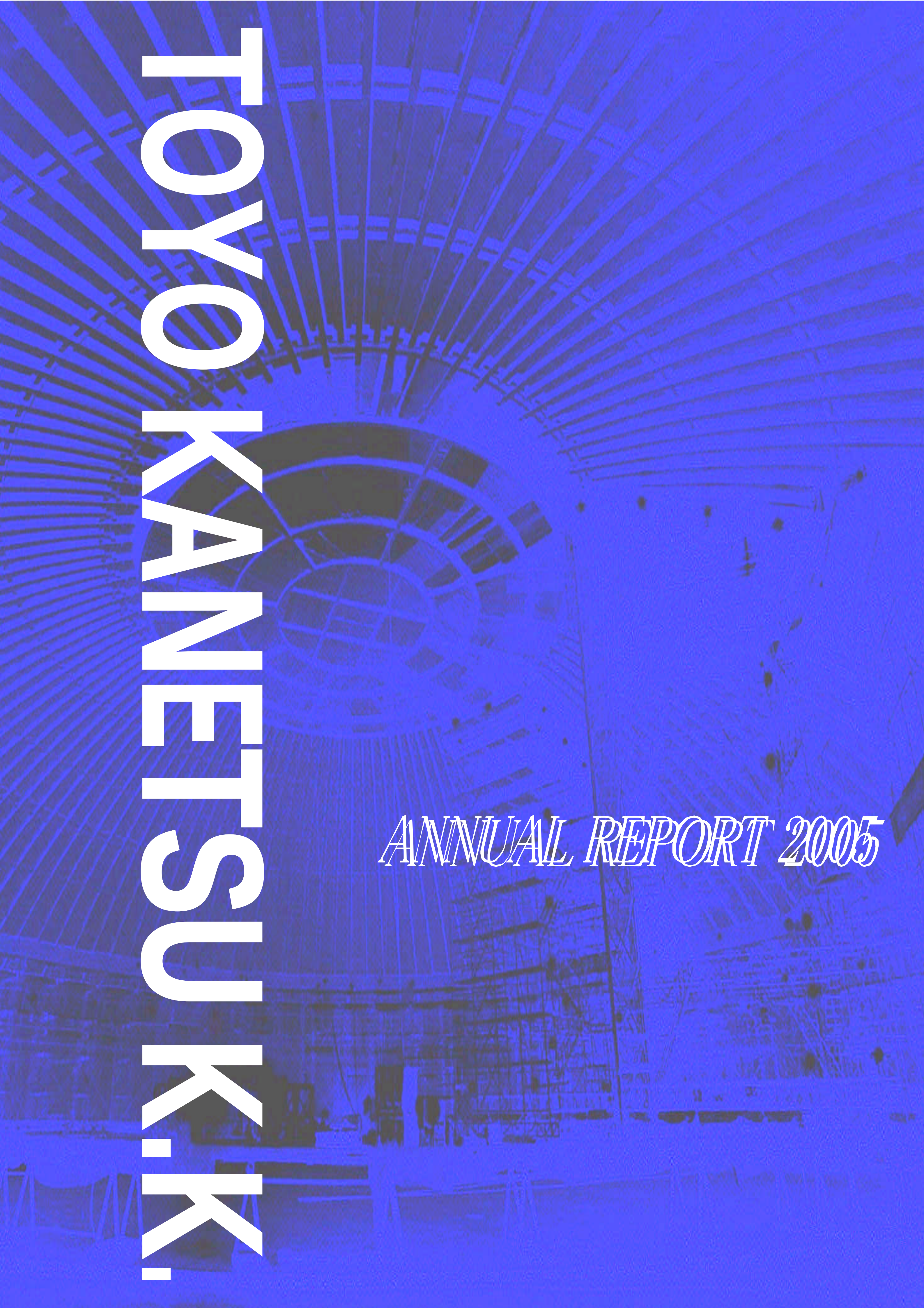

TOYO KANETSU K.K.

ANNUAL REPORT 2005

Profile

Toyo Kanetsu K.K. (TKK) was established in the year of 1941. Since that time, TKK has continued to meet the requirements of the industry through our policy of "Customers First."

The Plant & Machinery Division was established in 1950 when in-house welding technology was developed for welded storage tanks. Since then, our expertise has expanded to provide customers various kinds of storage tanks consisting of more than 5,000 units varying from crude oil storage tanks to LNG storage tanks. Particularly, we are proud of our outstanding track record of LNG Storage Tank construction, with 25 tanks in Japan and 50 tanks in overseas sites in Asia, Africa, Middle East, Oceania and the Western Hemisphere. Our technical expertise and our outstanding record of Safety, Quality & Delivery have been recognized and appreciated by the major clients throughout the world.

The Building Construction Division was started in 1989 for construction of apartment houses with application of modular steel frame structures. The Division has expanded its activities to shop and office buildings with use of prefabricated construction methods as well as conventional construction methods.

The Material Handling Systems Division was begun in 1953 for manufacture and installation of highly standardized conveyors systems. Since that time, the Division has continued to develop the technology to meet the needs of our clients. The Division supplied one of the largest Airport Baggage Handling Systems in the world in 1998 at Kuala Lumpur International Airport in Malaysia. Also, as a leading provider company of Logistics Solutions in Japan, the Division has successfully completed numerous projects such as Distribution Center System, Truck Terminal System, Food Distribution Processing Center and Postal Sorting System. The Division became a subsidiary company of TKK under the name of Toyo Kanetsu Solutions K.K. in 2002 in order to maximize the efficiency and also to vitalize TKK Group companies.

TKK will continue to provide the advanced technology to answer the needs of its clients for today and tomorrow.

Contents

Toyo Kanetsu K.K. and Consolidated Subsidiaries

Financial Highlights

	Millions of yen					*Thousands of U.S. dollars*
	2005	2004	2003	2002	2001	***2005***
For the Years Ended 31st March:						
Net Sales	**¥ 39,734**	¥ 43,914	¥ 36,662	¥ 39,729	¥ 37,502	***$370,240***
Material Handling Systems Division	**13,595**	17,550	15,487	15,338	22,697	***126,681***
Plant & Machinery Division	**15,217**	10,386	7,543	7,342	6,286	***141,790***
Building Construction Division	**7,533**	9,280	9,499	10,808	5,814	***70,195***
Others	**3,389**	6,698	4,133	6,241	2,705	***31,574***
Operating Income (Loss)	**1,349**	923	372	(1,639)	179	***12,565***
Net Income (Loss)	**1,011**	1,042	(2,333)	(15,997)	(712)	***9,418***
Cash dividends	**-**	-	-	-	-	-
At 31st March:						
Current Assets	**22,796**	21,024	18,643	21,369	28,528	***212,411***
Net Property, Plant and Equipment	**16,544**	17,052	17,966	20,680	15,030	***154,155***
Investments and Advances	**16,300**	16,103	11,525	13,402	23,276	***151,886***
Intangibles and Deferred Charges	**317**	280	295	191	213	***2,956***
Total Assets	**55,957**	54,459	48,429	55,642	67,047	***521,408***
Current Liabilities	**20,420**	16,893	18,864	22,625	24,539	***190,268***
Long-Term Liabilities	**11,507**	13,534	10,014	12,716	6,669	***107,221***
Minority Interests in Consolidated Subsidiaries	**25**	19	20	20	37	***236***
Shareholders' Equity	**24,005**	24,013	19,531	20,281	35,802	***223,683***
Total Liabilities, Minority Interests and Shareholder 's Equity	**55,957**	54,459	48,429	55,642	67,047	***521,408***
Order Backlog	**34,232**	34,701	40,266	35,767	34,841	***318,976***

	Yen					*U.S. dollars*
Per Share:						
Net Income (Loss)	**¥ 7.31**	¥ 7.53	¥ (16.85)	¥ (115.32)	¥ (5.14)	***$ 0.07***
Cash dividends	**-**	-	-	-	-	-
Shareholders' Equity	**173.57**	173.55	141.18	146.21	258.07	***$ 1.62***
Number of Shareholders	**16,418**	16,078	17,102	17,705	17,653	
Number of Employees	**525**	564	573	588	755	

; The U.S. dollar amounts in this annual report represent translations of Japanese yen at the rate of ￥107.32=$1.00, solely for the reader's convenience.

Message from the President

Over View

The domestic economy during this fiscal year saw a steady recovery in the first half due to increases in exports and manufacturing as well as high-level capital expenditure. However, downward market conditions from the latter half onwards, such as exports turning sluggish and commodity prices increasing, have caused the market to remain stagnant.

Under such macro economic conditions and with full recovery in consumer spending expected to take a considerable amount of time, large-scaled capital expenditure was held in check on the one hand while on the other, outsourcing of distribution progressed and the call for cost reduction heightened. These factors caused The Material Handling Systems Business to face an environment difficult for securing new orders. The Plant & Machinery Business managed to conclude ongoing domestic federal transactions, but against a backdrop of surging demand for natural gas as a clean energy source, they continued to receive overseas inquiries frequently for low temperature and ultra-low temperature tanks to act as LPG and LNG storage facilities. The Building Construction Business faced tough competition for orders in addition to suffering skyrocketing costs of architectural material and continued to endure a harsh environment.

Our corporate group as a whole managed to secure a considerable increase in operating income and income before special items despite a decrease in income as a result of brisk business results of the Plant & Machinery Business along with efforts to improve profitability across all businesses.

Net sales for the fiscal year were JPY 39.7 billion (US$370 million), down 9.5% from the previous fiscal year, operating income was JPY1.3 billion (US$13 million), up 46.1%, and income before special items was JPY1.7 billion (US$16 million), up 20.6% from the previous year. However, as a result of security write-offs and write-downs of fixed assets, etc. in order to keep assets strong, net income for this fiscal year was JPY1.0 billion (US$9 million), down 3.0% from the previous year. Again, the amount of orders received was JPY35.9 billion (US$334 million), up 13.4% from the previous year.

A brief summary of each business follows:

The Material Handling Systems Business
We have been concentrating on IT-based material handling systems such as our prominent Picking System and Warehouse Management System (WMS), and as a result of energetic sales activity we have received a greater amount of orders compared to the previous year. Sales to Co-ops, mass retailers and subcontracted transport services grew steadily in addition to completion as scheduled of large construction projects such as the Central Japan International Airport and Haneda Airport, which contributed to net sales. However, a large project currently in progress is scheduled to be completed during the first half of the next fiscal year, causing the net sales figure to decrease compared with the previous year. Nevertheless, cost reduction efforts have led to an increase in operating profit compared with the previous fiscal year.
As a result, our net sales figure was JPY13.6 billion (US$127 million), down 22.5% from the previous fiscal year and orders received were JPY15.9 billion (US$148 million), up 12.7% from the previous fiscal year.

The Plant & Machinery Business
We have been making use of our vast experience and technological expertise as a specialist manufacturer to carry out brisk sales activity in the Middle East and Southeast Asia. This has resulted in a large volume of orders being received for materials of various tanks as well as for large construction projects during the first half of the year for large-scaled gas projects which are continuously being planned and implemented in Iran and Qatar. Also, during the latter half of the fiscal year, our overseas processing base was successful in Indonesia, to where many tanks have been supplied in the past, in contracting 2 of the world's largest volume LNG tanks. On the domestic front, we actively participated in the reconstruction and improvement of existing oil tanks in accordance with revisions to laws concerning preventive measures against earthquake disasters, and concentrated efforts on receiving orders for related maintenance work. Sales increased due to favorable progression of construction work for LPG and LNG tanks in both domestic and worldwide markets. Despite factors such as cost increases due to the sharp rise in material costs, we are striving to impose strict cost management in order to firmly increase earnings.
As a result, net sales for our business were JPY15.2 billion (US$142 million), up 46.5% from the previous year and orders received totaled JPY14.0 billion (US$130 million), up 58.4% from the previous year.

The Building Construction Business
Due to focusing sales activity on profitability for our core business, leased apartment complexes, the volume of orders received and sales have both declined; however, we have been successful in improving our gains.
As a result, net sales for our business were JPY7.5 billion (US$70 million), down 18.8% from the previous year and orders received totaled JPY6.0 billion (US$56 million), down 31.3% from the previous fiscal year.

Other Businesses
Subsidiaries and affiliates handling business other than those mentioned above have each been making efforts to expand and develop, but with the elimination of unprofitable businesses, the sales figure was JPY3.4 billion (US$32 million), down 49.4% from the previous year.

Future Issues for the Corporate Group
The motto of our group is the creation of a sound, strong, and dynamic corporate group. We are striving to further increase corporate value by assigning and implementing 4 management tasks to the entire group.

1. **Changing the profit structure and increasing profitability**
   We will work to strengthen and improve core businesses, increase labor efficiency, and reduce the incurrence of costs, etc.
2. **Encourage vitality among personnel and make full use of our human resources**
   We will aim to strengthen aggregate employee competence as well as performance by the entire group by going back to the basics and reexamining the entire personnel organization.
3. **Establish corporate governance and compliance management**
   We will attempt to enhance and strengthen the function of the board of directors and board of auditors as well as adjust the internal control and compliance structures.
4. **Strengthen group management**
   We will work to heighten the consolidated strength of the group by unifying basic operation policies of the group and encouraging mutual understanding and sharing of management information.

June 2005

Shigeaki Kiyota
President & Representative Director

Board of Directors and Corporate Auditors

Board of Directors

President & Representative Director............................Shigeaki Kiyota
Managing & Representative Director............................Takeshi Mizukami
Director ....Sadao Arita
....Shinji Shimazaki
....Toru Yanagawa
Auditors ....Teruo Nojo
....Masaharu Hino
....Yoshihumi Murashige
....Koichi Endo

Line of Business

Plant & Machinery Business:

Design & Engineering, Procurement,
Shop-Fabrication and Construction of:
Floating Roof Tank
Cone Roof Tank
Dome Roof Tank
—LNG/Ethylene Storage Tank, etc.
—LPG Storage Tank, etc.
Spherical Tank

Building Construction Business:

Design and Construction of:
Apartment House
Shop Building
Office and Warehouse Buildings

Real Estate Business:

Sale, Brokerage and Leasing of:
Office Building
Apartment House
Distribution Center
Real estate

Material Handling Systems Business:

Planning, Design, Manufacture, Construction and Marketing of:
Distribution Center System
Truck Terminal System
Production Line System
Airport Baggage Handling System
Postal Sorting System
Food Processing Center System
Apparel Center System
Warehouse Management System
Engineering, Manufacturing and Installation of System's Facilities,
their relative Civil Works and Architectural Works

Qualification

- Listed in primary stock exchanges (Tokyo).
- Quality Management System to ISO 9001 certified by Bureau Veritas Quality International (BVQI) for flat bottomed vertical cylindrical storage tank for low temperature service.
- Quality Management System to ISO 9001 certified by Bureau Veritas Quality International (BVQI) for Baggage Handling System, Slide Shoe Type Sorting Conveyor and Wheel Up Sorting Conveyor.

Subsidiaries, Affiliated Companies and Line of Business

Subsidiaries which are consolidated, and affiliated companies which are accounted for by the equity method, are as follows.

Consolidated Subsidiaries

Toyo Kanetsu Solutions K.K.
Share Capital : 100.0%
Line of Business : Logistics Solution Provider

K-Techno Inc.
Share Capital 100.0%
Line of Business Consulting & Maintenance of Material Handling System

TKL Co., Ltd.
Share Capital : 100.0%
Line of Business : Rental/Leasing, Insurance & Travel Agent

Toyo Service System K.K.
Share Capital : 100.0%
Line of Business : Real Estate Management, Welfare Facilities Management, Gardening/ Floriculture Business Property, Plant & Equipment Maintenance.

Global Eight Co.
Share Capital : 84.0%
Line of Business : Commodity & Foodstuffs Trading

P.T. Toyo Kanetsu Indonesia
Share Capital : 92.9%
Line of Business : Storage Tanks/ Pressure Vessels/ Onshore & Offshore Steel Structures

Al Ghallilah Engineering & Construction L.L.C.
Share Capital : 65.0%
Line of Business : Storage Tanks/ Pressure Vessels / Onshore & Offshore Steel Structures

TKK Engineering Pty. Ltd.
Share Capital : 100.0%
Line of Business : Storage Tanks/ Pressure Vessels/ Onshore & Offshore Steel Structures, Ranch Management, Tourism

TKK-USA,INC
Share Capital : 100.0%
Line of Business : Storage Tanks/ Pressure Vessels / Onshore & Offshore Steel Structures

Affiliated Companies
(Equity Method)

Toyo Koken K.K.
Share Capital : 39.3%
Line of Business : Electric-driven winches, Conveyors, Balancer & Robots

Toyo Miyama Co., Ltd.
Share Capital : 50.0%
Line of Business : Prefabrication of Unit House

Katayama Co.
Share Capital : 22.0%
Line of Business : Architectural Management

Manavis Co., Ltd.
Share Capital : 20.6%
Line of Business : Cosmetics, Cleaning Products

Toyo Kanetsu (Malaysia) Sdn. Bhd.
Share Capital : 49.0%
Line of Business : Material Handling Systems, Storage Tanks/ Pressure Vessels / Onshore & Offshore Steel Structures

Toyo Kanetsu K.K. and Consolidated Subsidiaries

Consolidated Balance Sheets

As at March 31, 2005 and 2004

ASSETS	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2005	2004	***2005***
Current Assets:			
Cash in hand and at bank (Note 4)	**¥6,605**	¥6,728	***$61,549***
Marketable securities (Notes 4 and 5)	**-**	5	-
Notes and accounts receivable	**9,764**	9,359	***90,984***
Less: Allowance for doubtful accounts	**(92)**	(593)	***(859)***
	9,672	8,766	***90,125***
Inventories (Note 6)	**5,823**	3,734	***54,256***
Other current assets	**696**	1,791	***6,481***
Total current assets	**22,796**	21,024	***212,411***
Property, Plant and Equipment (Note 8)**:**			
Buildings and structures	**11,089**	11,767	***103,321***
Machinery and equipment	**4,520**	4,882	***42,120***
Land (Note 2(8))	**9,822**	9,976	***91,519***
Leased assets (Note 13)	**4,972**	4,501	***46,331***
Less: Accumulated depreciation	**(13,859)**	(14,074)	***(129,136)***
Total property, plant and equipment	**16,544**	17,052	***154,155***
Investments and Advances:			
Investments in securities (Notes 7 and 8)	**12,428**	12,051	***115,804***
Long-term loans receivable	**1,959**	1,755	***18,251***
Other investments	**2,955**	2,949	***27,537***
Less: Allowance for doubtful accounts	**(1,042)**	(652)	***(9,706)***
Total investments and advances	**16,300**	16,103	***151,886***
Intangibles and Deferred Charges:			
Intangible fixed assets	**317**	280	***2,956***
Total intangibles and deferred charges	**317**	280	***2,956***
	¥55,957	¥54,459	***$521,408***

The accompanying notes are an integral part of the financial statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2005	2004	***2005***
Current Liabilities:			
Short-term debt (Note 8)	**¥9,497**	¥9,106	***$88,495***
Notes and accounts payable	**1,964**	2,082	***18,298***
Accrued income taxes (Note 10)	**172**	100	***1,603***
Accrued liabilities	**3,567**	3,176	***33,238***
Advances from customers	**4,521**	1,897	***42,122***
Reserve for losses on work in progress	**157**	-	***1,466***
Other current liabilities	**542**	532	***5,046***
Total current liabilities	**20,420**	16,893	***190,268***
Long-Term Liabilities:			
Long-term debt (Note 8)	**2,844**	5,135	***26,498***
Deferred tax liabilities on revaluation of land (Note 2(8))	**2,409**	1,111	***22,450***
Deferred tax liabilities	**2,429**	2,140	***22,631***
Accrued retirement benefits for employees (Note 9)	**3,687**	5,141	***34,352***
Accrued retirement benefits for directors and corporate auditors	**133**	-	***1,237***
Other long-term liabilities	**5**	7	***53***
Total long-term liabilities	**11,507**	13,534	***107,221***
Minority Interests in Consolidated Subsidiaries	**25**	19	***236***
Contingent Liabilities (Note 15)			
Shareholders' Equity:			
Common stock:			
Authorized: 297,000,000 shares			
Issued: 138,730,741 shares	**18,580**	18,580	***173,128***
Additional paid-in capital	**1,104**	3,064	***10,287***
Accumulated earnings (deficit)	**980**	(1,985)	***9,127***
Unrealized gains on revaluation of land (Note 2(8))	**331**	1,619	***3,088***
Net unrealized holding gains on investment securities	**3,720**	3,418	***34,666***
Foreign currency translation adjustments	**(657)**	(639)	***(6,119)***
	24,058	24,057	***224,177***
Less: Treasury stock, at cost	**(53)**	(44)	***(494)***
Total shareholders' equity	**24,005**	24,013	***223,683***
	¥55,957	¥54,459	***$521,408***

The accompanying notes are an integral part of the financial statements

Toyo Kanetsu K.K. and Consolidated Subsidiaries

Consolidated Statements of Operations

For the years ended March 31, 2005 and 2004

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2005	2004	***2005***
Net Sales	**¥39,734**	¥43,914	***$370,240***
Cost of Sales (Note 12)	**35,185**	39,978	***327,857***
Gross profit	**4,549**	3,936	***42,383***
Selling, General and Administrative Expenses (Notes 11 and 12)	**3,200**	3,013	***29,818***
Operating Income (Loss)	**1,349**	923	***12,565***
Other Income (Expenses):			
Interest and dividend income	**216**	194	***2,008***
Interest expense	**(341)**	(340)	***(3,178)***
Exchange gain (loss)	**47**	(80)	***442***
Equity in income of unconsolidated subsidiaries and affiliates	**469**	673	***4,369***
Other, net	**1**	73	***13***
	392	520	***3,654***
Income (Loss) before special items	**1,741**	1,443	***16,219***
Special Profit (Loss):			
Loss on sale or disposal of property, plant and equipment, net	**(192)**	(192)	***(1,786)***
Provision for bad debts	**(24)**	(53)	***(224)***
Employees' retirement benefit expenses (Note 2 (12))	**-**	(211)	***-***
Provision for retirement benefits for directors and corporate auditors for prior periods	**(100)**	-	***(935)***
Loss on write-down of investment securities	**(264)**	(4)	***(2,459)***
Loss on write-down of investments in golf club memberships	**(136)**	(3)	***(1,270)***
Loss on sale of investment securities	**-**	(8)	***-***
Gain on sale of investment securities	**328**	360	***3,056***
Extraordinary retirement benefits	**(161)**	-	***(1,501)***
Other, net	**(106)**	(215)	***(981)***
	(655)	(326)	***(6,100)***
Income (Loss) before income taxes and minority interests	**1,086**	1,117	***10,119***
Income Taxes (Note 11)**:**			
Current	**87**	90	***812***
Deferred	**(12)**	(15)	***(106)***
	75	75	***706***
Minority Interests in Loss of Consolidated Subsidiaries	**(0)**	(0)	***(5)***
Net Income (Loss)	**¥1,011**	¥1,042	***$9,418***

	yen		*U.S. dollars (Note 3)*
Per Share (Note 2 (16))			
Net income (loss)	**¥7.31**	¥7.53	***$0.07***

The accompanying notes are an integral part of the financial statements

Toyo Kanetsu K.K. and Consolidated Subsidiaries

Consolidated Statements of Shareholders' Equity

For the years ended March 31, 2005 and 2004

		Millions of yen						
	Number of shares of common stock	Common stock	Additional paid-in capital	Accumulated earnings (deficit)	Unrealized gains on revaluation of land	Net unrealized holding gains (losses) on investment securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2003	138,730,741	¥18,580	¥3,062	¥(3,049)	¥1,641	¥(3)	¥(656)	¥(44)
Net income for the year	-	-	-	1,042	-	-	-	-
Realized gains on revaluation of land	-	-	-	22	(22)	-	-	-
Gain on disposal of treasury stock	-	-	2	-	-	-	-	0
Foreign currency translation adjustments	-	-	-	-	-	-	17	-
Net unrealized holding gains on investments	-	-	-	-	-	3,421	-	-
Balance at March 31, 2004	138,730,741	¥18,580	¥3,064	¥(1,985)	¥1,619	¥3,418	¥(639)	¥(44)
Net income for the year	**-**	**-**	**-**	**1,011**	**-**	**-**	**-**	**-**
Transfer to deferred tax liabilities on revaluation of land	**-**	**-**	**-**	**-**	**(1,288)**	**-**	**-**	**-**
Realized losses on revaluation of land	**-**	**-**	**-**	**(7)**	**-**	**-**	**-**	**-**
Transfer from additional paid-in capital to accumulated deficit	**-**	**-**	**(1,960)**	**1,961**	**-**	**-**	**-**	**-**
Foreign currency translation adjustments	**-**	**-**	**-**	**-**	**-**		**(18)**	**-**
Net unrealized holding gains on investments	**-**	**-**	**-**	**-**	**-**	**302**	**-**	**-**
Purchase of treasury stock	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9)**
Balance at March 31, 2005	**138,730,741**	**¥18,580**	**¥1,104**	**¥980**	**¥331**	**¥3,720**	**¥(657)**	**¥(53)**

		Thousands of U.S. dollars (Note 3)						
	Number of shares of common stock	*Common stock*	*Additional paid-in capital*	*Accumulated earnings (deficit)*	*Unrealized gains on revaluation of land*	*Net unrealized holding gains (losses) on investment securities*	*Foreign currency translation adjustments*	*Treasury stock*
Balance at March 31, 2004	*138,730,741*	*$173,128*	*$28,554*	*$(18,498)*	*$15,085*	*$31,849*	*$(5,960)*	*$(406)*
Net income for the year	-	-	-	***9,418***	-	-	-	-
Transfer to deferred tax liabilities on revaluation of land	-	-	-	-	***(11,997)***	-	-	-
Realized losses on revaluation of land	-	-	-	***(62)***	-	-	-	-
Transfer from additional paid-in capital to accumulated deficit	-	-	***(18,267)***	***18,269***	-	-	-	-
Foreign currency translation adjustments	-	-	-	-	-	-	***(159)***	-
Net unrealized holding gains on investments	-	-	-	-	-	***2,817***	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	***(88)***
Balance at March 31, 2005	***138,730,741***	***$173,128***	***$10,287***	***$9,127***	***$3,088***	***$34,666***	***$(6,119)***	***$(494)***

The accompanying notes are an integral part of the financial statements.

Toyo Kanetsu K.K. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

For the years ended March 31, 2005 and 2004

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2005	2004	***2005***
Cash Flows from Operating Activities:			
Income (Loss) before income taxes and minority interests	**¥1,086**	¥1,117	***$10,119***
Adjustments for:			
Depreciation and amortization	**1,240**	1,149	***11,551***
Decrease in provision for allowance for doubtful accounts	**(112)**	(132)	***(1,041)***
Decrease in provision for employees' retirement benefits	**(1,455)**	(38)	***(13,553)***
Increase in provision for retirement benefit for directors and corporate auditors	**133**	-	***1,237***
Increase in provision for losses on work in progress	**157**	-	***1,466***
Interest and dividend income	**(216)**	(194)	***(2,008)***
Interest expense	**341**	340	***3,179***
Equity in income of unconsolidated subsidiaries and affiliates	**(469)**	(673)	***(4,369)***
Loss on write-down of investment securities	**264**	4	***2,459***
Net gain on sale of investment securities	**(328)**	(352)	***(3,057)***
Loss on disposal of property, plant and equipment	**220**	106	***2,047***
(Increase) decrease in notes and accounts receivables	**(406)**	(2,556)	***(3,781)***
(Increase) decrease in inventories	**(2,088)**	1,808	***(19,458)***
Increase (decrease) in notes and accounts payable	**326**	749	***3,038***
Increase (decrease) in advances from customers	**2,624**	(1,708)	***24,449***
Other	**191**	811	***1,779***
Sub total	**1,508**	431	***14,057***
Interest and dividend income received	**224**	202	***2,084***
Interest expense paid	**(333)**	(321)	***(3,100)***
Income taxes paid	**(129)**	(105)	***(1,204)***
Net cash provided by operating activities	**1,270**	207	***11,837***
Cash Flows from Investing Activities:			
Increase in time deposits (over 3-month term)	**4**	(134)	***38***
Payments for purchase of property, plant and equipment	**(1,302)**	(530)	***(12,136)***
Proceeds from sales of property, plant and equipment	**335**	23	***3,121***
Payments for purchase of investment securities	**(3)**	(245)	***(32)***
Proceeds from sales of investment securities	**758**	1,134	***7,065***
(Increase) decrease in long-term loans receivable	**1,048**	(206)	***9,766***
Payment for purchase of goodwill of affiliate	**(92)**	-	***(857)***
Other	**(206)**	3	***(1,917)***
Net cash provided by investing activities	**542**	45	***5,048***
Cash Flows from Financing Activities:			
Decrease in short-term debt, net	**(592)**	(2,065)	***(5,512)***
Proceeds from long-term debt	**2,180**	4,810	***20,313***
Repayment of long-term debt	**(3,491)**	(2,242)	***(32,526)***
Other	**(9)**	(6)	***(88)***
Net cash provided by (used in) financing activities	**(1,912)**	497	***(17,813)***
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(24)**	(106)	***(223)***
Net Increase (Decrease) in Cash and Cash Equivalents	**(124)**	643	***(1,151)***
Cash and Cash Equivalents at Beginning of Year	**6,599**	5,956	***61,489***
Cash and Cash Equivalents at End of Year (Note 4)	**¥6,475**	¥6,599	***$60,338***

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2005 and 2004

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements of Toyo Kanetsu Kabushiki Kaisha (the "Company") and its subsidiaries (collectively, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. The accounts of overseas consolidated subsidiaries are based on their financial statements prepared in conformity with generally accepted accounting principles and practices prevailing in the respective countries in which the subsidiaries are incorporated.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and those of its subsidiaries in which it has control. The consolidated financial statements include, with exceptions that are not material, the accounts of its ten subsidiaries (ten subsidiaries in 2004). All significant inter-company transactions and accounts and unrealized inter-company profits are eliminated on consolidation.

Investments in unconsolidated subsidiaries and affiliated companies in which the Company has significant influence are accounted for under the equity method. These unconsolidated subsidiaries and affiliated companies to which the equity method is applied total five at March 31, 2005 and five at March31,2004. Consolidated net income includes the Company's equity in the current earnings of those companies after elimination of unrealized inter-company profits.

The excess of the cost over the underlying net equity of investments in consolidated subsidiaries as well as companies accounted for on an equity basis, is deferred and amortized on a straight-line basis over a period of five years from the date of acquisition.

Five subsidiaries were consolidated on the basis of their fiscal years ended at both December 31, 2004 and 2003. Material differences in inter-company transactions and accounts arising from the use of the different fiscal year-end are appropriately adjusted in consolidation.

(2) Re-valuation of Assets and Liabilities of the Subsidiaries

Full portion of the assets and liabilities of the subsidiaries is marked to fair value as of the acquisition of control.

(3) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(4) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided at an amount for receivables other than doubtful receivables calculated using historical write-off experience from certain prior periods plus the amount of possible losses from un-collectible receivables based on the management's estimate.

(5) Inventories

Inventories are valued at cost as determined by the following methods:

Raw materials……………………….Moving average method
Work in process and supplies ……… Accumulated materials and production cost

(6) Financial Instruments

(a) Derivatives
All derivatives are stated at fair value except for certain derivatives that are designated as "hedging instruments" (see (c) Hedge Accounting below).

(b) Securities
Securities held by the Company and its subsidiaries are classified into two categories;

“Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates” are accounted for by the equity method.

Other investments in debt and equity securities are classified as “Other securities”. The adoption of mark-to-market accounting for “Other securities” with market quotations becomes effective for the year ended March 31, 2005. As a result of this change, “Other securities” with market quotations are stated at fair value with any unrealized holding gains and losses, net of tax, being reported in Shareholders’ equity as “Net unrealized holding losses on investment securities”. “Other securities” without market quotation are stated at cost. “Other securities” which have the characteristics of cash equivalents are presented as Marketable Securities (current) while the remainder of “Other securities” are presented as Investments in Securities (non-current). The costs of “Other securities” sold are determined by the moving average method.

(c) Hedge Accounting
Gains or losses arising from changes in the fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized. However, in cases where forward exchange contracts used as hedges meet certain hedging criteria, the existing foreign currency receivables or payables are translated at their contract rates. In addition, if interest-rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the liabilities for which the swap contract was executed.

The deferred hedge procedure is not applied to that part of interest rate-swaps to which do not meet have the requirements for applying the hedge accounting.

Derivatives designated as hedging instruments by the Company are principally interest swaps and forward exchange contracts. The related hedged items are trade accounts receivable and payable, and long-term bank loans.

The Company has a policy of utilizing the above hedging instruments in order to reduce the Company's exposure to the risk of foreign exchange and interest rate fluctuations. Thus, the Company's purchases of hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(7) Property, Plant and Equipment

Property, plant and equipment are stated at cost. The cost of maintenance, repairs and minor renewals is charged to current operations; major renewals and betterments are capitalized. Depreciation is mainly computed using the declining-balance method, except for buildings acquired after April 1, 1998, to which the straight-line method is applied for the Company and its domestic subsidiaries. The principal estimated useful lives range from 3 to 50 years for buildings and from 10 to 15 years for machinery and equipment. Depreciation of overseas subsidiaries is computed using the straight-line method.

(8) Revaluation of Land

In accordance with the “Law on Land Revaluation” issued on March 31, 1998 and the “Law Related to the Revision of the Law of Land Revaluation” issued on March 31, 2001, the Company revalued its business-purpose land. Of the revaluation difference, the amount related to tax is recognized as a deferred taxes liability and the revaluation difference, net of tax, is recognized as a component of shareholder’s equity.

Method of the revaluation
The revaluation was performed based on the fixed asset tax revaluation amount set in the “Law on Land Revaluation” No.2 article 3, and is calculated based on land prices set in the “Law on Land Revaluation” No.2 article 4, with certain reasonable adjustments as follows:

Date of the revaluation:	March 31, 2002
Land before revaluation:	¥7,189 million
Land after revaluation:	¥ 10,844 million

Upon sales of the land revalued as above, the corresponding unrealized gains on the revaluation of such land was transferred directly to accumulated deficit. The excess of the book value over the current market value of such revalued land held at March 31, 2005 amounted to ¥3,360 million ($31,305 thousand).

(9) Intangible Assets

Amortization of intangible assets is computed using the straight-line method. Software for internal-use is amortized over its expected useful life (5 years), on a straight-line basis.

(10) Reserve for losses on work in progress

A reserve for losses on work in progress is provided based on an estimate of the total losses which can be anticipated for the next fiscal year and beyond in respect of construction projects on which eventual losses are deemed inevitable and amounts thereof can reasonably be estimated.

(11) Income Taxes

The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

Income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

(12) Accrued Retirement Benefits for Employees

Accrued retirement benefits to employees of the Company and its major consolidated subsidiaries are provided based on the estimated present value of projected benefit obligations and fair value of funded plan assets. For other insignificant consolidated subsidiaries, accrued retirement benefits to employees are calculated using the simple method. Actuarial gains (losses) are charged as deductions from expenses or expenses in the year of occurrence.

In 2004, Employees' retirement benefit expenses reported as special loss [¥211 million ($1,996 thousand)] was the amount of the contractual obligation. Depletion of plan assets was caused by many voluntary retirements at one of the subsidiaries.

In the Company and its consolidated subsidiary, TKSL, a part of the approved retirement annuity system was shifted to a defined contribution annuity plan.

(13) Accrued Retirement Benefits for Directors and Corporate Auditors

Accrued retirement benefits for directors and corporate auditors of the Company and its subsidiaries are provided for in accordance with the companies' established rules on the accrual basis, with provisions being made at the end of period.

(Reason for changes to accounting method for the above item)
The retirement benefits for directors and corporate auditors, which used to be recognized as an expense only when paid out, have been changed to an accrual basis, with provisions being made at the end of the period.
This serves not only to prevent distortions to the results of operations owing to incidental claims, but also provides for earlier recognition of costs for the past year in a bid to ensure the overall health of the company's financial statements. Due to this change, operating income and ordinary income decreased by ¥32 million, while net income before taxes and net income for the year were down by ¥133 million.

(14) Accounting for Finance Leases

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases.Leases not transferring ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(15) Sales Recognition Basis

The Company uses the percentage-of-completion method for the recognition of sales and gross profit in respect of certain contracts that take more than one year to complete. In all other cases, sales and gross profit are recorded when the relevant items are completed or delivered.

(16) Earnings Per Share

The computation of net income per common share is based on the weighted average number of outstanding shares of common stock.

(17) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.
The standard shall be effective for fiscal years beginning April 1, 2005. However, earlier adoption is permitted for the years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005.

The Company did not apply the earlier adoption for the year ended March 31, 2005. The effect of adopting "Accounting Standard for Impairment of Fixed Assets" is not clear at present, because the Company has not estimated it.

3. United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥107.32=U.S. $1.00, the approximate rate of exchange prevailing at March 31, 2005, has been used in translation. The inclusion of such amounts are not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rates.

4. Cash and Cash Equivalents

Cash and Cash Equivalents as at March 31, 2005 and 2004 consisted of:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2005**	2004	***2005***
Cash in hand and at bank	**¥6,605**	¥6,728	***$61,549***
Time deposits, over 3-month term	**(130)**	(134)	***(1,211)***
Short-term investments included in marketable securities	**-**	5	-
Cash and cash equivalents	**¥6,475**	¥6,599	***$60,338***

5. Marketable Securities

Marketable securities as at March 31, 2005 and 2004 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2005**	2004	***2005***
Bonds and others	**-**	¥5	-

6. Inventories

Inventories as at March 31, 2005 and 2004 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2005**	2004	***2005***
Work in process	**¥ 5,280**	¥ 3,156	***$49,201***
Other	**543**	578	***5,055***
	¥5,823	¥3,734	***$54,256***

7. Investments in Securities

Investments in securities as at March 31, 2005 and 2004 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2005**	2004	***2005***
Listed equity securities and bonds	**¥9,535**	¥9,213	***$88,846***
Unlisted equity securities and bonds	**2,893**	2,838	***26,958***
	¥12,428	¥12,051	***$115,804***
Investments in unconsolidated subsidiaries and affiliates included in investments in securities	**¥1,094**	¥737	***$10,193***

The aggregate acquisition cost, gross unrealized gains and losses and carrying amount on the balance sheet, which were revalued to the related fair value, of other securities with market quotations at March 31, 2005 and 2004 were as follows:

	At March 31, 2005			
	Millions of yen			
	Acquisition cost	Unrealized gains	Unrealized losses	Carrying amount
Equity securities	**¥3,534**	**5,986**	**¥(11)**	**¥9,509**
Bonds	**-**	**-**	**-**	**-**
Others	**31**	**-**	**(5)**	**26**
Total	**¥3,565**	**5,986**	**¥(16)**	**¥9,535**

	At March 31, 2004			
	Millions of yen			
	Acquisition cost	Unrealized gains	Unrealized losses	Carrying amount
Equity securities	¥3,924	5,314	¥(50)	¥9,188
Bonds	-	-	-	-
Others	31	-	(6)	25
Total	¥3,955	5,314	¥(56)	¥9,213

	At March 31, 2005			
	Thousands of U.S. dollars			
	Acquisition cost	*Unrealized gains*	*Unrealized losses*	*Carrying amount*
Equity securities	***$32,932***	***$55,779***	***$(98)***	***$88,613***
Bonds	***-***	***-***	***-***	***-***
Others	***284***	***-***	***(51)***	***233***
Total	***$33,216***	***55,779***	***$(149)***	***$88,846***

The Company writes down the book value of other securities when the market value declines by more than 50%, or the market value declines by than 30% but less than 50% and the Company management determines the decline to be other than temporary.

Proceeds from sale of other securities were ¥756 million ($7,047 thousand) and ¥1,127 million for the years ended March 31, 2005 and 2004, respectively. On those sales, gross realized gains were ¥328 million ($3,056 thousand) and ¥360 million, and gross realized losses were ¥0 million ($0 thousand) and ¥8 million, respectively.

8. Short-Term Debt and Long-Term Debt

Short-term debt consists principally of bank overdrafts, bearing interest at a weighted average annual rate of **2.4**% and 2.1% at March 31, 2005 and 2004, respectively.

Short-term debt as at March 31, 2005 and 2004 was as follows:

March 31	Millions of yen 2005	Millions of yen 2004	*Thousands of U.S. dollars* *2005*
Bank over draft			
Secured	**¥2,333**	¥2,099	***$21,742***
Unsecured	**2,435**	3,139	***22,689***
Current portion of long-term debt	**4,729**	3,868	***44,064***
	¥9,497	¥9,106	***$88,495***

Long-term debt as at March 31, 2005 and 2004 was as follows:

March 31	Millions of yen 2005	Millions of yen 2004	*Thousands of U.S. dollars* *2005*
Payable to domestic banks, insurance companies and others, with interest rates shown below (* 1)			
Secured	**¥3,451**	¥4,487	***$32,154***
Unsecured	**4,122**	4,516	***38,408***
	7,573	9,003	***70,562***
Less: Current portion of long-term debt	**(4,729)**	(3,868)	***(44,064)***
	¥2,844	¥5,135	***$26,498***

March 31	2005	2004
(*1) Interest rates	**1.4% to 3.4%**	1.6 % to 3.4 %

Annual maturities of long-term debt at March 31, 2005 are as follows:

Year ending on March 31,	Millions of yen	*Thousands of U.S. dollars*
2006	¥4,729	*$44,064*
2007	1,324	*12,333*
2008	573	*5,340*
2009	307	*2,857*
2010 and thereafter	640	*5,968*
	¥7,573	*$70,562*

Assets pledged as collateral for short-term debt and long-term debt as at March 31, 2005 and 2004 were as follows:

March 31	Millions of yen 2005	Millions of yen 2004	*Thousands of U.S. dollars* *2005*
Investments in securities	**¥3,613**	¥3,601	***$33,663***
Buildings (at net book value)	**1,588**	1,711	***14,796***
Machinery (at net book value)	**33**	56	***312***
Land	**7,208**	7,383	***67,167***
	¥12,442	¥12,751	***$115,938***

9. Retirement Benefit Plan

Employees whose service with the Company and certain domestic subsidiaries is terminated are, in most circumstances, entitled to lump-sum severance payments determined by reference to current basic rate of pay, length of service and the circumstances in which the termination occurs.

The company and its domestic subsidiaries have a funded non-contributory and contributory pension plan for employees. Under the plan, employees are entitled to receive a pension for 10 years from their retirement date, determined by reference to current basic rates of pay at the time of termination, length of service and the conditions under which the termination occurred.

In the Company and its consolidated subsidiary, TKSL, a part of the approved retirement annuity system was shifted to a defined contribution annuity plan.

The accrued retirement benefits as of March 31, 2005 and 2004 are analyzed as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	***2005***
Projected benefit obligations	**¥(5,442)**	¥(5,616)	***$(50,708)***
Plan assets	**1,755**	475	***16,356***
Net unreserved projected benefit obligations	**(3,687)**	(5,141)	***(34,352)***
Accrued retirement benefits recognized in balance sheets	**¥(3,687)**	¥(5,141)	***$(34,352)***

Net pension and severance costs related to the retirement benefit plans for the year ended March 31, 2005 and 2004 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	***2005***
Service costs	**¥251**	¥265	***$2,337***
Interest costs	**84**	84	***787***
Expected return on plan assets	**(4)**	-	***(40)***
Net amortization	**(79)**	(78)	***(731)***
Amortization of prior service costs	**3**	-	***27***
Net pension and severance costs	**¥255**	¥271	***$2,380***

Assumptions used in calculation of the above information were as follows:

	As of March 31	
	2005	2004
Discount rate	**1.5 %**	1.5 %
Expected rate of return on plan assets	**1.0 %**	0.0 %
Method of attributing the projected benefit obligations to periods of service	Straight- line basis	Straight- line basis
Amortization of unrecognized actuarial differences	Expensed in the year of occurrence	Expensed in the year of occurrence

10. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in the statutory tax rate of approximately 40.69% for the years ended March 31, 2005 and 2004. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2005 is as follows:

	2005
Statutory tax rate	**40.69%**
Reconciliation	
Valuation allowance	**(35.69)**
Nondeductible expenses	**4.71**
Tax loss carryforwards	**(3.53)**
Other	**0.80**
Effective income tax rate	**6.98%**

At March 31, 2005 and 2004, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	***2005***
Deferred tax assets			
Tax loss carryforwards	**¥4,861**	¥6,480	***$45,295***
Accrued enterprise tax	**46**	-	***427***
Accrued severance and pension costs for employees	**1,498**	988	***13,958***
Accrued bonuses	**65**	25	***604***
Allowance for doubtful accounts	**1,144**	507	***10,657***
Reserve for losses on work in progress	**64**	-	***597***
Accrued severance and pension costs for directors and corporate auditors	**54**	-	***503***
Loss on write-down of investments	**372**	124	***3,467***
Loss on write-down of inventories	**16**	14	***152***
Write-offs	**-**	10	-
Other	**186**	19	***1,738***
	8,306	8,167	***77,398***
Less: valuation allowance	**(8,286)**	(8,162)	***(77,208)***
Gross deferred tax assets	**20**	5	***190***
Deferred tax liabilities			
Deferred tax liabilities on revaluation of land	**2,409**	1,111	***22,450***
Net unrealized gains on investments in securities	**2,429**	2,140	***22,631***
Gross deferred tax liabilities	**¥ 4,838**	¥ 3,251	***$45,081***

11. Selling, General and Administrative Expenses

Selling, General and Administrative expenses for the years ended March 31, 2005 and 2004 comprised the following:

	Millions of yen		*Thousands of U.S. dollars*
Year ended March 31	**2005**	2004	***2005***
Salaries and remuneration	**¥1,189**	¥1,247	***$11,080***
Accrued bonuses	**59**	65	***548***
Pension and severance costs	**152**	149	***1,416***
Others	**1,800**	1,552	***16,774***
	¥3,200	¥3,013	***$29,818***

12. Research and Development Costs

Research and development costs charged to manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2005 and 2004 were ¥84 million ($779 thousand) and ¥82 million, respectively.

13. Leases

A. Lessee

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases. Leases not transferring ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.
Leased assets under finance leases that do not transfer ownership of the leased assets at the end of the lease term, if capitalized, comprise the following:

	At March 31, 2005		
	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and delivery equipment	**¥1,498**	**¥741**	**¥757**
Tools, furniture and fixtures	**2,255**	**881**	**1,374**
Total	**¥3,753**	**¥1,622**	**¥2,131**

	At March 31, 2004		
	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and delivery equipment	¥1,544	¥550	¥994
Tools, furniture and fixtures	2,248	429	1,819
Total	¥3,792	¥979	¥2,813

	At March 31, 2005		
	Thousands of U.S. dollars		
	Acquisition cost	*Accumulated depreciation*	*Net book value*
Machinery, equipment and delivery equipment	***$13,962***	***$6,903***	***$7,059***
Tools, furniture and fixtures	***21,011***	***8,210***	***12,801***
Total	***$34,973***	***$15,113***	***$19,860***

The amounts of outstanding future lease payments due at March 31 including the portion of interest thereon are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2005**	2004	***2005***
Future lease payment			
Within one year	**¥697**	¥685	***$6,491***
Over one year	**1,531**	2,217	***14,270***
	¥2,228	¥2,902	***$20,761***

Lease rental expenses on such finance lease contracts for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
Year ended March 31	**2005**	2004	***2005***
Lease rental expenses	**¥748**	¥658	***$6,970***
Depreciation	**686**	600	***6,392***
Interest expense	**80**	87	***742***

B. Lessor

Finance leases that do not transfer ownership of the leased property to lessor are accounted for as rental transactions.

Leased assets under financial leases comprise the following:

	At March 31, 2005		
	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	**¥2,082**	**¥1,000**	**¥1,082**
Machinery, equipment and delivery equipment	**1,365**	**705**	**660**
Tools, furniture and fixtures	**1,525**	**912**	**613**
Total	**¥4,972**	**¥2,617**	**¥2,355**

	At March 31, 2004		
	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	¥2,071	¥741	¥1,330
Machinery, equipment and delivery equipment	1,286	945	341
Tools, furniture and fixtures	1,144	703	441
Total	¥4,501	¥2,389	¥2,112

	At March 31, 2005		
	Thousands of U.S. dollars		
	Acquisition cost	*Accumulated depreciation*	*Net book value*
Buildings and structures	***$19,403***	***$9,322***	***$10,081***
Machinery, equipment and delivery equipment	***12,718***	***6,567***	***6,151***
Tools, furniture and fixtures	***14,210***	***8,494***	***5,716***
Total	***$46,331***	***$24,383***	***$21,948***

The amounts of outstanding future lease revenue due at March 31 including the portion of interest thereon are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2005**	2004	***2005***
Future lease revenue			
Within one year	**¥2,139**	¥1,722	***$19,925***
Over one year	**4,237**	4,753	***39,483***
	¥6,376	¥6,475	***59,408***

Lease rental revenue, depreciation and interest income equivalent on such finance lease contracts for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
Year ended March 31	**2005**	2004	***2005***
Lease rental revenue	**¥960**	¥955	***$8,941***
Depreciation	**673**	526	***6,268***
Interest income	**287**	429	***2,673***

14. Derivative and Hedging Activities

The Companies use forward currency exchange contracts to hedge against the exchange rate risk associated with monetary receivables and payables denominated in foreign currencies. Interest rate swap transactions are used in order to minimize the risk of fluctuation in interest rates on borrowings.

The Companies have established a control environment that includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Companies do not hold or issue derivative financial instruments for trading purposes.

The Companies are exposed to certain market risks arising from their forward exchange contracts and swap agreements. The Companies are also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest; however, the Companies do not anticipate nonperformance by any of these counterparties, all of whom are financial institutions with high credit ratings.

15. Contingent Liabilities

As at March 31, 2005, the Companies are contingently liable for notes receivable discounted and endorsed and guarantees of loans made to unconsolidated subsidiaries and affiliates as follows:

March 31, 2005	Millions of yen	*Thousands of U.S. dollars*
Guarantees of loans from banks	**¥ 1,045**	***$9,735***
Notes receivable discounted and endorsed	**23**	***219***

16. Segment Information

(1) Industry Segment Information

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004 are summarized by product group as follows:

	Millions of yen						
Year ended March 31, 2005	Material Handling Systems Division	Plant & Machinery Division	Building Construction Division	Others	Sub Total	Elimination or Corporate Assets*	Consolidated Total
Sales							
Sales to external customers	**¥13,595**	**¥15,217**	**¥7,533**	**¥3,389**	**¥39,734**	**¥ -**	**¥ 39,734**
Inter-segment sales	**6**	**29**	**628**	**919**	**1,582**	**(1,582)**	**-**
Total	**13,601**	**15,246**	**8,161**	**4,308**	**41,316**	**(1,582)**	**39,734**
Operating costs and expenses	**13,266**	**14,233**	**8,010**	**4,121**	**39,630**	**(1,245)**	**38,385**
Operating income	**335**	**1,013**	**151**	**187**	**1,686**	**(337)**	**1,349**
Assets	**15,195**	**12,261**	**7,032**	**9,490**	**43,978**	**11,979**	**55,957**
Depreciation	**222**	**135**	**20**	**826**	**1,203**	**37**	**1,240**
Capital expenditure	**78**	**75**	**10**	**1,112**	**1,275**	**(3)**	**1,272**

	Millions of yen						
Year ended March 31, 2004	Material Handling Systems Division	Plant & Machinery Division	Building Construction Division	Others	Sub Total	Elimination or Corporate Assets*	Consolidated Total
Sales							
Sales to external customers	¥17,550	¥10,386	¥9,280	¥6,698	¥43,914	¥ -	¥ 43,914
Inter-segment sales	-	-	3	1,164	1,167	(1,167)	-
Total	17,550	10,386	9,283	7,862	45,081	(1,167)	43,914
Operating costs and expenses	17,364	9,819	9,152	7,572	43,907	(916)	42,991
Operating income (loss)	186	567	131	290	1,174	(251)	923
Assets	15,315	9,208	8,000	10,011	42,534	11,925	54,459
Depreciation	242	143	22	701	1,108	41	1,149
Capital expenditure	113	79	7	368	567	13	580

* Corporate assets consist of cash in hand and at banks, investments in securities and the assets belonging to the administration department of the Company. Corporate assets at March 31, 2005 and 2004 were ¥14,171 million ($ 132,048 thousand) and ¥14,442 million, respectively.

	Thousands of U.S. dollars						
Year ended March 31, 2005	*Material Handling Systems Division*	*Plant & Machinery Division*	*Building Construction Division*	*Others*	*Sub Total*	*Elimination or Corporate Assets*	*Consolidated Total*
Sales							
Sales to external customers	***$126,681***	***$141,790***	***$70,195***	***$31,574***	***$370,240***	***$ -***	***$370,240***
Inter-segment sales	***55***	***269***	***5,853***	***8,562***	***14,739***	***(14,739)***	***-***
Total	***126,736***	***142,059***	***$76,048***	***40,136***	***384,979***	***(14,739)***	***370,240***
Operating costs and expenses	***123,612***	***132,620***	***74,638***	***38,404***	***369,274***	***(11,599)***	***357,675***
Operating income	***3,124***	***9,439***	***1,410***	***1,732***	***15,705***	***(3,140)***	***12,565***
Assets	***141,590***	***114,246***	***65,520***	***88,433***	***409,789***	***111,619***	***521,408***
Depreciation	***2,069***	***1,255***	***184***	***7,702***	***11,210***	***341***	***11,551***
Capital expenditure	***724***	***697***	***93***	***10,366***	***11,880***	***(27)***	***11,853***

(2) Geographic Segment Information

Segment information classified by geographic area was omitted because a majority of the Companies' operations were performed in Japan.

(3) Export sales and sales by overseas subsidiaries

	Millions of yen			
Year ended March 31, 2005	South-east Asia	Middle East	Other	Total
Overseas sales	**¥636**	**¥4,112**	**¥2,232**	**¥6,980**
Consolidated Sales	-	-	-	**¥39,734**
Ratio	**1.6%**	**10.4%**	**5.6%**	**17.6%**

	Millions of yen			
Year ended March 31, 2004	South-east Asia	Middle East	Other	Total
Overseas sales	¥676	¥1,793	¥2,225	¥4,694
Consolidated sales	-	-	-	¥43,914
Ratio	1.5%	4.1%	5.1%	10.7%

	Thousand of U.S. dollars			
Year ended March 31, 2005	*South -east Asia*	*Middle East*	*Other*	*Total*
Overseas sales	***$5,927***	***$38,317***	***$20,799***	***$65,043***
Consolidated sales	-	-	-	***$370,240***
Ratio	***1.6%***	***10.4%***	***5.6%***	***17.6%***

* Major countries included in the above geographic areas are as follows:
South-east Asia:…..Thailand, Malaysia
Middle East:……….Iran, Qatar
Other: ……………..Trinidad and Tobago, Australia

17. Related Party Transactions

Material transactions of the Company with its related companies and individuals, excluding transactions with consolidated subsidiaries which are eliminated in the consolidated financial statements and other than those disclosed elsewhere in these financial statements, for the years ended March 31, 2005 and 2004 were as follows:

				Millions of yen/Thousands of U.S. dollars					
				Transactions			Resulting Accounting Balance		
					Year ended March 31			At March 31,	
Name of Related Company	Paid-in Capital	Principal Business	Equity Ownership Percentage by the Company	Description of the Company's Transactions	**2005**	2004	Account	**2005**	2004
Toyo Koken K.K.	¥897 million	Produce and sale of electric-driven winches	39%	Loans made	- ***$(-)***	¥803	Short-term loans	**¥113** ***$(1,051)***	¥1,392
					¥1,182 ***$(11,009)***	¥490	Long-term loans	**¥1,633** ***$(15,217)***	¥451
Toyo Miyama Co., Ltd.	¥100 million	Architectural business	50%				Long-term loans		¥1,000
				Guarantee obligation	**¥1,009** ***$(9,404)***	¥1,025			

The terms and conditions of the above transactions are on an arm's-length basis.

ChuoAoyama PricewaterhouseCoopers

PricewaterhouseCoopers

Kasumigaseki Bldg. 32nd Floor
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Report of Independent Auditors

To the Board of Directors and Shareholders of
Toyo Kanetsu Kabushiki Kaisha

We have audited the accompanying consolidated balance sheets of Toyo Kanetsu Kabushiki Kaisha and its subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of operations, consolidated statements of shareholders' equity, and consolidated statements of cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toyo Kanetsu Kabushiki Kaisha and its subsidiaries as of March 31, 2005 and 2004, 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.

As described in Note 13, effective for the year ended March 31, 2005, Toyo Kanetsu Kabushiki Kaisha and its subsidiaries changed their accounting policy for accrued retirement benefits for directors and corporate auditors.
The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan

June 29, 2005

Corporate Data

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Tokyo 136-8666, Japan
Tel: (03) 5857-3333
Fax: (03) 5657-3170
URL: http://www.toyokanetsu.co.jp

Date of Establishment
16th May, 1941

Common Stock

Par Value	: ¥50
Authorized	: 297,000,000
Issued	: 138,730,741

Security Traded
Tokyo Stock Exchange Market, 1st Section

Transfer Agent and Registrar
The Mitsubishi Trust and Banking Corporation
4-5, Marunouchi 1-Chome, Chiyoda-ku,
Tokyo 100-8212, Japan

Annual Meeting
The annual Meeting of Shareholders is normally held in June in Tokyo, Japan

Offices, Subsidiaries and Affiliates

Domestic Offices

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TOYO KANETSU K.K.

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