

Mission: Engineering for Sustainable Growth of the Global Community

Vision: Global Leading Engineering Partner

Values: Integrity, Creativity, Diversity, Learning, Team



Second quarter of fiscal year ending March 2017

MANAGEMENT POLICY UPDATE

November 11, 2016

Toyo Engineering Corporation

1. The 1st Half Performance and FY2016 Forecast
2. Situation of Mega Projects
3. Situation of Brazil FPSO Topside Project
4. Major Ongoing Projects
5. Market Focus
6. Prioritized Policy of the 2nd Half of FY2016

1. The 1st Half Performance and FY2016 Forecast

- ◆ Decrease of Gross Profit Ratio mainly due to cost increase at Ethylene Project in USA
- ◆ No change for FY2016 Forecast as of May 13, 2016 (Unit: JPY Billion)

	1 st Half Performance as of 2016/9/30	FY2016 Forecast as of 2016/5/13	1 st Half / FY2016 Forecast
Net Sales	205.2	450.0	46%
Gross Profit	13.3	33.0	40%
Gross Profit Ratio	6.5%	7.3%	
Selling, general and administrative expenses	7.9	20.5	39%
Operating Income	5.3	12.5	42%
Non-operating profit and loss	1.5	Δ 2.0	-
Ordinary Income	6.8	10.5	65%
Net Income	2.4	5.0	48%
New Orders	52.6	250.0	21%

- ◆ Dividends: JPY 6 per share (Plan)

2. Situation of Mega Projects

◆ Ethylene Project in USA

- Cost increase arose from partial rectification for piling work due to poor subsurface condition and prevention measures for schedule delay
- Enhancement of Construction Management System;
 - To extend the stay of Executive Officer in charge of Construction at the project site till project completion
 - To increase core members for construction management

◆ Ethylene Project in Malaysia

- On schedule for Civil work, Piping Prefabrication, Equipment delivery and erection and others

◆ Gas Petrochemical Complex in Turkmenistan, Setouchi Mega-Solar in Japan, Gas power Plants (12 SPP) in Thailand;

- On schedule

3. Situation of Brazil FPSO Topside Project

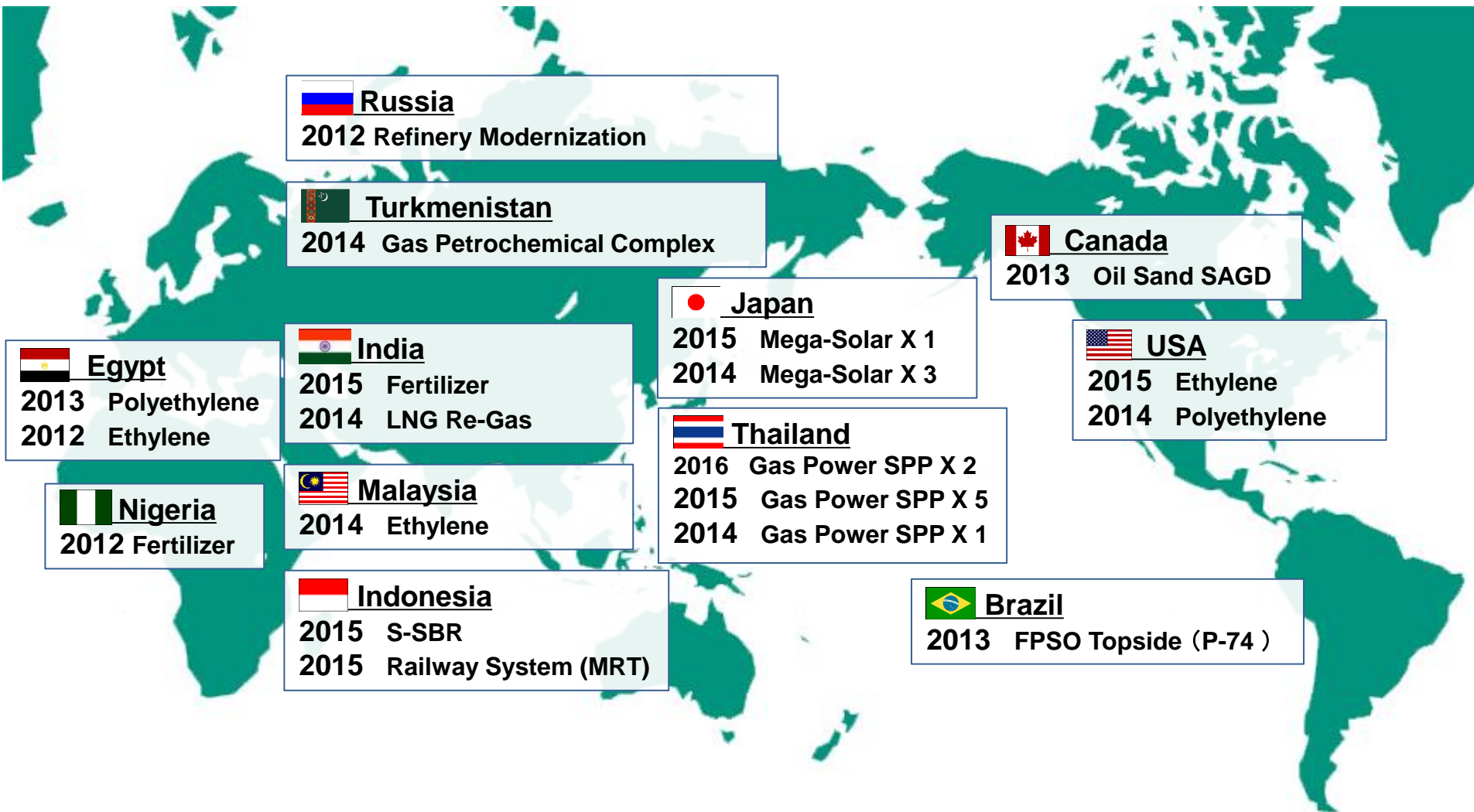
- ◆ Contract for the client's remaining work for hull is under discussion
- ◆ FPSO sail away schedule: the 2nd half of 2017 (forecast)
- ◆ Hull arrival at the yard was in the beginning of August and module installation is currently underway



Module installation on FPSO (P-74) (photo: October 2016)

4. Major Ongoing Project

As of September 30, 2016



※Year : Fiscal year of award

Prospects of investment for downstream projects in USA, Russia, Central Asia, Iran and others

Increase of demand for power in South East Asia and Japan

Service-type projects for upstream development in energy business

Respond to the changing environment with wide business fields

6. Prioritized Policy of the 2nd Half of FY2016

Back to the track
toward sustainable growth

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- ◆ To manage mega-projects thoroughly and secure profits
 - ◆ To secure gross profits of new orders
 - ◆ To control SGA costs

(Note) SGA: Selling, General and Administrative Expense



Toyo Engineering Corporation

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The forecasts 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.