

# NONCONSOLIDATED BALANCE SHEETS

Toyo Engineering Corporation  
March 31, 2000 and 1999

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
<b>Current assets:</b>			
Cash .....	¥ 59,013	¥ 51,490	\$ 555,940
Marketable securities (Notes 4 and 13) .....	7,325	6,881	69,006
Notes and accounts receivable (Note 4).....	55,780	76,977	525,483
Less: Allowance for doubtful receivables.....	872	2,304	8,215
	54,928	74,673	517,268
Contract work in progress.....	43,635	58,129	411,069
Short-term loans .....	4,947	3,089	46,604
Prepaid expenses and other current assets (Note 5).....	7,646	9,609	72,030
Total current assets .....	177,474	203,871	1,671,917
<b>Investments:</b>			
Investment securities (Note 13) .....	2,548	2,162	24,004
Investments in subsidiaries and affiliates (Note 13).....	6,480	4,509	61,046
Long-term loans.....	762	3,566	7,179
Funded insurance premiums .....	738	784	6,952
Others .....	866	2,226	8,158
Total investments .....	11,394	13,247	107,339
<b>Property, plant and equipment, at cost:</b>			
Land (Note 4) .....	13,495	14,173	127,131
Buildings and structures (Note 4).....	15,551	17,707	146,500
Tools, furniture and fixtures .....	3,938	4,447	37,098
Construction in progress.....	6	7	57
Total .....	32,990	36,334	310,786
Less: Accumulated depreciation .....	10,617	11,290	100,019
Property, plant and equipment-net .....	22,373	25,044	210,767
<b>Other assets (Note 5).....</b>	<b>2,757</b>	<b>1,947</b>	<b>25,973</b>
	¥ 213,998	¥ 244,109	\$ 2,015,996

See notes to nonconsolidated financial statements.

Liabilities and Shareholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
<b>Current liabilities:</b>			
Short-term bank loans (Note 4) .....	¥ 37,490	¥ 30,629	\$ 353,179
Current portion of long-term debt (Note 4).....	19,810	15,689	186,623
Notes and accounts payable .....	20,564	35,316	193,726
Income taxes (Note 5) .....	620	137	5,841
Advance receipts on uncompleted contracts .....	36,755	41,363	346,255
Other current liabilities.....	9,815	14,922	92,463
Total current liabilities.....	125,054	138,056	1,178,087
<b>Long-term debt (Note 4).....</b>	<b>45,853</b>	<b>63,232</b>	<b>431,964</b>
<b>Accrued retirement allowances (Note 6) .....</b>	<b>718</b>	<b>636</b>	<b>6,764</b>
<b>Other long-term liabilities (Note 5) .....</b>	<b>1</b>	<b>1</b>	<b>10</b>
<b>Contingent liabilities (Note 9)</b>			
<b>Shareholders' equity:</b>			
Common stock, par value ¥50 per share:			
Authorized: 500,000,000 shares			
Issued: 175,692,539 shares .....	13,018	13,018	122,638
Additional paid-in capital .....	15,592	15,592	146,886
Legal reserve (Note 7) .....	1,772	1,772	16,694
Retained earnings (deficit):			
Appropriated .....	11,740	22,145	110,598
Unappropriated (accumulated deficit)(Note 8).....	250	(10,343)	2,355
Total shareholders' equity .....	42,372	42,184	399,171
	¥ 213,998	¥ 244,109	\$ 2,015,996

# NONCONSOLIDATED STATEMENTS OF OPERATIONS

Toyo Engineering Corporation  
Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
<b>Net sales (Note 10)</b> .....	¥ 139,845	¥ 228,771	\$ 1,317,428
<b>Cost of sales</b> .....	131,914	228,681	1,242,713
Gross profit .....	7,931	90	74,715
<b>Selling, general and administrative expenses</b> .....	8,926	11,836	84,088
<b>Operating loss</b> .....	955	11,746	9,373
<b>Other income:</b>			
Interest and dividends .....	2,242	2,622	21,121
Gain on sales of property, plant and equipment .....	1,988	—	18,728
Gain on sales of marketable and investment securities .....	6,718	—	63,288
Other .....	661	3,645	6,227
	11,609	6,267	109,364
<b>Other expenses:</b>			
Interest .....	3,231	3,318	30,438
Incentive compensation for early retirement .....	2,922	—	27,527
Other (Note 11) .....	3,675	7,129	34,621
	9,828	10,447	92,586
<b>Income (loss) before income taxes</b> .....	786	(15,926)	7,405
<b>Income taxes (Note 5)</b>			
Current .....	620	144	5,841
Deferred .....	(22)	(552)	(207)
	598	(408)	5,634
<b>Net income (loss)</b> .....	¥ 188	¥ (15,518)	\$ 1,771
<b>Per share of common stock:</b>			
Net income (loss) .....	¥ 1.07	¥ (88.32)	\$ 0.01

See notes to nonconsolidated financial statements.

# NONCONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Toyo Engineering Corporation  
Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
<b>Common stock:</b>			
Balance at beginning of the year.....	¥ 13,018	¥ 13,018	\$ 122,638
Balance at end of the year .....	¥ 13,018	¥ 13,018	\$ 122,638
<b>Additional paid-in capital</b>			
Balance at beginning of the year.....	¥ 15,592	¥ 15,592	\$ 146,886
Balance at end of the year .....	¥ 15,592	¥ 15,592	\$ 146,886
<b>Legal reserve (Note 7):</b>			
Balance at beginning of the year.....	¥ 1,772	¥ 1,719	\$ 16,694
Add—Transfer from unappropriated retained earnings .....	—	53	—
Balance at end of the year.....	¥ 1,772	¥ 1,772	\$ 16,694
<b>Appropriated retained earnings:</b>			
Balance at beginning of the year.....	¥ 22,145	¥ 55,000	\$ 208,620
Add—Transfer from unappropriated retained earnings .....	5	13	47
Deduct—Transfer to unappropriated retained earnings .....	10,410	32,868	98,069
Balance at end of the year.....	¥ 11,740	¥ 22,145	\$ 110,598
<b>Unappropriated retained earnings (accumulated deficit):</b>			
Balance at beginning of the year.....	¥ (10,343)	¥ (30,971)	\$ (97,438)
Add—Net income (loss) .....	188	(15,518)	1,771
—Transfer from appropriated retained earnings .....	10,410	32,868	98,069
Deduct—Cash dividends .....	—	527	—
—Transfer to legal reserve (Note 7) .....	—	53	—
—Transfer to appropriated retained earnings .....	5	13	47
Balance at end of the year (Note 8) .....	¥ 250	¥ (10,343)	\$ 2,355

See notes to nonconsolidated financial statements.

# NONCONSOLIDATED STATEMENTS OF CASH FLOWS

Toyo Engineering Corporation  
Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
<b>Operating activities:</b>			
Net income (loss) .....	¥ 188	¥ (15,518)	\$ 1,771
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization .....	1,005	1,066	9,468
Gain on sales of marketable and investment securities-net .....	(7,197)	—	(67,800)
Loss (gain) on disposal of property, plant and equipment-net .....	(1,898)	95	(17,880)
Provision for (reversal of) doubtful receivables .....	(784)	2,259	(7,386)
Deferred income taxes .....	(23)	(552)	(217)
Other-net .....	(750)	1,073	(7,065)
Changes in operating assets and liabilities:			
Decrease in notes and accounts receivable .....	21,197	19,931	199,689
Decrease in contract work in progress .....	14,494	10,068	136,543
Decrease in notes and accounts payable .....	(14,752)	(2,079)	(138,973)
Decrease in advance receipts on uncompleted contracts .....	(4,608)	(11,157)	(43,410)
Increase in income taxes .....	483	126	4,550
Other-net .....	(845)	2,267	(7,961)
Net cash provided by operating activities .....	6,510	7,579	61,329
<b>Investing activities:</b>			
Decrease in marketable securities .....	2,732	5,703	25,737
Purchases of property, plant and equipment .....	(162)	(3,063)	(1,526)
Proceeds from sales of property, plant and equipment .....	3,851	3,644	36,279
Investments in subsidiaries and affiliates-net .....	(1,971)	(423)	(18,568)
Proceeds from investment securities-net .....	3,387	361	31,908
Decrease (increase) in short-term loans .....	942	(3,089)	8,874
Decrease (increase) in long-term loans .....	4	(3,495)	38
Decrease in funded insurance premiums-net .....	46	82	433
Net cash provided by (used in) investing activities .....	8,829	(250)	83,175
<b>Financing activities :</b>			
Increase in short-term bank loans .....	7,168	4,659	67,527
Proceeds from long-term debt .....	3,209	16,844	30,231
Repayment of long-term debt .....	(15,693)	(10,645)	(147,838)
Dividends paid .....	0	(527)	0
Other .....	(2,500)	—	(23,552)
Net cash (used in) provided by financing activities .....	(7,816)	10,531	(73,632)
<b>Effect of exchange rate changes on cash .....</b>	0	(61)	0
<b>Net increase in cash .....</b>	7,523	17,769	70,872
<b>Cash, beginning of the year .....</b>	51,490	33,721	485,068
<b>Cash, end of the year .....</b>	¥ 59,013	¥ 51,490	\$ 555,940
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid (received) during the year for:			
Interest .....	¥3,277	¥ 3,397	\$ 30,871
Income taxes .....	112	(233)	1,055

See notes to nonconsolidated financial statements.

## 1. BASIS OF PRESENTING NONCONSOLIDATED FINANCIAL STATEMENTS

The accompanying nonconsolidated financial statements of Toyo Engineering Corporation (the "Company") have been prepared from the financial statements filed with the Ministry of Finance as required by the Japanese Securities and Exchange Law in accordance with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Relevant notes and statements of shareholders' equity and cash flows which are not required have been added and certain reclassifications have been made to present the accompanying nonconsolidated financial statements in a format that is familiar to readers outside Japan. For the convenience of the readers, the accompanying nonconsolidated financial statements have also been presented in U.S. dollars by translating all Japanese yen amounts at the exchange rate of ¥106.15 to U.S.\$1 prevailing on March 31, 2000.

Due to a change, effective the year ended March 31, 2000, in the regulation relating to accounting for research and development costs, the Company adopted a new standard. The adoption of the standard has no material impact on the nonconsolidated financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Marketable Securities and Investments

Marketable securities and marketable investment securities listed on stock exchanges are stated at the lower of cost or market. Other securities and investments in subsidiaries and affiliates are stated at cost. Cost is determined by the moving-average method.

### (b) Contract Work in Progress

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

### (c) Depreciation

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

### (d) Leases

Noncancelable lease transactions are accounted for as operating leases except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

### (e) Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided at an estimated amount of probable bad debts plus the maximum amount permitted to be deductible for tax purposes under the Japanese tax law.

### (f) 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.

### (g) Accrued Retirement Allowances

The Company has a noncontributory funded pension plan.

The accrued retirement allowances substantially represent the amount of directors' and statutory auditors' unfunded retirement allowances required to be paid if they terminated their service pursuant to internal policies of the Company.

### (h) Foreign Currency Translation

Short-term receivables and payables in foreign currencies are translated at current exchange rates at the balance sheet date. Long-term receivables and payables in foreign currencies are translated at historical exchange rates.

### (i) Recognition of Revenues

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

For contracts, the contract prices of which are equal to or in excess of ¥5 billion (\$47 million) and the construction periods of which will extend for a period in excess of two years, revenues are recognized by the percentage-of-completion method. According to the method, the revenue is computed by multiplying the contract price by the ratio of costs incurred at the balance sheet date to the total estimated cost.

### (j) Net Loss per Share

Net loss per share is computed based on the weighted average number of shares outstanding during each year.

Diluted net loss per share information is not shown since there was no potential common stock in 2000 and 1999.

### (k) Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. 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 settled.

### 3. ACCOUNTING CHANGE

Effective the year ended March 31, 2000, the Company changed its method of accounting for the noncontributory pension contributions of past service cost to the plan assets to reclassify as selling, general and administrative expenses and manufacturing costs. In prior years, these contributions were accounted for as other expenses when paid. This change was made to achieve further improvement of the Company's cost accounting. The effect of this change was to increase income before income taxes by ¥19 million (\$178 thousand).

### 4. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans are represented by notes maturing generally in 180 days or overdraft. The annual interest rate applicable to the loans outstanding at March 31, 2000 ranged principally from 0.73% to 1.65% and at March 31, 1999 ranged from 0.7069% to 1.625%. Customarily, these notes are renewed at maturity without difficulty, and management anticipates that this financing method will be continued.

Long-term debt at March 31, 2000 and 1999 is summarized as follows :

March 31,	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Loans, principally from banks, at interest rates ranging from 0.0225% to 7.24%, due 2000-2033:			
Secured .....	¥ 26,196	¥ 25,723	\$ 246,783
Unsecured.....	39,467	53,198	371,804
Total long-term borrowings .....	65,663	78,921	618,587
Less: Current portion .....	19,810	15,689	186,623
	¥ 45,853	¥ 63,232	\$ 431,964

The following assets at March 31, 2000 and 1999 are pledged as collateral mainly for long-term debt:

March 31,	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Marketable securities.....	¥ 5,772	¥ 670	\$ 54,376
Notes and accounts receivable.....	11,788	15,783	111,050
Land and buildings, net of accumulated depreciation.....	18,092	18,918	170,438
	¥ 35,652	¥ 35,371	\$ 335,864

The following schedule shows the maturities of long-term borrowings outstanding at March 31, 2000:

	Millions of yen	Thousands of U.S. dollars
2001 .....	¥ 19,810	\$ 186,623
2002 .....	20,730	195,290
2003 .....	7,039	66,312
2004 .....	6,679	62,920
2005 .....	2,630	24,776
2006 and after.....	8,775	82,666
	¥ 65,663	\$ 618,587

## 5. INCOME TAXES

The normal statutory rate of income taxes is approximately 41.8% and 47.4% for the years ended March 31, 2000 and 1999, respectively.

(1) Reconciliations of the normal statutory income tax rates to effective income tax rates were as follows:

Years ended March 31.	2000	1999
The normal statutory income tax rate in Japan.....	41.8%	47.4%
Adjustment :		
Permanently nondeductible expenses .....	21.7	(1.9)
Permanently nontaxable dividends received.....	(5.0)	0.1
Effect on operating loss carryforwards, etc. ....	0.6	(41.2)
Others.....	17.0	(1.8)
Effective income tax rate .....	76.1%	2.6%

(2) Significant components of the Company's deferred income tax assets and liabilities at March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Deferred tax assets:			
Allowance for doubtful receivables.....	¥ 1,354	¥ 1,588	\$ 12,756
Accrued retirement allowances.....	277	240	2,609
Difference in the net sales recognized by the percentage-of-completion method.....	596	2,401	5,615
Difference in securities and investment securities.....	1,639	—	15,440
Others .....	617	240	5,813
Deferred tax assets total—gross .....	4,483	4,469	42,233
Deferred tax assets :			
Reserve for overseas investment losses .....	(38)	(45)	(358)
Others .....	0	(1)	0
Deferred tax assets total—net.....	¥ 4,445	¥4,423	\$ 41,875

(3) Total deferred tax assets at March 31, 2000 and 1999 are included in the nonconsolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Current assets-prepaid expenses and other current assets.....	¥ 2,723	¥ 3,233	\$ 25,652
Other assets.....	1,722	1,190	16,222
Total deferred tax assets .....	¥ 4,445	¥ 4,423	\$ 41,874

The Company has operating loss carryforwards equivalent to unrecognized tax assets of ¥14,961 million (\$136,232 thousand) and ¥14,423 million at March 31, 2000 and 1999, respectively, which are available as an offset against future taxable income.

## 6. ACCRUED RETIREMENT ALLOWANCES

Accrued retirement allowances include directors' and statutory auditors' retirement allowances of ¥601 million (\$5,662 thousand) and ¥506 million at March 31, 2000 and 1999, respectively.

## 7. LEGAL RESERVE

In accordance with the provisions of the Commercial Code of Japan, the Company provides that an amount equal to at least 10% of cash payments paid by the Company as an appropriation of retained earnings (including cash dividends and bonuses to directors) be appropriated as a legal reserve until such reserve equals 25% of its common stock. The legal reserve may be used to reduce a deficit or may be transferred to common stock through the appropriate shareholders' action. It is not available for dividend payments.

## 8. APPROPRIATION OF RETAINED EARNINGS

On June 29, 2000, the shareholders approved the following appropriations of retained earnings, which have not been reflected in the nonconsolidated financial statements for the year ended March 31, 2000:

	Millions of yen	Thousands of U.S. dollars
Accumulated retained earnings at March 31, 2000.....	¥ 250	\$ 2,355
Transfer from appropriated retained earnings.....	13	123
	¥ 263	\$ 2,478
Appropriations:		
Transfer to appropriated retained earnings .....	—	—
Balance carried forward.....	¥ 263	\$ 2,478

At March 31, 2000, the Company was a guarantor of loans amounting to ¥15,457 million (\$145,615 thousand).

## 9. CONTINGENT LIABILITIES

## 10. NET SALES

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

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
	¥ 88,570	¥151,102	\$ 834,385

## 11. OTHER EXPENSES

The components of "Other" in "Other expenses" for the years ended March 31, 2000 and 1999 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Loss on liquidation of canceled contract.....	¥ —	¥ 1,152	\$ —
Provision for bad debt.....	—	2,463	—
Unrealized loss on securities.....	617	1,276	5,813
Foreign exchange losses.....	1,616	405	15,224
Others.....	1,442	1,833	13,584
Total.....	¥ 3,675	¥ 7,129	\$ 34,621

## 12. LEASES

### (a) Finance Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property as of March 31, 2000 and 1999 which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Acquisition costs:			
Tools, furniture and fixtures .....	¥ 650	¥ 1,389	\$ 6,123
Accumulated depreciation:			
Tools, furniture and fixtures .....	465	1,015	4,380
Net book value:			
Tools, furniture and fixtures .....	185	374	1,743

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2000 for finance lease transactions accounted for as operating leases are summarized as follows:

Years ended March 31,	Millions of yen	Thousands of U.S. dollars
2001 .....	¥ 88	\$ 829
2002 and after.....	97	914
Total.....	¥ 185	\$ 1,743

## 13. MARKETABLE AND INVESTMENT SECURITIES

Lease payments relating to finance lease transactions accounted for as operating leases for the years ended March 31, 2000 and 1999 amounted to ¥115 million (\$1,083 thousand) and ¥275 million, respectively, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the respective lease terms.

### (b) Operating Leases

Future minimum lease payments subsequent to March 31, 2000 for noncancelable operating leases are summarized as follows:

Years ended March 31,	Millions of yen	Thousands of U.S. dollars
2001 .....	¥ 26	\$ 245
2002 and after.....	6	56
<b>Total.....</b>	<b>¥ 32</b>	<b>\$ 301</b>

The carrying value and related aggregate market value of current and noncurrent marketable securities included in marketable securities, investment securities and investments in unconsolidated subsidiaries and affiliates at March 31, 2000 and 1999 were as follows:

At March 31, 2000	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Acquisition costs:			
Current:			
Carrying value .....	¥ 6,640	¥ 5,949	\$ 62,553
Aggregate market value .....	9,861	6,609	92,897
Net unrealized gain .....	¥ 3,221	¥ 660	\$ 30,344
Noncurrent:			
Carrying value .....	¥ 3,235	¥ 1,467	\$ 30,476
Aggregate market value .....	3,603	2,720	33,943
Net unrealized gain .....	¥ 368	¥ 1,253	\$ 3,467

## 14. DERIVATIVE TRANSACTIONS

### (a) Foreign Exchange Contracts

The Company has entered into foreign exchange contracts to reduce its exposure to adverse fluctuations in foreign exchange rates relating to receivables and payables denominated in foreign currencies. The contract amounts and related market values at March 31, 2000 and 1999 were as follows:

At March 31, 2000	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
(i) Forward exchange contracts to sell U.S. dollars:			
Contract amounts .....	¥ 1,690	¥ 5,614	\$ 15,921
Related market value*1 .....	1,680	5,174	15,827
Net unrealized gain .....	¥10	¥ 440	\$ 94
(ii) Forward exchange contracts to buy U.S. dollars:			
Contract amounts .....	¥ 3,145	¥ 8,763	\$ 29,628
Related market value*1 .....	3,176	8,639	29,920
Net unrealized loss .....	¥ (31)	¥ (124)	\$ 292
(iii) Forward exchange contracts to buy other currencies:			
Contract amounts .....	¥ 1,527	¥ 537	\$ 14,385
Related market value*1 .....	1,472	498	13,867
Net unrealized gain (loss) .....	¥ 55	¥ (38)	\$ 518

\*1 Related market values at March 31, 2000 and 1999 were based on the forward rate at March 31, 2000 and 1999.

The contract amounts exclude contracts entered into to hedge receivables and payables denominated in foreign currencies, which have been translated and reflected in the corresponding contracted rates in the accompanying balance sheets.

**(b) Interest Rate Swap Agreements**

The Company has entered into interest rate swap agreements to reduce its interest expense or its exposure to adverse fluctuations in interest rates relating to loans payable. The total notional amounts of these interest rate swap agreements at March 31, 2000 and 1999 were as follows:

At March 31, 2000	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Notional amounts*2 .....	¥ 1,800	¥ 3,688	\$ 16,957
Related market value.....	1,808	3,698	17,032
Net unrealized gain .....	¥ 8	¥ 10	\$ 75

\*2 Notional amounts included in these figures whose remaining terms extend more than one year after the balance sheet date were as follows:

At March 31, 2000	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Notional amount .....	¥ 1,600	¥ 2,000	\$ 15,073



■ Certified Public Accountants  
Hibiya Kokusai Bldg.  
2-2-3, Uchisaiwai-cho  
Chiyoda-ku, Tokyo 100-0011  
C.P.O. Box 1196, Tokyo 100-8641

■ Phone: 03 3503-1100  
Fax: 03 3503-1197

The Board of Directors and Shareholders  
Toyo Engineering Corporation

We have audited the nonconsolidated balance sheets of Toyo Engineering Corporation as of March 31, 2000 and 1999, and the related nonconsolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying nonconsolidated financial statements, expressed in yen, present fairly the financial position of Toyo Engineering Corporation at March 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis except for the change, with which we concur, in the method of accounting for the noncontributory pension contributions of past service cost to the plan assets as described in Note 3 to the nonconsolidated financial statements.

As described in Note 1 to the nonconsolidated financial statements, Toyo Engineering Corporation has adopted new accounting standards for research and development costs in the preparation of the nonconsolidated financial statements for the year ended March 31, 2000.

The U.S. dollar amounts in the accompanying nonconsolidated financial statements with respect to the year ended March 31, 2000 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 to the nonconsolidated financial statements.

Century Ota Showa & Co.

June 29, 2000

See note 1 to the nonconsolidated financial statements which explains the basis of preparing the nonconsolidated financial statements of Toyo Engineering Corporation under Japanese accounting principles and practices.