

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

**2nd Quarter CONSOLIDATED FINANCIAL RESULTS FOR FY2019**

From April 1, 2019 to September 30, 2019

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 COO		
Inquiries:	Kazunori Miyake, General Manager of Finance & Accounting Dept. Tel: +81 3 3544 3121		
Scheduled date to file Quarterly securities report:	November 13, 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 2nd Quarter FY2019 (April 1, 2019 to September 30, 2019)**

(Millions of yen)

	From Apr. 1, 2018 to Sep. 30, 2018	From Apr. 1, 2019 to Sep. 30, 2019	Change (%)
New Orders Received	245,914	495,007	101.3
Net Sales	311,701	356,857	14.5
Operating Loss	(27,980)	(67,737)	—
Ordinary Loss	(24,313)	(64,898)	—
Loss attributable to owners of parent	(47,861)	(66,491)	—
Earnings per Share (Yen)	(592.14)	(822.56)	—
Operating Cash Flow	3,134	(19,767)	—
Investing Cash Flow	1,555	36,956	2276.6
Financing Cash Flow	2,815	(3,165)	—

Figures in parentheses represent negative.

(Millions of yen)

	As of Mar. 31, 2019	As of Sep. 30, 2019
Total Assets	999,100	988,328
Net Assets	280,239	200,333
Shareholders' Equity to Total Assets	16.0%	8.4%

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	790,000	(72,000)	(67,000)	(88,000)	(1,088.64)

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 2Q	FY2019 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	2,271,423	2,258,076
Average number of shares during the period (cumulative quarterly consolidated period)	80,828,358	80,835,111

### 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 11, 2019. Supplementary explanatory materials, 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, 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)

	<b>From Apr. 1, 2018 to Sep. 30, 2018</b>	<b>From Apr. 1, 2019 to Sep. 30, 2019</b>	Difference
Ship	47,209	27,004	(20,204) (42.8%)
Ocean Development	40,303	334,517	294,214 730.0%
Machinery	84,606	81,370	(3,235) (3.8%)
Engineering	39,930	23,966	(15,964) (40.0%)
Others	33,864	28,147	(5,717) (16.9%)
Total	245,914	495,007	249,092 101.3%

**Net Sales by Segment**

(Millions of yen)

	<b>From Apr. 1, 2018 to Sep. 30, 2018</b>	<b>From Apr. 1, 2019 to Sep. 30, 2019</b>	Difference
Ship	46,434	52,661	6,227 13.4%
Ocean Development	113,108	148,619	35,510 31.4%
Machinery	86,158	94,411	8,252 9.6%
Engineering	29,460	25,076	(4,384) (14.9%)
Others	36,539	36,089	(450) (1.2%)
Total	311,701	356,857	45,156 14.5%

**Operating Income (Loss) by Segment**

(Millions of yen)

	<b>From Apr. 1, 2018 to Sep. 30, 2018</b>	<b>From Apr. 1, 2019 to Sep. 30, 2019</b>	Difference
Ship	(3,118)	(1,841)	1,276
Ocean Development	10,824	(2,337)	(13,162)
Machinery	4,527	4,772	245
Engineering	(40,771)	(71,047)	(30,276)
Others	557	2,717	2,160
Total	(27,980)	(67,737)	(39,756)

Figures in parentheses represent negative.

## Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and time deposits	100,857	111,851
Trade receivables	225,765	245,721
Merchandise and finished goods	4,967	5,262
Work in progress	42,294	55,400
Raw materials and supplies	8,439	10,123
Short-term loans	41,038	1,646
Others	46,050	38,416
Allowance for doubtful accounts	(1,452)	(1,526)
<b>Total current assets</b>	<b>467,959</b>	<b>466,896</b>
Non-current assets		
Property, plant and equipment		
Land	245,736	245,693
Others, net	96,303	99,334
<b>Total property, plant and equipment</b>	<b>342,040</b>	<b>345,027</b>
Intangible assets		
Goodwill	11,616	10,556
Others	17,874	17,276
<b>Total intangible assets</b>	<b>29,490</b>	<b>27,832</b>
Investments and other assets		
Others	160,268	149,234
Allowance for doubtful accounts	(658)	(663)
<b>Total investments and other assets</b>	<b>159,609</b>	<b>148,571</b>
<b>Total non-current assets</b>	<b>531,140</b>	<b>521,431</b>
<b>Total assets</b>	<b>999,100</b>	<b>988,328</b>

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>Liabilities</b>		
Current liabilities		
Trade payables	190,955	209,166
Short-term borrowings	3,535	15,232
Current portion of long-term borrowings	39,062	44,275
Current portion of bonds	10,000	15,000
Commercial papers	-	4,000
Accrued income taxes	11,846	8,593
Advances from customers	92,603	96,208
Provision for construction warranties	10,781	9,874
Provision for losses on construction contracts	60,972	111,069
Other provisions	7,104	5,896
Asset retirement obligations	2	3
Others	37,875	34,089
<b>Total current liabilities</b>	<b>464,740</b>	<b>553,409</b>
Long-term liabilities		
Bonds	40,000	35,000
Long-term borrowings	112,020	90,271
Liability for severance and retirement benefits for directors and corporate auditors	463	514
Other provisions	2,167	2,099
Net defined benefit liabilities	13,104	13,411
Asset retirement obligations	1,878	1,801
Others	84,487	91,487
<b>Total long-term liabilities</b>	<b>254,121</b>	<b>234,585</b>
<b>Total liabilities</b>	<b>718,861</b>	<b>787,995</b>
Net assets		
Shareholders' equity		
Common stock	44,384	44,384
Capital surplus	18,747	18,745
Retained earnings	67,812	1,513
Treasury stock	(4,759)	(4,729)
<b>Total shareholders' equity</b>	<b>126,185</b>	<b>59,914</b>
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on securities	3,365	2,421
Unrealized gains (losses) on hedging derivatives	(6,065)	(10,953)
Revaluation reserve for land	37,807	37,803
Foreign currency translation adjustments	740	(3,840)
Remeasurements of defined benefit plans	(2,488)	(2,339)
<b>Total accumulated other comprehensive income</b>	<b>33,359</b>	<b>23,092</b>
Subscription rights to shares	205	181
Non-controlling interests	120,488	117,145
<b>Total net assets</b>	<b>280,239</b>	<b>200,333</b>
<b>Total liabilities and net assets</b>	<b>999,100</b>	<b>988,328</b>

# Consolidated Statements of Operations

(Millions of yen)

	April 1, 2018 to September 30, 2018	April 1, 2019 to September 30, 2019
Net sales	311,701	356,857
Cost of sales	313,814	399,648
Gross loss	(2,113)	(42,790)
Selling, general and administrative expenses	25,867	24,946
Operating loss	(27,980)	(67,737)
Non-operating income		
Interest income	3,301	3,135
Dividend income	784	495
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	1,451	1,784
Gain on valuation of derivatives	105	-
Others	862	636
Total non-operating income	6,506	6,052
Non-operating expenses		
Interest expenses	1,402	1,272
Commitment fee	-	868
Foreign currency exchange losses	783	63
Loss on valuation of derivatives	-	354
Others	653	655
Total non-operating expenses	2,839	3,213
Ordinary loss	(24,313)	(64,898)
Extraordinary income		
Gain on disposal of non-current assets	19	369
Gain on sales of investment securities	28	-
Total extraordinary income	47	369
Extraordinary losses		
Loss on disposal of non-current assets	358	151
Loss on impairment of non-current assets	540	177
Loss on sales of shares of subsidiaries and affiliates	-	310
Loss on valuation of investment securities	312	223
Loss on valuation of shares of subsidiaries and affiliates	-	43
Loss on litigation	167	-
Total extraordinary losses	1,379	906
Loss before income taxes	(25,645)	(65,435)
Income taxes	17,684	1,638
Loss	(43,330)	(67,073)
Profit (loss) attributable to non-controlling interests	4,531	(581)
Loss attributable to owners of parent	(47,861)	(66,491)

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2018 to September 30, 2018	April 1, 2019 to September 30, 2019
Loss	(43,330)	(67,073)
Other comprehensive income		
Net unrealized holding losses on securities	(180)	(1,547)
Unrealized gains (losses) on hedging derivatives	(1,198)	575
Foreign currency translation adjustments	(4,854)	(4,088)
Remeasurements of defined benefit plans	921	102
Share of other comprehensive income of affiliates accounted for using equity method	1,801	(7,006)
Total	(3,509)	(11,965)
Comprehensive income	(46,839)	(79,038)
Comprehensive income attributable to		
Owners of parent	(49,727)	(76,755)
Non-controlling interests	2,887	(2,283)



## Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2018 to September 30, 2018	April 1, 2019 to September 30, 2019
<b>Cash flows from operating activities</b>		
Loss before income taxes	(25,645)	(65,435)
Depreciation and amortization	7,527	7,908
Loss on impairment of non-current assets	540	177
Amortization of goodwill	618	522
Increase (decrease) of allowance for doubtful accounts	(146)	95
Increase in net defined benefit liabilities	174	266
Decrease in net defined benefit assets	340	601
Interest and dividend income	(4,086)	(3,631)
Interest expenses	1,402	1,272
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	(1,451)	(1,784)
Foreign currency exchange gain, net	(423)	(2,357)
Gain on sales of investment securities, net	(28)	-
Loss on sales of subsidiaries and affiliates' stocks	-	310
Loss on valuation of investment securities	312	223
Loss on valuation of shares of subsidiaries and affiliates	-	43
Loss (gain) on disposal of non-current assets, net	339	(218)
Loss on litigation	167	-
Decrease (increase) in trade receivables	32,931	(17,058)
(Increase) in inventories	(10,008)	(15,330)
Increase (decrease) in trade payables	(1,887)	18,144
Decrease (increase) in other assets	(9,146)	8,231
Increase in other liabilities	18,255	45,645
Others, net	(5,639)	2,228
<b>Sub-total</b>	<b>4,145</b>	<b>(20,145)</b>
Interest and dividend received	6,625	4,904
Interest paid	(1,471)	(1,289)
Payments for loss on litigation	(167)	-
Income taxes paid	(5,997)	(3,236)
<b>Net cash provided by (used in) operating activities</b>	<b>3,134</b>	<b>(19,767)</b>

(Millions of yen)

	April 1, 2018 to September 30, 2018	April 1, 2019 to September 30, 2019
Cash flows from investing activities		
Net decrease in time deposits	34	36
Capital expenditure	(9,059)	(6,834)
Proceeds from sales of non-current assets	3,342	1,434
Purchases of investment securities	(58)	(3)
Proceeds from sales of investment securities	28	-
Purchase of shares of subsidiaries and affiliates	(561)	(3)
Proceeds from sales of shares of subsidiaries and affiliates	-	200
Payments for investments in capital of subsidiaries and affiliates	-	(260)
Disbursements of loans receivable	(50,609)	(5,647)
Collection of loans receivable	58,436	47,993
Others, net	1	40
Net cash provided by (used in) investing activities	1,555	36,956
Cash flows from financing activities		
Net increase in short-term borrowings	17,799	11,819
Net increase in commercial papers	8,000	4,000
Proceeds from long-term borrowings	20,205	2,330
Repayments of long-term borrowings	(40,973)	(18,426)
Repayments of lease obligations	(1,043)	(1,713)
Cash dividends	(2)	(1)
Dividends paid to non-controlling interests	(1,068)	(1,027)
Others, net	(100)	(146)
Net cash provided by (used in) financing activities	2,815	(3,165)
Effect of exchange rate changes on cash and cash equivalents	(1,987)	(1,864)
Net increase in cash and cash equivalents	5,518	12,159
Cash and cash equivalents at beginning of period	86,311	97,408
Increase (decrease) due to changes in scope of consolidation	580	(32)
Cash and cash equivalents at end of period	92,411	109,535