

The document is an English-language translation of the consolidated financial summary of the financial results for the third quarter ended December 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 Third Quarter ended December 31, 2018

For the Fiscal Year Ending March 31, 2019

February 8, 2019

TOYO ENGINEERING CORPORATION

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

Representative: Haruo Nagamatsu, President and Chief Executive Officer,

Contact: Takeshi Yamato, General Manager of Accounting Dept.

TEL +81-47-454-1521

1. Business results for the third quarter of fiscal year 2018 (April 1, 2018 - December 31, 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 - Dec. 31, 2018	224,054	(14.9)	573	—	3,789	—	1,453	—
Apr. 1, 2017 - Dec. 31, 2017	263,359	(13.4)	(23,063)	—	(20,993)	—	(23,728)	—

(Reference) Comprehensive income (millions of yen):

Apr. 1, 2018 - Dec. 31, 2018 : (501) —%

Apr. 1, 2017 - Dec. 31, 2017: (20,875) —%

	Net income per share	Net income per share (diluted)
	Yen	Yen
Apr. 1, 2018 - Dec. 31, 2018	37.91	—
Apr. 1, 2017 - Dec. 31, 2017	(618.94)	—

(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 Dec. 31, 2018	222,925	24,674	11.0
As of Mar. 31, 2018	251,861	25,176	10.0

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

Dec. 31, 2018: 24,582

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	—	Yen				
FY2018 (Forecast)							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)

Dec. 31, 2018 : 38,558,507

Mar. 31, 2018 : 38,558,507

Number of treasury stocks at end of period

Dec. 31, 2018 : 224,248

Mar. 31, 2018 : 223,648

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

Third quarter of FY2018 : 38,334,604

Third quarter of FY2017 : 38,336,899

(Note)

The company conducted a one-for-five reverse stock split of common shares effective October 1, 2017. The figures for "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		December 31, 2018	
	Millions of yen		Millions of yen	
[Assets]				
I Current assets				
1 Cash and deposits		111,068		86,195
2 Notes receivables, accounts receivable from completed construction contracts		62,057		70,630
3 Short-term investments in securities		1,049		311
4 Costs on uncompleted construction contracts		31,798		25,437
5 Accounts receivable - other		7,850		7,510
6 Other		8,498		6,907
7 Allowance for doubtful accounts		(970)		(695)
Total current assets		221,352		196,297
II Non-current assets				
(1) Property, plant and equipment				
1 Buildings and structures		16,013		15,983
2 Machinery, vehicles, tools, furniture and fixtures		5,296		5,305
3 Land		6,601		6,604
4 Leased assets		45		45
5 Construction in progress		4		24
6 Accumulated depreciation and impairment loss		(15,980)		(16,185)
Total property, plant and equipment		11,980		11,777
(2) Intangible assets				
1 Goodwill		1		0
2 Other		956		1,027
Total intangible assets		958		1,028
(3) Investments and other assets				
1 Investments in securities		10,335		6,241
2 Long-term loans receivable		4,572		4,571
3 Net defined benefit asset		886		800
4 Deferred income taxes		1,305		1,357
5 Other		5,029		5,428
6 Allowance for doubtful accounts		(4,560)		(4,577)
Total investments and other assets		17,569		13,822
Total non-current assets		30,508		26,628
Total assets		251,861		222,925
[Liabilities]				
I Current liabilities				
1 Notes payable, accounts payable for construction contracts and other		104,715		88,485
2 Short-term loans payable		7,125		10,201
3 Income taxes payable		624		632
4 Advances received on uncompleted construction contracts		62,492		59,450
5 Provision for bonuses		407		303
6 Provision for warranties for completed construction		52		208
7 Provision for loss on construction contracts		13,889		3,646
8 Forward exchange contracts		1,808		1,232
9 Other		7,285		6,435
Total current liabilities		198,402		170,596
II Non-current liabilities				
1 Long-term loans payable		23,659		22,484
2 Lease obligations		42		32
3 Deferred income taxes		1,555		1,952
4 Net defined benefit liability		1,323		1,289
5 Provision for loss on business of subsidiaries and affiliates		123		141
6 Other		1,578		1,754
Total non-current liabilities		28,282		27,654
Total liabilities		226,684		198,251
[Net Assets]				
I Shareholders' equity				
1 Capital stock		18,198		18,198
2 Capital surplus		10,749		10,749
3 Retained deficit		(8,165)		(6,712)
4 Treasury stock, at cost		(444)		(445)
Total shareholders' equity		20,338		21,791
II Accumulated other comprehensive income				
1 Valuation difference on available-for-sale securities		8		(153)
2 Deferred losses on hedges		(801)		(1,129)
3 Foreign currency translation adjustments		4,835		3,486
4 Remeasurements of defined benefit plans		725		587
Total accumulated other comprehensive income		4,767		2,791
III Non-controlling interests		71		92
Total net assets		25,176		24,674
Total liabilities and net assets		251,861		222,925

Consolidated Statements of Operations

		April 1, 2017 - December 31, 2017		April 1, 2018 - December 31, 2018	
		Millions of yen		Millions of yen	
I	Net sales		263,359		224,054
II	Cost of sales		270,853		211,740
	Gross (loss) profit		(7,493)		12,313
III	Selling, general and administrative expenses		15,569		11,739
	Operating (loss) income		(23,063)		573
IV	Non-operating income				
1	Interest income	731		1,043	
2	Dividends income	110		65	
3	Equity in earnings of affiliates	1,769		2,577	
4	Reversal of allowance for doubtful accounts	94		252	
5	Miscellaneous income	387	3,093	242	4,180
V	Non-operating expenses				
1	Interest expenses	230		272	
2	Foreign exchange losses, net	602		277	
3	Miscellaneous expenses	189	1,022	415	965
	Ordinary (loss) income		(20,993)		3,789
VI	Extraordinary income				
1	Gain on sales of property, plant and equipment	396	396	—	—
	(Loss) profit before income taxes		(20,596)		3,789
	Income taxes		3,084		2,311
	Net (loss) profit		(23,680)		1,477
	Net profit attributable to non-controlling interests		47		23
	Net (loss) profit attributable to owners of parent		(23,728)		1,453

Consolidated Statements of Comprehensive Income

		April 1, 2017 - December 31, 2017		April 1, 2018 - December 31, 2018	
		Millions of yen		Millions of yen	
I	Net (loss) profit		(23,680)		1,477
II	Other comprehensive income				
1	Valuation difference on available-for-sale securities	290		(161)	
2	Deferred gains (losses) on hedges	2,406		(327)	
3	Foreign currency translation adjustments	126		(861)	
4	Remeasurements of defined benefit plans	(22)		(137)	
5	Share of other comprehensive income (loss) of affiliates accounted for by the equity method	4	2,804	(490)	(1,978)
	Comprehensive loss		(20,875)		(501)
	Comprehensive loss attributable to :				
	Owners of parent		(20,910)		(522)
	Non-controlling interests		34		21

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 - Dec. 31, 2017	Overseas	Petrochemicals	249,368	41,587	290,955	114,578	164,660
		Oil & Gas	5,321	25,025	30,347	6,136	22,509
		Power/Railways etc.	93,537	23,093	116,631	46,039	71,193
		Chemicals/Fertilizers	79,174	6,194	85,368	40,392	44,761
		Pharmaceutical/Environmental/Industrial Facilities	938	9,789	10,727	840	9,886
		Others	3,066	481	3,548	1,199	1,184
		Subtotal	431,406	106,171	537,578	209,186	314,195
	Domestic	Petrochemicals	63	5,608	5,672	144	5,471
		Oil & Gas	1,464	1,323	2,788	2,854	584
		Power/Railways etc.	55,015	23,866	78,881	43,651	35,187
		Pharmaceutical/Environmental/Industrial Facilities	3,241	2,633	5,875	3,282	3,407
		Others	1,491	4,229	5,720	4,240	38
			Subtotal	61,276	37,661	98,937	54,173
			*(14,145)				*(6,542)
	Grand total	492,682	143,833	636,516	263,359	358,885	
Apr. 1, 2018 - Dec. 31, 2018	Overseas	Petrochemicals	141,082	108,068	249,151	114,242	128,483
		Oil & Gas	20,858	3,559	24,417	10,861	13,524
		Power/Railways etc.	53,339	888	54,227	33,920	19,535
		Chemicals/Fertilizers	161,608	5,755	167,364	27,539	125,912
		Pharmaceutical/Environmental/Industrial Facilities	6,872	727	7,600	3,922	3,439
		Others	778	572	1,350	947	356
		Subtotal	384,540	119,572	504,112	191,433	291,253
	Domestic	Petrochemicals	6,328	7,957	14,285	1,838	12,440
		Oil & Gas	3,286	5,302	8,588	4,052	4,536
		Power/Railways etc.	51,865	62,716	114,581	19,665	94,921
		Pharmaceutical/Environmental/Industrial Facilities	2,581	5,188	7,769	2,341	5,428
		Others	27	4,777	4,805	4,723	81
			Subtotal	64,089	85,942	150,031	32,621
			*(6,946)				*(1,616)
	Grand total	448,629	205,514	654,143	224,054	408,662	

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 (7,174) million yen for Apr. 1, 2017 - Dec. 31, 2017 and (6,190) million yen for Apr. 1, 2018 - Dec. 31, 2018.

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

The amounts are (7,097) million yen for Apr. 1, 2017 - Dec. 31, 2017 and (15,236) million yen for Apr. 1, 2018 - Dec. 31, 2018.

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