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November 10, 2022

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

Company name: Mitsui E&S Holdings Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 7003
 URL: <https://www.mes.co.jp/>
 Representative: Takeyuki Takahashi, President, Representative Director, and CEO
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 Scheduled date to file quarterly securities report: November 11, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated Operating Results (cumulative)

(Percentages indicate year-on-year changes.)

Six months ended	Net sales		Operating loss		Ordinary loss		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	111,732	(68.6)	(8,505)	-	(1,480)	-	1,414	(46.3)
September 30, 2021	356,399	9.9	(4,489)	-	(2,265)	-	2,631	-

Note: Comprehensive income For the six months ended September 30, 2022: ¥ 21,011 million [97.0%]
 For the six months ended September 30, 2021: ¥ 10,667 million [- %]

Six months ended	Earnings per share	
	Yen	Earnings per share (diluted) Yen
September 30, 2022	16.97	16.72
September 30, 2021	32.55	32.51

(2) Consolidated Financial Position

As of	Total assets	Net assets	Shareholders' equity to total assets ratio
	Millions of yen	Millions of yen	%
September 30, 2022	432,617	94,792	20.6
March 31, 2022	409,150	62,949	14.0

Reference: Equity As of September 30, 2022: ¥ 89,027 million As of March 31, 2022: ¥ 57,091 million

2. Dividends

Common stock	Annual dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen
March 31, 2022	-	0.00	-	0.00	0.00
March 31, 2023	-	0.00	-	0.00	0.00
March 31, 2023 (Forecast)	-	-	-	0.00	0.00

Note 1: Revisions to the most recently announced dividends forecast: None

Note 2: The above "2. Dividends" shows dividends for Common stock. For details of dividends for Preferred stock (unlisted), the rights of which are different from those of Common stock issued by the Company, please refer to "Reference: Dividends for Preferred Stock" below.

3. Forecast of Financial Results (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

Fiscal year ending	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2023	240,000	(58.6)	(3,000)	-	1,000	-	2,000	-	24.00

Note: Revisions to the most recently announced forecast of financial results: Yes

Reference: Estimate is based on exchange rate of USD1.00 = JPY145.0

* Notes

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of specific accounting treatment for preparing the quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- i) Changes in accounting policies due to revisions of accounting standards: None
 - ii) Changes in accounting policies due to other reasons: Yes
 - iii) Changes in accounting estimates: None
 - iv) Restatement: None

(4) Number of issued shares (common stock)

- i) Number of issued shares at the end of the period (including treasury stock)

As of	shares
September 30, 2022	87,283,017
March 31, 2022	83,098,717

- ii) Number of treasury stock at the end of the period

As of	shares
September 30, 2022	2,233,995
March 31, 2022	2,238,851

- iii) Average number of shares outstanding during the period (cumulative quarterly consolidated period)

Six months ended	shares
September 30, 2022	83,334,954
September 30, 2021	80,850,424

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Notice regarding forward-looking statements)

The forecasts for financial results are based on information available at the time this report was released. These forecasts and other forward-looking statements are not guarantees of future performance. Actual operating results may differ from the above forecasts due to known and unknown risks, uncertainties, and other factors.

(Where to get the supplementary explanatory materials)

Financial results briefing for analysts is scheduled for November 11, 2022. Supplementary material, which will be distributed at the said briefing, is planned to be posted on our web site.

Reference: Dividends for Preferred Stock

Dividend per share for Class-A Preferred stock is as follows:

Class-A Preferred stock	Annual dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen
March 31, 2022	-	-	-	-	-
March 31, 2023	-	-	-	-	-
March 31, 2023 (Forecast)	-	-	-	29.38	29.38

Note: Each dividend per share is rounded to the nearest thousandths place, and then converted to units of yen which are rounded to the nearest hundredth place.

Application of International Financial Reporting Standards to the Affiliate using Equity Method

MODEC, Inc., the affiliate accounted for using equity method, used to apply Generally Accepted Accounting Principles in Japan and now has adopted International Financial Reporting Standards (IFRS) from FY2021. This adoption was made for the purposes of 1) better comparability of financial information and 2) strengthening management control by unifying the accounting standards across MODEC group, as MODEC group operates business globally. This change of accounting policy is applied retrospectively, and quarterly consolidated financial results for the prior period has been restated. Because of the partial sale of MODEC shares, they were excluded from the scope of consolidation and became affiliates accounted for using equity method on the end of 3rd quarter of FY2021.

This change has no effect on Quarterly Consolidated Statements of Operations, but reflecting the cumulative effects to the beginning balance of net assets as of April 1, 2021, beginning balances for the previous fiscal year of Retained earnings, Unrealized gains (losses) on hedging derivatives and Non-controlling interests have decreased by 2,861 million yen, 591 million yen and 4,069 million yen, respectively, and beginning balance for the previous fiscal year of Foreign currency translation adjustments has increased by 101 million yen, comparing before and after retrospective restatement.

Overview of Reportable Segment

Reportable Segment is classified into 4 segments: Ship, Ocean Development, Machinery and Engineering. Main products and services of each Reportable Segment are as follows.

Reportable Segment	Main Products and Services
Ship	Commercial ships, high speed passenger/vehicle ferries, offshore structures, underwater TV vehicles, design engineering services, ship related equipments, steel structures
Ocean Development	FPSOs (floating production storage offloading vessels)
Machinery	Marine and stationary diesel engines, marine equipments, gas engines, steam turbines, blowers, process compressors, gas turbines, cogeneration system, process equipment, container cranes, industrial cranes, container terminal management systems, HWM manipulators, equipment of radar sensing for underground and construction, induction heaters, wave generators
Engineering	Power generation business, overseas civil/architectural works

Note: "Ocean Development" consists of affiliates accounted for using equity method.

Information about Sales, Segment Income and Loss and Other Items for each Reportable Segment

Reportable Segment information for the six months ended September 30, 2021 and 2022 were as follows:

from April 1, 2021 to September 30, 2021

(Millions of yen)

	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	20,388	228,180	71,308	4,723	324,601	31,797	356,399	-	356,399
Inter segment	803	-	449	29	1,282	6,735	8,017	(8,017)	-
Total	21,191	228,180	71,758	4,752	325,884	38,533	364,417	(8,017)	356,399
Segment income (loss)	48	(3,383)	1,524	(3,411)	(5,221)	731	(4,489)	-	(4,489)
Other Items:									
New orders	9,394	255,324	74,157	1,201	340,076	24,083	364,160	-	364,160
Loss on impairment of non-current assets	41	-	-	0	42	-	42	0	42

Note 1: "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Telecommunications equipment related business, Systems development, Gas carriers engineering, Special facilities for naval ships and aircraft related business and others.

Note 2: Adjustments of 0 million yen recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

Note 3: Segment income (loss) is adjusted with operating loss in Quarterly Consolidated Statements of Operations.

from April 1, 2022 to September 30, 2022

(Millions of yen)

	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	6,598	-	75,309	5,127	87,036	24,696	111,732	-	111,732
Inter segment	32	-	217	-	250	4,973	5,224	(5,224)	-
Total	6,631	-	75,527	5,127	87,286	29,670	116,956	(5,224)	111,732
Segment income (loss)	83	1,008	1,771	(9,563)	(6,700)	(797)	(7,497)	(1,008)	(8,505)
Other Items:									
New orders	8,439	-	114,190	2,079	124,708	30,864	155,573	-	155,573

Note 1: Segment income (loss) in "Ship," "Machinery," "Engineering" and "Others" represents "Operating income (loss)," and in "Ocean Development" represents "Share of profit (loss) of entities accounted for using equity method."

Note 2: "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Telecommunication equipment related business, Systems development, Gas carriers engineering, Special facilities for naval ships and aircraft related business and others.

Note 3: Segment income (loss) is adjusted with operating loss in Quarterly Consolidated Statements of Operations.

Changes in Reportable Segment

As part of "Reform of business structure" from Mid-term Business Plan 2020, the classification of Shikoku Dockyard Co., Ltd., which engages in shipbuilding and repair, and TGE Marine Gas Engineering GmbH, which engages in engineering for gas carriers, has changed from "Ship" to "Others" from 3rd quarter of FY2021.

Comparative segment information for the prior period has been restated to reflect these changes.

Change in Calculation Method used for Segment Income and Loss for Reportable Segment

Segment income (loss) used to represent "Operating income (loss)" in Consolidated Statements of Operations. Regarding "Ocean Development," however, segment income (loss) has changed to represent "Share of profit (loss) of entities accounted for using equity method" since 1st quarter of FY2022, instead of "Operating income (loss)." This is because the management indicator has been changed after MODEC, Inc., which consists of "Ocean Development," had been excluded from the scope of consolidation and become affiliates accounted for using equity method since the end of 3rd quarter of FY2021.

Taking the said change into account, segment income for "Ocean Development" for the prior period would become 3,056 million yen.

* Figures in parentheses represent negative.

Consolidated Balance Sheets

(Millions of yen)

As of March 31, 2022 As of September 30, 2022

Assets		
Current assets		
Cash and time deposits	51,762	42,278
Notes and accounts receivables - trade, and contract assets	78,563	81,344
Merchandise and finished goods	5,762	5,972
Work in progress	36,561	45,178
Raw materials and supplies	4,182	5,697
Others	25,202	29,138
Allowance for doubtful accounts	(213)	(366)
Total current assets	201,822	209,244
Non-current assets		
Property, plant and equipment		
Land	70,077	69,346
Others, net	48,261	48,193
Total property, plant and equipment	118,338	117,540
Intangible assets		
Goodwill	7,995	7,889
Others	8,046	7,911
Total intangible assets	16,042	15,800
Investments and other assets		
Investment securities	43,280	60,295
Others	29,965	30,023
Allowance for doubtful accounts	(299)	(285)
Total investments and other assets	72,946	90,033
Total non-current assets	207,327	223,373
Total assets	409,150	432,617

(Millions of yen)

As of March 31, 2022 As of September 30, 2022

Liabilities		
Current liabilities		
Trade payables	48,705	50,727
Short-term borrowings	94,615	88,102
Current portion of long-term borrowings	8,101	11,435
Current portion of bonds	15,000	15,000
Accrued income taxes	1,381	1,110
Contract liabilities	30,901	44,898
Provision for losses on construction contracts	59,607	54,671
Provision for bonuses	4,478	3,202
Other provisions	4,614	4,203
Others	21,105	19,599
Total current liabilities	288,510	292,949
Long-term liabilities		
Bonds	5,000	-
Long-term borrowings	19,657	14,433
Provision for business restructuring	1,357	1,215
Other provisions	837	760
Net defined benefit liabilities	5,865	5,299
Asset retirement obligations	2,218	1,721
Others	22,752	21,446
Total long-term liabilities	57,690	44,875
Total liabilities	346,200	337,825
Net assets		
Shareholders' equity		
Common stock	44,384	3,092
Capital surplus	18,132	10,292
Retained earnings	(33,278)	28,153
Treasury stock	(4,663)	(4,652)
Total shareholders' equity	24,575	36,885
Accumulated other comprehensive income		
Net unrealized holding gains on securities	614	231
Unrealized gains (losses) on hedging derivatives	(5,959)	3,644
Revaluation reserve for land	27,603	27,601
Foreign currency translation adjustments	2,120	13,010
Remeasurements of defined benefit plans	8,137	7,654
Total accumulated other comprehensive income	32,516	52,142
Subscription rights to shares	123	155
Non-controlling interests	5,733	5,609
Total net assets	62,949	94,792
Total liabilities and net assets	409,150	432,617

Consolidated Statements of Operations

(Millions of yen)

	April 1, 2021 to September 30, 2021	April 1, 2022 to September 30, 2022
Net sales	356,399	111,732
Cost of sales	340,776	106,264
Gross profit	15,623	5,467
Selling, general and administrative expenses	20,112	13,973
Operating loss	(4,489)	(8,505)
Non-operating income		
Interest income	2,598	60
Dividend income	83	214
Share of profit of entities accounted for using equity method	3,678	1,750
Foreign currency exchange gains	-	8,075
Gain on valuation of derivatives	86	-
Others	1,246	887
Total non-operating income	7,694	10,988
Non-operating expenses		
Interest expenses	1,423	1,361
Commission expenses	2,783	1,538
Foreign currency exchange losses	425	-
Others	837	1,063
Total non-operating expenses	5,469	3,963
Ordinary loss	(2,265)	(1,480)
Extraordinary income		
Gain on disposal of non-current assets	1,304	-
Gain on sale of investment securities	15	622
Gain on sale of subsidiaries and affiliates' stocks	5,074	2,629
Recovery of extraordinary repair expenses	1,300	-
Total extraordinary income	7,694	3,251
Extraordinary losses		
Loss on disposal of non-current assets	127	-
Loss on impairment of non-current assets	42	-
Loss on sale of investment securities	136	-
Loss on sale of subsidiaries and affiliates' stocks	-	271
Loss on liquidation of business	-	107
Total extraordinary losses	306	379
Profit before income taxes	5,123	1,391
Income taxes	3,489	43
Profit	1,633	1,347
Loss attributable to non-controlling interests	(997)	(66)
Profit attributable to owners of parent	2,631	1,414

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2021 to September 30, 2021	April 1, 2022 to September 30, 2022
Profit	1,633	1,347
Other comprehensive income		
Net unrealized holding gains (losses) on securities	277	(385)
Unrealized losses on hedging derivatives	(1,801)	(545)
Foreign currency translation adjustments	3,397	2,770
Remeasurements of defined benefit plans	358	(504)
Share of other comprehensive income of affiliates accounted for using equity method	6,802	18,328
Total	9,034	19,664
Comprehensive income	10,667	21,011
Comprehensive income attributable to		
Owners of parent	11,379	21,041
Non-controlling interests	(711)	(29)

Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2021 to September 30, 2021	April 1, 2022 to September 30, 2022
Cash flows from operating activities		
Profit before income taxes	5,123	1,391
Depreciation and amortization	5,966	3,506
Loss on impairment of non-current assets	42	-
Amortization of goodwill	536	440
Increase of allowance for doubtful accounts	70	145
Increase (decrease) in net defined benefit liabilities	453	(201)
Decrease in net defined benefit assets	19	1,792
Decrease in provision for losses on construction contracts	(7,553)	(4,938)
Increase in provision for repairs	374	-
Interest and dividend income	(2,682)	(275)
Interest expenses	1,423	1,361
Share of profit of entities accounted for using equity	(3,678)	(1,750)
Foreign currency exchange losses, net	3,872	11
Loss (gain) on sales of investment securities, net	121	(622)
Gain on sales of subsidiaries and affiliates' stocks	(5,074)	(2,357)
Gain on disposal of non-current assets, net	(1,177)	-
Increase in trade receivable and contract assets	(44,582)	(1,847)
Decrease (increase) in inventories	20,118	(10,367)
Increase in trade payables	19,789	5,124
Increase in contract liabilities	55,723	13,757
Decrease (increase) in other assets	1,183	(3,123)
Decrease in other liabilities	(59,558)	(8,023)
Others, net	(565)	(2,881)
Sub-total	(10,054)	(8,856)
Interest and dividend received	8,679	757
Interest paid	(1,516)	(1,400)
Income taxes paid	(1,079)	(506)
Net cash provided by (used in) operating activities	(3,971)	(10,005)

(Millions of yen)

	April 1, 2021 to September 30, 2021	April 1, 2022 to September 30, 2022
Cash flows from investing activities		
Net decrease (increase) in time deposits	468	(955)
Capital expenditure	(6,700)	(3,281)
Proceeds from sales of non-current assets	5,361	752
Proceeds from sales of investment securities	190	965
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	5,941	3,062
Purchases of shares of subsidiaries and affiliates	(1,745)	-
Proceeds from sales of shares of subsidiaries and affiliates	1,428	545
Payments for investments in capital of subsidiaries and affiliates	(774)	-
Disbursements of loans receivable	(9,137)	(6)
Collection of loans receivable	346	12
Others, net	202	250
Net cash provided by (used in) investing activities	(4,417)	1,344
Cash flows from financing activities		
Net decrease in short-term borrowings	(487)	(6,513)
Proceeds from long-term borrowings	400	1,500
Repayments of long-term borrowings	(18,292)	(3,400)
Repayments of lease obligations	(1,637)	(894)
Repayments on bonds	(10,000)	(5,000)
Proceeds from issuance of preferred stock	-	9,000
Proceeds from issuance of subscription rights to shares	-	52
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	-	1,354
Dividends paid to non-controlling interests	(706)	(95)
Purchases of shares of subsidiaries not resulting in change in scope of consolidation	(291)	-
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	-	747
Others, net	270	14
Net cash provided by (used in) financing activities	(30,746)	(3,234)
Effect of exchange rate changes on cash and cash equivalents	5,015	1,313
Net decrease in cash and cash equivalents	(34,120)	(10,581)
Cash and cash equivalents at beginning of period	135,482	50,818
Increase due to changes in scope of consolidation	60	-
Cash and cash equivalents at end of period	101,422	40,237