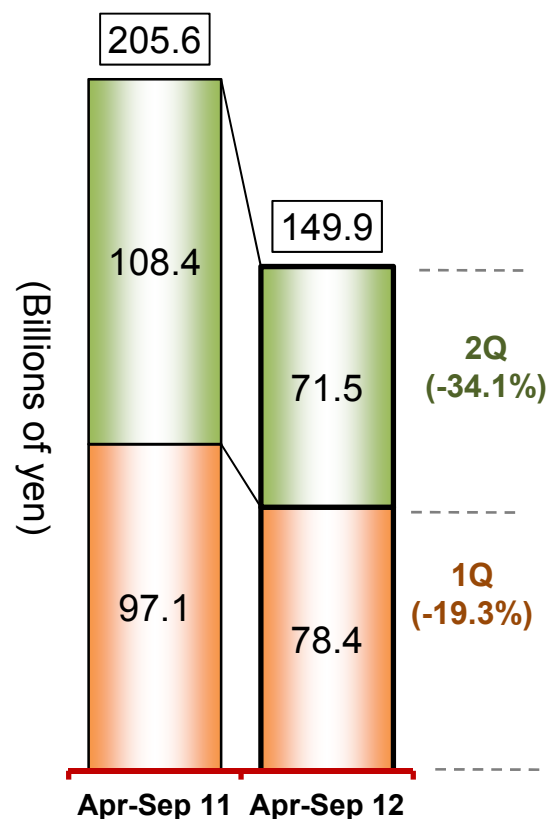


# Breakdown of the Orders Received (Non-consolidated)

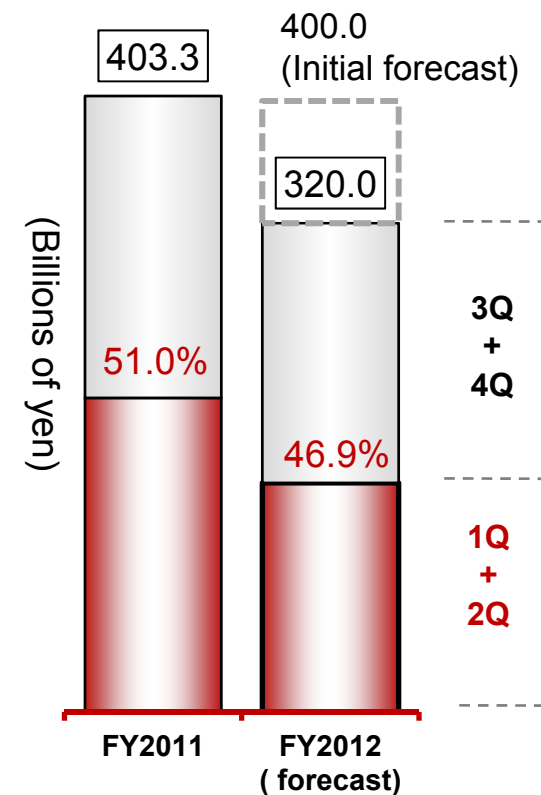
## Breakdown by Client



## By Quarter



## (Reference) Progress



# Main Orders Received

Ordering Parties		Name of works
Architectural construction	Yakult Honsha Co., Ltd.	Yakult Central Institute for Microbiological Research, Pharmaceutical and Cosmetics Research Building
	Dokkyo Group of Academic Institutions	Dokkyo Medical University faculty housing
	Social medical corporation BOKOI	Tenshi Hospital second-phase construction
	Kagawa University	Construction of new hospital wings and others
	Toyo University	School building commemorating the 50th anniversary of Himeji High School affiliated with Toyo University
Civil engineering	Metropolitan Expressway Company Limited	Roadwork on lower section of Oji Minami entrance/exit ramp, replacement roadwork along Shakujii-gawa (phase 5), neighboring streets
	Yonden Engineering Company, Incorporated	Shiranuka Solar Power Plant construction
	Bureau of Sewerage, Tokyo Metropolitan Government	Minami Motomachi Line

\*Honorific prefixes are omitted. Work names are abbreviations.

# Main Works Completed

	Ordering Parties	Name of works
Architectural construction	Urban Redevelopment Union	Redevelopment of southern section of Western Tonyamachi
	Japanese Red Cross Society	Wakayama Medical Center
	Cainz Co., Ltd.	New headquarters building
	Nippon Telegraph and Telephone East Corporation	Training Center lodge
	Medical corporation Kouenkai	Suzukake Central Hospital
	Kanazawa Institute of Technology	Building #23 Lecture Hall
Civil engineering	Kinki Regional Development Bureau	Lower part of Ikenouchi overpass
	Osaka Water Supply Authority	Sakai City drainpipe construction

\*Honorific prefixes are omitted. Work names are abbreviations.

## **1-2. Details of Financial Results**

# (Consolidated) Toda Group



Business		Subsidiaries in Japan: 10 companies	Overseas Subsidiaries: 7 companies	17 Companies
Construction	Architectural construction	<p>Toda Reform Co., Ltd.</p> <p>Chiyoda Kenkou Co., Ltd.</p> <p>APEC Engineering Co., Ltd.</p> <p>Sipco Industries Co., Ltd. (under liquidation procedures)</p>	<p>Construtora Toda do Brazil S/A</p> <p>Toda Construction (Shanghai) Co., Ltd.</p> <p>Thai Toda Corporation Ltd.</p> <p>Toda Vietnam Co., Ltd.</p> <p>TODA Philippines, Inc.    ABTD, inc.</p>	10 companies
	Civil engineering	<p>Toda Road Co., Ltd.</p>		1 company
	Real estate	<p>Chiyoda Tochi Tatemono Co., Ltd.</p> <p>Yachiyo Urban Co., Ltd. (under liquidation procedures)</p>	<p>Toda America, Inc.</p>	3 companies
	Others	<p>Toda Finance Co., Ltd.</p> <p>Chiyoda Staff Service Co., Ltd.</p> <p>Towa Kanko Kaihatsu Co., Ltd.</p>		3 companies

# (Consolidated) Summary of Group Performance



Apr-Sep 12  Billions of yen	Toda Corporation		Subsidiaries total		Consolidated		Ratio of consolidated results to non-consolidated results
		%		%		%	
Net sales	197.2		26.3		212.8		1.08
Gross profit	(4.5)	-2.3	1.6	6.4	(3.1)	-1.5	0.69
Selling, general and administrative expenses	10.2		1.2		11.2		
Operating income	(14.7)	-7.5	0.4	1.5	(14.4)	-6.8	0.98
Non-operating income	0.7		0.0		0.8		
Ordinary income	(14.0)	-7.1	0.4	1.9	(13.6)	-6.4	0.97
Extraordinary income (loss)	(3.0)		(0.0)		(3.1)		
Income before income taxes	(17.1)		0.4		(16.7)		
Income taxes	17.4		0.1		17.0		
Net income	(34.5)	-17.5	0.2	1.1	(33.8)	-15.9	0.98

# (Consolidated) Net Sales by Subsidiaries (Japan and Overseas) (1)

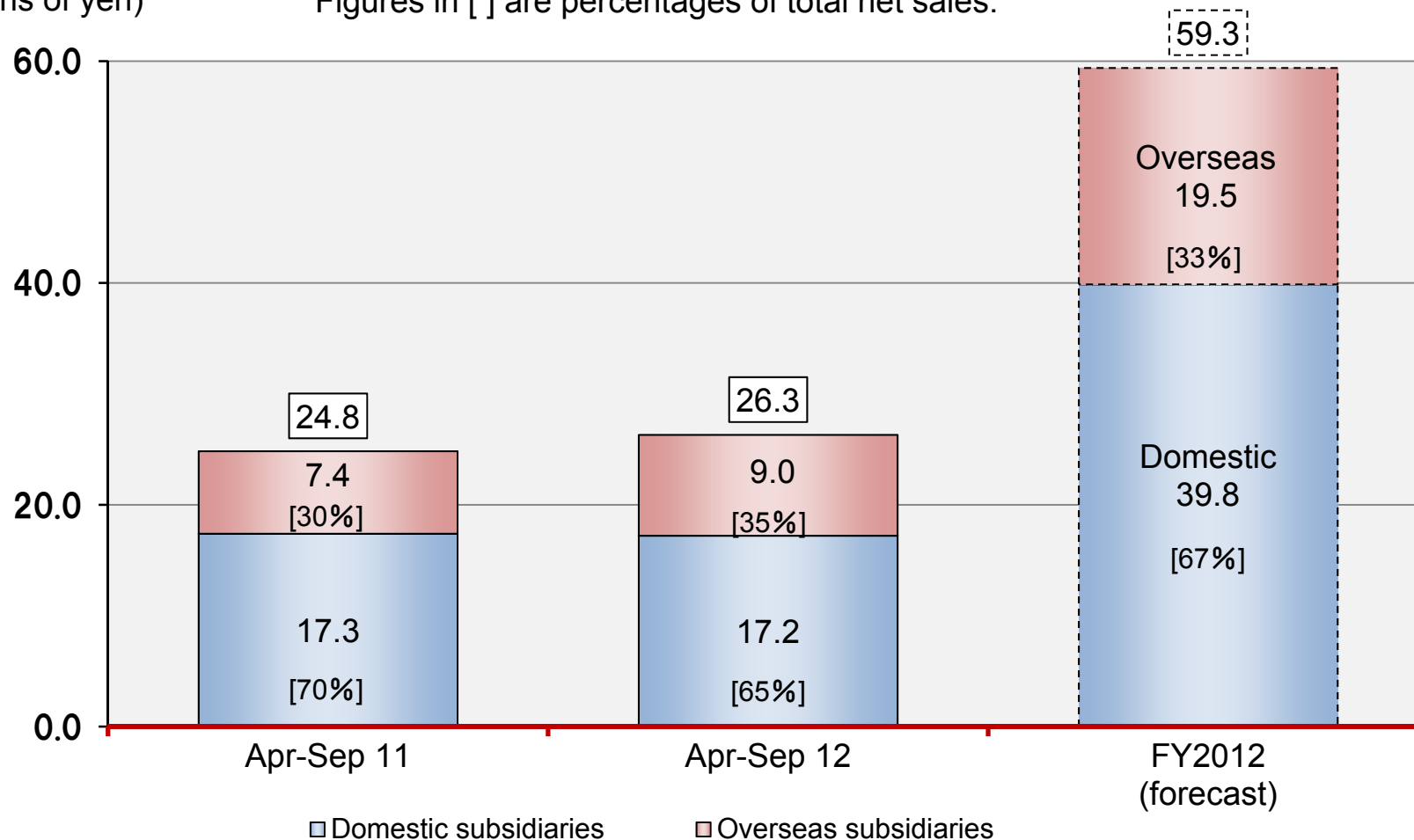


\* Before intercompany elimination

## Sales in Japan and Overseas

(Billions of yen)

Figures in [ ] are percentages of total net sales.



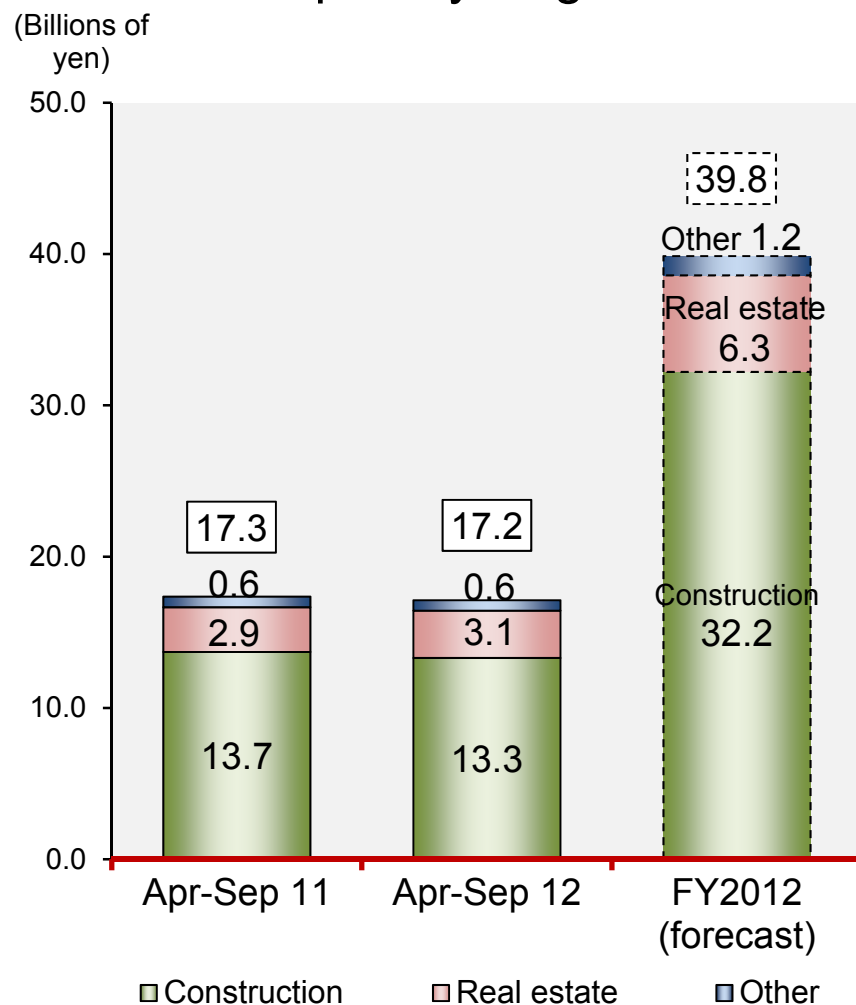


# (Consolidated) Net Sales by Subsidiaries (Japan and Overseas) (2)

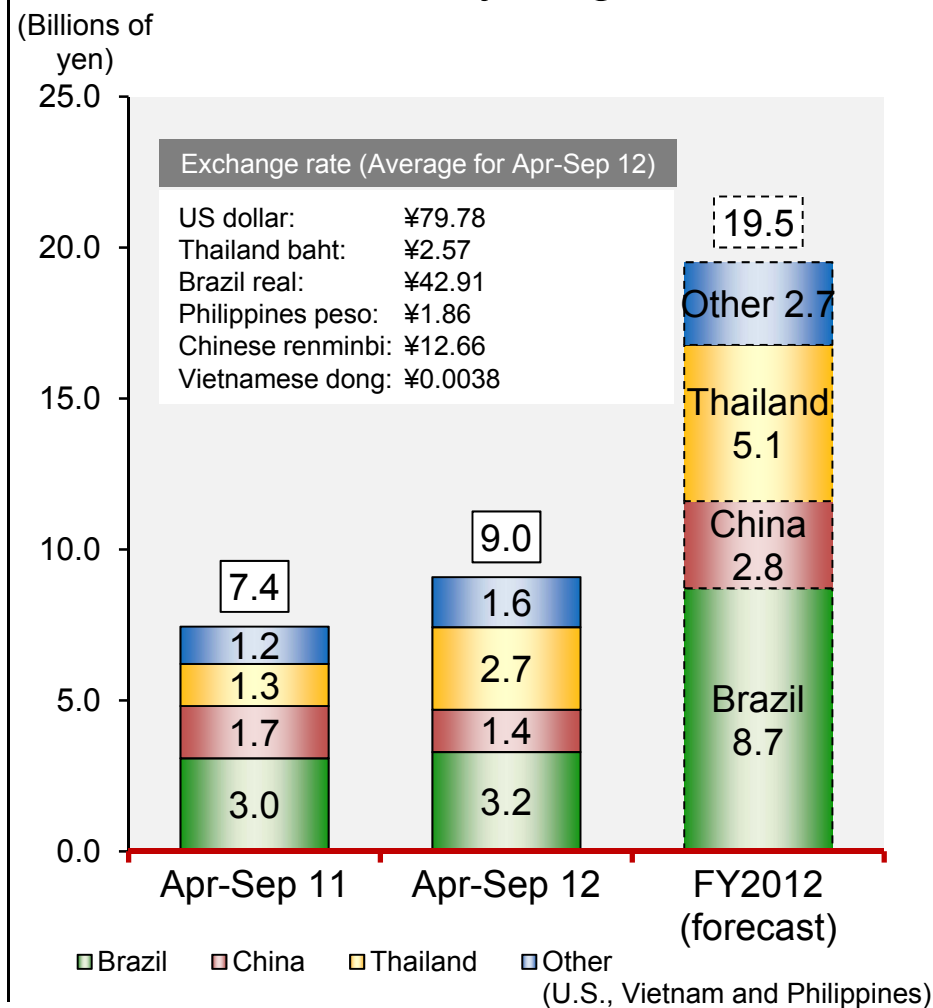


\* Before intercompany elimination

## Sales in Japan by Segment



## Overseas Sales by Region



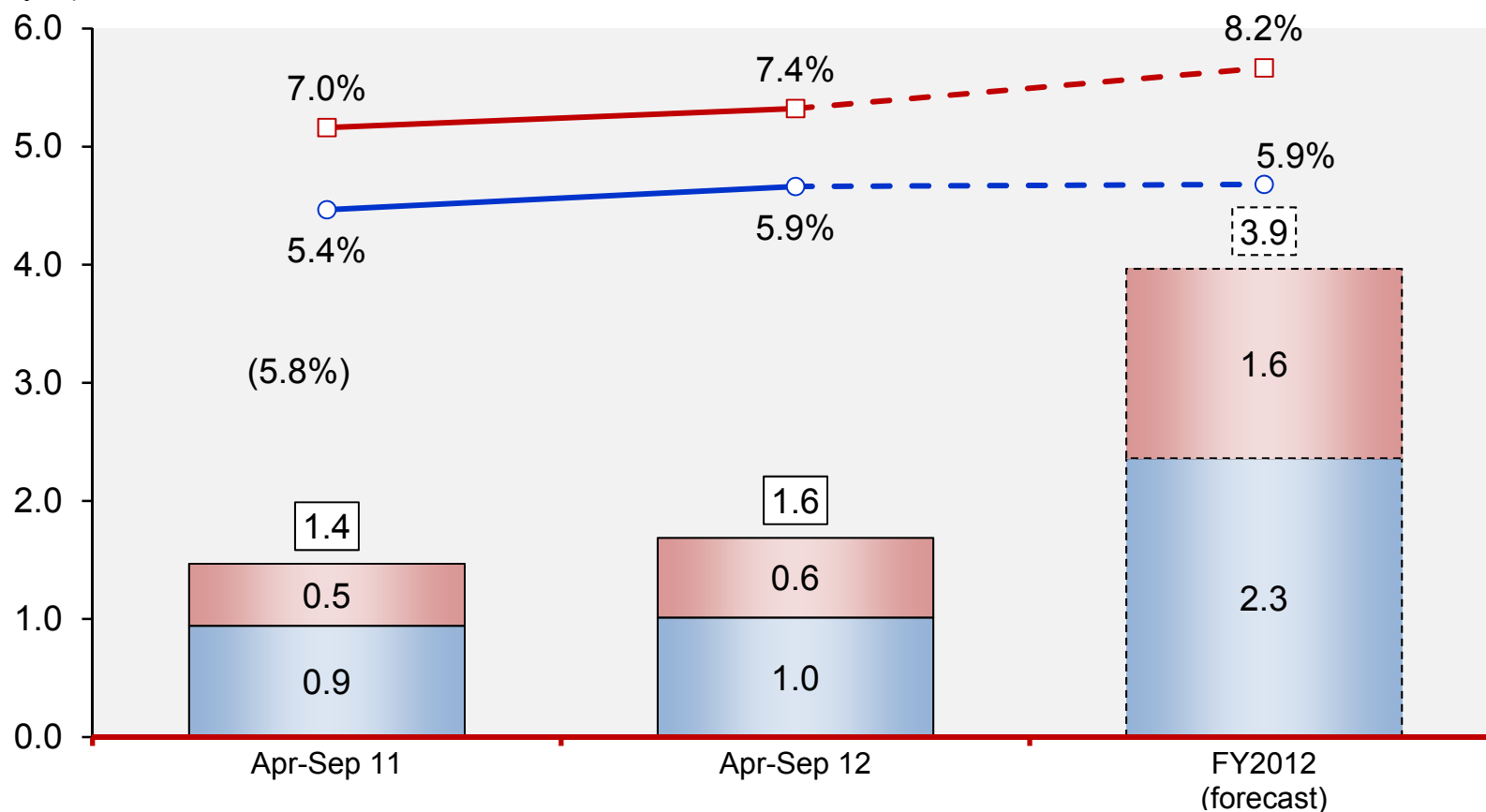
# (Consolidated) Gross Profit by Subsidiaries (Japan and Overseas) (1)



\* Before intercompany elimination

## Gross Profit in Japan and Overseas

(Billions of yen)



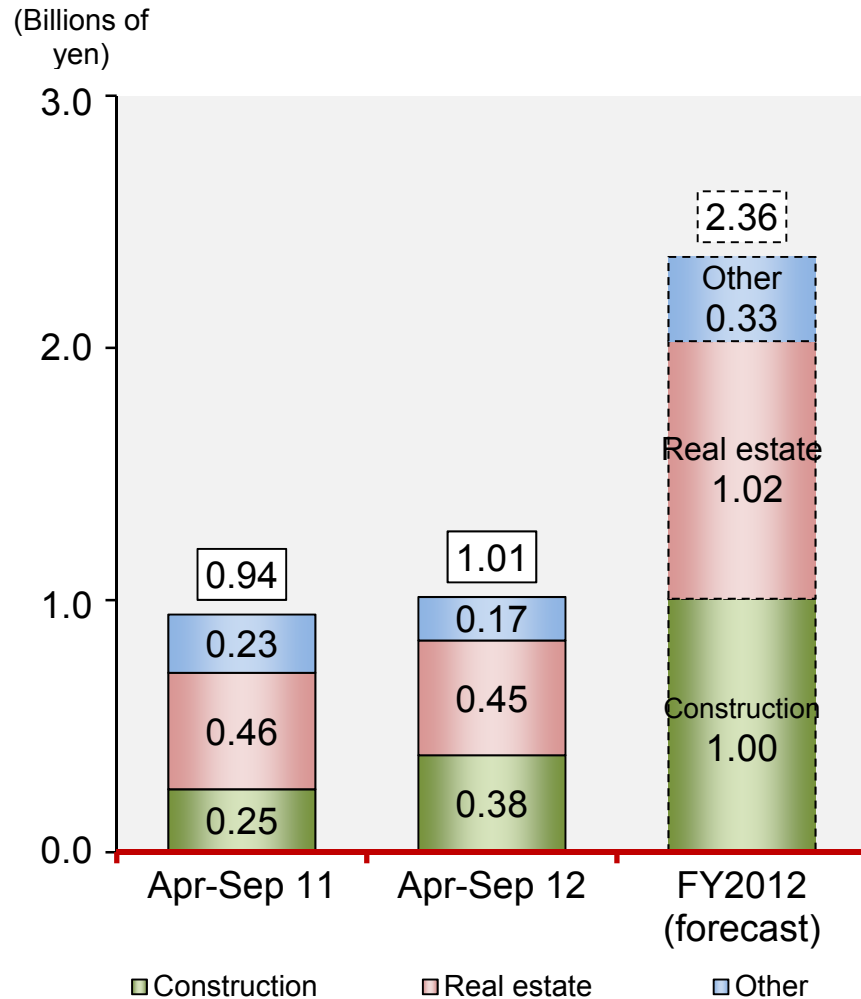
■ Domestic subsidiaries     
 ■ Overseas subsidiaries     
 ○ Gross profit ratio (Japan)     
 □ Gross profit ratio (overseas)

# (Consolidated) Gross Profit by Subsidiaries (Japan and Overseas) (2)

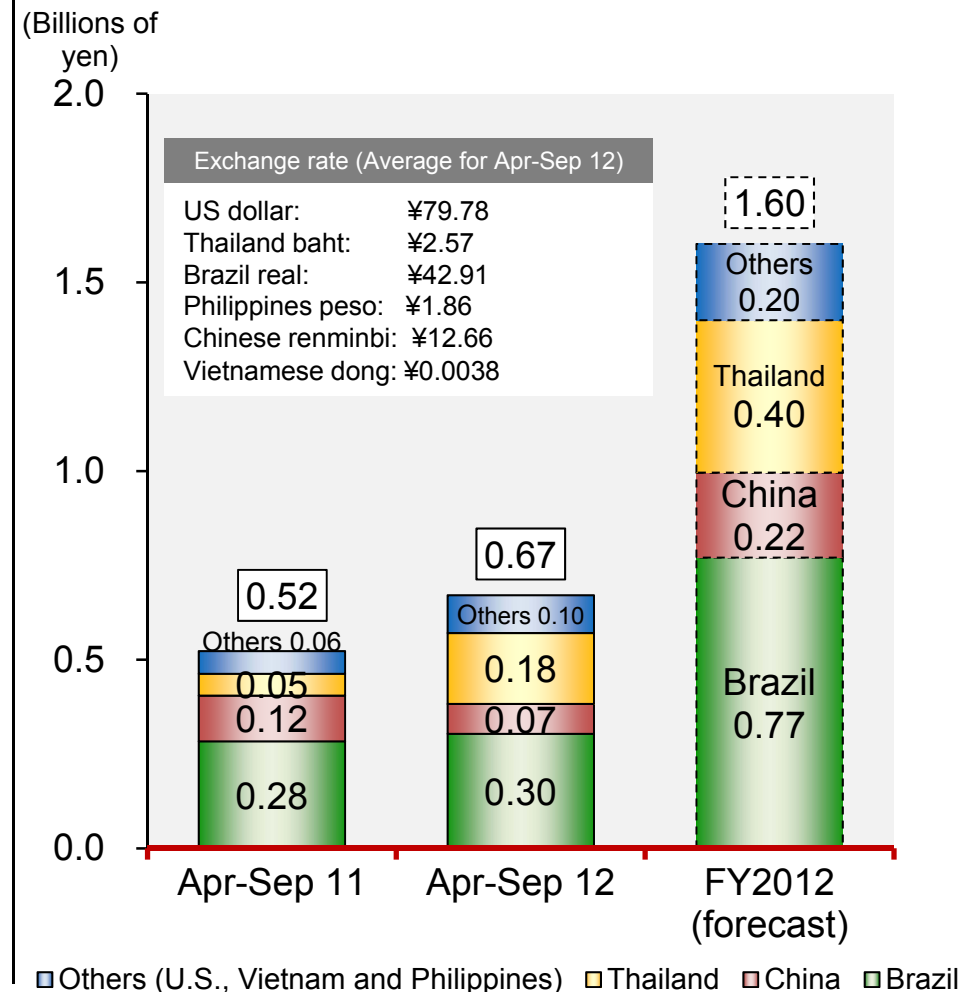


\* Before intercompany elimination

## Gross Profit in Japan by Segment



## Overseas Gross Profit by Region



# (Consolidated) Statements of Income

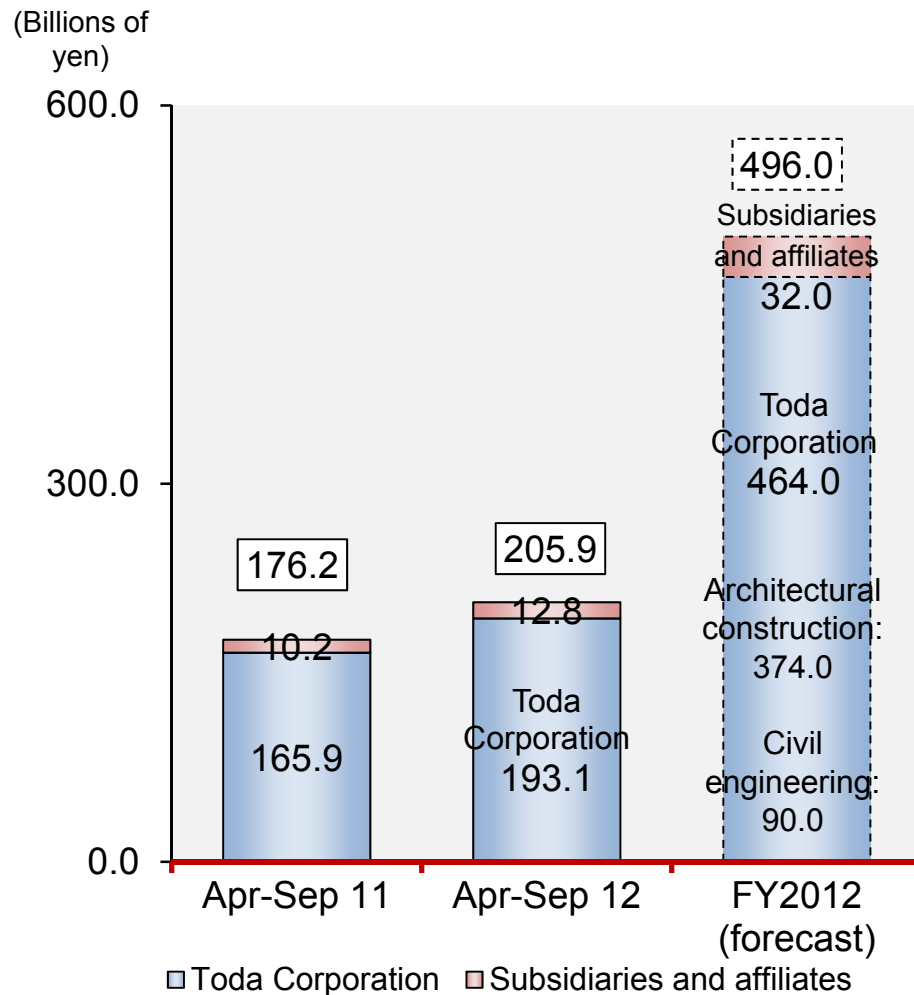


Billions of yen	Apr-Sep 11 (Actual)		Apr-Sep 12 (Actual)		Changes	FY2012 (Forecast)	
		%		%	%		%
Net sales	181.7		212.8		17.1	509.8	
Gross profit	11.2	6.2	(3.1)	-1.5	—	5.0	1.0
Selling, general and administrative expenses	11.3		11.2			24.3	
Operating income	(0.0)	-0.0	(14.4)	-6.8	—	(19.3)	-3.8
Non-operating income	0.7		0.8			1.3	
Ordinary income	0.6	0.4	(13.6)	-6.4	—	(18.0)	-3.5
Extraordinary income (loss)	(0.6)		(3.1)			(2.9)	
Income before income taxes	0.0		(16.7)			(20.9)	
Income taxes	(0.0)		17.0			17.6	
Net income	0.0	0.0	(33.8)	-15.9	—	(38.5)	-7.6

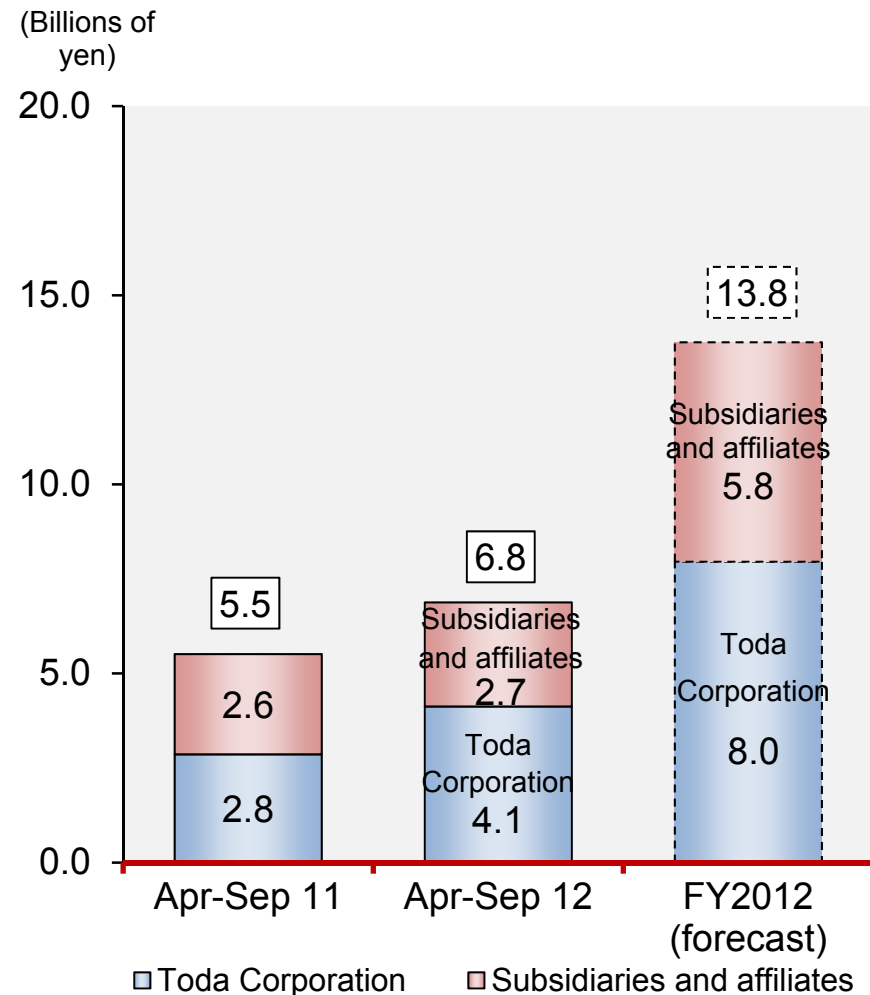
# (Consolidated) Change in Net Sales by Business



## Construction



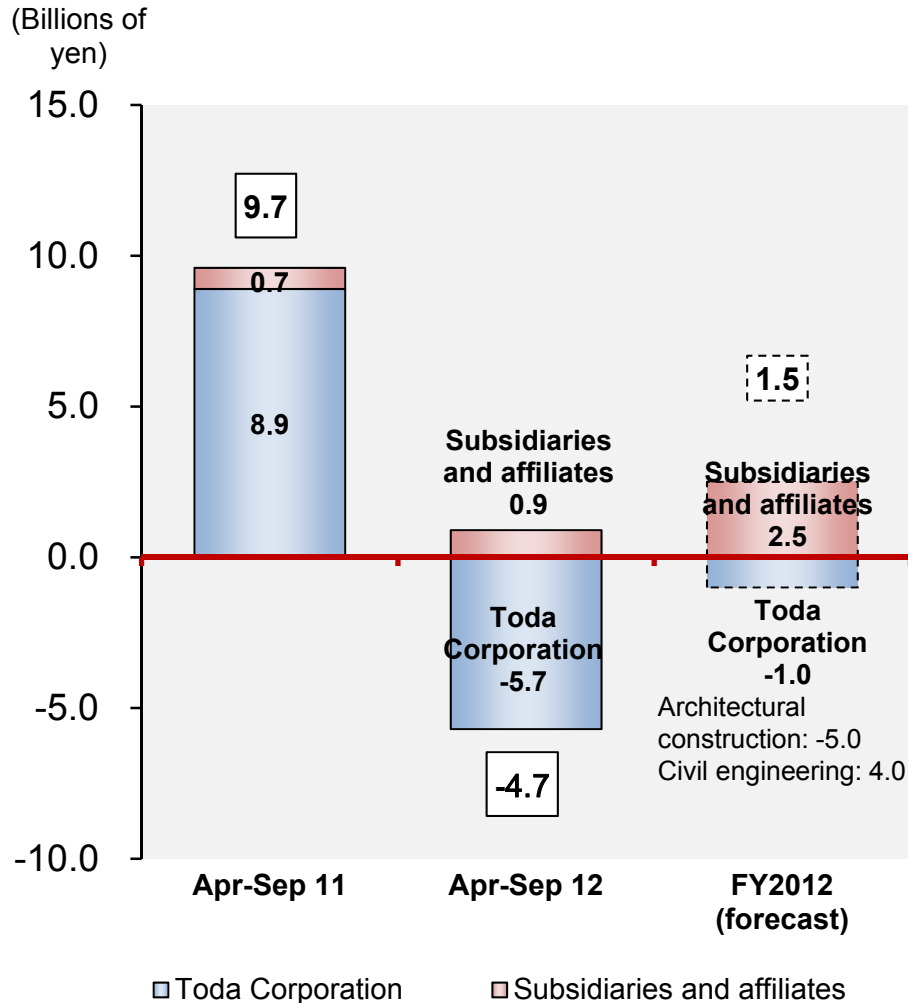
## Real Estate and Others



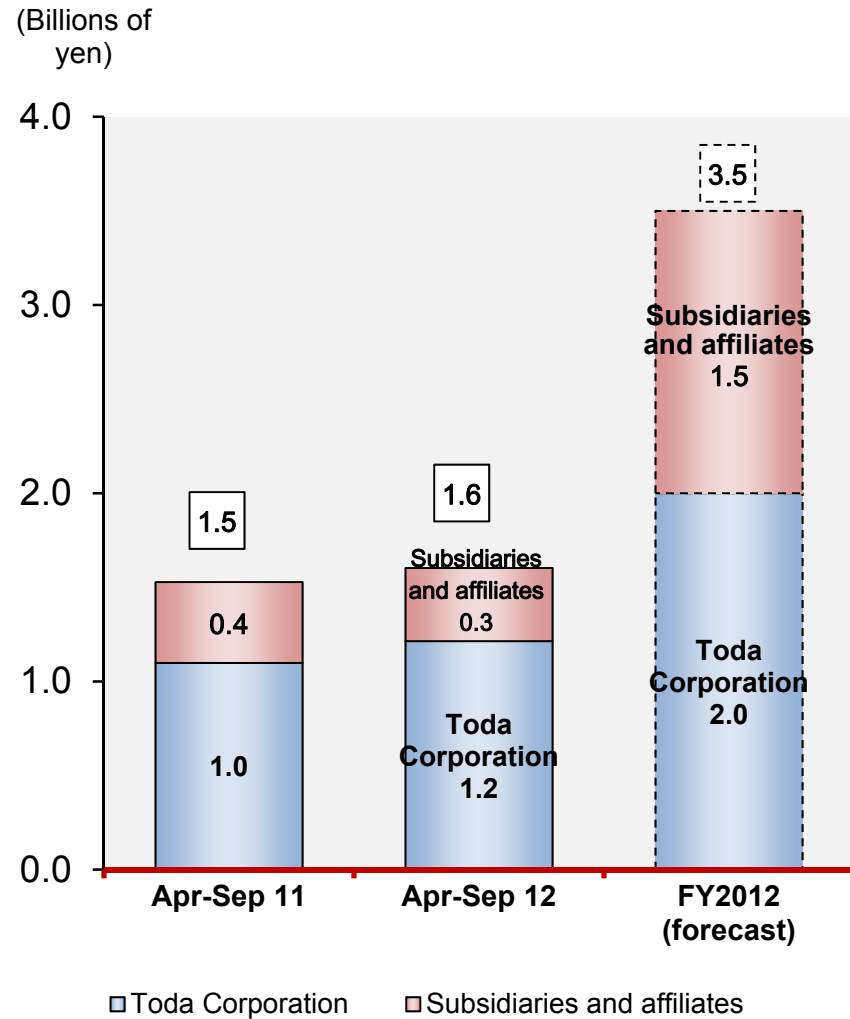
# (Consolidated) Change in Gross Profit by Business



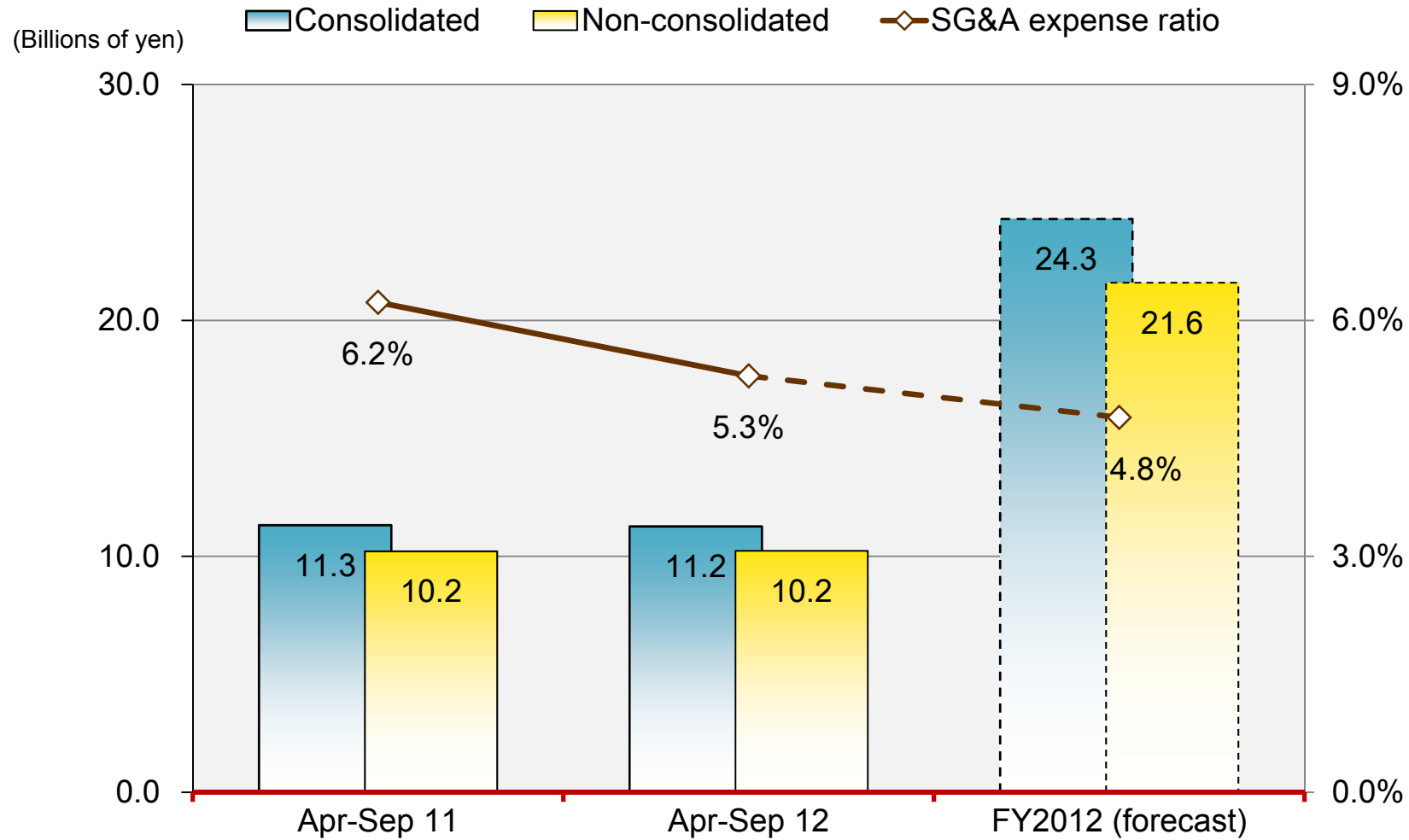
## Construction



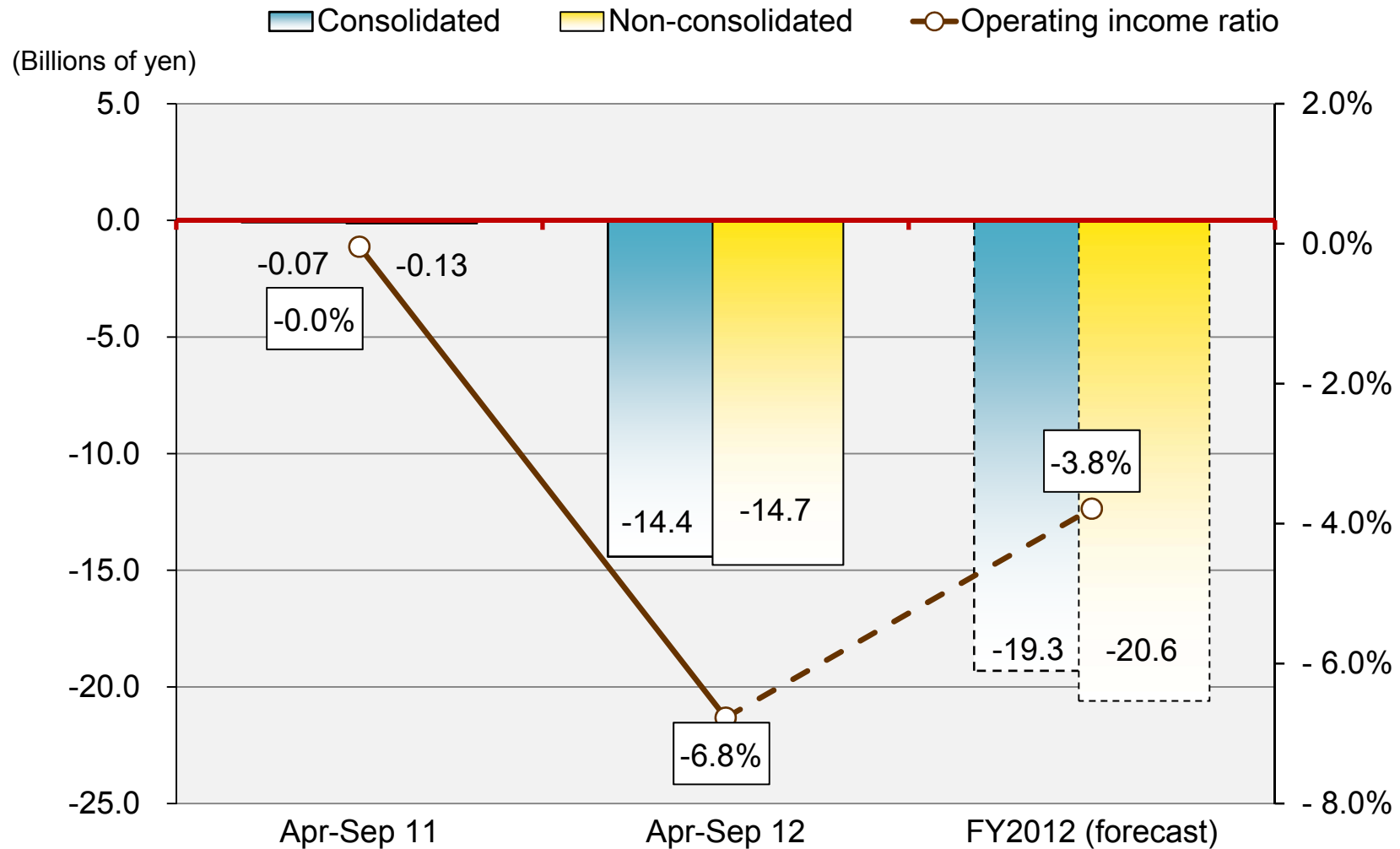
## Real Estate and Others



# (Consolidated) Change in SG&A



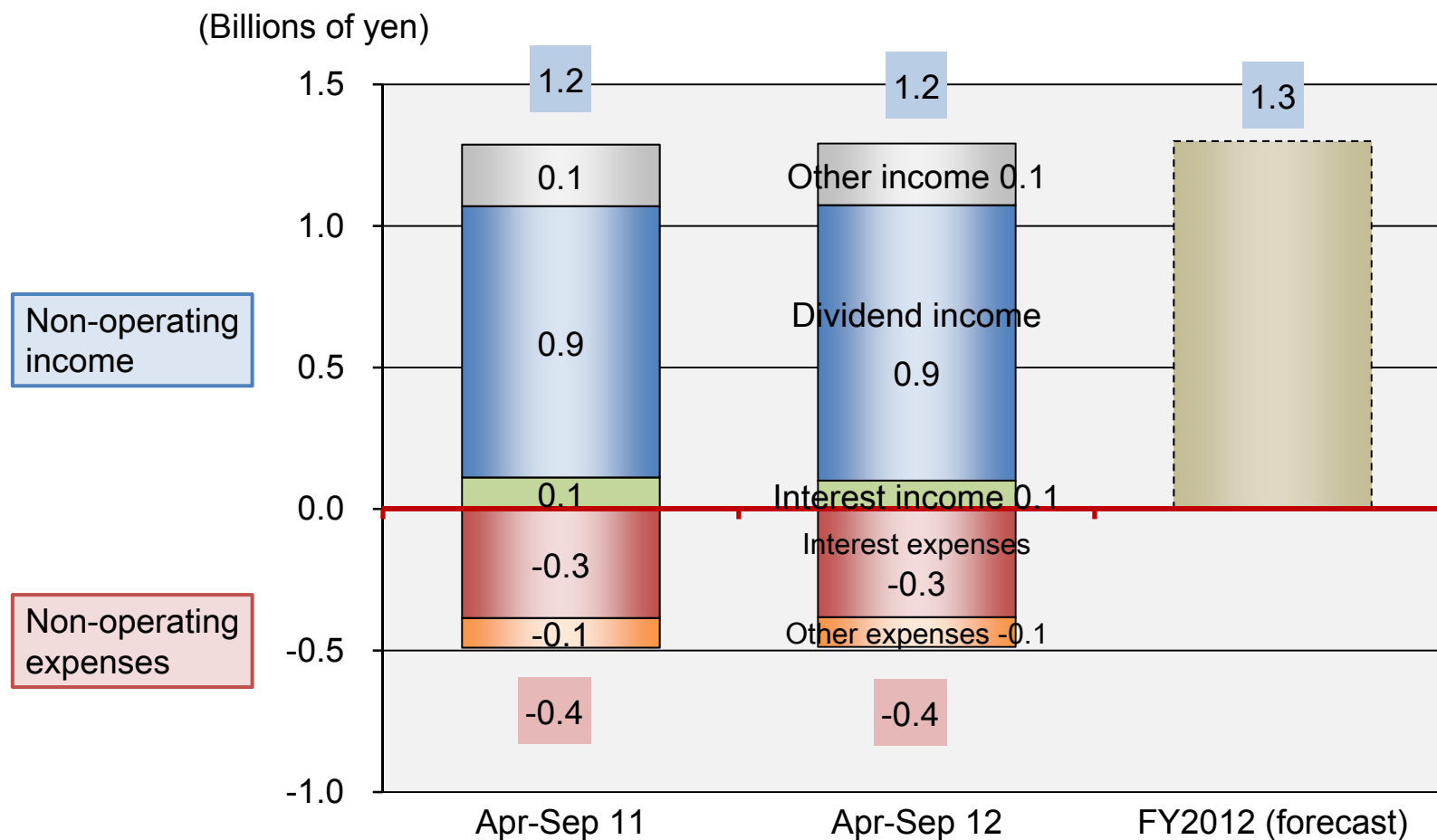
# (Consolidated) Change in Operating Loss



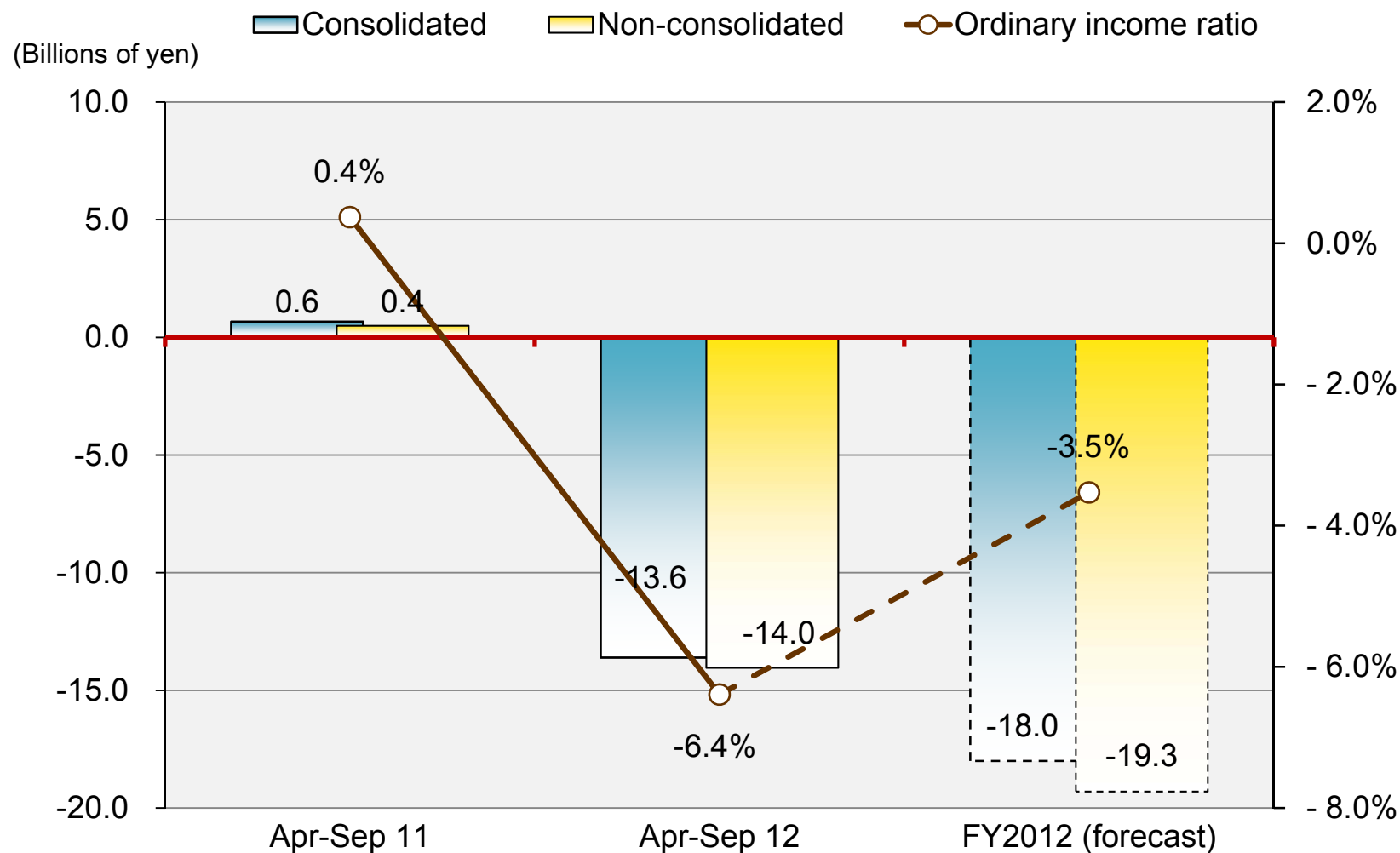


# (Consolidated) Change in Non-operating Income (Loss)

Account Balance	0.7	0.8	1.3
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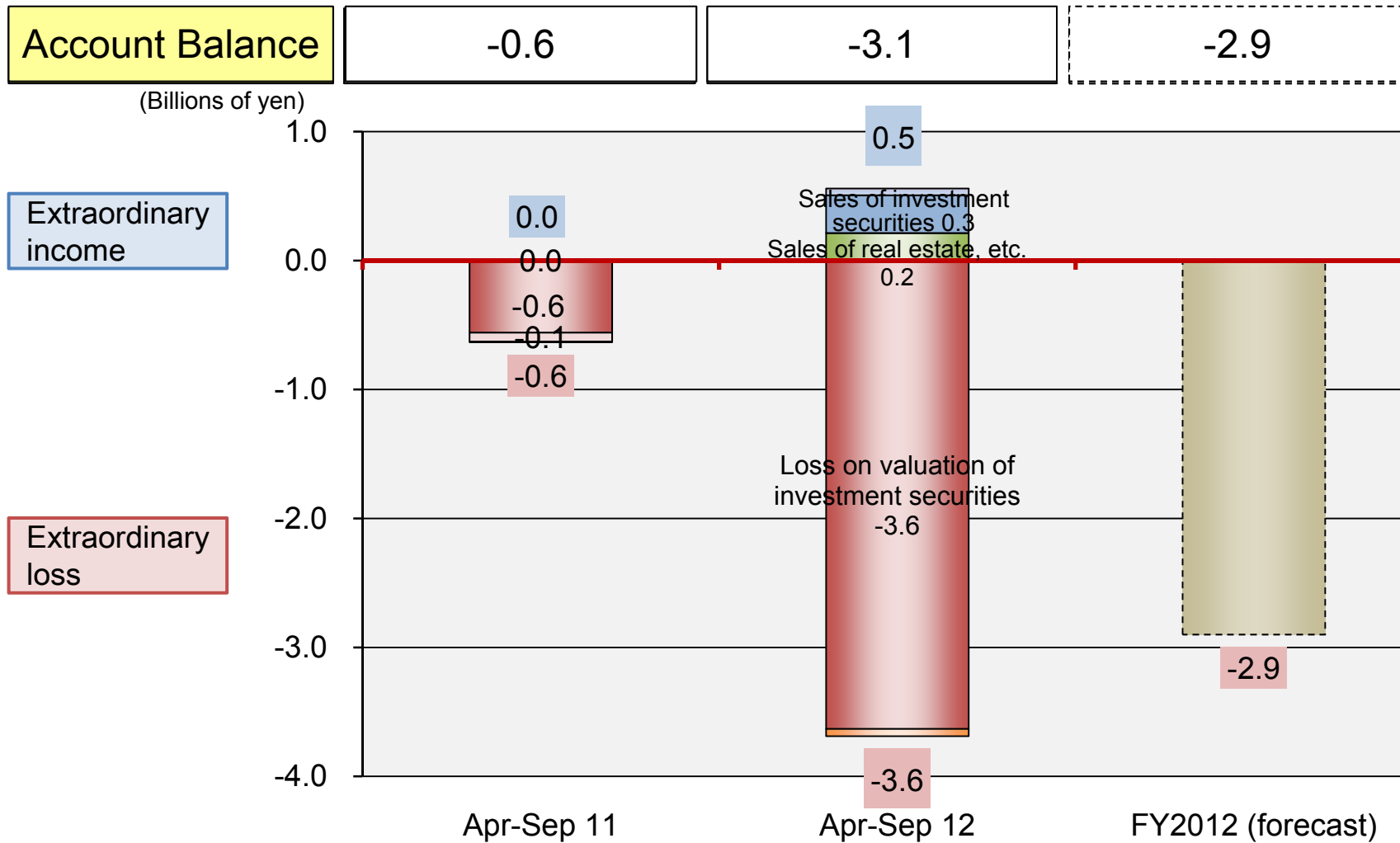


# (Consolidated) Change in Ordinary Income (Loss)



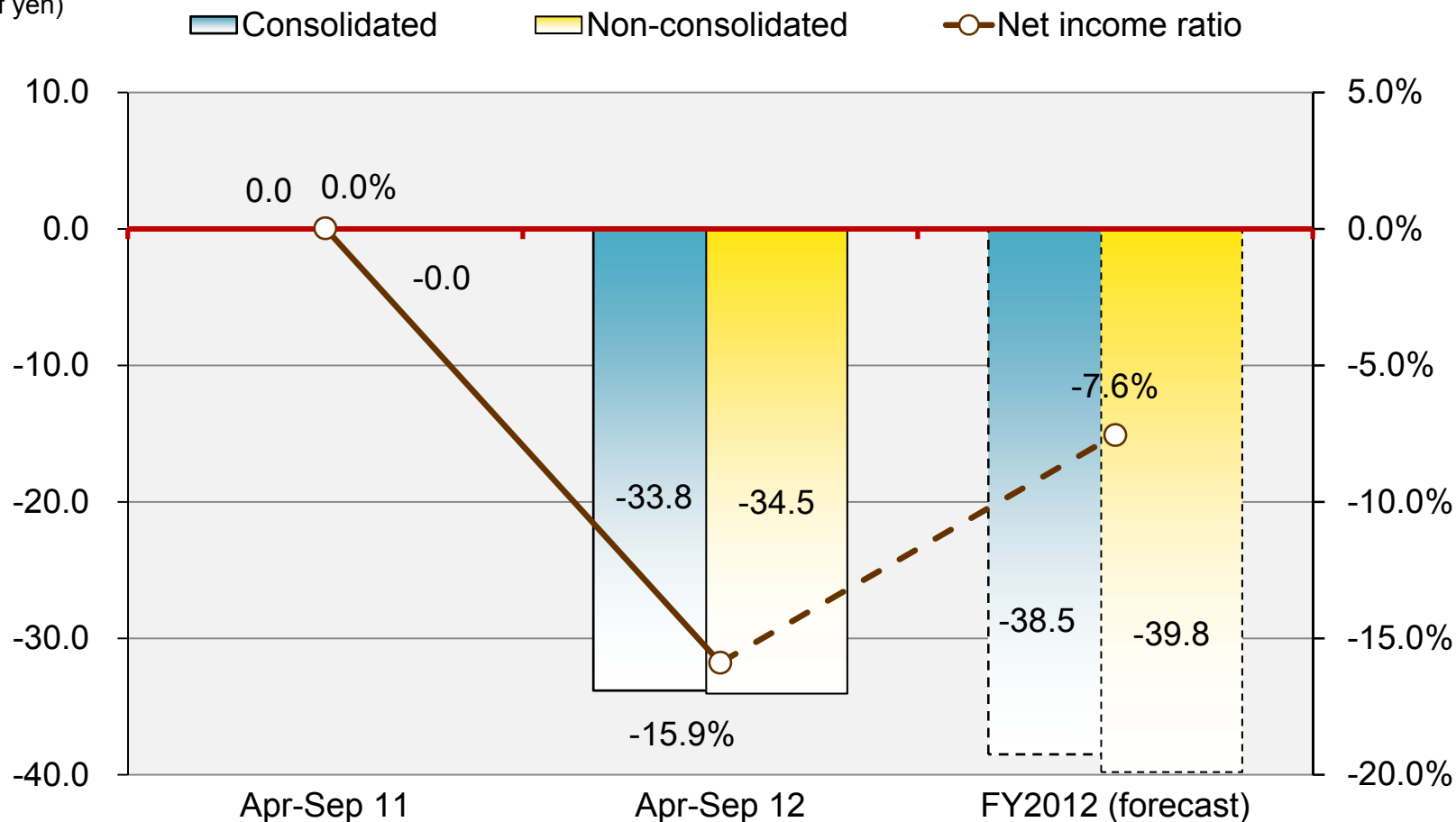
# (Consolidated)

## Change in Extraordinary Income (Loss)



# (Consolidated) Change in Net Income (Loss)

(Billions of yen)



Net income per share	0.13 yen	-108.64 yen	-123.66 yen
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# (Consolidated) Comprehensive Income

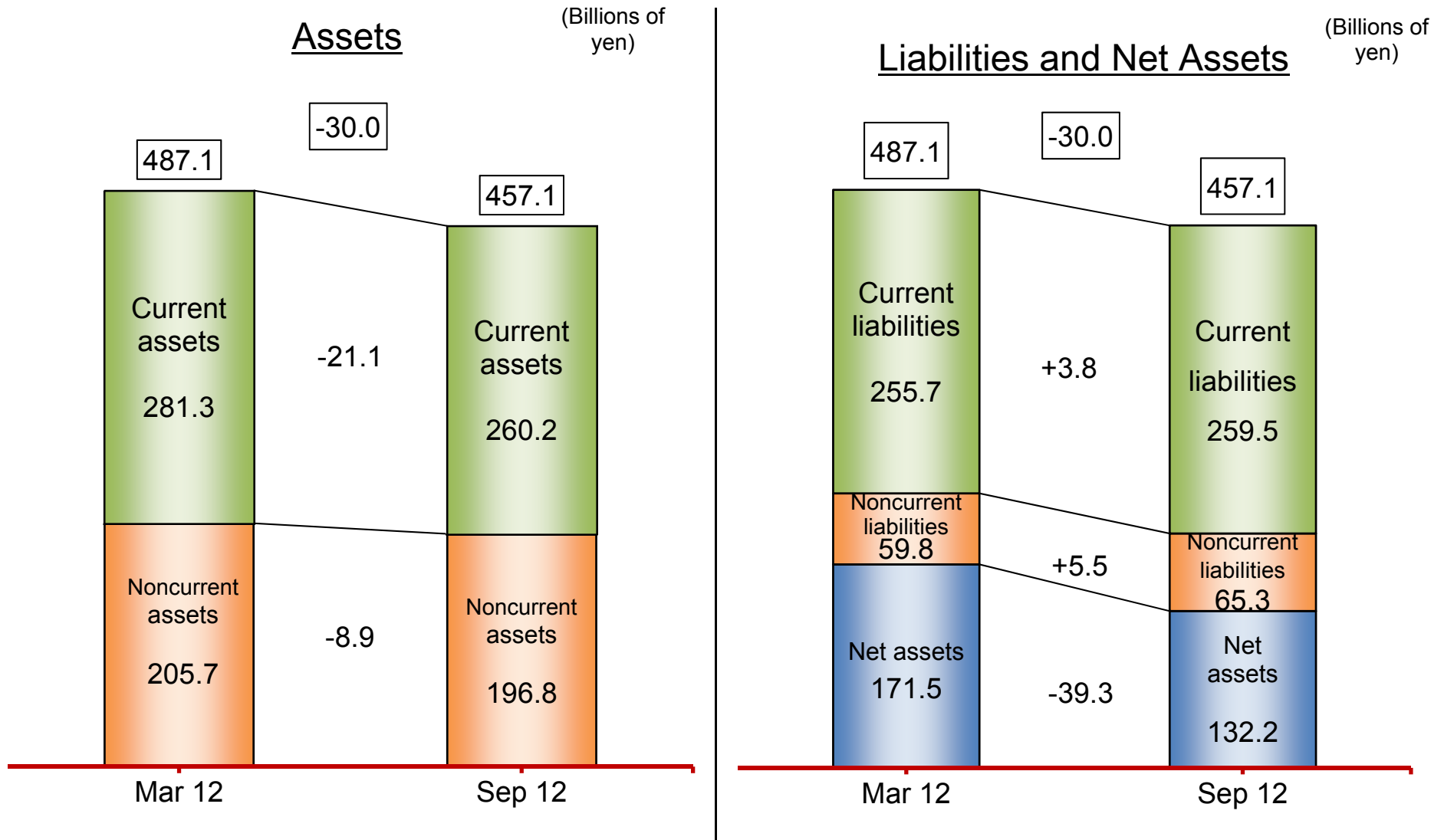


(Millions of yen)

Consolidated statements of comprehensive income	Apr-Sep 11	Apr-Sep 12
Income before minority interest	69	(33,734)
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,139)	(3,611)
Deferred gains or losses on hedges	(9)	(103)
Foreign currency translation adjustment	(14)	40
Total other comprehensive income	(6,162)	(3,675)
Quarterly comprehensive income	(6,093)	(37,410)

	Sep 11	Sep 12	Change
Nikkei stock average (yen)	8,700	8,870	+2%

# (Consolidated) Balance Sheets



# (Consolidated)

## Detailed Consolidated Balance Sheets



Billions of yen	Mar 12	Sep 12	Remarks
(Assets)			Figures in ( ) are changes from the previous year.
Current assets	281.3	260.2	Notes receivable, accounts receivable from completed construction contracts and other: 127.8 (-36.3)
Noncurrent assets	205.7	196.8	Costs on uncompleted construction contracts: 45.2 (+14.2)
Property, plant and equipment	87.3	87.5	Real estate for sale: 17.3 (-2.1)
Intangible assets	3.0	2.9	Deferred tax assets: 0.06 (-10.1)
Investments and other assets	115.4	106.3	Buildings and structures: 19.4 (+1.7)
			Land: 67.1 (+0.5)
			Investment securities: 101.8 (-8.9)
<b>Total assets</b>	<b>487.1</b>	<b>457.1</b>	

# (Consolidated)

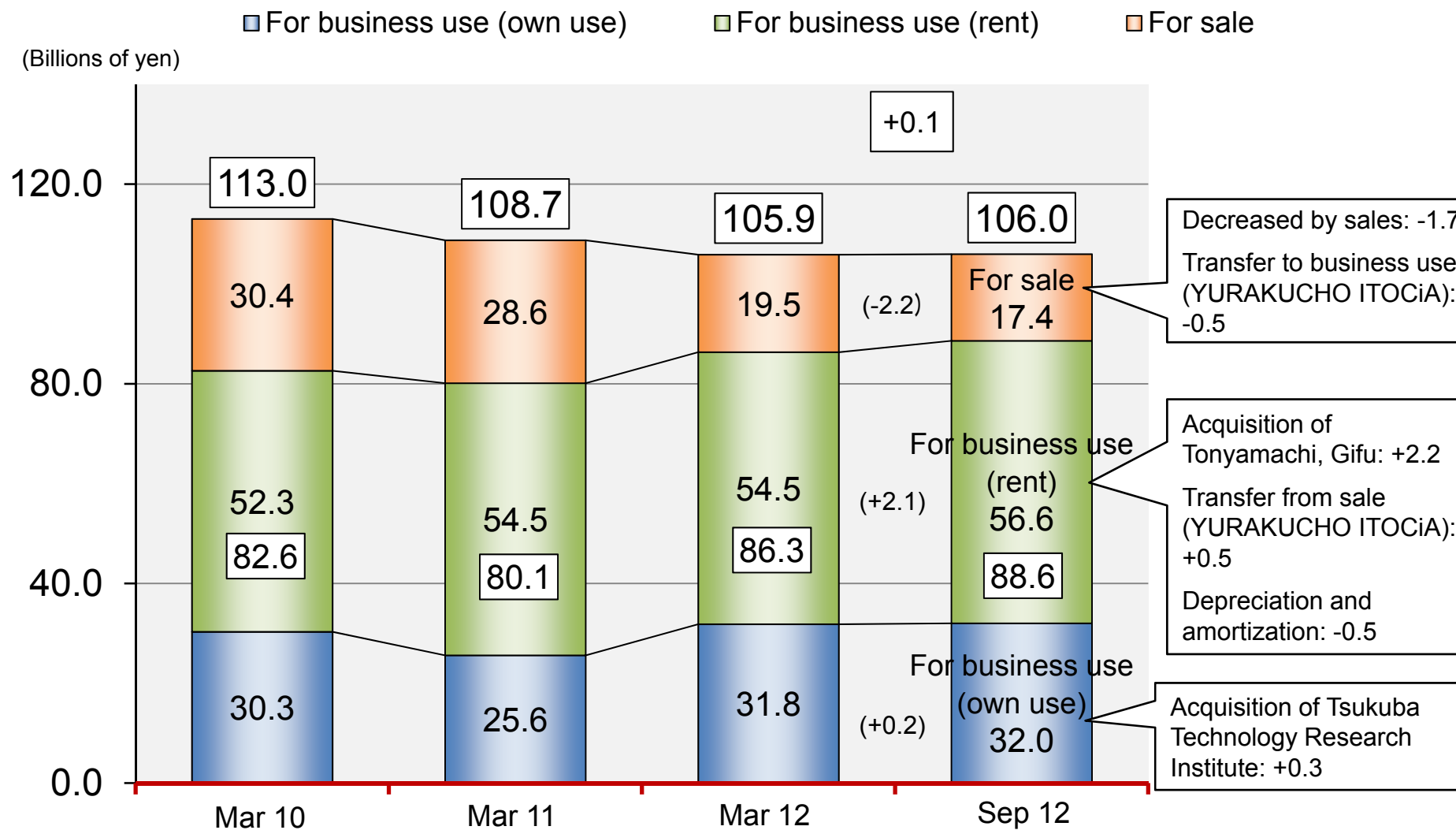
## Detailed Consolidated Balance Sheets



Billions of yen	Mar 12	Sep 12	Remarks
(Liabilities)			Figures in ( ) are changes from the previous year.
Current liabilities	255.7	259.5	Notes payable, accounts payable for construction contracts and other : 115.6 (-17.1) Short-term loans payable: 37.7 (+0.7) Advances received on uncompleted construction contracts: 49.0 (+7.8) Provision for loss on construction contracts: 16.6 (+2.6)
Noncurrent liabilities	59.8	65.3	
(Net Assets)			
Shareholders' equity	146.2	110.8	
Valuation and conversion adjustment	21.0	17.1	Long-term loans payable: 21.4 (+1.0) Provision for retirement benefits: 22.3 (+0.2) Long-term deferred tax liabilities: 7.6 (+4.4)
Minority interests	4.1	4.2	
Total Net Assets	171.5	132.2	Retained earnings: 68.2 (-35.4) Valuation difference on available-for-sale securities: 13.3 (-3.6)
Total Liabilities and Net Assets	487.1	457.1	Total interest-bearing liabilities: 59.2 (+1.7) 57.5 (Mar 12) → 59.2 (Sep 12)



# (Consolidated) Change in Real Estate Holding



# (Consolidated) Capital Investments



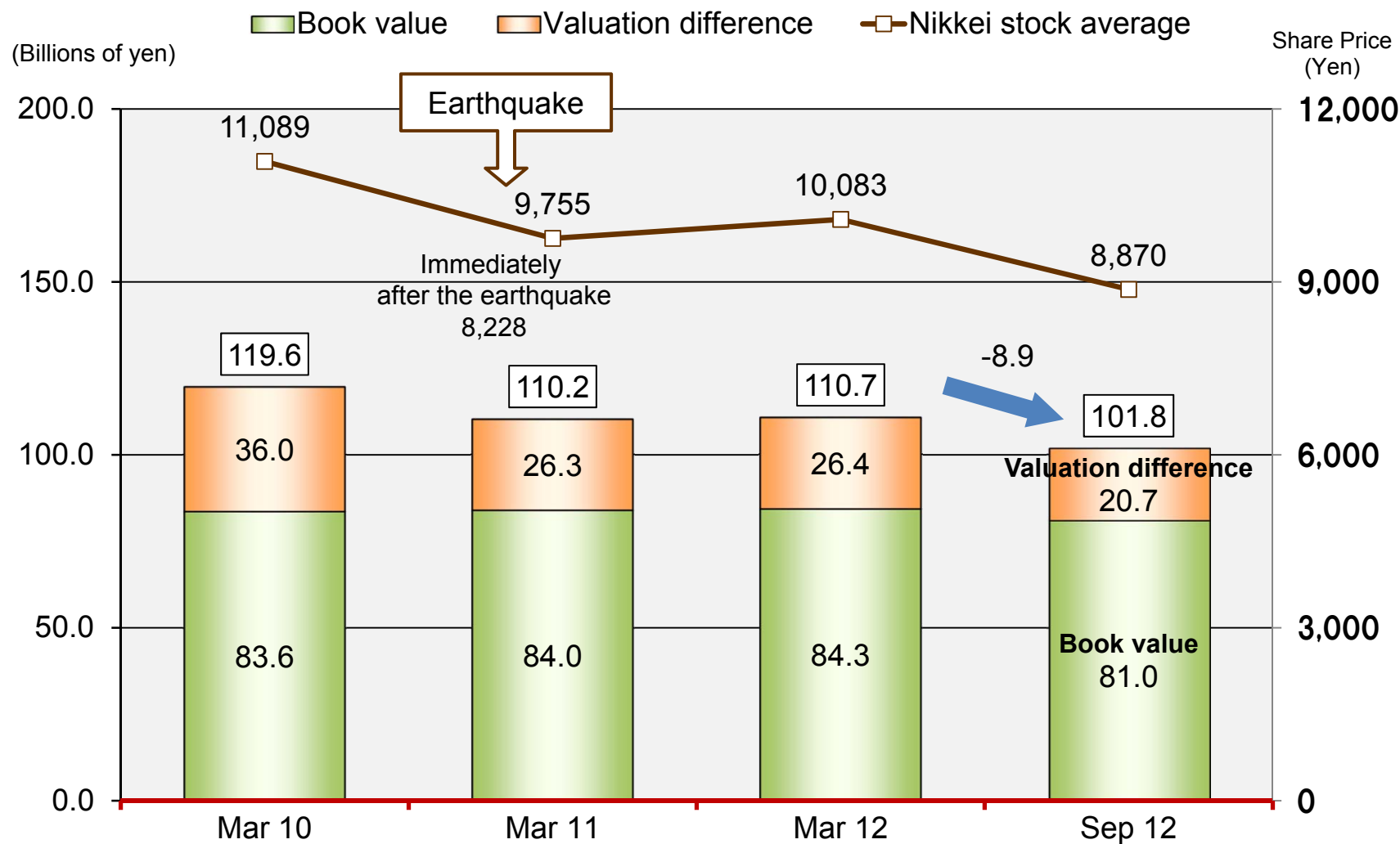
( Billions of yen)

Capital investments	Mar 12	Sep 12	Mar 13 (forecast)
Property, plant and equipment	3.4	1.4	4.2
Intangible assets	1.1	0.1	1.3
Total	4.5	1.5	5.5

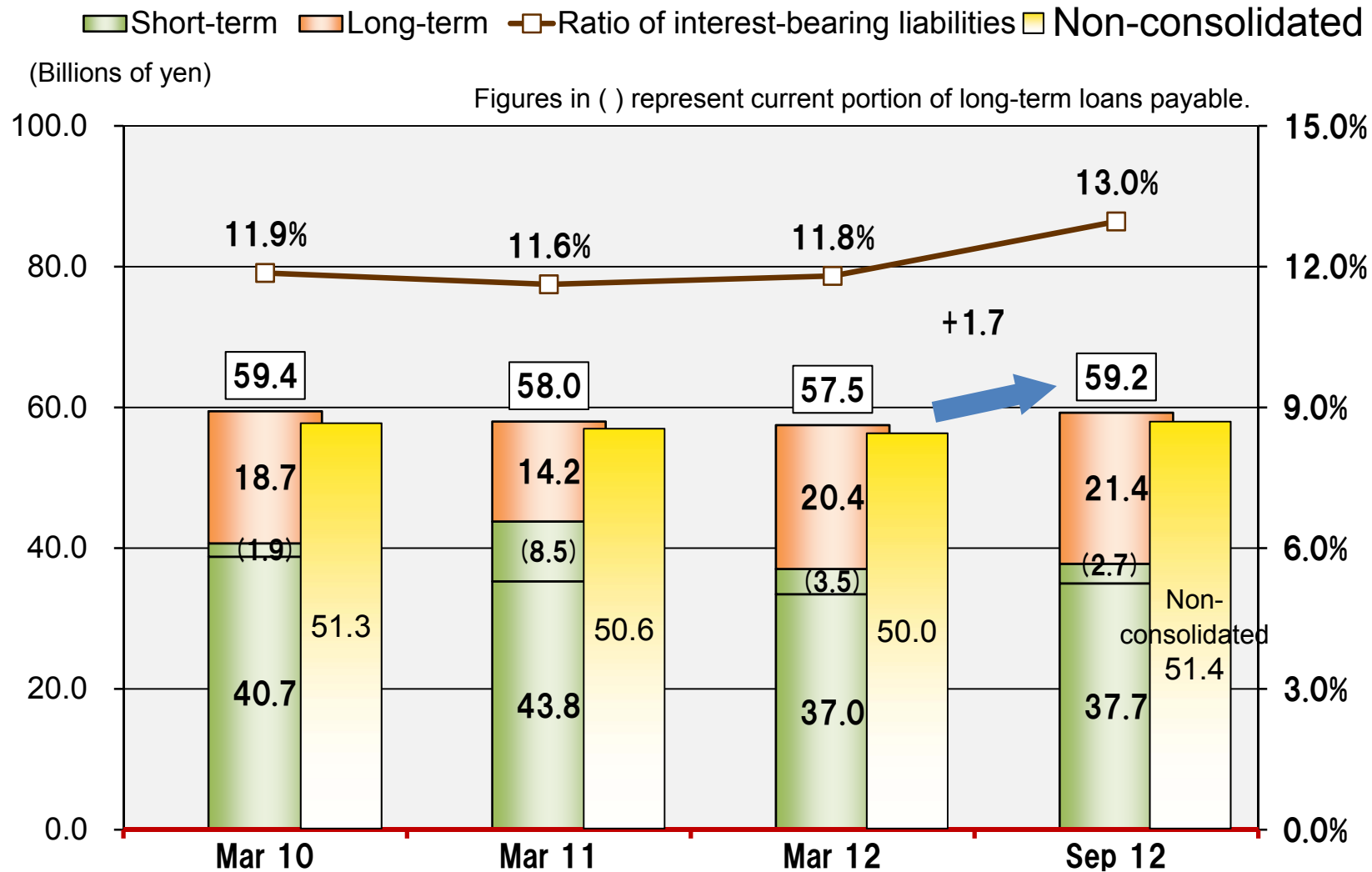
( Billions of yen)

	Mar 12	Sep 12	Mar 13 (forecast)
Depreciation and amortization	2.1	0.9	2.1
R&D expenses	1.9	0.6	1.3

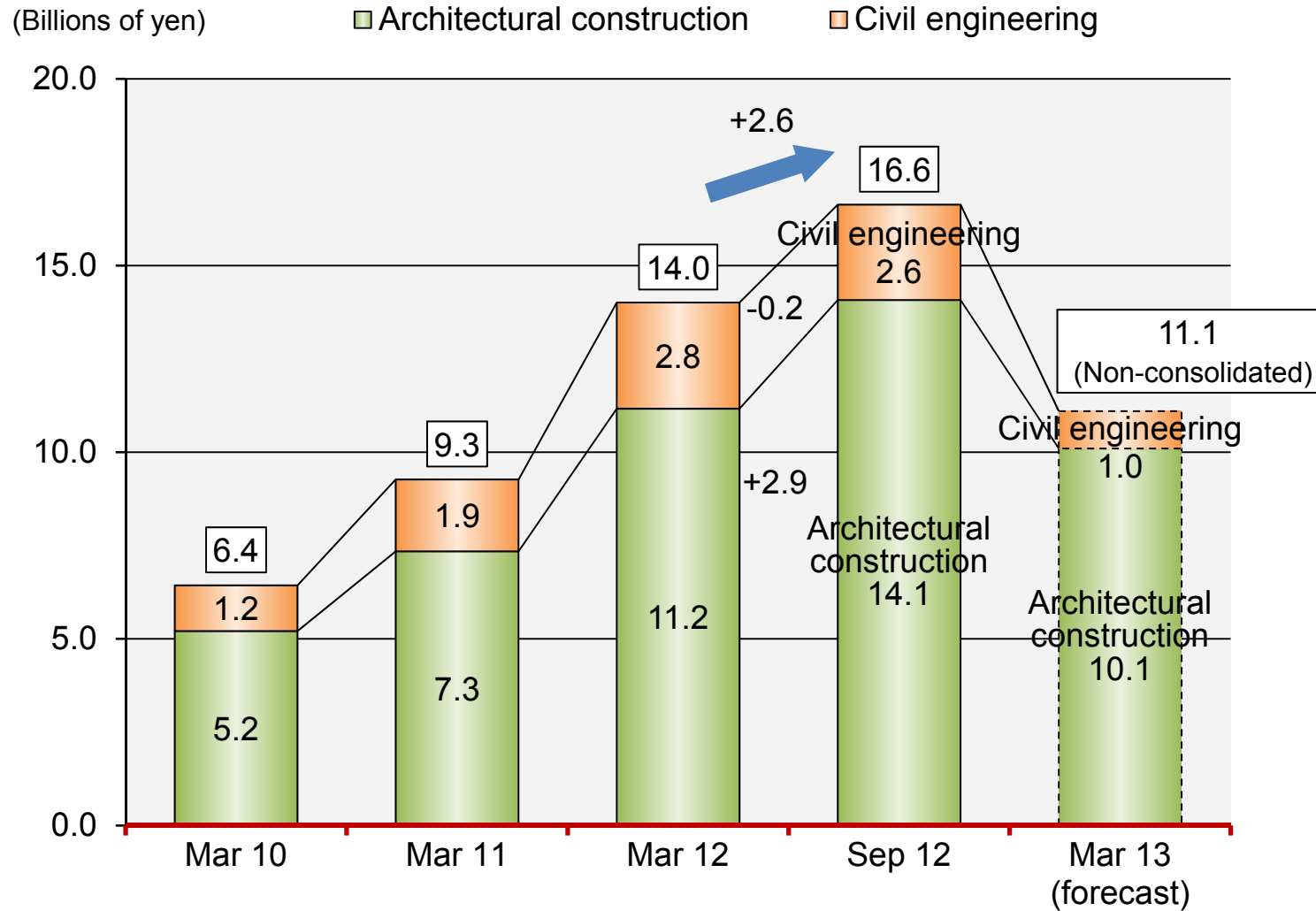
# (Consolidated) Change in Investment Securities



# (Consolidated) Change in Interest-Bearing Liabilities

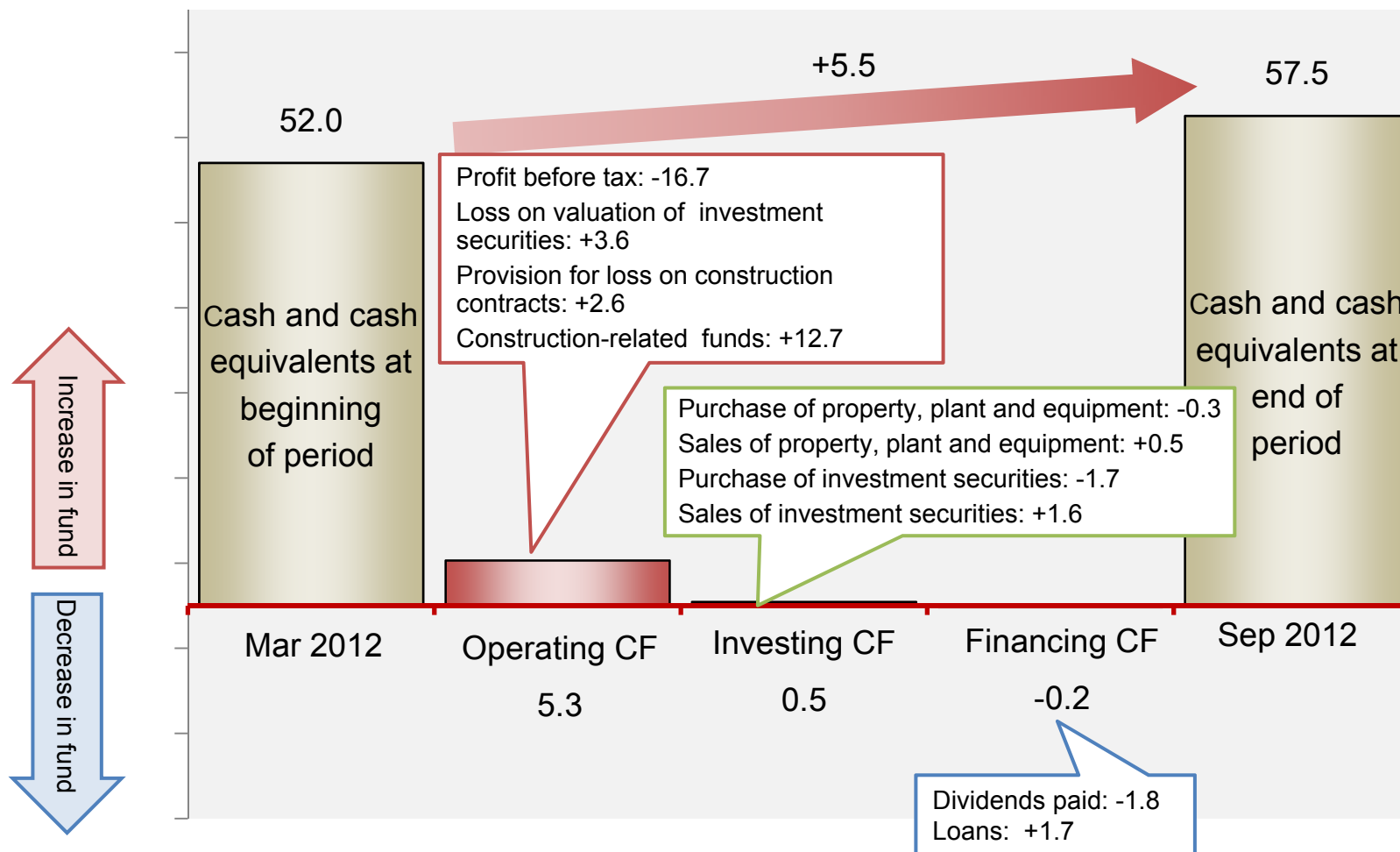


# (Consolidated) Change in Provision for Loss on Construction Contracts

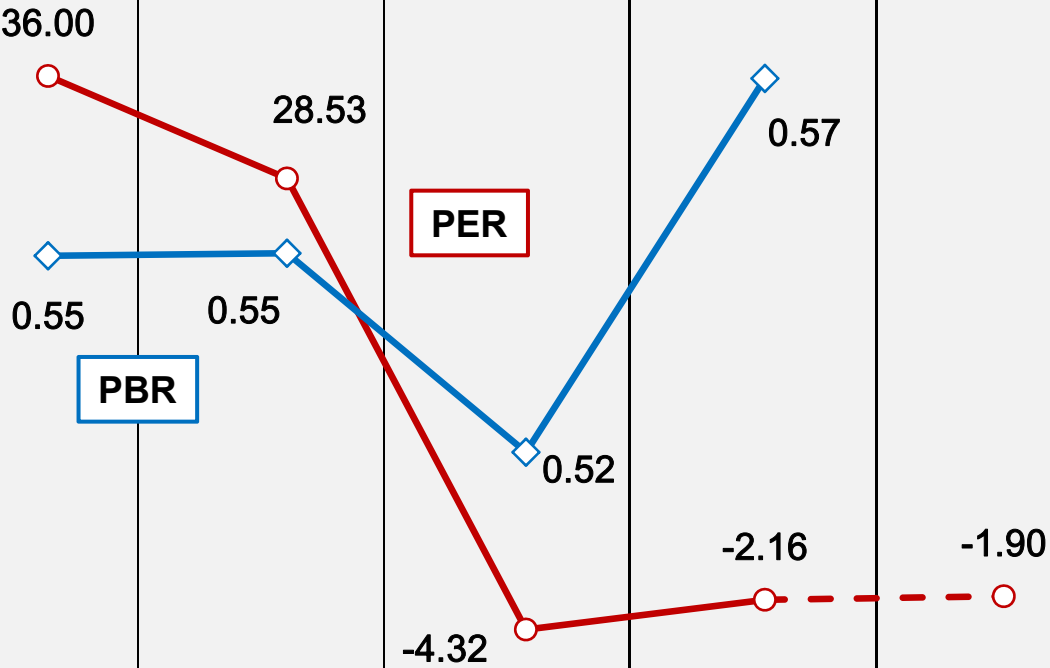


# (Consolidated) Statement of Cash Flow

(Billions of yen)



# (Reference) Share Price and Other Indices (Consolidated)

	Mar 10	Mar 11	Mar 12	Sep 12	Mar 13 (forecast)																		
Share price (Yen)	337	329	278	235	—																		
Net assets per share (Yen)	617.42	602.35	537.53	411.08	—																		
Net income(loss) per share (Yen)	9.36	11.53	(64.28)	(108.64)	(123.66)																		
<p><b>PER:</b> Price earning ratio (times)</p> <p><b>PBR:</b> Price-book value ratio (times)</p>	 <table border="1"> <caption>PER and PBR Data</caption> <thead> <tr> <th>Period</th> <th>PER (times)</th> <th>PBR (times)</th> </tr> </thead> <tbody> <tr> <td>Mar 10</td> <td>36.00</td> <td>0.55</td> </tr> <tr> <td>Mar 11</td> <td>28.53</td> <td>0.55</td> </tr> <tr> <td>Mar 12</td> <td>-4.32</td> <td>0.52</td> </tr> <tr> <td>Sep 12</td> <td>-2.16</td> <td>0.57</td> </tr> <tr> <td>Mar 13 (forecast)</td> <td>-1.90</td> <td>-</td> </tr> </tbody> </table>					Period	PER (times)	PBR (times)	Mar 10	36.00	0.55	Mar 11	28.53	0.55	Mar 12	-4.32	0.52	Sep 12	-2.16	0.57	Mar 13 (forecast)	-1.90	-
Period	PER (times)	PBR (times)																					
Mar 10	36.00	0.55																					
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Mar 12	-4.32	0.52																					
Sep 12	-2.16	0.57																					
Mar 13 (forecast)	-1.90	-																					

## **1-3. Performance Forecasts**



# Forecasts for FY2012

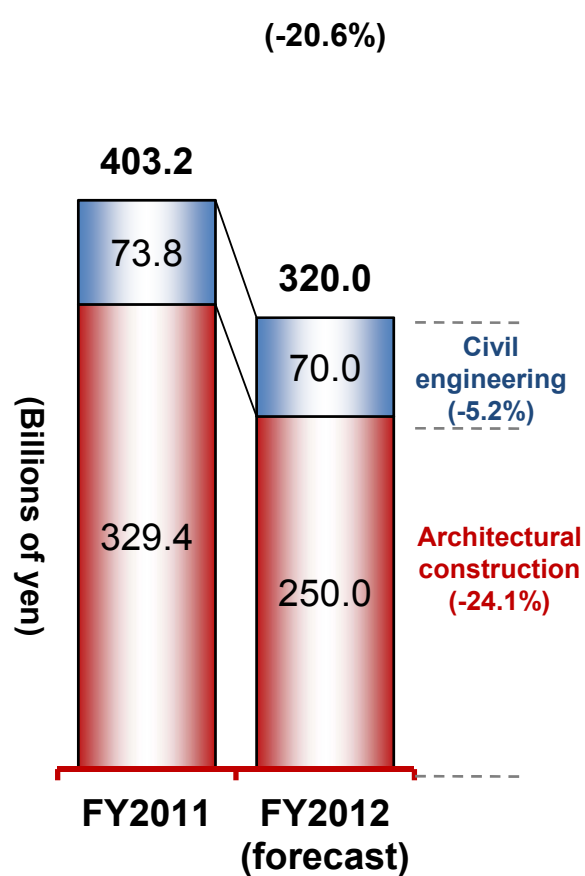


(Millions of yen)

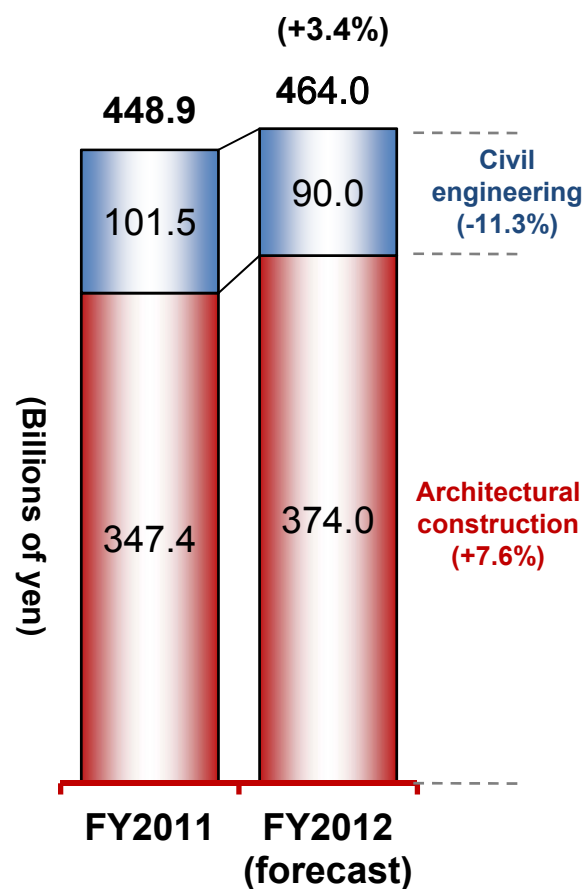
	FY2011	FY2012		
		<i>Forecasts (announced on Aug. 9, 2012)</i>	Current forecast	<i>Change (year on year)</i>
Consolidated net sales	489,385	477,800	509,800	+4.2%
Operating income	(7,994)	4,100	(19,300)	—
Ordinary income	(6,690)	5,200	(18,000)	—
Net income	(19,872)	1,200	(38,500)	—
Orders received (Non-consolidated)	403,256	400,000	320,000	-20.6%
Dividends per share	6.0 yen	6.0 yen	5.0 yen	-1.0 yen

# Forecasts for Construction Business (Non-consolidated)

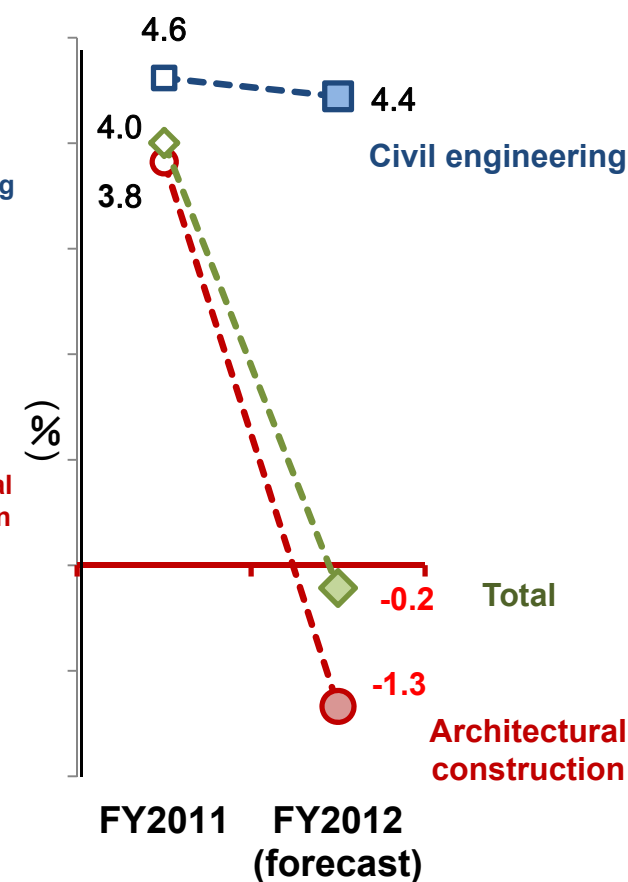
### Orders Received for Construction



### Net Sales of Completed Construction Contracts



### Gross Profit Margin on Completed Construction Contracts



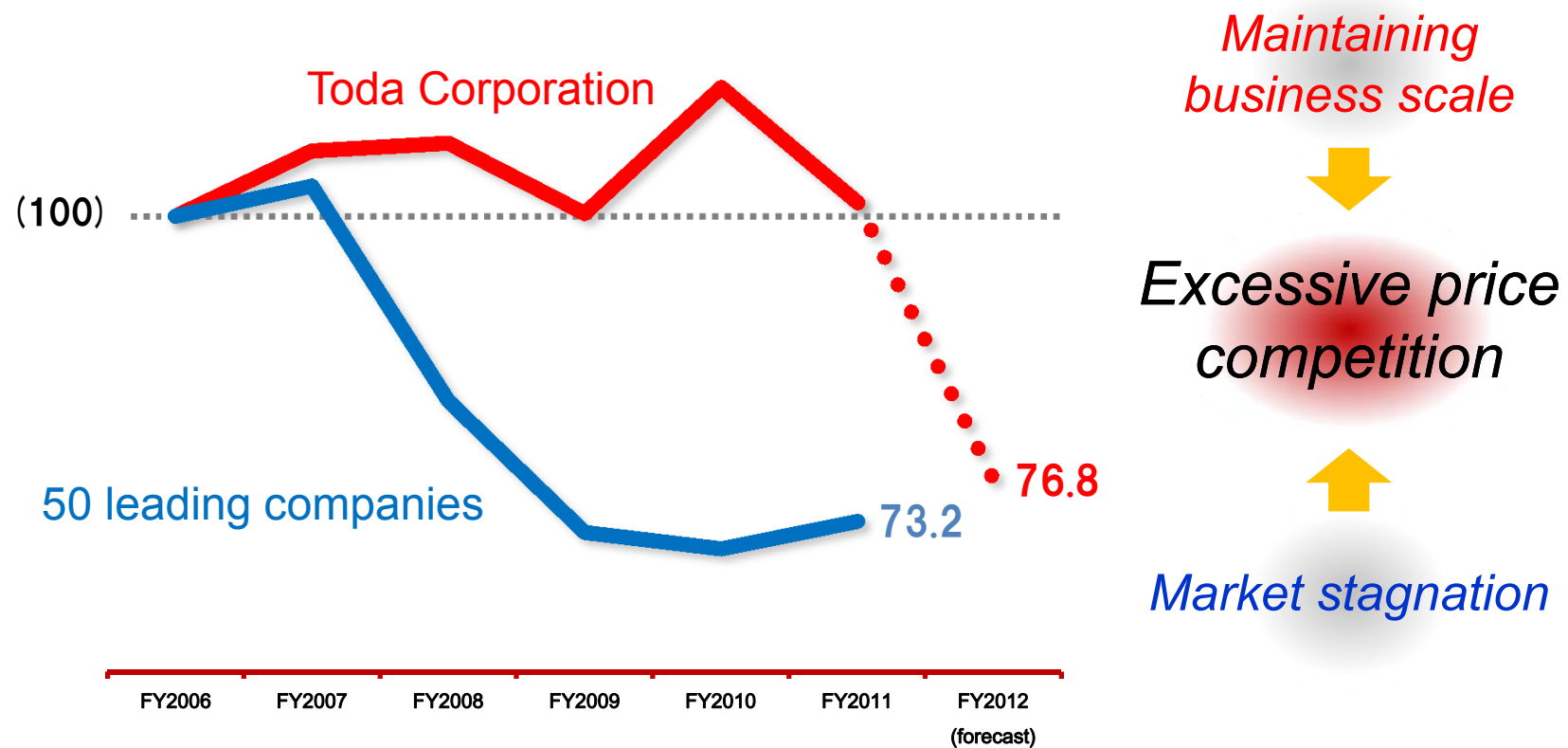
## **2. Review on Medium-Term Management Plan**

President Shunzo Inoue

## **2-1. Recognized Issues**

# Excessive Price Competition

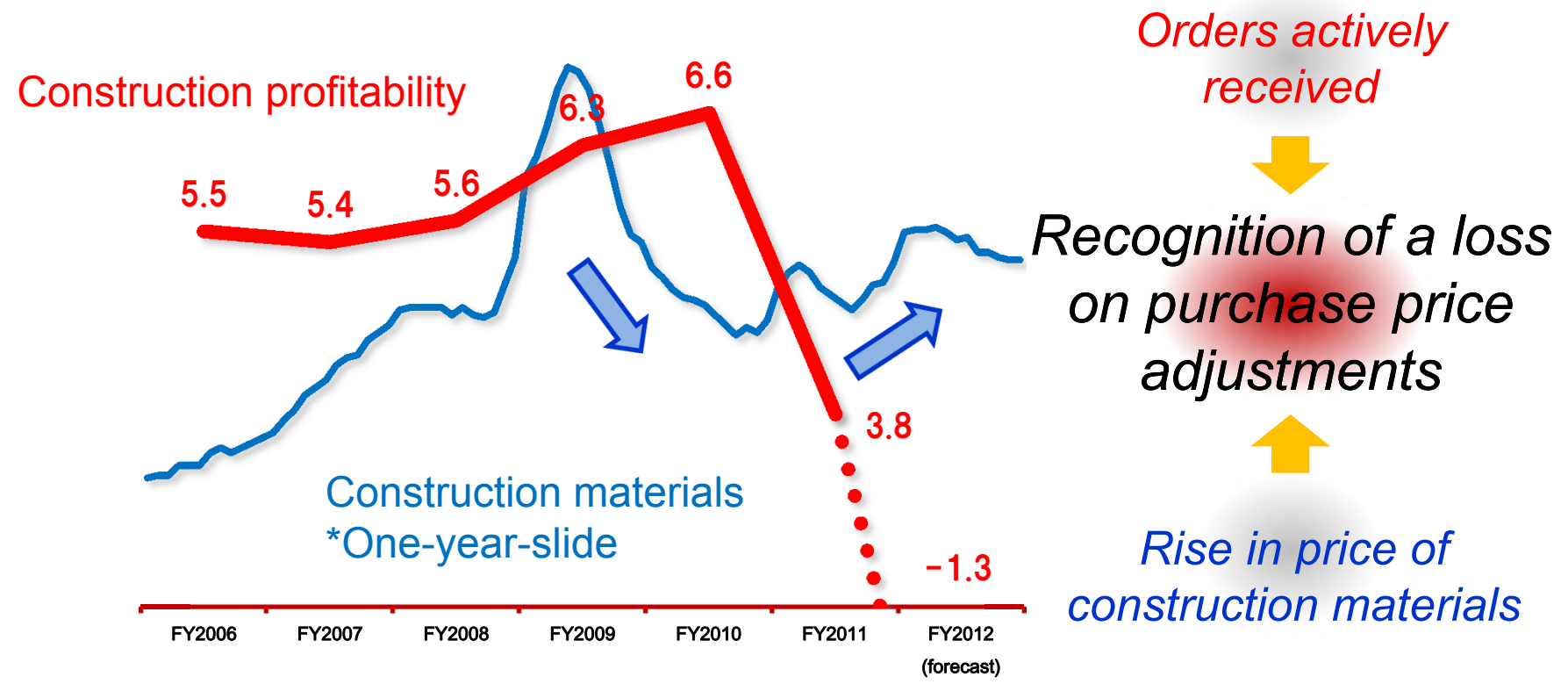
Change in orders received for construction  
(FY2006 = 100)



Source: "Current Survey on Orders Received for Construction" by the Ministry of Land, Infrastructure, Transport and Tourism

# Loss on Purchase Price Adjustments

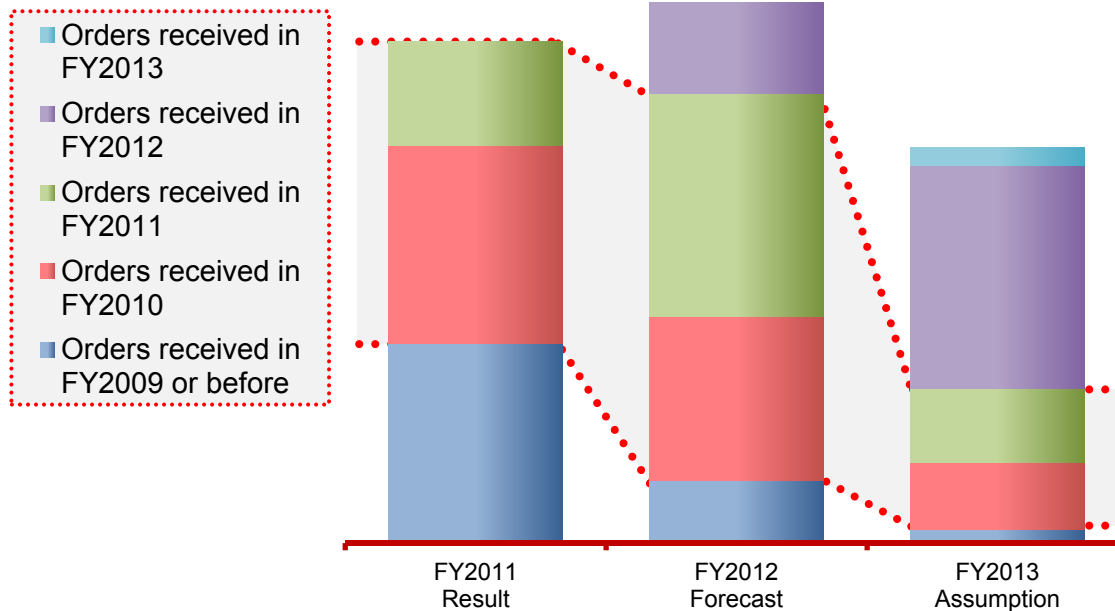
Changes in construction profitability and price of construction materials



Source: "Corporate Goods Price Index" by Bank of Japan

# Effects of Unprofitable Construction Works

## Breakdown of net sales of completed construction (by year)



Orders for large-scale and unprofitable construction work were concentrated in FY2010 and FY2011

- Ratio of orders received in FY2011 or before will decline in FY2013
- Evade adverse effects on future financial performance by recording provision for loss on construction contracts

# Review on Medium-Term Management Plan

## Challenges

- Must be in the black in the next fiscal year
- Ensure thorough pursuit of profits
- Rebuild business models

## *Review on medium-term management plan*

### Revision Performance targets

Revise **net sales** and **target period** by rebuilding the construction business and securing an appropriate business scale

### Reinforcement Priority measures

Introduce **emergency measures** and **medium-term measures** to increase the effectiveness of the plan in accordance with the previously announced plan



# Reference: Medium-Term Management Plan (Announced on May 14, 2012)



## 1. Basic Policy

- 1) Early improvement in revenues
- 2) Creation of new values

## 2. Performance Targets (FY2014)

- Consolidated net sales: ¥500.0 billion more or less
- Operating margin: 2.0% and higher

## 3. Priority measures

### (1) Improvement of construction revenue

- Scrutiny of projects and risk management together with Sales and Construction Departments
- Enhance technical proposals and comprehensive evaluation method
- Strengthen priority areas
- Cost control; Streamline the purchasing function
- Eliminate defects, rework and waste in the process of construction
- Reduce total costs
- Focus on reconstruction demand arising from the Great East Japan Earthquake

### (2) Growth strategies as a Group

#### 1) Renovate Business Processes

- Shift from business model of “selling tailored items with no post-sale services”
- Promote the securing of capable technicians
- Cooperate and enter alliances with companies and organizations outside the Group

#### 2) Business areas requiring strategic development and enhancement

- Overseas, Investment Business, Environment & Energy

#### 3) Strengthen management base

- Compliance, Quality/Environment/Safety, BCP
- Inherit technological capability, develop and secure human resources globally
- Develop a unifying management structure as a Group

## **2-2. Emergency Measures**

# Make Selection of Orders More Stringent

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Profitability-oriented policy

Make selection of orders more stringent

Review target figures for orders received for architectural construction

Approximately ¥250.0 billion for the time being

(FY2011 results: ¥329.4 billion)

*Improve profitability*

# Improvement on Management Structure of Construction Work

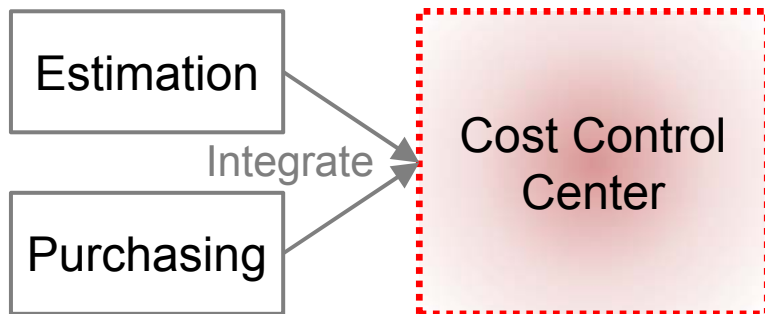
<p>At order receipt</p>	<ul style="list-style-type: none"> <li>■ Establishment of a Cost Control Center</li> <li>■ Establishment of a Committee for Review on Judgments Taken at Order Receipt</li> </ul>	<p>Under consideration</p> <p>Implemented</p>
<p>During construction work</p>	<ul style="list-style-type: none"> <li>■ Timely identification of purchasing status, labor shortage and other factors, and guidance for branches by Architectural Construction Department of Head Office</li> <li>■ Monitoring by Accounting Department</li> </ul>	<p>Implemented Started</p>
<p>At financial closing</p>	<ul style="list-style-type: none"> <li>■ Ensuring proper cost control at operational site</li> <li>■ Identification of actual state, guidance and improvement of analytical skills on financial matters by Architectural Construction Department of Head Office</li> </ul>	<p>Implemented Started</p>

# Improvement on Management Structure of Construction Work at Order Receipt



## Cost Control Center

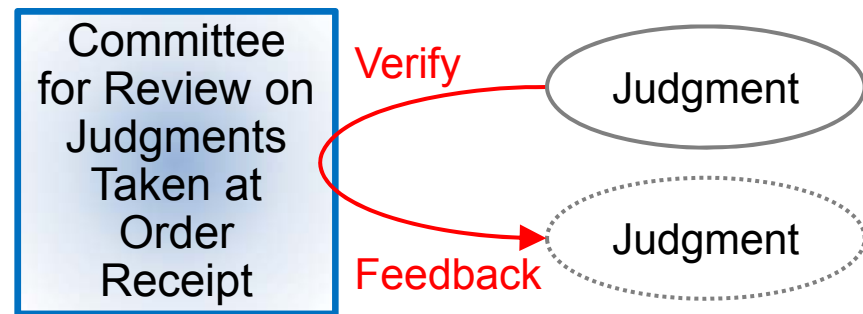
Establish a Cost Control Center by integrating the estimation department and the purchasing department. Reflect market prices on a real-time basis and make appropriate and competitive price estimations.



Under consideration towards FY2013

## Committee for Review on Judgments Taken at Order Receipt

In the early stages of the process of determining the working budget for construction, secure preciseness and appropriateness of the judgment made upon order receipt. Provide feedback for subsequent judgment (approval) upon order receipt.



In operation (since October)

## Promote further rationalization of the organization and its operations

- Reorganize organizational structure of head office and branch
  - Eliminate redundancy, be front-line oriented, outsourcing
  - Perform operations under a new framework and with new ideas
- Reduce SG&A expenses for FY2013 to roughly ¥18.0 billion (non-consolidated)

## **2-3. Medium-Term Measures**

# Direction of Business

Shift from “individual project-oriented” to “solution-oriented” approach

Solution to aim for

Start with “people”

Service value

Long-term  
relationship

*Face customers sincerely*

*Ensure appropriate sizing*  
*(Narrow down targets)*

Accelerate actions to achieve medium- to long-term management strategy



# Basic Strategies

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Shift management resources to medium-sized projects

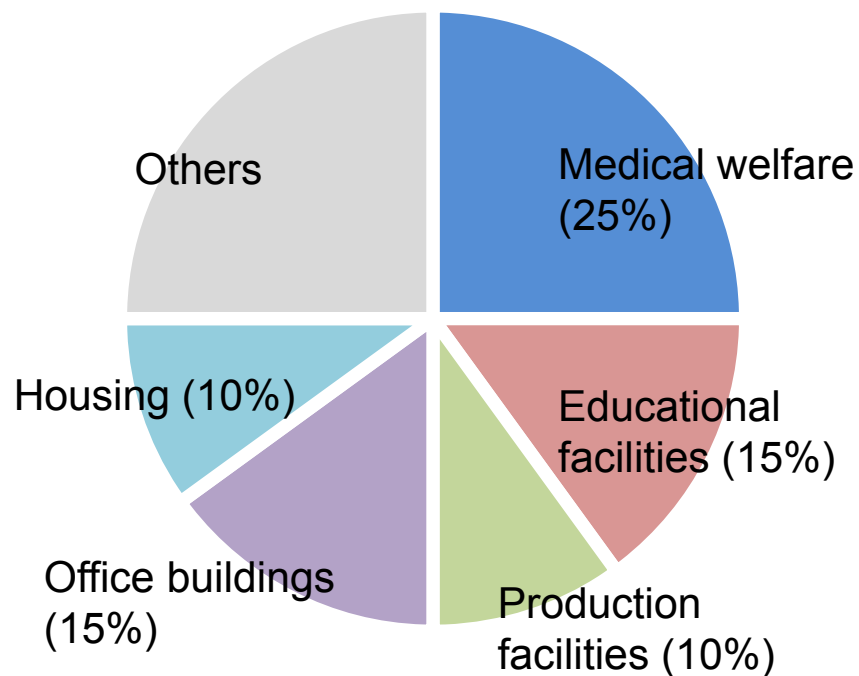
Reinforce the aftercare business for completed construction

Establish an earnings base to complement the domestic architectural construction business

# Shift to Medium-Sized Projects

## Secure profits by thorough selection & planning

Composition ratio of net sales of completed construction (image for FY2015)

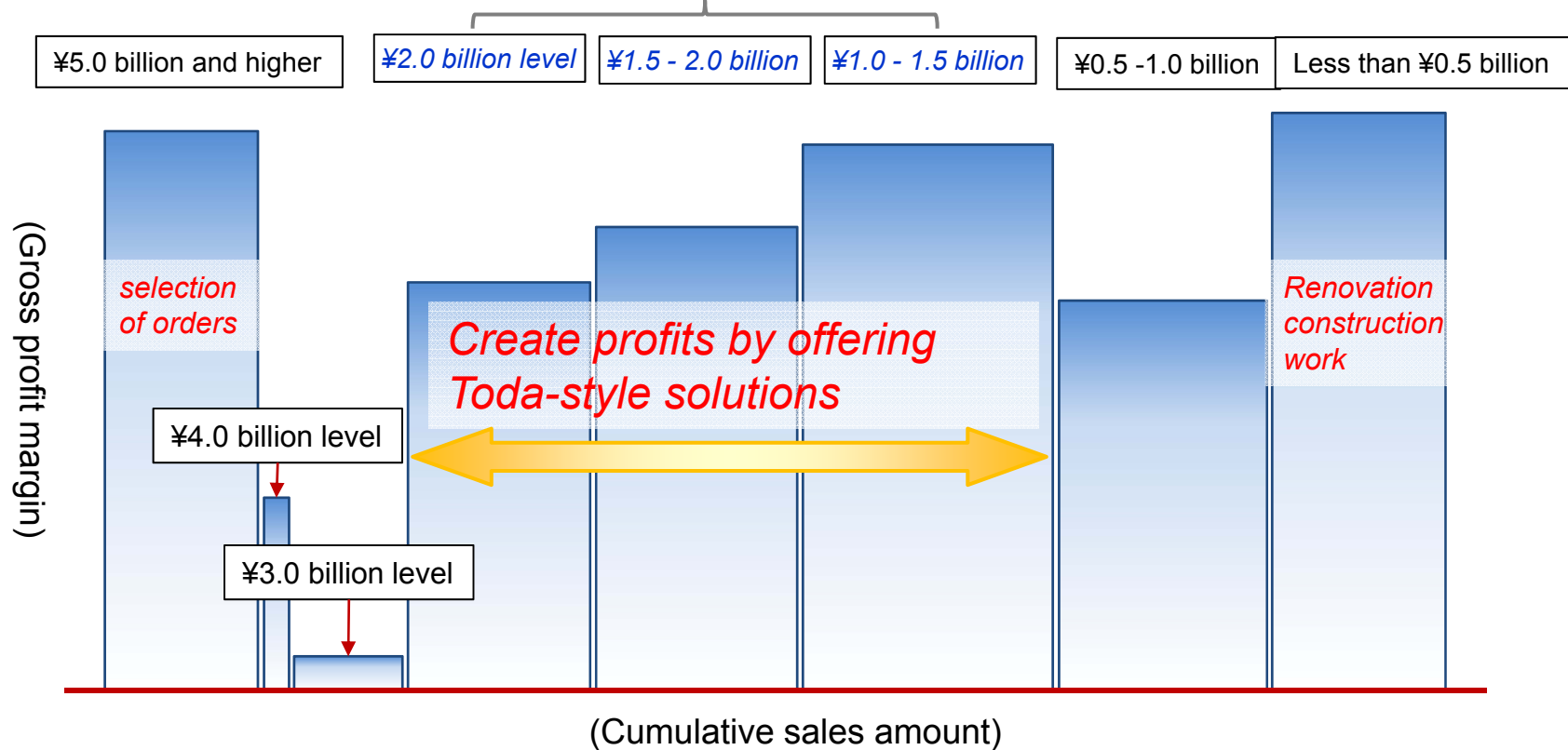


- Focus on attracting orders from medium-size private hospitals, schools, production facilities and office buildings
- Limit large-scale projects to sectors that require involvement from the upstream process (e.g. redevelopment projects)

# Earnings Structure of Medical Welfare Facilities

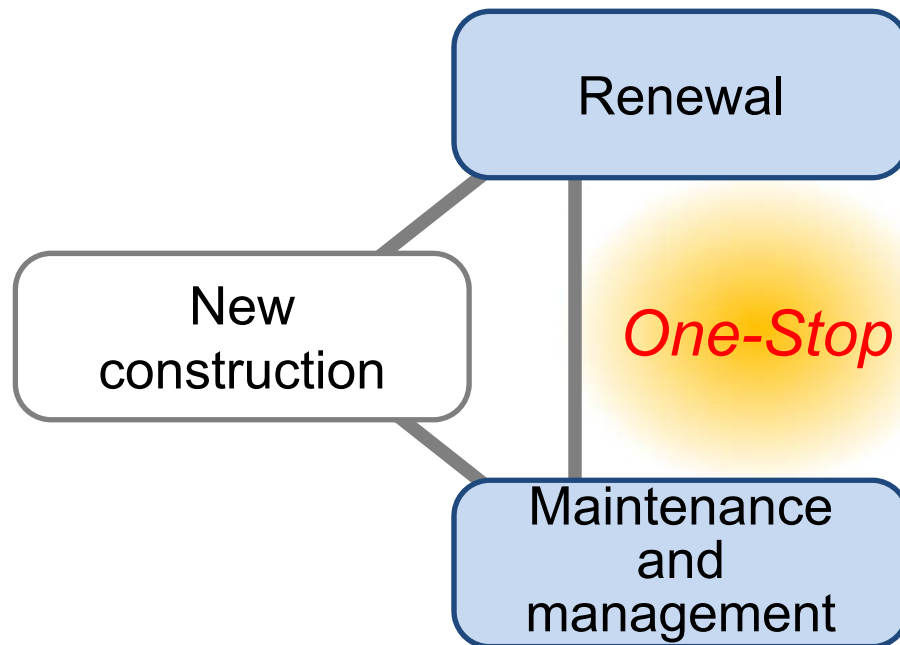
Cumulative sales amount and profitability ratio by amount of sales for construction (Completed construction contracts from FY2006 through FY2011, excluding orders received in FY2010 and FY2011)

*Areas that account for half of the total and with high profitability*



# Aftercare Business

Establish a new organization to manage the aftercare business



Currently considering a unifying management structure as a Group

Toda Corporation

Toda Reform Co., Ltd.

APEC Engineering Co., Ltd

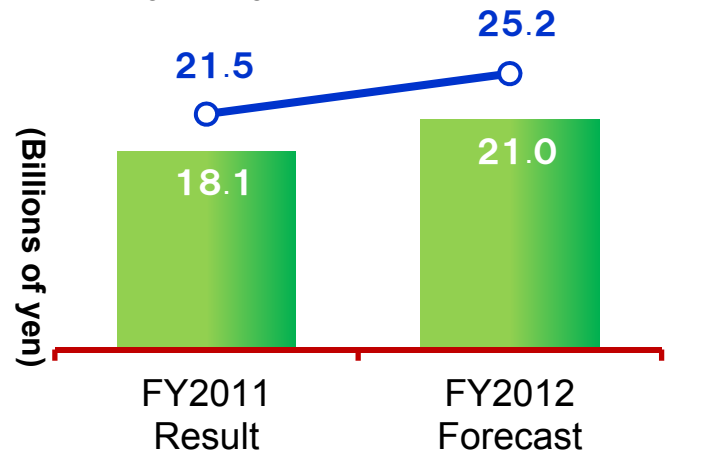
Chiyoda Tochi Tatemono Co., Ltd.

## Exploit opportunities in Brazil and Southeast Asia

Target for FY2015: Net sales of ¥30.0 billion

### Overseas net sales (consolidated)

Line graph signifies net sales of orders received



- Localize a Brazilian affiliate, expand business activities
- Exploit markets (countries and regions) in Southeast Asia

### Initiatives being taken (FY2012)

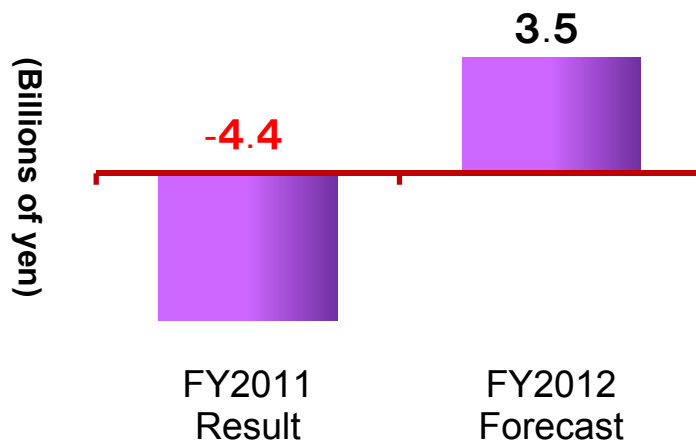
Opened an area office in Southeast Asia (July)

Plan to open a representative office in Jakarta, Indonesia for FY2013

## Implement investment for securing stable earning source

Target for FY2015: Gross profit of ¥4.0 billion

Income from real estate, etc. (consolidated)



- Eliminated asset risk by posting a valuation loss in FY2011
- Shorten real estate investment and purchasing processes and expand earnings

Initiatives being taken (FY2012)

- Narrowed down and examined investment items by the Real Estate Business Department
- Held two Real Estate Investment Advisory Committee meetings with participation of outside specialists (May and August)

## Organization and cost reforms

- Promote further streamlining and maintain a ¥18.0 billion SG&A expenses structure (non-consolidated)
- Promote flexible manpower allocation including group companies
- Increase centralized purchasing levels by the Cost Control Center and from overseas
- Reduce costs in collaboration with subcontractors

## Governance reforms

- Revise authority standards for orders received, and promote involvement from the Board of Directors and the management committee
- Rebuild a matrix management mechanism by branch and by business
- Implement a multidimensional and 360-degree evaluation system for managerial staffs

## **2-4. Revisions to Performance Targets**



# Revisions to Performance Targets

Consolidated net sales to roughly ¥400.0 billion; extend target date by one year

	Before revision FY2014	After revision FY2015	(Reference) FY2012 (forecast)
Consolidated net sales	500.0 more or less	400.0 more or less	509.8
Operating income (ratio)	2.0% and higher	2.0% and higher	-3.8%

# Promotion Structure

