



TECHNOLOGY THE WORLD NEEDS

PROFILE

Operations of the Tsukishima Kikai Group

TSK
TSUKISHIMA
KIKAI

Basic technologies and applications associated with sugar refining

Core technologies

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

Applications

Applications

Water Environmental Business Division

Water: Filtration and purification, Wastewater treatment

Sewage: Sewage treatment, Sludge treatment

Affiliated companies

Tsukishima Technology Maintenance Services Co., Ltd.

Samukawa Water Services Co., Ltd.

Industrial Business Division

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

Affiliated companies

Tsukishima Kankyo Engineering Co., Ltd.

Sun Eco Thermal Co., Ltd.

Tsukishima Machine Sales Co., Ltd.

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



BUSINESS SEGMENTS

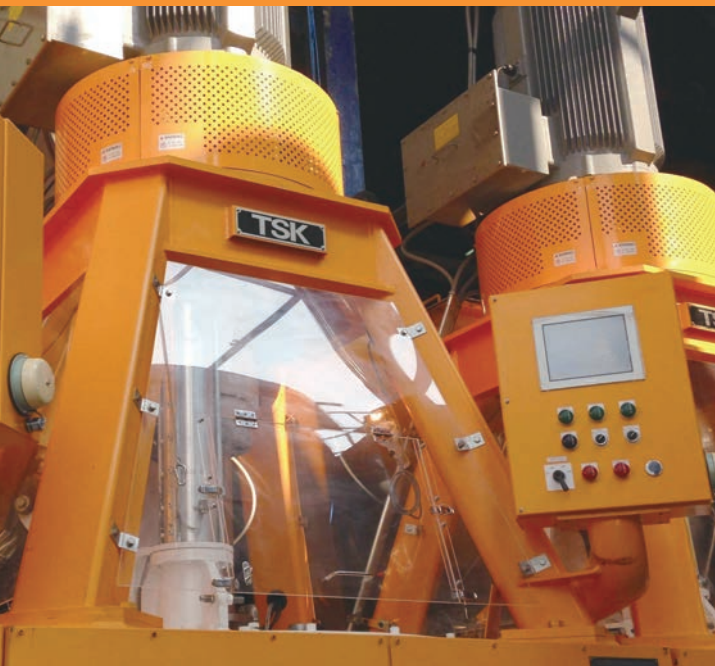


Water Environmental Business

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

Industrial Business

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



Kazuhiko Yamada

President and Chief Executive Officer,
Representative Director



Environment and energy power our success

I am pleased to present Annual Report 2014, which summarizes the activities of the Tsukishima Kikai Group (the Group) in fiscal 2014 (April 1, 2013 to March 31, 2014).

In the market environment surrounding the Group, there were signs of a recovery trend in capital investment demand in Japan amid gradual recovery in business conditions and improvement in corporate earnings. Although overseas capital investment demand was firm in the first half, rising downside risk in overseas economies resulted in a continuing sense of uncertainty in some regions.

In this economic environment, the Group launched a new medium-term management plan for the three-year period beginning in fiscal 2014 and pursued three key measures: “Focus on the environmental and energy fields,” “Expand overseas business,” and “Implement group-wide cost reductions.”

In the Water Environmental Business, the Group added some significant new contracts by winning orders for expansion and renewal of water and sewage projects in Japan and contracts for facilities O&M*1 services. In addition, we engaged in PFI*2 and DBO*3 projects that combined facilities construction and long-term maintenance and management contracts.

*1 O&M: Comprehensive operation and maintenance (O&M) service: In addition to the operation and management of facilities, contracts for comprehensive O&M services also include repair services and the supply of chemicals and other requirements.

*2 PFI: Private finance initiative

*3 DBO: Design, build, operate

In the Industrial Business, we engaged in sales activities for plants, process equipment, and environment-related facilities in Japan and overseas. We strove to complete projects in hand and undertook cost reduction activities to increase the profitability of construction projects. These activities included the development of new vendors, including overseas companies, and contracting the manufacture of certain key machinery to overseas manufacturers to secure technical and commercial competitiveness.

As a result, in fiscal 2014 the Group achieved a profit increase for a fourth consecutive year and set a new record for net income.

Orders, Net Sales and Income

Please refer to the information on the business results for fiscal 2014 in the graphs at right.

SEGMENT RESULTS

Water Environmental Business

In the Water Environmental Business, public investment in Japan was steady, and orders for multiyear and comprehensive O&M service contracts and PFI and DBO projects combining facility construction with long-term maintenance and management contracts continued to increase.

In this business environment, the Group engaged in sales activities in Japan to win contracts for the expansion and renewal of sludge treatment facilities, mainly next-generation sludge incineration sys-

tem, as well as contracts for PFI and DBO projects and O&M services leveraging new products such as sewage sludge-to-fuel system. We also entered power generation business utilizing the FIT (Feed-In-Tariff) system. Overseas, we engaged in sales activities to open up the water infrastructure market and win orders for sludge treatment facilities.

The results for the Water Environmental Business are shown in the graphs.

Industrial Business

In the Industrial Business, in Japan signs of recovery in capital investment in various sectors continued. On the other hand, a sense of uncertainty continued in certain overseas regions due to the materialization of downside economic risk.

In this business environment, the Group engaged in sales activities in Japan and overseas to win orders for plant facilities as well as process equipment such as separators and gas holders. We have focused particular effort on meeting demand from capital investment and renewal and securing order volume in the iron steel and food products sectors in Japan and overseas. In environment-related projects, we engaged in sales activities for waste liquid combustion systems and solid waste incineration facilities for Japan and overseas markets.

See the graphs for the results for the Industrial Business.

Capital Investment

Capital investment in the year ended March 31, 2014 amounted to ¥5,776 million. Investment centered mainly on construction of a new head office building and acquisition of an office building for occupancy by affiliates.

Research and Development

Research and development are essential to the continuing technology-driven growth of the Group. In particular, we are committed to increasing our ability to develop differentiating technologies and expand our offering of new products in the environment and energy fields.

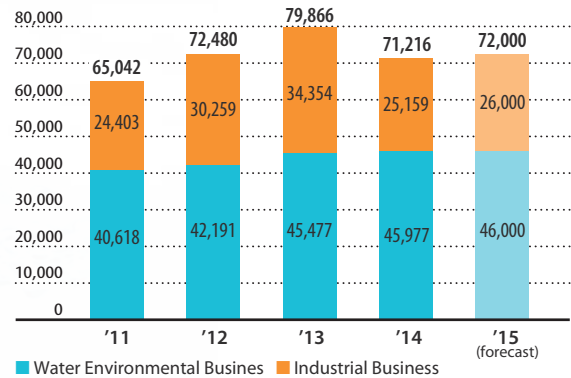
In the Water Environmental Business segment, we will continue to enhance the line of sludge dewatering equipment and other process equipment in the sludge treatment sector, our main market, and engage in research and development in pursuit of further technological differentiation in the area of sewage sludge-to-fuel systems and fluidized bed incineration systems, for which we have already won a sizable amount of orders.

In the Industrial Business segment, we will strengthen market competitiveness by differentiating our core technologies in the environmental and energy fields, focusing in particular on technology development for low-grade coal drying systems and secondary battery manufacturing, for which future market growth is forecast.

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

Sales*

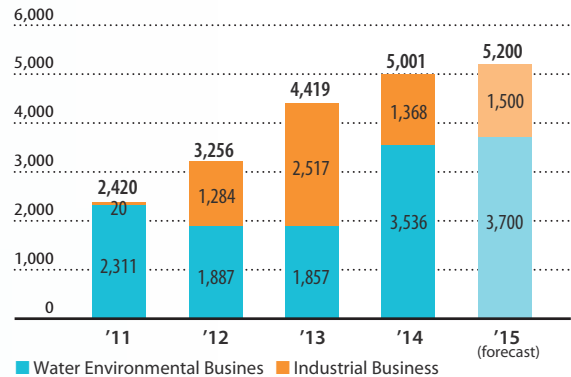
(Millions of yen)



* The above figures also include the other segment.

Operating income*

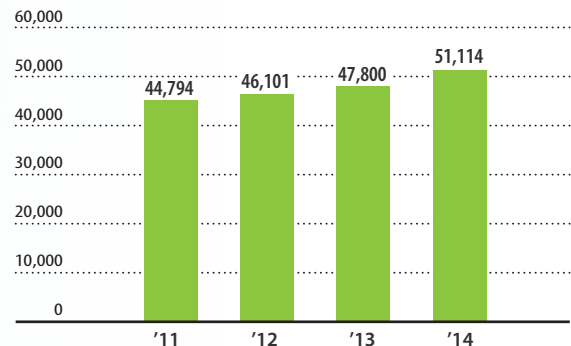
(Millions of yen)



* The above figures also include the other segment.

Total shareholders' equity

(Millions of yen)



MEDIUM-TERM MANAGEMENT PLAN (FY2014 TO FY2016)

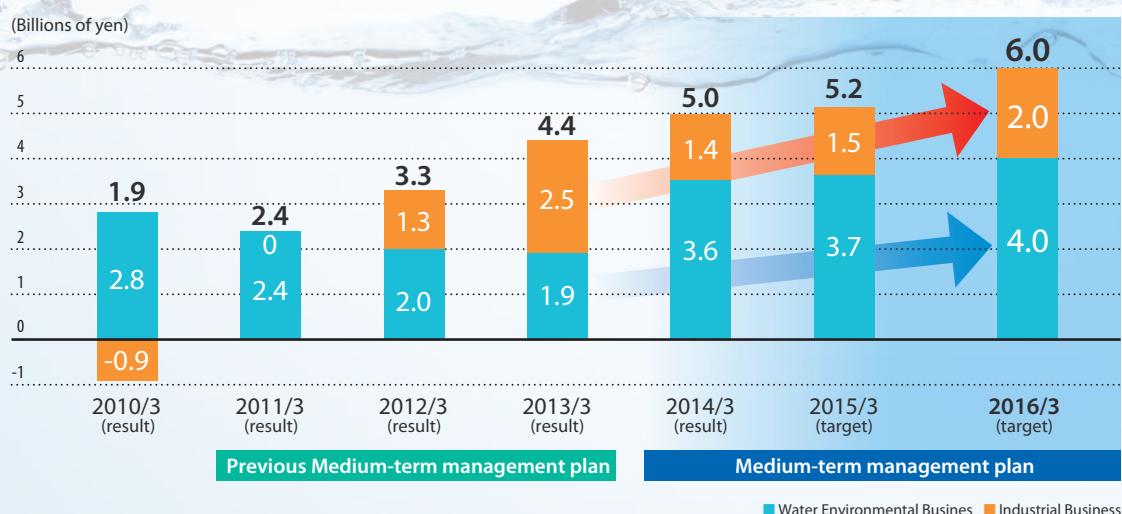
KEY MEASURES

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

FINANCIAL TARGETS

	2013/3	2016/3
Orders received	¥84.1 billion	¥85.0 billion
Net sales	¥79.9 billion	¥86.0 billion
Operating income	¥4.4 billion	¥6.0 billion
Operating income ratio	5.5%	7.0%

OPERATING INCOME RESULTS AND TARGET





TOPIC 1 Continuing Orders for PFI and DBO Projects Utilizing Sewage Sludge-to-Fuel Systems




The Group continues to win orders for sewage sludge-to-fuel systems. In October 2013, we received an order for our fifth sewage sludge-to-fuel system project.

In this project, Kyoto Prefecture will produce fuel from sewage sludge, a biomass raw material, at the Rakusai WWTP and sell it as an alternative fuel to coal. In this recycling project to convert sewage sludge to fuel, after completion of design and construction of a fuel conversion facility, a special-purpose company will maintain, man-

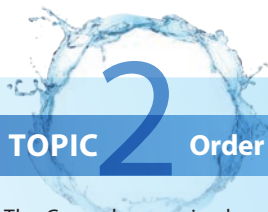
age, and operate the facility and purchase the fuel.

Sewage sludge is a carbon-neutral biomass resource. The aim of this project is to make a contribution to global warming through promotion of the recycling of sewage sludge and greenhouse gas reduction by producing fuel from sewage sludge and effectively using it as an alternative fuel to coal. This is a DBO project that utilizes the fundraising capacity and management and technological expertise of a private-sector company.

Results in the Environment and Energy Fields (PFI and DBO Projects)

Orders received for a total of five sludge-to-fuel system projects					
City	Hiroshima City (DBO)	Kumamoto City (DBO)	Osaka City (PFI)	Yokohama City (PFI)	Kyoto Prefecture (DBO)
Design and construction	3 years	2 years	3 years	4 years	3 years
Operation (20 years)	April 2012 to March 2032	April 2013 to March 2033	April 2014 to March 2034	April 2016 to March 2036	April 2017 to March 2037
Plant Scale	50 tons/day x 2 units	50 tons/day x 1 unit	150 tons/day x 1 unit	150 tons/day x 1 unit	50 tons/day x 1 unit
Total Project Cost	Approx. ¥8.8 billion (Tsukishima Group share: approx. 86%)	Approx. ¥5.9 billion (Tsukishima Group share: approx. 45%)	Approx. ¥16.9 billion (Tsukishima Group share: approx. 42%)	Approx. ¥14.2 billion (Tsukishima Group share: approx. 40%)	Approx. ¥3.8 billion (Tsukishima Group share: approx. 40%)
				Under construction	Under construction

Hiroshima City Western WWTP Kumamoto City Southern WWTP Osaka City Hirano WWTP



TOPIC 2 Order of Large Gas Holder from a Steel Manufacturer

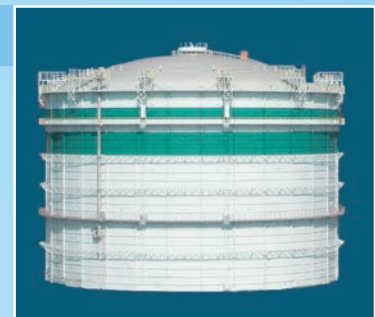
The Group has received an order for a large gas holder for Linz-Donawitz converter gas (LDG) from major steel manufacturer JFE Steel Corporation.

Gas holders are a mainstay product of the Group. Our gas holders offer excellent earthquake resistance and maintainability, and we have delivered more than 500 units in Japan and overseas. The capacity of the gas holder to be constructed for JFE Steel will be 125,000 cubic meters, making it our largest LDG gas holder for the steel industry.

Companies and industries have recently become enthusiastic about energy recovery and utilization, and the iron and steel industry is making progress in the recovery, storage, and utilization of combustible gases generated in steelmaking processes. We have a

strong track record of delivery of a variety of facilities and systems in the iron steel sector, including flue gas desulfurization facilities and large drying systems for coal drying, and we

acquire a high reputation among Japanese and foreign steel makers for environmental technologies that save and effectively utilize energy. We will continue to contribute to efficient, environment-friendly iron steel production by actively engaging in sales activities for these facilities and systems.



BOARD OF DIRECTORS



Kazuhiko Yamada
President and Chief Executive Officer,
Representative Director



Kazuo Nakajima
Board Member,
Managing Executive Officer



Takashi Kikkawa
Board Member,
Managing Executive Officer



Torahiko Maki
Board Member, Executive Officer



Akihiko Watanabe
Board Member, Executive Officer



Masashi Teranishi
Board Member



Hisao Shigekane
Board Member

FINANCIAL SECTION

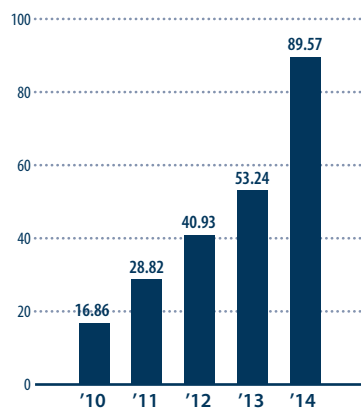
Five-Year Summary (Consolidated)

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

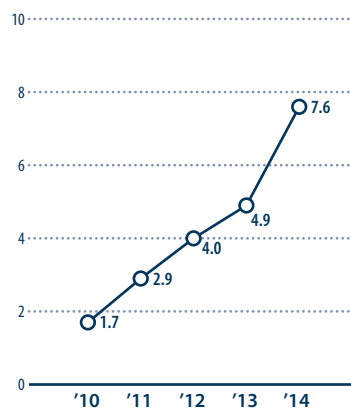
	Millions of yen (Note 1)					Thousands of U.S. dollars (Note 1)
	2014	2013	2012	2011	2010	2014
For the year:						
Net sales.....	¥71,216	¥79,866	¥72,480	¥65,042	¥67,674	\$691,954
Operating income.....	5,001	4,419	3,256	2,420	1,945	48,591
Income before income taxes.....	6,850	4,048	3,630	2,167	2,007	66,556
Net income.....	3,986	2,369	1,822	1,282	753	38,729
At year-end:						
Total assets.....	98,688	92,095	89,261	84,315	89,809	958,880
Total shareholders' equity.....	¥51,114	¥47,800	¥46,101	¥44,794	¥44,018	\$496,638
Per share:						
Net income.....	¥89.57	¥53.24	¥40.93	¥28.82	¥16.86	\$0.87
Cash dividends.....	¥17.00	¥15.00	¥15.00	¥15.00	¥15.00	\$0.16
Number of shares outstanding (in thousands).....						
	45,625	45,625	45,625	45,625	45,625	

Note: U.S. dollar amounts are translated from yen at the rate of ¥102.92 to US\$1, solely for the convenience of the reader. Amounts less than ¥1 million, \$1 thousand and Number of shares outstanding in thousands have been rounded down.

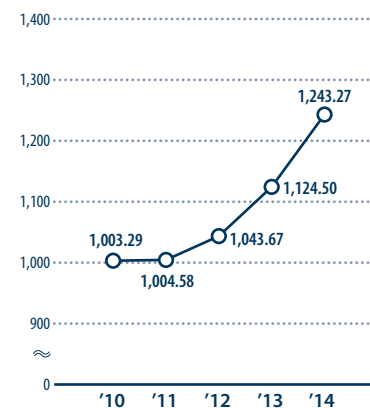
Net Income per Share
(Yen)



Return on Equity
(%)



Equity per Share
(Yen)



Consolidated Balance Sheets

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
ASSETS			
Current assets:			
Cash and time deposits (Notes 7, 10)	¥ 17,201	¥ 16,905	\$ 167,129
Marketable securities (Notes 2, 7, 8)	6,500	6,000	63,155
Notes and accounts receivable (Notes 7, 9, 10).....	33,034	34,126	320,967
Less: allowance for doubtful accounts (Note 2).....	(104)	(205)	(1,010)
Work in process (Note 2).....	2,795	2,678	27,157
Raw materials and supplies (Note 2).....	133	127	1,292
Deferred income taxes (Note 13)	2,291	2,530	22,260
Other current assets (Note 10)	3,212	548	31,208
Total current assets	65,064	62,712	632,180
Property, plant and equipment (Note 2):			
Land	4,345	7,001	42,217
Buildings and structures	12,377	8,721	120,258
Machinery and equipment.....	13,931	14,957	135,357
Lease assets.....	769	638	7,471
Construction in progress.....	70	1,319	680
	31,493	32,638	305,994
Less: accumulated depreciation	(18,872)	(19,789)	(183,365)
Net property, plant and equipment.....	12,621	12,848	122,629
Investments and other assets:			
Goodwill (Note 2)	279	326	2,710
Software	226	235	2,195
Lease assets (Note 2)	57	50	553
Investments in securities (Notes 2, 7, 8, 10).....	18,703	14,299	181,723
Long-term loans receivable (Note 10).....	186	189	1,807
Deferred income taxes (Note 13)	1,153	1,127	11,202
Other assets.....	785	513	7,627
Less: allowance for doubtful accounts (Note 2).....	(389)	(208)	(3,779)
Total investments and other assets	21,002	16,534	204,061
Total assets	¥ 98,688	¥ 92,095	\$ 958,880

See Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Current liabilities:			
Notes and accounts payable			
Trade (Notes 7, 9).....	¥14,724	¥14,758	\$143,062
Other	2,347	2,032	22,804
Short-term loans payable (Note 10)	57	50	553
Current portion of long-term loans payable (Notes 7, 9, 10)	384	396	3,731
Lease obligations (Note 10)	177	154	1,719
Accrued income taxes (Note 13)	1,674	1,043	16,265
Accrued expenses	2,639	2,613	25,641
Accrued warranty (Note 2)	1,132	1,570	10,998
Reserve for losses on contracts (Note 2)	370	448	3,595
Advances received	4,453	4,390	43,266
Other current liabilities	1,677	2,615	16,294
Total current liabilities	29,639	30,073	287,980
Long-term liabilities:			
Long-term loans payable (Notes 7, 9, 10).....	3,218	3,603	31,267
Lease obligations (Note 10)	353	360	3,429
Deferred tax liabilities (Note 13).....	2,262	1,105	21,978
Provision for post-employment benefits (Notes 2, 11).....	—	5,826	—
Net defined benefit liability (Notes 2, 3, 11).....	6,828	—	66,342
Reserve for retirement payments to officers (Note 2)	91	83	884
Asset retirement obligations.....	169	176	1,642
Other long-term liabilities	390	523	3,789
Total long-term liabilities.....	13,315	11,676	129,372
Contingent liability (Note 14)			
Net assets:			
Shareholders' equity:			
Common stock,			
Authorized: 180 million shares in 2014 and 2013			
Issued: 45,625,800 shares in 2014 and 2013	6,646	6,646	64,574
Additional paid-in capital.....	5,485	5,485	53,293
Retained earnings	39,580	36,262	384,570
Treasury stock.....	(599)	(594)	(5,820)
Total shareholders' equity.....	51,114	47,800	496,638
Accumulated Other Comprehensive Income			
Net unrealized gains or losses on available-for-sale securities	4,530	2,277	44,014
Deferred gains or losses on hedges.....	(42)	(39)	(408)
Foreign currency translation adjustment (Note 2)	72	15	699
Remeasurements of defined benefit plans (Notes 3, 11)	(340)	—	(3,303)
Total accumulated other comprehensive income.....	4,219	2,253	40,993
Minority interest	399	291	3,876
Total net assets	55,734	50,344	541,527
Total liabilities and net assets	¥98,688	¥92,095	\$958,880

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net sales (Notes 2, 18)	¥71,216	¥79,866	\$691,954
Cost of sales (Note 12)	56,388	65,460	547,881
Gross profit	14,828	14,406	144,073
Selling, general and administrative expenses (Note 12)	9,827	9,986	95,481
Operating income (Note 18).....	5,001	4,419	48,591
Other income (expenses):			
Interest and dividend income.....	316	337	3,070
Interest expenses.....	(85)	(91)	(825)
Gain on sales of investments in securities	—	198	—
Gain on sales of property, plant and equipment	2,712	0	26,350
Loss on sales and disposal of property, plant and equipment.....	(100)	(32)	(971)
Impairment loss.....	—	(787)	—
Equity in earnings of affiliates (Note 2)	6	6	58
Head office transfer cost.....	(338)	—	(3,284)
Transfer expenses.....	(284)	—	(2,759)
Retirement benefit expenses.....	(278)	—	(2,701)
Other, net (Note 15).....	(98)	(2)	(952)
Other income (expenses), net.....	1,848	(370)	17,955
Income before income taxes.....	6,850	4,048	66,556
Income taxes (Notes 2, 13):			
Current.....	2,473	1,343	24,028
Deferred.....	305	259	2,963
Total income taxes.....	2,778	1,602	26,991
Income before minority interests.....	4,071	2,446	39,554
Minority interests	(84)	(76)	(816)
Net income	¥ 3,986	¥ 2,369	\$ 38,729

	Yen	U.S. dollars (Note 1)
Per share		
Net income.....	¥89.57	¥53.24 \$0.87
Cash dividends.....	¥17.00	¥15.00 \$0.16

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income before minority interests	¥4,071	¥2,446	\$39,554
Other comprehensive income (Note 5)			
Net unrealized gains or losses on available-for-sale securities	2,253	1,864	21,890
Deferred gains or losses on hedges.....	2	(15)	19
Foreign currency translation adjustment.....	92	75	893
Share of other comprehensive income of associates accounted for using equity method.....	0	3	0
Total other comprehensive income.....	2,349	1,927	22,823
Comprehensive income	¥6,420	¥4,373	\$62,378
(Breakdown)			
Comprehensive income attributable to owners of the parent	¥6,294	¥4,268	\$61,154
Comprehensive income attributable to minority interests	¥ 126	¥ 105	\$ 1,224

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, 2014 and 2013

	Thousands	Millions of yen (Note 1)											
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income					Minority interests	Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2012	45,625	¥6,646	¥5,485	¥34,562	¥(593)	¥46,101	¥ 412	¥(30)	¥(27)	¥—	¥ 354	¥198	¥46,655
Cash dividends.....	—	—	—	(667)	—	(667)	—	—	—	—	—	—	(667)
Net income for the year ended March 31, 2013.....	—	—	—	2,369	—	2,369	—	—	—	—	—	—	2,369
Change of scope of equity method..	—	—	—	(2)	—	(2)	—	—	—	—	—	—	(2)
Purchase of treasury stock.....	—	—	—	—	(0)	(0)	—	—	—	—	—	—	(0)
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	1,864	(9)	42	—	1,898	92	1,990
Balance as of March 31, 2013	45,625	¥6,646	¥5,485	¥36,262	¥(594)	¥47,800	¥2,277	¥(39)	¥ 15	¥—	¥2,253	¥291	¥50,344

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

	Thousands	Thousands of U.S. dollars (Note 1)											
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income					Minority interests	Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of March 31, 2013	45,625	\$64,574	\$53,293	\$352,331	\$(5,771)	\$464,438	\$22,123	\$(378)	\$145	\$ —	\$21,890	\$2,827	\$489,156
Cash dividends.....	—	—	—	(6,480)	—	(6,480)	—	—	—	—	—	—	(6,480)
Net income for the year ended March 31, 2014.....	—	—	—	38,729	—	38,729	—	—	—	—	—	—	38,729
Change of scope of equity method..	—	—	—	(0)	—	(0)	—	—	—	—	—	—	(0)
Purchase of treasury stock.....	—	—	—	—	(38)	(38)	—	—	—	—	—	—	(38)
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	21,890	(29)	544	(3,303)	19,102	1,049	20,161
Balance as of March 31, 2014	45,625	\$64,574	\$53,293	\$384,570	\$(5,820)	\$496,638	\$44,014	\$(408)	\$699	\$(3,303)	\$40,993	\$3,876	\$541,527

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests.....	¥ 6,850	¥ 4,048	\$ 66,556
Adjustments for:			
Depreciation and amortization	921	1,064	8,948
Impairment loss.....	—	787	—
Amortization of goodwill	46	46	446
Increase (decrease) in provision for post-employment benefits.....	(5,826)	234	(56,607)
Increase (decrease) in net defined benefit liability.....	6,298	—	61,193
Increase (decrease) in accrued bonus to employees	110	102	1,068
Increase (decrease) in reserve for retirement payments to officers.....	8	(19)	77
Increase (decrease) in allowance for doubtful accounts.....	80	148	777
Increase (decrease) in accrued warranty	(437)	389	(4,246)
Increase (decrease) in reserve for losses on contracts	(77)	(93)	(748)
Interest and dividend income	(316)	(337)	(3,070)
Interest expenses.....	85	91	825
Equity in (earnings) losses of affiliates	(6)	(6)	(58)
Loss (gain) on sales and disposal of property, plant and equipment.....	(2,611)	32	(25,369)
Loss (gain) on sales of investments in securities	—	(198)	—
(Increase) decrease in notes and accounts receivable	1,123	1,629	10,911
Increase (decrease) in advances received.....	17	(1,305)	165
(Increase) decrease in inventories.....	(108)	389	(1,049)
Increase (decrease) in notes and accounts payable, trade	(93)	(2,580)	(903)
Other	(3,648)	799	(35,445)
Subtotal	2,416	5,221	23,474
Interest and dividend income received	325	343	3,157
Interest expenses paid	(86)	(91)	(835)
Income taxes paid.....	(1,909)	(381)	(18,548)
Net cash provided by (used in) operating activities.....	746	5,091	7,248
Cash flows from investing activities:			
Purchase of property, plant and equipment.....	(5,435)	(1,216)	(52,808)
Proceeds from sales of property, plant and equipment.....	7,608	22	73,921
Purchase of intangible fixed assets	(157)	(51)	(1,525)
Purchase of investments in securities	(920)	(115)	(8,938)
Proceeds from sales of investments in securities.....	—	3,943	—
Payments for loans receivable	(4)	(106)	(38)
Collection of loans receivable	11	9	106
Other	27	107	262
Net cash provided by (used in) investing activities.....	1,130	2,593	10,979
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable.....	2	—	19
Repayments of long-term loans payable.....	(396)	(440)	(3,847)
Repayments of lease obligations.....	(159)	(132)	1,544
Additions of treasury stock.....	(4)	(0)	(38)
Cash dividends paid	(667)	(667)	(6,480)
Cash dividends paid to minority shareholders	(18)	(13)	(174)
Net cash provided by (used in) financing activities.....	(1,244)	(1,254)	(12,087)
Effect of exchange rate change on cash and cash equivalents.....	163	139	1,583
Net increase (decrease) in cash and cash equivalents.....	796	6,570	7,734
Cash and cash equivalents at beginning of period (Notes 2, 6).....	22,865	16,294	222,162
Cash and cash equivalents at end of period (Notes 2, 6).....	¥23,661	¥22,865	\$229,897

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

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

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

For the convenience of the reader, the accompanying consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts at the exchange rate of ¥102.92 to \$1, the approximate rate of exchange at March 31, 2014.

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

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

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

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

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

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

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

(b) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The equity method is applied to the investments in 4 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-seibu Co., Ltd.
- Biocoal Plant Service Co., Ltd.
- Biocoal Kumamoto-nanbu Co., Ltd.

Biocoal Kumamoto-nanbu 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 debt securities, which management has the positive intent and ability to hold to maturity, are reported at amortized cost. ii) Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. The cost of securities sold is determined based on the moving-average method.

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

(d) Inventories

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

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

(e) Property, Plant and Equipment excluding Lease Assets

Property, plant and equipment are carried at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is principally computed by the declining balance method over the estimated useful lives of the assets, while the straight-line method is applied to buildings placed in service after April 1, 1998 (excluding facilities incidental to buildings), and foreign subsidiaries apply the straight-line method. The range of useful lives is from 3 to 60 years for buildings and structures and from 2 to 17 years for machinery and equipment.

(f) Lease Assets

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

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

(g) Allowance for Doubtful Accounts

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

(h) Accrued Warranty

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

(i) Reserve for Losses on Contracts

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

(j) Provision for Post-employment Benefits, Net Defined Benefit Liability

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

The straight-line 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.

(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, 2014 and 2013.

(n) Research and Development Costs

Research and development costs are charged to income as incurred.

(o) Recognition of Contract Revenue

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

(p) Goodwill

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

(q) Cash Equivalents

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

(r) Derivative Financial Instruments

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

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

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

3. Change in Accounting Policy

Accounting Standard for Retirement Benefits.

From the fiscal year ended March 31, 2014, the Company has adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012, hereinafter the "Statement") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012, hereinafter the "Guidance") (excluding, however, the stipulations set forth in the body text of Article 35 of the Statement and the body text of Article 67 of the Guidance). Under these accounting standards, the Company has adopted the method of calculating the amount of net defined benefit liability as the amount of defined benefit obligation minus the amount of plan assets. Accordingly, the amounts of unrecognized actuarial differences and unrecognized prior service cost are recorded as net defined benefit liability.

With regard to the adoption of the Statement and the Guidance, the Company has followed the transitional treatment stipulated in Article 37 of the Statement, and the amount of the impact resulting from this accounting change was posted as remeasurements of defined benefit plans in accumulated other comprehensive income in net assets.

As a result, at the end of fiscal year ended March 31, 2014, net defined benefit liability of ¥6,828 million (\$66,342 thousand) was recorded, and accumulated other comprehensive income decreased by ¥340 million (\$3,303 thousand).

4. New Accounting Pronouncement

- Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Summary

From the perspective of improving financial reporting and the trend toward international convergence, these accounting standards have been amended mainly for the accounting treatment for unrecognized actuarial differences and unrecognized prior service cost; the calculation method for defined benefit obligation and service costs; and the enhancement of disclosures.

(2) Effective dates

Amendments relating to the calculation method for defined benefit obligation and service costs are effective from the beginning of fiscal year ending on March 31, 2015.

(3) Effect of application of the standards

The Company is currently evaluating the effect these modifications will have on its consolidated results of operations and financial position.

5. Other Comprehensive Income

Reclassification adjustments and tax effects of each component of other comprehensive income for the fiscal year ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized gains or losses on available-for-sale securities			
Amount arising during the year	¥ 3,505	¥ 3,091	\$ 34,055
Reclassification adjustment for gains and losses included in net income	—	(198)	—
Net unrealized gains or losses on available-for-sale securities before tax effect....	3,505	2,893	34,055
Tax effect.....	(1,251)	(1,028)	(12,155)
Net unrealized gains or losses on available-for-sale securities.....	2,253	1,864	21,890
Deferred gains or losses on hedges			
Amount arising during the year	(18)	(46)	(174)
Reclassification adjustment for gains and losses included in net income	22	22	213
Deferred gains or losses on hedges before tax effect.....	4	(24)	38
Tax effect.....	(1)	8	(9)
Deferred gains or losses on hedges.....	2	(15)	19
Foreign currency translation adjustment			
Amount arising during the year	92	75	893
Tax effect.....	—	—	—
Foreign currency translation adjustment	92	75	893
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	(1)	(1)	(9)
Reclassification adjustment for gains and losses included in net income	1	4	9
Share of other comprehensive income of associates accounted for using equity method.....	0	3	0
Total other comprehensive income.....	¥ 2,349	¥ 1,927	\$ 22,823

6. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and time deposits.....	¥17,201	¥16,905	\$167,129
Marketable securities.....	6,500	6,000	63,155
Less: time deposits that mature or become due over three months after the date of acquisition.....	(40)	(40)	(388)
Cash and cash equivalents.....	¥23,661	¥22,865	\$229,897

7. Financial Instruments

Amounts on the consolidated balance sheets as of March 31, 2014 and 2013, fair value and variance were as follows:

	Millions of yen		
	2014		
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits.....	¥17,201	¥17,201	¥ —
(2) Notes and accounts receivable.....	33,034	32,743	(290)
(3) Marketable securities and Investments in securities Securities classified as available-for-sale.....	24,523	24,523	—
Total.....	74,758	74,468	(290)
(4) Notes and accounts payable-trade.....	14,724	14,724	—
(5) Long-term loans payable (Include portion due within one year).....	3,603	3,619	16
Total.....	18,327	18,343	16
(6) Derivative transactions*.....	¥ (77)	¥ (94)	¥ (16)

	Millions of yen		
	2013		
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits.....	¥16,905	¥16,905	¥ —
(2) Notes and accounts receivable.....	34,126	33,741	(385)
(3) Marketable securities and Investments in securities Securities classified as available-for-sale.....	19,735	19,735	—
Total.....	70,767	70,382	(385)
(4) Notes and accounts payable-trade.....	14,758	14,758	—
(5) Long-term loans payable (Include portion due within one year).....	3,999	4,020	21
Total.....	18,758	18,779	21
(6) Derivative transactions*.....	¥ (81)	¥ (93)	¥ (11)

Thousands of U.S. dollars			
2014			
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits.....	\$167,129	\$167,129	\$ —
(2) Notes and accounts receivable	320,967	318,140	(2,817)
(3) Marketable securities and Investments in securities Securities classified as available-for-sale	238,272	238,272	—
Total.....	726,369	723,552	(2,817)
(4) Notes and accounts payable-trade.....	143,062	143,062	—
(5) Long-term loans payable (Include portion due within one year).....	35,007	35,163	155
Total.....	178,070	178,225	155
(6) Derivative transactions*.....	\$ (748)	\$ (913)	\$ (155)

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

- Notes a. Method of measurement of fair values of financial instruments and matters concerning securities and derivative transactions
- (1) Cash and time deposits
As these items are settled in a short period of time and the fair value is almost equal to the book value, their book value is presented.
 - (2) Notes and accounts receivable
As these items are settled in a short period of time and the fair value is almost equal to the book value, their book value is presented. However, the fair value of Accounts receivable-installment is measured by taking the debtor's financial position into consideration due to the long-term repayment period, and discounted at the interest rate determined by the debtor's financial position.
 - (3) Marketable securities and Investments in securities
Marketable securities are negotiable certificate of deposit and settled in a short period of time and the fair value is almost equal to the book value, their book value is presented. Investment securities are valued at the exchange trading price.
 - (4) Notes and accounts payable-trade
As these items are settled in a short period of time and the fair value is almost equal to the book value, their book value is presented.
 - (5) 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 principle and interest at the rate assumed based on interest rates on government securities and credit risk.
In cases subject to the short-cut method with interest-rate swaps, the fair value is estimated based on the total of principal and interest under the short-cut method discounted by the interest rate that would be applied if similar new loans payable were entered into.
 - (6) Derivative transactions
The fair values of derivative transactions qualifying for hedge accounting are the forward quotation or the price presented by correspondent financial institutions.
The fair value of interest-rate swaps accounted for by the short-cut method is included in the fair value of long-term loans payable which is designated as the hedged item.

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Non-listed stocks.....	¥540	¥420	\$5,246
Non-consolidated subsidiary and associated company stocks	¥140	¥144	\$1,360

These stocks were not included in "(3) Marketable securities and Investments in securities", since the identification of the current values thereof was deemed extremely difficult, due to the absence of market values.

c. The aggregate maturities of monetary claims and available-for-sale securities with maturity outstanding as of March 31, 2014 and 2013 were as follows:

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

	Millions of yen			
	2013			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits.....	¥16,905	¥ —	¥ —	¥ —
Notes and accounts receivable.....	30,040	1,433	1,647	1,004
Marketable securities and Investments in securities Securities classified as available-for-sale.....	6,000	—	—	—
Total.....	¥52,945	¥1,433	¥1,647	¥1,004

	Thousands of U.S. dollars			
	2014			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits.....	\$167,129	\$ —	\$ —	\$ —
Notes and accounts receivable.....	284,891	13,622	15,701	6,752
Marketable securities and Investments in securities Securities classified as available-for-sale.....	63,155	—	—	—
Total.....	\$515,176	\$13,622	\$15,701	\$6,752

d. The aggregate maturities of long-term loans payable outstanding as of March 31, 2014 and 2013 were as follows:

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

	Millions of yen					
	2013					
	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
Long-term loans payable (Include portion due within one year) ...	¥396	¥384	¥390	¥325	¥273	¥2,228
Total.....	¥396	¥384	¥390	¥325	¥273	¥2,228

	Thousands of U.S. dollars					
	2014					
	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years
Long-term loans payable (Include portion due within one year) ...	\$3,731	\$3,789	\$3,157	\$2,652	\$2,710	\$18,937
Total.....	\$3,731	\$3,789	\$3,157	\$2,652	\$2,710	\$18,937

8. Marketable Securities and Investments in Securities

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2014 and 2013 were as follows:

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

	Millions of yen			
	2013			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥10,201	¥4,779	¥(1,245)	¥13,735
Others.....	6,000	—	—	6,000
	¥16,201	¥4,779	¥(1,245)	¥19,735
Held-to-maturity securities.....	¥ —	¥ —	¥ —	¥ —

	Thousands of U.S. dollars			
	2014			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	\$106,743	\$76,855	\$(8,482)	\$175,116
Others.....	63,155	—	—	63,155
	\$169,898	\$76,855	\$(8,482)	\$238,272
Held-to-maturity securities.....	\$ —	\$ —	\$ —	\$ —

9. Derivative transactions

Derivative financial instruments with fair value as of March 31, 2014 and 2013 were as follows:

(a) Derivative transactions not qualifying for hedge accounting

There is not the matter.

(b) Derivative transactions qualifying for hedge accounting

(1) Currency-related

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

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

		Millions of yen		
		2013		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
Forward foreign currency exchange contracts:	Principal items hedged:			
Sell U.S. dollar, buy Japanese yen	Accounts receivable.....	¥ 590	¥ 45	¥(33)
Sell Ringgit Malaysia, buy Japanese yen	.....	271	—	(13)
Sell Chinese yuan, buy Japanese yen	.....	102	90	(2)
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	277	—	15
Buy Euro, sell Japanese yen	.....	48	—	5
Buy Thai baht, sell Japanese yen	.....	—	—	—
Buy Singapore dollar, sell Japanese yen	.....	29	—	0
Total.....		¥1,321	¥135	¥(28)

		Thousands of U.S. dollars		
		2014		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
Forward foreign currency exchange contracts:	Principal items hedged:			
Sell U.S. dollar, buy Japanese yen	Accounts receivable.....	\$8,550	\$ —	\$(194)
Sell Ringgit Malaysia, buy Japanese yen	.....	1,564	—	(106)
Sell Chinese yuan, buy Japanese yen	.....	437	—	(58)
Sell Thai baht, buy Japanese yen	.....	1,525	—	(19)
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	1,321	—	9
Buy Euro, sell Japanese yen	.....	602	—	0
Buy Thai baht, sell Japanese yen	.....	4,790	281	(87)
Buy Singapore dollar, sell Japanese yen	.....	—	—	—
Buy Korean won, sell Japanese yen	.....	991	—	(9)
Buy Swiss franc, sell Japanese yen	.....	48	—	0
Buy Australian dollar, sell Japanese yen	.....	48	—	0
Total.....		\$19,928	\$281	\$(476)

Note The fair value is the forward quotation.

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

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

		Millions of yen		
		2013		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
Interest rate swaps:	Principal items hedged:			
(Principle method)				
Receive floating, pay fixed	Long-term loans payable	¥3,497	¥3,236	¥(65)
(Short-cut method)				
Receive floating, pay fixed	Long-term loans payable	350	250	Notes b.
Total.....		¥3,847	¥3,486	¥(65)

		Thousands of U.S. dollars		
		2014		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
Interest rate swaps:	Principal items hedged:			
(Principle method)				
Receive floating, pay fixed	Long-term loans payable	\$31,441	\$28,847	\$(437)
(Short-cut method)				
Receive floating, pay fixed	Long-term loans payable	2,429	1,457	Notes b.
Total.....		\$33,870	\$30,305	\$(437)

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

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

Short-term loans payable are represented by 12-month notes, and the weighted average interest rates applicable to such loans payable as of March 31, 2014 and 2013 were approximately 4.9 percent and 0.6 percent.

Interest rates of long-term loans payable as of March 31, 2014 and 2013 were between 0.75 percent and 4.00 percent for both years.

Long-term loans payable as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans payable, due 2026.....	¥3,603	¥3,999	\$35,007
Less: portion due within one year.....	(384)	(396)	(3,731)
	¥3,218	¥3,603	\$31,267

Lease obligations as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current.....	¥177	¥154	\$1,719
Non-current.....	353	360	3,429
	¥531	¥514	\$5,159

The following assets were pledged as collateral for the long-term loans payable of ¥3,236 million (\$31,441 thousand) and ¥3,497 million for the year ended March 31, 2014 and 2013, respectively.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deposit.....	¥705	¥730	\$6,849
Account receivable.....	156	163	1,515
	¥862	¥894	\$8,375

The following assets were pledged as collateral for the long-term loans payable at affiliated companies and others of ¥2,516 million (\$24,446 thousand) and ¥2,432 million for the year ended March 31, 2014 and 2013, respectively.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Short-term loans receivable.....	¥ 8	¥ 4	\$ 77
Investments in securities.....	55	55	534
Long-term loans receivable.....	186	189	1,807
	¥249	¥250	\$2,419

11. Net Defined Benefit Liability

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

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Defined benefit obligation as of April 1, 2013	¥6,695	\$65,050
Service costs	451	4,382
Interest costs	87	845
Actuarial differences	35	340
Benefit paid	(532)	(5,169)
Other.....	559	5,431
Defined benefit obligation as of March 31, 2014	¥7,296	\$70,890

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

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Pension assets as of April 1, 2013.....	¥ 888	\$ 8,628
Expected return on pension assets.....	13	126
Actuarial differences	88	855
Contribution by the employer.....	86	835
Benefit paid	(158)	(1,535)
Pension assets as of March 31, 2014.....	¥ 918	\$ 8,919

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

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Net defined benefit liability as of April 1, 2013.....	¥ 738	\$ 7,170
Retirement benefit expenses.....	83	806
Benefit paid	(92)	(893)
Other.....	(278)	(2,701)
Net defined benefit liability as of March 31, 2014.....	¥ 450	\$ 4,372

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, 2014, was as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded defined benefit obligations.....	¥1,370	\$13,311
Pension assets.....	(918)	(8,919)
	452	4,391
Unfunded defined benefit obligations.....	6,376	61,951
Net amount of liability and asset recognized in the consolidated balance sheet.....	6,828	66,342
Net defined benefit liability.....	6,828	66,342
Net defined benefit asset.....	—	—

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

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service costs.....	¥ 451	\$ 4,382
Interest costs.....	¥ 87	\$ 845
Expected return on pension assets.....	¥ (13)	\$ (126)
Actuarial differences recognized in the year.....	¥ 152	\$ 1,476
Prior service cost recognized in the year.....	¥ (15)	\$ (145)
Retirement benefit expenses accounted for by the simplified method.....	¥ 83	\$ 806
Other.....	¥ 278	\$ 2,701
Retirement benefit expenses for the defined retirement benefit plan.....	¥1,025	\$ 9,959

The breakdown of remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effects) as of March 31, 2014, was as follow:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized prior service cost.....	¥ 16	\$ 155
Unrecognized actuarial differences.....	¥512	\$4,974
	¥528	\$5,130

The breakdown of pension assets by major category as of March 31, 2014, was as follow:

	2014
Bonds.....	24.1%
Stocks.....	51.5%
Insurance company general accounts.....	22.5%
Other.....	1.9%
Total.....	100.0%

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

	2014
Discount rate.....	1.2%
Expected rate of return on pension assets.....	1.5%

Provision for post-employment benefit obligations as of 2013 consisted of the following:

	Millions of yen
	2013
a. Post-employment benefit obligations.....	¥(7,434)
b. Pension assets.....	888
c. Net-total (a+b).....	(6,545)
d. Unrecognized actuarial differences.....	718
e. Unrecognized prior service cost.....	0
f. Provisions for post-employment benefits (c+d+e).....	<u>¥(5,826)</u>

Post-employment benefit expenses for the year ended 2013 consisted of the following:

	Millions of yen
	2013
a. Service costs	¥560
b. Interest costs	121
c. Expected return	(12)
d. Amortization of unrecognized actuarial differences	144
e. Amortization of prior service cost	(15)
f. Post-employment benefit expenses total.....	<u>798</u>
g. Others.....	64
Total (f+g).....	<u>¥862</u>

Basic measurement of post-employment benefit obligations and other items

	2013
a. Allocation method for projected post-employment benefits	Straight-line method
b. Discount rate.....	1.2%
c. Expected rate of return	1.5%
d. Amortization period of prior service cost	11–14 years
e. Amortization period of actuarial differences	7 years

12. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2014 and 2013 amounted to ¥1,102 million (\$10,707 thousand) and ¥1,165 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:

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

Note of the reasons for the year ended March 31, 2013 is omitted because the difference between the statutory tax rate and effective tax rate is less than 5% of the statutory tax rate.

Deferred tax assets and liabilities at March 31, 2014 and 2013 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Accrued cost of sales.....	¥ 536	¥ 540	\$ 5,207
Accrued enterprise taxes.....	144	79	1,399
Reserve for losses on contracts.....	131	170	1,272
Accrued warranty.....	403	595	3,915
Provision for post-employment benefits.....	—	2,092	—
Net defined benefit liability.....	2,431	—	23,620
Unrealized profit.....	36	40	349
Accrued bonus to employees.....	654	655	6,354
Tax loss carryforward.....	7	73	68
Allowance for doubtful accounts.....	176	150	1,710
Long-term accounts payable-other.....	118	167	1,146
Impairment loss.....	258	282	2,506
Others.....	804	853	7,811
Less: valuation allowance.....	(703)	(660)	(6,830)
Total deferred tax assets.....	¥ 5,001	¥ 5,040	\$ 48,591
Deferred tax liabilities:			
Reserve for deferred gains on sales of fixed assets for tax purposes.....	¥(1,309)	¥(1,228)	\$(12,718)
Net unrealized gains on available-for-sale securities.....	(2,509)	(1,257)	(24,378)
Others.....	(0)	(1)	(0)
Total deferred tax liabilities.....	(3,818)	(2,487)	(37,096)
Net deferred tax assets (liabilities).....	¥ 1,182	¥ 2,553	\$ 11,484

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

On March 31, 2014, the Act to Partially Revise the Income Tax Act (Act No. 10 of 2014) was promulgated, according to which the Special Reconstruction Corporation Tax will no longer be imposed starting with fiscal year beginning April 1, 2014. Accordingly, the statutory income tax rate used for calculating deferred tax assets and liabilities reversing on or after April 1, 2014 has been reduced from the previous fiscal year's rate of 38.0% to 35.6%.

As a result, the amounts of deferred tax assets (net of deferred tax liabilities) and deferred losses on hedges as of March 31, 2014 decreased by ¥166 million (\$1,612 thousand) and ¥0 million (\$0 thousand), respectively, and deferred income taxes for fiscal year ended March 31, 2014 increased by ¥165 million (\$1,603 thousand).

14. Contingent Liability

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Guarantees for indebtedness of non-consolidated subsidiaries and employees.....	¥ 13	¥ 13	\$ 126
Guarantees liability for performance guarantees insurance contracts of equity method non-application affiliates for PFI business.....	843	843	8,190
	¥856	¥856	\$8,317

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

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gain on insurance.....	¥ 3	¥ 7	\$ 29
Depreciation of prepaid expenses.....	(0)	(1)	(0)
Reversal of allowance for doubtful accounts.....	0	0	0
Other, net.....	(102)	(9)	(991)
	¥ (98)	¥(2)	\$(952)

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, 2014, was approved at the Board of Directors meeting held on May 27, 2014:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥10.00 (\$0.09) per share	¥445	\$4,323

17. Finance Leases

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

The pro forma information of such leases existing at the transition date on an "as if capitalized" basis for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Tools, furniture and fixtures	10	10	97
Less: accumulated depreciation.....	(9)	(8)	(87)
	¥ 1	¥ 2	\$ 9

Obligations under finance leases as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year.....	¥ 1	¥1	\$ 9
Due after one year.....	—	1	—
	¥ 1	¥2	\$ 9

Total rental expenses for the above leases were ¥1 million (\$9 thousand) and ¥9 million for the years ended March 31, 2014 and 2013, respectively.

The pro forma depreciation expense computed by the straight-line method was ¥1 million (\$9 thousand) and ¥9 million for the years ended March 31, 2014 and 2013, respectively.

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

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: Water purification plant, Others

Industrial business: Chemistry plant, Iron and steel plant, Food plant, Others

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

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

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

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

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

Year ended March 31, 2013		Millions of yen					
	Reportable segments			Other	Total	Adjustment	Consolidated financial statements
	Water environmental business	Industrial business	Subtotal				
Sales:							
Sales to external customers.....	¥45,477	¥34,354	¥79,832	¥ 34	¥79,866	¥ —	¥79,866
Intersegment sales or transfers.....	16	5	21	534	556	(556)	—
Total.....	45,494	34,359	79,853	568	80,422	(556)	79,866
Segment income (loss).....	1,857	2,517	4,375	44	4,419	—	4,419
Depreciation and amortization.....	529	532	1,061	3	1,064	—	1,064
Amortization of goodwill.....	¥ —	¥ 46	¥ 46	¥ —	¥ 46	¥ —	¥ 46

Year ended March 31, 2014		Thousands of U.S. dollars					
	Reportable segments			Other	Total	Adjustment	Consolidated financial statements
	Water environmental business	Industrial business	Subtotal				
Sales:							
Sales to external customers.....	\$446,725	\$244,452	\$691,187	\$ 767	\$691,954	\$ —	\$691,954
Intersegment sales or transfers.....	184	38	223	3,274	3,497	(3,497)	—
Total.....	446,919	244,490	691,410	4,051	695,462	(3,497)	691,954
Segment income (loss).....	34,356	13,291	47,658	932	48,591	—	48,591
Depreciation and amortization.....	5,023	3,905	8,938	9	8,948	—	8,948
Amortization of goodwill.....	\$ —	\$ 446	\$ 446	\$ —	\$ 446	\$ —	\$ 446

(d) Related Information
Information by geographical segment

(1) Net Sales

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Area:			
Japan.....	¥61,198	¥60,684	\$594,617
Asia.....	8,598	18,021	83,540
Other.....	1,419	1,160	13,787
	¥71,216	¥79,866	\$691,954

(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, 2014 and 2013 for both years.

(e) Information about Impairment

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

	Millions of yen				
	2013				
	Water environmental business	Industrial business	Other	Elimination or common asset	Total
Impairment loss	¥—	¥787	¥—	¥—	¥787

	Thousands of U.S. dollars				
	2014				
	Water environmental business	Industrial business	Other	Elimination or common asset	Total
Impairment loss	\$—	\$—	\$—	\$—	\$—

(f) Information by amortization of goodwill and unamortized balance

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

Millions of yen					
2013					
	Water environmental business	Industrial business	Other	Elimination or common asset	Total
Amortization of goodwill	¥—	¥ 46	¥—	¥—	¥ 46
Unamortized balance	¥—	¥326	¥—	¥—	¥326

Thousands of U.S. dollars					
2014					
	Water environmental business	Industrial business	Other	Elimination or common asset	Total
Amortization of goodwill	\$—	\$ 446	\$—	\$—	\$ 446
Unamortized balance	\$—	\$2,710	\$—	\$—	\$2,710

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT

INOUE AUDITING CO., INC.

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

We have audited the accompanying consolidated balance sheets of Tsukishima Kikai Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, 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, 2014, 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 27, 2014
Tokyo, Japan

Non-Consolidated Balance Sheets

TSUKISHIMA KIKAI CO., LTD.
Years ended March 31, 2014 and 2013

ASSETS

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Current assets:			
Cash and time deposits.....	¥ 12,812	¥ 10,984	\$ 124,485
Marketable securities (Notes 2, 4).....	6,500	6,000	63,155
Notes and accounts receivable.....	20,773	21,903	201,836
Less: allowance for doubtful accounts (Note 2).....	(68)	(170)	(660)
Work in process (Note 2).....	2,447	2,382	23,775
Raw materials and supplies (Note 2).....	43	46	417
Deferred income taxes (Note 7).....	1,539	1,842	14,953
Other current assets (Note 5).....	3,740	1,199	36,338
Total current assets	47,789	44,188	464,331
Property, plant and equipment (Note 2):			
Land.....	3,943	6,718	38,311
Buildings and structures.....	11,514	7,872	111,873
Machinery and equipment.....	9,361	10,390	90,954
Lease assets.....	705	574	6,849
Construction in progress.....	63	1,319	612
	25,588	26,875	248,620
Less: accumulated depreciation.....	(14,431)	(15,449)	(140,215)
Net property, plant and equipment.....	11,157	11,425	108,404
Investments and other assets:			
Software.....	196	202	1,904
Lease assets (Note 2).....	57	50	553
Investments in securities (Notes 2, 4, 5).....	18,553	14,146	180,266
Stocks of subsidiaries and affiliates and long-term loans receivable from subsidiaries and affiliates (Note 5).....	980	784	9,521
Investments in capital of subsidiaries.....	200	200	1,943
Other assets.....	648	296	6,296
Less: allowance for doubtful accounts (Note 2).....	(389)	(134)	(3,779)
Total investments and other assets.....	20,246	15,544	196,715
Total assets	¥ 79,193	¥ 71,158	\$ 769,461

See Notes to Non-Consolidated Financial Statements.

LIABILITIES AND NET ASSETS

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Current liabilities:			
Accounts payable			
Trade.....	¥10,114	¥10,123	\$ 98,270
Other	2,008	1,700	19,510
Short-term loans payable (Note 5).....	—	50	—
Current portion of long-term loans payable (Note 5).....	—	17	—
Lease obligations (Note 5).....	164	141	1,593
Accrued income taxes (Note 7).....	1,481	857	14,389
Accrued expenses.....	1,108	1,082	10,765
Accrued warranty (Note 2).....	973	1,413	9,453
Reserve for losses on contracts (Note 2).....	20	320	194
Advances received	3,174	2,693	30,839
Other current liabilities	3,729	3,064	36,232
Total current liabilities	22,775	21,463	221,288
Long-term liabilities:			
Lease obligations (Note 5).....	327	329	3,177
Deferred tax liabilities (Note 7).....	2,426	1,145	23,571
Provision for post-employment benefits (Note 2).....	3,405	3,043	33,083
Asset retirement obligations.....	66	67	641
Other long-term liabilities.....	623	578	6,053
Total long-term liabilities.....	6,847	5,163	66,527
Contingent liability (Note 8)			
Net assets:			
Shareholders' equity:			
Common stock,			
Authorized: 180 million shares in 2014 and 2013			
Issued: 45,625,800 shares in 2014 and 2013	6,646	6,646	64,574
Additional paid-in capital.....	5,485	5,485	53,293
Retained earnings	33,512	30,727	325,612
Treasury stock.....	(599)	(594)	(5,820)
Total shareholders' equity.....	45,045	42,266	437,670
Valuation and translation adjustments			
Net unrealized gains or losses on available-for-sale securities	4,530	2,277	44,014
Deferred gains or losses on hedges.....	(6)	(11)	(58)
Total valuation and translation adjustments	4,523	2,265	43,946
Total net assets	49,569	44,531	481,626
Total liabilities and net assets	¥79,193	¥71,158	\$769,461

See Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Income

TSUKISHIMA KIKAI CO., LTD.
Years ended March 31, 2014 and 2013

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net sales (Note 2)	¥41,255	¥51,120	\$400,845
Cost of sales (Note 6)	32,106	42,348	311,951
Gross profit	9,149	8,772	88,894
Selling, general and administrative expenses (Note 6)	6,582	6,623	63,952
Operating income	2,567	2,148	24,941
Other income (expenses):			
Interest and dividend income	1,018	839	9,891
Interest expenses	(0)	(0)	(0)
Gain on sales of investments in securities	—	198	—
Gain on sales of property, plant and equipment	2,712	0	26,350
Loss on sales and disposal of property, plant and equipment	(87)	(18)	(845)
Gain on extinguishment of tie-in shares	—	195	—
Impairment loss	—	(787)	—
Head office transfer cost	(338)	—	(3,284)
Transfer expenses	(205)	—	(1,991)
Retirement benefit expenses	(278)	—	(2,701)
Other, net (Note 9)	(90)	(31)	(874)
Other income (expenses), net	2,728	395	26,506
Income before income taxes	5,295	2,544	51,447
Income taxes (Notes 2, 7):			
Current	1,514	392	14,710
Deferred	328	339	3,186
Total income taxes	1,843	731	17,907
Net income	¥ 3,452	¥ 1,812	\$ 33,540

Per share	Yen	U.S. dollars (Note 1)
	Net income	¥77.56	¥40.72
Cash dividends	¥17.00	¥15.00

See Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Changes in Net Assets

TSUKISHIMA KIKAI CO., LTD.
Years ended March 31, 2014 and 2013

	Thousands	Millions of yen (Note 1)								
	Number of shares of common stock issued	Shareholders' equity					Valuation and translation adjustments			Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2012	45,625	¥6,646	¥5,485	¥29,582	¥(593)	¥41,121	¥ 412	¥ (0)	¥ 412	¥41,534
Cash dividends.....	—	—	—	(667)	—	(667)	—	—	—	(667)
Net income for the year ended March 31, 2013.....	—	—	—	1,812	—	1,812	—	—	—	1,812
Purchase of treasury stock.....	—	—	—	—	(0)	(0)	—	—	—	(0)
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	1,864	(10)	1,853	1,853
Balance as of March 31, 2013	45,625	¥6,646	¥5,485	¥30,727	¥(594)	¥42,266	¥2,277	¥(11)	¥2,265	¥44,531

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

	Thousands	Thousands of U.S. dollars (Note 1)								
	Number of shares of common stock issued	Shareholders' equity					Valuation and translation adjustments			Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of March 31, 2013	45,625	\$64,574	\$53,293	\$298,552	\$(5,771)	\$410,668	\$22,123	\$(106)	\$22,007	\$432,675
Cash dividends.....	—	—	—	(6,480)	—	(6,480)	—	—	—	(6,480)
Net income for the year ended March 31, 2014.....	—	—	—	33,540	—	33,540	—	—	—	33,540
Purchase of treasury stock.....	—	—	—	—	(38)	(38)	—	—	—	(38)
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	21,890	38	21,939	21,939
Balance as of March 31, 2014	45,625	\$64,574	\$53,293	\$325,612	\$(5,820)	\$437,670	\$44,014	\$ (58)	\$43,946	\$481,626

See Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Cash Flows

TSUKISHIMA KIKAI CO., LTD.
Years ended March 31, 2014 and 2013

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes	¥ 5,295	¥ 2,544	\$ 51,447
Adjustments for:			
Depreciation and amortization	738	847	7,170
Impairment loss	—	787	—
Increase (decrease) in provision for post-employment benefits	361	91	3,507
Increase (decrease) in accrued bonus to employees	26	137	252
Increase (decrease) in allowance for doubtful accounts	152	116	1,476
Increase (decrease) in accrued warranty	(439)	316	(4,265)
Increase (decrease) in reserve for losses on contracts	(299)	(186)	(2,905)
Interest and dividend income	(1,018)	(839)	(9,891)
Interest expenses	0	0	0
Loss (gain) on sales and disposal of property, plant and equipment	(2,624)	18	(25,495)
Loss (gain) on sales of investments in securities	—	(198)	—
(Increase) decrease in notes and accounts receivable	1,129	1,923	10,969
Increase (decrease) in advances received	480	(2,322)	4,663
(Increase) decrease in inventories	(61)	260	(592)
Increase (decrease) in accounts payable, trade	(9)	(4,228)	(87)
Other	(2,010)	2,376	(19,529)
Subtotal	1,721	1,648	16,721
Interest and dividend income received	1,019	839	9,900
Interest expenses paid	(0)	(0)	(0)
Income taxes (paid) refund	(627)	350	(6,092)
Net cash provided by (used in) operating activities	2,113	2,837	20,530
Cash flows from investing activities:			
Purchase of property, plant and equipment	(5,223)	(1,130)	(50,748)
Proceeds from sales of property, plant and equipment	7,608	22	73,921
Purchase of intangible fixed assets	(146)	(38)	(1,418)
Purchase of investments in securities	(919)	(85)	(8,929)
Proceeds from sales of investments in securities	—	3,943	—
Payments for loans receivable	(485)	(289)	(4,712)
Collection of loans receivable	270	761	2,623
Other	(6)	67	(58)
Net cash provided by (used in) investing activities	1,098	3,250	10,668
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable	(50)	—	(485)
Repayments of long-term loans payable	(17)	(66)	(165)
Repayments of lease obligations	(146)	(116)	(1,418)
Additions of treasury stock	(4)	(0)	(38)
Cash dividends paid	(667)	(667)	(6,480)
Net cash provided by (used in) financing activities	(886)	(851)	(8,608)
Effect of exchange rate change on cash and cash equivalents	3	23	29
Net increase (decrease) in cash and cash equivalents	2,328	5,259	22,619
Cash and cash equivalents at beginning of period (Notes 2, 3)	16,984	11,626	165,021
Increase in cash and cash equivalents resulting from merger	—	98	—
Cash and cash equivalents at end of period (Notes 2, 3)	¥19,312	¥16,984	\$187,640

See Notes to Non-Consolidated Financial Statements.

Notes to Non-Consolidated Financial Statements

1. Basis of Presenting Non-Consolidated Financial Statements

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

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

For the convenience of the reader, the accompanying non-consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts at the exchange rate of ¥102.92 to \$1, the approximate rate of exchange at March 31, 2014.

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

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

2. Summary of Significant Accounting Policies

(a) Marketable Securities and Investments in Securities

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

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

(b) Inventories

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

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

(c) Property, Plant and Equipment excluding Lease Assets

Property, plant and equipment are carried at cost. Depreciation of property, plant and equipment is principally computed by the declining balance method over the estimated useful lives of the assets, while the straight-line method is applied to buildings placed in service after April 1, 1998 (excluding facilities incidental to buildings). The range of useful lives is from 3 to 60 years for buildings and structures and from 2 to 17 years for machinery and equipment.

(d) Lease Assets

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

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

(e) Allowance for Doubtful Accounts

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

(f) Accrued Warranty

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

(g) Reserve for Losses on Contracts

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

(h) Provision for Post-employment Benefits

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

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

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

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

(i) Income Taxes

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

(j) Translation of Foreign Currencies

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

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

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

(k) Research and Development Costs

Research and development costs are charged to income as incurred.

(l) Recognition of Contract Revenue

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

(m) Cash Equivalents

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

(n) Derivative Financial Instruments

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

3. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and time deposits.....	¥12,812	¥10,984	\$124,485
Marketable securities.....	6,500	6,000	63,155
Cash and cash equivalents.....	¥19,312	¥16,984	\$187,640

4. Marketable Securities and Investments in Securities

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2014 and 2013 were as follows:

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

	Millions of yen			
	2013			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥10,200	¥4,779	¥(1,245)	¥13,734
Others.....	6,000	—	—	6,000
	¥16,200	¥4,779	¥(1,245)	¥19,734
Held-to-maturity securities.....	¥ —	¥ —	¥ —	¥ —

	Thousands of U.S. dollars			
	2014			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	\$106,733	\$76,855	\$(8,482)	\$175,106
Others.....	63,155	—	—	63,155
	\$169,889	\$76,855	\$(8,482)	\$238,262
Held-to-maturity securities.....	\$ —	\$ —	\$ —	\$ —

5. 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, 2013 was approximately 0.6 percent.

Interest rate of long-term loans payable as of March 31, 2013 was approximately 0.75 percent.

Long-term loans payable as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
	Loans payable, due 2013.....	¥ —	¥ 17
Less: portion due within one year.....	—	(17)	—
	¥ —	¥ —	\$ —

Lease obligations as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current.....	¥164	¥141	\$1,593
Non-current.....	327	329	3,177
	¥491	¥470	\$4,770

The following assets were pledged as collateral for the long-term loans payable at affiliated companies and others of ¥3,762 million (\$36,552 thousand) and ¥3,792 million for the year ended March 31, 2014 and 2013, respectively.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Short-term loans receivable.....	¥ 23	¥ 20	\$ 223
Investments in securities.....	7	7	68
Stocks of subsidiaries and affiliates and long-term loans receivable from subsidiaries and affiliates.....	299	322	2,905
	¥330	¥350	\$3,206

6. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2014 and 2013 amounted to ¥1,059 million (\$10,289 thousand) and ¥985 million, respectively.

7. Income Taxes

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

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

	2014	2013
Statutory tax rate.....	38.0 %	38.0 %
Expenses not deductible for tax purposes.....	2.3	3.7
Non-taxable dividend income.....	(6.0)	(9.9)
Per capita levy of inhabitant taxes.....	0.4	0.9
Valuation allowance.....	0.9	10.4
Effects from the income tax rate change.....	2.1	—
Tax credit of experiment and research expenses.....	(1.5)	(13.9)
Other—net.....	(1.4)	(0.4)
Effective tax rate.....	34.8 %	28.8 %

Deferred tax assets and liabilities at March 31, 2014 and 2013 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Accrued cost of sales.....	¥ 468	¥ 422	\$ 4,547
Reserve for losses on contracts.....	7	121	68
Accrued warranty.....	347	536	3,371
Provision for post-employment benefits.....	1,213	1,094	11,785
Accrued bonus to employees.....	316	327	3,070
Tax loss carryforward.....	—	73	—
Allowance for doubtful accounts.....	163	109	1,583
Long-term accounts payable-other.....	118	167	1,146
Impairment loss.....	258	282	2,506
Others.....	649	610	6,305
Less: valuation allowance.....	(610)	(563)	(5,926)
Total deferred tax assets.....	¥ 2,932	¥ 3,182	\$ 28,488
Deferred tax liabilities:			
Reserve for deferred gains on sales of fixed assets for tax purposes.....	¥(1,309)	¥(1,228)	\$ (12,718)
Net unrealized gains on available-for-sale securities.....	(2,508)	(1,257)	(24,368)
Total deferred tax liabilities.....	(3,818)	(2,485)	(37,096)
Net deferred tax assets (liabilities).....	¥ (886)	¥ 696	\$ (8,608)

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

On March 31, 2014, the Act to Partially Revise the Income Tax Act (Act No. 10 of 2014) was promulgated, according to which the Special Reconstruction Corporation Tax will no longer be imposed starting with fiscal year beginning April 1, 2014. Accordingly, the statutory income tax rate used for calculating deferred tax assets and liabilities reversing on or after April 1, 2014 has been reduced from the previous fiscal year's rate of 38.0% to 35.6%.

As a result, the amounts of deferred tax assets (net of deferred tax liabilities) and deferred losses on hedges as of March 31, 2014 decreased by ¥110 million (\$1,068 thousand) and ¥0 million (\$0 thousand), respectively, and deferred income taxes for fiscal year ended March 31, 2014 increased by ¥110 million (\$1,068 thousand).

8. Contingent Liability

The Company was contingently liable for the following items:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Guarantees for indebtedness of subsidiaries and employees.....	¥1,393	¥1,738	\$13,534
Guarantees liability for performance guarantees insurance contracts of equity method non-application affiliates for PFI business.....	843	843	8,190
	¥2,236	¥2,582	\$21,725

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

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Exchange gain (loss)	¥(18)	¥ 17	\$ (174)
Guarantee commission	(22)	(19)	(213)
Other, net.....	(50)	(29)	(485)
	¥(90)	¥(31)	\$ (874)

10. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying non-consolidated financial statements for the year ended March 31, 2014, was approved at the Board of Directors meeting held on May 27, 2014.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥10.00 (\$0.09) per share	¥445	\$4,323

11. Finance Leases

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

The pro forma information of such leases existing at the transition date on an “as if capitalized” basis for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Tools, furniture and fixtures	¥10	¥10	\$ 97
Less: accumulated depreciation.....	(9)	(8)	(87)
	¥ 1	¥ 2	\$ 9

Obligations under finance leases as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year.....	¥ 1	¥1	\$ 9
Due after one year.....	—	1	—
	¥ 1	¥2	\$ 9

Total rental expenses for the above leases were ¥1 million (\$9 thousand) and ¥1 million for the years ended March 31, 2014 and 2013, respectively.

The pro forma depreciation expense computed by the straight-line method was ¥1 million (\$9 thousand) and ¥1 million for the years ended March 31, 2014 and 2013, respectively.

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

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT

INOUE AUDITING CO., INC.

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

We have audited the accompanying non-consolidated balance sheets of Tsukishima Kikai Co., Ltd. as of March 31, 2014, and the related non-consolidated statements of income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for Non-consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Tsukishima Kikai Co., Ltd. as of March 31, 2014, and the non-consolidated results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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


Inoue Auditing Co., Inc.

June 27, 2014
Tokyo, Japan

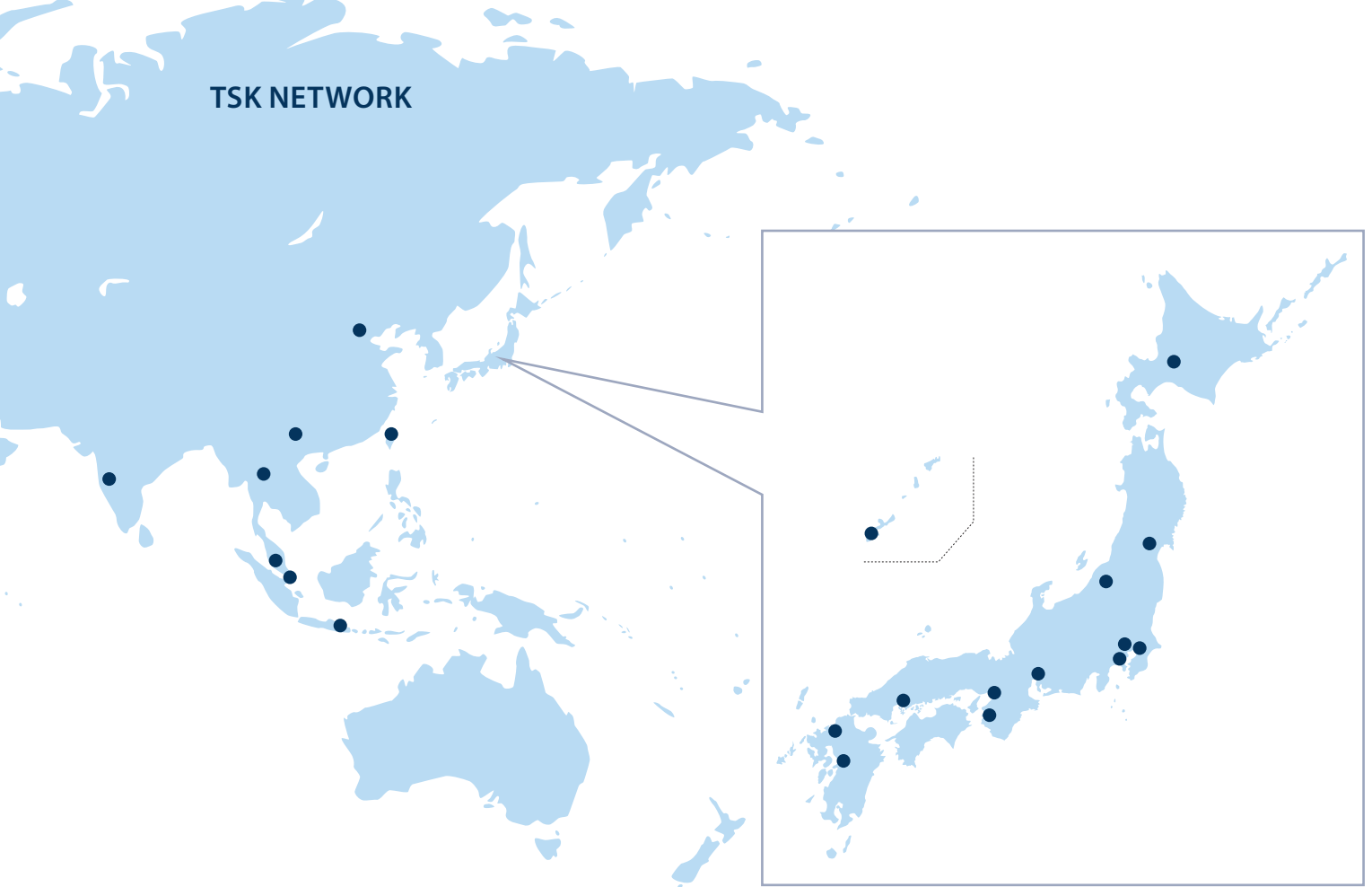
CORPORATE DATA (As of March 31, 2014)

Company name	TSUKISHIMA KIKAI CO., LTD
Established	August 1905
Fiscal year	From April 1 to March 31
Capital stock	¥6,646,801,824
Number of employees	720
Stock listing	Tokyo Stock Exchange and Osaka Securities Exchange
Common stock	Authorized: 180,000,000 shares Issued: 45,625,800 shares
Number of shareholders	4,434
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

CORPORATE HISTORY

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

TSK NETWORK



JAPAN

Offices

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

Factories and Laboratories

Ichikawa Factory, Ichikawa R&D Center

Group Companies (consolidated subsidiary)

Tsukishima Technology Maintenance Service Co., Ltd.
Tsukishima Machine Sales Co., Ltd.
Tsukishima Kankyo Engineering Ltd.
SUN ECO THERMAL Co., Ltd.
Samukawa Water Service Co., Ltd.
Tsukishima Business Support Co., Ltd.

OVERSEAS

Offices

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

Group Companies (consolidated subsidiary*)

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

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