

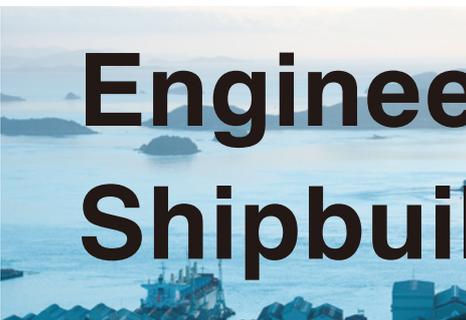


# Action

Corporate  
Action Report  
2015



**Mitsui**



# Engineering & Shipbuilding





# Moving Ahead, With Greater Speed.

As we head toward 2017, the year of our 100th anniversary, MES remains focused on implementing the Mid-Term Business Plan we launched in 2013. Embracing the motto of “Creating Prosperity for Our Next 100 Years”, we are challenging ourselves to innovation and creation based on the belief that creating a foundation for a global environment and society to last the next 100 years will provide MES a platform for new achievements.

We are beginning to see solid results. In the ports of the emerging nations driving the global economy, our container cranes have become a vital necessity. In the field of ocean development, a segment expected to help resolve the world’s energy problems, we are constructing the hull for a petroleum and gas production platform. We are implementing this project with a great sense of pride and purpose.

We believe that by providing the market with environment-friendly, energy-saving ships and contributing to the formation of a sustainable society, we are fulfilling our responsibility to future generations. We are committed to the continued pursuit of this philosophy. The innovation we achieve serves as a launching point for innovations by our customers, in society, and in the global economy. We will implement our strategies with a greater sense of speed and hope you continue to expect great things from MES.

*Action*

## Leading Innovation in Port and Harbor Distribution

Port Klang, the largest merchant port in Malaysia. Facing the Strait of Malacca, one of the most important channels for global ocean distribution, Port Klang is an Asian hub that boasts some of the highest container volume in the world. MES constructed all of the 36 quay cranes and 157 yard cranes operating in the Port Klang West Port. While addressing the need for large-scale container cranes and higher container volume, by achieving lighter weights and better energy efficiency, we are promoting environment-friendly solutions and contributing the development of smart port and harbor loading. After construction, we support customer terminal operations by serving as a reliable partner. We provide ideas and proposals that help our customers achieve innovation.

Action for new

Global Logistics



こそ三井造船へ

## Innovation for Next-Generation Energy

From land to sea, and onward into the deep ocean. Seeking to secure stable energy for future generations, the world is turning its attention to the development of untapped ocean resources. We are pouring our cumulative technology into this field. On February 27, 2015, the second floating production storage and offloading system (FPSO) hull used in vessels for marine oil and gas production produced by MES was launched from our Chiba Works. We will continue producing FPSO as a way to contribute to next-generation energy development.

Action for new

Energy

floating production storage and offloading system (FPSO) for marine oil and gas ship hull / Chiba Works

# Action for a new Environment

Action Report 03

## Creating Environment-Friendly Engines

A large-scale, dual-fuel, two-cycle, low-speed diesel engine that can use both natural gas (LNG), ethane, methanol, etc., and crude petroleum for fuel. Gaining attention as a diesel engine that is environment-friendly and providing superior economic performance. We have continued to strive for advancements in technology during the manufacturing of our gas injection diesel engine (ME-LGI), a methanol-fueled, electronically controlled engine, at our Tamano Works. MES specializes in the development of highly environment-friendly diesel engines. We recreate vessels from the inside out to create eco-ships that contribute to global sustainability.



methanol-fueled, electronically controlled gas injection diesel engine (ME-LGI) / Tamano Works

# Action for new

Craftsmanship

Action Report 04

## Skill Relay - From Person to Person

MES is committed to transferring skills. Working to accelerate the relaying of skills is a group-wide organization, the Skills Transfer Center. At the Chiba Works, members of each work site with advanced skills are certified as Skill Masters, who work one-on-one with young workers. In an age where the market demands short turnaround times, the workplace prioritizes work over personnel development.

To address this, the Skills Transfer Center supports the people at each worksite by coordinating work schedules and development programs, managing development goal achievement, and providing advice to leaders to manage the transfer of skills for the entire workplace. Manufacturing begins with people. Using the system of master and apprentice to relay vital skills, we will continue to ensure a strong manufacturing workplace.

Skills Transfer Center / Chiba Works

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**P02 Action Report**  
Reports on the most recent developments at MES.



**P18 Message from the President**  
Our company president provides an overview of fiscal 2014 and outlines our direction going forward.



**P22 Feature: Mid-term Business Plan 2014**  
Detailed explanation of the framework and progress of our Mid-Term Business Plan.



**P28 Business Segment Overview**  
Overview of earnings from each division and forecasts.

## Editing Policy

Mitsui Engineering and Shipbuilding Co., LTD. upholds our corporate philosophy as we strive to be a company that uses manufacturing to contribute to social development and preserve the global environment. We view all actions related to achieving this goal as an approach to creating corporate value. The Corporate Action Report is a comprehensive summary of all activities, from management strategies, vital strategies, and status of business to environment conservation activities and workplace environment development activities, designed to provide stakeholders with a better understanding of company operations.

This report covers the period from April 2014 to March 2015. However, some sections include information for periods beyond April 2015.



# Mission Statement



## Mission Statement

To continue our role as trusted manufacturer, and trusted member of society

The core of our Group is manufacturing. Through our advanced technology, we offer products and services that are environment-friendly and contribute to society and people. Our mission and raison d'etre is to gain the trust of society and people by contributing to the development of society through our manufacturing. We believe that this trust is vital to our existence.

## Management Policy

- Provide customers with a higher level of satisfaction
- .....
- Achieve a safe and fulfilling work environment
- .....
- Contribute to the development of society
- .....
- Pursue profit to ensure corporate sustainability

# History

As a leader of Japan's shipbuilding industry, MES quickly expanded operations to include land-based segments. Constantly challenging ourselves to succeed in new domains, throughout our history MES has used this success to achieve further technological advances. The 100-year history of challenge, success, and innovation at MES continues.

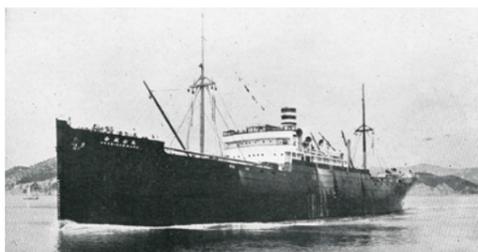
## 1917 ~

### Leading Japan's shipbuilding industry since our founding.

The history of MES started on November 14, 1917 as the Shipbuilding Division of Mitsui & Co., Ltd. In addition to the construction of the company's own merchant ships, in 1923 the company completed Minesweeper No. 2, the first warship built by the company. In 1924, the company built Akagisan Maru, the first ship in Japan equipped with a diesel engine. Beginning in 1926, the company concluded a shipbuilding and sales agreement with Burmeister & Wain A/S of Denmark. This resulted in the company building diesel engines as well as numerous economical high-speed cargo ships. In 1937, the company separated from Mitsui & Co., Ltd. to become Tama Shipyard Co., Ltd. Aggressively involved in land-based domains, in 1938 the company produced equipment for petroleum refinement. This marked the beginning of the company's transition to becoming a comprehensive manufacturer of heavy machinery. The company changed its name to Mitsui Shipbuilding & Engineering Co., Ltd. in 1942.



1917 – Founded as the Shipbuilding Division of Mitsui & Co., Ltd.



1924 – Builds Akagisan Maru, the first ship in Japan equipped with a diesel engine.

## 1945 ~

### Post-war reconstruction. Grows to become comprehensive heavy machinery manufacturer.

Following defeat in the Pacific War, the company experienced numerous hardships but was able to restart productions in October 1945 thanks to efforts to restore order and through cooperation from employees. In 1948, the company received an order for the Norwegian whaling ship, the Knurr, which was the first ship exported by Japan following the end of the war. This marked the company's gradual transition toward recovery. From 1951, the company continued to make innovations in technology and equipment as it supplied the world with numerous superior ships, eventually securing its position as one of the world's foremost shipbuilders. In 1961, MES constructed Kinkasan Maru, the world's first automated vessel. Beyond the shipbuilding industry, the company sought to expand its base as a comprehensive heavy machinery manufacturer by advancing aggressively into segments such as industrial machinery (large-scale turbines, etc.) steel structures (bridges, etc.), and construction machinery.



1948 – Company receives order for the Norwegian whaling ship, Knurr



1961 – World's first automated vessel, Kinkasan Maru

## 1960 ~

### Business expansion and globalization

After the war, the company was operating with only the Tamano Works but in 1960, MES constructed the Chiba Works in Ichihara, Chiba. This enabled MES to vessels that could meet the rapidly growing demand for large-scale ships. In 1971, the MES ship repair yard, the Yura Dockyard, commenced construction. This established the framework for meeting growing demand for ship repair work. In 1980, as the world had overcome the effects of the Oil Shock, MES began construction of the Oita Works as a dedicated site for large-scale steel construction projects. Operations at Oita Works began in 1981. Looking to improve its international competitiveness, MES acquired the container crane company PACECO Corp. in 1988 and the land-based power plant engineering company BWSC\* in 1990. MES worked aggressively to establish its overseas presence in order to establish an operating structure for the global age.

\*Burmeister & Wain Scandinavian Contractor A/S



1960 – MES constructs the Chiba Works in Ichihara, Chiba.

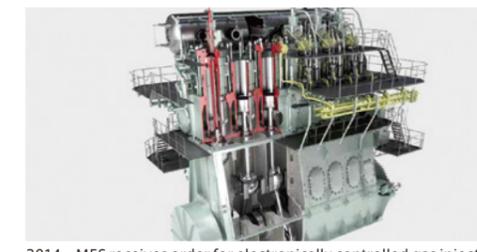


1980 – MES constructs the Oita Works in Oita City, Oita.

## 2005 ~

### Becoming a trusted global corporation

The company enters an age with significant focus on corporate social responsibility and transparent management. As the balance between industrial development and the global environment as well as the creation of an energy efficient society become global issues, in 2005 MES established new company philosophy, management policy and standards of conduct to outline the Group's overall direction. The company began its mission of achieving global recognition as a trusted corporate brand. From 2012, MES initiated structural reforms to accelerate Group growth. In 2013, the company established its Mid-term Business Plan. This launched the company's initiatives towards its next stage of dynamic growth. The building of eco-ships and strengthening its presence in the ocean resources segment have begun to reap benefits. MES's challenge towards the next 100 years continues.



2014 – MES receives order for electronically controlled gas injection diesel engine (ME-GI) fueled by natural gas and ethane.



2015 – Constructs hull for floating production storage and offloading (FPSO) vessels for marine oil and gas vessel

#### Major Products

- ▶ Ships (building and repairs)    ▶ Naval Ships
- ▶ Ship boilers    ▶ Diesel engines
- ▶ Water gates, steel pipes, steel towers, etc.    ▶ Terminal loading equipments
- ▶ Acetate manufacturing plants
- ▶ Meehanite casting    ▶ Gas turbines
- ▶ PVC production plants
- ▶ Fertilizer production plants    ▶ Boilers    ▶ Tetron production plants
- ▶ Rayon production plants    ▶ Artificial petroleum production plants    ▶ Nylon production plants    ▶ Petrochemical plants

- ▶ Phosphoric acid manufacturing plants    ▶ Equipments for nuclear power    ▶ Induction heaters
- ▶ Steam turbines    ▶ Urban trash incinerator facilities    ▶ Hybrid container cranes
- ▶ Axial flow compressors    ▶ Flotation equipments    ▶ Ship steam turbines    ▶ Electric shovels    ▶ Biomass plants    ▶ Biomass feed facilities
- ▶ Hovercrafts    ▶ High-speed catamaran    ▶ Water production plants    ▶ MIDP    ▶ Pipelines    ▶ RTV    ▶ FA    ▶ Wind power stations    ▶ Solar power stations
- ▶ Construction machineries / mining machineries    ▶ Steel refinery cranes    ▶ Oil refinery plants    ▶ Commercial boilers    ▶ LNG carriers    ▶ New materials    ▶ Biogas plants    ▶ Floating wind power generators
- ▶ Container cranes    ▶ Computer usage systems    ▶ Housing    ▶ PC hybrid floating wave dissipating banks    ▶ Functional membranes    ▶ Eco-ships
- ▶ Semi-submerged crane barges    ▶ SSC    ▶ ME-GI    ▶ ME-LGI

# Business Fields

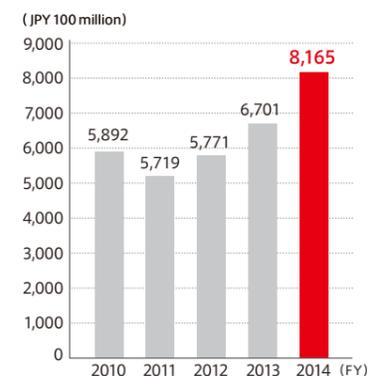
Offering products and services that benefit society and people to become a trusted corporate citizen. In working to fulfill this goal, our technology led us towards resolving the various problems facing society. As a total heavy machinery manufacturer expanding operations on a global scale, we have accepted the challenge of creating a foundation for future generations.



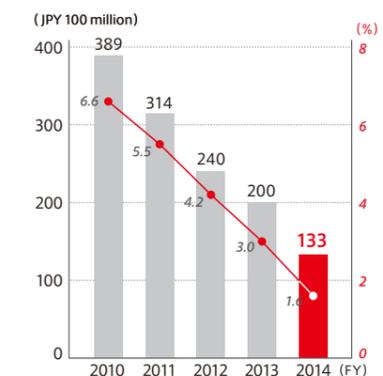
# Highlights

Financial Results	Millions of Japanese Yen					Thousands of U.S.Dollars
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014
New Orders Received	499,695	686,886	662,556	1,107,750	959,785	7,986,894
Net Sales	589,209	571,852	577,093	670,068	816,520	6,794,707
Operating Income	38,896	31,420	24,001	19,969	13,299	110,668
Ordinary Income	36,217	32,345	26,162	26,180	14,899	123,983
Net Income	13,494	17,880	△8,207	42,855	9,463	78,747
Cash Flow	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014
Operating Cash Flow	29,223	13,564	47,182	14,499	15,168	126,221
Investing Cash Flow (Loss)	△42,841	11,515	△12,100	△37,313	△32,386	△269,502
Free Cash Flow	△13,618	25,079	35,082	△22,813	△17,218	△143,281
Financing Cash Flow (Loss)	△6,517	△32,415	△4,793	15,532	△4,374	△36,398
Cash and Cash Equivalents	79,799	72,007	106,192	111,926	94,665	787,759
Financial Position	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014
Net Assets	193,748	209,631	207,313	323,609	347,305	2,890,114
Total Assets	686,325	655,929	660,397	932,896	1,074,563	8,942,023
Interest-bearing Debt	172,034	144,564	148,256	187,833	188,314	1,567,062
Per Share Information	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014
EPS (Net Income per Share)	16.29	21.59	△9.91	51.80	11.63	0.097
BPS (Net Assets per Share)	198.40	219.17	212.06	266.72	293.04	2.439
Dividends per Share	4.0	4.0	3.0	2.0	2.0	0.017
Share Price at the year end	199	144	166	218	205	1.706
Key Financial Indicator	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014
Shareholders' Equity to Total Assets	23.9	27.7	26.6	23.6	22.0	
ROE (Return of Equity)	8.2	10.0	△4.6	21.6	4.1	

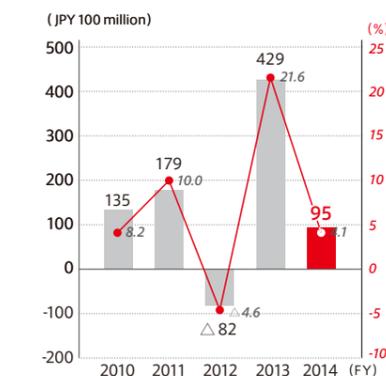
Net Sales



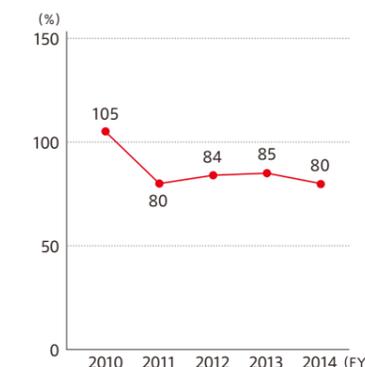
Operating Income  
Operating Income per Net Sales



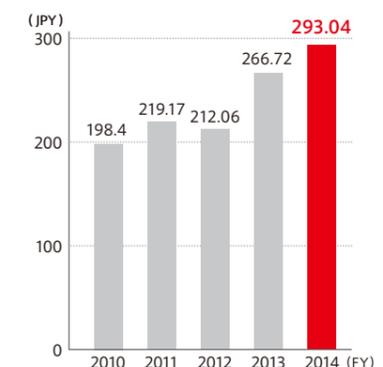
Net Income  
ROE (Return of Equity)



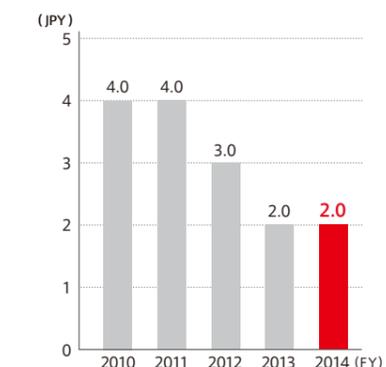
D/E Ratio



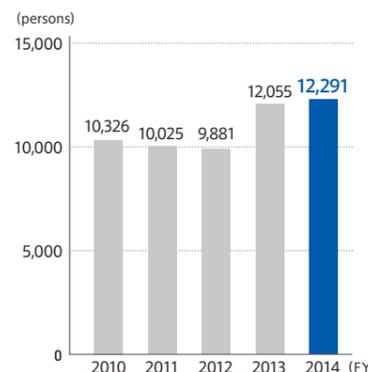
Net Assets per Share



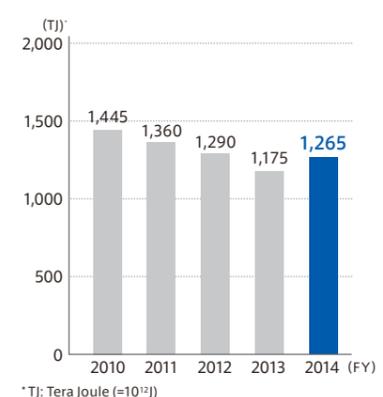
Dividends per Share



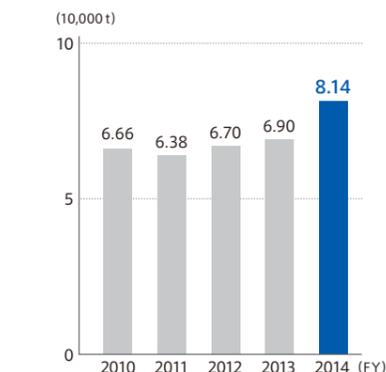
Employees (Consolidated)



Total Energy Consumption



CO<sub>2</sub> Emission



# Message from the President

A year that produced quantifiable results  
towards sustainable growth.

Now, we look to further accelerate innovation.



President / Representative Director CEO

T. Tanaka

## In an Economic Environment Lacking Steam

The global economy in fiscal 2014 varied greatly depending on the country and region. While the US economy remained solid thanks to strong consumer spending, the European economy was vailed in uncertainty due to concerns of deflation across the EU zone and the rekindling of financial problems in Greece. Meanwhile, China and other emerging economies continued to show signs of an economic slowdown. Overall, the global markets lack the steam required to drive economic expansion. In Japan, we saw signs of economic downturn during the first half of the

year due to the effects of the consumption tax rate hike but, entering the second half of the year, government economic policies and monetary easing strategies implemented by the Bank of Japan promoted continued yen depreciation and higher stock prices. Profits improved particularly among exporters and we began seeing improvements in hiring and consumer spending, as well as more positive attitudes towards capital expenditures as the country transition towards a mild recovery.

## Record High Net Sales Net Orders Near High Levels from Previous Year

Amid such an environment, full-year consolidated earnings for the MES Group were net sales of 816.5 billion yen, operating income of 13.3 billion yen, ordinary income 14.9 billion yen, and net income of 9.5 billion yen. We outperform initial forecasts and achieved a record high for net sales thanks to a construction contract won by our subsidiary MODEC, Inc. for floating production storage and offloading system (FPSO) vessels for marine oil and gas and other engineering projects. On the other hand, operating income, ordinary income, and net income fell below initial forecasts. Despite improved revenue and cost reductions at MODEC, Inc. and other factors such as yen depreciation, the company incurred losses related to a chemical plant under construction in the US.

In light of those losses, moving forward we will

promote sales activities that focus on good-quality projects and strengthen each stage of the project evaluation process, including project estimates, design, procurement, and construction, to prevent losses on future construction projects.

Consolidated orders received were 959.8 billion yen, which exceeded our initial forecast of 870 billion yen by 89.8 billion yen. This represents our second highest mark for orders received and follows up our record high from the previous fiscal year.

We believe the strong status of orders received, a preliminary indicator of net sales, represents a certain level of success towards sustainable growth.

### Floating Production Storage and Offloading System (FPSO) Vessels for Marine Oil and Gas

An FPSO is an ocean-based facility that produces oil and gas, stores produced fuel in the facility's internal tanks, and then directly supplies the fuel to oil tankers. Representing over 60% of floating vessels for marine oil and gas production, the FPSO is the most popular type of production facility.

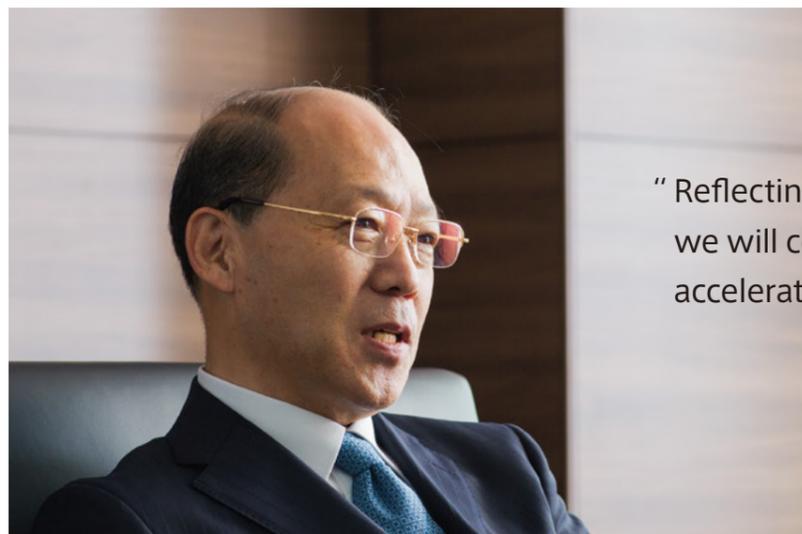
## About Progress of Mid-Term Business Plan 2014

Based on the basic policies outlined in our Mid-Term Business Plan 2014 (MBP14), we are implementing various policies aimed at achieving a well-balanced portfolio. By business domain, we will focus on expanding chemical plants, power plants, and ocean resources. In terms of specific business models, we will focus on the engineering business, business engagement, and

expanding our related-service business. Due in part to the contributions to net sales by MODEC, Inc. in fiscal 2014, our sales composition falls in line with these strategic directions. The basic policies of MBP14 outline three key strategies. The progress of each of those key strategies is outlined below.

“ Aiming for a business portfolio  
that is not influenced by the shipping market ”





“ Reflecting the half-way point of MBP14, we will confirm progress and accelerate our speed. ”

## Progress of Key Strategy 1 - Manufacturing Business Innovation

Our first key strategy is manufacturing business innovation. In our core businesses of shipbuilding and marine engines, we are implementing qualitative product innovations that will enable us to increase product competitiveness and operate from an advantageous position. In our shipbuilding business, we developed the large-scale bulk carrier “neo-cape” as part of our “neo series” lineup of next-generation environment-friendly ships. We already have received new orders for the ship. Not limiting ourselves to general commercial ships, we are applying technology cultivated through our shipbuilding business towards the construction of offshore structures as well by focusing on the construction of FPSO vessels, which process and store crude oil extracted from deep sea oil fields. Our Chiba works is already constructing and delivering FPSO facilities.

In the field of marine engines, we have established our position as a company that is capable of constructing an electronically-controlled

gas injection diesel engine (ME-GI). We already have received orders for the ME-GI as Japan’s first LNG carrier able to run on both natural gas and crude petroleum and we are the first company in the world to receive new orders for the ME-GI Ethane, which is capable of using ethane and crude petroleum for fuel.

We will continue distinguishing ourselves in the field of environment-friendly technology and shift to a domestic development and production system that ensures our ability to produce high value-added products.

Our process machinery business is beginning to produce results in terms of creating a system of optimal production sites from a global perspective. To secure a greater share of the expanding Southeast Asian market, we established the joint venture company MES UBI Heavy Industries Co., Ltd. in Vietnam and have launched production. Moving forward, we intend to continue developing overseas production sites for our crane business.

### Next-generation Environment-Friendly Ships – The Neo Series

The neo series is a lineup of eco-ship bulk carriers that maintain the broad applicability and reliability of our best-selling bulk carrier, the 56,000 ton Handy-max (Mitsui 56BC), while employing an electrically-controlled engine and an optimized hull shape. We have developed three ship sizes: 56,000 tons, 60,000 tons, and 66,000 tons.

### Electrically-controlled Gas Injection Diesel Engine (ME-GI)

A highly heat efficient, large-scale two-stroke low-speed diesel engine that is also a dual fuel engine capable of running on both LNG and crude petroleum.

## Key Strategy 2 - Engineering Business Expansion

Our second key Strategy is engineering business expansion. MES is a specialist in plant engineering. We will apply our expertise to the chemical plant, power plant, and ocean resource development fields, all of which are seen as growth markets. This will help us achieve a business portfolio that is not influenced by shipping markets and stabilize revenues.

The chemical plants business is achieving result, including orders received for the design of a low-density polyethylene plant for Sasol North America, Inc. in the US.

In Japan, the enactment of the renewable energy Feed-in Tariff is leading to increased demand. Amid efforts to expand power generation business, our subsidiary Mitsui Zosen Environment

Engineering Corporation received an order for a hybrid plant combining commercial raw waste biogas facilities and feed production. Overseas, our subsidiary in Denmark Burmeister & Wain Scandinavian Contractor A/S received two orders for biomass power facilities in England as EPC (engineering, procurement, and construction) projects. We will continue efforts to expand the renewable energy field, including the wind power business.

Our Group has progressed with mutual partnerships between plant subsidiaries that have led to personnel exchanges, business collaborations, and joint project orders. We will continue to work as a Group to elevate our total engineering capabilities.

## Key Strategy 3 - Expansion of Business Engagement and Related-Service Businesses

Our third key strategy is the expansion of business engagement and related-service business. Our previous business model was one that which merely focused on selling finished products and plants. However, we are implementing reforms to adopt a complex business model that includes after-sales services, operation and maintenance, participation in business operations, and total support for the product life cycle.

Our Singapore subsidiary established in October 2013, Mitsui Engineering & Shipbuilding Asia Pte. Ltd., is off to a solid start, having received orders for after-sales services from an existing petrochemical plant customer. By providing repair and modification services for existing plants, we will be able to expand our life cycle engineering services. We will extend our after-sales services to cover plants constructed by

other companies as we work to expand our business scope.

The techno business, which oversees all aspects of after-sales services, has opened sales offices in Turkey and Qatar. The business is aiming to expand after-service sales for compressors, etc., installed in plants.

Also getting underway are projects in which MES is involved in business activities. In Betsukai-cho, Hokkaido, we partnered with the town to establish a special purpose company to launch the Japan’s largest biogas power generation business. Boasting Japan’s largest dairy farming town with nearly 110,000 dairy cows, a biogas plant is under construction as the town aims to achieve gas generation using livestock waste. We will work to respond to the growing energy security needs of each region by aggressively proposing technology solutions.

### Life Cycle Engineering Service

Through not only EPC (engineering, procurement, and construction) but also maintenance and after-sales service, we offer total engineering services for the entire product life cycle, from product planning to dismantling.

## Further Collaborations with MODEC, Inc.

MODEC, Inc. has a major influence on Group earnings, with the ratio of MODEC, Inc. sales and orders received represents 40% of Group totals. In the current environment where the price of crude oil is dropping, the level of interest in new marine resource development projects will decline. However, if the price of crude oil is maintained at a certain level, we will be able to secure profits from our FPSO charter business currently underway and our O&M business (operations

management and maintenance). In the long-term, we believe our technology can be applied to the development of rare earth metals and methane hydrate in Japan. Already we are progressing with topside engineering projects, including FPSO vessel hull construction and on-board crude oil production plants. We will continue to promote partnerships with the company, including personnel exchanges.

### Topside

Oil and gas production facility installed on an FPSO vessel. Placed on the vessel’s topside, the facility separates crude oil produced from deep sea fields into oil, gas, and water.

## We Will Work to Build The Foundations of Society for the Next 100 Years.

All the domains in which we are focused, including energy, resources, and environment, all are related to vital issues that the world is facing. Our slogan for MBP14 is Creating Prosperity for Our Next 100 Years. This slogan reflects not only our aim to establish our own business foundation, but also to build the foundations of society for the next 100 years. This is our

responsibility, our mission to future generations. Through our business, we hope to work with our customers to contribute to the development of society for future generations. The role of MES is more important than ever. Every member of the MES Group is united in accelerating efforts to achieve our goals.

“ Group united towards the same goals ”



# Creating Prosperity for our Next 100 Years

The Mid-Term Business Plan 2014 (MBP14) was launched with the goal of ensuring the ability of our Group to achieve sustainable growth and solid profit stability. Simultaneously, we are progressing with multi-faceted measures that enable us to adapt to changing times.

## Business Environment Affecting our Business

Economic growth in emerging countries and transitions to new energies are resulting in new business opportunities.

### Point 01

#### Economic Growth of Emerging Countries in Asia Continues to Lead World Economic Growth

For the emerging countries in Asia to achieve further growth in the future, these countries require the development of industrial infrastructure such as electric power and logistics networks, which are the foundation for corporate operations, as well as core social infrastructure.

MES possesses the technology to support the backbone of infrastructure development, including civil engineering and plant engineering technology for port and power plant construction. We will offer our technology to emerging countries and companies targeting emerging markets as we aim for mutual growth.



### Point 03

#### Change in Industrial Structure Caused by Shale Gas Revolution

The global development of shale gas has resulted in increased demand for liquefied natural gas (LNG) carriers. Moving forward, we expect the diversification of ocean shipping of energy, including ethane and ethylene gas (LEG), a byproduct of shale gas.

We also are seeing increased investments in the construction of new petro-chemical plants in North America, where shale gas offers raw material merits. MES will aggressively respond to the changes in industrial structure caused by the shale revolution.



### Point 02

#### Acceleration of Energy Shift to Natural Gas and Renewable Energy

Fears about global warming and the rising prices of fossil fuel have led to a global focus on renewable energy. In both domestic and international markets, the markets for renewable energy, including solar power, wind power, and bio fuel, are expected to grow. MES will increase our efforts in technology development related to wind power, solar energy, biogas, and biomass.



### Point 04

#### Drafting a Basic Plan on Ocean Policy in Japan

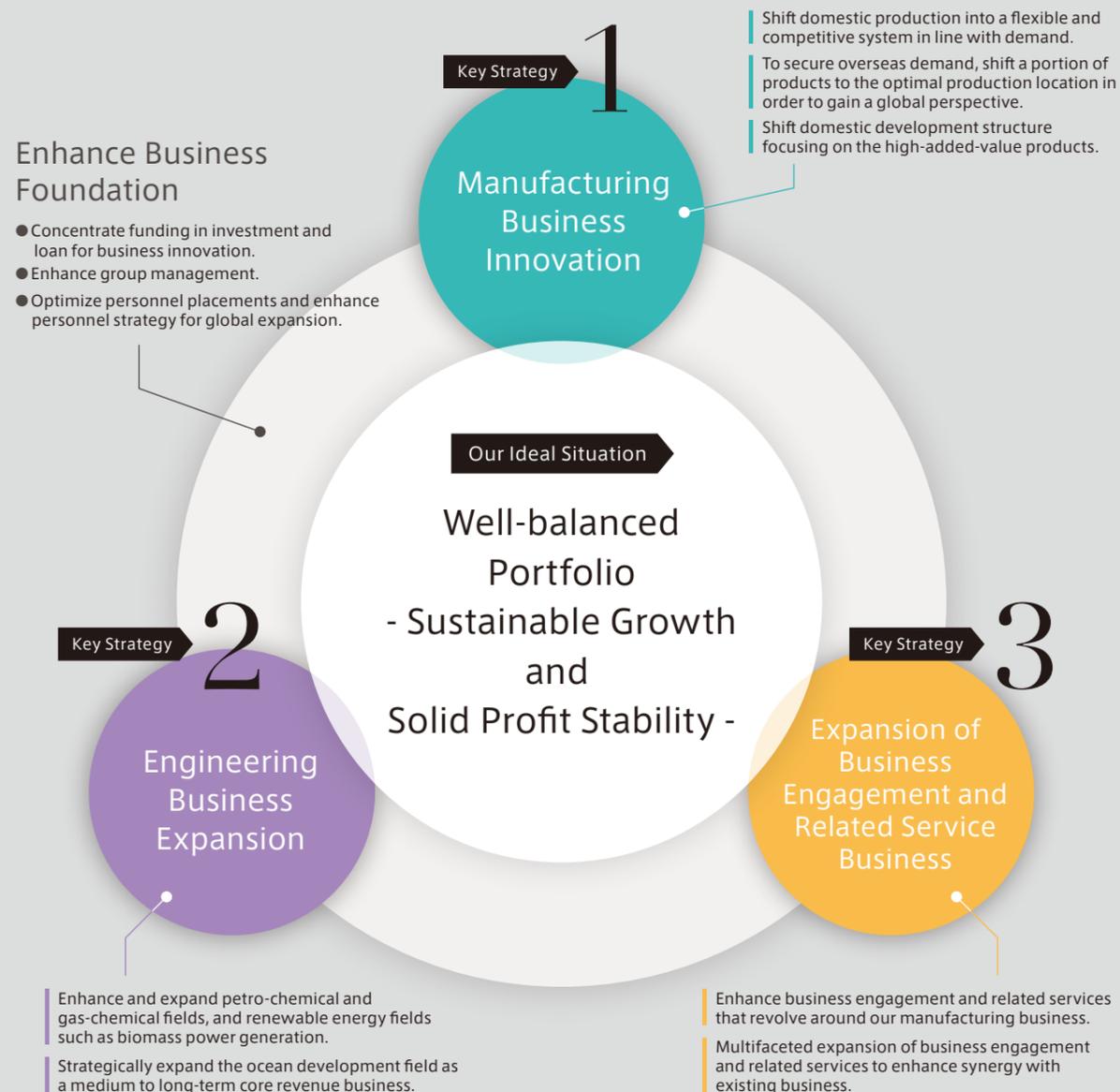
In May 2013, the Japanese Cabinet Headquarters for Ocean Policy drafted the five-year Basic Plan on Ocean Policy. From fostering industries related to ocean resource development and floating wind power generation, this outlines policies promoting the use of ocean energy, including wave power, tidal currents, ocean currents, and ocean temperature differences. Moving forward, the country is expected to take a proactive role in accelerating the growth of the ocean engineering market.

From shipbuilding technology to floating production storage and offloading System (FPSO) vessels for marine oil and gas and offshore structure construction, MES possesses the technology to make significant contributions to this field.



## Our Ideal Situation and Basic Policies

Aiming to achieve our Ideal Situation, MES has outlined three key strategies. We are work to redefine our business domains and innovate our business model.

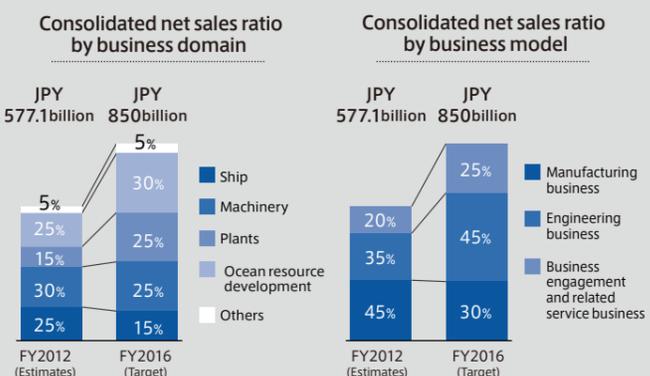


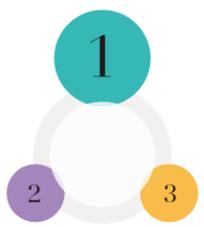
## Quantitative targets (FY2016)

Net Sales	JPY 850 billion
Operating Income	JPY 30 billion
ROIC*	8%
Interest-bearing Debt	JPY 200 billion

\*ROIC (Return on Invested Capital) = (Operating Income + Interest and Dividend Income) / (Shareholders' equity + Interest-bearing Debt)  
\*Assumptions: Current exchange rate ¥95/US\$, ¥125/€

## Business domain and business model innovation





Key Strategy

# Manufacturing Business Innovation

We will transition to a streamlined system of domestic production that is aligned with demand. This will entail shifting a portion of products to optimal production sites in order to gain a global perspective. Our domestic development structure will shift to the development of high value added products.

## 1 Restructuring of Domestic Development and Production System

Vital Strategy

- Shift into a production system corresponding to the business environment (shipbuilding, marine engines).
- Differentiation by low-fuel-consumption / eco-friendly technology (shipbuilding, marine engines, industrial machinery and cranes).
- Differentiation by systems; software-hardware combined (crane and port logistics).
- Expand and enhance ocean development field (FPSO, FLNG). \*floating liquefied natural gas facility

Action



Ocean

### Building a Production System for Ocean Projects

At our Chiba Works, we construct FPSO vessel hulls that are handed over to MODEC, Inc. In addition to general commercial ships, we also are progressing with initiatives related to ocean projects and the engineering business.



Engine

### Strengthening Low-fuel-consumption / Eco-friendly Products

We construct and supply the ME-GI, a highly heat-efficient, large-scale, two-stroke, low-speed dual fuel diesel engine that is capable of using natural gas and crude petroleum.



Crane

### Producing a Fully-Automated Crane

We build a cable reel transainer that is equally efficient in emergency situations. Eliminating the diesel power generator set achieves zero emissions and contributes greatly to CO<sub>2</sub> reductions.

## 2 Development of Global Business Structure

Vital Strategy

- Strengthening of sales network in crane and industrial machinery (South-eastern Asia, India, Middle East).
- Establishment of optimal production location in crane and process machinery.
- Urgent expansion by alliance.
- Promotion of global and multifaceted procurement in MES group.

Action



Singapore

### Establishment of MES Asia

Accelerating and expanding global business development, we established our wholly-owned subsidiary Mitsui Engineering & Shipbuilding Asia Pte. Ltd. ("MES Asia") in Singapore. Identifying the rapidly growing ASEAN nations as a vital market, we will offer after-sales services, life cycle solutions services, and local construction of chemical plants to existing local customers.



Vietnam

### Established MES UBI Heavy Industries Co., Ltd.

We established the joint venture company MES UBI Heavy Industries Co., Ltd. as a production center for process machinery (pressurized containers) in Southeast Asia. We have received numerous inquiries from within Vietnam and neighboring countries in Southeast Asia.

## 3 Development and Expansion of Key Components Business

Vital Strategy

- Strengthening of middle mass production in energy-saving machinery and highly-functional components.

Action



Reciprocating Compressor

### Capital Investment in KAJI TECHNOLOGY CORPORATION

We executed a capital investment agreement with KAJI TECHNOLOGY CORPORATION, a specialist in compact reciprocating processors (RC). Combined with our specialty of large-scale RC, we will expand business through technology exchanges and expanding compressors sales targeting hydrogen stations and RC for ocean projects, both areas that are expected to see increased demand.



Compressor

### Involvement in Compressor Segment for Ship and Marine Equipment

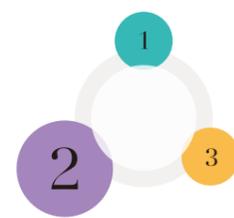
We developed and began sales of a high-pressure compressor for fuel gas supply systems used in LNG carriers. We now are able to offer this compressor as a set with the ME-GI.



Binary Power Generation

### First New Orders Received for Binary Power Generation Facilities

The binary generator segment is expected to grow in the future in light of revisions to the Electric Utility Industry Law. Our VPC binary generator is able to recover power from mid to low heat energy ranging from 70 to 250°C.



Key Strategy

# Engineering Business Expansion

In the engineering business, we will work to stabilize our revenue base and we are strategically expanding the ocean development field as a medium and long-term driver of revenue.

## 1 Enhance and Expand Competitiveness in Chemical, Power Generation and Ocean Resources Development EPC Fields

Vital Strategy

- Enhance cost competitiveness, ability to accomplish projects.
- Exploitation and expand markets.
  - South-eastern Asia [chemical, infrastructure] □ North America [chemical]
  - CIS and emerging countries [power generation (BWSC), chemical]
  - West Africa, Brazil [ocean resources development]

Action



Plant

### Order received for low-density polyethylene plant

Sasol received an order for the detailed design, parts procurement, and construction support work related to the high-pressure components of a 420,000 ton/year low-density polyethylene production facility in Lake Charles, Louisiana. Through this project, this will solidify our company's position as a leading partner in the field of LDPE manufacturing facility construction.



Ocean

### MODEC, Inc. received order for floating production storage and offloading system (FPSO) project in Brazil.

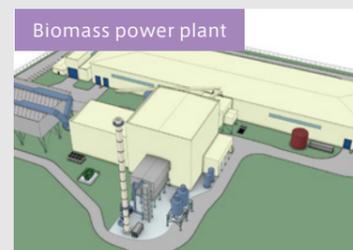
MODEC, Inc. received new order for FPSO Charter Project for Tartaruga Verde & Tartaruga Mestiça Oil Fields in offshore Brazil. This FPSO will achieve daily production equivalent to 150,000 barrels of crude oil and 176 million cubic feet of gas, with a storage capacity of approximately 1.6 million barrels of crude oil.

## 2 Expand Environmental Energy EPC Field

Vital Strategy

- Expand renewable energy fields (biomass/biogas power, wind power, etc.).

Action



Biomass power plant

### Biomass electricity sales business in BWSC in England

Burmester & Wain Scandinavian Contractor A/S (BWSC) established the joint venture company BWSC Power Corporation Limited in England to conduct electricity sales based on biomass-based electricity sales. Providing total services from engineering to equipment procurement, installation and construction, and test operation, the company will oversee operations and maintenance for a 15-year period.



Biogas Power plant

### Order received for multi-function plant for food waste feed production and biogas power

Mitsui Zosen Environment Engineering Corporation received an order from Alfo E Corporation for the Jonanjima No. 2 Feed Center (provisional name) food waste recycling plant. Moving forward, we will contribute to the formation of a recycling-based society through the construction of food waste recycling plants.

## 3 Enhance Group Internal Partnerships and Global Operations Structure

Vital Strategy

- Strengthen internal partnership with subsidiary companies (MODEC, BWSC, overseas subsidiaries).
- Expand overseas bases (North America, Singapore), enhance common business process.

Action



Plant

### Contract with EPC for Chemical Plants

ExxonMobil Chemical Asia Pacific (EMCAP) placed an order for a production facility for halobutyl rubber and special resins for adhesives. This facility planned for construction on the Jurong island in Singapore and would be one of the largest such facilities in the world. The contract is a total outsourcing agreement for engineering, procurement, and construction (EPC) that will be executed by MES and Group companies.



Plant

### Personnel Exchanges between Subsidiaries and Business Partnerships

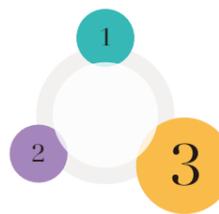
We conduct engineering personnel exchanges between overseas plant subsidiaries.



Cranes

### Established Crane Sales Division in MES Asia

We provide customers in Southeast Asia with proposals for port cranes.



Key Strategy

## Expansion of Business Engagement and Related Service Business

We are implementing reforms to shift from a business model of merely selling products and plants to a complex business model that offers after-sales services, operations and maintenance, and emergence in business operations as well as the total support for the life-cycles of products.

### 1 Enhance Related Services that Revolve around Our Manufacturing Business

Vital Strategy

- Enhance and expand overseas bases of techno service business (South-eastern Asia, India, Middle East).
- Expand services of techno service (package maintenance, engineering service).
- Expand crane service and enter into business of terminal facility.
- Enter into business of marine engineering fields in overseas.

Action



**Establishment of MES-KHI YURA DOCK**  
We established and operate the MES-KHI YURA DOCK CO., LTD, in partnership with Kawasaki Heavy Industries, Ltd. The goal of this collaboration is to capture demand for repairs of LNG carriers in North America shale gas transport market, which is expected to grow in the future. Fusing the technology and personnel of both companies will increase competitiveness, improve profits, and secure the future sustainability of our business.



MTME: MES Technoservice Middle East W.L.L

### Established industrial machinery after service office in Qatar and Turkey.

We established offices in Doha, Qatar and Ankara, Turkey for the purpose of providing after-sales services (regular repairs, maintenance, and parts sales) for industrial machinery (compressors, steam turbines, etc.) constructed and delivered by MES. Previously, after-sales services for industrial machinery delivered overseas was limited to the provision of parts but moving forward we will be involved in on-site construction (regular repairs, maintenance).



MTA: MES Technoservice Machinery Construction Logistics Industry and Trade Corporation

### 2 Enhance Upstream and Downstream Services that Center on EPC

Vital Strategy

- Improve earning through the life cycle of ocean resources development field.
- Enhance upstream and downstream services of renewable energy fields. (Technical integration, project development, O&M, business operation)
- Develop the life cycle engineering service in cooperation with global bases of chemical plant fields (North America, Singapore).

Action



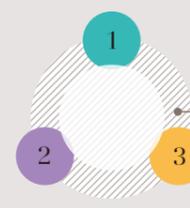
**Participation in Japan's Largest Biogas Energy Generation Business**  
We established the special purpose company BETSUKAI Biogas Power Generation in collaboration with Betsukai-cho in Hokkaido. We became involved in the construction and management of Japan's largest biogas energy generation facility. This will promote industries using regional biomass and renewable energy based on local recycling, which will tie into local job creation and stimulate the local economy. This BETSUKAI Biogas Power Generation business uses livestock waste supplied by local dairy farmers to create methane gas produced via fermentation as fuel to produce electricity. We will conduct a business selling electricity over the 20-year period based on the electricity Feed-in Tariff (FIT).



**Solar Energy Business: Launching EPC Business**  
We constructed a mega solar plant (large-scale photovoltaic power generation facility) inside the Oita Works to start an energy generation business. Generated electricity will be sold to KYUSHU ELECTRIC POWER CO., INC. over a 20-year period.



**High-Performance Hybrid Retrofitting for Transtainers**  
In August 2014, we completed hybrid retrofitting for five transtainers in Thailand. This project improves energy conservation performance and updates electricity storage system to maximize the energy distribution of generators and batteries. We received the Green Energy Award for this project.



## Enhance Business Foundation

### 1 Investment Plan

	Vital Strategy	Fiscal 2014 Progress
Business Investments	<ul style="list-style-type: none"> <li>● Concentrate funding in high strategic fields.</li> </ul>	<ul style="list-style-type: none"> <li>● Decision to increase MBP14 capital expenditures budget to adapt to business environment changes.</li> <li>● Nonconsolidated: 15 billion yen &gt; 30 billion yen (upgrades to Tamano Works, Oita Works, and Chiba Works)</li> <li>● Subsidiary: 8 billion yen &gt; 40 billion yen (overseas crane production subsidiary)</li> </ul>
R&D Investments	<ul style="list-style-type: none"> <li>● Funding in high growth / strategic projects.</li> <li>● Shift from generating new large-scale projects that diverge from core business to a strategy of business expansion in the related-service business.</li> <li>● Create the foundation of expansion and promotion for ocean development business (Gather comprehensive ability of MES group).</li> </ul>	<p>The Research &amp; Development Headquarters conducts development based on a Group-wide structure of cooperation to make visible contributions to improving revenues from core products.</p> <p>(1) Next-generation promotions plant (2) Vessel noise evaluation technology (3) Development of environment-friendly diesel engines (4) Development of fuel gas supply systems (FGSS) (5) Crane vibration prevention and reduction technology (6) Biogas plant performance improvements</p>
Financing and Investments	<ul style="list-style-type: none"> <li>● Create priorities of investment through the position of corporate management (M&amp;A, etc.), speed up business innovation.</li> <li>● Tighten assessment of investments for financial strength.</li> </ul>	<ul style="list-style-type: none"> <li>● Project list for MBP14 period and prioritization of projects</li> <li>● Capital investment in KAJI TECHNOLOGY CORPORATION</li> </ul>

### 2 Enhance Group Management

	Vital Strategy	Fiscal 2014 Progress
	<ul style="list-style-type: none"> <li>● Enhance involvement and support to MES group alliance projects.</li> <li>● Enhance management practices by concentration to core business.</li> </ul>	<ul style="list-style-type: none"> <li>● Sale of semiconductor manufacturing business and withdrawal from lithium ion cell positive electrode material manufacturing business.</li> <li>● Consolidated the newly established Infrastructure Business Department with the Mitsui Zosen Steel Structures Engineering Co., Ltd., DPS Bridge Works Co., Ltd., MES Testing &amp; Research Center Co., Ltd., and Mitsui Thanglong Steel Construction Co., Ltd. to strengthen our social infrastructure business.</li> <li>● Consolidated MES Tokki Co., Ltd., Tamano Engineering Co., Ltd., and Uno-kogyo, into MES Tokki Co., Ltd. to serve as a uniform entity for ship engineering and contribute to machinery plants.</li> </ul>

### 3 Optimize Personnel Placements and Enhance Personnel Strategy for Global Expansion

	Vital Strategy	Fiscal 2014 Progress
	<ul style="list-style-type: none"> <li>● Flexible personal placement in MES group.</li> <li>● Secure, develop, and utilize human resources and enhance personnel management affairs for global expansion.</li> </ul>	<ul style="list-style-type: none"> <li>● Reorganized and strengthened personnel at Machinery &amp; Systems Hq. and Engineering Hq.</li> <li>● Enhanced overseas personnel development.</li> </ul>

### 4 Enhancing Corporate Governance

	Fiscal 2014 Progress
	<ul style="list-style-type: none"> <li>● Incorporation of executive director system.                             <ul style="list-style-type: none"> <li>–Separated and clarified roles by establishing Board of Directors as a management decision-making and supervisory function and the executive directors to serve as a business management function</li> <li>–Business management is assigned to executive directors to speed up processes</li> </ul> </li> <li>● Increase in outside directors.</li> </ul>

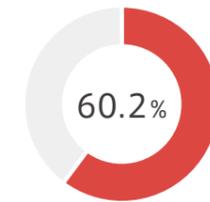
# Business Segment Overview



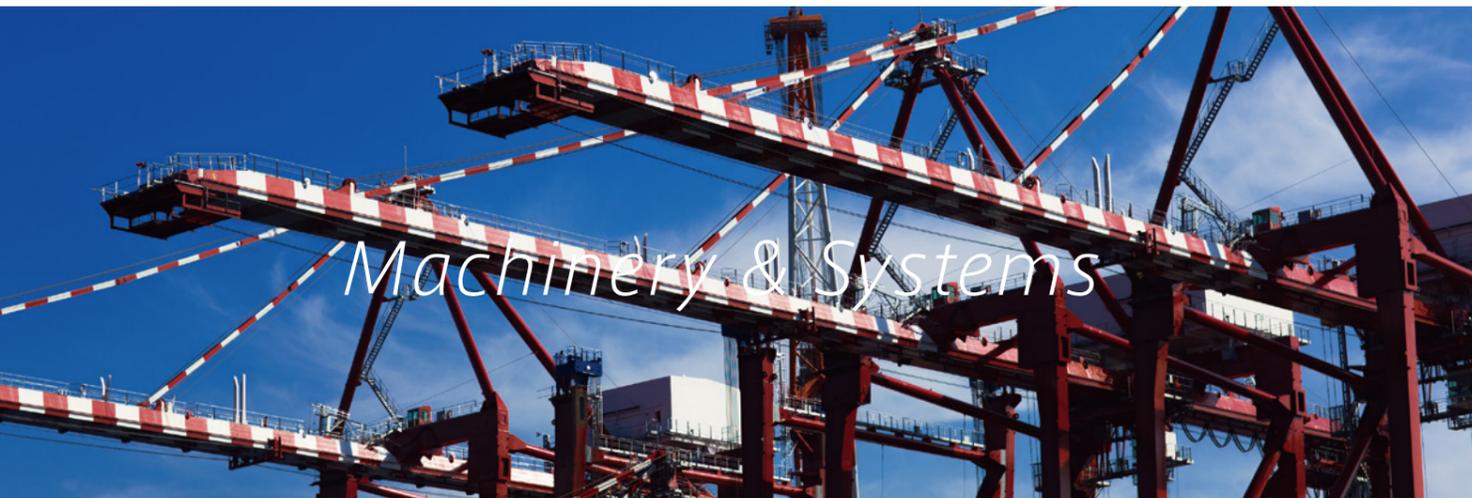
## Ship & Ocean Project

Ship & Ocean Project Headquarters

- Bulk carrier
- Oil tanker
- LNG carrier
- Floating production storage and offloading system (FPSO)
- Research vessel / Training vessel
- Fishery patrol vessel
- High-speed vessel
- Submersible
- Naval ship / Patrol ship



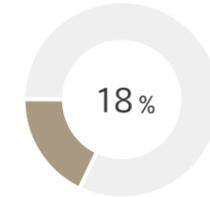
Net Sales 4,917 Operating Income 102



## Machinery & Systems

Machinery & Systems Headquarters

- Marine diesel engine
- Gas turbine and gas engine co-generation system
- Process compressor
- Top pressure recovery turbine (TRT) generating system
- Reactor / Heat exchanger
- Rotary dryer / Coal moisture controller
- Quayside container crane
- Transfer crane in container yard
- Container terminal management system
- Bridge
- Floating piers and pontoon
- Radar scanner
- Manipulator



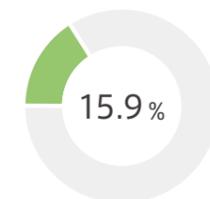
Net Sales 1,465 Operating Income 98



## Engineering

Engineering Headquarters

- Petro-chemical plant
- Inorganic chemical plant
- Biomass power plant
- Biogas power plant
- Wind power facility
- Overseas power plant engineering & construction
- Environmental facility
- Diesel engine generating plant



Net Sales 1,299 Operating Income △106

Other 5.9%

Fiscal 2014 (JPY 100 million)

Main Products

Net Sales Composition

Net Sales

Operating Income

# Ship & Ocean Project

We are using the shipbuilding technology and our collective group capabilities cultivated at MES to pioneer the new business field of ocean operations.

Director and Managing Executive Officer  
General Manager of Ship & Ocean Project Headquarters

Norihisa Fukuda



## Action Plan for Medium and Long-Term Growth

### 01. Differentiation by Low-fuel-consumption / Eco-friendly Technology

- ① Expanding our eco-ship lineup (neo66BC, neo56BC, neo60BC, cape-size BC, and VLCC)
- ② Developing the mid-scale multi-gas carrier neo82GC for liquefied natural gas (LNG) and ethane transport

### 02. Expansion in Ocean Development Field

- ① Orders received and construction of floating production storage and offloading system (FPSO) for marine oil and gas hulls and ocean support vessels
- ② Strengthening collaborations with MODEC, Inc.

### 03. Aggressive Capital Expenditures Aimed at Enhancing Production Capacity

- ① Improving cost competitiveness by promoting optimization at Tamano Shipyard
- ② Constructed cranes in Chiba Shipyard to improve capacity for ocean projects

## Action

### Business Environment and Performance

#### Taking Advantage of Strengths of Environment-Friendly Ships to Secure Base Load With General Merchant Ships

The shipping market continues to face a state of excess capacity due to the start of numerous constructions on new shipbuilding projects. In particular, charter freight has been low in the dry bulk division. The new shipbuilding market has seen a decline in new orders due to the decline in charter freight. In particular, the number of negotiations that lead to actual proposals have been slim. In the ocean development field, the drop in the price of crude oil has led a downturn in new oil well and gas development projects. In addition to the scandal with the Brazilian state-owned oil companies, the decline in ocean projects at major Korean companies and other factors have resulted in an increased lack of transparency.

Amid the above conditions, MES has already developed and released four types of new bulk carriers incorporating environment-friendly technology. Thus far, the cumulative number of new orders received for environment-friendly ships reached 58 vessels, resulting in an order backlog for approximately two years. Since handing over our first environment-friendly ship in November of two years ago, we have gradually constructed and delivered 16 66,000 ton and 56,000 ton bulk carriers. Moving forward, we will continue to apply our competitive advantages as the pioneer shipyard for environment-friendly ships as we work toward securing our base load with general merchant ships.

As for ocean projects, in February of this year we delivered two floating production storage and offloading system (FPSO) for marine oil and gas vessel hulls constructed at Chiba Works for Brazil and delivered them to MODEC, Inc. We struggled with vessel construction but as we gained practical experience, we have developed a technology and observations knowledge base in the ocean development field.

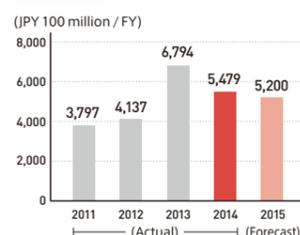
### Fiscal 2014 Earnings

#### Yen Depreciation Drives Increase in Sales

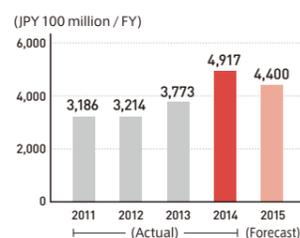
In addition to 21 orders received for environment-friendly bulk carriers, we received orders for large-scale FPSO projects. As a result, orders received decreased by 131.557 billion yen (-19.4%) compared to the previous fiscal year to 547.853 billion yen. Net sales increased thanks to favorable progress of FPSO as well as the benefits of yen depreciation. As a result, net sales increased by 114.471 billion yen (+30.3%) to 491.739 billion yen. Operating income increased by 268 million yen (+2.7%) to 10.177 billion yen thanks to the increase in net sales and a concentration of construction for low-priced vessels.

### Financial Highlights

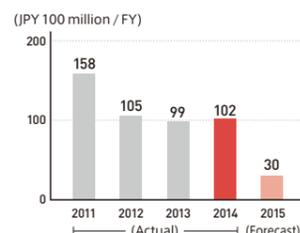
#### New Orders



#### Net Sales



#### Operating Income



## Future

### General Merchant Ships

#### Combining High Reliability and Environment-friendly Performance to Build an Unwavering Position.

MES eco-ships successfully combine the high reliability of the 56,000 ton Handy-max Bulk Carrier (Mitsui 56BC), of which MES has delivered over 160 vessels, with vastly improved propulsion and energy efficiency through the use of an electronically-controlled gas injection diesel engine (ME-GI) and an optimized hull shape.

To meet the needs of a wide range of customers, since fiscal 2013 the Handy-max Bulk Carrier lineup has featured three ship types: (1) the neo66BC, which aims to pioneer new markets, (2) the neo56BC, which fulfills the needs of existing markets, and (3) the neo60BC, which targets growth markets. Orders received for each ship type are increasing. Centered on the superior energy-saving performance and reliability of the neo series, we offer a vast lineup that includes cape-size bulk carriers and very large crude carrier (VLCC).

International interest in clean energy also continues to grow. We have completed development of the neo82GC prototype, a new medium-sized multi-gas carrier that is designed with a focus on the ocean transport of liquefied natural gas (LNG) and ethane, a shale gas derivative. We also are anticipating the enactment of new regulations that will have a major impact on future designs. While working proactively to complying with these new regulations, we will accurately ascertain market needs and incorporate these elements into the development of new ships that comply with new regulations.

### Ocean Development Field

#### Enhancing the Competitiveness of The MES Group

The ocean development sector has become less transparent due to the decline in crude oil prices. However, the sector remains on a trend for medium to long-term growth. MODEC, Inc. is applying its past experience towards securing new orders received and improving profitability. MES will accelerate strategic business alliances with MODEC, Inc. to provide full-scale support for this initiative as we aim for Group-wide growth in the ocean development field.

In February 2015, we delivered a new FPSO hull to MODEC, Inc. The typical approach to FPSO hull is to retrofit old tankers but we provide MODEC, Inc.'s business with an option for new construction, which involves delivering highly durable new hulls in a short turnaround period. Using this valuable engineering and construction experience, we will aim to secure new orders for FPSO projects.



66,000 ton bulk carriers 「CLIPPER EXCALIBUR」



floating production storage and offloading system (FPSO) for marine oil and gas

# Machinery & Systems

Combining our strong product lineup with a system for supporting the total product life cycle to respond to the diverse needs of the global market.

Director and Managing Executive Officer  
General Manager of Machinery & Systems Headquarters  
**Shinsuke Minoda**



## Action Plan for Medium and Long-Term Growth

- 01. Differentiation by Low-fuel-consumption / Eco-friendly Technology**
  - ① Marine diesel engine fuel diversity (natural gas, ethane, methanol, etc.)
  - ② Foster and expand key component business (parts) such as exhaust heat recovery system for ship engines (THS)
- 02. Development of Global Business Structure**
  - ① Established process machinery manufacturing JV with local company in Vietnam
  - ② Established crane sales functions in MES Asia (Singapore)
- 03. Expansion of Business Engagement and Related Service Business**
  - ① Enhance and expand overseas bases of techno service business
  - ② Expand crane service and enter into business of terminal facility

## Action

### Business Environment and Performance

#### Policy Implementation Progressing Smoothly

Our marine diesel engines business has seen an increase in inquiries concerning gas-burning engines, which are highly environment-friendly. During the fiscal year, we received orders for six LNG and three ethane-burning engines, resulting in orders received that increased significantly year on year. Production volume was on par with the previous fiscal year at 3,540,000 horse power, which represents sustained construction volume.

Industrial machinery had a favorable environment for new orders received thanks to yen depreciation. Orders received were propelled mainly by reciprocating compressors for foreign oil refineries in Turkey and other countries. In addition to establishing a JV in Vietnam to serve as the manufacturing center for process machinery (pressurized containers), we execute a capital investment alliance with KAJI TECHNOLOGY CORPORATION, which specializes in compact reciprocating compressors. Promoting this alliance will accelerate business expansion and contribute to establishing a system of optimal production sites.

Interest in large cranes is exceptionally strong in both Japan and overseas. New orders received grew and we achieve a record high for orders received, including new orders for 14 portainers and 15 transtainers in the Westports of Malaysia. Currently, we are conducting large-scale capital expenditures at our Oita Works aimed at increasing production capacity. The Life-cycle Solution Service (LSS Service), and Customer Oriented Service which centered on after-sales services, is strengthening sales activities by focusing on proposal-based sales and expanding overseas offices. Due in part to the influence of yen depreciation, we achieved record highs for both orders received and net sales. We also established offices in Qatar and Turkey to provide after-sales services for industrial machinery.

### Fiscal 2014 Earnings

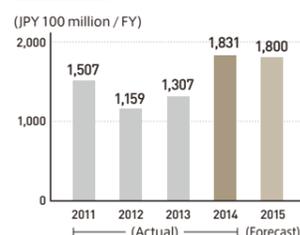
#### Orders Received Increased Significantly and Operating Income Also Grew

Orders received grew by 52.378 billion yen (+40.1%) year on year to 183.107 billion yen. This was due to increased orders for container cranes, marine diesel engines, various industrial machinery, and after-sales services.

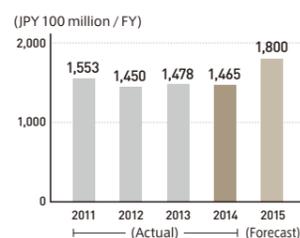
Due to these products and businesses, net sales declined 1.301 billion yen (-0.9%) year on year to 146.501 billion yen. Operating income increased 1.632 billion yen (+20.0%) year on year to 9.814 billion yen due to favorable performance in the after-sales services and industrial machinery businesses.

### Financial Highlights

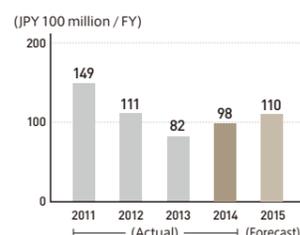
#### New Orders



#### Net Sales



#### Operating Income



## Future

### Marine Diesel Engine

#### Expanding Environment Policy-Compliant Product Business

The key to the marine engine market in the future will be fuel efficiency and environment regulation compliance. There is significant interest in energy-conserving, environment policy-compliant engines, thus the key will be our ability to offer high performance engines at fair prices. We were ahead of our competitors in offering an electronically-controlled gas injection diesel engine (ME-GI) that burns LNG and ethane and the ME-LGI, which uses methanol for fuel. We will continue to gain more experience by being first-to-market with engines incorporating new technology. Moving forward, the measurement of engine efficiency (performance) will focus not only on the engine, but on the entire propulsion system, at which the engine is at the center. In addition to engine sales, we will aim to provide attractive propulsion systems that combine engines with energy conservation systems and offer packages that include the fuel gas supply system (FGSS) for the ME-GI.



Electronically-controlled gas injection diesel engine 「ME-GI」

### Crane

#### Improving Production Capacity, Expanding Sales Routes

Southeast Asia continues to have strong demand as we have received numerous inquiries. This is due to the new construction of container terminals and the fact that we have entered a period of replacing the large number of old container cranes that were constructed during a boom in container transport in the 1980s and 1990s. For the next 10 years, we forecast annual replacement demand of 200 portainers and 300 transtainers. As for the domestic market, port construction is expected to accelerate as we head toward the 2020 Olympics. Much like the international market, replacement demand on the domestic market is expected to see strong demand.



Quay gantry crane 「PORTAINER」

### Industrial Machinery

#### Participation in the Hydrogen Station Field

The capital investment alliance with KAJI TECHNOLOGY CORPORATION, which specializes in compact reciprocating compressors, enables us to break into the compact compressor field. Aiming for synergy between the two companies, we will expand sales regions for compact compressors used in petroleum refineries and petro-chemical plants and expand sales of compressors to hydrogen stations.



Reciprocating compressors

# Engineering

Using our diverse technology and experience to ascertain market trends and expand our global engineering business.

Director and Managing Executive Officer  
General Manager of Engineering Headquarters

Hiroyuki Komine



## Action Plan for Medium and Long-Term Growth

### 01. Enhance and Expand Competitiveness in Chemical, Power Generation and Ocean Resources Development EPC (Engineering, Procurement, and Construction) Fields

- ① Enhance cost competitiveness and ability to accomplish projects
- ② Cultivating and pioneering the North American and Southeast Asian markets

### 02. Expand Environmental Energy EPC Field

- ① BWSC\* received two orders for biomass power plants in England (including business engagement)
- ② The Mitsui Zosen Environment Engineering Corporation received an order for a hybrid plant combining a commercial waste biogas power plant and a feed production facility
- ③ Received order for Hiyoshibaru solar power plant construction (including business engagement)

### 03. Enhance Group Internal Partnerships and Global Operations Structure

- ① Expanding joint orders with overseas subsidiaries to enhance capabilities
- ② Expand business alliances between subsidiaries

\*Burmeister & Wain Scandinavian Contractor A/S

## Action

### Business Environment and Performance

#### Year of Engagement in New Markets and Business Models

Demand for petroleum products in Asia is expected to grow in the future and inquiries concerning production facilities are strong. However, the falling price of crude oil, which began last fall, has resulted in the extension of investment decisions on new projects.

In the environmental energy field, purchase prices based on the Feed-in Tariff have been stable with the exception of solar energy. The demand for energy generation based on renewable energy remains as strong as ever. At the same time, a market that was pioneered by solar energy is gradually headed towards energy generation based on biomass, biogas, and wind power. Our Group started a solar energy business at the Oita Works and is commercializing biogas energy generation projects in Hokkaido. We are planning to start full-scale operations in fiscal 2015.

In relation to social infrastructure overseas, economic growth in Southeast Asia is expected to generate a significant increase in electricity demand for the foreseeable future. We will focus on winning new civil works projects for thermal power generation plants.

Amid such conditions, in overseas markets we received an order for a low density polyethylene (LDPE) plant for Sasol North America, Inc., a general civil works contract for the expansion (600MW) of a thermal power generation facility in the Duyen Hai region of Vietnam. In Japan, we received an order for the construction of the Hiyoshibaru solar power plant.

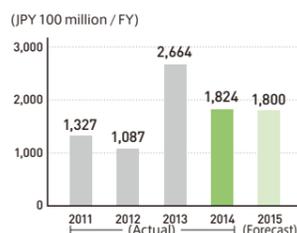
### Fiscal 2014 Earnings

#### While we have gradually increased new orders received

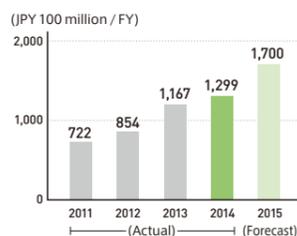
There also was the delay of the petro-chemical project in Southeast Asia, which was expected to result in operating losses due to declining profitability projections. However, we did receive multiple new orders for biomass power plant projects in the UK. Overall, orders received decreased in 83.926 billion yen (-31.5%) year on year to 182.436 billion yen, still a relatively high level. Net sales increased by 13.207 billion yen (+11.3%) year on year to 129.929 billion yen. This was due to petro-chemical plant construction projects in Singapore and North America and renewable energy (wind, solar, and biomass) power plant construction projects. On the other hand, operating losses increased by 10.412 billion yen year on year to 10.593 billion yen due to partial delays in construction, which resulted in a decline in profitability.

### Financial Highlights

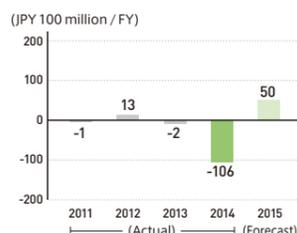
#### New Orders



#### Net Sales



#### Operating Income



## Future

### Plants

#### Rebuilding the Plant Business

In North America and Southeast Asia, which are outlined as vital regions in the Mid-Term Business Plan 2014, new orders received gradually increased last year and we will continue develop these markets. On the other hand, the sudden decline in the price of crude oil has caused a cool down in shale gas and the oil boom, resulting in a lack of transparency in global plant construction plans. As we already have secured numerous construction contracts underway, for new projects we will outline basic policies that promote sales activities focusing on profitability. The transition to profitability will be aided by the conclusion of low-profit construction projects received during unfavorable market conditions and by faithfully fulfilling our vast backlog of orders received.



Synthetic resin manufacturing plant

### Environment Energy

#### Enhance Upstream and Downstream Service Businesses that Center on EPC

In the renewable energy field, we are proceeding with not only EPC (engineering, procurement, and construction), but also with our engagement in energy generation using the Feed-in Tariff system. Construction of the Hiyoshibaru mega-solar power plant and the Hokkaido Betsukai-cho biogas energy generation business are progressing smoothly and operations are to begin in fiscal 2015. Overseas, our subsidiary BWSC (Denmark) is expanding its EPC business model, which includes project development in the biomass power generation segment, as it works to secure new orders.



Biomass power plant

### Power Plants / Civil Engineering and Construction

#### Increasing Presence in Vietnam

In Vietnam, which is one of the vital regions outlined in our Mid-Term Business Plan 2014, we received one new order in fiscal 2014. Previously delayed projects are expected to move forward and this order received will become a platform for success. Through repeated success, we will continue to increase our presence in the region.

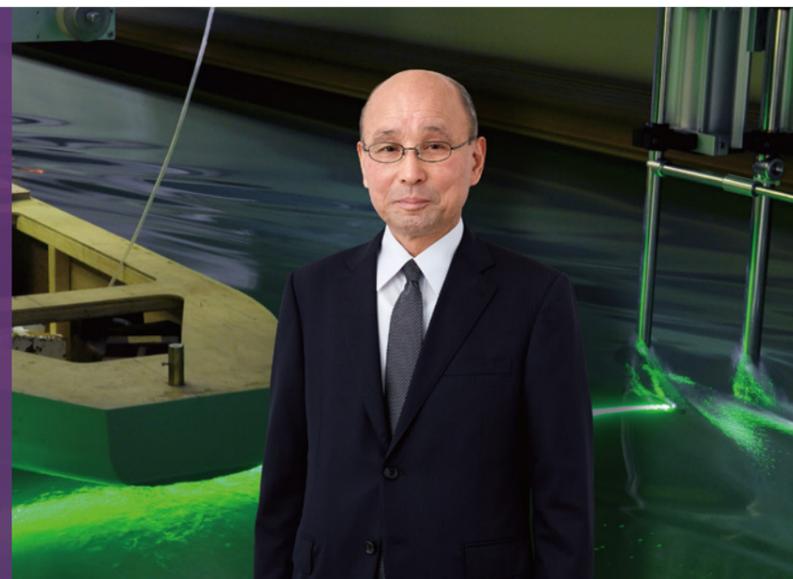


Indonesia Tanjung Jati B coal-fired thermal power station

# Research & Development

Developing the technology that enhances our business competitiveness in collaboration with operational headquarters.

Managing Executive Officer  
General Manager of Research & Development Headquarters  
**Nobuo Doi**



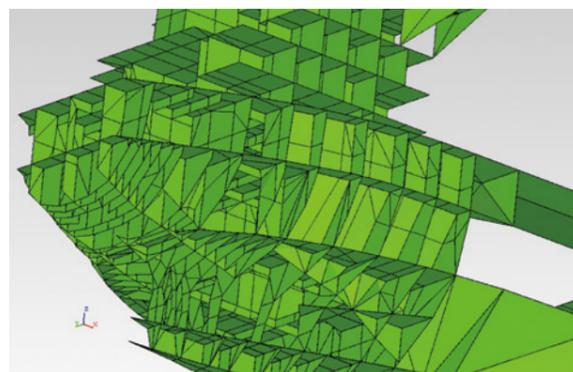
The Research & Development Headquarters uses close partnerships with each headquarters to develop the technology that will enhance product competitiveness and serve as the foundation for future business expansion.

## Analysis Technology Field

The importance of analysis technology is growing due to its invaluable role in product design and development in terms of evaluating performance and reliability improvements, cost reductions, and trouble prevention. Equally, product environment and safety requirements are increasing. To meet these requirements, MES is working to enhance the analysis technologies related to structure, vibration, noise, thermo-fluid, etc.

### Action Enhancing Noise Prediction Technology Applying to the Development and Design of Ships Compliant with Noise Regulations

The International Maritime Organization (IMO) has instituted a noise regulation code that limits the crew noise exposure to below a certain level. MES is conducting R&D aimed at increasing the accuracy of ship noise prediction technology that will enable us to comply with such noise regulations from the ship development and design phase. Analyzing noise on a vessel requires the technology to analyze the vibrations that pass through the ship's internal structure and data related to vibration sources, noise sources, and the inner materials that emit sound. We conducted vibration analysis using the statistical energy analysis (SEA) method. Data related to vibration sources, noise sources, and noise-emitting inner materials was based on actual ship measurement data and inner material acoustic property data accumulated through our vast years of shipbuilding experience. The result of these R&D efforts was, using the Handy-max bulk carrier as an example, prediction accuracy that is comparable to actual ship measurement results over nearly all sections of the carrier. This success resulted in the development of a noise prediction system for commercial use. R&D was conducted in collaboration with Akishima Laboratories (Mitsui Zosen) Inc.



Handy-max bulk carrier noise analysis model

## Materials Technology Field

To improve product reliability, we apply our core technology for evaluating material damage, including wear, fatigue, and erosion, towards R&D that contributes to damage prevention and improved durability. We also are working to develop technology that will contribute to innovations in production and machining processes, including welding and functional surface treatment, in hopes of increasing productivity and reducing manufacturing costs.

### Action Developing Laser-Arc Hybrid Welding Technology Applying to Shipbuilding

We used a laser-arc hybrid welding method during part of the deck panel welding process for a large-scale patrol vessel delivered to the Japan Coast Guard. This laser-arc hybrid welding method combines the advantages of both laser welding and arc welding while compensating for the shortcomings of the respective methods. We are continuing R&D into this technology due to its potential to improve both productivity and quality during the shipbuilding process. We received approval for this welding method from relevant supervisory authorities to apply this tech to mild steel and high-tensile steel, and used this method in our panel welding process. Welded panels have a superior external finish and welding resulted in only minor deformations, confirming that this method delivers a more-than-sufficient level of quality.



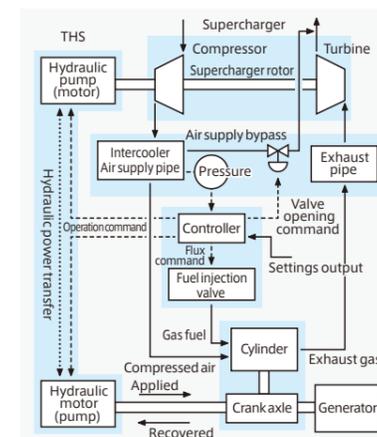
Welding Conditions and View of Weld Joint

## Control Technology Field

Our products must meet a diverse range of customer needs, including requirements concerning budget, automation, and environment-friendliness. This has led to the growing complexity of system to achieve desired performance parameters. To ensure the accurate design of such complex systems, we are developing technology that uses simulations to predict transient response and other factors. At MES, we are advancing the development of technology that will increase the performance of our products (container cranes, marine engine systems, plants, etc.) and enable system automation.

### Action Development of Transient Response Prediction Simulation Technology Predicting the Responsiveness of Gas Engine Equipped with THS

Amid a growing international awareness of environment conservation, the development of CO<sub>2</sub>, NO<sub>x</sub>, and SO<sub>x</sub> reduction technology is progressing and the need for energy conservation technology has grown as companies become more budget conscious. MES is developing environment-friendly technology in the areas of high-efficiency gas engines and related equipment. To improve gas engine fuel efficiency and improve load responsiveness, we are developing engines equipped with THS (Turbo Hydraulic System) exhaust heat recovery systems. One issue was predicting the behavior of a complex system that combined an engine with THS. To address this issue, we constructed a total engine system simulation model that assumed an engine equipped with THS to predict system behavior during times of load variation. This gave us prior indication that THS would favorably assist the supercharger and that we could expect improvements responsiveness during load variation.



Overview of THS engine system model

## Process Technology Field

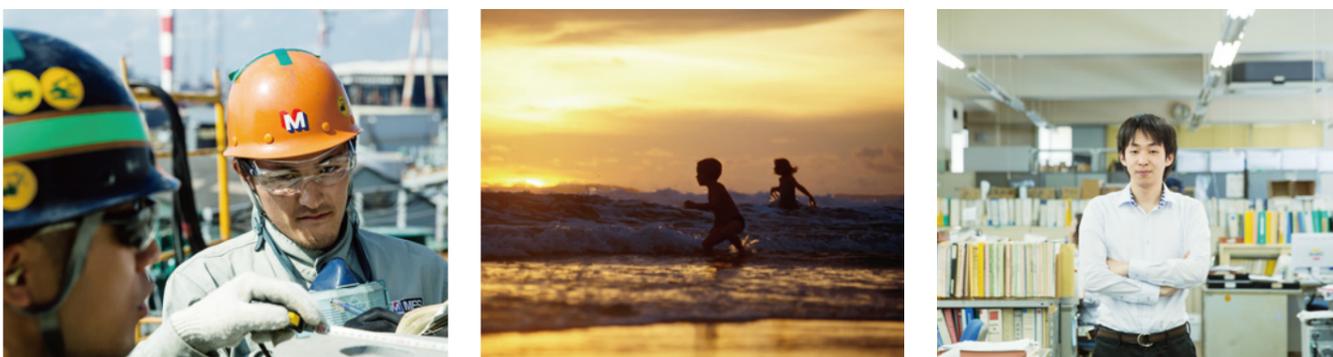
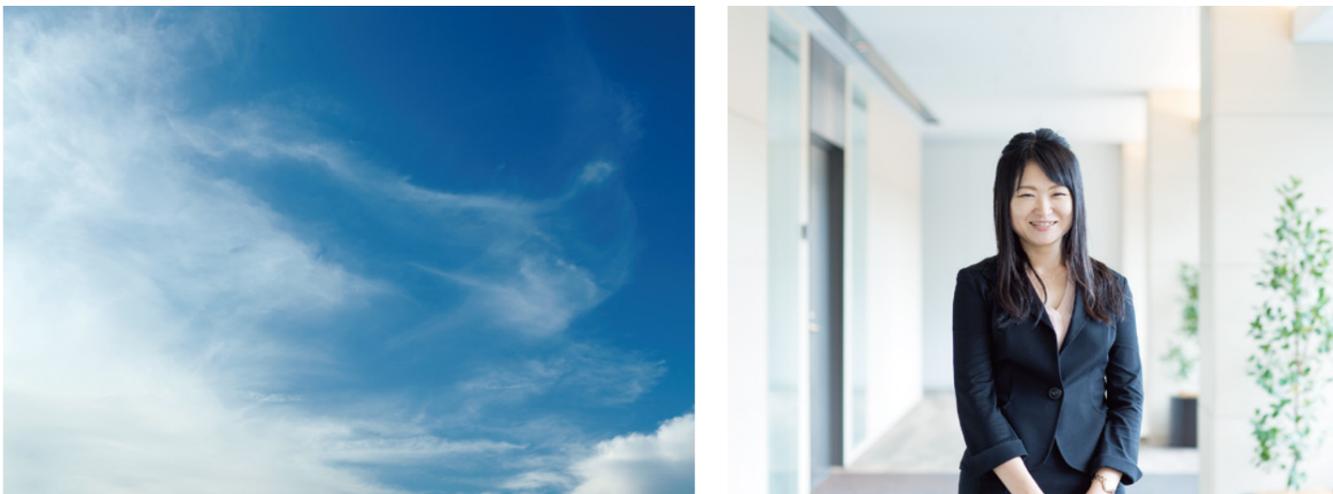
In the process technology field, we are applying technology developed and improved over many years toward achieving further product improvements. From environment-related technology (water drainage and exhaust gas processing, catalytic incineration, coal treatment technology, and biomass utilization technology) to our more recent work in combustion and thermo-fluid analysis technology, we collaborate with the headquarters to create technology for the next generation of product development. Recently, we are applying R&D related to hydrates towards a collaboration with the Ocean Business Promotion Department on developing technology for recovering methane hydrate as an ocean resource.

### Action Developing Biogas Plant Performance Improvement Technology Creating a Process Applicable to a Diverse Range of Raw Materials

Biogas plants (BGP) are recycling plants that ferment various organic waste and use the resulting biogases to recover heat and electricity. The BGP operated by BETSUKAI Biogas Power Generation is Japan's largest gas power generation facility fueled by waste from livestock. MES has conducted long-term fermentation testing to confirm plant operation stability and validate the efficacy of recycled litter produced at this facility. We will continue working to optimize all BGP processes as we seek to improve profitability.



Japan's largest biogas plant



# Action for Social Responsibility

Through our product performance, through our R&D, the daily efforts of each MES employee all tie into our Group-wide effort to promote the conservation of a global environment that will serve as a platform for all our business divisions.

We diligently evaluate both our successes and areas where we have room for improvement as we strive forward towards our dream of resolving issues on a global scale.

All of our operations are conducted by people. Health and safety management, the creation of a lively workplace, support for a meaningful and fulfilling lifestyle. One of the vital roles of management is providing an environment that allows our employees to fulfill their potential.

Below we introduce the actions for social responsibility we undertake as part of our commitment to fulfilling our responsibilities to people, society, and to the earth.

# Environmental Preservation



## Efforts to Reduce the Environmental Impact of Our Products

### Action Consecutive Conclusion of Neo Series Bulk Carrier

Now that CO<sub>2</sub> emissions volume restrictions have been placed on international marine shipping, reducing the volume of greenhouse gases (GHG) emitted by vessels has become a pressing issue. Amid such conditions, MES developed and launched the neo series of environment-friendly, fuel efficient bulk carriers. The first ship in the series, the 66,000 ton class CLIPPER EXCALIBUR (neo66BC), was completed in November 2013. Our second ship in the series, the 56,000 ton LOCH SHUNA (neo56BC), was completed in January 2014. Since then, we have continued to roll ships out of our shipyard, completing 7 neo66BC class and 9 neo56BC class carriers as of the end of March 2015. A 60,000 ton class carrier (neo60BC) is scheduled for completion in fiscal 2015.

We completed development and received orders for our latest vessel, an 182,000 ton class carrier (neo182BC), which is scheduled to be completed in 2017. We will continue taking and fulfilling orders for our neo series of vessels as we look to contribute to limiting GHG emissions in the international marine shipping industry.



neo56BC



neo66BC

### Action Very Large Crude Carriers (VLCC) Development & Design

We will use the neo series technology cultivated during our development of bulk carriers to develop and launch an environment-friendly VLCC supertanker.

While applying the elemental technology in development since 2008 to build a carrier that achieves large-volume CO<sub>2</sub> emission reductions, we implemented a full-scale reevaluation of the conventional VLCC vessels, including specifications, types of ships, propellers, energy-conserving equipment, and main engines. These efforts will ensure compliance with CO<sub>2</sub> emissions volume restrictions.

The designs we are developing will comply not only with emissions restrictions on CO<sub>2</sub>, but also with emissions restrictions on toxic substances such as nitrogen oxide (NO<sub>x</sub>) and sulfur oxide (SO<sub>x</sub>). We are aiming for comprehensive improvements to our environment-friendly and fuel economy performance.



VLCC



Water tank tests using a model at Akishima Laboratories (Mitsui Zosen) Inc.

### Action Environment-friendly Engine System

In June 2014, we received our first order for the ME-GI, an electronically-controlled gas injection diesel engine fueled by liquefied natural gas (LNG). The ME-GI is a large-scale two-stroke, low-speed diesel engine that achieves high heat efficiency. It is also a dual-fuel engine capable of running on both LNG and heavy oil. The gas combustion systems used in small to medium-sized engines present problems such as knocking and misfiring due to output limitations and load variations during operation. For these reasons, the use of gas combustion engines in propeller-driven systems, which are used primarily in international carriers and most efficiently use engine output, has proven difficult. The ME-GI engine is the solution to this problem.

The use of LNG represents a significant reduction in SO<sub>x</sub> and CO<sub>2</sub> emissions and it is expected that NO<sub>x</sub> and particulate matter (PM) emissions will also be reduced. This makes LNG an environment-friendly fuel that also has become an economically superior option due to shale gas development. These factors have turned the world's attention to LNG as a ship fuel to replace heavy oil as the mainstay fuel in the shipping industry.

In December, we received the world's first order for an electronically-controlled gas injection diesel engine fueled using ethane (ME-GI Ethane). The ME-GI Ethane is an engine capable of running on both ethane and heavy oil. Similar to LNG, ethane is gaining much attention as an environment-friendly ship fuel.



Electronically-controlled gas injection diesel engine (ME-GI)

### Action Applying the Latest in Performance Development Techniques

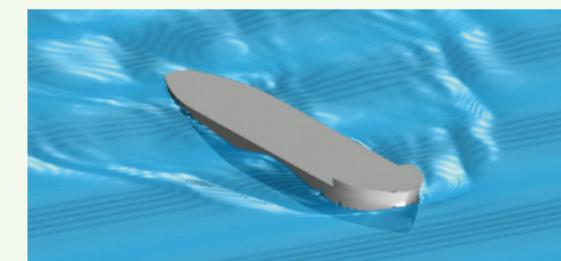
For the neo series, we combined experimental fluid dynamics (EFD) and computational fluid dynamics (CFD) to create a new performance development technique for use during design and manufacturing. Our goal was to improve not only propulsion performance and fuel economy in order to reduce CO<sub>2</sub> emissions and other environment impact factors, but also to achieve highly value-added product development by reducing vibration and noise.

Using a 3D particle image velocimetry (PIV) system, which represents the latest in EFD technology, we measured complex stern flow field during propeller operation and conducted comparative analyses using CFD data. This enabled our engineers to optimize shape designs for the vessel, propellers, and energy-saving components, and improve overall performance.

We also applied CFD technology toward improving performance in open water. We use performance development techniques during the engineering and design phase to improve overall environmental performance in operating conditions such as high winds and high seas.



Measurement using PIV system at Akishima Laboratories (Mitsui Zosen) Inc.



CFD analysis results for area surrounding vessel operating in 6m-high waves

# Environmental Preservation



## Contributing Environmental Preservation through Technology, Products and Business

### 1 Blast Furnace Blower, Top Pressure Recovery Turbine

Japan's steel mills boast the lowest environmental footprints in the world. MES contributes to these achievements by providing highly efficient, highly reliable blast furnace blowers and top pressure recovery turbines (TRT). A blast furnace blower is a device that feeds large volumes of compressed air necessary for the blast furnace reaction. The TRT is an energy conservation device that uses the large volumes of gas produced as a result of the blast furnace reaction to generate electricity. Typically, a blast furnace producing three million tons/year of rough steel uses approximately 40MW of electricity (equivalent to power for 8,000 residential homes) for the blast furnace blower. A TRT can recover nearly half of that electricity, approximately 20MW. Recent efficiency improvements have led to efficiency levels near 90%, the world's highest efficiency for both blast furnace blowers and TRT. We also have participated in a project to spread TRT to India, a project sponsored by the Ministry of Economy, Trade and Industry and are proactively involved in overseas projects as we continue to contribute to reducing the environmental footprint of the world's steel mills.

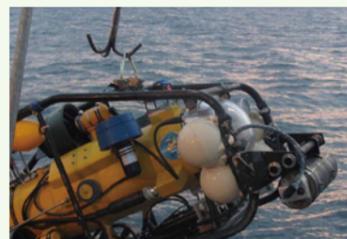


Blast furnace blower

### 2 Development of Robot to Measure Ocean Floor Radiation

The accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Plant released radioactive materials into the ocean. Identifying the distribution of those radioactive materials and their chronological movement is extremely important to prevent the spread of environmental pollution and to assist the recovery of the fishery industry.

MES contracted the research and development of a remotely operated vehicle as part of the Development of Systems and Technology for Advanced Measurement and Analysis, which is a project of Japan Science and Technology Agency (JST). This was a joint project with the National Maritime Research Institute, University of Tokyo and Kyushu Institute of Technology. The research and development activities aim to identify the distribution, deposition, and movement of radioactive materials and to clarify the mechanisms of how hot spots are created. Development is being conducted over the two and a half year period between October 2013 and March 2016. Robots will include such features as ocean-floor deposit collection capabilities, radiation measurement function using radiation detectors. We will conduct open water testing in 2015 with commercialization scheduled for 2016.



Radiation measurement system mounted on a company unit for testing

### 3 Tainai Wind Power Generator Construction

We delivered a 20,000 kW wind power system consisting of 10 2 MW wind power generators to Tainai, Niigata. Every aspect of this construction, from design to the transport and installation of large-scale parts for the wind power generators was approached with a focus on environment conservation. The installation location faces Sea of Japan, which is susceptible to particularly strong winds during the winter. Electricity produced by this facility is projected to be enough to power 14,000 residential homes. MES has been involved in the construction of eight wind power facilities throughout Japan. Looking ahead to increasing demand for environment-friendly renewable energy, we are expanding our involvement in wind power projects beyond land projects to include ocean-based projects as well.



Tainai wind power plant (at completion)

### 4 Floating Wind Power Facility Project

The 2 MW wind power facility off the coast of Fukushima completed in summer 2013 continues to operate solidly today. In December 2015, the facility recorded an operating rate above 40%, confirming the high efficiency of floating wind power facilities. Following the validation project conducted in Fukushima last fiscal year, we were selected by the New Energy and Industrial Technology Development Organization (NEDO) to participate in a new large-scale floating power facility validation project. This project is aiming to achieve a high rate of economic viability. MES is planning a validation project combining a new model light-weight floating base with a large-scale windmill.



2 MW down-wind floating ocean-based power facility - Fukushima Mirai



## Our Approach for Promoting Environmental Preservation

As a manufacturer, MES places a particularly great importance on activities related to environmental preservation such as conserving resources and energy, reducing waste and properly managing chemical substances.

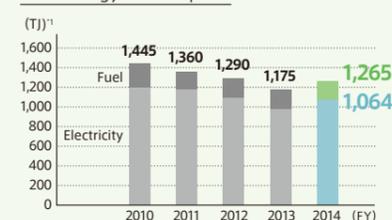


### Our Efforts to Conserve Energy and Reduce CO<sub>2</sub> Emission

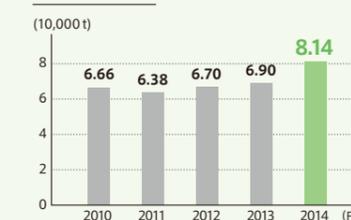
MES continues to promote a reduction in CO<sub>2</sub> emission through activities such as switching from heavy oil to natural gas in order to fuel of in-house power generation. The graph below shows MES total energy consumption, CO<sub>2</sub> emission, and purchased electricity from the past five years. Corresponding with an increase in the production of ships, which

are our major products, total energy consumption for the 2014 fiscal year has increased by approximately 8% when compared to the previous year. The shutdown of nuclear power plants has caused the CO<sub>2</sub> emission coefficient of each power company to rise, causing CO<sub>2</sub> emission levels to increase by 18% since fiscal 2013.

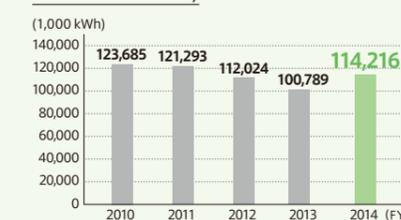
Total Energy Consumption



CO<sub>2</sub> Emission <sup>12</sup>



Purchased Electricity



<sup>11</sup> TJ: Tera Joule (=10<sup>12</sup> J)

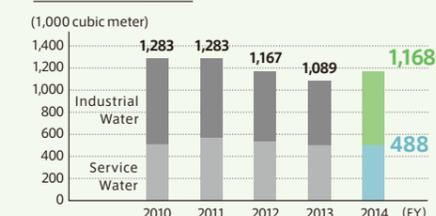
<sup>12</sup> CO<sub>2</sub> Emission calculations have been done in accordance with the Ministry of the Environment issued "Guidelines for Calculating Corporate Greenhouse Gases Emissions". Electric power CO<sub>2</sub> emission calculations use the adjusted CO<sub>2</sub> emission coefficient for designated electric enterprises published by the Ministry of the Environment.



### Effective Use of Aquatic Resources

The graph on the right shows the MES five-year usage history of water. MES uses both service water (clean water) and industrial water (intermediate water). We worked to reserve water during fiscal 2014 but the amount of service and industrial water used increased by approximately 7% in comparison with the previous year.

Water Consumption

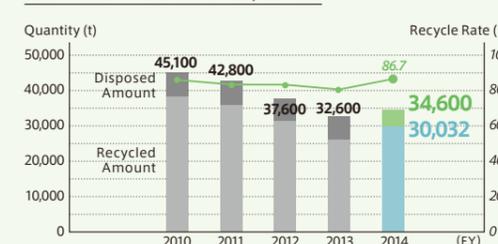


### Our Approach for Reducing Waste

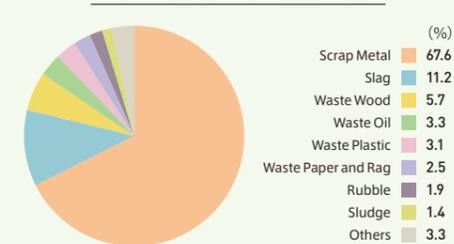
Unlawful dumping of industrial waste has become a major social problem. As a producer of industrial waste, MES is making every effort to fulfill our responsibilities in this area. One of these efforts involves our strict management of manifest. This is executed through periodical on-site inspections of disposal companies. Even more important is our effort to reduce the amount of waste itself. To realize this goal, MES works hard to recycle and thoroughly classify our wastes. Graphs below show the waste

amount over the past five years, recycle rates and breakdown of waste amount for the 2014 fiscal year. We worked to restrain waste but fiscal 2014 saw a 6% increase of wastes in comparison with 2013. Meanwhile, the recycle rate increased by approximately 3% and became 87% because of the increased amount of metallic waste produced. We will continue our efforts to reduce waste and improve our recycle rate. In addition, we will continue to properly dispose of our waste through strict management.

Total Waste Amount and Recycle Rate



FY2014 Breakdown of Waste Amount



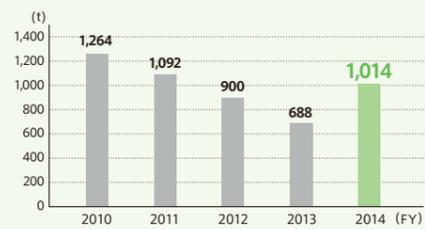
# Environmental Preservation

## Proper Management of Specific Chemical Substances (PRTR Substances)

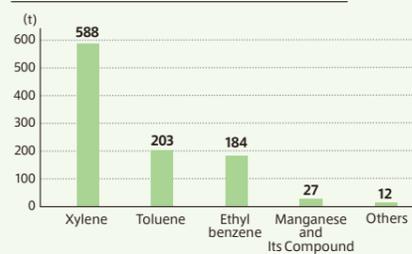
The majority of chemical substances used by MES are solvents and pigments used in paint. Changes in output and travel amount of specific chemical substances over the past five years are shown in the graph below. The other chart describes the breakdown of chemical substances

used by MES for the 2014 fiscal year. In May of 2004, a partial revision of the Air Pollution Control Law was announced. By maintaining strict control of usage levels and by using low-emission airtight containers, MES will continue our efforts to conform to the objectives of this law.

Specified Chemical Substances (amount of emissions + travel amount)



Breakdown of Specified Chemical Substances (amount of emissions + travel amount) in FY2014



## Promoting Environment-friendly Transportation

MES, as a cargo owner, is actively tackling the issue of energy conservation within the field of transportation as well. Specifically, we try to increase transportation loading rates while reducing the number of shipments by aggregating things such as shipping dates and destinations. We also are attempting to reduce the number of dedicated ships and expand the usage of consolidated shipments. All of these activities aim to reduce both CO<sub>2</sub> emission and energy consumption. The graph on the right shows MES CO<sub>2</sub> emission over the past five years as well as domestic transportation (ten thousand tons-kilo) and unit consumption (= amount of energy consumed for transportation per amount transported). When comparing 2013 and 2014 fiscal years, domestic transportation increased by approximately 60% while energy use per transportation increased by approximately 9%.

CO<sub>2</sub> Emission in Relation to Transportation Amount



## Subsidiary Environmental Management Data

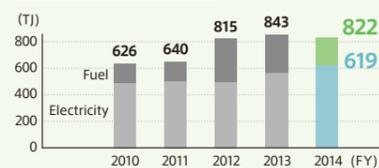
The below chart shows environmental management data covering the past five years for domestic factories of MES subsidiaries within Japan.

### 1 Conserved Energy and CO<sub>2</sub> Emission

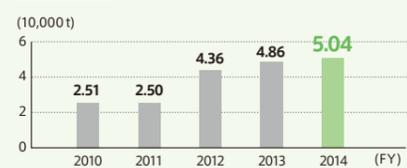
The total amount of subsidiary energy consumption for the 2014 fiscal year decreased approximately 2% when compared with the 2013 fiscal year numbers. During the same timeframe, the amount of electricity purchased by subsidiaries increased approximately 4%. Energy

consumption decreased but the closure of numerous nuclear power plants resulted in an increase in the emissions coefficient. As a result, the fiscal 2014 CO<sub>2</sub> emission increased by approximately 4% from the previous year.

Total Energy Consumption

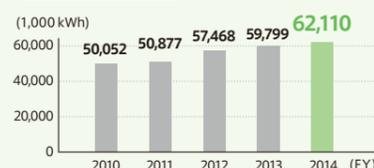


CO<sub>2</sub> Emission



CO<sub>2</sub> Emission calculations have been done in accordance with the Ministry of the Environment issued "Guidelines for Calculating Corporate Greenhouse Gases Emissions". Electric power CO<sub>2</sub> emission calculations use the adjusted CO<sub>2</sub> emission coefficient for designated Electric Enterprises published by the Ministry of the Environment.

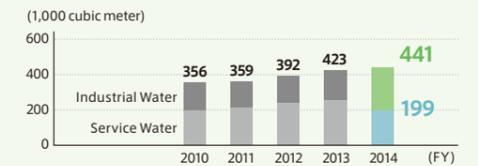
Purchased Electricity



## Effective Use of Aquatic Resources

The water consumption started to increase in fiscal 2010. The water consumption went up by approximately 4% from last year.

Water Consumption

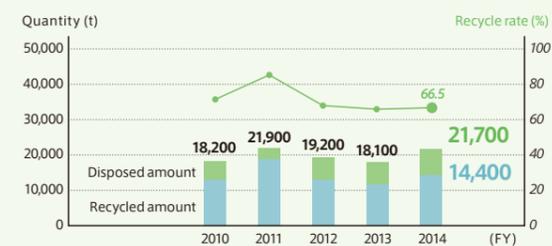


## Waste-related Information

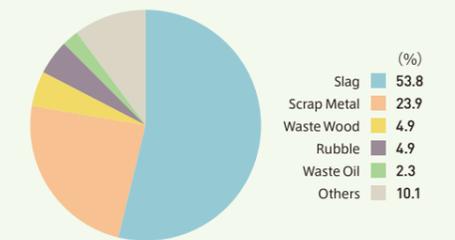
The amount of wastes for fiscal 2014 has increased by approximately 20% in comparison with fiscal 2013. Domestic subsidiaries include subsidiaries involved in iron casting, steel casting manufacturing, and ship repair operations that differ from operations conducted by MES. As

such, the breakdown of waste amount by our subsidiaries also differed from MES. Approximately 54% of the waste produced by domestic subsidiaries consisted of slag (fiscal 2014). Due to the insufficient recycling of this slag, the recycle rate was 67%.

Total Waste Amount and Recycle Rate



FY2014 Breakdown of Waste Amount



## Environmental Accounting

MES spent a total of 2,780 million yen on investment and cost related to environmental preservation. A detailed breakdown of these expenditures is shown below. Categories of environmental preservation costs are based on the "Environmental Conservation Cost Categories" within the "Environmental Accounting Guidelines 2005". Among the above expenditures, a total amount of 200 million yen was spent on investment. This includes 150 million yen spent on global environmental conservation, 40 million yen spent on research and

development, and 20 million yen spent on pollution prevention such as exhaust gas measures. In addition, total non-investment costs came to 2,570 million yen. This includes 2,160 million yen spent on the research and development of environment-friendly energy-saving products, 200 million yen allocated to resource circulation cost such as waste treatment, 80 million yen spent on global environmental conservation, and 70 million yen for administration cost.

Environmental Preservation Cost (= Sum of Investment and Cost : 2,777.0 million yen)

(JPY million)

Categories Corresponding to Business Activities	Investment	Cost	Major Efforts and Effects
1. Business Area Cost			
(1) Pollution Prevention Cost	15.7	63.9	Exhaust gas measures, wastewater treatment, dust control and other pollution control
(2) Global Environmental Conservation Cost	145.3	81.9	Energy saving
(3) Resource Circulation Cost	—	198.4	Waste treatment
2. Upstream / Downstream Cost	—	0.4	Use of recycled paper as copy paper
3. Administration Cost	—	67.0	Environmental management system implementation, environmental reports and environmental education
4. Research & Development Cost	41.5	2,158.3	Development of various environment-friendly products
5. Social Activity Cost	—	2.4	Road cleaning, seminar sponsorship
6. Environmental Remediation Cost	—	2.2	Environmental Damage Countermeasure
<b>Total</b>	<b>202.5</b>	<b>2,574.5</b>	

Note: Classification of environmental preservation costs is based on the Ministry of the Environment issued "Environmental Accounting Guidelines 2005"

# Work Environment

## Safety and Health in the Workplace

### Ensuring Safety and Health is the Foundation of Our Corporate Management

MES acknowledges that, "based on our belief in human dignity, ensuring safety and health is the foundation of our corporate management." With this always in mind, we promote activities involving that ensure safety and health through our 2-pronged Safety and Health Management Plan.

1. Safety first — establish a manufacturing process that places safety as the highest priority.
2. Realize a comfortable workplace by proactively dealing with both mental and physical health management.

### Efforts to Prevent Labor Accidents

#### 01 Promotion of Team Safety II Exercises

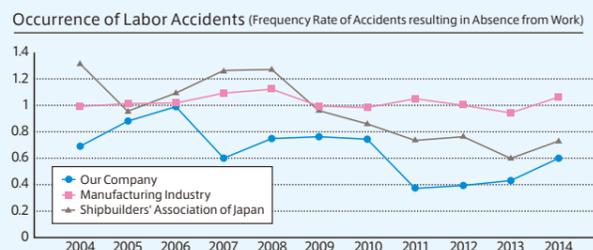
Initiated in 2003, our Team Safety Exercises continue to promote safety and health-related activities. Promoted through Workplace Teams, this initiative is based on the spirit of "joint promotion, joint responsibility." Since 2010, we have also operated our Team Safety II Exercises as a comprehensive safety and health-related activity. Its slogan is, "avoiding workplace labor accidents." With the active participation and guidance of managers and supervisors, the Team Safety Exercises encourage further development of our ability to sense danger and assess risks. Moreover, these exercises call on employees — particularly those who are young or inexperienced — to master work safety through person-to-person training and other means.



Team Safety II Exercises promotion activity results presentation

#### 02 Reducing Labor Accident Risks through Risk Assessment

Based on our Work Safety and Health Management System, we examine potential accident risks that may be hidden in workplace. Moreover, we estimate and evaluate the degree and frequency of labor accidents through risk assessment. This allows us to take action in relation to issues that present a greater risk. By continuously taking part in such risk reduction activities, we strive to prevent labor accidents and reach a stage where safety is an intrinsic part of our organization.



Notes: 1. Frequency rate of accidents resulting in absence from work indicates death and injury number per total 1 million actual working hours. Frequency rate of accidents resulting in absence from work = Number of death and injuries requiring absence of one day or more in labor accidents ÷ Total actual working hours x 1,000,000. 2. Accident frequency rate of manufacturing industries is extracted from Japan Industrial Safety and Health Association. (FY2013 data of frequency rate of absence from work is not yet disclosed and therefore not available)

#### 03 Implementation of Danger Sensibility Improvement Training

In April of 2007, MES opened the Safety Training Center at our Tamano Works. One of the factors that led to its establishment was our growing number of MES retirees who were being replaced with young employees and workers from associated companies. To reinforce safety measures, employees experience twenty-one different dangerous situations as part of danger experience training at this facility. In 2008, similar facilities were built at both our Oita and Chiba Works. This now gives all of our works the capability of promoting and implementing improved danger sensibility and safety through danger experience training.



Danger experience training

## Creation of Lively Workplace

Employee is a valuable asset to the company. We aim to create a lively workplace through personal development and provision of comfortable work environment.

### Human Resource Development

We recognize that improving a worker's employability is a company's responsibility. With this in mind, MES is striving to perform total human resource development for a wide range of employees.

- ① Early Training for Young Employees  
MES believes in the slogan, "becoming full-fledged in five years." In order to help young employees quickly master basic techniques and professional skills applicable to their work, we hold both freshmen and third-year seminars. We also conduct follow-up on a regular basis to ensure that OJT is implemented in a planned and effective manner.
- ② Creating First-Class Mid-level Staff  
As experts at their jobs while still being in the prime of their lives, we believe mid-level staff members are extremely important to MES. In order to continue the growth of these mid-level staff members, we hold a variety of workshops for section chiefs and assistant managers. These events allow them to acquire the skills and perspectives required to move ahead.
- ③ Manager Workshops  
Through their efforts to oversee what goes on in the office, managers and directors are the key to successful human resource development. In order to improve their management and human resource training capabilities, we offer a variety of managerial workshops.
- ④ Nurturing People Who Can Work on The Global Stage  
Society is facing an urgent task to globalize human resources with the globalization of the business environment. MES is making efforts to strengthen the English skills of its staff and providing training on multicultural understanding and communication to nurture people who can work on the global stage.
- ⑤ Succession of Skills and Techniques  
It is essential for business operation of the company to transfer professional skills and techniques owned by veterans of 50's to mid-level staffs and young staffs. We have established Skills Transfer Center in our works where the skilled workers transfer their high level skills and techniques to their juniors.

### Human Rights Education

Within our business activities, we view each and every employee as an irreplaceable person. Creating a workplace where human rights is valued increases workers' motivation and sense of value. Moreover, this dedication to people enhances each employee's capabilities and as a result, maximizes productivity.

**The MES Basic Policy Concerning Human Rights**  
As a member of corporate society, MES holds much social responsibility. Part of this involves tackling human rights and inequality issues such as racial and gender discrimination within our daily activities. In order to create a truly discrimination-free workplace, MES has made respect for human rights as a basis for all of our business operations.

### Efforts to Promote a Work-Life Balance

We endeavor to establish work shifts and vacation systems that allow each and every employee to feel a sense of joy and purpose while fulfilling their business responsibilities. This involves allowing employees to choose a work-life style that best fits their responsibilities and stage of life. These include things such as raising children, enjoying middle-to-old age, spending time with family or even being active in one's community. With this in mind, MES promotes the use of vacation time.

#### Various Working Hours, Holidays and Paid Leave System

Systems to use limited time effectively and realize well-disciplines working hours

	Administrative staff	Technical staff	Head Office
Flexible Working Hours System	Employees determine working hours by themselves to perform their work efficiently		
Leave for Refreshment	Employee is eligible for the consecutive leave of maximum 2 weeks and allowance every 10 years of employment		
Annual Leave	All employees are eligible for 22 days of annual leave per year from the first year of employment.		
Memorial Leave	At the beginning of the year, all employees are encouraged to plan 4 to 6 days of annual leave as memorial leave.		
Promotion of Taking Annual Leave	Employees are encouraged to take one day of annual leave every month and consecutive leave in the autumn.		
Half-day Leave	Employee can take half-day leave instead of full one day in using annual leave.		
Accumulated Annual Leave	The forfeited unused annual leave is accumulated and can be used in case of sickness, childcare, nursing care and some activities such as volunteer activity.		
My Holiday Plan	Employees determine consecutive summertime holidays personally during July to September.		
Designated No Overtime Days	Employees are encouraged to leave the office on time at least once a week.		

#### Support for Balancing of Work Life and Personal Life

Systems to support balancing of childcare or nursing care and work

Childcare	-Childcare leave (Male employees also are encouraged to take Childcare Leave.) -Short-time working hours for childcare (application of flex-time system also allowed) -Expectant and nursing mothers provided half-pay during hospitalization	-Maternity leave (for marital partners at childbirth) -Nursing leave (to take care a child)
Family care	-Care Leave (In case a Care Leave is not taken, short-time working hours or other systems may be made available.) -Care day-off	

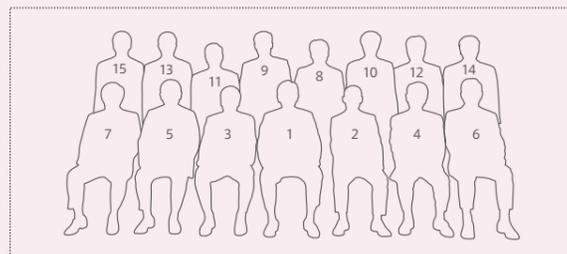
### Initiatives Promoting Women's Engagement in The Workplace

We are promoting women's engagement in the workplace with the goal of fostering an environment where all employees, regardless of gender, can utilize their skills through the various stages of life events and maintain the desire to work towards long-term career goals. We offer maternity leave before and after childbirth and training support during childcare leave to ensure the engagement of female employees

returning to the workplace after having children. We also encourage female employees in near-management level positions to participate in external seminars. Moving forward, we will continue our focus on female hiring, accelerated training, career path support and awareness development for mid-career females as we aim for a rate of females in management positions that is equivalent to the ratio of female hires.

# Corporate Governance

## Corporate Governance



- 1 Chairman and Representative Director  
Yasuhiko Katoh
- 2 President, Representative Director, and CEO\*\*  
Takao Tanaka
- 3 Vice President and Representative Director  
Masafumi Okada  
(Assistant to President, in charge of sales, and Marketing Promotion Dept., and General Manager of Export Control Dept.)
- 4 Managing Director and Representative Director  
Takaki Yamamoto  
(In charge of Audit Dept., personnel & general affairs, procurement, and environmental & safety control, and CCO\*\*)

\*\* CEO : Chief Executive Officer    \*\* CCO : Chief Compliance Officer

### 1. Basic Philosophy

MES is a manufacturing company offering products and services representing the culmination of our global business experience and years of advanced technology development. One of management policies is to fulfill expectations and to foster trust in people and society. We use this management policy as the basis for initiatives aimed at being recognized by stakeholders as a company worth supporting. Part of our efforts includes the creation and maintenance of a highly transparent decision-making structure that enables us to adapt quickly to changes in our business environment and the establishment of a fair management system that places emphasis on our shareholders. We recognize these to be extremely important initiatives for the company.

- 5 Director and Managing Executive Officer  
Hiroyuki Komine  
(General Manager of Engineering Hq.)
- 6 Director and Managing Executive Officer  
Shinsuke Minoda  
(General Manager of Machinery & Systems Hq.)
- 7 Director and Managing Executive Officer  
Noriyuki Fukuda  
(General Manager of Ship & Ocean Project Hq.)
- 8 Director  
Akira Nishihata  
(In charge of Corporate Planning Dept., and Research & Development Hq.)
- 9 Director  
Kiyoshi Nakamura  
(In charge of finance & accounting, and IR Dept.)
- 10 Director  
Toru Tokuhisa  
(Outside director)
- 11 Director  
Toshikazu Tanaka  
(Outside director)
- 12 Corporate Auditor (Full-time)  
Yasuo Irie
- 13 Corporate Auditor (Full-time)  
Yoshihisa Kitajima
- 14 Corporate Auditor  
Kazuya Imai
- 15 Corporate Auditor  
Mitsuaki Yahagi

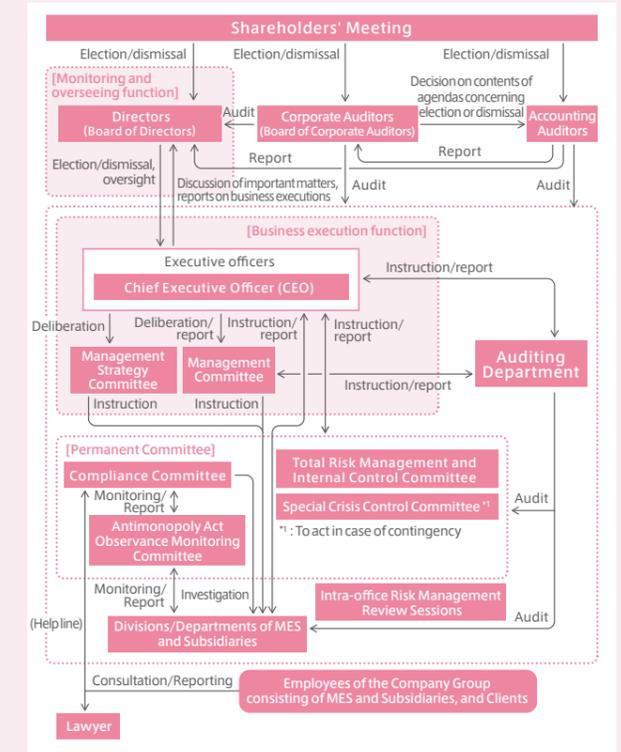
### 2. Structure

By law, MES is required to establish a Board of Corporate Auditors. The function fulfilled by the Board of Corporate Auditors together with the appointment of an auditing firm form the structure for corporate governance at MES. As of June 26, 2015, the MES Board of Directors consists of eleven members. Two of these members are outside directors. Moreover, our Board of Corporate Auditors consists of four members, two of which are part-time corporate auditors. We also adopted an executive officer system to improve decision-making on vital matters by the Board of Directors, improve supervisory functions, and streamline business operations. Executive officers elected by the Board of Directors are allocated executive authority related to business operations and execute their assigned duties under the supervision of the chief executive officer (CEO).

## Internal Control System

We recognize the objectives of our Internal Control System as following: "Assuring efficiency and work performance (achieving objectives)," "Assuring the reliability of financial reports," and "Complying with the law (compliance)" and we are making efforts to reinforce and improve our internal control more than ever. In our Internal Control System, Total Risk Management and Internal Control Committee bears deliberation of basic policy regarding internal control which the Companies Act and the Financial Instruments and Exchange Act require. It also bears company-wide promotion of measures based on policy decided by management committees. To achieve our internal control objectives, a business operation system, compliance system, a risk management system, and an internal control promotion system for financial reports have been established and the internal auditing section (Auditing Department) confirms efficacy.

Flow Chart of Corporate Governance and Internal Control



### 1. Business Execution System

To execute business operations in accordance with basic policy decided by the Board of Directors, we have established the "Management Strategy Committee" and "Management Committee" as management committees. Deliberations are held based on the functions of each organization to promote rapid and flexible decision-making. As for Business Execution System, we transferred the authority to execute business from Directors to Executive Officers elected by the Board of Directors. This streamlines the execution of duties performed by directors.

### 2. Compliance Systems

"Corporate Code of Conduct" is distributed to all officers and employees of the Company Group comprised of MES and our domestic subsidiaries to promote awareness. Moreover, for overseas subsidiaries, we work with the presidents of each of them in a timely manner for each area's situation to confirm compliance systems and their states of implementation. We have established the "Compliance Committee" as an entity for promoting awareness of compliance policy and reporting results of surveys. Moreover, we have instituted "Help-line" in order to detect compliance problems in their early stages. Either the Secretary General of the Compliance Committee or a lawyer can provide consultations or receive reports directly from employees. To ensure legal compliance during activities aimed at winning new orders for public projects, each division and department conducts checks by themselves and we have established the "Antimonopoly Act Observance Monitoring Committee" to conduct monitoring.

#### Specific Initiatives in Fiscal 2014

In addition to compliance workshops for new employees of MES and new executives of our subsidiaries to deepen their understanding of relevant laws and our "Corporate Code of Conduct", we also held 13 training sessions during the year for our sales departments, branch managers, and subsidiaries. In October, which is defined as Business Ethics Enhancement Month, MES executives, general managers, and presidents of subsidiaries are required to present a written pledge of their legal compliance.

### 3. Risk Management System

MES is promoting Total Risk Management System that systematically grasps and evaluates various risks related to all aspects of business activities to ensure we conduct business activities within a proper limit in which we can take risks. The Total Risk Management and Internal Control Committee works based on total risk management policy determined at the Management Strategy Conference to promote group-wide risk management. As for risks related to business operations, each headquarter holds "Intra-office Risk Management Review Sessions", and executes risk analysis on their own. Moreover, in cases of contingency, "Special Crisis Control Committee", in which the Representative Director serves as Chairman, quickly copes with the problem.

#### Specific Initiatives in Fiscal 2014

In order for each Director executing business to appropriately review risks corresponding to changes in the internal and external business environments, and to confirm and share respective policy, we reviewed important risks and basic policy of internal control in business each Director is taking charge of, and then thoroughly notified the division they supervise about the risks and policy.

### 4. Internal Control Promotion System for Financial Reports

To assure the credibility of financial reports, basic policy concerning evaluation of internal control for financial reports is established at annual management committees and the Total Risk Management and Internal Control Committee evaluates the preparation and operation status of said internal control, and make corrections if necessary.

# Financial Statements

Mitsui Engineering & Shipbuilding Co.,Ltd. and Consolidated Subsidiaries  
As of March 31, 2015 and 2014

## Consolidated Balance Sheets

### Assets

	Japanese Yen (millions)		U.S.Dollars (thousands) (Note 1(a))
	2015	2014	2015
<b>Current Assets</b>			
Cash and time deposits (Note1(r))	¥ 85,353	¥ 89,239	\$ 710,269
Receivables			
Trade	310,973	211,463	2,587,776
Others	13,311	7,170	110,768
Less allowance for doubtful accounts	(1,738)	(3,212)	(14,463)
Merchandise and finished goods	3,306	2,602	27,511
Raw materials and supplies	9,845	6,929	81,926
Work in progress	28,242	27,279	235,017
Deferred tax assets (Note11)	18,542	14,406	154,298
Short-term loans	55,027	30,012	457,910
Others (Notes 1(r) and 16)	19,690	21,098	163,850
<b>Total current assets</b>	<b>542,551</b>	<b>406,986</b>	<b>4,514,862</b>
<b>Property, Plant and Equipment (Note4)</b>			
Land (Note1(p))	271,356	271,034	2,258,101
Buildings and structures	198,584	195,800	1,652,526
Machinery, equipment and vehicles	196,587	197,185	1,635,908
Lease assets	20,829	24,944	173,329
Construction in progress	4,165	1,955	34,659
	691,521	690,918	5,754,523
Less accumulated depreciation	(313,795)	(311,235)	(2,611,259)
<b>Net property, plant and equipment</b>	<b>377,726</b>	<b>379,683</b>	<b>3,143,264</b>
<b>Intangible Assets</b>			
Intangible Assets	11,713	11,824	97,469
<b>Investments, Long-term Loans and Other Assets</b>			
Investment securities (Notes 2, 3, and 4)	85,830	64,580	714,238
Long-term loans	22,287	39,634	185,463
Net defined benefit assets	8,684	3,528	72,264
Deferred tax assets (Note11)	15,056	15,691	125,289
Others (Note3)	13,220	13,452	110,011
Less allowance for doubtful accounts	(2,504)	(2,482)	(20,837)
<b>Total investments, long-term loans and other assets</b>	<b>142,573</b>	<b>134,403</b>	<b>1,186,428</b>
<b>Total assets</b>	<b>¥ 1,074,563</b>	<b>¥ 932,896</b>	<b>\$ 8,942,023</b>

The accompanying notes to the consolidated financial statements are an integral part of these balance sheets.

## Consolidated Balance Sheets

### Liabilities and Net Assets

	Japanese Yen (millions)		U.S.Dollars (thousands) (Note 1(a))
	2015	2014	2015
<b>Current Liabilities</b>			
Short-term borrowings (Notes 4 and 5)	¥ 17,468	¥ 21,877	\$ 145,360
Current portion of long-term indebtedness (Note6)	42,834	33,969	356,445
Lease obligations	2,662	3,604	22,152
Trade payables	247,657	178,236	2,060,889
Advances from customers	77,159	58,744	642,082
Accrued expenses	25,299	25,544	210,527
Accrued income taxes (Note11)	9,942	5,447	82,733
Deferred tax liabilities (Note11)	488	822	4,061
Provision for losses on construction contracts	17,123	12,194	142,490
Provision for product warranty	8,926	6,436	74,278
Asset retirement obligations	4	-	33
Others	33,287	21,596	276,999
<b>Total current liabilities</b>	<b>482,849</b>	<b>368,469</b>	<b>4,018,049</b>
<b>Long-term Liabilities</b>			
Long-term indebtedness (Notes 4 and 6)	128,012	131,987	1,065,257
Lease obligations	8,630	10,448	71,815
Liability for severance and retirement benefits			
For directors and corporate auditors	404	369	3,362
Net defined benefit liabilities	11,277	10,276	93,842
Deferred tax liabilities			
On reevaluation reserve for land (Notes 1(p) and 11)	21,312	23,847	177,349
Others (Note11)	49,371	50,450	410,843
Asset retirement obligations	1,302	1,113	10,835
Others	24,101	12,328	200,557
<b>Total long-term liabilities</b>	<b>244,409</b>	<b>240,818</b>	<b>2,033,860</b>
<b>Contingent Liabilities (Note13)</b>			
<b>Net Assets (Note8)</b>			
Common stock			
Authorized - 1,500,000,000 shares			
Issued - 830,987,176 shares	44,385	44,385	369,352
Capital surplus	18,248	18,178	151,852
Retained earnings	142,677	136,289	1,187,293
Treasury stock	(4,761)	(855)	(39,619)
Net unrealized holding gains(losses) on securities (Note2)	14,058	7,360	116,984
Unrealized gains(losses) on hedging derivatives, net of tax	(9,719)	(2,649)	(80,877)
Reevaluation reserve for land, net of tax (Notes 1(p) and 11)	24,777	22,516	206,183
Foreign currency translation adjustments	12,705	4,252	105,725
Remeasurements of defined benefit plans	(5,646)	(9,036)	(46,984)
Subscription rights to shares	146	67	1,215
Minority interests	110,435	103,102	918,990
<b>Total net assets</b>	<b>347,305</b>	<b>323,609</b>	<b>2,890,114</b>
<b>Total liabilities and net assets</b>	<b>¥ 1,074,563</b>	<b>¥ 932,896</b>	<b>\$ 8,942,023</b>

The accompanying notes to the consolidated financial statements are an integral part of these balance sheets.

## Consolidated Statements of Income

	Japanese Yen (millions)		U.S.Dollars (thousands) (Note 1(a))
	2015	2014	2015
Net Sales	¥ 816,520	¥ 670,068	\$ 6,794,707
Cost of Sales (Note1(q))	757,034	606,750	6,299,692
Gross profit	59,486	63,318	495,015
Selling, General and Administrative Expenses (Note1(q))	46,187	43,349	384,347
Operating income	13,299	19,969	110,668
Other Income (Expenses)			
Interest and dividend income	4,128	3,869	34,351
Interest expense	(2,769)	(2,480)	(23,042)
Amortization of net transition obligation (Note 9)	(1,929)	(1,964)	(16,052)
Loss on valuation of derivatives	(2,823)	(725)	(23,492)
Equity in earnings of unconsolidated subsidiaries and affiliates	4,022	3,545	33,469
Foreign currency exchange gain	-	3,039	-
Gain on disposal of non-current assets	1,029	1,208	8,563
Gain on sales of investment securities (Note 2)	137	246	1,140
State subsidy	-	800	-
Gain on sales of subsidiaries and affiliates' stocks	1,137	-	9,462
Gain on bargain purchase	4,768	29,622	39,677
Gain on step acquisitions	-	5,706	-
Loss on disposal of non-current assets	(2,076)	(736)	(17,276)
Loss on impairment of non-current assets (Note 14)	(2,689)	(8,187)	(22,377)
Loss on sales of investment securities (Note 2)	-	(61)	-
Loss on valuation of investment securities	(0)	(13)	(0)
Provision of allowance for doubtful accounts	-	(1,594)	-
Provision for loss on business of subsidiaries and affiliates	-	(32)	-
Loss on liquidation of business	(984)	-	(8,188)
Loss on liquidation of subsidiaries and affiliates	(215)	-	(1,789)
Loss on reduction of non-current assets	-	(800)	-
Loss on disaster	-	(158)	-
Settlement package	-	(752)	-
Provision for environmental preservation cost	-	(3,230)	-
Others, net	971	926	8,080
Total	2,707	28,229	22,526
Income before income taxes and minority interests	16,006	48,198	133,194
Income Taxes (Note 11)			
Current	12,985	7,040	108,055
Deferred	(6,884)	(3,343)	(57,286)
	6,101	3,697	50,769
Income before minority interests	9,905	44,501	82,425
Minority Interests	442	1,646	3,678
Net Income	¥ 9,463	¥ 42,855	\$ 78,747
Amounts Per Share of Common Stock (Notes 1(a) and 8)			
Net income	¥ 11.63	¥ 51.80	\$ 0.097
Dividends, applicable to the year	¥ 2.00	¥ 2.00	\$ 0.017

## Consolidated Statements of Comprehensive Income

Statements of comprehensive income :

	Japanese Yen (millions)		U.S.Dollars (thousands) (Note 1(a))
	2015	2014	2015
Income before minority interests	¥ 9,905	¥ 44,501	\$ 82,425
Other comprehensive income(Note 15)			
Net unrealized holding gains on securities	7,722	1,425	64,259
Unrealized gains (losses) on hedging derivatives, net of tax	(2,904)	345	(24,165)
Reevaluation reserve for land, net of tax	2,438	-	20,288
Foreign currency translation adjustments	7,145	9,088	59,457
Remeasurements of Defined Benefit Plans	3,337	(37)	27,769
Share of other comprehensive income of affiliates accounted for using equity method	349	5,391	2,904
Total	18,087	16,212	150,512
Comprehensive income	¥ 27,992	¥ 60,713	\$ 232,937
Comprehensive income attributable to owners of the parent	¥ 23,365	¥ 56,458	\$ 194,433
Comprehensive income attributable to minority interests	¥ 4,627	¥ 4,255	\$ 38,504

## Consolidated Statements of Changes in Net Assets

	Thousands		Japanese Yen (millions)										
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains(losses) on securities	Unrealized gains(losses) on hedging derivatives, net of tax	Reevaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Minority interests	Total
Beginning balance as of April 1, 2013	830,987	44,385	18,178	95,550	(744)	6,264	(4,558)	22,967	(6,350)	(69)	-	31,691	207,314
Cash dividends paid				(2,484)									(2,484)
Change of scope of consolidation				(83)									(83)
Net income				42,855									42,855
Purchases of treasury stock					(113)								(113)
Sales of treasury stock				(0)	2								2
Transfer from reevaluation reserve for land, net of tax				451									451
Net changes of items other than those in Shareholders' equity						1,096	1,909	(451)	10,602	(8,967)	67	71,411	75,667
Beginning balance as of April 1, 2014	830,987	44,385	18,178	136,289	(855)	7,360	(2,649)	22,516	4,252	(9,036)	67	103,102	323,609
Cumulative effects of changes in accounting policies				(1,593)								(55)	(1,648)
Restated balance		44,385	18,178	134,696	(855)	7,360	(2,649)	22,516	4,252	(9,036)	67	103,047	321,961
Cash dividends paid				(1,656)									(1,656)
Change of scope of consolidation				(2)									(2)
Net income				9,463									9,463
Purchases of treasury stock					(4,025)								(4,025)
Sales of treasury stock			70		119								189
Transfer from reevaluation reserve for land, net of tax				176									176
Net changes of items other than those in Shareholders' equity						6,698	(7,070)	2,261	8,453	3,390	79	7,388	21,199
Balance as of March 31, 2015	830,987	44,385	18,248	142,677	(4,761)	14,058	(9,719)	24,777	12,705	(5,646)	146	110,435	347,305

	Thousands		U.S.Dollars (thousands) (Note 1(a))										
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains(losses) on securities	Unrealized gains(losses) on hedging derivatives, net of tax	Reevaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Minority interests	Total
Beginning balance as of April 1, 2014	830,987	369,352	151,269	1,134,134	(7,115)	61,246	(22,044)	187,368	35,383	(75,194)	558	857,968	2,692,925
Cumulative effects of changes in accounting policies				(13,256)								(458)	(13,714)
Restated balance		369,352	151,269	1,120,878	(7,115)	61,246	(22,044)	187,368	35,383	(75,194)	558	857,510	2,679,211
Cash dividends paid				(13,780)									(13,780)
Change of scope of consolidation				(17)									(17)
Net income				78,747									78,747
Purchases of treasury stock					(33,494)								(33,494)
Sales of treasury stock			583		990								1,573
Transfer from reevaluation reserve for land, net of tax				1,465									1,465
Net changes of items other than those in Shareholders' equity						55,738	(58,833)	18,815	70,342	28,210	657	61,480	176,409
Balance as of March 31, 2015	830,987	369,352	151,852	1,187,293	(39,619)	116,984	(80,877)	206,183	105,725	(46,984)	1,215	918,990	2,890,114

## Consolidated Statements of Cash Flows

Cash Flows from Operating Activities :	Japanese Yen (millions)		U.S.Dollars (thousands) (Note 1(a))
	2015	2014	2015
Income before income taxes and minority interests	¥ 16,006	¥ 48,198	\$ 133,195
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities			
Depreciation and amortization	17,457	15,140	145,269
Loss on impairment of non-current assets	2,689	8,187	22,377
Amortization of goodwill	495	453	4,119
Gain on bargain purchase	(4,768)	(29,622)	(39,677)
Gain on step acquisitions	-	(5,706)	-
Share-based compensation expenses	79	67	657
Increase (Decrease) of allowance for doubtful accounts	(1,473)	1,321	(12,257)
Decrease of liability for severance and retirement benefits	-	(5,948)	-
Increase in net defined benefit liability	247	5,519	2,055
Decrease in prepaid pension costs	-	13,981	-
Increase in net defined benefit asset	(3,563)	(17,407)	(29,650)
Interest and dividend income	(4,128)	(3,869)	(34,351)
Interest expense	2,769	2,480	23,042
Equity in earnings of unconsolidated subsidiaries and affiliates	(4,022)	(3,545)	(33,469)
Foreign currency exchange gain, net	2,082	(3,465)	17,325
Gain on sales of investment securities	(137)	(185)	(1,140)
Gain on sales of subsidiaries and affiliates' stocks	(1,137)	-	(9,462)
Loss on valuation of investment securities	0	13	0
Loss on liquidation of business	984	-	8,188
Loss on liquidation of subsidiaries and affiliates	215	-	1,789
Loss (Gain) on disposal of non-current assets, net	1,047	(472)	8,713
Loss on reduction of non-current assets	-	800	-
State subsidy	-	(800)	-
Loss on disaster	-	158	-
Provision for environmental preservation cost	-	3,230	-
Settlement package	-	752	-
Increase in provision for loss on business of subsidiaries and affiliates	-	32	-
Changes in assets and liabilities :			
Decrease (increase) in			
Trade receivables	(74,521)	(39,890)	(620,130)
Inventories	(4,204)	7,735	(34,984)
Other assets	(2,440)	(2,314)	(20,304)
Increase (decrease) in			
Trade payables	57,485	29,635	478,364
Other liabilities	9,803	(1,779)	81,576
Others, net	8,725	(498)	72,606
Sub-total	19,690	22,201	163,851
Interest and dividend received	5,517	6,345	45,910
Interest paid	(2,895)	(2,449)	(24,091)
Payments for loss on disaster	-	(108)	-
Payments for adjustment fee by alteration of contract for feed-in tariffs	-	(75)	-
Income taxes paid	(7,144)	(11,415)	(59,449)
Net cash provided by (used in) operating activities	¥ 15,168	¥ 14,499	\$ 126,221

Cash Flows from Investing Activities :	Japanese Yen (millions)		U.S.Dollars (thousands) (Note 1(a))
	2015	2014	2015
Net decrease in time deposits	2,630	3,284	21,886
Capital expenditure	(16,603)	(22,485)	(138,163)
Proceeds from sales of non-current assets	1,412	1,766	11,750
Purchases of investment securities	(4)	(343)	(33)
Proceeds from sales of investment securities	340	1,697	2,829
Payments for the purchase of investment in subsidiaries resulting in change in scope of consolidation (Note 1(r))	-	(9,307)	-
Purchase of shares of subsidiaries and affiliates	(8,040)	(7,190)	(66,905)
Proceeds from sales of shares of subsidiaries and affiliates	1,519	-	12,640
Disbursements of loans receivable	(38,800)	(51,470)	(322,876)
Collection of loans receivable	24,446	45,784	203,428
Proceeds from subsidy income	-	800	-
Others, net	714	151	5,942
Net cash provided by (used in) investing activities	¥ (32,386)	¥ (37,313)	\$ (269,502)
Cash Flows from Financing Activities :			
Net increase (decrease) in short-term borrowings	(6,322)	4,310	(52,609)
Proceeds from long-term indebtedness	29,156	43,358	242,623
Repayments of long-term indebtedness	(37,079)	(34,334)	(308,554)
Repayments of lease obligations	(3,428)	(2,754)	(28,526)
Proceeds from sales and leasebacks	-	3,302	-
Proceeds from issuance of bonds	10,000	5,000	83,215
Purchases of treasury stock	(4,026)	(26)	(33,503)
Cash dividends	(1,653)	(2,491)	(13,755)
Cash dividends paid to minority interests	(1,215)	(835)	(10,111)
Proceeds from share issuance to minority shareholders	9,769	-	81,293
Others, net	424	2	3,529
Net cash provided by (used in) financing activities	¥ (4,374)	¥ 15,532	\$ (36,398)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	3,904	13,260	32,488
Net increase (decrease) in Cash and Cash Equivalents	(17,688)	5,978	(147,191)
Increase (decrease) due to changes in scope of consolidation	427	(245)	3,553
Cash and Cash Equivalents at Beginning of Year	111,926	106,193	931,397
Cash and Cash Equivalents at End of Year (Note1(r))	¥ 94,665	¥ 111,926	\$ 787,759

## Notes to Consolidated Financial Statements

### 1. Significant Accounting and Reporting Policies

The following is a summary of the significant accounting and reporting policies adopted by the Mitsui Engineering & Shipbuilding Group (the "Group"), which consists of Mitsui Engineering & Shipbuilding Co., Ltd. ("MES") and its consolidated subsidiaries ("Subsidiaries") in the preparation of the accompanying consolidated financial statements.

#### (a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of the Group have been prepared in accordance with the provisions set forth in the "Japanese Financial Instruments and Exchange Act" 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 from International Financial Reporting Standards.

The accounts of the overseas Subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile ("Local GAAP") and significant differences between Japanese GAAP and Local GAAP are adjusted in consolidation. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Group prepared in accordance with Japanese GAAP and filed with the appropriate Finance Bureau of the Ministry of Finance as required by the "Financial Instruments and Exchange Act". Certain 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.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 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.

#### (b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Group, over which MES has power of control through majority voting rights or existence of certain conditions requiring control by MES.

Material inter-company balances, transactions and profits have been eliminated in consolidation.

The assets and liabilities of the Subsidiaries, including the portion attributable to minority shareholders, were evaluated using the fair value at the time MES acquired control of the respective subsidiaries.

Investments in all significant unconsolidated subsidiaries and affiliates are accounted for by the equity method.

Goodwill is generally amortized using the straight-line method over 5 years; however, reasonable assessment may determine a certain period of time. Fiscal years of some Subsidiaries end on the 31st of December. MES consolidates these subsidiaries' financial statements as of each subsidiary's latest fiscal year and significant transactions occurred between each subsidiary's fiscal year-end and MES's fiscal year-end are adjusted on consolidation.

#### (c) Revenue Recognition

Revenue and costs associated with construction contracts

1) Construction of its certainty of achievement on the progressed portion until the fiscal year end can be recognized:

The percentage-of-completion method

(The progress of work is mainly measured by the percentage of cost method)

2) Construction other than above:

The completed-contract method

Revenues and costs of sales on finance lease transactions are recognized when lease payments are received.

#### (d) Securities

MES and its domestic Subsidiaries examined the intent of holding each security and classified those securities as (a) securities held for trading purposes ("trading securities"), (b) debt securities intended to be held to maturity ("held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories ("available-for-sale securities"). MES and its domestic Subsidiaries did not have trading securities or held-to-maturity debt securities.

Equity securities issued by Subsidiaries and affiliated companies, which are not accounted for by the equity method, are stated at moving-average cost.

Available-for-sale securities with available fair market values are stated at fair market value. Fair market value is calculated using mainly the average price of securities over one month before the consolidated balance sheet date. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies which are not accounted for by the equity method, and available-for-sale securities decline significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market values of these securities are not readily available, they should be written down to net asset value with a corresponding charge in the statements of income in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

#### (e) Derivative Transaction and Hedge Accounting

Japanese accounting standard for financial instruments requires MES and domestic Subsidiaries to measure derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the instruments are applied to hedged items.

In cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the forward foreign exchange contracts and hedging items are accounted for in the following manner.

1) If forward foreign exchange contracts are entered into to hedge existing foreign currency receivables or payables,

i) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivables or payables converted by the contracted forward foreign exchange rate and the book value of the receivables or payables is recognized in the statement of income of the fiscal year in which such contracts are entered into, and

ii) the difference between the Japanese yen amount converted by the contracted forward foreign exchange rate and the Japanese yen amount by spot rate at the trade date of the contract is allocated to every fiscal period over the term of the contract.

2) If forward foreign exchange contracts are entered into to hedge a future transaction (be contracted but not stated in financial statements) denominated in foreign currency, recognition of gains and losses resulting from fair value of the forward foreign exchange contracts are deferred until the contracts are applied to the hedged item.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was allocated.

#### (f) Allowance for Doubtful Accounts

In order to provide for credit losses, non recoverable amount is recorded based on write-off ratio for general accounts. For doubtful accounts, collectability is examined and recoverable amount is estimated individually.

#### (g) Inventories

Merchandise, finished goods, raw materials and supplies are stated at cost determined mainly by the moving-average method (except steels for new shipbuilding, which are by identified cost method) (Balance sheet value reflects downturn in profitability). Work in progress is stated using identified cost method (Balance sheet value reflects downturn in profitability). Construction costs, which are accumulated in inventory, consist of direct materials, labor, other items directly attributable to each contract and an allocable portion of general manufacturing and construction overheads.

#### (h) Property, Plant and Equipment and Depreciation

Depreciation of plant and equipment is mainly computed using the declining-balance method over their estimated useful lives. Buildings, acquired on and after April 1, 1998, are depreciated using the straight-line method. Ordinary maintenance and repairs are charged to the profit and loss account as incurred.

#### (i) Software Costs

Software costs included in intangible assets are depreciated using the straight-line method over the estimated useful life (5 years).

#### (j) Employees' Severance and Retirement Benefits

In calculating retirement benefit obligations, the standard of equal allocation to each year is used to allocate projected retirement benefits over the period to the end of the consolidated fiscal year. The net transition obligation (¥28,905 million) has been recognized in expenses, primarily in equal amounts over 15 years commencing with the year ended March 31, 2001. Actuarial gains and losses are recognized in the consolidated statements of income using the straight-line method within the estimated remaining service lives (five years or ten years) commencing with the following fiscal year. Prior service costs are recognized in the consolidated statements of income using the straight-line method within the estimated remaining service lives (one year or five years).

After being adjusted for tax effect, unrecognized actuarial gains and losses, unrecognized prior service costs are added to "Remeasurements of defined benefit plans", an item within "Accumulated other comprehensive income(net assets)".

#### (k) Liabilities for Severance and Retirement Benefits for Directors and Corporate Auditors

Amount is recorded based on internal regulations in order to prepare for payment of retirement benefit of directors and corporate auditors.

#### (l) Translation of Foreign Currency Accounts

Under Japanese accounting standard for foreign currency translation, monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each balance sheet date with the resulting gain or loss included in the current statements of income. Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates in effect at each balance sheet date, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are also translated at the exchange rates in effect at each balance sheet date.

#### (m) Provision for Losses on Construction Contracts

Provision for losses on construction contracts is provided based on an estimate of the total losses which can probably occur for the next fiscal year and beyond with respect to construction projects on which eventual losses are deemed inevitable and amounts thereof can reasonably be estimated.

#### (n) Provision for Product Warranty

Provision for product warranty for ships and other products is provided based on the estimated amounts calculated by using mainly the average proportion of product warranties against sales amounts for past two years.

#### (o) Income Taxes

Deferred income tax is recognized from temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

**(p) Reevaluation Reserve for Land**

The land used for business operations is reevaluated based on real estate tax value on March 31, 2000 and March 31, 2002 respectively, in accordance with Enforcement Ordinance for the Law Concerning Reevaluation Reserve for Land (the "Law") effective March 31, 1998. The related unrealized gain, net of income taxes was recorded as "Reevaluation reserve for land, net of tax" in Net assets and the deferred income tax effects were recorded as Deferred tax liabilities on "Reevaluation reserve for land" in Long-term liabilities.

According to the Law, reevaluation of the land is not permitted at any time after the above reevaluation even in cases where the fair value of the land declines. Such unrecorded reevaluation losses are ¥38,778 million (\$322,693 thousand) and ¥37,881 million as of March 31, 2015 and 2014, respectively.

**(q) Research and Development**

Costs relating to research and development activities are charged to the profit and loss account as incurred. The amounts for the years ended March 31, 2015 was ¥3,508 million (\$29,192 thousands) and for 2014 was ¥4,035 million.

**(r) Cash Flow Statement**

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits including short-term loans and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Reconciliation of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2015 and 2014 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Cash and time deposits	¥ 85,353	¥ 89,239	\$ 710,269
Time deposits with maturities exceeding 3 months	(4,686)	(7,307)	(38,995)
Cash equivalents included in short-term loans	13,998	29,994	116,485
Cash and cash equivalents	¥ 94,665	¥ 111,926	\$ 787,759

**(s) Finance Lease Transactions without Transfer of Ownership**

Lessee:

The method of amortization of the lease assets related to finance lease transactions without transfer of ownership is by the straight-line method corresponding to lease period. The residual value is the guaranteed residual value in case such value is set forth in the lease contract but otherwise is zero value.

Lessor:

Revenues and costs of sales on finance lease transactions, other than those that transfer ownership of the leased property to the lessee, are recognized when lease payments are received.

**(t) Reclassifications**

Certain reclassifications have been made to the previously reported fiscal year 2014 amounts to conform to fiscal year 2015 presentation. These reclassifications had no effect on previously reported net income or net assets.

**(u) Unapplied accounting standards**

Effective from the consolidated fiscal year beginning from April 1, 2015, MES and its domestic Subsidiaries will apply the following standards and guidance. The effects of applying these accounting standards are currently under consideration.

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013)

"Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013)

"Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013)

"Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, revised on September 13, 2013)

"Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, revised on September 13, 2013)

"Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, revised on September 13, 2013)

These accounting standards and guidance have been mainly revised for accounting treatments in regard to following matters:

- i) Change in interest in controlled subsidiary in which a parent keeps continued control such as in a case of acquiring additional interest of the subsidiary.
- ii) Accounting treatment of acquisition related cost.
- iii) Change in presentation of net income, and change in terminology from minority interest to net income attribute to owners of parents and non-controlling interest
- iv) Change in accounting for transitional accounting in business combination

**(v) Application of Consolidated Taxation System**

Effective from the consolidated fiscal year 2014, MES applies a consolidated tax payment system.

**(w) Changes in accounting and reporting policies**

Effective from the consolidated fiscal year 2014, the main clause of Section 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; hereinafter, the "Retirement Benefits Accounting Standard") and the main clause of Section 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015; hereinafter, the "Retirement Benefits Guidance") are adopted. With this application, the methods of calculating retirement benefit obligations and service costs are revised. The method of allocating projected retirement benefits by service period was changed from a straight line basis to a benefit formula basis. The method of determining the discount rates was also changed from using a single weighted-average discount rate that reflects the average remaining years of service to using multiple discount rates.

The Accounting Standard is being implemented in accordance with the transitional handling as stated in Section 37 of the Accounting Standard, and at the beginning of the consolidated fiscal year 2014, the amounts influenced by the relevant changes of calculating retirement benefit obligations and service costs were subtracted from retained earnings.

As a result, at the beginning of the consolidated fiscal year 2014, net defined benefit assets decreased by ¥2,273 million (\$18,915 thousand), net defined benefit liabilities related to retirement benefits increased by ¥300 million (\$2,496 thousand), and retained earnings decreased by ¥1,593 million (\$13,256 thousand). The impact on consolidated statements of income was immaterial.

The effect on per-share information is recorded in the relevant place.

**2. Marketable Securities and Investment Securities****(a) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2015 and 2014:**

2015:	Japanese Yen (millions)		
	Acquisition cost	Book value	Differences
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 22,088	¥ 45,404	¥ 23,316
Sub Total	22,088	45,404	23,316
Securities with book values not exceeding acquisition costs:			
Equity securities	4,032	3,283	(749)
Sub Total	4,032	3,283	(749)
Total	¥ 26,120	¥ 48,687	¥ 22,567

2014:	Japanese Yen (millions)		
	Acquisition cost	Book value	Differences
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 15,478	¥ 28,096	¥ 12,618
Sub Total	15,478	28,096	12,618
Securities with book values not exceeding acquisition costs:			
Equity securities	10,279	9,464	(815)
Sub Total	10,279	9,464	(815)
Total	¥ 25,757	¥ 37,560	¥ 11,803

2015:	U. S. Dollars (thousands)		
	Acquisition cost	Book value	Differences
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	\$ 183,806	\$ 377,831	\$ 194,025
Sub Total	183,806	377,831	194,025
Securities with book values not exceeding acquisition costs:			
Equity securities	33,552	27,320	(6,232)
Sub Total	33,552	27,320	(6,232)
Total	\$ 217,358	\$ 405,151	\$ 187,793

**(b) Proceeds from sales of available-for-sale securities and realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2015 and 2014 were as follows:**

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Proceeds from sales of available-for-sale securities	¥ 340	¥ 1,697	\$ 2,829
Realized gains on sales of available-for-sale securities	137	246	1,140
Realized losses on sales of available-for-sale securities	-	61	-

### 3. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates included in investment securities as of March 31, 2015 and 2014 were ¥33,492 million (\$278,705 thousand) and ¥23,528 million, respectively. Investments in unconsolidated subsidiaries and affiliates included in other assets as of March 31, 2015 and 2014 were ¥5,978 million (\$49,746 thousand) and ¥5,383 million, respectively.

### 4. Pledged Assets

Assets pledged as collateral for short-term borrowings and long-term indebtedness as of March 31, 2015 and 2014 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Land	¥ 5,123	¥ 26,953	\$ 42,631
Buildings and structures	325	1,401	2,705
Machinery, equipment and vehicles	16,674	15,392	138,753
Investment securities	151	1	1,257
	¥ 22,273	¥ 43,747	\$ 185,346

Short-term borrowings and long-term indebtedness secured by the above pledged assets as of March 31, 2015 and 2014 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Short-term borrowings	¥ 1,100	¥ 1,120	\$ 9,154
Long-term loan payable	17,241	16,039	143,471
	¥ 18,341	¥ 17,159	\$ 152,625

### 5. Short-Term Borrowings

Short-term borrowings represent notes payable to banks due within twelve months. The average interest rate for each term is summarized below:

	2015	2014
Average interest rate for each term	1.10%	0.95%

### 6. Long-Term Indebtedness

Long-term indebtedness as of March 31, 2015 and 2014 is summarized below:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Secured by mortgages on plant and equipment- 0.45% to 2.40% loans from Japanese banks, due on various dates through 2021	¥ 17,241	¥ 16,039	\$ 143,471
Unsecured or non-guaranteed-			
0.92% bonds, due January 28, 2016	10,000	10,000	83,215
1.08% bonds, due June 15, 2017	10,000	10,000	83,215
1.47% bonds, due January 26, 2018	5,000	5,000	41,608
1.14% bonds, due December 12, 2019	5,000	5,000	41,608
0.63% bonds, due December 12, 2019	5,000	-	41,608
1.03% bonds, due December 10, 2021	5,000	-	41,608
0.44% to 4.96% loans from banks, insurance companies and trading companies due on various dates through 2023	113,605	119,917	945,369
	170,846	165,956	1,421,702
Less: Current portion included in current liabilities	(42,834)	(33,969)	(356,445)
	¥ 128,012	¥ 131,987	\$ 1,065,257

The aggregate annual maturities of long-term indebtedness are summarized below:

Year ended March 31,	Japanese Yen (millions)	U.S.Dollars (thousands)
2016	¥ 42,834	\$ 356,445
2017	29,033	241,599
2018	37,869	315,129
2019	30,702	255,488
2020 and thereafter	30,408	253,041
	¥ 170,846	\$ 1,421,702

### 7. Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at the Group as of March 31, 2015 was as follows:

	Japanese Yen (millions)	U.S.Dollars (thousands)
Total overdraft facilities and lending commitments	¥ 53,678	\$ 446,684
Less amounts currently executed	1,500	12,482
Unexecuted balance	¥ 52,178	\$ 434,202

### 8. Net Assets and Per Share Data

Under the Japanese Corporate Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution in the shareholders' meeting or could be capitalized by a resolution in the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that MES can distribute as dividends is calculated based on the non-consolidated financial statements of MES in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 26, 2015, the shareholders approved cash dividends amounting to ¥1,617 million (\$13,456 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2015. This type of appropriations is recognized in the period in which they are approved by the shareholders.

Net income per share is based on the weighted average number of shares of common stock outstanding during each period. Cash dividends per share represent the cash dividends declared applicable to the respective year.

### 9. Liability for Severance and Retirement Benefits

#### (a) Overview of adopting severance and retirement benefits plans

The Group provides two types of employees' severance and retirement benefit plans: Unfunded termination and retirement allowance plans and funded non-contributory pension plans. Under the plans, employees whose employment is terminated or who retire are entitled to benefits which are, in general, determined on the basis of length of service and current basic salary at the time of termination or retirement.

Part of funded non-contributory pension plan is set up based on pension benefit trust.

Some domestic Subsidiaries have adopted a "simpler method" to calculate liability for severance and retirement benefits for employees and a number of overseas Subsidiaries also adopt defined contribution pension plans.

#### (b) Breakdown of information concerning severance and retirement benefits

i) Movements of severance and retirement benefit obligation:	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Balance at beginning of year	¥ 46,819	¥ 45,840	\$ 389,606
Cumulative effect of change in accounting policy	2,574	-	21,420
Restated balance at beginning of year	49,393	45,840	411,026
Current service costs	2,306	2,258	19,189
Interest costs	566	774	4,710
Actuarial differences on pension plan obligation	2,106	2,074	17,525
Benefits paid	(6,306)	(8,048)	(52,476)
Change of scope of consolidation	-	4,566	-
Others	(254)	(645)	(2,113)
Balance at end of year	¥ 47,811	¥ 46,819	\$ 397,861

## ii) Movements of pension assets:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Balance at beginning of year	¥ 40,071	¥ 35,558	\$ 333,453
Expected return on pension assets	11	11	92
Actuarial differences on pension assets	5,070	5,076	42,190
Contribution to pension plans	187	193	1,556
Benefits paid	(152)	(136)	(1,265)
Others	31	(631)	258
Balance at end of year	¥ 45,218	¥ 40,071	\$ 376,284

## iii) Reconciliation of projected retirement benefit obligation and net defined benefit assets/liabilities recorded in the consolidated balance sheets:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Retirement benefit obligation (funded non-contributory)	¥ 39,631	¥ 39,353	\$ 329,791
Less fair value of pension assets	(45,218)	(40,071)	(376,284)
Retirement benefit obligation (Unfunded termination and retirement allowance plan)	8,180	7,466	68,071
Net defined benefit assets/liabilities recorded in the consolidated balance sheets	¥ 2,593	¥ 6,748	\$ 21,578
Defined benefit liabilities	11,277	10,276	93,842
Defined benefit assets	(8,684)	(3,528)	(72,264)
Net defined benefit assets/liabilities recorded in the consolidated balance sheets	¥ 2,593	¥ 6,748	\$ 21,578

## iv) Severance and retirement benefit expenses:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Current service costs	¥ 2,306	¥ 2,258	\$ 19,189
Interest costs	566	774	4,710
Expected return on pension assets	11	11	92
Amortization of actuarial differences	627	(211)	5,218
Amortization of prior service costs	(61)	(66)	(508)
Amortization of net transition obligation	1,929	1,964	16,052
Severance and retirement benefit expenses	¥ 5,378	¥ 4,730	\$ 44,753

## v) Remeasurements of defined benefit plans (before deducted tax effects):

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Prior service costs	¥ 4	¥ -	\$ 33
Actuarial differences	3,796	-	31,589
Net transition obligation	1,929	-	16,052
Others	(156)	(122)	(1,298)
Total	¥ 5,573	¥ (122)	\$ 46,376

## vi) Unrecognized actuarial differences (before deducted tax effects):

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Unrecognized prior service costs	¥ (3)	¥ 0	\$ (25)
Unrecognized actuarial differences	8,161	11,958	67,912
Unrecognized net transition obligation	-	1,936	-
Total	¥ 8,158	¥ 13,894	\$ 67,887

## vii) The major categories of pension assets:

	Percentage of composition	
	2015	2014
Bonds	3%	3%
Securities	84%	84%
Cash and deposits	10%	10%
Others	3%	3%
Total	100%	100%

## viii) The principal actuarial assumptions at reporting date are summarized below:

	2015	2014
Discount rate	0.1% - 1.7%	1.0% - 1.6%
Expected rate of return on pension plan assets	Not applicable	Not applicable

To determine the expected rate of return on pension plan assets, allocation of pension assets expected in present and future, and long-term rate of return on portfolio assets expected in present and future are considered.

## 10. Stock options

## (a) Expenses for stock options and account titles at March 31, 2015 and 2014 are as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Selling, general and administrative expenses	¥ 79	¥ 67	\$ 657

## (b) The stock options outstanding at March 31, 2015 are as follows:

	FY2014 Stock option	FY2013 Stock option
Persons granted	Directors of MES: 14 Deputy directors of MES: 21	Directors of MES: 14 Deputy directors of MES: 19
Class and number of shares	Common stock 366,000 shares	Common stock 624,000 shares
Grant date	August 22, 2014	August 23, 2013
Vesting conditions	It continues in the position of Director or Deputy director until (June 30, 2015 or March 31, 2015) on data of vested after (August 22, 2014) on date of grant.	It continues in the position of Director or Deputy director until (June 30, 2014) on data of vested after (August 23, 2013) on data of grant.
Service period	(Directors of MES) From July 1, 2014 to June 30, 2015 (Deputy directors of MES) (continuously - appointed) From July 1, 2014 to March 31, 2015 (Deputy directors of MES)(newly - appointed) From April 1, 2014 to March 31, 2015	From July 1, 2013 to June 30, 2014
Exercise period	From August 23, 2014 to August 22, 2044	From August 24, 2013 to August 23, 2043

## (c) The numbers of and changes in stock options during the year ended March 31, 2015 are as follows:

	FY2014 Stock option	FY2013 Stock option
Non-vested:		
Outstanding at March 31, 2014	-	596,000
Granted	366,000	-
Forfeited	2,000	-
Vested	114,000	596,000
Outstanding of non-vested at March 31, 2015	250,000	-
Vested:		
Outstanding at March 31, 2014	-	20,000
Vested	114,000	596,000
Exercised	-	-
Forfeited	-	-
Outstanding of non-vested at March 31, 2015	114,000	616,000
Exercise price - Yen (U.S. Dollars)	¥ 1(0.008)	¥ 1(0.010)
Average share price at exercise - Yen (U.S. Dollars)	-	-
Fair value price at grant date - Yen (U.S. Dollars)	¥ 191(1.589)	¥ 144(1.339)

## (d) Estimation method for stock options issued during the year ended March 31, 2015 is as follows:

The fair value of stock options granted is estimated by using Black-Scholes option pricing model with the following assumptions:

	FY2014 Stock option
Volatility of stock price (note: i)	48.387%
Estimated remaining outstanding period (note: ii)	15 years
Estimated dividend (note: iii)	¥2 per share
Interest rate with risk free (note: iv)	0.952%

notes:

- Annual volatility rate estimated based on daily stock prices in the past 15 years (closing prices on each day from August 22, 1999 to August 22, 2014).
- Remaining outstanding period was estimated in the middle of exercisable period, since it is difficult to make reasonable estimate.
- Based on actual year-end dividend for the preceding year (March 31, 2014 year-end dividend).
- The yield on national government bonds with the period corresponding to the expected residual period.

## (e) Calculation method for the number of rights vested

Only actual forfeited number of the vested stock option is used for calculation for the number of rights vested, since it is difficult to reasonably estimate the number of options that will be forfeited in the future.

## 11. Income Taxes

MES and domestic Subsidiaries are subject to a number of income taxes, which, in the aggregate, indicate a statutory rate in Japan of approximately 38.0% for the year ended March 31, 2014 and 36.0% for the year ended March 31, 2015.

The following table summarizes the significant differences between the statutory tax rate and the Group's effective tax rate for financial statement purposes for the years ended March 31, 2015 and 2014:—

	2015	2014
Statutory tax rate	36.0%	38.0%
Valuation allowance	49.6	(0.8)
Reevaluation of land	(0.5)	(0.6)
Non-deductible expenses for tax purposes	1.1	0.4
Amortization of consolidated difference	1.1	0.4
Taxation on per capita basis	0.7	0.2
Equity in earning of unconsolidated subsidiaries and affiliates	(8.9)	(2.5)
Income of foreign subsidiaries taxed at lower than Japanese normal rate	(7.2)	(1.0)
Non-taxable dividend income	(1.8)	(0.6)
Gain on bargain purchase	(10.7)	(23.4)
Increase of deferred tax assets, net of liabilities at fiscal year-end by the change of tax rate	(24.3)	—
Others	3.0	(2.4)
<b>Effective tax rate</b>	<b>38.1%</b>	<b>7.7%</b>

Significant components of deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
<b>Deferred tax assets:</b>	¥	¥	\$
Net defined benefit liabilities	10,263	14,179	85,404
Unrealized inter-company profit	10,934	10,028	90,988
Tax loss carry forward	14,031	5,710	116,760
Losses on reevaluation of inventories	269	727	2,238
Accrued expenses	3,479	4,105	28,951
Provision for product warranty	1,917	1,600	15,952
Allowance for doubtful accounts	1,420	1,116	11,817
Provision for losses on construction contracts	6,068	4,372	50,495
Loss on impairment of non-current assets	10,500	11,444	87,376
Losses on reevaluation of marketable and investment securities	576	1,107	4,793
Others	16,493	13,767	137,247
<b>Total deferred tax assets</b>	<b>75,950</b>	<b>68,155</b>	<b>632,021</b>
Valuation allowance	(22,848)	(18,304)	(190,130)
<b>Net deferred tax assets</b>	<b>53,102</b>	<b>49,851</b>	<b>441,891</b>
<b>Deferred tax liabilities:</b>			
Net unrealized holding gains on securities	(8,680)	(5,868)	(72,231)
Accelerated depreciation on non-current assets	(2,093)	(4,031)	(17,417)
Reserve for advanced depreciation of noncurrent assets	(3,722)	(1,697)	(30,973)
Gains on contribution of securities to trust for employees' retirement benefit	(1,728)	(1,926)	(14,380)
Losses on progress basis contract	(2,282)	(603)	(18,990)
Unrealized gain on assets and liabilities	(48,141)	(52,791)	(400,607)
Unrealized gain on foreign currency assets and liabilities	(1,726)	(1,634)	(14,363)
Others	(991)	(2,475)	(8,247)
<b>Total deferred tax liabilities</b>	<b>(69,363)</b>	<b>(71,025)</b>	<b>(577,208)</b>
<b>Net deferred tax assets</b>	<b>¥ (16,261)</b>	<b>¥ (21,174)</b>	<b>\$ (135,317)</b>

Correction of amounts of Deferred tax assets and Deferred tax liabilities due to changes in Corporation Tax Rates, Etc.

The "Act for Partial Revision of the Income Tax Act, etc." (Law No.9 of 2015) and "Act for Partial Revision of the Local Tax Act, etc." (Law No.2 of 2015) were promulgated on March 31, 2015, as a result of which MES is subject to the reduction such as corporate tax rates from the fiscal year beginning on or after April 1, 2015. The corporation income tax in Japan consists of a corporation tax, an enterprise tax, resident tax. In conjunction with this promulgation, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities with respect to the temporary difference expected to be eliminated in the fiscal year beginning on April 1, 2015 is changed from the previous 36.0% to 33.1% and 32.3% from the fiscal year beginning April 1, 2016. As a result of this change, deferred tax assets (after deduction of deferred tax liabilities) increased by ¥5,014 million (\$41,724 thousands), deferred tax liabilities among them has decreased by ¥7,772 million (\$64,675 thousands). Income taxes (deferred) decreased by ¥3,892 million (\$32,387 thousands) and unrealized gain or loss on hedging derivatives decreased by ¥106 million (\$882 thousands), and net unrealized holding gains on securities increased by ¥956 million (\$7,955 thousands) and remeasurements of defined benefit plans increased by ¥271 million (\$2,255 thousands).

Also deferred tax liabilities on reevaluation reserve for land decreased ¥2,437 million (\$20,280 thousands), and reevaluation reserve for land, net of tax increased same amounts.

## 12. Business Combination

Common control transaction etc.

### (a) Outline of the transaction

- i) Name and business of the combined entity  
Name: Showa Aircraft Industry Co., Ltd.  
Business: Production and sales of transportation equipment, real estate business and service

- ii) Date of the transaction:  
December 2, 2014 (The deemed acquisition date: December 31, 2014)

- iii) Legal Form of the Business Combination:  
Purchase of the stocks from minority shareholders

- iv) Name of the combined entity after the transaction  
There is no change.

- v) Other matters with regard to the transaction  
To execute the further reinforcement of the group management and the maximization of synergy within the range where maintaining the independence of Showa Aircraft Industry is possible, MES acquired the stocks which minority stockholders held.

### (b) Outline of the accounting treatment

The transaction was treated as a transaction with minority shareholders under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

### (c) Consideration transferred for the acquisition

- i) Acquisition cost and details  
Consideration for the acquisition: ¥1,223 million (\$ 10,177 thousand)  
Direct payments required for the acquisition: ¥2 million (\$ 17 thousand)  
Acquisition Cost: ¥1,225 million (\$ 10,194 thousand)
- ii) Amount of the recognized gain on the negative goodwill and its cause  
Amount: ¥4,759 million (\$ 39,602 thousand)  
Cause: The acquisition cost was less than the decrease of minority interest in earnings resulting from the additional acquisition.

## 13. Contingent Liabilities

Contingent Liabilities of the Group as of March 31, 2015 and 2014 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Guarantees of bank loans and other indebtedness	¥ 175,226	¥ 70,541	\$ 1,458,151

## 14. Loss on Impairment on non-current assets

The Group adopted the accounting standard for impairment of non-current assets. The non-current assets are grouped by each segment. Idle non-current assets are grouped individually. The book value of the non-current assets is reduced to the collectable amount. The loss on impairment of non-current assets for the years ended March 31, 2015 and 2014 were comprised of the following.

### 2015

Location	Saga Prefecture
Major use	Floating wind & Current Hybrid Power Generation
Asset category	Construction in progress
Amount	¥605 million (\$ 5,035 thousand)
Reason	Decline in use value

Location	Oita City, Oita Prefecture, Tamano City, Okayama Prefecture, Akishima City, Tokyo Metropolis etc.
Major use	Idle assets
Asset category	Land etc.
Amount	¥809 million (\$ 6,732 thousand)
Reason	Decline in market value

Location	Ichihara City, Chiba Prefecture, Tamano City, Okayama Prefecture etc.
Major use	Business assets
Asset category	Land, Building, Machinery and Equipment etc.
Amount	¥1,276 million (\$ 10,618 thousand)
Reason	Deterioration of shipbuilding and subsidiaries' business environment

### 2014

Location	Saga Prefecture
Major use	Floating wind & Current Hybrid Power Generation
Asset category	Construction in progress
Amount	¥2,311 million
Reason	Decline in use value

Location	Oita City, Oita Prefecture, Tamano City, Okayama Prefecture etc.
Major use	Idle assets
Asset category	Land etc.
Amount	¥863 million
Reason	Decline in market value

Location	Ichihara City, Chiba Prefecture, Tamano City, Okayama Prefecture etc.
Major use	Business assets
Asset category	Land, Building, Machinery and Equipment etc.
Amount	¥5,013 million
Reason	Deterioration of shipbuilding and subsidiaries' business environment

## 15. Comprehensive Income

Each component of other comprehensive income for the years ended of March 31, 2015 and 2014 was the following:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Net unrealized holding gains on securities:			
Amount of generation at this fiscal term	11,066	2,131	92,086
Amount of rearrangement adjustment	(531)	(6)	(4,419)
Before adjusting the tax effect	10,535	2,125	87,667
Tax effect	(2,813)	(700)	(23,408)
Net unrealized holding gains on securities	7,722	1,425	64,259
Unrealized gains (losses) on hedging derivatives, net of tax:			
Amount of generation at this fiscal term	(4,100)	719	(34,118)
Amount of rearrangement adjustment	(207)	(86)	(1,722)
Before adjusting the tax effect	(4,307)	633	(35,840)
Tax effect	1,403	(288)	11,675
Unrealized gains (losses) on hedging derivatives, net of tax	(2,904)	345	(24,165)
Reevaluation reserve for land, net of tax:			
Tax effect	2,438	-	20,288
Foreign currency translation adjustments:			
Amount of generation at this fiscal term	7,615	9,024	63,368
Amount of rearrangement adjustment	(215)	64	(1,789)
Before adjusting the tax effect	7,400	9,088	61,579
Tax effect	(255)	-	(2,122)
Foreign currency translation adjustments	7,145	9,088	59,457
Remeasurements of defined benefit plans:			
Amount of generation at this fiscal term	3,245	(137)	27,003
Amount of rearrangement adjustment	2,328	15	19,373
Before adjusting the tax effect	5,573	(122)	46,376
Tax effect	(2,236)	85	(18,607)
Remeasurements of defined benefit plans	3,337	(37)	27,769
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount of generation at this fiscal term	670	4,153	5,575
Amount of rearrangement adjustment	(321)	1,238	(2,671)
Share of other comprehensive income of affiliates accounted for using equity method	349	5,391	2,904
Total	¥ 18,087	¥ 16,212	\$ 150,512

## 16. Leases

### (a) Lessee

i) Unexpired lease payments of operating lease transactions as of March 31, 2015 and 2014 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Due within one year	¥ 1,289	¥ 1,164	\$ 10,728
Due after one year	1,938	1,649	16,127
Total	¥ 3,227	¥ 2,813	\$ 26,855

### (b) Lessor

i) Unexpired lease receivables of operating lease transactions as of March 31, 2015 and 2014 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Due within one year	¥ 3,871	¥ 3,820	\$ 32,212
Due after one year	11,942	12,543	99,378
Total	¥ 15,813	¥ 16,363	\$ 131,590

ii) Breakdown of lease investment assets:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2015	2014	2015
Lease payments receivable	¥ 82	¥ 136	\$ 686
The residual value	-	-	-
The amount of receipt interest equivalency	-	(0)	-
Lease investment assets	¥ 82	¥ 136	\$ 686

iii) The aggregate annual collection of lease investment assets are summarized below:

Year ended March 31,	Japanese Yen (millions)	U.S.Dollars (thousands)
2016	¥ 42	\$ 351
2017	34	286
2018	6	47
2019	0	2
2020 and thereafter	-	-
	¥ 82	\$ 686

## 17. Financial Instruments

### (a) Articles concerning status of financial instruments

#### 1) Policies for financial instruments

The Group restricts the fund management to short-term financial instruments. The Group transfers funds to each other through an inter-company cash management systems (CMS).

Short-term working capital is financed through bank loans and issuance of commercial paper (CP). Long term equipment fund and working capital is financed through bank loans and issuance of bonds. Derivative financial instruments are utilized to hedge the risks described hereinafter and not for speculative transactions as a matter of policy.

#### 2) Substances and risks of financial instruments

Trade and other receivables are exposed to credit risks of customers. Foreign currency trade and other receivables of MES and certain Subsidiaries are exposed to currency fluctuation risks. Forward foreign exchange contracts are applied to these hedged items in principle. Investments securities, mainly of companies with business relationships, are exposed to market fluctuation risks. Short-term and long-term loans for operating funds and capital expenditures of SPC's, which are established for charter project of FPSO or for generating electricity, are exposed to credit risks of customers.

Almost all of the trade payables are due within one year. Foreign currency trade payables for overseas procurement are exposed to currency fluctuation risks, but those trade payables are controlled not to exceed the balance of trade receivables in the same foreign currencies.

Short-term borrowings are mainly for the purpose of funding commercial transactions. Long-term borrowings, bonds, and lease obligations are mainly for the purpose of funding investment in plant and equipment. Although the portion of that debt with floating interest rates is exposed to interest rate fluctuation risks, interest rate swap contracts are applied to hedge the risks.

Derivative transactions are the above mentioned forward foreign exchange contracts as well as interest rate swap contracts. They are for the purpose of hedging currency fluctuation risks and rising interest rate risks.

As to details on hedging instruments, hedging items, hedging policy and method of evaluating the effectiveness of hedging, please refer to "1. Significant Accounting and Reporting policies (e) Derivative Transaction and Hedge Accounting."

#### 3) Management of financial instruments

##### i) Management of credit risks (Breach of contracts risks)

The Group monitors due dates and balances of trade receivables and regularly investigate the credit standings of main customers for early detection and reduction of default risks according to internal regulation. Certain Subsidiaries reduce their balance of loan receivables by arranging project finance or through cooperation with business partners such as general trading companies.

As to derivative transactions, credit risks are minimized by dealing solely with top-ranked financial institutions.

##### ii) Management of market risks (Exchange rate or interest rate fluctuation risks)

MES and certain Subsidiaries utilize forward foreign exchange contracts for the purpose of hedging currency fluctuation risks arising from foreign currency receivables and payables in principle, and utilize interest rate swap contracts for the purpose of hedging interest rate risks arising from short-term borrowings, long-term borrowings and bonds.

Holding position of investment securities are continuously reviewed by researching fair market value and financial status of important customers regularly and taking into account of market condition and relationship with customers.

Execution and management of derivative transactions are based on each company's internal regulation restricting scope of authority.

As to derivative transactions, the Group utilize them to offset risks within the range of trade demand.

##### iii) Management of liquidity risks of raising funds (Default risks)

The Finance & Accounting department of the Group makes and updates finance plans, and maintains a certain level of liquidity on hand to minimize liquidity risks.

#### 4) Supplementary explanation about fair value of financial instruments

Fair value of financial instruments includes not only fair market value based on market price but also reasonably estimated value if market price is not available. Reasonably estimated fair value may fluctuate because it depends on an estimation process which is based on certain preconditions.

The contract amounts for derivatives stated in the following "(b) Articles concerning fair value of financial instruments," do not indicate the market risks of derivatives.

### (b) Articles concerning fair value of financial instruments

Consolidated balance sheet amounts, fair value of financial instruments and the differences between them for the fiscal years ended March 31, 2015 and 2014 are as follows. Financial instruments in which the fair value is considered to be extremely difficult to recognize are not included in the list below.

	Japanese Yen (millions)		
	Book value	Fair value	Differences
(1)Cash and time deposits	¥ 85,352	¥ 85,352	¥ -
(2)Trade receivables	310,973		
Less allowance for doubtful accounts *1	(1,193)		
	309,780	309,776	(4)
(3)Short-term loans	55,027	55,027	-
(4)Investments securities			
Available-for-sale securities	48,687	48,687	-
(5)Long-term loans	22,287		
Less allowance for doubtful accounts *1	(197)		
	22,090	23,225	1,135
Assets total	¥ 520,936	¥ 522,067	¥ 1,131
(1)Trade payables	247,656	247,656	-
(2)Short-term borrowings	17,468	17,468	-
(3)Current portion of long-term loan payable	32,834	32,934	100
(4)Current portion of bonds	10,000	10,061	61
(5)Accrued income taxes	9,942	9,942	-
(6)Bonds	30,000	30,514	514
(7)Long-term loan payable	98,013	98,718	705
Liabilities total	¥ 445,913	¥ 447,293	¥ 1,380
Derivative transactions *2			
i Derivative transactions for which hedge accounting has not been applied	(2,868)	(2,868)	-
ii Derivative transactions for which hedge accounting has been applied	(10,447)	(10,447)	-
Derivative transactions total	¥ (13,315)	¥ (13,315)	¥ -

## 2014

	Japanese Yen (millions)		
	Book value	Fair value	Differences
(1)Cash and time deposits	¥ 89,239	¥ 89,239	¥ -
(2)Trade receivables	211,463		
Less allowance for doubtful accounts *1	(2,728)		
	208,735	208,728	(7)
(3)Short-term loans	30,012	30,012	-
(4)Investments securities			
Available-for-sale securities	37,560	37,560	-
(5)Long-term loans	39,634		
Less allowance for doubtful accounts *1	(356)		
	39,278	39,976	698
<b>Assets total</b>	<b>¥ 404,824</b>	<b>¥ 405,515</b>	<b>¥ 691</b>
(1)Trade payables	¥ 178,236	¥ 178,236	¥ -
(2)Short-term borrowings	21,877	21,877	-
(3)Current portion of long-term loan payable	33,969	34,030	61
(4)Accrued income taxes	5,447	5,447	-
(5)Bonds	30,000	30,332	332
(6)Long-term loan payable	101,987	102,242	255
<b>Liabilities total</b>	<b>¥ 371,516</b>	<b>¥ 372,164</b>	<b>¥ 648</b>
Derivative transactions *2			
i Derivative transactions for which hedge accounting has not been applied	¥ (303)	¥ (303)	¥ -
ii Derivative transactions for which hedge accounting has been applied	(570)	(570)	-
<b>Derivative transactions total</b>	<b>¥ (873)</b>	<b>¥ (873)</b>	<b>¥ -</b>

## 2015

	U.S. Dollars (thousands)		
	Book value	Fair value	Differences
(1)Cash and time deposits	\$ 710,260	\$ 710,260	\$ -
(2)Trade receivables	2,587,776		
Less allowance for doubtful accounts *1	(9,928)		
	2,577,848	2,577,815	(33)
(3)Short-term loans	457,910	457,910	-
(4)Investments securities			
Available-for-sale securities	405,151	405,151	-
(5)Long-term loans	185,463		
Less allowance for doubtful accounts *1	(1,640)		
	183,823	193,268	9,445
<b>Assets total</b>	<b>\$ 4,334,992</b>	<b>\$ 4,344,404</b>	<b>\$ 9,412</b>
(1)Trade payables	\$ 2,060,880	\$ 2,060,880	\$ -
(2)Short-term borrowings	145,361	145,361	-
(3)Current portion of long-term loan payable	273,230	274,062	832
(4)Current portion of bonds	83,215	83,723	508
(5)Accrued income taxes	82,733	82,733	-
(6)Bonds	249,646	253,924	4,278
(7)Long-term loan payable	815,620	821,486	5,866
<b>Liabilities total</b>	<b>\$ 3,710,685</b>	<b>\$ 3,722,169</b>	<b>\$ 11,484</b>
Derivative transactions *2			
i Derivative transactions for which hedge accounting has not been applied	\$ (23,866)	\$ (23,866)	\$ -
ii Derivative transactions for which hedge accounting has been applied	(86,935)	(86,935)	-
<b>Derivative transactions total</b>	<b>\$ (110,801)</b>	<b>\$ (110,801)</b>	<b>\$ -</b>

\*1 Allowance for doubtful accounts is deducted from each account.

\*2 Net credit or debt arising from derivative transactions is indicated by the offset amount and which is indicated as ( ) in case of the offset amount is debt. (note 1) Articles concerning calculation method of fair value, marketable securities and derivative transactions.

## Assets

## (1) Cash and time deposits, (3) Short-term loans

Fair value of these accounts is stated at the book value because these accounts are settled in the short term, so they are considered to be close to the balance sheet amounts.

## (2) Trade receivables

Fair value of these accounts is stated at the present value discounted over the maturity term of each receivable divided into certain classified term

## (4) Investment securities

Fair value of these accounts is based on available market price.

(Please see 2. Marketable Securities and Investment Securities)

## (5) Long-term loans

Fair value of these accounts is stated at the present value using future cash flows discounted by the premium added rate on the appropriate index like yield on government bonds. nd long-term loan payable after the fiscal years ended March 31, 2015 and 2014 are as follows.

## Liabilities

## (1) Trade payables, (5) Accrued income taxes

Fair value of these accounts is stated at book value because these accounts are settled in the short term, so they are considered to be close to the balance sheet amounts.

## (2) Short-term borrowings, (3)Current portion of long-term loan payable,(7) Long-term loan payable

Fair value of borrowings at fixed interest rates is calculated using the total amount of the principal and interest discounted by the interest rate on condition that the borrowing is newly executed at the date of fair value evaluation.

Fair value of long-term borrowings at variable interest rates is stated at balance sheet amounts because variable interest rates reflects the latest market conditions and MES's credit standings

is considered to be almost same as when funds were borrowed, so fair value is considered to be close to the balance sheet amounts.

Some borrowings at variable interest rates are subjected to exceptional treatment using interest swaps. The total of principal and interest obtained from the interest swaps is discounted at a reasonable interest rate that would rationally be applied to the same amount of borrowings.

## (4) Current portion of bonds, (6) Bonds

These fair values consist of both the fair value based on fair market value and the present value using the total of the principal and interest discounted by a risk-free interest rate over the remaining term of each bond.

## Derivative transactions

Please refer to " 18. Derivative Transactions "

(note 2) Financial instruments in which the fair value is considered to be extremely difficult to recognize are as follows.

	Japanese Yen (millions)		U.S.Dollars (thousands)
	Book value		Book value
	2015	2014	2015
(1)Unlisted equity securities	36,563	26,969	304,260
(2)Bonds	500	500	4,161
(3)Trust property	81	50	674
<b>Total</b>	<b>¥ 37,144</b>	<b>¥ 27,519</b>	<b>\$ 309,095</b>

As to these financial instruments, there's no available fair market price and it is considered to cost a great deal to estimate future cash flows. So these financial instruments are not included in investment securities because it is considered to be extremely difficult to recognize fair value.

(note 3) The expected redemption amount of monetary credit and securities with maturity after the fiscal years ended March 31, 2015 and 2014 are as follows.

	Japanese Yen (millions)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 85,218	¥ -	¥ -	¥ -
Trade receivables	310,588	374	10	-
Short-term loans	55,027	-	-	-
Investments securities				
Available-for-sale securities*1	-	500	-	-
Long-term loans	-	7,845	4,134	10,309
<b>Total</b>	<b>¥ 450,833</b>	<b>¥ 8,719</b>	<b>¥ 4,144</b>	<b>¥ 10,309</b>

## 2014

	Japanese Yen (millions)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 82,229	¥ -	¥ -	¥ -
Trade receivables	210,501	962	-	-
Short-term loans	30,012	-	-	-
Investments securities				
Available-for-sale securities	500	-	-	-
Long-term loans	-	27,360	3,570	8,704
<b>Total</b>	<b>¥ 323,242</b>	<b>¥ 28,322</b>	<b>¥ 3,570</b>	<b>¥ 8,704</b>

## 2015

	U.S. Dollars (thousands)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	\$ 709,145	\$ -	\$ -	\$ -
Trade receivables	2,584,572	3,112	83	-
Short-term loans	457,910	-	-	-
Investments securities				
Available-for-sale securities	-	4,161	-	-
Long-term loans	-	65,283	34,401	85,787
<b>Total</b>	<b>\$ 3,751,627</b>	<b>\$ 72,556</b>	<b>\$ 34,484</b>	<b>\$ 85,787</b>

(note 4) The expected redemption amount of bonds and long-term loan payable after the fiscal years ended March 31, 2015 and 2014 are as follows.

2015	Japanese Yen (millions)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 17,469	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds payable	10,000	-	15,000	-	10,000	5,000
Long-term borrowings	32,834	29,033	22,869	30,702	6,312	9,096
Lease obligations	2,662	1,912	1,756	1,154	725	3,083
Other interest-bearing debt	609	134	127	97	90	321
<b>Total</b>	<b>¥ 63,574</b>	<b>¥ 31,079</b>	<b>¥ 39,752</b>	<b>¥ 31,953</b>	<b>¥ 17,127</b>	<b>¥ 17,500</b>

2014	Japanese Yen (millions)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 21,877	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds payable	-	10,000	-	15,000	-	5,000
Long-term borrowings	33,969	26,551	26,328	16,230	24,887	7,990
Lease obligations	3,604	2,284	1,864	1,770	1,122	3,407
Other interest-bearing debt	122	121	144	135	102	378
<b>Total</b>	<b>¥ 59,572</b>	<b>¥ 38,956</b>	<b>¥ 28,336</b>	<b>¥ 33,135</b>	<b>¥ 26,111</b>	<b>¥ 16,775</b>

2015	U.S. Dollars (thousands)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	\$ 145,369	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds payable	83,215	-	124,823	-	83,215	41,607
Long-term borrowings	273,230	241,599	190,306	255,488	52,526	75,693
Lease obligations	22,152	15,911	14,613	9,603	6,033	25,655
Other interest-bearing debt	5,068	1,115	1,056	807	749	2,671
<b>Total</b>	<b>\$ 529,034</b>	<b>\$ 258,625</b>	<b>\$ 330,798</b>	<b>\$ 265,898</b>	<b>\$ 142,523</b>	<b>\$ 145,626</b>

## 18. Derivative Transactions

Derivative transactions of the Group for market value information as of March 31, 2015 and 2014 were as follows:

### (a) Derivative transactions for which hedge accounting has not been applied

2015	Japanese Yen (millions)			
	Contract amount		Fair value	Unrealized gain(loss)
	Total	Due after one year		
Currency related derivatives				
Forward contracts				
To buy Euro	¥ 5,247	¥ -	¥ (378)	¥ (378)
Norwegian krone	5,796	3,430	(617)	(617)
To sell U.S.Dollars	14,052	-	(1,872)	(1,872)
<b>Total</b>	<b>¥ 25,095</b>	<b>¥ 3,430</b>	<b>¥ (2,867)</b>	<b>¥ (2,867)</b>

2014	Japanese Yen (millions)			
	Contract amount		Fair value	Unrealized gain(loss)
	Total	Due after one year		
Currency related derivatives				
Forward contracts				
To sell U.S.Dollars	¥ 5,833	¥ 38	¥ (303)	¥ (303)
<b>Total</b>	<b>¥ 5,833</b>	<b>¥ 38</b>	<b>¥ (303)</b>	<b>¥ (303)</b>

2015	U.S. Dollars (thousands)			
	Contract amount		Fair value	Unrealized gain(loss)
	Total	Due after one year		
Currency related derivatives				
Forward contracts				
To buy Euro	\$ 43,663	\$ -	\$ (3,146)	\$ (3,146)
Norwegian krone	48,232	28,543	(5,134)	(5,134)
To sell U.S.Dollars	116,934	-	(15,578)	(15,578)
<b>Total</b>	<b>\$ 208,829</b>	<b>\$ 28,543</b>	<b>\$ (23,858)</b>	<b>\$ (23,858)</b>

### (b) Derivative transactions for which hedge accounting has been applied

2015	Hedged items	Japanese Yen (millions)		
		Contract amount		Fair value
		Total	Due after one year	
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S.Dollars	Trade payables	¥ 12,320	¥ 2,462	¥ 1,506
Euro		8,632	47	(450)
STG Pounds		1,917	310	(8)
Thai Baht		239	-	2
Singapore Dollars		194	-	(1)
Norwegian Krone		1,359	-	(237)
Japanese Yen		455	-	(67)
Swiss Franc		1,012	-	(68)
To sell U.S.Dollars	Trade receivables	101,506	15,475	(9,826)
STG Pounds		16,895	2,581	(677)
Currency option contract				
Buying: Put option		523	-	-
Selling: Call option		1,045	-	(156)
Alternative method *1				
Currency related derivatives				
Forward contracts				
To sell U.S.Dollars	Trade receivables	208	-	-
Euro		282	-	-
<b>Total</b>		<b>¥ 146,587</b>	<b>¥ 20,875</b>	<b>¥ (9,982)</b>
Interest swap				
Basic treatment:	Short-term borrowing , Long-term loan payable	¥ 4,806	¥ 3,800	¥ (465)
To receive float,pay fix				
Exceptional treatment *2:	Long-term loan payable	39,564	31,594	-
To receive float,pay fix				
<b>Total</b>		<b>¥ 44,370</b>	<b>¥ 35,394</b>	<b>¥ (465)</b>

2014	Hedged items	Japanese Yen (millions)		
		Contract amount		Fair value
		Total	Due after one year	
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S.Dollars	Trade payables	¥ 3,372	¥ -	¥ 677
Euro		1,551	-	38
STG Pounds		520	-	6
Norwegian Krone		2,559	1,188	(41)
Japanese Yen		110	-	1
To sell U.S.Dollars	Trade receivables	17,763	-	(261)
STG Pounds		12,998	5,095	(343)
Euro		208	-	(3)
<b>Total</b>		<b>¥ 39,081</b>	<b>6,283</b>	<b>74</b>
Interest swap				
Basic treatment:	Short-term borrowing , Long-term loan payable	¥ 6,951	4,317	(644)
To receive float,pay fix				
Exceptional treatment *2:	Long-term loan payable	31,424	25,434	-
To receive float,pay fix				
<b>Total</b>		<b>¥ 38,375</b>	<b>29,751</b>	<b>(644)</b>

2015

	Hedged items	U.S. Dollars (thousands)		
		Contract amount		Fair value
		Total	Due after one year	
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S.Dollars	Trade payables	\$ 102,522	\$ 20,488	\$ 12,532
Euro		71,832	391	(3,745)
STG Pounds		15,952	2,580	(67)
Thai Baht		1,989	-	17
Singapore Dollars		1,615	-	(8)
Norwegian Krone		11,309	-	(1,972)
Japanese Yen		3,786	-	(558)
Swiss Franc		8,421	-	(566)
To sell U.S.Dollars	Trade receivables	844,687	128,775	(81,767)
STG Pounds		140,592	21,478	(5,634)
Currency option contract				
Buying: Put option		4,352	-	-
Selling: Call option		8,696	-	(1,298)
Alternative method *1				
Currency related derivatives				
Forward contracts				
To sell U.S.Dollars		1,731	-	-
Euro	Trade receivables	2,346	-	-
		\$ 1,219,830	\$ 173,712	\$ (83,066)
Interest swap				
Basic treatment : To receive float, pay fix	Short-term borrowing , Long-term loan payable	\$ 39,993	\$ 31,622	\$ (3,870)
Exceptional treatment *2 : To receive float, pay fix	Long-term loan payable	329,234	262,911	-
		\$ 369,227	\$ 294,533	\$ (3,870)

\*1 When certain conditions are met, translation of foreign currency receivables is based on yen amount fixed by forward contract. The fair value is included in that of the trade receivables, which is shown in 17 Financial Instruments.

\*2 As interest swap subject to exceptional treatment of interest swap are accounted for as a single item with underlying long-term loan payable, which are hedged items, their fair value is included in that of long-term loan payable.

## 19. Segment Information

### (a) Overview of Reportable Segment

Reportable Segment is composed of the segment by products and services belonging to headquarter and subject to be reviewed periodically by the Board of Directors to decide the allocation of management resources and to evaluate the performance.

MES organizes headquarters by products and services in Head office. Each headquarter makes strategies of its products and services in both Japan and abroad comprehensively and develops the operation.

Reportable Segment is classified into three segments: Ship & Ocean, Machinery and Engineering. Main products and services of each Reportable Segment are as follows.

**Ship & Ocean:** commercial ships, naval ships, high speed passenger/vehicle ferries, FPSOs (floating production storage offloading vessels), offshore structures, underwater TV vehicles, domestic bridge business, port structures

**Machinery:** marine and stationary diesel engines, marine equipment, gas engines, steam turbines, blowers, process compressors, gas turbines, cogeneration system, regulating system, container cranes, industrial cranes, container terminal management systems, induction heaters, material for semiconductors

**Engineering:** chemical plants, overseas civil works, power generation plants, renewable energy business, waste treatment plants, water treatment plants, resources recycling plants, PCB disposal plants

### (b) Calculation method used for Sales, Operating income and loss, Assets, Liabilities and other items for each Reportable Segment.

The accounting method used for Reportable Segment is almost same as the method stated in "Significant Accounting and Reporting Policies"

Operating income and loss in Reportable Segment is based on the one in Consolidated Statements of Income.

Inter segment profit and transfer are based on the market price.

### (c) Information about Sales, Operating income and loss, Assets, Liabilities and other items for each Reportable Segment.

Reportable Segment information for the years ended March 31, 2015 and 2014 were as follows:

2015	Japanese Yen (millions)							
	Ship & Ocean	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:								
Outside customers	¥ 491,739	¥ 146,502	¥ 129,930	¥ 768,171	¥ 48,349	¥ 816,520	¥ -	¥ 816,520
Inter segment	572	7,346	308	8,226	1,759	9,985	(9,985)	-
Total	492,311	153,848	130,238	776,397	50,108	826,505	(9,985)	816,520
Operating income (loss)	¥ 10,177	¥ 9,815	¥ (10,593)	¥ 9,399	¥ 3,900	¥ 13,299	¥ -	¥ 13,299
Assets	¥ 451,837	¥ 142,534	¥ 101,403	¥ 695,774	¥ 247,202	¥ 942,976	¥ 131,587	¥ 1,074,563
Depreciation	¥ 8,134	¥ 4,081	¥ 1,780	¥ 13,995	¥ 2,942	¥ 16,937	¥ 519	¥ 17,456
Increase (Decrease) in property, plant and equipment and intangible assets	¥ (2,795)	¥ 933	¥ 4,414	¥ 2,552	¥ (12,962)	¥ (10,410)	¥ 8,342	¥ (2,068)

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Transport equipment related business, Systems development, Real estate lease business and others.

(note 2) Adjustments are as follows:

(1) Adjustments of ¥131,587 million recorded for assets include primarily comprised of surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of MES of ¥136,350 million that are not allocated to any Reportable Segment.

(2) Adjustments of ¥519 million recorded for depreciation include depreciation for property, plant and equipment and intangible assets related to the administration divisions of ¥583 million.

(3) Adjustments of ¥8,342 million recorded for increase (decrease) in property, plant and equipment and intangible assets include assets related to the administration divisions of ¥7,866 million.

(note 3) Operating income (loss) is adjusted with operating income in Consolidated Statements of Income.

2014	Japanese Yen (millions)							
	Ship & Ocean	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:								
Outside customers	¥ 377,268	¥ 147,803	¥ 116,722	¥ 641,793	¥ 28,275	¥ 670,068	¥ -	¥ 670,068
Inter segment	231	6,477	43	6,751	1,392	8,143	(8,143)	-
Total	377,499	¥ 154,280	¥ 116,765	¥ 648,544	¥ 29,667	¥ 678,211	¥ (8,143)	¥ 670,068
Operating income (loss)	¥ 9,909	¥ 8,182	¥ (181)	¥ 17,910	¥ 2,059	¥ 19,969	¥ -	¥ 19,969
Assets	¥ 332,491	¥ 124,442	¥ 83,644	¥ 540,577	¥ 255,556	¥ 796,133	¥ 136,763	¥ 932,896
Depreciation	¥ 6,905	¥ 5,459	¥ 1,585	¥ 13,949	¥ 668	¥ 14,617	¥ 523	¥ 15,140
Increase (Decrease) in property, plant and equipment and intangible assets	¥ 8,900	¥ (6,468)	¥ 6,271	¥ 8,703	¥ 185,300	¥ 194,003	¥ (6,285)	¥ 187,718

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Systems development, Real estate lease business and others.

(note 2) Adjustments are as follows:

(1) Adjustments of ¥136,763 million recorded for assets include primarily comprised of surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of MES of ¥141,647 million that are not allocated to any Reportable Segment.

(2) Adjustments of ¥523 million recorded for depreciation include depreciation for property, plant and equipment and intangible assets related to the administration divisions of ¥609 million.

(3) Adjustments of ¥(6,285) million recorded for increase (decrease) in property, plant and equipment and intangible assets include assets related to the administration divisions of ¥(6,341) million.

(note 3) Operating income (loss) is adjusted with operating income in Consolidated Statements of Income.

2015	U.S. Dollars (thousands)							
	Ship & Ocean	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:								
Outside customers	\$ 4,092,028	\$ 1,219,123	\$ 1,081,218	\$ 6,392,369	\$ 402,338	\$ 6,794,707	\$ -	\$ 6,794,707
Inter segment	4,760	61,130	2,563	68,453	14,638	83,091	(83,091)	-
Total	\$ 4,096,788	\$ 1,280,253	\$ 1,083,781	\$ 6,460,822	\$ 416,976	\$ 6,877,798	\$ (83,091)	\$ 6,794,707
Operating income (loss)	\$ 84,688	\$ 81,676	\$ (88,150)	\$ 78,214	\$ 32,454	\$ 110,668	\$ -	\$ 110,668
Assets	\$ 3,759,982	\$ 1,186,103	\$ 843,830	\$ 5,789,915	\$ 2,057,102	\$ 7,847,017	\$ 1,095,007	\$ 8,942,024
Depreciation	\$ 67,687	\$ 33,960	\$ 14,812	\$ 116,459	\$ 24,482	\$ 140,941	\$ 4,320	\$ 145,261
Increase (Decrease) in property, plant and equipment and intangible assets	\$ (23,259)	\$ 7,764	\$ 36,731	\$ 21,236	\$ (107,864)	\$ (86,628)	\$ 69,419	\$ (17,209)

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Systems development, Real estate lease business and others.

(note 2) Adjustments are as follows:

- (1) Adjustments of \$1,095,007 thousand recorded for assets include primarily comprised of surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of MES of \$1,134,643 thousand that are not allocated to any Reportable Segment.
- (2) Adjustments of \$4,320 thousand recorded for depreciation include depreciation for property, plant and equipment and intangible assets related to the administration divisions of \$4,851 thousand.
- (3) Adjustments of \$69,419 thousand recorded for increase (decrease) in property, plant and equipment and intangible assets include assets related to the administration divisions of \$65,457 thousand.

(note 3) Operating income (loss) is adjusted with operating income in Consolidated Statements of Income.

[Related information]

#### (d) Information by products and services

Information by products and services is the same as Reportable Segment and the description is omitted.

#### (e) Information by geographical area

1) Sales

2015	Japanese Yen (millions)					
	Japan	Brazil	Ghana	Asia	Other	Total
Net sales	¥ 240,429	¥ 243,792	¥ 91,377	¥ 78,767	¥ 162,155	¥ 816,520

2014	Japanese Yen (millions)				
	Japan	Brazil	Asia	Other	Total
Net sales	¥ 225,835	¥ 188,484	¥ 83,446	¥ 172,303	¥ 670,068

2015	U.S. Dollars (thousands)					
	Japan	Brazil	Ghana	Asia	Other	Total
Net sales	\$ 2,000,741	\$ 2,028,726	\$ 760,398	\$ 655,463	\$ 1,349,379	\$ 6,794,707

\*Sales amount is based on the place of customer and classified by country or geographical area.

2) Property, plant and equipment

2015	Japanese Yen (millions)		
	Japan	Others	Total
Property, plant and equipment	¥ 341,470	¥ 341,470	¥ 377,726

2014	Japanese Yen (millions)		
	Japan	Others	Total
Property, plant and equipment	¥ 340,458	¥ 39,225	¥ 379,683

2015	U.S. Dollars (thousands)		
	Japan	Others	Total
Property, plant and equipment	\$ 2,841,558	\$ 301,706	\$ 3,143,264

#### (f) Information by major customer

2015	Japanese Yen (millions)	U.S. Dollars (thousands)	Reportable Segment
	CARIOCA MV27 B.V.	¥ 96,317	\$ 801,506

2014	Japanese Yen (millions)	Reportable Segment
	CERNAMBI NORTE MV26 B.V.	¥ 70,528

[Information about losses on impairment of non-current assets for each Reportable Segment]

Losses on impairment on non-current assets

2015	Japanese Yen (millions)					
	Ship & Ocean	Machinery	Engineering	Others	Corporate and Elimination	Total
Losses on impairment on non-current assets	¥ 1,977	¥ 219	¥ -	¥ 329	¥ 164	¥ 2,689

2014	Japanese Yen (millions)					
	Ship & Ocean	Machinery	Engineering	Others	Corporate and Elimination	Total
Losses on impairment on non-current assets	¥ 4,095	¥ 3,229	¥ -	¥ 8	¥ 855	¥ 8,187

2015	U.S. Dollars (thousands)					
	Ship & Ocean	Machinery	Engineering	Others	Corporate and Elimination	Total
Losses on impairment on non-current assets	\$ 16,452	\$ 1,822	\$ -	\$ 2,738	\$ 1,365	\$ 22,377

[Information about goodwill amortization amount and year-end balance for each Reportable Segment]

Goodwill

2015	Japanese Yen (millions)					
	Ship & Ocean	Machinery	Engineering	Others	Corporate and Elimination	Total
Amortization	¥ 495	¥ -	¥ -	¥ -	¥ -	¥ 495
Goodwill	¥ 4,959	¥ -	¥ -	¥ -	¥ -	¥ 4,959

2014	Japanese Yen (millions)					
	Ship & Ocean	Machinery	Engineering	Others	Corporate and Elimination	Total
Amortization	¥ 445	¥ (1)	¥ -	¥ -	¥ -	¥ 444
Goodwill	¥ 4,923	¥ -	¥ -	¥ -	¥ -	¥ 4,923

2015	U.S. Dollars (thousands)					
	Ship & Ocean	Machinery	Engineering	Others	Corporate and Elimination	Total
Amortization	\$ 4,119	\$ -	\$ -	\$ -	\$ -	\$ 4,119
Goodwill	\$ 41,267	\$ -	\$ -	\$ -	\$ -	\$ 41,267

[Information about gains on negative goodwill for each Reportable Segment]

2015

Gain on bargain purchase of ¥4,768 million (\$39,677 thousand) is recorded due to additional acquirement of the shares of the subsidiary, Showa Aircraft Industry Co. Ltd.

2014

Effective from fiscal year ended March 31 2014, MES acquired the shares of Showa Aircraft Industry Co. Ltd., and its subsidiaries by take over bid, and Showa Aircraft Industry Co. Ltd. is reclassified to subsidiary of the Others segment on March 24, 2014. According to the acquisition of shares, the gain on bargain purchase of ¥29,622 million is recorded.

## 20. Investment and Rental Property

#### (a) Articles concerning situation of investment and rental property

MES and certain Subsidiaries own rental office building, commercial facilities, and houses (including land) in Tokyo, Osaka, Okayama and other areas. Idle land is also owned in Tokyo, Kanagawa, Oita and other areas.

#### (b) Articles concerning fair value of investment and rental property

The book value of investment and rental properties stated in the consolidated balance sheets, the increase or decrease in this fiscal year, and fair value are shown below.

Usage	Japanese Yen (millions)			
	Book value			Fair value
	Beginning balance as of April 1, 2014	Increase (Decrease)	Ending balance as of March 31, 2015	As of March 31, 2015
Facilities for lease	¥ 105,729	¥ (1,252)	¥ 104,477	¥ 100,651
Idle assets (Land)	8,646	16,569	25,215	27,287
<b>Total</b>	<b>¥ 114,375</b>	<b>¥ 15,317</b>	<b>¥ 129,692</b>	<b>¥ 127,938</b>

Usage	U.S. Dollars (thousands)			
	Book value			Fair value
	Beginning balance as of April 1, 2014	Increase (Decrease)	Ending balance as of March 31, 2015	As of March 31, 2015
Facilities for lease	\$ 879,829	\$ (10,419)	\$ 869,410	\$ 837,572
Idle assets (Land)	71,948	137,880	209,828	227,070
<b>Total</b>	<b>\$ 951,777</b>	<b>\$ 127,461</b>	<b>\$ 1,079,238</b>	<b>\$ 1,064,642</b>

(note 1) Book value stated in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses.

(note 2) The increase in rental properties in this fiscal year is mainly due to diversion of land (¥16,379 million/ \$136,299 thousand) and new acquisitions (¥1,309 million/ \$10,893 thousand), and the decrease in rental properties is mainly due to depreciation (¥1,473 million / \$12,258 thousand), impairment losses (¥480 million/ \$3,994 thousand), and termination of contracts (¥423 million/ \$3,520 thousand).

(note 3) Fair value at the end of this fiscal year is mainly estimated based on the "Real estate appraising standard" with an adjustment using a certain indicator.

The profit and loss from investment and rental properties in this fiscal year are shown below.

Japanese Yen (millions)					
Usage	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc)	
Facilities for lease	¥ 8,406	¥ 5,356	¥ 3,050	¥ (80)	
Idle assets (Land)	-	-	-	(480)	
<b>Total</b>	<b>¥ 8,406</b>	<b>¥ 5,356</b>	<b>¥ 3,050</b>	<b>¥ (560)</b>	

U.S.Dollars (thousands)					
Usage	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc)	
Facilities for lease	\$ 69,951	\$ 44,570	\$ 25,381	\$ (666)	
Idle assets (Land)	-	-	-	(3,994)	
<b>Total</b>	<b>\$ 69,951</b>	<b>\$ 44,570</b>	<b>\$ 25,381</b>	<b>\$ (4,660)</b>	

(note 1) Rental expenses include depreciation, repair, insurance and taxes-and-dues. Rental income is recognized as revenue from operations, and rental expenses are recognized as operating expenses.

(note 2) Others include impairment losses and taxes-and-dues. Impairment losses and taxes-and-dues are recognized as other income (expenses).

Japanese Yen (millions)					
Usage	Book value			Fair value	
	Beginning balance as of April 1, 2013	Increase (Decrease)	Ending balance as of March 31, 2014	As of March 31, 2014	
Facilities for lease	¥ 13,430	¥ 92,299	¥ 105,729	¥ 108,742	
Idle assets (Land)	11,415	(2,769)	8,646	9,959	
<b>Total</b>	<b>¥ 24,845</b>	<b>¥ 89,530</b>	<b>¥ 114,375</b>	<b>¥ 118,701</b>	

(note 1) Book value stated in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses.

(note 2) The increase in rental properties in this fiscal year is mainly due to newly consolidated subsidiaries (¥92,610 million), new acquisitions (¥57 million) and alteration of contracts (¥20 million), and the decrease in rental properties is mainly due to diversion of idle land (¥2,514 million), impairment losses (¥254 million), and depreciation (¥247 million).

(note 3) Fair value at the end of this fiscal year is mainly estimated based on the "Real estate appraising standard" with an adjustment using a certain indicator.

The profit and loss from investment and rental properties in this fiscal year are shown below.

Japanese Yen (millions)					
Usage	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc)	
Facilities for lease	¥ 1,931	¥ 1,253	¥ 678	¥ -	
Idle assets (Land)	-	-	-	(253)	
<b>Total</b>	<b>¥ 1,931</b>	<b>¥ 1,253</b>	<b>¥ 678</b>	<b>¥ (253)</b>	

(note 1) Rental expenses include depreciation, repair, insurance and taxes-and-dues. Rental income is recognized as revenue from operations, and rental expenses are recognized as operating expenses.

(note 2) Others include impairment losses. Impairment losses are recognized as other income (expenses).

## 21. Related Party Transactions

Transactions between the Group and related parties for the fiscal years ended March 31, 2015 and 2014 were as follows:

Unconsolidated subsidiaries and affiliates of MES

2015 Japanese Yen (millions)										
Category	Name of company	Address	Capital (thousands)	Business	Voting shares	Business relationship	Contents of transaction	Transaction amount	Account title	Outstanding balance at the year end
Affiliate	CERNAMBI SUL MV24 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Guarantee Obligation	23,848	-	-
	CERNAMBI NORTE MV26 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Guarantee Obligation	24,802	-	-

2014 Japanese Yen (millions)										
Category	Name of company	Address	Capital (thousands)	Business	Voting shares	Business relationship	Contents of transaction	Transaction amount	Account title	Outstanding balance at the year end
Affiliate	CERNAMBI SUL MV24 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Guarantee Obligation	20,424	-	-
	CERNAMBI NORTE MV26 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Guarantee Obligation	11,724	-	-

2015 U.S.Dollars (thousands)										
Category	Name of company	Address	Capital (thousands)	Business	Voting shares	Business relationship	Contents of transaction	Transaction amount	Account title	Outstanding balance at the year end
Affiliate	CERNAMBI SUL MV24 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Guarantee Obligation	198,452	-	-
	CERNAMBI NORTE MV26 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Guarantee Obligation	206,391	-	-

1. Guarantee Obligation is deliberately determined in consideration by each project plan.

Transactions between Subsidiaries and related parties for the fiscal years ended March 31, 2015 and 2014 were as follows:

Unconsolidated subsidiaries and affiliates of MES

2015 Japanese Yen (millions)										
Category	Name of company	Address	Capital (thousands)	Business	Voting shares	Business relationship	Contents of transaction	Transaction amount	Account title	Outstanding balance at the year end
Affiliate	CERNAMBI SUL MV24 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	The working capital lending	12,349	Short-term loans	31,049
							Guarantee Obligation	23,925	-	-
	T.E.N. GHANA MV25 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Construction of FPSO	81,439	Receivables	41,257
							Guarantee Obligation	18,518	-	-
	CERNAMBI NORTE MV26 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Construction of FPSO	58,007	Receivables	22,117
							Guarantee Obligation	55,504	-	-
	CARIOCA MV27 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Construction of FPSO	105,040	Receivables	23,678
							The equipment capital lending	21,011	-	-
							The equipment capital collection	20,891	-	-
							Guarantee Obligation	57,869	-	-
	MODEC AND TOYO OFFSHORE PRODUCTION SYSTEMS PTE.LTD	Singapore	USD 100	Construction of FPSO	Indirect 25.0%	Construction of FPSO Interlocking directors	Purchase	91,077	Trade payables	6,256

2014 Japanese Yen (millions)										
Category	Name of company	Address	Capital (thousands)	Business	Voting shares	Business relationship	Contents of transaction	Transaction amount	Account title	Outstanding balance at the year end
Affiliate	GUARA MV23 B.V.	Amsterdam, The Netherlands	EURO 124,050	Charter of FPSO	Indirect 17.0%	Time Charter of FPSO	The equipment capital lending	34,957	-	-
							The equipment capital collection	39,762	-	-
	CERNAMBI SUL MV24 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Construction of FPSO	54,379	Receivables	10,621
							The equipment capital lending	7,895	Long-term loans	15,156
	T.E.N. GHANA MV25 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Construction of FPSO	18,370	Receivables	12,790
							CERNAMBI NORTE MV26 B.V.	Amsterdam, The Netherlands	EURO 124,050	Charter of FPSO
						Guarantee Obligation	29,032	-	-	



## Independent Auditor's Report

2015

U.S.Dollars (thousands)

Category	Name of company	Address	Capital (thousands)	Business	Voting shares	Business relationship	Contents of transaction	Transaction amount	Account title	Outstanding balance at the year end
Affiliate	CERNAMBI SUL MV24 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	The working capital lending	102,763	Short-term loans	258,376
							Guarantee Obligation	199,093	-	-
	T.E.N. GHANA MV25 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Construction of FPSO	677,698	Receivables	343,322
							Guarantee Obligation	154,098	-	-
	CERNAMBI NORTE MV26 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Construction of FPSO	482,708	Receivables	184,048
							Guarantee Obligation	461,879	-	-
	CARIOCA MV27 B.V.	Amsterdam, The Netherlands	EURO 100	Charter of FPSO	Indirect 12.5%	Time Charter of FPSO	Construction of FPSO	874,095	Receivables	197,038
							The equipment capital lending	174,844	-	-
							The equipment capital collection	173,845	-	-
							Guarantee Obligation	481,559	-	-
MODEC AND TOYO OFFSHORE PRODUCTION SYSTEMS PTE.LTD	Singapore	USD 100	Construction of FPSO	Indirect 25.0%	Construction of FPSO Interlocking directors	Purchase	757,901	Trade payables	52,060	

1.The transaction amount does not include an exchange gains and losses, outstanding balance at the year end includes an exchange gains and losses.  
The transaction amount does not include sales tax, outstanding balance at the year end includes sales tax.

2.Policies for determining terms and conditions are as follows:

- (1) FPSO construction and operation trade are deliberately determined in consideration by each project plan.
- (2)The equipment capital lending is deliberately determined in consideration by each project plan.
- (3)The working capital lending is deliberately determined in consideration by each project plan.
- (4)Guarantee Obligation is deliberately determined in consideration by each project plan.

To the Board of Directors of Mitsui Engineering & Shipbuilding Co., Ltd.

We have audited the accompanying consolidated financial statements of Mitsui Engineering & Shipbuilding Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsui Engineering & Shipbuilding Co., Ltd. and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a) to the consolidated financial statements.

June 26, 2015  
Tokyo, Japan

KPMG AZSA LLC

# Company Profile

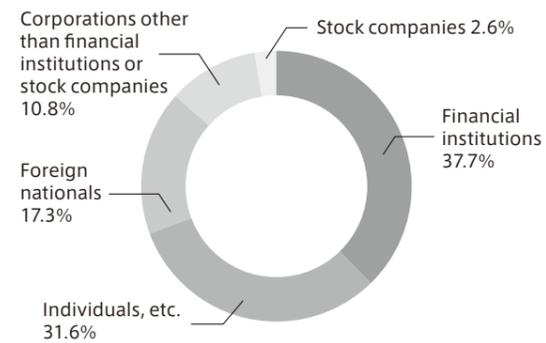
## Company Profile (As of March 31, 2015)

Company Name	Mitsui Engineering & Shipbuilding Co., Ltd.	Number of shares authorized to be issued	1,500,000,000 Shares
Head Office Location	6-4, Tsukiji 5-Chome, Chuo-ku, Tokyo 104-8439, Japan	Number of outstanding shares	Common Shares 830,987,176 Shares
Founded in	November 14, 1917	Number of shareholders	71,523
Established in	July 31, 1937	Employees	12,291 (Consolidated) 3,623 (MES Only)
Capital	44,385 million Yen		

## Major Group Companies

Ship & Ocean Project Headquarters	Machinery & Systems Headquarters	Engineering Headquarters	Corporate Management Divisions etc.
MODEC, Inc.	Mitsui Zosen Machinery & Service, Inc.	Mitsui Zosen Plant Engineering Inc.	Showa Aircraft Industry Co., Ltd.
Niigata Shipbuilding & Repair, Inc.	MES Technoservice Co., Ltd.	Mitsui Zosen Environment Engineering Corporation	Mitsui Zosen System Research Inc.
Shikoku Dockyard Co., Ltd.	Mitsui Meehanite Metal Co., Ltd.	Sanzo Yuki Recycle K.K.	Sanzo Kosan Co., Ltd.
Akushima Laboratories (Mitsui Zosen) Inc.	Sanzo Manufacturing & Construction Co., Ltd.	Hamamatsu Green Wave Co., Ltd.	Sanko Logistics Corporation
M.E.S Tokki Co., Ltd.	MES Power - Electronics Industry Co., Ltd.	Green Power Ichihara Co., Ltd.	Sanzo Business Creative Co., Ltd.
MES Shipping Co., Ltd.	Mitsui Zosen Steel Structures Engineering Co., Ltd.	Betsukai Biogas Power Co., Ltd.	Sanyu Real Estate Co., Ltd.
MES-KHI Yura Dock Co., Ltd.	MES Testing & Research Center Co., Ltd.		
Mitsui Zosen Chiba Kiko Engineering Inc.	DPS Bridge Works Co., Ltd.		
	Kaji Technology Corporation		
	Azuma Machinery Co., Ltd.		

## Shareholding situation by each category of shareholders (As of March 31, 2015)



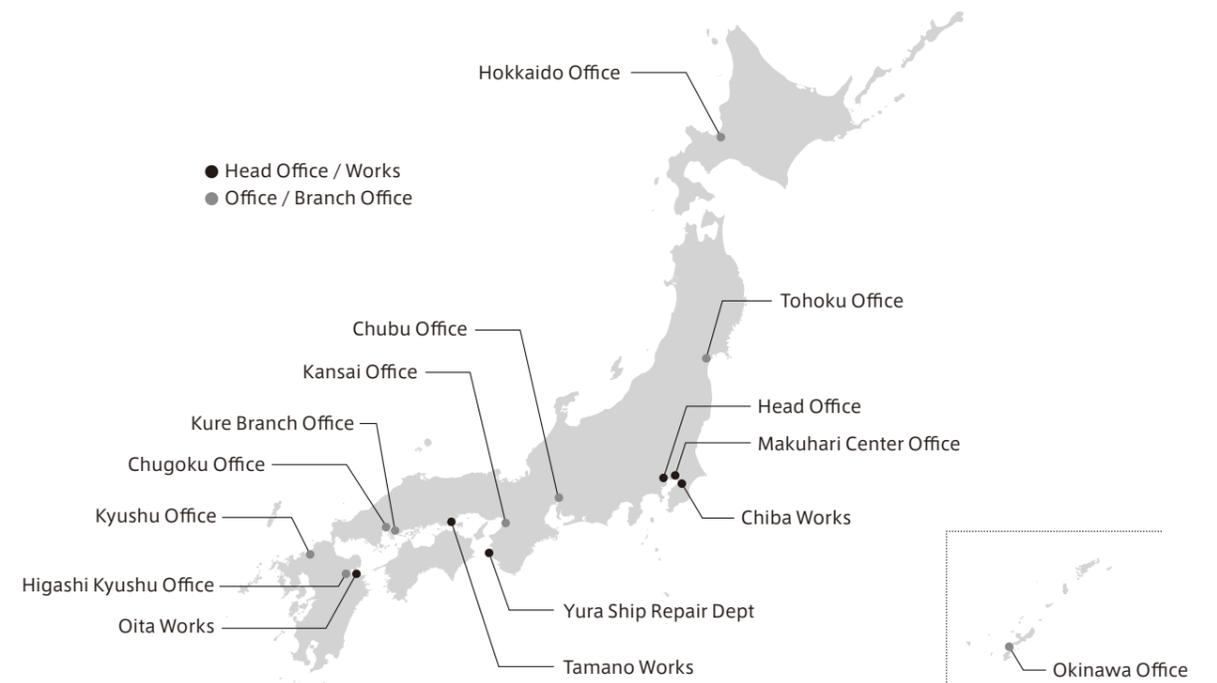
The total number of shareholders 71,523

Category	Number of shareholders	Number of Shares Held	Shareholding Ratio (%)
Financial institutions	71	313,206,453	37.7
Individuals, etc.	70,529	262,376,658	31.6
Foreign nationals	321	143,858,318	17.3
Corporations other than financial institutions or stock companies	520	89,642,293	10.8
Stock companies	82	21,903,454	2.6

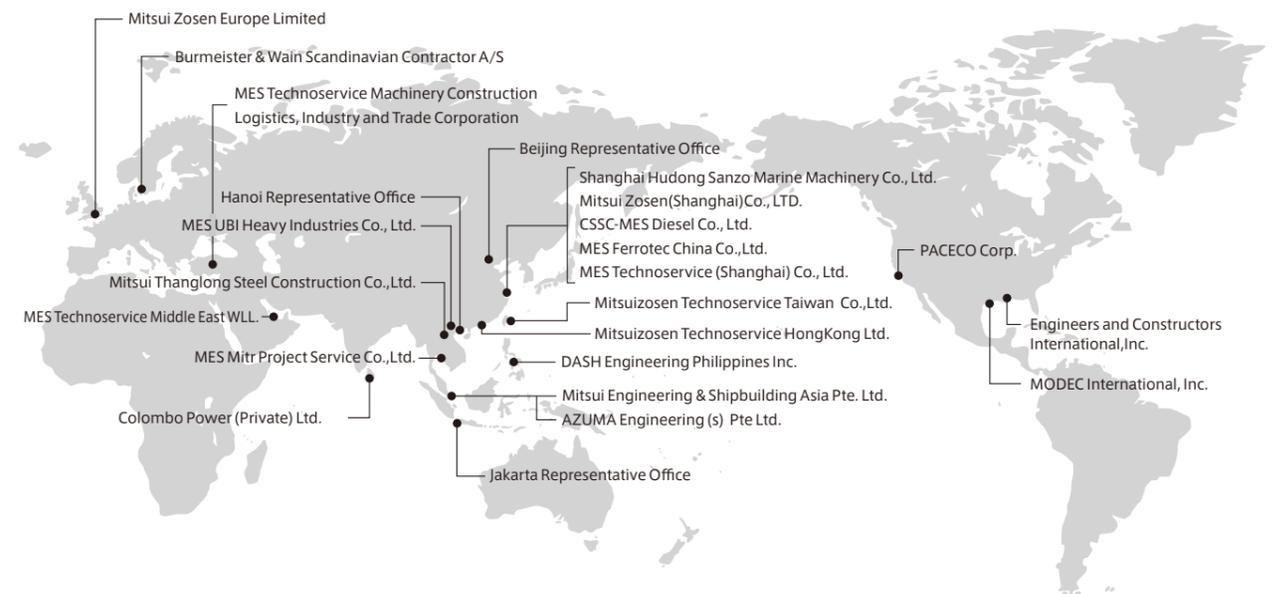
## Major 10 shareholders (As of March 31, 2015)

Name	Number of Shares Held (Thousand Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	41,345	5.11
Japan Trustee Services Bank, Ltd. (Trust Account)	35,054	4.33
Mitsui & Co., Ltd.	25,500	3.15
The 114th Bank	25,460	3.14
Japan Trustee Services Bank, Ltd. (Trust Account for the retirement allowance for Sumitomo Mitsui Trust Bank, Limited)	23,316	2.88
Mitsui Life Insurance Company, Limited	16,002	1.97
Sumitomo Mitsui Banking Corporation	13,647	1.68
Mitsui Sumitomo Insurance Company, Limited	13,035	1.61
Japan Trustee Services Bank, Ltd. (Trust Account 4)	11,149	1.37
Imabari Shipbuilding Co., Ltd.	10,525	1.30

## Offices and Works



## Overseas Network



# 100



*Prosperity for Our Next 100 Years, With You*

