

# Consolidated Financial Statements [Summary]

For the Six-Month Period Ended September 30, 2006

November 10, 2006



(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, 2006

(1) Consolidated financial results Note: Amounts are rounded down to the nearest million yen.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Apr. 1 - Sep. 30, 2006	79,820	(8.1)	493	(19.9)	619	25.4
Apr. 1 - Sep. 30, 2005	86,842	(2.3)	615	(53.7)	494	(60.6)
Apr. 1, 2005 - Mar. 31, 2006	195,583		4,195		4,225	

	Net income		Net income per share		Net income per share, diluted	
	Millions of yen	%	Yen	Yen	Yen	Yen
Apr. 1 - Sep. 30, 2006	267	10.5	1.43	-	-	-
Apr. 1 - Sep. 30, 2005	242	(79.2)	1.38	-	-	-
Apr. 1, 2005 - Mar. 31, 2006	3,350		19.11	-	-	-

Notes:

Equity in earnings of affiliates (millions of yen):

Apr.-Sep., 2006 : 105 / Apr.-Sep., 2005 : 16 / Apr., 2005-Mar., 2006 : 84

Average number of outstanding shares (consolidated):

Apr.-Sep., 2006 : 187,489,708 / Apr.-Sep., 2005 : 175,377,034 / Apr., 2005-Mar., 2006 : 175,344,884

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

## (2) Consolidated financial position

	Total assets	Net Assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2006	234,766	44,903	18.3	222.84
As of Sep. 30, 2005	220,831	29,449	13.3	167.96
As of Mar. 31, 2006	202,662	33,608	16.6	191.73

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

Sep. 30, 2006: 192,357,419 / Sep. 30, 2005: 175,339,272 / Mar. 31, 2006: 175,288,986

## (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, 2006	15,512	(6,559)	5,043	42,365
Apr. 1 - Sep. 30, 2005	3,393	(107)	(6,280)	42,635
Apr. 1, 2005 - Mar. 31, 2006	(5,533)	(4,570)	(7,524)	28,305

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

Consolidated subsidiaries: 14 companies

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

Affiliated companies accounted for by the equity method: one company

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

Consolidated subsidiaries: Increase: none Decrease: one

Equity-method companies: Increase: none Decrease: none

## 2. Forecast for fiscal 2006 (April 1, 2006-March 31, 2007)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Apr. 1, 2006 - Mar. 31, 2007	220,000	5,000	4,000

Reference: Estimated earnings per share (fiscal 2006) ¥20.79

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, 2005		September 30, 2006		March 31, 2006	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>[ASSETS]</b>						
<b>Current assets</b>						
1. Cash and deposits	43,982		35,868		28,884	
2. Notes and accounts receivable	26,633		27,199		29,229	
3. Marketable Securities			8,994			
4. Contract work in progress	88,614		85,825		74,089	
5. Other receivables	8,840		14,622		11,007	
6. Other current assets	4,350		10,368		8,243	
7. Less: Allowance for doubtful receivables	(3,395)		(2,587)		(2,735)	
<b>Total current assets</b>	<b>169,026</b>	<b>76.5</b>	<b>180,290</b>	<b>76.8</b>	<b>148,718</b>	<b>73.4</b>
<b>Fixed assets</b>						
1. Property, plant and equipment, at cost						
(1) Buildings and structures	26,560		31,242		26,627	
(2) Land	18,803		18,534		18,527	
(3) Other property, plant and equipment	5,023		3,789		6,658	
(4) Less: Accumulated depreciation	(15,630)		(16,476)		(16,189)	
<b>Total property, plant and equipment, at cost</b>	<b>34,757</b>		<b>37,090</b>		<b>35,623</b>	
2. Intangible assets	1,978		1,927		2,020	
3. Investments and other assets						
(1) Investment securities	10,784		11,322		12,281	
(2) Other investments and assets	7,600		6,352		6,089	
(3) Less: Allowance for doubtful receivables	(3,315)		(2,218)		(2,072)	
<b>Total investments and other assets</b>	<b>15,069</b>		<b>15,457</b>		<b>16,299</b>	
<b>Total fixed assets</b>	<b>51,805</b>	<b>23.5</b>	<b>54,475</b>	<b>23.2</b>	<b>53,943</b>	<b>26.6</b>
<b>Total assets</b>	<b>220,831</b>	<b>100.0</b>	<b>234,766</b>	<b>100.0</b>	<b>202,662</b>	<b>100.0</b>
<b>[LIABILITIES]</b>						
<b>Current liabilities</b>						
1. Notes and accounts payable	28,007		24,881		22,678	
2. Short-term bank loans	13,400		26,338		26,383	
3. Bonds due within one year			3,000		1,000	
4. Advance receipts on uncompleted contracts	94,390		107,829		82,894	
5. Provisions	2,717		1,924		2,083	
6. Other current liabilities	10,461		6,907		6,591	
<b>Total current liabilities</b>	<b>148,978</b>	<b>67.5</b>	<b>170,881</b>	<b>72.8</b>	<b>141,630</b>	<b>69.9</b>
<b>Long-term liabilities</b>						
1. Corporate bonds	3,000				2,000	
2. Long-term debt	32,099		13,295		17,989	
3. Reserve for retirement benefits	2,589		2,757		2,545	
4. Reserve for directors' retirement allowances	181		136		181	
5. Reserve for repairs of real properties for rent	134		167		149	
6. Other long-term liabilities	2,602		2,623		2,515	
<b>Total long-term liabilities</b>	<b>40,607</b>	<b>18.4</b>	<b>18,981</b>	<b>8.1</b>	<b>25,382</b>	<b>12.5</b>
<b>Total liabilities</b>	<b>189,585</b>	<b>85.9</b>	<b>189,862</b>	<b>80.9</b>	<b>167,012</b>	<b>82.4</b>
<b>[MINORITY INTERESTS]</b>						
Minority interests	1,795	0.8	-	-	2,040	1.0
<b>[SHAREHOLDERS' EQUITY]</b>						
Common stock	13,017	5.9	-	-	13,017	6.4
Additional paid-in capital	15,594	7.0	-	-	15,594	7.7
Retained earnings	(889)	(0.4)	-	-	2,218	1.1
Net unrealized gain on securities	2,270	1.0	-	-	3,062	1.5
Foreign currency translation adjustments	(459)	(0.2)	-	-	(166)	(0.1)
Treasury stock	(84)	(0.0)	-	-	(118)	(0.0)
<b>Total shareholders' equity</b>	<b>29,449</b>	<b>13.3</b>	<b>-</b>	<b>-</b>	<b>33,608</b>	<b>16.6</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>220,831</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>202,662</b>	<b>100.0</b>
<b>[NET ASSETS]</b>						
<b>I Shareholder's Equity</b>						
1. Common stock	-	-	18,198	7.8	-	-
2. Additional paid-in capital	-	-	20,760	8.8	-	-
3. Retained earnings	-	-	1,957	0.8	-	-
4. Treasury stock	-	-	(137)	(0.0)	-	-
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>40,778</b>	<b>17.4</b>	<b>-</b>	<b>-</b>
<b>II Valuation and Translation Adjustments</b>						
1. Net unrealized gain on securities	-	-	2,504	1.0	-	-
2. Deferred hedge loss	-	-	(311)	(0.1)	-	-
3. Foreign currency translation adjustments	-	-	(105)	(0.0)	-	-
<b>Total valuation and translation adjustments</b>	<b>-</b>	<b>-</b>	<b>2,087</b>	<b>0.9</b>	<b>-</b>	<b>-</b>
<b>III Minority Interests</b>	<b>-</b>	<b>-</b>	<b>2,037</b>	<b>0.8</b>	<b>-</b>	<b>-</b>
<b>Total net assets</b>	<b>-</b>	<b>-</b>	<b>44,903</b>	<b>19.1</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and net assets</b>	<b>-</b>	<b>-</b>	<b>234,766</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

### Consolidated Statements of Income

	Apr.-Sep., 2005		Apr.-Sep., 2006		Apr., 2005-Mar., 2006	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Net sales</b>	86,842	100.0	79,820	100.0	195,583	100.0
<b>Cost of sales</b>	78,837	90.8	72,576	90.9	177,758	90.9
Gross profit	8,004	9.2	7,243	9.1	17,824	9.1
<b>Selling, general and administrative expenses</b>	7,388	8.5	6,750	8.5	13,629	7.0
Operating income	615	0.7	493	0.6	4,195	2.1
<b>Non-operating income</b>						
1. Interest income	509		727		1,167	
2. Dividend income	55		62		133	
2. Equity in earnings of affiliates	16		105		84	
3. Other non-operating income	74		125		243	
Total non-operating income	656	0.8	1,020	1.3	1,629	0.9
<b>Non-operating expenses</b>						
1. Interest expense	626		508		1,191	
2. Foreign exchange loss	73		118		204	
2. Other non-operating expenses	78		267		202	
Total non-operating expenses	778	0.9	894	1.1	1,598	0.8
Ordinary income	494	0.6	619	0.8	4,225	2.2
<b>Extraordinary gain</b>						
1. Gain on sales of investment securities	354		314		879	
2. Gain on sales of memberships	-		50		-	
Total extraordinary gain	354	0.4	365	0.4	879	0.4
<b>Extraordinary loss</b>						
1. Loss on impairment of fixed assets	210		-		615	
2. Loss on valuation of investment securities	30		-		30	
3. Payments of special retirement benefits	96		-		98	
4. Loss from valuation of memberships	-		73		-	
Total extraordinary loss	337	0.4	73	0.1	745	0.4
Income before income taxes and minority interests	510	0.6	911	1.1	4,359	2.2
Income taxes (current)	216	0.3	308	0.4	785	0.4
Income taxes (deferred)	123	0.1	386	0.5	76	0.0
Minority interests	-	-	-	-	147	0.1
Minority loss	71	(0.1)	50	(0.1)	-	-
Net Income	242	0.3	267	0.3	3,350	1.7

## Consolidated Statements of Cash Flows

	Apr.-Sep., 2005	Apr.-Sep., 2006	Apr., 2005 - Mar., 2006
	Millions of yen	Millions of yen	Millions of yen
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	510	911	4,359
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	825	906	1,700
Loss on impairment of fixed assets	210	-	615
Reversal of doubtful receivables	(580)	(2)	(2,487)
Increase in retirement benefits	283	215	237
Allowance for (reversal of) anticipated loss on contract work	73	46	(492)
Interest and dividends income	(565)	(790)	(1,301)
Interest expense	626	508	1,191
Foreign exchange loss (gain)	91	(23)	153
Equity in earnings of affiliated companies	(16)	(105)	(84)
Gain on sales of marketable and investment securities, net	(354)	(316)	(879)
Loss on valuation of investment securities	30	20	30
Decrease in notes and accounts receivable	13,684	2,030	11,353
Increase in contract work in progress	(26,630)	(11,811)	(11,794)
Increase (decrease) in notes and accounts payable	(3,812)	2,186	(9,358)
Increase in advance receipts on uncompleted contracts	20,104	25,245	7,964
Other, net	(1,191)	(3,271)	(6,717)
Subtotal	3,290	15,751	(5,508)
Interest and dividends received	688	904	1,443
Interest paid	(617)	(526)	(1,192)
Income taxes refunded (paid)	32	(617)	(276)
Net cash provided by used in operating activities	3,393	15,512	(5,533)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	(1,495)	(1,968)	(3,454)
Purchases of intangible fixed assets	(344)	(337)	(787)
Purchases of securities and investment securities	-	(34)	(4)
Proceeds from sales of securities and investment securities	439	477	1,330
Payments of short-term loans	(550)	(3,631)	(4,680)
Proceeds from collection of short-term loans	42	259	283
Proceeds from collection of long-term loans	2,435	0	2,461
Other, net	(634)	(1,324)	282
Net cash used in investing activities	(107)	(6,559)	(4,570)
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term bank loans, net	(2,849)	646	(2,309)
Proceeds from long-term debt	4,651	-	8,151
Repayment of long-term debt	(7,476)	(5,375)	(12,712)
Issuance of common stock	-	10,345	-
Cash dividends paid	(526)	(525)	(526)
Other, net	(80)	(47)	(127)
Net cash provided by (used in) financing activities	(6,280)	5,043	(7,524)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	183	63	486
<b>Net increase (decrease) in cash and cash equivalents</b>	(2,811)	14,059	(17,141)
<b>Cash and cash equivalents, beginning of the term</b>	45,447	28,305	45,447
<b>Cash and cash equivalents, end of the term</b>	42,635	42,365	28,305

## Segment Information

### (1) Business Segments

#### First Six-Month Period, Previous Fiscal Year (April 1-September 30, 2005)

	Millions of Yen				
	EPC Business	Real Estate	Total	Eliminations (corporate)	Consolidated
Net sales					
(1) Net sales to outside customers	85,766	1,076	86,842	-	86,842
(2) Inter-segment net sales	0	181	182	(182)	-
Total	85,766	1,257	87,024	(182)	86,842
Operating Expenses	85,651	725	86,377	(150)	86,226
Operating Income	115	532	647	(31)	615

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.

#### Latest Six-Month Period (April 1-September 30, 2006)

	Millions of Yen				
	EPC Business	Real Estate	Total	Eliminations (corporate)	Consolidated
Net sales					
(1) Net sales to outside customers	78,702	1,118	79,820	-	79,820
(2) Inter-segment net sales	2	138	141	(141)	-
Total	78,704	1,256	79,961	(141)	79,820
Operating Expenses	78,743	752	79,495	(168)	79,327
Operating Income	(38)	504	466	27	493

Notes:

- The classification of the business segments adopted is based on the Company segmentation which is determined by the similarity of each business.
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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.

#### Previous Fiscal Year (April 1, 2005-March 31, 2006)

	Millions of Yen				
	EPC Business	Real Estate	Total	Eliminations (corporate)	Consolidated
Net sales					
(1) Net sales to outside customers	193,417	2,165	195,583	-	195,583
(2) Inter-segment net sales	3	321	324	(324)	-
Total	193,420	2,487	195,908	(324)	195,583
Operating Expenses	190,297	1,393	191,690	(302)	191,388
Operating Income	3,123	1,094	4,217	(22)	4,195

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.

## (2) Geographic Segments

### First Six-Month Period, Previous Fiscal Year (April 1-September 30, 2005)

	Millions of Yen				
	Japan	Others	Total	Eliminations (corporate)	Consolidated
Net sales					
(1) Net sales to outside customers	82,071	4,770	86,842	-	86,842
(2) Inter-segment net sales	133	6,608	6,741	(6,741)	-
Total	82,204	11,378	93,583	(6,741)	86,842
Operating Expenses	81,452	11,579	93,031	(6,805)	86,226
Operating Income	752	(200)	551	64	615

Notes:

1. Geographic segmentation is according to geographic proximity.
2. Countries included in "Others":  
Korea, Malaysia, India, Luxembourg, U.S.A., PR China
3. All administrative department expenses of the Company and consolidated subsidiaries are allocated to the corresponding business segments.

### Latest Six-Month Period (April 1-September 30, 2006)

	Millions of Yen				
	Japan	Others	Total	Eliminations (corporate)	Consolidated
Net sales					
(1) Net sales to outside customers	74,925	4,895	79,820	-	79,820
(2) Inter-segment net sales	0	3,723	3,723	(3,723)	-
Total	74,925	8,618	83,544	(3,723)	79,820
Operating Expenses	74,053	8,870	82,923	(3,596)	79,327
Operating Income	871	(251)	620	(126)	493

Notes:

1. Geographic segmentation is according to geographic proximity.
2. Countries included in "Others":  
Korea, Malaysia, India, Luxembourg, U.S.A., PR China
3. All administrative department expenses of the Company and consolidated subsidiaries are allocated to the corresponding business segments.

### Previous Fiscal Year (April 1, 2005-March 31, 2006)

	Millions of Yen				
	Japan	Others	Total	Eliminations (corporate)	Consolidated
Net sales					
(1) Net sales to outside customers	181,836	13,746	195,583	-	195,583
(2) Inter-segment net sales	425	10,212	10,637	(10,637)	-
Total	182,261	23,958	206,220	(10,637)	195,583
Operating Expenses	178,597	23,528	202,126	(10,738)	191,388
Operating Income	3,664	429	4,094	101	4,195

Notes:

1. Geographic segmentation is according to geographic proximity.
2. Countries included in "Others":  
Korea, Malaysia, India, Luxembourg, U.S.A., PR China
3. All administrative department expenses of the Company and consolidated subsidiaries are allocated to the corresponding business segments.

### (3) Sales to Foreign Customers

#### First Six-Month Period, Previous Fiscal Year (April 1-September 30, 2005)

	Millions of Yen					
	Southeast Asia	Southwest Asia and Africa	Russia and Central Asia	Central and South Americas	Others	Total
Overseas sales	4,867	33,048	24,004	2,366	5,127	69,415
Consolidated sales						86,842
Overseas sales ratio to consolidated sales	5.6%	38.1%	27.6%	2.7%	5.9%	79.9%

- "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.
- (1) Geographic segmentation is according to geographic proximity.  
(2) Countries significantly representing each segment are:
  - Southeast Asia: Indonesia, Malaysia
  - Southwest Asia and Africa: India, Iran, Saudi Arabia
  - Russia and Central Asia: Russia
  - Central and South Americas: Brazil
  - Others: PR China, Korea, European countries

#### Latest Six-Month Period (April 1-September 30, 2006)

	Millions of Yen					
	Southeast Asia	Southwest Asia and Africa	Russia and Central Asia	Central and South Americas	Others	Total
Overseas sales	1,935	17,750	16,883	2,284	9,215	48,069
Consolidated sales						79,820
Overseas sales ratio to consolidated sales	2.4%	22.2%	21.2%	2.9%	11.5%	60.2%

- "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.
- (1) Geographic segmentation is according to geographic proximity.  
(2) Countries significantly representing each segment are:
  - Southeast Asia: Indonesia, Malaysia, Thailand, Singapore
  - Southwest Asia and Africa: Iran, Saudi Arabia, India
  - Russia and Central Asia: Russia
  - Central and South Americas: Brazil
  - Others: PR China, Korea, Australia, European countries

#### Previous Fiscal Year (April 1, 2005-March 31, 2006)

	Millions of Yen					
	Southeast Asia	Southwest Asia and Africa	Russia and Central Asia	Central and South Americas	Others	Total
Overseas sales	8,419	54,717	44,890	8,114	16,340	132,482
Consolidated sales						195,583
Overseas sales ratio to consolidated sales	4.3%	28.0%	23.0%	4.1%	8.3%	67.7%

- "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.
- (1) Geographic segmentation is according to geographic proximity.  
(2) Countries significantly representing each segment are:
  - Southeast Asia: Indonesia, Malaysia
  - Southwest Asia and Africa: Iran, Saudi Arabia, India
  - Russia and Central Asia: Russia
  - Central and South Americas: Brazil
  - Others: PR China, Korea, European countries

## Production, Orders and Sales

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

New orders and backlog of contracts classified by sector are as follows;

	Millions of Yen					
	Apr. 1-Sep. 30, 2005		Apr. 1-Sep. 30, 2006		Apr. 1, 2005-Mar. 31, 2006	
	New Orders	Backlog	New Orders	Backlog	New Orders	Backlog
<b>Overseas</b>						
Chemical fertilizers	998	18,841	367	7,462	4,493	10,186
Petrochemicals	45,321	57,306	118,076	167,359	61,093	58,604
Refinery	2,329	8,529	9,798	62,288	53,401	57,235
Energy-related	13,576	168,099	64,241	198,896	56,385	172,768
General manufacturing facilities	1,631	4,799	6,824	11,204	6,574	7,488
Information technology	47	46	111	108	48	5
Others	872	1,321	688	1,297	1,653	1,432
Subtotal	64,775	258,943	200,108	448,617	183,652	307,720
<b>Domestics</b>						
Petrochemicals	2,298	17,147	6,732	25,798	25,292	23,477
Refinery	8,800	10,705	4,449	16,553	18,074	18,518
Energy-related	1,082	21,995	2,392	10,229	1,551	12,916
General manufacturing facilities	2,881	2,933	1,323	2,095	6,965	4,266
Information technology	7,014	12,028	8,644	5,987	14,846	5,923
Others	4,457	1,613	4,441	2,429	7,456	695
Subtotal	26,533	66,423	27,984	63,093	74,187	65,796
Grand total	91,309	325,367	228,093	511,711	257,839	373,517

Notes:

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

### (2) Sales

Sales classified by the business segment is as follows;

	Millions of Yen		
	Apr. 1-Sep. 30, 2005	Apr. 1-Sep. 30, 2006	Apr. 1, 2005-Mar. 31, 2006
EPC Business	85,766	78,702	193,417
Real Estate	1,076	1,118	2,165
<b>Total</b>	86,842	79,820	195,583

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.



# Nonconsolidated Financial Statements [Summary]

For the Six-Month Period Ended September 30, 2006

November 10, 2006



(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, 2006

(1) Nonconsolidated financial results Note: Amounts are rounded down to the nearest million yen.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Apr. 1 - Sep. 30, 2006	64,800	(11.3)	32	(87.7)	295	(20.3)
Apr. 1 - Sep. 30, 2005	73,088	(6.9)	262	(76.9)	371	(69.6)
Apr. 1, 2005 - Mar. 31, 2006	161,924		2,053		2,408	

	Net income		Net income per share	
	Millions of yen	%	Yen	
Apr. 1 - Sep. 30, 2006	226	79.4	1.21	
Apr. 1 - Sep. 30, 2005	126	(88.3)	0.72	
Apr. 1, 2005 - Mar. 31, 2006	2,563		14.62	

Notes:

Average number of outstanding shares (nonconsolidated):

Apr. 1-Sep. 30, 2006 : 187,489,708 / Apr. 1-Sep. 30, 2005 : 175,377,034 / Apr. 1, 2005-Mar. 31, 2006 : 175,344,884

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

## (2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
Sep. 30, 2006	210,738	51,146	24.3	265.89
Sep. 30, 2005	199,012	38,775	19.5	221.15
Mar. 31, 2006	177,301	41,969	23.7	239.43

Notes:

Number of outstanding shares at end of term (nonconsolidated):

Sep. 30, 2006 : 192,357,419 / Sep. 30, 2005 : 175,339,272 / Mar. 31, 2006 : 175,288,986

Number of treasury stocks at end of term:

Sep. 30, 2006 : 435,120 / Sep. 30, 2005 : 353,267 / Mar. 31, 2006 : 403,553

## 2. Forecast for fiscal 2006 (April 1, 2006-March 31, 2007)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Apr. 1, 2006 - Mar. 31, 2007	185,000	3,000	3,000

Reference: Estimated earnings per share (fiscal 2006) ¥15.60

## 3. Dividends

	Dividends per share (Yen)		
	Interim	Year-end	Annual
Apr. 1, 2005 - Mar. 31, 2006	-	3.00	3.00
Apr. 1, 2006 - Mar. 31, 2007	-	-	3.00
Apr. 1, 2006 - Mar. 31, 2007 (Estimated)	-	3.00	

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.

Nonconsolidated Balance Sheets

	Sep. 30, 2005		Sep. 30, 2006		Mar. 31, 2006	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>[ASSETS]</b>						
<b>Current assets</b>						
1. Cash and deposits	38,046		31,520		22,104	
2. Notes receivable	348		337		50	
3. Accounts receivable	19,990		19,029		21,625	
4. Contract work in progress	85,628		80,983		70,392	
5. Short-term loans	1,970		12,240		7,004	
6. Other receivables	9,203		15,620		11,394	
7. Other current assets	3,152		11,087		3,326	
8. Less: Allowance for doubtful receivables	(3,156)		(2,652)		(2,742)	
<b>Total current assets</b>	<b>155,183</b>	<b>78.0</b>	<b>168,166</b>	<b>79.8</b>	<b>133,155</b>	<b>75.1</b>
<b>Fixed assets</b>						
1. Property, plant and equipment, at cost						
(1) Buildings	14,397		14,436		14,410	
(2) Land	12,926		12,658		12,647	
(3) Other property, plant and equipment	2,651		2,537		2,610	
(4) Less: Accumulated depreciation	(10,832)		(11,149)		(11,079)	
2. Intangible assets	685		754		774	
3. Investments and others						
(1) Shares in affiliated companies	14,116		11,869		14,637	
(2) Other investments and assets	13,197		13,684		12,216	
(3) Less: Allowance for doubtful receivables	(3,313)		(2,218)		(2,072)	
<b>Total fixed assets</b>	<b>43,828</b>	<b>22.0</b>	<b>42,572</b>	<b>20.2</b>	<b>44,146</b>	<b>24.9</b>
<b>Total assets</b>	<b>199,012</b>	<b>100.0</b>	<b>210,738</b>	<b>100.0</b>	<b>177,301</b>	<b>100.0</b>
<b>[LIABILITIES]</b>						
<b>Current liabilities</b>						
1. Notes payable	1,805		1,177		661	
2. Accounts payable	24,099		21,885		19,007	
3. Short-term bank loans	10,475		10,568		11,002	
4. Bonds due within one year	-		3,000		1,000	
5. Advance receipts on uncompleted contracts	89,825		100,766		76,428	
6. Deposits received	7,055		4,216		3,233	
7. Provisions	2,544		1,526		1,449	
8. Other current liabilities	1,989		2,599		2,155	
<b>Total current liabilities</b>	<b>137,796</b>	<b>69.2</b>	<b>145,741</b>	<b>69.1</b>	<b>114,937</b>	<b>64.8</b>
<b>Long-term liabilities</b>						
1. Corporate bonds	3,000		-		2,000	
2. Long-term debt	17,033		11,248		15,866	
3. Reserve for retirement benefit	2,168		2,373		2,280	
4. Reserve for directors' retirement allowances	165		136		165	
5. Reserve for repairs for real properties for rent	69		89		79	
6. Other long-term liabilities	2		2		2	
<b>Total long-term liabilities</b>	<b>22,440</b>	<b>11.3</b>	<b>13,850</b>	<b>6.6</b>	<b>20,394</b>	<b>11.5</b>
<b>Total liabilities</b>	<b>160,236</b>	<b>80.5</b>	<b>159,592</b>	<b>75.7</b>	<b>135,332</b>	<b>76.3</b>
<b>[SHAREHOLDERS' EQUITY]</b>						
<b>Common stock</b>	<b>13,017</b>	<b>6.6</b>	<b>-</b>	<b>-</b>	<b>13,017</b>	<b>7.4</b>
<b>Additional paid-in capital</b>	<b>15,594</b>	<b>7.8</b>	<b>-</b>	<b>-</b>	<b>15,594</b>	<b>8.8</b>
<b>Retained earnings</b>						
1. Voluntary reserve	6,222		-		6,222	
2. Unappropriated retained earnings	1,764		-		4,202	
<b>Total retained earnings</b>	<b>7,987</b>	<b>4.0</b>	<b>-</b>	<b>-</b>	<b>10,424</b>	<b>5.9</b>
<b>Net unrealized gain on securities</b>	<b>2,260</b>	<b>1.1</b>	<b>-</b>	<b>-</b>	<b>3,050</b>	<b>1.7</b>
<b>Treasury stock</b>	<b>(84)</b>	<b>(0.0)</b>	<b>-</b>	<b>-</b>	<b>(118)</b>	<b>(0.1)</b>
<b>Total shareholders' equity</b>	<b>38,775</b>	<b>19.5</b>	<b>-</b>	<b>-</b>	<b>41,969</b>	<b>23.7</b>
<b>Total liabilities and shareholders' equity</b>	<b>199,012</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>177,301</b>	<b>100.0</b>
<b>[NET ASSETS]</b>						
<b>I Shareholder's Equity</b>						
1. Common stock	-	-	18,198	8.7	-	-
2. Additional paid-in capital	-	-	20,760	9.9	-	-
3. Retained earnings	-	-	10,125	4.8	-	-
4. Treasury stock	-	-	(137)	(0.1)	-	-
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>48,946</b>	<b>23.3</b>	<b>-</b>	<b>-</b>
<b>II Valuation and Translation Adjustments</b>						
1. Net unrealized gain on securities	-	-	2,498	1.2	-	-
2. Deferred hedge loss	-	-	(299)	(0.2)	-	-
<b>Total valuation and translation adjustments</b>	<b>-</b>	<b>-</b>	<b>2,199</b>	<b>1.0</b>	<b>-</b>	<b>-</b>
<b>Total net assets</b>	<b>-</b>	<b>-</b>	<b>51,146</b>	<b>24.3</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and net assets</b>	<b>-</b>	<b>-</b>	<b>210,738</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

### Nonconsolidated Income Statements

	Apr.-Sep., 2005		Apr.-Sep., 2006		Apr., 2005-Mar., 2006	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Net sales</b>	73,088	100.0	64,800	100.0	161,924	100.0
<b>Cost of sales</b>	68,199	93.3	61,157	94.4	151,226	93.4
Gross profit	4,889	6.7	3,642	5.6	10,697	6.6
<b>Selling, general and administrative expenses</b>	4,626	6.3	3,610	5.5	8,644	5.3
Operating income	262	0.4	32	0.1	2,053	1.3
<b>Non-operating income</b>						
1. Interest and dividends income	664		888		1,361	
2. Other non-operating income	35	700	65	953	148	1,510
<b>Non-operating expenses</b>						
1. Interest expense	437		330		818	
2. Other non-operating expenses	154	591	360	690	336	1,155
Ordinary income		371		295		2,408
<b>Extraordinary gain</b>						
1. Gain on sales of investment securities	335	335	241	241	860	860
<b>Extraordinary loss</b>						
1. Loss on valuation of investment securities	30		-		30	
2. Loss on liquidation of subsidiaries	290		-		214	
3. Loss on impairment of fixed assets	28		-		434	
4. Loss from valuation of memberships	-	349	68	68	-	679
Income before income taxes		356		469		2,589
Income taxes (current)	(36)		(26)		(56)	
Income taxes (deferred)	267	230	269	242	82	25
Net Income		126		226		2,563
Earnings brought forward from previous year		1,638				1,638
Unappropriated earnings carried forward to following term		1,764				4,202

## New Orders, Sales and Backlog of Contracts

(Millions of yen)

		Backlog Beginning of term	New Orders	Total	Sales	Backlog End of term	
Apr. - Sep., 2005	Overseas	Chemical fertilizers	28,687	981	29,669	10,800	18,717
		Petrochemicals	27,507	44,628	72,135	10,432	52,563
		Refinery	6,701	2,147	8,849	1,985	6,728
		Energy-related	197,008	13,293	210,302	39,383	164,494
		General manufacturing facilities	4,749	1,089	5,838	1,523	4,320
		Information technology	0	-	0	-	-
		Others	946	618	1,564	368	1,197
		<b>Subtotal</b>	<b>265,600</b>	<b>62,758</b>	<b>328,359</b>	<b>64,494</b>	<b>248,022</b>
	Domestic	Petrochemicals	17,619	2,187	19,807	2,759	17,048
		Refinery	2,079	8,799	10,879	176	10,703
		Energy-related	23,000	1,082	24,082	2,087	21,995
		General manufacturing facilities	1,687	2,878	4,566	1,632	2,933
		Information technology	6,724	2,091	8,816	1,589	7,226
		Others	69	404	473	60	413
<b>Subtotal</b>		<b>51,182</b>	<b>17,443</b>	<b>68,625</b>	<b>8,306</b>	<b>60,319</b>	
<b>Grand total</b>		<b>12,549</b>				<b>2,709</b>	
		<b>316,783</b>	<b>80,202</b>	<b>396,985</b>	<b>72,800</b>	<b>308,342</b>	
Apr. - Sep., 2006	Overseas	Chemical fertilizers	9,738	367	10,105	2,882	7,221
		Petrochemicals	56,737	113,746	170,484	8,034	162,504
		Refinery	54,233	7,814	62,048	2,819	59,226
		Energy-related	151,079	64,241	215,320	26,298	178,404
		General manufacturing facilities	6,932	6,716	13,649	2,534	11,117
		Information technology	-	-	-	-	-
		Others	1,234	369	1,603	660	940
		<b>Subtotal</b>	<b>279,955</b>	<b>193,256</b>	<b>473,211</b>	<b>43,229</b>	<b>419,415</b>
	Domestic	Petrochemicals	23,470	6,732	30,203	4,404	25,798
		Refinery	18,517	4,387	22,905	6,321	16,548
		Energy-related	12,916	2,392	15,308	5,079	10,228
		General manufacturing facilities	2,433	1,422	3,856	1,760	2,095
		Information technology	1,519	3,004	4,523	2,957	1,564
		Others	695	494	1,189	796	393
<b>Subtotal</b>		<b>59,553</b>	<b>18,432</b>	<b>77,985</b>	<b>21,318</b>	<b>56,628</b>	
<b>Grand total</b>		<b>4,257</b>				<b>3,683</b>	
		<b>339,509</b>	<b>211,688</b>	<b>551,197</b>	<b>64,548</b>	<b>476,043</b>	
Apr., 2005 - Mar., 2006	Overseas	Chemical fertilizers	28,687	4,094	32,782	15,204	9,738
		Petrochemicals	27,507	57,347	84,854	18,745	56,737
		Refinery	6,701	51,404	58,106	3,229	54,233
		Energy-related	197,008	37,359	234,367	77,482	151,079
		General manufacturing facilities	4,749	5,582	10,331	3,407	6,932
		Information technology	0	-	0	-	-
		Others	946	1,257	2,203	971	1,234
		<b>Subtotal</b>	<b>265,600</b>	<b>157,045</b>	<b>422,646</b>	<b>119,041</b>	<b>279,955</b>
	Domestic	Petrochemicals	17,619	25,212	42,832	19,355	23,470
		Refinery	2,079	18,072	20,152	1,632	18,517
		Energy-related	23,000	1,551	24,551	7,954	12,916
		General manufacturing facilities	1,687	4,538	6,226	3,791	2,433
		Information technology	6,724	3,981	10,705	9,186	1,519
		Others	69	1,057	1,126	431	695
<b>Subtotal</b>		<b>51,182</b>	<b>54,413</b>	<b>105,595</b>	<b>42,351</b>	<b>59,553</b>	
<b>Grand total</b>		<b>12,549</b>				<b>4,257</b>	
		<b>316,783</b>	<b>211,458</b>	<b>528,241</b>	<b>161,392</b>	<b>339,509</b>	

- Notes:
1. Amounts are rounded down to the nearest million yen and exclude Consumption Tax of Japan.
  2. Sales figures include effects of change in exchange rates upon the orders in currencies other than the Japanese Yen. Such effects are ¥1,460 million for Apr. - Sep., 2005, ¥1,235 million for Apr. - Sep., 2006 and ¥5,927 million for Apr., 2005 - Mar., 2006.
  3. Decreased prices of orders awarded in prior years are deducted from the "backlog, end of term". The deducted amounts are ¥17,303 million for Apr. - Sep., 2005, ¥11,840 million for Apr. - Sep., 2006 and ¥33,267 million for Apr., 2005 - Mar., 2006.
  4. represents increase (decrease) due to changes in exchange rates.
  5. Differences between the sales above and those of the nonconsolidated income statements are sales in Real Estate business segment (nonconsolidated basis), which amount to ¥287 million for Apr. - Sep., 2005, ¥251 million for Apr. - Sep., 2006 and ¥531 million for Apr., 2005 - Mar., 2006.