



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.





Powdered activated carbon injection system

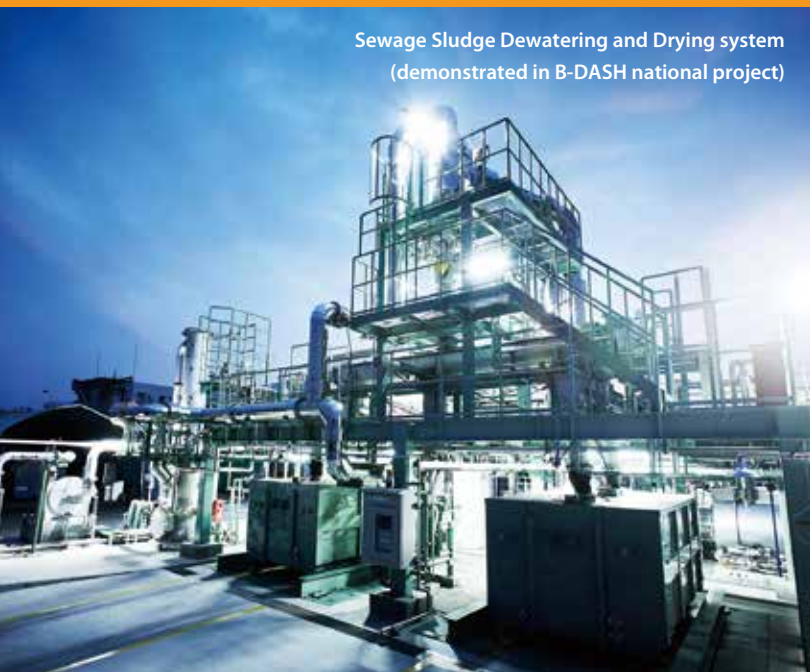


High-silica zeolite manufacturing facility

**BUSINESS SEGMENTS**

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

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



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



Calandria type crystallizer

# Building a Solid and Competitive Technical Base

KAZUHIKO YAMADA

President and Chief Executive Officer,  
Representative Director

I am pleased to present our Annual Report 2018, covering the period from April 1, 2017 to March 31, 2018.

Regarding the market environment faced by Tsukishima Kikai in the fiscal year ended March 31, 2018, the domestic economy has been experiencing improving corporate profits and a gradual recovery in capital spending, even as the world economy faces an uncertain future. Overseas, a mild recovery has been evident despite concerns about a worsening economic outlook resulting from the expansion of protectionist policies, rising geopolitical risk, and other factors.

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 principal 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 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 PFI, starting this fiscal year, we have added a newly consolidated company, Owari Water & Energy Co., Ltd., which carries out operation and maintenance services for the Inuyama and Owari West Water Purification Plants of the Aichi Public Enterprise Bureau.

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.

Another step we took was to acquire all shares of Sanshin Kogyo Co., Ltd., and its subsidiaries on July 3, 2017, and to make the company

into a consolidated subsidiary starting in the second quarter of our financial reporting year.

## 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 a government agency 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.

Under these conditions, the Tsukishima Kikai Group has been addressing the demand of expansion and renewal projects for sludge treatment facilities used in water supply and sewage system. To this end, we have been enhancing our sales activities for sludge treatment facilities such as sludge-to-fuel system, sludge digestion facilities for sewage treatment and sludge treatment facilities for water purification system. In addition, we have also been expanding sales activities in repair work as well as in comprehensive O&M services. In sludge



treatment facilities, the result were the achievement of orders for sludge-to-fuel systems and steel plate digestion tanks. In O&M services, we increased orders by expanding the scope of work entrusted to us and by winning multi-year O&M service contracts. In addition, in the electric power generation projects using digestion gas applying FIT, we received several projects and are expanding the proportion of business operations with steady, long-term stable revenue.

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.

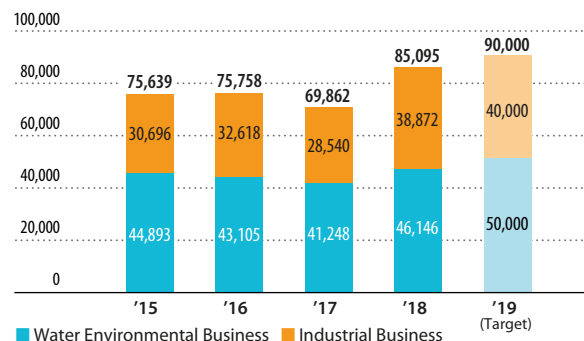
## Industrial Business

In the Industrial Business, the domestic economy is seeing improving corporate profits and a gradual recovery in capital spending, even as the world economy faces an uncertain future. Overseas, a mild recovery has been evident despite concerns about a worsening economic outlook resulting from the expansion of protectionist policies, rising geopolitical risk, and other factors.

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. We have been especially focused on addressing the demand, including demand of renewal projects, for capital investment in the foodstuff, chemical, and steel sectors in Japan and overseas. Also, in environmental-related business, we have been expanding sales activities, both in Japan and overseas, for waste-liquid combustion systems, solid waste incineration facilities, and exhaust gas treatment facilities.

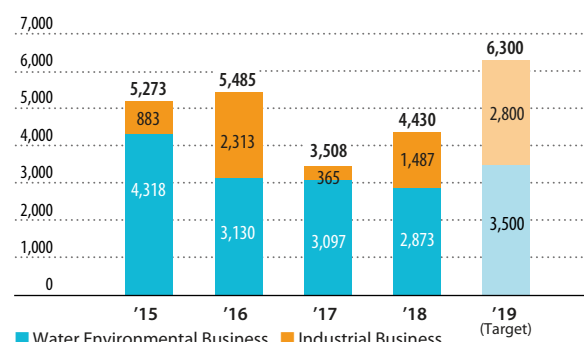
These results are shown in the graphs on the right, I would like to ask all shareholders, investors, and customers for your further support and cooperation in our future endeavors.

Sales\* (Millions of yen)



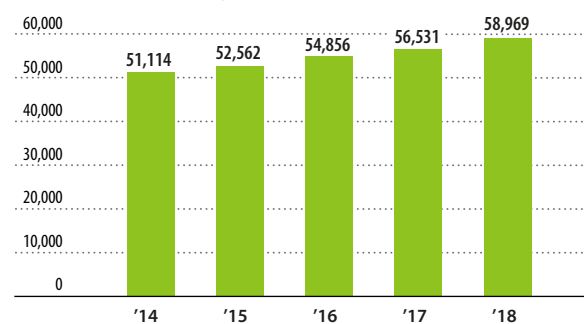
\* Totals include the Other segment.

Operating income\* (Millions of yen)

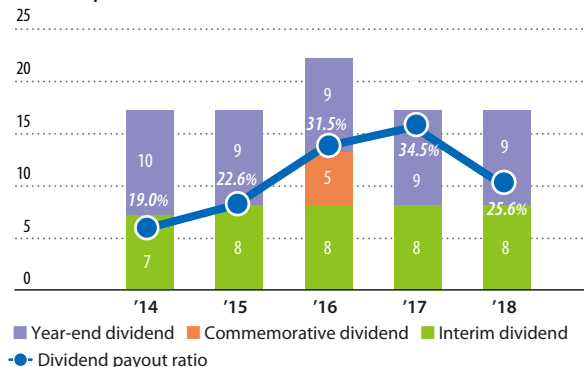


\* Totals include the Other segment.

Total shareholders' equity (Millions of yen)



Dividend per share (Yen)



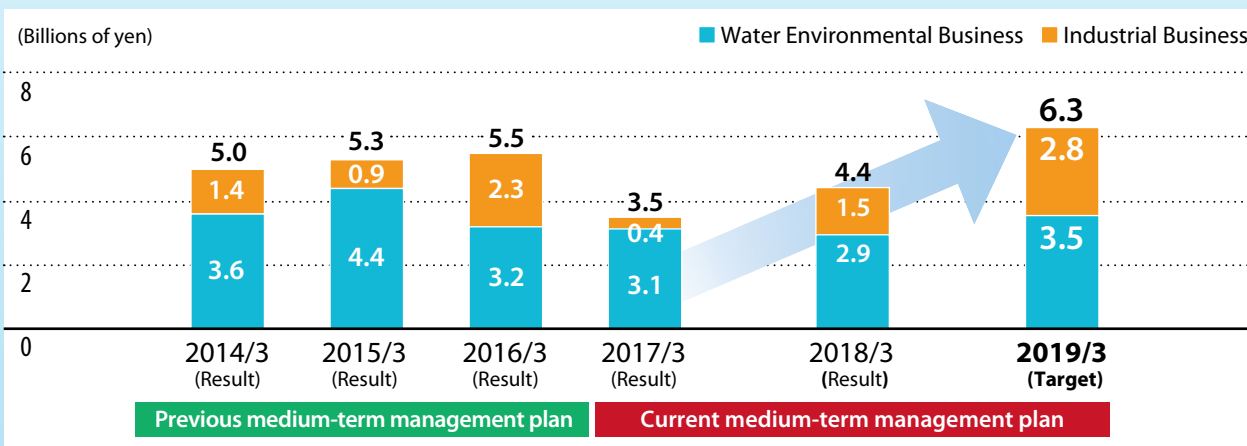
## MEDIUM-TERM MANAGEMENT PLAN (APRIL 1, 2016—MARCH 31, 2019)

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 result	2019/3 target
Net sales	¥69.9 billion	¥85.1 billion	¥90.0 billion
Operating income	¥3.5 billion	¥4.4 billion	¥6.3 billion
Operating income ratio	5.0%	5.2%	7.0%
Ordinary income	¥3.8 billion	¥4.8 billion	¥6.5 billion
Profit attributable to owners of parent	¥2.2 billion	¥2.9 billion	¥4.3 billion

### Operating Income Results and Targets by Segment





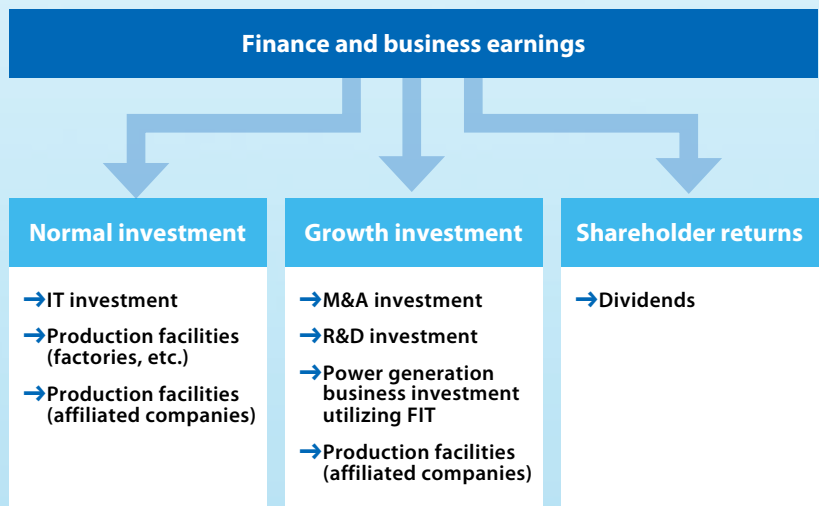
## Basic Policies

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

Sanshin Kogyo Co., Ltd. becomes a Group company



On July 3, 2017, the Group acquired all shares of Sanshin Kogyo Co., Ltd., and turned it into a subsidiary. Sanshin Kogyo is an engineering company that is consistently involved in making a broad variety of plant machinery, including pressure vessels and heat exchangers, as well as related work in construction and in maintenance and repair. Since its founding, the company has accumulated a solid portfolio of sophisticated technology. In recent years, it has built municipal waste incineration plants and accumulated a legacy of reliable results in the maintenance and repair work. Looking ahead, the company has positive prospects for continued strong earnings.

We welcome Sanshin Kogyo to the Tsukishima Kikai Group. This addition will facilitate our improved capabilities in plant construction and repair work, as well as complement the manufacturing system for process equipment. In addition, the mutual exchange of talent and technology will help further strengthen our competitive ability.



TOPIC  
02

Concluding an agreement on manufacturing collaboration with The Japan Steel Works., Ltd.

The Tsukishima Kikai owns a manufacturing facility in Ichikawa City, Chiba Prefecture, where it manufactures dryers and other process equipment. Recently, as the process equipment market has become more globalized, competition with overseas corporations has increased dramatically. In response, we have undertaken initiatives in raising factory production efficiency and lowering production cost. However, the market continues changing at even greater speed. This led us to enter into discussions with The Japan Steel Works, Ltd. (JSW) on cooperating in manufacturing for the purpose of taking the efficiency of our production system to a new level.

This led to an optimal decision in which the two companies entered into a basic agreement to manufacture Tsukishima Kikai products at JSW's Muroran Plant. The agreement was undertaken in order to achieve higher production efficiency through mutual use of the corporate resources and production technology held by the two companies. Together with JSW, we aim for start of manufacturing in April 2019.

We will be moving some of our manufacturing function to the JSW Muroran Plant. We expect the new unit to be called the Tsukishima Kikai Muroran factory (provisional name). Tsukishima Kikai will hold all management responsibility related to its manufacturing. The necessary facilities for manufacturing will mainly be moved from the Ichikawa Factory. However, equipment that is difficult to move, for reasons such as aging, will be replaced or equipment deemed necessary to boost productivity will be newly constructed. In addition to our company's products, we also will be involved in the manufacturing of products that JSW commissions of us. We also plan to commission JSW for projects such as machining work. The personnel for this manufacturing will be transferred from our Ichikawa Factory and be assigned to us on loan from JSW.

Looking ahead, we plan to make further improvements in product quality and, with respect to delivery dates and service, we will focus on supplying products that satisfy our customers.



- Achieve higher production efficiency
- Increase operation through consignment from JSW

- Effective use of production resources with poor operation rates
- Employing TSK's technologies to broaden the array of products for which orders can be received

Concluded a basic agreement regarding collaboration in manufacturing field with The Japan Steel Works, Ltd.





TOPIC  
03

### Order for steel plate digestion tanks and Concluded a basic agreement regarding a power generation business using FIT system for the Nakagawa Wastewater treatment plant.

The Tsukishima Kikai received an order from the Japan Sewage Works Agency for steel plated digestion tanks and agitators. The equipment will be installed at the Nakagawa Wastewater treatment plant of the Nakagawa regional sewerage treatment in Saitama Prefecture. Digestion tanks are generally enclosed structures made of reinforced concrete, but in this case we decided to apply a steel plate design that reduces the capital investment and enables a shorter construction period. The tank has a storage capacity of 9,000 m<sup>3</sup> and ranks among the largest in Japan using a steel plate design for sewage sludge treatment.



In terms of power generation business using digestion gas, Saitama Prefecture concluded a basic agreement with a joint enterprise of Tsukishima Kikai and Tokyo Century Corporation. This power generation business will construct a power plant using private sector financing and know-how and will purchase digestion gas generated at the Nakagawa Wastewater treatment plant to generate power for a 20-year period. The electricity that is produced is sold by private companies to electric power operators using the FIT system as specified in the Act on Special Measures Concerning Procurement of Renewable Electrical Energy by Operators of Electrical Utilities.

With advanced experience in sludge treatment at sewage treatment plants, we have a long track record in sludge digestion tanks and digestion gas power plants. In the future, we will enhance our contribution to the effective use of sewage resources.



TOPIC  
04

### Super absorbent polymer (SAP) manufacturing facility for Sumitomo Seika Polymers Korea Co., Ltd.

We have received an order from Sumitomo Seika Polymers Korea Co., Ltd., a Korean subsidiary of Sumitomo Seika Chemicals Co., Ltd., for facility work on super absorbent polymer (SAP) manufacturing facility.

In Asia, there are prospects of increased demand for SAP, a key ingredient in disposable diapers, in conjunction with rising living standards in the region. Sumitomo Seika Polymers Korea, which started manufacturing SAP in 2016, has expanded its manufacturing facility to respond to even greater global demand. The company plans to add a manufacturing capacity of 5.9 million tons per year. In combination with existing capacity, this move will bring total annual capacity to 11.8 million tons.

We have continued to receive orders from Sumitomo Seika Polymers Korea, which indicates their high regard the results of an order in 2015 for the construction of SAP manufacturing facilities.

The Tsukishima Kikai Group has delivered a variety of manufacturing plants and a broad range of major equipment to manufacturers of basic products and intermediate materials, both in Japan and overseas. In the future, we intend to enlarge our operations through aggressive expansion of our sales activities in newly developing countries. These countries, especially those in Asia, enjoy high prospects for facilities expansion as a result of economic growth. In our efforts, we will be focusing in particular on new construction projects for chemical plants and adding capacity to existing plants.



## BOARD OF DIRECTORS



*From left*

**MICHIYOSHI MAZUKA**

Board Member  
(Outside Director)

**BUNYU FUTAMURA**

Board Member  
(Outside Director)

**NAOYA FUJITA**

Board Member,  
Managing  
Executive Officer

**YOSHIRO FUJII**

Board Member,  
Managing  
Executive Officer

**KEITA TAKATORI**

Board Member,  
Managing  
Executive Officer

**TAKESHI ODAGI**

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)

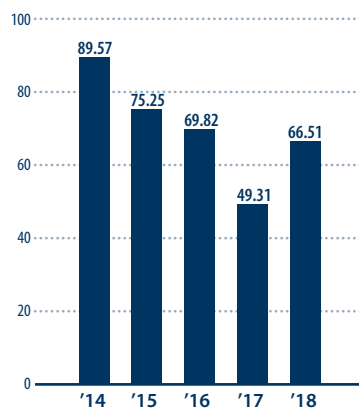
TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31

	Millions of yen (Note 1)					Thousands of U.S. dollars (Note 1)
	2018	2017	2016	2015	2014	2018
For the year:						
Net sales.....	¥ <b>85,095</b>	¥ 69,862	¥75,758	¥ 75,639	¥71,216	<b>\$ 800,969</b>
Operating income.....	<b>4,430</b>	3,508	5,485	5,273	5,001	<b>41,698</b>
Profit before income taxes.....	<b>5,484</b>	3,427	5,065	5,794	6,850	<b>51,618</b>
Profit attributable to owners of parent.....	<b>2,940</b>	2,169	3,055	3,344	3,986	<b>27,673</b>
At year-end:						
Total assets.....	<b>118,911</b>	106,630	99,753	105,002	98,688	<b>1,119,267</b>
Total shareholders' equity.....	¥ <b>58,969</b>	¥ 56,531	¥54,856	¥ 52,562	¥51,114	<b>\$ 555,054</b>
Per share:						
Basic earnings.....	¥ <b>66.51</b>	¥ 49.31	¥ 69.82	¥ 75.25	¥ 89.57	<b>\$ 0.62</b>
Dividends.....	¥ <b>17.00</b>	¥ 17.00	¥ 22.00	¥ 17.00	¥ 17.00	<b>\$ 0.16</b>
Number of shares outstanding (in thousands).....						
	<b>45,625</b>	45,625	45,625	45,625	45,625	

Notes: 1. U.S. dollar amounts are translated from yen at the rate of ¥106.24 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)



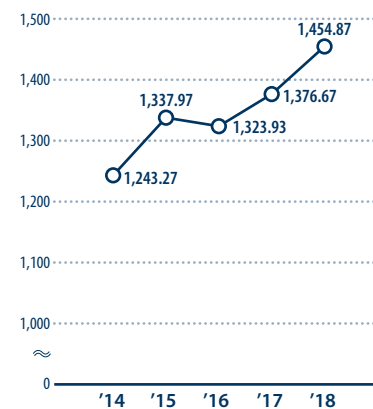
#### Return on Equity

(%)



#### Equity per Share

(Yen)



## Consolidated Balance Sheets

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31, 2018 and 2017

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits (Notes 7, 10) .....	¥ 21,320	¥ 20,963	\$ 200,677
Marketable securities (Notes 7, 8).....	6,005	8,000	56,522
Notes and accounts receivable (Notes 3, 7, 9, 10) .....	36,788	31,476	346,272
Electronically recorded monetary claims-operating (Notes 3, 7).....	1,741	694	16,387
Less: allowance for doubtful accounts.....	(155)	(140)	(1,458)
Work in process .....	6,751	2,316	63,544
Raw materials and supplies.....	348	287	3,275
Deferred income taxes (Note 13) .....	1,680	1,565	15,813
Other current assets (Note 10) .....	1,870	1,500	17,601
Total current assets .....	76,351	66,664	718,665
<b>Property, plant and equipment:</b>			
Land (Note 10).....	5,328	4,006	50,150
Buildings and structures (Note 10).....	12,045	11,052	113,375
Machinery and equipment.....	20,526	18,362	193,204
Lease assets.....	566	699	5,327
Construction in progress.....	947	849	8,913
	39,415	34,970	370,999
Less: accumulated depreciation .....	(22,023)	(19,612)	(207,294)
Net property, plant and equipment.....	17,392	15,358	163,704
<b>Investments and other assets:</b>			
Goodwill.....	357	2,470	3,360
Software .....	426	510	4,009
Lease assets.....	19	33	178
Investments in securities (Notes 7, 8, 10).....	21,809	19,258	205,280
Long-term loans receivable (Note 10).....	183	226	1,722
Deferred income taxes (Note 13) .....	1,195	1,132	11,248
Other assets.....	2,030	1,659	19,107
Less: allowance for doubtful accounts.....	(854)	(684)	(8,038)
Total investments and other assets .....	25,167	24,607	236,888
<b>Total assets</b> .....	<b>¥118,911</b>	<b>¥106,630</b>	<b>\$1,119,267</b>

See Notes to Consolidated Financial Statements.

## LIABILITIES AND NET ASSETS

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>Current liabilities:</b>			
Notes and accounts payable.....			
Trade (Notes 7, 9).....	¥ 15,230	¥ 12,606	\$ 143,354
Other .....	2,630	2,360	24,755
Electronically recorded obligations .....	4,248	2,684	39,984
Short-term loans payable (Notes 7, 10) .....	269	—	2,532
Current portion of long-term loans payable (Notes 7, 9, 10) .....	806	612	7,586
Lease obligations (Note 10) .....	129	156	1,214
Accrued income taxes (Note 13) .....	753	990	7,087
Accrued expenses.....	3,075	2,555	28,943
Accrued warranty.....	900	960	8,471
Reserve for losses on contracts.....	550	462	5,176
Advances received .....	6,369	4,157	59,949
Other current liabilities .....	2,014	1,930	18,957
Total current liabilities .....	<b>36,978</b>	29,478	<b>348,060</b>
<b>Long-term liabilities:</b>			
Long-term loans payable (Notes 4, 7, 9, 10).....	7,985	5,416	75,160
Lease obligations (Note 10) .....	141	173	1,327
Deferred tax liabilities (Note 13).....	3,674	2,279	34,582
Net defined benefit liability (Note 11).....	3,601	7,168	33,894
Reserve for retirement payments to officers.....	363	216	3,416
Asset retirement obligations.....	544	471	5,120
Other long-term liabilities.....	517	166	4,866
Total long-term liabilities.....	<b>16,828</b>	15,893	<b>158,396</b>
<b>Contingent liability (Note 14)</b>			
<b>Net assets:</b>			
<b>Shareholders' equity:</b>			
Common stock,			
Authorized: 180 million shares in 2018 and 2017			
Issued: 45,625,800 shares in 2018 and 2017 .....	6,646	6,646	62,556
Additional paid-in capital.....	5,484	5,485	51,618
Retained earnings .....	47,707	45,528	449,049
Treasury stock (Note 4) .....	(869)	(1,130)	(8,179)
Total shareholders' equity.....	<b>58,969</b>	56,531	<b>555,054</b>
<b>Accumulated other comprehensive income</b>			
Net unrealized gains or losses on available-for-sale securities .....	6,402	5,249	60,259
Deferred gains or losses on hedges.....	9	(60)	84
Foreign currency translation adjustment.....	(321)	(442)	(3,021)
Remeasurements of defined benefit plans (Note 11) .....	(607)	(562)	(5,713)
Total accumulated other comprehensive income.....	<b>5,483</b>	4,183	<b>51,609</b>
<b>Non-controlling interests</b> .....	<b>651</b>	542	<b>6,127</b>
Total net assets .....	<b>65,104</b>	61,257	<b>612,801</b>
<b>Total liabilities and net assets</b> .....	<b>¥118,911</b>	¥106,630	<b>\$1,119,267</b>

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Income

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31, 2018 and 2017

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>Net Sales (Note 18)</b> .....	<b>¥85,095</b>	¥69,862	<b>\$800,969</b>
<b>Cost of sales (Note 12)</b> .....	<b>68,167</b>	54,976	<b>641,632</b>
Gross profit .....	<b>16,927</b>	14,885	<b>159,327</b>
<b>Selling, general and administrative expenses (Note 12)</b> .....	<b>12,497</b>	11,377	<b>117,629</b>
Operating income (Note 18) .....	<b>4,430</b>	3,508	<b>41,698</b>
<b>Other income (expenses):</b>			
Interest and dividend income .....	<b>463</b>	393	<b>4,358</b>
Interest expenses .....	<b>(68)</b>	(56)	<b>(640)</b>
Gain on sales of investments in securities .....	<b>124</b>	735	<b>1,167</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>(5)</b>	(40)	<b>(47)</b>
Loss on sales of investments in securities .....	<b>(0)</b>	(0)	<b>(0)</b>
Loss on construction contracts .....	<b>(315)</b>	(909)	<b>(2,964)</b>
Amortization of goodwill .....	<b>(2,304)</b>	—	<b>(21,686)</b>
Provision of allowance for doubtful accounts .....	<b>(212)</b>	(197)	<b>(1,995)</b>
Equity in earnings of affiliates .....	<b>27</b>	78	<b>254</b>
Loss on valuation of investments in securities .....	<b>—</b>	(0)	<b>—</b>
Taxes and dues .....	<b>(64)</b>	(3)	<b>(602)</b>
Gain on bargain purchase .....	<b>1,291</b>	—	<b>12,151</b>
Gain on contribution of securities to retirement benefit trust .....	<b>2,177</b>	—	<b>20,491</b>
Other, net (Note 15) .....	<b>(60)</b>	(80)	<b>(564)</b>
Other income (expenses), net .....	<b>1,054</b>	(81)	<b>9,920</b>
Profit before income taxes .....	<b>5,484</b>	3,427	<b>51,618</b>
<b>Income taxes (Note 13):</b>			
Current .....	<b>1,789</b>	1,299	<b>16,839</b>
Deferred .....	<b>573</b>	19	<b>5,393</b>
Total income taxes .....	<b>2,362</b>	1,318	<b>22,232</b>
Profit .....	<b>3,121</b>	2,108	<b>29,376</b>
<b>Profit (loss) attributable to non-controlling interests</b> .....	<b>181</b>	(61)	<b>1,703</b>
<b>Profit attributable to owners of parent</b> .....	<b>¥ 2,940</b>	¥ 2,169	<b>\$ 27,673</b>
<b>Per share</b>			
Basic earnings .....	<b>¥ 66.51</b>	¥ 49.31	<b>\$ 0.62</b>
Dividends .....	<b>¥ 17.00</b>	¥ 17.00	<b>\$ 0.16</b>

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Comprehensive Income

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31, 2018 and 2017

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>Profit</b> .....	<b>¥3,121</b>	¥2,108	<b>\$29,376</b>
<b>Other comprehensive income (Note 5)</b> .....			
Net unrealized gains or losses on available-for-sale securities.....	<b>1,152</b>	1,082	<b>10,843</b>
Deferred gains or losses on hedges.....	<b>68</b>	(26)	<b>640</b>
Foreign currency translation adjustment.....	<b>157</b>	(264)	<b>1,477</b>
Remeasurements of defined benefit plans.....	<b>(45)</b>	146	<b>(423)</b>
Share of other comprehensive income of associates accounted for using equity method.....	<b>1</b>	2	<b>9</b>
Total other comprehensive income.....	<b>1,335</b>	940	<b>12,565</b>
<b>Comprehensive income</b> .....	<b>¥4,457</b>	¥3,048	<b>\$41,952</b>
(Breakdown)			
Comprehensive income attributable to owners of parent.....	<b>¥4,239</b>	¥3,130	<b>\$39,900</b>
Comprehensive income attributable to non-controlling interests.....	<b>¥ 217</b>	¥ (81)	<b>\$ 2,042</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, 2018 and 2017

	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
Sales of shares of consolidated subsidiaries.....	—	—	—	—	—	—	—	—	—	—	—	—	—
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> .....	<b>45,625</b>	<b>¥6,646</b>	<b>¥5,485</b>	<b>¥45,528</b>	<b>¥(1,130)</b>	<b>¥56,531</b>	<b>¥5,249</b>	<b>¥(60)</b>	<b>¥(442)</b>	<b>¥(562)</b>	<b>¥4,183</b>	<b>¥ 542</b>	<b>¥61,257</b>

	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, 2017</b> .....	<b>45,625</b>	<b>¥6,646</b>	<b>¥5,485</b>	<b>¥45,528</b>	<b>¥(1,130)</b>	<b>¥56,531</b>	<b>¥5,249</b>	<b>¥(60)</b>	<b>¥(442)</b>	<b>¥(562)</b>	<b>¥4,183</b>	<b>¥542</b>	<b>¥61,257</b>
Dividends.....	—	—	—	(756)	—	(756)	—	—	—	—	—	—	(756)
Profit attributable to owners of parent for the year ended March 31, 2018.....	—	—	—	2,940	—	2,940	—	—	—	—	—	—	2,940
Change of scope of consolidation....	—	—	—	(4)	(3)	(8)	—	—	—	—	—	—	(8)
Change of scope of equity method..	—	—	—	(0)	—	(0)	—	—	—	—	—	—	(0)
Purchase of treasury stock.....	—	—	—	—	(0)	(0)	—	—	—	—	—	—	(0)
Disposal of treasury stock.....	—	—	0	—	264	264	—	—	—	—	—	—	264
Sales of shares of consolidated subsidiaries.....	—	—	(1)	—	0	(1)	—	—	—	—	—	—	(1)
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	1,153	70	121	(45)	1,299	108	1,408
<b>Balance as of March 31, 2018</b> .....	<b>45,625</b>	<b>¥6,646</b>	<b>¥5,484</b>	<b>¥47,707</b>	<b>¥ (869)</b>	<b>¥58,969</b>	<b>¥6,402</b>	<b>¥ 9</b>	<b>¥(321)</b>	<b>¥(607)</b>	<b>¥5,483</b>	<b>¥651</b>	<b>¥65,104</b>

	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, 2017</b> .....	<b>45,625</b>	<b>\$62,556</b>	<b>\$51,628</b>	<b>\$428,539</b>	<b>\$(10,636)</b>	<b>\$532,106</b>	<b>\$49,407</b>	<b>\$(564)</b>	<b>\$(4,160)</b>	<b>\$(5,289)</b>	<b>\$39,373</b>	<b>\$5,101</b>	<b>\$576,590</b>
Dividends.....	—	—	—	(7,115)	—	(7,115)	—	—	—	—	—	—	(7,115)
Profit attributable to owners of parent for the year ended March 31, 2018.....	—	—	—	27,673	—	27,673	—	—	—	—	—	—	27,673
Change of scope of consolidation....	—	—	—	(37)	(28)	(75)	—	—	—	—	—	—	(75)
Change of scope of equity method..	—	—	—	(0)	—	(0)	—	—	—	—	—	—	(0)
Purchase of treasury stock.....	—	—	—	—	(0)	(0)	—	—	—	—	—	—	(0)
Disposal of treasury stock.....	—	—	0	—	2,484	2,484	—	—	—	—	—	—	2,484
Sales of shares of consolidated subsidiaries.....	—	—	(9)	—	0	(9)	—	—	—	—	—	—	(9)
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	10,852	658	1,138	(423)	12,227	1,016	13,253
<b>Balance as of March 31, 2018</b> .....	<b>45,625</b>	<b>\$62,556</b>	<b>\$51,618</b>	<b>\$449,049</b>	<b>\$ (8,179)</b>	<b>\$55,054</b>	<b>\$60,259</b>	<b>\$ 84</b>	<b>\$(3,021)</b>	<b>\$(5,713)</b>	<b>\$51,609</b>	<b>\$6,127</b>	<b>\$612,801</b>

See Notes to Consolidated Financial Statements.



## Consolidated Statements of Cash Flows

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31, 2018 and 2017

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>Cash flows from operating activities:</b>			
Profit before income taxes .....	¥ 5,484	¥ 3,427	\$ 51,618
Adjustments for:.....			
Depreciation and amortization.....	1,435	1,306	13,507
Amortization of goodwill .....	2,565	197	24,143
Gain on bargain purchase.....	(1,291)	—	(12,151)
Gain on securities contribution to employees' retirement benefit trust.....	(2,177)	—	(20,491)
Increase(decrease) in net defined benefit liability.....	(740)	94	(6,965)
Increase(decrease) in accrued bonus to employees.....	178	(58)	1,675
Increase(decrease) in reserve for retirement payments to officers.....	22	12	207
Increase(decrease) in allowance for doubtful accounts .....	205	81	1,929
Increase(decrease) in accrued warranty.....	(60)	286	(564)
Increase(decrease) in reserve for losses on contracts.....	88	179	828
Interest and dividend income .....	(463)	(393)	(4,358)
Interest expenses.....	68	56	640
Equity in (earnings)losses of affiliates.....	(27)	(78)	(254)
Loss(gain) on sales and disposal of property, plant and equipment.....	5	40	47
Loss(gain) on sales of investments in securities.....	(124)	(734)	(1,167)
Loss(gain) on valuation of investments in securities .....	—	0	—
(Increase)decrease in notes and accounts receivable.....	(6,303)	8,636	(59,327)
Increase(decrease) advances received.....	(2,300)	1,499	(21,649)
(Increase)decrease in inventories.....	4,249	(417)	39,994
Increase(decrease) in notes and accounts payable, trade.....	400	(688)	3,765
Other .....	(2)	(1,483)	(18)
Subtotal .....	1,211	11,962	11,398
Interest and dividend income received .....	467	400	4,395
Interest expenses paid .....	(64)	(57)	(602)
Income taxes paid.....	(2,258)	(334)	(21,253)
Net cash provided by (used in) operating activities.....	(643)	11,970	(6,052)
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment.....	(1,995)	(2,346)	(18,778)
Proceeds from sales of property, plant and equipment.....	0	3	0
Payments for retirement of property, plant and equipment.....	—	(33)	—
Purchase of intangible fixed assets .....	(245)	(211)	(2,306)
Purchase of investments in securities .....	(545)	(338)	(5,129)
Proceeds from sales and redemption of short-term and long-term investment securities.....	531	877	4,998
Purchase of shares of subsidiaries resulting in change in scope of consolidation .....	(1,490)	—	(14,024)
Purchase of shares of subsidiaries.....	(539)	—	(5,073)
Payments for loans receivable .....	(3)	(3)	(28)
Collection of loans receivable .....	17	19	160
Other .....	524	51	4,932
Net cash provided by (used in) investing activities.....	(3,747)	(1,980)	(35,269)
<b>Cash flows from financing activities</b>			
Increase(decrease) in short-term payable.....	253	(114)	2,381
Proceeds from long-term loans payable.....	3,776	3,000	35,542
Repayments of long-term loans payable.....	(1,018)	(775)	(9,582)
Repayments of lease obligations.....	(164)	(199)	(1,543)
Additions of treasury stock.....	(0)	(0)	(0)
Proceeds from sales of treasury stock.....	265	255	2,494
Dividends paid.....	(756)	(756)	(7,115)
Dividends paid to non-controlling interests .....	(21)	(25)	(197)
Net cash provided by (used in) financing activities.....	2,334	1,384	21,969
<b>Effect of exchange rate change on cash and cash equivalents.....</b>	171	(74)	1,609
<b>Net increase(decrease) in cash and cash equivalents .....</b>	(1,885)	11,299	(17,742)
<b>Cash and cash equivalents at beginning of period (Note 6) .....</b>	28,878	17,578	271,818
<b>Increase in cash and cash equivalents from newly consolidated subsidiaries .....</b>	108	—	1,016
<b>Cash and cash equivalents at end of period (Note 6) .....</b>	¥27,101	¥28,878	\$255,092

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 ¥106.24 to \$1, the approximate rate of exchange at March 31, 2018.

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 14 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
- Owari Water & Energy Co., Ltd.
- SANSIN KOGYO Co., Ltd.
- ADVANTHREE Co., Ltd.
- SANSIN Co., Ltd.

Owari Water & Energy Co., Ltd. has become a consolidated subsidiary from this financial year because of its increased materiality.

SANSIN KOGYO Co., Ltd., ADVANTHREE Co., Ltd. and SANSIN Co., Ltd. have become consolidated subsidiaries from this financial year because of the acquisition of their shares.

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 8 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 Kyoto-Rakusai Co., Ltd.

Biocoal Kyoto-Rakusai 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, 2018 and 2017.

**(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 Presentation**

(Consolidated Balance Sheets)

"Electronically recorded monetary claims-operating", which was included in "Notes and accounts receivable" under "Current assets" in the previous fiscal year, has been separately presented in the fiscal year under review due to its increased materiality of the amount. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation. As a result of change, ¥32,171 million (\$302,814 thousand) presented as "Notes and accounts receivable" under "Current assets" in the consolidated balance sheets of the previous fiscal year has been reclassified into ¥31,476 million (\$296,272 thousand) of "Notes and accounts receivable" and ¥694 million (\$6,532 thousand) of "Electronically recorded monetary claims-operating".

(Consolidated Statement of Cash Flows)

"Proceeds from sales of investments in securities" under "Cash flows from investing activities" has been presented as "Proceeds from sales and redemption of short-term and long-term investment securities" in the fiscal year under review due to the redemption of investment securities in the fiscal year. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation. As a result of change, ¥877 million (\$8,254 thousand) presented as "Proceeds from sales of investments in securities" under "Cash flows from investing activities" in the consolidated financial statements of cash flows of the previous fiscal year has been reclassified into ¥877 million (\$8,254 thousand) of "Proceeds from sales and redemption of short-term and long-term investment securities".

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#### **4. Additional Information**

(Trust Type Employee Stock Ownership Incentive Plan)

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

##### **(1) Overview**

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

The Plan is an incentive plan for all employees who are members of the Tsukishima Kikai Employee Shareholding Association ("the Shareholding Association"). In the Plan the Company has set up a trust exclusively for the Shareholding Association ("the E-Ship Trust") at a trust bank. The E-Ship Trust acquires shares of the Company that it anticipates the Shareholding Association will acquire in 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 ¥268 million (\$2,522 thousand) and 203 thousand shares, for the year ended March 31, 2018 and ¥529 million and 402 thousand shares, for the year ended March 31, 2017.

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

¥340 million (\$3,200 thousand) and ¥606 million for the years ended March 31, 2018 and 2017, respectively.

## 5. Other Comprehensive Income

Reclassification adjustments and tax effects of each component of other comprehensive income for the fiscal year ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net unrealized gains or losses on available-for-sale securities			
Amount arising during the year .....	<b>¥ 3,961</b>	¥2,296	<b>\$ 37,283</b>
Reclassification adjustments.....	<b>(2,302)</b>	(735)	<b>(21,667)</b>
Net unrealized gains or losses on available-for-sale securities before tax effect....	<b>1,658</b>	1,561	<b>15,606</b>
Tax effect.....	<b>(505)</b>	(478)	<b>(4,753)</b>
Net unrealized gains or losses on available-for-sale securities.....	<b>1,152</b>	1,082	<b>10,843</b>
Deferred gains or losses on hedges			
Amount arising during the year .....	<b>96</b>	(43)	<b>903</b>
Reclassification adjustments.....	<b>2</b>	6	<b>18</b>
Deferred gains or losses on hedges before tax effect.....	<b>99</b>	(37)	<b>931</b>
Tax effect.....	<b>(30)</b>	10	<b>(282)</b>
Deferred gains or losses on hedges.....	<b>68</b>	(26)	<b>640</b>
Foreign currency translation adjustment			
Amount arising during the year .....	<b>157</b>	(264)	<b>1,477</b>
Tax effect.....	<b>—</b>	—	<b>—</b>
Foreign currency translation adjustment .....	<b>157</b>	(264)	<b>1,477</b>
Remeasurements of defined benefit plans			
Amount arising during the year .....	<b>(218)</b>	50	<b>(2,051)</b>
Reclassification adjustments.....	<b>153</b>	159	<b>1,440</b>
Remeasurements of defined benefit plans before tax effect.....	<b>(65)</b>	210	<b>(611)</b>
Tax effect.....	<b>20</b>	(64)	<b>188</b>
Remeasurements of defined benefit plans .....	<b>(45)</b>	146	<b>(423)</b>
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year .....	<b>(0)</b>	0	<b>(0)</b>
Reclassification adjustments.....	<b>1</b>	1	<b>9</b>
Share of other comprehensive income of associates accounted for using equity method .....	<b>1</b>	2	<b>9</b>
Total other comprehensive income .....	<b>¥ 1,335</b>	¥ 940	<b>\$ 12,565</b>

## 6. Cash flow statements

### (a) Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and time deposits.....	<b>¥21,320</b>	¥20,963	<b>\$200,677</b>
Marketable securities.....	<b>6,005</b>	8,000	<b>56,522</b>
Less: time deposits that mature or become due over three months after the date of acquisition.....	<b>(225)</b>	(85)	<b>(2,117)</b>
Cash and cash equivalents.....	<b>¥27,101</b>	¥28,878	<b>\$255,092</b>

### (b) Purchases of Newly Consolidated Subsidiaries

For the fiscal year ended March 31, 2018, SANSIN KOGYO Co., Ltd. and 2 other subsidiaries were acquired by the Company.

Assets and liabilities of these companies at the time of consolidation, cash paid for the capital and cash paid in conjunction with the purchases of consolidated subsidiaries were as follow:

	Millions of yen		Thousands of U.S. dollars
	2018		2018
Current assets.....	<b>¥10,597</b>		<b>\$99,745</b>
Noncurrent assets.....	<b>3,449</b>		<b>32,464</b>
Current liabilities.....	<b>(6,548)</b>		<b>(61,634)</b>
Noncurrent liabilities.....	<b>(872)</b>		<b>(8,207)</b>
Gain on bargain purchase.....	<b>(1,291)</b>		<b>(12,151)</b>
Cash paid for the capital.....	<b>5,334</b>		<b>50,207</b>
Cash and cash equivalents of consolidated subsidiaries.....	<b>(3,843)</b>		<b>(36,172)</b>
Purchase of shares of subsidiaries resulting in change in scope of consolidation.....	<b>¥1,490</b>		<b>\$14,024</b>



## 7. Financial Instruments

Amounts on the consolidated balance sheets as of March 31, 2018 and 2017, fair value and variance were as follows:

	Millions of yen		
	2018		
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits .....	¥21,320	¥21,320	¥ —
(2) Notes and accounts receivable .....	36,788	36,739	(48)
(3) Electronically recorded monetary claims—operating .....	1,741	1,741	—
(4) Marketable securities and Investments in securities .....			
Held to maturity securities .....	1,096	1,138	41
Other securities .....	25,612	25,612	—
Total .....	86,559	86,553	(6)
(5) Notes and accounts payable—trade .....	15,230	15,230	—
(6) Electronically recorded obligations .....	4,248	4,248	—
(7) Short-term loans payable .....	269	269	—
(8) Long-term loans payable (Include portion due within one year) .....	8,792	8,814	21
Total .....	28,541	28,562	21
(9) Derivative transactions* .....	¥ 15	¥ 15	¥ 0

	Millions of yen		
	2017		
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits .....	¥20,963	¥20,963	¥ —
(2) Notes and accounts receivable .....	31,476	31,410	(65)
(3) Electronically recorded monetary claims—operating .....	694	694	—
(4) Marketable securities and Investments in securities .....			
Held to maturity securities .....	166	182	16
Other securities .....	25,929	25,929	—
Total .....	79,230	79,181	(49)
(5) Notes and accounts payable—trade .....	12,606	12,606	—
(6) Electronically recorded obligations .....	2,684	2,684	—
(7) Short-term loans payable .....	—	—	—
(8) Long-term loans payable (Include portion due within one year) .....	6,029	6,156	126
Total .....	21,321	21,448	126
(9) Derivative transactions* .....	¥ (84)	¥ (86)	¥ (1)

Thousands of U.S. dollars			
<b>2018</b>			
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits .....	<b>\$200,677</b>	<b>\$200,677</b>	<b>\$ —</b>
(2) Notes and accounts receivable.....	<b>346,272</b>	<b>345,811</b>	<b>(451)</b>
(3) Electronically recorded monetary claims-operating.....	<b>16,387</b>	<b>16,387</b>	<b>—</b>
(4) Marketable securities and Investments in securities .....			
Held to maturity securities.....	<b>10,316</b>	<b>10,711</b>	<b>385</b>
Other securities.....	<b>241,076</b>	<b>241,076</b>	<b>—</b>
Total.....	<b>814,749</b>	<b>814,693</b>	<b>(56)</b>
(5) Notes and accounts payable-trade .....	<b>143,354</b>	<b>143,354</b>	<b>—</b>
(6) Electronically recorded obligations.....	<b>39,984</b>	<b>39,984</b>	<b>—</b>
(7) Short-term loans payable.....	<b>2,532</b>	<b>2,532</b>	<b>—</b>
(8) Long-term loans payable (Include portion due within one year).....	<b>82,756</b>	<b>82,963</b>	<b>197</b>
Total.....	<b>268,646</b>	<b>268,844</b>	<b>197</b>
(9) Derivative transactions*.....	<b>\$ 141</b>	<b>\$ 141</b>	<b>\$ 0</b>

\*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) Electronically recorded monetary claims-operating

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.

(4) Marketable securities and Investments in securities

Marketable securities are negotiable certificate of deposit etc. 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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 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
	2018	2017	2018
Non-listed stocks.....	¥695	¥700	\$6,541
Non-consolidated subsidiary and associated company stocks.....	203	255	1,910
Investments in anonymous associations.....	¥206	¥206	\$1,939

c. The aggregate maturities of monetary claims and securities with maturity outstanding as of March 31, 2018 and 2017 were as follows:

	Millions of yen			
	2018			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits.....	¥21,320	¥ —	¥ —	¥ —
Notes and accounts receivable.....	34,346	1,347	1,093	—
Electronically recorded monetary claims—operating.....	1,741	—	—	—
Marketable securities and Investments in securities.....				
Held to maturity securities.....	—	256	210	605
Other securities.....	6,005	—	—	—
Total.....	¥63,414	¥1,603	¥1,304	¥605

	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.....	¥20,963	¥ —	¥ —	¥ —
Notes and accounts receivable.....	28,731	1,368	1,375	—
Electronically recorded monetary claims—operating.....	694	—	—	—
Marketable securities and Investments in securities.....				
Held to maturity securities.....	—	—	—	205
Other securities.....	8,000	—	—	—
Total.....	¥58,390	¥1,368	¥1,375	¥205

	Thousands of U.S. dollars			
	2018			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits.....	\$200,677	\$ —	\$ —	\$ —
Notes and accounts receivable.....	323,286	12,678	10,288	—
Electronically recorded monetary claims—operating.....	16,387	—	—	—
Marketable securities and Investments in securities.....				
Held to maturity securities.....	—	2,409	1,976	5,694
Other securities.....	56,522	—	—	—
Total.....	\$596,893	\$15,088	\$12,274	\$5,694

d. The aggregate maturities of long-term loans payable outstanding as of March 31, 2018 and 2017 were as follows:

	Millions of yen					
	2018					
	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.....	¥ 269	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable (Include portion due within one year)...	806	1,110	766	747	747	4,614
Total.....	¥1,076	¥1,110	¥766	¥747	¥747	¥4,614

	Millions of yen					
	2017					
	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)...	612	616	1,190	578	559	2,472
Total.....	¥612	¥616	¥1,190	¥578	¥559	¥2,472

	Thousands of U.S. dollars					
	2018					
	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.....	\$ 2,532	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans payable (Include portion due within one year)...	7,586	10,448	7,210	7,031	7,031	43,429
Total.....	\$10,128	\$10,448	\$7,210	\$7,031	\$7,031	\$43,429

## 8. Marketable Securities and Investments in Securities

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2018 and 2017 were as follows:

	Millions of yen			
	2018			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities.....	¥10,216	¥9,873	¥(482)	¥19,607
Others.....	6,005	—	—	6,005
	¥16,222	¥9,873	¥(482)	¥25,612
Held-to-maturity securities.....	¥ 1,096	¥ 53	¥ (11)	¥ 1,138

	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
	¥18,361	¥8,051	¥(483)	¥25,929
Held-to-maturity securities.....	¥ 166	¥ 16	¥ —	¥ 182

	Thousands of U.S. dollars			
	<b>2018</b>			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities.....	\$ 96,159	\$92,931	\$(4,536)	\$184,553
Others.....	56,522	—	—	56,522
	<b>\$152,692</b>	<b>\$92,931</b>	<b>\$(4,536)</b>	<b>\$241,076</b>
Held-to-maturity securities.....	\$ 10,316	\$ 498	\$ (103)	\$ 10,711

## 9. Derivative Transactions

Derivative financial instruments with fair value as of March 31, 2018 and 2017 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)

	Principal items hedged:	Millions of yen		
		<b>2018</b>		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
<b>Forward foreign currency exchange contracts:</b>				
Sell U.S. dollar, buy Japanese yen	Accounts receivable.....	¥1,192	¥13	¥35
Sell Thai baht, buy Japanese yen	.....	268	—	(2)
Sell Chinese yuan, buy Japanese yen	.....	53	—	(5)
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	176	—	(8)
Buy Euro, sell Japanese yen	.....	57	—	(0)
Buy Singapore dollar, sell Japanese yen	.....	13	—	(0)
Buy Thai baht, sell Japanese yen	.....	—	—	—
Buy Chinese yuan, sell Japanese yen	.....	—	—	—
Total.....		<b>¥1,762</b>	<b>¥13</b>	<b>¥19</b>

		Millions of yen		
		2017		
		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.....	¥1,672	¥367	¥(21)
Sell Thai baht, buy Japanese yen	.....	282	—	(40)
Sell Chinese yuan, buy Japanese yen	.....	143	—	(2)
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	888	42	(17)
Buy Euro, sell Japanese yen	.....	142	10	(1)
Buy Singapore dollar, sell Japanese yen	.....	3	—	(0)
Buy Thai baht, sell Japanese yen	.....	12	—	1
Buy Chinese yuan, sell Japanese yen	.....	3	—	0
Total.....		¥3,149	¥420	¥(82)

		Thousands of U.S. dollars		
		2018		
		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>\$11,219</b>	<b>\$122</b>	<b>\$329</b>
Sell Thai baht, buy Japanese yen	.....	<b>2,522</b>	—	<b>(18)</b>
Sell Chinese yuan, buy Japanese yen	.....	<b>498</b>	—	<b>(47)</b>
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	<b>1,656</b>	—	<b>(75)</b>
Buy Euro, sell Japanese yen	.....	<b>536</b>	—	<b>(0)</b>
Buy Singapore dollar, sell Japanese yen	.....	<b>122</b>	—	<b>(0)</b>
Buy Thai baht, sell Japanese yen	.....	—	—	—
Buy Chinese yuan, sell Japanese yen	.....	—	—	—
Total.....		<b>\$16,585</b>	<b>\$122</b>	<b>\$178</b>

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

		Millions of yen		
		2018		
		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 .....	¥2,178	¥1,916	¥(4)
<b>Interest rate and currency swaps:</b>				
(Integral method)				
Receive floating U.S dollar, pay fixed Japanese yen	Long-term loans payable .....	1,530	1,350	Notes b.
Total.....		¥3,708	¥3,266	¥(4)

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

		Thousands of U.S. dollar		
		2018		
		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 .....	\$20,500	\$18,034	\$(37)
<b>Interest rate and currency swaps:</b>				
(Integral method)				
Receive floating U.S dollar, pay fixed Japanese yen	Long-term loans payable .....	14,401	12,707	Notes b.
Total.....		\$34,902	\$30,741	\$(37)

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

b. The fair value of 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 rate applicable to such loans payable as of March 31, 2018 was approximately 0.5 percent.

The weighted average interest rates of long-term loans payable as of March 31, 2018 and 2017 were approximately 0.6 percent and 0.8 percent, respectively.

Long-term loans payable as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Loans payable, due 2037 .....	<b>¥8,792</b>	¥6,029	<b>\$82,756</b>
Less: portion due within one year .....	<b>(806)</b>	(612)	<b>(7,586)</b>
	<b>¥7,985</b>	¥5,416	<b>\$75,160</b>

Lease obligations as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current.....	<b>¥129</b>	¥156	<b>\$1,214</b>
Non-current .....	<b>141</b>	173	<b>1,327</b>
	<b>¥270</b>	¥330	<b>\$2,541</b>

The following assets were pledged as collateral for the long-term loans payable of ¥5,857 million (\$55,129 thousand) and ¥2,509 million for the years ended March 31, 2018 and 2017, respectively.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deposit.....	<b>¥ 738</b>	¥567	<b>\$ 6,946</b>
Account receivable.....	<b>201</b>	145	<b>1,891</b>
Accounts receivable—other.....	<b>6</b>	—	<b>56</b>
Buildings.....	<b>132</b>	125	<b>1,242</b>
Land.....	<b>45</b>	41	<b>423</b>
	<b>¥1,124</b>	¥879	<b>\$10,579</b>

The following assets were pledged as collateral for the long-term loans payable at affiliated companies and others of ¥6,538 million (\$61,539 thousand) and ¥6,973 million for the years ended March 31, 2018 and 2017, respectively.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Short-terms loans receivable.....	<b>¥ 11</b>	¥ 12	<b>\$ 103</b>
Investment in securities.....	<b>41</b>	93	<b>385</b>
Long-term loans receivable.....	<b>183</b>	184	<b>1,722</b>
	<b>¥236</b>	¥290	<b>\$2,221</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 ¥168 million(\$1,581 thousand) and ¥166 million for the years ended March 31, 2018 and 2017 respectively.



## 11. Net Defined Benefit Liability

### Outline of net defined benefit liability

The company has defined benefit corporate pension plans (all funded plans), retirement lump-sum plans (which is funded plans as a result of setting up employee pension trust), and defined contribution pension plan.

The consolidated subsidiaries have retirement lump-sum plans (which include unfunded plans and funded plans as a result of setting up employee pension trust).

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

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year .....	<b>¥8,057</b>	¥8,029	<b>\$75,837</b>
Service costs .....	<b>504</b>	507	<b>4,743</b>
Interest costs .....	<b>51</b>	43	<b>480</b>
Actuarial differences .....	<b>108</b>	(41)	<b>1,016</b>
Benefit paid .....	<b>(451)</b>	(481)	<b>(4,245)</b>
Balance at end of year .....	<b>¥8,269</b>	¥8,057	<b>\$77,833</b>

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year .....	<b>¥1,384</b>	¥1,236	<b>\$13,027</b>
Expected return on pension assets .....	<b>20</b>	18	<b>188</b>
Actuarial differences .....	<b>(110)</b>	9	<b>(1,035)</b>
Contribution by the employer .....	<b>99</b>	218	<b>931</b>
Benefit paid .....	<b>(69)</b>	(98)	<b>(649)</b>
Amount of establishment retirement benefit trust .....	<b>3,999</b>	—	<b>37,641</b>
Balance at end of year .....	<b>¥5,324</b>	¥1,384	<b>\$50,112</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
	2018	2017	2018
Balance at beginning of year .....	<b>¥495</b>	¥491	<b>\$4,659</b>
Retirement benefit expenses .....	<b>82</b>	62	<b>771</b>
Benefit paid .....	<b>(29)</b>	(57)	<b>(272)</b>
Other .....	<b>1</b>	(0)	<b>9</b>
Change of scope of consolidation .....	<b>106</b>	—	<b>997</b>
Balance at end of year .....	<b>¥656</b>	¥495	<b>\$6,174</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, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded defined benefit obligations.....	<b>¥ 8,269</b>	¥ 1,597	<b>\$ 77,833</b>
Pension assets .....	<b>(5,324)</b>	(1,384)	<b>(50,112)</b>
	<b>2,944</b>	213	<b>27,710</b>
Unfunded defined benefit obligations.....	<b>656</b>	6,955	<b>6,174</b>
Net amount of liability and assets recognized in the consolidated balance sheet .....	<b>3,601</b>	7,168	<b>33,894</b>
Net defined benefit liability .....	<b>3,601</b>	7,168	<b>33,894</b>
Net defined benefit asset.....	—	—	—

Retirement benefit expenses for the years ended March 31, 2018 and 2017 consisted of the followings:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service costs .....	<b>¥504</b>	¥507	<b>\$4,743</b>
Interest costs .....	<b>51</b>	43	<b>480</b>
Expected return on pension assets.....	<b>(20)</b>	(18)	<b>(188)</b>
Actuarial differences recognized in the year .....	<b>169</b>	175	<b>1,590</b>
Prior service cost recognized in the year .....	<b>(15)</b>	(15)	<b>(141)</b>
Retirement benefit expenses accounted for by the simplified method.....	<b>82</b>	62	<b>771</b>
Retirement benefit expenses for the defined retirement benefit plan .....	<b>¥770</b>	¥753	<b>\$7,247</b>

The breakdown of remeasurements of defined benefit plans in other comprehensive income (before tax effects) for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Prior service cost.....	<b>¥(15)</b>	¥ (15)	<b>\$(141)</b>
Actuarial differences .....	<b>(49)</b>	226	<b>(461)</b>
	<b>¥(65)</b>	¥210	<b>\$(611)</b>

The breakdown of remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effects) as of March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized prior service cost.....	<b>¥ 78</b>	¥ 63	<b>\$ 734</b>
Unrecognized actuarial differences .....	<b>797</b>	747	<b>7,501</b>
	<b>¥875</b>	¥810	<b>\$8,236</b>

The breakdown of pension assets by major category as of March 31, 2018 and 2017, were as follows:

	<b>2018</b>	2017
Bonds.....	<b>9.2%</b>	33.5%
Stocks .....	<b>60.3</b>	22.5
Cash and cash equivalent.....	<b>18.4</b>	—
Insurance company general accounts.....	<b>5.4</b>	20.0
Alternative investments .....	<b>5.5</b>	20.0
Other.....	<b>1.2</b>	4.0
Total.....	<b>100.0%</b>	100.0%

Notes 1. Alternative investments are mainly investments of hedge funds.

2. 72.6% as of March 31, 2018, of the total pension assets are assets contributed to a retirement benefit trust for retirement lump-sum plans.

Major actuarial assumptions as of March 31, 2018 and 2017, were as follows:

	<b>2018</b>	2017
Discount rate.....	<b>0.5–0.6%</b>	0.6–0.7%
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 and its consolidated subsidiaries, including the expense for small and medium enterprises retirement benefit mutual aid schemes, were ¥89 million (\$837 thousand) and ¥72 million for the years ended March 31, 2018 and 2017, respectively.

## 12. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2018 and 2017 amounted to ¥1,185 million (\$11,153 thousand) and ¥1,050 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:

	<b>2018</b>	2017
Statutory tax rate.....	<b>30.9%</b>	30.9%
Expenses not deductible for tax purposes.....	<b>1.8</b>	3.5
Non-taxable dividend income.....	<b>(0.9)</b>	(0.7)
Per capita levy of inhabitant taxes .....	<b>0.6</b>	0.9
Valuation allowance.....	<b>1.8</b>	7.2
Effects from the income tax rate change.....	<b>—</b>	0.1
Tax credit of experiment and research expenses.....	<b>(2.0)</b>	(2.5)
Amortization of goodwill .....	<b>14.4</b>	1.8
Other—net.....	<b>(3.5)</b>	(2.7)
Effective tax rate.....	<b>43.1%</b>	38.5%

(Change in presentation)

"Amortization of goodwill" which was included in "Other-net" has been separately disclosed due to its increased materiality of the amount. To reflect this change, the amount in "Difference between the statutory tax rate and the effective tax rate" for last fiscal year has been reclassified.

As a result, (0.9%) in "Other-net" last fiscal year has been reclassified to 1.8% in "Amortization of goodwill" and (2.7%) in "Other-net", respectively.

Deferred tax assets and liabilities at March 31, 2018 and 2017 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Deferred tax assets:</b>			
Accrued cost of sales.....	¥ 174	¥ 264	\$ 1,637
Accrued enterprise taxes.....	99	95	931
Reserve for losses on contracts.....	168	141	1,581
Accrued warranty.....	272	295	2,560
Net defined benefit liability.....	2,345	2,195	22,072
Unrealized profit.....	46	33	432
Accrued bonus to employees.....	727	572	6,842
Tax loss carryforward.....	9	6	84
Allowance for doubtful accounts.....	305	240	2,870
Long-term accounts payable-other.....	43	43	404
Impairment loss.....	166	178	1,562
Others.....	854	725	8,038
Less: valuation allowance.....	(1,008)	(911)	(9,487)
Total deferred tax assets.....	¥ 4,206	¥3,882	\$39,589
<b>Deferred tax liabilities:</b>			
Reserve for deferred gains on sales of fixed assets for tax purposes.....	¥ (977)	¥(1,009)	\$ (9,196)
Net unrealized gains on available-for-sale securities.....	(2,880)	(2,317)	(27,108)
Gain on contribution of securities to retirement benefit trust.....	(666)	—	(6,268)
Others.....	(479)	(137)	(4,508)
Total deferred tax liabilities.....	(5,004)	(3,464)	(47,100)
Net deferred tax assets (liabilities).....	¥ (798)	¥ 417	\$ (7,511)

#### 14. Contingent Liability

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Guarantees for indebtedness of employees.....	¥0	¥1	\$ 0
Notes receivable endorsed.....	5	—	47
	¥6	¥1	\$56

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

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Exchange gain (loss) .....	<b>¥(57)</b>	¥(40)	<b>\$(536)</b>
Reversal of allowance for doubtful accounts .....	<b>20</b>	48	<b>188</b>
Other, net.....	<b>(23)</b>	(89)	<b>(216)</b>
	<b>¥(60)</b>	¥(80)	<b>\$(564)</b>

**16. Subsequent Events**

**Appropriation of Retained Earnings**

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2018 was approved at the Board of Directors meeting held on May 24, 2018

	Millions of yen	Thousands of U.S. dollars
Year-end dividends of ¥9.00 (\$0.08) per share .....	<b>¥400</b>	<b>\$3,765</b>

**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, 2018 and 2017, were as follows

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year .....	<b>¥14</b>	¥17	<b>\$131</b>
Due after one year .....	<b>32</b>	22	<b>301</b>
Total.....	<b>¥46</b>	¥39	<b>\$432</b>

## 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 and construction of waste liquid plants, wastewater plants, solid waste treatment plants, etc.
- 3) Design, manufacture and sales of process equipment used in the above plants
- 4) 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.

(Change in the method to calculate income or loss by reporting segments)

Beginning this consolidated fiscal year ended March 31, 2018, the Company has modified its method of calculating income and losses by reporting segment based on a review of its standards for allocating shared costs, in order to evaluate and manage financial results by reporting segment more appropriately.

Segment information shown for the previous consolidated fiscal year has been calculated using the modified calculation method.

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

	Year ended March 31, 2018			Millions of yen			
	Reporting segments			Other	Total	Adjustment	Consolidated financial statements
	Water environmental business	Industrial business	Subtotal				
<b>Sales</b>							
Sales to external customers.....	¥46,146	¥38,872	¥85,019	¥ 76	¥85,095	¥ —	¥85,095
Inter-segment sales or transfers .....	5	1	6	316	322	(322)	—
Total.....	46,151	38,873	85,025	392	85,418	(322)	85,095
Segment income (loss) ...	2,873	1,487	4,361	69	4,430	—	4,430
Depreciation and amortization.....	870	563	1,434	0	1,435	—	1,435
Amortization of goodwill*.....	¥ —	¥ 2,565	¥ 2,565	¥ —	¥ 2,565	¥ —	¥ 2,565

\*Amortization of goodwill includes ¥2,304 million (\$21,686 thousand) in amortization of goodwill included in other expenses.

Year ended March 31, 2017

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).....	3,097	365	3,463	44	3,508	—	3,508
Depreciation and amortization.....	727	578	1,306	0	1,306	—	1,306
Amortization of goodwill.....	¥ —	¥ 197	¥ 197	¥ —	¥ 197	¥ —	¥ 197

Year ended March 31, 2018

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.....	\$434,356	\$365,888	\$800,254	\$ 715	\$800,969	\$ —	\$800,969
Inter-segment sales or transfers.....	47	9	56	2,974	3,030	(3,030)	—
Total.....	434,403	365,897	800,310	3,689	804,009	(3,030)	800,969
Segment income (loss)...	27,042	13,996	41,048	649	41,698	—	41,698
Depreciation and amortization.....	8,189	5,299	13,497	0	13,507	—	13,507
Amortization of goodwill.....	\$ —	\$ 24,143	\$ 24,143	\$ —	\$ 24,143	\$ —	\$ 24,143

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

(1) Net Sales

Area:	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Japan.....	¥72,443	¥58,092	\$681,880
Asia.....	10,987	9,933	103,416
Other.....	1,664	1,836	15,662
	¥85,095	¥69,862	\$800,969

(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, 2018 and 2017 for both years.

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

Millions of yen					
<b>2018</b>					
	Water environmental business	Industrial business	Other	Elimination or common asset	Total
Amortization of goodwill* .....	¥—	¥2,565	¥—	¥—	¥2,565
Unamortized balance .....	¥—	¥ 357	¥—	¥—	¥ 357

\*Amortization of goodwill includes ¥2,304 million (\$21,686 thousand) in amortization of goodwill included in other expenses.

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

Thousands of U.S. dollars					
<b>2018</b>					
	Water environmental business	Industrial business	Other	Elimination or common asset	Total
Amortization of goodwill .....	\$ —	\$24,143	\$ —	\$ —	\$24,143
Unamortized balance .....	\$ —	\$ 3,360	\$ —	\$ —	\$ 3,360

**(f) Information by gain on bargain purchase**

Fiscal year ended March 31, 2017

Not applicable

Fiscal year ended March 31, 2018

SANSIN KOGYO Co., Ltd and 2 other subsidiaries were acquired by the Company in industrial business segment.

Gain on bargain purchase resulting from this event is ¥1,291 millions (\$12,151 thousand).



## 19. Business combination

### (a) Business combination through acquisition

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

SANSHIN KOGYO Co., Ltd. and 2 other subsidiaries have become consolidated subsidiaries, because of the acquisition of their shares, on July 3, 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

(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. Income period of the acquired company which includes consolidated statements

From July 3, 2017 to March 31, 2018

#### 3. 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>\$50,207</b>
Acquisition cost.....	<b>¥5,334</b>	<b>\$50,207</b>

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

Advisory expenses, etc.: ¥311 million (\$2,927 thousand)

#### 5. Amounts and reasons of gain on bargain purchase

(Amounts) ¥1,291 million (\$12,151 thousand)

(Reasons) The gain resulted from the difference between the net fair value of assets acquired and liabilities assumed and the acquisition cost of the shares.

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

	Millions of yen	Thousands of U.S. dollars
Current assets.....	¥10,597	\$ 99,745
Non-Current assets.....	3,449	32,464
Total assets.....	¥14,046	\$132,210
Current liabilities.....	¥ (6,548)	\$ (61,634)
Non-Current liabilities.....	(872)	(8,207)
Total liabilities.....	¥ (7,420)	\$ (69,841)

**7. Effects on the consolidated statement of income for the fiscal year assuming the business combination was completed at the beginning of the fiscal year and accounting method.**

A pro forma disclosure relating to the business combination is omitted because the impact on the consolidated financial statements was immaterial.

**(b) Transaction under common control**

Additional acquisition of shares in subsidiary

**1. Outline of the agreement**

- (1) Name and business of the acquired entity  
Name of the acquired entity: BOKELA GmbH  
Business: Planning, design, manufacturing, installation, sales and follow-up support of filtering machines, as well as consulting services for filtering processes
- (2) Business combination date  
December 29, 2017 (Deemed combination date September 30, 2017)
- (3) Legal form of the business combination  
Stock acquisition from non-controlling shareholder
- (4) Name of the entity after the business combination  
No change
- (5) Other information  
The percentage of voting rights by an additional subsidiary stock transfer agreement is 16.67%.  
By this deal, BOKELA GmbH has become our wholly owned subsidiary. This deal is based on a stock transfer agreement in December, 2014.

**2. Outline of accounting treatment**

The transaction was accounted for as a transaction with non-controlling interest shareholders under common control, in accordance with "Accounting Standard for Business Combinations" and "Guideline on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

The Company treated "this additional acquisition of shares" and "the acquisition of shares in December, 2014" as a single transaction. As for the shares that the company additionally acquired after it became a controlling shareholder, the goodwill was calculated assuming that the goodwill was recognized at the time of the acquisition of control.

**3. 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>¥539</b>	<b>\$5,073</b>
Acquisition cost.....		<b>¥539</b>	<b>\$5,073</b>

# 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, 2018, 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, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

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

  
Inoue Auditing Co., Inc.

June 26, 2018  
Tokyo, Japan

## CORPORATE DATA (As of March 31, 2018)

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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>	¥6,646,000,000
<b>Number of employees</b>	2,523 (consolidated) 630 (non-consolidated)
<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>	4,682
<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.)  
Niigata Sales Office, Wakayama 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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