

MESCO, Inc. and Subsidiaries

**Consolidated Financial Statements
For the year ended March 31,
2022 and 2023**



Financial Highlights

Mesco, Inc. and Consolidated Subsidiaries

Thousands of

Years ended March 31

Millions of yen

U.S. dollars

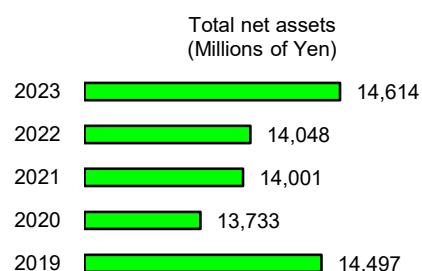
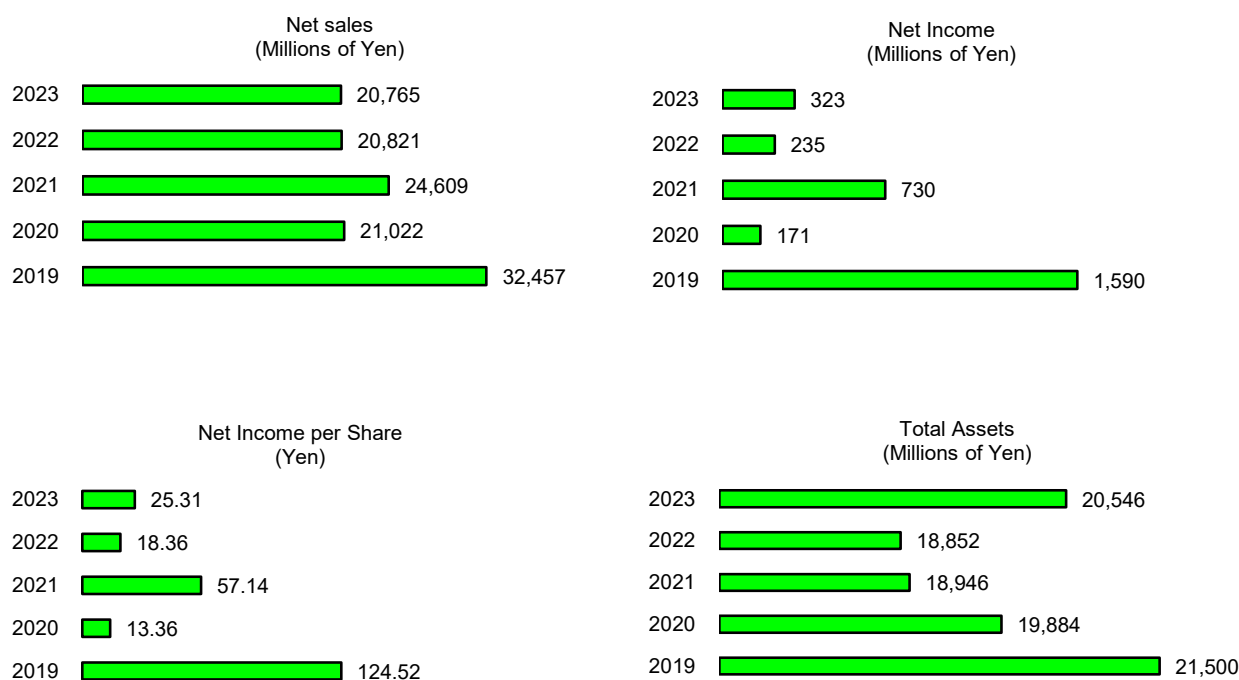
2021 2022 2023

2023

Consolidated Performance

Net sales	¥24,609	¥20,821	¥20,765	\$155,496
Net income	730	235	323	2,421
Total assets	18,946	18,852	20,546	153,856
Total net assets	14,001	14,048	14,614	109,435
Net income per share(¥, \$)	57.14	18.36	25.31	0.19
Cash dividends per share(¥, \$)	33.00	33.00	33.00	0.25

- Notes: 1. All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ¥ 133.54 to US\$1.00, the rate prevailing at March 31, 2023.
2. In this report, fiscal 2023 represents the year ended March 31, 2023.



Financial Section

Five-Year Summary

Mesco, Inc. and Consolidated Subsidiaries
 Years ended March 31

	Millions of yen				
	2019	2020	2021	2022	2023
Consolidated Performance					
For the year:					
Orders	¥24,896	¥26,869	¥17,939	¥22,424	¥25,600
Net sales	32,457	21,022	24,609	20,821	20,765
Cost of sales	27,451	18,293	21,145	17,863	17,560
Gross profit	5,006	2,729	3,463	2,958	3,205
Selling, general and administrative expenses	2,803	2,572	2,487	2,651	2,718
Operating income	2,203	157	976	307	486
Income before income taxes	2,296	254	1,067	382	494
Net income	1,590	171	730	235	323
At year-end:					
Total current assets	¥19,177	¥17,577	¥16,674	¥16,659	¥18,293
Total assets	21,500	19,884	18,946	18,852	20,546
Total current liabilities	5,915	5,051	3,823	3,609	4,673
Long-term liabilities	1,088	1,100	1,121	1,195	1,259
Total net assets	14,497	13,733	14,001	14,048	14,614
Per share data:					
Net income (¥)	¥124.52	¥13.36	¥57.14	¥18.36	¥25.31
Cash dividends applicable to the year (¥)	66.00	33.00	33.00	33.00	33.00
Number of employees (person)	370	379	384	384	386

Financial Review

Overview

During the fiscal year ended March 31, 2023, the Japanese economy recovered moderately, but inflation progressed significantly due to the impact of the depreciation of the yen and other factors. Under these conditions, the financial results in each business segment were as follows.

Under these circumstances, on a consolidated basis, the Company's net sales during fiscal year amounted ¥20,765 million (**US\$155,496 thousand**), down 0.3%, or ¥56 million, from the previous year.

At the earnings level, the gross profit decreased 8.3% to ¥3,205 million (**US\$23,999 thousand**), whereas, the gross profit margin was 15.4%, which was slightly up as compared to the previous year.

Selling, general and administrative (SGA) expenses increased 2.5% or ¥67 million, to ¥2,718 million (**US\$20,356 thousand**).

As a result, operating income increased 58.5%, or ¥180 million, to ¥494 million (**US\$3,697 thousand**), and income before income taxes increased 29.1%, or ¥181 million, to ¥494 million (**US\$3,123 thousand**).

Income taxes totaled ¥170 million (**US\$1,276 thousand**), up 15.3%, or ¥23 million (**US\$170 thousand**).

Consequently, net income increased 37.8%, or ¥159 million, to ¥323 million (**US\$2,421 thousand**).

Net income per share was ¥25.31 (**US\$0.19**), and cash dividends applicable to the year was ¥33.00 (**US\$0.25**) per share.

Segment Information

Engineering

The Engineering Group's net sales increased 16.7%, or ¥2,446 million, to ¥17,068 million (**US\$127,809 thousand**) mainly due to a sale's increase of various spare parts of the plants.

Accordingly, segment (ordinary) profit increased 6.8% or ¥47 million, to ¥735 million (**US\$ 5,507 thousand**).

Piping and Soundproof materials

The Piping and Soundproof materials Group's net sales increased 32.2%, or ¥2,101 million, to ¥8,634 million (**US\$64,657 thousand**), reflecting an increase of orders.

Consequently, segment (ordinary) profit increased 30.3% or ¥154 million, to ¥661 million (**US\$ 4,949 thousand**).

Financial Position

The Company's total assets increased 9.0%, or ¥1,694 million, during this period, amounting to ¥20,545 million (**US\$153,856 thousand**). This was chiefly attributable to an increase of ¥1,827 million in Notes and accounts receivable.

Total liabilities increased 23.5%, or ¥1,128 million, to ¥5,932 million (**US\$44,422 thousand**), owing to an increase of ¥698 million in Notes and accounts payable.

Factors that included an increase of ¥323 million in net income and an increase of ¥243 million in Foreign currency translation adjustments led to an increase in total net assets of ¥566 million, to ¥14,613 million (**US\$109,459 thousand**).

As a result, Company's equity ratio decreased 0.3 percentage-point, to 71.1%. The Company had no interest-bearing debt at fiscal year-end.

Cash Flows

Net cash provided by operating activities increased ¥ 181 million, to net cash outflow of ¥ 704 million (US\$5,278 thousand), mainly reflecting ¥ 494 million of income before income taxes, ¥ 1,799 million of increase in notes and accounts receivable and ¥ 689 million of increase in notes and accounts payable.

Net cash used in investing activities came to net cash outflow of ¥ 161 million (US\$1,203 thousand), due mainly to ¥ 142 million of the acquisition of property, plant and equipment.

Net cash used in financing activities amounted to net cash outflow of ¥ 0.3 million (US\$3 thousand), owing to ¥ 0.3 million payments for cash dividends.

As a result, cash and cash equivalents at the end of fiscal year decreased ¥ 644 million, to ¥ 7,191 million (US\$53,851 thousand).

Forward-Looking Statement

The Company projects that its consolidated net sales in fiscal 2023, ended March 31, 2024 will amount to ¥ 25,829 million, up 24.4% from the level in fiscal 2022.

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, 2024 (Prospect)

	Millions of yen 2024	Millions of U.S.dollars (Note 1) 2024
Net sales	¥ 25,829	\$193.4
Net income	¥ 447	\$3.3
Net income per share (¥ , \$)	¥ 35.00	\$0.3

Consolidated Balance Sheets

MESCO, Inc and Consolidated Subsidiaries
 Years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2022	2023	2023
Assets			
Current assets:			
Cash and time deposits (Note 5)	¥2,765	¥3,525	\$26,395
Notes and accounts receivable			
Trade	6,513	8,340	62,451
Unconsolidated subsidiaries	0	1	5
Costs on uncompleted construction contracts	1,135	2,002	14,992
Inventories (Note 3)	728	461	3,455
Deposits to the holding company (Note 5)	5,070	3,666	27,456
Other current assets	456	307	2,301
Less: Allowance for doubtful accounts	(8)	(10)	(73)
Total current assets	16,659	18,293	136,984
Investments and other assets:			
Investment securities: (Note 12)			
Unconsolidated subsidiaries	70	76	566
Others	0	0	0
Deferred tax assets (Note 10)	369	384	2,878
Asset for retirement benefits	80	75	563
Others	232	236	1,766
Less: Allowance for doubtful accounts	(34)	(35)	(258)
Total Investments and other assets	716	737	5,516
Property, plant and equipment:			
Land	1,099	1,099	8,230
Buildings and structures	604	676	5,066
Machinery, vehicles and equipment	2,916	2,898	21,698
Construction in progress	—	1	9
	4,619	4,674	35,003
Less: Accumulated depreciation	(3,142)	(3,158)	(23,646)
Total Property, plant and equipment	1,477	1,517	11,357
Total assets	¥18,852	¥20,546	\$153,856

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2022	2023	2023
Liabilities and Net Assets			
Current Liabilities:			
Notes and accounts payable:			
Trade	¥2,202	¥2,736	\$20,490
Others	128	293	2,191
Accrued income taxes	36	81	604
Advances received	461	637	4,772
Accrued bonuses	378	367	2,750
Allowance for warranties for completed construction	76	39	293
Allowance for expected losses on construction contracts in process	0	58	433
Other current liabilities	327	462	3,463
Total current liabilities	3,609	4,673	34,995
Long-term Liabilities:			
Liability for retirement benefits	1,148	1,201	8,994
Directors' and corporate auditors' retirement benefits	—	9	70
Deferred tax liabilities (Note 10)	1	2	16
Others	47	46	346
Total Long-term liabilities	1,195	1,259	9,426
Contingent Liabilities(Note 7)			
Net Assets(Note 8)			
Shareholders' equity:			
Common stock			
Authorized - 32,000 thousand shares			
Issued - 12,771 thousand shares	1,085	1,085	8,128
Capital surplus	684	684	5,125
Retained earnings	12,275	12,591	94,285
Less: Treasury stock	(7)	—	—
Total Shareholders' equity	14,038	14,361	107,537
Valuation, translation adjustments and others:			
Unrealized gains (losses) on hedging derivatives,net of tax	(2)	(19)	(139)
Foreign currency translation adjustments	41	295	2,206
Remeasurement of defined benefit plans	(28)	(23)	(170)
Total valuation, translation adjustments and others	11	253	1,897
Total net assets	14,048	14,614	109,435
Total liabilities and net assets	¥18,852	¥20,546	\$153,856

See accompanying notes.

Consolidated Statements of Income

MESCO, Inc. and Consolidated Subsidiaries
Years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2022	2023	2023
Net sales (Note 9):			
Construction contracts (Note 2)	¥18,073	¥17,238	\$147,642
Net sales on sideline business			
Net sales of merchandise	1,324	1,994	10,813
Net sales of finished goods	1,424	1,532	11,635
Total net sales of side line business	2,748	3,527	22,448
Total net sales	20,821	20,765	170,090
Cost of sales:			
Construction contracts (Note 2)	15,534	14,546	126,900
Cost of sales on sideline business			
Cost of merchandise sold	1,089	1,703	8,895
Cost of finished goods sold	1,240	1,312	10,130
Total cost of sales on sideline business	2,329	3,015	19,024
Total cost of sales	17,863	17,560	145,924
Gross profit:			
Construction contracts (Note 2)	2,539	2,693	20,742
Gross profit on sideline business			
Gross profit-merchandise	235	292	1,919
Gross profit-finished goods	184	220	1,505
Total gross profit on sideline business	419	512	3,424
Total gross profit	2,958	3,205	24,166
Selling , general and administrative expenses (Note 6)	2,651	2,718	21,658
Operating income	307	486	2,508
Other income (expense):			
Interest and dividends income	58	62	462
Interest expense	(0)	(0)	(0)
Equity in gains(losses) of unconsolidated subsidiaries	0	(2)	(12)
Foreign exchange gain (loss)	0	5	40
Loss on disposal of property, plant and equipment	(0)	(4)	(29)
Others , net	17	(55)	(409)
Total other income	75	7	53
Income before income taxes	382	494	3,697
Income taxes (Note 10):			
Current	100	181	1,357
Deferred	47	(11)	(81)
Total income taxes	148	170	1,276
Net income	¥235	¥323	\$2,421
Net income attributable to owners of parent	¥235	¥323	\$2,421
	Yen	Yen	U.S. dollars(Note 1)
Amounts per share of common stock:			
Net income (Note 14)	¥18.36	¥25.31	\$0.19
Cash dividends applicable to the year	33.00	33.00	0.25

See accompanying notes.

Consolidated Statements of Comprehensive Income

MESCO, Inc. and Consolidated Subsidiaries

Years ended March 31, 2022 and 2023

	Millions of yen	Millions of yen	Thousands of U.S.dollars (Note 1)
	2022	2023	2023
Income before minority interests	235	323	2,421
Other comprehensive income			
Unrealized gains (losses) on hedging derivatives, net of tax	15	(16)	(123)
Foreign currency translation adjustments	254	246	1,844
Remeasurements of defined benefit plans	(35)	6	42
Share of other comprehensive income of associates accounted for using equity method	(0)	7	55
Total other comprehensive income (Note 15)	234	243	1,818
Comprehensive income (Note 15)	468	566	4,239
(Breakdown)			
Comprehensive income attributable to :			
Owners of the parent	468	566	4,239
Non-controlling interests	—	—	—

See accompanying notes.

Consolidated Statements of Changes in Net Assets

MESCO, Inc. and Consolidated Subsidiaries

Years ended March 31, 2022 and 2023

	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	Remesurements of defined benefit plans	Total valuation, translation adjustments and others	Total net assets
		(Note 8)					Millions of yen				
Net assets at April 1, 2022	12,771	¥1,085	¥684	¥12,275	¥(7)	¥14,038	¥(2)	¥41	¥(28)	¥11	¥14,048
Cash dividends											
Net income				323		323					323
Purchase of treasury stock				(7)	7	(0)					(0)
Net changes during the year				316	7	323	(16)	254	6	243	243
Balance at March 31, 2023	12,771	¥1,085	¥684	¥12,591	¥(7)	¥14,361	¥(19)	¥295	¥(23)	¥253	¥14,614

	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	Remesurements of defined benefit plans	Total valuation, translation adjustments and others	Total net assets
		(Note 8)					Millions of yen				
Net assets at April 1, 2021	12,780	¥1,085	¥684	¥12,462	¥(7)	¥14,225	¥(17)	¥(213)	¥6	¥(223)	¥14,001
Cash dividends				(421)		(421)					(421)
Net income				235		235					235
Purchase of treasury stock					(0)	(0)					(0)
Net changes during the year							15	254	(35)	234	234
Balance at March 31, 2022	12,780	¥1,085	¥684	¥12,275	¥(7)	¥14,038	¥(2)	¥41	¥(28)	¥11	¥14,048

	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	Remesurements of defined benefit plans	Total valuation, translation adjustments and others	Total net assets	
	(Note 8)					Thousands of U.S. dollars (Note 1)					
Net assets at April 1, 2022		\$8,128	\$5,125	\$91,917	\$(51)	\$116,205	\$(16)	\$307	\$(212)	\$79	\$105,198
Cash dividends											
Net income				2,421		2,421					2,421
Purchase of treasury stock											
Net changes during the year				(53)	51	(2)	123	1,899	42	1,818	1,816
Balance at March 31, 2023		\$8,128	\$5,125	\$94,285	\$ —	\$107,537	\$(139)	\$2,206	\$(170)	\$1,897	\$109,435

See accompanying notes.

Consolidated Statements of Cash Flows

MESCO, Inc. and Consolidated Subsidiaries

Years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2022	2023	2023
Cash flows from operating activities:			
Income before income taxes	¥382	¥494	\$3,697
Depreciation and amortization	131	117	874
Loss on retirement of non-current assets	0	4	28
Increase(Decrease) in allowance for doubtful accounts	30	2	13
Equity in losses(gains) of unconsolidated subsidiaries	(0)	2	12
Decrease(Increase) in asset for employees' retirement benefits	(8)	(4)	(30)
Increase(Decrease) in liability for employees' retirement benefits	48	70	527
Increase(Decrease) in allowance for warranties for completed construction	(68)	(37)	(276)
Increase(Decrease) in allowance for expected losses on construction contracts in process	0	57	430
Interest and dividends income	(58)	(62)	(462)
Decrease (Increase) in notes and accounts receivable	(216)	(1,799)	(13,475)
Decrease (Increase) in costs on uncompleted construction contracts	(226)	(900)	(6,739)
Decrease (Increase) in inventories	(377)	266	1,994
Increase (Decrease) in accounts payable	342	689	5,156
Increase (Decrease) in advances received	(81)	176	1,317
Others, net	(453)	160	1,195
Subtotal	(554)	(767)	(5,741)
Interest and dividends received	58	62	462
Interest paid	(0)	(0)	(0)
Income taxes paid	(391)	(101)	(753)
Income taxes received	—	101	754
Net cash provided by operating activities	(886)	(705)	(5,278)
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(91)	(142)	(1,062)
Acquisition of intangible assets	(13)	(19)	(141)
Payments for retirement of non-current assets	(0)	(4)	(29)
Others , net	1	4	28
Net cash used in investing activities	(103)	(161)	(1,203)
Cash flows from financing activities:			
Payment for cash dividends to the Company's shareholders	(421)	(0)	(3)
Payment for purchase of treasury stock	(0)	—	—
Net cash used in financing activities	(422)	(0)	(3)
Effect of exchange rate changes on cash and cash equivalents	277	222	1,665
Net increase in cash and cash equivalents	(1,134)	(644)	(4,819)
Cash and cash equivalents at beginning of year	8,969	7,835	58,670
Cash and cash equivalents at end of year (Note 5)	¥7,835	¥7,191	\$53,851

See accompanying notes.

Notes to Consolidated Financial Statements

MESCO, Inc. and Consolidated Subsidiaries

Years ended March 31, 2022 and 2023

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, 2023, which was ¥133.54 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 38 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.

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 2022 and 2023.

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 2023 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.

3. Inventories

Inventories as of March 31, 2022 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2022	2023	2023
Merchandise and finished goods	¥445	¥158	\$1,183
Raw material and supplies	283	303	2,273
Total	¥728	¥461	\$3,455

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)
	2022	2023	2023
Allowance for expected losses on construction contracts in process	¥0	¥58	\$433
Costs on uncompleted construction contracts	—	0	0
Merchandise and finished goods	—	0	0
Total	¥0	¥58	\$433

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, 2022 and 2023 were reconciled with cash and time deposits as follows:

	Million	Million	Thousands of U.S. dollars(Note1)
	2022	2023	2023
Cash and time deposits	¥2,765	¥3,525	\$26,395
Deposits to the holding company	5,070	3,666	27,456
Total: Cash and cash equivalents	¥7,834	¥7,191	\$53,852

6. Research and Development Expenses

Research and development expenses included in general and administrative expenses amounted to ¥42 million and ¥45 million (US\$335 thousand), for the years ended March 31, 2022 and 2023, respectively.

7. Contingent Liabilities

Contingent liabilities at March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars(Note1)
	2022	2023	2023
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, 2021 and 2022 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, 2022 was as follows:

	Millions of yen		
	Engineering	Piping and Soundproof materials	Total
Year ended March 31, 2022			
Sales			
Outside customers	¥14,406	¥6,415	¥20,821
intergroup	216	118	334
Total	14,622	6,533	21,155
Segment profit (loss)	¥689	¥507	¥1,196

	Thousands of U.S. dollars (Note 1)		
	Engineering	Piping and Soundproof Materials	Total
Year ended March 31, 2022			
Sales			
Outside customers	\$117,684	\$52,407	\$170,090
intergroup	1,764	966	2,730
Total	119,447	53,373	172,820
Segment profit (loss)	\$5,626	\$4,143	\$9,769

Segment information as of and for the fiscal year ended March 31, 2023 was as follows:

	Millions of yen		
	Engineering	Piping and Soundproof materials	Total
Year ended March 31, 2022			
Sales			
Outside customers	¥14,084	¥6,681	¥20,765
intergroup	24	77	102
Total	14,108	6,758	20,867
Segment profit (loss)	¥735	¥661	¥1,396
	Thousands of U.S. dollars (Note 1)		
	Engineering	Piping and Soundproof Materials	Total
Year ended March 31, 2022			
Sales			
Outside customers	\$105,467	\$50,029	\$155,496
intergroup	181	580	761
Total	105,647	50,609	156,257
Segment profit (loss)	\$5,507	\$4,949	\$10,456

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

Millions of yen

Sales	March 31,2022	March 31,2023
Segment total	¥21,155	¥20,867
Intergroup	(334)	(102)
Sales on financial report	20,821	20,765

Millions of yen

Millions of yen

Profits	March 31,2022	March 31,2023
Segment total	¥1,196	¥1,396
Corporation	(817)	(829)
Ordinary Profits on financial report	379	568

Thousands of U.S.doll.housands of U.S.dollars

Sales	March 31,2022	March 31,2023
Segment total	\$172,820	\$156,257
Intergroup	(2,730)	(761)
Sales on financial report	170,090	155,496

Thousands of U.S.doll.housands of U.S.dollars

Profits	March 31,2022	March 31,2023
Segment total	\$9,769	\$10,456
Corporation	(6,673)	(6,206)
Ordinary Profits on financial report	3,095	4,250

(e) Relative Information
March 31,2023

1. Area information

Sales

Millions of yen

Japan	Other s	Total
¥15,848	¥4,917	¥20,765

Thousands of U.S.dollars

Japan	Other s	Total
\$118,678	\$36,818	\$155,496

2. Main Customer Information

Millions of yen

Customer's name	Sales	Relevant Segment
Mitsui Mining and Smelting Co., Ltd.	¥3,211	Engineering
Kamioka Smelting Co., Ltd.	1,310	Engineering
Hachinohe Smelting Co., Ltd.	1,211	Engineering

Thousands of U.S.dollars

Customer's name	Sales	Relevant Segment
Mitsui Mining and Smelting Co., Ltd.	\$24,044	Engineering
Kamioka Smelting Co., Ltd.	9,809	Engineering
Hachinohe Smelting Co., Ltd.	9,066	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, 2022 and 2023.

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, 2022 and 2023 were as follows:

	Millions of yen		Thousands of
	2022	2023	U.S. dollars(Note1) 2023
Deferred tax assets:			
Unpaid enterprise tax	¥—	¥11	\$84
Accrued business office taxes	3	3	26
Excess accrued bonuses to employees	115	112	839
Allowance for warranties for completed construction	23	12	89
Allowance for expected losses on construction contracts in process	0	18	132
Employees' retirement benefits	350	359	2,692
Directors' and corporate auditors' retirement benefits	9	9	65
Excess bad debt expenses	12	12	93
Loss on valuation of golf course membership	11	11	85
Loss on valuation of inventories	3	1	6
Accrued social insurance	19	19	141
Unrealized gains (losses) on hedging derivatives, net of tax	1	8	61
Others	13	12	92
Subtotal	561	588	4,406
Valuation allowance	(22)	(21)	(159)
Total deferred tax assets	540	567	4,246
Deferred tax liabilities:			
Enterprise tax receivable	1	¥—	¥—
Retained earnings of foreign subsidiaries	¥146	¥167	\$1,247
Accumulated adjustments for retirement benefit	24	(10)	(75)
Unrealized gains (losses) on hedging derivatives, net of tax	—	—	—
Others	1	2	16
Total deferred tax liabilities	172	159	1,189
Net deferred tax assets	368	434	3,253

The net deferred tax assets at March 31, 2021 and 2022 were contained in the consolidated balance sheets as follows:

	Millions of yen		Thousands of
	2022	2023	U.S. dollars(Note1) 2023
Deferred tax assets - non current	¥369	¥384	\$2,878
Deferred tax liabilities - non current	(1)	(2)	(16)

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, 2022 and 2023.

	2022	2023
Statutory income tax rate	30.5%	30.5%
Permanent difference due to non-deductible expense	0.6	0.9
Inhabitant tax	3.6	2.9
Valuation allowance	2.4	(0.1)
Difference in tax rates of foreign consolidated subsidiaries	(4.0)	(4.0)
Retained earnings of foreign consolidated subsidiaries	5.4	4.2
Change in income tax rates	0.0	0.0
Others	0.1	0.1
Tax rate calculated based on the Company's consolidated financial statements	38.6%	34.5%

11. 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, 2023 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, 2023			
Assets:			
(a)Cash and time deposits:	¥3,525	¥3,525	¥ —
(b)Notes and accounts receivable from completed construction contracts:	8,340	8,340	—
(c) Deposits to the holding company:	3,666	3,666	—
Total:	15,532	15,532	—
Liabilities:			
(a)Notes and accounts payable for construction contracts:	(3,029)	(3,029)	—
(b)Advances received on uncompleted construction contracts:	(638)	(637)	—
Total:	(3,666)	(3,666)	—
Derivative transactions	(27)	(27)	—
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, 2023			
Assets:			
(a)Cash and time deposits:	\$26,395	26,395	\$ —
(b)Notes and accounts receivable from completed construction contracts:	62,456	62,456	—
(c) Deposits to the holding company:	27,456	27,456	—
Total:	116,308	116,308	—
Liabilities:			
(a)Notes and accounts payable for construction contracts:	(22,681)	(22,681)	—
(b)Advances received on uncompleted construction contracts:	(4,772)	(4,772)	—
Total:	(27,453)	(27,453)	—
Derivative transactions	(200)	(200)	—
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	¥75	\$566

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, 2023 to March 31, 2024	April 1, 2024 to March 31, 2028
Year ended March 31, 2023		
(a)Cash and time deposits:	¥3,524	¥—
(b)Notes and accounts receivable from completed construction contracts:	8,340	—
(c) Deposits to the holding company:	3,666	—
Total:	15,532	—

	Thousands of U.S.dollars (Note 1)	
	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2028
Year ended March 31, 2023		
(a)Cash and time deposits:	\$26,395	\$ —
(b)Notes and accounts receivable from completed construction contracts:	62,456	—
(c) Deposits to the holding company:	27,456	—
Total:	116,308	—

12. 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, 2023 were as follows:

Commodity-related derivatives
Not applicable.

(b) Derivative transactions for which hedge accounting had been applied as of March 31, 2023 were as follows:

Currency-related derivatives

Type	Hedged items		Millions of	Thousands of
			yen	U.S. dollars(Note 1)
			2023	2023
Forward contracts				
Selling:				
U.S.dollars:	Notes and accounts receivable from completed construction contracts	Contract amounts	¥244	\$1,827
		Due over one year	(—)	(—)
		Market value	258	1,935
		Unrealized gain(loss)	(14)	(108)
Euros:	Notes and accounts receivable from completed construction contracts	Contract amounts	165	1,232
		Due over one year	(—)	(—)
		Market value	173	1,299
		Unrealized gain(loss)	(9)	(66)
Thai Baht	Notes and accounts receivable from completed construction contracts	Contract amounts	2	16
		Due over one year	(—)	(—)
		Market value	(—)	(—)
		Unrealized gain(loss)	2	16
			0	(1)
Buying:				
U.S.dollars:	Notes and accounts payable for construction contracts	Contract amounts	122	916
		Due over one year	(—)	(—)
		Market value	(—)	(—)
		Unrealized gain(loss)	121	908
Euros:	Notes and accounts payable for construction contracts	Contract amounts	(¥1)	(\$8)
		Due over one year	71	529
		Market value	(—)	(—)
		Unrealized gain(loss)	72	539
Australia dollars:	Notes and accounts payable for construction contracts	Contract amounts	¥0	\$0
		Due over one year	111	829
		Market value	(—)	(—)
		Unrealized gain(loss)	107	802
	Total	Contract amounts	(¥4)	(\$27)
		Due over one year	548	4,101
		Market value	(—)	(—)
		Unrealized gain(loss)	559	4,184
Notes:			-18	(\$133)

(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.

13.Related Party Transactions

1. Year ended March 31, 2022

(1) Transactions of the Company with its holding company and significant shareholders, for the year ended March 31, 2022 were as follows:

Millions of Yen				
2022				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-22			
(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	¥2,887	Notes and accounts receivable from completed construction contracts	¥555
			Advances received on uncompleted construction contracts	—
(b) Holding Company	Purchases	672	Notes and accounts payable from completed construction contracts	137
			Other current liabilities	19
(c) 42,129	Deposit of funds	968	Deposits to the holding company	5,070
(d) Direct 100%	Interest income	19	—	—
	Interest expense	0	—	—

Thousands of U.S.dollars				
2022				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-22			
(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	\$23,585	Notes and accounts receivable from completed construction contracts	\$4,538
			Advances received on uncompleted construction contracts	—
(b) Holding Company	Purchases	5,493	Notes and accounts payable from completed construction contracts	1,121
			Other current liabilities	151
(c) 42,129	Deposit of funds	7,910	Deposits to the holding company	41,420
(d) Direct 100%	Interest income	153	—	—
	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 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
- 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, 2022 were as follows:

Millions of Yen				
2022				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-22			
(c) Capital (Thousands of Baht)	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Siam Mesco Co.,Ltd.	Sales	¥9	Notes and accounts receivable from completed construction contracts	—
(b) Unconsolidated subsidiary				
(c) 3,000 thousands of Baht	Purchases	3	Notes and accounts payable from completed construction contracts	—
(d) 49.0%				

Thousands of U.S.dollars				
2022				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-22			
(c) Capital (Thousands of Baht)	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Siam Mesco Co.,Ltd.	Sales	\$72	Notes and accounts receivable from completed construction contracts	—
(b) Unconsolidated subsidiary				
(c) 3,000 thousands of Baht	Purchases	25	Notes and accounts payable from completed construction contracts	—
(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, 2022 were as follows:

Millions of Yen				
2022				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-22			
(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	¥188
(b) Company with the same parent company	Sales	¥1,963	Advances received on uncompleted construction contracts	—
(c) 4,795 millions of yen	Rent income of facilities	2	Other current receivables	1
(d) —	Purchases	59	Notes and accounts payable from completed construction contracts	1
			Other current liabilities	2

Thousands of U.S.dollars				
2022				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-22			
(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	\$1,539
(b) Company with the same parent company	Sales	\$16,036	Advances received on uncompleted construction contracts	—
(c) 4,795 millions of yen	Rent income of facilities	16	Other current receivables	12
(d) —	Purchases	480	Notes and accounts payable from completed construction contracts	10
			Other current liabilities	19

Millions of Yen

2022				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-22			
(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	¥319
(b) Company with the same parent company	Sales	¥1,561	Other current receivables	0
(c) 4,600 millions of yen			Advances received on uncompleted construction contracts	—
(d) —	Purchases	16	Other current liabilities	1

Thousands of U.S.dollars

2022				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-22			
(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	\$2,604
(b) Company with the same parent company	Sales	\$12,753	Other current receivables	3
(c) 4,600 millions of yen			Advances received on uncompleted construction contracts	—
(d) —	Purchases	131	Other current receivables	4

2. Year ended March 31, 2023

(1) Transactions of the Company with its holding company and significant shareholders, for the year ended March 31, 2023 were as follows:

Millions of Yen				
2023				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-23			
(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	¥3,211	Notes and accounts receivable from completed construction contracts	¥770
			Advances received on uncompleted construction contracts	—
(b) Holding Company	Purchases	824	Notes and accounts payable from completed construction contracts	209
			Other current liabilities	92
(c) 42,129	Deposit of funds	968	Deposits to the holding company	3,666
(d) Direct 100%	Interest income	10	—	—
	Interest expense	0	—	—

Thousands of U.S.dollars				
2023				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-23			
(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	\$24,044	Notes and accounts receivable from completed construction contracts	\$5,764
			Advances received on uncompleted construction contracts	—
(b) Holding Company	Purchases	6,167	Notes and accounts payable from completed construction contracts	1,562
			Other current liabilities	688
(c) 42,129	Deposit of funds	7,251	Deposits to the holding company	27,456
(d) Direct 100%	Interest income	72	—	—
	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 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
- 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, 2023 were as follows:

Millions of Yen				
2023				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-23			
(c) Capital (Thousands of Baht)	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Siam Mesco Co.,Ltd.	Sales	¥10	Notes and accounts receivable from completed construction contracts	¥1
(b) Unconsolidated subsidiary				
(c) 3,000 thousands of Baht	Purchases	—	Notes and accounts payable from completed construction contracts	—
(d) 49.0%				

Thousands of U.S.dollars				
2023				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-23			
(c) Capital (Thousands of Baht)	Description of transaction	Amount	Account	Amount
(d) Equity ownership percentage of the Company				
(a) Siam Mesco Co.,Ltd.	Sales	\$78	Notes and accounts receivable from completed construction contracts	\$5
(b) Unconsolidated subsidiary				
(c) 3,000 thousands of Baht	Purchases	—	Notes and accounts payable from completed construction contracts	—
(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, 2023 were as follows:

Millions of Yen				
2023				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-23			
(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	¥903
(b) Company with the same parent company	Sales	¥1,211	Advances received on uncompleted construction contracts	—
(c) 4,795 millions of yen	Rent income of facilities	2	Other current receivables	—
(d) —	Purchases	36	Notes and accounts payable from completed construction contracts	—
			Other current liabilities	—

Thousands of U.S.dollars				
2023				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-23			
(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	\$6,764
(b) Company with the same parent company	Sales	\$9,066	Advances received on uncompleted construction contracts	—
(c) 4,795 millions of yen	Rent income of facilities	15	Other current receivables	—
(d) —	Purchases	269	Notes and accounts payable from completed construction contracts	—
			Other current liabilities	—

Millions of Yen

2023				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-23			
(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	¥390
(b) Company with the same parent company	Sales	¥1,310	Other current receivables	—
(c) 4,600 millions of yen			Advances received on uncompleted construction contracts	—
(d) —	Purchases	16	Other current liabilities	—

Thousands of U.S.dollars

2023				
(a) Name	Transactions during the year ended		Balance at the end of the year	
(b) Attribution	31-Mar-23			
(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	\$2,922
(b) Company with the same parent company	Sales	\$9,809	Other current receivables	—
(c) 4,600 millions of yen			Advances received on uncompleted construction contracts	—
(d) —	Purchases	119	Other current receivables	—

Notes :

1. The amounts stated above do not include consumption tax, except for the balance at fiscal year end, which includes the consumption tax amount.
2. Business conditions and policy of business conditions
 - (i)The amount of orders received was determined properly on an arm's – length basis as in the case of other general transactions
 - (ii)The purchase amount of raw materials was determined properly considering normal market prices as in the case of other general transactions
 - (iii)Rent expense of machineries was determined properly considering normal market prices as in the case of other general transactions
3. Notes about parent company and significant affiliated company
Information on its parent company
Mitsui Mining & Smelting Co.,Ltd. (listed in Tokyo Stock Exchange)

14. Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2022 and 2023 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, 2022				
Net income available to common shareholders	¥234	12,772	¥18.36	\$0.15
Year ended March 31, 2023				
Net income available to common shareholders	¥323	12,772	¥25.31	\$0.19

15. Consolidated Statement of Comprehensive Income

Year ended March 31, 2022 and 2023

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)
	2022	2023	2023
Unrealized gains (losses) on hedging derivatives:			
Increase(decrease) during the year	(¥3)	(¥27)	(\$200)
Reclassification adjustments	24	3	24
Sub-total, before tax	21	(24)	(176)
Tax (expense) or benefit	(6)	7	54
Sub-total, net of tax	15	(16)	(123)
Foreign currency translation adjustments:			
Increase(decrease) during the year	254	246	1,844
Sub-total, net of tax	254	246	1,844
Share of other comprehensive income of associates accounted for using equity			
Increase(decrease) during the year	(0)	7	55
Sub-total, net of tax	(0)	7	55
Retirement Benefits adjustments			
Increase(decrease) during the year	(39)	2	14
Reclassification adjustments	(10)	6	46
Sub-total, before tax	(50)	8	60
Tax (expense) or benefit	15	(2)	(18)
Sub-total, net of tax	(35)	6	42
Total other comprehensive income	234	243	1,818

Directors and Auditors

(As of June 23, 2023)

President and Representative Director
Yoshihiko Koura

Managing Director
Yoichi Tanaka

Directors
Shoji Kawano
Kazuhiro Ide
Makoto Miyaji

Auditors
Makoto Kawahara
Kenji Miyamoto

Corporate Data

(As of March 31, 2023)

Established: February 17, 1964

Authorized Capital: 32,000,000 shares

Shares issued: 12,771,836 shares

Paid-in capital: ¥ 1,085,350,000

Number of shareholders: 1

The Holding Company:

	Percentage of outstanding shares (%)
Mitsui Mining & Smelting Co.,Ltd.	100

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

Directory

Head Office

3-2-1 Kinshi, Sumida-ku, Tokyo
130-8531 Japan
Phone:(03)5610-7839 Fax:(03)5610-7863

Oita Pipe Plant

843-18 Kasugaura, Seike, Oita-Shi, Oita,
870-0011 Japan
Phone:(097)538-2100 Fax:(097)538-1501

Branch Offices

Tohoku

76 Hamanayachi, Kawaragi, Hachinohe-shi,
Aomori, 039-1161 Japan
Phone:(0178)28-2041 Fax:(0178)28-5251

Kamioka

1-1, Shikama, Kamioka-cho
Hida-shi, Gifu, 506-1114 Japan
Phone:(0578)82-3539 Fax:(0578)83-2862

Kyushu

2100 Tosen, Omuta-shi, Fukuoka
836-0003 Japan
Phone:(0944)57-3190 Fax:(0944)54-5539

Philippine Branch

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

Indonesia Representative Office

Kaw.Industri Suryacipta, Jl. Surya Lestari Kav.C-3,
Kutamekar Ciampel Karawang Jawa Barat 41361

Subsidiaries

MESCOENG(MALAYSIA) SDN.BHD.

No. W1202, 12th Floor, West Tower, Wisma Consplant1,
Subang Jaya, 47500 Selangor , Malaysia
Jaya, Selangor Darul Ehsan, Malaysia
Phone : 60-3-5880-8880 Fax : 60-3-5880-5802

TAIWAN MESCO Co.,Ltd.

13F.-5,No.360,Sec.2,Taiwan Blvd.,North Dist.,
Taichung City 404, Taiwan(R.O.C)
Phone : 886-4-2322-3366 Fax : 886-49-225-7702

SIAM MESCO Co.,Ltd.

622 Emporium Tower 14th/5 Floor,Sukhumvit Road,
Klongton Sub-district,Klongtoey District, Bangkok 10110,
Thailand
Phone : 66-2-260-8441 Fax : 66-2-260-8442

MESCO(U.S.A), INC.

Suite 207 232 N. Broadway, Greensburg, Indiana, 47240, USA

Marketing Offices

Sapporo

1-4-1 Kitaichijo Higashi, Chuo-ku,
Sapporo-shi, Hokkaido 060-0031 Japan
Phone:(011)232-8031 Fax:(011)232-8033

Sendai

1-11-1 Hon-machi, Aoba-ku, Sendai-shi,
Miyagi, 980-0014 Japan
Phone:(022)227-5146 Fax:(022)227-5148

Tokyo

3-2-1 Kinshi, Sumida-ku, Tokyo
130-8531 Japan
Phone:(03)5610-7850 Fax:(03)5610-7867

Nagoya

3-29-10 Uchiyama Chikusa-ku Nagoya-shi,
Aichi, 460-0075 Japan
Phone:(052)953-0371 Fax:(052)953-0466

Osaka

1-23-101 Esaka-cho, Suita-shi, Osaka
564-0063 Japan
Phone:(06)6387-6510 Fax:(06)4861-7716

Hiroshima

4-1 Inari-machi, Minami-ku, Hiroshima-shi
Hiroshima, 732-0827 Japan
Phone:(082)262-2230 Fax:(082)262-2260

Fukuoka

2-1-22 Momochihama, Sawara-ku, Fukuoka-shi,
Fukuoka 814-0001 Japan
Phone:(092)843-7729 Fax:(092)843-7780