

MESCO, Inc. and Subsidiaries

**Consolidated Financial Statements
For the year ended March 31,
2012 and 2013**



Financial Highlights

Mesco, Inc. and Consolidated Subsidiaries

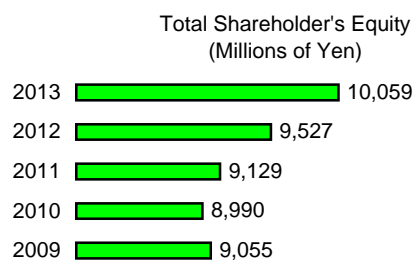
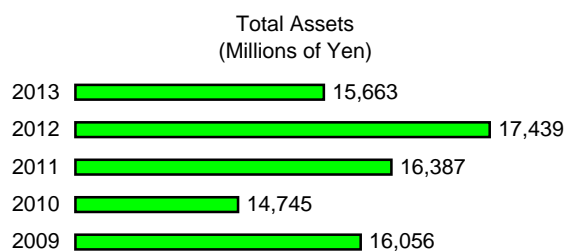
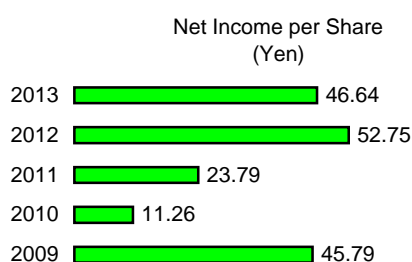
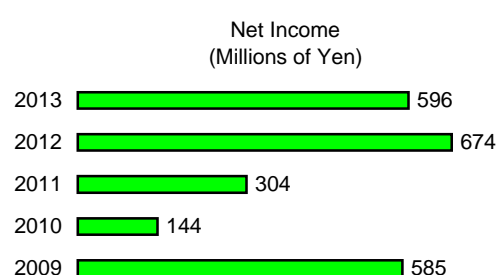
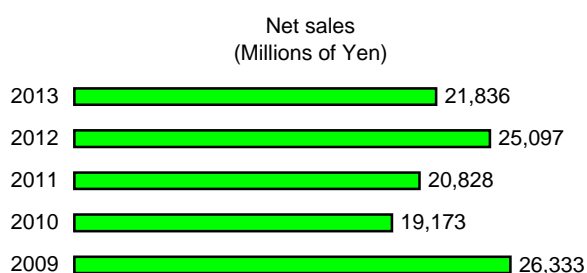
Years ended March 31

Thousands of

U.S. dollars

	Millions of yen			
	2011	2012	2013	2013
Consolidated Performance				
Net sales	¥20,828	¥25,097	¥21,836	\$232,271
Net income	304	674	596	6,338
Total assets	16,387	17,439	15,663	166,615
Total shareholder's equity	9,129	9,527	10,059	107,002
Net income per share(¥, \$)	23.79	52.75	46.64	\$0.50
Cash dividends per share(¥, \$)	15.00	25.00	26.00	\$0.28

- Notes:
1. All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ¥94.01 to US\$1.00, the rate prevailing at March 31, 2013.
 2. In this report, fiscal 2013 represents the year ended March 31, 2013.



Financial Section

Five-Year Summary

Mesco, Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				
	2009	2010	2011	2012	2013
Consolidated Performance					
For the year:					
Orders	¥25,215	¥15,620	¥20,615	¥25,091	¥21,412
Net sales	26,333	19,173	20,828	25,097	21,836
Cost of sales	22,887	16,268	17,769	21,400	18,351
Gross profit	3,446	2,904	3,059	3,697	3,484
Selling, general and administrative expenses	2,624	2,681	2,575	2,539	2,450
Operating income	823	224	485	1,158	1,034
Income before income taxes	883	286	549	1,211	1,056
Net income	585	144	304	674	596
At year-end:					
Total current assets	¥13,692	¥12,443	¥14,052	¥15,111	¥13,431
Total assets	16,056	14,745	16,387	17,439	15,663
Total current liabilities	5,976	4,568	5,911	6,527	4,402
Long-term liabilities	1,025	1,188	1,347	1,385	1,202
Total shareholders' equity	9,055	8,990	9,129	9,527	10,059
Per share data:					
Net income (¥)	¥45.79	¥11.26	¥23.79	¥52.75	¥46.64
Cash dividends applicable to the year (¥)	18.00	10.00	15.00	25.00	26.00
Number of employees (person)	353	326	313	319	326

Financial Review

Overview

In the Japanese economy during the fiscal year under review, the situation remained uncertain, due to the fiscal crisis in Europe, slower growth rates in China and the deterioration of relationship between Japan and China.

Meanwhile, the economy is expected to gradually recover, backed by the implementation of a series of economic policies, such as an emergency economic measures and more aggressive monetary easing, by the new Administration inaugurated in late of the fiscal year.

Under these circumstances, on a consolidated basis, the Company's net sales during fiscal year amounted ¥21,836 million (US\$232,271 thousand), down 13.0%, or ¥3,261 million, from the previous year.

At the earnings level, the gross profit decreased 5.8% to ¥3,484 million (US\$37,063 thousand), but the grossprofit margin was 16.0% which was improved by 1.3 percentage point from the previous year's 14.7%.

Selling, general and administrative (SGA) expences decreased 3.5% or ¥88 million, to ¥2,450 million (US\$26,066 thousand), reflecting ongoing cost-cutting programs.

As a result, operating income dropped 10.7%, or ¥124 million, to ¥1,034 million (US\$10,998 thousand), income before income taxes fell 12.8%, or ¥155million, to ¥1,056 million (US\$11,229 thousand).

Income taxes totaled ¥459 million (US\$4,890 thousand), down 14.4%, or ¥77 million.

Consequently, net income decreased 11.6%, or ¥78 million, to ¥596 million (US\$6,338 thousand).

Net income per share was ¥46.64 (US\$0.50), and cash dividends applicable to the year was ¥26.00 (US\$0.28) per share.

Segment Information

Engineering

The Engineering Group's net sales decreased 25.0%, or ¥4,835 million, to ¥14,477 million (US\$153,994 thousand), reflecting a decline of orders from the Nonferrous Metal Engineering category within the country.

This sales downturn sent segment (operating) profit down 46.0%, or ¥595million, to ¥700 million (US\$7,446 thousand).

Piping and Soundproof materials

The Piping and Soundproof materials Group's net sales improved 24.9%, or ¥1,503 million, to ¥7,535 million (US\$80,149 thousand), reflecting completion of the some large amount order projects carried over from the prvious year.

Accordingly, segment (operating) profit surged 107.1% or ¥505 million, to ¥978million (US\$10,404thousand)

Financial Position

The Company's total assets decreased 10.2%, or ¥1,775 million, during this period, amounting to ¥15,663 million (US\$166,615 thousand). This was chiefly attributable to a decrease of ¥2,120 million in deposits to the holding company.

Total liabilities decreased 29.2%, or ¥2,308 million, to ¥5,604 million (US\$59,613thousand), mainly owing to a decrease of ¥1,864 million in notes and accounts payable.

Factors that included ¥319 million in dividend payments, ¥596 million in net income, ¥43 million in a gain on deferred hedge and foreign currency translation adjustments led to a increase in total net assets of ¥532 million, to ¥10,059 million (US\$107,002thousand)

Consequently, Company's equity ratio edged up 9.6 percentage points, to 64.2%.

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

Cash Flows

Net cash provided by operating activities decreased ¥4,825 million, to net cash outflow of ¥1,602 million (US\$17,042thousand), mainly reflecting ¥1,879 million decrease in notes and accounts payable and ¥1,586 million decrease in advances received which were partially offset by ¥1,454 million increase in notes and accounts receivable.

Net cash used in investing activities decreased ¥57 million, to net cash outflow of ¥182 million (US\$1,940thousand), due mainly to ¥183 million increase in acquisition property, plant and equipments.

Net cash used in financing activities increased ¥125 million, to net cash outflow of ¥320 million (US\$3,407 thousand), chiefly owing to ¥319 million payments for cash dividends.

As a result, cash and cash equivalents at end of year declined ¥1,940 million, to ¥4,213 million (US\$44,817thousand).

Forward-Looking Statement

There are rising expectations regarding the massive monetary easing program and economic stimulus measures of the new Japanese government that was formed at the end of the fiscal year.

Accordingly, the Japanese economy is expected to recover at a moderate pace along with the anticipated growth in public-works investments and capital expenditures.

In light of this environment, the Company projects that its consolidated net sales in fiscal 2014, ended March 31, 2014 will amount to ¥23,400 million, up 7.2% from the level in fiscal 2013.

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, 2014 (Prospect)

	Millions of yen FY2014	Millions of U.S.dollars (Note 1) FY2014
Net sales	¥ 23,400	\$249
Net income	¥ 450	\$4.79
Net income per share (¥ , \$)	¥ 35.22	\$0.37

Consolidated Balance Sheets

MESCO, Inc. and Consolidated Subsidiaries

Years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2012	2013	2013
Assets			
Current assets:			
Cash and time deposits (Note 5)	¥1,537	¥1,763	\$18,751
Notes and accounts receivable			
Trade	6,906	6,865	73,026
Unconsolidated subsidiaries	—	—	—
Costs on uncompleted construction contracts	858	1,100	11,698
Inventories (Note 3)	426	431	4,589
Deposits to the holding company (Note 5)	4,939	2,818	29,973
Deferred tax assets (Note 10)	257	231	2,462
Other current assets	189	230	2,448
Less: Allowance for doubtful accounts	(2)	(8)	(81)
Total current assets	15,111	13,431	142,867
Investments and other assets:			
Investment securities: (Note 12)			
Unconsolidated subsidiaries	53	59	627
Others	0	0	0
Deferred tax assets (Note 10)	393	324	3,448
Others	292	272	2,891
Less: Allowance for doubtful accounts	(14)	(19)	(205)
	724	635	6,760
Property, plant and equipment:			
Land	1,099	1,099	11,690
Buildings and structures	474	468	4,976
Machinery, vehicles and equipment	2,497	2,574	27,385
Construction in progress	138	118	1,258
Lease assets	5	5	58
	4,213	4,264	45,367
Less: Accumulated depreciation	(2,608)	(2,668)	(28,379)
	1,604	1,597	16,988
	¥17,439	¥15,663	\$166,615

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2012	2013	2013
Liabilities and Net Assets			
Current Liabilities:			
Notes and accounts payable:			
Trade	¥4,913	¥3,048	\$32,420
Others	176	165	1,760
Accrued income taxes	362	341	3,627
Advances received	329	137	1,456
Accrued bonuses	343	341	3,622
Allowance for warranties for completed construction	110	107	1,135
Allowance for expected losses on construction contracts in process	83	57	610
Other current liabilities	213	207	2,200
Total current liabilities	6,527	4,402	46,829
Employee's retirement benefits (Note 11)	1,268	1,102	11,718
Directors' and corporate auditors' retirement benefits	93	74	788
Deferred tax liabilities (Note 10)	0	0	2
Others	23	26	276
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	11,545
Capital surplus	684	684	7,280
Retained earnings	8,199	8,475	90,151
Less: Treasury stock	(2)	(2)	(22)
Total Shareholders' equity	9,966	10,243	108,954
Valuation, translation adjustments and others:			
Unrealized gains (losses) on hedging derivatives,net of tax	(443)	(227)	(2,411)
Foreign currency translation adjustments	4	43	459
Total valuation, translation adjustments and others	(439)	(183)	(1,952)
Total net assets	9,527	10,059	107,002
	¥17,439	¥15,663	\$166,615

See accompanying notes.

Consolidated Statements of Income

MESCO, Inc. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2012	2013	2013
Net sales (Note 9):			
Construction contracts (Note 2)	22,625	¥19,159	\$203,799
Net sales on sideline business			
Net sales of merchandise	775	854	9,083
Net sales of finished goods	1,696	1,823	19,389
Total net sales of side line business	2,471	2,677	28,472
Total net sales	25,097	21,836	232,271
Cost of sales:			
Construction contracts (Note 2)	19,351	16,216	172,497
Cost of sales on sideline business			
Cost of merchandise sold	637	680	7,234
Cost of finished goods sold	1,411	1,455	15,477
Total cost of sales on sideline business	2,048	2,135	22,711
Total cost of sales	21,400	18,351	195,208
Gross profit:			
Construction contracts (Note 2)	3,274	2,943	31,302
Gross profit on sideline business			
Gross profit-merchandise	138	174	1,849
Gross profit-finished goods	286	368	3,912
Total gross profit on sideline business	423	542	5,761
Total gross profit	3,697	3,484	37,063
Selling , general and administrative expenses (Note 6)	2,539	2,450	26,066
Operating income (Note 9)	1,157	1,034	10,998
Other income (expenses):			
Interest and dividends income	62	64	682
Interest expense	(0)	(0)	(1)
Equity in gains(losses) of unconsolidated subsidiaries	(11)	(3)	(33)
Foreign exchange gain (loss)	1	11	116
Loss on disposal of property, plant and equipment	(9)	(42)	(449)
Loss on impairment of fixed assets	—	(21)	(219)
Loss on valuation of membership	(0)	(1)	(13)
Others , net	10	14	147
	53	22	231
Income before income taxes	1,211	1,056	11,229
Income taxes (Note 10):			
Current	466	389	4,141
Deferred	71	70	749
	537	460	4,890
Net income	¥674	¥596	\$6,338
	Yen	Yen	U.S. dollars(Note 1)
Amounts per share of common stock:			
Net income (Note 15)	¥52.75	¥46.64	\$0.50
Cash dividends applicable to the year	25.00	26.00	0.28

Consolidated Statements of Comprehensive Income

MESCO, Inc. and Consolidated Subsidiaries

Years ended March 31, 2013

	Millions of yen	Thousands of U.S.dollars (Note 1)
	2013	2013
Income before minority interests	596	6,338
Other comprehensive income		
Unrealized gains (losses) on hedging derivatives, net of tax	39	415
Foreign currency translation adjustments	208	2,211
Share of other comprehensive income of associates accounted for using equity method	9	91
Total other comprehensive income (Note 16)	255	2,718
Comprehensive income (Note 16)	851	9,056
(Breakdown)		
Comprehensive income attributable to owners of the parent	851	9,056

See accompanying notes.

Consolidated Statements of Changes in Net Assets

MESCO, Inc. and Consolidated Subsidiaries

Years ended March 31, 2012 and 2013

	Number of shares of common stock issued (Thousands)	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	Total valuation, translation adjustments and others	Total net assets
		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

	Number of shares of common stock issued (Thousands)	Shareholders' equity					Valuation, translation adjustments and others			
		Common stock	Capital surplus (Note 8)	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on hedging derivatives, net of tax	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Total net assets
		Millions of yen								
Net assets at April 1, 2011	12,780	¥1,085	¥684	¥7,716	¥(2)	¥9,484	¥ 0	¥(355)	¥(355)	¥9,129
Cash dividends				(192)		(191)				(191)
Net income				674		674				674
Net changes during the year							4,037	(88)	(84)	(84)
Balance at March 31, 2012	12,780	¥1,085	¥684	¥8,199	¥(2)	¥9,966	¥4,106	¥(443)	¥(439)	¥9,527

		Shareholders' equity					Valuation, translation adjustments and others			
		Common stock	Capital surplus (Note 8)	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on hedging derivatives, net of tax	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Total net assets
		Thousands of U.S. dollars (Note 1)								
Net assets at April 1, 2012		\$11,545	\$7,280	\$87,210	\$(22)	\$106,013	\$44	\$(4,713)	\$(4,669)	\$104,344
Cash dividends				(3,398)		(3,398)				(3,398)
Net income				6,338		6,338				6,338
Net changes during the year							415	2,303	2,718	2,718
Balance at March 31, 2013		\$11,545	\$7,280	\$90,151	\$(22)	\$108,954	\$459	\$(2,411)	\$(1,952)	\$107,002

See accompanying notes.

Consolidated Statements of Cash Flows

MESCO, Inc. and Consolidated Subsidiaries

Years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2012	2013	2013
Cash flows from operating activities:			
Income before income taxes	¥1,211	¥1,056	\$11,229
Depreciation and amortization	135	160	1,698
Increase(Decrease) in allowance for doubtful accounts	1	11	112
Foreign exchange gain	(4)	(10)	(106)
Equity in gains of unconsolidated subsidiaries	11	3	33
Increase(Decrease) in Employees' retirement benefits	23	(167)	(1,775)
Increase(Decrease) in allowance for warranties for completed construction	(128)	(3)	(36)
Increase(Decrease) in allowance for expected losses on construction contracts in process	70	(25)	(269)
Interest and dividends income	(62)	(64)	(682)
Decrease (Increase) in notes and accounts receivable	(1,950)	1,455	15,473
Decrease (Increase) in costs on uncompleted construction contracts	19	(300)	(3,190)
Decrease (Increase) in inventories	(53)	(5)	(54)
Increase (Decrease) in accounts payable	647	(1,879)	(19,989)
Increase (Decrease) in advances received	3,531	(1,586)	(16,871)
Others, net	131	102	1,084
Subtotal	3,582	(1,255)	(13,345)
Interest and dividends received	62	64	683
Interest paid	(1)	(0)	(1)
Income taxes paid	(421)	(412)	(4,379)
Net cash provided by operating activities	3,223	(1,602)	(17,042)
Cash flows from investing activities:			
Increase in time deposits	(0)	(1)	(9)
Acquisition of property, plant and equipment	(180)	(184)	(1,956)
Acquisition of intangible assets	(56)	(3)	(36)
Others , net	(3)	6	62
Net cash used in investing activities	(240)	(182)	(1,940)
Cash flows from financing activities:			
Payment for cash dividends to the Company's shareholders	(191)	(1)	(12)
Repayment of lease liability	(5)	(319)	(3,395)
Net cash used in financing activities	(196)	(320)	(3,407)
Effect of exchange rate changes on cash and cash equivalents	(85)	164	1,747
Net increase in cash and cash equivalents	2,702	(1,941)	(20,643)
Cash and cash equivalents at beginning of year	3,452	6,154	65,460
Cash and cash equivalents at end of year (Note 5)	¥6,154	¥4,213	\$44,817

See accompanying notes.

Notes to Consolidated Financial Statements

MESCO, Inc. and Consolidated Subsidiaries

Years ended March 31, 2012 and 2013

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, 2013, which was ¥94.01 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) 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.

c) 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.

d) 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.

e) 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.

f) 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

g) 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.

h) 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.

i) 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.

j) Allowance for expected losses on contraction contracts in process

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

k) 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.

l) 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.

m) Research and development expenses

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

n) 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.

o) 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 2012 and 2013.

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

p) 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.

q) 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

r) 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.

s) 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.

t) Changes in presentation

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

Starting from the current fiscal year, the Company have changed the method of depreciation due to the revision of Corporation Tax Act. Accordingly, tangible fixed assets acquired on or after April 1, 2012 shall be depreciated according to the revised act.

This change has minor impact on the consolidated statement of income and others.

3. Inventories

Inventories as of March 31, 2012 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2012	2013	2013
Merchandise and finished goods	¥179	¥141	\$1,495
Raw material and supplies	247	291	3,094
Total	¥426	¥431	\$4,589

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)
	2012	2013	2013
Allowance for expected losses on construction contracts in process	¥83	¥57	\$610
Costs on uncompleted construction contracts	¥11	14	151
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, 2012 and 2013 were reconciled with cash and time deposits as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2012	2013	2013
Cash and time deposits	¥1,537	¥1,763	\$18,751
Time deposits with maturities exceeding three months from the date of deposit	(322)	(367)	(3,908)
Deposits to the holding company	4,939	2,818	29,973
Total: Cash and cash equivalents	¥6,154	¥4,213	\$44,817

6. Research and Development Expenses

Research and development expenses included in general and administrative expenses amounted to ¥57 million and **68 million (US\$725 thousand)**, for the years ended March 31, 2012 and 2013, respectively.

7. Contingent Liabilities

Contingent liabilities at March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2012	2013	2013
Notes receivable securitized with recourse	¥3	—	—
Total	¥3	—	—

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.

9. Segment information

The operations of the Companies for the years ended March 31, 2012 and 2013 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 segment

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, 2012 was as follows:

	Millions of yen		
	Engineering	Piping and Soundproof materials	Total
Year ended March 31, 2012			
Sales			
Outside customers	¥19,285	¥5,812	¥25,097
intergroup	27	219	246
Total	19,312	6,031	25,343
Segment(Operating) profit	¥1,295	¥472	¥1,767
Segment Assets	¥5,943	¥5,538	¥11,480
Depreciation expense	31	72	104
Amortization of Goodwill	6	—	6
Interest income	28	3	28
Interest expense	0	—	0
Investment gains(losses) on equity method	(11)	—	(11)
Investments of unconsolidated subsidiaries	53	—	53
Capital expenditures	34	96	130

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(Operating) profit	¥701	¥978	¥1,679
Segment Assets	¥4,457	¥7,508	¥11,965
Depreciation expense	24	73	97
Interest income	29	—	29
Interest expense	—	—	—
Investment gains(losses) on equity method	(3)	—	(3)
Investments of unconsolidated subsidiaries	59	—	59
Capital expenditures	54	98	152

	Thousands of U.S. dollars (Note 1)		
	Engineering	Piping and Soundproof materials	Total
Year ended March 31, 2013			
Sales			
Outside customers	\$153,915	\$78,356	\$232,271
intergroup	79	1,793	1,872
Total	153,994	80,149	234,143
Segment(Operating) profit	\$7,454	\$10,404	\$17,858
Identifiable assets	\$47,411	\$79,859	\$127,270
Depreciation expense	255	774	1,029
Interest income	308	—	308
Interest expense	—	—	—
Investment gains(losses) on equity method	(33)	—	(33)
Investments of unconsolidated subsidiaries	627	—	627
Capital expenditures	575	1,046	1,621

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

Millions of yen		
Sales	March 31,2012	March 31,2013
Segment total	¥25,343	¥22,012
Intergroup	△ 246	△ 176
Sales on financial report	25,097	21,836

Millions of yen		
Profits	March 31,2012	March 31,2013
Segment total	¥1,767	¥1,678
Corporation	△ 610	△ 644
Operating Profits on financial report	1,158	1,034

Millions of yen		
Assets	March 31,2012	March 31,2013
Segment total	¥11,480	¥11,965
Corporation	5,959	3,699
Total Assets on financial report	17,439	15,663

Millions of yen						
Others	Segment total		Adjustments		Financial report	
	2012	2013	2012	2013	2012	2013
Depreciation expense	¥104	¥97	¥25	¥42	¥128	¥139
Amortization of Goodwill	6	—	—	—	6	—
Interest income	28	29	35	35	62	64
Interest Expense	0	—	0	0	1	0
Investment gains(losses) on equity method	(11)	(3)	—	—	(11)	(3)
Investments of unconsolidated subsidiaries	53	59	—	—	53	59
Capital expenditures	130	152	76	14	206	166

Thousands of U.S.dollars(Note 1)		
Sales	March 31,2012	March 31,2013
Segment total	\$308,572	\$234,143
Intergroup	△ 3,001	△ 1,872
Sales on financial report	305,571	232,271

Thousands of U.S.dollars(Note 1)		
Profits	March 31,2012	March 31,2013
Segment total	\$21,520	\$17,850
Corporation	△ 7,422	△ 6,852
Operating Profits on financial report	14,098	10,998

Thousands of U.S.dollars(Note 1)		
Assets	March 31,2012	March 31,2013
Segment total	\$139,783	\$127,270
Corporation	72,556	39,345
Total Assets on financial report	212,339	166,615

Thousands of U.S.dollars(Note 1)						
Others	Segment total		Adjustments		Financial report	
	2012	2013	2012	2013	2012	2013
Depreciation expense	\$1,262	\$1,029	\$300	\$451	\$1,562	\$1,479
Goodwill	78	—	—	—	78	—
Interest and Dividends received	338	308	422	374	761	682
Interest Paid	0	0	4	1	8	1
Investment gains(losses) on equity method	(131)	(33)	—	—	(131)	(33)
Investments of unconsolidated subsidiaries	651	627	—	—	651	627
Capital expenditures	1,581	1,621	928	145	2,509	1,766

(f) Relative Information

March 31,2013

1. Area information

Sales

Millions of yen

Japan	Others	Total
¥17,064	¥4,772	¥21,835

Thousands of U.S.dollars(Note 1)

Japan	Others	Total
\$181,510	\$50,761	\$232,271

2. Main Customer Information

Millions of yen

Customer's name	Sales	Relevant Segment
Mitsui Mining and Smelting Co., Ltd.	¥2,038	Engineering
Hachinohe Smelting Co., Ltd.	1,770	Engineering

Thousands of U.S.dollars(Note 1)

Customer's name	Sales	Relevant Segment
Mitsui Mining and Smelting Co., Ltd.	\$21,676	Engineering
Hachinohe Smelting Co., Ltd.	18,823	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 40.4% for the years ended March 31, 2012 and 37.8 for the years ended March ,2013. 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, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2012	2013	2013
Deferred tax assets:			
Unpaid enterprise tax	¥27	¥28	\$294
Accrued business office taxes	4	4	45
Excess accrued bonuses to employees	130	129	1,369
Allowance for warranties for completed construction	42	40	429
Allowance for expected losses on construction contracts in process	31	22	230
Employees' retirement benefits	454	393	4,181
Directors' and corporate auditors' retirement benefits	35	26	281
Excess bad debt expenses	6	9	101
Loss on valuation of golf course membership	12	12	129
Loss on valuation of inventories	2	6	68
Accrued social insurance	20	21	220
Loss on impairment of fixed assets	—	7	78
Others	11	24	252
Subtotal	¥773	¥722	\$7,677
Valuation allowance	(¥15)	(¥15)	(\$160)
Total deferred tax assets	¥758	¥707	\$7,516
Deferred tax liabilities:			
Unrealized gains (losses) on hedging derivatives, net of tax	(¥2)	(¥26)	(\$279)
Retained earnings of foreign subsidiaries	(¥106)	(¥125)	(\$1,328)
Others	(0)	(0)	(\$2)
Total deferred tax liabilities	(¥109)	(¥151)	(\$1,609)
Net deferred tax assets	¥650	¥555	\$5,907

The net deferred tax assets at March 31, 2012 and 2013 were contained in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2012	2013	2013
Deferred tax assets - current	¥257	¥257	\$2,462
Deferred tax assets - non current	¥393	¥393	\$3,448
Deferred tax liabilities - non current	(0)	(0)	(2)

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, 2012 and 2013.

	2012	2013
Statutory income tax rate	40.4%	37.8%
Permanent difference due to non-deductible expense	1.7	2.1
Inhabitant tax	1.4	1.6
Valuation allowance	(0.2)	—
Difference in tax rates of foreign consolidated subsidiaries	(5.6)	(1.0)
Retained earnings of foreign consolidated subsidiaries	(0.4)	1.8
Change in income tax rates	6.3	—
Others	0.7	1.3
Tax rate calculated based on the Companies' consolidated financial statements	44.3%	43.6%

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, 2012 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2012	2013	2013
Projected benefit obligation	(¥2,105)	(¥2,063)	(\$21,949)
Plan assets at fair value	908	1,034	10,994
Projected benefit obligation in excess of plan assets	(1,197)	(1,030)	(10,954)
Less: unrecognized actuarial differences	(71)	(72)	(763)
Less: unrecognized prior service costs	—	—	—
Allowance for employees' retirement benefits	(¥1,268)	(¥1,102)	(\$11,718)

The employee's retirement benefit costs for the year ended March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2012	2013	2013
Service costs-benefits earned during the year	¥113	¥116	\$1,236
Interest cost on projected benefit obligation	37	36	380
Expected return on plan assets	(1)	(1)	(10)
Amortization of actuarial differences	33	(48)	(511)
Amortization of prior service costs	22	—	—
Employees' retirement benefit costs	¥204	¥103	\$1,095

The actuarial assumptions for calculating the projected benefit obligation for the years ended March 31, 2012 and 2013 were as follows:

	2012	2013
	Benefit/ years of-service -approach	Benefit/ years of-service -approach
Attribution of benefits to periods of service		
Discount rate used to determine the projected benefit obligation	1.7%	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

(a) 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, 2013 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, 2013			
Assets:			
(a)Cash and time deposits:	¥1,763	¥1,763	¥ —
(b)Notes and accounts receivable from completed construction contracts:	6,865	6,865	—
(c) Deposits to the holding company:	2,818	2,818	—
Total:	11,446	11,446	—
Liabilities:			
(a)Notes and accounts payable for construction contracts:	3,048	3,048	—
(b)Advances received on uncompleted construction contracts:	137	137	—
Total:	3,185	3,185	—
Derivative transactions	69	69	—
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, 2013			
Assets:			
(a)Cash and time deposits:	\$18,751	18,751	\$ —
(b)Notes and accounts receivable from completed construction contracts:	73,026	73,026	—
(c) Deposits to the holding company:	29,973	29,973	—
Total:	121,751	121,751	—
Liabilities:			
(a)Notes and accounts payable for construction contracts:	32,420	32,420	—
(b)Advances received on uncompleted construction contracts:	1,456	1,456	—
Total:	33,876	33,876	—
Derivative transactions	738	738	—
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	¥59	\$627
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 , 2013 to March 31 , 2014	April 1 , 2014 to March 31 , 2018
Year ended March 31, 2013		
(a)Cash and time deposits:	¥1,763	¥ —
(b)Notes and accounts receivable from completed construction contracts:	6,865	—
(c) Deposits to the holding company:	2,818	—
Total:	11,446	—
	Thousands of U.S.dollars (Note 1)	
	April 1 , 2013 to March 31 , 2014	April 1 , 2014 to March 31 , 2018
Year ended March 31, 2013		
(a)Cash and time deposits:	\$18,751	\$ —
(b)Notes and accounts receivable from completed construction contracts:	73,026	—
(c) Deposits to the holding company:	29,973	—
Total:	121,751	—

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, 2013 were as follows:

Currency-related derivatives

			Millions of yen	Thousands of U.S. dollars(Note 1)
Type	Hedged items		2013	2013
Forward contracts				
Selling:				
U.S.dollars:	Notes and accounts receivable from completed construction contracts	Contract amounts	¥87	\$924
		Due over one year	—	—
		Market value	89	942
		Unrealized gain(loss)	(2)	(18)
Buying:				
U.S.dollars:	Notes and accounts payable for construction contracts	Contract amounts	¥497	\$5,289
		Due over one year	38	409
		Market value	609	6,482
		Unrealized gain(loss)	74	784
Euros:	Notes and accounts payable for construction contracts	Contract amounts	¥24	\$250
		Due over one year	—	—
		Market value	24	255
		Unrealized gain(loss)	0	5
Malaysia Ringgits:	Notes and accounts payable for construction contracts	Contract amounts	¥108	\$1,148
		Due over one year	—	—
		Market value	105	1,116
		Unrealized gain(loss)	(3)	(32)
Swiss franc:	Notes and accounts payable for construction contracts	Contract amounts	¥1	\$13
		Due over one year	—	—
		Market value	1	13
		Unrealized gain(loss)	(0)	(0)
Total		Contract amounts	¥717	\$6,700
		Due over one year	38	409
		Market value	828	7,865
		Unrealized gain(loss)	69	756

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, 2012

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

Millions of Yen				
2012				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	March 31, 2012			
(c) Capital (Millions of yen)	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage held by the holding company				
(a) Mitsui Mining And Smelting Co.,Ltd.	Sales	¥6,774	Notes and accounts receivable from completed construction contracts	¥1,596
(b) Holding Company	Purchases	561	Notes and accounts payable from completed construction contracts	190
			Other current liabilities	17
(c) 42,129	Withdrawal of funds	2,832	Deposits to the holding company	4,939
(d) Direct 63.4%	Interest income	34	—	—
	Interest expense	0	—	—

Notes:

- The amounts stated above do not include consumption tax, except for the balance at fiscal year end, which includes the consumption tax amount.
- Business conditions and policy of business conditions
 - The amount of orders was determined properly on an arm's – length basis as in the case of other general transactions
 - The purchase amount of raw materials for metal processing was determined properly considering normal market prices as in the case of other general transactions
 - The deposits paid to its holding company was determined properly considering normal market interest rates as in the case of other general transactions
- 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, 2011.
- The transaction amount of deposits paid to its holding company is stated in net increase basis.

(2) Transactions of the Company with its unconsolidated subsidiary for the year ended March 31, 2012 were as follows:

Millions of Yen				
2012				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	March 31, 2012			
(c) Capital (Thousands of Baht)	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Siam Mesco Co.,Ltd.				
(b) Unconsolidated subsidiary	Sales	¥58	—	—
(c) 3,000				
(d) 49.0%				

Notes:

- The amounts stated above do not include consumption tax, except for the balance at fiscal year end, which includes the consumption tax amount.
- Business conditions and policy of business conditions
 - The amount of orders was determined properly on an arm's – length basis as in the case of other general transactions
 - The purchase amount of raw materials for metal processing was determined properly considering normal market prices as in the case of other general transactions
- 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, 2012 were as follows:

Millions of Yen				
2012				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	March 31, 2012			
(c) Capital				
(d) Equity ownership percentage of the Company	Description of transaction	Amount	Account	Amount
(a) Mitsui Copper Foil (Malaysia) SDN.BHD.	Sales	¥905	Notes and accounts receivable from completed construction contracts	¥240
(b) Company with the same parent company				
(c) 160 millions of Malaysia Ringgits	Interest Income	1	Interest Receivable	—
(d) —				
(a) Hachinohe Smelting Co.,Ltd.	Sales	¥3,000	Notes and accounts receivable from completed construction contracts	¥158
(b) Company with the same parent company			Advances received on uncompleted construction contracts	46
(c) 4,795 millions of yen	Rent income of facilities	8	Other current receivable	4
(d) —	Purchases	32	Notes and accounts payable from completed construction contracts	2
			Other current liabilities	2

Notes:

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

(4) Transactions of the consolidated subsidiaries of Company with companies with the same parent company and subsidiaries of other affiliates of the Company for the year ended March 31, 2012 were as follows:

Millions of Yen				
2012				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	March 31, 2012			
(c) Capital				
(d) Equity ownership percentage of the Company	Description of transaction	Amount	Account	Amount
(a) Mitsui Copper Foil (Malaysia) SDN.BHD.	Sales	¥1,192	Notes and accounts receivable from completed construction contracts	¥103
(b) Company with the same parent company			Advances received on uncompleted construction contracts	—
(c) 160 millions of Malaysia Ringgits				
(d) —				

Notes:

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

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

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

Thousands of U.S.dollars (Note1)				
2013				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	March 31, 2013			
(c) Capital (Thousands of Baht)	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Siam Mesco Co.,Ltd.	Sales	\$21	—	—
(b) Unconsolidated subsidiary				
(c) 3,000	Purchases	48	—	—
(d) 49.0%				

Notes:

- The amounts stated above do not include consumption tax, except for the balance at fiscal year end, which includes the consumption tax amount.
- Business conditions and policy of business conditions
 - The amount of orders received was determined properly on an arm's – length basis as in the case of other general transactions
 - The purchase amount of raw materials for metal processing was determined properly considering normal market prices as in the case of other general transactions
- 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, 2012 were as follows:

Millions of Yen				
2012				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	March 31, 2012			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Mitsui Copper Foil (Malaysia) SDN.BHD.	Sales	¥974	Notes and accounts receivable from completed construction contracts	¥1,808
(b) Company with the same parent company				
(c) 160 millions of Malaysia Ringgits	Interest Income	20	Interest Receivable	20
(d) —				
(a) Hachinohe Smelting Co.,Ltd.	Sales	¥1,924	Notes and accounts receivable from completed construction contracts	¥613
(b) Company with the same parent company				
(c) 4,795 millions of yen	Rent income of facilities	3	Other current receivable	0
(d) —	Purchases	22	Notes and accounts payable from completed construction contracts	2
			Other current liabilities	2
(a) Hikoshima Mining and Smelting Co.,Ltd.				
(b) Company with the same parent company	Sales	434	Notes and accounts receivable from completed construction contracts	162
(c) 460 millions of yen				
(d) —				

Notes:

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

(4) Transactions of the consolidated subsidiaries of Company with companies with the same parent company and subsidiaries of other affiliates of the Company for the year ended March 31, 2012 were as follows:

Millions of Yen				
2012				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	March 31, 2012			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Mitsui Copper Foil (Malaysia) SDN.BHD.			Notes and accounts receivable from completed construction contracts	¥22
(b) Company with the same parent company	Sales	¥1,503	Advances received on uncompleted construction contracts	418
(c) 160 millions of Malaysia Ringgits				
(d) —				

Notes:

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

(5) 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)

(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	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	March 31, 2013			
(c) Capital				
(d) Equity ownership percentage of the Company	Description of transaction	Amount	Account	Amount
(a) Hachinohe Smelting Co.,Ltd.	Sales	¥1,770	Notes and accounts receivable from completed construction contracts	¥108
(b) Company with the same parent company			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

Thousands of U.S.dollars (Note1)				
2013				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	March 31, 2013			
(c) Capital				
(d) Equity ownership percentage of the Company	Description of transaction	Amount	Account	Amount
(a) Hachinohe Smelting Co.,Ltd.	Sales	\$18,823	Notes and accounts receivable from completed construction contracts	\$1,152
(b) Company with the same parent company			Advances received on uncompleted construction contracts	\$197
(c) 4,795 millions of yen	Rent income of facilities	73	Other current receivable	44
(d) —	Purchases	212	Notes and accounts payable from completed construction contracts	17
			Other current liabilities	22

Notes:

- The amounts stated above do not include consumption tax, except for the balance at fiscal year end, which includes the consumption tax amount.
- Business conditions and policy of business conditions
 - The amount of orders received was determined properly on an arm's – length basis as in the case of other general transactions
 - The purchase amount of raw materials was determined properly considering normal market prices as in the case of other general transactions
 - 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, 2012 and 2013 were as follows:

	Net income (Millions of yen)	Weighted- average shares (Thousands)	Net income per share (Yen)
Year ended March 31, 2012			
Net income available to common shareholders	¥674	12,777	¥52.75

	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, 2013				
Net income available to common shareholders	¥595	12,777	¥46.64	\$0.50

16.Consolidated Statement of Comprehensive Income

Year ended March 31, 2013

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)
	2013	2013
Unrealized gains (losses) on hedging derivatives:		
Increase(decrease) during the year	¥69	\$738
Reclassification adjustments	(6)	(70)
Sub-total, before tax	63	668
Tax (expense) or benefit	(24)	(252)
Sub-total, net of tax	39	415
Foreign currency translation adjustments:		
Increase(decrease) during the year	208	2,211
Sub-total, net of tax	208	2,211
Share of other comprehensive income of associates accounted for using equity		
Increase(decrease) during the year	9	91
Sub-total, net of tax	9	91
Total other comprehensive income	255	2,718

Directors and Auditors

(As of June 25, 2013)

Shin-ichi Sumi

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

Jun-ichi Araki

Katsunori Kobayashi

Auditors

Tetsuro Mizuki

Akira Kutsunai

Daigaku Sakai

Yasuhiko Ayabe

Corporate Data

(As of March 31, 2013)

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: 579

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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Kyushu

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Philippine Branch

Barangay Taganito, Claver, Surigao del Norte,
the Republic of the Philippines

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