

2010

Annual Report

Year ended March 31, 2010

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.

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. Under the mission entitled "Engineering for Sustainable Growth of the Global Community," 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.

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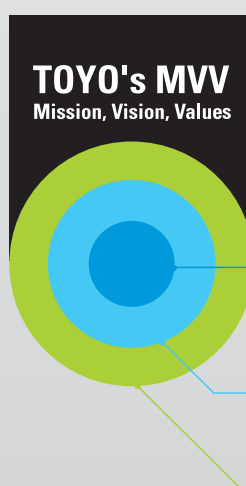
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DEFINITION OF TERMS

- Fiscal 2009 means the fiscal year ended March 31, 2010 (April 1, 2009–March 31, 2010).
- 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.



Mission:

Engineering for Sustainable Growth of the Global Community

Vision:

Global Leading Engineering Partner

Values:

Integrity, Creativity, Diversity, Learning, Team

To Our Shareholders



In fiscal 2009, the global economic structure rapidly changed. In emerging countries, the demand for energy, infrastructure, and natural resource development increased. In advanced economies, including Japan, manufacturing industries shifted the production base to emerging countries. In line with these changes, the needs of clients in our market became more diversified and sophisticated, requiring engineering companies to adapt quickly and accurately to evolving businesses.

Amid structural changes in the global economy, TOYO's first priority to attain sustained growth is to make innovative changes to our corporate structure. In particular, it is urgent to address the task of expanding new orders. TOYO intends to quickly implement management strategies such as advancing Global Toyo and developing new technologies, and to strive for improvement in overall corporate value.

August 2010

A handwritten signature in white ink, appearing to read 'Yutaka Yamada', set against a dark background.

Yutaka Yamada
President and Chief Executive Officer

Consolidated Financial Highlights

Financial Summary

Years ended March 31,	Millions of yen		Thousands of U.S. dollars*
	2010	2009	2010
Net sales	¥173,944	¥326,248	\$1,869,359
New orders	132,457	119,265	1,423,500
Backlog of contracts at end of the year.....	168,179	224,416	1,807,407
Net income.....	7,132	6,516	76,642
Total assets.....	190,127	199,413	2,043,282
Total net assets.....	65,295	58,509	701,723
Per share data (in yen and U.S. dollars):			
Net income.....	¥ 37.12	¥ 33.91	\$ 0.40
Cash dividends	7.00	7.00	0.08

* U.S. dollar amounts are stated at ¥93.05 to U.S.\$1.00, the exchange rate prevailing on March 31, 2010.

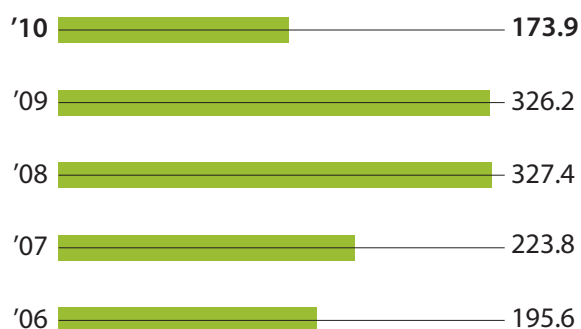
Operational Summary

>>> Ongoing large-scale projects are being completed.

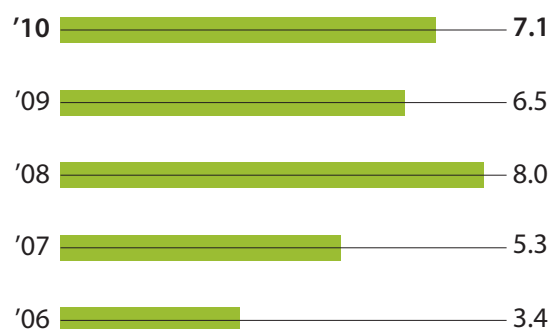
>>> Net sales fell significantly, but net income increased.

>>> Focus on securing new orders.

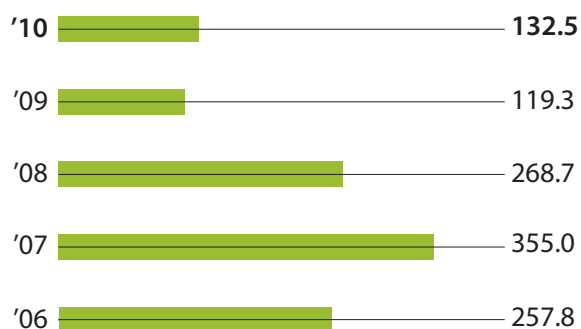
Net Sales (¥ billion)



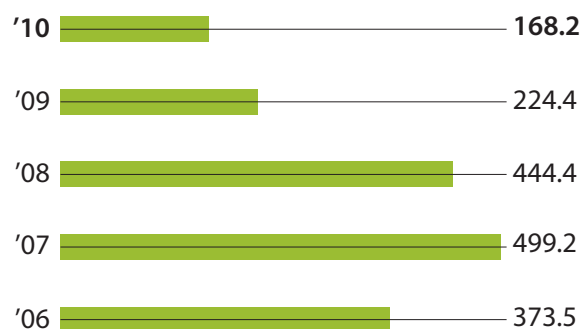
Net Income (¥ billion)



New Orders (¥ billion)



Backlog of Contracts (¥ billion)



TOYO's Major Topics in Fiscal 2009

- Jun. 2009**
- TOYO Awarded an FCC (INDMAX) / Propylene Recovery Unit Project in India
 - Netherlands Foreign Minister Visits Pearl GTL Project Site in Qatar (Photo 1)
-
- Jul. 2009**
- President & CEO Yutaka Yamada Inaugurated as President of ENNA
 - TOYO's Sakhalin-II and Offshore GTL Attract Attention — GASTECH 2009 in Abu Dhabi (Photo 2)
 - TOYO Awarded Monosilane Plant Project
-
- Aug. 2009**
- TOYO and Chart E&C Sign Mid-Scale LNG Liquefaction Technology and Equipment Supply Agreement (Illustration 1)
 - TOYO Awarded a Urea Granulation Contract from Russia
 - Three CDM Projects in China Registered with the United Nations
 - Large-Scale Petrochemical Project Awarded by China's BASF-YPC (Photo 3)
-
- Sep. 2009**
- TOYO Awarded Polycarbonate Resin Production Facilities in China (Map 1)
-
- Nov. 2009**
- Toyo-India Awarded Three Consecutive Refinery Projects in India in the Second Quarter of 2009 (Map 2)
-
- Dec. 2009**
- TOYO Appears in Petronas Magazine (Photo 4)
 - TOYO Awarded Nutritional Feed Additive Manufacturing Facilities in China
-
- Jan. 2010**
- New Year's Speech of President and CEO Yutaka Yamada to Employees
 - Toyo-Venezuela Opening Ceremony (Photo 5)
-
- Mar. 2010**
- Cooperation with PETROBRAS for Verification Tests of Small- and Medium-Scale GTL (Illustration 2)
 - Newsletter TOYO TIMES Issued (Photo 6)



Photo 1

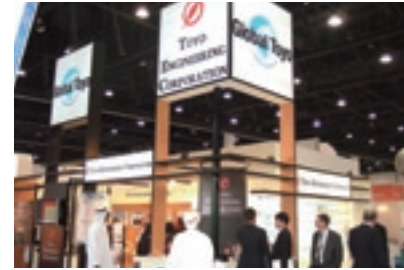


Photo 2



Illustration 1



Photo 3



Photo 4



Photo 5

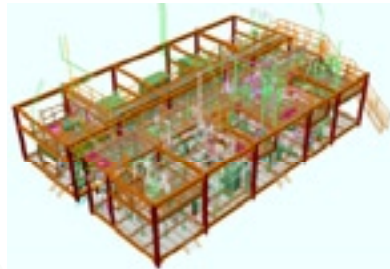
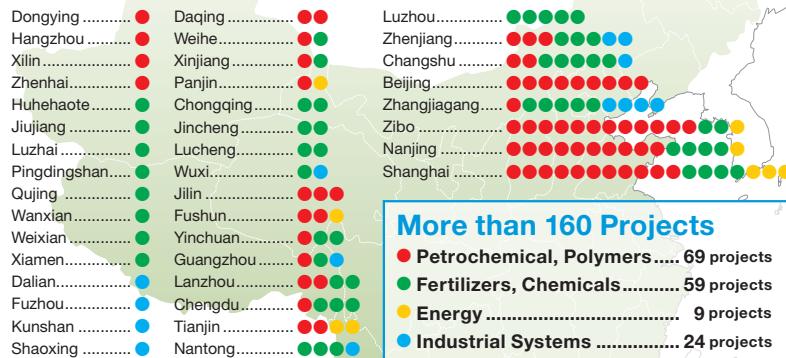


Illustration 2



Photo 6



(Map 1): TOYO's Projects in China



(Map 2): Newly Awarded Projects in India

Review of Operations

Targeting Business Expansion in Emerging Markets

Performance Outline (Consolidated)

Net sales	¥173.9 billion (down 46.7%)
Operating income	¥13.1 billion (down 13.8%)
Net income	¥7.1 billion (up 9.5%)
Net income (per share).....	¥37.12
>>> New orders	¥132.5 billion (58% of fiscal target)
>>> Cash dividends (annual)	¥7.0 per share (¥2.0 increase from initial forecast)

In fiscal 2009, TOYO faced an increasingly difficult business climate. In the hydrocarbon field, although some major projects started up again, many companies continued to postpone major capital investments or slow down execution of their capital investment plans in light of continued uncertainty about sustained economic recovery, changes in their product markets, and financing difficulties caused by the credit crunch. Our new orders suffered particularly because of the heated competition from competitors, including Korean contractors.

Under these circumstances, we strove to constantly meet the market demand for highly professional and reliable services. While aiming to further strengthen our partnerships with existing clients, we also aggressively developed our businesses in response to the changing needs in the market.

Guided by the three basic strategies of the medium-term management plan launched at the start of fiscal 2009, we endeavored to increase the corporate value of TOYO Group through efforts to enhance our competitiveness, further strengthen our project management, and expand our profitability. The three 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. Reflecting those efforts, TOYO achieved the consolidated performance shown above.

We took such steps to expand orders as strengthening our marketing organization and emphasizing a proactive marketing approach. However, these measures could not overcome the tough business climate, leading to total consolidated orders of ¥132.5 billion, only 11.1% better than last year's performance. Of this amount, overseas orders totaled ¥92.6 billion and domestic orders accounted for ¥39.9 billion.

Looking at major new orders received, we were awarded a contract for Engineering, Procurement service, and Construction management (EPsCm) for the expansion of a petrochemical complex in China for BASF-YPC Company Limited. We also won a project to build a polycarbonate resin production facility in China for the Mitsubishi Gas Chemical Company, Inc., and Mitsubishi Engineering-Plastics Corporation. In Japan, we received an order for a monosilane plant project from Evonik Monosilane Japan Co., Ltd.

Fiscal 2010 Performance Forecast (Consolidated)

New orders.....	¥280.0 billion
Net sales	¥160.0 billion
Operating income	¥4.0 billion
Net income	¥1.0 billion
Net income (per share).....	¥5.21
Cash dividends (annual)	¥3.0 (Interim dividend of ¥0.0, year-end dividend of ¥3.0)

As mentioned in the Performance Outline, TOYO expects to continue to face an extremely difficult business environment, especially in terms of winning orders. Accordingly, we realize that raising our competitiveness and further differentiating TOYO in the market are our most important issues. At the same time, amid the rapid progress in the structural changes of the global economy, the needs of clients in our market are changing daily, requiring engineering companies to adapt quickly and accurately to evolving businesses. Some of those structural changes include the demand for energy and natural resource development in emerging countries; the production base shift to emerging countries by manufacturing industries in advanced economies, including Japan; the construction of infrastructure in emerging countries; the development of high value-added products; the diversification and sophistication of clients' manufacturing needs; and the demand for diversification in energy sources and investment in "green" plants.

As TOYO failed to meet its target for new orders in the previous fiscal year, we expect sales and profits to decline in fiscal 2010. Nevertheless, as shown in Fiscal 2010 Business Issues, the plant construction market is recovering, particularly in the BRIC countries, and TOYO is implementing multiple marketing measures targeting such growth. By winning such projects, we will expand orders and ensure that performance improves starting with fiscal 2011. In the year ahead, all of our energies will be focused on that goal.

Review of Operations

Fiscal 2010 Business Issues

- **Advance Global Toyo**
- **Develop new technology**
- **Focus on engineering service projects**
- **Develop new business fields**
- **Innovate business management platforms**
- **Implement thorough cost reduction**

In emerging countries with business growth potential, TOYO is targeting expansion in orders and in profitability by aligning itself with its clients' growth strategies.

To that end, TOYO will rapidly implement the following strategies:

Advance Global Toyo

TOYO will make further progress with developing its global operations to ensure the continued uncovering of new projects and developing opportunities to participate in the planning of projects. Assigning a sales role to each company in our worldwide network, we will build solid relationships with clients. We will also strengthen our Engineering, Procurement, and Construction (EPC) capabilities, working to enhance systems that improve profitability.

Develop New Technology

Amid the growing demand that companies reduce the burden they place on the environment, TOYO has been collaborating with MODEC, Inc., and Velocys Inc., on the development of a small- to medium-scale GTL technology that can produce "green" diesel fuel from associated gas from oil drilling. The technology enables highly compact production facilities that can be fitted on Floating Production Storage and Offloading units (FPSOs). Currently, the partners are pressing forward with the construction of a demonstration plant as the first stage in commercialization. Among other ongoing developments, TOYO has concluded an agreement with Chart Energy & Chemicals, Inc., to commercialize mid-scale LNG plants for small- to medium-sized gas fields that feature lower investment cost and quick delivery as well as easy operation and maintenance. The partners are now working on building up the business in

preparation for developing orders. Based on gas utilization technology, one of its specialties, the Company is also developing technology for the alternative energy field, such as DME and methanol production technologies.

Focus on Engineering Service Projects

Against the backdrop of a trend toward large-scale projects, the scarcity of human resources among clients, and other factors, the demand for engineering services such as providing EPCm customized for individual clients remains strong. By flexibly meeting the requirements of such clients, TOYO can become aware of capital investment plans at an early stage once the economy recovers. The Company can use this knowledge to strengthen its close-relationship-oriented sales efforts, and cultivate demand among clients.

Develop New Business Fields

In view of the growing demand for infrastructure in emerging countries along with their developing economies, TOYO is reinforcing its expansion efforts in infrastructure fields such as power generation, transportation, and water resource, based on its collaboration with Mitsui & Co., Ltd. In natural resource and energy development, the Company is expanding its alliance partnerships with such clients as national oil companies and international oil companies, aiming to provide comprehensive, high value-added engineering services. In addition, TOYO plans to develop and expand these capabilities to perform project execution on an EPCm basis.

Innovate Business Management Platforms

By further sophisticating its project management system, which comprehensively and efficiently manages the progress, costs, and other aspects of projects, TOYO will give priority to thoroughly managing project risk. Linking the project management system with its business management system, the Company will endeavor to establish a reliable and transparent business management system.

Implement Thorough Cost Reduction

TOYO will continue its sincere efforts to reduce costs, thoroughly revising its fixed and project expenses.

Major Projects

CHINA

Name of Client	Type	Scope
● Lingyou Engineering-Plastics (Shanghai) Co., Ltd.	Polycarbonate Resin Production Facility	E.P.C.
● Dalian Sumika Jingang Chemicals Co., Ltd.	Nutritional Feed Additive Production Facilities	E.Ps.Cm.
● BASF-YPC Company Limited	Expansion of Petrochemical Complex	E.Ps.Cm.



IPS-II project construction site (China)



Ground breaking ceremony for polycarbonate production facility (China)



Completed LLDPE plant (Thailand)



Ethylene Plant (India)



Project completion ceremony for the South Pars 6th, 7th, and 8th gas field project (Iran)

THAILAND

Name of Client	Type	Scope
● PTT Polyethylene Co., Ltd.	Linear Low Density Polyethylene (LLDPE)	E.P.C.

INDIA

Name of Client	Type	Scope
● Indian Oil Corporation Ltd.	Ethylene Plant	E.P.C.

IRAN

Name of Client	Type	Scope
● Petropars Ltd.	Gas Processing Plant	E.P.C.
● Petrochemical Industries Development Management Company	Ammonia	E.P.S.C.

QATAR

Name of Client	Type	Scope
● Qatar Shell GTL Limited	GTL Liquid Processing Unit	E.P.C.

SAUDI ARABIA

Name of Client	Type	Scope
● Saudi Basic Industries Corporation (YANSAB)	EG	E.P.C.

- Major projects are progressing on schedule and within budget with collaborative project management by Global Toyo companies and partners.
- Targeting EPC demands in emerging countries.

JAPAN

Name of Client	Type	Scope
● Evonik Monosilane Japan Co., Ltd.	Monosilane Plant	E.P.C.
● Tosoh Corp.	Recovery of Salt for Ethylene Amine Plant	E.P.C.



Ground breaking ceremony for Monosilane Plant Project (Japan)

- New Order
- In Progress
- Completion
- E: Engineering
- P: Procurement
- C: Construction
- Ps: Procurement service
- SC: Supervision of Construction
- Cm: Construction management

VENEZUELA

Name of Client	Type	Scope
● Petroquímica De Venezuela S.A. (Pequiven)	Ammonia / Urea Plant	E.P.C.

BRAZIL

Name of Client	Type	Scope
● Petróleo Brasileiro S.A. (PETROBRAS)	Delayed Coker Unit / Coker Naphtha Hydrotreating Unit	E.P.C.



REVAP Refinery (Brazil)



GTL liquid processing unit (Qatar)

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.

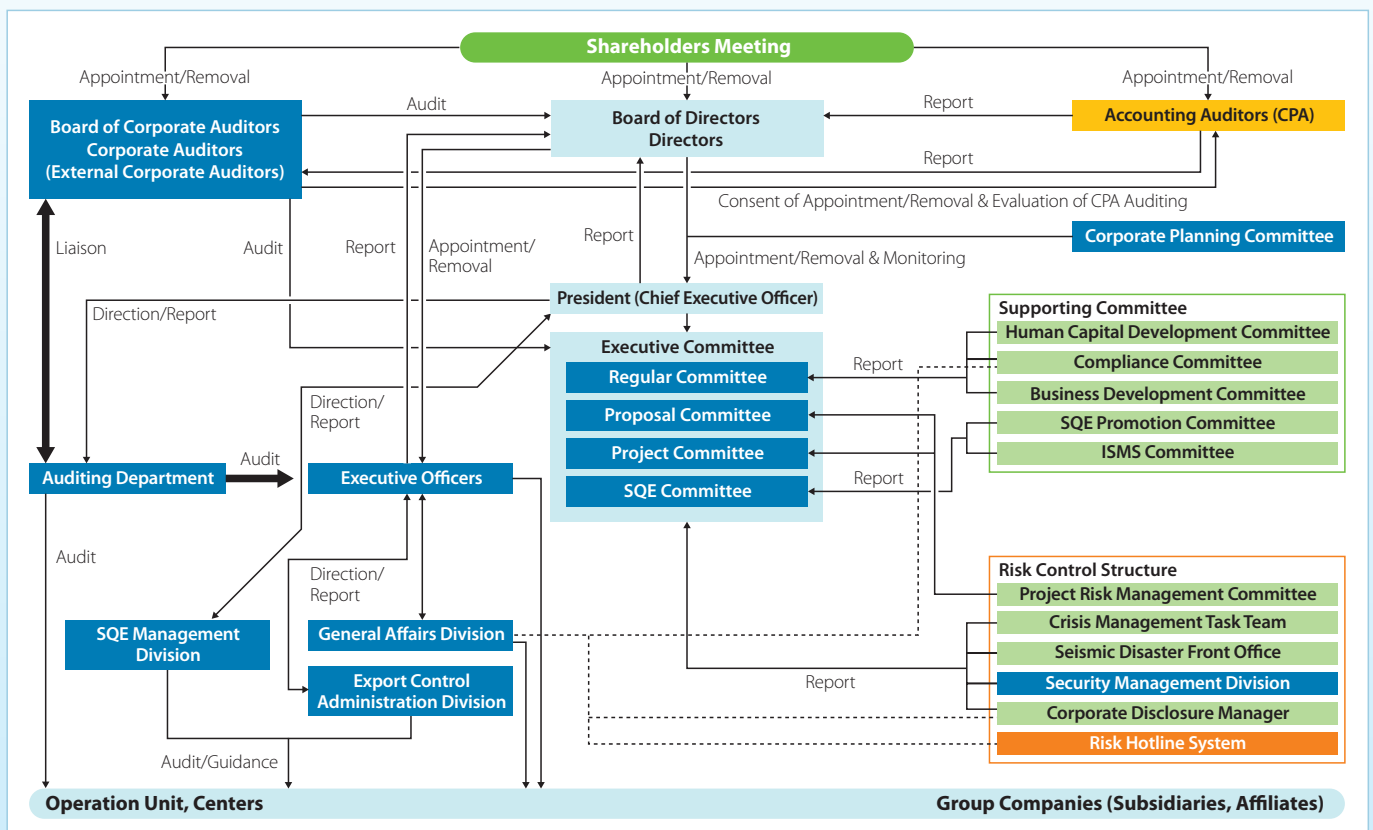
In order to promote the Internal Control System of the Group, TOYO is making efforts to ensure proper operations across Toyo Group companies by establishing corporate procedures to strengthen the corporate administrative functions of each company.

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 Project Risk Management Committee, 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 is constantly prepared for potential crises.

Corporate Governance Structure (As of March 2010)



Management



Directors

* Representative Director

- **Chairman**
Yushi Nagata
- **President**
Yutaka Yamada*
- **Directors**
Takuma Hatano*
Kenji Soejima*
Kazuomi Nishihara*
Makoto Fusayama
Keiichi Matsumoto
Satoshi Kuwahara
Hideki Shiinoki
Mitsutoshi Hamamura
Masayuki Uchida

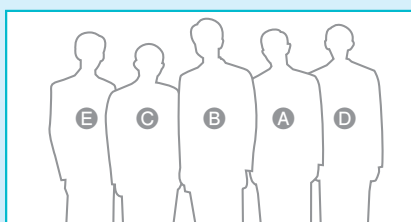
Auditors

- **Senior Corporate Auditor**
Kunimichi Gamo
- **Corporate Auditors**
Hideaki Kinoshita
Takashi Umezu (Outside Auditor)
Yoshiyuki Shinohara (Outside Auditor)

Executive Officers

- **Chief Executive Officer**
Yutaka Yamada
- **Executive Vice Presidents**
Takuma Hatano
Kenji Soejima
Kazuomi Nishihara
- **Senior Executive Officers**
Makoto Fusayama
Keiichi Matsumoto
Satoshi Kuwahara
Hideki Shiinoki
Mitsutoshi Hamamura
Masayuki Uchida
Kiyoshi Nakao
Akhilesh Kumar
Tadashi Hori
Katsumoto Ishibashi
- **Executive Officers**
Makoto Shimagaki
Masaru Takezawa
Koji Nagatomi
Kazuharu Murayama
Motoyoshi Kamoshima
Seiichi Itakura
Hisashi Osone
Yutaka Kita
Masaaki Yamaguchi
Takayoshi Imanishi
Shoji Koshikawa

(As of June 23, 2010)



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

Safety Takes Priority over Everything Else.

Safety is an integral part of the TOYO brand.

In 2009, TOYO's Lost Time Incidence Rate (LTIR), as defined by ILO, was 0.08. Although this rate is an improvement from 0.18 in 2008, 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 120 million man-hours as of September 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 2009: "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.

TOYO's Safety & Environmental Report 2010 is available on our website. It introduces TOYO's various activities on safety and the environment during fiscal 2009. Some of these activities are explained below.



In-House Safety Training

Recognizing that safety is a basic aspect of corporate activities, TOYO is conducting safety training 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, training 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 2009, the meetings were held in Mumbai and Kuala Lumpur. The subjects of the meetings included a review of the annual plan and the progress of improvement activities for QMS, Global Toyo Standards, HSSE, and others.

Establishment of Project SQE Management Department

In April 2010, TOYO established Project SQE (Safety, Quality, and Environment) Management Department. This integral functional organization facilitates accumulation and improvement of know-how regarding project safety, quality, and environmental issues through the execution of projects and applies it to future projects. This organization works not only to integrate the entire Toyo Group but also for the satisfaction of clients.

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, along with due care of client's requirements, TOYO guarantees to always provide high quality products and services all over the world.



TOYO conducts its projects with due consideration for the environment. Examples include a fertilizer complex in Venezuela. Such complex neighborhoods are rich in wildlife. On the annual Marine Day holiday, local residents, clients, and members of a local environmental study group and consortium companies pick up garbage on the coast in front of the Complex. TOYO also takes measures for the environmental protection of water resources, noise control of equipment, observation of wildlife (turtles, iguanas, birds) in the complex area, study of atmospheric phenomena, and other measures.



Volunteer garbage pick up on the coast



A turtle returning to the sea



An iguana found in the complex



Birds near the complex

Construction waste and general waste are separated by type. A person is placed in charge of managing each type of waste, and the majority of the waste is recycled. For example, ferrous metals are sold to recycling companies or donated along with wood to the local technical school for use as teaching materials. Soil is also donated to restore roads in flood-prone areas.



Soil donation for road restoration

Financial Section

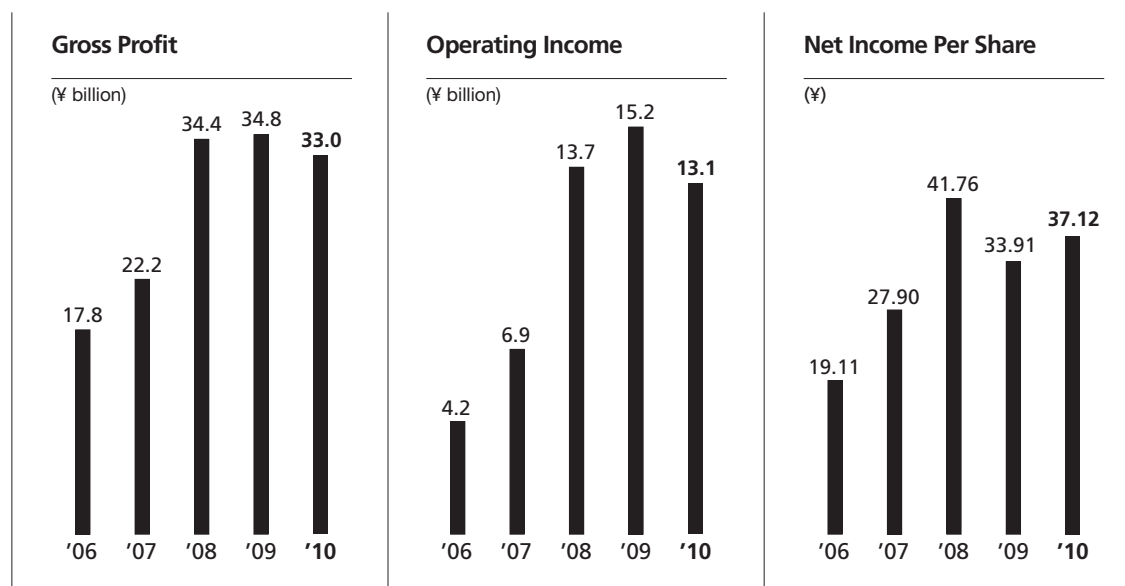
Consolidated Five-Year Summary

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2007	2006	2010
Net sales.....	¥173,944	¥326,248	¥327,413	¥223,844	¥195,584	\$1,869,359
Gross profit.....	32,984	34,752	34,424	22,236	17,825	354,475
Operating income.....	13,070	15,168	13,742	6,890	4,195	140,463
Income before income taxes and minority interest.....	14,236	13,036	14,909	7,372	4,360	152,994
Net income.....	7,132	6,516	8,029	5,294	3,350	76,642
Total assets.....	190,127	199,413	280,139	282,814	202,662	2,043,282
Total net assets.....	65,295	58,509	57,331	51,559	35,649	701,723
Long-term debt.....	21,947	19,917	22,038	26,981	19,990	235,863
Purchases of property, plant and equipment.....	508	513	831	2,752	3,455	5,460
Depreciation and amortization.....	2,238	2,366	2,511	1,995	1,701	24,050
Common stock.....	18,199	18,199	18,199	18,199	13,018	195,583
New orders.....	132,457	119,265	268,693	354,984	257,840	1,423,500
Backlog of contracts at end of the year.....	168,179	224,416	444,434	499,237	373,518	1,807,407

Per share:	Yen					U.S. dollars (Note 1)
	Net income.....	¥ 37.12	¥ 33.91	¥ 41.76	¥ 27.90	¥ 19.11
Total net assets.....	329.54	294.71	283.98	255.50	191.73	3.54
Cash dividends.....	7.00	7.00	6.00	3.00	3.00	0.08

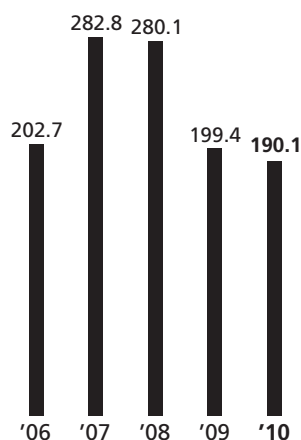
"Total net assets" is a newly provided section to conform to Japanese accounting standard revisions. The figures for the year ended March 31, 2006 were stated as "Total shareholders' equity" under the previous standards.



	2010	2009	2008	2007	2006
Net sales by sector (%):					
Chemical fertilizers	14.0%	6.9%	1.9%	2.9%	7.8%
Petrochemicals.....	23.9	29.2	28.7	25.6	24.9
Refinery.....	27.6	14.0	8.8	12.3	3.0
Energy-related	14.4	35.1	43.7	36.9	44.2
General manufacturing facilities and information technology	13.1	10.6	11.8	15.2	14.9
Others	7.0	4.2	5.1	7.1	5.2
(Overseas sales)	(71)	(78)	(78)	(66)	(68)
Number of employees	4,024	3,769	3,527	3,126	2,668

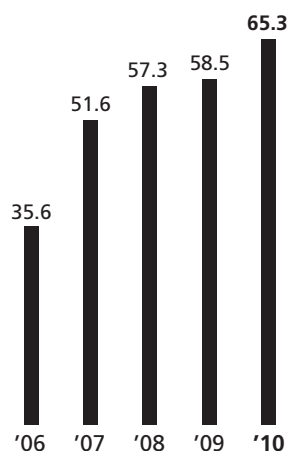
Total Assets

(¥ billion)



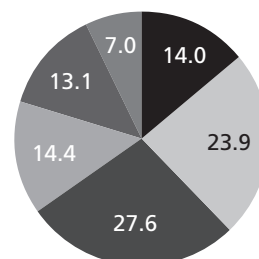
Total Net Assets

(¥ billion)



Composition of Net Sales by Sector (FY2009)

(%)



- Chemical Fertilizers
- Petrochemicals
- Refinery
- Energy-Related
- General Manufacturing Facilities and Information Technology
- Others

Management's Discussion and Analysis

In fiscal 2009, TOYO faced an increasingly difficult business climate. In the hydrocarbon field, although some major projects started up again, many companies continued to postpone major capital investments or slow down execution of their capital investment plans in light of continued uncertainty about sustained economic recovery, changes in their product markets, and financing difficulties caused by the credit crunch. Our new orders suffered particularly because of the heated competition from competitors, including Korean contractors.

New orders

We took such steps to expand orders as strengthening our marketing organization and emphasizing a proactive marketing approach. However, these measures could not overcome the tough business climate, leading to total consolidated orders of ¥132.5 billion (\$1,424 million), only 11.1% better than last year's performance. Of this amount, overseas orders totaled ¥92.6 billion and domestic orders accounted for ¥39.9 billion.

Sales and Earnings

Net sales totaled ¥173.9 billion (\$1,869 million) as a result of successful progress of projects. Operating income was ¥13.1 billion (\$140 million). Net income increased to ¥7.1 billion (\$77 million).

Cash Flows

Cash from operating activities was ¥10.8 billion (\$116 million). The principal source of cash was income before income taxes and minority interest. Cash used for investing activities was ¥0.7 billion (\$7 million). This mainly represented expenditure on purchases of other assets. Cash from financing activities was ¥2.2 billion (\$24 million), reflecting loan of long-term debt. The result of the above cash flows was a net increase of ¥12.5 billion (\$134 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 worldwide, 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 reimbursable basis to reduce our risks.

Financial Section

Consolidated Balance Sheets

Toyo Engineering Corporation and Consolidated Subsidiaries March 31, 2010 and 2009

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Current assets:			
Cash and deposits (Note 18)	¥ 36,899	¥ 33,117	\$ 396,555
Marketable securities (Note 13)	37,994	29,990	408,313
Notes and accounts receivable	27,373	35,858	294,180
Less: Allowance for doubtful receivables	(6,972)	(7,808)	(74,928)
	20,401	28,050	219,252
Contract work in progress	21,677	25,758	232,962
Prepaid expenses and other current assets (Note 4)	24,695	32,189	265,390
Total current assets	141,666	149,104	1,522,472
Investments:			
Investment securities (Note 13)	4,648	3,602	49,953
Investments in unconsolidated subsidiaries and affiliates (Note 13)	5,372	5,147	57,733
Long-term loans	78	93	841
Other	3,488	3,765	37,487
Less: Allowance for doubtful receivables	(703)	(484)	(7,557)
Total investments	12,883	12,123	138,457
Property, plant and equipment, at cost:			
Land (Note 3)	16,824	17,509	180,805
Buildings and structures (Note 3)	29,563	29,201	317,706
Tools, furniture and fixtures	3,528	3,316	37,918
Leased assets	2,151	2,240	23,118
Construction in progress	7	5	78
Total	52,073	52,271	559,625
Less: Accumulated depreciation (Note 3)	(19,627)	(17,710)	(210,930)
Property, plant and equipment, net	32,446	34,561	348,695
Other assets (Note 4)	3,132	3,625	33,658
Total assets	¥190,127	¥199,413	\$2,043,282

See notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Current liabilities:			
Short-term borrowings	¥ 3,113	¥ 2,934	\$ 33,460
Current portion of long-term debt (Note 3).....	4,673	2,571	50,225
Notes and accounts payable	35,084	44,339	377,046
Income taxes payable	878	419	9,436
Advance receipts on uncompleted contracts.....	35,568	48,658	382,242
Reserve for anticipated loss on contract work	914	878	9,820
Other current liabilities (Note 4)	10,398	10,665	111,741
Total current liabilities.....	90,628	110,464	973,970
Long-term liabilities:			
Long-term debt (Note 3)	21,947	19,917	235,863
Lease obligations	1,744	2,288	18,746
Accrued retirement benefits (Note 5).....	4,815	3,853	51,749
Other long-term liabilities (Note 4).....	5,698	4,382	61,231
Total long-term liabilities	34,204	30,440	367,589
Total liabilities.....	124,832	140,904	1,341,559
Contingent liabilities (Note 7)			
Net assets:			
Shareholders' equity (Note 6)			
Common stock			
Authorized: 500,000,000 shares in 2010 and 2009			
Issued: 192,792,539 shares in 2010 and 2009.....	18,199	18,199	195,583
Capital surplus.....	20,760	20,761	223,101
Retained earnings	25,525	19,642	274,318
Treasury stock: 751,115 shares in 2010 and 672,540 shares in 2009	(316)	(294)	(3,394)
Total shareholders' equity	64,168	58,308	689,608
Valuation and translation adjustments			
Net unrealized gain on securities.....	619	127	6,651
Deferred hedge loss.....	(26)	(6)	(275)
Foreign currency translation adjustments	(1,475)	(1,809)	(15,852)
Total valuation and translation adjustments	(882)	(1,688)	(9,476)
Minority interest	2,009	1,889	21,591
Total net assets.....	65,295	58,509	701,723
Total liabilities and net assets	¥190,127	¥199,413	\$2,043,282

Financial Section

Consolidated Statements of Income

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Net sales	¥173,944	¥326,248	\$1,869,359
Cost of sales	140,960	291,496	1,514,884
Gross profit	32,984	34,752	354,475
Selling, general and administrative expenses (Note 8)	19,914	19,584	214,012
Operating income	13,070	15,168	140,463
Other income:			
Interest and dividend income	1,072	1,960	11,520
Foreign exchange gain	1,151	—	12,369
Reversal of allowance for doubtful receivables	808	—	8,679
Equity in earnings of affiliate companies	—	374	—
Gain on sales of fixed assets	—	199	—
Other	304	357	3,268
	3,335	2,890	35,836
Other expenses:			
Interest expense	733	750	7,880
Foreign exchange loss	—	767	—
Loss on valuation of investment securities	—	2,516	—
Loss on impairment of fixed assets (Note 10)	1,213	585	13,033
Other (Note 9)	223	404	2,392
	2,169	5,022	23,305
Income before income taxes and minority interest	14,236	13,036	152,994
Income taxes (Note 4):			
Current	5,377	4,698	57,787
Deferred	1,586	1,466	17,047
	6,963	6,164	74,834
Minority interest income	(141)	(356)	(1,518)
Net income	¥ 7,132	¥ 6,516	\$ 76,642
Per share of common stock:			
Net income	¥ 37.12	¥ 33.91	\$ 0.40

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets (Note 17)

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2010 and 2009

	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, 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
Dividends paid to shareholders			(1,249)						(1,249)
Net income			7,132						7,132
Purchase of treasury stock				(25)					(25)
Sale of treasury stock		(1)		3					2
Changes of items other than shareholders' equity					492	(20)	334	120	926
Balance at March 31, 2010	¥18,199	¥20,760	¥25,525	¥(316)	¥ 619	¥(26)	¥(1,475)	¥2,009	¥65,295

	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, 2009	\$195,583	\$223,112	\$211,096	\$(3,164)	\$1,368	\$ (60)	\$(19,442)	\$20,301	\$628,794
Dividends paid to shareholders			(13,420)						(13,420)
Net income			76,642						76,642
Purchase of treasury stock				(264)					(264)
Sale of treasury stock		(11)		34					23
Changes of items other than shareholders' equity					5,283	(215)	3,590	1,290	9,948
Balance at March 31, 2010	\$195,583	\$223,101	\$274,318	\$(3,394)	\$6,651	\$(275)	\$(15,852)	\$21,591	\$701,723

See notes to consolidated financial statements.

Financial Section

Consolidated Statements of Cash Flows

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Cash flows from operating activities:			
Income before income taxes and minority interest	¥ 14,236	¥ 13,036	\$ 152,994
Adjustments to reconcile income before income taxes and minority interest to cash from operating activities:			
Depreciation and amortization	2,238	2,366	24,050
Loss on impairment of fixed assets	1,213	585	13,033
Loss on sales of marketable and investment securities, net	—	7	—
Loss on valuation of investment securities	0	2,516	0
Loss on valuation of memberships	—	48	—
Changes in allowance for doubtful receivables	(618)	(1,235)	(6,638)
Changes in allowance for anticipated loss on contract work	28	194	303
Equity in earnings of affiliated companies	87	(374)	930
Changes in accrued retirement benefits	954	721	10,256
Interest and dividends received	1,606	3,417	17,264
Interest and dividend income	(1,072)	(1,960)	(11,520)
Interest expense	733	750	7,880
Interest paid	(731)	(777)	(7,856)
Income taxes paid	(3,974)	(8,496)	(42,713)
Other, net	(178)	5,256	(1,912)
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable	9,008	(1,756)	96,811
(Increase) decrease in contract work in progress	4,282	37,371	46,013
(Increase) decrease in other receivables	5,971	10,396	64,169
Increase (decrease) in notes and accounts payable	(9,581)	3,429	(102,967)
Increase (decrease) in advance receipts on uncompleted contracts	(13,395)	(74,455)	(143,955)
Cash from (used for) operating activities	10,807	(8,961)	116,142
Cash flows from investing activities:			
Purchases of property, plant and equipment	(508)	(513)	(5,460)
Purchases of other assets	(1,732)	(1,012)	(18,618)
Purchases of investment securities	(525)	(3,136)	(5,639)
Proceeds from sales of investment securities	4	48	46
(Increase) decrease in loans, net	741	(484)	7,964
(Increase) decrease in time deposits, net	827	(1,040)	8,884
Other, net	509	1,148	5,470
Cash used for investing activities	(684)	(4,989)	(7,353)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	98	(176)	1,056
Proceeds from long-term debt	7,253	1,200	77,947
Repayment of long-term debt	(3,121)	(6,838)	(33,540)
Repayment of lease obligations	(659)	(661)	(7,079)
Cash dividends paid	(1,249)	(1,730)	(13,420)
Other	(80)	(140)	(865)
Cash from (used for) financing activities	2,242	(8,345)	24,099
Effect of exchange rate changes on cash and cash equivalents	127	(1,514)	1,367
Net (decrease) increase in cash and cash equivalents	12,492	(23,809)	134,255
Cash and cash equivalents, beginning of the year	61,462	86,533	660,526
Decrease in cash and cash equivalents resulting from change of scope of consolidation	—	(1,262)	—
Cash and cash equivalents, end of the year (Note 18)	¥ 73,954	¥ 61,462	\$ 794,781

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 ¥93.05 to U.S.\$1.00 prevailing on March 31, 2010.

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 other than equity securities issued by subsidiaries and affiliates are classified into one of three categories: trading, held-to-maturity, or other 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 other securities.

Trading 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. Marketable securities classified as other securities are recorded at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are recorded at cost.

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.

(e) Leases

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.

(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.

The amounts of loss on contract work in progress of ¥392 million (\$4,210 thousand) is included in reserve for anticipated loss on contract work and shown as a liability, not as a deduction from the amount of contract work in progress.

The amount of provision for anticipated loss on contract work included in cost of sales is ¥859 million (\$9,227 thousand).

(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 (\$39,719 thousand) is amortized over 15 years on a straight-line basis. Actuarial loss is amortized over nine years within the average of the estimated remaining service years when incurred, starting following the year of recognition. Prior service cost is amortized over 13 years 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 nine years. As a result, net periodic pension cost was increased by ¥693 million and operating income and income before income taxes and minority interest were decreased by ¥588 million, respectively, for the year ended March 31, 2009.

(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

Formerly, revenues and costs of construction contracts on long-term (over 18 months) were recognized by the percentage-of-completion method (hereinafter POCM) for contracts with a value of ¥5 billion or greater.

Otherwise revenues are recognized on the completion of construction work and acceptance by the client.

Effective April 1, 2009, the Company and its consolidated subsidiaries have applied "Accounting Standard for Construction Contracts" ("Statement No. 15" issued by ASBJ on December 27, 2007) and "Guidance on Accounting Standards for Construction Contracts" ("Guidance No. 18" issued by ASBJ on December 27, 2007).

Under the new accounting standard and guidance, revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.

This change had no material effect on the consolidated statement of income for the year ended March 31, 2010.

(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 2010 or 2009.

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 consolidated statement of income for the year ended March 31, 2009.

3 LONG-TERM DEBT

Long-term debt at March 31, 2010 and 2009 is summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Secured Loans	¥ 7,644	¥ 8,145	\$ 82,150
Unsecured Loans	17,976	13,343	193,191
1.450% bonds, due 2012.....	1,000	1,000	10,747
Total long-term debt.....	26,620	22,488	286,088
Less: Current portion.....	4,673	2,571	50,225
	¥21,947	¥19,917	\$235,863

The following assets at March 31, 2010 and 2009 were pledged as collateral principally for long-term debt:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Land and buildings, net of accumulated depreciation	¥7,857	¥8,385	\$84,435
	¥7,857	¥8,385	\$84,435

The following schedule shows the maturities of long-term debt subsequent to March 31, 2010:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 4,673	\$ 50,225
2012	14,023	150,709
2013	2,271	24,406
2014	2,099	22,553
2015	2,072	22,272
2016 and thereafter	1,482	15,923
	¥26,620	\$286,088

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 (\$69,855 thousand) in 2010 and ¥6,500 million in 2009.

4 INCOME TAXES

The statutory tax rates applicable to the Company and its domestic subsidiaries for the year ended March 31, 2010 and 2009 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 income are not equal to the above-mentioned statutory tax rate for the following reasons:

Year ended March 31, 2010

Statutory tax rate in Japan	40.4%
Adjustments:	
Permanently nondeductible expenses	1.4
Permanently nontaxable dividends received	(0.8)
Temporary differences excluded from calculation of deferred tax assets	23.3
Difference in tax rates for foreign subsidiaries	(2.4)
Other	(13.0)
Effective tax rate	48.9%

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%

(2) Significant components of the deferred income tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets (gross):			
Reserve for bonuses	¥ 212	¥ 391	\$ 2,273
Accrued retirement benefits	1,235	1,418	13,268
Reserve for compensation for completed works	396	719	4,258
Other	1,204	1,412	12,944
Total deferred tax assets (gross)	3,047	3,940	32,743
Deferred tax liabilities (gross):			
Difference in net unrealized gain on securities	(538)	(75)	(5,783)
Undistributed earnings of subsidiaries and affiliates	(810)	(623)	(8,706)
Other	(705)	(202)	(7,575)
Total deferred tax liabilities (gross)	(2,053)	(900)	(22,064)
Net deferred tax assets	¥ 994	¥3,040	\$ 10,679

Note: The Company and its consolidated subsidiaries had temporary differences excluded from calculation of deferred tax assets of ¥12,097 million (\$130,010 thousand) and ¥5,127 million at March 31, 2010 and 2009, respectively, which are available to be offset against future taxable income.

(3) Net deferred tax assets at March 31, 2010 and 2009 are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current assets—prepaid expenses and other current assets	¥1,753	¥1,651	\$18,841
Other assets	122	1,447	1,309
Other current liabilities	(0)	(15)	(3)
Other long-term liabilities	(881)	(43)	(9,468)
Net deferred tax assets	¥ 994	¥3,040	\$10,679

5 RETIREMENT BENEFITS

The Company and certain consolidated 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, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥(15,643)	¥(15,708)	\$(168,112)
Plan assets	8,903	7,958	95,675
Unreserved projected benefit obligation	(6,740)	(7,750)	(72,437)
Unamortized obligation at transition	1,241	1,487	13,333
Unamortized actuarial loss	1,812	3,726	19,478
Unrecognized prior service cost	(1,128)	(1,316)	(12,122)
Accrued retirement benefits for employees	¥ (4,815)	¥ (3,853)	\$ (51,748)

(2) Net periodic pension cost for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Components of net periodic benefit cost:			
Service cost	¥ 691	¥ 794	\$ 7,429
Interest cost	291	295	3,130
Expected return on plan assets	—	—	—
Amortization of unrecognized retirement benefit obligation at transition	246	246	2,648
Amortization of unrecognized actuarial loss	1,315	1,199	14,127
Amortization of prior service cost	(188)	(187)	(2,025)
Other	115	118	1,241
Net periodic pension cost	2,470	2,465	26,550
Total	¥2,470	¥2,465	\$26,550

(3) Basis of calculation of projected benefit obligation for the years ended 2010 and 2009, 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 nine years
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 ¥528 million (\$5,671 thousand) and ¥1,911 million at March 31, 2010 and 2009, respectively.

8 RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2010 and 2009 amounted to ¥1,417 million (\$15,233 thousand) and ¥1,178 million, respectively.

9 OTHER EXPENSES

"Other" in "Other expenses" for the years ended March 31, 2010 and 2009 consisted of the following:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loss on valuation of memberships	¥ —	¥ 48	\$ —
Loss on sales of investment securities.....	—	8	—
Loss on disposal of fixed assets	15	147	158
Equity in losses of affiliated companies	87	—	930
Other	121	201	1,304
Total	¥223	¥404	\$2,392

10 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, 2010 and 2009 were comprised of the following:

Year ended March 31, 2010

Location: Chiba Prefecture and Fukushima Prefecture

Major use: Real Estate

Asset category: Land, building and structure, etc.

Amount: ¥1,213 million (\$13,033 thousand)

Year ended March 31, 2009

Location: Chiba Prefecture

Major use: Real Estate

Asset category: Building and structure, etc.

Amount: ¥585 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, 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% for the year ended March 31, 2009, and by using real-estate appraisal values, etc., for the year ended March 31, 2010.

11 LEASES

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, 2010 and 2009 for noncancelable operating leases are summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Within one year	¥163	¥159	\$1,749
Over one year	190	337	2,040
Total	¥353	¥496	\$3,789

(b-2) Operating Leases (as Lessor)

Future minimum lease receivables subsequent to March 31, 2010 and 2009 for noncancelable operating leases are summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Within one year	¥ 925	¥ 923	\$ 9,938
Over one year	6,215	7,130	66,797
Total	¥7,140	¥8,053	\$76,735

For the year ended March 31, 2010

Effective April 1, 2009, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Financial Instruments and its Implementation Guidance" ("Statement No. 10" revised by ASBJ on March 10, 2008) and "Guidance on Disclosure about Fair Value of Financial Instruments" ("Guidance No. 19" issued by ASBJ on March 10, 2008).

1. Condition of financial instruments

The Company and its consolidated subsidiaries hold their temporary cash surplus through low-risk financial assets and raise funds through borrowing from banks and issuing corporate bonds.

Derivative financial instruments are utilized for reducing the risk of exchange fluctuations, interest fluctuations, and credit. Therefore, there is no derivatives for speculative purpose.

Notes and accounts receivable are exposed to credit risks of customers and risks of exchange fluctuations. We deal with these risks by organizing careful reviews on awarding contracts, letters of credit, and export credit insurance. We minimize exchange fluctuation risks by organizing their corresponding forward-exchange contracts, in principle.

Marketable securities and investment securities are exposed to volatility risks of market price. We deal with these risks by periodic monitoring, as they mainly consist of short-term held-to-maturity bonds and stocks of our business partner.

Notes and accounts payable are mostly due within one year.

Borrowings from banks and corporate bonds are raised mainly for capital investment or working capital. For some long-term borrowings, we entered into interest swap agreements to minimize risks of interest rate fluctuations.

Regarding derivatives, forward-exchange contracts are used to minimize exchange fluctuation in foreign-currency operations, and interest-swap contracts are used to minimize interest rate fluctuations.

The fair value of financial instruments is based on their quoted market prices, if available, or reasonably estimated amounts if there is no market price. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts below are not necessarily indicative of the actual market risk involved in derivative transactions.

2. Fair Value of Financial Instruments

Book value, fair value, and net unrealized gain or loss of financial instruments consist of the following:
It does not include items for which it is extremely difficult to determine the fair value.

	Millions of yen		
At March 31, 2010	Book value	Fair value	Unrealized gain / loss
(1) Cash and deposits	¥ 36,899	¥ 36,899	¥ —
(2) Notes and accounts receivable	27,373		
Less: Allowance for doubtful receivables	(1,444)		
Notes and accounts receivable, net	25,929	25,926	(3)
(3) Other current assets	11,986		
Less: Allowance for doubtful receivables	(2)		
Other current assets, net	11,984	11,984	—
(4) Marketable and investment securities			
Held-to-maturity securities	37,994	37,994	(0)
Other securities	2,860	2,860	—
Investments in unconsolidated subsidiaries and affiliates	2,486	3,916	1,430
Total of assets	118,152	119,579	1,427
(1) Notes and accounts payable	(35,084)	(35,084)	(0)
(2) Short-term borrowings	(3,113)	(3,113)	—
(3) Bonds	(1,000)	(1,017)	17
(4) Long-term borrowings (including current portion)	(25,621)	(25,964)	343
Total of liabilities	(64,818)	(65,178)	360
Derivatives			
not designated as hedging instruments	1	1	—
designated as hedging instruments	(26)	(26)	—
Total derivatives	¥ (25)	¥ (25)	¥ —

Notes and accounts receivable and other current assets listed above are offset by the corresponding figures of allowance for doubtful receivables listed above. Net receivables and payables derived as a result of derivative transactions are presented. Values in parentheses show contra-asset account, net liabilities and unrealized loss.

(Note 1) Computational method and related issues

Assets

(1) Cash and deposits

Book values are used as fair values because they are nearly equal to such book values.

(2) (3) Notes and accounts receivable and other current assets

Book values for items which are settled in a short-term used as fair values of these items because they are nearly equal to such book values. Fair values of other items are based on the present value discounted by the proper discount rate coupled with period for settlement and credit risks.

(4) Marketable and investment securities

Fair value of stock items are based on the market prices and bond items are based on the market prices or their price provided by the financial institution.

Liabilities

(1) Notes and accounts payable

Book values for items which are settled in a short-term are used as fair values of these items because they are nearly equal to such book values. Fair values of other items are based on the present value discounted by the proper discount rate coupled with period for settlement and credit risks.

(2) Short-term borrowings

Book values are used as fair values because they are nearly equal to such book values.

(3) Bonds

Fair values are shown as the present value discounted by the proper discount rate coupled with period for settlement and credit risks.

(4) Long-term borrowings (including repayment of long-term borrowings within one year)

The present values of the principal and total interest, discounted by the rate assumed to be applied to the new borrowings under the same conditions, are used as the fair values.

Derivative Transactions

See "14 DERIVATIVE TRANSACTIONS."

(Note 2) Financial instruments for which it is extremely difficult to determine the fair value

Unlisted securities that amounted to ¥4,053 million (\$43,558 thousand) as of March 31, 2010 are excluded from the above table because they are deemed extremely difficult to determine the fair values; they do not have market prices and it is not possible to conduct alternative methods such as the estimation of their future cash flows.

(Note 3) Redemption schedule for monetary assets with maturity date and marketable securities

	Millions of yen			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and deposits	¥ 36,899	¥ —	¥—	¥—
Notes and accounts receivable	24,435	2,939	—	—
Other current assets	11,984	2	—	—
Held-to-maturity securities	37,994	—	—	—
Total	¥111,312	¥2,941	¥—	¥—

(Note 4) Schedule for repayment of bonds and long-term borrowings

	Millions of yen					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	Over five years
Bonds	¥ —	¥ 1,000	¥ —	¥ —	¥ —	¥ —
Long-term borrowings (including current portion) ..	4,673	13,023	2,271	2,098	2,072	1,482
Total	¥4,673	¥14,023	¥2,271	¥2,098	¥2,072	¥1,482

The book value, unrealized gain and loss and the related fair value of held-to-maturity securities at March 31, 2010 are summarized as follows:

	Millions of yen			
	Book Value	Unrealized Gain	Unrealized Loss	Fair Value
At March 31, 2010				
Government bonds	¥37,994	¥0	¥(0)	¥37,994

The cost, unrealized gain and loss and the related book value of other securities with available fair values at March 31, 2010 are summarized as follows:

	Millions of yen			
	Acquisition Cost	Unrealized Gain	Unrealized Loss	Book Value
At March 31, 2010				
Equity securities	¥2,927	¥1,441	¥—	¥4,368

The contractual maturities of debt securities classified as other securities and held-to-maturity are as follows:

At March 31, 2010	Millions of yen	Thousands of U.S. dollars
	Government bonds	
Due within one year	¥37,994	\$408,313
Due after one year through five years	—	—
Due after five years through ten years	—	—
Due after ten years	—	—
Total	¥37,994	\$408,313

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 other securities with available fair values at March 31, 2009 are summarized as follows:

	Millions of yen			
	Acquisition 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 other securities and held-to-maturity are as follows:

At March 31, 2009	Millions of yen
Government bonds	
Due within one year	¥29,990
Due after one year through five years	—
Due after five years through ten years	—
Due after ten years	—
Total	¥29,990

14 DERIVATIVE TRANSACTIONS

For the year ended March 31, 2010

1. Derivatives not designated as hedging instruments

(1) Currency-related

	Millions of yen			
	All notional amounts	Notional amounts due over one year	Fair value	Unrealized gain / loss
Non-market transaction:				
Foreign exchange forward contracts				
Selling				
USD	45	—	2	2
Buying				
USD	3	—	(0)	(0)
Total	48	—	2	2

2. Derivatives designated as hedging instruments

(1) Currency-related

	Main hedged items	Millions of yen				Computational method of fair value	
		All notional amounts	Notional amounts due over one year	Fair value			
The method unrealized gains or losses are recorded in deferred hedge gains or losses:							
Foreign exchange forward contracts							
Selling							
USD	Accounts receivable and accounts payable	772	55	(22)	Based on prices offered by the financial institution		
EUR		175	—	13			
Buying							
USD		369	—	14			
EUR		56	—	(8)			

The method unrealized gains or losses are included in their hedged items:

Foreign exchange forward contracts								
Selling								
USD	Accounts receivable and accounts payable	3,204	149	N/A	Based on forward exchange market prices			
EUR		843	—					
Buying								
USD		2,460	—					
EUR		433	—					
CHF		25	—					
GBP		3	—					
Total		8,340	204	(3)				

For the year ended March 31, 2010

2. Derivatives designated as hedging instruments

(2) Interest-related

	Millions of yen				Computational method of fair value
	Main hedged item	All notional amounts	Notional amounts due over one year	Fair value	
The method unrealized gains or losses are recorded in deferred hedge gains or losses:					
Interest swap contracts					
floating-for-fixed rate swap.....	Long-term borrowings	318	282	(23)	Based on price provided by the financial institution
The method unrealized gains or losses are recorded over the terms of such agreements in interest expense:					
Interest swap contracts					
floating-for-fixed rate swap.....	Long-term borrowings	12,489	9,979	N/A	Based on price provided by the financial institution
Total		12,807	10,261	(23)	

For the year ended March 31, 2009

1. Derivatives not designated as hedging instruments

(1) Currency-related

	Millions of yen			
	All notional amounts	Notional amounts due over one year	Fair value	Unrealized gain / loss
Non-market transaction:				
Foreign exchange forward contracts				
Selling				
USD	1,281	410	1,525	(244)
Buying				
USD	—	—	—	—
Total	1,281	410	1,525	(244)

(2) Interest-related

	Millions of yen			
	All notional amounts	Notional amounts due over one year	Fair value	Unrealized Gain / Loss
Non-market transaction:				
Interest swap contracts				
floating-for-fixed rate swap.....	—	—	—	—
Total	—	—	—	—

15 RENTAL PROPERTIES

For the year ended March 31, 2010

The Company and its consolidated subsidiaries have adopted "Accounting Standard for Disclosures about Fair Value of Investment and Rental Properties" ("Statement No. 20" issued by ASBJ on November 28, 2008) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Properties" ("Guidance No. 23" issued by ASBJ on November 28, 2008).

The Company and some of its consolidated subsidiaries own their commercial facilities, residences and office buildings (including land) for rent in Chiba prefecture and the other areas. For the year ended March 31, 2010, the Company and some of its consolidated subsidiaries recorded ¥1,068 million of rental revenues and ¥1,191 million of impairment loss for the aforementioned rental properties.

Book value, increase (decrease) in value, and fair value of rental properties are listed below.

Millions of yen			
Book value at March 31, 2009	Increase (decrease) in book value	Book value at March 31, 2010	Fair value at March 31, 2010
19,929	(1,775)	18,154	23,496

Notes: 1. Book value is calculated by deducting accumulated depreciation and accumulated impairment loss from its acquisition cost.

2. Major item in "Increase (decrease) in value" consists of ¥1,191 million (\$12,804 thousand) of impairment loss.

3. Computational method of fair value
Mainly based on Real Estate Appraisal Standards.

(1) Business Segments

Year ended March 31, 2010	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	¥170,892	¥ 3,052	¥173,944	¥ —	¥173,944
(2) Inter-segment net sales	6	263	269	(269)	—
Total	170,898	3,315	174,213	(269)	173,944
Operating expenses.....	158,828	2,315	161,143	(269)	160,874
Operating income	12,070	1,000	13,070	0	13,070
II Assets, depreciation and capital expenditures:					
Assets	¥161,729	¥22,422	¥184,151	¥5,976	¥190,127
Depreciation.....	1,571	661	2,232	(0)	2,232
Capital expenditures.....	2,184	8	2,192	—	2,192

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

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, 2010 and 2009 totaling ¥6,138 million (\$65,963 thousand) and ¥4,677 million primarily consisted of investment in securities.

5. The impairment losses recorded in Real Estate for the years ended March 31, 2010 and 2009 were ¥1,213 million (\$13,033 thousand) and ¥585 million, respectively.

Financial Section

(2) Geographic Segments

Year ended March 31, 2010	Millions of yen				
	Japan	Others	Total	Eliminations and Other	Consolidated
I Net sales and operating income:					
Net sales					
(1) Net sales to outside customers	¥157,487	¥16,457	¥173,944	¥ —	¥173,944
(2) Inter-segment net sales	426	12,425	12,851	(12,851)	—
Total	157,913	28,882	186,795	(12,851)	173,944
Operating expenses	146,835	27,014	173,849	(12,975)	160,874
Operating income	11,078	1,868	12,946	124	13,070
II Assets:					
Assets	¥178,061	¥18,567	¥196,628	¥ (6,501)	¥190,127

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

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, 2010	Millions of yen					
	Southeast Asia	Southwest Asia, Middle East and Africa	Russia and Central Asia	Central and South America	Others	Total
Overseas sales (A)	¥22,251	¥23,681	¥2,374	¥59,806	¥14,890	¥123,002
Consolidated sales (B)						173,944
Overseas sales ratio (A/B)	12.8%	13.6%	1.3%	34.4%	8.6%	70.7%
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%

Each area mainly represents the following countries:

Southeast Asia: Thailand, Indonesia, and Singapore

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

Russia and Central Asia: Russia

Central and South America: Venezuela and Brazil

Others: PR China and Korea

For the year ended March 31, 2010

(a) Type and number of outstanding shares

Type of shares	Balance at beginning of year	Year ended March 31, 2010		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	672,540	85,727	7,152	751,115
Total	672,540	85,727	7,152	751,115

Notes: 1. Treasury stock increased by 85,727 shares due to the repurchase of shares less than one unit.

2. Treasury stock decreased by 7,152 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 23, 2009	Annual general meeting of shareholders	Common stock	768	8,259	4	0.04	March 31, 2009	June 24, 2009
November 11, 2009	Board of Directors	Common stock	480	5,162	2.5	0.03	September 30, 2009	December 1, 2009

(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, 2010	Annual general meeting of shareholders	Common stock	864	9,287	Retained earnings	4.5	0.05	March 31, 2010	June 24, 2010

Financial Section

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 per share (Yen)	Shareholders' cut-off date	Effective date
June 24, 2008	Annual general meeting of shareholders	Common stock	1,153	6	March 31, 2008	June 25, 2008
November 12, 2008	Board of Directors	Common stock	576	3	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)	Paid from	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 23, 2009	Annual general meeting of shareholders	Common stock	768	Retained earnings	4	March 31, 2009	June 24, 2009

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, 2010 and 2009 is summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and deposits	¥36,899	¥33,117	\$396,555
Time deposits with maturities over three months	(939)	(1,645)	(10,087)
Short-term investments with maturities within three months included in securities	37,994	29,990	408,313
Cash and cash equivalents	¥73,954	¥61,462	\$794,781

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). Related party transactions during the years ended March 31, 2010 and 2009, were summarized as follows:

Unconsolidated subsidiary

For the years ended March 31, Name: CCDL CONSTRUÇOES DE DUTOS LTDA. Address: Brazil Capital and investments: 1,139 thousand BRL Business: Construction Equity ownership percentage: Holding 60% directly Relation with related party: Loan for operating fund Summary of transactions: Loan for operating fund	Millions of yen					
	2010			2009		
	Transaction amount	Title of account	Account balance	Transaction amount	Title of account	Account balance
		— Short-term loan	2,826		— Short-term loan	2,141

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

The Company wrote off ¥2,713 million and then reserved ¥363 million of allowance for doubtful accounts at March 31, 2009, against Short-term loan above.

The Company decreased ¥102 million (\$1,098 thousand) and then reserved ¥261 million (\$2,805 thousand) of allowance for doubtful accounts at March 31, 2010, against Short-term loan above.

Financial Section

Affiliate

For the years ended March 31, Name: NEDL - CONSTRUÇOES DE DUTOS DO NORDESTE LTDA.	Millions of yen					
	2010			2009		
	Transaction amount	Title of account	Account balance	Transaction amount	Title of account	Account balance
Address: Brazil						
Capital and investments: 2,524 thousand BRL						
Business: Construction						
Equity ownership percentage: Holding 42% directly						
Relation with related party: Loan for operating fund		— Short-term loan	5,750	756	Short-term loan	6,466
Summary of transactions: Loan for operating fund						

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

The Company increased ¥3,954 million and then reserved ¥5,370 million of allowance for doubtful accounts at March 31, 2009, against Short-term loan above.

The Company decreased ¥1,424 million (\$15,300 thousand) and then reserved ¥3,947 million (\$42,416 thousand) of allowance for doubtful accounts at March 31, 2010, against Short-term loan above.

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, 2010 and 2009, 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, 2010 and 2009, 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, 2010 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, 2010

Worldwide Network

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Krasnopresnenskaya Nab., 12, Moscow 123610, Russia
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Fax: 7-495-258-2065

Global Toyo and Group Companies

■ Toyo Engineering Korea Limited

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

■ Toyo Engineering Corporation, China

Engineering and construction for plants and facilities
18th Fl., Shanghai Zhongrong Plaza, No. 1088
Pudong South Road, Pudong New District,
Shanghai 200122, China
Tel: 86-21-6187-1270
Fax: 86-21-5888-8864/8874

■ 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
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Fax: 603-2731-1110
<http://www.toyo-m.com.my/>

■ Toyo Engineering India Limited

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

■ Toyo Engineering Europe, S.A.

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

■ Toyo Canada Corporation

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

■ Toyo U.S.A., Inc.

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

■ Toyo Ingeniería de Venezuela, C.A.

Engineering and construction for plants and facilities
Edif. Cavendes, Piso 10, Av. Francisco de Miranda
c/1ra Av., Urb. Los Palos Grandes,
Caracas 1062, Venezuela
Tel: 58-212-286-8696
Fax: 58-212-285-1354

■ Toyo do Brasil—Consultoria E Construcoes Industriais Ltda.

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

■ Toyo-Thai Corporation Public Company Limited

Engineering and construction for plants and facilities
28th Fl., Sermmitt Tower, 159 / 41-44 Sukhumvit 21,
Asoke Road, North Klongtoey, Wattana, Bangkok
10110, Thailand
Tel: 66-2-260-8505
Fax: 66-2-260-8525/8526
<http://www.toyo-thai.com/>

Domestic

● TEC Estate, Ltd.

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

● Suntec Corporation

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

【HEAD OFFICE】

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Chiba 273-0005, Japan
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Fax: 81-47-433-4593

● Tecno Frontier Co., Ltd.

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

【HEAD OFFICE】

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Tel: 81-47-433-7234

● TEC Software & Technical Services Corporation

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

● TEC Air Service Corporation

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

● TEC Accounting & Consulting, Ltd.

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

● Toyo Business Engineering Corporation

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

● Chiba Data Center Corporation

Website planning and its production &
maintenance, data entry, and commercial 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.

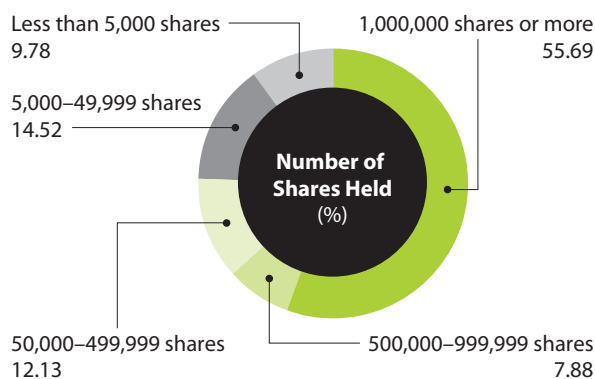
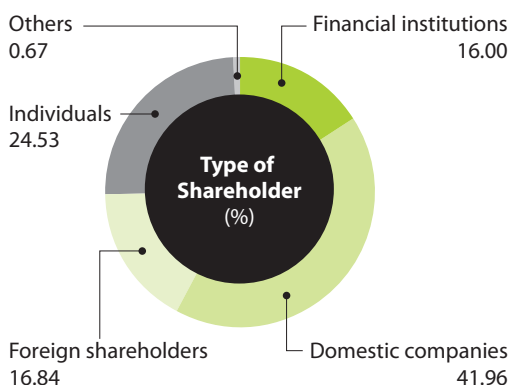
Consulting for total transportation solutions
2-8-1 Akanehama, Narashino-shi,
Chiba 275-0024, Japan
Tel: 81-47-454-1660
Fax: 81-47-454-1160

Stock Information

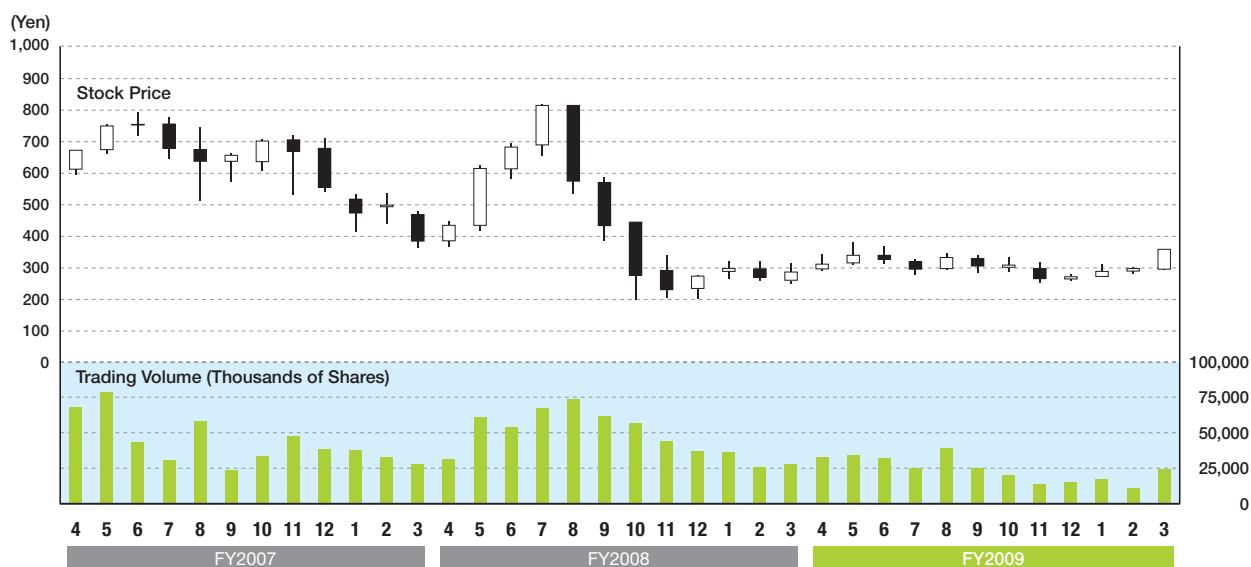
(As of March 31, 2010)

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:	16,925
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	6,331	3.28
The Master Trust Bank of Japan, Ltd. Trust Account	4,703	2.43
Taisei Corporation	4,000	2.07
Kanto Natural Gas Development Co., Ltd.	2,656	1.37
State Street Bank and Trust Company 505223	2,656	1.37
HSBC Bank PLC-Clients Nontax Treaty	2,500	1.29
Sumitomo Mitsui Banking Corporation	2,350	1.21
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	2,328	1.20



Stock Chart:





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