

Annual Report

Year ended March 31, 2011

2011

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DEFINITION OF TERMS

Fiscal 2010 means the fiscal year ended March 31, 2011 (April 1, 2010–March 31, 2011).

The word, mark, logo or any sign with a symbol "TM" means that it is a registered trademark of Toyo Engineering Corporation in Japan.

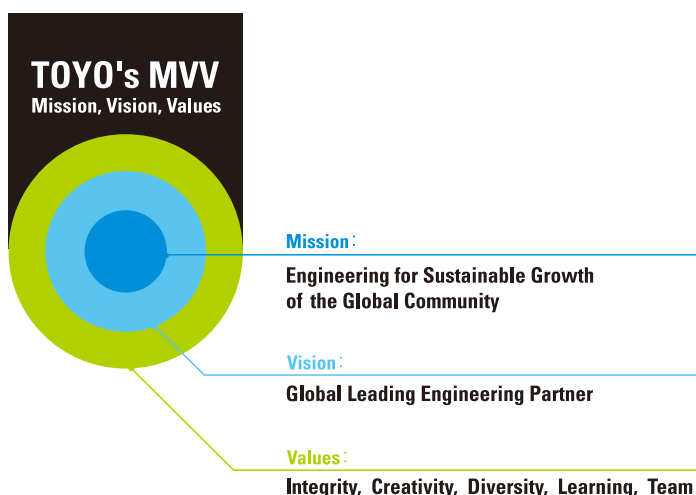
CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

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

Corporate Profile

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

We have a globally networked organization named "Global Toyo," which makes us capable of executing work based on common work standards in close cooperation with our group companies as well as in an optimal formation. Under the mission entitled "Engineering for Sustainable Growth of the Global Community," Global Toyo companies maintain and strengthen TOYO's reliability and assure clients that projects will be delivered safely, to a high-quality standard, and on schedule.



Globally, the economies of developed countries are headed for some difficult maneuvering, where they must balance both economic stimulus and financial reconstruction in response to a range of arising issues. In contrast, emerging countries are demonstrating extremely robust economic activity and business investments and continue to achieve high economic growth.

In Japan, the economy again was showing signs of recovery supported by firm exports and market entrances into other countries, mainly emerging countries. Then the Great East Japan Earthquake struck on March 11, causing the loss of a multitude of lives and devastating damage. The concern that this disaster will have a significant impact on Japan's economy, industry, public finance, and other areas in the days to come has clouded Japan's path forward with uncertainty.

Amid this situation, TOYO aggressively promoted sales activities to win orders in the energy, hydrocarbon, and infrastructure fields. To sustain the expansion of operations in growing markets and to ensure our competitiveness, we further developed our global operations with the Global Toyo organization. Our measures to respond to changes of business type and field contributed to the growth in new orders.

In May 2011, TOYO celebrated the 50th anniversary of its founding. We would like to thank our shareholders and many others for their support and cooperation over the years.

In the year of this important milestone, we intend to once again revisit our roots as an engineering company in planning our first steps toward another half century of sustainable and strong growth. We look forward to your continued support and encouragement.

August 2011



Yutaka Yamada

President and Chief Executive Officer



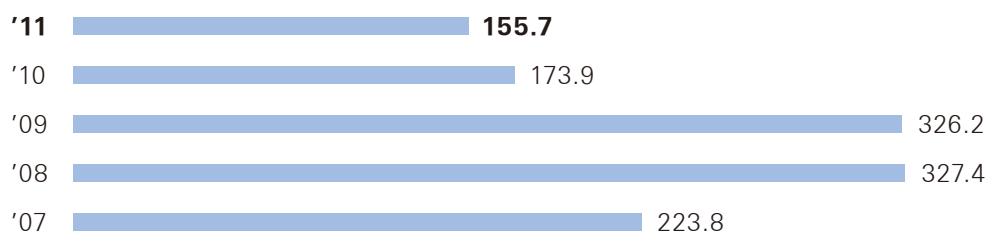
Consolidated Financial Highlights

Financial Summary

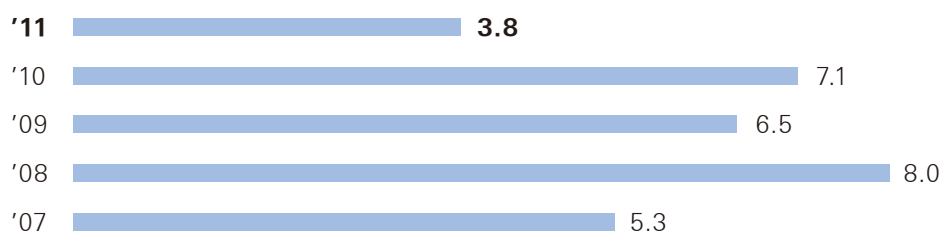
Years ended March 31,	Millions of yen		Thousands of U.S. dollars*
	2011	2010	2011
Net sales	¥155,697	¥173,944	\$1,872,482
New orders	222,540	132,457	2,676,373
Backlog of contracts at end of the year	224,694	168,179	2,702,268
Net income	3,774	7,132	45,382
Total assets	198,388	190,127	2,385,900
Total net assets	67,097	65,295	806,936
Per share data (in yen and U.S. dollars):			
Net income	¥ 19.65	¥ 37.12	\$ 0.24
Cash dividends	5.00	7.00	0.06

* U.S. dollar amounts are stated at ¥83.15 to U.S.\$1.00, the exchange rate prevailing on March 31, 2011.

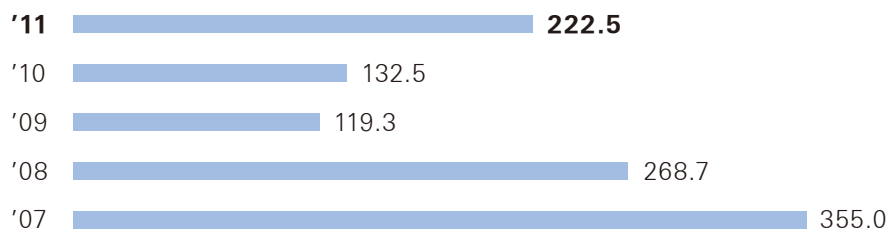
Net Sales (¥ billion)



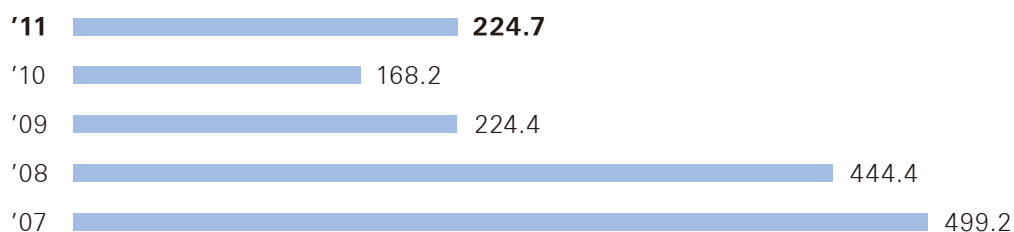
Net Income (¥ billion)



New Orders (¥ billion)



Backlog of Contracts (¥ billion)



In fiscal 2010, the business environment for the Toyo Group's core business field, plant and manufacturing facility market, was summarized as follows: In Japan, despite the stagnant domestic economy, projects for shifting production bases overseas were in a recovery trend. However, overall domestic business suffered from a decline in investment projects. Overseas, expanding demand in growing economies in Brazil, China, India, and other countries produced robust capital investment. Nevertheless, the overseas market remained stringent because of intense competition around the globe with contractors from Korea and China.

Fiscal 2010 Strategic Initiatives

In fiscal 2010, TOYO made strategic initiatives to enhance orders corresponding to Engineering, Procurement, and Construction (EPC) demands in emerging country markets and to improve profitability. Focusing on these emerging markets, we aggressively promoted sales activities to win orders in the energy, hydrocarbon, and infrastructure fields. To sustain the expansion of operations in growing markets and to ensure our competitiveness, we further developed our global operations with the Global Toyo organization and gave priority to investing management resources to strengthen our overseas companies' capability to execute EPC projects.

Specifically, we acquired a new operating base in Canada and reinforced our operating base in Brazil. We worked to establish a common project management system for our overseas bases and to improve our quality, safety, health, and environment management. At the same time, we maintained our efforts to reduce indirect expenses, revising organizations and business procedures and endeavoring to reduce head office fixed expenses and project expenses.

Fiscal 2010 Business Results

In fiscal 2010, consolidated net sales declined ¥18.2 billion year on year, to ¥155.7 billion. Although project work, particularly for large-scale projects, was executed successfully during the fiscal year, the impact of the stagnation of new orders in previous years resulted in an overall decline in net sales. Operating income also fell because of lower net sales and less soft type jobs such as cost reimbursable projects, decreasing ¥6.3 billion, to ¥6.8 billion. As a consequence of the above factors, net income decreased ¥3.4 billion from a year earlier, to ¥3.8 billion.

New orders in fiscal 2010 increased ¥90.1 billion, to ¥222.5 billion, boosting our order backlog at the fiscal year-end by ¥56.5 billion, to ¥224.7 billion. The substantial growth can be attributed to our sales efforts in the power plant market finally bearing fruit. The power plant market is part of the social infrastructure field, where TOYO has been strengthening its efforts. Our measures to respond to changes of business type and field, such as the development of the Global Toyo organization, helped us to win a large-scale fertilizer plant contract in Indonesia and also contributed to the growth in new orders.

The Company increased its year-end dividend by ¥2.00 per share from the original forecast, to ¥5.00 per share. In deciding to increase the dividend, we took into consideration that our final net income exceeded our performance forecast announced on February 10, 2011, by ¥1.3 billion. This achievement can be attributed to improved performance results on major projects and the success of measures to thoroughly reduce fixed costs and project costs.

Performance Outline (Consolidated)

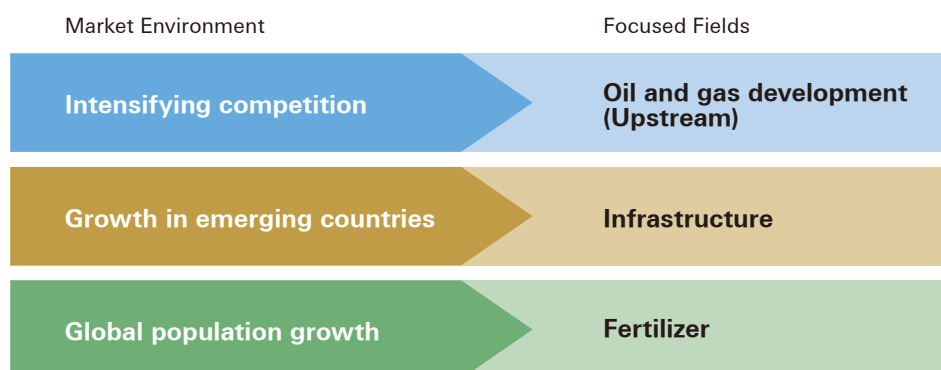
Net sales	¥ 155.7 billion	(down 10.5%)
Operating income	¥ 6.8 billion	(down 47.9%)
Net income	¥ 3.8 billion	(down 47.1%)
New orders	¥ 222.5 billion	(up 68.0%)
Cash dividends (annual)	¥ 5.0 per share	(¥2.0 decrease from the previous fiscal year)

Fiscal 2010 New Orders

Although consolidated new orders did not reach our original target of ¥280.0 billion, they did increase to ¥222.5 billion, reflecting the winning of significant orders that will lead to future Toyo Group growth. The following are the four major projects won in fiscal 2010.

- **Floating Production, Storage, and Offloading (FPSO) Facility in Brazil**
In collaboration with MODEC, Inc., we received an order for a fourth FPSO facility. The project has strengthened our position in the offshore oil and gas production facility market, which shows strong future growth potential.
- **Power Plants in Thailand and Azerbaijan**
Continuous marketing efforts over the last few years by the Toyo Group in the power plant market have come to fruition in these orders, giving TOYO a strong foothold in this large market.
- **Large-Scale Fertilizer Plant in Indonesia**
TOYO won this project as a result of enhanced competitiveness generated by the Global Toyo organization developed by the Toyo Group. Against the background of the growth in the world's population, the project represents the first step in winning more projects in a market that is growing in countries around the world.
- **Front End Engineering and Design (FEED) for Mid-Scale LNG Plant in Australia**
A joint project with Hitachi, Ltd., our FEED services represent a powerful new product for TOYO in our efforts to target the mid-scale gas field development market. A great deal of activity is expected in this market in the future, and TOYO plans to develop this business.

Market Environment and Focused Fields



Fiscal 2011 Performance Forecast (Consolidated)

New orders	¥ 280.0 billion
Net sales	¥ 180.0 billion
Operating income	¥ 2.5 billion
Net income	¥ 0.5 billion
Cash dividends (annual)	¥ 3.0 per share

Although there are signs of a recovery from the stagnation in new orders over the past few years, the impact of those low-levels of new orders affects the next period. Therefore, we recognize that improving performance by increasing new orders is our highest priority management issue with regard to achieving stable business performance. To that end, we have two essential objectives to realize at this time. First, we will seek to enhance our project execution capabilities so they will be highly evaluated and trusted by our clients. We intend to achieve this goal by offering specific proposals that respond to the needs of society and clients as well as value-added professional services. Second, we will cope with major changes in our business environment and severe competition in obtaining new orders. Our strategy is to accelerate innovation in our business model and further bolster the differentiation and competitiveness of our services.

In Japan, we believe our top priority mission is to provide support for the recovery of the region affected by the major earthquake with the full range of our engineering knowledge and services. We have established a post-earthquake recovery team, which is responding quickly and accurately to our clients' needs. Furthermore, paying attention to the changes in the industrial structure of Japan's economy, we will continue to provide the services expected of us as an engineering company.

Overseas, we are implementing measures to strengthen our activities in the oil and gas development field including FPSO in response to growth in global demand. We are accelerating our efforts to commercialize small- to medium-scale Gas to Liquids (Micro-GTL) plant technology, which we are currently testing at a pilot plant. Moreover, we are taking steps to establish a performance record in the mid-scale LNG plant market. We also plan to continue expanding our marketing efforts in the infrastructure field including the power plant market.

From a medium- to long-term perspective, we are returning to our roots as an engineering company and working to strengthen our client base. This enables TOYO to cultivate project orders based on our relationship of trust with clients. Furthermore, we are strengthening and expanding our overseas company network for the further expansion and evolution of our global operations. We also intend to take up the challenge of developing markets in regions where TOYO has never been active before.

TOYO's Major Topics in Fiscal 2010

- May 2010**
- TOYO Awarded Technology License Agreement for Urea Production & Granulation Plant with a Production Capacity of 2,200 Tons Per Day from Cuvenpeq S.A., Cuba. (Photo 1)
- Jun. 2010**
- TOYO's Flare Gas Recovery Project for Abu Dhabi Oil Refining Company (TAKREER) Received the International Technology Exchange Award from the Japan Petroleum Institute.
- Sep. 2010**
- Toyo Engineering Corporation, China, Awarded a Contract for an Ethanolamine Production Plant Constructed in China by Honam Petrochemical Corporation (HPC), Korea.
- Oct. 2010**
- TOYO Awarded Power Plant Construction Contracts in Seven Sites in Bangkok (Total Generation Capacity 780 MW) with Specific Purpose Companies Wholly Owned by Gulf JP Co., Ltd. (Illustration 1)
 - TOYO Acquired ASRC Energy Services Inc.'s Tri Ocean Engineering Ltd., an Engineering Firm Located in Calgary, Alberta, Canada. (Photo 2)
 - TOYO Established a Joint Venture, LG Toyo Engineering Co., Ltd., with Korea LG Group through Toyo Engineering Korea Limited and SERVEONE CO., LTD.
- Nov. 2010**
- MODEC and TOYO Offshore Production Systems Pte. Ltd. (MTOPS), a Joint Company of TOYO and MODEC, Inc., Awarded a Topside Processing Facility from MODEC to Be Installed on a Floating Production, Storage, and Offloading (FPSO) System, Delivered to Offshore Brazil and Used for Oil Development in the BM-S-9 Block of the Guar Oil Field. (Illustration 2)
- Jan. 2011**
- TOYO Awarded a 400 MW Gas Combined Cycle Power Plant from Azerenerji Joint Stock Company of Azerbaijan. (Illustration 3)
- Feb. 2011**
- TOYO and Hitachi, Ltd., Appointed by Eastern Star Gas Limited (ESG) to Undertake Front End Engineering Design (FEED) for ESG's LNG Newcastle Project Fed by Coal Seam Gas. (Illustration 4)
- Mar. 2011**
- TOYO Awarded a Large-Scale Fertilizer Plant (with a Production Capacity of 2,500 Tons per Day of Ammonia and 3,500 Tons per Day of Urea) from the State-Owned Indonesian Fertilizer Company, PT. Pupuk Kalimantan Timur (Kaltim).
 - TOYO Donated ¥50 Million in Relief Funds for the Great East Japan Earthquake.



Photo 1

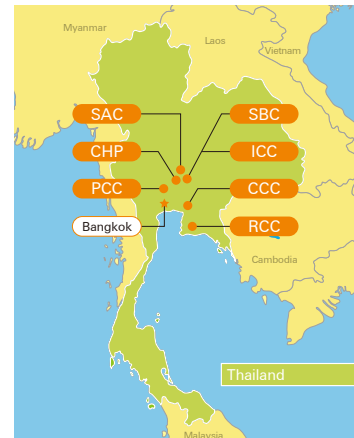


Illustration 1

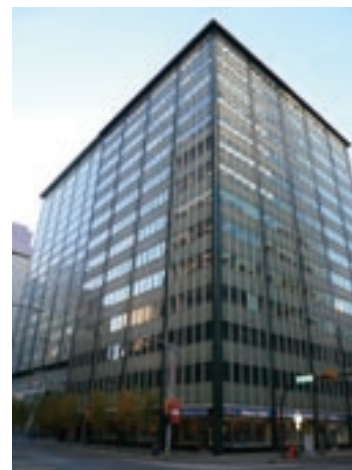


Photo 2



Illustration 2

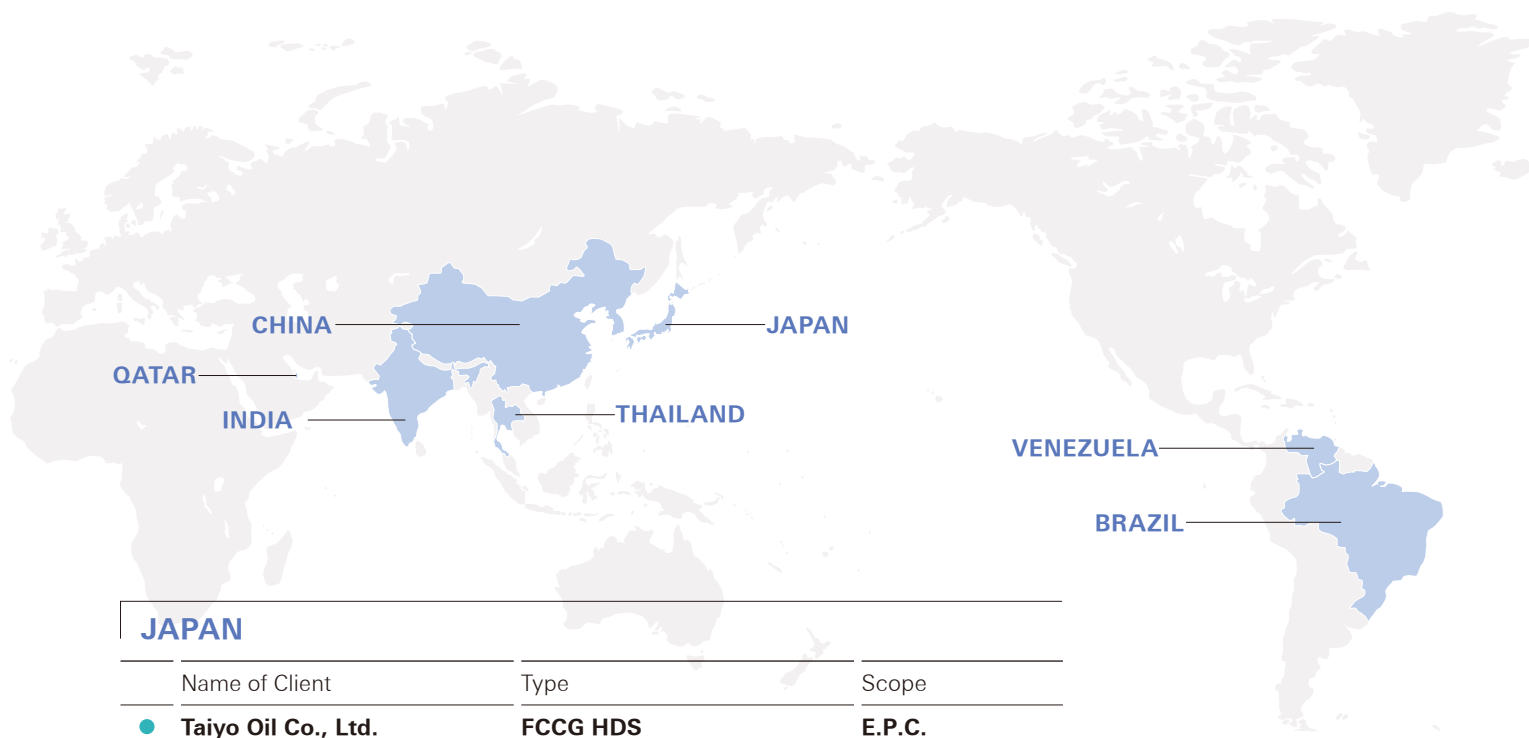


Illustration 3



Illustration 4

Major projects are progressing on schedule and within budget with collaborative project management by Global Toyo companies and partners.



JAPAN		
Name of Client	Type	Scope
● Taiyo Oil Co., Ltd.	FCCG HDS	E.P.C.

CHINA		
Name of Client	Type	Scope
● Lingyou Engineering-Plastics (Shanghai) Co., Ltd.	Polycarbonate Resin Production Facility	E.P.C.

THAILAND		
Name of Client	Type	Scope
● PTT Polyethylene Co., Ltd.	Ethylene Plant	E.P.C.

INDIA		
Name of Client	Type	Scope
● ONGC Mangalore and Petrochemicals Ltd.	Aromatics Complex	E.Ps.Cm.

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

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

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



Completed refinery plant (Japan)



Completed refinery plant (Brazil)

- — Ongoing
- — Completed
- E — Engineering
- P — Procurement
- Ps — Procurement service
- C — Construction
- Cm — Construction management

Corporate Governance

Internal Control System

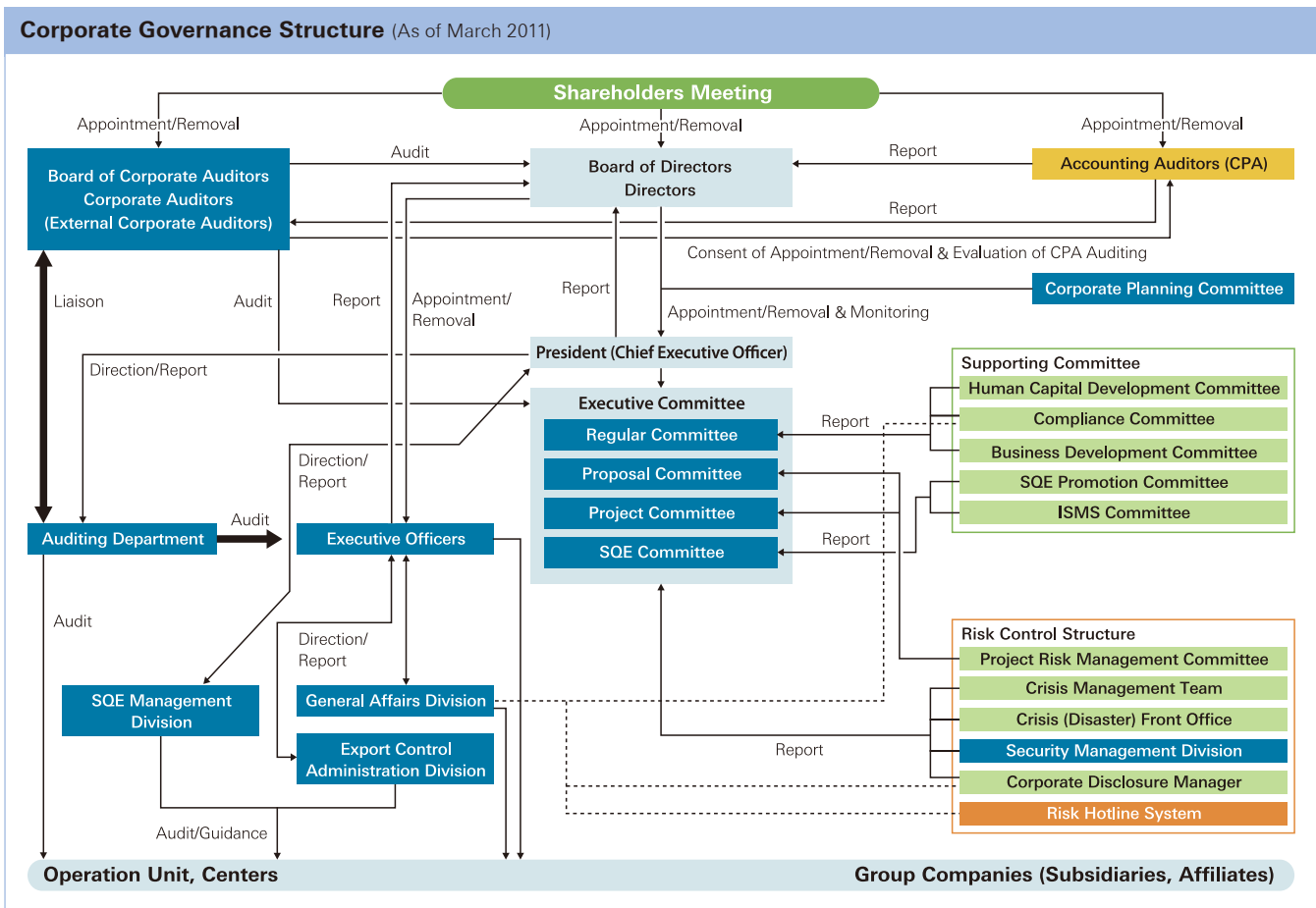
The Auditing Department of TOYO, which is under the direct control of the President, performs audits concerning the execution of business activities by all divisions and verifies the appropriateness and effectiveness of the internal management structure, including compliance and risk management. In addition,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

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

Risk Management System

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

TOYO has drawn up the Crisis Management Policy to clearly set forth risk management procedures to forestall serious risks (crises) that have the potential to seriously affect the operations of the Company. The Crisis Management Team is constantly prepared for potential crises.



Management



Directors * Representative Director

Chairman

Yushi Nagata

President

Yutaka Yamada*

Directors

Takuma Hatano*
 Kenji Soejima*
 Kazuomi Nishihara*
 Makoto Fusayama
 Keiichi Matsumoto
 Satoshi Kuwahara
 Hideki Shiinoki
 Mitsutoshi Hamamura
 Masayuki Uchida

Auditors

Senior Corporate Auditor

Makoto Shimagaki

Corporate Auditors

Hideaki Kinoshita
 Takashi Umezu (Outside Auditor)
 Yoshiyuki Shinohara (Outside Auditor)

Executive Officers

Chief Executive Officer

Yutaka Yamada

Executive Vice Presidents

Takuma Hatano
 Kenji Soejima
 Kazuomi Nishihara

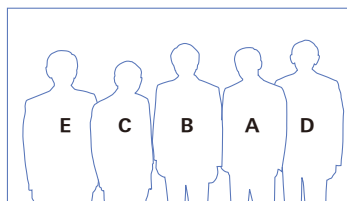
Senior Executive Officers

Makoto Fusayama
 Keiichi Matsumoto
 Satoshi Kuwahara
 Hideki Shiinoki
 Mitsutoshi Hamamura
 Masayuki Uchida
 Kiyoshi Nakao
 Akhilesh Kumar
 Tadashi Hori
 Katsumoto Ishibashi

Executive Officers

Masaru Takezawa
 Kazuharu Murayama
 Motoyoshi Kamoshima
 Seiichi Itakura
 Hisashi Osone
 Yutaka Kita
 Masaaki Yamaguchi
 Takayoshi Imanishi
 Shoji Koshikawa
 Hiroshi Sato
 Koji Kojima
 Masayuki Yoshizawa

(As of June 23, 2011)



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

Safety Takes Priority over Everything Else.

Safety is an integral part of the TOYO brand.

In 2010, TOYO's Lost Time Incidence Rate (LTIR), as defined by ILO, was 0.07. Although this rate is an improvement from 0.08 in 2009, we are not satisfied with this result, and will strive to improve it to the ultimate target of zero.

We are aware that the premises for a corporation that is trusted by the community include paying sufficient attention to safety. We are confident that our efforts, initiatives, time and expenses spent to respect human life must take precedence over all other things. Loss of valuable human life must absolutely be avoided in the process of TOYO and its group companies' business evolution, such as plant construction.

Safety is an important brand of TOYO. In order to boost the brand value of all group companies in the world, we are strongly promoting safety measures as part of the companywide safety goal for fiscal 2010: "Make Safety Standard Drill into Global Toyo."

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

TOYO's Safety & Environmental Report 2011 is available on our website. It introduces TOYO's various activities on safety and the environment during fiscal 2010. Some of these activities are explained below.

In-House Corporate Safety Training

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



On-Site Safety Activity

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



Global Toyo Quality / HSSE Management Meeting

As part of the continuous improvement of the Quality and Health/Safety/Security/Environment (HSSE) Management System of Global Toyo, the managers in charge of Quality/HSSE from group companies convene every year. In fiscal 2010, the meeting was held in Japan to discuss several subjects including a review of the annual plan and the progress of improvement activities for the Quality/HSSE Management System, Global Toyo Standards, Project SOE (Safety, Quality, Environment) Management and others.



Project SQE Management Department

The Project SQE (Safety, Quality, and Environment) Management Department, established in April 2010, has been training candidates for PQM (Project Quality Manager), HSSEM (Health, Safety, Security and Environment Manager) and other SQE key personnel for the individual projects conducted by Global Toyo companies.

For this purpose, the department also facilitates the accumulation and improvement of know-how regarding project SQE, which can be applied to current and future projects.

Standards of Global Toyo



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

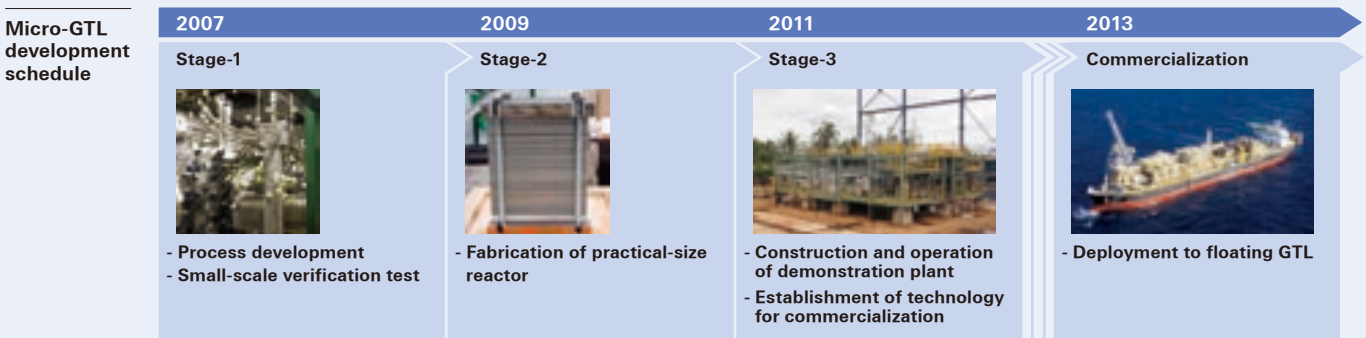
Environment

Micro Gas to Liquids (GTL) project applying technology for clean energy, contributing to environmental conservation

GTL is a process that transforms natural gas or associated gas into a clean diesel fuel or naphtha containing less impurities than petroleum-derived products.

Since November 2007, TOYO has been developing a compact, cost efficient Micro-GTL process jointly with Velocys Inc., and MODEC, Inc. Because of the compactness, the Micro-GTL plant can be installed not only onshore but also onboard a ship.

Early commercialization of on-board GTL (floating GTL) is expected to be effectively developed and utilized because it will allow development of deep-sea natural gas that has not been easily exploited.



The module was fabricated in Thailand and reached PETROBRAS' refinery plant in Brazil in May 2011.

The project aims to achieve commercialization by 2013 after constructing and operating a pilot plant.



Module of Micro-GTL demonstration plant being assembled in Thailand



Module of Micro-GTL demonstration plant being loaded on ship in Thailand bound for Brazil



The module was off-loaded in Brazil

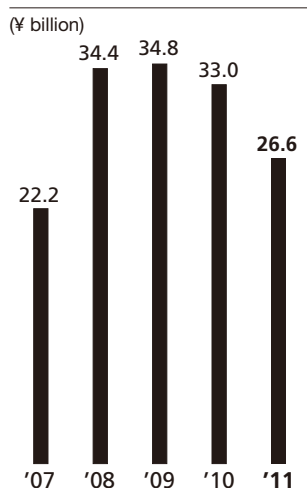
Consolidated Five-Year Summary

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31

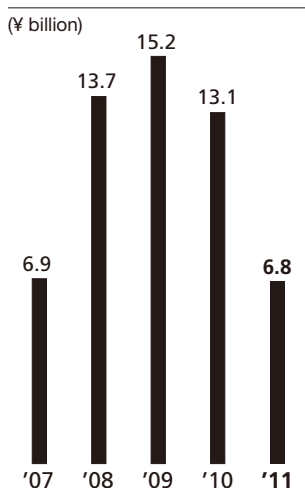
	Millions of yen					Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2008	2007	2011
Net sales	¥155,697	¥173,944	¥326,248	¥327,413	¥223,844	\$1,872,482
Gross profit	26,573	32,984	34,752	34,424	22,236	319,583
Operating income.....	6,815	13,070	15,168	13,742	6,890	81,960
Income before income taxes and minority interest.....	6,917	14,236	13,036	14,909	7,372	83,192
Net income.....	3,774	7,132	6,516	8,029	5,294	45,382
Total assets.....	198,388	190,127	199,413	280,139	282,814	2,385,900
Total net assets.....	67,097	65,295	58,509	57,331	51,559	806,936
Long-term debt.....	15,164	21,947	19,917	22,038	26,981	182,364
Purchases of property, plant and equipment	543	508	513	831	2,752	6,527
Depreciation and amortization.....	2,473	2,238	2,366	2,511	1,995	29,742
Common stock	18,199	18,199	18,199	18,199	18,199	218,869
New orders.....	222,540	132,457	119,265	268,693	354,984	2,676,373
Backlog of contracts at end of the year	224,694	168,179	224,416	444,434	499,237	2,702,268

Per share	Yen					U.S. dollars (Note 1)
	2011	2010	2009	2008	2007	2011
Net income.....	¥ 19.65	¥ 37.12	¥ 33.91	¥ 41.76	¥ 27.90	\$0.24
Total net assets.....	340.43	329.54	294.71	283.98	255.50	4.09
Cash dividends.....	5.00	7.00	7.00	6.00	3.00	0.06

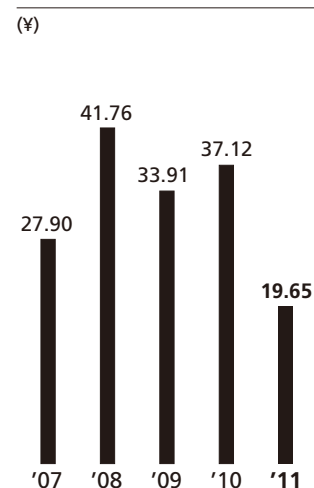
Gross Profit



Operating Income



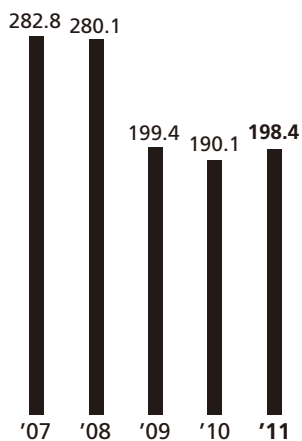
Net Income Per Share



	2011	2010	2009	2008	2007
Net sales by sector (%):					
Chemical fertilizers.....	6.9%	14.0%	6.9%	1.9%	2.9%
Petrochemicals	22.8	23.9	29.2	28.7	25.6
Refinery.....	23.8	27.6	14.0	8.8	12.3
Energy-related	18.7	14.4	35.1	43.7	36.9
General manufacturing facilities and information technology	20.0	13.1	10.6	11.8	15.2
Others	7.8	7.0	4.2	5.1	7.1
(Overseas sales).....	(64)	(71)	(78)	(78)	(66)
Number of employees	3,956	4,024	3,769	3,527	3,126

Total Assets

(¥ billion)



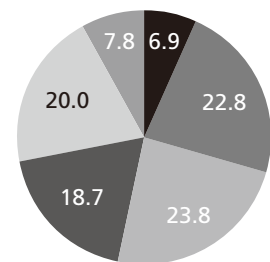
Total Net Assets

(¥ billion)



Composition of Net Sales by Sector (FY2010)

(%)



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

Management's Discussion and Analysis

During fiscal 2010, the stagnation resulting from the Lehman Shock in September 2008 continued in Japan's economy. Amid this trend, companies remained cautious about capital investments. Despite these conditions, the economy was beginning to show signs of a recovery during the fiscal year. With the emphasis on emerging countries, a revitalization of exports and overseas market entrance projects by Japanese companies was underway when the Great East Japan Earthquake hit on March 11. Since the major earthquake, the direction of Japan's economy has remained uncertain because of concerns about its impact on the economy, industry, public finances, and other aspects.

In Japan, under the previously mentioned conditions, it was a difficult environment for acquiring new orders. Despite the recovery trend in overseas market entrance projects, overall domestic business was dampened by a decline in investment projects. On the other hand, the impact of the Great East Japan Earthquake on the fiscal year under review was relatively minor.

Overseas, expanding domestic demand in the growing economies of Brazil, China, India, and other countries produced robust capital investment. Nevertheless, orders were difficult to come by because of aggressive sales efforts by contractors from Korea and China that resulted in intensified competition in the Middle East, Asia, and Central and South America.

In response, the Toyo Group focused its efforts on the emerging countries that are driving the global economy. We aggressively implemented marketing activities to win orders in the energy, hydrocarbon, and social infrastructure fields. Moreover, to support the expansion of operations in growth markets and to ensure our competitiveness, we further developed Global Toyo and invested business resources to strengthen the capability of overseas subsidiaries to handle EPC projects. Among those measures, we expanded our network by acquiring a new operating base in Canada and reinforcing our subsidiary in Brazil. In addition, we worked to establish a common project management system for our overseas subsidiaries and to improve our quality, safety and health, and environment management. While focusing on enhancing our sales activity, project execution, and management, we also maintained our efforts to reduce overhead, revising organizations and business procedures and endeavoring to reduce head office fixed expenses and project expenses.

New Orders

New orders increased 68.0% year on year, to ¥222.5 billion (\$2,676 million). The recovery in new orders can be attributed to our adaption to new types of growth businesses. We received power plant orders in the social infrastructure market that TOYO has been focusing on recently and a large-scale fertilizer plant order in Indonesia using Global Toyo operation. Of this amount, overseas orders totaled ¥183.6 billion and domestic orders accounted for ¥38.9 billion.

Sales and Earnings

Net sales totaled ¥155.7 billion (\$1,872 million) as a result of successful progress of projects. Operating income was ¥6.8 billion (\$82 million). Net income decreased to ¥3.8 billion (\$45 million).

Cash Flows

Cash from operating activities was ¥11.3 billion (\$136 million). The principal source of cash was income before income taxes and minority interest. Cash used for investing activities was ¥1.4 billion (\$16 million). This mainly represented expenditure on purchases of investments in subsidiaries. Cash from financing activities was ¥3.8 billion (\$46 million), reflecting loan of long-term debt. The result of the above cash flows was a net increase of ¥13.4 billion (\$161 million) in cash and cash equivalents.

Business Risk and Other Risks

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

1. Business risk

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

- (1) War, civil commotion, riots, revolutions, coup d'état, terrorism and other unusual events in the country where the project is carried out or in a neighboring country.
- (2) Regional risks that occur particularly in an area near a project site, such as a surge of political unrest and a serious outbreak of an epidemic disease.
- (3) Extraordinary natural phenomenon, such as earthquakes, floods, typhoons and other storms as well as unusual weather, such as extreme heat or cold.
- (4) 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.
- (5) 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.

2. Foreign exchange fluctuation

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

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

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

Consolidated Balance Sheets

Toyo Engineering Corporation and Consolidated Subsidiaries March 31, 2011 and 2010

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Current assets:			
Cash and deposits (Note 19)	¥ 45,070	¥ 36,899	\$ 542,032
Marketable securities (Note 14)	43,993	37,994	529,077
Notes and accounts receivable	30,737	27,373	369,663
Less: Allowance for doubtful receivables	(2,373)	(6,972)	(28,534)
	28,364	20,401	341,129
Contract work in progress	18,763	21,677	225,658
Prepaid expenses and other current assets (Note 4)	12,503	24,695	150,357
Total current assets	148,693	141,666	1,788,253
Investments:			
Investment securities (Note 14)	4,793	4,648	57,642
Investments in unconsolidated subsidiaries and affiliates (Note 14)	5,747	5,372	69,120
Long-term loans	4,589	78	55,188
Other	3,046	3,488	36,631
Less: Allowance for doubtful receivables	(5,226)	(703)	(62,852)
Total investments	12,949	12,883	155,729
Property, plant and equipment, at cost:			
Land (Note 3)	16,805	16,824	202,109
Buildings and structures (Note 3)	29,479	29,563	354,525
Tools, furniture and fixtures	3,896	3,528	46,855
Leased assets	2,107	2,151	25,345
Construction in progress	120	7	1,443
Total	52,407	52,073	630,277
Less: Accumulated depreciation (Note 3)	(20,850)	(19,627)	(250,752)
Property, plant and equipment, net	31,557	32,446	379,525
Other assets (Note 4)	5,189	3,132	62,393
Total assets	¥198,388	¥190,127	\$2,385,900

See notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Current liabilities:			
Short-term borrowings.....	¥ 5,391	¥ 3,113	\$ 64,381
Current portion of long-term debt (Note 3)	13,383	4,673	160,956
Bonds payable due within one year	1,000	—	12,026
Notes and accounts payable	40,811	35,084	490,818
Income taxes payable	534	878	6,417
Advance receipts on uncompleted contracts.....	33,952	35,568	408,318
Reserve for anticipated loss on contract work.....	677	914	8,144
Other current liabilities (Note 4)	9,514	10,398	114,414
Total current liabilities	105,262	90,628	1,265,924
Long-term liabilities:			
Long-term debt (Note 3).....	15,164	21,947	182,364
Lease obligations	4,972	1,744	59,795
Accrued retirement benefits (Note 5)	1,281	4,815	15,411
Other long-term liabilities (Note 4).....	4,612	5,698	55,470
Total long-term liabilities	26,029	34,204	313,040
Total liabilities.....	131,291	124,832	1,578,964
Contingent liabilities (Note 7)			
Net assets:			
Shareholders' equity (Note 6)			
Common stock			
Authorized: 500,000,000 shares in 2011 and 2010			
Issued: 192,792,539 shares in 2011 and 2010	18,199	18,199	218,869
Capital surplus	20,759	20,760	249,661
Retained earnings.....	28,435	25,525	341,968
Treasury stock: 858,030 shares in 2011 and 751,115 shares in 2010 ...	(348)	(316)	(4,182)
Total shareholders' equity	67,045	64,168	806,316
Accumulated other comprehensive income			
Net unrealized gain on securities	471	619	5,665
Deferred hedge loss.....	(18)	(26)	(223)
Foreign currency translation adjustments	(2,158)	(1,475)	(25,951)
Total accumulated other comprehensive income	(1,705)	(882)	(20,509)
Minority interest.....	1,757	2,009	21,129
Total net assets.....	67,097	65,295	806,936
Total liabilities and net assets	¥198,388	¥190,127	\$2,385,900

Consolidated Statements of Income

Toyo Engineering Corporation and Consolidated Subsidiaries Year ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Net sales	¥155,697	¥173,944	\$1,872,482
Cost of sales	129,124	140,960	1,552,899
Gross profit	26,573	32,984	319,583
Selling, general and administrative expenses (Note 8)	19,758	19,914	237,623
Operating income	6,815	13,070	81,960
Other income:			
Interest and dividend income	532	1,072	6,395
Foreign exchange gain	—	1,151	—
Reversal of allowance for doubtful receivables	26	808	317
Equity in earnings of affiliate companies	608	—	7,316
Other	188	304	2,262
	1,354	3,335	16,290
Other expenses:			
Interest expense	772	733	9,282
Foreign exchange loss	175	—	2,109
Loss on impairment of fixed assets (Note 11)	—	1,213	—
Other (Note 10)	305	223	3,667
	1,252	2,169	15,058
Income before income taxes and minority interest	6,917	14,236	83,192
Income taxes (Note 4):			
Current	3,769	5,377	45,326
Deferred	(507)	1,586	(6,088)
	3,262	6,963	39,238
Income before minority interest	3,654	—	43,954
Minority interest income (loss)	(119)	141	(1,428)
Net income	¥ 3,774	¥ 7,132	\$ 45,382
Per share of common stock:			
Net income	¥ 19.65	¥ 37.12	\$ 0.24

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Toyo Engineering Corporation and Consolidated Subsidiaries Year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2011	2011
Income before minority interests	¥3,655	\$ 43,954
Other comprehensive income:		
Net unrealized gain on available-for-sale securities	(148)	(1,773)
Deferred gains or losses on hedges.....	7	79
Foreign currency translation adjustments	(744)	(8,946)
Share of other comprehensive income of associates accounted for using equity method	(19)	(229)
	(904)	(10,869)
Comprehensive income (Note 9)	2,751	33,085
Comprehensive income attributable to:		
Shareholders of Toyo Engineering Co.	2,950	35,477
Minority interests	¥ (199)	\$ (2,392)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets (Note 18)

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2011 and 2010

Millions of yen									
	Common stock	Capital surplus	Retained earnings (Note 6)	Treasury stock	Net unrealized gain on securities	Deferred hedge loss	Foreign currency translation adjustments	Minority interest	Total net assets
Balance at March 31, 2009.....	¥18,199	¥20,761	¥19,642	¥(294)	¥ 127	¥ (6)	¥(1,809)	¥1,889	¥58,509
Dividends paid to shareholders...			(1,249)						(1,249)
Net income			7,132						7,132
Purchase of treasury stock				(25)					(25)
Sale of treasury stock		(1)		3					2
Changes of items other than shareholders' equity					492	(20)	334	120	926
Balance at March 31, 2010.....	18,199	20,760	25,525	(316)	619	(26)	(1,475)	2,009	65,295
Dividends paid to shareholders...			(864)						(864)
Net income			3,774						3,774
Purchase of treasury stock				(33)					(33)
Sale of treasury stock		(1)		1					0
Changes of items other than shareholders' equity					(148)	8	(683)	(252)	(1,075)
Balance at March 31, 2011.....	¥18,199	¥20,759	¥28,435	¥(348)	¥ 471	¥(18)	¥(2,158)	¥1,757	¥67,097

Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings (Note 6)	Treasury stock	Net unrealized gain on securities	Deferred hedge loss	Foreign currency translation adjustments	Minority interest	Total net assets
Balance at March 31, 2010.....	\$218,869	\$249,663	\$306,979	\$(3,798)	\$ 7,438	\$(302)	\$(17,740)	\$24,163	\$785,272
Dividends paid to shareholders...			(10,393)						(10,393)
Net income			45,382						45,382
Purchase of treasury stock				(390)					(390)
Sale of treasury stock		(2)		6					4
Changes of items other than shareholders' equity					(1,773)	79	(8,211)	(3,034)	(12,939)
Balance at March 31, 2011.....	\$218,869	\$249,661	\$341,968	\$(4,182)	\$ 5,665	\$(223)	\$(25,951)	\$21,129	\$806,936

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Toyo Engineering Corporation and Consolidated Subsidiaries Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Cash flows from operating activities:			
Income before income taxes and minority interest.....	¥ 6,917	¥ 14,236	\$ 83,192
Adjustments to reconcile income before income taxes and minority interest to cash from operating activities:			
Depreciation and amortization	2,473	2,238	29,742
Loss on impairment of fixed assets	—	1,213	—
Loss on valuation of investment securities	6	0	68
Changes in allowance for doubtful receivables	(76)	(618)	(916)
Changes in allowance for anticipated loss on contract work	(227)	28	(2,731)
Equity in earnings of affiliated companies	(608)	87	(7,316)
Changes in accrued retirement benefits.....	162	954	1,954
Interest and dividends received	1,033	1,606	12,423
Interest and dividend income	(532)	(1,072)	(6,395)
Interest expense	772	733	9,282
Interest paid	(781)	(731)	(9,394)
Income taxes paid	(4,082)	(3,974)	(49,090)
Other, net	(964)	(178)	(11,583)
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(4,013)	9,008	(48,266)
(Increase) decrease in contract work in progress.....	2,951	4,282	35,484
(Increase) decrease in other receivables	3,723	5,971	44,769
Increase (decrease) in notes and accounts payable.....	6,065	(9,581)	72,938
Increase (decrease) in advance receipts on uncompleted contracts.....	(1,513)	(13,395)	(18,191)
Cash from (used for) operating activities.....	11,306	10,807	135,970
Cash flows from investing activities:			
Purchases of property, plant and equipment.....	(543)	(508)	(6,527)
Purchases of other assets.....	(1,157)	(1,732)	(13,918)
Purchases of investment securities.....	(306)	(525)	(3,680)
Proceeds from sales of investment securities	6	4	75
(Increase) decrease in loans, net.....	4,069	741	48,939
(Increase) decrease in time deposits, net	(842)	827	(10,122)
Purchases of investments in subsidiaries	(2,563)	—	(30,819)
Other, net	(35)	509	(441)
Cash used for investing activities	(1,371)	(684)	(16,493)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net.....	2,426	98	29,179
Proceeds from long-term debt.....	7,600	7,253	91,401
Repayment of long-term debt.....	(4,673)	(3,121)	(56,206)
Repayment of lease obligations	(580)	(659)	(6,980)
Cash dividends paid.....	(864)	(1,249)	(10,393)
Other	(86)	(80)	(1,028)
Cash from (used for) financing activities	3,823	2,242	45,973
Effect of exchange rate changes on cash and cash equivalents ..	(374)	127	(4,500)
Net (decrease) increase in cash and cash equivalents	13,384	12,492	160,950
Cash and cash equivalents, beginning of the year	73,954	61,462	889,411
Cash and cash equivalents, end of the year (Note 19)	¥87,338	¥ 73,954	\$1,050,361

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 ¥83.15 to U.S.\$1.00 prevailing on March 31, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

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

(b) Securities

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

Trading securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accumulation of premiums or discounts. Unrealized gains or losses on trading securities are included in earnings. Marketable securities classified as other securities are recorded at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are recorded at cost.

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

(c) Contract Work in Progress

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

(d) Depreciation

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

(e) Leases

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

(f) Allowance for Doubtful Receivables

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

(g) Advance Receipts on Uncompleted Contracts

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

(h) Reserve for Anticipated Loss on Contract Work

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

The amounts of loss on contract work in progress of ¥404 million (\$4,860 thousand) is included in reserve for anticipated loss on contract work and shown as a liability, not as a deduction from the amount of contract work in progress.

The amount of provision for anticipated loss on contract work included in cost of sales is ¥151 million (\$1,818 thousand).

(i) Accrued Retirement Benefits

The accrued retirement benefits at the year-end are stated in accordance with the projected plan assets and the projected retirement benefit obligation. The difference arising from the adoption of the new standard of accounting of ¥3,696 million (\$44,448 thousand) is amortized over 15 years on a straight-line basis. Actuarial loss is amortized over nine years within the average of the estimated remaining service years when incurred, starting following the year of recognition. Prior service cost is amortized over 13 years within the average of the estimated remaining service years when incurred.

(j) Derivative Financial Instruments

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

(k) Foreign Currency Translation

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

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

(l) 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.

(m) Per Share Information

Net income per share is computed based on the weighted average number of shares outstanding during each year. Diluted net income per share is not presented since there was no potential for dilution by the issuance of common stock in 2011 or 2010.

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

(n) Income Taxes

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

(o) Consolidated Tax Return

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

(p) Cash and Cash Equivalents

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

(q) Reserve for Loss on Disaster

The Company and its consolidated subsidiaries have provided reserve for loss on disaster at estimated amount for preparing the expenditure to recover from the Great East Japan Earthquake.

3. LONG-TERM DEBT

Long-term debt at March 31, 2011 and 2010 is summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Secured Loans	¥ 1,741	¥ 7,644	\$ 20,942
Unsecured Loans	26,806	17,976	322,379
1.450% bonds, due 2012	1,000	1,000	12,026
Total long-term debt	29,547	26,620	355,347
Less: Current portion	14,383	4,673	172,983
	¥15,164	¥21,947	\$182,364

The following assets at March 31, 2011 and 2010 were pledged as collateral principally for long-term debt:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash and deposits	¥ 832	¥ —	\$10,000
Land and buildings, net of accumulated depreciation	855	7,857	10,286
	¥1,687	¥7,857	\$20,286

The following schedule shows the maturities of long-term debt subsequent to March 31, 2011:

Years ended March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥14,383	\$172,983
2013	3,131	37,656
2014	3,458	41,593
2015	2,647	31,831
2016	3,547	42,655
2017 and thereafter	2,381	28,629
	¥29,547	\$355,347

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 ¥11,000 million (\$132,291 thousand) in 2011 and ¥6,500 million in 2010.

4. INCOME TAXES

The statutory tax rates applicable to the Company and its domestic subsidiaries for the year ended March 31, 2011 and 2010 were approximately 40.4%. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

(1) The effective tax rates on income before income taxes in the accompanying consolidated statements of income are not equal to the above-mentioned statutory tax rate for the following reasons:

Year ended March 31, 2011	
Statutory tax rate in Japan	40.4%
Adjustments:	
Permanently nondeductible expenses	2.3
Permanently nontaxable dividends received	(2.3)
Temporary differences excluded from calculation of deferred tax assets	9.4
Difference in tax rates for foreign subsidiaries	(0.9)
Other	(1.7)
Effective tax rate	47.2%

Year ended March 31, 2010

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

(2) Significant components of the deferred income tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets (gross):			
Reserve for bonuses	¥ 193	¥ 212	\$ 2,317
Accrued retirement benefits.....	1,261	1,235	15,170
Reserve for compensation for completed works.....	498	396	5,985
Other	860	634	10,346
Total deferred tax assets (gross)	2,812	2,477	33,818
Deferred tax liabilities (gross):			
Difference in net unrealized gain on securities	(460)	(538)	(5,531)
Undistributed earnings of subsidiaries and affiliates.....	(669)	(810)	(8,047)
Other	(107)	(135)	(1,286)
Total deferred tax liabilities (gross)	(1,236)	(1,483)	(14,864)
Net deferred tax assets	¥ 1,576	¥ 994	\$ 18,954

Note: The Company and its consolidated subsidiaries had temporary differences excluded from calculation of deferred tax assets of ¥13,086 million (\$157,378 thousand) and ¥12,097 million at March 31, 2011 and 2010, respectively, which are available to be offset against future taxable income.

(3) Net deferred tax assets at March 31, 2011 and 2010 are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current assets—prepaid expenses and other current assets	¥1,111	¥1,753	\$13,366
Other assets.....	470	122	5,656
Other current liabilities	(0)	(0)	(1)
Other long-term liabilities	(5)	(881)	(67)
Net deferred tax assets	¥1,576	¥ 994	\$18,954

5. RETIREMENT BENEFITS

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

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

(1) Accrued retirement benefits for employees at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥(15,100)	¥(15,643)	\$(181,597)
Plan assets	8,886	8,903	106,625
Unreserved projected benefit obligation	(6,234)	(6,740)	(74,972)
Unamortized obligation at transition	994	1,241	11,957
Unamortized actuarial loss	1,257	1,812	15,119
Unrecognized prior service cost	(940)	(1,128)	(11,305)
Net projected benefit obligation	(4,923)	(4,815)	(59,201)
Prepaid pension cost	49	—	594
Accrued retirement benefits for employees	¥ (4,972)	¥ (4,815)	\$ (59,795)

(2) Net periodic pension cost for the years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Components of net periodic benefit cost:			
Service cost	¥ 595	¥ 691	\$ 7,154
Interest cost	311	291	3,738
Expected return on plan assets	(21)	—	(248)
Amortization of unrecognized retirement benefit obligation at transition	246	246	2,963
Amortization of unrecognized actuarial loss	728	1,315	8,752
Amortization of prior service cost	(188)	(188)	(2,261)
Other	112	115	1,343
Net periodic pension cost	1,783	2,470	21,441
Total	¥1,783	¥2,470	\$21,441

(3) Basis of calculation of projected benefit obligation for the years ended 2011 and 2010, respectively.

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

6. SHAREHOLDERS' EQUITY

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

7. CONTINGENT LIABILITIES

The Company and its subsidiaries were contingently liable as guarantors of loans to others in the aggregate amount of ¥530 million (\$6,368 thousand) and ¥528 million at March 31, 2011 and 2010, respectively.

8. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2011 and 2010 amounted to ¥1,278 million (\$15,369 thousand) and ¥1,417 million, respectively.

9. OTHER COMPREHENSIVE INCOME

Effective the year ended March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" ("ASBJ Statement No. 25" issued on June 30, 2010). In accordance with this new standard, consolidated statements of comprehensive income for the year ended March 31, 2010 and 2009 are not presented. The comparative information for the year ended March 31, 2010 is as follows:

	Millions of yen 2010
Other comprehensive income:	
Net unrealized gain on available-for-sale securities	¥491
Deferred gains or losses on hedges.....	(20)
Foreign currency translation adjustments	340
Share of other comprehensive income of associates accounted for using equity method	33
Other comprehensive income	¥844
Comprehensive income attributable to:	
Shareholders of Toyo Engineering Co.	7,937
Minority interests	179
Comprehensive income	¥8,116

10. OTHER EXPENSES

"Other" in "Other expenses" for the years ended March 31, 2011 and 2010 consisted of the following:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loss on disposal of fixed assets	¥ 4	¥ 15	\$ 44
Loss on valuation of investments securities	6	—	68
Equity in losses of affiliated companies.....	—	87	—
Provision for disaster loss	95	—	1,146
Other	200	121	2,409
Total	¥305	¥223	\$3,667

11. IMPAIRMENT OF FIXED ASSETS

The Company and its consolidated subsidiaries adopted the accounting standard for impairment of fixed assets. The loss on impairment of fixed assets for the years ended March 31, 2011 and 2010 were comprised of the following:

Year ended March 31, 2011

There is no material impairment of fixed assets.

Year ended March 31, 2010

Location: Chiba Prefecture and Fukushima Prefecture
 Major use: Real Estate
 Asset category: Land, building and structure, etc.
 Amount: ¥1,213 million

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

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

The recoverable amounts of the asset groups were measured by applying net selling prices which were assessed based on the current market price of land and other salable prices or value in use which was computed by using real-estate appraisal values, etc., for the year ended March 31, 2010.

12. 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, 2011 and 2010 for noncancelable operating leases are summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Within one year	¥311	¥163	\$3,738
Over one year	405	190	4,869
Total	¥716	¥353	\$8,607

(b-2) Operating Leases (as Lessor)

Future minimum lease receivables subsequent to March 31, 2011 and 2010 for noncancelable operating leases are summarized as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Within one year	¥ 897	¥ 925	\$10,791
Over one year	5,492	6,215	66,048
Total	¥6,389	¥7,140	\$76,839

13. FINANCIAL INSTRUMENTS

For the year ended March 31, 2011

1. Condition of Financial Instruments

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

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

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

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

Notes and accounts payable are mostly due within one year.

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

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

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

2. Fair Value of Financial Instruments

Book value, fair value, and net unrealized gain or loss of financial instruments consist of the following:

It does not include items for which it is extremely difficult to determine the fair value.

At March 31, 2011	Millions of yen		
	Book value	Fair value	Unrealized gain / loss
(1) Cash and deposits	¥ 45,070	¥ 45,070	¥ —
(2) Notes and accounts receivable	30,737		
Less: Allowance for doubtful receivables	(416)		
Notes and accounts receivable, net	30,328	30,327	(1)
(3) Other current assets	8,401		
Less: Allowance for doubtful receivables	(2)		
Other current assets, net	8,399	8,399	—
(4) Marketable and investment securities			
Held-to-maturity securities	43,993	43,993	0
Other securities	4,328	4,328	—
Total of assets	132,118	132,117	(1)
(1) Notes and accounts payable	40,811	40,809	(2)
(2) Short-term borrowings	5,391	5,391	—
(3) Bonds payable due within one year	1,000	1,009	9
(4) Long-term borrowings (including current portion)	28,547	28,791	244
Total of liabilities	75,749	76,000	251
Derivatives			
not designated as hedging instruments	10	10	—
designated as hedging instruments	(18)	(18)	—
Total derivatives	¥ (8)	¥ (8)	¥ —

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

(Note 1) Computational method and related issues

Assets

(1) Cash and deposits

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

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

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

(4) Marketable and investment securities

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

Liabilities

(1) Notes and accounts payable

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

(2) Short-term borrowings

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

(3) Bonds payable due within one year

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

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

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

Derivative Transactions

See "15. DERIVATIVE TRANSACTIONS."

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

Unlisted securities that amounted to ¥2,436 million (\$29,300 thousand) as of March 31, 2011 are excluded from the above table because they are deemed extremely difficult to determine the fair values; they do not have market prices and it is not possible to conduct alternative methods such as the estimation of their future cash flows.

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

	Millions of yen			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and deposits	¥ 45,070	¥ —	¥ —	¥ —
Notes and accounts receivable	29,716	612	—	—
Other current assets.....	8,399	2	—	—
Held-to-maturity securities	43,993	—	—	—
Total	¥127,178	¥614	¥—	¥—

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

For the year ended March 31, 2011

	Millions of yen					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	Over five years
Bonds.....	¥ 1,000	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings (including current portion).....	13,383	3,131	3,458	2,647	3,547	2,381
Total	¥14,383	¥3,131	¥3,458	¥2,647	¥3,547	¥2,381

For the year ended March 31, 2010

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

1. Condition of Financial Instruments

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

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

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

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

Notes and accounts payable are mostly due within one year.

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

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

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

(Note 1) Computational method and related issues

Assets

(1) Cash and deposits

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

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

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

(4) Marketable and investment securities

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

Liabilities

(1) Notes and accounts payable

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

(2) Short-term borrowings

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

(3) Bonds

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

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

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

Derivative Transactions

See "15. DERIVATIVE TRANSACTIONS."

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

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

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

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

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

For the year ended March 31, 2010

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

14. INVESTMENT SECURITIES

The book value, unrealized gain and loss and the related fair value of held-to-maturity securities at March 31, 2011 are summarized as follows:

At March 31, 2011	Millions of yen			
	Book Value	Unrealized Gain	Unrealized Loss	Fair Value
Government bonds.....	¥43,993	¥1	¥(1)	¥43,993

The cost, unrealized gain and loss and the related book value of other securities with available fair values at March 31, 2011 are summarized as follows:

At March 31, 2011	Millions of yen			
	Acquisition Cost	Unrealized Gain	Unrealized Loss	Book Value
Equity securities.....	¥3,114	¥1,230	¥(15)	¥4,329

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

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

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

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

15. DERIVATIVE TRANSACTIONS

For the year ended March 31, 2011

1. Derivatives not designated as hedging instruments

(1) Currency-related

Non-market transaction:	Millions of yen			
	All notional amounts	Notional amounts due over one year	Fair value	Unrealized gain / loss
Foreign exchange forward contracts				
Selling				
USD	¥421	¥—	¥ 5	¥ 5
Buying				
USD	3	—	(0)	(0)
EUR	47	—	5	5
Total	¥471	¥—	¥10	¥10

2. Derivatives designated as hedging instruments

(1) Currency-related

Millions of yen							
	Main hedged items	All notional amounts	Notional amounts due over one year	Fair value	Computational method of fair value		
The method unrealized gains or losses are recorded in deferred hedge gains or losses:							
Foreign exchange forward contracts							
Selling							
USD	Accounts receivable and accounts payable	¥ 684	¥ 384	¥ (5)	Based on prices offered by the financial institution		
EUR		77	—	(3)			
Buying							
USD		415	247	5			
EUR		153	—	6			
The method unrealized gains or losses are included in their hedged items:							
Foreign exchange forward contracts							
Selling							
USD	Accounts receivable and accounts payable	6,959	885	N/A	Based on forward exchange market prices		
EUR		706	—				
SEK		4,682	1,300				
Buying							
USD		11,103	2,487				
EUR		228	51				
SEK		5,982	450				
Total		¥30,989	¥5,804	¥ 3			

(2) Interest-related

Millions of yen					
	Main hedged items	All notional amounts	Notional amounts due over one year	Fair value	Computational method of fair value
The method unrealized gains or losses are recorded in deferred hedge gains or losses:					
Interest swap contracts					
floating-for-fixed rate swap	Long-term borrowings	¥ 282	¥ 247	¥(20)	Based on price provided by the financial institution
The method unrealized gains or losses are recorded over the terms of such agreements in interest expense:					
Interest swap contracts					
floating-for-fixed rate swap	Long-term borrowings	10,978	1,468	N/A	Based on price provided by the financial institution
Total		¥11,260	¥1,715	¥(20)	

For the year ended March 31, 2010

1. Derivatives not designated as hedging instruments

(1) Currency-related

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

2. Derivatives designated as hedging instruments

(1) Currency-related

						Millions of yen		
	Main hedged items	All notional amounts	Notional amounts due over one year	Fair value	Computational method of fair value			
The method unrealized gains or losses are recorded in deferred hedge gains or losses:								
Foreign exchange forward contracts								
Selling								
USD	Accounts receivable	¥ 772	¥ 55	¥(22)	Based on prices offered by the financial institution			
EUR	and	175	—	13				
Buying								
USD	accounts payable	369	—	14				
EUR		56	—	(8)				
The method unrealized gains or losses are included in their hedged items:								
Foreign exchange forward contracts								
Selling								
USD		3,204	149		Based on forward exchange market prices			
EUR	Accounts receivable	843	—	N/A				
Buying								
USD	and	2,460	—					
EUR	accounts payable	433	—					
CHF		25	—					
GBP		3	—					
Total		¥8,340	¥204	¥ (3)				

(2) Interest-related

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

16. RENTAL PROPERTIES

For the year ended March 31, 2011

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, 2011, the Company and some of its consolidated subsidiaries recorded ¥992 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, 2010	Increase (decrease) in book value	Book value at March 31, 2011	Fair value at March 31, 2011
¥18,154	¥(538)	¥17,616	¥23,102

- Notes: 1. Book value is calculated by deducting accumulated depreciation and accumulated impairment loss from its acquisition cost.
 2. Major item in "Increase (decrease) in value" consists of depreciation expense.
 3. Computational method of fair value
 Mainly based on Real Estate Appraisal Standards.

For the year ended March 31, 2010

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

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

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

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

- Notes: 1. Book value is calculated by deducting accumulated depreciation and accumulated impairment loss from its acquisition cost.
 2. Major item in "Increase (decrease) in value" consists of ¥1,191 million of impairment loss.
 3. Computational method of fair value
 Mainly based on Real Estate Appraisal Standards.

17. SEGMENT INFORMATION

Effective the fiscal year ended March 31, 2011, 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, 2010 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, 2011	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 ...	¥141,729	¥11,061	¥ 2,907	¥155,697	¥ —	¥155,697
(2) Inter-segment net sales	202	51	243	496	(496)	—
Total	141,931	11,112	3,150	156,193	(496)	155,697
Segment profits	5,562	225	1,026	6,813	2	6,815
II Segment assets.....	¥164,209	¥ 7,096	¥21,390	¥192,695	¥5,693	¥198,388
III Others						
Depreciation	¥ 1,112	¥ 743	¥ 583	¥ 2,438	¥ (1)	¥ 2,437
Amount invested in equity method						
affiliates	3,005	—	—	3,005	—	3,005
Increase of fixed assets	985	676	23	1,684	—	1,684

Year ended March 31, 2011	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 ..	\$1,704,487	\$133,029	\$ 34,966	\$1,872,482	\$ —	\$1,872,482
(2) Inter-segment net sales	2,445	611	2,913	5,969	(5,969)	—
Total	1,706,932	133,640	37,879	1,878,451	(5,969)	1,872,482
Segment profits	66,889	2,711	12,336	81,936	24	81,960
II Segment assets	\$1,974,851	\$ 85,342	\$257,247	\$2,317,440	\$68,460	\$2,385,900
III Others						
Depreciation	\$ 13,377	\$ 8,931	\$ 7,016	\$ 29,324	\$ (11)	\$ 29,313
Amount invested in equity method						
affiliates	36,141	—	—	36,141	—	36,141
Increase of fixed assets	11,844	8,132	278	20,254	—	20,254

- 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 (¥476) million ((¥5,719) thousand) of inter-segment eliminations and ¥6,167 million (\$74,179 thousand) of non-allocated corporate assets, which is chiefly the Company's investment securities attributed to the administrative department.

Year ended March 31, 2010	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..	¥160,100	¥10,792	¥ 3,052	¥173,944	¥ —	¥173,944
(2) Inter-segment net sales	179	57	263	499	(499)	—
Total	160,279	10,849	3,315	174,443	(499)	173,944
Segment profits	11,879	191	1,000	13,070	0	13,070
II Segment assets	¥154,893	¥ 7,146	¥22,422	¥184,461	¥5,666	¥190,127
III Others						
Depreciation	¥ 950	¥ 621	¥ 661	¥ 2,232	¥ 0	¥ 2,232
Amount invested in equity method						
affiliates	2,702	—	—	2,702	—	2,702
Increase of fixed assets	1,054	1,130	8	2,192	—	2,192

- 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 (¥471) million of inter-segment eliminations and ¥6,137 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

Year ended March 31, 2011	Millions of yen					
	Japan	Brazil	India	China	Others	Total
Net sales.....	¥55,409	¥26,638	¥17,613	¥17,301	¥38,736	¥155,697

(3) Information by Major Customer

Year ended March 31, 2011	Millions of yen	
	COMPANHIA DE DESENVOLVIMENTO E MODERNIZAÇÃO DE PLANTAS INDUSTRIAIS S.A.	Related business segment
Net sales.....	¥16,854	EPC

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

For the year ended March 31, 2011

(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.....	751,115	108,176	1,261	858,030
Total.....	751,115	108,176	1,261	858,030

Notes: 1. Treasury stock increased by 108,176 shares due to the repurchase of shares less than one unit.
2. Treasury stock decreased by 1,261 shares due to the sale of shares less than one unit.

(b) Dividends

(b-1) Dividends paid to shareholder

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. Dollars)	Amount per share (Yen)	Amount per share (U.S. Dollars)	Shareholders' cut-off date	Effective date
June 23, 2010	Annual general meeting of shareholders	Common stock	864	9,287	4.5	0.05	March 31, 2010	June 24, 2010

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

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. Dollars)	Paid from	Amount per share (Yen)	Amount per share (U.S. Dollars)	Shareholders' cut-off date	Effective date
June 23, 2011	Annual general meeting of shareholders	Common stock	959	11,533	Retained earning	5.0	0.06	March 31, 2011	June 24, 2011

For the year ended March 31, 2010

(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.....	672,540	85,727	7,152	751,115
Total.....	672,540	85,727	7,152	751,115

Notes: 1. Treasury stock increased by 85,727 shares due to the repurchase of shares less than one unit.
2. Treasury stock decreased by 7,152 shares due to the sale of shares less than one unit.

(b) Dividends

(b-1) Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 23, 2009	Annual general meeting of shareholders	Common stock	768	4	March 31, 2009	June 24, 2009
November 11, 2009	Board of Directors	Common stock	480	2.5	September 30, 2009	December 1, 2009

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

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Paid from	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 23, 2010	Annual general meeting of shareholders	Common stock	864	Retained earning	4.5	March 31, 2010	June 24, 2010

19. 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, 2011 and 2010 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash and deposits	¥45,070	¥36,899	\$ 542,032
Time deposits with maturities over three months	(1,725)	(939)	(20,748)
Short-term investments with maturities within three months included in securities	43,993	37,994	529,077
Cash and cash equivalents	¥87,338	¥73,954	\$1,050,361

20. RELATED PARTY TRANSACTIONS

Unconsolidated subsidiary

For the years ended March 31, Name: CCDL CONSTRUÇOES DE DUTOS LTDA.	Millions of yen					
	2011			2010		
	Transaction amount	Title of account	Account balance	Transaction amount	Title of account	Account balance
Address: Brazil						
Capital and investments: 1,139 thousand BRL						
Business: Construction						
Equity ownership percentage: Holding 60% directly		N/A		—	Short-term loan	2,826
Relation with related party: Loan for operating fund						
Summary of transactions: Loan for operating fund						

Note: Interest rate on loan is determined by considering effective market rates.
The Company decreased ¥102 million (\$1,098 thousand) and then reserved ¥261 million (\$2,805 thousand) of allowance for doubtful accounts at March 31, 2010, against Short-term loan above.

Affiliate

For the years ended March 31, Name: NEDL - CONSTRUÇOES DE DUTOS DO NORDESTE LTDA.	Millions of yen					
	2011			2010		
	Transaction amount	Title of account	Account balance	Transaction amount	Title of account	Account balance
Address: Brazil						
Capital and investments: 2,524 thousand BRL						
Business: Construction						
Equity ownership percentage: Holding 42% directly	—	Long-term loan	3,708	—	Short-term loan	5,750
Relation with related party: Loan for operating fund						
Summary of transactions: Loan for operating fund						

Note: Interest rate on loan is determined by considering effective market rates.
The Company decreased ¥239 million (\$2,874 thousand) and ¥1,424 million, and then reserved ¥3,708 million (\$44,593 thousand) and ¥3,947 million of allowance for doubtful accounts at March 31, 2011 and 2010, against each loan above.

Other affiliates subsidiary

For the years ended March 31, Name: MIT-POWER LIMITED	Millions of yen					
	2011			2010		
	Transaction amount	Title of account	Account balance	Transaction amount	Title of account	Account balance
Address:						
Thailand						
Capital and investments:						
14,019 thousand BHT		Advance receipt on contract				
Business:						
Construction			3,253			
Equity ownership percentage:						
N/A	2,830				N/A	
Relation with related party:						
Contract for engineering and construction		Accounts receivable	14			
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.

21. BUSINESS COMBINATIONS**Year ended March 31, 2011**

Effective April 1, 2010, the Company adopted "Accounting Standard for Business Combinations" ("ASBJ Statement No. 21" issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" ("ASBJ Statement No. 22" issued on December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" ("ASBJ Statement No. 23" issued on December 26, 2008), "Revised Accounting Standard for Business Divestitures" ("ASBJ Statement No. 7" revised December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" ("ASBJ Statement No. 16" revised December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" ("ASBJ Guidance No. 10" revised December 26, 2008).

Based on the share purchase agreement on September 15, 2010, the Company acquired all the shares of ASRC Energy Services Tri Ocean Engineering Ltd. as of October 4, 2010.

(1) Outline of business combination**a. Name and business of acquired company**

Name: ASRC Energy Services Tri Ocean Engineering Ltd.

Business details: Engineering, procurement, and construction management of upstream facilities for energy development and production facilities for oil sand.

Scale of business: Net sales were approximately 32 million CAD for the year ended December 31, 2009

b. Reason for the acquisition

The experience of ASRC Energy Services Tri Ocean Engineering Ltd is effective for expanding the community-based engineering network which works on whole plant lifecycle on upstream facilities for energy development and production facilities for oil sand in Canada and the surrounding region.

c. Date of combination

October 4, 2010

d. Legal form of combination

Share acquisition from ASRC Energy Services, Inc.

e. Name after acquisition

Tri Ocean Engineering Ltd.

f. Acquired voting right ratio

100.0%

(2) Period for which acquired company's operating results included in the consolidated financial statements

Consolidated balance sheet only, as the deemed acquisition date is December 31, 2011

(3) Acquisition cost and details

Purchase price: ¥2,704 million (33 million CAD) in cash

Direct expense: ¥25 million for advisory expense

(4) Assets and liabilities assumed on the date of combination

	Millions of yen
Current assets.....	¥ 950
Fixed assets.....	68
Total assets.....	¥ 1,018
Current liability.....	¥ 121
Long-term liability.....	26
Total liability.....	¥ 147

Note: Current assets include ¥166 million of cash and cash equivalents.

(5) Goodwill, amortization method and amortization period.

a. Goodwill: ¥1,847 million (22 million CAD)

b. Amortization method and amortization period

Straight-line method over 10 years



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Report of Independent Auditors

The Board of Directors
 Toyo Engineering Corporation

We have audited the accompanying consolidated balance sheets of Toyo Engineering Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toyo Engineering Corporation and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

June 23, 2011

Ernst & Young Shin Nihon LLC

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● Moscow

Room No. 605, World Trade Center,
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Russia
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Fax: 7-495-258-2065

Global Toyo and Group Companies

■ Toyo Engineering Korea Limited

Engineering and construction for plants and
facilities
Toyo Bldg., 677-17, Yeoksam-1 Dong,
Kangnam-ku, Seoul 135-915, Korea
Tel: 82-2-2189-1620
Fax: 82-2-2189-1891
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■ Toyo Engineering Corporation, China

Engineering and construction for plants and
facilities
18th Fl., Shanghai Zhongrong Plaza, No. 1088
Pudong South Road, Pudong New District,
Shanghai 200122, China
Tel: 86-21-6187-1270
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<http://www.toyo-eng.com.cn/>

■ Toyo Engineering & Construction Sdn. Bhd.

Engineering and construction for plants and
facilities
Suite 25.4, 25th Fl., Menara Haw Par,
Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Tel: 60-3-2731-1100
Fax: 60-3-2731-1110
<http://www.toyo-m.com.my/>

■ Toyo Engineering India Limited

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

■ Saudi Toyo Engineering Company

Engineering and construction for plants and
facilities
B-504 Mada Commercial Tower 1, Prince Turki
Street, Corniche District, P.O. Box 1720,
Al Khobar-31952, Saudi Arabia
Tel: 966-3-897-0072
Fax: 966-3-893-8006

■ Toyo Engineering Europe, S.r.l.

Procurement services in Europe
10, Via Alzata, I-24030 Villa d'Adda, Bergamo,
Italy
Tel: 39-035-4390520

■ Toyo Canada Corporation

Engineering and construction for plants and
facilities
#640 Ford Tower, 633, 6th Avenue S.W.,
Calgary, Alberta T2P 2Y5, Canada
Tel: 1-403-237-8117/8127

■ Tri Ocean Engineering Limited

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1400, 727-7th Avenue S.W., Calgary,
Alberta T2P 0Z5, Canada
Tel: 1-403-266-4400
Fax: 1-403-266-5525

■ Toyo U.S.A., Inc.

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Houston, TX 77094, U.S.A.
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Fax: 1-281-599-9337

■ Toyo Ingeniería de Venezuela, C.A.

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facilities
Edif. Cavendes, Piso 10, Av. Francisco de Miranda
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Caracas 1062, Venezuela
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Fax: 58-212-285-1354

■ Toyo do Brasil Consultoria E Construcoes Industriais Ltda.

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Praia de Botafogo, 228-Sala 801C-Ala B, Bota-
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Fax: 55-21-3621-6101

■ Toyo-Thai Corporation Public Company Limited

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

■ Atlatec, S.A. de C.V.

Engineering and construction and operation &
maintenance for water facility treatment
Privada San Alberto 301, Residential Santa
Barbara, San Pedro Garza Garcia, N.L. 66266
Mexico
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Fax: 52-81-8133-3282
<http://www.atlatec.com/>

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● TEC Estate, Ltd.

Property development and real estate
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Fax: 81-47-453-3250

● Suntec Corporation

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Fax: 81-47-454-1842

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Fax: 81-47-433-4593

● Tecno Frontier Co., Ltd.

Environmental engineering and construc-
tion of facilities
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Tel: 81-47-454-1178
Fax: 81-47-454-1550

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0005, Japan
Tel: 81-47-433-7234

● TEC Software & Technical Services Corporation

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

● TEC Air Service Corporation

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

● TEC Accounting & Consulting, Ltd.

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

● Toyo Business Engineering Corporation

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

● Chiba Data Center Corporation

Website planning and its production &
maintenance, data entry, and commercial
printing
6-5-3 Tendai, Inage-ku, Chiba-shi,
Chiba 263-0016, Japan
Tel: 81-43-284-3611
Fax: 81-43-284-3533

● Toyo Transport Engineering Co., Ltd.

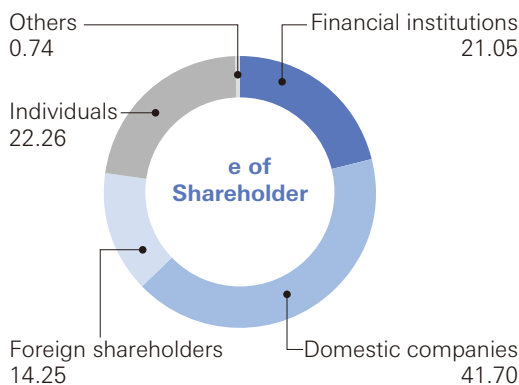
Consulting for total transportation solutions
2-8-1 Akanehama, Narashino-shi,
Chiba 275-0024, Japan
Tel: 81-47-454-1660
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(As of March 31, 2011)

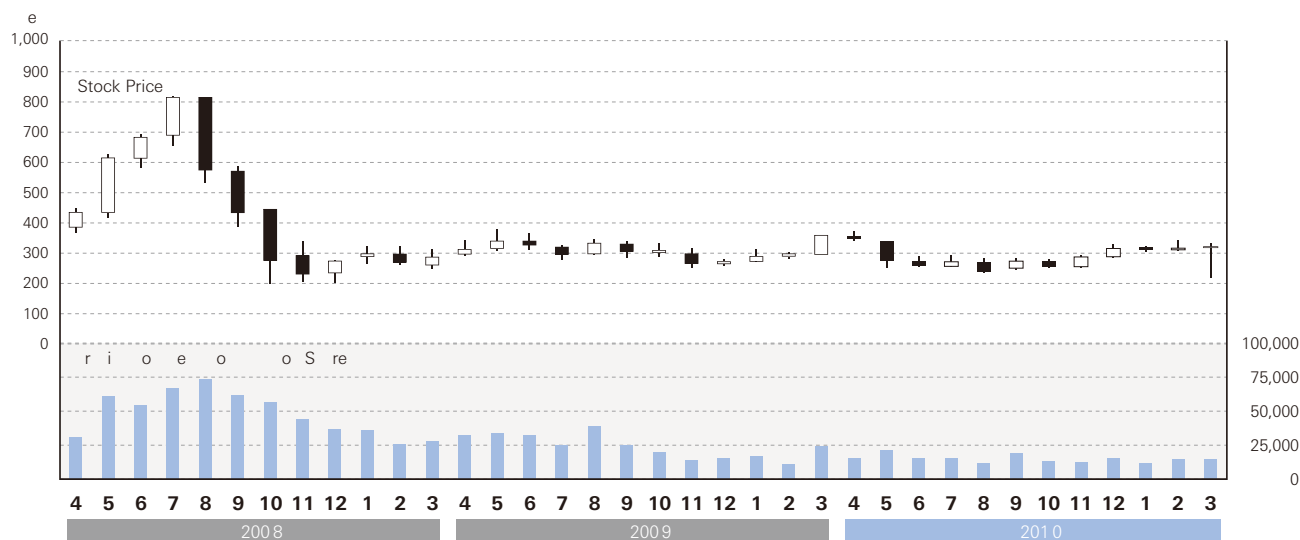
Founded:	May 1, 1961
Common Stock:	¥18,199 million
Stock Exchange Listing:	Tokyo Stock Exchange
Authorized Shares:	500,000,000
Capital Stock Issued:	192,792,539
Number of Shareholders:	15,355
Administrator of Shareholders' Register:	The Chuo Mitsui Trust and Banking Company, Limited 3-33-1 Shiba, Minato-ku, Tokyo 105-8574, Japan

Major Shareholders:

	Number of shares (thousands)	Percentage of total (%)
Mitsui & Co., Ltd.	43,770	22.70
Mitsui Chemicals, Inc.	25,703	13.33
Japan Trustee Services Bank, Ltd. Trust Account	8,212	4.25
The Master Trust Bank of Japan, Ltd. Trust Account	5,953	3.08
Taisei Corporation	5,000	2.59
The Nomura Trust & Banking Co., Ltd. Trust Account	3,850	1.99
Japan Trustee Services Bank, Ltd. Trust Account 9	3,319	1.72
Trust and Custody Services Bank, Ltd. Pension Trust Account	3,028	1.57
Nomura Asset Management U.K. Ltd. Sub Account Evergreen Nominees Ltd.	2,452	1.27
Sumitomo Mitsui Banking Corporation	2,350	1.21



Stock Chart:



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