

Mitsui Engineering & Shipbuilding



MES

三井造船株式会社

MITSUI ENGINEERING & SHIPBUILDING CO.,LTD.

FY2015 Financial Results

2016/5/9

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FY2015 Financial Results

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FY2015 Financial Results

(JPY billion)

	FY14	FY15		Var. (from last)
	Actual	Original Plan	Actual	
New Orders	959.8	910.0	609.6	(350.2)
Net Sales	816.5	830.0	805.4	(11.1)
Operating Income	13.3 (1.6%)	22.0 (2.7%)	11.8 (1.5%)	(1.5)
Ordinary Income	14.9 (1.8%)	25.0 (3.0%)	15.1 (1.9%)	+0.2
Net Income*	9.5 (1.2%)	13.0 (1.6%)	7.6 (0.9%)	(1.9)
Dividend	JPY 2	JPY 3-4	JPY 4 _(Plan)	

US\$ rate (FY end)

112.68

US\$ Average Rate

118.21

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*Profit attributable to owners of parent

New Orders

Decreased due to delay of projects in MODEC and Engineering segment.

Net Sales

Although the progress of EPC projects in Engineering segment was positive, the sales decreased compare to last year due to decrease in MODEC by JPY 82.9 billion.

Operating Income

Although Machinery and Engineering segment did well, losses in Ship & Ocean segment caused decrease compare to last year.

Net Income

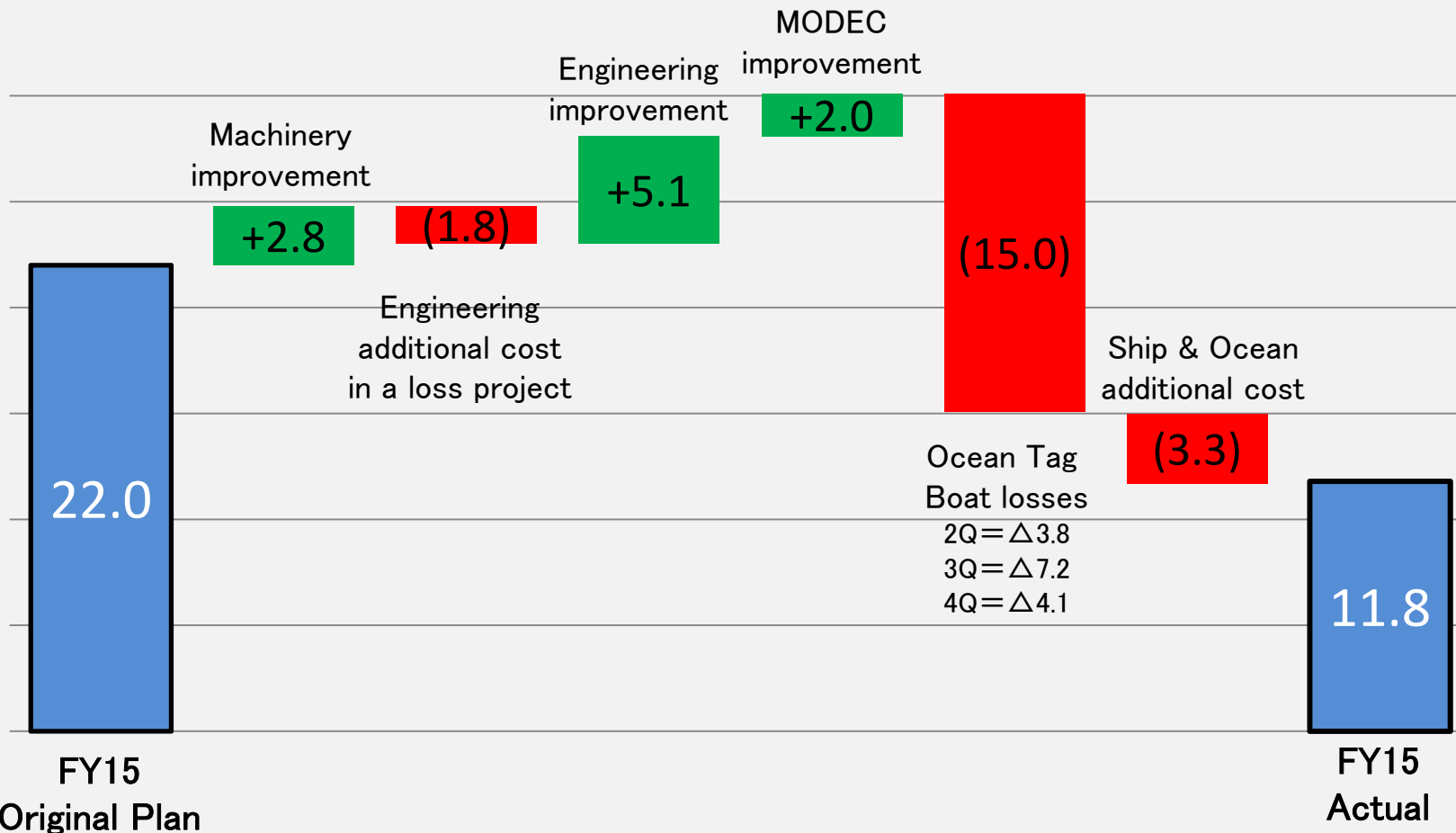
Decreased compare to last year due to decrease in operating income.

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Reason of variance in Operating Income

Reason of variance in Operating Income

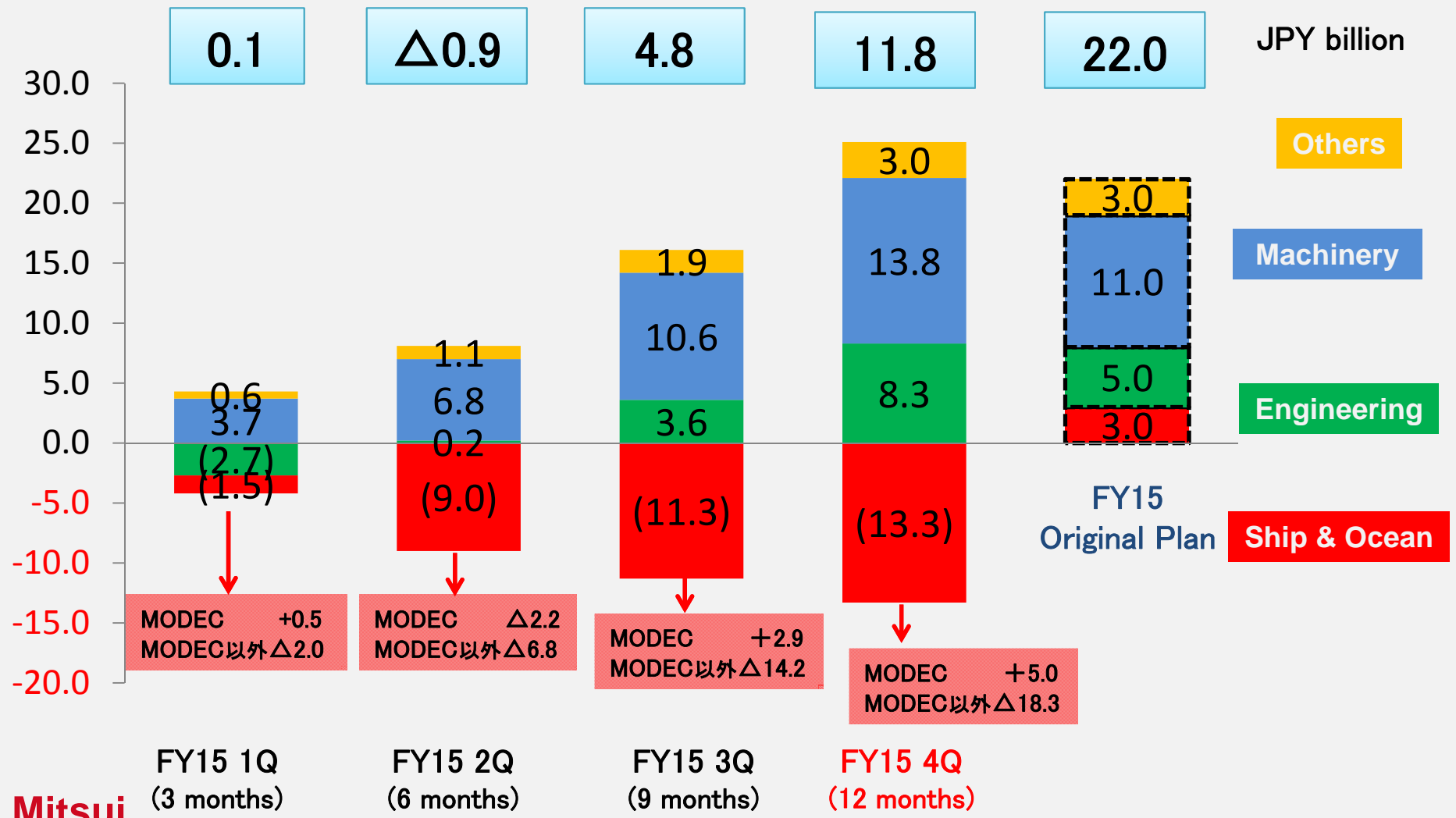
JPY billion



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Operating Income of each quarter by segment



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Comparison to original plan

Ship & Ocean JPY (16.3) billion (3.0→(13.3))

Huge loss on ocean tug boat

Additional cost and change in schedule

MODEC achieved increase of JPY 2.0 billion compare to original plan



Machinery JPY +2.8 billion (11.0→13.8)

Cost reduction in Marine Diesel Engine

Container cranes are favorable

Increase in after sales services



Engineering JPY +3.3 billion (5.0→8.3)

Completion of loss project

Positive progress of large scale projects

Cost reduction in procurement



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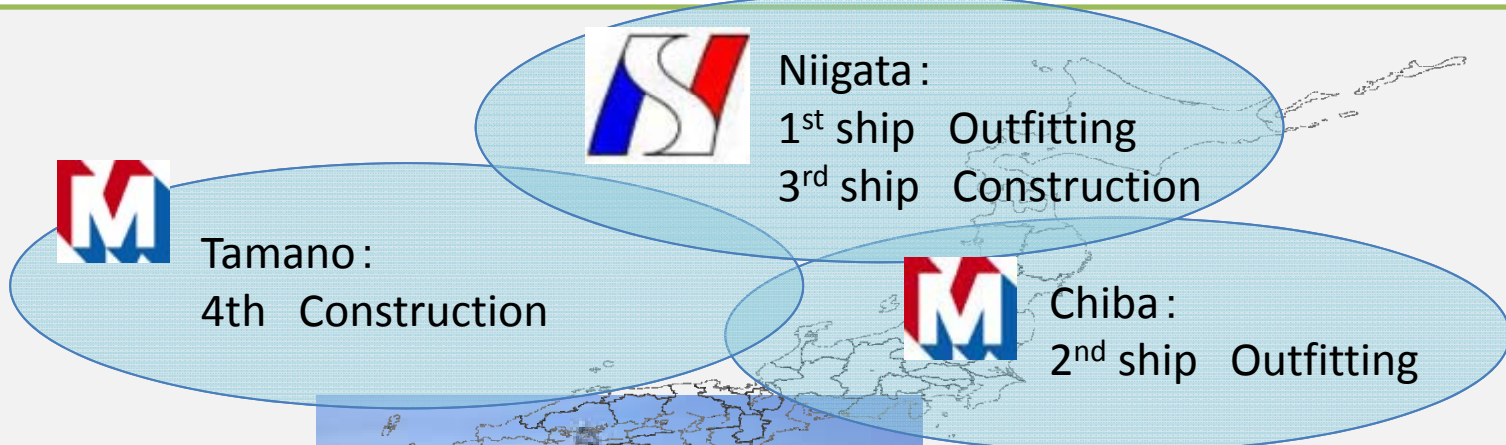
Situation of ocean tag boat

Overview

Loss of JPY 15.0 billion incurred in FY15 including provision :
Frequent change in design caused delay in schedule, redo of work, increase in work load, and additional procurement of material caused cost increase.



Although the project was received by a subsidiary (Niigata), head quarter's shipyard took over part of work to recover the schedule by using MES group resource ⇒
Cooperation and feedback will lead to smooth construction



All 4 ships will be delivered within this fiscal year

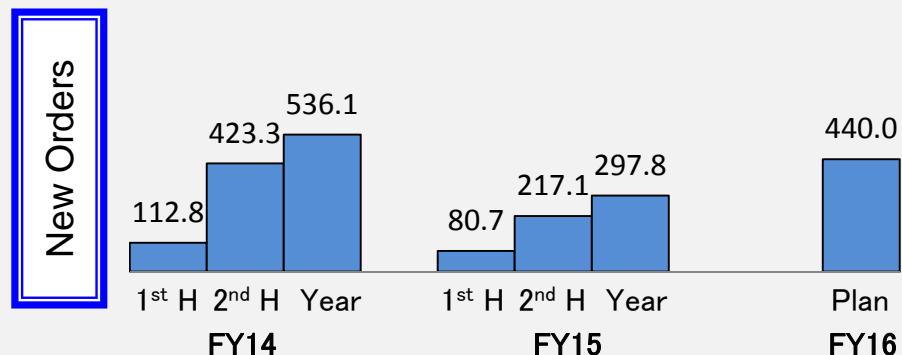


L 88.90m × W 21.00m × D 9.50m
4,250 Gross tons, Speed 18.40 knot
Pull ability 300 tons, Engine 4,500kW x 4

Ship & Ocean

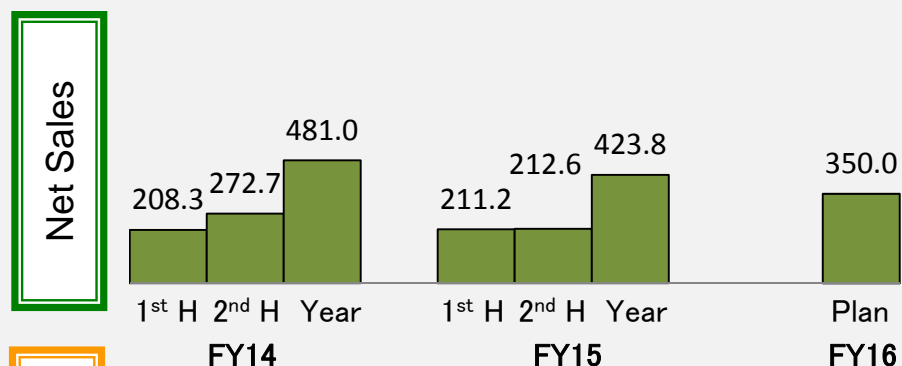
[Main products: New ships, ship repairs, ocean structures](#)

JPY billion



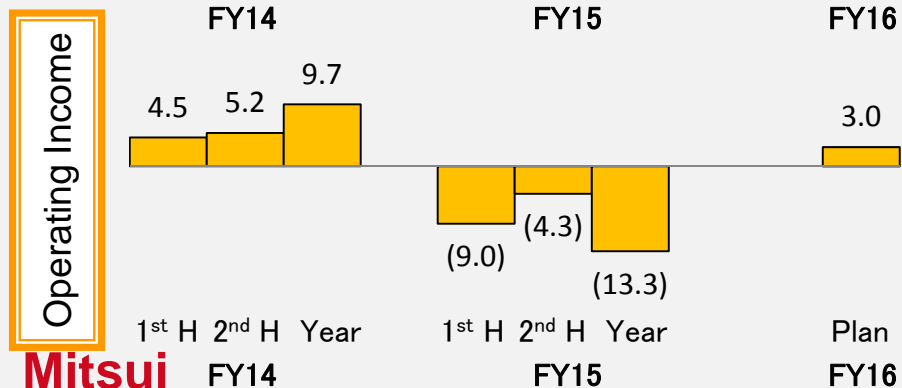
New Orders : Decrease JPY -238.3 billion (vs last year)

Even though the ship market continues to be struggling, certain numbers of our credible fuel efficient eco ships, “Neo series” were ordered. The amount of new orders decreased due to delay in MODEC’s Brazil project, but secured FSO project in the North Sea.



Net Sales : Decrease JPY -57.2 billion (vs last year)

Sales of new shipbuilding performed as planned by positive progress of the backlog. The decrease of sales of MODEC caused the decrease in the Net Sales.



Ope. Income : Decrease JPY -23.0 billion (vs last year)

The profitability of commercial ship tends to improve, but the losses in Ocean tag boat of Niigata Shipyard caused huge decrease in Operating Income.

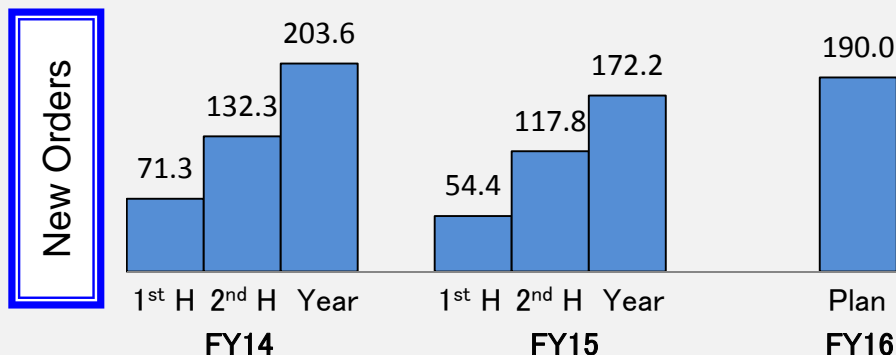
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Machinery

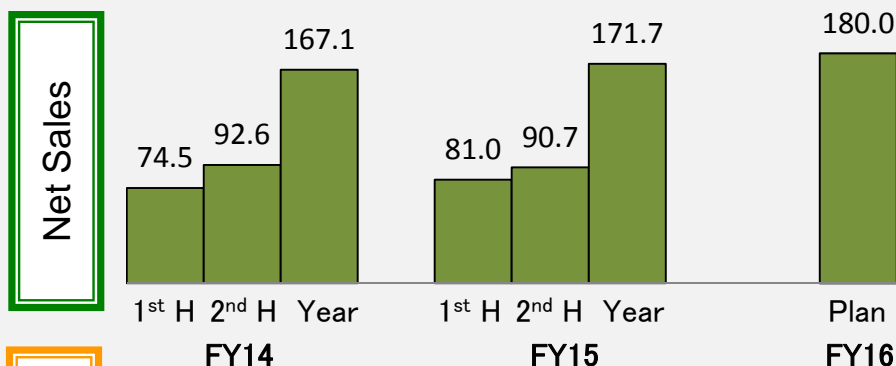
Main products: Diesel engines, industrial machinery, container cranes

JPY billion



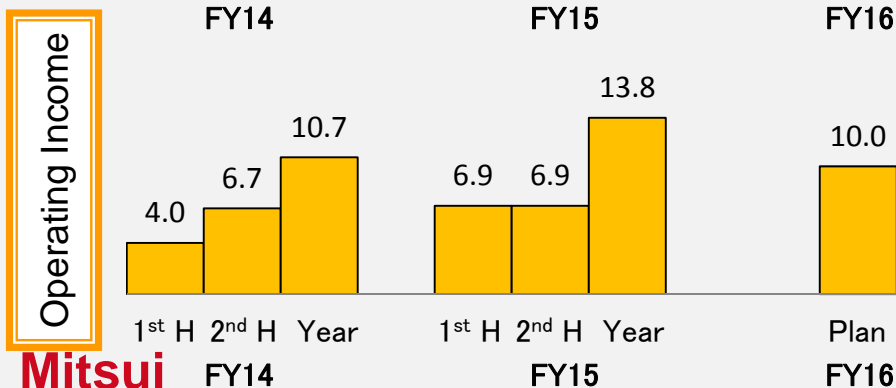
New Orders : Decrease JPY -31.4 billion (vs last year)

Marine diesel engine was favorable due to high demand for very large container ships.
On the other hand, total amount of new orders decreased due to selective order of container crane which has plenty backlog and struggling market of industrial machinery caused by low oil price.



Net Sales : Increase JPY +4.6 billion (vs last year)

Marine diesel engine was almost same as last year. The increase in sales is caused by favorable sales in container crane and after sales service.



Ope. Income : Increase JPY +3.1 billion (vs last year)

Cost reduction in marine diesel engine, favorable sales of container crane and after sales service led to increase in operating income.

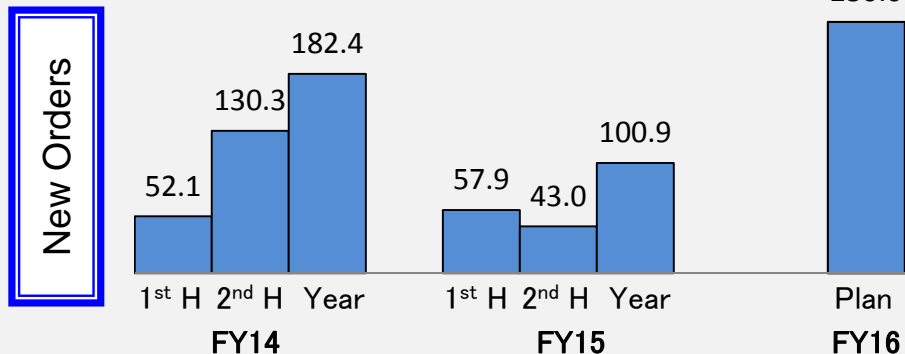
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Engineering

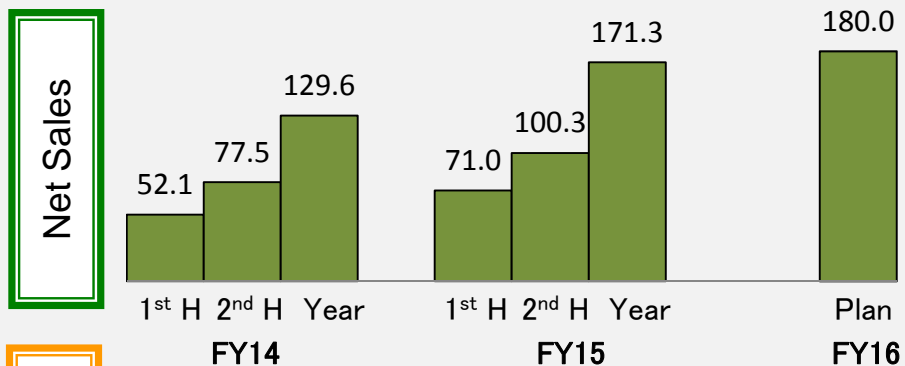
Main products: Chemical plants, water processing plants, foreign civil engineering, construction projects, power plants

JPY billion



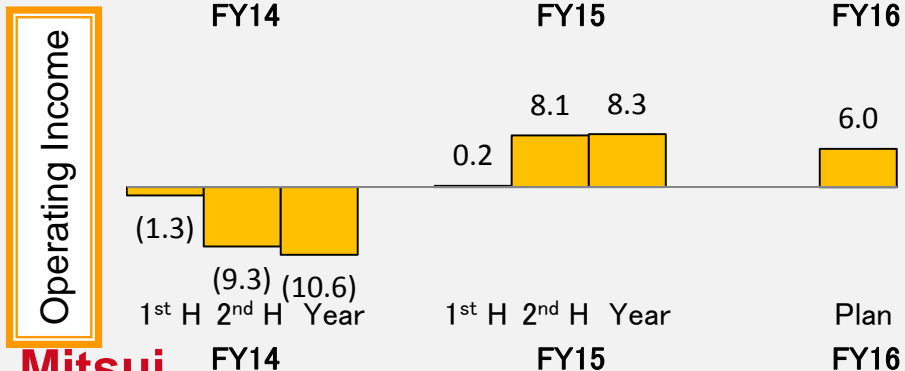
New Orders : Decrease JPY -81.5 billion (vs last year)

The decrease is due to delay in petro chemical plant and civil engineering project, and decrease in BWSC contrary to many large projects received last year,



Net Sales : Increase JPY +41.7 billion (vs last year)

The progress of petro chemical projects in the U.S. and Singapore went well and sales of BWSC increased.



Ope. Income : Increase JPY +18.9 billion (vs last year)

The large increase in operating income is due to completion of loss making projects and progress of large scale project.

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FY2016 Forecast

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FY2016 Forecast

(JPY billion)

	FY15 Actual	FY16 Plan	Var.
New Orders	609.6	900.0	290.4
Net Sales	805.4	750.0	(55.4)
Operating Income	11.8 1.5%	22.0 2.9%	10.2
Ordinary Income	15.1 1.9%	27.0 3.6%	11.9
Net Income*	7.6 0.9%	21.0 2.8%	13.4
Dividend	JPY 4 (Plan)	JPY 5 (Plan)	

1US\$

110.00

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*Profit attributable to owners of parent

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FY2016 Forecast

(JPY billion)

	New Orders			Net Sales			Operating Income		
	FY15 Actual	FY16 Plan	Var.	FY15 Actual	FY16 Plan	Var.	FY15 Actual	FY16 Plan	Var.
Ship & Ocean	297.8	440.0	142.2	423.8	350.0	(73.8)	(13.3)	3.0	16.3
Machinery	172.2	190.0	17.8	171.7	180.0	8.3	13.8	10.0	(3.8)
Engineering	100.9	230.0	129.1	171.3	180.0	8.7	8.3	6.0	(2.3)
Others	38.7	40.0	1.3	38.6	40.0	1.4	3.0	3.0	0
Total	609.6	900.0	290.4	805.4	750.0	(55.4)	11.8	22.0	10.2

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Progress of MBP14 (Midterm Business Plan 14)

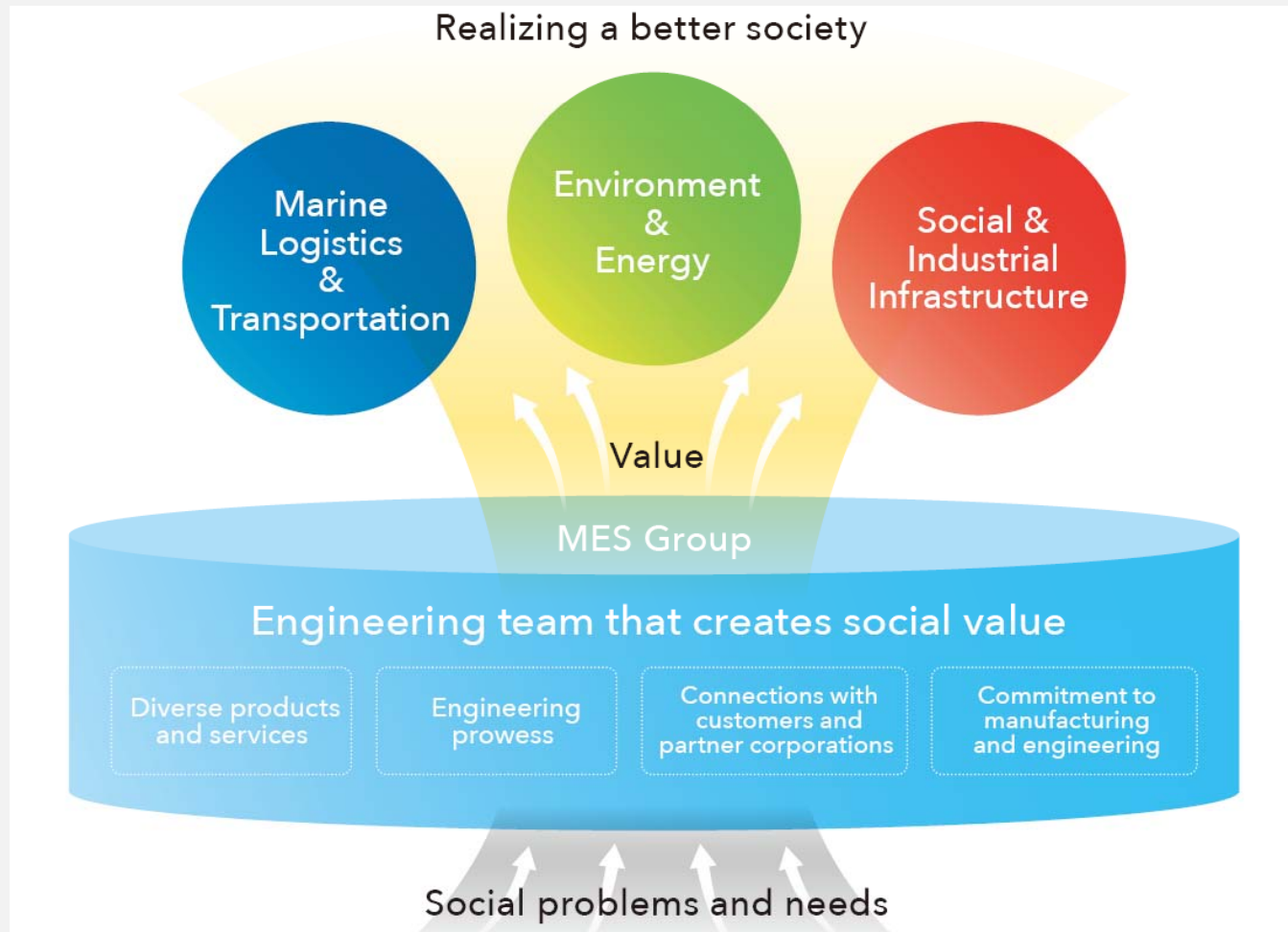
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Latest topics

*Announced MES Group 2025 Vision

The MES Group will evolve into an engineering team that creates social value.



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MBP14 Progress ~Executed measures~

Key Strategies 1: Manufacturing business innovation

● Development of ships for next generation

- Increased line up of environment friendly ship “neo series”
- Developed FPSO “noah series”

● Delivered Hull of Large FPSO

- Delivered Hull of Large FPSO to MODEC

● Diesel engine for LNG fueled ship

- Completed first domestic ME-GI engine for LNG fueled ship
- World first combined trial of ME-GI engine and FGSS compressor on land

● Expansion of Container Crane business

- Investment in Oita works for large portainer production
- Established new department to develop container terminal total system and prepare for overseas production
- Started and delivered block production in Korea



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MBP14 Progress ~Executed measures~

Key Strategies 2: Engineering business expansion

● **Acquired TGE Marine AG**

Mid to small scale gas carrier and sales of FGSS

● **First entry to Oil and Gas market in North Sea (MODEC)**

MODEC's first project in the North Sea.
New order of FSO for Culzean mine lot of Maersk

● **BWSC received orders and delivered Biomass power plants in UK (EPC and O&M)**

Total service of Engineering, Procurement, Construction, Installation and commissioning
for CHP (Combined heat and power)

● **New orders of wind power plant in Wakayama and Akita**

Wakayama 26MW (largest in MES's history)
Akita 7.49MW

● **New orders of civil engineering for Coal fired power plant**

In Vietnam DUYEN HAI project



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MBP14 Progress ~Executed measures~

Key Strategies 3: Expansion of business engagement and related service business

●Mega solar in Oita works started operation

Delivered 45MW mega solar power facilities to Oita Hiyoshibaru Solar
(MES invested 20% share)

●Largest scale Biogas power plant domestically started operation

Delivered Biogas Power plant to Betsukai Baiogas Power (Hokkaido)
(MES invested 70% share)

●Expansion of FPSO Charter business

MES directly invested in FPSO charter business.
Newly established FPSO Operation Department to manage the operation.

●Started Marine Engine repair and maintenance business

Invested in Azuma Engineering PTE (Singapore)

●Established after service bases in Qatar and Turkey

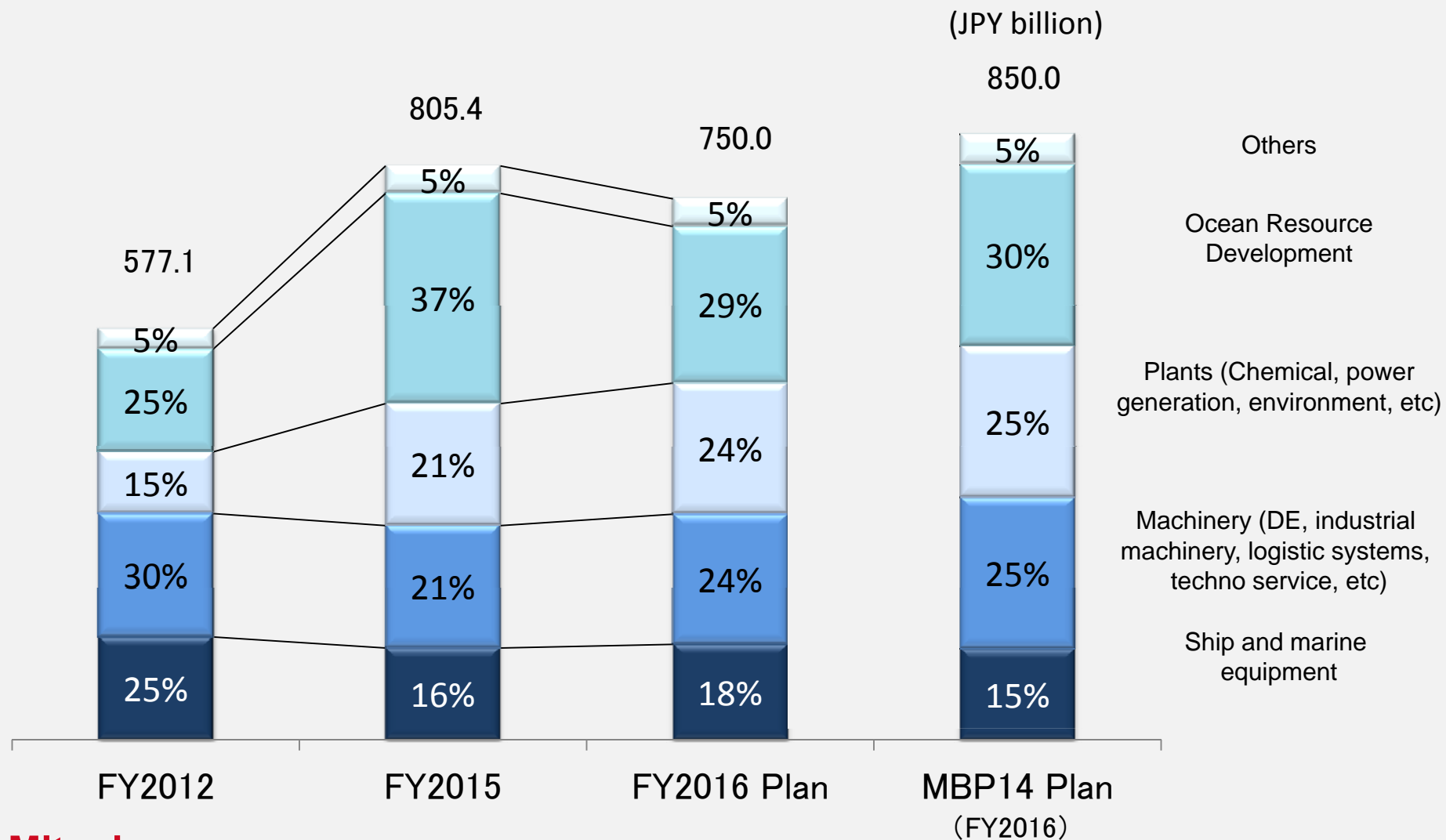
New after services bases for industrial machinery in Qatar and Turkey



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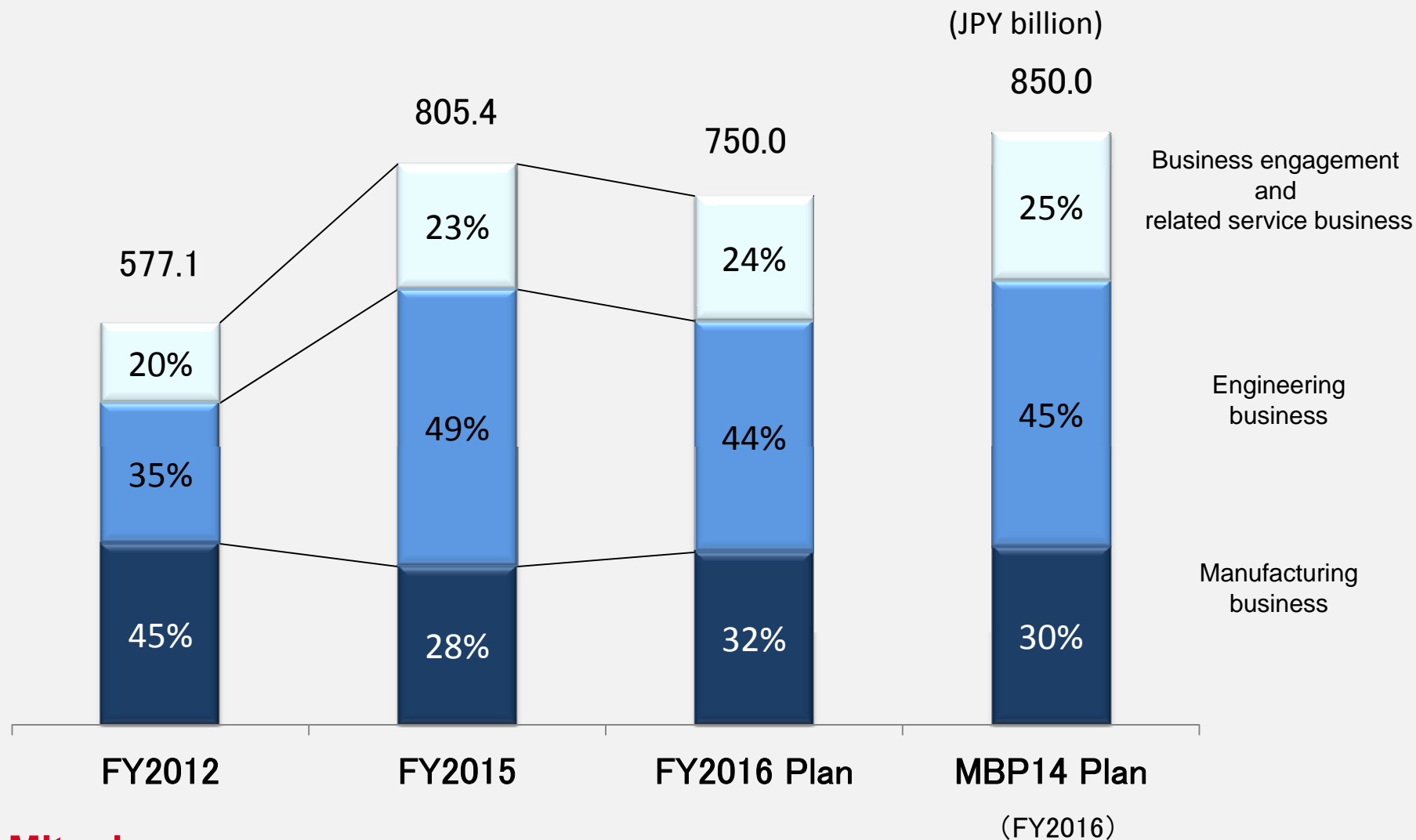
Consolidated net sales ratio by business domain



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Consolidated net sales ratio by business model



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Consolidated Financial Statement

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Consolidated PL

(JPY billion)

	FY14	FY15	Var.	
Net Sales	816.5	805.4	(11.1)	MODEC, etc decreased
Gross Profit	59.5	61.9	2.4	
SG&A	46.2	50.1	3.9	
Operating Income	13.3	11.8	(1.5)	
	1.6%	1.5%	(0.1%)	
Other Income	11.1	14.6	3.5	Forex
Other Expenses	9.5	11.3	1.8	
Ordinary Income	14.9	15.1	0.2	
Extraordinary Income	7.1	10.6	3.5	Gain on sales of investment securities
Extraordinary Losses	6.0	5.2	(0.8)	
Profit before taxes	16.0	20.5	4.5	
Income Taxes	6.1	12.7	6.6	
Non-controlling interest	0.4	0.3	(0.1)	
Profit attributable to owners of parent	9.5	7.6	(1.9)	

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Consolidated BS

(JPY billion)

	FY14	FY15	Var.		FY14	FY15	Var.
Cash	85.4	139.4	54.0	Payables	247.7	245.6	(2.1)
Receivables	311.0	282.4	(28.6)	Advances from customers	77.2	84.4	7.2
Work in Progress	28.2	33.8	5.6	Provision for losses	17.1	10.1	(7.0)
Other Current Assets	118.0	82.2	(35.8)	Interest bearing debt	188.3	239.9	51.6
Fixed Assets	389.4	411.4	22.0	Others	197.0	170.2	(26.8)
Investment, other	142.6	144.8	2.2	Net Assets	347.3	343.8	(3.5)
Total Asset	1,074.6	1,094.0	19.4	Total liabilities and net assets	1,074.6	1,094.0	19.4

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Consolidated Cash Flow

(JPY billion)

	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Plan
Operating CF	47.2	14.5	15.2	29.8	(27.0)
Investing CF	(12.1)	(37.3)	(32.4)	(34.6)	(23.0)
Free CF	35.1	(22.8)	(17.2)	(4.8)	(50.0)
Financing CF	(4.8)	15.5	(4.4)	48.2	25.0

Interest bearing debt	148.3	187.8	188.3	239.9	268.0
DE Ratio	0.8	0.9	0.8	1.0	1.1
ROIC	8.2%	6.5%	4.2%	3.7%	
ROE	(4.6%)	21.6%	4.1%	3.2%	

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Appendix: Major subsidiary, capex, employees

(JPY billion)

Major Subsidiary	FY13 Actual		FY14 Actual		FY15 Actual		FY16 Plan	
	Order	Sales	Order	Sales	Order	Sales	Order	Sales
MODEC	518.5	254.4	395.8	378.5	188.8	295.0	—	230.0
BWSC	81.7	29.2	73.3	35.4	47.4	37.0	—	52.0
Showa Air			—	24.1	—	23.6	—	24.5

Capex.	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Plan
Consolidated				
Capex.	22.5	16.6	16.0	21.0
Depreciation	15.1	17.5	17.9	—
R&D	5.1	4.9	5.0	5.0

Employees	FY13 Actual	FY14 Actual	FY15 Actual
Consolidated			
Employees	12,055	12,291	12,705

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Appendix: Main products and customer (Ship & Ocean)

Shipbuilding

Products: commercial and naval ships, working ships, fishing vessels

Customer: domestic and overseas ship owner, shipping companies,
Ministry of Defense, Japan Coast Guard



Offshore structure

Products: FPSO/FSO (Floating Production, Storage, and Offloading)

Customer: oil resource development companies

Repair and others

Products: Repair and retrofit, marine related equipments, underwater vehicles

Customer: shipping companies, Ministry of Defense, Japan Coast Guard,
public institutions



FY14 breakdown of ships (non-consolidated)

(ships)

Ship types	New Orders	Deliveries	Backlog
Bulk Carriers neo series (eco type)	11	19	36
Naval, patrol ships and other		2	
Total	11	21	36

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Appendix: Main products and customer (Machinery)

Diesel engine

Products: marine diesel engines

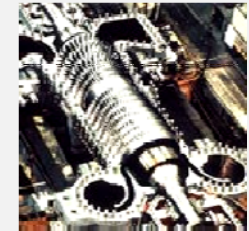
Customer: mainly domestic shipbuilders



Industrial machinery

Products: compressors, blowers, gas and steam turbine, process unit, induction heaters, radar inspection equipment, manipulator

Customer: oil refineries, petro-chemical plant, steel, paper, power, auto companies



Techno service

Products: service parts and maintenance for diesel engine, machinery, and cranes

Customer: shipping, oil, steel companies, container terminal operators

Cranes for container terminal

Products: Portainer, Transtainer, industrial cranes, CTMS(management system)

Customer: container terminal operators, steel companies



Others

Products: marine and land generating equipments, forging, casting

Customer: construction machinery makers, train, IT, machinery industries



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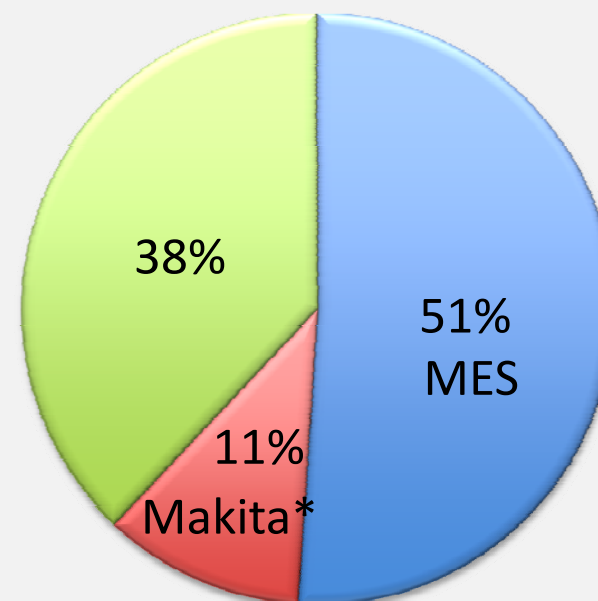
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Appendix: Details of Diesel engines

	FY14		FY15	
	Unit	Horse Power (10 k)	Unit	Horse Power (10 k)
New Orders	176 *(12)	322 *(31)	170	449
Deliveries	166	328	160 *(7)	298 *(17)
Back log	149 *(12)	284 *(31)	159 *(5)	435 *(14)
Production	181	354	181	328

*figures in bracket () represent gas fuel engines (GI and LGI) inclusive

Jan. to Dec. 2015
Marine Diesel Engines
domestic share



Source: KP data (2 stroke engine)

Makita is sub-licensee of MES

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Appendix: Main products and customer (Engineering)

Chemical Plant

Products: EPC for chemical plant such as plastic, synthetics fiber, rubber

Customer: domestic and overseas major chemical companies, petroleum companies

Infrastructures and power

Products: civil engineering for coal fired power plant, EPC and O&M for biomass, renewable energy plant, sludge treatment plant

Customer: major trading house, power producer, local governments

BWSC (Burmeister & Wain Scandinavian Contractor A/S)

Products: EPC and O&M for diesel and biomass power plant

Customer: major utility companies, IPP(Independent Power Producer)



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Breakdown (JPY billion)

	FY14		FY15	
	New Orders	Net Sales	New Orders	Net Sales
Chemical Plant	45.7	57.2	17.7	84.9
Infrastructures and power	136.7	72.7	83.2	86.4
Total	182.4	129.9	100.9	171.3