

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

## 2nd Quarter CONSOLIDATED FINANCIAL RESULTS FOR FY2020

From April 1, 2020 to September 30, 2020

Code number:	7003	URL:	<a href="https://www.mes.co.jp/">https://www.mes.co.jp/</a>
Shares Listed:	Tokyo Stock Exchange		
Representative:	Ryoichi Oka, President, Representative Director, and CEO		
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Scheduled date to file Quarterly securities report:	November 11, 2020		
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 FY2020 (From April 1, 2020 to September 30, 2020)

(Millions of yen)

	From Apr. 1, 2019 to Sep. 30, 2019	From Apr. 1, 2020 to Sep. 30, 2020	Change (%)
New Orders Received	495,007	312,808	(36.8)
Net Sales	356,857	324,224	(9.1)
Operating Loss	(67,737)	(9,239)	—
Ordinary Loss	(64,898)	(7,870)	—
Loss attributable to owners of parent	(66,491)	(4,069)	—
Earnings per Share (Yen)	(822.56)	(50.33)	—

Figures in parentheses represent negative.

(Millions of yen)

	As of Mar. 31, 2020	As of Sep. 30, 2020
Total Assets	840,380	806,875
Net Assets	105,355	84,104
Shareholders' Equity to Total Assets	7.7%	6.5%

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

## 2. Dividends

(Yen)

	FY2019	FY2020	FY2020 (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 FY2020

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Earnings per Share (Yen)
Year ending March 31, 2021	630,000	(10,000)	(7,000)	0	0.00

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)

	FY2019 / FY2019 2Q	FY2020 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	2,259,372	2,248,042
Average number of shares during the period (cumulative quarterly consolidated period)	80,835,111	80,846,923

### 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.

### HOW TO GET THE SUPPLEMENTARY EXPLANATORY MATERIALS

Explanatory meeting for analysts is scheduled for November 9, 2020. Supplementary explanatory material, which will be distributed at the said meeting, is planned to be posted on our web site.

### 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, port structures, induction heaters
Engineering	Renewable energy power generation plants, power generation business, overseas civil works, waste treatment plants, water treatment plants, resources recycling plants, PCB disposal plants

### Change in Reportable Segment

The Company has been pushing forward the reform of business structure under the Business Revival Plan, which was announced in May 2019 and partly reviewed in November 2019.

As part of this reform, jurisdiction over Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd. (formerly Mitsui E&S Steel Structures Engineering Co., Ltd.) and DPS Bridge Works Co., Ltd., both were previously classified as "Machinery" and carries on Bridge business, has been changed since this 1st quarter of FY2020, and the said two companies are now belong to "Others."

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

**New Orders by Segment**

(Millions of yen)

	<b>From Apr. 1, 2019 to Sep. 30, 2019</b>	<b>From Apr. 1, 2020 to Sep. 30, 2020</b>	Difference
Ship	27,004	26,211	(793) (2.9%)
Ocean Development	334,517	167,654	(166,862) (49.9%)
Machinery	74,885	64,419	(10,466) (14.0%)
Engineering	23,966	16,538	(7,428) (31.0%)
Others	34,632	37,983	3,351 9.7%
Total	495,007	312,808	(182,198) (36.8%)

**Net Sales by Segment**

(Millions of yen)

	<b>From Apr. 1, 2019 to Sep. 30, 2019</b>	<b>From Apr. 1, 2020 to Sep. 30, 2020</b>	Difference
Ship	52,661	43,133	(9,528) (18.1%)
Ocean Development	148,619	156,470	7,850 5.3%
Machinery	81,207	70,088	(11,119) (13.7%)
Engineering	25,076	18,901	(6,174) (24.6%)
Others	49,292	35,631	(13,661) (27.7%)
Total	356,857	324,224	(32,633) (9.1%)

**Operating Income (Loss) by Segment**

(Millions of yen)

	<b>From Apr. 1, 2019 to Sep. 30, 2019</b>	<b>From Apr. 1, 2020 to Sep. 30, 2020</b>	Difference
Ship	(1,841)	(1,130)	711
Ocean Development	(2,337)	(12,141)	(9,803)
Machinery	4,318	3,760	(558)
Engineering	(71,047)	(147)	70,900
Others	3,171	418	(2,752)
Total	(67,737)	(9,239)	58,497

Figures in parentheses represent negative.

## Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
<b>Assets</b>		
Current assets		
Cash and time deposits	118,405	118,934
Trade receivables	282,368	263,108
Merchandise and finished goods	4,714	5,423
Work in progress	46,165	55,214
Raw materials and supplies	5,505	5,715
Short-term loans	9,593	15,320
Others	50,259	39,981
Allowance for doubtful accounts	(1,185)	(840)
<b>Total current assets</b>	<b>515,827</b>	<b>502,858</b>
Non-current assets		
Property, plant and equipment		
Land	90,261	74,431
Others, net	69,297	64,776
<b>Total property, plant and equipment</b>	<b>159,559</b>	<b>139,208</b>
Intangible assets		
Goodwill	10,061	9,847
Others	18,180	18,346
<b>Total intangible assets</b>	<b>28,242</b>	<b>28,193</b>
Investments and other assets		
Others	137,179	136,888
Allowance for doubtful accounts	(427)	(272)
<b>Total investments and other assets</b>	<b>136,751</b>	<b>136,615</b>
<b>Total non-current assets</b>	<b>324,552</b>	<b>304,017</b>
<b>Total assets</b>	<b>840,380</b>	<b>806,875</b>

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
Current liabilities		
Trade payables	238,241	229,151
Short-term borrowings	34,670	56,881
Current portion of long-term borrowings	40,245	32,582
Current portion of bonds	5,000	10,000
Accrued income taxes	7,803	9,479
Advances from customers	83,983	103,861
Provision for construction warranties	11,389	11,312
Provision for losses on construction contracts	98,505	88,113
Provision for losses on liquidation of subsidiaries and affiliates	-	447
Provision for repairs	10,573	5,185
Other provisions	9,086	7,905
Asset retirement obligations	10	401
Others	42,246	36,762
Total current liabilities	581,756	592,085
Long-term liabilities		
Bonds	35,000	25,000
Long-term borrowings	59,019	45,056
Liability for severance and retirement benefits for directors and corporate auditors	23	16
Provision for business restructuring	3,374	3,185
Other provisions	1,878	1,708
Net defined benefit liabilities	11,685	13,084
Asset retirement obligations	1,794	2,565
Others	40,492	40,069
Total long-term liabilities	153,267	130,685
Total liabilities	735,024	722,771
Net assets		
Shareholders' equity		
Common stock	44,384	44,384
Capital surplus	18,486	18,490
Retained earnings	(18,676)	(12,544)
Treasury stock	(4,726)	(4,700)
Total shareholders' equity	39,469	45,629
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on securities	(29)	99
Unrealized losses on hedging derivatives	(10,275)	(15,471)
Revaluation reserve for land	37,707	27,552
Foreign currency translation adjustments	(1,814)	(4,619)
Remeasurements of defined benefit plans	(680)	(475)
Total accumulated other comprehensive income	24,907	7,085
Subscription rights to shares	175	156
Non-controlling interests	40,802	31,232
Total net assets	105,355	84,104
Total liabilities and net assets	840,380	806,875

# Consolidated Statements of Operations

(Millions of yen)

	April 1, 2019 to September 30, 2019	April 1, 2020 to September 30, 2020
Net sales	356,857	324,224
Cost of sales	399,648	312,322
Gross profit (loss)	(42,790)	11,901
Selling, general and administrative expenses	24,946	21,141
Operating loss	(67,737)	(9,239)
Non-operating income		
Interest income	3,135	2,433
Dividend income	495	129
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	1,784	2,915
Others	636	1,121
Total non-operating income	6,052	6,600
Non-operating expenses		
Interest expenses	1,272	1,381
Commission expenses	868	2,171
Foreign currency exchange losses	63	842
Loss on valuation of derivatives	354	319
Others	655	517
Total non-operating expenses	3,213	5,230
Ordinary loss	(64,898)	(7,870)
Extraordinary income		
Gain on disposal of non-current assets	369	15
Gain on sales of investment securities	-	513
Gain on sales of subsidiaries and affiliates' stocks	-	2,342
Total extraordinary income	369	2,872
Extraordinary losses		
Loss on disposal of non-current assets	151	930
Loss on impairment of non-current assets	177	1,420
Loss on sales of subsidiaries and affiliates' stocks	310	-
Loss on valuation of investment securities	223	191
Loss on valuation of shares of subsidiaries and affiliates	43	-
Provision for losses on liquidation of subsidiaries and affiliates	-	447
Business restructuring cost	-	186
Retirement benefit expenses	-	818
Total extraordinary losses	906	3,994
Loss before income taxes	(65,435)	(8,992)
Income taxes	1,638	813
Loss	(67,073)	(9,806)
Loss attributable to non-controlling interests	(581)	(5,737)
Loss attributable to owners of parent	(66,491)	(4,069)

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2019 to September 30, 2019	April 1, 2020 to September 30, 2020
Loss	(67,073)	(9,806)
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(1,547)	125
Unrealized gains on hedging derivatives	575	197
Foreign currency translation adjustments	(4,088)	(3,384)
Remeasurements of defined benefit plans	102	224
Share of other comprehensive income of affiliates accounted for using equity method	(7,006)	(7,126)
Total	(11,965)	(9,962)
Comprehensive income	(79,038)	(19,769)
Comprehensive income attributable to		
Owners of parent	(76,755)	(11,736)
Non-controlling interests	(2,283)	(8,032)



## Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2019 to September 30, 2019	April 1, 2020 to September 30, 2020
<b>Cash flows from operating activities</b>		
Loss before income taxes	(65,435)	(8,992)
Depreciation and amortization	7,908	6,330
Loss on impairment of non-current assets	177	1,420
Amortization of goodwill	522	534
Increase (decrease) of allowance for doubtful accounts	95	(501)
Increase in net defined benefit liabilities	266	1,295
Decrease in net defined benefit assets	601	2,167
Increase (decrease) in provision for losses on construction contracts	50,097	(10,272)
(Decrease) in provision for repairs	(5)	(5,387)
Interest and dividend income	(3,631)	(2,562)
Interest expenses	1,272	1,381
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	(1,784)	(2,915)
Foreign currency exchange gain, net	(2,357)	(792)
Gain on sales of investment securities, net	-	(513)
Loss (gain) on sales of subsidiaries and affiliates' stocks	310	(2,342)
Loss on valuation of investment securities	223	191
Loss on valuation of shares of subsidiaries and affiliates	43	-
Loss (gain) on disposal of non-current assets, net	(218)	914
Decrease (increase) in trade receivables	(17,058)	36,156
(Increase) in inventories	(15,330)	(10,297)
Increase (decrease) in trade payables	18,144	(7,577)
Decrease in other assets	8,231	422
(Decrease) in other liabilities	(4,446)	(2,298)
Others, net	2,228	104
Sub-total	(20,145)	(3,536)
Interest and dividend received	4,904	7,194
Interest paid	(1,289)	(1,462)
Income taxes refund	-	2,722
Income taxes paid	(3,236)	-
Net cash provided by (used in) operating activities	(19,767)	4,917

(Millions of yen)

	April 1, 2019 to September 30, 2019	April 1, 2020 to September 30, 2020
Cash flows from investing activities		
Net decrease in time deposits	36	1,040
Capital expenditure	(6,834)	(5,273)
Proceeds from sales of non-current assets	1,434	15,631
Purchase of investment securities	(3)	(0)
Proceeds from sales of investment securities	-	637
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	3,360
Purchase of shares of subsidiaries and affiliates	(3)	(552)
Proceeds from sales of shares of subsidiaries and affiliates	200	74
Payments for investments in capital of subsidiaries and affiliates	(260)	(659)
Disbursements of loans receivable	(5,647)	(13,891)
Collection of loans receivable	47,993	7,306
Others, net	40	(368)
Net cash provided by (used in) investing activities	36,956	7,304
Cash flows from financing activities		
Net increase in short-term borrowings	11,819	22,308
Net increase in commercial papers	4,000	-
Proceeds from long-term borrowings	2,330	300
Repayments of long-term borrowings	(18,426)	(21,479)
Repayments of lease obligations	(1,713)	(1,590)
Repayments on bonds	-	(5,000)
Dividends paid to non-controlling interests	(1,027)	(693)
Others, net	(147)	376
Net cash provided by (used in) financing activities	(3,165)	(5,777)
Effect of exchange rate changes on cash and cash equivalents	(1,864)	(4,489)
Net increase in cash and cash equivalents	12,159	1,956
Cash and cash equivalents at beginning of period	97,408	116,691
(Decrease) due to changes in scope of consolidation	(32)	-
Cash and cash equivalents at end of period	109,535	118,647