

Consolidated Financial Statements [Summary]

For the Fiscal Year Ending March 31, 2014

May 14, 2014

TOYO ENGINEERING CORPORATION

(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 fiscal year ended March 31, 2014

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

(1) Consolidated operating results

(% of changes from the the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2013	230,124	0.6	455	(71.4)	4,942	22.6	967	(33.6)
FY2012	228,723	44.9	1,593	(70.2)	4,032	(21.0)	1,457	(60.9)

(Reference) Comprehensive income (millions of yen):

FY2013 : 4,088 28.6%

FY2012 : 3,178 22.4%

	Net income per share	Net income per share (diluted)	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2013	5.05	-	1.4	2.0	0.2
FY2012	7.60	-	2.1	1.7	0.7

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

FY2013 : 2,232

FY2012 : 690

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
FY2013	257,480	74,831	28.5	382.61
FY2012	240,694	71,091	28.9	363.15

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

FY2013 : 73,373

FY2012 : 69,661

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2013	21,244	(1,638)	3,167	96,934
FY2012	(18,986)	(1,587)	(532)	71,675

2. Dividends

	Cash dividends per share					Total Cash dividends (Annual)	Payout ratio (Consolidated)	Cash dividends as a percentage of net assets (Consolidated)
	Q1	Q2	Q3	Q4	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2012	-	0.00	-	5.00	5.00	959	65.8	1.4
FY2013	-	0.00	-	3.00	3.00	575	59.5	0.8
FY2014 (Forecast)	-	4.00	-	4.00	8.00		25.6	

3. Forecast of consolidated operating results for FY2014 (April 1, 2014-March 31, 2015)

(% of changes from the corresponding periods of the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	290,000	26.0	7,000	-	10,000	102.3	6,000	520.0	31.29

4. Others

(1) Significant changes in scope of consolidation : No

(2) Number of shares issued

Number of shares issued at end of term (including treasury stocks)

FY2013 : 192,792,539

FY2012 : 192,792,539

Number of treasury stocks at end of term

FY2013 : 1,024,116

FY2012 : 965,838

Average number of stock outstanding during the period: FY2013 and FY2012

FY2013 : 191,800,489

FY2012 : 191,860,029

(Reference) Non-consolidated business results**1. Business results for the fiscal year ended March 31, 2014**

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

(1) Non-consolidated operating results

(% of the changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2013	147,622	(9.6)	5,484	(12.7)	8,613	(7.5)	(2,507)	-
FY2012	163,328	45.1	6,285	10.9	9,314	58.9	4,330	3.4

	Net income per share	Net income per share (diluted)
	Yen	Yen
FY2013	(13.07)	-
FY2012	22.57	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
FY2013	202,111	68,300	33.8	356.16
FY2012	204,425	70,703	34.6	368.58

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

FY2013 : 68,300

FY2012 : 70,703

* 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 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, 2013		March 31, 2014	
	Millions of yen		Millions of yen	
[ASSETS]				
I Current assets				
1 Cash and deposits		52,328		73,814
2 Notes and accounts receivable		54,423		48,362
3 Marketable securities		21,376		25,025
4 Work in progress		33,308		34,462
5 Deferred tax assets		3,010		2,977
6 Other receivables		22,478		12,931
7 Other		5,849		7,434
8 Less: Allowance for doubtful accounts		(4,258)		(2,969)
Total current assets		188,517		202,041
II Noncurrent assets				
(1) Property, plant and equipment				
1 Buildings and structures		26,525		26,762
2 Machinery, vehicle, tools, furniture and fixtures		5,219		5,708
3 Land		17,378		17,506
4 Leased assets		1,852		1,824
5 Construction in progress		75		7
6 Less: Accumulated depreciation and impairment loss		(19,864)		(21,447)
Total property, plant and equipment		31,187		30,363
(2) Intangible assets				
1 Goodwill		2,570		1,619
2 Other		2,918		3,466
Total intangible assets		5,489		5,085
(3) Investments and other assets				
1 Investment securities		11,642		16,533
2 Long-term loans receivable		4,578		4,576
3 Deferred tax assets		1,034		443
4 Other		3,137		3,288
5 Less: Allowance for doubtful accounts		(4,892)		(4,851)
Total investments and other assets		15,500		19,990
Total noncurrent assets		52,177		55,439
Total assets		240,694		257,480
[LIABILITIES]				
I Current liabilities				
1 Notes and accounts payable		60,370		55,764
2 Short-term loans payable		12,712		10,580
3 Income taxes payable		2,297		1,164
4 Advance receipts on uncompleted contracts		44,487		56,519
5 Reserve for bonuses		1,103		1,124
6 Reserve for compensation for completed works		80		79
7 Reserve for loss on construction contracts		4,422		3,497
8 Other		7,656		11,433
Total current liabilities		133,130		140,164
II Noncurrent liabilities				
1 Long-term loans payable		26,477		33,535
2 Lease obligations		670		488
3 Deferred tax liabilities		7		360
4 Reserve for retirement benefits		5,202		-
5 Net defined benefit liability		-		3,677
6 Reserve for repairs		705		808
7 Other		3,408		3,613
Total noncurrent liabilities		36,472		42,484
Total liabilities		169,603		182,649
[NET ASSETS]				
I Shareholders' equity				
1 Capital stock		18,198		18,198
2 Capital surplus		20,759		20,759
3 Retained earnings		31,537		31,546
4 Treasury stock		(383)		(408)
Total shareholders' equity		70,111		70,095
II Accumulated other comprehensive income				
1 Net unrealized gain on available-for-sale securities		665		1,288
2 Deferred gains or losses on hedges		(647)		(1,133)
3 Foreign currency translation adjustments		(468)		2,427
4 Remeasurements of defined benefit plans		-		695
Total accumulated other comprehensive income		(449)		3,277
III Minority interest		1,429		1,458
Total net assets		71,091		74,831
Total liabilities and net assets		240,694		257,480

Consolidated Statements of Income

		Apr. 1, 2012- Mar. 31, 2013		Apr. 1, 2013- Mar. 31, 2014	
		Millions of yen		Millions of yen	
I	Net sales		228,723		230,124
II	Cost of sales		204,523		204,968
	Gross profit		24,200		25,155
III	Selling, general and administrative expenses		22,606		24,699
	Operating income		1,593		455
IV	Non-operating income				
	1 Interest income	685		824	
	2 Dividends income	553		209	
	3 Foreign exchange gains	1,297		649	
	4 Equity in earnings of affiliates	690		2,232	
	5 Reversal of allowance for doubtful accounts	-		1,398	
	6 Other	535	3,762	437	5,751
V	Non-operating expenses				
	1 Interest expenses	1,110		1,008	
	2 Other	212	1,323	256	1,264
	Ordinary income		4,032		4,942
VI	Extraordinary gain				
	1 Gain on sales of noncurrent assets	607		-	
	2 Gain on sales of investment securities	-		501	
	3 Gain on change in equity	-	607	1,518	2,020
VII	Extraordinary loss				
	1 Impairment loss	79		1,289	
	2 Amortization of goodwill	915		-	
	3 Loss on valuation of investment securities	660		-	
	4 Loss on valuation of investments in capital of subsidiaries and affiliates	0	1,656	-	1,289
	Income before income taxes and minority interests		2,982		5,673
	Income taxes-current	3,949		4,439	
	Income taxes-deferred	(1,808)	2,140	181	4,621
	Income before minority interests		842		1,051
	Minority interests in income (loss)		(614)		84
	Net income		1,457		967

Consolidated Statements of Comprehensive Income

		Apr. 1, 2012- Mar. 31, 2013		Apr. 1, 2013- Mar. 31, 2014	
		Millions of yen		Millions of yen	
I	Income before minority interests		842		1,051
II	Other comprehensive income				
1	Net unrealized gain on available-for-sale securities	439		623	
2	Deferred gains or losses on hedges	(601)		463	
3	Foreign currency translation adjustments	2,214		2,195	
4	Share of other comprehensive income of associates accounted for using equity method	283	2,335	(244)	3,036
	Comprehensive income		3,178		4,088
	Comprehensive income attributable to				
	Comprehensive income attributable to owners of the parent		3,759		4,000
	Comprehensive income attributable to minority interests		(580)		88

Consolidated Statement of Changes in Net Assets

From April 1, 2012 through March 31, 2013

	Shareholders' equity					Accumulated other comprehensive income				Minority interest	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of year (Millions of yen)	18,198	20,759	31,203	(363)	69,798	228	(45)	(2,931)	(2,751)	2,219	69,265
Effect of changes in accounting policies applied to foreign subsidiaries											
Changes in the fiscal year											
Dividends paid to shareholders			(1,151)		(1,151)						(1,151)
Net income			1,457		1,457						1,457
Purchase of treasury stock				(21)	(21)						(21)
Sale of treasury stock		(0)		0	0						0
Change of scope of consolidation			27		27						27
Net changes of items other than shareholders' equity						440	(601)	2,463	2,301	(789)	1,512
Total changes in the fiscal year (Millions of yen)		(0)	334	(20)	313	440	(601)	2,463	2,301	(789)	1,825
Balance at end of year (Millions of yen)	18,198	20,759	31,537	(383)	70,111	668	(647)	(468)	(449)	1,429	71,091

From April 1, 2013 through March 31, 2014

	Shareholders' equity					Accumulated other comprehensive income				Minority interest	Total net assets	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans			Total accumulated other comprehensive income
Balance at beginning of year (Millions of yen)	18,198	20,759	31,537	(383)	70,111	668	(647)	(468)		(449)	1,429	71,091
Effect of changes in accounting policies applied to foreign subsidiaries												
Changes in the fiscal year												
Dividends paid to shareholders			(959)		(959)							(959)
Net income			967		967							967
Purchase of treasury stock				(24)	(24)							(24)
Sale of treasury stock		0		0	0							0
Net changes of items other than shareholders' equity						623	(486)	2,895	695	3,727	28	3,756
Total changes in the fiscal year (Millions of yen)		0	8	(24)	(15)	623	(486)	2,895	695	3,727	28	3,740
Balance at end of year (Millions of yen)	18,198	20,759	31,546	(408)	70,095	1,288	(1,133)	2,427	695	3,277	1,458	74,831

Consolidated Statements of Cash Flows

	Apr. 1, 2012- Mar. 31, 2013	Apr. 1, 2013- Mar. 31, 2014
	Millions of yen	Millions of yen
I Net cash provided by (used in) operating activities		
1 Income before income taxes and minority interests	2,982	5,673
2 Depreciation and amortization	2,570	2,633
3 Amortization of goodwill	1,572	452
4 Increase (decrease) in allowance for doubtful accounts	625	(1,347)
5 Impairment loss	79	1,289
6 Increase (decrease) in accrued retirement benefits	(179)	-
7 Increase (decrease) in net defined benefit liability	-	(454)
8 Increase (decrease) in provision for loss on construction contracts	2,918	(1,150)
9 Interest and dividends income	(1,238)	(1,033)
10 Interest expenses	1,110	1,008
11 Foreign exchange losses (gains)	34	(85)
12 Loss (gain) on sales of property, plant and equipment	(607)	(242)
13 Equity in (earnings) losses of affiliates	(690)	(2,232)
14 Loss (gain) on change in equity	-	(1,518)
15 Loss (gain) on sales of investment securities	(0)	(501)
16 Loss on valuation of investment securities	661	1
17 Decrease (increase) in notes and accounts receivable	(17,645)	7,475
18 Decrease (increase) in work in progress	(6,469)	13
19 Decrease (increase) in other receivables	(8,319)	9,573
20 Increase (decrease) in notes and accounts payable	9,492	(6,215)
21 Increase (decrease) in advances receipts on uncompleted contracts	(2,584)	10,307
22 Other, net	(1,097)	2,945
subtotal	(16,785)	26,591
23 Interest and dividends income received	1,456	2,108
24 Interest expenses paid	(1,119)	(1,018)
25 Income taxes paid	(2,537)	(6,437)
Net cash provided by (used in) operating activities	(18,986)	21,244
II Net cash provided by (used in) investing activities		
1 Net decrease (increase) in time deposits	132	447
2 Purchases of property, plant and equipment	(689)	(756)
3 Proceeds from sales of property, plant and equipment	1,185	311
4 Purchase of intangible assets	(1,132)	(1,329)
5 Purchase of investment securities	(1,854)	(1,193)
6 Proceeds from sales of investment securities	39	578
7 Other, net	730	302
Net cash provided by (used in) investing activities	(1,587)	(1,638)
III Net cash provided by (used in) financing activities		
1 Net Increase (decrease) in short-term loans payable	(1,075)	(2,665)
2 Proceeds from long-term loans payable	6,331	10,848
3 Repayment of long-term loans payable	(4,115)	(3,629)
4 Repayment of lease obligations	(466)	(339)
5 Cash dividends paid	(1,151)	(959)
6 Other, net	(54)	(88)
Net cash provided by (used in) financing activities	(532)	3,167
IV Effect of exchange rate change on cash and cash equivalents	2,123	2,486
V Net increase (decrease) in cash and cash equivalents	(18,983)	25,259
VI Cash and cash equivalents, beginning of the term	90,452	71,675
VII Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	206	-
VIII Cash and cash equivalents, end of the term	71,675	96,934

Segment Information

Fiscal Year Ended March 31,2013

Operating Segments

	Millions of yen					
	EPC Business	IT Business	Real Estate	Total	Adjustments	Consolidated
I Net sales and segment profits						
Net sales						
(1) Net sales to outside customers	215,505	10,991	2,226	228,723	—	228,723
(2) Inter-segment net sales	158	32	231	422	(422)	—
Total	215,664	11,023	2,458	229,146	(422)	228,723
Segment profits	275	344	975	1,596	(2)	1,593
II Segment Assets	211,554	4,912	18,438	234,906	5,788	240,694
III Others						
Depreciation	1,300	713	465	2,479	(0)	2,479
Amortization of goodwill	1,583	—	—	1,583	—	1,583
Amount invested in equity method affiliates	5,190	—	—	5,190	—	5,190
Increase of fixed assets	1,014	602	4	1,620	(2)	1,618

Notes:

- "Adjustments" for Segment profits represents the elimination of inter-segment transactions.
- "Segment profits" represents operating income from Consolidated Statement of Income.
- The Companies' reportable operating segments consist of the following three business groups:
 EPC Business - Research and development, design, engineering, procurement, and construction of a variety of plants, such as oil, gas, petro chemistry, and general chemistry.
 IT Business - Solution business based on other companies' ERP package products and product business based on our subsidiary ERP package products, etc.
 Real Estate - Rent of commercial facilities and residences, and administration.
- Segment assets adjustments 5,788 million yen includes inter-segment eliminations (293) million yen and non-allocated corporate assets 6,082 million yen, which is chiefly the Company's investment securities attributed to its administrative department.

Fiscal Year Ended March 31,2014

Operating Segments

	Millions of yen					
	EPC Business	IT Business	Real Estate	Total	Adjustments	Consolidated
I Net sales and segment profits						
Net sales						
(1) Net sales to outside customers	215,996	12,062	2,065	230,124	—	230,124
(2) Inter-segment net sales	167	113	180	461	(461)	—
Total	216,163	12,176	2,245	230,585	(461)	230,124
Segment profits (losses)	(885)	453	907	475	(19)	455
II Segment Assets	227,927	5,718	17,202	250,849	6,631	257,480
III Others						
Depreciation	1,513	681	424	2,619	(1)	2,618
Amortization of goodwill	463	—	—	463	—	463
Amount invested in equity method affiliates	9,103	—	—	9,103	—	9,103
Increase of fixed assets	1,643	681	18	2,343	(20)	2,322

Notes:

- "Adjustments" for Segment profits represents the elimination of inter-segment transactions.
- "Segment profits" represents operating income from Consolidated Statement of Income.
- The Companies' reportable operating segments consist of the following three business groups:
 EPC Business - Research and development, design, engineering, procurement, and construction of a variety of plants, such as oil, gas, petro chemistry, and general chemistry.
 IT Business - Solution business based on other companies' ERP package products and product business based on our subsidiary ERP package products, etc.
 Real Estate - Rent of commercial facilities and residences, and administration.
- Segment assets adjustments 6,631 million yen includes inter-segment eliminations (313) million yen and non-allocated corporate assets 6,944 million yen, which is chiefly the Company's investment securities attributed to its administrative department.

Consolidated New Orders, Net Sales and Backlog of Contracts

(1) New Orders and Backlog of Contracts

			Millions of yen				
			Backlog Beginning of year	New Orders	Total	Net Sales	Backlog End of year
Apr. 1, 2012- Mar. 31, 2013	Overseas	Chemical fertilizers	74,762	114,753	189,515	37,892	151,351
		Petrochemicals	71,795	70,037	141,833	37,481	98,404
		Oil refinery	9,952	49,831	59,784	11,537	47,441
		Energy-related	85,812	6,327	92,140	58,644	34,040
		General manufacturing facilities	20,872	3,159	24,032	17,517	6,311
		Information technology	120	468	588	468	119
		Others	65,117	8,462	73,579	20,766	48,425
		Subtotal	328,433	253,040	581,473	184,308	386,094
	Domestic	Petrochemicals	6,293	6,552	12,845	5,651	7,150
		Oil refinery	1,585	8,853	10,439	6,068	4,369
		Energy-related	8,279	2,340	10,620	3,133	7,482
		General manufacturing facilities	10,554	1,330	11,884	9,693	853
		Information technology	3,035	11,465	14,501	10,522	3,861
		Others	938	6,860	7,799	7,117	681
		Subtotal	30,687	37,403	68,090	42,188	24,398
	Grand total	*(1,138)				*12,772	
		359,120	290,444	649,564	226,497	410,492	
Apr. 1, 2013- Mar. 31, 2014	Overseas	Chemical fertilizers	151,351	27,281	178,633	44,656	138,578
		Petrochemicals	98,404	168,229	266,633	65,799	204,225
		Oil refinery	47,441	84,339	131,780	24,358	107,393
		Energy-related	34,040	12,974	47,014	12,405	10,608
		General manufacturing facilities	6,311	1,844	8,156	7,522	886
		Information technology	119	385	504	433	62
		Others	48,425	39,020	87,445	38,689	55,430
		Subtotal	386,094	334,074	720,168	193,865	517,185
	Domestic	Petrochemicals	7,150	3,469	10,619	4,033	6,586
		Oil refinery	4,369	2,963	7,333	5,567	1,765
		Energy-related	7,482	1,015	8,497	4,234	4,262
		General manufacturing facilities	853	1,236	2,090	1,598	201
		Information technology	3,861	11,730	15,591	11,628	3,864
		Others	681	10,646	11,327	7,131	4,158
		Subtotal	24,398	31,062	55,460	34,193	20,838
	Grand total	*12,772				*25,714	
		410,492	365,137	775,629	228,059	538,023	

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

2. The effects of changes in exchange rates upon the orders in currencies other than Japanese Yen are included in figures.

The included amounts are 4,683 million yen for Apr.1,2012-Mar.31,2013 and 15,208 million yen for Apr.1,2013-Mar.31,2014

3. Decreased prices of orders awarded in prior years are deducted from the "Backlog, End of year".

The deducted amounts are 17,258 million yen for Apr.1, 2012-Mar.31, 2013 and 24,755 million yen for Apr.1, 2013-Mar.31, 2014.

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