



TOWARDS A CLEANER FUTURE



## 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 water purification facilities, 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,  
Melting, Vacuum processing

Applications

Applications

### Water Environmental Business

**Water:** Filtration and purification,  
Wastewater treatment

**Sewage:** Sewage treatment, Sludge treatment

#### Affiliated companies

- Tsukishima Technology Maintenance Service Co., Ltd.
- Samukawa Water Service
- Owari Water&Energy

### Industrial Business

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

#### Affiliated companies

- SUN ECO THERMAL Co., Ltd.
- Tsukishima Kankyo Engineering Ltd.
- Tsukishima Machine Sales Co., Ltd.
- TSK Engineering (Thailand) Co., Ltd.
- TSK Engineering China Co., Ltd.
- DAIDO CHEMICAL ENGINEERING CORP.
- BOKELA GmbH
- SANSHIN KOGYO Co., Ltd.



Filter Press



Sewage Sludge Dewatering and Drying system  
(demonstrated in B-DASH national project)

## BUSINESS SEGMENTS

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

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)



High-silica zeolite manufacturing facility



Inclined Disk Dryer

# Building a Solid and Competitive Technical Base

KAZUHIKO YAMADA

President and Chief Executive Officer,  
Representative Director

I am pleased to present our Annual Report 2017, covering the period from April 1, 2016, to March 31, 2017.

In the fiscal year ended March 31, 2017, the company faced a market environment in which the mild recovery in the domestic business environment continued. However, public investment was lacking in strength, as a sense of uncertainty on the horizon in the world economy led to weak capital spending. Outside Japan, with underperforming economies in emerging markets and resource-rich countries, the UK voting to leave the EU, and the result of the U.S. presidential election, the world appears to be under conditions in which protectionism is emerging amidst mounting uncertainty.

In this environment, the Tsukishima Kikai Group has drafted and released a medium-term management plan (from April 2016 to March 2019), founded on the basic principle of creating a stable income base and a base for growth, and is carrying out its business in line with this plan.

In the Water Environmental Business segment, we targeted 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 work. We moved ahead on business expansion in private finance initiatives (PFI<sup>\*1</sup>) and design-build-operate (DBO<sup>\*2</sup>) projects combining facility construction with long-term operation and maintenance, as well as feed-in tariff (FIT<sup>\*3</sup>) projects in the electric power generation sector.

In the Industrial Business segment, our goal was to capture demand for capital investment through wide-ranging marketing activities targeting industrial plant, process equipment, and environment-related equipment in the Japanese and overseas markets.

As part of our strategic investments, we focused on developing technology for producing energy from sewage sludge and upgrading process equipment while also carrying out plans to expand the range of customers we serve by proposing solutions in cooperation with partner companies.

## Net Sales and Income

Our consolidated financial results for the fiscal year are shown in the graphs on the right.

### \*1: PFI (Private Finance Initiative)

A structure that pulls together private sector funds, technology, and efficient operating expertise to provide public services that require facility development.

### \*2: DBO (Design Build Operate)

An approach in which a business corporation is entrusted with the design, building, and operation of facilities, while the government arranges finance and assumes ownership.

### \*3: FIT (Feed-in Tariff)

A system that requires electric power operators to purchase electricity generated using renewable energy at a fixed, predetermined price.

## SEGMENT RESULTS

### Water Environmental Business

In the Water Environmental Business, public investment related to water environmental infrastructure was relatively strong in Japan. Orders increased for multi-year work and comprehensive operation and maintenance services (O&M<sup>\*4</sup>), as well as PFI and DBO projects combining facility construction with long-term operation and maintenance services.

Our priority for the Tsukishima Kikai Group within this business environment was to capture demand for the expansion and update of sludge treatment systems for water supply and sewage facilities in Japan by strengthening our marketing activities towards wastewater treatment plants, including next-generation sludge incineration systems, sludge-to-fuel systems, and sludge digestion gas equipment. In the O&M field, we focused our marketing activities on repair work and comprehensive O&M services. As a result, in wastewater treatment facilities we were able to receive an order for a next-generation sludge



incineration system and several orders for digestion gas holder projects. In O&M services, we increased awards orders for expanding the scope of work entrusted to us and multi-year O&M service contracts. On top of this, we received several projects in electric power generation using digestion gas and applying a FIT, which advanced the proportion of operations producing steady, long-term revenues.

These results are shown in the graphs on the right.

**\*4: Comprehensive O&M services**

Services that encompass not only facility operation and management, but also comprehensive maintenance and management including facility repair and the provision of chemicals and other supplies.

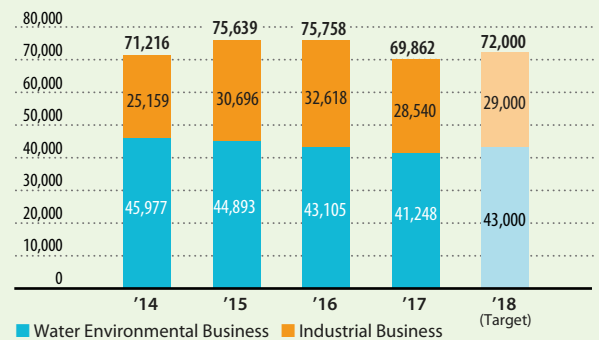
**Industrial Business**

In the Industrial Business, despite the continuation of a mild recovery in the domestic economy, weakness appeared in capital investment with a lack of visibility on the direction of the world's economy. Outside Japan, with underperforming economies in emerging markets and resource-rich countries, the UK leaving the EU, and the result of the U.S. presidential election, the world appears to be under conditions in which protectionism is emerging as uncertainty mounts.

Under these conditions, the Tsukishima Kikai Group expanded its domestic and international business activities in plant facilities and in process equipment such as dryers, separators, filtration equipment, and gas holders. In particular, the Tsukishima Kikai Group focused on marketing activities for process equipment in the foodstuff sector and capturing demand for capital investment and renovation in the chemical sector. In environmental-related work, we expanded activities on waste-liquid combustion systems, acid waste treatment facilities, and solid waste incineration facilities, both in Japan and overseas.

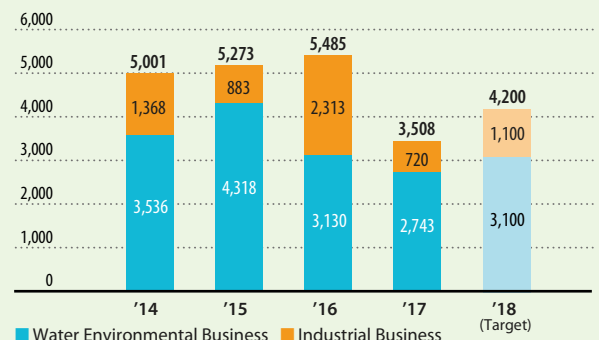
These results are shown in the graphs on the right, I would like to ask all shareholders, investors, and customers for your further support and cooperation in our future endeavors.

Sales\* (Millions of yen)



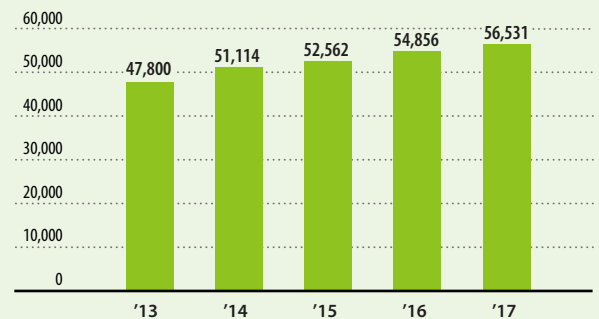
\* Totals include the Other segment.

Operating income\* (Millions of yen)

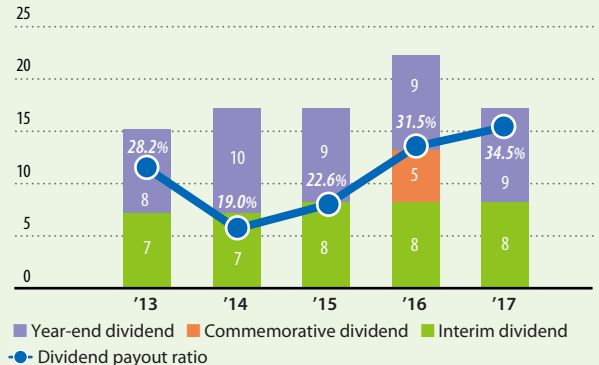


\* Totals include the Other segment.

Total shareholders' equity (Millions of yen)



Dividend per share (Yen)



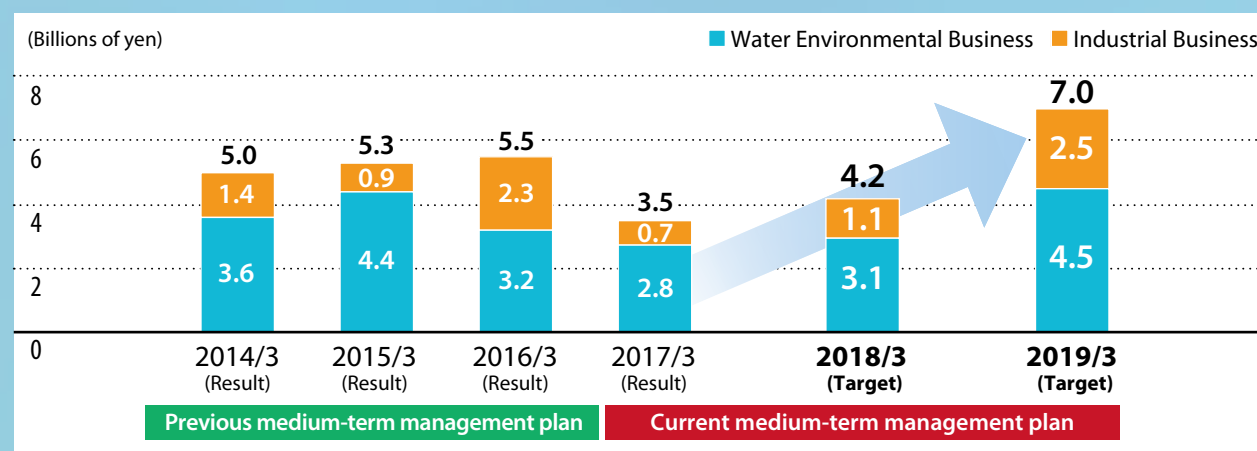
## MEDIUM-TERM MANAGEMENT PLAN (APRIL 1, 2016—MARCH 31, 2019)

We at Tsukishima Kikai are currently hard at work on implementing the medium-term management plan covering the period from April 1, 2016, to March 31, 2019. In our aim for sustainable growth in the Water Environmental Business and Industrial Business, under the basic principle of creating both a stable income base and a base for growth, we endeavor to achieve our plans by seeking greater business efficiency through selection and focus of operations. The actual results and performance targets of the medium-term management plan are shown below.

### Numerical Targets

	2017/3 result	2018/3 target	2019/3 target
Net sales	¥69.9 billion	¥72.0 billion	¥100.0 billion
Operating income	¥3.5 billion	¥4.2 billion	¥7.0 billion
Operating income ratio	5.0%	5.8%	7.0%
Ordinary income	¥3.8 billion	¥4.4 billion	¥7.2 billion
Profit attributable to owners of parent	¥2.2 billion	¥2.7 billion	¥4.4 billion

### Operating Income Results and Targets by Segment





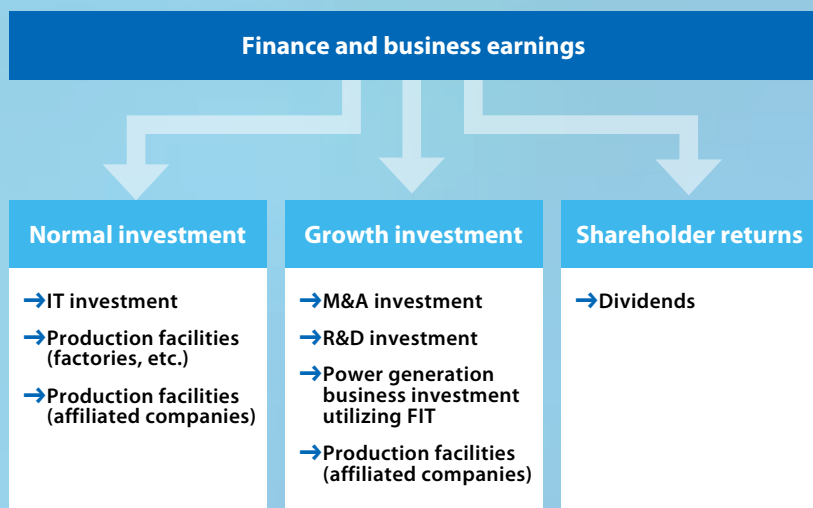
### Basic Policies

We aim to achieve the numerical targets in the medium-term management plan through business activities guided by the following basic policies.

- 01** Establishment of a stable income base
- 02** Establishment of a growth base
- 03** Strategic investment

### Strategic Investment and Capital Policy

Our basic policy under the medium-term management plan are the creation of a stable income base and a growth base. In addition to normal investment, we aim to realize these goals through flexible strategic investment totaling ¥19 billion during the period covered by the plan. This includes ¥10 billion for M&A investment and ¥4 billion for related R&D investment in both business segments, and ¥5 billion for FIT projects investment in the Water Environmental Business segment.



TOPIC 01



**Completion of a PFI Project for a Water Purification Plant in Aichi Prefecture**

In cooperation with Tsukishima Technology Maintenance Service Co., Ltd. and Mitsubishi Electric Corporation, we have completed work related to facility construction and operation of the Inuyama Water Purification Plant and the Owari West Water Purification Plant, Drainage Treatment, and Power Generation Facilities, for which we provided construction services. The total cost of this project was ¥8.95 billion.

This trailblazing project involves modernization of the aging drainage treatment facilities and introduction of power generation facilities for daily use together with the large-scale solar power generation project in Japan. This project not only greatly reduces electric power purchases, but also makes use of a robust source of emergency power to play a role in the stable water supply during a major

disaster. The surplus power generated through solar power is sold to electric power companies utilizing the FIT system. At the drainage treatment facilities, sludge is heated by the waste heat generated by the power generation facilities for daily use, which raises a performance of the dewatering process by 20% to 30%.

In business operations, this function will be under the charge of Owari Water & Energy Co., Ltd., which was established and funded by the three companies. Over the operating period from April 2017 to March 2037, the company will put its efforts into efficient business operations.



TOPIC 02



**Order for Construction of Wastewater Treatment Facilities in Hoi An, Quang Nam Province, Socialist Republic of Vietnam**

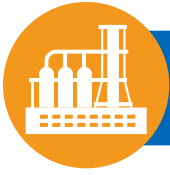
The Water Environmental Business is promoting expansion of overseas projects. In this case, a joint venture of Tsukishima Kikai and Metawater Co., Ltd., has received an order for construction of wastewater treatment facilities in the city of Hoi An, which is located in Quang Nam Province of Vietnam. The photograph below shows the ceremony for commencement of construction.

This project is implemented as the Water Quality Improvement Plan for the Japanese Bridge Area of Hoi An City, a grant aid cooperative project implemented by the Japanese International Cooperation Agency (JICA), an independent administrative institution and makes use of the technology from our cooperative organization. The project contributes to improving the quality of life, sanitation, and the environment and to preserving tourism resources in Hoi An, which is registered as a World Heritage Site. The treatment facility has a capacity of 2,000 m<sup>3</sup> per day.

This project represents the company's first order received as the prime contractor for construction work involving a wastewater treatment project outside of Japan. We intend to build upon this project and focus on the acquisition of overseas projects, centered on the Asia region.



## TOPIC 03



### Completion of a High-Silica Zeolite Production Facility in Malaysia

Together with Tsukishima Engineering Malaysia Sdn. Bhd, we have completed construction of high-silica zeolite (HSZ®) production facility for which an order was received from Tosoh Advanced Materials Sdn. Bhd. (TAM), a Malaysian subsidiary of Tosoh Corporation.

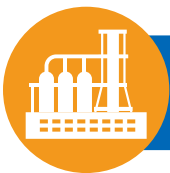
HSZ® is a type of synthetic zeolite, which is used as a catalyst for purifying automobile exhaust, an agent for adsorption and removal of VOCs (volatile organic compounds), and a catalyst for use in petroleum refining and petrochemistry. The HSZ® production facility was built to capture some of the flourishing demand in Japan, the United States, and Europe, as well as the potential demand in Asia. For this purpose, Tosoh established TAM Corporation in Malaysia for producing HSZ® in the Kemaman District of Terengganu State.

The order for this project was awarded in 2015 due to the strong reputation of the Tsukishima Kikai Group for its track record in building chemical plants overseas, including Malaysia. The project is now successfully completed.



The Group has delivered many types of production plants and major equipment to domestic and international manufacturers of basic products and intermediate materials in the chemical sector. Looking ahead, we will actively focus our marketing activities on projects involving new designs and planning of chemical plants and expansion of existing plants, particularly in Asia—a promising region for capital investment.

## TOPIC 04



### Brisk Orders for Batch Type Centrifugal Used in Sugar Factory

Since our founding in 1905, we have expanded our fields of operation by moving into diverse technology fields from our foundational start in the design and manufacturer of sugar refining machinery.

Batch type centrifugal for sugar, which are at the core of the refining process, have been the company's mainstay products for raw sugar, white sugar, refined sugar and etc. with the high-speed rotation. We have delivered more than 1,700 machines in Japan and overseas. Because our product has a relatively simple structure compared to that of our competitors, it features easy maintenance by having few consumable supplies. As a result of increasing competitiveness through the introduction of lot production and lowering cost through design changes to our core products, we recorded highest number of orders. Looking ahead, we will focus more on these marketing activities and aim to achieve annual sales of 100 units or more.



## BOARD OF DIRECTORS



*From left*

**TAKESHI ODAGI**

Board Member  
(Outside Director)

**MASASHI TERANISHI**

Board Member  
(Outside Director)

**YOSHIRO FUJII**

Board Member,  
Managing  
Executive Officer

**AKIHIKO WATANABE**

Board Member,  
Managing  
Executive Officer

**NAOYA FUJITA**

Board Member,  
Managing  
Executive Officer

**BUNYU FUTAMURA**

Board Member  
(Outside Director)

*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)

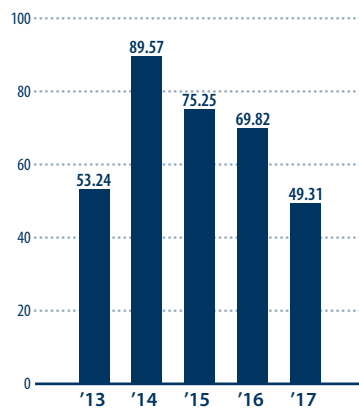
TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31

	Millions of yen (Note 1)					Thousands of U.S. dollars (Note 1)
	2017	2016	2015	2014	2013	2017
For the year:						
Net sales.....	¥ 69,862	¥75,758	¥ 75,639	¥71,216	¥79,866	\$622,711
Operating income.....	3,508	5,485	5,273	5,001	4,419	31,268
Profit before income taxes.....	3,427	5,065	5,794	6,850	4,048	30,546
Profit attributable to owners of parent.....	2,169	3,055	3,344	3,986	2,369	19,333
At year-end:						
Total assets.....	106,630	99,753	105,002	98,688	92,095	950,441
Total shareholders' equity.....	¥ 56,531	¥54,856	¥ 52,562	¥51,114	¥47,800	\$503,886
Per share:						
Basic earnings.....	¥ 49.31	¥ 69.82	¥ 75.25	¥ 89.57	¥ 53.24	\$ 0.43
Dividends.....	¥ 17.00	¥ 22.00	¥ 17.00	¥ 17.00	¥ 15.00	\$ 0.15
Number of shares outstanding (in thousands).....						
	45,625	45,625	45,625	45,625	45,625	

Notes: 1. U.S. dollar amounts are translated from yen at the rate of ¥112.19 to US\$1, solely for the convenience of the reader.  
Amounts less than ¥1 million, \$1 thousand and the number of shares outstanding in thousands have been rounded down.  
2. The fiscal year ended March 31, 2016 dividend includes a commemorative dividend of ¥5.00 per share.

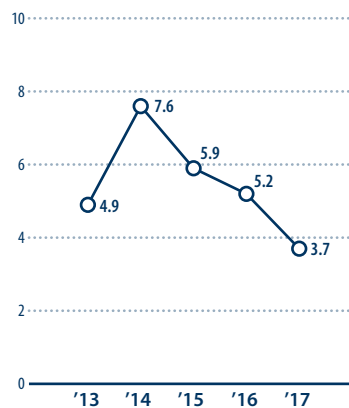
#### Basic Earnings per Share

(Yen)



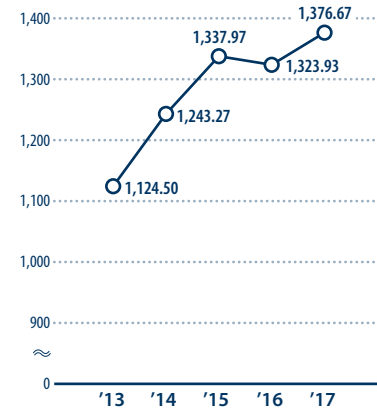
#### Return on Equity

(%)



#### Equity per Share

(Yen)



## Consolidated Balance Sheets

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31, 2017 and 2016

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits (Notes 7, 10) .....	¥ 20,963	¥ 17,698	\$ 186,852
Marketable securities (Notes 2, 7, 8) .....	8,000	—	71,307
Notes and accounts receivable (Notes 7, 9, 10).....	32,171	40,871	286,754
Less: allowance for doubtful accounts (Note 2).....	(140)	(175)	(1,247)
Work in process (Note 2).....	2,316	1,929	20,643
Raw materials and supplies (Note 2).....	287	268	2,558
Deferred income taxes (Notes 4, 13).....	1,565	1,542	13,949
Other current assets (Note 10).....	1,500	1,552	13,370
Total current assets .....	66,664	63,686	594,206
<b>Property, plant and equipment (Note 2):</b>			
Land .....	4,006	4,009	35,707
Buildings and structures (Note 3).....	11,052	10,984	98,511
Machinery and equipment.....	18,362	15,436	163,668
Lease assets.....	699	828	6,230
Construction in progress.....	849	975	7,567
	34,970	32,234	311,703
Less: accumulated depreciation .....	(19,612)	(19,032)	(174,810)
Net property, plant and equipment.....	15,358	13,201	136,892
<b>Investments and other assets:</b>			
Goodwill (Note 2) .....	2,470	2,827	22,016
Software .....	510	556	4,545
Lease assets (Note 2).....	33	52	294
Investments in securities (Notes 2, 7, 8, 10).....	19,258	17,478	171,655
Long-term loans receivable (Note 10).....	226	230	2,014
Deferred income taxes (Notes 4, 13).....	1,132	1,136	10,090
Other assets.....	1,659	1,153	14,787
Less: allowance for doubtful accounts (Note 2).....	(684)	(571)	(6,096)
Total investments and other assets.....	24,607	22,865	219,333
<b>Total assets</b> .....	<b>¥106,630</b>	<b>¥ 99,753</b>	<b>\$ 950,441</b>

See Notes to Consolidated Financial Statements.

## LIABILITIES AND NET ASSETS

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Current liabilities:</b>			
Notes and accounts payable			
Trade (Notes 7, 9).....	¥ 12,606	¥12,348	\$112,362
Other .....	2,360	2,108	21,035
Electronically recorded obligations .....	2,684	3,639	23,923
Short-term loans payable (Notes 7, 10).....	—	128	—
Current portion of long-term loans payable (Notes 7, 9, 10) .....	612	367	5,455
Lease obligations (Note 10) .....	156	187	1,390
Accrued income taxes (Note 13) .....	990	336	8,824
Accrued expenses.....	2,555	2,619	22,773
Accrued warranty (Note 2) .....	960	674	8,556
Reserve for losses on contracts (Note 2) .....	462	282	4,118
Advances received .....	4,157	2,691	37,053
Other current liabilities .....	1,930	2,322	17,202
Total current liabilities .....	29,478	27,707	262,750
<b>Long-term liabilities:</b>			
Long-term loans payable (Notes 4, 7, 9, 10).....	5,416	3,445	48,275
Lease obligations (Note 10) .....	173	268	1,542
Deferred tax liabilities (Notes 4, 13).....	2,279	1,708	20,313
Net defined benefit liability (Notes 2, 11).....	7,168	7,284	63,891
Reserve for retirement payments to officers (Note 2) .....	216	209	1,925
Asset retirement obligations.....	471	194	4,198
Other long-term liabilities.....	166	205	1,479
Total long-term liabilities.....	15,893	13,316	141,661
<b>Contingent liability (Note 14)</b>			
<b>Net assets:</b>			
<b>Shareholders' equity:</b>			
Common stock,			
Authorized: 180 million shares in 2017 and 2016			
Issued: 45,625,800 shares in 2017 and 2016 .....	6,646	6,646	59,238
Additional paid-in capital.....	5,485	5,485	48,890
Retained earnings .....	45,528	44,161	405,811
Treasury stock (Note 4) .....	(1,130)	(1,437)	(10,072)
Total shareholders' equity.....	56,531	54,856	503,886
<b>Accumulated other comprehensive income</b>			
Net unrealized gains or losses on available-for-sale securities .....	5,249	4,166	46,786
Deferred gains or losses on hedges.....	(60)	(30)	(534)
Foreign currency translation adjustment (Note 2) .....	(442)	(205)	(3,939)
Remeasurements of defined benefit plans (Note 11) .....	(562)	(708)	(5,009)
Total accumulated other comprehensive income.....	4,183	3,222	37,284
<b>Non-controlling interests</b> .....	542	649	4,831
Total net assets .....	61,257	58,729	546,011
<b>Total liabilities and net assets</b> .....	¥106,630	¥99,753	\$950,441

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Income

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31, 2017 and 2016

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Net Sales (Notes 2, 18)</b> .....	<b>¥69,862</b>	¥75,758	<b>\$622,711</b>
<b>Cost of sales (Note 12)</b> .....	<b>54,976</b>	58,900	<b>490,025</b>
Gross profit.....	<b>14,885</b>	16,858	<b>132,676</b>
<b>Selling, general and administrative expenses (Note 12)</b> .....	<b>11,377</b>	11,373	<b>101,408</b>
Operating income (Note 18).....	<b>3,508</b>	5,485	<b>31,268</b>
<b>Other income(expenses):</b>			
Interest and dividend income.....	<b>393</b>	335	<b>3,502</b>
Interest expenses.....	<b>(56)</b>	(112)	<b>(499)</b>
Gain on sales of investments in securities.....	<b>735</b>	183	<b>6,551</b>
Gain on sales of property, plant and equipment.....	<b>0</b>	0	<b>0</b>
Loss on sales and disposal of property, plant and equipment.....	<b>(40)</b>	(165)	<b>(356)</b>
Loss on sales of investments in securities.....	<b>(0)</b>	—	<b>(0)</b>
Loss on construction contracts.....	<b>(909)</b>	—	<b>(8,102)</b>
Provision of allowance for doubtful accounts (Note 2).....	<b>(197)</b>	(128)	<b>(1,755)</b>
Equity in earnings of affiliates (Note 2).....	<b>78</b>	44	<b>695</b>
Loss on valuation of investments in securities.....	<b>(0)</b>	(343)	<b>(0)</b>
Taxes and dues.....	<b>(3)</b>	(18)	<b>(26)</b>
Office transfer expenses.....	<b>—</b>	(58)	<b>—</b>
Other, net (Note 15).....	<b>(80)</b>	(157)	<b>(713)</b>
Other income(expenses), net.....	<b>(81)</b>	(420)	<b>(721)</b>
Profit before income taxes.....	<b>3,427</b>	5,065	<b>30,546</b>
<b>Income taxes (Notes 2, 13):</b>			
Current.....	<b>1,299</b>	1,085	<b>11,578</b>
Deferred.....	<b>19</b>	817	<b>169</b>
Total income taxes.....	<b>1,318</b>	1,903	<b>11,747</b>
Profit.....	<b>2,108</b>	3,162	<b>18,789</b>
<b>Profit (loss) attributable to non-controlling interests</b> .....	<b>(61)</b>	106	<b>(543)</b>
<b>Profit attributable to owners of parent</b> .....	<b>¥ 2,169</b>	¥ 3,055	<b>\$ 19,333</b>
<b>Per share</b>			
Basic earnings.....	<b>¥ 49.31</b>	¥ 69.82	<b>\$ 0.43</b>
Dividends.....	<b>¥ 17.00</b>	¥ 22.00	<b>\$ 0.15</b>

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Comprehensive Income

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31, 2017 and 2016

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Profit</b> .....	<b>¥2,108</b>	¥ 3,162	<b>\$18,789</b>
<b>Other comprehensive income (Note 5)</b>			
Net unrealized gains or losses on available-for-sale securities.....	<b>1,082</b>	(2,176)	<b>9,644</b>
Deferred gains or losses on hedges.....	<b>(26)</b>	172	<b>(231)</b>
Foreign currency translation adjustment.....	<b>(264)</b>	(419)	<b>(2,353)</b>
Remeasurements of defined benefit plans.....	<b>146</b>	(272)	<b>1,301</b>
Share of other comprehensive income of associates accounted for using equity method.....	<b>2</b>	(0)	<b>17</b>
Total other comprehensive income.....	<b>940</b>	(2,696)	<b>8,378</b>
<b>Comprehensive income</b> .....	<b>¥3,048</b>	¥ 465	<b>\$27,168</b>
(Breakdown)			
Comprehensive income attributable to owners of parent.....	<b>¥3,130</b>	¥ 413	<b>\$27,899</b>
Comprehensive income attributable to non-controlling interests.....	<b>¥ (81)</b>	¥ 51	<b>\$ (721)</b>

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, 2017 and 2016

	Thousands	Millions of yen (Note 1)											
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income					Non-controlling 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		
<b>Balance as of April 1, 2015</b> .....	45,625	¥6,646	¥5,485	¥42,140	¥(1,710)	¥52,562	¥ 6,343	¥(202)	¥ 150	¥(436)	¥ 5,855	¥548	¥58,966
Dividends.....	—	—	—	(979)	—	(979)	—	—	—	—	—	—	(979)
Profit attributable to owners of parent for the year ended March 31, 2016.....	—	—	—	3,055	—	3,055	—	—	—	—	—	—	3,055
Change of scope of consolidation....	—	—	—	(55)	—	(55)	—	—	—	—	—	—	(55)
Change of scope of equity method..	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury stock.....	—	—	—	—	(0)	(0)	—	—	—	—	—	—	(0)
Disposal of treasury stock.....	—	—	0	—	272	272	—	—	—	—	—	—	272
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	(2,176)	172	(355)	(272)	(2,632)	101	(2,530)
<b>Balance as of March 31, 2016</b> .....	45,625	¥6,646	¥5,485	¥44,161	¥(1,437)	¥54,856	¥ 4,166	¥ (30)	¥(205)	¥(708)	¥ 3,222	¥649	¥58,729

	Thousands	Millions of yen (Note 1)											
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income					Non-controlling 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		
<b>Balance as of April 1, 2016</b> .....	45,625	¥6,646	¥5,485	¥44,161	¥(1,437)	¥54,856	¥4,166	¥(30)	¥(205)	¥(708)	¥3,222	¥ 649	¥58,729
Dividends.....	—	—	—	(756)	—	(756)	—	—	—	—	—	—	(756)
Profit attributable to owners of parent for the year ended March 31, 2017.....	—	—	—	2,169	—	2,169	—	—	—	—	—	—	2,169
Change of scope of consolidation....	—	—	—	—	—	—	—	—	—	—	—	—	—
Change of scope of equity method..	—	—	—	(45)	—	(45)	—	—	—	—	—	—	(45)
Purchase of treasury stock.....	—	—	—	—	(0)	(0)	—	—	—	—	—	—	(0)
Disposal of treasury stock.....	—	—	—	—	307	307	—	—	—	—	—	—	307
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	1,082	(30)	(237)	146	960	(107)	853
<b>Balance as of March 31, 2017</b> .....	45,625	¥6,646	¥5,485	¥45,528	¥(1,130)	¥56,531	¥5,249	¥(60)	¥(442)	¥(562)	¥4,183	¥ 542	¥61,257

	Thousands	Thousands of U.S. dollars (Note 1)											
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income					Non-controlling 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		
<b>Balance as of April 1, 2016</b> .....	45,625	\$59,238	\$48,890	\$393,626	\$(12,808)	\$488,956	\$37,133	\$(267)	\$(1,827)	\$(6,310)	\$28,719	\$5,784	\$523,478
Dividends.....	—	—	—	(6,738)	—	(6,738)	—	—	—	—	—	—	(6,738)
Profit attributable to owners of parent for the year ended March 31, 2017.....	—	—	—	19,333	—	19,333	—	—	—	—	—	—	19,333
Change of scope of consolidation....	—	—	—	—	—	—	—	—	—	—	—	—	—
Change of scope of equity method..	—	—	—	(401)	—	(401)	—	—	—	—	—	—	(401)
Purchase of treasury stock.....	—	—	—	—	(0)	(0)	—	—	—	—	—	—	(0)
Disposal of treasury stock.....	—	—	—	—	2,736	2,736	—	—	—	—	—	—	2,736
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	9,644	(267)	(2,112)	1,301	8,556	(953)	7,603
<b>Balance as of March 31, 2017</b> .....	45,625	\$59,238	\$48,890	\$405,811	\$(10,072)	\$503,886	\$46,786	\$(534)	\$(3,939)	\$(5,009)	\$37,284	\$4,831	\$546,011

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31, 2017 and 2016

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Cash flows from operating activities:</b>			
Profit before income taxes .....	¥ 3,427	¥ 5,065	\$ 30,546
Adjustments for:			
Depreciation and amortization .....	1,306	1,230	11,640
Amortization of goodwill .....	197	210	1,755
Increase (decrease) in net defined benefit liability.....	94	67	837
Increase (decrease) in accrued bonus to employees .....	(58)	(19)	(516)
Increase (decrease) in reserve for retirement payments to officers.....	12	34	106
Increase (decrease) in allowance for doubtful accounts.....	81	111	721
Increase (decrease) in accrued warranty .....	286	(243)	2,549
Increase (decrease) in reserve for losses on contracts .....	179	(363)	1,595
Interest and dividend income .....	(393)	(335)	(3,502)
Interest expenses.....	56	112	499
Equity in (earnings) losses of affiliates.....	(78)	(44)	(695)
Loss (gain) on sales and disposal of property, plant and equipment.....	40	165	356
Loss (gain) on sales of investments in securities .....	(734)	(183)	(6,542)
Loss (gain) on valuation of investments in securities .....	0	343	0
(Increase) decrease in notes and accounts receivable .....	8,636	1,240	76,976
Increase (decrease) advances received .....	1,499	(982)	13,361
(Increase) decrease in inventories.....	(417)	1,300	(3,716)
Increase (decrease) in notes and accounts payable, trade .....	(688)	(2,542)	(6,132)
Other .....	(1,483)	(277)	(13,218)
Subtotal .....	11,962	4,890	106,622
Interest and dividend income received .....	400	342	3,565
Interest expenses paid .....	(57)	(113)	(508)
Income taxes paid.....	(334)	(2,170)	(2,977)
Net cash provided by (used in) operating activities.....	11,970	2,948	106,694
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment.....	(2,346)	(1,447)	(20,910)
Proceeds from sales of property, plant and equipment.....	3	0	26
Payments for retirement of property, plant and equipment.....	(33)	(162)	(294)
Purchase of intangible fixed assets .....	(211)	(298)	(1,880)
Purchase of investments in securities .....	(338)	(231)	(3,012)
Proceeds from sales of investments in securities.....	877	304	7,817
Payments for loans receivable .....	(3)	(41)	(26)
Collection of loans receivable .....	19	13	169
Other .....	51	59	454
Net cash provided by (used in) investing activities .....	(1,980)	(1,803)	(17,648)
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term loans payable.....	(114)	(454)	(1,016)
Proceeds from long-term loans payable .....	3,000	—	26,740
Repayments of long-term loans payable.....	(775)	(654)	(6,907)
Repayments of lease obligations.....	(199)	(203)	(1,773)
Additions of treasury stock.....	(0)	(0)	(0)
Proceeds from sales of treasury stock.....	255	237	2,272
Dividends paid .....	(756)	(979)	(6,738)
Dividends paid to non-controlling interests .....	(25)	(24)	(222)
Net cash provided by (used in) financing activities.....	1,384	(2,078)	12,336
<b>Effect of exchange rate change on cash and cash equivalents.....</b>	(74)	(214)	(659)
<b>Net increase (decrease) in cash and cash equivalents.....</b>	11,299	(1,147)	100,713
<b>Cash and cash equivalents at beginning of period (Notes 2, 6) .....</b>	17,578	17,420	156,680
<b>Increase in cash and cash equivalents from newly consolidated subsidiaries.....</b>	—	1,306	—
<b>Cash and cash equivalents at end of period (Notes 2, 6).....</b>	¥28,878	¥17,578	\$257,402

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 Act 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 that 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 ¥112.19 to \$1, the approximate rate of exchange at March 31, 2017.

Amounts less than ¥1 million have been rounded down. 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 10 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.
- Daido Chemical Engineering Corp.
- BOKELA GmbH

The fiscal year-end of all entities is March 31, except for 3 consolidated foreign subsidiaries that 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 7 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 Yokohama-South Co., Ltd.

Biocoal Yokohama-South Co., Ltd. has become equity method application company from this financial year because of its increased materiality.

**(c) Marketable Securities and Investments in Securities**

All of the Group's securities are classified as follows: i) Held-to-maturity 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. In regard to investments in anonymous associations (deemed to be securities under Article 2, Section 2 of the Japanese Financial Instruments and Exchange Act), the Company uses the net amount corresponding to the ownership portion, based on the most recent obtainable settlement documents for the settlement reporting date stipulated in the partnership contract.

**(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 attached to buildings), facilities attached to buildings and structures acquired after April 1, 2016, 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.

**(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 contracts 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, 2017 and 2016.

**(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 that 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 or 20 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 that 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, interest rate swap contracts and interest rate and currency swap contracts are utilized by the Company and certain consolidated subsidiaries to reduce foreign currency exchange risks and interest rate risks.

Derivatives are carried at fair value with gains or losses recognized in the consolidated statements of income. For derivatives used for hedging purposes, if derivatives meet the requirements for hedge accounting, gains or losses on derivatives are deferred until recognition of the hedged transactions.

If foreign exchange forward contracts are used as a hedge and meet certain criteria, the exchange forward contracts are not stated at fair value, and instead the amount to be received under the exchange forward contracts is added to or deducted from the assets or liabilities for which the exchange forward contract was executed ("Designation accounting").

If interest rate swap contracts are used as a hedge and meet certain hedging criteria, the interest rate swaps are not stated at fair value, and instead the amount to be received under the interest rate swap contract is added to or deducted from the interest on the liabilities for which the swap contract was executed ("Short-cut method").

If interest rate and currency swap contracts are used as a hedge and meet certain hedging criteria, the interest rate and currency swap contracts are not stated at fair value, and instead the amount to be received under the interest rate and currency swap contracts is added to or deducted from the interest on the liabilities for which the swap contracts were executed, and the liabilities denominated in foreign currencies, for which the interest rate and currency swap contracts were executed, are translated at the contracted rate ("Integral method").

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

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### **3. Change in Accounting Policy**

Following the revision to the Corporation Tax Act, the Company and its consolidated domestic subsidiaries have applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No.32, June 17, 2016) from this consolidated fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

The effect of these changes on the consolidated financial statements for this consolidated fiscal year is immaterial.

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#### 4. Additional Information

(Adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets)  
The company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)" from this consolidated fiscal year.

(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 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 in 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 ¥529 million (\$4,715 thousand) and 402 thousand shares, for the year ended March 31, 2017 and ¥836 million and 636 thousand shares, for the year ended March 31, 2016.

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

¥606 million (\$5,401 thousand) and ¥867 million for the years ended March 31, 2017 and 2016, respectively.

## 5. Other Comprehensive Income

Reclassification adjustments and tax effects of each component of other comprehensive income for the fiscal year ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net unrealized gains or losses on available-for-sale securities			
Amount arising during the year .....	<b>¥2,296</b>	¥(3,528)	<b>\$20,465</b>
Reclassification adjustments.....	<b>(735)</b>	159	<b>(6,551)</b>
Net unrealized gains or losses on available-for-sale securities before tax effect....	<b>1,561</b>	(3,369)	<b>13,913</b>
Tax effect.....	<b>(478)</b>	1,192	<b>(4,260)</b>
Net unrealized gains or losses on available-for-sale securities.....	<b>1,082</b>	(2,176)	<b>9,644</b>
Deferred gains or losses on hedges			
Amount arising during the year .....	<b>(43)</b>	238	<b>(383)</b>
Reclassification adjustments.....	<b>6</b>	20	<b>53</b>
Deferred gains or losses on hedges before tax effect.....	<b>(37)</b>	258	<b>(329)</b>
Tax effect.....	<b>10</b>	(86)	<b>89</b>
Deferred gains or losses on hedges.....	<b>(26)</b>	172	<b>(231)</b>
Foreign currency translation adjustment			
Amount arising during the year .....	<b>(264)</b>	(419)	<b>(2,353)</b>
Tax effect.....	<b>—</b>	—	<b>—</b>
Foreign currency translation adjustment .....	<b>(264)</b>	(419)	<b>(2,353)</b>
Remeasurements of defined benefit plans			
Amount arising during the year .....	<b>50</b>	(508)	<b>445</b>
Reclassification adjustments.....	<b>159</b>	132	<b>1,417</b>
Remeasurements of defined benefit plans before tax effect.....	<b>210</b>	(376)	<b>1,871</b>
Tax effect.....	<b>(64)</b>	104	<b>(570)</b>
Remeasurements of defined benefit plans .....	<b>146</b>	(272)	<b>1,301</b>
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year .....	<b>0</b>	(2)	<b>0</b>
Reclassification adjustments.....	<b>1</b>	1	<b>8</b>
Share of other comprehensive income of associates accounted for using equity method .....	<b>2</b>	(0)	<b>17</b>
Total other comprehensive income .....	<b>¥ 940</b>	¥(2,696)	<b>\$ 8,378</b>

## 6. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and time deposits.....	<b>¥20,963</b>	¥17,698	<b>\$186,852</b>
Marketable securities.....	<b>8,000</b>	—	<b>71,307</b>
Less: time deposits that mature or become due over three months after the date of acquisition.....	<b>(85)</b>	(120)	<b>(757)</b>
Cash and cash equivalents.....	<b>¥28,878</b>	¥17,578	<b>\$257,402</b>

## 7. Financial Instruments

Amounts on the consolidated balance sheets as of March 31, 2017 and 2016, fair value and variance were as follows:

	Millions of yen		
	2017		
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits.....	<b>¥20,963</b>	<b>¥20,963</b>	<b>¥ —</b>
(2) Notes and accounts receivable.....	<b>32,171</b>	<b>32,105</b>	<b>(65)</b>
(3) Marketable securities and Investments in securities			
Held to maturity securities.....	<b>166</b>	<b>182</b>	<b>16</b>
Other securities.....	<b>25,929</b>	<b>25,929</b>	<b>—</b>
Total.....	<b>79,230</b>	<b>79,181</b>	<b>(49)</b>
(4) Notes and accounts payable-trade.....	<b>12,606</b>	<b>12,606</b>	<b>—</b>
(5) Electronically recorded obligations.....	<b>2,684</b>	<b>2,684</b>	<b>—</b>
(6) Short-term loans payable.....	<b>—</b>	<b>—</b>	<b>—</b>
(7) Long-term loans payable (Include portion due within one year).....	<b>6,029</b>	<b>6,156</b>	<b>126</b>
Total.....	<b>21,321</b>	<b>21,448</b>	<b>126</b>
(8) Derivative transactions*.....	<b>¥ (84)</b>	<b>¥ (86)</b>	<b>¥ (1)</b>

	Millions of yen		
	2016		
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits.....	¥17,698	¥17,698	¥ —
(2) Notes and accounts receivable.....	40,871	40,813	(58)
(3) Marketable securities and Investments in securities			
Held to maturity securities.....	164	187	22
Other securities.....	16,392	16,392	—
Total.....	75,127	75,091	(35)
(4) Notes and accounts payable-trade.....	12,348	12,348	—
(5) Electronically recorded obligations.....	3,639	3,639	—
(6) Short-term loans payable.....	128	128	—
(7) Long-term loans payable (Include portion due within one year).....	3,813	3,835	21
Total.....	19,930	19,951	21
(8) Derivative transactions*.....	¥ (47)	¥ (49)	¥ (2)

Thousands of U.S. dollars

	2017		
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits .....	\$186,852	\$186,852	\$ —
(2) Notes and accounts receivable .....	286,754	286,166	(579)
(3) Marketable securities and Investments in securities			
Held to maturity securities .....	1,479	1,622	142
Other securities .....	231,116	231,116	—
Total .....	706,212	705,775	(436)
(4) Notes and accounts payable-trade .....	112,362	112,362	—
(5) Electronically recorded obligations .....	23,923	23,923	—
(6) Short-term loans payable .....	—	—	—
(7) Long-term loans payable (Include portion due within one year) .....	53,739	54,871	1,123
Total .....	190,043	191,175	1,123
(8) Derivative transactions* .....	\$ (748)	\$ (766)	\$ (8)

\*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. Debt securities are valued based on the prices provided by correspondent financial institutions. 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) Electronically recorded obligations

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) 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.

(7) 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 and the integral method with interest rate and currency swaps, the fair value is estimated based on the total of principal and interest those are integrated with interest rate swaps and interest rate and currency swaps, 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.

(8) 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 and interest rate and currency swaps accounted for the integral 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
	2017	2016	2017
Non-listed stocks.....	<b>¥700</b>	¥686	<b>\$6,239</b>
Non-consolidated subsidiary and associated company stocks .....	<b>255</b>	234	<b>2,272</b>
Investments in anonymous associations .....	<b>¥206</b>	—	<b>\$1,836</b>

c. The aggregate maturities of monetary claims and securities with maturity outstanding as of March 31, 2017 and 2016 were as follows:

	Millions of yen			
	2017			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits.....	<b>¥20,963</b>	¥ —	¥ —	¥ —
Notes and accounts receivable.....	<b>29,426</b>	<b>1,368</b>	<b>1,375</b>	—
Marketable securities and Investments in securities				
Held to maturity securities.....	—	—	—	<b>205</b>
Other securities.....	<b>8,000</b>	—	—	—
Total.....	<b>¥58,390</b>	<b>¥1,368</b>	<b>¥1,375</b>	<b>¥205</b>

	Millions of yen			
	2016			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits.....	¥17,698	¥ —	¥ —	¥ —
Notes and accounts receivable.....	37,878	1,362	1,552	77
Marketable securities and Investments in securities				
Held to maturity securities.....	—	—	—	205
Other securities.....	—	—	—	—
Total.....	¥55,577	¥1,362	¥1,552	¥282

	Thousands of U.S. dollars			
	2017			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits.....	<b>\$186,852</b>	\$ —	\$ —	\$ —
Notes and accounts receivable.....	<b>262,287</b>	<b>12,193</b>	<b>12,255</b>	—
Marketable securities and Investments in securities				
Held to maturity securities.....	—	—	—	<b>1,827</b>
Other securities.....	<b>71,307</b>	—	—	—
Total.....	<b>\$520,456</b>	<b>\$12,193</b>	<b>\$12,255</b>	<b>\$1,827</b>

d. The aggregate maturities of long-term loans payable outstanding as of March 31, 2017 and 2016 were as follows:

	Millions of yen					
	<b>2017</b>					
	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.....	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable (Include portion due within one year)...	<b>612</b>	<b>616</b>	<b>1,190</b>	<b>578</b>	<b>559</b>	<b>2,472</b>
Total.....	<b>¥612</b>	<b>¥616</b>	<b>¥1,190</b>	<b>¥578</b>	<b>¥559</b>	<b>¥2,472</b>

	Millions of yen					
	<b>2016</b>					
	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.....	¥128	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable (Include portion due within one year)...	367	315	319	1,151	278	1,381
Total.....	¥496	¥315	¥319	¥1,151	¥278	¥1,381

	Thousands of U.S. dollars					
	<b>2017</b>					
	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.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans payable (Include portion due within one year)...	<b>5,455</b>	<b>5,490</b>	<b>10,607</b>	<b>5,151</b>	<b>4,982</b>	<b>22,034</b>
Total.....	<b>\$5,455</b>	<b>\$5,490</b>	<b>\$10,607</b>	<b>\$5,151</b>	<b>\$4,982</b>	<b>\$22,034</b>

## 8. Marketable Securities and Investments in Securities

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2017 and 2016 were as follows:

	Millions of yen			
	2017			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities.....	¥10,361	¥8,051	¥(483)	¥17,929
Others.....	8,000	—	—	8,000
	<b>¥18,361</b>	<b>¥8,051</b>	<b>¥(483)</b>	<b>¥25,929</b>
Held-to-maturity securities.....	¥ 166	¥ 16	¥ —	¥ 182

	Millions of yen			
	2016			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities.....	¥10,403	¥6,606	¥(617)	¥16,392
Others.....	—	—	—	—
	¥10,403	¥6,606	¥(617)	¥16,392
Held-to-maturity securities.....	¥ 164	¥ 22	¥ —	¥ 187

	Thousands of U.S. dollars			
	2017			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities.....	\$ 92,352	\$71,762	\$ (4,305)	\$159,809
Others.....	71,307	—	—	71,307
	<b>\$163,659</b>	<b>\$71,762</b>	<b>\$ (4,305)</b>	<b>\$231,116</b>
Held-to-maturity securities.....	\$ 1,479	\$ 142	\$ —	\$ 1,622

## 9. Derivative Transactions

Derivative financial instruments with fair value as of March 31, 2017 and 2016 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-rated

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

		Millions of yen		
		<b>2017</b>		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
<b>Forward foreign currency exchange contracts:</b>	<b>Principal items hedged:</b>			
Sell U.S. dollar, buy Japanese yen	Accounts receivable.....	<b>¥1,672</b>	<b>¥367</b>	<b>¥(21)</b>
Sell Thai baht, buy Japanese yen	.....	<b>282</b>	—	<b>(40)</b>
Sell Chinese yuan, buy Japanese yen	.....	<b>143</b>	—	<b>(2)</b>
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	<b>888</b>	<b>42</b>	<b>(17)</b>
Buy Euro, sell Japanese yen	.....	<b>142</b>	<b>10</b>	<b>(1)</b>
Buy Singapore dollar, sell Japanese yen	.....	<b>3</b>	—	<b>(0)</b>
Buy Thai baht, sell Japanese yen	.....	<b>12</b>	—	<b>1</b>
Buy Chinese yuan, sell Japanese yen	.....	<b>3</b>	—	<b>0</b>
<b>Total.....</b>		<b>¥3,149</b>	<b>¥420</b>	<b>¥(82)</b>

		Millions of yen		
		2016		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
<b>Forward foreign currency exchange contracts:</b>	<b>Principal items hedged:</b>			
Sell U.S. dollar, buy Japanese yen	Accounts receivable.....	¥1,908	¥—	¥ (2)
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	254	—	(13)
Buy Euro, sell Japanese yen	.....	91	—	(3)
Buy Singapore dollar, sell Japanese yen	.....	39	—	(1)
Buy Thai baht, sell Japanese yen	.....	31	—	(3)
Buy Chinese yuan, sell Japanese yen	.....	3	—	(0)
<b>Total.....</b>		<b>¥2,329</b>	<b>¥—</b>	<b>¥(24)</b>

		Thousands of U.S. dollars		
		<b>2017</b>		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
<b>Forward foreign currency exchange contracts:</b>	<b>Principal items hedged:</b>			
Sell U.S. dollar, buy Japanese yen	Accounts receivable.....	<b>\$14,903</b>	<b>\$3,271</b>	<b>\$(187)</b>
Sell Thai baht, buy Japanese yen	.....	<b>2,513</b>	—	<b>(356)</b>
Sell Chinese yuan, buy Japanese yen	.....	<b>1,274</b>	—	<b>(17)</b>
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	<b>7,915</b>	<b>374</b>	<b>(151)</b>
Buy Euro, sell Japanese yen	.....	<b>1,265</b>	<b>89</b>	<b>(8)</b>
Buy Singapore dollar, sell Japanese yen	.....	<b>26</b>	—	<b>(0)</b>
Buy Thai baht, sell Japanese yen	.....	<b>106</b>	—	<b>8</b>
Buy Chinese yuan, sell Japanese yen	.....	<b>26</b>	—	<b>0</b>
Total.....		<b>\$28,068</b>	<b>\$3,743</b>	<b>\$(730)</b>

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

		Millions of yen		
		<b>2017</b>		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
<b>Interest rate swaps:</b>	<b>Principal items hedged:</b>			
(Principle method)				
Receive floating, pay fixed	Long-term loans payable .....	<b>¥2,436</b>	<b>¥2,178</b>	<b>¥(4)</b>
<b>Interest rate and currency swaps:</b>				
(Integral method)				
Receive floating U.S. dollar, pay fixed Japanese yen	Long-term loans payable .....	<b>1,710</b>	<b>1,530</b>	<b>Notes b.</b>
Total.....		<b>¥4,146</b>	<b>¥3,708</b>	<b>¥(4)</b>

		Millions of yen		
		2016		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
<b>Interest rate swaps:</b>	<b>Principal items hedged:</b>			
(Principle method)				
Receive floating, pay fixed	Long-term loans payable .....	¥2,696	¥2,436	¥(25)
(Short-cut method)				
Receive floating, pay fixed	Long-term loans payable .....	50	—	Notes b.
Total.....		¥2,746	¥2,436	¥(25)

		Thousands of U.S. dollars		
		<b>2017</b>		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
<b>Interest rate swaps:</b>	<b>Principal items hedged:</b>			
(Principle method)				
Receive floating, pay fixed	Long-term loans payable .....	<b>\$21,713</b>	<b>\$19,413</b>	<b>\$(35)</b>
<b>Interest rate and currency swaps:</b>				
(Integral method)				
Receive floating U.S. dollar, pay fixed Japanese yen	Long-term loans payable .....	<b>15,242</b>	<b>13,637</b>	<b>Notes b.</b>
Total.....		<b>\$36,955</b>	<b>\$33,051</b>	<b>\$(35)</b>

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 and interest rate and currency swaps accounted for by the integral 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, 2016 was approximately 4.8 percent.

The weighted average interest rates of long-term loans payable as of March 31, 2017 and 2016 were approximately 0.8 percent and 1.3 percent, respectively.

Long-term loans payable as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	<b>2017</b>	2016	<b>2017</b>
Loans payable, due 2026.....	<b>¥6,029</b>	¥3,813	<b>\$53,739</b>
Less: portion due within one year.....	<b>(612)</b>	(367)	<b>(5,455)</b>
	<b>¥5,416</b>	¥3,445	<b>\$48,275</b>

Lease obligations as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	<b>2017</b>	2016	<b>2017</b>
Current.....	<b>¥156</b>	¥187	<b>\$1,390</b>
Non-current.....	<b>173</b>	268	<b>1,542</b>
	<b>¥330</b>	¥455	<b>\$2,941</b>

The following assets were pledged as collateral for the long-term loans payable of ¥2,509 million (\$22,363 thousand) and ¥2,815 million for the years ended March 31, 2017 and 2016, respectively.

	Millions of yen		Thousands of U.S. dollars
	<b>2017</b>	2016	<b>2017</b>
Deposit.....	<b>¥567</b>	¥604	<b>\$5,053</b>
Account receivable.....	<b>145</b>	194	<b>1,292</b>
Buildings.....	<b>125</b>	139	<b>1,114</b>
Land.....	<b>41</b>	44	<b>365</b>
	<b>¥879</b>	¥983	<b>\$7,834</b>

The following assets were pledged as collateral for the long-term loans payable at affiliated companies and others of ¥6,973 million (\$62,153 thousand) and ¥4,878 million for the years ended March 31, 2017 and 2016, respectively.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Short-terms loans receivable.....	¥ 12	¥ 12	\$ 106
Investment in securities.....	93	44	828
Long-term loans receivable.....	184	185	1,640
	<b>¥290</b>	<b>¥242</b>	<b>\$2,584</b>

\*Other than above collateral assets, investment security was deposited with Osaka city as the contract guarantee for electric power generating business. The value of deposited investment security was ¥166 million(\$1,479 thousand) and ¥164 million for the years ended March 31, 2017 and 2016 respectively.

## 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
	2017	2016	2017
Balance at beginning of year.....	¥8,029	¥7,476	\$71,566
Service costs.....	507	473	4,519
Interest costs.....	43	77	383
Actuarial differences.....	(41)	478	(365)
Benefit paid.....	(481)	(477)	(4,287)
Balance at end of year.....	<b>¥8,057</b>	<b>¥8,029</b>	<b>\$71,815</b>

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year.....	¥1,236	¥1,131	\$11,017
Expected return on pension assets.....	18	16	160
Actuarial differences.....	9	(29)	80
Contribution by the employer.....	218	216	1,943
Benefit paid.....	(98)	(98)	(873)
Balance at end of year.....	<b>¥1,384</b>	<b>¥1,236</b>	<b>\$12,336</b>

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
	2017	2016	2017
Balance at beginning of year .....	<b>¥491</b>	¥464	<b>\$4,376</b>
Retirement benefit expenses.....	<b>62</b>	64	<b>552</b>
Benefit paid .....	<b>(57)</b>	(68)	<b>(508)</b>
Other.....	<b>(0)</b>	(1)	<b>(0)</b>
Change of scope of consolidation.....	—	32	—
Balance at end of year .....	<b>¥495</b>	¥491	<b>\$4,412</b>

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, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Funded defined benefit obligations.....	<b>¥ 1,597</b>	¥ 1,616	<b>\$ 14,234</b>
Pension assets .....	<b>(1,384)</b>	(1,236)	<b>(12,336)</b>
	<b>213</b>	379	<b>1,898</b>
Unfunded defined benefit obligations.....	<b>6,955</b>	6,904	<b>61,993</b>
Net amount of liability and assets recognized in the consolidated balance sheet .....	<b>7,168</b>	7,284	<b>63,891</b>
Net defined benefit liability .....	<b>7,168</b>	7,284	<b>63,891</b>
Net defined benefit asset .....	—	—	—

Retirement benefit expenses for the year ended March 31, 2017 and 2016 consisted of the followings:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service costs .....	<b>¥507</b>	¥473	<b>\$4,519</b>
Interest costs .....	<b>43</b>	77	<b>383</b>
Expected return on pension assets.....	<b>(18)</b>	(16)	<b>(160)</b>
Actuarial differences recognized in the year .....	<b>175</b>	147	<b>1,559</b>
Prior service cost recognized in the year .....	<b>(15)</b>	(15)	<b>(133)</b>
Retirement benefit expenses accounted for by the simplified method.....	<b>62</b>	64	<b>552</b>
Retirement benefit expenses for the defined retirement benefit plan .....	<b>¥753</b>	¥730	<b>\$6,711</b>

The breakdown of remeasurements of defined benefit plans in other comprehensive income (before tax effects) for the year ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Prior service cost.....	<b>¥ (15)</b>	¥ (15)	<b>\$ (133)</b>
Actuarial differences .....	<b>226</b>	(360)	<b>2,014</b>
	<b>¥210</b>	¥(376)	<b>\$1,871</b>

The breakdown of remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effects) as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized prior service cost.....	<b>¥ 63</b>	¥ 47	<b>\$ 561</b>
Unrecognized actuarial differences .....	<b>747</b>	973	<b>6,658</b>
	<b>¥810</b>	¥1,020	<b>\$7,219</b>

The breakdown of pension assets by major category as of March 31, 2017 and 2016, were as follows:

	2017	2016
Bonds.....	<b>33.5%</b>	31.8%
Stocks.....	<b>22.5</b>	24.6
Insurance company general accounts.....	<b>20.0</b>	20.2
Alternative investments .....	<b>20.0</b>	19.8
Other.....	<b>4.0</b>	3.6
Total.....	<b>100.0%</b>	100.0%

\*Alternative investments are mainly investments of real estate and hedge funds

Major actuarial assumptions as of March 31, 2017 and 2016, were as follows:

	2017	2016
Discount rate.....	<b>0.6–0.7%</b>	0.5–0.6%
Expected rate of return on pension assets.....	<b>1.5%</b>	1.5%

#### Defined contribution pension plan

The amount of contribution required for the defined contribution pension plan paid by the Company were ¥72 million (\$641 thousand) and ¥72 million for the years ended March 31, 2017 and 2016, respectively.

## 12. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2017 and 2016 amounted to ¥1,050 million (\$ 9,359 thousand) and ¥1,059 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:

	2017	2016
Statutory tax rate.....	<b>30.9%</b>	33.1%
Expenses not deductible for tax purposes.....	<b>3.5</b>	2.3
Non-taxable dividend income.....	<b>(0.7)</b>	(0.4)
Per capita levy of inhabitant taxes.....	<b>0.9</b>	0.6
Valuation allowance.....	<b>7.2</b>	1.5
Effects from the income tax rate change.....	<b>0.1</b>	2.4
Tax credit of experiment and research expenses.....	<b>(2.5)</b>	(1.6)
Other—net.....	<b>(0.9)</b>	(0.3)
Effective tax rate.....	<b>38.5%</b>	37.6%

Deferred tax assets and liabilities at March 31, 2017 and 2016 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Deferred tax assets:</b>			
Accrued cost of sales.....	¥ 264	¥ 238	\$ 2,353
Accrued enterprise taxes.....	95	46	846
Reserve for losses on contracts.....	141	87	1,256
Accrued warranty.....	295	203	2,629
Net defined benefit liability.....	2,195	2,233	19,565
Unrealized profit.....	33	31	294
Accrued bonus to employees.....	572	583	5,098
Tax loss carryforward.....	6	10	53
Allowance for doubtful accounts.....	240	215	2,139
Long-term accounts payable-other.....	43	52	383
Impairment loss.....	178	190	1,586
Others.....	725	722	6,462
Less: valuation allowance.....	(911)	(665)	(8,120)
Total deferred tax assets.....	¥ 3,882	¥ 3,949	\$ 34,602
<b>Deferred tax liabilities:</b>			
Reserve for deferred gains on sales of fixed assets for tax purposes.....	¥(1,009)	¥(1,044)	\$ (8,993)
Net unrealized gains on available-for-sale securities.....	(2,317)	(1,839)	(20,652)
Others.....	(137)	(96)	(1,221)
Total deferred tax liabilities.....	(3,464)	(2,979)	(30,876)
Net deferred tax assets (liabilities).....	¥ 417	¥ 969	\$ 3,716

### 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 enactment of the “Act for partial amendment of Act for partial amendment of the Consumption Tax Act and others for the drastic reform of the taxation system for ensuring stable financial resources for social security” and the “Act for partial amendment of Act for partial amendment of the Local Taxation Act and Local Allocation Tax Act and others for the drastic reform of the taxation system for ensuring stable financial resources for social security” on November 18, 2016, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for this consolidated fiscal year has been changed from the previous consolidated fiscal year.

As a result, deferred tax assets (the amount after deducting deferred tax liabilities) decreased by ¥2 million (\$17 thousand) and deferred income tax recording on this consolidated fiscal year increased by ¥2 million (\$17 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
	2017	2016	2017
Guarantees for indebtedness of employees.....	¥ 1	¥ 2	\$ 8
Guarantees liability for performance guarantees insurance contracts of affiliates for PFI business.....	—	843	—
Notes receivable endorsed .....	—	16	—
	¥ 1	¥862	\$ 8

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

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Reversal of allowance for doubtful accounts .....	¥ 48	¥ 23	\$ 427
Other, net.....	(129)	(181)	(1,149)
	¥ (80)	¥(157)	\$ (713)

## 16. Subsequent Events

### (a) 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, 2017 was approved at the Board of Directors meeting held on May 25, 2017

	Millions of yen	Thousands of U.S. dollars
Year-end dividends of ¥9.00 (\$0.08) per share .....	<b>¥400</b>	<b>\$3,565</b>

### (b) Execution of a stock transfer agreement

The company adopted a resolution to make SANSHIN KOGYO CO., LTD. its subsidiary through the acquisition of shares at the Board of Directors meeting held on June 15, 2017 and signed a stock transfer agreement on June 19, 2017.

#### 1. Outline of the business combination

- (1) Name and business of the acquired entity  
Name of the acquired entity: SANSHIN KOGYO CO., LTD.  
Business: Fabricated metal products, Machine and Equipment Installation
- (2) Main reasons for the business combination  
The company acquired SANSHIN KOGYO CO., LTD. in order to achieve the construction of various plants, the improvement of maintenance and the complement of equipment and machinery manufacture system.  
After acquiring SANSHIN KOGYO CO., LTD. as its subsidiary, the company will continue to enhance its competitiveness through mutual exchange of human resources and technologies.
- (3) Business combination date  
July 3, 2017 (scheduled)
- (4) Legal form of the business combination  
Stock acquisition
- (5) Name of the entity after the business combination  
No change
- (6) Percentage of voting rights acquired  
100%
- (7) Grounds for determining the acquiring entity  
The company acquired shares of SANSHIN KOGYO CO., LTD. for cash as consideration.

#### 2. Acquisition cost of the acquired entity and breakdown of the amount by type of consideration

	Millions of yen	Thousands of U.S. dollars
Consideration for acquisition (Cash).....	<b>¥5,334</b>	<b>\$47,544</b>
Acquisition cost.....	<b>¥5,334</b>	<b>\$47,544</b>

#### 3. Details and amounts of major acquisition related expenses

Advisory expenses, etc.: Approximately ¥300 million (US\$2,674 thousand)

#### 4. Amount of goodwill generated, reason for the goodwill and method and period of amortization

Not determined yet

#### 5. Amounts of assets acquired and liabilities assumed on the business combination date and breakdown by major items

Not determined yet

## 17. Finance Leases

### 1. Finance leases (Lessee)

Finance leases which do not transfer ownership

(1) Leased assets

- (i) Tangible assets: Mainly system server, office equipment and communication equipment.
- (ii) Intangible assets: Software

(2) Depreciation method for lease assets

Refer to Note 2. "Summary of Significant Accounting Policies"

### 2. Operating lease (Lessee)

Future lease payments for the non-cancelable portion of the Company and its subsidiaries' operating leases at March 31, 2017 and 2016, were as follows

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year .....	¥17	¥11	\$151
Due after one year .....	22	21	196
Total.....	¥39	¥33	\$347

## 18. 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**

<b>Year ended March 31, 2017</b>		Millions of yen					
	Reporting segments			Other	Total	Adjustment	Consolidated financial statements
	Water environmental business	Industrial business	Subtotal				
<b>Sales</b>							
Sales to external customers.....	¥41,248	¥28,540	¥69,788	¥ 73	¥69,862	¥ —	¥69,862
Inter-segment sales or transfers .....	0	2	2	292	295	(295)	—
Total.....	41,248	28,542	69,791	366	70,158	(295)	69,862
Segment income (loss) .....	2,743	720	3,463	44	3,508	—	3,508
Depreciation and amortization.....	834	471	1,306	0	1,306	—	1,306
Amortization of good will.....	¥ —	¥ 197	¥ 197	¥ —	¥ 197	¥ —	¥ 197

<b>Year ended March 31, 2016</b>		Millions of yen					
	Reporting segments			Other	Total	Adjustment	Consolidated financial statements
	Water environmental business	Industrial business	Subtotal				
<b>Sales</b>							
Sales to external customers.....	¥43,105	¥32,618	¥75,724	¥ 34	¥75,758	¥ —	¥75,758
Inter-segment sales or transfers .....	—	5	5	265	270	(270)	—
Total.....	43,105	32,624	75,729	299	76,029	(270)	75,758
Segment income (loss) .....	3,130	2,313	5,443	41	5,485	—	5,485
Depreciation and amortization.....	711	516	1,227	2	1,230	—	1,230
Amortization of good will.....	¥ —	¥ 210	¥ 210	¥ —	¥ 210	¥ —	¥ 210

<b>Year ended March 31, 2017</b>		Thousands of U.S. dollars					
	Reporting segments			Other	Total	Adjustment	Consolidated financial statements
	Water environmental business	Industrial business	Subtotal				
<b>Sales</b>							
Sales to external customers.....	\$367,662	\$254,389	\$622,051	\$ 650	\$622,711	\$ —	\$622,711
Inter-segment sales or transfers .....	0	17	17	2,602	2,629	(2,629)	—
Total.....	367,662	254,407	622,078	3,262	625,349	(2,629)	622,711
Segment income (loss) .....	24,449	6,417	30,867	392	31,268	—	31,268
Depreciation and amortization.....	7,433	4,198	11,640	0	11,640	—	11,640
Amortization of good will.....	\$ —	\$ 1,755	\$ 1,755	\$ —	\$ 1,755	\$ —	\$ 1,755

**(d) Related Information**  
**Information by geographical segment**

(1) Net Sales

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Area:</b>			
Japan.....	<b>¥58,092</b>	¥57,945	<b>\$517,800</b>
Asia.....	<b>9,933</b>	15,918	<b>88,537</b>
Other.....	<b>1,836</b>	1,894	<b>16,365</b>
	<b>¥69,862</b>	¥75,758	<b>\$622,711</b>

(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, 2017 and 2016 for both years.

**(e) Information by amortization of goodwill and unamortized balance**

	Millions of yen				
	<b>2017</b>				
	Water environmental business	Industrial business	Other	Elimination or common asset	Total
Amortization of good will.....	¥ —	¥ 197	¥ —	¥ —	¥ 197
Unamortized balance .....	¥ —	¥2,470	¥ —	¥ —	¥2,470

	Millions of yen				
	2016				
	Water environmental business	Industrial business	Other	Elimination or common asset	Total
Amortization of good will.....	¥ —	¥ 210	¥ —	¥ —	¥ 210
Unamortized balance .....	¥ —	¥2,827	¥ —	¥ —	¥2,827

	Thousands of U.S. dollars				
	<b>2017</b>				
	Water environmental business	Industrial business	Other	Elimination or common asset	Total
Amortization of good will.....	\$ —	\$ 1,755	\$ —	\$ —	\$ 1,755
Unamortized balance .....	\$ —	\$22,016	\$ —	\$ —	\$22,016

# INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S 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, 2017, 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, 2017, 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.

### Emphasis of Matter

As discussed in Note 16(b) to the consolidated financial statements, the company adopted a resolution to make SANSHIN KOGYO CO., LTD. its subsidiary through the acquisition of shares at the Board of Directors meeting held on June 15, 2017 and signed a stock transfer agreement on June 19, 2017.

Our opinion is not modified in respect of this matter.

### 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.

June 27, 2017  
Tokyo, Japan

## Non-Consolidated Balance Sheets

TSUKISHIMA KIKAI CO., LTD.  
Years ended March 31, 2017 and 2016

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits.....	¥ 15,094	¥ 12,114	\$ 134,539
Marketable securities (Notes 2, 6).....	8,000	—	71,307
Notes and accounts receivable.....	19,500	24,809	173,812
Less: allowance for doubtful accounts (Note 2).....	(88)	(112)	(784)
Work in process (Note 2).....	1,739	1,411	15,500
Raw materials and supplies (Note 2).....	46	45	410
Deferred income taxes (Notes 4, 9).....	972	894	8,663
Other current assets (Note 7).....	1,888	1,685	16,828
Total Current assets.....	47,154	40,848	420,304
<b>Property, plant and equipment (Note 2):</b>			
Land.....	3,527	3,527	31,437
Buildings and structures (Note 3).....	9,938	9,893	88,581
Machinery and equipment.....	13,334	10,361	118,851
Lease assets.....	617	751	5,499
Construction in progress.....	840	968	7,487
	28,258	25,502	251,876
Less: accumulated depreciation.....	(14,686)	(14,189)	(130,902)
Net property, plant and equipment.....	13,572	11,313	120,973
<b>Investments and other assets:</b>			
Software.....	416	516	3,707
Lease assets (Note 2).....	33	52	294
Investments in securities (Notes 2, 6, 7).....	18,991	17,231	169,275
Stocks of subsidiaries and affiliates and long-term loans receivable from subsidiaries and affiliates (Note 7).....	4,995	5,040	44,522
Investments in capital of subsidiaries.....	135	200	1,203
Other assets (Note 7).....	1,448	921	12,906
Less: allowance for doubtful accounts (Note 2).....	(656)	(540)	(5,847)
Total investments and other assets.....	25,364	23,422	226,080
Total assets.....	¥ 86,090	¥ 75,584	\$ 767,358

See Notes to Non-Consolidated Financial Statements.

## LIABILITIES AND NET ASSETS

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Current liabilities:</b>			
Accounts payable			
Trade.....	¥ 9,258	¥ 8,049	\$ 82,520
Other .....	2,235	1,789	19,921
Electronically recorded obligations .....	1,329	1,675	11,845
Current portion of long-term loans payable (Note 7) .....	300	—	2,674
Lease obligations (Note 7) .....	143	175	1,274
Accrued income taxes (Note 9) .....	741	45	6,604
Accrued expenses .....	897	991	7,995
Accrued warranty (Note 2) .....	855	539	7,621
Reserve for losses on contracts (Note 2) .....	—	2	—
Advances received .....	2,921	1,384	26,036
Other current liabilities .....	3,958	3,064	35,279
Total current liabilities .....	22,641	17,718	201,809
<b>Long-term liabilities:</b>			
Long-term loans payable (Notes 4, 7) .....	3,156	867	28,130
Lease obligations (Note 7) .....	150	245	1,337
Deferred tax liabilities (Notes 4, 9) .....	2,418	1,882	21,552
Provision for post-employment benefits (Note 2) .....	3,116	3,125	27,774
Asset retirement obligations.....	361	87	3,217
Other long-term liabilities.....	1,053	830	9,385
Total long-term liabilities.....	10,257	7,038	91,425
<b>Contingent liability (Note 10)</b>			
<b>Net assets:</b>			
<b>Shareholders' equity:</b>			
Common stock,			
Authorized: 180 million shares in 2017 and 2016			
Issued: 45,625,800 shares in 2017 and 2016 .....	6,646	6,646	59,238
Additional paid-in capital.....	5,485	5,485	48,890
Retained earnings .....	36,992	35,943	329,726
Treasury stock (Note 4) .....	(1,130)	(1,437)	(10,072)
Total shareholders' equity.....	47,994	46,637	427,792
<b>Valuation and translation adjustments</b>			
Net unrealized gains or losses on available-for-sale securities .....	5,249	4,166	46,786
Deferred gains or losses on hedges.....	(53)	22	(472)
Total valuation and translation adjustments .....	5,196	4,189	46,314
Total net assets .....	53,191	50,827	474,115
Total liabilities and net assets .....	¥86,090	¥75,584	\$767,358

See Notes to Non-Consolidated Financial Statements.

## Non-Consolidated Statements of Income

TSUKISHIMA KIKAI CO., LTD.  
Years ended March 31, 2017 and 2016

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Net Sales (Note 2)</b> .....	<b>¥38,164</b>	¥40,729	<b>\$340,172</b>
<b>Cost of sales (Note 8)</b> .....	<b>30,733</b>	32,312	<b>273,937</b>
Gross profit .....	<b>7,430</b>	8,416	<b>66,226</b>
<b>Selling, general and administrative expenses (Note 8)</b> .....	<b>6,708</b>	6,772	<b>59,791</b>
Operating income.....	<b>722</b>	1,644	<b>6,435</b>
<b>Other income(expenses):</b>			
Interest and dividend income.....	<b>1,916</b>	1,608	<b>17,078</b>
Interest expenses.....	<b>(3)</b>	—	<b>(26)</b>
Gain on sales of investments in securities .....	<b>735</b>	183	<b>6,551</b>
Gain on sales of property, plant and equipment .....	<b>0</b>	0	<b>0</b>
Loss on sales and disposal of property, plant and equipment.....	<b>(34)</b>	(164)	<b>(303)</b>
Loss on valuation of investments in securities .....	<b>—</b>	(343)	<b>—</b>
Provision of allowance for doubtful accounts (Note 2).....	<b>(197)</b>	(128)	<b>(1,755)</b>
Loss on valuation of investments in capital of subsidiaries.....	<b>(64)</b>	—	<b>(570)</b>
Loss on construction contracts .....	<b>(909)</b>	—	<b>(8,102)</b>
Other, net (Note 11).....	<b>(67)</b>	(142)	<b>(597)</b>
Other income (expenses), net .....	<b>1,374</b>	1,012	<b>12,247</b>
Profit before income taxes .....	<b>2,096</b>	2,657	<b>18,682</b>
<b>Income taxes (Notes 2, 9):</b>			
Current .....	<b>278</b>	30	<b>2,477</b>
Deferred .....	<b>12</b>	513	<b>106</b>
Total income taxes.....	<b>291</b>	543	<b>2,593</b>
<b>Profit</b> .....	<b>¥ 1,805</b>	¥ 2,113	<b>\$ 16,088</b>

<b>Per share</b>	Yen	U.S. dollars (Note 1)
	Basic earnings.....	<b>¥ 41.05</b>
Dividends.....	<b>¥ 17.00</b>	¥ 22.00

See Notes to Non-Consolidated Financial Statements.

## Non-Consolidated Statements of Changes in Net Assets

TSUKISHIMA KIKAI CO., LTD.  
Years ended March 31, 2017 and 2016

	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		
<b>Balance as of April 1, 2015</b> .....	45,625	¥6,646	¥5,485	¥34,808	¥(1,710)	¥45,230	¥ 6,343	¥ 2	¥ 6,345	¥51,576	
Dividends.....	—	—	—	(979)	—	(979)	—	—	—	(979)	
Profit for the year ended March 31, 2016.....	—	—	—	2,113	—	2,113	—	—	—	2,113	
Purchase of treasury stock.....	—	—	—	—	(0)	(0)	—	—	—	(0)	
Disposal of treasury stock.....	—	—	0	—	272	272	—	—	—	272	
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	(2,176)	20	(2,156)	(2,156)	
<b>Balance as of March 31, 2016</b> .....	45,625	¥6,646	¥5,485	¥35,943	¥(1,437)	¥46,637	¥ 4,166	¥22	¥ 4,189	¥50,827	

	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		
<b>Balance as of April 1, 2016</b> .....	45,625	¥6,646	¥5,485	¥35,943	¥(1,437)	¥46,637	¥4,166	¥ 22	¥4,189	¥50,827	
Dividends.....	—	—	—	(756)	—	(756)	—	—	—	(756)	
Profit for the year ended March 31, 2017.....	—	—	—	1,805	—	1,805	—	—	—	1,805	
Purchase of treasury stock.....	—	—	—	—	(0)	(0)	—	—	—	(0)	
Disposal of treasury stock.....	—	—	—	—	307	307	—	—	—	307	
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	1,082	(75)	1,007	1,007	
<b>Balance as of March 31, 2017</b> .....	45,625	¥6,646	¥5,485	¥36,992	¥(1,130)	¥47,994	¥5,249	¥(53)	¥5,196	¥53,191	

	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		
<b>Balance as of April 1, 2016</b> .....	45,625	\$59,238	\$48,890	\$320,376	\$(12,808)	\$415,696	\$37,133	\$ 196	\$37,338	\$453,043	
Dividends.....	—	—	—	(6,738)	—	(6,738)	—	—	—	(6,738)	
Profit for the year ended March 31, 2017.....	—	—	—	16,088	—	16,088	—	—	—	16,088	
Purchase of treasury stock.....	—	—	—	—	(0)	(0)	—	—	—	(0)	
Disposal of treasury stock.....	—	—	—	—	2,736	2,736	—	—	—	2,736	
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	9,644	(668)	8,975	8,975	
<b>Balance as of March 31, 2017</b> .....	45,625	\$59,238	\$48,890	\$329,726	\$(10,072)	\$427,792	\$46,786	\$(472)	\$46,314	\$474,115	

See Notes to Non-Consolidated Financial Statements.

## Non-Consolidated Statements of Cash Flows

TSUKISHIMA KIKAI CO., LTD.  
Years ended March 31, 2017 and 2016

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Cash flows from operating activities:</b>			
Profit before income taxes .....	¥ 2,096	¥ 2,657	\$ 18,682
Adjustments for:.....			
Depreciation and amortization .....	1,096	1,020	9,769
Increase (decrease) in provision for post-employment benefits.....	(9)	(21)	(80)
Increase (decrease) in accrued bonus to employees .....	(100)	(53)	(891)
Increase (decrease) in allowance for doubtful accounts.....	91	105	811
Increase (decrease) in accrued warranty.....	315	(257)	2,807
Increase (decrease) in reserve for losses on contracts .....	(2)	(33)	(17)
Interest and dividend income.....	(1,916)	(1,608)	(17,078)
Interest expenses.....	3	—	26
Loss (gain) on sales and disposal of property, plant and equipment.....	33	164	294
Loss (gain) on sales of investments in securities .....	(735)	(183)	(6,551)
Loss (gain) on valuation of investments in securities.....	—	343	—
Loss on valuation of investments in capital of subsidiaries .....	64	—	570
(Increase) decrease in notes and accounts receivable .....	5,308	153	47,312
Increase (decrease) in advances received.....	1,537	44	13,699
(Increase) decrease in inventories.....	(328)	649	(2,923)
Increase (decrease) in accounts payable, trade.....	862	(1,546)	7,683
Other .....	193	(970)	1,720
Subtotal .....	8,512	465	75,871
Interest and dividend income received .....	1,915	1,607	17,069
Interest expenses paid .....	(2)	—	(17)
Income taxes (paid) refund .....	445	(449)	3,966
Net cash provided by (used in) operating activities.....	10,871	1,622	96,898
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment.....	(2,248)	(1,327)	(20,037)
Proceeds from sales of property, plant and equipment.....	0	0	0
Payments for retirement of property, plant and equipment.....	(31)	(162)	(276)
Purchase of intangible fixed assets .....	(139)	(250)	(1,238)
Purchase of investments in securities .....	(338)	(228)	(3,012)
Proceeds from sales of investments in securities.....	877	304	7,817
Payments for loans receivable .....	(850)	(1,664)	(7,576)
Collection of loans receivable .....	901	1,972	8,031
Other .....	4	51	35
Net cash provided by (used in) investing activities .....	(1,823)	(1,305)	(16,249)
<b>Cash flows from financing activities</b>			
Proceeds from long-term loans payable .....	3,000	—	26,740
Repayments of long-term loans payable .....	(410)	(244)	(3,654)
Repayments of lease obligations.....	(184)	(189)	(1,640)
Additions of treasury stock.....	(0)	(0)	(0)
Proceeds from sales of treasury stock .....	255	237	2,272
Dividends paid .....	(756)	(979)	(6,738)
Net cash provided by (used in) financing activities.....	1,903	(1,176)	16,962
<b>Effect of exchange rate change on cash and cash equivalents .....</b>	<b>28</b>	<b>(32)</b>	<b>249</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>10,979</b>	<b>(891)</b>	<b>97,860</b>
<b>Cash and cash equivalents at beginning of period (Notes 2, 5) .....</b>	<b>12,114</b>	<b>13,006</b>	<b>107,977</b>
<b>Cash and cash equivalents at end of period (Notes 2, 5) .....</b>	<b>¥23,094</b>	<b>¥12,114</b>	<b>\$205,847</b>

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 Act 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 that 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 ¥112.19 to \$1, the approximate rate of exchange at March 31, 2017.

Amounts less than ¥1 million have been rounded down. 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 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. In regard to investments in anonymous associations (deemed to be securities under Article 2, Section 2 of the Japanese Financial Instruments and Exchange Act), the Company uses the net amount corresponding to the ownership portion, based on the most recent obtainable settlement documents for the settlement reporting date stipulated in the partnership contract.

#### (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 attached to buildings), facilities attached to buildings and structures acquired after April 1, 2016, 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.

#### (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 contracts 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 that 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 that can be withdrawn without any restriction and with minimum market risk.

**(n) Derivative Financial Instruments**

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

### 3. Change in Accounting Policy

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No.32, June 17, 2016) from this fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

The effect of these changes on the Non-consolidated financial statements for this fiscal year is immaterial.

### 4. Additional Information

(Adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets)

The company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)” from this fiscal year.

(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, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and time deposits .....	<b>¥15,094</b>	¥12,114	<b>\$134,539</b>
Marketable securities.....	<b>8,000</b>	—	<b>71,307</b>
Cash and cash equivalents.....	<b>¥23,094</b>	¥12,114	<b>\$205,847</b>

## 6. Marketable Securities and Investments in Securities

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2017 and 2016 were as follows:

	Millions of yen			
	2017			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities .....	¥10,360	¥8,051	¥(483)	¥17,928
Others.....	8,000	—	—	8,000
	<b>¥18,360</b>	<b>¥8,051</b>	<b>¥(483)</b>	<b>¥25,928</b>
Held-to-maturity securities.....	¥ 166	¥ 16	¥ —	¥ 182

	Millions of yen			
	2016			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities .....	¥10,403	¥6,606	¥(617)	¥16,392
Others.....	—	—	—	—
	¥10,403	¥6,606	¥(617)	¥16,392
Held-to-maturity securities.....	¥ 164	¥ 22	¥ —	¥ 187

	Thousands of U.S. dollars			
	2017			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities .....	\$ 92,343	\$71,762	\$ (4,305)	\$159,800
Others.....	71,307	—	—	71,307
	<b>\$163,650</b>	<b>\$71,762</b>	<b>\$ (4,305)</b>	<b>\$231,107</b>
Held-to-maturity securities.....	\$ 1,479	\$ 142	\$ —	\$ 1,622

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

The weighted average Interest rates of long-term loans payable as of March 31, 2017 and 2016 were approximately 0.2 percent and 0.5 percent, respectively.

Long-term loans payable as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Loans payable, due 2026.....	<b>¥3,456</b>	¥867	<b>\$30,804</b>
Less: portion due within one year.....	<b>300</b>	—	<b>2,674</b>
	<b>¥3,156</b>	¥867	<b>\$28,130</b>

Lease obligations as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Current.....	<b>¥143</b>	¥175	<b>\$1,274</b>
Non-current.....	<b>150</b>	245	<b>1,337</b>
	<b>¥294</b>	¥420	<b>\$2,620</b>

The following assets were pledged as collateral for the long-term loans payable at affiliated companies and others of ¥7,872 million (\$70,166 thousand) and ¥5,885 million for the years ended March 31, 2017 and 2016, respectively.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Short-term loans receivable.....	<b>¥ 27</b>	¥ 26	<b>\$ 240</b>
Investments in securities.....	<b>7</b>	7	<b>62</b>
Stock of subsidiaries and affiliates and long-term loans receivable from subsidiaries and affiliates.....	<b>296</b>	267	<b>2,638</b>
Long-term loans receivable.....	<b>21</b>	22	<b>187</b>
	<b>¥352</b>	¥323	<b>\$3,137</b>

\*Other than above collateral assets, investment security was deposited with Osaka city as the contract guarantee for electric power generating business. The value of deposited investment security was ¥166 million(\$1,479 thousand) and ¥164 million for the years ended March 31, 2017 and 2016 respectively.

## 8. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2017 and 2016 amounted to ¥1,005 million (\$8,958 thousand) and ¥1,017 million, respectively.

## 9. 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:

	2017	2016
Statutory tax rate.....	<b>30.9%</b>	33.1%
Expenses not deductible for tax purposes.....	<b>4.8</b>	3.7
Non-taxable dividend income.....	<b>(23.8)</b>	(16.7)
Per capita levy of inhabitant taxes.....	<b>1.1</b>	0.9
Valuation allowance.....	<b>6.6</b>	1.2
Effects from the income tax rate change.....	—	1.5
Tax credit of experiment and research expenses.....	<b>(3.9)</b>	(3.0)
Other—net.....	<b>(1.8)</b>	(0.2)
Effective tax rate.....	<b>13.9%</b>	20.5%

Deferred tax assets and liabilities at March 31, 2017 and 2016 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Deferred tax assets:</b>			
Accrued cost of sales.....	¥ 227	¥ 202	\$ 2,023
Reserve for losses on contracts.....	—	0	—
Accrued warranty.....	264	166	2,353
Provision for post-employment benefits.....	954	958	8,503
Accrued bonus to employees.....	212	242	1,889
Allowance for doubtful accounts.....	228	200	2,032
Long-term accounts payable-other.....	43	52	383
Impairment loss.....	178	190	1,586
Others.....	545	455	4,857
Less: valuation allowance.....	(679)	(540)	(6,052)
Total deferred tax assets.....	¥ 1,973	¥ 1,930	\$ 17,586
<b>Deferred tax liabilities:</b>			
Reserve for deferred gains on sales of fixed assets for tax purposes.....	¥(1,009)	¥(1,044)	\$ (8,993)
Net unrealized gains on available-for-sale securities.....	(2,317)	(1,839)	(20,652)
Others.....	(93)	(35)	(828)
Total deferred tax liabilities.....	(3,419)	(2,919)	(30,475)
Net deferred tax assets (liabilities).....	¥(1,446)	¥ (988)	\$(12,888)

### 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 enactment of the “Act for partial amendment of Act for partial amendment of the Consumption Tax Act and others for the drastic reform of the taxation system for ensuring stable financial resources for social security” and the “Act for partial amendment of Act for partial amendment of the Local Taxation Act and Local Allocation Tax Act and others for the drastic reform of the taxation system for ensuring stable financial resources for social security” on November 18, 2016, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for this non-consolidated fiscal year has been changed from the previous non-consolidated fiscal year.

These changes in Tax Act have no effect on deferred tax assets (the amount after deducting deferred tax liabilities) and the non-consolidated financial statements of income for this fiscal year.

### 10. Contingent Liability

The Company was contingently liable for the following items:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Guarantees for indebtedness of subsidiaries and employees .....	¥351	¥ 52	\$3,128
Guarantees liability for performance guarantees insurance contracts of affiliates for PFI business.....	—	843	—
	¥351	¥895	\$3,128

### 11. Other Income/ (Expenses)—Other, Net

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Exchange gain (loss) .....	¥(39)	¥ (75)	\$(347)
Guarantee commission .....	(20)	(17)	(178)
Other, net.....	(8)	(49)	(71)
	¥(67)	¥(142)	\$(596)

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## 12. Subsequent Events

### (a) 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, 2017 was approved at the Board of Directors meeting held on May 25, 2017.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥9.00 (\$0.08) per share .....	<b>¥400</b>	<b>\$3,565</b>

### (b) Execution of a stock transfer agreement

The notes concerning Execution of a stock transfer agreement are the same as the ones presented under "Note 16 Subsequent Events" in the consolidated financial statements and are therefore omitted here.

# INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S 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, 2017, 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, 2017, 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.

### Emphasis of Matter

As discussed in Note 12(b) to the non-consolidated financial statements, the company adopted a resolution to make SANSHIN KOGYO CO., LTD. its subsidiary through the acquisition of shares at the Board of Directors meeting held on June 15, 2017 and signed a stock transfer agreement on June 19, 2017.

Our opinion is not modified in respect of this matter.

### 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.

June 27, 2017  
Tokyo, Japan

## CORPORATE DATA (As of March 31, 2017)

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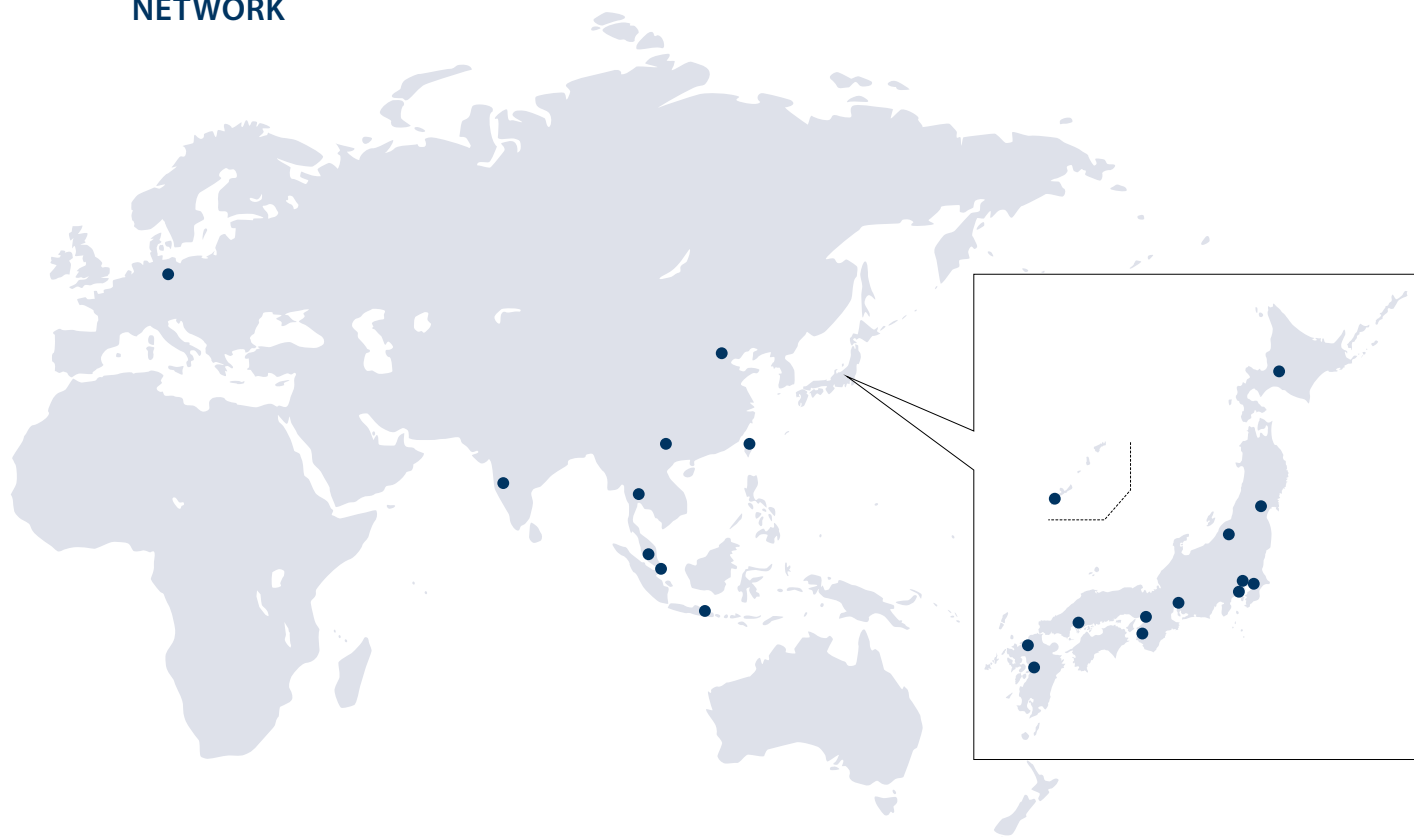
<b>Company name</b>	TSUKISHIMA KIKAI CO., LTD.
<b>Established</b>	August 1905
<b>Fiscal year</b>	From April 1 to March 31
<b>Capital stock</b>	¥6,646,801,824
<b>Number of employees</b>	660
<b>Stock listing</b>	Tokyo Stock Exchange
<b>Common stock</b>	Authorized: 180,000,000 shares Issued: 45,625,800 shares
<b>Number of shareholders</b>	4,540
<b>Transfer agent</b>	Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

## CORPORATE HISTORY

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<b>1905 August</b>	Densaku Kuroita founded Tokyo Tsukishima Kikai Seisakusho.
<b>1917 May</b>	Tsukishima Kikai Co., Ltd. incorporated.
<b>1937 December</b>	Daini Tsukishima Kikai, Co., Ltd. in Tsurumi-ku, Yokohama City, merged.
<b>1944 March</b>	The company merged with Tsukishima Kikai Chuko Co., Ltd.
<b>1949 May</b>	Stock listed on the Tokyo Stock Exchange.
<b>1961 September</b>	Stock listed on the Second Section of the Osaka Securities Exchange.
<b>October</b>	A laboratory built within the Tsukudajima Factory to strengthen research and development.
<b>1962 April</b>	Tsukishima Kikai Engineer Training Center created.
<b>1976 January</b>	The Ichikawa Factory began its operations.
<b>1977 July</b>	The Ichikawa Factory acquired the ASME (American Society of Mechanical Engineers) certificate.
<b>1991 February</b>	TSK Engineering Malaysia Sdn. Bhd. was founded.
<b>1993 April</b>	TSK Engineering (Thailand) Co., Ltd. was founded.
<b>1994 November</b>	TSK Engineering Taiwan Co., Ltd. was founded.
<b>1996 October</b>	The company acquired ISO 9001.
<b>2000 June</b>	The company acquired ISO 14001.
<b>November</b>	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.
<b>2001 December</b>	Tsukishima Techno Machinery Co., Ltd. was founded.
<b>2003 December</b>	Tsukishima Techno Solution Co., Ltd. was founded.
<b>2004 January</b>	Kanuma Kankyo Bika Center changed its name to SUN ECO THERMAL Co., Ltd.
<b>2005 March</b>	The company acquired the management rights of Nittetsu Chemical Engineering Ltd.
<b>2006 April</b>	Nittetsu Chemical Engineering Ltd. changed its name to Tsukishima Kankyo Engineering Ltd.
<b>2008 December</b>	The company absorbed Tsukishima Real Estate Co., Ltd., formerly a non-consolidated subsidiary.
<b>2011 March</b>	TSK Engineering China Co., Ltd. was founded as a business base in China.
<b>2012 July</b>	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.
<b>2013 December</b>	Head Office was relocated to the current location.
<b>2014 October</b>	The company acquired the management authority of Daido Chemical Engineering Corp.
<b>December</b>	The company acquired the management authority of BOKELA GmbH.
<b>2017 July</b>	The company acquired the management authority of SANSHIN KOGYO Co., Ltd.

## NETWORK



### JAPAN

#### Offices

Head Office  
Tokyo Branch  
Osaka Branch  
Sapporo Sales Branch  
Sendai Sales Branch  
Yokohama Sales Branch  
Nagoya Sales Branch  
Hiroshima Sales Branch  
Fukuoka Sales Branch  
Okinawa Sales Office  
Kansai Group (Industrial Sales Dept.)  
Wakayama Sales Office, Niigata Sales Office  
Kumamoto Sales Office, Chiba Sales Office

#### Factory and Laboratory

Ichikawa Factory, Ichikawa R&D Center

#### Group Companies

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.\*  
Daido Chemical Engineering Corp.\*  
Owari Water & Energy Co., Ltd.  
SANSHIN KOGYO Co., Ltd.\*

### OVERSEAS

#### Offices

Hanoi Representative Office  
Jakarta Representative Office  
Europe Representative Office  
Mumbai Representative Office

#### Group Companies

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

\*Consolidated subsidiary

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