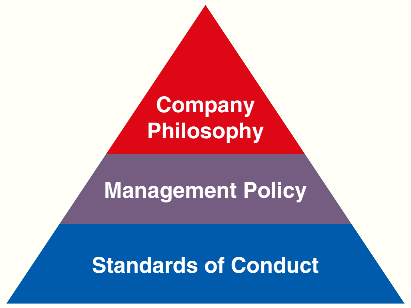
MITSUI ENGINEERING & SHIPBUILDING CO., LTD.

ANNUAL REPORT 2011

April 2010 to March 2011

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

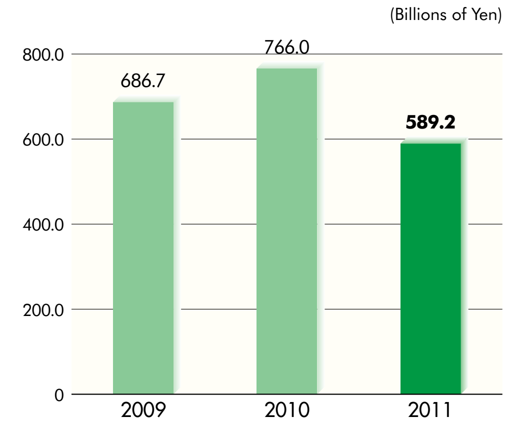
Financial Highlights

	2011	2010	2009	***2011***
Net Sales	**¥ 589,209**	¥ 765,989	¥ 686,656	***$ 7,086,097***
Operating Income	**¥ 38,896**	¥ 43,001	¥ 26,854	***$ 467,781***
Net Income	**¥ 13,494**	¥ 19,652	¥ 10,641	***$ 162,285***
Net Income per Share	**¥ 16.29**	¥ 23.72	¥ 12.84	***$ 0.196***
Dividends per Share	**¥ 4.00**	¥ 5.00	¥ 4.00	***$ 0.048***
Working Capital	**¥ 22,286**	¥ 20,767	¥ (20,580)	***$ 268,021***
Net Assets	**¥ 193,749**	¥ 180,154	¥ 160,744	***$ 2,330,114***

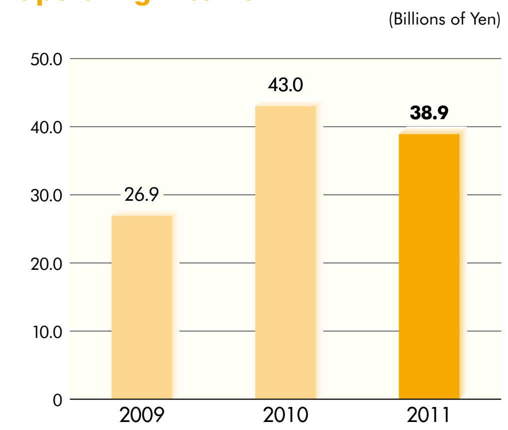
(a) Japanese yen and U.S. dollars are in millions and thousands, respectively, except per share amounts.
(b) The U.S. dollar amounts in this report represent conversions of Japanese yen into the U.S. dollar at the rate of 83.15 to *$1* for the convenience of the readers.

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.

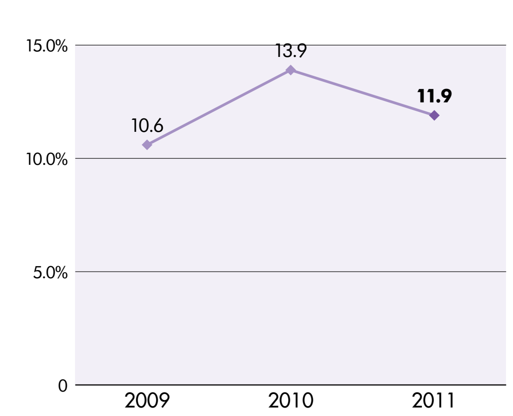
Net Sales



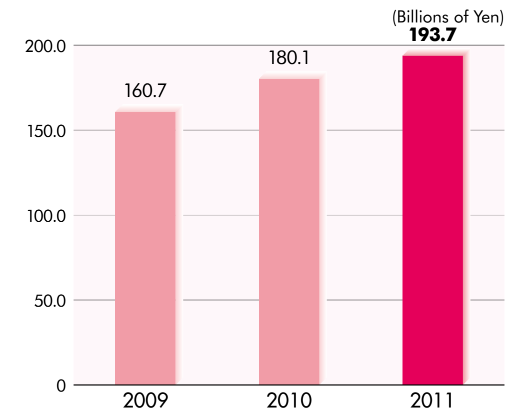
Operating Income



ROIC



Net Assets



Yasuhiko Katoh, President

Outline of Business Activities

Track Record

The economy during the term in the emerging countries continued growing gradually but steadily although it was affected by inflation or tight-money policy, and the economy in Europe and the United States has recovered by being pulled by the increasing demands from emerging counties. However, there are still continued uncertainties due to rising price of natural resources, political situation in the Middle East and the North Africa, and credit crunch in Europe.

As to domestic economy, while it was on the trend of recovery in the first half term because of increase of exports to Asian developing countries, such recovery in the latter half term has been hindered by sharp rise of Japanese yen value, end of governmental economic measures and rising price of natural resources. Further, uncertainties in the future increased due to the earthquake in East Japan in March.

Under such circumstances, the Company group has continued aiming at (i) expanding core and growing business areas,
(ii) creating new business and new products, and
(iii) developing management foundation, which were the target of the 2008 Mid-Term Business Plan (from 2008 through 2010), and implemented various measures for improving productivity and reducing production cost such as fixed costs.

The consolidated amount of orders received during the term came to ¥499.7 billion, which was ¥140.6 billion increase from the previous term. It is on recovery trend after downturn of sluggish economy caused by the financial crisis, however speed of improvement was still slow.

The consolidated amount of sales for the term was ¥589.2 billion, ¥176.8 billion decrease from the previous term as a result of the significant decrease in Ships division due to the influence of enlarged application of "percentage of completion method" for accounting in the previous term. Machinery, Steel Structures and Construction, and Plants divisions also showed the decrease in the sales amount. The operating income for the term amounted to ¥38.9 billion, ¥4.1 billion decrease from the previous term. Although Ships division increased its profit, Steel Structures and Construction, Machinery and Plants divisions decreased their profits. The ordinary income for the term came to ¥36.2 billion, ¥5.8 billion decrease from the previous term, because of losses in equity method. The net income for the term came to ¥13.5 billion, ¥6.2 billion decrease from the previous term because of losses on valuation of investment securities, losses on fixed assets, and compensation for damage.

Financial Status

Status of assets, liabilities, and net assets

The total assets came to ¥686.3 billion, ¥56.5 billion decrease from the previous term mainly due to decrease in Receivables by ¥60.0 billion.
The total liabilities came to ¥492.6 billion, ¥70.1 billion decrease from the previous term mainly due to decrease in indebtedness by ¥25.7 billion and payables by ¥26.2 billion.
The net assets came to ¥193.7 billion, ¥13.6 billion increase from the previous term mainly due to this financial year profit and capital increase.

Status of consolidated cash flow

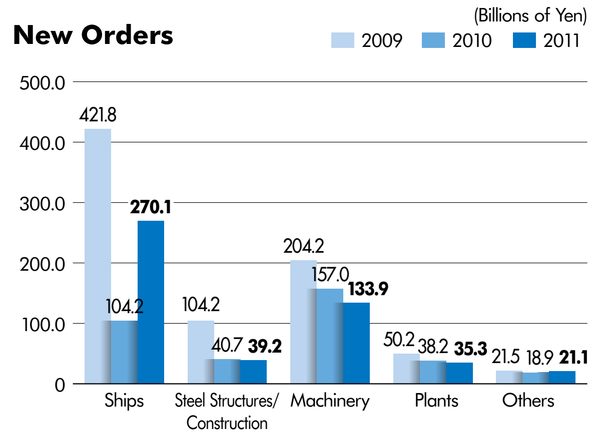
Cash inflow from operating activities came to ¥29.2 billion as Income before Income Taxes was ¥27.4 billion, and depreciation was ¥14.9 billion while outflow from decrease in payables was ¥20.1 billion and payment of income taxes was ¥18.7 billion.
Cash outflow from investing activities came to ¥42.8 billion due to outflow from loans by ¥22.8 billion and acquisition of tangible and intangible assets by ¥15.6 billion.
Cash outflow from financing activities came to ¥6.5 billion due to inflow and outflow in loans, bonds, etc.

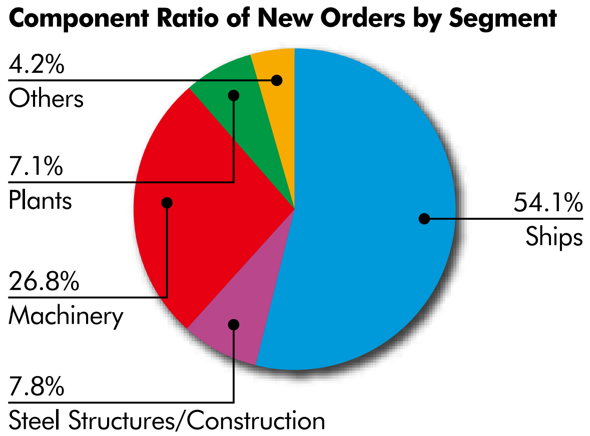
Management Perspective

Making bankruptcy of U.S. financial institutes in September 2008 as a turning point, financial crisis expanded on world-wide basis, and actual economy had kept facing severe circumstances.
Due to the effect of financial and economic policies by each country, the economy is recovering centering around the newly developing countries headed by China. However, because of the recent social turmoil in Middle East and North Africa, future prospect remains uncertain.
While the Company group has its order backlog of approximately ¥800 billion, we will take quick and prompt management actions against rapidly changing circumstances and uncertain 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
On mid-term basis, we drew up our 2011 Mid-Term Business Plan (from 2011 through 2013), and during the process of plot, we will review future prospect of each division and make clear a main scenario in order to enable us to adjust to rapid changes in business circumstances based on our contingency plan including the worst case scenario of each division.
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 to strengthen cost cut down activities. Moreover, we will actively pursue to optimize investments for facilities, maximize efficiency of R&D costs, and reduce fixed outsourcing expenses by utilizing internal resources.

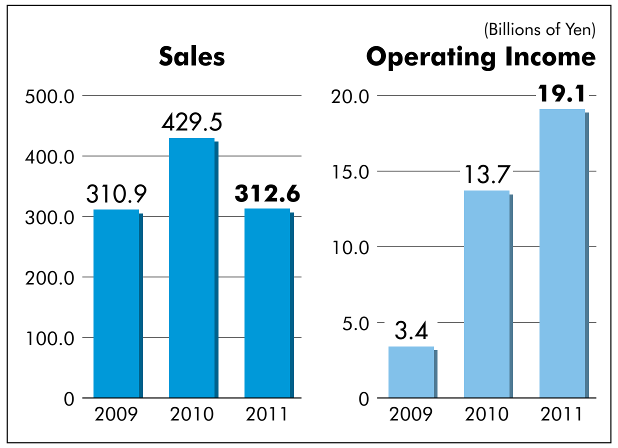
Yasuhiko Katoh, President

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





Ships Division

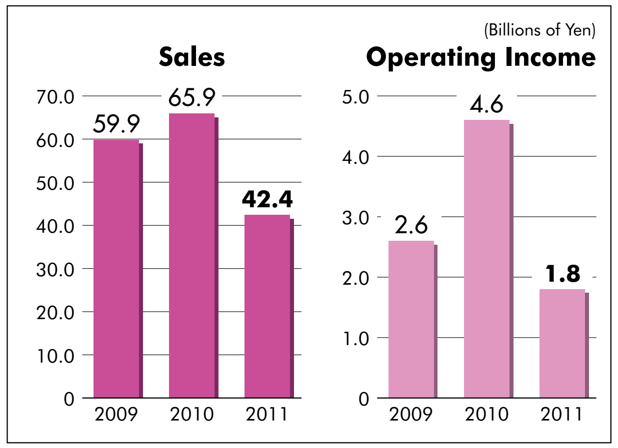


Surface transportation market had seen certain recovery from the worldwide depression resulting from financial crisis. Orders for shipbuilding had been stable although it was still at a low level. In the first half of the term, there was some upturn of demands for new vessels, mainly bulk carriers, and we received orders of such carriers.
However, plunged market for dry bulk cargoes in the latter half of the last year damaged the shipping market, and ship owners tended to be hesitant to ordering new large vessels due to an increased number of new large vessels launch. Therefore, surrounding environment of market of new vessels becomes severe again. Especially, a number of large

Image of 66BC

bulk carriers and container carriers will be launched for operation this year too, it is concerned that a gap between demand and supply is expected to widen, and therefore, it is expected that it will take a certain time for real recovery of the new shipbuilding market.
Under such circumstance, as we retain order backlogs for nearly three-year term, we will make efforts to secure more orders, taking into account of factors such as market conditions, exchange rate, and change of material prices. We will promote our business based on its technological expertise and expand sales opportunity. As an example, we launched new vessel in October 2010 of environment friendly named "neo Supramax 66 BC (66,000 dwt bulk carrier)" which CO_2 emission level is about 30% less than before.
The consolidated amount of orders received for the term came to ¥270.1 billion, ¥165.9 billion increase from the previous term, consisting of bulk carriers, open-hatch general cargo carriers, reefers, repair works and FPSO (Floating Production Storage and Offloading Vessel) and others. The consolidated amount of sales amounted to ¥312.6 billion, ¥116.9 billion decrease from the previous term, because application of the accounting standard of percentage completion method caused increase in sales amount in the previous term although constructions of bulk carriers, tankers, reefers, FPSO and others went smoothly. The operating income came to ¥19.1 billion, ¥5.4 billion increase from the previous term, due to reduction of costs and expenses despite adverse effect from high yen value.

Steel Structures/ Construction Division



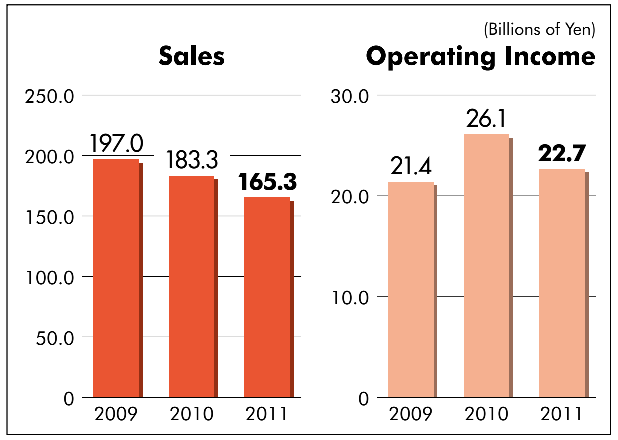
As for container cranes, the number of inquiries are increasing as the overseas market began to move because of restoration of the surface transportation to the level prior to financial crisis.
On the other hand, as Japanese Yen has been remaining at high level, we intend to increase the overseas procurement and overseas production to

Transtainer®

make ratio of cost in US dollar higher.
Also, to correspond to the recent strengthening of environmental control, we are developing the cranes of new specifications incorporating various technologies to meet environmental requirements, and put in the market the products with new technology meeting the needs of the community and the clients such as new type of hybrid Transtainer® installing lithium ion battery, completely electrified Transtainer® installing automatic attaching-separation equipment to/from electricity supply pillar and electricity saving type Portainer®.
We are also focusing its resources to the cranes for industrial use handling bulk cargoes, and aiming expansion of new type of loading equipment particularly handling raw materials such as ore, coal and others.
Regarding domestic bridges market, because of diminishing trend in public sectors, competitions based on the system of overall evaluation of the manufacturers became severer, however the prices of bridges having been relatively stable due to effects of the lowest price maintenance system of the public sectors, we intend to obtain orders by strengthening competence for technical proposal.
We will also intensify our effort to receive orders for bridges and civil engineering works for the power plant in Southeast Asia where development of social infrastructure is remarkable.
The consolidated amount of orders received by the

division consisting of container cranes and bridges and other steel structure works came to ¥39.2 billion, ¥1.4 billion decrease from the previous term. The consolidated amount of sales was ¥42.4 billion, ¥23.5 billion decrease from the previous term, consisting of civil works for coal fired power plant, bridges and container cranes, and the consolidated operating income was ¥1.8 billion, ¥2.8 billion decrease from the previous term.

Machinery Division



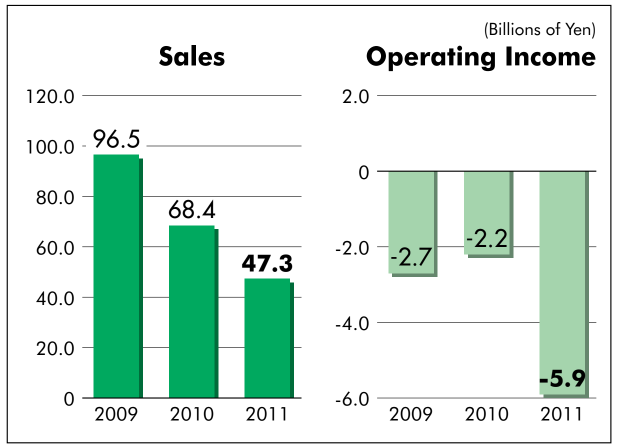
Regarding marine diesel engines, while the market condition was severe, production during the term was generally stable, and we could maintain the same amount of production level in terms of horse power as that in the previous term.
In the field of industrial machinery, because of the suspension of the facility investment by our clients, the amount of order received was lower than the previous term.
However as overseas projects for large sized reciprocating compressors are planned and the projects for rotating machineries which had been suspended are gradually resuming, we expect the new orders would increase.
Regarding induction heaters which are mainly for automobile industry, as the price competition in the domestic market was severe, we are aiming development of value added type products such as energy saving type for sales to overseas market.

Test Engine for green engineering

Regarding LSS (Life-cycle Solution Service and Customer Oriented Service), while being affected by currency exchange rate of high yen / weak euro, number of inquiries for diesel engine parts was increasing during the latter half of the term as the result of policy of retaining clients by means of promotion of comprehensive maintenance contracts and price competitiveness.
The consolidated amount of orders received for marine diesel engines, various industrial machineries and after sales service and others remained at ¥133.9 billion, ¥23.1 billion decrease from the previous term. The consolidated amount of sales for this division was ¥165.3 billion, ¥17.9 billion decrease from the previous term, and the operating income came to ¥22.7 billion, ¥3.4 billion decrease from the previous term.

Plants Division

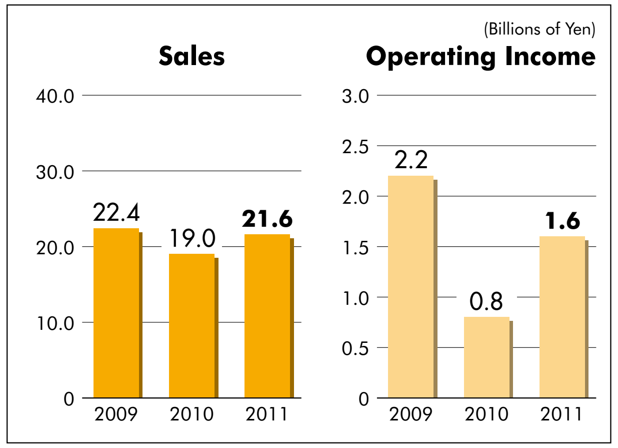
Although the general market condition in the petro-chemical industry is on recovery trend both



domestic and overseas, and the number of inquiries for plants is increasing, the speed of recovery is slow and we expect realization of large sized projects would still need time. Under such circumstances, we have continued effort for securing orders during the latter half of the term mainly focusing on the medium and small sized projects to be realized during the first half of the next term.
Regarding environmental and recycling equipment, we concentrated in the field of biomass utilizing business and continued order securing activity focusing on biogas plants for local governments, distilled alcohol wastes water recycling plants for private sectors, food waste recycling plants and others. We will also promote export to South Korea, China and other Southeast Asian countries, where the markets are expected to grow.
The consolidated amount of orders received during the term was ¥35.3 billion, ¥2.9 billion decrease from the previous term, the consolidated amount of sales, consisting of various chemical plants, was ¥47.3 billion, ¥21.1 billion decrease from the previous term, and the operating loss was ¥5.9 billion, ¥3.8 billion increase from the previous term.

Miura biomass center

Others Division



We are also engaged in the development and sales of information systems, and other various service businesses such as warehousing. The consolidated amount of orders received in these areas was ¥21.1 billion, ¥2.2 billion increase from the previous term, the consolidated amount of sales was ¥21.6 billion, ¥2.7 billion increase from the previous term, and the consolidated amount of operating income was ¥1.6 billion, ¥0.8 billion increase from the previous term.

Bio ethanol production

Business Risks

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

Economic Trend

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

Country Risk

The Company 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 Company 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 Company 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 Company 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 Company group.

Characteristic Features of the Company group

Most of the projects of the Company 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 Company group is working on minimizing such risks by precise quotation of price, securing of stable suppliers of material, 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 Company group may also be affected.

Exchange Rate Fluctuation

The Company 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 Company group. In order to mitigate the impact of exchange rate fluctuation, the Company group is working on minimizing the risk to be appropriate level by raising foreign currency liability, making forward exchange contract and raising foreign currency ration 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 Company 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 Company group. The Company 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 Company 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 Company 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 Company 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 Company group are affected.

Accounting for Impairment of Fixed Assets

In the situation of the decrease in profitability caused by the change of economic situation, decrease in market value of the idle properties, and decrease in collectability in future cash flows, impairment of the assets would be recognized and would affect balance sheets and/or statements of income of the Company 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 market price would affect balance sheets and/or statements of income of the Company group through the pension assets.

Research & Development Activities

The Company 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 Company group for this consolidated fiscal year amounts to ¥7.5 billion including ¥1.1 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 reduced CO_2 emission by 30% including recovery of waste heat energy of main engine. As a result of 3 years of R&D, the division has achieved CO_2 reduction of 30% in 66BC (66,000 dwt bulk carrier) and VLCC (Very Large Crude oil Carrier). We have already put 66BC in the market in October 2010 and will continue to adopt the technologies of CO_2 reduction to other type of ships.

- For under-water equipment, the division has received order of two ultra-small robots for inspection of pipe conduit after the introduction to the market from last 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 2012.
- With regard to the FineBallast®OZ (combined system for special pipe and ozone) of BWMS (Ballast Water Management System), the division has filed application of G8 (guidelines for approval of ballast water management systems) and plan to obtain type approval in the 1st quarter of fiscal year of 2011. Also, the division has completed land-based test and started shipboard test of G8 for FineBallast®MF (BWMS using the membrane) and plan to obtain type approval in the fiscal year of 2011.

Cost for R&D in this business field is ¥1.4 billion.

(2) Steel Structures / Construction Division

- As for bridge, civil construction and coastal product development, the division is developing various practical methods of construction to meet the technology-oriented market.
  The development of the steel-concrete composite girder “MD bridge*” which is with lower girder height and is appropriate for short and medium spans has completed, and finished construction of 2nd bridge in September 2010 following 1st bridge in March 2010. The division also has finished the development of new type bridge which has steel-concrete composite decks to improve fatigue strength and is appropriate for medium and long spans, and has been trying to put into the market. Furthermore, the development and improvement of erection method for various bridges and the technology for reinforcement and repair for existing bridges are now being carried out.
- As for coastal product development, improvement of current type pontoon and development of new type pontoon are in progress which can contribute to improvement of water quality.
- As for the construction of tower for wind turbine generator (WTG), the division has received approval of minister based on building standard of foundation and tower of the windmill. Continued from last year, the division obtained patent on the system to install buffer material to prevent crack around ring of the anchor ring foundation.
- 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.” In the last fiscal year, new orders of 11 units of hybrid type and 3 units of engine variable speed control type were received. Also, shore powered from bus-bar electrify Transtainer® was developed and 4 units of new and 13 units of modification orders were received. The division developed the improved hybrid type with further fuel saving and a new anti-sway system for high stacking height in this fiscal year for commercialization. The order of the highly developed harbor cargo handling system was placed by the Land, Infrastructure and Transportation Ministry as a pilot program for full-electric Transtainer® and now in progress. With regard to CTMS (container terminal management system), development of Vessel Planning (VP) system, and high spec terminal system has been completed. With these developments, the division now has the totally new version of server based CTMS package for container terminals.
- Paceco Corp., a consolidated subsidiary the Company, 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. 2 units of device for electrification of yard crane, which was developed as one of the new environment friendly yard facilities have been delivered in early part of the fiscal year.

Cost for R&D in this business field is ¥0.1 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. Test engine “4S50ME-T”, of which output is almost same as the commercial engine, has been running since December, 2010.
- 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 the Company, is also developed in the same company on consignment. ALD (atomic layer deposition) equipment has been developed for the field of organic EL display and composite semiconductor. Experimental level ALD equipments have been supplied to customers who recognize the technical advantages rather than competitive process, thanks to our demonstration. ALD equipment is in the commercial stage.
  The division is also working with a university and potential customers for accumulation of basic technology of the microcrystal silicon deposition, 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 the renewable energy, the division is continuously making a joint research and experiment of the solar thermal receiver in Abu Dhabi with ADFEC (Abu Dhabi Future Energy Company: commonly called “MASDAR”) and Cosmo Oil Co., Ltd. The division is also developing small and efficient heliostat (equipment to reflect sunlight). For the Tower Top type Solar Thermal Power Plant, the division is mainly promoting in MENA (Middle Easta and North Africa) and India. The division is working on the feasibility study of pilot plant for “demonstration and investigation of Solar Thermal technology in Tunisia” to be completed in year 2014 which was assigned by NEDO (New Energy Development Organization) in November 2010.
- 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). The fuel consumption monitoring system which is able to confirm the correlation of fuel consumption and weather information in real time even in the shipboard has been developed. 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 (Application Service Provider) 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 in this business field is ¥2.0 billion.

(4) Plants Division

- As for environment and energy related business, in order to cope with the versatile market of the second generation bio-ethanol of high growth potential, the division has widened the range of the division's technology for bio-ethanol production out of cellulose based material. With Sime Darby Research Bhd, Malaysia, the division has completed the construction of the demonstration plant for production of bio-ethanol in Tennamaram Factory of Sime Darby Plantation Bhd, Malaysia by end of December in 2010 and the division has started pre-commissioning works from January, before starting the commissioning operation. This is the first demonstration plant in the world, which raw material is EFB (Empty Fruit Bunch) as a residue material of Palm Oil Mill and its capacity is 1.25 ton per day as EFB basis. The division will be carrying demonstration test operation with Sime Darby Research Bhd, Malaysia and will continue its effort for commercializing as soon as possible.
- 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 in this business field is ¥0.2 billion.

(5) Other Divisions

- With regard to the wave power generation, "Evaluation of regional wave characteristics and development of mooring system of wave power generation" has been adopted by "Project of technical development for global warming prevention in 2010" sponsored by Ministry for the Environment. The Company joined the project together with the consolidated subsidiary, Akishima Laboratories Inc., as a joint partner of Tokyo University, the main researcher. The Company has achieved the target by forecasting the hydrographic condition and ocean wave data of the candidate site for wave power generation using the latest numerical analysis technology to narrow down site to set up and studying mooring system of generator using the wave tank.
- The new concept of solar power generation equipment named "Solar Power Generation system by reflected light concentration" was adopted by "Development of next generation solar power system" sponsored by NEDO. The Company will achieve further cost down and high efficiency of this system in order to win the competition.
- NGH (Natural Gas Hydrate) land transport chain has been proved viable for the first time in the world through the demonstration of transporting NGH pellets produced in the demo production plant in Yanai Power Station of the Chugoku Electric Power Co., Inc., to two gas users located about 100 km away from the demo plant, wherein the pellets were re-gasified and actually consumed by the industrial and city gas users. In the experiment plant in the Chiba Works, a series of tests were carried out using the NGH dewatering/molding test facility in order to make NGH production process high-speed and compact. Concerning the NGH carrier ship, the safety guideline of the carrier was submitted to the International Maritime Organization (IMO) and its provisional safety guideline was enacted in February, 2010, whereby the safety standards of NGH carrier as an international commercial ship were established. As for the business development of NGH, The Company assigns NGH Japan Co., Ltd., an affiliated company established jointly by Mitsui & Co., Ltd., and The Company, to conduct the feasibility study on the NGH commercialization together with possible business partners including overseas oil and gas companies aiming at the materialization of the upcoming pilot project.
- Technologies for the mass production and handling of the Lithium Iron Phosphate (LFP) as the cathode material of the Lithium Ion Battery (LIB) have been studied by semi-commercial plant, from which the LFP samples were delivered to LIB manufactures. The process adjustments have been made to meet the quality for each manufacture's LIB and design data have been gathered for the engineering of the commercial plant.
- The corporate division is working on strengthening of product competitive edge, development of environment and energy related technology for future growth, bio-related technology, new technology such as advanced machinery related technology, and basis technology such as material, control, and CAE analysis. In this fiscal year, The Company has promoted plasma and NGH technology together with University and national research institute for early technology development and efficient development.

  Mitsui Zosen System Research Inc., a consolidated 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. Now, release of new version is planned by combining "MSSX*" and RFID tag to control people on and off board of ships on the shore. The prototype of the "Gangway control system" has been completed and now under checking.

  In the field of digital engineering, development of the instrumental data management system has been completed.

  "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).

  For the solution to Sales, "Miprime*" system has been developed to manage customer information, sales information, and management information. It is now under upgrading to enhance function.

  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 in this business field is ¥3.8 billion.

* Remarks : Registered trademark in Japan

Consolidated Balance Sheets

As of March 31,2011 and 2010

ASSETS

	Japanese Yen (millions)		U.S. Dollars (thousands) (Note 1(a))
	2011	2010	***2011***
Current Assets			
Cash and time deposits (Notes1(r), 4)	**¥ 51,683**	¥ 71,321	***$ 621,563***
Marketable securities (Note2)	**1**	—	***12***
Receivables			
Trade	**155,754**	215,756	***1,873,169***
Other	**8,332**	7,486	***100,204***
Less allowance for doubtful accounts	**(2,240)**	(2,427)	***(26,939)***
Merchandise and finished goods	**2,483**	2,864	***29,862***
Raw materials and supplies	**4,510**	4,964	***54,239***
Work in progress	**38,174**	38,757	***459,098***
Deferred tax assets (Note 10)	**14,620**	14,480	***175,827***
Short-term loans	**66,289**	49,042	***797,222***
Other current assets (Note13)	**16,139**	18,015	***194,095***
Total current assets	**355,745**	420,258	***4,278,352***
Property, Plant and Equipment (Note 4)			
Land (Note 1(p))	**118,241**	118,245	***1,422,020***
Buildings and structures	**126,585**	122,978	***1,522,369***
Machinery, equipment and vehicles	**170,591**	143,764	***2,051,606***
Lease assets	**18,960**	18,386	***228,022***
Construction in progress	**1,409**	2,811	***16,945***
	435,786	406,184	***5,240,962***
Less accumulated depreciation	**(213,872)**	(196,113)	***(2,572,122)***
Net property, plant and equipment	**221,914**	210,071	***2,668,840***
Intangible Assets	**12,057**	11,549	***145,003***
Investments, Long-term Loans and Other Assets			
Investments securities (Notes 2, 3, and 4)	**47,207**	51,210	***567,733***
Long-term loans	**11,673**	17,186	***140,385***
Deferred tax assets (Note 10)	**20,246**	20,239	***243,488***
Other (Note 3)	**18,147**	13,275	***218,244***
Less allowance for doubtful accounts	**(663)**	(928)	***(7,974)***
Total investments, long-term loans and other assets	**96,610**	100,982	***1,161,876***
Total assets	**¥ 686,326**	¥ 742,860	***$8,254,071***

LIABILITIES AND NET ASSETS

	Japanese Yen (millions)		U.S. Dollars (thousands) (Note 1(a))
	2011	2010	***2011***
Current Liabilities			
Short-term borrowings (Notes 4 and 5)	**¥ 28,839**	¥ 37,474	***$ 346,831***
Current portion of long-term indebtedness (Note 6)	**39,335**	52,846	***473,061***
Lease obligations	**2,618**	2,730	***31,485***
Trade payables	**140,337**	166,516	***1,687,757***
Advances from customers	**60,856**	79,524	***731,882***
Accrued expenses	**18,572**	20,786	***223,356***
Accrued income taxes (Note 10)	**6,930**	11,420	***83,343***
Deferred tax liabilities (Note 10)	**466**	857	***5,604***
Provision for losses on construction contracts	**7,845**	3,750	***94,348***
Provision for product warranty	**7,039**	8,081	***84,654***
Asset Retiremenr Obligations (Note 1(t))	**9**	—	***108***
Other current liabilities	**20,613**	15,507	***247,902***
Total current liabilities	**333,459**	399,491	***4,010,331***
Long-term Liabilities			
Long-term indebtedness (Notes 4 and 6)	**103,860**	107,459	***1,249,068***
Lease obligations	**10,121**	11,826	***121,720***
Liability for severance and retirement benefits			
For employees (Note 9)	**4,831**	3,615	***58,100***
For directors and corporate auditors	**979**	778	***11,774***
Deferred tax liabilities			
On reevaluation reserve for land (Note 1(p))	**33,814**	33,901	***406,662***
Other (Note 10)	**903**	994	***10,860***
Asset Retiremen Obligations (Note 1(t))	**1,203**	—	***14,468***
Other long-term liabilities	**3,407**	4,642	***40,974***
Total long-term liabilities	**159,118**	163,215	***1,913,626***
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	***533,794***
Capital Surplus	**18,178**	18,178	***218,617***
Retained earnings	**85,885**	76,412	***1,032,892***
Treasury stock	**(661)**	(639)	***(7,950)***
Net unrealized holding gains (losses) on securities (Note2)	**4,103**	4,584	***49,345***
Unrealized gains (losses) on hedging derivatives, net of tax	**(2,135)**	(784)	***(25,676)***
Reevaluation reserve for land, net of tax (Note 1(p))	**23,717**	23,842	***285,232***
Foreign currency translation adjustments	**(9,144)**	(5,477)	***(109,970)***
Minority interests in consolidated subsidiaries	**29,421**	19,653	***353,830***
Total net assets	**193,749**	180,154	***2,330,114***
Total liabilities and net assets	**¥ 686,326**	¥ 742,860	***$8,254,071***

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 31,2011 and 2010

	Japanese Yen (millions)		U.S. Dollars (thousands) (Note 1(a))
	2011	2010	***2011***
Net Sales (Note 1(c))	**¥ 589,209**	¥ 765,989	***$ 7,086,097***
Cost of Sales (Note 1(g),(h))	**507,119**	681,180	***6,098,845***
Gross profit	**82,090**	84,809	***987,252***
Selling, General and Administrative Expenses	**43,194**	41,808	***519,471***
Operating income	**38,896**	43,001	***467,781***
Other Income (Expenses)			
Interest and dividend income	**2,562**	2,496	***30,812***
Interest expense	**(2,545)**	(2,932)	***(30,607)***
Amortization of net transition obligation (Note 9)	**(1,964)**	(1,964)	***(23,620)***
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	**(54)**	1,787	***(649)***
Gains on sales of marketable securities	**11**	315	***132***
Gains on sales of investment securities (Note 2)	**46**	22	***553***
Gain on sales of subsidiaries and affiliates' stocks	**140**	—	***1,684***
Losses on disposition of property, plant and equipment, net	**(246)**	(1,268)	***(2,959)***
Losses on valuation of investment securities (Note 2)	**(1,855)**	(201)	***(22,309)***
Loss on impariment of fixed assets (Note 12)	**(1,957)**	(5,831)	***(23,536)***
Loss on disaster	**(715)**	0	***(8,599)***
Provision for loss on business of subsidiaries and affiliates	**(309)**	0	***(3,716)***
Provision of allowance for doubtful accounts	**0**	(1,961)	***0***
Losses on Liquidation of subsidiaries and affiliates	**(569)**	(65)	***(6,843)***
Compensation income	**0**	464	***0***
Compensation for damage	**(2,281)**	—	***(27,432)***
Loss on adjustment for changes of accounting standard for asset retirement obligations	**(1,121)**	—	***(13,482)***
Other, net	**(689)**	(704)	***(8,286)***
Total	**(11,546)**	(9,842)	***(138,857)***
Income Before Income Taxes and Minority Interests	**27,350**	33,159	***328,924***
Income Taxes (Note 10)			
Current	**13,487**	15,385	***162,201***
Past	**0**	—	—
Deferred	**(903)**	(1,817)	***(10,860)***
	12,584	13,568	***151,341***
Income Before Minority Interests	**14,768**	19,591	***177,607***
Minority Interests	**1,274**	(61)	***15,322***
Net Income	**¥ 13,494**	¥ 19,652	***$ 162,285***
Amounts Per Share of Common Stock (Note 1(a), Note 8)			
Net income	**¥ 16.29**	¥ 23.72	***$ 0.196***
Dividends, applicable to the year	**¥ 4.00**	¥ 5.00	***$ 0.048***

Consolidated Statements of Comprehensive Income

For the Year Ended March 31,2011

	Japanese Yen (millions)	U.S. Dollars (thousands) (Note 1(a))
	2011	***2011***
Statements of comprehensive income :		
Income before minority interests	**¥ 14,768**	***$ 177,607***
Other comprehensive income		
Net unrealized holding gains on securities	**(463)**	***(5,568)***
Unrealized gains(losses) on hedging derivatives, net of tax	**625**	***7,516***
Foreign currency translation adjustments	**(3,714)**	***(44,666)***
Share of other comprehensive income of associates accounted for using equity method	**(2,272)**	***(27,324)***
Total	**(5,824)**	***(70,042)***
Comprehensive income	**¥ 8,944**	***$ 107,565***
Comprehensive income attributable to owners of the parent	**¥ 7,995**	***$ 96,152***
Comprehensive income attributable to minority interests	**¥ 949**	***$ 11,413***

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, 2011 and 2010

	Thousands	Japanese Yen (millions)									
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedging derivatives, net of tax	Reevaluation reserve for land, net of tax	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total
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**
Cash dividends paid				(4,144)							(4,144)
Net income				13,494							13,494
Purchases of treasury stock					(35)						(35)
Sales of treasury stock				(4)	13						9
Transfer from reevaluation reserve for land, net of tax				125							125
Unrealized losses on derivatives instruments				(12)							(12)
Others				14							14
Net changes during the year						(481)	(1,351)	(125)	(3,667)	9,768	4,144
Balance as of March 31, 2011	**830,987**	**¥ 44,385**	**¥ 18,178**	**¥ 85,885**	**¥ (661)**	**¥ 4,103**	**¥ (2,135)**	**¥ 23,717**	**¥ (9,144)**	**¥ 29,421**	**¥ 193,749**

	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 March 31, 2010	***830,987***	***$ 533,794***	***$ 218,617***	***$ 918,966***	***$ (7,685)***	***$ 55,130***	***$ (9,428)***	***$ 286,735***	***$ (65,869)***	***$ 236,356***	***$2,166,616***
Cash dividends paid				*(49,838)*							*(49,838)*
Net income				*162,285*							*162,285*
Purchases of treasury stock					*(421)*						*(421)*
Sales of treasury stock				*(48)*	*156*						*108*
Transfer from reevaluation reserve for land, net of tax				*1,503*							*1,503*
Unrealized losses on derivatives instruments				*(144)*							*(144)*
Others				*168*							*168*
Net changes during the year						*(5,785)*	*(16,248)*	*(1,503)*	*(44,101)*	*117,474*	*49,837*
Balance as of March 31, 2011	***830,987***	***$ 533,794***	***$ 218,617***	***$1,032,892***	***$ (7,950)***	***$ 49,345***	***$ (25,676)***	***$ 285,232***	***$(109,970)***	***$ 353,830***	***$2,330,114***

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2011 and 2010

	Japanese Yen (millions)		U.S. Dollars (thousands) (Note 1(a))
	2011	2010	***2011***
Cash Flows from Operating Activities :			
Income before income taxes and minority interests	**¥ 27,350**	¥ 33,159	***$ 328,924***
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities —			
Depreciation and amortization	**14,936**	14,738	***179,627***
Losses on impairment of fixed assets	**1,957**	5,831	***23,536***
Amortization of goodwill	**319**	526	***3,836***
Increase (Decrease) of allowance for doubtful accounts	**(428)**	2,081	***(5,147)***
Increase (Decrease) of liability for severance and retirement benefits	**1,305**	(47)	***15,695***
Increase in prepaid pension costs	**(4,832)**	(2,097)	***(58,112)***
Interest and dividend income	**(2,562)**	(2,496)	***(30,812)***
Interest expense	**2,545**	2,932	***30,607***
Foreign currency exchange loss (gain), net	**(205)**	(298)	***(2,465)***
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	**54**	(1,787)	***649***
Gains on sales of marketable securities	**(11)**	(315)	***(132)***
Gains on sales of investment securities	**(46)**	(22)	***(553)***
Gains on sales of investment in subsidiaries and affiliates	**(140)**	—	***(1,684)***
Losses on valuation of investment securities	**1,855**	201	***22,309***
Losses on liquidation of subsidiaries and affiliates	**569**	65	***6,843***
Losses on disposition of property, plant and equipment	**246**	1,268	***2,959***
Loss on adjustment for changes of accounting standard for asset retirement obligations	**1,121**	—	***13,482***
Loss on disaster	**715**	—	***8,599***
Increase (Decrease) of provision for losses on reevaluation of affiliates	**309**	—	***3,716***
Compensation for damage	**2,281**	—	***27,432***
Changes in assets and liabilities :			
Decrease (increase) in			
Trade receivables	**6,713**	(121,996)	***80,734***
Inventories	**584**	70,750	***7,023***
Other assets	**4,401**	(3,676)	***52,928***
Increase (decrease) in			
Trade payables	**(20,128)**	(13,180)	***(242,069)***
Other liabilities	**5,240**	761	***63,019***
Other, net	**4,547**	(96)	***54,684***
	48,695	(13,698)	***585,628***
Interest received	**3,200**	2,539	***38,484***
Interest paid	**(2,546)**	(3,325)	***(30,619)***
Payments for loss on disaster	**(87)**	—	***(1,046)***
Compensation for damage paid	**(1,291)**	—	***(15,526)***
Income taxes received	**—**	3,832	***—***
Income taxes paid	**(18,747)**	(7,916)	***(225,460)***
Net cash provided by (used in) operating activities	**29,224**	(18,568)	***351,461***

	Japanese Yen (millions)		U.S. Dollars (thousands) (Note 1(a))
	2011	2010	***2011***
Cash Flows from Investing Activities :			
Increase in time deposits	**¥ (2,761)**	¥ (1,235)	***$ (33,205)***
Purchases of marketable securities	**—**	(313)	***—***
Proceeds from sales of marketable securities	**13**	3,127	***156***
Capital expenditure	**(15,643)**	(20,835)	***(188,130)***
Proceeds from sales of property, plant and equipment	**891**	124	***10,716***
Purchases of investment securities	**(3,832)**	(785)	***(46,085)***
Proceeds from sales of investment securities	**52**	47	***625***
Acquisition of additional shares of consolidated subsidiaries	**(2,410)**	(3,139)	***(28,984)***
Acquisition of newly consolidated subsidiaries, net of cash acquired	**1,684**	—	***20,253***
Proceeds from sales of investment in consolidated subsidiaries	**316**	85	***3,800***
Proceeds from capital reduction in affiliate	**1,412**	—	***16,981***
Disbursement of long-term loans receivable	**(23,035)**	(26,426)	***(277,029)***
Collection of long-term loans receivable	**267**	51,242	***3,211***
Other, net	**204**	256	***2,453***
Net cash provided by (used in) investing activities	**(42,842)**	2,148	***(515,238)***
Cash Flows from Financing Activities :			
Increase (decrease) in short-term borrowings	**4,477**	(17,894)	***53,843***
Proceeds from long-term indebtedness	**20,934**	80,891	***251,762***
Repayment of long-term indebtedness	**(46,587)**	(32,848)	***(560,277)***
Repayments of lease obligations	**(3,243)**	(2,657)	***(39,002)***
Proceeds from issuance of bonds	**15,000**	1,100	***180,397***
Repayment on bonds	**(230)**	(340)	***(2,766)***
Purchases of treasury stock	**(36)**	(106)	***(433)***
Cash dividends	**(4,122)**	(3,280)	***(49,573)***
Cash dividends paid to minority interests	**(590)**	(1,074)	***(7,096)***
Proceeds from stock issuance to minority shareholders	**7,778**	10	***93,542***
Other, net	**101**	23	***1,215***
Net cash provided by (used in) financing activities	**(6,518)**	23,825	***(78,388)***
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(4,312)**	2,302	***(51,858)***
Net increase (decrease) in Cash and Cash Equivalents	**(24,448)**	9,707	***(294,023)***
Net increase (decrease) due to change of the scope of consolidation	**(9,948)**	56	***(119,639)***
Cash and Cash Equivalents at Beginning of Year	**114,196**	104,433	***1,373,373***
Cash and Cash Equivalents at End of Year (Note 1(r))	**¥ 79,800**	¥ 114,196	***$ 959,711***

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 ("Local GAAP") and significant differences between Japanese GAAP and Local GAAP are adjusted in consolidation. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the 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, 2011, which was ¥83.15 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, Operating Income and Income Before Income Taxes and Minority Interests increased by ¥5,281 million.

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 Accounts

The Company and its consolidated subsidiaries adopt the policy of providing allowance for doubtful accounts 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.

(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, 2011 and 2010 were summarized below : —

	Years ended March 31,	
	2011	2010
Buildings and structures	**7.4%**	7.1%
Machinery, equipment and vehicles	**13.2%**	17.1%

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.

(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, 2011 and 2010 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 "other" 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 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 ¥43,077 million (*$518,064 thousand*) and ¥41,125 million as of March 31, 2011 and 2010.

(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, 2011 and 2010 were ¥6,434 million (*$77,378 thousand*) and ¥5,504 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, 2011 and 2010 were as follows : —

	Japanese Yen (millions)		*U.S. Dollars (thousands)*
	2011	2010	***2011***
Cash and time deposits	**¥ 51,683**	¥ 71,321	***$ 621,563***
Time deposits with maturities exceeding 3 months	**(6,876)**	(4,118)	***(82,694)***
Cash equivalents included in short-term loans (Other current assets)	**34,993**	46,993	***420,842***
Cash and cash equivalents	**¥ 79,800**	¥ 114,196	***$ 959,711***

(s) Finance Lease Transactions without Transfer of Ownership

Lessee :

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

Lessor :

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

(t) Accounting Standard for Asset Retirement Obligations and its Implementation Guidance

Effective from the year ended March 31, 2011, the Company and the consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Asset Retirement Obligations" (Statement No.18 issued by the Accounting Standards Board of Japan on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (Guidance No.21 issued by the Accounting Standards Board of Japan on March 31, 2008).

According to this change, Operating Income decreased by ¥64 million (*$770 thousand*), Income Before Income Taxes and Minority Interests decreased by ¥1,185 million (*$14,251 thousand*).

(u) Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

Effective from the year ended March 31, 2011, the Company and the consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Equity Method of Accounting for Investments" (Statement No.16 issued by the Accounting Standards Board of Japan on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No.24 issued by the Accounting Standards Board of Japan on March 10, 2008).

The impact according to this change on consolidated statements of income is immaterial.

(v) Accounting Standards for Business Combinations and related matters

Effective from the year ended March 31, 2011, the Company and the consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Business Combination" (Statement No.21 issued by the Accounting Standards Board of Japan on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (Statement No.22 issued by the Accounting Standards Board of Japan on December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (Statement No.23 issued by the Accounting Standards Board of Japan on December 26, 2008), "Revised Accounting Standard for Business Divestitures" (Statement No.7 issued by the Accounting Standards Board of Japan on December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (Statement No.16 issued by the Accounting Standards Board of Japan on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Guidance No.10 issued by the Accounting Standards Board of Japan on December 26, 2008).

(w) Reclassifications

Certain reclassifications have been made to the previously reported fiscal year 2009 amounts to conform to fiscal year 2010 presentation. These reclassifications had no effect on previously reported net income or net assets.

(x) Additional Information

Effective March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan ("ASBJ") Statement No. 25 on June 30, 2010) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on June 20, 2010).

As a result of the adoption of these standards, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011.

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, 2011 and 2010 : —

	Japanese Yen (millions)		
2011 :	Acquisition cost	Book value	Differences
Available-for-sale securities :			
Securities with book values exceeding acquisition costs :			
Equity securities	**¥ 10,459**	**¥ 19,610**	**¥ 9,151**
Sub Total	**¥ 10,459**	**¥ 19,610**	**¥ 9,151**
Securities with book values not exceeding acquisition costs :			
Equity securities	**¥ 12,986**	**¥ 11,031**	**¥ (1,955)**
Sub Total	**¥ 12,986**	**¥ 11,031**	**¥ (1,955)**
Total	**¥ 23,445**	**¥ 30,641**	**¥ 7,196**

	Japanese Yen (millions)		
2010 :	Acquisition cost	Book value	Differences
Available-for-sale securities :			
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

	U.S. Dollars (thousands)		
2011 :	*Acquisition cost*	*Book value*	*Differences*
Available-for-sale securities :			
Securities with book values exceeding acquisition costs :			
Equity securities	***$ 125,785***	***$ 235,839***	***$ 110,054***
Sub Total	***$ 125,785***	***$ 235,839***	***$ 110,054***
Securities with book values not exceeding acquisition costs :			
Equity securities	***$ 156,176***	***$ 132,664***	***$ (23,512)***
Sub Total	***$ 156,176***	***$ 132,664***	***$ (23,512)***
Total	***$ 281,961***	***$ 368,503***	***$ 86,542***

(b) The maturities of available-for-sale securities with maturities as of March 31, 2011 and 2010 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 —					
2011	**¥ 1**	**¥ 501**	**—**	**—**	**¥ 502**
2010	¥ —	¥ 502	—	—	¥ 502

	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 —					
2011	***$ 12***	***$ 6,025***	***—***	***—***	***$ 6,037***

(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, 2011 and 2010 were as follows : —

	Japanese Yen (millions)		*U.S. Dollars (thousands)*
	2011	2010	***2011***
Proceeds from sales of available-for-sale securities	**¥ 64**	¥ 3,171	***$ 770***
Realized gains on sales of available-for-sale securities	**56**	343	***673***
Realized losses on sales of available-for-sale securities	**—**	6	***—***

3. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates included in investment securities as of March 31, 2011 and 2010 were ¥12,323 million (*$148,202 thousand*) and ¥17,529 million, respectively, and investments in unconsolidated subsidiaries and affiliates included in other assets as of March 31, 2011 and 2010 were ¥3,751 million (*$45,111 thousand*) and ¥3,172 million, respectively.

4. Pledged Assets

Assets pledged as collateral for short-term borrowings and long-term indebtedness as of March 31, 2011 and 2010 were as follows : —

	Japanese Yen (millions)		*U.S. Dollars (thousands)*
	2011	2010	***2011***
Land	**¥ 28,755**	¥ 28,922	***$ 345,821***
Buildings and structures	**2,395**	2,778	***28,803***
Machinery, equipment and vehicles	**18,209**	14,172	***218,990***
Investment securities	**1**	13	***12***
Time deposits	**—**	418	***—***
	¥ 49,360	¥ 46,303	***$ 593,626***

Short-term borrowings and long-term indebtedness secured by the above pledged assets as of March 31, 2011 and 2010 were as follows : —

	Japanese Yen (millions)		*U.S. Dollars (thousands)*
	2011	2010	***2011***
Short-term borrowings	**¥ 960**	¥ 1,420	***$ 11,545***
Long-term loan payable	**19,032**	15,200	***228,888***
Bonds	**60**	180	***722***
	¥ 20,052	¥ 16,800	***$ 241,155***

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 1.0% as of March 31, 2011 and 2010, respectively.

6. Long-Term Indebtedness

Long-term indebtedness as of March 31, 2011 and 2010 is summarized below : —

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	***2011***
Secured by mortgages on plant and equipment —			
1.3% bonds, due September30, 2011	**¥ 60**	¥ 180	***$ 722***
0.6% to 2.0% loans from Japanese banks, due on various dates through 2017	**19,032**	15,200	***228,888***
Secured by installment contract receivables —			
2.1% to 2.2% loans from Japanese banks due on various dates through 2010	**—**	359	***—***
Unsecured or non-guaranteed —			
0.9% bonds, due January 28, 2016	**10,000**	—	***120,265***
1.5% bonds, due January 26, 2018	**5,000**	—	***60,132***
2.0% bonds, due June 3, 2011	**10,000**	10,000	***120,265***
2.3% bonds, due June 5, 2012	**5,000**	5,000	***60,132***
0.7% bonds, due March 29, 2013	**990**	1,100	***11,906***
0.7% to 5.0% loans from Japanese banks, insurance companies and trading companies due on various dates through 2023	**93,113**	128,466	***1,119,819***
	143,195	160,305	***1,722,129***
Less : Current portion included in current liabilities	**(39,335)**	(52,846)	***(473,061)***
	¥ 103,860	¥ 107,459	***$1,249,068***

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

Year ended March 31,	Japanese Yen (millions)	U.S. Dollars (thousands)
2012	¥ 39,335	*$ 473,061*
2013	31,615	*380,216*
2014	24,262	*291,786*
2015	12,875	*154,841*
2016 and thereafter	35,108	*422,225*
	¥ 143,195	*$ 1,722,129*

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, 2011 was as follows : —

	Japanese Yen (millions)	U.S. Dollars (thousands)
Total overdraft facilities and lending commitments	¥ 40,597	*$ 488,238*
Less amounts currently executed	2,645	*31,810*
Unexecuted balance	¥ 37,952	*$ 456,428*

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 28, 2011, the shareholders approved cash dividends amounting to ¥3,314 million (*$39,859 thousand*). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011. 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, 2011 and 2010 consisted of the following : —

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	***2011***
Projected benefit obligation	**¥ 53,900**	¥ 58,098	***$ 648,226***
Less fair value of pension assets	**(2,260)**	(2,145)	***(27,180)***
Less fair value of trust for employees' retirement benefit	**(33,719)**	(42,597)	***(405,520)***
Unrecognized prior service costs	**(2)**	(2)	***(24)***
Unrecognized actuarial differences	**(14,566)**	(4,421)	***(175,177)***
Less unrecognized net transition obligation	**(7,821)**	(9,786)	***(94,059)***
Prepaid pension costs	**9,299**	4,468	***111,834***
Liability for severance and retirement benefits for employees	**¥ 4,831**	¥ 3,615	***$ 58,100***

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, 2011 and 2010 were comprised of the following : —

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	***2011***
Service costs – benefits earned during the year	**¥ 896**	¥ 2,545	***$ 10,776***
Interest costs on projected benefit obligation	**1,036**	1,096	***12,459***
Expected return on pension assets	**(5)**	(3)	***(60)***
Amortization of prior service cost	**1**	0	***12***
Amortization of actuarial differences	**(1,149)**	(301)	***(13,818)***
Amortization of net transition obligation	**1,964**	1,964	***23,620***
Contribution to the defined contribution pension plans	**24**	30	***288***
Severance and retirement benefit expenses	**¥ 2,767**	¥ 5,331	***$ 33,277***

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, 2011 and 2010 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, 2011 and 2010.

The following table summarizes the significant differences between the statutory tax rate and the Company and its consolidated subsidiaries' effective tax rate for financial statement purposes for the years ended March 31,2011 : —

	2011
Statutory tax rate	**41.0%**
Valuation allowance	**11.5**
Non-deductible expenses for tax purposes	**0.9**
Amortization of consolidated difference	**0.5**
Taxation on per capita basis	**0.4**
Equity in earning of unconsolidated subsidiaries and affiliates	**(3.8)**
Income of foreign subsidiaries taxed at lower than Japanese normal rate	**(1.4)**
Non-taxable dividend income	**(1.1)**
Others	**(2.0)**
Effective tax rate	**46.0%**

Since the effective tax rate for consolidated financial statement purposes for the year ended March 31, 2010 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, 2011 and 2010 were as follows : —

	Japanese Yen (millions)		*U.S. Dollars (thousands)*
	2011	2010	***2011***
Deferred tax assets :			
Retirement benefits	**¥ 8,179**	¥ 10,464	***$ 98,364***
Unrealized inter-company profit	**11,136**	9,413	***133,927***
Tax loss carry forward	**3,769**	4,876	***45,328***
Losses on reevaluation of inventories	**4,352**	4,641	***52,339***
Accrued expenses	**4,976**	3,990	***59,844***
Provision for product warranty	**2,052**	2,592	***24,678***
Allowance for doubtful receivables	**1,039**	1,847	***12,496***
Provision for losses on construction contracts	**2,056**	1,569	***24,726***
Loss on impairment of fixed assets	**1,035**	1,221	***12,447***
Losses on reevaluation of marketable and investment securities	**990**	1,069	***11,906***
Others	**9,524**	5,096	***114,540***
Total deferred tax assets	**49,108**	46,778	***590,595***
Valuation allowance	**(9,793)**	(7,014)	***(117,775)***
Net deferred tax assets	**39,315**	39,764	***472,820***
Deferred tax liabilities :			
Net unrealized holding gains on securities	**(2,888)**	(3,210)	***(34,732)***
Accelerated depreciation on fixed assets	**(1,551)**	(1,227)	***(18,653)***
Reserve for advanced depreciation of noncurrent assets	**(1,612)**	(1,475)	***(19,387)***
Reserve for special account for advanced depreciation of noncurrent assets	**—**	(471)	***—***
Others	**231**	(513)	***2,778***
Total deferred tax liabilities	**(5,820)**	(6,896)	***(69,994)***
Net deferred tax assets	**¥ 33,495**	¥ 32,868	***$ 402,826***

11. Commitments and Contingent Liabilities

Under the capital expenditure program as of March 31, 2011, it is estimated that expenditure of approximately ¥12,260 million (*$147,444 thousand*) will be made during the period ending March 31, 2012.

As of March 31, 2011 and 2010 the Company and its consolidated subsidiaries were contingently liable for the following : —

	Japanese Yen (millions)		*U.S. Dollars (thousands)*
	2011	2010	***2011***
Guarantees of bank loans and other indebtedness	**¥ 54,325**	¥ 73,242	***$ 653,337***
Guarantees of currency swap transactions	**(6,346)**	(9,402)	***(76,320)***

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, 2011 and 2010 were comprised of the following.

2011

Location : Bibai City,Hokkaido etc.
Major use : Idle assets
Asset category : Land and Building etc.
Amount : ¥492 million (*$5,917 thousand*)

Location : Yanai City,Yamaguchi Prefecture, Edogawa City, Tokyo etc.
Major use : Machinery, Software etc.
Asset category : Business assets
Amount : ¥1,464 million (*$17,607 thousand*)

2010

Location : Indonesia
Major use : FPSO
Asset category : Machinery ,equipment and vehicles
Amount : ¥2,701 million

Location : Oita City, Oita Prefecture, etc.
Major use : Idle assets
Asset category : Land etc.
Amount : ¥2,498 million

Location : Edogawa City, Tokyo etc.
Major use : Business assets
Asset category : Intangible asset etc.
Amount : ¥632 million

The Company and its consolidated subsidiaries have grouped their fixed assets into industry segments. Idle fixed assets are assessed individually.

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, 2011 and 2010 were as follows : —

	Japanese Yen (millions)		*U.S. Dollars (thousands)*
	2011	2010	***2011***
Due within one year	**¥ 1,420**	¥ 1,522	***$ 17,078***
Due after one year	**4,323**	3,578	***51,990***
Total	**¥ 5,743**	¥ 5,100	***$ 69,068***

(b) Lessor

i) Future lease receivables : —

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	***2011***
Due within one year	**¥ 2,165**	¥ 964	***$ 26,037***
Due after one year	**9,156**	3,172	***110,114***
Total	**¥ 11,321**	¥ 4,136	***$ 136,151***

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

ii) Breakdown of lease investment assets

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2011	2010	***2011***
Lease payments receivable	**¥ 171**	¥ 221	***$ 2,056***
The residual value	**—**	3	***—***
The amount of receipt interest equivalency	**(2)**	(4)	***(24)***
Lease investment assets	**¥ 169**	¥ 220	***$ 2,032***

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

Year ended March 31,	Japanese Yen (millions)	*U.S. Dollars (thousands)*
2012	¥ 52	*$ 625*
2013	43	*517*
2014	29	*348*
2015	21	*253*
2016 and thereafter	26	*313*
	¥ 171	*$ 2,056*

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. 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.

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) Management of credit risks (Breach of contracts risks)

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 "(b) 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, 2011 and 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.

2011 :

	Japanese Yen (millions)		
	Book value	Fair value	Differences
(1) Cash and time deposits	**¥ 51,683**	**¥ 51,683**	**¥ —**
(2) Trade and other receivables	**155,754**		
Less allowance for doubtful accounts *1	**(2,175)**		
	153,579	**153,565**	**(14)**
(3) Short-term loans	**66,289**	**66,289**	**—**
(4) Investments securities			
Available-for-sale securities	**30,641**	**30,641**	**—**
Stocks of affiliates	**2,740**	**3,428**	**688**
(5) Long-term loans	**11,673**		
Less allowance for doubtful accounts *1	**(4)**		
	11,669	**11,833**	**164**
Assets total	**¥ 316,601**	**¥ 317,439**	**¥ 838**
(1) Trade payables	**¥ 140,337**	**¥ 140,337**	**¥ —**
(2) Short-term borrowings	**28,839**	**28,839**	**—**
(3) Current portion of long-term loan payable	**29,165**	**29,169**	**4**
(4) Current portion of bonds	**10,170**	**10,185**	**15**
(5) Accrued income taxes	**6,930**	**6,930**	**—**
(6) Bonds	**20,880**	**20,809**	**(71)**
(7) Long-term loan payable	**82,980**	**82,911**	**(69)**
Liabilities total	**¥ 319,301**	**¥ 319,180**	**¥ (121)**
Derivative transactions *2			
i Derivative transactions for which hedge accounting has not been applied	**¥ 2,530**	**¥ 2,530**	**¥ —**
ii Derivative transactions for which hedge accounting has been applied	**(864)**	**(864)**	**—**
Derivative transactions total	**¥ 1,666**	**¥ 1,666**	**¥ —**

2010 :

	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 accounts *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 accounts *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)	¥ —

2011 :

	U.S. dollars (thousands)		
	Book value	*Fair value*	*Differences*
(1) Cash and time deposits	***$ 621,563***	***$ 621,563***	***$ —***
(2) Trade and other receivables	***1,873,169***		
*Less allowance for doubtful accounts *1*	***(26,158)***		
	1,847,011	***1,846,843***	***(168)***
(3) Short-term loans	***797,222***	***797,222***	***—***
(4) Investments securities			
Available-for-sale securities	***368,503***	***368,503***	***—***
Stocks of affiliates	***32,953***	***41,227***	***8,274***
(5) Long-term loans	***140,385***		
*Less allowance for doubtful accounts *1*	***(48)***		
	140,337	***142,309***	***1,972***
Assets total	***$3,807,589***	***$3,817,667***	***$ 10,078***
(1) Trade payables	***$1,687,757***	***$1,687,757***	***$ —***
(2) Short-term borrowings	***346,831***	***346,831***	***—***
(3) Current portion of long-term loan payable	***350,752***	***350,800***	***48***
(4) Current portion of bonds	***122,309***	***122,489***	***180***
(5) Accrued income taxes	***83,343***	***83,343***	***—***
(6) Bonds	***251,112***	***250,259***	***(853)***
(7) Long-term loan payable	***997,956***	***997,126***	***(830)***
Liabilities total	***$3,840,060***	***$3,838,605***	***$ (1,455)***
*Derivative transactions *2*			
i Derivative transactions for which hedge accounting has not been applied	***$ 30,427***	***$ 30,427***	***$ —***
ii Derivative transactions for which hedge accounting has been applied	***(10,391)***	***(10,391)***	***—***
Derivative transactions total	***$ 20,036***	***$ 20,036***	***$ —***

*1 Allowance for doubtful accounts is deducted from each account.
*2 Net credit or debt arising from derivative transactions is indicated by the offset amount and which is indicated as ( ) in case of the offset amount is debt.

(note 1) Articles concerning calculation method of fair value, marketable securities and derivative transactions.

Assets
(1) Cash and time deposits, (3) Short-term loans
Fair value of these accounts 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 is 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. Part of borrowings at variable interest rate are subjected to exceptional treatment of interest swaps. Total of principal and interest conducted from the interest swaps is discounted at the reasonable interest rate, which will be applied to the same amount of borrowings.
(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*
	2011	2010	***2011***
(1) Unlisted equity securities	**¥ 13,325**	¥ 18,564	***$ 160,253***
(2) Bonds	**502**	504	***6,037***
Total	**¥ 13,827**	¥ 19,068	***$ 166,290***

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.

2011 :

	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	¥ 50,630	¥ —	¥ —	¥ —
Trade and other receivables	153,069	2,685	—	—
Short-term loans	66,289	—	—	—
Investments securities				
Available-for-sale securities	1	501	—	—
Long-term loans	—	6,128	3,343	2,202
Total	¥ 269,989	¥ 9,314	¥ 3,343	¥ 2,202

2010 :

	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

2011 :

	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	*$ 608,899*	*$ —*	*$ —*	*$ —*
Trade and other receivables	*1,840,878*	*32,291*	*—*	*—*
Short-term loans	*797,222*	*—*	*—*	*—*
Investments securities				
Available-for-sale securities	*12*	*6,025*	*—*	*—*
Long-term loans	*—*	*73,698*	*40,205*	*26,482*
Total	*$3,247,011*	*$ 112,014*	*$ 40,205*	*$ 26,482*

(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.

15. Derivative Transactions of the Company and its Consolidated Subsidiaries

The following tables summarize market value information as of March 31, 2011 and 2010 of derivative transactions : —

2011 :

	Japanese Yen (millions)			
	Contract amount		Market value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Forward contracts				
To buy U.S.dollars	¥ 5,890	¥ —	¥ 5,864	¥ (26)
To sell U.S.dollars	29,642	385	27,864	1,778
Currency option contract				
Buying ; Call option	3,884	—	20	(48)
Currency swap				
Japanese yen receipt , U.S. dollars payment	5,000	2,300	840	840
	¥ 44,416	¥ 2,685	¥ 34,588	¥ 2,544
Interest swap				
To receive float,pay fix	¥ 394	¥ 391	¥ (13)	¥ (13)
	¥ 394	¥ 391	¥ (13)	¥ (13)

2010 :

	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)

2011 :

	US dollars (thousands)			
	Contract amount		*Market value*	*Unrealized gain (loss)*
	Total	*Due after one year*		
Currency related derivatives				
Forward contracts				
To buy U.S.dollars	*$ 70,836*	*$ —*	*$ 70,523*	*$ (313)*
To sell U.S.dollars	*356,488*	*4,630*	*335,105*	*21,383*
Currency option contract				
Buying ; Call option	*46,711*	*—*	*241*	*(577)*
Currency swap				
Japanese yen receipt , U.S. dollars payment	*60,132*	*27,661*	*10,102*	*10,102*
	$ 534,167	*$ 32,291*	*$ 415,971*	*$ 30,595*
Interest swap				
To receive float,pay fix	*$ 4,738*	*$ 4,702*	*$ (156)*	*$ (156)*
	$ 4,738	*$ 4,702*	*$ (156)*	*$ (156)*

2. Derivative transactions for which hedge accounting has been applied

2011 :

	Hedged items	Japanese Yen (millions)		
		Contract amount		Market value
		Total	Due after one year	
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S.dollars	Trade payables	¥ 4,893	¥ 3,209	¥ 4,635
Euro		4,711	270	4,988
STG pounds		182	—	182
Danish krone		67	—	69
To sell Euro	Trade receivables	126	—	135
Currency option contract				
Buying ; Call option	Costs	175	—	12
Selling ; Put option		1,560	—	(0)
Alternative method*1				
Currency related derivatives				
Forward contracts				
To buy U.S.dollars	Trade receivables Foreign currency deposit	114	—	114
		¥ 11,828	¥ 3,479	¥ 10,135
Interest swap				
Basic treatment : To receive float,pay fix	Long-term loan payable	¥ 7,633	¥ 7,079	¥ (889)
Exceptional treatment*2 : To receive float,pay fix	Short-term borrowing , Long-term loan payable	18,736	11,234	—
		¥ 26,369	¥ 18,313	¥ (889)

*1 When certain conditions are met, translation of foreign currency receivables and foreign currency deposit are based on yen amounts fixed by forward contract.

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

2010 :

		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)

2011 :

		US dollars (thousands)		
		Contract amount		*Market value*
	Hedged items	*Total*	*Due after one year*	
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S.dollars	*Trade payables*	*$ 58,845*	*$ 38,593*	*$ 55,743*
Euro		*56,657*	*3,247*	*59,988*
STG pounds		*2,189*	—	*2,189*
Danish krone		*806*	—	*830*
To sell Euro	*Trade receivables*	*1,515*	—	*1,623*
Currency option contract				
Buying ; Call option	*Costs*	*2,105*	—	*144*
Selling ; Put option		*18,761*	—	*(0)*
Alternative method[*1]				
Currency related derivatives				
Forward contracts				
To buy U.S.dollars	*Trade receivables Foreign currency deposit*	*1,371*	—	*1,371*
		$ 142,249	*$ 41,840*	*$ 121,888*
Interest swap				
Basic treatment : To receive float,pay fix	*Long-term loan payable*	*$ 91,798*	*$ 85,136*	*$ (10,692)*
Exceptional treatment[*2] *: To receive float,pay fix*	*Short-term borrowing , Long-term loan payable*	*225,328*	*135,105*	—
		$ 317,126	*$ 220,241*	*$ (10,692)*

[*1] When certain conditions are met, translation of foreign currency receivables and foreign currency deposit are based on yen amounts fixed by forward contract.

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

16. Segment Information

(a) Overview of Reportable Segment

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

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

Reportable Segment is classified into four segments: Ships, Steel structures/construction, Machinery and Plants. Main products and services of each Reportable Segment are as follows.

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 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, Spent fuel casks and other plants.

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

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

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

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

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

Reportable segment information for the years ended March 31, 2011 and 2010 were as follows : —

2011 :

	Japanese Yen (millions)								
	Ships	Steel structures/ construction	Machinery	Plants	Sub total	Others	Total	Adjustment	Consolidated
Net Sales :									
Outside customers	**¥312,611**	**¥ 42,377**	**¥165,309**	**¥ 47,289**	**¥567,586**	**¥ 21,623**	**¥589,209**	**¥ —**	**¥589,209**
Inter segment	**271**	**908**	**10,801**	**397**	**12,377**	**1,226**	**13,603**	**(13,603)**	**—**
Total	**312,882**	**43,285**	**176,110**	**47,686**	**579,963**	**22,849**	**602,812**	**(13,603)**	**589,209**
Operating income (loss)	**¥ 19,091**	**¥ 1,768**	**¥ 22,682**	**¥ (5,936)**	**¥ 37,605**	**¥ 1,648**	**¥ 39,253**	**¥ (357)**	**¥ 38,896**
Assets	**¥303,171**	**¥ 43,226**	**¥126,242**	**¥ 27,150**	**¥499,789**	**¥ 46,808**	**¥546,597**	**¥139,729**	**¥686,326**
Depreciation	**¥ 6,549**	**¥ 1,111**	**¥ 4,746**	**¥ 187**	**¥ 12,593**	**¥ 1,086**	**¥ 13,679**	**¥ 1,257**	**¥ 14,936**
Increase tangible and immaterial fixed assets	**¥ 16,958**	**(1,338)**	**¥ (1,471)**	**¥ (326)**	**13,823**	**(802)**	**¥ 13,021**	**¥ (670)**	**¥ 12,351**

2010 :

	Japanese Yen (millions)								
	Ships	Steel structures/ construction	Machinery	Plants	Sub total	Others	Total	Corporate and Elimination	Consolidated
Net Sales :									
Outside customers	¥429,521	¥ 65,857	¥183,257	¥ 68,390	¥747,025	¥ 18,964	¥765,989	¥ —	¥765,989
Inter segment	333	1,032	13,342	311	15,018	2,128	17,146	(17,146)	—
Total	429,854	66,889	196,599	68,701	762,043	21,092	783,135	(17,146)	765,989
Operating income (loss)	¥ 13,718	¥ 4,552	¥ 26,119	¥ (2,183)	¥ 42,206	¥ 849	¥ 43,055	¥ (54)	¥ 43,001
Assets	¥326,065	¥ 47,148	¥142,781	¥ 28,591	¥544,585	¥ 46,437	¥591,022	¥151,838	¥742,860
Depreciation	¥ 5,927	¥ 1,199	¥ 4,729	¥ 374	¥ 12,229	¥ 1,121	¥ 13,350	¥ 1,388	¥ 14,738
Increase tangible and immaterial fixed assets	¥ 5,952	¥ (478)	¥ (521)	¥ (485)	¥ 4,468	¥ (933)	¥ 3,535	¥ (2,580)	¥ 955

2011 : *U.S. Dollars (thousands)*

	Ships	*Steel structures/ construction*	*Machinery*	*Plants*	*Sub total*	*Others*	*Total*	*Corporate and Elimination*	*Consolidated*
Net Sales :									
Outside customers	*$3,759,603*	*$ 509,645*	*$1,988,082*	*$ 568,719*	*$6,826,049*	*$ 260,048*	*$7,086,097*	*$ —*	*$7,086,097*
Inter segment	*3,259*	*10,920*	*129,898*	*4,775*	*148,852*	*14,745*	*163,597*	*(163,597)*	*—*
Total	*3,762,862*	*520,565*	*2,117,980*	*573,494*	*6,974,901*	*274,793*	*7,249,694*	*(163,597)*	*7,086,097*
Operating income (loss)	*$ 229,597*	*$ 21,263*	*$ 272,784*	*$ (71,389)*	*$ 452,255*	*$ 19,820*	*$ 472,075*	*$ (4,294)*	*$ 467,781*
Assets	*$3,646,074*	*$ 519,856*	*$1,518,243*	*$ 326,518*	*$6,010,691*	*$ 562,935*	*$6,573,626*	*$1,680,445*	*$8,254,071*
Depreciation	*$ 78,761*	*$ 13,361*	*$ 57,078*	*$ 2,249*	*$ 151,449*	*$ 13,061*	*$ 164,510*	*$ 15,117*	*$ 179,627*
Increase tangible and immaterial fixed assets	*$ 203,945*	*$ (16,091)*	*$ (17,691)*	*$ (3,921)*	*$ 166,242*	*$ (9,645)*	*$ 156,597*	*$ (8,058)*	*$ 148,539*

"Others" is the segment which is not included in Reportable Segment and includes Systems development, Biomass power generation plant, Real estate lease business and others.

[Related information]

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

(e) Information by geographical area
1) Sales

2011 : Japanese Yen (millions)

	Japan	Panama	Brazil	Africa	Asia	Other	Total
Net Sales	¥223,162	¥106,853	¥ 79,357	¥ 74,736	¥ 63,685	¥ 41,416	¥589,209

2011 : *U.S. Dollars (thousands)*

	Japan	*Panama*	*Brazil*	*Africa*	*Asia*	*Other*	*Total*
Net Sales	*$2,683,848*	*$1,285,063*	*$ 954,384*	*$ 898,809*	*$ 765,905*	*$ 498,088*	*$7,086,097*

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

2) Property, plant and equipment

2011 : Japanese Yen (millions)

	Japan	Panama	Other	Total
Property, plant and equipment	¥ 186,943	¥ 26,154	¥ 8,817	¥ 221,914

2011 : *U.S. Dollars (thousands)*

	Japan	*Panama*	*Other*	*Total*
Property, plant and equipment	*$2,248,262*	*$ 314,540*	*$ 106,037*	*$2,668,839*

(f) Information by major customer
Information by major customer is not described because there is no customer which the sales amount exceeds 10% of the sales amount in Consolidated Statements of Income.

[Information about losses on impairment of property, plant and equipment for each Reportable Segment]

Losses on impairment on fixed assets

2011 : Japanese Yen (millions)

	Ships	Steel structures/ construction	Machinery	Plants	Others	Corporate and Elimination	Total
Losses on impairment on fixed assets	¥ —	¥ 326	¥ 1	¥ —	¥ —	¥ 1,630	¥ 1,957

2011 : *U.S. Dollars (thousands)*

	Ships	*Steel structures/ construction*	*Machinery*	*Plants*	*Others*	*Corporate and Elimination*	*Total*
Losses on impairment on fixed assets	*$ —*	*$ 3,921*	*$ 12*	*$ —*	*$ —*	*$ 19,603*	*$ 23,536*

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

Goodwill

2011 : Japanese Yen (millions)

	Ships	Steel structures/ construction	Machinery	Plants	Others	Corporate and Elimination	Total
Amortization	¥ 307	¥ (8)	¥ 7	¥ 3	¥ —	¥ —	¥ 309
Goodwill	¥ 5,189	¥ (27)	¥ 20	¥ 6	¥ —	¥ —	¥ 5,188

2011 : *U.S. Dollars (thousands)*

	Ships	*Steel structures/ construction*	*Machinery*	*Plants*	*Others*	*Corporate and Elimination*	*Total*
Amortization	*$ 3,692*	*$ (96)*	*$ 84*	*$ 36*	*$ —*	*$ —*	*$ 3,716*
Goodwill	*$ 62,405*	*$ (324)*	*$ 240*	*$ 72*	*$ —*	*$ —*	*$ 62,393*

[Information about gains on negative goodwill for each Reportable Segment]
Fiscal year ended March 31, 2011
Not applicable

Additional information
"Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) are adopted from this fiscal year.

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 Kanagawa, 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.

2011 Japanese Yen (millions)

	Book value			Fair value
Usage	Year ended March 31, 2010	Increase (Decrease)	Year ended March 31, 2011	Year ended March 31, 2011
Warehouses, offices and houses	¥ 11,965	¥ 1,928	¥ 13,893	¥ 17,432
Idle assets (Land)	7,874	4,235	12,109	13,759
Total	¥ 19,839	¥ 6,163	¥ 26,002	¥ 31,191

U.S. Dollars (thousands)

	Book value			*Fair value*
Usage	*Year ended March 31, 2010*	*Increase (Decrease)*	*Year ended March 31, 2011*	*Year ended March 31, 2011*
Warehouses, offices and houses	*$ 143,897*	*$ 23,187*	*$ 167,084*	*$ 209,645*
Idle assets (Land)	*94,696*	*50,932*	*145,628*	*165,472*
Total	*$ 238,593*	*$ 74,119*	*$ 312,712*	*$ 375,117*

(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 term, increase in rental properties and idle land are by ¥2,375 million (*$28,563 thousand*) and 4,401 million (*$52,928 thousand*), and main decrease in rental properties by ¥167 million (*$2,008 thousand*) and ¥179 million (*$2,153 thousand*) resulted from impairment losses and depreciation respectively.

(note 3) Fair value of this term-end is mainly 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	¥ 1,826	¥ 1,171	¥ 655	¥ —
Idle assets (Land)	—	214	(214)	(167)
Total	¥ 1,826	¥ 1,385	¥ 441	¥ (167)

	U.S. Dollars (thousands)			
Usage	*Rental income*	*Rental expenses*	*Difference*	*Others (Profit or Loss on sales of assets, etc)*
Warehouses, offices and houses	*$ 21,960*	*$ 14,083*	*$ 7,877*	*$ —*
Idle assets (Land)	*—*	*2,574*	*(2,574)*	*(2,008)*
Total	*$ 21,960*	*$ 16,657*	*$ 5,303*	*$ (2,008)*

(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.

2010

	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

(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 term, increase in rental properties by ¥79 million resulted from acquisition of properties, and decrease in rental properties by ¥1,447 million and ¥171 million resulted from impairment losses and depreciation respectively.

(note 3) Fair value of this term-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)

(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, 2011 and 2010 were as follows : —

Unconsolidated subsidiaries and affiliates of the Company

2011

			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	GAS OPPORT UNITY MV20 B.V	Amsterdam Dutch	EURO 38,678	Charter of FPSO	Indirect 25.1%	Construction of a consolidated subsidiary FPSO charter	The working capital lending	17,536	Long-term loans	2,179
							The equipment capital collection	16,043	—	—
	TUPI PILOT MV22 B.V.	Amsterdam Dutch	EURO 60	Charter of FPSO	Indirect 21.3%	Construction of a consolidated subsidiary FPSO charter	Guarantee Obligation	26,164	—	—
Equity method unconsolidated subsidiary	JUBILEE GHANA MV21 B.V.	Amsterdam Dutch	EURO 20	Charter of FPSO	Indirect 50.1%	Construction of a consolidated subsidiary FPSO charter Interlocking directors	The equipment capital lending	—	Short-term loans	16,193
							Guarantee Obligation	16,376	—	—
	GUARA MV23 B.V.	Amsterdam Dutch	EURO 20	Charter of FPSO	Indirect 50.1%	Construction of a consolidated subsidiary FPSO charter Interlocking directors	Construction of FPSO	33,389	Receivables	15,296
							The equipment capital lending	16,352	Short-term loans	15,636

2010

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
			Japanese Yen (millions)							
Affiliate	OPPORT UNITY 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	—	—
Affiliate	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	—	—
Affiliate	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

2011

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	*GAS OPPORT UNITY MV20 B.V*	*Amsterdam Dutch*	*EURO 38,678*	*Charter of FPSO*	*Indirect 25.1%*	*Construction of a consolidated subsidiary FPSO charter*	*The working capital lending*	*210,896*	*Long-term loans*	*26,206*
							The equipment capital collection	*192,940*	—	—
Affiliate	*TUPI PILOT MV22 B.V.*	*Amsterdam Dutch*	*EURO 60*	*Charter of FPSO*	*Indirect 21.3%*	*Construction of a consolidated subsidiary FPSO charter*	*Guarantee Obligation*	*314,660*	—	—
Equity method unconsolidated subsidiary	*JUBILEE GHANA MV21 B.V.*	*Amsterdam Dutch*	*EURO 20*	*Charter of FPSO*	*Indirect 50.1%*	*Construction of a consolidated subsidiary FPSO charter*	*The equipment capital lending*	—	*Short-term loans*	*194,744*
						Interlocking directors	*Guarantee Obligation*	*196,945*	—	—
Equity method unconsolidated subsidiary	*GUARA MV23 B.V.*	*Amsterdam Dutch*	*EURO 20*	*Charter of FPSO*	*Indirect 50.1%*	*Construction of a consolidated subsidiary FPSO charter*	*Construction of FPSO*	*401,551*	*Receivables*	*183,957*
						Interlocking directors	*The equipment capital lending*	*196,657*	*Short-term loans*	*188,046*

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.

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

(1)FPSO/FSO construction and operation trade are deliberately determined in consideration by each project plan.

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

(3)The working capital lending is deliberately determined in consideration by each project plan.

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

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, 2011and 2010, the related consolidated statements of income , the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years ended then, and the consolidated statements of comprehensive income for the year then ended March 31, 2011 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, 2011 and 2010, 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 (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.
(2) As discussed in Note 1 (t) to the consolidated financial statements, effective from the year ended March 31, 2011, the Company and the consolidated subsidiaries adopted the new accounting standard for the Asset Retirement Obligations.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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 28, 2011

KPMG AZSA LLC

KPMG AZSA & CO.

Directors and Their Areas of Responsibility

Representative Directors

Yasuhiko Katoh	President / Representative Director
Makoto Sakurai	Vice President / Representative Director Assists president, administers corporate management, procurement, corporate auditing, export control, CCO* and CPO*.
Takao Tanaka	Managing Director / Representative Director In charge of corporate planning, personnel & general affairs

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

Managing Directors

Shunichi Yamashita	General Manager of Plant & Environment Hq.
Masafumi Okada	General Manager of Ship & Ocean Project Hq.
Yasuo Irie	General Manager of Research & Development Hq.

Directors

Akinori Matsuda	Deputy General Manager of Ship & Ocean Project Hq. General Manager of Chiba Works	**Osamu Niho**	General Manager of Business Development & Innovation Hq.
Yoshihisa Kitajima	In charge of production improvement promotion, environmental & safety control and workshop	**Manabu Kawai**	In charge of finance & accounting , IR and Public Relations
Takaki Yamamoto	General Manager of Tamano Works	**Hiroyuki Komine**	General Manager of Corporate Marketing & Business Coordination Hq.
Yukinobu Ootani	General Manager of Steel Structure & Logistic System Hq.	**Shinsuke Minoda**	General Manager of Machinery & Systems Hq.

Corporate Auditors

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

Network

Head Office, Works and Overseas Offices

Head Office
3-16, Nihonbashi 1-chome, Chuo-ku,
Tokyo 103-0027, Japan
Phone: Direct Call to each section
81-3-5202-3147 (P.R. Dept.)
Fax: 81-3-5202-3064
http://www.mes.co.jp

Kasai Center Office
4-6, Nishikasai 8-chome, Edogawa-ku,
Tokyo 134-0088, Japan
Phone: Direct call to each section
81-3-3675-2819
Fax: 81-3-3675-8385

Tamano Works
1-1, Tama 3-chome, Tamano,
Okayama 706-8651, Japan
Phone: Direct call to each section
Information: 81-863-23-2010
Fax: 81-863-23-2006

Chiba Works
1, Yawatakaigandori, Ichihara,
Chiba 290-8531, Japan
Phone: Direct call to each section
Information: 81-436-41-1112
Fax: 81-436-41-5527

Oita Works
3, Hiyoshibaru, Oita 870-0395, Japan
Phone: 81-97-593-3111
Fax: 81-97-593-3304

(Beijing)
Mitsui Engineering & Shipbuilding Co., Ltd.
Beijing Representative Office
Room 2017, The Beijing Fortune Building 5
Dong San Huan Bei-lu, Chao Yang District
Beijing 100004, China
Phone: 86-10-6590-8051/4
Fax: 86-10-6590-8050

(Shanghai)
Mitsuizosen (Shanghai) Co., Ltd.
Room 2513, Shanghai International Trade Center
2201 Yan An Road (West), Shanghai, China
200336
Phone: 86-21-6208-9201
Fax: 86-21-6208-9601

(Hanoi)
Mitsui Engineering & Shipbuilding Co., Ltd.
Hanoi Representative Office
Suite5.04-5th Floor, Hanoi Central Office
Building, 44B Ly Thuong Kiet St.,
Hoan Kiem Dist., Hanoi Vietnam
Phone: 84-4-3938-6181/6182
Fax: 84-4-3938-6180

(Kuala Lumpur)
Mitsui Engineering & Shipbuilding Co., Ltd.
Kuala Lumpur Representative Office
Suite 13-03, 13th Floor, Menara Keck Seng,
203, Jalan Bukit Bintang,
55100 Kuala Lumpur, Malaysia
Phone: 603-2141-3025
Fax: 603-2141-3032

(Singapore)
Mitsui Engineering & Shipbuilding Co., Ltd.
Singapore Representative Office
Room 4102, 16 Raffles Quay,
Hong Leong Building, Singapore, 048581
Phone: 65-6220-4065
Fax: 65-6225-9643

(Jakarta)
Mitsui Engineering & Shipbuilding Co., Ltd.
Jakarta Representative Office
7th Floor, Nusantara Building, JL. M.H.
Thamrin No.59 Jakarta, 10350 Indonesia
Phone: 62-21-3192-2910
Fax: 62-21-3193-6166

(New York)
Mitsui Zosen (U.S.A.) Inc.
150 East 58th Street, 22nd Floor,
New York, N.Y. 10155, U.S.A.
Phone: 1-212-308-3350/3
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.
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, Irifune-cho 4-chome, 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, 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

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

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.

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, 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, PSO, TLP and Semisubmersibles), project management, engineering, procurement, construction, installation and operation services

Shanghai Hudong Sanzo Marine Machinery 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, production of materials for ships

Steel Structure & Logistic Systems Headquarters

Mitsui Thanglong Steel Construction Company Ltd.
Xam Duong Village, Ninh So Commune, Thuong Tin District, Hanoi City, Socialist Republic of Vietnam
Phone : 84-4-3686-0112
Fax : 84-4-3686-0107
• Production and sale of steel structures (bridges, pipes, frames, crane girders, etc.)

Paceco Corp.
25503 Whitesell Street Hayward, California 94545-3614, 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 Limited.
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.
14F-2, 8 Ming-Chuan 2nd road,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) , China
Phone : 86-21-61940144
Fax : 86-21-61940155
• 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

MES Ferrotec China Co., Ltd.
No. 365 Yuanguang Rd. Baoshan City Industrial Park, Shanghai, China
Phone : 86-21-3631-6860
Fax : 86-21-3616-0021
• Production, sales, and after-sales of induction heater

Plant & Environment Headquarters

Engineers and Constructors International, Inc.
2638 S.Sherwoodforest Blvd. Suite 100, Baton Rouge,LA 70816, U.S.A
Phone : 1-225-293-7768
Fax : 1-225-292-8364
• Engineering and construction of chemical plants and procurement of materials for them

DASH Engineering Philippines Inc.
8th Flr., i1Bldg., 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, Kwaeng 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/

Printed in Japan 1108-N1-15-SBC