MESCO, Inc. and Subsidiaries

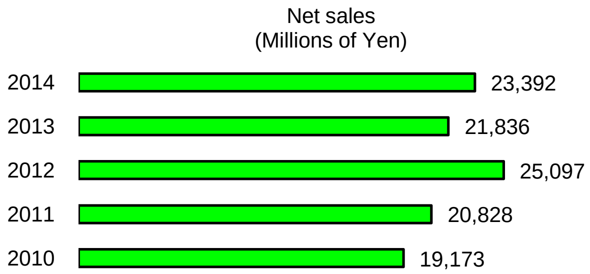
Consolidated Financial Statements
For the year ended March 31,
2013 and 2014

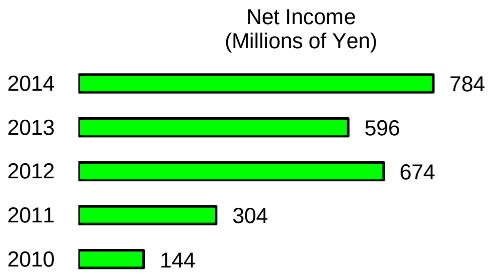
Financial Highlights

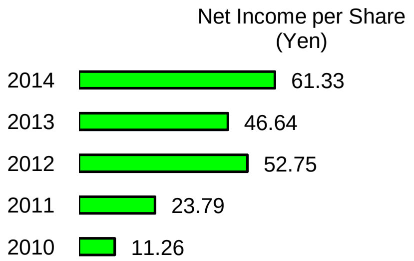
Mesco,Inc. and Consolidated Subsidiaries
Years ended March 31

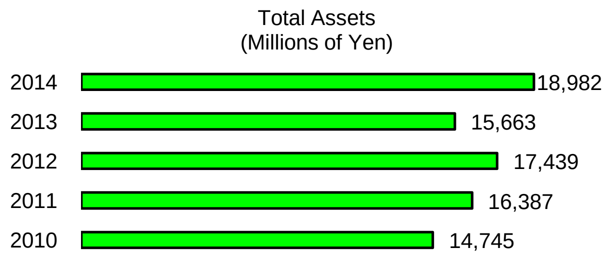
	Millions of yen			Thousands of U.S. dollars
	2012	2013	**2014**	**2014**
Consolidated Performance				
Net sales	¥25,097	¥21,836	**¥23,392**	**$227,376**
Net income	674	596	**784**	**7,617**
Total assets	17,439	15,663	**18,982**	**174,702**
Total shareholder's equity	9,527	10,059	**10,778**	**104,765**
Net income per share(￥,$)	52.75	46.64	**61.33**	**$0.60**
Cash dividends per share(￥,$)	25.00	26.00	**35.00**	**$0.34**

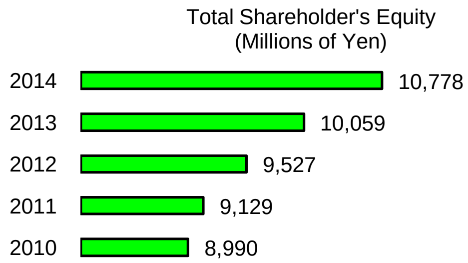
Notes:
1. All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ￥102.88 to US$1.00, the rate prevailing at March 31,2014.
2. In this report, fiscal 2014 represents the year ended March 31,2014.











Financial Section
Five-Year Summary

Mesco,Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				
	2010	2011	2012	2013	**2014**
Consolidated Performance					
For the year:					
Orders	¥15,620	¥20,615	¥25,091	¥21,412	**¥28,308**
Net sales	19,173	20,828	25,097	21,836	**23,392**
Cost of sales	16,268	17,769	21,400	18,351	**19,563**
Gross profit	2,904	3,059	3,697	3,484	**3,829**
Selling, general and administrative expenses	2,681	2,575	2,539	2,450	**2,523**
Operating income	224	485	1,158	1,034	**1,307**
Income before income taxes	286	549	1,211	1,056	**1,368**
Net income	144	304	674	596	**784**
At year-end:					
Total current assets	¥12,443	¥14,052	¥15,111	¥13,431	**¥16,778**
Total assets	14,745	16,387	17,439	15,663	**18,982**
Total current liabilities	4,568	5,911	6,527	4,402	**7,107**
Long-term liabilities	1,188	1,347	1,385	1,202	**1,097**
Total shareholders' equity	8,990	9,129	9,527	10,059	**10,778**
Per share data:					
Net income (￥)	¥11.26	¥23.79	¥52.75	¥46.64	**¥61.33**
Cash dividends applicable to the year (￥)	10.00	15.00	25.00	26.00	**35.00**
Number of employees (person)	326	313	319	326	**333**

Financial Review

Overview

Looking back at the global economy in 2014 fiscal year, although U.S. economy headed toward moderate recovery, the economic downturn in Europe continued to drag on while the ecnomies of emerging countries such as China faced slowdowns.

The Japanese economy showed a sign of economic upturn, supported by a trend of a weak yen and strong share prices, as the recovery of exports brought the increasing production and the profit improvements to companies.

Under these circumstances, on a consolidated basis, the Company's net sales duiring fiscal year amounted ￥23,392 million (US$227,376 thousand), up 7.1%, or ￥1,557 million, from the previous year.

At the earnings level, the gross profit increased 9.9% to ￥3,829 million (US$37,221 thousand), moreover the grossprofit margin was 16.4% which was improved by 0.4 percentage point from the previous year.

Selling, general and administrative (SGA) expences increased 2.9% or ￥72 million, to ￥2,523 million (US$24,521 thousand), reflecting mainly temporary additional expenses for company's 50th anniversary.

As a result, operating income improved 26.4%, or ￥273 million, to ￥1,307 million (US$12,770 thousand), income before income taxes grew 29.6%, or ￥312million, to ￥1,368 million (US$13,297 thousand).

Income taxes totaled ￥584 million (US$5,680 thousand), down 27.1%, or ￥125 million.

Consequently, net income increased 31.5%, or ￥ 188 million, to ￥784 million (US$7,617 thousand).

Net income per share was ￥61.33 (US$0.60), and cash dividends applicable to the year was ￥35.00 (US$0.34) per share.

Segment Information

Engineering

The Engineering Group's net sales edged up 6.4%, or ￥927 million, to ￥15,404 million (US$149,725 thousand) , reflecting a increase tendency of orders in the Nonferrous Metal Engineering category from overaseas

This sales rise sent segment (operating) profit up 49.8%, or ￥371million, to ￥1,116 million (US$10,848 thousand).

Piping and Soundproof materials

The Piping and Soundproof materials Group's net sales rose marginally, 6.8%, or ￥513 million, to ￥8,048 million (US$78,224 thousand) , partly due to a sales gain from new application lines, such as road panel heating pipes or antifreeze pipes.

Whereas, segment (operating) profit dropped 10.6% or ￥104 million, to ￥877million (US$ 8,521 thousand), reflecting a raising price of pipe materials.

Financial Position

The Company's total assets increased 21.2%, or ￥3,318 million, during this period, amounting to ￥18,982 million (US$184,503 thousand). This was chiefly attributable to a increase of ￥2,547 million in notes and accounts receivable.

Total liabilities increased 46.4%, or ￥2,599 million, to ￥8,203 million (US$79,738 thousand), mainly owing to a rise of ￥1,864 million in notes and accounts payable.

Factors that included ￥332 million in dividend payments, ￥784 million in net income, ￥268 million in valuation, translation adjustments and others led to a advance in total net assets of ￥719 million, to ￥10,778 million (US$104,765 thousand)

Consequently, Company's equity ratio dropped 7.4 percentage points, to 56.8%.

The Company had no interest-bearing debt at fiscal year-end.

Cash Flows

Net cash provided by operating activities advanced ￥2,415 million, to net cash inflow of ￥813 million (US$7,899 thousand), mainly reflecting ￥1,368 million of income before income taxes and minority interests , ￥1,905 million increase in notes and accounts payable, which were partially offset by ￥1,699 million decrease in notes and accounts receivable.

Net cash used in investing activities came to net cash outflow of ￥188 million (US$1,824 thousand), due mainly to ￥166 million increase in acquisition property, plant and equipments.

Net cash used in financing activities amounted to net cash outflow of ￥333 million (US$3,239 thousand), chiefly owing to ￥332 million payments for cash dividends.

As a result, cash and cash equivalents at end of year gained ￥466 million, to ￥4,679 million (US$45,478 thousand).

Forward-Looking Statement

Going forward, there is a risk that the increase in the consumption tax within the country or slowdown in overseas economies could exert downward pressure on the Japanese economy.

Nevertheless, it is anticipated that the Japanese economy will continue moving toward a moderate recovery owing to expectations of reconstruction demand, the positive effects of government economic countermeasures, a pick up in exports and an increase in investments.

In light of this environment, the Company projects that its consolidated net sales in fiscal 2015,ended March 31,2015 will amount to ￥28,500 million, up 21.8% from the level in fiscal 2014.

This projection was made by the Company based on information currently available, and it is subject to change due to various potential risks and uncertain elements. Accordingly, if events do not correspond to some of the many assumptions made by the Company to provide a basis for the projections, actual performance may be considerably different than projected performance.

Mesco and Consolidated Subsidiaries
Years ended March 31, 2015 (Prospect)

	Millions of yen FY2015	Millions of U.S.dollars (Note 1) FY2015
Net sales	￥28,500	$277
Net income	￥740	$7.19
Net income per share (￥ , $)	￥57.92	$0.56

Consolidated Balance Sheets

MESCO, Inc and Consolidated Subsidiaries

Years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2013	**2014**	**2014**
Assets			
Current assets:			
Cash and time deposits (Note 5)	¥1,763	**¥2,516**	**$24,452**
Notes and accounts receivable			
Trade	6,865	**9,412**	**91,490**
Unconsolidated subsidiaries	—	**—**	**—**
Costs on uncompleted construction contracts	1,100	**1,511**	**14,687**
Inventories (Note 3)	431	**377**	**3,660**
Deposits to the holding company (Note 5)	2,818	**2,605**	**25,316**
Deferred tax assets (Note 10)	231	**281**	**2,727**
Other current assets	230	**87**	**846**
Less:Allowance for doubtful accounts	(8)	**(10)**	**(99)**
Total current assets	13,431	**16,778**	**163,079**
Investments and other assets:			
Investment securities: (Note 12)			
Unconsolidated subsidiaries	59	**67**	**648**
Others	0	**0**	**0**
Goodwill	—	**—**	**—**
Deferred tax assets (Note 10)	324	**246**	**2,389**
Others	272	**260**	**2,523**
Less:Allowance for doubtful accounts	(19)	**(19)**	**(188)**
	635	**553**	**5,372**
Property, plant and equipment:			
Land	1,099	**1,099**	**10,682**
Buildings and structures	468	**533**	**5,181**
Machinery, vehicles and equipment	2,574	**2,574**	**25,020**
Construction in progress	118	**74**	**715**
Lease assets	5	**5**	**53**
	4,264	**4,285**	**41,652**
Less:Accumulated depreciation	(2,668)	**(2,634)**	**(25,601)**
	1,597	**1,651**	**16,052**
	¥15,663	**¥18,982**	**$184,503**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2013	**2014**	**2014**
Liabilities and Net Assets			
Current Liabilities:			
Notes and accounts payable:			
Trade	¥3,048	**¥4,961**	**$48,219**
Others	165	**165**	**1,608**
Accrued income taxes	341	**514**	**4,998**
Advances received	137	**694**	**6,746**
Accrued bonuses	341	**344**	**3,339**
Allowance for warranties for completed construction	107	**120**	**1,163**
Allowance for expected losses on construction contracts in process	57	**76**	**741**
Other current liabilities	207	**233**	**2,265**
Total current liabilities	4,402	**7,107**	**69,077**
Employee's retirement benefits (Note 11)	1,102	**—**	**—**
Liability for retirement benefits(Note 11)	—	**1,008**	**9,801**
Directors' and corporate auditors' retirement benefits	74	**62**	**607**
Deferred tax liabilities (Note 10)	0	**1**	**10**
Others	26	**25**	**243**
Contingent Liabilities(Note 7)			
Net Assets(Note 8)			
Shareholders' equity:			
Common stock			
Authorized - 32,000 thousand shares			
Issued - 12,780 thousand shares	1,085	**1,085**	**10,550**
Capital surplus	684	**684**	**6,652**
Retained earnings	8,475	**8,927**	**86,766**
Less: Treasury stock	(2)	**(2)**	**(20)**
Total Shareholders' equity	10,243	**10,694**	**103,948**
Valuation, translation adjustments and others:			
Unrealized gains (losses) on hedging derivatives,net of tax	(227)	**39**	**380**
Foreign currency translation adjustments	43	**(20)**	**(192)**
Remeasurement of defined benefit plans	—	**65**	**630**
Total valuation, translation adjustments and others	(183)	**84**	**817**
Total net assets	10,059	**10,778**	**104,765**

Consolidated Statements of Income

MESCO, Inc and Consolidated Subsidiaries
Years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2013	2014	2014
Net sales (Note 9):			
Construction contracts (Note 2)	19,159	¥20,704	$201,248
Net sales on sideline business			
Net sales of merchandise	854	924	8,984
Net sales of finished goods	1,823	1,764	17,144
Total net sales of side line business	2,677	2,688	26,128
Total net sales	21,836	23,392	227,376
Cost of sales:			
Construction contracts (Note 2)	16,216	17,317	168,327
Cost of sales on sideline business			
Cost of merchandise sold	680	760	7,390
Cost of finished goods sold	1,455	1,485	14,439
Total cost of sales on sideline business	2,135	2,245	21,829
Total cost of sales	18,351	19,563	190,155
Gross profit:			
Construction contracts (Note 2)	2,943	3,387	32,921
Gross profit on sideline business			
Gross profit-merchandise	174	164	1,595
Gross profit-finished goods	368	278	2,705
Total gross profit on sideline business	542	442	4,300
Total gross profit	3,484	3,829	37,221
Selling , general and administrative expenses (Note 6)	2,450	2,523	24,521
Operating income (Note 9)	1,034	1,307	12,700
Other income (expenses):			
Interest and dividends income	64	57	558
Interest expense	(0)	(0)	(1)
Equity in gains(losses) of unconsolidated subsidiaries	(3)	0	3
Foreign exchange gain (loss)	11	4	40
Loss on disposal of property, plant and equipment	(42)	(9)	(88)
Loss on impairment of fixed assets	(21)	—	—
Loss on valuation of membership	(1)	—	—
Others , net	14	9	85
	22	61	597
Income before income taxes	1,056	1,368	13,297
Income taxes (Note 10):			
Current	389	553	5,374
Deferred	70	31	306
	460	584	5,680
Net income	¥596	¥784	$7,617

	Yen	Yen	U.S. dollars(Note 1)
Amounts per share of common stock:			
Net income (Note 15)	¥46.64	¥61.33	$0.60
Cash dividends applicable to the year	26.00	35.00	0.34

Consolidated Statements of Comprehensive Income

MESCO, Inc and Consolidated Subsidiaries
Years ended March 31, 2014

	Millions of yen	Millions of yen	Thousands of U.S.dollars (Note 1)
	2013	**2014**	**2014**
Income before minority interests	596	**784**	**7,617**
Other comprehensive income			
Unrealized gains (losses) on hedging derivatives, net of tax	39	**(63)**	**(612)**
Foreign currency translation adjustments	208	**258**	**2,510**
Share of other comprehensive income of associates accounted for using equity method	9	**7**	**72**
Total other comprehensive income (Note 16)	255	**203**	**1,971**
Comprehensive income (Note 16)	851	**986**	**9,588**
(Breakdown)			
Comprehensive income attributable to owners of the parent	851	**986**	**9,588**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

MESCO, Inc and Consolidated Subsidiaries

Years ended March 31, 2013 and 2014

	Number of shares of common stock issued	Shareholders' equity					Valuation, translation adjustments and others				
		Common stock	Capital surplus	Retained earnings (Note 8)	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total valuation, translation adjustments and others	Total net assets
	(Thousands)	Millions of yen									
Net assets at April 1, 2013	12,780	¥1,085	¥684	¥8,475	¥(2)	**¥10,243**	¥43	¥(226)	—	¥(183)	**¥10,059**
Cash dividends				(332)		**(332)**					**(332)**
Net income				784		**784**					**784**
Net changes during the year							(63)	266	65	268	**268**
Balance at March 31, 2014	**12,780**	**¥1,085**	**¥684**	**¥8,927**	**¥(2)**	**¥10,694**	**¥(20)**	**¥39**	**¥65**	**¥84**	**¥10,778**

	Number of shares of common stock issued	Shareholders' equity					Valuation, translation adjustments and others				
		Common stock	Capital surplus	Retained earnings (Note 8)	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total valuation, translation adjustments and others	Total net assets
	(Thousands)	Millions of yen									
Net assets at April 1, 2012	12,780	¥1,085	¥684	¥8,199	¥(2)	**¥9,966**	¥4	¥(443)	—	¥(439)	**¥9,527**
Cash dividends				(319)		**(319)**					**(319)**
Net income				596		**596**					**596**
Net changes during the year							39	216	—	255	**255**
Balance at March 31, 2013	**12,780**	**¥1,085**	**¥684**	**¥8,475**	**¥(2)**	**¥10,243**	**¥43**	**¥(227)**	**—**	**¥(183)**	**¥10,059**

	Shareholders' equity					Valuation, translation adjustments and others				
	Common stock	Capital surplus	Retained earnings (Note 8)	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total valuation, translation adjustments and others	Total net assets
	Thousands of U.S. dollars (Note 1)									
Net assets at April 1, 2013	$10,550	$6,652	$82,378	$(20)	**$99,560**	$419	$(2,203)	—	$(1,783)	**$97,777**
Cash dividends			(3,229)		**(3,229)**					**(3,229)**
Net income			7,617		**7,617**					**7,617**
Net changes during the year						(612)	2,582	630	2,601	**2,601**
Balance at March 31, 2014	**$10,550**	**$6,652**	**$86,766**	**$(20)**	**$103,948**	**$(192)**	**$380**	**$630**	**$817**	**$104,765**

See accompanying notes.

Consolidated Statements of Cash Flows

MESCO, Inc and Consolidated Subsidiaries

Years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2013	**2014**	**2014**
Cash flows from operating activities:			
Income before income taxes	¥1,056	**¥1,368**	**$13,297**
Depreciation and amortization	160	**142**	**1,384**
Increase(Decrease) in allowance for doubtful accounts	11	**2**	**24**
Foreign exchange gain	(10)	**1**	**6**
Equity in gains of unconsolidated subsidiaries	3	**(0)**	**(3)**
Increase(Decrease) in Employees' retirement benefits	(167)	**7**	**68**
Increase(Decrease) in allowance for warranties for completed construction	(3)	**13**	**125**
Increase(Decrease) in allowance for expected losses on construction contracts in process	(25)	**19**	**184**
Interest and dividends income	(64)	**(57)**	**(558)**
Decrease (Increase) in notes and accounts receivable	1,455	**(1,699)**	**(16,516)**
Decrease (Increase) in costs on uncompleted construction contracts	(300)	**(410)**	**(3,981)**
Decrease (Increase) in inventories	(5)	**59**	**578**
Increase (Decrease) in accounts payable	(1,879)	**1,905**	**18,518**
Increase (Decrease) in advances received	(1,586)	**(276)**	**(2,680)**
Others, net	102	**63**	**609**
Subtotal	(1,255)	**1,137**	**11,055**
Interest and dividends received	64	**58**	**561**
Interest paid	(0)	**(0)**	**(1)**
Income taxes paid	(412)	**(382)**	**(3,716)**
Net cash provided by operating activities	(1,602)	**813**	**7,899**
Cash flows from investing activities:			
Increase in time deposits	(1)	(1)	(6)
Acquisition of property, plant and equipment	(184)	**(166)**	**(1,618)**
Acquisition of intangible assets	(3)	**(6)**	**(61)**
Others , net	6	**(14)**	**(139)**
Net cash used in investing activities	(182)	**(188)**	**(1,824)**
Cash flows from financing activities:			
Payment for cash dividends to the Company's shareholders	(1)	**(1)**	**(11)**
Repayment of lease liability	(319)	**(332)**	**(3,228)**
Net cash used in financing activities	(320)	**(333)**	**(3,239)**
Effect of exchange rate changes on cash and cash equivalents	164	**174**	**1,689**
Net increase in cash and cash equivalents	(1,941)	**466**	**4,526**
Cash and cash equivalents at beginning of year	6,154	**4,213**	**40,953**
Cash and cash equivalents at end of year (Note 5)	¥4,213	**¥4,679**	**$45,478**

See accompanying notes.

Notes to Consolidated Financial Statements

MESCO,Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2014

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 Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of MESCO, Inc. (“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 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.

Amounts less than one million yen have been rounded off in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen shown herein do not necessarily agree with the sums of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2014, which was ¥102.88 to U.S. $1. The convenience 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

a) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (the “Companies”). All significant intercompany transactions, accounts and unrealized profits among the Companies have been eliminated in consolidation. Investments in the unconsolidated subsidiaries and significant affiliates, which the Company and its subsidiaries are able to influence, in a material degree, their financial and operating decision-making, is accounted for by the equity method after the elimination of unrealized intercompany profits. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries are recorded based on the fair value at the time when the Company acquired control of the respective subsidiaries.

b) Goodwill

The consolidation difference between acquisition cost and net assets at the date of acquisition is shown as the goodwill.

c) Foreign currency translation and foreign currency financial statements

Revenues and expenses are translated at the rates of exchange prevailing when transactions are made. Monetary claims and liabilities denominated in foreign currencies are generally translated into each reporting currency at the rates of foreign exchange prevailing at the balance sheet dates and the resulting translation gains or losses are included in earnings. All assets, liabilities. revenues and expenses of consolidated foreign subsidiaries are translated into Japanese yen at the rates prevailing at their balance sheet dates. The resulting translation adjustments are shown as “Foreign currency translation adjustments,” a component of net assets.

d) Cash and cash equivalents

In the accompanying statements of cash flows, cash and cash equivalents include cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition which have high liquidity and negligible risk of price fluctuation.

e) Marketable securities and investment securities

Available-for-sale securities with fair market values are stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, are reported as a component of net assets.

Realized gains and losses on sale of such securities are computed using average cost.

Other available-for-sale securities with no available fair market value are stated at average cost.

f) Derivative transactions and hedge accounting

The Company generally state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless they are used for hedging purposes and qualified for hedge accounting.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company generally defers recognition of gains or losses resulting from changes in their fair value until the related gains or losses on the hedged items are recognized.

All of derivative contracts are based on actual demand and not for trading in the short term or for speculation.

For commodities forward transaction for purchases of inventories and currency forward contracts , the Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of the hedged items with the corresponding changes in the hedging derivative instruments.

The hedge effectiveness is skipped for currency forward contracts that are believed to have high hedge effectiveness, such as in cases where hedging instruments and hedged items share the same important characteristics.

g) Inventories

Costs on uncompleted construction contracts：	At cost on an individual basis
Inventories of side line business：	At cost on an individual basis
Other inventories：	At cost using average method

The carrying value of inventories on the balance sheet is presented at book value after write-down for a decline in earnings

h) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is generally computed by the declining-balance method based on the estimated durable years of these depreciable assets, except the straight-line method is applied to: (1) buildings, excluding building fixtures, acquired after March 31, 1998 and (2) property, plant and equipment of consolidated subsidiaries. The durable years of these assets generally range from 6 to 36 years for buildings and structures and 2 to 20 years for machinery and equipment.

i) Allowance for doubtful accounts

The Company and consolidated subsidiaries provide the allowance for doubtful accounts in an amount sufficient to cover possible losses on collection by estimating individually uncollectible amounts and applying a percentage based on collection experience to the remaining accounts.

j) Allowance for warranties on completed construction

Allowance for warranties on completed construction is provided as an estimated amount calculated using an actual percentage of related losses during a past certain period.

k) Allowance for expected losses on contraction contracts in process

An allowance is provided for estimated future losses related to the construction contracts in process.

l) Employees' retirement benefits

The Company provided employees' retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the balance sheet date. The liabilities and expenses for employees' retirement were determined based on the amounts actuarially calculated using certain assumptions.

m) Directors' and statutory auditors' retirement benefits

Directors and corporate auditors are generally entitled to receive retirement benefits based on the Companies' internal rules. Their retirement benefits are accrued at the amount required to pay in accordance with the internal rules if the directors and corporate auditors had retired at the balance sheet date.

n) Research and development expenses

Research and development expenses are charged to statements of income as incurred.

o) Income taxes

The Companies recognize tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income of each of the Companies, with certain adjustments required for consolidation and tax purposes.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

p) Net income, diluted 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 the respective fiscal year.

Diluted net income per share is not presented as there were no shares with dilutive effects in 2013 and 2014.

Cash dividends per share represent the historical amount applicable to the respective year.

q) Bonuses to directors and corporate auditors

Bonuses for directors and corporate auditors are accounted for as expense with an allowance of the estimated amount attributable for the fiscal year.

r) Recognition of revenues and related costs

Recognition of net sales and cost of sales of completed construction contracts

Construction contracts whose outcome can be estimated reliably: Percentage-of-completion method

Other construction contracts: Completed-contract method

s) Reclassification

Certain prior year amounts have been reclassified to conform to the 2011 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

t) Accounting of consumption tax

Consumption tax generally withheld upon sale, as well as that paid for purchases of goods or services, are recorded as a liability or an asset, and are excluded from the relevant revenue, costs or expenses.

u) Accounting Change

(Accounting Standard for Retirement Benefit)

The Company has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statament No.26 of May 17,2012) and "Guidance on Accounting standard for Retirement Benefits" (ASBJ Guidance No.25 of May 17,2012) since the current fiscal year end (except for the main clause of Article 35 of the standard and the main clause of Article 67 of the guidance).

Under the new standard, the Company has changed its accounting policy to one that recognizes the difference between retirement benefit obligations and plan assets as net defined benefit liabilities and has recorded unrecognized actuarial gains or losses and unrecognaized past service costs under net defined benefit liabilities.

With the application of the Accounting Standard for Retirement Benefits, the Company has followed the transitional treatment set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits. The effects arising from such charges have been added to or subtracted from remeasurement of defined benefit plans under accumulated other comprehensive income at the end of the current fiscal year.

As a result, at the end of the year ended March 31,2014, liability for retirement benefits of ￥1,008 million (US$ 9,801 thousand) was recorded, while accumulated other comprehensive income increased by ￥65 million (US$ 630 thousand). Net assets per share increased by ￥5.07 (US$ 0.05).

3.Inventories

Inventories as of March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2013	**2014**	**2014**
Merchandise and finished goods	¥141	**¥130**	**$1,265**
Raw material and supplies	291	**242**	**2,350**
Total	¥431	**¥372**	**$3,615**

4.Allowance for expected losses on construction contracts in process

Amounts of costs on uncompleted construction contracts and merchandise and finished goods, for which a construction loss is anticipated, matching with allowance for expected losses on construction contracts were as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2013	**2014**	**2014**
Allowance for expected losses on construction contracts in process	¥57	**¥76**	**$741**
Costs on uncompleted construction contracts	¥14	**2**	**15**
Merchandise and finished goods	¥0	**0**	**0**
Total	¥0	**¥0**	**$0**

Note: Costs on uncompleted construction contracts for which a construction loss is anticipated and allowance for expected losses on construction contracts in process are presented without being offset.

5.Amounts of Cash and Cash Equivalents

Amounts of cash and cash equivalents at March 31, 2013 and 2014 were reconciled with cash and time deposits as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2013	**2014**	**2014**
Cash and time deposits	¥1,763	**¥2,516**	**$24,452**
Time deposits with maturities exceeding three months from the date of deposit	367	**(441)**	**(4,290)**
Deposits to the holding company	2,818	**2,605**	**25,316**
Total: Cash and cash equivalents	¥4,213	**¥4,679**	**$45,478**

6.Research and Development Expenses

Research and development expenses included in general and administrative expenses amounted to ¥68 million and 48 **million** (US$471 thousand), for the years ended March 31, 2013 and 2014, respectively.

7.Contingent Liabilities

Contingent liabilities at March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2013	**2014**	**2014**
Notes receivable securitized with recourse	—	**—**	**—**
Total	—	**—**	**—**

8.Net Assets

The Japanese Company Law provides that an amount equal to 10 % of cash dividends and other cash appropriations of retained earnings must be set aside as a legal earnings reserve included in retained earnings until the total amount of capital surplus and the legal earnings reserve equals 25% of common stock.

The excess of the total amount of capital surplus and the legal earnings reserve over 25% of common stock can be transferred to retained earnings by a resolution of the shareholders, which may be available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Japanese Company Law.

Segment information

The operations of the Companies for the years ended March 31, 2013 and 2014 were summarized as follows.

(a) Overview of reportable segments

The reportable segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Company and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

The Company has business sectors categorized by products and services in head office, and each business sectors plans business strategies comprehensively and operates business activities domestically and internationally.

As a result, the Company reports two segments, such as "Engineering" and "Piping and Soundproof materials" based on business sectors categorized by products and services.

(b) Basis for Calculating amounts of net sales, profit or loss, assets, and other items by reported segme

Accounting procedure for reported segments is mostly the same as procedures indicated in 2. Summary of Significant Accounting Policies. Profit for reported segments is based on ordinary income. Sales for inter-segment are based on actual market prices.

(c) Information on amounts of net sales, profit or loss, assets, and other items by reported segment

Segment information as of and for the fiscal year ended March 31, 2013 was as follows:

	Millions of yen		
	Engineering	Piping and Soundproof materials	Total
Year ended March 31, 2013			
Sales			
Outside customers	¥14,470	¥7,366	¥21,836
intergroup	7	169	176
Total	14,477	7,535	22,012
Segment profit (loss)	¥745	¥980	¥1,725
Segment Assets	¥4,457	¥7,508	¥11,965
Depreciation expense	24	73	97
Interest income	29	—	29
Investment gains(losses) on equity method	(3)	—	(3)
Investments of unconsoridated subsidiaries	59	—	59
Capital expenditures	54	98	152

Segment information as of and for the fiscal year ended March 31, 2014 was as follows:

	Millions of yen		
	Engineering	Piping and Soundproof materials	Total
Year ended March 31, 2014			
Sales			
Outside customers	¥15,373	¥8,019	¥23,392
intergroup	31	28	59
Total	15,404	8,048	23,451
Segment profit (loss)	¥1,116	¥877	¥1,993
Segment Assets	¥8,562	¥6,793	¥15,355
Depreciation expense	28	83	111
Interest income	35	—	35
Investment gains(losses) on equity method	0	—	0
Investments of unconsoridated subsidiaries	67	—	67
Capital expenditures	40	113	153

	Thousands of U.S. dollars (Note 1)		
	Engineering	Piping and Soundproof materials	Total
Year ended March 31, 2014			
Sales			
Outside customers	$149,427	$77,949	$227,376
intergroup	297	275	572
Total	149,725	78,224	227,949
Operating income	$10,848	$8,521	$19,369
Identifiable assets	$83,224	$66,025	$149,249
Depreciation expense	267	811	1,079
Interest income	341	—	341
Investment gains(losses) on equity method	3	—	3
Investments of unconsoridated subsidiaries	648	—	648
Capital expenditures	387	1,100	1,487

(d) Adjustments of difference between the total of Segment information and the total of financial report

Millions of yen

Sales	March 31,2013	March 31,2014
Segment total	¥22,012	¥23,451
Intergroup	△ 176	△ 59
Sales on financial report	21,836	23,392

Millions of yen

Profits	March 31,2013	March 31,2014
Segment total	¥1,725	¥1,993
Corporation	△ 607	△ 615
Ordinary Profits on financial report	1,119	1,377

Millions of yen

Assets	March 31,2013	March 31,2014
Segment total	¥11,965	¥15,355
Corporation	3,699	3,627
Total Assets on financial report	15,663	18,982

Millions of yen

Others	Segment total		Adjustments		Financial report	
	2013	2014	2013	2014	2013	2014
Depreciation expense	¥97	¥111	¥42	¥31	¥139	¥142
Amortization of Goodwill	—	—	—	—	—	—
Interest income	29	35	35	22	64	57
Interest Expense	—	—	0	0	0	0
Investment gains(losses) on equity method	(3)	0	—	—	(3)	0
Investments of unconsoridated subsidiaries	59	67	—	—	59	67
Capital expenditures	152	153	14	31	166	184

Thousands of U.S.dollars(Note 1)

Sales	March 31,2013	March 31,2014
Segment total	$234,143	$227,949
Intergroup	△ 1,872	△ 572
Sales on financial report	232,271	227,376

Thousands of U.S.dollars(Note 1)

Profits	March 31,2013	March 31,2014
Segment total	$18,353	$19,369
Corporation	△ 6,455	△ 5,985
Ordinary Profits on financial report	11,898	13,385

Thousands of U.S.dollars(Note 1)

Assets	March 31,2013	March 31,2014
Segment total	$127,270	$149,249
Corporation	39,345	35,254
Total Assets on financial report	166,615	184,503

Thousands of U.S.dollars(Note 1)

Others	Segment total		Adjustments		Financial report	
	2013	2014	2013	2014	2013	2014
Depreciation expense	$1,029	$1,079	$451	$305	$1,479	$1,384
Interest and Dividends received	308	341	374	217	682	558
Interest Paid	0	0	1	1	1	1
Investment gains(losses) on equity method	(33)	3	—	—	(33)	3
Investments of unconsoridated subsidiaries	627	648	—	—	627	648
Capital expenditures	1,621	1,487	145	302	1,766	1,788

(f) Relative Information
March 31,2014

1. Area information
Sales

Millions of yen

Japan	Others	Total
¥18,872	¥4,511	¥23,392

Thousands of U.S.dollars(Note 1)

Japan	Others	Total
$183,436	$43,843	$227,376

2. Main Customer Information

Millions of yen

Customer's name	Sales	Relevant Segment
Mitsui Mining and Smelting Co., Ltd.	¥4,286	Engineering

Thousands of U.S.dollars(Note 1)

Customer's name	Sales	Relevant Segment
Mitsui Mining and Smelting Co., Ltd.	$41,663	Engineering

10.Income Taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 37.8% for the years ended March 31, 2013 and the years ended March 31 ,2014. Its foreign subsidiaries were subject to the income taxes of the countries in which they operate.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2013	**2014**	**2014**
Deferred tax assets:			
Unpaid enterprise tax	¥28	**¥38**	**$371**
Accrued business office taxes	4	**4**	**39**
Excess accrued bonuses to employees	129	**122**	**1,182**
Allowance for warranties for completed construction	40	**42**	**412**
Allowance for expected losses on construction contracts in process	22	**27**	**262**
Employees' retirement benefits	393	**392**	**3,815**
Directors' and corporate auditors' retirement benefits	26	**22**	**215**
Excess bad debt expenses	9	**10**	**99**
Loss on valuation of golf course membership	12	**12**	**118**
Loss on valuation of inventories	6	**3**	**27**
Accrued social insurance	21	**21**	**201**
Loss on impairment of fixed assets	7	**7**	**64**
Others	24	**33**	**317**
Subtotal	¥722	**¥733**	**$7,121**
Valuation allowance	(¥15)	**(¥19)**	**($184)**
Total deferred tax assets	¥707	**¥714**	**$6,937**
Deferred tax liabilities:			
Unrealized gains (losses) on hedging derivatives, net of tax	(¥26)	**－**	**—**
Retained earnings of foreign subsidiaries	(¥125)	**(¥152)**	**($1,475)**
Others	(¥0)	**(¥1)**	**($10)**
Total deferred tax liabilities	¥151	**(¥153)**	**($1,485)**
Net deferred tax assets	¥555	**¥561**	**$5,451**

The net deferred tax assets at March 31, 2013 and 2014 were contained in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2013	**2014**	**2014**
Deferred tax assets - current	¥231	**¥281**	**$2,727**
Deferred tax assets - non current	¥324	**¥281**	**$2,734**
Deferred tax liabilities - non current	(0)	**(1)**	**(10)**

The following table summarizes the significant differences between the statutory effective tax rate and the tax rate calculated based on the Company's consolidated financial statements for the year ended March 31, 2013 and 2014.

	2013	**2014**
Statutory income tax rate	37.8%	**37.8%**
Permanent difference due to non-deductible expense	2.1	**1.9**
Inhabitant tax	1.6	**1.2**
Valuation allowance	—	**0.3**
Difference in tax rates of foreign consolidated subsidiaries	(1.0)	**(1.4)**
Retained earnings of foreign consolidated subsidiaries	1.8	**2.0**
Change in income tax rates	—	**1.5**
Others	1.3	**(0.6)**
Tax rate calculated based on the Companies' consolidated financial statements	43.6%	**42.7%**

11.Employees' Retirement Benefits

The Company provides two retirement benefit plans for employees, an unfunded retirement plan and a funded retirement plan, under which all eligible employees are entitled to benefits based on the length of service and basic rate of pay at the time of termination.
Employees' retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2013	**2014**	**2014**
Projected benefit obligation	¥2,063	**(¥2,169)**	**($21,079)**
Plan assets at fair value	1,034	**1,160**	**11,278**
Projected benefit obligation in excess of plan assets	(1,030)	**(1,008)**	**(9,801)**
Less: unrecognized actuarial differences	(72)	**(100)**	**(975)**
Less: unrecognized prior service costs	—	—	—
Allowance for employees' retirement benefits	(¥1,102)	**(¥1,109)**	**($10,776)**

The employee's retirement benefit costs for the year ended March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2013	**2014**	**2014**
Service costs-benefits earned during the year	¥116	**¥118**	**$1,148**
Interest cost on projected benefit obligation	36	**21**	**200**
Expected return on plan assets	(1)	**(4)**	**(36)**
Amortization of actuarial differences	(48)	**(25)**	**(248)**
Amortization of prior service costs	—	—	—
Employees' retirement benefit costs	¥103	**¥109**	**$1,064**

The actuarial assumptions for calculating the projected benefit obligation for the years ended March 31, 2013 and 2014 were as follows:

	2013	**2014**
Attribution of benefits to periods of service	Benefit/ years of-service -approach	**Benefit/ years of-service -approach**
Discount rate used to determine the projected benefit obligation	1.0%	**1.0%**
Expected return on plan assets	0.1%	**0.1%**
Period to amortize the actuarial differences	3 years	**3 years**
Period to amortize prior service costs	5 years	**5 years**

12.Financial Instruments

(a)Conditions of Financial Instruments

1. Policy for financial instruments

The Companies raise funds primarily through bank loans.
Temporary fund surpluses are managed principally through short-term deposits.
The Companies utilize financial assets with high degrees of safety for surplus funds.
The Companies use derivatives to reduce risk as described below and do not enter into derivatives for trading in the short term or for speculation.

2.Description of financial instruments, risk

Notes and accounts receivable from completed construction contracts- are exposed to the credit risks of customers.
Because the Companies are expanding their business globally, certain trade receivables denominated in foreign currencies are exposed to foreign currency exchange rate fluctuation risk.
For this risk, currency forward contracts are used on a certain portion of the positions that are considered as necessary.
Deposits to the holding company is deposits paid to the holding company in accordance with the policy of management for temporary fund surpluses.
Investment securities are equity securities, and most of which is equity securities for unconsolidated subsidiaries.

The majority of notes and accounts payable for construction contracts have payment due dates of less than one year. A portion of those are denominated in foreign currencies in association with the import of materials and equipments, raw materials and others are thus exposed to foreign currency exchange rate fluctuation risks. For this risk,currency forward contracts are used on a certain portion of the positions that are considered as necessary.

Derivative transactions entered into by the Companies are implemented and controlled based on the Company’s internal policies. Moreover, in order to mitigate credit risk, the Companies only conduct business with highly rated financial institutions and trading companies.
Regarding derivative transactions please refer to “Notes to Consolidated Financial Statements 13. Derivative Transactions”.

3.Description of risk management system

Supplementary explanation regarding fair value of financial instruments
The fair value of financial instruments is measured based on the market price, if available, or reasonably estimated value if a market price is not available. Because fair value is estimated based on certain assumptions, the fair value might differ if different assumptions are used.
In addition, the contract amount of the derivative transactions described below in Notes 13 (Derivative Transactions) does not represent the market risk of the derivative transactions.

(b)Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2014 are as next page. In addition, financial instruments, of which it is extremely difficult to measure the fair value, are not included. (Please refer to “2. Financial instruments whose fair value is extremely difficult to measure”)

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
Year ended March 31, 2014			
Assets:			
(a)Cash and time deposits:	**¥2,516**	**¥2,516**	¥ —
(b)Notes and accounts receivable from completed construction contracts:	**9,412**	**9,412**	—
(c) Deposits to the holding company:	**2,605**	**2,605**	—
Total:	**14,533**	**14,533**	—
Liabilities:			
(a)Notes and accounts payable for construction contracts:	**4,961**	**4,961**	—
(b)Advances received on uncompleted construction contracts:	**694**	**694**	—
Total:	**5,655**	**5,655**	—
Derivative transactions	**(31)**	**(31)**	—

Notes:Derivative assets and liabilities are on net basis. Items that are net liabilities are shown in parenthesis.

	Thousands of U.S.dollars (Note 1)		
	Consolidated balance sheet amount	Fair value	Difference
Year ended March 31, 2014			
Assets:			
(a)Cash and time deposits:	**$24,452**	**24,452**	$ —
(b)Notes and accounts receivable from completed construction contracts:	**91,490**	**91,490**	—
(c) Deposits to the holding company:	**25,316**	**25,316**	—
Total:	**141,258**	**141,258**	—
Liabilities:			
(a)Notes and accounts payable for construction contracts:	**48,219**	**48,219**	—
(b)Advances received on uncompleted construction contracts:	**6,746**	**6,746**	—
Total:	**54,964**	**54,964**	—
Derivative transactions	**(298)**	**(298)**	—

Notes:Derivative assets and liabilities are on net basis. Items that are net liabilities are shown in parenthesis.

Notes:

1. Method of estimating fair value of financial instruments

Assets:

(a)Cash and time deposits and (c)Deposits to the holding company:

The consolidated balance sheet amounts approximate fair value because of the short maturity of these instruments.

(b)Notes and accounts receivable from completed construction contracts:

The fair values of these financial instruments are equivalent to the book value, because of the short term settlements;

although, the fair value of notes and accounts receivable from completed construction contracts due over one year are based on the present value of discounted cash flows using the interest rate determined by the factors such as bonds issued by the government of Japan.

Liabilities:

(a)Notes and accounts payable for construction contracts (b)Advances received on uncompleted construction contracts

The consolidated balance sheet amounts approximate fair value because of the short maturity of these instruments.

Derivative transactions:

Contract amount, fair value, unrealized gain or loss, and others are described in “Notes to Consolidated Financial Statements 13. Derivative Transactions” .

2. Financial instruments whose fair value is extremely difficult to measure

Classification	Consolidated balance sheet amount Millions of yen	Thousands of U.S.dollars(Note 1)
Unlisted equity securities	**¥67**	**$648**

Investment securities is only unlisted equity securities, and there is no market value and it is extremely difficult to measure the fair value.

3. The redemption schedule for money claim with maturity date subsequent to the consolidated balance sheets date

	Millions of yen	
	April 1 , 2014 to March 31 , 2015	April 1 , 2015 to March 31 , 2019
Year ended March 31, 2013		
(a)Cash and time deposits:	**¥2,516**	¥ —
(b)Notes and accounts receivable from completed construction contracts:	**9,412**	—
(c) Deposits to the holding company:	**2,605**	—
Total:	**14,533**	—

	Thousands of U.S.dollars (Note 1)	
	April 1 , 2014 to March 31 , 2015	April 1 , 2015 to March 31 , 2019
Year ended March 31, 2013		
(a)Cash and time deposits:	**$24,452**	$ —
(b)Notes and accounts receivable from completed construction contracts:	**91,490**	—
(c) Deposits to the holding company:	**25,316**	—
Total:	**141,258**	—

13.Derivative Transactions

The Company used currency forward contracts to hedge transactions, such as sales denominated in foreign currencies and forecasted purchases of inventories (mainly construction materials and raw materials) against foreign currency exchange risk.
The Companies utilized commodities forward transaction to reduce the Companies' exposure to fluctuations in raw material prices which is subject to international market fluctuation.
All of these contracts were based on actual demand and not for trading in the short term or for speculation.

Derivative transactions for which hedge accounting had been applied as of March 31, 2014 were as follows:

Currency-related derivatives

Type	Hedged items		Millions of yen	Thousands of U.S. dollars(Note 1)
			2014	**2014**
Forward contracts				
Selling:				
U.S.dollars:	Notes and accounts receivable from completed construction contracts	Contract amounts	**¥837**	**$8,138**
		Due over one year	**—**	**—**
		Market value	**879**	**8,547**
		Unrealized gain(loss)	**42**	**409**
Buying:				
U.S.dollars:	Notes and accounts payable for construction contracts	Contract amounts	**¥106**	**$1,028**
		Due over one year	**—**	**—**
		Market value	**117**	**1,137**
		Unrealized gain(loss)	**11**	**109**
Euros:	Notes and accounts payable for construction contracts	Contract amounts	**¥60**	**$586**
		Due over one year	**—**	**—**
		Market value	**66**	**637**
		Unrealized gain(loss)	**5**	**51**
Malaysia Ringgits	Notes and accounts payable for construction contracts	Contract amounts	**¥133**	**$1,293**
		Due over one year	**—**	**—**
		Market value	**127**	**1,243**
		Unrealized gain(loss)	**(5)**	**(49)**
	Total	Contract amounts	**¥1,136**	**$11,044**
		Due over one year	**—**	**—**
		Market value	**1,190**	**11,565**
		Unrealized gain(loss)	**54**	**520**

Notes:
(a)The deferred hedge method is applied as hedge accounting methods.
(b)Market values of currency forward contracts are based on prices provided by financial institutions.

14.Related Party Transactions

1. Year ended March 31, 2013

(1) Transactions of the Company with its holding company and significant shareholders, for the year ended March 31, 2012were as follows:

	Millions of Yen			
	2013			
(a) Name (b) Attribution (c) Capital (Millions of yen) (d) Equity ownership percentage held by the holding company	Transactions during the year ended March 31, 2013		Balance at the end of the year	
	Description of transaction	Amount	Account	Amount
(a) Mitsui Mining And Smelting Co.,Ltd.	Sales	¥2,038	Notes and accounts receivable from completed construction contracts	¥335
(b) Holding Company	Purchases	592	Notes and accounts payable from completed construction contracts	188
			Other current liabilities	15
(c) 42,129	Withdrawal of funds	2,121	Deposits to the holding company	2,818
(d) Direct 63.4%	Interest income	35	—	—
	Interest expense	0	—	—

Notes：
1. The amounts stated above do not include consumption tax, except for the balance at fiscal year end, which includes the consumption tax amount.
2. Business conditions and policy of business conditions
   (i)The amount of orders was determined properly on an arm's – length basis as in the case of other general transactions
   (ii)The purchase amount of raw materials for metal processing was determined properly considering normal market prices as in the case of other general transactions
   (iii)The deposits paid to its holding company was determined properly considering normal market interest rates as in the case of other general transactions
3. Workers on loan
   The Company accepted 24 workers on loan (24 support persons on engineering service) from Mitsui Mining & Smelting Co.,Ltd.(its holding company）by request from the Company based upon the contract between the two parties for the year ended March 31, 2013.
4. The transaction amount of deposits paid to its holding company is stated in net increase basis.

(2) Transactions of the Company with its unconsolidated subisidiary for the year ended March 31, 2013 were as follows:

	Millions of Yen			
	2013			
(a) Name (b) Attribution (c) Capital (Thousands of Baht) (d) Equity ownership percentage of the Company	Transactions during the year ended March 31, 2013		Balance at the end of the year	
	Description of transaction	Amount	Account	Amount
(a) Siam Mesco Co.,Ltd. (b) Unconsolidated subsidiary	Sales	¥2	—	—
(c) 3,000 (d) 49.0%	Purchases	5	—	—

Notes：
1. The amounts stated above do not include consumption tax, except for the balance at fiscal year end, which includes the consumption tax amount.
2. Business conditions and policy of business conditions
   (i)The amount of orders was determined properly on an arm's – length basis as in the case of other general transactions
   (ii)The purchase amount of raw materials for metal processing was determined properly considering normal market prices as in the case of other general transactions
3. SIAM MESCO Co.,Ltd is regarded as subsidiary because a majority of directors are made up of by the Company's directors or employees.

(3) Transactions of the Company with companies with the same parent company and subsidiaries of other affiliates of the Company for the year ended March 31, 2013 were as follows:

Millions of Yen				
2013				
(a) Name (b) Attribution (c) Capital (d) Equity ownership percentage of the Company	Transactions during the year ended March 31, 2013		Balance at the end of the year	
	Description of transaction	Amount	Account	Amount
(a) Hachinohe Smelting Co.,Ltd. (b) Company with the same parent company	Sales	¥1,770	Notes and accounts receivable from completed construction contracts	¥108
			Advances received on uncompleted construction contracts	19
(c) 4,795 millions of yen	Rent income of facilities	7	Other current receivable	4
(d) —	Purchases	20	Notes and accounts payable from completed construction contracts	2
			Other current liabilities	2

Notes:

1. The amounts stated above do not include consumption tax, except for the balance at fiscal year end, which includes the consumption tax amount.
2. Business conditions and policy of business conditions
   (i)The amount of orders received was determined properly on an arm's – length basis as in the case of other general transactions

(4) Notes about parent company and significant affiliated company
Information on its parent company
Mitsui Mining & Smelting Co.,Ltd. (listed in Tokyo Stock Exchange and Osaka Stock Exchange)

2. Year ended March 31, 2014

(1) Transactions of the Company with its holding company and significant shareholders, for the year ended March 31, 2014 were as follows:

Millions of Yen				
2014				
(a) Name (b) Attribution (c) Capital (Millions of yen) (d) Equity ownership percentage held by the holding company	Transactions during the year ended March 31, 2014		Balance at the end of the year	
	Description of transaction	Amount	Account	Amount
(a) Mitsui Mining And Smelting Co.,Ltd.	Sales	¥4,286	Notes and accounts receivable from completed construction contracts	¥1,318
(b) Holding Company	Purchases	625	Notes and accounts payable from completed construction contracts	193
			Other current liabilities	16
(c) 42,129	Withdrawal of funds	213	Deposits to the holding company	2,605
(d) Direct 63.4%	Interest income	22	―	―
	Interest expense	0	―	―

Thousands of U.S.dollars (Note1)				
2014				
(a) Name (b) Attribution (c) Capital (Millions of yen) (d) Equity ownership percentage held by the holding company	Transactions during the year ended March 31, 2014		Balance at the end of the year	
	Description of transaction	Amount	Account	Amount
(a) Mitsui Mining And Smelting Co.,Ltd.	Sales	$41,663	Notes and accounts receivable from completed construction contracts	$12,814
(b) Holding Company	Purchases	6,073	Notes and accounts payable from completed construction contracts	1,874
			Other current liabilities	157
(c) 42,129	Withdrawal of funds	2,073	Deposits to the holding company	25,316
(d) Direct 63.4%	Interest income	216	―	―
	Interest expense	1	―	―

Notes:
1. The amounts stated above do not include consumption tax, except for the balance at fiscal year end, which includes the consumption tax amount.
2. Business conditions and policy of business conditions
   (i)The amount of orders was determined properly on an arm's – length basis as in the case of other general transactions
   (ii)The purchase amount of raw materials for metal processing was determined properly considering normal market prices as in the case of other general transactions
   (iii)The interest rate of deposits paid to its holding company was determined properly considering normal market interest rates as in the case of other general transactions
3. Workers on loan
   The Company accepted 24 workers on loan (24 support persons on engineering service) from Mitsui Mining & Smelting Co.,Ltd.(its holding company) by request from the Company based upon the contract between the two parties for the year ended March 31, 2014.
4. The transaction amount of withdrawal of funds is stated in net increase basis.

(2) Transactions of the Company with its unconsolidated subsidiary for the year ended March 31, 2014 were as follows:

(a) Name (b) Attribution (c) Capital (Thousands of Baht) (d) Equity ownership percentage of the Company	Millions of Yen 2014 Transactions during the year ended March 31, 2014 Description of transaction	Amount	Balance at the end of the year Account	Amount
(a) Siam Mesco Co.,Ltd. (b) Unconsolidated subsidiary	Sales	¥5	―	―
(c) 3,000 (d) 49.0%	Purchases	15	―	―

(a) Name (b) Attribution (c) Capital (Thousands of Baht) (d) Equity ownership percentage of the Company	Thousands of U.S.dollars (Note1) 2014 Transactions during the year ended March 31, 2014 Description of transaction	Amount	Balance at the end of the year Account	Amount
(a) Siam Mesco Co.,Ltd. (b) Unconsolidated subsidiary	Sales	$45	―	―
(c) 3,000 (d) 49.0%	Purchases	147	―	―

Notes：
1. The amounts stated above do not include consumption tax, except for the balance at fiscal year end, which includes the consumption tax amount.
2. Business conditions and policy of business conditions
   (i)The amount of orders received was determined properly on an arm’s – length basis as in the case of other general transactions
   (ii)The purchase amount of raw materials for metal processing was determined properly considering normal market prices as in the case of other general transactions
3. SIAM MESCO Co.,Ltd is regarded as subsidiary because a majority of directors are made up of by the Company's directors or employees.

(3) Transactions of the Company with companies with the same parent company and subsidiaries of other affiliates of the Company for the year ended March 31, 2014 were as follows:

	Millions of Yen			
	2014			
(a) Name (b) Attribution (c) Capital (d) Equity ownership percentage of the Company	Transactions during the year ended March 31, 2014		Balance at the end of the year	
	Description of transaction	Amount	Account	Amount
(a) Mitsui Kinzoku Catalysts America,Inc. (b) Company with the same parent company (c) 10 millions of US dallors (d) —	Sales	¥484	Notes and accounts receivable from completed construction contracts	¥284
(a) Hachinohe Smelting Co.,Ltd.	Sales	¥1,474	Notes and accounts receivable from completed construction contracts	¥231
(b) Company with the same parent company			Advances received on uncompleted construction contracts	0
(c) 4,795 millions of yen	Rent income of facilities	8	Other current receivable	5
(d) —	Purchases	30	Notes and accounts payable from completed construction contracts	11
			Other current liabilities	2

	Thousands of U.S.dollars (Note1)			
	2014			
(a) Name (b) Attribution (c) Capital (d) Equity ownership percentage of the Company	Transactions during the year ended March 31, 2014		Balance at the end of the year	
	Description of transaction	Amount	Account	Amount
(a) Mitsui Kinzoku Catalysts America,Inc. (b) Company with the same parent company (c) 10 millions of US dallors (d) —	Sales	$4,704	Notes and accounts receivable from completed construction contracts	$2,760
(a) Hachinohe Smelting Co.,Ltd.	Sales	$14,330	Notes and accounts receivable from completed construction contracts	$2,248
(b) Company with the same parent company			Advances received on uncompleted construction contracts	$0
(c) 4,795 millions of yen	Rent income of facilities	77	Other current receivable	52
(d) —	Purchases	296	Notes and accounts payable from completed construction contracts	110
			Other current liabilities	21

Notes:
1. The amounts stated above do not include consumption tax, except for the balance at fiscal year end, which includes the consumption tax amount.
2. Business conditions and policy of business conditions
   (i)The amount of orders received was determined properly on an arm's – length basis as in the case of other general transactions

15.Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2013 and 2014 were as follows:

	Net income (Millions of yen)	Weighted-average shares (Thousands)	Net income per share (Yen)
Year ended March 31, 2013			
Net income available to common shareholders	¥595	12,777	¥46.64

	Net income (Millions of yen)	Weighted-average shares (Thousands)	Net income per share (Yen)	Net income per share (U.S.dollars (Note 1))
Year ended March 31, 2014				
Net income available to common shareholders	**¥784**	**12,777**	**¥61.33**	**$0.60**

16.Consolidated Statement of Comprehensive Income

Year ended March 31, 2014

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

	Millions of yen 2014	Thousands of U.S. dollars(Note1) 2014
Unrealized gains (losses) on hedging derivatives:		
Increase(decrease) during the year	**(¥31)**	**($326)**
Reclassification adjustments	**(69)**	**(738)**
Sub-total, before tax	**(100)**	**(1,064)**
Tax (expense) or benefit	**37**	**394**
Sub-total, net of tax	**(63)**	**(669)**
Foreign currency translation adjustments:		
Increase(decrease) during the year	**258**	**2,747**
Sub-total, net of tax	**258**	**2,747**
Share of other comprehensive income of associates accounted for using equity		
Increase(decrease) during the year	**7**	**79**
Sub-total, net of tax	**7**	**79**
Total other comprehensive income	**203**	**2,157**

Directors and Auditors
(As of June 24, 2014)

Jun-ichi Araki
President and Representative Director

Toru Higuchi
Managing and Representative Director

Yoshinori Ueda
Managing and Representative Director

Takashi Saito
Managing and Representative Director

Directors
Kiyoshi Yanagi
Katsuaki Masamichi
Kiichiro Hirato
Motohiro Kihara
Masahiro Hayashi
Katsunori Kobayashi

Auditors
Tetsuro Mizuki
Akira Kutsunai
Daigaku Sakai
Yasuhiko Ayabe

Coporate Data
(As of March 31, 2014)

Established: February 17, 1964

Authorized Capital: 32,000,000 shares

Shares issued: 12,780,000 shares

Paid-in capital: ￥1,085,350,000

Stock listing: Common stock is listed on the Tokyo stock exchange.

Number of shareholders: 641

The Holding Company:

	Percentage of outstanding shares (%)
Mitsui Mining & Smelting Co.,Ltd.	63.4

Consolidated subsidiaries:

	Paid-in Capital (Millions)	Share (%)
MESCO(U.S.A.),INC.	¥13	100
MESCOENG(MALAYSIA) SDN.BHD.	¥15	100
TAIWAN MESCO Co.,Ltd.	¥18	100

Non-consolidated subsidiaries:

	Paid-in Capital (Millions)	Share (%)
SIAM MESCO Co.,Ltd.	¥5	49

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Philippine Branch
Barangay Taganito, Claver, Surigao del Norte,
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