



TECHNOLOGY THE WORLD NEEDS

PROFILE

Innovation has always been Tsukishima Kikai's defining trait. Since our foundation in 1905, we have, over more than a century, developed extensive expertise in diverse technology fields, ranging from waterworks, sewage treatment facilities and incinerators to industrial waste treatment, filtration, separation and other technologies.

Operations of the Tsukishima Kikai Group

TSK
TSUKISHIMA
KIKAI

Basic technologies and applications associated with sugar refining

Core technologies

Reaction, Crystallization, Distillation, Centrifuge separation, Filtration, Dehydration, Incineration, Combustion, Fusion, Vacuum processing

Applications

Applications

Water Environmental Business Division

Water: Filtration and purification, Wastewater treatment

Sewage: Sewage treatment, Sludge treatment

Affiliated companies

- Tsukishima Technology Maintenance Services Co., Ltd.
- Samukawa Water Services Co., Ltd.

Industrial Business Division

Industrial plant equipment and machinery, Sugar and biotechnology, Incineration, Vacuum processing

Affiliated companies

- Tsukishima Kankyo Engineering Co., Ltd.
- SUN ECO THERMAL Co., Ltd.
- Tsukishima Machine Sales Co., Ltd.
- Daido Chemical Engineering Corp.
- TSK Engineering (Thailand) Co., Ltd.
- BOKELA GmbH
- TSK Engineering China Co., Ltd.



BUSINESS SEGMENTS

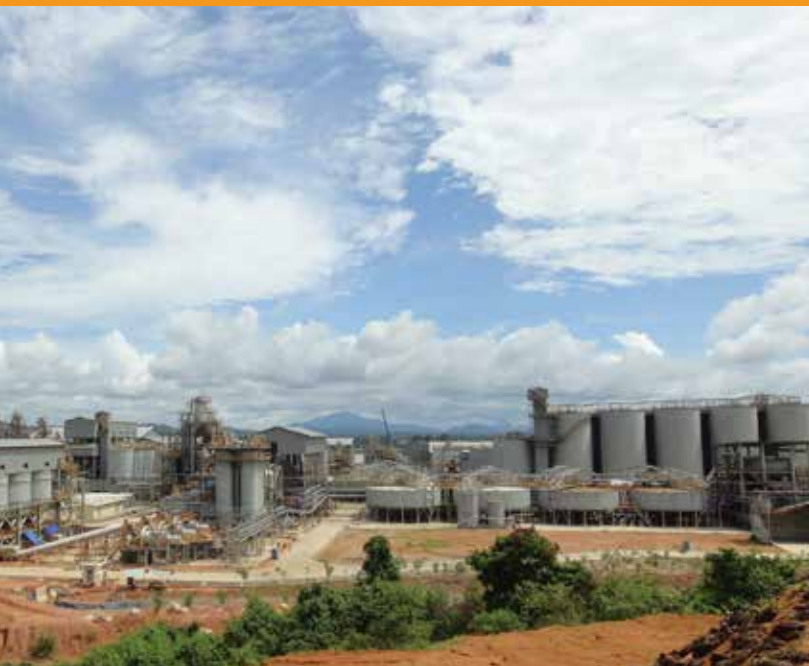


Water Environmental Business

Subsegments	Business description
Plants and process equipment	Various plants and equipment
Life cycle business	PFI/DBO/Comprehensive O&M contracts
Operation and maintenance	One-year/multi-year O&M contracts/Maintenance/Parts/Repair/Chemicals

Industrial Business

Subsegments	Business description
Plants and process equipment	Various plants and equipment
Incineration	Incineration plants and equipment
Operation and maintenance	Maintenance/Parts
Other	Intermediary treatment of industrial and non-industrial waste (incineration)





Kazuhiko Yamada
President and Chief Executive Officer, Representative Director

I am pleased to present our 2015 Annual Report covering the period from April 1, 2014 to March 31, 2015.

A key trend in the market environment in the year ended March 2015 was a continuing gradual recovery in the Japanese economy. This was reflected in signs of a turnaround in demand for capital investment as perceptions of over-capacity in the economy gradually waned. Uncertainty continued to cloud the overall situation in overseas markets because of factors that included the falling oil price and economic downturns in emerging countries.

For the Tsukishima Kikai Group, the year under review was the second year of a three-year medium-term management plan launched in the year ended March 2013. Our business activities in the year under review were guided by the priorities identified in this plan, which calls for a focus on the environment and energy fields, the expansion of overseas business, and group-wide cost reductions.

In the Water Environmental Business segment, we captured new demand for the expansion and renovation of water supply and sewage treatment facilities in Japan. We also continued to market our services in such areas as facility operation, management, maintenance and repair. Our business activities also encompassed private finance initiative (PFI^{*1}) and design-build-operate (DBO^{*2}) projects, which combine facility construction with long-term operation and maintenance, as well as feed-in tariff (FIT^{*3}) projects in the electric power generation sector.

Rising recognition by environment and energy customers

In the Industrial Business segment, we targeted demand for capital investment through wide-ranging marketing activities focusing on plants, process equipment and environment-related equipment in Japan and overseas. While working to complete projects in hand, we also sought to ensure cost competitiveness by developing relationships with new vendors and collaborating with overseas companies. Our ongoing cost-cutting initiatives included the use of overseas contractors to manufacture some key machinery items.

Net Sales and Income

Our consolidated financial results for the year ended March 2015 are shown on the facing page. The year is memorable for the acquisitions of Daido Chemical Engineering Corp. on October 6, 2014, and Bokela GmbH on December 29, 2014. The aim of these moves was to expand our overseas business and strengthen our process equipment business.

- *1 Private finance initiative (PFI): This structure allows private sector funds, technology and efficient operating expertise to be used to provide public services that require facility development.
- *2 Design, build, operate (DBO): With this approach, a business corporation is entrusted with the design, building and operation of facilities, while the government arranges finance and assumes ownership.
- *3 Feed-in tariff (FIT): This system requires electric power companies to purchase electricity generated using renewable energy at a fixed, predetermined price.

SEGMENT RESULTS

Water Environmental Business

A firm trend in public investment was reflected in the results for the Water Environment Business. There was sustained growth in orders, including orders for multiyear and comprehensive operation and maintenance (O&M^{*4}) services, and PFI and DBO projects combining facility construction with long-term operation and maintenance services.

Our priority in this business environment was to win contracts for the expansion and renovation of sludge treatment facilities for water supply and sewage treatment facilities in Japan. We stepped up our marketing activities for sludge dewatering systems for water treatment plants, and sludge digesters and incinerators for sewage treatment plants. Our PFI and DBO marketing efforts resulted in a major PFI contract relating to water supply

facilities. We were also able to build up substantial orders in the O&M service category by winning several contracts for large-scale repair projects, reflecting efforts to extend the service lives of facilities. In addition, we increased our efforts to raise the percentage of stable, long-term income by winning multiple contracts for power generation projects involving the use of sludge digestion gas to generate electric power for sale under the FIT system.

The financial results for the Water Environmental Business segment are shown in the graphs on the right.

*4 Comprehensive O&M services: These services encompass not only facility operation, but also maintenance and the supply of chemicals, etc.

Industrial Business

Within Japan, there was a continuing recovery in capital investment across multiple industrial sectors. However, as already reported, conditions in some overseas markets remained uncertain.

The Tsukishima Kikai Group responded to this business environment by focusing on marketing efforts for plant facilities and process equipment, such as separators and gas holders, in Japan and overseas. A key priority in the year under review was the capture of capital investment demand and replacement demand in the chemical and foodstuffs sectors in Japan and overseas. Environment-related activities included marketing efforts for waste liquid combustion systems and solid waste incineration facilities in Japanese and overseas markets.

The financial results for the Industrial Business segment are shown in the graphs on the right.

Capital Investment

Capital investment in the year ended March 31, 2015 amounted to ¥1,597 million. The main items were as follows.

▶ Machinery for generation facilities	¥500 million
▶ Machinery and equipment for R&D	¥288 million

Research and Development

Research and development activities are essential to the continuing technology-driven growth of the Tsukishima Kikai Group, and we will continue to expand our efforts to develop new technologies and products that differentiate us from our competitors, especially in the environmental and energy fields.

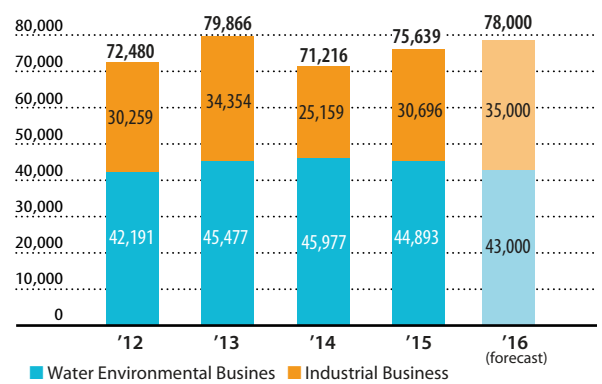
Sludge treatment remains a key market in the Water Environmental Business segment. We will continue to enhance our line-up of sludge dewatering equipment and other process equipment in the sludge treatment sector. We have built a significant track record in the area of sewage sludge-to-fuel systems and fluidized bed incineration systems, and we will target further technology-based differentiation through continuing R&D.

In the Industrial Business segment, we will develop technologies for new products for the overseas market in anticipation of future demand growth. We also aim to strengthen our market competitiveness by differentiating our environmental and energy-related technologies.

We look forward to the continuing support and cooperation of our shareholders, investors and customers.

Sales*

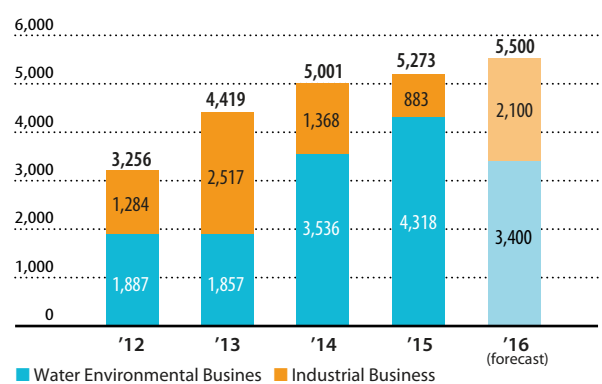
(Millions of yen)



* The above figures also include the other segment.

Operating income*

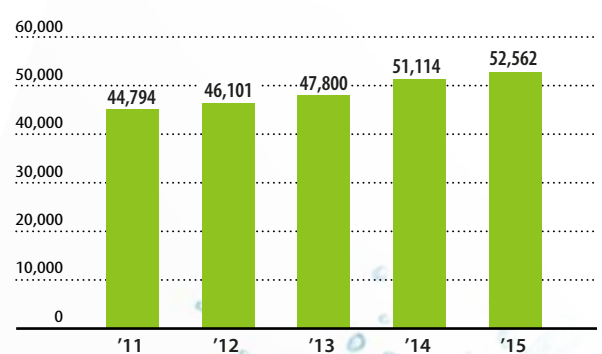
(Millions of yen)



* The above figures also include the other segment.

Total shareholders' equity

(Millions of yen)



MEDIUM-TERM MANAGEMENT PLAN (FY2014 TO FY2016)

KEY MEASURES

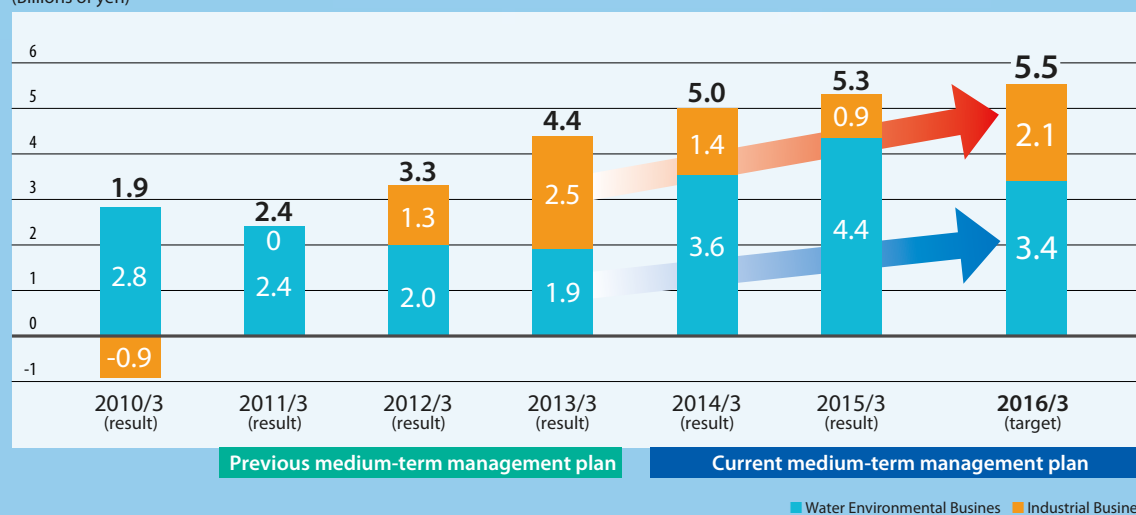
- 1 Focus on the environmental and energy fields
- 2 Expand overseas business
- 3 Implement group-wide cost reductions

FINANCIAL TARGETS

	2013/3	2016/3
Orders received	¥84.1 billion	¥80.0 billion
Net sales	¥79.9 billion	¥78.0 billion
Operating income	¥4.4 billion	¥5.5 billion
Operating income ratio	5.5%	7.0%

OPERATING INCOME RESULTS AND TARGET

(Billions of yen)



Topic

1

Targeting Business Expansion and Technology Complementation through Mergers and Acquisitions

In October 2014, we acquired 100% of shares in Daido Chemical Engineering Corp., which became a subsidiary. For over half-a-century, Daido Chemical Engineering has been developing advanced technology through its engineering activities, which center mainly on evaporative concentration, absorption, crystallization and dialysis processes. Of particular significance is its original technology for the treatment of waste acids from manufacturing processes. Through its engineering activities, Daido Chemical Engineering is helping to protect the environment by promoting the recovery, recycling and reuse of valuable resources.

In December 2014, we acquired the German filtration equipment manufacturer Bokela GmbH ("Bokela") as a subsidiary. Bokela has developed a wide range of equipment based mainly on solid-liquid separation technology. Over a period of 28 years, this globally active company has built an impressive resource of advanced technologies, especially in the area of mineral dewatering and filtration systems. It has also established an extensive track record as a supplier of equipment to resource and raw material manufacturers worldwide.

By adding Daido Chemical Engineering and Bokela to the Tsukishima Kikai Group, we have gained access to technologies that complement our own process equipment technology. We will also be able to undertake global marketing activities that would not have been possible for the pre-acquisition Tsukishima Kikai Group. We will help these new subsidiaries to expand their marketing networks across a wide range of industries in Japan and overseas, and to improve their filtration technologies and strengthen their competitiveness through technology sharing.

The acquisition of shares in Daido Chemical Engineering and Bokela will further strengthen the business foundations and growth potential of the Tsukishima Kikai Group while also accelerating our efforts to contribute to the world through environmental technology.



Topic

2

Contract for PFI Project Relating to Wastewater Treatment System for a Water Treatment Plant

Owari Water & Energy Co., Ltd., a special-purpose company established jointly by Tsukishima Kikai Co., Ltd., Tsukishima Technology Maintenance Service Co., Ltd. and Mitsubishi Electric Corporation, signed contracts with the Aichi Public Enterprise Bureau covering the development and operation of equipment, including wastewater treatment systems and power generators, at the Inuyama water purification plant and one other water purification plant. The project is worth a total of ¥8,950 million.

The aim of the project is to replace aging wastewater treatment equipment, consisting mainly of dewatering systems, at the Inuyama water purification plant and Owari West water purification plant, which are operated by the Aichi Public Enterprise Bureau, and to install new power generation systems, including normal and emergency generators and solar power equipment. The generation facilities will help to balance electricity supply and demand while also enhancing the capacity of the water treatment facilities to continue operating in the event of a disaster. These upgrades will be carried out as a PFI project.

As the company representing the partners in the project, Tsukishima Kikai aims to raise the level of services provided by efficient waterworks with PFI projects that combine wastewater treatment systems with normal power generation facilities and solar power systems.



BOARD OF DIRECTORS



From left

BUNYU FUTAMURA

Board Member

MASASHI TERANISHI

Board Member

TORAHIKO MAKI

Board Member,
Managing
Executive Officer

TAKASHI KIKKAWA

Board Member,
Managing
Executive Officer

AKIHIKO WATANABE

Board Member,
Managing
Executive Officer

HISAO SHIGEKANE

Board Member

From left

KAZUO NAKAJIMA

Board Member,
Senior Managing Executive Officer

KAZUHIKO YAMADA

President and Chief Executive Officer,
Representative Director

KIKUO MAKISHIMA

Senior Managing Executive Officer,
Representative Director

FINANCIAL SECTION

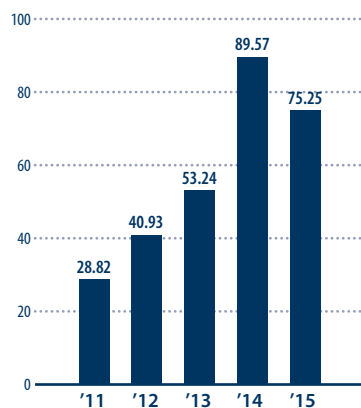
Five-Year Summary (Consolidated)

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries
Years ended March 31

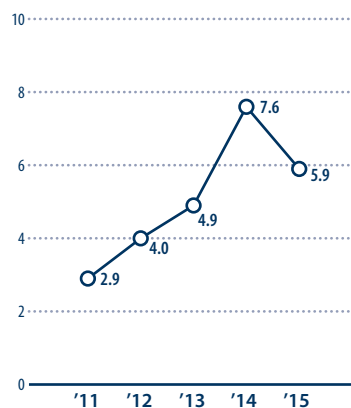
	Millions of yen (Note 1)					Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2012	2011	2015
For the year:						
Net sales.....	¥ 75,639	¥71,216	¥79,866	¥72,480	¥65,042	\$629,433
Operating income.....	5,273	5,001	4,419	3,256	2,420	43,879
Income before income taxes.....	5,794	6,850	4,048	3,630	2,167	48,215
Net income.....	3,344	3,986	2,369	1,822	1,282	27,827
At year-end:						
Total assets.....	105,002	98,688	92,095	89,261	84,315	873,778
Total shareholders' equity.....	¥ 52,562	¥51,114	¥47,800	¥46,101	¥44,794	\$437,397
Per share:						
Net income.....	¥75.25	¥89.57	¥53.24	¥40.93	¥28.82	\$0.62
Cash dividends.....	¥17.00	¥17.00	¥15.00	¥15.00	¥15.00	\$0.14
Number of shares outstanding (in thousands).....						
	45,625	45,625	45,625	45,625	45,625	

Note: U.S. dollar amounts are translated from yen at the rate of ¥120.17 to US\$1, solely for the convenience of the reader.
Amounts less than ¥1 million, \$1 thousand and Number of shares outstanding in thousands have been rounded down.

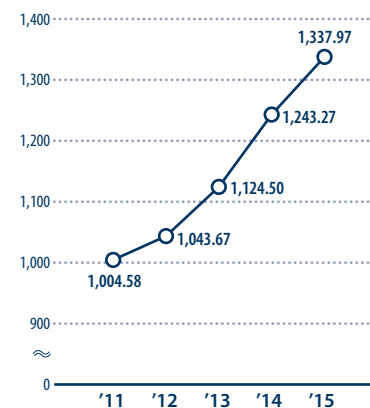
Net Income per Share
(Yen)



Return on Equity
(%)



Equity per Share
(Yen)



Consolidated Balance Sheets

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
ASSETS			
Current assets:			
Cash and time deposits (Notes 7, 10)	¥ 15,920	¥ 17,201	\$ 132,478
Marketable securities (Notes 2, 7, 8)	1,500	6,500	12,482
Notes and accounts receivable (Notes 7, 9, 10).....	41,846	33,034	348,223
Less: allowance for doubtful accounts (Note 2).....	(161)	(104)	(1,339)
Work in process (Note 2).....	2,239	2,795	18,631
Raw materials and supplies (Note 2).....	190	133	1,581
Deferred income taxes (Note 13)	2,269	2,291	18,881
Other current assets (Note 10)	1,268	3,212	10,551
Total current assets	65,073	65,064	541,507
Property, plant and equipment (Note 2):			
Land	3,942	4,345	32,803
Buildings and structures	11,849	12,377	98,601
Machinery and equipment.....	14,554	13,931	121,111
Lease assets.....	761	769	6,332
Construction in progress.....	322	70	2,679
	31,430	31,493	261,546
Less: accumulated depreciation	(19,089)	(18,872)	(158,849)
Net property, plant and equipment.....	12,340	12,621	102,687
Investments and other assets:			
Goodwill (Note 2)	233	279	1,938
Software	399	226	3,320
Lease assets (Note 2)	58	57	482
Investments in securities (Notes 2, 7, 8, 10).....	25,291	18,703	210,460
Long-term loans receivable (Note 10).....	169	186	1,406
Deferred income taxes (Note 13)	1,075	1,153	8,945
Other assets.....	797	785	6,632
Less: allowance for doubtful accounts (Note 2).....	(437)	(389)	(3,636)
Total investments and other assets	27,587	21,002	229,566
Total assets	¥105,002	¥ 98,688	\$ 873,778

See Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current liabilities:			
Notes and accounts payable			
Trade (Notes 7, 9).....	¥ 18,021	¥14,724	\$149,962
Other	2,754	2,347	22,917
Short-term loans payable (Notes 7, 10).....	592	57	4,926
Current portion of long-term loans payable (Notes 7, 9, 10).....	390	384	3,245
Lease obligations (Note 10)	183	177	1,522
Accrued income taxes (Note 13)	914	1,674	7,605
Accrued expenses.....	2,581	2,639	21,477
Accrued warranty (Note 2)	909	1,132	7,564
Reserve for losses on contracts (Note 2).....	645	370	5,367
Advances received	2,350	4,453	19,555
Other current liabilities	2,144	1,677	17,841
Total current liabilities	31,489	29,639	262,037
Long-term liabilities:			
Long-term loans payable (Notes 4, 7, 9, 10).....	3,939	3,218	32,778
Lease obligations (Note 10)	350	353	2,912
Deferred tax liabilities (Note 13).....	2,849	2,262	23,708
Net defined benefit liability (Notes 2, 3, 11).....	6,809	6,828	56,661
Reserve for retirement payments to officers (Note 2)	112	91	932
Asset retirement obligations.....	156	169	1,298
Other long-term liabilities	326	390	2,712
Total long-term liabilities.....	14,545	13,315	121,036
Contingent liability (Note 14)			
Net assets:			
Shareholders' equity:			
Common stock,			
Authorized: 180 million shares in 2015 and 2014			
Issued: 45,625,800 shares in 2015 and 2014	6,646	6,646	55,304
Additional paid-in capital.....	5,485	5,485	45,643
Retained earnings	42,140	39,580	350,669
Treasury stock (Note 4)	(1,710)	(599)	(14,229)
Total shareholders' equity.....	52,562	51,114	437,397
Accumulated Other Comprehensive Income			
Net unrealized gains or losses on available-for-sale securities	6,343	4,530	52,783
Deferred gains or losses on hedges.....	(202)	(42)	(1,680)
Foreign currency translation adjustment (Note 2).....	150	72	1,248
Remeasurements of defined benefit plans (Note 11)	(436)	(340)	(3,628)
Total accumulated other comprehensive income.....	5,855	4,219	48,722
Minority interest	548	399	4,560
Total net assets	58,966	55,734	490,688
Total liabilities and net assets	¥105,002	¥98,688	\$873,778

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales (Notes 2, 19)	¥75,639	¥71,216	\$629,433
Cost of sales (Note 12)	60,431	56,388	502,879
Gross profit	15,208	14,828	126,554
Selling, general and administrative expenses (Note 12)	9,934	9,827	82,666
Operating income (Note 19).....	5,273	5,001	43,879
Other income (expenses):			
Interest and dividend income.....	327	316	2,721
Interest expenses.....	(85)	(85)	(707)
Gain on sales of investments in securities.....	404	—	3,361
Gain on sales of property, plant and equipment	181	2,712	1,506
Loss on sales and disposal of property, plant and equipment.....	(78)	(100)	(649)
Loss on sales of investments in securities.....	(184)	—	(1,531)
Impairment loss (Note 16).....	(274)	—	(2,280)
Equity in earnings of affiliates (Note 2).....	5	6	41
Head office transfer cost.....	—	(338)	—
Transfer expenses.....	—	(284)	—
Retirement benefit expenses.....	—	(278)	—
Depreciation.....	(16)	—	(133)
Taxes and dues.....	(18)	—	(149)
Other, net (Note 15).....	262	(98)	2,180
Other income (expenses), net.....	521	1,848	4,335
Income before income taxes.....	5,794	6,850	48,215
Income taxes (Notes 2, 13):			
Current.....	2,148	2,473	17,874
Deferred.....	219	305	1,822
Total income taxes.....	2,367	2,778	19,697
Income before minority interests.....	3,426	4,071	28,509
Minority interests	(82)	(84)	(682)
Net income	¥ 3,344	¥ 3,986	\$ 27,827
Per share			
Net income.....	¥75.25	¥89.57	\$0.62
Cash dividends.....	¥17.00	¥17.00	\$0.14

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥3,426	¥4,071	\$28,509
Other comprehensive income (Note 5)			
Net unrealized gains or losses on available-for-sale securities	1,812	2,253	15,078
Deferred gains or losses on hedges.....	(154)	2	(1,281)
Foreign currency translation adjustment.....	142	92	1,181
Remeasurements of defined benefit plans.....	(95)	—	(790)
Share of other comprehensive income of associates accounted for using equity method.....	0	0	0
Total other comprehensive income.....	1,704	2,349	14,179
Comprehensive income	¥5,131	¥6,420	\$42,697
(Breakdown)			
Comprehensive income attributable to owners of the parent	¥4,979	¥6,294	\$41,432
Comprehensive income attributable to minority interests.....	¥ 151	¥ 126	\$ 1,256

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries
Years ended March 31, 2015 and 2014

	Thousands	Millions of yen (Note 1)											
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income					Minority interests	Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of March 31, 2013	45,625	¥6,646	¥5,485	¥36,262	¥(594)	¥47,800	¥2,277	¥(39)	¥15	¥ —	¥2,253	¥291	¥50,344
Cash dividends.....	—	—	—	(667)	—	(667)	—	—	—	—	—	—	(667)
Net income for the year ended March 31, 2014.....	—	—	—	3,986	—	3,986	—	—	—	—	—	—	3,986
Change of scope of equity method..	—	—	—	(0)	—	(0)	—	—	—	—	—	—	(0)
Purchase of treasury stock.....	—	—	—	—	(4)	(4)	—	—	—	—	—	—	(4)
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	2,253	(3)	56	(340)	1,966	108	2,075
Balance as of March 31, 2014	45,625	¥6,646	¥5,485	¥39,580	¥(599)	¥51,114	¥4,530	¥(42)	¥72	¥(340)	¥4,219	¥399	¥55,734

	Thousands	Millions of yen (Note 1)											
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income					Minority interests	Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2014	45,625	¥6,646	¥5,485	¥39,580	¥(599)	¥51,114	¥4,530	¥(42)	¥72	¥(340)	¥4,219	¥399	¥55,734
Cumulative effects of changes in accounting policies (Note 3).....	—	—	—	68	—	68	—	—	—	—	—	—	68
Restated balance.....	45,625	6,646	5,485	39,649	(599)	51,182	4,530	(42)	72	(340)	4,219	399	55,802
Cash dividends.....	—	—	—	(801)	—	(801)	—	—	—	—	—	—	(801)
Net income for the year ended March 31, 2015.....	—	—	—	3,344	—	3,344	—	—	—	—	—	—	3,344
Change of scope of equity method..	—	—	—	(51)	—	(51)	—	—	—	—	—	—	(51)
Purchase of treasury stock.....	—	—	—	—	(1,123)	(1,123)	—	—	—	—	—	—	(1,123)
Disposal of treasury stock.....	—	—	—	—	12	12	—	—	—	—	—	—	12
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	1,812	(159)	78	(95)	1,635	148	1,783
Balance as of March 31, 2015	45,625	¥6,646	¥5,485	¥42,140	¥(1,710)	¥52,562	¥6,343	¥(202)	¥150	¥(436)	¥5,855	¥548	¥58,966

	Thousands	Thousands of U.S. dollars (Note 1)											
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income					Minority interests	Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2014	45,625	\$55,304	\$45,643	\$329,366	\$ (4,984)	\$425,347	\$37,696	\$ (349)	\$ 599	\$ (2,829)	\$35,108	\$3,320	\$463,792
Cumulative effects of changes in accounting policies (Note 3).....	—	—	—	565	—	565	—	—	—	—	—	—	565
Restated balance.....	45,625	55,304	45,643	329,940	(4,984)	425,913	37,696	(349)	599	(2,829)	35,108	3,320	464,358
Cash dividends.....	—	—	—	(6,665)	—	(6,665)	—	—	—	—	—	—	(6,665)
Net income for the year ended March 31, 2015.....	—	—	—	27,827	—	27,827	—	—	—	—	—	—	27,827
Change of scope of equity method..	—	—	—	(424)	—	(424)	—	—	—	—	—	—	(424)
Purchase of treasury stock.....	—	—	—	—	(9,345)	(9,345)	—	—	—	—	—	—	(9,345)
Disposal of treasury stock.....	—	—	—	—	99	99	—	—	—	—	—	—	99
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	15,078	(1,323)	649	(790)	13,605	1,231	14,837
Balance as of March 31, 2015	45,625	\$55,304	\$45,643	\$350,669	\$ (14,229)	\$437,397	\$52,783	\$ (1,680)	\$ 1,248	\$ (3,628)	\$48,722	\$4,560	\$490,688

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests.....	¥ 5,794	¥ 6,850	\$ 48,215
Adjustments for:			
Depreciation and amortization	1,057	921	8,795
Impairment loss.....	274	—	2,280
Amortization of goodwill	46	46	382
Increase (decrease) in provision for post-employment benefits.....	—	(5,826)	—
Increase (decrease) in net defined benefit liability.....	(30)	6,298	(249)
Increase (decrease) in accrued bonus to employees	70	110	582
Increase (decrease) in reserve for retirement payments to officers.....	20	8	166
Increase (decrease) in allowance for doubtful accounts.....	104	80	865
Increase (decrease) in accrued warranty	(223)	(437)	(1,855)
Increase (decrease) in reserve for losses on contracts	275	(77)	2,288
Interest and dividend income	(327)	(316)	(2,721)
Interest expenses.....	85	85	707
Equity in (earnings) losses of affiliates	(5)	(6)	(41)
Loss (gain) on sales and disposal of property, plant and equipment.....	(102)	(2,611)	(848)
Loss (gain) on sales of investments in securities	(219)	—	(1,822)
(Increase) decrease in notes and accounts receivable	(8,658)	1,123	(72,047)
Increase (decrease) in advances received.....	(2,104)	17	(17,508)
(Increase) decrease in inventories.....	498	(108)	4,144
Increase (decrease) in notes and accounts payable, trade	3,209	(93)	26,703
Other	2,146	(3,648)	17,858
Subtotal	1,911	2,416	15,902
Interest and dividend income received	335	325	2,787
Interest expenses paid	(86)	(86)	(715)
Income taxes paid.....	(2,865)	(1,909)	(23,841)
Net cash provided by (used in) operating activities.....	(704)	746	(5,858)
Cash flows from investing activities:			
Purchase of property, plant and equipment.....	(1,304)	(5,435)	(10,851)
Proceeds from sales of property, plant and equipment.....	616	7,608	5,126
Purchase of intangible fixed assets	(118)	(157)	(981)
Purchase of investments in securities	(859)	(920)	(7,148)
Proceeds from sales of investments in securities.....	1,132	—	9,419
Purchase of shares of subsidiaries and associates	(4,325)	—	(35,990)
Payments for loans receivable	(27)	(4)	(224)
Collection of loans receivable	12	11	99
Other	17	27	141
Net cash provided by (used in) investing activities.....	(4,854)	1,130	(40,392)
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable.....	470	2	3,911
Proceeds from long-term loans payable.....	1,125	—	9,361
Repayments of long-term loans payable.....	(397)	(396)	(3,303)
Repayments of lease obligations.....	(186)	(159)	(1,547)
Proceeds from stock issuance to minority shareholders.....	16	—	133
Additions of treasury stock.....	(1,123)	(4)	(9,345)
Proceeds from sales of treasury stock.....	12	—	99
Cash dividends paid	(801)	(667)	(6,665)
Cash dividends paid to minority shareholders.....	(19)	(18)	(158)
Net cash provided by (used in) financing activities.....	(904)	(1,244)	(7,522)
Effect of exchange rate change on cash and cash equivalents.....	222	163	1,847
Net increase (decrease) in cash and cash equivalents.....	(6,241)	796	(51,934)
Cash and cash equivalents at beginning of period (Notes 2, 6)	23,661	22,865	196,896
Cash and cash equivalents at end of period (Notes 2, 6).....	¥17,420	¥23,661	\$144,961

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of TSUKISHIMA KIKAI Co., Ltd. ("the Company") and its consolidated subsidiaries have been prepared from the financial statements filed with the Financial Services Agency as required by the Japanese Financial Instruments and Exchange Law in accordance with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

For the convenience of the reader, the accompanying consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts at the exchange rate of ¥120.17 to \$1, the approximate rate of exchange at March 31, 2015.

Amounts less than ¥1 million have been rounded down. And U.S. dollars are translated from these amounts and have been rounded down.

The total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

The 8 major subsidiaries that have been consolidated with the Company are listed below:

- Tsukishima Technology Maintenance Service Co., Ltd.
- SUN ECO THERMAL Co., Ltd.
- Tsukishima Kankyo Engineering Ltd.
- Samukawa Water Service Co., Ltd.
- Tsukishima Machine Sales Co., Ltd.
- Tsukishima Business Support Co., Ltd.
- TSK Engineering (Thailand) Co., Ltd.
- TSK Engineering China Co., Ltd.

The fiscal year-end of all entities is March 31, except for 2 consolidated foreign subsidiaries, which use a December 31 year-end, and adjustment is made for any significant transactions between the different fiscal year-ends

(b) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The equity method is applied to the investments in 6 affiliates.

The cost method is applied to investments in the remaining unconsolidated subsidiaries and affiliates since they are not material for the consolidated financial statements.

The affiliates accounted for by the equity method are listed below:

- Edogawa Water Service Co., Ltd.
- Biocoal Hiroshima-West Co., Ltd.
- Biocoal Plant Service Co., Ltd.
- Biocoal Kumamoto-South Co., Ltd.
- Biocoal Osaka-Hirano Co., Ltd.
- Hybrid Chemical Co., Ltd.

Biocoal Osaka-Hirano Co., Ltd. and Hybrid Chemical Co., Ltd. have become equity method application companies from this fiscal year due to an increase in materiality and establishment, respectively.

(c) Marketable Securities and Investments in Securities

All of the Group's securities are classified as follows: i) Held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity, are reported at amortized cost. ii) Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost, determined by the moving average method.

(d) Inventories

The Company and its consolidated subsidiaries apply the cost method based on the methods mentioned below, which determines the amount of inventories shown in the balance sheet by writing them down based on the decrease in their profitability.

- (1) Work in process is stated at cost, which is determined by the specific cost method.
- (2) Raw materials are stated at cost, which is determined by the periodic average method.
- (3) Supplies are stated at cost, which is determined by the moving-average method.

(e) Property, Plant and Equipment excluding Lease Assets

Property, plant and equipment are carried at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is principally computed by the declining balance method over the estimated useful lives of the assets, while the straight-line method is applied to buildings placed in service after April 1, 1998 (excluding facilities incidental to buildings), power generating equipment and property, plant and equipment of foreign subsidiaries. The range of useful lives is from 3 to 60 years for buildings and structures and from 2 to 20 years for machinery and equipment.

(f) Lease Assets

Depreciation of assets on finance leases that do not transfer ownership of the leased assets to the lessee are calculated by the straight-line method over the lease period with their residual value zero.

Finance lease transactions starting before the fiscal year ended March 31, 2008 that do not transfer ownership of the leased property to the lessee are accounted for as operating leases.

(g) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided for in an amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated on the historical loss experience with respect to remaining receivables.

(h) Accrued Warranty

The accrued warranty is provided for based on amounts determined as a certain percentage (which is distinguished between domestic and overseas construction) of the amount of completed construction contracts for the year, which is computed as a ratio of the actual repair costs incurred under the warranty against the amounts of completed construction contracts during the past years.

In addition, the estimated repair costs for identified individual construction are provided.

(i) Reserve for Losses on Contracts

A reserve for losses on contracts is provided for an estimated amount of probable losses to be incurred in future years in respect of construction projects in progress.

(j) Net Defined Benefit Liability

The benefit formula basis is applied as the method for attributing the expected retirement benefit to periods of service for the calculation of the retirement benefit obligation.

Actuarial differences are amortized over a seven-year period, which is within the average remaining service period of employees, using the straight-line method from the fiscal year following the respective fiscal year of recognition.

Prior service cost is amortized as incurred over a eleven-year or a fourteen-year period, which is within the average remaining service period of employees, using the straight-line method from the time when the prior service cost was generated.

Certain consolidated subsidiaries use the simplified method for the calculation of projected benefit obligations.

(k) Reserve for Retirement Payments to Officers

Certain of the Company's consolidated subsidiaries have provided for reserve for retirement payments to officers under the retirement benefits plan which are calculated by the estimated amount to be paid if all officers retired at the balance sheet date.

With respect to officers' resignations, the retirement payments calculated under the retirement benefits plan are normally paid subject to approval of the shareholders. The retirement payments to officers should be provided for when such costs can be reasonably estimated.

(l) Income Taxes

The Company and its consolidated subsidiaries have adopted the asset-liability method of tax effect accounting to recognize the effect of all temporary differences in the recognition of the tax basis assets and liabilities and their financial reporting amounts.

(m) Translation of foreign currency financial statements of foreign subsidiaries

In translating the financial statements of foreign subsidiaries into Japanese yen, all assets and liabilities are translated into yen at current exchange rates while capital accounts and retained earnings are translated at historical rates, and revenue and expense items are translated at the average exchange rates during the year. The resulting translation adjustments are shown as "Foreign currency translation adjustment" in the accompanying consolidated balance sheets as of March 31, 2015 and 2014.

(n) Research and Development Costs

Research and development costs are charged to income as incurred.

(o) Recognition of Contract Revenue

The Company and its consolidated subsidiaries apply the percentage-of-completion method for the construction contracts which fulfill the conditions that the outcome of the construction activity is deemed certain during the course of the activity. Otherwise, the Company and its consolidated subsidiaries apply the completed-contract method.

(p) Goodwill

Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary is treated as an asset, as the case may be, and amortized over a period of 10 years using the straight-line method.

(q) Cash Equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, at-call deposits with banks, and highly liquid investments which can be withdrawn without any restriction and with minimum market risk.

(r) Derivative Financial Instruments

The Company and certain consolidated subsidiaries use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Company and certain consolidated subsidiaries to reduce foreign currency exchange risks and interest rate risks.

If interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts are added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed ("Short-cut method").

The Company and certain consolidated subsidiaries do not enter into derivatives for trading or speculative purposes.

3. Change in Accounting Policy

Relevant to the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), the Company and its consolidated subsidiaries applied the provisions set forth in the main clauses of paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits from this consolidated fiscal year, and reviewed the calculation method for retirement benefit obligations and service costs. Accordingly, the Company and its subsidiaries changed the method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis. They also amended the determination method of the discount rate from that based on the average remaining working lives to a single weighted average discount rate. The Accounting Standard for Retirement Benefits and its Guidance were applied in accordance with the transitional measures provided in paragraph 37 of the Accounting Standard for Retirement Benefits.

Accordingly, the effect of the change to the calculation method for retirement benefit obligations and service costs has been added to or deducted from retained earnings as of the beginning of this consolidated fiscal year.

As a result of this change, as of the beginning of this consolidated fiscal year, net defined benefit liability decreased ¥106 million (\$882 thousand), and retained earnings increased ¥68 million (\$565 thousand). The effect of these changes on profit or loss for this consolidated fiscal year is immaterial.

4. Additional Information

(Trust Type Employee Stock ownership Incentive Plan)

To enhance employee benefits and welfare, the Company delivers its own stock through a trust to the employee shareholding association.

(1) Overview

Under the resolution adopted on February 26, 2015, the Company introduced an employee shareholding incentive plan through a trust (E-Ship, "the Plan"). The purpose of the Plan is to provide an incentive for the Company's employees to help enhance the Company's enterprise value in the medium to long term, to expand employee benefits and welfare, and to encourage the continuous development of the Company by boosting employees' morale through their capital participation as shareholders.

The Plan is an incentive plan for all employees who are members of the Tsukishima Kikai Employee Shareholding Association ("the Shareholding Association"). In the Plan the Company has set up a trust exclusively for the Shareholding Association ("the E-Ship Trust") at a trust bank. The E-Ship Trust acquires shares of the Company that it anticipates the Shareholding Association will acquire in the next five years using borrowed money.

Subsequently, the E-Ship Trust regularly sells shares of the Company to the Shareholding Association. If the equivalent of gains on sale of shares is accumulated upon termination of the trust, it will be distributed to qualified beneficiaries as residual assets. The Company provides loan guarantees for the E-Ship's borrowings to purchase shares of the Company, and if the E-ship has outstanding debts equivalent to losses on sale of shares upon termination of the trust, the Company will repay the outstanding debts under the guarantee agreement.

(2) The Company's shares remaining at the trust

The Company posts the book value of shares of the Company that are not sold to the Shareholding Association and, therefore, remaining in the trust (excluding incidental expenses), as treasury stock in net assets. The book value and the number of shares of treasury stock were ¥1,109 million (\$9,228 thousand) and 843 thousand shares, respectively, for the year ended March 31, 2015.

(3) The book value of borrowings posted using the "Gross method"

¥1,112 million (\$9,253 thousand) for the year ended March 31, 2015.

5. Other Comprehensive Income

Reclassification adjustments and tax effects of each component of other comprehensive income for the fiscal year ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized gains or losses on available-for-sale securities			
Amount arising during the year	¥2,554	¥3,505	\$21,253
Reclassification adjustment for gains and losses included in net income	(219)	—	(1,822)
Net unrealized gains or losses on available-for-sale securities before tax effect....	2,335	3,505	19,430
Tax effect	(522)	(1,251)	(4,343)
Net unrealized gains or losses on available-for-sale securities	1,812	2,253	15,078
Deferred gains or losses on hedges			
Amount arising during the year	(250)	(18)	(2,080)
Reclassification adjustment for gains and losses included in net income	21	22	174
Deferred gains or losses on hedges before tax effect	(228)	4	(1,897)
Tax effect	73	(1)	607
Deferred gains or losses on hedges	(154)	2	(1,281)
Foreign currency translation adjustment			
Amount arising during the year	142	92	1,181
Tax effect	—	—	—
Foreign currency translation adjustment	142	92	1,181
Remeasurements of defined benefit plans			
Amount arising during the year	(251)	—	(2,088)
Reclassification adjustment for gains and losses included in net income	135	—	1,123
Remeasurements of defined benefit plans before tax effect	(115)	—	(956)
Tax effect	19	—	158
Remeasurements of defined benefit plans	(95)	—	(790)
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	(0)	(1)	(0)
Reclassification adjustment for gains and losses included in net income	1	1	8
Share of other comprehensive income of associates accounted for using equity method	0	0	0
Total other comprehensive income	¥1,704	¥ 2,349	\$14,179

6. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and time deposits.....	¥15,920	¥17,201	\$132,478
Marketable securities.....	1,500	6,500	12,482
Less: time deposits that mature or become due over three months after the date of acquisition.....	—	(40)	—
Cash and cash equivalents.....	¥17,420	¥23,661	\$144,961

7. Financial Instruments

Amounts on the consolidated balance sheets as of March 31, 2015 and 2014, fair value and variance were as follows:

	Millions of yen		
	2015		
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits.....	¥15,920	¥15,920	¥ —
(2) Notes and accounts receivable.....	41,846	41,667	(179)
(3) Marketable securities and Investments in securities Securities classified as available-for-sale.....	21,631	21,631	—
Total.....	79,398	79,218	(179)
(4) Notes and accounts payable-trade.....	18,021	18,021	—
(5) Short-term loans payable.....	592	592	—
(6) Long-term loans payable (Include portion due within one year).....	4,330	4,342	11
Total.....	22,945	22,957	11
(7) Derivative transactions*.....	¥ (306)	¥ (363)	¥ (57)

	Millions of yen		
	2014		
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits.....	¥17,201	¥17,201	¥ —
(2) Notes and accounts receivable.....	33,034	32,743	(290)
(3) Marketable securities and Investments in securities Securities classified as available-for-sale.....	24,523	24,523	—
Total.....	74,758	74,468	(290)
(4) Notes and accounts payable-trade.....	14,724	14,724	—
(5) Short-term loans payable.....	57	57	—
(6) Long-term loans payable (Include portion due within one year).....	3,603	3,619	16
Total.....	18,384	18,401	16
(7) Derivative transactions*.....	¥ (77)	¥ (94)	¥ (16)

	Thousands of U.S. dollars		
	2015		
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits.....	\$132,478	\$132,478	\$ —
(2) Notes and accounts receivable	348,223	346,733	(1,489)
(3) Marketable securities and Investments in securities Securities classified as available-for-sale	180,003	180,003	—
Total.....	660,713	659,216	(1,489)
(4) Notes and accounts payable-trade.....	149,962	149,962	—
(5) Short-term loans payable.....	4,926	4,926	—
(6) Long-term loans payable (Include portion due within one year)	36,032	36,132	91
Total.....	190,937	191,037	91
(7) Derivative transactions*	\$ (2,546)	\$ (3,020)	\$ (474)

* Receivables and payables arising from derivative transactions are presented on a net basis, and if the total represents a liability, it is indicated in parentheses.

Notes a. Method of measurement of fair values of financial instruments and matters concerning securities and derivative transactions

(1) Cash and time deposits

As these items are settled in a short period of time and the fair value is almost equal to the book value, their book value is presented.

(2) Notes and accounts receivable

As these items are settled in a short period of time and the fair value is almost equal to the book value, their book value is presented. However, the fair value of accounts receivable-installment is measured by taking the debtor's financial position into consideration due to the long-term repayment period, and discounted at the interest rate determined by the debtor's financial position.

(3) Marketable securities and Investments in securities

Marketable securities are negotiable certificate of deposit and settled in a short period of time and the fair value is almost equal to the book value, their book value is presented. Investment securities are valued at the exchange trading price.

(4) Notes and accounts payable-trade

As these items are settled in a short period of time and the fair value is almost equal to the book value, their book value is presented.

(5) Short-term loans payable

As these items are settled in a short period of time and the fair value is almost equal to the book value, their book value is presented.

(6) Long-term loans payable (include portion due within one year)

The fair values of long-term loans payable are determined by discounting the aggregate amount of the principal and interest at the rate assumed based on interest rates on government securities and credit risk.

For long-term loans payable bearing variable interest rates, in cases subject to the short-cut method with interest rate swaps, the fair value is estimated based on the total of principal and interest under the short-cut method discounted by the interest rate that would be applied if similar new loans payable were entered into.

For other long-term loans payable bearing variable interest rates, book value is used as fair value, as this is deemed to reflect market interest rates within a short term.

(7) Derivative transactions

The fair values of derivative transactions qualifying for hedge accounting are the forward quotation or the price presented by correspondent financial institutions.

The fair value of interest-rate swaps accounted for by the short-cut method is included in the fair value of long-term loans payable which is designated as the hedged item.

b. The following table summarizes financial instruments whose fair value is extremely difficult to estimate.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Non-listed stocks	¥ 713	¥540	\$ 5,933
Non-consolidated subsidiary and associated company stocks	¥4,446	¥140	\$36,997

c. The aggregate maturities of monetary claims and available-for-sale securities with maturity outstanding as of March 31, 2015 and 2014 were as follows:

	Millions of yen			
	2015			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits.....	¥15,920	¥ —	¥ —	¥ —
Notes and accounts receivable.....	38,505	1,370	1,584	386
Marketable securities and Investments in securities Securities classified as available-for-sale.....	1,500	—	—	—
Total.....	¥55,925	¥1,370	¥1,584	¥386

	Millions of yen			
	2014			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits.....	¥17,201	¥ —	¥ —	¥ —
Notes and accounts receivable.....	29,321	1,402	1,616	695
Marketable securities and Investments in securities Securities classified as available-for-sale.....	6,500	—	—	—
Total.....	¥53,022	¥1,402	¥1,616	¥695

	Thousands of U.S. dollars			
	2015			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits.....	\$132,478	\$ —	\$ —	\$ —
Notes and accounts receivable.....	320,421	11,400	13,181	3,212
Marketable securities and Investments in securities Securities classified as available-for-sale.....	12,482	—	—	—
Total.....	\$465,382	\$11,400	\$13,181	\$3,212

d. The aggregate maturities of long-term loans payable outstanding as of March 31, 2015 and 2014 were as follows:

	Millions of yen					
	2015					
	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years
Short-term loans payable.....	¥592	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable (Include portion due within one year)...	390	325	273	279	1,397	1,664
Total.....	¥983	¥325	¥273	¥279	¥1,397	¥1,664

	Millions of yen					
	2014					
	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years
Short-term loans payable.....	¥ 57	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable (Include portion due within one year)...	384	390	325	273	279	1,949
Total.....	¥ 442	¥390	¥325	¥273	¥279	¥1,949

	Thousands of U.S. dollars					
	2015					
	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years
Short-term loans payable.....	\$4,926	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans payable (Include portion due within one year)...	3,245	2,704	2,271	2,321	11,625	13,847
Total.....	\$8,180	\$2,704	\$2,271	\$2,321	\$11,625	\$13,847

8. Marketable Securities and Investments in Securities

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2015 and 2014 were as follows:

	Millions of yen			
	2015			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥10,802	¥9,910	¥(582)	¥20,131
Others.....	1,500	—	—	1,500
	¥12,302	¥9,910	¥(582)	¥21,631
Held-to-maturity securities.....	¥ —	¥ —	¥ —	¥ —

	Millions of yen			
	2014			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥10,986	¥7,910	¥(873)	¥18,023
Others.....	6,500	—	—	6,500
	¥17,486	¥7,910	¥(873)	¥24,523
Held-to-maturity securities.....	¥ —	¥ —	¥ —	¥ —

	Thousands of U.S. dollars			
	2015			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 89,889	\$82,466	\$(4,843)	\$167,521
Others.....	12,482	—	—	12,482
	\$102,371	\$82,466	\$(4,843)	\$180,003
Held-to-maturity securities.....	\$ —	\$ —	\$ —	\$ —

9. Derivative transactions

Derivative financial instruments with fair value as of March 31, 2015 and 2014 were as follows:

(a) Derivative transactions not qualifying for hedge accounting

There is not the matter.

(b) Derivative transactions qualifying for hedge accounting

(1) Currency-related

(Foreign exchange contracts and other derivative transactions qualifying for designation accounting)

		Millions of yen		
		2015		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
Forward foreign currency exchange contracts:	Principal items hedged:			
Sell U.S. dollar, buy Japanese yen	Accounts receivable.....	¥2,405	¥—	¥(322)
Sell Euro, buy Japanese yen	.....	86	—	5
Sell Chinese yuan, buy Japanese yen	.....	43	—	(16)
Sell Singapore dollar, buy Japanese yen	.....	21	—	(0)
Sell Thai baht, buy Japanese yen	.....	11	—	(2)
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	363	—	3
Buy Euro, sell Japanese yen	.....	124	—	(8)
Buy Thai baht, sell Japanese yen	.....	29	—	4
Total.....		¥3,086	¥—	¥(338)

		Millions of yen		
		2014		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
Forward foreign currency exchange contracts:	Principal items hedged:			
Sell U.S. dollar, buy Japanese yen	Accounts receivable.....	¥ 880	¥—	¥(20)
Sell Ringgit Malaysia, buy Japanese yen	.....	161	—	(11)
Sell Chinese yuan, buy Japanese yen	.....	45	—	(6)
Sell Thai baht, buy Japanese yen	.....	157	—	(2)
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	136	—	1
Buy Euro, sell Japanese yen	.....	62	—	0
Buy Thai baht, sell Japanese yen	.....	493	29	(9)
Buy Korean won, sell Japanese yen	.....	102	—	(1)
Buy Swiss franc, sell Japanese yen	.....	5	—	0
Buy Australian dollar, sell Japanese yen	.....	5	—	0
Total.....		¥2,051	¥29	¥(49)

		Thousands of U.S. dollars		
		2015		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
Forward foreign currency exchange contracts:	Principal items hedged:			
Sell U.S. dollar, buy Japanese yen	Accounts receivable.....	\$20,013	\$—	\$(2,679)
Sell Euro, buy Japanese yen	.....	715	—	41
Sell Chinese yuan, buy Japanese yen	.....	357	—	(133)
Sell Singapore dollar, buy Japanese yen	.....	174	—	(0)
Sell Thai baht, buy Japanese yen	.....	91	—	(16)
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	3,020	—	24
Buy Euro, sell Japanese yen	.....	1,031	—	(66)
Buy Thai baht, sell Japanese yen	.....	241	—	33
Total.....		\$25,680	\$—	\$(2,812)

(2) Interest rate-related
(Derivative transactions qualifying for principle method or short-cut method)

		Millions of yen		
		2015		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
Interest rate swaps:	Principal items hedged:			
(Principle method)				
Receive floating, pay fixed	Long-term loans payable	¥2,969	¥2,696	¥(24)
(Short-cut method)				
Receive floating, pay fixed	Long-term loans payable	150	50	Notes b.
Total.....		¥3,119	¥2,746	¥(24)

		Millions of yen		
		2014		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
Interest rate swaps:	Principal items hedged:			
(Principle method)				
Receive floating, pay fixed	Long-term loans payable	¥3,236	¥2,969	¥(45)
(Short-cut method)				
Receive floating, pay fixed	Long-term loans payable	250	150	Notes b.
Total.....		¥3,486	¥3,119	¥(45)

		Thousands of U.S. dollars		
		2015		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
Interest rate swaps:	Principal items hedged:			
(Principle method)				
Receive floating, pay fixed	Long-term loans payable	\$24,706	\$22,434	\$(199)
(Short-cut method)				
Receive floating, pay fixed	Long-term loans payable	1,248	416	Notes b.
Total.....		\$25,954	\$22,850	\$(199)

Notes a. The fair value is the price presented by correspondent financial institutions.

b. The fair value of interest-rate swaps accounted for by the short-cut method is included in the fair value of long-term loans payable which is designated as the hedged item.

10. Short-term Loans Payable, Long-term Loans Payable and Lease Obligations

Short-term loans payable are represented by 12-month notes, and the weighted average interest rates applicable to such loans payable as of March 31, 2015 and 2014 were approximately 5.7 percent and 4.9 percent.

Interest rates of long-term loans payable as of March 31, 2015 and 2014 were between 0.54 percent and 4.00 percent and 0.75 percent and 4.00 percent respectively.

Long-term loans payable as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans payable, due 2026.....	¥4,330	¥3,603	\$36,032
Less: portion due within one year.....	(390)	(384)	(3,245)
	¥3,939	¥3,218	\$32,778

Lease obligations as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current.....	¥183	¥177	\$1,522
Non-current.....	350	353	2,912
	¥534	¥531	\$4,443

The following assets were pledged as collateral for the long-term loans payable of ¥2,969 million (\$24,706 thousand) and ¥3,236 million for the year ended March 31, 2015 and 2014, respectively.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deposit.....	¥639	¥705	\$5,317
Account receivable.....	157	156	1,306
	¥797	¥862	\$6,632

The following assets were pledged as collateral for the long-term loans payable at affiliated companies and others of ¥5,104 million (\$42,473 thousand) and ¥2,516 million for the year ended March 31, 2015 and 2014, respectively.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Short-term loans receivable.....	¥ 9	¥ 8	\$ 74
Investments in securities.....	40	55	332
Long-term loans receivable.....	169	186	1,406
	¥219	¥249	\$1,822

11. Net Defined Benefit Liability

The reconciliation of the beginning and ending balances of defined benefit obligation were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥7,296	¥6,695	\$60,713
Cumulative effects of changes in accounting policies.....	(106)	—	(882)
Restated balance.....	7,190	6,695	59,831
Service costs	433	451	3,603
Interest costs	94	87	782
Actuarial differences	373	35	3,103
Benefit paid	(460)	(532)	(3,827)
Other.....	(154)	559	(1,281)
Balance at end of year	¥7,476	¥7,296	\$62,211

The reconciliation of the beginning and ending balances of pension assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥ 918	¥ 888	\$7,639
Expected return on pension assets.....	13	13	108
Actuarial differences	122	88	1,015
Contribution by the employer.....	194	86	1,614
Benefit paid	(116)	(158)	(965)
Balance at end of year	¥1,131	¥ 918	\$9,411

The reconciliation of the beginning and ending balances of net defined benefit liability accounted for by the simplified method were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥450	¥ 738	\$3,744
Retirement benefit expenses.....	60	83	499
Benefit paid	(48)	(92)	(399)
Other.....	1	(278)	8
Balance at end of year	¥464	¥ 450	\$3,861

The reconciliation of the defined benefit obligations and pension assets to net defined benefit liability recognized in the consolidated balance sheet as of March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded defined benefit obligations.....	¥ 1,526	¥1,370	\$12,698
Pension assets	(1,131)	(918)	(9,411)
	395	452	3,287
Unfunded defined benefit obligations.....	6,414	6,376	53,374
Net amount of liability and asset recognized in the consolidated balance sheet.....	6,809	6,828	56,661
Net defined benefit liability	6,809	6,828	56,661
Net defined benefit asset.....	—	—	—

Retirement benefit expenses for the year ended March 31, 2015 and 2014 consisted of the followings:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service costs	¥433	¥ 451	\$3,603
Interest costs	94	87	782
Expected return on pension assets.....	(13)	(13)	(108)
Actuarial differences recognized in the year	137	152	1,140
Prior service cost recognized in the year.....	(15)	(15)	(124)
Retirement benefit expenses accounted for by the simplified method.....	60	83	499
Other	—	278	—
Retirement benefit expenses for the defined retirement benefit plan.....	¥696	¥1,025	\$5,791
Gain on changing to the defined contribution pension plan.....	¥ (25)	¥ —	\$ (208)

The breakdown of remeasurements of defined benefit plans in other comprehensive income (before tax effects) for the year ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service cost.....	¥ (15)	¥—	\$(124)
Actuarial differences	(100)	—	(832)
	¥(115)	¥—	\$(956)

The breakdown of remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effects) as of March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost.....	¥ 31	¥ 16	\$ 257
Unrecognized actuarial differences	612	512	5,092
	¥644	¥528	\$5,359

The breakdown of pension assets by major category as of March 31, 2015 and 2014, were as follows:

	2015	2014
Bonds.....	24.3%	24.1%
Stocks	52.6	51.5
Insurance company general accounts.....	19.6	22.5
Other.....	3.5	1.9
Total.....	100.0%	100.0%

Major actuarial assumptions as of March 31, 2015 and 2014, were as follows:

	2015	2014
Discount rate.....	1.0–1.1%	1.2%
Expected rate of return on pension assets.....	1.5%	1.5%

Defined contribution pension plan

The amount of contribution required for the defined contribution pension plan paid by the Company were ¥69 million (\$574 thousand) and ¥63 million for the years ended March 31, 2015 and 2014, respectively.

12. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2015 and 2014 amounted to ¥1,109 million (\$9,228 thousand) and ¥1,102 million, respectively.

13. Income Taxes

Income tax applicable to the Company and its consolidated subsidiaries consists of corporate income tax, enterprise taxes and corporate inhabitants' taxes.

The effective income tax rate of the Company and its consolidated subsidiaries differs from the statutory tax rate for the following reasons:

	2015	2014
Statutory tax rate.....	35.6%	38.0%
Expenses not deductible for tax purposes.....	2.4	2.1
Non-taxable dividend income.....	(0.8)	(0.7)
Per capita levy of inhabitant taxes	0.6	0.5
Valuation allowance.....	(0.3)	0.6
Effects from the income tax rate change.....	4.6	2.4
Tax credit of experiment and research expenses.....	(1.5)	(1.1)
Other—net.....	0.3	(1.2)
Effective tax rate.....	40.9%	40.6%

Deferred tax assets and liabilities at March 31, 2015 and 2014 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Accrued cost of sales.....	¥ 504	¥ 536	\$ 4,194
Accrued enterprise taxes.....	80	144	665
Reserve for losses on contracts.....	213	131	1,772
Accrued warranty.....	301	403	2,504
Net defined benefit liability.....	2,203	2,431	18,332
Unrealized profit.....	37	36	307
Accrued bonus to employees.....	631	654	5,250
Tax loss carryforward.....	1	7	8
Allowance for doubtful accounts.....	170	176	1,414
Long-term accounts payable-other.....	93	118	773
Impairment loss.....	307	258	2,554
Others.....	817	804	6,798
Less: valuation allowance.....	(629)	(703)	(5,234)
Total deferred tax assets.....	¥ 4,735	¥ 5,001	\$ 39,402
Deferred tax liabilities:			
Reserve for deferred gains on sales of fixed assets for tax purposes.....	¥(1,144)	¥(1,309)	\$ (9,519)
Net unrealized gains on available-for-sale securities.....	(3,031)	(2,509)	(25,222)
Others.....	(62)	(0)	(515)
Total deferred tax liabilities.....	(4,238)	(3,818)	(35,266)
Net deferred tax assets (liabilities).....	¥ 496	¥ 1,182	\$ 4,127

Revisions in the Amounts of Deferred Tax Assets and Deferred Tax Liabilities as a Result of a Change in the Corporate Tax Rate

Due to the promulgation of the Act for Partial Revision of the Income Tax Act, etc. (Act No. 9 of 2015) and the Act for Partial Revision of the Local Tax Act, etc. (Act No. 2 of 2015) on March 31, 2015, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for this consolidated fiscal year (limited to those cancelled after April 1, 2015) has been changed from 35.6% of the previous consolidated fiscal year to 33.1% for those recovered or expected to be recovered between April 1, 2015 to March 31, 2016, and to 32.3% for those recovered or expected to be recovered after April 1, 2016.

As a result, deferred tax liabilities (the amount after deducting deferred tax assets) decreased by ¥15 million (\$124 thousand), deferred gains or losses on hedges decreased by ¥7 million (\$58 thousand), remeasurements of defined benefit plans decreased by ¥21 million (\$174 thousand), income tax deferred recognized this consolidated fiscal year increased by ¥264 million (\$2,196 thousand) and net unrealized gains or losses on available-for-sale securities increased by ¥309 million (\$ 2,571 thousand).

14. Contingent Liability

The Company and its consolidated subsidiaries were contingently liable for the following items:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Guarantees for indebtedness of non-consolidated subsidiaries and employees	¥ 2	¥ 13	\$ 16
Guarantees liability for performance guarantees insurance contracts of affiliates for PFI business.....	843	843	7,015
Notes receivable endorsed	15	—	124
	¥861	¥856	\$ 7,164

**15. Other Income/
(Expenses)—Other, Net**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gain on insurance.....	¥ 36	¥ 3	\$ 299
Depreciation of prepaid expenses.....	—	(0)	—
Reversal of allowance for doubtful accounts.....	25	0	208
Other, net.....	199	(102)	1,655
	¥262	¥ (98)	\$2,180

16. Impairment loss

For the fiscal year ended March 31, 2015, the Company and its consolidated subsidiaries recognized impairment loss of fixed assets on the following groups of assets.

Use	Type of assets	Location
Former head office	Buildings and structures	Chuo-Ku, Tokyo

(Background of the recognition)

The Company and its consolidated subsidiaries recognized impairment loss for buildings and structures at the former head office after determining that these buildings and structures have no expected future use due to their demolition.

(Amount of impairment loss)

Type of Assets	Millions of yen	Thousands of U.S. dollars
Buildings and structures.....	¥274	\$2,280

(Method for grouping assets)

The Company and its consolidated subsidiaries, in principle, grouped their assets on company units due to the difficulty of ascertaining a close relationship between specific business segments and their fix assets and in consideration of the size of the consolidated subsidiaries. However, the assets determined to be idle assets or assets for disposal or destruction, and which therefore have no projected future use are grouped by individual property units.

(Method for calculating recoverable values)

The Company and its consolidated subsidiaries use net realizable value to estimate the recoverable value and because the Company determined to demolish the former head office, the evaluation is based upon memorandum value.

17. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2015 was approved at the Board of Directors meeting held on May 28, 2015

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥9.00 (\$0.07) per share.....	¥400	\$3,328

18. Finance Leases

Finance leases that existed at March 31, 2008 and do not transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.

The pro forma information of such leases existing at the transition date on an "as if capitalized" basis for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Tools, furniture and fixtures	¥—	¥10	\$—
Less: accumulated depreciation.....	—	(9)	—
	¥—	¥ 1	\$—

Obligations under finance leases as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year.....	¥—	¥ 1	\$—
Due after one year.....	—	—	—
	¥—	¥ 1	\$—

Total rental expenses for the above leases were ¥1 million (\$8 thousand) and ¥1 million for the years ended March 31, 2015 and 2014, respectively.

The pro forma depreciation expense computed by the straight-line method was ¥1 million (\$8 thousand) and ¥1 million for the years ended March 31, 2015 and 2014, respectively.

The pro forma information above does not exclude the imputed interest portion because the remaining financial lease obligations are not material, compared with the book values of property, plant and equipment.

19. Segment Information

(a) Description of reportable segments

The Tsukishima Kikai Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Tsukishima Kikai Group.

The Tsukishima Kikai Group conducts Water environmental business and Industrial business mainly. Therefore, these 2 business are specified as reportable segments.

Water environmental business:

- 1) Design and construction of water purification plants and wastewater treatment plants
- 2) Design, manufacture and sales of equipment and machinery used in the above plants
- 3) PFI and DBO business of water purification plants and wastewater treatment plants
- 4) Operation and maintenance of water purification plants and wastewater treatment plants
- 5) Electric power generating business in wastewater treatment plants

Industrial business:

- 1) Design and construction of chemical plants, iron and steel plants and food plants
- 2) Design, manufacture and sales of process equipment used in the above plants
- 3) Design and construction of waste liquid plants, wastewater plants, solid waste treatment plants, etc.
- 4) Design and construction of biomass ethanol plants
- 5) Industrial general waste treatment business

(b) Methods of measurement for the amounts of sales, income, assets, liabilities and other items of reportable segments

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

Segment income is based on operating income. The same or similar general business conditions are applied to "Sales to external customers" and "Intersegment sales or transfers." Assets are not allocated in the reportable segments.

(c) Information regarding income (loss) and others of reportable segments

	Year ended March 31, 2015						Consolidated financial statements
	Reporting segments			Other	Total	Adjustment	
	Water environment business	Industrial business	Subtotal	Other	Total	Adjustment	
Sales:							
Sales to external customers.....	¥44,893	¥30,696	¥75,589	¥ 50	¥75,639	¥ —	¥75,639
Inter-segment sales or transfers	4	7	11	326	337	(337)	—
Total.....	44,897	30,703	75,600	376	75,977	(337)	75,639
Segment income (loss).....	4,318	883	5,201	71	5,273	—	5,273
Depreciation and amortization.....	579	458	1,037	2	1,039	—	1,039
Amortization of goodwill.....	¥ —	¥ 46	¥ 46	¥ —	¥ 46	¥ —	¥ 46

	Year ended March 31, 2014						Consolidated financial statements
	Reporting segments			Other	Total	Adjustment	
	Water environment business	Industrial business	Subtotal	Other	Total	Adjustment	
Sales:							
Sales to external customers.....	¥45,977	¥25,159	¥71,137	¥ 79	¥71,216	¥ —	¥71,216
Inter-segment sales or transfers	19	4	23	337	360	(360)	—
Total.....	45,997	25,163	71,160	417	71,577	(360)	71,216
Segment income (loss).....	3,536	1,368	4,905	96	5,001	—	5,001
Depreciation and amortization.....	517	402	920	1	921	—	921
Amortization of goodwill.....	¥ —	¥ 46	¥ 46	¥ —	¥ 46	¥ —	¥ 46

Year ended March 31, 2015

Thousands of U.S. dollars

	Reporting segments			Other	Total	Adjustment	Consolidated financial statements
	Water environment business	Industrial business	Subtotal				
Sales:							
Sales to external customers.....	\$373,579	\$255,438	\$629,017	\$ 416	\$629,433	\$ —	\$629,433
Inter-segment sales or transfers.....	33	58	91	2,712	2,804	(2,804)	—
Total.....	373,612	255,496	629,108	3,128	632,245	(2,804)	629,433
Segment income (loss).....	35,932	7,347	43,280	590	43,879	—	43,879
Depreciation and amortization.....	4,818	3,811	8,629	16	8,646	—	8,646
Amortization of goodwill.....	\$ —	\$ 382	\$ 382	\$ —	\$ 382	\$ —	\$ 382

(d) Related Information
Information by geographical segment

(1) Net Sales

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Area:			
Japan.....	¥64,007	¥61,198	\$532,637
Asia.....	10,521	8,598	87,550
Other.....	1,110	1,419	9,236
	¥75,639	¥71,216	\$629,433

(2) Property, plant and equipment

Geographical segment information is not presented as the amount of property, plant and equipment in Japan exceeded 90% of total of property, plant and equipment at March 31, 2015 and 2014 for both years.

(e) Information about Impairment

	Millions of yen				
	2015				
	Water environment business	Industrial business	Other	Elimination or common asset	Total
Impairment loss	¥—	¥—	¥—	¥274	¥274

	Millions of yen				
	2014				
	Water environment business	Industrial business	Other	Elimination or common asset	Total
Impairment loss	¥—	¥—	¥—	¥—	¥—

Thousands of U.S. dollars					
2015					
	Water environment business	Industrial business	Other	Elimination or common asset	Total
Impairment loss	\$—	\$—	\$—	\$2,280	\$2,280

(f) Information by amortization of goodwill and unamortized balance

Millions of yen					
2015					
	Water environmental business	Industrial business	Other	Elimination or common asset	Total
Amortization of goodwill	¥—	¥ 46	¥—	¥—	¥ 46
Unamortized balance	¥—	¥233	¥—	¥—	¥233

Millions of yen					
2014					
	Water environmental business	Industrial business	Other	Elimination or common asset	Total
Amortization of goodwill	¥—	¥ 46	¥—	¥—	¥ 46
Unamortized balance	¥—	¥279	¥—	¥—	¥279

Thousands of U.S. dollars					
2015					
	Water environmental business	Industrial business	Other	Elimination or common asset	Total
Amortization of goodwill	\$—	\$ 382	\$—	\$—	\$ 382
Unamortized balance	\$—	\$1,938	\$—	\$—	\$1,938

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT

INOUE AUDITING CO., INC.

To the Board of Directors of
Tsukishima Kikai Co., Ltd.

We have audited the accompanying consolidated balance sheets of Tsukishima Kikai Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tsukishima Kikai Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 of the notes to consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Inoue Auditing Co., Inc.

Inoue Auditing Co., Inc.

June 26, 2015
Tokyo, Japan

Non-Consolidated Balance Sheets

TSUKISHIMA KIKAI CO., LTD.
Years ended March 31, 2015 and 2014

ASSETS

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current assets:			
Cash and time deposits.....	¥11,506	¥ 12,812	\$ 95,747
Marketable securities (Notes 2, 6).....	1,500	6,500	12,482
Notes and accounts receivable.....	24,962	20,773	207,722
Less: allowance for doubtful accounts (Note 2).....	(110)	(68)	(915)
Work in process (Note 2).....	2,060	2,447	17,142
Raw materials and supplies (Note 2).....	46	43	382
Deferred income taxes (Note 10).....	1,299	1,539	10,809
Other current assets (Note 7).....	1,805	3,740	15,020
Total current assets.....	43,070	47,789	358,408
Property, plant and equipment (Note 2):			
Land.....	3,527	3,943	29,350
Buildings and structures.....	10,981	11,514	91,378
Machinery and equipment.....	9,749	9,361	81,126
Lease assets.....	697	705	5,800
Construction in progress.....	319	63	2,654
	25,275	25,588	210,327
Less: accumulated depreciation.....	(14,517)	(14,431)	(120,803)
Net property, plant and equipment.....	10,757	11,157	89,514
Investments and other assets:			
Software.....	356	196	2,962
Lease assets (Note 2).....	58	57	482
Investments in securities (Notes 2, 6, 7).....	20,834	18,553	173,371
Stocks of subsidiaries and affiliates and long-term loans receivable from subsidiaries and affiliates (Note 7).....	5,245	980	43,646
Investments in capital of subsidiaries.....	200	200	1,664
Other assets (Note 7).....	665	648	5,533
Less: allowance for doubtful accounts (Note 2).....	(437)	(389)	(3,636)
Total investments and other assets.....	26,923	20,246	224,040
Total assets.....	¥80,751	¥ 79,193	\$ 671,973

See Notes to Non-Consolidated Financial Statements.

LIABILITIES AND NET ASSETS

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current liabilities:			
Accounts payable			
Trade.....	¥11,271	¥10,114	\$ 93,792
Other	2,291	2,008	19,064
Lease obligations (Note 7)	171	164	1,422
Accrued income taxes (Note 10)	537	1,481	4,468
Accrued expenses	1,053	1,108	8,762
Accrued warranty (Note 2)	797	973	6,632
Reserve for losses on contracts (Note 2)	36	20	299
Advances received	1,340	3,174	11,150
Other current liabilities	3,350	3,729	27,877
Total current liabilities	20,849	22,775	173,495
Long-term liabilities:			
Long-term loans payable (Notes 4, 7)	1,112	—	9,253
Lease obligations (Note 7)	336	327	2,796
Deferred tax liabilities (Note 10)	2,958	2,426	24,615
Provision for post-employment benefits (Notes 2, 3)	3,146	3,405	26,179
Asset retirement obligations	51	66	424
Other long-term liabilities	721	623	5,999
Total long-term liabilities	8,326	6,847	69,285
Contingent liability (Note 11)			
Net assets:			
Shareholders' equity:			
Common stock,			
Authorized: 180 million shares in 2015 and 2014			
Issued: 45,625,800 shares in 2015 and 2014	6,646	6,646	55,304
Additional paid-in capital	5,485	5,485	45,643
Retained earnings	34,808	33,512	289,656
Treasury stock (Note 4)	(1,710)	(599)	(14,229)
Total shareholders' equity	45,230	45,045	376,383
Valuation and translation adjustments			
Net unrealized gains or losses on available-for-sale securities	6,343	4,530	52,783
Deferred gains or losses on hedges	2	(6)	16
Total valuation and translation adjustments	6,345	4,523	52,800
Total net assets	51,576	49,569	429,191
Total liabilities and net assets	¥80,751	¥79,193	\$671,973

See Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Income

TSUKISHIMA KIKAI CO., LTD.
Years ended March 31, 2015 and 2014

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales (Note 2)	¥42,901	¥41,255	\$357,002
Cost of sales (Note 8)	34,449	32,106	286,668
Gross profit	8,452	9,149	70,333
Selling, general and administrative expenses (Note 8)	6,656	6,582	55,388
Operating income.....	1,796	2,567	14,945
Other income (expenses):			
Interest and dividend income.....	958	1,018	7,972
Interest expenses.....	—	(0)	—
Gain on sales of investments in securities	404	—	3,361
Loss on sales of investments in securities.....	(184)	—	(1,531)
Gain on sales of property, plant and equipment	181	2,712	1,506
Loss on sales and disposal of property, plant and equipment.....	(29)	(87)	(241)
Impairment loss (Note 9).....	(274)	—	(2,280)
Head office transfer cost.....	—	(338)	—
Transfer expenses.....	—	(205)	—
Retirement benefit expenses.....	—	(278)	—
Other, net (Note 12).....	141	(90)	1,173
Other income (expenses), net.....	1,196	2,728	9,952
Income before income taxes.....	2,993	5,295	24,906
Income taxes (Notes 2, 10):			
Current.....	698	1,514	5,808
Deferred.....	228	328	1,897
Total income taxes.....	926	1,843	7,705
Net income	¥ 2,066	¥ 3,452	\$ 17,192

Per share	Yen	U.S. dollars (Note 1)
	Net income.....	¥46.51	¥77.56 $0.38
Cash dividends.....	¥17.00	¥17.00 \$0.14

See Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Changes in Net Assets

TSUKISHIMA KIKAI CO., LTD.
Years ended March 31, 2015 and 2014

	Millions of yen (Note 1)									
	Thousands Number of shares of common stock issued	Shareholders' equity					Valuation and translation adjustments			Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains or losses on available-for- sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of March 31, 2013	45,625	¥6,646	¥5,485	¥30,727	¥(594)	¥42,266	¥2,277	¥(11)	¥2,265	¥44,531
Cash dividends.....	—	—	—	(667)	—	(667)	—	—	—	(667)
Net income for the year ended March 31, 2014.....	—	—	—	3,452	—	3,452	—	—	—	3,452
Purchase of treasury stock.....	—	—	—	—	(4)	(4)	—	—	—	(4)
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	2,253	4	2,258	2,258
Balance as of March 31, 2014	45,625	¥6,646	¥5,485	¥33,512	¥(599)	¥45,045	¥4,530	¥ (6)	¥4,523	¥49,569

	Millions of yen (Note 1)									
	Thousands Number of shares of common stock issued	Shareholders' equity					Valuation and translation adjustments			Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains or losses on available-for- sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2014	45,625	¥6,646	¥5,485	¥33,512	¥ (599)	¥45,045	¥4,530	¥(6)	¥4,523	¥49,569
Cumulative effects of changes in accounting policies (Note 3).....	—	—	—	30	—	30	—	—	—	30
Restated balance.....	45,625	6,646	5,485	33,542	(599)	45,076	4,530	(6)	4,523	49,600
Cash dividends.....	—	—	—	(801)	—	(801)	—	—	—	(801)
Net income for the year ended March 31, 2015.....	—	—	—	2,066	—	2,066	—	—	—	2,066
Purchase of treasury stock.....	—	—	—	—	(1,123)	(1,123)	—	—	—	(1,123)
Disposal of treasury stock.....	—	—	—	—	12	12	—	—	—	12
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	1,812	8	1,821	1,821
Balance as of March 31, 2015	45,625	¥6,646	¥5,485	¥34,808	¥(1,710)	¥45,230	¥6,343	¥ 2	¥6,345	¥51,576

	Thousands of U.S. dollars (Note 1)									
	Thousands Number of shares of common stock issued	Shareholders' equity					Valuation and translation adjustments			Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains or losses on available-for- sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2014	45,625	\$55,304	\$45,643	\$278,871	\$ (4,984)	\$374,843	\$37,696	\$(49)	\$37,638	\$412,490
Cumulative effects of changes in accounting policies (Note 3).....	—	—	—	249	—	249	—	—	—	249
Restated balance.....	45,625	55,304	45,643	279,121	(4,984)	375,101	37,696	(49)	37,638	412,748
Cash dividends.....	—	—	—	(6,665)	—	(6,665)	—	—	—	(6,665)
Net income for the year ended March 31, 2015.....	—	—	—	17,192	—	17,192	—	—	—	17,192
Purchase of treasury stock.....	—	—	—	—	(9,345)	(9,345)	—	—	—	(9,345)
Disposal of treasury stock.....	—	—	—	—	99	99	—	—	—	99
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	15,078	66	15,153	15,153
Balance as of March 31, 2015	45,625	\$55,304	\$45,643	\$289,656	\$(14,229)	\$376,383	\$52,783	\$ 16	\$52,800	\$429,191

See Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Cash Flows

TSUKISHIMA KIKAI CO., LTD.
Years ended March 31, 2015 and 2014

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes	¥ 2,993	¥ 5,295	\$ 24,906
Adjustments for:			
Depreciation and amortization	882	738	7,339
Impairment loss.....	274	—	2,280
Increase (decrease) in provision for post-employment benefits.....	(210)	361	(1,747)
Increase (decrease) in accrued bonus to employees	(48)	26	(399)
Increase (decrease) in allowance for doubtful accounts	89	152	740
Increase (decrease) in accrued warranty	(175)	(439)	(1,456)
Increase (decrease) in reserve for losses on contracts	15	(299)	124
Interest and dividend income.....	(958)	(1,018)	(7,972)
Interest expenses.....	—	0	—
Loss (gain) on sales and disposal of property, plant and equipment.....	(152)	(2,624)	(1,264)
Loss (gain) on sales of investments in securities	(219)	—	(1,822)
(Increase) decrease in notes and accounts receivable	(4,189)	1,129	(34,858)
Increase (decrease) in advances received.....	(1,834)	480	(15,261)
(Increase) decrease in inventories.....	384	(61)	3,195
Increase (decrease) in accounts payable, trade.....	1,156	(9)	9,619
Other	2,017	(2,010)	16,784
Subtotal	26	1,721	216
Interest and dividend income received	959	1,019	7,980
Interest expenses paid	—	(0)	—
Income taxes (paid) refund	(1,967)	(627)	(16,368)
Net cash provided by (used in) operating activities.....	(982)	2,113	(8,171)
Cash flows from investing activities:			
Purchase of property, plant and equipment.....	(976)	(5,223)	(8,121)
Proceeds from sales of property, plant and equipment.....	616	7,608	5,126
Purchase of intangible fixed assets	(87)	(146)	(723)
Purchase of investments in securities	(859)	(919)	(7,148)
Purchase of shares of subsidiaries and associates	(4,341)	—	(36,123)
Proceeds from sales of investments in securities.....	1,132	—	9,419
Payments for loans receivable	(435)	(485)	(3,619)
Collection of loans receivable	563	270	4,685
Other	(11)	(6)	(91)
Net cash provided by (used in) investing activities	(4,398)	1,098	(36,598)
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable.....	—	(50)	—
Proceeds from long-term loans payable	1,125	—	9,361
Repayments of long-term loans payable	(12)	(17)	(99)
Repayments of lease obligations.....	(173)	(146)	(1,439)
Additions of treasury stock.....	(1,123)	(4)	(9,345)
Proceeds from sales of treasury stock.....	12	—	99
Cash dividends paid	(801)	(667)	(6,665)
Net cash provided by (used in) financing activities.....	(973)	(886)	(8,096)
Effect of exchange rate change on cash and cash equivalents.....	47	3	391
Net increase (decrease) in cash and cash equivalents.....	(6,306)	2,328	(52,475)
Cash and cash equivalents at beginning of period (Notes 2, 5).....	19,312	16,984	160,705
Cash and cash equivalents at end of period (Notes 2, 5).....	¥13,006	¥19,312	\$108,230

See Notes to Non-Consolidated Financial Statements.

Notes to Non-Consolidated Financial Statements

1. Basis of Presenting Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements have been prepared from the financial statements filed with the Financial Services Agency as required by the Japanese Financial Instruments and Exchange Law in accordance with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards.

Certain reclassifications have been made to present the accompanying non-consolidated financial statements in a format which is familiar to readers outside Japan.

For the convenience of the reader, the accompanying non-consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts at the exchange rate of ¥120.17 to \$1, the approximate rate of exchange at March 31, 2015.

Amounts less than ¥1 million have been rounded down. And U.S. dollars are translated from these amounts and have been rounded down.

The total amounts in Japanese yen and translated U.S. dollars shown in the non-consolidated financial statements and notes do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Marketable Securities and Investments in Securities

The Company's securities are classified as follows: i) Held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity, are reported at amortized cost. ii) Equity securities, which were issued by subsidiaries and affiliates, are stated at moving-average cost. iii) Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost, determined by the moving average method.

(b) Inventories

The Company applies the cost method based on the methods mentioned below, which determines the amount of inventories shown in the balance sheet by writing them down based on the decrease in their profitability.

(1) Work in process is stated at cost, which is determined by the specific cost method.

(2) Raw materials are stated at cost, which is determined by the periodic average method.

(3) Supplies are stated at cost, which is determined by the moving-average method.

(c) Property, Plant and Equipment excluding Lease Assets

Property, plant and equipment are carried at cost. Depreciation of property, plant and equipment is principally computed by the declining balance method over the estimated useful lives of the assets, while the straight-line method is applied to buildings placed in service after April 1, 1998 (excluding facilities incidental to buildings) and power generating equipment. The range of useful lives is from 3 to 60 years for buildings and structures and from 2 to 20 years for machinery and equipment.

(d) Lease Assets

Depreciation of assets on finance leases that do not transfer ownership of the leased assets to the lessee are calculated by the straight-line method over the lease period with their residual value zero.

Finance lease transactions starting before the fiscal year ended March 31, 2008 that do not transfer ownership of the leased property to the lessee are accounted for as operating leases.

(e) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided for in an amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated on the historical loss experience with respect to remaining receivables.

(f) Accrued Warranty

The accrued warranty is provided for based on amounts determined as a certain percentage

(which is distinguished between domestic and overseas construction) of the amount of completed construction contracts for the year, which is computed as a ratio of the actual repair costs incurred under the warranty against the amounts of completed construction contracts during the past years.

In addition, the estimated repair costs for identified individual construction are provided.

(g) Reserve for Losses on Contracts

A reserve for losses on contracts is provided for an estimated amount of probable losses to be incurred in future years in respect of construction projects in progress.

(h) Provision for Post-employment Benefits

Accrued employees' retirement benefits are provided based on the projected retirement benefit obligation and the fair value of the plan assets at the end of the fiscal year.

The benefit formula basis is applied as the method for attributing the expected retirement benefit to periods of service for the calculation of the retirement benefit obligation.

Actuarial differences are amortized over a seven-year period, which is within the average remaining service period of employees, using the straight-line method from the fiscal year following the respective fiscal year of recognition.

Prior service cost is amortized as incurred over a fourteen-year period, which is within the average remaining service period of employees, using the straight-line method from the time when the prior service cost was generated.

Accounting treatments for unrecognized actuarial differences and unrecognized prior service cost, in the non-consolidated financial statements are different from those in the consolidated financial statements.

(i) Income Taxes

The Company has adopted the asset-liability method of tax effect accounting to recognize the effect of all temporary differences in the recognition of the tax basis assets and liabilities and their financial reporting amounts.

(j) Translation of Foreign Currencies

Foreign currency receivables and payables are translated at appropriate year-end current rate.

Revenue and expense accounts are translated at the rates closely approximate to those prevailing on the transaction dates.

Exchange gains and losses arising from above foreign currency translations and transactions are included in other income or expenses.

(k) Research and Development Costs

Research and development costs are charged to income as incurred.

(l) Recognition of Contract Revenue

The Company applies the percentage-of-completion method for the construction contracts which fulfill the conditions that the outcome of the construction activity is deemed certain during the course of the activity. Otherwise, the Company applies the completed-contract method.

(m) Cash Equivalents

For the purpose of the non-consolidated statements of cash flows, cash and cash equivalents include highly liquid investments which can be withdrawn without any restriction and with minimum market risk.

(n) Derivative Financial Instruments

The Company uses derivative financial instruments to manage their exposures to fluctuations in foreign exchange rates. Foreign exchange forward contracts are utilized by the Company to reduce foreign currency exchange risks. The Company does not enter into derivatives for trading or speculative purposes.

3. Change in Accounting Policy

The "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), have been applied from this fiscal year, and the Company reviewed the calculation method for retirement benefit obligations and service costs. Accordingly, the Company changed the method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis. It also amended the determination method of the discount rate from that based on the average remaining working lives to a single weighted average discount rate. The Accounting Standard for Retirement Benefits and its Guidance were applied in accordance with the transitional measures provided in paragraph 37 of the Accounting Standard for Retirement Benefits.

Accordingly, the effect of the change to the calculation method for retirement benefit obligations and service costs has been added to or deducted from retained earnings as of the beginning of this fiscal year.

As a result of this change, as of the beginning of this fiscal year, provision for post-employment benefits decreased ¥47 million (\$391 thousand), and retained earnings increased ¥30 million (\$249 thousand). The effect of these changes on profit or loss for this fiscal year is immaterial.

4. Additional information

(Trust Type Employee Stock ownership Incentive Plan)

The notes concerning Trust Type Employee Stock ownership Incentive Plan are the same as the ones presented under "Note 4. Additional Information" in the consolidated financial statements and are therefore omitted here.

5. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and time deposits.....	¥11,506	¥12,812	\$ 95,747
Marketable securities.....	1,500	6,500	12,482
Cash and cash equivalents.....	¥13,006	¥19,312	\$108,230

6. Marketable Securities and Investments in Securities

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2015 and 2014 were as follows:

	Millions of yen			
	2015			Fair value
	Cost	Unrealized gains	Unrealized losses	
Securities classified as:				
Available-for-sale:				
Equity securities.....	¥10,802	¥9,910	¥(582)	¥20,130
Others.....	1,500	—	—	1,500
	¥12,302	¥9,910	¥(582)	¥21,630
Held-to-maturity securities.....	¥ —	¥ —	¥ —	¥ —

	Millions of yen			
	2014			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥10,985	¥7,910	¥(873)	¥18,022
Others.....	6,500	—	—	6,500
	¥17,485	¥7,910	¥(873)	¥24,522
Held-to-maturity securities.....	¥ —	¥ —	¥ —	¥ —

	Thousands of U.S. dollars			
	2015			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 89,889	\$82,466	\$(4,843)	\$167,512
Others.....	12,482	—	—	12,482
	\$102,371	\$82,466	\$(4,843)	\$179,995
Held-to-maturity securities.....	\$ —	\$ —	\$ —	\$ —

7. Short-term Loans Payable, Long-term Loans Payable and Lease Obligations

Interest rates of long-term loans payable as of March 31, 2015 was approximately 0.54 percent.

Long-term loans payable as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans payable, due 2020.....	¥1,112	¥ —	\$9,253
Less: portion due within one year.....	—	—	—
	¥1,112	¥ —	\$9,253

Lease obligations as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current.....	¥171	¥164	\$1,422
Non-current.....	336	327	2,796
	¥507	¥491	\$4,219

The following assets were pledged as collateral for the long-term loans payable at affiliated companies and others of ¥6,232 million (\$51,859 thousand) and ¥3,762 million for the year ended March 31, 2015 and 2014, respectively.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Short-term loans receivable	¥ 24	¥ 23	\$ 199
Investments in securities	7	7	58
Stocks of subsidiaries and affiliates and long-term loans receivable from subsidiaries and affiliates	275	299	2,288
Long-term loans receivable.....	23	—	191
	¥331	¥330	\$2,754

8. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2015 and 2014 amounted to ¥1,053 million (\$8,762 thousand) and ¥1,059 million, respectively.

9. Impairment loss

For the fiscal year ended March 31, 2015, the Company recognized impairment loss of fixed assets on the following groups of assets.

Use	Type of assets	Location
Former head office	Buildings and structures	Chuo-Ku. Tokyo

(Background of the recognition)

The Company recognized impairment loss for buildings and structures at the former head office after determining that these buildings and structures have no expected future use due to their demolition.

(Amount of impairment loss)

Type of Assets	Millions of yen	Thousands of U.S. dollars
Buildings and structures.....	¥274	\$2,280

(Method for grouping assets)

The Company, in principle, grouped its assets on company units due to the difficulty of ascertaining a close relationship between specific business segments and its fix assets. However, the assets determined to be idle assets or assets for disposal or destruction, and which therefore have no projected future use are grouped by individual property units.

(Method for calculating recoverable values)

The Company uses net realizable value to estimate the recoverable value and because the Company determined to demolish the former head office, the evaluation is based upon memorandum value.

10. Income Taxes

Income tax applicable to the Company consists of corporate income tax, enterprise taxes and corporate inhabitants' taxes.

The effective income tax rate of the Company differs from the statutory tax rate for the following reasons:

	2015	2014
Statutory tax rate.....	35.6%	38.0 %
Expenses not deductible for tax purposes.....	4.1	2.3
Non-taxable dividend income.....	(9.3)	(6.0)
Per capita levy of inhabitant taxes.....	0.8	0.4
Valuation allowance.....	(0.5)	0.9
Effects from the income tax rate change.....	3.4	2.1
Tax credit of experiment and research expenses.....	(2.9)	(1.5)
Other—net.....	(0.2)	(1.4)
Effective tax rate.....	31.0%	34.8 %

Deferred tax assets and liabilities at March 31, 2015 and 2014 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Accrued cost of sales.....	¥ 468	¥ 468	\$ 3,894
Reserve for losses on contracts.....	11	7	91
Accrued warranty.....	264	347	2,196
Provision for post-employment benefits.....	1,019	1,213	8,479
Accrued bonus to employees.....	278	316	2,313
Allowance for doubtful accounts.....	153	163	1,273
Long-term accounts payable-other.....	93	118	773
Impairment loss.....	307	258	2,554
Others.....	468	649	3,894
Less: valuation allowance.....	(540)	(610)	(4,493)
Total deferred tax assets.....	¥ 2,525	¥ 2,932	\$ 21,011
Deferred tax liabilities:			
Reserve for deferred gains on sales of fixed assets for tax purposes.....	¥(1,144)	¥(1,309)	\$ (9,519)
Net unrealized gains on available-for-sale securities.....	(3,031)	(2,508)	(25,222)
Others.....	(8)	—	(66)
Total deferred tax liabilities.....	(4,184)	(3,818)	(34,817)
Net deferred tax assets (liabilities).....	¥(1,659)	¥ (886)	\$(13,805)

Revisions in the Amounts of Deferred Tax Assets and Deferred Tax Liabilities as a Result of a Change in the Corporate Tax Rate

Due to the promulgation of the Act for Partial Revision of the Income Tax Act, etc. (Act No. 9 of 2015) and the Act for Partial Revision of the Local Tax Act, etc. (Act No. 2 of 2015) on March 31, 2015, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for this fiscal year (limited to those cancelled after April 1, 2015) has been changed from 35.6% of the previous fiscal year to 33.1% for those recovered or expected to be recovered between April 1, 2015 to March 31, 2016, and to 32.3% for those recovered or expected to be recovered after April 1, 2016.

As a result, deferred tax liabilities (the amount after deducting deferred tax assets) decreased by ¥206 million (\$1,714 thousand), income tax deferred recognized this fiscal year increased by ¥103 million (\$857 thousand), net unrealized gains or losses on available-for-sale securities increased by ¥309 million (\$ 2,571 thousand) and deferred gains or losses on hedges increased by ¥0 (\$ 0 thousand).

11. Contingent Liability

The Company was contingently liable for the following items:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Guarantees for indebtedness of subsidiaries and employees	¥ 769	¥1,393	\$ 6,399
Guarantees liability for performance guarantees insurance contracts of affiliates for PFI business.....	843	843	7,015
	¥1,612	¥2,236	\$13,414

12. Other Income/ (Expenses)—Other, Net

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Exchange gain (loss)	¥129	¥(18)	\$1,073
Guarantee commission	(12)	(22)	(99)
Other, net.....	24	(50)	199
	¥141	¥(90)	\$1,173

13. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying non-consolidated financial statements for the year ended March 31, 2015 was approved at the Board of Directors meeting held on May 28, 2015

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥9.00 (\$0.07) per share	¥400	\$3,328

14. Finance Leases

Finance leases that existed at March 31, 2008 and do not transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.

The pro forma information of such leases existing at the transition date on an "as if capitalized" basis for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Tools, furniture and fixtures	¥—	¥10	\$—
Less: accumulated depreciation.....	—	(9)	—
	¥—	¥ 1	\$—

Obligations under finance leases as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year.....	¥—	¥ 1	\$—
Due after one year.....	—	—	—
	¥—	¥ 1	\$—

Total rental expenses for the above leases were ¥1 million (\$8 thousand) and ¥1 million for the years ended March 31, 2015 and 2014, respectively.

The pro forma depreciation expense computed by the straight-line method was ¥1 million (\$8 thousand) and ¥1 million for the years ended March 31, 2015 and 2014, respectively.

The pro forma information above does not exclude the imputed interest portion because the remaining financial lease obligations are not material, compared with the book values of property, plant and equipment.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT

INOUE AUDITING CO., INC.

To the Board of Directors of
Tsukishima Kikai Co., Ltd.

We have audited the accompanying non-consolidated balance sheets of Tsukishima Kikai Co., Ltd. as of March 31, 2015, and the related non-consolidated statements of income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for Non-consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Tsukishima Kikai Co., Ltd. as of March 31, 2015, and the non-consolidated results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 of the notes to non-consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Inoue Auditing Co., Inc.

Inoue Auditing Co., Inc.

June 26, 2015
Tokyo, Japan

CORPORATE DATA (As of March 31, 2015)

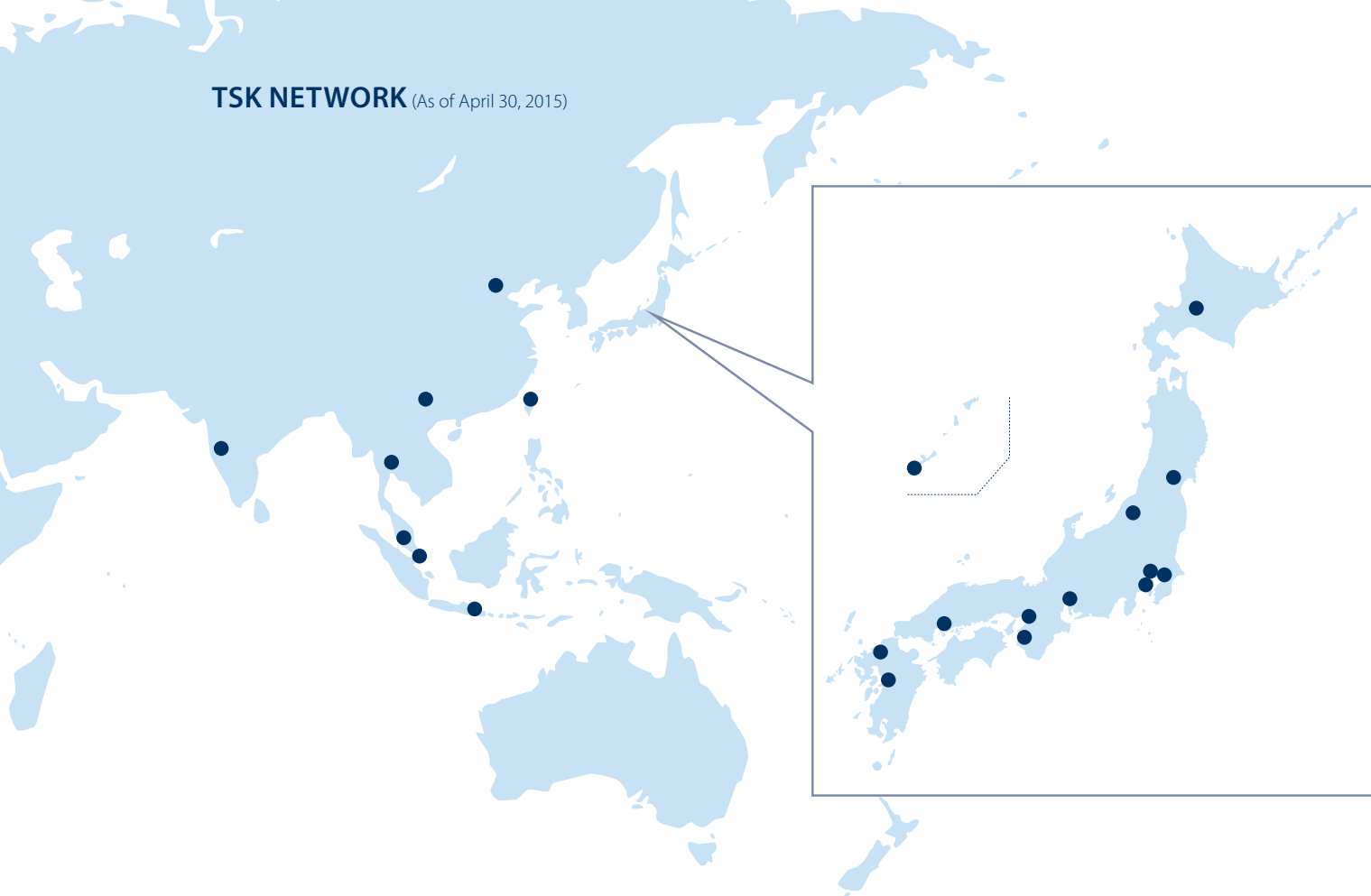
Company name	TSUKISHIMA KIKAI CO., LTD
Established	August 1905
Fiscal year	From April 1 to March 31
Capital stock	¥6,646,801,824
Number of employees	689
Stock listing	Tokyo Stock Exchange
Common stock	Authorized: 180,000,000 shares Issued: 45,625,800 shares
Number of shareholders	4,506
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

CORPORATE HISTORY

1905 August	Densaku Kuroita founded Tokyo Tsukishima Kikai Seisakusho.
1917 May	Tsukishima Kikai Co., Ltd. incorporated.
1937 December	Daini Tsukishima Kikai, Co., Ltd. in Tsurumi-ku, Yokohama City, merged.
1944 March	The company merged with Tsukishima Kikai Chuko Co., Ltd.
1949 May	Stock listed on the Tokyo Stock Exchange.
1961 September	Stock listed on the Second Section of the Osaka Securities Exchange.
October	A laboratory built within the Tsukudajima Factory to strengthen research and development.
1962 April	Tsukishima Kikai Engineer Training Center created.
1976 January	The Ichikawa Factory began its operations.
1977 July	The Ichikawa Factory acquired the ASME (American Society of Mechanical Engineers) certificate.
1991 February	TSK Engineering Malaysia Sdn. Bhd. was founded.
1993 April	TSK Engineering (Thailand) Co., Ltd. was founded.
1994 November	TSK Engineering Taiwan Co., Ltd. was founded.
1996 October	The company acquired ISO 9001.
2000 June	The company acquired ISO 14001.
November	Tsukishima Technology Maintenance Service Co., Ltd. was formed as the result of the merger of Tsukishima Maintenance Co., Ltd. and Tsukishima Plant Koji Co., Ltd.
2001 December	Tsukishima Techno Machinery Co., Ltd. was founded.
2003 December	Tsukishima Techno Solution Co., Ltd. was founded.
2004 January	Kanuma Kankyo Bika Center changed its name to SUN ECO THERMAL Co., Ltd.
2005 March	The company acquired the management rights of Nittetsu Chemical Engineering Ltd.
2006 April	Nittetsu Chemical Engineering Ltd. changed its name to Tsukishima Kankyo Engineering Ltd.
2008 December	The Company absorbed Tsukishima Real Estate Co., Ltd., formerly a non-consolidated subsidiary.
2011 March	TSK Engineering China Co., Ltd. was founded as a business base in China.
2012 July	Tsukishima Techno Solution Co., Ltd. acquired the Industrial Machinery Business from Tsukishima Techno Machinery Co., Ltd. and changed its name to Tsukishima Machine Sales Co., Ltd. Tsukishima Kikai Co., Ltd. merged with Tsukishima Techno Machinery Co., Ltd. in an absorption type merger.
2013 December	Head Office was relocated to the current location. The Environment Process Development Center was closed and that function was integrated with Ichikawa R&D Center.
2014 October	The company acquired the management authority of Daido Chemical Engineering Corp.
December	The company acquired the management authority of BOKELA GmbH.



TSK NETWORK (As of April 30, 2015)



JAPAN

Offices

Head Office
Tokyo Sales Branch Office
Osaka Sales Branch Office
Sapporo Sales Branch Office
Sendai Sales Branch Office
Yokohama Sales Branch Office
Nagoya Sales Branch Office
Hiroshima Sales Branch Office
Fukuoka Sales Branch Office
Okinawa Sales Office
Wakayama Office, Niigata Office
Kumamoto Office, Chiba Office, Yokosuka Office

Factories and Laboratories

Ichikawa Factory, Ichikawa R&D Center

Group Companies (consolidated subsidiary)

Tsukishima Technology Maintenance Service Co., Ltd.
Tsukishima Machine Sales Co., Ltd.
Tsukishima Kankyo Engineering Ltd.
SUN ECO THERMAL Co., Ltd.
Samukawa Water Service Co., Ltd.
Tsukishima Business Support Co., Ltd.
Daido Chemical Engineering Corp.
Owari Water & Energy Co., Ltd.

OVERSEAS

Offices

TSK Jakarta Representative Office
TSK Hanoi Representative Office
TSK Mumbai Liaison Office
TSK Europe Representative Office

Group Companies

Tsukishima Engineering Malaysia Sdn. Bhd.
Tsukishima Engineering Singapore Pte. Ltd.
TSK Engineering (Thailand) Co., Ltd.*
TSK Engineering Taiwan Co., Ltd.
Tsukishima Engineering China Co., Ltd.*
BOKELA GmbH*

*consolidated subsidiary

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