

Mitsui E&S Holdings Co., Ltd. and its Consolidated Subsidiaries

[Updated] 2nd Quarter CONSOLIDATED FINANCIAL RESULTS FOR FY2018

Mitsui E&S Holdings Co., Ltd. has updated the 2nd Quarter Consolidated Financial Results for FY 2018 released on November 8th. The updated points are indicated with underline.

From April 1, 2018 to September 30, 2018

Code number: 7003 URL: <https://www.mes.co.jp/>
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 Scheduled date to file Quarterly securities report: November 12, 2018
 Scheduled date to commence dividend payments: —
 Supplementary explanatory materials prepared: Yes
 Explanatory meeting: Yes (for analysts)

(Amounts less than one million yen are truncated)

1. Consolidated Financial Results for 2nd Quarter FY2018 (April 1, 2018 to September 30, 2018)

(Millions of yen)

	From Apr. 1, 2017 to Sep. 30, 2017	From Apr. 1, 2018 to Sep. 30, 2018	Change (%)
New Orders Received	247,500	<u>245,914</u>	<u>(0.6)</u>
Net Sales	341,527	311,701	(8.7)
Operating Loss	(9,059)	(27,980)	—
Ordinary Loss	(4,792)	(24,313)	—
Loss attributable to owners of parent	(5,890)	(47,861)	—
Earnings per Share (Yen)	(72.88)	(592.14)	—
Operating Cash Flow	(31,784)	3,134	—
Investing Cash Flow	(21,178)	1,555	—
Financing Cash Flow	30,320	2,815	(90.7)

Figures in parentheses represent negative.

Note: The Company consolidated every 10 shares into 1 share with an effective date of October 1, 2017. Earnings per share has been calculated on the assumption that the said share consolidation was conducted on the beginning of previous fiscal year.

(Millions of yen)

	As of Mar. 31, 2018	As of Sep. 30, 2018
Total Assets	1,029,222	1,016,928
Net Assets	356,837	309,457
Shareholders' Equity to Total Assets	23.2%	18.7%

Note: This consolidated financial results has been prepared in accordance with Japanese accounting standards and Japanese law.

2. Dividends

(Yen)

	FY2017	FY2018	FY2018 (forecast)
Annual dividends per share			
First quarter	—	—	
Second quarter	0.00	0.00	
Third quarter	—		—
Year-end	0.00		0.00
Total	0.00		0.00

Note: Revision of the most recent dividends forecast: None

3. Forecast of Financial Results for FY2018

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Earnings per Share (Yen)
Year ending March 31, 2019	660,000	(28,000)	(20,000)	(43,000)	(531.99)

Note: Revision of the most recent financial forecast: None

Reference: Estimate is based on exchange rate of USD1.00 = JPY110.0

4. 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 for preparing the quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, accounting estimates or restatements

i) Changes due to amendment of accounting standards: None

ii) Changes due to other reasons: None

iii) Changes in accounting estimates: None

iv) Restatements: None

(4) Number of shares outstanding (common stock)

	FY2017 / FY2017 2Q	FY2018 2Q
	shares	shares
Number of shares outstanding at the end of period (including treasury stock)	83,098,717	83,098,717
Number of treasury stock at the end of period	2,269,180	2,272,121
Average number of shares during the period (cumulative quarterly consolidated period)	80,824,893	80,828,358

Note: The Company consolidated every 10 shares into 1 share with an effective date of October 1, 2017. The figures for "Number of shares outstanding at the end of period", "Number of treasury stock at the end of period" and "Average number of shares during the period" have been calculated on the assumption that the said share consolidation was conducted on the beginning of previous fiscal year.

NOTICE REGARDING QUARTERLY REVIEW PROCEDURES FOR THE QUARTERLY FINANCIAL RESULTS

This quarterly financial results statement is exempt from the quarterly review procedures based upon the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results statement, the quarterly review procedure based upon the Financial Instruments and Exchange Act has not been completed.

FORWARD LOOKING STATEMENTS AND OTHER SPECIAL ITEMS

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.

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, naval ships, high speed passenger/vehicle ferries, offshore structures, underwater TV vehicles, steel structures
Ocean Development	FPSOs (floating production storage offloading vessels)
Machinery	Marine and stationary diesel engines, marine equipment, gas engines, steam turbines, blowers, process compressors, gas turbines, cogeneration system, regulating system, container cranes, industrial cranes, container terminal management systems, HWM manipulators, equipment of radar sensing for underground and construction, bridges, port structures, induction heaters
Engineering	Renewable energy power generation plants, power generation business, overseas civil works, chemical plants waste treatment plants, water treatment plants, resources recycling plants, PCB disposal plants

New Orders by Segment

(Millions of yen)

	From Apr. 1, 2017 to Sep. 30, 2017	From Apr. 1, 2018 to Sep. 30, 2018	Difference
Ship	19,854	<u>47,209</u>	<u>27,355</u> <u>137.8%</u>
Ocean Development	84,607	40,303	(44,304) (52.4%)
Machinery	63,816	84,606	20,789 32.6%
Engineering	46,520	39,930	(6,589) (14.2%)
Others	32,701	33,864	1,162 3.6%
Total	247,500	<u>245,914</u>	<u>(1,585)</u> <u>(0.6%)</u>

Net Sales by Segment

(Millions of yen)

	From Apr. 1, 2017 to Sep. 30, 2017	From Apr. 1, 2018 to Sep. 30, 2018	Difference
Ship	59,041	46,434	(12,607) (21.4%)
Ocean Development	101,719	113,108	11,388 11.2%
Machinery	80,114	86,158	6,043 7.5%
Engineering	60,699	29,460	(31,238) (51.5%)
Others	39,952	36,539	(3,413) (8.5%)
Total	341,527	311,701	(29,826) (8.7%)

Operating Income (Loss) by Segment

(Millions of yen)

	From Apr. 1, 2017 to Sep. 30, 2017	From Apr. 1, 2018 to Sep. 30, 2018	Difference
Ship	(4,718)	(3,118)	1,600
Ocean Development	2,644	10,824	8,179
Machinery	5,793	4,527	(1,266)
Engineering	(12,834)	(40,771)	(27,937)
Others	54	557	502
Total	(9,059)	(27,980)	(18,921)

Figures in parentheses represent negative.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and time deposits	93,698	99,023
Trade receivables	243,767	235,169
Merchandise and finished goods	4,085	4,835
Work in progress	35,661	44,677
Raw materials and supplies	5,158	5,680
Short-term loans	47,227	37,326
Others	43,391	49,057
Allowance for doubtful accounts	(1,956)	(1,862)
Total current assets	471,033	473,907
Non-current assets		
Property, plant and equipment		
Land	245,293	248,585
Others, net	106,773	101,632
Total property, plant and equipment	352,066	350,218
Intangible assets		
Goodwill	14,260	13,818
Others	15,973	16,861
Total intangible assets	30,233	30,679
Investments and other assets		
Others	176,622	162,812
Allowance for doubtful accounts	(733)	(689)
Total investments and other assets	175,888	162,123
Total non-current assets	558,189	543,021
Total assets	1,029,222	1,016,928

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Trade payables	180,786	172,606
Short-term borrowings	11,703	29,344
Current portion of long-term borrowings	62,924	40,110
Commercial papers	-	8,000
Accrued income taxes	9,009	7,635
Advances from customers	56,943	83,524
Provision for construction warranties	11,439	10,472
Provision for losses on construction contracts	10,327	33,252
Other provisions	5,398	6,140
Asset retirement obligations	8	2
Others	34,809	30,337
Total current liabilities	383,352	421,426
Long-term liabilities		
Bonds	50,000	50,000
Long-term borrowings	130,649	131,848
Liability for severance and retirement benefits for directors and corporate auditors	345	410
Other provisions	1,776	1,796
Net defined benefit liabilities	12,273	12,608
Asset retirement obligations	1,283	1,281
Others	92,704	88,098
Total long-term liabilities	289,033	286,044
Total liabilities	672,385	707,471
Net assets		
Shareholders' equity		
Common stock	44,384	44,384
Capital surplus	18,799	18,749
Retained earnings	135,354	87,830
Treasury stock	(4,759)	(4,761)
Total shareholders' equity	193,779	146,202
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on securities	7,477	6,831
Unrealized gains (losses) on hedging derivatives	(6,786)	(4,741)
Revaluation reserve for land	39,912	39,903
Foreign currency translation adjustments	6,093	1,891
Remeasurements of defined benefit plans	(1,316)	(379)
Total accumulated other comprehensive income	45,380	43,505
Subscription rights to shares	216	210
Non-controlling interests	117,460	119,538
Total net assets	356,837	309,457
Total liabilities and net assets	1,029,222	1,016,928

Consolidated Statements of Income

(Millions of yen)

	April 1, 2017 to September 30, 2017	April 1, 2018 to September 30, 2018
Net sales	341,527	311,701
Cost of sales	324,807	313,814
Gross profit (loss)	16,720	(2,113)
Selling, general and administrative expenses	25,780	25,867
Operating loss	(9,059)	(27,980)
Non-operating income		
Interest income	2,728	3,301
Dividend income	995	784
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	884	1,451
Gain on valuation of derivatives	190	105
Others	2,361	862
Total non-operating income	7,161	6,506
Non-operating expenses		
Interest expenses	1,820	1,402
Foreign currency exchange losses	475	783
Others	597	653
Total non-operating expenses	2,893	2,839
Ordinary loss	(4,792)	(24,313)
Extraordinary income		
Gain on disposal of non-current assets	1,816	19
Gain on sales of investment securities	3,874	28
Gain on sales of subsidiaries and affiliates' stocks	492	-
Gain on liquidation of subsidiaries and affiliates	244	-
Total extraordinary income	6,426	47
Extraordinary losses		
Loss on disposal of non-current assets	84	358
Loss on impairment of non-current assets	-	540
Loss on valuation of investment securities	7	312
Loss on litigation	-	167
Total extraordinary losses	92	1,379
Profit (loss) before income taxes	1,542	(25,645)
Income taxes	5,670	17,684
Loss	(4,127)	(43,330)
Profit attributable to non-controlling interests	1,762	4,531
Loss attributable to owners of parent	(5,890)	(47,861)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2017 to September 30, 2017	April 1, 2018 to September 30, 2018
Loss	(4,127)	(43,330)
Other comprehensive income		
Net unrealized holding losses on securities	(2,849)	(180)
Unrealized losses on hedging derivatives	(703)	(1,198)
Foreign currency translation adjustments	(1,328)	(4,854)
Remeasurements of defined benefit plans	1,912	921
Share of other comprehensive income of affiliates accounted for using equity method	(1,449)	1,801
Total	(4,418)	(3,509)
Comprehensive income	(8,546)	(46,839)
Comprehensive income attributable to		
Owners of parent	(8,397)	(49,727)
Non-controlling interests	(148)	2,887

Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2017 to September 30, 2017	April 1, 2018 to September 30, 2018
Cash flows from operating activities		
Profit (loss) before income taxes	1,542	(25,645)
Depreciation and amortization	8,605	7,527
Loss on impairment of non-current assets	-	540
Amortization of goodwill	633	618
Decrease of allowance for doubtful accounts	(1,279)	(146)
Increase in net defined benefit liabilities	256	174
Decrease in net defined benefit assets	841	340
Interest and dividend income	(3,724)	(4,086)
Interest expenses	1,820	1,402
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	(884)	(1,451)
Foreign currency exchange gain, net	(239)	(423)
Gain on sales of investment securities	(3,874)	(28)
Gain on sales of subsidiaries and affiliates' stocks	(492)	-
Loss on valuation of investment securities	7	312
Gain on liquidation of subsidiaries and affiliates	(244)	-
Loss (gain) on disposal of non-current assets, net	(1,731)	339
Loss on litigation	-	167
Decrease (increase) in trade receivables	(17,915)	32,931
(Increase) in inventories	(6,959)	(10,008)
Decrease in trade payables	(6,078)	(1,887)
(Increase) in other assets	(2,235)	(9,146)
Increase (decrease) in other liabilities	(4,378)	18,255
Others, net	3,072	(5,639)
Sub-total	(33,258)	4,145
Interest and dividend received	8,943	6,625
Interest paid	(1,882)	(1,471)
Payments for loss on litigation	-	(167)
Income taxes paid	(5,586)	(5,997)
Net cash provided by (used in) operating activities	(31,784)	3,134

(Millions of yen)

	April 1, 2017 to September 30, 2017	April 1, 2018 to September 30, 2018
Cash flows from investing activities		
Net decrease (increase) in time deposits	(385)	34
Capital expenditure	(11,893)	(9,059)
Proceeds from sales of non-current assets	3,979	3,342
Purchases of investment securities	(171)	(58)
Proceeds from sales of investment securities	6,226	28
Purchase of shares of subsidiaries and affiliates	(6,807)	(561)
Proceeds from sales of shares of subsidiaries and affiliates	300	-
Disbursements of loans receivable	(50,934)	(50,609)
Collection of loans receivable	38,900	58,436
Others, net	(393)	1
Net cash provided by (used in) investing activities	(21,178)	1,555
Cash flows from financing activities		
Net increase in short-term borrowings	54,715	17,799
Net increase in commercial papers	8,000	8,000
Proceeds from long-term borrowings	2,111	20,205
Repayments of long-term borrowings	(20,492)	(40,973)
Repayments of lease obligations	(923)	(1,043)
Redemption of bonds	(10,000)	-
Purchases of treasury stock	(3)	(10)
Cash dividends	(2,410)	(2)
Dividends paid to non-controlling interests	(687)	(1,068)
Others, net	10	(90)
Net cash provided by (used in) financing activities	30,320	2,815
Effect of exchange rate changes on cash and cash equivalents	(1,429)	(1,987)
Net increase (decrease) in cash and cash equivalents	(24,072)	5,518
Cash and cash equivalents at beginning of period	115,620	86,311
Increase (decrease) due to changes in scope of consolidation	(1,816)	580
Cash and cash equivalents at end of period	89,731	92,411