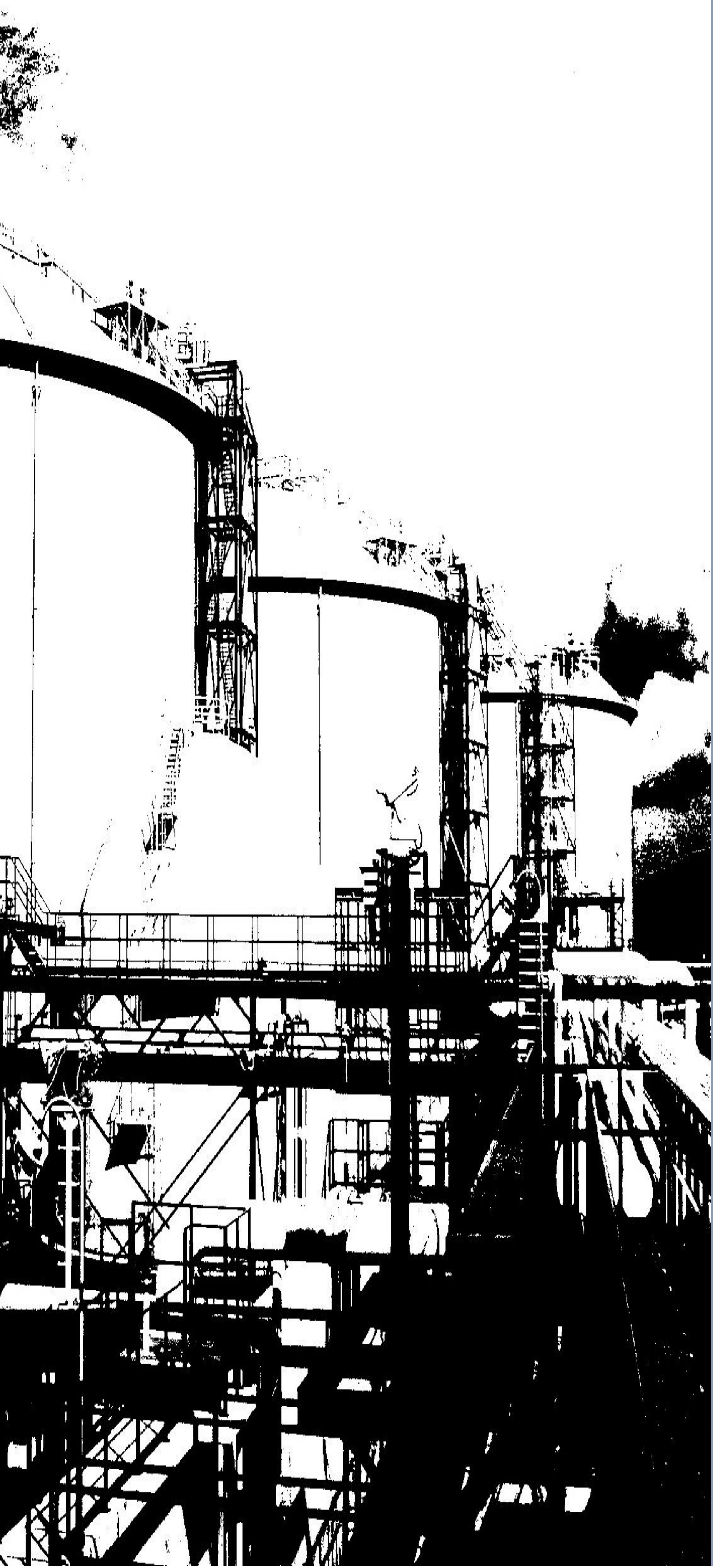


Toyo Kanetsu K.K.

Annual Report 2012

For the year ended March 31, 2012

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.

Contents

Toyo Kanetsu K.K. and Consolidated Subsidiaries

Consolidated Financial Highlights

For the years ended March 31

	Millions of yen					*Thousands of U.S. dollars*
	2012	2011	2010	2009	2008	***2012***
For the Years Ended March 31:						
Net Sales	**¥ 40,733**	¥ 48,718	¥ 50,446	¥ 47,661	¥ 49,785	***$495,960***
Plant & Machinery Business	**23,625**	26,709	24,224	26,392	23,355	***287,655***
Material Handling Systems Business	**11,624**	17,590	20,897	11,961	15,243	***141,531***
Building Construction Business	**3,338**	2,180	2,633	5,020	5,756	***40,642***
Real Estate Utilizing Business	-	-	539	592	581	-
Other	**2,146**	2,239	2,153	3,696	4,850	***26,132***
Operating Income	**1,474**	2,590	3,863	1,867	3,686	***17,942***
Net Income	**714**	158	3,560	3,005	3,810	***8,695***
Comprehensive Income	**1,083**	(35)	-	-	-	***13,191***
Cash Dividends	**482**	603	504	533	415	***5,873***
At March 31:						
Current Assets	**¥32,750**	¥33,792	¥37,748	¥33,705	¥30,245	***$398,761***
Property, Plant and Equipment	**12,579**	12,546	12,490	13,046	16,324	***153,157***
Investments and Advances	**5,920**	6,437	7,792	7,920	12,269	***72,086***
Intangible Fixed Assets	**244**	281	338	274	221	***2,970***
Total Assets	**51,493**	53,056	58,368	54,945	59,059	***626,974***
Current Liabilities	**18,593**	19,582	20,842	21,555	21,272	***226,389***
Long-Term Liabilities	**3,275**	3,735	7,250	5,375	8,988	***39,881***
Shareholders' Equity	**28,724**	29,205	29,549	27,824	26,564	***349,725***
Accumulated Other Comprehensive Income	**794**	426	618	102	2,235	***9,671***
Minority Interests	**107**	108	109	89	-	***1,308***
Total Liabilities and Net Assets	**51,493**	53,056	58,368	54,945	59,059	***626,974***
Order Backlog	**50,940**	50,807	57,379	66,071	57,412	***620,239***

	Yen					*U.S. dollars*
Per Share:	**2012**	2011	2010	2009	2008	***2012***
Net Income	**¥5.93**	¥1.31	¥28.75	¥ 22.99	¥ 27.90	***$0.07***
Cash Dividends	**4.00**	4.00	4.00	4.00	4.00	***0.05***
Shareholders' Equity	**244.77**	246.04	250.39	222.09	216.05	***2.98***

	2012	2011	2010	2009	2008
Number of Shareholders	**13,626**	14,109	14,027	14,400	15,747
Number of Employees	**694**	678	631	629	597

The U.S. dollar amounts in this annual report represent translations of Japanese yen at the rate of ¥82.13=$1.00, solely for readers' convenience.

To Our Shareholders

In fiscal year 2012, ended March 31, 2012, the Japanese economy faced very severe conditions and its future is uncertain in consequence of Great East Japan Earthquake, historic yen appreciation and worsening corporate profits resulting from overseas economic slowdown.

Our consolidated business performance showed a decrease in both earnings and profits, except net income. In Plant & Machinery Business, while we assured a stable work load against the backdrop of active energy demand, the number of profitable overseas projects has decreased. In Material Handling Systems Business, in addition to a downturn in orders received in the previous year due to intensification of competition and rapid shrinkage of our main markets, some projects proved to have unprofitable aspects. The dividend for the year under review has been set at ¥4 per share from the perspective of continuous stable distribution.

Based on the status of achievement of TKK Group's medium-term business plan shown below, we are making an overall review of business operation system, including expedited responses to unsolved issues in the plan, aimed at revitalizing the Material Handling Systems Business. The next medium-term business plan will be set based on its progress and fruit.

On April 1, 2012, we made an equity-method affiliate, Toyo Koken K.K. a wholly owned subsidiary of TKK through a stock exchange with the aim to enhance the comprehensive strength and advance our corporate value.

Status of achievement of TKK Group's medium-term business plan (FY2010-2012)

We addressed the priority issues based on our basic policy of "securing stable profit" (Plant & Machinery Business) and "revitalizing operations & establishing an operating base" (Material Handling Systems Business). As a result, compared with average target figures during the plan period, operating income reached ¥2,640 million, exceeding the goal of ¥2,090 million, while net sales recorded ¥46,600 million, falling short of the goal of ¥56,100 million.

Status of the main businesses is as follows.

◆Plant & Machinery Business

We worked on securing orders of new domestic/overseas projects, expanding an overseas fabrication plant, improving welding technology & construction method, ensuring site manpower and streamlining project organization.

Consequently, new domestic and overseas projects as well as domestic maintenance projects progressed steadily and profit exceeded the target throughout the plan period.

◆Material Handling Systems Business

While there were several achievements that were expected to become the core part of our business in the future, such as delivering of the new product "Multishuttle system" to new clients, the planned profit hasn't been achieved because some projects proved to have unprofitable aspects in addition to ordering downturn due to worsening market environment, and performance after 2nd year (fiscal year 2011) stayed stagnant. It led to the result that every area such as sales, engineering and construction left subjects to be dealt with.

August 2012

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	Kazuto Abe
Outside Auditor	Keiichi Miyakawa
Outside Auditor	Toshiaki Hiwatari
Outside Auditor	Tsuneo Nagai

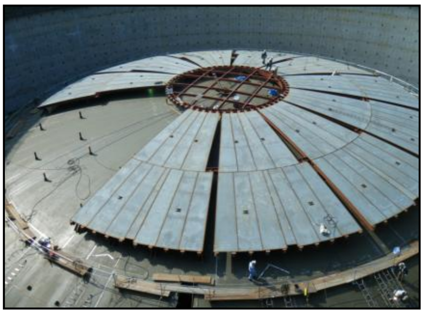
Corporate Officers

Senior Corporate Officer	Tetsuya Watanabe
Corporate Officer	Shiro Ito
Corporate Officer	Fumitomo Miyashita
Corporate Officer	Yukio Kurosaka
Corporate Officer	Masayuki Takeda
Corporate Officer	Yasuhiro Yamada

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.



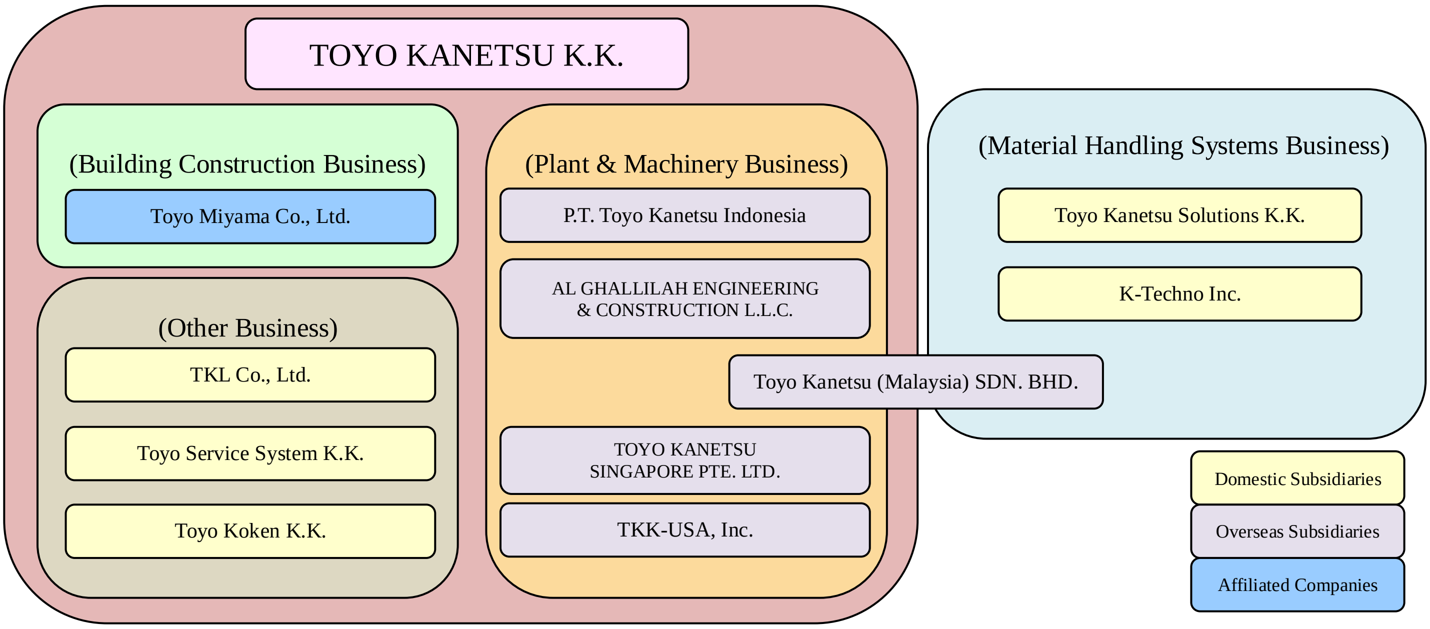
Material Handling Systems Business

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 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

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

(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, 2012, the Japanese economy was in very severe condition and its outlook was clouded. This was due to Great East Japan Earthquake, historic yen appreciation and worsening corporate profits resulting from overseas economic slowdown.

In the Plant & Machinery Business, the expansion of energy demand thanks to the high growth rate in China, India and other emerging 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.

Against this business background, consolidated net sales for the fiscal year amounted to ¥40,733 million (US$495,960 thousand), a decline of 16.4% from the previous fiscal year. Operating income and income before extraordinary items decreased by 43.1% to ¥1,474 million (US$17,942 thousand) and 37.9% to ¥1,432 million (US$17,440 thousand) respectively. Net income increased by 351.6% to ¥714 million (US$8,695 thousand), which is thanks to eliminated extraordinary losses in the previous fiscal year. Total orders received decreased by 3.0% to ¥38,720 million (US$294,862 thousand).

Plant & Machinery Business

In overseas markets, the booming energy demand on the back of the high rate of economic growth in China, India & other Asian countries and worldwide population growth 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 won contracts for a total of four LNG tanks and LPG tanks in the domestic and Oceania regions. 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 Act.

Under this business environment, net sales for the segment totaled ¥23,625 million (US$287,655 thousand), a decline of 11.5% from the previous fiscal year, and operating income decreased by 22.3% to ¥1,956 million (US$23,817 thousand) and orders received decreased by 2.5% to ¥24,217 million (US$294,862 thousand) due to a decrease in profitable overseas projects.

Material Handling Systems Business

Net sales of the fiscal year remained stagnant due to a low level of orders received in the previous fiscal year affected by rapidly shrinking airport and consumer cooperative sectors that are our main clients, as well as fiercer competition in distribution sector. Also, some project proved to be unprofitable and there was an increasing number of less profitable projects. These factors led to the posting of an operating loss for the segment. At the same time, there was a decline in the number of new large orders received from our main clients, 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 such as manufacturing, mail order and distribution industry, including winning orders for the Multishuttle automated case storage system released in 2009. As for the maintenance sector, we have steadily improved the performance.

Consequently, net sales declined by 33.9% from the previous year to ¥11,624 million (US$141,531 thousand) and the segment posted an operating loss of ¥729 million (US$8,872 thousand), contrasting with operating loss of ¥163 million in the previous year. Orders received totaled ¥12,202 million (US$148,789 thousand), an increase of 6.8% from the previous fiscal year.

Building Construction Business

We steadily shifted from the leased apartment sector which was our main client to general construction sector such as welfare facilities and distribution centers. However, their profitability remained challenging because construction cost rose due to the shortage of materials and manpower after Great East Japan Earthquake.

Against this background, net sales for the segment increased by 53.1% from the previous fiscal year to ¥3,338 million (US$40,642 thousand). Operating income and orders received dropped by 60.3% to ¥14 million (US$174 thousand) and 37.1% to ¥2,300 million (US$280 thousand) respectively.

Other Businesses

Net sales in sectors other than the above totaled ¥2,146 million (US$26,132 thousand), a decline of 4.2% from the previous fiscal year, while operating income increased by 2.1% to ¥491 million (US$5,983 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 execution

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.

Intense 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.

Disasters

The TKK Group takes necessary measures such as daily check, drill and establishment of contact system to continue our business activities preparing for fire, earthquakes or other large-scale natural disasters.
However, in cases where such disasters cause serious physical/human damage and large amount of restoration cost, TKK Group's business results and financial position may be adversely affected.

Financial Section

For the years ended March 31, 2012 and 2011

Toyo Kanetsu K.K. and Consolidated Subsidiaries

Consolidated Balance Sheets

At March 31, 2012 and 2011

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	***2012***
Current Assets:			
Cash on hand and at bank	**¥9,985**	¥7,772	***$121,577***
Notes and accounts receivable	**8,627**	11,631	***105,039***
Marketable securities	**3,999**	3,999	***48,695***
Investments in leases	**1,671**	2,463	***20,346***
Inventories (Note 4)	**7,425**	7,379	***90,401***
Deferred tax assets (Note 9)	**453**	147	***5,516***
Other current assets	**738**	567	***8,992***
Less: Allowance for doubtful accounts	**(148)**	(166)	***(1,805)***
Total current assets	**32,750**	33,792	***398,761***
Property, Plant and Equipment:			
Buildings and structures (Note 6)	**10,074**	10,077	***122,658***
Machinery and equipment (Note 6)	**5,558**	5,585	***67,674***
Land (Note 6 and 7)	**9,140**	8,914	***111,283***
Construction in progress	**63**	53	***769***
Less: Accumulated depreciation	**(12,256)**	(12,083)	***(149,227)***
Total property, plant and equipment	**12,579**	12,546	***153,157***
Investments and Advances:			
Investments in securities (Notes 5)	**4,960**	5,200	***60,386***
Long-term loans receivable	**106**	223	***1,286***
Deferred tax assets (Note 9)	**258**	396	***3,141***
Other investments	**853**	942	***10,399***
Less: Allowance for doubtful accounts	**(257)**	(324)	***(3,126)***
Total investments and advances	**5,920**	6,437	***72,086***
Intangibles:			
Intangible fixed assets	**244**	281	***2,970***
Total intangibles	**244**	281	***2,970***
Total assets	**¥51,493**	¥53,056	***$626,974***

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)*
	2012	2011	***2012***
Current Liabilities:			
Short-term debt and current portion of long-term debt (Note 6)	**¥2,983**	¥4,603	***$36,320***
Notes and accounts payable	**1,959**	2,225	***23,854***
Accrued income taxes	**765**	588	***9,315***
Accrued liabilities	**3,900**	4,214	***47,482***
Advances from customers	**8,031**	6,790	***97,779***
Lease obligations (Note 6)	**74**	160	***898***
Deferred tax liabilities (Note 9)	**2**	-	***23***
Accrued bonuses	**194**	241	***2,361***
Reserve for losses on work in progress	**137**	304	***1,665***
Reserve for warranty costs for completed works	**250**	228	***3,049***
Other current liabilities	**298**	229	***3,643***
Total current liabilities	**18,593**	19,582	***226,389***
Long-Term Liabilities:			
Long-term debt (Note 6)	**500**	600	***6,088***
Lease obligations (Note 6)	**131**	205	***1,593***
Deferred tax liabilities on revaluation of land (Notes 7 and 9)	**1,904**	2,174	***23,185***
Deferred tax liabilities (Note 9)	**38**	66	***468***
Accrued retirement benefits for employees (Note 8)	**314**	302	***3,822***
Asset retirement obligations (Note19)	**298**	298	***3,628***
Other long-term liabilities	**90**	90	***1,097***
Total long-term liabilities	**3,275**	3,735	***39,881***
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	***226,228***
Additional paid-in capital	**1,104**	1,104	***13,443***
Accumulated earnings	**12,768**	13,271	***155,458***
Less: Treasury stock, at cost	**(3,728)**	(3,750)	***(45,404)***
Total shareholders' equity	**28,724**	29,205	***349,725***
Accumulated Other Comprehensive Income:			
Net unrealized holding gains on investments in securities	**317**	118	***3,854***
Deferred gains or losses on hedges	**3**	(6)	***37***
Unrealized gains on revaluation of land (Note 7)	**1,062**	792	***12,932***
Foreign currency translation adjustments	**(588)**	(478)	***(7,152)***
Total accumulated other comprehensive income	**794**	426	***9,671***
Minority Interests	**107**	108	***1,308***
Total Net Assets	**29,625**	29,739	***360,704***
Total Liabilities and Net Assets	**¥51,493**	¥53,056	***$626,974***

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	***2012***
Net Sales	**¥40,733**	¥48,718	***$495,960***
Cost of Sales (Note 12)	**35,745**	42,142	***435,223***
Gross profit	**4,988**	6,576	***60,737***
Selling, General and Administrative Expenses (Notes 11 and 12)	**3,514**	3,986	***42,795***
Operating income	**1,474**	2,590	***17,942***
Other Income (Expenses):			
Interest and dividend income	**194**	186	***2,367***
Interest expense	**(9)**	(26)	***(107)***
Foreign currency exchange gain (loss)	**(56)**	(230)	***(680)***
Equity in income (loss) of affiliates	**(289)**	(286)	***(3,523)***
Gain on sales of scraps	**81**	15	***986***
Other, net	**37**	56	***455***
	(42)	(285)	***(502)***
Income before extraordinary items	**1,432**	2,305	***17,440***
Extraordinary Profit (Loss):			
Gain on sale or disposal of property, plant and equipment, net	**(6)**	3	***(76)***
Gain on sale of investments in securities, net	**3**	27	***43***
Loss on write-down of investments in securities, net	**-**	(1,350)	***-***
Provision for bad debts	**(0)**	(0)	***(4)***
Reversal of provision for bad debts	**-**	67	***-***
Loss on adjustment for changes of accounting standard for asset retirement obligations	**-**	(298)	***-***
Other, net	**(0)**	19	***(3)***
	(3)	(1,532)	***(40)***
Income before income taxes and minority interests	**1,429**	773	***17,400***
Income Taxes (Note 9)**:**			
Current	**1,072**	699	***13,051***
Deferred	**(366)**	(85)	***(4,455)***
	706	614	***8,596***
Income before minority interests	**723**	159	***8,804***
Minority interests in net income of consolidated subsidiaries	**9**	1	***109***
Net Income	**¥714**	¥158	***$8,695***
Minority interests in net income of consolidated subsidiaries	**9**	1	***109***
Income before minority interests	**723**	159	***8,804***
Other Comprehensive Income			
Net unrealized holding gains or losses on investment securities	**198**	(231)	***2,416***
Deferred gains or losses on hedges	**3**	0	***41***
Revaluation reserve for land	**270**	-	***3,285***
Foreign currency translation adjustments	**(119)**	39	***(1,445)***
Share of other comprehensive income of associates accounted for using equity method	**8**	(2)	***90***
	360	(194)	***4,387***
Total Comprehensive Income	**1,083**	(35)	***13,191***
Total comprehensive income attributable to:			
owners of the parent	**1,084**	(33)	***13,193***
minority interests	**(0)**	(2)	***(2)***

	Yen		U.S. dollars (Note 3)
Per Share (Note 22)	**2012**	2011	***2012***
Net income	**¥5.93**	¥1.31	***$0.07***

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

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2010, 2011 and 2012

	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

		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 April 1, 2011	138,730,741	¥18,580	¥1,104	¥13,271	¥(3,750)	¥29,205
Effect of changes in accounting policies applied to companies accounted for using the equity method	-	-	-	-	-	-
Cash dividends paid	-	-	-	(603)	-	(603)
Net income for the year	-	-	-	714	-	714
Purchase of treasury stock	-	-	-	-	(1)	(1)
Change in equity in affiliates accounted for by equity method	-	-	-	(614)	23	(591)
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, 2012	**138,730,741**	**¥18,580**	**¥1,104**	**¥12,768**	**¥(3,728)**	**¥28,724**

	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 April 1, 2011	¥118	¥(6)	¥792	¥(478)	¥426	¥108	¥29,739
Effect of changes in accounting policies applied to companies accounted for using the equity method	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	(603)
Net income for the year	-	-	-	-	-	-	714
Purchase of treasury stock	-	-	-	-	-	-	(1)
Change in equity in affiliates accounted for by equity method	-	-	-	-	-	-	(591)
Net unrealized holding gains on investments	199	-	-	-	199	-	199
Deferred gains or losses on hedges	-	9	-	-	9	-	9
Unrealized gains on revaluation of land	-	-	270	-	270	-	270
Foreign currency translation adjustments	-	-	-	(110)	(110)	-	(110)
Minority interests	-	-	-	-	-	(1)	(1)
Balance at March 31, 2012	**¥317**	**¥3**	**¥1,062**	**¥(588)**	**¥794**	**¥107**	**¥29,625**

	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 April 1, 2011	*138,730,741*	*$226,228*	*$13,443*	*$161,589*	*$(45,671)*	*$355,589*
Effect of changes in accounting policies applied to companies accounted for using the equity method	-	-	-	-	-	-
Cash dividends paid	-	-	-	(7,342)	-	(7,342)
Net income for the year	-	-	-	8,695	-	8,695
Purchase of treasury stock	-	-	-	-	(24)	(24)
Change in equity in affiliates accounted for by equity method	-	-	-	(7,484)	291	(7,193)
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, 2012	***138,730,741***	***$226,228***	***$13,443***	***$155,458***	***$(45,404)***	***$349,725***

	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 April 1, 2011	*$1,437*	*$(70)*	*$9,647*	*$(5,818)*	*$5,196*	*$1,310*	*$362,095*
Effect of changes in accounting policies applied to companies accounted for using the equity method	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	(7,342)
Net income for the year	-	-	-	-	-	-	8,695
Purchase of treasury stock	-	-	-	-	-	-	(24)
Change in equity in affiliates accounted for by equity method	-	-	-	-	-	-	(7,193)
Net unrealized holding gains on investments	2,417	-	-	-	2,417	-	2,417
Deferred gains or losses on hedges	-	107	-	-	107	-	107
Unrealized gains on revaluation of land	-	-	3,285	-	3,285	-	3,285
Foreign currency translation adjustments	-	-	-	(1,334)	(1,334)	-	(1,334)
Minority interests	-	-	-	-	-	(2)	(2)
Balance at March 31, 2012	***$3,854***	***$37***	***$12,932***	***$(7,152)***	***$9,671***	***$1,308***	***$360,704***

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	***2012***
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	**¥1,429**	¥773	***$17,400***
Depreciation and amortization	**643**	694	***7,833***
Amortization of long-term prepaid expenses	**16**	85	***190***
Increase (decrease) in provision for allowance for doubtful accounts	**(85)**	(27)	***(1,039)***
Increase (decrease) in provision for employees' retirement benefits	**13**	(75)	***153***
Increase (decrease) in provision for losses on work in progress	**(168)**	(413)	***(2,040)***
Increase (decrease) in provision for warranty costs for completed works	**22**	(250)	***271***
Interest and dividend income	**(194)**	(186)	***(2,367)***
Interest expense	**9**	26	***107***
Gain on allotment of shares	**-**	(45)	***-***
Exchange loss (gain)	**(15)**	122	***(178)***
Equity in loss (income) of affiliates	**289**	286	***3,523***
Loss (gain) on sales of investment securities	**(3)**	(26)	***(43)***
Loss (gain) on write-down of investments in securities	**-**	1,350	***-***
Loss (gain) on sale of property, plant and equipment	**(0)**	(9)	***(3)***
Loss on disposal of property, plant and equipment	**5**	6	***60***
Loss (gain) on transfer of business	**-**	(23)	***-***
Loss on adjustment for changes of accounting standard for asset retirement obligations	**-**	298	***-***
Decrease (increase) in notes and accounts receivables	**2,988**	1,867	***36,375***
Decrease (increase) in investments in leases	**630**	565	***7,675***
Decrease (increase) in inventories	**(46)**	1,501	***(563)***
Decrease (increase) in advance payments	**(83)**	1,216	***(1,008)***
Decrease (increase) in accrued income	**(51)**	(44)	***(622)***
Increase (decrease) in notes and accounts payable	**(512)**	(551)	***(6,235)***
Increase (decrease) in advances from customers	**1,249**	(562)	***15,210***
Other	**(193)**	(63)	***(2,342)***
Sub total	**5,943**	6,515	***72,357***
Interest and dividend income received	**198**	200	***2,408***
Interest expense paid	**(9)**	(25)	***(113)***
Income taxes paid	**(896)**	(288)	***(10,895)***
Net cash provided by (used in) operating activities	**5,236**	6,402	***63,757***
Cash Flows from Investing Activities:			
Payments into time deposits (over 3-month term)	**(436)**	(76)	***(5,309)***
Proceeds from withdrawal of time deposits	**596**	38	***7,257***
Payments for purchase of property, plant and equipment	**(683)**	(747)	***(8,313)***
Proceeds from sales of property, plant and equipment	**125**	131	***1,525***
Payments for purchase of investments in securities	**(353)**	(695)	***(4,297)***
Proceeds from sales of investments in securities	**8**	125	***92***
Proceeds from transfer of business	**-**	23	***-***
Payments of loans receivable	**(5)**	(80)	***(57)***
Collection of loans receivable	**122**	200	***1,482***
Other	**72**	23	***870***
Net cash used in investing activities	**(554)**	(1,058)	***(6,750)***
Cash Flows from Financing Activities:			
Increase (decrease) in short-term debt, net	**1,095**	(1,723)	***13,338***
Proceeds from long-term debt	**400**	100	***4,870***
Repayment of long-term debt	**(3,221)**	(1,269)	***(39,224)***
Purchase of treasury stock	**(2)**	(8)	***(24)***
Capital dividend paid	**(600)**	(480)	***(7,302)***
Net cash provided by (used in) financing activities	**(2,328)**	(3,380)	***(28,342)***
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**19**	(187)	***230***
Net Increase (Decrease) in Cash and Cash Equivalents	**2,373**	1,777	***28,895***
Cash and Cash Equivalents at Beginning of Year	**11,580**	9,803	***140,997***
Cash and Cash Equivalents at End of Year (Note 15)	**¥13,953**	¥11,580	***$169,892***

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

Notes to the Consolidated Financial Statements

For the years ended March 31, 2012 and 2011

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 company, AL GHALLILAH ENGINEERING & CONSTRUCTION L.L.C is in the course of 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, 2012 and 2011. Consolidated net income includes the Company's equity in the current earnings of those companies after elimination of unrealized inter-company profits.

The affiliated company, Manavis Co., Ltd. has been excluded from the scope of equity method for the year ended March 31, 2012, because Manavis Co., Ltd. does not meet the requirements to be an affiliated company.

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, 2011 for the current year consolidation and at December 31, 2010 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……………………….Mainly Gross-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)

(Changes in accounting policies)
Change in valuation method of raw materials
Effective from the year ended March 31, 2012, the consolidated subsidiary, Toyo Kanetsu Solutions K.K. has changed the valuation method of raw materials from Moving-average method (a carrying amounts on the balance sheet is written down if the profitability decreases) to Gross-average method (a carrying amounts on the balance sheet is written down if the profitability decreases).
This change is intended to streamline the process of fixing raw material balance with renewing its main system of order placement/inventory management in August 2011, considering the minor fluctuation of purchase price.
Also, the change is not applied retrospectively to the previous years because the effect of this change on the financial result is immaterial.
Since the change is associated with the renewal of the system in August 2011, the said company applied the valuation method from second quarter of the year ended March 31, 2012.

(6) Financial Instruments
(a) Derivatives
All derivatives are stated at fair value except for certain derivatives that are designated as “hedging instruments” (see Note 18. 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 ¥20 million ($241 thousand) and ¥30 million for the years ended March 31, 2012 and 2011, 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.

(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, 2012 and 2011, 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.

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

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

(17) Change in Method of Presentation
(Consolidated Statements of Income and Comprehensive Income)
Effective from the year ended March 31, 2012, gain on sales of scraps is separately set down because of its increasing importance, which was included in Other, Other Income until the year ended March 31, 2011. In order to reflect this change in method presentation, the financial statement for the year ended March 31, 2011 is reclassified.
As a result of reclassification, other income in consolidated statements of income and comprehensive income of the year ended March 31, 2011 is divided into gain on sales of scraps ¥15 million and other, net ¥56 million.

(18) Additional Information
(Application of Accounting Standard for Accounting Changes and Error Corrections)
Effective from the year ended March 31, 2012, the Company and its consolidated subsidiaries have applied "Accounting Standard for Accounting Changes and Error Corrections" (Statement No.24 issued by the ASBJ on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (Guidance No.24 issued by the ASBJ on December 4, 2009).

3. United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥82.13=U.S. $1.00, the approximate rate of exchange prevailing at March 31, 2012, 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, 2012 and 2011 consisted as follows:

March 31	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars 2012
Merchandise and finished goods	**¥2**	¥1	***$24***
Raw materials and supplies	**572**	585	***6,958***
Work in progress	**6,851**	6,793	***83,419***
Total	**¥7,425**	¥7,379	***$90,401***

5. Investments in Securities

The aggregate fair value and carrying amounts of securities to be held to maturity with market quotations at March 31, 2012 and 2011 were as follows:

	Millions of yen						*Thousands of U.S. dollars*		
	2012			2011			***2012***		
March 31	Fair Value	Carrying Amount	Difference	Fair Value	Carrying Amount	Difference	*Fair Value*	*Carrying Amount*	*Difference*
Government bonds and local government bonds	**¥ 96**	**¥ 100**	**¥ (4)**	¥ -	¥ -	¥ -	***$ 1,175***	***$1,218***	***$(43)***
Bonds	**-**	**-**	**-**	587	600	(13)	***-***	***-***	***-***
Other	**578**	**600**	**(22)**	-	-	-	***7,037***	***7,305***	***(268)***
Total	**¥674**	**¥700**	**¥(26)**	¥587	¥600	¥(13)	***$8,212***	***$8,523***	***$(311)***

The aggregate acquisition cost and carrying amounts of other securities with market quotations at March 31, 2012 and 2011 were as follows:

	Millions of yen						*Thousands of U.S. dollars*		
	2012			2011			***2012***		
March 31	Acquisition Cost	Carrying Amount	Difference	Acquisition Cost	Carrying Amount	Difference	*Acquisition Cost*	*Carrying Amount*	*Difference*
Equity securities	**¥2,059**	**¥2,550**	**¥491**	¥2,060	¥2,257	¥197	***$25,071***	***$31,052***	***$5,981***
Bonds	**-**	**-**	**-**	-	-	-	***-***	***-***	***-***
Other	**50**	**49**	**(1)**	-	-	-	***609***	***593***	***(16)***
Total	**¥2,109**	**¥2,599**	**¥490**	¥2,060	¥2,257	¥197	***$25,680***	***$31,645***	***$5,965***

Proceeds from sale of other securities were ¥8 million ($94 thousand) and ¥82 million for the years ended March 31, 2012 and 2011, respectively. On those sales, gross realized gains were ¥3 million ($43 thousand) and ¥27 million for the years ended March 31, 2012 and 2011, respectively. Gross realized losses were nothing and ¥0 million ($0 thousand) for the years ended March 31, 2012 and 2011.

Non-listed stocks whose fair value was not determinable were not included in the above table. For the years ended March 31, 2012 and 2011, the carrying amounts of them in the consolidated balance sheet were respectively ¥1,660 million ($20,218 thousand) and ¥2,168 million.

Commercial paper, etc. were 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, 2012 and 2011, the carrying amounts of them on the balance sheet were ¥3,999 million ($48,695 thousand) and ¥3,999 million, respectively.

Investments in affiliates included in investments in securities were ¥574 million ($6,995 thousand) and ¥1,540 million for the years ended March 31, 2012 and 2011, respectively.

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

Short-term debt, long-term debt and lease obligations as at March 31, 2012 and 2011 were as follows:

	Millions of yen				*Thousands of U.S. dollars*
	2012		2011		***2012***
March 31		**Weighted average interest rate**		**Weighted average interest rate**	
Short-term debt	**¥2,483**	**0.89%**	¥1,381	0.85%	***$30,233***
Current portion of long-term debt	**500**	**1.30**	3,222	1.31	***6,088***
Lease obligations (current liabilities)	**74**	-	160	-	***898***
Long-term debt	**500**	**1.21**	600	1.29	***6,088***
Lease obligations (long-term liabilities)	**131**	-	205	-	***1,593***
Total	**¥3,688**	-	¥5,568	-	***$44,900***

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, 2012 and 2011 was as follows:

March 31	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars 2012
Short-term debt secured by buildings, machinery and land	**¥1,127**	¥1,350	***$13,719***
Long-term debt secured by buildings, machinery and land	**300**	500	***3,653***
Total	**¥1,427**	¥1,850	***$17,372***

Assets pledged as collateral for the short-term debt and the long-term debt as at March 31, 2012 and 2011 were as follows:

March 31	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars 2012
Buildings (at net book value)	**¥462**	¥496	***$5,620***
Machinery (at net book value)	**0**	5	***0***
Land	**5,459**	5,459	***66,467***
Total	**¥5,921**	¥5,960	***$72,087***

Annual maturities of long-term debt and lease obligations as at March 31, 2012 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*
1 to 2 years	**¥-**	***$-***	**¥78**	***$952***
2 to 3 years	**400**	***4,870***	**53**	***641***
3 to 4 years	**100**	***1,218***	-	-
4 to 5 years	**-**	-	-	-

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, 2012 and 2011 amounted to ¥3,401 million ($41,411 thousand) and ¥3,306 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 the smaller enterprise retirement allowance mutual aid and termination allowance plan. The Company and certain consolidated subsidiaries also have the defined contribution pension plans.

The accrued retirement benefits as of March 31, 2012 and 2011 were as follows:

March 31	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars 2012
Projected benefit obligations	**¥(2,853)**	¥(2,796)	***$(34,732)***
Plan assets	**2,642**	2,642	***32,168***
Net unreserved projected benefit obligations	**(211)**	(154)	***(2,564)***
Unrecognized actuarial differences	**(32)**	(90)	***(395)***
Net retirement benefit obligations	**(243)**	(244)	***(2,959)***
Less: Pension costs paid in advance	**71**	58	***863***
Accrued retirement benefits for employees	**(314)**	(302)	***(3,822)***

Net pension and severance costs related to the retirement benefit plans for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2012**	2011	***2012***
Net pension and severance costs	**¥184**	¥117	***$2,244***
Service costs	**141**	134	***1,720***
Interest cost	**43**	43	***529***
Expected return on plan assets	**(26)**	(26)	***(322)***
Net amortization	**(16)**	(26)	***(190)***
Amortization of prior service costs	**-**	(49)	***-***
Transfer to defined contribution pension plans	**42**	41	***507***

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

March 31	**2012**	2011
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, 2012 and 2011. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

At March 31, 2012 and 2011, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2012**	2011	***2012***
Deferred tax assets			
Tax losses carried forward	**¥1,276**	¥909	***$15,537***
Accrued enterprise tax	**58**	47	***706***
Accrued retirement benefits for employees	**111**	124	***1,355***
Accrued bonuses	**72**	98	***882***
Allowance for doubtful accounts	**111**	158	***1,347***
Reserve for losses on work in progress	**51**	125	***620***
Loss on write-down of investments in securities	**295**	337	***3,596***
Loss on write-down of investments	**57**	85	***690***
Impairment losses on fixed assets	**368**	421	***4,482***
Depreciation and amortization	**65**	61	***792***
Asset retirement obligations	**106**	121	***1,293***
Tax effect of investments, etc., in subsidiary due for liquidation	**278**	301	***3,382***
Other	**485**	477	***5,900***
	3,333	3,264	***40,582***
Less: valuation allowance	**(2,372)**	(2,641)	***(28,883)***
Gross deferred tax assets	**¥961**	¥623	***$11,699***
Deferred tax liabilities			
Deferred tax liabilities on revaluation of land	**¥1,904**	¥2,174	***$23,185***
Net unrealized holding gains on investments in securities	**175**	80	***2,130***
Special item for lease	**38**	65	***461***
Foreign currency translation adjustment	**75**	-	***912***
Other	**2**	1	***28***
Gross deferred tax liabilities	**¥2,194**	¥2,320	***$26,716***

Deferred tax assets and liabilities as at March 31, 2012 and 2011 were recorded in the consolidated balance sheet as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2012	2011	***2012***
Deferred tax assets (current assets)	**¥453**	¥147	***$5,516***
Deferred tax assets (other assets in investments and advances)	**258**	396	***3,141***
Deferred tax liabilities (other current liabilities in current liabilities)	**2**	-	***23***
Deferred tax liabilities (long-term liabilities)	**38**	66	***468***
Deferred tax liabilities on revaluation of land (long-term liabilities)	**1,904**	2,174	***23,185***

The reconciliation of the statutory income tax rate to the effective income tax rate for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Statutory income tax rate	**40.7%**	40.7%
Increase (decrease) in tax rate due to;		
Increase and decrease of valuation allowance	**(10.5)**	58.5
Permanently non-deductible expenses	**3.4**	6.6
Permanently non-taxable dividends received	**(0.8)**	(1.9)
Local inhabitant's tax	**2.0**	3.7
Difference in tax rates for foreign subsidiaries	**(0.7)**	(0.1)
Equity in income of affiliates	**9.6**	13.2
Adjustment for unrealized gains and losses	**0.6**	(2.3)
Decrease of deferred tax assets by tax rate change	**4.9**	-
Tax effect of investments, etc., in subsidiary due for liquidation	**-**	(39.0)
Other	**0.2**	0.0
Effective income tax rate	**49.4%**	79.4%

(Effects of Corporate Tax Rate Changes, etc.)
The "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated on December 2, 2011.
Due to these changes in tax laws, temporary differences that are expected to reverse in the consolidated fiscal year beginning on or after April 1, 2012, the statutory tax rates for calculating deferred tax assets and liabilities will be changed from 40.69% to 38.01%. Regarding temporary differences that are expected to reverse in the consolidated fiscal year beginning on or after April 1, 2015, the statutory tax rates will be changed to 35.64%.
Following these changes, deferred tax assets and liabilities recorded in this fiscal year decreased by ¥76 million ($931 thousand) and ¥33 million ($ 400 thousand), while unrealized holding gains on investments in securities and tax expenses recorded in this fiscal year increases by ¥25 million ($302 thousand) and ¥74 million ($ 899 thousand), respectively.
Also, deferred tax liabilities pertaining to revaluation decreased ¥270 million ($ 3,285 thousand) and unrealized gains on revaluation of land increased in the same amount.

10. Commitments and Contingent Liabilities

As at March 31, 2012 and 2011, the Company was contingently liable for the affiliated company as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2012**	2011	***2012***
Trade liabilities	**¥213**	¥389	***$2,592***

11. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
Year ended on March 31	**2012**	2011	***2012***
Salaries and benefits	**¥1,362**	¥1,390	***$16,588***
Bonuses	**274**	402	***3,333***
Accrued bonuses	**71**	93	***868***
Pension and severance costs	**134**	120	***1,629***
Allowance for doubtful accounts	**(23)**	51	***(284)***

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, 2012 and 2011 were ¥244 million ($2,968 thousand) and ¥318 million, respectively.

13. Tax effects and Reclassification Pertaining to Other Comprehensive Income

Components of other comprehensive income for the year ended on March 31, 2012 were as follows.

	Millions of yen	*Thousands of U.S. dollars*
Year ended on March 31	**2012**	*2012*
Net unrealized holding gains on investments:		
Unrealized gains (losses) arising during the year	**¥293**	***$3,576***
Reclassification to profit or loss for the year	**(0)**	***(4)***
Before tax effects adjustments	**293**	***3,572***
Tax effect	**(95)**	***(1,156)***
Net unrealized holding gains on investments	**198**	***2,416***
Deferred gains or losses on hedges:		
Unrealized gains (losses) arising during the year	**5**	***67***
Tax effect	**(2)**	***(26)***
Deferred gains or losses on hedges	**3**	***41***
Unrealized gains on revaluation of land:		
Tax effects	**270**	***3,285***
Foreign currency translation adjustments:		
Unrealized gains (losses) arising during the year	**(44)**	***(533)***
Tax effects	**(75)**	***(912)***
Foreign currency translation adjustments	**(119)**	***(1,445)***
Share of other comprehensive income of associates accounted for using equity method:		
Unrealized gains (losses) arising during the year	**2**	***27***
Reclassification to profit or loss for the year	**6**	***63***
Share of other comprehensive income of associates accounted for using equity method Deferred gains or losses on hedges	**8**	***90***
Total other comprehensive income	**¥360**	***$4,387***

14. Supplements for Consolidated Statements of Changes in Net Assets

Type and number of shares as at March 31, 2012 and 2011 were as follows:

	Thousands of shares	
Year ended on March 31	**2012**	2011
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	**18,296**	18,250
Increase in number of stock	**10**	46
Decrease in number of stock	**169**	-
Number of treasury stock at the end of the fiscal year	**18,137**	18,296

For the year ended March 31, 2012, treasury stock increased by 10 thousand shares resulting from purchasing shares less than one unit, decrease by 169 thousand shares resulting from the change in equity in affiliates accounted for by equity method.

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

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

	2012	2011
Approved by annual general shareholders' meeting		
Date of approval	**June 29, 2011**	June 29, 2010
Type of shares	**Common stock**	Common stock
Date of record	**March 31, 2011**	March 31, 2010
Effective date	**June 30, 2011**	June 30, 2010
Dividends per share	**¥5.00 *($0.06)***	¥4.00
Amount of cash dividends	**¥603 million *($7,342 thousand)***	¥483 million

The dividend per share of 2012 includes a commemorative dividend of ¥1.00 per share to mark the 70th anniversary of the Company's establishment.

Cash dividends for the year ended March 31, 2012 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	Amount of cash dividends: *Thousands of U.S. dollars*
Annual general shareholders' meeting held on June 28, 2012	Common stock	March 31, 2012	June 29, 2012	Accumulated earnings	**¥4.00**	**¥482**	***$5,873***

15. Cash and Cash Equivalents

Cash and cash equivalents as at March 31, 2012 and 2011 for the purpose of statement of cash flows consisted of:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2012**	2011	***2012***
Cash on hand and at bank	**¥9,985**	¥7,772	***$121,577***
Less: Time deposits, over 3-month term	**(30)**	(190)	***(365)***
Less: Other	**(1)**	(1)	***(14)***
Commercial paper (Marketable securities)	**1,999**	1,999	***24,342***
Money held in trust (Marketable securities)	**2,000**	2,000	***24,352***
Cash and cash equivalents	**¥13,953**	¥11,580	***$169,892***

16. 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	**2012**	2011	***2012***
Within one year	**¥15**	¥10	***$179***
Over one year	**28**	33	***340***
	¥43	¥43	***$519***

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	**2012**	2011	***2012***
Current assets			
Receivables from lease rental revenue	**¥1,716**	¥2,610	***$20,890***
Estimated salvage value	**126**	144	***1,532***
Interest income	**(171)**	(291)	***(2,076)***
Investments in leases	**¥1,671**	¥2,463	***$20,346***

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	**2012**	2011	***2012***
Within one year	**¥855**	¥1,078	***$10,407***
1 to 2 years	**437**	811	***5,319***
2 to 3 years	**267**	393	***3,250***
3 to 4 years	**120**	223	***1,461***
4 to 5 years	**26**	76	***315***
Over 5 years	**11**	29	***138***

17. 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 18. 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, 2012 and 2011 (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, 2012	Millions of yen Carrying amount	 Fair value	 Differences
Assets			
(a) Cash on hand and at bank	**¥9,985**	**¥9,985**	**¥ -**
(b) Notes and accounts receivable	**8,627**		
Allowance for doubtful accounts (*1)	**(136)**		
	8,491	**8,491**	**-**
(c) Marketable securities	**3,999**	**3,999**	**-**
(d) Investments in leases	**1,545**	**1,584**	**39**
(e) Investments in securities	**3,299**	**3,272**	**(27)**
(f) Short-term loans receivable	**120**	**121**	**1**
(g) Long-term loans receivable	**106**		
Allowance for doubtful accounts (*1)	**(11)**		
	95	**94**	**(1)**
Total assets	**¥27,534**	**¥27,546**	**¥12**
Liabilities			
(h) Notes and accounts payable	**¥1,959**	**¥1,959**	**¥ -**
(i) Short-term debt	**2,483**	**2,483**	**-**
(j) Accrued liabilities	**3,737**	**3,737**	**-**
(k) Long-term debt (including amount due within one year)	**1,000**	**1,002**	**2**
(l) Lease obligations (including amount due within one year)	**205**	**218**	**13**
Total liabilities	**¥9,384**	**¥9,399**	**¥15**
Derivative transactions (*2)			
(m) Transactions not covered by hedge accounting	**¥ -**	**¥ -**	**¥ -**
(n) Transactions covered by hedge accounting	**5**	**5**	**-**
Total derivative transactions	**¥5**	**¥5**	**¥ -**

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, 2012	Thousands of U.S. dollars Carrying amount	Fair value	Differences
Assets			
(a) Cash on hand and at bank	***$121,577***	***$121,577***	***$ -***
(b) Notes and accounts receivable	***105,039***		
*Allowance for doubtful accounts (*1)*	***(1,660)***		
	103,379	***103,379***	***-***
(c) Marketable securities	***48,695***	***48,695***	***-***
(d) Investments in leases	***18,814***	***19,281***	***467***
(e) Investments in securities	***40,168***	***39,857***	***(311)***
(f) Short-term loans receivable	***1,461***	***1,470***	***9***
(g) Long-term loans receivable	***1,286***		
*Allowance for doubtful accounts (*1)*	***(137)***		
	1,149	***1,141***	***(8)***
Total assets	***$335,243***	***$335,400***	***$157***
Liabilities			
(h) Notes and accounts payable	***$23,854***	***$23,854***	***$ -***
(i) Short-term debt	***30,232***	***30,232***	***-***
(j) Accrued liabilities	***45,500***	***45,500***	***-***
(k) Long-term debt (including amount due within one year)	***12,176***	***12,203***	***27***
(l) Lease obligations (including amount due within one year)	***2,491***	***2,655***	***164***
Total liabilities	***$114,253***	***$114,444***	***$191***
*Derivative transactions (*2)*			
(m) Transactions not covered by hedge accounting	***$ -***	***$ -***	***$ -***
(n) Transactions covered by hedge accounting	***59***	***59***	***-***
Total derivative transactions	***$59***	***$59***	***$ -***

*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 18. Derivative and Hedging Activities.

*4. As there is no market price for non-listed stocks (carrying amount in consolidated balance sheet ¥1,660 million ($20,218 thousand) and ¥2,168 million for the years ended March 31, 2012 and 2011, 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, 2012	Within one year	1 to 5 years	5 to 10 years	Over 10 years
Time deposit	**¥9,958**	**¥ -**	**¥ -**	**¥ -**
Notes and accounts receivable	**8,491**	**-**	**-**	**-**
Marketable securities	**4,000**	**-**	**-**	**-**
Investments in leases	**760**	**774**	**11**	**-**
Investment in securities				
Securities to be held to maturity	**-**	**700**	**-**	**-**
Other securities with market quotations	**-**	**50**	**-**	**-**
Short-term loans receivable	**120**	**-**	**-**	**-**
Long-term loans receivable	**-**	**52**	**-**	**42**
Total	**¥23,329**	**¥1,576**	**¥11**	**¥42**

	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

	Thousands of U.S. dollars			
As at March 31, 2012	*Within one year*	*1 to 5 years*	*5 to 10 years*	*Over 10 years*
Time deposit	***$121,250***	***$ -***	***$ -***	***$ -***
Notes and accounts receivable	***103,379***	***-***	***-***	***-***
Marketable securities	***48,703***	***-***	***-***	***-***
Investments in leases	***9,254***	***9,426***	***134***	***-***
Investment in securities				
Securities to be held to maturity	***-***	***8,523***	***-***	***-***
Other securities with market quotations	***-***	***609***	***-***	***-***
Short-term loans receivable	***1,461***	***-***	***-***	***-***
Long-term loans receivable	***-***	***635***	***-***	***514***
Total	***$284,047***	***$19,193***	***$134***	***$514***

*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.

18. Derivative and Hedging Activities

There were no relevant transactions as of March 31, 2012. As of March 31, 2011, derivative transactions, for which hedged accounting have been applied, are as indicated below.

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

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

In the year ended March 31, 2012 and 2011, derivative transactions, for which hedged accounting have been applied, are as follows:

(1) Currency-related

	Millions of yen			
	Contract value			
As at March 31, 2012	Due within one year	Due after one year	Total	Fair value
Forward exchange contract				
Buy Euro	**¥88**	**¥ -**	**¥88**	**¥93**
	¥88	**¥ -**	**¥88**	**¥93**

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

	Thousands of U.S. dollars			
	Contract value			
As at March 31, 2012	*Due within one year*	*Due after one year*	*Total*	*Fair value*
Forward exchange contract				
Buy Euro	***$1,076***	***$ -***	***$1,076***	***$1,135***
	$1,076	***$ -***	***$1,076***	***$1,135***

*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			
As at March 31, 2012	Due within one year	Due after one year	Total	Fair value
Interest rate swaps (receivable rate variable/payable rate fixed)	**¥500**	**¥300**	**¥800**	**(*4)**

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

	Thousands of U.S. dollars			
	Contract value			
As at March 31, 2012	*Due within one year*	*Due after one year*	*Total*	*Fair value*
Interest rate swaps (receivable rate variable/payable rate fixed)	***$6,088***	***$3,653***	***$9,741***	***(*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.

19. Asset Retirement Obligations

Asset retirement obligations recorded in the consolidated balance sheets as of March 31, 2012 and 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 period of use 31 years and discount rate 2.2%.
c. Increase/decrease in total amount of relevant asset retirement obligations for the year ended March 31, 2012 and 2011 are as follows.

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2012**	2011	***2012***
Balance at the beginning of the fiscal year	**¥298**	¥298	***$3,628***
Increase/decrease during year	**-**	-	***-***
Balance at the end of the fiscal year	**¥298**	¥298	***$3,628***

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).

20. 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 2012 and 2011, the net rent income on the relevant real estate for leasing was ¥321 million ($3,911 thousand) and ¥302 million 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.

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2012**	2011	***2012***
The carrying amounts in the consolidated balance sheet			
Balance at the beginning of the fiscal year	**¥5,470**	¥5,451	***$66,605***
Change during the fiscal year	**(55)**	20	***(672)***
Balance at the end of the fiscal year	**5,415**	5,470	***65,933***
Fair value at the end of fiscal year	**¥3,790**	¥3,892	***$46,152***

*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 year ended March 31, 2012 was mainly due to a decrease by depreciation accounting for ¥41 million ($495 thousand). The change during the fiscal year ended March 31, 2011, was due mainly to an increase in leased area accounting for ¥61 million.
*3. Fair value of significant properties at March 31, 2012 and 2011 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.

21. Segment Information

(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, 2012	Plant & Machinery Business	Material Handling Systems Business	Building Construction Business	Subtotal	Other	Adjustments	Total
Sales							
Sales to external customers	**¥23,625**	**¥11,624**	**¥3,338**	**¥38,587**	**¥2,146**	**¥ -**	**¥ 40,733**
Inter-segment sales	**-**	**-**	**-**	**-**	**682**	**(682)**	**-**
Total	**23,625**	**11,624**	**3,338**	**38,587**	**2,828**	**(682)**	**40,733**
Operating income	**1,956**	**(729)**	**14**	**1,241**	**491**	**(258)**	**1,474**
Assets	**15,425**	**9,611**	**1,859**	**26,895**	**8,228**	**16,370**	**51,493**
Other items							
Depreciation	**274**	**200**	**10**	**484**	**145**	**14**	**643**
Increase in tangible fixed assets and intangible fixed assets	**551**	**83**	**0**	**634**	**40**	**5**	**679**

	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

	Thousands of U.S. dollars						
	Reporting segment						
Year ended March 31, 2012	*Plant & Machinery Business*	*Material Handling Systems Business*	*Building Construction Business*	*Subtotal*	*Other*	*Adjustments*	*Total*
Sales							
Sales to external customers	***$287,655***	***$141,531***	***$40,642***	***$469,828***	***$26,132***	***$ -***	***$495,960***
Inter-segment sales	***-***	***-***	***-***	***-***	***8,303***	***(8,303)***	***-***
Total	***287,655***	***141,531***	***40,642***	***469,828***	***34,435***	***(8,303)***	***495,960***
Operating income	***23,817***	***(8,872)***	***174***	***15,119***	***5,983***	***(3,160)***	***17,942***
Assets	***187,810***	***117,027***	***22,631***	***327,468***	***100,178***	***199,328***	***626,974***
Other items							
Depreciation	***3,332***	***2,438***	***127***	***5,897***	***1,766***	***170***	***7,833***
Increase in tangible fixed assets and intangible fixed assets	***6,712***	***1,012***	***6***	***7,730***	***481***	***56***	***8,267***

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

(a) Operating income

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2012**	2011	***2012***
Sum total of reporting segments operating income	**¥1,242**	¥2,390	***$15,117***
Income in Other category	**491**	482	***5,984***
Corporate expenses (*)	**(268)**	(290)	***(3,265)***
Other adjustments	**9**	8	***106***
Operating income in consolidated financial statements	**¥1,474**	¥2,590	***$17,942***

* 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 2012	2011	Thousands of U.S. dollars 2012
Sum total of reporting segments assets	**¥26,895**	¥30,606	***$327,467***
Assets in Other category	**8,228**	10,238	***100,178***
Corporate assets (*)	**16,396**	12,248	***199,632***
Other adjustments	**(26)**	(36)	***(303)***
Total assets of consolidated financial statements	**¥51,493**	¥53,056	***$626,974***

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

(5) Information by Individual Product or Service

March 31	Millions of yen 2012	2011	Thousands of U.S. dollars 2012
Sales to external customers			
Storage tanks, etc.	**¥15,888**	¥17,557	***$193,451***
Storage tank maintenance operations	**7,737**	9,153	***94,204***
Material handling systems and machinery, etc.	**11,624**	17,590	***141,532***
Apartment and office buildings, etc.	**3,338**	2,180	***40,642***
Other	**2,146**	2,238	***26,131***
Total	**¥40,733**	¥48,718	***$495,960***

(6) Geographical Information

(a) Sales

March 31	Millions of yen 2012	2011	Thousands of U.S. dollars 2012
Sales to external customers			
Japan	**¥30,047**	¥38,808	***$365,841***
South-east Asia	**2,116**	701	***25,762***
Middle East	**2,272**	4,186	***27,667***
Oceania	**5,960**	1,853	***72,573***
Africa	**282**	2,907	***3,438***
Other	**56**	263	***679***
Total	**¥40,733**	¥48,718	***$495,960***

Note: Net sales figures are categorized by country or region based on the location of the contract.

(b) Tangible fixed assets

March 31	Millions of yen 2012	2011	Thousands of U.S. dollars 2012
Japan	**¥11,268**	-	***$137,196***
South-east Asia	**1,311**	-	**15,961**
Total	**¥12,579**	-	***$153,157***

Note: Regarding tangible fixed assets for the year ended March 31, 2011, 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

Main Customer for the year ended March 31, 2012 was Bechtel and sales to Bechtel was ¥6,225 million ($75,797 thousand). Regarding the year ended March 31, 2011, main customer was Joint Venture of TKK-Shimizu Corp and sales to Joint Venture of TKK-Shimizu Corp was ¥4,959 million.

22. Amount Per Share

Amounts per share at March 31, 2012 and 2011 and for the years then ended were as follows:

	Yen 2012	2011	U.S. dollars 2012
Net assets	**¥244.77**	¥246.04	***$2.98***
Net income	**5.93**	1.31	***0.07***

Diluted net income per share for the years ended March 31, 2012 and 2011 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*
	2012	2011	***2012***
Net income	**¥714**	¥158	***$8,695***
Net income not available to shareholders of common stock	-	-	-
Net income available to shareholders of common stock	**¥714**	¥158	***$8,695***

	Thousands of shares	
	2012	2011
Weighted-average number of outstanding shares of common stock	**120,441**	120,451

23. Subsequent Event

(Acquisition of 100% ownership of Toyo Koken K.K. by share exchange)
The Company (hereinafter "TKK") and an equity-method affiliated company, Toyo Koken K.K. (hereinafter “KOK”) resolved at their respective board of directors meetings held on December 20, 2011 and concluded an agreement on the same day, to implement a share exchange (the "Share Exchange") pursuant to a share exchange agreement entered into by TKK and KOK (the "Share Exchange Agreement"), under which TKK will become the wholly owning parent of KOK and KOK will become a wholly owned subsidiary of TKK.
Pursuant to the provision of Paragraph 3 of Article 796 of Japanese Corporate Law, the Share Exchange was implemented as a short-form share exchange for which the approval at a general meeting of TKK shareholders is not required. The Share Exchange subject to the approval of the Share Exchange Agreement by a resolution at the extraordinary general meeting of KOK shareholders was held on February 28, 2012.
Based on the Share Exchange Agreement, the Share Exchange became effective as of April 1, 2012 and KOK became a subsidiary of TKK.

(1) Outline of business combination

(a) Acquired company: Toyo Koken K.K.

(b) Business lines: Manufacture and sales of winch, balancer, conveyor and industrial robot

(c) Main reason of business combination
This acquisition is designed to advancement of corporate value and enhancement of the comprehensive strength by unifying/streamlining the development/production/sales structure, and integrating their technology resources.

(d) Acquisition date: April 1, 2012

(e) Form of acquisition: Share exchange

(f) Ratio of voting rights

Ratio before the business combination	39.4%
Ratio additionally acquired on the business combination date	60.6%
Ratio after the acquisition	100.0%

(g) Main reason of deciding the acquired company
The Company acquired the 100% voting rights shares of KOK by Share Exchange.

(2) Acquisition cost and breakdown

	Millions of yen	*Thousands of U. S. dollars*
Acquisition price (Common stock)	¥626 million	*$7,623*
Cost incurred directly	33 million	*398*
Acquisition cost	¥659 million	*$8,021*

(3) Share exchange rate, calculation basis and number of allocated shares

(a) Share exchange rate

Company Name	TKK(Parent Company)	KOK
Share Exchange Rate	1	0.6

(b) Calculation Basis

In order to ensure fairness and reasonableness of the share exchange ratio for the Share Exchange, each of the parties decided to request a separate independent third party valuation institution to calculate a share exchange rate. For this purpose, TKK appointed Daiwa Securities Capital Markets Co., Ltd. (Current Daiwa Securities Co., Ltd. hereinafter "Daiwa Securities CM ") and KOK appointed A.G.S. Consulting Co., Ltd. (hereinafter “AGS”).

Daiwa Securities CM and AGS determined that the value of TKK and KOK Shares should be analyzed using the market price method based on the fact that both of their market prices are available and the discount cash flow method in order to reflect the status of future activities.

TKK and KOK engaged in repeated negotiations and discussions based on the analysis provided by the above third party valuation institutions, and bearing in mind their respective financial conditions, performance trends and stock price movements, etc. As a result, TKK and KOK determined that the share exchange rate set forth above and resolved the share exchange rate for the Share Exchange upon approval obtained at meetings of their respective boards of directors.

(c) Number of allocated shares

Common Stock 3,045,000 shares (Common stock held in treasury 3,045,000 shares)

(d) Amount of goodwill, reason for its recognition, amortization method and period

i. Amount of goodwill

¥311 million

ii. Reason for its recognition

Goodwill is recognized in the total amount of difference between the amount of subsidiary stock which is additionally acquired and market value of net assets on the date of the acquisition, and difference between the acquisition cost of previously owned shares and the carrying amount under equity method.

iii. Amortization method and period

5 years with straight-line method

(e) Assets acquired and liabilities assumed on the acquisition date

	Millions of yen	*Thousands of U. S. dollars*
Current assets	¥2,123	*$25,848*
Fixed assets	936	*11,401*
Total assets	3,059	*37,249*
Current liabilities	1,907	*23,227*
Fixed liabilities	513	*6,242*
Total liabilities	¥2,420	*$29,469*

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Independent Auditor's Report

The Board of Directors
Toyo Kanetsu Kabushiki Kaisha

We have audited the accompanying consolidated financial statements of Toyo Kanetsu Kabushiki Kaisha and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toyo Kanetsu Kabushiki Kaisha and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 23 to the consolidated financial statements, which describes that effective on April 1, 2012, Toyo Kanetsu Kabushiki Kaisha implemented exchange of shares which resulted in converting an affiliated company accounted for under equity method, Toyo Koken Kabushiki Kaisha, into a wholly owned subsidiary. Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 28, 2012

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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