

Mission: Engineering for Sustainable Growth of the Global Community

Vision: Global Leading Engineering Partner

Values: Integrity, Creativity, Diversity, Learning, Team



Management Policy Update for FY2017

May 19, 2017

Toyo Engineering Corporation

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1. FY2016 Performance Summary

- ◆ Decrease in operating income compared with forecast of Feb.10, 2017 due to decrease in net sales and increase in costs of some projects completed
- ◆ Net income amounts to JPY 1.4 Billion by improvement of non-operating income

(Unit : JPY billion)	2017/3/31	2017/2/10 Forecast	Difference
Net Sales	431.9	450.0	(18.1)
Gross Profit	15.9	18.5	(2.6)
Gross Profit Rate	3.7%	4.1%	-0.4%
SGA (Selling, General and Administrative expenses)	17.9	18.5	0.6
Operating Income (Loss)	(2.0)	0.0	(2.0)
Non-Operating Income/Expenses	3.6	1.0	2.6
Ordinary Income	1.6	1.0	0.6
Net Income	1.4	0.0	1.4
New Orders	116.7	110.0	6.7

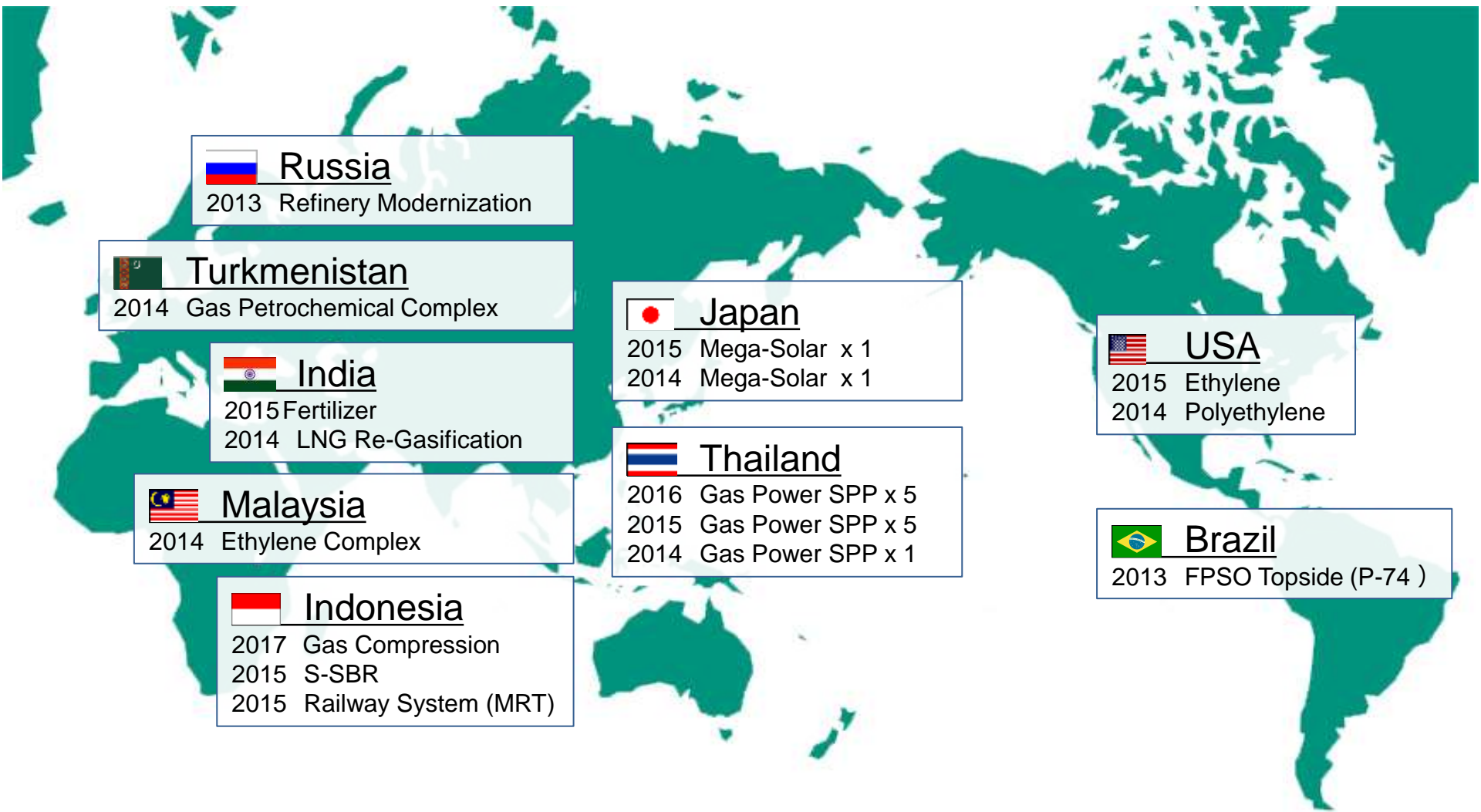
- ◆ Order Backlog : JPY 492.6 billion
- ◆ Dividends : JPY 2 per share (Plan)

2. Situation of Ethylene Project in USA

- ◆ Cost increase arose from rectification of piling work and poor subsurface condition, B/Q increase after all engineering work frozen and prevention measures for schedule delay
(Note) B/Q: Bill of Quantity
- ◆ Measures to prevent further cost increase
 - Reinforcement of QA/QC system and thorough management of construction productivity
- ◆ Project progress @3/31/2017
 - Piling work completed. Overall construction progress as per catch-up plan
 - Civil work/steel structure work/piping installation/large equipment erection are in progress

3. Major Ongoing Projects

As of 2017/3/31



※Year: fiscal year of award

4. Summary of FY2016 (The Revival Plan 2nd Year)

Policy

Feedback

Enhancement of risk management of Brazilian business



- ◆ P-74 FPSO is in progress as planned under our proper management
- ◆ Booking of an additional impairment loss in fixed asset of EBR yard

Thorough management of mega-projects



- ◆ Cost increase due to poor subsurface condition and piling rectification
- ◆ Other projects are in progress as planned

Continued improvement of profitability



- ◆ Securement of gross profits at award and curtailment of SGA
- ◆ Decrease in profitability mainly due to Ethylene project in USA

New order target JPY 250 billion



- ◆ End up with JPY 116.7 billion due to sluggish market situation, etc.

FY2017 New order targets : JPY 250 billion

◆ Plant Business

- Prospect of recovery of demands in USA, South East Asia, India, Russia/CIS etc. for petrochemical, fertilizer and other downstream projects

◆ Infrastructure Business

- Increase of power plant projects in Japan due to deregulation
- Steady demand for power plant projects for economic growth in South East Asia

◆ Energy Business

- Along oil price rise, prospect of investment for EOR (Enhanced Oil Recovery) or IOR (Improved Oil Recovery)
- Less new projects for gas field development but more gas processing projects for oil field associated gas

6. FY2017 Management Policy

~ Enhancement of the Revival Plan ~

◆ To secure project profits

- Intensive control of mega projects by newly established Plant Business Unit 1
- Prevention of cost increase by thorough quality management

◆ To acquire new orders

- Enhancement of proposal-making ability through integration of Sales and Project functions
- Strengthening of competitiveness utilizing technical merits, strategic partnering, aggressive cost-down measures

◆ To strengthen corporate infrastructure

- Strategic reallocation of management resources by selection and concentration
- Development of human capital to enhance corporate value and continued reformation of corporate culture

◆ To promote innovation

- Increase of added values in existing business fields
- Development of new business utilizing our strength

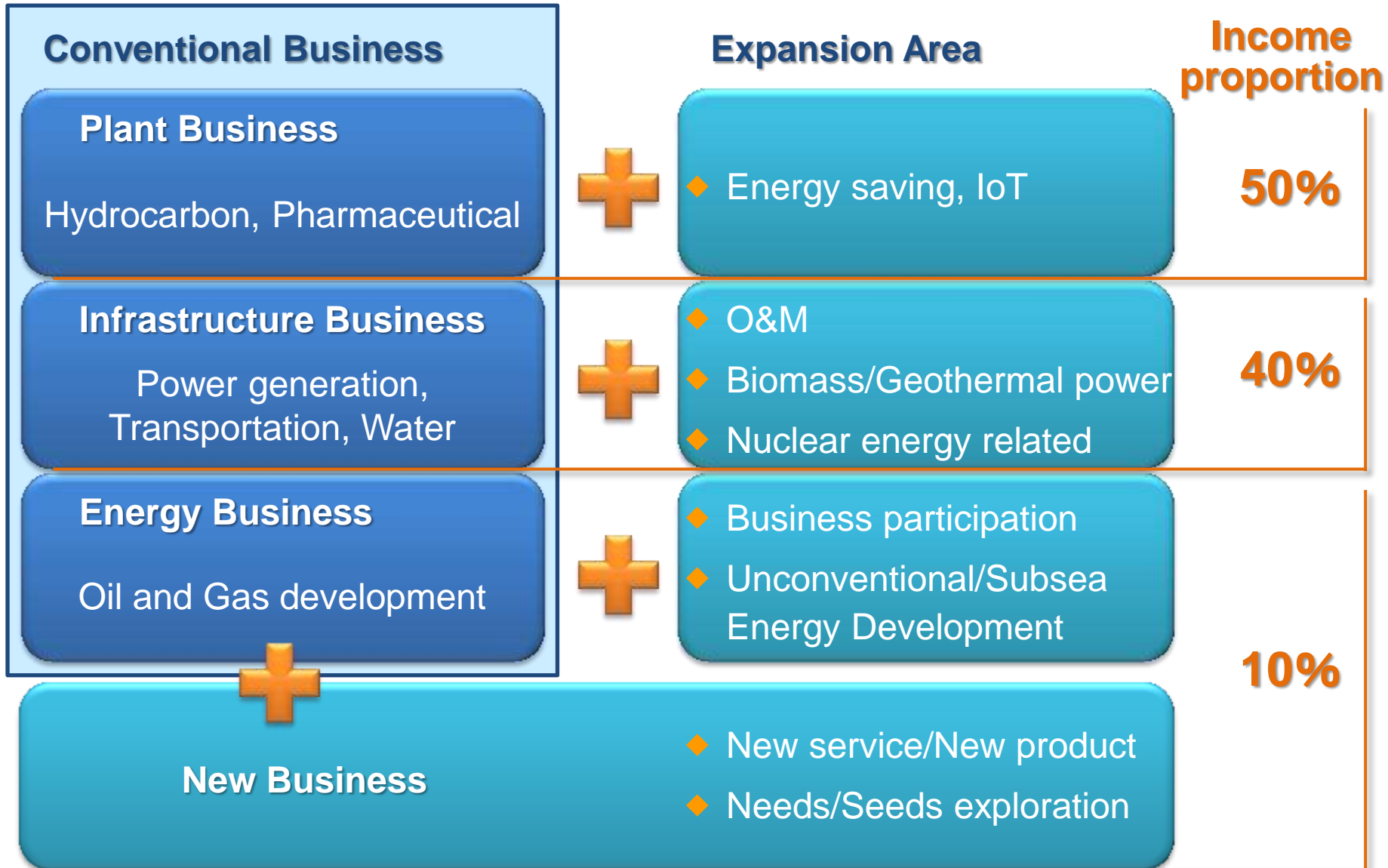
7. FY2017 Forecast

(Unit: JPY billion)	FY2017 Forecast
Net Sales	370.0
Gross profit	27.5
Gross Profit Rate	7.4%
SGA (Selling, General and Administrative expenses)	21.0
Operating Income	6.5
Non-Operating Income/Expenses	(1.5)
Ordinary Income	5.0
Net Income	2.0
New Orders	250.0

◆ Dividends : JPY 3 per share (Plan)

We plan to conduct a one-for-five reverse stock split of our company's shares effective October 1, 2017 in which case the annual dividend per share for the fiscal year ending March 31, 2018 would be JPY 15 (forecast).

8. Business Outlook



*GESA : General Engineering Service Agreement



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.