MKK

Annual Report 2018

For the year ended March 31, 2018

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	**2018**	2017	2016	**2018**
Net sales	**¥32,336**	¥36,104	¥39,300	**$304,375**
Income before income taxes and non-controlling interest	**2,407**	1,388	1,557	**22,663**
Profit attributable to owners of parent	**2,949**	976	1,150	**27,760**
Orders received	**38,469**	35,816	42,702	**362,101**
As of March 31				
Total assets	**¥44,359**	¥42,733	¥41,211	**$417,538**
Net assets	**22,197**	17,374	15,813	**208,941**
Backlog of orders	**28,697**	22,564	22,852	**270,120**

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*
	2018	2017	**2018**	**2018**	2017	**2018**
Engineering	**¥20,012**	¥23,534	**$188,372**	**¥24,356**	¥23,381	**$229,263**
Machinery	**12,324**	12,570	**116,002**	**14,112**	12,434	**132,837**
Total	**¥32,336**	¥36,104	**$304,375**	**¥38,469**	¥35,816	**$362,101**
Exports**	**¥ 4,542**	¥ 6,559	**$ 42,760**	**¥ 5,604**	¥ 3,483	**$ 52,749**
included in Total	**14.0%**	18.2%		**14.6%**	9.7%	

* U.S. dollar amounts have been translated from yen, for convenience only, at ¥106.24=U.S. $1, the approximate rate of exchange prevailing on March 31, 2018.

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

Report to Our Stockholders

Business Environment and Business Results

During the fiscal year ended March 31, 2018, the Japanese economy maintained a moderate recovery path on the back of increased exports. This reflected economic recovery overseas and ongoing improvements in the employment environment and corporate business sentiment amid a gradual increase in private-sector capital investment and a recovery in consumer spending in Japan. However, the future outlook remained uncertain due to rising geopolitical risks such as political instability overseas and tensions with North Korea, as well as a protectionist stance by the U.S. government, resulting in lower stock prices and a stronger yen.

Under these circumstances, in this second year of the three-year medium-term management plan targeting investment in next-generation growth areas and the establishment of a management foundation for the future, the Mitsubishi Kakoki Kaisha, Ltd. (MKK) Group focused on securing orders. It also sought to improve performance by developing business activities under key policy initiatives including cost improvements, an accelerated response to growth area businesses such as hydrogen, increased business efficiency and expense curtailments.

As a result, the total value of orders received on a consolidated basis during the fiscal year under review increased 7.4% in both Engineering Operations and Machinery Operations compared to the previous fiscal year, to ¥38,469 million.

Net sales decreased 10.4% compared to the previous fiscal year, to ¥32,336 million, reflecting a drop in the value of orders received in the previous year.

In terms of profit and loss, operating income was ¥1,018 million (versus ¥1,294 million in the previous fiscal year) and ordinary income was ¥1,300 million (versus ¥1,352 million in the previous fiscal year) resulting from a decline in gross profit due to lower net sales. In addition to recording extraordinary profit from gains on sales of investment securities and non-current assets, the recognition of deferred tax assets, in consideration of performance up to now and performance trends going forward, led to negative income taxes-deferred. This resulted in profit attributable to owners of parent of ¥2,949 million (versus ¥976 million in the previous fiscal year).

On a non-consolidated basis, during the fiscal year under review MKK received orders amounting to ¥27,815 million (down 4.5% year on year) and recorded net sales of ¥25,673 million (down 8.8% year on year), operating income of ¥855 million (versus ¥1,093 million in the previous fiscal year), ordinary income of ¥1,096 million (versus ¥1,128 million in the previous fiscal year) and net income of ¥2,851 million (versus ¥830 million in the previous fiscal year).

In determining its period-end dividend, MKK 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, as well as the 1-for-10 reverse common stock split executed on October 1, 2017. On this basis, the Company has declared a period-end dividend of ¥50.00 per share (¥5.00 per share in the previous fiscal year).

Issues Facing the Group

While it is expected that the Japanese economy will stage a gradual recovery in the near future, the situation is likely to remain unpredictable due to trade dispute risks resulting from U.S. government protectionist policies, as signs of uncertainty are mounting against the backdrop of political unrest outside Japan, leading to higher resource prices and an appreciating yen. The corporate sector remains cautious, reflecting increasing uncertainty over the economic outlook.

Under these circumstances, in the fiscal year ending March 31, 2019, the final year of our three-year medium-term management plan, the MKK Group will promote business in line with the following policies.

(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 sluggish orders received caused net sales to decrease for the second consecutive fiscal year, we see the securing and expanding of orders as a Group-wide issue and will strive to further strengthen these initiatives. To this end, in April 2018 we established the Sales Strategy Management Office, a cross-sectional organization for the planning of business strategies and support of order expansion. Also, in May 2018 we opened a news sales office (the Kawasaki Front Office) that consolidates on one floor plant and machinery sales departments that handle many cases common to customers in the private sector. Utilizing this office, we will promote cooperation and collaborations going beyond the boundaries of each Engineering and Machinery business to share information, develop strategic and highly agile sales activities, strengthen and improve sales capabilities and strive to acquire orders for important projects as well as cultivate new customers and projects. With regard to overseas projects, we will promote initiatives utilizing existing bases in Southeast Asia and acquire projects in our areas of expertise.

(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) Initiatives for our growth areas of the next-generation
We will continue to further strengthen and accelerate 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 stations, although the number of projects has been decreasing due to revisions to the Japanese government's fuel cell vehicle promotion plan, we will utilize the MKK Kawasaki Hydrogen Station, an experimental facility located at the Kawasaki Works, to advance technological developments in preparation for the increase and expansion of future projects. We will also work on the development of technologies utilizing hydrogen as a broad supply source of electric energy. In the field of biogas, we will continue trials of high-efficiency digestion systems conducted in the previous fiscal year via "Experimental Studies on Energy Utilization Technologies for Local Production and Local Consumption through High-Efficient Digestion Systems." In terms of apparatuses that comply with marine environment-protection regulations for ships, we will promote product development and order acquisition activities that respond adequately to applicable regulations and market trends, while attempting to enhance foundational technologies and expand product lineups. In each of these cases, we will create a detailed strategy roadmap and monitor progress throughout the Group to enable the provision of products and technologies meeting market and customer needs.

(iv) Improve business efficiency, enhance awareness and foster human resource development
We will continue pursuing policies to strengthen our corporate structure through Group-wide business efficiency, indirect cost reductions and enhancement of the Group's financial structure. Moreover, in terms of efforts related to operations, we will continue to thoroughly raise awareness through a greater focus on the Plan-Do-Check-Act (PDCA) cycle. At the same time, we will continue to engage in human resource development as an important measure aimed at the succession of technologies and skills leading to further development. We will also formulate and introduce new human resource systems with the aim of creating an organization capable of maximizing its capabilities with the aim of achieving our corporate vision and management targets, as well as developing human resources able to make decisions, act on their own initiative and achieve targets.

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 28, 2018

高木紀一

Toshikazu Takagi
President

Review of Operations

Engineering Operations

In Engineering Operations, in addition to attempts to identify customer needs and increase business inquiries, MKK sought to secure orders for a wide variety of plants and equipment to private sector customers as well as individually tailored sewage treatment equipment, mainly to public authorities. We also attempted to expand and enhance hydrogen and biogas efforts, which are positioned as our growth areas under the medium-term management plan. In the hydrogen field, we constructed an experimental hydrogen station within our Kawasaki Works (the MKK Kawasaki Hydrogen Station) completed in October 2017. In the biogas field, MKK promoted "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—" led by MKK, the City of Karatsu, Kyushu University and the Japan Sewage Works Agency, which was adopted as a Breakthrough by Dynamic Approach in Sewage High Technology (B-DASH) Project by the Ministry of Land, Infrastructure, Transport and Tourism. This experimental research facility promotes the use of unused biomass including sewage sludge and engages in projects aiming to establish a system for producing energy locally for local consumption. Overseas, we continued to cultivate plant projects for Japanese companies in Southeast Asia.

Although we succeeded in concluding significantly more contracts with public authorities for sewage treatment equipment than in the previous fiscal year, competition was fierce in private-sector plant and equipment for large plant and hydrogen station construction projects in Japan and large plants overseas. Accordingly, some anticipated projects were postponed or canceled, leading to a decline in the value of orders received compared to the previous fiscal year. This resulted in orders received amounting to ¥24,356 million, 4.2% higher than in the previous fiscal year (¥23,381 million).

Net sales decreased 15.0% from the previous fiscal year's ¥23,534 million, to ¥20,012 million, due to the decline in orders received in the previous year.

Machinery Operations

In Machinery Operations, we worked to secure orders through the expansion of sales of Mitsubishi Oil Purifiers, which are a mainstay product, as well as the cultivation of projects for various types of standalone machinery. We continued to promote product development with regard to apparatuses that comply with marine environment-protection regulations for ships, designated as one of our growth areas, and we shipped the first commercially available circulating water treatment system for exhaust gas recirculation (EGR) scrubbers, which is a type of nitrogen oxide (NOx) regulatory compliant equipment. We also promoted the cultivation of customers and development of sales channels with regard to dyna-filters (disk-shaped ceramic membrane filters) for the nano and precision filter fields, where we are focusing efforts on new products and technologies.

Orders received increased 13.5% over the previous fiscal year's ¥12,434 million, to ¥14,112 million, due to the successful conclusion of contracts for Mitsubishi Oil Purifiers and standalone machinery orders compared to the previous fiscal year.

Net sales decreased 2.0% from the previous fiscal year's ¥12,570 million, to ¥12,324 million, partly due to the decline in orders received in the previous fiscal year.

	2018	2017
Orders Received		
Engineering (%)	**63.3**	65.3
Machinery (%)	**36.7**	34.7
Total (millions of yen)	**¥38,469**	¥35,816
Net Sales		
Engineering (%)	**61.9**	65.2
Machinery (%)	**38.1**	34.8
Total (millions of yen)	**¥32,336**	¥36,104

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

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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, 2018, 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, 2018, 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.

Ernst & Young ShinNihon LLC

June 28, 2018

Consolidated Balance Sheet

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
March 31, 2018

Assets	Millions of yen 2018	2017	Thousands of U.S. dollars (Note 3) 2018
Current assets:			
Cash and bank deposits (Notes 17 and 18)	**¥ 4,952**	¥ 5,255	**$ 46,620**
Notes and accounts receivable, trade (Notes 7 and 18)	**15,439**	16,719	**145,324**
Electronically recorded monetary claims (Notes 7 and 18)	**1,190**	611	**11,203**
Finished goods	**817**	802	**7,698**
Work in process	**1,765**	1,510	**16,618**
Raw materials and supplies	**822**	965	**7,740**
Deferred tax assets (Note 22)	**526**	315	**4,957**
Other assets	**2,118**	1,055	**19,937**
Allowance for doubtful accounts	**(16)**	(14)	**(156)**
Total current assets	**27,616**	27,220	**259,945**
Property, plant and equipment (Notes 4 and 5)**:**			
Buildings and structures, net	**2,577**	2,743	**24,264**
Machinery, equipment and vehicles, net	**649**	610	**6,116**
Land	**1,120**	1,124	**10,549**
Other, net	**458**	278	**4,318**
Total property, plant and equipment	**4,807**	4,757	**45,249**
Intangible assets	**125**	283	**1,185**
Investments and other assets:			
Investment securities (Notes 5, 6, 18 and 19)	**11,532**	10,301	**108,551**
Deferred tax assets (Note 22)	**124**	62	**1,175**
Other assets	**201**	156	**1,898**
Allowance for doubtful accounts	**(49)**	(49)	**(466)**
Total investments and other assets	**11,809**	10,471	**111,158**
Total assets	**¥44,359**	¥42,733	**$417,538**

See accompanying "Notes to Consolidated Financial Statements."

Liabilities and Net Assets	Millions of yen **2018**	 2017	Thousands of U.S. dollars (Note 3) **2018**
Current liabilities:			
Notes and accounts payable, trade (Notes 7 and 18)	**¥ 6,714**	¥ 8,472	**$ 63,203**
Electronically recorded obligations (Notes 7 and 18)	**1,238**	1,172	**11,660**
Current portion of long-term debt	**—**	1,000	**—**
Accrued income taxes	**1,136**	308	**10,694**
Advances received	**397**	531	**3,739**
Accrued bonuses	**528**	617	**4,976**
Accrued bonuses to directors	**11**	16	**111**
Provision for warranties on completed construction	**125**	83	**1,184**
Provision for losses on construction contracts	**46**	28	**433**
Other current liabilities	**1,138**	1,038	**10,720**
Total current liabilities	**11,338**	13,269	**106,723**
Long-term liabilities:			
Long-term debt (Notes 5 and 18)	**3,300**	2,300	**31,061**
Deferred tax liabilities (Note 22)	**3**	1,475	**36**
Accrued directors' retirement benefits	**—**	85	**0**
Provision for disposal of PCB	**16**	17	**150**
Provision for Management Board Incentive Plan Trust	**9**	—	**85**
Liability for retirement benefits (Note 21)	**7,265**	8,015	**68,384**
Other long-term liabilities	**228**	195	**2,154**
Total long-term liabilities	**10,823**	12,089	**101,873**
Total liabilities	**22,161**	25,358	**208,597**
Shareholders' equity:			
Common stock	**3,956**	3,956	**37,245**
Capital surplus	**4,202**	4,202	**39,560**
Retained earnings	**10,564**	8,010	**99,440**
Treasury stock	**(125)**	(18)	**(1,184)**
Total shareholders' equity	**18,598**	16,151	**175,062**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**5,053**	3,956	**47,564**
Deferred gains or losses on hedges	**0**	0	**2**
Foreign currency translation adjustments	**(235)**	(163)	**(2,216)**
Accumulated remeasurements of defined benefit plans	**(1,218)**	(2,570)	**(11,471)**
Total accumulated other comprehensive income	**3,599**	1,222	**33,878**
Total net assets (Note 16)	**22,197**	17,374	**208,941**
Total liabilities and net assets	**¥44,359**	¥42,733	**$417,538**

Consolidated Statement of Operations

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
Fiscal year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	**2018**
Net sales	**¥32,336**	¥36,104	**$304,375**
Cost of sales (Notes 10 and 12)	**25,719**	29,039	**242,085**
Gross profit	**6,617**	7,065	**62,289**
Selling, general and administrative expenses (Note 9)	**5,599**	5,770	**52,705**
Operating income	**1,018**	1,294	**9,583**
Non-operating income:			
Interest	**2**	1	**20**
Dividends	**297**	242	**2,797**
Gain on foreign exchange	**94**	—	**888**
Other	**3**	11	**31**
Non-operating expenses:			
Interest	**42**	38	**400**
Commission paid	**52**	38	**495**
Loss on foreign exchange	**—**	97	**—**
Other	**19**	23	**180**
Ordinary income	**1,300**	1,352	**12,244**
Extraordinary income:			
Gain on sales of investment securities (Note 14)	**701**	35	**6,598**
Gain on sales of non-current assets (Note 13)	**495**	—	**4,667**
Extraordinary losses:			
Impairment loss (Note 11)	**90**	—	**847**
Income before income taxes and non-controlling interests	**2,407**	1,388	**22,663**
Income taxes: (Note 22)			
Current	**1,036**	415	**9,752**
Additional taxes for prior periods	**110**	—	**1,043**
Deferred	**(1,688)**	(3)	**(15,893)**
Net income	**2,949**	976	**27,760**
Profit attributable to non-controlling interests	**—**	—	**—**
Profit attributable to owners of parent	**¥ 2,949**	¥ 976	**$ 27,760**

See accompanying "Notes to Consolidated Financial Statements."

Consolidated Statement of Comprehensive Income

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
Fiscal year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	**2018**
Net income	**¥2,949**	¥ 976	**$27,760**
Other comprehensive income			
Unrealized gain on available-for-sale securities	**1,096**	1,077	**10,325**
Deferred gains (losses) on hedges	**(0)**	(13)	**(2)**
Foreign currency translation adjustments	**(71)**	(36)	**(677)**
Remeasurements of defined benefit plans	**1,351**	(47)	**12,723**
Total other comprehensive income (Note 15)	**2,376**	979	**22,369**
Comprehensive income	**¥5,325**	¥1,956	**$50,129**
Total comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	**¥5,325**	¥1,956	**$50,129**
Comprehensive income attributable to non-controlling interests	**¥ —**	¥ —	**$ —**

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, 2018

Millions of yen

	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	¥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 April 1, 2017	3,956	4,202	8,010	(18)	16,151	3,956	0	(163)	(2,570)	1,222	17,374
Changes during the year:											
Dividends of surplus			**(395)**		**(395)**					**—**	**(395)**
Profit attributable to owners of parent			**2,949**		**2,949**					**—**	**2,949**
Purchase of treasury stock				**(107)**	**(107)**					**—**	**(107)**
Net changes in items other than those in shareholders' equity					**—**	**1,096**	**(0)**	**(71)**	**1,351**	**2,376**	**2,376**
Total changes during the year	**—**	**—**	**2,553**	**(107)**	**2,446**	**1,096**	**(0)**	**(71)**	**1,351**	**2,376**	**4,823**
Balance at March 31, 2018	**¥3,956**	**¥4,202**	**¥10,564**	**¥(125)**	**¥18,598**	**¥5,053**	**¥ 0**	**¥(235)**	**¥(1,218)**	**¥3,599**	**¥22,197**

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 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, 2017	$37,245	$39,560	$75,400	$ (175)	$152,031	$37,238	$5	$(1,539)	$(24,195)	$11,509	$163,541
Changes during the year:											
Dividends of surplus			**(3,720)**		**(3,720)**					**—**	**(3,720)**
Profit attributable to owners of parent			**27,760**		**27,760**					**—**	**27,760**
Purchase of treasury stock				**(1,008)**	**(1,008)**					**—**	**(1,008)**
Net changes in items other than those in shareholders' equity					**—**	**10,325**	**(2)**	**(677)**	**12,723**	**22,369**	**22,369**
Total changes during the year	**—**	**—**	**24,039**	**(1,008)**	**23,031**	**10,325**	**(2)**	**(677)**	**12,723**	**22,369**	**45,400**
Balance at March 31, 2018	**$37,245**	**$39,560**	**$99,440**	**$(1,184)**	**$175,062**	**$47,564**	**$2**	**$(2,216)**	**$(11,471)**	**$33,878**	**$208,941**

See accompanying "Notes to Consolidated Financial Statements."

Consolidated Statement of Cash Flows

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries
Fiscal year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	**2018**
Cash flows from operating activities			
Income before income taxes and non-controlling interests	**¥2,407**	¥1,388	**$22,663**
Depreciation and amortization	**587**	609	**5,533**
Impairment loss	**90**	—	**847**
Increase (decrease) in allowance for doubtful accounts	**2**	57	**19**
Increase (decrease) in accrued bonuses	**(89)**	11	**(839)**
Increase (decrease) in accrued bonuses to directors	**(4)**	(0)	**(41)**
Increase (decrease) in provision for warranties on completed construction	**42**	(53)	**395**
Increase (decrease) in provision for losses on construction contracts	**17**	10	**162**
Increase (decrease) in provision for disposal of PCB	**(1)**	—	**(9)**
Increase (decrease) in provision for directors' retirement benefits	**(85)**	(25)	**(805)**
Increase (decrease) in provision for Management Board Incentive Plan Trust	**9**	—	**85**
Increase (decrease) in liability for retirement benefits	**64**	20	**605**
Interest and dividends income	**(299)**	(244)	**(2,818)**
Interest expense	**42**	38	**400**
Loss (gain) on sales of investment securities	**(701)**	(35)	**(6,598)**
Loss (gain) on sales of non-current assets	**(495)**	—	**(4,667)**
Foreign exchange gains (losses)	**116**	33	**1,092**
Decrease (increase) in notes and accounts receivable, trade	**711**	300	**6,693**
Decrease (increase) in inventories	**(127)**	64	**(1,199)**
Decrease (increase) in advance payments	**(60)**	(40)	**(567)**
Increase (decrease) in notes and accounts payable, trade	**(1,707)**	(435)	**(16,069)**
Increase (decrease) in advances received	**(135)**	(485)	**(1,275)**
Other, net	**(658)**	(199)	**(6,200)**
Subtotal	**(275)**	1,014	**(2,593)**
Interest and dividends received	**299**	244	**2,818**
Interest paid	**(42)**	(38)	**(402)**
Income taxes paid	**(373)**	(359)	**(3,517)**
Net cash provided by (used in) operating activities	**(392)**	860	**(3,695)**
Cash flows from investing activities			
Proceeds from sales of non-current assets	**550**	—	**5,181**
Purchases of property, plant and equipment	**(749)**	(414)	**(7,051)**
Proceeds from sales of investment securities	**1,056**	42	**9,940**
Purchases of investment securities	**(8)**	(7)	**(76)**
Long-term loans made	**(0)**	(0)	**(2)**
Collection of long-term loans receivable	**4**	4	**45**
Other, net	**(53)**	8	**(503)**
Net cash provided by (used in) investing activities	**800**	(367)	**7,532**
Cash flows from financing activities			
Proceeds from long-term loans payable	**1,000**	700	**9,412**
Repayments of long-term loans payable	**(1,000)**	(200)	**(9,412)**
Repayments of lease obligations	**(22)**	(16)	**(209)**
Cash dividends paid	**(395)**	(395)	**(3,720)**
Purchase of treasury stock	**(107)**	(0)	**(1,008)**
Net cash provided by (used in) financing activities	**(524)**	87	**(4,939)**
Effect of exchange rate changes on cash and cash equivalents	**(185)**	(59)	**(1,749)**
Increase (decrease) in cash and cash equivalents	**(302)**	521	**(2,851)**
Cash and cash equivalents at beginning of the year	**5,254**	4,733	**49,462**
Cash and cash equivalents at end of the year (Note 17)	**¥4,951**	¥5,254	**$46,610**

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, 2018, the number of consolidated subsidiaries was 4 (4 in 2017).

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) Provision for disposal of PCB

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

(m) Provision for Management Board Incentive Plan Trust

This provision is calculated based on the estimated amount of shares to be paid, corresponding to the number of points allocated to executives in accordance with the stock issuance provisions, in preparation for the future payment of the Company's shares to executives.

(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) Standards issued but not yet effective

Accounting Standard and Implementation Guidance on Revenue Recognition

On March 30, 2018, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

(1) Overview
In May 2014, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) issued "Revenue from Contracts with Customers," converged guidance on recognizing revenue in contracts with customers (IFRS 15, issued by the IASB, and Topic 606, issued by the FASB). IFRS 15 applies to annual reporting periods beginning on or after January 1, 2018, and Topic 606 applies to annual reporting periods beginning after December 15, 2017.

Accordingly, the ASBJ developed a comprehensive accounting standard for revenue recognition and implementation guidance.

As a basic policy with regard to the ASBJ's development of Accounting Standard for Revenue Recognition, from the viewpoint of comparability between financial statements, the ASBJ incorporated the basic principles of IFRS 15, and for any items to be considered from the perspective of historical accounting practices under Japanese GAAP, the ASBJ also included alternative accounting treatments which do not impair comparability with IFRS 15.

(2) Scheduled date of adoption
The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance
The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

2. Additional Information

(Performance-linked stock compensation plan)
At the 93rd annual general meeting of the shareholders on June 29, 2017, a resolution was passed to introduce a performance-linked stock compensation plan (hereinafter, the "Plan") for the Company's directors (excluding external directors and directors who are Audit and Supervisory Committee members). The Plan is aimed at enhancing the motivation to contribute to increases in the Group's operating performance over the medium to long term and a rise in corporate value. To this end, the Plan is an executive compensation plan that has strong links to the Group's operating performance and is highly transparent and objective. The accounting treatment related to the Plan is in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ Practical Issues Task Force No. 30, March 26, 2015).

1. Overview of transactions
The Plan employs a framework called an executive compensation board incentive plan trust (hereinafter, "BIP Trust"). Under the Plan, at the time of a director's retirement (if said director dies, at the time of death; the same shall apply below) the Company shall pay or grant to such person an amount of the Company's shares and monetary amounts equivalent to conversion of the Company's shares to cash corresponding to the level of achievement of operating performance targets.

2. Company shares remaining in the trust
Company shares remaining in the trust shall be recorded under treasury stock in the net assets section, placing the trust at book value (excluding incidental expenses). March 31, 2018 the book value and number of shares of said treasury stock amounted to ¥106 million ($998 thousand) and 44,400 shares, respectively.

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 ¥106.24=U.S.$1, the approximate rate of exchange prevailing at March 31, 2018. 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, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Accumulated depreciation	¥10,905	¥10,897	$102,650

5. Long-Term Debt

At March 31, 2018 and 2017, 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	2018	2017	2018
Debt with collateral	¥ 800	¥ 800	$ 7,530
Debt without collateral	2,500	2,500	23,531
	¥3,300	¥3,300	$31,061

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 ($7,530 thousand) at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2018	2017	2018
Property, plant and equipment	¥ 687	¥ 775	$ 6,474
Investment securities	7,933	7,004	74,677
	¥8,621	¥7,780	$81,152

6. 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	2018	2017	2018
Investment securities (shares of or capital contributions to non-consolidated subsidiaries and affiliates)	¥288	¥288	$2,712

7. Notes Maturing at Fiscal Year-end, Electronically Recorded Monetary Claims, and Obligations

Regarding the accounting treatment of notes maturing at fiscal year-end, payment processing is performed on the clearing date. As the Company's fiscal year-end fell on a holiday for financial institutions, the amounts maturing at the end of the fiscal year were included in the corresponding balances.

	Millions of yen		Thousands of U.S. dollars
As of March 31	2018	2017	2018
Notes and accounts receivable, trade	¥129	¥—	$1,220
Electronically recorded monetary claims	38	—	358
Notes and accounts payable, trade	1	—	11
Electronically recorded obligations	¥ 15	¥—	$ 148

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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2018	2017	2018
Total overdrafts and loan commitment lines	¥7,300	¥7,300	$68,712
Amount utilized	—	—	—
Balance available	¥7,300	¥7,300	$68,712

9. Selling, General and Administrative Expenses

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	2018	2017	2018
Sales commissions	¥ 158	¥ 232	$ 1,489
Estimated design expenses	1,416	1,069	13,330
Advertising expenses	54	45	509
Provision of allowance for doubtful accounts	6	59	61
Directors' compensations	301	287	2,834
Provision for Management Board Incentive Plan Trust	9	—	85
Employees' salaries and allowances	1,297	1,324	12,216
Provision for accrued bonuses	139	159	1,316
Provision for accrued bonuses to directors	11	16	111
Provision for accrued employees' retirement benefits	216	196	2,041
Provision for directors' retirement benefits	6	31	60
Traveling and transportation expenses	209	200	1,971
Rent expenses	107	105	1,012
Depreciation	87	107	821
Research and development costs	290	584	2,735
Other	1,286	1,349	12,106
Total selling, general and administrative expenses	¥5,599	¥5,770	$52,705

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	**2018**	2017	**2018**
	¥17	¥9	**$162**

11. Impairment Loss

In the fiscal year ended March 31, 2018, the MKK Group recorded an impairment loss on the asset group shown below.

Location	Use	Type
Kawasaki, Kanagawa Prefecture	Engineering business	Intangible non-current assets (technology use rights, etc.), machinery, equipment and vehicles, other

When measuring impairment losses, the MKK Group determines cash generating unit based on business categories from a management accounting perspective in order to manage income and expenditures on an ongoing basis. Idle assets are grouped as individual items.

During the fiscal year ended March 31, 2018, due to a substantial decline in the profitability of the engineering business, the book value of this asset group was reduced to its recoverable value, and the Company posted this decrease as an impairment loss within extraordinary losses. The recoverable value of the asset group when measuring the impairment loss was measured at value in use. However, as undiscounted future cash flows were negative, the book value of the assets for the engineering business was written down to the nominal value. The impairment loss breaks down as follows: intangible noncurrent assets (technology use rights, etc.) in the amount of ¥77 million ($730 thousand); machinery, equipment and vehicles in the amount of ¥9 million ($86 thousand); other in the amount of ¥3 million ($30 thousand).

12. 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, 2018 and 2017.

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	**2018**	2017	**2018**
	¥(15)	¥(55)	**$(149)**

13. Gain on Sales of Non-current Assets

Details of the gain on sales of non-current assets are as follows.

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	**2018**	2017	**2018**
Land and buildings	**¥495**	¥—	**$4,667**

The gain on sales of non-current assets for the fiscal year ended March 31, 2018 is due to sales of land, buildings and facilities used as Company housing.

14. Gain on Sales of Investment Securities

Details of the gain on sales of investment securities are as follows.

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	**2018**	2017	**2018**
Other securities	**¥701**	¥35	**$6,598**

15. Consolidated Statement of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	**2018**	2017	**2018**
Reclassification adjustment and tax effect on other comprehensive income			
Unrealized gain on available-for-sale securities:			
Amount accrued during the year	**¥2,278**	¥1,573	**$21,446**
Amount due to reclassification adjustment	**(701)**	(35)	**(6,598)**
Before adjustment for tax effect	**1,577**	1,537	**14,848**
Amount of tax effect	**(480)**	(460)	**(4,523)**
Unrealized gain on available-for-sale securities	**1,096**	1,077	**10,325**
Deferred gains or losses on hedges:			
Amount accrued during the year	**(0)**	(19)	**(4)**
Amount due to reclassification adjustment	**—**	—	**—**
Before adjustment for tax effect	**(0)**	(19)	**(4)**
Amount of tax effect	**0**	5	**1**
Deferred gains or losses on hedges	**(0)**	(13)	**(2)**
Foreign currency translation adjustments:			
Amount accrued during the year	**(71)**	(36)	**(677)**
Remeasurements of defined benefit plans:			
Amount accrued during the year	**280**	(506)	**2,637**
Amount due to reclassification adjustment	**534**	458	**5,032**
Before adjustment for tax effect	**814**	(47)	**7,670**
Amount of tax effect	**536**	—	**5,053**
Remeasurements of defined benefit plans	**1,351**	(47)	**12,723**
Total other comprehensive income	**¥2,376**	¥ 979	**$22,369**

16. Net Assets

Information regarding changes in net assets for the years ended March 31, 2018 and 2017 is as follows:

(1) Shares issued and outstanding / Treasury stock

For the year ended March 31, 2018

	Thousands of shares			
Types of shares	Number of shares at March 31, 2017	Increase	Decrease	Number of shares at March 31, 2018
Shares issued:				
Common stock (Notes 1 and 2)	**79,139**	**—**	**71,225**	**7,913**
Treasury stock:				
Common stock (Notes 3, 4 and 5)	**80**	**445**	**473**	**52**

Notes:
1. The Company conducted a 1-for-10 reverse stock split for common shares on October 1, 2017.
2. The 71,225 thousand-share decrease in the number of shares of common stock issued was due to the reverse stock split.
3. Of the 445 thousand-share increase in common shares of treasury stock, an increase of 444 thousand shares (444 thousand shares prior to the reverse stock split) was due to acquisition of the Company's shares by the executive compensation BIP Trust, and an increase of 1 thousand shares (1 thousand shares prior to the reverse stock split, 0 thousand shares after the reverse stock split) was due to the acquisition of shares of less than one trading unit.
4. The 473 thousand-share decrease in common shares of treasury stock was due to the reverse stock split.
5. The number of common shares of treasury stock includes the Company's shares held by the executive compensation BIP Trust (44 thousand shares as of the end of the fiscal year under review).

For the year ended March 31, 2017

	Thousands of shares			
Types 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

(2) Dividends

1) Dividends paid

For the year ended 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**	**$3,720**	**Retained earnings**	**¥5.0**	**$0.05**	**March 31, 2017**	**June 30, 2017**

2) Dividends paid with the cut-off date in the year ended March 31, 2018 and the effective date in the year ending March 31, 2019

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 28, 2018	**Common stock**	**¥395**	**$3,720**	**Retained earnings**	**¥50.0**	**$0.47**	**March 31, 2018**	**June 29, 2018**

Note: In accordance with a resolution passed at the annual general meeting of shareholders on June 28, 2018, total dividends include ¥2 million ($20 thousand) in dividends on the Company's shares held by the executive compensation BIP Trust.

(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.

17. Supplementary Cash Flow Information

Cash and cash equivalents as of March 31, 2018 and 2017 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	**2018**	2017	**2018**
Cash and bank deposits	**¥4,952**	¥5,255	**$46,620**
Time deposits with maturities of more than three months	**(1)**	(1)	**(9)**
Cash and cash equivalents	**¥4,951**	¥5,254	**$46,610**

18. 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 and electronically recorded monetary claims 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 and electronically recorded obligations, 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 and an overdraft agreement with one bank 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 20 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, 2018 and 2017 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, 2018	Carrying value	Fair value	Difference
(1) Cash and bank deposits	¥ 4,952	¥ 4,952	¥—
(2) Notes and accounts receivable, trade	15,439	15,439	—
(3) Electronically recorded monetary claims	1,190	1,190	—
(4) Investment securities	11,216	11,216	—
Total assets	32,799	32,799	—
(5) Notes and accounts payable, trade	6,714	6,714	—
(6) Electronically recorded obligations	1,238	1,238	—
(7) Long-term debt	3,300	3,314	14
Total liabilities	11,253	11,268	14
(8) Derivative transactions*	¥ 0	¥ 0	¥—

	Thousands of U.S. dollars		
As of March 31, 2018	Carrying value	Fair value	Difference
(1) Cash and bank deposits	$ 46,620	$ 46,620	$ —
(2) Notes and accounts receivable, trade	145,324	145,324	—
(3) Electronically recorded monetary claims	11,203	11,203	—
(4) Investment securities	105,580	105,580	—
Total assets	308,728	308,728	—
(5) Notes and accounts payable, trade	63,203	63,203	—
(6) Electronically recorded obligations	11,660	11,660	—
(7) Long-term debt	31,061	31,201	139
Total liabilities	105,925	106,065	139
(8) Derivative transactions*	$ 3	$ 3	$ —

As of March 31, 2017	Millions of yen 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	¥—

* 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.

(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 19.

(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 20). The fair values of these trade payables are calculated by combining them with the corresponding exchange contracts.

(7) 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.

(8) Derivative transactions
Please refer to Note 20.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Unlisted stocks	**¥315**	¥315	**$2,971**

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.

(Note 3)
The maturities of long-term debt are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	**¥ —**	**$ —**
2020	**—**	**—**
2021	**1,600**	**15,060**
2022 and thereafter	**1,700**	**16,001**
	¥3,300	**$31,061**

19. Securities

(1) Information regarding securities classified as other securities

Other securities

As of March 31, 2018	Millions of yen Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	**¥11,107**	**¥3,839**	**¥7,267**
Securities whose acquisition cost exceeds their carrying value:			
Stock	**109**	**127**	**(17)**
Total	**¥11,216**	**¥3,967**	**¥7,249**

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.

As of March 31, 2018	Thousands of U.S. dollars Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	**$104,547**	**$36,138**	**$68,409**
Securities whose acquisition cost exceeds their carrying value:			
Stock	**1,032**	**1,201**	**(169)**
Total	**$105,580**	**$37,340**	**$68,240**

Note: Non-marketable securities (carrying value of $258 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.

As of March 31, 2017	Millions of yen 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.

(2) Sales of securities classified as other securities and the aggregate gain for the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	**2018**	2017	**2018**
Aggregate gain or loss			
Stock	**¥701**	¥35	**$6,598**

20. Derivative Transactions

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2018 and 2017.

(1) Derivatives to which hedge accounting is not applied Currency-related transactions

For the year ended March 31, 2018

None.

	Millions of yen			
	Notional amount			
As of March 31, 2017	Maturing within one year	Maturing after one year	Fair value	Unrealized gain
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.

(2) Derivatives to which hedge accounting is applied Currency-related transactions

	Millions of yen			
	Notional amount			
As of March 31, 2018	Maturing within one year	Maturing after one year	Fair value	Unrealized gain
Principal Method				
Forward foreign exchange contracts, accounted for as part of accounts receivable and payable				
Buy				
SGD	**¥10**	**¥—**	**¥ 0**	**¥ 0**
Total	**¥10**	**¥—**	**¥ 0**	**¥ 0**

Note: Calculation of fair value

Fair value are calculated based on the prices presented by financial institutions

As of March 31, 2018	Thousands of U.S. dollars			
	Notional amount			
	Maturing within one year	Maturing after one year	Fair value	Unrealized gain
Principal Method				
Forward foreign exchange contracts, accounted for as part of accounts receivable and payable				
Buy				
SGD	**$100**	**$—**	**$8**	**$8**
Total	**$100**	**$—**	**$8**	**$8**

As of March 31, 2017	Millions of yen			
	Notional amount			
	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.

Interest-related transactions

As of March 31, 2018	Millions of yen			
	Notional amount			
	Maturing within one year	Maturing after one year	Fair value	Unrealized gain
Interest rate swaps hedging long-term borrowings, accounted for by the special accounting treatment:				
Receive/floating and pay/fixed	**¥—**	**¥2,500**	**¥—**	**¥—**

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, 2018	Thousands of U.S. dollars			
	Notional amount			
	Maturing within one year	Maturing after one year	Fair value	Unrealized gain
Interest rate swaps hedging long-term borrowings, accounted for by the special accounting treatment:				
Receive/floating and pay/fixed	**$—**	**$23,531**	**$—**	**$—**

As of March 31, 2017	Millions of yen			
	Notional amount			
	Maturing within one year	Maturing after one year	Fair value	Unrealized gain
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.

21. Retirement Benefit Plans

For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Beginning balance of retirement benefit obligation	**¥13,474**	¥13,143	**$126,828**
Service cost	**463**	388	**4,358**
Interest cost	**35**	111	**331**
Actuarial gain or loss	**(261)**	441	**(2,462)**
Payment of retirement benefit	**(598)**	(610)	**(5,628)**
Ending balance of retirement benefit obligation	**¥13,112**	¥13,474	**$123,427**

2) The changes in plan assets for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Beginning balance of pension plan assets	**¥5,458**	¥5,196	**$51,380**
Expected return on plan assets	**190**	181	**1,793**
Realized actuarial gain or loss	**18**	(64)	**177**
Contributions from employer	**654**	626	**6,164**
Payment of retirement benefit	**(475)**	(480)	**(4,473)**
Ending balance of pension plan assets	**¥5,847**	¥5,458	**$55,042**

(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
	2018	2017	**2018**
Funded retirement benefit obligations	**¥ 8,892**	¥ 9,362	**$ 83,703**
Pension plan assets	**(5,847)**	(5,458)	**(55,042)**
	3,044	3,903	**28,660**
Unfunded retirement benefit obligations under the non-savings type	**4,220**	4,111	**39,724**
Net liability for retirement benefits in the consolidated balance sheet	**7,265**	8,015	**68,384**
Liability for retirement benefits	**7,265**	8,015	**68,384**
Net liability for retirement benefits in the consolidated balance sheet	**¥ 7,265**	¥ 8,015	**$ 68,384**

(4) Retirement benefit expenses and breakdown

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Service cost	**¥ 463**	¥ 388	**$ 4,358**
Interest cost	**35**	111	**331**
Expected return on plan assets	**(190)**	(181)	**(1,793)**
Amortization of actuarial gain or loss	**534**	458	**5,030**
Retirement benefit expenses for the defined benefit plans	**¥ 842**	¥ 776	**$ 7,927**

(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, 2018 and 2017 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Actuarial gain or loss	**¥814**	¥47	**$7,670**
Total	**¥814**	¥47	**$7,670**

(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, 2018 and 2017 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Unrecognized actuarial gain or loss	**¥1,755**	¥2,570	**$16,524**
Total	**¥1,755**	¥2,570	**$16,524**

(7) Items related to pension plan assets

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

	2018	2017
Bond	**35.9%**	36.2%
Stock	**31.5%**	30.5%
General account	**29.5%**	30.0%
Cash and bank deposits	**3.1%**	3.3%
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, 2018 and 2017.

	2018	2017
Discount rate	**0.2–0.3%**	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.

22. 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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2018**	2017	**2018**
Deferred tax assets (current)			
Accrued expenses	**¥181**	¥ 3	**$1,710**
Accrued bonuses	**165**	194	**1,558**
Loss on valuation of inventories	**64**	69	**606**
Accrued business tax	**62**	33	**589**
Provision for warranties on completed construction	**39**	25	**371**
Accrued social insurance premiums for bonuses	**27**	32	**261**
Loss carried forward	**10**	3	**99**
Other	**39**	21	**371**
Valuation allowance	**(64)**	(69)	**(608)**
Total	**526**	315	**4,958**
Offsets deferred tax liabilities	**(0)**	(0)	**(0)**
Total	**526**	315	**4,957**
Deferred tax liabilities (current)			
Deferred gains or losses on hedges	**(0)**	(0)	**(0)**
Total	**(0)**	(0)	**(0)**
Set-off against deferred tax assets	**0**	0	**0**
Total	**¥ —**	¥ —	**$ —**

As of March 31	Millions of yen 2018	2017	Thousands of U.S. dollars 2018
Deferred tax assets (long-term)			
Liability for retirement benefits	**¥ 2,243**	¥ 1,697	**$ 21,113**
Equipment for tests and researches	**60**	—	**570**
Asset retirement obligations	**36**	36	**346**
Loss on devaluation of investment securities	**36**	36	**339**
Loss carried forward	**32**	324	**310**
Impairment loss	**29**	3	**279**
Loss on valuation of golf memberships	**29**	29	**280**
Long-term accounts payable	**27**	—	**263**
Accrued directors' retirement benefits	**—**	42	**—**
Other	**44**	34	**414**
Valuation allowance	**(211)**	(1,892)	**(1,995)**
Total	**2,328**	314	**21,921**
Offsets deferred tax liabilities	**(2,204)**	(251)	**(20,746)**
Total	**124**	62	**1,175**
Deferred tax liabilities (long-term)			
Unrealized gain on available-for-sale securities	**(2,196)**	(1,716)	**(20,675)**
Other	**(11)**	(11)	**(106)**
Total	**(2,208)**	(1,727)	**(20,782)**
Set-off against deferred tax assets	**2,204**	251	**20,746**
Total	**(3)**	(1,475)	**(36)**
Deferred tax assets, net	**¥ 647**	¥(1,097)	**$ 6,096**

Note: Net deferred tax liabilities as of March 31, 2018 and 2017 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, 2018
Effective statutory tax rate	30.8%
(Reconciliation)	
Items such as entertainment expenses permanently non-deductible	1.7%
Items such as dividend income permanently non-taxable	(1.1)%
Inhabitant tax on per capita basis	0.9%
Tax credits	(0.4)%
Decrease in end of period deferred tax assets due to change in tax rate	0.7%
Increase (decrease) in valuation allowance	(58.3)%
Consolidation journal entries	16.6%
Deduction of loss carried forward	(9.5)%
Additional taxes for prior periods	1.4%
Difference tax years applied to foreign subsidiaries	(5.5)%
Other	0.2%
Effective tax rates	(22.5)%

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.

23. Segment Information

For the year ended March 31, 2018

(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.

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

For the year ended March 31, 2018

	Millions of yen		
	Reportable segments		
	Engineering	Machinery	Total
Net sales			
(1) Sales to third parties	**¥20,012**	**¥12,324**	**¥32,336**
(2) Inter-segment sales and transfers	**—**	**—**	**—**
Total	**¥20,012**	**¥12,324**	**¥32,336**
Segment income (loss) (Operating income (loss))	**¥ (235)**	**¥ 1,253**	**¥ 1,018**
Segment assets	**¥13,668**	**¥13,374**	**¥27,043**
Other items			
Depreciation and amortization	**¥ 166**	**¥ 421**	**¥ 587**

	Engineering	Machinery	Total
Increase in property, plant and equipment and intangible assets	**¥ 129**	**¥ 497**	**¥ 627**

	Thousands of U.S. dollars		
	Reportable segments		
	Engineering	Machinery	Total
Net sales			
(1) Sales to third parties	**$188,372**	**$116,002**	**$304,375**
(2) Inter-segment sales and transfers	**—**	**—**	**—**
Total	**$188,372**	**$116,002**	**$304,375**
Segment income (loss) (Operating income (loss))	**$ (2,213)**	**$ 11,797**	**$ 9,583**
Segment assets	**$128,657**	**$125,893**	**$254,550**
Other items			
Depreciation and amortization	**$ 1,564**	**$ 3,969**	**$ 5,533**
Increase in property, plant and equipment and intangible assets	**$ 1,222**	**$ 4,679**	**$ 5,902**

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

(4) Adjustments for segment assets

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2018**	2017	**2018**
Total segment assets	**¥27,043**	¥26,711	**$254,550**
Corporate assets (note)	**17,315**	16,021	**162,988**
Total assets reported on consolidated balance sheets	**¥44,359**	¥42,733	**$417,538**

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, 2018

	Millions of yen		
	Engineering	Machinery	Total
Sales to third parties	**¥20,012**	**¥12,324**	**¥32,336**

	Thousands of U.S. dollars		
	Engineering	Machinery	Total
Sales to third parties	**$188,372**	**$116,002**	**$304,375**

For the year ended March 31, 2017

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

2. Information by geographical areas
(1) Net sales
For the year ended March 31, 2018

Millions of yen			
Japan	Asia	Other areas	Total
¥28,620	**¥3,426**	**¥290**	**¥32,336**

Thousands of U.S. dollars			
Japan	Asia	Other areas	Total
$269,393	**$32,250**	**$2,731**	**$304,375**

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.

(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.

3. Information related to impairment losses on non-current assets for each reportable segment
For the year ended March 31, 2018

	Millions of yen		
	Engineering	Machinery	Total
Impairment loss	**¥90**	**¥—**	**¥90**

	Thousands of U.S. dollars		
	Engineering	Machinery	Total
Impairment loss	**$847**	**$—**	**$847**

For the year ended March 31, 2017
None.

24. Amounts Per Share

	Yen		U.S. dollars
For the years ended March 31	**2018**	2017	**2018**
Net income			
Basic	**¥374.46**	¥123.53	**$3.52**

	Yen		U.S. dollars
As of March 31	**2018**	2017	**2018**
Net assets	**¥2,823.79**	¥2,197.67	**$26.58**

Notes:
1. Diluted adjusted net income per share is not indicated, as no potentially dilutive shares exist.
2. The Company conducted a 1-for-10 reverse stock split on common shares with an effective date of October 1, 2017. Accordingly, amounts for net assets per share and net income per share are calculated as if the reverse stock split had been conducted at the beginning of the fiscal year ended March 31, 2017.
3. During the fiscal year ended March 31, 2018, the Company introduced a performance-linked compensation plan for executives. When calculating net assets per share, the Company's shares held by the executive compensation BIP Trust are included in treasury stock, which is excluded from the number of shares outstanding at the end of the fiscal year. When calculating net income per share, these shares are included in treasury stock, which is excluded from calculations of the average number of shares during the fiscal year. As of March 31, 2018, the number of shares of treasury stock held by the trust at fiscal year-end was 44,400 shares (number of shares after the reverse stock split for the fiscal year) and the average number of shares of treasury stock held by the trust was 29,600 shares (number of shares after the reverse stock split). No corresponding shares existed during the fiscal year ended March 31, 2017.
4. The bases for calculation are as follows:

(1) Basic net income per share

	Thousands of shares	
For the years ended March 31	**2018**	2017
Weighted average number of shares for basic net income	**7,876**	7,905

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2018**	2017	**2018**
Profit attributable to owners of parent	**¥2,949**	¥976	**$27,760**
Profit attributable to owners of parent attributable to shares of common stock	**¥2,949**	¥976	**$27,760**

(2) Net assets per share

	Thousands of shares	
As of March 31	**2018**	2017
The number of shares of common stock used for the calculation of net assets per share	**7,861**	7,905

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2018**	2017	**2018**
Total net assets	**¥22,197**	¥17,374	**$208,941**
Net assets attributable to shares of common stock	**¥22,197**	¥17,374	**$208,941**

Board of Directors and Executive Officers

(As of June 28, 2018)

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 and General Manager, Sales Strategy Management Office

Masao Nakamura
Division Director, Machinery Business Division and Deputy General Manager, Sales Strategy Management Office

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
Osaka
Nagoya
Fukuoka
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: 7,913,950 shares
Number of stockholders: 8,591
Employees: 506

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