



TOYO SEIKAN KAISHA, LTD.

Investor's Guide

2011

For the year ended March 31, 2011

Profile

The Toyo Seikan Group is a comprehensive manufacturer of containers. It is comprised of Toyo Seikan Kaisha, Ltd., 65 subsidiary companies (57 consolidated and 8 unconsolidated) as well as 8 affiliated companies. Major business operations consist of the “Packaging Business” which involves the manufacture and sale of containers using metal, plastic, glass and paper as the main raw materials and the contract manufacture, sale and contract filling of aerosol and general products; the “Steel-Plate-Related Business” which involves the manufacture and sale of steel-plate and related processed goods; and the “Functional-Materials-Related Business” which involves the manufacture and sale of functional materials such as substrates for magnetic disks, functional films for optics, glazes, micro-element fertilizers, pigments and gel coats. The Group is also engaged in the manufacture and sale of hard alloys, machinery and appliances and raw material products for agriculture, as well as sales of petroleum products and non-life insurance agency business and real estate management.

History

Month / Year	Major Events
June 1917	Establishment of Toyo Seikan and its head office and first plant in Osaka City
March 1919	Installation of the first automatic can making machine in Japan and start of operations
September 1920	Establishment of Tokyo Plant
September 1933	Establishment of Tobata Plant
April 1934	Foundation of Toyo Kohan Co., Ltd. for manufacturing steel sheets
July 1935	Toyo Seikan was listed on the Osaka Securities Exchange
February 1937	Establishment of Shimizu Plant
July 1941	Merger of seven can making companies at the government’s request to form the current Toyo Seikan Kaisha, Ltd.
February 1943	Foundation of Tokan Chemical Industry Co., Ltd. (the current Tokan Kogyo Co., Ltd.)
June 1944	Transfer of the head office location to Chiyoda-ku, Tokyo
May 1949	Toyo Seikan was listed on the Tokyo Stock Exchange Toyo Kohan Co., Ltd. was listed on the Tokyo Stock Exchange and the Osaka Securities Exchange
April 1950	Tokan Chemical Industry Co., Ltd. changed its name to Tokan Kogyo Co., Ltd.
January 1953	Shimada Glass Co., Ltd. (the current Toyo Glass Co., Ltd.) joined the Toyo Seikan Group
October 1954	Shimada Glass Co., Ltd. changed its name to Toyo Glass Co., Ltd.
June 1958	Establishment of Sendai Plant
April 1960	Establishment of Ibaraki Plant
August 1961	Establishment of Yokohama Plant
April 1967	Establishment of Kawasaki Plant
July 1967	Toyo Glass Co., Ltd. changed its Japanese name (by spelling the word “Glass” in katakana; however, there was no change in the English name.)
April 1971	Establishment of Saitama Plant and Takatsuki Plant
October 1972	Establishment of Chitose Plant
April 1973	Establishment of Hiroshima Plant
May 1974	Transfer of the Osaka Plant location to Izumisano-shi
September 1974	Establishment of Kiyama Plant
April 1977	Establishment of Ishioka Plant
April 1979	Establishment of Kuki Plant
October 1980	Completion of the new head office building (Saiwai Building)
January 1983	Transfer of the Sendai Plant location from Saiwai-cho, Miyagino-ku, Sendai-shi to Minato, Miyagino-ku, Sendai-shi
April 1993	Establishment of Toyohashi Plant
January 2000	Establishment of Shizuoka Plant
March 2000	Closing of Tokyo Plant after integrating into Yokohama Plant
April 2003	Integration of Tobata Plant into Kiyama Plant
October 2009	Establishment of Shiga Plant
August 2010	Integration of Takatsuki Plant into Shiga Plant
October 2010	Integration of Shimizu Plant into Shizuoka Plant

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Forward-Looking Statements:

Statements made in this Investor's Guide with respect to the Company's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of the Company. Forward-looking statements include, but are not limited to, those statements using such words as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "may" or "might" and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to it. The Company cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore the reader should not place undue reliance on them. The reader also should not oblige the Company to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The Company disclaims any such obligation. Risks and uncertainties that might affect the Company include, but are not limited to, (1) Fluctuations in economic conditions, (2) Change in prices of raw materials and energy, (3) Intensification of price competition, (4) Weather and natural disasters, (5) Research and development, (6) Merger and acquisitions, (7) Investment in plant and equipment, (8) Customer complaints about quality, (9) Environmental issues, (10) Compliance, (11) Country risk, (12) Customer credit risk, (13) Information security, (14) Training and development of human resources, (15) Retirement benefits liability, (16) Deferred tax assets, (17) Accounting for asset impairment, (18) Change in accounting standard and tax system, etc., (19) Hostile takeover, (20) Fluctuation in the value of assets, (21) Risk of litigation. Risks and uncertainties also include the impact of any future events with materially adverse impacts.

Consolidated Financial Highlights

(For the years ended March 31, 2010 and 2011)

1. Consolidated Performance

	2010	2011	2011 / 2010	2011
	(millions of yen)		(Percentage change)	(thousands of U.S. dollars)
(1) Consolidated financial results:				
Net sales	¥690,353	¥706,502	2.3%	\$8,496,717
Operating income	16,345	24,970	52.8%	300,301
Ordinary income	19,054	27,520	44.4%	330,968
Net income	8,318	(4,383)	—	(52,712)
Net income per share (yen)	40.40	(21.46)		
Net income per share (diluted) (yen)	—	—		
Return on equity (ROE)	1.5%	-0.8%		
Return on assets (ROA)	2.2%	3.2%		
Operating income to net sales	2.4%	3.5%		
(2) Consolidated financial condition:				
Total assets	856,793	863,957		10,390,343
Net assets	627,969	613,619		7,379,663
Equity ratio	66.6%	64.0%		
Net assets per share (yen)	2,769.55	2,739.70		
(3) Consolidated cash flows:				
Cash flows from operating activities	66,136	61,684		741,840
Cash flows from investing activities	(56,120)	(54,672)		(657,511)
Cash flows from financing activities	(4,183)	7,692		92,508
Cash and cash equivalents at end of the year	¥134,964	¥150,492		\$1,809,886

2. Dividends

	Dividends per Share					Total Dividends	Payout Ratio (Consolidated)	Dividend on Net Assets Ratio (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year			
	(yen)					(millions of yen)	(%)	(%)
2010	—	¥5.00	—	¥5.00	¥10.00	¥2,058	24.8%	0.4%
2011	—	5.00	—	5.00	10.00	2,037	—	0.4%
2012 (Forecast)	—	—	—	—	—		—	

Notes:

- U.S. dollar amounts are translated from Japanese yen, for readers' convenience only, at the exchange rate of 83.15 yen per U.S. dollar, the approximate exchange rate of TTM of The Bank of Tokyo-Mitsubishi UFJ, Ltd., on March 31, 2011.
- Return on equity (ROE) = Net income / Average shareholders' equity
- Return on assets (ROA) = Ordinary income / Average total assets

Non-consolidated Financial Highlights

(For the years ended March 31, 2010 and 2011)

Non-consolidated Performance

	2010	2011	2011 / 2010	2011
	<i>(millions of yen)</i>		<i>(Percentage change)</i>	<i>(thousands of U.S. dollars)</i>
(1) Non-consolidated business results:				
Net sales	¥328,258	¥323,874	-1.3%	\$3,895,057
Operating income	3,636	4,916	35.2%	59,122
Ordinary income	8,983	10,811	20.4%	130,018
Net income	3,567	(4,842)	—	(58,232)
Net income per share (<i>yen</i>)	17.33	(23.71)		
Net income per share (diluted) (<i>yen</i>)	—	—		
(2) Non-consolidated financial condition:				
Total assets	470,957	470,392		5,657,150
Net assets	382,934	365,406		\$4,394,540
Equity ratio	81.3%	77.7%		
Net assets per share (<i>yen</i>)	¥1,859.92	¥1,811.74		

Note:

U.S. dollar amounts are translated from Japanese yen, for readers' convenience only, at the exchange rate of 83.15 yen per U.S. dollar, the approximate exchange rate of TTM of The Bank of Tokyo-Mitsubishi UFJ, Ltd., on March 31, 2011.

Message from the President



Shunji Kaneko
President

Career Summary

- Apr. 1971 Joined Toyo Seikan Kaisha, Ltd.
- Jun. 1995 General Manager, Operations Engineering Department, Technical Headquarter
- Feb. 1999 Plant Manager, Chitose Plant
- Jun. 2000 Director
- Jun. 2002 Head of Technical Headquarter
- Jun. 2003 Executive Director
Head of Production & Operations Division
- Jun. 2005 Executive Vice President and Director
In charge of Corporate Planning/Corporate Administration/Production & Operations/Technology & Packaging Development Division
- Jun. 2006 Executive Vice President and Representative Director
- Jun. 2007 Chairman of Integrated Risk Management Committee
- Jun. 2009 President and Representative Director (to present)

We are committed to contributing to the society through our "Packaging technology and nurturing philosophy," while working toward sustainable development as a corporate group of packaging professionals with an advanced packaging technology.

Since the establishment of the Company in 1917, we, the Toyo Seikan Group have been committed to supplying high quality and highly functional containers in a "safe, economical and speedy manner" by taking advantage of all the benefits materials such as metal, plastic, paper and glass have to offer.

We have the great mission and responsibility of "contributing to the happiness and prosperity of mankind through packaging technology."

To achieve this, our most important task is to respond with flexibility to the changes in the business environment by implementing the structural reforms of our operations that will steadily generate added value.

The Group's "Toyo Seikan Second Mid-Term Business Plan" was triggered in May 2010 and will run from FY2010 through FY2012.

Placing "People" and "Technology" at the heart of the creation of group synergies, the aim of this "Toyo Seikan Second Mid-Term Business Plan" is to reinforce the Group's solidarity, "secure the profitability of the existing domestic business" and strategically shift the axis of future growth to "overseas operations" and "new business" in order to maximize our corporate value.

I would like to call for all stakeholders to extend their continued support.

June 2011
Shunji Kaneko
President

Management's Discussion and Analysis of Financial Condition and Results of Operations

1. Summary of Performance

(1) Business Performance

In the consolidated fiscal year under review, Japan's economy continued to face an uncertain outlook with the employment and income environment remaining severe, deflation continuing, and concerns about the impacts of the Great East Japan Earthquake, despite improved corporate earnings.

Given such difficult circumstances, the Toyo Seikan Group has been working to improve operating performance by further addressing restructuring in manufacturing, sales, and research and development. Net sales increased to 706,502 million yen (a year-on-year increase of 2.3%), due to the good performance of overseas subsidiaries and increased sales of steel plate and machinery for battery materials. On the profit front, operating income increased to 24,970 million yen (a year-on-year increase of 52.8%) and ordinary income increased to 27,520 million yen (a year-on-year increase of 44.4%). Consequently, we achieved the numerical targets for the first year of the "Toyo Seikan Second Mid-term Business Plan."

The Toyo Seikan Group, however, posted an extraordinary loss due to damage to buildings, manufacturing facilities, products, etc., suffered at some plants and offices in the Tohoku region, including the Sendai Plant, and the Kanto region due to the Great East Japan Earthquake. As a result, we posted a net loss of 4,383 million yen (net income of 8,318 million yen in the previous fiscal year).

The segment classification has been changed through application of the "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) since the consolidated fiscal year under review. Comparison with the previous fiscal year has been made based on the classification after the said change.

The overall business situations for each segment were as follows.

[Packaging Business]

Segment sales increased 0.3% from last year to 606,167 million yen and operating income was 16,345 million yen, a 28.2% increase compared to last year.

1) Manufacture and sales of cans for food and beverages and other metal packaging

Net sales of beverage cans increased year on year.

Sales of containers for soft drinks increased, supported by strong sales of cans for soda, due to the influence of a summer heat wave, and with Next Can Innovation Co., Ltd. in Thailand launching full-scale operations from the consolidated fiscal year under review, despite decreased sales of cans for coffee products in the domestic market.

Sales of alcohol beverage containers were boosted by robust sales of cans for new categories (beer-like alcoholic beverages) in the domestic market and Tokan (Guangzhou) High Technology Containers Co., Ltd. in China beginning full-scale operation from the consolidated fiscal year under review.

Net sales of non-beverage metal containers decreased from the previous fiscal year, caused by weak sales of cans for tuna due to sluggish domestic production, resulting from an increase in inexpensive imported products, and a decline in sales of cans for refined sake and powdered milk, despite new orders received for secondary battery materials for automobiles and deodorizers.

Net sales of metal closures increased from the previous fiscal year, buoyed by strong exports of "Maxi caps" for beer and sales growth of cans for food as well as sales growth of crowns at Crown Seal Public Co., Ltd. in Thailand.

2) Manufacture and sales of plastic packaging

Net sales of PET beverage bottles decreased from the previous fiscal year.

Sales of large-volume bottles (more than 500 ml) decreased due to sluggish demand for bottles for carbonated beverages and mineral water. Sales of small-volume bottles (less than 500 ml) increased, despite sluggish demand for bottles for teas, due to increased sales of bottles for fruit juices and robust sales of bottles for health drinks, against the backdrop of the summer heat wave, as well as growth in sales of bottles for black tea at Toyo Pack International Co., Ltd. in Thailand. Preform sales declined because of a sharp drop in demand for large-volume mineral water bottles.

Net sales of plastic non-beverage bottles decreased from the previous fiscal year, although sales of containers for fruit at Well Pack Innovation Co., Ltd. in Thailand increased, due to factors such as a drop in sales of laundry detergent containers and bottles for pharmaceutical products such as hand sanitizers in the domestic market, in addition to sluggish sales of edible oil containers.

Net sales in the plastic film category increased from the previous fiscal year due to robust sales of refill containers for laundry detergent and products for fruit and cooked rice, as well as increased sales of products for sanitary materials at Malaysia Packaging Industry Berhad in Malaysia, despite a fall in sales of products for confectionery and miso (fermented bean paste).

Sales of plastic cap category decreased from the previous fiscal year due mainly to a decrease in sales of products for soft drinks, which had been strong against the backdrop of the summer heat wave, as a consequence of the Great East Japan Earthquake, despite increased sales of HINERU CAP (tamper evident diaphragm tear-out cap) for soy sauce and dressings.

3) Manufacture and sales of glass packaging

Net sales of glass bottle products decreased from the previous fiscal year due to the decreased sales of products for shouchu (distilled spirits), carbonated beverages and wine, despite increased sales of products for foods.

Net sales in the housewares segment increased from the previous fiscal year due to new orders for promotional products, although sales of table wares fell affected by sluggish consumption.

4) Manufacture and sales of paper products

Net sales of paper cups increased from the previous fiscal year due to the growth in sales of processed food and soup containers, as well as for paper cups for beverages, despite a fall in sales of yogurt containers.

Net sales of printing paper container products decreased from the previous fiscal year because of falls in sales of products for tissue papers, X-ray films, and medicinal drinks, etc.

Net sales of corrugated paper products decreased from the previous fiscal year, due notably to a fall in sales of packaging for confectionery.

5) Contract manufacture and sales of aerosol products and general filling products

Net sales in aerosol products decreased from the previous fiscal year, due to a decrease in sales of hair dye, hair care products, and shaving foam, despite new orders for deodorant air fresheners.

Net sales in the field of general filling products decreased from the previous fiscal year because sales of hand soap, insecticides, and sanitizers were sluggish, despite new orders for deodorant air fresheners.

[Steel-Plate-Related Business]

Net sales increased 22.4% from the previous fiscal year to 56,257 million yen with an operating income of 3,831 million yen (a year-on-year increase of 211.3%).

Net sales of materials for electrical and electronic components increased from the previous fiscal year, mainly because we acquired new customers overseas for battery materials of lithium-ion secondary batteries for notebook PCs.

Net sales of materials for automobile and industrial machinery parts increased from the previous fiscal year, having been affected by a growth in demand for automobile parts materials, which had continued through the second quarter of the consolidated fiscal year under review, supported by economic stimulus measures implemented by the government such as the Eco-car subsidy and tax reduction program.

Net sales of construction materials and home electronics increased from the previous fiscal year due to factors such as a growth in sales of interior materials for prefabricated bathrooms and robust sales of materials for refrigerators doors, having been affected favorably by implementation of the Eco-point system.

[Functional-Materials-Related Business]

Net sales increased 9.0% from the previous fiscal year to 28,608 million yen with an operating income of 3,542 million yen (a year-on-year increase of 80.8%).

Sales of aluminum substrates for magnetic disks were sluggish due to the influence of a weakening global demand and the yen's appreciation.

Sales of functional films for optics were robust, driven by brisk demand for flat panel displays.

Besides, exports of pigments were strong and sales of frit and gel coat grew on the strength of a recovery in demand.

[Other Businesses]

This segment includes 1) the manufacture and sale of hard alloys, machinery and appliances, and raw material products for agriculture; 2) sales of petroleum products; 3) non-life insurance agency business and 4) real estate management. Net sales increased 12.4% from the previous fiscal year to 15,468 million yen with a 120.6% increase in operating income to 1,122 million yen over the same period.

2. Analysis of Financial Position and Operating Results

(1) Analysis of Financial Position

Total assets at the end of the consolidated fiscal year under review (hereinafter referred to as “current fiscal year”) increased by 7,163 million yen to 863,957 million yen from the end of the previous consolidated fiscal year (hereinafter referred to as “previous fiscal year”). The overall increase was caused mainly by an increase in cash and deposits from operating activities and an increase of property, plant and equipment owing to capital investment. This was despite a loss in assets due to the occurrence of the Great East Japan Earthquake, fall in market value of investment securities and other factors of decrease.

Net assets decreased to 613,619 million yen, down 14,349 million yen. The primary factors were a decrease in retained earnings from the business loss, purchase of treasury stock and a decrease in valuation difference on available-for-sale securities with a fall in the stock market value.

(2) Analysis of Operating Results

The Toyo Seikan Group has been working to improve its operating performance by further addressing restructuring in manufacturing, sales, and research and development. As a result, net sales totaled 706,502 million yen, up 16,149 million yen from the previous fiscal year, owing to the favourable performance of overseas subsidiaries and an increase in sales of steel plates and machines for battery materials.

As the increase in cost of sales was only 11,706 million yen from the previous fiscal year, gross profit amounted to 97,569 million yen, up 4,443 million yen from the previous fiscal year. This was mainly because of higher sales of overseas subsidiaries and efforts to reduce various costs. Operating income rose by 8,624 million yen to 24,970 million yen while selling, general and administrative expenses declined by 4,181 million yen compared with the previous fiscal year. As a result, operating income margin was 3.5%.

The net amount, calculated by deducting non-operating expenses from non-operating income, decreased by 159 million yen from the previous fiscal year to 2,549 million yen. Non-operating income levelled off from the previous fiscal year because of a considerable amount of foreign exchange losses in relation to foreign currency monetary assets and liabilities. This was despite a decrease in loss on valuation of non-current assets that had been recorded in the previous fiscal year.

Consequently, ordinary income totaled 27,520 million yen, up 8,465 million yen from the previous fiscal year, with ordinary income margin standing at 3.9%.

As extraordinary income, reversal of provision for special repairs of 1,251 million yen for consolidated subsidiaries was posted in the current fiscal year.

Meanwhile, as extraordinary loss, loss on disaster of 8,301 million yen relating to loss in assets due to the occurrence of the Great East Japan Earthquake; provision for loss on disaster of 4,741 million yen as reconstructing cost of affected assets that will be expected to be incurred in and after the next fiscal year; loss on adjustment for changes of accounting standard for asset retirement obligations of 1,223 million yen; and provision for business structure improvement of 3,271 million yen for restricting, reorganizing and improving the Packaging Business were posted. As a result, extraordinary loss totaled 19,305 million yen.

Income before income taxes decreased by 8,271 million yen, to 9,466 million yen, from the previous fiscal year, due to a considerable amount of extraordinary loss despite an increase in ordinary income.

Tax expenses, which are the total amount of income taxes—current and income taxes—deferred, amounted to 11,405 million yen, up 3,971 million yen from the previous fiscal year. The primary factor was an increase in income taxes-deferred (loss) with cancellation of deductible temporary differences.

Consequently, loss before minority interests of 1,939 million yen, and net loss, less minority interests in income, of 4,383 million yen (compared with a net income of 8,318 million yen in the previous fiscal year) were recorded in the current fiscal year. Net income margin was -0.6%.

(3) Cash Flow

Cash and cash equivalents (hereinafter referred to as “cash”) on a consolidated basis increased by 15,528 million yen to 150,492 million yen (a year-on-year increase of 11.5%) at the end of the current fiscal year.

1) Cash flows from operating activities

Increase in net cash provided by operating activities for the current fiscal year was 61,684 million yen (a year-on-year decrease of 6.7%). The increase is attributed to such factors as income before income taxes of 9,466 million yen, depreciation of 46,176 million yen, an increase in cash due to decreased accounts receivable of 5,325 million yen, income taxes paid of 6,573 million yen, and an increase in noncash expenses related to losses due to the Great East Japan Earthquake.

2) Cash flows from investing activities

Decrease in net cash provided by investment activities for the current fiscal year was 54,672 million yen (a year-on-year decrease of 2.6%). The decrease is mainly attributed to purchases of property, plant and equipment of 54,415 million yen for the purpose of capital investment in the Packaging Business among other reasons.

3) Cash flows from financing activities

Increase in net cash provided by financing activities for the current fiscal year was 7,692 million yen (decrease of 4,183 million yen in the previous fiscal year). The increase is mostly a result of proceeds from long-term loans payable of 18,000 million yen, purchase of treasury stock of 6,142 million yen, and dividend payments amounting to 2,059 million yen.

(4) Information Concerning Capital Resources and Liquidity of Funds

1) Major demand for funds

The major demand for funds for the Toyo Seikan Group came from raw material costs, labor costs, overhead expenses, selling, general and administrative expenses and operating expenses required for manufacturing activities. Funds were also needed for investments related to installation of new equipment, repairs and development of overseas business for the Toyo Seikan Group.

2) Financial policy

In order to improve our corporate value in a difficult business environment, the Toyo Seikan Group expects the demand for funds for investments in new facilities, businesses and development of overseas business to grow further.

Cash flow from operating activities, other funds on hand and procurement of external funds such as loans and bonds are used to meet such demand. To cope with any unexpected demand for funds that may cause liquidity risk, we have established a line of credit to provide for prompt and reliable procurement of funds if needed.

Although it is the corporate standard to keep capital investment for existing Toyo Seikan Group businesses “within amortization and depreciation costs,” we may consider investments over and above this standard to improve cost competitiveness relative to competitors and to enhance the overall value of the Company by differentiation. In order to find and develop new sources of revenue for the Toyo Seikan Group and to improve the corporate value of the Group, we will positively consider investment in new business and development of overseas business, including M&A, with due consideration given to the risks.

In general, working capital on hand is deposited into the bank and non-working capital is partly dispersed across bonds and long-term deposits to achieve higher interest within a permissible range of risk but with security of funds always at the forefront.

Please refer to “Dividends Policy” hereinafter described for details of the Company’s dividends policy.

Mid-Term Business Plan

The business conditions surrounding the Toyo Seikan Group have remained severe, with fears of a decline in production activities due to the influence of the Great East Japan Earthquake and increasing costs of raw materials and energy. There is also intense competition with rival container manufacturers and customers' expansion for self-produced PET bottles. The plants and offices of the Group stricken by the Great East Japan Earthquake, which occurred on March 11, 2011, have already restored most of their normal production system. However, our Sendai Plant has stopped operation, having sustained enormous damage from flooding caused by the tsunami, and we have been trying to maintain stable supplies of products through alternate production at other plants.

It is under this business environment that the Group enters the second year of the "Toyo Seikan Second Mid-term Business Plan." This plan's intention is to create group synergies by strengthening the Group's solidarity, centering on people and technology, with the aim of maximizing the corporate value of the Group.

The "Toyo Seikan Second Mid-Term Business Plan" covers the entire group with the following three basic strategies, based upon "promoting CSR-based business management."

The first strategy is to promote the ongoing improvement in profitability of existing businesses by structural reforms. We will expand sales of our core Packaging Business by developing and expanding high value-added and highly functional products. We will do this while sharing a fair and reasonable portion of the expected increase in raw material costs with customers in the form of higher prices of products. In addition, in order to strengthen our cost competitiveness, we will establish low-cost production systems by improving manufacturing and logistics efficiency by producing lighter containers, consolidating manufacturing bases, and making rationalization investments in production facilities. We will also make efforts to reduce costs by further expanding consolidated procurement with the Group companies and overseas procurement of raw materials and other items. Moreover, the Company has consolidated the production function mainly at the Shiga Plant and Shizuoka Plant by closing the Takatsuki Plant and Shimizu Plant. We will continue to strengthen the solidarity of the Group in terms of production and profitability by streamlining and integrating overlapping operations within the Group, including the metal can business.

The second strategy is to maintain stable profitability of existing subsidiaries and establish new businesses in foreign countries. The Group is actively developing overseas businesses from a mid- and long-term perspective. In particular, we will build a supply system for high-quality containers by establishing several production bases for TULC metal cans in the ASEAN area and China, where demand is expected to grow. At the same time, we will respond to various needs of domestic and overseas customers by developing in China the production of beverage PET bottles and filling-related businesses in which we have been engaged in Thailand. To this end, Next Can Innovation Co., Ltd. in Thailand and Tokan (Guangzhou) High Technology Containers Co., Ltd. in China have started operations as production bases for TULCs. At the same time, Toyo Pack (Changshu) Co., Ltd. in China has been established as a base for manufacturing PET beverage bottles and engaging in contract filling. Further, in the U.S. and Europe, we can expand our technologies by effectively utilizing intellectual property through various licensing and support agreements.

The third strategy is to create new demand by utilizing our core technologies under the new development structure of the Group. More specifically, we will expand into new business fields such as IT, energy, life science, and nanotechnology through the promotion of new product development to strengthen the collaboration of the development departments of each Group company in a break with our conventional business fields, such as the Packaging Business.

Although we expect the business environment surrounding the Group to be more difficult, we aim to achieve further growth by steadily implementing various measures under the "Toyo Seikan Second Mid-term Business Plan."

Dividends Policy

Taking into account the comprehensive business performance of the Toyo Seikan Group, the Company has been continuing its efforts to steadily increase return to shareholders and share profits.

The Company's policy on return to shareholders, or distribution of earnings to shareholders is as follows:

- a. The Company basically pays dividends to its shareholders in a stable and sustainable manner, based on a consolidated payout ratio of 20% or higher.
- b. The Company will flexibly purchase treasury stock in response to stock market conditions and financial circumstances.
- c. The Company shall apply retained earnings, in a positive and flexible manner to overseas business, new business, M&A projects and R&D development from the long- and medium-term viewpoints.

The basic policy regarding distribution of retained earnings of the Company is to issue dividends twice a year—once during the year and once at the end of the year. Resolutions regarding the issuance of dividends are made by a meeting of the Board of Directors for the mid-term dividend and at the General Meeting of Shareholders for year-end dividends.

The Company “may, according to a resolution of the Board of Directors, make an interim dividend payment with a record date of September 30” as set forth in the Articles of Incorporation.

Furthermore, the dividend surplus concerning the current fiscal year is as follows:

Resolution Date	Total Dividend Amount (millions of yen)	Dividend per Share (yen)
Board of Directors Meeting on October 29, 2010	1,029	5.00
Ordinary General Meeting of Shareholders on June 24, 2011	1,008	5.00

Risk Factors

The following are risk factors that may potentially have an unfavorable impact on the business performance, the financial health and management of the Toyo Seikan Group.

There are also other risks that are inherent in the operations of the Toyo Seikan Group. Those risks mentioned in this document are risks in the future that have been identified by the Group as of the end of the current consolidated fiscal year under review.

(1) Fluctuations in economic conditions

There is considerable concern that there may be a contraction or stagnation in the global and domestic economy, leading to sluggish consumer spending and exchange fluctuations which would ultimately negatively affect sales, and thus profit.

(2) Change in prices of raw materials and energy

Fluctuations in the prices of such raw materials as steel, aluminum, plastics, paper and glass, primarily used in products manufactured and sold by the Toyo Seikan Group, and in energy costs could impact the business performance and profitability of the Toyo Seikan Group.

Although the Toyo Seikan Group has attempted to pass on higher raw material costs, when applicable, to customers in the form of higher product prices, the profitability of the Group may be negatively affected depending on the extent of price increases as well as the Group's ability to share costs.

(3) Intensification of price competition

With continued price competition with competitors in the container market in which the Toyo Seikan Group intends to expand, and with an increasing number of customers internally manufacturing their containers, it is possible that the downward pressure on prices will not only weaken our bargaining power, but also let the trend gather strength.

(4) Weather and natural disasters

Because of the nature of the beverage containers operations which is a mainstay of the Toyo Seikan Group, weather during the critical demand period can have a significant effect on the business performance. For example, unpredictable weather conditions such as a cool summer or an extended rainy season in the first half of the year, or unforeseen natural disasters can dampen demand during the peak season, thus significantly impacting the business performance and financial health of the Group.

A large-scale natural disaster, such as an earthquake or typhoon, causing serious damage to the production facilities of the Toyo Seikan Group, would have an unfavorable effect on the results and financial affairs of the Toyo Seikan Group.

(5) Research and development

In order for the Toyo Seikan Group to remain at forefront of technology, continuous investment toward effective R&D activities is a necessity, but doing so does not guarantee that large amounts of investments will bring the desired results. Specifically, significant investments in new products or technologies may not have the projected return, and so, could negatively affect future growth and profitability of the Toyo Seikan Group.

(6) Merger and acquisitions

The Toyo Seikan Group proactively seeks opportunities for merger and acquisitions and capital participation with an eye to strengthening its operating base and expanding business. However, it is possible that such a venture may not yield the expected results, and therefore could negatively impact the business performance and profitability of the Toyo Seikan Group.

(7) Investment in plant and equipment

The Toyo Seikan Group continues to make proactive and effective capital investments in manufacturing, sales and R&D to further improve its value as a corporation. It is possible that such investments may not yield the anticipated results and present obstacles to management, contributing to lower profitability of the Toyo Seikan Group.

(8) Customer complaints about quality

Although the Toyo Seikan Group manufactures and sells a diversity of products based on strict quality controls, there is no guarantee that all products will be totally free of defects, not cause customer complaints, or not give rise to the possibility of product liability. Such an unexpected large-scale quality or product liability issue could result in large expenditures, in addition to damaging the reputation and goodwill of the Toyo Seikan Group.

(9) Environmental issues

The Toyo Seikan Group has taken initiatives to reduce the impact that manufacturing processes have on the environment at an increase in costs; yet there is a possibility that Toyo Seikan Group's business activities could cause an unexpected environmental issue at immense cost as well as damage to the credit and reputation of the Group.

(10) Compliance

With increased importance placed on corporate social responsibility in recent years, the Group must ensure that all business activities are undertaken with full awareness of rules and regulations while further improving its performance through an effective use of management resources and avoidance of management risks.

To achieve this goal, the Toyo Seikan Group recognizes the importance of a strong compliance system as part of corporate governance and has directed the efforts of the Group toward this outcome. Despite these efforts, it is possible that management may not completely address all possible risks in which case, corporate social responsibility could be brought into question with subsequent damage to the credit and reputation of the Group.

(11) Country risk

As the Toyo Seikan Group continues to expand and develop its business globally, especially in Asia, we face risks such as terrorism, political upheaval, fluctuating economic conditions and exchange rates or unfavorable changes in environment regulations that could affect the business performance of the Toyo Seikan Group among others.

(12) Customer credit risk

An unfavorable event involving customer credit risk that would force the Group to write off unanticipated bad debt or actualize additional losses and reserves due to credit risk, could affect the business performance and financial health of the Toyo Seikan Group.

(13) Information security

Although the Toyo Seikan Group has implemented proper measures to secure personal information and information obtained in the course of doing business, we cannot completely guarantee that such information would not be leaked due to unforeseen circumstances. If a breach of our information security system did occur, the reputation of the Group could be damaged and its business performance, among others, could be negatively affected.

(14) Training and development of human resources

The future continuous growth and development of the Toyo Seikan Group hinges on the availability of capable and talented managers so it is essential that we hire and train talented personnel. If we lack such personnel or are unable to hire and train them, the future growth of the Toyo Seikan Group may be negatively affected.

(15) Retirement benefits liability

Liabilities for the future retirement benefits of Group employees are determined by using actuarial assumptions for discount rates, etc., and assuming that assets allotted for retirement benefits will get a certain rate of return. It is possible that these assumptions could differ from the actual results or could change, which would affect costs for payouts in the future or the future liabilities for benefits. If long-term interest rates are lower than expected or assets held for retirement benefits do not yield the expected rate of return, the business performance and profitability of the Toyo Seikan Group may be negatively affected.

(16) Deferred tax assets

The Toyo Seikan Group records deferred tax assets for deductible temporary differences. Deferred tax assets are recorded in consideration of collectability based on forecasts concerning future taxable income, etc. However, in cases where it is required to amend deferred tax assets as the taxable income is different from the projected amount, the operating results and financial health of the Toyo Seikan Group may be negatively affected.

(17) Accounting for asset impairment

In case of a recognized loss in the Group's assets operating capacity or ability to generate revenue, a corresponding impairment loss would be written off, having a negative effect on the business performance, financial health and management of the Toyo Seikan Group.

(18) Change in accounting standard and tax system, etc.

The Japanese accounting standard was amended several times to comply with international standards, and we expect this trend to continue. In addition, discussions are under way toward applying international accounting standards in Japan. Given such circumstances, future changes in accounting standards could affect the operating results, financial health and business conduct of the Toyo Seikan Group. Any amendment of tax systems and other similar standards could also affect the Group in a similar way.

(19) Hostile takeover

Since the Company is publicly listed, there is a possibility that a bidder could attempt a takeover bid or acquire a large quantity of shares on the market. If such an attempt were successful, the value of the corporation and the interest of shareholders would be threatened, creating a negative effect on the business performance, financial health and management of the Toyo Seikan Group.

(20) Fluctuation in the value of assets

The value of assets such as land and marketable securities could change, which may negatively affect the business performance and financial situation of the Toyo Seikan Group.

(21) Risk of Litigation

In the course of doing business domestically and overseas, the Group is not completely immune to the risk of litigation. Such litigation could significantly affect the business performance and financial health of the Toyo Seikan Group.

Corporate Governance

(1) Corporate Governance

Since our establishment, our fundamental philosophy as a corporation has been to make positive contributions to the community through our business activities, and to continue our development and progress toward increasing our value to our stakeholders and the community; thus we place priority on corporate governance in the management of our operations.

1) Corporate Governance System

(a) Overview of corporate governance system

The Company has adopted a Board of Corporate Auditors system, and each Corporate Auditor supervises the business duties executed by the Directors and oversees the Company's management.

As of June 27, 2011, the date of submission of the Annual Security Report, the Board of Directors consisted of 14 Board members, including four Outside Directors. The term of office for Directors is fixed at one year to allow for definite management roles of Directors, and for a flexible structure that can respond quickly to changes in the business environment. The Company may have no more than 15 Directors as determined by the Articles of Incorporation.

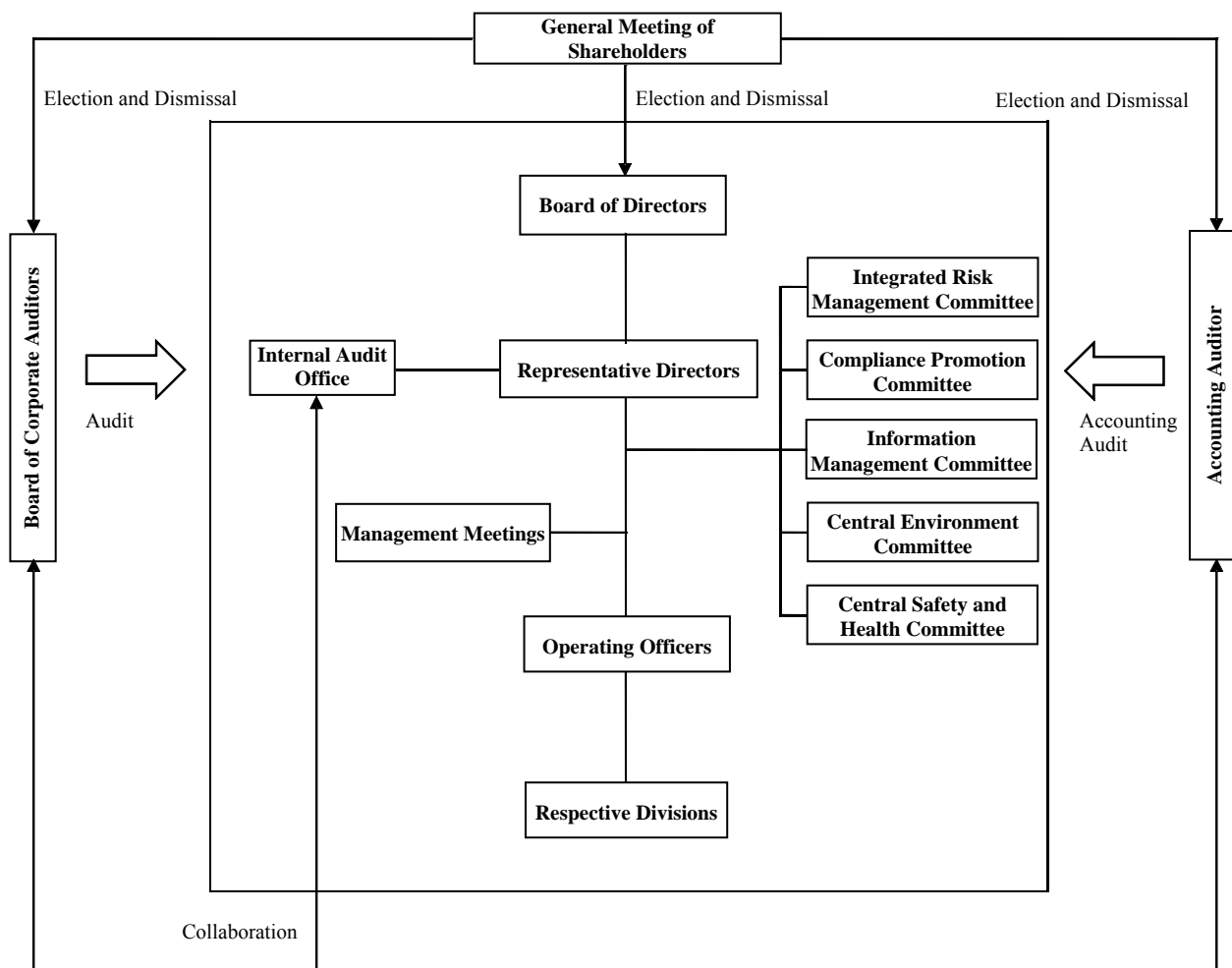
The Board of Corporate Auditors is composed of five Corporate Auditors, including three Outside Corporate Auditors.

The Company has implemented an Operating Officer system with the aim of clearly distinguishing the management's decision-making and supervisory functions from those of the business operations. Management meetings include the Chairman, the President, Executive Vice President, Senior Executive Officers, Executive Officers, Heads of respective divisions, and the Head of the Toyo Seikan Group Corporate R&D. And they are held, as a rule, three times a month to promote a much greater level of reliability in making judgments through swift strategic decisions at the executive level.

The Company has adopted a centralized "division system" that consists of seven divisions: a Corporate Planning Division, International Operations Division, Corporate Administration Division, Sales & Marketing Division, Material Purchase & Environment Division, Production & Operations Division, and Technology & Packaging Development Division. In addition, at the three divisions (Sales & Marketing, Production & Operations, and Technology & Packaging Development) a "Division Office" has been established to set forth operational strategies at each headquarter level and to encourage communication among them.

The Internal Audit Office (consisting of eight members) has been established to strengthen the internal auditing system to ensure maximum management efficiency for thorough oversight of all business activities in compliance with all rules and regulations.

The Company's corporate governance system is as follows:



(b) Reason for the adoption of corporate governance system

The Company has adopted the current system, as Corporate Auditors including Outside Corporate Auditors sufficiently fulfill oversight functions on business duties executed by the Directors and the Company's business condition, and Outside Directors sufficiently fulfill supervisory functions on the Company's management.

(c) Matters concerning other corporate governance system

- Maintenance of internal control system

The Company maintains a system (hereinafter referred to as the "Internal Control System") to ensure that all corporate activity is in compliance with the Companies Act and the regulations enforceable under that Law and encompasses the following:

I. System to ensure that all operations executed by Directors and employees are appropriate with regard to Japanese legal regulations and the Articles of Incorporation

1. A corporate code of conduct will be decided by the Board of Directors in such a way that the Directors and employees can conduct their activities in compliance with laws, the Articles of Incorporation, and corporate ethics.

2. A Compliance Promotion Committee chaired by a Director or a Corporate Auditor that is appointed by the President, jointly with an office in charge of undertaking administrative tasks of the Committee or a department identified to take responsibility of compliance issues will have overall responsibility for the compliance system that is integrated in a cross-functional manner throughout the organization. The Committee or department slated for this task will also oversee all training and education of Directors, Operating Officers and employees (hereinafter referred to as “Directors and employees”) with regard to compliance issues toward a thorough and complete compliance system.

Each department may, as necessary, also establish guidelines in accordance with the Code of Conduct that represent standards of behavior specific to the execution of duties and tasks in that department in order to provide for more substantial application within the organization.

3. An internal and external hotline is available as a means for employees to directly provide information about questionable activity that either may be illegal or otherwise non-compliant. The Company will improve the internal hotline system by formulating operation rules of this system.

II. System to retain and manage information related to business activities of the Directors

In accordance with Japanese law and internal regulations, all information regarding the business activities of Directors is recorded and maintained for the period set forth by regulations pertaining to such information and in an appropriate manner that makes it accessible in hard copy or electronic form, so that it can be accessed by Directors and Corporate Auditors for examination.

Information that is to be maintained concerns mainly the following:

- i) General Meeting of Shareholders meeting minutes
- ii) Board of Directors meeting minutes
- iii) Minutes for management meetings
- iv) Minutes for essential committees set up with approval of the Board of Directors
- v) Circulated draft plans (inquiries, approvals)
- vi) Contract documents
- vii) Accounting ledgers, accounting documents, as well as business reports and any related or supplementary documents
- viii) Copies of documents submitted to tax authorities and other administrative bodies, and financial instruments exchanges

III. System and operating procedures regarding risk management

1. In recognition of the following risks inherent in the operations of the Company, we have established a cross-functional risk management system by selecting relevant departments to address each specific risk. This system establishes operating procedures and guidelines with regard to our risk management system. The relevant department and measures will be promptly determined to address any new risks arising not listed below.

- i) Compliance risk
- ii) Quality risk
- iii) Environmental risk
- iv) Bad debt risk
- v) Information security risk
- vi) Natural disaster or accident risk
- vii) Country risk

2. In case any unforeseen event or circumstances arise, an emergency response committee headed by the President, or a Director or a Corporate Auditor appointed by the President, will be established to make an immediate response in an emergency situation, and prevent or minimize any further damage.

IV. System to ensure efficient execution of business operations by Directors

1. As the basis of this system, Board of Directors meetings will be held once per month and at other times as needs dictate.

2. The Chairman, the President, the Executive Vice President, Senior Executive Officers, Executive Officers, Heads of respective divisions, and the Head of the Toyo Seikan Group Corporate R&D, meet on a regular basis, according to the rules of Board of Directors and management meetings. They meet prior to Board of Directors meetings to discuss management policies and other important issues relating to management strategy and determine the course of action to take.

These management meetings are held three times per month or as appropriate.

3. Decisions regarding the course of action made by the Board of Directors are executed by each department according to rules governing the division of duties and may be checked or rectified by the Board as necessary.

V. System to ensure the appropriateness of operations for corporate group including the Company and subsidiaries

1. To firmly establish a consistent system of compliance for the entire group of companies, each company in the Group will establish its own Code of Conduct based on the standards in the Code of Conduct at the Company. Each company will maintain an external hotline as a means for employees to directly provide information about questionable activity that either may be illegal or otherwise non-compliant to the parent company.
2. Group companies hold regular management meetings to confirm and validate that operations and performance are in line with the fundamental management policies of the Group companies. Decisions on important issues are made based on prior discussion by divisions in charge of management of the Group companies.
3. The internal auditing division will conduct audits of the Internal Control Systems in place at the Company and each Group company, and report the results to the President.
4. Whenever a Group company finds a management directive issued by the Company that is in conflict with local laws or otherwise causes a problem with compliance, the Group company may contact and notify the department or person responsible for internal auditing at the Company.
5. The Company shall set up and operate an appropriate internal management system to ensure appropriate financial reporting according to the Financial Instruments and Exchange Law and other applicable Japanese laws.

VI. System of employee engaged with the auditing function and independence of such employees from Directors

1. Based on discussion with Corporate Auditors, Directors will appoint the required number of assistants to be engaged in carrying out the duties of Corporate Auditors as full-time employees necessary for the Corporate Auditors to perform their professional duties.
2. Evaluations of assistants will be done by the Corporate Auditors, but the Directors, with the consent of the Board of Corporate Auditors, will carry out any appointments, dismissals, reassignments, and revision of wages, etc. of Auditor assistants.

VII. System of reporting to Corporate Auditors by Directors and employee and other Auditor reporting mechanisms

Directors and employees shall make appropriate reports to Corporate Auditors regarding significant matters affecting business operations or performance.

Despite the above, Corporate Auditors can, whenever necessary, request reports from Directors and employees.

VIII. Other systems to ensure the efficiency of audits by Corporate Auditors

1. Corporate Auditors will strive to continually fulfill and improve on their professional duties by mutually exchanging information and ideas with the President, Internal Auditing Division, and Accounting Auditors.
2. When problems or issues arise in the operation or management of the Company's Internal Control System, Corporate Auditors may discuss their opinions with the Board of Directors and may propose a solution to address those problems.
3. A system that ensures appropriate reporting of illegal activities or issues with regard to compliance to Corporate Auditors shall be established according to a set reporting procedure.

IX. Fundamental philosophy regarding the elimination of antisocial forces

There shall be no association with any antisocial forces that pose a threat to the order and safety of society, and if such association exists, immediate action will be taken to eliminate any connection and all demands refused.

Any actions taken with regard to antisocial forces must comply with the corporate Code of Conduct and shall be made widely known to Directors, employees, and other stakeholders. The General Affairs Department shall serve as the response team that takes action against any such antisocial forces; will cooperate with the authorities to obtain information; and will maintain close connections with law enforcement agencies and advising lawyers in order to act swiftly to prohibit further activity by such groups.

- **Maintenance of risk management system**

In the Company, each division and committee is conducting cross-functional risk management activities, focusing on seven major risks (compliance risk, quality risk, environmental risk, bad debt risk, information security risk, natural disaster or accident risk and country risk) each specified with a resolution by the Board of Directors concerning the enhancement of the Internal Control System based on the Companies Act and the regulations enforceable under that law.

The Company also sets the “Risk Management Basic Rule” with an eye to appropriately responding to various risks which may have adverse impacts on the Company’s business management, and minimizing such impacts from actual risks.

Furthermore, based on the “Risk Management Basic Rule,” the Company has provided general policies on how to deal with crises and situations where crises are expected to occur (emergencies, etc.) in “Basic Rule for Crisis Measures.” In addition, the Company has the “Integrated Risk Management Committee” in place, which evaluates all risks in the Company, promotes management activities, controls risk management activities by each division and committee responsible for a specific risk, and establishes new management systems for emerging risks.

- (d) **Outline of the contract on limited liabilities**

Under provisions of Paragraph 1, Article 427 of the Companies Act, the Company has concluded a contract with each Outside Director and Outside Corporate Auditor, which limits the liability stipulated in Paragraph 1, Article 423 of the Companies Act. The limit of liability amount both for Outside Directors and Outside Corporate Auditors based on the said contract shall be ¥10 million or the amount stipulated in the Act, whichever is higher.

2) Auditing by Corporate Auditors and Internal Audits

The Company has adopted a Corporate Auditors system, and each Corporate Auditor supervises the business duties executed by the Directors and oversees the Company’s management.

The Board of Corporate Auditors consists of five Corporate Auditors, including three Outside Corporate Auditors.

Corporate Auditors conduct audits according to the audit standards and audit plan outlined by the Board of Corporate Auditors. They also attend Board of Directors and other important meetings, review reports from Directors and other employees, verify operations and assets of the Company, regularly meet with the Representative Directors, and otherwise monitor the duties of Directors and employees.

To ensure that the Company is in compliance with Japanese regulations and the Code of Conduct, and to improve efficiency of management, an Audit Office consisting of eight people including one Certified Internal Auditor under the direct control of the President is established as the Internal Audit Office. It conducts regular internal audits with regard to establishment and operation of internal management systems, which are necessary and proper to ensure appropriate financial reports according to the internal audit procedures and basic plan with the goal of improving the overall function of the internal audit system.

The Audit Office and Corporate Auditors hold meetings when needed as a means of sharing information and opinions with the goal of improving their function as Auditors. In addition, Accounting Auditors, Corporate Auditors, and the Audit Office hold appropriate meetings to promote the sharing of information.

The Audit Office receives appropriate information from the Internal Control Division through internal audits and in other ways. Similarly, each Corporate Auditor receives appropriate reports on activities from the Internal Control Division in Board of Corporate Auditors meetings.

The Standing Auditor Kunio Okawa has considerable insight in finance and accounting on the basis of his experience as a head of accounting department of the Company.

The Corporate Auditor Tsunaya Kawamura is familiar with corporate legal affairs as a lawyer, and has considerable insight in finance and accounting on the basis of his many years of experience working in a bank.

The Corporate Auditor Akira Hirose is a certified tax accountant and has considerable insight in finance and accounting.

3) Accounting Audits

The names and positions of the certified public accountants that perform the Company's accounting audits are as follows:

[Names and position of the certified public accountants]

- Kuniatsu Watanabe (audit corporation: Sohken)
- Atsushi Watanabe (audit corporation: Sohken)

Since both accountants above have less than seven years of service, we do not mention the length of their service in this material.

There are also ten certified public accountants and seven junior accountants engaged in accounting audit duties as assistants.

The Corporate Auditors and Accounting Auditors regularly hold quarterly meetings to review the auditing system and plan, and the audit status. Furthermore, in order to promote the sharing of information and views so that Auditors may better fulfill their duties, joint meetings are held as necessary. Accounting Auditors, Corporate Auditors, and the Audit Office also hold joint meetings to promote the sharing of information as necessary. Further, Accounting Auditors share information with the Internal Control Division as needed through audits of internal control and others.

4) Outside Directors and Outside Corporate Auditors

As of June 27, 2011, the date of submission of the Annual Security Report, the Company has four Outside Directors and three Outside Corporate Auditors.

There may be no personal, monetary, business relationship or other special interest between the four Outside Directors, the three Outside Corporate Auditors, and the Company.

Each Outside Director attends Board of Directors meetings from an independent standpoint, without having any special interests in the Company, and fulfills management oversight functions by providing advice and making proposals to ensure the validity and appropriateness of decision-making by the Board of Directors in a proper and timely manner.

Each Outside Corporate Auditor fulfills auditing functions by expressing questions and opinions necessary for discussing proposals in Board of Directors meetings, and exchanging opinions and discussing audited matters in Board of Corporate Auditors meetings.

Four of the fourteen Directors of the Company are Outside Directors. We believe that this number is sufficient for each of them to fulfill management oversight functions. The Company has appointed one certified public accountant, one corporate manager of a company which does not have any special interest with the Company, one director of a company which does not have any special interest with the Company and one former diplomat as Outside Directors. We believe that they have the experience, knowledge and insight necessary to fulfill management oversight functions.

Three of the five Corporate Auditors of the Company are Outside Corporate Auditors. We believe that this number is sufficient for each of them to fulfill auditing functions. The Company has appointed one lawyer, one corporate manager of a company which does not have any special interest with the Company, and one certified tax accountant as Outside Corporate Auditors. We believe that they have the experience, knowledge and insight necessary to fulfill auditing functions.

Each Outside Director receives appropriate reports from the divisions of internal audits, accounting audits, audits by Corporate Auditors and Internal Control Division, and expresses appropriate opinions at Board of Directors meetings. Similarly, each Outside Corporate Auditor receives appropriate reports from the divisions of internal audits, accounting audits, other Corporate Auditors and Internal Control Division, and expresses appropriate opinions in Board of Directors meetings and Board of Corporate Auditors meetings. In addition, Outside Directors, Outside Corporate Auditors, and the Audit Office hold appropriate meetings to promote the sharing of information.

5) Amount of Compensation to Directors and Corporate Auditors

(a) Total amount of compensation by category, total amount of compensation by type, and number of beneficiary Directors and Corporate Auditors

(millions of yen except number of persons)

Category	Total amount of compensation	Basic compensation		Bonuses	
		Number of persons	Amount of compensation	Number of persons	Amount of provision
Directors (excluding Outside Directors)	303	11	261	10	42
Corporate Auditors (excluding Outside Corporate Auditors)	39	3	31	2	7
Outside Directors and Corporate Auditors	43	6	37	6	6

Note: The above number of persons and amount of compensations under the basic compensations include those for one Director who retired due to the expiration of his term of office at the end of the 97th Ordinary General Meeting of Shareholders held on June 25, 2010 and one Corporate Auditor who resigned.

(b) Total amount of consolidated compensations paid to persons who receive 100 million yen or more
No statement since the Company does not have anyone whose total amount of consolidated compensations is 100 million yen or more.

(c) Important employee's salary paid to an employee-Director/Corporate Auditor
Not applicable.

(d) Detailed policy on determination of the amount of compensations paid to Directors and Corporate Auditors and its calculation method, and the method of approving the policy

In the 93rd Ordinary General Meeting of Shareholders held on June 29, 2006, it was resolved that compensation paid to Directors will be no more than 430 million yen per year (in the case of a Director concurrently serving as an employee, the employee salary is not included). Compensations for Directors of the Company consist of basic compensations and bonuses. Basic compensations are determined according to Director's titles by internal and external category. Bonuses are determined in consideration of Director's titles and performance.

In the 93rd Ordinary General Meeting of Shareholders held on June 29, 2006, it was resolved that compensation paid to Corporate Auditors will be no more than 80 million yen per year. Compensations for Corporate Auditors of the Company consist of basic compensations and bonuses. Both basic compensations and bonuses are determined through mutual consultation between Corporate Auditors.

6) Ownership of Shares

(a) Number of investment shares held for any purpose other than pure investment and total amount recorded in the balance sheet

95 securities 52,613 million yen

(b) Holding category, name, number, amount recorded in the balance sheet of investment shares held for any purpose other than pure investment and purpose for holding them

Previous fiscal year

Specific Investment Shares

Name	Number of shares	Amount recorded in the balance sheet (millions of yen)	Purpose for holding
ASAHI BREWERIES, LTD.	3,824,341	6,704	To maintain and strengthen special interests
The Gunma Bank, Ltd.	7,330,274	3,789	To stabilize financial transactions
Mitsubishi UFJ Financial Group, Inc.	7,731,610	3,788	To stabilize financial transactions
The Sumitomo Trust and Banking Co., Ltd.	6,163,508	3,377	To stabilize financial transactions
Kao Corporation	1,270,671	3,011	To maintain and strengthen special interests
MIKUNI COCA-COLA BOTTLING CO., LTD.	3,768,800	2,785	To maintain and strengthen special interests
Sumitomo Mitsui Financial Group, Inc.	853,441	2,637	To stabilize financial transactions
Daiwa Securities Group Inc.	5,046,454	2,482	To stabilize financial transactions
ITO EN, LTD.	1,710,000	2,474	To maintain and strengthen special interests
NIPPON STEEL CORPORATION	6,519,928	2,392	To maintain and strengthen special interests
COCA-COLA WEST COMPANY, LIMITED	1,423,334	2,176	To maintain and strengthen special interests
Coca-Cola Central Japan Co., Ltd.	1,878,545	2,147	To maintain and strengthen special interests
The Hachijuni Bank, Ltd.	2,550,240	1,356	To stabilize financial transactions
THE SHIZUOKA BANK, LTD.	1,639,097	1,335	To stabilize financial transactions
Mizuho Financial Group, Inc.	6,826,210	1,262	To stabilize financial transactions
Maruha Nichiro Holdings, Inc.	8,803,500	1,170	To maintain and strengthen special interests
Lion Corporation	2,202,753	1,037	To maintain and strengthen special interests
TAISHO PHARMACEUTICAL CO., LTD.	550,000	935	To maintain and strengthen special interests
TOYO INK MFG. CO., LTD.	2,222,503	933	To maintain and strengthen special interests
TAKARA HOLDINGS INC.	1,750,000	917	To maintain and strengthen special interests
NIPPON SUISAN KAISHA, LTD.	2,799,412	758	To maintain and strengthen special interests
Ajinomoto Co., Inc.	801,608	742	To maintain and strengthen special interests
SAPPORO HOLDINGS LIMITED	1,500,000	732	To maintain and strengthen special interests
Kirin Holdings Company, Limited	509,967	703	To maintain and strengthen special interests

Name	Number of shares	Amount recorded in the balance sheet (millions of yen)	Purpose for holding
Chuo Mitsui Trust Holdings, Inc.	1,980,192	695	To stabilize financial transactions
Takeda Pharmaceutical Company Limited	163,013	670	To maintain and strengthen special interests
KYOKUYO CO., LTD.	3,150,000	626	To maintain and strengthen special interests
NICHIREI CORPORATION	1,632,238	571	To maintain and strengthen special interests
Nippon Paper Group, Inc.	231,545	556	To maintain and strengthen special interests
Morinaga Milk Industry Co., Ltd.	1,139,976	419	To maintain and strengthen special interests
MITSUBISHI MATERIALS CORPORATION	1,546,125	415	To maintain and strengthen special interests
NOF CORPORATION	920,000	340	To maintain and strengthen special interests
KAGOME Co., Ltd.	212,747	339	To maintain and strengthen special interests
HOUSE FOODS CORPORATION	249,566	339	To maintain and strengthen special interests
The Bank of Yokohama, Ltd.	678,896	310	To stabilize financial transactions
RYOSHOKU LIMITED	130,000	284	To maintain and strengthen special interests
EARTH CHEMICAL CO., LTD.	100,000	284	To maintain and strengthen special interests
YAKULT HONSHA CO., LTD.	100,000	252	To maintain and strengthen special interests
Morinaga & Co., Ltd.	1,155,000	240	To maintain and strengthen special interests
HAGOROMO FOODS CORPORATION	199,139	214	To maintain and strengthen special interests
KENKO Mayonnaise Co., Ltd.	312,800	186	To maintain and strengthen special interests
EBARA Foods Industry, Inc.	130,000	180	To maintain and strengthen special interests
TEIJIN LIMITED	511,000	160	To maintain and strengthen special interests
MEIJI Holdings Co., Ltd.	42,411	153	To maintain and strengthen special interests
TOMOKU CO., LTD.	704,362	150	To maintain and strengthen special interests

Current fiscal year
Specific Investment Shares

Name	Number of shares	Amount recorded in the balance sheet (millions of yen)	Purpose for holding
ASAHI BREWERIES, LTD.	3,824,341	5,289	To maintain and strengthen special interests
The Gunma Bank, Ltd.	7,330,274	3,232	To stabilize financial transactions
Mitsubishi UFJ Financial Group, Inc.	7,731,610	2,968	To stabilize financial transactions
MIKUNI COCA-COLA BOTTLING CO., LTD.	3,768,800	2,788	To maintain and strengthen special interests
The Sumitomo Trust and Banking Co., Ltd.	6,163,508	2,656	To stabilize financial transactions
Kao Corporation	1,270,671	2,636	To maintain and strengthen special interests
ITO EN, LTD.	1,710,000	2,477	To maintain and strengthen special interests
COCA-COLA WEST COMPANY, LIMITED	1,424,951	2,258	To maintain and strengthen special interests
Sumitomo Mitsui Financial Group, Inc.	853,441	2,206	To stabilize financial transactions
Coca-Cola Central Japan Co., Ltd.	1,878,545	2,122	To maintain and strengthen special interests
Daiwa Securities Group Inc.	5,046,454	1,927	To stabilize financial transactions
NIPPON STEEL CORPORATION	6,519,928	1,734	To maintain and strengthen special interests
The Hachijuni Bank, Ltd.	2,550,240	1,221	To stabilize financial transactions
THE SHIZUOKA BANK, LTD.	1,639,097	1,127	To stabilize financial transactions
Maruha Nichiro Holdings, Inc.	8,803,500	1,074	To maintain and strengthen special interests
TAISHO PHARMACEUTICAL CO., LTD.	550,000	990	To maintain and strengthen special interests
TOYO INK MFG. CO., LTD.	2,222,503	944	To maintain and strengthen special interests
Mizuho Financial Group, Inc.	6,826,210	942	To stabilize financial transactions
Lion Corporation	2,202,753	931	To maintain and strengthen special interests
Otsuka Holdings Co., Ltd.	400,000	822	To maintain and strengthen special interests
TAKARA HOLDINGS INC.	1,750,000	719	To maintain and strengthen special interests
Ajinomoto Co., Inc.	801,608	694	To maintain and strengthen special interests
NIPPON SUISAN KAISHA, LTD.	2,799,412	646	To maintain and strengthen special interests
Takeda Pharmaceutical Company Limited	163,013	632	To maintain and strengthen special interests
Chuo Mitsui Trust Holdings, Inc.	1,980,192	584	To stabilize financial transactions
NICHIREI CORPORATION	1,632,238	579	To maintain and strengthen special interests
Kirin Holdings Company, Limited	509,967	557	To maintain and strengthen special interests

Name	Number of shares	Amount recorded in the balance sheet (millions of yen)	Purpose for holding
KYOKUYO CO., LTD.	3,150,000	554	To maintain and strengthen special interests
SAPPORO HOLDINGS LIMITED	1,500,000	465	To maintain and strengthen special interests
MITSUBISHI MATERIALS CORPORATION	1,546,125	436	To maintain and strengthen special interests
Nippon Paper Group, Inc.	231,545	410	To maintain and strengthen special interests
NOF CORPORATION	920,000	349	To maintain and strengthen special interests
HOUSE FOODS CORPORATION	249,566	339	To maintain and strengthen special interests
Morinaga Milk Industry Co., Ltd.	1,139,976	338	To maintain and strengthen special interests
KAGOME Co., Ltd.	215,412	317	To maintain and strengthen special interests
EARTH CHEMICAL CO., LTD.	100,000	278	To maintain and strengthen special interests
The Bank of Yokohama, Ltd.	678,896	268	To stabilize financial transactions
HAGOROMO FOODS CORPORATION	202,830	241	To maintain and strengthen special interests
DyDo DRINCO, INC.	71,000	229	To maintain and strengthen special interests
RYOSHOKU LIMITED	130,000	226	To maintain and strengthen special interests
Morinaga & Co., Ltd.	1,155,000	221	To maintain and strengthen special interests
YAKULT HONSHA CO., LTD.	100,000	212	To maintain and strengthen special interests
TEIJIN LIMITED	511,000	190	To maintain and strengthen special interests
TOMOKU CO., LTD.	704,362	185	To maintain and strengthen special interests
KENKO Mayonnaise Co., Ltd.	312,800	172	To maintain and strengthen special interests
EBARA Foods Industry, Inc.	130,000	164	To maintain and strengthen special interests
MEIJI Holdings Co., Ltd.	42,411	141	To maintain and strengthen special interests
Japan Carlit Co., Ltd.	275,100	124	To maintain and strengthen special interests

Deemed Shares

Name	Number of shares	Fair market value (millions of yen)	Exercise of voting rights
NIPPON STEEL CORPORATION	10,000,000	2,660	Authority to give instructions on the exercise of voting rights
Sumitomo Mitsui Financial Group, Inc.	200,000	517	Authority to give instructions on the exercise of voting rights
The Sumitomo Trust and Banking Co., Ltd.	2,200,000	948	Authority to give instructions on the exercise of voting rights
Daiwa Securities Group Inc.	2,500,000	955	Authority to give instructions on the exercise of voting rights

Note: Specific investment shares are not combined with deemed shares held at the stage of selection of top shares incorporated in the amount recorded in the balance sheet.

- (c) Total amount recorded in the balance sheet of investment shares held for the purpose of pure investment for the previous and current fiscal years, and total amounts of dividends income and loss/gain on sales and valuation thereof

(millions of yen)

	Previous fiscal year		Current fiscal year		
	Total amount recorded in the balance sheet	Total amount recorded in the balance sheet	Total dividends income	Total loss/gain on sales	Total loss/gain on valuation
Unlisted shares	5,000	5,000	211	—	(Note)

Note: No statement is disclosed in the “total loss/gain on valuation” of unlisted shares because computing their fair value is deemed to be extremely difficult since they do not have market prices.

7) Fixed number of Directors

The Company may have no more than 15 Directors as determined by the Articles of Incorporation.

8) Selection of Directors

As determined by the Articles of Incorporation, Directors are selected by majority vote at the General Meeting of Shareholders at which at least one-third of shareholders in attendance have voting rights. In addition, according to the Articles of Incorporation, accumulative voting is not adopted for the selection of Directors.

9) Extraordinary resolutions of the General Meeting of Shareholders

As determined by the Articles of Incorporation, resolutions as outlined in the Companies Act, Paragraph 2, Article 309, will pass by two-thirds vote at a meeting where at least one-third of shareholders that have voting rights are in attendance. These guidelines allow for flexibility in the quorum required to pass resolutions, ensuring the smooth operation of the General Meeting of Shareholders.

10) Treasury Stock Acquisition

The Company, as set forth by the Companies Act, Paragraph 2, Article 165, and the Articles of Incorporation, can acquire treasury stock on the open market based on a resolution by the Board of Directors in order to flexibly meet capital needs based on changes in the business environment.

11) Interim Dividends

According to the Articles of Incorporation, the Company can, based on a resolution by the Board of Directors, elect to issue dividends using September 30 as the record date in order to provide a flexible return on earnings to shareholders.

(2) Audit Compensation

1) Amount of Compensation to Accounting Auditor

(millions of yen)

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Amount of compensation being derived from audit	Amount of compensation being derived from other operations	Amount of compensation being derived from audit	Amount of compensation being derived from other operations
Company submitting the report	50	—	50	—
Consolidated subsidiary	128	—	130	—
Total	179	—	181	—

2) Other primary compensation

(Previous consolidated fiscal year)

Not applicable.

(Current consolidated fiscal year)

Not applicable.

3) Operations other than audit conducted by Accounting Auditor in the Company submitting the report

(Previous consolidated fiscal year)

Not applicable.

(Current consolidated fiscal year)

Not applicable.

4) Policy to decide amount of audit compensation

The Company decides the amount of audit compensation with the consent of the Board of Corporate Auditors in full consideration of audit plans and the period proposed by the Accounting Auditor, and the business size of the Toyo Seikan Group.

Principal Shareholders (As of March 31, 2011)

Name or Trade Name	Number of Shares Owned (in thousands of shares)	Percentage of Number of Shares Owned Relative to Number of Shares Issued (%)
The Master Trust Bank of Japan, Ltd. (trust account)	15,864	7.32
Japan Trustee Services Bank, Ltd. (trust account)	12,573	5.81
Toyo Institute of Food Technology	12,310	5.68
Toyo Junior College of Food Technology	11,192	5.17
Yoshiro Takasaki	10,823	5.00
Sumitomo Mitsui Banking Corporation	6,500	3.00
Fukoku Mutual Life Insurance Company	6,062	2.80
The Sumitomo Trust and Banking Co., Ltd.	4,097	1.89
JPMorgan Securities Japan Co., Ltd.	3,800	1.75
The Gunma Bank, Ltd.	3,619	1.67
Total	86,844	40.10

Notes:

1. In addition to the above-mentioned shares, 14,904,000 shares are held by the Company as treasury stock.
2. We have received a copy of the Report of Possession of Large Volume (Change Report) dated July 5, 2010 from Mitsubishi UFJ Financial Group, Inc. This report states that as of June 28, 2010 it holds shares as follows. We could not confirm the number of shares beneficially held as of the end of the fiscal year under review and excluded it from the figures of the Principal Shareholders list above.

Name or Trade Name	Number of Shares Owned (in thousands of shares)	Percentage of Number of Shares Owned Relative to Number of Shares Issued (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	546	0.25
Mitsubishi UFJ Trust and Banking Corporation	8,184	3.78
Mitsubishi UFJ Asset Management Co., Ltd.	1,507	0.70
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2,215	1.02
Total	12,454	5.75

Board of Directors, Corporate Auditors, Executive/Operating Officers (As of June 27, 2011)

Board of Directors

Position	Name	Significant Positions and Responsibilities Concurrently Held
Chairman and Representative Director	Hirofumi Miki	<ul style="list-style-type: none"> - Chairman and Representative Director, Tokan Kogyo Co., Ltd. - Chairman and Representative Director, Toyo Glass Co., Ltd. - Chairman and Representative Director, Japan Crown Cork Co., Ltd. - Chairman and Representative Director, Tokan Material Technology Co., Ltd. - President, Toyo College of Food Technology - Chairman of the Board of Trustees, Toyo Institute of Food Technology - Chairman and Director, Toyo Kohan Co., Ltd. - Chairman and Director, Bangkok Can Manufacturing Co., Ltd. - Director, Crown Seal Public Co., Ltd. - Director, TOYO INK SC HOLDINGS. CO., LTD.
President and Representative Director	Shunji Kaneko	<ul style="list-style-type: none"> - Director, Bangkok Can Manufacturing Co., Ltd.
Director	Haruo Yamamoto	<ul style="list-style-type: none"> - Senior Executive Officer - In charge of Toyo Seikan and Group Corporate Planning/Corporate Administration Division and Chairman of the Integrated Risk Management Committee - Director, Toyo Glass Co., Ltd.
Director	Ichiro Nakayama	<ul style="list-style-type: none"> - Senior Executive Officer - Head of Sales & Marketing Division (in charge of Beverage Containers) - Director, Japan Crown Cork Co., Ltd. - Director, Nippon National Seikan Co., Ltd.
Director	Yoshio Kuroda	<ul style="list-style-type: none"> - Senior Executive Officer - Head of Sales & Marketing Division (in charge of Diversified Products) - Director, Tokan Kogyo Co., Ltd. - Director, Toyo Aerosol Industry Co., Ltd.
Director	Tsuneo Arita	<ul style="list-style-type: none"> - Senior Executive Officer - Head of Production & Operations Division (in charge of Technology) - Director, Nippon National Seikan Co., Ltd.
Director	Atsuo Tanaka	<ul style="list-style-type: none"> - President and Representative Director, Toyo Kohan Co., Ltd.
Director	Eiji Tsutsui	<ul style="list-style-type: none"> - President and Representative Director, Tokan Kogyo Co., Ltd.
Director	Yoshitsugu Maruhashi	<ul style="list-style-type: none"> - President and Representative Director, Toyo Glass Co., Ltd.
Director	Yasuo Tsujihiro	<ul style="list-style-type: none"> - President and Representative Director, Japan Crown Cork Co., Ltd. - Director, Crown Seal Public Co., Ltd.
Director	Mitsuo Arai	<ul style="list-style-type: none"> - Certified Public Accountant
Director	Takahiko Mio	<ul style="list-style-type: none"> - President and Representative Director, Awaji Materia Co., Ltd. - President and Representative Director, Awaji Materia (Thailand) Co., Ltd.
Director	Koichi Kobayashi	<ul style="list-style-type: none"> - Director, Hankyu Hanshin Holdings, Inc.
Director	Hideaki Kobayashi	-

Corporate Auditors

Position	Name	Significant Positions and Responsibilities Concurrently Held
Standing Auditor	Kunio Okawa	- Corporate Auditor, Toyo Kohan Co., Ltd. - Corporate Auditor, Tokan Kogyo Co., Ltd. - Corporate Auditor, Toyo Glass Co., Ltd. - Corporate Auditor, Japan Crown Cork Co., Ltd. - Corporate Auditor, Toyo Aerosol Industry Co., Ltd. - Corporate Auditor, Nippon National Seikan Co., Ltd. - Corporate Auditor, Tokan Material Technology Co., Ltd. - Auditor, Toyo Institute of Food Technology
Standing Auditor	Hiroshi Ito	- Corporate Auditor, Tokan Kogyo Co., Ltd. - Corporate Auditor, Toyo Glass Co., Ltd. - Corporate Auditor, Japan Crown Cork Co., Ltd.
Corporate Auditor	Tsunaya Kawamura	- Lawyer
Corporate Auditor	Ryusaku Konishi	- President and Representative Director, Nippon Zoki Pharmaceutical Co., Ltd.
Corporate Auditor	Akira Hirose	- Certified Tax Accountant

Notes:

1. The Directors Mitsuo Arai, Takahiko Mio, Koichi Kobayashi and Hideaki Kobayashi are Outside Directors as set forth in the Companies Act, Item 15, Article 2.
2. The Corporate Auditors Tsunaya Kawamura, Ryusaku Konishi and Akira Hirose are Outside Corporate Auditors as set forth in the Companies Act, Item 16, Article 2.
3. The Tokyo Stock Exchange and the Osaka Securities Exchange were notified of the names of the Directors Mitsuo Arai, Takahiko Mio, Koichi Kobayashi and Hideaki Kobayashi as Independent Directors of the Company.

Executive/Operating Officers

Position	Name	Significant Positions and Responsibilities Concurrently Held
Executive Officer	Fujio Suzuki	- Head of Corporate Administration Division - Chairman of Compliance Promotion Committee
Executive Officer	Ken Sumikawa	- Head of Sales & Marketing Division (Beverage Containers)
Executive Officer	Fujio Yamagata	- Head of Corporate Planning Division
Executive Officer	Yasuyuki Shimizu	- In charge of General Affairs/Legal, Corporate Administration Division
Executive Officer	Takao Nakai	- Head of International Operations Division
Executive Officer	Nobuyuki Hayashi	- Head of Material Purchase & Environment Division
Executive Officer	Jouji Ito	- Head of Technology & Packaging Development Division
Executive Officer	Masami Mitokawa	- Deputy Head of Production & Operations Division
Executive Officer	Yasuki Hachioka	- Deputy Head of Sales & Marketing Division (Diversified Products)
Executive Officer	Akira Tanaka	- Deputy Head of Sales & Marketing Division (Beverage Containers)
Executive Officer	Kazuhisa Kobayashi	- Head of Sales & Marketing Division (Diversified Products)
Operating Officer	Masahiko Yokokawa	- General Manager, Personal Department, Corporate Administration Division
Operating Officer	Kazuharu Ishiguchi	- In charge of management, T&T Enatechno Kabushiki Kaisha
Operating Officer	Susumu Yamada	- In charge of management, Next Can Innovation Co., Ltd.
Operating Officer	Masahiro Toda	- Diversified Products Business
Operating Officer	Shuji Mizono	- Plant Manager, Saitama Plant, Production & Operations Division
Operating Officer	Toshio Sue	- Senior Manager, Technology & Packaging Development Division
Operating Officer	Toshiyasu Gomi	- Officer in charge of Production Restructuring System
Operating Officer	Hiroaki Goto	- Head of Corporate Research & Development of Toyo Seikan Group
Operating Officer	Hiroyuki Funamoto	- General Manager, New Business Development Division

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Consolidated Financial Summary

(As of and for the years ended March 31, 2007, 2008, 2009, 2010 and 2011)

	2007	2008	2009	2010	2011
	<i>(millions of yen, except per share amounts)</i>				
Consolidated financial indicators:					
Net sales	¥728,928	¥745,515	¥733,746	¥690,353	¥706,502
Ordinary income	18,802	21,669	7,070	19,054	27,520
Net income	4,950	3,839	(8,895)	8,318	(4,383)
Net assets	668,562	650,168	614,532	627,969	613,619
Total assets	920,949	895,470	839,043	856,793	863,957
Net assets per share (<i>yen</i>)	2,977.35	2,886.17	2,714.07	2,769.55	2,739.70
Net income per share (<i>yen</i>)	23.94	18.65	(43.20)	40.40	(21.46)
Net income per share (diluted) (<i>yen</i>)	—	—	—	—	—
Capital adequacy ratio	66.6%	66.4%	66.6%	66.6%	64.0%
Return on equity (ROE)	0.81%	0.64%	-1.54%	1.47%	-0.78%
Price earnings ratio (PER)	99.21	101.50	—	40.99	—
Cash flows from operating activities	41,244	69,156	47,647	66,136	61,684
Cash flows from investing activities	(35,813)	(44,372)	(48,412)	(56,120)	(54,672)
Cash flows from financing activities	(18,295)	(9,856)	(1,775)	(4,183)	7,692
Cash and cash equivalents at the end of the period	¥117,297	¥132,788	¥129,736	¥134,964	¥150,492
Number of employees	16,221	17,583	16,939	16,935	17,313
(Average number of temporary staff)	(2,336)	(2,676)	(2,880)	(3,043)	(3,323)

Consolidated Balance Sheets

(As of March 31, 2010 and 2011)

	2010	2011
	<i>(millions of yen)</i>	
(Assets)		
Current assets		
Cash and deposits	¥135,479	¥152,762
Notes and accounts receivable - trade	198,894	194,632
Short-term investment securities	2,000	2,000
Merchandise and finished goods	57,762	56,964
Work in process	10,309	10,614
Raw materials and supplies	24,340	26,834
Deferred tax assets	10,167	10,873
Other	9,178	8,847
Allowance for doubtful accounts	(2,428)	(2,872)
Total current assets	445,705	460,658
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	89,057	86,282
Machinery, equipment and vehicles, net	76,465	81,194
Land	81,615	82,793
Lease assets, net	1,145	1,102
Construction in progress	23,303	27,254
Other, net	8,300	7,557
Total property, plant and equipment	279,887	286,186
Intangible assets	4,298	3,632
Investments and other assets		
Investment securities	90,676	79,000
Long-term loans receivable	869	523
Deferred tax assets	25,920	22,979
Other	12,039	12,554
Allowance for doubtful accounts	(2,603)	(1,576)
Total investments and other assets	126,902	113,480
Total non-current assets	411,088	403,299
Total assets	¥856,793	¥863,957

	2010	2011
	<i>(millions of yen)</i>	
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	¥77,018	¥74,765
Short-term loans payable	19,351	18,222
Lease obligations	405	455
Income taxes payable	4,196	3,722
Deferred tax liabilities	0	0
Provision for directors' bonuses	417	417
Provision for loss on disaster	—	4,741
Provision for business structure improvement	38	2,367
Provision for loss on liquidation of subsidiaries and affiliates	568	—
Other	49,092	57,191
Total current liabilities	151,089	161,884
Non-current liabilities		
Bonds payable	5,000	—
Long-term loans payable	239	18,024
Lease obligations	933	709
Deferred tax liabilities	3,116	3,075
Provision for retirement benefits	53,329	52,760
Provision for directors' retirement benefits	872	959
Provision for special repairs	5,599	3,756
Provision for PCB	632	893
Provision for business structure improvement	1,472	1,585
Provision for asbestos	—	155
Asset retirement obligations	—	1,561
Negative goodwill	624	529
Other	5,914	4,443
Total non-current liabilities	77,734	88,453
Total liabilities	228,823	250,337
(Net assets)		
Shareholders' equity		
Capital stock	11,094	11,094
Capital surplus	349	349
Retained earnings	559,683	553,664
Treasury stock	(18,623)	(24,765)
Total shareholders' equity	552,503	540,342
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	21,708	17,272
Deferred gains or losses on hedges	(629)	(976)
Foreign currency translation adjustment	(3,364)	(4,074)
Total valuation and translation adjustments	17,714	12,221
Minority interests	57,751	61,055
Total net assets	627,969	613,619
Total liabilities and net assets	¥856,793	¥863,957

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(For the years ended March 31, 2010 and 2011)

Consolidated Statements of Income

	2010	2011
	<i>(millions of yen)</i>	
Net sales	¥690,353	¥706,502
Cost of sales	597,226	608,932
Gross profit	93,126	97,569
Selling, general and administrative expenses	76,781	72,599
Operating income	16,345	24,970
Non-operating income		
Interest income	772	532
Dividends income	1,979	1,909
Rent income	2,020	1,957
Amortization of negative goodwill	264	405
Equity in earnings of affiliates	99	157
Other	4,382	5,599
Total non-operating income	9,518	10,562
Non-operating expenses		
Interest expenses	315	373
Rent expenses on non-current assets	1,415	1,923
Loss on retirement of non-current assets	1,183	1,232
Loss on valuation of non-current assets	1,200	399
Foreign exchange losses	—	1,199
Other	2,694	2,885
Total non-operating expenses	6,809	8,012
Ordinary income	19,054	27,520
Extraordinary income		
Gain on sales of non-current assets	777	—
Reversal of provision for special repairs	—	1,251
Total extraordinary income	777	1,251
Extraordinary loss		
Loss on disaster	—	8,301
Provision for loss on disaster	—	4,741
Impairment loss	537	772
Loss on liquidation of subsidiaries and affiliates	52	—
Provision for loss on liquidation of subsidiaries and affiliates	568	—
Provision for business structure improvement	300	3,271
Loss on revision of retirement benefit plan	—	641
Provision for PCB	—	200
Provision for asbestos	—	155
Underground obstacle removal cost	147	—
Soil amendment cost	488	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	1,223
Total extraordinary losses	2,094	19,305

	2010	2011
	<i>(millions of yen)</i>	
Income (loss) before income taxes	17,737	9,466
Income taxes - current	4,997	5,898
Income taxes - deferred	2,437	5,507
Total income taxes	7,434	11,405
Income (loss) before minority interests	—	(1,939)
Minority interest in income	1,984	2,444
Net income (loss)	¥8,318	(¥4,383)

Consolidated Statements of Comprehensive Income

	2010	2011
	<i>(millions of yen)</i>	
Income (loss) before minority interests	—	(¥1,939)
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(4,565)
Deferred gains or losses on hedges	—	(333)
Foreign currency translation adjustment	—	(677)
Share of other comprehensive income of associates accounted for using equity method	—	(199)
Total other comprehensive income	—	(5,775)
Comprehensive income	—	(7,715)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	—	(9,877)
Comprehensive income attributable to minority interests	—	¥2,161

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Consolidated Statements of Changes in Net Assets

(For the years ended March 31, 2010 and 2011)

	2010	2011
	<i>(millions of yen)</i>	
Shareholders' equity		
Capital stock		
Balance at the end of previous period	¥11,094	¥11,094
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	11,094	11,094
Capital surplus		
Balance at the end of previous period	349	349
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	349	349
Retained earnings		
Balance at the end of previous period	553,111	559,683
Changes of items during the period		
Dividends from surplus	(2,058)	(2,058)
Net income (loss)	8,318	(4,383)
Change of scope of consolidation	312	424
Total changes of items during the period	6,571	(6,018)
Balance at the end of current period	559,683	553,664
Treasury stock		
Balance at the end of previous period	(18,620)	(18,623)
Changes of items during the period		
Purchase of treasury stock	(3)	(6,142)
Total changes of items during the period	(3)	(6,142)
Balance at the end of current period	(18,623)	(24,765)
Total shareholders' equity		
Balance at the end of previous period	545,935	552,503
Changes of items during the period		
Dividends from surplus	(2,058)	(2,058)
Net income (loss)	8,318	(4,383)
Change of scope of consolidation	312	424
Purchase of treasury stock	(3)	(6,142)
Total changes of items during the period	6,568	(12,160)
Balance at the end of current period	552,503	540,342

	2010	2011
	<i>(millions of yen)</i>	
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	17,141	21,708
Changes of items during the period		
Net changes of item other than shareholders' equity	4,567	(4,436)
Total changes of items during the period	4,567	(4,436)
Balance at the end of current period	21,708	17,272
Deferred gains or losses on hedges		
Balance at the end of previous period	(496)	(629)
Changes of items during the period		
Net changes of item other than shareholders' equity	(132)	(347)
Total changes of items during the period	(132)	(347)
Balance at the end of current period	(629)	(976)
Foreign currency translation adjustment		
Balance at the end of previous period	(3,780)	(3,364)
Changes of items during the period		
Net changes of item other than shareholders' equity	415	(709)
Total changes of items during the period	415	(709)
Balance at the end of current period	(3,364)	(4,074)
Total valuation and translation adjustments		
Balance at the end of previous period	12,865	17,714
Changes of items during the period		
Net changes of item other than shareholders' equity	4,849	(5,493)
Total changes of items during the period	4,849	(5,493)
Balance at the end of current period	17,714	12,221
Minority interests		
Balance at the end of previous period	55,731	57,751
Changes of items during the period		
Net changes of item other than shareholders' equity	2,019	3,303
Total changes of items during the period	2,019	3,303
Balance at the end of current period	57,751	61,055
Total net assets		
Balance at the end of previous period	614,532	627,969
Changes of items during the period		
Dividends from surplus	(2,058)	(2,058)
Net income (loss)	8,318	(4,383)
Change of scope of consolidation	312	424
Purchase of treasury stock	(3)	(6,142)
Changes of items during the period	6,869	(2,189)
Total changes of items during the period	13,437	(14,349)
Balance at the end of current period	¥627,969	¥613,619

Consolidated Statements of Cash Flows

(For the years ended March 31, 2010 and 2011)

	2010	2011
	<i>(millions of yen)</i>	
Cash flows from operating activities		
Income before income taxes	¥17,737	¥9,466
Depreciation	42,653	46,176
Impairment loss	537	772
Increase (decrease) in provision for retirement benefits	1,196	(431)
Loss on disaster	—	8,301
Provision for loss on disaster	—	4,741
Provision for business structure improvement	—	3,271
Reversal of provision for special repairs	—	(1,251)
Interest and dividends income	(2,752)	(2,442)
Interest expenses	315	373
Equity in (earnings) losses of affiliates	(99)	(157)
Loss (gain) on sales of non-current assets	(886)	(599)
Loss on retirement and valuation of non-current assets	1,640	1,289
Loss (gain) on sales of investments securities	53	(111)
Decrease in notes and accounts receivable - trade	4,497	5,325
Decrease (increase) in inventories	1,952	(6,634)
Increase (decrease) in notes and accounts payable	(2,507)	(2,560)
Other	(226)	743
Subtotal	64,109	66,270
Interest and dividends income received	2,842	2,452
Interest expenses paid	(324)	(401)
Payments for loss on disaster	—	(572)
Income taxes paid	(1,983)	(6,573)
Income taxes refund	1,492	508
Cash flows from operating activities	66,136	61,684
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	1,523	515
Purchases of property, plant and equipment	(60,990)	(54,415)
Proceeds from sales of property, plant and equipment	1,122	1,503
Purchases of investment securities	(5,165)	(608)
Proceeds from sales of investment securities	69	235
Proceeds from redemption of investment securities	7,000	2,002
Purchases of stocks of subsidiaries and affiliates	(7)	(18)
Payments of short-term loans receivable	(30)	(92)
Collection of short-term loans receivable	2,000	350
Payments for investments in capital of subsidiaries and affiliates	(139)	(1,194)
Other	(1,503)	(2,949)
Cash flows from investing activities	(56,120)	(54,672)

	2010	2011
	<i>(millions of yen)</i>	
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,140)	(945)
Increase in long-term loans payable	136	18,000
Repayments of long-term loans payable	(331)	(327)
Purchases of treasury stock	(3)	(6,142)
Proceeds from stock issuance to minority shareholders	6	99
Dividend payments	(2,060)	(2,059)
Cash dividends paid to minority shareholders	(388)	(496)
Other	(402)	(436)
Cash flows from financing activities	(4,183)	7,692
Effect of exchange rate change on cash and cash equivalents	451	(343)
Increase (decrease) in cash and cash equivalents	6,284	14,360
Cash and cash equivalents at the beginning of the period	129,736	134,964
Increase in cash and cash equivalents from increasing consolidated subsidiaries	109	1,167
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(1,165)	—
Cash and cash equivalents at the end of the period	¥134,964	¥150,492

Consolidated Segment Information

(As of and for the years ended March 31, 2010 and 2011)

Business Segment Information

As of and for the year ended March 31, 2010

	Packaging business	Steel-plate- related business	Other businesses	Total	Eliminations or Corporate	Consolidated Total
<i>(millions of yen)</i>						
I Net sales and operating income:						
Net sales						
(1) Net sales to external customers	¥604,374	¥48,574	¥37,403	¥690,353	—	¥690,353
(2) Intersegment net sales or transfer amount	672	41,099	5,178	46,949	(46,949)	—
Total	605,046	89,674	42,582	737,303	(46,949)	690,353
Operating expenses	592,292	88,316	40,263	720,872	(46,864)	674,007
Operating income	12,754	1,357	2,318	16,430	(85)	16,345
II Assets, depreciation and amortization, impairment loss and capital expenditures:						
Assets	730,615	92,937	50,400	873,953	(17,160)	856,793
Depreciation and amortization	35,455	3,769	3,139	42,363	(2)	42,361
Impairment loss	537	—	—	537	—	537
Capital expenditures	¥59,965	¥2,256	¥1,576	¥63,798	—	¥63,798

Geographical Segment Information

As of and for the year ended March 31, 2010

	Japan	Asia	Other	Total	Eliminations or Corporate	Consolidated Total
<i>(millions of yen)</i>						
I Net sales and operating income:						
Net sales						
(1) Net sales to external customers	¥665,298	¥24,785	¥269	¥690,353	—	¥690,353
(2) Intersegment net sales or transfer amount	7,598	2,239	0	9,838	(9,838)	—
Total	672,897	27,025	269	700,192	(9,838)	690,353
Operating expenses	655,672	27,848	264	683,785	(9,778)	674,007
Operating income (loss)	17,224	(823)	4	16,406	(60)	16,345
II Assets	¥846,080	¥50,694	¥209	¥896,984	(¥40,190)	¥856,793

Overseas Sales*For the year ended March 31, 2010*

	Asia	Other	Total
	<i>(millions of yen)</i>		
I Overseas sales	¥40,265	¥7,341	¥47,606
II Consolidated net sales			690,353
III Overseas sales as a percentage of consolidated net sales (%)	5.8	1.1	6.9

Segment Information

1. Overview of Reporting Segments

The reporting segments of the Company are those units for which separate financial information can be obtained among the constituent units of the Company. In addition, they are those for which the Board of Directors of the Company regularly conducts examinations to determine the allocation of management resources and assess the business performance.

The Toyo Seikan Group operates the packaging business and other various businesses based on the related technologies as a comprehensive manufacturer of containers. The Company sets up business groups according to major business. Each business group is responsible for planning comprehensive strategies for its products and services in Japan and overseas and performing various business activities.

Therefore, the Group comprises segments by product and service and has three reporting segments: the Packaging Business, Steel-Plate-Related Business and Functional-Material-Related Business.

The Packaging Business involves the manufacture and sale of containers using metal, plastic, glass and paper as the main raw materials, and the contract manufacture and sale of filling products. The Steel-Plate-Related Business involves the manufacture and sale of steel plates and steel-plate-related products. The Functional-Material-Related Business is engaged in the manufacture and sale of functional materials, such as substrates for magnetic disks, functional films for optics, frits, pigments, and gel coats.

2. Calculation method of net sales, profits or losses, assets, liabilities and other items by reporting segment

The accounting procedures for the reporting business segments are nearly the same as those stated in “Important Matters Underlying Preparation of Consolidated Financial Statements.” Income of the reporting segments is based on operating profits. Internal profits and transfers between segments are based on prevailing market prices.

3. Information regarding net sales, profits or losses, assets, liabilities and other items by reporting segment

Reporting Segment Information

As of and for the year ended March 31, 2010

	Reporting Segment					Total	Adjustments (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	Packaging business	Steel-plate-related business	Functional-materials-related business	Subtotal	Other businesses (Note 1)			
<i>(millions of yen)</i>								
Net sales								
(1) Net sales to external customers	¥604,374	¥45,975	¥26,238	¥676,588	¥13,765	¥690,353	—	¥690,353
(2) Intersegment net sales or transfer amount	672	42,891	18	43,583	5,257	48,840	(48,840)	—
Total	605,046	88,867	26,257	720,171	19,022	739,193	(48,840)	690,353
Segment profit	12,752	1,230	1,959	15,942	508	16,451	(106)	16,345
Segment assets	730,619	92,429	32,910	855,959	18,328	874,287	(17,494)	856,793
Others								
Depreciation and amortization	35,455	3,737	2,655	41,847	522	42,370	(8)	42,361
Amounts of investment in associates accounted for by the equity method	2,549	—	—	2,549	—	2,549	—	2,549
Total expenditures for additions to tangible fixed assets and intangible assets	¥59,965	¥2,203	¥1,465	¥63,634	¥164	¥63,798	—	¥63,798

As of and for the year ended March 31, 2011

	Reporting Segment				Other businesses (Note 1)	Total	Adjustments (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	Packaging business	Steel- plate- related business	Functional- materials- related business	Subtotal				
<i>(millions of yen)</i>								
Net sales								
(1) Net sales to external customers	¥606,167	¥56,257	¥28,608	¥691,034	¥15,468	¥706,502	—	¥706,502
(2) Intersegment net sales or transfer amount	519	43,846	19	44,385	5,713	50,099	(50,099)	—
Total	606,687	100,103	28,628	735,419	21,182	756,602	(50,099)	706,502
Segment profit	16,345	3,831	3,542	23,719	1,122	24,841	128	24,970
Segment assets	730,293	95,602	34,539	860,435	18,266	878,701	(14,743)	863,957
Others								
Depreciation and amortization	39,131	3,671	2,552	45,355	505	45,861	(6)	45,854
Amounts of investment in associates accounted for by the equity method	1,497	—	—	1,497	—	1,497	—	1,497
Total expenditures for additions to tangible fixed assets and intangible assets	¥51,198	¥2,932	¥1,452	¥55,584	¥361	¥55,945	—	¥55,945

Notes:

1. "Other businesses" represents businesses that are not included in the reporting segments, such as the manufacture and sale of hard alloys, the non-life insurance agency business and real estate management.
2. "Adjustments" for "Segment profit," "Segment assets" and "Depreciation and amortization" includes eliminations of intersegment transactions, etc.
3. "Segment profit" is adjusted to match operating income in the consolidated statements of income.

Basis for Presenting the Consolidated Financial Statements

(As of and for the years ended March 31, 2011)

(1) Scope of Consolidation

Among subsidiaries, 57 major subsidiaries are included in the scope of consolidation.

Names of consolidated subsidiaries are omitted.

Fukuoka Packing Co., Ltd. has been included in the scope of consolidation because the Group increased its involvement with the management of the company. In addition, Shinsankyobuturyu, Inc. and five other companies, due to their increased significance, and Toyo Pack (Changshu) Co., Ltd., because it was newly established, have been included in the scope of consolidation in the consolidated fiscal year under review. Honma Tekkojo Co., Ltd., Shimada Glass Co., Ltd., and Toyo Glass Machinery Singapore (Pte) Ltd. have been excluded from the scope of consolidation because Honma Tekkojo completed its liquidation on September 28, 2010, Shimada Glass on September 30, 2010, and Toyo Glass Machinery Singapore on March 28, 2011. Statements of Income of the abovementioned companies from the beginning of the consolidated fiscal year under review through to the completion of their liquidation have been consolidated. Toyo Denkai Co., Ltd. has been excluded from the scope of consolidation because it merged with the Company effective October 1, 2010.

There are eight non-consolidated subsidiaries whose respective sums of total assets, net sales, net income (loss) (corresponding to equity held by the Company), and retained earnings (corresponding to equity held by the Company) have no significant impact on these account items in the consolidated financial statements and have therefore been excluded from consolidation.

(2) Application of the Equity Method

Asia Packaging Industries (Vietnam) Co., Ltd. and Chongqing United Can Co., Ltd. are affiliated companies accounted for by the equity method. Fukuoka Packing Co., Ltd. has been excluded from the scope of application of the equity method because it became a consolidated subsidiary of the Company effective from the consolidated fiscal year under review. The non-consolidated subsidiaries (Toyo Packs Co., Ltd. and seven others) and affiliate companies (Takeuchi Hi-Pack Co., Ltd. and five others) are no longer accounted for using the equity method because the impact on net income or loss (corresponding to equity) and retained earnings (corresponding to equity) is immaterial to the consolidated financial statements.

(3) Closing Date for the Settlement of Accounts of Consolidated Subsidiaries

23 consolidated subsidiaries, including the eight companies mentioned below, close their accounts on December 31. Since the difference between the closing date of said companies and the consolidated closing date is less than three months, the financial statements as of the closing date of these companies are used in the consolidated financial statements.

- Bangkok Can Manufacturing Co., Ltd.
- TOYO-MEMORY TECHNOLOGY SDN. BHD.
- Well Pack Innovation Co., Ltd.
- Malaysia Packaging Industry Berhad
- Toyo Pack International Co., Ltd.
- Crown Seal Public Co., Ltd.
- Tokan (Guangzhou) High Technology Containers Co., Ltd.
- Next Can Innovation Co., Ltd.

Necessary adjustments are made for material transactions between their closing date (December 31) and the consolidated closing date (March 31) for the purposes of consolidation.

(4) Summary of Significant Accounting Policies

(a) Valuation basis and method for important assets

i. Securities

Bonds held to maturity: Valued at amortized cost by the straight-line method.

Available-for-sale securities

With market value:

Valued at fair market value as of the balance-sheet date with changes in net unrealized gain or loss included directly in net assets. Cost of securities sold is principally determined by the moving-average method.

With no market price:

Principally valued using the moving-average method.

ii. Derivatives

Derivatives are valued using the market value method.

iii. Inventories

Inventories are principally stated at cost determined by the average cost method, using the value method to devalue a book value for decreasing profitability.

(b) Depreciation and amortization methods of major assets

i. Property, plant and equipment (excluding lease assets)

Principally computed by the declining-balance method.

(Changes in accounting policy)

The Company previously depreciated office buildings for lease using the declining-balance method. Effective from the consolidated fiscal year under review, however, the Company changed the depreciation method for office buildings for lease to the straight-line method. This followed our review of the revenue management method for rental properties with the application of the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20, November 28, 2008). This allows us to expect a certain amount of rental revenue from capital invested in each fiscal year. Therefore, we decided to apply the straight-line method of depreciation on these non-current assets to reflect revenue and expenses more appropriately.

The impact of this change on operating income, ordinary income and income before income taxes is insignificant.

ii. Intangible assets (excluding lease assets)

Amortized using the straight-line method.

iii. Lease assets (non-ownership-transfer finance lease transactions)

Depreciated over the lease period using the straight-line method with no residual value.

Non-ownership-transfer finance lease transactions that commenced on or before March 31, 2008 are continuously accounted for in the same method as for rental transactions.

(c) Accounting for significant reserves

i. Allowances for doubtful accounts

Reserves for doubtful accounts are provided at an amount of uncollectible receivables based on the actual rate of losses from bad debts for ordinary receivables, and on the estimated recoverability for specific doubtful receivables.

ii. Provision for directors' bonuses

Reserves are set at an amount that is expected to be sufficient to cover payouts of bonuses to Directors.

iii. Provision for loss on disaster

With the Great East Japan Earthquake, the reserve is provided at a reasonably estimated amount to cover costs and losses expected to accrue in the future.

iv. Provision for business structure improvement

With improvement of business structures including Packaging Business, the reserve is provided at a reasonably estimated amount to cover costs and losses expected to accrue in the future.

v. Provision for retirement benefits

Accrued retirement benefits for employees are provided at an amount calculated based on the projected benefit obligations and the fair value of the plan assets as of the end of the fiscal year. Prior service cost is collectively expensed as incurred.

Actuarial gain or loss is amortized by the straight-line method over a period of 10 years, which is shorter than the average remaining service years for employees at the time of recognition, from the year following such recognition.

vi. Provision for special repairs

Provision for special repairs for regular repair of glass kilns is provided at an amount considered sufficient to cover the estimated amount for the next repair according to the time elapsed.

(d) Hedging accounting method

i. Hedging accounting method

The Company has adopted the deferral method for hedging activities. Certain forward foreign exchange contracts are subject to appropriation if they satisfy the requirements for appropriation treatment (“*furiate-shori*”).

ii. Hedging instruments and hedged items

Hedging instrument	Hedged item
Forward foreign exchange contracts	Accounts receivable/payable—trade denominated in foreign currencies and forecast transactions denominated in foreign currencies
Interest rate swaps	Loans payable

iii. Hedging policy

The Company enters into forward foreign exchange contracts to hedge its exposure to foreign currency fluctuation risk with regard to transactions denominated in foreign currencies and interest rate swaps to hedge its exposure to interest rate fluctuation risk related to fund-raising costs. The Company utilizes these hedging instruments only for transactions based on actual demand and does not participate in hedging activities for speculative purposes with the aim of gaining a marginal advantage from buying and selling.

iv. Method of assessing the hedging effectiveness

Assessment of hedging effectiveness is omitted because it can be assumed that the important conditions for the hedging instrument and the hedged item are same and the fluctuations of rate or the cash flow fluctuations can be fully offset at the beginning of the hedging and also continuously thereafter.

(e) Other important matters in preparing the consolidated financial statements

i. Accounting for consumption tax

Transactions subject to consumption tax and local consumption tax are recorded at amounts exclusive of consumption taxes.

(5) Method of Amortization of Goodwill and Period thereof

Goodwill is equally amortized over five years on a straight-line basis.

(6) Cash and Cash Equivalents in the Consolidated Statement of Cash Flow

Cash and cash equivalents in the consolidated statement of cash flows include cash on hand, demand deposits and short-term investments maturing within three months from the date acquired and which are easily convertible to cash with little or no risk of fluctuation in value.

(7) Changes in Assumptions Underlying Preparation of the Consolidated Financial Statements

(Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method)

Effective from the consolidated fiscal year under review, the Company has applied “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, March 10, 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (PITF No. 24, March 10, 2008). The change has no impact on ordinary income and income before income taxes.

(Accounting standard for asset retirement obligations)

Effective from the consolidated fiscal year under review, the Company has applied “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008). As a result of this change, operating income decreased 53 million yen, ordinary income 54 million yen, and income before income taxes 1,278 million yen.

(Accounting standard for business combinations)

Effective from the consolidated fiscal year under review, the Company has applied “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008) and “Accounting Standard for Consolidated Financial Statement” (ASBJ Statement No. 22, December 26, 2008), Partial Amendments to “Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, December 26, 2008), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008).

(Method of presentation)

(Consolidated Balance Sheets and Consolidated Statements of Changes in Net Assets)

Effective from the consolidated fiscal year under review, the Group has applied “Partial Revision to the Ordinance on Company Accounting” (Ordinance of the Ministry of Justice No. 33, September 30, 2010) and the account titles “Valuation and translation adjustments” and “Total valuation and translation adjustments” have been used. The amounts of “*hyouka/kanzansagakutou*” (Valuation and translation adjustments) and that of “*hyouka/kanzansagakutou goukei*” (Total valuation and translation adjustments) have been presented by “*sonota no houkatsuriekiruigaku*” (Valuation and translation adjustments) and “*sonota no houkatsuriekiruigaku*” (Total valuation and translation adjustments), respectively.

(Consolidated Statements of Income)

Effective from the consolidated fiscal year under review, the Group has applied the “Partial Revision to the Ordinance for Enforcement of Companies Act and the Ordinance on Company Accounting, etc.” (Ordinance of the Ministry of Justice No. 7, March 27, 2009), and the account title “Loss before minority interests” has been used.

Non-consolidated Balance Sheets

(As of March 31, 2010 and 2011)

	2010	2011
	<i>(millions of yen)</i>	
(Assets)		
Current assets		
Cash and deposits	¥67,367	¥77,273
Notes receivable - trade	10,477	8,227
Electronically recorded monetary claims - operating	—	9,754
Accounts receivable - trade	92,130	83,226
Short-term investment securities	2,000	2,000
Merchandise and finished goods	25,513	22,050
Work in process	1,419	1,225
Raw materials and supplies	7,932	7,376
Advance payments - trade	175	26
Deferred tax assets	6,178	5,947
Short-term loans receivable	21,813	18,527
Accrued receivable	2,892	2,837
Other	460	487
Allowance for doubtful accounts	(2,138)	(1,153)
Total current assets	236,224	237,810
Non-current assets		
Property, plant and equipment		
Buildings, net	29,820	28,257
Structures, net	1,221	1,342
Machinery and equipment, net	15,956	18,170
Vehicles, net	83	120
Tools, furniture and fixtures, net	2,982	2,646
Land	28,353	28,812
Lease assets, net	279	188
Construction in progress	12,839	22,325
Total property, plant and equipment	91,537	101,863
Intangible assets		
Leasehold right	17	17
Software	1,042	230
Exploitation right	7	5
Other	1	1
Total intangible assets	1,068	254
Investments and other assets		
Investment securities	73,716	64,672
Stocks of subsidiaries and affiliates	25,989	25,789
Investments in capital	3	3
Investments in capital of subsidiaries and affiliates	5,790	8,592
Long-term loans receivable	183	181
Long-term loans receivable from employees	12	7
Long-term loans receivable from subsidiaries and affiliates	19,884	17,038
Claims provable in bankruptcy, claims provable in rehabilitation and other	917	477
Long-term prepaid expenses	599	477
Deferred tax assets	14,972	13,229
Other	2,015	1,904
Allowance for doubtful accounts	(1,957)	(1,911)
Total investments and other assets	142,127	130,463
Total non-current assets	234,733	232,582
Total assets	¥470,957	¥470,392

	2010	2011
	<i>(millions of yen)</i>	
(Liabilities)		
Current liabilities		
Accounts payable - trade	¥37,354	¥35,027
Lease obligations	135	129
Accounts payable - other	8,843	10,326
Accrued expenses	14,147	13,528
Income taxes payable	141	50
Advance received	306	44
Deposits received	2,779	1,478
Provision for directors' bonuses	56	56
Provision for loss on disaster	—	3,427
Provision for business structure improvement	—	658
Provision for loss on liquidation of subsidiaries and affiliates	495	—
Other	835	1,503
Total current liabilities	65,094	66,231
Non-current liabilities		
Long-term loans payable	—	18,000
Lease obligations	158	68
Provision for retirement benefits	18,304	17,383
Provision for PCB	175	211
Provision for business structure improvement	1,472	—
Provision for asbestos	—	155
Asset retirement obligations	—	622
Other	2,817	2,313
Total non-current liabilities	22,928	38,755
Total liabilities	¥88,023	¥104,986

	2010	2011
	<i>(millions of yen)</i>	
(Net assets)		
Shareholders' equity		
Capital stock	11,094	11,094
Capital surplus		
Legal capital surplus	349	349
Total capital surplus	349	349
Retained earnings		
Legal retained earnings	2,773	2,773
Other retained earnings		
Reserve for doubtful accounts	5,800	5,800
Reserve for inventory adjustment	5,600	5,600
Reserve for special depreciation - general	33,500	33,500
Reserve for special depreciation	108	92
Reserve for advanced depreciation of non-current assets	4,916	4,960
General reserve	315,541	315,541
Retained earnings brought forward	4,441	(2,488)
Total retained earnings	372,680	365,778
Treasury stock	(19,520)	(25,662)
Total shareholders' equity	364,603	351,559
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	18,960	14,806
Deferred gains or losses on hedges	(629)	(960)
Total valuation and translation adjustments	18,331	13,846
Total net assets	382,934	365,406
Total liabilities and net assets	¥470,957	¥470,392

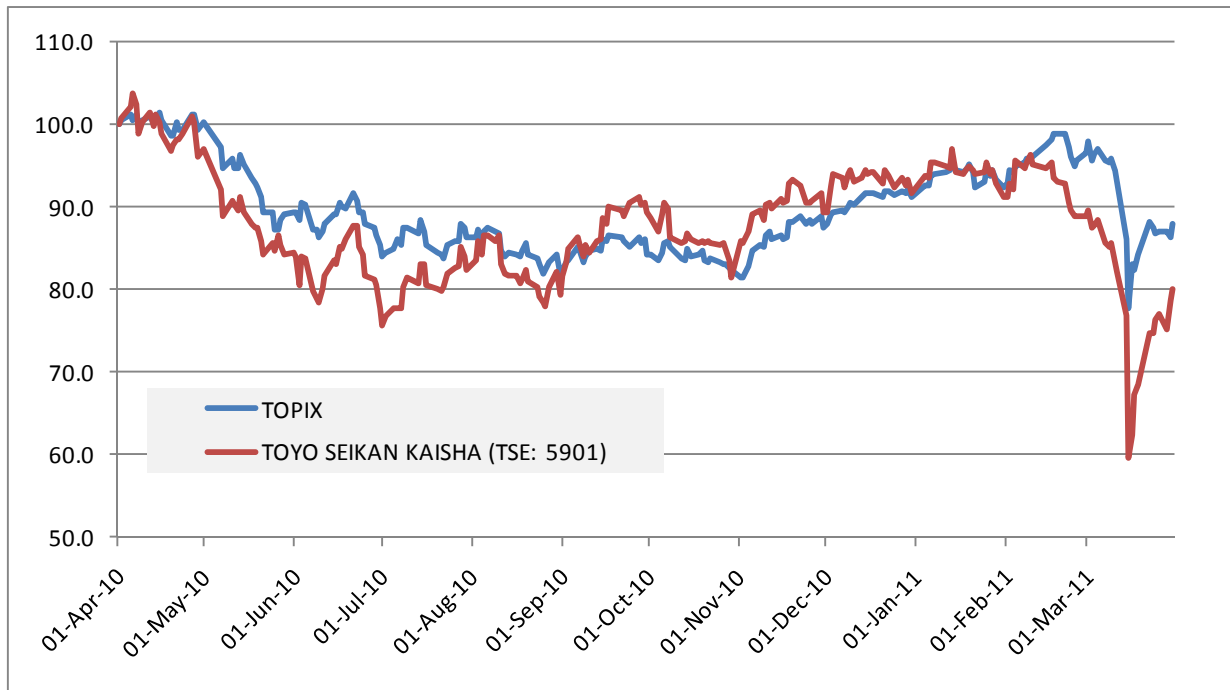
Non-consolidated Statements of Income

(For the years ended March 31, 2010 and 2011)

	2010	2011
	<i>(millions of yen)</i>	
Net sales	¥328,258	¥323,874
Cost of sales	285,071	281,672
Gross profit	43,187	42,202
Selling, general and administrative expenses	39,551	37,285
Operating income	3,636	4,916
Non-operating income		
Interest income	1,136	984
Dividends income	2,564	2,916
Rent income	2,767	2,584
Other	2,245	3,207
Total non-operating income	8,714	9,692
Non-operating expenses		
Rent expenses on non-current assets	883	1,450
Loss on retirement of non-current assets	636	472
Loss on valuation of non-current assets	499	—
Foreign exchange losses	—	715
Other	1,347	1,159
Total non-operating expenses	3,366	3,797
Ordinary income	8,983	10,811
Extraordinary income		
Gain on sales of non-current assets	301	—
Gain on sales of stocks of subsidiaries and affiliates	370	—
Gain on extinguishment of tie-in shares	—	2,197
Total extraordinary income	671	2,197
Extraordinary loss		
Loss on disaster	—	6,137
Provision for loss on disaster	—	3,427
Provision of allowance for doubtful accounts for subsidiaries and affiliates	968	503
Loss on valuation of stocks of subsidiaries and affiliates	1,603	1,094
Loss on support to subsidiaries and affiliates	—	782
Provision for business structure improvement	262	—
Provision for loss on liquidation of subsidiaries and affiliates	495	—
Provision for asbestos	—	155
Underground obstacle removal cost	147	—
Soil amendment cost	488	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	612
Total extraordinary losses	3,964	12,712
Income before income taxes	5,690	296
Income taxes - current	(0)	(1)
Income taxes - deferred	2,124	5,140
Total income taxes	2,123	5,139
Net income (loss)	¥3,567	(¥4,842)

Stock Information

(From April 1, 2010 to March 31, 2011)



Fiscal year 2011 ended March 31, 2011

Index

In %

Investor Information

(As of March 31, 2011)

Trade Name:	Toyo Seikan Kaisha, Ltd.
Location of Head Office:	1-3-1 Uchisaiwai-cho, Chiyoda-ku, Tokyo, Japan
Date Established:	June 25, 1917
Capital:	¥11,094,600,000
End of Fiscal Year:	March 31
Number of Employees:	17,313
Number of Subsidiaries:	65
Number of Affiliated Companies:	8
Accounting Auditor:	Sohken Audit Corporation
Stock Exchange Listings:	Tokyo Stock Exchange, First Section; Osaka Securities Exchange, First Section
Securities Identification Code:	5901
Total Number of Issuable Shares:	450,000,000
Total Number of Issued Shares:	216,592,000
Number of Shares per Unit:	100
Number of Shareholders:	6,982
Shareholder List Manager:	The Sumitomo Trust & Banking Co., Ltd.
IR Contact:	
Telephone:	+81-3-3508-2112
Fax:	+81-3-3508-2265
URL:	http://www.toyo-seikan.co.jp/e/



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