

Consolidated Financial Results for the Second Quarter ended September 30, 2014

For the Fiscal Year Ending March 31, 2015

November 13, 2014

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 second quarter of fiscal year 2014(April 1, 2014 - September 30, 2014)

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

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Apr. 1, 2014 - Sep. 30, 2014	132,575	19.5	101	-	2,696	-	1,255	-
Apr. 1, 2013 - Sep. 30, 2013	110,982	2.5	△4,481	-	△2,316	-	△3,672	-

(Reference) Comprehensive income (millions of yen):

Apr. 1, 2014 - Sep. 30, 2014 : △ 2,460 -% Apr. 1, 2013 - Sep. 30, 2013: △ 2,839 -%

	Net income per share	Net income per share (diluted)
	Yen	Yen
Apr. 1, 2014 - Sep. 30, 2014	6.55	-
Apr. 1, 2013 - Sep. 30, 2013	△19.15	-

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2014	247,724	70,239	27.8
As of Mar. 31, 2014	257,480	74,831	28.5

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

Sep. 30, 2014: 68,786 Mar. 31, 2014: 73,373

2. Dividends

	Cash dividends per share				
	Q1	Q2	Q3	Q4	Annual
FY2013	- Yen	0.00 Yen	- Yen	3.00 Yen	3.00 Yen
FY2014	- Yen	4.00 Yen			
FY2014 (Forecast)			- Yen	4.00 Yen	8.00 Yen

3. Forecast of consolidated operating results for FY2014

(% 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	310,000	34.7	2,000	338.7	6,000	21.4	3,000	210.0	15.65

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)

Sep. 30, 2014: 192,792,539

Mar. 31, 2014: 192,792,539

Number of treasury stocks at end of term

Sep. 30, 2014: 1,053,365

Mar. 31, 2014: 1,024,116

Average number of stock outstanding during the period: Second quarter of FY2014 and FY2013

Second quarter of FY2014: 191,756,142

Second quarter of FY2013: 191,816,763

* 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.

Consolidated Balance Sheets

	March 31, 2014		September 30, 2014	
	Millions of yen		Millions of yen	
[ASSETS]				
I Current assets				
1 Cash and deposits		73,814		58,082
2 Notes and accounts receivable		48,362		38,167
3 Marketable securities		25,025		31,323
4 Work in progress		34,462		40,972
5 Deferred tax assets		2,977		3,187
6 Other receivables		12,931		13,664
7 Other		7,434		5,415
8 Less: Allowance for doubtful accounts		(2,969)		(1,983)
Total current assets		202,041		188,828
II Noncurrent assets				
(1) Property, plant and equipment				
1 Buildings and structures		26,762		26,721
2 Machinery, vehicle, tools, furniture and fixtures		5,708		5,828
3 Land		17,506		17,457
4 Leased assets		1,824		1,740
5 Construction in progress		7		43
6 Less: Accumulated depreciation and impairment loss		(21,447)		(22,100)
Total property, plant and equipment		30,363		29,692
(2) Intangible assets				
1 Goodwill		1,619		1,451
2 Other		3,466		3,425
Total intangible assets		5,085		4,877
(3) Investments and other assets				
1 Investment securities		16,533		18,176
2 Long-term loans receivable		4,576		4,577
3 Deferred tax assets		443		2,248
4 Other		3,288		4,135
5 Less: Allowance for doubtful accounts		(4,851)		(4,811)
Total investments and other assets		19,990		24,326
Total noncurrent assets		55,439		58,896
Total assets		257,480		247,724
[LIABILITIES]				
I Current liabilities				
1 Notes and accounts payable		55,764		60,831
2 Short-term loans payable		10,580		7,819
3 Income taxes payable		1,164		1,044
4 Advance receipts on uncompleted contracts		56,519		44,196
5 Reserve for bonuses		1,124		1,057
6 Reserve for compensation for completed works		79		137
7 Reserve for loss on construction contracts		3,497		3,809
8 Other		11,433		16,417
Total current liabilities		140,164		135,315
II Noncurrent liabilities				
1 Long-term loans payable		33,535		31,674
2 Lease obligations		488		345
3 Deferred tax liabilities		360		3
4 Reserve for repairs		808		861
5 Net defined benefit liability		3,677		5,718
6 Other		3,613		3,567
Total noncurrent liabilities		42,484		42,170
Total liabilities		182,649		177,485
[NET ASSETS]				
I Shareholders' equity				
1 Capital stock		18,198		18,198
2 Capital surplus		20,759		20,759
3 Retained earnings		31,546		30,712
4 Treasury stock		(408)		(421)
Total shareholders' equity		70,095		69,248
II Accumulated other comprehensive income				
1 Net unrealized gain on available-for-sale securities		1,288		1,698
2 Deferred gains or losses on hedges		(1,133)		(4,544)
3 Foreign currency translation adjustments		2,427		1,685
4 Remeasurements of defined benefit plans		695		698
Total accumulated other comprehensive income		3,277		(462)
III Minority interest		1,458		1,453
Total net assets		74,831		70,239
Total liabilities and net assets		257,480		247,724

Consolidated Statements of Income

		April 1, 2013- September 30, 2013		April 1, 2014- September 30, 2014	
		Millions of yen		Millions of yen	
I	Net sales		110,982		132,575
II	Cost of sales		104,282		120,628
	Gross profit		6,699		11,947
III	Selling, general and administrative expenses		11,181		11,845
	Operating income (loss)		(4,481)		101
IV	Non-operating income				
	1 Interest income	460		454	
	2 Dividends income	112		93	
	3 Foreign exchange gains	—		68	
	4 Equity in earnings of affiliates	939		1,271	
	5 Reversal of allowance for doubtful accounts	1,193		1,000	
	6 Other	104	2,811	262	3,152
V	Non-operating expenses				
	1 Interest expenses	489		416	
	2 Foreign exchange losses	31		—	
	3 Other	125	646	140	557
	Ordinary income (loss)		(2,316)		2,696
	Income (loss) before income taxes and minority interests		(2,316)		2,696
	Income taxes		1,338		1,418
	Income (loss) before minority interests		(3,654)		1,278
	Minority interests in income		18		22
	Net income (loss)		(3,672)		1,255

Consolidated Statements of Comprehensive Income

		April 1, 2013- September 30, 2013		April 1, 2014- September 30, 2014	
		Millions of yen		Millions of yen	
I	Income (loss) before minority interests		(3,654)		1,278
II	Other comprehensive income				
1	Net unrealized gain on available-for-sale securities	625		409	
2	Deferred gains or losses on hedges	578		(3,101)	
3	Foreign currency translation adjustments	515		(825)	
4	Remeasurements of defined benefit plans	—		3	
5	Share of other comprehensive income of associates accounted for using equity method	(904)	815	(225)	(3,738)
	Comprehensive income		(2,839)		(2,460)
	Comprehensive income attributable to				
	Comprehensive income attributable to owners of the parent		(2,855)		(2,484)
	Comprehensive income attributable to minority interests		16		24

Consolidated Statements of Cash Flows

	April 1, 2013- September 30, 2013	April 1, 2014- September 30, 2014
	Millions of yen	Millions of yen
I Net cash provided by (used in) operating activities		
1 Income (loss) before income taxes and minority interests	(2,316)	2,696
2 Depreciation and amortization	1,209	1,383
3 Amortization of goodwill	210	106
4 Increase (decrease) in allowance for doubtful accounts	(1,193)	(1,021)
5 Increase (decrease) in accrued retirement benefits	(281)	—
6 Increase (decrease) in net defined benefit liability	—	2,045
7 Increase (decrease) in provision for loss on construction contracts	1,365	312
8 Interest and dividends income	(573)	(548)
9 Interest expenses	489	416
10 Foreign exchange losses (gains)	(119)	40
11 Loss (gain) on sales of property, plant and equipment	2	(122)
12 Equity in (earnings) losses of affiliates	(939)	(1,271)
13 Decrease (increase) in notes and accounts receivable	8,328	10,109
14 Decrease (increase) in work in progress	(4,598)	(6,564)
15 Decrease (increase) in other receivables	9,532	(328)
16 Increase (decrease) in notes and accounts payable	(3,636)	5,286
17 Increase (decrease) in advances receipts on uncompleted contracts	4,149	(11,864)
18 Other, net	1,464	(1,195)
subtotal	13,093	(518)
19 Interest and dividends income received	1,219	824
20 Interest expenses paid	(500)	(419)
21 Income taxes paid	(3,887)	(1,681)
Net cash provided by (used in) operating activities	9,925	(1,795)
II Net cash provided by (used in) investing activities		
1 Decrease (increase) in time deposits	448	(910)
2 Purchases of property, plant and equipment	(339)	(207)
3 Proceeds from sales of property, plant and equipment	3	152
4 Purchase of intangible assets	(693)	(659)
5 Purchase of investment securities	(293)	(221)
6 Other, net	147	(19)
Net cash provided by (used in) investing activities	(726)	(1,866)
III Net cash provided by (used in) financing activities		
1 Net Increase (decrease) in short-term loans payable	(1,554)	(3,464)
2 Proceeds from long-term loans payable	1,010	—
3 Repayment of long-term loans payable	(1,307)	(1,633)
4 Repayment of lease obligations	(195)	(131)
5 Cash dividends paid	(959)	(575)
6 Other, net	(50)	(42)
Net cash provided by (used in) financing activities	(3,057)	(5,846)
IV Effect of exchange rate change on cash and cash equivalents	982	(763)
V Net increase (decrease) in cash and cash equivalents	7,123	(10,272)
VI Cash and cash equivalents, beginning of the term	71,675	96,934
VII Cash and cash equivalents, end of the term	78,798	86,662

Segment Information

April 1, 2013 - September 30, 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	104,373	5,568	1,041	110,982	—	110,982
(2) Inter-segment net sales	81	78	91	251	(251)	—
Total	104,455	5,646	1,132	111,234	(251)	110,982
Segment profits (losses)	(5,088)	165	458	(4,464)	(16)	(4,481)

Notes:

- "Adjustments" for Segment profits (losses) represents the elimination of inter-segment transactions.
- "Segment profits (losses)" is adjusted with the operating income (loss) from the 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, petrochemical, and general chemical.
 - 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.

April 1, 2014 - September 30, 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	125,842	5,721	1,011	132,575	—	132,575
(2) Inter-segment net sales	82	49	89	221	(221)	—
Total	125,925	5,770	1,101	132,797	(221)	132,575
Segment profits (losses)	(466)	149	422	106	(4)	101

Notes:

- "Adjustments" for Segment profits (losses) represents the elimination of inter-segment transactions.
- "Segment profits (losses)" is adjusted with the operating income (loss) from the 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, petrochemical, and general chemical.
 - 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.
- From the beginning of fiscal year 2014, the method of computation of defined benefit obligation and service cost (and by operating segment accordingly) has been changed due to partial amendments to "Accounting Standard for Retirement Benefits" (ASBJ statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25). The effect of this amendment on segment profits (losses) is immaterial.

Consolidated New Orders, Net Sales and Backlog of Contracts

(1) New Orders and Backlog of Contracts

			Millions of yen				
			Backlog Beginning of term	New Orders	Total	Net Sales	Backlog End of term
Apr. 1, 2013 - Sep. 30, 2013	Overseas	Chemical fertilizers	151,351	1,633	152,985	26,021	129,639
		Petrochemicals	98,404	67,247	165,652	28,568	136,766
		Oil refinery	47,441	76,351	123,793	9,101	114,769
		Energy-related	34,040	6,905	40,946	6,557	10,681
		General manufacturing facilities	6,311	1,338	7,650	5,903	1,956
		Information technology	119	217	336	243	84
		Others	48,425	2,667	51,092	17,356	34,211
	Subtotal		386,094	156,362	542,457	93,751	428,109
	Domestic	Petrochemicals	7,150	198	7,348	1,661	5,687
		Oil refinery	4,369	1,765	6,134	3,869	2,265
		Energy-related	7,482	507	7,989	1,872	6,117
		General manufacturing facilities	853	1,016	1,869	420	1,157
		Information technology	3,861	5,468	9,330	5,324	3,938
		Others	681	5,338	6,020	3,040	2,941
Subtotal		24,398	14,295	38,693	16,189	22,108	
Grand total		*12,772				*18,753	
Grand total		410,492	170,658	581,150	109,941	450,218	
Apr. 1, 2014 - Sep. 30, 2014	Overseas	Chemical fertilizers	138,578	3,233	141,812	33,972	109,454
		Petrochemicals	204,225	241,354	445,579	44,093	404,493
		Oil refinery	107,393	8,122	115,516	18,384	97,443
		Energy-related	10,608	1,109	11,717	2,851	8,803
		General manufacturing facilities	886	2,166	3,053	1,459	1,588
		Information technology	62	180	242	164	77
		Others	55,430	1,217	56,647	14,825	41,199
	Subtotal		517,185	257,383	774,569	115,750	663,060
	Domestic	Petrochemicals	6,586	660	7,246	2,022	5,224
		Oil refinery	1,765	611	2,377	1,820	557
		Energy-related	4,262	81,630	85,892	1,076	84,816
		General manufacturing facilities	201	2,479	2,680	233	2,447
		Information technology	3,864	5,261	9,126	5,557	3,466
		Others	4,158	4,639	8,797	5,103	3,657
Subtotal		20,838	95,283	116,121	15,813	100,168	
Grand total		*25,714				*29,335	
Grand total		538,023	352,667	890,690	131,564	763,229	

- 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 5,565 million yen for Apr. 1, 2013-Sep. 30, 2013 and 6,915 million yen for Apr. 1, 2014-Sep. 30, 2014.
 3. Decreased prices of orders awarded in prior years are deducted from the "Backlog, End of term".
The deducted amounts are 26,556 million yen for Apr. 1, 2013-Sep. 30, 2013 and 2,813 million yen for Apr. 1, 2014-Sep. 30, 2014.
 4. Asterisks (*) represent increase (decrease) due to changes in exchange rates.