

May 20, 2013

# Results Briefing for the Year Ended March 31, 2013



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. Issues and Initiatives**

President Shunzo Inoue

# **3. Direction Going Forward**

Deputy President and Executive Officer Masanori Imai

# 1. Summary of Financial Results

Executive Manager Yushi Kikutani

# **1-1. Summary of Financial Results for the Year Ended March 31, 2013**

# Highlights: FY2012

---

■ **Consolidated Net Sales: ¥497.0 billion, up 1.6% year-on-year**

- ： Net sales of completed construction contracts increased due to the progress of contracted construction work by the Company and overseas subsidiaries.

■ **Operating Loss: (¥46.9 billion), down ¥39.0 billion year-on-year**

- ： A significant loss was recorded, due to the slump in profits of the construction business amid a harsh operating cost management caused mainly by tight labor situation.

■ **Orders Received (non-consolidated): ¥339.0 billion, down ¥64.1 billion year-on-year**

- ： Orders received declined 15.9% year on year, due to the decrease in orders as a result of promoting selection of orders (architectural construction: down 22.3% year on year).

# Summary: FY2012

(Billions of yen)	FY2011	FY2012			
		<i>Forecasts announced in the third quarter</i>	Actuals	<i>Change (year on year)</i>	<i>Difference (vs. forecast)</i>
Consolidated net sales	489.3	500.7	497.0	+7.7	-3.7
Operating income	(7.9)	(43.0)	(46.9)	-39.0	-3.9
Ordinary income	(6.6)	(41.6)	(45.5)	-38.9	-3.9
Net income	(19.8)	(63.0)	(65.2)	-45.4	-2.2
Orders received (Non-consolidated)	403.2	<b>327.8</b>	339.0	-64.2	+11.2

# Main Factors for Losses

---

## ■ Incurring loss in the construction business: (¥27.1 billion)

- ⋮ Due to the increased harshness of the cost management environment caused mainly by a tight labor situation and to the slump in profits of contracted construction, a loss was posted. Closely reviewed architectural construction costs, conservatively estimated profits from construction, and made front-loaded posting of provision for loss on construction contracts.

## ■ Extraordinary losses: (¥4.4 billion)

- ⋮ Posting include: Gain on valuation of investment securities of roughly ¥1.8 billion, loss on valuation and sales of investment securities of roughly ¥2.2 billion, and impairment loss on noncurrent assets (real estate for rent) of roughly ¥0.9 billion.

## ■ Increase in income taxes

- ⋮ Tax expenses increased due to ¥17.0 billion reversal of deferred tax assets reflecting tax revisions.

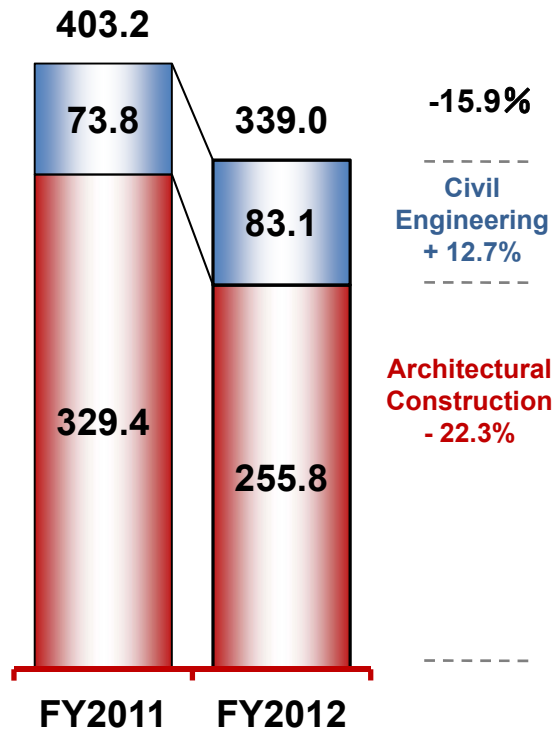


# (Non-consolidated) Construction Business Performance

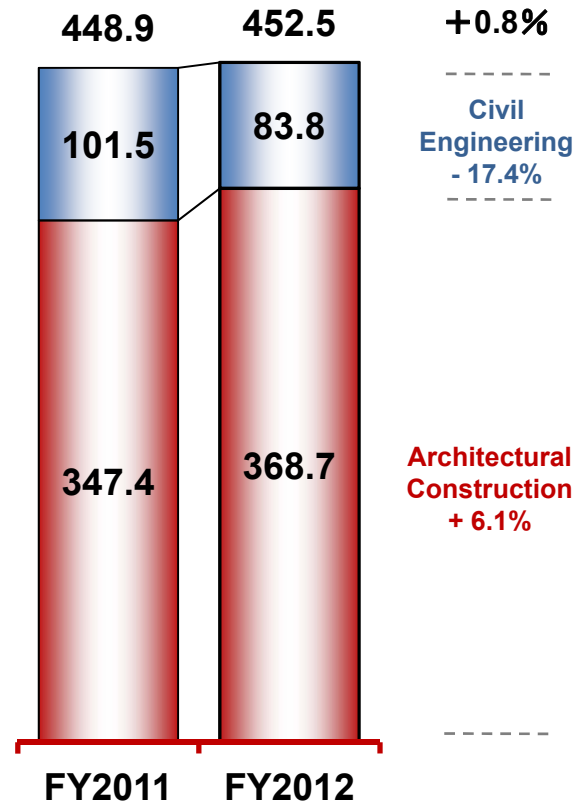


(Billions of yen)

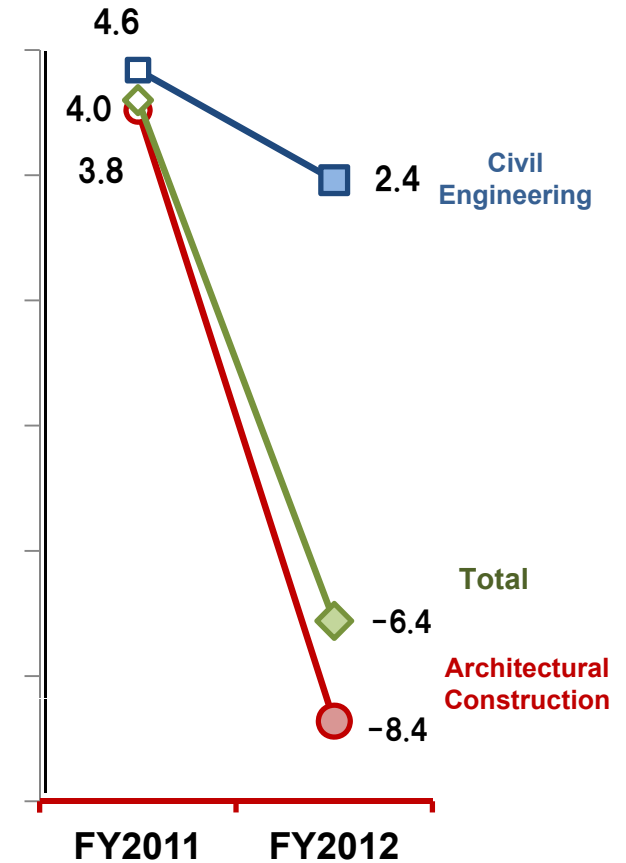
**Orders Received for Construction**



**Net Sales of Completed Construction Contracts**



**Gross Profit Margin on Completed Construction Contracts (%)**

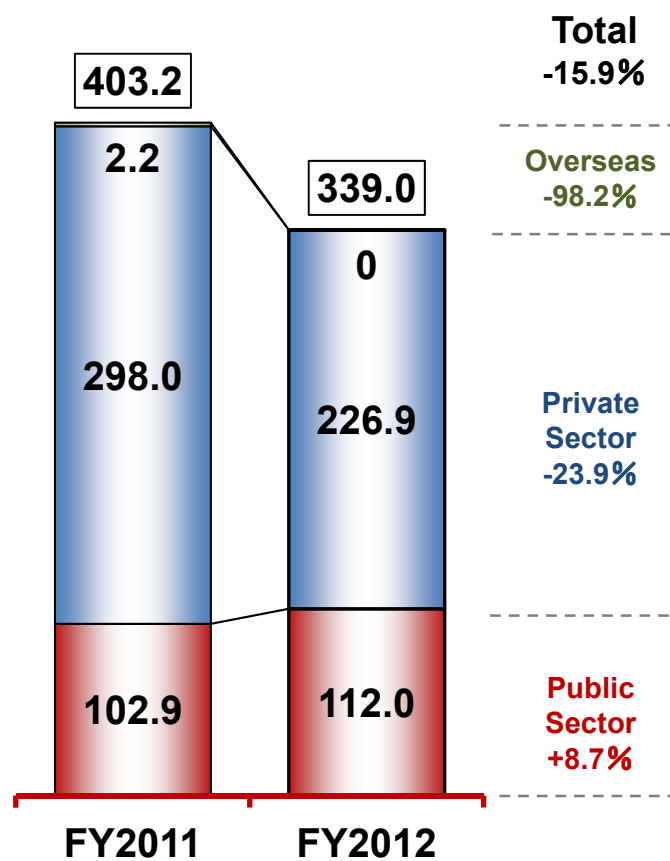


# (Non-consolidated) Breakdown of the Orders Received

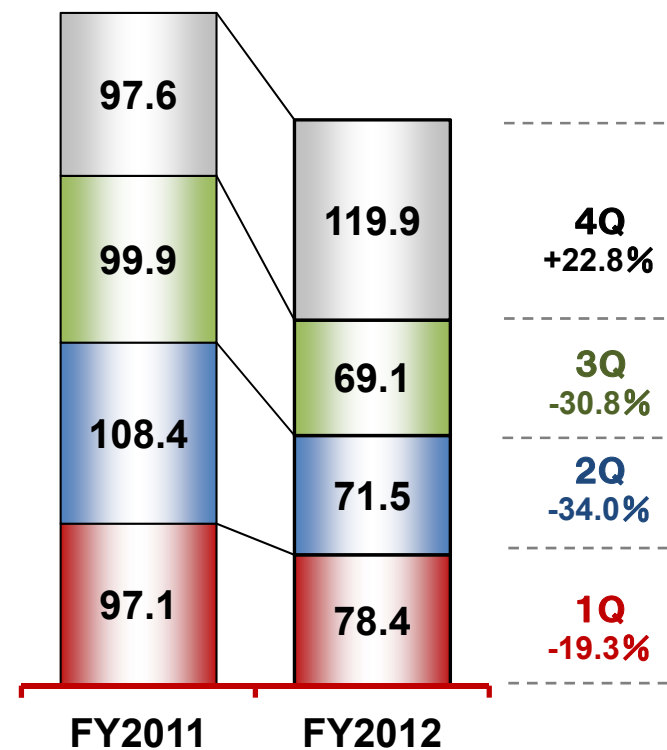


(Billions of yen)

## Breakdown by Client



## By Quarter



# Main Orders Received



Ordering Parties		Name of Works
Architectural Construction	JAPAN POST Co., Ltd.	Omiya Sakuragicho 1-chome Project
	Keisei Hikifune Ekimae Higashi No.3 District Urban Redevelopment Union	Keisei Hikifune Ekimae Higashi No.3 District Urban Redevelopment
	Makino Milling Machine Co., Ltd.	Atsugi No.3 Plant
	DOUJINKAI	MIMIHARA GENERAL HOSPITAL
	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
Civil Engineering	East Nippon Expressway Co., Ltd.	Hokkaido Odan Expressway No.2 Tenjin Tunnel
	Global Environment Bureau, Ministry of the Environment	FY2012 Floating Offshore Wind Turbine Demonstration Project
	Tohoku Regional Bureau, Ministry of Land, Infrastructure and Transport	Sendai Bay South Area MLIT Recovery Project – Nakahama construction area, Sakamoto District

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

# Main Works Completed



	Ordering Parties	Name of Works
Architectural Construction	Mitsubishi Estate Co., Ltd.	Otemachi 1-chome No.2 District Building B
	Tokyo Metropolitan Geriatric Hospital and Institute of Gerontology	Geriatric Hospital and Institute of Gerontology
	Urban Renaissance Agency	Musashi-urawa Station No.1 area category 1 urban redevelopment
	Yamato Transport Co., Ltd.	Atsugi Logistics Terminal
	Urban Redevelopment Union	Redevelopment of southern section of Western Tonyamachi
	Japanese Red Cross Society	Wakayama Medical Center
Civil Engineering	Metropolitan Expressway Co., Ltd.	Mizota Bridge lower girder replacement, Shakuji River replacement work
	Central Nippon Expressway Co., Ltd.	Kawaraguchi over-bridge (lower part construction work)
	Chugoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism	Hiroshima South Road Kannon-higashi improvement work

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

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

# (Consolidated) Toda Group



Business		Subsidiaries in Japan	Overseas Subsidiaries	16 Companies
Construction	Architectural Construction	<p>Toda Reform Co., Ltd.</p> <p>Sipco Industries Co., Ltd.</p> <p>APEC Engineering Co., Ltd.</p> <p>Chiyoda Kenkou Co., Ltd.</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>Toda America, Inc.</p>	2 Companies
Other		<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



\*Intra-company transaction is not eliminated in this chart.

FY2012 Billions of yen	Toda Corporation		Subsidiaries total		FY2012 consolidated		Ratio of consolidated results to non-consolidated Results
		%		%		%	
Net sales	460.2		59.7		497.0		1.08
Gross profit	(27.3)	-5.9	3.3	5.5	(24.6)	-5.0	—
Selling, general and administrative expenses	20.1		2.6		22.3		
Operating income	(47.4)	-10.3	0.6	1.0	(46.9)	-9.5	—
Non-operating income	1.2		0.1		1.4		
Ordinary income	(46.2)	-10.1	0.7	1.3	(45.5)	-9.2	—
Extraordinary income (loss)	(2.7)		0		(2.2)		
Income before income taxes	(49.0)		0.8		(47.8)		
Income taxes	17.3		0.4		17.4		
Net income	(66.3)	-14.4	0.4	0.7	(65.2)	-13.1	—

# (Consolidated) Statements of Income



Billions of yen	FY2011 (actual)		FY2012 (actual)		Changes	FY2013 (forecast)	
		%		%			%
Net sales	489.3		497.0		+7.6	444.0	
Gross profit	15.1	3.1	(24.6)	-5.0	-39.7	24.3	5.5
Selling, general and administrative expenses	23.1		22.3			21.0	
Operating income	(7.9)	-1.6	(46.9)	-9.5	-39.0	3.3	0.7
Non-operating income	1.3		1.4			1.3	
Ordinary income	(6.6)	-1.4	(45.5)	-9.2	-38.8	4.6	1.0
Extraordinary income (loss)	(6.3)		(2.2)			4.0	
Income before income taxes	(13.0)		(47.8)			8.6	
Income taxes	6.8		17.4			1.0	
Net income	(19.8)	-4.1	(65.2)	-13.1	-45.4	7.6	1.7

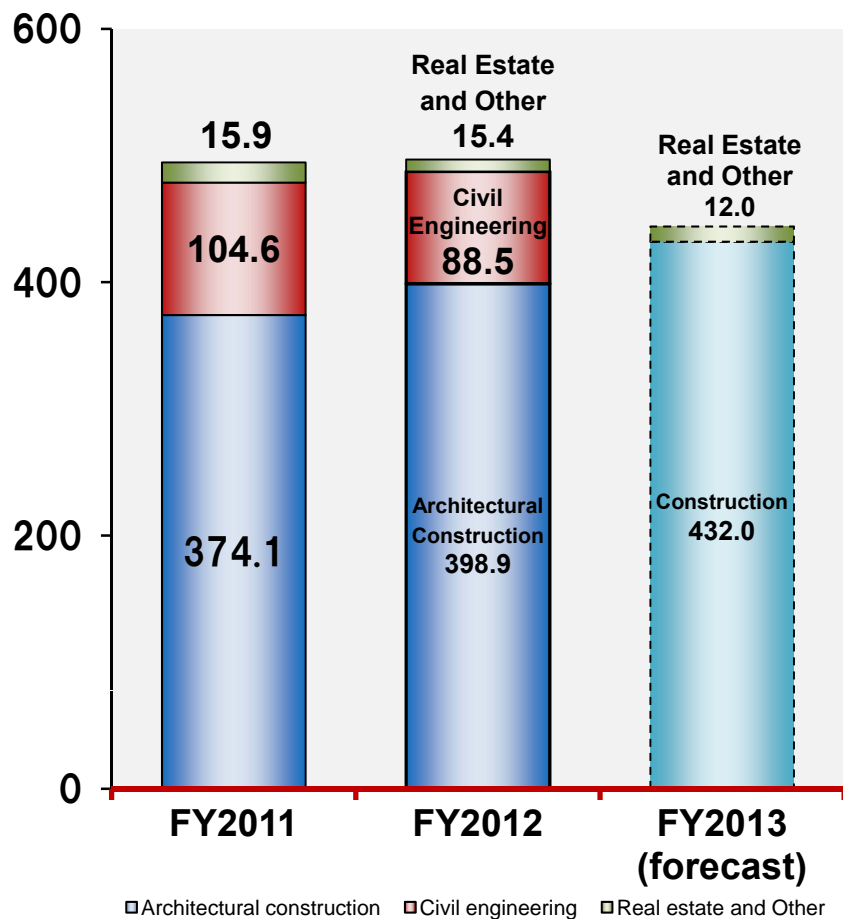


# (Consolidated) Net Sales and Operating Income by Segment



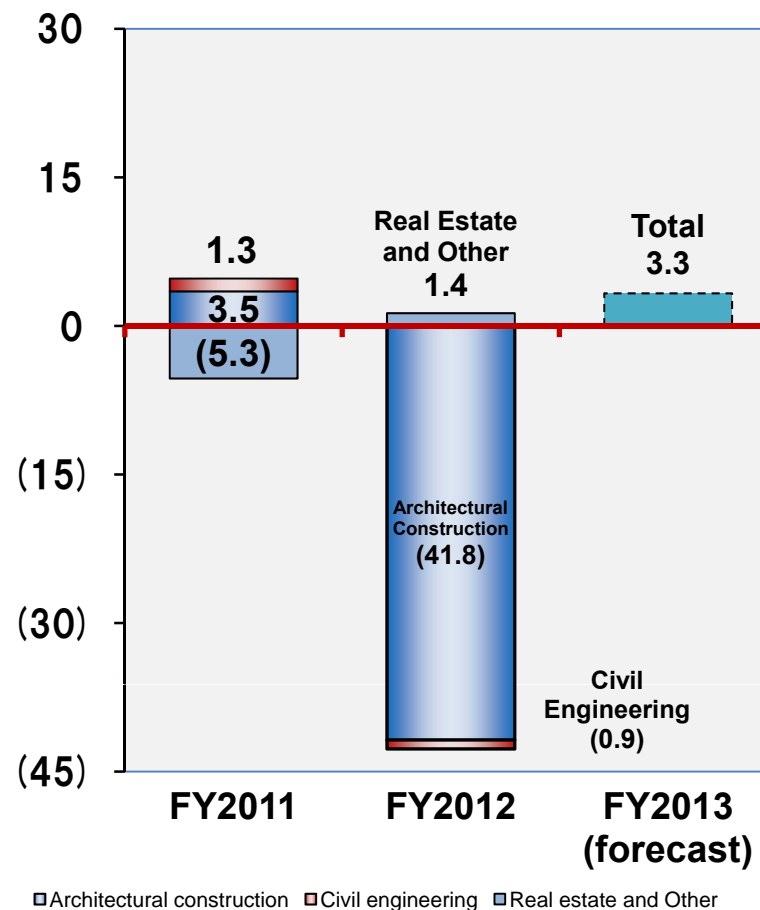
## Net Sales

(Billions of yen)

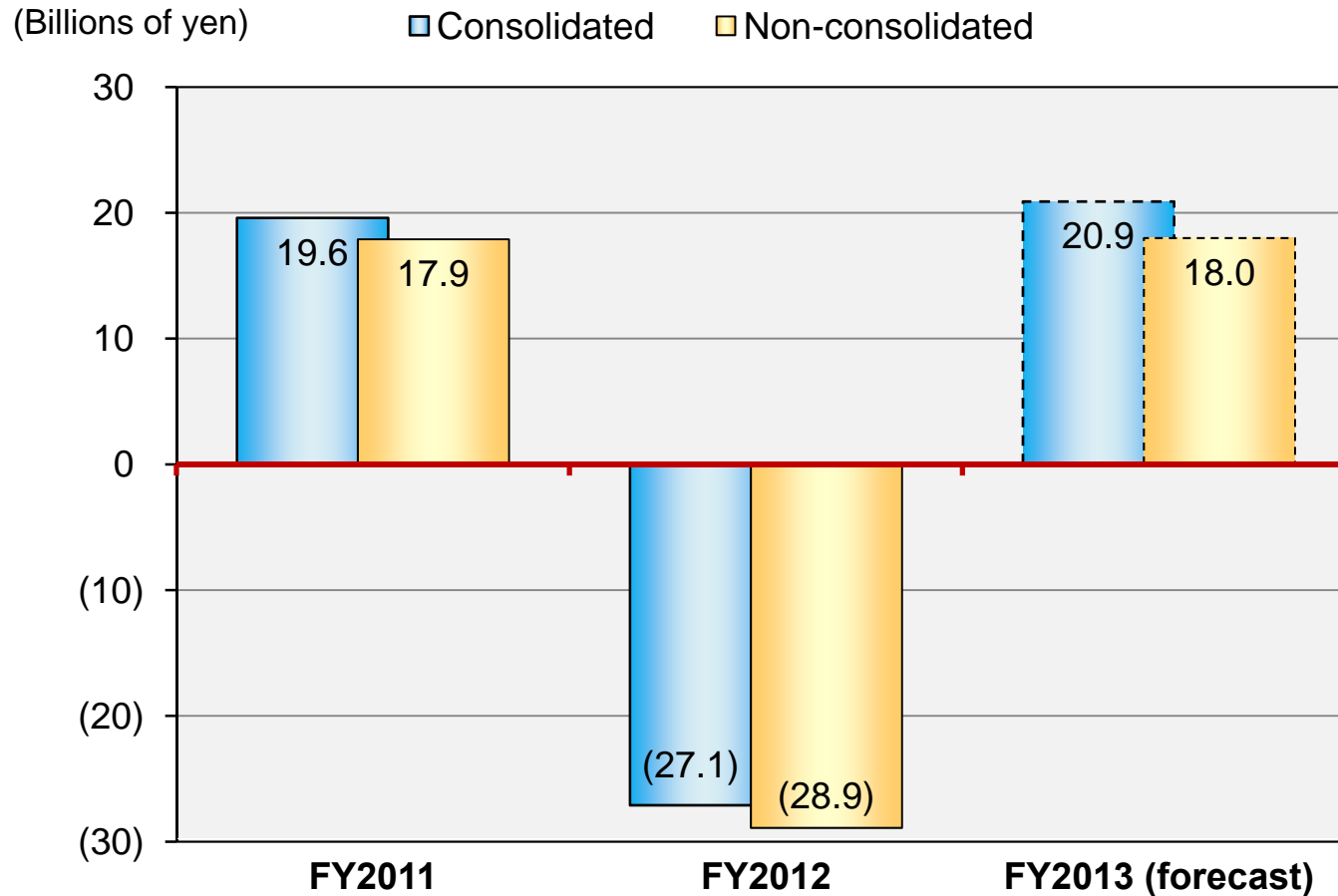


## Operating Income

(Billions of yen)

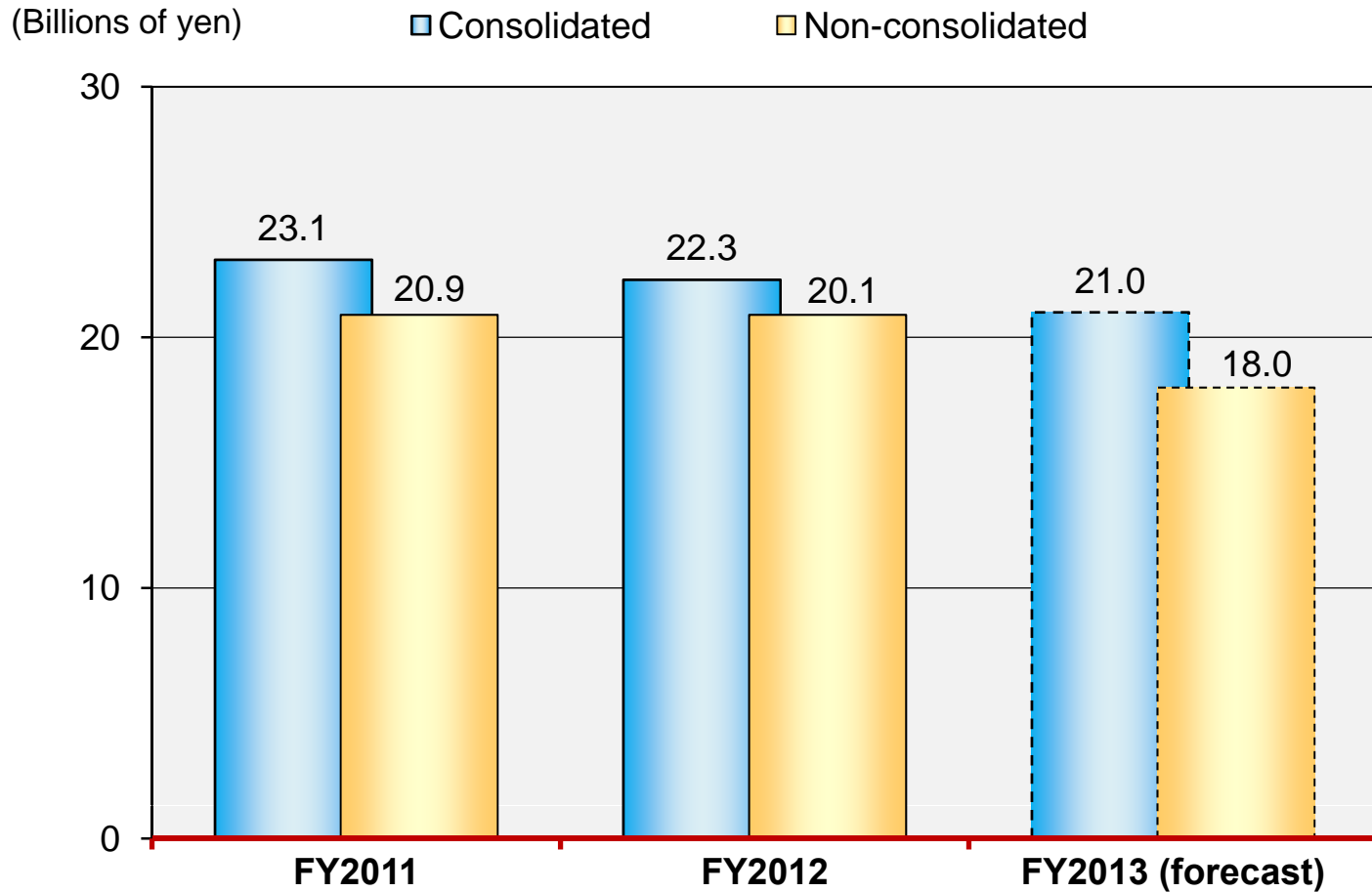


# (Consolidated) Change in Gross Profit Margin on Completed Construction Contracts



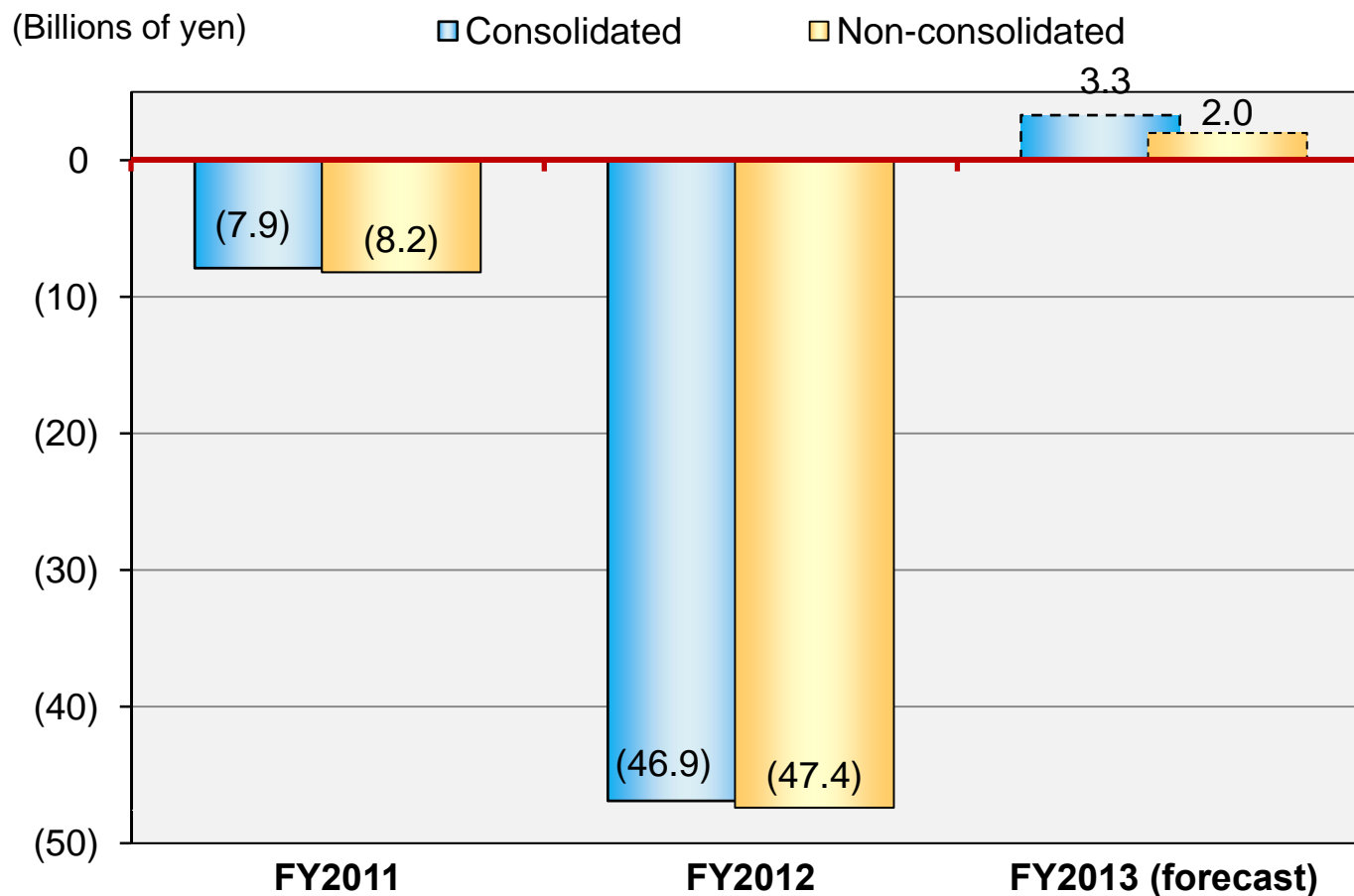
Gross Profit Margin on Completed Construction Contracts Ratio	4.1%	-5.6%	4.8%

# (Consolidated) Change in SG&A



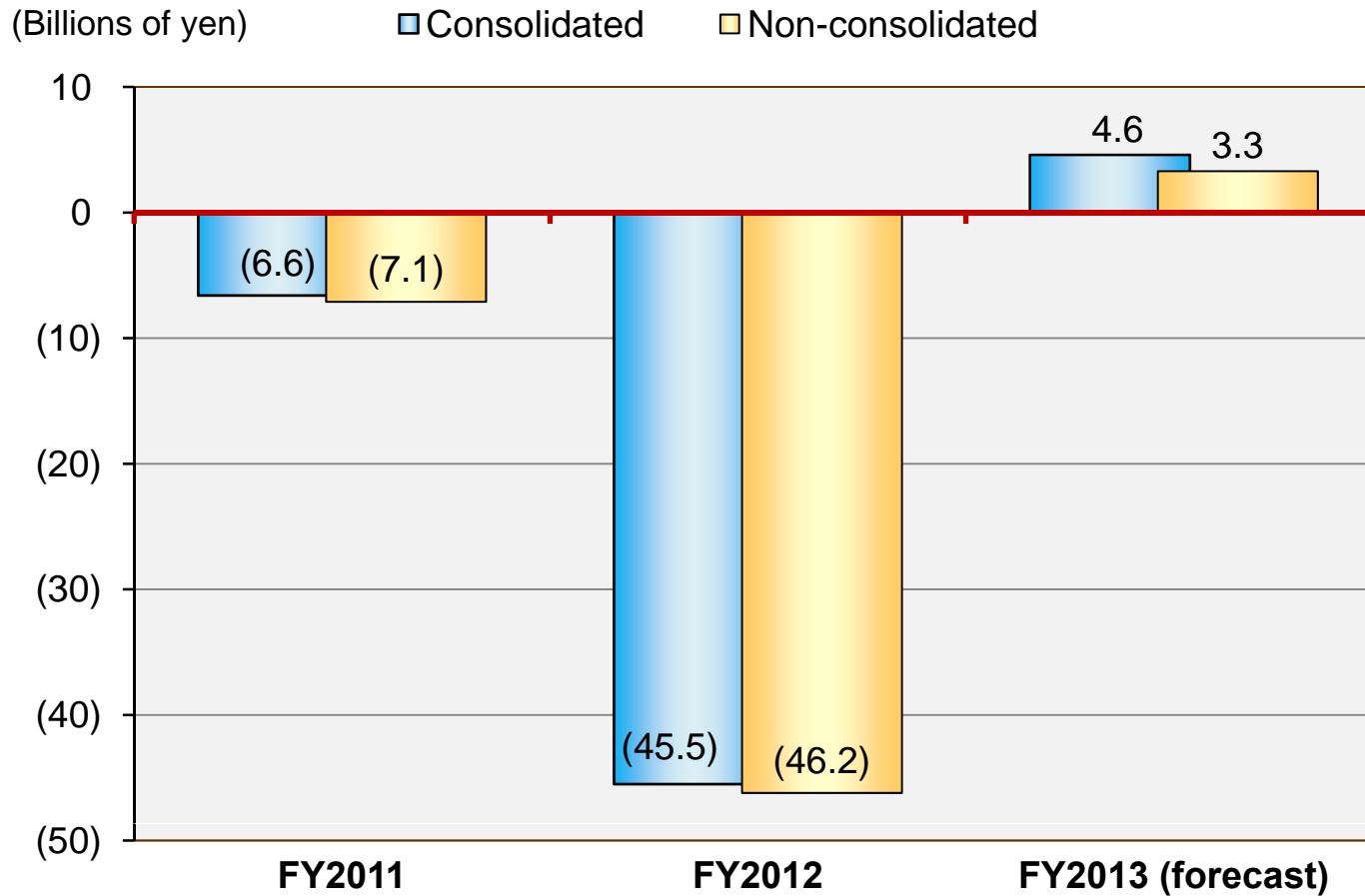
<b>SG&amp;A Ratio</b>	4.7%	4.5%	4.7%
-----------------------	------	------	------

# (Consolidated) Change in Operating Income (Loss)



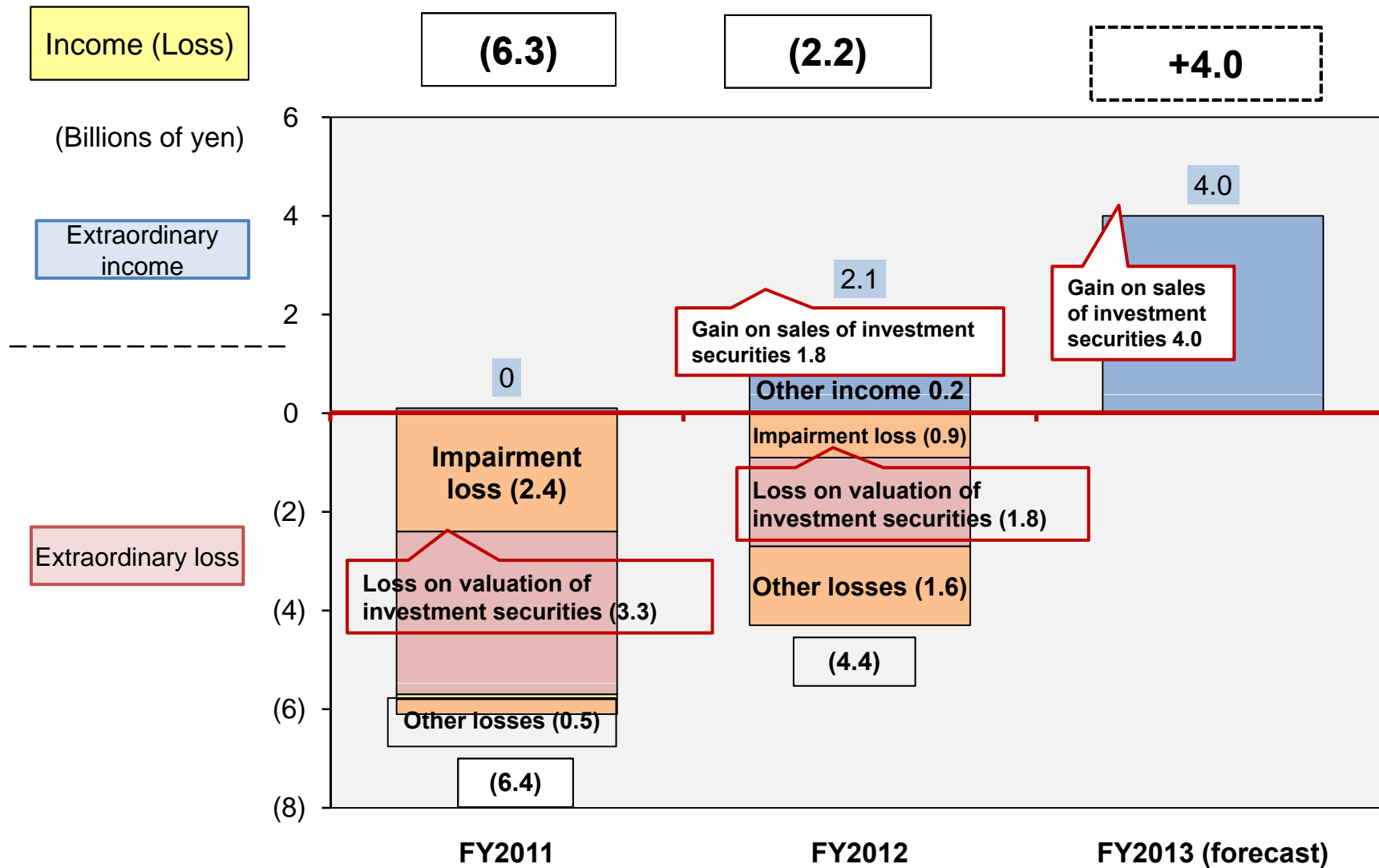
<b>Operating Income Ratio</b>	<b>-1.6%</b>	<b>-9.5%</b>	<b>0.7%</b>
-------------------------------	--------------	--------------	-------------

# (Consolidated) Change in Ordinary Income (Loss)

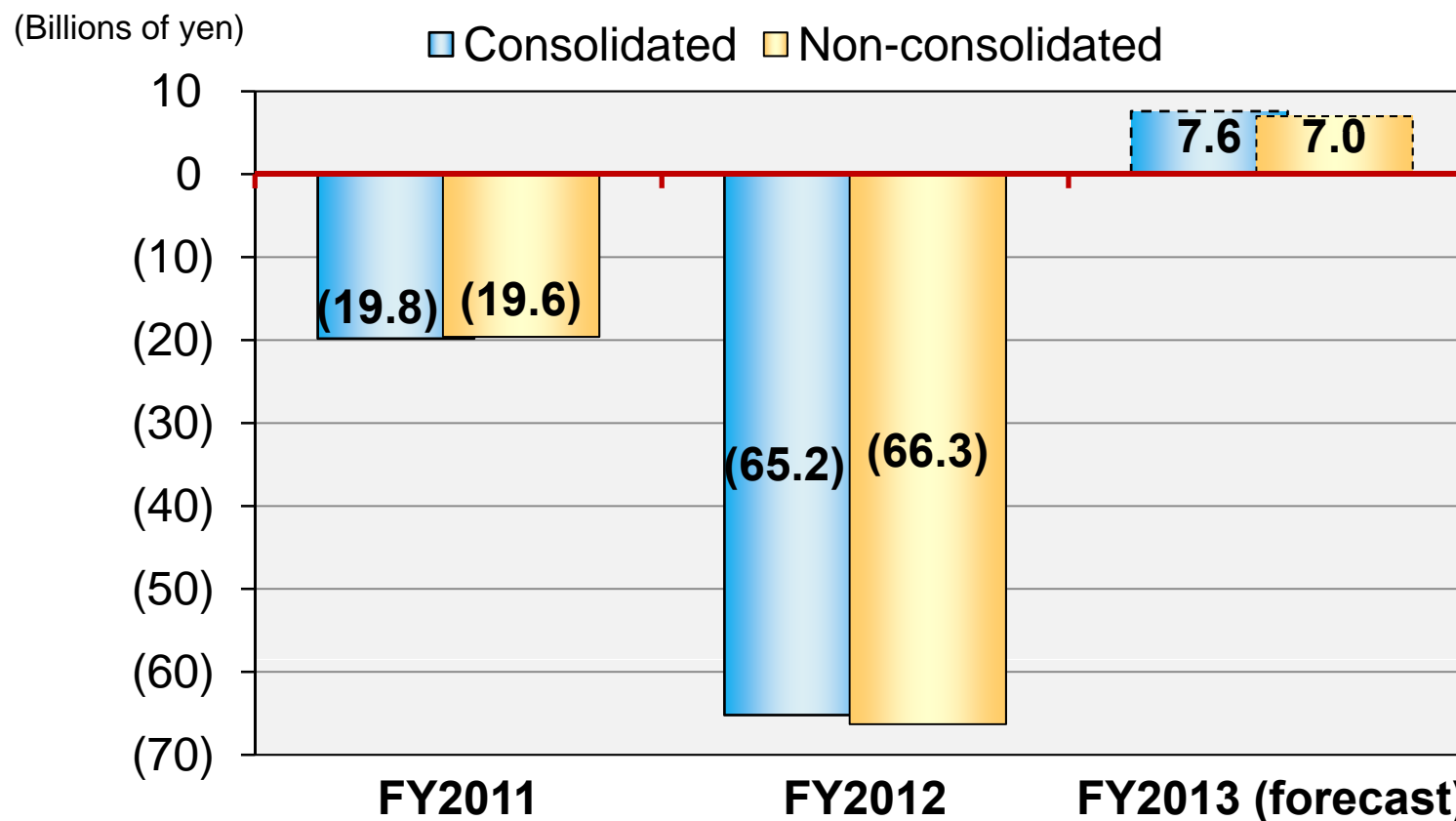


<b>Ordinary income Ratio</b>	<b>-1.4%</b>	<b>-9.2%</b>	<b>1.0%</b>
------------------------------	--------------	--------------	-------------

# (Consolidated) Change in Extraordinary Income (Loss) TODA CORPORATION

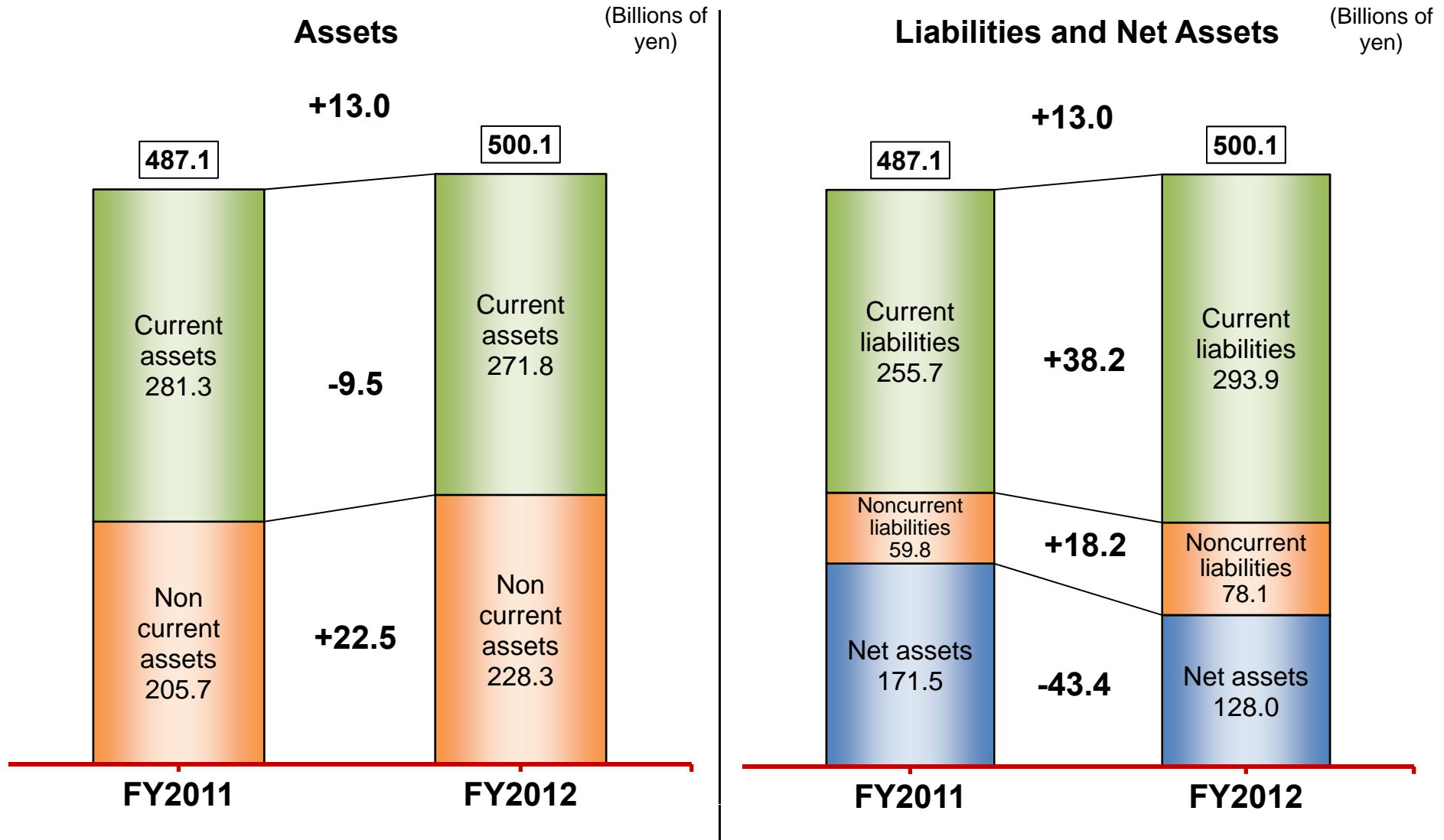


# (Consolidated) Change in Net Income (Loss)



<b>Net income ratio</b>	<b>-4.1%</b>	<b>-13.1%</b>	<b>1.7%</b>
<b>Dividends per share</b>	<b>6.0 yen</b>	<b>5.0 yen</b>	<b>5.0 yen</b>

# (Consolidated) Balance Sheets





# (Consolidated) Detailed Consolidated Balance Sheets



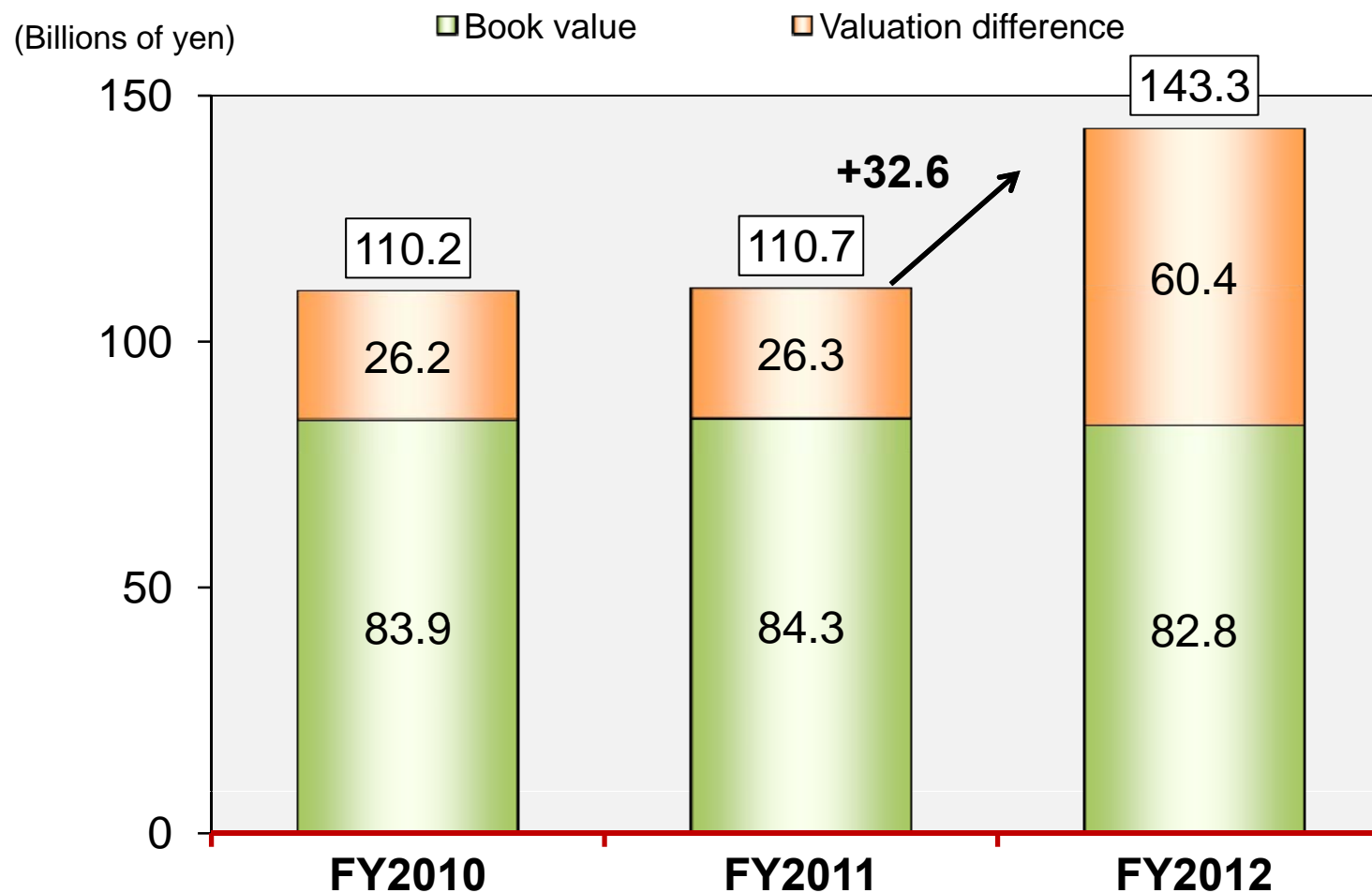
Billions of yen	FY2011	FY2012	Remarks Figures in ( ) are changes from the previous year
(Assets)			
Current assets	281.3	271.8	<div style="border: 1px solid black; padding: 5px;">                     Cash 38.7 (+1.8)                      Notes receivable, accounts receivable from completed construction contracts and other 164.7 (+0.5)                      Real estate for sale 24.8 (+5.3)                      Costs on uncompleted construction contracts 20.1 (-10.7)                 </div>
Noncurrent assets	205.7	228.3	
Property, plant and equipment	87.3	78.1	<div style="border: 1px solid black; padding: 5px;">                     Buildings and structures 16.3 (-1.4)                      Land 60.8 (-5.7)                 </div>
Intangible assets	3.0	3.0	
Investments and other assets	115.4	147.1	<div style="border: 1px solid black; padding: 5px;">                     Investment securities 143.3 (+32.5)                 </div>
<b>Total assets</b>	<b>487.1</b>	<b>500.1</b>	

# (Consolidated) Detailed Consolidated Balance Sheets



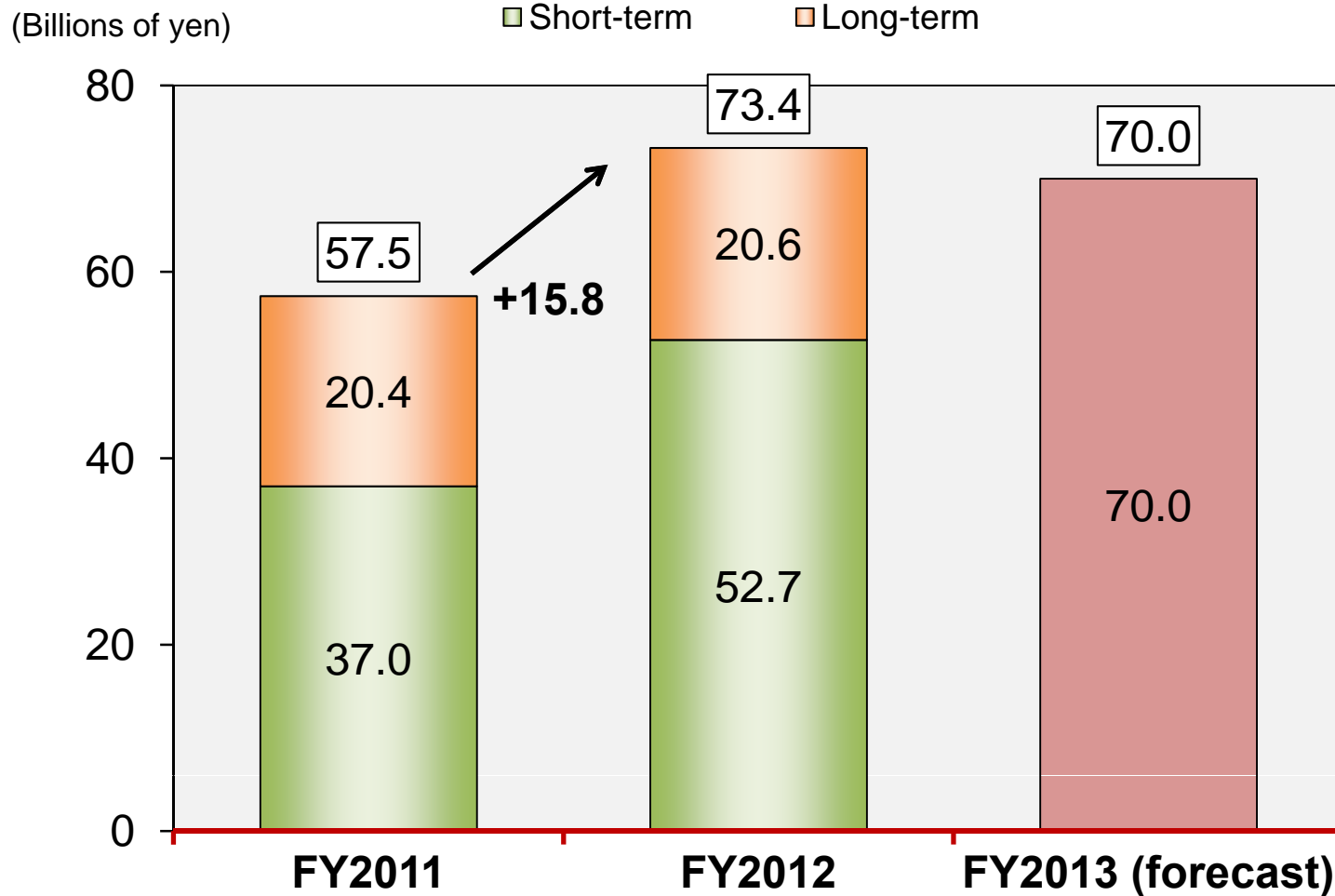
Billions of yen	FY2011	FY2012	Remarks Figures in ( ) are changes from the previous year
(Liabilities)			
Current liabilities	255.7	293.9	Notes payable and other accounts payable 155.1 (+22.3) Short-term loans payable / CP 52.7 (+15.7) Advances received on uncompleted construction contracts 34.3 (-6.9) Provision for loss on construction contracts 23.1 (+9.1)
Noncurrent liabilities	59.8	78.1	
(Net Assets)			
Shareholders' equity	146.2	79.2	Long-term loans payable 20.6 (+0.2) Deferred tax liabilities 22.3 (+19.2) Provision for retirement benefits 21.3 (-0.6)
Valuation and conversion adjustment	25.2	48.8	Retained earnings 36.7 (-67.0) Valuation difference on available-for-sale Securities 40.0 (+23.0)
Total Liabilities and Net Assets	487.1	500.1	

# (Consolidated) Change in Investment Securities



Nikkei stock-average	11,089 yen	9,755 yen	12,397 yen
----------------------	------------	-----------	------------

# (Consolidated) Change in Interest-Bearing Liabilities



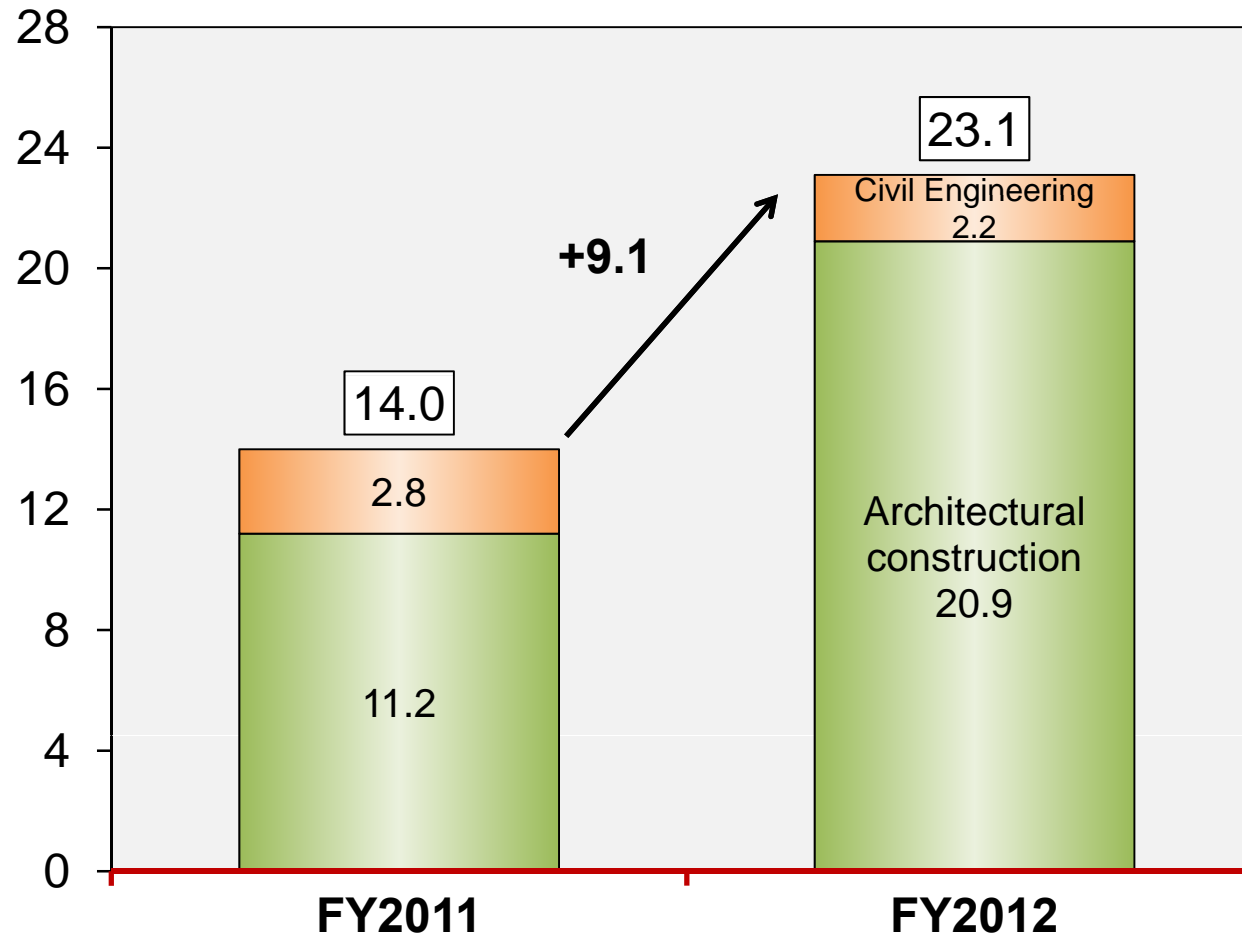
<b>Ratio of interest-bearing liabilities</b>	<b>11.6%</b>	<b>11.8%</b>	<b>—</b>
--	--------------	--------------	----------

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

(Billions of yen)

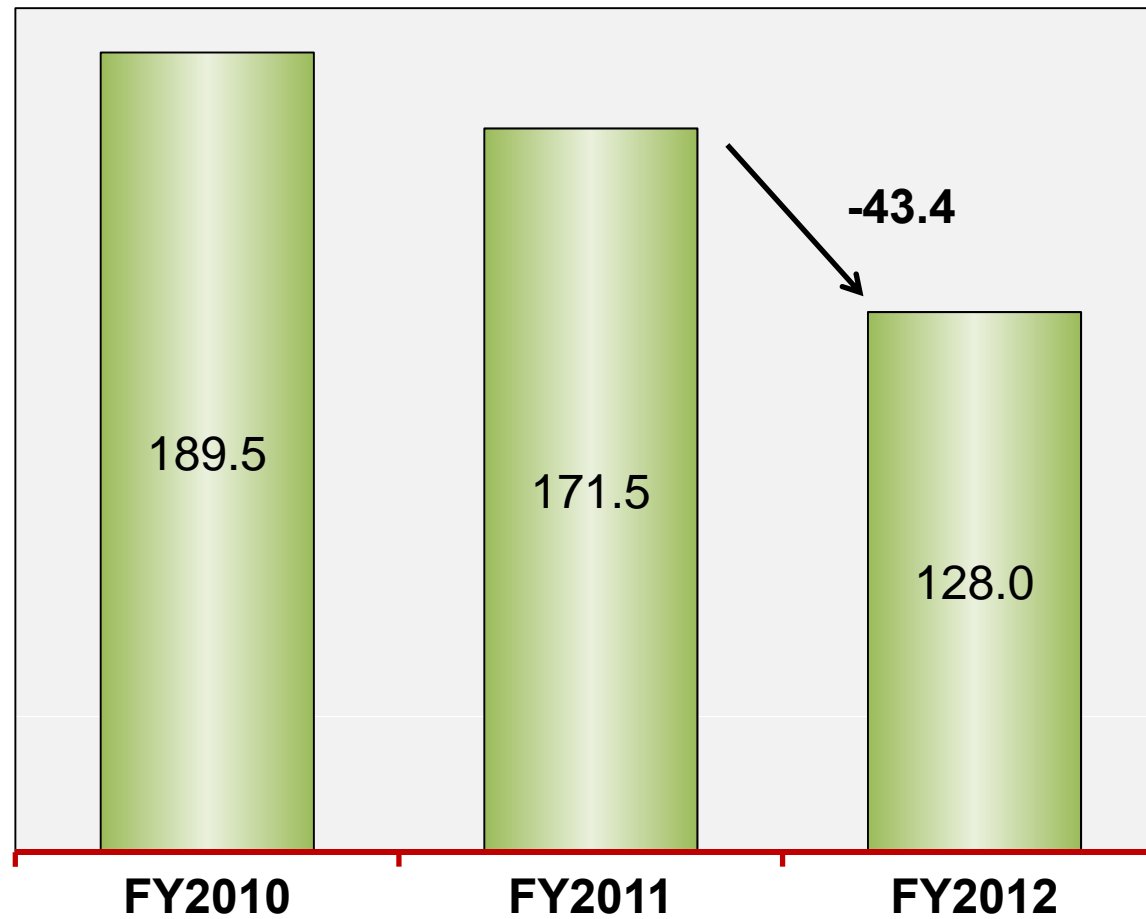
Architectural construction

Civil engineering



# (Consolidated) Change in Net Sales

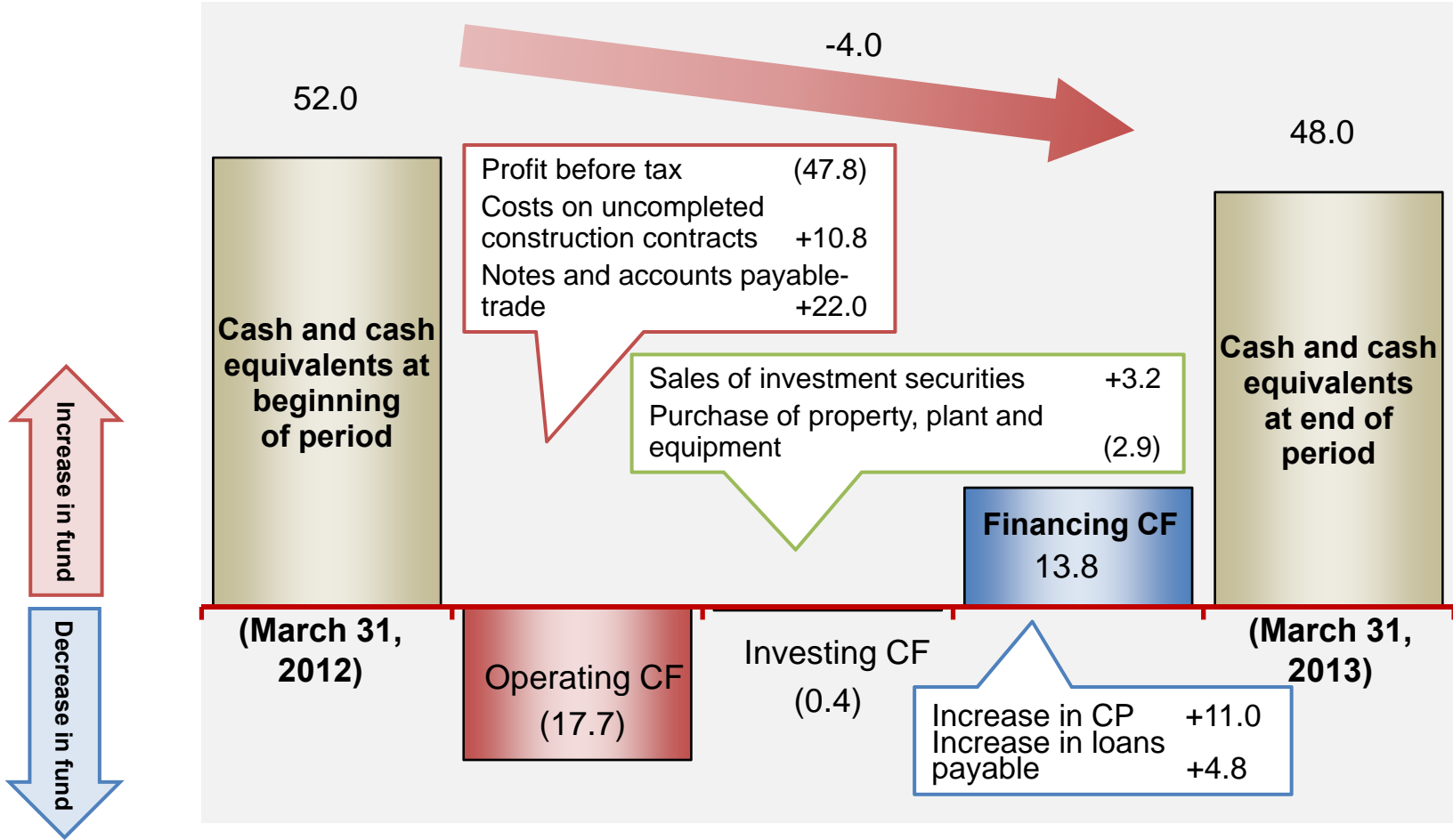
(Billions of yen)



# (Consolidated) Statement of Cash Flow



(Billions of yen)



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



# Forecasts for FY2013 (Year Ending March 31, 2014)

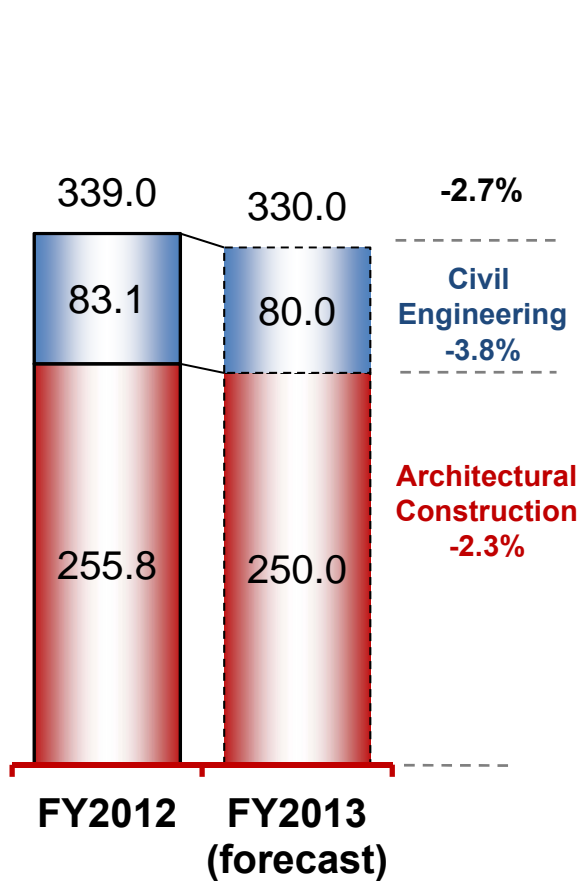


(Billions of yen)	FY2012	FY2013		
		Forecasts	Change (year on year)	
Consolidated net sales	497.0	444.0	-10.7%	-53.0
Operating income	(46.9)	3.3		+50.2
Ordinary income	(45.5)	4.6		+50.1
Net income	(65.2)	7.6		+72.8
Orders received (Non-consolidated)	339.0	330.0	-2.7%	-9.0

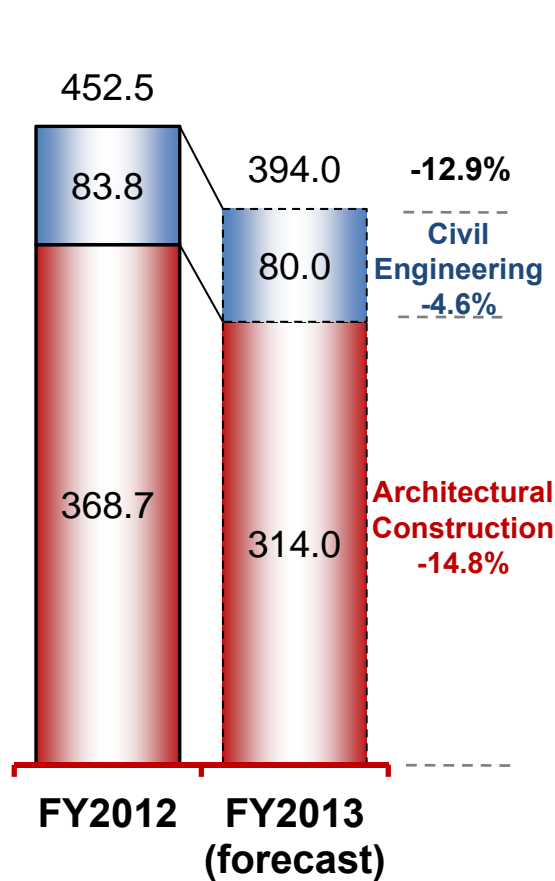
# (Non-consolidated) Forecasts of the Construction Business

(Billions of yen)

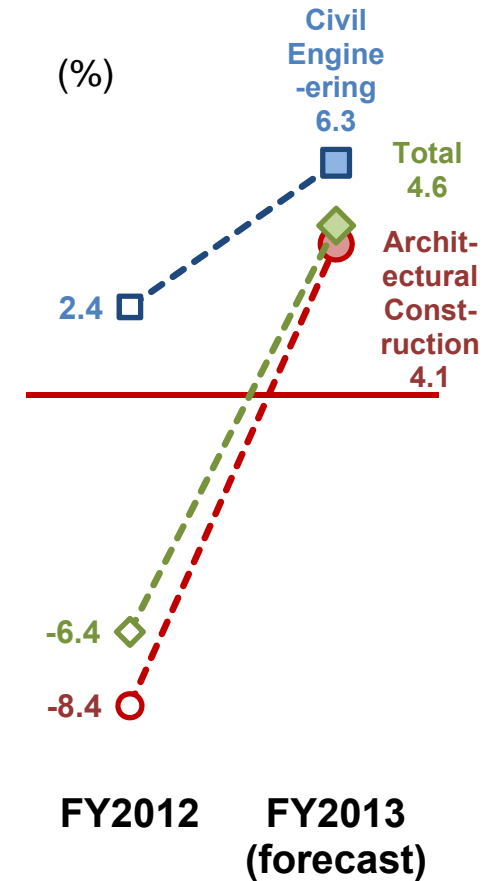
### Orders Received for Construction



### Net Sales of Completed Construction Contracts



### Gross Profit Margin on Completed Construction Contracts



# Non-Consolidated Forecasts for FY2013



	Amount (Billions of yen)	Profitability (%)	
Net sales	400.0		
Gross profit	20.0	5.0	
Profits in the construction business	18.0	4.6	
[Architectural construction]	[13.0]	[4.1]	
[Civil engineering]	[5.0]	[6.3]	
Profits in the real estate business	2.0	33.3	
Selling, general and administrative expenses	18.0		
Operating income	2.0	0.5	
Ordinary income	3.3	0.8	
Extraordinary income	4.0		Gain on sales of investment securities
Net income	7.0	1.8	

## **2. Issues and Initiatives**

President Shunzo Inoue

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

**Operating loss for two consecutive years**

**Series of downward revisions**

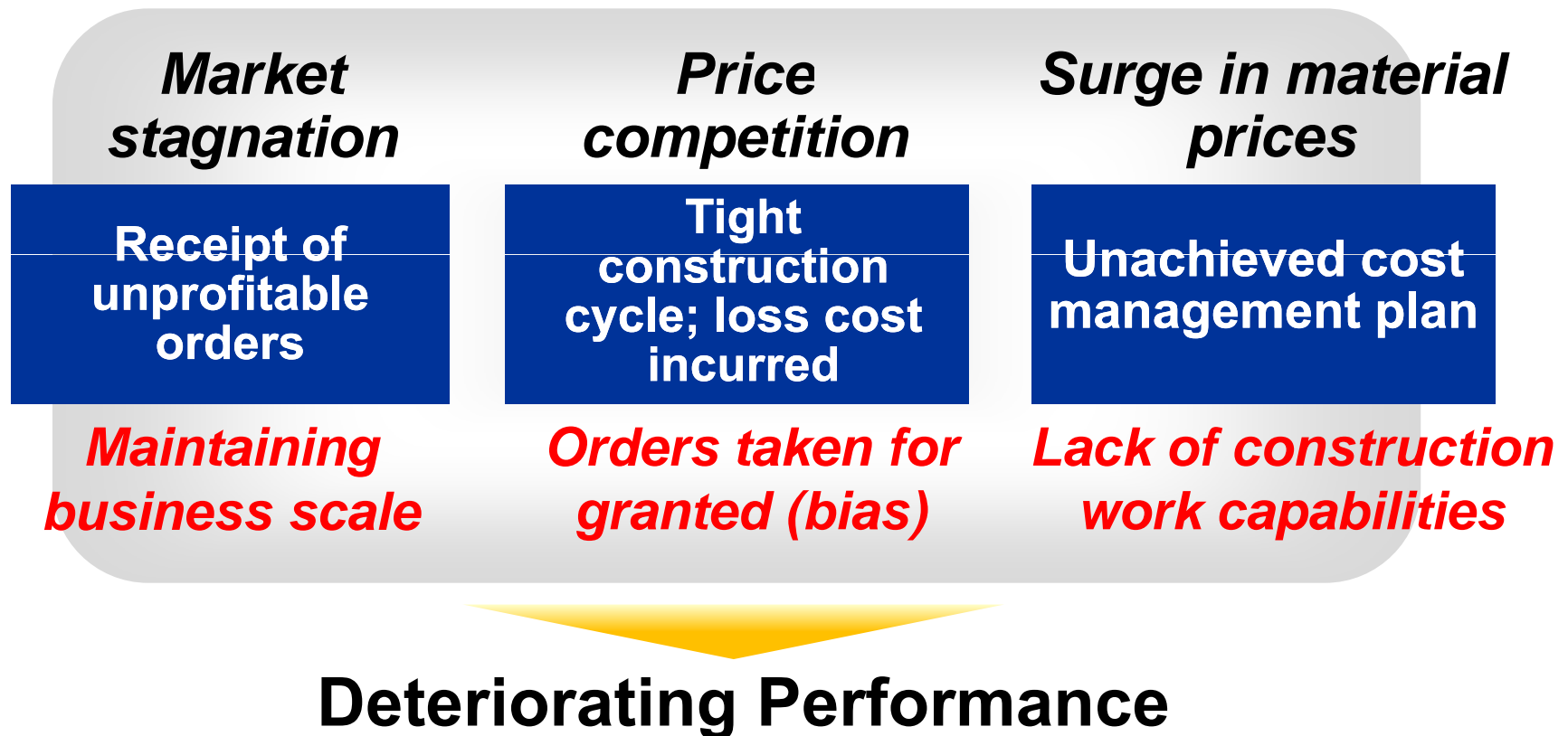


**Urgent need to reconstruct the  
construction business**

**(Awareness, strategies, organization)**

# Cause of Deteriorating Performance

## Recognition that the cause lies within the Company



## **2-2. Initiatives to Recover Performance**



# Key Initiatives

---

**Pursue appropriate operating size**

**Make selection of orders more stringent**

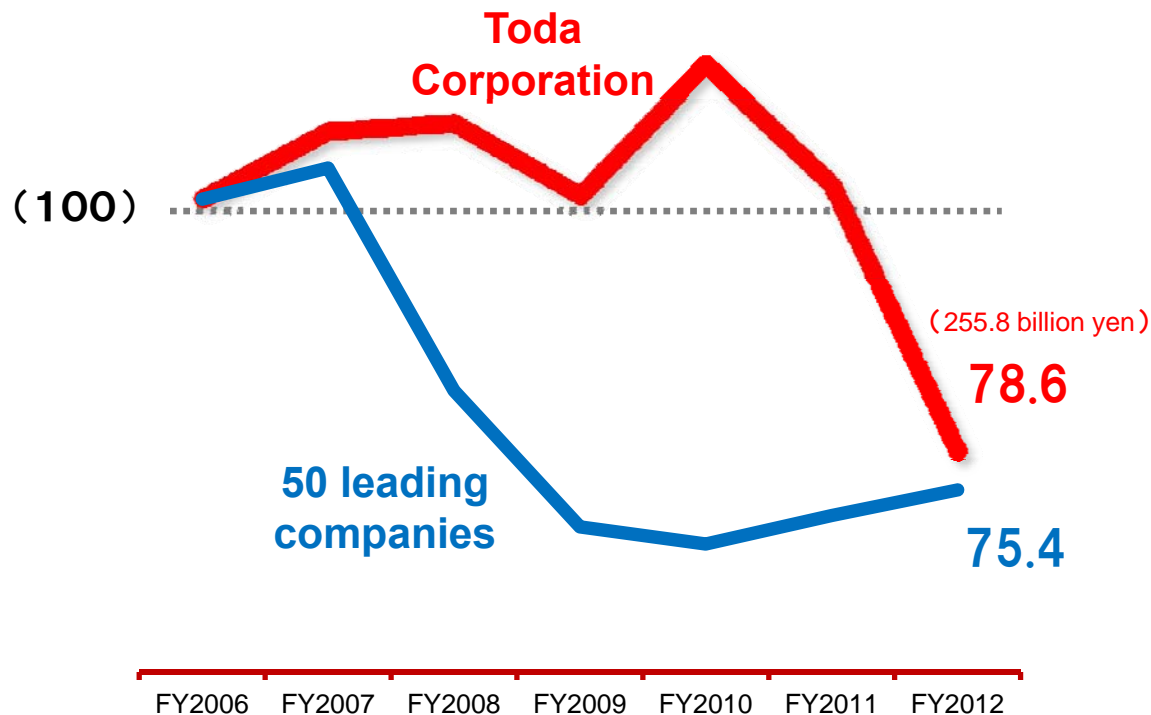
**Reinforce order management system**

**Closely review and manage  
profitability of construction**

**Reduce selling, general,  
and administrative expenses**

# Pursue Appropriate Operating Size

Change in orders received for construction  
(FY2006 = 100)



## Secure a size of orders that matches the market

- Maintain a balance between quantity and quality; strictly adopt a profit-oriented policy
- Rebuild an appropriate construction execution structure

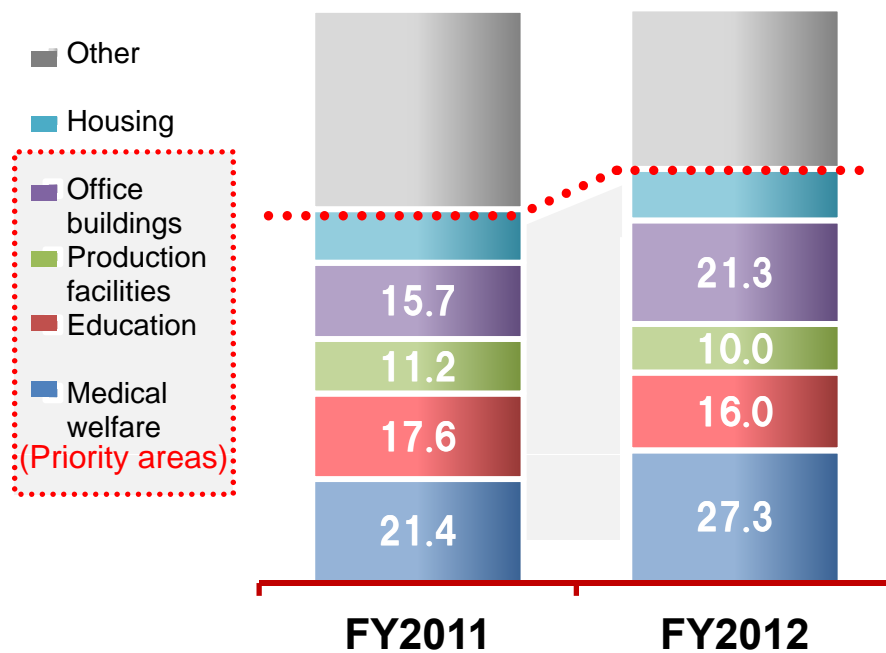
Source: "Current Survey on Orders Received for Construction" by the Ministry of Land, Infrastructure, Transport and Tourism

# Make Selection of Orders More Stringent

## Take orders of “priority area X mid-size property”

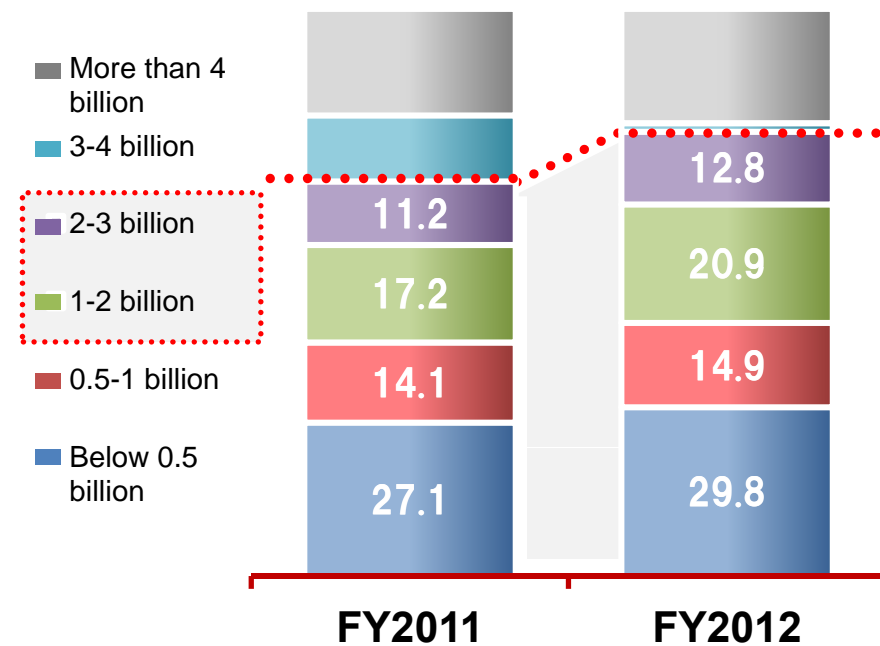
### By category

(distribution ratio of construction orders)



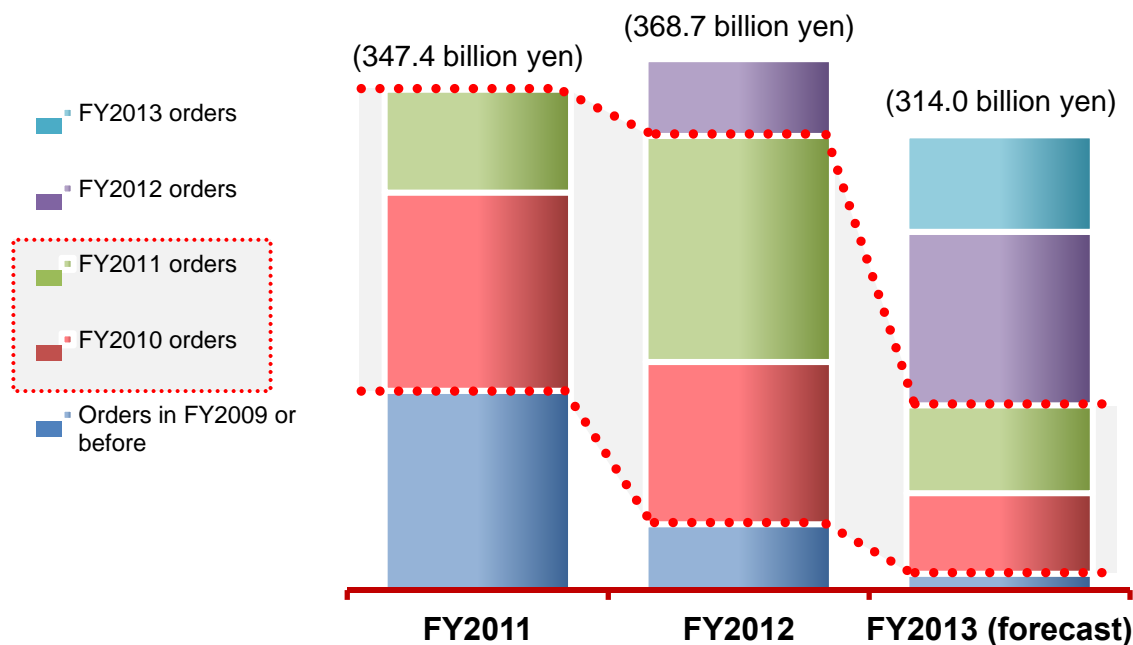
### By size

(distribution ratio of construction orders)



# (Reference) Status of Sales by Year

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



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

- FY2013 will see a low ratio of orders received in FY2011 or before to handle mainly orders that were carefully selected
- Provision for loss on construction contracts was posted in FY2012 or earlier for unprofitable construction work to avoid adverse effects on the results for FY2013

## Promote transparency and reinforcement of processes

Order authorization process	Pricing determination process	Approval decision review
<p>Administration department to be actively involved in authorizing orders</p>	<p>Newly establish a cost center (estimation department + purchasing department)</p>	<p>Establishment of a Committee for Review on Judgments Taken at Order Receipt</p>
<ul style="list-style-type: none"> <li>■ Decide not to accept unprofitable orders at the judgment phase</li> <li>■ Confirm appropriateness of the overall process</li> </ul>	<ul style="list-style-type: none"> <li>■ Accurately identify costs to be cost-competitive</li> </ul>	<ul style="list-style-type: none"> <li>■ Validate accuracy and appropriateness of judgment; provide feedback</li> </ul>

Note: All those listed above have been established and are currently in operation

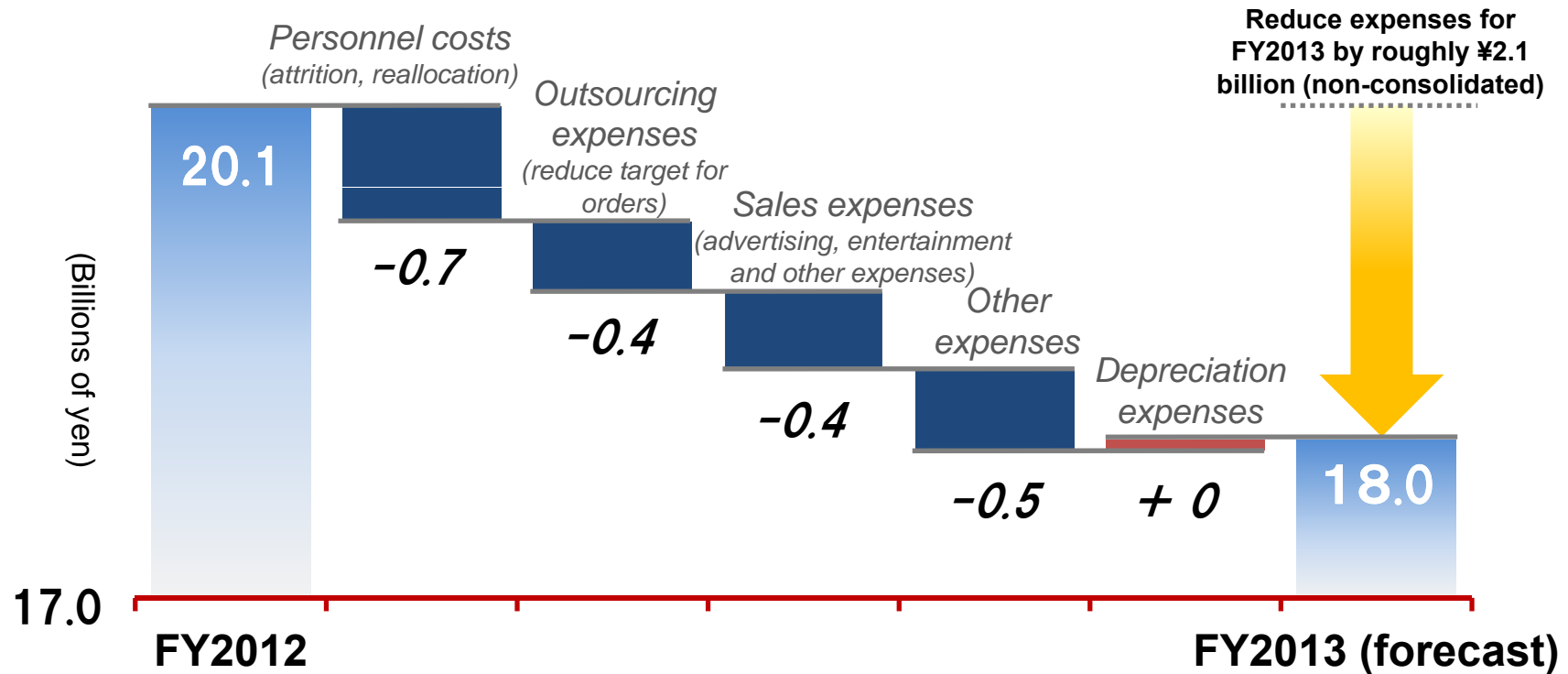
## Monitor costs and reinforce cost competitiveness

<b>Actions taken in FY2012</b>	<ul style="list-style-type: none"><li>■ <b>Close review of construction work costs (elimination of uncertain elements)</b><ul style="list-style-type: none"><li>• Strict evaluation of additional construction work, VE and CD</li><li>• Reflection of tight processes, surge in labor and material costs</li><li>• Estimation of earnings based on conservative standards.</li></ul></li></ul>
<b>Actions to take in FY2013</b>	<ul style="list-style-type: none"><li>■ <b>Ensuring through cost monitoring</b></li><li>■ <b>Review of common onsite costs</b></li><li>■ <b>Cost reduction through collaboration with subcontractors</b></li></ul>

# Reduce Selling, General, and Administrative Expenses

## Plan to reduce SG&A expenses to ¥18.0 billion in FY2013 (non-consolidated)

Build up from zero



# (Reference) Overseas and Real Estate Businesses

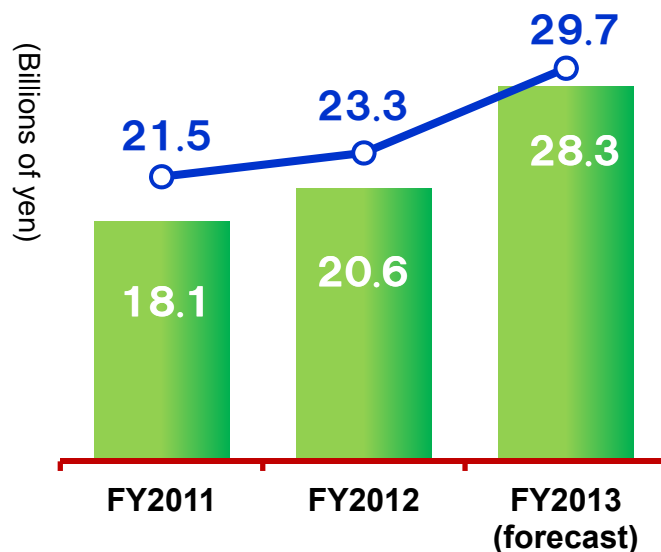


Target for FY2015: Net sales of ¥30.0 billion

Target for FY2015: Gross profit of ¥4.0 billion

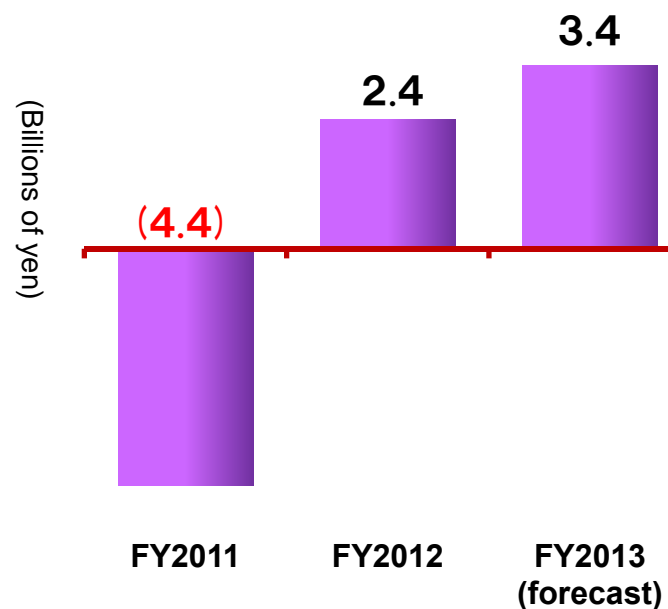
## Net sales of overseas construction (consolidated)

Line graph signifies net sales of orders received



Notes: FY2012 exchange rate: 1US\$ = ¥80.12  
FY2013 estimated rate: 1US\$ = ¥96.6

## Income from real estate, etc. (consolidated)



Notes: Loss on valuation FY2011: ¥7.4 billion  
FY2012: ¥0.5 billion



# (Reference) Environmental Business Activities



## Take all possible measures to be in the black in FY2013

- Ensure execution of improvement measures
- Ensure through monitoring and prompt response

## Revive earning power

- Convert sense of values in the Company
- Create mechanisms and structures for growth

## **3. Direction for the Future**

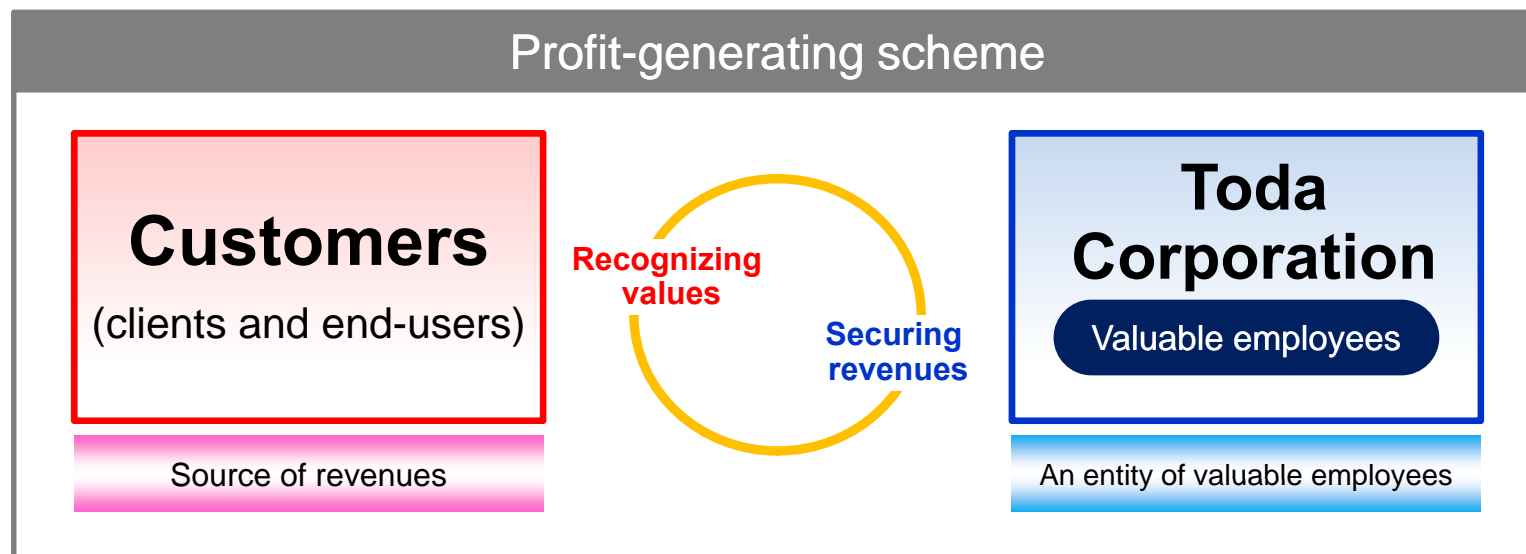
Deputy President and Executive Officer  
Masanori Imai

# Biography (Work History)



1978	April	Joined the Company
1999	April	Construction Manager, Architectural Construction Department, Tokyo Branch
2000	February	Sales Division Manager, Architectural Construction Sales Department, Osaka Branch
2001	October	Manager, Keiji General Sales Office of Architectural Construction, Osaka Branch
2004	February	Osaka Branch Assistant Manager (in charge of Architectural Construction Sales)
2005	April	Osaka Branch Deputy Manager (in charge of Architectural Construction Sales)
2007	February	Osaka Branch Deputy Manager (in charge of Architectural Construction)
2008	April	Executive Officer and Osaka Branch Deputy Manager
2009	August	Managing Executive Officer and Osaka Branch Manager
2013	March	Managing Executive Officer in charge of Architectural Construction Headquarters
2013	April	Deputy President and Executive Officer
2013	June	President and Representative Director (to assume)

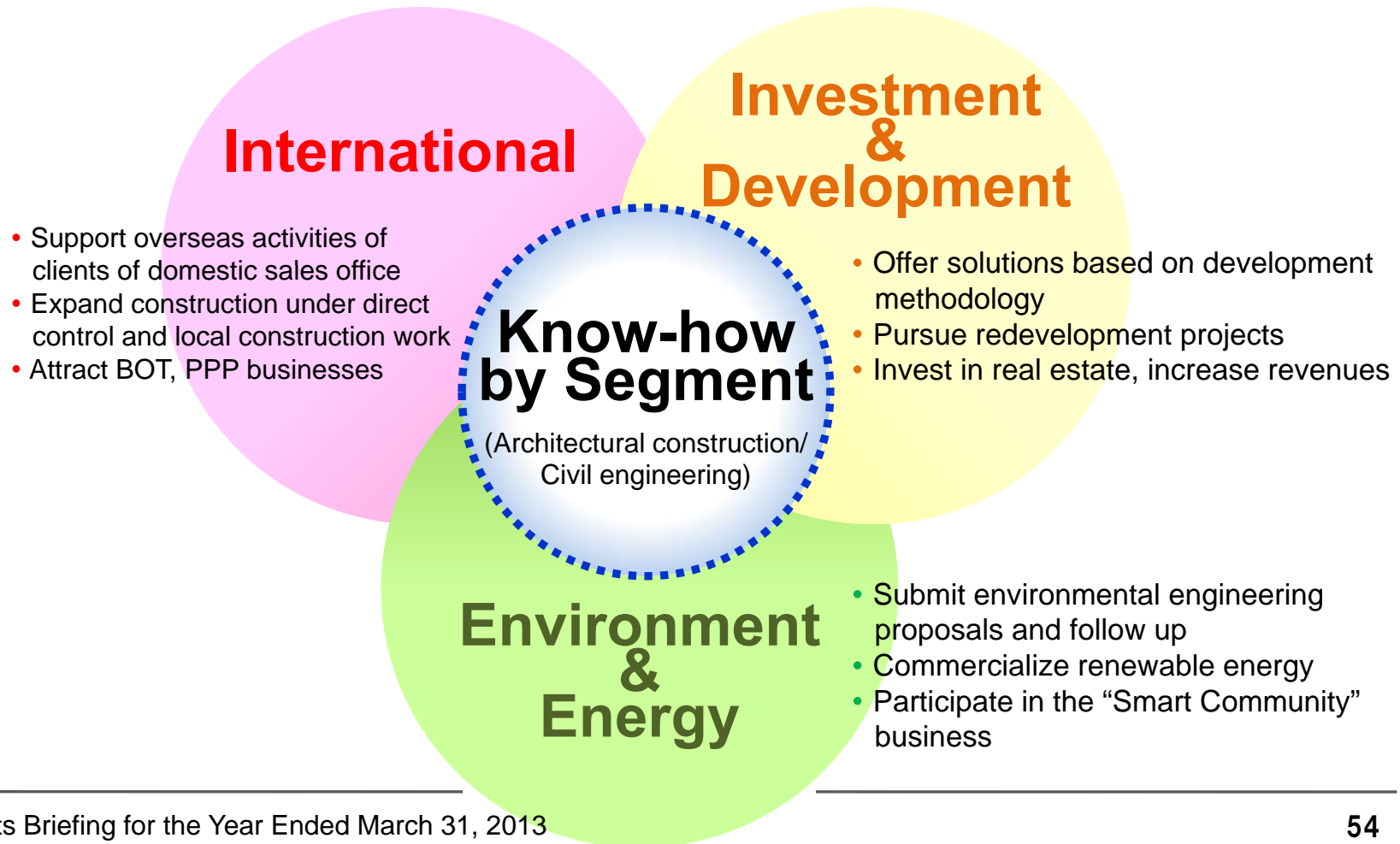
## Customers' recognition of Toda's values leads to earnings



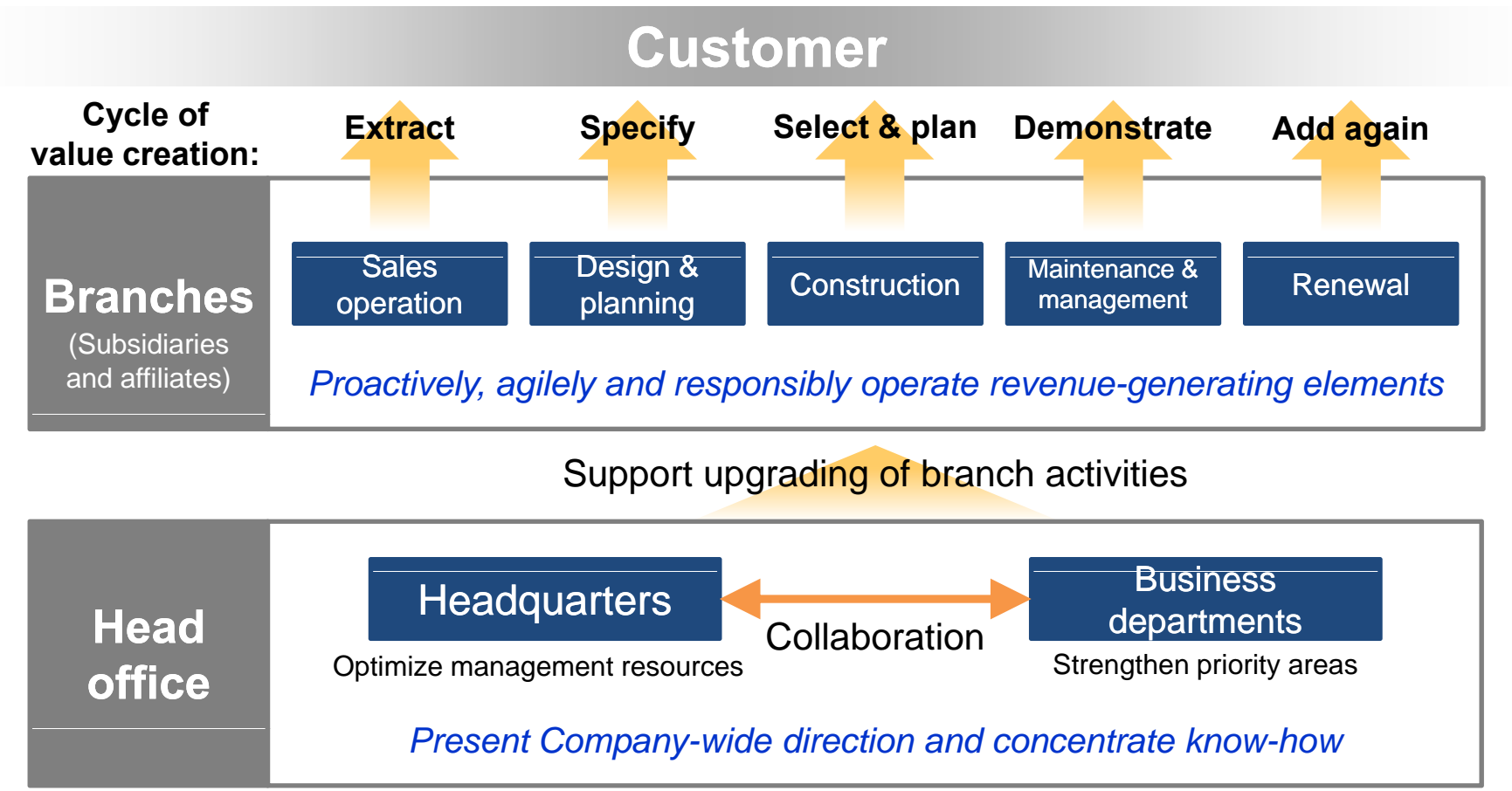
*A company serving as the most important partner for clients*

A company that's valuable also to society, subcontractors and employees

**Provide solutions beyond the boundaries of architectural construction and civil engineering**



## Build a customer-oriented organization



Achieve the minimum level of earnings expected by society and market

*No bright future if we keep the current approach*

