



Annual Report

Year ended March 31, 2008

2008

Corporate Profile

Toyo Engineering Corporation (TOYO) is an engineering contractor founded in 1961. Since its inception, TOYO has actively deployed Engineering, Procurement and Construction (EPC) businesses and successfully implemented projects in many countries. Consequently, TOYO is now positioned as one of the world's leading engineering contractors.

TOYO performs comprehensive engineering businesses with information technology (IT) and other cutting-edge technologies added to and integrated with its reliable engineering proficiency and project management capabilities.

Our corporate philosophy is "providing total solutions that ensure the satisfaction and success of our clients." We provide total solutions through our five considerable strengths: (1) comprehensive engineering technology based on experience accumulated worldwide; (2) project management capabilities promising quality, safety and delivery schedule; (3) cutting-edge technology application capabilities in various product fields; (4) advanced global response capabilities connecting the hubs within our worldwide network; and (5) alliance formation capabilities creating an optimal structure of collaboration with world partners.

The Toyo Group consists of TOYO and 29 subsidiaries and 12 affiliates, with a total of more than 6,000 people forming "Global Toyo." Under the Global Toyo structure, we would like to maintain and strengthen the image of reliability that the "Toyo Brand" possesses, which assures clients that projects will be completed safely, to a high-quality standard and on schedule.

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DEFINITION OF TERMS

- Fiscal 2007 means the fiscal year ended March 31, 2008 (April 1, 2007–March 31, 2008).
- The word, mark, logo or any sign with a symbol "TM" means that it is a registered trademark of Toyo Engineering Corporation in Japan.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This annual report includes certain "forward-looking statements." These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ due to changes in economic, business, competitive, technological, regulatory and other factors.

Consolidated Financial Highlights

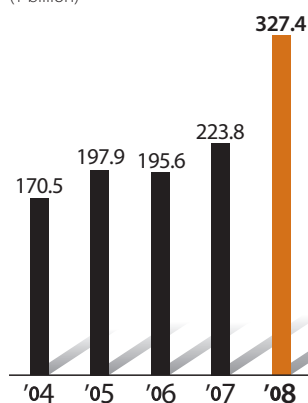
Financial Summary

Years ended March 31,	Millions of yen		Thousands of U.S. dollars*
	2008	2007	2008
Net sales	¥327,413	¥223,844	\$3,267,925
New orders	268,693	354,984	2,681,830
Backlog of contracts at end of the year.....	444,434	499,237	4,435,907
Net income.....	8,029	5,294	80,139
Total assets.....	280,139	282,814	2,796,075
Total net assets.....	57,331	51,559	572,223
Per share data (in yen and U.S. dollars):			
Net income.....	¥ 41.76	¥ 27.90	\$ 0.42
Cash dividends.....	6.00	3.00	0.06

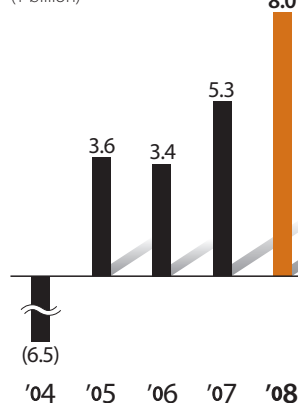
* U.S. dollar amounts are stated at ¥100.19 to U.S.\$1.00, the exchange rate prevailing on March 31, 2008.

- Operational Summary** >>> Consolidated performance marked a record high.
>>> New orders reached ¥268.7 billion, achieving our target.

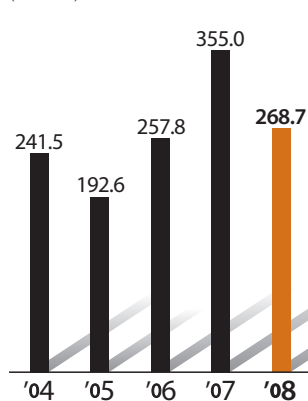
Net Sales
(¥ billion)



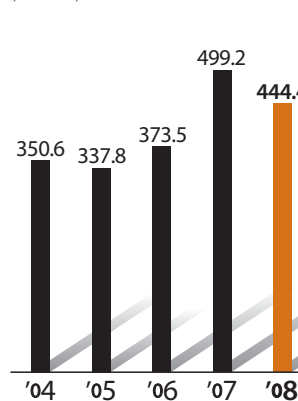
Net Income (Loss)
(¥ billion)



New Orders
(¥ billion)



Backlog of Contracts
(¥ billion)



To Our Shareholders

In fiscal 2007, ended March 31, 2008, TOYO achieved record earnings on a consolidated basis. Supported by robust capital investment sentiment in the energy and petrochemical fields, new orders exceeded our initial targets.

TOYO's corporate philosophy is "providing total solutions that ensure the satisfaction and success of our clients." To implement this philosophy, we provide engineering services, thereby enabling clients to optimize their production and distribution systems to create new corporate value. Our business fields cover the energy, gas, petroleum, chemical, fertilizer, infrastructure construction and IT markets, in which we have been playing a leading role on the global stage.

Fiscal 2008, ending March 31, 2009, will be the final year of our three-year medium-term corporate strategic plan, in which our goal is to further enhance our management platform as a leading engineering company by "putting innovation into practice and making it flourish."

August 2008



Yutaka Yamada
President and Chief Executive Officer

Medium-Term Corporate Strategic Plan for Fiscal 2006 to 2008

The results we achieved for fiscal 2007 exceeded our initial targets.

Medium-Term Corporate Strategic Plan

We are currently in the midst of our three-year medium-term corporate strategic plan implemented on April 1, 2006. Taking into account market trends in our engineering businesses, we are steadily increasing our profitability and stabilizing our operating performance under the plan. By constantly maintaining the systems and business base necessary to offer total solutions for engineering, procurement and construction (EPC), we will

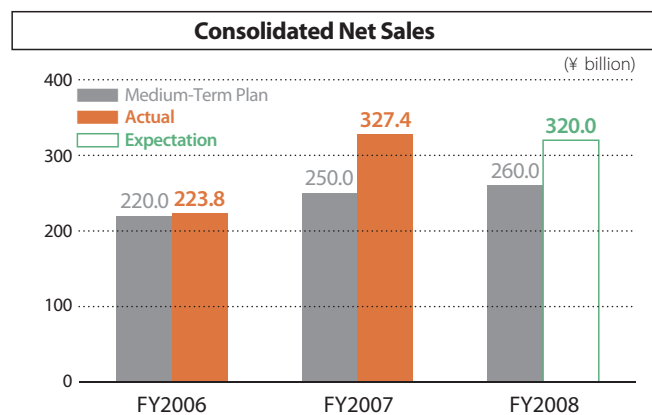
ensure client trust in the Toyo Group and endeavor to increase cost-competitiveness and profitability. In project execution, we recognize the need for greater consideration of not only quality, delivery schedule and cost (QDC) but also of health, safety, security and environmental (HSSE) issues. We are striving to fully meet the requirements posed by these issues as a socially responsible corporation.

Unceasing Innovation for the Next Stage of Growth

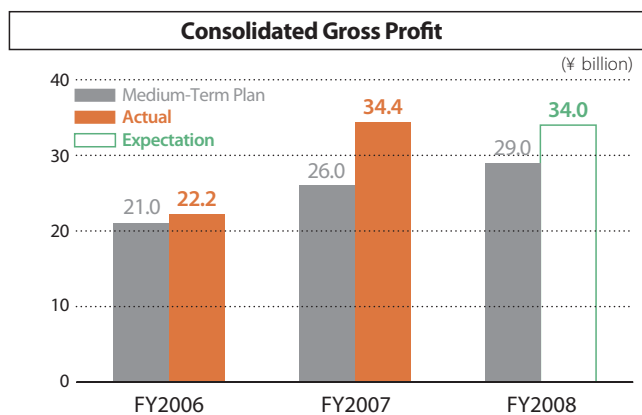


Net Sales and Gross Profit Targets in the Medium-Term Corporate Strategic Plan

The net sales and gross profit targets of the medium-term corporate strategic plan are as follows:



- Consolidated net sales in fiscal 2007 were ¥327.4 billion, surpassing the target shown above.
- The Company projects sales of ¥320.0 billion in fiscal 2008.



- Gross profit on a consolidated basis in fiscal 2007 amounted to ¥34.4 billion, exceeding its target. The gross profit margin was 10.5%.
- For fiscal 2008, the Company forecasts consolidated gross profit of ¥34.0 billion.

Operating Environment and Results in Fiscal 2007

Operating Environment

- >>> **Although the direction of the global economy has become increasingly unclear, demand remained high in the plant engineering market.**
- >>> **However, risk factors increased due to rising prices as well as a shortage of steel products for plants, extended delivery periods for supplies of equipment and devices, labor scarcity, soaring labor costs and sharp appreciation of the yen.**
- >>> **Strengthening project management to deal with the above risks has become an important management issue.**

In the fiscal year under review, the Japanese economy remained generally favorable in the first half. In the second half, however, many negative factors began to emerge. In addition to skyrocketing prices for crude oil and further increases in the prices of raw materials, the U.S. economy began to slow as the subprime loan crisis emerged while the Japanese yen appreciated sharply against the weakening U.S. dollar. Under the impact of these factors, exports, machinery orders, capital investment and production, which had been favorable up to that point, began to show signs of faltering. There were also signs of deterioration both in the Japanese economy and in the performances of some Japanese corporations. Overseas, despite the slowdown in the U.S. economy and a weakening trend in the economies of European countries, the economies of China, India and ASEAN countries were generally favorable while remaining cautious about the impact of the economic decline in the United States and other countries. With exports of crude oil and mineral resources remaining at high levels, the economies of countries in the Middle East and South America also maintained firm growth.

The deepening sense of uncertainty about the direction of the global economy in the second half mentioned previously also affected the operating environment of the Toyo Group. Nevertheless, backed by growing global demand for energy and raw materials and rising capital investments by clients reflecting improved profits, demand in the plant engineering market remained high. At the same time, risk factors have increased due to rising prices as well as a shortage of steel and nonferrous materials, extended delivery periods for equipment supply, a tighter global labor supply, soaring labor costs and sharp appreciation of the yen. Consequently, strengthening project management to deal with the above risks became an important management issue.

Even under these circumstances, the Toyo Group continued to provide the high level of expertise and reliability expected by the market. Pursuing aggressive development of business, the Group worked to form and strengthen relationships with clients and respond to their changing needs for products and services. Moreover, guided by its corporate goal under the medium-term corporate strategic plan initiated in April 2006 of becoming a "Global Toyo for Client Value Enhancement," the Group proceeded with various initiatives. Under the plan, the Group strove to collaborate worldwide in business development while independently contributing to growth in consolidated earnings. The Group also worked to develop a system focused on increasing the overall corporate value of the Group, while boosting price competitiveness, strengthening project management and increasing earnings capability.

Performance Outline

>>> **Record-high consolidated performance (substantial year-on-year gains in sales and profits)**

>>> **New orders target achieved (Target, ¥240.0 billion; Actual, ¥268.7 billion)**

In the fiscal year under review, the Toyo Group pushed forward with ongoing projects related to energy and petrochemicals in Brazil, India, Thailand, Saudi Arabia, Qatar, Russia and other countries. In addition, we made progress in improving earnings by strengthening our execution and management systems for sales, proposals and projects. As a result, consolidated net sales rose 46.3% year on year, to ¥327.4 billion, operating income soared 99.5%, to ¥13.7 billion, income before income taxes and minority interest advanced 102.2%, to ¥14.9 billion, and net income jumped 51.7%, to ¥8.0 billion.

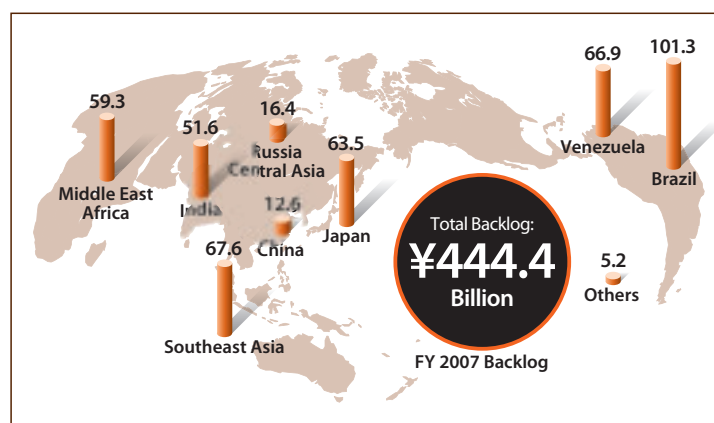
Amid the growing demand worldwide for energy and raw materials, orders in the plant engineering market increased for material-related plants, primarily gas and petrochemical-related projects. Despite the remaining previously mentioned negative and uncertain factors in the operating environment, the Company pressed on with its sales activities based on its strong relationship of trust with partners. Moreover, with the cooperation of regional companies worldwide in winning orders based on the Global Toyo structure, the Company was able to achieve its initial target for new orders. The composition of orders was well-balanced, including orders from Japan and overseas, and was not heavily weighted in any specific region. Product fields were also well distributed, including EPC projects centered on energy, petrochemicals and chemical fertilizers, and service projects focused on

technology and natural resource development. Looking at customer composition, there were a notable number of projects where the major investors were the national oil companies of countries, especially with overseas projects. By developing an order-winning strategy aligned with this trend, the Company was able to win further orders from these national oil companies.

Among major overseas orders, we won orders to construct an ammonia and urea plant for Petroquímica De Venezuela S.A. (Pequiven) in Venezuela, an expansion of a gas processing plant for Petróleo Brasileiro S.A. (PETROBRAS) in Brazil and a propylene production plant for PT Pertamina in Indonesia. In Japan, we received many orders from a range of different manufacturing companies, including orders for the installation of a hydro-desulfurization unit for FCC from Taiyo Oil Co., Ltd. and for a 3EP cracking heater from Maruzen Petrochemical Co., Ltd.

As a result, new orders on a consolidated basis for the fiscal year under review reached the projected level, but declined 24.3% year on year, to ¥268.7 billion. Of this amount, overseas orders accounted for ¥197.6 billion, a decline of 31.1% from a year earlier. New orders in Japan totaled ¥71.1 billion, increasing 4.3% from the previous fiscal year.

Regional Backlog of Contracts (As of March 31, 2008)



(¥ billion)

Fiscal 2008 Outlook

Fiscal 2008 Performance Forecasts (Consolidated)

New orders	¥270.0 billion	(¥268.7 billion)
Net sales	¥320.0 billion	(¥327.4 billion)
Operating income	¥15.5 billion	(¥13.7 billion)
Net income	¥8.5 billion	(¥8.0 billion)

* Figures in parentheses are fiscal 2007 results

The above figures represent our projections for business performance in fiscal 2008. In the plant engineering market, we expect capital investment to remain firm at the high level of global demand for energy and raw materials. However, amid the deepening uncertainty about the direction of the global economy, it is difficult to predict the operating environment for the Group. Reasons include the risk factors mentioned in the section on the operating environment, intensifying competition from the rise of contractors in Korea and Taiwan and a decline in capital investment sentiment among corporations due to the deceleration of economies.

Business performance forecasts are premised on an exchange rate of ¥100 to U.S.\$1.00 and have been made based on current management expectations using the available information at the time. Actual results may differ accordingly.

Fiscal 2008 Business Issues

- >>> 1. Continuing through implementation of project management
- >>> 2. Pursuing “Client support business”
- >>> 3. Pioneering and developing new business fields and proprietary technologies
- >>> 4. Making further progress in the Global Toyo structure

The Toyo Group has positioned the final year of its medium-term corporate strategic plan as a year of “putting innovation into practice and making it flourish.” The Group will aim to further upgrade its capabilities of project management and engineering management, and improve its global communication systems to offer the sophisticated professional services required by its clients. The Group will implement the following initiatives to further enhance its status as a tier-one engineering company.

First, we will continue to practice thorough project management. As described in the section on the operating environment, we intend to deal with a variety of risks by collecting information on market trends, avoiding over-concentration or dependency on a single specific equipment or material supplier by using multiple procurement sources and implementing strict management of procurement sources. To cope with fluctuations in exchange rates, we will use forward exchange contracts or foreign currency in the procurement of equipment and materials and seek to minimize our risk exposure by enlisting the Global Toyo procurement network. By thoroughly implementing project management, we will endeavor to properly complete ongoing projects, thereby building a strong relationship with our clients.

Second, we will tackle the rapid changes in the operating environment in Japan. To provide for clients' advanced and complex need for capital investment in facilities that will supply them with high value-added content, we will aim to establish an organizational structure that can offer advanced "Client support business." We will take such measures as achieving greater efficiency in our production bases in the Japanese market and undergoing business administration reform. To promote this "Client support business," the Company implemented an organizational reform effective October 1, 2007. The Company integrated the Domestic Sales & Operations and Business Solution Sales & Operations, newly establishing the Domestic Sales & Operations Unit. Based on this action, we have unified our sales interfaces with clients and will further utilize our strength as a comprehensive supplier of plants and equipment and IT to provide clients with rapid, comprehensive and sophisticated services and solutions.

Third, our goal is the pioneering and development of new business fields as well as proprietary technologies. Plans call for redoubling efforts in the fields of 1) social infrastructure, such as electric power generation, water and transportation, 2) energy, such as gas to liquid (GTL), dimethyl ether (DME) and heavy oil upgrading, and 3) the environment, such as carbon dioxide separators and recovery technology. In particular, with regard to energy, aiming to establish plants other than the so-called hydrocarbon (petroleum and petrochemical) plants as the core of our engineering business, we will collaborate with business partner, Mitsui & Co., Ltd., in winning specific orders. To develop our proprietary technologies for the future, we will continue our joint development of floating GTL facilities. In addition, we will also expand the development of our licensing business, based on such proprietary processes as the urea process technology ACES21™—originally developed by TOYO—and our DME production technology.

Focusing on New Business: Zero in on the "Market Trends"

Upstream:

- **Resource Exploration:**
Technical Assistance for Improvement of Recovery Rate of Existing Gas Reservoir
- **FPSO (Floating Production, Storage and Offloading):**
2 Projects in Australia

Energy Portfolio:

- **GTL (Gas to Liquid):**
Qatar GTL-Project, ongoing
- **DME (Dimethyl Ether):**
Completed World's Largest Plant in China

Environment:

- **Compact GTL:**
Offshore Compact GTL Utilizing Accompanied Natural Gas
- **N₂O CDM:**
N₂O Clean Development Mechanism Project in China
- **CCS:**
Technical Development for Carbon Capture & Storage

Social Infrastructure:

- **Water/Transportation/Power:**
Collaboration with Alliance Partners

In addition, we will strengthen the foundation of the Global Toyo structure, under which individual regional companies in India, Korea, Thailand, Malaysia, China and other countries autonomously work as profit centers, while collaborating with the parent company and others to develop business. To strengthen the competitiveness of the Global Toyo structure, we will reinforce a governance structure for the overall organization and enhance the quality of management.

Major Projects

In fiscal 2007, large projects in the energy and petrochemical fields were under implementation in BRICs and the Middle East, while a high level of new orders were secured.

Domestic

New Orders

Name of Client	Type	Scope
Maruzen Petrochemical Co., Ltd.	3EP Cracking Heater	E.P.C.
Taiyo Oil Co., Ltd.	Propylene Splitter	E.P.C.

Completion

Name of Client	Type	Scope
Kyokuto Petroleum Industries, Ltd.	Naphtha Desulfurization Unit	E.P.C.
Tonen General Sekiyu K.K.	Naphtha Desulfurization Unit	E.P.C.
Nippon Petroleum Refining Co., Ltd.	Propylene Splitter	E.P.C.
Tosoh Corporation	Aniline Plant II	E.P.C.
Mitsubishi Chemical Corporation	Cracking Heater	E.P.C.

Overseas

New Orders

Name of Client	Type	Country	Scope
Petroquímica De Venezuela S.A. (Pequiven)	Ammonia / Urea Plant	Venezuela	E.P.C.
Petróleo Brasileiro S.A. (PETROBRAS)	Gas Separation Plant	Brazil	E.P.C.
PT Pertamina	Low Pressure Recovery Unit	Indonesia	E.P.C.

In Progress

Name of Client	Type	Country	Scope
Qatar Shell GTL Limited	GTL Liquid Processing Unit	Qatar	E.P.C.
Indian Oil Corporation Ltd.	Ethylene Plant	India	E.P.C.
PTT Polyethylene Co., Ltd.	Ethylene Plant	Thailand	E.P.C.
PTT Polyethylene Co., Ltd.	Polyethylene Plant	Thailand	E.P.C.
Petróleo Brasileiro S.A. (PETROBRAS)	Delayed Coker Unit	Brazil	E.P.C.
Shell Eastern Petroleum (Pte) Ltd.	Ethylene Plant	Singapore	E.Ps.SC.
Dow Corning (Zhangjiagang) Co., Ltd.	Siloxane Plant	China	E.Ps.SC.
Sakhalin Energy Investment Co., Ltd.	LNG Plant	Russia	E.P.C.
Petropars Ltd.	Gas Processing Plant	Iran	E.P.C.

Completion

Name of Client	Type	Country	Scope
Petróleo Brasileiro S.A. (PETROBRAS)	Gas Pipeline	Brazil	E.P.C.
Petróleo Brasileiro S.A. (PETROBRAS)	Delayed Coker Unit	Brazil	E.P.
Lingtian (Nanjing) Fine Chemical Corporation	DMF / DMAC Plant	China	E.P.C.
Unimatec Co., Ltd.	Synthetic Rubber Plant	Singapore	E.P.C.
BHPBP / MODEC	FPSO Topsides	Australia	E.P.Cm.

E: Engineering P: Procurement C: Construction Ps: Procurement service SC: Supervision of Construction Cm: Construction management



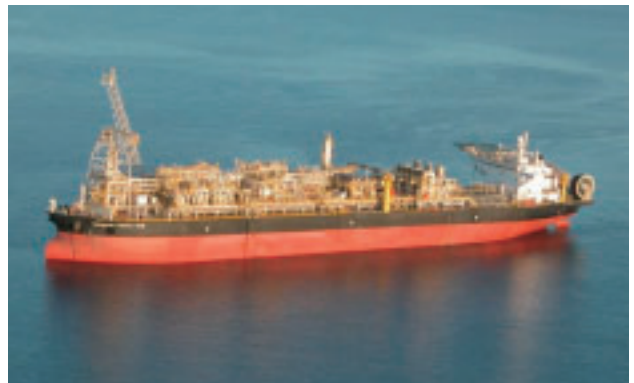
Aniline Plant II of Tosoh Corporation



Propylene Splitter of Nippon Petroleum Refining Co., Ltd.



Methanol Derivatives Plant of Lingtian (Nanjing) Fine Chemical Corporation



FPSO Topsides of BHPBP



Gas Pipeline of Petróleo Brasileiro S.A. (PETROBRAS)

Management System

Corporate Governance

Internal Control System

The Auditing Department of TOYO, which is under the direct control of the President, performs audits concerning the execution of business activities by all divisions and verifies the appropriateness and effectiveness of the internal management structure, including compliance and risk management. In addition, there are specialized units to perform other internal audits, such as the SQE (Safety, Quality and Environment) Management Division and the Export Control Administration Division.

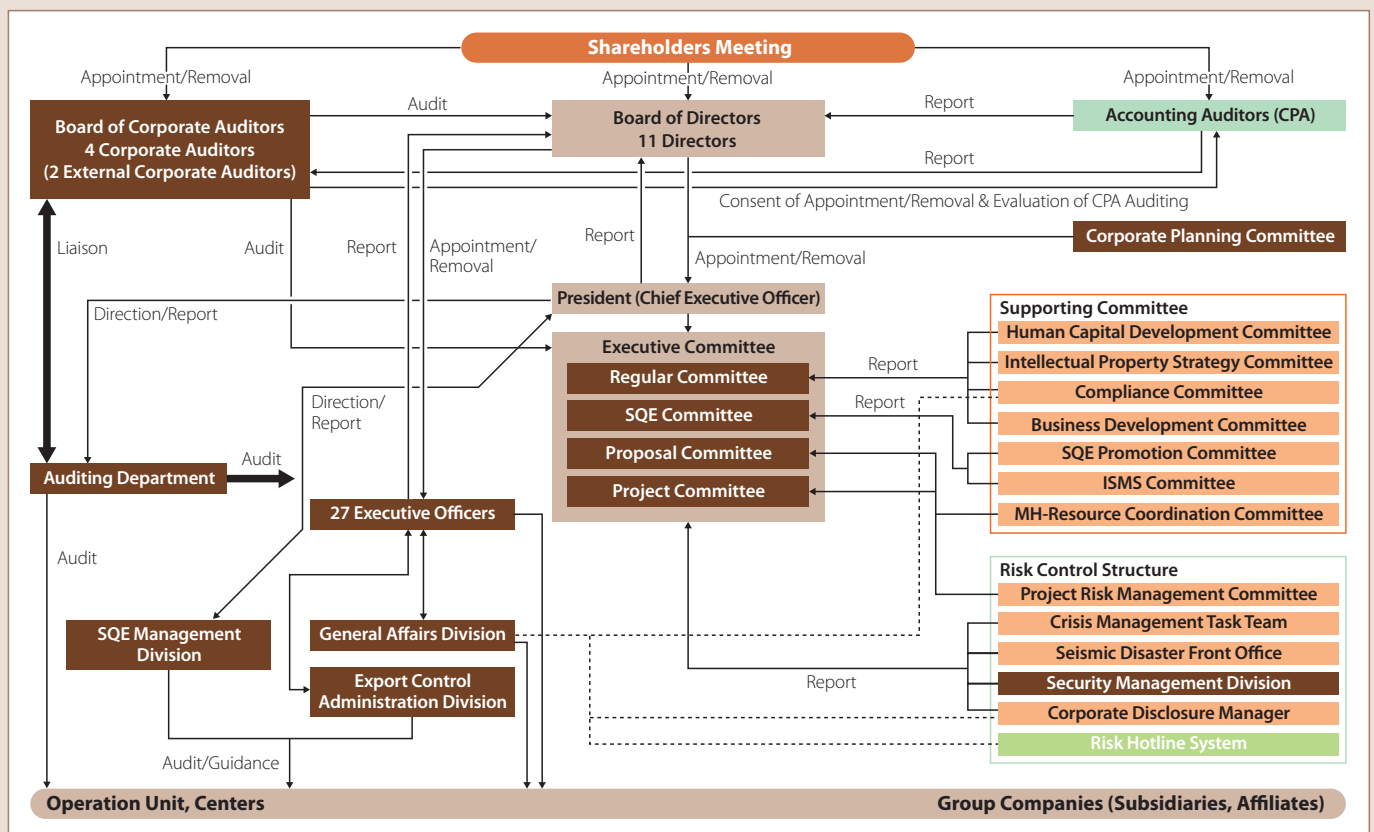
In order to promote the Internal Control System of the Group, TOYO is making efforts to ensure proper operations across Toyo Group companies by establishing corporate procedures to strengthen the corporate administrative functions of each company.

Risk Management System

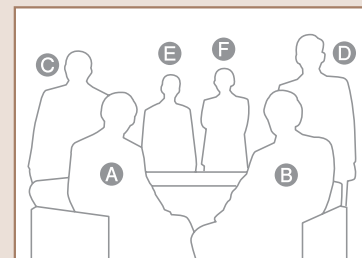
For risk management concerning project profitability and financial matters within TOYO, all business operations are constantly monitored and supervised, and reports are submitted to the Board of Directors, the Executive Committee and the Board of Auditors. In addition, matters of particular importance concerning individual bidding and projects undergo a risk analysis overseen by the Commission for Analysis and Evaluation of Project Risks, and reports are submitted to the Executive Committee.

TOYO has drawn up the Crisis Management Policy to clearly set forth risk management procedures to forestall serious risks (crises) that have the potential to seriously affect the operations of the Company. The Crisis Management Task Team, operating under the Crisis Management Headquarters, is always working to prepare for potential crises.

Corporate Governance Structure (As of July 2008)



Management



- A Yushi Nagata
- B Yutaka Yamada
- C Kazuhisa Marukawa
- D Yoshitaka Ogata
- E Kazuomi Nishihara
- F Kenji Soejima

Directors

* Representative Director

- **Chairman**
Yushi Nagata
- **President**
Yutaka Yamada*
- **Directors**
Kazuhisa Marukawa*
Yoshitaka Ogata*
Kazuomi Nishihara*
Kenji Soejima*
Makoto Fusayama
Ken Wakazuki
Isao Ichikawa
Keiichi Matsumoto
Satoshi Kuwahara

Auditors

- **Senior Corporate Auditor**
Kunimichi Gamo
- **Corporate Auditors**
Keiji Suda
Masato Shiode (Outside Auditor)
Koichi Sano (Outside Auditor)

Executive Officers

- **Chief Executive Officer**
Yutaka Yamada
- **Executive Vice Presidents**
Kazuhisa Marukawa
Yoshitaka Ogata
- **Senior Executive Officers**
Kazuomi Nishihara
Kenji Soejima
Makoto Fusayama
Ken Wakazuki
Isao Ichikawa
Keiichi Matsumoto
Satoshi Kuwahara
Komei Ohta
Masahiro Suzuki
Yoshiaki Mizoguchi
Osamu Kawanobe
Kiyoshi Nakao
Kenji Niwa

- **Executive Officers**
Akhilesh Kumar
Hidetsugu Fujii
Makoto Shimagaki
Kazundo Hayashi
Masaru Takezawa
Mitsutoshi Hamamura
Koji Nagatomi
Kazuharu Murayama
Motoyoshi Kamoshima
Tadashi Hori
Masayuki Uchida

(As of June 24, 2008)

Safety Takes Priority Over Everything Else.

Safety is a journey, not a destination.

In 2007, TOYO's incidence rate for lost time injuries and illnesses (LTI), as defined by the ILO, was 0.19. Although this rate is an improvement from 0.26 in 2006, we are not satisfied with this result and would like to strive to improve it toward the ultimate target of zero.

We are aware that people make mistakes, therefore it is important to enhance the quality of safety training to introduce safety practices, to facilitate their proactive safety actions and to raise sensitivity on risk and hazards that might lead to accidents.

We all share the importance of safety in project implementation. We also train our personnel (Project Manager, Field Manager, Construction Manager, Safety Manager, Construction Superintendent, Foreman, etc.) continuously, so as to make them

leaders in safety issues in their respective positions.

TOYO developed a touch panel computer system for easy access to collect all information on "near misses" from site members and will apply it as a tool for safety training and the sharing of information among all site members. From fiscal 2007, this system has been applied at construction sites in Japan and will also be available at overseas construction sites.

TOYO will extend the unified construction HSSE standard to Group companies. In addition, TOYO is developing a standardization of work procedures across Group companies. In this manner, the Toyo Group makes its best effort, through the promotion of standardization, to maintain and improve quality as well as safety.



Safety training in the office

In order to spread the philosophy of "safety is the first priority" among our employees, we carried out safety training for all employees in fiscal 2007. The training is aimed at all the employees—not only construction site management and workers but also head office staff, including management.

TOYO also promoted a safety campaign in fiscal 2007 to enhance its safety-oriented culture and thoroughly implement the safety criteria throughout the Group.



Safety training at the site

At each project site of the Toyo Group, we carry out, under the command of a Field Manager, undertakings including the formation of a health and safety committee, a daily toolbox meeting in the morning, the implementation of safety and health standards, safety patrols, safety meetings, the making of safety reports, the giving of work permission, prognostication activities against unsafe conditions and responses to the occurrence of accidents.



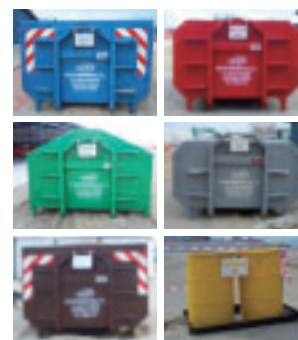
Award ceremony

TOYO has set up an institution to give awards to those groups and/or individuals who have been committed to safety and accident prevention and shown remarkable achievements in the promotion of safety and health activities. In fiscal 2007, members of the China BSRC project and others received the award.



Water-sprinkling for dust prevention

- **BLUE**
General industrial waste
- **GREEN**
Domestic waste
- **BROWN**
Timber waste
- **RED**
Hazard waste
- **GREY**
Hardcore/Concrete waste
- **YELLOW**
Contaminated soil



Separate collection of waste at a construction site

Standards of Global Toyo



Standardization of work procedures provides the basis of product and service quality. TOYO is taking the initiative of developing the Global Toyo standards. Its conceptual structure is shown above.



Vegetation at a pipeline project in Brazil

The Toyo Group runs its projects with due consideration for the environment. Examples of its activities include water-sprinkling for dust prevention and the separate collection of waste material disposed from construction, to name just a few. In each pipeline construction project, the site is covered with vegetation after the pipeline has been laid underground to prevent disfigurement. We also hold presentation meetings for residents living in the vicinity of our projects and make efforts to gain their improved understanding of the project execution in which extra consideration to the environment has been given.

Financial Section

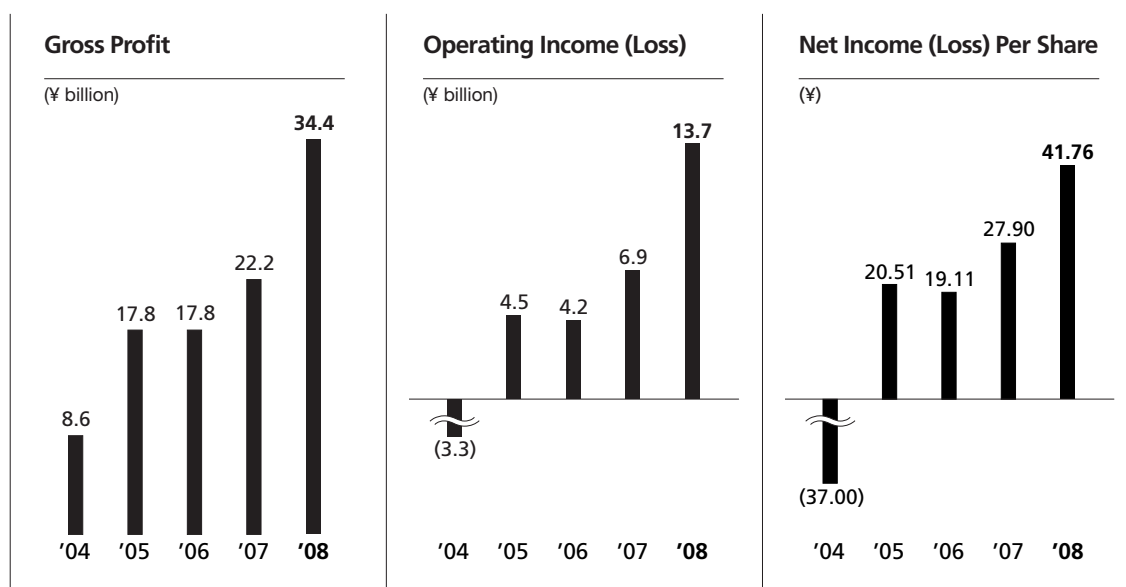
Consolidated Five-Year Summary

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2005	2004	2008
Net sales.....	¥327,413	¥223,844	¥195,584	¥197,945	¥170,529	\$3,267,925
Gross profit.....	34,424	22,236	17,825	17,770	8,640	343,583
Operating income (loss).....	13,742	6,890	4,195	4,540	(3,257)	137,156
Income (loss) before income taxes and minority interest.....	14,909	7,372	4,360	3,698	(3,714)	148,806
Net income (loss).....	8,029	5,294	3,350	3,598	(6,491)	80,139
Total assets.....	280,139	282,814	202,662	209,564	201,133	2,796,075
Total net assets.....	57,331	51,559	35,649	28,442	24,724	572,223
Long-term debt.....	22,038	26,981	19,990	36,454	39,691	219,967
Purchases of property, plant and equipment.....	831	2,752	3,455	2,096	241	8,289
Depreciation and amortization.....	2,511	1,995	1,701	1,453	1,315	25,067
Common stock.....	18,199	18,199	13,018	13,018	13,018	181,645
New orders.....	268,693	354,984	257,840	192,600	241,528	2,681,830
Backlog of contracts at end of the year.....	444,434	499,237	373,518	337,760	350,574	4,435,907

Per share:	Yen					U.S. dollars (Note 1)
	2008	2007	2006	2005	2004	2008
Net income (loss).....	¥41.76	¥27.90	¥19.11	¥20.51	¥(37.00)	\$ 0.42
Cash dividends.....	6.00	3.00	3.00	3.00	—	0.06

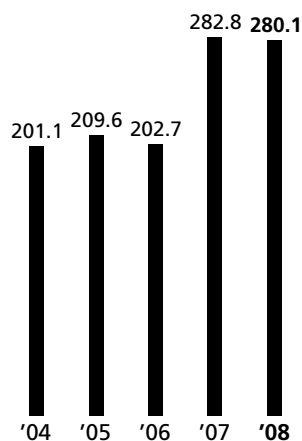
"Total net assets" is a newly provided section to conform to Japanese accounting standard revisions. The figures until the year ended March 31, 2005 have been stated as "Total shareholders' equity" under the previous standards.



	2008	2007	2006	2005	2004
Net sales by sector (%):					
Chemical fertilizers	1.9%	2.9%	7.8%	15.8%	9.3%
Petrochemicals.....	28.7	25.6	24.9	27.4	30.8
Refinery.....	8.8	12.3	3.0	7.7	13.3
Energy-related.....	43.7	36.9	44.2	29.5	27.3
General manufacturing facilities and information technology.....	11.8	15.2	14.9	14.7	11.5
Others.....	5.1	7.1	5.2	4.9	7.8
(Overseas sales).....	(78)	(66)	(68)	(72)	(78)
Number of employees	3,527	3,126	2,668	2,376	2,310

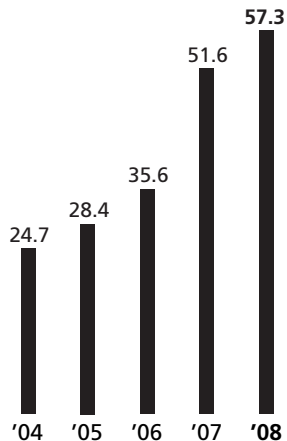
Total Assets

(¥ billion)



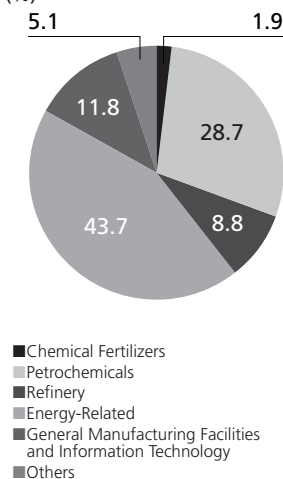
Total Net Assets

(¥ billion)



Composition of Net Sales by Sector (FY2007)

(%)



Financial Section

Management's Discussion and Analysis

In fiscal 2007, the Toyo Group enjoyed increases in both net sales and earnings. In particular, net income increased 53.0%. New orders retained a high level. The following items are particularly noteworthy achievements of the fiscal year under review.

New orders

New orders received for the year totaled ¥268.7 billion (\$2,682 million), a reflection of overseas orders for oil refineries, petrochemical plants and other large-scale projects. The backlog of contracts at the end of March 2008 was ¥444.4 billion (\$4,436 million). This provides an adequate backlog of contracts to give the Toyo Group a stable base of operations.

Sales and Earnings

Net sales increased ¥103.6 billion to ¥327.4 billion (\$3,268 million) as a result of successful progress of projects. Operating income increased ¥6.8 billion to ¥13.7 billion (\$137 million). Net income was ¥8.0 billion (\$80 million), which was ¥2.7 billion more than that achieved in the previous year.

Cash Flows

Cash from operating activities was ¥25.3 billion (\$252 million). The principal source of cash was income before income taxes and minority interest and decrease in contract work in progress of ¥26.4 billion (\$264 million). Cash used for investing activities was ¥5.3 billion (\$52 million). This mainly represented expenditure on loan for special purpose companies established for project implementation. Cash from financing activities was ¥9.1 billion (\$91 million), reflecting continued repayment of long-term debt based on the debt reduction plan. The result of the above cash flows was a net increase of ¥10.9 billion in cash and cash equivalents compared with one year earlier to ¥86.5 billion (\$864 million).

Business Risk and Other Risks

The following is a list of potential risks associated with the information concerning the Toyo Group's operating results and financial condition in this annual report that may have a significant bearing on investors' decisions. This is not intended to be a complete list of these potential risks.

1. Business risk

The nature of our business activities, which mainly involve conducting projects outside Japan, is exposed to the risks listed below. Any interruption or suspension in work due to these risks could have an adverse effect on our operating results and financial condition. We are aware of the possibility that these risks may occur and are taking actions to reduce exposure to these risks by using export credit insurance, maintaining a risk management system and taking other steps.

(1) War, civil commotion, riots, revolutions, coup d'état, terrorism and other unusual events in the country where the project is carried out or in a neighboring country. (2) Regional risks that occur particularly in an area near a project site, such as a surge of political unrest and a serious outbreak of a epidemic disease. (3) Extraordinary natural phenomenon, such as earthquakes, floods, typhoons and other storms as well as unusual weather, such as extreme heat or cold. (4) Drastic changes in industrial or financial policies in the host country affecting the permission, laws and regulations involving import duties, immigration, foreign exchange, telecommunications, taxation and other items. (5) A sudden and substantial reduction of investments globally in business fields where we are active.

2. Foreign exchange fluctuation

For overseas plant construction contracts denominated in foreign currencies, the appreciation of the yen relative to the applicable foreign currency causes a reduction in the yen equivalent amount received. In addition, the yen's appreciation makes TOYO less price competitive when competing for new orders in foreign currencies. This could have an adverse effect on our operating results and financial condition. In response, the group uses foreign exchange forward contracts, procures materials and equipment in foreign currencies, utilizes the resources of its overseas bases and takes all other possible steps to minimize exposure to foreign exchange risk.

3. Sudden increases in prices of equipment, materials and construction

In turnkey lump-sum contracts, the possibility exists of sudden and steep rises in the cost of equipment and materials, transportation, construction, labor and other items associated with a project, or of problems caused by tight demand and supplies of these items, due to rapid change in the international situation. The possibility also exists of cost increase caused by a supplier becoming insolvent or failure of quality control or delivery schedule delay by suppliers/sub-contractors. These events may deteriorate the profitability of a project affected by soaring cost, delivery delay and other problems. Such events may therefore have a detrimental effect on our operating results and financial condition. To reduce our exposure to these risks, we, developing our accountability system to clients and project management system in project execution, utilize our experience to enter into contracts that incorporate measures to offset these risks and gather information on market trends. To avoid an undue reliance on a particular supplier, we work on placing orders with a large number of suppliers and stringently monitor the financial condition of suppliers.

We also diversify contract conditions such as cost reimbursement to reduce our risks.

Financial Section

Consolidated Balance Sheets

Toyo Engineering Corporation and Consolidated Subsidiaries March 31, 2008 and 2007

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Current assets:			
Cash and deposits (Note 17)	¥ 34,311	¥ 43,225	\$ 342,463
Marketable securities (Note 13).....	52,966	32,976	528,652
Notes and accounts receivable (Note 3).....	36,313	31,823	362,440
Less: Allowance for doubtful receivables	(8,814)	(3,545)	(87,969)
	27,499	28,278	274,471
Contract work in progress.....	65,025	92,123	649,020
Prepaid expenses and other current assets (Note 4).....	46,494	30,699	464,056
Total current assets	226,295	227,301	2,258,662
Investments:			
Investment securities (Note 13)	6,466	9,705	64,531
Investments in unconsolidated subsidiaries and affiliates (Note 12).....	3,719	3,311	37,121
Long-term loans	150	141	1,496
Other	4,987	3,910	49,774
Less: Allowance for doubtful receivables	(735)	(789)	(7,332)
Total investments.....	14,587	16,278	145,590
Property, plant and equipment, at cost:			
Land (Note 3).....	17,800	18,543	177,658
Buildings and structures (Note 3)	31,696	31,653	316,362
Tools, furniture and fixtures.....	4,066	3,771	40,587
Leased assets	2,049	—	20,450
Construction in progress.....	23	136	231
Total.....	55,634	54,103	555,288
Less: Accumulated depreciation (Note 3).....	(18,692)	(17,130)	(186,572)
Property, plant and equipment, net	36,942	36,973	368,716
Other assets (Note 4)	2,315	2,262	23,107
Total assets.....	¥280,139	¥282,814	\$2,796,075

See notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Current liabilities:			
Short-term borrowings	¥ 3,142	¥ 2,398	\$ 31,360
Current portion of long-term debt (Note 3).....	6,091	7,719	60,788
Bonds due within one year (Note 3)	—	2,000	—
Notes and accounts payable	42,277	38,006	421,964
Income taxes payable	3,384	1,229	33,772
Advance receipts on uncompleted contracts	126,125	134,511	1,258,862
Reserve for anticipated loss on contract work	684	1,457	6,825
Other current liabilities (Note 4)	10,082	11,176	100,634
Total current liabilities.....	191,785	198,496	1,914,205
Long-term liabilities:			
Long-term debt (Note 3)	22,038	26,981	219,967
Lease obligations	2,709	—	27,041
Accrued retirement benefits (Note 5)	3,244	2,953	32,377
Other long-term liabilities (Notes 4, 5).....	3,032	2,825	30,262
Total long-term liabilities.....	31,023	32,759	309,647
Total liabilities.....	222,808	231,255	2,223,852
Contingent liabilities (Note 7)			
Net assets:			
Shareholders' equity (Note 6)			
Common stock			
Authorized: 500,000,000 shares in 2008 and 2007			
Issued: 192,792,539 shares in 2008 and 2007	18,199	18,199	181,645
Capital surplus	20,762	20,761	207,226
Retained earnings	14,435	6,983	144,079
Treasury stock: 553,293 shares in 2008 and 474,172 shares in 2007	(214)	(159)	(2,139)
Total shareholders' equity	53,182	45,784	530,811
Valuation and translation adjustments			
Net unrealized gain on securities.....	1,248	3,324	12,459
Deferred hedge loss	(2)	(220)	(16)
Foreign currency translation adjustments	163	249	1,622
Total valuation and translation adjustments	1,409	3,353	14,065
Minority interest	2,740	2,422	27,347
Total net assets.....	57,331	51,559	572,223
Total liabilities and net assets	¥280,139	¥282,814	\$2,796,075

Financial Section

Consolidated Statements of Income

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Net sales (Note 8)	¥327,413	¥223,844	\$3,267,925
Cost of sales	292,989	201,608	2,924,342
Gross profit	34,424	22,236	343,583
Selling, general and administrative expenses (Note 9)	20,682	15,346	206,427
Operating income	13,742	6,890	137,156
Other income:			
Interest and dividend income	2,787	1,892	27,819
Gain on sales of investment securities	26	348	264
Gain on sales of fixed assets	110	55	1,095
Gain on sales of memberships	—	54	—
Other	479	341	4,777
	3,402	2,690	33,955
Other expenses:			
Interest expense	871	986	8,691
Foreign exchange loss	—	255	—
Loss on valuation of investment securities	11	38	108
Loss on impairment of fixed assets (Note 11)	1,101	221	10,990
Other (Note 10)	252	708	2,516
	2,235	2,208	22,305
Income before income taxes and minority interest	14,909	7,372	148,806
Income taxes (Note 4):			
Current	7,569	1,714	75,548
Deferred	(1,152)	74	(11,496)
	6,417	1,788	64,052
Minority interest income	(463)	(290)	(4,615)
Net income	¥ 8,029	¥ 5,294	\$ 80,139
Per share of common stock:			
Net income	¥ 41.76	¥ 27.90	\$ 0.42

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets (Note 16)

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2008 and 2007

	Millions of yen								
	Common stock	Capital surplus	Retained earnings (Note 6)	Treasury stock	Net unrealized gain on securities	Deferred hedge loss	Foreign currency translation adjustments	Minority interest	Total net assets
Balance at March 31, 2006	¥13,018	¥15,595	¥ 2,218	¥(118)	¥ 3,062	¥ —	¥(167)	¥2,041	¥35,649
Common stock issued	5,181	5,164							10,345
Dividends paid to shareholders			(526)						(526)
Bonus paid to directors			(3)						(3)
Net income			5,294						5,294
Purchase of treasury stock				(43)					(43)
Sale of treasury stock		2		2					4
Changes of items other than shareholders' equity					262	(220)	416	381	839
Balance at March 31, 2007	18,199	20,761	6,983	(159)	3,324	(220)	249	2,422	51,559
Dividends paid to shareholders			(577)						(577)
Net income			8,029						8,029
Purchase of treasury stock				(58)					(58)
Sale of treasury stock		1		3					4
Changes of items other than shareholders' equity					(2,076)	218	(86)	318	(1,626)
Balance at March 31, 2008	¥18,199	¥20,762	¥14,435	¥(214)	¥ 1,248	¥ (2)	¥ 163	¥2,740	¥57,331

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings (Note 6)	Treasury stock	Net unrealized gain on securities	Deferred hedge loss	Foreign currency translation adjustments	Minority interest	Total net assets
Balance at March 31, 2007	\$181,645	\$207,216	\$ 69,699	\$(1,586)	\$ 33,173	\$(2,193)	\$2,489	\$24,172	\$514,615
Dividends paid to shareholders			(5,759)						(5,759)
Net income			80,139						80,139
Purchase of treasury stock				(583)					(583)
Sale of treasury stock		10		30					40
Changes of items other than shareholders' equity					(20,714)	2,177	(867)	3,175	(16,229)
Balance at March 31, 2008	\$181,645	\$207,226	\$144,079	\$(2,139)	\$ 12,459	\$ (16)	\$1,622	\$27,347	\$572,223

See notes to consolidated financial statements.

Financial Section

Consolidated Statements of Cash Flows

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interest	¥ 14,909	¥ 7,372	\$ 148,806
Adjustments to reconcile income before income taxes and minority interest to cash from operating activities:			
Depreciation and amortization	2,511	1,995	25,067
Loss on impairment of fixed assets	1,101	221	10,990
Loss (gain) on sales of marketable and investment securities, net	105	(353)	1,049
Loss on valuation of investment securities	11	38	108
Changes in allowance for doubtful receivables	5,216	(475)	52,066
Changes in allowance for anticipated loss on contract work	(773)	322	(7,719)
Equity in earnings of affiliated companies	(294)	(163)	(2,932)
Changes in accrued retirement benefits	440	267	4,396
Interest and dividends received	3,154	2,044	31,483
Interest and dividend income	(2,787)	(1,892)	(27,819)
Interest expense	871	986	8,691
Interest paid	(903)	(1,000)	(9,010)
Income taxes paid	(5,703)	(1,400)	(56,922)
Other, net	(2,237)	(3,508)	(22,341)
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(4,843)	(2,371)	(48,341)
(Increase) decrease in contract work in progress	26,417	(17,856)	263,670
(Increase) decrease in other receivables	(8,666)	—	(86,495)
Increase (decrease) in notes and accounts payable	4,368	15,159	43,598
Increase (decrease) in advance receipts on uncompleted contracts	(7,636)	51,594	(76,216)
Cash from (used for) operating activities	25,261	50,980	252,129
Cash flows from investing activities:			
Purchases of property, plant and equipment	(831)	(2,752)	(8,289)
Purchases of other assets	(681)	(789)	(6,802)
Purchases of investment securities	(535)	(34)	(5,344)
Proceeds from sales of investment securities	226	505	2,257
(Increase) decrease in loans, net	(3,292)	(3,139)	(32,853)
Other, net	(137)	765	(1,369)
Cash used for investing activities	(5,250)	(5,444)	(52,400)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	750	(1,807)	7,487
Proceeds from long-term debt	1,200	16,407	11,977
Repayment of long-term debt	(7,720)	(22,863)	(77,054)
Issuance of corporate bonds	—	1,000	—
Redemption of corporate bonds	(2,000)	(1,000)	(19,962)
Issuance of common stock	—	10,345	—
Repayment of lease obligations	(604)	—	(6,025)
Cash dividends paid	(577)	(526)	(5,759)
Other	(136)	(95)	(1,358)
Cash from (used for) financing activities	(9,087)	1,461	(90,694)
Effect of exchange rate changes on cash and cash equivalents	(47)	353	(473)
Net increase in cash and cash equivalents	10,877	47,350	108,562
Cash and cash equivalents, beginning of the year	75,656	28,306	755,124
Cash and cash equivalents, end of the year (Note 17)	¥ 86,533	¥ 75,656	\$ 863,686

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Toyo Engineering Corporation and Consolidated Subsidiaries

1 BASIS OF PREPARATION

Toyo Engineering Corporation (the "Company") and its domestic consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its overseas consolidated subsidiaries maintain their books of account in conformity with those of their respective countries of domicile. The accompanying consolidated financial statements have been compiled from the accounts prepared by the Company in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

For the convenience of readers, the accompanying consolidated financial statements and the relevant notes have also been presented in U.S. dollars by translating all Japanese yen amounts at the exchange rate of ¥100.19 to U.S.\$1.00 prevailing on March 31, 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investment in significant affiliates is accounted for by the equity method. Intercompany accounts and transactions are eliminated in consolidation. The difference between the acquisition cost and the equity in the net assets at the time of acquisition is amortized in principle within twenty years on a straight-line basis.

(b) Securities

All debt and equity securities are classified into one of three categories: trading, available-for-sale or held-to-maturity securities. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which the Company and its domestic subsidiaries have the ability and intent to hold until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accumulation of premiums or discounts. Unrealized gains or losses on trading securities are included in earnings. Unrealized gains or losses on available-for-sale securities are excluded from earnings and are reported, net of the related tax effect, as a separate component of net assets.

Cost of securities sold is determined by the moving average-method.

(c) Contract Work in Progress

Contract work in progress is stated at cost, determined by the identified-cost method.

(d) Depreciation

Depreciation of property, plant and equipment is principally computed by the declining-balance method based on the estimated useful lives of the assets.

Effective April 1, 2007, the Company and its domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for property, plant and equipment acquired on or after April 1, 2007. The impact on operating income and income before income taxes and minority interests was immaterial for the year ended March 31, 2008.

Effective April 1, 2007, the Company and its domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for property, plant and equipment acquired on or prior to March 31, 2007. Such assets are to be depreciated based on the difference between the equivalent of 5% of acquisition cost and memorandum value over a period of five years once they have been fully depreciated to the limits of their respective depreciable amounts effective April 1, 2007. The impact on operating income and income before income taxes and minority interests was immaterial.

(e) Leases

Effective from April 1, 2007, the Company and its consolidated subsidiaries have adopted new accounting standards, "Accounting Standard for Lease Transactions" ("Statement No.13" issued by the Accounting Standards Board of Japan, hereinafter ASBJ, on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" ("Guidance No.16" issued by ASBJ on March 30, 2007) in advance to mandatory adoption.

By applying these standards, depreciation of assets on finance leases which do not transfer ownership of the leased assets to the lessee are calculated by the straight-line method over the lease period with their residual value zero.

As a result, "current assets", "investments", "property, plant and equipment, at cost", "current liabilities" and "long-term liabilities" were increased by ¥257 million (\$2,561 thousand), ¥1,244 million (\$12,415 thousand), ¥1,769 million (\$17,661 thousand), ¥561 million (\$5,603 thousand) and ¥2,709 million (\$27,040 thousand), compared with the amounts which would have been recognized under the previous method of accounting. The adoption of the standards above had no material effect on the statement of income for the year ended March 31, 2008.

(f) Allowance for Doubtful Receivables

The Company and its domestic subsidiaries have provided an allowance for doubtful receivables principally at an estimated amount of probable and reasonably possible bad debts plus an estimated amount computed on the actual percentage of credit losses.

(g) Advance Receipts on Uncompleted Contracts

Advance receipts on uncompleted contracts from customers are shown as a liability, not as a deduction from the amount of contract work in progress.

(h) Reserve for Anticipated Loss on Contract Work

Reserve for anticipated loss on contract work is provided in case the material loss is forecasted for a certain large-scale contract work.

(i) Accrued Retirement Benefits

The accrued retirement benefits at the year-end are stated in accordance with the projected plan assets and the projected retirement benefit obligation. The difference arising from the adoption of the new standard of accounting of ¥3,696 million (\$36,889 thousand) is amortized over 15 years on a straight-line basis. Actuarial loss is amortized over certain years (13 years ended March 31, 2008 and 15 years ended March 31, 2007) within the average of the estimated remaining service years when incurred, starting following the year of recognition. Prior service cost is amortized over certain years (13 years ended March 31, 2008 and 15 years ended March 31, 2007) within the average of the estimated remaining service years when incurred. As the average of the estimated remaining service years was shortened, the above amortization period was changed from 15 years to 13 years.

(j) Derivative Financial Instruments

Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a separate component of net assets. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

Deferred hedge gain or loss is excluded from earnings and is reported, net of the related tax effect, as a separate component of net assets.

(k) Foreign Currency Translation

Both short-term and long-term receivables and payables in foreign currencies are translated at the exchange rates at the balance sheet date. The balance sheet accounts of the consolidated foreign subsidiaries are translated at the rate of exchange in effect at the balance sheet date, except for common stock and capital surplus, which are translated at their historical exchange rates. Revenues, expenses and net income for the year are translated at the rate of exchange in effect at the balance sheet date.

Differences arising from translation are presented as "Foreign currency translation adjustments" in the accompanying consolidated balance sheets.

(l) Recognition of Revenues

Revenues are recognized on the completion of construction work and acceptance by the client, except for the following contracts.

For contracts with prices equal to or in excess of ¥5 billion (\$50 million) and construction periods in excess of eighteen months, revenues are recognized by the percentage-of-completion method. According to this method, revenue is computed by multiplying the contract price by the ratio of costs incurred at the balance sheet date to the total estimated cost.

(m) Net Income per Share

Net income per share is computed based on the weighted average number of shares outstanding during each year. Diluted net income per share is not presented since there was no potential for dilution by the issuance of common stock in 2008 or 2007.

(n) Income Taxes

Deferred tax assets and liabilities are determined based on the differences between carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates and laws which will be in effect when the differences are expected to be reversed.

(o) Consolidated Tax Return

The Company files a consolidated tax return with certain domestic subsidiaries.

(p) Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, the Company and its consolidated subsidiaries consider all highly liquid investments with insignificant risk of changes in value purchased with an original maturity of three months or less to be cash equivalents.

(q) Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries have adopted new accounting standards, "Accounting Standard for Presentation of New Assets in the Balance Sheet" ("Statement No.5" issued by the Accounting Standards Board of Japan, hereinafter ASBJ, on December 9, 2005), and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" ("Guidance No.8" issued by ASBJ on December 9, 2005).

The balance sheet is divided into "Assets", "Liabilities", and "Net Assets" section. "Net Assets" section is divided into "Shareholders' equity", "Valuation and translation adjustments", and "Minority interest". "Shareholders' equity" is divided into "Common stock", "Capital surplus", "Retained earnings" and "Treasury stock". "Valuation and translation adjustments" is divided into "Net unrealized gain on securities", "Deferred hedge loss" and "Foreign currency translation adjustments".

In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity.

The adoption of standards above had no effect on the statements of income for the year ended March 31, 2007.

In addition, the amount corresponding to shareholders' equity for the year ended March 31, 2007 under the previous standards was ¥49,357 million.

(r) Accounting Standard for Directors' Bonus

Effective the year ended March 31, 2007, the company and domestic consolidated subsidiaries have adopted "Accounting Standard for Directors' Bonus" ("Statement No.4" issued by ASBJ, on November 29, 2005).

The standard requires that directors' bonuses be accounted for as an expense of the accounting period in which such bonuses were accrued. Accordingly, "Operating income" and "Income before income taxes and minority interest" for the year ended March 31, 2007 were decreased by ¥10 million compared to the previous method.

(s) Accounting Standard for Business Combinations

Effective the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Business Combinations" (issued by Business Accounting Council on October 31, 2003) and "Divestitures" ("Guidance No.10" issued by ASBJ on December 22, 2006).

3 LONG-TERM DEBT

Long-term debt at March 31, 2008 and 2007 is summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Secured Loans	¥ 9,888	¥11,438	\$ 98,688
Unsecured Loans	17,241	22,261	172,086
1.470% bonds, due 2007.....	—	2,000	—
1.450% bonds, due 2012.....	1,000	1,000	9,981
Total long-term debt.....	28,129	36,699	280,755
Less: Current portion.....	6,091	9,718	60,788
	¥22,038	¥26,981	\$219,967

The following assets at March 31, 2008 and 2007 were pledged as collateral principally for long-term debt:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Notes and accounts receivable.....	¥ 610	¥ 1,962	\$ 6,087
Land and buildings, net of accumulated depreciation	18,289	18,574	182,546
	¥18,899	¥20,536	\$188,633

The following schedule shows the maturities of long-term debt subsequent to March 31, 2008:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2009	¥ 6,091	\$ 60,788
2010	2,622	26,169
2011	3,397	33,911
2012	12,047	120,247
2013	995	9,931
2014 and thereafter	2,977	29,709
	¥28,129	\$280,755

In order to maintain access to a stable and effective source of operating capital, the company has entered into commitment-line contracts with seven trading banks.

The balance of unused commitment-line based on these contracts at the end of the consolidated reporting period is ¥5,000 million (\$49,905 thousand) in 2008 and 2007.

4 INCOME TAXES

The statutory tax rates applicable to the Company and its domestic subsidiaries for the year ended March 31, 2008 and 2007 were approximately 40.4%. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

(1) The effective tax rates on income before income taxes in the accompanying consolidated statements of operations differed from the above-mentioned statutory tax rate for the following reasons:

Year ended March 31, 2008	
Statutory tax rate in Japan	40.4%
Adjustments:	
Permanently nondeductible expenses	1.6
Permanently nontaxable dividends received	(0.3)
Temporary differences excluded from calculation of deferred tax assets	10.0
Foreign tax sparing credit	(4.7)
Difference in tax rates for foreign subsidiaries	(2.7)
Other	(1.3)
Effective tax rate	43.0%
Year ended March 31, 2007	
Statutory tax rate in Japan	40.4%
Adjustments:	
Permanently nondeductible expenses	3.7
Permanently nontaxable dividends received	(0.6)
Temporary differences excluded from calculation of deferred tax assets	(20.5)
Other	1.3
Effective tax rate	24.3%

(2) Significant components of the deferred income tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Allowance for doubtful receivables	¥ 2,318	¥ 365	\$ 23,133
Accrued retirement benefits	1,009	995	10,068
Provision for anticipated loss on contract work	255	527	2,547
Other	1,930	2,520	19,256
Total deferred tax assets	5,512	4,407	55,004
Deferred tax liabilities offset to deferred tax assets:			
Difference in net unrealized gain on securities	(765)	(2,060)	(7,622)
Undistributed earnings of foreign subsidiaries	(455)	(372)	(4,542)
Depreciation expense	(129)	(92)	(1,285)
Other	(132)	(199)	(1,325)
Total deferred tax liabilities	(1,481)	(2,723)	(14,774)
Net deferred tax assets	¥ 4,031	¥ 1,684	\$ 40,230

Note: The Company and its subsidiaries had temporary differences excluded from calculation of deferred tax assets of ¥3,366 million (\$33,600 thousand) and ¥2,493 million at March 31, 2008 and 2007, respectively, which are available to be offset against future taxable income.

(3) Net deferred tax assets at March 31, 2008 and 2007 are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current assets—prepaid expenses and other current assets	¥3,773	¥1,524	\$37,654
Other assets	365	318	3,642
Other current liabilities	(21)	—	(209)
Other long-term liabilities	(86)	(158)	(857)
Net deferred tax assets	¥4,031	¥1,684	\$40,230

5 RETIREMENT BENEFITS

The Company and certain subsidiaries have defined benefit pension plans which provide for pension annuity payments or lump-sum payments to eligible employees upon retirement.

The Company also has defined contribution pension plan, which was transferred from a portion of defined benefit pension plan in May, 2003.

(1) Accrued retirement benefits for employees at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Projected benefit obligation	¥(16,438)	¥(16,366)	\$(164,067)
Plan assets	9,016	9,628	89,991
Unreserved projected benefit obligation	(7,422)	(6,738)	(74,076)
Unamortized obligation at transition	1,733	1,980	17,301
Unamortized actuarial loss	3,948	3,634	39,409
Unrecognized prior service cost	(1,503)	(1,692)	(15,011)
Accrued retirement benefits for employees	¥ (3,244)	¥ (2,816)	\$ (32,377)

Directors' and statutory auditors' retirement allowance ¥137 million, was included in the consolidated balance sheet at March 31, 2007.

Effective the year ended March 31, 2008, the Company reclassified it from "Accrued retirement benefits" to "Other long-term liabilities" under "long-term liabilities".

(2) Net periodic pension cost for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Components of net periodic benefit cost:			
Service cost	¥1,083	¥ 832	\$10,812
Interest cost	302	294	3,016
Expected return on plan assets	(13)	(230)	(127)
Amortization of unrecognized retirement benefit obligation at transition	246	247	2,460
Amortization of unrecognized actuarial loss	453	332	4,522
Amortization of prior service cost	(188)	(153)	(1,876)
Other	122	122	1,209
Net periodic pension cost	2,005	1,444	20,016
Payments of special retirement benefits	—	—	—
Total	¥2,005	¥1,444	\$20,016

(3) Basis of calculation of projected benefit obligation for the years ended 2008 and 2007, respectively.

Method of allocation of estimated pension cost	Straight-line method
Discount rate	Mainly 2.0%
Expected rate of return on plan assets	Mainly 0.0% in 2008, mainly 2.5% in 2007
Amortization period for unrecognized actuarial loss	Mainly 13 years in 2008, mainly 15 years in 2007
Amortization period for unrecognized obligation at transition	15 years
Amortization period for unrecognized prior service cost	13 years in 2008, mainly 15 years in 2007

6 SHAREHOLDERS' EQUITY

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

7 CONTINGENT LIABILITIES

The Company and its subsidiaries were contingently liable as guarantors of loans to others in the aggregate amount of ¥3,169 million (\$31,626 thousand) and ¥4,157 million at March 31, 2008 and 2007, respectively.

8 NET SALES

Net sales include revenues recognized by the percentage-of-completion method as described in Note 2 (I). The following table shows net sales recognized by the percentage-of-completion method:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
	¥178,343	¥136,612	\$1,780,044

9 RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2008 and 2007 amounted to ¥1,113 million (\$11,114 thousand) and ¥706 million, respectively.

10 OTHER EXPENSES

"Other" in "Other expenses" for the years ended March 31, 2008 and 2007 consisted of the following:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Taxes and dues	¥ —	¥255	\$ —
Loss on valuation of memberships	—	76	—
Loss on sales of investment securities.....	131	—	1,313
Other	121	377	1,203
Total	¥252	¥708	\$2,516

11 IMPAIRMENT OF FIXED ASSETS

The Company and its consolidated subsidiaries adopted the accounting standard for impairment of fixed assets. The loss on impairment of fixed assets for the year ended March 31, 2008 and 2007 were comprised of the following:

Year ended March 31, 2008

Location: Chiba Prefecture, etc

Major use: Real Estate

Asset category: Land, etc

Amount: ¥1,101 million (\$10,990 thousand)

Year ended March 31, 2007

Location: Chiba Prefecture, etc

Major use: Real Estate, EPC Business

Asset category: Buildings and structures, etc.

Amount: ¥221 million

The Company and its consolidated subsidiaries have grouped their fixed assets into each company for EPC Business, each object for Real Estate and Idle Assets.

Due to decline in rents' level and plans for disposals, the Company and its consolidated subsidiaries reduced the book value of some assets to the recoverable amounts.

The recoverable amounts of the asset groups were measured by applying net selling prices, which were assessed based on the current market price of land and other salable prices.

12 LEASES

Effective the year ended March 31, 2008, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Lease Transactions."

Because of the adoption, leased assets and lease obligations based on finance lease contracts are recorded on the Balance Sheet as of March 31, 2008.

(a) Finance Leases

(a-1) Finance Leases (as Lessee)

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property as of March 31, 2007 which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

Year ended March 31,	Millions of yen 2007
Acquisition costs:	
Tools, furniture and fixtures	¥2,115
Accumulated depreciation:	
Tools, furniture and fixtures	407
Net book value:	
Tools, furniture and fixtures	1,708

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2007 for finance leases accounted for as operating leases are summarized as follows:

Year ended March 31,	Millions of yen 2007
Within one year	¥ 557
Over one year	2,904
Total	¥3,461

Lease payments relating to finance leases accounted for as operating leases for the year ended March 31, 2007 amounted to ¥260 million, respectively, which was equal to the depreciation expense of the leased assets computed by the straight-line method over the respective lease terms.

(a-2) Finance Leases (as Lessor)

Future minimum lease receivables (including the interest portion thereon) subsequent to March 31, 2007 for finance leases accounted for as operating leases are summarized as follows:

Year ended March 31,	Millions of yen 2007
Within one year	¥ 296
Over one year	1,458
Total	text-align: right;">¥1,754

All the above lease receivables were derived from the subleasing business. As every subleased property was leased to third parties through the Company's subsidiary on approximately the same terms, approximately the same amount of future lease receivables as those presented above are included in Table (a-1) as the amount of the future sublease payments.

(b) Operating Leases

(b-1) Operating Leases (as Lessee)

Future minimum lease payments subsequent to March 31, 2008 and 2007 for noncancelable operating leases are summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Within one year	¥168	¥13	\$1,681
Over one year	499	13	4,976
Total	text-align: right;"> ¥667	text-align: right;">¥26	text-align: right;"> \$6,657

(b-2) Operating Leases (as Lessor)

Future minimum lease receivables subsequent to March 31, 2008 and 2007 for noncancelable operating leases are summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Within one year	¥ 999	¥ 1,127	\$ 9,965
Over one year	8,809	9,812	87,925
Total	text-align: right;"> ¥9,808	text-align: right;">¥10,939	text-align: right;"> \$97,890

13 INVESTMENT SECURITIES

The book value, unrealized gain and loss and the related fair value of held-to-maturity securities at March 31, 2008 are summarized as follows:

At March 31, 2008	Millions of yen			
	Book Value	Unrealized Gain	Unrealized Loss	Fair Value
Government bonds	¥25,980	¥1	¥(0)	¥25,981
Corporate bonds	26,985	—	(0)	26,985

Financial Section

The cost, unrealized gain and loss and the related book value of available-for-sale securities with available fair values at March 31, 2008 are summarized as follows:

At March 31, 2008	Millions of yen			Book Value
	Cost	Unrealized Gain	Unrealized Loss	
Equity securities	¥5,453	¥2,326	¥(264)	¥7,515

The contractual maturities of debt securities classified as available-for-sale and held-to-maturity were as follows:

At March 31, 2008	Millions of yen	Thousands of U.S. dollars
Due within one year	¥52,966	\$528,655
Due after one year through five years	—	—
Due after five years through ten years	—	—
Due after ten years	—	—
Total	¥52,966	\$528,655

The book value, unrealized gain and loss and the related fair value of held-to-maturity securities at March 31, 2007 are summarized as follows:

At March 31, 2007	Millions of yen			Fair Value
	Book Value	Unrealized Gain	Unrealized Loss	
Government bonds	¥20,984	¥1	¥(0)	¥20,985
Corporate bonds	11,992	—	(0)	11,992

The cost, unrealized gain and loss and the related book value of available-for-sale securities with available fair values at March 31, 2007 are summarized as follows:

At March 31, 2007	Millions of yen			Book Value
	Cost	Unrealized Gain	Unrealized Loss	
Equity securities	¥5,160	¥5,532	¥ (2)	¥10,690
Debt securities	304	—	(101)	203

The contractual maturities of debt securities classified as available-for-sale and held-to-maturity were as follows:

At March 31, 2007	Millions of yen	Thousands of U.S. dollars
Due within one year	¥32,976	\$279,245
Due after one year through five years	—	—
Due after five years through ten years	—	—
Due after ten years	203	1,721
Total	¥33,179	\$280,966

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DERIVATIVE TRANSACTIONS

The Company operates internationally in circumstances which give rise to exposure to market risks from fluctuations in foreign currency exchange rates and interest rates. In order to limit those risks, the Company enters into forward foreign exchange contracts, currency swaps and interest rate swaps, etc. in accordance with the Company's own internal risk control rules. The Company does not have derivative positions for speculative trading purposes. The Company is subject to credit risk incurred by the default of counter parties to the derivatives. As the Company enters into such agreements only with credible counter parties, the risk of any such default is deemed negligible. The Company's Finance Division is in charge of entering into and monitoring the Company's derivative positions in order to ensure risk control.

Forward foreign exchange contracts

The Company has entered into forward foreign exchange contracts to reduce its exposure to adverse fluctuations in foreign exchange rates relating to receivables and payables denominated in foreign currencies. The contract amounts and the related market values of those contracts without firm commitments related to receivables or payables at March 31, 2008 and 2007 were as follows:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Forward foreign exchange contracts to buy U.S. dollars:			
Contract amounts	¥55	¥147	\$552
Related market value	51	151	509
Net (loss) gain.....	¥ (4)	¥ 4	\$ (43)

The contract and related market value amounts above exclude forward foreign exchange contracts designated as hedges on forecasted transactions with a firm commitment to the hedged items since such contracts are accounted for in the financial statements in conjunction with the computation of foreign exchange gain and loss by the deferral of gain and loss.

The contract and related market value amounts above do not directly indicate the level of market risk or credit risk incurred, as these amounts do not indicate the potential risk of the forward foreign exchange contracts.

Interest rate swaps

The Company has entered into interest rate swap agreements to reduce its interest expense or its exposure to adverse fluctuations in interest rates relating to loans payable. The total notional amounts and related market value of these interest rate swap agreements at March 31, 2008 and 2007 were as follows:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Notional amounts.....	¥200	¥400	\$1,996
Related market value	0	0	1
Net gain	¥ 0	¥ 0	\$ 1

The notional amounts and related market value amounts above exclude interest rate swaps agreements designated as hedges on forecasted transactions with a firm commitment to the hedged items since such agreements are or will be accounted for in the financial statements as interest on borrowings allocated periodically based on fixed rate.

15 SEGMENT INFORMATION

(1) Business Segments

Year ended March 31, 2008	Millions of yen				
	EPC Business	Real Estate	Total	Eliminations and Other	Consolidated
I Net sales and operating income:					
Net sales					
(1) Net sales to outside customers	¥323,575	¥ 3,838	¥327,413	¥ —	¥327,413
(2) Inter-segment net sales	15	297	312	(312)	—
Total	323,590	4,135	327,725	(312)	327,413
Operating expenses.....	310,993	2,997	313,990	(319)	313,671
Operating income	12,597	1,138	13,735	7	13,742
II Assets, depreciation and capital expenditures:					
Assets	¥245,110	¥26,842	¥271,952	¥8,187	¥280,139
Depreciation.....	1,659	842	2,501	(1)	2,500
Capital expenditures.....	2,320	1,367	3,687	—	3,687

Financial Section

Year ended March 31, 2007	Millions of yen				
	EPC Business	Real Estate	Total	Eliminations and Other	Consolidated
I Net sales and operating income:					
Net sales					
(1) Net sales to outside customers	¥220,856	¥ 2,988	¥223,844	¥ —	¥223,844
(2) Inter-segment net sales	15	321	336	(336)	—
Total	220,871	3,309	224,180	(336)	223,844
Operating expenses.....	215,081	2,224	217,305	(351)	216,954
Operating income	5,790	1,085	6,875	15	6,890
II Assets, depreciation and capital expenditures:					
Assets	¥250,968	¥20,443	¥271,411	¥11,403	¥282,814
Depreciation.....	1,416	580	1,996	(1)	1,995
Capital expenditures.....	1,593	1,948	3,541	—	3,541

Notes: 1. The classification of the business segments adopted is based on the Company segmentation which is determined by the similarity of each business.

2. The Companies' reportable operating segments consist of the following two business groups:

EPC Business — Engineering, procurement and construction for chemical fertilizer, petrochemical and refinery plants, energy-related businesses, general manufacturing facilities and information technology
Real Estate — Rent and administration of real estate

3. All administrative department expenses of the Company and its consolidated subsidiaries are allocated to the corresponding business segments.

4. Assets included in "Eliminations and Other" for the years ended March 31, 2008 and 2007 totaling ¥8,384 million (\$83,682 thousand) and ¥11,583 million primarily consisted of investment in securities.

5. The impairment losses recorded in Real Estate for the years ended March 31, 2008 and 2007 were ¥1,101 million (\$10,990 thousand) and ¥165 million, respectively, in EPC Business for the year ended March 31, 2007 was ¥56 million.

6. Effective the year ended March 31, 2008, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Lease Transactions." As a result, assets, depreciation and capital expenditures have increased as follows:

- EPC Business: assets ¥584 million (\$5,830 thousand), depreciation ¥182 million (\$1,820 thousand) and capital expenditures ¥778 million (\$7,770 thousand)
- Real Estate: assets ¥2,685 million (\$26,808 thousand), depreciation ¥147 million (\$1,469 thousand) and capital expenditures ¥1,328 million (\$13,257 thousand)

In addition, increased amount of capital expenditures includes the amounts of leased assets which corresponding lease contracts carried out in or before FY2006.

These amounts are ¥358 million (\$3,577 thousand) in EPC Business and ¥1,328 million (\$13,257 thousand) in Real Estate, respectively.

(2) Geographic Segments

Year ended March 31, 2008	Millions of yen				
	Japan	Others	Total	Eliminations and Other	Consolidated
I Net sales and operating income:					
Net sales					
(1) Net sales to outside customers	¥307,296	¥20,117	¥327,413	¥ —	¥327,413
(2) Inter-segment net sales	223	22,704	22,927	(22,927)	—
Total	307,519	42,821	350,340	(22,927)	327,413
Operating expenses.....	296,752	40,087	336,839	(23,168)	313,671
Operating income	10,767	2,734	13,501	241	13,742
II Assets:					
Assets	¥266,455	¥29,454	¥295,909	¥(15,770)	¥280,139

Year ended March 31, 2007	Millions of yen				
	Japan	Others	Total	Eliminations and Other	Consolidated
I Net sales and operating income:					
Net sales					
(1) Net sales to outside customers	¥210,865	¥12,979	¥223,844	¥ —	¥223,844
(2) Inter-segment net sales	31	18,068	18,099	(18,099)	—
Total	210,896	31,047	241,943	(18,099)	223,844
Operating expenses	205,328	29,439	234,767	(17,813)	216,954
Operating income	5,568	1,608	7,176	(286)	6,890
II Assets:					
Assets	¥264,355	¥34,824	¥299,179	¥(16,365)	¥282,814

Notes: 1. Geographic segmentation is according to geographic proximity.

2. Countries included in Others: Korea, Malaysia, India, Luxembourg, U.S.A. and PR China

3. Net sales and Assets included in "Eliminations and Other" are mainly due to inter-segment transaction.

(3) Sales to Foreign Customers

Year ended March 31, 2008	Millions of yen					
	Southeast Asia	Southwest Asia, Middle East and Africa	Russia and Central Asia	Central and South America	Others	Total
Overseas sales (A)	¥34,073	¥71,586	¥35,290	¥92,831	¥22,875	¥256,655
Consolidated sales (B)						
Overseas sales ratio (A/B)	10.4%	21.9%	10.8%	28.4%	7.0%	78.5%

Year ended March 31, 2007	Millions of yen					
	Southeast Asia	Southwest Asia, Middle East and Africa	Russia and Central Asia	Central and South America	Others	Total
Overseas sales (A)	¥10,517	¥52,506	¥36,034	¥25,114	¥22,514	¥146,685
Consolidated sales (B)						223,844
Overseas sales ratio (A/B)	4.7%	23.5%	16.1%	11.2%	10.0%	65.5%

Each area represents the following countries:

Southeast Asia: Thailand and Singapore

Southwest Asia, Middle East and Africa: India, Saudi Arabia, Qatar and Iran

Russia and Central Asia: Russia

Central and South America: Brazil

Others: PR China, Korea, Australia and European countries

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SUPPLEMENTARY INFORMATION FOR CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(a) Type and number of outstanding shares

Type of shares	Balance at beginning of year	Year ended March 31, 2008		
		Number of shares		Balance at end of year
		Increase in shares during the year	Decrease in shares during the year	
Issued stock:				
Common stock	192,792,539	—	—	192,792,539
Total	192,792,539	—	—	192,792,539
Treasury stock:				
Common stock	474,172	87,027	7,906	553,293
Total	474,172	87,027	7,906	553,293

Notes: 1. Treasury stock increased by 87,027 shares due to the repurchase of shares less than one unit.

2. Treasury stock decreased by 7,906 shares due to the sale of shares less than one unit.

Financial Section

(b) Dividends

(b-1) Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. Dollars (Note 1))	Amount per share (Yen)	Amount per share (U.S. Dollars (Note 1))	Shareholders' cut-off date	Effective date
June 26, 2007	Annual general meeting of shareholders	Common stock	577	4,886	3	0.03	March 31, 2007	June 27, 2007

(b-2) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. Dollars (Note 1))	Paid from	Amount per share (Yen)	Amount per share (U.S. Dollars (Note 1))	Shareholders' cut-off date	Effective date
June 24, 2008	Annual general meeting of shareholders	Common stock	1,153	11,512	Retained earnings	6	0.06	March 31, 2008	June 25, 2008

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CONSOLIDATED STATEMENTS OF CASH FLOWS

A reconciliation between the balance of cash and deposits reflected in the accompanying consolidated balance sheets and that of cash and cash equivalents in the accompanying consolidated statements of cash flows as of March 31, 2008 and 2007 is summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and deposits	¥34,311	¥43,225	\$342,463
Time deposits with maturities over three months	(744)	(545)	(7,429)
Short-term investments with maturities within three months included in securities	52,966	32,976	528,652
Cash and cash equivalents	¥86,533	¥75,656	\$863,686



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Report of Independent Auditors

The Board of Directors
Toyo Engineering Corporation

We have audited the accompanying consolidated balance sheets of Toyo Engineering Corporation and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toyo Engineering Corporation and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst + Young ShinNihon

June 24, 2008

Worldwide Network

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Bldg. No. 9, 802 Al Abbas Street,
P.O. Box 24131, Doha, Qatar
Tel: 974-437-8860
Fax: 974-437-8861

● Tehran

West Side / Ground Floor, No. 4 Alvand Street,
Argentine Square, Tehran, Iran
Tel: 98-21-8866-3088/4598
Fax: 98-21-8879-4019

● Moscow

Room No. 605, World Trade Center,
Krasnopresnenskaya Nab., 12, Moscow 123610, Russia
Tel: 7-495-258-2064/1504
Fax: 7-495-258-2065

MAJOR SUBSIDIARIES AND AFFILIATED COMPANIES

Domestic

● TEC Estate, Ltd.

Property development and real estate business
2-6-3 Akanehama, Narashino-shi,
Chiba 275-0024, Japan
Tel: 81-47-408-2171
Fax: 81-47-453-3250

● Suntec Corporation

Real estate and building maintenance
2-6-3 Akanehama, Narashino-shi,
Chiba 275-0024, Japan
Tel: 81-47-454-1639
Fax: 81-47-454-1842

[HEAD OFFICE]

2-2-7 Honcho, Funabashi-shi,
Chiba 273-0005, Japan
Tel: 81-47-433-4511
Fax: 81-47-433-4593

● TEC Software & Technical Services Corporation

Staffing services, Job placement services and
Translation / Interpretation
7-11-5 Honcho, Funabashi-shi,
Chiba 273-0005, Japan
Tel: 81-47-425-8461
Fax: 81-47-425-8464

● Tecno Frontier Co., Ltd.

Environmental engineering and construction of facilities
2-8-1 Akanehama, Narashino-shi,
Chiba 275-0024, Japan
Tel: 81-47-454-1178
Fax: 81-47-454-1550

[HEAD OFFICE]

2-2-7 Honcho, Funabashi-shi, Chiba 273-0005, Japan
Tel: 81-47-433-7234

● TEC Air Service Corporation

Travel and insurance services
2-6-7 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel: 81-3-3564-0130
Fax: 81-3-3564-0530

● Toyo Business Engineering Corporation

System consulting and solutions provider
17th / 20th Fl., KDDI Otemachi Bldg., 1-8-1
Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
Tel: 81-3-3510-1600
Fax: 81-3-3510-1624

● Chiba Data Center Corporation

Data input service, documentation using word
processors and printing
6-5-3 Tendai, Inage-ku, Chiba-shi,
Chiba 263-0016, Japan
Tel: 81-43-284-3611
Fax: 81-43-284-3533

● TEC Accounting & Consulting Ltd.

Business support and consulting for accounting
and accounting system development
2-8-1 Akanehama, Narashino-shi,
Chiba 275-0024, Japan
Tel: 81-47-454-1690
Fax: 81-47-454-1289

Overseas

■ Toyo Engineering Korea Limited

Engineering and construction for plants and facilities
Toyo Bldg., 677-17, Yeoksam-1 Dong, Kangnam-
ku, Seoul, 135-915, Korea
Tel: 82-2-2189-1619
Fax: 82-2-2189-1891

■ Toyo Engineering Corporation, China

Engineering and construction for plants and facilities
17th Fl., Shanghai Zhongrong Plaza,
No. 1088 Pudong South Road, Pudong New
District, Shanghai 200122, China
Tel: 86-21-5888-9935
Fax: 86-21-5888-8864/8874

■ Toyo Engineering Corporation (China) Procurement

Procurement services in China
17th Fl., Shanghai Zhongrong Plaza, No. 1088
Pudong South Road, Pudong New District,
Shanghai 200122, China
Tel: 86-21-5888-9935
Fax: 86-21-5888-8864/8874

■ Toyo-Thai Corporation Public Company Limited

Engineering and construction for plants and facilities
22nd Fl., Serm-Mit Tower, 159 Soi Asoke,
Sukhumvit 21 Road, Bangkok 10110, Thailand
Tel: 66-2-260-8505
Fax: 66-2-260-8525/8526

■ Toyo Engineering & Construction Sdn. Bhd.

Engineering and construction for plants and facilities
Suite 25.4, 25th Fl., Menara Haw Par, Jalan Sultan
Ismail, 50250 Kuala Lumpur, Malaysia
Tel: 603-2731-1100
Fax: 603-2731-1110

■ Toyo Engineering India Limited

Engineering and construction for plants and facilities
"Toyo House", L.B.S. Marg, Kanjurmarg (West),
Mumbai-400 078, India
Tel: 91-22-2573-7000
Fax: 91-22-2573-7520/7521

■ Toyo Engineering Europe, S.A.

Procurement services in Europe
25, Route d'Esch, L-1470, Luxembourg
Tel: 352-497511
Fax: 352-487555

■ Toyo Canada Corporation

Engineering and construction for plants and facilities
#640 Ford Tower, 633, 6th Avenue SW, Calgary,
Alberta T2P 2Y5, Canada
Tel: 1-403-237-8117
Fax: 1-403-237-8385

■ Toyo U.S.A., Inc.

Procurement services and market development
in the U.S.
15415 Katy Freeway, Suite 600, Houston,
TX 77094, U.S.A.
Tel: 1-281-579-8900
Fax: 1-281-599-9337

■ Toyo do Brasil—Consultoria E Construcoes Industriais Ltda.

Engineering and construction for plants and facilities
Praia de Botafogo, 228-Sala 801C-Ala B, Botafogo,
22250-906, Rio de Janeiro-RJ, Brazil
Tel: 55-21-2551-1829
Fax: 55-21-2551-2048

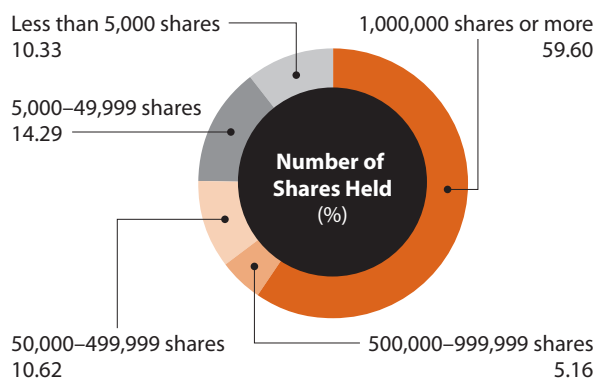
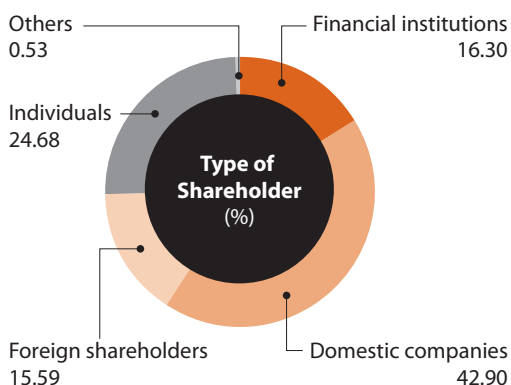
(As of August 1, 2008)

Corporate Data

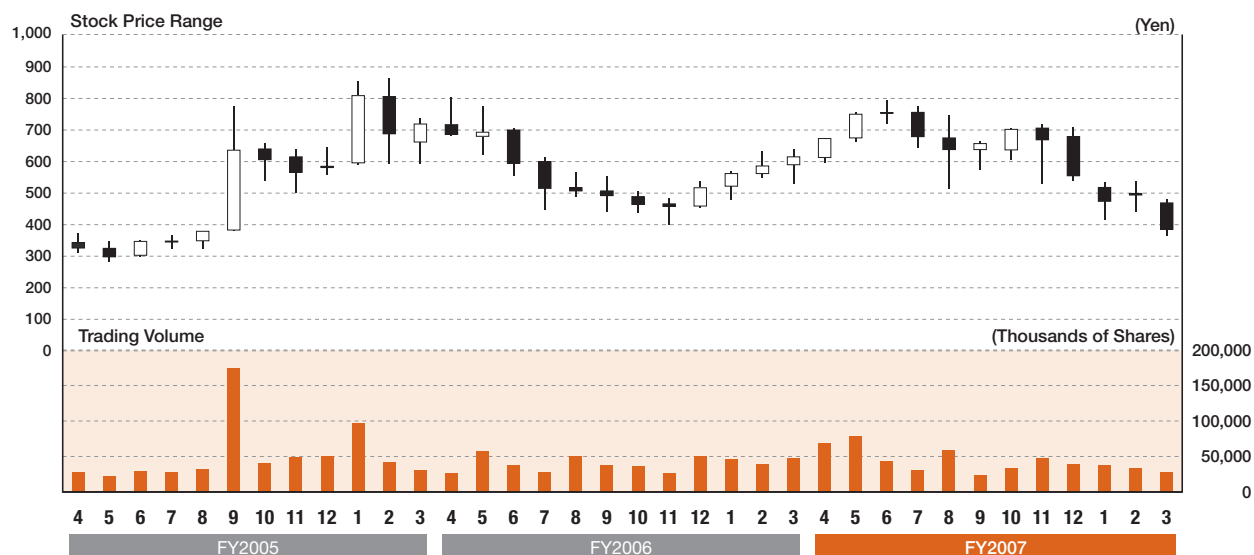
(As of March 31, 2008)

Founded: May 1, 1961
Common Stock: ¥18,199 million
Number of Employees: 1,066
Stock Exchange Listing: Tokyo Stock Exchange
Authorized Shares: 500,000,000
Capital Stock Issued: 192,792,539
Number of Shareholders: 17,986
Administrator of Shareholders' Register: The Chuo Mitsui Trust and Banking Co., Ltd.
 3-33-1 Shiba, Minato-ku, Tokyo 105-8574, Japan
Major Shareholders:

	Number of shares (thousands)	Percentage of total (%)
Mitsui & Co., Ltd.	43,770	22.70
Mitsui Chemicals, Inc.	25,343	13.14
Japan Trustee Services Bank, Ltd.	9,587	4.97
Bank of New York, GCM Client Accounts EISG	6,068	3.14
Taisei Corporation	4,000	2.07
Kanto Natural Gas Development Co., Ltd.	3,956	2.05
The Master Trust Bank of Japan, Ltd. Trust Account	3,303	1.71
HSBC Bank Plc-Clients Nontax Treaty	3,040	1.57
Morgan Stanley & Co. Incorporated	2,408	1.24
Sumitomo Mitsui Banking Corporation	2,350	1.21



Stock Price:





TOYO ENGINEERING CORPORATION

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