



Toda Corporation Group Formulation of “Medium-Term Management Plan 2024 - Rolling Plan”

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Company name: TODA CORPORATION

Stock exchange listing: Tokyo

Code number: 1860

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We are pleased to advise that we have revised the “Medium-Term Management Plan 2024” announced in May 2020 and formulated the “Medium-Term Management Plan 2024 - Rolling Plan” covering the three-year period through FY2024.

The Group has positioned the five-year period from FY2020 to FY2024 as a “transformation phase” for developing a new revenue base and has been working to reform its business portfolio by strengthening the competitiveness of its construction business and growth investments.

In the meantime, the assumptions we made for the original plan are rapidly changing against the backdrop of the prolonged COVID-19 outbreak, soaring prices, and stagnant construction investment. In addition, we recognize that it is important for us to clarify strategies to realize the “Future Vision CX150” announced in July 2021, and to make group-wide efforts to achieve the goals.

Based on these recognitions, we have revised some of our performance targets, strengthen our strategies to achieve them, and achieve sustainable growth by promoting further reforms.

1. Basic Policies of the Rolling Plan

- To provide values that are truly recognized by all stakeholders through the realization of the Future Vision CX150.
- To strengthen the business portfolio by promoting growth investments such as the New TODA Building (scheduled for completion in 2024) and the floating offshore wind power generation business (scheduled to start operation in 2024).

Future Vision CX150

We have formulated the “Future Vision CX150 (Corporate Transformation towards TODA Group’s 150th year)” on the 140th anniversary of its founding in 2021, and beyond that, as a vision for the 150th anniversary of its founding in 2031.

Mission
A corporate group that realizes “joy”

Vision of the society we want to realize
Co-creative society A society in which people cooperate and collaborate to create a virtuous cycle that generates new values, resulting in a sense of well-being and sustainability.
Values, the ideas and actions we value
Gatekeeper of values We interface between the demand side and the supply side, creating unprecedented combinations of information and functionality to create new values.
[Values we provide] 1. Improved experience values 2. Realization of latent needs 3. Creation of social capital

Business Development Domains : We provide customer values in 4 domains contributing to the realization of a co-creative society.

Business Development Domains	
Smart Innovation Domain	Pursuing productivity and job satisfaction through digital transformation of workplaces and offices.
Business & Lifestyle Domain	Creating an environment that is more productive, comfortable, and conducive to physical and mental health for facility users.
Urban & Social Infrastructure Domain	Creating diverse, varied, and attractive urban functions based on security and safety (resilient).
Environmental and Energy Domain	Contributing to carbon neutrality through the development, installation and supply of sustainable energy technologies.

2. Group Performance Targets for FY2024

Key Points of the Rolling Plan

- Revised some performance targets considering outlook of business environment.
- To secure final profit and improve capital efficiency, while reviewing and strengthening the shareholder return policy.

(1) Consolidated net sales and operating income

	FY2021 Actual	FY2024 Target
Consolidated net sales	501.5 billion yen	Approx. 600 billion yen
Operating income	24.3 billion yen	33 billion yen or more
Operating income margin	4.9%	5.5% or higher
Net income	18.5 billion yen	26 billion yen or more
ROE (return on equity)	5.9%	8.0% or higher
Labor productivity (non-consolidated)	14.58 million yen	15 million yen or more

※ Labor productivity = Value added (operating income + total labor costs) / Number of employees (average during the period, including temporary employees, etc.)

(2) Net sales and operating income by business segment

- Despite the downward revision in the architectural construction business, we plan to achieve our performance targets through earnings growth in the civil engineering and strategic businesses.

	FY2021 Actual		FY2024 Target	
Consolidated net sales	501.5 billion yen		600 billion yen	
Architectural Construction Business	304.6 billion yen		360 billion yen	
Civil Engineering Business	147.9 billion yen		145 billion yen	
Strategic Business	Investment Development/ Environmental & Energy	24.4 billion yen	50 billion yen	
	Group Companies	45.1 billion yen	55 billion yen	
Operating income	24.3 billion yen	(4.9)	33 billion yen	(5.5)
Architectural Construction Business	7.8 billion yen	(2.6)	10 billion yen	(2.8)
Civil Engineering Business	11.9 billion yen	(8.1)	14.2 billion yen	(9.8)
Strategic Business	Investment Development/ Environmental & Energy	3.8 billion yen	5.3 billion yen	(10.6)
	Group Companies	1.9 billion yen	3.5 billion yen	(6.4)

※ Consolidated net sales and operating income include consolidated eliminations.

※ Figures in parentheses indicate profit margins.

(3) Shareholder return

- Our policy is to achieve a DOE of 2.5% or more, a total return ratio of 40% or more, to return profits directly to shareholders and to increase the share price over the medium to long term.

	Planned for FY2021	FY2024 Target
DOE (dividends on equity ratio)	2.6%	2.5% or more
Total return ratio	43.0%	40.0% or more

※ DOE (dividends on equity ratio) = Total dividends / Shareholders' equity

※ Total return ratio = Total amount returned to shareholders (Total dividends + Total share buybacks) / Net income attributable to shareholders of the parent company

3. Key Strategies

Key Points of the Rolling Plan

- Creating customer values based on the "Value Unit" linked to the Future Vision CX150.
- Strengthen investment activities. Accelerate asset replacements and sales of strategic equity holdings as a source of funds for such investments.
- CO2 emission reduction targets revised upward to achieve decarbonization.
- Adopted a new "labor productivity per hour" measure to promote work reforms that enhance job satisfaction.

(1) Increase in added-value

① Promotion of Smart Innovation

- Improving safety and productivity through mechanized construction and the use of new technologies and ICT.

- Creation of new business models through digital transformation (BIM/CIM, i-Construction, etc).

② Enhancement of experience value (customer experience)

- Design “the experience” we offer before the customer starts using the construction, creating new customer value.
- Promote technology and solution development (internal and external collaboration, open innovation, etc) based on the Value Unit.

CX150 Business Development Domains	Value Unit	Focus Areas (Applications)
Business & Lifestyle Domain	Intellectual productivity	Offices, schools
	Increased efficiency	Manufacturing and logistics facilities
	Wellness	Hospitals, lodging and recreational facilities
Urban & Social Infrastructure Domain	Urban revitalization	Redevelopment
	Regional development	Land development (parcel development)
	Transportation network	Roads, railroads (shield tunnelling)
Environmental and Energy Domain	Energy	Renewable energy

※ Value Unit: Classification of customer value (experience value) to be provided in each business development domain.

③ Priority management businesses

- The New TODA Building, overseas business, and renewable energy business have been identified as priority management businesses, with the aim of achieving medium- and long-term growth through the active involvement of top management.

Business	Main Initiatives
New TODA Building	<ul style="list-style-type: none"> • The building is now being constructed as a flagship of our technological capabilities, offering the highest level of safety and environmental performance as well as a smart building that makes full use of digital technology. ※ Construction to be completed in 2024
Overseas business	<ul style="list-style-type: none"> • Expanding the construction and development business with a focus on the growing Southeast Asian market. • Operating cash generation and reinvestment by replacing assets as appropriate.
Renewable energy business	<ul style="list-style-type: none"> • Commercialization and deployment of our proprietary hybrid spar-type floating offshore wind power generation facility. ※ Scheduled to start operation in 2024 (Nagasaki-Goto Floating Offshore Wind Farm). • Promoting technological development to win orders for implantable offshore wind turbines.

(2) Investment plan and capital allocation (appropriate allocation)

- To achieve ROE of 8% over the medium to long term, we enhance capital efficiency by adopting ROIC (return on invested capital) by business, while strengthening the business portfolio through investment in growth and intangible assets.
- To secure operating income (80 billion yen or more over the three-year period) as a source of funds for investment, we will sell our assets (67 billion yen) and the strategic equity holdings (10 billion yen or more per year, on market-value basis), and utilize interest-bearing debt (D/E ratio of 0.8 times or less).

Classification and Purposes		Areas of Investment	Investment Amount (3 Year Cumulative Total)
Growth Investments	Expansion of business domain Increasing the value of assets held	Real estate development (Recovery by sale)	160 billion yen (65 billion yen)
		Environmental and energy etc (Recovery by sale)	30 billion yen (2 billion yen)
	Sub total		190 billion yen
Intangible Assets Investments	Strengthening management base Enhancement of non-financial capital	Human resources (recruitment, training, etc)	3 billion yen
		Technology research and development	20 billion yen
		Digitization	9 billion yen
		Sub total	
Machinery and Equipment, etc			3 billion yen
Total [Net Investment]			225 billion yen [158 billion yen]

※ Intangible asset investment is the sum of general and administrative expenses and capitalized assets

(3) Strengthening ESG management

- Establish a corporate brand as an environmentally advanced company through environmental and energy business, decarbonization initiatives, etc.
- Promote “work-reward reform” so that every employee can experience growth.
- Strengthen risk management (environment, occupational health and safety, investment, compliance, etc.).
- Separate the supervisory and the executive functions by reviewing the composition of the Board of Directors and strengthen each function.

Quantitative Evaluation Indicators				FY2024 Targets
E	CO ₂ emissions	Scope 1 & 2	Reduction rate (compared to FY2020) Basic unit (per 100 million yen)	(16.8%) or more 11.2t-CO ₂ or less
		Ditto	Scope 3 Reduction rate (compared to FY2020) Category 1 Basic Unit (per 100 million yen)	(10.0%) or more 540.7t-CO ₂ or less

	Category 11: Basic unit (per sqm)	3.5t-CO ₂ or less
S	Total accident frequency rate	1.00 or less
	Accident frequency rate	0.10 or less
G	Labor productivity per hour	7,500 yen or more

- ※ Scope 1: CO₂ emissions directly resulting from the use of diesel oil, etc.
Scope 2: Indirect CO₂ emissions from power plants resulting from the purchased electricity/heat.
Scope 3: Indirect emissions other than Scope 1 and 2.
Category 1: Emissions during the production of construction materials.
Category 11: Emissions during the operation of the constructed buildings.
- ※ Emissions intensity of Scope 1 & 2: Emissions per 100 million yen of sales.
Emissions intensity of Category 1: Emissions per 100 million yen of transaction value.
Emissions intensity of Category 11: Emissions per square meters of total floor space completed.
- ※ Total accident frequency rate = Total number of occupational accidents / Total working hours (million hours)
Accident frequency rate = Number of occupational accidents resulting in 4 or more days of absence from work / Total working hours (million hours)
- ※ Labor productivity per hour = Value added (Operating income + total labor cost) / Number of employees / Average total actual hours worked

END