

Consolidated Financial Statements [Summary]

For the Six-Month Period Ended September 30, 2003

November 19, 2003



(URL <http://www.toyo-eng.co.jp/>)

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The following statements are an English-language translation from the original Japanese language document.

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

1. Business results for the six-month period ended September 30, 2003

(1) Consolidated financial results

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

	Net sales		Operating income (loss)		Ordinary income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Apr. 1 - Sep. 30, 2003	95,811	14.8	(1,133)	-	(1,302)	-
Apr. 1 - Sep. 30, 2002	83,491	(11.7)	2,233	10.4	(195)	-
Apr. 1, 2002 - Mar. 31, 2003	179,167		5,423		2,575	

	Net income (loss)		Net income (loss) per share		Net income (loss) per share, diluted	
	Millions of yen	%	Yen		Yen	
Apr. 1 - Sep. 30, 2003	(2,001)	-	(11.40)		-	
Apr. 1 - Sep. 30, 2002	(1,543)	-	(8.79)		-	
Apr. 1, 2002 - Mar. 31, 2003	(923)		(5.27)		-	

Notes:

① Equity in earnings of affiliates (millions of yen):

Apr.-Sep., 2003 : 65 / Apr.-Sep., 2002 : 5 / Apr., 2002-Mar., 2003 : 32

② Average number of outstanding shares (consolidated):

Apr.-Sep., 2003 : 175,509,787 / Apr.-Sep., 2002 : 175,661,178 / Apr., 2002-Mar., 2003 : 175,612,240

③ Percentages for net sales, operating income (loss), ordinary income (loss) and net income (loss) indicate changes from those of the first half of the previous year.

(2) Consolidated financial position

	Total assets		Shareholders' equity		Equity ratio		Book value per share	
	Millions of yen		Millions of yen		%		Yen	
Sep. 30, 2003	206,293		28,951		14.0		164.97	
Sep. 30, 2002	186,576		29,155		15.6		166.00	
Mar. 31, 2003	199,493		29,694		14.9		169.16	

Notes: Number of outstanding shares at end of term (consolidated):

Sep. 30, 2003: 175,499,184 / Sep. 30, 2002: 175,639,702 / Mar. 31, 2003: 175,518,561

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities		Net cash provided by (used in) investing activities		Net cash provided by (used in) financing activities		Cash and cash equivalents at end of the term	
	Millions of yen		Millions of yen		Millions of yen		Millions of yen	
Apr. 1 - Sep. 30, 2003	10,124		(1,055)		(5,710)		45,763	
Apr. 1 - Sep. 30, 2002	(4,118)		(38)		(4,445)		35,398	
Apr. 1, 2002 - Mar. 31, 2003	8,819		(258)		(10,076)		42,530	

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 13 companies

Non-consolidated subsidiaries accounted for by the equity method: none

Affiliated companies accounted for by the equity method: 1 company

(5) Changes in scope of consolidation and application of the equity method

Consolidated subsidiaries: Increase: 1 Decrease: none

Equity-method companies: Increase: none Decrease: none

2. Forecast for fiscal 2003 (April 1, 2003-March 31, 2004)

	Net sales		Ordinary income		Net income	
	Millions of yen		Millions of yen		Millions of yen	
Apr., 2003-Mar., 2004	190,000		2,500		0	

Reference: Estimated earnings per share (fiscal 2003) ¥0.00

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

Consolidated Balance Sheets

	September 30, 2002		September 30, 2003		March 31, 2003	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
【ASSETS】						
I Current assets						
1. Cash and deposits	35,628		46,613		42,772	
2. Notes and accounts receivable	58,881		49,520		51,995	
3. Marketable securities	501		0		1	
4. Contract work in progress	25,944		48,133		41,876	
5. Other current assets	12,550		9,929		11,398	
6. Less: Allowance for doubtful receivables	(856)		(1,127)		(1,280)	
Total current assets	132,649	71.1	153,069	74.2	146,764	73.6
II Fixed assets						
1. Property, plant and equipment, at cost						
(1) Buildings and structures	25,827		25,714		25,741	
(2) Land	18,650		18,650		18,650	
(3) Other property, plant and equipment	4,617		4,572		4,601	
(4) Less: Accumulated depreciation	(14,886)		(15,534)		(15,178)	
2. Intangible assets	1,114		1,389		1,216	
3. Investments and other assets						
(1) Investment securities	8,997		9,523		7,751	
(2) Other investments and assets	13,928		13,002		14,262	
(3) Less: Allowance for doubtful receivables	(4,323)		(4,092)		(4,315)	
Total fixed assets	53,926	28.9	53,224	25.8	52,729	26.4
Total assets	186,576	100.0	206,293	100.0	199,493	100.0
【LIABILITIES】						
I Current liabilities						
1. Notes and accounts payable	31,476		37,126		33,227	
2. Short-term bank loans	45,783		32,996		40,274	
3. Advance receipts on uncompleted contracts	24,178		44,366		38,854	
4. Provisions	933		1,396		1,040	
5. Other current liabilities	6,684		11,040		7,521	
Total current liabilities	109,057	58.4	126,926	61.5	120,918	60.6
II Long-term liabilities						
1. Long-term debt	41,956		43,303		41,839	
2. Reserve for retirement benefits	1,505		2,212		2,022	
3. Reserve for directors' retirement allowances	277		309		290	
4. Reserve for repairs of real properties for rent	—		69		53	
5. Other long-term liabilities	2,638		2,673		2,562	
Total long-term liabilities	46,376	24.9	48,569	23.6	46,768	23.4
Total liabilities	155,434	83.3	175,495	85.1	167,687	84.0
【MINORITY INTERESTS】						
Minority interests	1,985	1.1	1,846	0.9	2,112	1.1
【SHAREHOLDERS' EQUITY】						
I Common stock	13,017	7.0	13,017	6.3	13,017	6.6
II Additional paid-in capital	15,592	8.3	15,592	7.5	15,592	7.8
III Retained earnings	1,595	0.8	211	0.1	2,216	1.1
IV Net unrealized gain (loss) on securities	(447)	(0.2)	739	0.4	(541)	(0.3)
V Foreign currency translation adjustments	(592)	(0.3)	(580)	(0.3)	(565)	(0.3)
VI Treasury stock	(9)	(0.0)	(30)	(0.0)	(24)	(0.0)
Total shareholders' equity	29,155	15.6	28,951	14.0	29,694	14.9
Total liabilities, minority interests and shareholders' equity	186,576	100.0	206,293	100.0	199,493	100.0

Consolidated Statements of Income

	Apr.-Sep., 2002		Apr.-Sep., 2003		Apr., 2002-Mar., 2003	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
I Net sales	83,491	100.0	95,811	100.0	179,167	100.0
II Cost of sales	75,283	90.2	91,428	95.4	161,877	90.3
Gross profit	8,207	9.8	4,383	4.6	17,290	9.7
III Selling, general and administrative expenses	5,974	7.1	5,517	5.8	11,866	6.6
Operating income	2,233	2.7	—	—	5,423	3.1
Operating loss	—	—	1,133	1.2	—	—
IV Non-operating income						
1. Interest and dividends income	811		601		2,156	
2. Equity in earnings of affiliates	5		65		32	
3. Other non-operating income	539		273		80	
Total non-operating income	1,356	1.6	939	1.0	2,268	1.2
V Non-operating expenses						
1. Interest expense	1,120		889		2,149	
2. Other non-operating expenses	2,664		218		2,966	
Total non-operating expenses	3,785	4.5	1,108	1.2	5,116	2.9
Ordinary income	—	—	—	—	2,575	1.4
Ordinary loss	195	0.2	1,302	1.4	—	—
VI Extraordinary gain						
1. Reversal of allowance for doubtful receivables in prior period	—		—		314	
Total extraordinary gain	—	—	—	—	314	0.2
VII Extraordinary loss						
1. Loss on prior period adjustment	412		66		754	
2. Valuation loss on investment securities	108		288		1,302	
3. Other extraordinary loss	56		—		176	
Total extraordinary loss	577	0.7	354	0.3	2,233	1.2
Income before income taxes and minority interests	—	—	—	—	656	0.4
Loss before income taxes and minority interests	772	0.9	1,657	1.7	—	—
Income taxes (current)	423	0.5	435	0.5	1,281	0.7
Income taxes (deferred)	176	0.2	(133)	(0.1)	(47)	(0.0)
Minority interests	171	0.2	43	0.0	345	0.2
Net loss	1,543	1.8	2,001	2.1	923	0.5

Consolidated Statements of Cash Flows

	Apr.-Sep., 2002	Apr.-Sep., 2003	Apr., 2002 – Mar., 2003
	Millions of yen	Millions of yen	Millions of yen
I Cash flows from operating activities			
Income (loss) before income taxes and minority interests	(772)	(1,657)	656
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	656	650	1,346
Reversal of allowance for doubtful receivables	(2,096)	(376)	(1,679)
Increase in retirement benefits	701	192	1,218
Allowance for anticipated loss on contract work	27	295	27
Interest and dividends income	(811)	(601)	(2,156)
Interest expense	1,120	889	2,149
Foreign exchange (gain) loss	(251)	26	(235)
Equity in earnings of affiliated companies	(5)	(65)	(32)
(Gain) loss on sales of marketable and investment securities, net	2	(70)	0
Loss on of marketable and investment securities	—	288	1,302
Loss on disposal/sales of property, plant and equipment, net	4	7	97
(Increase) decrease in notes and accounts receivable	(3,064)	2,780	3,971
(Increase) decrease in contract work in progress	5,681	(6,110)	(10,107)
Increase (decrease) in notes and accounts payable	4,454	3,751	6,076
Increase (decrease) in advance receipts on uncompleted contracts	(9,347)	5,105	5,107
Other, net	389	6,114	608
Subtotal	(3,311)	11,221	8,353
Interest and dividends received	969	710	3,559
Interest paid	(1,157)	(911)	(2,210)
Income taxes paid	(618)	(895)	(882)
Net cash provided by (used in) operating activities	(4,118)	10,124	8,819
II Cash flows from investing activities			
Proceeds from sales and maturity of marketable securities	—	—	500
Purchases of property, plant and equipment	(107)	(80)	(282)
Proceeds from sales of property, plant and equipment	4	4	57
Purchases of intangible fixed assets	—	(384)	(460)
Purchases of securities and investment securities	—	(251)	(107)
Proceeds from sales of securities and investment securities	14	284	15
Other, net	50	(628)	18
Net cash provided by (used in) investing activities	(38)	(1,055)	(258)
III Cash flows from financing activities			
Increase (decrease) in short-term bank loans, net	(890)	(7,801)	(6,247)
Proceeds from long-term debt	3,920	9,800	11,470
Repayment of long-term debt	(7,534)	(7,546)	(15,241)
Other, net	59	(162)	(57)
Net cash provided by (used in) financing activities	(4,445)	(5,710)	(10,076)
IV Effect of exchange rate changes on cash and cash equivalents	(176)	(124)	(132)
V Net increase (decrease) in cash and cash equivalents	(8,779)	3,232	(1,647)
VI Cash and cash equivalents: beginning of the term	43,476	42,530	43,476
VII Increase in cash and cash equivalents addition to consolidation	701	—	701
VIII Cash and cash equivalents at end of the term	35,398	45,763	42,530

Segment Information

(1) Business Segments

First Six-Month Period, Previous Fiscal Year (April 1–September 30, 2002)

	Millions of Yen				
	EPC Business	Real Estate	Total	Eliminations (corporate)	Consolidated
Net sales					
(1) Net sales to outside customers	82,247	1,244	83,491	—	83,491
(2) Inter-segment net sales	0	121	122	(122)	—
Total	82,248	1,366	83,614	(122)	83,491
Operating Expenses	80,628	754	81,383	(124)	81,258
Operating Income	1,619	611	2,230	2	2,233

Notes:

- The classification of the business segments adopted is based on the Company segmentation which is determined by the similarity of each business.
- The Companies' reportable operating segments consist of the following two business groups:
EPC Business – Engineering, procurement and construction for chemical fertilizer and petrochemical plants, energy-related business, general manufacturing facilities and information technology.
Real Estate – Rent and administration of real estate
- Certain administrative department expenses of the Company and consolidated subsidiaries, which were included in "Eliminations (corporate)" in prior years, are allocated to the corresponding business segments from the six-month period ended September 30, 2002, as a result of reviewing the correlation between the nature of such expenses and business segments.
This change had the effects of decreasing the operating profit for the EPC Business segment by ¥1,469 million and for the Real Estate business segment by ¥0 million.

Latest Six-Month Period (April 1–September 30, 2003)

	Millions of Yen				
	EPC Business	Real Estate	Total	Eliminations (corporate)	Consolidated
Net sales					
(1) Net sales to outside customers	94,600	1,210	95,811	—	95,811
(2) Inter-segment net sales	1	127	129	(129)	—
Total	94,602	1,338	95,940	(129)	95,811
Operating Expenses	96,388	716	97,105	(159)	96,945
Operating Income (Loss)	(1,786)	621	(1,164)	30	(1,133)

Notes:

- The classification of the business segments adopted is based on the Company segmentation which is determined by the similarity of each business.
- The Companies' reportable operating segments consist of the following two business groups:
EPC Business – Engineering, procurement and construction for chemical fertilizer and petrochemical plants, energy-related business, general manufacturing facilities and information technology.
Real Estate – Rent and administration of real estate

Previous Fiscal Year (April 1, 2002–March 31, 2003)

	Millions of Yen				
	EPC Business	Real Estate	Total	Eliminations (corporate)	Consolidated
Net sales					
(1) Net sales to outside customers	176,380	2,787	179,167	—	179,167
(2) Inter-segment net sales	42	244	286	(286)	—
Total	176,422	3,031	179,454	(286)	179,167
Operating Expenses	172,592	1,453	174,045	(301)	173,744
Operating Income	3,830	1,578	5,408	14	5,423

Notes:

- The classification of the business segments adopted is based on the Company segmentation which is determined by the similarity of each business.
- The Companies' reportable operating segments consist of the following two business groups:
EPC Business – Engineering, procurement and construction for chemical fertilizer and petrochemical plants, energy-related business, general manufacturing facilities and information technology.
Real Estate – Rent and administration of real estate
- Certain administrative department expenses of the Company and consolidated subsidiaries, which were included in "Eliminations (corporate)" in prior years, are allocated to the corresponding business segments from the fiscal year ended March 31, 2003, as a result of reviewing the correlation between the nature of such expenses and business segments.
This change had the effects of decreasing the operating profit for the EPC Business segment by ¥3,365 million and for the Real Estate business segment by ¥0 million.

(2) Geographic Segments

First Six-Month Period, Previous Fiscal Year (April 1–September 30, 2002)

Description of geographic segments is omitted since the “Japan” segment accounted for exceeds 90% in terms of sales and operating profits.

Lastest Six-Month Period (April 1–September 30, 2003)

	Millions of Yen				
	Japan	Others	Total	Eliminations (corporate)	Consolidated
Net sales					
(1) Net sales to outside customers	88,171	7,640	95,811	—	95,811
(2) Inter-segment net sales	46	12,529	12,576	(12,576)	—
Total	88,218	20,169	108,388	(12,576)	95,811
Operating Expenses	89,343	20,294	109,637	(12,692)	96,945
Operating Income (Loss)	(1,124)	(124)	(1,249)	115	(1,133)

Notes:

- Countries included in “Others”:
Korea, Malaysia, India, Luxembourg, United States
- Sales included in “Eliminations (corporate)” are mainly due to inter-segment transactions.

Previous Fiscal Year (April 1, 2002–March 31, 2003)

	Millions of Yen				
	Japan	Others	Total	Eliminations (corporate)	Consolidated
Net sales					
(1) Net sales to outside customers	169,535	9,632	179,167	—	179,167
(2) Inter-segment net sales	432	36,337	36,769	(36,769)	—
Total	169,967	45,969	215,937	(36,769)	179,167
Operating Expenses	165,975	44,595	210,571	(36,826)	173,744
Operating Income	3,992	1,373	5,366	57	5,423

Notes:

- Countries included in “Others”:
Korea, Malaysia, India, Luxembourg, United States
- Sales included in “Eliminations (corporate)” are mainly due to inter-segment transactions.

(3) Sales to Foreign Customers

First Six-Month Period, Previous Fiscal Year (April 1–September 30, 2002)

	Millions of Yen					
	Southeast Asia	Southwest Asia and Africa	Russia and Central Asia	Central and South Americas	Others	Total
Overseas sales	10,000	27,478	754	16,223	9,428	63,886
Consolidated sales						83,491
Overseas sales ratio to consolidated sales	12.0%	32.9%	0.9%	19.4%	11.3%	76.5%

Latest Six-Month Period (April 1–September 30, 2003)

	Millions of Yen					
	Southeast Asia	Southwest Asia and Africa	Russia and Central Asia	Central and South Americas	Others	Total
Overseas sales	3,829	29,595	29,566	6,763	9,233	78,988
Consolidated sales						95,811
Overseas sales ratio to consolidated sales	4.0%	30.9%	30.9%	7.1%	9.6%	82.4%

Previous Fiscal Year (April 1, 2002–March 31, 2003)

	Millions of Yen					
	Southeast Asia	Southwest Asia and Africa	Russia and Central Asia	Central and South Americas	Others	Total
Overseas sales	19,037	55,125	7,292	39,799	20,076	141,330
Consolidated sales						179,167
Overseas sales ratio to consolidated sales	10.6%	30.8%	4.1%	22.2%	11.2%	78.9%

1. Amounts are rounded down to the nearest million yen.
2. "Overseas sales" represents the aggregate sales by the Company and its consolidated subsidiaries located in countries or regions other than Japan excluding inter-company transactions.
3. Geographic segmentation is according to geographic proximity.
4. Countries significantly representing each segment are:
 - Southeast Asia: Indonesia, Singapore, Thailand, Malaysia
 - Southwest Asia and Africa: India, Egypt, Iran, Saudi Arabia
 - Russia and Central Asia: Russia, Azerbaidjan
 - Central and South Americas: Brazil
 - Others: United States, China PR, Korea, European countries

Production, Orders and Sales

(1) New Orders and Backlog of Contracts

New acceptances of orders and backlog of contracts classified by the business segment follow:

	Millions of Yen					
	Apr. 1–Sep. 30, 2002		Apr. 1–Sep. 30, 2003		Apr. 1, 2002–Mar. 31, 2003	
	New Orders	Backlog	New Orders	Backlog	New Orders	Backlog
EPC Business	122,527	330,086	180,538	389,875	195,159	307,817
Real Estate	—	—	—	—	—	—
Total	122,527	330,086	180,538	389,875	195,159	307,817

(2) Sales

Sales classified by the business segment follow:

	Millions of Yen		
	Apr. 1–Sep. 30, 2002	Apr. 1–Sep. 30, 2003	Apr. 1, 2002–Mar. 31, 2003
EPC Business	82,247	94,600	176,380
Real Estate	1,244	1,210	2,787
Total	83,491	95,811	179,167

Notes:

1. Status of production is unlisted because of difficulty in defining production results for the TEC Group.
2. Inter-segment transactions are eliminated.
3. Amounts are rounded down to the nearest million yen and exclude Consumption Tax of Japan.