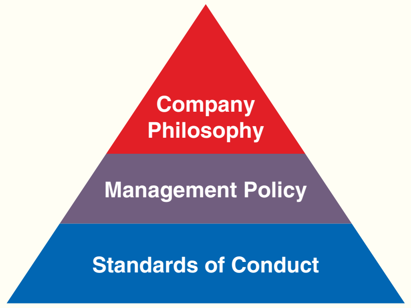
MITSUI ENGINEERING & SHIPBUILDING CO., LTD.

ANNUAL REPORT 2010

April 2009 to March 2010

MES MITSUI ENGINEERING & SHIPBUILDING CO.,LTD.



Company Philosophy

To continue working as a company trusted by society and individuals through products and services we offer

Management Policy

Build further satisfaction for our customers
Provide safe and effective workplace for employees
Contribute to the development of society
Pursue a profit for the longevity of the company

Standards of Conduct

Think : think it through to the end

CONTENTS

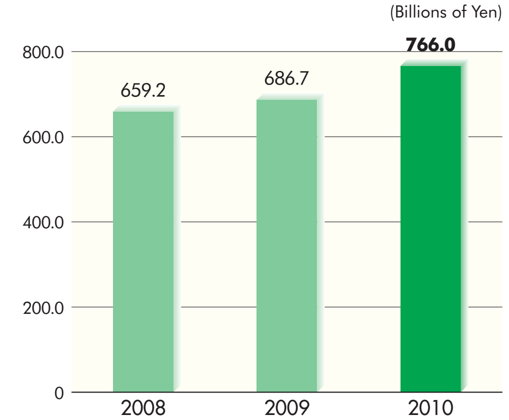
Financial Highlights

	2010	2009	2008	***2010***
Net Sales	**¥ 765,989**	¥ 686,656	¥ 659,215	***$ 8,232,900***
Operating Income (Loss)	**¥ 43,001**	¥ 26,854	¥ 36,119	***$ 462,178***
Net Income (Loss)	**¥ 19,652**	¥ 10,641	¥ 16,560	***$ 211,221***
Net Income (Loss) per Share	**¥ 23.72**	¥ 12.84	¥ 19.98	***$ 0.255***
Dividends per Share	**¥ 5.00**	¥ 4.00	¥ 4.00	***$ 0.054***
Working Capital	**¥ 20,767**	¥ (20,580)	¥ (15,939)	***$ 223,206***
Net Assets	**¥ 180,154**	¥ 160,744	¥ 175,642	***$ 1,936,307***

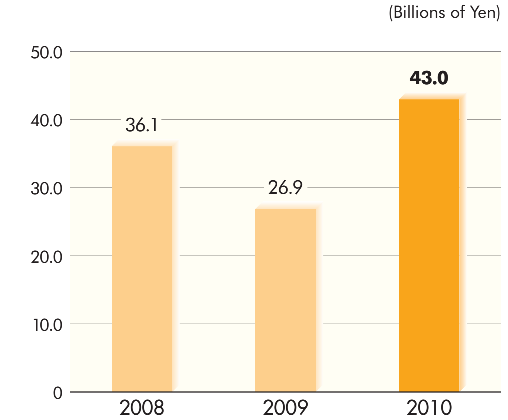
(a) Japanese yen and U.S. dollars are in millions and thousands, respectively, except per share amounts.
(b) The U.S. dollar amounts in this report represent conversions of Japanese yen into the U.S. dollar at the rate of 93.04 to $1 for the convenience of the readers.

The accounts of the Company have been stated herein on the basis of the annual fiscal period ended March 31 of each year, and any references to fiscal years refer to the 12 month periods ended March 31 of the year specified.
The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in Japan.

Net Sales



Operating Income



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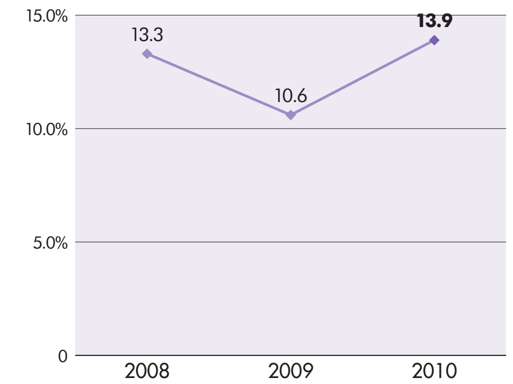
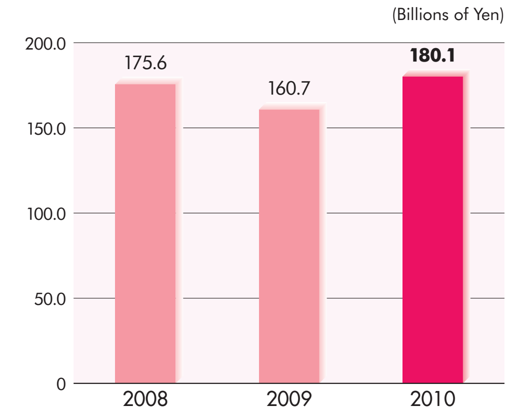


Net Assets



To our Shareholders, Customers and Friends

Yasuhiko Katoh, President

Outline of Business Activities

Track Record

The world economy during the Term under review continued to face severe recession since the financial crisis in autumn 2008. Because of the effect of economic and financial policies by the governments of each country, early recovery was seen in the developing countries such as China and India.
On the other hand, as to European and U.S. economy, while being on the trend of recovery, the pace of recovery of facility investment and employment situation are slow and weak, and added by factors of financial deficit and credit crunch in such countries as Greece and Spain, we cannot see clear view of the future.
As to domestic economy also, while being on the trend of recovery because of the effect of economic policies by the government, adjustment of stocks in the private sectors and increase of export of Asian countries, like Europe and U.S., the pace of recovery of facility investment and employment situation are slow and weak.
Together with the continuing high yen value and deflation trend, increase in prices of raw materials and resources such as crude oil, coal, ore and others, we cannot but expect the future to remain severe.

Under such circumstances, the Company as a group, along with aiming at (1) the increase of profit in the core business fields and the expansion of scale of the growing business fields, (2) the creation of new business and new products and (3) stability of management foundation, as the 2nd year of 08 Mid-term Business Plan, covering the terms from 2008 through 2010, implemented various measures for improvement of productivity, and cost reduction of raw materials, fixed costs and others.

The amount of orders received remained at a low level due to recession, domestic and overseas, after financial crisis, and the consolidated amount of orders received during the Term came to ¥359.1 billion, which was ¥442.8 billion decrease from the previous term.
The consolidated amount of sales came to ¥766.0 billion, ¥79.3 billion up from the previous term as the result of expansion of application of work progress standard after applying from this Term the "Accounting Standard for Construction Contracts."
The operating income amounted to ¥43.0 billion, ¥16.1 billion increase from the previous term as the Ships, Steel Structures / Construction and Machinery division increased their profits.
As to the ordinary income during the Term, combining the increase in operating income and decrease of loss of foreign exchange, it came to ¥42.0 billion, ¥18.6 billion increase from the previous term.
The amount of the net income during the Term, despite the extraordinary loss out of revaluation of fixed assets, came to ¥19.7 billion, ¥9.0 billion increase from the previous term.

Financial Status

Status of asset

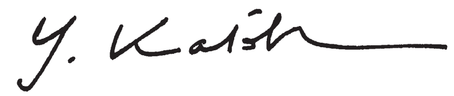
The total assets came to ¥742.9 billion, ¥3.6 billion increase from the previous term. This is caused by not only increase in accounts receivable by ¥82.3 billion and decrease in work in progress by ¥70.9 billion due to expansion of percentage completion method rule, but also increase in investment securities by ¥9.2 billion due to increase in the market value and decrease in cash and deposits by ¥13 billion.

Status of consolidated cash flow

Cash outflow from operating activities came to ¥18.6 billion due to outflow from increase in accounts receivable by ¥122.0 billion and decrease in accounts payable by ¥13.2 billion while there were inflow from income before income taxes and minority interest of ¥33.2 billion, depreciation of ¥14.7 billion, and decrease in work in progress by ¥70.7 billion.
Cash inflow from investing activities came to ¥2.1 billion due to inflow from retrieval of short-term loans of ¥24.8 billion while there were outflow from acquisition of tangible and intangible assets of ¥20.8 billion and purchase of subsidiaries of ¥2.0 billion.
Cash inflow from financing activities came to ¥23.8 billion due to inflow from increase of interest-bearing debt by ¥30.1 billion while there were outflow from payment of dividend of ¥3.3 billion and repayment of lease liability of ¥2.7 billion.
As a result, the cash and cash equivalent balance in this fiscal year came to ¥114.2 billion.

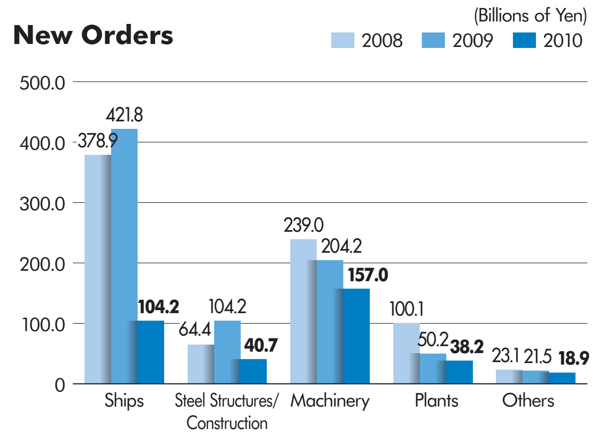
Management Perspective

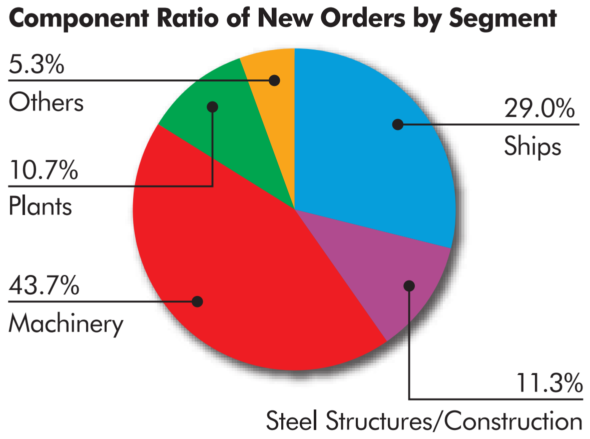
Due to huge adverse effects on the economy caused by so-called Lehman shock in September 2008, the business environment surrounding us has worsen considerably, and our opportunities for sales have decreased. While the Company Group has its order backlog in excess of ¥900 billion, we will take quick and prompt management actions against rapidly changing circumstances and opaque future prospect.
As short term measures, we aim to maximize our profits by cutting down more costs in manufacturing our products in order backlogs, to conduct risk management while carefully watching changing circumstances, and to reallocate our resources more efficiently.
We revised a main scenario in our 08 Mid-Term Business Plan based on our revised profit predictions for each of our divisions while pursuing its basic policy as planned. We are prepared to adjust ourselves to rapid changes in business circumstances based on our contingency plan including the worst case scenario for each of the divisions.
We will make efforts to develop and promote worldwide our products across business areas of our divisions or our subsidiaries using capacity of the Company group, and cut down more costs, to obtain orders. Moreover, we will actively pursue to reduce the amount of investments for facilities, maximize efficiency of R&D costs, and reduce fixed outsourcing expenses by utilizing internal resources.
We will continue to focus on creating new large-size businesses, for example, by developing NGH (Natural Gas Hydrate) business. We will also continue to develop new environment friendly products such as ships realizing curtailment of CO_2 emission by 30%.



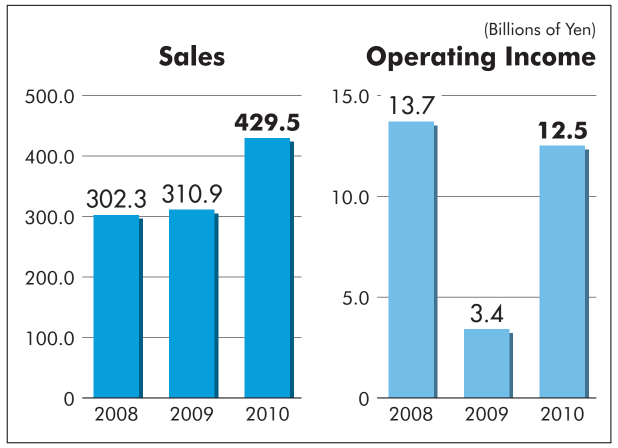
Yasuhiko Katoh, President

Review of Operations
Division-by-division analysis of the performance





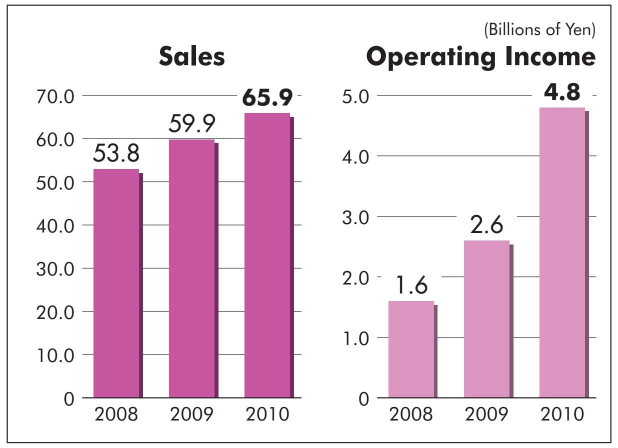
Ships Division



Achievement of 100 deliveries of 56BC, "IKAN SELIGI"

Affected by the worldwide depression resulting from financial crisis, demand for surface transportation has been sluggish, and the shipping market continues to be severe. While the market for dry bulk freight, hauled by the vital demand for raw materials by China, which takes economy stimulating policy, has been relatively stable, the tanker market continues to be severe reflecting low demand for crude oil and products on worldwide base, mainly in the U.S. and Europe.
The new shipbuilding market during the Term continued to be sluggish due to such factors as sluggish shipping market, pressure to the management of the domestic shipping companies by high yen value against U.S. dollar and the decreasing new finances. While some of the shipbuilders in China and Korea tried to secure orders at low prices for the vessels of short delivery term as an emergency measures against postponement of delivery or cancellation of the already executed contracts, the shipbuilders in Japan, as most of them holding abundant order backlogs at this moment, have not resumed active sales activity.
General circumstances being such, the Company could enjoy good news of receiving order for the escort ship from the Ministry of Defense for the first time in the past 17 years and achieving completion of building 56BC (56,000 DWT bulk carrier) amounting to 100 in total, which number is record making in the industry as the same type series vessel. In facility investment, in order to meet the requirement of building vessels applying CSR (Common Structural Rules), which became ordinary after year 2009, we newly built steel plate bending factory having bending capacity of 2,000 ton at our Tamano Works and have commenced operation.
Because of lowered demand, consolidated amount of orders received during the Term came to ¥104.2 billion, ¥317.6 billion decrease from the previous term, consisting of escort ship, fishing training ship, repair works and design change of FPSO (Floating Production Storage and Offloading Vessel) and others. Consolidated amount of sales amounted to ¥429.5 billion, ¥118.7 billion increase from the previous term, consisting of tankers, ore carriers, bulk carriers, FPSO, Reefers and others, and the operating income came to ¥12.5 billion, ¥9.1 billion increase from the previous term, despite adverse factors of high yen value.

Steel Structures/ Construction Division



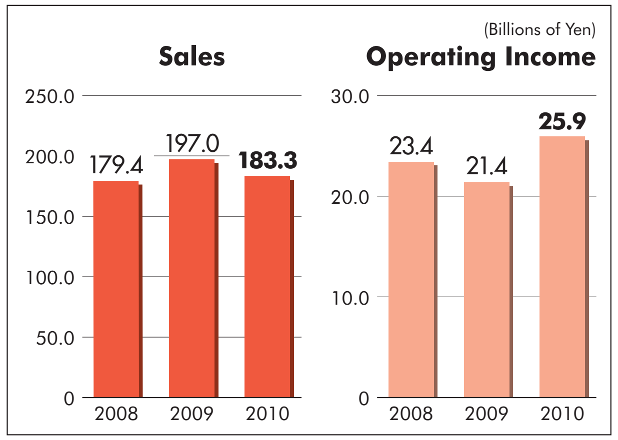
As for the market condition of container cranes, the amount of loaded/unloaded cargos is expected to grow after hitting a bottom due to the financial crisis. However, worldwide demands for loading / unloading cargo facilities at the seaports are still far from vigorous.

Transtainer®

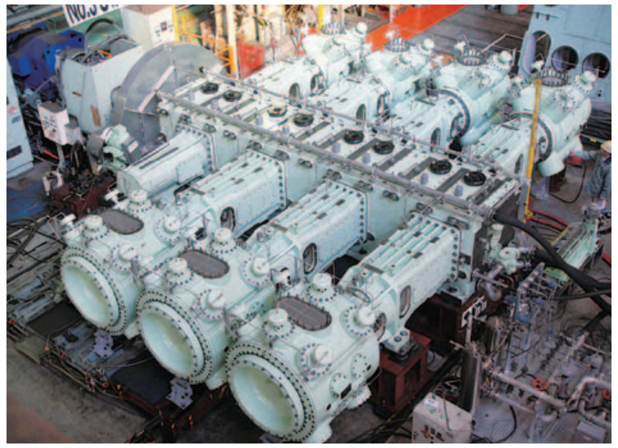
Under such circumstances, we intend to strengthen competitiveness and obtain orders by developing products that meet needs of society and customers and increasing reliability of products. Examples of our efforts are developing electric container cranes and hybrid Transtainers that reduce levels of noises and CO_2 emission to the lowest class in the world.
As for the bridges' market, competitions become much severer because of shrinking budget of Japanese public sectors, while prices of bridges have been relatively stable due to effects of the lowest bid system of Japanese public sectors. We aim to obtain orders by strengthening technical competence.
The consolidated amount of orders for container cranes, bridges and other steel structure work received during the Term came to ¥40.7 billion, ¥63.5 billion decrease from the previous term. Its consolidated amount of sales was ¥65.9 billion, ¥6 billion increase from the previous term, and its consolidated operating income was ¥4.8 billion, ¥2.1 billion increase from the previous term.

Machinery Division

Regarding marine diesel engines, the value of orders received during the Term was below our plan because price negotiation with customers was very tough compared with ordinary years. Regarding productions at our facilities, while we focused on keeping our productions for ordered machinery



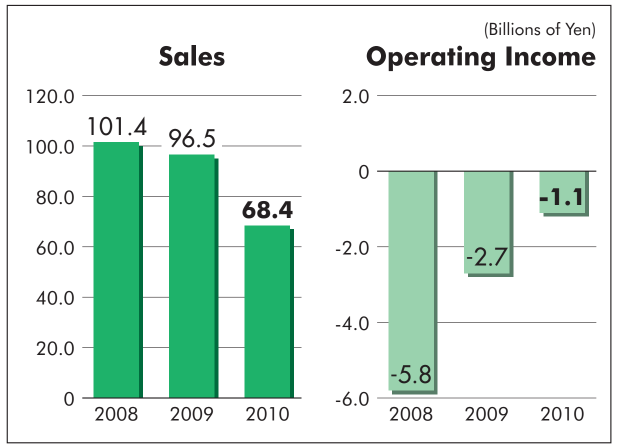
as scheduled, we have had an enough amount of production although we had a little less production horse power than the pervious term.
In the field of industrial machinery, even though there are many inquires, the amount of orders received during the Term was less than our plan because of suspended projects and intensifying price competitions for reciprocating compressors and axial flow compressors. As for induction heaters which are mainly for automobile industry, the amount of orders received during the Term was far below the figure in our business plan, two years in a row, because of declined car productions. Thus, although there were influence of economic recessions to our certain products, our main products like marine diesel engines and industrial machinery obtained a certain amount of productions, and we do not expect negative effects to our productions in the immediate future.
LSS (Life-cycle Solution Service and Customer Oriented Service) was also influenced by recessions and both of its amount of orders received and sales during the Term were less than the previous term, although there were expanding sales opportunities for maintenance of marine diesel engines and supply of parts and components. We make efforts to retain our customers for LSS by reducing its prices and obtaining package maintenance contracts. However, its market situation will remain unpredictable


Reciprocating Compressor

because of influences of intensifying competitions against European products due to decreasing Euro value and slowed down operations of vessels.
Our subsidiaries, both domestic and abroad including Burmeisters & Wain Scandinavian Contractor A/S that extends engineering service for diesel engines worldwide, basically achieved their planned figures during the Term.
The consolidated amount of orders received for marine diesel engines, various industrial machineries and after sales service reached to ¥157 billion, ¥47.2 billion decrease from the previous term. The consolidated amount of sales for this division was ¥183.3 billion, ¥13.8 billion decrease from the previous term, and the operating income came to ¥25.9 billion, ¥4.5 billion decrease from the previous term.

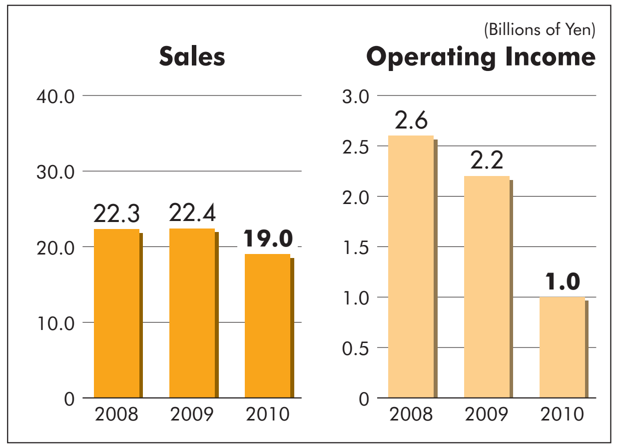
Plants Division

The domestic markets for chemical industry remained sluggish due to extreme down-turn of the chemical product market after the financial crisis, and demands for investment in the domestic chemical industry remained low although some recovery arose in the latter half of the Term. On the other hand, investment plans in overseas countries such as oil producing countries began to move steadily, and we received certain numbers of inquiries for



feasibility studies, basic designs and EPC (engineering, procurement and construction) projects. We actively engage in our sales activities to obtain orders for projects such as that will become definite from the middle through the end of the next term of 2010.
Regarding environmental and recycling equipment, we are receiving an increasing number of inquiries for environmental equipment, such as biogas plants planned for tenders in the term of 2010 for Japanese local governments and food waste recycling plants and distilled alcohol wastes water recycling plants for private sectors because of increasing social needs of reducing CO_2 emission and increasing the degree of self-sufficiency in food in Japan.
The amount of consolidated orders received during the Term was ¥38.2 billion, ¥12 billion decrease from the previous term, the consolidated amount of sales, consisting of sales of the ethylene decomposition plant, the plastic production plant, and others, was ¥68.4 billion, ¥28.1 billion decrease from the previous term, and the operating loss was ¥1.1 billion, improved by ¥1.6 billion from the previous term.

Others Division



We are also engaged in development and sales of information systems, and other various service businesses such as warehousing. The consolidated amount of orders received in these areas was ¥18.9 billion, ¥2.6 billion decrease from the previous term, the consolidated amount of sales was ¥19 billion, ¥3.4 billion decrease from the previous term, and the amount of operating income was ¥1 billion, ¥1.2 billion decrease from the previous term.


Miura biomass center

NGH Lorry

Business Risks

External factors listed below may have negative effects on the business performance, stock price and/or financial status of the Group.
Descriptions and estimation of the future are based upon the judgment made by the Group as of this fiscal year end.

Economic Trend

Since the Group is operating various businesses in various parts of the world, there is always an uncertainty incurred by the economic trend of specific product market in the specific part of the world. As examples, ships and marine diesel engine businesses are affected by shipping market and civil construction and plant business is affected by the capital investment trend and by the public investment trend of the market in and out of Japan.

Country Risk

The Group is not only offering products and services abroad but also contracting the overseas work for construction of chemical plants etc. The business performance and financial status of the Group therefore may be affected by various risks of the destination of the products and services and the country / area where the work is done including political instabilities (war and/or terrorism, etc.), trade sanction out of national conflicts, difference of culture and/or religion, local labor problem, difficulties due to different business practice, restriction of money transfer, unexpected tax and / or customs duty. The Group is working on minimizing such risks by arranging trade insurance and by collecting information from local legal agencies and financial consultants to take best possible countermeasures against them.

Legal Restrictions

The Group always executes every business project in and out of Japan in a law-abiding manner complying rules and regulations of each country, approvals and restrictions by central/local governments. However, if such rules and regulations are modified and/or deleted, or if new legal restrictions are imposed, the result of such modification / deletion and addition may affect the balance sheets and / or statements of income of the Group.

Characteristic Features of the Group

Most of the projects of the Group are executed by job-order basis and there may sometime be a great difference between the estimated cost at the time of contract and the actual cost until completion because of many cost-up elements. Some projects take long time from the contract to the delivery and are subject to change in the social circumstance and a cost change of material and equipment during long ‘contract-delivery’ period. The Group is working on minimizing such risks by precise quotation of price, securing of stable source of material supply, prompt collection of receivables as well as arranging trade insurance in case of overseas projects. However, if the business circumstances greatly change as mentioned above, the balance sheets and / or statements of income of the Group may also be affected.

Exchange Rate Fluctuation

The Group’s orders and / or sales of products and services for overseas including those of oversea subsidiaries amount more than 50% of those of the Group. In order to mitigate the impact of exchange rate fluctuation, the Group is working on minimizing the risk to be appropriate level by raising foreign currency liability, making forward exchange contract and raising foreign currency ratio in product cost through increasing oversea procurement. However, orders, sales and profit cannot completely be free from the exchange risk in case of a big fluctuation of exchange rate. In the overseas subsidiaries, however, most of the cost is in foreign currency and the impact of the exchange rate fluctuation on the profitability is generally small.

Purchase Price of Material and Equipment

The Group is operating various kinds of business project for ships, steel structures, machinery and plants, and the scope of purchase of material and equipment necessary for such projects spread across a wide area. As an example, if the price of the steel is increased suddenly or its supply-demand relation becomes suddenly tight, they will bring about the cost increase and / or delay in the construction schedule, which will eventually aggravate the profitability of the Group. The Group is working on minimizing such risks through establishing long-term stable relationship with supplier of materials and equipment and holding close purchase negotiations

Large Scale Natural Disaster

If the main places of production of the Group (Chiba, Okayama, and Oita Prefectures) are hit by large scale natural disasters such as earthquake, flood and / or typhoons, the damage suffered by the Group is not only of the direct material damage on the production equipment and / or logistic systems but also of indirect damage to the production capability caused by a suspension of production operation and/or lowering down of the operation ratio.

Deferred Tax Accounting and Accounting for Retirement Benefits

As for the deferred tax accounting and the accounting for retirement benefits, the Group makes an assessment of asset and / or debit and credit based upon its forecasts and predictions. Therefore, if the figures as the premises for such forecasts and predictions are changed, or the accounting standard for such assessment is changed, then there may be a possibility that the balance sheets and statements of income of the Group are affected.

Accounting for Impaired Assets

In the situation of the decrease in profitability caused by economic situation, decrease in market value of the idle properties, and decrease in collectability in future cash flow, impairment of the assets would be recognized and would affect balance sheet and profit and loss statement of the Group.

Impact from the Stock Market

If the current market price of marketable securities goes down much lower than the book value and realization of price recovery is not probable, then there is a risk that the appraisal loss will be recorded as the extraordinary loss. Also, the fluctuation of the share price would affect balance sheet and profit and loss statement of the Group through the pension assets.

Research & Development Activities

MES group has set out Research & Development (R&D) Segments corresponding to its five business fields and is promoting R&D activities aggressively taking the core technology of each business fields as its base to enhance its competitive edge for business expansion.
Total cost for R&D for the group companies for this consolidated fiscal year amounts to ¥6.57 billion including ¥1.07 billion for the cost of funded research.
Main items of R&D by each business field are as follows :

(1) Ships Division

- For shipbuilding, in order to cope with an increasing concern about CO_2 emission, the division is promoting the improvement of hull form, propeller, ship’s performance improvement at actual sea condition as well as a company-wide development project for the ship with CO_2 emission decrease by 30% including exhaust gas heat recovery of main engine. The goal will be attained in the first half of this fiscal year.

- For basic technology, the division has been enhancing the performance of vibration analysis, non-linear wave load analysis in large waves concerning structural technology and detailed fluid analysis around the rudder and propeller concerning CFD (computational fluid dynamics) technology.
- For Under-water equipment, the division is receiving a lot of inquiries for ultra-small robot for inspection of pipe conduit after the introduction to the market in this consolidated fiscal year in full scale. The division also started and completed the development of under-water inspection robot for industrial / agricultural water conduit of several kilometers length, which will be put into market in the fiscal year of 2010.
- The final application of G9 (procedures for ballast water treatment system approval using active substance) for Ballast Water Treatment of SP-hybrid System (combined system for special pipe and ozone) is filed. Also, on-land test and on-board test of G8 (guidelines for ballast water management system approval) is completed and its type approval will be acquired in the fiscal year of 2010.
  A development of membrane system for large ships has also been developing and its basic application for approval of G9 was filed.

The R&D cost for this business field is ¥1.2 billion.

(2) Steel Structures / Construction Division

- As for bridge, civil construction and coastal development, the division is developing various practical methods of construction to meet the technology-oriented market.
  Development of MD bridge of composite girder (made by steel and concrete) to meet the girders of medium and small span is completed and has put it into the market. The division is developing new type bridge technology to meet the bridges of medium and long span considering the fatigue of steel plate deck. Furthermore, the development and improvement of installation method and the technology for reinforcement and repair are now being carried out.
- As for coastal development, assessment has been made on the construction of hybrid caisson, of which increasing demand is expected, for easier and improved construction, and a part of such assessment has been applied to the actual work.
- As for the construction of tower for wind turbine generator (WTG), the division has received orders including its earthquake-resistant design. The division has acquired a patent for reinforcing bar arrangement for WTG's foundation with anchor bolts in view of the collapses of the foundations of WTG owned by others.
- As for logistic system and material handling machinery, the development of environment friendly energy-saving type TRANSTAINER® (container yard crane) has been completed and its trademark register was made as "MESecoTT." New orders of 13 units of hybrid type and 6 units of engine variable speed control type were received. As shore powered electrify TRANSTAINER® was developed and 2 units were delivered, the division started the development of the improved hybrid type with further fuel saving and a new anti-sway system for high stacking height in this fiscal year. The order for the highly developed harbor cargo handling system was placed in the fiscal year of 2009 by the Land, Infrastructure and Transportation Ministry as a pilot program for full-electric TRANSTAINER®. Development of the server base computing type YP (yard planning system) has been completed concerning CTMS (container terminal management system).
- PACECO CORP., a consolidated subsidiary of MES, is now developing a next-generation type high efficient container cargo handling system, container cargo security inspection system and highly functional terminal system using the latest IT technology.
- Device for electrification of yard crane, which was developed as one of the new environment friendly yard facilities will be delivered in early part of the fiscal year 2010 in 2 units.

Cost for R&D in this business field is ¥0.09 billion.

(3) Machinery Division

- As for the core products of the division, R&D is carried on the gas engine which achieves a highly efficient generation using clean gas fuel in order to further enhance its value by improving performance and credibility. As for marine diesel engine, the division assiduously executed R&D on the emission control technology by the combustion improvement using electronically controlled engine and after-treatment of exhaust gas system (de-nitrification and desulfurization devices) in view of the exhaust gas control by IMO (International Maritime Organization) for NOx and SOx, and also on the technology for effective use of energy by means of exhaust gas heat recovery with the decrease of CO_2 emission in mind.
  In the field of the marine engine, we are working on improving combustion performance by using the electronically controlled engine and on reducing emission of exhaust gas through NOx reduction system (DeNOx) and SOx reduction system (DeSOx), while we are progressing in coping with IMO (International Maritime Organization) regulation about NOx and SOx. And also, in view of CO_2 reduction, we are working on more effective use of energy by using several kinds of waste heat recovery systems.
- As for the advance machinery, a consolidated subsidiary company is executing the development of the ion source of higher performance for the ion implanter. The film deposition technology, which has long been cultured by MES, is also developed in the same company on consignment.
  ALD (atomic layer deposition equipment) has been recognized to have a big edge over competitors in the field of organic EL display and of composite semiconductor through the demonstration to the customers, and the equipment shall be commercialized soon.
  The division is also working with a university and a potential customer for accumulation of basic technology of the microcrystal silicon deposition technology, which is expected to contribute greatly to the high-speed display of the LCD TV and to the stable production of solar panel.
- As for recyclable energy, the division is making a joint research and development with Tokyo Institute of Technology for the Beam Down Type Solar Thermal Power Generation Plan jointly promoted by ADFEC (The Abu Dhabi Future Energy Company: commonly called "MASDAR"), Abu Dhabi and Cosmo Oil Co., Ltd. to utilize the solar heat in the hot sun belt area like a desert. The division delivered an experimental sun beam collector to MASDAR city in this consolidated fiscal year. We will soon shift to the study stage of larger scale experiment and commercial equipment. Solar beam reflector, which is the main component of the plant, has been newly developed based upon the improvement of the conventional technology, and a highly efficient solar beam receiver using molten salt is now being studied.
- As for IT related business, a data link between e-GICS (performance diagnosis and maintenance diagnosis for marine diesel engine by means of an internet) and other operation support systems such as measurement of cylinder pressure, measurement of electronic cylinder gage and ship analysis system under navigation (navigational operation support service) has been developed targeting the customers of e-GICS.

Furthermore, a prototype for monitoring system on board and on-land for diesel engine exhaust gas (NOx, SOx and CO_2) has been developed as a service corresponding to IMO environmental regulations of e-GICS W (a system to offer remote maintenance service for main engine and generator engine through one portal), wherein the exhaust gas measurement equipment using QCL (Quantum Cascade Laser) technology is introduced.

- As for the portal site business offering information to ships in navigation, data linking with the shore system has been strengthened by adding a daily noon report and an ablog (abstract log book=summary of navigational log book) function to the fleet monitor (operation monitoring service using an internet service between the ship and the shore). As an extended function of the ship analysis system under navigation, which takes hold of the ship's performance at sea with a high degree of accuracy, an ASP version to offer analysis service via portal site has been developed. Furthermore, the version of optimum navigational route system covering entire globe to figure out the optimum motion characteristics and navigational route under the encountering meteorological and sea conditions using the analyzed model for respective ship.

Cost for R&D for this business field is ¥1.36 billion.

(4) Plants Division

- As for environment and energy related business, the division has carried out a technical demonstration test for production of bio-ethanol by joining in the Low Carbon Society Experiment Plan (by Chugoku Bureau of Economy, Trade and Industry / Okayama Industrial Promotion Foundation). Process data for the wood-based material (cellulose based material) is being accumulated and a study for system optimization for commercialization is now carried out.
  In order to cope with the versatile market of the second generation bio-ethanol of high growth potential, the division concluded a technical cooperation agreement (license agreement) on "Production of Bio-ethanol out of Soft Cellulose based Material" with INBICON, Denmark, which widened the range of the division's technology for bio-ethanol production out of cellulose based material.
- As for material recycling business, the division is concentrating its efforts in the development and proposal for the local oriented differentiation and added value enhancement, while business activities were carried out for the establishment of recycling society based upon Biomass Town Plan and for the biogas system contributing to efforts against global warming. Under the government policy of improving self-sufficiency for cattle feed, the division, in cooperation among government, industry and academia, is leading fermentation residues recycling fields by the spirit lees recycling plant for cattle feed. Efforts are being made to enhance the added value by improving the maintenance cost and the quality.

Cost for R&D for this business field is ¥0.16 billion.

(5) Other Divisions

- Technical development for a large scale development of NGH (natural gas hydrate) is now under progress across the board, and further efforts are made for the technical development of high-speed and down-sized production process, NGH storage tank, NGH carrier ship and high-speed gasification system. NGH land transport chain has been proved effective for the first time in the world by transporting, in a specialized NGH lorry, the NGH pellets generated in the NGH production plant in Yanai Power Station of Chugoku Electric Power Company to two gas users in Hiroshima Prefecture who were about 100 km from the plant, wherein the pellets were regasified for actual use of the gas.
  In the experiment plant in the Chiba Works, many tests were carried out using the NGH dewatering/molding test unit, which was newly added in last December, for improvement of NGH mass production process for high-speed production and downsizing. Concerning the NGH carrier ship, the provisional guidelines for NGH carrier ship were approved in the IMO committee held in February, whereby the safety standard of NGH carrier ship as international commercial ship are established.
  As for the business of NGH, the feasibility study for the next pilot project is carried out continuously with possible business partners including overseas oil and gas companies led mainly by NGH Japan Co., Ltd., a joint company by Mitsui & Co., Ltd. and MES.
- As for lithium iron phosphate, a possible leading candidate for the positive electrode material of the next generation lithium ion battery, technical assessment for mass production technology was already made in the pilot plant and a semi-commercial plant was constructed to meet mass sample demand from the potential clients, where the trial operation for mass production is carried out.
- Mitsui Zosen System Research Inc., a subsidiary of MES, completed the development of MSSX*, a new system for entrance and exit check and is now making a further enhancement of its function. MSSX* is a product in the physical security to control entrance and exit in the office, factory, research institute etc.
  As for the product in the digital engineering, the development of the measuring data control system has been completed. As for the development of robot simulator, the development of basic simulator environment has been completed in this consolidated fiscal year.
  TIME-3* (=attendance control system), a main product of the same company, meets the labor standard act, while MiTOX* (=safety test system) has been improved to meet the demanded functions by CRO (Contract Research Organization).
  As for marine equipment, the development of bearing wear monitoring system has been newly started while the renewal for next generation of MC type diesel control system is being continued.

Cost for R&D for this business field is ¥3.74 billion.

* Remarks Registered trademark in Japan

Consolidated Balance Sheets

As of March 31, 2010 and 2009

ASSETS

	Japanese Yen (millions)		U.S. Dollars (thousands) (Note 1(a))
	2010	2009	***2010***
Current Assets			
Cash and time deposits (Notes1(r), 4)	¥ 71,321	¥ 84,323	$ 766,563
Marketable securities (Note2)	—	2,409	—
Receivables			
Trade	215,756	133,390	2,318,960
Other	7,486	9,430	80,460
Less allowance for doubtful receivables	(2,427)	(526)	(26,086)
Merchandise and finished goods	2,864	3,094	30,783
Raw materials and supplies	4,964	5,173	53,353
Work in progress	38,757	109,675	416,563
Deferred tax assets (Note 10)	14,480	14,270	155,632
Short-term loans	49,042	51,710	527,107
Other current assets (Note13)	18,015	19,034	193,626
Total current assets	420,258	431,982	4,516,961
Property, Plant and Equipment (Note 4)			
Land (Note 1(p))	118,245	118,244	1,270,905
Buildings and structures	122,978	119,438	1,321,775
Machinery, equipment and vehicles	143,764	145,878	1,545,185
Lease assets	18,386	16,297	197,614
Construction in progress	2,811	7,247	30,213
	406,184	407,104	4,365,692
Less accumulated depreciation	(196,113)	(198,694)	(2,107,835)
Net property, plant and equipment	210,071	208,410	2,257,857
Intangible Assets	11,549	12,255	124,129
Investments, Long-term Loans and Other Assets			
Investments securities (Notes 2, 3, and 4)	51,210	41,994	550,408
Long-term loans	17,186	14,078	184,716
Deferred tax assets (Note 10)	20,239	21,188	217,530
Other (Note 3)	13,275	10,211	142,681
Less allowance for doubtful receivables	(928)	(816)	(9,974)
Total investments, long-term loans and other assets	100,982	86,655	1,085,361
Total assets	¥ 742,860	¥ 739,302	$7,984,308

LIABILITIES AND NET ASSETS

	Japanese Yen (millions)		U.S. Dollars (thousands) (Note 1(a))
	2010	2009	***2010***
Current Liabilities			
Short-term borrowings (Notes 4 and 5)	¥ 37,474	¥ 50,118	$ 402,773
Current portion of long-term indebtedness (Note 6)	52,846	33,221	567,992
Lease obligations	2,730	2,447	29,342
Trade payables	166,516	181,253	1,789,725
Advances from customers	79,524	133,105	854,729
Accrued expenses	20,786	19,895	223,410
Accrued income taxes (Note 10)	11,420	3,174	122,743
Deferred tax liabilities (Note 10)	857	846	9,211
Provision for losses on construction contracts	3,750	5,146	40,305
Provision for product warranty	8,081	7,637	86,855
Other current liabilities	15,507	15,720	166,670
Total current liabilities	399,491	452,562	4,293,755
Long-term Liabilities			
Long-term indebtedness (Notes 4 and 6)	107,459	70,158	1,154,976
Lease obligations	11,826	11,880	127,107
Liability for severance and retirement benefits			
For employees (Note 9)	3,615	3,596	38,854
For directors and corporate auditors	778	845	8,362
Deferred tax liabilities			
On reevaluation reserve for land (Note 1(p))	33,901	34,479	364,370
Other (Note 10)	994	1,040	10,684
Other long-term liabilities	4,642	3,998	49,893
Total long-term liabilities	163,215	125,996	1,754,246
Contingent Liabilities (Note 11)			
Net Assets (Note 8)			
Common stock			
Authorized - 1,500,000,000 shares			
Issued - 830,987,176 shares	44,385	44,385	477,053
Capital Surplus	18,178	18,178	195,378
Retained earnings	76,412	59,005	821,281
Treasury stock	(639)	(564)	(6,868)
Net unrealized holding gains (losses) on securities (Note2)	4,584	851	49,269
Unrealized gains (losses) on hedging derivatives, net of tax	(784)	239	(8,426)
Reevaluation reserve for land, net of tax (Note 1(p))	23,842	24,675	256,255
Foreign currency translation adjustments	(5,477)	(6,223)	(58,867)
Minority interests in consolidated subsidiaries	19,653	20,198	211,232
Total net assets	180,154	160,744	1,936,307
Total liabilities and net assets	¥ 742,860	¥ 739,302	$7,984,308

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

Consolidated Statements of Income

For the Years Ended March 31, 2010 and 2009

	Japanese Yen (millions)		U.S. Dollars (thousands) (Note 1(a))
	2010	2009	***2010***
Net Sales (Note 1(c))	**¥ 765,989**	¥ 686,656	***$8,232,900***
Cost of Sales (Note 1(g),(h))	**681,180**	617,088	***7,321,367***
Gross profit	**84,809**	69,568	***911,533***
Selling, General and Administrative Expenses	**41,808**	42,714	***449,355***
Operating income	**43,001**	26,854	***462,178***
Other Income (Expenses)			
Interest and dividend income	**2,496**	4,684	***26,827***
Interest expense	**(2,932)**	(3,587)	***(31,513)***
Foreign exchange losses	**—**	(2,426)	***—***
Gains on sales of marketable securities	**315**	—	***3,386***
Losses on sales of marketable securities, net (Note 2)	**—**	(196)	***—***
Gains on sales of investment securities	**22**	1	***236***
Gains on disposition of property, plant and equipment, net	**—**	4,414	***—***
Losses on disposition of property, plant and equipment, net	**(1,268)**	—	***(13,629)***
Equity in earnings of unconsolidated subsidiaries and affiliates	**1,787**	1,261	***19,207***
Losses on valuation of investment securities (Note 2)	**(201)**	(7,486)	***(2,160)***
Amortization of net transition obligation (Note 9)	**(1,964)**	(1,964)	***(21,109)***
Gain on change in equity	**—**	10	***—***
Compensation income	**464**	—	***4,987***
Loss on impairment of fixed assets (Note 12)	**(5,831)**	(218)	***(62,672)***
Loss on valuation of inventories	**—**	(85)	***—***
Loss on disaster	**—**	(577)	***—***
Loss on litigation	**—**	(1,035)	***—***
Losses on Liquidation of subsidiaries and affiliates	**(65)**	—	***(699)***
Provision of allowance for doubtful accounts	**(1,961)**	—	***(21,077)***
Other, net	**(704)**	(1,210)	***(7,567)***
Total	**(9,842)**	(8,414)	***(105,783)***
Income Before Income Taxes and Minority Interests	**33,159**	18,440	***356,395***
Income Taxes (Note 10)			
Current	**15,385**	6,712	***165,359***
Past	**—**	—	***—***
Deferred	**(1,817)**	808	***(19,529)***
	13,568	7,520	***145,830***
Income Before Minority Interests	**19,591**	10,920	***210,565***
Minority Interests	**(61)**	279	***(656)***
Net Income	**¥ 19,652**	¥ 10,641	***$ 211,221***

	Japanese Yen		U.S. Dollars
	2010	2009	***2010***
Amounts Per Share of Common Stock (Note 8)			
Net income	**¥ 23.72**	¥ 12.84	***$ 0.255***
Dividends, applicable to the year	**¥ 5.00**	¥ 4.00	***$ 0.054***

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

Consolidated Statements of Changes in Net Assets

For the Years ended March 31, 2010 and 2009

	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	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total
Balance as of March 31, 2008	830,987	44,385	18,195	52,332	(567)	9,416	2,674	25,194	(301)	24,314	175,642
Effect of changes in accounting policies applied to foreign subsidiaries				(788)							(788)
Cash dividends paid				(3,316)							(3,316)
Net income				10,641							10,641
Purchases of treasury stock					(103)						(103)
Sales of treasury stock			(17)	(7)	106						82
Transfer from reevaluation reserve for land, net of tax				519							519
Unrealized losses on derivatives instruments				(260)							(260)
Others				(116)							(116)
Net changes during the year						(8,565)	(2,435)	(519)	(5,922)	(4,116)	(21,557)
Balance as of March 31, 2009	**830,987**	**¥ 44,385**	**¥ 18,178**	**¥ 59,005**	**¥ (564)**	**¥ 851**	**¥ 239**	**¥ 24,675**	**¥ (6,223)**	**¥ 20,198**	**¥ 160,744**
Cash dividends paid				(3,316)							(3,316)
Net income				19,652							19,652
Purchases of treasury stock					(102)						(102)
Sales of treasury stock				(2)	27						25
Transfer from reevaluation reserve for land, net of tax				833							833
Unrealized losses on derivatives instruments				73							73
Others				167							167
Net changes during the year						3,733	(1,023)	(833)	746	(545)	2,078
Balance as of March 31, 2010	**830,987**	**¥ 44,385**	**¥ 18,178**	**¥ 76,412**	**¥ (639)**	**¥ 4,584**	**¥ (784)**	**¥ 23,842**	**¥ (5,477)**	**¥ 19,653**	**¥ 180,154**

	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*	*Minority interests in consolidated subsidiaries*	*Total*
Net assets as of April 1, 2009	***830,987***	***$ 477,053***	***$ 195,378***	***$ 634,190***	***$ (6,062)***	***$ 9,146***	***$ 2,569***	***$ 265,208***	***$ (66,885)***	***$ 217,090***	***$1,727,687***
Cash dividends paid				*(35,641)*							*(35,641)*
Net income				*211,221*							*211,221*
Purchases of treasury stock					*(1,096)*						*(1,096)*
Sales of treasury stock				*(22)*	*290*						*268*
Transfer from reevaluation reserve for land, net of tax				*8,953*							*8,953*
Unrealized losses on derivatives instruments				*785*							*785*
Others				*1,795*							*1,795*
Net changes during the year						*40,123*	*(10,995)*	*(8,953)*	*8,018*	*(5,858)*	*22,335*
Balance as of March 31, 2010	***830,987***	***$ 477,053***	***$ 195,378***	***$ 821,281***	***$ (6,868)***	***$ 49,269***	***$ (8,426)***	***$ 256,255***	***$ (58,867)***	***$ 211,232***	***$1,936,307***

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2010 and 2009

	Japanese Yen (millions)		U.S. Dollars (thousands) (Note 1(a))
	2010	2009	***2010***
Cash Flows from Operating Activities :			
Income before income taxes and minority interests	**¥ 33,159**	¥ 18,440	***$ 356,395***
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities —			
Depreciation and amortization	**14,738**	13,692	***158,405***
Losses on impairment of fixed assets	**5,831**	218	***62,672***
Amortization of goodwill	**526**	698	***5,653***
Reversal of allowance for doubtful receivables	**2,081**	111	***22,367***
Reversal of liability for severance and retirement benefits	**(47)**	(2,601)	***(505)***
Increase in prepaid pension costs	**(2,097)**	(2,371)	***(22,539)***
Interest and dividend income	**(2,496)**	(4,684)	***(26,827)***
Interest expense	**2,932**	3,587	***31,513***
Foreign currency exchange loss (gain), net	**(298)**	1,326	***(3,203)***
Equity in earnings of unconsolidated subsidiaries and affiliates	**(1,787)**	(1,261)	***(19,207)***
Gains (losses) on sales of marketable securities	**(315)**	196	***(3,386)***
Gains on sales of investment securities	**(22)**	(1)	***(236)***
Losses on valuation of investment securities	**201**	7,486	***2,160***
Losses on liquidation of subsidiaries and affiliates	**65**	—	***699***
Losses (Gains) on disposition of property, plant and equipment	**1,268**	(4,414)	***13,629***
Loss on disaster	**—**	577	***—***
Gain on change in equity	**—**	(10)	***—***
Loss on litigation	**—**	1,035	***—***
Changes in assets and liabilities :			
Decrease (increase) in			
Trade receivables	**(121,996)**	(5,103)	***(1,311,221)***
Inventories	**70,750**	(22,299)	***760,426***
Other assets	**(3,676)**	(5,857)	***(39,510)***
Increase (decrease) in			
Trade payables	**(13,180)**	34,607	***(141,659)***
Other liabilities	**761**	3,871	***8,179***
Other, net	**(96)**	2,025	***(1,032)***
	(13,698)	39,268	***(147,227)***
Interest received	**2,539**	4,275	***27,289***
Interest paid	**(3,325)**	(3,929)	***(35,737)***
Payments for loss on disaster	**—**	(577)	***—***
Payments for loss on litigation	**—**	(969)	***—***
Income taxes received	**3,832**	—	***41,187***
Income taxes paid	**(7,916)**	(11,707)	***(85,082)***
Net cash provided by (used in) operating activities	**(18,568)**	26,361	***(199,570)***

	Japanese Yen (millions)		U.S. Dollars (thousands) (Note 1(a))
	2010	2009	***2010***
Cash Flows from Investing Activities :			
Increase in time deposits	**¥ (1,235)**	¥ (2,130)	***$ (13,274)***
Purchases of marketable securities	**(313)**	(116)	***(3,364)***
Proceeds from sales of marketable securities	**3,127**	81	***33,609***
Capital expenditure	**(20,835)**	(18,267)	***(223,936)***
Proceeds from sales of property, plant and equipment	**124**	6,957	***1,333***
Purchases of investment securities	**(785)**	(920)	***(8,437)***
Proceeds from sales of investment securities	**47**	1,038	***505***
Purchase of a subsidiary	**(3,139)**	(698)	***(33,738)***
Proceeds from sales of investment in consolidated subsidiaries	**85**	—	***914***
Proceeds from sales of investment in a consolidated subsidiaries in the previous fiscal year	**—**	3,000	***—***
Proceeds from capital reduction in affiliate	**—**	1,678	***—***
Disbursement of long-term loans receivable	**(26,426)**	(33,778)	***(284,028)***
Collection of long-term loans receivable	**51,242**	28,907	***550,752***
Other, net	**256**	123	***2,751***
Net cash provided by (used in) investing activities	**2,148**	(14,125)	***23,087***
Cash Flows from Financing Activities :			
Increase (decrease) in short-term borrowings	**(17,894)**	23,018	***(192,326)***
Proceeds from long-term indebtedness	**80,891**	32,261	***869,422***
Repayment of long-term indebtedness	**(32,848)**	(41,002)	***(353,053)***
Repayments of lease obligations	**(2,657)**	(2,406)	***(28,558)***
Proceeds from issuance of bonds	**1,100**	—	***11,823***
Repayment on bonds	**(340)**	(120)	***(3,654)***
Purchases of treasury stock	**(106)**	(103)	***(1,139)***
Cash dividends	**(3,280)**	(3,318)	***(35,254)***
Cash dividends paid to minority interests	**(1,074)**	(419)	***(11,543)***
Proceeds from stock issuance to minority shareholders	**10**	81	***107***
Other, net	**23**	(90)	***247***
Net cash used in financing activities	**23,825**	7,902	***256,072***
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**2,302**	(5,138)	***24,742***
Net Increase in Cash and Cash Equivalents	**9,707**	15,000	***104,331***
Increase of Cash and Cash Equivalents of Certain Companies Consolidated Commencing in fiscal 2009 and 2008	**56**	32	***602***
Cash and Cash Equivalents at Beginning of Year	**104,433**	89,401	***1,122,453***
Cash and Cash Equivalents at End of Year (Note 1(r))	**¥ 114,196**	¥ 104,433	***$1,227,386***

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

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 Mitsui Engineering & Shipbuilding Co., Ltd. (the "Company") and its consolidated subsidiaries in the preparation of the accompanying consolidated financial statements.

(a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries 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 Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company 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, 2010, which was ¥93.04 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 Company and all material subsidiaries, over which the Company has power of control through majority voting rights or existence of certain conditions requiring control by the Company.

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

The assets and liabilities of the consolidated subsidiaries, including the portion attributable to minority shareholders, were evaluated using the fair value at the time the Company 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 consolidated subsidiaries end on the 31st of December. The Company 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 the Company'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 :
Percentage-of-completion method
(The progress of work is measured by the percentage of cost method)
2) Construction other than above :
Completed-contract method

(Change of Accounting Policy)
Until the year ended March 31, 2009, the Company and the consolidated domestic subsidiaries had recognized primarily revenues and costs of sales on long-term contracts of a duration in excess of one year and an amount in excess of ¥1 billion by the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total construction costs, and had recognized revenues and costs of sales on other than above contracts by the completed-contracts method.
Effective from the year ended March 31, 2010, the Company and the consolidated domestic subsidiaries adopted the new accounting standard, "Accounting Standard for Construction Contracts "(Statement No.15 issued by the Accounting Standards Board of Japan on December 27, 2007) and, "Guidance on Accounting Standard for Construction Contracts" (Guidance No.18 issued by the Accounting Standards Board of Japan on December 27, 2007).
Revenues and costs of sales on the construction of its certainty of achievement on the progressed portion until the fiscal year end can be recognized by the percentage-of-completion method (the progress of work is measured by the percentage of cost method). Revenues and costs of sales on the construction other than above are recognized by the completed-contract method
According to this change, Net sales increased by ¥55,642 million (*$598,044thousand*), Operating Income and Income Before Income Taxes and Minority Interests increased by ¥5,281 million (*$56,761 thousand*).

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

(d) Securities

The Company and its consolidated 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 unconsolidated subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories ("available-for-sale securities"). The Company and its consolidated domestic subsidiaries did not have trading securities or held-to-maturity debt securities.

Equity securities issued by unconsolidated 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 the Company and consolidated 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 Company 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,
   a) 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
   b) 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 Receivables

The Company and its consolidated subsidiaries adopt the policy of providing allowance for doubtful receivables in an amount sufficient to cover possible losses on collection by estimating amounts for certain identified accounts and applying a percentage based on collection experience to the remaining accounts.

(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.

(Change of Accounting Policy)
Effective from the year ended March 31, 2009, the Company and the consolidated domestic subsidiaries adopted the new accounting standard, "Accounting Standard for Measurement of Inventories" (Statement No.9 issued by the Accounting Standards Board of Japan on July 5, 2006). Merchandise, finished goods, raw materials and supplies are stated at cost determined mainly by the moving-average method (Balance sheet value reflects downturn in profitability). Work in progress is stated using identified cost method (Balance sheet value reflects downturn in profitability). According to the change, Operating Income decreased by ¥186 million and Income Before Income Taxes and Minority Interests decreased by ¥271 million. The impact on segment information is described in the corresponding pages.

(h) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost except for land of the Company used for business operations, which has been reevaluated (Note 1(p)). 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. Effective rates of depreciation for the years ended March 31, 2010 and 2009 were summarized below : —

	Years ended March 31,	
	2010	2009
Buildings and structures	**7.1%**	7.0%
Machinery, equipment and vehicles	**17.1%**	17.5%

The rates of depreciation shown above are based on estimated useful lives of 3 to 50 years for buildings and structures and 2 to 17 years for machinery, equipment and vehicles.

Ordinary maintenance and repairs are charged to the profit and loss account as incurred. Major replacements and improvements are capitalized.

(Change of Accounting Policy)
Effective from the year ended March 31, 2009, the Company and the consolidated domestic subsidiaries changed the estimated useful lives for Machinery in accordance with the Corporation Tax Law of Japan. According to the change, Operating Income and Income Before Income Taxes and Minority Interests decreased by ¥82 million.

(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

The Company and its consolidated domestic subsidiaries provide 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.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Company and its consolidated domestic subsidiaries recognize the liabilities for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the pension assets as of each balance sheet date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥28,905 million. The net transition obligation has been recognized in expenses in equal amounts primarily over 15 years commencing with the year ended March 31, 2001. Prior service costs for the year ended March 31, 2010 and 2009 are recognized in the consolidated statements of income using the straight-line method within the average of the estimated remaining service lives (1 year or 5 years). Actuarial gains and losses are recognized in the consolidated statements of income using the straight-line method within the average of the estimated remaining service lives (5 years or 10 years) commencing with the following period. As the fair value of pension assets exceeds the liability for employees' severance and retirement benefits after deduction of both remaining net transition obligation and the actuarial gains and losses which have not been recognized yet, the amount in excess of the liability is recorded as prepaid pension costs and stated as a part of "others" of "investments, long-term loans and other assets" in the balance sheet.

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

Subject to shareholders' approval, directors and corporate auditors customarily receive lump-sum payments upon retirement under an unfunded retirement allowances plan.

The Company and its consolidated domestic subsidiaries recorded estimated termination and retirement allowances at amounts equal to 100% of the amounts payable assuming all directors and corporate auditors had terminated as of each balance sheet date.

(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

The Company and its consolidated subsidiaries recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. 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 Company and a domestic consolidated subsidiary reevaluated the land used for business operations 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" in net assets and the deferred income tax effects were recorded as deferred tax liabilities on "reevaluation reserve for land" in long-term liabilities. The reevaluation reserve for land in net assets is not included for computation of dividends under the Law.

According to the Law, the Company and a domestic consolidated subsidiary are not permitted to reevaluate the land at any time after the above reevaluation even in cases where the fair value of the land declines. Such unrecorded reevaluation loss is ¥41,125 million (*$442,014 thousand*) and ¥39,968 million as of March 31, 2010 and 2009.

(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, 2010 and 2009 were ¥5,504 million (*$59,157 thousand*) and ¥3,806 million, respectively.

(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, 2010 and 2009 were as follows : —

	Japanese Yen (millions)		*U.S. Dollars (thousands)*
	2010	2009	***2010***
Cash and time deposits	**¥ 71,321**	¥ 84,323	***$ 766,563***
Time deposits with maturities exceeding 3 months	**(4,118)**	(2,882)	***(44,261)***
Cash equivalents included in short-term loans (Other current assets)	**46,993**	22,992	***505,084***
Cash and cash equivalents	**¥ 114,196**	¥ 104,433	***$ 1,227,386***

(s) Finance Lease Transactions without Transfer of Ownership

(Change of Accounting Policy)
Until the year ended March 31, 2008, finance lease transactions, other than those that transfer ownership of the leased property to the lessee, were accounted for in the same way as operating lease transactions. Effective from the year ended March 31, 2009, the Company and the consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Lease Transactions" (Statement No.13 issued by the Business Accounting Council on June 17, 1993, revised by the Accounting Standards Board of Japan on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No.16 issued by JICPA Accounting System Committee on January 18, 1994, revised by the Accounting Standards Board of Japan on March 30, 2007).

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. The impact on Operating Income and Income Before Income Taxes and Minority Interests is immaterial.

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. The impact on Operating Income and Income Before Income Taxes and Minority Interests is immaterial.

(t) Accounting Standard for Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective from the year ended March 31, 2009, the Company and the consolidated subsidiaries adopted the new accounting standard, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No.18 issued by the Accounting Standards Board of Japan on May 17, 2006). Due to this change, the Retained earnings of beginning of the year decreased by ¥788 million and Operating Income and Income Before Income Taxes and Minority Interests decreased by ¥235 million. The impact on segment information is described in the corresponding pages.

(u) Reclassifications

Certain reclassifications have been made to the previously reported fiscal year 2008 amounts to conform to fiscal year 2009 presentation. These reclassifications had no effect on previously reported net income or net assets.

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, 2010 and 2009 : —

	Japanese Yen (millions)		
2010 : Available-for-sale securities :	Acquisition cost	Book value	Differences
Securities with book values exceeding acquisition costs :			
Equity securities	**¥ 11,250**	**¥ 21,538**	**¥ 10,288**
Sub Total	**¥ 11,250**	**¥ 21,538**	**¥ 10,288**
Securities with book values not exceeding acquisition costs :			
Equity securities	**¥ 10,176**	**¥ 7,856**	**¥ (2,320)**
Sub Total	**¥ 10,176**	**¥ 7,856**	**¥ (2,320)**
Total	**¥ 21,426**	**¥ 29,394**	**¥ 7,968**

	Japanese Yen (millions)		
2009 : Available-for-sale securities :	Acquisition cost	Book value	Differences
Securities with book values exceeding acquisition costs :			
Equity securities	¥ 7,971	¥ 11,599	¥ 3,628
Sub Total	¥ 7,971	¥ 11,599	¥ 3,628
Securities with book values not exceeding acquisition costs :			
Equity securities	¥ 15,765	¥ 13,899	¥ (1,866)
Sub Total	¥ 15,765	¥ 13,899	¥ (1,866)
Total	¥ 23,736	¥ 25,498	¥ 1,762

	U.S. Dollars (thousands)		
2010 : *Available-for-sale securities :*	*Acquisition cost*	*Book value*	*Differences*
Securities with book values exceeding acquisition costs :			
Equity securities	***$ 120,916***	***$ 231,492***	***$ 110,576***
Sub Total	***$ 120,916***	***$ 231,492***	***$ 110,576***
Securities with book values not exceeding acquisition costs :			
Equity securities	***$ 109,372***	***$ 84,437***	***$ (24,935)***
Sub Total	***$ 109,372***	***$ 84,437***	***$ (24,935)***
Total	***$ 230,288***	***$ 315,929***	***$ 85,641***

(b) The maturities of available-for-sale securities with maturities as of March 31, 2010 and 2009 were 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	Total
Available-for-sale securities :					
Interest bearing bonds and others —					
2010	**—**	**¥ 502**	**—**	**—**	**¥ 502**
2009	¥ 2	¥ 3	—	—	¥ 5

	U.S. Dollars (thousands)				
	Within one year	*Over one year but within five years*	*Over five years but within ten years*	*Over ten years*	*Total*
Available-for-sale securities :					
Interest bearing bonds and others —					
2010	—	***$ 5,396***	—	—	***$ 5,396***

(c) 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, 2010 and 2009 were as follows : —

	Japanese Yen (millions)		*U.S. Dollars (thousands)*
	2010	2009	***2010***
Proceeds from sales of available-for-sale securities	**¥ 3,171**	¥ 3	***$ 34,082***
Realized gains on sales of available-for-sale securities	**343**	1	***3,687***
Realized losses on sales of available-for-sale securities	**6**	—	***64***

3. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates included in investment securities as of March 31, 2010 and 2009 were ¥17,529 million (*$188,403 thousand*) and ¥15,046 million, respectively, and investments in unconsolidated subsidiaries and affiliates included in other assets as of March 31, 2010 and 2009 were ¥3,172 million (*$34,093 thousand*) and ¥2,358 million, respectively.

4. Pledged Assets

Assets pledged as collateral for short-term borrowings and long-term indebtedness as of March 31, 2010 and 2009 were as follows : —

	Japanese Yen (millions)		*U.S. Dollars (thousands)*
	2010	2009	***2010***
Land	**¥ 28,922**	¥ 30,003	***$ 310,855***
Buildings and structures	**2,778**	3,281	***29,858***
Machinery, equipment and vehicles	**14,172**	5,209	***152,322***
Investment securities	**13**	14	***140***
Time deposits	**418**	285	***4,493***
	¥ 46,303	¥ 38,792	***$ 497,668***

Short-term borrowings and long-term indebtedness secured by the above pledged assets as of March 31, 2010 and 2009 were as follows : —

	Japanese Yen (millions)		*U.S. Dollars (thousands)*
	2010	2009	***2010***
Short-term borrowings	**¥ 1,420**	¥ 2,868	***$ 15,262***
Long-term loan payable	**15,200**	7,301	***163,370***
Bonds	**180**	300	***1,935***
	¥ 16,800	¥ 10,469	***$ 180,567***

5. Short-Term Borrowings

Short-term borrowings represent notes payable to banks due within twelve months bearing an average interest rate of 1.0% and 2.3% as of March 31, 2010 and 2009, respectively.

6. Long-Term Indebtedness

Long-term indebtedness as of March 31, 2010 and 2009 is summarized below : —

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	***2010***
Secured by mortgages on plant and equipment —			
1.3% bonds, due September 30, 2011	¥ **180**	¥ 300	***$ 1,935***
0.7% to 2.3% loans from Japanese banks, due on various dates through 2017	**15,200**	7,302	***163,370***
Secured by installment contract receivables —			
2.1% to 2.2% loans from Japanese banks due on various dates through 2010	**359**	1,237	***3,859***
Unsecured or non-guaranteed —			
0.6% bonds, due April 20, 2009	**—**	220	***—***
0.7% bonds, due March 29, 2013	**1,100**	—	***11,823***
2.0% bonds, due June 3, 2011	**10,000**	10,000	***107,481***
2.3% bonds, due June 5, 2012	**5,000**	5,000	***53,740***
0.7% to 5.0% loans from Japanese banks, insurance companies and trading companies due on various dates through 2023	**128,466**	79,320	***1,380,760***
	160,305	103,379	***1,722,968***
Less: Current portion included in current liabilities	**(52,846)**	(33,221)	***(567,992)***
	¥ **107,459**	¥ 70,158	***$1,154,976***

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

Year ended March 31,	Japanese Yen (millions)	U.S. Dollars (thousands)
2011	¥ 52,846	*$ 567,992*
2012	36,244	*389,553*
2013	28,168	*302,751*
2014	20,822	*223,796*
2015 and thereafter	22,225	*238,876*
	¥ 160,305	*$ 1,722,968*

7. Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at the Company and its consolidated subsidiaries as of March 31, 2010 was as follows : —

	Japanese Yen (millions)	U.S. Dollars (thousands)
Total overdraft facilities and lending commitments	¥ 39,247	*$ 421,829*
Less amounts currently executed	4,493	*48,291*
Unexecuted balance	¥ 34,754	*$ 373,538*

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 the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 25, 2010, the shareholders approved cash dividends amounting to ¥4,144 million (*$44,540 thousand*). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2010. 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. Diluted net income per share is not presented since the Company has no securities with dilutive effect. Cash dividends per share represent the cash dividends declared applicable to the respective year.

9. Liability for Severance and Retirement Benefits

The liabilities for severance and retirement benefits for employees included in the liability section of the consolidated balance sheets as of March 31, 2010 and 2009 consisted of the following : —

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	***2010***
Projected benefit obligation	¥ **58,098**	¥ 60,065	***$ 624,441***
Less fair value of pension assets	**(2,145)**	(2,084)	***(23,055)***
Less fair value of trust for employees' retirement benefit	**(42,597)**	(32,737)	***(457,835)***
Unrecognized prior service costs	**(2)**	2	***(21)***
Unrecognized actuarial differences	**(4,421)**	(12,271)	***(47,517)***
Less unrecognized net transition obligation	**(9,786)**	(11,750)	***(105,181)***
Prepaid pension costs	**4,468**	2,371	***48,022***
Liability for severance and retirement benefits for employees	¥ **3,615**	¥ 3,596	***$ 38,854***

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

Severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2010 and 2009 were comprised of the following : —

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	***2010***
Service costs – benefits earned during the year	¥ **2,545**	¥ 2,539	***$ 27,354***
Interest costs on projected benefit obligation	**1,096**	1,185	***11,780***
Expected return on pension assets	**(3)**	(3)	***(32)***
Amortization of prior service cost	**0**	348	***0***
Amortization of actuarial differences	**(301)**	(3,512)	***(3,235)***
Amortization of net transition obligation	**1,964**	1,964	***21,109***
Contribution to the defined contribution pension plans	**30**	29	***322***
Severance and retirement benefit expenses	¥ **5,331**	¥ 2,550	***$ 57,298***

The severance and retirement benefit expenses of the consolidated subsidiaries that have adopted simpler method are included in "service costs – benefits earned during the year".

The discount rate used for the years ended March 31, 2010 and 2009 was 2.0%. The estimated amounts of all retirement benefits to be paid at the future retirement date are allocated equally to each service year using the estimated number of total service years.

10. Income Taxes

The Company and its consolidated domestic subsidiaries are subject to a number of income taxes, which, in the aggregate, indicate a statutory rate in Japan of approximately 41% for the years ended March 31, 2010 and 2009.

Since the effective tax rate for consolidated financial statement purposes for the year ended March 31, 2010 and 2009 differed from the statutory tax rate by less than 5%, disclosure of reconciliation between these tax rates is omitted.

Significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows : —

	Japanese Yen (millions)		U.S. Dollars (*thousands*)
	2010	2009	***2010***
Deferred tax assets :			
Retirement benefits	**¥ 10,464**	¥ 10,656	***$ 112,468***
Unrealized inter-company profit	**9,413**	8,786	***101,171***
Tax loss carry forward	**4,876**	5,985	***52,407***
Losses on reevaluation of inventories	**4,641**	5,347	***49,882***
Accrued expenses	**3,990**	3,475	***42,885***
Provision for product warranty	**2,592**	2,974	***27,859***
Allowance for doubtful receivables	**1,847**	1,332	***19,852***
Provision for losses on construction contracts	**1,569**	1,998	***16,864***
Loss on impairment of fixed assets	**1,221**	276	***13,123***
Losses on reevaluation of marketable and investment securities	**1,069**	1,010	***11,490***
Losses on progress basis contract	**—**	305	***—***
Others	**5,096**	2,506	***54,772***
Total deferred tax assets	**46,778**	44,650	***502,773***
Valuation allowance	**(7,014)**	(6,286)	***(75,387)***
Net deferred tax assets	**39,764**	38,364	***427,386***
Deferred tax liabilities :			
Net unrealized holding gains on securities	**(3,210)**	(670)	***(34,501)***
Accelerated depreciation on fixed assets	**(1,227)**	(1,410)	***(13,188)***
Unrealized losses on hedging derivatives	**—**	(148)	***—***
Reserve for advanced depreciation of noncurrent assets	**(1,475)**	(444)	***(15,854)***
Reserve for special account for advanced depreciation of noncurrent assets	**(471)**	(1,692)	***(5,062)***
Others	**(513)**	(428)	***(5,514)***
Total deferred tax liabilities	**(6,896)**	(4,792)	***(74,119)***
Net deferred tax assets	**¥ 32,868**	¥ 33,572	***$ 353,267***

11. Commitments and Contingent Liabilities

Under the capital expenditure program as of March 31, 2010, it is estimated that expenditure of approximately ¥9,450 million (*$101,569 thousand*) will be made during the period ending March 31, 2011.

As of March 31, 2010 and 2009 the Company and its consolidated subsidiaries were contingently liable for the following : —

	Japanese Yen (millions)		U.S. Dollars (*thousands*)
	2010	2009	***2010***
Guarantees of bank loans and other indebtedness	**¥ 73,242**	¥ 49,674	***$ 787,210***
Guarantees of currency swap transactions	**(9,402)**	(9,617)	***(101,053)***
Trade notes receivable discounted	**—**	300	***—***

12. Losses on Impairment on fixed assets

The Company and its consolidated subsidiaries adopted the accounting standard for impairment of fixed assets. The loss on impairment of fixed assets for the year ended March 31, 2010 and 2009 were comprised of the following.

2010

Location : Indonesia
Major use : FPSO
Asset category : Machinery ,equipment and vehicles
Amount : ¥2,701 million (*$29,030 thousand*)

Location : Oita City, Oita Prefecture, etc.
Major use : Idle assets
Asset category : Land etc.
Amount : ¥2,498 million (*$26,849 thousand*)

Location : Edogawa City, Tokyo etc.
Major use : Business assets
Asset category : Intangible asset etc.
Amount : ¥632 million (*$6,793 thousand*)

2009

Location : Oita City, Oita Prefecture,
Major use : Idle assets
Asset category : Land
Amount : 218 million

The Company and its consolidated subsidiaries have grouped their fixed assets into industry segments. Idle fixed assets are assessed individually. In addition, FPSO / FSOs (Machinery, equipment and vehicles), which are considered the smallest independent cash generating units, are grouped by individual assets.

ELANG EPS PTE LTD. ("EEPL"), a consolidated overseas subsidiary, owns FPSO MODEC Venture 1("MV1").After termination of first charter contract for MV1, EEPL stopped the operation temporarily and continued to maintain MV1 for a new charter contract. However, since the possibility of having a new charter contract is being lower and maintenance cost of MV1 is expected to be increasing, EEPL has concluded to have a plan to scrap MV1. In relation to that, EEPL has impaired the book value of MV1 up to recoverable amount and recognized the impairment loss of ¥2,701 million(*$ 29,030 thousand*).

The recoverable amount for this asset group was measured based on net sales price.
Because the market value of some idle assets declined, the Company and its consolidated subsidiaries reduced the book value of such assets to recoverable amounts. The recoverable amounts of idle assets are their net realizable values based on amounts determined by valuations made in accordance with publicly-assessed land values.

13. Leases

(a) Lessee

i) Unexpired lease payments of operating lease transactions as of March 31, 2010 and 2009 were as follows : —

	Japanese Yen (millions)		U.S. Dollars (*thousands*)
	2010	2009	***2010***
Due within one year	**¥ 1,522**	¥ 1,479	***$ 16,358***
Due after one year	**3,578**	4,600	***38,457***
Total	**¥ 5,100**	¥ 6,079	***$ 54,815***

(b) Lessor

i) Future lease receivables : —

	Japanese Yen (millions)		U.S. Dollars (*thousands*)
	2010	2009	***2010***
Due within one year	**¥ 964**	¥ 1,163	***$ 10,361***
Due after one year	**3,172**	4,136	***34,093***
Total	**¥ 4,136**	¥ 5,299	***$ 44,454***

Future lease receivables are computed using the inclusive-of-interest method.

ii) Breakdown of lease investment assets

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2010	2009	***2010***
Lease payments receivable	**¥ 221**	¥ 379	***$ 2,376***
The residual value	**3**	4	***32***
The amount of receipt interest equivalency	**(4)**	(8)	***(43)***
Lease investment assets	**¥ 220**	¥ 375	***$ 2,365***

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

Year ended March 31,	Japanese Yen (millions)	U.S. Dollars (thousands)
2011	¥ 87	*$ 936*
2012	64	*688*
2013	53	*570*
2014	10	*107*
2015 and thereafter	6	*64*
	¥ 220	*$ 2,365*

14. Financial Instruments

(a) Articles concerning status of financial instruments

i) Policies for financial instruments

As to operating funds, the Company and its consolidated subsidiaries adopt only short-term financial instruments. The Company and its consolidated subsidiaries transfer funds each other through Inter-company CMS (Cash Management System).

As to raising funds, the Company and its consolidated subsidiaries have the policy of procuring bank-loans or issuance of CP (Commercial paper) for short-term working funds and long-term investments are furled by bank-loans and issuance of bonds. As to derivative financial instruments, the Company and its consolidated subsidiaries utilize them not for speculation but for hedging purposes only.

ii) Substances and risks of financial instruments

Trade and other receivables are exposed to credit risks of customers. Foreign currency trade and other receivables of the Company and its certain consolidated subsidiaries are exposed to currency fluctuation risks, forward foreign exchange contracts are applied to these hedged items in principle. Investments securities, mainly of the companies with business relationships, are exposed to market fluctuation risks. Short-term and long-term loans that are granted to cater the affiliated companies mainly established to accomplish charter project of FPSO or generating electricity, are exposed to credit risks from their customers.

Almost of the trade payables are due within one year. Trade payables, foreign currency arising from overseas procurement of materials are exposed to currency fluctuation risks, but these trade payables are controlled not to exceed trade receivables in the same foreign currencies.

Short-term borrowings are mainly for the purpose of raising funds for commercial transaction. Long-term loan payable, bonds, and lease obligations are mainly for the purpose of raising funds for investment in plant and equipment and whose longest due date is 14 years after fiscal year end. What items are exposed to interest rate risks, interest rate swap contracts are applied to these hedged items.

Derivative transactions are forward foreign exchange contracts made for the purpose of hedging currency fluctuation risks arising from foreign currency receivables and payables, interest rate swap contracts for the purpose of hedging interest rate risks arising from short-term borrowings, long-term loan payable and bonds.

As to hedging derivative financial instruments used and items hedged, hedging policy, method of evaluating the effectiveness of hedging, which are described in the corresponding pages. (Please see 1. Significant Accounting and Reporting Policies (e) Derivative Transaction and Hedge Accounting)

iii) Managing of financial instruments

a) The Company and its consolidated subsidiaries are subject to internal regulations for management of trade receivables, endeavor to research the credit standings and recognize early signs of deteriorations of financial status of main customers to reduce default risks at regular intervals. Some of the consolidated subsidiaries reduce the share of risks by making project finance or by the cooperation with business partners like general trading companies.
As to derivative transactions, the Company and its consolidated subsidiaries deal solely with top-ranked financial institutions so as to minimize credit risks.

b) Management of market risks (Exchange rate or interest rate fluctuation risks)
The Company and its some consolidated 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 loan payable and bonds.
As to investment securities, the Company and its consolidated subsidiaries endeavor to research fair market value and regularly check to grasp financial status of important customers, and continuously examine whether holding position is proper or not while taking market conditions or relationships with the issuing company into consideration.
The Company and its consolidated subsidiaries are subject to the internal regulations for derivatives, which stipulate the policy, objective, scope, organization, procedures and so on. As to derivative transactions, the Company and its consolidated subsidiaries utilize them only for the purpose of offsetting risks arising from receivables and payables on consolidated financial statements, so the market risks are slight.

c) Management of liquidity risks of raising funds (Default risks)
Finance department of the Company and its consolidated subsidiaries make finance plan and update it and keep liquidity risks at certain level.

iv) 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 in case of precondition significant changes because it depends on estimating process which is based on certain precondition.

As to the contracts amount of derivative transactions of following "2. Articles concerning fair value of financial instruments", the amounts don't show the market risks of derivatives.

(b) Articles concerning fair value of financial instruments

Consolidated balance sheets amounts and fair value of financial instruments, the difference between for the year ended March 31, 2010 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	¥ 71,321	¥ 71,321	¥ —
(2) Trade and other receivables	215,756		
Less allowance for doubtful receivables *1	(2,422)		
	213,334	213,322	(12)
(3) Short-term loans	49,042	49,042	—
(4) Investments securities			
Available-for-sale securities	29,394	29,394	—
Stocks of affiliates	2,748	3,017	269
(5) Long-term loans	17,186		
Less allowance for doubtful receivables *1	(5)		
	17,181	17,203	22
Assets total	¥ 383,020	¥ 383,299	¥ 279
(1) Trade payables	¥ 166,516	¥ 166,516	¥ —
(2) Short-term borrowings	37,474	37,474	—
(3) Current portion of long-term loan payable	52,616	52,619	3
(4) Current portion of bonds	230	230	0
(5) Accrued income taxes	11,420	11,420	—
(6) Bonds	16,050	16,248	198
(7) Long-term loan payable	91,409	91,552	143
Liabilities total	¥ 375,715	¥ 376,059	¥ 344
Derivative transactions *2			
i Derivative transactions for which hedge accounting has not been applied	¥ 73	¥ 73	¥ —
ii Derivative transactions for which hedge accounting has been applied	(2,488)	(2,488)	—
Derivative transactions total	¥ (2,415)	¥ (2,415)	¥ —

	U.S. dollars (thousands)		
	Book value	Fair value	Differences
(1) Cash and time deposits	*$ 766,563*	*$ 766,563*	*$ —*
(2) Trade and other receivables	*2,318,960*		
*Less allowance for doubtful receivables *1*	*(26,032)*		
	2,292,928	*2,292,799*	*(129)*
(3) Short-term loans	*527,107*	*527,107*	*—*
(4) Investments securities			
Available-for-sale securities	*315,928*	*315,928*	*—*
Stocks of affiliates	*29,536*	*32,427*	*2,891*
(5) Long-term loans	*184,716*		
*Less allowance for doubtful receivables *1*	*(54)*		
	184,662	*184,899*	*237*
Assets total	*$ 4,116,724*	*$ 4,119,723*	*$ 2,999*
(1) Trade payables	*$ 1,789,725*	*$ 1,789,725*	*$ —*
(2) Short-term borrowings	*402,773*	*402,773*	*—*
(3) Current portion of long-term loan payable	*565,520*	*565,552*	*32*
(4) Current portion of bonds	*2,472*	*2,472*	*0*
(5) Accrued income taxes	*122,743*	*122,743*	*—*
(6) Bonds	*172,506*	*174,635*	*2,129*
(7) Long-term loan payable	*982,470*	*984,007*	*1,537*
Liabilities total	*$ 4,038,209*	*$ 4,041,907*	*$ 3,698*
*Derivative transactions *2*			
i Derivative transactions for which hedge accounting has not been applied	*$ 785*	*$ 785*	*$ —*
ii Derivative transactions for which hedge accounting has been applied	*(26,742)*	*(26,742)*	*—*
Derivative transactions total	*$ (25,957)*	*$ (25,957)*	*$ —*

*1 Allowance for doubtful receivables 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 are stated at the balance sheet amounts because they are considered to be close to the balance sheet amounts because these accounts are settled in short-term.
(2) Trade and other receivables
Fair value of these accounts are 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 are based on available market price. Securities held by intent which are described in the corresponding pages.
(Please see 2. Marketable Securities and Investment Securities)
(5) Long-term loans
Fair value of these accounts are stated at the present value using future cash flows discounted by the premium-added rate on the proper index like yield on the government bonds.

Liabilities
(1) Trade payables, (5) Accrued income taxes
Fair value of these accounts are stated at the balance sheet amounts because they are considered to be close to the balance sheet amounts because these accounts are settled in short-term.
(2) Short-term borrowings, (3) Current portion of long-term loan payable , (7) Long-term loan payable
Fair value of the borrowings of fixed interest rate are calculated using total amount of the principal and interest discounted by interest rate on condition that the borrowing would be newly executed at the date of fair value evaluation.
Fair value of long-term loan payable of variable interest rate are stated at the balance sheet amounts because they are considered to be close to the balance sheet amounts because variable interest rate reflects latest market conditions and credit standings of the Company considered to be almost same as before.

(4) Current portion of corporate bond, (6) Bonds
These fair value consist of both the fair value based on fair market value and the present value using total amount of the principal and interest discounted by non-risk rate over residual term of each bond.

Derivative transactions
Please see 15. Derivative Transactions of the Company and its Consolidated Subsidiaries

(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*
(1) Unlisted equity securities	¥ 18,564	*$ 199,527*
(2) Bonds	504	*5,417*
Total	¥ 19,068	*$ 204,944*

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 Available-for-sale 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 consolidated fiscal year-end 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	¥ 71,321	¥ —	¥ —	¥ —
Trade and other receivables	212,712	3,044	—	—
Short-term loans	49,042	—	—	—
Investments securities				
Available-for-sale securities	—	502	—	—
Long-term loans	—	5,724	11,438	24
Total	¥ 333,075	¥ 9,270	¥ 11,438	¥ 24

	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	*$ 766,563*	*$ —*	*$ —*	*$ —*
Trade and other receivables	*2,286,243*	*32,717*	*—*	*—*
Short-term loans	*527,107*	*—*	*—*	*—*
Investments securities				
Available-for-sale securities	*—*	*5,396*	*—*	*—*
Long-term loans	*—*	*61,522*	*122,936*	*258*
Total	*$ 3,579,913*	*$ 99,635*	*$ 122,936*	*$ 258*

(note 4) As to the expected redemption amount of bonds and long-term loan payable after consolidated fiscal year-end, Please see 6. Long-Term Indebtedness.

(Additional information)
Effective from the year ended March 31, 2010, the Company and the consolidated domestic subsidiaries adopted the revised accounting standard, "Accounting Standard for Financial Instruments" (Statement No.10 issued by the Accounting Standards Board of Japan on March 10, 2008) and, "Implementation guidance on Disclosures about Fair Value of Financial Instruments" (Guidance No.19 issued by the Accounting Standards Board of Japan on March 10, 2008).

15. Derivative Transactions of the Company and its Consolidated Subsidiaries

The Company and its consolidated subsidiaries utilize forward foreign exchange contracts in order to hedge currency fluctuation risks arising from export of products in addition to hedging through increases in overseas production and overseas procurement of materials.

The Company and its consolidated subsidiaries also utilize interest rate swaps as derivative transactions in order to hedge interest rate risks of available bonds and loans payable.

As the derivative transactions are made solely with leading financial institutions, the Company and its consolidated subsidiaries do not expect any credit risks.

The Company and its consolidated domestic subsidiaries are subject to the internal regulations for derivatives, which stipulate the policy, objective, scope, organization, procedures, and financial institutions to deal with, and have a reporting system for derivative transactions reflecting proper internal control functions.

The following summarizes hedging derivative financial instruments used and items hedged :

Hedging instruments :	Hedged items :
Forward foreign exchange contracts	Foreign currency receivables and payables including future transactions
Currency swap contracts	Foreign currency receivables and payables
Interest rate swap contracts	Loans and bonds payables

The Company and its consolidated subsidiaries evaluate hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items with the corresponding changes in the hedging derivative instruments.

The following tables summarize market value information as of March 31, 2010 and 2009 of derivative transactions :

2010

1. Derivative transactions for which hedge accounting has not been applied

	Japanese Yen (millions)			
	Contract amount		Market value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Forward contracts				
To buy Singapore dollars	¥ 350	¥ —	¥ 355	¥ 5
STG pounds	467	—	469	2
To sell U.S.dollars	10,991	—	11,303	(312)
Japanese yen	194	—	185	9
Currency swap				
Japanese yen receipt , U.S. dollars payment	5,700	5,000	431	431
	¥ 17,702	¥ 5,000	¥ 12,743	¥ 135
Interest swap				
To receive float,pay fix	¥ 2,282	¥ 2,282	¥ (63)	¥ (63)
	¥ 2,282	¥ 2,282	¥ (63)	¥ (63)

	US dollars (thousands)			
	Contract amount		*Market value*	*Unrealized gain (loss)*
	Total	*Due after one year*		
Currency related derivatives				
Forward contracts				
To buy Singapore dollars	*$ 3,762*	*$ —*	*$ 3,816*	*$ 54*
STG pounds	*5,019*	*—*	*5,041*	*22*
To sell U.S.dollars	*118,132*	*—*	*121,485*	*(3,353)*
Japanese yen	*2,085*	*—*	*1,989*	*96*
Currency swap				
Japanese yen receipt , U.S. dollars payment	*61,264*	*53,740*	*4,632*	*4,632*
	$ 190,262	*$ 53,740*	*$ 136,963*	*$ 1,451*
Interest swap				
To receive float,pay fix	*$ 24,527*	*$ 24,527*	*$ (677)*	*$ (677)*
	$ 24,527	*$ 24,527*	*$ (677)*	*$ (677)*

2. Derivative transactions for which hedge accounting has been applied

		Japanese Yen (millions)		
		Contract amount		Market value
	Hedged items	Total	Due after one year	
Currency related derivatives				
Forward contracts				
To buy U.S.dollars	Trade payables	¥ 3,763	¥ 2,007	¥ 3,725
Euro		4,342	108	4,282
STG pounds		72	—	58
Danish krone		59	—	59
Singapore dollars		2,253	—	2,282
Norwegian krone		87	—	86
To sell U.S.dollars	Trade receivables	10,428	—	10,462
Euro		1,762	—	1,834
Currency option contract				
Buying ; Call option	Costs	1,782	—	17
Selling ; Put option		1,671	—	(62)
Currency option contract				
Call option Put option	Costs	381	—	(6)
		¥ 26,600	¥ 2,115	¥ 22,737
Interest swap				
Basic treatment : To receive float,pay fix	Long-term loan payable	¥ 34,766	¥ 1,800	¥ (1,747)
Exceptional treatment : To receive float,pay fix	Short-term borrowing , Long-term loan payable	32,778	17,060	(500)
		¥ 67,544	¥ 18,860	¥ (2,247)

		US dollars (thousands)		
		Contract amount		*Market value*
	Hedged items	*Total*	*Due after one year*	
Currency related derivatives				
Forward contracts				
To buy U.S.dollars	*Trade payables*	*$ 40,445*	*$ 21,571*	*$ 40,037*
Euro		*46,668*	*1,161*	*46,023*
STG pounds		*774*	*—*	*623*
Danish krone		*634*	*—*	*634*
Singapore dollars		*24,216*	*—*	*24,527*
Norwegian krone		*935*	*—*	*924*
To sell U.S.dollars	*Trade receivables*	*112,081*	*—*	*112,446*
Euro		*18,938*	*—*	*19,712*
Currency option contract				
Buying ; Call option	*Costs*	*19,153*	*—*	*183*
Selling ; Put option		*17,960*	*—*	*(666)*
Currency option contract				
Call option Put option	*Costs*	*4,095*	*—*	*(64)*
		$ 285,899	*$ 22,732*	*$ 244,379*
Interest swap				
Basic treatment : To receive float,pay fix	*Long-term loan payable*	*$ 373,667*	*$ 19,347*	*$ (18,777)*
Exceptional treatment : To receive float,pay fix	*Short-term borrowing , Long-term loan payable*	*352,300*	*183,362*	*(5,374)*
		$ 725,967	*$ 202,709*	*$ (24,151)*

2009

The following tables summarize market value information as of March 31, 2009 of derivative transactions for which hedge accounting has not been applied

	Japanese Yen (millions)			
	Notional amount		Market value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives :				
Forward contracts :				
To buy Singapore dollars	¥ 16,216	¥ 3,724	¥ 16,117	¥ (99)
U.S. dollars	4,212	—	4,182	(30)
Norwegian krone	1,079	—	1,067	(12)
Euro	12	—	12	(0)
To sell U.S. dollars	10,147	—	9,477	670
Currency option contract				
Buying ; Call option	3,803	219	54	54
Selling ; Put option	1,901	109	(304)	(304)
	¥ 37,370	¥ 4,052	¥ 30,605	¥ 279
Interest rate swap				
To receive float, pay fix	¥ 391	¥ 391	¥ (19)	¥ (19)
	¥ 391	¥ 391	¥ (19)	¥ (19)

16. Segment Information

The Company and its consolidated subsidiaries are classified into five segments: Ships, Steel structures/construction, Machinery, Plants and Others.

Ships : This division builds and repairs various types of ships and offshore development equipment; Bulk carriers, Ore carriers, Crude oil tankers, LNG carriers, Reefers, Containers carriers, Naval ships, Patrol vessels, Research vessels, Training vessels, Work vessels, Floating Production, Storage and Offloading systems (FPSOs), Unmanned underwater vehicles (ROVs, AUVs), and other ships.

Steel structures/construction : This division builds Bridges, Building steel frames, Storage tanks, Hybrid floating structures, Container cranes, Container terminal management systems and others.

Machinery : This division manufactures Marine and land diesel engines, Diesel power plants, Gas turbine co-generation systems, Gas engines, Boilers, Process compressors, Steam turbine generators, BF top pressure recovery turbine generators, Towers and Vessels, Heat exchangers, Induction heaters, related machineries for semiconductor and liquid crystal and other machineries.

Plants : This division undertakes all kinds of services of engineering, manufacturing, procurement, construction, operation and maintenance for Petrochemical plants, Chemical fiber plants, Synthetic resin plants, Oil refining plants, Inorganic and fertilizer plants, Garbage disposal plants, Water treatment plants, Flue gas treatment plants, Resources recycling plants, Nuclear fuel cycle, Spent fuel casks and other plants.

Others : This division undertakes IT-related activities and others.

Industry segment information for the years ended March 31, 2009 and 2008 were as follows : —

2010 :	Japanese Yen (millions)							
	Ships	Steel structures/ construction	Machinery	Plants	Others	Total	Corporate and Elimination	Consolidated
Net Sales :								
Outside customers	**¥429,521**	**¥ 65,857**	**¥183,257**	**¥ 68,390**	**¥ 18,964**	**¥765,989**	**¥ —**	**¥765,989**
Inter segment	**333**	**1,032**	**13,342**	**311**	**2,128**	**17,146**	**(17,146)**	**—**
Total	**429,854**	**66,889**	**196,599**	**68,701**	**21,092**	**783,135**	**(17,146)**	**765,989**
Operating expenses	**417,358**	**62,130**	**170,739**	**69,797**	**20,056**	**740,080**	**(17,092)**	**722,988**
Operating income (loss)	**¥ 12,496**	**¥ 4,759**	**¥ 25,860**	**¥ (1,096)**	**¥ 1,036**	**¥ 43,055**	**¥ (54)**	**¥ 43,001**
Assets	**¥326,065**	**¥ 47,148**	**¥142,781**	**¥ 28,591**	**¥ 46,437**	**¥591,022**	**¥151,838**	**¥742,860**
Depreciation	**¥ 5,927**	**¥ 1,199**	**¥ 4,729**	**¥ 374**	**¥ 1,121**	**¥ 13,350**	**¥ 1,388**	**¥ 14,738**
Losses on impairment of property, plant and equipment	**¥ 2,701**	**—**	**¥ 860**	**¥ 631**	**—**	**¥ 4,192**	**¥ 1,639**	**¥ 5,831**
Capital expenditure	**¥ 14,718**	**¥ 769**	**¥ 3,154**	**¥ 635**	**¥ 1,502**	**¥ 20,778**	**¥ 57**	**¥ 20,835**

2009 :	Japanese Yen (millions)							
	Ships	Steel structures/ construction	Machinery	Plants	Others	Total	Corporate and Elimination	Consolidated
Net Sales :								
Outside customers	¥310,860	¥ 59,878	¥197,041	¥ 96,503	¥ 22,374	¥686,656	¥ —	¥686,656
Inter segment	377	1,005	8,168	1,105	1,688	12,343	(12,343)	—
Total	311,237	60,883	205,209	97,608	24,062	698,999	(12,343)	686,656
Operating expenses	307,827	58,241	183,856	100,334	21,846	672,104	(12,302)	659,802
Operating income (loss)	¥ 3,410	¥ 2,642	¥ 21,353	¥ (2,726)	¥ 2,216	¥ 26,895	¥ (41)	¥ 26,854
Assets	¥310,295	¥ 54,056	¥153,353	¥ 33,206	¥ 50,412	¥601,322	¥137,980	¥739,302
Depreciation	¥ 5,697	¥ 969	¥ 4,444	¥ 330	¥ 1,127	¥ 12,567	¥ 1,125	¥ 13,692
Losses on impairment of property, plant and equipment	—	—	—	—	—	—	¥ 218	¥ 218
Capital expenditure	¥ 8,593	¥ 1,934	¥ 4,534	¥ 385	¥ 55	¥ 15,501	¥ 2,766	¥ 18,267

2010 :	*U.S. Dollars (thousands)*							
	Ships	*Steel structures/ construction*	*Machinery*	*Plants*	*Others*	*Total*	*Corporate and Elimination*	*Consolidated*
Net Sales :								
Outside customers	***$4,616,520***	***$ 707,835***	***$1,969,658***	***$ 735,060***	***$ 203,827***	***$8,232,900***	***$ —***	***$8,232,900***
Inter segment	***3,579***	***11,092***	***143,401***	***3,343***	***22,871***	***184,286***	***(184,286)***	***—***
Total	***4,620,099***	***718,927***	***2,113,059***	***738,403***	***226,698***	***8,417,186***	***(184,286)***	***8,232,900***
Operating expenses	***4,485,791***	***667,777***	***1,835,114***	***750,183***	***215,563***	***7,954,428***	***(183,706)***	***7,770,722***
Operating income (loss)	***$ 134,308***	***$ 51,150***	***$ 277,945***	***$ (11,780)***	***$ 11,135***	***$ 462,758***	***$ (580)***	***$ 462,178***
Assets	***$3,504,568***	***$ 506,750***	***$1,534,620***	***$ 307,298***	***$ 499,107***	***$6,352,343***	***$1,631,965***	***$7,984,308***
Depreciation	***$ 63,704***	***$ 12,887***	***$ 50,828***	***$ 4,020***	***$ 12,048***	***$ 143,487***	***$ 14,918***	***$ 158,405***
Losses on impairment of property, plant and equipment	***$ 29,031***	***—***	***$ 9,243***	***$ 6,782***	***—***	***$ 45,056***	***$ 17,616***	***$ 62,672***
Capital expenditure	***$ 158,190***	***$ 8,265***	***$ 33,899***	***$ 6,825***	***$ 16,144***	***$ 223,323***	***$ 613***	***$ 223,936***

(Change of Accounting Policy)

Until the year ended March 31, 2009, the Company and the consolidated domestic subsidiaries had recognized primarily revenues and costs of sales on long-term contracts of a duration in excess of one year and an amount in excess of ¥1 billion by the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total construction costs, and had recognized revenues and costs of sales on other than above contracts by the completed-contracts method.

Effective from the year ended March 31, 2010, the Company and the consolidated domestic subsidiaries adopted the new accounting standard, “Accounting Standard for Construction Contracts” (Statement No.15 issued by the Accounting Standards Board of Japan on December 27, 2007) and , “Guidance on Accounting Standard for Construction Contracts” (Guidance No.18 issued by the Accounting Standards Board of Japan on December 27, 2007).

Revenues and costs of sales on the construction of its certainty of achievement on the progressed portion until the fiscal year end can be recognized by the percentage-of-completion method (the progress of work is measured by the percentage of cost method). Revenues and costs of sales on the construction other than above are recognized by the completed-contract method.The impact on each segment was as follows.

2010 :	Japanese Yen (millions)							
	Ships	Steel structures/ construction	Machinery	Plants	Others	Total	Corporate and Elimination	Consolidated
Increase of Net sales	**¥ 54,260**	**¥ 1,181**	**—**	**¥ 100**	**¥ 101**	**¥ 55,642**	**—**	**¥ 55,642**
Increase Operating Income	**5,166**	**101**	**—**	**12**	**2**	**5,281**	**—**	**5,281**

2009 :	*U.S. Dollars (thousands)*							
	Ships	*Steel structures/ construction*	*Machinery*	*Plants*	*Others*	*Total*	*Corporate and Elimination*	*Consolidated*
Increase of Net sales	***$583,190***	***$ 12,693***	***—***	***$ 1,075***	***$ 1,086***	***$598,044***	***—***	***$598,044***
Increase Operating Income	***55,525***	***1,086***	***—***	***129***	***21***	***56,761***	***—***	***56,761***

Geographical segment information by area for the years ended March 31, 2010 and 2009 were as follows : —

2010 :	Japanese Yen (millions)							
	Japan	Asia	Europe	North America	Others	Total	Corporate and Elimination	Consolidated
Net Sales :								
Outside customers	**¥533,605**	**¥ 17,256**	**¥ 83,268**	**¥128,660**	**¥ 3,200**	**¥765,989**	**¥ —**	**¥765,989**
Inter segment	**25,066**	**3,678**	**981**	**53,564**	**1,693**	**84,982**	**(84,982)**	**—**
Total	**558,671**	**20,934**	**84,249**	**182,224**	**4,893**	**850,971**	**(84,982)**	**765,989**
Operating expenses	**522,760**	**20,315**	**81,073**	**179,668**	**4,788**	**808,604**	**(85,616)**	**722,988**
Operating income (loss)	**¥ 35,911**	**¥ 619**	**¥ 3,176**	**¥ 2,556**	**¥ 105**	**¥ 42,367**	**¥ 634**	**¥ 43,001**
Assets	**¥456,882**	**¥ 14,509**	**¥ 64,776**	**¥ 84,043**	**¥ 22,571**	**¥642,781**	**¥100,079**	**¥742,860**

2009 :	Japanese Yen (millions)							
	Japan	Asia	Europe	North America	Others	Total	Corporate and Elimination	Consolidated
Net Sales :								
Outside customers	¥531,804	¥ 20,849	¥ 38,417	¥ 92,898	¥ 2,688	¥686,656	¥ —	¥686,656
Inter segment	12,240	2,356	1,024	6,925	1,651	24,196	(24,196)	—
Total	544,044	23,205	39,441	99,823	4,339	710,852	(24,196)	686,656
Operating expenses	521,232	22,043	36,315	99,944	3,934	683,468	(23,666)	659,802
Operating income	¥ 22,812	¥ 1,162	¥ 3,126	¥ (121)	¥ 405	¥ 27,384	¥ (530)	¥ 26,854
Assets	¥510,056	¥ 17,151	¥ 20,777	¥ 66,539	¥ 10,608	¥625,131	¥114,171	¥739,302

2010 :	*U.S. Dollars (thousands)*							
	Japan	*Asia*	*Europe*	*North America*	*Others*	*Total*	*Corporate and Elimination*	*Consolidated*
Net Sales :								
Outside customers	***$5,735,221***	***$ 185,469***	***$ 894,970***	***$1,382,846***	***$ 34,394***	***$8,232,900***	***$ —***	***$8,232,900***
Inter segment	***269,411***	***39,531***	***10,544***	***575,709***	***18,197***	***913,392***	***(913,392)***	***—***
Total	***6,004,632***	***225,000***	***905,514***	***1,958,555***	***52,591***	***9,146,292***	***(913,392)***	***8,232,900***
Operating expenses	***5,618,659***	***218,347***	***871,378***	***1,931,083***	***51,462***	***8,690,929***	***(920,207)***	***7,770,722***
Operating income	***$ 385,973***	***$ 6,653***	***$ 34,136***	***$ 27,472***	***$ 1,129***	***$ 455,363***	***$ 6,815***	***$ 462,178***
Assets	***$4,910,597***	***$ 155,944***	***$ 696,217***	***$ 903,300***	***$ 242,594***	***$6,908,652***	***$1,075,656***	***$7,984,308***

(Change of Accounting Policy)

Until the year ended March 31, 2009, the Company and the consolidated domestic subsidiaries had recognized primarily revenues and costs of sales on long-term contracts of a duration in excess of one year and an amount in excess of ¥1 billion by the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total construction costs, and had recognized revenues and costs of sales on other than above contracts by the completed-contracts method.

Effective from the year ended March 31, 2010, the Company and the consolidated domestic subsidiaries adopted the new accounting standard, “Accounting Standard for Construction Contracts” (Statement No.15 issued by the Accounting Standards Board of Japan on December 27, 2007) and , “Guidance on Accounting Standard for Construction Contracts” (Guidance No.18 issued by the Accounting Standards Board of Japan on December 27, 2007).

Revenues and costs of sales on the construction of its certainty of achievement on the progressed portion until the fiscal year end can be recognized by the percentage-of-completion method (the progress of work is measured by the percentage of cost method). Revenues and costs of sales on the construction other than above are recognized by the completed-contract method. According to this change, Net sales increased by ¥55,642million (*$598,044thousand*), Operating Income increased by ¥5,281 million (*$56,761 thousand*) on the Japan segment.

The overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 were as follows : —

2010 :	Japanese Yen (millions)					
	Asia	Middle East	Central and South America	Africa	Other	Total
Overseas net sales	**¥ 97,318**	**¥ 3,716**	**¥ 198,639**	**¥ 143,059**	**¥ 60,779**	**¥ 503,511**
Consolidated net sales						**¥ 765,989**
The ratio of consolidated net sales	**12.7%**	**0.5%**	**25.9%**	**18.7%**	**7.9%**	**65.7%**

2009 :	Japanese Yen (millions)					
	Asia	Middle East	Central and South America	Africa	Other	Total
Overseas net sales	¥ 132,926	¥ 23,723	¥ 120,992	¥ 57,587	¥ 96,359	¥ 431,587
Consolidated net sales						¥ 686,656
The ratio of consolidated net sales	19.4%	3.5%	17.6%	8.4%	14.0%	62.9%

2010 :	Japanese Yen (millions)					
	Asia	Middle East	Central and South America	Africa	Other	Total
Overseas net sales	***$1,045,980***	***$ 39,940***	***$2,134,985***	***$1,537,607***	***$ 653,257***	***$5,411,769***
Consolidated net sales						***$8,232,900***
The ratio of consolidated net sales	***12.7%***	***0.5%***	***25.9%***	***18.7%***	***7.9%***	***65.7%***

17. Investment and Rental Property

(a) Articles concerning situation of investment and rental property

The Company and certain consolidated subsidiaries own rental warehouses, offices, and houses (including land) in Tokyo, Osaka, Okayama and other areas. Also, there are idle land in Oita and other area.

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

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

	Japanese Yen (millions)			
	Book value			Fair value
Usage	Year ended March 31, 2009	Increase (Decrease)	Year ended March 31, 2010	Year ended March 31, 2010
Warehouses, offices and houses	¥ 12,057	¥ (92)	¥ 11,965	¥ 16,336
Idle assets (Land)	9,321	(1,447)	7,874	7,997
Total	¥ 21,378	¥ (1,539)	¥ 19,839	¥ 24,333

	U.S. Dollars (thousands)			
	Book value			*Fair value*
Usage	*Year ended March 31, 2009*	*Increase (Decrease)*	*Year ended March 31, 2010*	*Year ended March 31, 2010*
Warehouses, offices and houses	*$ 129,589*	*$ (989)*	*$ 128,600*	*$ 175,581*
Idle assets (Land)	*100,183*	*(15,552)*	*84,631*	*85,952*
Total	*$ 229,772*	*$ (16,541)*	*$ 213,231*	*$ 261,533*

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

(note 2) Within the movement of rental properties in this fiscal year, increase in rental properties by ¥79 million (*$849 thousand*) resulted from acquisition of properties, and decrease in rental properties by ¥1,447 million (*$15,552 thousand*) and ¥171 million (*$1,838 thousand*) resulted from impairment losses and depreciation respectively.

(note 3) Fair value of this fiscal year-end is estimated based on the "Real estate appraising standard" with adjustment using 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)
Warehouses, offices and houses	¥ 1,793	¥ 1,125	¥ 668	¥ —
Idle assets (Land)	—	121	(121)	(1,447)
Total	¥ 1,793	¥ 1,246	¥ 547	¥ (1,447)

	U.S. Dollars (thousands)			
Usage	*Rental income*	*Rental expenses*	*Difference*	*Others (Profit or Loss on sales of assets, etc)*
Warehouses, offices and houses	*$ 19,271*	*$ 12,092*	*$ 7,179*	*$ —*
Idle assets (Land)	*—*	*1,300*	*(1,300)*	*(15,552)*
Total	*$ 19,271*	*$ 13,392*	*$ 5,879*	*$ (15,552)*

(note 1) Rental expenses such as depreciation, repair, insurance and taxes are the expenses corresponding to rental income. Rental income is recognized as revenue from operations, and rental expenses are recognized as operating expenses.

(Additional information)

Effective from the year ended March 31, 2010, the Company and the consolidated domestic subsidiaries adopted the new accounting standard, "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Statement No.20 issued by the Accounting Standards Board of Japan on November 28, 2008) and "Implementation guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Guidance No.23 issued by the Accounting Standards Board of Japan on November 28, 2008).

18. Related Party Transactions

Transactions between the consolidated subsidiaries of the Company and related parties for the year ended March 31,2010 were as follows : —

Unconsolidated subsidiaries and affiliates of the Company

			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	OPPORTUNITY MV18 B.V.	Amsterdam Dutch	EURO 36,370	Charter of FPSO	Indirect 22.5%	Construction of a consolidated subsidiary of MODEC FPSO charter	Collection (Short-term) of the equipment capital	20,227	—	—
	SONG DOG MV19 B.V.	Amsterdam Dutch	EURO 40	Charter of FPSO	Indirect 25.1%	Construction of a consolidated subsidiary of MODEC FPSO charter	Collection of the equipment capital	7,629	—	—
	GAS OPPORTUNITY MV20 B.V	Amsterdam Dutch	EURO 50	Charter of FPSO	Indirect 25.1%	Construction of a consolidated subsidiary of subsidiaries MODEC FPSO charter	Guarantee Obligation	20,681	—	—
Equity method unconsolidated subsidiary	TUPI PILOT MV22 B.V.	Amsterdam Dutch	EURO 20	Charter of FPSO	Indirect 50.1%	Construction of a consolidated subsidiary of subsidiaries MODEC FPSO charter	Lending of the equipment capital	19,592	—	—
							Collection of the equipment capital	22,660	—	—
						Interlocking directors	Guarantee Obligation	45,304	—	—
							Construction of FPSO	42,947	Receivables	12,048

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
			U.S.dollars (thousands)							
Affiliate	OPPOR-TUNITY MV18 B.V.	Amsterdam Dutch	EURO 36,370	Charter of FPSO	Indirect 22.5%	Construction of a consolidated subsidiary of MODEC FPSO charter	Collection (Short-term) of the equipment capital	217,401	—	—
	SONG DOG MV19 B.V.	Amsterdam Dutch	EURO 40	Charter of FPSO	Indirect 25.1%	Construction of a consolidated subsidiary of MODEC FPSO charter	Collection of the equipment capital	81,997	—	—
	GAS OP-PORTU-NITY MV20 B.V	Amsterdam Dutch	EURO 50	Charter of FPSO	Indirect 25.1%	Construction of a consolidated subsidiary of subsidiaries MODEC FPSO charter	Guarantee Obligation	222,281	—	—
Equity method uncon-solidated subsidiary	TUPI PILOT MV22 B.V.	Amsterdam Dutch	EURO 20	Charter of FPSO	Indirect 50.1%	Construction of a consolidated subsidiary of subsidiaries MODEC FPSO charter	Lending of the equipment capital	210,576	—	—
							Collection of the equipment capital	243,551	—	—
						Interlocking directors	Guarantee Obligation	486,930	—	—
							Construction of FPSO	461,597	Receivables	129,493

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 trade is deliberately determined in consideration by each project plan.

(2)The equipment capital lending is deliberately determined in consideration by each project plan.

(3)Guarantee Obligation is deliberately determined in consideration by each project plan.

19. Subsequent Events

Subscription for shares newly issued by a consolidated subsidiary

The board of directors meeting held on February 25, 2010 decided to subscribe for shares of MODEC Inc. through a third party allotment and the payment was made on April 6, 2010.

Number of shares to be newly issued	9,000,000 shares of common stock
Number of shares to be subscribed	4,509,000 shares of common stock
Issue price	¥1,732 (*$18.62*)
Total amount	¥7,810 million (*$83,942thousands*)
Voting interest ratio after subscription for new shares	50.10 %
Voting interest ratio before subscription for new shares	50.10 %

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Mitsui Engineering & Shipbuilding Co., Ltd. ("the Company") and consolidated subsidiaries as of March 31, 2010 and 2009, the related consolidated statements of income , the consolidated statements of changes in net assets and the consolidated statements of cash flows expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

(1) As discussed in Note 1(s) to the consolidated financial statements, effective from the year ended March 31, 2009, the Company and the consolidated subsidiaries adopted the new accounting standard for the Lease Transactions,
(2) As discussed in Note 1(t) to the consolidated financial statements, effective from the year ended March 31, 2009, the Company and the consolidated subsidiaries adopted the new accounting standard for the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements, and
(3) As discussed in Note 1(c) to the consolidated financial statements, effective from the year ended March 31, 2010, the Company and the consolidated domestic subsidiaries adopted the new accounting standard for the Construction Contracts.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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.

Tokyo, Japan
June 25, 2010

KPMG AZSA & Co.
KPMG AZSA & CO.

Directors and Their Areas of Responsibility

Representative Directors

Takao Motoyama — Chairman / Representative Director

Yasuhiko Katoh — President / Representative Director

Makoto Sakurai — Vice President / Representative Director
Assists president, administers corporate management, corporate auditing, export control, CCO* and CPO*.

*Remarks CCO : Chief Compliance Officer
CPO : Chief Privacy Officer

Managing Directors

Yutaka Raijo — In charge of procurement, environment & safety control and workshop

Norio Nagata — General Manager of Ship & Ocean Project Hq.

Kazuo Masuyama — In charge of corporate planning

Ryoichi Jinkawa — General Manager of Business Development & Innovation Hq.

Takao Tanaka — General Manager of Machinery & Systems Hq.

Kazuki Yashiki — General Manager of Steel Structure & Logistic System Hq.

Shunichi Yamashita — General Manager of Plant & Environment Hq.

Directors

Toshiro Miyazaki — In charge of finance & accounting, IR and Public Relations

Masafumi Okada — General Manager of Corporate Marketing & Business Coordination Hq.

Yasuo Irie — General Manager of Research & Development Hq.

Akinori Matsuda — Deputy General Manager of Ship & Ocean Project Hq., General Manager of Chiba Works

Yoshihisa Kitajima — General Manager of Tamano Works

Takaki Yamamoto — In charge of general affairs and personnel management, General Manager of General Affairs Dept.

Corporate Auditors

Yoshiharu Saito **Makoto Yamazaki** **Kazuya Imai** **Mitsuaki Yahagi**

Network

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Fax: 1-212-308-3358

(London)
Mitsui Zosen Europe Limited
Level 16, City Tower, 40 Basinghall Street,
London EC2V 5DE, United Kingdom
Phone: 44-20-7256-7171
Fax: 44-20-7256-7272

Network

Major Subsidiary Companies & Affiliates

Domestic

Ship & Ocean Project Headquarters

MODEC, Inc.
25th Floor, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-0013
Phone : 81-3-6203-0200
Fax : 81-3-5512-1600
• Turnkey EPCI activities and lease-operate contracts for FPSOs, FSOs and TLPs

Niigata Shipbuilding & Repair, Inc.
3776, 4-chome, Irifune-cho, Niigata 951-8011
Phone : 81-25-222-6121
Fax : 81-25-223-7621
• Design, construction and repairing of ships and Manufacturing of steel structures

Shikoku Dockyard Co., Ltd.
3-23, Asahimachi 1-chome, Takamatsu, Kagawa 760-0065
Phone : 81-87-851-9021
Fax : 81-87-851-9373
• Building and repairing of ships, manufacturing of steel structures

Akishima Laboratories (Mitsui Zosen) Inc.
1-50, Tsutsujigaoka 1-chome, Akishima, Tokyo 196-0012
Phone : 81-42-545-3111
Fax : 81-42-546-3570
• Research and development of ships/ocean and advanced engineering, consulting; Manufacture and sale of related software and hardware

M.E.S. Tokki Co., Ltd.
13th Floor, Nittetsu ND Tower 5-7, Kameido 1-chome, Koto-ku, Tokyo 136-0071
Phone : 81-3-5626-7295
Fax : 81-3-5626-7298
• Designing of naval ships and their related machinery; Maintenance of training facilities for naval ships and their related machinery; Delivery of defence equipment and parts, and Business support for the Defence Agency

Sanzo Enterprise Co., Ltd.
17-8, Ginza 7-chome, Chuo-ku, Tokyo 104-0061
Phone : 81-3-3544-3795
Fax : 81-3-3544-3933
• Sale and leasing of ships and various machinery and systems

Sanzo Marine & Manufacturing Technology Inc.
1-1, Tama 3-chome, Tamano, Okayama 706-8651
Phone : 81-863-23-2675
Fax : 81-863-23-2797
• Manufacture of pipes, structures and marine parts, maintenance services for shop and facilities for machinery, manufacturing of electronic parts

MES Yura Inc.
193-13, Ajiro, Yuracho, Hidaka-gun, Wakayama 649-1112
Phone : 81-738-65-1111
Fax : 81-738-65-2054
• Repairing of ships

Mitsui Zosen Chiba Kiko Engineering Inc.
1, Yawatakaigandori, Ichihara, Chiba 290-8531
Phone : 81-436-41-5811
Fax : 81-436-43-9525
• Design, machining and assembly of hull members, steel structures, piping-related machines, maintenance services for shop and facilities for machinery

Steel Structure & Logistic Systems Headquarters

Mitsui Zosen Steel Construction Co., Ltd.
4-6, Nishikasai 8-chome, Edogawa-ku, Tokyo 134-0088
Phone : 81-3-3675-2644
Fax : 81-3-3675-2665
• Design, manufacture, assembly, installation of bridges, water gates and other steel structures, building structures, pneumatic mad/soil transportation systems, coastal structures, cranes and other material handling machinery; Investigation, inspection, diagnosis, repair, modification and supervising of the above mentioned products

DPS Bridge Works Co., Ltd.
16-6, Kitaotsuka 1-chome, Toshima-ku, Tokyo 170-0004
Phone : 81-3-3918-6171
Fax : 81-3-3915-8474
• Design, production and sale of prestressed concrete products, and general civil and architectural construction; Design, manufacturing and sale of precast products using cementitious materials and other similar works

Machinery & Systems Headquarters

Mitsui Zosen Machinery & Service, Inc.
7, Konya-cho, Kanda, Chiyoda-ku, Tokyo 101-0035
Phone : 81-3-6806-1075
Fax : 81-3-5294-1121
• Sale of highspeed diesel engines, design and production of related machinery for the above, environment, fishery, and cooling machinery

Uno Kogyo Co., Ltd.
6-1, Tamahara 3-chome, Tamano, Okayama 706-0014
Phone : 81-863-31-1422
Fax : 81-863-32-3819
• Production and sales of expansion/construction pipe joints and production of machine parts

ADMAP Inc.
16-2, Tamahara 3-chome, Tamano, Okayama 706-0014
Phone : 81-863-31-9633
Fax : 81-863-32-2078
• Manufacture and sale of silicon-carbide made semi-conductor wafer and parts for semi-conductor manufacturing equipment

MES Techno Service Co., Ltd.
1-1, Tama 3-chome, Tamano, Okayama 706-8651
Phone : 81-863-23-2391
Fax : 81-863-23-2755
• Engineering and maintenance services for diesel engine, gas turbine, rotary machinery, boiler, industrial machinery, transporter, etc.

Sanzo Manufacturing & Construction Co., Ltd.
1, Nishinosu, Oita 870-0902
Phone : 81-97-558-3339
Fax : 81-97-558-3337
• Manufacture and processing of industrial facilities, machinery and parts

Mitsui Meehanite Metal Co., Ltd.
111, Kaminokawa, Okamachi, Okazaki, Aichi 444-0005
Phone : 81-564-55-6638
Fax : 81-564-55-0369
• Production, processing, import and sale of cast goods

MES AFTY Corporation
35-2, Hyouei 2-chome, Hachioji, Tokyo 192-0918
Phone : 81-42-632-8840
Fax : 81-42-632-8841
• Manufacturing, inspection, installation and maintenance of equipments for deposition and processing of thin films related to electric and electronic devices

Plant & Environment Headquarters

Mitsui Zosen Plant Engineering Inc.
4-6, Nishikasai 8-chome, Edogawa-ku, Tokyo 134-0088
Phone : 81-3-3675-4691
Fax : 81-3-3675-4697
• Engineering and construction of plants for use in many areas

Mitsui Zosen Environment Engineering Corporation
4-6, Nishikasai 8-chome, Edogawa-ku, Tokyo 134-0088
Phone : 81-3-3675-2038
Fax : 81-3-3675-2504
• Engineering, construction, operation, repair and maintenance of environmental preservations facilities

Sanzo Yuki Recycle K. K.
45-53, Nakanuma-cho, Higashi-ku, Sapporo, Hokkaido 007-0890
Phone : 81-11-792-3310
Fax : 81-11-792-3316
• Managing of kitchen garbage recycling plant and sale of its products, cattle feed and fertilizer

Hamamatsu Green Wave Co., Ltd.
326-4, Tamachi, Naka-ku, Hamamatsu, Shizuoka 430-0944
Phone : 81-53-451-2301
Fax : 81-53-451-2302
• Operation and maintenance of garbage disposal facility with capacity of 450 tons per day and swimming facility built by Hamamatsu city

General Management Division

Mitsui Zosen System Research Inc.
3-D9, Nakase 1-chome, Mihama-ku, Chiba 261-8501
Phone : 81-43-274-6162
Fax : 81-43-274-6160
• Development and design of computer software packages and development, production and sales of computer peripherals

Sanzo Kosan Co., Ltd.
1, Yawatakaigandori, Ichihara, Chiba 290-8531
Phone : 81-436-41-2150
Fax : 81-436-41-1428
• Running of construction, sale of houses, real estate, insurance agency activities and freighting

Sanko Logistics Co., Ltd.
No.5 Ohi Logistic Center, 4-1, Tokai 5-chome, Ohta-ku, Tokyo 143-0001
Phone : 81-3-5755-7035
Fax : 81-3-5755-7094
• General management of buildings, running of logistic business, management of sushi restaurant "Kihachi"

Sanzo Business Creative Co., Ltd.
13th Floor, Nittetsu ND Tower 5-7, Kameido 1-chome, Koto-ku, Tokyo 136-0071
Phone : 81-3-5626-7112
Fax : 81-3-5626-7594
• Copy and printing, on-demand printing, digitization of documents, sale and leasing of copy machine/office appliance, manpower dispatching and job-search service, translation and training seminar, over-all personnel service, traveling service

Tamano Engineering Co., Ltd.
1-1, Tama 3-chome, Tamano, Okayama 706-8651
Phone : 81-863-31-3280
Fax : 81-863-31-3279
• Making of design drawings of ships, ship machinery, land machinery and systems, plant engineering, etc.

MES Testing & Research Center Co., Ltd.
1-1, Tama 3-chome, Tamano, Okayama 706-8651
Phone : 81-863-23-2620
Fax : 81-863-23-2622
• Testing/examination, including materials analysis and non-destructive testing; Engineering of testing instruments; Environmental measurement

Sanyu Real Estate Co., Ltd.
11-1, Tama 2-chome, Tamano, Okayama 706-0012
Phone : 81-863-31-3366
Fax : 81-863-32-4466
• Running of construction, real estate, catering, sale and maintenance of cars, gas station, traveling agency, driving schools and security guard, man-power supply and golf course

Green Power Ichihara Co., Ltd.
1, Yawatakaigandori, Ichihara, Chiba 290-8531
Phone : 81-436-41-1220
Fax : 81-436-41-1292
• Supply of electric power and utilization of recyclable resources exhausted from combustion facilities

NGH Japan Co., Ltd.
3-16, Nihonbashi 1-chome, Chuo-ku, Tokyo 103-0027
Phone : 81-3-5202-3980
Fax : 81-3-5202-3989
• Feasibility study of a series of natural gas hydrate (NGH) business including production, transportation, re-gasification and sales of NGH

Overseas

Ship & Ocean Project Headquarters

MODEC International, Inc.
14741 Yorktown Plaza Drive, Houston, Texas, 77040 U.S.A.
Phone : 1-281-529-8100
Fax : 1-281-529-8102
• Supplier of floating production facilities (FPSO, FSO, TLP and Semisubmersibles), project management, engineering, procurement, construction, installation and operation services

Shanghai Hudong-Sanzo Ship Design Co., Ltd.
2789 Pudong Dadao Shanghai 200129, P.R. China, 12F 1204Rm, Donghua Science & Technology Mansion
Phone : 86-21-5871-3610
Fax : 86-21-5850-3900
• Design, engineering and procurement of materials for ships

Steel Structure & Logistic Systems Headquarters

Mitsui Thanglong Steel Construction Company Ltd.
Xam Duong Village, Ninh So Commune, Thuong Tin District, Ha Tay Province, Socialist Republic of Vietnam
Phone : 84-4-6860112
Fax : 84-4-6860107
• Production and sale of steel structures (bridges, pipes, frames, crane girders, etc.)

Paceco Corp.
25503 Whitesell Street Hayward, CA94545-3614, U.S.A.
Phone : 1-510-264-9288
Fax : 1-510-264-9280
• Maintenance of Paceco crane trade marks, development, engineering and sales of Paceco cranes

Paceco Espana S.A.
Avda, Alberto Alcocer, 46 B-2nd floor Madrid, 28016, Spain
Phone : 34-91-761-9700
Fax : 34-91-457-9095
• Sales, after service for and engineering of various material handling machinery and the systems

Machinery & Systems Headquarters

Burmeister & Wain Scandinavian Contractor A/S
Gydevang 35, P.O. Box 235, DK-3450 Allerod, Denmark
Phone : 45-48-140022
Fax : 45-48-140150
• Engineering, installation, rehabilitation and operation of diesel power plant

MITSUIZOSEN Technoservice Singapore Pte. Ltd.
192, Pandan Loop #04-29 Pantech Industrial Complex, Singapore 128381
Phone : 65-6777-1677
Fax : 65-6773-3677
• After-sales and maintenance servicing of marine equipment, plant machinery, cranes, etc.

MITSUIZOSEN Technoservice Hongkong Ltd.
Unit Nos. 1309-1312, Level 13, Metro Plaza, Tower 1, 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong
Phone : 852-2610-1282
Fax : 852-2610-1220
• After-sales and maintenance servicing of marine equipment, plant machinery, cranes, etc.

MITSUIZOSEN Technoservice Taiwan Co., Ltd.
8 Ming-Chuan 2nd road, 14F-2 Chien-Chen District, Kaohsiung, Taiwan R.O.C.
Phone : 886-7-331-2801
Fax : 886-7-332-2218
• After-sales and maintenance servicing of marine equipment, plant machinery, cranes, etc.

MES TECHNOSERVICE (SHANGHAI) Co., Ltd.
Room 2106 Dongfang Road 877 Pudong Shanghai (Jiaxing Bldg) Postoe: 200122
Phone : 86-21-6194-0144
Fax : 86-21-6194-0155
• After-sales and maintenance servicing of marine diesel engines.

Colombo Power (Private) Limited
103/8 Galle Road, Colombo 3, Sri Lanka
Phone : 94-114-721666
Fax : 94-114-721424
• Independent Power Producer with a diesel power barge for Ceylon Electricity Board

CSSC-MES Diesel Co., Ltd.
No.6 Xinyuan Rd. (S), Lingang, Shanghai, China
Phone : 86-21-61188099
Fax : 86-21-61188088
• Manufacturing and Sale of Marine Diesel Engines

Plant & Environment Headquarters

Engineers and Constructors International, Inc.
Address-1 (Baton Rouge, Louisiana)
2638 S.Sherwoodforest Blvd. Suite 100, Baton Rouge, LA 70816, U.S.A
Phone : 1-225-293-7768
Fax : 1-225-292-8364
Address-2 (Houston, Texas-MES Representative Office)
14701 St. Mary's Lane #280, Houston, TX 77079 U.S.A.
Phone : 1-281-584-9393
Fax : 1-281-497-3614
• Engineering and construction of chemical plants and procurement of materials for them

DASH Engineering Philippines Inc.
8th Flr., PIPC Engineering Sciences Bldg. Jose Ma. Del mar Ave., Asiatown IT Park, Lahug, Cebu City 6000, Philippines
Phone : 63-32-234-2351
Fax : 63-32-234-2340
• Design of chemical plants and environmental apparatuses

MES Mitr Project Services Co., Ltd.
22nd flr. U.M. Tower, 9 Ramkhamhaeng Road Suanluang, Bangkok, 10250 Thailand
Phone : 66-2717-3051/4
Fax : 66-2717-3050
• Design, production, engineering procurement and construction of materials and equipment for chemical plants

MITSUI ENGINEERING &
SHIPBUILDING CO.,LTD.
http://www.mes.co.jp/

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