

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

1st Quarter CONSOLIDATED FINANCIAL RESULTS FOR FY2019

From April 1, 2019 to June 30, 2019

Code number:	7003	URL:	https://www.mes.co.jp/
Shares Listed:	Tokyo Stock Exchange		
Representative:	Ryoichi Oka, President, Representative Director, and COO		
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Scheduled date to file Quarterly securities report:	August 7, 2019		
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 1st Quarter FY2019 (April 1, 2019 to June 30, 2019)

(Millions of yen)

	From Apr. 1, 2018 to Jun. 30, 2018	From Apr. 1, 2019 to Jun. 30, 2019	Change (%)
New Orders Received	134,611	102,614	(23.8)
Net Sales	152,944	160,136	4.7
Operating Income	1,107	2,205	99.1
Ordinary Income	3,034	3,979	31.1
Profit attributable to owners of parent	450	2,362	424.5
Earnings per Share (Yen)	5.57	29.23	424.8

Figures in parentheses represent negative.

(Millions of yen)

	As of Mar. 31, 2019	As of Jun. 30, 2019
Total Assets	999,100	999,446
Net Assets	280,239	277,814
Shareholders' Equity to Total Assets	16.0%	15.9%

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

2. Dividends

(Yen)

	FY2018	FY2019	FY2019 (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 FY2019

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Earnings per Share (Yen)
Year ending March 31, 2020	840,000	12,000	17,000	3,000	37.11

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)

	FY2018 / FY2018 1Q	FY2019 1Q
	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	2,271,423	2,260,329
Average number of shares during the period (cumulative quarterly consolidated period)	80,829,371	80,831,338

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

Supplementary explanatory materials 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, 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, 2018 to Jun. 30, 2018	From Apr. 1, 2019 to Jun. 30, 2019	Difference
Ship	13,609	9,240	(4,369) (32.1%)
Ocean Development	30,047	12,118	(17,929) (59.7%)
Machinery	54,194	54,759	565 1.0%
Engineering	23,405	12,615	(10,789) (46.1%)
Others	13,354	13,879	525 3.9%
Total	134,611	102,614	(31,997) (23.8%)

Net Sales by Segment

(Millions of yen)

	From Apr. 1, 2018 to Jun. 30, 2018	From Apr. 1, 2019 to Jun. 30, 2019	Difference
Ship	22,607	23,024	416 1.8%
Ocean Development	46,903	58,195	11,292 24.1%
Machinery	43,739	45,952	2,213 5.1%
Engineering	22,211	15,911	(6,299) (28.4%)
Others	17,483	17,052	(430) (2.5%)
Total	152,944	160,136	7,192 4.7%

Operating Income (Loss) by Segment

(Millions of yen)

	From Apr. 1, 2018 to Jun. 30, 2018	From Apr. 1, 2019 to Jun. 30, 2019	Difference
Ship	(752)	(1,635)	(883)
Ocean Development	1,372	236	(1,135)
Machinery	1,417	1,332	(85)
Engineering	(1,118)	1,192	2,311
Others	189	1,079	890
Total	1,107	2,205	1,097

Figures in parentheses represent negative.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and time deposits	100,857	124,220
Trade receivables	225,765	229,622
Merchandise and finished goods	4,967	5,035
Work in progress	42,294	57,676
Raw materials and supplies	8,439	9,553
Short-term loans	41,038	6,056
Others	46,050	39,410
Allowance for doubtful accounts	(1,452)	(1,467)
Total current assets	467,959	470,107
Non-current assets		
Property, plant and equipment		
Land	245,736	245,729
Others, net	96,303	99,333
Total property, plant and equipment	342,040	345,063
Intangible assets		
Goodwill	11,616	11,186
Others	17,874	17,619
Total intangible assets	29,490	28,806
Investments and other assets		
Others	160,268	156,160
Allowance for doubtful accounts	(658)	(691)
Total investments and other assets	159,609	155,468
Total non-current assets	531,140	529,338
Total assets	999,100	999,446

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Trade payables	190,955	195,397
Short-term borrowings	3,535	3,471
Current portion of long-term borrowings	39,062	45,783
Current portion of bonds	10,000	10,000
Accrued income taxes	11,846	8,232
Advances from customers	92,603	107,521
Provision for construction warranties	10,781	9,741
Provision for losses on construction contracts	60,972	53,250
Other provisions	7,104	3,812
Asset retirement obligations	2	3
Others	37,875	36,320
Total current liabilities	464,740	473,534
Long-term liabilities		
Bonds	40,000	40,000
Long-term borrowings	112,020	101,809
Liability for severance and retirement benefits for directors and corporate auditors	463	487
Other provisions	2,167	2,137
Net defined benefit liabilities	13,104	13,286
Asset retirement obligations	1,878	1,805
Others	84,487	88,570
Total long-term liabilities	254,121	248,096
Total liabilities	718,861	721,631
Net assets		
Shareholders' equity		
Common stock	44,384	44,384
Capital surplus	18,747	18,746
Retained earnings	67,812	70,368
Treasury stock	(4,759)	(4,735)
Total shareholders' equity	126,185	128,763
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on securities	3,365	2,784
Unrealized gains (losses) on hedging derivatives	(6,065)	(8,526)
Revaluation reserve for land	37,807	37,803
Foreign currency translation adjustments	740	201
Remeasurements of defined benefit plans	(2,488)	(2,357)
Total accumulated other comprehensive income	33,359	29,905
Subscription rights to shares	205	186
Non-controlling interests	120,488	118,958
Total net assets	280,239	277,814
Total liabilities and net assets	999,100	999,446

Consolidated Statements of Operations

(Millions of yen)

	April 1, 2018 to June 30, 2018	April 1, 2019 to June 30, 2019
Net sales	152,944	160,136
Cost of sales	138,995	144,752
Gross profit	13,948	15,384
Selling, general and administrative expenses	12,841	13,178
Operating income	1,107	2,205
Non-operating income		
Interest income	1,316	1,666
Dividend income	764	478
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	331	1,140
Gain on valuation of derivatives	848	-
Reversal of allowance for doubtful accounts	180	-
Others	342	512
Total non-operating income	3,783	3,797
Non-operating expenses		
Interest expenses	730	723
Foreign currency exchange losses	770	126
Loss on valuation of derivatives	-	818
Others	356	354
Total non-operating expenses	1,856	2,023
Ordinary income	3,034	3,979
Extraordinary income		
Gain on disposal of non-current assets	6	9
Gain on sales of investment securities	28	-
Total extraordinary income	34	9
Extraordinary losses		
Loss on disposal of non-current assets	210	13
Loss on impairment of non-current assets	13	60
Loss on sales of shares of subsidiaries and affiliates	-	310
Loss on valuation of investment securities	0	-
Loss on valuation of shares of subsidiaries and affiliates	-	43
Loss on litigation	151	-
Total extraordinary losses	376	426
Profit before income taxes	2,692	3,562
Income taxes	1,594	1,283
Profit	1,097	2,278
Profit (loss) attributable to non-controlling interests	647	(84)
Profit attributable to owners of parent	450	2,362

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2018 to June 30, 2018	April 1, 2019 to June 30, 2019
Profit	1,097	2,278
Other comprehensive income		
Net unrealized holding losses on securities	(436)	(804)
Unrealized losses on hedging derivatives	(356)	(156)
Foreign currency translation adjustments	(7,132)	(979)
Remeasurements of defined benefit plans	460	128
Share of other comprehensive income of affiliates accounted for using equity method	(526)	(2,034)
Total	(7,992)	(3,846)
Comprehensive income	(6,894)	(1,568)
Comprehensive income attributable to		
Owners of parent	(5,114)	(1,087)
Non-controlling interests	(1,779)	(480)