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MITSUI E&S

May 14, 2024

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Under Japanese GAAP)

Company name: MITSUI E&S Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 7003
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Representative: Takeyuki Takahashi, President, Representative Director, and CEO
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Scheduled date of annual general meeting of shareholders: June 26, 2024
Scheduled date to commence dividend payments: June 27, 2024
Scheduled date to file annual securities report: June 26, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	301,875	15.1	19,630	109.4	20,711	65.3	25,051	61.1
March 31, 2023	262,301	(54.7)	9,376	-	12,532	-	15,554	-

Note: Comprehensive income For the fiscal year ended March 31, 2024: ¥ 30,425 million [(18.8%)]
For the fiscal year ended March 31, 2023: ¥ 37,473 million [- %]

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2024	255.73	254.42	20.2	4.6	6.5
March 31, 2023	177.47	174.92	19.0	3.0	3.6

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2024: ¥ 7,674 million
For the fiscal year ended March 31, 2023: ¥ 3,810 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	467,140	146,510	30.4	1,311.64
March 31, 2023	439,959	110,686	24.2	1,107.02

Reference: Equity As of March 31, 2024: ¥ 142,011 million
As of March 31, 2023: ¥ 106,404 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	(34,435)	(354)	24,110	33,516
March 31, 2023	(15,043)	(2,999)	9,515	43,468

2. Dividends

Common Stock	Annual dividend per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Dividends to net assets ratio (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2023	-	0.00	-	3.00	3.00	262	1.7	0.3
March 31, 2024	-	0.00	-	5.00	5.00	504	2.0	0.4
March 31, 2025 (Forecast)	-	0.00	-	-	-		-	

Note 1: The year-end dividend forecast for the fiscal year ending March 31, 2025 is not determined at this time.

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

3. Forecasts for Financial Results (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
Fiscal year ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2025	300,000	(0.6)	17,000	(13.4)	-	-	-	-	-

Note: Forecasts for Ordinary income, Profit attributable to owners of parent, and Earnings per share are not determined at this time.

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): Yes

Newly included: -

Excluded: 2 companies (Mitsui E&S Machinery Co., Ltd. and Mitsui E&S Business Service Co., Ltd.)

(2) 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: None

iii) Changes in accounting estimates: None

iv) Restatement: None

(3) Number of issued shares (common stock)

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

As of	shares
March 31, 2024	103,098,717
March 31, 2023	89,737,117

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

As of	shares
March 31, 2024	2,225,837
March 31, 2023	2,226,686

iii) Average number of shares outstanding during the period

Fiscal year ended	shares
March 31, 2024	95,214,964
March 31, 2023	84,661,277

Reference 1: Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating revenue		Operating income		Ordinary income		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	173,699	-	-	-	12,085	91.9	13,921	278.1	14,126	7.2
March 31, 2023	-	-	15,539	1.7	6,297	9.6	3,681	139.0	13,175	-

	Earnings per share	Earnings per share (diluted)
Fiscal year ended	Yen	Yen
March 31, 2024	141.00	140.27
March 31, 2023	149.38	147.23

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	463,593	71,112	15.3	607.92
March 31, 2023	335,171	49,987	14.9	460.82

Reference: Equity As of March 31, 2024: ¥ 71,024 million

As of March 31, 2023: ¥ 49,855 million

[Reason for difference compared with the previous fiscal years actual non-consolidated financial results]

Effective April 1, 2023, the Company merged with Mitsui E&S Machinery Co., Ltd. and Mitsui E&S Business Service Co., Ltd., both were wholly-owned subsidiaries, by absorption-type merger, with the Company as the surviving company and the said two subsidiaries as the dissolving companies, and shifted to an operating holding company structure. Accordingly, operating results and financial position for the current fiscal year have changed significantly compared to the previous fiscal year. "Net sales" shows the amount recorded after shifting to an operating holding company structure and "operating revenue" shows the amount recorded before shifting to an operating holding company structure.

* Financial results reports are exempt from audit 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. Please refer to "1. Overview of Operating Results and Others, (4) Future Outlook" on page 6 (attached materials) for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts, etc.

(Where to get the supplementary explanatory materials)

Financial results briefing for analysts is scheduled for May 14, 2024. Supplementary material, which will be distributed at the said briefing, is planned to be posted on our web site.

Reference 2: Dividends for Preferred Shares

Dividend per share for Class-A Preferred shares are as follows:

Class-A Preferred Shares	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, 2023	-	-	-	29.38	29.38
March 31, 2024	-	-	-	39.00	39.00
March 31, 2025 (Forecast)	-	-	-	39.00	39.00

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.

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1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year

i) Outline of Consolidated Operating Results

During the fiscal year under review, despite signs of a slowdown in price increases, the global economy slowed down due to such factors as weak consumption and capital expenditures caused by increases in long-term interest rates, and the deceleration of the Chinese economy. The outlook remains uncertain as a result of global trends in monetary policy, geopolitical risks, and further slowdown of the Chinese economy, and other matters. On the other hand, the domestic economy is gradually recovering due to various factors such as solid consumer spending and increases in corporate performance and capital expenditures. Going forward, the domestic economy is entering a new phase as an end to deflation as a result of continuous price increases, the entrenchment of wage increases that exceed price increases, and the world with normal interest rates.

In the shipbuilding industry, which is closely related to the Company, building berths are nearly fully booked in the near term, and some shipyards are finalizing contracts for some projects with delivery to be scheduled in the beginning of 2028, showing that shipyards in Japan have secured sufficient volumes of work on hand. In addition, for the port logistics industry, demands of port crane are strong in Southeast Asia and others regions overseas, and demands also continue to be strong in Japan mainly due to new construction and expansion of existing facilities as well as renewal of existing facilities due to aging. The Company recognizes that the environment for orders is steadily recovering, despite the risks from the ongoing fluctuations in the foreign exchange and financial markets and price fluctuations in materials procurement.

Under such circumstances, the Company was newly reborn and transitioned to an operating holding company with the new corporate name of "MITSUI E&S Co., Ltd." on April 1, 2023, and transitioned to an Audit Committee on June 28, 2023, in addition. Due to the completion of the "Mitsui E&S Group Business Revival Plan," which established various measures such as the restructuring and withdrawing of unprofitable businesses and strengthening of the financial structure, any events or conditions that may cast significant doubts regarding the premise of going concern have been dissolved. As we have assessed that we are well-positioned to achieve stable earned surplus, we resumed dividends for the first time in six fiscal years. In addition, to mark the start as a new company, the Company renewed the personnel system in order to enhance its organizational culture that promote the personnel resources with ability to create new value. Following last year, in 2024 Spring Wage Discussions, we have decided to improve employees' wages again in order to raise the motivation to realize growth strategies.

In addition, the "1st series of share acquisition rights with an exercise price amendment clause" had been fully exercised as of November 29, 2023, significantly ahead of the original schedule, leading to approximately 8.5 billion yen in funding and improvements in the financial soundness of the Company.

Meanwhile, in light of the significant changes in the business environment surrounding us, we have already started the "Mid-Term Business Plan 2023," one year ahead of schedule. The expansion of the core businesses of marine propulsion and port logistics through "green" and "digital" strategies has been set as the pillar of the strategy of the Mid-Term Business Plan 2023.

In the marine propulsion business, we acquired IHI Power Systems Co., Ltd.'s businesses related to marine large bore engines and its associated products, which commenced sales as "Mitsui E&S DU Co., Ltd." on April 1, 2023, with its strength in dual-fuel engines and digital remote maintenance systems. In July 2023, we formulated a business infrastructure strengthening plan with Mitsui E&S DU Co., Ltd. to improve the productivity of marine two-stroke engines through the business infrastructure strengthening plan certification system under the Act on Strengthening Maritime Industries, and received certification from the Minister of Land, Infrastructure, Transport and Tourism. Based on this plan, we are developing and expanding an eco-friendly engine-lineup with the enhancement of its production, which will lead to one of our main new green products.

As for ammonia fuel, a Memorandum of Understanding was executed among six parties, five Japanese companies including the Company, and MAN-Energy Solutions, regarding joint development effort for the commercialization of ammonia fueled ships.

In accordance with this Memorandum of Understanding, the Company will manufacture and supply the world's first two-stroke MAN B&W ammonia dual fueled engine and will develop and supply related system. As a marine propulsion system supplier, the Company will continue to contribute to the realization of a decarbonized society in the field of marine logistics.

Regarding hydrogen fuel, the Company completed construction of hydrogen gas supply facilities at its Tamano Factory in October 2023, and successfully conducted 100% load operation in February 2024 during the coupling operation using the said supply facility and our test engines (hydrogen combustion in one of the four cylinders).

The Group will expand its product lineup by establishing a double license system of MAN-Energy Solutions and Winterthur Gas & Diesel, and improve competitiveness by efficiently using group resources, improving productivity, and enhancing after-sales service.

In the port logistics business, the Company, its subsidiary PACECO CORP. (headquartered in California, U.S.) and Brookfield (headquartered in Toronto, Canada) are working together as partners to reestablish final assembly of port cranes in California, the United States. PACECO CORP. will bring final assembly of port cranes back to the United States for the first time since 1989 and it is expected to contribute to securing the safety of U.S. port infrastructure.

We developed the first Rubber Tired Gantry crane (RTG) that uses fuel cells (FCs) as a power source in the world through collaboration with New Energy and Industrial Technology Development Organization (NEDO). Furthermore, we proceeded with the decarbonization of products, such as by mounting FCs in RTG and concluding an agreement with Bureau of Port and Harbor Tokyo and three other companies to carry out cargo handling operations using hydrogen as fuel. In addition, we will work to resolve issues of a society with a shrinking population by utilizing digital technologies including the automation of port cranes, remote maintenance through drones, and enhancement of operational efficiency of port terminals.

Moreover, we have positioned some specific businesses that promote new products and services in peripheral areas of core businesses as growth businesses. For example, we got an order for compressors for Japan's first large-scale production demonstration plant for domestically produced Sustainable Aviation Fuel (SAF), which is made from waste cooking oil. Including the said work, we will work to further enhance corporate value by focusing on development of new products and services that takes decarbonization into consideration.

Orders received in the current fiscal year increased by 14,635 million yen (up 4.5%) year on year to 336,987 million yen. Net sales were 301,875 million yen, an increase of 39,573 million yen (up 15.1%) year on year due to favorable deliveries of marine engines in Marine Propulsion Systems and the inclusion of Mitsui E&S DU Co., Ltd. in the scope of consolidation. Operating income increased by 10,253 million yen (up 109.4%) year on year to 19,630 million yen mainly due to improved profitability in Marine Propulsion Systems. Ordinary income increased by 8,179 million yen (up 65.3%) year on year to 20,711 million yen mainly due to the recording of share of profit of entities accounted for using equity method, interest expenses, and commission expenses. Profit attributable to owners of parent was 25,051 million yen, an increase of 9,497 million yen (up 61.1%) year on year mainly due to the recording of gain on bargain purchase, gain on sales of subsidiaries and affiliates' stocks, and income taxes-deferred accompanying the recognition of deferred tax assets.

ii) Overview of Consolidated Operating Results by Segment

The overview by reportable segment is as follows. From the current fiscal year, the Company changed the reportable segment classifications, and the year-on-year comparison shown is based on the reportable segment classifications after the change. For details, please refer to "3. Consolidated Financial Statements and Major Notes, (5) Notes to Consolidated Financial Statements (Segment Information, etc.)."

(New Business Development)

With a view to "decarbonization," we are promoting new products and services in peripheral areas of core businesses, and have received orders from overseas for reciprocating compressors used in plants that produce Sustainable Aviation Fuel (SAF). In addition, for domestic steel mills, we received orders of axial flow compressors for hydrogen reduction steelmaking for demonstration facilities, and for overseas steel mills, we received two orders for highly efficient top pressure recovery turbines for generating power using the exhaust gas emitted from blast furnaces, contributing to decarbonization and energy savings in steel mills.

Given the increasing number of inquiries received regarding reciprocating compressors for use in hydrogen production plants, we will leverage our technology for the global trend toward decarbonization and strengthen our efforts in the hydrogen-related market.

Compared with the previous fiscal year, orders received increased by 4,636 million yen (up 11.0%) to 46,829 million yen. This is mainly due to increasing decarbonization demands as well as steady demands for blast furnace blowers, construction equipment engines and industrial machineries associated with the renewal of facilities such as chemical plants. Net sales totaled 40,810 million yen, increased by 5,945 million yen (up 17.1%) year on year, mainly due to an increase in orders for construction equipment engines. Operating income increased by 1,624 million yen (up 38.2%) year on year to 5,883 million yen due to the increased net sales.

(Marine Propulsion Systems)

In line with the global shipbuilding market in 2023, which saw the highest volume of orders in the past ten years, the market in Japan also increased by 25% year on year and the number of inquiries received by the Company regarding marine engines is increasing. In particular, orders received for dual-fuel engines including methanol-fuel ones are growing, and we are expanding our facilities to handle these demands. In addition, we are focusing on engine peripheral equipment, and orders for our high-pressure LNG pumps, which we developed in-house, are steadily accumulating. The Company is also proceeding with joint development with licensors of ammonia fueled engine ahead of other companies, as well as our own development of ammonia fuel supply devices. Together with expanding our product lineup of engines and peripheral equipment, we are working to differentiate ourselves from our competitors as a supplier capable of providing these products as sets.

Furthermore, Mitsui E&S DU Co., Ltd. joined the Group in April 2023, and we are working to maximize productivity by leveraging the features of both the Tamano Factory and the Aioi Factory. Going forward, we will create further synergies by taking advantage of the double license system of MAN-Energy Solutions and Winterthur Gas & Diesel.

In after-sales service, both orders and sales were strong mainly due to demand for environmental regulatory compliance for vessels in service. They are also expected to remain at a high level in FY2024 and thereafter due to an increase of maintenance works for electronically controlled engines.

Mainly due to high volumes of customer inquiries for dual-fuel engines, orders received increased by 8,095 million yen (up 5.8%) to 147,671 million yen from the previous fiscal year. Net sales totaled 134,033 million yen, increased by 36,340 million yen (up 37.2%) year on year. This is mainly due to favorable deliveries of marine engines, good performance in after-sales service, and the inclusion of Mitsui E&S DU Co., Ltd. in the scope of consolidation. Operating income was 6,431 million yen, an increase of 3,792 million yen (up 143.7%) due to the increased net sales.

(Logistics Systems)

Overseas orders, including a series of large projects in Southeast Asia, have remained strong, especially for Transtainers. In Japan, demand was strong mainly due to new construction and the expansion of existing facilities, as well as the renewal of existing facilities due to aging, resulting in the most ever orders received in Japan and overseas combined.

The world's first Zero-emission Transtainer (hydrogen fuel cell power pack-driven Transtainer), which was being tested in collaboration with New Energy and Industrial Technology Development Organization, was delivered to the Port of Los Angeles in the U.S. and the demonstration project will soon begin. Furthermore, to contribute to securing the safety of U.S. port infrastructure, the Group is investigating the final assembly of Portainers and Transtainers in the U.S. In Japan, we plan to replace the power sources of the existing Transtainers at the Port of Tokyo and the Port of Yokohama to hydrogen fuel cell power packs, and switch to hydrogen engine generators at the Port of Kobe, with operation verification testing scheduled at each port. We will continue to commercialize products for a decarbonized society.

In after-sales service, in addition to strong performance in Japan for removal of existing equipment and renovation work in conjunction with the renewal of equipment due to aging, orders and sales achieved their highest records in parts supply in Japan and overseas. Orders for the Crane Advanced Remote Monitoring System (CARMS) have been steady in Japan for the Port of Kobe, the Port of Shibushi, the Port of Yokohama and other locations, and we will promote further expansion of sales. In addition, we have begun taking orders for trials of the new drone-based inspection service, including demonstration tests of the application for automatically creating the flight routes.

Orders received was 70,572 million yen, increased by 21,131 million yen (up 42.7%) compared with the previous fiscal year, mainly due to a series of large orders in Southeast Asia. Mainly due to the steady deliveries of cranes, net sales increased by 5,984 million yen (up 14.4%) year on year to 47,637 million yen. Operating income was 3,055 million yen, an increase of 1,700 million yen (up 125.5%) due to the increased net sales.

(Peripheral Businesses)

In Peripheral Businesses, each subsidiary achieved strong results. In particular, in addition to the solid performance in the Marine engine control system business, the operating results were driven by Systems development, which secured orders for data utilization system projects in the manufacturing industry. In Steel structures and hull block manufacturing business, we secured orders for projects mainly in the steel industry, and large projects for caissons, hull blocks, etc., for which we received orders in the previous fiscal year, also contributed to sales. In Gas carriers engineering, orders increased significantly year on year mainly due to securing orders for large projects for Fuel Gas Supply systems (FGS) for East Asia.

Orders received slightly decreased by 2,685 million yen (down 3.6%) to 71,618 million yen from the previous fiscal year. Net sales totaled 74,141 million yen, increased by 16,785 million yen (up 29.3%) year on year. This is mainly due to strong sales both in Japanese and foreign subsidiaries. Thanks to the favorable net sales, operating income increased by 1,632 million yen (up 226.3%) to 2,354 million yen year on year.

(Ocean Development)

Crude oil prices temporarily reached a high of over US$90 per barrel mainly due to the extension of Saudi Arabia's additional voluntary production cuts. However, due to the growing perception that demand for oil would fall due to the slowdown of the Chinese economy and other factors, crude oil prices at the end of 2023 with a closing price in the US$70 per barrel range. As a result, while coexisting with the trend toward decarbonization, maintaining a stable energy supply remains an important issue, and deep-water oil field development projects by oil companies are expected to continue, with stable growth expected for large projects in Ultra-deepwater, an area in which our Group has an advantage.

MODEC, Inc. and its related companies, which are affiliates accounted for using equity method of the Company, recorded the improvement costs of asset integrity incurred for the FPSOs and FSO operating in Brazil. Despite these costs, share of profit of entities accounted for using equity method totaled 6,366 million yen, increased by 4,054 million yen (up 175.4%) compared with the previous fiscal year, mainly due to the revenue recognized from the progress of construction projects.

(2) Overview of Financial Position for the Fiscal Year

Total assets at the end of the current fiscal year were 467,140 million yen, increased by 27,181 million yen from the end of the previous fiscal year. This was mainly due to increases of 14,432 million yen in notes and accounts receivables - trade, and contract assets, 3,586 million yen in merchandise and finished goods, and 7,334 million yen in investment securities, 7,152 million yen in net defined benefit asset, while cash and time deposits decreased by 10,233 million yen.

Total liabilities were 320,630 million yen, decreased by 8,643 million yen from the end of the previous fiscal year. This was mainly due to decreases in current portion of long-term borrowings by 7,964 million yen, provision for losses on construction contracts by 9,699 million yen, and others in current liabilities by 37,885 million yen despite increases of 9,794 million yen in trade payables, and 34,540 million yen in short-term borrowings.

Total net assets were 146,510 million yen, increased by 35,824 million yen from the end of the previous fiscal year. This was mainly due to the exercise of the 1st series of share acquisition rights with an exercise price amendment clause, the recording of profit attributable to owners of parent, and an increase in remeasurements of defined benefit plans.

(3) Overview of Cash Flows for the Fiscal Year

Cash and cash equivalents (hereinafter, "cash") at the end of the current fiscal year were 33,516 million yen, decreased by 9,951 million yen from the end of the previous fiscal year.

The followings are the summary of cash flows for the fiscal year ended March 31, 2024.

(Cash flows from operating activities)

Net cash used in operating activities in the current fiscal year was 34,435 million yen (15,043 million yen was used in the previous fiscal year). This was mainly due to outflows from decrease in provision for losses on construction contracts, the recording of share of profit of entities accounted for using equity method, increase in trade receivables and contract assets, and decrease in trade payables despite inflows from the recording of profit before income taxes and depreciation and amortization.

(Cash flows from investing activities)

Net cash used in investing activities in the current fiscal year was 354 million yen (2,999 million yen was used in the previous fiscal year). This was mainly due to outflows from capital expenditure despite proceeds from purchases of shares of subsidiaries resulting in change in scope of consolidation, sales of shares of subsidiaries and affiliates, and sales of investments in capital of subsidiaries and affiliates.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 24,110 million yen in the current fiscal year (9,515 million yen was provided in the previous fiscal year). This was mainly due to inflows such as net increase in short-term borrowings and proceeds from issuance of shares resulting from exercise of subscription rights to shares despite outflows such as repayments of long-term borrowings and bonds.

(4) Future Outlook

i) Issues to be addressed

The Group moved forward with the "Mitsui E&S Group Business Revival Plan" to recover our financial base damaged by the losses from the large overseas EPC (engineering, procurement, and construction) projects in Engineering, and we have achieved the completion of the plan. The Company dissolved the pure holding company structure and merged Mitsui E&S Machinery Co., Ltd. and Mitsui E&S Business Service Co., Ltd., both of which were the wholly-owned subsidiaries, and changed our corporate name to "MITSUI E&S Co., Ltd." on April 1, 2023. Through this upstream merger, we aim to increase the speed of strategy planning and its execution by reducing the gap between business and management and integrating them into a single entity for the purpose of future growth and improved profitability. Furthermore, in order to realize the continuous improvement of the corporate value of the Mitsui E&S Group by promoting growth strategies and enhancing management efficiency, the Company transitioned to a company with an Audit Committee with the following objectives:

(i) Build a compact management system in line with organizational consolidation and reorganization.

(ii) Create an environment for more in-depth discussions on business strategies and risk-related matters.

Meanwhile, in the light of the significant changes in the business environment surrounding us, we have started "Mid-Term Business Plan 2023" in FY2022, one year ahead of schedule. The specific details are as follows:

(Strengthening the financial and earnings structure)
In addition to implementing the sale of businesses and assets based on the Business Revival Plan, we implemented capital measures in the previous fiscal year in order to improve our financial soundness and secure funds for growth. The Mid-Term Business Plan 2023 lays out basic strategies of "Finishing the Business Revival Plan," "Growth strategies" and "Functional strategy." We increase sales and stabilize profit through the Growth strategies to improve our financial position even further. The "1st series of share acquisition rights with an exercise price amendment clause," which was implemented as a capital measure, has been fully exercised as of November 2023, significantly ahead of the original schedule, leading to approximately 8.5 billion yen in funding and improvements in the financial soundness of the Company.

(Promoting the Growth Strategies)
In the Mid-Term Business Plan 2023, the policy of the Growth strategies is set as "Expand the core businesses of marine propulsion and port logistics in the marine domain through 'green' and 'digital' strategies." Specific measures are as follows:

i. Strengthening core businesses

We clarify "marine propulsion" and "port logistics" as our core businesses and improve profitability mainly in our core businesses.

In the marine propulsion business, "Mitsui E&S DU Co., Ltd." began business in April 2023, succeeding the marine large bore engine businesses of IHI Power Systems Co., Ltd. The Group will expand its product lineup by establishing a double license system of MAN-Energy Solutions and Winterthur Gas & Diesel, and improve competitiveness by efficiently using group resources, improving productivity, and enhancing after-sales service.

In the port logistics business, the Group is investigating the final assembly of port cranes in the U.S., which will contribute to securing the safety of U.S. port infrastructure, and strengthen the competitiveness of the Group's products.

ii. Reforming profit model

We promote further development of each of our business in our core businesses of "marine propulsion" and "port logistics" through "green strategy" and "digital strategy."

In the green strategy, we focus on engineering our eco-friendly products and promote development and provision of decarbonization-related products such as next-generation fuel engines and zero-emission port facilities. In the digital strategy, we combine our service network with digital technologies to develop and provide advanced preventive maintenance and remote maintenance services utilizing digital technology and drone technology in areas where we have strengths, such as linking marine transportation and port cargo handling.

(Initiatives on sustainability issues)

Climate change and the arrival of depopulated society are recognized as critical management issues and the Company's business opportunities. In light of the risks as well as opportunities for our businesses, we have determined that "creating a carbon-free society" and "resolving challenges induced by depopulation" as our strategic material issues. With responsibilities as a leading company of the largest market share in Japan for marine engines and port cranes, we have set medium- and long-term goals and promote initiatives such as environmental action, and development of remote and automation systems in order to meet these material issues.

ii) Forecasts for financial results for FY2024

Our forecasts for financial results for FY2024 are net sales of 300.0 billion yen and operating income of 17.0 billion yen. As for ordinary income and profit attributable to owners of parent, the forecasts are undetermined at this time because it is difficult to reasonably calculate the impact related to "Announcement of the Partial Sale of Shares Held" and reflect them in the financial results forecasts. We will promptly announce those forecasts as soon as the forecasts can be reasonably calculated.

These forecasts are based on an exchange rate of 1 US Dollar to 145.0 Japanese Yen.

[Forecasts for financial results for FY2024 by segment (Consolidated)]

(Billions of yen)

	Net sales	Operating income
New Business Development	40.0	5.0
Marine Propulsion Systems	130.0	6.0
Logistics Systems	60.0	3.0
Peripheral Businesses	70.0	3.0
Ocean Development	-	-
Others	0.0	0.0
Total	300.0	17.0

Notes 1: Ocean Development consists of affiliates accounted for using equity-method, and it does not affect net sales and operating income.

2: Above forecasts are based on information currently available to the Company and certain assumptions that the Company considers reasonable. Actual results may differ from the above figures due to various factors in the future.

iii) Basic policy on the distribution of profits and dividend payment for FY2023 and FY2024

The Company has a basic policy of distributing profits to enhance the return of profits to our shareholders while giving comprehensive consideration to shareholders' equity in order to strengthen capital expenditure, investments in R&D and the financial base for business expansion.

The year-end dividend on common stock for the current fiscal year was set at 3 yen per share, taking into consideration the reduction of financial expenses by reducing interest-bearing debt in order to realize stable dividends with improved financial soundness. However, since these measures have been implemented steadily, we have determined that we propose to pay an increased dividend to 5 yen per share.

With respect to the year-end dividend for the next fiscal year, we are considering an early redemption of Class A preferred shares and a further increase in the dividend on its common stock, using the proceeds from the sale of a portion of holding shares. However, forecast of dividends are undetermined, as it is difficult to calculate forecast of financial results for FY2024. We will announce them promptly as soon as the forecast can be reasonably calculated.

Going forward, we will continue to focus on implementing the growth strategies in the "Mid-Term Business Plan 2023" as aiming toward increase of dividends in the future and reply to expectations of our shareholders and investors by increasing corporate value.

2. Basic Policy on the Selection of Accounting Standards

The Group's policy is to prepare the consolidated financial statements with the Japanese Generally Accepted Accounting Principles (J-GAAP) because Japanese accounting standards are now of high quality and internationally competitive as a result of convergence with international accounting standards and have been accepted to be equivalent to International Financial Reporting Standards (IFRS) in Europe.

In preparation for the future adoption of IFRS, the Group has implemented initiatives such as acquiring the knowledge of IFRS and analyzing the impact of its adoption, but the timing for the adoption of IFRS has not been determined.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and time deposits	45,803	35,570
Notes and accounts receivables - trade, and contract assets	81,850	96,283
Merchandise and finished goods	6,095	9,682
Work in progress	46,799	49,601
Raw materials and supplies	6,136	8,437
Others	26,295	24,462
Allowance for doubtful accounts	(353)	(801)
Total current assets	212,628	223,237
Non-current assets		
Property, plant and equipment		
Buildings and structures	115,910	114,620
Accumulated depreciation	(91,461)	(90,807)
Buildings and structures, net	24,449	23,813
Machinery, equipment and vehicles	69,921	70,512
Accumulated depreciation	(59,817)	(59,214)
Machinery, equipment and vehicles, net	10,104	11,297
Land	68,544	67,699
Lease assets	12,746	13,726
Accumulated depreciation	(5,035)	(6,185)
Lease assets, net	7,711	7,541
Construction in progress	3,165	3,626
Others	12,540	13,050
Accumulated depreciation	(10,748)	(11,042)
Others, net	1,792	2,008
Total property, plant and equipment	115,767	115,987
Intangible assets		
Goodwill	7,626	7,532
Others	7,876	8,074
Total intangible assets	15,502	15,607
Investments and other assets		
Investment securities	68,802	76,136
Long-term loans	2,126	2,120
Net defined benefit asset	9,957	17,109
Deferred tax assets	2,984	5,596
Others	12,476	11,473
Allowance for doubtful accounts	(285)	(126)
Total investments and other assets	96,061	112,309
Total non-current assets	227,330	243,903
Total assets	439,959	467,140

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Trade payables	54,939	64,733
Short-term borrowings	115,245	149,785
Current portion of long-term borrowings	9,375	1,410
Current portion of bonds	5,000	-
Lease obligations	1,863	2,076
Accrued income taxes	796	2,195
Contract liabilities	25,300	30,809
Provision for construction warranties	2,403	2,934
Provision for losses on construction contracts	14,025	4,325
Provision for bonuses	4,059	5,198
Provision for demolition and removal	-	809
Others	53,971	16,086
Total current liabilities	286,980	280,364
Long-term liabilities		
Long-term borrowings	11,927	10,817
Lease obligations	7,061	6,571
Deferred tax liabilities	1,846	909
Deferred tax liabilities for land revaluation	12,241	12,011
Provision for business restructuring	853	758
Net defined benefit liabilities	5,048	4,617
Asset retirement obligations	1,728	2,097
Others	1,585	2,483
Total long-term liabilities	42,293	40,266
Total liabilities	329,273	320,630
Net assets		
Shareholders' equity		
Share capital	3,829	8,846
Capital surplus	10,552	11,804
Retained earnings	42,292	67,056
Treasury stock	(4,632)	(4,624)
Total shareholders' equity	52,042	83,083
Accumulated other comprehensive income		
Net unrealized holding gains on securities	48	1,269
Unrealized gains on hedging derivatives	8,309	5,642
Revaluation reserve for land	27,601	27,098
Foreign currency translation adjustments	10,691	12,924
Remeasurements of defined benefit plans	7,710	11,992
Total accumulated other comprehensive income	54,362	58,927
Subscription rights to shares	132	87
Non-controlling interests	4,148	4,411
Total net assets	110,686	146,510
Total liabilities and net assets	439,959	467,140

(2) Consolidated Statements of Operations and Comprehensive Income

Consolidated Statements of Operations

(Millions of yen)

	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024
Net sales	262,301	301,875
Cost of sales	225,376	254,632
Gross profit	36,924	47,243
Selling, general and administrative expenses	27,548	27,612
Operating income	9,376	19,630
Non-operating income		
Interest income	384	563
Dividend income	212	225
Share of profit of entities accounted for using equity method	3,810	7,674
Foreign currency exchange gains	4,610	744
Others	1,124	995
Total non-operating income	10,142	10,204
Non-operating expenses		
Interest expenses	2,881	4,288
Commission expenses	2,420	3,914
Others	1,684	918
Total non-operating expenses	6,986	9,122
Ordinary income	12,532	20,711
Extraordinary income		
Gain on disposal of non-current assets	184	266
Gain on sales of investment securities	686	-
Gain on sales of subsidiaries and affiliates' stocks	2,835	2,079
Gain on bargain purchase	-	1,317
Insurance income	1,336	-
Total extraordinary income	5,043	3,663
Extraordinary losses		
Loss on disposal of non-current assets	172	222
Loss on impairment of non-current assets	-	1,453
Loss on sales of subsidiaries and affiliates' stocks	274	-
Loss on change in equity	-	1,075
Loss from overseas remittance	-	680
Provision for demolition and removal	-	809
Loss due to transportation accidents	1,040	-
Loss on liquidation of business	107	719
Total extraordinary losses	1,595	4,960
Profit before income taxes	15,980	19,415
Income taxes - current	1,371	2,728
Income taxes - deferred	(1,010)	(8,640)
Total income taxes	360	(5,911)
Profit	15,619	25,327
Profit attributable to non-controlling interests	65	275
Profit attributable to owners of parent	15,554	25,051

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024
Profit	15,619	25,327
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(571)	1,211
Unrealized losses on hedging derivatives	(847)	(975)
Foreign currency translation adjustments	2,463	1,024
Remeasurements of defined benefit plans	(1,110)	4,308
Share of other comprehensive income of affiliates accounted for using equity method	21,920	(471)
Total	21,853	5,097
Comprehensive income	37,473	30,425
Comprehensive income attributable to		
Owners of parent	37,400	30,120
Non-controlling interests	72	304

(3) Consolidated Statements of Changes in Net Assets

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance as of April 1, 2022	44,384	18,132	(33,278)	(4,663)	24,575
Changes during the year					
Issuance of new shares	6,329	4,957			11,287
Capital reduction	(46,884)	46,884			-
Deficit disposition		(60,015)	60,015		-
Profit attributable to owners of parent			15,554		15,554
Purchases of treasury stock				(1)	(1)
Sales of treasury stock		(6)		32	25
Transfer from revaluation reserve for land			1		1
Change in ownership interest of parent due to transactions with non-controlling interests		600			600
Net changes of items other than those in Shareholders' equity					
Total changes during the year	(40,555)	(7,579)	75,570	31	27,467
Balance as of March 31, 2023	3,829	10,552	42,292	(4,632)	52,042

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance as of April 1, 2022	614	(5,959)	27,603	2,120	8,137	32,516	123	5,733	62,949
Changes during the year									
Issuance of new shares									11,287
Capital reduction									-
Deficit disposition									-
Profit attributable to owners of parent									15,554
Purchases of treasury stock									(1)
Sales of treasury stock									25
Transfer from revaluation reserve for land									1
Change in ownership interest of parent due to transactions with non-controlling interests									600
Net changes of items other than those in Shareholders' equity	(566)	14,269	(1)	8,571	(427)	21,845	8	(1,584)	20,269
Total changes during the year	(566)	14,269	(1)	8,571	(427)	21,845	8	(1,584)	47,737
Balance as of March 31, 2023	48	8,309	27,601	10,691	7,710	54,362	132	4,148	110,686

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance as of April 1, 2023	3,829	10,552	42,292	(4,632)	52,042
Changes during the year					
Issuance of new shares	5,016	1,254			6,270
Cash dividends paid			(791)		(791)
Profit attributable to owners of parent			25,051		25,051
Purchases of treasury stock				(4)	(4)
Sales of treasury stock		(2)		12	10
Transfer from revaluation reserve for land			503		503
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes of items other than those in Shareholders' equity					
Total changes during the year	5,016	1,251	24,764	8	31,040
Balance as of March 31, 2024	8,846	11,804	67,056	(4,624)	83,083

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance as of April 1, 2023	48	8,309	27,601	10,691	7,710	54,362	132	4,148	110,686
Changes during the year									
Issuance of new shares									6,270
Cash dividends paid									(791)
Profit attributable to owners of parent									25,051
Purchases of treasury stock									(4)
Sales of treasury stock									10
Transfer from revaluation reserve for land									503
Change in ownership interest of parent due to transactions with non-controlling interests									0
Net changes of items other than those in Shareholders' equity	1,221	(2,667)	(503)	2,233	4,282	4,565	(44)	263	4,783
Total changes during the year	1,221	(2,667)	(503)	2,233	4,282	4,565	(44)	263	35,824
Balance as of March 31, 2024	1,269	5,642	27,098	12,924	11,992	58,927	87	4,411	146,510

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024
Cash flows from operating activities		
Profit before income taxes	15,980	19,415
Depreciation and amortization	7,043	7,387
Loss on impairment of non-current assets	-	1,453
Amortization of goodwill	901	1,008
Increase of allowance for doubtful accounts	153	296
Increase in net defined benefit liabilities	1,107	2,483
Decrease (increase) in net defined benefit assets	1,219	(1,564)
Decrease in provision for losses on construction contracts	(45,523)	(10,235)
Interest and dividend income	(596)	(789)
Interest expenses	2,881	4,288
Share of profit of entities accounted for using equity method	(3,810)	(7,674)
Foreign currency exchange losses, net	29	3
Gain on sales of investment securities, net	(686)	-
Gain on sales of subsidiaries and affiliates' stocks	(2,561)	(2,079)
Gain on disposal of non-current assets, net	(11)	(44)
Insurance income	(1,336)	-
Gain on bargain purchase	-	(1,317)
Loss on change in equity	-	1,075
Loss from overseas remittance	-	680
Provision for demolition and removal	-	809
Loss on liquidation of business	107	719
Increase in trade receivables and contract assets	(6,499)	(7,890)
Increase in inventories	(13,054)	(5,411)
Increase (decrease) in trade payables	44,101	(27,408)
Increase (decrease) in contract liabilities	(3,551)	1,910
Decrease (increase) in other assets	(2,024)	2,272
Decrease in other liabilities	(3,137)	(4,902)
Others, net	(2,430)	(5,424)
Sub-total	(11,699)	(30,939)
Interest and dividend received	1,143	1,515
Interest paid	(2,982)	(4,439)
Proceeds from insurance income	1,336	-
Income taxes paid	(2,842)	(571)
Net cash provided by (used in) operating activities	(15,043)	(34,435)

(Millions of yen)

	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024
Cash flows from investing activities		
Net decrease (increase) in time deposits	(1,264)	455
Capital expenditure	(7,393)	(7,208)
Proceeds from sales of non-current assets	843	755
Proceeds from sales of investment securities	1,060	-
Proceeds from purchases of subsidiaries resulting in change in scope of consolidation	-	1,689
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	3,062	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(637)	-
Proceeds from sales of shares of subsidiaries and affiliates	543	2,155
Proceeds from sales of investments in capital of subsidiaries and affiliates	-	1,721
Disbursements of loans receivable	(16)	(16)
Collection of loans receivable	616	26
Others, net	186	68
Net cash provided by (used in) investing activities	(2,999)	(354)
Cash flows from financing activities		
Net increase in short-term borrowings	20,630	34,540
Proceeds from long-term borrowings	1,700	300
Repayments of long-term borrowings	(8,165)	(9,375)
Repayments of lease obligations	(1,653)	(1,767)
Repayments on bonds	(15,000)	(5,000)
Proceeds from issuance of preferred shares	9,000	-
Proceeds from issuance of subscription rights to shares	52	-
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	2,269	6,236
Cash dividends	-	(789)
Dividends paid to non-controlling interests	(95)	(39)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	747	-
Others, net	31	4
Net cash provided by (used in) financing activities	9,515	24,110
Effect of exchange rate changes on cash and cash equivalents	1,177	727
Net decrease in cash and cash equivalents	(7,350)	(9,951)
Cash and cash equivalents at beginning of year	50,818	43,468
Cash and cash equivalents at end of year	43,468	33,516

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Segment Information, etc.)

a. Segment information

1. Overview of reportable segment

Reportable Segment is composed of the segment by products and services belonging to the operating companies and subject to be reviewed periodically by the Board of Directors to decide the allocation of management resources and to evaluate the performance.

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

Reportable Segment is classified into 5 segments: New Business Development, Marine Propulsion Systems, Logistics Systems, Peripheral Businesses and Ocean Development. Main products and services of each Reportable Segment are as follows.

Reportable Segment	Main Products and Services
New Business Development	Industrial machinery (process compressors, gas turbines, blowers, process equipment), advanced machinery (ground-penetrating radar systems), and their after-sales services
Marine Propulsion Systems	Marine engines, fuel supply system and auxiliary machineries for dual fuel engines, and their after-sales services
Logistics Systems	Container cranes, industrial cranes, container terminal management systems, and their after-sales services
Peripheral Businesses	Gas carriers engineering, stationary power generation plants, systems development/system related equipment, steel structures, hull blocks, mechanical and electrical equipment maintenance
Ocean Development	FPSOs (floating production storage offloading vessels)

2. Calculation method used for sales, segment income and loss, assets, liabilities and other items for each reportable segment

The accounting method used for Reportable Segment is the same in material aspects as the method used for the preparation of consolidated financial statements.

Segment income and loss is based on Operating income (loss) in Consolidated Statements of Operations.

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

3. Changes in reportable segment

Effective from the current fiscal year, the Company has changed the classification of its Reportable Segment from the previous 4 segments (Ship, Ocean Development, Machinery and Engineering) to 5 new segments (New Business Development, Marine Propulsion Systems, Logistics Systems, Peripheral Businesses and Ocean Development). This change was implemented to clarify the positioning of each business and to expand sales and profits mainly in the core business in accordance with the policy in "Mid-Term Business Plan 2023."

Comparative segment information for the previous fiscal year has been restated to reflect the changes.

4. Information about sales, segment income and loss, assets, liabilities and other items for each reportable segment

Reportable Segment information for the years ended March 31, 2023 and 2024 were as follows:

(From April 1, 2022 to March 31, 2023) (Millions of yen)

	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Ocean Development	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:										
Outside customers	34,865	97,693	41,653	57,356	-	231,567	30,733	262,301	-	262,301
Inter segment	1,116	427	174	11,569	-	13,288	41	13,330	(13,330)	-
Total	35,981	98,120	41,827	68,926	-	244,856	30,775	275,631	(13,330)	262,301
Segment income	4,258	2,639	1,354	721	2,311	11,285	402	11,688	(2,311)	9,376
Segment assets	33,312	107,077	55,446	71,789	54,857	322,484	52,439	374,923	65,036	439,959
Other Items:										
Depreciation and amortization	700	2,538	1,337	1,577	-	6,154	360	6,515	528	7,043
Amortization of goodwill	-	-	-	901	-	901	-	901	-	901
Year-end balance of goodwill	-	-	-	7,626	-	7,626	-	7,626	-	7,626
Share of profit of entities accounted for using equity method	-	75	137	1,041	2,311	3,566	244	3,810	-	3,810
Increase in property, plant and equipment and intangible assets	1,099	6,161	968	766	-	8,995	395	9,390	390	9,780

Notes 1: Segment income in "New Business Development," "Marine Propulsion Systems," "Logistics Systems," "Peripheral Businesses" and "Others" represents "Operating income," and in "Ocean Development" represents "Share of profit of entities accounted for using equity method."

2: "Others" is the segment which is not included in Reportable Segment and includes Engineering businesses, etc.

3: Adjustments are as follows:

(1) Adjustments of 65,036 million yen recorded for assets primarily include surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of 66,239 million yen that are not allocated to any Reportable Segment.

(2) Adjustments of 528 million yen recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.

(3) Adjustments of 390 million yen recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

4: Segment income is adjusted with operating income in Consolidated Statements of Operations.

(From April 1, 2023 to March 31, 2024) (Millions of yen)

	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Ocean Development	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:										
Outside customers	40,810	134,033	47,637	74,141	-	296,623	5,251	301,875	-	301,875
Inter segment	1,139	624	568	14,599	-	16,932	1	16,934	(16,934)	-
Total	41,949	134,658	48,206	88,741	-	313,556	5,252	318,809	(16,934)	301,875
Segment income	5,883	6,431	3,055	2,354	6,366	24,091	1,905	25,996	(6,366)	19,630
Segment assets	35,201	127,925	53,633	77,841	58,989	353,590	52,823	406,414	60,726	467,140
Other Items:										
Depreciation and amortization	706	3,007	1,399	1,627	-	6,742	226	6,968	419	7,387
Amortization of goodwill	-	-	-	1,008	-	1,008	-	1,008	-	1,008
Year-end balance of goodwill	-	-	-	7,532	-	7,532	-	7,532	-	7,532
Gain on bargain purchase	-	1,317	-	-	-	1,317	-	1,317	-	1,317
Share of profit of entities accounted for using equity method	-	312	245	441	6,366	7,366	308	7,674	-	7,674
Loss on impairment of non-current assets	377	-	-	-	-	377	-	377	1,076	1,453
Increase in property, plant and equipment and intangible assets	356	5,218	1,368	878	-	7,821	125	7,947	790	8,737

Notes 1: Segment income in "New Business Development," "Marine Propulsion Systems," "Logistics Systems," "Peripheral Businesses" and "Others" represents "Operating income," and in "Ocean Development" represents "Share of profit of entities accounted for using equity method."

2: "Others" is the segment which is not included in Reportable Segment and includes Engineering businesses, etc.

3: Adjustments are as follows:

(1) Adjustments of 60,726 million yen recorded for assets primarily include surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of 61,843 million yen that are not allocated to any Reportable Segment.

(2) Adjustments of 419 million yen recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.

(3) Adjustments of 1,076 million yen recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

(4) Adjustments of 790 million yen recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

4: Segment income is adjusted with operating income in Consolidated Statements of Operations.

b. Disclosure of impairment losses on non-current assets for each reportable segment

(From April 1, 2022 to March 31, 2023)

Not applicable.

(From April 1, 2023 to March 31, 2024)

As described in "Segment Information, etc., a. Segment information 4. Information about Sales, Segment Income and Loss, Assets, Liabilities and Other Items for each Reportable Segment."

c. Disclosure of gain on bargain purchase for each reportable segment

(From April 1, 2022 to March 31, 2023)

Not applicable.

(From April 1, 2023 to March 31, 2024)

Gain on bargain purchase was recognized in "Marine Propulsion Systems" due to the acquisition of all shares of Mitsui E&S DU Co., Ltd., making it our consolidated subsidiary. The amount of the gain from the said event is 1,317 million yen in the current fiscal year.

d. Information about new orders and sales

(Percentages in FY2022 and FY2023 indicate composition ratio.)

New Orders

	FY2022 (from April 1, 2022 to March 31, 2023)		FY2023 (from April 1, 2023 to March 31, 2024)		Increase/Decrease	Change ratio
	Millions of yen	%	Millions of yen	%	Millions of yen	%
New Business Development	42,192	13.1	46,829	13.9	4,636	11.0
Marine Propulsion Systems	139,575	43.3	147,671	43.8	8,095	5.8
Logistics Systems	49,441	15.3	70,572	20.9	21,131	42.7
Peripheral Businesses	74,303	23.1	71,618	21.3	(2,685)	(3.6)
Ocean Development	-	-	-	-	-	-
Others	16,838	5.2	295	0.1	(16,542)	(98.2)
Total	322,351	100.0	336,987	100.0	14,635	4.5

Sales

	FY2022 (from April 1, 2022 to March 31, 2023)		FY2023 (from April 1, 2023 to March 31, 2024)		Increase/Decrease	Change ratio
	Millions of yen	%	Millions of yen	%	Millions of yen	%
New Business Development	34,865	13.3	40,810	13.5	5,945	17.1
Marine Propulsion Systems	97,693	37.2	134,033	44.4	36,340	37.2
Logistics Systems	41,653	15.9	47,637	15.8	5,984	14.4
Peripheral Businesses	57,356	21.9	74,141	24.6	16,785	29.3
Ocean Development	-	-	-	-	-	-
Others	30,733	11.7	5,251	1.7	(25,482)	(82.9)
Total	262,301	100.0	301,875	100.0	39,573	15.1

Order Backlogs

	FY2022 (as of March 31, 2023)		FY2023 (as of March 31, 2024)		Increase/Decrease	Change ratio
	Millions of yen	%	Millions of yen	%	Millions of yen	%
New Business Development	28,879	9.3	34,971	9.1	6,092	21.1
Marine Propulsion Systems	61,595	19.7	84,392	22.1	22,796	37.0
Logistics Systems	58,715	18.8	81,381	21.3	22,665	38.6
Peripheral Businesses	156,215	50.1	180,121	47.1	23,906	15.3
Ocean Development	-	-	-	-	-	-
Others	6,411	2.1	1,569	0.4	(4,841)	(75.5)
Total	311,817	100.0	382,435	100.0	70,618	22.6

(Per Share Information)

(Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net assets per share	1,107.02	1,311.64
Earnings per share	177.47	255.73
Earnings per share (diluted)	174.92	254.42

Notes 1: The basis for the calculation of earnings per share and earnings per share (diluted) is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Earnings per share		
Profit attributable to owners of parent (millions of yen)	15,554	25,051
Profit not attributable to common shareholders (millions of yen)	528	702
[Of which, preferred dividend (millions of yen)]	[528]	[702]
Profit attributable to owners of parent related to common stock (millions of yen)	15,025	24,349
Average number of common stock (thousands of shares)	84,661	95,214
Earnings per share (diluted)		
Adjustments to profit attributable to owners of parent (millions of yen)	–	–
Increase in number of shares of common stock (thousands of shares)	1,235	492
[Of which, subscription rights to shares (thousands of shares)]	[1,235]	[492]
Outline of dilutive shares not included in calculation of earnings per share (diluted) due to absence of dilutive effects	–	–

2: The basis for the calculation of net assets per share is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Total net assets (millions of yen)	110,686	146,510
Amount deducted from total net assets (millions of yen)	13,810	14,201
[Of which, amount paid for preferred stock (millions of yen)]	[9,000]	[9,000]
[Of which, amount of cumulative unpaid preferred dividends (millions of yen)]	[528]	[702]
[Of which, subscription rights to shares (millions of yen)]	[132]	[87]
[Of which, non-controlling interests (millions of yen)]	[4,148]	[4,411]
Net assets related to common stock at the end of the period (millions of yen)	96,875	132,309
Number of shares of common stock at the end of the period used to calculate net assets per share (Thousands of shares)	87,510	100,872

(Significant Subsequent Events)

(Partial sale of shares of a material affiliate)

The Board of Directors adopted a resolution on May 14, 2024, to sell a portion of shares of MODEC, Inc. (MODEC), an affiliate of the Company accounted for using equity method.

(1) Reason for sale

Since the establishment of MODEC, we have held its shares over many years, and MODEC has been one of our key group companies in the area of offshore development. However, as a result of discussions with MODEC to review the capital relationship between us in light of the current transactions level relating to our core businesses as well as from the standpoint of improving corporate governance, we came to share the view that selling a portion of the MODEC shares held by us would contribute to increasing the enterprise value of both companies over the medium to long term, and reached the decision to execute the secondary offering. In addition, free float ratio of MODEC share is also expected to improve as a result of this secondary offering and we believe this will contribute to maintaining the listing requirements for the TSE Prime Market. After the secondary offering, MODEC will no longer be our equity-method affiliate, but there will be no impact on our business relationship and we will continue to maintain good relations with MODEC.

(2) Method of sale

Of the 27,697,000 shares of MODEC held by the Company at the end of the current fiscal year, 21,908,400 shares will be offered to the public and 3,286,200 shares (planned) will be offered through an over-allotment (secondary offering).

(3) Overview of the affiliate accounted for using equity method

Company Name	: MODEC, Inc. (listed on the Tokyo Stock Exchange Prime Market)
Address	: 3-10, Nihonbashi 2-chome, Chuo-ku, Tokyo, Japan
Representative Director	: Hirohiko Miyata, President & CEO
Business Operation	: Design, construction and installation, sales, lease and operation of floating offshore oil and gas production facilities (such as FPSO, FSO and TLPs)
Capital	: 18,166 million yen (as of December 31, 2023)
Established	: June 1987

(4) Number of shares to be sold, sale price, gain/loss and date of sale

Number of shares to be sold	: 25,194,600 shares (planned)
Sale price	: Not yet determined (to be determined on any date between May 22, 2024 and May 28, 2024.)
Gain/loss on sale	: Not yet determined
Date of sale	: 1st quarter of fiscal year 2024

Note: The number of shares to be sold includes 3,286,200 shares to be sold in the secondary offering by over-allotment, which the Company will grant rights to Nomura Securities Co., Ltd.

(5) Number of shares and percentage of shares held before and after sale

Number of shares held before sale	: 27,697,000 shares (percentage of shares held : 40.52%)
Number of shares held after sale	: 2,502,400 shares (percentage of shares held : 3.66%)

Note: The percentage of shares held is calculated using the number of shares (68,344,310) as the denominator (rounded down to two decimal places) after deducting the number of treasury shares (990) held by MODEC from the number of shares outstanding (68,345,300) as of December 31, 2023, as stated in the fiscal 2023 Annual Securities Report submitted by MODEC on March 27, 2024.