

June 7, 2016
Mitsui Engineering & Shipbuilding Co., Ltd.

**DISCLOSURE THROUGH THE INTERNET RELATED TO
NOTICE OF THE 113th ORDINARY GENERAL
MEETING OF SHAREHOLDERS**

Attached are:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

for the 113th Business Term from April 1, 2015 to March 31, 2016

As for Notes to Consolidated Financial Statement and Notes to Financial Statement, the Company is deemed to have provided those to shareholders by means of disclosure through the Internet (on the Company's website: <http://www.mes.co.jp/>) in accordance with the laws and Article 16 of the Company's Articles of Incorporation.

(This is English translations of Japanese original for reference purpose only.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes to Basic Significant Matters Regarding Preparation of Consolidated Financial Statements

1. Items in the scope of consolidation

(1) Number of consolidated subsidiaries: 87

Major consolidated subsidiaries are MODEC, Inc., Mitsui Zosen Chiba Kiko Engineering Inc., MES Shipping Co., Ltd., Shikoku Dockyard Co., Ltd., Nigata Shipbuilding & Repair, Inc., Mitsui Zosen Steel Structures Engineering Co., Ltd., DPS Bridge Works Co., Ltd., Mitsui Zosen Machinery & Service, Inc., Mitsui Meehanite Metal Co., Ltd., Mitsui Zosen Environment Engineering Corporation, Mitsui Zosen Plant Engineering Inc., Green Power Ichihara Co., Ltd., Showa Aircraft Industry Co., Ltd., Mitsui Zosen Systems Research Inc., Sanyu Real Estate Co., Ltd., Sanko Logistics Corporation, TGE Marine AG., Paceco Corp., Burmeister & Wain Scandinavian Contractor A/S, Engineers and Constructors International, Inc.

MES Germany Beteiligungs GmbH, MES HOLDINGS B.V., BWSC Cayman Ltd., BWSC Generation Services NI Ltd. and AZUMA MACHINERY Co., Ltd. were newly established in this term. TGE Marine AG and its consolidated subsidiaries, TGE Marine Gas Engineering GmbH and TGE Marine Gas Engineering Technology (Shanghai) Co., Ltd. became consolidated subsidiaries in this term as the Company acquired their shares. MES TECHNOSERVICE MIDDLE EAST W.L.L. and SOFEC MALAYSIA SDN. BHD. have been changed to consolidated subsidiaries in this term from unconsolidated subsidiaries due to increase of material impact on consolidated financial statements.

M&T Olivine Co., Ltd., FPSO PTE LTD, MODEC PRODUCTION (LANGSA) PTE. LTD., CANTARELL FSO, INC., S.A. DE C.V. and BWSC (Sabah) Sdn. Bhd., all which were consolidated subsidiaries in the previous term, have been excluded from the scope of consolidation due to liquidation in this term. Uno Kogyo Co., Ltd. and Tamano Engineering Co., Ltd., both were previously consolidated, were also excluded from the scope of consolidation as they were merged into M.E.S Tokki Co., Ltd. in this term. Rabai Operation & Maintenance Ltd. was unconsolidated in this term due to decrease of material impact on consolidated financial statements. ADMAP Inc. and its wholly owned subsidiary, ADMAP Ceramics Inc., were also unconsolidated as the Company sold their shares and shareholding ratio was decreased.

(2) Number of unconsolidated subsidiaries: 23

Unconsolidated subsidiaries are Asahi Sangyo, METOS Inc, Showa-no-Mori Total Service Co., Ltd., Showa Aircraft Techno Service Co., Ltd., Showa-no-Mori Area Service Co., Ltd., Harley-Davidson Showa-no-Mori Co., Ltd., Showa Aircraft Business Consultant Co., Ltd., MODEC SINGAPORE PTE. LTD., JUBILEE GHANA MV21 B.V., MODEC OFFSHORE SERVICOS LTDA., MODEC OFFSHORE ENGINEERING SERVICES (DALIAN) CO., LTD., MODEC MALAYSIA SDN. BHD., Rabai Operation & Maintenance Ltd., BWSC El Salvador, BWSC Mexico, MES Engineering Inc., MES Mittr Project services Co., Ltd., MIPEC (THAILAND) LIMITED, MITSUI ZOSEN (U.S.A.) INC., MITSUI ZOSEN (SHANGHAI) Co., Ltd., MES (Thailand) Ltd., SHOWA AIRCRAFT USA INC., Showa Aircraft Industry Philippines Inc.

MES (Thailand) Ltd. was newly established in this term. Rabai Operation & Maintenance Ltd. became unconsolidated subsidiary in this term due to decrease of material impact on consolidated financial statements.

MES TECHNOSERVICE MIDDLE EAST W.L.L. and SOFEC MALAYSIA SDN. BHD. have been changed to consolidated subsidiaries in this term from unconsolidated subsidiaries due to increase of material impact on consolidated financial statements. TARTARUGA MV29 B.V. became the affiliate as the shareholding ratio was decreased.

Unconsolidated subsidiaries were excluded from the scope of consolidation as they are small-scale and each sum of the total assets, sales, net profit or loss, and retained earnings (amount corresponding to equity interests) would have little effect on consolidated financial statements.

2. Items concerning application of the equity method

(1) Number of unconsolidated subsidiaries on the equity method: 2

JUBILEE GHANA MV21 B.V., Rabai Operation & Maintenance Ltd.

Rabai Operation & Maintenance Ltd., which was consolidated subsidiary in the previous term, changed to unconsolidated subsidiary on the equity method in this term due to decrease of material impact on consolidated financial statements.

TARTARUGA MV 29 B.V., which was previously unconsolidated subsidiary on the equity method, has been changed to the affiliate on the equity method in this term as the shareholding ratio was decreased.

(2) Number of affiliates on the equity method: 48

Major affiliates are Minami-nippon Shipbuilding Co., Ltd., Kaji Technology Corporation, Mitsui Miike Machinery Co., Ltd., CSSC-MES Diesel Co., Ltd.

Tilbury Green Power Holdings Ltd. was newly established in this term. AZUMA ENGINEERNIG (S) PTE. LTD. became the affiliate in this term as the Company acquired shares.

ADMAP Inc., the consolidated subsidiary in previous term, and TARTARUGA MV 29 B.V., the unconsolidated subsidiary on the equity method in previous term, became affiliates on the equity method as the shareholding ratio was decreased. Oita Hiyoishibaru Solar Co., Ltd. has been changed to the affiliate on the equity method in this term from non-equity method affiliate due to increase of material impact on consolidated financial statements.

Mitsui Thang Long Steel Construction Company Ltd. is an affiliate on the equity method as the Company does not have control in its decision making body even though the Company has majority of voting right.

(3) Number of unconsolidated subsidiaries and affiliates not on the equity method: 34

Number of unconsolidated subsidiaries: 21

Asahi Sangyo, METOS Inc, Showa-no-Mori Total Service Co., Ltd., Showa Aircraft Techno Service Co., Ltd., Showa-no-Mori Area Service Co., Ltd., Harley-Davidson Showa-no-Mori Co., Ltd., Showa Aircraft Business Consultant Co., Ltd., MODEC SINGAPORE PTE. LTD., MODEC OFFSHORE SERVICOS LTDA., MODEC OFFSHORE ENGINEERING SERVICES (DALIAN) CO., LTD., MODEC MALAYSIA SDN. BHD., BWSC El Salvador, BWSC Mexico, MES Engineering, Inc., MES Mitr Project Services Co., Ltd., MIPEC (THAILAND) LIMITED, MITSUI ZOSEN (U.S.A.) INC., MITSUI ZOSEN (SHANGHAI) Co., Ltd., MES (Thailand) Ltd., SHOWA AIRCRAFT USA INC., Showa Aircraft Industry Philippines Inc.

Number of Affiliates: 13

ISB Inc., Sanuki Foundry Co., Ltd., NHI Co., Ltd., Dr. Vegetable JAPAN Co., Ltd., PT. Marine Technology Indonesia, Primate Shipping S.A., MES UBI Heavy Industries Co., Ltd., MES TECHNOSERVICE MACHINERY CONSTRUCTION LOGISTICS INDUSTRY AND TRADE CORPORATION, AZUMA MARINE & OFFSHORE ENGINEERING (M) SDN. BHD., TOEI ENGINEERING (S) PTE LTD., ADMAP Ceramics Inc., Endurance & MES (Chongqing) Enviroment Co., Ltd., MITSUI ENGINEERING & SHIPBUILDING ARABIA LTD..

As these companies have extremely slight impact on net profit or loss and retained earnings (amount corresponding to the Company's equity ownership), they have no material impact as a whole on the consolidated financial statements and thus the equity method was not applied.

(4) Change in shareholding ratio arising from capital increase of the companies subject to application of the equity method is accounted for by the method supposing it as trading of the Company's equity interests.

3. Accounting period of the consolidated subsidiaries

3 domestic subsidiaries including MODEC, INC. and Shikoku Dockyard Co., Ltd., and 50 overseas subsidiaries close their accounting period on the 31st of December. Though the Company consolidates these subsidiaries' financial statements as of each subsidiary's latest fiscal year-end, adjustments necessary for the consolidation are performed in terms of the significant transactions occurred between their fiscal year-end and the consolidated balance sheet date.

4. Significant accounting policies

(1) Valuation standards and methods for important assets

a. Securities:

- | | |
|---|--|
| i Securities issued by subsidiaries & affiliates | stated at cost based on the moving-average method. |
| ii Other securities | |
| with fair market value | mainly stated at average market value during the final month of the fiscal year. (Related valuation differences are directly charged to net assets, and the cost of securities sold is computed by the moving-average method.) |
| without fair market value | stated at cost based on the moving-average method. |
| b. Derivatives | stated at fair value |
| c. Inventories | |
| i Merchandise, finished goods, raw materials and supplies | mainly stated at cost determined by the moving-average method except steel for new shipbuilding, which is by the identified cost method (Balance sheet value reflects downturn in profitability). |
| ii Work in progress | stated at cost based on the identified cost method. (Balance sheet value reflects downturn in profitability). |

(2) Depreciation methods for non-current assets

- | | |
|--|---|
| a. Property, plant and equipment (other than lease assets) | mainly on the declining-balance method. However, the buildings acquired after April 1, 1998 (except auxiliary equipment) are on the straight-line method. |
| b. Intangible assets (other than lease assets) | on the straight-line method. Software for own use is depreciated on the straight-line method based on the period of possible use, i.e. five years and customer-related assets are amortized on the straight-line method based on effected period, i.e. mainly eighteen years. |
| c. Lease assets | The depreciation method for lease assets related to finance lease transactions without transfer of ownership is by the straight-line method over the lease term. The residual value is either zero or the guaranteed residual value if it is specified in the lease contract. |

(3) Accounting criteria for major allowances

- | | |
|---|---|
| a. Allowance for doubtful accounts | An allowance for doubtful accounts is provided based on historical loss rates for normal receivables and on an individual evaluation for highly doubtful receivables. |
| b. Provision for product warranties | A provision for product warranties of ships and other products is provided mainly based on the estimated amounts calculated by using the average ratio of product warranties against sales amounts for the past two years. As for new ships, allowances are appropriated for the subsequent two years from the next consolidated fiscal year. |
| c. Provision for losses on construction contracts | A provision for losses on construction contracts, etc., is provided based on estimated losses which can be anticipated to occur in the next consolidated fiscal year and later with respect to undelivered construction projects, etc., on which eventual losses are deemed inevitable at the end of the this consolidated fiscal year and the amounts of loss can reasonably be estimated. |
| d. Liability for severance and retirement benefits for directors and corporate auditors | Some of consolidated subsidiaries calculate the required amount, based on internal regulations, in preparation for payment of retirement benefits to directors and corporate auditors as of the end of this consolidated fiscal year. |

(4) Accounting criteria for important revenues and expenses

- | | |
|--|--|
| a. Accounting for revenues and costs of completed work | |
| i Construction for which the portion completed by the end of this fiscal year can be determined with certainty: the percentage-of-completion method (Progress on work is mainly measured by the percentage of cost method) | |
| ii Construction other than above: the completed-contract method | |
| b. Revenues and costs of sales on finance lease transactions, other than those that transfer ownership of the leased property to the lessee, are accounted for when lease fees are received. | |

(5) Amortization of goodwill

Goodwill is generally amortized using the straight-line method over a reasonable period in which the economic benefits are expected to be realized.

(6) Other significant items associated with the preparation of consolidated financial statements

- | a. Accounting for major hedges | | | | | | | | | | | |
|---|---|---------------------|--------------|-------------------------|---|-------------------------|---|------------------------------|---|---|--|
| i Hedge Accounting | The Company and some of consolidated subsidiaries mainly apply deferral hedge treatment. The Company and some of consolidated subsidiaries apply allocation treatment for forward foreign exchange contracts and currency swap contracts, exceptional treatment for interest rate swap contracts, and batch treatment (exceptional and allocation treatment) for interest rate and currency swap contracts when each contract meets the certain requirement. | | | | | | | | | | |
| ii Hedging instruments and risks hedged | <table border="0" style="width: 100%;"><thead><tr><th style="text-align: center; border-bottom: 1px solid black;">Hedging instruments</th><th style="text-align: center; border-bottom: 1px solid black;">Hedged items</th></tr></thead><tbody><tr><td>Forward forex contracts</td><td>Foreign currency receivables and payables including future transactions</td></tr><tr><td>Currency swap contracts</td><td>Foreign currency receivables and payables</td></tr><tr><td>Interest rate swap contracts</td><td>Interest on borrowings and bonds payables</td></tr><tr><td>Interest rate and currency swap contracts</td><td>Foreign currency borrowings and interest</td></tr></tbody></table> | Hedging instruments | Hedged items | Forward forex contracts | Foreign currency receivables and payables including future transactions | Currency swap contracts | Foreign currency receivables and payables | Interest rate swap contracts | Interest on borrowings and bonds payables | Interest rate and currency swap contracts | Foreign currency borrowings and interest |
| Hedging instruments | Hedged items | | | | | | | | | | |
| Forward forex contracts | Foreign currency receivables and payables including future transactions | | | | | | | | | | |
| Currency swap contracts | Foreign currency receivables and payables | | | | | | | | | | |
| Interest rate swap contracts | Interest on borrowings and bonds payables | | | | | | | | | | |
| Interest rate and currency swap contracts | Foreign currency borrowings and interest | | | | | | | | | | |
| iii Hedging policy | The Company and its consolidated subsidiaries follow the internal regulations for derivatives, which stipulate the policy, objective, scope, organization, procedures, and financial institutions to deal with. | | | | | | | | | | |

iv Method of hedge efficacy evaluations	The Company and its consolidated subsidiaries compare market price fluctuations or cash flow fluctuations of hedged items with market price fluctuations or cash flow fluctuations of hedging instruments to conduct hedge efficacy evaluations. Furthermore, the Company and its consolidated subsidiaries omit hedge efficacy evaluations for interest rate swaps that fulfill special treatment requirements, as well as interest rate and currency swaps subject to batch treatment.
v Risk management policy	Interest rate risk resulting from Fixed / Current gap in the Financial Assets / Liabilities and currency fluctuation risk resulting from foreign currency receivables and payables are reduced by hedge transactions in order for those risks to be adjusted to a proper level.
b. Accounting for retirement benefits	
i Method of allocating projected retirement benefits by service period	In calculating retirement benefit obligations, the benefit formula basis is used to allocate projected retirement benefits over the period to the end of this consolidated fiscal year.
ii Method of accounting for actuarial gains and losses, prior service costs	Actuarial gains and losses are recognized in the consolidated statements of income commencing with the following year using the straight-line method mainly for five or ten years. Prior service costs are recognized in the consolidated statements of income using the straight-line method for one or five years.
iii Method of accounting for unrecognized actuarial differences and unrecognized prior service	After being adjusted for tax effect, unrecognized actuarial gains and losses, unrecognized prior service costs are added to "Remeasurements of defined benefit plans", an item within "Accumulated other comprehensive income (net assets)".
c. Consumption tax and similar taxes	The tax-excluded method is applied in accounting for the consumption tax, etc.
d. Application of Consolidated Taxation System	The Company applies a consolidated tax payment system.

Note to Change in the Accounting Policy

(Implementation of Accounting Standard for Business Combinations)

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013, hereinafter "Business Combinations Accounting Standard"), "Accounting Standard for Consolidated Financial Statements" ASBJ Statement No. 22, September 13, 2013, hereinafter "Consolidated Accounting Standard"), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013, hereinafter "Business Divestitures Accounting Standard") are applied from the beginning of this consolidated fiscal year. Differences due to fluctuations in the equity of subsidiaries remaining under control of the parent company are recorded as capital surplus and changed to the accounting treatment of recording acquisition related cost as expenses for the consolidated accounting period.

For business combination conducted after the beginning of this consolidated fiscal year, the Company conducted a review of amounts allocated as acquisition costs based on the use of provisional accounting treatments and reflecting this in the consolidated financial statements for the consolidated fiscal year during which the date of the business combination falls. Additionally, the Company changed the indication of net income and changed from the indication of minority interests to non-controlling interests.

The application of accounting standards related to business combination is in accordance with the transitional handling outlined in Business Combinations Accounting Standard No. 58-2(4), Consolidated Accounting Standard No. 44-5(4), and Business Divestitures Accounting Standard No. 57-4(4). These standards will be applied moving forward as of the beginning of the fiscal year under review.

As a result, operating income for the consolidated accounting period decreased by ¥415 million, ordinary income decreased by ¥415 million, and profit before income taxes decreased by ¥1,259 million. Furthermore, capital surplus as of the end of the fiscal year under review increased by ¥564 million.

Capital surplus in Consolidated Statements of Changes in Net Assets of the fiscal year under review increased by ¥564 million. The effect on per-share information is recorded in the relevant place.

Notes to Changes in the Manner of Description

(Consolidated balance sheet)

“Short-Term Loans” listed separately in the previous fiscal year is included in “Others – Current Assets” in this fiscal year as the amount is not significant.

(Consolidated statements of income)

“Foreign Currency Exchange Losses” listed in “Others” of “Non-Operating Expenses” in the previous consolidated fiscal year is listed separately in this consolidated fiscal year as the amount is significant.

Notes to Consolidated Balance Sheet

1. Pledged assets and secured liabilities

(1) Pledged assets

Figures in bracket are pledged assets for foundation collateral (inclusive)

Buildings:	¥298	million	(¥82)	million
Structures (including docks):	5		(5)	
Machinery, equipment and vehicles:	15,084		(54)	
Land:	5,123		(926)	
Investment securities:	530		(—)	
Cash and deposits:	625		(—)	
Total	¥21,666	million	(¥1,069)	million

(2) Pledged debts

Figures in bracket are pledged debts for foundation collateral (inclusive)

Long-term borrowings (including current portion):	¥15,786	million	(¥120)	million
Total	¥15,786	million	(¥120)	million

2. Accumulated depreciation of tangible assets:

¥298,077 million

Accumulated impairment losses included in accumulated depreciation:

¥15,981 million

3. Contingent liabilities

The Company and some of consolidated subsidiaries guarantee the debt owed by the following companies, which are not consolidated subsidiaries, in respect of their borrowings from financial institutions and performance of contract

CERNAMBI NORTE MV26 B.V.	¥45,175	million
CARIOCA MV27 B.V.	40,208	
T.E.N. GHANA MV25 B.V.	30,144	
TARTARUGA MV29 B.V.	12,846	
PRIMATE SHIPPING S.A.	2,562	
Mitsui Chemicals, Inc.	1,721	
TUPI PILOT MV22 B.V.	1,008	
Doosan Babcock Limited	952	
GUARA MV23 B.V.	937	
CERNAMBI SUL MV24 B.V.	885	
Others	5,235	
Total	¥141,678	million

Among the above, guarantee in foreign currencies are USD1,142,794K, GBP5,884K, EUR1,683K and THB85K.

4. Reevaluation of land

In accordance with Enforcement Ordinance for the Law Concerning Reevaluation Reserve for Land (the “Law”) effective March 31, 1998, 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. Tax equivalent due to reevaluation difference(unrealized gain) was recorded as “Deferred tax liabilities”, in which was shown long-term liabilities, and the balance amount after deducting the tax equivalent was recorded as “Reevaluation reserve for land” in net assets of the balance sheet.

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 ¥38,971 million as of March 31, 2016.

Notes to Consolidated Statements of Changes in Net Assets

1. Classification and number of issued shares

(thousand shares)

Classification	Number as of the beginning of the current fiscal year	Number increased during the current fiscal year	Number decreased during the current fiscal year	Number as of the end of the current fiscal year
Common Shares	830,987	—	—	830,987

2. Classification and number of shares of Treasury stock

(thousand shares)

Classification	Number as of the beginning of the current fiscal year	Number increased during the current fiscal year	Number decreased during the current fiscal year	Number as of the end of the current fiscal year
Common Shares	22,667	91	4	22,754

Note: Outline of Change

Reason of increase:

purchase of shares of shareholders holding less than one unit

91 thousand shares

Reason of decrease:

sales to shareholders holding less than one unit

4 thousand shares

3. Number of shares subject to share purchase warrants upon exercise thereof

Common shares 1,476 thousand shares

4. Dividends

(1) Amount of Dividend Paid

Resolution	Classification	Total Amount of Dividend (million)	Dividend per share	Record date	Effective date
June 26, 2015 (Ordinary General Shareholders' Meeting)	Common Shares	¥1,616	¥2.0	March 31, 2015	June 29, 2015

(2) Dividends to be distributed after the consolidated fiscal year end

The following has been placed on the agenda for approval at the Ordinary General Shareholders' Meeting on June 28, 2016.

Resolution	Classification	Source of dividends	Total Amount of Dividend (million)	Dividend per share	Record date	Effective date
June 28, 2016 (Ordinary General Shareholders' Meeting)	Common Shares	Retained earnings	¥3,232	¥4.0	March 31, 2016	June 29, 2016

Notes to Financial Instruments

1. Articles concerning status of financial instruments

(1) Policies for financial instruments

The Company and its consolidated subsidiaries restrict their fund management to short-term financial instruments. The Company and its consolidated subsidiaries meet their long-term operating capital and capital expenditure requirements through bank loans and the issuance of bonds and meet their short-term operating capital requirements through bank loans and the issuance of commercial paper (CP). The Company and its consolidated subsidiaries transfer funds to each other through an inter-company cash management systems (CMS).

The Company and its consolidated subsidiaries utilize derivative financial instruments to hedge the risks described hereinafter and do not engage in speculative transactions as a matter of policy.

(2) Substances and risks of financial instruments

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

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

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

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

As to details on hedging instruments, hedging items, hedging policy and method of evaluating the effectiveness of hedging, please refer to "4. Significant accounting policies (6) a. Accounting for major hedges."

(3) Managing of financial instruments

a. Management of credit risks (Breach of contracts risks)

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

As to derivative transactions, 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 some of consolidated subsidiaries utilize forward foreign exchange contracts, interest rate swap contracts, and interest rate and currency swap contracts. Forward foreign exchange contracts are for the purpose of hedging currency fluctuation risks arising from foreign currency receivables and payables in principle, and the others are utilized for the purpose of hedging interest rate risks arising from short-term borrowings, long-term borrowings and bonds.

As to investment securities, the Company and its consolidated subsidiaries endeavor to research fair market value and regularly check to grasp the financial status of important customers, and continuously examine whether the holding position is proper or not while taking market conditions or relationships with the issuing company into consideration.

The Company and its consolidated subsidiaries execute and manage derivative transactions based on each company's internal regulation restricting scope of authority. As to derivative transactions, the Company and its consolidated subsidiaries utilize them to offset risks within the range of trade demand.

c. Management of liquidity risks of raising funds (Default risks)

The Finance & Accounting department of the Company and its consolidated subsidiaries make and update finance plans, and maintain a certain level of liquidity on hand to minimize liquidity risks.

(4) Supplementary explanation about fair value of financial instruments

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

The contract amounts for derivatives stated in the following "2. Articles concerning fair value of financial instruments," do not indicate the market risks of derivatives.

2. Articles concerning fair value of financial instruments

Consolidated balance sheet amounts, fair value of financial instruments and the differences between them for the year ended March 31, 2016 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.

	Book value (millions)	Fair value (millions)	Differences (millions)
(1) Cash and deposits	¥139,374	¥139,374	¥ -
(2) Trade and other receivables	282,419		
Allowance for doubtful accounts *1	(1,757)		
	280,662	280,662	0
(3) Investment securities			
Available-for-sale securities	32,611	32,611	-
(4) Long-term loans	28,313		
Allowance for doubtful accounts *1	(195)		
	28,117	28,113	(3)
Assets total	¥480,765	¥480,762	(¥3)
(1) Trade payables	¥245,635	¥245,635	¥ -
(2) Short-term borrowings	27,860	27,860	-
(3) Current portion of long-term borrowings	41,125	41,274	148
(4) Accrued income taxes	6,894	6,894	-
(5) Corporate bonds	40,000	41,467	1,467
(6) Long-term borrowings	130,886	131,877	990
Liabilities total	¥492,403	¥495,009	¥2,606
Derivative transactions *2			
a. hedge accounting has not been applied	¥709	¥709	¥ -
b. hedge accounting has been applied	178	178	-
Derivatives transactions total	¥887	¥887	¥ -

*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 is enclosed in parentheses () in cases where the offset amount is a debt.

Note 1: Articles concerning calculation method of fair value, marketable securities and derivative transactions.

Assets

(1) Cash and deposits

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

(2) Trade and other receivables

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

(3) Investment securities

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

(4) Long-term loans

Fair value of these accounts is stated at the present value using future cash flows discounted by the premium added rate on the appropriate index like yield on government bonds

Liabilities

(1) Trade payables, (4) Accrued income taxes

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

(2) Short-term borrowings, (3) Current portion of long-term borrowings, (6) Long-term borrowings

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

Fair value of long-term borrowings at variable interest rates is stated at balance sheet amounts because variable interest rates reflects the latest market conditions and the Company's credit standings is considered to be almost same as when funds were borrowed, so fair value is considered to be close to the balance sheet amounts.

Some borrowings at variable interest rates are subjected to batch treatment of interest rate swaps that fulfill special treatment requirements, as well as interest rate and currency swaps. Those fair values are based on quotes from financial institutions.

(5) Corporate bonds

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

Derivative transactions

The fair values of currency related derivatives and interest swaps are based on quotes from financial institutions.

Note 2: Unlisted equity securities (¥48,894 million) and trust property (¥140 million) are not included in the above "(3)

Investment securities" because they are considered costly to estimate future cash flows and their fair values are considered extremely difficult to comprehend.

Notes to Investment and Rental Property

1. Articles concerning state of investment and rental property

The Company and some of its consolidated subsidiaries own rental office building, commercial facilities, and houses (including land) in Tokyo, Osaka, Okayama and other areas. Idle land is also owned in Tokyo, Kanagawa, Oita and other areas.

2. Articles concerning fair value of investment and rental property

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

Usage	Book value (millions)			Fair value at year end (millions)
	Beginning balance	Increase or Decrease	Ending balance	
Facilities for lease	¥104,476	¥2,744	¥107,221	¥105,022
Idle assets (Land)	25,214	(2,472)	22,742	23,801
Total	¥129,691	¥272	¥129,963	¥128,824

Note 1: Book value stated in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses.

Note 2: The increase in rental properties in this consolidated fiscal year is mainly due to new acquisitions (¥925 million) and diversion of land (¥1,196 million), and the decrease in rental properties is mainly due to depreciation (¥1,403 million), impairment losses (¥335 million).

In addition, reclassification amounts (¥1,929 million) are included both in the increase of rental properties and in the decrease of idle assets.

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

The profits and losses from investment and rental properties in this consolidated fiscal year are shown below. (millions)

Usage	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc)
Facilities for lease	¥8,741	¥5,658	¥3,082	(¥98)
Idle assets (Land)	-	-	-	(336)
Total	¥8,741	¥5,658	¥3,082	(¥434)

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

Note 2: Others include impairment losses and taxes-and-dues. Impairment losses are recognized as extraordinary loss, and taxes-and-dues are recognized as non-operating expenses.

Per share information

- | | |
|-------------------------|---------|
| 1. Net assets per share | ¥290.48 |
| 2. Earnings per share | ¥9.40 |

Note: As stated in "Note to Change in the Accounting Policy," Accounting Standard for Business Combinations has been applied and complied with the transitional handling as stated in the Accounting Standard. As a result, net assets per share and earnings per share are declined by ¥0.51 and ¥1.21, respectively, in this consolidated fiscal year.

Notes to Business Combination

Business combination by acquisition

1. Outline of the transaction

(1) Name and business of the combined entity

Name	TGE Marine AG
Business	Engineering and manufacturing supervision related to fuel carriers and other gas plants

(2) Reason of business combination

TGE Marine AG (hereinafter "TGE") is involved in the EPCS business, including pressurized gas tanks for small- and medium-sized gas carriers, gas handling system design, equipment procurement, and manufacturing supervision. In addition to the high share of the global market for small-sized LNG carriers and small-scale ethylene carriers, moving forward the company is planning to expand its business related to design and manufacturing supervision for fuel supply systems for gas fuel ships and floating storage and regasification units (FSRU).

Through new initiatives to incorporate TGE's gas ship technology and their customer base, the Company will aim to establish a firm position in global market for small- and medium-sized gas carriers, a market expected to see future growth, as well as maximize synergy with our existing technology and increase the overall corporate value of the Group.

(3) Date of the transaction:

October 1, 2015

(4) Legal Form of the Business Combination:

Acquisition of shares in consideration of cash

(5) Name of the combined entity after the transaction

There is no change.

(6) Acquired ratio of voting right:

99.98%

(7) The main reason that led to the decision to acquire the company

MES Germany Beteiligungs GmbH, our consolidated subsidiary, acquired shares of TGE Marine AG and its two consolidated subsidiaries in consideration of cash.

2. The period of financial result of the combined entity included in the consolidated financial statement

From October 1, 2015 to March 31, 2016

3. Consideration transferred for the acquisition

Consideration for the acquisition:	Cash	€ 165 million
Acquisition Cost:		€ 165 million (¥ 22,100 million)

4. Amount of incidental acquisition related cost and its purpose

Advisory fee, etc	€ 4 million (¥ 500 million)
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5. Amount and reason of goodwill, method and period of amortization

(1) Amount of goodwill

€ 108 million (¥ 14,400 million)

(2) Reason of goodwill

Because the acquisition cost of the acquired company exceeds the net amount of assets accepted and liabilities underwritten from the acquired company, the Company is treating the excess portion as goodwill.

(3) Method and period of amortization

Straight-line method for 16 years

6. Identifiable assets acquired and assumed liabilities in business combination

Current assets	¥ 10,761 million
Non-current assets	8,904
Total assets	¥ 19,666 million
Current liabilities	7,501
Non-current liabilities	4,510
Total liabilities	¥ 12,011 million

7. Amounts other than goodwill distributed as intangible fixed assets and a breakdown of other major categories, and the weighted average amortization period for total assets and by major category

Classification	Amount	Weighted average amortization period
Customer-related assets	¥ 8,247 million	16 years
Technology-related assets	576	12
Total	¥ 8,823 million	16 years

8. Estimate of impact on the consolidated income statement for the consolidated fiscal year if the business combination is completed on the start of this consolidated fiscal year under review, and said estimate method

Net sales	¥ 10,324 million
Operating income	61
Ordinary income	167
Profit attributable to owners of parent	(88)

(Estimate value calculation method)

The difference between the net sales and gains and loss information estimated as assuming the business combination is completed on the start of this consolidated fiscal year and net sales and gains and loss information recorded on the Company's consolidated income statement as the estimated impact value. The Company also calculates the amortization value treating goodwill related to business combination as having occurred on the start of this consolidated fiscal year. Furthermore, the Company has not received an audit certificate for the estimated impact values.

Transfer of non-current assets

The Company resolved at its Board of Directors' Meeting held on February 25, 2016, to transfer non-current assets.

(1) Reason of transfer

In order to reform the business structure and improve the financial strength through effective utilization of assets, the Company decided to transfer the Land and buildings of the rental warehouse and the dormitory which it owns in Shinonome, Koto ward, --.

(2) Details of the transferred assets

a. The rental warehouse

Address: 11-28, Shinonome 1-chome, Koto ward, Tokyo

Land surface area: 10,566.57 m²

Total floor area: 5,779.62 m²

Note: The borrower is to vacate the rental warehouse by August, 2016.

b. The dormitory

Address: 11-34, Shinonome 1-chome, Koto ward, Tokyo

Land surface area: 2,989.73 m²

Total floor area: 2,835.09 m²

Note: The Company has no notable capital, personal, or transactional relationships with the acquirers. Furthermore, the acquirers do not constitute a related party of the Company.

(3) Timing of transfer

Date of Board of Directors' resolution: February 25, 2016

Contract date: February 26, 2016

Scheduled date of property transfer: September 30, 2016

(4) Impact on consolidated gains and losses

The Company projects that gain on sales of non-current assets of approximately ¥16,804 million will be recorded in the fiscal year 2016.

NOTES TO FINANCIAL STATEMENTS

Notes to the Items related to Significant Accounting Policy

(1) Valuation standards and methods for assets

a. Securities:

i. Equity securities issued by subsidiaries and affiliates:

stated at cost based on the moving-average method.

ii. Other securities

Securities with fair market value: stated at the average market value during the final month of the fiscal year. (Related valuation differences are directly charged to net assets, and the cost of securities sold is computed by the moving-average method.)

Securities without fair market value: stated at cost based on the moving-average method.

b. Derivatives: stated at fair value.

c. Inventories

i. Finished goods, raw materials and supplies: stated at cost determined by the

moving-average method except steel for new shipbuilding, which is by the identified cost method (Balance sheet value reflects downturn in profitability).

ii. Work in progress: stated at cost based on the identified cost method (Balance sheet value reflects downturn in profitability).

(2) Depreciation methods for non-current assets

a. Property, plant and equipment (other than lease assets): on the declining-balance method.

However, the buildings acquired after April 1, 1998 (except auxiliary equipment) are on the straight-line method.

b. Intangible assets (other than lease assets): on the straight-line method. Software for own use is depreciated on the straight-line method based on the period of possible use, i.e. five years.

c. Lease assets:

The depreciation method for lease assets related to finance lease transactions without transfer of ownership is by the straight-line method over the lease term. The residual value is either zero or the guaranteed residual value if it is specified in the lease contract.

(3) Accounting criteria for major allowances

a. Allowance for doubtful accounts

An allowance for doubtful accounts is provided based on historical loss rates for normal receivables and on an individual evaluation for highly doubtful receivables.

b. Provision for product warranties

A provision for product warranties of ships and other products is provided mainly based on the estimated amounts calculated by using the average ratio of product warranties against sales amounts for the past two years. As for new ships, provisions are appropriated for the subsequent two years from the next fiscal year.

c. Provision for losses on construction contracts

A provision for losses on construction contracts, etc., is provided based on estimated losses which can be anticipated to occur in the next fiscal year and later with respect to undelivered construction projects, etc., on which eventual losses are deemed inevitable at the end of the current fiscal year and the amount of loss can reasonably be estimated.

d. Liability for severance and retirement benefits for employees

The Company calculates the necessary amount of allowance for employees' severance and retirement benefits deemed to have accrued during the term, based on projected benefit obligations and the pension fund balance at term-end.

Actuarial gains and losses are recognized in the statements of income commencing with the following year using the straight-line method for ten years. Prior service costs are recognized at the time they are incurred.

As the fair value of pension assets exceeds the liability for employees' severance and retirement benefits after deduction of the actuarial gains and losses which have not been recognized yet, the amount in excess of the liability is recorded as prepaid pension cost and stated in "investments, long-term loans and other assets" in the balance sheet.

e. Provision for losses on business of subsidiaries and affiliates

The Company estimates the amount necessary for prospective losses by taking account of its financial position and the possibility of recovery in the future.

f. Provision for Environmental Preservation Cost

A provision for Environmental Preservation Cost is estimated for the PCB waste treatment costs based on related legal requirements.

(4) Accounting criteria for revenues and expenses

Accounting for revenues and costs of completed work

- i. Construction for which the portion completed by the end of the fiscal year can be determined with certainty: the percentage-of-completion method
(Progress on work is measured by the percentage of cost method.)
- ii. Construction other than above: the completed-contract method

(5)Other significant items associated with the preparation of financial statements

a. Accounting for hedging

i. Hedge Accounting

The Company applies deferral hedge treatment.

The Company applies allocation treatment for forward foreign exchange contracts and currency swap contracts, exceptional treatment for interest rate swap contracts, and batch treatment (exceptional and allocation treatment) for interest rate and currency swap contracts when each contract meets the certain requirement.

ii. Hedging instruments and Hedged items

Hedging instruments

Forward forex contracts

Currency swap contracts

Interest rate swap contracts

Interest rate and currency swap contracts

Hedged items

Foreign currency receivables and payables including future transactions

Foreign currency receivables and payables

Interest on borrowings and bonds payables

Foreign currency borrowings and interest

iii. Hedging policy

The Company follows the internal regulations for derivatives, which stipulates the policy, objective, scope, organization, procedures, and financial institutions to deal with.

iv. Method of hedge efficacy evaluation

The Company compares market price fluctuations or cash flow fluctuations of hedged items with market price fluctuations or cash flow fluctuations of hedging instruments to conduct hedge efficacy evaluations.

Furthermore, the Company omits hedge efficacy evaluations for interest rate swaps that fulfill exceptional treatment requirements and interest rate and currency swaps subject to batch treatment.

v. Risk management policy

Interest rate risk resulting from Fixed / Current gap in the Financial Assets / Liabilities and currency fluctuation risk resulting from foreign currency receivables and payables are reduced by hedge transactions in order for those risks to be adjusted to a proper level.

b. Consumption tax and similar taxes

The tax-excluded method is applied in accounting for the consumption tax, etc.

c. Application of Consolidated Taxation System

The Company applies a consolidated tax payment system.

Note to Change in the Accounting Policy

(Implementation of Accounting Standard for Business Combinations)

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013, hereinafter "Business Combinations Accounting Standard") and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013, hereinafter "Business Divestitures Accounting Standard") are applied from the beginning of the fiscal year 2015. The Company changed the accounting treatment of recording expenses related to acquisition as expenses for the fiscal year.

For business combination conducted after the beginning of the fiscal year 2015, the Company conducted a review of amounts allocated as acquisition costs based on the use of provisional accounting treatments and reflecting this in the financial statements for the fiscal year during which the date of the business combination falls.

The application of accounting standards related to business combination is in accordance with the transitional handling outlined in Business Combinations Accounting Standard No. 58-2(4) and Business Divestitures Accounting Standard No. 57-4(4). These standards will be applied moving forward as of the beginning of the fiscal year 2015.

These changes have no impact on the financial statements for the fiscal year 2015.

Notes to Balance Sheet

(1) Pledged assets

Investment securities: ¥1 million

Stocks of Subsidiaries and Affiliates: ¥529 million

Note: The above mentioned assets are based on a stock-backed line of credit established between the creditor, shareholders, and financial institution to guarantee ¥25 million in long-term borrowings of an investee and ¥2,300 million in long-term borrowings of an affiliate.

(2) Accumulated depreciation of property, plant and equipment: ¥180,185 million

Accumulated impairment losses included in accumulated depreciation: ¥15,883 million

(3) Contingent liabilities

The Company guarantees the debt owed by the following companies in respect of their borrowings from financial institutions and performance of contract.

CERNAMBI NORTE MV26 B.V.	¥23,255 million
SANZO ENTERPRISE (PANAMA) S.A.	5,638
Engineers and Constructors International, Inc.	4,435
Mitsui Chemicals, Inc.	1,721
Niigata Shipbuilding & Repair, Inc.	981
Others	3,758
Total	¥39,790 million

(4) Balance of receivables and payables concerning subsidiaries and affiliates

a. Short-term receivables	¥28,047 million
b. Long-term receivables	¥4,819 million
c. Short-term payables	¥35,463 million
d. Long-term payables	¥4 million

(5) Reevaluation of land

In accordance with Enforcement Ordinance for the Law Concerning Reevaluation Reserve for Land (the “Law”) effective March 31, 1998, the Company reevaluated the land used for business operations based on real estate tax value on March 31, 2000. Tax equivalent due to reevaluation difference (unrealized gain) was recorded as “Deferred Tax Liabilities on Reevaluation Reserve for Land” in long-term liabilities, and the balance amount after deducting the tax equivalent was recorded as “Reevaluation reserve for land” in net assets. According to the Law, the Company is 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 ¥38,309 million as of March 31, 2016.

Note to Statements of Income

Transactions concerning subsidiaries and affiliates

a. Sales	¥45,088 million
b. Purchases	¥30,132 million
c. Other transactions other than operating transactions	¥13,507 million

Note to Statements of Changes in Net Assets

Classification and number of shares of Treasury stock

(thousand shares)

Classification	Number as of the beginning of the current fiscal year	Number increased during the current fiscal year	Number decreased during the current fiscal year	Number as of the end of the current fiscal year
Common shares	22,667	91	4	22,754

Note: Outline of Change

Reason of increase:

purchase of shares of shareholders holding less than one unit 91 thousand shares

Reason of decrease:

sales to shareholders holding less than one unit 4 thousand shares

Notes to Tax Effect Accounting

(1)Principal causes of deferred tax assets and liabilities

Deferred tax assets:

Loss on valuation of stocks of subsidiaries and affiliates	¥8,783 million
Loss on impairment of non-current assets	7,483
Tax loss carry forward	3,384
Liability for severance and retirement benefits for employees	3,182
Provision for losses on construction contracts	1,667
Retirement benefit trust	1,507
Others	6,461
Deferred tax assets subtotal	32,469
Valuation allowance	(15,922)
Deferred tax assets total	¥16,546 million

Deferred tax liabilities:

Net unrealized holding gains on securities	¥(2,197) million
Gains on contribution of securities to trust for employees' retirement benefit	(1,637)
Reserve for advanced depreciation of non-current assets	(1,158)
Others	(1,608)
Deferred tax liabilities total	(6,601)
Deferred tax assets, net	¥9,945 million

(2) Correction of amounts of deferred tax assets and liabilities due to changes in corporation tax rates, etc.

The “Act for Partial Revision of the Income Tax Act, etc” (Law No.15 of 2016) and “Act for Partial Revision of the Local Taxation Act, etc” (Law No.13 of 2016) were approved by the Diet on March 29, 2016, and the corporate tax rates are to be lowered from the fiscal years beginning on or after April 1, 2016.

Accordingly, the effective statutory tax rate used to measure deferred tax assets and liabilities is changed from the previous 32.3% to 30.8% for the temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2016, and to 30.6% for the temporary differences expected to be eliminated in the fiscal years beginning on or after April 1, 2018.

As a result of this change, deferred tax assets (net of deferred tax assets and liabilities) decreased by ¥510 million, deferred income taxes increased by ¥667 million, net unrealized holding gains (losses) on securities increased by ¥122 million, and unrealized gains (losses) on hedging derivatives, net of tax increased by ¥34 million.

In addition, deferred tax liabilities on reevaluation reserve for land decreased by ¥797 million, and reevaluation reserve for land, net of tax increased by the same amount.

Notes to Transactions between Related Parties

Subsidiaries and affiliates, etc

Attributes	Company name	Location	Common stock	Details of business	Voting interest ratio	Relation		Details of transactions	Amount of transactions	Account item	Balance as of the end of fiscal year
						Concurrent directors	Business relation				
Subsidiary	SANZO ENTERPRISE (PANAMA) S.A.	Panama	USD112 thousand	Management and Leasing of ships	Indirect, 100.0%	None	Sales of products	Debt guarantees *2(1)	¥5,638 million	—	—
Subsidiary	Shikoku Dockyard Co., Ltd.	Takamatsu City, Kagawa	¥350 million	Shipbuilding	Direct, 49.5%	None	Sales of products	Receiving deposit *2(2)	—	Deposits received	¥7,077 million
Subsidiary	Niigata Shipbuilding & Repair, Inc.	Niigata City, Niigata	¥300 million	Shipbuilding	Direct, 100.0%	None	Sales of products	Underwriting of capital increase *2(3)	¥12,000 million	—	—
Subsidiary	MES Germany Beteiligungs GmbH	Germany	EUR25 thousand	Holding of securities	Direct, 100.0%	None	Business support for the Company and consolidated subsidiaries	Underwriting of capital increase *2(3)	¥23,010 million	—	—
Subsidiary	MES Technoservice Co., Ltd.	Tamano City, Okayama	¥100 million	Repair and Maintenance of Machinery	Direct, 100.0%	None	Sales of products	Sales of products *2(4)	¥14,423 million	Accounts Receivable – trade	¥5,469 million
Subsidiary	Engineers and Constructors International, Inc.	U.S.A.	USD3,851 thousand	Plant engineering design	Direct, 100.0%	None	Subcontracting of EPC, Joint project	Underwriting of capital increase *2(3)	¥12,483 million	—	—
Subsidiary	M&T Olivine Co., Ltd.	—	—	—	—	—	—	abandonment of claims *2(5)	¥3,901 million	—	—
Affiliate	CERNAMBI NORTE MV26 B.V.	Netherlands	EUR100 thousand	Charter of FPSO	Direct, 9.3% Indirect, 10.1%	None	Charter of FPSO in consolidated subsidiaries	Debt guarantees *2(1)	¥23,255 million	—	—

Note: 1. The amount of transactions excludes consumption tax and the balance of accounts receivable - trade as of the end of the fiscal year includes in the above table.

2. Transaction Condition and Decision Policy of the transaction condition

- (1) Debt guarantees represent guarantee for the borrowing from the bank, and so forth.
- (2) The Company and some of its consolidated subsidiaries transfer funds each other under the Inter-company CMS (Cash Management System). Deposits Received is recorded in such transactions. The amount of transactions is not noted, as they are operated daily.
- (3) As for underwriting of capital increase, the Company decided to underwrite capital increase implemented by subsidiaries.
- (4) Sales price is decided by considering actual retail price.
- (5) The abandonment of claims was conducted as part of the liquidation of M&T Olivine Co., Ltd. and the Company appropriated the allowance for doubtful accounts recorded through the previous fiscal year.

Per share information

1. Net assets per share: ¥161.39
2. Earnings per share: ¥2.96

Other Notes

Transfer of non-current assets

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(1) Reason of transfer

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(2) Details of the transferred assets

a. The rental warehouse

Address: 11-28, Shinonome 1-chome, Koto ward, Tokyo

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Total floor area: 5,779.62 m²

Note: The borrower is to vacate the rental warehouse by August, 2016.

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Note: The Company has no notable capital, personal, or transactional relationships with the acquirers. Furthermore, the acquirers do not constitute a related party of the Company.

(3) Timing of transfer

Date of Board of Directors' resolution: February 25, 2016

Contract date: February 26, 2016

Scheduled date of property transfer: September 30, 2016

(3) Impact on gains and losses

The Company projects that gain on sales of non-current assets of approximately ¥16,804 million will be recorded in the fiscal year 2016.