Status of Business Activities

1. Overview of Business Performance

(1) Business Performance

During the consolidated fiscal year under review, the future direction of the Japanese economy remained unclear with a slowdown in China and other emerging nations combined with a shift from a weak yen to strong yen to prompt expectations of a decline in corporate results which had been generally improving prior to those developments.

Against this economic backdrop, the Group's primary waste treatment plant business benefitted from planned upgrades and improvements in superannuated facilities due to efforts to prevent global warming and to conserve resources and energy as a result of rising environmental awareness. Demand for biomass power plants is also expected to continue as a result of energy policies such as the feed-in tariff system for electricity generated from renewable sources.

Looking to our business performance during the consolidated fiscal year under review, we received a steady flow of orders for construction projects involving biomass power plants amidst numerous inquiries, and we also received orders for primary equipment upgrades and periodical maintenance at waste treatment facilities as well as for the operation and management of such facilities. However, a lack of orders for construction of waste treatment plants until this April caused order volume to fall 13,843 million yen (12.2%) from the previous consolidated fiscal year to 99,919 million yen.

Net sales rose 9,213 million yen (8.9%) from the previous consolidated fiscal year to 113,088 million yen on significant progress in the construction of waste treatment plants that were ordered during the previous fiscal year, leaving an outstanding order balance of 139,425 million yen.

Operating income increased 966 million yen (11.8%) from the previous consolidated fiscal year to 9,189 million yen on the increase in net sales. Although non-operating income fell due to factors including the elimination of negative goodwill amortization, ordinary income rose 530 million yen (5.8%) from the previous consolidated fiscal year to 9,646 million yen. The absence of any extraordinary gains combined with a decline in extraordinary losses and an increase in tax expenses resulting from a decline in loss carried forward resulted in profit attributable to owners of the parent to fall 213 million yen (2.6%) from the previous consolidated fiscal year to 7,817 million yen.

Results by Business Segment

Domestic Environment and Energy

In addition to receiving a steady flow of orders amidst numerous inquiries for construction projects involving biomass power plants, we received orders for primary equipment upgrades and periodical maintenance at waste treatment facilities as well as for the operation and management of such facilities. However, a lack of orders for construction of waste treatment plants until this April caused order volume to fall 12,431 million yen (14.1%) from the previous consolidated fiscal year to 75,609 million yen. Nonetheless, net sales rose 8,532 million yen (10.7%) from the previous consolidated fiscal year to 88,494 million yen on the back of major progress in the construction of waste treatment plants ordered during the previous fiscal year.

Operating income rose 935 million yen (10.5%) from the previous consolidated fiscal year to 9,834 million yen thanks to an increase in net sales.

Overseas Environment and Energy

Order volume fell 1,342 million yen (60.9%) from the previous consolidated fiscal year to 861 million yen as a failure to receive any orders for biomass power boilers during the consolidated fiscal year under review offset orders for maintenance of overseas plants. Net sales fell 577 million yen (41.0%) from the previous consolidated fiscal year to 830 million yen, reflecting the fact that none of the biomass power boilers for which we have previously received orders are at a stage of construction in which significant progress can be made.

Performance declined as operating income of 2 million yen during the previous consolidated fiscal year turned into an operating loss of 223 million yen.

Package Boiler

Despite efforts to secure upgrade demand for high-efficiency once-through boilers and vacuum-type water heaters and maintenance demand for parts sales and repairs, order volume fell 203 million yen (1.2%) from the previous consolidated fiscal year to 16,450 million yen. Net sales fell 214 million yen (1.3%) from the previous consolidated fiscal year to 16,390 million yen.

Operating income fell 2 million yen (0.2%) from the previous consolidated fiscal year to 896 million yen.

Equipment and System Business

Order volume rose 192 million yen (2.7%) from the previous consolidated fiscal year to 7,331 million yen thanks to growth in orders for building equipment and a steady flow of orders for semiconductor-related equipment. Net sales rose 1,516 million yen (24.7%) from the previous consolidated fiscal year to 7,663 million yen.

Operating income rose 305 million yen (665.3%) from the previous consolidated fiscal year to 351 million yen.

(2) Status of Cash Flow

Cash and cash equivalents at the end of the consolidated fiscal year under review rose 3,327 million yen from the previous consolidated fiscal year to 48,335 million yen.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled 6,728 million yen (compared to net cash provided by operating activities of 21,727 million yen during the previous consolidated fiscal year). Principal factors included net income before taxes of 9,379 million yen as an increase of 6,867 million yen in accounts payable offset decreases of 7,951 million yen and 1,731 million yen in receivables and provision for loss on construction contracts, respectively.

Cash Flows from Investing Activities

Net cash used in investing activities totaled 445 million yen (compared to net cash used in investing activities of 160 million yen during the previous consolidated fiscal year). Income of 243 million yen from collection of loans receivable was offset by expenditures of 656 million yen on the purchase of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities totaled 2,900 million yen (compared to net cash used in financing activities of 3,707 million yen during the previous consolidated fiscal year). Principal factors included expenditures of 1,896 million yen on repayment of long-term debt and payment of 827 million yen as dividends.

2. Production Output, Orders Received and Sales

(1) Production Results

The following table summarizes the Group's production results during the consolidated fiscal year under review by business segment:

Segment	Production output (millions of yen)	Year-on-year (%)
Domestic Environment and Energy	64,195	13.9
Overseas Environment and Energy	830	(2.9)
Package Boiler	10,602	(3.3)
Equipment and System Business	6,456	23.3
Subtotal	82,084	11.8
Internal transactions between segments	(279)	25.9
Total	81,805	11.7

Notes:
1. Amounts are expressed as total manufacturing expenses.
2. Amounts do not include consumption tax or other taxes.

(2) Orders Received

The following table summarizes orders received by the Takuma Group during the consolidated fiscal year under review by business segment:

Segment	Orders received (millions of yen)	Year-on-year (%)	Backlog (millions of yen)	Year-on-year (%)
Domestic Environment and Energy	75,609	(14.1)	130,709	(9.0)
Overseas Environment and Energy	861	(60.9)	1,462	2.2
Package Boiler	16,450	(1.2)	3,415	1.8
Equipment and System Business	7,331	2.7	3,950	(7.8)
Subtotal	100,251	(12.1)	139,537	(8.6)
Inter-segment order volume	(332)	21.2	(112)	59.3
Total	99,919	(12.2)	139,425	(8.6)

Notes:
1. Amounts do not include consumption tax or other taxes.
2. Package Boiler figures include some speculative production. In addition to order-driven production, the order volume and order balance figures in the above table include that portion of speculative production for which delivery to a specific customer has been finalized.

(3) Sales

The following table summarizes the Takuma Group's sales results during the consolidated fiscal year under review by business segment:

Segment	Sales amount (millions of yen)	Year-on-year (%)
Domestic Environment and Energy	88,494	10.7
Overseas Environment and Energy	830	(41.0)
Package Boiler	16,390	(1.3)
Equipment and System Business	7,663	24.7
Subtotal	113,378	8.9
Inter-segment sales	(290)	17.8
Total	113,088	8.9

Note:
Amounts do not include consumption tax or other taxes.

3. 11th Midium-Term Management Plan (FY2015 to FY2017)

(1) Target Management Indicators

The Group considers consolidated ordinary income to be its most important management indicator.

The 11th Medium-Term Management Plan sets forth the following quantitative targets in an effort to steadily expand our business in terms of both quantity and quality so as to facilitate sustained growth (all figures consolidated-basis):

① Cumulative order volume during plan term (FY2015 to FY2017): 400.0 billion yen
② Cumulative net sales during plan term (FY2015 to FY2017): 360.0 billion yen
③ Cumulative ordinary income during plan term (FY2015 to FY2017): 27.0 billion yen

(2) Policies

① Maintenance and expansion of market position in the EPC business
② Expansion of businesses that generate base profits
③ Initiatives that target growth markets
④ Further enhancement of the company's financial strength
⑤ Human resources management
⑥ Cultivation of a robust organizational culture

4. Business and Other Risks

Although the Takuma Group strives to neutralize business and other risks on an organizational and systematic basis, we believe the risks described below may influence investor decisions due to their potential to impact operating performance, financial standing, and other aspects of the Group's operations.

Forward-looking statements represent the Group's judgment as of the end of the consolidated fiscal year under review.

• Economic trends

The Group's operating performance and financial standing may be impacted by trends in public investment and private capital investment, structural changes in price competitiveness and markets due to factors such as entry of new companies into the market, changes in the pricing of raw materials and other inputs, stock market conditions, and other factors.

• Natural disasters

Large natural disasters such as earthquakes, storms, and flooding may impact the Group's operations.

• Country risk

As the Group expands its business operations overseas, it becomes exposed to the potential impact not only of economic conditions and exchange-rate fluctuations in the countries in which it operates, but also of acts of God such as regional terrorism, conflict, natural disasters, and infectious disease.

• Safety and quality

Operating performance, financial standing, reputation, and other aspects of the Group's operations may be impacted by accidents or incidents caused by human error or product defects occurring during the manufacture, installation or construction, operational management, or subsequent use of Group products. In addition, the Group may be affected by unanticipated cost overruns or other adverse developments due to unforeseen issues or other problems at plants and other facilities for which it has received orders, in particular when new technologies are introduced or deployed.

• Intellectual property rights

The Group's business activities may be impacted if it becomes unable to protect intellectual property rights such as patents and trademarks that it owns or has acquired, if those rights are infringed upon by other parties, or if the Group must take steps to avoid infringing on the intellectual property rights of other parties.

• Other risks

The Group's operating performance and financial standing may be impacted in a variety of ways by factors such as government regulations, vendor supply capability, its ability to hire and retain human resources in Japan and abroad, loss of key personnel, lawsuits, and other contingencies as it carries out its business activities.

5. Research and Development Activities

Having identified the fields of environmental protection and renewable energy utilization as its principal business domains in an effort to achieve a sustainable, recycling-oriented society that is not excessively dependent on nuclear power or fossil fuels, the Takuma Group is focusing its management resources on business in these domains as it pursues research and development in keeping with the corporate vision it has set forth of being an indispensable presence in society as a leading company.

The Takuma Group has consolidated its technology-related departments into the Engineering Group, through which it is actively working to strengthen and pass on its technological capabilities and develop new technologies, products, and services through collaboration between the Takuma Group companies and joint research with outside research institutions and universities.

Expenditures on research and development during the consolidated fiscal year under review totaled 743 million yen. Principal research and development activities by business segment were as follows:

(1) Environment and Energy

① In the area of waste treatment, we constructed a demonstration incinerator with a next-generation stoker (with a processing capacity of 10 tons per day) at one of our plants with the principal goal of developing proprietary technology to aid in reducing life cycle cost and boosting energy recovery. We are utilizing this demonstration incinerator to carry out development into such aspects of equipment operation as the reduction of harmful substances (e.g., nitrogen oxides and dioxins) through combustion improvements and increases in power generation efficiency. We also completed development, and began sales, of a safe, inexpensive, and high-efficiency nitrogen oxide reduction system that uses urea instead of ammonia gas. Furthermore, we continue to conduct trials to verify that use of water-cooled stokers, which have a track record of standing up to the demands of use in industrial waste incinerators over extended periods of time, in municipal waste incinerators can reduce maintenance and management costs compared to conventional air-cooled stokers due to their improved durability. These trials include efforts to address material improvements.

② In the area of energy, we continue to develop constituent technologies for burning a variety of fuels including unutilized wood biomass to generate power, an area in which we are receiving many inquiries in connection with Japan's new feed-in tariff program for power generated from renewable sources. We are also developing technology for effectively utilizing combustion ash from wood biomass as a Forestry Agency subsidy project, and we have adopted the goal of using that resource as fertilizer.

③ In the area of water treatment, we continued to develop a sewage sludge incineration and power generation system as well as a new system for eliminating nitrogen by means of the anammox process. For sewage sludge incineration and power generation, we developed and commercialized technology for generating power by incinerating sewage sludge without the need for an auxiliary fuel—an accomplishment previously thought to have been impossible—and for significantly lowering emissions of greenhouse gases compared to applicable Ministry of the Environment ordinances. Furthermore, we carried out trials in mixed fuel combustion with dried sludge and screen residue (an impurity contained in sewage) as part of an effort to broaden the range of conditions and applications in which the system can be used. We also developed technology for use with the anammox process to make significant reductions possible in facility construction, maintenance, management, and other costs as well as in energy use compared to conventional technologies. We continue to conduct research in an effort to achieve even greater cost reductions and to broaden the range of conditions and applications in which these technologies can be used.

The research and development budget for this segment of our business was 598 million yen.

(2) Package Boiler

We developed and launched new models in our Eqos series of once-through boilers, which deliver quieter performance and reduced CO_2 emissions thanks to a more energy-efficient design. These newly developed models are described below.

In addition to delivering quieter operation than previous models, the oil-fired EQS-101 to 301 and gas-fired EQS-121 to 351 once-though boilers feature improved operability in the form of additional display items on the control panel and improvements in how information is displayed along with additional capabilities such as functionality for controlling automatic chemical injection. In addition, we developed the gas-fired EQRH-1001 once-through boiler as part of a joint project with Tokyo Gas Co., Ltd.; Osaka Gas Co., Ltd.; and Toho Gas Co., Ltd. The new boiler not only delivers higher operating efficiency by being the first boiler of its kind to use four-point combustion control to reduce the number of combustion start and stop events, but also features a fan that consumes less power and produces less noise. Furthermore, the gas-fired EQi(H)-6001 compact boiler features a high-efficiency, low-noise, space-saving design that uses proportional integration control to deliver stable steam pressure and high-quality steam.

The research and development budget for this segment of our business was 41 million yen.

(3) Equipment and System Business

Reacting to expectations that the development of the Internet of Things (IoT) will spur growth in demand for small-radius wafer (the material used as a substrate for semiconductors), we developed and launched a small-radius wafer washing system for use by semiconductor plants featuring a sheet-type design that offers outstanding washing effectiveness.

Going forward, we will continue to develop products that meet customer needs by refining this small-radius wafer washing system, for example by increasing its washing effectiveness and reducing chemical use by utilizing fine foam.

The research and development budget for this segment of our business was 103 million yen.

(4) Contracts of Major Importance in the Group's Business

① Technology In-licensing Contracts

Contractee	Contract target	Contract date	Name of other party	Contract term
Takuma Co., Ltd.	Continuous bed filtration of liquids	April 1979	Nordic Water Products AB (Sweden)	Until December 2018 (See Note 2.)
Takuma Co., Ltd.	Process for the organic and anaerobic treatment of waste	December 2011	Hitachi Zosen Inova AG (Switzerland)	For 10 years, then automatically renewed every year

Notes:
1. Most of the above contracts entail payment of a fixed percentage of sales in addition to a one-time payment at the time the contract was entered into.
2. The contract has been revised to extend its term to December 2018.

② Technology Out-licensing Contracts

Contractor	Contract target	Contract date	Name of other party	Contract term
Takuma Co., Ltd.	N-type palm wastes fired water-tube boiler	September 1982	P.T. Super Andalas Steel (Indonesia)	For 15 years, then automatically renewed every year
Takuma Co., Ltd.	Auxiliary agent for filter-type dust collector	July 1993	MITSUI MINING & SMELTING CO., LTD. (Japan)	For 10 years, then automatically renewed every year
Takuma Co., Ltd.	Dust elimination technology in exhaust gas treatment systems using impulse waves	November 2005	Nihon Spindle Manufacturing Co., Ltd. (Japan)	For 10 years, then automatically renewed every year
Takuma Co., Ltd.	Coal firing boiler	June 2007	P.T. Panca Mandiri Essencia (Indonesia)	For 10 years, then automatically renewed every year

Note:
Most of the above contracts entail receipt of payment of a fixed percentage of sales in addition to a one-time payment at the time the contract was entered into.

6. Analysis of Financial Position and Operating Results

(1) Financial Position

The Takuma Group has formulated a financial policy of maintaining an appropriate level of liquidity, securing funding for business activities, and maintaining a robust balance sheet.

Total assets at the end of the consolidated fiscal year under review increased 9,487 million yen from the end of the previous consolidated fiscal year to 132,614 million yen as an increase of 6,878 million yen in notes and accounts receivable and an increase of 3,266 million yen in cash and deposits offset a decrease of 877 million yen in investment securities.

Liabilities rose 3,194 million yen from the end of the previous consolidated fiscal year to 73,805 million yen as an increase of 7,068 million yen in notes and accounts payable offset a decrease of 1,996 million yen in short-term loans payable and long-term debt and a decrease of 1,731 million yen in provision for loss on construction contracts.

Net assets rose 6,293 million yen from the end of the previous consolidated fiscal year to 58,809 million yen as an increase of 7,817 million yen in retained earnings due to the posting of profit attributable to owners of the parent offset a decrease of 827 million yen in retained earnings due to the payment of dividends and a decrease of 511 million yen in valuation difference on available-for-sale securities.

As a result, the equity capital ratio rose 1.7 points from the end of the previous consolidated fiscal year to 44.1%, and net assets per share rose 76.65 yen from the end of the previous consolidated fiscal year to 708.18 yen.

(2) Operating Results

Net sales during the consolidated fiscal year under review rose 9,213 million yen from the previous consolidated fiscal year to 113,088 million yen.

Gross profit was 23,344 million yen, and selling, general, and administrative expenses were 14,155 million yen. After deducting the latter, operating income was 9,189 million yen.

Non-operating income of 800 million yen and non-operating expenses of 343 million yen yielded ordinary income of 9,646 million yen.

Extraordinary losses of 267 million yen without any offsetting extraordinary gains yielded income before income taxes and minority interests of 9,379 million yen.

Profit attributable to owners of the parent after deducting income taxes of 1,569 million yen and loss attributable to non-controlling shareholders of 7 million yen was 7,817 million yen. An overview of net sales and operating income by segment can be found in "Status of Business Activities: 1. Overview of Business Performance."

Financial Statement

■ Consolidated Balance Sheets

TAKUMA CO., LTD. and Consolidated Subsidiaries
As of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2016**	2015	**2016**
Current assets:			
Cash and time deposits (Notes 5, 7 and 9)	**¥ 48,916**	¥ 45,650	**$ 434,115**
Notes and accounts receivable (Note 7):			
Trade	**44,935**	38,057	**398,786**
Unconsolidated subsidiaries and affiliated companies	**1,457**	1,281	**12,930**
Other	**289**	456	**2,565**
Less allowance for doubtful accounts	**(39)**	(51)	**(349)**
Total	**46,642**	39,743	**413,932**
Inventories (Note 6)	**4,041**	3,812	**35,866**
Deferred tax assets (Note 16)	**2,803**	3,359	**24,873**
Other	**607**	722	**5,387**
Total current assets	**103,009**	93,286	**914,173**
Property, plant and equipment:			
Land (Note 9)	**3,018**	3,082	**26,789**
Buildings and structures (Note 9)	**12,219**	12,228	**108,437**
Machinery, equipment, lease assets and construction in progress	**11,123**	11,918	**98,713**
(Note 9)	**26,360**	27,228	**233,939**
Less accumulated depreciation	**(16,764)**	(17,372)	**(148,774)**
Total property, plant and equipment	**9,596**	9,856	**85,165**
Investments and other assets:			
Investment securities (Notes 7, 8 and 9)	**11,136**	12,013	**98,825**
Investments in:			
Unconsolidated subsidiaries and affiliated companies (Note 7)	**5,556**	5,702	**49,313**
Other	**823**	784	**7,301**
Less allowance for doubtful accounts	**(467)**	(477)	**(4,145)**
Total	**5,912**	6,009	**52,469**
Deferred tax assets (Note 16)	**2,648**	1,709	**23,501**
Other	**313**	254	**2,779**
Total investments and other assets	**20,009**	19,985	**177,574**
Total assets	**¥ 132,614**	¥ 123,127	**$ 1,176,912**

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2016**	2015	**2016**
Current liabilities:			
Short-term loans payable (Notes 7 and 10)	**¥ 7,750**	¥ 7,850	**$ 68,779**
Current portion of long-term debt (Notes 7 and 10)	**673**	1,896	**5,969**
Notes and accounts payable (Note 7):			
Trade	**34,584**	27,516	**306,924**
Unconsolidated subsidiaries and affiliated companies	**575**	694	**5,108**
Other	**1,111**	1,075	**9,856**
Total	**36,270**	29,285	**321,888**
Accrued income taxes	**1,256**	304	**11,146**
Advances received	**7,700**	8,692	**68,336**
Allowance for guarantees on completed work	**141**	70	**1,257**
Allowance for losses on sales contracts	**5,164**	6,895	**45,829**
Other	**4,190**	4,620	**37,182**
Total current liabilities	**63,144**	59,612	**560,386**
Long term liabilities:			
Long-term debt (Notes 7 and 10)	**1,396**	2,069	**12,393**
Allowance for directors', executive officers' and corporate auditors' retirement benefits	**189**	181	**1,676**
Net defined benefit liability (Note 11)	**8,668**	8,294	**76,925**
Other	**408**	455	**3,616**
Total long term liabilities	**10,661**	10,999	**94,610**
Total liabilities	**73,805**	70,611	**654,996**
Contingent liabilities (Note 12)			
Net assets (Note 13):			
Common stock	**13,367**	13,367	**118,632**
Authorized: 321,840,000 shares			
Issued: 83,000,000 shares			
Capital surplus	**3,768**	3,768	**33,442**
Retained earnings	**38,754**	31,764	**343,934**
Treasury stock, at cost	**(232)**	(228)	**(2,066)**
328,764 shares in 2016 and 324,240 shares in 2015			
Total shareholders' equity	**55,657**	48,671	**493,942**
Unrealized gains on securities	**3,586**	4,097	**31,825**
Deferred gains and losses on hedges	**(27)**	24	**(236)**
Foreign currency translation adjustments	**(11)**	25	**(100)**
Remeasurements of defined benefit plans	**(660)**	(605)	**(5,855)**
Total accumulated other comprehensive income	**2,888**	3,541	**25,634**
Non-controlling interests in consolidated subsidiaries	**264**	304	**2,340**
Total net assets	**58,809**	52,516	**521,916**
Total liabilities and net assets	**¥ 132,614**	¥ 123,127	**$ 1,176,912**

See accompanying notes.

■ Consolidated Statements of Operations

TAKUMA CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Net sales (Note 19)	**¥ 113,088**	¥ 103,875	**$ 1,003,626**
Cost of sales (Notes 11, 14, 15 and 19)	**89,744**	81,774	**796,452**
Gross profit	**23,344**	22,101	**207,174**
Selling, general and administrative expenses (Notes 11, 15 and 19)	**14,155**	13,878	**125,621**
Operating income (Note 19)	**9,189**	8,223	**81,553**
Other income (expenses):			
Interest and dividend income	**366**	310	**3,253**
Interest expense	**(105)**	(157)	**(934)**
Amortization of negative goodwill	**-**	195	**-**
Gain on sales of investment securities	**-**	262	**-**
Loss on disposal of property, plant and equipment	**(167)**	(25)	**(1,483)**
Equity in earnings of affiliated companies	**287**	431	**2,543**
Reversal of provision for loss on litigation	**-**	523	**-**
Impairment loss (Note 17)	**(267)**	(1,425)	**(2,368)**
Other, net	**76**	140	**675**
Other income (expenses), net	**190**	254	**1,686**
Income before income taxes	**9,379**	8,477	**83,239**
Income taxes (Note 16):			
Current	**1,558**	903	**13,828**
Deferred	**11**	(468)	**100**
Total income taxes	**1,569**	435	**13,928**
Profit	**7,810**	8,042	**69,311**
Profit (loss) attributable to non-controlling interests in consolidated subsidiaries	**(7)**	12	**(63)**
Profit attributable to owners of parent	**¥ 7,817**	¥ 8,030	**$ 69,374**

	Yen		U.S. dollars (Note 1)
Per share:			
Net income	**¥ 94.55**	¥ 97.12	**$ 0.84**
Diluted net income	**-**	-	**-**
Cash dividends applicable to the year	**11.00**	9.00	**0.10**

■ Consolidated Statements of Comprehensive Income

TAKUMA CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Profit	**¥ 7,810**	¥ 8,042	**$ 69,311**
Other comprehensive income:			
Unrealized gains (losses) on securities	**(511)**	1,606	**(4,536)**
Deferred gains and losses on hedges	**(41)**	8	**(362)**
Foreign currency translation adjustments	**(55)**	81	**(484)**
Remeasurements of defined benefit plans	**(54)**	(339)	**(481)**
Total other comprehensive income	**(661)**	1,356	**(5,863)**
Comprehensive income (Note 18)	**¥ 7,149**	¥ 9,398	**$ 63,448**
Comprehensive income attributed to:			
Owners of the parent	**¥ 7,165**	¥ 9,358	**$ 63,587**
Non-controlling interests	**(16)**	40	**(139)**

■ Consolidated Statements of Changes in Net Assets

TAKUMA CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total share-holders' equity	Unrealized gains on securities	Deferred gains and losses on hedges	Foreign currency translation adjust-ments	Remeasure-ments of defined benefit plans	Total accumu-lated other compre-hensive income	Non-controlling interests in consolidated subsidiaries	Total net assets
For the years ended March 31, 2016	Millions of yen											
Balance at the beginning of current period	¥ 13,367	¥ 3,768	¥ 31,764	¥ (228)	¥ 48,671	¥ 4,097	¥ 24	¥ 25	¥ (605)	¥ 3,541	¥ 304	¥ 52,516
Cash dividends (¥9.00 per share)	-	-	(827)	-	(827)	-	-	-	-	-	-	(827)
Profit attributable to owners of parent	-	-	7,817	-	7,817	-	-	-	-	-	-	7,817
Purchase of treasure stock	-	-	-	(4)	(4)	-	-	-	-	-	-	(4)
Other changes during the year, net	-	-	-	-	-	(511)	(51)	(36)	(55)	(653)	(40)	(693)
Balance at the end of current period	¥ 13,367	¥ 3,768	¥ 38,754	¥ (232)	¥ 55,657	¥ 3,586	¥ (27)	¥ (11)	¥ (660)	¥ 2,888	¥ 264	¥ 58,809
For the years ended March 31, 2015	Millions of yen											
Balance at the beginning of current period	¥ 13,367	¥ 3,841	¥ 27,799	¥ (3,606)	¥ 41,401	¥ 2,491	¥ 16	¥ (29)	¥ (266)	¥ 2,212	¥ 276	¥ 43,889
Cumulative effect of changes in accounting policies	-	-	(175)	-	(175)	-	-	-	-	-	-	(175)
Restated balance	13,367	3,841	27,624	(3,606)	41,226	2,491	16	(29)	(266)	2,212	276	43,714
Cash dividends (¥7.00 per share)	-	-	(579)	-	(579)	-	-	-	-	-	-	(579)
Profit attributable to owners of parent	-	-	8,030	-	8,030	-	-	-	-	-	-	8,030
Change in scope of consolidation	-	-	(6)	-	(6)	-	-	-	-	-	-	(6)
Purchase of treasure stock	-	-	-	(1)	(1)	-	-	-	-	-	-	(1)
Sales of treasury stock	-	(0)	-	1	1	-	-	-	-	-	-	1
Retirement of treasury stock	-	(73)	(3,305)	3,378	-	-	-	-	-	-	-	-
Other changes during the year, net	-	-	-	-	-	1,606	8	54	(339)	1,329	28	1,357
Balance at the end of current period	¥ 13,367	¥ 3,768	¥ 31,764	¥ (228)	¥ 48,671	¥ 4,097	¥ 24	¥ 25	¥ (605)	¥ 3,541	¥ 304	¥ 52,516
For the years ended March 31, 2016	Thousands of U.S. dollars (Note 1)											
Balance at the beginning of current period	$118,632	$ 33,442	$281,897	$ (2,028)	$431,943	$ 36,356	$ 213	$ 226	$ (5,374)	$ 31,421	$ 2,698	$466,062
Cash dividends ($0.08 per share)	-	-	(7,337)	-	(7,337)	-	-	-	-	-	-	(7,337)
Profit attributable to owners of parent	-	-	69,374	-	69,374	-	-	-	-	-	-	69,374
Purchase of treasure stock	-	-	-	(38)	(38)	-	-	-	-	-	-	(38)
Other changes during the year, net	-	-	-	-	-	(4,531)	(449)	(326)	(481)	(5,787)	(358)	(6,145)
Balance at the end of current period	$118,632	$ 33,442	$343,934	$ (2,066)	$493,942	$ 31,825	$ (236)	$ (100)	$ (5,855)	$ 25,634	$ 2,340	$521,916

See accompanying notes.

Consolidated Statements of Cash Flows

TAKUMA CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Cash flows from operating activities:			
Income before income taxes	¥ 9,379	¥ 8,477	$ 83,239
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	840	900	7,455
Impairment loss	267	1,425	2,368
Amortization of negative goodwill	-	(195)	-
Gain on sales of investment securities	-	(262)	-
Increase (decrease) in allowance for doubtful accounts	(21)	(67)	(189)
Increase (decrease) in allowance for bonuses	107	268	948
Increase (decrease) in allowance for losses on sales contracts	(1,731)	3,956	(15,365)
Increase (decrease) in allowance for losses on litigation	-	(690)	-
Increase (decrease) in net defined benefit liability	325	69	2,880
Interest and dividend income	(367)	(310)	(3,253)
Interest expense	105	157	934
Equity in losses (earnings) of affiliated companies	(287)	(431)	(2,543)
Net decrease (increase) in notes and accounts receivable and advances received	(7,951)	2,468	(70,565)
Decrease (increase) in inventories	(237)	(598)	(2,105)
Decrease (increase) in other current assets	42	1,224	374
Net increase (decrease) in notes and accounts payable and advance money	6,867	6,714	60,940
Increase (decrease) in other current liabilities	(587)	(835)	(5,210)
Other	152	73	1,352
Subtotal	6,903	22,343	61,260
Interest and dividend received	623	582	5,529
Interest paid	(108)	(160)	(954)
Income taxes received (paid)	(690)	(1,038)	(6,124)
Net cash provided by operating activities	6,728	21,727	59,711
Cash flows from investing activities:			
Net decrease (increase) in time deposits	42	13	377
Purchase of property, plant and equipment	(656)	(346)	(5,823)
Purchase of intangible fixed assets	(82)	(40)	(736)
Purchase of investment securities	(91)	(209)	(813)
Sale of investment securities	152	181	1,352
Disbursement for loans receivable	(25)	(31)	(222)
Collection of loans receivable	243	187	2,160
Other	(28)	85	(248)
Net cash used in investing activities	(445)	(160)	(3,953)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	(100)	(450)	(887)
Proceeds from long-term debt	-	200	-
Payment of long-term debt	(1,896)	(2,805)	(16,823)
Purchase of treasury stock	(4)	(1)	(38)
Payment of cash dividends	(827)	(579)	(7,337)
Dividends paid to non-controlling interests	(25)	(16)	(219)
Other	(48)	(56)	(429)
Net cash used in financing activities	(2,900)	(3,707)	(25,733)
Effect of exchange rate changes on cash and cash equivalents	(56)	69	(495)
Net increase (decrease) in cash and cash equivalents	3,327	17,929	29,530
Cash and cash equivalents at beginning of year	45,008	27,030	399,431
Increase in cash and cash equivalents from newly consolidated subsidiary	-	49	-
Cash and cash equivalents at end of year (Note 5)	¥ 48,335	¥ 45,008	$ 428,961

See accompanying notes.

Notes to Consolidated Financial Statements

TAKUMA CO., LTD. and Consolidated Subsidiaries

1. Basis of presenting financial statements

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

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. However, necessary adjustments are made upon consolidation. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of TAKUMA CO., LTD. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2016, which was ¥112.68 to U.S.$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 19 significant subsidiaries (the "Companies").
Takuma Energy Co., Ltd., which was a newly established subsidiary, has been included in the consolidation from the consolidated fiscal year ended March 31, 2016. All significant intercompany transactions and unrealized profits among the Companies have been eliminated in consolidation. Investments in certain significant affiliates over which the Company and/or its subsidiaries are able to exert influence to a material degree with regard to financial and operating decision making, other than consolidated subsidiaries, are accounted for by the equity method after the elimination of unrealized intercompany profits.

Investments in the remaining unconsolidated subsidiaries and affiliated companies are not accounted for by the equity method because of the immaterial effect on the consolidated financial statements. Therefore, such investments are carried at cost, adjusted for any substantial and non-recoverable decline in value. Income from those unconsolidated subsidiaries and affiliated companies is recognized only when the Companies receive dividends therefrom.

(2) Foreign currency translation

Revenue and expense are translated at the rates of exchange prevailing on the transaction date. Assets and liabilities denominated in foreign currencies are generally translated at the rate of exchange prevailing at the balance sheet date, and the resulting translation gains and losses are included in earnings.

The financial statements of a consolidated overseas subsidiary are translated into Japanese yen at the year-end rate, except that net asset accounts are translated at historical rates and income statement items resulting from transactions with the Company are translated at rates used by the Company. The resulting translation adjustments are shown as "Foreign currency translation adjustments," a separate component of net assets.

(3) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents include cash on hand, readily available deposits and short-term investments with maturities not exceeding three months from the date of acquisition and which have high liquidity and low risk of price fluctuation.

(4) Securities

Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at cost determined by moving average cost. Available-for-sale securities with available fair market value are stated at fair market value, and unrealized gains and losses on these securities are reported net of applicable income taxes as a separate component of net assets. Realized gains and losses on the sale of such securities are computed at cost using moving average cost. Available-for-sale securities with no available fair market value are stated at cost determined by moving average cost.

If the market value of equity securities issued by unconsolidated subsidiaries and affiliated companies or available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of securities is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event the net asset value declines significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(5) Allowance for doubtful accounts

The Companies provide the allowance for doubtful accounts by estimating the uncollectible amounts of certain individual accounts and by applying a percentage based on collection experience to the remaining receivables.

(6) Inventories

Merchandise and finished goods are stated at cost using the moving average method. Work-in-process is stated at cost determined by the identified cost method. Materials and supplies are stated at cost using the average method. For these inventories, the carrying amounts on the balance sheet are written down to reflect decreases in profitability.

(7) Property, plant and equipment
Property, plant and equipment are depreciated principally using the declining balance method over the estimated useful life of the asset. However, buildings acquired after March 31, 1998 are depreciated using the straight-line method. The range of useful lives is principally from 3 to 60 years for buildings and structures and from 2 to 20 years for machinery, equipment and other. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Lease assets under finance leases in which the ownership of the lease assets is not transferred to the lessee are depreciated using the straight-line method over the lease term with an assumption of no residual value.

(8) Allowance for losses on sales contracts
For sales orders on hand at the balance sheet date for projects in which the estimated cost is expected to exceed the price of the order by a wide margin, an allowance for losses on sales contracts is recognized at the estimated aggregate amount.

(9) Allowance for guarantees on completed work
Allowance for guarantees on completed work is based on estimated amounts of expenditure in the warranty period after products are delivered.

(10) Allowance for directors', executive officers' and corporate auditors' retirement benefits
Directors, executive officers and corporate auditors are generally entitled to receive retirement benefits based on the Companies' internal rules. The Companies provide allowance for directors', executive officers' and corporate auditors' retirement benefits based on the amount that would be required if all directors, executive officers and corporate auditors retired at the balance sheet date.

(11) Net defined benefit liability
In calculating retirement benefit obligations, the method of attributing expected benefits to period employs principally a benefit formula basis. Actuarial gains and losses are recognized in expenses using the straight-line method principally over 10 years commencing with the following period. Prior service costs are recognized in expenses using the straight-line method principally over 10 years.

(12) Revenue recognition
When the outcome of an individual contracts can be estimated reliably, the domestic companies apply the percentage-of-completion method to work performed during the year, otherwise, the completed contract method is applied. The degree of completion, or the percentage of the contract performed during the period under review, is measured by the proportion of the cost incurred during the period to the estimated total cost.

(13) Income taxes
The Companies are subject to corporation tax, inhabitants tax and enterprise tax based on taxable income. The Companies recognize the tax effects of the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The provision for income taxes is computed based on the pretax income of each of the Companies, with certain required adjustments. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

The Companies adopted the consolidated tax return system.

(14) Net income and cash dividends per share
Net income per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted net income per share is computed with the assumption that all convertible bonds were converted into common stock at the beginning of each period. Cash dividends per share represent interim dividends declared by the Board of Directors in each year and year-end dividends approved by the shareholders at the annual meeting held subsequent to the end of the fiscal year.

(15) Derivatives and hedge accounting
The Companies generally state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies generally defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized.

The Companies use currency forward contracts to hedge accounts receivable and payable denominated in foreign currencies (mainly U.S. dollars) against the risk of fluctuation in exchange rates that comes from foreign currency transactions.
Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not re-measured at market value.

(16) Reclassifications
Certain prior year amounts have been reclassified to conform to the 2016 presentation.

3. Changes in accounting policies

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013 (hereinafter, "Statement No.21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 (hereinafter, "Statement No.22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter, "Statement No.7")) (together, the "Business Combination Accounting Standards"), from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests". Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.
With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7 with application from the beginning of the current fiscal year prospectively.
There is no effect on the consolidated financial statements of the current fiscal year.

4. Accounting standards issued but not yet adopted

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

(a) Overview
Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets", which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:
1) Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2) Criteria for types 2 and 3;
3) Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4) Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
5) Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(b) Effective date
Effective from the beginning of the fiscal year ending March 31, 2017

(c) Effects of application of the Guidance
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of the guidance on the consolidated financial statements.

5. Cash and cash equivalents

Amounts of cash and cash equivalents as of March 31, 2016 and 2015 were reconciled with cash and time deposits as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and time deposits	¥ 48,916	¥ 45,650	$ 434,115
Time deposits with maturities exceeding three months from the date of acquisition	(581)	(642)	(5,154)
Total cash and cash equivalents	¥ 48,335	¥ 45,008	$ 428,961

6. Inventories

Inventories were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Merchandise and finished goods	¥ 539	¥ 720	$ 4,785
Work-in-process	2,066	1,785	18,335
Materials and supplies	1,436	1,307	12,746
Total inventories	¥ 4,041	¥ 3,812	$ 35,866

7. Financial instruments

(1) Status of financial instruments
(a) Financial instruments policy
Under Group policy, investment in financial instruments is limited primarily to short-term deposits and bank loans for raising funds. Derivative transactions are used to hedge risks of fluctuations in foreign exchange and interest rates.

(b) Financial instruments, risks and risk management structure
The Companies are working to reduce customer credit risk associated with notes and accounts receivable and operating receivables through customer based due dates and other balance controls in accordance with the Companies' regulations. Investment securities consists mainly of stocks and are periodically checked for the fair value of listed shares.
Long-term loans receivable are made mainly to affiliated companies whose financial status is checked periodically.
Notes and accounts payables, or operating payables, are due within one year.
Short-term financing is primarily for operating funds while long-term debt is for capital investment.

With floating rate loans, which are exposed to interest rate fluctuation risk, Group companies use derivative transactions (interest rate swaps) as a part of their long-term loans to hedge the risk of interest rate fluctuation on bank loans and to fix interest payments.

To cope with operating receivables and loans exposed to liquidity risk, each Group company manages its cash position by preparing monthly cash-flow plans and other means.

(c) Supplementary remarks on fair values of financial instruments
The fair values of financial instruments do not reflect the market risks concerning the derivative trading.

(2) Fair value of financial instruments
Amounts recognized on the consolidated balance sheets, fair values and differences as of March 31, 2016 and 2015, except items for which no fair value was obtainable, were as follows:

(Cash and time deposits)
The fair value of cash and time deposits is based on relevant book value because they are mostly settled within a short period of time and the fair value is nearly equal to the book value.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts recognized on the consolidated balance sheets	¥ 48,916	¥ 45,650	$ 434,115
Fair value	48,916	45,650	434,115
Difference	¥ -	¥ -	$ -

(Notes and accounts receivable)
The fair value of notes and accounts receivable is based on the relevant book value because they are mostly settled within a short period of time and the fair value is nearly equal to the book value.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts recognized on the consolidated balance sheets	¥ 45,178	¥ 38,196	$ 400,940
Fair value	45,178	38,196	400,940
Difference	¥ -	¥ -	$ -

(Investment securities)
The fair value of stocks is based on stock exchange prices, and fair values of bonds are based on stock exchange prices or prices provided by financial institutions.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts recognized on the consolidated balance sheets	¥ 11,051	¥ 11,928	$ 98,071
Fair value	11,051	11,928	98,071
Difference	¥ -	¥ -	$ -

(Long-term loans receivable)
The fair value of long-term loans receivable is calculated by a method that discounts total principal plus interest by an assumed interest rate for a similar new loan.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts recognized on the consolidated balance sheets	¥ 964	¥ 1,097	$ 8,555
Fair value	962	1,096	8,539
Difference	¥ (2)	¥ (1)	$ (16)

(Notes and accounts payable)
The fair value of notes and accounts payable is based on the relevant book value because they are mostly settled within a short period of time and the fair value is nearly equal to the book value.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts recognized on the consolidated balance sheets	¥ 35,120	¥ 28,166	$ 311,683
Fair value	35,120	28,166	311,683
Difference	¥ -	¥ -	$ -

(Short-term loans payable)
The fair value of short-term loans payable is based on the relevant book value because they are settled within a short period of time and the fair value is nearly equal to the book value.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts recognized on the consolidated balance sheets	¥ 7,750	¥ 7,850	$ 68,779
Fair value	7,750	7,850	68,779
Difference	¥ -	¥ -	$ -

(Long-term debt)
The fair value of long-term debt is calculated by a method that discounts total principal plus interest by an assumed interest rate for a similar new loan. Short-term financing is primarily for operating funds, while long-term debt is for capital investment.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts recognized on the consolidated balance sheets	¥ 2,069	¥ 3,965	$ 18,362
Fair value	2,080	3,971	18,457
Difference	¥ 11	¥ 6	$ 95

Items for which no fair value was obtainable
(Non-listed equity securities)

	Millions of yen		Thousands of U.S. dollars
Amounts recognized on the consolidated balance sheets	2016	2015	2016
Equity securities issued by affiliates	¥ 4,548	¥ 4,565	$ 40,359
Debt securities issued by affiliates	50	50	444
Other	85	85	754

(3) Redemption schedule of monetary assets with contractual maturities and repayment schedule of short-term loans payable and long-term debt

	Millions of yen					
As of March 31, 2016	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	¥ 48,916	¥ -	¥ -	¥ -	¥ -	¥ -
Notes and accounts receivable	43,745	1,433	-	-	-	-
Investment securities	-	-	-	-	-	-
Long-term loans receivable	-	223	131	106	160	344
Total	¥ 92,661	¥ 1,656	¥ 131	¥ 106	¥ 160	¥ 344
Short-term loans payable	¥ 7,750	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term debt	673	468	470	116	80	262
Total	¥ 8,423	¥ 468	¥ 470	¥ 116	¥ 80	¥ 262

	Millions of yen					
As of March 31, 2015	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	¥ 45,650	¥ -	¥ -	¥ -	¥ -	¥ -
Notes and accounts receivable	37,131	1,065	-	-	-	-
Investment securities	-	-	-	-	-	-
Long-term loans receivable	-	242	222	131	105	393
Total	¥ 82,781	¥ 1,307	¥ 222	¥ 131	¥ 105	¥ 393
Short-term loans payable	¥ 7,850	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term debt	1,896	672	468	470	117	342
Total	¥ 9,746	¥ 672	¥ 468	¥ 470	¥ 117	¥ 342

	Thousands of U.S. dollars					
As of March 31, 2016	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	$ 434,115	$ -	$ -	$ -	$ -	$ -
Notes and accounts receivable	388,221	12,719	-	-	-	-
Investment securities	-	-	-	-	-	-
Long-term loans receivable	-	1,979	1,161	936	1,422	3,057
Total	$ 822,336	$ 14,698	$ 1,161	$ 936	$ 1,422	$ 3,057
Short-term loans payable	$ 68,779	$ -	$ -	$ -	$ -	$ -
Long-term debt	5,969	4,151	4,169	1,036	710	2,327
Total	$ 74,748	$ 4,151	$ 4,169	$ 1,036	$ 710	$ 2,327

8. Securities

(1) Acquisition costs and book values of available-for-sale securities with available fair values as of March 31, 2016 and 2015 were as follows:

	Millions of yen		
As of March 31, 2016	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 5,139	¥ 10,356	¥ 5,217
Subtotal	5,139	10,356	5,217
Securities with book values not exceeding acquisition costs:			
Equity securities	743	695	(48)
Subtotal	743	695	(48)
Total	¥ 5,882	¥ 11,051	¥ 5,169

	Millions of yen		
As of March 31, 2015	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 5,831	¥ 11,879	¥ 6,048
Subtotal	5,831	11,879	6,048
Securities with book values not exceeding acquisition costs:			
Equity securities	50	49	(1)
Subtotal	50	49	(1)
Total	¥ 5,881	¥ 11,928	¥ 6,047

As of March 31, 2016	Thousands of U.S. dollars Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	$ 45,602	$ 91,902	$ 46,300
Subtotal	45,602	91,902	46,300
Securities with book values not exceeding acquisition costs:			
Equity securities	6,593	6,169	(424)
Subtotal	6,593	6,169	(424)
Total	$ 52,195	$ 98,071	$ 45,876

(2) Available-for-sale securities sold for the years ended March 31, 2016 and 2015 were as follows:

Information on the available-for-sale securities sold for the year ended March 31, 2016 is not provided because there was no significant gain.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Total sales amount	¥ -	¥ 333	$ -
Gains	-	262	-

9. Pledged assets

The following assets were pledged to secure short-term loans payable, long-term debt, contingent liabilities under guarantees for bank loans of affiliated companies and fulfillment of contracts as of March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Buildings and structures	¥ 342	¥ 994	$ 3,035
Machinery and equipment	61	72	536
Land	94	564	836
Investment securities	150	150	1,331
Cash and time deposits	218	198	1,935
Time deposits as construction contract guarantees	57	57	506
Total	¥ 922	¥ 2,035	$ 8,179

10. Short-term loans payable and long-term debt

Short-term loans payable as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Secured	¥ 650	¥ 650	$ 5,769
Unsecured	7,100	7,200	63,010
	¥ 7,750	¥ 7,850	$ 68,779

Current portion of long-term debt as of March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Secured	¥ 68	¥ 266	$ 601
Unsecured	605	1,630	5,368
	¥ 673	¥ 1,896	$ 5,969

Long-term debt as of March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Secured	¥ 178	¥ 246	$ 1,582
Unsecured	1,218	1,823	10,811
	¥ 1,396	¥ 2,069	$ 12,393

The annual average interest rate applicable to bank loans at March 31, 2016 and 2015 was as follows:

	2016	2015
Short-term loans payable	0.7 %	0.7 %
Current portion of long-term debt	1.6	1.9
Long-term debt	1.7	1.8

11. Employees' retirement benefits

(1) The outline of the adopted retirement benefit scheme

The Companies provide three types of post-employment benefit plans, unfunded lump-sum payment plans, funded non-contributory pension plans and defined contribution plan, under which all eligible employees are entitled to benefits based on the level of wages and salary at the time of retirement or termination, length of service and certain other factors.

(2) Defined benefit plans

Movement in retirement benefit obligations (except plan applied simplified method) for the year ended March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at April 1, 2015 and 2014	¥ 7,734	¥ 6,865	$ 68,636
Cumulative effect of changes in accounting policies	-	270	-
Restated balance	7,734	7,135	68,636
Service cost	546	518	4,848
Interest cost	53	88	473
Actuarial loss (gain)	141	458	1,249
Benefits paid	(381)	(465)	(3,384)
Balance at March 31, 2016 and 2015	¥ 8,093	¥ 7,734	$ 71,822

Movement in net defined benefit liability for the year ended March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at April 1, 2015 and 2014	¥ 560	¥ 600	$ 4,972
Retirement benefit costs	113	64	1,003
Benefits paid	(48)	(39)	(424)
Contributions paid by the employer	(43)	(75)	(384)
Other	(7)	10	(65)
Balance at March 31, 2016 and 2015	¥ 575	¥ 560	$ 5,102

Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability as of March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligations	¥ 613	¥ 621	$ 5,437
Plan assets	(424)	(447)	(3,764)
	189	174	1,673
Unfunded retirement benefit obligations	8,479	8,120	75,252
Total net defined benefit liability (asset) at March 31, 2016 and 2015	8,668	8,294	76,925
Net defined benefit liability	8,668	8,294	76,925
Total net defined benefit liability (asset) at March 31, 2016 and 2015	¥ 8,668	¥ 8,294	$ 76,925

Retirement benefit costs for the year ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 546	¥ 518	$ 4,848
Interest cost	53	88	473
Amortization of actuarial differences	134	98	1,184
Amortization of prior service cost	(49)	(121)	(435)
Retirement benefit costs based on the simplified method	113	64	1,003
Total retirement benefit costs for the fiscal year ended March 31, 2016 and 2015	¥ 797	¥ 647	$ 7,073

Remeasurements of defined benefit plans for the year ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Actuarial gains and losses	¥ (49)	¥ (121)	$ (435)
Prior service costs	(7)	(360)	(65)
Total remeasurements of defined benefit plans for the fiscal years ended March 31, 2016 and 2015	¥ (56)	¥ (481)	$ (500)

Accumulated remeasurements of defined benefit plans as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Actuarial gains and losses yet to be recognized	¥ 108	¥ 157	$ 956
Prior service costs yet to be recognized	(1,059)	(1,051)	(9,392)
Total balance at March 31, 2016 and 2015	¥ (951)	¥ (894)	$ (8,436)

The principal actuarial assumptions at March 31, 2016 and 2015 were as follows:

	2016	2015
Discount rate	principally 0.64%	principally 0.64%
Expected rate of salary increase	principally 7.0%	principally 6.9%

(3) Defined contribution plan

The amount of contribution required to the defined contribution plan of the Companies for the years ended March 31, 2016 and 2015 was 136 million yen ($1,209 thousand) and 127 million yen, respectively.

12. Contingent liabilities

The Companies were contingently liable under guarantees for bank loans of affiliated companies and other companies as of March 31, 2016 and 2015 as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unsecured	¥ 502	¥ 682	$ 4,453

13. Net assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law (the "Law"), in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or be capitalized by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

The appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations.

14. Provision for losses on sales contracts

Provision for losses on sales contracts included in cost of sales for the years ended March 31, 2016 and 2015 was as follows:

Millions of yen		Thousands of U.S. dollars
2016	2015	2016
¥ 29	¥ 4,239	$ 255

15. Research and development expenses

Research and development expenses are charged to income as incurred. Such expenses included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were as follows:

Millions of yen		Thousands of U.S. dollars
2016	2015	2016
¥ 743	¥ 586	$ 6,594

16. Income taxes

The Companies are subject to a number of taxes based on income, which, in the aggregate, indicated a statutory rate in Japan of approximately 33.0% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

The significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes were set forth in the table below.

	2016	2015
Statutory tax rate	33.0%	35.6%
Nondeductible expenses	1.0	0.8
Dividend income	(4.7)	(9.1)
Amortization of negative goodwill	-	(0.8)
Equity in earnings of affiliated companies	(1.0)	(1.8)
Intercompany cash dividend	4.3	8.6
Council tax	0.7	0.7
Decrease in deferred tax assets resulting from change in statutory rate	2.4	4.0
Valuation allowance	(18.9)	(32.8)
The Companies' effective tax rate	16.7%	5.1%

Components of the Companies' deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Net defined benefit liability	¥ 2,669	¥ 2,696	$ 23,689
Allowance for losses on sales contracts	1,524	2,247	13,526
Impairment loss	1,260	1,263	11,183
Loss carryforwards for tax purposes	1,214	2,754	10,768
Accrued cost of sales	1,150	732	10,205
Other	3,473	2,607	30,823
Total deferred tax assets	11,290	12,299	100,194
Valuation allowance	(4,110)	(5,121)	(36,471)
Net deferred tax assets	¥ 7,180	¥ 7,178	$ 63,723
Deferred tax liabilities:			
Unrealized gains on securities	¥ (1,568)	¥ (1,935)	$ (13,913)
Valuation difference in land of consolidated subsidiary	(152)	(136)	(1,351)
Other	(198)	(224)	(1,759)
Total deferred tax liabilities	(1,918)	(2,295)	(17,023)
Net deferred tax assets	¥ 5,262	¥ 4,883	$ 46,700

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On March 31, 2016, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Companies will be reduced to 30.8% for years beginning on or after April 1, 2016 and 30.6% for years beginning on or after April 1, 2018. Based on the amendments, the statutory income tax rate used for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2016 to March 31, 2018 and on or after April 1, 2018 are 30.8% and 30.6%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting deferred tax liabilities) decreased by ¥222 million as of March 31, 2016, deferred income tax expense recognized for the fiscal year ended March 31, 2016 increased by ¥304 million, unrealized gains on securities increased by ¥98 million, deferred gains and losses on hedges increased by ¥(1) million and remeasurements of defined benefit plans increased by ¥(16) million.

17. Impairment loss

Information on the impairment loss for the year ended March 31, 2016 is not provided because there was no significant loss.

Impairment loss for the year ended March 31, 2015 was as follows:

Purpose	Type	Location
Waste treatment facilities	Machinery and equipment, etc.	Nantan City, Kyoto

In Campo Recycle Plaza Co., Ltd., a consolidated subsidiary of the Company, the profitability of some noncurrent assets had declined due to a significant aging of the waste treatment facilities. Accordingly, the subsidiary decreased the book value of these assets to the recoverable value and reported the reduced amount, ¥1,425 million, as impairment loss under the extraordinary loss category. Included in this impairment loss was impairment of buildings and structures in the amount of ¥321 million, machinery and equipment ¥615 million, land ¥486 million, and other ¥3 million.

In the Company, assets held by our waste treatment facilities were grouped for the purpose of this valuation.

Recoverable values are determined based on the value in use. Because no positive future cash flows were expected, the recoverable values were estimated at 0.

18. Comprehensive income

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrealized gains on securities			
Increase (decrease) during the year	¥ (879)	¥ 2,436	$ (7,798)
Reclassification adjustments	(0)	(262)	(2)
Subtotal, before tax	(879)	2,174	(7,800)
Tax (expense) or benefit	368	(568)	3,264
Subtotal, net of tax	¥ (511)	¥ 1,606	$ (4,536)
Deferred gains and losses on hedges			
Increase (decrease) during the year	¥ (64)	¥ 11	$ (567)
Reclassification adjustments	-	-	-
Subtotal, before tax	(64)	11	(567)
Tax (expense) or benefit	23	(3)	205
Subtotal, net of tax	¥ (41)	¥ 8	$ (362)
Foreign currency translation adjustments			
Increase (decrease) during the year	¥ (55)	¥ 81	$ (484)
Reclassification adjustments	-	-	-
Subtotal, before tax	(55)	81	(484)
Tax (expense) or benefit	-	-	-
Subtotal, net of tax	¥ (55)	¥ 81	$ (484)
Remeasurements of defined benefit plans			
Increase (decrease) during the year	¥ (140)	¥ (458)	$ (1,248)
Reclassification adjustments	84	(23)	748
Subtotal, before tax	(56)	(481)	(500)
Tax (expense) or benefit	2	142	19
Subtotal, net of tax	¥ (54)	¥ (339)	$ (481)
Total other comprehensive income	¥ (661)	¥ 1,356	$ (5,863)

19. Segment information

(Supplemental information – Accounting Standard for Disclosures about Segments of an Enterprise and Related Information)

(1) General information about reportable segments

In the Group, businesses for which separate financial information is available are grouped into the following four reporting segments in accordance with the similarity of products and services of the respective business, and results of each reporting segment are reviewed periodically by the Board of Directors to assess the segment's business performance:

Domestic Environment and Energy
General waste treatment plants, industrial waste treatment plants, waste recycling plants, wastewater treatment plants, sludge combustion plants, biomass power plants and gas-turbine cogeneration systems

Overseas Environment and Energy
Waste combusting power plants and biomass power plants

Package Boiler
Compact through-flow boilers and vacuum water heating systems

Equipment and System Business
Construction equipment, equipment for semi-conductor industry and cleaning systems

(2) Basis of measurement about reported segment profit or loss and other material items

Accounting methods used for reporting segments are the same those explained in the Note 2, "Summary of significant accounting policies."

Profits of reporting units are operating incomes. Internal revenues and transfers between reporting segments are recorded using prevailing market prices.

(3) Information about reported segment profit or loss and other material items

Reportable segment information for the years ended March 31, 2016 and 2015 was as follows:

	Millions of yen						
	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Equipment and System Business	Total	Adjustment	Consolidated
Year ended March 31, 2016							
Sales:							
Outside customers	¥ 88,292	¥ 830	¥ 16,315	¥ 7,651	¥ 113,088	¥ -	¥ 113,088
Intersegment	202	-	75	13	290	(290)	-
Total	88,494	830	16,390	7,664	113,378	(290)	113,088
Reportable segment income (loss)	¥ 9,834	¥ (223)	¥ 896	¥ 352	¥ 10,859	¥ (1,670)	¥ 9,189
Others:							
Depreciation	¥ 608	¥ 12	¥ 144	¥ 25	¥ 789	¥ 51	¥ 840

	Millions of yen						
	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Equipment and System Business	Total	Adjustment	Consolidated
Year ended March 31, 2015							
Sales:							
Outside customers	¥ 79,828	¥ 1,407	¥ 16,513	¥ 6,127	¥ 103,875	¥ -	¥ 103,875
Intersegment	134	1	91	20	246	(246)	-
Total	79,962	1,408	16,604	6,147	104,121	(246)	103,875
Reportable segment income (loss)	¥ 8,899	¥ 2	¥ 898	¥ 46	¥ 9,845	¥ (1,622)	¥ 8,223
Others:							
Depreciation	¥ 683	¥ 11	¥ 124	¥ 24	¥ 842	¥ 58	¥ 900

	Thousands of U.S. dollars						
	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Equipment and System Business	Total	Adjustment	Consolidated
Year ended March 31, 2016							
Sales:							
Outside customers	$ 783,566	$ 7,367	$ 144,793	$ 67,900	$1,003,626	$ -	$1,003,626
Intersegment	1,796	-	665	115	2,576	(2,576)	-
Total	785,362	7,367	145,458	68,015	1,006,202	(2,576)	1,003,626
Reportable segment income (loss)	$ 87,276	$ (1,980)	$ 7,952	$ 3,119	$ 96,367	$ (14,814)	$ 81,553
Others:							
Depreciation	$ 5,395	$ 111	$ 1,278	$ 221	$ 7,005	$ 450	$ 7,455

Adjustments in reportable segment income (loss) include eliminations of transactions between segments and corporate expenses not allocated to reportable segment expenses, including selling, general and administrative expenses not attributable to reportable segment.

Total reportable segment income (loss) is adjusted with operating income reported on the consolidated income and loss statement.

Disclosure of information relating to segment assets is omitted since assets are not allocated to business segments.

(Related information)
Reportable segment information for the years ended March 31, 2016 and 2015 was as follows:

(1) Information about products and services
Disclosure of this information is omitted since similar information is disclosed in Note 19, "Segment information."

(2) Information about geographic areas
Revenues
Since over 90% of net sales reported on the consolidated income statements were sales to outside customers within Japan, disclosure of this information is omitted.

Tangible fixed assets
Since 90% of tangible noncurrent assets reported on the consolidated balance sheet (in terms of values) were located within Japan, disclosure of this information is omitted.

(3) Information about major customers
Since no outside customer accounted for 10% or more of net sales reported on the income statement, disclosure of this information is omitted.

(Information related to noncurrent asset impairment loss by reporting segment)

	Millions of yen						
	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Equipment and System Business	Total	Adjustment	Consolidated
Year ended March 31, 2016							
Impairment loss	¥ 267	¥ -	¥ -	¥ -	¥ 267	¥ -	¥ 267

	Millions of yen						
	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Equipment and System Business	Total	Adjustment	Consolidated
Year ended March 31, 2015							
Impairment loss	¥ 1,425	¥ -	¥ -	¥ -	¥ 1,425	¥ -	¥ 1,425

	Thousands of U.S. dollars						
	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Equipment and System Business	Total	Adjustment	Consolidated
Year ended March 31, 2016							
Impairment loss	$ 2,368	$ -	$ -	$ -	$ 2,368	$ -	$ 2,368

(Information related to amortization and unamortized balance of goodwill)

	Millions of yen						
	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Equipment and System Business	Total	Adjustment	Consolidated
Year ended March 31, 2016							
Negative goodwill:							
Amortization	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -
Balance as of March 31, 2016	-	-	-	-	-	-	-

	Millions of yen						
	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Equipment and System Business	Total	Adjustment	Consolidated
Year ended March 31, 2015							
Negative goodwill:							
Amortization	¥ 123	¥ -	¥ 38	¥ 34	¥ 195	¥ -	¥ 195
Balance as of March 31, 2015	-	-	-	-	-	-	-

	Thousands of U.S. dollars						
	Domestic Environment and Energy	Overseas Environment and Energy	Package Boiler	Equipment and System Business	Total	Adjustment	Consolidated
Year ended March 31, 2016							
Negative goodwill:							
Amortization	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Balance as of March 31, 2016	-	-	-	-	-	-	-

(Information related to gains on negative goodwill by reporting segment)
Not applicable

Independent Auditor's Report

To the Board of Directors of TAKUMA CO., LTD.:

We have audited the accompanying consolidated financial statements of TAKUMA CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015 and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgement, 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, we consider 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, while the objective of the financial statement audit is 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 present fairly, in all material respects, the financial position of TAKUMA CO., LTD. and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 28, 2016
Osaka, Japan