NETUREN

Annual Report 2011

For the year ended March 31, 2011

NETUREN CO., LTD.

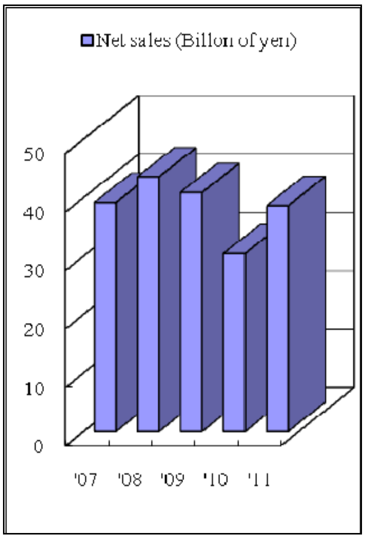
CONTENTS

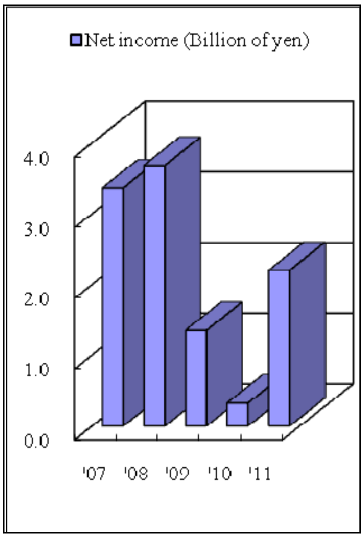
FIVE－YEAR SUMMARY

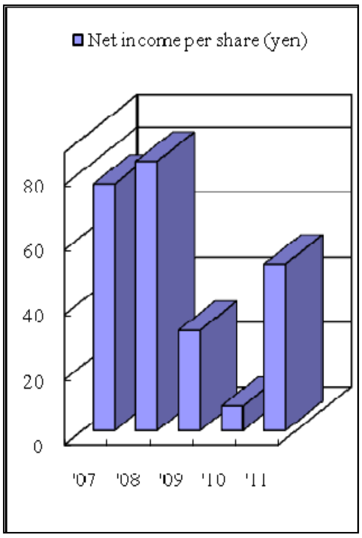
Neturen Co., Ltd. and Consolidated Subsidiaries
Five years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2007	2008	2009	2010	**2011**	**2011**
Net sales	¥39,151	¥43,530	¥40,846	¥30,423	**¥38,592**	**$464,136**
Operating income	5,011	5,593	3,507	236	**3,035**	**36,510**
Income before income taxes and minority interests	6,218	6,613	1,653	1,053	**3,807**	**45,791**
Net income	3,369	3,686	1,353	324	**2,201**	**26,477**
Comprehensive income	—	—	—	—	**1,628**	**19,588**
Total assets	67,059	67,995	60,921	60,846	**64,342**	**773,806**
Net assets	49,725	50,616	48,181	48,458	**49,344**	**593,436**
Per share of common stock (in yen and dollars):						
Net income	¥75.87	¥82.89	¥30.85	¥ 7.47	**¥ 51.26**	**$0.62**
Diluted net income	75.50	82.86	—	—	**—**	**—**
Cash dividends	16.00	17.00	15.00	10.00	**10.00**	**0.12**
Stockholders' equity	1,090.18	1,099.37	1,047.23	1,070.89	**1,102.56**	**13.26**

Note: U.S. dollar amounts in this report are translated from Japanese yen, for convenience only, at the rate of ¥83.15=US$1.







TO OUR SHAREHOLDERS

The Companies, consisting of the Company (Neturen Co., Ltd.), 14 subsidiaries and 6 affiliates, manufactures and sells prestressing steel bars and deformed steel bars for prestressed concrete used in the civil engineering and construction field, high-strength spring wires (ITW) used mainly in suspension springs for automobiles and motorcycles, and induction heating equipment for various industries. It also conducts, heat treatment services of major security parts of automobiles, machine tools and construction equipment.

The Group also leases office buildings and undertakes various types of research and development in relation to all its businesses.

(1) Activities and Results

In the fiscal year under review, the Japanese economy was on a recovery track, emerging from the worst state since the Lehman Shock, despite uncertainties over the economic outlook that were caused by a slowdown in exports amid the yen's persistent strength and by the termination of economic stimulus measures such as eco-friendly vehicle purchasing subsidies.

However, things have changed drastically as a result of the Great East Japan Earthquake, which occurred on March 11, 2011. The earthquake took many lives and even caused nuclear accidents, which made the outlook for economic reconstruction in the affected areas vague. In addition, many companies had to suspend their operations due to damage from the earthquake, and their operation ratio declined because of difficulties in purchasing materials and due to power shortages. These adverse effects are predicted to last for a while, resulting in further increasing uncertainty over the economic outlook.

Overseas, despite political uncertainties in the Middle East, the Chinese economy continued to remain steady and the U.S. economy was recovering, though gradually.

Under such circumstances, the Group strove to develop new products and technologies and expand the sales of products, as well as strengthen its manufacturing bases at home and abroad, in accordance with its 11th medium-term business plan; "Challenge toward Innovation and Great Leap - 65" (which is a three-year plan). We also worked on reducing costs and improving operational efficiency on a groupwide basis.

Although the Iwaki Plant (Iwaki, Fukushima Prefecture) was forced to stop operations temporarily due to earthquake damage, operations were restarted before long as there were no casualties nor serious damage to equipment, etc. As a result, the effects of this suspension of operations on business results for the fiscal year under review were minor.

As a result, net sales were ¥38,592 million (up 26.9% from the previous fiscal year), with operating income at ¥3,035 million (up 1,181.1%). Net income was ¥2,201 million (up 577.6%).

Status by business segment

a. Specialty Steel and Wire Products Division

Public works projects remained sluggish and private-sector demand for condominiums, etc. failed to recover substantially. As a result, the sales volume of the mainstay Ulbon TM for concrete piles and hoop-processed high strength reinforced bars for medium- and high-rise residential buildings and castinplace piles decreased slightly from a year earlier.

Orders for hoop-processed high strength reinforced bars had increased since February. However, such demand was not always met in a timely manner, owing partially to damage to the Iwaki Plant (the major plant) resulting from the earthquake disaster. Despite such circumstances, however, the Group was able to minimize the period of suspension of operations thanks to the efforts of the parties concerned. This led us to keep the impact of operational suspension on business results to a minimum.

Meanwhile, sales volumes of high-strength steel spring wires (ITW) used in suspensions for automobiles and motorcycles increased due primarily to continuously strong production and sales of suspensions for automobiles in China.

Earnings in this segment improved, mainly thanks to the robust business performance of consolidated subsidiaries belonging to this segment and continued efforts to reduce costs.

As a result, sales in this segment were ¥17,710 million (up 6.3% from the previous fiscal year) and operating income was ¥1,357 million (up 70.3%).

b. Induction Heat Treatment Service and Heating Machine Division

Sales for the businesses related to induction heat treatment services, auto parts and construction machine parts rose sharply from a year ago, owing to increases in orders from the automobile, construction machinery and machine tool industries.

Sales of induction heating equipment advanced from a year earlier backed by a recovery in domestic orders received and steady business results of subsidiaries in China, which deal with this equipment.

This segment did not suffer any direct damage from the earthquake disaster, but suffered indirect effects such as a drop in shipments for March due to suspensions of operations in the automobile industry, etc.

As a result, sales in this segment were ¥20,695 million (up 56.0% from the previous fiscal year) and operating income was ¥1,538 million (operaitng loss ¥931 million for the previous fiscal year).

c. Others

This segment deals with real estate leasing business, etc. not included in the reportable segments. The Company sold two floors of the 4.5 floors of the rental office owned in the building "Oval Court Ohsaki Mark West" in the previous fiscal year, and the Company sold one floor in this fiscal year.

As a result, sales in this segment were ¥187 million (down 62.1% from the previous fiscal year) and operating income was ¥139 million (down 62.5%).

(2) Cash Flow

At the end of the fiscal year under review, the balance of cash and cash equivalents amounted to ¥9,493 million (up ¥2,146 million from the previous fiscal year).

a. Cash Flow Provided by Operating Activities

Net cash provided by operating activities amounted to ¥3,714 million (down from ¥4,601 million in the previous fiscal year).

This reflects net income before income taxes and minority interests totaling ¥3,807 million, and increases in trade notes and accounts receivable and inventories.

b. Cash Flow Used in Investing Activities

Net cash used in investing activities was ¥63 million (down from ¥3,076 million in the previous fiscal year).

This reflects payments for purchases of investment securities totaling ¥1,446 million, payments for purchases of property, plant and equipment amounting to ¥1,503 million, and proceeds from sales of property, plant and equipment worth ¥2,786 million.

c. Cash Flow Provided by Financing Activities

Net cash used in financing activities stood at ¥1,418 million (up from ¥1,101 million in the previous fiscal year).

This reflects partial repayments of short-term debt, payments of dividends, and payments for repurchases of treasury stock totaling ¥284 million.

(3) Equipment Investment

The Company and its consolidated subsidiaries (the Companies) has been focused on capital expenditures to meet investments and orders received concerning new products and businesses. To cope with the abruptly changing business climate, we also have invested in rationalization. We are rigorously reviewing the effects of individual capital investment by establishing standards for returns on investments.

The Companies finances equipment investment mainly with funds on hand.

In the fiscal year under review, equipment investment amounted to ¥1,380 million on a consolidated basis.

(4) Issues for the Coming Term

The Japanese economy and the Companies' business environment may change significantly in the aftermath of the Great East Japan Earthquake, which occurred on March 11, 2011.

Fortunately, the Companies' business bases, including the Company's Iwaki Plant (Iwaki, Fukushima Prefecture), escaped any serious damage resulting from the earthquake. However, fears will remain with respect to the procurement of materials. At each manufacturing base, there are also concerns that operating ratios and production efficiency may decrease as a result of electricity-related problems. Furthermore, it is also likely that the economy may deteriorate substantially in the aftermath of the earthquake, resulting in a reduction of orders from main customers.

Under such circumstances, the Companies must keep profits from declining and overcome the current crisis. To this end, all employees need to work together to provide products with stable quality to the market in a timely fashion using every means possible.

The Companies will fulfill its social responsibility by stably supplying products necessary for reconstruction from the earthquake, centering on Specialty Steel & Wire Products Division-related business that deals with materials for civil engineering and construction works.

Tetsukazu Fukuhara
President

CONSOLIDATED BALANCE SHEETS

Neturen Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note2)
	2010	**2011**	**2011**
ASSETS			
Current assets:			
Cash and deposits(Note4)	¥ 7,455	**¥ 10,098**	**$121,452**
Short-term investment securities (Note4,5)	600	**601**	**7,234**
Notes and accounts receivable:			
Trade(Note4)	10,675	**14,438**	**173,645**
Other	2,140	**408**	**4,908**
Less: allowance for doubtful accounts	(92)	**(97)**	**(1,170)**
Inventories (Note3)	2,407	**3,060**	**36,802**
Deferred tax assets (Note7)	393	**461**	**5,552**
Other current assets	150	**254**	**3,060**
Total current assets	23,730	**29,226**	**351,485**
Property, plant and equipment:			
Land	9,872	**9,094**	**109,373**
Buildings and structures	15,736	**14,818**	**178,214**
Machinery and equipment	38,640	**34,939**	**420,196**
Lease assets (Note8)	42	**96**	**1,160**
Construction in progress	345	**601**	**7,231**
Less: accumulated depreciation	(37,296)	**(35,172)**	**(423,003)**
Net property, plant and equipment	27,340	**24,377**	**293,173**
Investments and other assets:			
Investment securities (Note4,5)	6,334	**6,449**	**77,570**
Stocks of subsidiaries and affiliates (Note5)	2,691	**3,603**	**43,340**
Deferred tax assets (Note7)	12	**17**	**212**
Other assets	736	**667**	**8,024**
Total investments and other assets	9,775	**10,738**	**129,147**
	¥60,846	**¥64,342**	**$773,806**

See Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note2)
	2010	**2011**	**2011**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable:			
Trade(Note4)	¥ 4,130	**¥ 5,091**	**$61,231**
Other	182	**28**	**339**
Short-term bank loans (Note4,6)	1,878	**1,744**	**20,979**
Current portion of long-term debt (Note4,6)	641	**616**	**7,414**
Lease obligations (Note6, 8)	17	**28**	**344**
Accrued income taxes (Note7)	483	**1,226**	**14,747**
Accrued expenses	2,283	**3,684**	**44,315**
Deferred tax liabilities (Note7)	9	**0**	**0**
Other current liabilities	471	**700**	**8,426**
Total current liabilities	10,098	**13,120**	**157,798**
Long-term liabilities:			
Long-term debt (Note6)	1,203	**586**	**7,054**
Lease obligations (Note6, 8)	53	**74**	**901**
Provision for retirement benefits (Note12)	116	**250**	**3,017**
Deferred tax liabilities (Note7)	618	**677**	**8,152**
Other long-term liabilities	296	**286**	**3,444**
Total long-term liabilities	2,289	**1,876**	**22,571**
NET ASSETS:			
Shareholders' equity:			
Common stock:			
Authorized:150,000,000 shares in 2010 and 2011			
Issued:44,713,930 shares in 2010 and 2011	6,418	**6,418**	**77,190**
Additional paid-in capital	5,528	**5,528**	**66,490**
Retained earnings	36,835	**38,606**	**464,298**
Less: Treasury stock, at cost	(1,370)	**(1,655)**	**(19,909)**
Total shareholders' equity	47,411	**48,897**	**588,069**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	183	**30**	**371**
Foreign currency translation adjustments	(1,503)	**(1,914)**	**(23,026)**
Total accumulated other comprehensive income	(1,320)	**(1,883)**	**(22,654)**
Minority interests	2,367	**2,329**	**28,021**
Total net assets	48,458	**49,344**	**593,436**
	¥60,846	**¥64,342**	**$773,806**

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009, 2010 and 2011

	Millions of yen			Thousands of U.S. dollars (Note2)
	2009	2010	**2011**	**2011**
Net sales	¥40,846	¥30,423	**¥38,592**	**$464,136**
Cost of sales	31,842	25,230	**30,336**	**364,835**
Gross profit	9,004	5,192	**8,256**	**99,300**
Selling, general and administrative expenses (Note9)	5,496	4,955	**5,221**	**62,790**
Operating income	3,507	236	**3,035**	**36,510**
Other income (expenses):				
Interest and dividend income	344	207	**183**	**2,211**
Interest expenses	(88)	(101)	**(88)**	**(1,060)**
Gain on sales of short-term and investments in securities	62	82	**239**	**2,880**
Gain (loss) on sales or disposals of property, plant and equipment	(71)	255	**221**	**2,663**
Write-down of investments in securities	(841)	(3)	**—**	**—**
Impairment loss (Note10)	(1,543)	(154)	**(86)**	**(1,040)**
Equity in earnings of unconsolidated subsidiaries and affiliates	117	32	**193**	**2,332**
Other net (Note11)	166	498	**107**	**1,295**
	(1,853)	816	**771**	**9,281**
Income before income taxes and minority interests	1,653	1,053	**3,807**	**45,791**
Income taxes (Note7)				
Current	(580)	(552)	**(1,567)**	**(18,846)**
Deferred	699	(310)	**137**	**1,651**
	119	(863)	**(1,429)**	**(17,194)**
Income before minority interests	—	—	**2,377**	**28,596**
Minority interests in income	(419)	134	**(176)**	**(2,118)**
Net income	¥ 1,353	¥ 324	**¥ 2,201**	**$ 26,477**
Minority interests in income	—	—	**(176)**	**(2,118)**
Income before minority interests	—	—	**2,377**	**28,596**
Other comprehensive income				
Unrealized gain on available-for-sale securities	—	—	**(146)**	**(1,763)**
Foreign currency translation adjustments	—	—	**(440)**	**(5,293)**
Share of other comprehensive income of associates accounted for using equity method	—	—	**(162)**	**(1,951)**
Total other comprehensive income	—	—	**(749)**	**(9,008)**
Comprehensive income	—	—	**1,628**	**19,588**
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	—	—	**1,638**	**19,703**
Comprehensive income attributable to minority interests	—	—	**(9)**	**(115)**

	Yen			U.S. dollars
Per share of common stock:				
Net income	¥30.85	¥ 7.47	**¥ 51.26**	**$0.62**
Cash dividends	15.00	10.00	**10.00**	**0.12**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009, 2010 and 2011

	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2008..........	¥ 6,418	¥ 5,529	¥36,451	¥ (718)	¥47,680
Changes during the year					
Dividends from surplus..........			(838)		(838)
Net income............................			1,353		1,353
Acquisition of treasury stock..				(301)	(301)
Disposal of treasury stock......		(0)		2	1
Other.......................................			(6)		(6)
Balance at March 31, 2009….....	¥ 6,418	¥ 5,528	¥36,960	¥ (1,017)	¥47,889
Changes during the year					
Dividends from surplus........			(435)		(435)
Net income............................			324		324
Acquisition of treasury stock.				(352)	(352)
Disposal of treasury stock....		(0)		0	0
Other.....................................			(13)	0	(13)
Balance at March 31, 2010…....	**¥ 6,418**	**¥ 5,528**	**¥36,835**	**¥ (1,370)**	**¥47,411**
Changes during the year					
Dividends from surplus........			**(430)**		**(430)**
Net income............................			**2,201**		**2,201**
Acquisition of treasury stock.				**(284)**	**(284)**
Disposal of treasury stock....					
Other.....................................					**—**
Balance at March 31, 2011…....	**¥ 6,418**	**¥ 5,528**	**¥38,606**	**¥ (1,655)**	**¥48,897**

	Thousands of U.S. dollars (Note2)				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2010…....	**$77,190**	**$66,490**	**$442,996**	**$ (16,482)**	**$570,194**
Changes during the year					
Dividends from surplus........			**(5,176)**		**(5,176)**
Net income............................			**26,477**		**26,477**
Acquisition of treasury stock.				**(3,426)**	**(3,426)**
Disposal of treasury stock....					
Other.....................................					**—**
Balance at March 31, 2011…....	**$77,190**	**$66,490**	**$464,298**	**$ (19,909)**	**$588,069**

	Millions of yen				
	Accumulated other comprehensive income				
	Unrealized gain on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008..........	¥ 921	¥ (0)	¥ (81)	¥ 2,096	¥50,616
Changes during the year					
Dividends from surplus..........					(838)
Net income............................					1,353
Acquisition of treasury stock..					(301)
Disposal of treasury stock......					1
Other......................................	(1,488)	0	(1,582)	427	(2,649)
Balance at March 31, 2009….....	¥ (567)	—	¥ (1,664)	¥ 2,524	¥48,181
Changes during the year					
Dividends from surplus........					(435)
Net income............................					324
Acquisition of treasury stock.					(352)
Disposal of treasury stock....					0
Other.....................................	750	—	160	(157)	740
Balance at March 31, 2010…....	**¥ 183**	**—**	**¥ (1,503)**	**¥ 2,367**	**¥48,458**
Changes during the year					
Dividends from surplus........					**(430)**
Net income............................					**2,201**
Acquisition of treasury stock.					**(284)**
Disposal of treasury stock....					
Other.....................................	**(152)**		**(411)**	**(37)**	**(600)**
Balance at March 31, 2011…....	**¥ 30**	**—**	**¥ (1,914)**	**¥ 2,329**	**¥49,344**

	Thousands of U.S. dollars (Note2)				
	Accumulated other comprehensive income				
	Unrealized gain on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2010…....	**$ 2,202**	**—**	**$(18,082)**	**$28,468**	**$582,782**
Changes during the year					
Dividends from surplus........					**(5,176)**
Net income............................					**26,477**
Acquisition of treasury stock.					**(3,426)**
Disposal of treasury stock....					
Other.....................................	**(1,830)**		**(4,943)**	**(446)**	**(7,220)**
Balance at March 31, 2011…....	**$ 371**	**—**	**$(23,026)**	**$28,021**	**$593,436**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009, 2010 and 2011

	Millions of yen			Thousands of U.S. dollars (Note2)
	2009	2010	**2011**	**2011**
Cash flows from operating activities:				
Income before income taxes and minority interests...	¥ 1,653	¥ 1,053	**¥ 3,807**	**$45,791**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization..................................	3,151	3,044	**2,774**	**33,361**
Impairment loss...	1,543	154	**86**	**1,040**
Increase (decrease) in allowance for doubtful accounts..	107	(5)	**(84)**	**(1,022)**
Equity in earnings of unconsolidated subsidiaries and affiliates……………...................................	(117)	(32)	**(193)**	**(2,332)**
Increase (decrease) in provision for retirement benefits..	49	25	**136**	**1,637**
Increase (decrease) in other accrued liabilities..........	(367)	1,149	**1,547**	**18,612**
Gain on sales of short-term and investment securities...	(62)	(82)	**(239)**	**(2,880)**
Loss (gain) on sales or disposals of property, plant and equipment..	71	(255)	**(221)**	**(2,663)**
Write-down of investment securities.........................	841	3	**—**	**—**
Decrease (increase) in notes and accounts receivable	4,568	189	**(3,877)**	**(46,637)**
Decrease (increase) in inventories.............................	(388)	274	**(696)**	**(8,378)**
Increase (decrease) in notes and accounts payable....	(979)	(961)	**982**	**11,816**
Income taxes paid..	(2,209)	354	**(696)**	**(8,380)**
Other..	(1,791)	(311)	**390**	**4,701**
Total adjustments...	4,417	3,548	**(93)**	**(1,123)**
Net cash provided by operating activities...........	6,071	4,601	**3,714**	**44,667**

	Millions of yen			Thousands of U.S. dollars (Note2)
	2009	2010	**2011**	**2011**
Cash flows from investing activities:				
Payments into time deposits	—	—	**(2,306)**	**(27,733)**
Proceeds from withdrawal of time deposits	—	—	**1,809**	**21,757**
Payments for purchases of property, plant and equipment	(5,160)	(2,688)	**(1,503)**	**(18,077)**
Proceeds from sales of property, plant and equipment	3	299	**2,786**	**33,515**
Payments for purchases of intangible assets	—	(139)	**(0)**	**(2)**
Payments for purchases of short-term investment securities	—	(600)	**(906)**	**(10,904)**
Proceeds from sales of short-term investment securities	420	—	**900**	**10,823**
Payments for purchases of investment securities	(496)	(371)	**(1,446)**	**(17,390)**
Proceeds from sales of investment securities	289	308	**656**	**7,895**
Payments for other assets	(84)	(27)	**(14)**	**(174)**
Proceeds from other assets	116	29	**14**	**178**
Other	352	113	**(54)**	**(657)**
Net cash used in investing activities	(4,558)	(3,076)	**(63)**	**(769)**
Cash flows from financing activities:				
Repayment of treasury stock	(301)	(352)	**(284)**	**(3,426)**
Proceeds from long-term debt	900	215	**0**	**0**
Repayment of long-term debt	(630)	(626)	**(618)**	**(7,434)**
Proceeds from short-term debt	1,310	1,931	**302**	**3,642**
Repayment of short-term debt	(1,166)	(1,768)	**(339)**	**(4,081)**
Dividends paid	(838)	(435)	**(430)**	**(5,176)**
Other	304	(64)	**(48)**	**(584)**
Net cash used in financing activities	(422)	(1,101)	**(1,418)**	**(17,060)**
Translation adjustments on cash and cash equivalents	(108)	0	**(84)**	**(1,021)**
Net increase in cash and cash equivalents	982	423	**2,146**	**25,816**
Cash and cash equivalents at beginning of year	5,941	6,923	**7,346**	**88,357**
Cash and cash equivalents at end of year	¥ 6,923	¥ 7,346	**¥ 9,493**	**$114,173**

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Neturen Co., Ltd. (the Company) and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial instruments and Exchange Law of Japan.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form that is more familiar to readers outside Japan.

(1) Principle of Consolidation and Investments in Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of the Company and 12 significant subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. All unrealized profits and losses with regard to intercompany transactions of assets are also wholly eliminated in consolidation. The difference after offsetting the amounts in the investment accounts of the parent company and the capital accounts of the subsidiaries is to be equally amortized for 5 years. The equity method to account for investments in an unconsolidated subsidiary and 5 affiliates has been followed by the Company in the accompanying consolidated financial statements. Accordingly, earnings corresponding to the equity ownership are included as income of the Company and the consolidated subsidiaries in investment accounts.

The fiscal year-end of all subsidiaries differs from that of the Company. Accounts of those subsidiaries which have different fiscal periods have been adjusted for significant transactions to properly reflect their financial positions and the results of operations.

(2) Foreign Currency financial statement

In translating the financial statements of foreign subsidiaries and affiliates into Japanese yen, all assets, liabilities, revenues and expenses are translated at the current exchange rates in effect each balance sheet date except for capital and retained earnings which are translated at the historical exchange rates in effect at the time of the transactions. The resulting translation adjustments are reflected as separate components in the accompanying consolidated financial statements as foreign currency translation adjustments.

(3) Cash and Cash Equivalents

Cash and cash equivalents for the consolidated statements of cash flows include cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase.

(4) Short-term Securities, Investment securities

Short-term securities and investment securities are classified and account for, depending on management’s intent, as follows:

Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are amortized or accumulated to face value. Other securities, “available-for-sale securities” with fair value are carried at fair value with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of net assets until realized. Other securities without fair value are carried at cost. In computing realized gain or loss, cost of other securities are principally determined by the moving-average method.

(5) Inventories

Inventories are principally stated at cost on a first-in, first-out basis, evaluates the amount of the inventories shown on the balance sheet by writing them down based on their decrease in profitability.

(6) Property, Plant and Equipment (except under lease)

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is principally computed under the declining-balance method at rates based on estimated useful lives of the assets while the straight-line method is applied to buildings acquired after April 1, 1998, and to the assets of foreign subsidiaries.

The range of useful lives is principally from 5 to 50 years for buildings and structures, from 2 to 10 years for machinery and equipment.

(7) Intangible assets

Intangible assets are carried at cost less accumulated amortization, which are amortized by the straight-line method. Goodwill is amortized by the straight-line method within a 5-year period.

(8) Leased assets

Under accounting standards generally accepted in Japan, leased assets related to finance leases that do not transfer ownership of the leased property to the lessee are depreciation on a straight-line basis, with lease period used as their useful lives and no residual value. The accounting treatment for finance leases that do not transfer ownership of the leased property to the lessee which took place before March 31, 2008 continues to be in accordance with the method used for operating lease transaction.

(9) Allowance for Doubtful Accounts

The allowance for doubtful accounts has been provided at an amount computed based on the actual ratio of bad debts in the past and the estimated uncollectible amounts based on the analysis of certain individual receivables.

(10) Research and Development Costs

Research and development costs are charged to income as incurred.

(11) Retirement and severance benefits

Provision for retirement benefits for employees is provided based on the estimated retirement benefit obligation and the pension assets.

The unrecognized actuarial gain / loss is recognized using the straight-line method over mainly 10 years from next fiscal year.

Directors and corporate auditors of the Companies are not covered by the trustee pension plan. However, the recorded liability for accrued severance indemnities includes an amount equal to the management's estimate of the amounts payable to the end of each financial period if they had retired on such dates, which is determined according to the rules on special retirement benefits for officers. The Company revised them in June, 2004. No additional provisions have been recorded for retirement benefits to be paid to the Company's directors and corporate auditors since July, 2004.

(12) Income Taxes

Income taxes of the Company and subsidiaries are provided on the basis of amounts payable as indicated in the tax returns.

The Company and its consolidated subsidiaries have adopted the assets and liabilities method of tax effect accounting in order to recognize the effect of all temporary differences in the recognition of assets and liabilities for tax financial reporting purpose.

(13) Asset retirement obligations

Effective from the fiscal year ended March 31, 2011, the Companies adopted "Accounting Standard for Asset Retirement Obligations" (Accounting Standard Board of Japan (ASBJ) Statement No.18, issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, issued on March 31, 2008).

The effect of adoption was nil to income before income taxes and minority interests for the year ended March 31, 2011.

(14) Comprehensive income

Effective from the year ended March 31, 2011, the Company adopted the "Accounting Standard for Presentation of Comprehensive Income " (Accounting Standard Board of Japan (ASBJ) Statement No.25, issued on June 30, 2010) and the"Revised Accounting Standard for Consolidated Financial Statements"(ASBJ Statement No.22, revised on June 20, 2010).

As a result of the adoption of standard, the Company prepared the consolidated statement of comprehensive income for the year ended March 31, 2011.

2. Translation in U.S. Dollars

For the convenience of the reader, the accompanying consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts at the exchange rate of ¥83.15 to $1, the approximate rate of exchange on March 31, 2011, at the Tokyo foreign exchange market. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars amounts at such rate or at any other rate.

3. Inventories

Inventories as of March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Finished goods	¥ 397	**¥ 585**	**$ 7,045**
Work in process	830	**1,085**	**13,050**
Raw materials and supplies	1,179	**1,389**	**16,706**
	¥ 2,407	**¥ 3,060**	**$36,802**

4. Status of financial instruments

(1) Policies for financial instruments

The Companies raised the funds by bank borrowings and retained earnings according to capital investment. The Companies manage funds only through short-term time deposit and others. The Companies use derivatives for the purposes of managings foreign currency exchange risk related to trading receivables and payables. The Companies do not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk.

Trade receivables —notes receivable and accounts receivable— are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies resulting from trade with overseas customers. Equity securities —the Companies hold equity securities, which are mainly issued by companies who have business relationships with the Companies, and these securities are exposed to the risk of fluctuation in market prices. Trade payable —notes payable and accounts payable— mostly have payment due dates within one year. A portion of trade payables, which is denominated in foreign currencies, is exposed to foreign currency exchange risk. Short-term debt is raised mainly in connection with business activities. Long-term debt is taken out principally for the purpose of capital expenditure. Debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for debt bearing interest at variable rates, the Company undertakes interest rate swap transactions as a hedging instrument for most long-term debt.

(3) Risk management of financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies for managing credit risk of the Companies, the Companies monitor credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by customer.

To minimize the credit risk when entering into derivative transactions, counterparties are limited to financial institutions with high ratings.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For equity securities included in investments in securities, the fair values of these securities are periodically reviewed and reported to the Board of Directors.

In conducting and managing derivative transactions, the accounting department confirm the effectiveness of hedging and obtain approval from the responsible person, depending on the notional contract value, based on the internal policies and formal regulations on market risk for financial instrument.

(c) Monitoring of liquidity risks for financing (the risk that the Companies may not be able to meet its obligations on the scheduled due dates)

The Companies manage the liquidity risk mainly through the monthly cash-flow plans, which are prepared by each company.

(4) Supplementary explanation of the estimated fair value of financial instruments

The notional amounts of derivatives listed below are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated fair value of financial instruments:

The book value of the financial instruments on the consolidated balance sheets as of March 31, 2010 and 2011 and unrealized gain (loss) are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		
	2010		
	Book value	Fair value	Difference
Cash and Deposits	¥ 7,455	¥ 7,455	¥ —
Notes and accounts receivable	10,675	10,675	—
Marketable securities and investment securities:			
Held-to-maturity securities	400	406	5
Other securities	5,825	5,825	—
Total	¥ 24,356	¥ 24,361	¥ 5
Notes and accounts payable	¥ 4,130	¥ 4,130	¥ —
Short-term debt	2,520	2,520	—
Total	¥ 6,650	¥ 6,650	¥ —

	Millions of yen		
	2011		
	Book value	Fair value	Difference
Cash and Deposits	**¥ 10,098**	**¥ 10,098**	**¥ —**
Notes and accounts receivable	**14,438**	**14,438**	**—**
Marketable securities and investment securities:			
Held-to-maturity securities	**1,208**	**1,210**	**2**
Other securities	**5,153**	**5,153**	**—**
Total	**¥ 30,899**	**¥ 30,901**	**¥ 2**
Notes and accounts payable	**¥ 5,091**	**¥ 5,091**	**¥ —**
Short-term debt	**2,360**	**2,360**	**—**
Total	**¥ 7,452**	**¥ 7,452**	**¥ —**

	Thousands of U.S. dollars		
	2011		
	Book value	Fair value	Difference
Cash and Deposits	**$ 121,452**	**$ 121,452**	**$ —**
Notes and accounts receivable	**173,645**	**173,645**	**—**
Marketable securities and investment securities:			
Held-to-maturity securities	**14,536**	**14,561**	**25**
Other securities	**61,976**	**61,976**	**—**
Total	**$ 371,610**	**$ 371,635**	**$ 25**
Notes and accounts payable	**$ 61,231**	**$ 61,231**	**$ —**
Short-term debt	**28,393**	**28,393**	**—**
Total	**$ 89,625**	**$ 89,625**	**$ —**

(1) Methods to determine the estimated fair value of financial instruments and other matters related to securities

Cash and deposits and notes and accounts receivable

Since these items are settled in a short period, their book value approximates fair value.

Investment securities

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 5.

Notes and accounts payable and short-term debt

Since these items are settled in a short period of time, their book value approximates fair value.

(2) Financial instruments for which it is extremely difficult to determine the fair value were as follows:

As of March 31, 2010 and 2011, the cost of non-marketable securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Other securities without fair value:			
Unlisted equity securities	¥ 709	**¥ 689**	**$ 8,291**

Because no quoted market prices are available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

(3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2010 and 2011

	Millions of yen			
	2010			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Year through Ten Years	Due after Ten Years
Cash and Deposits	¥ 7,455	¥ —	¥ —	¥ —
Notes and accounts receivable	10,675	—	—	—
Marketable securities and investment securities:				
Held-to-maturity securities	100	—	300	—
Other securities	500	100	—	—
Total	¥ 18,731	¥ 100	¥ 300	¥ —

	Millions of yen			
	2011			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Year through Ten Years	Due after Ten Years
Cash and Deposits	**¥ 10,098**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable	**14,438**	**—**	**—**	**—**
Marketable securities and investment securities:				
Held-to-maturity securities:				
Bonds	**300**	**—**	**600**	**—**
Others	**300**	**—**	**—**	**—**
Total	**¥ 25,137**	**¥ —**	**¥ 600**	**¥ —**

	Thousands of U.S. dollars			
	2011			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Year through Ten Years	Due after Ten Years
Cash and Deposits	**$ 121,452**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable	**173,645**	**—**	**—**	**—**
Marketable securities and investment securities:				
Held-to-maturity securities:				
Bonds	**3,607**	**—**	**7,215**	**—**
Others	**3,607**	**—**	**—**	**—**
Total	**$ 302,313**	**$ —**	**$ 7,215**	**$ —**

5. Short-term Investment Securities, Investment Securities and Other Securities

The following is an analytical summary of held-to-maturity securities and available-for-sale securities consisted of short-term investment securities, investment securities and stocks of subsidiaries and affiliates as of March 31, 2010 and 2011.

	Millions of yen						Thousands of U.S. dollars		
	2010			**2011**			**2011**		
Held-to-maturity securities:	Book value	Difference	Fair value	Book value	Difference	Fair value	Book value	Difference	Fair value
Bonds…................	¥ 400	¥ 5	¥ 406	**¥ 907**	**¥ 2**	**¥ 909**	**$ 10,911**	**$ 25**	**$ 10,936**
Others..................	—	—	—	**301**	**(0)**	**301**	**3,625**	**(0)**	**3,625**
	¥ 400	¥ 5	¥ 406	**¥ 1,208**	**¥ 2**	**¥ 1,210**	**$ 14,536**	**$ 25**	**$ 14,561**
Other securities:									
Available-for-sale securities	Acquisition cost	Unrealized gain (loss)	Book value (Fair value)	Acquisition cost	Unrealized gain (loss)	Book value (Fair value)	Acquisition cost	Unrealized gain (loss)	Book value (Fair value)
Bonds…................	¥ 100	¥ 0	¥ 100	**¥ —**	**¥ —**	**¥ —**	**$ —**	**$ —**	**$ —**
Equity securities...	4,517	659	5,177	**4,457**	**648**	**5,105**	**53,607**	**7,793**	**61,401**
Others..................	551	(3)	548	**51**	**(3)**	**47**	**621**	**(46)**	**575**
	¥ 5,169	¥ 656	¥ 5,825	**¥ 4,509**	**¥ 644**	**¥ 5,153**	**$ 54,229**	**$ 7,746**	**$ 61,976**

As of March 31, 2010 and 2011, the cost of non-marketable securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Other securities without fair value:			
Unlisted equity securities…...	¥ 709	**¥ 689**	**$ 8,291**
Non-consolidated subsidiaries and affiliates:			
Equity securities..	¥ 2,691	**¥ 3,603**	**$ 43,340**

6. Short-term Bank Loans and Long-term Debt

Short-term bank loans consist mainly of short-term notes and short-term borrowings under the loan agreements. The weighted average interest rates applicable to such loans as of March 31, 2010 and 2011 were approximately 2.8% and 2.8% respectively.

Long-term debt as of March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Unsecured loans from banks..	¥ 1,845	**¥ 1,203**	**$14,469**
Less: current portion..	(641)	**(616)**	**(7,414)**
Lease obligations..	70	**103**	**1,246**
Less: current portion..	(17)	**(28)**	**(344)**
	¥ 1,257	**¥ 661**	**$ 7,956**

Interest rates applicable to the long-term loans mentioned above ranged from 1.7% and 1.8% as of March 31, 2010 and 2011 respectively.

The aggregate annual maturities of long-term debt payable as of March 31, 2011 were as follows:

As of March 31,	Millions of yen	Thousands of U.S. dollars
2013...	**¥ 436**	**$ 5,249**
2014...	**128**	**1,539**
2015...	**22**	**265**
2016...	**—**	**—**
	¥ 586	**$7,054**

7. Income Taxes

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purpose for the years ended March 31, 2011 and 2010.

	As of March 31	
	2010	**2011**
Statutory tax rate	39.7%	**39.7%**
Permanent differences-Entertainment expenses and other	1.4	**0.4**
Permanent differences-Dividend income and other	(3.9)	**(4.8)**
Per capita tax	3.6	**1.1**
Equity in earnings of unconsolidated subsidiaries and affiliates	(1.2)	**(2.0)**
Dividends from consolidated subsidiaries	2.3	**4.4**
Undistributed earnings in foreign subsidiaries	6.0	**—**
Unrecording dererred tax assets to unrealized gain	—	**0.5**
Tax rate differences	(3.1)	**(2.2)**
Amortization of goodwill and impairment loss	8.1	**—**
Amortization of goodwill	—	**0.5**
Deficit of consolidated subsidiaries	17.1	**1.0**
Valuation allowance for deferred tax assets	16.7	**(0.4)**
Tax credit	(4.1)	**(1.4)**
Other-net	(0.7)	**0.8**
Effective tax rate	81.9%	**37.6%**

The significant components of the Companies' deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Deferred tax assets:			
Inventories	¥ 35	**¥ 32**	**$ 393**
Depreciation	51	**63**	**768**
Intangible assets	27	**33**	**405**
Unrealized loss on valuation of other securities	89	**88**	**1,067**
Allowance for doubtful accounts	55	**34**	**413**
Accrued enterprise tax	45	**106**	**1,283**
Accrued employees' bonuses	178	**236**	**2,845**
Excess allowance for retirement benefits	274	**298**	**3,592**
Impairment loss	549	**524**	**6,311**
Valuation allowance	(544)	**(512)**	**(6,169)**
Others	175	**153**	**1,852**
Total	¥ 937	**¥ 1,061**	**$12,766**
Deferred tax liabilities:			
Accumulated earnings of consolidated subsidiaries	¥ 86	**¥ 85**	**$ 1,030**
Reserve for deferred capital gains	507	**497**	**5,977**
Unrealized gain on available-for-sale securities	457	**572**	**6,881**
Others	108	**105**	**1,264**
Total	¥ 1,159	**¥ 1,260**	**$15,154**
Net deferred tax assets (liabilities)	¥ (222)	**¥ (198)**	**$(2,388)**

8. Leased assets

Periodic lease payments under financing lease contracts totaled ¥68 million and ¥61 million for the years ended March 31, 2010 and 2011, respectively, and were charged to income.

The aggregate amounts of the future lease payment as of March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Amount due within one year	¥ 61	**¥ 51**	**$ 622**
Amount due after one year	74	**24**	**292**
	¥ 136	**¥ 76**	**$ 915**

Interest expense is included in the above payment under financing leases.

An analysis of leased assets under financing lease contracts, which were not capitalized, as of March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Machinery and equipment and intangible assets	¥ 382	**¥ 340**	**$ 4,097**
Accumulated depreciation	(246)	**(264)**	**(3,178)**
Accumulated impairment loss	(0)	**(0)**	**(6)**
	¥ 135	**¥ 75**	**$ 911**

Interest expense is included in the above assets under financing leases.

Depreciation is computed by a straight-line method over the term of lease contracts.

9. Research and Development Costs

Research and development costs are charged to income for the years ended March 31, 2009, 2010 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2010	**2011**	**2011**
Research and development costs	¥ 792	¥ 663	**¥ 709**	**$ 8,533**

10. Impairment loss

Impairment loss on long-lived assets for the years ended March 31, 2010 and 2011 were as follows:

		Millions of yen		Thousands of U.S. dollars
		2010	**2011**	**2011**
Category of assets	Location			
Land	Osaka, Japan	¥ 34	**¥ —**	**$ —**
Construction in progress	Okayama,Japan	—	**86**	**1,040**
Goodwill	Shizuoka, Japan	120	**—**	**—**
		¥ 154	**¥ 86**	**$ 1,040**

11. Other Income / (Expenses) — Other, net

Other income / (expenses) — Other, net consists of the following items:

	Millions of yen			Thousands of U.S. dollars
	2009	2010	**2011**	**2011**
Gain on insurance claims	¥ —	¥ 91	**¥ 22**	**$ 264**
Return gain on allowance for bad debt	1	4	**10**	**121**
Exchange loss	(46)	(20)	**(65)**	**(788)**
Compensation for transfer	482	269	**—**	**—**
Compensation for damage	(320)	(21)	**(21)**	**(258)**
Gain on donation of investment securities	—	—	**104**	**1,255**
Other	49	173	**58**	**701**
	¥ 166	¥ 498	**¥ 107**	**$ 1,295**

12. Retirement and severance benefits

The Company has adopted a corporate pension plan and a lump-sum pension plan, both of which are defined benefit plans. The Company also adopted a retirement benefit trust.

Domestic consolidated subsidiaries have adopted lump-sum pension plans, and calculated projected benefit obligations by the simplified method.

The Provision for employees' retirement benefits as of March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Projected benefit obligation	¥(2,448)	**¥(2,311)**	**$(27,800)**
Fair value of plan assets	1,680	**1,435**	**17,266**
Unfunded retirement benefit obligation	(768)	**(875)**	**(10,534)**
Unrecognized actuarial loss	653	**625**	**7,516**
Net amount recognized in consolidated balance sheets	(114)	**(250)**	**(3,017)**
Prepaid retirement benefits cost in consolidated balance sheets	2	**—**	**—**
Provision for retirement benefits recognized in consolidated balance sheets	¥ (116)	**¥ (250)**	**$ (3,017)**

The components of net periodic benefit costs for the years ended March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Service cost	¥ 165	**¥ 179**	**$2,163**
Interest cost	49	**38**	**467**
Expected return on plan assets	(33)	**(26)**	**(313)**
Amortization of actuarial loss	116	**115**	**1,393**
Net Periodic benefit costs	¥ 297	**¥ 308**	**$3,710**

Actuarial assumption and the basis used in accounting for the Company's plans are principally as follows:
Discount rates for the years ended March 31, 2010 and 2011 were 1.9% and 1.9% respectively.
Expected rates of return for the years ended March 31, 2010 and 2011 were 2.5% and 1.9% respectively.
Actuarial gain / loss is recognized using the straight-line method over mainly 10 years from next fiscal year.

13. Segment information

Outline of reportable segments

Effective the fiscal year ended March 31, 2011, the Companies have adopted new accounting standards for disclosures about segments of an enterprise and related information. Segment information for the year ended March 31, 2010, has been restated in accordance with such accounting standards for comparative purposes.

notes:

Summary of report segment

The reportable segments of the Companies are components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resource allocation and to assess performance.

The Companies divides the business into 2 segments: Specialty Steel & Wire Products Division-related business segment manufactures PC steel bars, deform PC steel bars, shear reinforcement bars for civil engineering and construction works, and high-strength steel spring wires (ITW), etc. mainly for automobile and motorcycle suspension springs. The Induction Heat Treatment Service and Heating Machine Division-related business segment provides induction heat treatment services for major security parts of automobiles and machine tools. The segment also manufactures auto parts and construction machine parts, as well as induction heating equipment for various industries.

Calculating methods of amounts of sales, profit (loss), assets and liabilities etc of each reportable segment

The accounting policies of the segments are substantially the same as those described in the "Summary of Significant Accounting Policies (Note 1)". Segment profit (loss) are based on operating income. Intersegment sales are mainly based on market price.

Operations in different industries:

(1) Specialty Steel and Wire Products Division: Prestressing Bars & Wires, Spiral Wires, etc.
(2) Induction Heat Treatment Service and Heating Machine Division: Surface heat treatment, Induction heating machine, automobile components, etc.
(3) Others: Leasing and others

	Millions of yen				
	2010				
	Reportable segment			Others	Total
	(1)	(2)	Total	(3)	
Sales:					
Customers	¥16,663	¥13,265	¥29,929	¥ 493	¥30,423
Inter-segment	—	20	20	—	20
Total	16,663	13,286	29,949	493	30,443
Segment profit (loss)	797	(931)	(133)	370	236
Segment assets	15,029	26,729	41,758	3,447	45,206
Other items					
Depreciation and amortization	858	1,969	2,827	177	3,005
Increase in property, plant and equipment and intangible assets	¥ 1,227	¥ 1,598	¥ 2,826	¥ 182	¥ 3,009

	Millions of yen				
	2011				
	Reportable segment			Others	Total
	(1)	(2)	Total	(3)	
Sales:					
Customers	**¥17,710**	**¥20,695**	**¥38,405**	**¥ 187**	**¥38,592**
Inter-segment	**—**	**257**	**257**	**—**	**257**
Total	**17,710**	**20,952**	**38,663**	**187**	**38,850**
Segment profit (loss)	**1,357**	**1,538**	**2,896**	**139**	**3,035**
Segment assets	**14,785**	**30,356**	**45,141**	**2,569**	**47,710**
Other items					
Depreciation and amortization	**719**	**1,800**	**2,519**	**219**	**2,738**
Increase in property, plant and equipment and intangible assets	**¥ 91**	**¥ 858**	**¥ 949**	**¥ 423**	**¥ 1,372**

	Thousands of U.S. dollars				
	2011				
	Reportable segment			Others	Total
	(1)	(2)	Total	(3)	
Sales:					
Customers	**$212,993**	**$248,891**	**$461,884**	**$ 2,251**	**$464,136**
Inter-segment	**—**	**3,095**	**3,095**	**—**	**3,095**
Total	**212,993**	**251,987**	**464,980**	**2,251**	**467,232**
Segment profit (loss)	**16,327**	**18,508**	**34,835**	**1,674**	**36,510**
Segment assets	**177,811**	**365,077**	**542,889**	**30,899**	**573,789**
Other items					
Depreciation and amortization	**8,647**	**21,648**	**30,296**	**2,642**	**32,939**
Increase in property, plant and equipment and intangible assets	**$ 1,094**	**$ 10,326**	**$ 11,421**	**$ 5,088**	**$ 16,510**

Reconciliation between reportable segment total and amounts disclosed in consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Sales:			
Reportable segment total	¥29,949	**¥38,663**	**$464,980**
Sales in "Others"	493	**187**	**2,251**
Elimination of inter-segment transaction	(20)	**(257)**	**(3,095)**
Sales in consolidated financial statements	¥30,423	**¥38,592**	**$464,136**

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Profit:			
Reportable segment total	¥ (133)	**¥2,896**	**$34,835**
Profit in "Others"	370	**139**	**1,674**
Operating income in consolidated financial statements	¥ 236	**¥3,035**	**$36,510**

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Assets:			
Reportable segment total	¥41,758	**¥45,141**	**$542,889**
Assets in "Others"	3,447	**2,569**	**30,899**
Corporate assets	15,640	**16,631**	**200,017**
Assets in consolidated financial statements	¥60,846	**¥64,342**	**$773,806**

Other items are as follows:

	Millions of yen			
	2010			
	Reportable segment	Others	Adjustments	Consolidated
Other items:				
Depreciation and amortization.......................................	¥2,827	¥177	¥39	¥3,044
Increase in property, plant and equipment and intangible assets..	¥2,826	¥182	¥ 4	¥3,013

	Millions of yen			
	2011			
	Reportable segment	Others	Adjustments	Consolidated
Other items:				
Depreciation and amortization.......................................	**¥2,519**	**¥219**	**¥35**	**¥2,774**
Increase in property, plant and equipment and intangible assets..	**¥ 949**	**¥423**	**¥ 7**	**¥1,380**

	Thousands of U.S. dollars			
	2011			
	Reportable segment	Others	Adjustments	Consolidated
Other items:				
Depreciation and amortization.......................................	**$30,296**	**$2,642**	**$422**	**$33,361**
Increase in property, plant and equipment and intangible assets..	**$11,421**	**$5,088**	**$ 91**	**$16,601**

Related information

Information about products and services

	Millions of yen						
	2011						
	PC steel bars	ITW	Heat treatment	Automobile component parts	Induction heating equipment	Others	Total
Sales:							
Customers...........	**¥10,338**	**¥6,298**	**¥11,053**	**¥5,599**	**¥4,223**	**¥1,078**	**¥38,592**

	Thousands of U.S. dollars						
	2011						
	PC steel bars	ITW	Heat treatment	Automobile component parts	Induction heating equipment	Others	Total
Sales:							
Customers...........	**$124,338**	**$75,751**	**$132,934**	**$67,346**	**$50,793**	**$12,973**	**$464,136**

Information about geographical areas

	Millions of yen				
	2011				
	Japan	Asia	North America	Others	Total
Net sales..	**¥33,747**	**¥4,158**	**¥680**	**¥7**	**¥38,592**

	Thousands of U.S. dollars				
	2011				
	Japan	Asia	North America	Others	Total
Net sales..	**$405,859**	**$50,007**	**$8,184**	**$84**	**$464,136**

Note:Net sales is based on a customer's location and classified by countries.

	Millions of yen			
	2011			
	Japan	Asia	North America	Total
Property,plant and equipment..........	**¥21,865**	**¥1,554**	**¥957**	**¥24,377**

	Thousands of U.S. dollars			
	2011			
	Japan	Asia	North America	Total
Property,plant and equipment..........	**$262,967**	**$18,695**	**$11,509**	**$293,173**

Impairment loss of assets by reportable segment

	Millions of yen				
	2011				
	(1)	(2)	(3)	Corporate and eliminations	Total
Impairment loss..............................	**¥ —**	**¥ 86**	**¥ —**	**¥ —**	**¥ 86**

	Thousands of U.S. dollars				
	2011				
	(1)	(2)	(3)	Corporate and eliminations	Total
Impairment loss..............................	**$ —**	**$ 1,040**	**$ —**	**$ —**	**$ 1,040**

Amortization and unamortized balances of goodwill by reportable segment

	Millions of yen				
	2011				
	(1)	(2)	(3)	Corporate and eliminations	Total
Amortization...................................	**¥ —**	**¥ 47**	**¥ —**	**¥ —**	**¥ 47**
Unamortized balances.....................	**¥ —**	**¥ 133**	**¥ —**	**¥ —**	**¥ 133**

	Thousands of U.S. dollars				
	2011				
	(1)	(2)	(3)	Corporate and eliminations	Total
Amortization...................................	**$ —**	**$ 573**	**$ —**	**$ —**	**$ 573**
Unamortized balances.....................	**$ —**	**$ 1,609**	**$ —**	**$ —**	**$ 1,609**

(Additional information)

The fiscal year ended March 31, 2011 the Companies adopted the "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standard Board of Japan (ASBJ) Statement No.17, revised on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

14. Rental property

The Company holds some rental properties such as office building and land in Tokyo.

The book value and fair value of office building for rent were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Book Value................................	¥ 1,307	**¥ 798**	**$ 9,600**
Fair Value..................................	¥ 2,100	**¥ 1,260**	**$ 15,153**

The book value was calculated as the amount equivalent to the cost for acquisition deducting accumulated depreciation and impairment losses.

The fair value is based on the amount of sales value if they sell on July 1, 2010.

15. Subsequent events

The following appropriations of unappropriated retained earnings were approved at the meeting of shareholders of the Company held on June 28, 2011.

Cash dividends	Millions of yen	Thousands of U.S. dollars
¥5 per share (applicable to the six-month period ended March 31, 2011)	¥ 213	$ 2,564

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Neturen Co., Ltd.

We have audited the accompanying consolidated balance sheets of Neturen Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2011, and the related consolidated statements of income and comprehensive income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2011, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Neturen Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers, have been translated on the basis set forth in Note2 of the notes to consolidated financial statements.

Inoue Auditing Co., Inc.

Inoue Auditing Co.,Inc.

Tokyo, Japan
June 28, 2011

CORPORATE DATA

Head Office:
Oval Court Ohsaki Mark West 2-17-1, Higashi-gotanda, Shinagawa-ku, Tokyo, Japan
Tel:03-3443-5441
Fax:03-3449-3969
http://www.k-neturen.co.jp/

Date of Establishment:
May, 1946

Paid-in Capital:
¥6,418 million

Common Stock:
Authorized: 150,000,000 shares
Issued: 44,713,930 shares
Number of shareholders: 4,534

Number of Employees:
1,167(Consolidated)

(As of March 31, 2011)

Directors and Corporate Auditors:

Chairman (Representative Director)
Eiji Yamashita

President (Representative Director)
Tetsukazu Fukuhara

Senior Managing Director
Manabu Hagino

Managing Director
Kazuhiro Kawasaki   Shigeru Mizoguchi

Director
Yasuyuki Nakao   Shinjiroh Motoki   Junichi Gohya
Makoto Saitoh

Standing Corporate Auditor
Megumi Numata

Corporate Auditor
Yasuhiro Hara   Yoshitoshi Urabe

(As of June 28, 2011)