



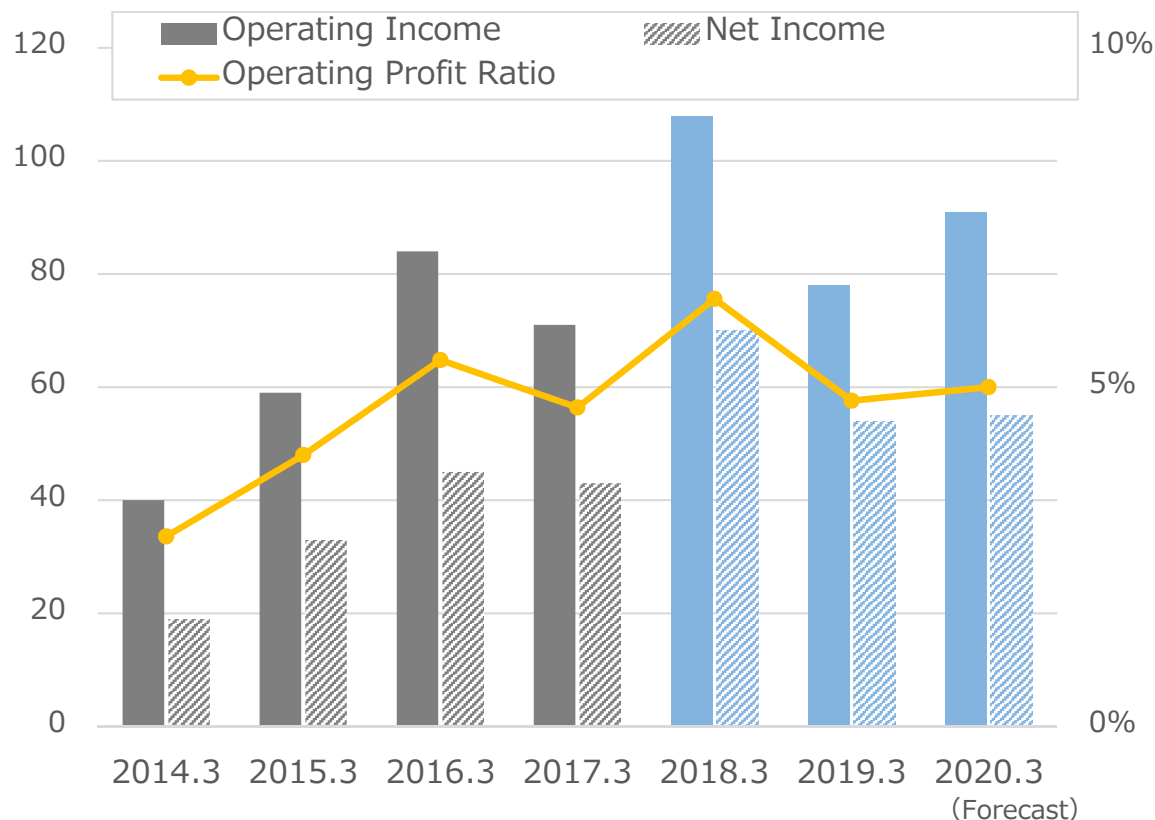
# TOYO CONSTRUCTION GROUP Mid-term Business Plan <2020-2022>

March 25, 2020



# Review of the Previous Mid-term Business Plan

(100 mil. yen)



## Targets

Operating Income

**24.5 bil. Yen**  
(over 3 years, consolidated)

Operating Profit Ratio

**5.0% or more**  
(Consolidated)

Net Assets

**50 bil. Yen or more**  
(non-consolidated)

## Results (Forecast)

Operating Income

**27.5 bil. Yen**  
(over 3 years, consolidated)

Operating Profit Ratio

**6.3%** (consolidated / year ending March 2018)

Net Assets

**53 bil. Yen**  
(non-consolidated)

## The numerical targets achieved in all items. Record profit in 2017.

Domestic construction investment is maintaining a high level of more than 60 trillion yen per year. Under the favorable business environment, thanks to the increase of profitability in the domestic business (civil engineering, architecture), the profit target has been significantly achieved and the financial basis has been strengthened. The commitment to "Securing Rising Generation", "Productivity Enhancement" and "Work System Reform" and the like should continually be carried out. The reinforcement of business infrastructure taken as a response to changing market environment will be put to the test.

※Earning forecast described in this material for the business year ending March 31, 2020 is based on the numbers in the Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2019, released on February 7, 2020, and its supplementary material.

## Goal in 10 years: Resilient company

A sustainable company by maintaining a consistent linchpin, responding flexibly to ever-changing environment, and standing up to adversity

### Domestic civil engineering

Pursuing profits with the portfolio and technologies as a core business

### Domestic architecture

Positioning as the “10 year for revolution of architecture business” to ensure diversified earnings structure, and keeping consistent and sustainable expansion

### Overseas construction

Becoming one primary source of revenue, and creating brand power as a company growing with sustainable development of global community

**The 100th Anniversary**  
(July 2029)

**-3rd Step-**  
(FY 2026-2028)

**-2nd Step-**  
(FY 2023-2025)

**-1st Step-**  
(FY 2020-2022)

**Mid-term Business Plan  
as the 1st Step for  
further growth**

## Japan

**Public investment is expected to be strong, however, changing market conditions is becoming tangible in private investment.**

### Tokyo metropolitan area

After the 2020 Olympic and Paralympic Games, the port-function enhancement project for Keihin ports and the disaster-prevention and disaster-mitigation projects are still planned, and accordingly they will continually be the core of business volume.

### Kansai region

Big projects, including “EXPO 2025 OSAKA, KANSAI, JAPAN”, are expected and accordingly the business volume is **expected to increase**.

### Tohoku district

The reconstruction project for the Great East Japan Earthquake is coming to an end, and accordingly the business volume is **expected to decrease**.

## Overseas

**Demand for further infrastructure development due to economic growth in those countries where we already have operations is still high and will remain at the same level in the next three years.**

It is assumed that construction investment by Japanese companies in overseas will continually grow in countries other than China due to the trade conflict between the U.S. and China and the long-term reduction in the domestic demand.

## Risk

Domestic and international market environment could be varying due to possible worldwide expansion and extension of the COVID-19 and due to impact of infection prevention measures taken by governments on global economy.

※When this Mid-term Business Plan was formulated, the size, extent and period of the COVID-19 were not foreseeable, therefore, the impact of possible expansion and extension of the COVID-19 is not reflected in the Plan. We will closely monitor the future situation, and in the event that any revision is specifically required for the Plan, we will promptly disclose such.

## Common

# Being a **resilient company**

## Basic Principle

In order to be transfigured to **a resilient company**, we will have a linchpin (origin), cultivate human resources, face the issues, increase value-added productivity.

**Linchpin (Origin) = Implementation of Corporate Identity**

# Being a **resilient company**

Corporate Identity

Everybody working together with dream and youth,  
devoted to customer and public society with new and productive technology,  
striving toward company's consistent growth and employees' welfare promotion.

“Respect for Human Dignity” “Invention and Innovation” “Awareness of Responsibility”

# BASIC STRATEGY



**Investment in  
Precious Human  
Resources**



**Improvement in  
Value Added  
Productivity**



**Growth by  
Resolving Social  
Issues**



**Maintaining  
Production  
System**



**Strengthening  
Profitability in  
Overseas  
Construction  
Markets**

# Top Priority Actions

## Investment in Precious Human Resources

Implementing the Behavioral Guidelines: “Respect for Human Dignity” “Invention and Innovation” “Awareness of Responsibility”, and Promptly Cultivate Precious Human Resources who Embody the Corporate Identity

## Maintaining Production System

Stronger ties with Subcontractors for Securing Rising Generation

## Improvement in Value Added Productivity

Continuous Challenge to Front-loading, BIM/CIM, i-Construction, Automation, Solution-oriented Sales

## Strengthening Profitability in Overseas Construction Markets

Raising the Target Share of Overseas Business in Company-wide Consolidated Operating Income to more than 20% in Ten years





Resolving Social Issues through Implementation of Corporate Identity (Business Activity)  
 Social Issues are Seeds for Growth, and Further Development for Resolving Issues

## Resolving Issues by Deploying Original SDGs Activities



### Realization of High-quality Infrastructure Improvement

- ◆ High-quality Infrastructure Construction in Developing Countries
- ◆ Improvement in Productivity and Safety by Application of IoT and ICT
- ◆ Realization of Work Environment for Women's Active Participation
- ◆ Resolving Worldwide Toilet Problems



### Contribution to Global Environmental Conservation

- ◆ Establishment of ZEB Architectural Technology
- ◆ Development of Low Cost & Environmental-Load Technology for Offshore Wind Power Generation

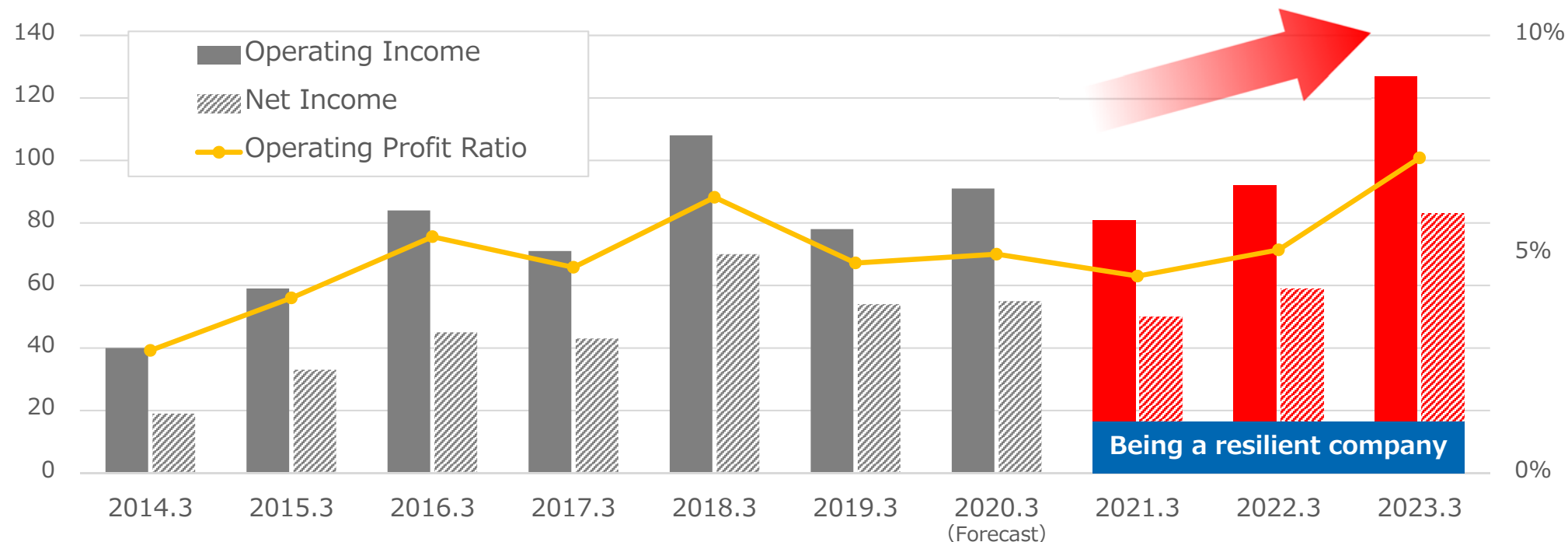


### Contribution to Regional Community

- ◆ Establishment of Scholarship System in Kenya and Philippines
- ◆ Activity for development of Eelgrass field

# Management Numerical Targets

(100 mil. Yen)



## Previous Mid-term Business Plan (Consolidated) Results Forecast

Operating Income	over 3 years	<b>27.5 bil. Yen</b>	<b>5%</b>
Net Assets*		<b>56 bil. Yen</b>	
Capital Ratio	<b>40%</b>	ROE	<b>10%</b>

## Performance Goal in 3 years (Consolidated)

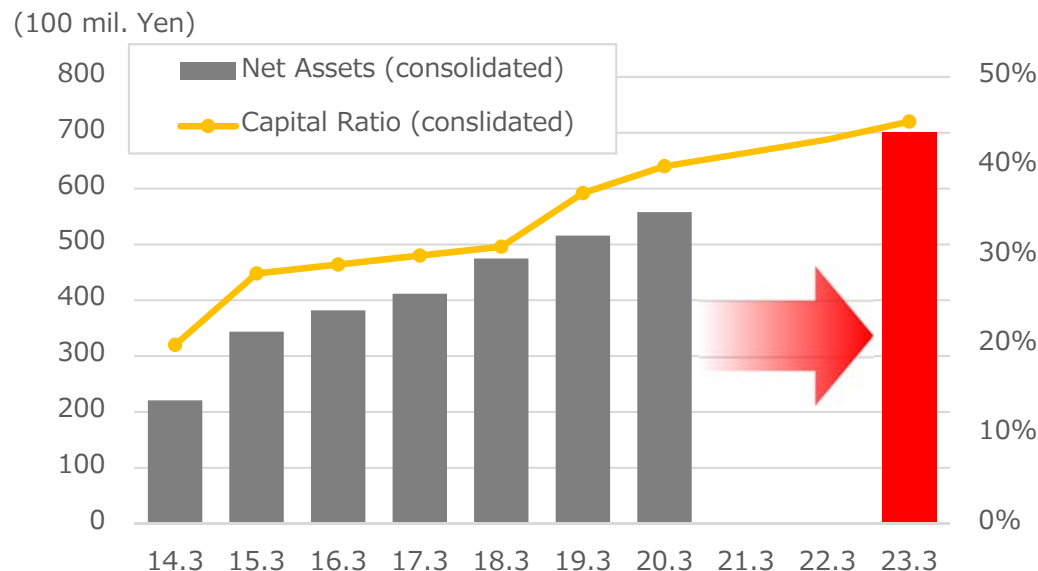
Operating Income	over 3 years	<b>30.0 bil. Yen</b>	<b>6% or more</b>
Net Assets*		<b>70 bil. Yen</b>	
Capital Ratio	<b>45%</b>	ROE	<b>10% or more</b>

※Excluding non-controlling interests

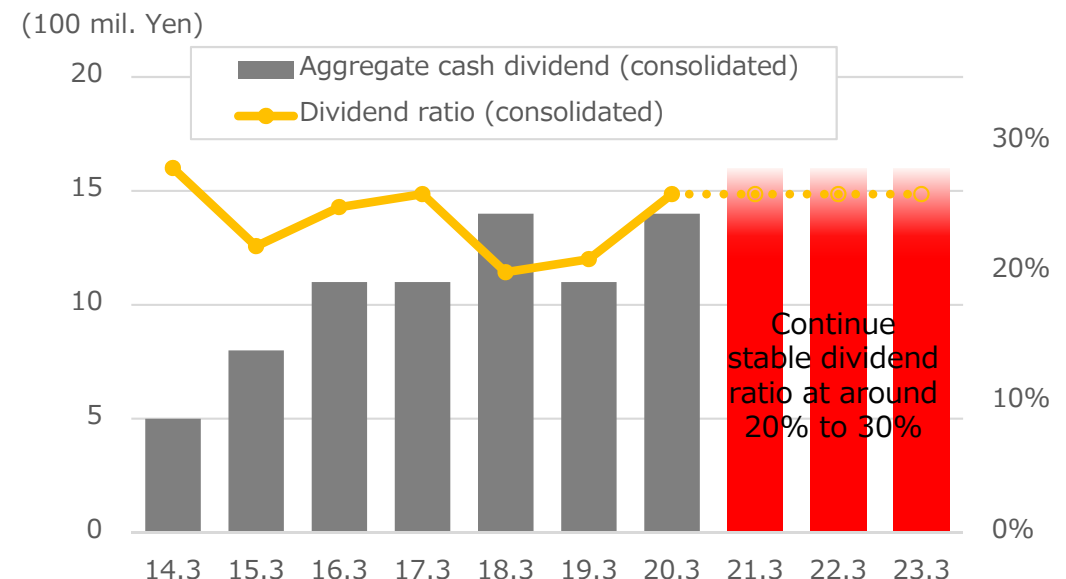
## Capital Policy and Shareholder Return Policy

- ◆ Positioning our returning profit to shareholders as the highest priority issue, we will provide **long-term and stable dividend** while accumulating internal reserves for further overseas business development, facility investment and technology development and the like in the future.
- ◆ For further development of overseas business and investment in growth, we will **continue to strengthen the financial basis**, finally target at 70 billion of consolidated net assets and capital ratio of more than 45%.
- ◆ Continue stable dividend ratio at around 20% to 30%

### Trend in net assets and capital ratio



### Trend in cash dividend and dividend ratio



## Goals

### Target Number (non-consolidated)

10 years later

Securing stable profits at high dimension with the portfolio and technologies as a core business  
Strategically shifting business volume & profit source onto overseas

Amount of orders received	Operating Income
<b>83 bil. Yen</b>	<b>4.5 bil. Yen</b>

3 years later

Establishing operating base stable and resistant to the changes of the times, by strengthening technical capabilities, on-site capabilities, organizational power

Amount of orders received	Operating Income
<b>88.5 bil. Yen</b>	<b>6.5 bil. Yen</b>

2020-BASIC STRATEGY



- ◆ Strengthening commitment to private / regenerated energy business
- ◆ Pursuing profits of public offshore construction
- ◆ Strengthening private business by enhancement of technical division
- ◆ Increasing order receipt of public works at land
- ◆ Advanced technical development being conscious of the market megatrend

Amount of orders received	Operating Income
<b>87 bil. Yen</b>	<b>3.8 bil. Yen</b>

## Goals

### Target Number (non-consolidated)

10 years later

Positioning as the “10 year for revolution of architecture business” to ensure diversified earnings structure, and keeping consistent and sustainable expansion

“competitive contract” ⇒ “de-competitive contract” ⇒ “creating-business type contract” ⇒ “non-contract”

Amount of orders received

**85 bil. Yen**

Operating Income

**5.0 bil. Yen**

3 years later

Achieving business reformation with getting all members’ vector together, and also achieving stable growth as well as securing stable operating income

Amount of orders received

**60.0 bil. Yen**

Operating Income

**3.7 bil. Yen**

2020-BASIC STRATEGY



- ◆ Development & Retention of “Organizational sales capabilities to attract customers”, thorough penetration of “Customer-oriented sales”
- ◆ Development of strong cost competitiveness and procurement capabilities to “beat competitors”
- ◆ “Overwhelming improvement of productivity” by thorough promotion of BIM

Amount of orders received

**54 bil. Yen**

Operating Income

**2.7 bil. Yen**

## Goals

### Target Number (non-consolidated)

10 years later

Becoming one primary source of revenue, and creating brand power as a company growing with sustainable development of global community

Amount of orders received  
**40 bil. Yen**

Operating Income  
**2.0 bil. Yen**

3 years later

Establishing business framework by four sites (Philippines, Myanmar, Indonesia and Kenya), stable business deployment enabling each site to supplement others

Amount of orders received (for 3 years)  
**70.0 bil. Yen**

Operating Income (for 3 years)  
**2.8 bil. Yen**

2020-BASIC STRATEGY



- ◆ Risk control by thorough prior examination of matters
- ◆ Continuing community-based growth by development of precious local human resources and reinforcement of cooperation with subcontractors
- ◆ Strengthening cost competitiveness by productivity enhancement

Amount of orders received  
**20 bil. Yen**

Operating Income  
**0.7 bil. Yen**

## 2020-BASIC STRATEGY

Continuous commitment to enhancement of governance  
Putting top priority on development of precious human resources,  
and promoting reformation to contribute to productivity and  
competitiveness enhancement

### Individual strategy



### Cultivating precious human resources

Cultivating precious human resources who fully know the Company (corporate identity, history, business environment, profit structure, strength and weakness), share the current state and issues of the Company, and are able to deal with other companies

### Individual strategy

### Realization of productivity enhancement by personnel-system reform & information-system reform

- ◆ Based on the “Personnel-system grand design” as the whole idea, promoting revision / abolition and establishment of new provision of personnel-system to cope with changes in external environment and societal demand
- ◆ Contributing to enhancement of productivity and competitiveness by renovating the core business system and realizing improvement of work efficiency

**2020-  
BASIC  
STRATEGY**

**Seeking achievement of consolidation target and increase of profitability with further information sharing with each business division and affiliate companies and mutual collaboration among affiliate companies**

**Individual  
strategy**



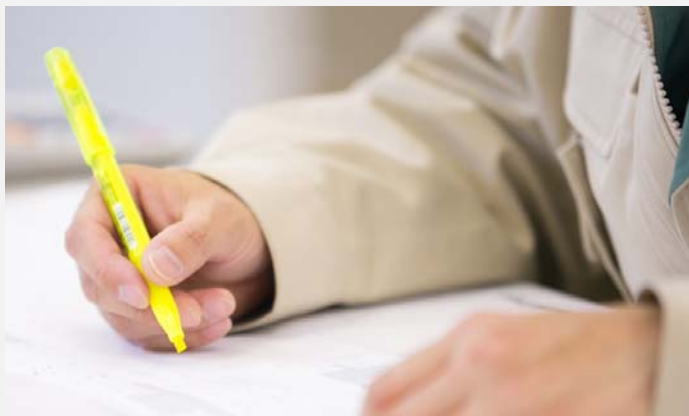
- ◆ Sharing business strategies from a mid-to-long-term perspective, and strengthen business performance of each group company
- ◆ Promotion of support measures for each group company to achieve the goals
- ◆ Sharing business information among group companies, and establishing cooperative system
- ◆ Review of business contents and discussion of alliance and the like
- ◆ Promoting system-establishment to secure profits by optimal people-to-people exchange and additional precious human resources
- ◆ Further enhancement of group governance



## Investment in development of precious human resources and IT infrastructures

Investment amount  
(for 3 years) **2 bil. Yen**

- ◆ Development of precious human resources & educational training
- ◆ Personnel system reform
- ◆ Investment in information system
- ◆ Workplace where everybody feels comfortable, by such as standardization of setting up women's rest rooms, etc.



## Investment in technical development

Investment amount  
(for 3 years) **4 bil. Yen**

- ◆ Investment in technical development & construction method development which lead to growth strategy
- ◆ Investment for enhancement of productivity such as automated operation and the like
- ◆ Investment for acquiring advanced technology such as promotion of i-Construction

## Capital Investments

Investment amount  
(for 3 years) **10 bil. Yen**

- ◆ Continuing growth investment including M&A as well as such investment as essential for pursuing business strategies for the purpose of enhancement of productivity, labor-saving, and maintenance and repair for future risk reduction



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