

# Consolidated Financial Results for Fiscal Year Ended March 31, 2020



May 12, 2020



Mitsui E&S Holdings Co., Ltd.

## ■ Consolidated Financial Results for FYE Mar. 2020

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## FYE Mar. 2020 Results

- ◆ New Orders 996.8 Billion yen (YoY ↑)
- ◆ Net Sales 786.5 Billion yen (YoY ↑)
- ◆ Ordinary Income (Loss) (60.5) Billion yen (YoY ↓)

## FYE Mar. 2021 Forecast

- ◆ New Orders 550~750 Billion yen (↓ compared to FYE Mar. 2020)
- ◆ Net Sales 630 Billion yen (↓ compared to FYE Mar. 2020)
- ◆ Ordinary Income (Loss) (7.0) Billion yen (↑ compared to FYE Mar. 2020)

## Topics

- ◆ Coal-fired power plant civil engineering construction projects in Indonesia
    - ✓ Steady progress on CW pipe installation work through fiscal year ended March 31, 2020
- \* CW pipe (cooling water pipe (intake & discharge))
- ◆ Recovered 100 billion yen in capital from the sale of businesses and assets
  - ◆ Impact of novel coronavirus on fiscal year ended March 31, 2020 limited

(JPY: Billion)

	FYE Mar. 2019	FYE Mar. 2020	Var.
<b>New Order</b>	710.1	996.8	+286.7
<b>Net Sales</b>	656.5	786.5	+130.0
<b>Operating Income (Loss)</b>	(59.7)	(62.1)	(2.4)
<b>OP ratio</b>	(9.1%)	(7.9%)	—
<b>Ordinary Income (Loss)</b>	(50.5)	(60.5)	(10.0)
<b>OD ratio</b>	(7.7%)	(7.7%)	—
<b>Profit attributable to owners</b>	(69.6)	(86.2)	(16.6)
<b>Dividend</b>	0 Yen	0 Yen	—

<Average FX>

<b>USD/Yen</b>	111.01 Yen	109.42Yen
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## ■ New Orders

The general commercial ship market was sluggish, but new orders maintained at a high level due to multiple orders received for MODEC, Inc.'s FPSO project.

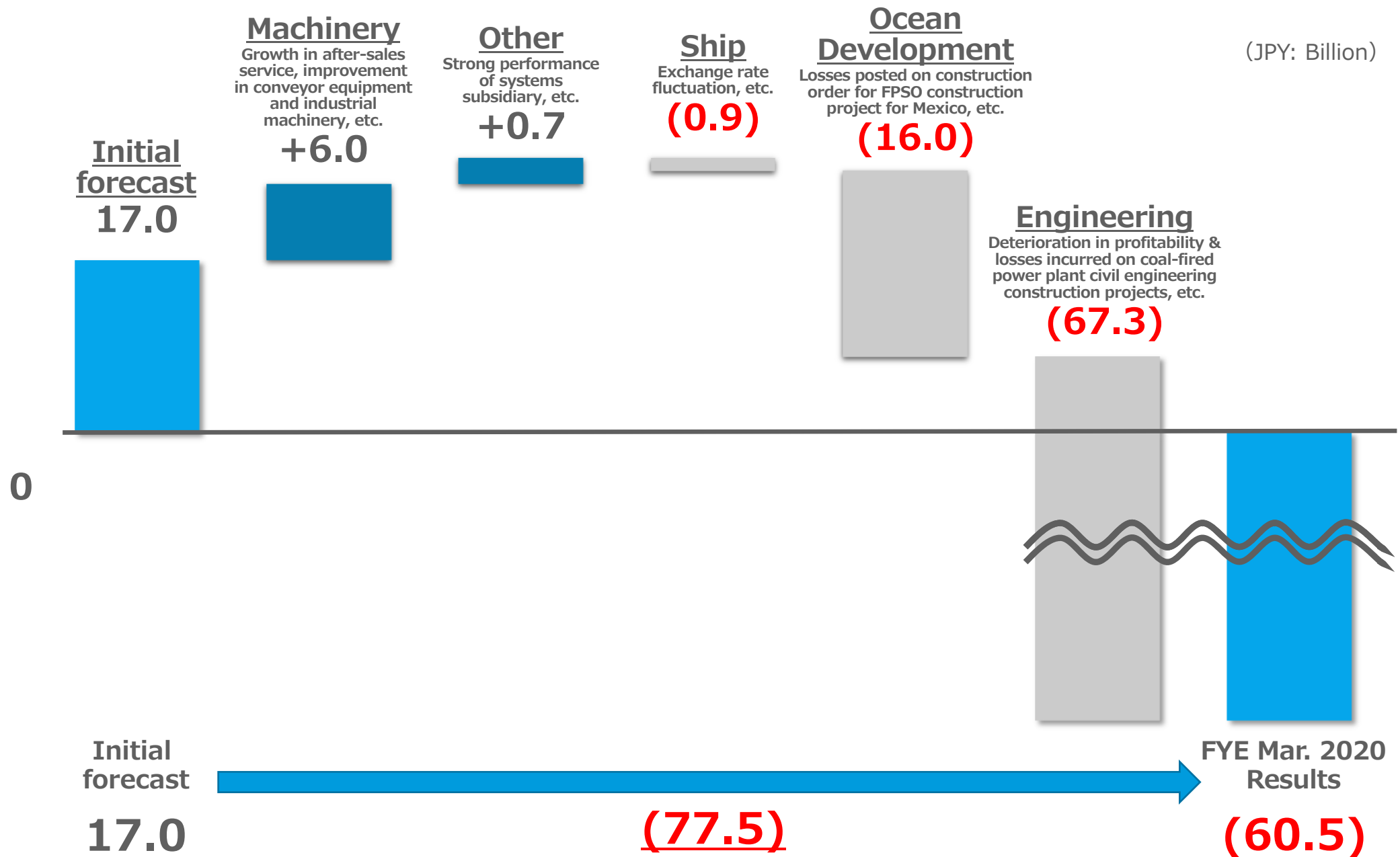
## ■ Net Sales

Steady progress on construction of ships and FPSO and strong after-sales service led to a YoY increase in net sales.

## ■ Ordinary Income (Loss)

MODEC, Inc. provisioned additional expenses in the FPSO construction project for Mexico and posted additional reserves for losses on construction orders for the coal-fired power plant civil engineering projects in Indonesia in the 2Q of fiscal year ended March 31, 2020. This resulted in a substantial loss.

# Ordinary Income (Loss) Comparison of Initial Forecast and FYE Mar. 2020 Results



# Results Summary by Segment

(JPY: Billion)

	New Order			Net Sales		
	FYE Mar. 2019	FYE Mar. 2020	Var.	FYE Mar. 2019	FYE Mar. 2020	Var.
Ship	113.2	68.7	(44.5)	96.9	115.1	+18.2
Ocean Development	254.2	636.1	+381.9	222.5	332.9	+110.4
Machinery	185.3	192.3	+7.0	186.9	200.4	+13.5
Engineering	58.9	48.2	(10.7)	69.0	69.6	+0.6
Other	98.5	51.5	(47.0)	81.3	68.4	(12.9)
<b>Total</b>	<b>710.1</b>	<b>996.8</b>	<b>+286.7</b>	<b>656.5</b>	<b>786.5</b>	<b>+130.0</b>

# Results Summary by Segment

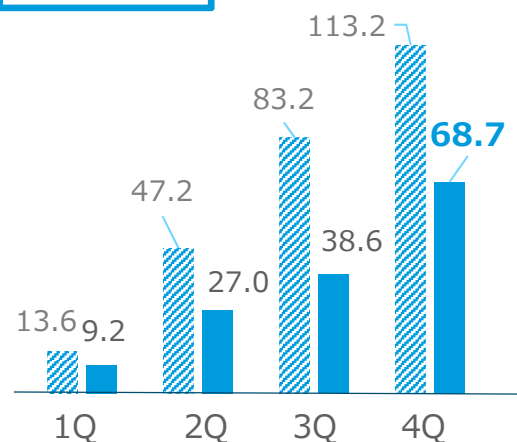
(JPY: Billion)

	Operating Income (Loss)			Ordinary Income (Loss)		
	FYE Mar. 2019	FYE Mar. 2020	Var.	FYE Mar. 2019	FYE Mar. 2020	Var.
Ship	(8.1)	(2.9)	+5.2	(8.3)	(2.9)	+5.4
Ocean Development	14.9	(4.9)	(19.8)	25.9	(1.0)	(26.9)
Machinery	10.2	13.3	+3.1	11.2	14.0	+2.8
Engineering	(79.7)	(71.4)	+8.3	(79.4)	(71.3)	+8.1
Other	3.0	3.8	+0.8	0.1	0.7	+0.6
<b>Total</b>	<b>(59.7)</b>	<b>(62.1)</b>	<b>(2.4)</b>	<b>(50.5)</b>	<b>(60.5)</b>	<b>(10.0)</b>

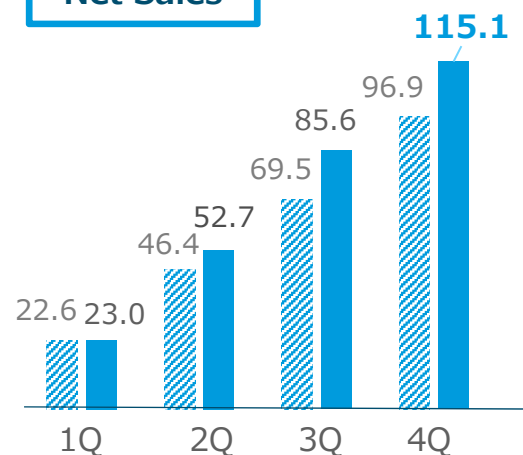
(JPY : Billion)

■ FYE Mar. 2019 ■ FYE Mar. 2020

## New Order



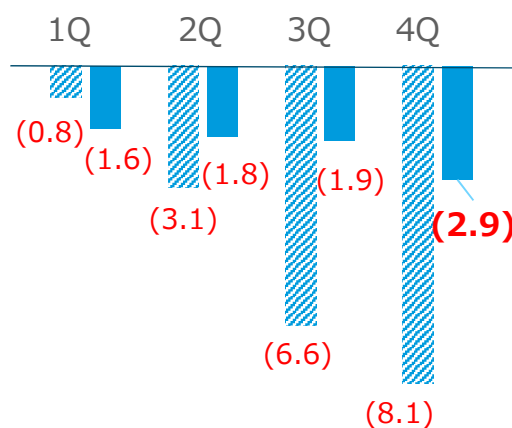
## Net Sales



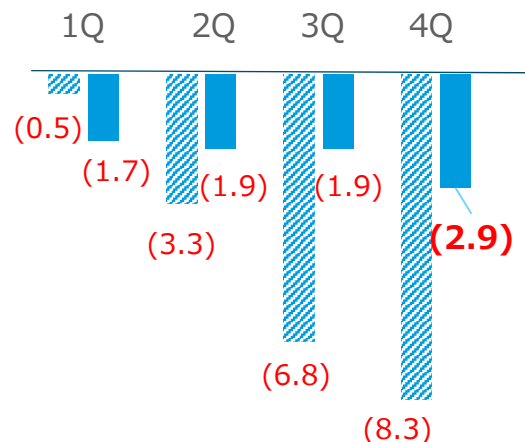
## ■ New Orders : YoY (44.5)

The rebound in general commercial ships got fully underway in the 2H of fiscal year ended Mar. 31, 2020, but commercial negotiations were suspended due to the impact of the novel coronavirus and only one new ship was ordered in the bulk carrier and government ship segment of Mitsui E&S Shipbuilding Co., Ltd.

## Operating Income(Loss)



## Ordinary Income(Loss)



## ■ Net Sales : YoY +18.2

Construction in progress proceeded according to plan and growth in net sales for bulk carriers and government ships, in particular, resulted in YoY growth in net sales.

## ■ Ordinary Income (Loss) : YoY +5.4

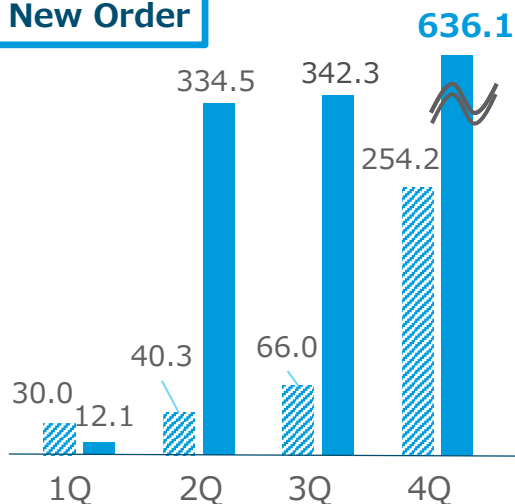
YoY improvement was seen despite appreciation of the yen because construction projects consisted mainly of bulk carriers and government ships.



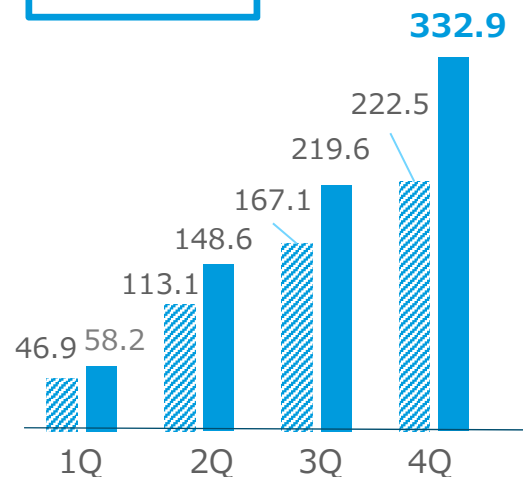
FYE Mar. 2019
  FYE Mar. 2020

(JPY : Billion)

## New Order



## Net Sales



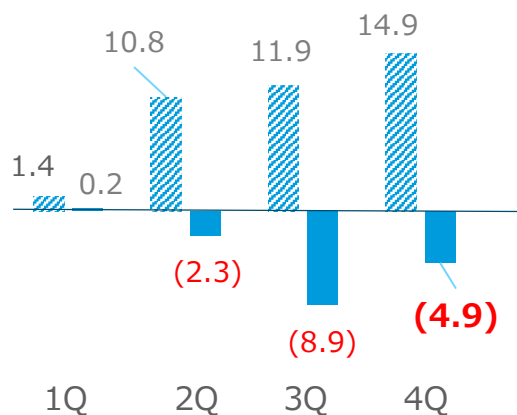
## ■ New Orders : YoY +381.9

A favorable order environment resulted in orders for multiple FPSO and other projects and YoY growth in new orders.

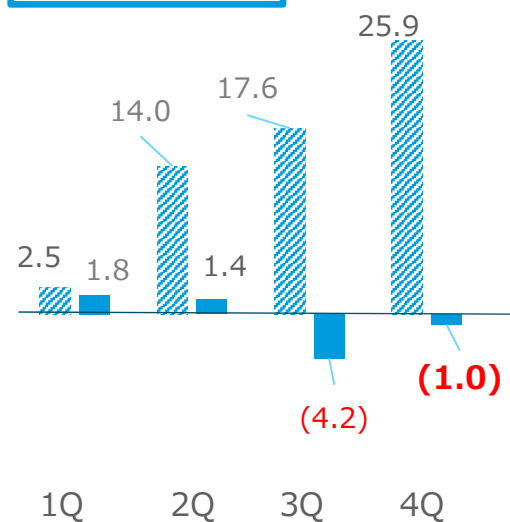
## ■ Net Sales : YoY +110.4

Net sales increased YoY along with progress on construction, mainly of FPSO systems.

## Operating Income(Loss)



## Ordinary Income(Loss)



## ■ Ordinary Income (Loss) : YoY (26.9)

The unrealized profit on MV29 was realized and posted as compensation for performance in the previous fiscal year while a provision was made for additional expenses on the FPSO construction project for Mexico resulted in fiscal year ended March 2020. This resulted in a YoY decline in ordinary income in fiscal year ended March 31, 2020.

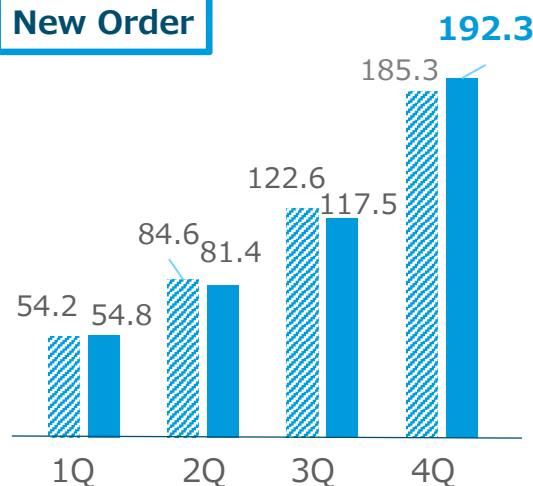
# Machinery

Main products : Marine diesel engine, Container Crane,  
Infrastructure, Industrial Machinery,  
These after-sales service

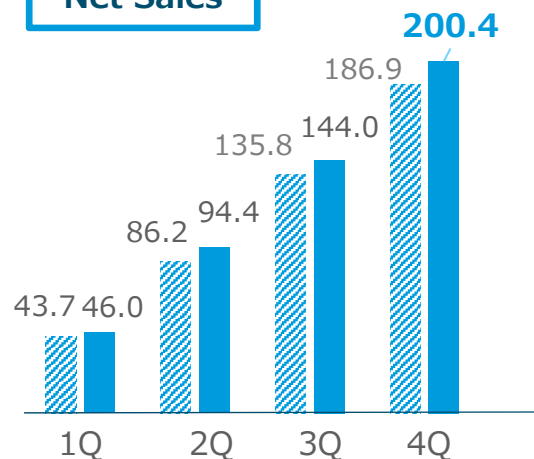
(JPY : Billion)

▨ FYE Mar. 2019 ■ FYE Mar. 2020

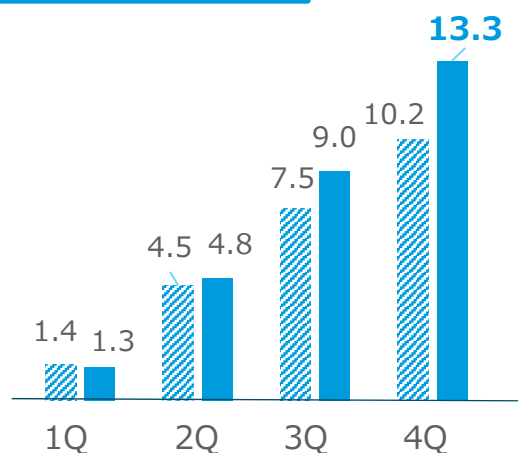
## New Order



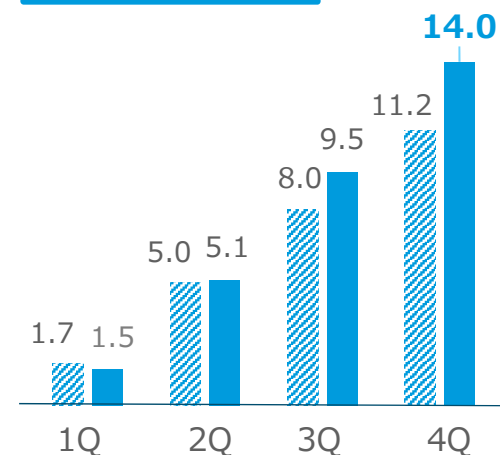
## Net Sales



## Operating Income(Loss)



## Ordinary Income(Loss)



## ■ New Orders : YoY +7.0

Industrial machinery orders fell due to slippage of projects into the next period, but orders for container cranes were strong. In after-sales service, orders for diesel parts were strong. This resulted in YoY growth in total new orders.

## ■ Net Sales : YoY +13.5

Container crane sales declined but growth in industrial machinery deliveries and strong performance in after-sales service led to YoY growth in net sales.

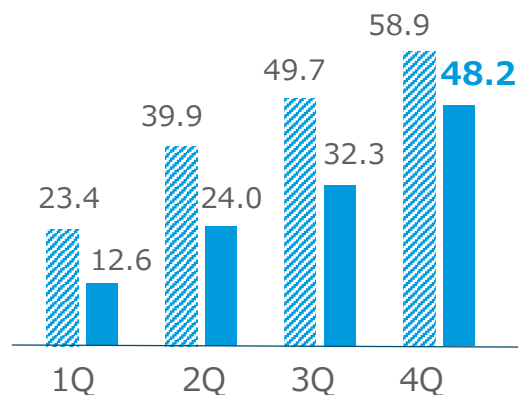
## ■ Ordinary Income (Loss) : YoY +2.8

Ordinary income increased YoY despite tough conditions in marine diesel engines due to a delay in the rebound of the ocean shipping market. This growth came from improved profitability in container cranes and industrial machinery, and strong performance in after-sales service which more than covered for the tough conditions in marine diesel engines.

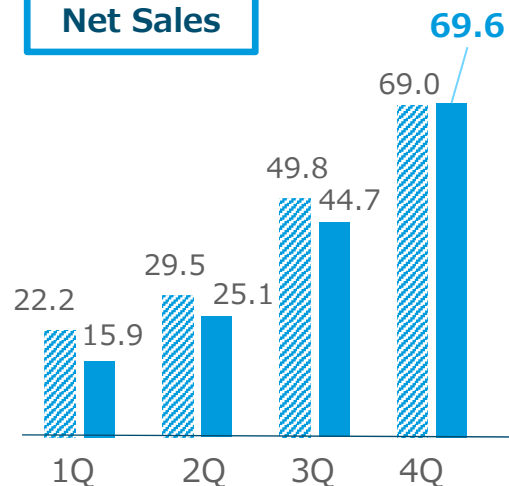
(JPY : Billion)

■ FYE Mar. 2019 ■ FYE Mar. 2020

## New Order



## Net Sales



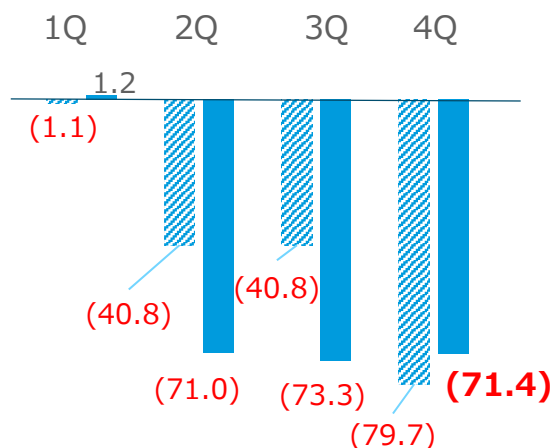
## ■ New Orders : YoY (10.7)

New orders declined YoY despite strong performance in the environmental business segment. The decline was caused by the exit from the domestic power generation business.

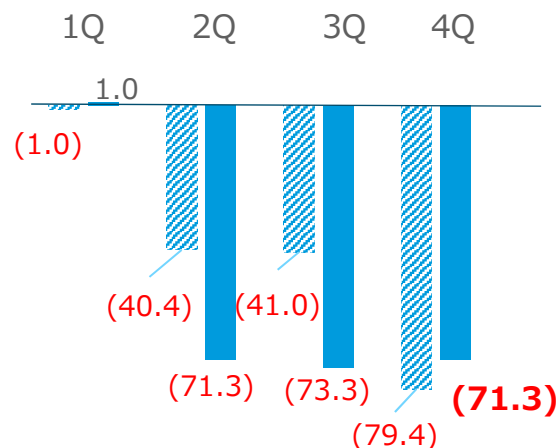
## ■ Net Sales : YoY +0.6

Net sales were flat compared to last fiscal year, in keeping with progress on construction in progress on coal-fired power plant civil engineering construction projects in Indonesia, a water treatment plant, and other projects.

## Operating Income(Loss)



## Ordinary Income(Loss)



## ■ Ordinary Income (Loss) : YoY +8.1

The ordinary loss was close to the revised ordinary loss forecast of 75 billion yen disclosed on November 1, 2019, and was generally in line with expectations.

- Status of large coal-fired power plant civil engineering construction projects (FYE Mar. 2020)

Project	Location	Progress toward Completion (%)		Contracted Delivery Date
		3Q FYE Mar. 2020	4Q FYE Mar. 2020	
A	Vietnam	Approx. 99%	99.9%	FYE Mar. 2020
B	Indonesia	Approx. 77%	Approx. 79%	FYE Mar. 2021
C	Indonesia	Approx. 91%	Approx. 93%	FYE Mar. 2022

- A Scheduled for completion and delivery in the 1Q of fiscal year ending March 31, 2021.
- B Steady progress was made on installation of CW pipe through the end of fiscal year ending March 31, 2020.  
(Trend in reserve balance: 94.7 billion yen in 3Q FYE Mar. 2020 ⇒ 81.8 billion yen in 4Q FYE Mar. 2020)
- C Construction proceeded according to plan through the end of fiscal year ending March 31, 2020.

## ■ Status of novel coronavirus in Indonesia

### 1. Status of novel coronavirus infections

- Spreading rapidly
- 14,032 infections and 973 deaths as of May 10, 2020.

### 2. Response by the government of Japan

- The Ministry of Foreign Affairs raised the Warning on Infectious Disease to Level 3: Avoid All Travel (on March 31).

### 3. Response by the government of Indonesia

- The Special Capital Region of Jakarta implemented large-scale social restrictions (on April 10).
- President Joko Widodo designated the novel coronavirus pandemic as a national emergency (on April 13).
- The Indonesian Ministry of Transportation prohibited domestic transit (domestic flights were suspended from April 24 through May 31).

## ■ Status of coal-fired power plant civil engineering construction projects in Indonesia (Latest update)

### 1. Status of Project B

- A Mitsui E&S construction worker was infected with the novel coronavirus.
- Construction work by Mitsui E&S was suspended after discussing the situation with each of the companies involved (the date of resumption has not yet been determined).
- We are currently discussing the BCP (business continuity plan).

 **The financial impact is currently being calculated.**

While this could impact fiscal year ending March 31, 2021 and beyond, we estimate that the impact will remain well within the current loss reserves if the good progress made on construction in the 4Q of fiscal year ended March 31, 2020 continues after construction is resumed.

### 2. Status of Project C

- Construction is continuing with the minimum number of staff members necessary, based on the assumption that this will help prevent the spread of infection at the site.

 **The impact on results is insignificant at the present time.**

# Summary of Balance Sheet

(JPY : Billion)

	FYE Mar. 2019	FYE Mar. 2020	Var.	
<b>Total Assets</b>	<b>999.1</b>	<b>840.4</b>	<b>(158.7)</b>	Decrease mainly due to the sale of Showa Aircraft Industry Co., Ltd.
(Cash)	100.9	118.4	+17.5	
(Receivables)	225.8	282.4	+56.6	
(Fixed Assets)	371.5	187.8	(183.7)	Decrease mainly due to the sale of Showa Aircraft Industry Co., Ltd.
<b>Total Liabilities</b>	<b>718.9</b>	<b>735.0</b>	<b>+16.1</b>	
(Advances by Customers)	92.6	84.0	(8.6)	
(Provision for losses on construction contracts)	61.0	98.5	+37.5	Increase from the posting of additional reserves in the 2Q for the coal-fired power plant civil engineering projects
(Debt (with interest))	204.6	173.9	(30.7)	
<b>Net Assets</b>	<b>280.2</b>	<b>105.4</b>	<b>(174.8)</b>	<ul style="list-style-type: none"> <li>• Decrease mainly in retained earnings and profit (loss) attributable to non-controlling interests</li> <li>• No infringement of financial covenants</li> </ul>
(Own capital)	159.5	64.4	(95.1)	Decrease resulting from the posting of additional reserves in the 2Q for the coal-fired power plant civil engineering projects and the sale of Showa Aircraft Industry Co., Ltd.
Capital-to-asset ratio	16.0%	7.7%		
DE Ratio	1.3	2.7		

# Summary of Cash Flow

(JPY : Billion)

	FYE Mar. 2019	FYE Mar. 2020	Var.	
Operating CF	66.2	(37.2)	(103.4)	Mainly capital expenditures related to the coal-fired power plant civil engineering construction projects
Investing CF	(0.1)	84.1	+84.2	Mainly cash provided from the sale of assets.
Free CF	66.1	46.9	(19.2)	
Financial CF	(53.3)	(26.8)	+26.5	



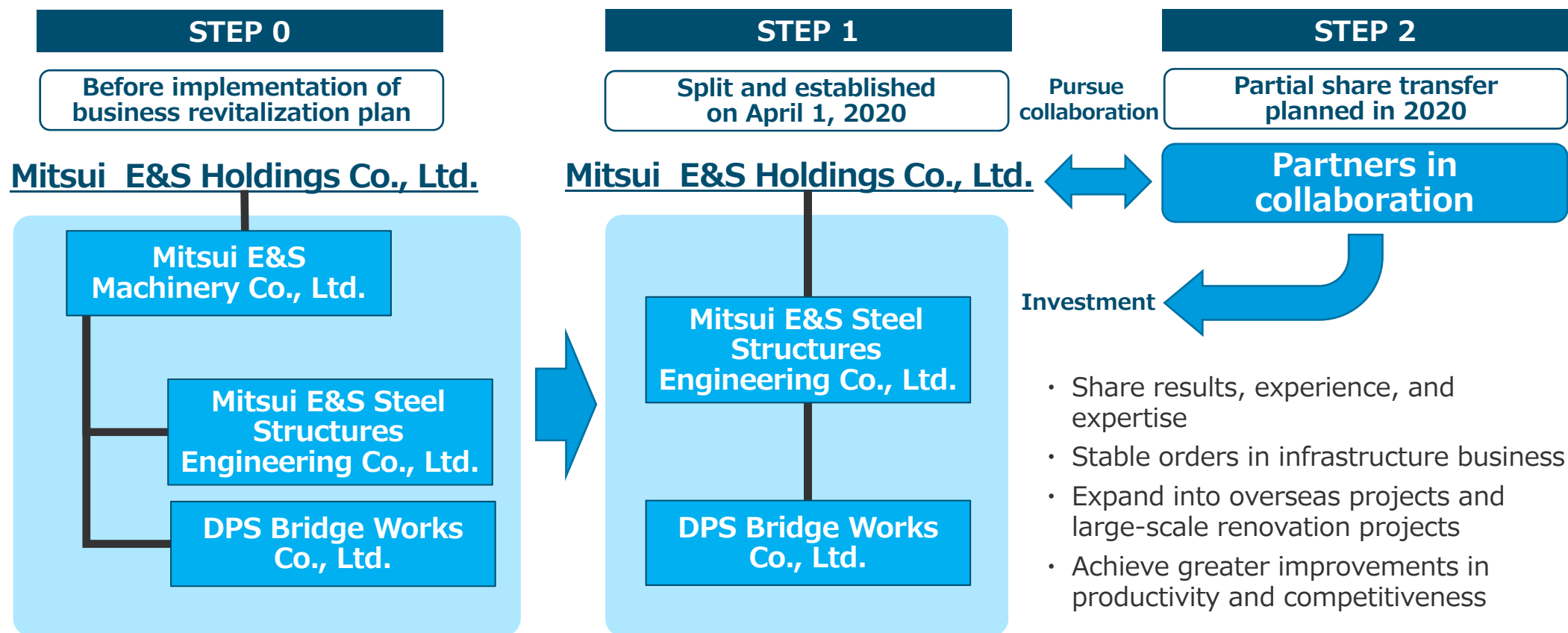
## ■ Sale of businesses and assets

- Achieved the target for strengthening capital by raising roughly 100 billion yen through the sale of businesses and assets.
  - Showa Aircraft Industry Co., Ltd. (March 2020)
  - Mitsui E&S Plant Engineering Inc.(March 2020)
  - Solar power generation business and related assets(March 2020)
  - Green Power Ichihara Co., Ltd. (April 2020)
  - Chiba plant location (April 2020)
  - Investment securities, etc.

## ■ Reduction in fixed costs

- Group-wide, we are currently in the process of implementing personnel measures, including the relocation and transfer of a total of roughly 1,000 employees.
  - Reassignment to other group companies
  - Transfer to other companies due to the sale, etc. of an operating company (outside of the group)
  - Solicited 200 voluntary retirements in conjunction with the exit from commercial shipbuilding at the Chiba plant

# Progress on Business Revitalization Plan —Restructuring of Social Infrastructure Business—



- ◆ Pursue collaboration with companies outside of the group in the social infrastructure business to strengthen competitiveness and expand business.
- ◆ To achieve that, Mitsui E&S Machinery Co., Ltd., a consolidated subsidiary involved in the social infrastructure business was split off as an independent company and integrated with Mitsui E&S Steel Structures Engineering Co., Ltd. (Effected on April 1, 2020)
- ◆ Pursuing collaboration will enhance the corporate value of the subsidiary involved in the social infrastructure business.

## ■ Impact on fiscal year ending March 31, 2021 results

- At MODEC, Inc.:
  - ✓ Construction of FPSO systems has been suspended and delayed.
  - ✓ Oil exploration companies have revised exploration plans and this has caused deterioration in the order environment.
- The timing of resumption of the coal-fired power plant civil engineering construction projects in Indonesia has not be determined at present.
- There have been delays in the delivery of goods, materials, and equipment and restrictions placed on the dispatch of personnel and provision of services.
- Commercial talks and negotiations have been delayed.



We are in the process of calculating the quantitative impact while also trying to determine the timeframe for the end of the novel coronavirus pandemic.

# Summary of FYE Mar. 2021 Forecast

(JPY : Billion)

	FYE Mar. 2020 Actual	FYE Mar. 2021 Forecast	Var.
<b>New Order</b>	996.8	550.0~ 750.0	(246.8)
<b>Net Sales</b>	786.5	630.0	(156.5)
<b>Operating Income</b>	(62.1)	(10.0)	+52.1
<b>Ordinary Income</b>	(60.5)	(7.0)	+53.5
<b>Profit attributable to owners</b>	(86.2)	0	+86.2
<b>Free CF</b>	46.9	(40.0)	(86.9)
<b>Debt (with interest)</b>	173.9	190.0	+16.1

\* Exchange rate assumption: ¥110/USD

\* Impact that a ¥1 appreciation against the USD has on operating income: Negative impact of approximately ¥100 million.

# Summary of FYE Mar. 2021 Forecast by Segment

(JPY : Billion)

	New Order			Net Sales		
	FYE Mar. 2020 Actual	FYE Mar. 2021 Forecast	Var.	FYE Mar. 2020 Actual	FYE Mar. 2021 Forecast	Var.
Ship	68.7	90.0	+21.3	115.1	90.0	(25.1)
Ocean Development	636.1	200.0~ 400.0	(236.1)	332.9	280.0	(52.9)
Machinery	192.3	180.0	(12.3)	200.4	170.0	(30.4)
Engineering	48.2	20.0	(28.2)	69.6	30.0	(39.6)
Other	51.5	60.0	+8.5	68.4	60.0	(8.4)
Total	996.8	550.0~ 750.0	(246.8)	786.5	630.0	(156.5)

# Summary of FYE Mar. 2021 Forecast by Segment

(JPY : Billion)

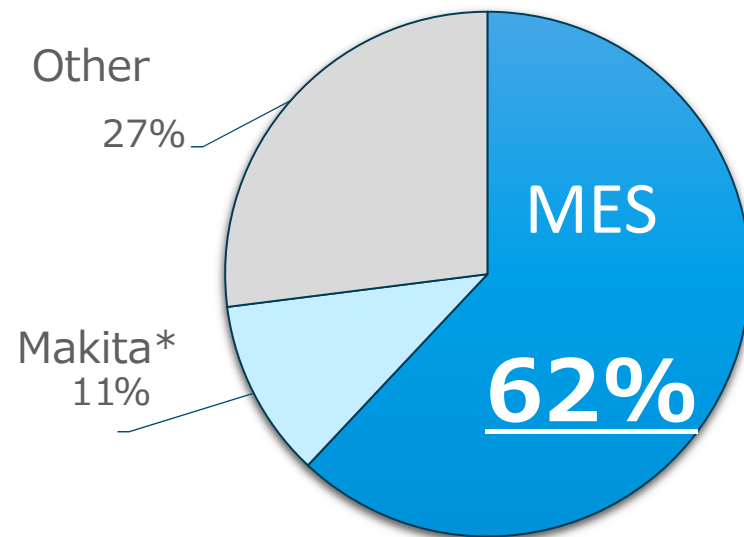
	Operating Income (Loss)			Ordinary Income (Loss)		
	FYE Mar. 2020 Actual	FYE Mar. 2021 Forecast	Var.	FYE Mar. 2020 Actual	FYE Mar. 2021 Forecast	Var.
Ship	(2.9)	(1.0)	+1.9	(2.9)	0	+2.9
Ocean Development	(4.9)	(20.0)	(15.1)	(1.0)	(13.0)	(12.0)
Machinery	13.3	10.0	(3.3)	14.0	10.0	(4.0)
Engineering	(71.4)	(1.0)	+70.4	(71.3)	(4.0)	+67.3
Other	3.8	2.0	(1.8)	0.7	0	(0.7)
<b>Total</b>	<b>(62.1)</b>	<b>(10.0)</b>	<b>+52.1</b>	<b>(60.5)</b>	<b>(7.0)</b>	<b>+53.5</b>

# Appendix) CAPEX・DEP・R&D・Employees

(JPY : Billion)

	FYE Mar. 2019 Actual	FYE Mar. 2020 Actual	FYE Mar. 2021 Forecast
CAPEX	18.3	15.6	18.6
Depreciation	14.5	15.4	—
R&D	4.5	3.5	3.8
Employees	13,607 People	13,408 People	—

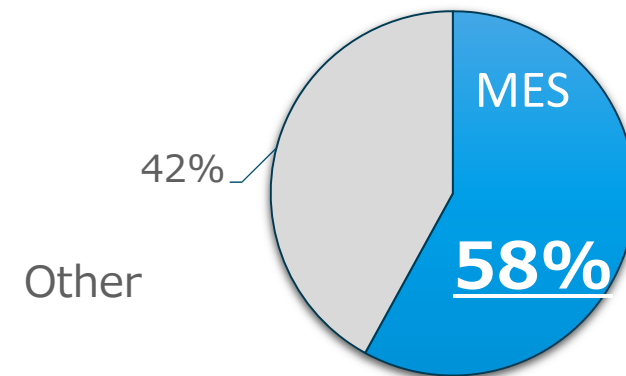
Jan. to Dec. 2019  
Marine Diesel Engines share in Japan



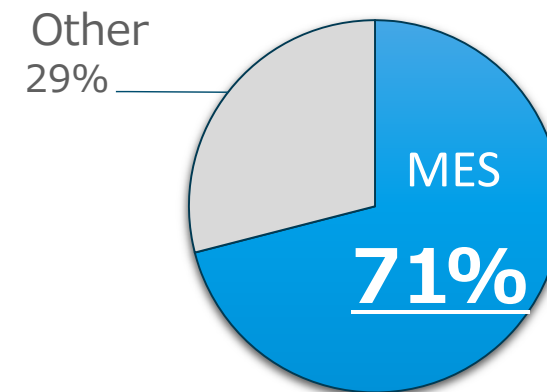
Source: KP data (2 stroke engine)

\*Makita : Sub-licensee of MES

From April, 2019 to March, 2020  
Market Share of Gantry Crane(PORTAINER®) in Japan



From April, 2019 to March, 2020  
Market Share of Transfer Crane(TRANSTAINER®) in Japan





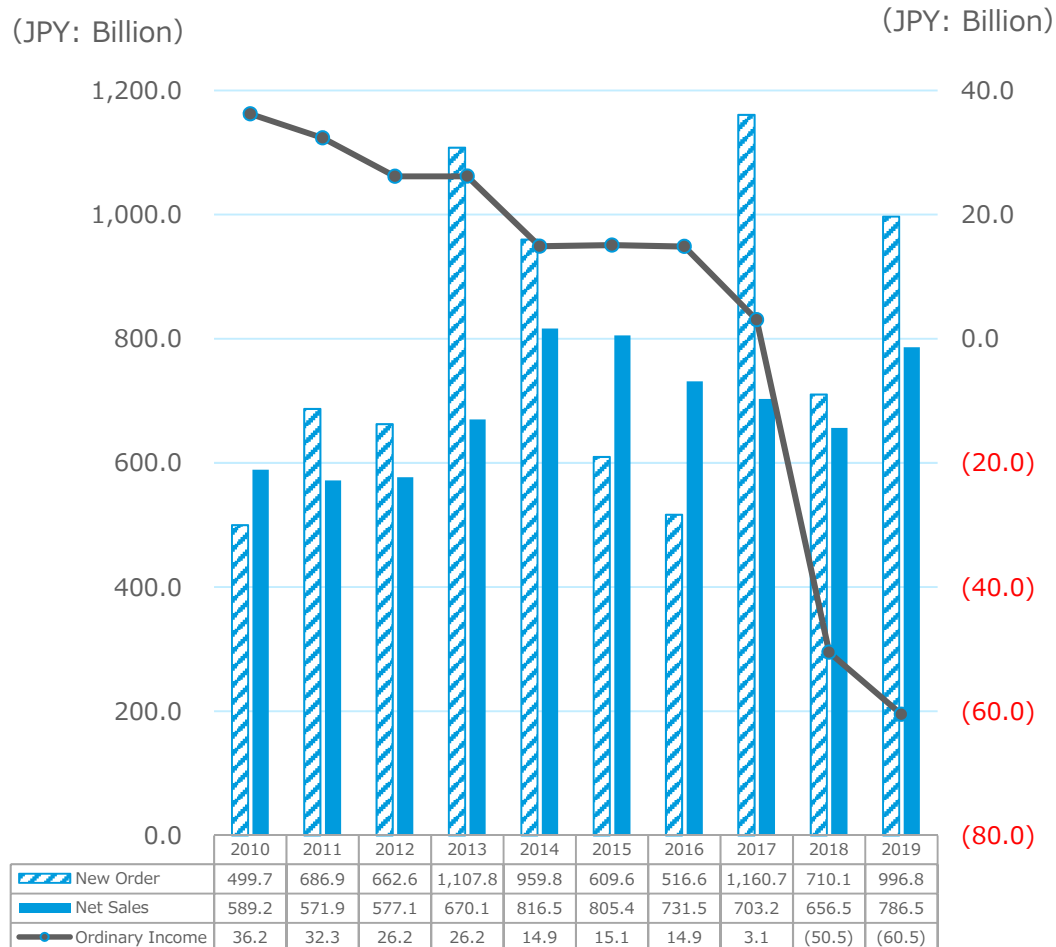
## New Ship (Mitsui E&S Shipbuilding Co., Ltd.)

	New Orders	Deliveries	Backlogs
Commercial Ship	0	10	11
Government Ship· Other Ship	1	3	7
Total	1	13	18

## Marine Diesel Engines (Mitsui E&S Machinery Co., Ltd.)

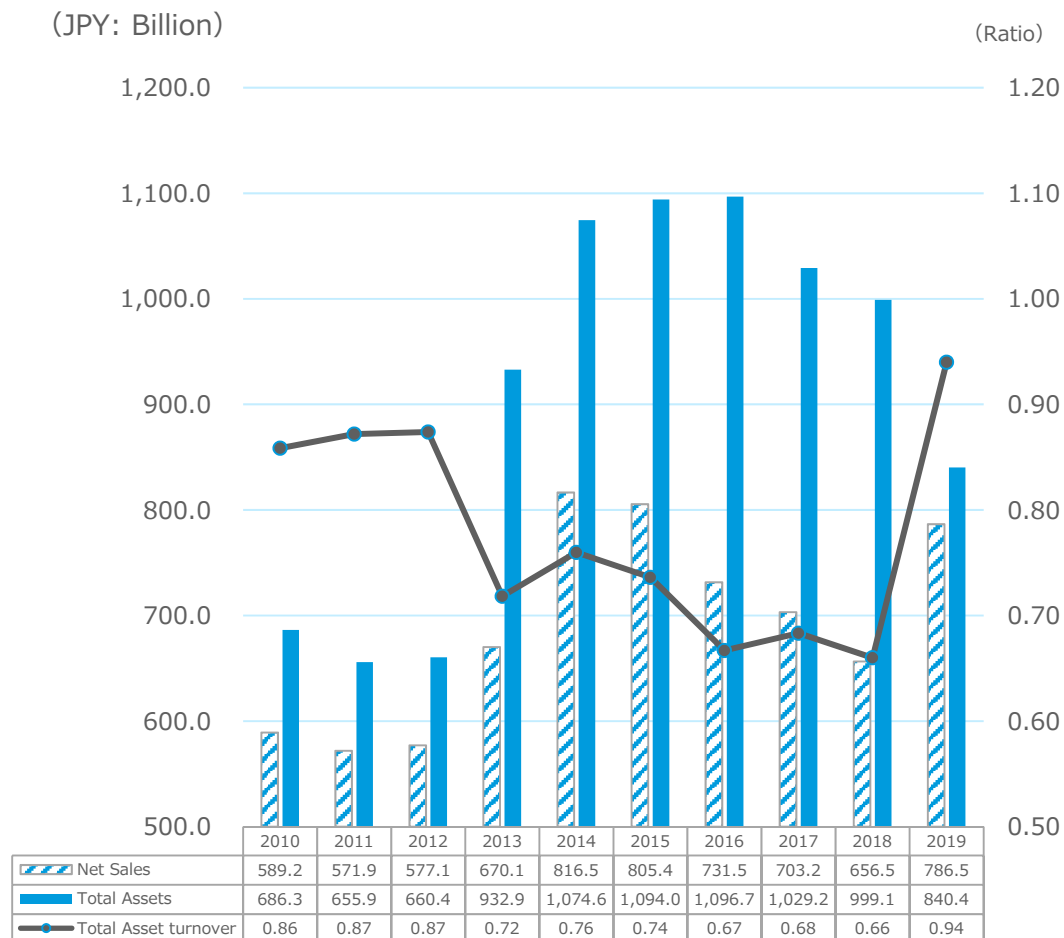
	FYE Mar. 2019 Actual		FYE Mar. 2020 Actual		FYE Mar. 2021 Forecast	
	Unit	Horse Power (10Kps)	Unit	Horse Power (10Kps)	Unit	Horse Power (10Kps)
New Orders	163	307	179	395	—	—
Deliveries	161	394	215	411	—	—
Back logs	135	263	98	246	—	—
Production	164	389	200	362	165	375

## <New Order·Net Sales·Ordinary Income >



New Order (Left axis)  
 Net Sales (Left axis)  
 Ordinary Income (Right axis)

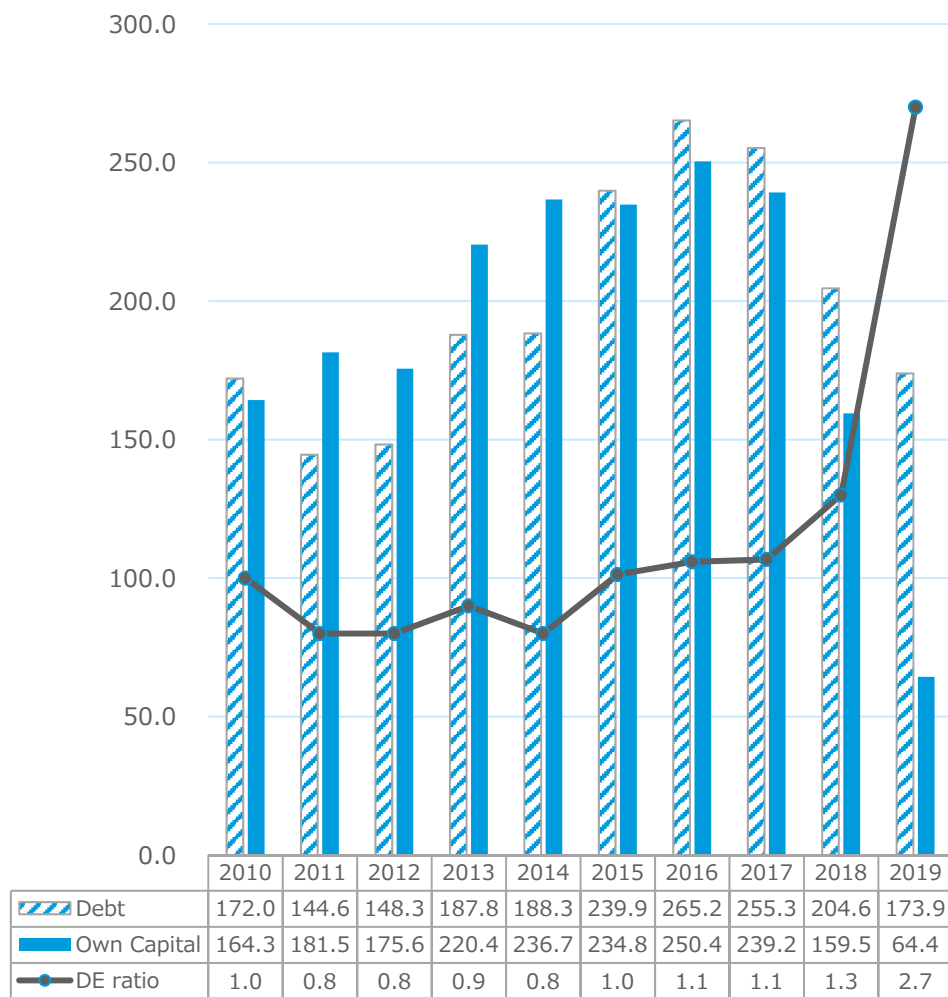
## <Net Sales·Total Assets·Total Asset turnover >



Net Sales (Left axis)  
 Total Assets (Left axis)  
 Total Asset turnover (Right axis)

## <Debt (with interest)·Own Capital·DE ratio>

(JPY: Billion)

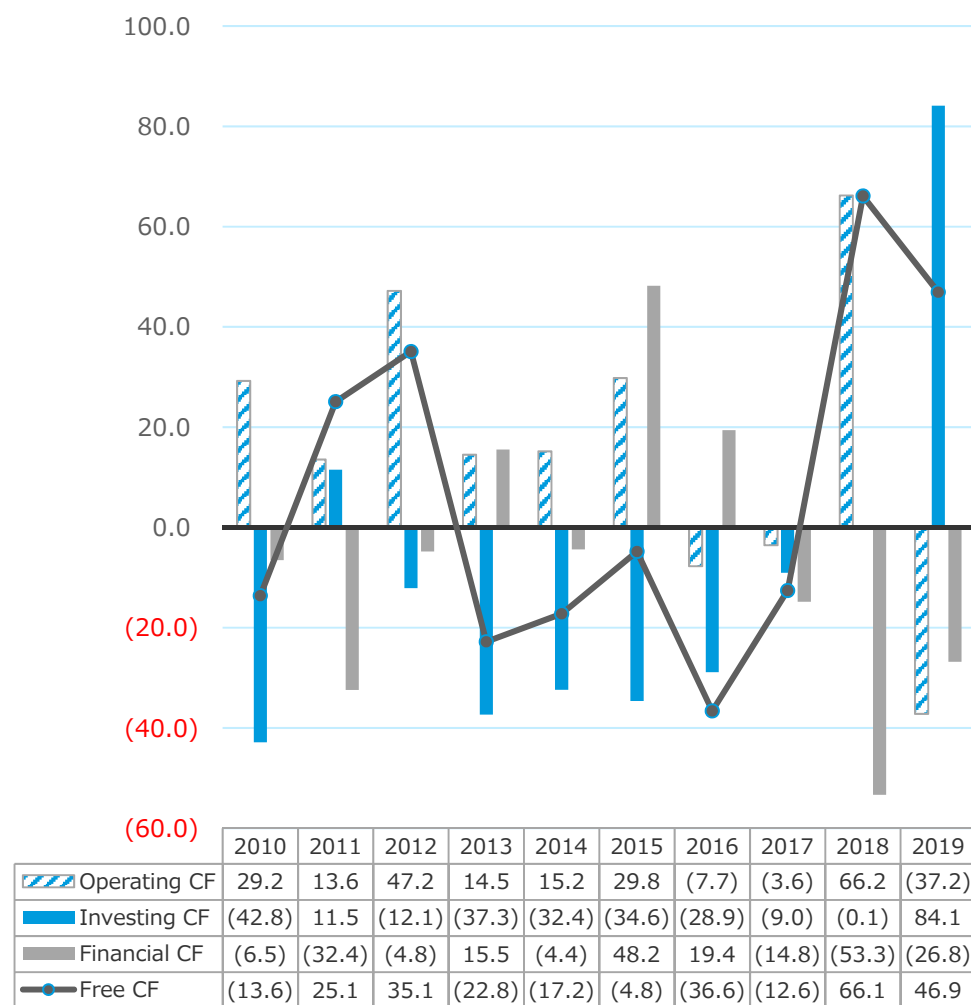


Debt Own Capital DE ratio

(Left axis) (Left axis) (Right axis)

## <Cash Flow>

(JPY: Billion)



Operating CF Investing CF Financial CF Free CF



# MITSUMI E&S

社会に人に信頼されるものづくり企業であり続けます

To continue working as a company trusted by society and individual through products and services we offer

In this document, performance forecasts, targets, plans, strategies, etc. of the Company in regard to the future contain forward-looking statements. These are forecasts that the Company reasonably determined based on information available at the present time and include both known and unknown risks and uncertainties. Accordingly, actual results or developments of our company in the future could differ significantly.

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