

MESCO, Inc. and Subsidiaries

**Consolidated Financial Statements
For the year ended March 31,
2020 and 2021**

The logo for MESCO, featuring the word "MESCO" in a bold, green, sans-serif font. The letters are thick and blocky, with a slight shadow effect behind them.

Financial Highlights

Mesco, Inc. and Consolidated Subsidiaries

Thousands of

Years ended March 31

Millions of yen

U.S. dollars

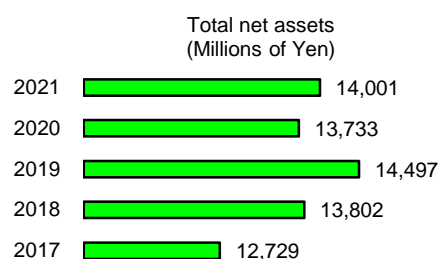
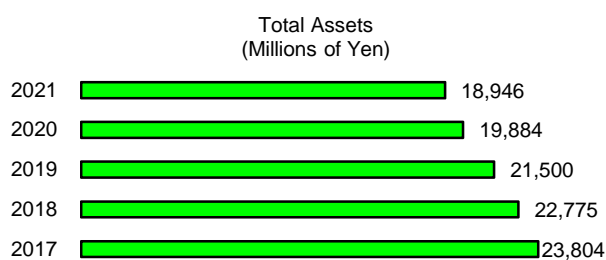
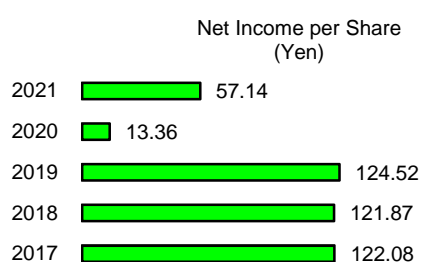
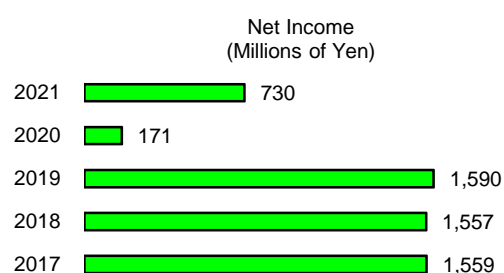
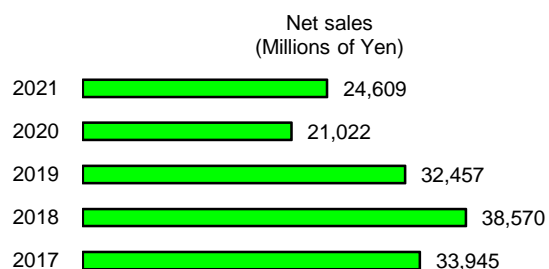
2019 2020 2021

2021

Consolidated Performance

Net sales	¥32,457	¥21,022	¥24,609	\$222,279
Net income	1,590	171	730	6,592
Total assets	21,500	19,884	18,946	171,133
Total net assets	14,497	13,733	14,001	126,469
Net income per share(¥, \$)	124.52	13.36	57.14	0.52
Cash dividends per share(¥, \$)	66.00	33.00	33.00	0.30

- Notes: 1. All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ¥ 110.71 to US\$1.00, the rate prevailing at March 31, 2021.
2. In this report, fiscal 2021 represents the year ended March 31, 2021.



Financial Section

Five-Year Summary

Mesco, Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				
	2017	2018	2019	2020	2021
Consolidated Performance					
For the year:					
Orders	¥30,953	¥28,252	¥24,896	¥26,869	¥17,939
Net sales	33,945	38,570	32,457	21,022	24,609
Cost of sales	29,182	33,643	27,451	18,293	21,145
Gross profit	4,764	4,928	5,006	2,729	3,463
Selling, general and administrative expenses	2,607	2,699	2,803	2,572	2,487
Operating income	2,157	2,229	2,203	157	976
Income before income taxes	2,214	2,299	2,296	254	1,067
Net income	1,559	1,557	1,590	171	730
At year-end:					
Total current assets	¥21,611	¥20,311	¥19,177	¥17,577	¥16,674
Total assets	23,804	22,775	21,500	19,884	18,946
Total current liabilities	9,883	7,850	5,915	5,051	3,823
Long-term liabilities	1,191	1,122	1,088	1,100	1,121
Total net assets	12,729	13,802	14,497	13,733	14,001
Per share data:					
Net income (¥)	¥122.08	¥121.87	¥124.52	¥13.36	¥57.14
Cash dividends applicable to the year (¥)	54.00	66.00	66.00	33.00	33.00
Number of employees (person)	348	360	370	379	384

Financial Review

Overview

During the fiscal year ended March 31, 2021, the Japanese economy continued to be in difficult situation due to the global spread of COVID-19. Although the economy showed some signs of recovery due to the phased resumption of economic activities and the effects of the government's economic measures, the future remains uncertain due to the situation of reemergence of infections and the lack of prospects for when the COVID-19 crisis will subside.

Under these circumstances, on a consolidated basis, the Company's net sales during fiscal year amounted ¥ 24,609 million (**US\$222,279 thousand**), up 17.1%, or ¥ 3,586 million, from the previous year.

At the earnings level, the gross profit increased 26.9% to ¥ 3,463 million (**US\$31,282 thousand**), and the gross profit margin was 14.1%, which was slightly up as compared to the previous year.

Selling, general and administrative (SGA) expenses decreased 3.3% or ¥ 85 million, to ¥ 2,487 million (**US\$22,467 thousand**).

As a result, operating income increased 522.1%, or ¥ 819 million, to ¥ 976 million (**US\$8,815 thousand**), and, income before income taxes increased 319.4%, or ¥ 813 million, to ¥ 1,067 million (**US\$9,642 thousand**).

Income taxes totaled ¥ 338 million (**US\$3,049 thousand**), up 202.3%, or ¥ 254 million.

Consequently, net income increased 327.9%, or ¥ 559 million, to ¥ 730 million (**US\$6,592 thousand**).

Net income per share was ¥ 57.14 (**US\$0.52**), and cash dividends applicable to the year was ¥ 33.00 (**US\$0.3**) per share.

Segment Information

Engineering

The Engineering Group's net sales increased 25.4%, or ¥ 3,821 million, to ¥ 18,854 million (**US\$170,304 thousand**) due to an increase of large-scale projects in the Non-ferrous metals smelting field.

Accordingly, segment (ordinary) profit increased 178.5% or ¥ 716 million, to ¥ 1,117 million (**US\$10,087 thousand**).

Piping and Soundproof materials

The Piping and Soundproof materials Group's net sales decreased 5.7%, or ¥ 372 million, to ¥ 6,131 million (**US\$55,376 thousand**), reflecting a drop of orders.

Whereas, segment (ordinary) profit rose 19.2% or ¥ 109 million, to ¥ 680 million (**US\$6,138 thousand**) due to the improvement of the profit margin.

Financial Position

The Company's total assets decreased 4.7%, or ¥ 938 million, during this period, amounting to ¥ 18,946 million (**US\$171,133 thousand**). This was chiefly attributable to a decrease of ¥ 1,878 million in Notes and accounts receivable.

Total liabilities decreased 19.6%, or ¥ 1,206 million, to ¥ 4,945 million (**US\$44,664 thousand**), owing to a decrease of ¥ 1,413 million in Notes and accounts payable.

Factors that included an increase of ¥ 308 million in net income led to an increase in total net assets of ¥ 268 million, to ¥ 14,001 million (**US\$126,469 thousand**).

Consequently, Company's equity ratio rose 4.8 percentage-point, to 73.9%.
The Company had no interest-bearing debt at fiscal year-end.

Cash Flows

Net cash provided by operating activities increased ¥2,478 million, to net cash outflow of ¥2,363 million (US\$21,348 thousand), mainly reflecting ¥1,067 million of Income before Income taxes, ¥357 million of decrease in Notes and accounts receivable, ¥473 million of decrease of costs on uncompleted construction contracts, ¥1,431 million of increase in Advances received, which were partially offset by ¥1,413 million of decrease in Notes and accounts payable.

Net cash used in investing activities came to net cash outflow of ¥312 million (US\$2,816 thousand), due mainly to ¥133 million of Payments in acquisition property, plant and equipments, ¥169 million of the Deposit to time deposits.

Net cash used in financing activities amounted to net cash outflow of ¥423 million (US\$3,823 thousand), owing to ¥423 million Payments for cash dividends.

As a result, Cash and cash equivalents at the end of fiscal year increased ¥1,619 million, to ¥6,943 million (US\$62,715 thousand).

Forward-Looking Statement

With regard to business prospects going forward, the current global pandemic of the COVID-19 is spreading and at this point it is not possible to predict when it will come to an end. In addition to this, there are concerns over other various uncertainties, including the impacts from the spread of COVID-19 on domestic and overseas economic activity.

In light of this environment, the Company projects that its consolidated net sales in fiscal 2021, ended March 31, 2022 will amount to ¥27,300 million, up 10.9% from the level in fiscal 2020.

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, 2022 (Prospect)

	Millions of yen 2022	Millions of U.S.dollars (Note 1) 2022
Net sales	¥ 27,300	\$246.6
Net income	¥ 450	\$4.1
Net income per share (¥ , \$)	¥ 35.23	\$0.3

Consolidated Balance Sheets

MESCO, Inc and Consolidated Subsidiaries

Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2021	2021
Assets			
Current assets:			
Cash and time deposits (Note 5)	¥2,403	¥2,949	\$26,637
Notes and accounts receivable			
Trade	8,112	6,294	56,852
Unconsolidated subsidiaries	61	0	0
Costs on uncompleted construction contracts	1,427	909	8,208
Inventories (Note 3)	499	350	3,165
Deposits to the holding company (Note 5)	4,824	6,020	54,375
Other current assets	263	160	1,445
Less: Allowance for doubtful accounts	(9)	(8)	(74)
Total current assets	17,577	16,674	150,607
Investments and other assets:			
Investment securities: (Note 12)			
Unconsolidated subsidiaries	66	70	633
Others	0	0	0
Deferred tax assets (Note 10)	468	407	3,675
Asset for retirement benefits (Note 11)	23	97	880
Others	212	200	1,808
Less: Allowance for doubtful accounts	(4)	(4)	(35)
Total Investments and other assets	764	771	6,960
Property, plant and equipment:			
Land	1,099	1,099	9,927
Buildings and structures	586	593	5,360
Machinery, vehicles and equipment	2,933	2,903	26,223
Construction in progress	1	-	-
	4,619	4,596	41,510
Less: Accumulated depreciation	(3,077)	(3,094)	(27,944)
Total Property, plant and equipment	1,542	1,502	13,566
Total assets	¥19,884	¥18,946	\$171,133

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2020	2021	2021
Liabilities and Net Assets			
Current Liabilities:			
Notes and accounts payable:			
Trade	¥3,193	¥1,830	\$16,529
Others	167	117	1,054
Accrued income taxes	89	257	2,325
Advances received	608	521	4,702
Accrued bonuses	386	381	3,440
Allowance for warranties for completed construction	171	144	1,301
Allowance for expected losses on construction contracts in process	80	-	-
Other current liabilities	356	574	5,186
Total current liabilities	5,051	3,823	34,536
Long-term Liabilities:			
Liability for retirement benefits(Note 11)	1,015	1,075	9,710
Directors' and corporate auditors' retirement benefits	58	-	-
Deferred tax liabilities (Note 10)	0	0	1
Others	27	46	417
Total Long-term liabilities	1,100	1,121	10,129
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	9,804
Capital surplus	684	684	6,182
Retained earnings	12,153	12,462	112,560
Less: Treasury stock	(7)	(7)	(60)
Total Shareholders' equity	13,916	14,225	128,486
Valuation, translation adjustments and others:			
Unrealized gains (losses) on hedging derivatives,net of tax	(29)	(17)	(151)
Foreign currency translation adjustments	(147)	(213)	(1,925)
Remeasurement of defined benefit plans	(7)	6	58
Total valuation, translation adjustments and others	(183)	(223)	(2,018)
Total net assets	13,733	14,001	126,469
Total liabilities and net assets	¥19,884	¥18,946	\$171,133

See accompanying notes.

Consolidated Statements of Income

MESCO, Inc and Consolidated Subsidiaries
Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2020	2021	2021
Net sales (Note 9):			
Construction contracts (Note 2)	¥17,663	¥21,797	\$196,883
Net sales on sideline business			
Net sales of merchandise	1,663	1,340	12,107
Net sales of finished goods	1,696	1,471	13,289
Total net sales of side line business	3,359	2,812	25,396
Total net sales	21,022	24,609	222,279
Cost of sales:			
Construction contracts (Note 2)	15,455	18,834	170,122
Cost of sales on sideline business			
Cost of merchandise sold	1,375	1,097	9,909
Cost of finished goods sold	1,463	1,214	10,966
Total cost of sales on sideline business	2,838	2,311	20,875
Total cost of sales	18,293	21,145	190,997
Gross profit:			
Construction contracts (Note 2)	2,208	2,963	26,761
Gross profit on sideline business			
Gross profit-merchandise	289	243	2,198
Gross profit-finished goods	233	257	2,323
Total gross profit on sideline business	521	500	4,521
Total gross profit	2,729	3,463	31,282
Selling , general and administrative expenses (Note 6)	2,572	2,487	22,467
Operating income	157	976	8,815
Other income (expense):			
Interest and dividends income	83	66	595
Interest expense	(0)	(0)	(1)
Equity in gains(losses) of unconsolidated subsidiaries	6	8	70
Foreign exchange gain (loss)	1	0	3
Loss on disposal of property, plant and equipment	(7)	(0)	(1)
Others , net	16	18	160
Total other income	98	91	826
Income before income taxes	254	1,067	9,642
Income taxes (Note 10):			
Current	79	288	2,604
Deferred	5	49	446
Total income taxes	84	338	3,049
Net income	¥171	¥730	\$6,592
Net income attributable to owners of parent	¥171	¥730	\$6,592
	Yen	Yen	U.S. dollars(Note 1)
Amounts per share of common stock:			
Net income (Note 15)	¥13.36	¥57.14	\$0.52
Cash dividends applicable to the year	33.00	33.00	0.30

See accompanying notes.

Consolidated Statements of Comprehensive Income

MESCO, Inc and Consolidated Subsidiaries

Years ended March 31, 2020 and 2021

	Millions of yen 2020	Millions of yen 2021	Thousands of U.S.dollars (Note 1) 2021
Income before minority interests	171	730	6,592
Other comprehensive income			
Unrealized gains (losses) on hedging derivatives, net of tax	(29)	12	112
Foreign currency translation adjustments	(1)	(63)	(567)
Remeasurements of defined benefit plans	(65)	14	125
Share of other comprehensive income of associates accounted for using equity method	4	(3)	(31)
Total other comprehensive income (Note 16)	(92)	(40)	(360)
Comprehensive income (Note 16)	79	690	6,232
(Breakdown)			
Comprehensive income attributable to :			
Owners of the parent	79	690	6,232
Non-controlling interests	-	-	-

See accompanying notes.

Consolidated Statements of Changes in Net Assets

MESCO, Inc. and Consolidated Subsidiaries
 Years ended March 31, 2021 and 2020

	Number of shares of common stock issued (Thousands)	Shareholders' equity					Valuation, translation adjustments and others				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on hedging derivatives, net of tax	Foreign currency translation adjustments	Remesure-ments of defined benefit plans	Total valuation, translation adjustments and others	Total net assets
		(Note 8)					Millions of yen				
Net assets at April 1, 2020	12,780	¥1,085	¥684	¥12,153	¥(7)	¥13,916	¥(29)	¥(147)	¥(7)	¥(183)	¥13,733
Cash dividends				(421)		(421)					(421)
Net income				730		730					730
Purchase of treasury stock					(0)	(0)					(0)
Net changes during the year							12	(66)	14	(40)	(40)
Balance at March 31, 2021	12,780	¥1,085	¥684	¥12,462	¥(7)	¥14,225	¥(17)	¥(213)	¥6	¥(223)	¥14,001

	Number of shares of common stock issued (Thousands)	Shareholders' equity					Valuation, translation adjustments and others				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on hedging derivatives, net of tax	Foreign currency translation adjustments	Remesure-ments of defined benefit plans	Total valuation, translation adjustments and others	Total net assets
		(Note 8)					Millions of yen				
Net assets at April 1, 2019	12,780	¥1,085	¥684	¥12,826	¥(7)	¥14,589		¥(149)	¥58	¥(92)	¥14,497
Cash dividends				(843)		(843)					(843)
Net income				171		171					171
Purchase of treasury stock					-	-					-
Net changes during the year							(29)	2	(65)	(92)	(92)
Balance at March 31, 2020	12,780	¥1,085	¥684	¥12,153	¥(7)	¥13,916	¥(29)	¥(147)	¥(7)	¥(183)	¥13,733

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation, translation adjustments and others				
						Unrealized gains (losses) on hedging derivatives, net of tax	Foreign currency translation adjustments	Remesure-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, 2020	\$9,804	\$6,182	\$109,775	\$(59)	\$125,702	\$(263)	\$(1,327)	\$(67)	\$(1,657)	\$124,044
Cash dividends			(3,807)		(3,807)					(3,807)
Net income			6,592		6,592					6,592
Purchase of treasury stock				(1)	(1)					(1)
Net changes during the year						112	(598)	125	(360)	(360)
Balance at March 31, 2021	\$9,804	\$6,182	\$112,560	\$(60)	\$128,486	\$(151)	\$(1,925)	\$58	\$(2,018)	\$126,469

See accompanying notes.

Consolidated Statements of Cash Flows

MESCO, Inc and Consolidated Subsidiaries

Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2020	2021	2021
Cash flows from operating activities:			
Income before income taxes	¥254	¥1,067	\$9,642
Depreciation and amortization	140	133	1,203
Loss on retirement of non-current assets	7	0	1
Increase(Decrease) in allowance for doubtful accounts	(7)	(1)	(9)
Foreign exchange gain	0	(2)	(16)
Equity in losses(gains) of unconsolidated subsidiaries	(6)	(8)	(70)
Decrease(Increase) in asset for employees' retirement benefits	(33)	14	122
Increase(Decrease) in liability for employees' retirement benefits	11	(8)	(71)
Increase(Decrease) in allowance for warranties for completed construction	7	(27)	(247)
Increase(Decrease) in allowance for expected losses on construction contracts in process	58	(80)	(724)
Interest and dividends income	(83)	(66)	(595)
Decrease (Increase) in notes and accounts receivable	2,027	357	3,224
Decrease (Increase) in costs on uncompleted construction contracts	(712)	474	4,281
Decrease (Increase) in inventories	27	148	1,338
Increase (Decrease) in accounts payable	6	(1,414)	(12,771)
Increase (Decrease) in advances received	(313)	1,431	12,930
Others, net	(1,126)	394	3,556
Subtotal	257	2,413	21,794
Interest and dividends received	74	71	637
Interest paid	(0)	(0)	(1)
Income taxes paid	(446)	(120)	(1,083)
Net cash provided by operating activities	(115)	2,363	21,348
Cash flows from investing activities:			
Increase in time deposits	(275)	(169)	(1,529)
Decrease in time deposits	112	-	-
Acquisition of property, plant and equipment	(83)	(133)	(1,205)
Acquisition of intangible assets	(8)	(11)	(100)
Payments for retirement of non-current assets	(6)	(0)	(1)
Others , net	(7)	2	19
Net cash used in investing activities	(265)	(312)	(2,816)
Cash flows from financing activities:			
Payment for cash dividends to the Company's shareholders	(842)	(423)	(3,823)
Payment for purchase of treasury stock	-	(0)	(1)
Net cash used in financing activities	(842)	(423)	(3,823)
Effect of exchange rate changes on cash and cash equivalents	0	(10)	(89)
Net increase in cash and cash equivalents	(1,222)	1,619	14,620
Cash and cash equivalents at beginning of year	6,546	5,325	48,095
Cash and cash equivalents at end of year (Note 5)	¥5,325	¥6,943	\$62,715

See accompanying notes.

Notes to Consolidated Financial Statements

MESCO, Inc. and Consolidated Subsidiaries

Years ended March 31, 2020 and 2021

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, 2021, which was ¥110.71 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) Employee's retirement benefits

The Company provided employee's 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) Director's and statutory auditor's retirement benefits

Directors and corporate auditors are generally entitled to receive retirement benefits based on the Company's 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 2020 and 2021.

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 2021 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 standards not yet applied, etc.

(Accounting standard for revenue recognition, etc.)

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29 on March 30,2018, Accounting Standards Board of Japan)
- "Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30 on March 30,2018, Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive accounting standards for revenue recognition and published the "Revenue from Contracts with Customers" (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014. Given that IFRS 15 will be applied from a fiscal year starting on or after January 1, 2018 and that Topic 606 will be applied from a fiscal year starting after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) has developed comprehensive accounting standards for revenue recognition and published them in step with the Implementation Guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is thought to be setting accounting standards, with the incorporation of the basic principles of IFRS 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15, and to be adding alternative accounting treatments without losing comparability if there is an item that we should take into account in practices, etc. that have been conducted in Japan.

(2) Planned date of application

To be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of application of the accounting standards, etc.

The amount of the impact on consolidated financial statements is currently under review.

3. Inventories

Inventories as of March 31, 2020 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2020	2021	2021
Merchandise and finished goods	¥220	¥121	\$1,096
Raw material and supplies	278	229	2,069
Total	¥499	¥350	\$3,165

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:

	Million	Million	Thousands of U.S. dollars(Note1)
	2020	2021	2021
Allowance for expected losses on construction contracts in process	¥80	-	-
Costs on uncompleted construction contracts	-	-	-
Merchandise and finished goods	-	-	-
Total	¥80	-	-

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, 2020 and 2021 were reconciled with cash and time deposits as follows:

	Millions	Million	Thousands of U.S. dollars(Note1)
	2020	2021	2021
Cash and time deposits	¥2,403	¥2,949	\$26,637
Time deposits with maturities exceeding three months from the date of deposit	(1,902)	(2,026)	(18,296)
Deposits to the holding company	4,824	6,020	54,375
Total: Cash and cash equivalents	¥5,325	¥6,943	\$62,715

6. Research and Development Expenses

Research and development expenses included in general and administrative expenses amounted to ¥46 million and ¥59 million (US\$537 thousand), for the years ended March 31, 2020 and 2021, respectively.

7. Contingent Liabilities

Contingent liabilities at March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2020	2021	2021
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.

9. Segment information

The operations of the Companies for the years ended March 31, 2020 and 2021 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, 2020 was as follows:

	Millions of yen		
	Engineering	Piping and Soundproof materials	Total
Year ended March 31, 2020			
Sales			
Outside customers	¥14,752	¥6,270	¥21,022
intergroup	280	233	513
Total	15,032	6,503	21,535
Segment profit (loss)	¥401	¥570	¥971
Segment Assets	¥9,000	¥5,578	¥14,578
Depreciation expense	22	97	119
Interest income	57	-	57
Investment gains or losses on equity method	6	-	6
Investments of unconsolidated subsidiaries	66	-	66
Capital expenditures	20	110	131

	Thousands of U.S. dollars (Note 1)		
	Engineering	Piping and Soundproof Materials	Total
Year ended March 31, 2020			
Sales			
Outside customers	\$135,580	\$57,622	\$193,202
intergroup	2,572	2,144	4,716
Total	138,152	59,765	197,917
Segment profit (loss)	\$3,685	\$5,240	\$8,925
Segment Assets	\$82,715	\$51,264	\$133,980
Depreciation expense	201	894	1,095
Interest income	521	-	521
Investment gains or losses on equity method	51	-	51
Investments of unconsolidated subsidiaries	604	-	604
Capital expenditures	187	1,014	1,201

Segment information as of and for the fiscal year ended March 31, 2021 was as follows:

	Millions of yen		
	Engineering	Piping and Soundproof materials	Total
Year ended March 31, 2021			
Sales			
Outside customers	¥18,801	¥5,807	¥24,609
intergroup	53	323	376
Total	18,854	6,131	24,985
Segment profit (loss)	¥1,117	¥680	¥1,796
Segment Assets	¥7,138	¥5,393	¥12,531
Depreciation expense	17	95	112
Interest income	48	-	48
Investment gains or losses on equity method	8	-	8
Investments of unconsolidated subsidiaries	70	-	70
Capital expenditures	14	55	69

	Thousands of U.S. dollars (Note 1)		
	Engineering	Piping and Soundproof Materials	Total
Year ended March 31, 2021			
Sales			
Outside customers	\$169,822	\$52,457	\$222,279
intergroup	481	2,919	3,400
Total	170,304	55,376	225,679
Segment profit (loss)	\$10,087	\$6,138	\$16,225
Segment Assets	\$64,471	\$48,717	\$113,188
Depreciation expense	157	857	1,014
Interest income	429	-	429
Investment gains or losses on equity method	70	-	70
Investments of unconsolidated subsidiaries	633	-	633
Capital expenditures	125	500	625

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

Millions of yen

Sales	March 31,2020	March 31,2021
Segment total	¥21,535	¥24,985
Intergroup	(513)	(376)
Sales on financial report	21,022	24,609

Millions of yen

Profits	March 31,2020	March 31,2021
Segment total	¥971	¥1,796
Corporation	(710)	(730)
Ordinary Profits on financial report	262	1,067

Millions of yen

Assets	March 31,2020	March 31,2021
Segment total	¥14,578	¥12,531
Corporation	5,306	6,415
Total Assets on financial report	19,884	18,946

Millions of yen

Others	Segment total		Adjustments		Financial report	
	2020	2021	2020	2021	2020	2021
Depreciation expense	¥119	¥112	¥21	¥21	¥140	¥133
Interest income	57	48	26	18	83	66
Interest Expense	-	-	-	-	-	-
Investment gains(losses) on equity method	6	8	-	-	6	8
Investments of unconsolidated subsidiaries	66	70	-	-	66	70
Capital expenditures	131	69	17	19	148	88

Thousands of U.S.dollars(Note 1)

Sales	March 31,2020	March 31,2021
Segment total	\$197,917	\$225,679
Intergroup	(4,716)	(3,400)
Sales on financial report	193,202	222,279

Thousands of U.S.dollars(Note 1)

Profits	March 31,2020	March 31,2021
Segment total	\$8,925	\$16,225
Corporation	(6,521)	(6,590)
Ordinary Profits on financial report	2,404	9,636

Thousands of U.S.dollars(Note 1)

Assets	March 31,2020	March 31,2021
Segment total	\$133,980	\$113,188
Corporation	48,759	57,945
Total Assets on financial report	182,739	171,133

Thousands of U.S.dollars(Note 1)

Others	Segment total		Adjustments		Financial report	
	2020	2021	2020	2021	2020	2021
Depreciation expense	\$1,095	\$1,014	\$194	\$189	\$1,290	\$1,203
Interest and Dividends received	521	429	238	165	759	595
Interest Expense	-	-	1	1	1	1
Investment gains(losses) on equity method	51	70	-	-	51	70
Investments of unconsolidated subsidiaries	604	633	-	-	604	633
Capital expenditures	1,201	625	158	169	1,359	794

(e) Relative Information

March 31,2021

1. Area information

Sales

Millions of yen

Japan	Others	Total
¥19,397	¥5,211	¥24,609

Thousands of U.S.dollars

Japan	Other s	Total
\$175,209	\$47,070	\$222,279

2. Main Customer Information

Millions of yen

Customer's name	Sales	Relevant Segment
Hachinohe Smelting Co., Ltd.	¥4,740	Engineering
Mitsui Mining and Smelting Co., Ltd.	3,954	Engineering
Kamioka Smelting Co., Ltd.	1,262	Engineering

Thousands of U.S.dollars

Customer's name	Sales	Relevant Segment
Hachinohe Smelting Co., Ltd.	\$42,815	Engineering
Mitsui Mining and Smelting Co., Ltd.	35,713	Engineering
Kamioka Smelting Co., Ltd.	11,402	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 30.5% for the years ended March 31, 2020 and 2021.

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, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2020	2021	2021
Deferred tax assets:			
Unpaid enterprise tax	¥10	¥14	\$127
Accrued business office taxes	3	3	31
Excess accrued bonuses to employees	118	116	1,049
Allowance for warranties for completed construction	52	44	397
Allowance for expected losses on construction contracts in process	24	-	-
Employees' retirement benefits	310	328	2,962
Directors' and corporate auditors' retirement benefits	18	9	86
Excess bad debt expenses	4	3	28
Loss on valuation of golf course membership	12	11	100
Loss on valuation of inventories	1	3	27
Accrued social insurance	19	19	172
Unrealized gains (losses) on hedging derivatives, net of tax	13	7	66
Others	19	15	139
Subtotal	604	574	5,183
Valuation allowance	(13)	(12)	(111)
Total deferred tax assets	591	562	5,073
Deferred tax liabilities:			
Retained earnings of foreign subsidiaries	¥116	¥125	\$1,129
Accumulated adjustments for retirement benefit	7	30	268
Unrealized gains (losses) on hedging derivatives, net of tax	-	-	-
Others	0	0	1
Total deferred tax liabilities	123	155	1,399
Net deferred tax assets	468	407	3,674

The net deferred tax assets at March 31, 2020 and 2021 were contained in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2020	2021	2021
Deferred tax assets - non current	¥468	¥407	\$3,675
Deferred tax liabilities - non current	0	(0)	(1)

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, 2020 and 2021.

	2020	2021
Statutory income tax rate	30.5%	30.5%
Permanent difference due to non-deductible expense	2.8	0.2
Inhabitant tax	5.6	1.3
Valuation allowance	(0.8)	(0.1)
Difference in tax rates of foreign consolidated subsidiaries	(6.7)	(1.1)
Retained earnings of foreign consolidated subsidiaries	2.7	0.9
Change in income tax rates	0.0	0.0
Others	(1.1)	(0.1)
Tax rate calculated based on the Company's consolidated financial statements	33.0%	31.6%

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.

Defined benefit plans

(a) Movement in retirement benefit obligations

	Millions of Yen		Thousands of U.S. dollars(Note1)
	2020	2021	2021
Balance at the beginning of the fiscal year	¥2,248	¥2,241	\$20,239
Service cost	144	142	\$1,283
Interest cost	-	-	-
Actuarial loss(gain)	(51)	34	308
Benefits paid	(¥101)	(¥93)	(840)
Past service cost	¥0	¥69	626
Balance at the end of the fiscal year	¥2,241	¥2,393	\$21,616

(b) Movement in plan assets

	Millions of Yen		Thousands of U.S. dollars(Note1)
	2020	2021	2021
Balance at the beginning of the fiscal year	¥1,328	¥1,249	\$11,280
Expected return on plan assets	29	21	193
Actuarial gain(loss)	(111)	139	1,255
Contributions paid by the employer	54	52	471
Benefits paid	(¥51)	(¥46)	(412)
Balance at the end of the fiscal year	¥1,249	¥1,416	\$12,786

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

	Millions of Yen		Thousands of U.S. dollars(Note1)
	2020	2021	2021
Funded retirement benefit obligations	¥1,226	¥1,318	\$11,906
Plan assets	(1,249)	(1,416)	(12,786)
	(23)	(97)	(880)
Unfunded retirement benefit obligations	1,015	1,075	9,710
Total Net liability(asset) for retirement benefits at the end of the fiscal year	992	978	\$8,830
Liability for retirement benefits	1,015	1,075	9,710
Asset for retirement benefits	(¥23)	(¥97)	(880)
Total Net liability(asset) for retirement benefits at the end of the fiscal year	¥992	¥978	\$8,830

(d) Retirement benefit costs

	Millions of Yen		Thousands of U.S. dollars(Note1)
	2020	2021	2021
Service cost	¥144	¥142	\$1,283
Interest cost	-	-	-
Expected return on plan assets	(29)	(21)	(193)
Net actuarial loss amortization	(35)	(19)	(171)
Past service cost	0	3	31
Total retirement benefit costs for the fiscal years ended March31	¥81	¥105	\$951

(e) Accumulated adjustments for retirement benefit

	Millions of Yen		Thousands of U.S. dollars(Note1)
	2020	2021	2021
Actual gains and losses that are yet to be recognized	¥11	(¥75)	(679)
Past service cost	¥0	¥66	595
Total balance at the end of the fiscal year	¥11	(¥9)	(83)

(f) Plan assets

1. Plan assets comprise

	2020	2021
Equity securities	26.4%	31.5%
Bonds	67.4%	63.1%
Other	6.2%	5.4%
Total	100.0%	100.0%

2. Long-term expected rate of return

Current and target asset allocations, historical 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 2020 and 2021

	2020	2021
Discount rate	0.0%	0.0%
Long-term expected rate of return	2.15%	1.71%

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, 2021 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, 2021			
Assets:			
(a)Cash and time deposits:	¥2,949	¥2,949	¥ -
(b)Notes and accounts receivable from completed construction contracts:	6,294	6,294	-
(c) Deposits to the holding company:	6,020	6,020	-
Total:	15,263	15,263	-
Liabilities:			
(a)Notes and accounts payable for construction contracts:	(1,947)	(1,947)	-
(b)Advances received on uncompleted construction contracts:	(521)	(521)	-
Total:	(2,467)	(2,467)	-
Derivative transactions	(24)	(24)	-

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, 2021			
Assets:			
(a)Cash and time deposits:	\$26,637	26,637	\$ -
(b)Notes and accounts receivable from completed construction contracts:	56,852	56,852	-
(c) Deposits to the holding company:	54,375	54,375	-
Total:	137,864	137,864	-
Liabilities:			
(a)Notes and accounts payable for construction contracts:	(17,583)	(17,583)	-
(b)Advances received on uncompleted construction contracts:	(4,702)	(4,702)	-
Total:	(22,285)	(22,285)	-
Derivative transactions	(217)	(217)	-

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	¥70	\$633

Investment securities is only unlisted equity securities, and there is no market value and 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 , 2021 to March 31 , 2022	April 1 , 2022 to March 31 , 2026
Year ended March 31, 2021		
(a)Cash and time deposits:	¥2,949	¥ -
(b)Notes and accounts receivable from completed construction contracts:	6,294	-
(c) Deposits to the holding company:	6,020	-
Total:	15,263	-

	Thousands of U.S.dollars (Note 1)	
	April 1 , 2021 to March 31 , 2022	April 1 , 2022 to March 31 , 2026
Year ended March 31, 2021		
(a)Cash and time deposits:	\$26,637	\$ -
(b)Notes and accounts receivable from completed construction contracts:	56,852	-
(c) Deposits to the holding company:	54,375	-
Total:	137,864	-

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 Company's 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.

(a) Derivative transactions for which hedge accounting had not been applied as of March 31, 2021 was as follows:

Commodity-related derivatives
Not applicable.

(b) Derivative transactions for which hedge accounting had been applied as of March 31, 2021 were as follows:

Currency-related derivatives

Type	Hedged items		Millions of	Thousands of
			yen	U.S. dollars (Note 1)
			2021	2021
Forward contracts				
Selling:				
	Notes and accounts	Contract amounts	¥6,850	\$758
U.S.dollars:	receivable from completed construction contracts	Due over one year	(-)	(-)
		Market value	7,194	796
		Unrealized gain(loss)	(344)	(38)
Buying:				
	Notes and accounts	Contract amounts	¥1,625	\$180
U.S.dollars:	payable for construction contracts	Due over one year	(-)	(-)
		Market value	1,711	189
		Unrealized gain(loss)	86	9
	Notes and accounts	Contract amounts	¥203	\$22
Euros:	payable for construction contracts	Due over one year	(-)	(-)
		Market value	205	23
		Unrealized gain(loss)	2	0
	Notes and accounts	Contract amounts	¥479	\$53
Australia dollars:	payable for construction contracts	Due over one year	(-)	(-)
		Market value	518	57
		Unrealized gain(loss)	39	4
	Total	Contract amounts	¥9,157	\$1,014
		Due over one year	(-)	(-)
		Market value	9,628	1,066
		Unrealized gain(loss)	(217)	(24)

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, 2020

(1) Transactions of the Company with its holding company and significant shareholders, for the year ended March 31, 2020 were as follows:

Millions of Yen				
2020				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-20			
(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	¥3,632	Notes and accounts receivable from completed construction contracts	¥1,590
			Advances received on uncompleted construction contracts	-
(b) Holding Company	Purchases	629	Notes and accounts payable from completed construction contracts	127
			Other current liabilities	15
(c) 42,129	Deposit of funds	1,415	Deposits to the holding company	4,824
(d) Direct 63.4%	Interest income	26	-	-
	Interest expense	0	-	-

Thousands of U.S.dollars				
2020				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-20			
(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	\$33,384	Notes and accounts receivable from completed construction contracts	\$14,612
			Advances received on uncompleted construction contracts	-
(b) Holding Company	Purchases	5,780	Notes and accounts payable from completed construction contracts	1,164
			Other current liabilities	141
(c) 42,129	Deposit of funds	13,007	Deposits to the holding company	44,331
(d) Direct 63.4%	Interest income	237	-	-
	Interest expense	1	-	-

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 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
- Workers on loan
The Company accepted 23 workers on loan (21 support persons on engineering service and 2 support persons on administrative 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, 2020.
- 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, 2020 were as follows:

Millions of Yen				
2020				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-20			
(c) Capital (Thousands of Baht)				
(d) Equity ownership percentage of the Company	Description of transaction	Amount	Account	Amount
(a) Siam Mesco Co.,Ltd.				
(b) Unconsolidated subsidiary	Sales	¥72	Notes and accounts receivable from completed construction contracts	¥61
(c) 3,000 thousands of Baht				
(d) 49.0%				

Thousands of U.S.dollars				
2020				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-20			
(c) Capital (Thousands of Baht)				
(d) Equity ownership percentage of the Company	Description of transaction	Amount	Account	Amount
(a) Siam Mesco Co.,Ltd.				
(b) Unconsolidated subsidiary	Sales	\$663	Notes and accounts receivable from completed construction contracts	\$557
(c) 3,000 thousands of Baht				
(d) 49.0%				

Notes :

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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, 2020 were as follows:

Millions of Yen				
2020				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-20			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Hachinohe Smelting Co.,Ltd.			Notes and accounts receivable from completed construction contracts	¥759
	Sales	¥2,115		
(b) Company with the same parent company			Advances received on uncompleted construction contracts	6
(c) 4,795 millions of yen	Rent income of facilities	6	Other current receivables	3
(d) -	Purchases	29	Notes and accounts payable from completed construction contracts	5
			Other current liabilities	2

Thousands of U.S.dollars				
2020				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-20			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Hachinohe Smelting Co.,Ltd.			Notes and accounts receivable from completed construction contracts	\$6,975
	Sales	\$19,436		
(b) Company with the same parent company			Advances received on uncompleted construction contracts	52
(c) 4,795 millions of yen	Rent income of facilities	59	Other current receivables	29
(d) -	Purchases	270	Notes and accounts payable from completed construction contracts	47
			Other current liabilities	21

Millions of Yen

2020				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-20			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Kamioka Mining and Smelting Co.,Ltd.				
(b) Company with the same parent company	Sales	¥1,764	Notes and accounts receivable from completed construction contracts	¥264
(c) 4,600 millions of yen				
(d) -	Purchases	16	Other current liabilities	1

Thousands of U.S.dollars

2020				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-20			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Kamioka Mining and Smelting Co.,Ltd.				
(b) Company with the same parent company	Sales	\$16,214	Notes and accounts receivable from completed construction contracts	\$2,431
(c) 4,600 millions of yen				
(d) -	Purchases	145	Other current receivables	6

(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, 2020 were as follows:

Millions of Yen				
2020				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-20			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Mitsui Copper Foil (Malaysia) SDN.BHD.				
(b) Company with the same parent company	Sales	¥319	Notes and accounts receivable from completed construction contracts	¥265
(c) 330 millions of Malaysia Ringgits				
(d) -				
(a) Mitsui Kinzoku Catalyst Zhuhai Co., Ltd.				
(b) Company with the same parent company	Sales	¥677	Notes and accounts receivable from completed construction contracts	¥603
(c) 34 millions of RMB				
(d) -				

Thousands of U.S.dollars				
2020				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-20			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Mitsui Copper Foil (Malaysia) SDN.BHD.				
(b) Company with the same parent company	Sales	\$2,933	Notes and accounts receivable from completed construction contracts	\$2,438
(c) 330 millions of Malaysia Ringgits				
(d) -				
(a) Mitsui Kinzoku Catalyst Zhuhai Co., Ltd.				
(b) Company with the same parent company	Sales	\$6,224	Notes and accounts receivable from completed construction contracts	\$5,546
(c) 34 millions of RMB				
(d) -				

Notes :

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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
3. 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, 2021

(1) Transactions of the Company with its holding company and significant shareholders, for the year ended March 31, 2021 were as follows:

Millions of Yen				
2021				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-21			
(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	¥3,954	Notes and accounts receivable from completed construction contracts	¥560
			Advances received on uncompleted construction contracts	-
(b) Holding Company	Purchases	566	Notes and accounts payable from completed construction contracts	114
			Other current liabilities	18
(c) 42,129	Deposit of funds	1,196	Deposits to the holding company	6,020
(d) Direct 63.4%	Interest income	18	-	-
	Interest expense	0	-	-

Thousands of U.S.dollars				
2021				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-21			
(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	\$35,713	Notes and accounts receivable from completed construction contracts	\$5,058
			Advances received on uncompleted construction contracts	-
(b) Holding Company	Purchases	5,112	Notes and accounts payable from completed construction contracts	1,026
			Other current liabilities	161
(c) 42,129	Deposit of funds	10,805	Deposits to the holding company	54,375
(d) Direct 63.4%	Interest income	165	-	-
	Interest expense	1	-	-

Notes :

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 - 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 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
- Workers on loan
The Company accepted 22 workers on loan (20 support persons on engineering service and 2 support persons on administrative 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, 2021.
- 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, 2021 were as follows:

Millions of Yen				
2021				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-21			
(c) Capital (Thousands of Baht)				
(d) Equity ownership percentage of the Company	Description of transaction	Amount	Account	Amount
(a) Siam Mesco Co.,Ltd.				
(b) Unconsolidated subsidiary	Sales	¥1	Notes and accounts receivable from completed construction contracts	-
(c) 3,000 thousands of Baht				
(d) 49.0%				

Thousands of U.S.dollars				
2021				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-21			
(c) Capital (Thousands of Baht)				
(d) Equity ownership percentage of the Company	Description of transaction	Amount	Account	Amount
(a) Siam Mesco Co.,Ltd.				
(b) Unconsolidated subsidiary	Sales	\$7	Notes and accounts receivable from completed construction contracts	-
(c) 3,000 thousands of Baht				
(d) 49.0%				

Notes :

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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, 2021 were as follows:

Millions of Yen				
2021				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-21			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Hachinohe Smelting Co.,Ltd.			Notes and accounts receivable from completed construction contracts	¥92
	Sales	¥4,740		
(b) Company with the same parent company			Advances received on uncompleted construction contracts	-
(c) 4,795 millions of yen	Rent income of facilities	8	Other current receivables	5
(d) -	Purchases	71	Notes and accounts payable from completed construction contracts	5
			Other current liabilities	2

Thousands of U.S.dollars				
2021				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-21			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Hachinohe Smelting Co.,Ltd.			Notes and accounts receivable from completed construction contracts	\$828
	Sales	\$42,815		
(b) Company with the same parent company			Advances received on uncompleted construction contracts	-
(c) 4,795 millions of yen	Rent income of facilities	72	Other current receivables	42
(d) -	Purchases	643	Notes and accounts payable from completed construction contracts	50
			Other current liabilities	21

Millions of Yen

2021				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-21			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Kamioka Mining and Smelting Co.,Ltd.			Notes and accounts receivable from completed construction contracts	¥285
(b) Company with the same parent company	Sales	¥1,262	Other current receivables	4
(c) 4,600 millions of yen				
	Proceeds from sale of property, plant and equipment	4	Advances received on uncompleted construction contracts	-
	Gain on sale of non-current assets	1		
(d) -	Purchases	18	Other current liabilities	1

Thousands of U.S.dollars

2021				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-21			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Kamioka Mining and Smelting Co.,Ltd.			Notes and accounts receivable from completed construction contracts	\$2,573
(b) Company with the same parent company	Sales	\$11,402	Other current receivables	36
(c) 4,600 millions of yen				
	Proceeds from sale of property, plant and equipment	36	Advances received on uncompleted construction contracts	-
	Gain on sale of non-current assets	11		
(d) -	Purchases	159	Other current receivables	5

(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, 2021 were as follows:

Millions of Yen				
2021				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-21			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Mitsui Copper Foil (Malaysia) SDN.BHD.				
(b) Company with the same parent company	Sales	¥307	Notes and accounts receivable from completed construction contracts	¥186
(c) 330 millions of Malaysia Ringgits				
(d) -				

Thousands of U.S.dollars				
2021				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-21			
(c) Capital	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Mitsui Copper Foil (Malaysia) SDN.BHD.				
(b) Company with the same parent company	Sales	\$2,773	Notes and accounts receivable from completed construction contracts	\$1,683
(c) 330 millions of Malaysia Ringgits				
(d) -				

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 - (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
3. 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, 2020 and 2021 were as follows:

	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, 2020				
Net income available to common shareholders	¥171	12,772	¥13.36	\$0.12

	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, 2021				
Net income available to common shareholders	¥730	12,772	¥57.14	\$0.52

16. Consolidated Statement of Comprehensive Income

Year ended March 31, 2020 and 2021

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 (Note 1)
	2020	2021	2021
Unrealized gains (losses) on hedging derivatives:			
Increase(decrease) during the year	(¥42)	(¥24)	(\$217)
Reclassification adjustments	1	42	378
Sub-total, before tax	(41)	18	161
Tax (expense) or benefit	13	(5)	(49)
Sub-total, net of tax	(29)	12	112
Foreign currency translation adjustments:			
Increase(decrease) during the year	(1)	(63)	(567)
Sub-total, net of tax	(1)	(63)	(567)
Share of other comprehensive income of associates accounted for using equity			
Increase(decrease) during the year	4	(3)	(31)
Sub-total, net of tax	4	(3)	(31)
Retirement Benefits adjustments			
Increase(decrease) during the year	(59)	35	320
Reclassification adjustments	(35)	(15)	(139)
Sub-total, before tax	(94)	20	180
Tax (expense) or benefit	29	(6)	(55)
Sub-total, net of tax	(65)	14	125
Total other comprehensive income	(92)	(40)	(360)

Directors and Auditors

(As of June 25, 2021)

President and Representative Director

Kazuhiko Aoki

Managing Directors

Yoshihiko Koura

Shigeo Hirayama

Directors

Shoji Kawano

Toshihiro Kameda

Natsu Kondo

Auditors

Shunji Kuwano

Jun-ichi Yamamoto

Yasuhiro Osawa

Corporate Data

(As of March 31, 2021)

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: 2,617

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.	¥22	100
TAIWAN MESCO Co.,Ltd.	¥18	100

Non-consolidated subsidiaries:

	Paid-in Capital (Millions)	Share (%)
SIAM MESCO Co.,Ltd.	¥6	49

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Indonesia Representative Office

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