

The document is an English-language translation of the consolidated financial summary of the financial results for the fiscal year ended March 31, 2018. This summary was prepared originally in Japanese in accordance with generally accepted accounting principles in Japan. If there are discrepancies between this summary and the original document in Japanese, the Japanese version will take precedence.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

May 15, 2018

TOYO ENGINEERING CORPORATION

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1. Business results for the fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

Note: Amounts are rounded down to the nearest million yen.

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2017	335,697	(22.3)	(32,951)	—	(27,821)	—	(26,846)	—
FY2016	431,917	44.1	(2,009)	—	1,603	(58.6)	1,472	(51.5)

(Reference) Comprehensive income (millions of yen):

FY2017 : (25,758) — % FY2016: 1,066 (87.4%)

	Net income per share	Net income per share (diluted)	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2017	(700.30)	—	(70.3)	(9.8)	(9.8)
FY2016	38.42	—	2.9	0.5	(0.5)

(Reference) Equity in earnings of affiliates (millions of yen):

FY2017 : 5,909 FY2016 : 15

(Note)

We conducted a one-for-five reverse stock split of our company's shares effective October 1, 2017. The figures for "Net income per share" have been calculated on the assumption that the stock split were conducted on the beginning of previous fiscal year.

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
FY2017	252,982	25,176	9.9	654.91
FY2016	317,089	51,331	16.2	1,337.40

(Reference) Equity at the end of period (millions of yen):

FY2017: 25,105 FY2016 : 51,273

(Note)

We conducted a one-for-five reverse stock split of our company's shares effective October 1, 2017. The figures for "Book value per share" have been calculated on the assumption that the stock split were conducted on the beginning of previous fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2017	(22,824)	6,386	(1,174)	106,536
FY2016	18,984	(16,650)	(1,548)	122,703

2. Dividends

	Cash dividends per share					Total Cash dividends (Annual)	Payout ratio (Consolidated)	Cash dividends as a percentage of net assets (Consolidated)
	Q1	Q2	Q3	Q4	Annual			
FY2016	—	0.00	—	2.00	2.00	383	26.0	0.7
FY2017	—	0.00	—	0.00	0.00	—	—	—
FY2018 (Forecast)	—	0.00	—	0.00	0.00	—	—	—

(Note)

Since we conducted a one-for-five reverse stock split of our company's shares effective October 1, 2017, it is factored into the per-share amount of the year-end dividend for the fiscal year ending March 31, 2019 shown here.

3. Forecast of consolidated operating results for the fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(% of changes from the corresponding periods of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	300,000	(10.6)	2,000	—	2,500	—	1,000	—	26.09

4. Others

(1) Significant changes in scope of consolidation : No

(2) Number of shares issued

Number of shares issued at end of period (including treasury stocks)		
FY2017 : 38,558,507		FY2016 : 38,558,507
Number of treasury stocks at end of term		
FY2017 : 223,648		FY2016 : 220,634
Average number of stock outstanding during the period: FY2017 and FY2016		
FY2017 : 38,336,456		FY2016 : 38,339,502

(Note)

We conducted a one-for-five reverse stock split of our company's shares effective October 1, 2017. The figures for "Number of shares issued at end of period", "Number of treasury stocks at end of term", and "Average number of stock outstanding during the period" have been calculated on the assumption that the stock split were conducted on the beginning of previous fiscal year.

(Reference) Non-consolidated business results

1. Business results for the fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

Notes: Amounts are rounded down to the nearest million yen.
(% of changes from the corresponding period of the previous year)

(1) Non-consolidated operating results

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2017	178,660	(30.5)	(37,806)	—	(29,699)	—	(26,204)	—
FY2016	256,980	41.6	(6,911)	—	(899)	—	425	—

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
FY2017	(683.54)		—	
FY2016	11.10		—	

(Note)

We conducted a one-for-five reverse stock split of our company's shares effective October 1, 2017. The figures for "Net income per share" have been calculated on the assumption that the stock split were conducted on the beginning of previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
FY2017	167,881	1,518	0.9	39.62
FY2016	214,640	30,660	14.3	799.75

(Reference) Equity at the end of term (millions of yen):

FY2017 : 1,518

FY2016 : 30,660

(Note)

We conducted a one-for-five reverse stock split of our company's shares effective October 1, 2017. The figures for "Book value per share" have been calculated on the assumption that the stock split were conducted on the beginning of previous fiscal year.

* Reference: The forecast given above are based on information available at the time of compilation and are inherently subject to variety of risks and uncertainties. Actual results may vary significantly from the forecast due to factors including, but not limited to, changes in the economic or business environment and exchange rate fluctuations.

Consolidated Balance Sheets

		March 31, 2017	March 31, 2018
		Millions of yen	Millions of yen
[Assets]			
I	Current assets		
1	Cash and deposits	126,042	111,068
2	Notes receivables, accounts receivable from completed construction contracts	88,394	62,057
3	Short-term investment securities	1,175	1,049
4	Costs on uncompleted construction contracts	49,536	31,798
5	Deferred tax assets	3,020	1,836
6	Accounts receivable - other	6,730	7,850
7	Other	7,958	8,498
8	Allowance for doubtful accounts	(1,074)	(970)
	Total current assets	281,784	223,189
II	Non-current assets		
(1)	Property, plant and equipment		
1	Buildings and structures	16,297	16,013
2	Machinery, vehicles, tools, furniture and fixtures	4,999	5,296
3	Land	6,898	6,601
4	Leased assets	74	45
5	Construction in progress	5	4
6	Accumulated depreciation and impairment loss	(15,658)	(15,980)
	Total property, plant and equipment	12,615	11,980
(2)	Intangible assets		
1	Goodwill	3	1
2	Other	1,408	956
	Total intangible assets	1,412	958
(3)	Investments and other assets		
1	Investment securities	16,071	10,335
2	Long-term loans receivable	4,576	4,572
3	Deferred tax assets	1,123	590
4	Other	3,981	5,916
5	Allowance for doubtful accounts	(4,474)	(4,560)
	Total investments and other assets	21,277	16,855
	Total non-current assets	35,305	29,793
	Total assets	317,089	252,982
[Liabilities]			
I	Current liabilities		
1	Notes payable, accounts payable for construction contracts and other	123,444	104,715
2	Short-term loans payable	8,415	7,125
3	Income taxes payable	761	624
4	Advances received on uncompleted construction contracts	87,116	62,492
5	Provision for bonuses	654	407
6	Provision for warranties for completed construction	209	52
7	Provision for loss on construction contracts	4,085	13,889
8	Forward exchange contracts	4,995	1,808
9	Other	7,468	7,368
	Total current liabilities	237,149	198,485
II	Non-current liabilities		
1	Long-term loans payable	23,373	23,659
2	Lease obligations	40	42
3	Deferred tax liabilities	1,459	2,593
4	Net defined benefit liability	1,802	1,323
5	Provision for loss on business of subsidiaries and affiliates	140	123
6	Other	1,792	1,578
	Total non-current liabilities	28,608	29,320
	Total liabilities	265,758	227,806
[Net Assets]			
I	Shareholders' equity		
1	Capital stock	18,198	18,198
2	Capital surplus	10,732	10,749
3	Retained earnings	19,064	(8,165)
4	Treasury stock	(440)	(444)
	Total shareholders' equity	47,554	20,338
II	Accumulated other comprehensive income		
1	Valuation difference on available-for-sale securities	2,246	8
2	Deferred gains or losses on hedges	(2,842)	(801)
3	Foreign currency translation adjustment	4,319	4,835
4	Remeasurements of defined benefit plans	(5)	725
	Total accumulated other comprehensive income	3,718	4,767
III	Non-controlling interests	58	71
	Total net assets	51,331	25,176
	Total liabilities and net assets	317,089	252,982

Consolidated Statements of Income

		April 1, 2016 - March 31, 2017		April 1, 2017 - March 31, 2018	
		Millions of yen		Millions of yen	
I	Net sales		431,917		335,697
II	Cost of sales		415,945		348,219
	Gross profit (loss)		15,971		(12,521)
III	Selling, general and administrative expenses		17,980		20,429
	Operating loss		(2,009)		(32,951)
IV	Non-operating income				
1	Interest income	934		1,039	
2	Dividends income	535		110	
3	Foreign exchange gains	1,311		-	
4	Equity in earnings of affiliates	15		5,909	
5	Reversal of allowance for doubtful accounts	680		18	
6	Miscellaneous income	1,039	4,517	560	7,638
V	Non-operating expenses				
1	Interest expenses	375		317	
2	Foreign exchange losses	-		1,579	
3	Loss on valuation of investments in capital of subsidiaries and affiliates	274		-	
4	Foreign withholding tax	126		332	
5	Miscellaneous expenses	127	903	278	2,508
	Ordinary income (loss)		1,603		(27,821)
VI	Extraordinary income				
1	Gain on sales of property, plant and equipment	310		397	
2	Gain on sales of investment securities	1,289		2,714	
3	Gain on sales of shares of subsidiaries and affiliates	-		2,349	
4	Gain on securities contribution to retirement benefits trust	2,625	4,224	-	5,461
	Profit (loss) before income taxes		5,828		(22,359)
	Income taxes	3,384		1,931	
	Income taxes-deferred	973	4,357	2,500	4,431
	Net profit (loss)		1,471		(26,791)
	Net profit (loss) attributable to non-controlling interests		(1)		55
	Net profit (loss) attributable to owners of parent		1,472		(26,846)

Consolidated Statements of Comprehensive Income

		April 1, 2016 - March 31, 2017		April 1, 2017 - March 31, 2018	
		Millions of yen		Millions of yen	
I	Net profit (loss)		1,471		(26,791)
II	Other comprehensive income				
1	Valuation difference on available-for-sale securities	(1,616)		(2,237)	
2	Deferred gains or losses on hedges	1,928		2,049	
3	Foreign currency translation adjustment	(516)		491	
4	Remeasurements of defined benefit plans	(92)		730	
5	Share of other comprehensive income of affiliates accounted for using equity method	(107)	(405)	(1)	1,032
	Comprehensive income		1,066		(25,758)
	Comprehensive income attributable to :				
	Owners of parent		1,066		(25,797)
	Non-controlling interests		(0)		39

Consolidated Statement of Changes in Net Assets

From April 1, 2016 through March 31, 2017

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interest	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of year (Millions of yen)	18,198	17,656	11,433	(436)	46,852	3,862	(4,761)	4,936	87	4,124	58	51,036
Changes in the fiscal year												
Dividends paid to shareholders		(766)			(766)							(766)
Reversal of capital surplus		(6,157)	6,157									
Profit attributable to owners of parent			1,472		1,472							1,472
Purchase of treasury stock				(4)	(4)							(4)
Sale of treasury stock		(0)		0	0							0
Net changes of items other than shareholders' equity						(1,616)	1,919	(616)	(92)	(406)	(0)	(406)
Total changes in the fiscal year (Millions of yen)	—	(6,924)	7,630	(4)	701	(1,616)	1,919	(616)	(92)	(406)	(0)	294
Balance at end of year (Millions of yen)	18,198	10,732	19,064	(440)	47,554	2,246	(2,842)	4,319	(5)	3,718	58	51,331

From April 1, 2017 through March 31, 2018

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interest	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of year (Millions of yen)	18,198	10,732	19,064	(440)	47,554	2,246	(2,842)	4,319	(5)	3,718	58	51,331
Changes in the fiscal year												
Dividends paid to shareholders			(383)		(383)							(383)
Loss attributable to owners of parent			(26,846)		(26,846)							(26,846)
Purchase of treasury stock				(4)	(4)							(4)
Sale of treasury stock		(0)		0	0							0
Purchase of shares of consolidated subsidiaries		17			17							17
Net changes of items other than shareholders' equity						(2,237)	2,040	516	730	1,049	12	1,061
Total changes in the fiscal year (Millions of yen)	—	17	(27,230)	(3)	(27,216)	(2,237)	2,040	516	730	1,049	12	(26,154)
Balance at end of year (Millions of yen)	18,198	10,749	(8,165)	(444)	20,338	8	(801)	4,835	725	4,767	71	25,176

Consolidated Statements of Cash Flows

	April 1, 2016 - March 31, 2017	April 1, 2017 - March 31, 2018
	Millions of yen	Millions of yen
I Cash flows from operating activities		
1 Profit (loss) before income taxes	5,828	(22,359)
2 Depreciation and amortization	1,293	1,221
3 Amortization of goodwill	(9)	(9)
4 Increase (decrease) in allowance for doubtful accounts	(706)	(18)
5 Increase (decrease) in net defined benefit liability	(1,435)	(334)
6 Increase (decrease) in provision for loss on construction contracts	2,697	9,807
7 Interest and dividends income	(1,470)	(1,149)
8 Interest expenses	375	317
9 Foreign exchange losses (gains)	424	147
10 Loss (gain) on sales of property, plant and equipment	(297)	(396)
11 Equity in (earnings) losses of affiliates	(15)	(5,909)
12 Loss (gain) on sales of investment securities	(1,289)	(2,714)
13 Loss (gain) on sales of shares of subsidiaries and affiliates	-	(2,349)
14 Loss on valuation of investments in capital of subsidiaries and affiliates	274	-
15 Gain on securities contribution to retirement benefits trust	(2,625)	-
16 Decrease (increase) in notes receivable, accounts receivable from completed construction contracts	(10,381)	26,202
17 Decrease (increase) in costs on uncompleted construction contracts	4,344	17,716
18 Decrease (increase) in accounts receivable - other	6,305	(1,290)
19 Increase (decrease) in notes and accounts payable - trade	38,231	(19,511)
20 Increase (decrease) in advances received on uncompleted construction contracts	(23,933)	(24,548)
21 Other, net	1,248	(251)
Subtotal	18,860	(25,429)
22 Interest and dividends income received	4,768	5,108
23 Interest expenses paid	(359)	(319)
24 Income taxes paid	(4,285)	(2,184)
Net cash provided by (used in) operating activities	18,984	(22,824)
II Cash flows from investing activities		
1 Net decrease (increase) in time deposits	(700)	(1,241)
2 Purchase of property, plant and equipment	(555)	(504)
3 Proceeds from sales of property, plant and equipment	337	810
4 Purchase of intangible assets	(246)	(245)
5 Purchase of investment securities	(54)	(8)
6 Proceeds from sales of investment securities	1,418	2,928
7 Proceeds from sales of shares of subsidiaries and affiliates	-	3,837
8 Net decrease (increase) in short-term loans receivable	(16,234)	1,585
9 Other, net	(614)	(773)
Net cash provided by (used in) investing activities	(16,650)	6,386
III Cash flows from financing activities		
1 Net increase (decrease) in short-term loans payable	(2,000)	(1,433)
2 Proceeds from long-term loans payable	11,025	7,100
3 Repayment of long-term loans payable	(9,784)	(6,446)
4 Repayment of finance lease obligations	(18)	(7)
5 Cash dividends paid	(766)	(383)
6 Other, net	(4)	(4)
Net cash provided by (used in) financing activities	(1,548)	(1,174)
IV Effect of exchange rate change on cash and cash equivalents	(2,207)	1,445
V Net increase (decrease) in cash and cash equivalents	(1,422)	(16,167)
VI Cash and cash equivalents at beginning of period	124,125	122,703
VII Cash and cash equivalents at the end of period	122,703	106,536

Segment Information

The company's reportable operating segment has a single segment, namely EPC Business.

Consolidated New Orders, Net Sales and Backlog of Contracts

		Millions of yen					
		Backlog Beginning of period	New Orders	Total	Net Sales	Backlog the End of period	
Apr. 1, 2016 - Mar. 31, 2017	Overseas	Petrochemicals	492,204	5,943	498,147	244,590	249,368
		Oil & Gas	20,298	20,887	41,186	34,055	5,321
		Power/Railways etc.	86,698	61,847	148,545	54,327	93,537
		Chemicals/Fertilizers	105,091	2,927	108,019	22,277	79,174
		Pharmaceutical/Environmental/Industrial Facilities	110	1,602	1,712	767	938
		Others	7,005	1,429	8,434	4,866	3,066
		Subtotal	711,409	94,636	806,046	360,884	431,406
	Domestic	Petrochemicals	2,503	809	3,312	3,248	63
		Oil & Gas	1,265	6,366	7,632	6,167	1,464
		Power/Railways etc.	103,917	1,446	105,363	48,848	55,015
		Pharmaceutical/Environmental/Industrial Facilities	1,595	5,136	6,731	3,489	3,241
		Others	2,375	8,394	10,770	9,278	1,491
			Subtotal	111,657	22,153	133,810	71,032
		Grand total	*(9,392)				*(14,145)
		823,066	116,790	939,856	431,917	492,682	
Apr. 1, 2017 - Mar. 31, 2018	Overseas	Petrochemicals	249,368	43,524	292,892	139,777	141,082
		Oil & Gas	5,321	25,917	31,238	8,504	20,858
		Power/Railways etc.	93,537	23,490	117,027	63,712	53,339
		Chemicals/Fertilizers	79,174	134,930	214,104	50,257	161,608
		Pharmaceutical/Environmental/Industrial Facilities	938	9,474	10,412	3,300	6,872
		Others	3,066	567	3,634	1,603	778
		Subtotal	431,406	237,904	669,310	267,155	384,540
	Domestic	Petrochemicals	63	6,714	6,777	392	6,328
		Oil & Gas	1,464	4,801	6,266	3,629	3,286
		Power/Railways etc.	55,015	49,617	104,632	52,736	51,865
		Pharmaceutical/Environmental/Industrial Facilities	3,241	4,448	7,689	5,923	2,581
		Others	1,491	5,840	7,331	5,860	27
			Subtotal	61,276	71,421	132,697	68,542
		Grand total	*(14,145)				*(6,946)
		492,682	309,325	802,008	335,697	448,629	

Notes : 1. The classification of the segment within the EPC business was restructured with effect from this fiscal year.

Therefore New Orders, Net Sales and Backlog of Contracts in this fiscal year and corresponding period of last year are disclosed under the new classification.

2. Amounts are rounded down to the nearest million yen and exclude Consumption Tax of Japan.

3. Net sales include corresponding amounts of the effects of changes in exchange rates upon the orders in currencies other than Japanese Yen. The included amounts are (12,187) million yen for Apr. 1, 2016 - Mar. 31, 2017 and (9,970) million yen for Apr. 1, 2017 - Mar. 31, 2018.

4. Adjustment of orders awarded in prior years are included in the "Backlog, the End of period".

The amounts are (3,068) million yen for Apr. 1, 2016 - Mar. 31, 2017 and (7,711) million yen for Apr. 1, 2017 - Mar. 31, 2018.

5. Asterisks (*) represent increase (decrease) due to changes in exchange rates.