

Mitsui E&S Group Business Revival Plan

Mitsui E&S Holdings Co., Ltd. (the “Company”) (Ryoichi Oka, President) has established the Mitsui E&S Group Business Revival Plan.

1. Introduction

The Mitsui E&S Group (the “Group”) recognizes the urgent need to recover from the significant damage to its financial base caused by losses on several large-scaled overseas EPC projects in the engineering business. The earnings from existing businesses such as shipbuilding and engineering have also been declining, forcing the Group to exit from unprofitable businesses and develop growth businesses that will be its new main sources of profit.

Given this situation, the Group has established the Mitsui E&S Group Business Revival Plan as part of its efforts to regain the trust of its stakeholders.

The plan comprises measures to reinforce the Group’s financial and profit structure and measures to reform its business structure. The Group is determined to make every effort in its implementation.

■ Outline of the Mitsui E&S Group Business Revival Plan

(1) Reinforcement of financial structure

- Disposal of assets
- Reduction of fixed cost (personnel and other expenses)

(2) Reforming the business structure

- Exit from unprofitable businesses
- Concentration of resources in growth businesses

2. Reinforcement of the financial structure

To recover the portion of equity capital that has been lost, the Group will also consider the sale of assets, the reduction of fixed expenses, and capital measures. In addition, the Group will work to raise the profit ratio by exiting from unprofitable businesses, and it will implement further reforms of its business structure to reinforce its financial position and profit structure.

3. Numerical targets (for the fiscal year ending March 31, 2023)

	Consolidated
Net sales / Ordinary income ratio	650 billion yen / 4%
Total asset turnover ratio	0.8
Ratio of interest-bearing debt to EBITDA	5.0x

4. Exit from unprofitable businesses

Resources for chemical plants and environmental recycling, which have been separated in operating companies and subsidiaries, will be integrated into the engineering business to combine and improve the Group's technological capabilities.

In the civil engineering businesses of thermal power plant, the Group will combine all its strengths by establishing a system that is directly managed by the president of the engineering business company (MES-E) in order to focus on the fulfillment of construction orders that have been received. Upon completion, the Group will withdraw from the businesses without taking new orders.

In the shipbuilding business, the Group will reduce the manufacturing of new merchant ships at Chiba Shipyard and transform itself into an organization that focuses on the businesses of energy engineering and construction of large steel structure.

5. Concentration of resources in growth businesses

While the businesses will remain in the three segments of "Environment & Energy," "Marine Logistics & Transportation," and "Social & Industrial Infrastructure" set forth in the MES Group 2025 Vision, the Group will position the machinery, ocean development, and power generation businesses as its core while enhancing collaborations within the Group and concentrating resources.

Meanwhile, the Group plans to aim for the further growth of the shipbuilding and social infrastructure businesses through collaborations and alliances with companies outside the Group.

The Group aims to build these new business structures by fiscal year ending March 2023(2023/03).

i. Expand product lineup in the machinery business

The Group will expand product lineups, particularly those of marine and industrial machinery, using its strong points in quality, price competitiveness and networks, and will strengthen the Lifecycle Solution Service (LSS) of the entire Group.

ii. Reorganization of power generation business

The power generation business will be led by Burmeister & Wain Scandinavian Contractor A/S (BWSC), a Danish subsidiary of the Company.

The biomass power generation business of MES-E will therefore be integrated into BWSC and its Japanese subsidiary, BWSC Japan Ltd., and its market will be expanded to Southeast Asia in the future.

iii. Reorganization of shipbuilding business

The Group will establish a new organization to operate the energy and engineering businesses (offshore FPSO, gas business, etc.). The Group will operate the shipbuilding business through partnership with companies outside the Group to raise its competitiveness.

iv. Reorganization of social infrastructure business

Mitsui E&S Steel Structures Engineering Co., Ltd., an affiliate of the Company, will lead the concentration of resources for the social infrastructure business in order to establish a new infrastructure company that will develop wind power mills, bridges, and other structures.

The Group will work to expand its business through alliances with companies outside the Group.

6. Reorganization plan for engineering business

In order to complete the existing construction projects of the civil engineering businesses of thermal power plant with full force, all other businesses of MES-E, including chemical plants, environmental recycling, and renewable energy, will be transferred to other companies in the Group. MES-E will focus on the operation of subsidiaries (including partnerships with companies outside the Group) and the completion of the existing construction projects..

Although the Group will exit from the civil engineering businesses of thermal power plant after the completion of the existing construction projects, it will reallocate the resources for these businesses to the renewable energy and social infrastructure businesses, which are expected to grow.

The Group is currently facing difficulties caused by large losses and market stagnation. This is the very reason why it has positioned now as the time for drastic change and will strive to strengthen its financial structure to achieve revitalization.

The Group considers the four years starting in the fiscal year 2020/03 as the period for rebuilding its business foundation and accumulating power for a breakthrough, and it will construct a management structure with the ability to surmount obstacles.

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