



Pursuing New Paths of Innovation

## PROFILE

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

Operations of the Tsukishima Kikai Group

**TSK**  
**TSUKISHIMA**  
**KIKAI**

Basic technologies and applications associated with sugar refining

### Core technologies

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

Applications

### Water Environmental Business Division

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

#### Affiliated companies

Tsukishima Techno 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 Techno Machinery Co., Ltd.

Tsukishima Kankyo Engineering Co., Ltd.

Sun Eco Thermal Co., Ltd.

Applications



## BUSINESS SEGMENTS

# Water Environmental Business

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

# Industrial Business

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



## A MESSAGE FROM THE MANAGEMENT

### Kazuhiko Yamada

President and Chief Executive Officer,  
Representative Director



## Expanding Our Focus on Environment and Energy

I am pleased to present this report concerning our activities in fiscal 2010 (April 1, 2010-March 31, 2011).

Key trends in the Japanese economy during fiscal 2010 included an improvement in business earnings, accompanied by a steady rise in production activity and a recovery in capital investment. However, on March 11, 2011, Japan suffered its most devastating disaster in recorded history as a result of the Great East Japan Earthquake and the resulting tsunami, consequences of which included serious damage to a nuclear power plant. This disaster has also had a major impact on the Japanese economy, including logistics, production and consumer spending.

In the machinery sector, demand for mechanical equipment for water purification and sewage treatment facilities remained low because of a continuing downturn in public investment in Japan. In the industrial machinery segment, there were initial indications of a recovery in capital investment. However, the earthquake brought renewed uncertainty about the outlook for capital investment in a number of industries. Demand remained strong in overseas markets, especially the markets of emerging economies and resource-producing countries.

### Orders, Net Sales and Income

As defined in our new medium-term management plan, which covers a three-year period starting in fiscal 2010, the key to the Tsukishima Kikai Group's strategy in this business environment is growing world demand for environmental and energy-related solutions.

In the Japanese market for water supply and sewage treatment facilities, our marketing activities focused on PFI\*<sup>1</sup> and DBO\*<sup>2</sup> projects relating to water purification and sewage treatment plants. In both categories, we offer total packages covering all stages from construction to maintenance and management. Our market in the Industrial Business segment is based primarily on private sector demand in Japan and overseas. In addition to plant facilities and process equipment for chemical, iron and steel and food manufacturers in Japan and overseas, we also marketed environment-related equipment, including waste liquid incinerators and solvent recovery systems.

One of the core goals in our medium-term plan is the reduction of

costs. In the year under review, we continued to target cost reductions through strategies that included the discovery of new overseas supplier, including overseas supplier, and a partial shift to offshore contract manufacturers of key machinery items.

As a result of these efforts, we achieved orders of ¥87,161 million, net sales of ¥65,042 million, operating income of ¥2,420 million, ordinary income of ¥2,505 million, and net income of ¥1,282 million.

#### Notes:

**1 PFI: Private finance initiative**

With this system, private sector financial resources, technology, and efficient operating expertise are utilized in public service projects that involve the development of facilities.

**2 DBO: Design, build, operate**

Under this approach, business corporations are given comprehensive contracts to design, build, and operate facilities. The facilities are owned by government agencies, which also arrange the finance.

## Segment Results

### Water Environmental Business

Demand for machinery and facilities in this segment remained slow because of public investment cutbacks. However, there was firm demand for replacement projects for water purification and sewage treatment plants, as well as for facility maintenance, management and repair work. There were also increased orders for comprehensive multi-year O&M\*<sup>3</sup> service contracts, and for PFI and DBO projects combining facility construction with long-term maintenance and management contracts.

One of the priorities for the Tsukishima Kikai Group in this business environment was to win contracts for PFI and DBO projects relating to sewage sludge treatment facilities designed to turn sludge into fuel. We also targeted replacement demand and facility O&M contracts based on our environmental and energy technologies, including innovative and energy-efficient sludge combustion systems.

Order received in the Water Environmental Business totaled ¥54,048 million. Net sales reached ¥40,618 million and operating income of 2,311 million.

#### Notes:

**3 Comprehensive operation and maintenance (O&M) services**

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.

## Industrial Business

In Japan, there were signs of a recovery in capital investment in various industrial sectors as concerns about excess capacity receded. However, the Great East Japan Earthquake brought renewed uncertainty about the outlook for capital investment demand in some industries. Capital investment activity in overseas markets remained buoyant, however. Investment was especially strong in emerging markets, particularly China and other Asian economies, and in resource-producing countries. The main focus of investment was environment-related projects.

Notable successes for the Tsukishima Kikai Group in this business environment included contracts to supply a major chemical plant in Indonesia and a sludge drying and incineration plant in China. Our marketing activities in other countries focused on plant facilities and process equipment machinery, such as filtration and separation systems, dryers and gas holders, for manufacturers of chemicals, iron and steel and foodstuffs. We also continued to win new contacts for our environment-related products, including waste liquid incinerators and solvent recovery systems.

Orders in the Industrial Business segment amounted to ¥33,093 million, net sales reached ¥24,403 million and operating income of ¥20 million.

## Capital Investment

Capital investment in the year ended March 31, 2011 amounted to ¥812 million. Investment centered mainly on the replacement of production facilities.

## Research and Development

Research and development are essential to the continuing technology-driven growth of the Tsukishima Kikai Group. In particular, we are committed to increased efforts to develop technologies to differentiate our products and services and expand our line-up of new products in energy-related fields.

In the Water Environmental Business segment, we will expand our basic research relating to sewage treatment, which is our main market. We will also enhance our technological competitiveness by further enhancing our technology in the area of 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 our market competitiveness by differentiating our core technologies in the environmental and energy fields. We will focus in particular on environmental and energy-related technologies, including drying systems for low-grade coal and secondary battery manufacturing technology.

## Basic Policies under the Medium-Term Management Plan

In May 2010, the Tsukishima Kikai Group adopted a medium-term management plan covering the three-year period from fiscal 2010 to fiscal 2012. Our core concepts for this plan are the environment and energy, both of which have become the focus of global interest and concern. Under the plan, we will work to prevent global warming through our environmental and energy-related technologies. We will also target the expansion of our business in overseas markets, where demand for capital investment is strong, especially emerging economies and resource-supplying countries. Specific policies under the medium-term plan are as follows:

### Emphasis on the environment and energy

#### Water Environmental Business

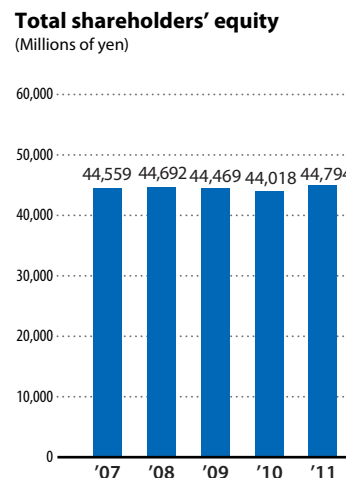
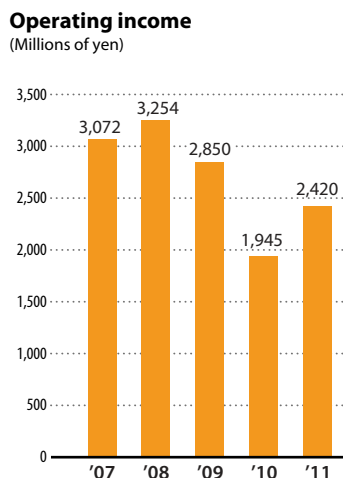
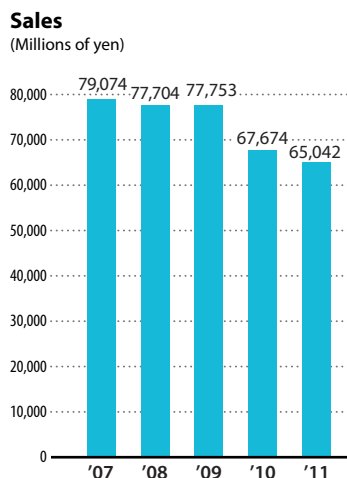
- Expansion of orders for sludge-to-fuel systems
- Expansion of orders for fluidized bed incineration systems

#### Industrial Business

- Selling of seawater flue gas denitrification and desulfurization systems
- Expansion of applications for steam tube dryer
- Expansion of orders for solid waste incineration facilities and waste liquid combustion systems

#### Expansion of Overseas Business

- Entry into overseas water environmental markets, including sludge treatment projects
- Winning of contracts for plant relocation and overseas capacity expansion projects for Japanese companies
- Redesign of business models for overseas projects



### Progress under the Medium-Term Management Plan

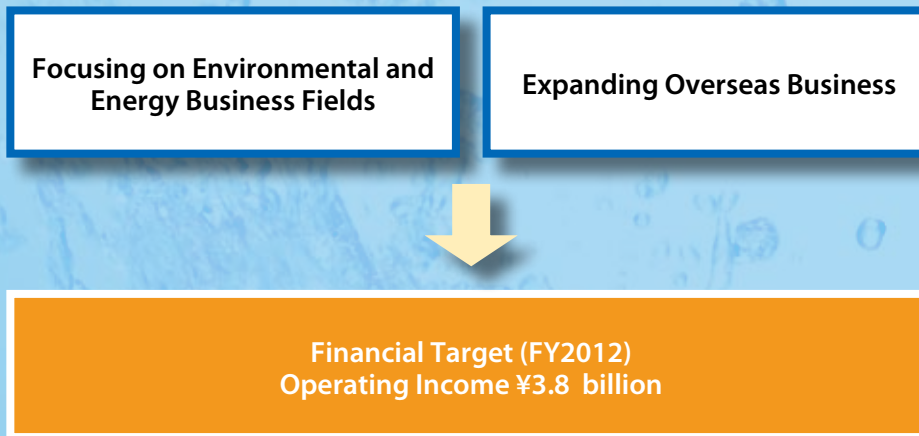
The Great East Japan Earthquake of March 2011 and its consequences have created a situation more challenging than the business environment envisaged when the medium-term management plan was formulated. However, we made an encouraging start under the plan by working intensively to build our activities in environmental and energy-related markets and expand our overseas business. We used our environmental and energy-related technologies to win orders in both the Water Environment Business and Industrial Business seg-

ments, and we set a new record for our order backlog at the end of fiscal 2010.

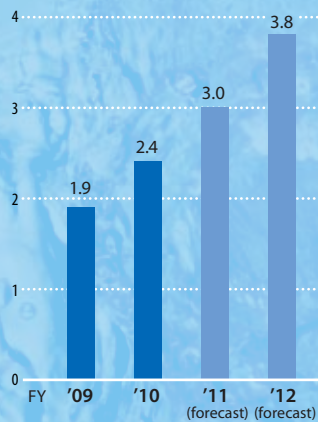
We aim to build a reliable income structure by expanding our overseas business activities in emerging economies and resource-supplying countries, where demand for capital investment remains strong, and by strengthening our resources to support the growing scope of our activities.

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

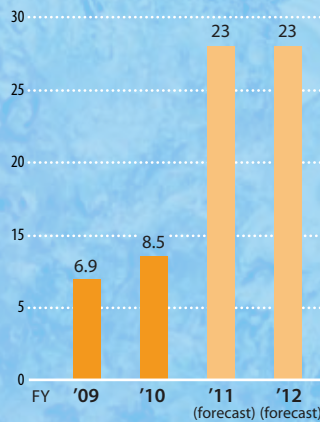
## NEW MEDIUM-TERM MANAGEMENT PLAN (FY2010 TO FY2012)



**Operating Income**  
(Billions of yen)



**Trends in Orders from overseas**  
(Billions of yen)



## TOPICS FOR 2011

### Sludge Treatment and Recycling Facilities in China

Sewage sludge volumes are increasing rapidly in China. There is an urgent need for the reduction of landfill use, and for the development of reliable, environment-friendly treatment methods. The Tsukishima Kikai Group has an established reputation in the field of sludge treatment based on our extensive track record in the development of sludge digestion, drying and incineration technologies. Recently we won an order for a large-scale drying and incineration facility for Shanghai. We were also selected by Japan's New Energy and Industrial Development Organization (NEDO) to participate in a pilot project relating to sludge-to-fuel. We will continue to play an active role in efforts to solve environmental problems in China and other overseas countries.



### Bisphenol-A Manufacturing Plant in South Korea

The development of new uses for polycarbonate and epoxy resins has led to increased demand for bisphenol-A, which is a key raw material. Tsukishima Kikai has built a reputation as a leading supplier of bisphenol-A manufacturing facilities and recently won a contract for a facility in South Korea. This is a key business area for Tsukishima Kikai, and we will continue to target sales growth.



### Alumina Chemical Plant in Indonesia

A consortium consisting of Tsukishima Kikai and local companies recently won an order for an integrated alumina chemical manufacturing plant in Indonesia. This integrated facility will produce alumina chemical products from bauxite using mixing and pulverization, separation and filtration, reaction and refining and drying and burning technologies, all of which are core areas of expertise for the Tsukishima Kikai Group. This will be the biggest project in the history of Tsukishima Kikai. The international engineering, procurement and construction (EPC) market is expected to remain buoyant and will remain a key focus for the Tsukishima Kikai Group.

### TSK Engineering China Co., Ltd. Established

The Company established TSK Engineering China Co., Ltd. in March 2011, as a base of operations in China. Its target areas of business are sales of plant and equipment, import and export of those, and technical services and consulting for the above in the Water Environmental Business as well as the Industrial Business.



## BOARD OF DIRECTORS



**Akihiko Watanabe**

Board Member,  
Executive Officer

**Takashi Kikkawa**

Board Member,  
Executive Officer

**Kazuo Nakajima**

Board Member,  
Executive Officer

**Toshio Yonezawa**

Board Member

**Katushi Nakayama**

Board Member

**Masashi Teranishi**

Board Member

**Hiroshi Sano**

Board Member,  
Executive Officer

**Kazuhiko Yamada**

President and Chief Executive Officer,  
Representative Director

**Naoyuki Oishi**

Senior Managing Executive Officer,  
Representative Director

**Torahiko Maki**

Board Member,  
Executive Officer

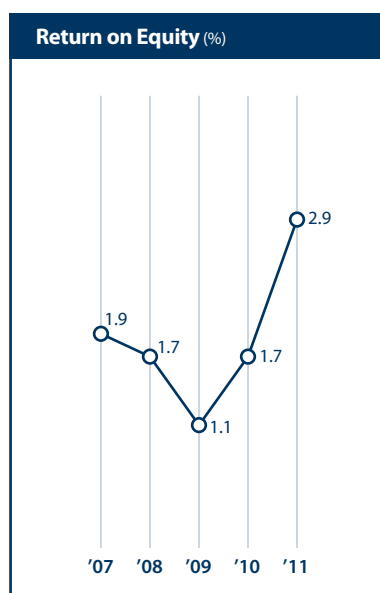
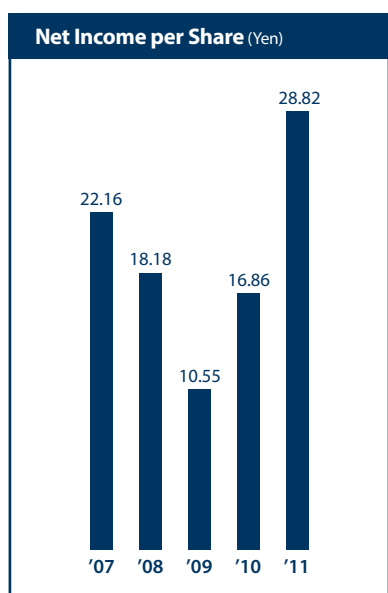
# FINANCIAL SECTION

## 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)
	2011	2010	2009	2008	2007	2011
For the year:						
Net sales.....	<b>¥65,042</b>	¥67,674	¥77,753	¥77,704	¥79,074	<b>\$ 782,224</b>
Operating income.....	<b>2,420</b>	1,945	2,850	3,254	3,072	<b>29,104</b>
Income before income taxes.....	<b>2,167</b>	2,007	1,182	2,057	1,821	<b>26,061</b>
Net income.....	<b>1,282</b>	753	480	827	1,009	<b>15,417</b>
At year-end:						
Total assets.....	<b>84,315</b>	89,809	92,916	102,925	117,502	<b>1,014,010</b>
Total shareholders' equity.....	<b>44,794</b>	44,018	44,469	44,692	44,559	<b>538,713</b>
Per share:						
Net income.....	<b>¥28.82</b>	¥16.86	¥10.55	¥18.18	¥22.16	<b>\$0.34</b>
Cash dividends.....	<b>15.00</b>	15.00	15.00	15.00	15.00	<b>0.18</b>
Number of shares outstanding (in thousands).....						
	<b>45,625</b>	45,625	45,626	45,626	45,626	

Note: U.S. dollar amounts are translated from yen at the rate of ¥83.15 to US\$1, solely for the convenience of the reader.  
Amounts less than ¥1 million, \$1 thousand and Number of shares outstanding in thousands had been rounded off until FY2009.  
These amounts have been rounded down from FY2010.



## Consolidated Balance Sheets

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits (Notes 7, 10) .....	¥12,148	¥13,291	\$ 146,097
Marketable securities (Notes 2, 7, 8) .....	4,000	1,000	48,105
Notes and accounts receivable (Notes 7, 9, 10).....	30,849	35,043	371,004
Less: allowance for doubtful accounts (Note 2).....	(71)	(313)	(853)
Work in process (Note 2).....	2,245	4,027	26,999
Raw materials and supplies (Note 2).....	130	157	1,563
Deferred income taxes (Note 13).....	2,895	1,993	34,816
Other current assets.....	1,135	815	13,650
Total current assets .....	53,333	56,016	641,407
<b>Property, plant and equipment (Note 2):</b>			
Land .....	7,020	7,020	84,425
Buildings and structures .....	9,242	9,160	111,148
Machinery and equipment.....	15,103	15,120	181,635
Lease assets.....	259	39	3,114
Construction in progress.....	9	15	108
	31,637	31,358	380,481
Less: accumulated depreciation .....	(18,711)	(18,170)	(225,027)
Net property, plant and equipment.....	12,926	13,187	155,453
<b>Investments and other assets:</b>			
Goodwill (Note 2) .....	419	465	5,039
Software .....	711	1,263	8,550
Lease assets (Note 2) .....	39	—	469
Investments in securities (Notes 2, 7, 8, 10).....	14,047	15,176	168,935
Long-term loans receivable (Note 10).....	58	42	697
Deferred income taxes (Note 13).....	2,373	3,337	28,538
Other assets.....	636	562	7,648
Less: allowance for doubtful accounts (Note 2).....	(229)	(241)	(2,754)
Total investments and other assets .....	18,055	20,605	217,137
<b>Total assets .....</b>	<b>¥84,315</b>	<b>¥89,809</b>	<b>\$1,014,010</b>

See Notes to Consolidated Financial Statements.

## LIABILITIES AND NET ASSETS

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Current liabilities:</b>			
Notes and accounts payable			
Trade (Notes 7, 9).....	¥15,156	¥19,728	\$ 182,273
Other .....	1,652	1,610	19,867
Short-term loans payable (Note 10) .....	50	200	601
Current portion of long-term loans payable (Notes 7, 10) .....	1,142	622	13,734
Lease obligations (Note 10) .....	69	8	829
Accrued income taxes (Note 13) .....	177	789	2,128
Accrued expenses.....	2,066	2,011	24,846
Accrued warranty (Note 2) .....	1,550	1,142	18,641
Reserve for losses on contracts (Note 2) .....	360	263	4,329
Provision for loss on disaster (Note 2).....	162	—	1,948
Advances received .....	3,380	4,161	40,649
Other current liabilities .....	3,057	3,190	36,764
Total current liabilities .....	28,825	33,728	346,662
<b>Long-term liabilities:</b>			
Long-term loans payable (Notes 7, 9, 10).....	3,989	4,999	47,973
Lease obligations (Note 10) .....	217	23	2,609
Long-term accounts payable-other .....	833	1,037	10,018
Provision for post-employment benefits (Notes 2, 11).....	5,412	5,240	65,087
Reserve for retirement payments to officers (Note 2) .....	103	118	1,238
Asset retirement obligations (Note 3) .....	170	—	2,044
Other .....	43	56	517
Total long-term liabilities.....	10,770	11,476	129,524
<b>Contingent liability (Note 14)</b>			
<b>Net assets:</b>			
<b>Shareholders' equity:</b>			
Common stock,			
Authorized: 180 million shares in 2011 and 2010			
Issued: 45,625,800 shares in 2011 and 2010 .....	6,646	6,646	79,927
Additional paid-in capital .....	5,485	5,485	65,965
Retained earnings .....	33,254	32,533	399,927
Treasury stock.....	(592)	(646)	(7,119)
Total shareholders' equity.....	44,794	44,018	538,713
<b>Accumulated Other Comprehensive Income (Note 5)</b>			
Net unrealized gains or losses on available-for-sale securities .....	(18)	674	(216)
Deferred gains or losses on hedges.....	(58)	(89)	(697)
Total accumulated other comprehensive income (Note 5).....	(76)	584	(914)
Total net assets .....	44,718	44,603	537,799
<b>Total liabilities and net assets .....</b>	<b>¥84,315</b>	<b>¥89,809</b>	<b>\$1,014,010</b>

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Income

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Net sales (Notes 2, 18)</b> .....	<b>¥65,042</b>	¥67,674	<b>\$782,224</b>
<b>Cost of sales (Note 12)</b> .....	<b>53,556</b>	56,151	<b>644,088</b>
Gross profit .....	<b>11,486</b>	11,522	<b>138,135</b>
<b>Selling, general and administrative expenses (Note 12)</b> .....	<b>9,066</b>	9,576	<b>109,031</b>
Operating income.....	<b>2,420</b>	1,945	<b>29,104</b>
<b>Other income (expenses):</b>			
Interest and dividend income.....	<b>280</b>	280	<b>3,367</b>
Interest expenses.....	<b>(154)</b>	(173)	<b>(1,852)</b>
Gain on sales of investments in securities .....	<b>11</b>	0	<b>132</b>
Gain on sales of property, plant and equipment .....	<b>0</b>	0	<b>0</b>
Loss on sales and disposal of property, plant and equipment.....	<b>(18)</b>	(34)	<b>(216)</b>
Write-down of investments in securities.....	<b>—</b>	(1)	<b>—</b>
Loss on sales of investments in securities.....	<b>0</b>	—	<b>0</b>
Loss on abolishment of retirement benefit plan.....	<b>—</b>	(43)	<b>—</b>
Loss on adjustment for changes of accounting standard for asset retirement obligations.....	<b>(146)</b>	—	<b>(1,755)</b>
Loss on disaster (Note 2).....	<b>(184)</b>	—	<b>(2,212)</b>
Compensation loss for construction.....	<b>(249)</b>	—	<b>(2,994)</b>
Equity in earnings of affiliates (Note 2) .....	<b>10</b>	9	<b>120</b>
Other, net (Note 15).....	<b>197</b>	22	<b>2,369</b>
Other income (expenses), net .....	<b>(252)</b>	61	<b>(3,030)</b>
Income before income taxes .....	<b>2,167</b>	2,007	<b>26,061</b>
<b>Income taxes (Notes 2, 13):</b>			
Current .....	<b>303</b>	784	<b>3,644</b>
Deferred .....	<b>581</b>	425	<b>6,987</b>
Total income taxes.....	<b>884</b>	1,210	<b>10,631</b>
Income before minority interests (Note 4).....	<b>1,282</b>	797	<b>15,417</b>
Minority interests.....	<b>—</b>	(43)	<b>—</b>
<b>Net income</b> .....	<b>¥ 1,282</b>	¥ 753	<b>\$ 15,417</b>

	Yen	U.S. dollars (Note 1)
<b>Per share</b>		
Net income.....	<b>¥28.82</b>	¥16.86
Cash dividends.....	<b>¥15.00</b>	¥15.00

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Comprehensive Income

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Income before minority interests</b> .....	<b>¥1,282</b>	¥ 797	<b>\$15,417</b>
<b>Other comprehensive income</b>			
Net unrealized gains or losses on available-for-sale securities .....	<b>(692)</b>	1,717	<b>(8,322)</b>
Deferred gains or losses on hedges.....	<b>15</b>	24	<b>180</b>
Share of other comprehensive income of associates accounted for using equity method.....	<b>16</b>	(2)	<b>192</b>
Total other comprehensive income.....	<b>(661)</b>	1,739	<b>(7,949)</b>
<b>Comprehensive income</b> .....	<b>¥ 621</b>	¥2,536	<b>\$ 7,468</b>
(Breakdown)			
Comprehensive income attributable to owners of the parent .....	<b>¥621</b>	¥2,490	<b>\$7,468</b>
Comprehensive income attributable to minority interests .....	<b>¥ —</b>	¥ 46	<b>\$ —</b>

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Changes in Net Assets

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31, 2011 and 2010

	Thousands	Millions of yen (Note 1)									
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income (Note 5)			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	Total accumulated other comprehensive income		
<b>Balance as of March 31, 2009</b> .....	45,625	¥6,646	¥5,485	¥32,454	¥(118)	¥44,469	¥(1,042)	¥(108)	¥(1,151)	¥ 447	¥43,765
Cash dividends.....	—	—	—	(675)	—	(675)	—	—	—	—	(675)
Net income for the year ended March 31, 2010.....	—	—	—	753	—	753	—	—	—	—	753
Purchase of treasury stock.....	—	—	—	—	(528)	(528)	—	—	—	—	(528)
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	1,717	18	1,736	(447)	1,288
<b>Balance as of March 31, 2010</b> .....	<b>45,625</b>	<b>¥6,646</b>	<b>¥5,485</b>	<b>¥32,533</b>	<b>¥(646)</b>	<b>¥44,018</b>	<b>¥ 674</b>	<b>¥ (89)</b>	<b>¥ 584</b>	<b>¥ —</b>	<b>¥44,603</b>

	Thousands	Millions of yen (Note 1)									
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income (Note 5)			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	Total accumulated other comprehensive income		
<b>Balance as of March 31, 2010</b> .....	45,625	¥6,646	¥5,485	¥32,533	¥(646)	¥44,018	¥ 674	¥(89)	¥ 584	¥—	¥44,603
Cash dividends.....	—	—	—	(667)	—	(667)	—	—	—	—	(667)
Net income for the year ended March 31, 2011 .....	—	—	—	1,282	—	1,282	—	—	—	—	1,282
Change of scope of consolidation.....	—	—	—	123	—	123	—	—	—	—	123
Purchase of treasury stock.....	—	—	—	—	(11)	(11)	—	—	—	—	(11)
Disposal of treasury stock.....	—	—	—	(17)	66	49	—	—	—	—	49
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	(692)	31	(661)	—	(661)
<b>Balance as of March 31, 2011</b> .....	<b>45,625</b>	<b>¥6,646</b>	<b>¥5,485</b>	<b>¥33,254</b>	<b>¥(592)</b>	<b>¥44,794</b>	<b>¥ (18)</b>	<b>¥(58)</b>	<b>¥ (76)</b>	<b>¥—</b>	<b>¥44,718</b>

	Thousands	Thousands of U.S. dollars (Note 1)									
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income (Note 5)			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	Total accumulated other comprehensive income		
<b>Balance as of March 31, 2010</b> .....	45,625	\$79,927	\$65,965	\$391,256	\$(7,769)	\$529,380	\$ 8,105	\$(1,070)	\$ 7,023	\$—	\$536,416
Cash dividends.....	—	—	—	(8,021)	—	(8,021)	—	—	—	—	(8,021)
Net income for the year ended March 31, 2011 .....	—	—	—	15,417	—	15,417	—	—	—	—	15,417
Change of scope of consolidation.....	—	—	—	1,479	—	1,479	—	—	—	—	1,479
Purchase of treasury stock.....	—	—	—	—	(132)	(132)	—	—	—	—	(132)
Disposal of treasury stock.....	—	—	—	(204)	793	589	—	—	—	—	589
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	(8,322)	372	(7,949)	—	(7,949)
<b>Balance as of March 31, 2011</b> .....	<b>45,625</b>	<b>\$79,927</b>	<b>\$65,965</b>	<b>\$399,927</b>	<b>\$(7,119)</b>	<b>\$538,713</b>	<b>\$ (216)</b>	<b>\$ (697)</b>	<b>\$ (914)</b>	<b>\$—</b>	<b>\$537,799</b>

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

TSUKISHIMA KIKAI CO., LTD. and its consolidated subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests.....	¥ 2,167	¥ 2,007	\$ 26,061
Adjustments for:			
Depreciation and amortization .....	1,421	1,554	17,089
Amortization of goodwill .....	46	—	553
Increase (decrease) in provision for post-employment benefits.....	118	(1,108)	1,419
Increase (decrease) in accrued bonus to employees .....	19	(7)	228
Increase (decrease) in reserve for retirement payments to officers.....	(20)	(216)	(240)
Increase (decrease) in allowance for doubtful accounts.....	(254)	154	(3,054)
Increase (decrease) in accrued warranty .....	407	(809)	4,894
Increase (decrease) in reserve for losses on contracts .....	96	156	1,154
Interest and dividend income .....	(280)	(280)	(3,367)
Interest expenses.....	154	173	1,852
Equity in (earnings) losses of affiliates .....	(10)	(9)	(120)
Loss (gain) on sales and disposal of property, plant and equipment.....	18	33	216
Loss on adjustment for changes of accounting standard for asset retirement obligations.....	146	—	1,755
Loss (gain) on sales of investments in securities .....	(11)	(0)	(132)
Write-down of investments in securities.....	—	1	—
(Increase) decrease in notes and accounts receivable .....	4,373	8,631	52,591
Increase (decrease) in advances received.....	(781)	76	(9,392)
(Increase) decrease in inventories.....	1,818	604	21,864
Increase (decrease) in notes and accounts payable, trade .....	(4,652)	(2,400)	(55,947)
Other .....	(309)	1,711	(3,716)
Subtotal .....	4,466	10,271	53,710
Interest and dividend income received .....	288	280	3,463
Interest expenses paid .....	(149)	(174)	(1,791)
Income taxes paid.....	(1,107)	(616)	(13,313)
Net cash provided by (used in) operating activities.....	3,497	9,761	42,056
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment.....	(296)	(174)	(3,559)
Proceeds from sales of property, plant and equipment.....	0	3	0
Purchase of intangible fixed assets .....	(111)	(90)	(1,334)
Purchase of investments in securities .....	(167)	(1,200)	(2,008)
Proceeds from sales of investments in securities.....	126	0	1,515
Payments for loans receivable .....	—	(5)	—
Collection of loans receivable .....	4	44	48
Purchase of treasury stock of subsidiaries in consolidation.....	—	(948)	—
Other .....	(27)	(26)	(324)
Net cash provided by (used in) investing activities.....	(470)	(2,397)	(5,652)
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term loans payable.....	(150)	—	(1,803)
Proceeds from long-term loans payable.....	200	—	2,405
Repayments of long-term loans payable.....	(690)	(681)	(8,298)
Repayments of lease obligations.....	(22)	(7)	(264)
Proceeds from sales of treasury stock.....	49	—	589
Additions of treasury stock.....	(11)	(528)	(132)
Cash dividends paid .....	(667)	(675)	(8,021)
Cash dividends paid to minority shareholders .....	—	(11)	—
Net cash provided by (used in) financing activities.....	(1,293)	(1,904)	(15,550)
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>1,733</b>	<b>5,459</b>	<b>20,841</b>
<b>Cash and cash equivalents at beginning of period (Notes 2, 6) .....</b>	<b>14,241</b>	<b>8,782</b>	<b>171,268</b>
<b>Increase in cash and cash equivalents from   newly consolidated subsidiaries</b>	<b>132</b>	<b>—</b>	<b>1,587</b>
<b>Cash and cash equivalents at end of period (Notes 2, 6).....</b>	<b>¥16,108</b>	<b>¥14,241</b>	<b>\$193,722</b>

See Notes to Consolidated Financial Statements.

## Notes to Consolidated Financial Statements

### 1. Basis of Presenting Consolidated Financial Statements

The accompanying 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 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 ¥83.15 to \$1, the approximate rate of exchange at March 31, 2011.

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

- Tsukishima Technology Maintenance Service Co., Ltd.
- Tsukishima Techno Machinery Co., Ltd.
- Sun Eco Thermal Co., Ltd.
- Tsukishima Kankyo Engineering, Co., Ltd.
- Samukawa Water Service, Co., Ltd.
- Tsukishima Techno Solution Co., Ltd.
- Tsukishima Business Support Co., Ltd.

Tsukishima Techno Solution Co., Ltd. and Tsukishima Business Support Co., Ltd. have become consolidated subsidiaries from this financial year because of its increased materiality.

#### (b) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The equity method is applied to the investments in 1 affiliate.

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 affiliate accounted for by the equity method is listed below:

- Edogawa Water Service, Co., Ltd.

#### (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 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.

**(e) Property, Plant and Equipment excluding Lease Assets**

Property, plant and equipment are carried at cost. Depreciation is computed by the declining balance method over the estimated useful lives of the assets, except for buildings placed in service after April 1, 1998, for which depreciation is computed by 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 loss on disaster**

The Company and its consolidated subsidiaries accrued expenses estimated to be incurred during or after the next fiscal year in order to undertake the restoration of assets damaged due to the disaster by the Great East Japan Earthquake.

**(k) 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.

**(l) 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.

**(m) 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.

**(n) Translation of Foreign Currencies**

Foreign currency receivables and payables are translated at the 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 the above foreign currency translations and transactions are included in other income or expenses.

**(o) Research and Development Costs**

Research and development costs are charged to income as incurred.

**(p) 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.

**(q) 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.

**(r) Cash Equivalents**

For the purpose of the 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.

**(s) 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.

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

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**3. Change in Accounting Policy**

**Asset Retirement Obligations**

Effective from the fiscal year ended March 31, 2011, "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008) have been applied.

As a result of this change, operating income was ¥9 million (\$108 thousand) lower, and income before income taxes was ¥155 million (\$1,864 thousand) lower than under the previous method of accounting.

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**4. Change in the method of presentation**

**Consolidated Statements of Income**

Effective from the fiscal year ended March 31, 2011, "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008) and "Cabinet Office Ordinance for Partial Amendment of the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements" (Cabinet Office Ordinance No. 5 issued on March 24, 2009) have been applied. As a consequence, a new line item has been presented on the consolidated statements of income as "income before minority interests."

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**5. Additional Information**

**Presentation of Comprehensive Income**

Effective from FY2011, "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010) has been applied. The items "accumulated other comprehensive income" and "total accumulated other comprehensive income" for the previous fiscal year are exactly the same as "valuation and translation adjustments" and "total valuation and translation adjustments" of the previous fiscal year, respectively.

## 6. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash and time deposits.....	<b>¥12,148</b>	¥13,291	<b>\$146,097</b>
Marketable securities.....	<b>4,000</b>	1,000	<b>48,105</b>
Less: time deposits that mature or become due over three months after the date of acquisition.....	<b>(40)</b>	(50)	<b>(481)</b>
Cash and cash equivalents.....	<b>¥16,108</b>	¥14,241	<b>\$193,722</b>

## 7. Financial Instruments

Amounts on the consolidated balance sheets as of March 31, 2011 and 2010, fair value and variance were as follows:

	Millions of yen		
	2011		
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits.....	<b>¥12,148</b>	<b>¥12,148</b>	<b>¥ —</b>
(2) Notes and accounts receivable .....	<b>30,849</b>	<b>29,931</b>	<b>(917)</b>
(3) Marketable securities and Investments in securities Securities classified as available-for-sale .....	<b>17,564</b>	<b>17,564</b>	<b>—</b>
Total.....	<b>60,562</b>	<b>59,645</b>	<b>(917)</b>
(4) Notes and accounts payable-trade.....	<b>15,156</b>	<b>15,156</b>	<b>—</b>
(5) Long-term loans payable (Include portion due within one year).....	<b>5,131</b>	<b>5,150</b>	<b>18</b>
Total.....	<b>20,288</b>	<b>20,307</b>	<b>18</b>
(6) Derivative transactions* .....	<b>¥ (45)</b>	<b>¥ (45)</b>	<b>¥ (0)</b>

	Millions of yen		
	2010		
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits.....	¥ 13,291	¥ 13,291	¥ —
(2) Notes and accounts receivable .....	35,043	33,682	(1,361)
(3) Marketable securities and Investments in securities Securities classified as available-for-sale .....	15,691	15,691	—
Total.....	64,027	62,665	(1,361)
(4) Notes and accounts payable-trade.....	19,728	19,728	—
(5) Long-term loans payable (Include portion due within one year).....	5,622	5,640	18
Total.....	25,350	25,369	18
(6) Derivative transactions* .....	¥ (60)	¥ (61)	¥ (0)

Thousands of U.S. dollars			
<b>2011</b>			
	Amounts on the consolidated Balance Sheets	Fair value	Variance
(1) Cash and time deposits.....	<b>\$146,097</b>	<b>\$146,097</b>	<b>\$ —</b>
(2) Notes and accounts receivable .....	<b>371,004</b>	<b>359,963</b>	<b>(11,028)</b>
(3) Marketable securities and Investments in securities Securities classified as available-for-sale .....	<b>211,232</b>	<b>211,232</b>	<b>—</b>
Total.....	<b>728,346</b>	<b>717,318</b>	<b>(11,028)</b>
(4) Notes and accounts payable-trade.....	<b>182,273</b>	<b>182,273</b>	<b>—</b>
(5) Long-term loans payable (Include portion due within one year).....	<b>61,707</b>	<b>61,936</b>	<b>216</b>
Total.....	<b>243,992</b>	<b>244,221</b>	<b>216</b>
(6) Derivative transactions*.....	<b>\$ (541)</b>	<b>\$ (541)</b>	<b>\$ (0)</b>

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

- Notes a. Method of measurement of fair values of financial instruments and matters concerning securities and derivative transactions
- (1) Cash and time deposits  
As these items are settled in a short period of time and the fair value is almost equal to the book value, their book value is presented.
  - (2) Notes and accounts receivable  
As these items are settled in a short period of time and the fair value is almost equal to the book value, their book value is presented. However, the fair value of Accounts receivable-installment is measured by taking the debtor's financial position into consideration due to the long-term repayment period, and discounted at the interest rate determined by the debtor's financial position.
  - (3) 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 current value of a long-term loan payable is calculated by discounting the aggregate amount of the principal and interest by the interest rate deemed applicable to a new loan of the same amount.
  - (6) Derivative transactions  
The fair value of derivative transactions qualifying for hedge accounting is the forward quotation or the price presented by correspondent financial institutions.

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

	Millions of yen		Thousands of U.S. dollars
	<b>2011</b>	2010	<b>2011</b>
Non-listed stocks .....	<b>¥412</b>	¥412	<b>\$4,954</b>
Non-consolidated subsidiary and associated company stocks .....	<b>¥ 69</b>	¥ 72	<b>\$ 829</b>

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, 2011 and 2010 were as follows:

	Millions of yen			
	2011			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits.....	¥ 12,148	¥ —	¥ —	¥ —
Notes and accounts receivable.....	25,743	1,621	1,814	1,670
Marketable securities and Investments in securities Securities classified as available-for-sale.....	4,000	—	—	—
<b>Total.....</b>	<b>¥ 41,891</b>	<b>¥1,621</b>	<b>¥1,814</b>	<b>¥1,670</b>

	Millions of yen			
	2010			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits.....	¥ 13,291	¥ —	¥ —	¥ —
Notes and accounts receivable.....	29,521	1,632	1,859	2,030
Marketable securities and Investments in securities Securities classified as available-for-sale.....	1,000	—	—	—
<b>Total.....</b>	<b>¥ 43,813</b>	<b>¥1,632</b>	<b>¥1,859</b>	<b>¥2,030</b>

	Thousands of U.S. dollars			
	2011			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits.....	\$146,097	\$ —	\$ —	\$ —
Notes and accounts receivable.....	309,597	19,494	21,815	20,084
Marketable securities and Investments in securities Securities classified as available-for-sale.....	48,105	—	—	—
<b>Total.....</b>	<b>\$503,800</b>	<b>\$19,494</b>	<b>\$21,815</b>	<b>\$20,084</b>

d. The aggregate maturities of long-term loans payable outstanding as of March 31, 2011 and 2010 were as follows:

	Millions of yen					
	2011					
	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)...	¥1,142	¥340	¥296	¥284	¥290	¥2,777
<b>Total.....</b>	<b>¥1,142</b>	<b>¥340</b>	<b>¥296</b>	<b>¥284</b>	<b>¥290</b>	<b>¥2,777</b>

	Millions of yen					
	2010					
	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)...	¥622	¥1,054	¥253	¥260	¥268	¥3,162
<b>Total.....</b>	<b>¥622</b>	<b>¥1,054</b>	<b>¥253</b>	<b>¥260</b>	<b>¥268</b>	<b>¥3,162</b>

	Thousands of U.S. dollars					
	2011					
	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)...	\$13,734	\$4,088	\$3,559	\$3,415	\$3,487	\$33,397
<b>Total.....</b>	<b>\$13,734</b>	<b>\$4,088</b>	<b>\$3,559</b>	<b>\$3,415</b>	<b>\$3,487</b>	<b>\$33,397</b>

## 8. Marketable Securities and Investments in Securities

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of yen			
	2011			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities .....	¥13,590	¥1,774	¥(1,805)	¥13,558
Others.....	4,004	1	—	4,005
	¥17,595	¥1,775	¥(1,805)	¥17,564
Held-to-maturity securities.....	¥ —	¥ —	¥ —	¥ —

	Millions of yen			
	2010			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities .....	¥13,549	¥2,191	¥(1,056)	¥14,684
Others.....	1,004	1	—	1,006
	¥14,554	¥2,193	¥(1,056)	¥15,691
Held-to-maturity securities.....	¥ —	¥ —	¥ —	¥ —

	Thousands of U.S. dollars			
	2011			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities .....	\$163,439	\$21,334	\$(21,707)	\$163,054
Others.....	48,153	12	—	48,165
	\$211,605	\$21,346	\$(21,707)	\$211,232
Held-to-maturity securities.....	\$ —	\$ —	\$ —	\$ —

## 9. Derivative transactions

Derivative financial instruments with fair value as of March 31, 2011 and 2010 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		
		<b>2011</b>		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
<b>Forward foreign currency exchange contracts:</b>	<b>Principal items hedged:</b>			
Sell U.S. dollar, buy Japanese yen	Accounts receivable.....	<b>¥1,356</b>	¥—	<b>¥(8)</b>
Sell Euro, buy Japanese yen	.....	<b>238</b>	—	<b>(6)</b>
Sell Singapore dollar, buy Japanese yen	.....	<b>5</b>	—	<b>(0)</b>
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	<b>119</b>	—	<b>1</b>
Buy Euro, sell Japanese yen	.....	<b>271</b>	—	<b>11</b>
Buy Thai baht, sell Japanese yen	.....	<b>111</b>	—	<b>(0)</b>
Total.....		<b>¥2,102</b>	<b>¥—</b>	<b>¥(2)</b>

		Millions of yen		
		2010		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
<b>Forward foreign currency exchange contracts:</b>	<b>Principal items hedged:</b>			
Sell U.S. dollar, buy Japanese yen	Accounts receivable.....	¥135	¥—	¥(4)
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	16	—	0
Buy Australia dollar, sell Japanese yen	.....	1	—	0
Buy Singapore dollar, sell Japanese yen	.....	7	—	0
Buy Swiss franc, sell Japanese yen	.....	8	—	(0)
Total.....		¥169	¥—	¥(4)

		Thousands of U.S. dollars		
		<b>2011</b>		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
<b>Forward foreign currency exchange contracts:</b>	<b>Principal items hedged:</b>			
Sell U.S. dollar, buy Japanese yen	Accounts receivable.....	<b>\$16,307</b>	<b>\$—</b>	<b>\$(96)</b>
Sell Euro, buy Japanese yen	.....	<b>2,862</b>	—	<b>(72)</b>
Sell Singapore dollar, buy Japanese yen	.....	<b>60</b>	—	<b>(0)</b>
Buy U.S. dollar, sell Japanese yen	Accounts payable-trade.....	<b>1,431</b>	—	<b>12</b>
Buy Euro, sell Japanese yen	.....	<b>3,259</b>	—	<b>132</b>
Buy Thai baht, sell Japanese yen	.....	<b>1,334</b>	—	<b>(0)</b>
Total.....		<b>\$25,279</b>	<b>\$—</b>	<b>\$(24)</b>

Note The fair value is the forward quotation.

(2) Interest rate-related  
(Derivative transactions qualifying for general accounting policies, deferral hedge accounting)

		Millions of yen		
		<b>2011</b>		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
<b>Interest rate swaps:</b>	<b>Principal items hedged:</b>			
Receive floating, pay fixed	Long-term loans payable ....	<b>¥4,011</b>	<b>¥3,752</b>	<b>¥(43)</b>
Total.....		<b>¥4,011</b>	<b>¥3,752</b>	<b>¥(43)</b>

		Millions of yen		
		2010		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
<b>Interest rate swaps:</b>	<b>Principal items hedged:</b>			
Receive floating, pay fixed	Long-term loans payable ....	¥4,287	¥4,011	¥(56)
Total.....		¥4,287	¥4,011	¥(56)

		Thousands of U.S. dollars		
		<b>2011</b>		
		Contracts outstanding	Contracts outstanding (Over one year)	Fair value
<b>Interest rate swaps:</b>	<b>Principal items hedged:</b>			
Receive floating, pay fixed	Long-term loans payable ....	<b>\$48,238</b>	<b>\$45,123</b>	<b>\$(517)</b>
Total.....		<b>\$48,238</b>	<b>\$45,123</b>	<b>\$(517)</b>

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

**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, 2011 and 2010 were approximately 0.8 percent and 0.9 percent, respectively.

Long-term loans payable as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans payable, due 2026.....	¥ 5,131	¥5,622	\$ 61,707
Less: portion due within one year.....	(1,142)	(622)	(13,734)
	<b>¥3,989</b>	¥4,999	<b>\$ 47,973</b>

Lease obligations as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current.....	¥ 69	¥ 8	\$ 829
Non-current.....	217	23	2,609
	<b>¥287</b>	¥31	<b>\$3,451</b>

The following assets were pledged as collateral for the above long-term loans payable:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deposit.....	¥707	¥615	\$ 8,502
Account receivable.....	190	184	2,285
Investments in securities.....	5	—	60
Long-term loans receivable.....	58	42	697
	<b>¥962</b>	¥843	<b>\$11,569</b>

Interest rates of long-term loans payable as of March 31, 2011 and 2010 were between 0.75 percent and 4.00 percent and between 1.39 percent and 4.00 percent respectively.

## 11. Provision for Post-employment Benefits

Provision for post-employment benefit obligations as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
a. Post-employment benefit obligations.....	<b>¥(6,704)</b>	¥(6,703)	<b>\$(80,625)</b>
b. Pension assets.....	<b>904</b>	1,015	<b>10,871</b>
c. Net-total (a+b).....	<b>(5,799)</b>	(5,687)	<b>(69,741)</b>
d. Unrecognized actuarial differences.....	<b>417</b>	493	<b>5,015</b>
e. Unrecognized prior service cost.....	<b>(30)</b>	(46)	<b>(360)</b>
f. Provisions for post-employment benefits (c+d+e).....	<b>¥(5,412)</b>	¥(5,240)	<b>\$(65,087)</b>

Post-employment benefit expenses for the years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
a. Service costs .....	<b>¥505</b>	¥567	<b>\$6,073</b>
b. Interest costs .....	<b>119</b>	146	<b>1,431</b>
c. Expected return .....	<b>(15)</b>	(16)	<b>(180)</b>
d. Amortization of unrecognized actuarial differences .....	<b>81</b>	196	<b>974</b>
e. Amortization of prior service cost .....	<b>(15)</b>	(30)	<b>(180)</b>
f. Post-employment benefit expenses total.....	<b>675</b>	863	<b>8,117</b>
g. Loss on abolishment of retirement benefit plan .....	<b>—</b>	43	<b>—</b>
h. Others.....	<b>64</b>	—	<b>769</b>
Total (f+g+h).....	<b>¥740</b>	¥906	<b>\$8,899</b>

Basic measurement of post-employment benefit obligations and other items

	2011	2010
a. Allocation method for projected post-employment benefits ....	<b>Straight-line method</b>	Straight-line method
b. Discount rate.....	<b>2.0%</b>	2.0%
c. Expected rate of return .....	<b>1.5%</b>	1.5%
d. Amortization period of prior service cost .....	<b>11–14 years</b>	11–14 years
e. Amortization period of actuarial differences .....	<b>7 years</b>	7 years

## 12. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2011 and 2010 amounted to ¥945 million (\$11,365 thousand) and ¥1,093 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:

	2010
Statutory tax rate.....	40.7%
Expenses not deductible for tax purposes.....	6.6
Non-taxable dividend income.....	(2.7)
Per capita levy of inhabitant taxes.....	1.5
Valuation allowance.....	15.5
Other—net.....	(1.3)
Effective tax rate.....	<u>60.3%</u>

Note of the reasons for the year ended March 31, 2011 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, 2011 and 2010 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Deferred tax assets:</b>			
Accrued cost of sales.....	¥ 310	¥ 269	\$ 3,728
Accrued enterprise taxes.....	43	47	517
Reserve for losses on contracts.....	232	107	2,790
Accrued warranty.....	630	464	7,576
Provision for post-employment benefits.....	2,202	2,132	26,482
Unrealized profit.....	56	81	673
Accrued bonus to employees.....	644	611	7,745
Tax loss carryforward.....	1,745	2,515	20,986
Allowance for doubtful accounts.....	107	212	1,286
Long-term accounts payable-other.....	338	422	4,064
Others.....	952	968	11,449
Less: valuation allowance.....	(653)	(687)	(7,853)
Total deferred tax assets.....	<u>¥ 6,610</u>	<u>¥ 7,147</u>	<u>\$ 79,494</u>
<b>Deferred tax liabilities:</b>			
Reserve for deferred gains on sales of fixed assets for tax purposes.....	¥(1,341)	¥(1,353)	\$(16,127)
Net unrealized gains on available-for-sale securities.....	—	(462)	—
Total deferred tax liabilities.....	<u>(1,341)</u>	<u>(1,816)</u>	<u>(16,127)</u>
Net deferred tax assets (liabilities).....	<u>¥5,269</u>	<u>¥ 5,330</u>	<u>\$63,367</u>

#### 14. Contingent Liability

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

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Guarantees for indebtedness of non-consolidated subsidiaries and employees .....	<b>¥77</b>	¥7	<b>\$926</b>

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

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

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Gain on insurance.....	<b>¥ 0</b>	¥ 43	<b>\$ 0</b>
Depreciation of prepaid expenses.....	<b>(1)</b>	(4)	<b>(12)</b>
Reversal of allowance for doubtful accounts.....	<b>251</b>	68	<b>3,018</b>
Other, net.....	<b>(52)</b>	(84)	<b>(625)</b>
	<b>¥197</b>	¥ 22	<b>\$2,369</b>

#### 16. Subsequent Events

##### Appropriation of Retained Earnings

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011, was approved at the Board of Directors meeting held on May 25, 2011:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥8.00 (\$0.09) per share .....	<b>¥356</b>	<b>\$4,281</b>

## 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, 2011 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Machinery and equipment .....	¥ 112	¥ 112	\$ 1,346
Tools, furniture and fixtures .....	44	67	529
Other assets.....	40	37	481
Less: accumulated depreciation.....	(158)	(144)	(1,900)
	¥ 39	¥ 74	\$ 469

Obligations under finance leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year.....	¥27	¥35	\$324
Due after one year.....	11	38	132
	¥39	¥74	\$469

Total rental expenses for the above leases were ¥36 million (\$432 thousand) and ¥43 million for the years ended March 31, 2011 and 2010, respectively.

The pro forma depreciation expense computed by the straight-line method was ¥36 million (\$432 thousand) and ¥43 million for the years ended March 31, 2011 and 2010, 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 environment business and Industrial business mainly. Therefore, these 2 business are specified as reportable segments.

Water environment 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				Consolidated financial statements
	Water environment business	Industrial business	Subtotal	Other	Total	Adjustment		
<b>Year ended March 31, 2011</b>								
<b>Sales:</b>								
Sales to external customers.....	¥40,618	¥24,403	¥65,022	¥ 20	¥65,042	¥ —	¥65,042	
Intersegment sales or transfers .....	20	123	143	1,158	1,302	(1,302)	—	
Total.....	40,638	24,527	65,165	1,178	66,344	(1,302)	65,042	
Segment income (loss).....	2,311	20	2,332	87	2,420	—	2,420	
Depreciation and amortization.....	650	766	1,416	5	1,421	—	1,421	
Amortization of goodwill.....	¥ —	¥ 46	¥ 46	¥ —	¥ 46	¥ —	¥ 46	

	Reportable segments			Millions of yen				Consolidated financial statements
	Water environment business	Industrial business	Subtotal	Other	Total	Adjustment		
<b>Year ended March 31, 2010</b>								
<b>Sales:</b>								
Sales to external customers.....	¥43,418	¥24,255	¥67,674	¥—	¥67,674	¥—	¥67,674	
Intersegment sales or transfers .....	—	—	—	—	—	—	—	
Total.....	43,418	24,255	67,674	—	67,674	—	67,674	
Segment income (loss).....	2,790	(844)	1,945	—	1,945	—	1,945	
Depreciation and amortization.....	658	895	1,554	—	1,554	—	1,554	
Amortization of goodwill.....	¥ —	¥ —	¥ —	¥—	¥ —	¥—	¥ —	

**Year ended March 31, 2011**

Thousands of U.S. dollars

	Reportable segments				Total	Adjustment	Consolidated financial statements
	Water environment business	Industrial business	Subtotal	Other			
<b>Sales:</b>							
Sales to external customers.....	\$488,490	\$293,481	\$781,984	\$ 240	\$782,224	\$ —	\$782,224
Intersegment sales or transfers.....	240	1,479	1,719	13,926	15,658	(15,658)	—
Total.....	488,731	294,972	783,704	14,167	797,883	(15,658)	782,224
Segment income (loss).....	27,793	240	28,045	1,046	29,104	—	29,104
Depreciation and amortization.....	7,817	9,212	17,029	60	17,089	—	17,089
Amortization of goodwill.....	\$ —	\$ 553	\$ 553	\$ —	\$ 553	\$ —	\$ 553

## (Additional Information)

Effective from the fiscal year ended March 31, 2011, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008) have been applied.

**(d) Overseas Sales**

Overseas sales by area and percentage of overseas sales over consolidated net sales for the years ended March 31, 2010 were as follows:

Area:	Millions of yen	Percentage
	2010	2010
Asia.....	¥6,155	9.1%
Other.....	768	1.1%
	¥6,924	10.2%

Major countries and areas included in each geographic area are as follows:

Asia: Korea, Saudi Arabia, China  
Other: Poland, Brazil, U.S.A.

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

(1) Net Sales

Area:	Millions of yen	Thousands of U.S. dollars
	2011	2011
Japan.....	¥55,502	\$667,492
Asia.....	7,710	92,723
Other.....	1,830	22,008
	¥65,042	\$782,224

(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, 2011.

(f) Information by amortization of goodwill and unamortized balance

Millions of yen					
<b>2011</b>					
	Water environment business	Industrial business	Other	Elimination or common asset	Total
Amortization of goodwill .....	¥—	¥ 46	¥—	¥—	¥ 46
Unamortized balance .....	¥—	¥419	¥—	¥—	¥419

Thousands of U.S. dollars					
<b>2011</b>					
	Water environment business	Industrial business	Other	Elimination or common asset	Total
Amortization of goodwill .....	\$—	\$ 553	\$—	\$—	\$ 553
Unamortized balance .....	\$—	\$5,039	\$—	\$—	\$5,039

## INDEPENDENT AUDITORS' 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 consolidated subsidiaries as of March 31, 2010 and 2011, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 consolidated subsidiaries as of March 31, 2010 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

#### Supplemental Information:

As described in Note 3 of the notes to consolidated financial statements, effective from the fiscal year ended March 31, 2011, "Accounting Standard for Asset Retirement Obligations" and "Guidance on Accounting Standard for Asset Retirement Obligations" have been applied.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers, have been translated on the basis set forth in Note 1 of the notes to consolidated financial statements.

*Inoue Auditing Co., Inc.*  
Inoue Auditing Co., Inc.

Tokyo, Japan  
June 29, 2011

## Non-Consolidated Balance Sheets

TSUKISHIMA KIKAI CO., LTD.  
Years ended March 31, 2011 and 2010

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits.....	¥ 8,398	¥ 7,234	\$100,998
Marketable securities (Notes 2, 5).....	4,000	1,000	48,105
Notes and accounts receivable.....	18,078	22,389	217,414
Less: allowance for doubtful accounts (Note 2).....	(32)	(278)	(384)
Work in process (Note 2).....	1,526	2,588	18,352
Raw materials and supplies (Note 2).....	49	57	589
Deferred income taxes (Note 8).....	2,089	1,293	25,123
Other current assets.....	2,376	1,325	28,574
Total current assets.....	36,485	35,611	438,785
<b>Property, plant and equipment (Note 2):</b>			
Land.....	6,738	6,738	81,034
Buildings and structures.....	8,391	8,318	100,914
Machinery and equipment.....	10,329	10,498	124,221
Lease assets.....	234	25	2,814
Construction in progress.....	7	2	84
	25,701	25,583	309,092
Less: accumulated depreciation.....	(14,453)	(14,177)	(173,818)
Net property, plant and equipment.....	11,247	11,406	135,261
<b>Investments and other assets:</b>			
Software.....	657	1,191	7,901
Lease assets (Note 2).....	39	—	469
Investments in securities (Notes 2, 5).....	13,975	15,102	168,069
Stocks of subsidiaries and affiliates and long-term loans receivable from subsidiaries and affiliates (Note 6).....	714	723	8,586
Deferred income taxes (Note 8).....	1,065	2,038	12,808
Other assets.....	445	417	5,351
Less: allowance for doubtful accounts (Note 2).....	(185)	(197)	(2,224)
Total investments and other assets.....	16,711	19,276	200,974
<b>Total assets</b> .....	<b>¥64,444</b>	<b>¥66,293</b>	<b>\$775,033</b>

See Notes to Non-Consolidated Financial Statements.

## LIABILITIES AND NET ASSETS

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Current liabilities:</b>			
Accounts payable			
Trade.....	<b>¥10,918</b>	¥14,057	<b>\$131,304</b>
Other .....	<b>1,338</b>	1,174	<b>16,091</b>
Short-term loans payable (Note 6) .....	<b>50</b>	50	<b>601</b>
Current portion of long-term loans payable (Note 6) .....	<b>66</b>	17	<b>793</b>
Lease obligations (Note 6) .....	<b>64</b>	4	<b>769</b>
Accrued income taxes (Note 8) .....	<b>55</b>	44	<b>661</b>
Accrued expenses.....	<b>788</b>	727	<b>9,476</b>
Accrued warranty (Note 2) .....	<b>1,329</b>	970	<b>15,983</b>
Reserve for losses on contracts (Note 2) .....	<b>209</b>	142	<b>2,513</b>
Provision for loss on disaster (Note 2).....	<b>162</b>	—	<b>1,948</b>
Advances received .....	<b>2,763</b>	2,572	<b>33,229</b>
Other current liabilities .....	<b>2,638</b>	2,605	<b>31,725</b>
Total current liabilities .....	<b>20,383</b>	22,366	<b>245,135</b>
<b>Long-term liabilities:</b>			
Long-term loans payable (Note 6).....	<b>83</b>	—	<b>998</b>
Lease obligations (Note 6) .....	<b>201</b>	14	<b>2,417</b>
Long-term accounts payable-other .....	<b>833</b>	1,037	<b>10,018</b>
Provision for post-employment benefits (Note 2).....	<b>2,668</b>	2,613	<b>32,086</b>
Asset retirement obligations (Note 3) .....	<b>66</b>	—	<b>793</b>
Total long-term liabilities.....	<b>3,853</b>	3,665	<b>46,337</b>
<b>Contingent liability (Note 9)</b>			
<b>Net assets:</b>			
<b>Shareholders' equity:</b>			
Common stock,			
Authorized: 180 million shares in 2011 and 2010			
Issued: 45,625,800 shares in 2011 and 2010 .....	<b>6,646</b>	6,646	<b>79,927</b>
Additional paid-in capital .....	<b>5,485</b>	5,485	<b>65,965</b>
Retained earnings .....	<b>28,685</b>	28,035	<b>344,978</b>
Treasury stock.....	<b>(592)</b>	(580)	<b>(7,119)</b>
Total shareholders' equity.....	<b>40,225</b>	39,587	<b>483,764</b>
<b>Valuation and translation adjustments</b>			
Net unrealized gains or losses on available-for-sale securities .....	<b>(18)</b>	674	<b>(216)</b>
Deferred gains or losses on hedges.....	<b>(0)</b>	(1)	<b>(0)</b>
Total valuation and translation adjustments .....	<b>(18)</b>	673	<b>(216)</b>
Total net assets .....	<b>40,206</b>	40,261	<b>483,535</b>
<b>Total liabilities and net assets .....</b>	<b>¥64,444</b>	¥66,293	<b>\$775,033</b>

See Notes to Non-Consolidated Financial Statements.

## Non-Consolidated Statements of Income

TSUKISHIMA KIKAI CO., LTD.  
Years ended March 31, 2011 and 2010

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Net sales (Note 2)</b> .....	<b>¥37,969</b>	¥39,014	<b>\$456,632</b>
<b>Cost of sales (Note 7)</b> .....	<b>31,195</b>	32,040	<b>375,165</b>
Gross profit .....	<b>6,774</b>	6,973	<b>81,467</b>
<b>Selling, general and administrative expenses (Note 7)</b> .....	<b>6,201</b>	6,578	<b>74,576</b>
Operating income.....	<b>572</b>	395	<b>6,879</b>
<b>Other income (expenses):</b>			
Interest and dividend income.....	<b>1,001</b>	682	<b>12,038</b>
Interest expenses.....	<b>(1)</b>	(1)	<b>(12)</b>
Gain on sales of investments in securities .....	<b>11</b>	0	<b>132</b>
Gain on sales of property, plant and equipment .....	<b>—</b>	0	<b>—</b>
Loss on sales and disposal of property, plant and equipment.....	<b>(17)</b>	(23)	<b>(204)</b>
Write-down of investments in securities.....	<b>—</b>	(1)	<b>—</b>
Loss on sales of investments in securities.....	<b>0</b>	—	<b>0</b>
Loss on abolishment of retirement benefit plan.....	<b>—</b>	(43)	<b>—</b>
Loss on adjustment for changes of accounting standard for asset retirement obligations.....	<b>(57)</b>	—	<b>(685)</b>
Loss on disaster.....	<b>(184)</b>	—	<b>(2,212)</b>
Other, net (Note 10).....	<b>224</b>	17	<b>2,693</b>
Other income (expenses), net .....	<b>977</b>	631	<b>11,749</b>
Income before income taxes .....	<b>1,549</b>	1,026	<b>18,628</b>
<b>Income taxes (Notes 2, 8):</b>			
Current.....	<b>(418)</b>	19	<b>(5,027)</b>
Deferred .....	<b>651</b>	464	<b>7,829</b>
Total income taxes.....	<b>232</b>	483	<b>2,790</b>
<b>Net income</b> .....	<b>¥ 1,317</b>	¥ 543	<b>\$ 15,838</b>
<b>Per share</b>			
Net income.....	<b>¥29.58</b>	¥12.13	<b>\$0.35</b>
Cash dividends.....	<b>¥15.00</b>	¥15.00	<b>\$0.18</b>

See Notes to Non-Consolidated Financial Statements.

## Non-Consolidated Statements of Changes in Net Assets

TSUKISHIMA KIKAI CO., LTD.  
Years ended March 31, 2011 and 2010

	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
<b>Balance as of March 31, 2009</b> .....	45,625	¥6,646	¥5,485	¥28,168	¥ (51)	¥40,249	¥(1,042)	¥ 0	¥(1,041)	¥39,207
Cash dividends.....	—	—	—	(676)	—	(676)	—	—	—	(676)
Net income for the year ended March 31, 2010.....	—	—	—	543	—	543	—	—	—	543
Purchase of treasury stock.....	—	—	—	—	(528)	(528)	—	—	—	(528)
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	1,717	(2)	1,715	1,715
<b>Balance as of March 31, 2010</b> .....	<b>45,625</b>	<b>¥6,646</b>	<b>¥5,485</b>	<b>¥28,035</b>	<b>¥(580)</b>	<b>¥39,587</b>	<b>¥ 674</b>	<b>¥(1)</b>	<b>¥ 673</b>	<b>¥40,261</b>

	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
<b>Balance as of March 31, 2010</b> .....	45,625	¥6,646	¥5,485	¥28,035	¥(580)	¥39,587	¥ 674	¥(1)	¥ 673	¥40,261
Cash dividends.....	—	—	—	(667)	—	(667)	—	—	—	(667)
Net income for the year ended March 31, 2011.....	—	—	—	1,317	—	1,317	—	—	—	1,317
Purchase of treasury stock.....	—	—	—	—	(11)	(11)	—	—	—	(11)
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	(692)	1	(691)	(691)
<b>Balance as of March 31, 2011</b> .....	<b>45,625</b>	<b>¥6,646</b>	<b>¥5,485</b>	<b>¥28,685</b>	<b>¥(592)</b>	<b>¥40,225</b>	<b>¥ (18)</b>	<b>¥(0)</b>	<b>¥ (18)</b>	<b>¥40,206</b>

	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
<b>Balance as of March 31, 2010</b> .....	45,625	\$79,927	\$65,965	\$337,161	\$(6,975)	\$476,091	\$ 8,105	\$(12)	\$ 8,093	\$484,197
Cash dividends.....	—	—	—	(8,021)	—	(8,021)	—	—	—	(8,021)
Net income for the year ended March 31, 2011.....	—	—	—	15,838	—	15,838	—	—	—	15,838
Purchase of treasury stock.....	—	—	—	—	(132)	(132)	—	—	—	(132)
Net changes of items other than those in shareholders' equity.....	—	—	—	—	—	—	(8,322)	12	(8,310)	(8,310)
<b>Balance as of March 31, 2011</b> .....	<b>45,625</b>	<b>\$79,927</b>	<b>\$65,965</b>	<b>\$344,978</b>	<b>\$(7,119)</b>	<b>\$483,764</b>	<b>\$ (216)</b>	<b>\$ (0)</b>	<b>\$ (216)</b>	<b>\$483,535</b>

See Notes to Non-Consolidated Financial Statements.

## Non-Consolidated Statements of Cash Flows

TSUKISHIMA KIKAI CO., LTD.  
Years ended March 31, 2011 and 2010

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Cash flows from operating activities:</b>			
Income before income taxes .....	¥ 1,549	¥1,026	\$ 18,628
Adjustments for:			
Depreciation and amortization .....	1,176	1,286	14,143
Increase (decrease) in provision for post-employment benefits.....	54	(1,175)	649
Increase (decrease) in accrued bonus to employees .....	53	7	637
Increase (decrease) in reserve for retirement payments to officers.....	—	(235)	—
Increase (decrease) in allowance for doubtful accounts .....	(258)	170	(3,102)
Increase (decrease) in accrued warranty .....	358	(823)	4,305
Increase (decrease) in reserve for losses on contracts .....	66	142	793
Interest and dividend income.....	(1,001)	(682)	(12,038)
Interest expenses.....	1	1	12
Loss (gain) on sales and disposal of property, plant and equipment.....	17	23	204
Loss on adjustment for changes of accounting standard for asset retirement obligations.....	57	—	685
Loss (gain) on sales of investments in securities .....	(11)	(0)	(132)
Write-down of investments in securities.....	—	1	—
(Increase) decrease in notes and accounts receivable .....	4,310	6,798	51,834
Increase (decrease) in advances received.....	191	401	2,297
(Increase) decrease in inventories.....	1,071	679	12,880
Increase (decrease) in accounts payable, trade.....	(3,139)	(1,440)	(37,751)
Other .....	(17)	(539)	(204)
Subtotal .....	4,481	5,641	53,890
Interest and dividend income received .....	1,001	683	12,038
Interest expenses paid .....	(1)	(1)	(12)
Income taxes (paid) refund .....	(345)	164	(4,149)
Net cash provided by (used in) operating activities.....	5,136	6,487	61,767
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment.....	(217)	(284)	(2,609)
Proceeds from sales of property, plant and equipment.....	0	3	0
Purchase of intangible fixed assets .....	(103)	(78)	(1,238)
Purchase of investments in securities .....	(166)	(1,208)	(1,996)
Proceeds from sales of investments in securities.....	126	0	1,515
Payments for loans receivable .....	(970)	(880)	(11,665)
Collection of loans receivable .....	940	300	11,304
Other .....	(9)	(2)	(108)
Net cash provided by (used in) investing activities .....	(400)	(2,149)	(4,810)
<b>Cash flows from financing activities:</b>			
Proceeds from long-term loans payable .....	200	—	2,405
Repayments of long-term loans payable .....	(67)	(66)	(805)
Repayments of lease obligations.....	(15)	(4)	(180)
Additions of treasury stock.....	(11)	(528)	(132)
Cash dividends paid .....	(667)	(676)	(8,021)
Net cash provided by (used in) financing activities.....	(562)	(1,276)	(6,758)
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>4,173</b>	<b>3,061</b>	<b>50,186</b>
<b>Cash and cash equivalents at beginning of period (Notes 2, 4).....</b>	<b>8,224</b>	<b>5,163</b>	<b>98,905</b>
<b>Cash and cash equivalents at end of period (Notes 2, 4).....</b>	<b>¥12,398</b>	<b>¥8,224</b>	<b>\$149,104</b>

See Notes to Non-Consolidated Financial Statements.

## Notes to Non-Consolidated Financial Statements

### 1. Basis of Presenting Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements have been prepared from the financial statements filed with the Financial Services Agency as required by the Japanese Financial Instruments and Exchange 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 ¥83.15 to \$1, the approximate rate of exchange at March 31, 2011.

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 is computed by the declining balance method over the estimated useful lives of the assets, except for buildings placed in service after April 1, 1998, for which depreciation is computed by 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.

#### (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 loss on disaster**

The Company accrued expenses estimated to be incurred during or after the next fiscal year in order to undertake the restoration of assets damaged due to the disaster by the Great East Japan Earthquake.

**(i) 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.

**(j) 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.

**(k) 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.

**(l) Research and Development Costs**

Research and development costs are charged to income as incurred.

**(m) 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.

**(n) 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.

**(o) Derivative Financial Instruments**

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

### 3. Change in Accounting Policy

#### Asset Retirement Obligations

Effective from the fiscal year ended March 31, 2011, "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008) have been applied.

As a result of this change, operating income was ¥3 million (\$36 thousand) lower, and income before income taxes was ¥60 million (\$721 thousand) lower than under the previous method of accounting.

### 4. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash and time deposits.....	¥ 8,398	¥7,234	\$100,998
Marketable securities.....	4,000	1,000	48,105
Less: time deposits that mature or become due over three months after the date of acquisition.....	—	(10)	—
Cash and cash equivalents.....	¥12,398	¥8,224	\$149,104

### 5. Marketable Securities and Investments in Securities

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of yen			
	2011			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities.....	¥13,590	¥1,773	¥(1,805)	¥13,558
Others.....	4,004	1	—	4,005
	¥17,594	¥1,775	¥(1,805)	¥17,564
Held-to-maturity securities.....	¥ —	¥ —	¥ —	¥ —
	Millions of yen			
	2010			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities.....	¥13,549	¥2,191	¥(1,056)	¥14,684
Others.....	1,004	1	—	1,006
	¥14,553	¥2,193	¥(1,056)	¥15,690
Held-to-maturity securities.....	¥ —	¥ —	¥ —	¥ —

Thousands of U.S. dollars				
<b>2011</b>				
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Securities classified as:</b>				
Available-for-sale:				
Equity securities .....	\$163,439	\$21,322	\$(21,707)	\$163,054
Others.....	48,153	12	—	48,165
	<b>\$211,593</b>	<b>\$21,346</b>	<b>\$(21,707)</b>	<b>\$211,232</b>
Held-to-maturity securities.....	\$ —	\$ —	\$ —	\$ —

## 6. 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, 2011 and 2010 were approximately 0.8 percent and 0.9 percent, respectively.

Long-term loans payable as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans payable, due 2013 .....	¥150	¥ 17	\$1,803
Less: portion due within one year .....	(66)	(17)	(793)
	<b>¥ 83</b>	<b>¥ —</b>	<b>\$ 998</b>

Lease obligations as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current.....	¥ 64	¥ 4	\$ 769
Non-current .....	201	14	2,417
	<b>¥266</b>	<b>¥19</b>	<b>\$3,199</b>

The following assets were pledged as collateral.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Investments in securities	¥ 5	¥ —	\$ 60
Stocks of subsidiaries and affiliates and long-term loans receivable from subsidiaries and affiliates.....	215	235	2,585
	<b>¥220</b>	<b>¥235</b>	<b>\$2,645</b>

Interest rates of long-term loans payable as of March 31, 2011 and 2010 were approximately 0.75 percent and 1.39 percent, respectively.

## 7. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2011 and 2010 amounted to ¥806 million (\$9,693 thousand) and ¥936 million, respectively.

## 8. 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:

	2011	2010
Statutory tax rate.....	<b>40.7%</b>	40.7%
Expenses not deductible for tax purposes.....	<b>6.2</b>	11.1
Non-taxable dividend income.....	<b>(22.2)</b>	(21.2)
Per capita levy of inhabitant taxes.....	<b>1.3</b>	1.9
Valuation allowance.....	<b>(1.9)</b>	4.8
Other—net.....	<b>(9.1)</b>	9.8
Effective tax rate.....	<b>15.0%</b>	47.1%

Deferred tax assets and liabilities at March 31, 2011 and 2010 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Deferred tax assets:</b>			
Accrued cost of sales.....	¥ 300	¥ 258	\$3,607
Reserve for losses on contracts.....	85	57	1,022
Accrued warranty.....	540	394	6,494
Provision for post-employment benefits.....	1,085	1,062	13,048
Accrued bonus to employees.....	251	229	3,018
Tax loss carryforward.....	1,573	2,272	18,917
Allowance for doubtful accounts.....	75	177	901
Long-term accounts payable-other.....	338	422	4,064
Others.....	534	590	6,422
Less: valuation allowance.....	(289)	(318)	(3,475)
Total deferred tax assets.....	<b>¥4,496</b>	¥ 5,148	<b>\$54,070</b>
<b>Deferred tax liabilities:</b>			
Reserve for deferred gains on sales of fixed assets for tax purposes.....	¥(1,341)	¥(1,353)	\$(16,127)
Net unrealized gains on available-for-sale securities.....	—	(462)	—
Total deferred tax liabilities.....	<b>(1,341)</b>	(1,816)	<b>(16,127)</b>
Net deferred tax assets (liabilities).....	<b>¥ 3,154</b>	¥ 3,331	<b>\$ 37,931</b>

## 9. Contingent Liability

The Company was contingently liable for the following items:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Guarantees for indebtedness of subsidiaries and employees .....	<b>¥879</b>	¥1,285	<b>\$10,571</b>

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

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

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Exchange gain (loss) .....	<b>¥ (9)</b>	¥ (1)	<b>\$ (108)</b>
Depreciation of prepaid expenses.....	—	(3)	—
Reversal of allowance for doubtful accounts.....	<b>255</b>	70	<b>3,066</b>
Other, net.....	<b>(21)</b>	(47)	<b>(252)</b>
	<b>¥224</b>	¥ 17	<b>\$2,693</b>

## 11. 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, 2011, was approved at the Board of Directors meeting held on May 25, 2011.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥8.00 (\$0.09) per share .....	<b>¥356</b>	<b>\$4,281</b>

## 12. 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, 2011 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Tools, furniture and fixtures .....	¥ 10	¥ 10	\$ 120
Other assets.....	18	18	216
Less: accumulated depreciation.....	(20)	(16)	(240)
	¥ 7	¥ 12	\$ 84

Obligations under finance leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year.....	¥4	¥ 4	\$48
Due after one year.....	3	7	36
	¥7	¥12	\$84

Total rental expenses for the above leases were ¥4 million (\$48 thousand) and ¥4 million for the years ended March 31, 2011 and 2010, respectively.

The pro forma depreciation expense computed by the straight-line method was ¥4 million (\$48 thousand) and ¥4 million for the years ended March 31, 2011 and 2010, 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 AUDITORS' 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, 2010 and 2011, and the related non-consolidated statements of income, changes in net assets and cash flows for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tsukishima Kikai Co., Ltd. as of March 31, 2010 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

### Supplemental Information:

As described in Note 3 of the notes to non-consolidated financial statements, effective from the fiscal year ended March 31, 2011, "Accounting Standard for Asset Retirement Obligations" and "Guidance on Accounting Standard for Asset Retirement Obligations" have been applied.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers, have been translated on the basis set forth in Note 1 of the notes to non-consolidated financial statements.

*Inoue Auditing Co., Inc.*

Inoue Auditing Co., Inc.

Tokyo, Japan  
June 29, 2011

## CORPORATE DATA (As of march 31, 2011)

<b>Company name</b>	TSUKISHIMA KIKAI CO., LTD
<b>Established</b>	August 1905
<b>Fiscal year</b>	From April 1 to March 31
<b>Capital stock</b>	¥6,646,801,824
<b>Number of employees</b>	620
<b>Stock listing</b>	Tokyo Stock Exchange and Osaka Securities Exchange
<b>Common stock</b>	Authorized: 180,000,000 shares Issued: 45,625,800 shares
<b>Number of shareholders</b>	5,004
<b>Transfer agent</b>	Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

### Overseas

#### Offices

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

#### Group Companies

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

## CORPORATE HISTORY

<b>1905 August</b>	Densaku Kuroita founded Tokyo Tsukishima Kikai Seisakusho.
<b>1917 May</b>	Tsukishima Kikai Co., Ltd. incorporated.
<b>1937 September</b>	Daini Tsukishima Kikai, Co., Ltd. in Tsurumi-ku, Yokohama City, merged.
<b>1944 March</b>	The company merged with Tsukishima Kikai Chuko Co., Ltd.
<b>1949 May</b>	Stock listed on the Tokyo Stock Exchange.
<b>1961 September</b>	Stock listed on the Second Section of the Osaka Securities Exchange.
<b>October</b>	A laboratory built within the Tsukudajima Factory to strengthen research and development.
<b>1962 April</b>	Tsukishima Kikai Engineer Training Center created.
<b>1976 January</b>	The Ichikawa Factory began its operations.
<b>1977 July</b>	The Ichikawa Factory acquired the ASME (American Society of Mechanical Engineers) certificate.
<b>1991 February</b>	TSK Engineering Malaysia Sdn. Bhd. was founded.
<b>1993 April</b>	TSK Engineering (Thailand) Co., Ltd. was founded.
<b>1994 November</b>	TSK Engineering Taiwan Co., Ltd. was founded.
<b>1996 October</b>	The company acquired ISO 9001.
<b>2000 June</b>	The company acquired ISO 14001.
<b>October</b>	Environmental Technology Development Center opened.
<b>November</b>	Tsukishima Techno Maintenance Service Co., Ltd., a company whose parent organization is Tsukishima Maintenance Co., Ltd., was founded.
<b>2001 December</b>	Tsukishima Techno Machinery Co., Ltd. was founded.
<b>2003 June</b>	Electron beam welding equipment, one of the biggest in Japan, installed at the Ichikawa Factory.
<b>December</b>	Tsukishima Techno Solution Co., Ltd. was founded.
<b>2004 January</b>	Kanuma Kankyo Bika Center changed its name to Sun Eco Thermal Co., Ltd.
<b>2005 March</b>	The company acquired the management rights of Nittetsu Chemical Engineering Ltd.
<b>2006 April</b>	Nittetsu Chemical Engineering Ltd. changed its name to Tsukishima Kankyo Engineering Ltd.
<b>2008 December</b>	The Company absorbed Tsukishima Real Estate Co., Ltd., formerly a non-consolidated subsidiary.

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