



Annual Report

2013

Year ended
March 31,
2013

To Our Shareholders

Our company faced a challenging year in fiscal 2012, amidst a fiercely competitive engineering and construction marketplace. While our net sales increased, our year-over-year earnings decreased mainly due to losses among our group companies.

To achieve continued growth, we must realize three basic elements of the medium-term business plan—NEXT TOYO 2015—that we introduced at the beginning of fiscal 2012: integrating our global operations system; expanding our business into the upstream sector and customer value chain; and developing our global human capital.

In response to our business performance in fiscal 2012, I am positioning “strengthening our group companies” and “pursuing globalization in collaboration among group companies”—two objectives of our business plan—as top priorities. Already, we are taking action in these areas. Additional human resources from Japan are being deployed to group companies to establish structures and systems that will strengthen group collaboration. We are providing thorough engineering and management guidance to group companies to improve their profitability. As well, we are working to expand and reinforce the sales, cost-competitiveness and project execution capabilities of our group companies, nurturing their ability to independently execute Engineering, Procurement and Construction (EPC) projects.

We are leveraging our bases in growth regions around the world to “differentiate TOYO from its competitors,” targeting further growth in the group’s engineering capabilities and services. Among our core businesses, we aim to maintain competitiveness and expand market share for our proprietary urea technology licensing. We will also focus on the fertilizer plant market, for which high demand is forecast. In that segment, we will reinforce our service offering to address our customers’ entire value chains—from planning to operation and maintenance.

Another business we aim to strengthen is the energy business, concentrating specifically on enhancing our ability to meet diverse market needs; boosting our capability to provide alliance services jointly with customers or cooperating companies; and increasing our capacity for taking an investment stake in—or becoming involved with—operations in oil and gas field development projects, such as secondary and tertiary recovery.

In our Floating Production Storage and Offloading (FPSO) business, we plan to increase our competitiveness by entering the Brazilian module fabrication market. We also plan to accelerate the commercialization of newly developed compact Gas to Liquids (Micro-GTL) technology.

Guided by NEXT TOYO 2015, I intend to lead TOYO forward, focusing overall group power on accelerating our reforms. I look forward to the continued support of our shareholders as we pursue our goals and deliver results.

August 2013



Katsumoto Ishibashi
President and Chief Executive Officer



Consolidated Five-Year Financial Summary
Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31

	2013	2012	2011	2010
Net sales	¥228,723	¥157,881	¥155,696	¥173,943
Gross profit	24,200	24,918	26,573	32,983
Operating income	1,593	5,341	6,815	13,070
Income before income taxes	2,982	4,941	6,917	14,236
Net income	1,457	3,728	3,773	7,131
Total assets	240,694	222,415	198,387	190,127
Total net assets	71,091	69,265	67,096	65,295
Long-term loans payable	26,477	24,582	15,163	21,947
Purchase of property, plant and equipment	689	1,595	542	508
Depreciation and amortization	2,570	2,524	2,473	2,237
Capital stock	18,198	18,198	18,198	18,198
New orders	290,444	269,188	222,540	132,456
Backlog of contracts at end of the year	410,492	359,120	224,693	168,179

Per share:

Net income	¥ 7.60	¥ 19.43	¥ 19.65	¥ 37.12
Total net assets	363.15	349.42	340.43	329.54
Cash dividends	5.00	6.00	5.00	7.00

Net sales by sector (%):

Chemical fertilizers	16.6%	10.0%	6.9%	14.0%
Petrochemicals	18.8	15.3	22.8	23.9
Refinery	7.7	11.5	23.8	27.6
Energy-related	27.0	35.2	18.7	14.4
General manufacturing facilities and information technology	16.7	20.3	20.0	13.1
Others	13.2	7.7	7.8	7.0
(Overseas sales ratio)	(81)	(73)	(64)	(71)
Number of employees	4,548	4,494	3,956	4,024

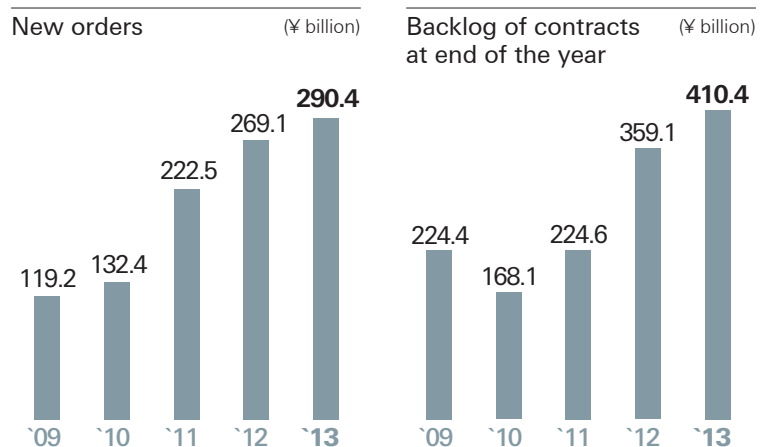
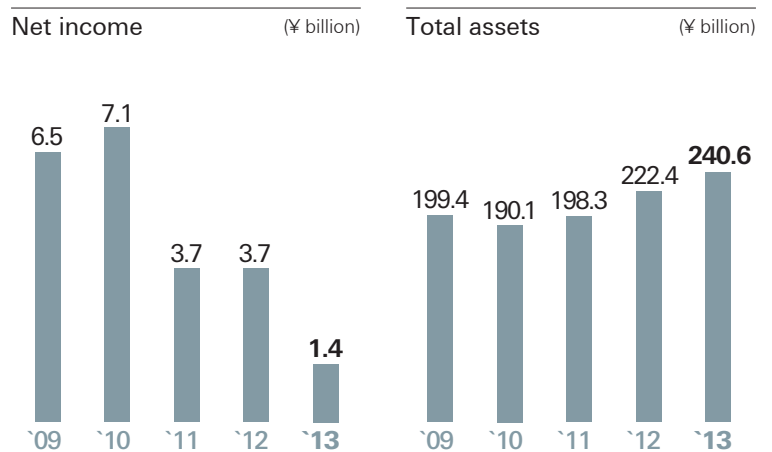
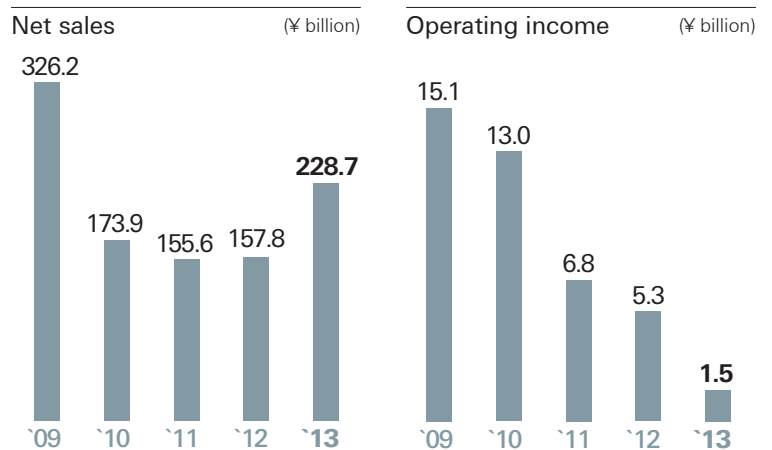
* U.S. dollar amounts are stated at ¥94.01 to U.S.\$1.00, the exchange rate prevailing on March 31, 2013.

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Millions of yen	Thousands of U.S. dollars*
2009	2013
¥326,248	\$2,432,972
34,751	257,426
15,167	16,954
13,036	31,729
6,515	15,506
199,412	2,560,312
58,509	756,212
19,916	281,645
513	7,332
2,366	27,338
18,198	193,585
119,265	3,089,505
224,415	4,366,479
Yen	U.S. dollars*
¥ 33.91	\$0.08
294.71	3.86
7.00	0.05

6.9%
29.2
14.0
35.1
10.6
4.2
(78)
3,769



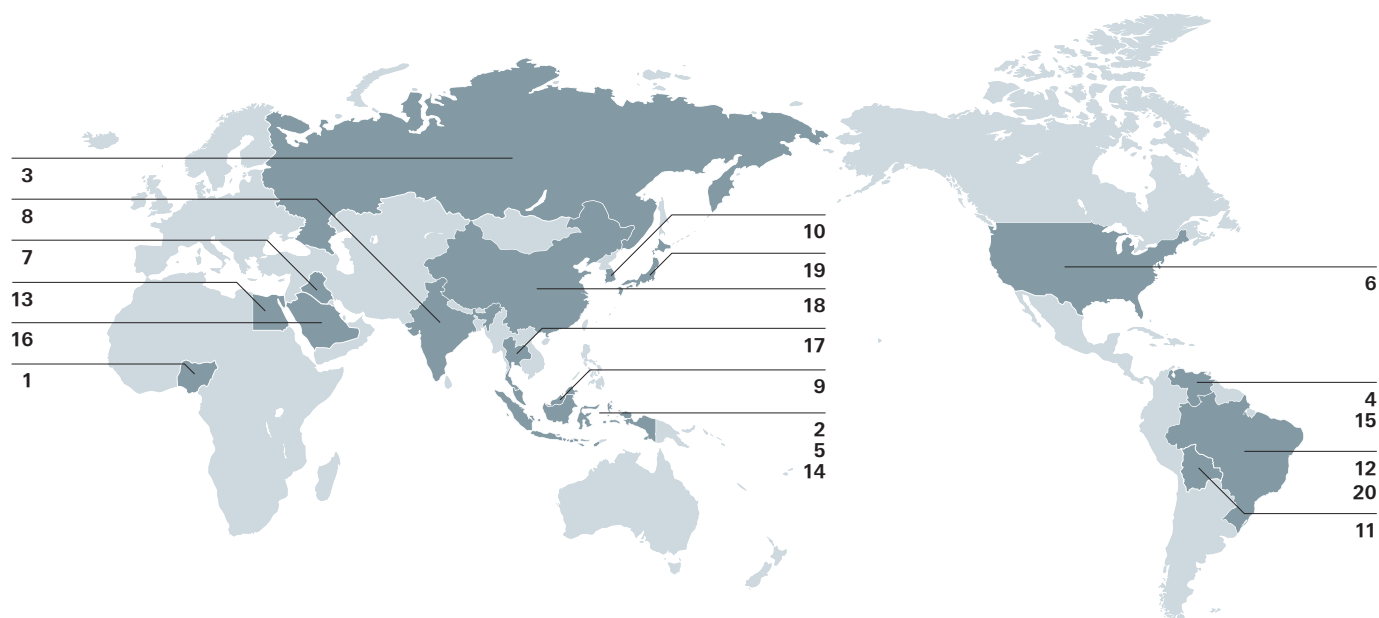
DEFINITION OF TERMS

Fiscal 2012 means the fiscal year ended March 31, 2013 (April 1, 2012–March 31, 2013).

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.



New Orders

Name of Client	Type	Location	Scope
1 Indorama Eleme Fertilizer and Chemicals Limited	Ammonia and Urea Plant	Nigeria	EP
2 PT. Panca Amara Utama (PAU)	Ammonia and Utility Facilities	Indonesia	EPC
3 TAIF-NK	Oil Refinery Modernization Project (Heavy Residue Conversion Complex)	Russia	EP
4 Petróleos de Venezuela, S.A. (PDVSA)	El Palito Refinery Modernization Project (Crude Oil Processing Units)	Venezuela	EPsCm
5 PT Pupuk Sriwidjaja Palembang (PUSRI)	Urea Plant	Indonesia	EPC
6 NOLTEX L.L.C.	Ethylene-vinyl Alcohol Copolymer Plant	U.S.A.	EPC
7 South Oil Company (SOC)	Onshore Crude Oil Pipeline Network	Iraq	E
8 BASF India Limited	Chemical Production Complex	India	EPC
9 PETRONAS Gas Berhad (PGB)	Gas Processing Plant Rejuvenation Project	Malaysia	EPC
10 Korea Petrochemical Ind. Co., Ltd. (KPIC)	Ethylene Oxide (EO) and Ethylene Glycol (EG) Plant	Korea	EPC
11 Yacimientos Petroliferos Fiscales Bolivianos (YPFB)	Urea / Granules Plant	Bolivia	LEP


Ongoing

12 Petróleo Brasileiro S.A. (PETROBRAS)	Refinery Utility Complex	Brazil	EPC
13 Egyptian Ethylene and Derivatives Company (ETHYDCO)	Ethylene Plant and Butadiene Extraction Unit	Egypt	EPC
14 PT Pupuk Kalimantan Timur (Kaltim)	Ammonia and Urea Plants	Indonesia	EPC
15 Petroquímica de Venezuela, S.A. (Pequiven)	Ammonia and Urea Granulation Plants	Venezuela	EPC
16 Al-Jubail Fertilizer Company (Albayroni)	Energy Optimization Project for Existing Ammonia Plant	Saudi Arabia	EPC


Completed

17 GULF JP COMPANY LIMITED	Small Power Producer Cogeneration Plant (Three projects completed, four ongoing)	Thailand	EPC
18 Hitachi Chemical Co., Ltd.	Functional Resins and Chemical Materials	China	EPC
19 Maruzen Petrochemical Co., Ltd.	Alcohol Ketone Production Equipment Earthquake Recovery Support	Japan	Cm
20 MODEC Offshore Production Systems	FPSO Topsides Units	Brazil	EPC

EP: Engineering and Procurement
 EPC: Engineering, Procurement and Construction
 EPsCm: Engineering, Procurement service and Construction management
 E: Engineering
 LEP: Licensing, Engineering and Procurement
 Cm: Construction management




Based on our three business pillars of plants, energy and infrastructure, TOYO is upgrading the business operation system and working to expand orders.



In fiscal 2012, consolidated net sales increased 44.9% year on year, to ¥228.7 billion. Consolidated new orders increased 7.9% year on year, to ¥290.4 billion because of the successful winning of large-scale orders in the fertilizers, oil refining, and energy development fields. Including the new orders of some affiliates accounted for by the equity method, new orders increased 18.8%, to ¥320.0 billion—exceeding the original goal for new orders of ¥310.0 billion set under the NEXT TOYO 2015 medium-term business plan (fiscal 2012 to fiscal 2016).

Currently, the global economy is undergoing a historic structural change. Against the backdrop of the emergence of advanced financial and information technology, there is an ongoing integration of the world's economies. As a result, companies in all countries are moving production bases overseas with the goal of producing in and selling to local markets. In Japan as well, where the domestic market has been constantly shrinking, many companies are setting up strategic bases overseas for production. TOYO has taken steps to respond to these changes in the market environment and to achieve one of the basic strategies of the NEXT TOYO 2015 plan: "maintenance of a group management system to balance global integration with local adaptation." In April 2013, we implemented a fundamental revision of our organizational structure into three business units: Plant Project, Energy Business, and Infrastructure Business. Each unit has the function of sales and marketing, and project management. We established this system that allows TOYO to unify domestic and overseas operations in each of our business fields.



In the following section, we cover the market environment and TOYO's activities, new orders for fiscal 2012, and outlooks for each of these new business units—Plant Project, Energy Business, and Infrastructure Business Units.

Plant Project Unit

Expanding new orders through global operation system with group companies



Market Environment and TOYO's Activities

The recovery trend in the Japanese economy from the end of 2012 did not extend to capital investment. Looking overseas, however, there was vigorous activity in various markets. In the United States, there was robust capital investment in the energy, gas chemicals, and fertilizer industries based on the shale gas revolution. Similarly, in such emerging countries as those in Southeast Asia, there was an active trend of plant construction against the backdrop of continuing population growth and the progress of urbanization. Furthermore, in energy resource-rich countries, the high price of oil supported a trend toward increased capital investment in petrochemical and fertilizer plants.


In response, TOYO continued to develop its sales activities in such various fields as petrochemicals, oil refining, gas processing, fertilizers, and pharmaceuticals. We also strove to establish and expand our global operation system. We aimed to provide a wide range of services covering customers' entire value chains, from the planning of project implementation to operations of the plants after completion. Our plant business is the core that has underpinned TOYO's growth for more than 50 years, and can be expected to continue being a strong earnings base in the future.

New Orders in Fiscal 2012

In fiscal 2012, the Plant Project Unit received three EPC orders in the fertilizer market—a urea and an ammonia plant in Indonesia and one of the world's largest fertilizer plants to be constructed in Nigeria. In addition, we signed a contract to supply urea technology licensing and some of the related equipment for a urea plant being built in Bolivia by the national oil company of Bolivia.

In the petrochemical market, our group companies achieved visible results. Toyo-Korea independently won an EPC contract to build an Ethylene Oxide (EO) and Ethylene Glycol (EG) plant in Korea. Toyo-India received an EPC contract to build a chemical production complex for BASF in India. In the oil refining and gas processing market, TOYO was awarded contracts in





various countries and regions. Among many others, TOYO won a contract for EPsCm services on a large-scale oil refinery modernization project in Venezuela, a contract for detailed engineering and procurement for the oil refinery modernization project of a heavy residue conversion complex in Russia's Republic of Tatarstan, and an EPC contract for a gas processing plant rejuvenation project in Malaysia mainly executed by Toyo-Malaysia. In the pharmaceutical market, one of TOYO's Enhancing Business Areas, we were awarded an EPC contract for a highly potent Active Pharmaceutical Ingredient (API) plant for Shionogi & Co., Ltd., and a contract for validation support services for Wako Pure Chemical Industries, Ltd.

TOYO also achieved a tangible result in the LNG market. In collaboration with MODEC, Inc., IHI Corporation, and CB&I Nederland B.V. (CB&I), of the Netherlands, TOYO won a Front End Engineering Design (FEED) contract for a Floating LNG (FLNG) project by Malaysia's national oil company.

Outlook

One of the positive results achieved by the Plant Project Unit in fiscal 2012 was the greater degree of autonomy shown by each group company. One direction we are aiming for with our medium-term business plan, NEXT TOYO 2015, is enhancing the EPC execution capabilities of our group companies. The above-mentioned Toyo-Korea, Toyo-India and Toyo-Malaysia projects are evidence that our EPC business is shifting well to our global bases and that our overseas companies are achieving TOYO quality in their work. TOYO's strategy going forward will be to further enhance the EPC capabilities of our overseas companies and increase the number of independently won projects.

Another of the noteworthy trends in orders received in fiscal 2012 was the sharp increase in fertilizer-related projects. Recently, fertilizer plants are being built around the world along with the growing fertilizer needs of mainly emerging countries and the diversification of natural gas utilization methods among natural resource-rich countries. With our proprietary ACES21® urea synthesis technology and urea granulation technology, TOYO has the unique advantage of being able to target fertilizer plant projects throughout the plant life cycle. Leveraging this capability, we will aim to expand orders in Southeast Asia, India, the Americas, Russia and other CIS countries, and Sub-Saharan Africa.

In the pharmaceutical field, in March 2013, we formed a business alliance with Middough Inc., U.S.A., an engineering company with abundant experience in such biological fields as microorganisms, animal cells, and vaccines. Based on this new business alliance, TOYO will be targeting domestic and overseas orders in the promising bio-pharmaceutical field.

Energy Business Unit

Active shift of business resources to high-value-added business alliances



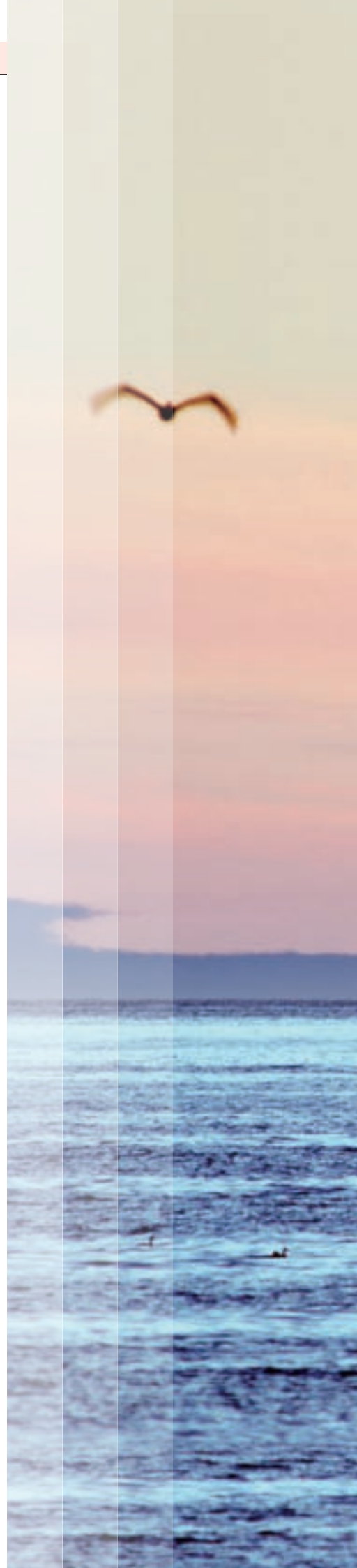
Market Environment and TOYO's Activities

In the 21st century, possibly one of the greatest issues being faced by mankind is the development and stable supply of energy. According to forecasts announced by the United Nations, the world's current population of 7.2 billion people will increase to 8.1 billion in 2025, and reach 9.6 billion in 2050. In addition to energy demand expansion along with the population growth, per-person energy consumption is expected to rise due to the economic development and modernization of people's lifestyles, mainly in emerging countries. For that reason, energy resource-rich countries are promoting investments actively in deep-sea oil and gas fields and other energy development projects.

Based on these future trends, TOYO has increased its efforts to strengthen its energy development activities. In fiscal 2012, we expanded general engineering services for oil and gas development projects, won an order to install topsides units for an FPSO system, entered the final stage for commercialization of TOYO's small- to medium-scale Gas to Liquids (Micro-GTL) technology for oil-associated natural gas, and made efforts towards an entrance into the LNG business. We also concentrated on forming and developing strategic partnerships to invest in and be involved with operations of energy projects.

New Orders in Fiscal 2012

In April 2012, TOYO entered into a General Engineering Service Agreement (GESA) with South Oil Company (SOC) of Iraq for services in upstream oil development projects. Based on the agreement, TOYO will, on a long-term basis, provide comprehensive technical services for oil field development planning and construction and revamping for each oil field and related facilities of SOC. Since 2002, TOYO has concluded GESA with the oil and gas companies of many countries. Because of these agreements, TOYO has worked closely with customers in a wide range of capacities, from feasibility



studies to planning and preparation for the bidding process. TOYO's record and abundant knowledge of the oil and gas fields are highly evaluated by SOC. Based on the agreement with SOC, TOYO has already received a contract to do a study for an oil pipeline. We are also participating in the Iraqi government's national oil and gas field development planning as an engineering partner, and are in the midst of producing a master plan for the industrial use of associated natural gas from oil production.

In our FPSO operations, in December 2012, MODEC, Inc., and our joint venture MODEC and TOYO Offshore Production Systems Pte. Ltd. (MTOPS) won an order to install topsides units for an FPSO system to be developed for an offshore oil field in the Iracema North area located in the pre-salt layer. This is the fourth topsides project for FPSO systems awarded to TOYO in Brazil.

Outlook

Going forward, energy development, particularly oil and gas development, is expected to expand in countries around the world. At the same time, competition among contractors to win contracts for those projects is also predicted to further intensify. Under these circumstances, TOYO plans to actively shift our business resources in the engineering alliance business, including high-value-added services centered on GESAs and FEED-to-EPC rollover projects. We will stay in close collaboration with energy development companies and other cooperating companies. Another area we will be aiming to expand business in is the asset management business of existing oil fields by applying enhanced recovery process and optimized operation of idle oil and gas fields through the establishment of new facilities or additional investment.

We will continue to emphasize our FPSO business. PETROBRAS plans to increase oil and gas production in Brazil from 2.4 million barrels of oil per day to 5.2 million barrels of oil per day by 2020 and intends to deploy a number of FPSO units to develop its offshore resources. TOYO established joint venture TS Participações e Investimentos S.A. (TSPI) in May 2012, and TSPI's wholly owned subsidiary Estaleiros do Brasil Ltda. (EBR) as its local bases to seize business opportunities provided by PETROBRAS' active national oil and gas policy. The first result of this strategy appeared in May 2013, when EBR was awarded an engineering, procurement, construction and installation contract by PETROBRAS to install an FPSO topsides unit.



Infrastructure Business Unit

Focus on expanding investment needs through technology enhancement

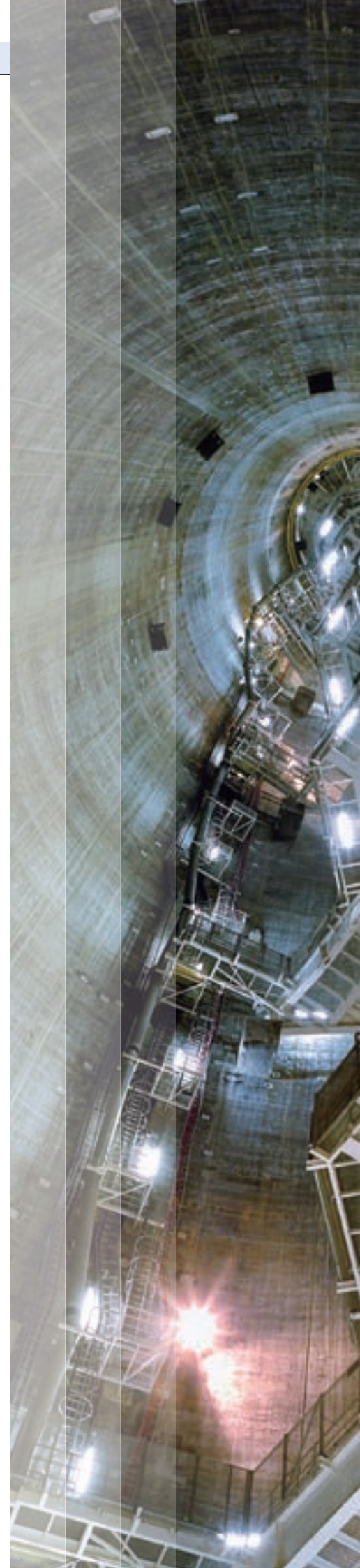



Market Environment and TOYO's Activities

Investment in social infrastructure, such as electric power, water treatment, and transportation system, is in an upward trend. Investment activity is mainly focused on emerging countries with continuing robust economic growth. Along with the expansion of domestic electrification and the industrial boom fueled by rising income levels, electric power consumption will soar. This also will lead to a large increase in the need for water treatment and transportation systems that provide the foundation for comfortable lifestyles and industrial development.

Against this backdrop, there are growing expectations among emerging countries of the contributions that the engineering and electric power companies of Japan, a country with advanced infrastructure, can contribute to the upgrading of their infrastructure. Considering that the development of social infrastructure around the world could be a key advantage for Japan's economic recovery, in May 2013, the Japanese government announced an infrastructure export strategy. In the strategy, the government included support for the Japanese companies involved with overseas infrastructure development. The government also indicated an estimated amount of the total overseas infrastructure orders expected as a result of the strategy. In 2020, Japanese companies' share of overseas infrastructure orders in the energy field, including thermal power generation, nuclear power generation, and oil and gas plants, is estimated to be about ¥9 trillion. The equivalent 2020 order figures are about ¥1 trillion for the living environment field related to water and recycling; about ¥7 trillion for the transportation field, including railways and next-generation automobile projects; and about ¥5 trillion for new fields, such as medical services and marine infrastructure projects.

To position ourselves strongly in this massive market, TOYO is aggressively working to win electric power generation, water treatment, and transportation system projects. Particularly in thermal electric power generation, TOYO is aiming to become a power engineering provider. In the nuclear power field, we will concentrate on acquiring Balance Of Plant (BOP)





projects to supply electric power facilities and peripheral machinery and equipment for the main reactors.

Ongoing Projects

Jointly with Mitsui & Co., Ltd., TOYO is building seven gas-fired combined cycle electric power plants with total generation capacity of 790 MW at sites located in the suburbs of Bangkok for Gulf JP Co., Ltd., a local electric power development company in Thailand, whose majority owner is Electric Power Development Co., Ltd., in Japan.

The first electric power plant, GKP1, started commercial operations in January 2013, with five more on stream by July 2013. The final plant is scheduled for completion in October 2013. The electric power generated will be sold to the Electricity Generating Authority of Thailand (EGAT) on a wholesale basis. Electric power, steam, and chilled water will be also sold directly to companies in neighboring industrial parks.

In the Republic of Azerbaijan as well, TOYO is building a 400 MW gas combined cycle power plant in cooperation with a local construction company. The project is for the Azerenerji Joint Stock Company, a government-owned power utility company.

Outlook

Currently, we are working with our group companies and partners to win orders in various countries and regions. We are targeting gas- and coal-fired thermal electric power plant projects in Russia, Southeast Asia, and elsewhere. In Vietnam and Myanmar, our focus is on water treatment and sewage system projects. In India and Southeast Asia, we are concentrating on railway projects.

TOYO does not yet have a particularly strong presence in the infrastructure market. However, that is starting to change as we are steadily being recognized by customers in the electric power field and by partners for our work on electric power stations in Thailand and Azerbaijan. Against the backdrop of global economic integration and development in emerging countries and regions, the global infrastructure market should continue to expand steadily. Along with that trend, infrastructure development demands are expected to jump to a sophisticated level. Accurately responding to the changes in the business environment, TOYO plans to expand the scale of overall infrastructure operations and ensure profitability. We will do so based on our record in thermal and nuclear power generation projects, our project management capabilities and related specialized and essential technologies, and the local know-how of our overseas companies.

**“Safety First” is not simply a slogan.
“Safety” is an integral part of the TOYO brand.**

In 2012, in terms of TOYO's safety record as defined by ILO, Lost Time Incident Rate (LTIR) was 0.09 and Total Recordable Incident Rate (TRIR) was 0.22. Although our TRIR is slightly improved from 0.24, our LTIR remains the same as in 2011. We are not satisfied with this result, and shall strive to complete all jobs with no accidents and no harm to people.

We are aware that humans make mistakes, therefore it is important to enhance the quality of safety training to facilitate proactive safety actions and to raise sensitivity toward risk and hazards that might lead to accidents. With the recognition that “Safety takes priority over everything else,” we continuously implement safety training programs to foster the safety culture.

TOYO's group companies have applied unified standards for safety management and moreover, through promoting standardization, TOYO is making its best effort to maintain and improve quality as well as safety.

Loss of valuable human life must absolutely be prevented by all means in the process of TOYO's business solutions, such as plant construction. Our efforts, time and expenses spent to respect human life must take precedence over all other things.

Safety

Corporate Safety Training

In order to spread the culture of “safety is the first priority” among our employees, we carried out safety training for all corporate members in fiscal 2006. The training was aimed at all employees, not only employees at construction sites. Only employees trained by the Corporate Safety Training Program are allowed to enter our construction sites.

In addition to the above, we carried out safety training for all of our project managers, field managers and construction managers in fiscal 2012 since strong leadership is a prerequisite to ensure site safety.



Safety Activity at Sites

Our main goal is to hand over superior facilities to our clients through engineering, procurement, construction and commissioning work without any accident or injuries. For this purpose, construction site workers, together with clients and partners, participate actively in site safety activities such as tool box meetings, job safety analyses, and mass safety meetings, with an established management system.



Safety & Environmental Report 2013

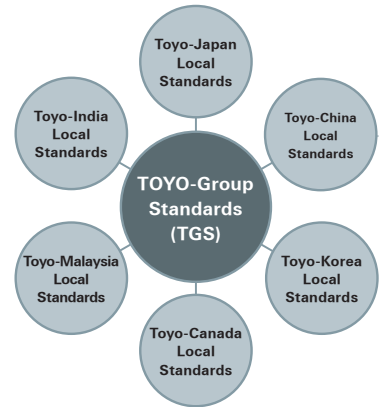
TOYO's Safety & Environmental Report 2013 is available on our website. It introduces our various activities on safety and the environment during 2012.



Quality

TOYO's Standards

TOYO holds its own standards, which have been established on cumulative knowledge and experience gained from a number of projects TOYO has accomplished around the world. With TOYO's Standards consisting of TOYO-Group Standards (TGS) and the Local Standards (LS) of each group company, along with due care of clients' requirements, TOYO guarantees to always provide high-quality products and services.



Project SQE (Safety, Quality and Environment) Management Department

The Project SQE Management Department, established in April 2010 for improvement of SQE management function in TOYO's projects, has been training personnel for performing PQM (Project Quality Manager) and HSSEM (Health, Safety, Security and Environment Manager) roles. The department facilitates accumulation and improvement of SQE know-how, which is applicable to all projects and proposals of TOYO's group companies.

Feedback Knowledge Management System (FKMS)

As part of the continual improvement of the Quality Management System, TOYO has been accumulating feedback and knowledge for about 30 years from executed projects in the FKMS. The FKMS accepts and shares the feedback and knowledge from TOYO's group companies, thereby the feedback and knowledge can be extended and utilized among all TOYO's group companies immediately for suggestions and preventive actions in all following projects and proposals.

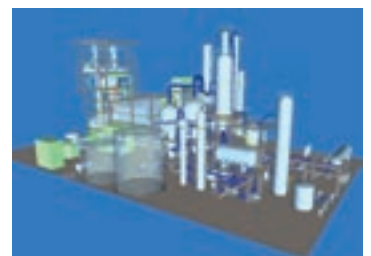
Environment

TOYO's Energy Saving Urea Synthesis Technology, ACES21®

TOYO developed its propriety urea production technology and has been a leader in the urea industry.

TOYO offers its own patented urea synthesis technology, named ACES21®, which maintains the dominant merits of the ACES process with the advantage of energy saving features like reduced steam and electric power consumption.

In general, urea plants are witnessing growth in production capacities. Those plants using ACES21® process with notified capacity of 4,000 tons per day are able to produce 6,000 tons per day of urea, resulting in a reduced number of supporting facilities per ton of urea production.



3-D model of an ACES21® 4,000 ton per day urea plant

Internal Control System

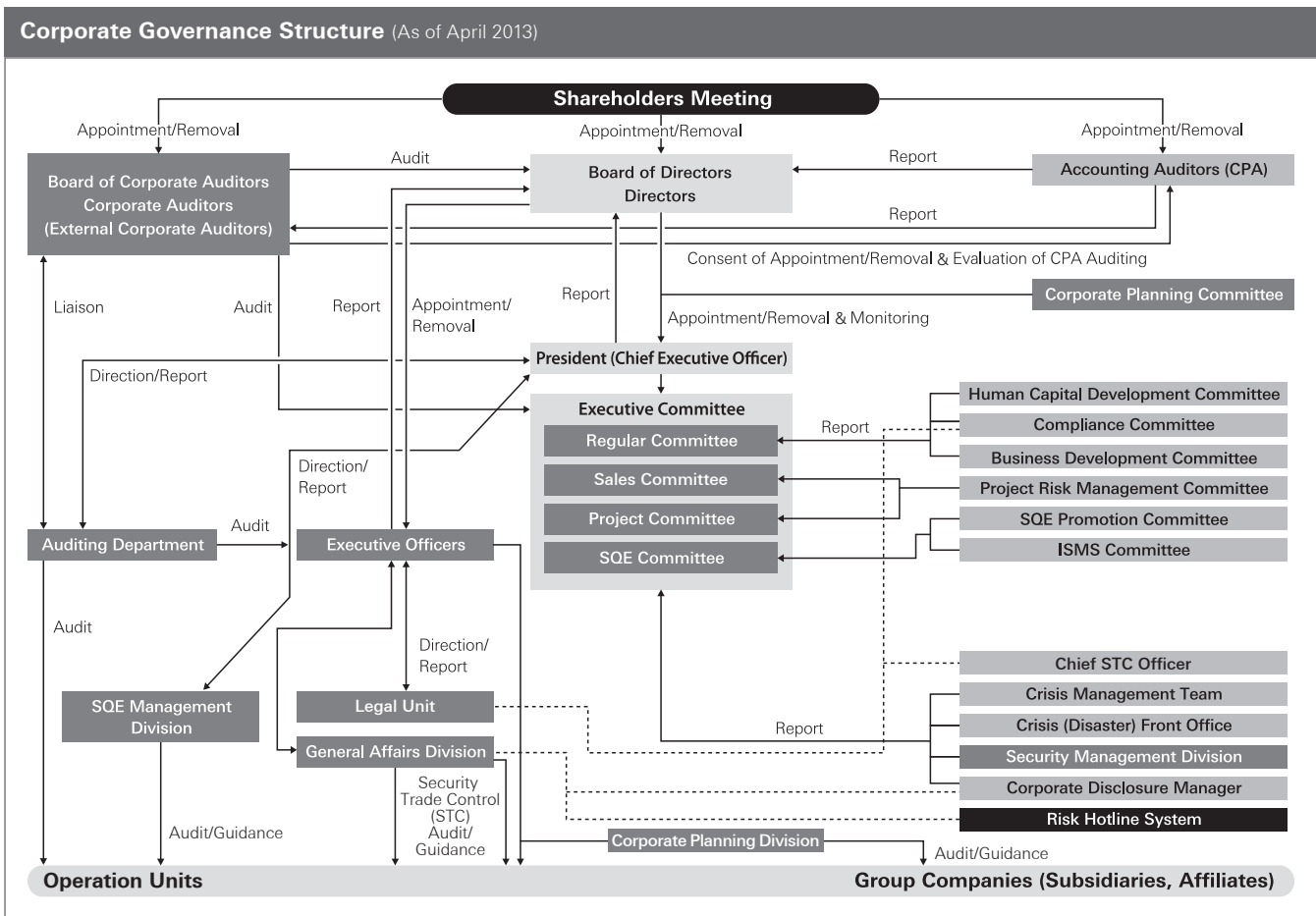
The Auditing Department of TOYO, which is under the direct control of the President, performs audits concerning the execution of business activities by all divisions and verifies the appropriateness and effectiveness of the internal management structure, including compliance and risk management. In addition,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

In order to promote the Internal Control System of the group, TOYO is making efforts to ensure proper operations across TOYO's 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 Team is constantly prepared for potential crises.



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.

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.

- War, civil commotion, riots, revolutions, coup d'état, terrorism and other unusual events in the country where the project is carried out or in the neighboring countries.
- Regional risks that occur particularly in an area near a project site, such as a surge of political unrest and a serious outbreak of an epidemic disease.
- Extraordinary natural phenomenon, such as earthquakes, floods, typhoons and other storms as well as unusual weather, such as extreme heat or cold.
- Notable changes in a country's commerce, trade, manufacturing, and financial policies, such as license approvals, customs clearance, export and export controls, foreign exchange systems, communications, and taxes.
- A major and global contraction in capital investment activities in the Company's business fields or a sharp decrease in opportunities to win orders due to intensified competition.

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 companies and takes all other possible steps to minimize exposure to foreign exchange risk.

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.

In fiscal 2012, domestic and overseas business conditions contrasted in TOYO's core plant market. In Japan, the recovery trend in the economy did not extend to capital investment, which continued to decrease. Overseas, however, there was vigorous capital investment planning activity in North America, targeting the energy, gas chemicals, and fertilizer industries—fields that can make use of shale gas. In India, Russia, Brazil, and Southeast Asia there was an overall trend toward a growing need for plant construction, energy development, and infrastructure development. This trend is in response to expanding demand for energy, materials, food, and water prompted by continuing population growth and the progress of urbanization in these countries and regions. Furthermore, in energy resource-rich countries such as those in the Middle East and other areas, active planning of investments in plants and in the development of deep-sea oil and gas fields continued, supported by the high price of oil.

Under these conditions, TOYO initiated its medium-term business plan, NEXT TOYO 2015, in fiscal 2012. Guided by the plan, TOYO aggressively developed its business based on its Product and Business Areas and Markets Strategies. Under the Product and Business Areas and Markets Strategies, TOYO implemented various development activities in its business areas.

Core Business Areas include TOYO's main businesses of refinery and gas processing, petrochemicals, and fertilizers—for which TOYO licenses its proprietary urea technology. In each of these areas, we conducted aggressive marketing activities. We also strove to expand and strengthen our global operations system in the Core Business Areas.

In the Enhancing Business Areas, TOYO is aiming to expand business domains. We proactively worked to develop the energy business. Among other business activities, we offered general engineering service agreements for oil and gas development, won an order to install topsides units for an FPSO system, entered the final stage for commercialization of new Micro-GTL technology, and took various steps to enter the LNG field including mid-scale LNG, and FLNG. In addition, in the social infrastructure field, we focused on winning orders for electric power, water treatment, and transportation system projects.

Our emphasis in Fostering Business Areas is to carry out business development from a medium- to long-term perspective. Among other actions, we formed strategic partnership agreements aimed at participating in investment and facility operation in energy development projects.

Under TOYO's Business Areas and Markets Strategy, we conducted aggressive marketing strategies aimed at expanding our activities in Frontier Markets. These activities targeted:

- Sub-Saharan Africa, which continues to grow economically against the backdrop of abundant oil and gas resources,
- Russia and other CIS countries, where there is strong potential for capital investment for the effective utilization of energy resources in refinery and gas processing, chemical, and social infrastructure,
- North America, where the use of unconventional energy resources, such as shale gas and oil, bodes well for greater capital investment in fertilizers, petrochemicals, and energy development, and
- Iraq, where recovery in demand can be expected for many different types of production facilities.

Looking at project execution in fiscal 2012, among others, we made progress with electric power plants in Thailand, a fertilizer plant in Indonesia, FPSO topsides (MV24 project) in Brazil, utility facilities for an oil refinery in Brazil, and a fertilizer plant in Venezuela.

Despite our progress on projects, the declining profitability of the fertilizer plant project in Indonesia, executed in collaboration with overseas group companies during fiscal 2012, and the impact of goodwill impairment losses booked by a group company affected TOYO's profitability performance in fiscal 2012. Combined with the delay of some expected new projects, consolidated profits fell below those of the previous fiscal year.

Performance Outline (Consolidated)

Net sales	¥ 228.7 billion (44.9% up)
Operating income	¥ 1.5 billion (70.2% down)
Net income	¥ 1.4 billion (60.9% down)
New orders	¥ 290.4 billion (7.9% up)
Cash dividends (annual)	¥ 5.00

Fiscal 2012 Business Results

In fiscal 2012, consolidated net sales increased 44.9% year on year, to ¥228.7 billion (\$2,432 million). However, operating income fell 70.2%, to ¥1.5 billion (\$16 million) and ordinary income declined 21.0%, to ¥4.0 billion (\$42 million). Net income totaled ¥1.4 billion (\$15 million), contracting 60.9% from fiscal 2011.

New orders in fiscal 2012 increased 7.9% year on year, to ¥290.4 billion (\$3,089 million). TOYO focused on strengthening collaboration on sales activities with its group companies and on expanding business in Frontier Markets, such as Nigeria and Iraq. In addition, we pursued service-type business in the energy development fields. Taking steps to enter the LNG field, we focused on winning FLNG projects in Malaysia.

Cash used in operating activities amounted to ¥18.9 billion (\$201 million), compared with cash provided by operating activities of ¥5.7 billion in fiscal 2011. This reversal in cash flows resulted from a 39.6% decline in income before income taxes, to ¥2.9 billion; an increase in notes and accounts receivable to ¥17.6 billion; and a decrease in advances received on uncompleted construction contracts.

Cash used in investing activities was ¥1.5 billion (\$16 million) compared with an outflow of ¥2.4 billion a year earlier. The major expenditures were ¥1.8 billion on purchase of investment securities.

Cash used in financing activities totaled ¥532 million (\$5 million) compared with cash provided by financing activities of ¥102 million in fiscal 2011. The principal cash outflow was cash dividends paid of ¥1.1 billion.

As a result of the above cash flows, cash and cash equivalents at March 31, 2013, amounted to ¥71.6 billion (\$762 million), declining ¥18.7 billion year on year. This amount includes a cash deposit totaling ¥8.5 billion received from TOYO's joint venture partner on an ongoing construction project.

TOYO's dividend policy is to endeavor to distribute profits to shareholders in accordance with operating performance. We also strive to maintain stable dividends from a medium- to long-term perspective while taking into consideration the need for internal reserves that underpin our business base. Our internal reserves are allocated to different reserves for strategic investment in new business fields, for R&D investment, and in preparation for possible business risk-related losses. In fiscal 2012, dividends amounted to ¥5.00 per share.

Fiscal 2013 Performance Forecast Outline (Consolidated)

Net sales	¥ 300.0 billion
Operating income	¥ 10.0 billion
Net income	¥ 5.0 billion
New orders	¥ 330.0 billion
Cash dividends (annual)	¥ 6.00

Fiscal 2013 Performance Forecast (Consolidated)

TOYO forecasts that the above-mentioned business conditions in fiscal 2012 will continue in fiscal 2013. Furthermore, with the recent trend toward a weaker yen providing a strong boost, we forecast that TOYO will become more competitive against European, Korean, and other competitors in the bidding.

In consideration of the above, TOYO is aiming for new orders totaling ¥330.0 billion.

Looking at TOYO's performance forecast for fiscal 2013, as a result of further progress with the construction of large-scale projects such as fertilizer plants in Indonesia and Nigeria, TOYO expects net sales of ¥300.0 billion, operating income of ¥10.0 billion, ordinary income of ¥10.0 billion, and net income of ¥5.0 billion. Dividends will increase ¥1.00 per share from fiscal 2012, to ¥6.00 per share.

Consolidated Balance Sheets

Toyo Engineering Corporation and Consolidated Subsidiaries March 31, 2013 and 2012

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Current assets:			
Cash and deposits (Note 13)	¥ 52,328	¥ 48,041	\$ 556,631
Notes receivable, accounts receivable from completed construction contracts	54,423	35,832	578,913
Short-term investment securities (Note 16)	21,376	44,499	227,387
Costs on uncompleted construction contracts	33,308	26,370	354,304
Deferred tax assets (Note 19)	3,010	1,655	32,019
Accounts receivable—other	22,478	14,472	239,112
Other	5,849	3,503	62,222
Allowance for doubtful accounts	(4,258)	(3,530)	(45,299)
Total current assets	188,517	170,844	2,005,292
Property, plant and equipment:			
Buildings and structures (Note 5)	26,525	28,078	282,160
Machinery, vehicles, tools, furniture and fixtures (Note 5)	5,219	4,577	55,517
Land (Note 5)	17,378	17,608	184,862
Lease assets	1,852	1,890	19,708
Construction in progress	75	4	797
Accumulated depreciation and impairment loss	(19,864)	(19,996)	(211,299)
Total property, plant and equipment	31,187	32,164	331,747
Intangible assets:			
Goodwill	2,570	3,322	27,345
Other	2,918	3,081	31,046
Total intangible assets	5,489	6,403	58,391
Investments and other assets:			
Investment securities (Notes 4, 16)	11,642	9,551	123,846
Long-term loans receivable	4,578	4,575	48,697
Deferred tax assets (Note 19)	1,034	361	11,009
Other (Note 4)	3,137	3,510	33,370
Allowance for doubtful accounts	(4,892)	(4,995)	(52,042)
Total investments and other assets	15,500	13,003	164,881
Total assets	¥240,694	¥222,415	\$2,560,312

See notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Current liabilities:			
Notes payable, accounts payable for construction contracts and other	¥ 60,370	¥ 50,096	\$ 642,171
Short-term loans payable (Note 5)	12,712	12,983	135,220
Income taxes payable	2,297	355	24,443
Advances received on uncompleted construction contracts	44,487	46,164	473,222
Provision for bonuses	1,103	998	11,740
Provision for warranties for completed construction	80	596	851
Provision for loss on construction contracts	4,422	1,489	47,037
Other	7,656	5,263	81,448
Total current liabilities	133,130	117,947	1,416,135
Noncurrent liabilities:			
Long-term loans payable (Note 5)	26,477	24,582	281,645
Lease obligations	670	913	7,134
Deferred tax liabilities (Note 19)	7	5	82
Provision for retirement benefits (Note 18)	5,202	5,314	55,340
Provision for repairs	705	913	7,505
Other	3,408	3,471	36,255
Total noncurrent liabilities	36,472	35,201	387,964
Total liabilities	169,603	153,149	1,804,100
Net assets:			
Shareholders' equity			
Capital stock (Note 12)	18,198	18,198	193,585
Capital surplus	20,759	20,759	220,817
Retained earnings	31,537	31,203	335,471
Treasury stock	(383)	(363)	(4,083)
Total shareholders' equity	70,111	69,798	745,791
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	665	225	7,082
Deferred gains or losses on hedges	(647)	(45)	(6,883)
Foreign currency translation adjustment	(468)	(2,931)	(4,985)
Total accumulated other comprehensive income	(449)	(2,751)	(4,786)
Minority interests	1,429	2,219	15,207
Total net assets	71,091	69,265	756,212
Contingent liabilities (Note 6)			
Total liabilities and net assets	¥240,694	¥222,415	\$2,560,312

Consolidated Statements of Income

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Net sales	¥228,723	¥157,881	\$2,432,972
Cost of sales (Note 8)	204,523	132,963	2,175,545
Gross profit	24,200	24,918	257,426
Selling, general and administrative expenses (Notes 7, 8)	22,606	19,577	240,471
Operating income	1,593	5,341	16,954
Non-operating income:			
Interest income	685	414	7,288
Dividends income	553	160	5,888
Foreign exchange gains	1,297	—	13,796
Equity in earnings of affiliates	690	543	7,345
Miscellaneous income	535	347	5,698
Total non-operating income	3,762	1,466	40,018
Non-operating expenses:			
Interest expenses	1,110	1,064	11,814
Foreign exchange losses	—	151	—
Miscellaneous expenses	212	490	2,265
Total non-operating expenses	1,323	1,705	14,079
Ordinary income	4,032	5,102	42,893
Extraordinary income:			
Gain on sales of property, plant and equipment	607	—	6,457
Total extraordinary income	607	—	6,457
Extraordinary loss:			
Impairment loss	79	—	843
Amortization of goodwill	915	—	9,741
Loss on valuation of investments securities	660	—	7,025
Loss on valuation of investments in capital of subsidiaries and affiliates	0	160	9
Total extraordinary loss	1,656	160	17,620
Income before income taxes	2,982	4,941	31,729
Income taxes—current	3,949	1,454	42,007
Income taxes—deferred	(1,808)	(255)	(19,242)
Total income taxes	2,140	1,198	22,765
Income before minority interests	842	3,743	8,964
Minority interests in income (loss)	(614)	14	(6,541)
Net income (Note 23)	¥ 1,457	¥ 3,728	\$ 15,506

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Income before minority interests	¥ 842	¥ 3,743	\$ 8,964
Other comprehensive income:			
Valuation difference on available-for-sale securities	439	(245)	4,679
Deferred gains or losses on hedges	(601)	(26)	(6,400)
Foreign currency translation adjustment	2,214	(784)	23,555
Share of other comprehensive income of associates accounted for using equity method	283	(88)	3,011
Total other comprehensive income	2,335	(1,145)	24,845
Comprehensive income (Note 11)	¥3,178	¥ 2,597	\$33,809
Comprehensive income attributable to:			
Owners of the parent	3,759	2,682	39,989
Minority interests	¥ (580)	¥ (85)	\$ (6,179)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets (Note 12)

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2013 and 2012

Millions of yen									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Minority interests	Total net assets
Balance at April 1, 2011	¥18,198	¥20,759	¥28,434	¥(347)	¥ 471	¥ (18)	¥(2,157)	¥1,756	¥67,096
Dividends from surplus			(959)						(959)
Net income			3,728						3,728
Purchase of treasury stock				(16)					(16)
Disposal of treasury stock		(0)		0					0
Net changes of items other than shareholders' equity					(245)	(26)	(774)	462	(583)
Balance at March 31, 2012	¥18,198	¥20,759	¥31,203	¥(363)	¥ 225	¥ (45)	¥(2,931)	¥2,219	¥69,265
Balance at April 1, 2012	¥18,198	¥20,759	¥31,203	¥(363)	¥ 225	¥ (45)	¥(2,931)	¥2,219	¥69,265
Dividends from surplus			(1,151)						(1,151)
Net income			1,457						1,457
Purchase of treasury stock				(21)					(21)
Disposal of treasury stock		(0)		0					0
Change in scope of consolidation			27						27
Net changes of items other than shareholders' equity					440	(601)	2,463	(789)	1,512
Balance at March 31, 2013	¥18,198	¥20,759	¥31,537	¥(383)	¥ 665	¥(647)	¥ (468)	¥1,429	¥71,091

Thousands of U.S. dollars (Note 1)									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Minority interests	Total net assets
Balance at April 1, 2012	\$193,585	\$220,818	\$331,918	\$(3,866)	\$2,401	\$ (482)	\$ (31,187)	\$23,606	\$736,792
Dividends from surplus			(12,246)						(12,246)
Net income			15,506						15,506
Purchase of treasury stock				(224)					(224)
Disposal of treasury stock		(0)		7					6
Change in scope of consolidation			293						293
Net changes of items other than shareholders' equity					4,680	(6,400)	26,202	(8,398)	16,083
Balance at March 31, 2013	\$193,585	\$220,817	\$335,471	\$(4,083)	\$7,082	\$(6,883)	\$ (4,985)	\$15,207	\$756,212

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes	¥ 2,982	¥ 4,941	\$ 31,729
Depreciation and amortization	2,570	2,524	27,338
Amortization of goodwill	1,572	169	16,723
Increase (decrease) in allowance for doubtful accounts	625	926	6,658
Impairment loss	79	—	843
Increase (decrease) in provision for retirement benefits	(179)	(209)	(1,911)
Increase (decrease) in provision for loss on construction contracts	2,918	812	31,046
Increase (decrease) in provision for loss on disaster	—	(95)	—
Interest and dividends income	(1,238)	(575)	(13,177)
Interest expenses	1,110	1,064	11,814
Foreign exchange losses (gains)	34	(43)	366
Loss (gain) on sales of property, plant and equipment	(607)	(2)	(6,458)
Equity in (earnings) losses of affiliates	(690)	(543)	(7,345)
Loss (gain) on valuation of investment securities	661	174	7,035
Decrease (increase) in notes receivable, accounts receivable from completed construction contracts	(17,645)	(3,848)	(187,697)
Decrease (increase) in costs on uncompleted construction contracts	(6,469)	(6,923)	(68,819)
Decrease (increase) in accounts receivable—other	(8,319)	(5,784)	(88,493)
Increase (decrease) in notes and accounts payable—trade	9,492	7,835	100,970
Increase (decrease) in advances received on uncompleted construction contracts	(2,584)	9,892	(27,494)
Other, net	(1,098)	(2,551)	(11,679)
Subtotal	(16,785)	7,762	(178,551)
Interest and dividends income received	1,456	1,035	15,497
Interest expenses paid	(1,119)	(1,043)	(11,908)
Income taxes paid	(2,537)	(2,044)	(26,996)
Net cash provided by (used in) operating activities	(18,986)	5,710	(201,959)
Cash flows from investing activities:			
Net decrease (increase) in time deposits	132	940	1,412
Purchase of property, plant and equipment	(689)	(1,595)	(7,332)
Proceeds from sales of property, plant and equipment	1,185	980	12,614
Purchase of intangible assets	(1,132)	(1,048)	(12,050)
Purchase of investment securities	(1,854)	(397)	(19,726)
Proceeds from sales of investment securities	39	33	419
Purchase of investments in subsidiaries	—	(1,737)	—
Other, net	730	407	7,772
Net cash provided by (used in) investing activities	(1,587)	(2,417)	(16,890)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(1,075)	3,557	(11,439)
Proceeds from long-term loans payable	6,331	13,200	67,346
Repayment of long-term loans payable	(4,115)	(14,063)	(43,781)
Redemption of bonds	—	(1,000)	—
Repayments of finance lease obligations	(466)	(565)	(4,964)
Cash dividends paid	(1,151)	(959)	(12,246)
Other, net	(54)	(66)	(583)
Net cash provided by (used in) financing activities	(532)	102	(5,668)
Effect of exchange rate change on cash and cash equivalents	2,123	(280)	22,583
Net increase (decrease) in cash and cash equivalents	(18,983)	3,115	(201,933)
Cash and cash equivalents at beginning of period	90,452	87,337	962,161
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	206	—	2,195
Cash and cash equivalents at end of period (Note 13)	¥ 71,675	¥ 90,452	\$762,423

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 ¥94.01 to U.S.\$1.00 prevailing on March 31, 2013.

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. As of March 31, 2013, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 14 and 6, respectively. Toyo Engineering Korea Limited, Toyo Engineering Corporation, China and 4 other subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. 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 available-for-sale securities. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities which the Company and its consolidated subsidiaries have the ability and intent to hold until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale 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. Short-term investment securities classified as available-for-sale 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 available-for-sale securities are recorded at cost.

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

(c) Derivative Financial Instruments

The Company and certain consolidated subsidiaries enter into various derivative transactions in order to manage certain risk arising from adverse fluctuations in foreign currency exchange rates and interest rates. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred. Hedging instruments are derivative transactions such as foreign exchange forward contract and interest rate swap, and hedged items are primarily forecast sales denominated in foreign currencies, and receivables and payables denominated in foreign currencies. Hedge effectiveness is not assessed if the substantial terms and conditions of the hedge instruments and the hedged forecasted transactions are the same. The Company and its consolidated manages its derivative transactions in accordance with its internal "Policies and Procedures for Risk Management."

(d) Costs on Uncompleted Construction Contracts

Costs on uncompleted construction contracts is stated at cost, determined by the identified-cost method.

(e) Depreciation and Amortization

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

However, buildings and rental properties acquired after April 1, 1998 are depreciated on a straight-line method.

The useful lives of property, plant and equipment are as follows:

Buildings and structures: 3 to 50 years

Machinery, vehicles, tools, furniture and fixtures: 2 to 20 years

Amortization of intangible assets of the Company and its consolidated subsidiaries is calculated principally by straight-line.

Software is amortized on a straight-line method over 3 to 5 years of the estimated available period.

(f) 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.

(g) Allowance for Doubtful Accounts

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

(h) Provision for Bonuses

Provision for bonuses to employees is provided at the expected payment amount for the fiscal year.

(i) Provision for Warranties for Completed Construction

Provision for warranties for completed construction is provided based on past experience.

(j) Provision for Retirement Benefits

The provision for retirement benefits at the year-end are stated in accordance with the projected plan assets and the projected benefit obligation. The difference arising from the adoption of the new standard of accounting of ¥3,695 million (\$39,313 thousand) is amortized over 15 years by the straight-line method. Actuarial gain or loss is amortized by the straight-line method over 9 years within the average of the estimated remaining service years of the employees in the year following the year of recognition. Prior service cost is amortized as incurred over 13 years within the average of the estimated remaining service years when incurred.

(k) Provision for Loss on Construction Contracts

Provision for loss on construction contracts is provided in case the material loss is forecasted for a certain large-scale contract work.

The amounts of loss on costs on uncompleted construction contracts of ¥2,909 million (\$30,951 thousand) is included in provision for loss on construction contracts and shown as a liability, not as a deduction from the amount of costs on uncompleted construction contracts.

The amount of provision for loss on construction contracts included in cost of sales is ¥4,413 million (\$46,944 thousand).

(l) Provision for Repairs

The Company and its consolidated subsidiaries have provided provision for repair at estimated amount for preparing the expenditure for major repairs.

The Company provides a portion of estimated expenditure equally divided to each fiscal term from decision of repair plan to end of repair work.

(m) Foreign Currency Translation

Both short-term and long-term receivables and payables in foreign currencies are translated at the rates of exchange in effect at the balance sheet date and differences arising from the translation are included in the consolidated statements of income.

The balance sheet accounts of the consolidated foreign subsidiaries are translated at the rates of exchange in effect at the balance sheet date, except for capital stock and capital surplus, which are translated at their historical exchange rates. Revenues, expenses and net income for the year are translated at the rates of exchange in effect at the balance sheet date. Differences arising from translation are presented as "Foreign currency translation adjustment" and "Minority interests" in the accompanying consolidated balance sheets.

(n) Recognition of Revenues

Revenues and costs of construction contracts 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.

(o) 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.

(p) Consumption Tax

Transactions subject to consumption tax are recorded at amounts exclusive of consumption taxes.

(q) Consolidated Tax Return

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

(r) Capitalization of Interest Expenses

Interest expenses incurred for real estate development projects conducted by certain subsidiaries have been capitalized as a part of the development cost of such projects.

(s) Advances Received on Uncompleted Construction Contracts

Advances received on uncompleted construction contracts from customers are shown as a liability, not as a deduction from the amount of costs on uncompleted construction contracts.

(t) 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.

(u) 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.

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

(v) Research and Development Costs

Research and development costs are charged to income when incurred.

(w) Impairment of Fixed Assets

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.

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 using real-estate appraisal value, etc., for the year ended March 31, 2013.

(Accounting standards issued but not yet effective)

"Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25) were revised on May 17, 2012. However, these accounting standards have not yet been adopted as of March 31, 2013.

Under these revised accounting standards, accounting treatment of unrecognized actuarial gain or loss and prior service cost, calculation method of retirement benefit obligations and service cost and disclosures were mainly revised. These revisions were made considering the viewpoint of enhancing financial reporting and international convergence of accounting standards.

The Company and its domestic subsidiaries will adopt these accounting standards effective the fiscal year ending March 31, 2014. However, the Company expects to apply the revision of calculation method of retirement benefit obligations and service cost from the fiscal year beginning April 1, 2014.

At present, the Company is in the process of evaluating the impact on the consolidated financial statements from the adoption of these revised accounting standards.

3. ACCOUNTING CHANGES

There are no significant accounting changes for the year ending March 31, 2013.

4. INVESTMENTS AND OTHER ASSETS

Among investment securities and other in investment and other assets, the amounts of shares of unconsolidated subsidiaries and affiliates as of March 31, 2013 and 2012 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Investments and other assets			
Investment securities	¥5,549	¥3,583	\$59,032
Other	673	951	7,164

5. SHORT-TERM LOANS PAYABLE AND LONG-TERM LOANS PAYABLE

At March 31, 2013 and 2012, short-term loans payable and long-term loans payable consisted of the followings:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Short-term loans payable			
Loans payable with collateral			
Loans from banks and other financial institutions	¥ —	¥ 2,709	\$ —
Loans payable without collateral			
Loans from banks and other financial institutions	12,712	10,274	135,220
Current portion of long-term loans payable	3,630	3,260	38,617
	12,712	12,983	135,220
Long-term loans payable			
Loans payable with collateral			
Loans from banks and other financial institutions	488	—	5,195
Loans payable without collateral			
Loans from banks and other financial institutions	29,619	27,843	315,067
	30,107	27,843	320,263
Less: Current portion	3,630	3,260	38,617
	26,477	24,582	281,645
Total	¥39,189	¥37,566	\$416,866

The following assets at March 31, 2013 and 2012 were pledged as collateral principally for long-term loans payable:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and deposits	¥ —	¥2,924	\$ —
Short-term investment securities	—	177	—
Buildings, net of accumulated depreciation	1,135	1,049	12,083
Land	945	938	10,056
Total	¥2,081	¥5,090	\$22,139

The following schedule shows the maturities of long-term loans payable subsequent to March 31, 2013:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥3,630	\$38,617
2015	3,328	35,410
2016	4,715	50,156
2017	5,941	63,197
2018	3,110	33,088
2019 and thereafter	9,381	99,792

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 ¥17,230 million (\$183,283 thousand) in 2013 and ¥9,500 million in 2012.

6. CONTINGENT LIABILITIES

The Company and its subsidiaries were contingently liable as guarantors of loans to others in the aggregate amount of ¥393 million (\$4,184 thousand) and ¥541 million at March 31, 2013 and 2012, respectively.

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of selling, general and administrative expenses for the year ended March 31, 2013 and 2012 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Salaries	¥8,161	¥8,001	\$86,813
Provision for bonuses	353	432	3,761
Retirement benefit expenses	675	428	7,187
Depreciation	600	415	6,392
Research and development costs	1,001	825	10,651
Provision of allowance for doubtful accounts	1,141	575	12,138

8. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2013 and 2012 amounted to ¥1,001 million (\$10,651 thousand) and ¥825 million, respectively.

9. GAIN ON SALES OF PROPERTY, PLANT AND EQUIPMENT

Major components of gain of property, plant and equipment are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Building	¥383	¥—	\$4,083
Land	223	—	2,373

10. AMORTIZATION OF GOODWILL

In accordance with "Practical Guidelines on Accounting Standard for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (JICPA Accounting Practice Committee Statement No.7, January 12, 2011), in recognizing a write-down of its investment in an affiliate, the Company recognized a one-time amortization of goodwill of an affiliate for the year ended March 31, 2013.

11. OTHER COMPREHENSIVE INCOME

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 140	¥ (438)	\$ 1,492
Reclassification adjustments for gains and losses realized in net income	449	2	4,777
The amount of valuation on available-for-sale securities before tax effect	589	(435)	6,269
Tax effect	(149)	190	(1,589)
Valuation difference on available-for-sale securities	439	(245)	4,679
Deferred gains or losses on hedges:			
Amount arising during the year	(910)	(51)	(9,686)
Reclassification adjustments for gains and losses realized in net income	—	—	—
The amount of deferred gains or losses on hedges before tax effect:	(910)	(51)	(9,686)
Tax effect	308	25	3,285
Deferred gains or losses on hedges	(601)	(26)	(6,400)
Foreign currency translation adjustment:			
Amount arising during the year	2,214	(784)	23,555
Reclassification adjustments for gains and losses realized in net income	—	—	—
The amount of foreign currency translation adjustment before tax effect:	2,214	(784)	23,555
Tax effect	—	—	—
Foreign currency translation adjustment	2,214	(784)	23,555
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	283	(88)	3,011
Total other comprehensive income	¥2,335	¥(1,145)	\$24,845

12. SUPPLEMENTARY INFORMATION FOR CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2013

(a) Type and number of outstanding shares

Type of shares	Number of shares			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	192,792,539	—	—	192,792,539
Total	192,792,539	—	—	192,792,539
Treasury stock:				
Common stock	910,542	56,986	1,690	965,838
Total	910,542	56,986	1,690	965,838

Notes: 1. Treasury stock increased by 56,986 shares due to the repurchase of shares less than one unit.

2. Treasury stock decreased by 1,690 shares due to the sale of shares less than one unit.

(b) Dividends

(b-1) Dividends from surplus

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 27, 2012	Annual general meeting of shareholders	Common stock	1,151	12,246	6.0	0.06	March 31, 2012	June 28, 2012

(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	Paid from	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 26, 2013	Annual general meeting of shareholders	Common stock	Retained earnings	959	10,202	5.0	0.05	March 31, 2013	June 27, 2013

For the year ended March 31, 2012

(a) Type and number of outstanding shares

Type of shares	Number of shares			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	192,792,539	—	—	192,792,539
Total	192,792,539	—	—	192,792,539
Treasury stock:				
Common stock	858,030	54,462	1,950	910,542
Total	858,030	54,462	1,950	910,542

Notes: 1. Treasury stock increased by 54,462 shares due to the repurchase of shares less than one unit.

2. Treasury stock decreased by 1,950 shares due to the sale of shares less than one unit.

(b) Dividends

(b-1) Dividends from surplus

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 23, 2011	Annual general meeting of shareholders	Common stock	959	5.0	March 31, 2011	June 24, 2011

(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	Paid from	Amount (Millions of yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 27, 2012	Annual general meeting of shareholders	Common stock	Retained earnings	1,151	6.0	March 31, 2012	June 28, 2012

13. CONSOLIDATED STATEMENTS OF CASH FLOWS

A reconciliation between the balance of cash and deposits reflected in the accompanying consolidated balance sheets and that of cash and cash equivalents in the accompanying consolidated statements of cash flows as of March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and deposits	¥52,328	¥48,041	\$556,631
Time deposits with maturities over three months	(1,651)	(1,582)	(17,572)
Short-term investments with maturities within three months included in securities	20,998	43,994	223,364
Cash and cash equivalents	¥71,675	¥90,452	\$762,423

14. 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, 2013 and 2012 for noncancelable operating leases are summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Within one year	¥ 718	¥182	\$ 7,639
Over one year	1,207	260	12,847
Total	¥1,925	¥442	\$20,486

(b-2) Operating Leases (as Lessor)

Future minimum lease receivables subsequent to March 31, 2013 and 2012 for noncancelable operating leases are summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Within one year	¥ 827	¥ 894	\$ 8,799
Over one year	3,159	4,454	33,611
Total	¥3,987	¥5,348	\$42,411

(c) Operating Sub-leases

Future minimum lease payments for noncancelable operating sub-leases are summarized as follows:

(c-1) Lease Investment Assets and Lease Receivables

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets	¥80	¥216	\$858
Investment and other assets	48	67	518

(c-2) Lease Obligations

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current liabilities	¥80	¥216	\$858
Noncurrent liabilities	48	67	518

15. FINANCIAL INSTRUMENTS

For the year ended March 31, 2013

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 are no derivatives for speculative purpose.

Notes receivable, accounts receivable from completed construction contracts are exposed to credit risks of customers and risks of exchange fluctuations. The Company deals with these risks by organizing careful reviews on awarding contracts, letters of credit, and export credit insurance. The Company minimizes exchange fluctuation risks by organizing their corresponding forward-exchange contracts, in principle.

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

Notes payable, accounts payable for construction contracts and other 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 loans payable, the Company 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.

At March 31, 2013	Millions of yen		
	Book value	Fair value	Unrealized gain / loss
(1) Cash and deposits	¥ 52,328	¥ 52,328	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts	54,423		
Less: Allowance for doubtful accounts	(133)		
Notes receivable, accounts receivable from completed construction contracts, net	54,289	54,280	(8)
(3) Accounts receivable—other	22,478		
Less: Allowance for doubtful accounts	(1)		
Accounts receivable—other, net	22,476	22,476	—
(4) Short-term investment securities and investment securities			
Held-to-maturity securities	20,998	20,998	0
Available-for-sale securities	4,552	4,552	—
Total of assets	154,647	154,638	(8)
(1) Notes payable, accounts payable for construction contracts and other	60,370	60,367	(3)
(2) Short-term loans payable	9,081	9,081	—
(3) Long-term loans payable (including current portion)	30,107	30,442	334
Total of liabilities	99,560	99,890	330
Derivatives			
not designated as hedging instruments	34	34	—
designated as hedging instruments	(980)	(980)	—
Total derivatives	¥ (945)	¥ (945)	¥ —

Notes receivable, accounts receivable from completed construction contracts and accounts receivable—other listed above are offset by the corresponding figures of allowance for doubtful accounts 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.

Thousands of U.S. dollars			
At March 31, 2013	Book value	Fair value	Unrealized gain / loss
(1) Cash and deposits	\$ 556,631	\$ 556,631	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts	578,913		
Less: Allowance for doubtful accounts	(1,423)		
Notes receivable, accounts receivable from completed construction contracts, net	577,490	577,395	(95)
(3) Accounts receivable—other	239,112		
Less: Allowance for doubtful accounts	(21)		
Accounts receivable—other, net	239,091	239,091	—
(4) Short-term investment securities and investment securities			
Held-to-maturity securities	223,364	223,364	—
Available-for-sale securities	48,430	48,430	—
Total of assets	1,645,007	1,644,912	(95)
(1) Notes payable, accounts payable for construction contracts and other	642,171	642,134	(37)
(2) Short-term loans payable	96,603	96,603	—
(3) Long-term loans payable (including current portion)	320,263	323,819	3,555
Total of liabilities	1,059,038	1,062,556	3,518
Derivatives			
not designated as hedging instruments	365	365	—
designated as hedging instruments	(10,427)	(10,427)	—
Total derivatives	\$ (10,061)	\$ (10,061)	\$ —
Millions of yen			
At March 31, 2012	Book value	Fair value	Unrealized gain / loss
(1) Cash and deposits	¥ 48,041	¥ 48,041	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts	35,832		
Less: Allowance for doubtful accounts	(525)		
Notes receivable, accounts receivable from completed construction contracts, net	35,306	35,286	(20)
(3) Accounts receivable—other	14,472		
Less: Allowance for doubtful accounts	(1)		
Accounts receivable—other, net	14,470	14,470	—
(4) Short-term investment securities and investment securities			
Held-to-maturity securities	43,994	43,993	(0)
Available-for-sale securities	4,665	4,665	—
Total of assets	146,478	146,457	(20)
(1) Notes payable, accounts payable for construction contracts and other	50,096	50,093	(2)
(2) Short-term loans payable	9,723	9,723	—
(3) Current portion of bonds	27,843	28,028	185
Total of liabilities	87,663	87,845	182
Derivatives			
not designated as hedging instruments	1	1	—
designated as hedging instruments	(69)	(69)	—
Total derivatives	¥ (68)	¥ (68)	¥ —

Notes receivable, accounts receivable from completed construction contracts and accounts receivable—other listed above are offset by the corresponding figures of allowance for doubtful accounts 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 receivable, accounts receivable from completed construction contracts and accounts receivable—other

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) Short-term investment securities 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 payable, accounts payable for construction contracts and other**

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 loans payable

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

(3) Long-term loans payable (including current portion)

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 "17. DERIVATIVE TRANSACTIONS."

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

Unlisted securities that amounted to ¥2,468 million (\$26,258 thousand) as of March 31, 2013 and ¥2,606 million as of March 31, 2012 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 short-term investment and investment securities

At March 31, 2013	Millions of yen			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and deposits	¥ 52,328	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts	47,665	6,758	—	—
Accounts receivable—other	22,476	1	—	—
Held-to-maturity securities	20,998	—	—	—
Total	¥143,469	¥6,760	¥—	¥—

At March 31, 2013	Thousands of U.S. dollars			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and deposits	\$ 556,631	\$ —	\$—	\$—
Notes receivable, accounts receivable from completed construction contracts	507,023	71,890	—	—
Accounts receivable—other	239,091	21	—	—
Held-to-maturity securities	223,364	—	—	—
Total	\$1,526,109	\$71,911	\$—	\$—

At March 31, 2012	Millions of yen			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and deposits	¥ 48,041	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts	29,075	6,756	—	—
Accounts receivable—other	14,470	1	—	—
Held-to-maturity securities	43,994	—	—	—
Total	¥135,581	¥6,758	¥—	¥—

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

See "5. SHORT-TERM LOANS PAYABLE AND LONG-TERM LOANS PAYABLE."

16. INVESTMENT SECURITIES

The book value, unrealized gain and loss and the related fair value of held-to-maturity securities at March 31, 2013 are summarized as follows:

At March 31, 2013	Millions of yen		
	Book Value	Fair Value	Unrealized Gain
Securities whose fair value exceeds their carrying value:			
Government bonds	¥15,998	¥15,999	¥ 0
Securities whose fair value does not exceed their carrying value:			
Government bonds	4,999	4,999	(0)
Total	¥20,998	¥20,998	¥ 0

At March 31, 2013	Thousands of U.S. dollars		
	Book Value	Fair Value	Unrealized Gain
Securities whose fair value exceeds their carrying value:			
Government bonds	\$170,181	\$170,185	\$ 3
Securities whose fair value does not exceed their carrying value:			
Government bonds	53,182	53,180	(1)
Total	\$223,364	\$223,365	\$ 1

The cost, unrealized gain and loss and the related book value of available-for-sale securities with available fair values at March 31, 2013 are summarized as follows:

At March 31, 2013	Millions of yen		
	Book Value	Acquisition Cost	Unrealized Gain
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥3,844	¥2,478	¥1,365
Subtotal	¥3,844	¥2,478	¥1,365
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	¥ 330	¥ 397	¥ (67)
Other	378	378	—
Subtotal	708	775	(67)
Total	¥4,552	¥3,254	¥1,298

At March 31, 2013	Thousands of U.S. dollars		
	Book Value	Acquisition Cost	Unrealized Gain
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$40,896	\$26,366	\$14,529
Subtotal	\$40,896	\$26,366	\$14,529
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	\$ 3,510	\$ 4,223	\$ (713)
Other	4,023	4,023	—
Subtotal	7,533	8,246	(713)
Total	\$48,430	\$34,613	\$13,816

Loss on other devaluation of investment securities whose fair values are readily determinable for the years ended March 31, 2013 are ¥448 million (US\$4,770 thousand).

The book value, unrealized gain and loss and the related fair value of held-to-maturity securities at March 31, 2012 are summarized as follows:

At March 31, 2012	Millions of yen		
	Book Value	Fair Value	Unrealized Gain
Securities whose fair value exceeds their carrying value:			
Government bonds	¥26,996	¥26,996	¥ 0
Securities whose fair value does not exceed their carrying value:			
Government bonds	16,997	16,996	(0)
Total	¥43,994	¥43,993	¥(0)

The cost, unrealized gain and loss and the related book value of available-for-sale securities with available fair values at March 31, 2012 are summarized as follows:

At March 31, 2012	Millions of yen		
	Book Value	Acquisition Cost	Unrealized Gain
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥3,644	¥2,790	¥853
Other	177	155	21
Subtotal	¥3,821	¥2,946	¥875
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	¥ 515	¥ 534	¥ (18)
Other	328	328	—
Subtotal	843	862	(18)
Total	¥4,665	¥3,808	¥856

17. DERIVATIVE TRANSACTIONS

For the year ended March 31, 2013

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	¥ 787	¥—	¥ 0	¥ 0
EUR	0	—	0	0
Buying				
USD	526	—	34	34
EUR	5	—	0	0
Total	¥1,319	¥—	¥34	¥34

	Thousands of U.S. dollars			
	All notional amounts	Notional amounts due over one year	Fair value	Unrealized gain / loss
Non-market transaction:				
Foreign exchange forward contracts				
Selling				
USD	\$ 8,371	\$—	\$ 1	\$ 1
EUR	4	—	0	0
Buying				
USD	5,599	—	363	363
EUR	56	—	0	0
Total	\$14,033	\$—	\$365	\$365

2. Derivatives designated as hedging instruments

(1) Currency-related

	Main hedged items	All notional amounts	Millions of yen		Computational method of fair values		
			Notional amounts due over one year	Fair value			
Deferral hedge accounting method:							
Foreign exchange forward contracts							
Selling							
USD	Accounts receivable and accounts payable	¥16,687	¥ 3,956	¥(1,576)	Based on prices offered by the financial institution		
Buying							
USD		1,944	855	57			
EUR		5,953	3,262	538			
Alternative method:							
Foreign exchange forward contracts							
Selling							
USD	Accounts receivable and accounts payable	33,565	9,550		Based on forward exchange contract prices		
EUR		13	—				
SEK		717	—				
CAD		146	—				
SGD		74	74				
Buying							
USD			7,435	173		N/A	
EUR			5,351	6			
SEK			428	—			
THB			74	—			
BRL			19,301	7,744			
CHF			280	—			
SGD			35	—			
Total		¥92,009	¥25,623	¥ (980)			

	Thousands of U.S. dollars				Computational method of fair value			
	Main hedged items	All notional amounts	Notional amounts due over one year	Fair value				
Deferral hedge accounting method:								
Foreign exchange forward contracts								
Selling								
USD	Accounts receivable and accounts payable	\$177,506	\$ 42,086	\$(16,764)	Based on prices offered by the financial institution			
Buying								
USD		20,681	9,098	611				
EUR		63,324	34,702	5,726				
Alternative method:								
Foreign exchange forward contracts								
Selling								
USD	Accounts receivable and accounts payable	357,042	101,591	N/A	Based on forward exchange contract prices			
EUR		138	—					
SEK		7,632	—					
CAD		1,558	—					
SGD		792	795					
Buying								
USD		79,092	1,845					
EUR		56,921	68					
SEK		4,555	—					
THB		792	—					
BRL		205,313	82,374					
CHF		2,986	—					
SGD		376	—					
Total		\$978,719	\$272,563	\$(10,427)				

(2) Interest-related

	Millions of yen				Computational method of fair value
	Main hedged items	All notional amounts	Notional amounts due over one year	Fair value	
Special method for interest rate swaps:					
Interest swap contracts					
floating-for-fixed rate swap	Long-term loans payable	¥11,410	¥11,150	N/A	Based on prices offered by the financial institution
Total		¥11,410	¥11,150		

	Thousands of U.S. dollars				Computational method of fair value
	Main hedged items	All notional amounts	Notional amounts due over one year	Fair value	
Special method for interest rate swaps:					
Interest swap contracts					
floating-for-fixed rate swap	Long-term loans payable	\$121,370	\$118,604	N/A	Based on prices offered by the financial institution
Total		\$121,370	\$118,604		

For the year ended March 31, 2012

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				
Buying				
USD	¥ 0	¥ —	¥0	¥0
EUR	51	51	1	1
THB	0	—	0	0
Total	¥51	¥51	¥1	¥1

2. Derivatives designated as hedging instruments

(1) Currency-related

	Main hedged items	Millions of yen			Computational method of fair values
		All notional amounts	Notional amounts due over one year	Fair value	
Deferral hedge accounting method:					
Foreign exchange forward contracts					
Selling					
USD	Accounts receivable and accounts payable	¥ 5,227	¥1,708	¥(82)	Based on prices offered by the financial institution
Buying					
USD		1,298	127	12	
EUR		1	—	0	
Alternative method:					
Foreign exchange forward contracts					
Selling					
USD		20,368	4,826		
SEK		1,412	825		
Buying					
USD	Accounts receivable and accounts payable	10,816	608	N/A	Based on forward exchange contract prices
EUR		5,031	1,438		
SEK		1,678	—		
THB		2,761	—		
BRL		3,822	—		
CHF		347	—		
SGD		636	—		
Total		¥53,404	¥9,536	¥(69)	

(2) Interest-related

	Main hedged items	Millions of yen			Computational method of fair value
		All notional amounts	Notional amounts due over one year	Fair value	
Special method for interest rate swaps:					
Interest swap contracts					
floating-for-fixed rate swap	Long-term loans payable	¥10,242	¥9,910	N/A	Based on prices offered by the financial institution
Total		¥10,242	¥9,910		

18. 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) Provision for retirement benefits for employees at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥(15,599)	¥(15,252)	\$ (165,938)
Plan assets	10,858	9,390	115,506
Unreserved projected benefit obligation	(4,741)	(5,862)	(50,431)
Unamortized obligation at transition	501	747	5,333
Unamortized actuarial loss	(432)	545	(4,601)
Unrecognized prior service cost	(530)	(714)	(5,640)
Net projected benefit obligation	(5,202)	(5,283)	(55,340)
Prepaid pension cost	—	31	—
Provision for retirement benefits for employees	¥ (5,202)	¥ (5,314)	\$ (55,340)

(2) Net periodic pension cost for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Components of net periodic benefit cost:			
Service cost	¥ 785	¥ 599	\$ 8,355
Interest cost	298	301	3,176
Expected return on plan assets	(23)	(18)	(250)
Amortization of unrecognized retirement benefit obligation at transition	246	246	2,620
Amortization of unrecognized actuarial loss	334	488	3,552
Amortization of prior service cost	(187)	(187)	(1,999)
Other	103	107	1,098
Net periodic pension cost	1,556	1,537	16,553
Total	¥1,556	¥1,537	\$16,553

(3) Basis of calculation of projected benefit obligation for the years ended 2013 and 2012, respectively.

Method of allocation of estimated pension cost	Straight-line method
Discount rate	Mainly 2.0%
Expected rate of return on plan assets	Mainly 0.0%
Amortization period for unrecognized actuarial loss	Mainly 9 years
Amortization period for unrecognized obligation at transition	15 years
Amortization period for unrecognized prior service cost	Mainly 13 years

19. INCOME TAXES

The statutory tax rates applicable to the Company and its domestic subsidiaries for the year ended March 31, 2013 and 2012 were approximately 37.8% and 40.4%, respectively. 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,	2013	2012
Statutory tax rate in Japan	37.8%	40.4%
Adjustments:		
Permanently nondeductible expenses	7.8	3.1
Permanently nontaxable dividends received	(7.0)	(3.0)
Per capita levy on corporate inhabitant tax	0.9	0.5
Temporary differences excluded from calculation of deferred tax assets	(26.8)	(23.9)
Amortization of goodwill	20.0	—
Tax credit	(6.7)	—
Difference in tax rates for foreign subsidiaries	25.8	1.4
Effective tax rate in the past years	0.8	2.8
Difference in tax base between corporate income tax and enterprise tax	0.6	(1.6)
Operating loss carryforwards for subsidiaries	16.4	2.8
Other	2.1	1.8
Effective tax rate	71.7%	24.3%

(2) Significant components of the deferred income tax assets and liabilities at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets (gross):			
Provision for retirement benefits	¥1,666	¥1,372	\$17,727
Provision for loss on construction contracts	846	81	9,006
Provision of allowance for doubtful accounts	1,049	265	11,159
Provision for bonuses	316	212	3,368
Others	1,348	1,031	14,345
Total deferred tax assets (gross)	5,227	2,963	55,608
Deferred tax liabilities (gross):			
Undistributed earnings of subsidiaries and affiliates	627	562	6,674
Valuation difference on available-for-sale securities	418	269	4,456
Others	143	121	1,531
Total deferred tax liabilities (gross)	1,190	953	12,662
Net deferred tax assets	¥4,037	¥2,010	\$42,946

Note: The Company and its consolidated subsidiaries had temporary differences excluded from calculation of deferred tax assets of ¥8,148 million (\$86,675 thousand) and ¥8,689 million at March 31, 2013 and 2012, respectively, which are available to be offset against future taxable income.

(3) Net deferred tax assets at March 31, 2013 and 2012 are reflected in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets—deferred tax assets	¥3,010	¥1,655	\$32,019
Investments and other assets—deferred tax assets	1,034	361	11,009
Current liabilities—other	—	(0)	—
Noncurrent liabilities—deferred tax liabilities	(7)	(5)	(82)
Net deferred tax assets	¥4,037	¥2,010	\$42,946

20. RENTAL PROPERTIES

For the year ended March 31, 2013

The Company and some of its consolidated subsidiaries own their commercial facilities and residences (including land) for rent in Chiba prefecture and the other areas. For the year ended March 31, 2013, the Company and some of its consolidated subsidiaries recorded ¥760 million (\$8,092 thousand) of rental revenues and ¥607 million (\$6,457 thousand) of gain on sales of property, plant and equipment.

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

Millions of yen				Thousands of U.S. dollars			
Book value at March 31, 2012	Increase (decrease) in book value	Book value at March 31, 2013	Fair value at March 31, 2013	Book value at March 31, 2012	Increase (decrease) in book value	Book value at March 31, 2013	Fair value at March 31, 2013
¥16,152	¥(1,062)	¥15,090	¥18,430	\$171,821	\$(11,302)	\$160,518	\$196,042

- Notes: 1. Book value is calculated by deducting accumulated depreciation and accumulated impairment loss from its acquisition cost.
 2. The major items in "Increase (decrease) in value" consist of ¥534 million (\$5,686 thousand) of sales of rental offices and ¥435 million (\$4,632 thousand) of depreciation of buildings.
 3. Computational method of fair value
 Mainly based on Real Estate Appraisal Standards.

For the year ended March 31, 2012

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, 2012, the Company and some of its consolidated subsidiaries recorded ¥792 million of rental revenues.

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

Millions of yen			
Book value at March 31, 2011	Increase (decrease) in book value	Book value at March 31, 2012	Fair value at March 31, 2012
¥17,615	¥(1,462)	¥16,152	¥22,430

- Notes: 1. Book value is calculated by deducting accumulated depreciation and accumulated impairment loss from its acquisition cost.
 2. The major items in "Increase (decrease) in value" consist of ¥946 million of sales of rental offices and ¥489 million of depreciation of buildings.
 3. Computational method of fair value
 Mainly based on Real Estate Appraisal Standards.

21. SEGMENT INFORMATION

Effective the fiscal year ended March 31, 2013, the Company has adopted new accounting standards for disclosures about segments of an enterprise and related information. Segment information for the year ended March 31, 2012 has been restated in accordance with such accounting standards for comparative purposes.

(1) Operating Segments

The operating segments of the group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Companies' reportable operating segments consist of the following three business groups:

- EPC Business— Research and development, design, engineering, procurement, and construction of a variety of plants, such as oil, gas, petrochemical, and general chemical.
- IT Business— Solution business based on other companies' ERP package products and product business based on our subsidiary ERP package products, etc.
- Real Estate— Rent of commercial facilities and residences, and administration.

Year ended March 31, 2013	Millions of yen					
	EPC Business	IT Business	Real Estate	Total	Adjustments	Consolidated
I Net sales and segment profits:						
Net sales						
(1) Net sales to outside customers	¥215,505	¥10,991	¥ 2,226	¥228,723	¥ —	¥228,723
(2) Inter-segment net sales	158	32	231	422	(422)	—
Total	215,664	11,023	2,458	229,146	(422)	228,723
Segment profits	275	344	975	1,596	(2)	1,593
II Segment assets	¥211,554	¥ 4,912	¥18,438	¥234,906	¥5,788	¥240,694
III Others						
Depreciation	¥ 1,300	¥ 713	¥ 465	¥ 2,479	¥ (0)	¥ 2,479
Amortization of goodwill	1,583	—	—	1,583	—	1,583
Amount invested in equity method affiliates	5,190	—	—	5,190	—	5,190
Increase of fixed assets	1,014	602	4	1,620	(2)	1,618

Year ended March 31, 2013	Thousands of U.S. dollars					
	EPC Business	IT Business	Real Estate	Total	Adjustments	Consolidated
I Net sales and segment profits:						
Net sales						
(1) Net sales to outside customers	\$2,292,371	\$116,914	\$ 23,686	\$2,432,972	\$ —	\$2,432,972
(2) Inter-segment net sales	1,688	342	2,464	4,495	(4,495)	—
Total	2,294,059	117,257	26,150	2,437,467	(4,495)	2,432,972
Segment profits	2,935	3,667	10,375	16,978	(23)	16,954
II Segment assets	\$2,250,343	\$ 52,255	\$196,138	\$2,498,737	\$61,574	\$2,560,312
III Others						
Depreciation	\$ 13,837	\$ 7,584	\$ 4,952	\$ 26,373	\$ (2)	\$ 26,370
Amortization of goodwill	16,839	—	—	16,839	—	16,839
Amount invested in equity method affiliates	55,212	—	—	55,212	—	55,212
Increase of fixed assets	10,790	6,407	44	17,242	(29)	17,212

- Notes: 1. "Adjustments" for Segment profits and Depreciation represent the elimination of inter-segment transactions.
2. "Segment profits" represents operating income from Consolidated Statement of Income.
3. Segment assets adjustments include (¥293) million ((¥3,126) thousand) of inter-segment eliminations and ¥6,082 million (\$64,701 thousand) of non-allocated corporate assets, which is chiefly the Company's investment securities attributed to the administrative department.

	Millions of yen					
Year ended March 31, 2012	EPC Business	IT Business	Real Estate	Total	Adjustments	Consolidated
I Net sales and segment profits:						
Net sales						
(1) Net sales to outside customers	¥143,017	¥12,228	¥ 2,635	¥157,881	¥ –	¥157,881
(2) Inter-segment net sales	239	25	230	495	(495)	–
Total	143,256	12,253	2,866	158,376	(495)	157,881
Segment profits	4,121	318	897	5,337	3	5,341
II Segment assets	¥191,198	¥ 6,257	¥19,468	¥216,924	¥5,491	¥222,415
III Others						
Depreciation	¥ 1,203	¥ 764	¥ 541	¥ 2,509	¥ (0)	¥ 2,508
Amortization of goodwill	179	–	–	179	–	179
Amount invested in equity method affiliates	2,974	–	–	2,974	–	2,974
Increase of fixed assets	2,124	500	13	2,637	–	2,637

Notes: 1. "Adjustments" for Segment profits and Depreciation represent the elimination of inter-segment transactions.
 2. "Segment profits" represents operating income from Consolidated Statement of Income.
 3. Segment assets adjustments include (¥466) million of inter-segment eliminations and ¥5,957 million of non-allocated corporate assets, which is chiefly the Company's investment securities attributed to the administrative department.

(2) Information by Geographical Segments Based on the Location of Projects

	Millions of yen					
Year ended March 31, 2013	Japan	Brazil	Indonesia	Thailand	Other	Total
Net sales	¥44,414	¥35,895	¥34,761	¥28,554	¥85,097	¥228,723

	Thousands of U.S. dollars					
Year ended March 31, 2013	Japan	Brazil	Indonesia	Thailand	Other	Total
Net sales	\$472,448	\$381,830	\$369,760	\$303,739	\$905,193	\$2,432,972

	Millions of yen		
Year ended March 31, 2013	Japan	Other	Total
Property, plant and equipment	¥27,347	¥3,840	¥31,187

	Thousands of U.S. dollars		
Year ended March 31, 2013	Japan	Other	Total
Property, plant and equipment	\$290,895	\$40,851	\$331,747

	Millions of yen					
Year ended March 31, 2012	Japan	Thailand	China	India	Other	Total
Net sales	¥42,327	¥28,011	¥18,890	¥15,849	¥52,804	¥157,881

	Millions of yen		
Year ended March 31, 2012	Japan	Other	Total
Property, plant and equipment	¥28,549	¥3,615	¥32,164

(3) Impairment loss on fixed assets by reportable segment

Year ended March 31, 2013	Millions of yen					Consolidated
	EPC Business	IT Business	Real Estate	Total	Adjustments	
Impairment loss	¥—	¥—	¥79	¥79	¥—	¥79

Year ended March 31, 2013	Thousands of U.S. dollars					Consolidated
	EPC Business	IT Business	Real Estate	Total	Adjustments	
Impairment loss	\$—	\$—	\$843	\$843	\$—	\$843

Amortization and unamortized balance of goodwill by reportable segment

The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2013 and 2012 by reportable segments:

Year ended March 31, 2013	Millions of yen			
	EPC Business	IT Business	Real Estate	Total
Goodwill				
Amortization of goodwill	¥1,583	—	—	¥1,583
Balance at March 31, 2013	2,570	—	—	2,570
Negative goodwill				
Amortization of negative goodwill	10	—	—	10
Balance at March 31, 2013	¥ 128	—	—	¥ 128

Year ended March 31, 2013	Thousands of U.S. dollars			
	EPC Business	IT Business	Real Estate	Total
Goodwill				
Amortization of goodwill	\$16,839	—	—	\$16,839
Balance at March 31, 2013	27,345	—	—	27,345
Negative goodwill				
Amortization of negative goodwill	116	—	—	116
Balance at March 31, 2013	\$ 1,367	—	—	\$ 1,367

Year ended March 31, 2012	Millions of yen			
	EPC Business	IT Business	Real Estate	Total
Goodwill				
Amortization of goodwill	¥ 179	—	—	¥ 179
Balance at March 31, 2012	3,322	—	—	3,322
Negative goodwill				
Amortization of negative goodwill	10	—	—	10
Balance at March 31, 2012	¥ 139	—	—	¥ 139

22. RELATED PARTY TRANSACTIONS

Affiliate

For the year ended March 31, 2013

Name: NEDL CONSTRUÇOES DE DUTOS DO NORDESTE LTDA.	Millions of yen			Thousands of U.S. dollars		
	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	—	Long-term loans receivable	¥3,707	—	Long-term loans receivable	\$39,441
Equity ownership percentage:						
Holding 42% directly						
Relation with related party:						
Loan for operating fund						
Summary of transactions:						
Loan for operating fund						

For the year ended March 31, 2012

Name: NEDL CONSTRUÇOES DE DUTOS DO NORDESTE LTDA.	Millions of yen		
	Transaction amount	Title of account	Account balance
Address:			
Brazil			
Capital and investments:			
2,524 thousand BRL			
Business:			
Construction			
Equity ownership percentage:			
Holding 42% directly	—	Long-term loans receivable	¥3,707
Relation with related party:			
Loan for operating fund			
Summary of transactions:			
Loan for operating fund			

Notes: 1. Interest rate on loan is determined by considering effective market rates.

2. The Company reserved ¥3,707 million (\$39,441 thousand) of allowance for doubtful accounts at March 31, 2013, against the loan above.

3. The Company reserved ¥3,707 million of allowance for doubtful accounts at March 31, 2012, against the loan above.

Other affiliates subsidiary

	Millions of yen		
	Transaction amount	Title of account	Account balance
For the year ended March 31, 2012			
Name: MIT-POWER LIMITED			
Address:			
Thailand			
Capital and investments:			
14,019 thousand THB			
Business:			
Construction		Advances received on uncompleted construction contracts	¥5,532
Equity ownership percentage:			
N/A	¥10,210		
Relation with related party:			
Contract for engineering and construction		Accounts receivable	—
Summary of transactions:			
Contract for engineering and construction			

Note: "Contract for engineering and construction" is determined by price negotiation based on market price, which is similar to general transaction. "Transaction amount" does not include consumption tax while "Account balance" includes consumption tax.

Significant affiliate

The significant affiliate was Moeco Thai Oil Development Co.,Ltd., whose condensed financial information is as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Total current assets	¥ 7,868	¥ 7,463	\$ 83,694
Total noncurrent assets	5,468	4,916	58,164
Total current liabilities	1,318	1,032	14,029
Total noncurrent liabilities	1,280	1,004	13,624
Total net assets	10,736	10,342	114,205
Net sales	6,089	5,618	64,775
Income before income taxes	4,435	3,717	47,178
Net income	¥ 2,113	¥ 1,723	\$ 22,484

23. AMOUNTS PER SHARE

Years ended March 31,	Yen		U.S. dollars
	2013	2012	2013
Net income per share	¥ 7.60	¥ 19.43	\$0.08
Net assets per share	363.15	349.42	3.86
Dividends per share	5.00	6.00	0.05

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during each year.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years.

Net assets per share are computed based on the net assets excluding minority interests and the number of common stock outstanding at the year end.



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Independent Auditor's Report

The Board of Directors
Toyo Engineering Corporation

We have audited the accompanying consolidated financial statements of Toyo Engineering Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated 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, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young Shin Nihon LLC

June 26, 2013

Corporate Data

Corporate Name:	Toyo Engineering Corporation (TOYO)
Founded:	May 1, 1961
Number of Employees:	4,548 (Consolidated, As of March 31, 2013)
Corporate Philosophy:	Mission: Engineering for Sustainable Growth of the Global Community Vision: Global Leading Engineering Partner Values: Integrity, Creativity, Diversity, Learning, Team
Business Activities:	Engineering and Construction for Industrial Facilities <ul style="list-style-type: none"> • R&D support, design, engineering, procurement, construction, commissioning, technical assistance for industrial facilities: oil, gas, oil & gas development, petrochemicals, chemicals, water treatment, transportation systems, power generation, nuclear power, advanced production systems, pharmaceutical, fine chemical, distribution systems, biotechnology, environment and others • IT engineering services and system software supply

History

- | | |
|---|--|
| <p>1961 • TOYO was established. Capital: 300 million yen</p> <p>1962 • An agreement for engineering service and technical assistance was concluded with Lummus Co. (U.S.A.).</p> <p>1963 • The first overseas contract for a fertilizer plant with The Fertilizer Corporation of India Ltd. was awarded.</p> <p>1964 • The first urea plant contract in the former Soviet Union was awarded.</p> <p>1965 • TOYO was awarded its first ethylene plant contract (Osaka, Japan).</p> <p>1969 • TOYO was awarded the contract for the first ammonia plant in the former Soviet Union.</p> <p>1970 • TOYO was awarded the contract for two ammonia plants in the former East Germany.</p> <p>1972 • International Procurement & Service Corporation (Currently Toyo Engineering Europe, S.r.l.) established.</p> <p>1973 • A contract for a urea plant for China was awarded.</p> <p>1975 • Capital: 1,890 million yen</p> <p>1976 • Toyo Engineering India Limited established.</p> <p>1977 • Construction of the Research Center completed in Mobara, Chiba Prefecture.</p> <p>1978 • Capital: 2,970 million yen</p> <p>1980 • Capital: 3,300 million yen
• TOYO was listed on the second section of the Tokyo Stock Exchange.</p> <p>1982 • Capital: 5,040 million yen
• TOYO was listed on the first section of the Tokyo Stock Exchange.</p> | <p>1985 • Toyo-Thai Corporation Ltd. established.</p> <p>1986 • Toyo U.S.A., Inc. established.
• Toyo Engineering & Construction Sdn. Bhd. established in Malaysia.</p> <p>1987 • Toyo Engineering Korea Limited established.</p> <p>1989 • Capital: 12,219 million yen</p> <p>1990 • Head Office/Engineering Center (Baytec Building) started operation in Narashino, Chiba.</p> <p>1993 • Capital: 13,017 million yen</p> <p>1994 • TOYO received ISO 9001 registration.</p> <p>1998 • Toyo do Brasil Consultoria e Construções Industriais Ltda. established.</p> <p>1999 • Toyo Business Engineering Corporation established.</p> <p>2004 • TOYO received ISO 14001 registration.
• Toyo Engineering Corporation (China) established.</p> <p>2006 • Capital: 18,198 million yen</p> <p>2007 • Relocation of Tokyo head office.</p> <p>2008 • TOYO invested in Atlatec, S.A. de C.V. in Mexico.</p> <p>2009 • TOYO formulated the Group MVV (Mission, Vision, Values).</p> <p>2010 • TOYO acquired Tri Ocean Engineering Limited in Calgary, Alberta, Canada.</p> <p>2011 • The 50th Anniversary
• TOYO invested in PT. Inti Karya Persada Teknik (IKPT) in Indonesia.</p> <p>2012 • Medium-Term Business Plan (FY2012–FY2015) started.
• Katsumoto Ishibashi was elected as President and CEO.
• TOYO group logo developed.</p> |
|---|--|

Board of Directors, Corporate Auditors and Executive Officers



Board of Directors

Chairman

Yushi Nagata

President & CEO

Katsumoto Ishibashi*¹

Executive Vice President

Makoto Fusayama*¹

Directors /

Senior Executive Officers

Hideki Shiinoki*¹

Keiichi Matsumoto

Takaya Naito

Kiyoshi Nakao

Satoshi Kuwahara

Masayuki Uchida

Masaaki Yamaguchi*²

Corporate Auditors

Senior Corporate Auditor

Makoto Shimagaki

Corporate Auditors

Hideaki Kinoshita

Yoshio Kometani*³

Yoshiyuki Shinohara*³

Executive Officers

Senior Executive Officers

Akhilesh Kumar

Tadashi Hori

Masaru Takezawa

Hisashi Osone

Shoji Koshikawa

Executive Officers

Kazuharu Murayama

Motoyoshi Kamoshima

Seiichi Itakura

Yutaka Kita

Takayoshi Imanishi

Hiroshi Sato

Koji Kojima

Masayuki Yoshizawa

Ryuji Oka

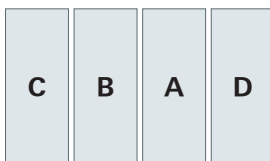
Itsuya Yanagi

Tomohisa Abe

Masahiko Kita

Haruo Nagamatsu

Eiichi Ide



A Yushi Nagata

B Katsumoto Ishibashi

C Makoto Fusayama

D Hideki Shiinoki

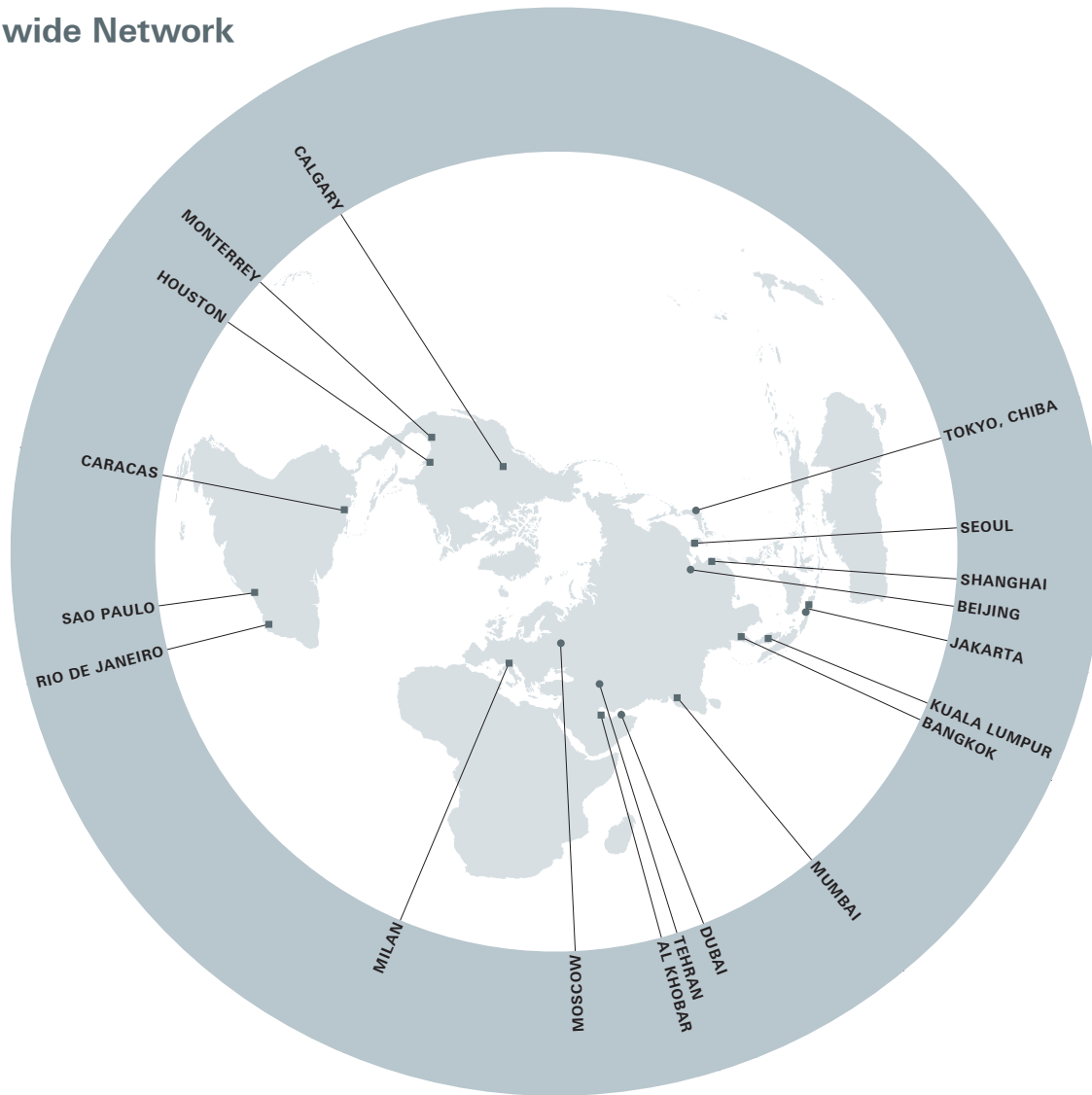
*1 : Representative Director

*2 : CFO

*3 : Outside Auditor

(As of June 26, 2013)

Worldwide Network



- **HEAD OFFICE / ENGINEERING CENTER**
Chiba, Japan

- **TOKYO HEAD OFFICE**
Tokyo, Japan

Overseas Offices

- **Beijing, China**
- **Jakarta, Indonesia**
- **Dubai, United Arab Emirates**
- **Tehran, Iran**
- **Moscow, Russia**

OVERSEAS GROUP COMPANIES

- **Toyo Engineering Korea Limited**
Seoul, Korea
- **Toyo Engineering Corporation (China)**
Shanghai, China
- **PT. Inti Karya Persada Teknik (IKPT)**
Jakarta, Indonesia
- **Toyo Engineering & Construction Sdn. Bhd.**
Kuala Lumpur, Malaysia

- **Toyo Engineering India Limited**
Mumbai, India

- **Saudi Toyo Engineering Company**
Al Khobar, Saudi Arabia

- **Toyo Engineering Europe, S.r.l.**
Milan, Italy

- **Toyo Engineering Canada Ltd.**
Calgary, Canada

- **Toyo U.S.A., Inc.**
Houston, U.S.A.

- **Toyo Ingeniería de Venezuela, C.A.**
Caracas, Venezuela

- **Toyo do Brasil Consultoria e Construções Industriais Ltda.**
Rio de Janeiro, Brazil

OTHER AFFILIATES

- **TS Participações e Investimentos S.A.**
Sao Paulo, Brazil
- **Toyo-Thai Corporation Public Company Limited**
Bangkok, Thailand
- **Atlatec, S.A. de C.V.**
Monterrey, Mexico

DOMESTIC GROUP COMPANIES

- **TEC Air Service Corporation**
Travel and insurance services

- **TEC Business Services Corporation**
Staffing service, contracted business service, translation and interpretation service, facility management service

- **TEC Project Services Corporation**
EPC for plants and facilities

- **Chiba Data Center Corporation**
Website planning and its production & maintenance, data entry, and commercial printing

- **TEC Estate, Ltd.**
Property development and real estate business

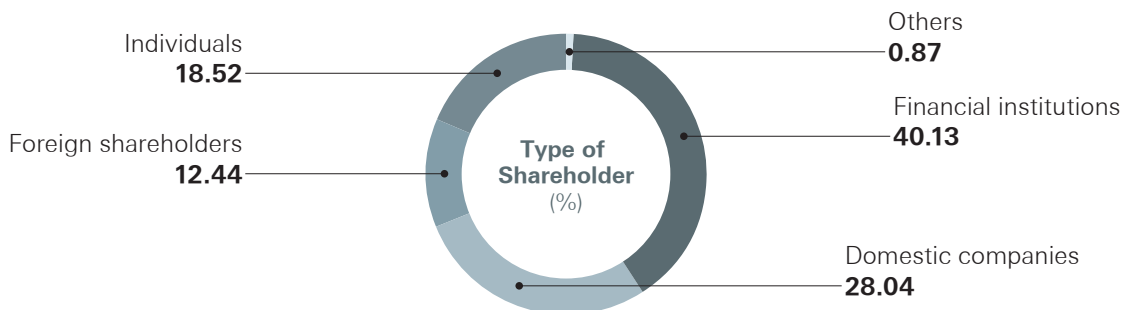
- **Toyo Business Engineering Corporation**
System consulting and solutions provider

- **TEC Accounting & Consulting Ltd.**
Business support and consulting for accounting and accounting systems

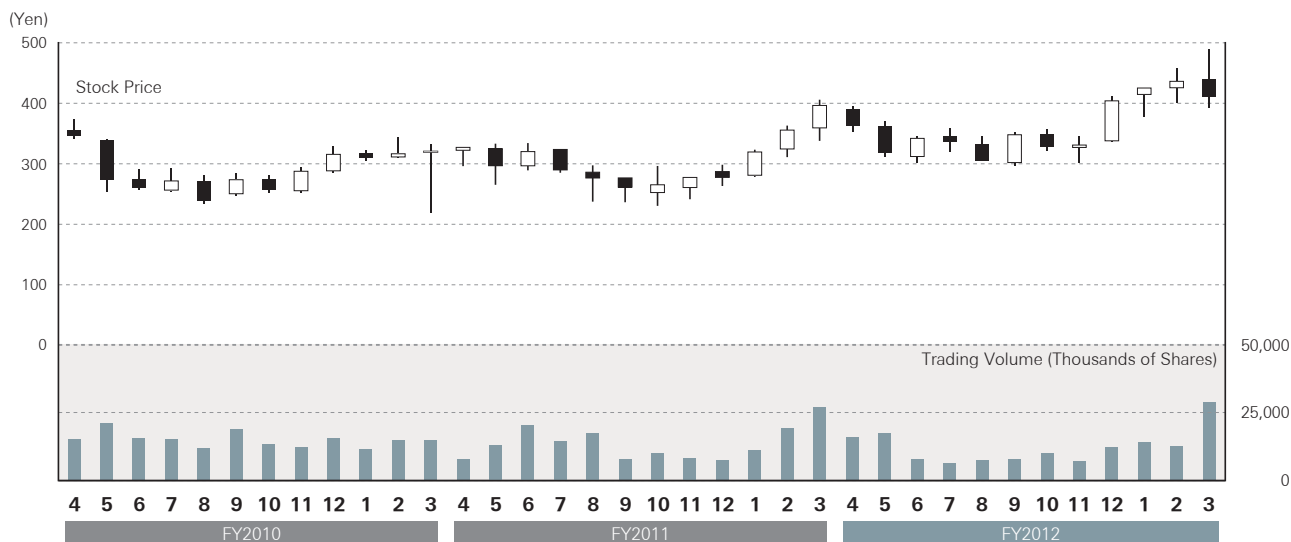
(As of March 31, 2013)

Capital Stock	¥18,198 million
Stock Exchange Listing	Tokyo Stock Exchange
Authorized Shares	500,000,000
Capital Stock Issued	192,792,539
Number of Shareholders	12,998
Administrator of Shareholders' Register	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan

Major Shareholders:	Number of shares (thousands)	Percentage of total (%)
Mitsui & Co., Ltd.	43,770	22.70
Japan Trustee Services Bank, Ltd. (Mitsui Chemicals, Inc. Retirement Benefit Trust Account re-entrusted by Chuo Mitsui Asset Trust and Banking Company, Ltd.)	25,703	13.33
The Master Trust Bank of Japan, Ltd. Trust Account	14,489	7.51
The Nomura Trust & Banking Co., Ltd. Trust Account	5,553	2.88
Japan Trustee Services Bank, Ltd. Trust Account	5,228	2.71
Taisei Corporation	5,000	2.59
Trust and Custody Services Bank, Ltd. Pension Trust Account	4,925	2.55
Japan Trustee Services Bank, Ltd. Trust Account 9	4,880	2.53
Sumitomo Mitsui Banking Corporation	2,350	1.21
CBHK CBLDN - FUND 135 T&D ASSET MANAGEMENT LIMITED	1,423	0.73



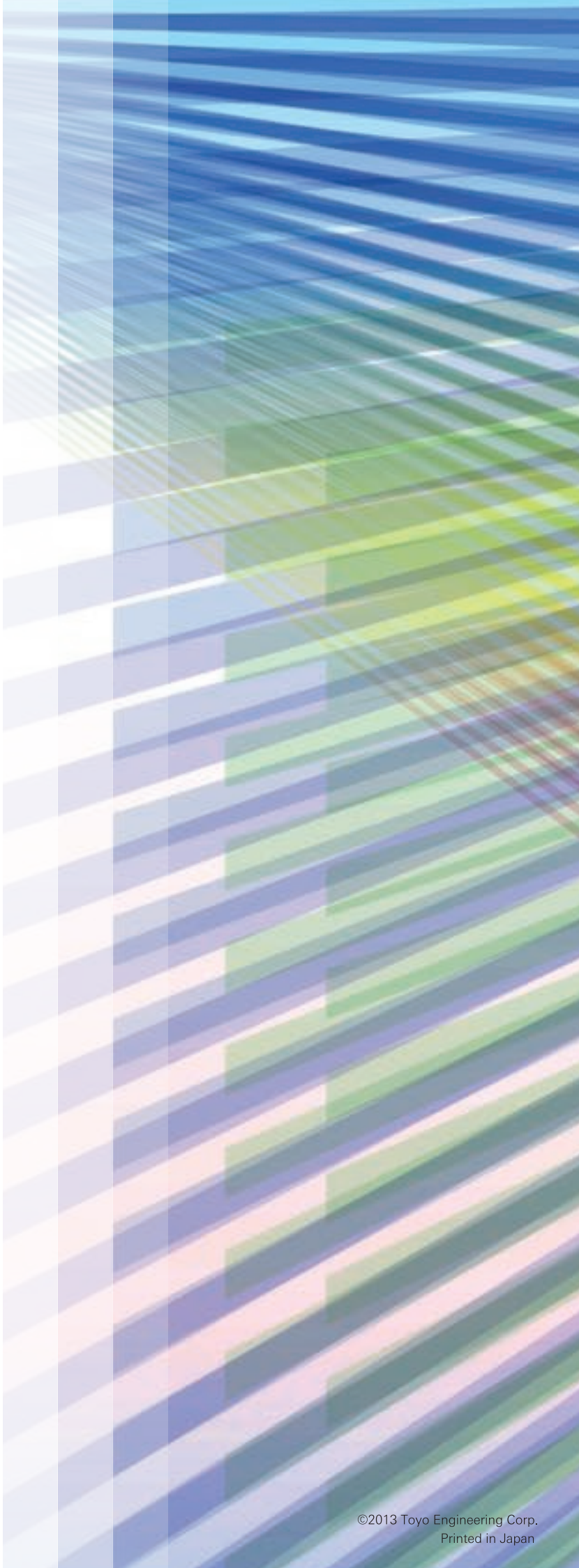
Stock Chart:





Toyo Engineering Corporation

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Narashino-shi, Chiba 275-0024, Japan
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<http://www.toyo-eng.co.jp/>



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