

Consolidated Financial Statements [Summary]

For the Fiscal Year Ending March 31, 2016

May 13, 2016

TOYO ENGINEERING CORPORATION

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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, 2016

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

(1) Consolidated operating results (% of changes from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2015	299,813	(3.7)	11,087	-	3,873	-	3,038	-
FY2014	311,454	35.3	(7,356)	-	(25,280)	-	(20,965)	-

(Reference) Comprehensive income (millions of yen):

FY2015 : 8,492 -%

FY2014 : (25,534) -%

	Net income per share	Net income per share (diluted)	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2015	15.85	-	6.3	1.3	3.7
FY2014	(109.34)	-	(35.9)	(9.7)	(2.4)

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

FY2015 : (8,281)

FY2014 : (19,712)

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
FY2015	321,836	51,036	15.8	265.92
FY2014	261,609	44,979	17.2	234.20

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

FY2015 : 50,977

FY2014 : 44,899

(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
FY2015	46,376	(11,776)	1,099	124,125
FY2014	(4,192)	9,587	(14,341)	90,462

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	%	%
FY2014	-	4.00	-	0.00	4.00	766	-	1.3
FY2015	-	0.00	-	4.00	4.00	766	25.2	1.6
FY2016 (Forecast)	-	0.00	-	6.00	6.00		23.0	

(Notes) Cash dividends for the fiscal year ended March 31, 2016 include other capital surplus. See the "Breakdown of cash dividends paid out of other capital surplus" below for details.

3. Forecast of consolidated operating results for FY2016 (April 1, 2016-March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	450,000	50.1	12,500	12.7	10,500	171.1	5,000	64.6	26.08

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)

FY2015 : 192,792,539

FY2014 : 192,792,539

Number of treasury stocks at end of term

FY2015 : 1,089,256

FY2014 : 1,076,735

Average number of stock outstanding during the period: FY2015 and FY2014

FY2015 : 191,708,451

FY2014 : 191,741,309

(Reference) Non-consolidated business results

1. Business results for the fiscal year ended March 31, 2016

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		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2015	181,532	(5.6)	6,038	-	(6,675)	-	(6,157)	-
FY2014	192,246	30.2	(6,952)	-	(4,319)	-	(28,901)	-

	Net income per share		Net income per share (diluted)	
	Yen	Yen	Yen	Yen
FY2015	(32.12)	-	-	-
FY2014	(150.73)	-	-	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
FY2015	213,532	31,051	14.5	161.98
FY2014	191,771	29,966	15.6	156.31

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

FY2015 : 31,051

FY2014 : 29,966

* 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.

Breakdown of cash dividends paid out of other capital surplus

A breakdown of cash dividends paid out of other capital surplus for the fiscal year ended March 31, 2016 is shown below.

Record date	Fiscal year-end	Total
	Yen	Yen
Cash dividends per share	4.00	4.00
Total cash dividends	Millions of yen	Millions of yen
	766	766

(Notes) Ratio of decrease in net assets: 0.008

Consolidated Balance Sheets

	March 31, 2015		March 31, 2016	
	Millions of yen		Millions of yen	
[ASSETS]				
I Current assets				
1 Cash and deposits		90,753		126,815
2 Notes and accounts receivable		62,556		78,261
3 Marketable securities		2,354		998
4 Work in progress		33,744		54,418
5 Deferred tax assets		2,928		3,536
6 Other receivables		15,474		12,535
7 Other		8,738		4,925
8 Less: Allowance for doubtful accounts		(1,988)		(1,601)
Total current assets		214,561		279,889
II Noncurrent assets				
(1) Property, plant and equipment				
1 Buildings and structures		16,574		16,299
2 Machinery, vehicle, tools, furniture and fixtures		5,680		5,274
3 Land		9,398		6,944
4 Leased assets		291		197
5 Construction in progress		8		6
6 Less: Accumulated depreciation and impairment loss		(15,705)		(15,735)
Total property, plant and equipment		16,247		12,986
(2) Intangible assets				
1 Goodwill		6		5
2 Other		2,126		1,893
Total intangible assets		2,133		1,898
(3) Investments and other assets				
1 Investment securities		18,702		21,470
2 Long-term loans receivable		4,580		4,575
3 Deferred tax assets		5,559		1,168
4 Other		4,175		4,502
5 Less: Allowance for doubtful accounts		(4,351)		(4,654)
Total investments and other assets		28,666		27,061
Total noncurrent assets		47,047		41,946
Total assets		261,609		321,836
[LIABILITIES]				
I Current liabilities				
1 Notes and accounts payable		86,007		85,653
2 Short-term loans payable		8,233		13,793
3 Income taxes payable		472		1,928
4 Advance receipts on uncompleted contracts		44,288		112,994
5 Reserve for bonuses		555		724
6 Reserve for compensation for completed works		123		67
7 Reserve for loss on construction contracts		3,924		1,404
8 Forward exchange contracts		15,373		7,316
9 Other		11,505		10,021
Total current liabilities		170,483		233,905
II Noncurrent liabilities				
1 Long-term loans payable		23,604		18,764
2 Lease obligations		64		52
3 Deferred tax liabilities		9		835
4 Net defined benefit liability		4,693		5,732
5 Provision for loss on business of subsidiaries and affiliates		508		458
6 Liabilities accounted for using equity method		15,447		9,288
7 Other		1,818		1,762
Total noncurrent liabilities		46,146		36,894
Total liabilities		216,630		270,799
[NET ASSETS]				
I Shareholders' equity				
1 Capital stock		18,198		18,198
2 Capital surplus		20,759		17,656
3 Retained earnings		7,724		11,433
4 Treasury stock		(432)		(436)
Total shareholders' equity		46,249		46,852
II Accumulated other comprehensive income				
1 Net unrealized gain on available-for-sale securities		2,299		3,862
2 Deferred gains or losses on hedges		(9,717)		(4,761)
3 Foreign currency translation adjustments		4,759		4,936
4 Remeasurements of defined benefit plans		1,308		87
Total accumulated other comprehensive income		(1,350)		4,124
III Non-controlling interests		79		58
Total net assets		44,979		51,036
Total liabilities and net assets		261,609		321,836

Consolidated Statements of Income

		Apr. 1, 2014- Mar. 31, 2015		Apr. 1, 2015- Mar. 31, 2016	
		Millions of yen		Millions of yen	
I	Net sales		311,454		299,813
II	Cost of sales		294,240		269,299
	Gross profit		17,214		30,513
III	Selling, general and administrative expenses		24,570		19,426
	Operating income (loss)		(7,356)		11,087
IV	Non-operating income				
1	Interest income	939		585	
2	Dividends income	160		308	
3	Foreign exchange gains	388		735	
4	Reversal of allowance for doubtful accounts	1,218		75	
5	Other	652	3,360	337	2,041
V	Non-operating expenses				
1	Interest expenses	740		356	
2	Equity in losses of affiliates	19,712		8,281	
3	Other	831	21,284	617	9,255
	Ordinary income (loss)		(25,280)		3,873
VI	Extraordinary gain				
1	Gain on sales of noncurrent assets	6,175		2,502	
2	Gain on sales of investment securities	-		1,442	
3	Gain on sales of shares of subsidiaries and affiliates	-		880	
4	Gain on sales of shares of subsidiaries	908		-	
5	Gain on sales of investments in capital of subsidiaries and affiliates	98		-	
6	Reversal of reserve for repairs	766	7,949	-	4,824
VII	Extraordinary loss				
1	Loss on sales of noncurrent assets	138		-	
2	Amortization of goodwill	1,453		-	
3	Loss on sales of shares of subsidiaries	2,522		-	
4	Loss on valuation of shares of subsidiaries	34		-	
5	Provision for loss on business of subsidiaries and affiliates	508	4,657	-	-
	Profit (loss) before income taxes		(21,989)		8,697
	Income taxes-current	1,203		2,596	
	Income taxes-deferred	(2,279)	(1,076)	3,085	5,682
	Profit (loss)		(20,913)		3,015
	Profit (loss) attributable to non-controlling interests		52		(22)
	Profit (loss) attributable to owners of parent		(20,965)		3,038

Consolidated Statements of Comprehensive Income

		Apr. 1, 2014- Mar. 31, 2015		Apr. 1, 2015- Mar. 31, 2016	
		Millions of yen		Millions of yen	
I	Profit (loss)		(20,913)		3,015
II	Other comprehensive income				
1	Net unrealized gain on available-for-sale securities	1,010		1,563	
2	Deferred gains or losses on hedges	(7,660)		3,064	
3	Foreign currency translation adjustments	1,587		(1,418)	
4	Remeasurements of defined benefit plans	613		(1,221)	
5	Share of other comprehensive income of affiliates accounted for using equity method	(172)	(4,621)	3,489	5,477
	Comprehensive income		(25,534)		8,492
	Comprehensive income attributable to				
	Comprehensive income attributable to owners of parent		(25,593)		8,513
	Comprehensive income attributable to non-controlling interests		58		(21)

Consolidated Statement of Changes in Net Assets

From April 1, 2014 through March 31, 2015

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling 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	31,546	(408)	70,095	1,288	(1,133)	2,427	695	3,277	1,458	74,831
Cumulative effects of changes in accounting policies			(1,514)		(1,514)					—		(1,514)
Balance at beginning of year applied the change in accounting policies (Millions of yen)	18,198	20,759	30,032	(408)	68,581	1,288	(1,133)	2,427	695	3,277	1,458	73,317
Changes in the fiscal year												
Dividends paid to shareholders			(1,342)		(1,342)							(1,342)
Loss attributable to owners of parent			(20,965)		(20,965)							(20,965)
Purchase of treasury stock				(23)	(23)							(23)
Net changes of items other than shareholders' equity					—	1,010	(8,584)	2,332	613	(4,627)	(1,378)	(6,006)
Total changes in the fiscal year (Millions of yen)	—	—	(22,307)	(23)	(22,331)	1,010	(8,584)	2,332	613	(4,627)	(1,378)	(28,338)
Balance at end of year (Millions of yen)	18,198	20,759	7,724	(432)	46,249	2,299	(9,717)	4,759	1,308	(1,350)	79	44,979

From April 1, 2015 through March 31, 2016

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling 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	7,724	(432)	46,249	2,299	(9,717)	4,759	1,308	(1,350)	79	44,979
Cumulative effects of changes in accounting policies					—							—
Balance at beginning of year applied the change in accounting policies (Millions of yen)	18,198	20,759	7,724	(432)	46,249	2,299	(9,717)	4,759	1,308	(1,350)	79	44,979
Changes in the fiscal year												
Reversal of capital surplus		(3,102)	3,102		—							—
Profit attributable to owners of parent			3,038		3,038							3,038
Change of scope of equity method			(2,431)		(2,431)							(2,431)
Purchase of treasury stock				(3)	(3)							(3)
Net changes of items other than shareholders' equity					—	1,563	4,956	177	(1,221)	5,475	(21)	5,454
Total changes in the fiscal year (Millions of yen)	—	(3,102)	3,709	(3)	603	1,563	4,956	177	(1,221)	5,475	(21)	6,057
Balance at end of year (Millions of yen)	18,198	17,656	11,433	(436)	46,852	3,862	(4,761)	4,936	87	4,124	58	51,036

Consolidated Statements of Cash Flows

	Apr. 1, 2014- Mar. 31, 2015	Apr. 1, 2015- Mar. 31, 2016
	Millions of yen	Millions of yen
I Net cash provided by (used in) operating activities		
1 Profit (loss) before income taxes	(21,989)	8,697
2 Depreciation and amortization	2,489	1,532
3 Amortization of goodwill	1,686	(9)
4 Increase (decrease) in allowance for doubtful accounts	(1,363)	(84)
5 Increase (decrease) in net defined benefit liability	2,127	(1,020)
6 Increase (decrease) in provision for loss on construction contracts	409	(2,514)
7 Interest and dividends income	(1,100)	(893)
8 Interest expenses	740	356
9 Foreign exchange losses (gains)	584	(100)
10 Loss (gain) on sales of property, plant and equipment	(6,157)	(2,501)
11 Equity in (earnings) losses of affiliates	19,712	8,281
12 Loss (gain) on sales of investment securities	(20)	(1,442)
13 Loss (gain) on sales of shares of subsidiaries	1,613	-
14 Loss (gain) on sales of shares of subsidiaries and affiliates	-	(880)
15 Loss (gain) on valuation of shares of subsidiaries	34	-
16 Decrease (increase) in notes and accounts receivable	(13,986)	(17,637)
17 Decrease (increase) in work in progress	529	(21,300)
18 Decrease (increase) in other receivables	(1,738)	2,154
19 Increase (decrease) in notes and accounts payable	29,353	1,481
20 Increase (decrease) in advances receipts on uncompleted contracts	(14,039)	70,293
21 Increase (decrease) in reserve for repairs	(685)	-
22 Increase (decrease) in provision for loss on business of subsidiaries and affiliates	508	(50)
23 Other, net	(2,659)	102
subtotal	(3,952)	44,465
24 Interest and dividends income received	2,059	2,782
25 Interest expenses paid	(767)	(351)
26 Income taxes paid	(1,532)	(519)
Net cash provided by (used in) operating activities	(4,192)	46,376
II Net cash provided by (used in) investing activities		
1 Net decrease (increase) in time deposits	(528)	(512)
2 Purchases of property, plant and equipment	(575)	(281)
3 Proceeds from sales of property, plant and equipment	17,022	4,988
4 Purchase of intangible assets	(903)	(581)
5 Purchase of investment securities	(274)	(3)
6 Proceeds from sales of investment securities	38	2,358
7 Proceeds from sales of shares of subsidiaries and affiliates	-	1,661
8 Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(196)	-
9 Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	852	-
10 Net decrease (increase) in short-term loans receivable	(5,554)	(18,527)
11 Other, net	(291)	(878)
Net cash provided by (used in) investing activities	9,587	(11,776)
III Net cash provided by (used in) financing activities		
1 Net Increase (decrease) in short-term loans payable	(2,608)	532
2 Proceeds from long-term loans payable	1,800	6,685
3 Repayment of long-term loans payable	(11,877)	(6,059)
4 Repayment of lease obligations	(243)	(55)
5 Cash dividends paid	(1,342)	-
6 Other, net	(69)	(3)
Net cash provided by (used in) financing activities	(14,341)	1,099
IV Effect of exchange rate change on cash and cash equivalents	2,473	(2,035)
V Net increase (decrease) in cash and cash equivalents	(6,472)	33,663
VI Cash and cash equivalents, beginning of the term	96,934	90,462
VII Cash and cash equivalents, end of the term	90,462	124,125

Segment Information

Fiscal Year Ended March 31,2015

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	301,062	8,426	1,966	311,454	—	311,454
(2) Inter-segment net sales	129	50	179	359	(359)	—
Total	301,191	8,476	2,145	311,813	(359)	311,454
Segment profits (losses)	(8,367)	178	812	(7,376)	19	(7,356)
II Segment Assets	253,256	—	—	253,256	8,352	261,609
III Others						
Depreciation	1,549	476	445	2,471	53	2,525
Amortization of goodwill	1,697	—	—	1,697	—	1,697
Amount invested in equity method affiliates	9,952	—	—	9,952	—	9,952
Increase of fixed assets	966	463	20	1,450	(5)	1,445

Notes:

1. "Adjustments" for Segment profits (losses) represents the elimination of inter-segment transactions.
2. "Segment profits (losses)" is adjusted with the operating loss from the Consolidated Statement of Income.
3. 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.
4. Segment assets adjustments includes non-allocated corporate assets 8,352 million yen, which is chiefly the Company's investment securities attributed to its administrative department.
5. Amortization of goodwill includes "amortization of goodwill" of extraordinary loss.

Fiscal Year Ended March 31,2016

The company sold parts of shares of Toyo-Business Engineering Corporation, which consists of IT Business, and all of shares of Tec Estate Corporation, which consists of Real Estate Business in the fiscal year ended March 31, 2015. Accordingly, from the first quarter of fiscal year 2015 the company's reportable operating segment has a single segment, namely EPC Business.

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, 2014- Mar. 31, 2015	Overseas	Chemical fertilizers	138,578	6,108	144,686	63,664	39,514
		Petrochemicals	204,225	278,906	483,131	123,491	373,482
		Oil refinery	107,393	13,534	120,928	49,281	64,078
		Energy-related	10,608	17,063	27,671	6,304	21,508
		General manufacturing facilities	886	5,307	6,193	4,133	2,050
		Information technology	62	260	322	248	-
		Others	55,430	3,338	58,768	23,423	34,462
	Subtotal		517,185	324,519	841,704	270,548	535,096
	Domestic	Petrochemicals	6,586	4,263	10,850	7,732	3,117
		Oil refinery	1,765	1,934	3,700	2,481	1,157
		Energy-related	4,262	119,312	123,574	9,339	114,235
		General manufacturing facilities	201	2,925	3,126	757	2,368
		Information technology	3,864	8,092	11,957	8,177	-
		Others	4,158	9,321	13,479	10,451	3,028
Subtotal		20,838	145,850	166,688	38,940	123,908	
Grand total		*25,714				*36,930	
Grand total		538,023	470,369	1,008,392	309,488	659,005	
Apr. 1, 2015- Mar. 31, 2016	Overseas	Chemical fertilizers	39,514	77,409	116,923	13,049	105,091
		Petrochemicals	373,482	217,240	590,723	124,896	492,204
		Oil refinery	64,078	25,239	89,318	66,451	17,525
		Energy-related	21,508	74,877	96,386	22,153	73,404
		General manufacturing facilities	2,050	1,251	3,301	2,950	110
		Others	34,462	9,281	43,743	20,386	23,072
		Subtotal		535,096	405,299	940,395	249,887
	Domestic	Petrochemicals	3,117	1,889	5,007	2,216	2,503
		Oil refinery	1,157	7	1,165	7	1,157
		Energy-related	114,235	22,897	137,133	33,123	104,010
		General manufacturing facilities	2,368	3,878	6,247	4,766	1,598
		Others	3,028	9,563	12,592	9,810	2,387
		Subtotal		123,908	38,238	162,146	49,925
	Grand total		*36,930				*(9,392)
Grand total		659,005	443,537	1,102,542	299,813	823,066	

- Notes :
1. Amounts are rounded down to the nearest million yen and exclude Consumption Tax of Japan.
 2. Net sales include corresponding amounts of the effects of changes in exchange rates upon the orders in currencies other than Japanese Yen.
The included amounts are 29,317 million yen for Apr.1,2014-Mar.31,2015 and (1,921) million yen for Apr.1,2015-Mar.31,2016
 3. Adjustment of orders awarded in prior years are included in the "Backlog, End of term".
The included amounts are (69,216) million yen for Apr. 1, 2014-Mar. 31, 2015 and 22,259 million yen for Apr.1, 2015-Mar. 31, 2016.
 4. Asterisks (*) represent increase (decrease) due to changes in exchange rates.
 5. While in the fiscal year ended March 31, 2015 the amounts of EPC Business and IT Business are presented, from the first quarter of fiscal year 2015, the amounts of EPC Business are presented as the company's reportable operating segment has a single segment, namely EPC Business.