MKK

Annual Report 2016

For the year ended March 31, 2016

MITSUBISHI KAKOKI KAISHA, LTD.

Profile

Since its establishment in 1935 as a manufacturer of chemical plant equipment, Mitsubishi Kakoki Kaisha, Ltd. (MKK) has met the diversified needs of industries in the fields of energy, chemicals, foodstuffs, pharmaceuticals, air purification, and water and waste treatment. As an integrated engineering corporation, MKK has greatly contributed to the promotion of industrial prosperity.

MKK is furthering societal change by promoting the efficient use of resources and energy, the ongoing development of fine chemicals, and the refining of biotechnological and environmental technologies.

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Financial Highlights (Consolidated)

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31

	Millions of yen			Thousands of U.S. dollars*
For the year ended March 31	**2016**	2015	2014	**2016**
Net sales	**¥39,300**	¥34,744	¥35,472	**$348,784**
Income (loss) before income taxes and minority interests	**1,557**	2,068	(1,897)	**13,825**
Net income (loss)	**1,150**	2,024	(3,718)	**10,212**
Orders received	**42,702**	32,676	36,063	**378,968**
As of March 31				
Total assets	**¥41,211**	¥45,225	¥41,411	**$365,737**
Net assets	**15,813**	16,757	13,545	**140,339**
Backlog of orders	**22,852**	19,451	21,519	**202,809**

Summary of Sales by Product	**Net Sales**			**Orders Received**		
	Millions of yen		Thousands of U.S. dollars*	Millions of yen		Thousands of U.S. dollars*
	2016	2015	**2016**	**2016**	2015	**2016**
Engineering	**¥26,145**	¥22,812	**$232,036**	**¥29,091**	¥20,263	**$258,180**
Machinery	**13,155**	11,931	**116,747**	**13,610**	12,412	**120,788**
Total	**¥39,300**	¥34,744	**$348,784**	**¥42,702**	¥32,676	**$378,968**
Exports**	**¥ 5,571**	¥ 3,318	**$ 49,445**	**¥ 9,488**	¥ 3,764	**$ 84,203**
included in Total	**14.2%**	9.6%		**22.2%**	11.5%	

* U.S. dollar amounts have been translated from yen, for convenience only, at ¥112.68=U.S. $1, the approximate rate of exchange prevailing on March 31, 2016.

** Exports include sales to and orders received from foreign customers through trading companies.

Report to Our Stockholders

Business Environment and Business Results

The Japanese economy during the fiscal year ended March 31, 2016 remained sluggish as an economic downturn in China and emerging countries as well as increasing geopolitical risks including repeated terrorist attacks resulted in growing uncertainty about the outlook of the overseas economy and the rapid appreciation of the yen since the beginning of the year led to a slowdown in private capital expenditure as well as stagnant consumer spending, despite improvement in corporate earnings and the employment and income environment against the backdrop of a series of policies taken by the Japanese government and the Bank of Japan.

Under these circumstances, the Mitsubishi Kakoki Kaisha, Ltd. (MKK) Group took steps to bolster the volume of orders and endeavored to improve process and cost management in completing construction work and manufacturing machinery while making efforts to enhance customer satisfaction through strict quality control. In addition to exerting our full efforts toward expanding our growth areas such as hydrogen stations, biogas, and apparatuses that comply with marine environment-protection regulations for ships, we promoted streamlining of our operations and curtailment of various expenses with the aim of enhancing our financial position.

As a result, total orders received on a consolidated basis during the fiscal year under review increased both in the Engineering Operations and the Machinery Operations by 30.7% over the previous fiscal year to ¥42,702 million.

Sales posted an increase of 13.1% from the previous fiscal year's level to ¥39,300 million on the back of an increase in orders received.

At the level of profit and loss, the Group posted operating income of ¥1,782 million (compared with an operating income of ¥1,691 million for the previous fiscal year) as an increase in net sales more than offset an increase in investment in growth areas such as hydrogen including research and development costs, etc. Meanwhile, the Group recorded an ordinary income of ¥1,557 million (compared with an ordinary income of ¥2,068 million for the previous fiscal year) due mainly to foreign exchange loss on assets denominated in foreign currencies. The Group posted profit attributable to owners of parent of ¥1,150 million (compared with profit attributable to owners of parent of ¥2,024 million for the previous fiscal year).

On a non-consolidated basis, for the fiscal year under review Mitsubishi Kakoki Kaisha, Ltd. recorded orders worth ¥34,357 million (up 35.2% year on year), sales of ¥31,751 million (up 13.6% year on year), operating income of ¥1,721 million (compared with an operating income of ¥1,695 million for the previous fiscal year), ordinary income of ¥1,530 million (compared with an ordinary income of ¥1,802 million for the previous fiscal year), and net income of ¥1,200 million (compared with net income of ¥1,692 million for the previous fiscal year).

In determining its period-end dividend, Mitsubishi Kakoki Kaisha, Ltd. took into consideration a broad spectrum of factors including its performance for the fiscal year under review, the Company's assessment of future operating conditions, and its financial position. On this basis, the Company has declared a period-end dividend of ¥5.00 per share.

Issues Facing the Group

While there are good reasons to hope that the Japanese economy will stage a gradual recovery in the near future, the situation is likely to remain unpredictable as signs of a decline in corporate earnings have emerged against the backdrop of a deterioration in business sentiment due to the slowdown of emerging economies and the appreciation of the yen, concerns over the postponing of capital investment are mounting, and consumer spending remains sluggish reflecting increasing uncertainty over the economic outlook.

Under these circumstances, the MKK Group formulated its three-year medium-term management plan by setting fiscal 2016 as the first year of the plan with the aim of clarifying medium to long-term goals and achieving sustainable growth and enhancement of corporate value. This medium-term management plan consists primarily of investment in growth areas of the next-generation and establishment of a management foundation for the future. The main points of the basic policies by business segment are as follows.

In the Engineering Operations, based on our "engineering technologies and know-how" accumulated through the significant number of construction projects we have been involved in both in Japan and overseas, we will secure and expand the volume of orders for a wide variety of plant and equipment by capturing detailed customer needs promptly while reinforcing our capability for overseas projects. When implementing construction projects on hand, we will ensure that delivery dates are rigorously observed in order to enhance customer satisfaction. In respect to the hydrogen business, which has been positioned as one of our growth areas, we will aim to expand our market share in hydrogen stations and hydrogen generators while taking further steps to establish new technologies by capitalizing on our hydrogen-related insights, experience, technologies and track record cultivated thus far. In the field of biogas, another growth area, we will strengthen measures related to sludge solubilization apparatuses and biogas hydrogen generators. Furthermore, by establishing a new organization in order to respond to significant changes in the energy industry such as deregulation of the electricity and gas industries, we will take further steps to establish new technologies related to overall energy business and cultivate new projects.

In the Machinery Operations, based on our "solid technologies rooted in our manufacturing expertise and strict quality management skills" that we have cultivated as a manufacturer, we intend to secure and expand the volume of orders for a wide variety of machinery. With regard to Mitsubishi Oil Purifiers, our mainstay product, we will aim to further expand market shares for vessels both in Japan and overseas while taking measures to expand into the chemicals, food and electronic materials fields. In respect to apparatuses that comply with marine environment-protection regulations for ships, we will endeavor to promote sales by adequately responding to regulations and market trends in the future. As for various types of stand-alone machinery, we will meet customer needs through proposal-oriented sales activities in order to secure and expand the volume of orders. In particular, we will focus on the sales expansion of our existing seawater intake screening equipment as well as the development, etc. of precision filters for electronic materials field, which are expected to grow in the future as new products and technologies.

In parallel with this, we will seek further improvement in Group-wide business efficiency and reduce indirect costs to enhance the Group's financial structure. We will also foster human resource development and the management of our technologies and skills and their transfer to younger employees to maintain and improve our technological capabilities, while proactively making development investments in the growth fields to accelerate the development of new products and technologies. Through these measures, our Group will enhance its corporate competitiveness.

In addition to the above, as a corporate group engaged in the construction of facilities and the operation of machinery, we pledge to focus even more effort on ensuring safety in all our business endeavors. At the same time we aim to be trusted by the wider community, and to that end will work continuously to ensure full compliance with laws and regulations, and to operate our internal control system in conformity with the stipulations of the Japanese Companies Act and Financial Instruments and Exchange Act. We will also work to further enhance our corporate governance.

I sincerely request the continued support and encouragement of our stockholders in our ongoing efforts.

June 29, 2016

高木紀一

Toshikazu Takagi
President

Review of Operations

Engineering Operations

In the Engineering Operations, the MKK Group endeavored to secure orders for a wide variety of plant and equipment to private-sector customers as well as individually-tailored sewage treatment equipment, mainly to public authorities.

With regard to hydrogen and biogas, which have been designated as our growth areas, in particular, we exerted our full efforts toward expanding the volume of orders for the construction of hydrogen stations while continuing experimental studies for "Hydrogen Energy Generation Technology Using Sewage Biogas as a Raw Material" which had started in the previous fiscal year, and investing in the reinforcement and expansion of the business including research and development costs. Overseas, we cultivated plant projects for Japanese companies in Southeast Asia.

The value of orders received rose by 43.6% over the previous fiscal year's ¥20,263 million to ¥29,091 million due to the increase in construction work for hydrogen stations and large-scale plant projects in Japan as well as the acquisition of plant projects for overseas customers.

Sales increased by 14.6% from the previous fiscal year's ¥22,812 million to ¥26,145 million, reflecting the contribution to sales made by construction orders received in prior terms as well as the increase in orders received.

Machinery Operations

In the Machinery Operations, the MKK Group worked to secure orders through the promotion of sales of Mitsubishi Oil Purifiers, which are one of our mainstay products, as well as the cultivation of projects for various types of stand-alone machinery. Cumulative total production of Mitsubishi Oil Purifiers reached 100,000 units in February 2016. With respect to apparatuses that comply with marine environment-protection regulations for ships, which have been designated as one of our growth areas, we delivered the first unit of an exhaust gas treatment system (SOx Scrubber).

Orders received rose by 9.7% over the previous fiscal year's ¥12,412 million to ¥13,610 million, thanks to the successful winning of contracts for our mainstay Mitsubishi Oil Purifiers and various types of stand-alone machinery.

Sales increased by 10.3% from the previous fiscal year's ¥11,931 million to ¥13,155 million.

	2016	2015
Orders Received		
Engineering (%)	**68.1**	62.0
Machinery (%)	**31.9**	38.0
Total (millions of yen)	**¥42,702**	¥32,676
Net Sales		
Engineering (%)	**66.5**	65.7
Machinery (%)	**33.5**	34.3
Total (millions of yen)	**¥39,300**	¥34,744

Major Products of MKK Group

Engineering

Town Gas Production Plant, ICI Naphtha Reforming Plant, CRG (Catalytic Rich Gas) Plant, SNG (Substitute Natural Gas) Plant, LNG Satellite Plant/LNG Vaporizer, Coke Oven Gas Desulfurization Plant, Coke Oven Gas Treating Plants, Coal Gasification Plants, Petroleum Related Plant, Sulfur Recovery/Tail Gas Processing Plant, Thermal Cracking Plant, Hydrodesulfurization Plant, Hydrogen Plant, Cryogenic Air Separation Plant, Supercritical Fluid Extraction System, Chromatographic Separation System, Detergent Plant, Pharmaceutical Plant, Glucose Plant, Superpure Chemical Plant (EL grade), Cultivation/Fermentation Plant, Ultra Filtration Membrane Plant, Reverse Osmosis Membrane Plant, Sulfuric Acid Plant, Methanol/Formalin Synthesis Plant, Hydrogen Generation Plant, Nitrogen Generation Plant, CO Separation/Refining Plant, Resin Plant, Butanol Plant, Synthetic Glycerin Plant, Propylene Glycol Plant, Phenol Plant, Engineering Plastics Plant, Food Processing Plant, Meat Processing Plant, Thawing Equipment, Continuous Edible Oil Extraction Plant, Edible Oil Refining Plant, Soy Bean Albumin Plant, Microwave Heating Sterilizer, Industrial Waste Treatment Plant, Sewage Treatment Plant, Agricultural/Fishery Waste Water Treatment Facilities, Leachate Treatment Facilities for Final Waste Disposal Plants, Industrial Waste Water Treatment Plant, Recycled Water Utilization Plant, Desalination Plant, Waste Oil Treatment Plant, Flue Gas Desulfurization Plant, Flue Gas NOx Removal Plant, Sludge Processing Plant, Water-Permeable Brick Plant (Sewage Sludge), Municipal Solid Waste Incineration Plant, Industrial Waste Incineration Plant, Deodorizing Facilities

Machinery

Oil Purifier (SJ and OP), Centrifugal Separator, Dryer, Filter, Young Filter (conforming to GMP), Schneider Filter (Rolling Mill Coolant Oil Filter), Belt Dehydrator, Mixer, Cleaners, Concentrator, Strainer, Seawater Intake Screening Equipment, Heat Exchanger, Tower, Vessel, Ballast Water Management System

EY
Building a better
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Independent Auditor's Report

The Board of Directors
Mitsubishi Kakoki Kaisha, Ltd.

We have audited the accompanying consolidated financial statements of Mitsubishi Kakoki Kaisha, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Kakoki Kaisha, Ltd. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

June 29, 2016 Ernst & Young ShinNihon LLC

Consolidated Balance Sheet

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2016**	2015	**2016**
Current assets:			
Cash and bank deposits (Notes 13 and 14)	**¥ 4,734**	¥ 7,557	**$ 42,016**
Notes and accounts receivable, trade (Note 14)	**17,647**	15,884	**156,613**
Finished goods	**761**	751	**6,754**
Work in process	**1,639**	1,757	**14,552**
Raw materials and supplies	**942**	833	**8,360**
Deferred tax assets (Note 18)	**310**	378	**2,756**
Other assets	**1,045**	2,140	**9,275**
Allowance for doubtful accounts	**(0)**	(2)	**(1)**
Total current assets	**27,080**	29,301	**240,328**
Property, plant and equipment (Notes 4 and 5)**:**			
Buildings and structures, net	**2,919**	3,080	**25,909**
Machinery, equipment and vehicles, net	**523**	451	**4,648**
Land	**1,124**	1,124	**9,981**
Other, net	**254**	233	**2,260**
Total property, plant and equipment	**4,822**	4,890	**42,800**
Intangible assets	**350**	416	**3,108**
Investments and other assets:			
Investment securities (Notes 5, 14 and 15)	**8,763**	10,412	**77,776**
Deferred tax assets (Note 18)	**86**	95	**767**
Other assets	**114**	116	**1,013**
Allowance for doubtful accounts	**(6)**	(6)	**(58)**
Total investments and other assets	**8,958**	10,616	**79,499**
Total assets	**¥41,211**	¥45,225	**$365,737**

See accompanying "Notes to Consolidated Financial Statements."

Liabilities and Net Assets	Millions of yen **2016**	 2015	Thousands of U.S. dollars (Note 3) **2016**
Current liabilities:			
Notes and accounts payable, trade (Note 14)	**¥10,088**	¥10,708	**$ 89,533**
Short-term borrowings (Notes 5 and 14)	**—**	4,000	**—**
Current portion of long-term debt	**200**	527	**1,774**
Accrued income taxes	**243**	153	**2,163**
Advances received	**1,014**	749	**9,005**
Accrued bonuses	**606**	547	**5,378**
Accrued bonuses to directors	**16**	6	**148**
Provision for warranties on completed construction	**137**	119	**1,222**
Provision for losses on construction contracts	**19**	1	**169**
Other current liabilities	**1,190**	1,324	**10,561**
Total current liabilities	**13,516**	18,137	**119,957**
Long-term liabilities:			
Long-term debt (Notes 5 and 14)	**2,600**	1,200	**23,074**
Deferred tax liabilities	**1,044**	1,618	**9,268**
Accrued directors' retirement benefits	**111**	213	**986**
Provision for PCB treatment	**17**	17	**150**
Liability for retirement benefits (Note 17)	**7,947**	7,123	**70,529**
Other long-term liabilities	**161**	158	**1,430**
Total long-term liabilities	**11,880**	10,330	**105,440**
Total liabilities	**25,397**	28,467	**225,397**
Shareholders' equity:			
Common stock	**3,956**	3,956	**35,116**
Capital surplus	**4,202**	4,202	**37,299**
Retained earnings	**7,429**	6,673	**65,932**
Treasury stock	**(18)**	(17)	**(164)**
Total shareholders' equity	**15,570**	14,815	**138,183**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**2,878**	4,009	**25,549**
Deferred gains or losses on hedges	**13**	—	**122**
Foreign currency translation adjustments	**(126)**	(303)	**(1,126)**
Accumulated remeasurements of defined benefit plans	**(2,522)**	(1,763)	**(22,389)**
Total accumulated other comprehensive income	**242**	1,941	**2,155**
Total net assets (Note 12)	**15,813**	16,757	**140,339**
Total liabilities and net assets	**¥41,211**	¥45,225	**$365,737**

Consolidated Statement of Operations

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
Fiscal year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	**2016**
Net sales	**¥39,300**	¥34,744	**$348,784**
Cost of sales	**32,268**	28,105	**286,371**
Gross profit	**7,032**	6,639	**62,412**
Selling, general and administrative expenses (Note 8)	**5,250**	4,947	**46,595**
Operating income	**1,782**	1,691	**15,816**
Non-operating income:			
Interest	**1**	2	**15**
Dividends	**240**	240	**2,130**
Gain on foreign exchange	**—**	254	**—**
Other	**15**	57	**136**
Non-operating expenses:			
Interest	**50**	111	**446**
Commission paid	**41**	31	**364**
Loss on foreign exchange	**362**	—	**3,219**
Other	**27**	35	**242**
Ordinary income	**1,557**	2,068	**13,825**
Income before income taxes and non-controlling interests	**1,557**	2,068	**13,825**
Income taxes: (Note 18)			
Current	**312**	161	**2,777**
Deferred	**94**	(117)	**836**
Net income	**1,150**	2,024	**10,212**
Profit attributable to non-controlling interests	**—**	—	**—**
Profit attributable to owners of parent	**¥ 1,150**	¥ 2,024	**$ 10,212**

See accompanying "Notes to Consolidated Financial Statements."

Consolidated Statement of Comprehensive Income

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
Fiscal year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	**2016**
Net income	**¥1,150**	¥2,024	**$ 10,212**
Other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	**(1,130)**	1,486	**(10,033)**
Deferred gains (losses) on hedges	**13**	—	**122**
Foreign currency translation adjustments	**176**	(159)	**1,569**
Remeasurements of defined benefit plans	**(758)**	308	**(6,735)**
Total other comprehensive income (loss)	**(1,698)**	1,635	**(15,076)**
Comprehensive income (loss)	**¥ (548)**	¥3,659	**$ (4,864)**
Total comprehensive income (loss) attributable to:			
Comprehensive income (loss) attributable to owners of parent	**¥ (548)**	¥3,659	**$ (4,864)**
Comprehensive income (loss) attributable to non-controlling interests	**¥ —**	¥ —	**$ —**

See accompanying "Notes to Consolidated Financial Statements."

Consolidated Statement of Changes in Net Assets

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
Fiscal year ended March 31, 2016

	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Total net assets
Balance at April 1, 2014	¥3,956	¥4,202	¥5,096	¥(17)	¥13,239	¥ 2,522	¥—	¥(144)	¥(2,072)	¥ 306	¥13,545
Cumulative effects of changes in accounting policies			(447)		(447)					—	(447)
Restated balance at April 1, 2014	3,956	4,202	4,649	(17)	12,791	2,522	—	(144)	(2,072)	306	13,098
Changes during the year:											
Dividends of surplus					—					—	—
Net profit attributable to owners of parent			2,024		2,024					—	2,024
Purchase of treasury stock				(0)	(0)					—	(0)
Net changes in items other than those in shareholders' equity					—	1,486	—	(159)	308	1,635	1,635
Total changes during the year	—	—	2,024	(0)	2,024	1,486	—	(159)	308	1,635	3,659
Balance at April 1, 2015	3,956	4,202	6,673	(17)	14,815	4,009	—	(303)	(1,763)	1,941	16,757
Cumulative effects of changes in accounting policies					—						—
Restated balance at April 1, 2015	**3,956**	**4,202**	**6,673**	**(17)**	**14,815**	**4,009**	**—**	**(303)**	**(1,763)**	**1,941**	**16,757**
Changes during the year:											
Dividends of surplus			**(395)**		**¥(395)**					**—**	**(395)**
Net profit attributable to owners of parent			**1,150**		**1,150**					**—**	**1,150**
Purchase of treasury stock				**(0)**	**(0)**					**—**	**(0)**
Net changes in items other than those in shareholders' equity					**—**	**(1,130)**	**13**	**176**	**(758)**	**(1,698)**	**(1,698)**
Total changes during the year	**—**	**—**	**755**	**(0)**	**754**	**(1,130)**	**13**	**176**	**(758)**	**(1,698)**	**(944)**
Balance at March 31, 2016	**¥3,956**	**¥4,202**	**¥7,429**	**¥(18)**	**¥15,570**	**¥ 2,878**	**¥13**	**¥(126)**	**¥(2,522)**	**¥ 242**	**¥15,813**

	Thousands of U.S. dollars (Note 3)										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Total net assets
Balance at April 1, 2015	$35,116	$37,299	$59,228	$(157)	$131,487	$ 35,582	$ —	$(2,696)	$(15,653)	$ 17,232	$148,719
Cumulative effects of changes in accounting policies											
Restated balance at April 1, 2015	**35,116**	**37,299**	**59,228**	**(157)**	**131,487**	**35,582**	**—**	**(2,696)**	**(15,653)**	**17,232**	**148,719**
Changes during the year:											
Dividends of surplus			**(3,508)**		**(3,508)**						**(3,508)**
Net profit attributable to owners of parent			**10,212**		**10,212**						**10,212**
Purchase of treasury stock				**(6)**	**(6)**						**(6)**
Net changes in items other than those in shareholders' equity					**—**	**(10,033)**	**122**	**1,569**	**(6,735)**	**(15,076)**	**(15,076)**
Total changes during the year	**—**	**—**	**6,703**	**(6)**	**6,696**	**(10,033)**	**122**	**1,569**	**(6,735)**	**(15,076)**	**(8,379)**
Balance at March 31, 2016	**$35,116**	**$37,299**	**$65,932**	**$(164)**	**$138,183**	**$ 25,549**	**$122**	**$(1,126)**	**$(22,389)**	**$ 2,155**	**$140,339**

See accompanying "Notes to Consolidated Financial Statements."

Consolidated Statement of Cash Flows

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
Fiscal year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	**2016**
Cash flows from operating activities			
Income before income taxes and non-controlling interests	**¥ 1,557**	¥ 2,068	**$ 13,825**
Depreciation and amortization	**614**	597	**5,451**
Increase (decrease) in allowance for doubtful accounts	**(2)**	(1)	**(21)**
Increase (decrease) in accrued bonuses	**58**	165	**521**
Increase (decrease) in accrued bonuses to directors	**9**	6	**86**
Increase (decrease) in provision for warranties on completed construction	**18**	(212)	**166**
Increase (decrease) in provision for losses on construction contracts	**17**	1	**158**
Increase (decrease) in provision for directors' retirement benefits	**(101)**	(40)	**(904)**
Increase (decrease) in provision for PCB treatment	**—**	(3)	**—**
Increase (decrease) in liability for retirement benefits	**65**	(105)	**579**
Interest and dividends income	**(241)**	(243)	**(2,145)**
Interest expense	**50**	111	**446**
Foreign exchange gains (losses)	**307**	(252)	**2,731**
Decrease (increase) in notes and accounts receivable, trade	**(1,774)**	(1,669)	**(15,744)**
Decrease (increase) in inventories	**(0)**	(241)	**(2)**
Decrease (increase) in advance payments	**4**	88	**43**
Increase (decrease) in notes and accounts payable, trade	**(608)**	3,080	**(5,397)**
Increase (decrease) in advances received	**268**	409	**2,382**
Other, net	**834**	(600)	**7,410**
Subtotal	**1,080**	3,160	**9,588**
Interest and dividends received	**241**	243	**2,145**
Interest paid	**(50)**	(111)	**(443)**
Income taxes paid	**(230)**	(61)	**(2,046)**
Net cash provided by operating activities	**1,041**	3,230	**9,244**
Cash flows from investing activities			
Purchases of property, plant and equipment	**(328)**	(348)	**(2,914)**
Proceeds from sales of investment securities	**0**	—	**5**
Purchases of investment securities	**(7)**	(6)	**(62)**
Long-term loans made	**(2)**	—	**(17)**
Collection of long-term loans receivable	**3**	27	**28**
Payments for investments in capital of subsidiaries and associates	**(74)**	—	**(656)**
Other, net	**(0)**	57	**(2)**
Net cash used in investing activities	**(407)**	(269)	**(3,619)**
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	**(4,000)**	(4,000)	**(35,498)**
Proceeds from long-term loans payable	**1,600**	—	**14,199**
Repayments of long-term loans payable	**(527)**	—	**(4,676)**
Repayments of lease obligations	**(17)**	(15)	**(158)**
Cash dividends paid	**(395)**	—	**(3,508)**
Purchase of treasury stock	**(0)**	(0)	**(6)**
Net cash used in financing activities	**(3,340)**	(4,015)	**(29,649)**
Effect of exchange rate changes on cash and cash equivalents	**(116)**	57	**(1,031)**
Increase (decrease) in cash and cash equivalents	**(2,823)**	(996)	**(25,055)**
Cash and cash equivalents at beginning of the year	**7,556**	8,553	**67,062**
Cash and cash equivalents at end of the year (Note 13)	**¥ 4,733**	¥ 7,556	**$ 42,007**

See accompanying "Notes to Consolidated Financial Statements."

Notes to Consolidated Financial Statements

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries

1. Summary of Significant Accounting Policies

(a) Basis of presentation

Mitsubishi Kakoki Kaisha, Ltd. (the "Company") and its consolidated subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS), and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Figures are rounded down to the nearest million yen and the nearest thousand dollars.

(b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly by the Company. All significant intercompany balances and transactions have been eliminated in consolidation. As of March 31, 2016, the number of consolidated subsidiaries was 4 (4 in 2015).

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or loss. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Consolidated subsidiary, MKK Asia Co., Ltd is consolidated using its financial statements as of its fiscal year end, which falls on December 31 and necessary adjustments are made to its financial statements to reflect any significant transactions from January 1 to March 31.

(c) Securities

Other securities with market quotations are stated at fair value based on market prices on the balance sheet date (Unrealized gains/losses on these securities are included in net assets, net of applicable income taxes and costs of the securities are determined by the period-average method).

Other securities without market quotations are stated at cost determined by the period-average method.

(d) Derivatives

Derivatives are stated at fair value.

(e) Inventories

Finished goods, raw materials and supplies are valued at cost, determined by the moving-average method. Work in process is valued at cost determined by the specific identification method. The book value is written down based on any decline in profitability.

(f) Depreciation and amortization

Property, plant and equipment (excluding leased assets) are depreciated by the declining-balance method. However, buildings and structures acquired on and after April 1, 1998 (excluding attached facilities) are depreciated by the straight-line method.

Principal estimated useful lives are presented as follows:

Buildings and structures	31 to 50 years
Machinery, equipment and vehicles	4 to 9 years

Intangible assets are amortized by the straight-line method. Internal-use software is amortized over the useful life of 5 years.

Leased assets are depreciated by the straight-line method, in which the lease term is used as the useful lives with a residual value of zero.

(g) Allowance for doubtful accounts

Provision is made for doubtful accounts in preparation for possible losses on accounts receivable and loans based on historical default rates. Regarding receivables whose recoverability is deemed doubtful, additional provision is made in the expected uncollectible amounts, considering the specific circumstances.

(h) Accrued bonuses

Accrued bonuses are provided for the future payment of employees' bonuses in the amount attributable to the fiscal year.

(i) Accrued bonuses to directors

Accrued directors' bonuses are provided for the future payment of directors' bonuses.

(j) Provision for warranties on completed construction

Provision for warranties on completed construction is provided for future estimated repair costs which may be required for completed construction after delivery of plants, estimated based on past experience over the latest two years.

(k) Provision for losses on construction contracts

Provision for losses on construction contracts is provided based on an estimate of the total losses which can be anticipated in respect of construction projects on which are expected to generate losses and losses can reasonably be estimated.

(l) Accrued directors' retirement benefits

Provision for directors' retirement benefits is made for the estimated amounts as of the year end based on an internal regulations to prepare for expenditures on retirement of directors and corporate auditors.

(m) Provision for PCB treatment

Provision is made in preparation for expenditures on treatment of polychlorinated biphenyl (PCB) and at the amount of such expenses expected to be incurred.

(n) Accounting method for retirement benefits

1) Periodic allocation method for projected retirement benefits
In the calculation of the retirement benefit obligation, projected retirement benefits are allocated to the period up to the end of the fiscal year under review according to the straight-line standard.
2) Amortization method for actuarial gain or loss
Actuarial gain or loss is amortized proportionately by the straight-line method over 10 to 13 years, which is the average of the remaining years of service of employees at the time of its recognition in the fiscal year following the fiscal year in which the gain or loss is recognized.

(o) Methods for recognizing revenues and expenses

1) Construction contracts have been accounted for based on the percentage of completion method, if the outcome of the construction contracts can be estimated reliably (the percentage of completion is estimated based on costs).
2) For other construction contracts, the completed-contract method is applied.

(p) Standard for converting important foreign currency assets and liabilities into Japanese yen

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the consolidated statement of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding non-controlling interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments in the consolidated financial statements.

(q) Hedge accounting

The allocation method for foreign currency transactions is applied to foreign exchange contracts that satisfy the requirements for the allocation method.

A special accounting treatment is applied to interest rate swaps that satisfy the requirements for the special accounting treatment.

Hedging instruments and hedged items are as follows:

Foreign exchange forward contracts for imports and exports

Interest rate swaps for interest on borrowings

Hedging policies:

Derivative transactions are strictly limited to transactions backed by actual demand, aiming to mitigate currency fluctuations risks on transactions for imports and exports as well as interest rate fluctuation risks on future interest payments.

Hedge effectiveness evaluation method:

Evaluation of hedge effectiveness is not carried out for interest rate swaps as the special accounting treatment is used. Hedge effectiveness of foreign exchange forward contracts is not evaluated as the substantial terms and conditions of the hedging instruments and hedged items are the same.

(r) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(s) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(t) Change in accounting policy

(Adoption of Accounting Standard for Business Combinations)

The Company and its domestic consolidated subsidiaries adopted "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No.21, September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013), etc., effective from April 1, 2015. As a result, the presentation method of profit attributable to owners of parent was amended, and the reference to "minority interests" was changed to "non-controlling interests." To reflect these changes in presentation, the consolidated financial statements for the year ended March 31, 2015 were reclassified.

(u) Standards issued but not yet effective

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

(1) Outline

When the control over the "Practical Accounting Guidance on Tax Effect Accounting" and the "Practical Audit Guidance on Tax Effect Accounting" (portions related to the accounting treatment) of the Japanese Institute of Certified Public Accountants ("JICPA") was transferred to the ASBJ, the ASBJ reviewed these guidelines, mainly the portions related to the treatment of recoverability of deferred tax assets, by generally following the framework of the JICPA Audit Committee Report No.66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets" whereby companies categorize into five categories and deferred tax assets are calculated based on each of these categories, and made necessary revisions to requirements of categorization and calculation of deferred tax assets. The "Implementation Guidance on Recoverability of Deferred Tax Assets" sets guidelines for applying the "Accounting Standards for Tax Effect Accounting" (issued by the Business Accounting Council) to recoverability of deferred tax assets.

(2) Scheduled date of adoption

The Company will adopt the revised implementation guidance from the fiscal year beginning on April 1, 2016.

(3) Impact of adopting revised implementation guidance

The Company is currently evaluating the effect of adopting the revised implementation guidance on its consolidated financial statements.

2. Changes in Presentation

Consolidated Balance Sheet

"Accrued income" which was presented separately under "Current Assets" on the consolidated balance sheet as of March 31, 2015 was included in "Others" under the same category on the balance sheet as of March 31, 2016 because the amount of the item was immaterial. To reflect this change in presentation, the consolidated financial statements for the year ended March 31, 2015 were reclassified.

As a result, ¥1,790 million, which was presented as "Accrued income" under "Current Assets" on the consolidated balance sheet as of March 31, 2015 was transferred to "Others" under the same category as of March 31, 2016.

3. U.S. Dollar Amounts

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥112.68=U.S.$1, the approximate rate of exchange prevailing at March 31, 2016. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

4. Accumulated Depreciation

Accumulated depreciation of property, plant and equipment as of March 31, 2016 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Accumulated depreciation	**¥10,758**	¥10,498	**$95,474**

5. Short-Term Borrowings and Long-Term Debt

At March 31, 2016 and 2015, short-term borrowings consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2016**	2015	**2016**
Debt with collateral	**¥—**	¥2,730	**$—**
Debt without collateral	**—**	1,270	**—**
	¥—	¥4,000	**$—**

At March 31, 2016 and 2015, long-term debt and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2016**	2015	**2016**
Debt with collateral	**¥ 800**	¥ 727	**$ 7,099**
Debt without collateral	**2,000**	1,000	**17,749**
	¥2,800	¥1,727	**$24,849**

Note: The weighted-average interest rate on long-term borrowings was 1.3%.

The assets pledged as collateral for short-term borrowings of ¥— million ($— thousand) and ¥2,730 million and long-term debt of ¥800 million ($7,099 thousand) and ¥727 million at March 31, 2016 and 2015, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2016**	2015	**2016**
Property, plant and equipment	**¥ 810**	¥ 851	**$ 7,195**
Investment securities	**6,049**	7,581	**53,686**
	¥6,860	¥8,433	**$60,882**

6. Investment Securities of Non-consolidated Susidiaries and Affiliates

Investment securities of non-consolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2016**	2015	**2016**
Investment securities (shares of or capital contributions to non-consolidated subsidiaries and affiliates)	**¥288**	¥214	**$2,557**

7. Commitments

The Company has signed a loan commitment agreement with seven banks for procuring working capital efficiently. The unused balances under this agreement as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2016**	2015	**2016**
Total loan commitment lines	**¥10,000**	¥10,000	**$88,746**
Amount utilized	**—**	4,000	**—**
Balance available	**¥10,000**	¥ 6,000	**$88,746**

8. Selling, General and Administrative Expenses

For the years ended March 31	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Sales commissions	**¥ 194**	¥ 218	**$ 1,725**
Estimated design expenses	**886**	935	**7,864**
Advertising expenses	**46**	46	**413**
Bad debts loss	**0**	0	**0**
Directors' compensations	**248**	219	**2,208**
Employees' salaries and allowances	**1,393**	1,347	**12,364**
Provision for accrued bonuses	**170**	155	**1,517**
Provision for accrued bonuses to directors	**16**	6	**148**
Provision for accrued employees' retirement benefits	**196**	192	**1,739**
Provision for directors' retirement benefits	**54**	42	**479**
Traveling and transportation expenses	**215**	218	**1,914**
Rent expenses	**107**	102	**951**
Depreciation	**130**	136	**1,159**
Research and development costs	**343**	155	**3,049**
Other	**1,245**	1,169	**11,057**
Total selling, general and administrative expenses	**¥5,250**	¥4,947	**$46,595**

9. Provision for Losses on Construction Contracts Included in Cost of Sales

For the years ended March 31	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
	¥17	¥1	**$155**

10. Loss on Valuation of Inventories Included in Cost of Sales

The carrying value of inventories was written down due to a deterioration in profitability. The following loss on valuation of inventories was included in cost of sales for the years ended March 31, 2016 and 2015.

For the years ended March 31	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
	¥(35)	¥26	**$(319)**

11. Consolidated Statement of Comprehensive Income

For the year ended March 31	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Reclassification adjustment and tax effect on other comprehensive income			
Unrealized gain (loss) on available-for-sale securities:			
Amount accrued during the year	**¥(1,728)**	¥1,984	**$(15,338)**
Amount due to reclassification adjustment	**—**	—	**—**
Before adjustment for tax effect	**(1,728)**	1,984	**(15,338)**
Amount of tax effect	**597**	(498)	**5,305**
Unrealized gain (loss) on available-for-sale securities	**(1,130)**	1,486	**(10,033)**
Deferred gains or losses on hedges:			
Amount accrued during the year	**19**	—	**177**
Amount due to reclassification adjustment	**—**	—	**—**
Before adjustment for tax effect	**19**	—	**177**
Amount of tax effect	**(6)**	—	**(54)**
Deferred gains or losses on hedges	**13**	—	**122**
Foreign currency translation adjustments:			
Amount accrued during the year	**176**	(159)	**1,569**
Remeasurements of defined benefit plans:			
Amount accrued during the year	**(1,220)**	(61)	**(10,832)**
Amount due to reclassification adjustment	**461**	369	**4,096**
Before adjustment for tax effect	**(758)**	308	**(6,735)**
Amount of tax effect	**—**	—	**—**
Remeasurements of defined benefit plans	**(758)**	308	**(6,735)**
Total other comprehensive income (loss)	**¥(1,698)**	¥1,635	**$(15,076)**

12. Net Assets

Information regarding changes in net assets for the years ended March 31, 2016 and 2015 is as follows:

(1) Shares issued and outstanding / Treasury stock

For the year ended March 31, 2016

	Thousands of shares			
Types of shares	Number of shares at March 31, 2015	Increase	Decrease	Number of shares at March 31, 2016
Shares issued:				
Common stock	**79,139**	**—**	**—**	**79,139**
Treasury stock:				
Common stock (Note)	**77**	**2**	**—**	**80**

Note: Details of the increase are as follows:

	(thousands of shares)
Increase due to purchase of shares of less than standard unit	2

For the year ended March 31, 2015

	Thousands of shares			
Types of shares	Number of shares at March 31, 2014	Increase	Decrease	Number of shares at March 31, 2015
Shares issued:				
Common stock	79,139	—	—	79,139
Treasury stock:				
Common stock (Note)	77	0	—	77

Note: Detail of the increase is as follows:

	(thousands of shares)
Increase due to purchase of shares of less than standard unit	0

(2) Dividends

1) Dividends paid

For the year ended March 31, 2016

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 26, 2015	**Common stock**	**¥395**	**$3,508**	**Retained earnings**	**¥5.0**	**$0.04**	**March 31, 2015**	**June 29, 2015**

2) Dividends paid with the cut-off date in the year ended March 31, 2016 and the effective date in the year ending March 31, 2017

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2016	**Common stock**	**¥395**	**$3,508**	**Retained earnings**	**¥5.0**	**$0.04**	**March 31, 2016**	**June 30, 2016**

(3) Shareholder’s equity

The Corporation Act of Japan (the “Act”) provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus and retained earnings be transferred to the capital reserve and the legal reserve, respectively until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the board of directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

13. Supplementary Cash Flow Information

Cash and cash equivalents as of March 31, 2016 and 2015 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2016**	2015	**2016**
Cash and bank deposits	**¥4,734**	¥7,557	**$42,016**
Time deposits with maturities of more than three months	**(1)**	(1)	**(8)**
Cash and cash equivalents	**¥4,733**	¥7,556	**$42,007**

14. Financial Instruments

(1) Overview

1) Policies for financial instruments

The Mitsubishi Kakoki Group manages surplus funds through short-term deposits. The Group relies on borrowings from banks and other financial institutions for fund procurement. The Group uses derivative transactions for the purpose of mitigating the risks of interest rate swings and currency fluctuations and does not enter into derivative transactions for speculative purposes.

2) Types of financial instruments and related risks

As trade receivables, notes and accounts receivable are exposed to credit risks of customers.

Shares classified as investment securities are principally the shares of companies with which the Company has business relationships, and are subject to the risk of market fluctuations.

Notes and accounts payable, which are trade payables of the Group, have payment due dates within one year.

Trade receivables and payables denominated in foreign currencies are subject to the risk of fluctuations in exchange rates.

Borrowings consist mainly of funds procured as its working capital. The Group has signed a loan commitment agreement with seven banks for procuring working capital efficiently in the form of short-term borrowings. Borrowings with variable interest rates are exposed to the risks of interest rate fluctuations. The trade payables and loans payable mentioned above are subject to liquidity risk.

3) Risk management for financial instruments

a) Management of credit risk (risk of contractual default or similar by business partners)

The Group applies due date management and outstanding balance management on an individual contract/order basis. Also, in accordance with the Group's credit management regulations, the Group protects against credit risk by investigating the creditworthiness of customers, both on the occasion of initial transactions with a new customer and in relation to continuous transactions.

As the Group limits its choice of partners for derivative transactions to financial institutions with high credit ratings, the Group believes that credit risk of derivatives is insignificant.

b) Management of market risk (risk of fluctuations in exchange rates, interest rates, etc.)

The Group enters into forward foreign exchange contracts to hedge against the risk of losses on trade receivables and payables denominated in foreign currencies as a result of fluctuations in exchange rates. In addition, for certain long-term borrowings (loans payable), the Group uses interest-rate swaps to hedge against the risk of fluctuations in interest rates by locking-in the interest expenses. For investment securities, the Group conducts regular assessments of their market value.

In conducting and managing derivative transactions, in accordance with the internal regulations specifying the authority to conduct such transactions, the head of the unit responsible for handling such transactions must first obtain approval from the officer responsible for handling settlements.

c) Liquidity risk (risk of inability to make payment on the due date)

The Group makes provisions against liquidity risk by various means, including ensuring that all Group companies prepare cash flow plans on a monthly basis.

4) Supplemental explanation of the estimated fair value of financial instruments

The notional amounts of derivatives in note 17 are not necessarily indicative of the actual market risk involved in derivative transactions.

(2) Estimated fair value of financial instruments

Carrying value of financial instruments on consolidated balance sheet as of March 31, 2016 and 2015 and estimated fair value are as presented below. Financial instruments for which it is extremely difficult to determine the fair value are not included in the following table (Refer to (Note 2) below).

	Millions of yen		
As of March 31, 2016	Carrying value	Fair value	Difference
(1) Cash and bank deposits	**¥ 4,734**	**¥ 4,734**	**¥—**
(2) Notes and bank accounts receivable, trade	**17,647**	**17,647**	**—**
(3) Investment securities	**8,448**	**8,448**	**—**
Total assets	**30,829**	**30,829**	**—**
(4) Notes and accounts payable, trade	**10,088**	**10,088**	**—**
(5) Current portion of long-term debt	**200**	**200**	**0**
(6) Long-term debt	**2,600**	**2,613**	**13**
Total liabilities	**12,888**	**12,903**	**14**
(7) Derivative transactions	**¥ 19**	**¥ 19**	**¥—**

As of March 31, 2016	Thousands of U.S. dollars Carrying value	Fair value	Difference
(1) Cash and bank deposits	**$ 42,016**	**$ 42,016**	**$ —**
(2) Notes and accounts receivable, trade	**156,613**	**156,613**	**—**
(3) Investment securities	**74,975**	**74,975**	**—**
Total assets	**273,605**	**273,605**	**—**
(4) Notes and accounts payable, trade	**89,533**	**89,533**	**—**
(5) Current portion of long-term debt	**1,774**	**1,782**	**7**
(6) Long-term debt	**23,074**	**23,196**	**122**
Total liabilities	**114,382**	**114,512**	**129**
(7) Derivative transactions	**$ 177**	**$ 177**	**$ —**

As of March 31, 2015	Millions of yen Carrying value	Fair value	Difference
(1) Cash and bank deposits	¥ 7,557	¥ 7,557	¥—
(2) Notes and accounts receivable, trade	15,884	15,884	—
(3) Investment securities	10,169	10,169	—
Total assets	33,611	33,611	—
(4) Notes and accounts payable, trade	10,708	10,708	—
(5) Short-term borrowings	4,000	4,000	—
(6) Current portion of long-term debt	527	526	(0)
(7) Long-term debt	1,200	1,204	4
Total liabilities	16,435	16,439	3
(8) Derivative transactions*	¥ —	¥ —	¥—

* Derivative net assets and liabilities are recognized on a net basis.

(Note 1)
Methods to determine the estimated fair value of financial instruments, securities and derivative transactions

(1) Cash and bank deposits, and (2) Notes and accounts receivable, trade
Book values are used because they are settled regularly over the short term (less than one year) and fair value approximates book value. The allocation method is applied to the accounting of trade receivable in foreign currency that were hedged by forward foreign exchange contracts (see Note 17). The present values of these trade receivable are calculated by combining them with the corresponding exchange contracts.

(3) Investment securities
The fair value of investment securities is based on quoted market prices.

In addition, for information on securities classified by holding purpose, please refer to Note 15.

(4) Notes and accounts payable, trade
Book values are used because they are settled regularly over the short term (less than one year) and fair value approximates book value. The allocation method is applied to the accounting of trade payables in foreign currency that were hedged by forward foreign exchange contracts (see Note 17). The present values of these trade payables are calculated by combining them with the corresponding exchange contracts.

(5) Current portion of long-term debt, and (6) Long-term debt
The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate assumed for similar borrowings. A special accounting treatment is applied to a long-term debt with a variable interest rate. The fair value of long-term debt under the special accounting treatment is based on the present value of the total of principal and interest under the special accounting treatment discounted by a reasonably estimated interest rate applied to similar borrowings.

(7) Derivative transactions
Please refer to Note 17.

(Note 2)
Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unlisted stocks	**¥315**	¥242	**$2,801**

Because no quoted market price is available and predicting future cash flow requires excessive costs, it is extremely difficult to determine the fair value. The above unlisted stocks are not included in the preceding table.

The maturities of long-term debt are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	**¥ 200**	**$ 1,774**
2018	**1,000**	**8,874**
2019	**—**	**—**
2020 and thereafter	**1,600**	**14,199**
	¥2,800	**$24,849**

15. Securities

(1) Information regarding securities classified as other securities

Other securities

	Millions of yen		
As of March 31, 2016	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	**¥7,918**	**¥3,723**	**¥4,194**
Securities whose acquisition cost exceeds their carrying value:			
Stock	**529**	**589**	**(59)**
Total	**¥8,448**	**¥4,313**	**¥4,134**

Note: Non-marketable securities (carrying value of ¥27 million) are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine their fair value.

	Thousands of U.S. dollars		
As of March 31, 2016	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:	**$70,275**	**$33,048**	**$37,226**
Stock			
Securities whose acquisition cost exceeds their carrying value:			
Stock	**4,700**	**5,230**	**(529)**
Total	**$74,975**	**$38,278**	**$36,696**

Note: Non-marketable securities (carrying value of $243 thousand) are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine their fair value.

	Millions of yen		
As of March 31, 2015	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 9,935	¥4,067	¥5,868
Securities whose acquisition cost exceeds their carrying value:			
Stock	234	239	(4)
Total	¥10,169	¥4,306	¥5,863

Note: Non-marketable securities (carrying value of ¥28 million) are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine their fair value.

(2) Sales of securities classified as other securities and the aggregate gain for the year ended March 31, 2016

	Millions of yen	Thousands of U.S. dollars
For the year ended March 31	**2016**	**2016**
Aggregate gain Stock	**¥0**	**$0**

16. Derivative Transactions

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2016 and 2015, for which hedged accounting has been applied.

(1) Currency-related transactions

	Millions of yen			
	Notional amount			
As of March 31, 2016	Maturing within one year	Maturing after one year	Fair value	Unrealized gain (loss)
Principal Method Forward foreign exchange contracts, accounted for as part of accounts receivable				
Sell				
USD	**¥302**	**¥—**	**¥25**	**¥25**
Buy				
USD	**4**	**—**	**(0)**	**(0)**
SGD	**130**	**—**	**(5)**	**(5)**
Total	**¥436**	**—**	**¥19**	**¥19**
Allocation Method Forward foreign exchange contracts, accounted for as part of accounts receivable				
Sell				
USD	**¥ 41**	**¥—**	**¥ —**	**¥—**

Notes:

1. Calculation of present values
   Present values are calculated based on the prices presented by financial institutions.
2. Forward foreign exchange contracts and other hedging arrangements subject to the allocation method are accounted for together with the hedged trade accounts receivables. Accordingly, their present values are included in the present values of the hedged trade accounts receivable.

	Thousands of U.S. dollars			
	Notional amount			
As of March 31, 2016	Maturing within one year	Maturing after one year	Fair value	Unrealized gain (loss)
Principal Method Forward foreign exchange contracts, accounted for as part of accounts receivable				
Sell				
USD	**$2,685**	**$—**	**$222**	**$222**
Buy				
USD	**36**	**—**	**(0)**	**(0)**
SGD	**1,154**	**—**	**(44)**	**(44)**
Total	**$3,876**	**—**	**$177**	**$177**
Allocation Method Forward foreign exchange contracts, accounted for as part of accounts receivable				
Sell				
USD	**$ 367**	**$—**	**$ —**	**$ —**

(2) Interest-related transactions

As of March 31, 2016	Millions of yen: Notional amount: Maturing within one year	Maturing after one year	Fair value	Unrealized gain (loss)
Interest rate swaps hedging long-term borrowings, accounted for by the special accounting treatment:				
Receive/floating and pay/fixed	**¥—**	**¥2,000**	**¥—**	**¥—**

Note: Because interest rate swaps subject to the special treatment are accounted for with long-term debt, which is hedged, the fair value is included with that of the long-term debt.

As of March 31, 2016	Thousands of U.S. dollars: Notional amount: Maturing within one year	Maturing after one year	Fair value	Unrealized gain (loss)
Interest rate swaps hedging long-term borrowings, accounted for by the special accounting treatment:				
Receive/floating and pay/fixed	**$—**	**$17,749**	**$—**	**$—**

As of March 31, 2015	Millions of yen: Notional amount: Maturing within one year	Maturing after one year	Fair value	Unrealized gain (loss)
Interest rate swaps hedging long-term borrowings, accounted for by the special accounting treatment:				
Receive/floating and pay/fixed	¥—	¥1,000	¥—	¥—

Note: Because interest rate swaps subject to the special treatment are accounted for with long-term debt, which is hedged, the fair value is included with that of the long-term debt.

17. Retirement Benefit Plans

For the year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Summary of the Retirement Benefit Plans Adopted

The Company and its consolidated subsidiaries maintain corporate pension fund plans and lump-sum payment plans as defined benefit plans. In addition, there are instances when supplemental severance payments are made at the time of employee retirement.

The savings-type corporate pension fund plans as defined benefit plans provide a lump-sum payment or annuity according to the participation period.

The non-savings-type lump-sum payment plans provide a salary as a retirement benefit and a lump-sum payment according to the service period.

(2) Defined Benefit Plans

1) The changes in the retirement benefit obligation during the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Beginning balance of retirement benefit obligation	**¥12,340**	¥11,764	**$109,522**
Cumulative effects of changes in accounting policies	**—**	447	**—**
Restated balance	**12,340**	12,211	**109,522**
Service cost	**439**	384	**3,897**
Interest cost	**44**	137	**396**
Actuarial gain or loss	**912**	381	**8,099**
Payment of retirement benefit	**(593)**	(774)	**(5,269)**
Ending balance of retirement benefit obligation	**¥13,143**	¥12,340	**$116,646**

2) The changes in plan assets during the year ended March 31, 2016 and 2015 are as follows:

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Beginning balance of pension plan assets	**¥5,217**	¥4,675	**$46,305**
Expected return on plan assets	**182**	163	**1,617**
Realized actuarial gain or loss	**(307)**	320	**(2,732)**
Contributions from employer	**593**	576	**5,269**
Payment of retirement benefit	**(489)**	(517)	**(4,343)**
Ending balance of pension plan assets	**¥5,196**	¥5,217	**$46,116**

(3) Statement of reconciliation between the funded status of the plans and the amounts recognized in the consolidated balance sheets for the Company's and the consolidated subsidiaries' defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded retirement benefit obligations	**¥ 9,320**	¥ 8,847	**$ 82,720**
Pension plan assets	**(5,196)**	(5,217)	**(46,116)**
	4,124	3,629	**36,603**
Unfunded retirement benefit obligations under the non-savings type	**3,822**	3,493	**33,926**
Net liability for retirement benefits in the consolidated balance sheet	**7,947**	7,123	**70,529**
Liability for retirement benefits	**7,947**	7,123	**70,529**
Net liability for retirement benefits in the consolidated balance sheet	**¥ 7,947**	¥ 7,123	**$ 70,529**

(4) Retirement benefit expenses and breakdown

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥ 439**	¥ 384	**$ 3,897**
Interest cost	**44**	137	**396**
Expected return on plan assets	**(182)**	(163)	**(1,617)**
Amortization of actuarial gain or loss	**461**	369	**4,096**
Retirement benefit expenses for the defined benefit plans	**¥ 763**	¥ 728	**$ 6,773**

(5) Retirement benefits liability adjustments

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Actuarial gain or loss	**¥758**	¥(308)	**$6,735**
Total	**¥758**	¥(308)	**$6,735**

(6) Accumulated remeasurements of defined benefit plans

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized actuarial gain or loss	**¥2,522**	¥1,763	**$22,389**
Total	**¥2,522**	¥1,763	**$22,389**

(7) Items related to pension plan assets

1) The ratio of major categories to the aggregate plan assets is as follows.

	2016	2015
Bond	**34.1%**	33.5%
Stock	**32.4%**	34.5%
General account	**30.4%**	29.3%
Cash and bank deposits	**3.1%**	2.7%
Total	**100.0%**	100.0%

2) Method of determination of the rate of the long-term expected return on plan assets

In the determination of the rate of the long-term expected return on pension plan assets, the current and expected allocation of pension plan assets is considered in addition to the rate of the current and future expected long-term return on various assets constituting the pension plan assets.

(8) Items related to basis of actuarial calculation

Basis of major actuarial calculation as of the end of the fiscal years ended March 31, 2016 and 2015.

	2016	2015
Discount rate	**0.2–0.4%**	1.1–1.2%
Long-term expected return on plan assets	**3.5%**	3.5%
Expected rate of salary increase	**7.7%**	7.7%
Expected rate of election of lump-sum payment	**27.0%**	27.0%

Notes:

1. At the beginning of the current fiscal year, a discount rate of 0.8% to 1.0% was applied. Subsequently at the end of the current fiscal year, the Company reviewed the discount rate. As the Company judged that a change in the discount rate would have a significant effect on retirement benefit obligations, the discount rate was changed to the range from 0.2% to 0.4%.
2. Certain subsidiaries adopted a simplified method in the calculation of their retirement benefit obligations.

18. Income Taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

The significant components of deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2016**	2015	**2016**
Deferred tax assets (current)			
Accrued bonuses	**¥190**	¥ 182	**$1,690**
Loss on valuation of inventories	**86**	104	**771**
Provision for warranties on completed construction	**42**	39	**377**
Accrued social insurance premiums for bonuses	**31**	29	**278**
Accrued business tax	**27**	20	**241**
Loss carried forward	**7**	92	**65**
Other	**19**	14	**174**
Valuation allowance	**(88)**	(105)	**(788)**
Total	**316**	378	**2,811**
Offsets deferred tax liabilities	**(6)**	—	**(54)**
Total	**310**	378	**2,756**
Deferred tax liabilities (current)			
Deferred gains or losses on hedges	**(6)**	—	**(54)**
Total	**(6)**	—	**(54)**
Set-off against deferred tax assets	**6**	—	**54**
Total	**¥ —**	¥ —	**$ —**

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2016**	2015	**2016**
Deferred tax assets (long-term)			
Liability for retirement benefits	**¥ 1,563**	¥ 1,783	**$ 13,873**
Loss carried forward	**330**	468	**2,929**
Asset retirement obligations	**36**	39	**327**
Loss on devaluation of investment securities	**36**	38	**322**
Accrued directors' retirement benefits	**36**	71	**320**
Loss on valuation of golf memberships	**30**	32	**269**
Other	**29**	38	**261**
Valuation allowance	**(1,753)**	(2,130)	**(15,564)**
Total	**308**	341	**2,741**
Offsets deferred tax liabilities	**(222)**	(246)	**(1,973)**
Total	**86**	95	**767**
Deferred tax liabilities (long-term)			
Unrealized gain on available-for-sale securities	**(1,256)**	(1,853)	**(11,147)**
Other	**(10)**	(10)	**(94)**
Total	**(1,266)**	(1,864)	**(11,241)**
Set-off against deferred tax assets	**222**	246	**1,973**
Total	**(1,044)**	(1,618)	**(9,268)**
Deferred tax assets, net	**¥ (647)**	¥(1,144)	**$ (5,743)**

Note: Net deferred tax liabilities as of March 31, 2016 and 2015 are reflected in the following accounts in the consolidated balance sheets:

Breakdown of major items that caused the difference where a significant difference existed between the statutory effective tax rate and the burden rate of corporate taxes, etc., after applying tax effect accounting.

	As of March 31, 2016	As of March 31, 2015
Effective statutory tax rates	**33.0%**	35.6%
(Reconciliation)		
Items such as entertainment expenses permanently non-deductible	**2.6%**	1.8%
Items such as dividend income permanently non-taxable	**−1.5%**	−2.2%
Inhabitant tax on per capita basis	**1.3%**	1.0%
Tax credits	**−2.8%**	−0.9%
Decrease in end of period deferred tax assets due to change in tax rate	**2.2%**	2.4%
Increase (decrease) in valuation allowance	**0.9%**	−9.1%
Deduction of loss carried forward	**−12.2%**	−25.9%
Other	**2.6%**	−0.6%
Effective tax rates	**26.1%**	2.1%

Changes to deferred tax assets/liabilities according to a change in the tax rate

The "Act to partially revise the Income Tax Act and Others" (Act No.15 of 2016) and the "Act to partially revise the Local Tax Act and Others" (Act No.13 of 2016) were enacted on March 29, 2016. As a result, income tax rates for corporations and others are reduced, effective for the fiscal year starting on April 1, 2016. Specifically, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 33.0% to 30.8% for the temporary differences expected to be realized or settled in the year beginning April 1, 2016 or in the year beginning April 1, 2017, and to 30.6% for the temporary differences expected to be realized or settled in the year beginning April 1, 2018.

The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, after offsetting deferred tax liabilities, by ¥ 34 million ($ 309 thousand) and increase available-for sale deferred income tax expense by ¥ 34 million ($ 309 thousand), unrealized gain on securities by ¥ 57 million ($ 511 thousand) and deferred gains on hedges by ¥ 0 million ($ 3 thousand) as of and for the year ended March 31, 2016.

19. Segment Information

For the year ended March 31, 2016

(1) Overview of reportable segments

The reportable segments of the Group are the "Engineering" business and the "Machinery" business for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors to make decisions regarding the allocation of management resources and to assess performance.

Reportable segments constitute business segments classified by products. Business segments handling the same types of products are combined into a single reportable segment.

The "Engineering" business includes: City gas and petroleum-related plants, a variety of chemical engineering plants, hydrogen generation plants, sewage treatment equipment, industrial effluent treatment equipment, diverse water treatment equipment and related products.

The "Machinery" business includes: oil purifiers, a variety of separators and filtration machinery, seawater screening facility, mixers and related products.

(2) Calculation method for net sales, income or loss, assets and other items by reportable segment

The accounting policies used for reportable business segments are the same as the accounting policies stated in Note 1.

Segment income is measured according to ordinary income.

(3) Information on net sales, income or loss, assets and other items by reportable segment

For the year ended March 31, 2016

	Millions of yen		
	Reportable segments		
	Engineering	Machinery	Total
Net sales			
(1) Sales to third parties	**¥26,145**	**¥13,155**	**¥39,300**
(2) Inter-segment sales and transfers	**—**	**—**	**—**
Total	**¥26,145**	**¥13,155**	**¥39,300**
Segment income (loss) (Ordinary income (loss))	**¥ (257)**	**¥ 1,815**	**¥ 1,557**
Segment assets	**¥13,849**	**¥13,238**	**¥27,087**
Other items			
Depreciation and amortization	**¥ 196**	**¥ 418**	**¥ 614**
Interest received	**1**	**0**	**1**
Interest paid	**34**	**16**	**50**
Increase in property, plant and equipment and intangible assets	**¥ 168**	**¥ 343**	**¥ 512**

	Thousands of U.S. dollars		
	Reportable segments		
	Engineering	Machinery	Total
Net sales			
(1) Sales to third parties	**$232,036**	**$116,747**	**$348,784**
(2) Inter-segment sales and transfers	**—**	**—**	**—**
Total	**$232,036**	**$116,747**	**$348,784**
Segment income (loss) (Ordinary income (loss))	**$ (2,282)**	**$ 16,108**	**$ 13,825**
Segment assets	**$122,909**	**$117,484**	**$240,393**
Other items			
Depreciation and amortization	**$ 1,739**	**$ 3,711**	**$ 5,451**
Interest received	**9**	**5**	**15**
Interest paid	**303**	**142**	**446**
Increase in property, plant and equipment and intangible assets	**$ 1,495**	**$ 3,048**	**$ 4,544**

For the year ended March 31, 2015

	Millions of yen		
	Reportable segments		
	Engineering	Machinery	Total
Net sales			
(1) Sales to third parties	¥22,812	¥11,931	¥34,744
(2) Inter-segment sales and transfers	—	—	—
Total	¥22,812	¥11,931	¥34,744
Segment income (Ordinary income)	¥ 791	¥ 1,276	¥ 2,068
Segment assets	¥14,604	¥12,268	¥26,873
Other items			
Depreciation and amortization	¥ 155	¥ 441	¥ 597
Interest received	1	1	2
Interest paid	69	42	111
Increase in property, plant and equipment and intangible assets	¥ 227	¥ 126	¥ 354

(4) Adjustments for segment assets

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2016**	2015	**2016**
Total segment assets	**¥27,087**	¥26,873	**$240,393**
Corporate assets (note)	**14,123**	18,352	**125,343**
Total assets reported on consolidated balance sheets	**¥41,211**	¥45,225	**$365,737**

Note: Corporate assets mainly represent cash and bank deposits, investment securities and other assets not allocable to the reportable segments.

[Related Information]
1. Information by products and services
For the year ended March 31, 2016

	Millions of yen		
	Engineering	Machinery	Total
Sales to third parties	**¥26,145**	**¥13,155**	**¥39,300**

	Thousands of U.S. dollars		
	Engineering	Machinery	Total
Sales to third parties	**$232,036**	**$116,747**	**$348,784**

For the year ended March 31, 2015

	Millions of yen		
	Engineering	Machinery	Total
Sales to third parties	¥22,812	¥11,931	¥34,744

2. Information by geographical areas
(1) Net sales
For the year ended March 31, 2016

Millions of yen			
Japan	Asia	Other areas	Total
¥35,332	**¥3,531**	**¥436**	**¥39,300**

Note: Net sales data is based on the location of customers and classified into country or region.

Thousands of U.S. dollars			
Japan	Asia	Other areas	Total
$313,565	**$31,345**	**$3,873**	**$348,784**

For the year ended March 31, 2015

Millions of yen			
Japan	Asia	Other areas	Total
¥33,196	¥1,252	¥296	¥34,744

Note: Net sales data is based on the location of customers and classified into country or region.

(2) Property, plant and equipment
This information is omitted as the amount of property, plant and equipment in Japan exceeds 90% of the amount of property, plant and equipment recorded in the consolidated balance sheet.

20. Amounts Per Share

	Yen		U.S. dollars
For the years ended March 31	**2016**	2015	**2016**
Net income			
Basic	**¥ 14.55**	¥ 25.60	**$0.13**

	Yen		U.S. dollars
As of March 31	**2016**	2015	**2016**
Net assets	**¥200.02**	¥211.96	**$1.78**

Please note that diluted net income per share is not indicated because there are no potential common shares with dilutive effects.

The bases for calculation are as follows:

(1) Basic net income per share

	Thousands of shares	
For the years ended March 31	**2016**	2015
Weighted average number of shares for basic net income	**79,060**	79,061

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2016**	2015	**2016**
Profit attributable to owners of parent	**¥1,150**	¥2,024	**$10,212**
Profit attributable to owners of parent attributable to shares of common stock	**¥1,150**	¥2,024	**$10,212**

(2) Net assets per share

	Thousands of shares	
As of March 31	**2016**	2015
The number of shares of common stock used for the calculation of net assets per share	**79,059**	79,061

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2016**	2015	**2016**
Total net assets	**¥15,813**	¥16,757	**$140,339**
Net assets attributable to shares of common stock	**¥15,813**	¥16,757	**$140,339**

Board of Directors and Executive Officers

(As of June 29, 2016)

Board of Directors

President

Toshikazu Takagi
In Charge of Plant Project Business Division

Directors

Masahiko Shinshita
Division Director, Planning Division

Hiroshi Fushimoto
In Charge of Environmental Engineering Business Division

Masao Nakamura
Division Director, Machinery Business Division

Toshikazu Tanaka
Division Director, Administrative Division

Hiroki Kato

Tsuyoshi Watanabe

Yutaka Kato
Director, Audit and Supervisory Committee Member (Full-Time)

Takuzo Funayama
Director, Audit and Supervisory Committee Member

Tomohiro Kikkawa
Director, Audit and Supervisory Committee Member

Executive Officers

Kenji Machida

Katsuya Yokota

Toshiyuki Ikuma

Shigeyuki Masaki

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Overseas Offices
Malaysia
Taiwan

Subsidiaries
Kakoki Plant & Environment Engineering Co., Ltd.
Kakoki Trading Co., Ltd.
Ryoka Works Co., Ltd.
MKK Asia Co., Ltd. (Kingdom of Thailand)
MKK Europe B.V. (Kingdom of the Netherlands)
Ryoka Trading (Shanghai) Co., Ltd.
(People's Republic of China)

Established: May 1, 1935
Capital: ¥3,956,975,000
Stock issued: 79,139,500 shares
Number of stockholders: 10,029
Employees: 484

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