

Engineering



We will make efficient use of the Group's management resources and promote collaboration between Group companies with the aim of maximizing profit and achieving stable returns.

Director and Managing Executive Officer
General Manager of Engineering Headquarters

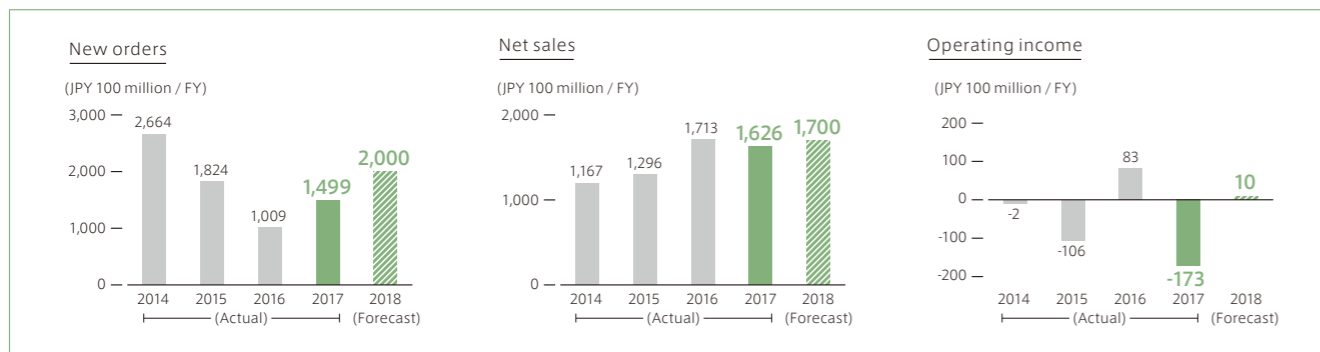
Shinsuke Nippo

Business environment and performance

Customers in the field of chemical plants, a field in which we excel, have maintained a cautious stance. For example, oil- and gas-producing countries and major oil companies are reviewing their capital expenditure plans in response to the slumping crude oil prices. However, crude oil prices, which had been slumping, recovered gradually and are being stabilized, with signs of improvement seen in customers' motivation for investment. On the other hand, in the field of infrastructure, the chronic power shortage has yet to be overcome throughout Southeast Asia. In Indonesia and Vietnam, plans to construct coal thermal power plants, which had been delayed, have finally come into play. In the environmental energy field, capital expenditures on power plants using renewable energy and other facilities have continued to be made in Japan and other countries, and are expected to continue making steady progress.

In the midst of these conditions, orders received increased by 48.970 billion yen (+48.5%) year on year, to 149.893 billion yen, despite the impact of delays in capital expenditure plans in the petrochemical field, due in part to orders received in the field of overseas infrastructure for engineering work for a coal thermal power plant in

Indonesia and an order received in the environmental energy field for the construction of a wind power plant. Net sales decreased by 8.672 billion yen (-5.1%) year on year, to 162.598 billion yen, partly reflecting the steady progress of a petrochemical plant construction project for Singapore and power plant engineering work projects for Vietnam and Indonesia, and the completion of a wind power plant construction project. While we posted operating income of 8.297 billion yen in the previous fiscal year, we posted an operating loss of 17.333 billion yen in the fiscal year under review due to a decline in the profitability of plant construction projects being implemented by consolidated subsidiaries.



Our Action

Initiatives for innovation based on the Mid-Term Business Plan

Topics Handover of chemical plant in Turkmenistan

69th sulfuric acid plant completed

In June 2016, we completed and handed over a sulfuric acid plant (annual production amount: 500,000 tons) to Turkmenhimiya State Concern, Turkmenistan's state petrochemical company. This was the 69th sulfuric acid plant completed by MES. We received the order for this project in September 2013 jointly with Renaissance Construction of Turkey. It was the first chemical plant that we handed over to Turkmenistan. Turkmenistan, which boasts the world's fourth-largest reserve of natural gas, undertook the project as part of measures for easing its heavy dependence on the export of natural gas. It is expected that the completed plant will help improve the added value provided by the use of natural gas resources and contribute to nurturing and developing industries in the country. We have a strong track record in the field of inorganic chemicals, including sulfuric acid. We will continue to pursue this business aggressively.



Sulfuric acid plant for Turkmenistan

Topics Acquisition of a UK engineering company

Acquisition of Simon Carves Engineering Ltd., a UK engineering company

Engineers and Constructors International, Inc. (ECI), our plant engineering subsidiary in the United States, has acquired shares in Simon Carves Engineering Ltd. (SCEL), an engineering company in the United Kingdom, as a result of which SCEL has become a subsidiary of ECI. SCEL is a traditional company that has been providing design and engineering services for various plants in the UK and around the world for more than 100 years. The acquisition will enable the MES Group to provide consistent services throughout the lifecycle of plants, from project proposals for plant construction to Engineering, Procurement, and Construction (EPC), and trial runs, and even maintenance, equipment modifications, and the enhancement of existing plants. Through the acquisition, the MES Group has acquired a new base in Europe in the field of chemical plants. Moving forward, we will operate the business in more regions than ever.



SIMON CARVES Engineering Ltd.

Topics Order received by BWSC for the ninth biomass power plant in the UK

Decision made to invest in the electric power sales business with a biomass combined heat and power (CHP) plant.

Burmeister & Wain Scandinavian Contractor A/S (BWSC), our subsidiary in Denmark, has received an order for the construction, operation, and maintenance of a large biomass power plant. It was the ninth order received for a power plant of this kind in the United Kingdom. This facility is a biomass CHP plant fueled by wooden fuel, and its capacity will be 27.8 MW. BWSC as a whole undertakes the business of the CHP plant, including engineering, equipment procurement, installation and construction, and test and commissioning. BWSC also received an order for a 20-year contract for its operation and maintenance (O&M), including a five-year option contract.



Rendering of the biomass power plant