

Annual Report 2009

Year ended March 31, 2009

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DEFINITION OF TERMS

- Fiscal 2008 means the fiscal year ended March 31, 2009 (April 1, 2008–March 31, 2009).
- 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.

Corporate Profile

Toyo Engineering Corporation (TOYO) is one of the world's leading engineering contractors. Since its inception in 1961, TOYO has actively deployed Engineering, Procurement, and Construction (EPC) businesses, and has successfully delivered large and complex projects in more than 50 countries. TOYO's engineering business focuses on the segments of Energy, Oil Refining, Petrochemicals & Chemicals, Oil & Gas Development, Infrastructure, Environment, and other manufacturing facilities.

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. TOYO provides optimum solutions to the increasingly diversified and individualized needs of our clients through five considerable assets: (1) Project management skills, (2) Comprehensive integrated engineering technologies, (3) High-tech application capabilities, (4) Optimum alliance building, and (5) Advanced global networking.

We have a globally networked organization named "Global Toyo," which makes us capable of executing work based on common work standards in close cooperation with our group companies as well as in an optimal formation. The workforce of TOYO totals 7,000 people at Global Toyo companies and other group companies. Global Toyo companies maintain and strengthen TOYO's image of reliability and assure clients that projects will be delivered safely, to a high-quality standard, and on schedule.

In 2009, TOYO launched a new group mission entitled "Engineering for Sustainable Growth of the Global Community." Based on our qualifications and worldwide first-rate engineering capabilities, we offer solutions that fully satisfy the comprehensive requirements of our clients. Harmonizing the supply of energy and materials with environmental protection requirements is part of our genuine attempt to contribute to the realization of a "Sustainable Global Community."

Consolidated Financial Highlights

Financial Summary

Years ended March 31,	Millions of yen		Thousands of U.S. dollars*
	2009	2008	2009
Net sales	¥326,248	¥327,413	\$3,321,267
New orders	119,265	268,693	1,214,144
Backlog of contracts at end of the year.....	224,416	444,434	2,284,594
Net income.....	6,516	8,029	66,331
Total assets.....	199,413	280,139	2,030,060
Total net assets.....	58,509	57,331	595,635
Per share data (in yen and U.S. dollars):			
Net income.....	¥ 33.91	¥ 41.76	\$ 0.35
Cash dividends.....	7.00	6.00	0.07

* U.S. dollar amounts are stated at ¥98.23 to U.S.\$1.00, the exchange rate prevailing on March 31, 2009.

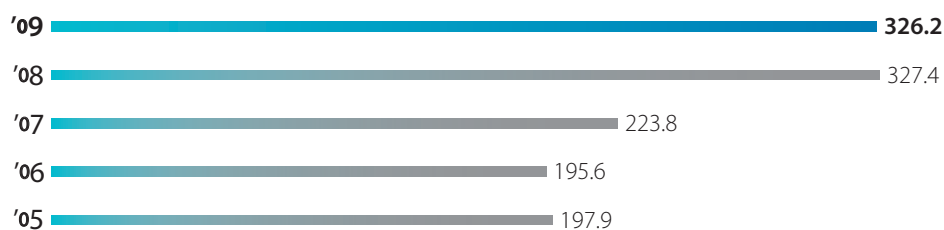
Operational Summary

>>> Operating income marked a record high.

>>> New order target not reached due to the global financial crisis.

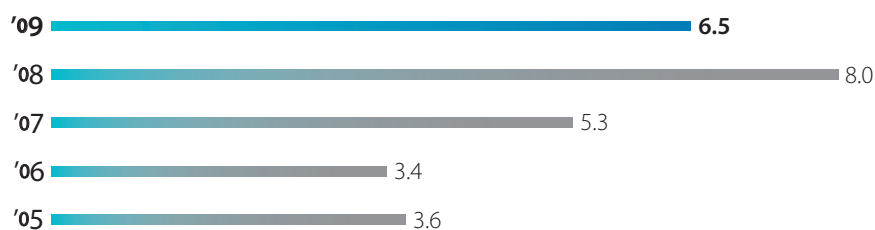
Net Sales

(¥ billion)



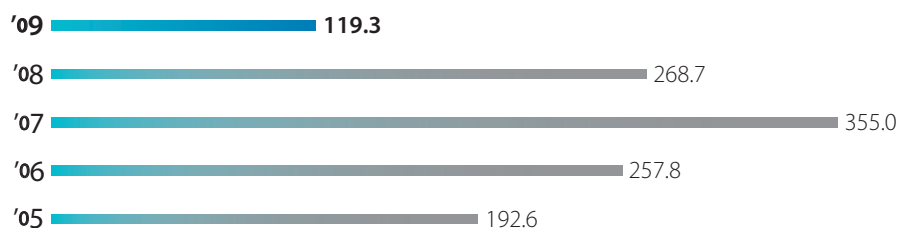
Net Income

(¥ billion)



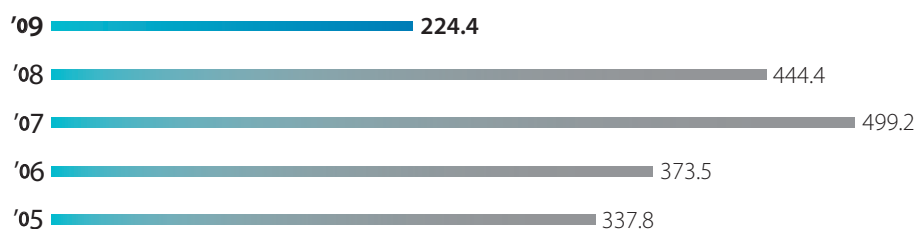
New Orders

(¥ billion)



Backlog of Contracts

(¥ billion)



To Our Shareholders

An Age of Dramatic Changes—Steadily Achieving a Growth Scenario



In fiscal 2008, ended March 31, 2009, TOYO posted a favorable performance, with operating income reaching a record high. Contributing to that performance were the high reputation of our work among our clients, the establishment of excellent business relationships, and the high-spirited collaboration of workers and associated companies participating in our projects, demonstrating the capabilities needed to ensure our clients' success. The understanding of our clients and the support of our shareholders were also important factors in our strong performance.

Nevertheless, our business climate changed dramatically in the second half of the fiscal year in the face of global economic turmoil. Under the impact of the sudden global economic recession and restraint in capital investments, projects have been postponed across the board as the difficult business environment in the plant business continues.

For the time being, we will devote our full efforts to securing new orders. We must also make preparations—sometime in the near future the global economy will begin to show signs of moving out of its adjustment phase into recovery, and we must be ready to capitalize on that opportunity.

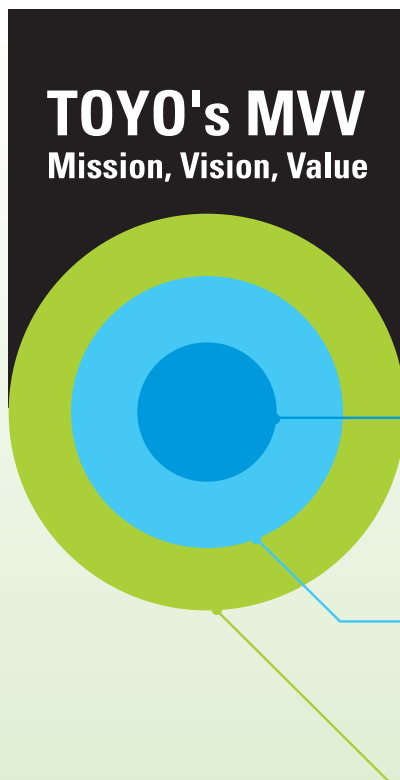
In addition to formulating a new Mission, Vision, and Value statement shared by our group, we kicked off a new three-year medium-term management plan on April 1, 2009. Sharing groupwide objectives, we intend to steadily implement our action plan in order to achieve growth.

August 2009

A handwritten signature in black ink, appearing to read 'Yutaka Yamada'. The signature is fluid and cursive, with a prominent loop at the end.

Yutaka Yamada
President and Chief Executive Officer

New MVV Statement



Formulating a Toyo Group MVV Statement

We have formulated a new Mission, Vision, and Value (MVV) statement for the Toyo Group. The purpose of this new MVV statement is to, amid our rapidly changing business environment, heighten the Group's sense of unity through a shared sense of mission and values by the employees of the Group's companies around the globe.

Mission :

Engineering for Sustainable Growth of the Global Community

Vision :

Global Leading Engineering Partner

Value :

Integrity, Creativity, Diversity, Learning, Team

Group Mission: Engineering for Sustainable Growth of the Global Community

Based on our qualifications and global first-rate engineering capabilities, we offer comprehensive solutions that fully meet the various requirements of our clients, and as part of our genuine attempt we wish to contribute to the realization of a "Sustainable Global Community" by harmonizing the supply of energy and basic materials with requirements for environmental protection.

Group Vision: Global Leading Engineering Partner

As a global first-ranked engineering company group, we become a highly trusted, long-term partner to our clients by solving their problems together with them, from their perspective. We do this by providing our clients with total value for the project in terms of quality, HSSE, schedule, cost, and other factors.

Group Value: Integrity, Creativity, Diversity, Learning, Team

Each director and employee of the Toyo Engineering Corporation Group shall share the following group values and act accordingly:

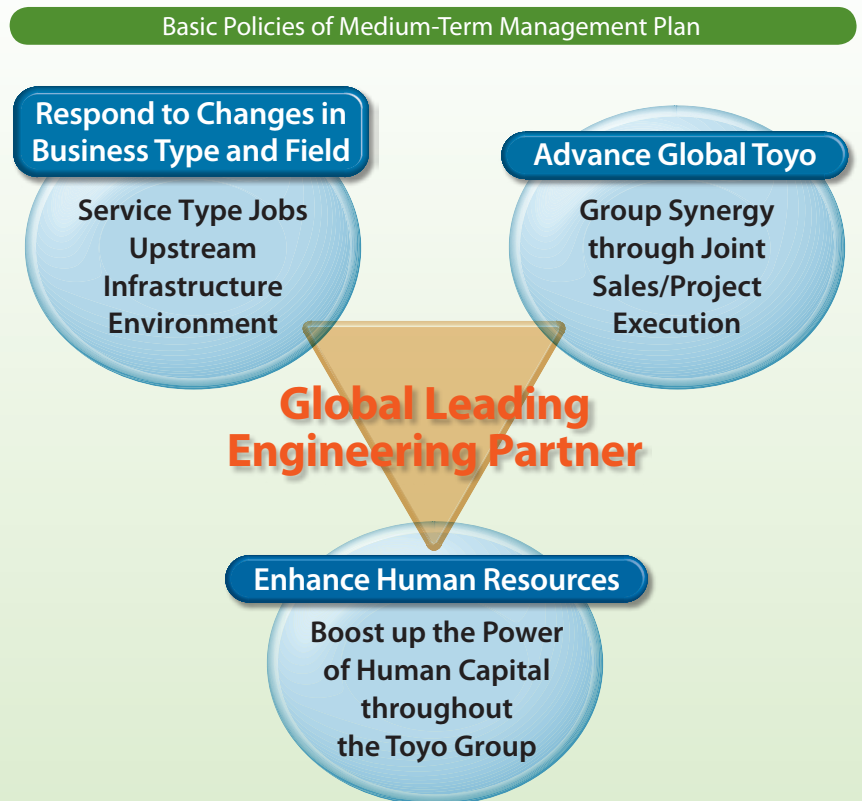
- Integrity** : To carry out the work in good faith under his or her own responsibility.
- Creativity** : To create new values in cooperation with our clients or by ourselves by applying our wisdom and creativity to the greatest extent.
- Diversity** : To respect the individuality and personality of each person as well as the culture and customs of each country and region.
- Learning** : To acquire new experiences, skills, and knowledge with an enterprising spirit.
- Team** : To achieve high performance through team play with our clients and partners as well as within our Group.

To Our Shareholders

Medium-Term Management Plan

Start of the Medium-Term Management Plan (FY2009–FY2011)

On April 1, 2009, TOYO kicked off its three-year medium-term management plan. The basic strategies of the plan are to: 1) respond to changes in business type and field, 2) advance Global Toyo, and 3) enhance human resources. Addressing the dramatic changes in our business environment and pushing forward with Global Toyo, we will also concentrate on enhancing our human resources, which form the foundation for the previous two policies.



Basic Policy 1: Respond to Changes in Business Type and Field

Responding to changes in the types of businesses we are pursuing involves taking into consideration the future direction of the engineering market and correctly dealing with the diverse requirements that the market will have for TOYO. Specifically, we will devote our efforts to answering market needs for service business projects as well as projects in the upstream, energy, social infrastructure, and environment fields. Furthermore, within this process, we plan to form deeper cooperative relationships with our partner companies.

Basic Policy 2: Advance Global Toyo

Under the medium-term management plan, we will further refine and enhance Global Toyo. That concept refers to our efforts to build a framework to support close cooperation among all the members of the Toyo Group in carrying out business. In more concrete terms, this means we will collaborate through a more solid and optimized system in sales, proposals, and projects. Moreover, we will establish an appropriate framework to achieve this goal.

Basic Policy 3: Enhance Human Resources

In targeting the goals of our first two basic policies, we will concentrate on upgrading our human resources—the foundation for those policies. We will return to the origin of engineering business thinking, where “people are assets.” Based on a global perspective, investing in human resources will be a common issue for the Toyo Group.

Overcoming Crisis and Targeting Evolution

Operating Environment

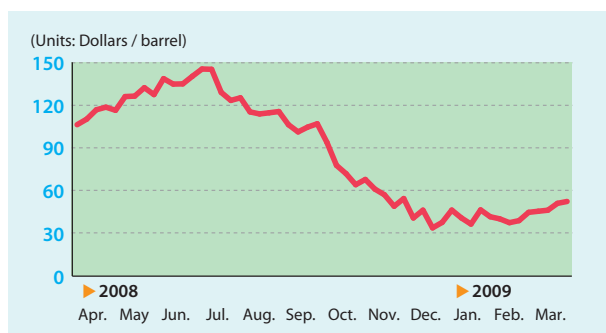
>>> **The simultaneous stagnation in global markets had a substantial impact on the plant engineering market in fiscal 2008.**

- A drop in crude oil prices and deterioration in the end-product markets of our clients.
- A decrease in global demand for raw materials.
- A negative impact on financing for new projects.
- Restrained orders in expectation of further declines in material costs.



Freezing, Postponement, or Cancellation of Clients' Capital Investment Plans

WTI Crude Oil Chart (Fiscal 2008)



In the fiscal year under review, the Japanese economy was affected by the financial crisis that began in the United States and spread rapidly throughout the entire world, impacting not only financial markets, but also the real economy.

While there was a sharp deterioration in the economies of the United States and Europe, Asia was less affected. While the well-performing Chinese economy experienced a decline, its growth rate remained in the single digit range. There were also slowdowns in the economies of India and Southeast Asian countries. Middle East countries saw their economic growth dulled by lower revenues from oil exports, resulting in a cool off in the robust capital investments being made in the region. South American countries also experienced a similar slowdown in their economies.

This rapid change in the world economy produced a dramatic change in our operating environment. The global economic recession particularly affected new orders in the plant engineering market through a drop in crude oil prices (see WTI Crude Oil Chart), deterioration in the end-product markets of our clients, a decrease in global demand for raw materials, a negative impact on financing for new projects caused by the contraction in financial markets, and restrained orders in expectation of further declines in material costs. Against this backdrop, a large number of corporations announced postponements, freezes, or cancellations of large-scale energy and petroleum refining projects. In addition to the reduced number of projects, TOYO faced heated competition for orders from contractors in Korea, Taiwan, and other countries, resulting in further severity of its operating environment.

Performance Outline (Consolidated)

Net sales	¥326.2 billion (down 0.4%)
Operating income	¥15.2 billion (up 10.4%)
Net income	¥6.5 billion (down 18.8%)
Net income (per share).....	¥33.91 (down 18.8%)
>>> New orders	¥119.3 billion (Achievement rate 54.2%, down 55.6%)
>>> Year-end dividend	¥4 (Interim dividend of ¥3, annual dividend of ¥7)

Under these circumstances, we sought to further strengthen our partnerships with our clients, coped with their need for changes in products and services, and worked proactively to develop business. For ongoing projects, we paid attention to the impact of the deterioration on operating conditions, and endeavored to maintain good relationships with our clients and partners while focusing on making continued solid

progress. As a result of these measures, TOYO achieved the consolidated performance shown above.

In contrast, we posted unsatisfactory results for new orders in fiscal 2008, as also shown above. The drop in new orders can be attributed to the large decline in the number of projects coming on the market due to companies successively postponing or freezing plant-related capital investment plans.

Review of Operations

In addition, there was heated competition to win the limited number of orders on the market.

Looking at the major new orders received, we received an order from Arkema Daikin Advanced Fluorochemicals (Changshu) Co., Ltd., for construction of an R125 production plant in China. We also won an order from MODEC Offshore

Production Systems (Singapore) Pte. Ltd., a member of the Mitsui Ocean Development & Engineering Co., Ltd. (MODEC) group, for the detailed engineering of a topside facility for a floating production, storage and offloading (FPSO). In Japan, we received an order from Tosoh Corporation for the recovery of salt for an ethylene amine plant.

Fiscal 2009 Performance Forecast (Consolidated)

Items	Fiscal 2009 forecast	Fiscal 2008 results
New orders.....	¥230.0 billion	¥119.3 billion
Net sales	¥200.0 billion	¥326.2 billion
Operating income	¥8.0 billion	¥15.2 billion
Net income	¥5.0 billion	¥6.5 billion
Net income (per share).....	¥26.03	¥33.91
Cash dividends (annual)	¥5 (Interim dividend of ¥2.5, year-end dividend of ¥2.5)	¥7 (Interim dividend of ¥3, year-end dividend of ¥4)

Note: U. S. dollar amounts are stated at ¥90.00 to U.S. \$1.00, the exchange rate prevailing on March 31, 2009.

In fiscal 2009, TOYO will face varied market trends in the following four capital investment fields:

- **Upstream field**
Natural resource development capital investment related to petroleum and natural gas wells
- **Downstream field**
Petroleum refining, gas processing, petrochemical, and fertilizer-related capital investment
- **Alternative energy field**
Dimethyl ether (DME) and gas to liquid (GTL)-related capital investment
- **Infrastructure field**
Water, power generation, and transportation-related capital investment centering on railways

To begin with TOYO's core field, the **downstream field**, we believe that, as previously stated in the Performance Outline, the field will continue to be greatly influenced by the global economic recession for the time being. However, despite the severe conditions, our clients will continue to make firm selective and strategic capital investments based on their business strategies. Moreover, we see the decline in demand for our clients' products bottoming out at some point.

Looking next at the **upstream field**, against the backdrop of increased energy consumption by the growing populations of developing countries, demand promises to remain strong even amid the global economic recession. TOYO already has an extensive and strong record in natural resource development consulting projects and should continue to be successful in this field. On the other hand, in the **alternative energy field**, TOYO is working on developing technology for compact GTL facilities and on producing large-scale DME plants. Along with the drop in oil prices, market demand for alternative energy will remain extremely slow for the time

being, but will still continue at low levels. We believe that this field will eventually return to prominence. Finally, we have made many preparations for activities in the **infrastructure field** (water, power generation, and transportation-related markets). Due to the nature of this field as a political and economic policy tool for achieving social stability and overcoming economic stagnation, capital investments should continue to be relatively firm.

Based on our analysis of market trends, we have set our new order target for the current fiscal year at ¥230.0 billion.

Having estimated progress with completing our backlog of orders, we are forecasting a consolidated net sales of ¥200.0 billion in fiscal 2009. Accordingly, we are expecting an operating income of ¥8.0 billion and a net income of ¥5.0 billion.

Business performance forecasts have been made based on management's expectations using information available at the time. Actual results could differ accordingly.

Fiscal 2009 Business Issues

- **Securing immediate new orders**
- **Strengthening marketing organization**
- **Emphasizing proactive approach to cultivate clients' needs**
- **Thorough cutting down on fixed and project expenses**

We believe the business environment faced by TOYO will remain unpredictable. Under these circumstances, we will continue to thoroughly manage our ongoing projects to achieve steady progress. Furthermore, we intend to use the following strategies to reach our sales and earnings targets:

Securing Immediate New Orders

While taking all possible measures to ensure that we secure orders for projects on which we have been focusing our marketing activities, we will also endeavor to win orders by concentrating our marketing resources on priority fields. We will determine these priority fields by looking closely at clients' projects that are based on surplus cash or institutional financing, public works projects to expand domestic demand, new energy development projects which continue to be in demand, and infrastructure projects.

Strengthening Marketing Organization

We will reform our marketing organization with the goals of: 1) further reinforcing our regional marketing power, 2) establishing a well-defined structure that can win infrastructure projects by optimal leveraging of regional marketing power, and 3) aggressively pursuing orders in the natural resources and energy development fields.

Emphasizing Proactive Approach to Cultivate Clients' Needs

Returning to our roots as an engineering company that uses its knowledge and ingenuity to provide total solutions to a wide range of client needs, we will work to keep abreast of the capital investment plans or activities our clients are planning with an eye on economic recovery. Stimulating demand from clients, we plan to win project orders, including software- and service-related contracts, by making proposals that accurately meet client needs.

Thorough Cutting Down on Fixed and Project Expenses

We will redouble our efforts to thoroughly review our fixed and project expenses and endeavor to reduce costs.

While determining the above, we also formulated a new medium-term management plan from a medium- to long-term perspective. The new plan aims to reinforce our business structure based on three basic strategies of: 1) responding to changes in business type and field, 2) advancing Global Toyo, and 3) enhancing human resources. At the same time, we formulated a new Group MVV statement.

For details, please see pages 3 and 4.

Review of Operations

Major Projects

Russia's first large-scale grass-roots Liquefied Natural Gas (LNG) plant completed. Three mega-ethylene projects (India, Thailand, and Singapore) are approaching their final stages.

Domestic

New Orders

Name of Client	Type	Scope
Tosoh Corp.	Recovery of Salt for Ethylene Amine Plant	E.P.C.
Nippon Petroleum Refining Co., LTD.	MTBE Unit Conversion to ETBE	E.P.C.
Tonen General Sekiyu K.K.	Kawasaki Bio Fuel Blend Gasoline Project	E.P.C.

Completion

Name of Client	Type	Scope
Mitsui & Co., Ltd. / Chubu Electric Power Co., Inc.	Construction of Transformer Recycling Center	E.P.C.
Maruzen Petrochemical Co., Ltd.	3EP Cracking Heater	E.P.C.

Overseas

New Orders

Name of Client	Type	Country	Scope
Arkema Daikin Advanced Fluorochemicals (Changshu) Co., Ltd.	R125 Production Plant	China	E.P.C.
MODEC Offshore Production Systems (Singapore) Pte. Ltd.	FPSO Topsides	Angola	E.

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.
Shell Eastern Petroleum (Pte) Ltd.	Ethylene Plant	Singapore	E.Ps.Cm.
Petropars Ltd.	Gas Processing Plant	Iran	E.P.C.
Petroquímica De Venezuela S.A. (Pequiven)	Ammonia / Urea Plant	Venezuela	E.P.C.
Petróleo Brasileiro S.A. (PETROBRAS)	Modernize Refinery (Coker Naphtha Hydrotreating Unit)	Brazil	E.P.C.

Completion

Name of Client	Type	Country	Scope
Sakhalin Energy Investment Co., Ltd.	LNG Plant	Russia	E.P.C.
Petrochemical Industries Development Management Company	Ammonia Plant	Iran	E.P.SC.
Bridgestone (Huizhou) Synthetic Rubber Co., Ltd.	Styrene Butadiene Rubber Plant	China	E.P.C.

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



Ethylene crackers
for Maruzen
Petrochemical Co., Ltd.



TOYO President and CEO
Mr. Yamada at the
groundbreaking ceremony



Liquids Processing Unit at Pearl GTL project, which is being jointly developed by Qatar Petroleum (QP) and Shell



LNG plant and oil export terminal for Sakhalin Energy Investment Co., Ltd., in Russia



Siloxane project for Dow Corning Corporation in China

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.

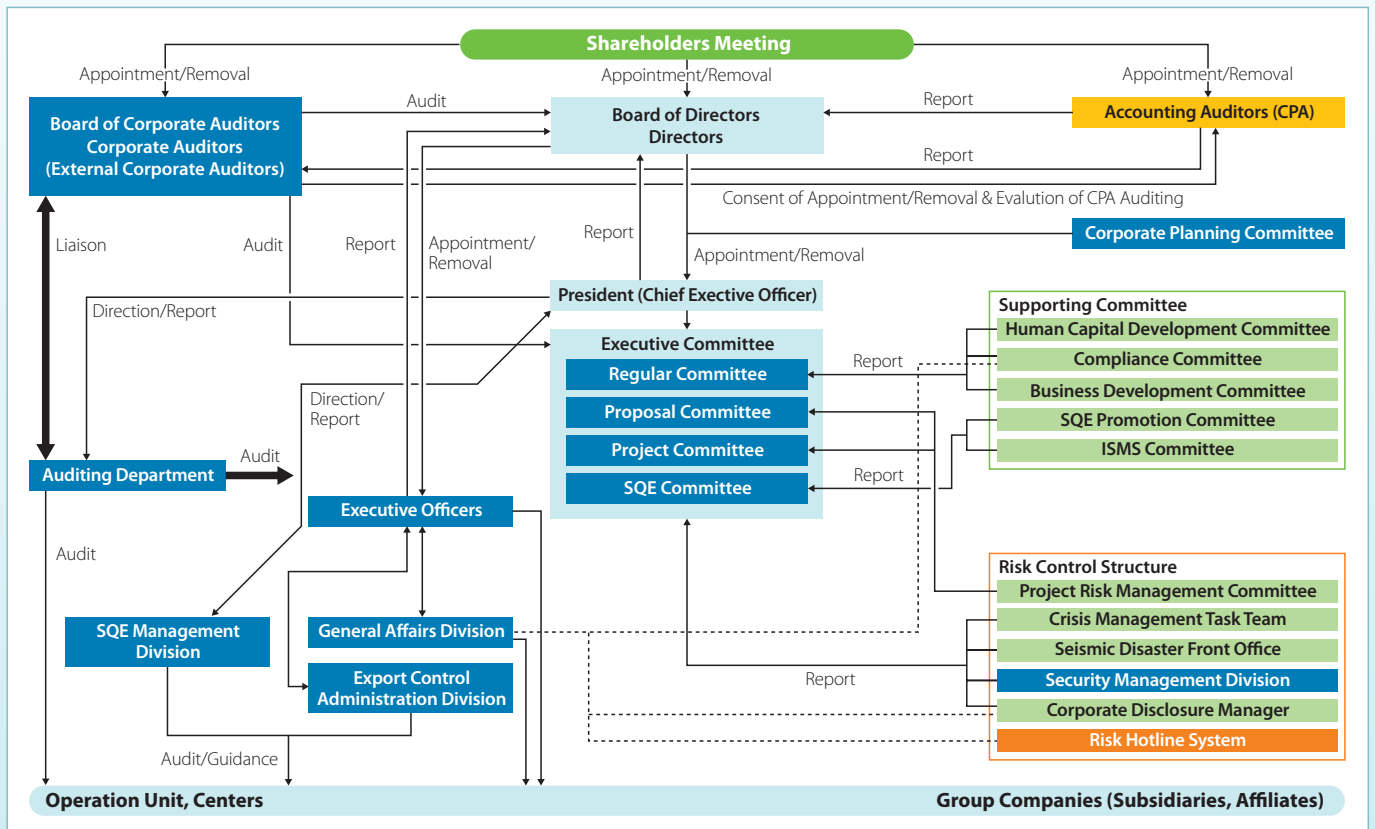
In order to promote the Internal Control System of the Group, TOYO is making efforts to ensure proper operations across Toyo Group companies by establishing corporate procedures to strengthen the corporate administrative functions of each company.

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 Corporate 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 2009)



Management



Directors

* Representative Director

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

Auditors

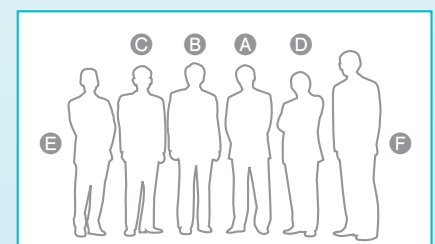
- **Senior Corporate Auditor**
Kunimichi Gamo
- **Corporate Auditors**
Keiji Suda
Takashi Umezu (Outside Auditor)
Yoshiyuki Shinohara (Outside Auditor)

Executive Officers

- **Chief Executive Officer**
Yutaka Yamada
- **Executive Vice Presidents**
Yoshitaka Ogata
Takuma Hatano
- **Senior Executive Officers**
Kazuomi Nishihara
Kenji Soejima
Makoto Fusayama
Ken Wakazuki
Isao Ichikawa
Keiichi Matsumoto
Satoshi Kuwahara
Hideki Shiinoki
Masahiro Suzuki
Yoshiaki Mizoguchi
Kiyoshi Nakao
Kenji Niwa
Akhilesh Kumar
Mitsutoshi Hamamura

- **Executive Officers**
Makoto Shimagaki
Kazundo Hayashi
Masaru Takezawa
Koji Nagatomi
Kazuharu Murayama
Motoyoshi Kamoshima
Tadashi Hori
Masayuki Uchida
Seiichi Itakura
Katsumoto Ishibashi
Hisashi Osone

(As of June 23, 2009)



- **A** Yushi Nagata ● **B** Yutaka Yamada
- **C** Yoshitaka Ogata ● **D** Takuma Hatano
- **E** Kazuomi Nishihara ● **F** Kenji Soejima

HSSE + Quality

Safety Takes Priority over Everything Else.

Safety is an integral part of the TOYO brand.

In 2008, TOYO's Lost Time Incident Rate (LTIR), as defined by ILO, was 0.18. Although this rate is an improvement from 0.19 in 2007, we are not satisfied with this result, and strive to improve it to the ultimate target of zero. As for continuous non-LTI hours for ongoing domestic and overseas projects, TOYO has achieved 100 million man-hours as of May 2009, which is TOYO's new record for safety.

We are aware that the premises for a corporation that is trusted by the community include paying sufficient attention to safety. We are confident that our efforts, initiatives, and time and expenses spent to respect human life must take precedence over all other things. Loss of valuable human life must

absolutely be avoided in the process of TOYO and its group companies' business evolution, such as plant construction.

Safety is an important brand of TOYO. In order to boost the brand value of all group companies in the world, we are strongly promoting safety measures as part of the company-wide safety goal for fiscal 2008: "Make Safety Standard Drill into Global Toyo."

TOYO will extend the unified construction HSSE standards to group companies. Moreover, TOYO is developing a standardized work procedure across group companies. Through promoting standardization in this manner, the Toyo Group is making its best effort to maintain and improve quality as well as safety.



In-House Safety Education

Recognizing that safety is a basic aspect of corporate activities, TOYO is conducting safety education programs for all corporate members to raise awareness of the risks and hazards that might lead to accidents. In order to disseminate safety culture and improve sensitivity toward safety issues, education about such issues as safety management systems and risk assessment is given to particular members.



On-Site Safety Activity

Our major goal is to hand over superior facilities to our clients through construction work that is completed without any accidents or injuries. For this purpose, each construction site member, together with clients and partners, partakes in daily activities in a planned and positive manner, with an established management system.



Global Toyo Subcommittee Meeting

As part of the continuous improvement of the Quality Management System (QMS) of Global Toyo, members in charge of QMS from group companies convene at Global Toyo Subcommittee Meetings held twice every year. In fiscal 2008, the meetings were held in Seoul and Shanghai. The subjects of the meetings included a review of the annual plan and the progress of improvement activities for QMS, Global Toyo Standards, and others.



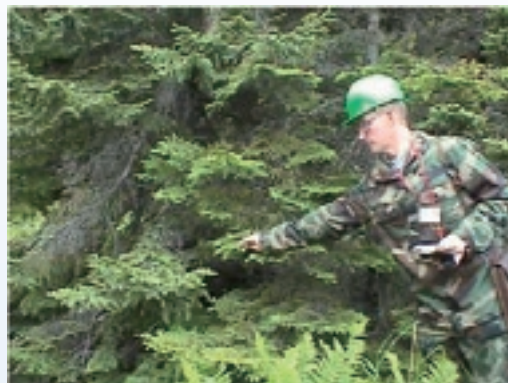
Standards of Global Toyo

TOYO holds standards of Global Toyo, which have been established on cumulative knowledge and experience gained from a number of projects TOYO has accomplished around the globe. With standards of Global Toyo consisting of Global Toyo Standards (GTS) and the Local Standards (LS) of each group company, TOYO guarantees to always provide high-end products and services.

TOYO conducts its projects with due consideration for the environment. Examples include the Sakhalin LNG Plant and oil export terminal project. Prior to the start of construction at the site, we conducted environmental surveys of animals, plants, water, and other nature at the entire site and in the surrounding areas to obtain baseline data. During the construction period, we continuously monitored environmental impacts by regularly checking over 100 observation points throughout the site, including the sea.



Fauna: Bird tagging

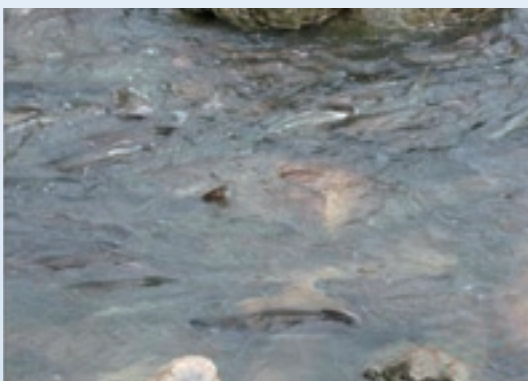


Vegetation



River monitoring

We surrounded the entire construction site with ditches to lead muddy rainwater to settlement ponds. There, the mud was deposited and clean rainwater was discharged into rivers and the sea. In addition, we designated a protection zone ranging 50m from both sides of streams running through the plant site in order to conserve nature. As one of the synergetic effects of these measures, the profuse number of pink salmon that swim up the stream to spawn in autumn is a rare sight at any other plant site in the world.



Pink salmon swimming up the stream



Settlement pond

Financial Section

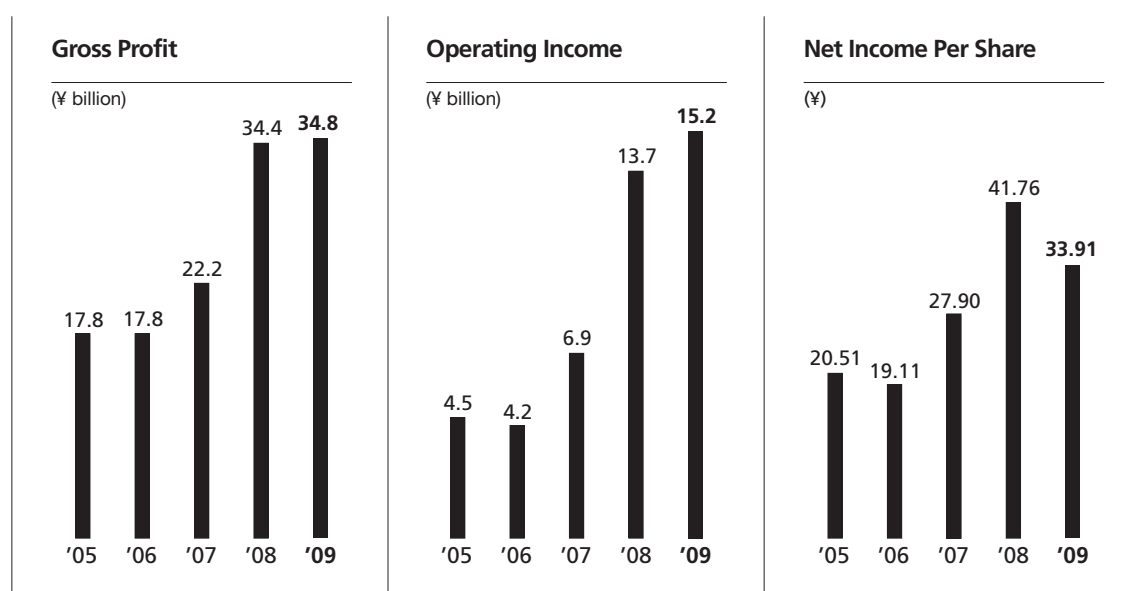
Consolidated Five-Year Summary

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2006	2005	2009
Net sales.....	¥326,248	¥327,413	¥223,844	¥195,584	¥197,945	\$3,321,267
Gross profit.....	34,752	34,424	22,236	17,825	17,770	353,778
Operating income.....	15,168	13,742	6,890	4,195	4,540	154,412
Income before income taxes and minority interest.....	13,036	14,909	7,372	4,360	3,698	132,713
Net income.....	6,516	8,029	5,294	3,350	3,598	66,331
Total assets.....	199,413	280,139	282,814	202,662	209,564	2,030,060
Total net assets.....	58,509	57,331	51,559	35,649	28,442	595,635
Long-term debt.....	19,917	22,038	26,981	19,990	36,454	202,754
Purchases of property, plant and equipment.....	513	831	2,752	3,455	2,096	5,227
Depreciation and amortization.....	2,366	2,511	1,995	1,701	1,453	24,089
Common stock.....	18,199	18,199	18,199	13,018	13,018	185,269
New orders.....	119,265	268,693	354,984	257,840	192,600	1,214,144
Backlog of contracts at end of the year.....	224,416	444,434	499,237	373,518	337,760	2,284,594

Per share:	Yen					U.S. dollars (Note 1)
	Net income.....	¥ 33.91	¥ 41.76	¥ 27.90	¥ 19.11	¥ 20.51
Total net assets.....	294.71	283.98	255.50	191.73	162.16	3.00
Cash dividends.....	7.00	6.00	3.00	3.00	3.00	0.07

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



	2009	2008	2007	2006	2005
Net sales by sector (%):					
Chemical fertilizers	6.9%	1.9%	2.9%	7.8%	15.8%
Petrochemicals.....	29.2	28.7	25.6	24.9	27.4
Refinery.....	14.0	8.8	12.3	3.0	7.7
Energy-related.....	35.1	43.7	36.9	44.2	29.5
General manufacturing facilities and information technology	10.6	11.8	15.2	14.9	14.7
Others.....	4.2	5.1	7.1	5.2	4.9
(Overseas sales)	(78)	(78)	(66)	(68)	(72)
Number of employees	3,769	3,527	3,126	2,668	2,376

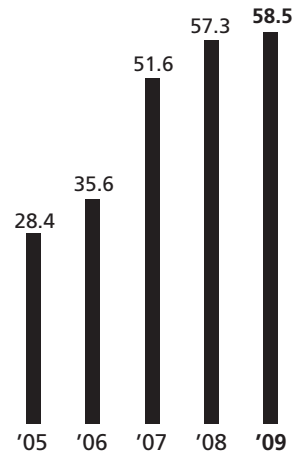
Total Assets

(¥ billion)



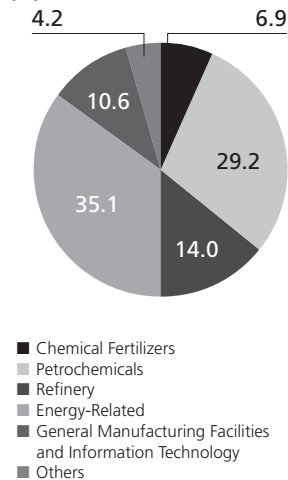
Total Net Assets

(¥ billion)



Composition of Net Sales by Sector (FY2008)

(%)



Management's Discussion and Analysis

In fiscal 2008, a sharp economic downturn occurred on a global scale, impacting on TOYO's business operations, especially new orders.

New orders

New orders received for the year totaled ¥119.3 billion (\$1,214 million). The unsatisfactory results in new orders can be attributed to a large decline in the number of projects due to the postponement and freezing of capital investments caused by the financial crisis in the United States and the following economic turmoil worldwide.

Sales and Earnings

Net sales remained at a level of ¥326.2 billion (\$3,321 million) as a result of successful progress of projects. Operating income increased to ¥15.2 billion (\$154 million), which represents our highest performance yet. Net income was ¥6.5 billion (\$66 million).

Cash Flows

Cash used for operating activities was ¥9.0 billion (\$91 million) due to the decrease in advance receipts on uncompleted contracts. Cash used for investing activities was ¥5.0 billion (\$51 million). This mainly represented expenditure on purchases of investment securities. Cash used for financing activities was ¥8.3 billion (\$85 million), reflecting continued repayment of long-term debt based on the debt reduction plan. The result of the above cash flows was a net decrease of ¥23.8 billion (\$242 million) in cash and cash equivalents.

Business Risk and Other Risks

The following is a list of potential risks associated with the information concerning TOYO'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, Risk Control Structure 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 us 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, 2009 and 2008

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Current assets:			
Cash and deposits (Note 17)	¥ 33,117	¥ 34,311	\$ 337,134
Marketable securities (Note 13)	29,990	52,966	305,304
Notes and accounts receivable (Note 3)	35,858	36,313	365,044
Less: Allowance for doubtful receivables	(7,808)	(8,814)	(79,490)
	28,050	27,499	285,554
Contract work in progress	25,758	65,025	262,224
Prepaid expenses and other current assets (Note 4)	32,189	46,494	327,686
Total current assets	149,104	226,295	1,517,902
Investments:			
Investment securities (Note 13)	3,602	6,466	36,673
Investments in unconsolidated subsidiaries and affiliates (Note 13)	5,147	3,719	52,398
Long-term loans	93	150	942
Other	3,765	4,987	38,333
Less: Allowance for doubtful receivables	(484)	(735)	(4,930)
Total investments	12,123	14,587	123,416
Property, plant and equipment, at cost:			
Land (Note 3)	17,509	17,800	178,248
Buildings and structures (Note 3)	29,201	31,696	297,272
Tools, furniture and fixtures	3,316	4,066	33,755
Leased assets	2,240	2,049	22,807
Construction in progress	5	23	46
Total	52,271	55,634	532,128
Less: Accumulated depreciation (Note 3)	(17,710)	(18,692)	(180,290)
Property, plant and equipment, net	34,561	36,942	351,838
Other assets (Note 4)	3,625	2,315	36,904
Total assets	¥199,413	¥280,139	\$2,030,060

See notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Current liabilities:			
Short-term borrowings	¥ 2,934	¥ 3,142	\$ 29,864
Current portion of long-term debt (Note 3).....	2,571	6,091	26,178
Notes and accounts payable	44,339	42,277	451,382
Income taxes payable	419	3,384	4,268
Advance receipts on uncompleted contracts.....	48,658	126,125	495,348
Reserve for anticipated loss on contract work	878	684	8,935
Other current liabilities (Note 4)	10,665	10,082	108,567
Total current liabilities.....	110,464	191,785	1,124,542
Long-term liabilities:			
Long-term debt (Note 3)	19,917	22,038	202,754
Lease obligations	2,288	2,709	23,295
Accrued retirement benefits (Note 5).....	3,853	3,244	39,221
Other long-term liabilities (Notes 4, 5).....	4,382	3,032	44,613
Total long-term liabilities	30,440	31,023	309,883
Total liabilities.....	140,904	222,808	1,434,425
Contingent liabilities (Note 7)			
Net assets:			
Shareholders' equity (Note 6)			
Common stock			
Authorized: 500,000,000 shares in 2009 and 2008			
Issued: 192,792,539 shares in 2009 and 2008.....	18,199	18,199	185,269
Capital surplus.....	20,761	20,762	211,346
Retained earnings	19,642	14,435	199,964
Treasury stock: 672,540 shares in 2009 and 553,293 shares in 2008	(294)	(214)	(2,997)
Total shareholders' equity	58,308	53,182	593,582
Valuation and translation adjustments			
Net unrealized gain on securities.....	127	1,248	1,297
Deferred hedge loss.....	(6)	(2)	(61)
Foreign currency translation adjustments	(1,809)	163	(18,417)
Total valuation and translation adjustments	(1,688)	1,409	(17,181)
Minority interest	1,889	2,740	19,234
Total net assets.....	58,509	57,331	595,635
Total liabilities and net assets	¥199,413	¥280,139	\$2,030,060

Financial Section

Consolidated Statements of Income

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net sales (Note 8)	¥326,248	¥327,413	\$3,321,267
Cost of sales	291,496	292,989	2,967,489
Gross profit	34,752	34,424	353,778
Selling, general and administrative expenses (Note 9)	19,584	20,682	199,366
Operating income	15,168	13,742	154,412
Other income:			
Interest and dividend income	1,960	2,787	19,952
Equity in earnings of affiliate companies	374	294	3,804
Gain on sales of investment securities	—	26	—
Gain on sales of fixed assets	199	110	2,030
Other	357	185	3,639
	2,890	3,402	29,425
Other expenses:			
Interest expense	750	871	7,639
Foreign exchange loss	767	—	7,813
Loss on valuation of investment securities	2,516	11	25,612
Loss on impairment of fixed assets (Note 11)	585	1,101	5,952
Other (Note 10)	404	252	4,108
	5,022	2,235	51,124
Income before income taxes and minority interest	13,036	14,909	132,713
Income taxes (Note 4):			
Current	4,698	7,569	47,831
Deferred	1,466	(1,152)	14,924
	6,164	6,417	62,755
Minority interest income	(356)	(463)	(3,627)
Net income	¥ 6,516	¥ 8,029	\$ 66,331
Per share of common stock:			
Net income	¥ 33.91	¥ 41.76	\$ 0.35

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, 2009 and 2008

	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, 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
Effect of changes in accounting policies applied to foreign subsidiaries			33						33
Dividends paid to shareholders.....			(1,730)						(1,730)
Net income			6,516						6,516
Change of scope of consolidation.....			(266)						(266)
Change of scope of equity method.....			654						654
Purchase of treasury stock				(102)					(102)
Sale of treasury stock		(1)		22					21
Changes of items other than shareholders' equity.....					(1,121)	(4)	(1,972)	(851)	(3,948)
Balance at March 31, 2009	¥18,199	¥20,761	¥19,642	¥(294)	¥ 127	¥ (6)	¥(1,809)	¥1,889	¥58,509

	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, 2008	\$185,269	\$211,361	\$146,954	\$(2,182)	\$ 12,708	\$(16)	\$ 1,655	\$27,893	\$583,642
Effect of changes in accounting policies applied to foreign subsidiaries			340						340
Dividends paid to shareholders.....			(17,610)						(17,610)
Net income			66,331						66,331
Change of scope of consolidation.....			(2,707)						(2,707)
Change of scope of equity method.....			6,656						6,656
Purchase of treasury stock				(1,035)					(1,035)
Sale of treasury stock		(15)		220					205
Changes of items other than shareholders' equity.....					(11,411)	(45)	(20,072)	(8,659)	(40,187)
Balance at March 31, 2009	\$185,269	\$211,346	\$199,964	\$(2,997)	\$ 1,297	\$(61)	\$(18,417)	\$19,234	\$595,635

See notes to consolidated financial statements.

Financial Section

Consolidated Statements of Cash Flows

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Cash flows from operating activities:			
Income before income taxes and minority interest	¥ 13,036	¥ 14,909	\$ 132,713
Adjustments to reconcile income before income taxes and minority interest to cash from operating activities:			
Depreciation and amortization	2,366	2,511	24,089
Loss on impairment of fixed assets	585	1,101	5,952
Loss on sales of marketable and investment securities, net	7	105	76
Loss on valuation of investment securities	2,516	11	25,615
Loss on valuation of memberships	48	—	484
Changes in allowance for doubtful receivables	(1,235)	5,216	(12,569)
Changes in allowance for anticipated loss on contract work	194	(773)	1,974
Equity in earnings of affiliated companies	(374)	(294)	(3,804)
Changes in accrued retirement benefits	721	440	7,344
Interest and dividends received	3,417	3,154	34,786
Interest and dividend income	(1,960)	(2,787)	(19,949)
Interest expense	750	871	7,639
Interest paid	(777)	(903)	(7,915)
Income taxes paid	(8,496)	(5,703)	(86,495)
Other, net	5,256	(2,237)	53,502
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(1,756)	(4,843)	(17,881)
(Increase) decrease in contract work in progress	37,371	26,417	380,447
(Increase) decrease in other receivables	10,396	(8,666)	105,833
Increase (decrease) in notes and accounts payable	3,429	4,368	34,910
Increase (decrease) in advance receipts on uncompleted contracts	(74,455)	(7,636)	(757,971)
Cash from (used for) operating activities	(8,961)	25,261	(91,220)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(513)	(831)	(5,227)
Purchases of other assets	(1,012)	(681)	(10,301)
Purchases of investment securities	(3,136)	(535)	(31,924)
Proceeds from sales of investment securities	48	226	493
(Increase) decrease in loans, net	(484)	(3,292)	(4,931)
Other, net	108	(137)	1,101
Cash used for investing activities	(4,989)	(5,250)	(50,789)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	1,124	750	11,444
Repayment of short-term bank loans	(1,300)	—	(13,234)
Proceeds from long-term debt	1,200	1,200	12,216
Repayment of long-term debt	(6,838)	(7,720)	(69,609)
Redemption of corporate bonds	—	(2,000)	—
Repayment of lease obligations	(661)	(604)	(6,732)
Cash dividends paid	(1,730)	(577)	(17,610)
Other	(140)	(136)	(1,428)
Cash used for financing activities	(8,345)	(9,087)	(84,953)
Effect of exchange rate changes on cash and cash equivalents	(1,514)	(47)	(15,414)
Net (decrease) increase in cash and cash equivalents	(23,809)	10,877	(242,376)
Cash and cash equivalents, beginning of the year	86,533	75,656	880,919
Decrease in cash and cash equivalents resulting from change of scope of consolidation	(1,262)	—	(12,851)
Cash and cash equivalents, end of the year (Note 17)	¥ 61,462	¥ 86,533	\$ 625,692

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 ¥98.23 to U.S.\$1.00 prevailing on March 31, 2009.

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 which the Company and its consolidated 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 interest 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 interest 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, ¥1,244 million, ¥1,769 million, ¥561 million and ¥2,709 million, 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 consolidated 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 (\$37,625 thousand) is amortized over 15 years on a straight-line basis. Actuarial loss is amortized over certain years (9 years ended March 31, 2009 and 13 years ended March 31, 2008) 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, 2009 and 2008) within the average of the estimated remaining service years when incurred. Effective from April 1, 2008, as the average of the estimated remaining service years was shortened, the above amortization period of actuarial loss was changed from 13 years to 9 years. As a result, net periodic pension cost was increased by ¥693 million (\$7,057 thousand) and operating income and income before income taxes and minority interest were decreased by ¥588 million (\$5,983 thousand), respectively.

(j) Derivative Financial Instruments

Derivative financial instruments are carried at fair value under which unrealized gain or loss is recorded to earnings, 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.

(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 their 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 their 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 (\$51 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) Per Share Information

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 2009 or 2008.

Total net assets per share is computed based on outstanding shares at the balance sheet date.

(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 Standards Adopted by Foreign Subsidiaries

Effective from April 1, 2008, the Company and its consolidated subsidiaries have changed accounting policy by adopting "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("Practical Issues Task Force No. 18" issued by ASBJ, on May 17, 2006).

This change had no material effect on the statement of income for the year ended March 31, 2009.

3 LONG-TERM DEBT

Long-term debt at March 31, 2009 and 2008 is summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Secured Loans	¥ 8,145	¥ 9,888	\$ 82,917
Unsecured Loans	13,343	17,241	135,835
1.450% bonds, due 2012.....	1,000	1,000	10,180
Total long-term debt.....	22,488	28,129	228,932
Less: Current portion.....	2,571	6,091	26,178
	¥19,917	¥22,038	\$202,754

The following assets at March 31, 2009 and 2008 were pledged as collateral principally for long-term debt:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Notes and accounts receivable.....	¥ —	¥ 610	\$ —
Land and buildings, net of accumulated depreciation	8,385	18,289	85,356
	¥8,385	¥18,899	\$85,356

The following schedule shows the maturities of long-term debt subsequent to March 31, 2009:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2010.....	¥ 2,571	\$ 26,178
2011.....	3,347	34,071
2012.....	11,697	119,079
2013.....	1,945	19,800
2014.....	774	7,875
2015 and thereafter	2,154	21,929
	¥22,488	\$228,932

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 balances of unused commitment-line based on these contracts at the end of the consolidated reporting periods are ¥6,500 million (\$66,171 thousand) in 2009 and ¥5,000 million in 2008.

4 INCOME TAXES

The statutory tax rates applicable to the Company and its domestic subsidiaries for the year ended March 31, 2009 and 2008 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, 2009

Statutory tax rate in Japan	40.4%
Adjustments:	
Permanently nondeductible expenses	1.7
Permanently nontaxable dividends received	(1.0)
Temporary differences excluded from calculation of deferred tax assets	15.0
Difference in tax rates for foreign subsidiaries	(2.0)
Other	(6.8)
Effective tax rate	47.3%

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
Difference in tax rates for foreign subsidiaries	(2.7)
Other	(6.0)
Effective tax rate	43.0%

(2) Significant components of the deferred income tax assets and liabilities at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets (gross):			
Allowance for doubtful receivables	¥ 165	¥ 2,318	\$ 1,676
Accrued retirement benefits	1,418	1,009	14,437
Reserve for anticipated loss on contract work	273	255	2,784
Reserve for compensation for completed works	719	—	7,316
Other	1,365	1,930	13,896
Total deferred tax assets (gross)	3,940	5,512	40,109
Deferred tax liabilities (gross):			
Difference in net unrealized gain on securities	(75)	(765)	(766)
Undistributed earnings of subsidiaries and affiliates	(623)	(455)	(6,339)
Depreciation expense	(96)	(129)	(982)
Other	(106)	(132)	(1,075)
Total deferred tax liabilities (gross)	(900)	(1,481)	(9,162)
Net deferred tax assets	¥3,040	¥ 4,031	\$30,947

Note: The Company and its subsidiaries had temporary differences excluded from calculation of deferred tax assets of ¥5,127 million (\$52,196 thousand) and ¥3,366 million at March 31, 2009 and 2008, respectively, which are available to be offset against future taxable income.

(3) Net deferred tax assets at March 31, 2009 and 2008 are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Current assets—prepaid expenses and other current assets	¥1,651	¥3,773	\$16,809
Other assets	1,447	365	14,730
Other current liabilities	(15)	(21)	(153)
Other long-term liabilities	(43)	(86)	(439)
Net deferred tax assets	¥3,040	¥4,031	\$30,947

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, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation.....	¥(15,708)	¥(16,438)	\$(159,913)
Plan assets.....	7,958	9,016	81,018
Unreserved projected benefit obligation	(7,750)	(7,422)	(78,895)
Unamortized obligation at transition.....	1,487	1,733	15,138
Unamortized actuarial loss.....	3,726	3,948	37,933
Unrecognized prior service cost	(1,316)	(1,503)	(13,397)
Accrued retirement benefits for employees.....	¥ (3,853)	¥ (3,244)	\$ (39,221)

Effective the year ended March 31, 2008, the Company reclassified directors' and statutory auditors' retirement allowance from "Accrued retirement benefits" to "Other long-term liabilities" under "long-term liabilities".

(2) Net periodic pension cost for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Components of net periodic benefit cost:			
Service cost	¥ 794	¥1,083	\$ 8,087
Interest cost.....	295	302	3,007
Expected return on plan assets	—	(13)	—
Amortization of unrecognized retirement benefit obligation at transition.....	246	246	2,508
Amortization of unrecognized actuarial loss.....	1,199	453	12,209
Amortization of prior service cost	(187)	(188)	(1,908)
Other	118	122	1,198
Net periodic pension cost	2,465	2,005	25,101
Total.....	¥2,465	¥2,005	\$25,101

(3) Basis of calculation of projected benefit obligation for the years ended 2009 and 2008, 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%
Amortization period for unrecognized actuarial loss	Mainly 9 years in 2009, mainly 13 years in 2008
Amortization period for unrecognized obligation at transition	15 years
Amortization period for unrecognized prior service cost	13 years

6 SHAREHOLDERS' EQUITY

The Corporation Law of Japan (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 ¥1,911 million (\$19,451 thousand) and ¥3,169 million at March 31, 2009 and 2008, 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
	2009	2008	2009
	¥205,410	¥178,343	\$2,091,108

9 RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2009 and 2008 amounted to ¥1,178 million (\$11,992 thousand) and ¥1,113 million, respectively.

10 OTHER EXPENSES

"Other" in "Other expenses" for the years ended March 31, 2009 and 2008 consisted of the following:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loss on valuation of memberships	¥ 48	¥ —	\$ 484
Loss on sales of investment securities.....	8	131	85
Loss on disposal of fixed assets	147	—	1,495
Other	201	121	2,044
Total	¥404	¥252	\$4,108

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, 2009 and 2008 were comprised of the following:

Year ended March 31, 2009

Location: Chiba Prefecture
Major use: Real Estate
Asset category: Building and structure, etc
Amount: ¥585 million (\$5,952 thousand)

Year ended March 31, 2008

Location: Chiba Prefecture, etc
Major use: Real Estate
Asset category: Land, etc
Amount: ¥1,101 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 or value in use which was computed by discounting estimated cash flow in the future using discount rate of 8.2%.

12 LEASES

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

(a) Finance Leases

Finance leases are capitalized, and recorded on the balance sheet based on finance lease contracts.

(b) Operating Leases

Operating leases are not capitalized, but future minimum lease payments and receivables are as follows:

(b-1) Operating Leases (as Lessee)

Future minimum lease payments subsequent to March 31, 2009 and 2008 for noncancelable operating leases are summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Within one year	¥159	¥168	\$1,615
Over one year	337	499	3,431
Total	¥496	¥667	\$5,046

(b-2) Operating Leases (as Lessor)

Future minimum lease receivables subsequent to March 31, 2009 and 2008 for noncancelable operating leases are summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Within one year	¥ 923	¥ 999	\$ 9,400
Over one year	7,130	8,809	72,583
Total	¥8,053	¥9,808	\$81,983

13 INVESTMENT SECURITIES

The book value, unrealized gain and loss and the related fair value of held-to-maturity securities at March 31, 2009 are summarized as follows:

	Millions of yen			
	Book Value	Unrealized Gain	Unrealized Loss	Fair Value
At March 31, 2009				
Government bonds	¥29,990	¥1	¥(0)	¥29,991

The cost, unrealized gain and loss and the related book value of available-for-sale securities with available fair values at March 31, 2009 are summarized as follows:

	Millions of yen			
	Cost	Unrealized Gain	Unrealized Loss	Book Value
At March 31, 2009				
Equity securities	¥2,927	¥532	¥(30)	¥3,429

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

At March 31, 2009	Millions of yen	Thousands of U.S. dollars
Due within one year	¥29,990	\$305,304
Due after one year through five years.....	—	—
Due after five years through ten years	—	—
Due after ten years.....	—	—
Total	¥29,990	\$305,304

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:

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

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:

	Millions of yen			
	Cost	Unrealized Gain	Unrealized Loss	Book Value
At March 31, 2008				
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
Due within one year	¥52,966
Due after one year through five years.....	—
Due after five years through ten years	—
Due after ten years.....	—
Total	¥52,966

14 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, 2009 and 2008 were as follows:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
(i) Forward foreign exchange contracts to sell U.S. dollars:			
Contract amounts	¥1,281	¥—	\$13,038
Related market value	1,525	—	15,520
Net gain (loss)	¥ (244)	¥—	\$ (2,482)
(ii) Forward foreign exchange contracts to buy U.S. dollars:			
Contract amounts	¥—	¥55	\$—
Related market value	—	51	—
Net gain (loss)	¥—	¥ (4)	\$—

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, 2009 and 2008 were as follows:

At March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Notional amounts	¥—	¥200	\$—
Related market value	—	0	—
Net gain	¥—	¥ 0	\$—

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, 2009	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	¥322,690	¥ 3,558	¥326,248	¥ —	¥326,248
(2) Inter-segment net sales	6	266	272	(272)	—
Total	322,696	3,824	326,520	(272)	326,248
Operating expenses	308,638	2,719	311,357	(277)	311,080
Operating income	14,058	1,105	15,163	5	15,168
II Assets, depreciation and capital expenditures:					
Assets	¥170,597	¥24,308	¥194,905	¥4,508	¥199,413
Depreciation	1,602	765	2,367	(1)	2,366
Capital expenditures	1,668	67	1,735	—	1,735

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

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, 2009 and 2008 totaling ¥4,677 million (\$47,612 thousand) and ¥8,384 million primarily consisted of investment in securities.

5. The impairment losses recorded in Real Estate for the years ended March 31, 2009 and 2008 were ¥585 million (\$5,952 thousand) and ¥1,101 million, respectively.

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 for the year ended March 31, 2008 have increased as follows:

- EPC Business: assets ¥584 million, depreciation ¥182 million and capital expenditures ¥778 million
- Real Estate: assets ¥2,685 million, depreciation ¥147 million and capital expenditures ¥1,328 million

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 in EPC Business and ¥1,328 million in Real Estate, respectively.

(2) Geographic Segments

Year ended March 31, 2009	Millions of yen				
	Japan	Others	Total	Eliminations and Other	Consolidated
I Net sales and operating income:					
Net sales					
(1) Net sales to outside customers	¥308,688	¥17,560	¥326,248	¥ —	¥326,248
(2) Inter-segment net sales	742	16,309	17,051	(17,051)	—
Total	309,430	33,869	343,299	(17,051)	326,248
Operating expenses	296,270	32,057	328,327	(17,247)	311,080
Operating income	13,160	1,812	14,972	196	15,168
II Assets:					
Assets	¥187,634	¥20,548	¥208,182	¥ (8,769)	¥199,413

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

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, 2009	Millions of yen					
	Southeast Asia	Southwest Asia, Middle East and Africa	Russia and Central Asia	Central and South America	Others	Total
Overseas sales (A)	¥45,839	¥74,361	¥15,712	¥106,252	¥12,371	¥254,535
Consolidated sales (B)						326,248
Overseas sales ratio (A/B)	14.1%	22.8%	4.8%	32.6%	3.8%	78.1%

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)						327,413
Overseas sales ratio (A/B)	10.4%	21.9%	10.8%	28.4%	7.0%	78.5%

Each area mainly represents the following countries:

Southeast Asia: Thailand and Singapore

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

Russia and Central Asia: Russia

Central and South America: Brazil and Venezuela

Others: PR China, Korea and Australia

For the year ended March 31, 2009

(a) Type and number of outstanding shares

Type of shares	Balance at beginning of year	Year ended March 31, 2009		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	553,293	168,350	49,103	672,540
Total	553,293	168,350	49,103	672,540

Notes: 1. Treasury stock increased by 168,350 shares due to the repurchase of shares less than one unit.

2. Treasury stock decreased by 49,103 shares due to the sale of shares less than one unit.

(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)	Amount per share (Yen)	Amount per share (U.S. Dollars)	Shareholders' cut-off date	Effective date
June 24, 2008	Annual general meeting of shareholders	Common stock	1,153	11,742	6	0.06	March 31, 2008	June 25, 2008
November 12, 2008	Board of Directors	Common stock	576	5,867	3	0.03	September 30, 2008	December 11, 2008

(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)	Paid from	Amount per share (Yen)	Amount per share (U.S. Dollars)	Shareholders' cut-off date	Effective date
June 23, 2009	Annual general meeting of shareholders	Common stock	768	7,823	Retained earnings	4	0.04	March 31, 2009	June 24, 2009

For the year ended March 31, 2008

(a) Type and number of outstanding shares

Type of shares	Balance at beginning of year	Year ended March 31, 2008		
		Increase in shares during the year	Decrease in shares during the year	Balance at end of 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.

(b) Dividends

(b-1) Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 26, 2007	Annual general meeting of shareholders	Common stock	577	3	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)	Paid from	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 24, 2008	Annual general meeting of shareholders	Common stock	1,153	Retained earnings	6	March 31, 2008	June 25, 2008

17 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, 2009 and 2008 is summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and deposits	¥33,117	¥34,311	\$337,134
Time deposits with maturities over three months	(1,645)	(744)	(16,746)
Short-term investments with maturities within three months included in securities	29,990	52,966	305,304
Cash and cash equivalents	¥61,462	¥86,533	\$625,692

18 RELATED PARTY TRANSACTIONS

(Additional Information)

Effective from April 1, 2008, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Related Party Disclosures" ("Statement No.11" issued by ASBJ, on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" ("Guidance No.13" issued by ASBJ, on October 17, 2006).

For the year ended March 31, 2009

Category.....Subsidiary
 Name.....CCDL CONSTRUCOES DE DUTOS LTDA.
 AddressBrazil
 Capital and investments (thousands of Brazilian real) 1,139
 Business.....Construction
 Ratio of voting rights holding (held)Direct 60%
 RelationshipLoan for operating fund
 Summary of transactions.....Loan for operating fund
 Transaction amount (millions of yen).....—
 Title of account, balance at end of year (millions of yen)Short-term loan, 2,141

Note: Interest rate on loan is determined by considering effective market rates.

The Company wrote off ¥2,713 million against the short-term loan above.

The Company reserved ¥363 million of allowance for doubtful accounts at March 31, 2009 against the short-term loan above.

Category.....	Affiliate
Name.....	NEDL - CONSTRUÇOES DE DUTOS DO NORDESTE LTDA.
Address	Brazil
Capital and investments (thousands of Brazilian real)	2,524
Business.....	Construction
Ratio of voting rights holding (held)	Direct 42%
Relationship	Loan for operating fund
Summary of transactions.....	Loan for operating fund
Transaction amount (millions of yen).....	756
Title of account, balance at end of year (millions of yen)	Short-term loan, 6,466

Note: Interest rate on loan is determined by considering effective market rates.

The Company recorded ¥3,954 million of provision of allowance for doubtful accounts against the short-term loan above.

As a result, the company reserved ¥5,370 million of allowance for doubtful accounts at March 31, 2009 against the short-term loan above.

For the year ended March 31, 2008

Category.....	Other affiliate
Name.....	Mitsui & Co., Ltd.
Address	Japan
Capital and investments (millions of yen).....	337,543
Business.....	Merchant
Ratio of voting rights holding (held)	Direct (23%)
Relationship	Sales of manufacturing facility / Purchase of raw material
Summary of transactions.....	Sales of manufacturing facility / Purchase of raw material
Transaction amount (millions of yen).....	Sales of manufacturing facility, 4,621 / Purchase of raw material, 1,924
Title of account, balance at end of year (millions of yen)	Notes and accounts receivable, 290 Advance receipts on uncompleted contracts, 953 Notes and accounts payable, 1,027

Note: Selling price of manufacturing facility is negotiated in accordance with general transaction.

Purchasing price of raw material is determined by negotiation on a case by case basis and considering effective market price.

Financial Section

Category.....Subsidiary
Name.....CCDL CONSTRUÇOES DE DUTOS LTDA.
AddressBrazil
Capital and investments (thousands of Brazilian real)1,139
Business.....Construction
Ratio of voting rights holding (held)Direct 60%
RelationshipLoan for operating fund
Summary of transactions.....Loan for operating fund
Transaction amount (millions of yen).....1,849
Title of account, balance at end of year (millions of yen)Short-term loan, 5,099

Note: Interest rate on loan is determined by considering effective market rates.

Category.....Affiliate
Name.....NEDL - CONSTRUÇOES DE DUTOS DO NORDESTE LTDA.
AddressBrazil
Capital and investments (thousands of Brazilian real)2,524
Business.....Construction
Ratio of voting rights holding (held)Direct 42%
RelationshipLoan for operating fund
Summary of transactions.....Loan for operating fund
Transaction amount (millions of yen).....1,468
Title of account, balance at end of year (millions of yen)Short-term loan, 5,710

Note: Interest rate on loan is determined by considering effective market rates.

Independent Auditors' Report



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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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 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 LLC

June 23, 2009

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Tel: 82-2-2189-1619
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<http://www.toyokorea.com/>

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Engineering and construction for plants and facilities
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Pudong South Road, Pudong New District,
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Fax: 86-21-5888-8864/8874

■ Toyo Engineering Corporation (China) Procurement

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Pudong South Road, Pudong New District,
Shanghai 200122, China
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Fax: 86-21-5888-8864/8874

■ Toyo-Thai Corporation Public Company Limited

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28th Fl., Sermmi Tower, 159 / 41-44 Sukhumvit 21,
Asoke Road, North Klontgoey, Wattana, Bangkok
10110, Thailand
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■ 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
<http://www.toyo-m.com.my/>

■ Toyo Engineering India Limited

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"Toyo House," L.B.S. Marg, Kanjurmarg (West),
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Tel: 91-22-2573-7000
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■ 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.

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Houston, TX 77094, U.S.A.
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Engineering and construction for plants and facilities
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Fax: 58-212-285-1354

■ Toyo do Brasil—Consultoria E Construcões Industriais Ltda.

Engineering and construction for plants and facilities
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22250-906 Rio de Janeiro-RJ, Brazil
Tel: 55-21-2551-1829
Fax: 55-21-2551-2048

Domestic

● TEC Estate, Ltd.

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

● Suntec Corporation

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Fax: 81-47-454-1842

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● Tecno Frontier Co., Ltd.

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Fax: 81-47-454-1550

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● TEC Software & Technical Services Corporation

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Translation / Interpretation
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Fax: 81-47-425-8464

● TEC Air Service Corporation

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Fax: 81-3-3564-0530

● TEC Accounting & Consulting Ltd.

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Fax: 81-47-454-1289

● Toyo Business Engineering Corporation

System consulting and solutions provider
20th / 17th Fl., KDDI Otemachi Bldg., 1-8-1
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Tel: 81-3-3510-1600
Fax: 81-3-3510-1624
<http://www.to-be.co.jp/>

● 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

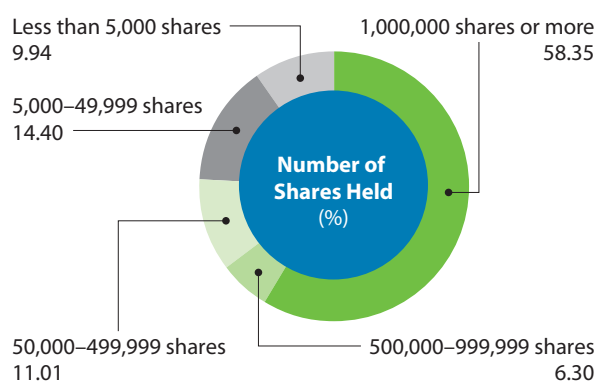
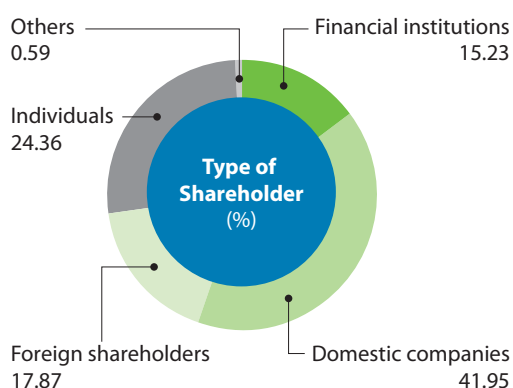
● Toyo Transport Engineering Co., Ltd.

Consulting for total transportation solutions
2-8-1 Akanehama, Narashino-shi,
Chiba 275-0024, Japan
Tel: 81-47-454-1660
Fax: 81-47-454-1160

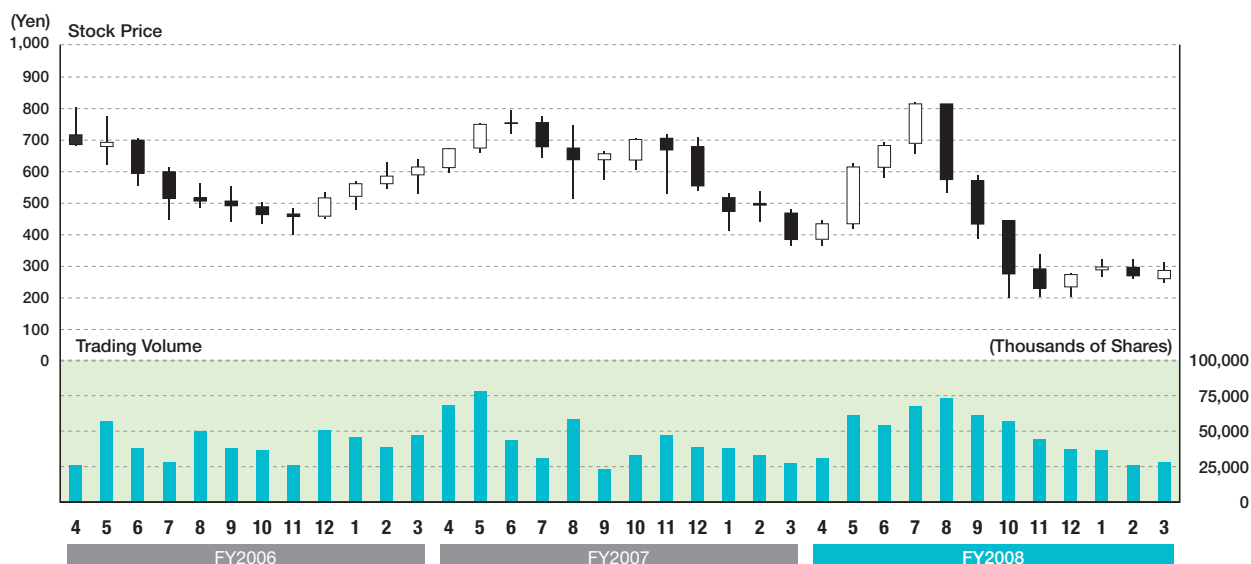
(As of March 31, 2009)

Founded: May 1, 1961
Common Stock: ¥18,199 million
Stock Exchange Listing: Tokyo Stock Exchange
Authorized Shares: 500,000,000
Capital Stock Issued: 192,792,539
Number of Shareholders: 17,197
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.	25,703	13.33
Japan Trustee Services Bank, Ltd. Trust Account 4G	6,845	3.55
Japan Trustee Services Bank, Ltd. Trust Account	5,773	2.99
Taisei Corporation	4,000	2.07
The Master Trust Bank of Japan, Ltd. Trust Account	3,176	1.64
HSBC Bank Plc-Clients Nontax Treaty	3,070	1.59
Kanto Natural Gas Development Co., Ltd.	2,656	1.37
Sumitomo Mitsui Banking Corporation	2,350	1.21
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	2,212	1.14



Stock Chart:



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