

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

1st Quarter CONSOLIDATED FINANCIAL RESULTS FOR FY2020

From April 1, 2020 to June 30, 2020

Code number:	7003	URL:	https://www.mes.co.jp/
Shares Listed:	Tokyo Stock Exchange		
Representative:	Ryoichi Oka, President, Representative Director, and CEO		
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Scheduled date to file Quarterly securities report:	August 7, 2020		
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 FY2020 (From April 1, 2020 to June 30, 2020)

(Millions of yen)

	From Apr. 1, 2019 to Jun. 30, 2019	From Apr. 1, 2020 to Jun. 30, 2020	Change (%)
New Orders Received	102,614	252,816	146.4
Net Sales	160,136	160,779	0.4
Operating Income (Loss)	2,205	(15,092)	—
Ordinary Income (Loss)	3,979	(13,903)	—
Profit (Loss) attributable to owners of parent	2,362	(8,468)	—
Earnings per Share (Yen)	29.23	(104.76)	—

Figures in parentheses represent negative.

(Millions of yen)

	As of Mar. 31, 2020	As of Jun. 30, 2020
Total Assets	840,380	796,843
Net Assets	105,355	80,460
Shareholders' Equity to Total Assets	7.7%	6.1%

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

2. Dividends

(Yen)

	FY2019	FY2020	FY2020 (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 FY2020

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Earnings per Share (Yen)
Year ending March 31, 2021	630,000	(10,000)	(7,000)	0	0.00

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)

	FY2019 / FY2019 1Q	FY2020 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	2,259,372	2,254,719
Average number of shares during the period (cumulative quarterly consolidated period)	80,831,338	80,843,474

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 material 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, port structures, induction heaters
Engineering	Renewable energy power generation plants, power generation business, overseas civil works, waste treatment plants, water treatment plants, resources recycling plants, PCB disposal plants

Change in Reportable Segment

The Company announced the Business Revival Plan in May 2019, reviewed a part of the plan in November 2019, and has been pushing forward the reform of business structure.

As part of this reform, jurisdiction over Mitsui E&S Steel Structures Engineering Co., Ltd. and DPS Bridge Works Co., Ltd., both were previously classified as "Machinery" and carries on Bridge business, has been changed since this 1st quarter of FY2020, and the said two companies are now belong to "Others."

Comparative segment information for the prior period has been restated to reflect the changes.

New Orders by Segment

(Millions of yen)

	From Apr. 1, 2019 to Jun. 30, 2019	From Apr. 1, 2020 to Jun. 30, 2020	Difference
Ship	9,240	17,294	8,053 87.2%
Ocean Development	12,118	159,171	147,052 -
Machinery	52,666	45,079	(7,587) (14.4%)
Engineering	12,615	7,834	(4,780) (37.9%)
Others	15,973	23,437	7,463 46.7%
Total	102,614	252,816	150,202 146.4%

Net Sales by Segment

(Millions of yen)

	From Apr. 1, 2019 to Jun. 30, 2019	From Apr. 1, 2020 to Jun. 30, 2020	Difference
Ship	23,024	22,715	(308) (1.3%)
Ocean Development	58,195	80,590	22,394 38.5%
Machinery	39,758	32,287	(7,470) (18.8%)
Engineering	15,911	8,185	(7,726) (48.6%)
Others	23,246	17,000	(6,246) (26.9%)
Total	160,136	160,779	642 0.4%

Operating Income (Loss) by Segment

(Millions of yen)

	From Apr. 1, 2019 to Jun. 30, 2019	From Apr. 1, 2020 to Jun. 30, 2020	Difference
Ship	(1,635)	(165)	1,470
Ocean Development	236	(12,071)	(12,308)
Machinery	1,160	512	(647)
Engineering	1,192	(3,486)	(4,678)
Others	1,251	117	(1,134)
Total	2,205	(15,092)	(17,298)

Figures in parentheses represent negative.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and time deposits	118,405	105,640
Trade receivables	282,368	266,094
Merchandise and finished goods	4,714	5,005
Work in progress	46,165	53,675
Raw materials and supplies	5,505	5,479
Short-term loans	9,593	10,499
Others	50,259	47,824
Allowance for doubtful accounts	(1,185)	(907)
Total current assets	515,827	493,311
Non-current assets		
Property, plant and equipment		
Land	90,261	74,360
Others, net	69,297	65,718
Total property, plant and equipment	159,559	140,078
Intangible assets		
Goodwill	10,061	9,922
Others	18,180	19,280
Total intangible assets	28,242	29,202
Investments and other assets		
Others	137,179	134,727
Allowance for doubtful accounts	(427)	(476)
Total investments and other assets	136,751	134,251
Total non-current assets	324,552	303,532
Total assets	840,380	796,843

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Trade payables	238,241	235,764
Short-term borrowings	34,670	26,720
Current portion of long-term borrowings	40,245	34,437
Current portion of bonds	5,000	5,000
Accrued income taxes	7,803	8,946
Advances from customers	83,983	98,528
Provision for construction warranties	11,389	11,083
Provision for losses on construction contracts	98,505	97,082
Provision for losses on liquidation of subsidiaries and affiliates	-	476
Provision for repairs	10,573	5,933
Other provisions	9,086	6,513
Asset retirement obligations	10	408
Others	42,246	38,644
Total current liabilities	581,756	569,539
Long-term liabilities		
Bonds	35,000	35,000
Long-term borrowings	59,019	52,102
Liability for severance and retirement benefits for directors and corporate auditors	23	14
Provision for business restructuring	3,374	3,381
Other provisions	1,878	2,288
Net defined benefit liabilities	11,685	12,667
Asset retirement obligations	1,794	2,542
Others	40,492	38,846
Total long-term liabilities	153,267	146,843
Total liabilities	735,024	716,383
Net assets		
Shareholders' equity		
Common stock	44,384	44,384
Capital surplus	18,486	18,484
Retained earnings	(18,676)	(16,990)
Treasury stock	(4,726)	(4,715)
Total shareholders' equity	39,469	41,163
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on securities	(29)	148
Unrealized gains (losses) on hedging derivatives	(10,275)	(15,701)
Revaluation reserve for land	37,707	27,552
Foreign currency translation adjustments	(1,814)	(3,877)
Remeasurements of defined benefit plans	(680)	(584)
Total accumulated other comprehensive income	24,907	7,538
Subscription rights to shares	175	168
Non-controlling interests	40,802	31,591
Total net assets	105,355	80,460
Total liabilities and net assets	840,380	796,843

Consolidated Statements of Operations

(Millions of yen)

	April 1, 2019 to June 30, 2019	April 1, 2020 to June 30, 2020
Net sales	160,136	160,779
Cost of sales	144,752	165,081
Gross profit (loss)	15,384	(4,301)
Selling, general and administrative expenses	13,178	10,791
Operating income (loss)	2,205	(15,092)
Non-operating income		
Interest income	1,666	1,305
Dividend income	478	129
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	1,140	557
Foreign currency exchange gains	-	212
Others	512	510
Total non-operating income	3,797	2,714
Non-operating expenses		
Interest expenses	723	709
Commission expenses	15	231
Foreign currency exchange losses	126	-
Loss on valuation of derivatives	818	305
Others	339	278
Total non-operating expenses	2,023	1,525
Ordinary income (loss)	3,979	(13,903)
Extraordinary income		
Gain on disposal of non-current assets	9	14
Gain on sales of subsidiaries and affiliates' stocks	-	2,342
Total extraordinary income	9	2,357
Extraordinary losses		
Loss on disposal of non-current assets	13	780
Loss on impairment of non-current assets	60	836
Loss on sales of subsidiaries and affiliates' stocks	310	-
Loss on valuation of investment securities	-	180
Loss on valuation of shares of subsidiaries and affiliates	43	-
Provision for losses on liquidation of subsidiaries and affiliates	-	476
Business restructuring cost	-	67
Retirement benefit expenses	-	818
Total extraordinary losses	426	3,158
Profit (loss) before income taxes	3,562	(14,705)
Income taxes	1,283	(807)
Profit (loss)	2,278	(13,897)
Loss attributable to non-controlling interests	(84)	(5,429)
Profit (loss) attributable to owners of parent	2,362	(8,468)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2019 to June 30, 2019	April 1, 2020 to June 30, 2020
Profit (loss)	2,278	(13,897)
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(804)	177
Unrealized gains (losses) on hedging derivatives	(156)	30
Foreign currency translation adjustments	(979)	(2,873)
Remeasurements of defined benefit plans	128	109
Share of other comprehensive income of affiliates accounted for using equity method	(2,034)	(6,895)
Total	(3,846)	(9,451)
Comprehensive income	(1,568)	(23,349)
Comprehensive income attributable to		
Owners of parent	(1,087)	(15,683)
Non-controlling interests	(480)	(7,665)