

The document is an English-language translation of the consolidated financial summary of the financial results for the second quarter ended September 30, 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 Second Quarter ended September 30, 2018

For the Fiscal Year Ending March 31, 2019

November 8, 2018

TOYO ENGINEERING CORPORATION

(URL : <https://www.toyo-eng.com/>)

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1. Business results for the second quarter of fiscal year 2018 (April 1, 2018 - September 30, 2018)

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

(1) Consolidated operating results (% of changes from the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Apr. 1, 2018 - Sep. 30, 2018	147,841	(18.3)	814	(59.2)	3,091	14.7	1,619	38.9
Apr. 1, 2017 - Sep. 30, 2017	180,988	(11.8)	1,994	(62.5)	2,694	(60.5)	1,165	(51.6)

(Reference) Comprehensive income (millions of yen):

Apr. 1, 2018 - Sep. 30, 2018 : (27) -% Apr. 1, 2017 - Sep. 30, 2017: 3,796 172.5%

	Net income per share	Net income per share (diluted)
	Yen	Yen
Apr. 1, 2018 - Sep. 30, 2018	42.24	—
Apr. 1, 2017 - Sep. 30, 2017	30.41	—

(Note)

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

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2018	233,018	25,149	10.8
As of Mar. 31, 2018	251,861	25,176	10.0

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

Sep. 30, 2018: 25,065 Mar. 31, 2018 : 25,105

(Note)

The company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (The Accounting Standards Board of Japan ("ASBJ") Statement No. 28, February 16, 2018), etc. from the beginning of the fiscal year ending March 31, 2019. The figures as of March 31, 2018 is based on retrospective application.

2. Dividends

	Cash dividends per share									
	Q1		Q2		Q3		Q4		Annual	
FY2017	—	Yen	0.00	Yen	—	Yen	0.00	Yen	0.00	Yen
FY2018	—	Yen	0.00	Yen						
FY2018 (Forecast)					—	Yen	0.00	Yen	0.00	Yen

(Note) Revision of forecast for this period: No

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

(Note) Revision of forecast for this period: No

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)

Sep. 30, 2018 : 38,558,507

Mar. 31, 2018 : 38,558,507

Number of treasury stocks at end of period

Sep. 30, 2018 : 224,027

Mar. 31, 2018 : 223,648

Average number of stock outstanding during the period: Second quarter of FY2018 and FY2017

Second quarter of FY2018 : 38,334,707

Second quarter of FY2017 : 38,337,463

(Note)

The company conducted a one-for-five reverse stock split of common shares effective October 1, 2017. The figures for "Number of shares issued at end of period", "Number of treasury stocks at end of period", and "Average number of stock outstanding during the period" have been calculated on the assumption that the reverse stock split had been conducted at the beginning of the 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, 2018	September 30, 2018
		Millions of yen	
[Assets]			
I	Current assets		
1	Cash and deposits	111,068	87,646
2	Notes receivables, accounts receivable from completed construction contracts	62,057	72,808
3	Short-term investments in securities	1,049	972
4	Costs on uncompleted construction contracts	31,798	29,733
5	Accounts receivable - other	7,850	5,454
6	Other	8,498	6,253
7	Allowance for doubtful accounts	(970)	(682)
	Total current assets	221,352	202,186
II	Non-current assets		
(1)	Property, plant and equipment		
1	Buildings and structures	16,013	15,926
2	Machinery, vehicles, tools, furniture and fixtures	5,296	5,117
3	Land	6,601	6,572
4	Leased assets	45	45
5	Construction in progress	4	—
6	Accumulated depreciation and impairment loss	(15,980)	(15,959)
	Total property, plant and equipment	11,980	11,701
(2)	Intangible assets		
1	Goodwill	1	0
2	Other	956	1,094
	Total intangible assets	958	1,095
(3)	Investments and other assets		
1	Investments in securities	10,335	10,827
2	Long-term loans receivable	4,572	4,571
3	Net defined benefit asset	886	771
4	Deferred income taxes	1,305	1,425
5	Other	5,029	5,018
6	Allowance for doubtful accounts	(4,560)	(4,578)
	Total investments and other assets	17,569	18,035
	Total non-current assets	30,508	30,832
	Total assets	251,861	233,018
[Liabilities]			
I	Current liabilities		
1	Notes payable, accounts payable for construction contracts and other	104,715	91,466
2	Short-term loans payable	7,125	9,925
3	Income taxes payable	624	650
4	Advances received on uncompleted construction contracts	62,492	58,340
5	Provision for bonuses	407	468
6	Provision for warranties for completed construction	52	130
7	Provision for loss on construction contracts	13,889	5,931
8	Forward exchange contracts	1,808	1,578
9	Other	7,285	11,619
	Total current liabilities	198,402	180,112
II	Non-current liabilities		
1	Long-term loans payable	23,659	22,721
2	Lease obligations	42	36
3	Deferred income taxes	1,555	1,843
4	Net defined benefit liability	1,323	1,259
5	Provision for loss on business of subsidiaries and affiliates	123	143
6	Other	1,578	1,752
	Total non-current liabilities	28,282	27,757
	Total liabilities	226,684	207,869
[Net Assets]			
I	Shareholders' equity		
1	Capital stock	18,198	18,198
2	Capital surplus	10,749	10,749
3	Retained deficit	(8,165)	(6,546)
4	Treasury stock, at cost	(444)	(444)
	Total shareholders' equity	20,338	21,957
II	Accumulated other comprehensive income		
1	Valuation difference on available-for-sale securities	8	40
2	Deferred losses on hedges	(801)	(605)
3	Foreign currency translation adjustments	4,835	3,038
4	Remeasurements of defined benefit plans	725	633
	Total accumulated other comprehensive income	4,767	3,108
III	Non-controlling interests	71	83
	Total net assets	25,176	25,149
	Total liabilities and net assets	251,861	233,018

Consolidated Statements of Income

		April 1, 2017 - September 30, 2017		April 1, 2018 - September 30, 2018	
		Millions of yen		Millions of yen	
I	Net sales		180,988		147,841
II	Cost of sales		168,788		139,457
	Gross profit		12,199		8,383
III	Selling, general and administrative expenses		10,204		7,569
	Operating income		1,994		814
IV	Non-operating income				
	1 Interest income	481		688	
	2 Dividends income	84		46	
	3 Equity in earnings of affiliates	97		1,700	
	4 Reversal of allowance for doubtful accounts	270		269	
	5 Miscellaneous income	301	1,235	141	2,847
V	Non-operating expenses				
	1 Interest expenses	167		188	
	2 Foreign exchange losses, net	268		127	
	3 Miscellaneous expenses	99	535	253	570
	Ordinary income		2,694		3,091
VI	Extraordinary income				
	1 Gain on sales of property, plant and equipment	394	394	—	—
	Profit before income taxes		3,089		3,091
	Income taxes		1,867		1,455
	Net profit		1,222		1,635
	Net profit attributable to non-controlling interests		56		16
	Net profit attributable to owners of parent		1,165		1,619

Consolidated Statements of Comprehensive Income

		April 1, 2017 - September 30, 2017		April 1, 2018 - September 30, 2018	
		Millions of yen		Millions of yen	
I	Net profit		1,222		1,635
II	Other comprehensive income				
1	Valuation difference on available-for-sale securities	47		32	
2	Deferred gains on hedges	2,699		196	
3	Foreign currency translation adjustments	(185)		(1,446)	
4	Remeasurements of defined benefit plans	(9)		(91)	
5	Share of other comprehensive income (loss) of affiliates accounted for by the equity method	22	2,574	(353)	(1,662)
	Comprehensive income (loss)		3,796		(27)
	Comprehensive income (loss) attributable to :				
	Owners of parent		3,756		(39)
	Non-controlling interests		40		12

Consolidated Statements of Cash Flows

	April 1, 2017 - September 30, 2017	April 1, 2018 - September 30, 2018
	Millions of yen	Millions of yen
I Cash flows from operating activities		
1 Profit before income taxes	3,089	3,091
2 Depreciation and amortization	597	586
3 Amortization of goodwill	(4)	(4)
4 Decrease in allowance for doubtful accounts	(270)	(269)
5 Increase (decrease) in net defined benefit liability	161	(78)
6 Increase (decrease) in provision for loss on construction contracts	218	(7,952)
7 Interest and dividends income	(565)	(735)
8 Interest expenses	167	188
9 Foreign exchange gains	(173)	(239)
10 Gain on sales of property, plant and equipment	(393)	(2)
11 Equity in earnings of affiliates	(97)	(1,700)
12 Increase in notes receivable, accounts receivable from completed construction contracts	(13,514)	(11,696)
13 Decrease in costs on uncompleted construction contracts	3,526	1,870
14 (Increase) decrease in accounts receivable - other	(2,381)	1,855
15 Decrease in notes and accounts payable - trade	(2,908)	(12,297)
16 Decrease in advances received on uncompleted construction contracts	(11,199)	(3,636)
17 Other, net	(1,587)	7,258
Subtotal	(25,336)	(23,762)
18 Interest and dividends income received	718	1,216
19 Interest expenses paid	(225)	(184)
20 Income taxes paid	(272)	(800)
Net cash used in operating activities	(25,116)	(23,530)
II Cash flows from investing activities		
1 Net (increase) decrease in time deposits	(896)	2,144
2 Purchase of property, plant and equipment	(183)	(132)
3 Proceeds from sales of property, plant and equipment	795	15
4 Purchase of intangible assets	(167)	(164)
5 Proceeds from sales of investments in securities	—	0
6 Net decrease (increase) in short-term loans receivable	1,212	(1)
7 Other, net	(249)	(128)
Net cash provided by investing activities	510	1,702
III Cash flows from financing activities		
1 Net (decrease) increase in short-term loans payable	(1,700)	3,006
2 Proceeds from long-term loans payable	3,000	—
3 Repayment of long-term loans payable	(961)	(1,365)
4 Repayments of finance lease obligations	(4)	(3)
5 Cash dividends paid	(383)	—
6 Other, net	(1)	(0)
Net cash (used in) provided by financing activities	(51)	1,637
IV Effect of exchange rate change on cash and cash equivalents	72	(937)
V Net decrease in cash and cash equivalents	(24,584)	(21,128)
VI Cash and cash equivalents at beginning of period	122,703	106,536
VII Cash and cash equivalents at end of period	98,119	85,407

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 End of period	
Apr. 1, 2017 - Sep. 30, 2017	Overseas	Petrochemicals	249,368	36,136	285,504	84,833	189,414
		Oil & Gas	5,321	24,014	29,335	3,596	24,173
		Power/Railways etc.	93,537	21,924	115,462	31,041	84,757
		Chemicals/Fertilizers	79,174	1,087	80,262	18,593	60,730
		Pharmaceutical/Environmental/Industrial Facilities	938	5,066	6,004	201	5,628
		Others	3,066	159	3,226	853	1,199
		Subtotal	431,406	88,388	519,795	139,120	365,904
	Domestic	Petrochemicals	63	284	347	9	281
		Oil & Gas	1,464	921	2,386	2,784	252
		Power/Railways etc.	55,015	14,459	69,474	34,572	34,859
		Pharmaceutical/Environmental/Industrial Facilities	3,241	1,301	4,542	1,776	3,581
		Others	1,491	2,715	4,207	2,724	42
			Subtotal	61,276	19,682	80,958	41,867
			*(14,145)				*(10,024)
	Grand total	492,682	108,070	600,754	180,988	404,921	
Apr. 1, 2018 - Sep. 30, 2018	Overseas	Petrochemicals	141,082	38,013	179,096	75,379	97,846
		Oil & Gas	20,858	2,260	23,118	6,803	16,202
		Power/Railways etc.	53,339	872	54,212	24,658	29,254
		Chemicals/Fertilizers	161,608	3,067	164,675	16,972	134,165
		Pharmaceutical/Environmental/Industrial Facilities	6,872	604	7,477	2,192	5,086
		Others	778	222	1,000	468	503
		Subtotal	384,540	45,041	429,582	126,474	283,058
	Domestic	Petrochemicals	6,328	7,645	13,974	831	13,105
		Oil & Gas	3,286	1,232	4,519	3,829	689
		Power/Railways etc.	51,865	38,460	90,325	12,415	77,914
		Pharmaceutical/Environmental/Industrial Facilities	2,581	4,904	7,485	1,207	6,275
		Others	27	3,142	3,170	3,082	87
			Subtotal	64,089	55,385	119,474	21,366
			*(6,946)				*(4,943)
	Grand total	448,629	100,426	549,056	147,841	381,130	

Notes : 1. Amounts are rounded down to the nearest million yen and exclude Consumption Tax of Japan.

2. 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 (7,209) million yen for Apr. 1, 2017 - Sep. 30, 2017 and (5,869) million yen for Apr. 1, 2018 - Sep. 30, 2018.

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

The amounts are (7,635) million yen for Apr. 1, 2017 - Sep. 30, 2017 and (14,215) million yen for Apr. 1, 2018 - Sep. 30, 2018.

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