

# Consolidated Financial Statements [Summary]

For the Fiscal Year Ended March 31, 2004

May 14, 2004



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

President and Chief Executive Officer, Yutaka Yamada  
 Contacts: Hideaki Kinoshita, General Manager of Accounting Div.

TEL +81-47-454-1521

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 fiscal year ended March 31, 2004

### (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, 2003 – Mar. 31, 2004	170,529	(4.8)	(3,257)	–	(3,476)	–
Apr. 1, 2002 – Mar. 31, 2003	179,167	12.7	5,423	83.2	2,575	(31.5)

	Net income (loss)		Net income (loss) per share		Return on equity	Ordinary income (loss) to total assets	Ordinary income (loss) to net sales
	Millions of yen	%	Yen	Yen			
Apr. 1, 2003 – Mar. 31, 2004	(6,491)	–	(37.00)	–	(23.9)	(1.7)	(2.0)
Apr. 1, 2002 – Mar. 31, 2003	(923)	–	(5.27)	–	(3.0)	1.3	1.4

Notes:

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

Apr., 2003–Mar., 2004 : 32 / Apr., 2002–Mar., 2003 : 32

2) Average number of outstanding shares (consolidated):

Apr., 2003–Mar., 2004 : 175,500,282 / 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 previous year.

### (2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
Mar. 31, 2004	201,133	24,724	12.3	140.88
Mar. 31, 2003	199,493	29,694	14.9	169.16

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

Mar. 31, 2004: 175,480,492 / 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, end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Apr. 1, 2003 – Mar. 31, 2004	17,577	(595)	(15,706)	43,615
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 2004 (April 1, 2004–March 31, 2005)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Apr.–Sep., 2004	80,000	1,250	1,000
Apr., 2004–Mar., 2005	180,000	4,000	3,500

Reference: Estimated earnings per share (fiscal 2004) ¥19.95

\* 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

	March 31, 2004		March 31, 2003		Increase (decrease)
	Millions of yen	%	Millions of yen	%	
<b>[ASSETS]</b>					
<b>I Current assets</b>					
1. Cash and deposits	44,097		42,772		1,324
2. Notes and accounts receivable	37,246		51,995		(14,748)
3. Marketable securities	—		1		(1)
4. Contract work in progress	62,659		41,876		20,783
5. Deferred tax assets	1,135		2,937		(1,801)
6. Other current assets	6,328		8,460		(2,132)
7. Less: Allowance for doubtful receivables	(2,116)		(1,280)		(835)
<b>Total current assets</b>	<b>149,352</b>	<b>74.3</b>	<b>146,764</b>	<b>73.6</b>	<b>2,587</b>
<b>II Fixed assets</b>					
1. Property, plant and equipment, at cost					
(1) Buildings and structures	25,738		25,741		(2)
(2) Land	18,803		18,650		152
(3) Other property, plant and equipment	4,422		4,600		(177)
(4) Construction in progress	—		0		(0)
(5) Less: Accumulated depreciation	(15,758)		(15,178)		(579)
2. Intangible assets	1,699		1,216		482
3. Investments and other assets					
(1) Investment securities	9,391		7,751		1,640
(2) Long-term loans	3,238		4,415		(1,176)
(3) Long-term receivables	2,880		3,151		(271)
(4) Long-term deferred tax assets	1,728		2,749		(1,021)
(5) Other investments and assets	3,538		3,945		(406)
(6) Less: Allowance for doubtful receivables	(3,903)		(4,315)		412
<b>Total fixed assets</b>	<b>51,780</b>	<b>25.7</b>	<b>52,729</b>	<b>26.4</b>	<b>(948)</b>
<b>Total assets</b>	<b>201,133</b>	<b>100.0</b>	<b>199,493</b>	<b>100.0</b>	<b>1,639</b>
<b>[LIABILITIES]</b>					
<b>I Current liabilities</b>					
1. Notes and accounts payable	30,147		33,227		(3,080)
2. Short-term bank loans	26,470		40,274		(13,804)
3. Income taxes payable	528		825		(297)
4. Advance receipts on uncompleted contracts	61,915		38,854		23,060
5. Reserve for bonuses	569		517		52
6. Reserve for compensation for completed works	121		169		(47)
7. Reserve for anticipated loss on contract work	468		321		146
8. Reserve for repairs of real properties for rent	16		—		16
9. Reserve for liquidation of affiliates	—		31		(31)
10. Other current liabilities	9,330		6,695		2,634
<b>Total current liabilities</b>	<b>129,567</b>	<b>64.4</b>	<b>120,918</b>	<b>60.6</b>	<b>8,648</b>
<b>II Long-term liabilities</b>					
1. Corporate bonds	1,000		—		1,000
2. Long-term debt	38,690		41,839		(3,149)
3. Long-term deferred tax liabilities	160		53		107
4. Reserve for retirement benefits	2,319		2,022		296
5. Reserve for directors' retirement allowances	340		290		50
6. Reserve for repairs of real properties for rent	86		53		32
7. Other long-term liabilities	2,374		2,508		(134)
<b>Total long-term liabilities</b>	<b>44,971</b>	<b>22.4</b>	<b>46,768</b>	<b>23.4</b>	<b>(1,796)</b>
<b>Total liabilities</b>	<b>174,539</b>	<b>86.8</b>	<b>167,687</b>	<b>84.0</b>	<b>6,851</b>
<b>[MINORITY INTERESTS]</b>					
Minority interests	1,869	0.9	2,112	1.1	(242)
<b>[SHAREHOLDERS' EQUITY]</b>					
<b>I Common stock</b>	13,017	6.4	13,017	6.6	—
<b>II Additional paid-in capital</b>	15,593	7.8	15,592	7.8	0
<b>III Retained earnings</b>	(4,278)	(2.1)	2,216	1.1	(6,494)
<b>IV Net unrealized gain (loss) on securities</b>	1,231	0.6	(541)	(0.3)	1,772
<b>V Foreign currency translation adjustments</b>	(804)	(0.4)	(565)	(0.3)	(238)
<b>VI Treasury stock</b>	(35)	(0.0)	(24)	(0.0)	(10)
<b>Total shareholders' equity</b>	<b>24,724</b>	<b>12.3</b>	<b>29,694</b>	<b>14.9</b>	<b>(4,970)</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>201,133</b>	<b>100.0</b>	<b>199,493</b>	<b>100.0</b>	<b>1,639</b>

### Consolidated Statements of Income

	Apr., 2003–Mar., 2004		Apr., 2002–Mar., 2003		Increase (decrease)
	Millions of yen	%	Millions of yen	%	
<b>I Net sales</b>	170,529	100.0	179,167	100.0	(8,638)
<b>II Cost of sales</b>	161,889	94.9	161,877	90.3	(12)
Gross profit	8,639	5.1	17,290	9.7	(8,650)
<b>III Selling, general and administrative expenses</b>	11,897	7.0	11,866	6.6	(30)
Operating income	—	—	5,423	3.1	(5,423)
Operating loss	3,257	1.9	—	—	(3,257)
<b>IV Non-operating income</b>					
1. Interest income	1,671		2,075		(403)
2. Dividend income	70		80		(10)
3. Equity in earnings of affiliates	32		32		(0)
4. Other non-operating income	204		80		124
Total non-operating income	1,979	1.2	2,268	1.2	(289)
<b>V Non-operating expenses</b>					
1. Interest expense	1,719		2,149		429
2. Foreign exchange loss	252		2,757		2,505
3. Other non-operating expenses	226		209		(17)
Total non-operating expenses	2,198	1.3	5,116	2.9	2,918
Ordinary income	—	—	2,575	1.4	(2,575)
Ordinary loss	3,476	2.0	—	—	(3,476)
<b>VI Extraordinary gain</b>					
1. Gain on sales of investment securities	378		—		378
2. Reversal of allowance for doubtful receivables	—		314		(314)
Total extraordinary gain	378	0.2	314	0.2	63
<b>VII Extraordinary loss</b>					
1. Loss on prior-period adjustment	117		754		636
2. Loss on valuation of investment securities	480		1,302		822
3. Loss on liquidation of nonconsolidated subsidiaries	17		123		106
4. Loss on valuation of property, plant and equipment	—		52		52
Total extraordinary loss	615	0.4	2,233	1.2	1,618
Income before income taxes and minority interests	—	—	656	0.4	(656)
Loss before income taxes and minority interests	3,713	2.2	—	—	(3,713)
Income taxes (current)	712	0.4	1,281	0.7	569
Income taxes (deferred)	1,882	1.1	(47)	(0.0)	(1,929)
Minority interests	182	0.1	345	0.2	162
Net loss	6,491	3.8	923	0.5	(5,568)

## Consolidated Statements of Cash Flows

	<b>Apr., 2003 – Mar., 2004</b>	Apr., 2002 – Mar., 2003
	Millions of yen	Millions of yen
<b>I Cash flows from operating activities</b>		
Income (loss) before income taxes and minority interests	(3,713)	656
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	1,315	1,346
Allowance for (reversal of) doubtful receivables	424	(1,679)
Increase in retirement benefits	299	1,218
Allowance for anticipated loss on contract work	146	27
Interest and dividend income	(1,742)	(2,156)
Interest expense	1,719	2,149
Foreign exchange gain	(299)	(235)
Equity in earnings of affiliated companies	(32)	(32)
Loss (gain) on sales of marketable and investment securities, net	(452)	0
Loss on valuation of investment securities	480	1,302
Loss on disposal of property, plant and equipment, net	—	97
Decrease in notes and accounts receivable	14,663	3,971
Increase in contract work in progress	(21,058)	(10,107)
Increase (decrease) in notes and accounts payable	(2,877)	6,076
Increase in advance receipts on uncompleted contracts	23,227	5,107
Other, net	6,416	608
Subtotal	18,517	8,353
Interest and dividends received	1,782	3,559
Interest paid	(1,762)	(2,210)
Income taxes paid	(960)	(882)
Net cash provided by operating activities	17,577	8,819
<b>II Cash flows from investing activities</b>		
Proceeds from sales and maturity of marketable securities	—	500
Purchases of property, plant and equipment	(240)	(282)
Proceeds from sales of property, plant and equipment	—	57
Purchases of intangible fixed assets	(912)	(460)
Purchases of securities and investment securities	(138)	(107)
Proceeds from sales of securities and investment securities	1,014	15
Other, net	(318)	18
Net cash used in investing activities	(595)	(258)
<b>III Cash flows from financing activities</b>		
Decrease in short-term bank loans, net	(13,726)	(6,247)
Proceeds from long-term debt	12,050	11,470
Repayment of long-term debt	(14,862)	(15,241)
Proceeds from issuance of corporate bonds	1,000	—
Other, net	(167)	(57)
Net cash used in financing activities	(15,706)	(10,076)
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	(191)	(132)
<b>V Net increase (decrease) in cash and cash equivalents</b>	1,084	(1,647)
<b>VI Cash and cash equivalents, beginning of the year</b>	42,530	43,476
<b>VII Increase in cash and cash equivalents addition to consolidation</b>	—	701
<b>VIII Cash and cash equivalents, end of the year</b>	43,615	42,530

## Segment Information

### (1) Business Segments

#### Fiscal Year Ended March 31, 2004

	Millions of Yen				
	EPC Business	Real Estate	Total	Eliminations and Other	Consolidated
1. Net sales and operating income (loss)					
Net sales					
(1) Net sales to outside customers	168,155	2,373	170,529	—	170,529
(2) Inter-segment net sales	2	255	257	(257)	—
Total	168,157	2,629	170,786	(257)	170,529
Operating expenses	172,606	1,418	174,024	(237)	173,786
Operating income (loss)	(4,448)	1,210	(3,237)	(19)	(3,257)
2. Assets, depreciation and capital expenditures					
Assets	178,270	15,219	193,489	7,643	201,133
Depreciation	914	395	1,310	0	1,310
Capital expenditures	855	10	865	(0)	865

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
- All administrative department expenses of the Company and consolidated subsidiaries are allocated to the corresponding business segments.
- ¥7,643 million of "corporate" assets is included in "Eliminations and Other", which chiefly consists of the Company's investment securities attributed to its administrative department.

#### Fiscal Year Ended March 31, 2003

	Millions of Yen				
	EPC Business	Real Estate	Total	Eliminations and Other	Consolidated
1. Net sales and operating income (loss)					
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
2. Assets, depreciation and capital expenditures					
Assets	178,330	16,111	194,442	5,051	199,493
Depreciation	861	404	1,265	—	1,265
Capital expenditures	636	2	638	0	639

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 and Other" 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.
- Certain assets attributed to the administrative department of the Company and consolidated subsidiaries, which were included in "Eliminations and Other" in prior years, are allocated to the corresponding business segments from the year ended March 31, 2003, as a result of reviewing the allocation policy and the correlation between the nature of such assets and business segments. As a result, assets included in "Eliminations and Other" totaling ¥5,039 million primarily consisted of investment in securities as of March 31, 2003.  
 This change had the effects of increasing the assets for the EPC Business segment by ¥36,425 million and for the Real Estate Business segment by ¥364 million.

**(2) Geographic Segments**
**Fiscal Year Ended March 31, 2004**

	Millions of Yen				
	Japan	Others	Total	Eliminations and Other	Consolidated
1. Net sales and operating income (loss)					
Net sales					
(1) Net sales to outside customers	160,216	10,312	170,529	—	170,529
(2) Inter-segment net sales	96	23,718	23,814	(23,814)	—
Total	160,313	34,030	194,344	(23,814)	170,529
Operating expenses	163,629	34,012	197,642	(23,856)	173,786
Operating income (loss)	(3,316)	17	(3,298)	41	(3,257)
2. Assets	189,531	21,875	211,407	(10,274)	201,133

## Notes:

- Countries included in "Others":  
Korea, Malaysia, India, Luxembourg, U.S.A.
- Sales included in "Eliminations and Other" are mainly due to inter-segment transactions.

**Fiscal Year Ended March 31, 2003**

	Millions of Yen				
	Japan	Others	Total	Eliminations and Other	Consolidated
1. Net sales and operating income (loss)					
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 (loss)	3,992	1,373	5,366	57	5,423
2. Assets	188,464	28,303	216,768	(17,274)	199,493

## Notes:

- Countries included in "Others":  
Korea, Malaysia, India, Luxembourg, U.S.A.
- Sales included in "Eliminations and Other" are mainly due to inter-segment transactions.

**(3) Sales to Foreign Customers**
**Fiscal Year Ended March 31, 2004**

	Millions of Yen					
	Southeast Asia	Southwest Asia and Africa	Russia and Central Asia	Central and South America	Others	Total
Overseas sales	12,328	45,258	43,805	12,211	19,844	133,448
Consolidated sales						170,529
Overseas sales ratio to consolidated sales	7.2%	26.6%	25.7%	7.2%	11.6%	78.3%

**Fiscal Year Ended March 31, 2003**

	Millions of Yen					
	Southeast Asia	Southwest Asia and Africa	Russia and Central Asia	Central and South America	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. "Overseas sales" represents the aggregate sales by the Company and its consolidated subsidiaries to the customers in countries or regions other than Japan, excluding inter-company transactions.
2. Geographic segmentation is according to geographic proximity.
3. 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 America: Brazil
  - Others: U.S.A., China PR, Korea, European countries

## Production, Orders and Net Sales

### (1) New Orders and Backlog of Contracts

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

	Millions of Yen			
	Apr. 1, 2003–Mar. 31, 2004		Apr. 1, 2002–Mar. 31, 2003	
	New Orders	Backlog	New Orders	Backlog
EPC Business	241,528	350,574	195,159	307,817
Real Estate	—	—	—	—
Total	241,528	350,574	195,159	307,817

### (2) Net Sales

Sales classified by the business segments follow:

	Millions of Yen	
	Apr. 1, 2003–Mar. 31, 2004	Apr. 1, 2002–Mar. 31, 2003
EPC Business	168,155	176,380
Real Estate	2,373	2,787
Total	170,529	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.