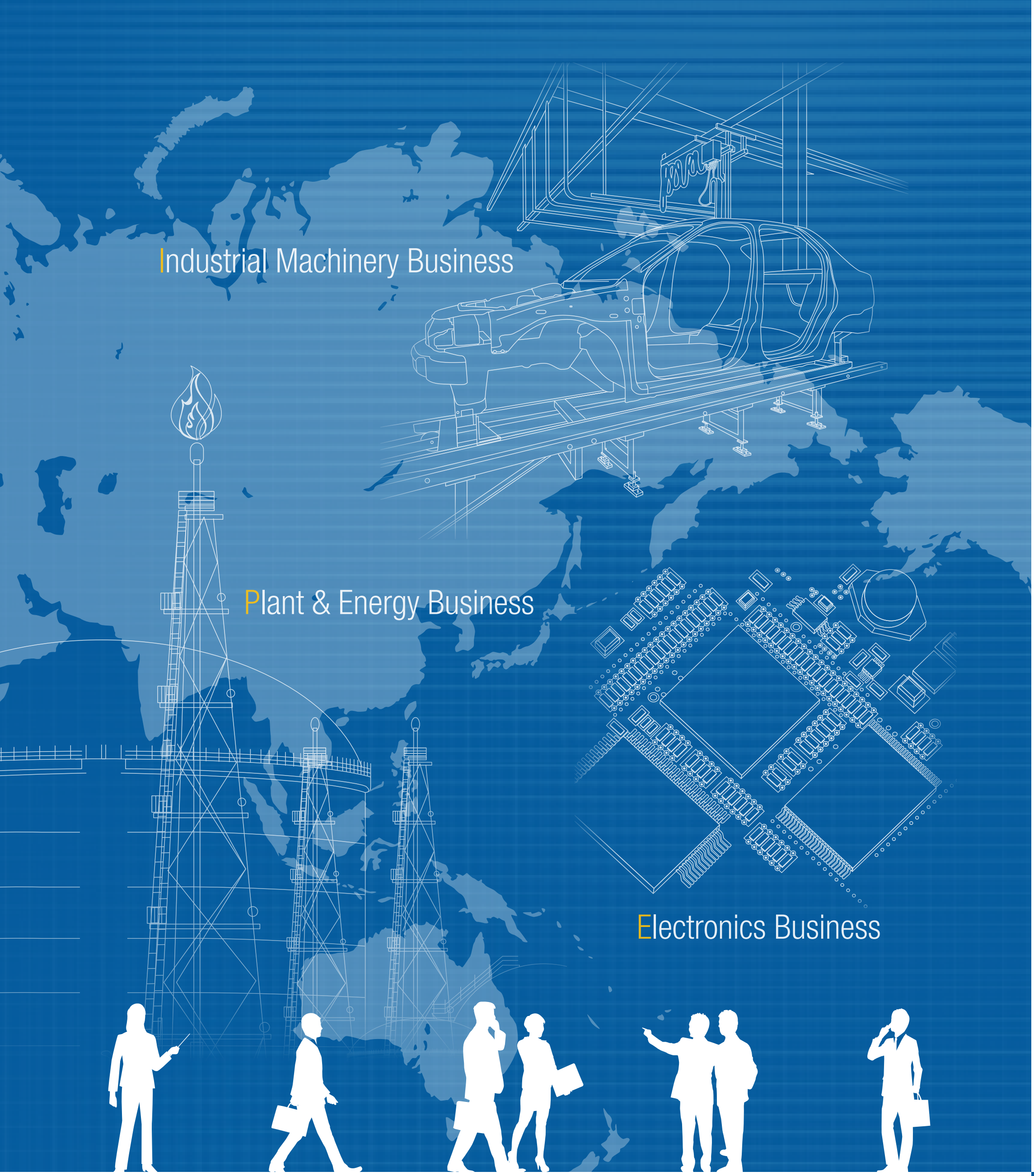
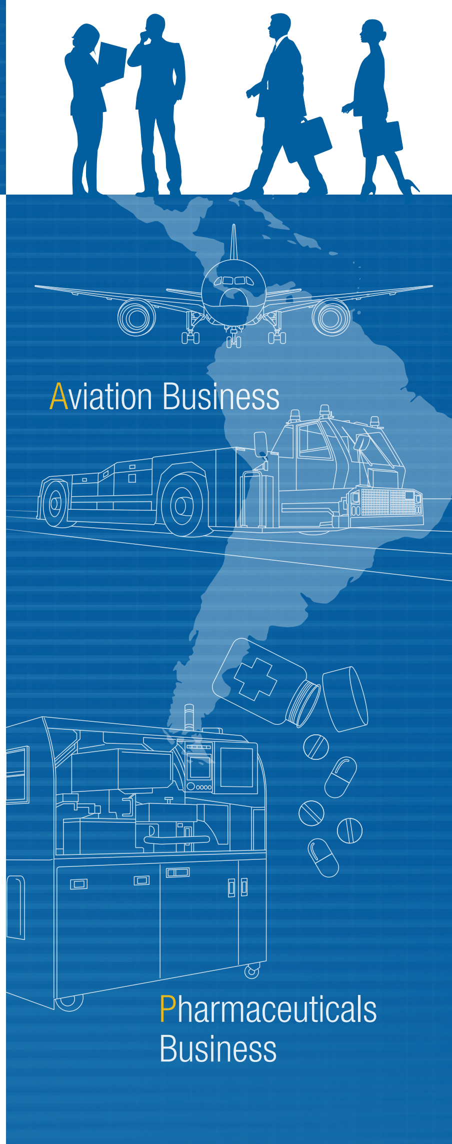




ANNUAL REPORT 2016

Year ended March 31, 2016

DAIICHI JITSUGYO CO., LTD.

Developing high-value-added businesses that fulfill the needs of customers

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 with more than 60 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.

High-value total solutions designed to meet your needs

Our greatest strength is our "one-stop solution" approach. In addition to our primary machinery, we provide peripheral equipment and plant equipment to offer total support, including engineering, on-site coordination, and after-sales service. Based on a wealth of know-how and wide-ranging domestic and global networks, we provide machinery and equipment tailored to the needs of our customers. In this way, we offer total solutions that have been vetted by extensive real-world experience.

Using a global network to stay in close contact with those in the field

Given the global reach of our customers' operations, cross-border support has become critical. As a general machinery trading company engaged in many businesses, the DJK Group stays in close contact with those in the field, providing them with timely support. Our four primary regions consist of the Americas, Europe, Southeast Asia and India, and China.

P.2 CONSOLIDATED FINANCIAL HIGHLIGHTS

- Demand for plant equipment for overseas markets centering on Asia and equipment for automobile-related industries decreased.
- Profit growth was stagnant due to increased costs for the construction of effluent treatment plants overseas and a reduced number of projects with short lead times.
- Although the business results initially forecast for the fiscal year under review were revised downward due to rising costs for overseas businesses and a decline in demand for equipment, some businesses performed steadily.

Year ended March 31, 2016 (Millions of yen)

Net sales	124,177
Operating income	3,886
Profit attributable to owners of parent	2,637

P.3 INTERVIEW WITH THE PRESIDENT

- The shift to business axis management under the AIM2015 mid-term management plan has had a positive effect in terms of the formation of a flexible organization and the creation of new business models.
- The top priority of the new DASH2018 mid-term management plan is "raising management quality."

P.7 NEW MID-TERM MANAGEMENT PLAN

QUANTITATIVE TARGET

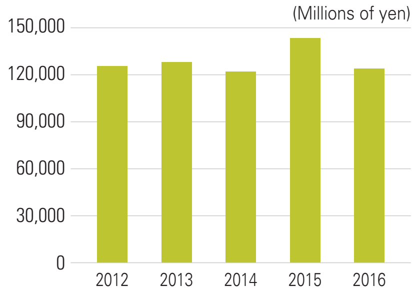
	2018 Plan (Millions of yen)
Net sales	¥133,000
Operating income	¥5,000
Profit attributable to owners of parent	¥3,300

Other Contents

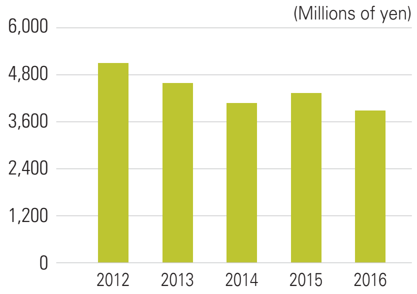
CONSOLIDATED FINANCIAL HIGHLIGHTS

SELECTED FINANCIAL DATA

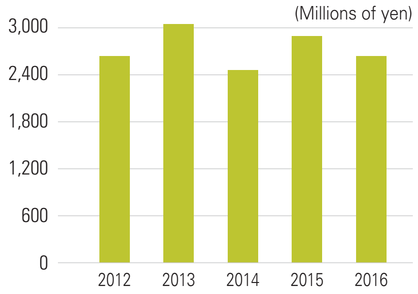
Net sales



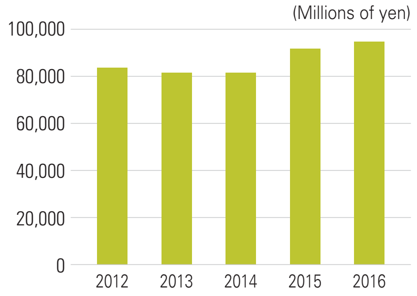
Operating income



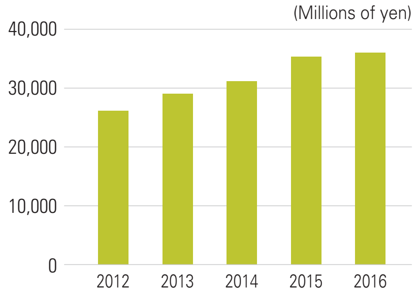
Profit attributable to owners of parent



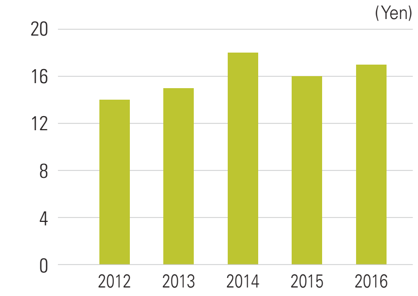
Total assets



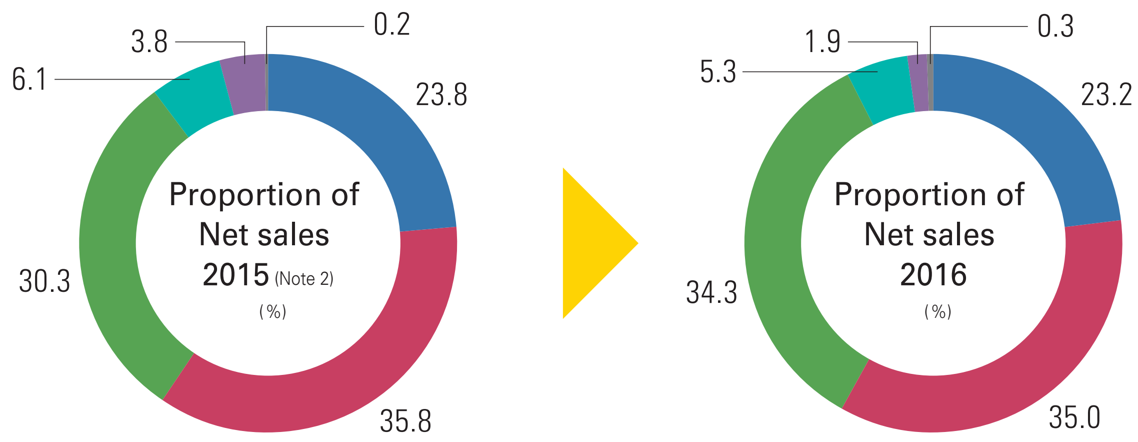
Total equity



Cash dividends per share



DIVISIONAL REVIEW (Note 1) → Page 8-9



■ Plant & Energy Business
Demand declined for large-scale projects for leading engineering companies.

■ Electronics Business
Demand for equipment for electronics parts mounting equipment and PCB printing machines progressed favorably.

■ Aviation Business
Sales from large-scale projects relating to aviation and airports decreased.

■ Industrial Machinery Business
Demand for equipment for manufacturing household appliances and automobile parts decreased.

■ Pharmaceuticals Business
Domestic demand for pharmaceutical inspection and filling devices is on an increasing trend.

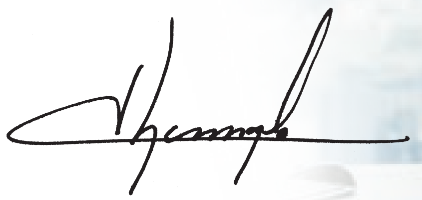
■ Others

Notes: 1. We have transitioned to a new segment structure since the first quarter of the fiscal year ended March 31, 2016.
2. Net sales by segment in the fiscal year ended March 31, 2015 are based on a new segment structure.

INTERVIEW WITH THE PRESIDENT

I would like to take this opportunity to thank our stakeholders for their support over the past fiscal year.

Having completed the fiscal year from April 1, 2015 to March 31, 2016, I am pleased to report the overview of the business performance of the DJK Group.



Koji Yamagata
President & CEO

Please provide a summary of the operating results and financial highlights for the fiscal year under review.

Although losses from overseas transactions and a decline in demand for equipment overseas resulted in a necessary downward revision of business forecasts, some businesses showed steady performance.

During the fiscal year under review, there were cost increases associated with an overseas project for constructing an effluent treatment plant due to construction delays attributable to the quality of work by local subcontractors, resulting in a considerable loss of profits. Against the backdrop of falling crude oil prices worldwide, the Plant & Energy Business stagnated in emerging countries and the momentum of business activities in Southeast Asia, which had maintained favorable performance, started to decelerate as a whole. Due to these factors, we had to make a downward revision to our business results initially estimated for the fiscal year under review, which was the final year of the mid-term management plan AIM2015.

Despite the weak sales from large orders in the Plant & Energy Business, the Industrial Machinery Business benefited from the active automobile industries in North and Central America and the Pharmaceuticals Business performed favorably chiefly in the field of generic pharmaceuticals. The Electronics Business achieved the revised targets due to large orders received for and sales of smartphone- and display-related equipment.

Please tell us about the achievements and evaluation of the AIM2015 mid-term management plan.

The response has been good. The awareness of business axis management has penetrated throughout the company, promoting the optimal placement of human resources and creating new business models.

Regarding the biggest focus of AIM2015, or a shift to the business axis management system, we integrated business axis management into our conventional regional axis management system, thereby stepping up our respective business activities. I also feel that the flexibility of the organization has improved because the new system enables the optimal allocation of human resources.

In addition, interaction among the business axes has deepened, created a business model that integrates into systems certain products only handled at the respective business domains. For instance, one example is to propose the compact binary power generation system, which is handled in the Plant & Energy Business domain, as a way to effectively utilize the exhaust heat from the production line for which an order was received by the Industrial Machinery Business. Another example is a move to sell the manufacturing equipment originally handled by the Electronics Business to the industries traditionally covered by the Industrial Machinery Business segment. Because these inter-segment collaborations can contribute to enhancing the multifunctional feature and added value of the products we offer, the shift is expected to generate even more favorable effects.

During the past three years of the plan, we made active investments to expand the lineup of our products. As a result, we steadily moved forward to capture new growth markets. Among the many businesses in which we are engaged, the compact binary power generation system business has finally begun generating earnings in line with the commencement of its domestic production. Although the time required to realize grid interconnection with a power company remains an obstacle to the introduction of the binary system, we will make persistent efforts to clear the issue and expand sales of the system. Projects associated with geothermal power were concentrated in the Kyushu region, but they are now getting attention in the Hokkaido and Tohoku regions as well. Accordingly, we are taking swift action to accommodate the expansion of these business areas.

In the Pharmaceuticals Business, a tablet printing inspection system was developed using the Group company's proprietary technology, which has been added to the lineup of our mainstay products. In the field of regenerative medicine, we have made continued efforts to develop new business items by investing in a company that engages in the development of cell incubation systems as the research on iPS cells is progressing with growing expectations of medical advances.

In the Aviation Business, we continued to suffer from a harsh business environment due to the deterioration of price competitiveness associated with yen depreciation. The delivery of a chemical firefighting engine equipped with a special nozzle that is not available in Japan, however, expanded the business field to include disaster-prevention and firefighting equipment in addition to aviation and airport-related equipment which are conventional fields for DJK.

As we strove to expand our business scale, and in an environment where we saw a sharp increase in combined business such as EPC (Engineering, Procurement and Construction) projects overseas, the result was larger losses than expected, despite the fact that we were undergoing the transition of business models over the past three-year period. We duly regret this fact and apologize to the stakeholders who have provided their support to us.

Conventionally, the administrative division was in charge of acquiring orders by conducting prior examination of business projects and negotiations with business partners, and once an order was received, the responsibility for carrying out the project was entrusted to the marketing divisions. However, we now realize that such a business flow tends to focus on the acquisition of orders and possibly overestimates the technological and financial abilities of business partners and manufacturers, which can result in transaction accidents. Therefore, we aim to build a structure to ensure strict risk management from both the administrative and marketing teams based on their respective onsite experience relative to the credit management of projects, the selection of partners and manufacturers as local subcontractors from technical aspects, the progress of projects after the order is received and monitoring the status of subcontractors. Meanwhile, we will establish an engineering team within the business divisions to enable the management of a project from a third-party perspective and allow the sharing of causes of losses companywide so that problems can be eradicated on future projects.

Please tell us the theme of the new DASH2018 mid-term management plan and the major initiatives in each business segment.

Under the top priority theme of "raising management quality," DJK aims to achieve further growth in business performance.

The top priority theme of the new mid-term management plan is "raising management quality." By optimizing management resources on a global basis and building a powerful governance system, we will secure a firm foundation for generating earnings and enhance our business fields.

The potential for achieving further profit growth under our conventional style of business of solely selling equipment is limited. Therefore, we will continue to focus on expanding businesses involving system integration and engineering solutions, thereby ensuring higher added value and improved productivity.

To ensure that DJK will continue to take on new challenges aggressively and without hesitation, my responsibility as the president is to ensure that the governance system is operating effectively and that a consciousness of management quality penetrates

REVIEW OF PREVIOUS MID-TERM MANAGEMENT PLAN "AIM2015"

QUALITATIVE TARGET

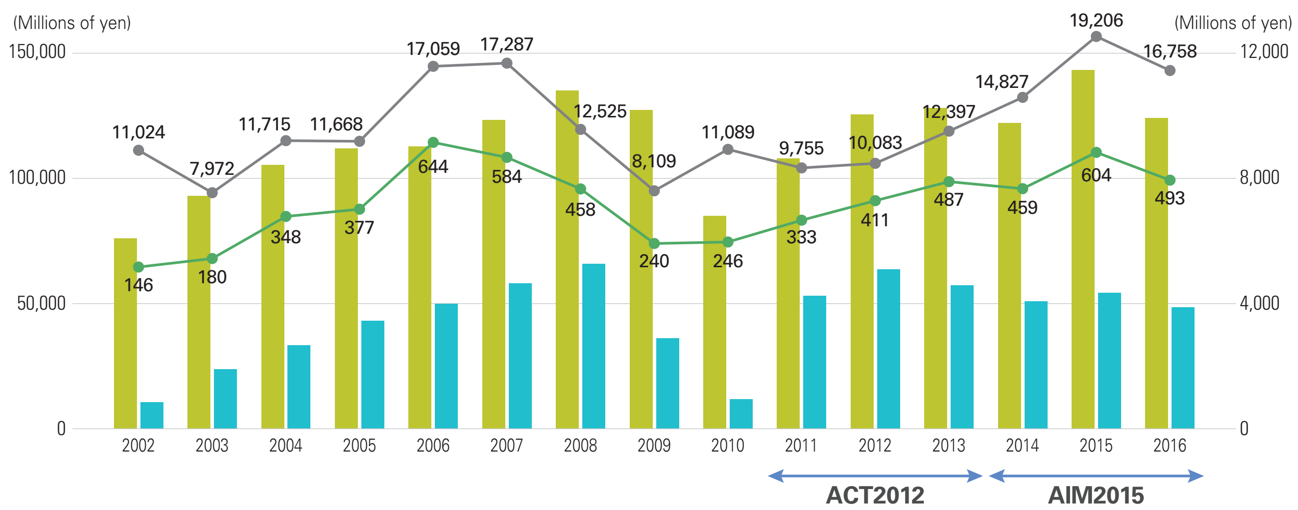
1. **Expanding Business through the Shift to Business Axis Management**
   Results : We enhanced the multifunctional feature and added value to our products through inter-segment collaboration.
2. **Shifting to Business Axis Management and Strengthening as well as Increasing Efficiency of Corporate Management**
   Results : The flexibility of the organization increased due to the optimal allocation of human resources.

QUANTITATIVE TARGET

	2016 Plan (Note 1) (Millions of yen)	2016 Results (Millions of yen)
Net sales	155,000	124,177
Operating income	5,700	3,886
Profit attributable to owners of parent	3,700	2,637
Total assets	92,000	94,767
Shareholders' equity (Note 2)	36,000	35,921
Interest-bearing debt	8,000	10,711
Return on equity (%)	10.7	7.4

Note: 1. Figures published May 2013
2. Shareholders' equity = Excluding minority interests and stock acquisition rights.

BUSINESS PERFORMANCE AND THE MID-TERM MANAGEMENT PLAN



throughout the company.

While ensuring the development of high-value-added businesses that fulfill the expectations of customers, the resulting profits will be invested in the development of new products and businesses, the acquisition of human resources and M&As, thereby expanding the scale of our businesses.

Looking at the market environments overseas, the business environments in China and Southeast Asia remain uncertain, and harsh conditions are expected to continue for local businesses mainly in the fields of Industrial Machinery and Electronics. In such severe conditions, it will be increasingly important to offer proposals on highly efficient and optimal systems based on a good understanding of the details of the equipment plan of our customers.

Here are some of the specific efforts our different business units are making. In the Plant & Energy Business, we will expand the acquisition of orders as a prime contractor for plant construction projects worth hundreds of millions of yen to more than one billion yen, which do not usually draw the interest of leading engineering companies. In May 2016, we concluded a sole distributorship contract for the Japanese market with Turboden s.r.l., a leading manufacturer of binary power generation systems of Italy and a member of the Mitsubishi Heavy Industries Group. Having started handling medium- and large-sized binary power generation systems, this will allow us to propose the introduction of these systems to a broader range of customers and for more extensive applications. We will take the lead in the binary power generation market of Japan to promote the use of renewable energy.

In the Industrial Machinery Business, we will focus on proposing higher efficiency systems centering on overseas markets with steady economic growth. In the Electronics Business, we will reinforce the expansion and development of distinctive products that specifically address our customers' needs, namely, those products that do not compete with other manufacturers. In the Pharmaceuticals Business, which has continued to benefit from the brisk market of generic pharmaceuticals, we will focus on the sales expansion of the new product line, tablet printing inspection system, while promoting the overseas deployment of tablet visual inspection systems, for which we enjoy the industry's No. 1 market share. In the Aviation Business, a growing need for airport security and efficiency is expected as we near the Tokyo Olympics and Paralympic Games in the summer of 2020. For this occasion, we aim to expand our range of businesses by proposing distinctive products and services, as well as expanding the lineup of products related to disaster prevention.

Please tell us your initiatives for the year ending March 31, 2017, and give a few words to the stakeholders.

While ensuring the effective functioning of business axis management, we will endeavor to "raise management quality" in order to be a highly productive company.

For the fiscal year ending March 31, 2017, we will promote the integration of our overseas bases into the framework of business axis management as the final phase of the shift. For the DJK Group's overseas bases, however, it is essential for them to maintain the awareness that they are working for the area (region) where their customers operate. While keeping that awareness, we would like to incorporate the know-how and effective functions available through the business axis management into the management of overseas bases, which could include making quicker delivery of products possible by sharing inventories from different regions within the business headquarters, optimal allocation of human resources and the execution of M&As among other things.

To ensure the achievement of targets for the first year of the new mid-term management plan, we will make maximum efforts to "raise management quality" and further expand the use of subcontractors and human resources while encouraging the horizontal spread of know-how to achieve shorter lead times so that such efforts are reflected in net sales and income.

We will endeavor to ensure that bold challenges can generate profits and strengthen the management capability so that continuous investments can be made for business expansion, while distributing returns to our shareholders.

We would therefore like to ask for the continued support of our stakeholders.

Diverse, Active and Sustainable Operations with Hopeful mind 2018

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 (ending 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
2. **Building a powerful governance system by improving the management structure**
   1) Comprehensive risk management and enhanced governance
   2) Promoting diversity management

■ QUANTITATIVE TARGET

	2016 Results (Millions of yen)	2018 Plan (Millions of yen)
Net sales	124,177	133,000
Operating income	3,886	5,000
Profit attributable to owners of parent	2,637	3,300

Plant & Energy Business

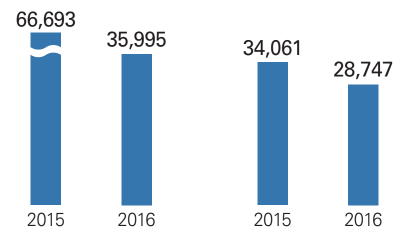
Business Fields
Machinery and equipment for energy development and production, oil and gas refining, chemical, engineering, construction and pulp and paper industries.

Demand declined for large-scale projects for leading engineering companies.

Although we delivered equipment for overseas ethylene plants for a leading engineering company and pulp plant equipment for a leading paper manufacturer, decreased demand for large-scale projects resulted in decreases in orders received and net sales. However, steady demand for facilities and equipment is expected, and we will therefore make continued efforts to acquire orders.

Orders received 35,995 (Millions of yen)

Net sales 28,747 (Millions of yen)



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.

Industrial Machinery Business

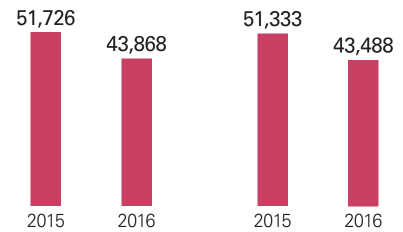
Business Fields
Machinery and equipment for plastics, rubber, automobiles, steel and food industries.

Demand for equipment for manufacturing household appliances and automobile parts decreased.

Decreases in large-scale orders for automated assembly lines, automated processing equipment and painting robots and a decline in demand for equipment for manufacturing household appliances and automobile parts led to decreases in orders received and net sales. We will strive for the further acquisition of orders, mainly targeted at emerging countries where capital investments are active due to growing consumption.

Orders received 43,868 (Millions of yen)

Net sales 43,488 (Millions of yen)



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.

Electronics Business

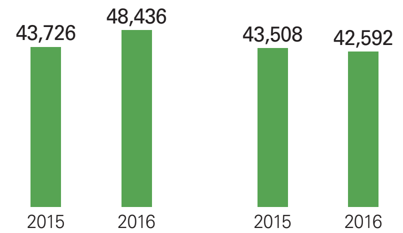
Business Fields
Machinery and equipment for the industries of electronics, IT, electric machinery, precision, optical, audio and musical instruments.

Demand for equipment for electronics parts mounting equipment and PCB printing machines progressed favorably.

Despite the sales from large orders by IT and digital device-related manufacturing companies, low demand for equipment mainly from China and other Asian markets resulted in a slight decrease in net sales. As demand for equipment such as electronics parts mounting equipment and PCB printing machines has remained favorable, we will seek increased sales through efforts to shorten lead times.

Orders received 48,436 (Millions of yen)

Net sales 42,592 (Millions of yen)



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.

Pharmaceuticals Business

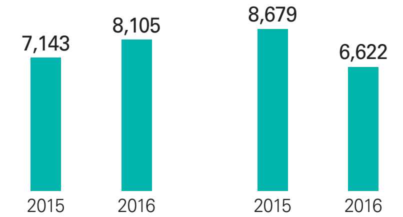
Business Fields
Machinery and equipment for pharmaceuticals and medical industries.

Domestic demand for pharmaceutical inspection and filling devices is on an increasing trend.

Sluggish sales of tablet visual inspection systems and packaging equipment led to a decrease in net sales. Meanwhile, orders received are expected to continue steady performance, as demand for pharmaceutical inspection and filling devices and packaging equipment mainly for the domestic pharmaceutical industry has been on a growing trend.

Orders received 8,105 (Millions of yen)

Net sales 6,622 (Millions of yen)



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.

Aviation Business

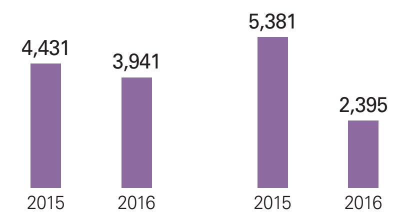
Business Fields
Machinery and equipment for aviation and disaster prevention.

Sales from large-scale projects relating to aviation and airports decreased.

Sluggish sales from large-scale projects concerning ground-support equipment for airplanes and other airport facility-related equipment led to a decline in net sales. We will continue to strive for the acquisition of orders by developing better products with higher performance.

Orders received 3,941 (Millions of yen)

Net sales 2,395 (Millions of yen)



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.

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 & Supervisory 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.

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.

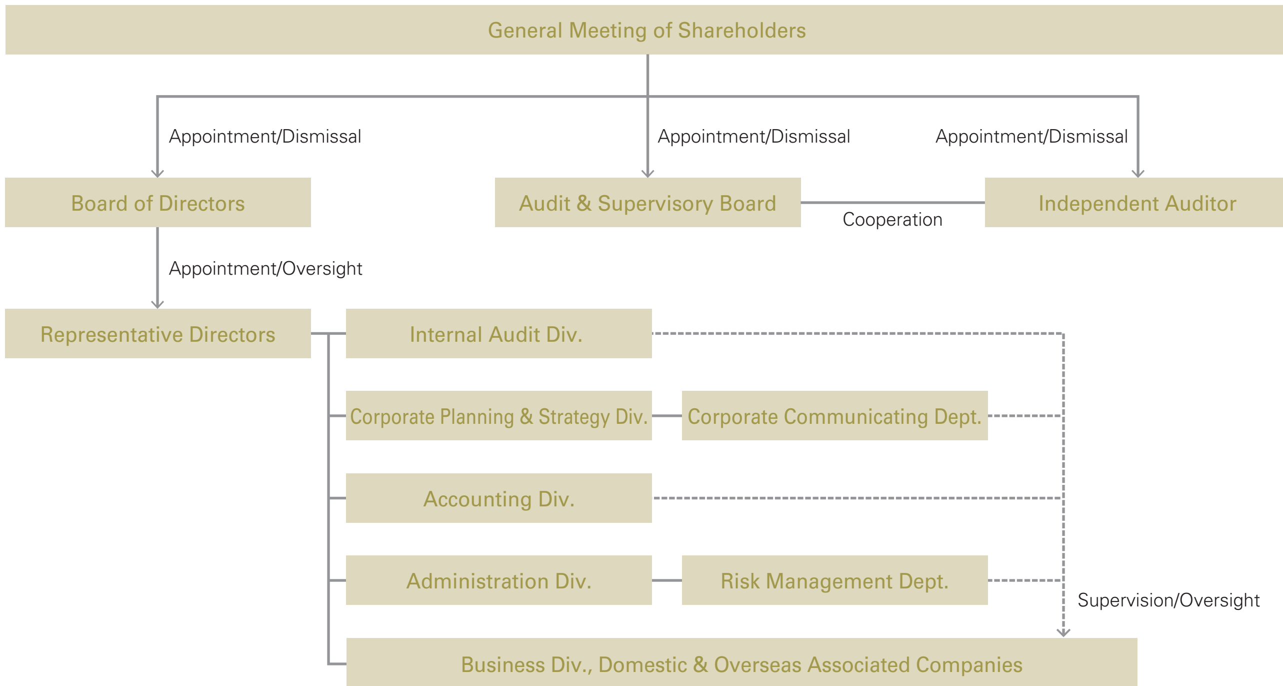
ESTABLISHING AN INTERNAL CONTROL SYSTEM

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 Arti-

CORPORATE GOVERNANCE SYSTEM



cles 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 annual 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 recognize 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.

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

	Millions of yen					Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	2013	2012	**2016**
For the year:						
Net sales	**¥124,177**	¥143,361	¥122,102	¥128,229	¥125,502	**$ 1,102,038**
Gross profit	**18,164**	18,922	17,363	16,710	16,813	**161,205**
Operating income	**3,886**	4,341	4,074	4,590	5,098	**34,488**
Net income attributable to owners of parent	**2,637**	2,897	2,459	3,051	2,643	**23,411**
Comprehensive income	**1,480**	4,482	3,430	4,485	3,008	**13,141**
Overseas sales:	**57,965**	78,610	61,387	67,441	65,310	**514,426**
Asia	**44,910**	56,271	47,164	58,839	52,646	**398,568**
Europe	**2,174**	3,946	1,527	2,289	2,551	**19,297**
North and Central America	**8,899**	10,146	8,068	5,197	5,511	**78,976**
Other	**1,981**	8,246	4,626	1,114	4,600	**17,584**
Depreciation and amortization	**847**	874	352	316	353	**7,522**
Capital expenditures	**968**	4,050	1,052	1,065	427	**8,593**
At year-end:						
Total assets	**¥ 94,767**	¥ 91,835	¥ 81,443	¥ 81,478	¥ 83,759	**$ 841,035**
Working capital	**23,372**	22,670	21,935	20,322	18,855	**207,422**
Interest-bearing debt	**10,711**	11,035	8,809	7,486	14,942	**95,059**
Total equity	**36,006**	35,310	31,197	29,013	26,167	**319,546**
Per share of common stock (in yen and U.S. dollars):						
Net income	**¥ 49.24**	¥ 54.46	¥ 46.45	¥ 57.97	¥ 50.55	**$ 0.44**
Cash dividends	**17**	16	18	15	14	**0.15**
Shareholders' equity	**669.51**	659.44	586.85	545.78	485.23	**5.94**
Other statistics:						
Number of shares of common stock outstanding (in thousands)	**53,652**	53,401	53,002	52,811	52,565	
Number of employees	**1,064**	1,080	1,069	1,043	1,008	
Key ratios (%):						
Gross profit margin	**14.6**	13.2	14.2	13.0	13.4	
Operating income margin	**3.1**	3.0	3.3	3.6	4.1	
Return on sales	**2.1**	2.0	2.0	2.4	2.1	
Return on assets	**2.8**	3.3	3.0	3.7	3.4	
Return on equity	**7.4**	8.7	8.2	11.2	10.8	
Asset turnover (times)	**1.33**	1.65	1.50	1.55	1.60	
Current ratio	**142.1**	143.4	145.4	139.8	133.1	
Equity ratio	**37.9**	38.3	38.2	35.4	30.5	
Debt-to-equity ratio	**0.30**	0.31	0.28	0.26	0.59	

Notes: 1. U.S. dollar figures have been converted from Japanese yen, for convenience only, at the rate of ¥112.68 to U.S.$1.
2. Minority interests in equity have been excluded from equity when key ratio is calculated.

PERFORMANCE

During the consolidated fiscal year under review, the Japanese economy maintained a course of moderate recovery, reflecting improvement in corporate business performance, employment and personal income due to the effects of economic and financial measures taken by the Japanese government. However, uncertainty persisted because of the adverse impact of falling crude oil prices on the economies of resource-producing countries, the emergence of geopolitical risks in certain regions and concerns about the future of the Chinese economy in the second half of the year.

Under these circumstances, the DJK Group experienced decreases in sales associated with large-scale orders received for equipment for plants overseas, mainly in Asia, and in sales from large-scale orders for automated assembly lines, automated processing equipment and painting robots for automobile-related industries. As a result, consolidated net sales for the fiscal year under review decreased ¥19,183 million, or 13.4%, from the previous year to ¥124,177 million. In terms of profitability, a cost increase associated with a project for constructing an wastewater treatment plant due to construction delays attributable to the quality of work by subcontractors resulted in a loss of profits, although it was partially offset by a decrease in provision for allowance for doubtful accounts. Accordingly, consolidated operating income declined ¥455 million, or 10.5%, to ¥3,886 million, and profit attributable to owners of parent decreased ¥259 million, or 8.9%, to ¥2,637 million.

Performance by business segment was as follows.

Beginning with the fiscal year under review, we changed categories of reportable segments and the year-over-year comparisons and analyses described below are based on the information prepared according to the segmentation after the change.

Plant & Energy Business

Although we delivered equipment for an overseas ethylene plant, there was a decline in sales associated with large-scale orders received for equipment for plants overseas, mainly in Asia. Net sales sank ¥5,314 million, or 15.6%, from the previous year to ¥28,747 million. Segment income (operating income) decreased ¥533 million, primarily due to the cost increase resulting from delays in the construction of the wastewater treatment plant attributable to the quality of work by subcontractors, and a segment loss of ¥0 million was recorded.

Industrial Machinery Business

The Industrial Machinery Business segment suffered from decreases in sales from large-scale orders for automated assembly lines, automated processing equipment and painting robots for automobile-related industries, as well as a decline in demand for injection molding machines and their peripheral equipment for the manufacture of household appliances and automobile parts. Net sales fell ¥7,845 million, or 15.3%, to ¥43,488 million, and segment income (operating income) plunged ¥667 million, or 32.2%, to ¥1,405 million.

Electronics Business

Due to a decrease in sales from large-scale orders, including those for electronics parts mounting equipment for IT and digital-device-related manufacturing companies, mainly for Chinese and other Asian markets, net sales declined ¥915 million, or 2.1%, to ¥42,592 million. However, segment income (operating income) increased ¥859 million, or 131.8%, to ¥1,511 million, reflecting an improved gross profit margin and other factors.

Pharmaceuticals Business

Due to decreased sales of tablet visual inspection systems and packaging equipment and other products, net sales decreased ¥2,056 million, or 23.7%, to ¥6,622 million. Due to an improved gross profit margin and other factors, however, segment income (operating income) increased ¥52 million, or 6.2%, to ¥900 million.

Aviation Business

Due to decreased sales from large-scale orders, such as those for ground-support equipment for airplanes and airport facility-related equipment, net sales decreased ¥2,985 million, or 55.5%, to ¥2,395 million. Segment income (operating income) decreased ¥220 million, or 70.8%, to ¥90 million.

FINANCIAL POSITION

As of March 31, 2016, total assets amounted to ¥94,767 million, increasing ¥2,932 million, or 3.2%, from the previous fiscal year. Current assets increased ¥3,996 million, or 5.3%, to ¥78,876 million, whereas fixed assets decreased ¥1,063 million, or 6.3%, to ¥15,891 million.

The increase in current assets was mainly attributable to the increases in cash and cash equivalents, time deposits, and notes and accounts receivable. The decrease in fixed assets was primarily due to a decline in the book value of investment securities caused by falling stock prices, and decreased assets for rent.

Total liabilities amounted to ¥58,761 million, increasing ¥2,236 million, or 4.0%, from the previous fiscal year. Current liabilities increased ¥3,294 million, or 6.3%, to ¥55,503 million, whereas long-term liabilities decreased ¥1,057 million, or 24.5%, to ¥3,257 million.

The primary factors of the increase in current liabilities were increases in notes and accounts payable and in advances received related to plants. The decrease in long-term liabilities mainly resulted from the repayment of long-term debt.

Total equity amounted to ¥36,006 million, increasing ¥695 million, or 2.0%, from the previous year. The main factor of this increase was the recording of ¥2,637 million in profit attributable to owners of parent, despite the payment of dividends. As a result, the equity ratio was 37.9%, which was 0.4 percentage point lower than the 38.3% of the previous fiscal year.

Regarding cash flows for the year ended March 31, 2016, net cash provided by operating activities totaled ¥5,944 million primarily due to ¥4,347 million in income before income taxes. Net cash used in investing activities totaled ¥686 million, and net cash used in financial activities totaled ¥1,133 million.

Interest-bearing debt amounted to ¥10,711 million, decreasing ¥324 million, or 2.9%, from the previous year. This consisted of short-term bank loans of ¥8,825 million (including the current portion of long-term debt), long-term debt of ¥1,850 million and other debt of ¥35 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 0.30 times, down from 0.31 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 new mid-term management plan DASH2018.

Cash Flow from Operating Activities

Net cash provided by operating activities for the consolidated fiscal year under review totaled ¥5,944 million, or an increase of ¥2,108 million from the previous fiscal year. This was mainly due to the recording of income before income taxes, an increase in accounts payable and an increase in advances received, although there were increases in accounts receivable and in advance payments.

Cash Flow from Investing Activities

Net cash used in investing activities totaled ¥686 million, or a cash increase of ¥3,338 million from the previous fiscal year. The principal factor was the acquisition of property, plant and equipment and the purchase of intangible assets.

Cash Flow from Financing Activities

Net cash used in financing activities totaled ¥1,133 million, or a cash decrease of ¥2,583 million from the previous fiscal year. This was mainly attributable to the payment of dividends and repayment of long-term debt, in spite of an increase in short-term bank loans.

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, AIM2015, which began in April 2013, 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. Although the proportion of overseas sales to the consolidated net sales in the fiscal year under review declined to 46.7% from 54.8% for the previous fiscal year, it still accounted for about half of the total. With the steady implementation of the new 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, 2016 amounted to ¥10,711 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, 2016, the total sales receivables of the DJK Group amounted to ¥37,580 million, or 39.7% 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 new 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, 2016

ASSETS	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. Dollars (Note 1) 2016
Current assets:			
Cash and cash equivalents (Note 14)	**¥ 18,953**	¥15,234	**$ 168,209**
Time deposits (Note 14)	**183**	126	**1,632**
Receivables (Note 14):			
Notes receivable	**2,228**	3,504	**19,774**
Accounts receivable	**34,035**	31,232	**302,054**
Unconsolidated subsidiaries and associated companies	**31**	44	**277**
Other	**1,885**	3,542	**16,730**
Electronically recorded monetary claims (Note 14)	**1,285**	945	**11,408**
Lease investment assets (Note 13)		34	
Inventories (Note 4)	**8,558**	9,129	**75,954**
Deferred tax assets (Note 10)	**566**	646	**5,027**
Accounts prepaid	**10,523**	9,347	**93,389**
Other current assets	**939**	1,435	**8,336**
Allowance for doubtful accounts	**(314)**	(344)	**(2,795)**
Total current assets	**78,876**	74,879	**700,000**
Property, plant and equipment (Note 5):			
Land	**528**	610	**4,694**
Buildings and structures	**1,574**	1,470	**13,969**
Machinery and equipment	**1,268**	1,448	**11,257**
Furniture and fixtures	**1,043**	901	**9,259**
Leased assets (Note 13)	**630**	984	**5,592**
Construction in progress	**74**	32	**665**
Total	**5,120**	5,448	**45,439**
Accumulated depreciation	**(2,144)**	(2,410)	**(19,029)**
Net property, plant and equipment	**2,975**	3,038	**26,409**
Investment and other assets:			
Investment securities (Notes 3 and 14)	**6,233**	7,023	**55,317**
Investment in and advances to unconsolidated subsidiaries and associated companies	**1,821**	1,762	**16,169**
Manufacturing and sales right	**2,481**	2,791	**22,021**
Long-term deposits	**686**	691	**6,093**
Deferred tax assets (Note 10)	**239**	328	**2,124**
Assets for retirement benefits (Note 7)	**868**	732	**7,705**
Other assets	**1,212**	1,215	**10,758**
Allowance for doubtful accounts	**(627)**	(628)	**(5,564)**
Total investment and other assets	**12,915**	13,917	**114,625**
TOTAL	**¥ 94,767**	¥91,835	**$ 841,035**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. Dollars (Note 1) 2016
Current liabilities:			
Short-term bank loans (Notes 6 and 14)	**¥ 8,362**	¥ 8,209	**$ 74,212**
Current portion of long-term debt (Notes 6 and 14)	**463**	463	**4,110**
Payables (Note 14):			
Notes payable	**989**	936	**8,783**
Accounts payable	**27,326**	25,775	**242,517**
Unconsolidated subsidiaries and associated companies	**1,435**	1,070	**12,737**
Other	**179**	391	**1,588**
Income taxes payable	**909**	869	**8,071**
Accrued expenses	**1,513**	1,438	**13,434**
Advances received	**13,507**	11,578	**119,873**
Allowance for after-sales service	**163**	168	**1,450**
Other current liabilities	**653**	1,308	**5,797**
Total current liabilities	**55,503**	52,209	**492,577**
Long-term liabilities:			
Long-term debt (Notes 6 and 14)	**1,850**	2,313	**16,419**
Liability for retirement benefits (Note 7)	**317**	296	**2,820**
Deferred tax liabilities (Note 10)	**651**	913	**5,780**
Other long-term liabilities	**438**	792	**3,890**
Total long-term liabilities	**3,257**	4,315	**28,911**
Commitments and contingent liabilities (Notes 13, 15 and 16)			
Equity (Notes 8, 9 and 19)			
Common stock, authorized, 160,000,000 shares; issued, 55,432,000 shares in 2016 and 2015	**5,105**	5,105	**45,305**
Capital surplus	**3,786**	3,786	**33,601**
Stock acquisition rights	**76**	88	**682**
Retained earnings	**25,935**	24,170	**230,170**
Treasury stock — at cost, 1,779,005 shares in 2016 and 2,031,420 shares in 2015	**(767)**	(866)	**(6,808)**
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	**1,311**	1,871	**11,635**
Deferred gain (loss) on derivatives under hedge accounting	**4**	(101)	**37**
Foreign currency translation adjustments	**740**	1,363	**6,570**
Defined retirement benefit plans	**(193)**	(113)	**(1,720)**
Total	**35,998**	35,303	**319,473**
Non-controlling interests	**8**	7	**72**
Total equity	**36,006**	35,310	**319,546**
TOTAL	**¥ 94,767**	¥91,835	**$ 841,035**

CONSOLIDATED STATEMENT OF INCOME

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2016

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
Net sales	**¥ 124,177**	¥ 143,361	**$1,102,038**
Cost of sales	**106,013**	124,438	**940,833**
Gross profit	**18,164**	18,922	**161,205**
Selling, general and administrative expenses (Notes 11 and 12)	**14,278**	14,581	**126,716**
Operating income	**3,886**	4,341	**34,488**
Other income (expenses):			
Interest and dividend income	**254**	224	**2,254**
Interest expense	**(96)**	(80)	**(853)**
Purchase discount	**182**	196	**1,618**
Gain (loss) on sales of property, plant and equipment	**30**	(3)	**267**
Impairment loss	**(54)**		**(483)**
Loss on transfer of business		(356)	
Other – net	**145**	70	**1,292**
Other income – net	**461**	50	**4,097**
Income before income taxes	**4,347**	4,392	**38,586**
Income taxes (Note 10):			
Current	**1,578**	1,905	**14,012**
Deferred	**130**	(410)	**1,155**
Total income taxes	**1,709**	1,495	**15,167**
Net income	**2,638**	2,897	**23,418**
Net income attributable to non-controlling interests	**0**	0	**7**
Net income attributable to owners of the parent	**¥ 2,637**	¥ 2,897	**$ 23,411**
	Yen		U.S. Dollars (Note 1)
Per share of common stock (Notes 2.s and 18)			
Basic net income	**¥ 49.24**	¥ 54.46	**$ 0.44**
Diluted net income	**48.96**	53.96	**0.43**
Cash dividends applicable to the year	**17.00**	16.00	**0.15**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2016

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
Net income	**¥ 2,638**	¥ 2,897	**$ 23,418**
Other comprehensive (loss) income (Note 17):			
Unrealized (loss) gain on available-for-sale securities	**(560)**	742	**(4,974)**
Deferred gain (loss) on derivatives under hedge accounting	**105**	(85)	**939**
Foreign currency translation adjustments	**(610)**	682	**(5,419)**
Defined retirement benefit plans	**(80)**	211	**(713)**
Share of other comprehensive (loss) income in associates	**(12)**	34	**(109)**
Total other comprehensive (loss) income	**(1,158)**	1,585	**(10,276)**
Comprehensive income (Note 17)	**¥ 1,480**	¥ 4,482	**$ 13,141**
Total comprehensive income attributable to (Note 17):			
Owners of the parent	**¥ 1,479**	¥ 4,482	**$ 13,134**
Non-controlling interests	**0**	0	**7**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2016

	Thousands	Millions of yen											
							Accumulated other comprehensive income (loss)						
	Number of shares of common stock outstanding	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
BALANCE, APRIL 1, 2014 (As previously reported)	53,002	¥ 5,105	¥ 3,786	¥ 93	¥21,808	¥ (1,029)	¥ 1,128	¥ (15)	¥ 646	¥ (325)	¥ 31,197		¥31,197
Cumulative effect of accounting change (Note 2.j)					337						337		337
BALANCE, APRIL 1, 2014 (As restated)	53,002	5,105	3,786	93	22,145	(1,029)	1,128	(15)	646	(325)	31,535		31,535
Net income attributable to owners of the parent					2,897						2,897		2,897
Cash dividends, ¥16.00 per share					(850)						(850)		(850)
Purchase of treasury stock	(60)					(32)					(32)		(32)
Disposal of treasury stock	459				(22)	195					173		173
Net change in the year				(4)			742	(85)	717	211	1,581	¥ 7	1,588
BALANCE, MARCH 31, 2015	53,400	5,105	3,786	88	24,170	(866)	1,871	(101)	1,363	(113)	35,303	7	35,310
Net income attributable to owners of the parent					2,637						2,637		2,637
Cash dividends, ¥16.00 per share					(856)						(856)		(856)
Purchase of treasury stock	(41)					(26)					(26)		(26)
Disposal of treasury stock	293				(16)	125					108		108
Net change in the year				(11)			(560)	105	(622)	(80)	(1,169)	0	(1,168)
BALANCE, MARCH 31, 2016	**53,652**	**¥ 5,105**	**¥ 3,786**	**¥ 76**	**¥25,935**	**¥ (767)**	**¥ 1,311**	**¥ 4**	**¥ 740**	**¥ (193)**	**¥ 35,998**	**¥ 8**	**¥36,006**

	Thousands of U.S. Dollars (Note 1)											
						Accumulated other comprehensive income (loss)						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
BALANCE, MARCH 31, 2015	$ 45,305	$ 33,601	$ 787	$ 214,506	$ (7,693)	$ 16,609	$ (902)	$ 12,099	$ (1,007)	$ 313,306	$ 65	$ 313,371
Net income attributable to owners of the parent				23,411						23,411		23,411
Cash dividends, $0.14 per share				(7,597)						(7,597)		(7,597)
Purchase of treasury stock					(231)					(231)		(231)
Disposal of treasury stock				(149)	1,116					966		966
Net change in the year			(104)			(4,974)	939	(5,528)	(713)	(10,381)	7	(10,374)
BALANCE, MARCH 31, 2016	**$ 45,305**	**$ 33,601**	**$ 682**	**$ 230,170**	**$ (6,808)**	**$ 11,635**	**$ 37**	**$ 6,570**	**$ (1,720)**	**$ 319,473**	**$ 72**	**$ 319,546**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
Operating activities:			
Income before income taxes	**¥ 4,347**	¥ 4,392	**$ 38,586**
Adjustments for:			
Income taxes – paid	**(1,601)**	(2,099)	**(14,211)**
Depreciation and amortization	**847**	874	**7,522**
Loss on transfer of business		356	
Impairment loss	**54**		**483**
Changes in operating assets and liabilities:			
Decrease in allowance for after-sales service	**(4)**	(57)	**(42)**
Increase in notes and accounts receivable – trade	**(2,192)**	(792)	**(19,460)**
Increase in advance payments to suppliers	**(1,270)**	(1,706)	**(11,271)**
Decrease in inventories	**457**	931	**4,056**
Increase in notes and accounts payable – trade	**2,192**	79	**19,456**
Increase in advances from customers	**2,063**	1,653	**18,313**
Other – net	**1,050**	203	**9,322**
Total adjustments	**1,596**	(556)	**14,167**
Net cash provided by operating activities	**5,944**	3,835	**52,753**
Investing activities:			
Acquisition of property, plant and equipment	**(535)**	(547)	**(4,750)**
Proceeds from sales of property, plant and equipment	**205**	11	**1,825**
Purchase of intangible assets	**(500)**	(2,086)	**(4,445)**
Acquisition of marketable and investment securities	**(20)**	(1,092)	**(185)**
Payments of loans receivable	**(11)**	(7)	**(104)**
Collection of loans receivable	**89**	79	**794**
Payments of long-term deposits	**(30)**	(381)	**(267)**
Other – net	**117**	0	**1,039**
Net cash used in investing activities	**(686)**	(4,024)	**(6,093)**
Financing activities:			
Increase in short-term bank loans – net	**164**	137	**1,458**
Proceeds from issuance of long-term debt		2,500	
Repayment of long-term debt	**(463)**	(373)	**(4,110)**
Dividends paid	**(856)**	(851)	**(7,601)**
Other – net	**22**	37	**196**
Net cash (used in) provided by financing activities	**(1,133)**	1,450	**(10,057)**
Foreign currency translation adjustments on cash and cash equivalents	**(405)**	388	**(3,596)**
Net increase in cash and cash equivalents	**3,719**	1,649	**33,006**
Cash and cash equivalents, beginning of year	**15,234**	13,585	**135,202**
Cash and cash equivalents, end of year	**¥ 18,953**	¥ 15,234	**$ 168,209**

See notes to consolidated financial statements.

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 2015 consolidated financial statements to conform to the classifications used in 2016.

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 ¥112.68 to $1, the approximate rate of exchange at March 31, 2016. 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, 2016, include the accounts of the Company and its 14 significant (14 in 2015) 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.

An investment in 2 (2 in 2015) associated companies is accounted for by the equity method.

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 the 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; and 5) exclusion of minority interests from net income, if contained in net income.

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 associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's 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; and (5) exclusion of minority interests from net income, if contained in net income.

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 2 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 the 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.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

The Company applied the revised accounting standard and guidance for retirement effective April 1, 2014.

The Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of April 1, 2014, in retained earnings.

As a result, retained earnings as of April 1, 2014, increased by ¥337 million.

The Group accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Effective June 23, 2011, the Company terminated its unfunded retirement allowance plan for all directors and Audit & Supervisory Board Members. The outstanding balance of retirement allowances for directors and Audit & Supervisory Board Members as of March 31, 2011, was reclassified to long-term liabilities in the year ended March 31, 2012.

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 defined as 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 accounting standard and related guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

m. Research and Development Costs

Research and development costs are charged to income as incurred.

n. Leases

(Lessee)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet.
In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.
The Company applied the revised accounting standard effective April 1, 2008.

(Lessor)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and that all finance leases that are not deemed to transfer ownership of the leased property to the lessee be 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 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 available 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.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Non-current:			
Marketable equity securities	**¥ 5,492**	¥ 6,274	**$ 48,746**
Government bonds	**9**	9	**84**
Other	**730**	738	**6,486**
Total	**¥ 6,233**	¥ 7,023	**$ 55,317**

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

The costs and aggregate fair values of investment securities at March 31, 2016 and 2015, were as follows:

	Millions of yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	**¥3,648**	**¥2,444**	**¥ 600**	**¥5,492**
Held-to-Maturity	**9**	**0**		**10**
March 31, 2015				
Securities classified as:				
Available-for-sale: Equity securities	¥3,627	¥2,873	¥ 225	¥6,274
Held-to-Maturity	9	0		9

	Thousands of U.S. Dollars			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	**$ 32,378**	**$ 21,694**	**$ 5,325**	**$ 48,746**
Held-to-Maturity	**84**	**5**		**90**

4. INVENTORIES

Inventories at March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Merchandise and finished products	**¥7,136**	¥7,795	**$ 63,334**
Work in process	**813**	796	**7,222**
Raw materials and supplies	**608**	537	**5,397**
Total	**¥8,558**	¥9,129	**$ 75,954**

5. LONG-LIVED ASSETS

Year ended March 31, 2016
The Group recognized an impairment loss of ¥54 million ($483 thousand). The impairment loss was due to the shutdown of a supplier in China, which turned out not to be as profitable as originally expected, and the book value of the asset was written down to the recoverable amount.

Year ended March 31, 2015
The Group recognized an impairment loss of ¥298 million in the transfer of a business which is scheduled for April 1, 2015 in a subsidiary. The subsidiary made a contract of transfer of business on February 18, 2015, but the transfer price of the business was less than the book value, therefore the book value of the asset was written down to the transfer price that is considered the recoverable amount.

In addition, the impairment loss is included in loss on transfer of business in the consolidated statement of income.

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

Short-term bank loans at March 31, 2016 and 2015, consisted of notes to bank and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.47% to 4.61% and 0.53% to 1.40% at March 31, 2016 and 2015, respectively.

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Loan from financial institution, due serially to 2021, with interest rates ranging 0.95% (2016)			
Unsecured	**¥ 1,871**	¥ 2,230	**$ 16,608**
Loan from financial institution, due serially to 2020, with interest rates ranging 0.92% (2016 and 2015)			
Unsecured	**¥ 230**	¥ 290	**$ 2,041**
Loan from financial institution, due serially to 2021, with interest rates ranging 0.85% (2016 and 2015)			
Unsecured	**¥ 212**	¥ 256	**$ 1,881**
Total	**¥ 2,313**	¥ 2,776	**$ 20,530**
Less current portion	**(463)**	(463)	**(4,110)**
Long-term debt, less current portion	**¥ 1,850**	¥ 2,313	**$ 16,419**

Annual maturities of long-term debt as of March 31, 2016, were as follows:

Year ending March 31:	Millions of yen	Thousands of U.S. Dollars
2017	**¥ 463**	**$ 4,110**
2018	**463**	**4,110**
2019	**463**	**4,110**
2020	**453**	**4,022**
2021	**395**	**3,507**
2022 and there after	**75**	**669**
Total	**¥ 2,313**	**$ 20,530**

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, 2016, was as follows:

	Millions of yen	Thousands of U.S. Dollars
Maximum amount of the loan commitment	**¥ 10,000**	**$ 88,746**
Amount loaned	**7,000**	**62,122**
Unused credit balance	**¥ 3,000**	**$ 26,624**

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 ($144 thousand) and ¥24 million at March 31, 2016 and 2015, 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, 2016 and 2015, consisted of the following:

Meanwhile, Tokyo machine welfare pension funds, deemed as a multi-employer pension plan which the company had participated in was dissolved as of March 25, 2016 with the permission of Minister of Health, Labour and Welfare. Occurrence of additional burden due to the dissolution of the welfare pension funds is not expected.

a. Contributory funded defined benefit pension plan

(1) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at beginning of year	**¥ 2,711**	¥ 2,985	**$ 24,062**
Cumulative effect of accounting change		(524)	
Balance at beginning of year (as restated)	**¥ 2,711**	¥ 2,460	**$ 24,062**
Current service cost	**186**	167	**1,650**
Interest cost	**26**	30	**231**
Actuarial losses	**5**	103	**52**
Benefits paid	**(123)**	(73)	**(1,097)**
Others	**29**	21	**259**
Balance at end of year	**¥ 2,835**	¥ 2,711	**$ 25,160**

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at beginning of year	**¥ 3,171**	¥ 2,422	**$ 28,147**
Expected return on plan assets	**33**	33	**301**
Actuarial (gain) losses	**(143)**	331	**(1,273)**
Contributions from the employer	**463**	456	**4,111**
Benefits paid	**(123)**	(73)	**(1,097)**
Balance at end of year	**¥ 3,401**	¥ 3,171	**$ 30,188**

(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
	2016	2015	**2016**
Funded defined benefit obligation	**¥ 2,533**	¥ 2,439	**$ 22,483**
Plan assets	**(3,401)**	(3,171)	**(30,188)**
	(868)	(732)	**(7,704)**
Unfunded defined benefit obligation	**301**	272	**2,676**
Net (asset) arising from defined benefit obligation	**¥ (566)**	¥ (460)	**$ (5,028)**

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Liability for retirement benefits	**¥ 301**	¥ 272	**$ 2,676**
Assets for retirement benefits	**(868)**	(732)	**(7,705)**
Net (asset) arising from defined benefit obligation	**¥ (566)**	¥ (460)	**$ (5,028)**

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Service cost	**¥ 186**	¥ 167	**$ 1,650**
Interest cost	**26**	30	**231**
Expected return on plan assets	**(33)**	(33)	**(301)**
Amortization of prior service cost	**24**	24	**220**
Recognized actuarial losses	**12**	83	**114**
Others	**78**	128	**699**
Net periodic benefit costs	**¥ 294**	¥ 401	**$ 2,616**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the year ended March 31, 2016

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Prior service cost	**¥ 24**	¥ 24	**$ 220**
Actuarial (gains) losses	**(136)**	312	**(1,210)**
Total	**¥ (111)**	¥ 337	**$ (990)**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unrecognized prior service cost	**¥ 221**	¥ 246	**$ 1,969**
Unrecognized actuarial losses (gains)	**57**	(78)	**510**
Total	**¥ 279**	¥ 167	**$ 2,479**

(7) Plan assets

(1). Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Debt investments	**45.6%**	45.3%
Equity investments	**43.6**	44.7
General account	**5.7**	5.4
Others	**5.1**	4.6
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, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	**0.5%**	1.1%
Expected rate of return on plan assets	**0.5**	1.1

(9) Multi-employer pension plan

The multi-employer pension plan of contributory defined benefit employees' walfare pension funds settled as defined contribution plans for the years ended March 31,2016 and 2015, were ¥154 million ($1,373 thousand) and ¥163 million.

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.

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.

9. STOCK OPTIONS

The stock options outstanding as of March 31, 2016, are as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2009 Stock Options	320 Persons	1,819,000 Shares	September 1, 2009	¥313 ($2.78)	From August 1, 2011 to July 31, 2016
2011 Stock Options	18 Persons	87,000 Shares	September 2, 2011	¥1 ($0.01)	From September 2, 2011 to September 1, 2041
2013 Stock Options	19 Persons	125,000 Shares	September 3, 2013	¥1 ($0.01)	From September 3, 2013 to September 2, 2043
2015 Stock Options	15 Persons	117,000 Shares	September 2, 2015	¥1 ($0.01)	From September 2, 2015 to September 1, 2045

The stock option activity is as follows:

For the year ended March 31, 2016	2009 Stock Options (Shares)	2011 Stock Options (Shares)	2013 Stock Options (Shares)	2015 Stock Options (Shares)
Non-vested				
March 31, 2015 — Outstanding				
Granted				117,000
Canceled				
Vested				117,000
March 31, 2016 — Outstanding				
Vested				
March 31, 2015 — Outstanding	430,000	63,000	125,000	
Vested				117,000
Exercised	(232,000)	(23,000)	(38,000)	
Canceled				
March 31, 2016 — Outstanding	198,000	40,000	87,000	117,000
Exercise price	¥ 313	¥ 1	¥ 1	¥ 1
	($ 2.78)	($ 0.01)	($ 0.01)	($ 0.01)
Average stock price at exercise	¥ 572	¥ 643	¥ 643	
	($ 5.08)	($ 5.71)	($ 5.71)	
Fair value price at grant date	¥ 64	¥ 333	¥ 348	¥ 526
	($ 0.57)	($ 2.96)	($ 3.09)	($ 4.67)

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 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 277**	¥ 287	**$ 2,461**
Allowance for bonus payable	**215**	233	**1,916**
Liability for retirement benefits	**110**	111	**978**
Evaluation loss on investment securities	**67**	71	**602**
Allowance for after-sales service	**50**	55	**447**
Investment in and advances to unconsolidated subsidiaries and associated companies	**230**	243	**2,042**
Tax loss carryforwards	**244**	155	**2,170**
Other	**506**	622	**4,498**
Less valuation allowance	**(588)**	(529)	**(5,220)**
Total	**1,115**	1,251	**9,898**
Deferred tax liabilities:			
Deferred gain on sales of property	**(13)**	(15)	**(121)**
Unrealized gain on available-for-sale securities	**(550)**	(800)	**(4,884)**
Retained earnings in foreign subsidiaries	**(30)**	(33)	**(267)**
Assets for retirement benefits	**(262)**	(250)	**(2,331)**
Other	**(104)**	(90)	**(924)**
Total	**(961)**	(1,189)	**(8,529)**
Net deferred tax assets	**¥ 154**	¥ 61	**$ 1,369**

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, 2016, is as follows:

	2016
Normal effective statutory tax rate	33.1%
Expenses not deductible for income tax purposes	5.7
Exclusion from charges against revenue	(4.6)
Lower income tax rates applicable to income in certain foreign countries	(0.8)
Overseas income deductible for enterprise tax	(0.1)
Less valuation allowance	2.5
Elimination of inter-company dividend income	4.0
Retained earnings in foreign subsidiaries	(0.1)
Other-net	(0.4)
Actual effective tax rate	39.3%

Note: The notes to the previous consolidated Financial Statements do not refer to the difference between the Japanese statutory income tax rate and the effective tax rate, as it is not more than 5% of the statutory income tax rate.

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, to approximately 30.9% and for the fiscal year beginning on or after April 1, 2018, to approximately 30.6%. The effects of there changes were not material.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2016 and 2015, principally consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Salaries and fees	**¥5,688**	¥5,457	**$50,479**
Retirement benefit costs	**410**	504	**3,643**
Depreciation and amortization	**375**	374	**3,335**
Research and development costs	**236**	279	**2,102**
Rental expense	**1,386**	1,219	**12,306**

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2016 and 2015, were ¥236 million ($2,102 thousand) and ¥279 million, respectively.

13. LEASES

(1) As Lessee

Total rental expenses including lease payments under finance leases for the years ended March 31, 2016 and 2015, were ¥833 million ($7,398 thousand) and ¥722 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	
	2016		2016	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	**¥ 20**	**¥287**	**$ 185**	**$2,549**
Due after one year	**14**	**389**	**129**	**3,457**
Total	**¥ 35**	**¥676**	**$ 315**	**$6,006**

(2) As Lessor

The Group leases machinery, equipment and other assets.

Total rental revenues for the years ended March 31, 2016 and 2015, were ¥178 million ($1,583 thousand) and ¥128 million, respectively.

The net investments in leases are summarized as follows:

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Gross lease receivables		¥ 37	
Unguaranteed residual values			
Unearned interest income		(3)	
Investments in leases, current		¥ 34	

The minimum rental commitments under noncancellable operating leases at March 31, 2016, were as follows:

	Millions of yen	Thousands of U.S. Dollars
	2016	**2016**
Due within one year	**¥ 29**	**$ 258**
Due after one year	**116**	**1,030**
Total	**¥ 145**	**$ 1,288**

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 term and balances of major customers by each business administration department to identify the default risk of customers in early stage. 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 the detail about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2016.

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 position 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, 2016.

(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. Also, please see Note 15 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of yen		
At March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**¥18,953**	**¥18,953**	
Time deposits	**183**	**183**	
Receivables	**38,180**	**38,174**	**¥ (5)**
Electronically recorded monetary claims	**1,285**	**1,285**	
Marketable and investment securities			
Held-to-maturity	**9**	**10**	**0**
Equity securities	**5,492**	**5,492**	
Total	**¥64,105**	**¥64,100**	**¥ (4)**
Payables	**¥29,930**	**¥29,930**	**¥ 0**
Short-term bank loans	**8,362**	**8,362**	
Long-term debt	**2,313**	**2,307**	**5**
Total	**¥40,606**	**¥40,600**	**¥ 6**

	Millions of yen		
At March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥15,234	¥15,234	
Time deposits	126	126	
Receivables	38,324	38,310	¥ (14)
Electronically recorded monetary claims	945	945	
Marketable and investment securities			
Held-to-maturity	9	9	0
Equity securities	6,274	6,274	
Total	¥60,915	¥60,901	¥ (13)
Payables	¥28,173	¥28,172	¥ 0
Short-term bank loans	8,209	8,209	
Long-term debt	2,776	2,758	18
Total	¥39,159	¥39,141	¥ 18

	Thousands of U.S. Dollars		
At March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**$ 168,209**	**$ 168,209**	
Time deposits	**1,632**	**1,632**	
Receivables	**338,837**	**338,788**	**$(49)**
Electronically recorded monetary claims	**11,408**	**11,408**	
Marketable and investment securities			
Held-to-maturity	**84**	**90**	**5**
Equity securities	**48,746**	**48,746**	
Total	**$ 568,920**	**$ 568,875**	**$(44)**
Payables	**$ 265,626**	**$ 265,625**	**$ 1**
Short-term bank loans	**74,212**	**74,212**	
Long-term debt	**20,530**	**20,477**	**52**
Total	**$ 360,370**	**$ 360,316**	**$ 54**

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.

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
	2016	2015	**2016**
Investments in equity instruments that do not have a quoted market price in an active market	**¥2,552**	¥2,501	**$22,655**

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

	Millions of yen		
At March 31, 2016	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	**¥18,953**		
Time deposits	**183**		
Receivables	**37,893**	**¥286**	
Electronically recorded monetary claims	**1,285**		
Marketable and investment securities			
Government bonds			**¥ 9**
Total	**¥58,316**	**¥286**	**¥ 9**

	Thousands of U.S. Dollars		
At March 31, 2016	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	**$168,209**		
Time deposits	**1,632**		
Receivables	**336,293**	**$ 2,544**	
Electronically recorded monetary claims	**11,408**		
Marketable and investment securities			
Government bonds			**$ 84**
Total	**$517,543**	**$ 2,544**	**$ 84**

Please see Note 6 for annual maturities of long-term debt and Note 13 (1) for obligations under finance leases.

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.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

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

	Millions of yen			
At March 31, 2016	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
U.S.$	**¥ 424**		**¥ 2**	**¥ 2**
S$	**344**	**¥ 7**	**7**	**7**
THB	**84**		**1**	**1**
JP¥	**3**		**(0)**	**(0)**
EURO	**2**		**(0)**	**(0)**
Buying				
JP¥	**1,254**		**46**	**46**
U.S.$	**30**		**(0)**	**(0)**
S$	**20**		**(0)**	**(0)**
EURO	**1**		**0**	**0**

	Millions of yen			
At March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
U.S.$	¥ 688		¥ (65)	¥ (65)
JP¥	235		(1)	(1)
S$	87	¥4	(1)	(1)
THB	13		(1)	(1)
EURO	0		0	0
Buying				
JP¥	1,702		(81)	(81)
EURO	111		(21)	(21)
U.S.$	33		(0)	(0)
STG	3		(0)	(0)

	Thousands of U.S. Dollars			
At March 31, 2016	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling				
U.S.$	**$ 3,764**		**$ 19**	**$ 19**
S$	**3,059**	**$ 67**	**68**	**68**
THB	**753**		**15**	**15**
JP¥	**34**		**(1)**	**(1)**
EURO	**21**		**(0)**	**(0)**
Buying				
JP¥	**11,132**		**409**	**409**
U.S.$	**270**		**(4)**	**(4)**
S$	**177**		**(6)**	**(6)**
EURO	**13**		**0**	**0**

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of yen		
At March 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Order Backlog	**¥1,660**	**¥53**	**¥ 66**
EURO	″	**723**	**7**	**23**
CNY	″	**49**		**(1)**
THB	″	**46**		**0**
STG	″	**6**		**0**
JP¥		**2**		**0**
QAR		**0**		**0**
Buying				
EURO	Released Order	**1,347**	**285**	**(46)**
U.S.$	″	**935**		**(18)**
DKK	″	**477**		**(15)**
SEK	″	**51**		**(2)**
JP¥	″	**2**		**0**
THB	″	**1**		**(0)**
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**¥1,057**	**¥15**	Note 2
EURO	″	**5**		Note 2
Buying				
U.S.$	Payables and other	**203**		Note 2
EURO	″	**122**	**27**	Note 2
STG	″	**3**		Note 2
DKK	″	**1**		Note 2

		Millions of yen		
At March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Order Backlog	¥ 3,172		¥ (180)
EURO	″	134		4
STG	″	17		0
THB	″	8		(0)
JP¥	″	0		0
Buying				
U.S.$	Released Order	687		48
EURO	″	254		(12)
DKK	″	181		(12)
STG	″	15		(0)
S$	″	4		(0)
JP¥	″	0		(0)
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	¥ 1,068	¥0	Note 2
EURO	″	22		Note 2
STG	″	13		Note 2
S$	″	8		Note 2
JP¥	″	7		Note 2
Buying				
U.S.$	Payables and other	740		Note 2
EURO	″	46		Note 2
JP¥	″	29		Note 2
DKK	″	1		Note 2

		Thousands of U.S. Dollars		
At March 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Order Backlog	**$ 14,734**	**$ 472**	**586**
EURO	″	**6,423**	**69**	**205**
CNY	″	**436**		**(10)**
THB	″	**414**		**4**
STG	″	**58**		**0**
JP¥		**22**		**0**
QAR		**8**		**0**
Buying				
EURO	Released Order	**11,958**	**2,537**	**(409)**
U.S.$	″	**8,302**		**(167)**
DKK	″	**4,234**		**(133)**
SEK	″	**460**		**(21)**
JP¥	″	**23**		**0**
THB	″	**9**		**(0)**
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**$ 9,388**	**$ 139**	Note 2
EURO	″	**47**		Note 2
Buying				
U.S.$	Payables and other	**1,802**		Note 2
EURO	″	**1,088**	**247**	Note 2
STG	″	**32**		Note 2
DKK	″	**9**		Note 2

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).

16. CONTINGENT LIABILITIES

At March 31, 2016, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. Dollars
Guarantees and similar items of bank loans	¥30	$268

17. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unrealized (loss) gain on available-for-sale securities:			
Gains arising during the year	**¥ (811)**	¥ 969	**$ (7,198)**
Reclassification adjustments to profit or loss			
Amount before income tax effect	**(811)**	969	**(7,198)**
Income tax effect	**250**	(226)	**2,224**
Total	**¥ (560)**	¥ 742	**$ (4,974)**
Deferred gain (loss) on derivatives under hedge accounting:			
Gains arising during the year	**¥ 158**	¥ (128)	**$ 1,403**
Reclassification adjustments to profit or loss			
Amount before income tax effect	**158**	(128)	**1,403**
Income tax effect	**(52)**	42	**(463)**
Total	**¥ 105**	¥ (85)	**$ 939**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ (610)**	¥ 682	**$ (5,419)**
Total	**¥ (610)**	¥ 682	**$ (5,419)**
Defined retirement benefit plans			
Gains arising during the year	**¥ (149)**	¥ 228	**$ (1,325)**
Reclassification adjustments to profit or loss	**37**	108	**335**
Amount before income tax	**(111)**	337	**(990)**
Income tax effect	**31**	(125)	**276**
Total	**¥ (80)**	¥ 211	**$ (713)**
Share of other comprehensive (loss) income in associates:			
Gains arising during the year	**¥ (12)**	¥ 34	**$ (109)**
Reclassification adjustments to profit or loss			
Total	**¥ (12)**	¥ 34	**$ (109)**
Total other comprehensive income	**¥ (1,158)**	¥ 1,585	**$ (10,276)**

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, 2016 and 2015, is as follows:

	Millions of yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2016	Net Income	Weighted-Average Shares	EPS	
Basic EPS Net income available to common shareholders	**¥2,637**	**53,578**	**¥49.24**	**$ 0.44**
Effect of dilutive securities Warrants		**306**		
Diluted EPS Net income for computation	**¥2,637**	**53,884**	**¥48.96**	**$ 0.43**
Year ended March 31, 2015				
Basic EPS Net income available to common shareholders	¥2,897	53,196	¥54.46	
Effect of dilutive securities Warrants		491		
Diluted EPS Net income for computation	¥2,897	53,687	¥53.96	

19. SUBSEQUENT EVENTS

The following appropriations of retained earnings at March 31, 2016, were approved at the shareholders' meeting of the Company held on June 22, 2016:

	Millions of yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥9.00 ($0.08) per share	¥482	$4,285

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 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. Therefore, 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									
	2016									
	Reportable segment									
	Plant & Energy Business	Industrial Machinery Business	Electronics Business	Pharmaceuticals Business	Aviation Business	Subtotal	Other	Total	Reconciliations	Consolidated
Sales										
Sales to external customers	¥28,747	¥43,488	¥42,592	¥6,622	¥2,395	¥123,846	¥ 331	¥124,177		¥124,177
Intersegment sales or transfers	376	388	410	643		1,819	89	1,909	¥ (1,909)	
Total	29,124	43,877	43,003	7,265	2,395	125,666	421	126,087	(1,909)	124,177
Segment profit (loss)	(0)	1,405	1,511	900	90	3,907	(87)	3,819	66	3,886
Segment assets	24,908	23,027	23,689	7,014	1,418	80,057	245	80,303	14,464	94,767
Other:										
Depreciation	388	38	90	39	21	578	26	604	242	847
Impairment loss (Note 3)		54				54		54		54
Investment in an equity method company		966				966		966		966
Increase in property, plant and equipment and intangible assets	15	25	80	112	38	271	142	414	553	968

	Millions of yen									
	2015									
	Reportable segment									
	Plant & Energy Business	Industrial Machinery Business	Electronics Business	Pharmaceuticals Business	Aviation Business	Subtotal	Other	Total	Reconciliations	Consolidated
Sales										
Sales to external customers	¥34,061	¥51,333	¥43,508	¥8,679	¥5,381	¥142,963	¥ 397	¥143,361		¥143,361
Intersegment sales or transfers	740	1,263	280	570		2,855	1,079	3,935	¥(3,935)	
Total	34,801	52,596	43,789	9,249	5,381	145,819	1,477	147,296	(3,935)	143,361
Segment profit	533	2,073	652	847	311	4,417	11	4,428	(86)	4,341
Segment assets	22,870	26,406	21,792	9,281	1,551	81,902	645	82,547	9,287	91,835
Other:										
Depreciation	370	30	216	24	21	663	67	730	143	874
Impairment loss			298			298		298		298
Investment in an equity method company		906				906		906		906
Increase in property, plant and equipment and intangible assets	3,398	31	152	51	14	3,648	51	3,700	350	4,050

	Thousands of U.S. Dollars									
	2016									
	Reportable segment									
	Plant & Energy Business	Industrial Machinery Business	Electronics Business	Pharmaceuticals Business	Aviation Business	Subtotal	Other	Total	Reconciliations	Consolidated
Sales										
Sales to external customers	**$255,122**	**$385,944**	**$377,997**	**$58,772**	**$21,261**	**$1,099,098**	**$2,939**	**$1,102,038**		**$1,102,038**
Intersegment sales or transfers	**3,345**	**3,451**	**3,642**	**5,708**		**16,148**	**798**	**16,946**	**$(16,946)**	
Total	**258,467**	**389,396**	**381,640**	**64,480**	**21,261**	**1,115,246**	**3,738**	**1,118,985**	**(16,946)**	**1,102,038**
Segment profit (loss)	**(7)**	**12,471**	**13,416**	**7,987**	**807**	**34,676**	**(775)**	**33,900**	**588**	**34,488**
Segment assets	**221,045**	**204,359**	**210,233**	**62,252**	**12,587**	**710,486**	**2,181**	**712,667**	**128,367**	**841,035**
Other:										
Depreciation	**3,448**	**337**	**806**	**349**	**189**	**5,131**	**235**	**5,367**	**2,155**	**7,522**
Impairment loss (Note 3)		**483**				**483**		**483**		**483**
Investment in an equity method company		**8,574**				**8,574**		**8,574**		**8,574**
Increase in property, plant and equipment and intangible assets	**136**	**222**	**711**	**998**	**343**	**2,411**	**1,268**	**3,680**	**4,913**	**8,593**

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 industrial machinery business segment was due to the shutdown of a supplier in China, which turned out not to be as profitable as originally expected, and the book value of the asset was written down to the recoverable amount.

(4) Change in reportable segment

Effective April 1, 2015, the Group changed its operating segments from Plant & Energy Business, Electronics Business, Industrial Machinery Business and Overseas Company to Plant & Energy Business, Industrial Machinery Business, Electronics Business, Pharmaceuticals Business and Aviation Business.

The segment information for the year ended March 31, 2015, is also disclosed using the new operating segments.

1. Information about products and services

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

2. Information about geographical areas

(1) Sales

			Millions of Yen			
			2016			
Japan	China	Asia	North America	Europe	Other	Total
¥66,212	**¥19,335**	**¥25,575**	**¥8,899**	**¥2,174**	**¥1,981**	**¥124,177**

			Millions of Yen			
			2015			
Japan	China	Asia	North America	Europe	Other	Total
¥64,750	¥19,215	¥37,056	¥10,146	¥3,946	¥8,246	¥143,361

			Thousands of U.S. Dollars			
			2016			
Japan	China	Asia	North America	Europe	Other	Total
$587,612	**$171,597**	**$226,970**	**$78,976**	**$19,297**	**$17,584**	**$1,102,038**

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

(2) Property, plant and equipment

	Millions of Yen		
	2016		
Japan	Asia	Other	Total
¥2,761	**¥161**	**¥53**	**¥2,975**

	Millions of Yen		
	2015		
Japan	Asia	Other	Total
¥2,814	¥188	¥35	¥3,038

	Thousands of U.S. Dollars		
	2016		
Japan	Asia	Other	Total
$24,507	**$1,430**	**$471**	**$26,409**

3. Information about major customers

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

Deloitte.

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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, 2016, 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, 2016, 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 22, 2016

Member of
Deloitte Touche Tohmatsu Limited

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
435 (Non-consolidated)
1,064 (Consolidated)

Transfer Agent and Registrar
Tokyo Securities Transfer Agent Co., Ltd.

Common Stock

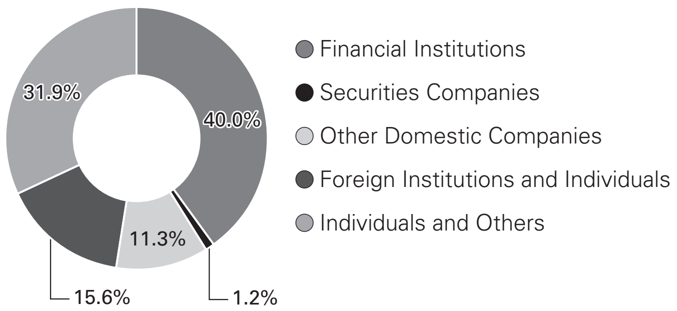
Authorized:	160,000,000 shares
Issued:	55,432,000 shares
Number of shareholders:	5,978

Major Shareholders

	(% of total)
The Master Trust Bank of Japan, Ltd.	4.89
Mizuho Bank, Ltd.	4.77
Sumitomo Mitsui Banking Corporation	4.76
Japan Trustee Services Bank, Ltd.	4.12
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.47
Resona Bank, Limited.	3.15
Sompo Japan Nipponkoa Insurance Inc.	2.83

* 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 22, 2016)

President & CEO
Koji Yamagata*

Executive Vice President & CFO
Tohru Tsuda*

Managing Directors
Shigeki Terakawa
Hiroshi Yoshida
Hajime Kimoto
Ichiro Uno

Outside Director
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 22, 2016)

Managing Executive Officers
Akira Kasamatsu
Industrial Machinery Business Div.
Muneo Yamano
Plant & Energy Business Div.
Itaru Kage
Accounting Div.
Masaru Moriya
DAIICHI MECHA-TECH CORPORATION
Yoshikazu Taruta
Administration Div.

Executive Officers
Hitoshi Takasaki
Industrial Machinery Business Div.
Ryuichi Ninomiya
DAIICHI JITSUGYO ASIA PTE. LTD.
Masatoshi Ueno
Electronic Systems Business Div.
Daisuke Ozono
SHANGHAI YISHI TRADING CO., LTD.

* Representative Director

DJK NETWORK (As of July 31, 2016)

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
- DAI-ICHI JITSUGYO (MALAYSIA) SDN. BHD.
  Consolidated subsidiary
- DAIICHI JITSUGYO (PHILIPPINES), INC.
  Consolidated subsidiary
- DJK FACTORY SOLUTIONS (PHILIPPINES), INC.
- DAIICHI JITSUGYO (VIETNAM) CO., LTD.
  Consolidated subsidiary
- PT. DJK INDONESIA
  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.
- DAIICHI JITSUGYO (AMERICA), INC.
  Consolidated subsidiary
- DAIICHI JITSUGYO PUERTO RICO, INC.
- DJK GLOBAL MEXICO, S.A. DE C.V.
- DAIICHI JITSUGYO DO BRASIL COMERCIO DE MAQUINAS LTDA.

DOMESTIC

- DAIICHI MECHA-TECH CORPORATION
  Consolidated subsidiary
- DAIICHI JITSUGYO VISWILL CO., LTD.
  Consolidated subsidiary
- DAIICHI ENGINEERING CO., LTD.
- FLOW DYNAMICS, INC.
- DJK SOLAR SOLUTION CO., LTD.
  Consolidated subsidiary

SIGNIFICANT AFFILIATES

OVERSEAS

- SHIRAGANE PLATING TECHNOLOGY (CHANGZHOU) CO., LTD.

DOMESTIC

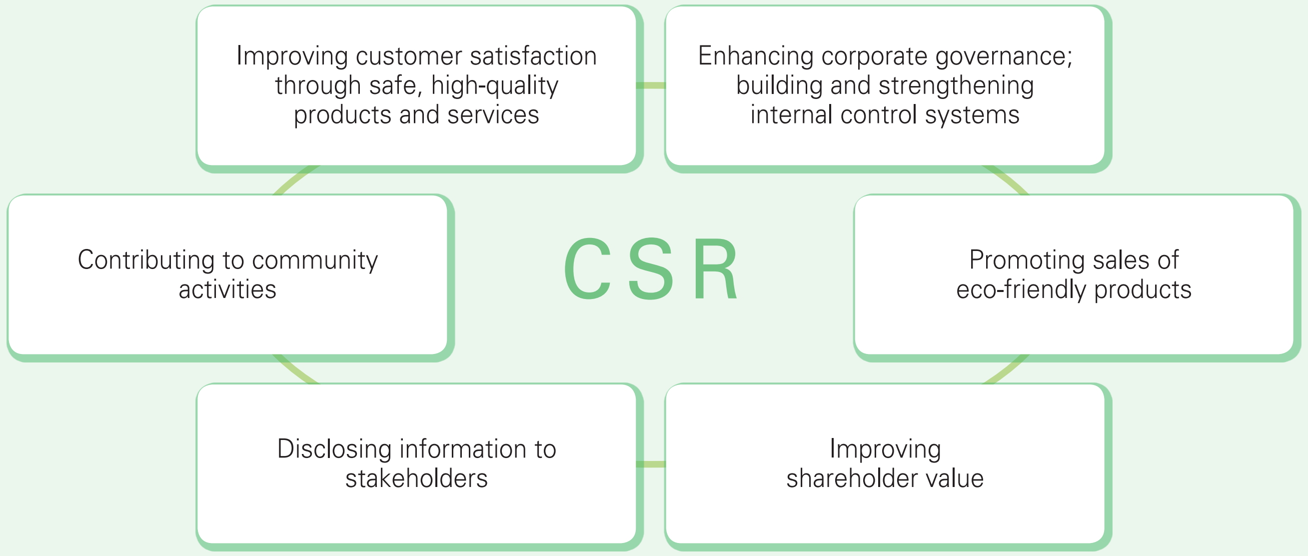
- SULZER DAIICHI K.K.
- CAMERON JAPAN LTD.
- ASANO LABORATORIES CO., LTD.

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



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