MESCO, Inc. and Subsidiaries

Consolidated Financial Statements
For the year ended March 31,
2014 and 2015

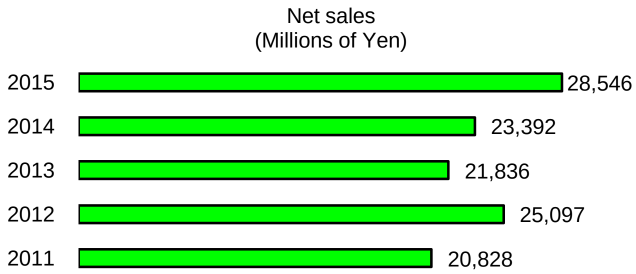
Financial Highlights

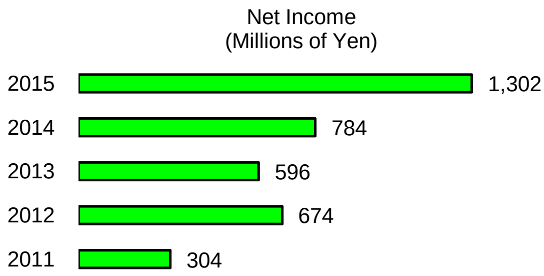
Mesco,Inc. and Consolidated Subsidiaries

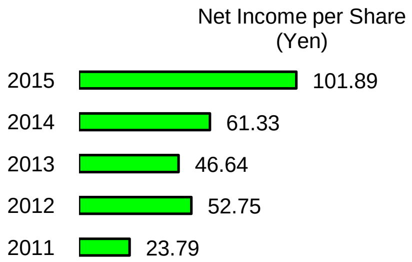
Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2013	2014	**2015**	**2014**
Consolidated Performance				
Net sales	¥21,836	¥23,392	**¥28,546**	**$237,587**
Net income	596	784	**1,302**	**10,834**
Total assets	15,663	18,982	**20,730**	**172,536**
Total shareholder's equity	10,059	10,778	**11,917**	**99,185**
Net income per share(￥,$)	46.64	61.33	**101.89**	**$0.85**
Cash dividends per share(￥,$)	26.00	35.00	**45.00**	**$0.37**

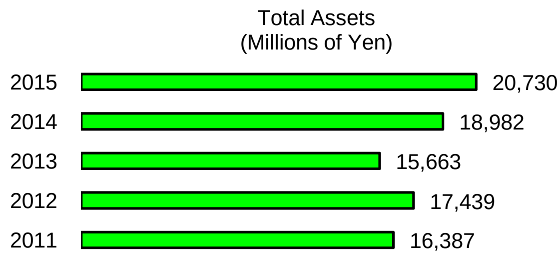
Notes: 1. All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ￥120.15 to US$1.00, the rate prevailing at March 31,2015.

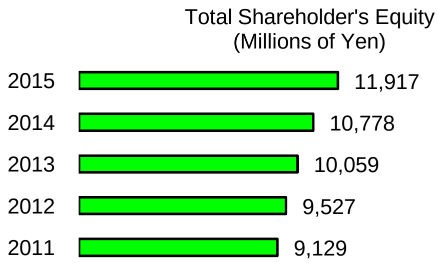
2. In this report, fiscal 2015 represents the year ended March 31,2015.











Financial Section
Five-Year Summary

Mesco,Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				
	2011	2012	2013	2014	**2015**
Consolidated Performance					
For the year:					
Orders	¥20,615	¥25,091	¥21,412	¥28,308	**¥25,277**
Net sales	20,828	25,097	21,836	23,392	**28,546**
Cost of sales	17,769	21,400	18,351	19,563	**23,872**
Gross profit	3,059	3,697	3,484	3,829	**4,674**
Selling, general and administrative expenses	2,575	2,539	2,450	2,523	**2,570**
Operating income	485	1,158	1,034	1,307	**2,103**
Income before income taxes	549	1,211	1,056	1,368	**2,164**
Net income	304	674	596	784	**1,302**
At year-end:					
Total current assets	¥14,052	¥15,111	¥13,431	¥16,778	**¥18,414**
Total assets	16,387	17,439	15,663	18,982	**20,730**
Total current liabilities	5,911	6,527	4,402	7,107	**7,652**
Long-term liabilities	1,347	1,385	1,202	1,097	**1,161**
Total shareholders' equity	9,129	9,527	10,059	10,778	**11,917**
Per share data:					
Net income (￥)	¥23.79	¥52.75	¥46.64	¥61.33	**¥101.89**
Cash dividends applicable to the year (￥)	15.00	25.00	26.00	35.00	**45.00**
Number of employees (person)	313	319	326	333	**333**

Financial Review

Overview

During the fiscal year ended March 31, 2015, the U.S. economy continued its recovery trend, although the outlook for the global economy remained uncertain due to growing geopolitical risk in the Middle East and Eastern Europe and a slowdown of growth in China.

In the Japanese economy, there were signs of improvements in corporate results and the employment environment partly due to the effects of the economic and financial policies of the government and the Bank of Japan. However, the economy still remained in the condition requiring further time for full recovery due to uncertainty towards a downswing in overseas economies arising from factors such as the slowdown of growth in the economies of emerging countries.

Under these circumstances, on a consolidated basis, the Company's net sales during fiscal year amounted ￥28,546 million (US$237,587 thousand), up 22.0%, or ￥5,154 million, from the previous year.

At the earnings level, the gross profit increased 22.1% to ￥4,674 million (US$38,900 thousand), and, the grossprofit margin was 16.4% which was same as the previous year.

Selling, general and administrative (SGA) expences increased 1.9% or ￥48 million, to ￥2,570 million (US$21,393 thousand).

As a result, operating income improved 61.0%, or ￥797 million, to ￥2,103 million (US$17,506 thousand), and, income before income taxes grew 58.2%, or ￥796million, to ￥2,164 million (US$18,011 thousand).

Income taxes totaled ￥862 million (US$7,177 thousand), up 47.6%, or ￥278 million.

Consequently, net income surged 66.1%, or ￥ 518 million, to ￥1,302 million (US$10,834 thousand).

Net income per share was ￥101.89 (US$0.85), and cash dividends applicable to the year was ￥45.00 (US$0.37) per share.

Segment Information

Engineering

The Engineering Group's net sales increased 40.9%, or ￥6,301million, to ￥21,704 million (US$180,644 thousand) , reflecting the completion of some large projects for the nonferrous metal smelting/refining facilities and electronics material producing facilities.

This sales rise sent segment (ordinary) profit up 68.6%, or ￥765million, to ￥1,881million (US$15,658 thousand).

Piping and Soundproof materials

The Piping and Soundproof materials Group's net sales fell down 10.2%, or ￥818 million, to ￥7,229 million (US$60,168 thousand) , reflecting some large projects were carried over which had been scheduled to be completed by the end of the fiscal year ended March 31,2015.

Whereas, segment (ordinary) profit edged up 2.2% or ￥19 million, to ￥895million (US$ 7,457 thousand) due to the effort for the cost-of-sales reduction.

Financial Position

The Company's total assets grew 9.2%, or ￥1,749 million, during this period, amounting to ￥20,730 million (US$172,536 thousand). This was chiefly attributable to a increase of ￥1,937 million in deposit to the holding company.

Total liabilities increased 7.4%, or ￥610 million, to ￥8,813 million (US$73,351 thousand), owing to a rise of ￥160 million in notes and accounts payable-trade, ￥101 million in accrued income taxes and ￥220 million in advances received.

Factors that included an increase of ￥853 million in net income led to a advance in total net assets of ￥1,138 million, to ￥11,917 million (US$99,185 thousand)

Consequently, Company's equity ratio rose 0.7 percentage-point, to 57.5%.

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

Cash Flows

Net cash provided by operating activities advanced ￥1,321 million, to net cash inflow of ￥2,134 million (US$17,762 thousand), mainly reflecting ￥2,164 million of income before income taxes and minority interests and ￥1,376 million of decrease in notes and accounts receivable, which were partially offset by ￥1,130 million decrease in advances received.

Net cash used in investing activities came to net cash outflow of ￥150 million (US$1,252 thousand), due mainly to ￥120 million increase in acquisition property, plant and equipments.

Net cash used in financing activities amounted to net cash outflow of ￥450 million (US$3,746 thousand), chiefly owing to ￥448 million payments for cash dividends.

As a result, cash and cash equivalents at end of year gained ￥1,659 million, to ￥6,338 million (US$52,747 thousand).

Forward-Looking Statement

The global economy is forecast to continue growing moderately, supported by a stable U.S.economy. There are potential risks, however, for the Japanese and global economies, including uncertain ecnomic trends in the E.U., China and other emerging countries, falling oil prices and geopolitical risks, as well as other negative factors.

In light of this environment, the Company projects that its consolidated net sales in fiscal 2016,ended March 31,2016 will amount to ￥26,200 million, down 8.2% from the level in fiscal 2015.

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, 2016 (Prospect)

	Millions of yen FY2016	Millions of U.S.dollars (Note 1) FY2016
Net sales	￥26,200	$218
Net income	￥720	$6.00
Net income per share (￥ , $)	￥56.36	$047

Consolidated Balance Sheets

MESCO, Inc and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2014	**2015**	**2015**
Assets			
Current assets:			
Cash and time deposits (Note 5)	¥2,516	**¥2,288**	**$19,047**
Notes and accounts receivable			
Trade	9,412	**9,402**	**78,250**
Unconsolidated subsidiaries	—	**—**	**—**
Costs on uncompleted construction contracts	1,511	**1,414**	**11,766**
Inventories (Note 3)	377	**419**	**3,488**
Deposits to the holding company (Note 5)	2,605	**4,541**	**37,795**
Deferred tax assets (Note 10)	281	**265**	**2,206**
Other current assets	87	**96**	**795**
Less:Allowance for doubtful accounts	(10)	**(11)**	**(90)**
Total current assets	16,778	**18,414**	**153,253**
Investments and other assets:			
Investment securities: (Note 12)			
Unconsolidated subsidiaries	67	**80**	**669**
Others	0	**0**	**0**
Goodwill	—	**—**	**—**
Deferred tax assets (Note 10)	246	**140**	**1,167**
Asset for retirement benefits (Note 11)	—	**216**	**1,799**
Others	260	**266**	**2,213**
Less:Allowance for doubtful accounts	(19)	**(17)**	**(142)**
	553	**685**	**5,705**
Property, plant and equipment:			
Land	1,099	**1,099**	**9,147**
Buildings and structures	533	**547**	**4,552**
Machinery, vehicles and equipment	2,574	**2,694**	**22,419**
Construction in progress	74	**—**	**—**
Lease assets	5	**—**	**—**
	4,285	**4,340**	**36,118**
Less:Accumulated depreciation	(2,634)	**(2,709)**	**(22,545)**
	1,651	**1,631**	**13,572**
	¥18,982	**¥20,730**	**$172,536**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2014	**2015**	**2015**
Liabilities and Net Assets			
Current Liabilities:			
Notes and accounts payable:			
Trade	¥4,961	**¥5,121**	**$42,625**
Others	165	**179**	**1,491**
Accrued income taxes	514	**615**	**5,117**
Advances received	694	**914**	**7,611**
Accrued bonuses	344	**396**	**3,292**
Allowance for warranties for completed construction	120	**107**	**887**
Allowance for expected losses on construction contracts in process	76	**33**	**275**
Other current liabilities	233	**287**	**2,391**
Total current liabilities	7,107	**7,652**	**63,689**
Liability for retirement benefits(Note 11)	1,008	**1,062**	**8,841**
Directors' and corporate auditors' retirement benefits	62	**70**	**583**
Deferred tax liabilities (Note 10)	1	**2**	**13**
Others	25	**27**	**225**
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**	**9,033**
Capital surplus	684	**684**	**5,696**
Retained earnings	8,927	**9,781**	**81,407**
Less: Treasury stock	(2)	**(4)**	**(30)**
Total Shareholders' equity	10,694	**11,547**	**96,106**
Valuation, translation adjustments and others:			
Unrealized gains (losses) on hedging derivatives,net of tax	39	**219**	**1,827**
Foreign currency translation adjustments	(20)	**(2)**	**(20)**
Remeasurement of defined benefit plans	65	**153**	**1,272**
Total valuation, translation adjustments and others	84	**370**	**3,079**
Total net assets	10,778	**11,917**	**99,185**

Consolidated Statements of Income

MESCO, Inc and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2014	2015	2015
Net sales (Note 9):			
Construction contracts (Note 2)	20,704	**¥25,316**	**$210,706**
Net sales on sideline business			
Net sales of merchandise	924	**1,389**	**11,559**
Net sales of finished goods	1,764	**1,841**	**15,322**
Total net sales of side line business	2,688	**3,230**	**26,881**
Total net sales	23,392	**28,546**	**237,587**
Cost of sales:			
Construction contracts (Note 2)	17,317	**21,165**	**176,154**
Cost of sales on sideline business			
Cost of merchandise sold	760	**1,135**	**9,450**
Cost of finished goods sold	1,485	**1,572**	**13,083**
Total cost of sales on sideline business	2,245	**2,707**	**22,533**
Total cost of sales	19,563	**23,872**	**198,687**
Gross profit:			
Construction contracts (Note 2)	3,387	**4,151**	**34,552**
Gross profit on sideline business			
Gross profit-merchandise	164	**253**	**2,109**
Gross profit-finished goods	278	**269**	**2,239**
Total gross profit on sideline business	442	**522**	**4,348**
Total gross profit	3,829	**4,674**	**38,900**
Selling , general and administrative expenses (Note 6)	2,523	**2,570**	**21,393**
Operating income (Note 9)	1,307	**2,103**	**17,507**
Other income (expenses):			
Interest and dividends income	57	**71**	**591**
Interest expense	(0)	**(0)**	**(1)**
Equity in gains(losses) of unconsolidated subsidiaries	0	**4**	**37**
Foreign exchange gain (loss)	4	**(0)**	**(7)**
Loss on disposal of property, plant and equipment	(9)	**(24)**	**(203)**
Loss on valuation of membership	—	**(0)**	**(3)**
Others , net	9	**11**	**91**
	61	**61**	**505**
Income before income taxes	1,368	**2,164**	**18,011**
Income taxes (Note 10):			
Current	553	**788**	**6,562**
Deferred	31	**74**	**616**
	584	**862**	**7,177**
Net income	¥784	**¥1,302**	**$10,834**

	Yen	Yen	U.S. dollars(Note 1)
Amounts per share of common stock:			
Net income (Note 15)	¥61.33	**¥101.89**	**$0.85**
Cash dividends applicable to the year	35.00	**45.00**	**0.37**

Consolidated Statements of Comprehensive Income

MESCO, Inc and Consolidated Subsidiaries

Years ended March 31, 2014 and 2015

	Millions of yen	Millions of yen	Thousands of U.S.dollars (Note 1)
	2014	**2015**	**2015**
Income before minority interests	784	**1,302**	**10,834**
Other comprehensive income			
Unrealized gains (losses) on hedging derivatives, net of tax	(63)	**17**	**145**
Foreign currency translation adjustments	258	**171**	**1,425**
Remeasurements of defined benefit plans	—	**88**	**733**
Share of other comprehensive income of associates accounted for using equity method	7	**9**	**77**
Total other comprehensive income (Note 16)	203	**286**	**2,379**
Comprehensive income (Note 16)	986	**1,588**	**13,213**
(Breakdown)			
Comprehensive income attributable to owners of the parent	986	**1,588**	**13,213**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

MESCO, Inc and Consolidated Subsidiaries

Years ended March 31, 2014 and 2015

	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	Remeasure-ments of defined benefit plans	Total valuation, translation adjustments and others	Total net assets
	(Thousands)	Millions of yen									
Net assets at April 1, 2014	12,780	¥1,085	¥684	¥8,927	¥(2)	**¥10,694**	¥(20)	¥39	¥65	¥84	**¥10,778**
Cash dividends				(447)		**(447)**					**(447)**
Net income				1,302		**1,302**					**1,302**
Net changes during the year					(2)	**(2)**	17	180	88	286	**284**
Balance at March 31, 2015	**12,780**	**¥1,085**	**¥684**	**¥9,781**	**¥4**	**¥11,547**	**¥(2)**	**¥219**	**¥153**	**¥370**	**¥11,917**

	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	Remeasure-ments 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**

	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	Remeasure-ments 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, 2014	$9,033	$5,696	$74,295	$(17)	**$99,007**	$(165)	$325	$539	$700	**$99,706**
Cash dividends			(3,722)		**(3,722)**					**(3,722)**
Net income			10,834		**10,834**					**10,834**
Net changes during the year				(12)	**(12)**	145	1,502	733	2,379	**2,367**
Balance at March 31, 2015	**$9,033**	**$5,696**	**$81,407**	**$(30)**	**$96,106**	**$(20)**	**$1,827**	**$1,272**	**$3,079**	**$99,185**

See accompanying notes.

Consolidated Statements of Cash Flows

MESCO, Inc and Consolidated Subsidiaries

Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2014	2015	2015
Cash flows from operating activities:			
Income before income taxes	¥1,368	¥2,164	$18,011
Depreciation and amortization	142	154	1,278
Increase(Decrease) in allowance for doubtful accounts	2	(2)	(13)
Foreign exchange gain	1	(4)	(36)
Equity in gains of unconsolidated subsidiaries	(0)	(4)	(37)
Decrease(Increase) in asset for employees' retirement benefits	―	(216)	(1,799)
Increase(Decrease) in employees' retirement benefits	7	―	―
Increase(Decrease) in liability for employees' retirement benefits	―	180	1,497
Increase(Decrease) in allowance for warranties for completed construction	13	(13)	(108)
Increase(Decrease) in allowance for expected losses on construction contracts in process	19	(43)	(360)
Interest and dividends income	(57)	(71)	(593)
Decrease (Increase) in notes and accounts receivable	(1,699)	1,377	11,457
Decrease (Increase) in costs on uncompleted construction contracts	(410)	98	817
Decrease (Increase) in inventories	59	(47)	(393)
Increase (Decrease) in accounts payable	1,905	146	1,215
Increase (Decrease) in advances received	(276)	(1,130)	(9,405)
Others, net	63	166	1,380
Subtotal	1,137	2,753	22,912
Interest and dividends received	58	71	591
Interest paid	(0)	(0)	(1)
Income taxes paid	(382)	(692)	(5,761)
Income taxes received	―	3	21
Net cash provided by operating activities	813	2,134	17,762
Cash flows from investing activities:			
Increase in time deposits	(1)	(1)	(6)
Acquisition of property, plant and equipment	(166)	(121)	(1,007)
Acquisition of intangible assets	(6)	(35)	(289)
Others , net	(14)	6	49
Net cash used in investing activities	(188)	(150)	(1,252)
Cash flows from financing activities:			
Payment for cash dividends to the Company's shareholders	(1)	(1)	(8)
Repayment of lease liability	(332)	(448)	(3,726)
Net cash used in financing activities	(333)	(449)	(3,734)
Effect of exchange rate changes on cash and cash equivalents	174	125	1,042
Net increase in cash and cash equivalents	466	1,660	13,818
Cash and cash equivalents at beginning of year	4,213	4,679	38,942
Cash and cash equivalents at end of year (Note 5)	¥4,679	¥6,339	$52,760

See accompanying notes.

Notes to Consolidated Financial Statements

MESCO,Inc. and Consolidated Subsidiaries

Years ended March 31, 2014 and 2015

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, 2015, which was ¥120.15 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).

As a result of this change, the accounting method was changed to record the amount deducting the pension asset amount from the retirement benefits liabilities as the assets and liabilities for retirement benefits and the unrecognized actuarial diffrencies and unrecognized prior service cost are recorded in the assets and liabilities for retirement benefits.

Also, the Company has changed the method for determining the discount rate from using a discount rate based on the number of years approximate to the avarage remaining service period of employees to using a single weighted avarage discount rate that reflects the estimated timing and amount of the retirement benefit payments.

Application of Accounting Standard for Retirement Benefits, etc., complies with the transitional treatment provided for in paragraph 37 of the Accounting Standard for Retirement Benefits and the amount of financial impact in connection with the change is reconciled in the adjustment cumulative amount for the retirement benefits in accumulated other comprehensive income in the current consolidated fiscal year.

As a result, at the end of the year ended March 31,2015, the asset for retirement benefits of ￥216 million (US$ 1,798 thousand) and liability for retirement benefits of ￥1,062 million (US$ 8,841 thousand) were recorded. In additon, accumulated other comprehensive income increased by ￥88 million (US$ 733 thousand). In this regard, the amount of net assets per share increased by ￥6.89 (US$ 0.06).

Meanwhile, this change had no impact on operating income, ordinary income and income before income taxes and minority interests in the current consolidated fiscal year.

v) Additional Information

Following the promulgation on March 31, 2015 of "Act for Partial Amendment of the Income Tax Act, etc."(Act No.9 of 2015) and "Act for Partial Amendment of the Council Tax Act, etc."(Act No.2 of 2015), the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 35.4% to 32.9% for temporary differencies expected to be eliminated in the fiscal year beginning on April 1, 2015 and to 32.1% for temporary differencies expected to be eliminated in the fiscal year beginning on April 1, 2016.

As a result, deferred tax assets after offsetting deferred tax liabilities decreased by ￥58 million (US$ 479 thousand) and Income tax-deferred increased by ￥57 million (US$ 478 thousand).

The decrease amount of unrealized gains (losses) on hedging derivatives,net of tax was neglegible.

3.Inventories

Inventories as of March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2014	2015	2015
Merchandise and finished goods	¥130	¥177	$1,724
Raw material and supplies	242	242	2,350
Total	¥372	¥419	$4,074

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)
	2014	2015	2015
Allowance for expected losses on construction contracts in process	¥76	¥33	$321
Costs on uncompleted construction contracts	2	0	0
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, 2014 and 2015 were reconciled with cash and time deposits as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2014	2015	2015
Cash and time deposits	¥2,516	¥2,288	$22,244
Time deposits with maturities exceeding three months from the date of deposit	(441)	(492)	(4,782)
Deposits to the holding company	2,605	4,541	44,140
Total: Cash and cash equivalents	¥4,679	¥6,338	$61,602

6.Research and Development Expenses

Research and development expenses included in general and administrative expenses amounted to ¥48 million and 55 **million** (US$530 thousand), for the years ended March 31, 2014 and 2015, respectively.

7.Contingent Liabilities

Contingent liabilities at March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2014	2015	2015
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, 2014 and 2015 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, 2014 was as follows:

	Millions of yen		
	Engineering	Piping and Soundproof materials	Total
Year ended March 31, 2013			
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	ー	35
Investment gains(losses) on equity method	0	ー	0
Investments of unconsoridated subsidiaries	67	ー	67
Capital expenditures	40	113	153

Segment information as of and for the fiscal year ended March 31, 2015 was as follows:

	Millions of yen		
	Engineering	Piping and Soundproof materials	Total
Year ended March 31, 2014			
Sales			
Outside customers	¥21,679	¥6,867	¥28,546
intergroup	26	362	388
Total	21,704	7,229	28,934
Segment profit (loss)	¥1,881	¥896	¥2,777
Segment Assets	¥8,958	¥6,358	¥15,316
Depreciation expense	36	93	129
Interest income	40	—	40
Investment gains(losses) on equity method	4	—	4
Investments of unconsoridated subsidiaries	80	—	80
Capital expenditures	28	118	146

	Thousands of U.S. dollars (Note 1)		
	Engineering	Piping and Soundproof materials	Total
Year ended March 31, 2014			
Sales			
Outside customers	$180,430	$57,157	$237,587
intergroup	214	3,011	3,225
Total	180,644	60,168	240,813
Operating income	$15,658	$7,457	$23,114
Identifiable assets	$74,560	$52,916	$127,476
Depreciation expense	298	778	1,076
Interest income	337	—	337
Investment gains(losses) on equity method	37	—	37
Investments of unconsoridated subsidiaries	669	—	669
Capital expenditures	231	987	1,218

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

Millions of yen

Sales	March 31,2014	March 31,2015
Segment total	¥23,451	¥28,934
Intergroup	(59)	(388)
Sales on financial report	23,392	28,546

Millions of yen

Profits	March 31,2014	March 31,2015
Segment total	¥1,993	¥2,777
Corporation	(615)	(591)
Ordinary Profits on financial report	1,377	2,186

Millions of yen

Assets	March 31,2014	March 31,2015
Segment total	¥15,355	¥15,316
Corporation	3,627	5,414
Total Assets on financial report	18,982	20,730

Millions of yen

Others	Segment total		Adjustments		Financial report	
	2014	2015	2014	2015	2014	2015
Depreciation expense	¥111	¥129	¥31	¥24	¥142	¥153
Amortization of Goodwill	—	—	—	—	—	—
Interest income	35	40	22	30	57	71
Interest Expense	—	—	0	0	0	0
Investment gains(losses) on equity method	0	4	—	—	0	4
Investments of unconsoridated subsidiaries	67	80	—	—	67	80
Capital expenditures	153	146	31	23	184	169

Thousands of U.S.dollars(Note 1)

Sales	March 31,2014	March 31,2015
Segment total	$227,949	$240,813
Intergroup	(572)	(3,225)
Sales on financial report	227,376	237,587

Thousands of U.S.dollars(Note 1)

Profits	March 31,2014	March 31,2015
Segment total	$19,369	$23,114
Corporation	(5,985)	(4,916)
Ordinary Profits on financial report	13,385	18,198

Thousands of U.S.dollars(Note 1)

Assets	March 31,2014	March 31,2015
Segment total	$149,249	$127,476
Corporation	35,254	45,060
Total Assets on financial report	184,503	172,536

Thousands of U.S.dollars(Note 1)

Others	Segment total		Adjustments		Financial report	
	2014	2015	2014	2015	2014	2015
Depreciation expense	$1,079	$1,076	$305	$197	$1,384	$1,273
Interest and Dividends received	341	337	217	255	558	591
Interest Paid	0	0	1	1	1	1
Investment gains(losses) on equity method	3	37	—	—	3	37
Investments of unconsoridated subsidiaries	648	669	—	—	648	669
Capital expenditures	1,487	1,218	302	193	1,788	1,411

(f) Relative Information
March 31,2015

1. Area information
Sales

Millions of yen

Japan	Others	Total
¥21,512	¥7,034	¥28,546

Thousands of U.S.dollars(Note 1)

Japan	Others	Total
$179,046	$58,541	$237,587

2. Main Customer Information

Millions of yen

Customer's name	Sales	Relevant Segment
Hachinohe Smelting Co., Ltd.	¥4,101	Engineering
Mitsui Mining and Smelting Co., Ltd.	3,289	Engineering

Thousands of U.S.dollars(Note 1)

Customer's name	Sales	Relevant Segment
Hachinohe Smelting Co., Ltd.	$34,134	Engineering
Mitsui Mining and Smelting Co., Ltd.	27,372	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, 2014 and 35.4% for the years ended March 31,2015, respectively..
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, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2014	2015	2015
Deferred tax assets:			
Unpaid enterprise tax	¥38	¥44	$366
Accrued business office taxes	4	4	31
Excess accrued bonuses to employees	122	130	1,083
Allowance for warranties for completed construction	42	35	292
Allowance for expected losses on construction contracts in process	27	11	90
Employees' retirement benefits	392	346	2,877
Directors' and corporate auditors' retirement benefits	22	23	188
Excess bad debt expenses	10	9	77
Loss on valuation of golf course membership	12	11	92
Loss on valuation of inventories	3	5	39
Accrued social insurance	21	22	187
Loss on impairment of fixed assets	7	5	41
Others	33	21	175
Subtotal	¥733	¥665	$5,538
Valuation allowance	(¥19)	(¥17)	($144)
Total deferred tax assets	¥714	¥648	$5,394
Deferred tax liabilities:			
Retained earnings of foreign subsidiaries	(¥152)	(¥169)	($1,411)
Accumulated adjustments for retirement benefit	−	(¥73)	($610)
Others	(¥1)	(¥2)	($13)
Total deferred tax liabilities	(¥153)	(¥244)	($2,034)
Net deferred tax assets	¥561	¥404	$3,361

The net deferred tax assets at March 31, 2014 and 2015 were contained in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2014	2015	2015
Deferred tax assets - current	¥231	¥265	$2,206
Deferred tax assets - non current	¥324	¥140	$1,167
Deferred tax liabilities - non current	(0)	(2)	(13)

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, 2014 and 2015.

	2014	2015
Statutory income tax rate	37.8%	35.4%
Permanent difference due to non-deductible expense	1.9	1.1
Inhabitant tax	1.2	0.7
Valuation allowance	0.3	(0.1)
Difference in tax rates of foreign consolidated subsidiaries	(1.4)	(0.6)
Retained earnings of foreign consolidated subsidiaries	2.0	0.8
Change in income tax rates	1.5	2.7
Others	(0.6)	(0.2)
Tax rate calculated based on the Companies' consolidated financial statements	42.7%	39.8%

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.

Defined benefit plans

(a) Movement in retirement benefit obligations

	Thousands of Yen		Thousands of U.S. dollars(Note1)
	2014	**2015**	**2015**
Balance at the beginning of the fiscal year	¥2,063	**¥2,169**	**$18,049**
Service cost	118	**116**	**962**
Interest cost	21	**22**	**180**
Actuarial loss(gain)	73	**15**	**123**
Benefits paid	(¥106)	**(¥120)**	**(998)**
Balance at the end of the fiscal year	¥2,169	**¥2,201**	**$18,316**

(b) Movement in plan assets

	Thousands of Yen		Thousands of U.S. dollars(Note1)
	2014	**2015**	**2015**
Balance at the beginning of the fiscal year	¥1,034	**¥1,160**	**$9,657**
Expected return on plan assets	4	**13**	**110**
Actuarial loss(gain)	127	**189**	**1,570**
Contributions paid by the employer	40	**40**	**331**
Benefits paid	(¥44)	**(¥48)**	**(395)**
Balance at the end of the fiscal year	¥1,160	**¥1,354**	**$11,273**

(c) Reconciliation from retirement benefit obligations and plan assets to liability(asset) for retirement benefit

	Thousands of Yen		Thousands of U.S. dollars(Note1)
	2014	**2015**	**2015**
Funded retirement benefit obligations	¥1,105	**¥1,138**	**$9,474**
Plan assets	(1,160)	**(1,354)**	**(11,273)**
	(56)	**(216)**	**(1,799)**
Unfunded retirement benefit obligations	1,064	**1,062**	**8,841**
Total Net liability(asset) for retirement benefits at the end of the fiscal year	1,008	**846**	**7,043**
Liability for retirement benefits	1,008	**1,062**	**8,841**
Asset for retirement benefits	—	**¥216**	**1,799**
Total Net liability(asset) for retirement benefits at the end of the fiscal year	¥1,008	**¥846**	**$7,043**

(d) Retirement benefit costs

	Thousands of Yen		Thousands of U.S. dollars(Note1)
	2014	**2015**	**2015**
Service cost	¥118	**¥116**	**$962**
Interest cost	21	**22**	**180**
Expected return on plan assets	(4)	**(13)**	**(110)**
Net actuarial loss amortization	(25)	**(48)**	**(400)**
Total retirement benefit costs for the fiscal years ended March31	¥109	**¥76**	**$632**

(e) Accumulated adjustments for retirement benefit

	Thousands of Yen		Thousands of U.S. dollars(Note1)
	2014	**2015**	**2015**
Actual gains and losses that are yet to be recgnized	(¥100)	**(¥226)**	**($1,882)**
Total balance at the end of the fiscal year	(¥100)	**(¥226)**	**($1,882)**

(f) Plan assets

1. Plan assets comprise

	2014	**2015**
Equity securities	64.1%	**65.0%**
Bonds	31.3%	**31.0%**
Other	4.6%	**4.0%**
Total	100.0%	**100.0%**

2. Long-term expected rate of return

Current and target asset allocations, histrical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(g) Actuarial assumptions

The principal actuarial assumptions at March, 31 2014 and 2015 were as follows :

	2014	**2015**
Discount rate	1.0%	**1.0%**
Long-term expected rate of return	0.36%	**1.14%**

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, 2015			
Assets:			
(a)Cash and time deposits:	**¥2,288**	**¥2,288**	¥ ―
(b)Notes and accounts receivable from completed construction contracts:	**9,402**	**9,402**	―
(c) Deposits to the holding company:	**4,541**	**4,541**	―
Total:	**16,231**	**16,231**	―
Liabilities:			
(a)Notes and accounts payable for construction contracts:	**5,121**	**5,121**	―
(b)Advances received on uncompleted construction contracts:	**914**	**914**	―
Total:	**6,036**	**6,036**	―
Derivative transactions	**(4)**	**(4)**	―

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, 2015			
Assets:			
(a)Cash and time deposits:	**$19,047**	**19,047**	$ ―
(b)Notes and accounts receivable from completed construction contracts:	**78,250**	**78,250**	―
(c) Deposits to the holding company:	**37,795**	**37,795**	―
Total:	**135,092**	**135,092**	―
Liabilities:			
(a)Notes and accounts payable for construction contracts:	**42,625**	**42,625**	―
(b)Advances received on uncompleted construction contracts:	**7,611**	**7,611**	―
Total:	**50,236**	**50,236**	―
Derivative transactions	**(29)**	**(29)**	―

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	**¥80**	**$669**

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 , 2015 to March 31 , 2016	April 1 , 2016 to March 31 , 2020
Year ended March 31, 2015		
(a)Cash and time deposits:	**¥2,288**	**¥ —**
(b)Notes and accounts receivable from completed construction contracts:	**9,402**	**—**
(c) Deposits to the holding company:	**4,541**	**—**
Total:	**16,231**	**—**

	Thousands of U.S.dollars (Note 1)	
	April 1 , 2015 to March 31 , 2016	April 1 , 2016 to March 31 , 2020
Year ended March 31, 2015		
(a)Cash and time deposits:	**$19,047**	**$ —**
(b)Notes and accounts receivable from completed construction contracts:	**78,250**	**—**
(c) Deposits to the holding company:	**37,795**	**—**
Total:	**135,092**	**—**

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, 2015 were as follows:

Currency-related derivatives

Type	Hedged items		Millions of yen 2015	Thousands of U.S. dollars(Note 1) 2015
Forward contracts				
Buying:				
U.S.dollars:	Notes and accounts payable for construction contracts	Contract amounts	**¥55**	**$454**
		Due over one year	**—**	**—**
		Market value	**55**	**455**
		Unrealized gain(loss)	**0**	**1**
Euros:	Notes and accounts payable for construction contracts	Contract amounts	**¥47**	**$393**
		Due over one year	**—**	**—**
		Market value	**44**	**363**
		Unrealized gain(loss)	**(4)**	**(31)**
	Total	Contract amounts	**¥102**	**$847**
		Due over one year	**—**	**—**
		Market value	**98**	**818**
		Unrealized gain(loss)	**(4)**	**(29)**

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, 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:

	Millions of Yen			
	2014			
(a) Name (b) Attribution (c) Capital (Thousands of Baht) (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) Siam Mesco Co.,Ltd. (b) Unconsolidated subsidiary	Sales	¥5	—	—
(c) 3,000 (d) 49.0%	Purchases	15	—	—

	Thousands of U.S.dollars (Note1)			
	2014			
(a) Name (b) Attribution (c) Capital (Thousands of Baht) (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) 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
   (ii)The purchase amount of raw materials was determined properly considering normal market prices as in the case of other general transactions
   (iii)Rent expense of machineries was determined properly considering normal market prices 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)

2. Year ended March 31, 2015

(1) Transactions of the Company with its holding company and significant shareholders, for the year ended March 31, 2015 were as follows:

(a) Name (b) Attribution (c) Capital (Millions of yen) (d) Equity ownership percentage held by the holding company	Millions of Yen 2015 Transactions during the year ended March 31, 2015 Description of transaction	Amount	Balance at the end of the year Account	Amount
(a) Mitsui Mining And Smelting Co.,Ltd.	Sales	¥3,289	Notes and accounts receivable from completed construction contracts	¥386
(b) Holding Company	Purchases	530	Notes and accounts payable from completed construction contracts	192
			Other current liabilities	16
(c) 42,129	Withdrawal of funds	1,937	Deposits to the holding company	4,541
(d) Direct 63.4%	Interest income	29	—	—
	Interest expense	0	—	—

(a) Name (b) Attribution (c) Capital (Millions of yen) (d) Equity ownership percentage held by the holding company	Thousands of U.S.dollars (Note1) 2015 Transactions during the year ended March 31, 2015 Description of transaction	Amount	Balance at the end of the year Account	Amount
(a) Mitsui Mining And Smelting Co.,Ltd.	Sales	$27,372	Notes and accounts receivable from completed construction contracts	$3,215
(b) Holding Company	Purchases	4,409	Notes and accounts payable from completed construction contracts	1,598
			Other current liabilities	137
(c) 42,129	Withdrawal of funds	16,118	Deposits to the holding company	37,795
(d) Direct 63.4%	Interest income	243	—	—
	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 26 workers on loan (26 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, 2015.
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:

	Millions of Yen			
	2015			
(a) Name (b) Attribution (c) Capital (Thousands of Baht) (d) Equity ownership percentage of the Company	Transactions during the year ended March 31, 2015		Balance at the end of the year	
	Description of transaction	Amount	Account	Amount
(a) Siam Mesco Co.,Ltd. (b) Unconsolidated subsidiary	Sales	¥28	Notes and accounts receivable from completed	¥6
(c) 3,000 (d) 49.0%	Purchases	57	—	—

	Thousands of U.S.dollars (Note1)			
	2015			
(a) Name (b) Attribution (c) Capital (Thousands of Baht) (d) Equity ownership percentage of the Company	Transactions during the year ended March 31, 2015		Balance at the end of the year	
	Description of transaction	Amount	Account	Amount
(a) Siam Mesco Co.,Ltd. (b) Unconsolidated subsidiary	Sales	$234	Notes and accounts receivable from completed	$52
(c) 3,000 (d) 49.0%	Purchases	475	—	—

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, 2015 were as follows:

Millions of Yen				
2015				
(a) Name (b) Attribution (c) Capital (d) Equity ownership percentage of the Company	Transactions during the year ended March 31, 2015		Balance at the end of the year	
	Description of transaction	Amount	Account	Amount
(a) Miike Smelting Co.,Ltd. (b) Company with the same parent company (c) 100 millions of yen (d) —	Sales	¥792	Notes and accounts receivable from completed construction contracts	¥521
(a) Hachinohe Smelting Co.,Ltd.	Sales	¥4,101	Notes and accounts receivable from completed construction contracts	¥137
(b) Company with the same parent company			Advances received on uncompleted construction contracts	—
(c) 4,795 millions of yen	Rent income of facilities	11	Other current receivable	8
(d) —	Purchases	27	Notes and accounts payable from completed construction contracts	2
			Other current liabilities	2
(a) Kamioka Mining and Smelting Co.,Ltd. (b) Company with the same parent company (c) 4,600 millions of yen (d) —	Sales	¥1,338	Notes and accounts receivable from completed construction contracts	¥911
			Advances received on uncompleted construction contracts	236

Thousands of U.S.dollars (Note1)				
2015				
(a) Name (b) Attribution (c) Capital (d) Equity ownership percentage of the Company	Transactions during the year ended March 31, 2015		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	$6,590	Notes and accounts receivable from completed construction contracts	$4,336
(a) Hachinohe Smelting Co.,Ltd.	Sales	$34,134	Notes and accounts receivable from completed construction contracts	$1,138
(b) Company with the same parent company			Advances received on uncompleted construction contracts	—
(c) 4,795 millions of yen	Rent income of facilities	93	Other current receivable	68
(d) -	Purchases	226	Notes and accounts payable from completed construction contracts	16
			Other current liabilities	19
(a) Kamioka Mining and Smelting Co.,Ltd. (b) Company with the same parent company (c) 4,600 millions of yen (d) —	Sales	$11,139	Notes and accounts receivable from completed construction contracts	$7,580
			Advances received on uncompleted construction contracts	1,966

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 was determined properly considering normal market prices as in the case of other general transactions
   (iii)Rent expense of machineries was determined properly considering normal market prices 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)

15.Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2014 and 2015 were as follows:

	Net income (Millions of yen)	Weighted-average shares (Thousands)	Net income per share (Yen)
Year ended March 31, 2014			
Net income available to common shareholders	**¥784**	**12,777**	**¥61.33**

	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, 2015				
Net income available to common shareholders	**¥1,302**	**12,776**	**¥101.89**	**$0.85**

16.Consolidated Statement of Comprehensive Income

Year ended March 31, 2014 and 2015

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		Thousands of U.S. dollars(Note1)
	2014	**2015**	**2015**
Unrealized gains (losses) on hedging derivatives:			
Increase(decrease) during the year	(¥31)	**(¥4)**	**($34)**
Reclassification adjustments	(69)	**31**	**298**
Sub-total, before tax	(100)	**27**	**263**
Tax (expense) or benefit	37	**(10)**	**(94)**
Sub-total, net of tax	(63)	**17**	**169**
Foreign currency translation adjustments:			
Increase(decrease) during the year	258	**172**	**1,674**
Sub-total, net of tax	258	**172**	**1,674**
Share of other comprehensive income of associates accounted for using equity			
Increase(decrease) during the year	7	**9**	**91**
Sub-total, net of tax	7	**9**	**91**
Retirement Benefits adjustments			
Increase(decrease) during the year	—	**¥126**	**$1,223**
Reclassification adjustments	—	**(52)**	**(508)**
Sub-total, before tax	—	**74**	**716**
Tax (expense) or benefit	—	**(38)**	**(368)**
Sub-total, net of tax	—	**36**	**348**
Total other comprehensive income	203	**199**	**1,935**

Directors and Auditors
(As of June 23, 2015)

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
Kiichiro Hirato
Motohiro Kihara
Tetsuro Mizuki
Shusaku Maehara
Yasuhiko Koura
Katsunori Kobayashi
Kazuhiko Aoki

Auditors
Katsuaki Masamichi
Yasuhiko Ayabe
Kazushige Wada

Coporate Data
(As of March 31, 2015)

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: 894

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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