

# ANNUAL REPORT 2018

Year ended March 31, 2018



# Create a high value, aim for a company with high productivity and persistence.

DAIICHI JITSUGYO CO., LTD. ("DJK") is a general machinery trading company that supplies industries worldwide with optimum production equipment and systems.

DJK has a wealth of experience spanning nearly 70 years in global commercial transactions of ever-changing industrial technologies. Based on its long experience, DAIICHI JITSUGYO CO., LTD. and its subsidiaries (the "DJK Group") supports customers' future growth not only with its trading company functions, but also with its coordinator functions to respond to diversified customer needs including the development of cutting-edge technologies, logistics, after-sales services, and proposals that lead to the creation of added value.

## Cultivated strengths

- ▶ 70 years of experience and a track record as a business partner
- ▶ One-stop solution to cover wide-ranging business areas
- ▶ Mobility and proposal capability to correspond to various needs in actual fields
- ▶ Contribute to the industry development and reduction of environmental risks

2017-2019  
DASH 2018

(million yen)  
200,000

150,000

100,000

50,000

Net sales



**1948**  
Founded with capital of ¥480,000 in Shinagawa-ku, Tokyo.

**1956**  
Embarked on the plastics business.

**1964**  
Entered the automobile industry.

**1979**  
Entered the pharmaceutical industry.

**1982**  
Entered the electronics industry.

**1990**  
Entered the aviation industry.

**1974**  
Listed on the Tokyo Stock Exchange (1st Section).

**1970**  
Established a subsidiary DAIICHI MACHINERY SERVICE CO., LTD. (currently DAIICHI MECHA-TECH CORPORATION).

**1952**  
Opened the Osaka Office, and advanced into the Kansai region.

**1962**  
Opened the first overseas office in Taiwan. Listed on the Tokyo Stock Exchange (2nd Section).

**1989**  
Increased capital for the 32nd time bringing total capital to ¥5,105 million.

**2005**  
Acquired KANEBO VISION SYSTEMS, CO., LTD., and changed its trade name to DAIICHI JITSUGYO VISWILL CO., LTD.

**2007**  
Acquired the ISO14001 certification at all domestic offices in Japan.

**2008**  
Acquired the BBB+, stable rating from Japan Credit Rating Agency, Ltd.

**2009**  
Included ASANO LABORATORIES CO., LTD., in the scope of equity method application.

**2013**  
Completed the DJK Kasama Solar Power Plant in Kasama-shi, Ibaraki.

**2014**  
Established a subsidiary DJK SOLAR SOLUTION CO., LTD.  
Completed the DJK Iida Solar Power Plant in Iida-shi, Nagano.

**2015**  
Relocated the Head Office to Kandasurugadai, Chiyoda-ku, Tokyo.

## DJK DIGEST

PROFILE >>> P.1

General machinery trading company that supplies industries worldwide with optimum production equipment and systems

CONSOLIDATED FINANCIAL HIGHLIGHTS >>> P.3

Record-high sales and income were recorded for the second consecutive year, significantly above the initial projections, due to brisk equipment demand.

INTERVIEW WITH THE PRESIDENT >>> P.4

We will pursue realization of sustainable businesses while solidifying business partnerships globally.

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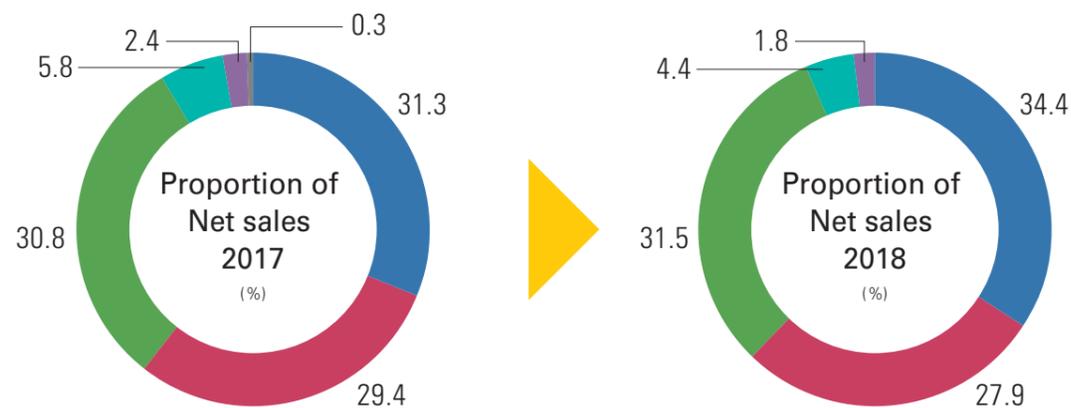
**Disclaimer regarding forward-looking statements**  
Statements made in this annual report with respect to DJK's forecasts and business targets that are not historical facts, are forward-looking statements about the future performance of DJK and its consolidated subsidiaries and are based on information currently available. Readers are cautioned that for a variety of reasons actual results could differ significantly from the projections presented in this report.

SELECTED FINANCIAL DATA



\*Effective October 1, 2017, the Company's common shares were consolidated on the basis of 1 new share for 5 old shares (1:5) in Company capital. Per share information in the fiscal year ended March 31, 2017 has been retrospectively restated to reflect the 1 to 5 consolidation. Per share information in the fiscal year ended March 31, 2016, and before that fiscal year did not reflect the consolidation of common shares.

DIVISIONAL REVIEW → Page 9-10



■ Plant & Energy Business

Sales increased significantly, reflecting the recording of an existing large-scale order received for plant equipment as sales.

■ Electronics Business

Sales remained steady due to vigorous demand for equipment related to the manufacturing of electronics parts.

■ Aviation Business

Orders received for disaster-related equipment, ground-support equipment for airplanes and other equipment increased.

■ Industrial Machinery Business

Demand for automotive-, food- and logistics-related equipment was favorable.

■ Pharmaceuticals Business

Sales declined slightly due to weak demand for equipment for manufacturing pharmaceuticals.

■ Others

We will pursue realization of sustainable businesses while solidifying business partnerships globally.



I would like to take this opportunity to thank our stakeholders for their continuing support over the past fiscal year. Having completed the fiscal year from April 1, 2017, to March 31, 2018, we are pleased to report an overview of the business performance of the DJK Group.

President & CEO  
Ichiro Uno

Please provide a summary of the operating results and the current situation of each business for the year under review.

The Electronics Business and the Industrial Machinery Business segments substantially boosted companywide business performance, resulting in record-high sales and income significantly above the projections at the beginning of the year.

Consolidated business performance for the fiscal year under review, that saw vigorous equipment demand in the Industrial Machinery Business and the Electronics Business segments resulted in record-high sales and income for the second consecutive year, significantly above the projections at the beginning of the year.

The Electronics Business segment enjoyed large-scale orders received for device-related automated equipment and processing equipment by leveraging

the demand for switchovers of smartphone models. Moreover, the recording of such orders as sales with quick delivery substantially contributed to favorable business performance. In recent years, the number of orders for in-vehicle-related automated lines has increased and the projects under business negotiations have tended to grow in scale. I believe that such circumstances derive from the successful sales expansion of our products other than the equipment for electronics parts mounting and the fact that our

strengthened proposals to meet customers' needs are firmly linked to large-scale orders, for example, complete sets of production lines.

In the Industrial Machinery Business segment, vigorous demand for molding machines, etc., for the manufacturing of food- and logistics-related materials, including the equipment related to the manufacturing of smartphones, was the primary factor of its favorable business performance. Its brisk performance also was supported by continuing aggressive investment intention related to automobile manufacturing, chiefly in Mexico and India. In Mexico, we opened a third overseas office in Leon, State of Guanajuato, where the plants of many automobile manufacturers are concentrated. With regard to India, we are determined to convert our marketing bases into locally incorporated companies to help strengthen our relationship with customers in the vast market including that with the automotive manufacturing industry to precisely meet every need there.

In the Plant & Energy Business segment, the recording of sales from a large-scale project related to the conversion of fuel for an oil company substantially increased overall net sales. In addition, the secondary battery manufacturing-related market including that for lithium-ion batteries was vibrant. As the

production of EVs has been progressing rapidly worldwide, there has been a construction rush for battery manufacturing plants, primarily in China. This momentum is expected to continue, and could lead to the development of new types of batteries such as all-solid-state batteries, which recently have gained attention. Therefore, we will continue efforts to explore promising products to prepare for possible technological innovations through early anticipation of such innovative trends.

The Pharmaceuticals Business segment has refined its field-focused response capability given a stringent business environment. Consequently, this business segment succeeded in receiving orders and recording such orders as sales with quick delivery during the fiscal year under review. Moreover, we have worked out effective measures to cope with and complement the sluggish situation including steady deliveries of large production lines from the inspection process to the packaging process for tablets. In the global generic pharmaceutical market, investments in India have become increasingly difficult, along with a decline in shipments to the United States. However, considering that India still has a vast marketplace, I believe that we should remain active and increase our investment. As for China, I feel we can expect a further increase in demand there because domestic demand for expensive pharmaceuticals has been boosted in conjunction with the expansion of the wealthy population. We will therefore pursue sales expansion by proactively taking actions. Furthermore, given that some Japan-affiliated pharmaceutical manufacturers have made forays into Southeast Asia including Vietnam, we will enhance our proposal capability by swiftly catching up with such moves of pharmaceutical manufacturers.

In the Aviation Business segment, demand for snow-removal-related equipment was steady. I feel that people's recognition of our firefighting- and disaster-related products has improved through actual business performance. Demand for various

related equipment has been increasing toward the opening of the Tokyo Olympic and Paralympic Games.

We intend to take advantage of such occasions to obtain steady orders.

## What are the internal factors that led to the favorable business performance?

I believe that the flexible assignment of human resources and the successful activities of engineers have led to the expansion of scale of orders received.

I believe that shifting human resources flexibly in growth fields is a factor contributing to favorable business performance. In addition, I feel that another factor is our increased number of experienced engineers who have excellent technical capabilities.

In the process of evolving our business model

from offering single pieces of equipment and after-sales services to a composite business such as plant engineering, including system integration for several types of equipment and infrastructure improvement, the expertise of our engineers has been sufficiently utilized at different sites and stages of the respective



### DASH2018

**■ BASIC CONCEPT FOR THE FORMULATION OF THE MID-TERM MANAGEMENT PLAN**

Under the new three-year DASH2018 mid-term management plan slated to take effect from fiscal 2016 (ended March 2017), DJK will complete and deploy its business axis management system in cooperation with the DJK Group companies in Japan and around the world as a further globalized matrix. We also intend to implement comprehensive risk management measures and build a powerful governance system, as well as develop a leaner, stronger management organization by raising management quality to prevent losses.

**■ QUALITATIVE TARGET (DETAILS OF BASIC POLICIES)**

**1. Promoting business axis management globally to realize further growth in business performance**

- 1) Enhancing the revenue foundations by further promoting business axis management
- 2) Creating high levels of added value based on broad-ranging capabilities in sales, marketing and technical prowess

Major initiatives in 2017

- Increase proposals for solutions through internal collaborations among multiple businesses
- Realization of effective business strategy through flexible assignment of human resources

**2. Building a powerful governance system by improving the management structure**

- 1) Comprehensive risk management and enhanced governance
- 2) Promoting diversity management

Major initiatives in 2017

- Strengthen control of technology, legal, and tax risks including global bases
- Execute educational programs for local staff members

**■ QUANTITATIVE TARGET**

<b>2018 Plan</b>	
(Millions of yen)	
Net sales	133,000
Operating income	5,000
Profit attributable to owners of parent	3,300

projects, advancing the projects in a safer and smoother manner while ensuring risk control.

Overseas, in particular, it is essential to negotiate with local manufacturers and cooperative companies. DJK's provision of engineering services as an intermediary between customers and manufacturers could therefore be deemed as a trustworthy "business" that strongly indicates the high added value of our engineering services. As we enhance our reason for being in terms of improved relations with business partners and the quality of our projects, so that our business partners come to feel that working with "DJK is a must," I believe that DJK as a trading company can further extend the scope of its sustainable businesses. In fact, such cases have increased, and I am seeing the positive results appreciated by our

customers. The best examples are in Southeast Asia, India and Mexico, and we aim to apply the schemes nurtured there in other countries and regions including China. We will leverage the abilities of local staff members who are well-informed about local cultures and commercial customs and speed up the pace of their training as a future force for our business growth.

This strategy has become available because our global business axis management system has been successfully established globally, as a result of not only raising employees' awareness of risk management in each business segment, but also allowing the flexible assignment of human resources. We will promote initiatives beyond business barriers to upgrade our organizational systems while increasing the mobility of our excellent human resources, DJK's key assets.

**Please tell us about the progress of the qualitative targets in the mid-term management plan.**

**In addition to the clearly promoted global business axis management, I have seen good results with regard to the targets of "Establishing a check system for strategic investments" and "Building a powerful governance system," apart from the progress in the "Promoting business axis management globally."**

First, I truly feel that DJK has made much progress in "Promoting business axis management globally to realize further growth in business performance." In some cases, several departments have cooperated from a global perspective on several cross-sectional common themes. Therefore, I believe that ways of sharing information and internal collaboration have been developed.

In promoting strategic investments, we decided to promptly review the rules for participation and investment in a new business. We will solidify our check system for business plans by clarifying the corresponding action plans toward the examination of investments that are expected to increase.

Moreover, to expand the coverage of our businesses, we need to incorporate IoT and leverage AI, in addition to upgrading our system integration capability and reinforcing plant engineering technologies. Accordingly, we intend to establish an organizational scheme that allows us to create new added value

through preparations including partnership collaboration.

Regarding the target of "Building a powerful governance system by improving the management structure," I feel that the transaction approval and duties execution have been accelerated by having extended the scope of authority of responsible persons for final decision making. Furthermore, we have clarified the rules on reporting to the Board of Directors of the Company for large-scale projects at overseas subsidiaries/affiliates, thereby ensuring reinforced corporate governance by monitoring the overall group companies.

As for "Promoting diversity management," we work to raise the awareness of our local staff members to promote an understanding of DJK's stance on this subject and the actual initiatives taken by each business unit at training sessions. Going forward, we intend to draw up and execute educational programs to nurture key persons who can integrate relevant projects, including onsite administrative operations,

through collaboration with cooperative companies. Meanwhile, as for the active participation of female employees in diverse fields, we are implementing services to support working women on a step-by-

step basis. We will further upgrade the services so that they can work more flexibly and comfortably according to their life stage.

**Finally, do you have a message for stakeholders?**

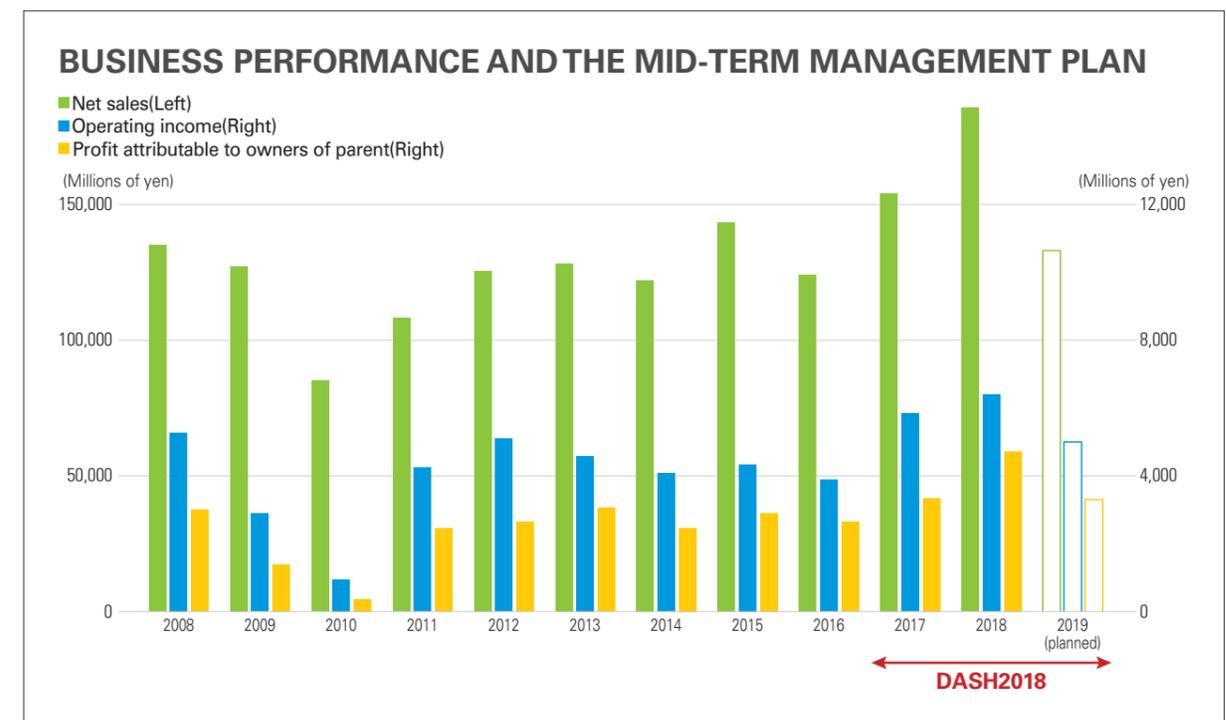
**I will pursue realization of sustainable businesses as a general machinery trading company while focusing on "what can be seen ahead of our business transactions" and fostering a sense of social contribution.**

DJK will celebrate its 70th anniversary on August 12 of this year. The ideal image and business model of a trading company have changed since its foundation. However, I think we must raise our awareness of "ESG" (Environment, Society and Governance), visualize what we can do as a trading company and evaluate the actual progress of our initiatives. We must not only make corporate profits but also have an awareness of "what can be seen ahead of our business transactions," that is, sensing the significance of one's job, the environment and social contributions. By doing so, we can enhance each employee's

motivation, and eventually improve DJK's corporate value. I would like to make DJK a company that shareholders and customers appreciate its attitude, and are proud of their relationships with DJK.

Although the business forecast does not promise an optimistic outlook in view of global-scale changes in the business environment, we will move ahead steadily with a major focus on addressing diverse tasks to exceed our business targets through the concerted efforts of the DJK Group.

I would like to ask our stakeholders to provide continued support for the DJK Group.



## Plant & Energy Business

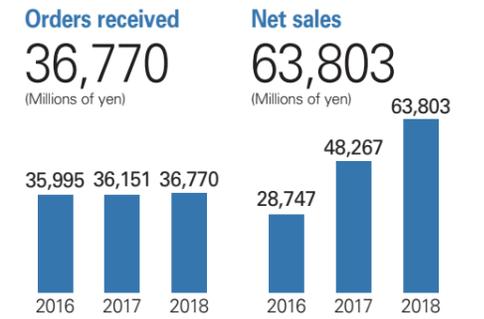


### Description of Business

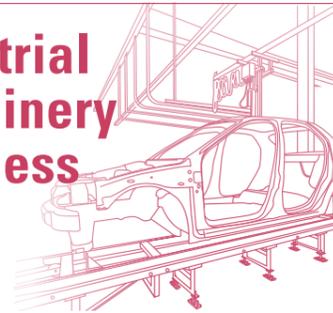
As its mainstay products, DJK has offered various pieces of equipment for gas and petroleum refining, chemical, fertilizer and paper-making plants, as well as for energy development. Due to our extensive knowledge and solid technologies accumulated over the years, including those for engineering and consulting services, DJK has achieved considerable results thus far. In addition, we are engaged in new business fields, including the manufacturing of lithium-ion batteries and the production of renewable energy.

### Sales increased significantly, reflecting the recording of an existing large-scale order received for plant equipment as sales.

Net sales for the plant & energy business increased significantly as sales arose primarily from an existing large-scale project for equipment for a plant of a leading oil company. Orders received increased slightly, reflecting flat demand for equipment despite a large-scale project for domestic sintering equipment. We will continuously strengthen our efforts to acquire orders centering on lithium-ion battery manufacturing equipment, for which demand has been rising.



## Industrial Machinery Business

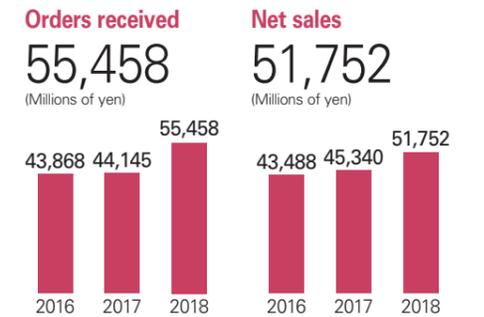


### Description of Business

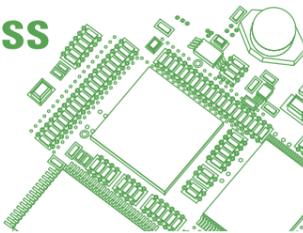
DJK's FA systems, flexible manufacturing systems (FMSs) and various automated assembly lines for manufacturing automobiles, motorcycles, household appliances and housing equipment have been highly acclaimed for their enhanced efficiency, labor-saving and streamlining of production. DJK offers a broad range of solutions from a single piece of equipment to a set of equipment for a production line and the infrastructure work for starting up a new factory to support the operation of production facilities around the world.

### Demand for automotive-, food- and logistics-related equipment was favorable.

Orders received and net sales for the industrial machinery business increased, reflecting increased sales from automated assembly lines, automated processing equipment and painting lines for the automotive-related industry, as well as favorable demand for food- and logistics-related equipment. Continued demand is expected from the manufacturing of automotive parts in regions including emerging countries, where we will focus on obtaining orders for line equipment including peripheral equipment.



## Electronics Business

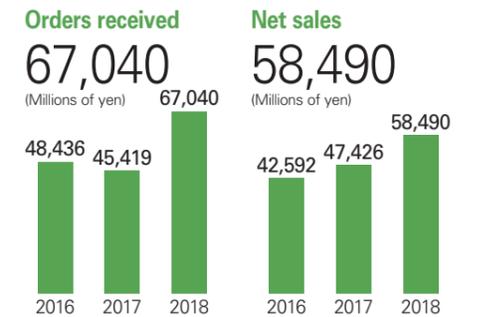


### Description of Business

In the fields of surface mounting technology (SMT) and semiconductor/liquid crystal (LC) module assembly, DJK comprehensively provides various types of PCB inspection equipment, peripheral equipment and electronic parts around its core circuit formation technology through the reform of production processes. DJK proposes new business models adapted to the times by fully demonstrating its originally developed worldwide networks.

### Sales remained steady due to vigorous demand for equipment related to the manufacturing of electronics parts.

Orders received and net sales for the electronics business increased, reflecting favorable demand for equipment related to the manufacturing of electronics parts for IT and digital-device-related manufacturing companies. Steady demand for manufacturing equipment is expected to accommodate increases in smartphone-, in-vehicle- and device-related production. We will therefore take advantage of such opportunities to further increase sales by expanding and upgrading our products.



## Pharmaceuticals Business

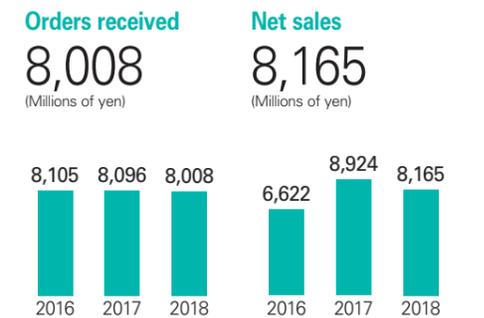


### Description of Business

DJK enjoys the world's top market share for tablet visual inspection systems, which detect foreign matter in tablets. We also offer such mainstay products as automated packaging lines for pharmaceuticals and various types of pharmaceutical filling devices, which are equipped with high-precision technologies. Through these products, DJK supports the production sites for pharmaceuticals where a high level of safety and security are required. DJK also provides cooperation in the development of equipment involving regenerative medicine, thereby supporting various fields of advanced medicine.

### Sales declined slightly due to weak demand for equipment for manufacturing pharmaceuticals.

Net sales for the pharmaceuticals business decreased, reflecting decreased sales of tablet visual inspection systems and packaging equipment chiefly for generic pharmaceutical manufacturers. Orders received decreased slightly, reflecting the weak demand for equipment for manufacturing pharmaceuticals in the domestic market due to effects of the drug price revision. We will work to respond to demand by putting effort into sales expansion of equipment resulting in labor-saving and cost reduction.



## Aviation Business



### Description of Business

As a comprehensive supplier of ground-support equipment for airplanes and airport facility-related equipment, DJK has supported air transportation at airports nationwide by delivering many such products. DJK also offers such products that contribute to the social infrastructure such as special vehicles for disaster and defense-related equipment, which are being placed throughout Japan.

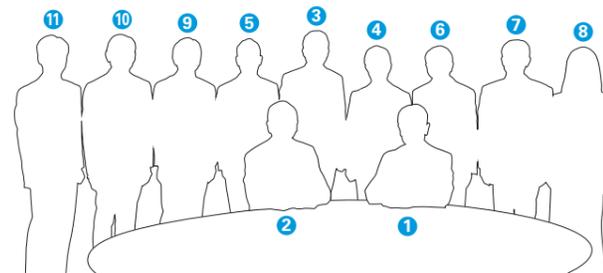
### Orders received for disaster-related equipment, ground-support equipment for airplanes and other equipment increased.

Although net sales for the aviation business decreased, reflecting the weak demand for ground-support equipment for airplanes and airport facility-related equipment, orders received increased significantly due to ample orders received for disaster-related equipment, ground-support equipment for airplanes, etc. Toward further expansion of demand for aviation-related equipment along with the rising aviation traffic volume, we will explore better products with higher performance, thereby securing orders received.





- 1 Koji Yamagata**  
Chairman
- 2 Ichiro Uno**  
President & CEO
- 3 Shigeki Terakawa**  
Managing Director
- 4 Hajime Kimoto**  
Managing Director
- 5 Itaru Kage**  
Managing Director & CFO  
Managing Executive Officer  
(Accounting Div.)
- 6 Yoshikazu Taruta**  
Managing Director  
Managing Executive Officer  
(Administration Div.)
- 7 Yoshikazu Sakamoto**  
Outside Director
- 8 Yukie Tanaka**  
Outside Director
- 9 Masahiko Mizumoto**  
Standing Audit &  
Supervisory Board Member
- 10 Toshihiko Matsumiya**  
Outside Audit &  
Supervisory Board Member
- 11 Mitsuyoshi Koyama**  
Outside Audit &  
Supervisory Board Member



CORPORATE GOVERNANCE SYSTEM



**BASIC CORPORATE GOVERNANCE POLICY**

From the perspective of reinforcing our corporate capabilities to survive global competition, DAIICHI JITSUGYO CO., LTD. (the "Company") places high priority on promoting accurate and speedy business decision-making, while at the same time, enhancing our management oversight function to ensure the transparency of our business.

**CORPORATE GOVERNANCE ORGANIZATION**

Our Board of Directors comprises eight directors (including two outside directors) and meets in principle once a month or as necessary. The board determines basic business policies and other important matters through vigorous exchanges of opinions while also fulfilling its function as an oversight body for business execution. The board also places directors at consolidated subsidiaries in Japan and abroad to be in charge of those companies and to manage and oversee their business execution. According to the Company's Articles of Incorporation, the Board of Directors shall comprise eight members or less, who shall be elected by a general meeting of shareholders. To elect directors, one third or more of the shareholders holding voting rights must be in attendance, of which half or more must vote for said directors. The Articles of Incorporation also stipulate that cumulative voting shall not be used in resolutions for electing directors thereof.

Moreover, in an effort to further enhance its corporate value, the Company has adopted the executive officer system to conduct flexible and efficient business operations by reinforcing the business decision-making and supervising functions, as well as separating the business execution function. The Company dispatches certain executive officers to be in charge of its consolidated subsidiaries in Japan and overseas and to manage their business execution.

The Company uses an Audit & Supervisory Board system comprised of three Audit & Supervisory Board members, two of whom are outside Audit & Supervisory Board members. In addition to attending every Board of Directors meeting, these Audit & Supervisory Board members attend other important internal meetings to monitor the business execution performance of directors from an objective perspective. Audit & Supervisory Board members work to ensure the effective implementation of the audit by receiving reports on and explanations of the audit plan and results from independent auditor; exchanging opinions on the areas to be covered by the audit, the audit methods, and the audit results; sharing information; and taking other measures. According to the Articles of Incorporation, the Company shall have five Audit & Supervi-

sory Board members or less, who shall be elected by a general meeting of shareholders. To elect Audit & Supervisory Board members, one third or more of the shareholders holding voting rights must be in attendance, of which half or more must vote for said Audit & Supervisory Board members. Also, to prepare for a contingency in which the Company lacks the number of Audit & Supervisory Board Member required by laws and regulations, the Company has appointed one Substitute Audit & Supervisory Board Member.

The Company has concluded an auditing agreement with the certified public accounting firm Deloitte Touche Tohmatsu LLC to act as its independent auditor. In addition to providing accounting auditing services in a fair and unbiased manner, the auditing firm provides advice on accounting matters as appropriate.

As for the internal audit system of which the central organ is the Internal Audit Division, the job execution of employees is checked and assessed as to whether it is in accordance with laws and regulations and the Articles of Incorporation, as well as with the basic internal control policy and the code of conduct.

The Company has also concluded advisory agreements with several law offices to act as its legal advisors, from which the Company receives advice as necessary, including not only for legal consulting on business affairs but also regarding the maintenance of its compliance system.

To increase the transparency of its business, the Company proactively discloses information through its Corporate Communicating Department. In addition, as one of its IR activities, the Company holds results briefing meetings every fiscal year and information meetings for individual shareholders. In these meetings, the Company reports on and explains business conditions and the future direction of the Group Company to shareholders and investors. In conjunction with these meetings, the Company makes timely and appropriate disclosure of business information through its website.

**ESTABLISHING AN INTERNAL CONTROL SYSTEM**

As a necessary tool to ensure that directors execute their business duties and conduct their business practices in accordance with laws and regulations and the Articles of Incorporation and other methods necessary to ensure proper company operations, the Company has formulated a "basic internal control policy," the details of which are as follows.

**1. Systems to ensure that directors comply with laws and regulations and Articles of Incorporation in the execution of their business duties**

(1) In accordance with our business practices policy and code of conduct, the representative director

shall ensure that business activities are premised on compliance with laws and regulations, the Articles of Corporation, and corporate ethics by repeatedly reminding the officers and employees of the Company of this policy.

- (2) To ensure that the business execution of the Company is carried out in an overall appropriate and sound manner, the directors shall endeavor to establish a practical internal control system and an overall legal compliance system from the perspective of further strengthening the Company's corporate governance. Furthermore, Audit & Supervisory Board members shall audit the effectiveness and functional capability of the internal control system, and if necessary report recommendations on improvements for the system to directors.
- (3) To deal with antisocial forces, the Company shall thoroughly manage information on the elimination and the eradication of such influences in a unified manner. External pressure applied by such antisocial forces shall be reported to the risk management committee for assessment of its importance and investigation.

**2. System to store and manage information on business execution by directors**

Information on business execution by directors shall be recorded in written form or electronic media (Hereinafter referred to as "written, etc. records") based on the Company's filings rules. These records shall be stored and managed so that they can be easily searched in an appropriate and accurate manner.

Directors and Audit & Supervisory Board members shall have free access to view these written, records.

**3. Systems providing rules to manage possible losses and other matters of the Company, and its subsidiaries**

As a foundation for the risk management system, the Company will determine risk management rules, assign managers to be in charge of the different types of risk, and establish a risk management system based on those rules.

When a management crisis occurs as determined by said rules, the Company shall set up a task force with the representative director as its head as well as an information liaison team and an outside advisory team including legal counsels. Based on these actions, the Company shall establish an organization to minimize damages and prevent them from growing through quick response.

**4. Systems to ensure that directors carry out job execution effectively**

- (1) In the Company's mid-term management and an-

nual business plans that are built around its corporate principles, each operating section and the DJK Group companies shall work toward achieving the goals of the plan and check whether the business plan is proceeding on schedule on a monthly basis based on performance reports.

- (2) In executing their duties, directors shall comply with all of the obligations of the Board of Directors regarding business decisions as set out in the rules of the Board of Directors. Based on the principles of business decision-making, the Company will set up a system that distributes adequate information on items prior to their discussion to all directors and Audit & Supervisory Board members.
- (3) As the foundation of the system to ensure that directors carry out the execution of their duties effectively, in principle, the Board of Directors will meet regularly once a month and as otherwise necessary. Important matters regarding the business policy and strategy of the Company will first be discussed by an Executive Committee comprising directors with a ranking of managing director or above, and passed on for approval by the Board of Directors before execution.
- (4) The business execution of decisions made by the Board of Directors shall be carried out by directors and executive officers in accordance with the division of duties decided at the start of each fiscal year, with assignments, responsibilities, and execution procedures determined in detail.

**5. Systems for ensuring that directors, executive officers, and employees execute their business duties in accordance with laws and regulations and the Articles of Incorporation**

- (1) As a foundation for the compliance system, employees will be made thoroughly aware of the code of conduct.
- (2) An Internal Audit Division will be established under the supervision of the representative director and will determine internal audit rules and establish, maintain, and improve an internal control system. As necessary, the Division shall carry out audits and training sessions in all business sections.
- (3) When a major legal violation or other significant incident regarding compliance has been discovered, directors shall promptly report it to the representative director and to Audit & Supervisory Board members.
- (4) As an in-house information system to report legal violations or other incidents regarding compliance, the manager of the Internal Audit Division will promptly establish an internal communication system where information can be directly reported and operate it in accordance with the internal communications rules.
- (5) When Audit & Supervisory Board members recog-

nize that there is a problem with the operation of the Company's legal compliance system or internal communication system, they may give their opinion and require that improvement measures be formulated.

**6. System to ensure the fairness of operations of the corporate group comprising the parent company and its subsidiaries**

- (1) Based on the management rules for subsidiaries/ associated companies determined by the Company, the DJK Group's sales results, financial position and other important information shall be reported to the Company regularly and the DJK Group meetings shall be held as necessary.
- (2) To ensure the appropriate and fair conduct of the Group companies, each Group company will create a code of conduct and formulate its own related rules based on it.
- (3) The Company will appoint a director in charge of business administration to implement optimal management strategies whereby prior consultation with the Company and reporting systems, as well as monitoring structure, if necessary, is in place.
- (4) If a director recognizes that a Group company has violated some aspect of the business management or business guidance systems or if a compliance problem is discovered, the director shall report it to the representative director.
- (5) DJK Group companies shall be audited by the internal audit department of the Company, and the audit results shall be reported to the Company's representative director.

**7. System for requesting staff to aid Audit & Supervisory Board members and ensuring the independence of those staff members from the influence of directors and the effectiveness of instructions given to such assisting staff**

- (1) Audit & Supervisory Board members may instruct the Internal Audit Division manager to provide assistance in matters necessary to the auditing process. The staff of the Internal Audit Division who have been instructed by Audit & Supervisory Board members to provide assistance regarding matters necessary to the auditing process may not receive other instructions regarding those matters from directors.
- (2) Based on meetings with the Audit & Supervisory Board, the Internal Audit Division manager will perform internal audits on items requested by Audit & Supervisory Board members and report the results to the Audit & Supervisory Board.

**8. System for directors, executive officers, and employees of the Company and its subsidiaries to report to Audit & Supervisory Board members of**

**the Company, system for making other reports to Audit & Supervisory Board members, and system to ensure effective audit of Audit & Supervisory Board members**

- (1) Directors, executive officers, and employees of the Company and the Group Company shall report the following important items regarding the Company's business or influence on business performance to the Audit & Supervisory Board members of the Company on a case-by-case basis.
  - Activities of the sections related to the establishment of the internal control system of the Company and the Group Company.
  - The principal accounting policies and standards system of the Company and the Group Company and any changes in them.
  - Details of announcements on business performance or business forecasts, details of important disclosure items.
  - Details of operations and communications of internal communications system.
  - Internal management approval (Ringi) documents, applications for different types of transactions, and keeping minutes of meetings as required by Audit & Supervisory Board members.
- (2) As necessary, Audit & Supervisory Board members may request reports on preceding issues from directors, executive officers, and employees of the Company and the Group Company.
- (3) The Audit & Supervisory Board and the representative director shall establish regular meetings to exchange opinions.
- (4) The Company will ensure an appropriate system for reporting to Audit & Supervisory Board members on legal violations and other compliance issues by maintaining the proper application of the in-house communication rules.
- (5) Audit & Supervisory Board members will check the objectivity of the work of the Company's independent certified public accounting firm, and will request reports and explanations of the details of the independent certified public accounting firm's audit and collaborate with the audit firm through periodic exchanges of information and other activities.
- (6) Persons who have reported to Audit & Supervisory Board members shall not be treated in a detrimental way because of such reporting. This matter shall be disseminated among DJK and DJK Group's officers and employees.
- (7) When Audit & Supervisory Board members request the prepayment of expenses to be incurred in the execution of their duties, etc., such shall be treated promptly except in cases where such expenses are determined to be unnecessary for their execution of duties.

## CONSOLIDATED FIVE-YEAR SUMMARY

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31

	Millions of yen					Thousands of U.S. Dollars (Note 1)
	2018	2017	2016	2015	2014	2018
<b>For the year:</b>						
Net sales	<b>¥185,686</b>	¥154,120	¥124,177	¥143,361	¥122,102	<b>\$ 1,747,803</b>
Gross profit	<b>22,362</b>	20,476	18,164	18,922	17,363	<b>210,491</b>
Operating income	<b>6,394</b>	5,844	3,886	4,341	4,074	<b>60,191</b>
Net income attributable to owners of parent	<b>4,730</b>	3,338	2,637	2,897	2,459	<b>44,524</b>
Comprehensive income	<b>5,391</b>	3,781	1,480	4,482	3,430	<b>50,752</b>
Overseas sales:	<b>75,707</b>	76,096	57,965	78,610	61,387	<b>712,605</b>
Asia	<b>58,480</b>	53,634	44,910	56,271	47,164	<b>550,454</b>
Europe	<b>3,379</b>	8,799	2,174	3,946	1,527	<b>31,809</b>
North and Central America	<b>12,559</b>	12,887	8,899	10,146	8,068	<b>118,220</b>
Other	<b>1,287</b>	775	1,981	8,246	4,626	<b>12,120</b>
Depreciation and amortization	<b>805</b>	850	847	874	352	<b>7,583</b>
Capital expenditures	<b>525</b>	937	968	4,050	1,052	<b>4,942</b>
<b>At year-end:</b>						
Total assets	<b>¥102,997</b>	¥116,681	¥ 94,767	¥ 91,835	¥ 81,443	<b>\$ 969,481</b>
Working capital	<b>29,255</b>	25,636	23,372	22,670	21,935	<b>275,368</b>
Interest-bearing debt	<b>8,409</b>	9,289	10,711	11,035	8,809	<b>79,153</b>
Total equity	<b>43,194</b>	38,794	36,006	35,310	31,197	<b>406,579</b>
<b>Per share of common stock (in yen and U.S. dollars):</b>						
Net income	<b>¥ 443.97</b>	¥ 62.47	¥ 49.24	¥ 54.46	¥ 46.45	<b>\$ 4.18</b>
Cash dividends	<b>105.00(21.00)</b>	95.0(19.0)	17	16	18	<b>0.99(0.20)</b>
Shareholders' equity	<b>4,042.28</b>	726.61	669.51	659.44	586.85	<b>38.05</b>
<b>Other statistics:</b>						
Number of shares of common stock outstanding (in thousands)	<b>10,656</b>	53,240	53,652	53,400	53,002	
Number of employees	<b>1,134</b>	1,097	1,064	1,080	1,069	
<b>Key ratios (%):</b>						
Gross profit margin	<b>12.0</b>	13.3	14.6	13.2	14.2	
Operating income margin	<b>3.4</b>	3.8	3.1	3.0	3.3	
Return on sales	<b>2.5</b>	2.2	2.1	2.0	2.0	
Return on assets	<b>4.3</b>	3.2	2.8	3.3	3.0	
Return on equity	<b>11.6</b>	9.0	7.4	8.7	8.2	
Asset turnover (times)	<b>1.69</b>	1.46	1.33	1.65	1.50	
Current ratio	<b>151.2</b>	134.1	142.1	143.4	145.4	
Equity ratio	<b>41.8</b>	33.2	37.9	38.3	38.2	
Debt-to-equity ratio	<b>0.20</b>	0.24	0.30	0.31	0.28	

Notes: 1. U.S. dollar figures have been converted from Japanese yen, for convenience only, at the rate of ¥106.24 to U.S.\$1.

2. Minority interests in equity have been excluded from equity when key ratio is calculated.

3. ( ) shows the dividends per share before the share consolidation in the fiscal year ended March 31, 2017 and March 31, 2018.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### PERFORMANCE

During the consolidated fiscal year under review, the Japanese economy continued a course of moderate recovery, reflecting improvements in corporate performance, employment and income environments due to the effects of economic and financial measures taken by the Japanese government.

However, uncertainty about the future persisted because of the emergence of geopolitical risks in certain countries and regions, concerns about the political and economic trends in the United States and the protectionist policies of several countries, and the slowing growth of emerging economies including China.

Under these circumstances, the DJK Group had sales of equipment for plants for leading oil companies in existing large-scale projects, as well as increased sales of automation equipment for the automotive-related industry and equipment related to the manufacturing of electronics parts for IT and digital-device-related manufacturing companies. As a result, consolidated net sales for the fiscal year under review increased ¥31,566 million, or 20.5%, from the previous year to ¥185,686 million.

Cost of sales increased ¥29,680 million, or 22.2%, from the previous year to ¥163,324 million. The gross profit margin decreased 1.3 percentage points from 13.3% of the previous year to 12.0%, mainly due to an increase in sales of equipment for large-scale plants, whose gross margin ratio is relatively low. As a result, gross profit increased ¥1,886 million, or 9.2%, to ¥22,362 million.

Selling, general and administrative expenses increased ¥1,336 million, or 9.1%, from the previous year to ¥15,967 million, mainly due to an increase in personnel expense.

As a result, operating income increased ¥549 million, or 9.4%, to ¥6,394 million and the operating margin decreased to 3.4% from 3.8% of the previous year.

Non-operating income decreased ¥94 million, or 12.5%, from the previous year to ¥662 million mainly due to a decline in subsidy income. Non-operating expenses decreased ¥198 million, or 45.7%, to ¥236 million mainly due to a decline in foreign exchange losses. As a result, net non-operating income amounted to ¥426 million, an increase of ¥104 million, and ordinary income increased ¥654 million, or 10.6%, to ¥6,821 million.

An extraordinary loss of ¥215 million was recorded after subtracting a ¥265 million gain on sales of shares of subsidiaries and associates reported as an extraordinary income item from a ¥480 million loss on valuation of investment securities reported as an extraordinary loss item.

Net income attributable to owners of parent increased ¥1,391 million, or 41.7%, to ¥4,730 million after subtracting ¥1,872 million in income taxes (including deferred income taxes) and net income attributable to non-controlling interests from ¥6,605 million in income before income taxes.

The return on equity (ROE) for the consolidated fiscal year under review increased 2.6 percentage points to 11.6% from

9.0% of the previous year. We will continue to maintain and improve the ROE ratio to pursue higher profitability in accordance with the basic policies of the mid-term management plan DASH2018 while strengthening our capital base. Performance by business segment was as follows.

### Plant & Energy Business

Although sales of overseas equipment for oil and ethylene plants delivered through a leading engineering company and for resin manufacturing plant equipment for a chemical company were sluggish, net sales increased ¥15,535 million, or 32.2%, from the previous year to ¥63,803 million mainly due to sales from existing a large-scale project for a plant for a leading oil company. However, segment income (operating income) dropped ¥359 million, or 32.3%, to ¥752 million reflecting the relatively low gross margin ratio.

### Industrial Machinery Business

Reflecting increased sales of automated assembly lines, automated processing equipment and painting lines for the automotive-related industry, net sales increased ¥6,411 million, or 14.1%, to ¥51,752 million. Segment income (operating income) rose ¥399 million, or 26.4%, to ¥1,913 million.

### Electronics Business

Due to favorable sales of equipment related to the manufacturing of electronics parts for IT and digital-related manufacturing companies, net sales increased ¥11,063 million, or 23.3%, to ¥58,490 million. Segment income (operating income) soared ¥1,219 million, or 73.0%, to ¥2,891 million.

### Pharmaceuticals Business

Owing to decreased sales of tablet visual inspection systems and packaging equipment, net sales decreased ¥758 million, or 8.5%, to ¥8,165 million. Segment income (operating income) decreased ¥354 million, or 34.7%, to ¥667 million.

### Aviation Business

Reflecting a fall in demand for ground-support equipment for airplanes and airport facility-related equipment, net sales decreased ¥348 million, or 9.3%, to ¥3,415 million. Segment income (operating income) decreased ¥123 million, or 37.2%, to ¥209 million.

### FINANCIAL POSITION

As of March 31, 2018, total assets amounted to ¥102,997 million, decreasing ¥13,683 million, or 11.7%, from the previous fiscal year. Current assets decreased ¥14,368 million, or 14.3%, to ¥86,340 million. Fixed assets increased ¥684 million, or 4.3%, to ¥16,657 million.

The decrease in current assets was mainly due to decreases

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

in cash and deposits and accounts prepaid in relation to plants associated with the recording of purchases. The increase in fixed assets was primarily due to an increase in the book value of investment securities caused by rising stock prices, despite declines due to the depreciation of property, plant and equipment and intangible assets.

Total liabilities amounted to ¥59,802 million, decreasing ¥18,084 million, or 23.2%, from the previous fiscal year. Current liabilities decreased ¥17,987 million, or 24.0%, to ¥57,085 million, and long-term liabilities decreased ¥97 million, or 3.5%, to ¥2,717 million.

The primary factors for the decrease in current liabilities were the repayment of short-term bank loans and a decrease in advances received related to plants associated with the recording of sales. The decrease in long-term liabilities mainly resulted from the repayment of long-term debt.

Total equity amounted to ¥43,194 million, increasing ¥4,400 million, or 11.3%, from the previous year. The main factor for this increase was the recording of ¥4,730 million in net income attributable to owners of parent, despite the payment of dividends. As a result, the equity ratio was 41.8%, which was 8.6 percentage points higher than the 33.2% of the previous fiscal year.

Interest-bearing debt amounted to ¥8,409 million, decreasing ¥880 million, or 9.5%, from the previous year. This consisted of short-term bank loans of ¥7,437 million (including the current portion of long-term debt), long-term debt of ¥923 million and other debt of ¥47 million. The long-term debt corresponds to the acquisition of business assets for photovoltaic power generation and manufacturing and marketing rights for the binary power generation system. The debt-to-equity ratio (DER) at the end of the fiscal year under review was 0.20 times, down from 0.24 times at the end of the previous fiscal year.

In the near future, we intend to further reinforce our financial structure by effectively utilizing group-wide funds at the global level while steadily carrying out the execution of plans in accordance with the vision and basic policies of the mid-term management plan DASH2018.

### ANALYSIS OF CASH FLOWS

Regarding cash flows for the year ended March 31, 2018, cash and cash equivalents at the end of the fiscal year under review decreased ¥2,026 million from a year earlier, amounting to ¥17,826 million.

### Cash Flows from Operating Activities

Net cash provided by operating activities for the consolidated fiscal year under review totaled ¥533 million, or a cash decrease of ¥3,945 million from the previous fiscal year. This was mainly due to the recording of income before income taxes and a decrease in accounts prepaid in relation to plants

despite an increase in sales receivables along with the increased sales, an increase in inventories and a decrease in advances received in relation to plants.

### Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥664 million, or a cash increase of ¥430 million from the previous fiscal year. The principal factors were payments for the acquisition of property, plant and equipment and the acquisition of investment securities, despite the proceeds from sales of investment securities.

### Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥1,996 million, or a cash increase of ¥563 million from the previous fiscal year. This was mainly attributable to the repayment of debt and the payment of dividends.

### Information Regarding the Source of Capital and Liquidity of Funds

Major funds of the DJK Group are expended in purchases of products and services, as well as for other purposes such as selling, general and administrative expenses, capital investments and investments in new business domains. The DJK Group intends to meet these funding requirements with net cash provided by operating activities, its shareholders' equity and fund procurements via short- and long-term bank loans from financial institutions.

DJK has signed trade commitment agreements with five banks for a total credit line of ¥10,000 million to ensure flexible and stable funding means. DJK manages its liquidity risk by keeping the liquidity on hand at the level of almost one month of consolidated net sales.

### BUSINESS RISKS

The following section indicates matters that could have a significant bearing on the investment decision of those considering investment in DJK with regard to the business conditions and accounting procedures stated in this annual report. However, it does not represent in any way an exhaustive description of business risks.

### Risk of change in the macroeconomic environment

The DJK Group's major business involves the sale of various types of machinery, fixtures, parts, and lease services of various types of machinery and fixtures, which it sells domestically, imports, and exports. Overseas, under the mid-term management plan, DASH2018, which began in April 2016, the DJK Group is accelerating its business development based on its global four axes network, which has been pursued, to strengthen its profit-earning capacity. Therefore, the DJK Group's business performance may be

affected by changes not only in economic trends in Japan but also on a global scale. Especially with the economic growth in China and the Asian region as well as in the North, Central, and South Americas and Europe, while these conditions provide the possibility of expanded business opportunities for the DJK Group, a slowdown in economic activity in these regions could have a negative impact on the business results of the DJK Group.

### Risk of increased in proportion of overseas sales

Japanese companies continued to enter overseas markets and transferred their production bases overseas. In response, the DJK Group also is proceeding with the globalization of its operations by expanding its overseas network and other activities, aiming to expand its business opportunities. Overseas sales accounted for almost half of consolidated net sales in the fiscal year under review, although the proportion decreased to 40.8% from 49.4% of the previous fiscal year. With the steady implementation of the mid-term management plan DASH2018, it is expected that the overseas sales in net sales will swing upwards. As a result, there is a possibility that the international financial environment, exchange rate trends, international trends in crude oil and raw material prices, and capital investment trends for customers' production bases could affect the business results of the DJK Group. In addition, DJK's overseas business activities are exposed to the risk of unexpected changes in political systems or economic environments and social disturbances based on legal and regulatory changes.

### Risk of increases in interest rates

DJK has signed trade commitment agreements with five banks and is progressing with the reduction of interest-bearing debt. The interest-bearing debt of the DJK Group at March 31, 2018 amounted to ¥8,409 million. Going forward, DJK will aim to systematically and stably procure working capital and to reduce interest expenses. However, should the balance of the DJK Group's financial income and expenses deteriorate because of the trend in net sales or in interest rates, it could impact negatively on the DJK Group's business results and financial position. In addition, if substantial turmoil occurs in major financial markets in Japan or overseas, financing costs could increase.

### Credit risk

At March 31, 2018, the total sales receivables of the DJK Group amounted to ¥42,249 million, or 41.0% of total assets. As a result, DJK is exposed to the risk of losses due to the credit of its customers worsening or their businesses failing. DJK places orders with each supplier for the production of various machinery and equipment upon receiving orders from

customers. For that reason, DJK acts in accordance with its rules regarding trading rights and risk management, setting maximum credit and transaction amounts in its required transaction approval procedures, requires collateral or guarantees depending on the credit rating of the debtor, and puts in place risk hedges, such as the factoring or securitization of debt. Despite these measures, if the customer experiences a liquidity crisis or a chain reaction bankruptcy due to a worsening of the business environment or a specific major debtor experiences business problems resulting in it becoming impossible to recover credit extended, it could have a negative influence on the business results and financial position of the DJK Group.

### Business development risk related to mid-term management plan

Under the DASH2018, the mid-term management plan which began in April 2016, the DJK Group's basic policy is to promote "business axis" management on a global basis to achieve further business expansion and to improve the management structure by building a strong corporate governance system.

Nevertheless, depending on the cost required for strategic business development and whether or not the timing and scale of the effective allocation of business resources tailored to the progress of business development is appropriate, the DJK Group could lose earnings opportunities and increase its financial burden, resulting in a negative impact on its business results and financial position.

### Risk of disaster

Should a disaster, such as an earthquake, typhoon, fire or infectious disease epidemic occur, the DJK Group's offices; factories; computer systems; directors, executive officers, and employees; or other related assets may suffer damages or interruptions may occur in the DJK Group's business or production activities. To be able to determine whether or not its directors, executive officers, and employees are safe and to implement its business continuity plan (BCP), DJK has produced risk management manuals for the different possible disasters and established such measures as backup systems for computer system data and emergency fire drills, and implemented other disaster-related activities. Nevertheless, there is no guarantee that these measures will allow the DJK Group to completely avoid any damages from disasters, and should major damages occur, they could impact negatively on the business results and financial position of the DJK Group.

Furthermore, should one of the DJK Group's major customers or vendors suffer substantial damages from a disaster, the suspension of the business and production activities of the customer or vendor could have a negative effect on the performance of the DJK Group.

# CONSOLIDATED BALANCE SHEET

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
March 31, 2018

ASSETS	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Current assets:</b>			
Cash and cash equivalents (Note 14)	¥ 17,826	¥ 19,853	\$ 167,796
Time deposits (Note 14)	556	173	5,242
Receivables (Note 14):			
Notes receivable	3,073	1,915	28,927
Accounts receivable	36,897	34,024	347,299
Unconsolidated subsidiaries and associated companies	0	4	0
Other	3,475	3,707	32,716
Electronically recorded monetary claims (Note 14)	2,279	2,304	21,456
Inventories (Note 4)	13,437	10,209	126,484
Deferred tax assets (Note 10)	759	572	7,151
Accounts prepaid	7,540	27,105	70,976
Other current assets	724	1,042	6,823
Allowance for doubtful accounts	(232)	(204)	(2,185)
<b>Total current assets</b>	<b>86,340</b>	<b>100,708</b>	<b>812,691</b>
<b>Property, plant and equipment</b> (Note 5):			
Land	527	528	4,969
Buildings and structures	1,778	1,734	16,735
Machinery and equipment	1,388	1,391	13,069
Furniture and fixtures	1,204	1,119	11,335
Leased assets (Note 13)	585	484	5,515
Construction in progress	32	151	307
<b>Total</b>	<b>5,517</b>	<b>5,411</b>	<b>51,932</b>
Accumulated depreciation	(2,332)	(2,121)	(21,957)
<b>Net property, plant and equipment</b>	<b>3,184</b>	<b>3,290</b>	<b>29,975</b>
<b>Investment and other assets:</b>			
Investment securities (Notes 3 and 14)	7,640	6,915	71,914
Investment in unconsolidated subsidiaries and associated companies	1,466	1,728	13,801
Manufacturing and sales right	1,217	1,420	11,458
Long-term deposits	703	697	6,617
Deferred tax assets (Note 10)	314	233	2,963
Assets for retirement benefits (Note 7)	1,136	1,026	10,692
Other assets	1,146	1,216	10,795
Allowance for doubtful accounts	(151)	(555)	(1,428)
<b>Total investment and other assets</b>	<b>13,472</b>	<b>12,682</b>	<b>126,815</b>
<b>TOTAL</b>	<b>¥102,997</b>	<b>¥116,681</b>	<b>\$ 969,481</b>

\*Shares have been restated, as appropriate, to reflect a one-for-five reverse stock split effected on October 1, 2017.  
See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Current liabilities:</b>			
Short-term bank loans (Notes 6 and 14)	¥ 6,974	¥ 7,391	\$ 65,647
Current portion of long-term debt (Notes 6 and 14)	463	463	4,359
Payables (Note 14):			
Notes payable	1,166	1,043	10,981
Accounts payable	33,009	32,127	310,710
Unconsolidated subsidiaries and associated companies	885	1,185	8,334
Other	301	130	2,833
Income taxes payable	943	1,305	8,882
Accrued expenses	1,896	1,504	17,851
Advances received	10,484	29,083	98,688
Allowance for after-sales service	293	166	2,762
Other current liabilities	666	671	6,269
<b>Total current liabilities</b>	<b>57,085</b>	<b>75,072</b>	<b>537,322</b>
<b>Long-term liabilities:</b>			
Long-term debt (Notes 6 and 14)	923	1,387	8,695
Liability for retirement benefits (Note 7)	336	322	3,171
Deferred tax liabilities (Note 10)	1,176	656	11,073
Other long-term liabilities	280	448	2,640
<b>Total long-term liabilities</b>	<b>2,717</b>	<b>2,814</b>	<b>25,580</b>
<b>Commitments and contingent liabilities</b> (Notes 13, 15, and 16)			
<b>Equity</b> (Notes 8, 9 and 19)			
Common stock,*			
authorized, 32,000,000 shares;			
issued, 11,086,400 shares in 2018 and 2017	5,105	5,105	48,051
Capital surplus	3,786	3,786	35,637
Stock acquisition rights	104	99	979
Retained earnings	32,190	28,473	303,001
Treasury stock — at cost,			
429,569 shares in 2018 and 438,310 shares in 2017	(968)	(985)	(9,116)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	2,422	1,801	22,806
Deferred gain on derivatives under hedge accounting	15	1	143
Foreign currency translation adjustments	464	536	4,369
Defined retirement benefit plans	61	(33)	582
<b>Total</b>	<b>43,181</b>	<b>38,784</b>	<b>406,456</b>
Non-controlling interests	13	9	122
<b>Total equity</b>	<b>43,194</b>	<b>38,794</b>	<b>406,579</b>
<b>TOTAL</b>	<b>¥102,997</b>	<b>¥116,681</b>	<b>\$ 969,481</b>

## CONSOLIDATED STATEMENT OF INCOME

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Year ended March 31, 2018

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Net sales</b>	<b>¥ 185,686</b>	¥154,120	<b>\$1,747,803</b>
<b>Cost of sales</b>	<b>163,324</b>	133,643	<b>1,537,311</b>
Gross profit	<b>22,362</b>	20,476	<b>210,491</b>
<b>Selling, general and administrative expenses</b> (Notes 11 and 12)	<b>15,967</b>	14,631	<b>150,299</b>
Operating income	<b>6,394</b>	5,844	<b>60,191</b>
<b>Other income (expenses):</b>			
Interest and dividend income	<b>225</b>	199	<b>2,119</b>
Interest expense	<b>(56)</b>	(85)	<b>(531)</b>
Purchase discount	<b>222</b>	205	<b>2,095</b>
Gain on sales of subsidiaries and affiliates	<b>262</b>		<b>2,474</b>
Loss on sales of property, plant and equipment	<b>(15)</b>	(11)	<b>(150)</b>
Gain on sales of investment securities	<b>0</b>	28	<b>0</b>
Loss on investment in unconsolidated subsidiaries and associated companies		(257)	
Impairment loss (Note 5)	<b>(24)</b>	(750)	<b>(230)</b>
Loss on valuation of investment securities	<b>(414)</b>		<b>(3,905)</b>
Other – net	<b>12</b>	11	<b>115</b>
Other income (expense) – net	<b>211</b>	(661)	<b>1,987</b>
<b>Income before income taxes</b>	<b>6,605</b>	5,183	<b>62,179</b>
<b>Income taxes</b> (Note 10):			
Current	<b>1,948</b>	2,084	<b>18,344</b>
Deferred	<b>(76)</b>	(237)	<b>(721)</b>
Total income taxes	<b>1,872</b>	1,846	<b>17,622</b>
<b>Net income</b>	<b>4,733</b>	3,337	<b>44,556</b>
<b>Net income attributable to non-controlling interests</b>	<b>3</b>	(1)	<b>32</b>
<b>Net income attributable to owners of the parent</b>	<b>¥ 4,730</b>	¥ 3,338	<b>\$ 44,524</b>

### Per share of common stock (Notes 2t and 18)\*

	Yen	U.S. Dollars (Note 1)
Basic net income	<b>¥ 443.97</b>	<b>\$ 4.18</b>
Diluted net income	<b>441.78</b>	<b>4.16</b>
Cash dividends applicable to the year (Note 8)	<b>105.00</b>	<b>0.99</b>

\*Per share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split effected on October 1, 2017.  
See notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Year ended March 31, 2018

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Net income	<b>¥ 4,733</b>	¥ 3,337	<b>\$ 44,556</b>
Other comprehensive income (loss) (Note 17):			
Unrealized gain on available-for-sale securities	<b>621</b>	490	<b>5,848</b>
Deferred gain (loss) on derivatives under hedge accounting	<b>13</b>	(2)	<b>130</b>
Foreign currency translation adjustments	<b>6</b>	(186)	<b>64</b>
Defined retirement benefit plans	<b>95</b>	160	<b>898</b>
Share of other comprehensive loss in associates	<b>(79)</b>	(17)	<b>(746)</b>
Total other comprehensive income	<b>658</b>	444	<b>6,195</b>
Comprehensive income	<b>¥ 5,391</b>	¥ 3,781	<b>\$ 50,752</b>
Total comprehensive income attributable to:			
Owners of the parent	<b>¥ 5,388</b>	¥ 3,783	<b>\$ 50,719</b>
Non-controlling interests	<b>3</b>	(1)	<b>32</b>

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Year ended March 31, 2018

	Thousands						Millions of yen							
	* Number of shares of common stock outstanding	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)					Total	Non- controlling interests	Total equity
							Unrealized gain on available- for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total			
<b>BALANCE, APRIL 1, 2016</b>	10,730	¥ 5,105	¥ 3,786	¥ 76	¥ 25,935	¥ (767)	¥ 1,311	¥ 4	¥ 740	¥ (193)	¥ 35,998	¥ 8	¥ 36,006	
Adjustment of retained earning for newly consolidated subsidiaries					167						167		167	
Net income attributable to owners of the parent					3,338						3,338		3,338	
Cash dividends, ¥90 per share*					(962)						(962)		(962)	
Purchase of treasury stock	(108)					(273)					(273)		(273)	
Disposal of treasury stock	25				(6)	55					48		48	
Net change in the year				22			490	(2)	(203)	160	467	1	468	
<b>BALANCE, MARCH 31, 2017</b>	10,648	5,105	3,786	99	28,473	(985)	1,801	1	536	(33)	38,784	9	38,794	
Net income attributable to owners of the parent					4,730						4,730		4,730	
Cash dividends, ¥95.00 per share*					(1,012)						(1,012)		(1,012)	
Purchase of treasury stock						(8)					(8)		(8)	
Disposal of treasury stock					(0)	25					25		25	
Net change in the year				4			621	13	(72)	95	662	3	665	
<b>BALANCE, MARCH 31, 2018</b>	10,656	¥ 5,105	¥ 3,786	¥ 104	¥ 32,190	¥ (968)	¥ 2,422	¥ 15	¥ 464	¥ 61	¥ 43,181	¥ 13	¥ 43,194	

	Thousands of U.S. Dollars (Note 1)												
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)					Total	Non- controlling interests	Total equity
						Unrealized gain on available- for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total			
<b>BALANCE, MARCH 31, 2017</b>	\$ 48,051	\$ 35,637	\$ 938	\$ 268,006	\$ (9,275)	\$ 16,958	\$ 12	\$ 5,051	\$ (315)	\$ 365,067	\$ 89	\$ 365,156	
Net income attributable to owners of the parent				44,524							44,524		44,524
Cash dividends, \$0.89 per share*				(9,525)							(9,525)		(9,525)
Purchase of treasury stock					(81)						(81)		(81)
Disposal of treasury stock				(4)	240						236		236
Net change in the year			40			5,848	130	(682)	898	6,236	32	6,268	
<b>BALANCE, MARCH 31, 2018</b>	<b>\$ 48,051</b>	<b>\$ 35,637</b>	<b>\$ 979</b>	<b>\$ 303,001</b>	<b>\$ (9,116)</b>	<b>\$ 22,806</b>	<b>\$ 143</b>	<b>\$ 4,369</b>	<b>\$ 582</b>	<b>\$ 406,456</b>	<b>\$ 122</b>	<b>\$ 406,579</b>	

\*Shares and per share figures have been restated, as appropriate, to reflect a one-for-five reverse stock split effected on October 1, 2017.  
See notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Year ended March 31, 2018

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
<b>Operating activities:</b>			
Income before income taxes	¥ 6,605	¥ 5,183	\$ 62,179
Adjustments for:			
Income taxes – paid	(2,268)	(1,712)	(21,348)
Depreciation and amortization	805	850	7,583
Impairment loss	24	750	230
Gain on sales of investment securities	(262)		(2,474)
Loss on valuation of investment securities	414		3,905
Changes in operating assets and liabilities:			
Decrease in allowance for after-sales service	127	2	1,197
Increase in notes and accounts receivable – trade	(3,498)	(706)	(32,928)
Decrease (Increase) in advance payments to suppliers	19,657	(16,444)	185,030
Increase in inventories	(3,146)	(1,747)	(29,621)
Increase in notes and accounts payable – trade	618	4,644	5,825
(Decrease) Increase in advances from customers	(18,741)	15,260	(176,403)
Other – net	196	(1,601)	1,849
Total adjustments	(6,072)	(704)	(57,154)
Net cash provided by operating activities	533	4,479	5,024
<b>Investing activities:</b>			
Acquisition of property, plant and equipment	(344)	(665)	(3,243)
Proceeds from sales of property, plant and equipment	2	7	26
Acquisition of intangible assets	(135)	(287)	(1,273)
Acquisition of marketable and investment securities	(243)	(141)	(2,291)
Proceeds from sales of investment securities	496	38	4,676
Payments of loans receivable	(4)	(3)	(37)
Collection of loans receivable	6	6	63
Payments of long-term deposits	(38)	(109)	(361)
Other – net	(405)	59	(3,817)
Net cash used in investing activities	(664)	(1,094)	(6,258)
<b>Financing activities:</b>			
Decrease in short-term bank loans – net	(493)	(883)	(4,642)
Repayment of long-term debt	(463)	(463)	(4,359)
Dividends paid	(1,012)	(962)	(9,531)
Other – net	(27)	(250)	(259)
Net cash used in financing activities	(1,996)	(2,559)	(18,792)
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	<b>101</b>	<b>(240)</b>	<b>952</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(2,026)</b>	<b>583</b>	<b>(19,073)</b>
<b>Cash and cash equivalents of newly consolidated subsidiary, beginning of year</b>		<b>315</b>	
<b>Cash and cash equivalents, beginning of year</b>	<b>19,853</b>	<b>18,953</b>	<b>186,869</b>
<b>Cash and cash equivalents, end of year</b>	<b>¥ 17,826</b>	<b>¥ 19,853</b>	<b>\$ 167,796</b>

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Year ended March 31, 2018

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2017 consolidated financial statements to conform to the classifications used in 2018.

The consolidated financial statements are stated in Japanese yen, the currency of the country, in which DAIICHI

JITSUGYO CO., LTD. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.24 to \$1, the approximate rate of exchange at March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million and thousand in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Consolidation

The consolidated financial statements as of March 31, 2018, include the accounts of the Company and its 17 significant (16 in 2017) subsidiaries (together, the “Group”). Consolidation of the remaining unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

DAIICHI JITSUGYO INDIA PVT. LTD. was newly included in the scope of consolidation from the fiscal year ended March 31, 2018, as it has newly founded in March 2018.

Investments in one (two in 2017) associated companies are accounted for by the equity method.

SHIRAGANE PLATING TECHNOLOGY(CHANGZHOU) CO., LTD. was excluded from the scope of consolidation from the fiscal year ended March 31, 2018, as the company sold whole its shares.

Investments in the remaining unconsolidated subsidiaries and other associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

#### b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

The accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements.

However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

#### c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

The accounting standard requires adjustments to be made to conform the associates' accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associates' financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated

companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

**d. Cash Equivalents**

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, commercial paper, and bond funds, all of which mature or become due within three months of the date of acquisition.

**e. Inventories**

Inventories are stated at the lower of cost, determined by the average cost method for merchandise and finished products and work in process, and by the first-in, first-out method for raw materials, or net selling value.

**f. Marketable and Investment Securities**

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and ii) available-for-sale securities are reported at their fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, marketable and investment securities are reduced to net realizable value by a charge to income.

**g. Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries.

Depreciation of leased assets is computed by the straight-line method based on the lease term of the respective assets. The range of useful lives is principally from 3 to 50 years for buildings; from 2 to 17 years for machinery, equipment, and vehicles; and from 2 to 23 years for furniture and fixtures.

**h. Investment and Other Assets**

Manufacture and selling rights are domestic exclusive rights to manufacturing, selling, and etc. of binary power generation systems. It is computed by the straight-line method based on a 10-year prospective usable period.

**i. Long-Lived Assets**

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from continued use and eventual disposition of the asset, or the net selling price at disposition.

**j. Retirement and Pension Plans**

The Company and certain domestic consolidated subsidiaries have noncontributory and contributory funded defined benefit pension plans for employees which cover their benefits. Other consolidated subsidiaries have unfunded retirement benefit plans. The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and are recognized in profit or loss over 14 years, no longer than the expected average remaining service period of the employees.

Retirement benefits for directors and Audit & Supervisory Board members of certain domestic consolidated subsidiaries are provided at the amount that would be required if all directors and Audit & Supervisory Board Members retired at the balance sheet date.

**k. Asset Retirement Obligations**

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the

acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

**l. Stock Options**

The cost of employee stock options is measured based on the fair value at the date of grant and recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

**m. Research and Development Costs**

Research and development costs are charged to income as incurred.

**n. Leases**

*(Lessee)*  
Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

*(Lessor)*

Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

**o. Bonuses to Directors and Audit & Supervisory Board Members**

Bonuses to directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

**p. Income Taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

**q. Foreign Currency Transactions**

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

**r. Foreign Currency Financial Statements**

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

**s. Derivatives and Hedging Activities**

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes. Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. Foreign currency forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at fair value and the unrealized gains/losses are deferred until maturity of the hedged transaction. Forward

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of machinery from overseas customers/suppliers. Trade account receivables/payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

### t. Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

Cash dividends per share applicable to the period for the fiscal year ended March 31, 2018, comprise interim dividends of ¥45.00 and year-end dividends of ¥60.00, which reflect a reverse stock split effected on October 1, 2017 (see note 8c)

### 3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of
	2018	2017	U.S. Dollars
Non-current:			2018
Marketable equity securities	¥ 6,674	¥ 6,171	\$ 62,825
Government bonds	9	9	91
Other	955	734	8,998
Total	¥ 7,640	¥ 6,915	\$ 71,914

The ¥9 million of government bonds are a mortgage for guarantee of dealings.

### u. New Accounting Pronouncements

On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

The costs and aggregate fair values of investment securities at March 31, 2018 and 2017, were as follows:

	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2018				
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,688	¥3,574	¥ 588	¥6,674
Held-to-Maturity	¥ 9	¥ 0		¥ 10
March 31, 2017				
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,664	¥2,983	¥ 476	¥6,171
Held-to-Maturity	¥ 9	¥ 0		¥ 10
		Thousands of U.S. Dollars		
March 31, 2018	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 34,715	\$ 33,648	\$ 5,538	\$ 62,825
Held-to-Maturity	\$ 91	\$ 3		\$ 94

### 4. INVENTORIES

Inventories at March 31, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of
	2018	2017	U.S. Dollars
Merchandise and finished products	¥ 11,866	¥ 8,415	\$ 111,696
Work in process	1,037	1,197	9,767
Raw materials and supplies	533	596	5,020
Total	¥ 13,437	¥ 10,209	\$ 126,484

### 5. LONG-LIVED ASSETS

#### Year ended March 31, 2018

Because part of the research-and-development facilities for the plant factory project became idle, the book value of the assets was written down to the recoverable amount. ¥24 million (\$230 thousand) was recognized as an impairment loss.

#### Year ended March 31, 2017

The Group recognized an impairment loss of ¥750 million. The impairment loss was due to the result of reconsideration for the business project when the acquisition of domestic exclusive rights for manufacture and sales of the binary power generation system, which turned out not to be as profitable as originally expected, and the book value was written down to the recoverable amount.

### 6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2018 and 2017, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.39% to 4.66% and 0.43% to 3.92% at March 31, 2018 and 2017, respectively.

Long-term debt at March 31, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of
	2018	2017	U.S. Dollars
Loan from financial institution, due serially to 2021, with interest rates ranging to 0.95% (2018 and 2017)			
Unsecured	¥ 1,153	¥ 1,512	\$ 10,852
Loan from financial institution, due serially to 2020, with interest rates ranging to 0.92% (2018 and 2017)			
Unsecured	110	170	1,035
Loan from financial institution, due serially to 2021, with interest rates ranging to 0.85% (2018 and 2017)			
Unsecured	124	168	1,167
Total	1,387	1,850	13,055
Less current portion	(463)	(463)	(4,359)
Long-term debt, less current portion	¥ 923	¥ 1,387	\$ 8,695

Annual maturities of long-term debt as of March 31, 2018, were as follows:

Year ending March 31:	Millions of yen	Thousands of
		U.S. Dollars
2019	¥ 463	\$ 4,359
2020	453	4,265
2021	395	3,719
2022	75	709
2023		
2024 and thereafter		
Total	¥ 1,387	\$ 13,055

In order to procure operating funds efficiently and stably, loan commitments were signed with five banks. The unused credit balance under those loans as of March 31, 2018, was as follows:

	Millions of yen	Thousands of
		U.S. Dollars
Maximum amount of the loan commitment	¥ 10,000	\$ 94,126
Amount loaned	6,000	56,475
Unused credit balance	¥ 4,000	\$ 37,650

**7. RETIREMENT AND PENSION PLANS**

The Company and certain domestic consolidated subsidiaries have severance payment plans for employees, directors, and Audit & Supervisory Board members.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. In certain circumstances, the Company might pay the severance premium on termination of employment.

The Company and certain domestic consolidated subsidiaries have non-contributory and contributory funded defined benefit pension plans for employees which cover their benefits. Other consolidated subsidiaries have unfunded retirement benefit plans.

The contributory funded defined benefit pension plan, which was established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company.

The liability for retirement benefits for directors and Audit & Supervisory Board members was ¥16 million (\$150 thousand) and ¥17 million at March 31, 2018 and 2017, respectively. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2018 and 2017, consisted of the following:

**a. Contributory funded defined benefit pension plan**

(1) The changes in defined benefit obligation for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 2,949	¥ 2,835	\$ 27,764
Current service cost	199	194	1,876
Interest cost	16	13	154
Actuarial losses (gain)	27	(32)	260
Benefits paid	(86)	(65)	(813)
Others	15	3	145
Balance at end of year	¥ 3,122	¥ 2,949	\$ 29,387

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

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 3,670	¥ 3,401	\$ 34,549
Expected return on plan assets	22	18	214
Actuarial gain	141	133	1,334
Contributions from the employer	187	183	1,768
Benefits paid	(86)	(65)	(813)
Balance at end of year	¥ 3,937	¥ 3,670	\$ 37,053

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	2018
Funded defined benefit obligation	¥ 2,801	¥ 2,643	\$ 26,367
Plan assets	(3,937)	(3,670)	(37,059)
	(1,136)	(1,026)	(10,692)
Unfunded defined benefit obligation	320	305	3,020
Net asset arising from defined benefit obligation	¥ (815)	¥ (721)	\$ (7,672)

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	2018
Liability for retirement benefits	¥ 320	¥ 305	\$ 3,020
Assets for retirement benefits	(1,136)	(1,026)	(10,692)
Net asset arising from defined benefit obligation	¥ (815)	¥ (721)	\$ (7,672)

(4) The components of net periodic benefit costs for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	2018
Service cost	¥ 199	¥ 194	\$ 1,876
Interest cost	16	13	154
Expected return on plan assets	(22)	(18)	(214)
Amortization of prior service cost	24	24	234
Recognized actuarial (gains) losses	(1)	40	(14)
Unfunded retirement benefit plans cost	15	3	145
Extra retirement payment	19		183
Others	49	53	469
Net periodic benefit costs	¥ 301	¥ 308	\$ 2,834

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the year ended March 31, 2018

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	2018
Prior service cost	¥ 24	¥ 24	\$ 234
Actuarial losses	112	206	1,059
Total	¥ 137	¥ 230	\$ 1,295

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrecognized prior service cost	¥ 172	¥ 197	\$ 1,620
Unrecognized actuarial gains	(261)	(148)	(2,459)
Total	¥ (89)	¥ 48	\$ (839)

(7) Plan assets

(1). Components of plan assets  
Plan assets as of March 31, 2018 and 2017, consisted of the following:

	2018	2017
Debt investments	43.4%	46.6%
Equity investments	41.0	44.1
General account	5.3	5.6
Others	10.3	3.7
Total	100.0%	100.0%

(2). Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2018 and 2017, were set forth as follows:

	2018	2017
Discount rate	0.5%	0.6%
Expected rate of return on plan assets	0.5%	0.6%

The required amount of contribution to the defined-contribution plan for the Company and some of its consolidated subsidiaries was ¥95 million for the year ended March 31, 2018.

**8. EQUITY**

Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

**a. Dividends**

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has

prescribed so in its articles of incorporation. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

**b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus**

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

**c. Treasury Stock and Treasury Stock Acquisition Rights**

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On October 1, 2017, the company effected a one-for-five reverse stock split. All shares and per share figures have been restated to reflect the reverse stock split.

**9. STOCK OPTIONS**

The stock options outstanding as of March 31, 2018, are as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2011 Stock Options	18	17,400	September 2, 2011	¥1	From September 2, 2011 to September 1, 2041
2013 Stock Options	19	25,000	September 3, 2013	¥1	From September 3, 2013 to September 2, 2043
2015 Stock Options	15	23,400	September 2, 2015	¥1	From September 2, 2015 to September 1, 2045
2017 Stock Options	15	26,800	September 4, 2017	¥1	From September 4, 2017 to September 3, 2047

The stock option activity is as follows:

	2011 Stock Options (Shares)	2013 Stock Options (Shares)	2015 Stock Options (Shares)	2017 Stock Options (Shares)
For the year ended March 31, 2018				
<u>Non-vested</u>				
March 31, 2017 — Outstanding				26,800
Granted				
Canceled				
Vested				26,800
March 31, 2018 — Outstanding				
<u>Vested</u>				
March 31, 2017 — Outstanding	8,000	17,400	23,400	26,800
Vested				
Exercised	(1,600)	(3,800)	(5,800)	
Canceled				
March 31, 2018 — Outstanding	6,400	13,600	17,600	26,800
Exercise price	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)
Average stock price at exercise	¥ 3,237 (\$ 30.47)	¥ 3,237 (\$ 30.47)	¥ 3,237 (\$ 30.47)	—
Fair value price at grant date	¥ 1,665 (\$ 15.67)	¥ 1,740 (\$ 16.38)	¥ 2,630 (\$ 24.76)	¥ 2,635 (\$ 24.80)

The assumptions used to measure fair value of 2018 Stock Options

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	28.5%
Estimated remaining outstanding period:	4.3 years
Estimated dividend:	¥95 per share
Interest rate with risk free:	(0.151)%

**10. INCOME TAXES**

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.9% for each of the years ended March 31, 2018 and 2017.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	2018
Deferred tax assets:			
Allowance for doubtful accounts	¥ 110	¥ 232	\$ 1,039
Allowance for bonus payable	309	226	2,909
Liability for retirement benefits	113	112	1,068
Evaluation loss on investment securities	63	67	601
Allowance for after-sales service	91	51	860
Investment in and advances to unconsolidated subsidiaries and associated companies	293	297	2,761
Revenue recognition for tax purposes	656	189	6,176
Impairment loss	204	242	1,925
Tax loss carryforwards	46	103	437
Other	484	510	4,564
Less valuation allowance	(524)	(584)	(4,933)
Total	1,849	1,449	17,411
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(994)	(719)	(9,360)
Assets for retirement benefits	(344)	(311)	(3,242)
Cost of sales recognition for tax purposes	(455)	(136)	(4,290)
Other	(156)	(133)	(1,477)
Total	(1,951)	(1,300)	(18,370)
Net deferred tax (liabilities) assets	¥ (101)	¥ 148	\$ (958)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2018, is as follows:

	2018	2017
Normal effective statutory tax rate	30.9%	30.9%
Expenses not deductible for income tax purposes	3.5	5.3
Exclusion from charges against revenue	(1.7)	(1.6)
Tax deduction	(1.8)	(0.4)
Per capita portion of inhabitant tax	0.4	0.5
Lower income tax rates applicable to income in certain foreign countries	(1.6)	(1.4)
Less valuation allowance	(0.3)	1.4
Elimination of inter-company dividend income	0.6	1.1
Adjustment loss on sales of shares of subsidiaries of associates	(1.0)	
Other—net	(0.7)	(0.2)
Actual effective tax rate	28.3%	35.6%

On December 22, 2017, a tax reform law was enacted in the United States which changed the normal effective statutory tax rate from approximately 30% to 21%

**11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative expenses for the fiscal years ended March 31, 2018 and 2017, principally consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	2018
Salaries and fees	¥6,015	¥5,695	\$56,626
Retirement benefit costs	357	274	3,363
Depreciation and amortization	451	369	4,253
Research and development costs	251	178	2,363
Rental expense	¥1,302	¥1,263	\$12,255

**12. RESEARCH AND DEVELOPMENT COSTS**

Research and development costs charged to income for the years ended March 31, 2018 and 2017, were ¥251 million (\$2,363 thousand) and ¥178 million, respectively.

13. LEASES

(1) As Lessee

Total rental expenses including lease payments under finance leases for the years ended March 31, 2018 and 2017, were ¥742 million (\$6,991 thousand) and ¥686 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of yen		Thousands of U.S. Dollars	
	2018		2017	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 12	¥ 435	\$ 119	\$ 4,095
Due after one year	35	1,571	331	14,791
Total	¥ 47	¥ 2,006	\$ 450	\$ 18,887

(2) As Lessor

The Group leases machinery, equipment, and other assets.

Total rental revenues for the years ended March 31, 2018 and 2017, were ¥117 million (\$1,107 thousand) and ¥145 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. Dollars	
	2018	2017	2018	2017
Due within one year	¥ 56	¥ 4	\$ 528	\$ 34
Due after one year	147	4	1,392	34
Total	¥204	¥ 8	\$ 1,920	\$ 68

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly short-term debt, including bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund the Group's ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are hedged by using forward foreign currency contracts.

Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Payment terms of payables, such as trade notes and trade accounts, are mainly less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are hedged by using forward foreign currency contracts.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major

customers by each business administration department to identify the default risk of customers at early stages. With respect to held-to-maturity financial investment, the Group manages its exposure to credit risk by limiting its funding to high credit rated bonds in accordance with its internal guidelines. Please see Note 15 for details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2018 and 2017.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Marketable and investment securities are managed by monitoring market values and financial positions of issuers on a regular basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets, at the level of one month's sales volume, along with adequate financial planning by the corporate treasury department.

(4) Concentration of Credit Risk

There are no significant account receivables from any major customer of the Group as of March 31, 2018 and 2017.

(5) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 15 for details on fair values of derivatives.

(a) Fair value of financial instruments

	Millions of yen		
At March 31, 2018	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 17,826	¥ 17,826	
Time deposits	556	556	
Receivables	43,446	43,423	¥ (23)
Electronically recorded monetary claims	2,279	2,279	
Marketable and investment securities			
Held-to-maturity	9	10	0
Equity securities	6,674	6,674	
Total	¥ 70,793	¥ 70,770	¥ (22)

Payables	35,363	35,362	(0)
Short-term bank loans	6,974	6,974	
Long-term debt	1,387	1,381	(5)
Total	¥ 43,724	¥ 43,718	¥ (6)

	Millions of yen		
At March 31, 2017	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 19,853	¥ 19,853	
Time deposits	173	173	
Receivables	39,652	39,638	¥ (13)
Electronically recorded monetary claims	2,304	2,304	
Marketable and investment securities			
Held-to-maturity	9	10	0
Equity securities	6,171	6,171	
Total	¥ 68,164	¥ 68,151	¥ (13)

Payables	¥ 34,487	¥ 34,485	¥ (1)
Short-term bank loans	7,391	7,391	
Long-term debt	1,850	1,844	(5)
Total	¥ 43,728	¥ 43,721	¥ (7)

	Thousands of U.S. Dollars		
At March 31, 2018	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 167,796	\$ 167,796	
Time deposits	5,242	5,242	
Receivables	408,943	408,725	\$ (218)
Electronically recorded monetary claims	21,456	21,456	
Marketable and investment securities			
Held-to-maturity	91	94	3
Equity securities	62,825	62,825	
Total	\$ 666,355	\$ 666,140	\$ (214)

Payables	\$ 332,860	\$ 332,854	\$ (5)
Short-term bank loans	65,647	65,647	
Long-term debt	13,055	13,003	(51)
Total	\$ 411,563	\$ 411,506	\$ (57)

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 3.

Receivables and payables

The fair values of receivables and payables are measured at the amount to be received or paid at maturity discounted at the Group's assumed corporate discount rate. The foreign currency forward contracts are utilized to hedge foreign currency exposures in the procurement of raw machinery from overseas customers/suppliers. Trade account receivables/payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Short-term bank loans and long-term debt

The fair values of short-term bank loans approximate fair value because of their short maturities. The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Derivatives

Fair value information for derivatives is included in Note 15.

#### (b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	2018
Investments in equity instruments that do not have a quoted market price in an active market	¥2,422	¥2,462	\$22,799

#### (6) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

At March 31, 2018	Millions of yen		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	¥17,826		
Time deposits	556		
Receivables	42,537	¥ 909	
Electronically recorded monetary claims	2,279		
Marketable and investment securities			
Government bonds			¥ 9
<b>Total</b>	<b>¥63,200</b>	<b>¥ 909</b>	<b>¥ 9</b>

At March 31, 2017	Millions of yen		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	¥19,853		
Time deposits	173		
Receivables	38,990	¥ 661	
Electronically recorded monetary claims	2,304		
Marketable and investment securities			
Government bonds			¥ 9
<b>Total</b>	<b>¥61,321</b>	<b>¥ 661</b>	<b>¥ 9</b>

At March 31, 2018	Thousands of U.S. Dollars		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	\$167,796		
Time deposits	5,242		
Receivables	400,386	\$ 8,557	
Electronically recorded monetary claims	21,456		
Marketable and investment securities			
Government bonds			\$ 91
<b>Total</b>	<b>\$594,881</b>	<b>\$ 8,557</b>	<b>\$ 91</b>

- Please see Note 6 for annual maturities of long-term debt and Note 13 (1) for obligations under finance leases.
- The Group recognized an impairment loss of ¥ 414 million about other securities this fiscal year.

### Derivative Transactions to Which Hedge Accounting Is Applied

At March 31, 2018	Millions of yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.\$	Order Backlog	¥1,440		¥ 43
EURO	-	147		2
CNY	-	109		(1)
THB	-	4		0
Buying				
EURO	Released Order	708	¥ 148	(6)
U.S.\$	-	512		(13)
DKK	-	162		(2)
CNY	-	1		(0)
SS\$	-	0		0

#### Assigned transactions

At March 31, 2018	Millions of yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.\$	Receivables	1,351	4	Note 2
CNY	-	73		Note 2
EURO	-	21		Note 2
THB	-	5		Note 2
Buying				
U.S.\$	Payables and other	243		Note 2
CNY	-	10		Note 2
DKK	-	2		Note 2
EURO	-	1		Note 2
<b>Total</b>		<b>¥4,796</b>	<b>¥ 152</b>	<b>¥ 21</b>

At March 31, 2018	Thousands of U.S. Dollars			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.\$	Order Backlog	\$13,560		\$ 409
EURO	-	1,392		21
CNY	-	1,031		(12)
THB	-	45		0
Buying				
EURO	Released Order	6,672	\$ 1,393	(58)
U.S.\$	-	4,824		(130)
DKK	-	1,525		(24)
CNY	-	9		(0)
SS\$	-	7		0

#### Assigned transactions

At March 31, 2018	Thousands of U.S. Dollars			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.\$	Receivables	12,720	46	Note 2
CNY	-	687		Note 2
EURO	-	197		Note 2
THB	-	53		Note 2
Buying				
U.S.\$	Payables and other	2,287		Note 2
CNY	-	94		Note 2
DKK	-	25		Note 2
EURO	-	12		Note 2
<b>Total</b>		<b>\$45,149</b>	<b>\$ 1,440</b>	<b>\$ 205</b>

Notes: 1. The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

2. Fair value of the foreign currency forward contracts assigned for receivables and payables is included in the fair value of receivables and payables disclosed at Note 14. (5) (a).

## 15. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into hedge foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate their authorization.

#### Derivative Transactions to Which Hedge Accounting Is Not Applied

At March 31, 2018	Millions of yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
U.S.\$	¥ 711	¥ 58	¥ 26	¥ 26
JP¥	701		33	33
SS\$	106		0	0
THB	75		0	0
Buying				
JP¥	2,598	0	(22)	(22)
U.S.\$	48		(1)	(1)
EURO	19		(0)	(0)
SS\$	8		(0)	(0)
<b>Total</b>	<b>¥4,269</b>	<b>¥ 58</b>	<b>¥ 36</b>	<b>¥ 36</b>

At March 31, 2017	Millions of yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
JP¥	¥1,047		¥ 70	¥ 70
U.S.\$	522		(12)	(12)
SS\$	161	¥ 8	(4)	(4)
EURO	16		(0)	(0)
THB	10		(0)	(0)
Buying				
JP¥	1,777	39	(101)	(101)
U.S.\$	336		(2)	(2)
SS\$	87		(0)	(0)
DKK	0			
<b>Total</b>	<b>¥3,958</b>	<b>¥47</b>	<b>¥ (51)</b>	<b>¥ (51)</b>

At March 31, 2018	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
U.S.\$	\$ 6,692	\$ 552	\$ 248	\$ 248
JP¥	6,603		318	318
SS\$	1,000		4	4
THB	710		4	4
Buying				
JP¥	24,459	1	(211)	(211)
U.S.\$	460		(13)	(13)
EURO	183		(5)	(5)
SS\$	79		(2)	(2)
<b>Total</b>	<b>\$40,190</b>	<b>\$ 553</b>	<b>\$ 343</b>	<b>\$ 343</b>

At March 31, 2017	Millions of yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.\$	Order Backlog	¥2,354	¥ 550	¥ 23
CNY	-	53		(4)
EURO	-	42		0
Buying				
U.S.\$	Released Order	484		14
EURO	-	479	1	(32)
DKK	-	131		0
THB	-	0		0
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.\$	Receivables	799	2	Note 2
EURO	-	266		Note 2
THB	-	0		Note 2
Buying				
U.S.\$	Payables and other	158		Note 2
KRW	-	138		Note 2
EURO	-	73		Note 2
SS\$	-	2		Note 2
THB	-	2		Note 2
<b>Total</b>		<b>¥4,988</b>	<b>¥ 553</b>	<b>¥ 2</b>

## 16. CONTINGENT LIABILITIES

At March 31, 2018, the Group had the following contingent liabilities:

	Thousands of U.S. Dollars	
	Millions of yen	U.S. Dollars
Guarantees and similar items of bank loans	¥14	\$ 139

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 17. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 481	¥ 677	\$ 4,531
Reclassification adjustments to profit or loss	414	(17)	3,905
Amount before income tax effect	896	659	8,436
Income tax effect	(275)	(169)	(2,588)
Total	621	490	5,848
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	19	(4)	187
Reclassification adjustments to profit or loss			
Amount before income tax effect	19	(4)	187
Income tax effect	(6)	1	(57)
Total	13	(2)	130
Foreign currency translation adjustments:			
Adjustments arising during the year	6	(186)	64
Total	6	(186)	64
Defined retirement benefit plans			
Gains arising during the year	114	165	1,073
Reclassification adjustments to profit or loss	23	65	221
Amount before income tax	137	230	1,295
Income tax effect	(42)	(70)	(396)
Total	95	160	898
Share of other comprehensive loss in associates:			
Losses (Gains) arising during the year	2	(17)	21
Reclassification adjustments to profit or loss	(81)		(768)
Total	(79)	(17)	(746)
<b>Total other comprehensive income</b>	<b>¥ 658</b>	<b>¥ 444</b>	<b>\$ 6,195</b>

### 18. NET INCOME PER SHARE

A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2018 and 2017, is as follows:

	Millions of yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares		EPS
Year ended March 31, 2018				
Basic EPS				
Net income available to common shareholders	¥ 4,730	10,654	¥ 443.97	\$ 4.18
Effect of dilutive securities				
Warrants		52		
Diluted EPS				
Net income for computation	¥ 4,730	10,707	¥ 441.78	\$ 4.16
Year ended March 31, 2017				
Basic EPS				
Net income available to common shareholders	¥ 3,338	10,689	¥ 312.36	
Effect of dilutive securities				
Warrants		48		
Diluted EPS				
Net income for computation	¥ 3,338	10,738	¥ 310.94	

### 19. SUBSEQUENT EVENTS

The following appropriations of retained earnings at March 31, 2018, were approved at the shareholders' meeting of the Company held on June 26, 2018:

	Millions of yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥60.00 (\$0.56) per share	¥639	\$6,018

Japan Drilling Co., Ltd., and one of its subsidiaries filed with the Tokyo District Court for the commencement of corporate reorganization proceedings on June 22, 2018.

As of said date, the Company had accounts receivable of ¥19 million against the above two companies, and ¥401 million in investment securities of Japan Drilling Co., Ltd.

### 20. SEGMENT INFORMATION

The Group is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

#### (1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. As such, the Group's reportable segments consist of the Plant & Energy Business, Industrial Machinery Business, Electronics Business, Pharmaceuticals Business, and Aviation Business.

- Plant & Energy Business: Machinery and equipment for energy development and production, oil and gas refining, chemical, engineering, construction, and pulp and paper industries.
- Industrial Machinery Business: Machinery and equipment for plastics, rubber, automobiles, steel, and food industries.
- Electronics Business: Machinery and equipment for the industries of electronics, IT, electric machinery, precision, optical, audio, and musical instruments.
- Pharmaceuticals Business: Machinery and equipment for pharmaceuticals and medical industries.
- Aviation Business: Machinery and equipment for aviation and disaster prevention.

#### (2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

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

#### (3) Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

	Millions of yen									
	2018									
	Reportable segments					Subtotal	Other	Total	Reconciliations	Consolidated
Plant & Energy Business	Industrial Machinery Business	Electronics Business	Pharmaceuticals Business	Aviation Business						
Sales										
Sales to external customers	¥ 63,803	¥ 51,752	¥ 58,490	¥ 8,165	¥ 3,415	¥ 185,628	¥ 57	¥ 185,686		¥ 185,686
Intersegment sales or transfers	564	782	833	243		2,424	31	2,455	¥ (2,455)	
Total	64,368	52,535	59,323	8,408	3,415	188,052	89	188,142	(2,455)	185,686
Segment profit (loss)	752	1,913	2,891	667	209	6,433	(49)	6,384	10	6,394
Segment assets	21,822	29,856	30,728	6,298	2,130	90,835	628	91,464	11,533	102,997
Other:										
Depreciation	263	17	81	103	25	492	18	510	294	805
Impairment loss (Note 4)									24	24
Investment in an equity method company		968				968		968		968
Increase in property, plant and equipment and intangible assets	¥ 0	¥ 44	¥ 74	¥ 162	¥ 0	¥ 282	¥ 48	¥ 330	¥ 194	¥ 525

	Millions of yen									
	2017									
	Reportable segments					Subtotal	Other	Total	Reconciliations	Consolidated
Plant & Energy Business	Industrial Machinery Business	Electronics Business	Pharmaceuticals Business	Aviation Business						
Sales										
Sales to external customers	¥ 48,267	¥ 45,340	¥ 47,426	¥ 8,924	¥ 3,764	¥ 153,724	¥ 395	¥ 154,120		¥ 154,120
Intersegment sales or transfers	525	497	708	727		2,458	30	2,489	¥ (2,489)	
Total	48,793	45,838	48,134	9,651	3,764	156,183	426	156,609	(2,489)	154,120
Segment profit (loss)	1,111	1,513	1,671	1,021	332	5,651	(47)	5,603	240	5,844
Segment assets	42,889	26,487	23,867	6,385	1,272	100,902	413	101,315	15,365	116,681
Other:										
Depreciation	368	21	76	112	26	604	11	616	234	850
Impairment loss (Note 3)	750					750		750		750
Investment in an equity method company		1,165				1,165		1,165		1,165
Increase in property, plant and equipment and intangible assets	¥ 55	¥ 4	¥ 76	¥ 482	¥ 127	¥ 746	¥ 4	¥ 750	¥ 186	¥ 937

Thousands of U.S. Dollars

2018										
Reportable segments										
	Plant & Energy Business	Industrial Machinery Business	Electronics Business	Pharmaceuticals Business	Aviation Business	Subtotal	Other	Total	Reconciliations	Consolidated
Sales										
Sales to external customers	\$ 600,563	\$ 487,127	\$ 550,552	\$ 76,861	\$ 32,152	\$ 1,747,257	\$ 545	\$ 1,747,803		\$ 1,747,803
Intersegment sales or transfers	5,317	7,369	7,842	2,289	32,152	22,818	294	23,112	\$ (23,112)	
Total	605,880	494,496	558,394	79,150	32,152	1,770,075	840	1,770,915	(23,112)	1,747,803
Segment profit (loss)	7,085	18,007	27,218	6,279	1,968	60,558	(463)	60,094	96	60,191
Segment assets	205,411	281,024	289,233	59,281	20,049	855,000	5,919	860,919	108,561	969,481
Other:										
Depreciation	2,480	168	770	978	238	4,635	173	4,809	2,774	7,583
Impairment loss (Note 4)									230	230
Investment in an equity method company		9,118				9,118		9,118		9,118
Increase in property, plant and equipment and intangible assets	\$ 5	\$ 418	\$ 705	\$ 1,530	\$ 0	\$ 2,660	\$ 452	\$ 3,112	\$ 1,829	\$ 4,942

Notes: 1) Transfers between segments are made at arm's-length prices.  
2) Segment profit is adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.  
3) The impairment loss in the plant & energy business segment was due to the result of reconsideration for the business project when the acquisition of domestic exclusive rights for manufacture and sales of the binary power generation system, which turned out not to be as profitable as originally expected, and the book value was written down to the recoverable amount.  
4) Because part of the research-and-development facilities for the plant factory project became idle, the book value of the assets was written down to the recoverable amount. ¥24 million (\$230 thousand) was recognized as an impairment loss.

**(4) Information about products and services**

Information about products and services is omitted as it is presented in the description of reportable segments.

**(5) Information about geographical areas**

**a. Sales**

Millions of Yen						
2018						
Japan	China	Asia	North America	Europe	Other	Total
¥109,979	¥21,940	¥36,539	¥12,559	¥3,379	¥1,287	¥185,686

Millions of Yen						
2017						
Japan	China	Asia	North America	Europe	Other	Total
¥78,023	¥16,231	¥37,402	¥12,887	¥8,799	¥775	¥154,120

Thousands of U.S. Dollars						
2018						
Japan	China	Asia	North America	Europe	Other	Total
\$1,035,197	\$206,518	\$343,936	\$118,220	\$31,809	\$12,120	\$1,747,803

Notes: Sales are classified by country or region based on the location of customers.

**b. Property, plant and equipment**

Millions of Yen			
2018			
Japan	Asia	Other	Total
¥2,964	¥137	¥82	¥3,184

Millions of Yen			
2017			
Japan	Asia	Other	Total
¥3,065	¥118	¥105	¥3,290

Thousands of U.S. Dollars			
2018			
Japan	Asia	Other	Total
\$27,899	\$1,295	\$781	\$29,975

**(6) Information about major customers**

2018		
Millions of Yen		
Name of Customers	Sales	Related Segment Name
Cosmo Oil Co.,LTD.	¥ 29,906	Plant & Energy Business

2018		
Thousands of U.S. Dollars		
Name of Customers	Sales	Related Segment Name
Cosmo Oil Co.,LTD.	\$ 281,500	Plant & Energy Business

Information about major customers for the year ended March 31, 2017 is omitted as no single external customer accounts for 10% or more of net sales in the consolidated statements of income.

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Daiichi Jitsugyo Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Daiichi Jitsugyo Co., Ltd. and its consolidated subsidiaries as of March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

**Management's Responsibility for the Consolidated Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daiichi Jitsugyo Co., Ltd. and its consolidated subsidiaries as of March 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

**Convenience Translation**

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

*Deloitte Touche Tohmatsu LLC*

June 26, 2018

**DAIICHI JITSUGYO CO., LTD.**

**Date of Establishment**

August 12, 1948

**Paid-in Capital**

¥5,105 million

**Stock Exchange Listing**

Tokyo Stock Exchange, First Section

**Number of Employees**

468 (Non-consolidated)

1,134 (Consolidated)

**Transfer Agent and Registrar**

Tokyo Securities Transfer Agent Co., Ltd.

**Common Stock**

Authorized: 32,000,000 shares

Issued: 11,086,400 shares

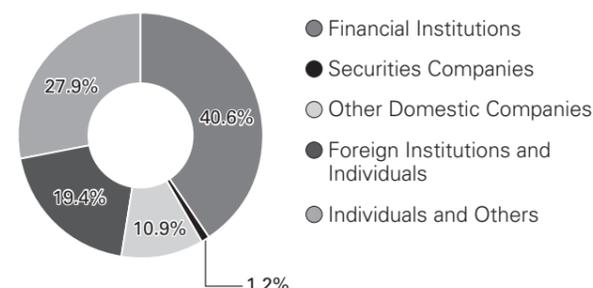
Number of shareholders: 4,910

**Major Shareholders**

	(% of total)
The Master Trust Bank of Japan, Ltd.	5.35
Japan Trustee Services Bank, Ltd.	4.95
Mizuho Bank, Ltd.	4.80
Sumitomo Mitsui Banking Corporation	4.79
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.50
Resona Bank, Limited.	3.17
Sompo Japan Nipponkoa Insurance Inc.	2.86

\* Percentages of total shares issued are calculated based on the total number of shares issued excluding treasury stock.

**Distribution of Ownership among Shareholders**



**Directors and Audit & Supervisory Board Members** (As of June 26, 2018)

**Chairman**

Koji Yamagata\*1

**President & CEO**

Ichiro Uno\*1

**Managing Directors**

Shigeki Terakawa

Hajime Kimoto

Yoshikazu Taruta\*2

**Managing Director & CFO**

Itaru Kage\*2

**Outside Directors**

Yoshikazu Sakamoto

Yukie Tanaka

**Standing Audit & Supervisory Board Member**

Masahiko Mizumoto

**Outside Audit & Supervisory Board Members**

Toshihiko Matsumiya

Mitsuyoshi Koyama

**Executive Officers** (As of June 26, 2018)

**Managing Executive Officers**

Itaru Kage

Accounting Div.

Yoshikazu Taruta

Administration Div.

Akira Kasamatsu

Industrial Machinery Business Div.

Muneo Yamano

Plant & Energy Business Div.

Masaru Moriya

DAIICHI MECHA-TECH CORPORATION

**Executive Officers**

Hitoshi Takasaki

DAIICHI MECHA-TECH CORPORATION

Ryuichi Ninomiya

DAIICHI JITSUGYO ASIA PTE. LTD.

Masatoshi Ueno

Electronic Systems Business Div.

Daisuke Ozono

SHANGHAI YISHI TRADING CO., LTD.

Yuji Funawatari

Pharma Business Div.

Masatoshi Kubota

DAIICHI JITSUGYO (AMERICA), INC.

\*1 : Representative Director

\*2 : Director who also serves as Managing Executive Officer



Note: The locations of the bases shown here include the branches and offices of the Company as well as those of the DJK Group companies.

**SIGNIFICANT SUBSIDIARIES**

**OVERSEAS**

● DJK EUROPE GMBH

Consolidated subsidiary

● DAIICHI JITSUGYO ASIA PTE. LTD.

Consolidated subsidiary

● DAIICHI JITSUGYO (THAILAND) CO., LTD.

Consolidated subsidiary

● DAIICHI PROJECT SERVICE CO., LTD.

Consolidated subsidiary

● DAIICHI JITSUGYO (MALAYSIA) SDN. BHD.

Consolidated subsidiary

● DAIICHI JITSUGYO (PHILIPPINES), INC.

Consolidated subsidiary

● DJK FACTORY SOLUTIONS (PHILIPPINES), INC.

Consolidated subsidiary

● PT. DJK INDONESIA

Consolidated subsidiary

● DAIICHI JITSUGYO (VIETNAM) CO., LTD.

Consolidated subsidiary

● DAIICHI JITSUGYO INDIA PVT. LTD.

Consolidated subsidiary

● SHANGHAI YISHI TRADING CO., LTD.

Consolidated subsidiary

● DAIICHI JITSUGYO (GUANGZHOU) TRADING CO., LTD.

Consolidated subsidiary

● DAIICHI JITSUGYO (HONG KONG) LIMITED

Consolidated subsidiary

● DJK (TAIWAN) CORP.

Consolidated subsidiary

● DAIICHI JITSUGYO (AMERICA), INC.

Consolidated subsidiary

● DAIICHI JITSUGYO PUERTO RICO, INC.

Consolidated subsidiary

● DJK GLOBAL MEXICO, S.A. DE C.V.

Consolidated subsidiary

● DAIICHI JITSUGYO DO BRASIL COMERCIO DE MAQUINAS LTDA.

Consolidated subsidiary

**DOMESTIC**

● DAIICHI MECHA-TECH CORPORATION

Consolidated subsidiary

● DAIICHI JITSUGYO VISWILL CO., LTD.

Consolidated subsidiary

● DAIICHI ENGINEERING CO., LTD.

Consolidated subsidiary

● FLOW DYNAMICS, INC.

Consolidated subsidiary

● DJK SOLAR SOLUTION CO., LTD.

Consolidated subsidiary

**SIGNIFICANT AFFILIATES**

**DOMESTIC**

● SULZER DAIICHI K.K.

● ASANO LABORATORIES CO., LTD.

**CORPORATE SOCIAL RESPONSIBILITY**

**Top commitment**

The DJK Group is committed to fulfilling its social responsibilities globally in accordance with its management philosophy of contributing to social prosperity. The DJK Group aims for corporate growth and the development of a sustainable society by

focusing on environmental considerations, thorough legal compliance, and enhanced relations with stakeholders, while maintaining its role as part of the worldwide distribution channel of economic society.

**Management outlook based on a keen awareness of social responsibility**





**DAIICHI JITSUGYO CO., LTD.**

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