

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

1st Quarter CONSOLIDATED FINANCIAL RESULTS FOR FY2021

From April 1, 2021 to June 30, 2021

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 6, 2021		
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 FY2021 (From April 1, 2021 to June 30, 2021)

(Millions of yen)

	From Apr. 1, 2020 to Jun. 30, 2020	From Apr. 1, 2021 to Jun. 30, 2021	Change (%)
New Orders Received	252,816	96,305	(61.9)
Net Sales	160,779	185,927	15.6
Operating Income (Loss)	(15,092)	2,760	—
Ordinary Income (Loss)	(13,903)	6,656	—
Profit (Loss) attributable to owners of parent	(8,468)	5,712	—
Earnings per Share (Yen)	(104.76)	70.66	

Figures in parentheses represent negative.

(Millions of yen)

	As of Mar. 31, 2021	As of Jun. 30, 2021
Total Assets	766,449	729,682
Net Assets	95,901	107,783
Shareholders' Equity to Total Assets	8.8%	11.0%

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

2. Dividends

(Yen)

	FY2020	FY2021	FY2021 (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 FY2021

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Earnings per Share (Yen)
Year ending March 31, 2022	670,000	5,000	6,000	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: Yes

ii) Changes due to other reasons: None

iii) Changes in accounting estimates: None

iv) Restatements: None

(4) Number of shares outstanding (common stock)

	FY2020 / FY2020 1Q	FY2021 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	2,250,244	2,250,831
Average number of shares during the period (cumulative quarterly consolidated period)	80,843,474	80,848,043

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, induction heaters
Engineering	Overseas civil works, power generation business

Changes in Reportable Segment

As part of "Reform of business structure" from Mid-term Business Plan 2020, the classification of MES TOKKI & Engineering Co., Ltd. and Akishima Laboratories (Mitsui Zosen) Inc. has changed from "Ships" to "Others" from this 1st quarter of FY2021. The former engages in sales and maintenance of special facilities for naval ships and aircraft and the latter engages in research and development for ships/ocean. Also, due to the Reorganization of Engineering Business under the Business Revival Plan announced in FY2019, DASH ENGINEERING PHILIPPINES, INC. has got to play a role as function sharing company throughout the Group. Because of this, its classification has changed from "Engineering" to "Others" from this 1st quarter of FY2021.

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

Change in Accounting Policy

Application of Accounting Standard for Revenue Recognition, etc.

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of this 1st quarter of FY2021, and it recognizes expected revenue when (or as) transferring control of promised goods or services to customers. Contracts using the percentage-of-completion method, which previously adopted earned value method as a measure of progress, have changed to adopt the percentage of cost method as a measure, instead.

As a result of this change, year-to-date sales to outside customers and segment operating income for "Ocean Development" have decreased by 3,255 million yen and 403 million yen, respectively, compared with the previous method.

New Orders by Segment

(Millions of yen)

	From Apr. 1, 2020 to Jun. 30, 2020	From Apr. 1, 2021 to Jun. 30, 2021	Difference
Ship	15,110	4,802	(10,308) (68.2%)
Ocean Development	159,171	45,840	(113,330) (71.2%)
Machinery	45,079	37,191	(7,887) (17.5%)
Engineering	7,777	162	(7,615) (97.9%)
Others	25,678	8,308	(17,369) (67.6%)
Total	252,816	96,305	(156,511) (61.9%)

Net Sales by Segment

(Millions of yen)

	From Apr. 1, 2020 to Jun. 30, 2020	From Apr. 1, 2021 to Jun. 30, 2021	Difference
Ship	21,505	12,481	(9,024) (42.0%)
Ocean Development	80,590	119,855	39,265 48.7%
Machinery	32,287	38,157	5,869 18.2%
Engineering	8,128	2,723	(5,404) (66.5%)
Others	18,267	12,709	(5,558) (30.4%)
Total	160,779	185,927	25,148 15.6%

Operating Income (Loss) by Segment

(Millions of yen)

	From Apr. 1, 2020 to Jun. 30, 2020	From Apr. 1, 2021 to Jun. 30, 2021	Difference
Ship	(344)	(40)	304
Ocean Development	(12,071)	1,647	13,718
Machinery	512	604	91
Engineering	(3,502)	(239)	3,263
Others	313	789	475
Total	(15,092)	2,760	17,853

Figures in parentheses represent negative.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and time deposits	137,647	126,983
Trade receivables	233,955	-
Notes and accounts receivable - trade, and contract assets	-	209,451
Merchandise and finished goods	5,925	5,824
Work in progress	55,287	35,629
Raw materials and supplies	4,231	4,234
Short-term loans	1,745	8,081
Others	41,772	46,020
Allowance for doubtful accounts	(1,498)	(1,170)
Total current assets	479,067	435,055
Non-current assets		
Property, plant and equipment		
Land	70,959	70,960
Others, net	60,187	58,771
Total property, plant and equipment	131,146	129,731
Intangible assets		
Goodwill	9,631	9,518
Others	17,769	17,757
Total intangible assets	27,400	27,276
Investments and other assets		
Others	129,178	137,923
Allowance for doubtful accounts	(342)	(305)
Total investments and other assets	128,835	137,618
Total non-current assets	287,382	294,627
Total assets	766,449	729,682

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Trade payables	215,208	185,535
Short-term borrowings	70,852	53,069
Current portion of long-term borrowings	20,713	19,032
Current portion of bonds	15,000	15,000
Accrued income taxes	6,490	7,670
Advances from customers	94,345	789
Contract liabilities	-	107,064
Provision for construction warranties	10,823	11,209
Provision for losses on construction contracts	77,043	72,147
Provision for repairs	3,731	3,985
Other provisions	7,602	4,302
Asset retirement obligations	4	4
Others	37,427	41,762
Total current liabilities	559,244	521,574
Long-term liabilities		
Bonds	20,000	20,000
Long-term borrowings	37,964	31,379
Liability for severance and retirement benefits for directors and corporate auditors	20	22
Provision for business restructuring	1,879	1,719
Other provisions	1,643	1,171
Net defined benefit liabilities	8,052	7,529
Asset retirement obligations	2,368	2,381
Others	39,374	36,120
Total long-term liabilities	111,303	100,324
Total liabilities	670,548	621,899
Net assets		
Shareholders' equity		
Common stock	44,384	44,384
Capital surplus	18,396	18,415
Retained earnings	(8,596)	(5,324)
Treasury stock	(4,696)	(4,696)
Total shareholders' equity	49,488	52,778
Accumulated other comprehensive income		
Net unrealized holding gains on securities	193	274
Unrealized losses on hedging derivatives	(9,174)	(5,412)
Revaluation reserve for land	27,609	27,609
Foreign currency translation adjustments	(5,930)	102
Remeasurements of defined benefit plans	5,321	5,117
Total accumulated other comprehensive income	18,019	27,691
Subscription rights to shares	151	151
Non-controlling interests	28,241	27,162
Total net assets	95,901	107,783
Total liabilities and net assets	766,449	729,682

Consolidated Statements of Operations

(Millions of yen)

	April 1, 2020 to June 30, 2020	April 1, 2021 to June 30, 2021
Net sales	160,779	185,927
Cost of sales	165,081	172,888
Gross profit (loss)	(4,301)	13,038
Selling, general and administrative expenses	10,791	10,278
Operating income (loss)	(15,092)	2,760
Non-operating income		
Interest income	1,305	1,250
Dividend income	129	77
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	557	2,205
Foreign currency exchange gains	212	693
Others	510	934
Total non-operating income	2,714	5,162
Non-operating expenses		
Interest expenses	709	765
Commission expenses	231	222
Loss on valuation of derivatives	305	70
Others	278	208
Total non-operating expenses	1,525	1,266
Ordinary income (loss)	(13,903)	6,656
Extraordinary income		
Gain on disposal of non-current assets	14	346
Gain on sale of investment securities	-	11
Gain on sales of subsidiaries and affiliates' stocks	2,342	4,607
Total extraordinary income	2,357	4,965
Extraordinary losses		
Loss on disposal of non-current assets	780	35
Loss on impairment of non-current assets	836	-
Loss on valuation of investment securities	180	180
Provision for losses on liquidation of subsidiaries and affiliates	476	-
Business restructuring cost	67	-
Retirement benefit expenses	818	-
Total extraordinary losses	3,158	215
Profit (loss) before income taxes	(14,705)	11,406
Income taxes	(807)	4,393
Profit (loss)	(13,897)	7,012
Profit (loss) attributable to non-controlling interests	(5,429)	1,300
Profit (loss) attributable to owners of parent	(8,468)	5,712

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2020 to June 30, 2020	April 1, 2021 to June 30, 2021
Profit (loss)	(13,897)	7,012
Other comprehensive income		
Net unrealized holding gains on securities	177	82
Unrealized gains (losses) on hedging derivatives	30	(2,251)
Foreign currency translation adjustments	(2,873)	4,489
Remeasurements of defined benefit plans	109	(247)
Share of other comprehensive income of affiliates accounted for using equity method	(6,895)	8,455
Total	(9,451)	10,528
Comprehensive income	(23,349)	17,541
Comprehensive income attributable to		
Owners of parent	(15,683)	15,384
Non-controlling interests	(7,665)	2,156