MKK

Annual Report 2017

For the year ended March 31, 2017

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

For the year ended March 31	Millions of yen 2017	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars* 2017
Net sales	**¥36,104**	¥39,300	¥34,744	**$321,815**
Income before income taxes and non-controlling interest	**1,388**	1,557	2,068	**12,374**
Profit attributable to owners of parent	**976**	1,150	2,024	**8,705**
Orders received	**35,816**	42,702	32,676	**319,250**

As of March 31				
Total assets	**¥42,733**	¥41,211	¥45,225	**$380,903**
Net assets	**17,374**	15,813	16,757	**154,867**
Backlog of orders	**22,564**	22,852	19,451	**201,130**

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*
	2017	2016	**2017**	**2017**	2016	**2017**
Engineering	**¥23,534**	¥26,145	**$209,772**	**¥23,381**	¥29,091	**$208,413**
Machinery	**12,570**	13,155	**112,042**	**12,434**	13,610	**110,836**
Total	**¥36,104**	¥39,300	**$321,815**	**¥35,816**	¥42,702	**$319,250**
Exports**	**¥ 6,559**	¥ 5,571	**$ 58,468**	**¥ 3,483**	¥ 9,488	**$ 31,048**
included in Total	**18.2%**	14.2%		**9.7%**	22.2%	

* U.S. dollar amounts have been translated from yen, for convenience only, at ¥112.19=U.S. $1, the approximate rate of exchange prevailing on March 31, 2017.

** 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, 2017 stayed on a moderate recovery path on the back of continuous improvement in the employment and income environment as well as signs of rebound in production and exports in the latter half of the year. However, capital investment in the private sector remained sluggish and consumer spending continued to stay weak due to increased uncertainties including a slowdown in emerging economies, Brexit and the policy outlook for the new U.S. government.

Under these circumstances, the Mitsubishi Kakoki Kaisha, Ltd. (MKK) Group took steps to secure the volume of orders while making efforts to enhance customer satisfaction by completing construction work and manufacturing machinery based on stringent quality and delivery date management. In addition, we implemented a series of initiatives in line with key principles including “investment in growth areas of the next-generation” and “establishment of a management foundation for the future” under the three-year medium-term management plan kicked off in the fiscal year under review, while endeavoring to boost earnings by further streamlining our operations and curtailing costs.

As a result, total orders received on a consolidated basis during the fiscal year under review decreased both in the Engineering Operations and the Machinery Operations by 16.1% over the previous fiscal year to ¥35,816 million, against the backdrop of the intense competition for orders that ensued amid stagnant capital investment in the private sector as well as the postponements of projects that the MKK Group had anticipated and a failure to win contract orders, etc.

Net sales posted a decrease of 8.1% from the previous fiscal year’s level to ¥36,104 million, due to the fact that the contribution to sales of previously received construction orders ended in the previous fiscal year as well as the decrease in orders received.

At the level of profit and loss, the Group posted operating income of ¥1,294 million (compared with an operating income of ¥1,782 million for the previous fiscal year) as a result of improvement of profitability of construction projects on hand through thorough project management in the Engineering Operations, despite a decrease in net sales and increases in estimating and design costs and investment in growth areas such as hydrogen including research and development costs, etc. Meanwhile, the Group recorded ordinary income of ¥1,352 million (compared with ordinary income of ¥1,557 million for the previous year) and profit attributable to owners of parent of ¥976 million (compared with profit attributable to owners of parent of ¥1,150 million for the previous fiscal year).

On a non-consolidated basis, for the fiscal year under review Mitsubishi Kakoki Kaisha, Ltd. recorded orders worth ¥29,132 million (down 15.2% year on year), net sales of ¥28,137 million (down 11.4% year on year), operating income of ¥1,093 million (compared with operating income of ¥1,721 million for the previous fiscal year), ordinary income of ¥1,128 million (compared with ordinary income of ¥1,530 million for the previous fiscal year), and net income of ¥830 million (compared with net income of ¥1,200 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 uncertainties have mounted against the backdrop of the policy outlook of the new U.S. government, political unrest outside Japan and the appreciation of the yen. The corporate sector has remained cautious about capital investment and consumer spending has continued to stay sluggish reflecting increasing uncertainty over the economic outlook.

Under these circumstances, the MKK Group has continued to conduct its business operations based on the key principles of the three-year medium-term management plan with the aim of achieving sustainable growth and enhancement of corporate value. The main points of the basic policies for our measures for the fiscal year ending March 31, 2018, the second year of the medium-term management plan, are as follows.

(i) Secure and expand the volume of orders received

Securing and expanding the volume of orders is the most critical challenge for the MKK Group in its endeavor to achieve medium- to long-term growth. In light of the fact that orders received significantly dropped during the fiscal year under review, we will review our sales strategies for both the Engineering Operations and the Machinery Operations and endeavor to cultivate customer needs and increase the number of inquiries for projects with the aim of thoroughly securing orders for key projects. We will also further strengthen our measures to secure overseas projects.

(ii) Improve cost management

We will strive to further improve construction cost management by aiming to enhance the efficiency of every construction project even during the design stage and thoroughly implementing process management when executing construction projects on hand. In addition, we will make further efforts to enhance customer satisfaction through stringent quality and delivery date management.

(iii) Accelerate initiatives for our growth areas of the next-generation

We will further strengthen and accelerate our initiatives in the fields of hydrogen, biogas and apparatuses that comply with marine environment-protection regulations for ships, which have been designated as our growth areas under the medium-term management plan. With respect to hydrogen, we will advance our efforts to establish optimal specifications for hydrogen stations, reduce costs for construction work and develop more adequate maintenance systems through the experimental hydrogen station within Kawasaki Works to be completed in the near future.
In the field of biogas, we will take further steps toward conducing trials of high-efficiency digestion systems via the "Experimental Studies on Energy Utilization Technologies for Local Production and Local Consumption Through High-efficient Digestion Systems" (Karatsu City Water Treatment Center in Saga Prefecture), which was adopted as a FY2017 B-DASH Project (Breakthrough by Dynamic Approach in Sewage High Technology Project) by the Ministry of Land, Infrastructure, Transport and Tourism in March 2017. In terms of apparatuses that comply with marine environment-protection regulations for ships, we will work on product development and order-taking activities by adequately responding to the regulations and market trends in the future.

In parallel with this, we will establish a new R&D organization in an effort to strengthen our measures for following up the progress of various development themes with a focus on the aforementioned growth areas as well as medium- to long-term development themes.

(iv) Improve business efficiency, enhance awareness and foster human resource development

We will continue to seek improvement in Group-wide business efficiency and reduce indirect costs to enhance the Group's financial structure, thus further strengthening our corporate structure. Moreover, in terms of our efforts related to various operations, including challenges raised under the medium-term management plan, we will place a greater focus on the PDCA (Plan, Do, Check, Act) cycle than ever before. By thoroughly implementing "visualization" of progress status, results and future issues, in particular, we will strive to advance awareness reforms in order to ensure that such issues will be addressed promptly and appropriately. In parallel with this, we will tackle human resource development as a key challenge with the aim of carrying over our accumulated technologies and skills and leveraging them to achieve further advancement for the MKK Group.

In addition to the above, as a corporate group engaged in manufacturing and engineering, 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 appropriately 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, 2017

高木紀一

Toshikazu Takagi
President

Review of Operations

Engineering Operations

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 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. Hydrogen and biogas have been designated as our growth areas, in particular, under the medium-term management plan. With respect to hydrogen, we constructed an experimental hydrogen station within our Kawasaki Works. As for biogas, we took steps toward conducting trials of high-efficient sewage sludge digestion systems. In both fields, we worked on activities aimed at expanding and strengthening relevant technologies. Overseas, we continued to cultivate plant projects for Japanese companies in Southeast Asia.

The value of orders received decreased by 19.6% over the previous fiscal year's ¥29,091 million to ¥23,381 million as a result of the postponements of projects that the MKK Group had anticipated, a decrease in construction work for hydrogen stations and a failure to win overseas plant contracts, etc., combined with the intense competition for orders that ensued amid sluggish capital investment in the industries relevant to our business.

Net sales decreased by 10.0% from the previous fiscal year's ¥26,145 million to ¥23,534 million due to the fact that the contribution to sales of previously received construction orders ended in the previous fiscal year as well as the decrease in orders received.

Machinery Operations

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 worked to secure orders through the expansion 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. In addition, while continuing to promote product development of apparatuses that comply with marine environment-protection regulations for ships, etc., which have been designated as one of our growth areas under the medium-term management plan, we focused on the development of precision filters for electronic materials field, which are expected to grow in the future as new products and technologies.

Orders received declined by 8.6% over the previous fiscal year's ¥13,610 million to ¥12,434 million, against the backdrop of a decrease in inquiries for Mitsubishi Oil Purifiers reflecting the sluggish shipbuilding market, intense competition for stand-alone machinery orders amid ongoing weak capital investment in the relevant industries as well as a partial postponement of the seawater intake screening equipment project for power plants, etc.

Net sales decreased by 4.4% from the previous fiscal year's ¥13,155 million to ¥12,570 million.

	2017	2016
Orders Received		
Engineering (%)	**65.3**	68.1
Machinery (%)	**34.7**	31.9
Total (millions of yen)	**¥35,816**	¥42,702
Net Sales		
Engineering (%)	**65.2**	66.5
Machinery (%)	**34.8**	33.5
Total (millions of yen)	**¥36,104**	¥39,300

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

Building a better
working world

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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, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for 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, 2017, 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 4.

Ernst & Young ShinNihon LLC

June 29, 2017

Consolidated Balance Sheet

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2017

Assets	Millions of yen 2017	2016	Thousands of U.S. dollars (Note 4) 2017
Current assets:			
Cash and bank deposits (Notes 14 and 15)	**¥ 5,255**	¥ 4,734	**$ 46,848**
Notes and accounts receivable, trade (Note 15)	**16,719**	17,415	**149,024**
Electronically recorded monetary claims	**611**	232	**5,451**
Finished goods	**802**	761	**7,152**
Work in process	**1,510**	1,639	**13,463**
Raw materials and supplies	**965**	942	**8,605**
Deferred tax assets (Note 19)	**315**	310	**2,812**
Other assets	**1,055**	1,045	**9,406**
Allowance for doubtful accounts	**(14)**	(0)	**(132)**
Total current assets	**27,220**	27,080	**242,632**
Property, plant and equipment (Notes 5 and 6)**:**			
Buildings and structures, net	**2,743**	2,919	**24,449**
Machinery, equipment and vehicles, net	**610**	523	**5,445**
Land	**1,124**	1,124	**10,025**
Other, net	**278**	254	**2,483**
Total property, plant and equipment	**4,757**	4,822	**42,403**
Intangible assets	**283**	350	**2,526**
Investments and other assets:			
Investment securities (Notes 6, 15 and 16)	**10,301**	8,763	**91,825**
Deferred tax assets (Note 19)	**62**	86	**558**
Other assets	**156**	114	**1,396**
Allowance for doubtful accounts	**(49)**	(6)	**(439)**
Total investments and other assets	**10,471**	8,958	**93,340**
Total assets	**¥42,733**	¥41,211	**$380,903**

See accompanying "Notes to Consolidated Financial Statements."

Liabilities and Net Assets	Millions of yen 2017	2016	Thousands of U.S. dollars (Note 4) 2017
Current liabilities:			
Notes and accounts payable, trade (Note 15)	**¥ 8,472**	¥ 9,880	**$ 75,517**
Electronically recorded obligations	**1,172**	207	**10,453**
Current portion of long-term debt	**1,000**	200	**8,913**
Accrued income taxes	**308**	243	**2,746**
Advances received	**531**	1,014	**4,737**
Accrued bonuses	**617**	606	**5,506**
Accrued bonuses to directors	**16**	16	**144**
Provision for warranties on completed construction	**83**	137	**746**
Provision for losses on construction contracts	**28**	19	**256**
Other current liabilities	**1,038**	1,190	**9,254**
Total current liabilities	**13,269**	13,516	**118,278**
Long-term liabilities:			
Long-term debt (Notes 6 and 15)	**2,300**	2,600	**20,500**
Deferred tax liabilities	**1,475**	1,044	**13,151**
Accrued directors' retirement benefits	**85**	111	**762**
Provision for PCB treatment	**17**	17	**151**
Liability for retirement benefits (Note 18)	**8,015**	7,947	**71,445**
Other long-term liabilities	**195**	161	**1,744**
Total long-term liabilities	**12,089**	11,880	**107,757**
Total liabilities	**25,358**	25,397	**226,035**
Shareholders' equity:			
Common stock	**3,956**	3,956	**35,270**
Capital surplus	**4,202**	4,202	**37,462**
Retained earnings	**8,010**	7,429	**71,402**
Treasury stock	**(18)**	(18)	**(166)**
Total shareholders' equity	**16,151**	15,570	**143,968**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**3,956**	2,878	**35,263**
Deferred gains or losses on hedges	**0**	13	**4**
Foreign currency translation adjustments	**(163)**	(126)	**(1,457)**
Accumulated remeasurements of defined benefit plans	**(2,570)**	(2,522)	**(22,912)**
Total accumulated other comprehensive income	**1,222**	242	**10,899**
Total net assets (Note 13)	**17,374**	15,813	**154,867**
Total liabilities and net assets	**¥42,733**	¥41,211	**$380,903**

Consolidated Statement of Operations

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
Fiscal year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	2016	**2017**
Net sales	**¥36,104**	¥39,300	**$321,815**
Cost of sales	**29,039**	32,268	**258,840**
Gross profit	**7,065**	7,032	**62,974**
Selling, general and administrative expenses (Note 9)	**5,770**	5,250	**51,435**
Operating income	**1,294**	1,782	**11,539**
Non-operating income:			
Interest	**1**	1	**13**
Dividends	**242**	240	**2,162**
Other	**11**	15	**106**
Non-operating expenses:			
Interest	**38**	50	**340**
Commission paid	**38**	41	**346**
Loss on foreign exchange	**97**	362	**873**
Other	**23**	27	**206**
Ordinary income	**1,352**	1,557	**12,055**
Extraordinary income			
Gain on sales of investment securities	**35**	—	**318**
Income before income taxes and non-controlling interests	**1,388**	1,557	**12,374**
Income taxes: (Note 19)			
Current	**415**	312	**3,704**
Deferred	**(3)**	94	**(35)**
Net income	**976**	1,150	**8,705**
Profit attributable to non-controlling interests	**—**	—	**—**
Profit attributable to owners of parent	**¥ 976**	¥ 1,150	**$ 8,705**

See accompanying "Notes to Consolidated Financial Statements."

Consolidated Statement of Comprehensive Income

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
Fiscal year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	2016	**2017**
Net income	**¥ 976**	¥ 1,150	**$ 8,705**
Other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	**1,077**	(1,130)	**9,602**
Deferred gains (losses) on hedges	**(13)**	13	**(118)**
Foreign currency translation adjustments	**(36)**	176	**(325)**
Remeasurements of defined benefit plans	**(47)**	(758)	**(424)**
Total other comprehensive income (loss)	**979**	(1,698)	**8,734**
Comprehensive income (loss)	**¥1,956**	¥ (548)	**$17,439**
Total comprehensive income (loss) attributable to:			
Comprehensive income (loss) attributable to owners of parent	**¥1,956**	¥ (548)	**$17,439**
Comprehensive income (loss) attributable to non-controlling interests	**¥ —**	¥ —	**$ —**

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, 2017

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, 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)
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 April 1, 2016	3,956	4,202	7,429	(18)	15,570	2,878	13	(126)	(2,522)	242	15,813
Changes during the year:											
Dividends of surplus			**(395)**		**(395)**					**—**	**(395)**
Profit attributable to owners of parent			**976**		**976**					**—**	**976**
Purchase of treasury stock				**(0)**	**(0)**					**—**	**(0)**
Net changes in items other than those in shareholders' equity					**—**	**1,077**	**(13)**	**(36)**	**(47)**	**979**	**979**
Total changes during the year	**—**	**—**	**581**	**(0)**	**581**	**1,077**	**(13)**	**(36)**	**(47)**	**979**	**1,561**
Balance at March 31, 2017	**¥3,956**	**¥4,202**	**¥8,010**	**¥(18)**	**¥16,151**	**¥ 3,956**	**¥ 0**	**¥(163)**	**¥(2,570)**	**¥ 1,222**	**¥17,374**

Thousands of U.S. dollars (Note 4)

	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain 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, 2016	$35,270	$37,462	$66,220	$(165)	$138,787	$25,660	$ 123	$(1,131)	$(22,487)	$ 2,165	$140,952
Changes during the year:											
Dividends of surplus			**(3,523)**		**(3,523)**						**(3,523)**
Profit attributable to owners of parent			**8,705**		**8,705**						**8,705**
Purchase of treasury stock				**(0)**	**(0)**						**(0)**
Net changes in items other than those in shareholders' equity					**—**	**9,602**	**(118)**	**(325)**	**(424)**	**8,734**	**8,734**
Total changes during the year	**—**	**—**	**5,181**	**(0)**	**5,180**	**9,602**	**(118)**	**(325)**	**(424)**	**8,734**	**13,915**
Balance at March 31, 2017	**$35,270**	**$37,462**	**$71,402**	**$(166)**	**$143,968**	**$35,263**	**$ 4**	**$(1,457)**	**$(22,912)**	**$10,899**	**$154,867**

See accompanying "Notes to Consolidated Financial Statements."

Consolidated Statement of Cash Flows

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
Fiscal year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	2016	**2017**
Cash flows from operating activities			
Income before income taxes and non-controlling interests	**¥1,388**	¥ 1,557	**$12,374**
Depreciation and amortization	**609**	614	**5,428**
Loss (gain) on sales of investment securities	**(35)**	—	**(318)**
Increase (decrease) in allowance for doubtful accounts	**57**	(2)	**512**
Increase (decrease) in accrued bonuses	**11**	58	**105**
Increase (decrease) in accrued bonuses to directors	**(0)**	9	**(4)**
Increase (decrease) in provision for warranties on completed construction	**(53)**	18	**(480)**
Increase (decrease) in provision for losses on construction contracts	**10**	17	**90**
Increase (decrease) in provision for directors' retirement benefits	**(25)**	(101)	**(227)**
Increase (decrease) in liability for retirement benefits	**20**	65	**184**
Interest and dividends income	**(244)**	(241)	**(2,175)**
Interest expense	**38**	50	**340**
Foreign exchange gains (losses)	**33**	307	**299**
Decrease (increase) in notes and accounts receivable, trade	**300**	(1,774)	**2,676**
Decrease (increase) in inventories	**64**	(0)	**577**
Decrease (increase) in advance payments	**(40)**	4	**(356)**
Increase (decrease) in notes and accounts payable, trade	**(435)**	(608)	**(3,878)**
Increase (decrease) in advances received	**(485)**	268	**(4,328)**
Other, net	**(199)**	834	**(1,775)**
Subtotal	**1,014**	1,080	**9,043**
Interest and dividends received	**244**	241	**2,175**
Interest paid	**(38)**	(50)	**(347)**
Income taxes paid	**(359)**	(230)	**(3,200)**
Net cash provided by operating activities	**860**	1,041	**7,670**
Cash flows from investing activities			
Purchases of property, plant and equipment	**(414)**	(328)	**(3,696)**
Proceeds from sales of investment securities	**42**	0	**381**
Purchases of investment securities	**(7)**	(7)	**(68)**
Long-term loans made	**(0)**	(2)	**(1)**
Collection of long-term loans receivable	**4**	3	**35**
Payments for investments in capital of subsidiaries and associates	**—**	(74)	**—**
Other, net	**8**	(0)	**71**
Net cash used in investing activities	**(367)**	(407)	**(3,277)**
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	**—**	(4,000)	**—**
Proceeds from long-term loans payable	**700**	1,600	**6,239**
Repayments of long-term loans payable	**(200)**	(527)	**(1,782)**
Repayments of lease obligations	**(16)**	(17)	**(151)**
Cash dividends paid	**(395)**	(395)	**(3,523)**
Purchase of treasury stock	**(0)**	(0)	**(0)**
Net cash provided by (used in) financing activities	**87**	(3,340)	**781**
Effect of exchange rate changes on cash and cash equivalents	**(59)**	(116)	**(525)**
Increase (decrease) in cash and cash equivalents	**521**	(2,823)	**4,648**
Cash and cash equivalents at beginning of the year	**4,733**	7,556	**42,190**
Cash and cash equivalents at end of the year (Note 14)	**¥5,254**	¥ 4,733	**$46,839**

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 any significant companies controlled directly by the Company. All significant intercompany balances and transactions have been eliminated in consolidation. As of March 31, 2017, the number of consolidated subsidiaries was 4 (4 in 2016).

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 (excluding attached facilities) acquired on and after April 1, 1998 and attached facilities and other non-building structures acquired on and after April 1, 2016 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 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 "Practical Solution on a change in depreciation method due to Tax Reform 2016" as a result of revisions to the Corporate Tax Act of Japan)

The Company and its domestic consolidated subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) as a result of revisions to the Corporate Tax Act of Japan. Accordingly, the depreciation method for both facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The effects of these changes on the operating income, ordinary income and income before income taxes and non-controlling interests for the year ended March 31, 2017 were immaterial.

(u) Standards issued but not yet effective

None.

2. Changes in Presentation

Consolidated Balance Sheet

"Electronically recorded monetary claims," which was included in "Notes and accounts receivable, trade" under the "Current Assets" category on the consolidated balance sheet as of March 31, 2016, was separately presented on the consolidated balance sheet as of March 31, 2017 due to an increase in materiality. To reflect this change in presentation, the consolidated financial statements for the year ended March 31, 2016 were reclassified.

As a result, ¥17,647 million, which was presented as "Notes and accounts receivable, trade" under the "Current Assets" category on the consolidated balance sheet as of March 31, 2016, was transferred to "Notes and accounts receivable, trade" (¥17,415 million) and "Electronically recorded monetary claims" (¥232 million) under the same category on the consolidated balance sheet as of March 31, 2017.

"Electronically recorded obligations," which was included in "Notes and accounts payable, trade" under the "Current Liabilities" category on the consolidated balance sheet as of March 31, 2016, was separately presented on the balance sheet as of March 31, 2017 due to an increase in materiality. To reflect this change in presentation, the consolidated financial statements for the year ended March 31, 2016 were reclassified.

As a result, ¥10,088 million, which was presented as "Notes and accounts payable, trade" under the "Current Liabilities" category on the consolidated balance sheet as of March 31, 2016, was transferred to "Notes and accounts payable, trade" (¥9,880 million) and "Electronically recorded obligations" (¥207 million) under the same category on the consolidated balance sheet as of March 31, 2017.

3. Additional Information

(Adoption of "Revised Implementation Guidance on Recoverability of Deferred Tax Assets")

Effective from the fiscal year ended March 31, 2017, the Company and its consolidated subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

4. 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 ¥112.19=U.S.$1, the approximate rate of exchange prevailing at March 31, 2017. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

5. Accumulated Depreciation

Accumulated depreciation of property, plant and equipment as of March 31, 2017 and 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Accumulated depreciation	**¥10,897**	¥10,758	**$97,131**

6. Long-Term Debt

At March 31, 2017 and 2016, 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	**2017**	2016	**2017**
Debt with collateral	**¥ 800**	¥ 800	**$ 7,130**
Debt without collateral	**2,500**	2,000	**22,283**
	¥3,300	¥2,800	**$29,414**

Note: The weighted-average interest rate on long-term borrowings was 1.2%.

The assets pledged as collateral for long-term debt of ¥800 million ($7,130 thousand) at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2017**	2016	**2017**
Property, plant and equipment	**¥ 775**	¥ 810	**$ 6,916**
Investment securities	**7,004**	6,049	**62,433**
	¥7,780	¥6,860	**$69,349**

7. Investment Securities of Non-consolidated Subsidiaries 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	**2017**	2016	**2017**
Investment securities (shares of or capital contributions to non-consolidated subsidiaries and affiliates)	**¥288**	¥288	**$2,568**

8. Overdraft and Commitments

The Company has concluded overdraft agreements and loan commitment line agreements with eight banks in order to ensure efficient procurement of operating funds. The balances of unused commitment under these agreements as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2017**	2016	**2017**
Total overdrafts and loan commitment lines	**¥7,300**	¥10,000	**$65,068**
Amount utilized	**—**	—	**—**
Balance available	**¥7,300**	¥10,000	**$65,068**

9. Selling, General and Administrative Expenses

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	**2017**	2016	**2017**
Sales commissions	**¥ 232**	¥ 194	**$ 2,076**
Estimated design expenses	**1,069**	886	**9,533**
Advertising expenses	**45**	46	**408**
Bad debts loss	**—**	0	**—**
Provision of allowance for doubtful accounts	**59**	—	**530**
Directors' compensations	**287**	248	**2,563**
Employees' salaries and allowances	**1,324**	1,393	**11,805**
Provision for accrued bonuses	**159**	170	**1,417**
Provision for accrued bonuses to directors	**16**	16	**148**
Provision for accrued employees' retirement benefits	**196**	196	**1,750**
Provision for directors' retirement benefits	**31**	54	**280**
Traveling and transportation expenses	**200**	215	**1,783**
Rent expenses	**105**	107	**936**
Depreciation	**107**	130	**959**
Research and development costs	**584**	343	**5,210**
Other	**1,349**	1,245	**12,030**
Total selling, general and administrative expenses	**¥5,770**	¥5,250	**$51,435**

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

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	**2017**	2016	**2017**
	¥9	¥17	**$85**

11. 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, 2017 and 2016.

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	**2017**	2016	**2017**
	¥(55)	¥(35)	**$(493)**

12. Consolidated Statement of Comprehensive Income

For the years ended March 31	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Reclassification adjustment and tax effect on other comprehensive income			
Unrealized gain (loss) on available-for-sale securities:			
Amount accrued during the year	**¥1,573**	¥(1,728)	**$14,021**
Amount due to reclassification adjustment	**(35)**	—	**(318)**
Before adjustment for tax effect	**1,537**	(1,728)	**13,703**
Amount of tax effect	**(460)**	597	**(4,100)**
Unrealized gain (loss) on available-for-sale securities	**1,077**	(1,130)	**9,602**
Deferred gains or losses on hedges:			
Amount accrued during the year	**(19)**	19	**(171)**
Amount due to reclassification adjustment	**—**	—	**—**
Before adjustment for tax effect	**(19)**	19	**(171)**
Amount of tax effect	**5**	(6)	**52**
Deferred gains or losses on hedges	**(13)**	13	**(118)**
Foreign currency translation adjustments:			
Amount accrued during the year	**(36)**	176	**(325)**
Remeasurements of defined benefit plans:			
Amount accrued during the year	**(506)**	(1,220)	**(4,510)**
Amount due to reclassification adjustment	**458**	461	**4,086**
Before adjustment for tax effect	**(47)**	(758)	**(424)**
Amount of tax effect	**—**	—	**—**
Remeasurements of defined benefit plans	**(47)**	(758)	**(424)**
Total other comprehensive income (loss)	**¥ 979**	¥(1,698)	**$ 8,734**

13. Net Assets

Information regarding changes in net assets for the years ended March 31, 2017 and 2016 is as follows:

(1) Shares issued and outstanding / Treasury stock

For the year ended March 31, 2017

Types of shares	Thousands of shares: Number of shares at March 31, 2016	Increase	Decrease	Number of shares at March 31, 2017
Shares issued:				
Common stock	**79,139**	**—**	**—**	**79,139**
Treasury stock:				
Common stock (Note)	**80**	**0**	**—**	**80**

Note: Detail of the increase is as follows:

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

For the year ended March 31, 2016

Types of shares	Thousands 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: Detail of the increase is as follows:

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

(2) Dividends

1) Dividends paid

For the year ended 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**	**$3,523**	**Retained earnings**	**¥5.0**	**$0.04**	**March 31, 2016**	**June 30, 2016**

2) Dividends paid with the cut-off date in the year ended March 31, 2017 and the effective date in the year ending March 31, 2018

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, 2017	**Common stock**	**¥395**	**$3,523**	**Retained earnings**	**¥5.0**	**$0.04**	**March 31, 2017**	**June 30, 2017**

(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.

14. Supplementary Cash Flow Information

Cash and cash equivalents as of March 31, 2017 and 2016 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	**2017**	2016	**2017**
Cash and bank deposits	**¥5,255**	¥4,734	**$46,848**
Time deposits with maturities of more than three months	**(1)**	(1)	**(8)**
Cash and cash equivalents	**¥5,254**	¥4,733	**$46,839**

15. 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, 2017 and 2016 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, 2017	Carrying value	Fair value	Difference
(1) Cash and bank deposits	**¥ 5,255**	**¥ 5,255**	**¥—**
(2) Notes and accounts receivable, trade	**16,719**	**16,719**	**—**
(3) Electronically recorded monetary claims	**611**	**611**	**—**
(4) Investment securities	**9,986**	**9,986**	**—**
Total assets	**32,572**	**32,572**	**—**
(5) Notes and accounts payable, trade	**8,472**	**8,472**	**—**
(6) Electronically recorded obligations	**1,172**	**1,172**	**—**
(7) Current portion of long-term debt	**1,000**	**1,001**	**1**
(8) Long-term debt	**2,300**	**2,310**	**10**
Total liabilities	**12,945**	**12,957**	**12**
(9) Derivative transactions*	**¥ 0**	**¥ 0**	**¥—**

	Thousands of U.S. dollars		
As of March 31, 2017	Carrying value	Fair value	Difference
(1) Cash and bank deposits	**$ 46,848**	**$ 46,848**	**$ —**
(2) Notes and accounts receivable, trade	**149,024**	**149,024**	**—**
(3) Electronically recorded monetary claims	**5,451**	**5,451**	**—**
(4) Investment securities	**89,011**	**89,011**	**—**
Total assets	**290,335**	**290,335**	**—**
(5) Notes and accounts payable, trade	**75,517**	**75,517**	**—**
(6) Electronically recorded obligations	**10,453**	**10,453**	**—**
(7) Current portion of long-term debt	**8,913**	**8,928**	**14**
(8) Long-term debt	**20,500**	**20,595**	**95**
Total liabilities	**115,385**	**115,495**	**109**
(9) Derivative transactions*	**$ 7**	**$ 7**	**$ —**

	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 accounts receivable, trade	17,415	17,415	—
(3) Electronically recorded monetary claims	232	232	—
(4) Investment securities	8,448	8,448	—
Total assets	30,829	30,829	—
(5) Notes and accounts payable, trade	9,880	9,880	—
(6) Electronically recorded obligations	207	207	—
(7) Current portion of long-term debt	200	200	0
(8) Long-term debt	2,600	2,613	13
Total liabilities	12,888	12,903	14
(9) Derivative transactions*	¥ 19	¥ 19	¥—

* 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, (2) Notes and accounts receivable, trade, and (3)Electronically recorded monetary claims

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 receivables in foreign currency that were hedged by forward foreign exchange contracts (see Note 17). The fair values of these trade receivables are calculated by combining them with the corresponding exchange contracts.

(4) 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 16.

(5) Notes and accounts payable, trade, and (6) Electronically recorded obligations
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 fair values of these trade payables are calculated by combining them with the corresponding exchange contracts.

(7) Current portion of long-term debt, and (8) 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.

(9) 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
	2017	2016	**2017**
Unlisted stocks	**¥315**	¥315	**$2,813**

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
2018	**¥1,000**	**$ 8,913**
2019	**—**	**—**
2020	**—**	**—**
2021 and thereafter	**2,300**	**20,500**
	¥3,300	**$29,414**

16. Securities

(1) Information regarding securities classified as other securities

Other securities

	Millions of yen		
As of March 31, 2017	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	**¥9,872**	**¥4,186**	**¥5,686**
Securities whose acquisition cost exceeds their carrying value:			
Stock	**113**	**127**	**(14)**
Total	**¥9,986**	**¥4,313**	**¥5,672**

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, 2017	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	**$88,000**	**$37,313**	**$50,686**
Securities whose acquisition cost exceeds their carrying value:			
Stock	**1,011**	**1,137**	**(126)**
Total	**$89,011**	**$38,451**	**$50,560**

Note: Non-marketable securities (carrying value of $244 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, 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.

(2) Sales of securities classified as other securities and the aggregate gain and loss for the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	**2017**	2016	**2017**
Aggregate gain or loss			
Stock	**¥35**	¥(0)	**$318**

17. Derivative Transactions

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2017 and 2016.

(1) Derivatives to which hedge accounting is not applied

Currency-related transactions

	Millions of yen			
	Notional amount			
As of March 31, 2017	Maturing within one year	Maturing after one year	Fair value	Unrealized gain (loss)
Non-deliverable forward				
Sell				
MYR	**¥477**	**¥—**	**¥—**	**¥—**
Total	**¥477**	**¥—**	**¥—**	**¥—**

Note: Calculation of fair values
Fair values are calculated based on the prices presented by financial institutions.

	Thousands of U.S. dollars			
	Notional amount			
As of March 31, 2017	Maturing within one year	Maturing after one year	Fair value	Unrealized gain (loss)
Non-deliverable forward				
Sell				
MYR	**$4,251**	**$—**	**$—**	**$—**
Total	**$4,251**	**$—**	**$—**	**$—**

(2) Derivatives to which hedge accounting is applied

Currency-related transactions

	Millions of yen			
	Notional amount			
As of March 31, 2017	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 and payable				
Sell				
USD	**¥ 46**	**¥—**	**¥(1)**	**¥(1)**
Buy				
SGD	**59**	**—**	**2**	**2**
Total	**¥105**	**—**	**¥ 0**	**¥ 0**
Allocation Method				
Forward foreign exchange contracts, accounted for as part of accounts receivable				
Sell				
USD	**¥124**	**¥—**	**¥ —**	**¥—**

Notes:
1. Calculation of fair values
Fair 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 fair values are included in the fair values of the hedged trade accounts receivable.

	Thousands of U.S. dollars			
	Notional amount			
As of March 31, 2017	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 and payable				
Sell				
USD	**$ 415**	**$—**	**$(16)**	**$(16)**
Buy				
SGD	**527**	**—**	**23**	**23**
Total	**$ 943**	**—**	**$ 7**	**$ 7**
Allocation Method				
Forward foreign exchange contracts, accounted for as part of accounts receivable				
Sell				
USD	**$1,113**	**$—**	**$ —**	**$ —**

	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 and payable				
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 fair values
Fair 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 fair values are included in the fair values of the hedged trade accounts receivable.

Interest-related transactions

As of March 31, 2017	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**	**¥1,500**	**¥—**	**¥—**

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, 2017	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	**$8,913**	**$13,370**	**$—**	**$—**

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.

18. Retirement Benefit Plans

For the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(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 for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Beginning balance of retirement benefit obligation	**¥13,143**	¥12,340	**$117,156**
Service cost	**388**	439	**3,460**
Interest cost	**111**	44	**993**
Actuarial gain or loss	**441**	912	**3,931**
Payment of retirement benefit	**(610)**	(593)	**(5,440)**
Ending balance of retirement benefit obligation	**¥13,474**	**¥13,143**	**$120,101**

2) The changes in plan assets for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Beginning balance of pension plan assets	**¥5,196**	¥5,217	**$46,318**
Expected return on plan assets	**181**	182	**1,617**
Realized actuarial gain or loss	**(64)**	(307)	**(577)**
Contributions from employer	**626**	593	**5,581**
Payment of retirement benefit	**(480)**	(489)	**(4,284)**
Ending balance of pension plan assets	**¥5,458**	¥5,196	**$48,655**

(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 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Funded retirement benefit obligations	**¥ 9,362**	¥ 9,320	**$ 83,450**
Pension plan assets	**(5,458)**	(5,196)	**(48,655)**
	3,903	4,124	**34,794**
Unfunded retirement benefit obligations under the non-savings type	**4,111**	3,822	**36,651**
Net liability for retirement benefits in the consolidated balance sheet	**8,015**	7,947	**71,445**
Liability for retirement benefits	**8,015**	7,947	**71,445**
Net liability for retirement benefits in the consolidated balance sheet	**¥ 8,015**	¥ 7,947	**$ 71,445**

(4) Retirement benefit expenses and breakdown

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥ 388	¥ 439	$ 3,460
Interest cost	111	44	993
Expected return on plan assets	(181)	(182)	(1,617)
Amortization of actuarial gain or loss	458	461	4,083
Retirement benefit expenses for the defined benefit plans	¥ 776	¥ 763	$ 6,920

(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, 2017 and 2016 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Actuarial gain or loss	¥47	¥758	$424
Total	¥47	¥758	$424

(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, 2017 and 2016 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized actuarial gain or loss	¥2,570	¥2,522	$22,912
Total	¥2,570	¥2,522	$22,912

(7) Items related to pension plan assets

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

	2017	2016
Bond	36.2%	34.1%
Stock	30.5%	32.4%
General account	30.0%	30.4%
Cash and bank deposits	3.3%	3.1%
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, 2017 and 2016.

	2017	2016
Discount rate	0.2–0.4%	0.2–0.4%
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%

Note: Certain subsidiaries adopted a simplified method in the calculation of their retirement benefit obligations.

19. 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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2017	2016	2017
Deferred tax assets (current)			
Accrued bonuses	¥194	¥190	$1,732
Loss on valuation of inventories	69	86	621
Accrued business tax	33	27	301
Accrued social insurance premiums for bonuses	32	31	288
Provision for warranties on completed construction	25	42	230
Loss carried forward	3	7	33
Other	25	19	228
Valuation allowance	(69)	(88)	(621)
Total	315	316	2,815
Offsets deferred tax liabilities	0	(6)	(2)
Total	315	310	2,812
Deferred tax liabilities (current)			
Deferred gains or losses on hedges	(0)	(6)	(2)
Total	(0)	(6)	(2)
Set-off against deferred tax assets	0	6	2
Total	¥ —	¥ —	$ —

As of March 31	Millions of yen 2017	2016	Thousands of U.S. dollars 2017
Deferred tax assets (long-term)			
Liability for retirement benefits	**¥ 1,697**	¥ 1,563	**$ 15,131**
Loss carried forward	**324**	330	**2,894**
Accrued directors' retirement benefits	**42**	36	**380**
Asset retirement obligations	**36**	36	**329**
Loss on devaluation of investment securities	**36**	36	**324**
Loss on valuation of golf memberships	**29**	30	**267**
Allowance for doubtful accounts	**15**	2	**136**
Other	**22**	27	**203**
Valuation allowance	**(1,892)**	(1,753)	**(16,867)**
Total	**314**	308	**2,800**
Offsets deferred tax liabilities	**(251)**	(222)	**(2,242)**
Total	**62**	86	**558**
Deferred tax liabilities (long-term)			
Unrealized gain on available-for-sale securities	**(1,716)**	(1,256)	**(15,296)**
Other	**(11)**	(10)	**(98)**
Total	**(1,727)**	(1,266)	**(15,394)**
Set-off against deferred tax assets	**251**	222	**2,242**
Total	**(1,475)**	(1,044)	**(13,151)**
Deferred tax assets, net	**¥(1,097)**	¥ (647)	**$ (9,780)**

Note: Net deferred tax liabilities as of March 31, 2017 and 2016 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, 2017
The reconciliation between the statutory and effective tax rate for the year ended March 31, 2017 has been omitted because the difference was less than 5% of statutory tax rate.

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

20. Segment Information

For the year ended March 31, 2017

(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 operating income (note).

Note: Information related to the presentation of reportable segments
The Company changed its management KPI from ordinary income to operating income from the year ended March 31, 2017. To reflect this change, the presentation of segment income was changed from ordinary income to operating income.
To make the presentations on the consolidated statement of operations comparable year to year, segment income (loss) for the year ended March 31, 2016 was restated accordingly.

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

For the year ended March 31, 2017

	Millions of yen		
	Reportable segments		
	Engineering	Machinery	Total
Net sales			
(1) Sales to third parties	**¥23,534**	**¥12,570**	**¥36,104**
(2) Inter-segment sales and transfers	**—**	**—**	**—**
Total	**¥23,534**	**¥12,570**	**¥36,104**
Segment income (loss) (Operating income (loss))	**¥ (136)**	**¥ 1,430**	**¥ 1,294**
Segment assets	**¥14,257**	**¥12,454**	**¥26,711**
Other items			
Depreciation and amortization	**¥ 178**	**¥ 430**	**¥ 609**
Increase in property, plant and equipment and intangible assets	**¥ 89**	**¥ 394**	**¥ 483**

	Thousands of U.S. dollars		
	Reportable segments		
	Engineering	Machinery	Total
Net sales			
(1) Sales to third parties	**$209,772**	**$112,042**	**$321,815**
(2) Inter-segment sales and transfers	**—**	**—**	**—**
Total	**$209,772**	**$112,042**	**$321,815**
Segment income (loss) (Operating income (loss))	**$ (1,213)**	**$ 12,752**	**$ 11,539**
Segment assets	**$127,080**	**$111,015**	**$238,095**
Other items			
Depreciation and amortization	**$ 1,594**	**$ 3,833**	**$ 5,428**
Increase in property, plant and equipment and intangible assets	**$ 796**	**$ 3,515**	**$ 4,311**

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) (Operating income (loss))	¥ (48)	¥ 1,831	¥ 1,782
Segment assets	¥13,849	¥13,238	¥27,087
Other items			
Depreciation and amortization	¥ 196	¥ 418	¥ 614
Increase in property, plant and equipment and intangible assets	¥ 168	¥ 343	¥ 512

(4) Adjustments for segment assets

As of March 31	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Total segment assets	**¥26,711**	¥27,087	**$238,095**
Corporate assets (note)	**16,021**	14,123	**142,808**
Total assets reported on consolidated balance sheets	**¥42,733**	¥41,211	**$380,903**

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, 2017

	Millions of yen		
	Engineering	Machinery	Total
Sales to third parties	**¥23,534**	**¥12,570**	**¥36,104**

	Thousands of U.S. dollars		
	Engineering	Machinery	Total
Sales to third parties	**$209,772**	**$112,042**	**$321,815**

For the year ended March 31, 2016

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

2. Information by geographical areas
(1) Net sales
For the year ended March 31, 2017

Millions of yen			
Japan	Asia	Other areas	Total
¥31,341	**¥4,392**	**¥369**	**¥36,104**

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
$279,365	**$39,153**	**$3,296**	**$321,815**

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.

(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.

21. Amounts Per Share

For the years ended March 31	Yen 2017	Yen 2016	U.S. dollars 2017
Net income			
Basic	**¥12.35**	¥14.55	**$0.11**

As of March 31	Yen 2017	Yen 2016	U.S. dollars 2017
Net assets	**¥219.77**	¥200.02	**$1.96**

Please note that diluted net income per share is not disclosed because there are no potential common shares with dilutive effects.
The bases for calculation are as follows:

(1) Basic net income per share

For the years ended March 31	Thousands of shares 2017	Thousands of shares 2016
Weighted average number of shares for basic net income	**79,059**	79,060

As of March 31	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Profit attributable to owners of parent	**¥976**	¥1,150	**$8,705**
Profit attributable to owners of parent attributable to shares of common stock	**¥976**	¥1,150	**$8,705**

(2) Net assets per share

As of March 31	Thousands of shares 2017	Thousands of shares 2016
The number of shares of common stock used for the calculation of net assets per share	**79,059**	79,059

As of March 31	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Total net assets	**¥17,374**	¥15,813	**$154,867**
Net assets attributable to shares of common stock	**¥17,374**	¥15,813	**$154,867**

22. Significant Subsequent Events

The Company resolved at its Board of Directors' Meeting held on May 15, 2017 to submit proposals for the consolidation of common stock and a partial amendment to the Company's Articles of Incorporation with regard to a change in the number of shares per share unit and a change in the total number of authorized shares to the Company's 93rd annual general meeting of the shareholders held on June 29, 2017. Both proposals were approved at this general meeting of the shareholders.

(1) Purposes of consolidation of shares, change in the number of shares per share unit, etc.

Japan's stock exchanges have announced their "Action Plan for Consolidating Trading Units" with the aim of standardizing the trading units for common stock of all listed domestic corporations at 100 shares.

As a corporation listed on the Tokyo Stock Exchange, the Company respects the objectives of the plan and will change the trading unit (share unit) for the Company's stock from 1,000 shares to 100 shares. Along with the change in the share unit, the Company will also consolidate its shares in order to maintain the level of investment unit considered desirable by the stock exchanges (¥50,000 or more and less than ¥500,000).

(2) Details of consolidation

(i) Class of shares to be consolidated:
Common stock

(ii) Consolidation method and ratio
The Company will consolidate every 10 shares into one share on October 1, 2017 based on the number of shares held by shareholders listed in the shareholders' register as of the end of September 30, 2017.

(iii) Decrease in the number of shares due to consolidation

Total number of outstanding shares before consolidation (as of March 31, 2017)	79,139,500
Decrease in the number of shares due to consolidation	71,225,550
Total number of outstanding shares after consolidation	7,913,950

Note: "Decrease in the number of shares due to consolidation" and "Total number of outstanding shares after consolidation" are theoretical values calculated based on the total number of outstanding shares before consolidation and the consolidation ratio.

(iv) Handling of fractional shares of less than one share
If any fractional shares of less than one share are created as a result of the consolidation of shares, such fractional shares will be disposed of together in accordance with Article 235 of the Companies Act and the proceeds will be distributed to shareholders who held the fractional shares in proportion to the number of their fractional shares.

(3) Details of change in the number of shares per share unit

The Company will change the number of shares per share unit for common stock from 1,000 to 100 at the same time as the effective date for the consolidation of shares (October 1, 2017).

(4) Change in the total number of authorized shares

The Company will change the total number of authorized shares from 160,000,000 shares to 16,000,000 shares as of October 1, 2017.

(5) Schedule for the consolidation of shares and the change in the number of shares per share unit

Date of resolutions by the Board of Directors	May 15, 2017
Date of resolutions at the annual general meeting of the shareholders	June 29, 2017
Effective date of consolidation of shares, change in the number of shares per share unit and change in the total number of authorized shares	October 1, 2017

(6) Impact on amounts per share

Amounts per share for the years ended March 31, 2016 and 2017 on the assumption that the said consolidation of shares was executed at the beginning of the year ended March 31, 2016 are as follows.

	Yen		U.S. dollars
For the years ended March 31	**2017**	2016	**2017**
Net income			
Basic	**¥123.53**	¥145.55	**$1.10**

	Yen		U.S. dollars
As of March 31	**2017**	2016	**2017**
Net assets	**¥2,197.67**	¥2,000.20	**$19.59**

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

Board of Directors and Executive Officers

(As of June 29, 2017)

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

Hisayuki Fujihara

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

Masahiko Saito

Kenji Machida

Toshiyuki Ikuma

Shigeyuki Masaki

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Branch Offices
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Nagoya
Naha

Works
Kawasaki
Yokkaichi
Kashima

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: 9,426
Employees: 493

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