TOYO KANETSU K.K.

Annual Report 2011

For the year ended March 31, 2011

Profile

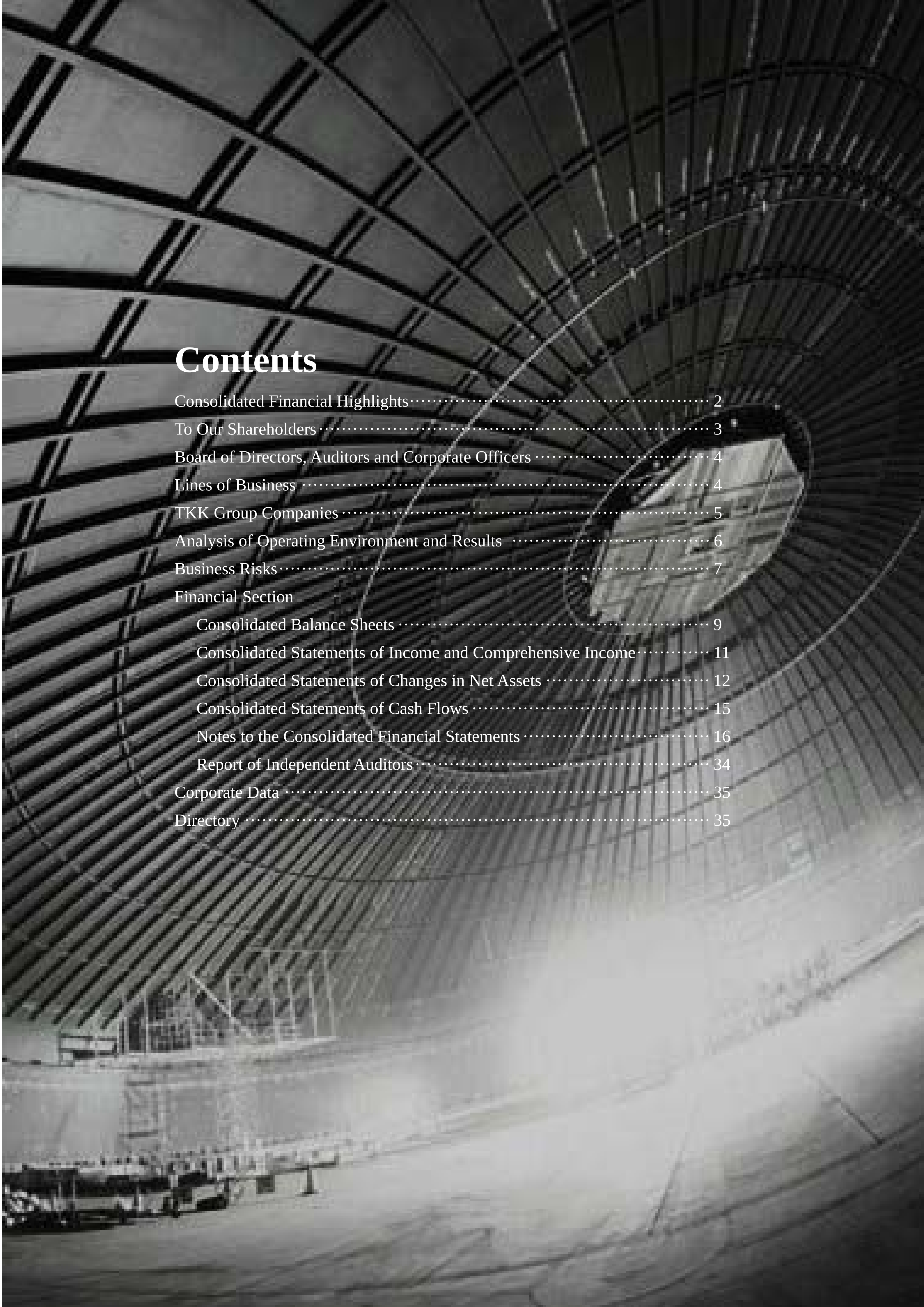
Toyo Kanetsu K.K. (TKK) was established in 1941. Since that time, TKK has continued to meet the requirements of the industry through our policy of "Customers First."

The Plant & Machinery Business was established in 1950 when in-house welding technology was developed for welded storage tanks. Since then, our expertise has expanded to provide customers with various kinds of storage tanks consisting of more than 5,300 units varying from crude oil storage tanks to LNG storage tanks. In particular, we are proud of our outstanding track record in LNG storage tank construction in Japan and at overseas sites in Asia, Africa, the Middle East, Oceania and the Western Hemisphere. Our technical expertise and our outstanding record of "safety, quality and delivery" have been recognized and appreciated by major clients throughout the world.

The Material Handling Systems Business was begun in 1953 for manufacture and installation of highly standardized conveyor systems. Since that time, the business has continued to develop the technology to meet the needs of our clients. It 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 business has successfully completed numerous projects such as distribution center systems, truck terminal systems, food distribution processing centers and postal sorting systems. The business became a subsidiary company of TKK under the name of Toyo Kanetsu Solutions K.K. in 2002 in order to maximize efficiency and also to vitalize TKK Group companies.

The Building Construction Business was started in 1989 for construction of apartment houses with the application of modular steel frame structures. The business has expanded to handling total projects from planning to design and execution, based on its steel structure buildings, supporting a wide range of construction, from individual residences to housing complexes, other buildings, and large-scale shopping complexes. In recent years, we have also pushed into the steel pipe piling business, making new efforts toward environmentally friendly execution.

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



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Toyo Kanetsu K.K. and Consolidated Subsidiaries

Consolidated Financial Highlights

For the years ended March 31

	Millions of yen					*Thousands of U.S. dollars*
	2011	2010	2009	2008	2007	***2011***
For the Years Ended March 31:						
Net Sales	**¥ 48,718**	¥ 50,446	¥ 47,661	¥ 49,785	¥ 45,548	***$585,909***
Plant & Machinery Business	**26,709**	24,224	26,392	23,355	17,029	***321,219***
Material Handling Systems Business	**17,590**	20,897	11,961	15,243	17,316	***211,544***
Building Construction Business	**2,180**	2,633	5,020	5,756	5,944	***26,212***
Real Estate Utilizing Business	-	539	592	581	521	-
Other	**2,239**	2,153	3,696	4,850	4,738	***26,934***
Operating Income	**2,590**	3,863	1,867	3,686	1,887	***31,149***
Net Income	**158**	3,560	3,005	3,810	2,836	***1,902***
Comprehensive Income	**(35)**	-	-	-	-	***(419)***
Cash Dividends	**603**	504	533	415	277	***7,252***
At March 31:						
Current Assets	**¥33,792**	¥37,748	¥33,705	¥30,245	¥30,226	***$406,400***
Property, Plant and Equipment	**12,546**	12,490	13,046	16,324	16,956	***150,880***
Investments and Advances	**6,437**	7,792	7,920	12,269	21,498	***77,417***
Intangible Fixed Assets	**281**	338	274	221	322	***3,383***
Total Assets	**53,056**	58,368	54,945	59,059	69,002	***638,080***
Current Liabilities	**19,582**	20,842	21,555	21,272	22,865	***235,510***
Long-Term Liabilities	**3,735**	7,250	5,375	8,988	14,195	***44,918***
Shareholders' Equity	**29,205**	29,549	27,824	26,564	24,651	***351,226***
Accumulated Other Comprehensive Income	**426**	618	102	2,235	7,283	***5,132***
Minority Interests in Consolidated Subsidiaries	**108**	109	89	-	8	***1,294***
Total Liabilities and Net Assets	**53,056**	58,368	54,945	59,059	69,002	***638,080***
Order Backlog	**50,807**	57,379	66,071	57,412	34,176	***611,023***

	Yen					*U.S. dollars*
Per Share:	**2011**	2010	2009	2008	2007	***2011***
Net Income	**¥1.31**	¥28.75	¥ 22.99	¥ 27.90	¥ 20.52	***$0.02***
Cash Dividends	**4.00**	4.00	4.00	4.00	3.00	***0.05***
Shareholders' Equity	**246.04**	250.39	222.09	216.05	231.10	***2.96***

	2011	2010	2009	2008	2007
Number of Shareholders	**14,109**	14,027	14,400	15,747	16,797
Number of Employees	**678**	631	629	597	573

The U.S. dollar amounts in this annual report represent translations of Japanese yen at the rate of ¥83.15=$1.00, solely for readers' convenience.

To Our Shareholders

First of all, we express our deepest sympathy with people affected by the major earthquake which struck eastern Japan earlier this year and hope for a speedy recovery from the disaster.

In fiscal year 2011, ended March 31, 2011, the Japanese economy benefited from economic growth in the developing countries of Asia, as a result of which capital investment showed a movement albeit gradual, toward recovery. However, the impact of the major earthquake in eastern Japan and the resulting electric power shortages have created uncertainty as to the future.

Against this background, the Toyo Kanetsu Group (TKK Group)'s Plant & Machinery Business posted year-on-year increases in both net sales and operating income thanks to the steady implementation of ongoing large-scale projects and enhanced project management. Performance in the Material Handling Systems Business, however, was impacted by certain projects which proved to have unprofitable aspects. The result was that our consolidated business performance showed overall year-on-year decreases in each of net sales, operating income, and ordinary income. Profits also registered a substantial decline compared to the previous year. This was due chiefly to a valuation loss on write-down of investments in securities and a loss on adjustment for changes of accounting standard for asset retirement obligations.

Fiscal year 2011 was a landmark year for the TKK Group, representing the 70th anniversary of our establishment and also the last year of the medium-term business plan launched in fiscal year 2009. So that we can achieve the ultimate goals of the medium-term business plan—to establish an operating base capable of securing stable profits and to fulfill the consolidated performance targets—we are determined to steadily implement the plan's priority measures and to devote strengthened efforts to operational improvement. The dividend for the year under review has been set at ¥5 per share, including a commemorative dividend of ¥1 per share for the 70th anniversary of our establishment.

Basic policy of our core businesses

Under the TKK Group's management vision of being "a group that sustainably grows and develops backed by its superior technology, products and services," the Company's Plant & Machinery Business and Material Handling Systems Business have respective business policies of securing a stable profit and revitalizing operations and establishing an operating base.

Progress with the priority measures of the medium-term business plan

[Plant & Machinery Business]

1) Reinforcing price competitiveness
The Batam Plant has been expanded to enhance production capacity and the installation of fabricating, painting and other facilities is in progress.

2) Promoting research and development
Work is in progress to realize highly efficient welding methods and new testing technology.

[Material Handling Systems Business]

1) Reinforcing price competitiveness
We are actively promoting the introduction of the Ecoloveyor low-cost conveyor system, which has excellent energy-saving performance.

2) Reinforcing solutions-based marketing ability
The Multishuttle multipurpose storage system, with its space-saving features and high performance, is the focus of energetic solutions-based marketing to a wide range of industry sectors.

3) Proceeding with overseas expansion
We have delivered a sorting system to a South Korean food distribution company.

[Building Construction Business]

From operations dependent on construction contracts with specific customers, we are shifting to operations in the general construction sector, including welfare facilities and other types of building.

We look forward to your continued understanding and support in the future.

August 2011
Takeshi Mizukami

President and Representative Director

Board of Directors, Auditors and Corporate Officers

Directors

President and Representative Director	Takeshi Mizukami
Managing Director	Shinji Shimazaki
Director and Senior Corporate Officer	Sadao Arita
Director	Toru Yanagawa
Director and Senior Corporate Officer	Shoji Fujiyoshi
Director and Senior Corporate Officer	Isao Shimomae

Auditors

Auditor	Teruo Nojo
Outside Auditor	Masaharu Hino
Outside Auditor	Keiichi Miyakawa
Outside Auditor	Takashi Nakamura

Corporate Officers

Senior Corporate Officer	Tetsuya Watanabe
Corporate Officer	Shiro Ito
Corporate Officer	Fumitomo Miyashita
Corporate Officer	Kazuto Abe
Corporate Officer	Yukio Kurosaka
Corporate Officer	Masayuki Takeda
Corporate Officer	Yasuhiro Yamada
Corporate Officer	Keisuke Kodama

Lines of Business

Plant & Machinery Business

Total engineering and construction for storage tanks such as low-temperature tanks, cryogenic tanks, high-pressure spherical tanks, floating roof tanks, cone roof tanks and dome roof tanks, including all related ancillary works such as civil works, piping and instrumentation.

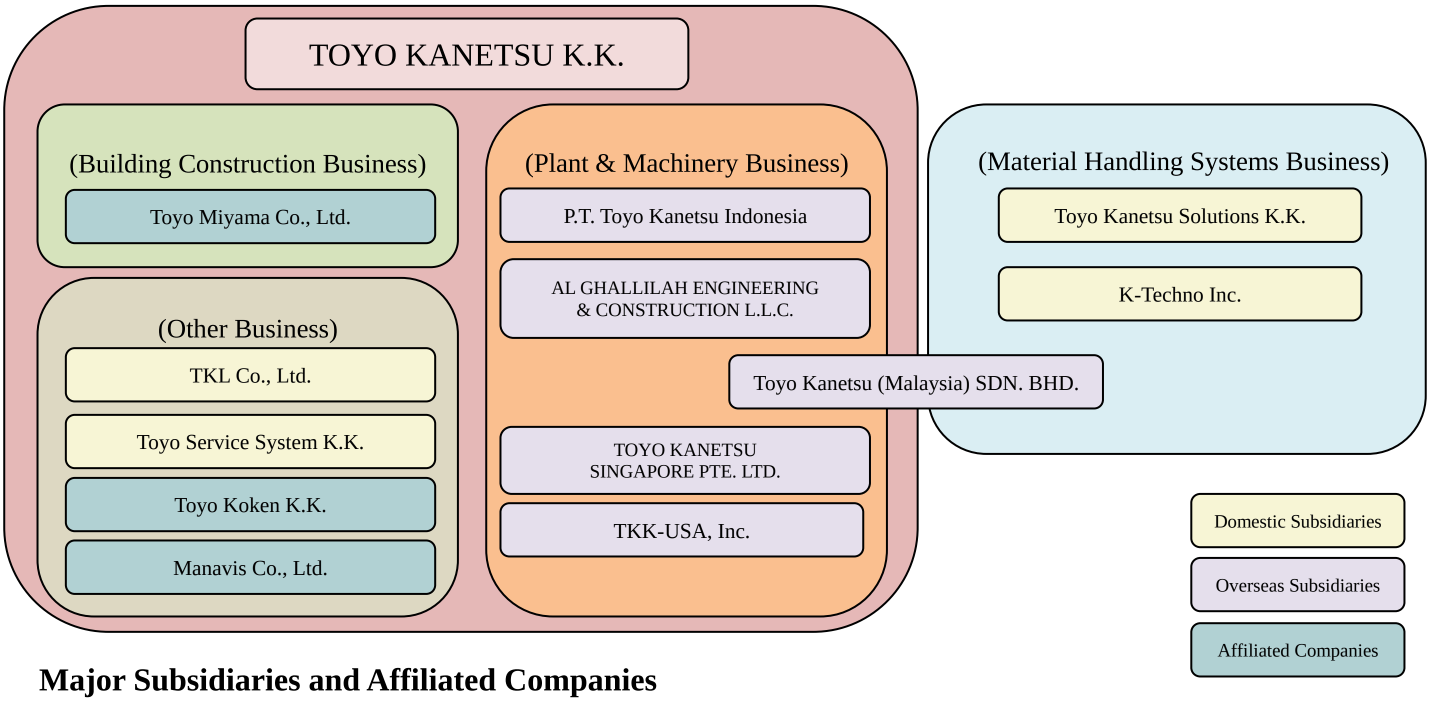
Material Handling Systems Business

Engineering, construction and related civil and construction work for all system equipment, system devices and ancillary equipment related to distribution center systems, truck terminal systems, production line systems, airport baggage handling systems, postal sorting systems, food processing center systems, food production factory systems, apparel center systems and other systems.

Building Construction Business

All-use, structural planning design and construction of condominiums, apartment buildings, offices, stores, medical facilities, residential housing, welfare facilities and warehouses; steel pipe piling design and execution.

TKK Group Companies



Major Subsidiaries and Affiliated Companies

(Domestic)

Toyo Kanetsu Solutions K.K.

Establishment	October 1, 2002
Capital	¥400 million
Business	Planning, design, manufacturing, construction and sales for material handling systems

K-Techno Inc.

Establishment	April 17, 1992
Capital	¥60 million
Business	Distribution business consulting; servicing, maintenance and tuning of distribution equipment; parts sales

TKL Co., Ltd.

Establishment	September 13, 1985
Capital	¥10 million
Business	Leasing operations and provisional equipment operations

Toyo Service System K.K.

Establishment	September 19, 1986
Capital	¥60 million
Business	Building management, real estate and OA-related operations

Toyo Miyama Co., Ltd.

Establishment	August 8, 1988
Capital	¥100 million
Business	Design, industrial manufacturing and on-site construction of house components, steel construction housing, stores, offices and other buildings

Toyo Koken K.K.

Establishment	February 11, 1957
Capital	¥897.49 million
Business	Design, manufacturing and construction of winches and hoists, lift ladders, conveyors, balancers, industrial robots and other machinery

(Overseas)

P.T. Toyo Kanetsu Indonesia

Establishment	September 9, 1974
Capital	US$2,000,000
Business	Manufacturing and sales of tanks and steel framing

Toyo Kanetsu (Malaysia) SDN. BHD.

Establishment	April 13, 1992
Capital	RM2,000,000
Business	Manufacturing and sales of storage tanks; manufacturing and sales of material handling system equipment and devices

AL GHALLILAH ENGINEERING & CONSTRUCTION L.L.C.

Establishment	May 21, 1997
Capital	OMR150,000
Business	Manufacturing and sales of storage tanks, pressure vessels, and onshore and offshore steel structures

TOYO KANETSU SINGAPORE PTE. LTD.

Establishment	August 8, 2006
Capital	S$500,000
Business	Manufacturing and sales of storage tanks, pressure vessels, and onshore and offshore steel structures

Analysis of Operating Environment and Results

In the fiscal year ended March 31, 2011, the Japanese economy appeared to be moving, albeit gradually, toward recovery. This was thanks to growth in exports and production and a recovering trend in capital investment, which were driven by improvements in overseas economies, especially in the developing countries. However, the impact of the great earthquake which struck eastern Japan in March and the resulting electric power shortages mean that a downturn in the economy is now inevitable.

In the Plant & Machinery Business, the expansion in energy demand due to the high growth rate in China, India and other developing countries stimulated numerous plans for electricity-generating plants, gas supply facilities, oil refineries and other energy-related projects. In particular, the increased gas demand which arose from surging crude oil prices and the use of gas as a way of reducing carbon dioxide emissions boosted planning activity in the area of storage facilities for LNG receipt and distribution.

In the Material Handling Systems Business, a reduction in the volume of materials handled in the domestic market and an increasing shift toward overseas production in manufacturing industry were among the factors driving the closure and integration of logistics centers and the move toward outsourcing of operations. This meant depressed levels of activity in the construction of transportation and distribution centers and warehousing facilities, with the result that demand for material handling systems is on a decreasing trend.

In the Building Construction Business, tax breaks for housing loans and the introduction of the "housing ecopoint" system contributed to a recovery in the number of new housing starts. In the leased apartment sector, however, the number of new starts declined. Business conditions therefore remained challenging.

Against this business background, consolidated net sales for the fiscal year amounted to ¥48,718 million (US$585,909 thousand), a decline of 3.4% from the previous year. Operating income decreased by 33.0% to ¥2,590 million (US$31,149 thousand) and income before extraordinary items by 39.0% to ¥2,305 million (US$27,726 thousand). Net income fell by 95.6% to ¥158 million (US$1,902 thousand), a decrease due in large part to a valuation loss on write-down of investments in securities and to a loss on adjustment for changes of accounting standard for asset retirement obligations. Total orders received, meanwhile, grew by 2.2% to ¥39,907 million (US$479,938 thousand).

Plant & Machinery Business

In overseas markets, the booming energy demand that accompanied the high rate of economic growth in China, India and other Asian countries led to an increase in the trading of LNG, which is effective in reducing carbon dioxide emissions. One result of this was to stimulate plans for LNG plants, including storage facilities, in both exporter and importer nations. On the strength of our rich track record and our international competitiveness, we were able to win contracts for a total of three LNG tanks in the Southeast Asia and Oceania regions. In the domestic market, four ongoing LNG tank projects proceeded smoothly, and one of these reached completion according to schedule. In the maintenance market, we secured a steady supply of contracts, among them orders for modification works to floating-roof tanks following a partial revision to the Fire Service Law, and an inclusive multi-year contract for tank maintenance at a large oil refinery.

Thanks to this steady progress with maintenance operations and ongoing major projects in Japan and overseas, and with the added benefit of cost-saving measures, this segment achieved an increase in both sales and profits.

As a result, net sales for the segment totaled ¥26,709 million (US$321,219 thousand), a growth of 10.3% from the previous year. Operating income increased by 3.1% to ¥2,517 million (US$30,269 thousand) and orders received rose by 21.2% to ¥24,827 million (US$298,579 thousand).

Material Handling Systems Business

Here we completed the installation of major projects such as baggage handling systems and cargo handling systems for airports, sorting systems for retailers, and picking systems for consumer cooperatives. Although net sales therefore reached a relatively high level, certain projects which proved to have unprofitable aspects led to the segment posting an operating loss. At the same time, there was a decline in the number of new large orders received from our main clients, which are the airport and consumer cooperative sectors, so that the main focus of business was on the upgrading of existing facilities. Against this background, we progressed with the development of new markets, including winning orders for the Multishuttle automated case storage system released in 2009.

Consequently, net sales declined by 15.8% from the previous year to ¥17,590 million (US$211,544 thousand) and the segment posted an operating loss of ¥163 million (US$1,962 thousand), contrasting with operating income of ¥1,064 million in the previous year. Orders received totaled ¥11,422 million (US$137,360 thousand), a decline of 30.4% from the previous year.

Building Construction Business

Projects in the general construction sector progressed favourably, with orders received in the growth area of welfare facilities. However, the mainstays of the sector—leased apartment construction and steel pipe pile construction projects—continued to present a challenging environment. The securing of large contracts, meanwhile, led to a substantial increase from the previous year in orders received.

Against this background, net sales for the segment decreased by 17.2% from the previous year to ¥2,180 million (US$26,212 thousand) and operating income by 44.4% to ¥36 million (US$432 thousand). Orders received, however, increased by 69.4% to ¥3,658 million (US$43,999 thousand).

Other Businesses

Net sales in sectors other than the above totaled ¥2,239 million (US$26,934 thousand), a decline of 16.8% from the previous year, while operating income in these sectors declined by 14.5% to ¥482 million (US$5,790 thousand).

Business Risks

The following risks may affect the business results, stock price and financial position of the TKK Group.

Potential risks associated with international activities and overseas advance

The TKK Group conducts some operations in overseas markets, primarily those of the Plant & Machinery Business. Further, its subsidiary manufactures tank materials in Indonesia. These overseas operations carry inherent risks as stated below, and the TKK Group's business results and financial position may be adversely affected by such risks.

1) Unexpected changes in laws and regulations
2) Political and economic instability
3) Difficulties in securing human resources
4) Tax system revisions that could be unfavorable to the TKK Group
5) Social confusion arising from acts of terror, war or any other factors

Exchange rate fluctuations

The TKK Group's business activities include manufacturing products, selling materials and implementing construction operations overseas. Foreign-currency-denominated accounting items such as sales, expenses and assets are translated into Japanese yen for the purpose of preparing consolidated financial statements. The exchange rates used in currency conversion may affect the yen-denominated value. As most of our payments and receipts are denominated in U.S. dollars or euros, a stronger yen will adversely affect the TKK Group's business, while a weaker yen will favorably affect the TKK Group's business.

The TKK Group makes an effort to minimize the adverse effects of such exchange rate fluctuations by flexibly entering into forward exchange contracts or option contracts, and by implementing structural solutions such as using overseas manufacturing bases and internationally procuring raw materials. However, an unexpected change in exchange rates may adversely affect the TKK Group's business results and financial position.

Project risk

The business results of the TKK Group may be affected by situations where, for customer reasons, projects are suspended or postponed or the project content is otherwise altered.

Further, as our projects take the form of inclusive contracts, deterioration in project profitability may impact on business results in the event of a sudden change in the economic situation leading to unforeseen rises in equipment and material prices, transportation costs, construction costs or other expenses, or in the event of natural disaster, outbreak of disease, serious accident or other eventualities.

Competition for winning orders

All of the major businesses of the TKK Group are being operated under the make-to-order type system and the TKK Group is facing severe competition to win orders. Depending on the circumstances, we recognize the possibility that a competitor may disregard profitability and enter into price competition with the TKK Group. Although the TKK Group strives to reduce all kinds of costs and reinforce its price competitiveness, such unreasonable downward pressure on the TKK Group's earnings may adversely affect the TKK Group's business results and financial position.

Dependence on business results of specific customers in the Building Construction Business

The TKK Group's building construction business depends to a large extent on contracts with specific customers. Consequently, the TKK Group's sales generated from this business may be significantly affected by the business results of such customers or other factors that are beyond the TKK Group's control. Further, any price reductions that we make in response to customers' requests may shrink the TKK Group's profit margins.

Financial Section

For the years ended March 31, 2011 and 2010

Toyo Kanetsu K.K. and Consolidated Subsidiaries

Consolidated Balance Sheets

At March 31, 2011 and 2010

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	***2011***
Current Assets:			
Cash on hand and at bank	**¥7,772**	¥8,956	***$93,466***
Notes and accounts receivable	**11,631**	13,511	***139,876***
Marketable securities	**3,999**	1,000	***48,101***
Investments in leases	**2,463**	3,208	***29,617***
Inventories (Note 4)	**7,379**	8,882	***88,747***
Deferred tax assets (Note 9)	**147**	509	***1,773***
Other current assets	**567**	1,840	***6,819***
Less: Allowance for doubtful accounts	**(166)**	(158)	***(1,999)***
Total current assets	**33,792**	37,748	***406,400***
Property, Plant and Equipment:			
Buildings and structures (Note 6)	**10,077**	9,898	***121,190***
Machinery and equipment (Note 6)	**5,585**	5,278	***67,166***
Land (Note 7)	**8,914**	8,735	***107,204***
Construction in progress	**53**	88	***639***
Less: Accumulated depreciation	**(12,083)**	(11,509)	***(145,319)***
Total property, plant and equipment	**12,546**	12,490	***150,880***
Investments and Advances:			
Investments in securities (Notes 5 and 6)	**5,200**	6,617	***62,535***
Long-term loans receivable	**223**	344	***2,679***
Other investments	**1,338**	1,189	***16,100***
Less: Allowance for doubtful accounts	**(324)**	(358)	***(3,897)***
Total investments and advances	**6,437**	7,792	***77,417***
Intangibles:			
Intangible fixed assets	**281**	338	***3,383***
Total intangibles	**281**	338	***3,383***
Total assets	**¥53,056**	¥58,368	***$638,080***

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

LIABILITIES and NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	***2011***
Current Liabilities:			
Short-term debt and current portion of long-term debt (Note 6)	**¥4,603**	¥4,280	***$55,354***
Notes and accounts payable	**2,225**	2,757	***26,757***
Accrued income taxes	**588**	195	***7,069***
Accrued liabilities	**4,214**	4,270	***50,682***
Advances from customers	**6,790**	7,357	***81,662***
Lease obligations (Note 6)	**160**	157	***1,924***
Accrued bonuses	**241**	249	***2,894***
Reserve for losses on work in progress	**304**	717	***3,661***
Reserve for warranty costs for completed works	**228**	478	***2,744***
Other current liabilities	**229**	382	***2,763***
Total current liabilities	**19,582**	20,842	***235,510***
Long-Term Liabilities:			
Long-term debt (Note 6)	**600**	3,961	***7,216***
Lease obligations (Note 6)	**205**	365	***2,461***
Deferred tax liabilities on revaluation of land (Notes 7 and 9)	**2,174**	2,174	***26,146***
Deferred tax liabilities (Note 9)	**66**	280	***790***
Accrued retirement benefits for employees (Note 8)	**302**	379	***3,638***
Asset retirement obligations (Note18)	**298**	-	***3,584***
Other long-term liabilities	**90**	91	***1,083***
Total long-term liabilities	**3,735**	7,250	***44,918***
Commitments and Contingent Liabilities (Note 10)			
Net Assets			
Shareholders' Equity:			
Common stock:			
Authorized: 297,000,000 shares			
Issued: 138,730,741 shares	**18,580**	18,580	***223,453***
Additional paid-in capital	**1,104**	1,104	***13,278***
Accumulated earnings	**13,271**	13,608	***159,606***
Less: Treasury stock, at cost	**(3,750)**	(3,743)	***(45,111)***
Total shareholders' equity	**29,205**	29,549	***351,226***
Accumulated Other Comprehensive Income:			
Net unrealized holding gains on investments in securities	**118**	350	***1,419***
Deferred gains or losses on hedges	**(6)**	(5)	***(69)***
Unrealized gains on revaluation of land (Note 7)	**792**	792	***9,528***
Foreign currency translation adjustments	**(478)**	(519)	***(5,746)***
Total accumulated other comprehensive income	**426**	618	***5,132***
Minority Interests	**108**	109	***1,294***
Total Net Assets	**29,739**	30,276	***357,652***
Total Liabilities and Net Assets	**¥53,056**	¥58,368	***$638,080***

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

Toyo Kanetsu K.K. and Consolidated Subsidiaries

Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	***2011***
Net Sales	**¥48,718**	¥50,446	***$585,909***
Cost of Sales (Note 12)	**42,142**	42,600	***506,824***
Gross profit	**6,576**	7,846	***79,085***
Selling, General and Administrative Expenses (Notes 11 and 12)	**3,986**	3,983	***47,936***
Operating income	**2,590**	3,863	***31,149***
Other Income (Expenses):			
Interest and dividend income	**186**	159	***2,237***
Interest expense	**(26)**	(81)	***(313)***
Foreign currency exchange gain (loss)	**(230)**	(260)	***(2,768)***
Equity in income (loss) of affiliates	**(286)**	68	***(3,438)***
Other, net	**71**	33	***859***
	(285)	(81)	***(3,423)***
Income before extraordinary items	**2,305**	3,782	***27,726***
Extraordinary Profit (Loss):			
Gain on sale or disposal of property, plant and equipment, net	**3**	241	***32***
Gain on sale of investments in securities, net	**27**	-	***328***
Loss on write-down of investments in securities, net	**(1,350)**	0	***(16,234)***
Provision for bad debts	**(0)**	(5)	***(7)***
Reversal of provision for bad debts	**67**	165	***811***
Loss on adjustment for changes of accounting standard for asset retirement obligations	**(298)**	-	***(3,584)***
Other, net	**19**	57	***221***
	(1,532)	458	***(18,433)***
Income before income taxes and minority interests	**773**	4,240	***9,293***
Income Taxes (Note 9)**:**			
Current	**699**	211	***8,404***
Deferred	**(85)**	453	***(1,021)***
	614	664	***7,383***
Income before minority interests	**159**	**-**	***1,910***
Minority interests in net income of consolidated subsidiaries	**1**	16	***8***
Net Income	**¥158**	¥3,560	***$1,902***
Minority interests in net income of consolidated subsidiaries	**1**	**-**	***8***
Income before minority interests	**159**	**-**	***1,910***
Other Comprehensive Income			
Net unrealized holding gains or losses on investment securities	**(231)**	**-**	***(2,778)***
Deferred gains or losses on hedges	**0**	**-**	***0***
Foreign currency translation adjustments	**39**	**-**	***467***
Share of other comprehensive income of associates accounted for using equity method	**(2)**	**-**	***(18)***
	(194)	**-**	***(2,329)***
Total Comprehensive Income	**(35)**	**-**	***(419)***
Total comprehensive income attributable to:			
owners of the parent	**(33)**	**-**	***(397)***
minority interests	**(2)**	**-**	***(22)***

	Yen		U.S. dollars (Note 3)
Per Share (Note 22)	**2011**	2010	***2011***
Net income	**¥1.31**	¥28.75	***$0.02***

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

Toyo Kanetsu K.K. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2009, 2010 and 2011

		Millions of yen				
	Number of shares of common stock	Common stock	Additional paid-in capital	Accumulated earnings (deficit)	Treasury stock	Total shareholders' equity
Balance at March 31, 2009	138,730,741	¥18,580	¥1,104	¥10,953	¥(2,813)	¥27,824
Cash dividends paid	-	-	-	(504)	-	(504)
Net income for the year	-	-	-	3,560	-	3,560
Purchase of treasury stock	-	-	-	-	(930)	(930)
Reversal of revaluation reserve for land	-	-	-	(401)	-	(401)
Net unrealized holding gains on investments	-	-	-	-	-	-
Deferred gains or losses on hedges	-	-	-	-	-	-
Unrealized gains on revaluation of land	-	-	-	-	-	-
Foreign currency translation adjustments	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-
Balance at March 31, 2010	**138,730,741**	**¥18,580**	**¥1,104**	**¥13,608**	**¥(3,743)**	**¥29,549**

	Millions of yen						
	Net unrealized holding (gains) losses on investment securities	Deferred gains or losses on hedges	Unrealized gains on revaluation of land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2009	¥338	¥40	¥376	¥(652)	¥102	¥89	¥28,015
Cash dividends paid	-	-	-	-	-	-	(504)
Net income for the year	-	-	-	-	-	-	3,560
Purchase of treasury stock	-	-	-	-	-	-	(930)
Reversal of revaluation reserve for land	-	-	-	-	-	-	(401)
Net unrealized holding gains on investments	12	-	-	-	12	-	12
Deferred gains or losses on hedges	-	(45)	-	-	(45)	-	(45)
Unrealized gains on revaluation of land	-	-	416	-	416	-	416
Foreign currency translation adjustments	-	-	-	133	133	-	133
Minority interests	-	-	-	-	-	20	20
Balance at March 31, 2010	**¥350**	**¥(5)**	**¥792**	**¥(519)**	**¥618**	**¥109**	**¥30,276**

	Number of shares of common stock	Millions of yen: Common stock	Additional paid-in capital	Accumulated earnings (deficit)	Treasury stock	Total shareholders' equity
Balance at March 31, 2010	138,730,741	¥18,580	¥1,104	¥13,608	¥(3,743)	¥29,549
Effect of changes in accounting policies applied to companies accounted for using the equity method	-	-	-	(12)	-	(12)
Cash dividends paid	-	-	-	(483)	-	(483)
Net income for the year	-	-	-	158	-	158
Purchase of treasury stock	-	-	-	-	(7)	(7)
Net unrealized holding gains on investments	-	-	-	-	-	-
Deferred gains or losses on hedges	-	-	-	-	-	-
Unrealized gains on revaluation of land	-	-	-	-	-	-
Foreign currency translation adjustments	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-
Balance at March 31, 2011	**138,730,741**	**¥18,580**	**¥1,104**	**¥13,271**	**¥(3,750)**	**¥29,205**

	Millions of yen: Net unrealized holding (gains) losses on investment securities	Deferred gains or losses on hedges	Unrealized gains on revaluation of land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2010	¥350	¥(5)	¥792	¥(519)	¥618	¥109	¥30,276
Effect of changes in accounting policies applied to companies accounted for using the equity method	-	-	-	-	-	-	(12)
Cash dividends paid	-	-	-	-	-	-	(483)
Net income for the year	-	-	-	-	-	-	158
Purchase of treasury stock	-	-	-	-	-	-	(7)
Net unrealized holding gains on investments	(232)	-	-	-	(232)	-	(232)
Deferred gains or losses on hedges	-	(1)	-	-	(1)	-	(1)
Unrealized gains on revaluation of land	-	-	-	-	-	-	-
Foreign currency translation adjustments	-	-	-	41	41	-	41
Minority interests	-	-	-	-	-	(1)	(1)
Balance at March 31, 2011	¥118	¥(6)	¥792	¥(478)	¥426	¥108	¥29,739

	Number of shares of common stock	Thousands of U.S. dollars (Note 3) Common stock	Additional paid-in capital	Accumulated earnings (deficit)	Treasury stock	Total shareholders' equity
Balance at March 31, 2010	*138,730,741*	*$223,453*	*$13,278*	*$163,661*	*$(45,020)*	*$355,372*
Effect of changes in accounting policies applied to companies accounted for using the equity method	-	-	-	*(153)*	-	*(153)*
Cash dividends paid	-	-	-	*(5,804)*	-	*(5,804)*
Net income for the year	-	-	-	*1,902*	-	*1,902*
Purchase of treasury stock	-	-	-	-	*(91)*	*(91)*
Net unrealized holding gains on investments	-	-	-	-	-	-
Deferred gains or losses on hedges	-	-	-	-	-	-
Unrealized gains on revaluation of land	-	-	-	-	-	-
Foreign currency translation adjustments	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-
Balance at March 31, 2011	***138,730,741***	***$223,453***	***$13,278***	***$159,606***	***$(45,111)***	***$351,226***

	Thousands of U.S. dollars (Note 3) Net unrealized holding (gains) losses on investment securities	Deferred gains or losses on hedges	Unrealized gains on revaluation of land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2010	*$4,215*	*$(68)*	*$9,528*	*$(6,243)*	*$7,432*	*$1,316*	*$364,120*
Effect of changes in accounting policies applied to companies accounted for using the equity method	-	-	-	-	-	-	*(153)*
Cash dividends paid	-	-	-	-	-	-	*(5,804)*
Net income for the year	-	-	-	-	-	-	*1,902*
Purchase of treasury stock	-	-	-	-	-	-	*(91)*
Net unrealized holding gains on investments	*(2,796)*	-	-	-	*(2,796)*	-	*(2,796)*
Deferred gains or losses on hedges	-	*(1)*	-	-	*(1)*	-	*(1)*
Unrealized gains on revaluation of land	-	-	-	-	-	-	-
Foreign currency translation adjustments	-	-	-	*497*	*497*	-	*497*
Minority interests	-	-	-	-	-	*(22)*	*(22)*
Balance at March 31, 2011	***$1,419***	***$(69)***	***$9,528***	***$(5,746)***	***$5,132***	***$1,294***	***$357,652***

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

Toyo Kanetsu K.K. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	***2011***
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	**¥773**	¥4,240	***$9,293***
Depreciation and amortization	**694**	739	***8,341***
Amortization of long-term prepaid expenses	**85**	134	***1,017***
Increase (decrease) in provision for allowance for doubtful accounts	**(27)**	(174)	***(319)***
Increase (decrease) in provision for employees' retirement benefits	**(75)**	(588)	***(897)***
Increase (decrease) in provision for losses on work in progress	**(413)**	(353)	***(4,962)***
Increase (decrease) in provision for warranty costs for completed works	**(250)**	359	***(3,003)***
Interest and dividend income	**(186)**	(159)	***(2,237)***
Interest expense	**26**	81	***313***
Gain on allotment of shares	**(45)**	-	***(536)***
Exchange loss (gain)	**122**	(23)	***1,469***
Equity in loss (income) of affiliates	**286**	(68)	***3,438***
Loss (gain) on sales of investment securities	**(26)**	-	***(312)***
Loss (gain) on write-down of investments in securities	**1,350**	0	***16,234***
Loss (gain) on sale of property, plant and equipment	**(9)**	(283)	***(104)***
Loss on disposal of property, plant and equipment	**6**	39	***74***
Loss (gain) on transfer of business	**(23)**	-	***(278)***
Loss on adjustment for changes of accounting standard for asset retirement obligations	**298**	-	***3,584***
Decrease (increase) in notes and accounts receivables	**1,867**	(568)	***22,452***
Decrease (increase) in investments in leases	**565**	580	***6,793***
Decrease (increase) in inventories	**1,501**	(140)	***18,046***
Decrease (increase) in advance payments	**1,216**	(1,153)	***14,628***
Decrease (increase) in accrued income	**(44)**	39	***(525)***
Increase (decrease) in notes and accounts payable	**(551)**	(545)	***(6,631)***
Increase (decrease) in advances from customers	**(562)**	4,054	***(6,755)***
Other	**(63)**	149	***(771)***
Sub total	**6,515**	6,360	***78,352***
Interest and dividend income received	**200**	181	***2,405***
Interest expense paid	**(25)**	(76)	***(304)***
Income taxes paid	**(288)**	(86)	***(3,462)***
Net cash provided by (used in) operating activities	**6,402**	6,379	***76,991***
Cash Flows from Investing Activities:			
Payments into time deposits (over 3-month term)	**(76)**	(76)	***(914)***
Proceeds from withdrawal of time deposits	**38**	36	***457***
Payments for purchase of property, plant and equipment	**(747)**	(632)	***(8,982)***
Proceeds from sales of property, plant and equipment	**131**	522	***1,571***
Payments for purchase of investments in securities	**(695)**	(215)	***(8,357)***
Proceeds from sales of investments in securities	**125**	0	***1,500***
Proceeds from transfer of business	**23**	-	***278***
Payments of loans receivable	**(80)**	(30)	***(962)***
Collection of loans receivable	**200**	161	***2,405***
Other	**23**	35	***276***
Net cash used in investing activities	**(1,058)**	(199)	***(12,728)***
Cash Flows from Financing Activities:			
Increase (decrease) in short-term debt, net	**(1,723)**	(3,653)	***(20,727)***
Proceeds from long-term debt	**100**	3,650	***1,203***
Repayment of long-term debt	**(1,269)**	(1,864)	***(15,258)***
Purchase of treasury stock	**(8)**	(930)	***(90)***
Capital dividend paid	**(480)**	(501)	***(5,768)***
Net cash provided by (used in) financing activities	**(3,380)**	*(3,298)*	***(40,640)***
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(187)**	56	***(2,249)***
Net Increase (Decrease) in Cash and Cash Equivalents	**1,777**	2,938	***21,374***
Cash and Cash Equivalents at Beginning of Year	**9,803**	6,865	***117,893***
Cash and Cash Equivalents at End of Year (Note 14)	**¥11,580**	¥9,803	***$139,267***

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

Notes to the Consolidated Financial Statements

For the years ended March 31, 2011 and 2010

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements of Toyo Kanetsu Kabushiki Kaisha (hereinafter the "Company") and its domestic consolidated subsidiaries 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 Financial Instruments 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 the accounts of its nine subsidiaries. All significant inter-company transactions and accounts and unrealized inter-company profits are eliminated on consolidation.

The consolidated subsidiary, Global Eight Corporation has been excluded from consolidated subsidiaries for the year ended March 31, 2010, according to liquidation.

Investments in affiliated companies in which the Company has significant influence are accounted for under the equity method. These affiliated companies to which the equity method is applied total three at March 31, 2011 and 2010. 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 overseas subsidiaries were consolidated on the basis of their fiscal years ended at December 31, 2010 for the current year consolidation and at December 31, 2009 for the previous year consolidation, respectively. Material differences in inter-company transactions and accounts arising from the use of the different fiscal year ends are appropriately adjusted for on consolidation.

(2) Revaluation of Assets and Liabilities of the Subsidiaries

All assets and liabilities of the subsidiaries are fair valued as of the date of acquisition of control.

(3) Cash and Cash Equivalents

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

(4) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided at an amount for losses which are expected to occur but cannot be determined on an item-by-item or group basis. This general allowance is calculated using historical write-off experience from prior periods. In addition, an amount for expected losses on individual uncollectible receivables is calculated based on management's estimate.

(5) Inventories

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

Raw materials……………………….Moving-average method (a carrying amounts on the balance sheet is written down if the profitability decreases)

Work in process and supplies ………Specific identification method (a carrying amounts on the balance sheet is written down if the profitability decreases)

(6) Financial Instruments

(a) Derivatives

All derivatives are stated at fair value except for certain derivatives that are designated as "hedging instruments" (see Note 17. Derivative and Hedging Activities below).

(b) Securities to be Held to Maturity
These are accounted for using the amortized cost method (straight-line method).

(c) Investments in Securities
Securities held by the Company and its subsidiaries are classified into two categories:

"Investments of the Company in equity securities issued by the affiliated companies" are accounted for by the equity method.

Other investments in debt and equity securities are classified as "Other securities." "Other securities" with market quotations are stated at fair value with any unrealized holding gains and losses, net of tax, being reported in separate component of net assets. The cost of sold is determined by the moving-average method.

"Other securities" without market quotations are stated at cost determined by the moving-average method.

(7) 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 assets 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 swaps contracts meet certain exceptional criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the related hedged liabilities.

Derivatives designated as hedging instruments by the Company are principally forward exchange contracts and interest swaps. The related hedged items are expected account receivables or payables in foreign currency, and long-term bank loans.

In accordance with the Company's regulations on the handling of derivative transactions, the Company does not make active use of individual transactions for speculative purposes but uses them exclusively to reduce exposure to risk from foreign exchange and interest rate fluctuations.

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 beginning from the commencement of the hedges. The Company, however, does not evaluate the effectiveness of interest swaps because of exceptional accounting treatment.

(8) 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 enhancements 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 the range of useful lives from 3 to 57 years for buildings and from 6 to 13 years for machinery and equipment. Depreciation of overseas subsidiaries is computed using the straight-line method.

(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.

Work in progress on construction contracts in which losses are envisaged and the reserve for losses on work in progress are not mutually offset but are both presented.

Of the total amount of work in progress on construction contracts in which losses are envisaged, the amount corresponding to the reserve for losses on work in progress is ¥30 million ($358 thousand) and ¥123 million for the years ended March 31, 2011 and 2010, respectively.

(11) Reserve for Warranty Costs for Completed Works
A reserve for warranty costs for completed works is provided based on the past experience rates for warranty costs and after-sales service costs for completed works on an item-by-item or group basis.

(12) 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 base of assets and liabilities and those as reported in the consolidated financial statements.

(13) Accrued Bonuses
Accrued bonuses to employees are provided for at the estimated amounts which the Company and its consolidated subsidiaries are obligated to pay to employees after the fiscal year-end, based on services provided during the current period.

(14) Accrued Retirement Benefits for Employees
Accrued retirement benefits for 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 for employees are calculated using the simplified method. The amount of actuarial gains (losses) is amortized on a straight-line basis over five years and recognized as deductions from expenses or included in expenses, respectively, in the next fiscal year. Prior service cost is recognized as deductions from expenses or included in expenses, respectively, in the year of occurrence.

(Changes in accounting method)
Effective from the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted the partial amendment of the Financial Accounting Standard for Retirement Benefits (Part 3) (Statement No. 19 issued by the Accounting Standards Board of Japan (hereinafter “ASBJ”) on July 31, 2008).

(15) Significant Accounting Policies for Earnings and Expenses
(a) Regarding the accounting policy for the net sales of completed construction contracts and the cost of sales of completed construction contracts, for work in progress in the years ended March 31, 2011 and 2010, the Company accounted for projects with an outcome deemed certain on the percentage-of-completion basis (with the estimated stage of completion calculated on the cost-to-cost basis) and other projects on the completed-contract basis.

(Changes in accounting method)
Regarding the accounting policy for earnings from construction contracts, previously, the Company and some consolidated subsidiaries accounted for contracts of which period from the beginning of construction work to the date of delivery is one year or longer on the percentage-of-completion basis and other contracts on the completed-contract basis or upon delivery. Effective from the fiscal year ended March 31, 2010, the Company and some consolidated subsidiaries adopted the Accounting Standard for Construction Contracts (Statement No. 15 issued by ASBJ on December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (Guidance No. 18 issued by ASBJ on December 27, 2007). Accordingly, starting with construction contracts begun in the year ended March 31, 2010, for work in progress up to March 31, 2010, the Company and some consolidated subsidiaries accounted for contracts, of which percentage of completion can be reliably estimated on the percentage-of-completion basis (with the estimated stage of completion calculated on the cost-to-cost basis) and other projects on the completed-contract basis.

(b) Regarding finance lease transactions, sales and cost of sales were recorded when lease receivables from customers are paid.

(c) One consolidated subsidiary recognizes revenue on the installment basis.

(16) Accounting for Consumption Tax
The Company and its domestic consolidated subsidiaries account for consumption tax by the tax-exclusion method.

(17) Significant Changes in the Basis of Preparation of the Consolidated Financial Statements
(a) Application of Accounting Standard for Asset Retirement Obligations
In the year ended March 31, 2011, the Company applied the Accounting Standard for Asset Retirement Obligations (Statement No. 18 issued by ASBJ on March 31, 2008) and the associated implementation guidance (Guidance No. 21 issued by ASBJ on March 31, 2008).

As a result, income before extraordinary items for the year ended March 31, 2011, decreased by ¥1 million ($10 thousand) and net income before income taxes by ¥298 million ($3,584 thousand).

(b) Application of Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method
In the year ended March 31, 2011, the Company applied the Accounting Standard on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (Statement No. 16 issued by ASBJ on March 10, 2008) and the associated Practical Solution (Practical Solution No. 24 issued by ASBJ on March 10, 2008) and made the necessary amendments to the consolidated accounts.

As a result, accumulated earnings at the beginning of the period decreased by ¥13 million ($152 thousand). The effect on income before extraordinary items and on income before income taxes was immaterial.

(18) Change in Method of Presentation
(Consolidated Statements of Income)
In the year ended March 31, 2011, in accordance with the Accounting Standards for Consolidated Financial Statements (Statement No. 22 issued by ASBJ on December 26, 2008), the Company applied the Cabinet Office Ordinance on Partial Revision of Regulations for Terminology, Forms and Preparation of Financial Statements and Other Regulations (Cabinet Office Ordinance No. 5, March 24, 2009) to present data under the item of income before minority interests.

(19) Additional Information

In the year ended March 31, 2011, the Company applied the Accounting Standard for Presentation of Comprehensive Income (Statement No. 25 issued by ASBJ on June 30, 2010). However, the amounts presented for the previous consolidated fiscal year under accumulated other comprehensive income and total accumulated other comprehensive income represent the amounts for valuation and translation adjustments, and total valuation and translation adjustments.

The amounts for comprehensive income and for other comprehensive income items in the previous year are as indicated below.

Year ended on March 31, 2010	Millions of yen
Comprehensive income attributable to:	
owners of the parent	**¥3,676**
minority interests	**20**
	¥3,696
Other comprehensive income	
Net unrealized holding gains or losses on investment securities	**¥(35)**
Deferred gains or losses on hedges	**(47)**
Unrealized gains on revaluation of land	**15**
Foreign currency translation adjustments	**137**
Share of other comprehensive income of associates accounted for using equity method	**50**
	¥120

3. United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥83.15=U.S. $1.00, the approximate rate of exchange prevailing at March 31, 2011, has been used in translation. The inclusion of such amounts are not intended to imply that the Japanese yen has been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rates.

4. Inventories

Inventories as at March 31, 2011 and 2010 consisted as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2011**	2010	***2011***
Merchandise	**¥1**	¥3	***$16***
Raw materials and supplies	**585**	640	***7,030***
Work in process	**6,793**	8,239	***81,701***
Total	**¥7,379**	¥8,882	***$88,747***

5. Investments in Securities

The aggregate fair value and carrying amounts of securities to be held to maturity with market quotations at March 31, 2011 and 2010 were as follows:

	Millions of yen						*Thousands of U.S. dollars*		
	2011			2010			***2011***		
March 31	Fair Value	Carrying Amount	Difference	Fair Value	Carrying Amount	Difference	*Fair Value*	*Carrying Amount*	*Difference*
Government bonds and local government bonds	**¥ -**	**¥ -**	**¥ -**	¥ -	¥ -	¥ -	***$ -***	***$ -***	***$ -***
Bonds	**587**	**600**	**(13)**	-	-	-	***7,054***	***7,216***	***(162)***
Other	-	-	-	-	-	-	-	-	-
Total	**¥587**	**¥600**	**¥(13)**	¥ -	¥ -	¥ -	***$7,054***	***$7,216***	***$(162)***

The aggregate acquisition cost and carrying amounts of other securities with market quotations at March 31, 2011 and 2010 were as follows:

	Millions of yen						*Thousands of U.S. dollars*		
	2011			2010			***2011***		
March 31	Acquisition Cost	Carrying Amount	Difference	Acquisition Cost	Carrying Amount	Difference	*Acquisition Cost*	*Carrying Amount*	*Difference*
Equity securities	**¥2,060**	**¥2,257**	**¥197**	¥3,370	¥3,957	¥587	***$24,778***	***$27,142***	***$2,364***
Bonds	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**¥2,060**	**¥2,257**	**¥197**	¥3,370	¥3,957	¥587	***$24,778***	***$27,142***	***$2,364***

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 more than 30% but less than 50% and the Company management determines the decline to be other than temporary. In the year ended March 31, 2011, write-downs of other marketable securities, consisting of stocks with fair value, were made in the amount of ¥1,350 million ($16,234 thousand).

Proceeds from sale of other securities were ¥82 million ($980 thousand) and nothing for the years ended March 31, 2011 and 2010, respectively. On those sales, gross realized gains were ¥27 million ($328 thousand) and nothing for the years ended March 31, 2011 and 2010, respectively. Gross realized losses were ¥0 million ($0 thousand) and nothing for the years ended March 31, 2011 and 2010, respectively.

Non-listed stocks whose fair value was not determinable were not included in the above table. For the years ended March 31, 2011 and 2010, the carrying amounts of them in the consolidated balance sheet were respectively ¥2,168 million ($26,078 thousand) and ¥2,442 million.

Commercial paper was not included in the above table as the period to maturity of it was short and the fair value was close to the book value. For the years ended March 31, 2011 and 2010, the carrying amounts of them on the balance sheet were ¥3,999 million ($48,101 thousand) and ¥1,000 million, respectively.

Investments in affiliates included in investments in securities were ¥1,540 million ($18,521 thousand) and ¥1,857 million for the years ended March 31, 2011 and 2010, respectively.

6. Short-Term Debt, Long-Term Debt, and Lease Obligations

Short-term debt, long-term debt and lease obligations as at March 31, 2011 and 2010 were as follows:

	Millions of yen				*Thousands of U.S. dollars*
	2011		2010		***2011***
March 31		**Weighted average interest rate**		**Weighted average interest rate**	
Short-term debt	**¥1,381**	**0.85%**	¥3,252	0.83%	***$16,611***
Current portion of long-term debt	**3,222**	**1.31%**	1,029	2.27%	***38,743***
Lease obligations (current liabilities)	**160**	**-**	157	-	***1,924***
Long-term debt	**600**	**1.29%**	3,961	1.33%	***7,216***
Lease obligations (long-term liabilities)	**205**	**-**	365	-	***2,461***
Total	**¥5,568**	**-**	¥8,764	-	***$66,955***

Note: The above interest rates were calculated by weighted average method based on the balance of debt at the end of the fiscal year.

Secured debt as at March 31, 2011 and 2010 was as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2011**	2010	***2011***
Short-term debt secured by buildings, machinery and land	**¥1,350**	¥470	***$16,236***
Long-term debt secured by buildings, machinery and land	**500**	1,850	***6,013***
Total	**¥1,850**	¥2,320	***$22,249***
Short-term debt secured by investments in securities	**¥ -**	¥124	***$ -***
Long-term debt secured by investments in securities	**-**	214	***-***
Total	**¥ -**	¥338	***$ -***

Assets pledged as collateral for the short-term debt and the long-term debt as at March 31, 2011 and 2010 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2011**	2010	***2011***
Buildings (at net book value)	**¥496**	¥535	***$5,976***
Machinery (at net book value)	**5**	9	***55***
Land	**5,459**	5,459	***65,652***
Total	**¥5,960**	¥6,003	***$71,683***
Investments in securities	**¥ -**	¥361	***$ -***

Annual maturities of long-term debt and lease obligations as at March 31, 2011 were as follows:

	Long-term debt		Lease obligations	
Year ending on March 31,	Millions of yen	*Thousands of U.S. dollars*	Millions of yen	*Thousands of U.S. dollars*
2013	**¥500**	***$6,013***	**¥74**	***$887***
2014	**-**	***-***	**78**	***940***
2015	**-**	***-***	**53**	***634***
2016	**100**	***1,203***	**-**	***-***

7. 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 tax liability and the revaluation difference, net of tax, is recognized as a component of net assets.

The revaluation was performed on March 31, 2002 based on the fixed asset tax revaluation amount set in the "Law on Land Revaluation" Article. 2, Item 3, and is calculated based on land prices set in the "Law on Land Revaluation" Article.2, Item 4 with certain reasonable adjustments.

The excess of the book value over the current market value of such revalued land held at March 31, 2011 and 2010 amounted to ¥3,306 million ($39,756 thousand) and ¥3,118 million, respectively.

8. Retirement Benefits Plan

The Company and some consolidated subsidiaries have defined benefits pension plans and employee's pension funds by multi-employer plan as the system of defined benefits. The other consolidated subsidiaries have tax-qualified pension plans and termination allowance plans. The one consolidated subsidiary that operated a tax-qualified pension plan and the one consolidated subsidiary that operated a termination allowance plan transferred at the beginning of the fiscal year from April 1, 2011, to the Smaller Enterprise Retirement Allowance Mutual Aid System. The Company and certain consolidated subsidiaries also have the defined contribution pension plans.

The accrued retirement benefits as of March 31, 2011 and 2010 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2011**	2010	***2011***
Projected benefit obligations	**¥(2,796)**	¥(2,815)	***$(33,634)***
Plan assets	**2,642**	2,634	***31,176***
Net unreserved projected benefit obligations	**(154)**	(181)	***(1,858)***
Unrecognized actuarial differences	**(90)**	(168)	***(1,074)***
Net retirement benefit obligations	**(244)**	(349)	***(2,932)***
Less: Pension costs paid in advance	**58**	30	***706***
Accrued retirement benefits for employees	**¥(302)**	¥(379)	***$(3,638)***

Net pension and severance costs related to the retirement benefit plans for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2011**	2010	***2011***
Net pension and severance costs	**¥117**	¥250	***$1,405***
Service costs	**134**	147	***1,608***
Interest cost	**43**	46	***519***
Expected return on plan assets	**(26)**	(19)	***(316)***
Net amortization	**(26)**	33	***(311)***
Amortization of prior service costs	**(49)**	-	***(592)***
Transfer to defined contribution pension plans	**41**	43	***497***

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

March 31	**2011**	2010
Discount rate	**1.5%**	1.5%
Expected rate of return on plan assets	**1.0%**	1.0%
Method of attributing the projected benefit obligations to periods of service	**Straight-line basis**	Straight-line basis
Amortization of prior service costs	**Expensed in the year of occurrence**	Expensed in the year of occurrence
Amortization of unrecognized actuarial differences	**5 years**	5 years

9. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in the statutory income tax rate of approximately 40.7% for the years ended March 31, 2011 and 2010. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

At March 31, 2011 and 2010, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2011**	2010	***2011***
Deferred tax assets			
Tax losses carried forward	**¥909**	¥708	***$10,935***
Accrued enterprise tax	**47**	23	***568***
Accrued retirement benefits for employees	**44**	116	***531***
Accrued bonuses	**98**	101	***1,178***
Allowance for doubtful accounts	**159**	172	***1,906***
Reserve for losses on work in progress	**126**	292	***1,509***
Loss on write-down of investments in securities	**337**	337	***4,056***
Loss on write-down of investments	**85**	85	***1,020***
Impairment losses on fixed assets	**421**	581	***5,067***
Depreciation and amortization	**61**	62	***735***
Asset retirement obligations	**121**	-	***1,458***
Tax effect of investments, etc., in subsidiary due for liquidation	**301**	-	***3,621***
Other	**475**	444	***5,714***
	3,184	2,921	***38,298***
Less: valuation allowance	**(2,641)**	(2,377)	***(31,767)***
Gross deferred tax assets	**543**	544	***6,531***
Deferred tax liabilities			
Deferred tax liabilities on revaluation of land	**2,174**	2,174	***26,146***
Net unrealized holding gains on investments in securities	**-**	206	***-***
Special item for lease	**65**	77	***782***
Other	**1**	27	***8***
Gross deferred tax liabilities	**¥2,240**	¥2,484	***$26,936***

Deferred tax assets and liabilities as at March 31, 2011 and 2010 were recorded in the consolidated balance sheet as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Deferred tax assets (current assets)	**¥147**	¥509	***$1,773***
Deferred tax assets (other assets in investments and advances)	**396**	35	***4,758***
Deferred tax liabilities (other current liabilities in current liabilities)	**-**	30	***-***
Deferred tax liabilities (long-term liabilities)	**66**	280	***790***
Deferred tax liabilities on revaluation of land (long-term liabilities)	**¥2,174**	¥2,174	***$26,146***

The reconciliation of the statutory income tax rate to the effective income tax rate for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Statutory income tax rate	**40.7%**	40.7%
Increase (decrease) in tax rate due to;		
Increase and decrease of valuation allowance	**58.5**	(26.5)
Permanently non-deductible expenses	**6.6**	1.5
Permanently non-taxable dividends received	**(1.9)**	(0.7)
Local inhabitant’s tax	**3.7**	0.6
Difference in tax rates for foreign subsidiaries	**(0.1)**	(0.2)
Equity in income of affiliates	**13.2**	(0.6)
Adjustment for unrealized gains and losses	**(2.3)**	0.6
Tax effect of investments, etc., in subsidiary due for liquidation	**(39.0)**	-
Other	**0.0**	0.3
Effective income tax rate	**79.4%**	15.7%

10. Commitments and Contingent Liabilities

As at March 31, 2011, the Company was contingently liable for the affiliated company as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2011**	2010	***2011***
Trade liabilities	**¥389**	¥500	***$4,680***

11. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
Year ended on March 31	**2011**	2010	***2011***
Salaries and benefits	**¥1,390**	¥1,318	***$16,720***
Bonuses	**402**	-	***4,831***
Accrued bonuses	**93**	97	***1,118***
Pension and severance costs	**120**	172	***1,442***
Allowance for doubtful accounts	**51**	4	***611***

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, 2011 and 2010 were ¥318 million ($3,821 thousand) and ¥344 million, respectively.

13. Supplements for Consolidated Statements of Changes in Net Assets

Type and number of shares as at March 31, 2011 and 2010 were as follows:

	Thousands of shares	
Year ended on March 31	**2011**	2010
Issued stock		
Common stock		
Number of issued stock at the beginning of the fiscal year	**138,731**	138,731
Increase in number of stock	-	-
Decrease in number of stock	-	-
Number of issued stock at the end of the fiscal year	**138,731**	138,731
Treasury stock		
Common stock		
Number of treasury stock at the beginning of the fiscal year	**18,250**	12,990
Increase in number of stock	**46**	5,260
Decrease in number of stock	-	-
Number of treasury stock at the end of the fiscal year	**18,296**	18,250

For the year ended March 31, 2011, treasury stock increased by 46 thousand shares resulting from purchasing shares less than one unit.

For the year ended March 31, 2010, treasury stock increased by 5,260 thousand shares resulting from purchasing treasury stock 5,088 thousand shares based on decision in the board of director’s meeting and purchasing 172 thousand shares less than one unit.

Cash dividends paid to shareholders from the beginning of the effective date were as follows:

	2011	2010
Approved by annual general shareholders’ meeting		
Date of approval	**June 29, 2010**	June 26, 2009
Type of shares	**Common stock**	Common stock
Date of record	**March 31, 2010**	March 31, 2009
Effective date	**June 30, 2010**	June 29, 2009
Dividends per share	**¥4.00 *($0.05)***	¥4.00
Amount of cash dividends	**¥483 million *($5,804 thousand)***	¥504 million

Cash dividends for the year ended March 31, 2011 as a date of record but an effective date subsequent to the current fiscal year were as follows:

Resolution approved by	Type of shares	Date of record	Effective date	Paid from	Per share (Yen)	Amount of cash dividends Millions of yen	*Thousands of U.S. dollars*
Annual general shareholders' meeting held on June 29, 2011	Common stock	March 31, 2011	June 30, 2011	Accumulated earnings	**¥5.00**	**¥603**	***$7,252***

The dividend per share includes a commemorative dividend of ¥1.00 per share to mark the 70th anniversary of the Company's establishment.

14. Cash and Cash Equivalents

Cash and cash equivalents as at March 31, 2011 and 2010 for the purpose of statement of cash flows consisted of:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2011**	2010	***2011***
Cash on hand and at bank	**¥7,772**	¥8,956	***$93,466***
Less: Time deposits, over 3-month term	**(190)**	(152)	***(2,285)***
Less: Other	**(1)**	(1)	***(15)***
Commercial paper (Marketable securities)	**1,999**	1,000	***24,048***
Money held in trust (Marketable securities)	**2,000**	-	***24,053***
Cash and cash equivalents	**¥11,580**	¥9,803	***$139,267***

15. Leases

Lessee

The future payments due under non-cancellable operating lease transactions were as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2011**	2010	***2011***
Within one year	**¥10**	¥ -	***$124***
Over one year	**33**	-	***390***
	¥43	¥ -	***$514***

Lessor

The breakdown of investments in leases on the consolidated balance sheets was as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2011**	2010	***2011***
Current assets			
Receivables from lease rental revenue	**¥2,610**	¥3,491	***$31,384***
Estimated salvage value	**144**	156	***1,732***
Interest income	**(291)**	(439)	***(3,499)***
Investments in leases	**¥2,463**	¥3,208	***$29,617***

Expected amount of collection from receivables of lease rental revenue in each annual period are as follows:

	Millions of yen		*Thousands of U.S. dollars*
Year ended on March 31	**2011**	2010	***2011***
Within one year	**¥1,078**	¥1,189	***$12,967***
1 to 2 years	**811**	1,017	***9,749***
2 to 3 years	**393**	750	***4,723***
3 to 4 years	**223**	333	***2,680***
4 to 5 years	**76**	164	***913***
Over 5 years	**¥29**	¥38	***$352***

16. Financial Instruments

(1) Overview

(A) Policy for financial instruments

The Company raises funds required for its operations through borrowings from banks. In the event temporary surplus of funds arise, the Company invests them in financial instruments, which are highly secured.

In accordance with the Company's policy for derivative transactions, such transactions are used to reduce exposure to the risks specified in (B) and derivative transaction is not used for speculation purpose.

(B) Description of financial instruments and related risk and risk management systems

Notes and accounts receivable and investments in leases are exposed to customer credit risk, while certain receivables denominated in foreign currency are exposed to the risk of foreign currency exchange rate fluctuation. In the case of customer credit risk, the Company seeks to minimize risk by regularly monitoring the status of receivables using management charts and other methods; in the case of risk from foreign currency exchange rate fluctuation, measures to minimize risk include making borrowings denominated in foreign currency as necessary.

Marketable securities are exposed to credit risk of invested entity. To mitigate such risk, the Company invests in short-term commercial papers of high credit rating and high security and in money trusts under the prescribed internal procedures.

Investments in securities are exposed to credit risk of invested entity and to the risk of fluctuations in market price. These consist primarily of shares in listed companies with which the Company has business relationship. The investments are held in the form of other marketable securities and are subject to regular checks of fair value.

Short-term loans receivable and long-term loans receivable consist primarily of loans to equity-method affiliates. These loans are exposed to credit risk, but business performance trends, operational developments, and other factors are subjected to constant scrutiny to keep track of the financial situation of the invested entity.

Notes and accounts payable and accrued liabilities are exposed to liquidity risk, while certain liabilities denominated in foreign currency are exposed to risk of foreign currency exchange rate fluctuation. In the case of liquidity risk, the Company seeks to minimize risk by regularly preparing cash flow worksheets and using other methods; in the case of risk of foreign currency exchange rate fluctuation, measures to minimize risk include entering into forward exchange contracts as necessary.

Within Company borrowings, short-term debt consists primarily of finance relating to routine business transactions, while long-term debt consists primarily of temporary advances for major projects and finance relating to investments in leases. Borrowings at variable interest rates are exposed to risk of interest rate fluctuation. In order to avoid this risk by fixing interest rates for major long-term debt, interest rate swaps are used as a hedging instrument for individual contracts. Interest rate swaps are limited to the debt where the application of exceptional treatment is allowed under accounting principles generally adopted in Japan. Evaluation of the effectiveness of the hedge is omitted here. For the liquidity risk, efforts to minimize risk are made by regularly preparing financing charts and similar methods.

Lease obligations consist of those investments in leases involving properties for which lease transfers have been carried out and are exposed to liquidity risks. Efforts to minimize risk are however made by regularly preparing cash flow worksheet and similar methods.

The execution and management of derivative transactions is carried out in accordance with the Company's policies for derivative transactions. When using derivatives, in order to minimize credit risk, the Company enters into transactions exclusively with financial institutions with high credit rating. For information on hedge accounting, including hedging instruments, hedging policy, and the method of evaluating hedge effectiveness, refer to Note 2. Summary of Significant Accounting Policies (7) Hedge Accounting.

(C) Supplementary notes on fair value of financial instruments, etc.

In addition to fair value based on market price, the fair value of financial instruments may include prices calculated on a reasonable basis where a market price is not available. The calculation of the price is based on variable factors and the price is therefore subject to fluctuation depending on the different assumptions made and other factors. It should further be noted that contract value of derivative transactions referred to in Note 17. Derivative and Hedging Activities does not represent the market risk involved in the derivative transactions.

(2) Fair value of financial instruments, etc.

The carrying amounts in the consolidated balance sheet and fair values and the corresponding differences at March 31, 2011 and 2010 (the consolidated accounting date) are as set out below. In the case of items where estimation of the fair value is recognized to be very difficult, the relevant item is not included in the table below (see note *4 below).

Year ended March 31, 2011	Millions of yen Carrying amount	Fair value	Differences
Assets			
(a) Cash on hand and at bank	**¥7,772**	**¥7,772**	**¥ -**
(b) Notes and accounts receivable	**11,631**		
Allowance for doubtful accounts (*1)	**(39)**		
	11,592	**11,592**	**-**
(c) Marketable securities	**3,999**	**3,999**	**-**
(d) Investments in leases	**2,319**		
Allowance for doubtful accounts (*1)	**(15)**		
	2,304	**2,371**	**66**
(e) Investments in securities	**3,031**	**3,078**	**47**
(f) Short-term loans receivable	**120**	**120**	**0**
(g) Long-term loans receivable	**223**		
Allowance for doubtful accounts (*1)	**(11)**		
	212	**211**	**0**
Total assets	**¥29,030**	**¥29,143**	**¥113**
Liabilities			
(h) Notes and accounts payable	**¥2,225**	**¥2,225**	**¥ -**
(i) Short-term debt	**1,381**	**1,381**	**-**
(j) Accrued liabilities	**3,987**	**3,987**	**-**
(k) Long-term debt (including amount due within one year)	**3,822**	**3,830**	**8**
(l) Lease obligations (including amount due within one year)	**365**	**389**	**24**
Total liabilities	**¥11,780**	**¥11,812**	**¥32**
Derivative transactions (*2)			
(m) Transactions not covered by hedge accounting	**¥0**	**¥0**	**¥ -**
(n) Transactions covered by hedge accounting	**(1)**	**(1)**	**-**
Total derivative transactions	**¥(1)**	**¥(1)**	**¥ -**

Year ended March 31, 2010	Millions of yen Carrying amount	Fair value	Differences
Assets			
(a) Cash on hand and at bank	¥8,956	¥8,956	¥ -
(b) Notes and accounts receivable	13,511		
Allowance for doubtful accounts (*1)	(34)		
	13,477	13,477	-
(c) Marketable securities	1,000	1,000	-
(d) Investments in leases	3,052		
Allowance for doubtful accounts (*1)	(30)		
	3,022	3,136	114
(e) Investments in securities	4,175	4,137	(38)
(f) Short-term loans receivable	120	120	0
(g) Long-term loans receivable	344		
Allowance for doubtful accounts (*1)	(13)		
	331	331	0
Total assets	¥31,081	¥31,157	¥(76)
Liabilities			
(h) Notes and accounts payable	¥2,757	¥2,757	¥ -
(i) Short-term debt	3,252	3,252	-
(j) Accrued liabilities	4,015	4,015	-
(k) Long-term debt (including amount due within one year)	4,990	5,012	22
(l) Lease obligations (including amount due within one year)	522	562	40
Total liabilities	¥15,536	¥15,598	¥62
Derivative transactions (*2)	¥(1)	¥(1)	¥ -

	Thousands of U.S. dollars		
Year ended March 31, 2011	*Carrying amount*	*Fair value*	*Differences*
Assets			
(a) Cash on hand and at bank	***$93,466***	***$93,466***	***$ -***
(b) Notes and accounts receivable	***139,876***		
*Allowance for doubtful accounts (*1)*	***(471)***		
	139,405	***139,405***	***-***
(c) Marketable securities	***48,101***	***48,101***	***-***
(d) Investments in leases	***27,885***		
*Allowance for doubtful accounts (*1)*	***(166)***		
	27,719	***28,518***	***799***
(e) Investments in securities	***36,458***	***37,014***	***556***
(f) Short-term loans receivable	***1,443***	***1,443***	***0***
(g) Long-term loans receivable	***2,679***		
*Allowance for doubtful accounts (*1)*	***(136)***		
	2,543	***2,543***	***0***
Total assets	***$349,135***	***$350,490***	***$1,355***
Liabilities			
(h) Notes and accounts payable	***$26,757***	***$26,757***	***$ -***
(i) Short-term debt	***16,611***	***16,611***	***-***
(j) Accrued liabilities	***47,952***	***47,952***	***-***
(k) Long-term debt (including amount due within one year)	***45,959***	***46,058***	***99***
(l) Lease obligations (including amount due within one year)	***4,385***	***4,676***	***291***
Total liabilities	***$141,664***	***$142,054***	***$390***
*Derivative transactions (*2)*			
(m) Transactions not covered by hedge accounting	***$(7)***	***$(7)***	***$ -***
(n) Transactions covered by hedge accounting	***(9)***	***(9)***	***-***
Total derivative transactions	***$(16)***	***$(16)***	***$ -***

*1. The allowances for doubtful accounts included in notes and accounts receivable, investments in leases, and long-term loans receivable have been deducted.

*2. Net credits and liabilities arising from derivative transactions are presented on a net basis; in the case of an overall net liability, the amount is presented in parentheses.

*3. Fair value calculation method for financial instruments and notes on marketable securities and derivative transactions

[Assets]

(a) Cash on hand and at bank and (b) Notes and accounts receivable

As these are mainly settled over short periods and the fair value is close to the book value, these are stated at the relevant book value.

(c) Marketable securities

As the period to maturity is short and the fair value is close to the book value, these are stated at the relevant book value.

(d) Investments in leases

These are presented at present value consisting of receivables from lease receivables, following elimination of estimated residual value, discounted at a rate consisting of the base rate for the period to maturity and an allowance for credit risk.

(e) Investments in securities

Fair value reflects stock exchange price or the price quoted by the financial institution dealing with the Company. For related notes, see Note 5. Investments in Securities.

(f) Short-term loans receivable and (g) Long-term loans receivable

These are stated at present value, consisting of the principal at the balance sheet date and interest receivable up to the repayment date, discounted at an interest rate applicable at the balance sheet date.

[Liabilities]

(h) Notes and accounts payable (i) Short-term debt and (j) Accrued liabilities

As these are settled over short periods and the fair value is close to the book value, these are stated at the relevant book value.

(k) Long-term debt (including amount due within one year)
Fair value of long-term debt with variable interest rate is estimated based on cash flow of repayments of principal and interest determined together with the applicable interest rate swap, which is accounted for under exceptional method. The cash flow is discounted at a reasonable estimate of the interest rate that would apply if a new borrowing of the same amount for the same term were to be made.

(l) Lease obligations (including amount due within one year)
These are treated similarly to investments in leases (Item (d) in the Assets section above), but since the credit risk is transferred to the creditor of the investment in leases that constitutes the liability, they are stated at present value discounted at the base rate without risk.

[Derivative transactions]
For related notes, see Note 17. Derivative and Hedging Activities.

*4. As there is no market price for non-listed stocks (carrying amount in consolidated balance sheet ¥2,168 million ($26,078 thousand) and ¥2,442 million for the years ended March 31, 2011 and 2010, respectively) and it is also not practicable to make estimates of future cash flow, etc., and fair value. These stocks are therefore not included in the item (e) Investments in securities in the Assets section above.

*5. The carrying amounts for (d) Investments in leases in the above table does not include residual value.

*6. Repayment schedule subsequent to the end of the fiscal year of monetary debt and marketable securities with maturity dates are as follows:

	Millions of yen			
As at March 31, 2011	Within one year	1 to 5 years	5 to 10 years	Over 10 years
Time deposit	**¥7,740**	**¥ -**	**¥ -**	**¥ -**
Notes and accounts receivable	**11,592**	**-**	**-**	**-**
Marketable securities	**4,000**	**-**	**-**	**-**
Investments in leases	**916**	**1,361**	**27**	**-**
Investment in securities				
Securities to be held to maturity	**-**	**600**	**-**	**-**
Short-term loans receivable	**120**	**-**	**-**	**-**
Long-term loans receivable	**-**	**169**	**-**	**42**
Total	**¥24,368**	**¥2,130**	**¥27**	**¥42**

	Millions of yen			
As at March 31, 2010	Within one year	1 to 5 years	5 to 10 years	Over 10 years
Time deposit	¥8,927	¥ -	¥ -	¥ -
Notes and accounts receivable	11,861	1,616	-	-
Marketable securities	1,000	-	-	-
Investments in leases	964	2,021	37	-
Short-term loans receivable	120	-	-	-
Long-term loans receivable	1	288	-	42
Total	¥22,873	¥3,925	¥37	¥42

	Thousands of U.S. dollars			
As at March 31, 2011	*Within one year*	*1 to 5 years*	*5 to 10 years*	*Over 10 years*
Time deposit	***$93,086***	***$ -***	***$ -***	***$ -***
Notes and accounts receivable	***139,405***	***-***	***-***	***-***
Marketable securities	***48,106***	***-***	***-***	***-***
Investments in leases	***11,019***	***16,371***	***329***	***-***
Investment in securities				
Securities to be held to maturity	***-***	***7,216***	***-***	***-***
Short-term loans receivable	***1,443***	***-***	***-***	***-***
Long-term loans receivable	***-***	***2,035***	***-***	***508***
Total	***$293,059***	***$25,622***	***$329***	***$508***

*7. Repayment schedule of long-term debt and other interest-bearing debt is mentioned in Note 6. Short-Term Debt, Long-Term Debt, and Lease Obligations.

(Additional information)
From the fiscal year ended March 31, 2010, the Company and its consolidated subsidiaries applied the Accounting Standard for Financial Instruments (Statement No. 10 issued by ASBJ on March 10, 2008) and the Guidance on Disclosures about Fair Value of Financial Instruments (Guidance No. 19 issued by ASBJ on March 10, 2008).

17. Derivative and Hedging Activities

As of March 31, 2011, derivative transactions, for which hedged accounting have been applied, are as indicated below. There were no relevant transactions as of March 31, 2010.

	Millions of yen				
	Contract value			Fair value	Unrealized gain (loss)
As at March 31, 2011	Due within one year	Due after one year	Total		
Forward exchange contract					
Sell U.S. dollar	**¥498**	**¥ -**	**¥498**	**¥499**	**¥(1)**
	¥498	**¥ -**	**¥498**	**¥499**	**¥(1)**

	Thousands of U.S. dollars				
	Contract value			*Fair value*	*Unrealized gain (loss)*
As at March 31, 2011	*Due within one year*	*Due after one year*	*Total*		
Forward exchange contract					
Sell U.S. dollar	***$5,988***	***$ -***	***$5,988***	***$5,997***	***$(9)***
	$5,988	***$ -***	***$5,988***	***$5,997***	***$(9)***

Note: The fair value of the above was based on the price quoted by the financial institution dealing with the Company.

In the years ended March 31, 2011 and 2010, derivative transactions, for which hedged accounting have been applied, are as follows:

(1) Currency-related

	Millions of yen			
	Contract value			Fair value
As at March 31, 2011	Due within one year	Due after one year	Total	
Forward exchange contract				
Buy Euro	**¥372**	**¥ -**	**¥372**	**¥371**
	¥372	**¥ -**	**¥372**	**¥371**

	Millions of yen			
	Contract value			Fair value
As at March 31, 2010	Due within one year	Due after one year	Total	
Forward exchange contract				
Buy U.S. dollar	¥616	¥ -	¥616	¥619
Buy Euro	255	-	255	251
	¥871	¥ -	¥871	¥870

	Thousands of U.S. dollars			
	Contract value			*Fair value*
As at March 31, 2011	*Due within one year*	*Due after one year*	*Total*	
Forward exchange contract				
Buy Euro	***$4,474***	***$ -***	***$4,474***	***$4,467***
	$4,474	***$ -***	***$4,474***	***$4,467***

*1. The principal object of the hedge is accounts payable in the balance sheets.
*2. Payables hedged by the above contracts, which met certain hedging criteria for deferral hedge accounting, were translated at the relevant contract rates.
*3. The fair value of the above was based on the price quoted by the financial institution dealing with the Company.

(2) Interest-related

	Millions of yen			
	Contract value			Fair value
As at March 31, 2011	Due within one year	Due after one year	Total	
Interest rate swaps (receivable rate variable/payable rate fixed)	**¥3,050**	**¥500**	**¥3,550**	**(*4)**

As at March 31, 2010	Millions of yen Contract value Due within one year	 Due after one year	 Total	 Fair value
Interest rate swaps (receivable rate variable/payable rate fixed)	¥380	¥3,790	¥4,170	(*4)

As at March 31, 2011	*Thousands of U.S. dollars* *Contract value* *Due within one year*	 *Due after one year*	 *Total*	 *Fair value*
Interest rate swaps *(receivable rate variable/payable rate fixed)*	***$36,685***	***$6,013***	***$42,698***	***(*4)***

*4. As items to which exceptional treatment of interest rate swaps is applicable are treated as a single unit with the long-term debt covered by the hedge, the fair value is included in the fair value indicated for the relevant long-term debt.

18. Asset Retirement Obligations

Asset retirement obligations recorded in the consolidated balance sheets as of March 31, 2011

a. Outline of relevant asset retirement obligations
These are obligations under the Ordinance on Prevention of Asbestos Hazards relating to certain facilities for lease.

b. Method of calculation of amount of relevant asset retirement obligations
For the facilities in a. above, calculations are based on estimated costs in the event of asbestos removal operations.

c. Increase/decrease in total amount of relevant asset retirement obligations for the year ended March 31, 2011.

March 31	Millions of yen **2011**	*Thousands of U.S. dollars* ***2011***
Balance at beginning of year	**¥298**	***$3,584***
Increase/decrease during year	**-**	***-***
Balance at end of year	**¥298**	***$3,584***

From the fiscal year ended March 31, 2011, the balances shown are amounts for the beginning of the year reflecting the Company's application of the Accounting Standard for Asset Retirement Obligations (Statement No. 18 issued by ASBJ on March 31, 2008) and the associated implementation guidance (Guidance No. 21 issued by ASBJ on March 31, 2008).

19. Real Estate for Leasing

In the Tokyo area and other districts, the Company and certain of its subsidiaries undertake leasing of part of their business premises or of land and buildings used for residential leasing. In the year ended March 2011, the net rent income on the relevant real estate for leasing was ¥302 million ($3,633 thousand) with rent income recorded under net sales and rent expenses under cost of sales.

The carrying amounts in the consolidated balance sheet of the relevant real estate for leasing, the change during the period, and the fair value are as set out below.

March 31	Millions of yen **2011**	 2010	*Thousands of U.S. dollars* ***2011***
The carrying amounts in the consolidated balance sheet			
Balance at the beginning of the fiscal year	**¥5,451**	¥6,310	***$65,552***
Change during the fiscal year	**20**	(859)	***237***
Balance at the end of the fiscal year	**5,470**	5,451	***65,788***
Fair value at the end of fiscal year	**¥3,892**	¥3,989	***$46,807***

*1. The carrying amounts in the consolidated balance sheet are the acquisition cost, net of accumulated depreciation and accumulated impairment loss.
*2. The change during the fiscal year ended March 31, 2011, was due mainly to an increase in leased area accounting for ¥61 million ($734 thousand). The main reasons for the changes in the year ended March 31, 2010, were decrease in leased area accounting for ¥366 million, sale of land accounting for ¥316 million, and sale of depreciation assets accounting for ¥107 million.
*3. Fair value of significant properties at March 31, 2011 and 2010 represents a price based on appraised value determined by an external real estate appraiser. Fair value of insignificant properties is based on index considered to appropriately reflect market price.

(Additional information)
From the fiscal year ended March 31, 2010, the Company and its consolidated subsidiaries applied the Accounting Standard for Disclosures about Fair Value of Investment and Rental Property (Statement No. 20 issued by ASBJ on November 28, 2008) and the Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property (Guidance No. 23 issued November 28, 2008).

20. Segment Information

Effective the fiscal year ended March 31, 2011, the Company has adopted Accounting Standard for Segment Information Disclosure (Statement No.17 issued by ASBJ on March 27, 2009) and the associated implementation guidance (Guidance No.20 issued by ASBJ on March 21, 2008). Segment information for the year ended March 31, 2010 has been restated in accordance with such accounting standards for comparative purposes.

(1) Outline of Reporting Segments

The Company's reporting segments consist of components of its business for which separate financial information is available and which are evaluated regularly by the Company's board of directors in deciding the allocation of operational resources and in assessing business performance.

The TKK Group conducts its operations on the basis of a comprehensive business strategy formulated to cover the products and services of its different business segments and of the Company's subsidiary Toyo Kanetsu Solutions K.K.

Accordingly, the Company recognizes the following reporting segments, which consist of segments handling different products and services: Plant & Machinery Business; Material Handling Systems Business; and Building Construction Business.

The operations of the Plant & Machinery Business consist chiefly of the design, manufacture, and installation of storage tanks for LNG, LPG, crude oil, and other gases and liquids and maintenance operations for these various types of tank. The Material Handling Systems Business engages chiefly in the development, design, and installation of material distribution systems consisting mainly of sorting, picking, and conveying systems, and the maintenance of these various systems. The Building Construction Business engages chiefly in the design, construction, and management of buildings of various types including apartment buildings, office buildings, welfare facilities, and warehouses.

(2) Method of Calculation of Amounts for Net Sales, Income or Loss, Assets, and Other Items for Reporting Segments

The accounting methods applied to the reporting segments are the same as those specified above in Note 2. Summary of Significant Accounting Policies. The income of the reporting segments is based on operating income. Intersegmental transactions are entered at the actual amount.

(3) Information on Amounts for Net Sales, Income or Loss, Assets, and Other Items for Reporting Segments

	Millions of yen						
	Reporting segment						
Year ended March 31, 2011	Plant & Machinery Business	Material Handling Systems Business	Building Construction Business	Subtotal	Other	Adjustments	Total
Sales							
Sales to external customers	**¥26,709**	**¥17,590**	**¥2,180**	**¥46,479**	**¥2,239**	**¥ -**	**¥ 48,718**
Inter-segment sales	**-**	**-**	**-**	**-**	**746**	**(746)**	**-**
Total	**26,709**	**17,590**	**2,180**	**46,479**	**2,985**	**(746)**	**48,718**
Operating income	**2,517**	**(163)**	**36**	**2,390**	**482**	**(282)**	**2,590**
Assets	**20,042**	**8,556**	**2,008**	**30,606**	**10,238**	**12,212**	**53,056**
Other items							
Depreciation	**273**	**240**	**9**	**522**	**157**	**15**	**694**
Increase in tangible fixed assets and intangible fixed assets	**635**	**62**	**1**	**698**	**33**	**6**	**737**

	Millions of yen						
	Reporting segment						
Year ended March 31, 2010	Plant & Machinery Business	Material Handling Systems Business	Building Construction Business	Subtotal	Other	Adjustments	Total
Sales							
Sales to external customers	¥24,224	¥20,897	¥2,633	¥47,754	¥2,692	¥ -	¥ 50,446
Inter-segment sales	-	-	-	-	835	(835)	-
Total	24,224	20,897	2,633	47,754	3,527	(835)	50,446
Operating income	2,440	1,064	65	3,569	562	(268)	3,863
Assets	20,763	12,530	3,235	36,528	10,294	11,546	58,368
Other items							
Depreciation	250	248	13	511	207	21	739
Increase in tangible fixed assets and intangible fixed assets	371	114	5	490	44	166	700

Year ended March 31, 2011	*Thousands of U.S. dollars*						
	Reporting segment						
	Plant & Machinery Business	*Material Handling Systems Business*	*Building Construction Business*	*Subtotal*	*Other*	*Adjustments*	*Total*
Sales							
Sales to external customers	***$321,219***	***$211,544***	***$26,212***	***$558,975***	***$26,934***	***$ -***	***$585,909***
Inter-segment sales	***-***	***-***	***-***	***-***	***8,977***	***(8,977)***	***-***
Total	***321,219***	***211,544***	***26,212***	***558,975***	***35,911***	***(8,977)***	***585,909***
Operating income	***30,269***	***(1,962)***	***432***	***28,739***	***5,790***	***(3,380)***	***31,149***
Assets	***241,033***	***102,904***	***24,144***	***368,081***	***123,125***	***146,874***	***638,080***
Other items							
Depreciation	***3,281***	***2,891***	***111***	***6,283***	***1,887***	***171***	***8,341***
Increase in tangible fixed assets and intangible fixed assets	***7,640***	***740***	***13***	***8,393***	***392***	***72***	***8,857***

(4) Differences between Segmental Totals and Consolidated Financial Statement Totals and Main Factors in Difference

(a) Operating income

March 31	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Sum total of reporting segments operating income	**¥2,390**	¥3,569	***$28,739***
Income in Other category	**482**	562	***5,790***
Corporate expenses (*)	**(290)**	(281)	***(3,485)***
Other adjustments	**8**	13	***105***
Operating income in consolidated financial statements	**¥2,590**	¥3,863	***$31,149***

* Corporate expenses are chiefly expenses for administrative and other managerial divisions that do not belong to a reporting segment.

(b) Assets

March 31	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Sum total of reporting segments assets	**¥30,606**	¥36,528	***$368,081***
Assets in Other category	**10,238**	10,294	***123,125***
Corporate assets (*)	**12,248**	11,622	***147,297***
Other adjustments	**(36)**	(76)	***(423)***
Total assets of consolidated financial statements	**¥53,056**	¥58,368	***$638,080***

* Corporate assets are chiefly Company cash and deposits and assets relating to the administration department for investments in securities, which do not belong to a reporting segment.

(5) Information by Individual Product or Service

March 31	Millions of yen	*Thousands of U.S. dollars*
	2011	***2011***
Sales to external customers		
Storage tanks, etc.	**¥17,557**	***$211,145***
Storage tank maintenance operations	**9,153**	***110,073***
Material handling systems and machinery, etc.	**17,590**	***211,545***
Apartment and office buildings, etc.	**2,180**	***26,212***
Other	**2,238**	***26,934***
Total	**¥48,718**	***$585,909***

(6) Geographical Information

March 31	Millions of yen	*Thousands of U.S. dollars*
	2011	***2011***
Sales to external customers		
Japan	**¥38,808**	***$466,719***
South-east Asia	**701**	***8,431***
Middle East	**4,186**	***50,338***
Oceania	**1,853**	***22,290***
Africa	**2,907**	***34,958***
Other	**263**	***3,173***
Total	**¥48,718**	***$585,909***

Note: Net sales figures are categorized by country or region based on the location of the contract. Regarding tangible fixed assets, as the amount of the tangible fixed assets located in Japan accounts for more than 90% of the amount of tangible fixed assets recorded in the consolidated balance sheets, the relevant information has been omitted.

(7) Information on Main Customers

March 31	Millions of yen **2011**	*Thousands of U.S. dollars* ***2011***
Sales to external customers		
Joint Venture of TKK-Shimizu Corp.	**¥4,959**	***$59,634***

21. Related Party Transactions

Material transactions of the Company with its related companies, excluding transactions with consolidated subsidiaries which are eliminated in the consolidated financial statements and other than those disclosed elsewhere in these financial statements, in the year ended March 31, 2010 were as set out below. There were no relevant transactions in the year ended March 31, 2011.

Year ended on March 31, 2010	Millions of yen
Toyo Miyama Co., Ltd.	
Amounts of transaction:	
Guarantee obligation (*2)	¥500
Guarantee commission received (*2)	4
Balance at the end of fiscal year:	
Other current liabilities	¥1
Manavis Co., Ltd.	
Amounts of transaction:	
Sales of plant and land (*3)	
Proceeds from sales	¥746
Gain on sales	274
Interest income received	6
Balance at the end of fiscal year:	
Other current assets	123
Other investments	123
Other current liabilities	¥6

*1. The terms and conditions of the above transactions are on an arm's-length basis.
*2. Certain of the operating liabilities are covered by debt guarantee.
*3. These are determined by negotiation with reference to the price as appraised by a real estate appraiser. The payment conditions stipulate 50% on delivery and the balance in three equal yearly payments with the interest rate set at a reasonable level with reference to market interest rates.
*4. The transaction price does not include consumption taxes.
*5. The relationships with each related company were as follows:

Name of related company	Paid-in capital	Principal business	Equity ownership percentage by the Company	Relationship
Toyo Miyama Co., Ltd.	¥100 million	Architectural business	49.0% (direct)	Guarantee obligation
Manavis Co., Ltd.	¥45 million	Cosmetic and cleaning products	12.8% (direct) 3.3% (indirect)	Interlocking directorates

22. Amount Per Share

Amounts per share at March 31, 2011 and 2010 and for the years then ended were as follows:

	Yen		*U.S. dollars*
	2011	2010	***2011***
Net assets	**¥246.04**	¥250.39	***$2.96***
Net income	**1.31**	28.75	***0.02***

Diluted net income per share for the years ended March 31, 2011 and 2010 has not been presented because no potentially dilutive shares of common stock were outstanding.

Net income per share was calculated on the following basis:

	Millions of yen		*Thousands of U.S. dollars*
	2011	2010	***2011***
Net income	**¥158**	¥3,560	***$1,902***
Net income not available to shareholders of common stock	**-**	-	-
Net income available to shareholders of common stock	**¥158**	¥3,560	***$1,902***

	Thousands of shares	
	2011	2010
Weighted-average number of outstanding shares of common stock	**120,451**	123,819

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Report of Independent Auditors

The Board of Directors
Toyo Kanetsu Kabushiki Kaisha

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toyo Kanetsu Kabushiki Kaisha 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.

As described in Note 2(17)(a), effective for the year ended March 31, 2011 Toyo Kanetsu Kabushiki Kaisha and its consolidated subsidiaries adopted Accounting Standard for Asset Retirement Obligations and the Guidance on Accounting Standard for Asset Retirement Obligations.

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 3.

Ernst & Young ShinNihon LLC

June 29, 2011

Corporate Data

Date of Establishment	May 16, 1941
Common Stock	¥18,580 million
Authorized Shares	297,000,000
Capital Stock Issued	138,730,741
Number of Shareholders	14,109
Security Traded	Tokyo Stock Exchange Market, First Section
Transfer Agent and Registrar	The Mitsubishi UFJ 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

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