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MITSUI E&S

May 15, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)

Company name: MITSUI E&S Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 7003
URL: https://www.mes.co.jp/
Representative: Takeyuki Takahashi, President, Representative Director, and CEO
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Scheduled date of annual general meeting of shareholders: June 28, 2023
Scheduled date to commence dividend payments: June 29, 2023
Scheduled date to file annual securities report: June 28, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Profit (loss) attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	262,301	(54.7)	9,376	-	12,532	-	15,554	-
March 31, 2022	579,363	(10.1)	(10,029)	-	(25,742)	-	(21,825)	-

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥ 37,473 million [- %]
For the fiscal year ended March 31, 2022: (¥ 8,780) million [- %]

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	177.47	174.92	19.0	3.0	3.6
March 31, 2022	(269.94)	-	(36.0)	(4.4)	(1.7)

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2023: ¥ 3,810 million
For the fiscal year ended March 31, 2022: (¥ 14,645) million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	439,959	110,686	24.2	1,107.02
March 31, 2022	409,150	62,949	14.0	706.06

Reference: Equity As of March 31, 2023: ¥ 106,404 million
As of March 31, 2022: ¥ 57,091 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	(15,043)	(2,999)	9,515	43,468
March 31, 2022	(20,265)	(70,923)	806	50,818

2. Dividends

Common Stock	Annual dividend per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Dividends to net assets ratio (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2022	-	0.00	-	0.00	0.00	-	-	-
March 31, 2023	-	0.00	-	3.00	3.00	262	1.7	0.3
March 31, 2024 (Forecast)	-	0.00	-	3.00	3.00		11.1	

Note: The above "2. Dividends" shows dividends for Common stock. For details of dividends for Preferred shares (unlisted), the rights of which are different from those of Common stock issued by the Company, please refer to "Reference 2: Dividends for Preferred Shares" below.

3. Forecast of Financial Results (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
Fiscal year ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2024	280,000	6.7	10,000	6.7	4,000	(68.1)	3,000	(80.7)	27.14

Reference: Estimate is based on exchange rate of USD1.00 = JPY135.0

*** Notes**

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly included: -

Excluded: 1 company (Mitsui E&S Shipbuilding Co., Ltd.)

(2) Changes in accounting policies, changes in accounting estimates, and restatement

i) Changes in accounting policies due to revisions of accounting standards: None

ii) Changes in accounting policies due to other reasons: None

iii) Changes in accounting estimates: None

iv) Restatement: None

(3) Number of issued shares (common stock)

i) Number of issued shares at the end of the period (including treasury stock)

As of	shares
March 31, 2023	89,737,117
March 31, 2022	83,098,717

ii) Number of treasury stock at the end of the period

As of	shares
March 31, 2023	2,226,686
March 31, 2022	2,238,851

iii) Average number of shares outstanding during the period

Fiscal year ended	shares
March 31, 2023	84,661,277
March 31, 2022	80,852,727

Reference 1: Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated Operating Results (Percentages indicate year-on-year changes.)

	Operating revenue		Operating income		Ordinary income		Profit (loss)	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	15,539	1.7	6,297	9.6	3,681	139.0	13,175	-
March 31, 2022	15,285	(33.4)	5,744	(50.6)	1,540	(81.7)	(7,323)	-

	Earnings per share	Earnings per share (diluted)
Fiscal year ended	Yen	Yen
March 31, 2023	149.38	147.23
March 31, 2022	(90.57)	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	335,171	49,987	14.9	460.82
March 31, 2022	321,220	25,883	8.0	318.57

Reference: Equity As of March 31, 2023: ¥ 49,855 million

As of March 31, 2022: ¥ 25,759 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Notice regarding forward-looking statements)

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. Please refer to “1. Overview of Operating Results and Others, (4) Future Outlook” on page 4 (attached materials) for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts, etc.

(Where to get the supplementary explanatory materials)

Financial results briefing for analysts is scheduled for May 15, 2023. Supplementary material, which will be distributed at the said briefing, is planned to be posted on our web site.

Reference 2: Dividends for Preferred Shares

Dividend per share for Class-A Preferred shares are as follows:

Class-A Preferred Shares	Annual dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen
March 31, 2022	-	-	-	-	-
March 31, 2023	-	-	-	29.38	29.38
March 31, 2024 (Forecast)	-	-	-	39.00	39.00

Note: Each dividend per share is rounded to the nearest thousandths place, and then converted to units of yen which are rounded to the nearest hundredth place.

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1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year

i) Outline of Consolidated Operating Results

During the fiscal year under review, the global economy showed signs of recovery due to anti-COVID-19 measures and measures for socioeconomic activities. However, the speed of recovery is now slowing due to high global inflation and the rapid monetary tightening intended to control it. In addition, the concern is growing that the rapid interest rate hikes in the U.S. and Europe will trigger instability in financial systems, and this leads to status that the future outlook remains uncertain.

In the U.S. economy, although there are signs of steady consumer spending due to withdrawals of savings and favorable employment conditions, high inflation and higher policy interest rates are expected to put downward pressure on the economy, leading to a slowdown. The European economy is also expected to weaken due to a slow recovery in consumer confidence caused by the tense situation in Ukraine as well as the growing financial system instability originating in the United States. The Chinese economy is expected to recover at a moderate pace as economic activities normalize with the lifting of the zero-COVID policy and growing consumption of services, but the recovery will remain fragile in non-service demand due to slow auto sales, a less-active real estate market, and weak exports. On the other hand, the domestic economy is on the road to recovery due to solid consumer spending and corporate earnings that generally remain high, but with concerns about a slowdown in the global economy, rising prices, and future interest rate trends, uncertainty is high and the situation remains unpredictable.

Under such circumstances, in line with the "Mitsui E&S Group Business Revival Plan" (announced in May 2019 and partially reviewed in November 2019, hereinafter, the "Business Revival Plan"), we have executed the restructuring and withdrawal of unprofitable businesses including the shipbuilding business, which is our founding business. We have sold approximately 20 businesses and assets totaling over 120.0 billion yen, including subsidiaries and real estates by the end of FY2022. Regarding the civil engineering construction projects for thermal power plants in the Republic of Indonesia, which were our biggest concern, their commercial operations have already started and the risk has been significantly reduced as a result. The remaining work is limited to parts that do not directly affect its operation, and is being carried out in an orderly manner that accommodates commercial operation. Furthermore, on March 31, 2022, we announced fund raising totaling approximately 17.0 billion yen as a capital measure to improve our financial soundness and invest in growth through the "issuance of Class A preferred shares through third-party allotment and issuance of 1st series of share acquisition rights with an exercise price amendment clause through third-party allotment" and completed the payment procedure for 9.0 billion yen of "Class A Preferred Shares" on June 30, 2022. As of March 31, 2023, approximately 33%, or approximately 2.3 billion yen, of the "1st series of share acquisition rights with an exercise price amendment clause" had been exercised, and our financial soundness has been improved. The Group has implemented all of these measures as planned and has now successfully completed the Business Revival Plan.

On May 13, 2022, we announced starting the "Mid-Term Business Plan 2023" in FY2022, one year ahead of schedule, in the light of the significant changes in the business environment surrounding us. As part of this Growth strategies, and with the aim of strengthening development, production, and after-sales service in the core marine propulsion engine business, on September 27, 2022, the Company concluded a "Share transfer agreement regarding succession of business related to marine large bore engines and its incidental business of IHI Power Systems Co., Ltd." and Mitsui E&S DU Co., Ltd. was established in April 2023. In addition, the Company has begun construction to expand its production facilities on the premises of the Group's Tamano Machinery Works in Okayama Prefecture to launch new marine engines using the next-generation fuels. (Announced on November 9, 2022)

Furthermore, the Company merged Mitsui E&S Machinery Co., Ltd. and Mitsui E&S Business Service Co., Ltd. and changed our corporate name to "MITSUI E&S Co., Ltd." on April 1, 2023. Through this merger, we aim to increase the speed of strategy planning and its execution by reducing the gap between business and management and integrating them into a single entity for the purpose of future growth and improved profitability. In addition, subject to approval at the Annual General Meeting of Shareholders to be held in June 2023, the Company plans to transition to a company with an Audit Committee after the Annual General Meeting of Shareholders. (Announced on January 26, 2023)

The Group endeavor to enhance the corporate value of the new MITSUI E&S Group by strengthening the foundation for the execution of the growth strategies in the Mid-Term Business Plan 2023 and by implementing and accelerating further growth strategies.

Orders received in the current fiscal year decreased by 188,738 million yen (down 36.9% year on year) from the previous fiscal year to 322,351 million yen. Net sales were 262,301 million yen, decreased by 317,062 million yen (down 54.7%) year on year due to the exclusion of MODEC, Inc. from the scope of consolidation in Ocean Development. Operating income was 9,376 million yen (previous fiscal year was operating loss of 10,029 million yen), mainly due to improved profitability in Engineering resulting from progress in civil engineering construction projects for thermal power plants in the Republic of Indonesia. Ordinary income was 12,532 million yen (previous fiscal year was ordinary loss of 25,742 million yen) due to the recording of operating income, foreign currency exchange gains, and share of profit of entities accounted for using equity method. Profit attributable to owners of parent was 15,554 million yen (previous fiscal year was loss attributable to owners of parent of 21,825 million yen).

ii) Overview of Consolidated Operating Results by Segment

The overview of reportable segments is as follows.

(Ship)

Regarding commercial ships, the chartered vessel market, which includes container ships and bulk carriers, has maintained high prices. However, both shipowners and shipyards are taking a wait-and-see position due to economic uncertainty caused by rising materials and equipment prices and Russian invasion of Ukraine. Meanwhile, the movement toward reducing environmental impact has not stagnated, and shipowners and shipyards are requesting the consideration of introducing vessels with new kind of fuels.

Mitsui E&S Shipbuilding Co., Ltd. with its two subsidiaries under the same Ship segment, were excluded from the scope of consolidation from the third quarter of this fiscal year due to a decrease in equity interest. Thus orders received, net sales, and operating income (loss) are recognized up to the second quarter of this fiscal year when they were consolidated subsidiaries.

Compared with the previous fiscal year, orders received and net sales decreased by 11,082 million yen (down 56.8%) to 8,439 million yen and 21,489 million yen (down 76.5%) to 6,598 million yen, respectively, due to the impact of the transfer of the naval ship business in the previous fiscal year. Operating income increased to 83 million yen from a loss of 438 million yen in the previous year.

(Ocean Development)

Crude oil prices temporarily rose to the low US$120 per barrel range due to the perception that supply shortages would intensify, triggered by the EU's introduction of an embargo on Russian crude oil, but later fell to the US$70 per barrel range due to the growing perception that energy demand would decrease because of a downturn in the Chinese economy and concerns about an economic recession caused by monetary tightening in major developed countries. As a result, while coexisting with the trend toward decarbonization, maintaining a stable energy supply remains an important issue, and deep-water oil field development projects by oil companies are expected to continue, with stable growth expected for large projects in Ultra-deepwater, an area in which our Group has an advantage.

The profitability of construction work of MODEC, Inc. and its affiliates declined due to the COVID-19 pandemic that has been continuing since the previous fiscal year and additional repair costs for the FPSO and other facilities in Brazil. Despites those negative impacts, share of profit of entities accounted for using equity method recorded 2,311 million yen due to the progress of construction work with relatively high profitability and accumulation of earnings from the charter business.

(Machinery)

The environment for marine diesel engine orders is recovering, with production of 136 units/2.83 million horsepower in the current fiscal year and 143 units/2.90 million horsepower expected in the next fiscal year. In addition, orders and inquiries for dual-fuel engines including methanol-fuel ones are growing rapidly, and we have begun to expand our facilities to handle these demands. We are also proceeding the proactive research and development on ammonia-fuelled engines. Going forward, we leverage the benefits of taking over the marine large bore engine businesses of IHI Power Systems Co., Ltd. to create synergies through a double licensing structure for MAN B&W engines and WinGD engines.

With regard to cranes, overseas orders have remained strong due to continued orders for large projects in Southeast Asia. Domestic demands have also been strong for new construction and expansion of existing facilities as well as renewal of existing facilities due to aging. In addition, the world's first Zero-emission Transtainer (hydrogen fuel cell power pack-driven Transtainer), which was being tested in collaboration with New Energy and Industrial Technology Development Organization (NEDO), has successfully undergone demonstration testing. We believe this success will accelerate its commercialization in the future.

Regarding industrial machinery, the business environment remained challenging for reciprocating compressors as well as axial compressors and top pressure recovery turbines for steel mills. However, orders remained solid mainly in process equipment, where we received orders for large projects from domestic customers with proven track records and orders for special equipment, an area in which we excel. Going forward, we strengthen our efforts in the hydrogen-related market to respond to the trend toward rapid decarbonization in the industrial world.

Regarding the solutions business, in addition to radars, manipulators and robotics, we focused on hydraulic model testing equipment such as large wave generators, large mobile structures, and equipment and machinery. In the area of particle physics experimental facilities, the Company was selected as the preferred bidder under the Early Contractor Involvement (ECI) system for the construction of the Hyper-KAMIOKANDE water tank facility, and received an order for the preceding construction of a portion of the main body of the facility.

In the after-sales service business, orders for diesel engine parts were strong due to favorable factors such as depreciation of the yen and demand for regulatory compliance for vessels in service. In the crane sector, investment in the repair of cargo handling equipment overseas is on a recovery trend due to increased motivation for repair investment. Domestic orders showed favorable performance due to targeted sales efforts. Going forward, we promote the sales expansion of new services such as the drone inspection and the Crane Advanced Remote Monitoring System (CARMS).

Orders received were 231,210 million yen, increased by 82,441 million yen (up 55.4%) from the previous fiscal year, mainly due to the effect of delayed orders for marine diesel engines from the previous fiscal year, in addition to the gradual resolution of curtailed investment caused by the COVID-19 in each business area. Net sales were 174,211 million yen, increased by 20,475 million yen (up 13.3%) year on year, mainly due to the adaptation to the environmental regulations for marine diesel engines and the progress in the constructions of container cranes.

Operating income was 8,374 million yen, increased by 217 million yen (up 2.7%) year on year thanks to the favorable net sales.

(Engineering)

Regarding civil engineering construction projects for thermal power plants in the Republic of Indonesia, we completed the delivery to the customer except for the remaining work, and the customer has begun commercial operation of the power plants. The remaining work is limited to parts that do not directly affect its operation, and is being carried out in an orderly manner that accommodates commercial operation. As a result of the settlement of costs with related companies and the conclusion of forward foreign exchange contracts, we are now able to conclude that the uncertainties have been resolved. After the completion of these constructions, we will withdraw from this business and reallocate its resources to other business areas in the Group where we expect the growth.

Net sales totaled 22,406 million yen, increased by 14,777 million yen (up 193.7%), and operating income improved by 11,357 million yen to a profit of 547 million yen due to our efforts for confirming the unsettled costs.

(2) Overview of Financial Position for the Fiscal Year

Assets at the end of the current fiscal year were 439,959 million yen, increased by 30,809 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 5,958 million yen in cash and time deposits, while work in progress and investment securities increased by 10,237 million yen and 25,522 million yen, respectively.

Liabilities were 329,273 million yen, decreased by 16,927 million yen from the end of the previous fiscal year. This was mainly due to increases of 6,233 million yen in trade payables, 20,630 million yen in short-term borrowings, and 35,192 million yen in accrued expenses, while there were decreases of 10,000 million yen in current portion of bonds, 5,600 million yen in contract liabilities, 45,581 million yen in provision for losses on construction contracts, 5,000 million yen in bonds, and 7,729 million yen in long-term borrowings.

Net assets were 110,686 million yen, increased by 47,737 million yen from the end of the previous fiscal year. This was mainly due to the issuance of Class A preferred shares, the exercise of the 1st series of share acquisition rights with an exercise price amendment clause, the recording of profit attributable to owners of parent, increases in unrealized gains (losses) on hedging derivatives and in foreign currency translation adjustments. In addition, we have eliminated the negative balance in retained earnings by transferring 60,015 million yen of other capital surplus, which grew as a result of the capital reduction, to retained earnings to compensate for the deficit.

(3) Overview of Cash Flows for the Fiscal Year

Cash and cash equivalents (hereinafter, "cash") at the end of the current fiscal year were 43,468 million yen, decreased by 7,350 million yen from the end of the previous fiscal year.

The followings are the summary of cash flows for the fiscal year ended March 31, 2023.

(Cash flows from operating activities)

Net cash used in operating activities in the current fiscal year was 15,043 million yen (20,265 million yen was used in the previous fiscal year). This was mainly due to the decrease in provision for losses on construction contracts, increase in trade receivables and contract assets, increase in inventories, decrease in contract liabilities, and decrease in other liabilities, while there were proceeds from profit before income taxes and increase in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities in the current fiscal year was 2,999 million yen (70,923 million yen was used in the previous fiscal year). This was mainly due to the proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation and capital expenditure.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 9,515 million yen in the current fiscal year (806 million yen was provided in the previous fiscal year). This was mainly due to cash inflows such as net increase in short-term borrowings and proceeds from issuance of preferred shares despite cash outflows such as repayments of long-term borrowings and bonds.

(4) Future Outlook

i) Issues to be addressed

The Group moved forward with the "Mitsui E&S Group Business Revival Plan" to recover our financial base damaged by the losses from the large overseas EPC (engineering, procurement, and construction) projects in Engineering, and we have achieved the completion of the plan. The Company dissolved the pure holding company structure and merged Mitsui E&S Machinery Co., Ltd. and Mitsui E&S Business Service Co., Ltd., both of which were the wholly-owned subsidiaries, and changed our corporate name to "MITSUI E&S Co., Ltd." on April 1, 2023. Through this upstream merger, we aim to increase the speed of strategy planning and its execution by reducing the gap between business and management and integrating them into a single entity for the purpose of future growth and

improved profitability. Furthermore, in order to realize the continuous improvement of the corporate value of the Mitsui E&S Group by promoting growth strategies and enhancing management efficiency, the Company decided to transition to a company with an Audit Committee with the following objectives:

(i) Build a compact management system in line with organizational consolidation and reorganization.

(ii) Create an environment for more in-depth discussions on business strategies and risk-related matters.

Meanwhile, in the light of the significant changes in the business environment surrounding us, we have redefined our Vision in 2030 as "In the marine domain, we create a carbon-free society and resolve challenges induced by depopulation" in the "Mid-Term Business Plan 2023" and have started the plan in FY2022, one year ahead of schedule. The specific details are as follows:

(Strengthening the financial and earnings structure)

In addition to implementing the sale of businesses and assets based on the Business Revival Plan, we implemented capital measures last year in order to improve our financial soundness and secure funds for growth. The Mid-Term Business Plan 2023 lays out basic strategies of "Finishing the Business Revival Plan," "Growth strategies" and "Functional strategy." We increase sales and stabilize profit through the Growth strategies to improve our financial position even further.

(Promoting the Growth Strategies)

In the Mid-Term Business Plan 2023, the policy of the Growth strategies is set as "Expand the core businesses of marine propulsion and port logistics in the marine domain through 'green' and 'digital' strategies." Specific measures are as follows:

i. Strengthening core businesses

We clarify "marine propulsion" and "port logistics" as our core businesses and improve profitability mainly in our core businesses. As part of this measure, "Mitsui E&S DU Co., Ltd." was established in April 2023 succeeding the marine large bore engine businesses of IHI Power Systems Co., Ltd. We strengthen the development, production and after-sales service of large marine engines in our core business of "marine propulsion."

ii. Reforming profit model

We promote further development of each of our business in our core businesses of "marine propulsion" and "port logistics" through "green strategy" and "digital strategy."

In the green strategy, we focus on engineering our eco-friendly products and promote development and provision of decarbonization-related products such as next-generation fuel engines and zero-emission port facilities. In the digital strategy, we combine our service network with digital technologies to develop and provide advanced preventive maintenance and remote maintenance services utilizing digital technology in areas where we have strengths, such as linking marine transportation and port cargo handling.

(Initiatives on sustainability issues)

Climate change and the arrival of depopulated society are recognized as critical management issues also for the Company's businesses. In light of the risks as well as opportunities for our businesses, we have determined that "creating a carbon-free society" and "resolving challenges induced by depopulation" as our strategic material issues. We have set med- to long-term goals and are promoting initiatives for this strategic material issues.

ii) Forecast of financial results for FY2023

Our forecast of financial results for FY2023 are net sales of 280.0 billion yen, operating income of 10.0 billion yen, ordinary income of 4.0 billion yen, and profit attributable to owners of parent of 3.0 billion yen.

As described in "3. Consolidated Financial Statements and Major Notes, (5) Notes to Consolidated Financial Statements, Significant Subsequent Events (Changes in Reportable Segment)" on page 25, the Group changes its Reportable segments in FY2023. The forecast for net sales and operating income based on the new reportable segments is as follows.

These forecasts are based on an exchange rate of 1 US Dollar to 135.0 Japanese Yen.

For your reference, we have also prepared figures of sales and operating income for the current fiscal year that have been reclassified based on the new Reportable segments.

[Forecast of financial results for FY2023 by segment (Consolidated)]

(Billions of yen)

	Net sales	Operating income
New Business Development	30.0	3.0
Marine Propulsion Systems	130.0	4.0
Logistics Systems	50.0	1.0
Peripheral Businesses	60.0	2.0
Ocean Development	-	-
Others	10.0	0.0
Total	280.0	10.0

Notes 1: Ocean Development consists of affiliates accounted for using equity-method, and it does not affect net sales and operating income. In addition, MODEC, Inc. plans to implement a third-party allotment of new shares on June 30, 2023, which is expected to reduce the Group's equity interest in the company from 49.10% to 40.52%. The forecast for this segment for FY2023 is approximately 2.0 billion yen in shares of profit of entities accounted for using equity method based on the equity interest after the capital increase.

2: Above forecasts are based on information currently available to the Company and certain assumptions that the Company considers reasonable. Actual results may differ from the above figures due to various factors in the future.

Reference: [Reclassification of actual results for FY2022 (consolidated)]

(Billions of yen)

	Net sales	Operating income
New Business Development	34.9	4.3
Marine Propulsion Systems	97.7	2.6
Logistics Systems	41.7	1.4
Peripheral Businesses	57.4	0.7
Ocean Development	-	-
Others	30.7	0.4
Total	262.3	9.4

Notes 1: The reclassified figures presented above were based on our own calculation and have not been audited by KPMG AZSA LLC.

2: Ocean Development consists of affiliates accounted for using equity-method, and it does not affect net sales and operating income. Shares of profit of entities accounted for using equity method of this segment for the current fiscal year is 2.3 billion yen.

iii) Basic policy on the distribution of profits and dividend payment for FY2022 and FY2023

The Company has a basic policy of distributing profits to enhance the return of profits to our shareholders while giving comprehensive consideration to shareholders' equity in order to strengthen capital expenditure, investments in R&D and the financial base for business expansion.

We have regrettably not paid dividends for the past five fiscal years due to the severe performance to date. Under such situations, we have strongly pursued the "Mitsui E&S Group Business Revival Plan" to achieve the significant reduction of the risks related to the civil engineering construction projects for thermal power plants in the Republic of Indonesia, and our financial earnings structure has been strengthened and the Business Revival Plan has been completed.

We believe that we are now well-positioned to achieve stable dividends based on our business performance in the current fiscal year and future business development. Regarding the year-end dividend on common stock for the current fiscal year, we have determined that we propose a resumption of dividends based on this belief, although it will be a small amount of 3 yen per share. Regarding the Class A preferred shares issued by third-party allotment in June 2022, based on the issuance guidelines and the Company's Articles of Incorporation stipulated at the time of issuance, we plan to pay dividends of the prescribed amount.

For next fiscal year, we plan to pay an annual dividend of 3 yen per share on common stock as same as the current fiscal year, and for Class A preferred shares, we plan to pay a predetermined amount based on the issuance guidelines and the Articles of Incorporation.

Going forward, we continue to focus on implementing the growth strategies outlined in our Mid-Term Business Plan 2023 with the aim of increasing dividends in the future.

(5) Dissolution of Significant Events Related to the Premise of Going Concern

The Group had recognized that the significant doubt regarding the premise of a going concern have arisen as a result of the five consecutive fiscal years of operating losses through the fiscal year ended March 31, 2022, mainly due to losses on civil engineering construction projects for thermal power plants in the Republic of Indonesia.

In order to resolve this situation, the Group has executed the restructuring and withdrawal of unprofitable businesses in line with the "Mitsui E&S Group Business Revival Plan" (announced in May 2019 and partially reviewed in November of that year; hereinafter, the "Business Revival Plan"), and we have effectively withdrawn also from the shipbuilding business, which is our founding business. We have sold approximately 20 businesses and assets totaling over 120.0 billion yen, including subsidiaries and real estates by the end of FY2022.

Furthermore, as a capital measure to improve our financial soundness and to invest in growth, we announced on March 31, 2022, that we are proceeding to raise a total of approximately 17.0 billion yen through the "issuance of Class A preferred shares through third-party allotment and issuance of 1st series of share acquisition rights with an exercise price amendment clause through third-party allotment."

Regarding civil engineering construction projects for thermal power plants in the Republic of Indonesia as well, except for the remaining work, delivery to the customer has been completed and the customer has begun commercial operation of the power plants. The remaining work is limited to parts that do not directly affect commercial operations, and is being carried out in an orderly manner that accommodates commercial operation. As a result of the settlement of costs with related companies and the conclusion of forward foreign exchange contracts, we are now able to conclude that the uncertainties have been resolved. The Group has implemented all of these measures as planned and has now successfully completed the Business Revival Plan, recording an operating income for the fiscal year ended March 31, 2023.

The future business of the Group will be focused on the machinery business, which has continuously posted operating income, and is also expected to post an operating income for the fiscal year ending March 31, 2024.

Regarding operating cash flow, in the fiscal year ending March 31, 2024, the Company expects to earn business revenue from the Machinery business, but due to the one-time factor of the aforementioned payments for the finalized costs, the Company expects to record a negative operating cash flow. Thereafter, however, we expect to generate solid operating cash flow, mainly from business revenue from the Machinery business. As of the end of the fiscal year ended March 31, 2023, interest-bearing debt of 141.5 billion yen is expected to increase temporarily to finance the aforementioned payments for the finalized costs, but is expected to decrease to an appropriate level during the Mid-Term Business Plan period as a result of stable business revenue and a reduction of interest-bearing debt through the planned sales of dormant assets, etc.

Furthermore, our main bank and other financial institutions have given high evaluations of the implementation of our Business Revival Plan and our Mid-Term Business Plan, and we have been able to maintain close relationships with the financial institutions through a commitment line agreement and continued financing. We believe that we can obtain continuous supports for future financing and that we will be able to secure sufficient funds to meet our projected needs.

Based on these circumstances, we believe that we have dissolved any events or conditions that may raise significant doubts regarding the premise of a going concern.

2. Basic Policy on the Selection of Accounting Standards

The Group's policy is to prepare the consolidated financial statements with the Japanese Generally Accepted Accounting Principles (J-GAAP) because Japanese accounting standards are now of high quality and internationally competitive as a result of convergence with international accounting standards and have been accepted to be equivalent to International Financial Reporting Standards (IFRS) in Europe.

In preparation for the future adoption of IFRS, the Group has implemented initiatives such as acquiring the knowledge of IFRS and analyzing the impact of its adoption, but the timing for the adoption of IFRS has not been determined.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and time deposits	51,762	45,803
Notes and accounts receivables - trade, and contract assets	78,563	81,850
Merchandise and finished goods	5,762	6,095
Work in progress	36,561	46,799
Raw materials and supplies	4,182	6,136
Others	25,202	26,295
Allowance for doubtful accounts	(213)	(353)
Total current assets	201,822	212,628
Non-current assets		
Property, plant and equipment		
Buildings and structures	130,454	115,910
Accumulated depreciation	(103,742)	(91,461)
Buildings and structures, net	26,712	24,449
Machinery, equipment and vehicles	74,404	69,921
Accumulated depreciation	(63,790)	(59,817)
Machinery, equipment and vehicles, net	10,613	10,104
Land	70,077	68,544
Lease assets	12,060	12,746
Accumulated depreciation	(4,977)	(5,035)
Lease assets, net	7,083	7,711
Construction in progress	2,159	3,165
Others	12,706	12,540
Accumulated depreciation	(11,014)	(10,748)
Others, net	1,691	1,792
Total property, plant and equipment	118,338	115,767
Intangible assets		
Goodwill	7,995	7,626
Others	8,046	7,876
Total intangible assets	16,042	15,502
Investments and other assets		
Investment securities	43,280	68,802
Long-term loans	2,129	2,126
Net defined benefit asset	10,916	9,957
Deferred tax assets	2,670	2,984
Others	14,248	12,476
Allowance for doubtful accounts	(299)	(285)
Total investments and other assets	72,946	96,061
Total non-current assets	207,327	227,330
Total assets	409,150	439,959

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Trade payables	48,705	54,939
Short-term borrowings	94,615	115,245
Current portion of long-term borrowings	8,101	9,375
Current portion of bonds	15,000	5,000
Lease obligations	1,808	1,863
Accrued expenses	4,119	39,312
Accrued income taxes	1,381	796
Contract liabilities	30,901	25,300
Provision for construction warranties	2,779	2,403
Provision for losses on construction contracts	59,607	14,025
Provision for bonuses	4,478	4,059
Others	17,011	14,659
Total current liabilities	288,510	286,980
Long-term liabilities		
Bonds	5,000	-
Long-term borrowings	19,657	11,927
Lease obligations	6,496	7,061
Deferred tax liabilities	3,176	1,846
Deferred tax liabilities for land revaluation	12,242	12,241
Provision for business restructuring	1,357	853
Net defined benefit liabilities	5,865	5,048
Asset retirement obligations	2,218	1,728
Others	1,674	1,585
Total long-term liabilities	57,690	42,293
Total liabilities	346,200	329,273
Net assets		
Shareholders' equity		
Common stock	44,384	3,829
Capital surplus	18,132	10,552
Retained earnings	(33,278)	42,292
Treasury stock	(4,663)	(4,632)
Total shareholders' equity	24,575	52,042
Accumulated other comprehensive income		
Net unrealized holding gains on securities	614	48
Unrealized gains (losses) on hedging derivatives	(5,959)	8,309
Revaluation reserve for land	27,603	27,601
Foreign currency translation adjustments	2,120	10,691
Remeasurements of defined benefit plans	8,137	7,710
Total accumulated other comprehensive income	32,516	54,362
Subscription rights to shares	123	132
Non-controlling interests	5,733	4,148
Total net assets	62,949	110,686
Total liabilities and net assets	409,150	439,959

(2) Consolidated Statements of Operations and Comprehensive Income

(Consolidated Statements of Operations)

(Millions of yen)

	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023
Net sales	579,363	262,301
Cost of sales	550,610	225,376
Gross profit	28,752	36,924
Selling, general and administrative expenses	38,782	27,548
Operating income (loss)	(10,029)	9,376
Non-operating income		
Interest income	3,789	384
Dividend income	117	212
Share of profit of entities accounted for using equity method	-	3,810
Foreign currency exchange gains	1,211	4,610
Others	1,640	1,124
Total non-operating income	6,759	10,142
Non-operating expenses		
Interest expenses	2,713	2,881
Commission expenses	3,821	2,420
Share of loss of entities accounted for using equity method	14,645	-
Others	1,291	1,684
Total non-operating expenses	22,471	6,986
Ordinary income (loss)	(25,742)	12,532
Extraordinary income		
Gain on disposal of non-current assets	2,356	184
Gain on sale of investment securities	41	686
Gain on sale of subsidiaries and affiliates' stocks	6,582	2,835
Recovery of extraordinary repair expenses	1,316	-
Gain on return of assets from retirement benefit trust	1,224	-
Insurance income	-	1,336
Total extraordinary income	11,520	5,043
Extraordinary losses		
Loss on disposal of non-current assets	381	172
Loss on impairment of non-current assets	82	-
Loss on sale of investment securities	136	-
Loss on sale of subsidiaries and affiliates' stocks	2,420	274
Loss due to transportation accidents	-	1,040
Loss on liquidation of business	-	107
Total extraordinary losses	3,021	1,595
Profit (loss) before income taxes	(17,243)	15,980
Income taxes - current	3,373	1,371
Income taxes - deferred	4,501	(1,010)
Total income taxes	7,874	360
Profit (loss)	(25,118)	15,619
Profit (loss) attributable to non-controlling interests	(3,293)	65
Profit (loss) attributable to owners of parent	(21,825)	15,554

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023
Profit (loss)	(25,118)	15,619
Other comprehensive income		
Net unrealized holding gains (losses) on securities	421	(571)
Unrealized losses on hedging derivatives	(1,302)	(847)
Foreign currency translation adjustments	5,670	2,463
Remeasurements of defined benefit plans	2,683	(1,110)
Share of other comprehensive income of affiliates accounted for using equity method	8,863	21,920
Total	16,337	21,853
Comprehensive income	(8,780)	37,473
Comprehensive income attributable to		
Owners of parent	(6,832)	37,400
Non-controlling interests	(1,948)	72

(3) Consolidated Statements of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance as of April 1, 2021	44,384	18,396	(11,458)	(4,696)	46,626
Changes during the year					
Loss attributable to owners of parent			(21,825)		(21,825)
Change of scope of consolidation			(0)		(0)
Purchases of treasury stock				(2)	(2)
Sales of treasury stock		(6)		34	27
Transfer from revaluation reserve for land			5		5
Change in ownership interest of parent due to transactions with non-controlling interests		(257)			(257)
Net changes of items other than those in Shareholders' equity					
Total changes during the year	-	(264)	(21,819)	32	(22,051)
Balance as of March 31, 2022	44,384	18,132	(33,278)	(4,663)	24,575

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance as of April 1, 2021	193	(9,766)	27,609	(5,828)	5,321	17,529	151	24,172	88,480
Changes during the year									
Loss attributable to owners of parent									(21,825)
Change of scope of consolidation									(0)
Purchases of treasury stock									(2)
Sales of treasury stock									27
Transfer from revaluation reserve for land									5
Change in ownership interest of parent due to transactions with non-controlling interests									(257)
Net changes of items other than those in Shareholders' equity	421	3,806	(5)	7,948	2,816	14,987	(27)	(18,439)	(3,479)
Total changes during the year	421	3,806	(5)	7,948	2,816	14,987	(27)	(18,439)	(25,531)
Balance as of March 31, 2022	614	(5,959)	27,603	2,120	8,137	32,516	123	5,733	62,949

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance as of April 1, 2022	44,384	18,132	(33,278)	(4,663)	24,575
Changes during the year					
Issuance of new shares	6,329	4,957			11,287
Capital reduction	(46,884)	46,884			-
Deficit disposition		(60,015)	60,015		-
Profit attributable to owners of parent			15,554		15,554
Purchases of treasury stock				(1)	(1)
Sales of treasury stock		(6)		32	25
Transfer from revaluation reserve for land			1		1
Change in ownership interest of parent due to transactions with non-controlling interests		600			600
Net changes of items other than those in Shareholders' equity					
Total changes during the year	(40,555)	(7,579)	75,570	31	27,467
Balance as of March 31, 2023	3,829	10,552	42,292	(4,632)	52,042

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance as of April 1, 2022	614	(5,959)	27,603	2,120	8,137	32,516	123	5,733	62,949
Changes during the year									
Issuance of new shares									11,287
Capital reduction									-
Deficit disposition									-
Profit attributable to owners of parent									15,554
Purchases of treasury stock									(1)
Sales of treasury stock									25
Transfer from revaluation reserve for land									1
Change in ownership interest of parent due to transactions with non-controlling interests									600
Net changes of items other than those in Shareholders' equity	(566)	14,269	(1)	8,571	(427)	21,845	8	(1,584)	20,269
Total changes during the year	(566)	14,269	(1)	8,571	(427)	21,845	8	(1,584)	47,737
Balance as of March 31, 2023	48	8,309	27,601	10,691	7,710	54,362	132	4,148	110,686

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(17,243)	15,980
Depreciation and amortization	10,649	7,043
Loss on impairment of non-current assets	82	-
Amortization of goodwill	1,047	901
Increase of allowance for doubtful accounts	161	153
Increase in net defined benefit liabilities	3,183	1,107
Decrease in net defined benefit assets	438	1,219
Decrease in provision for losses on construction contracts	(12,063)	(45,523)
Increase in provision for repairs	417	-
Interest and dividend income	(3,906)	(596)
Interest expenses	2,713	2,881
Share of (profit) loss of entities accounted for using equity method	14,645	(3,810)
Foreign currency exchange losses, net	3,853	29
Loss (gain) on sales of investment securities, net	95	(686)
Gain on sales of subsidiaries and affiliates' stocks	(4,162)	(2,561)
Gain on disposal of non-current assets, net	(1,974)	(11)
Insurance income	-	(1,336)
Increase in trade receivables and contract assets	(49,245)	(6,499)
Decrease (increase) in inventories	16,861	(13,054)
Increase in trade payables	23,998	44,101
Increase (decrease) in contract liabilities	43,494	(3,551)
Increase in other assets	(4,047)	(1,916)
Decrease in other liabilities	(51,127)	(3,137)
Others, net	(2,634)	(2,430)
Sub-total	(24,763)	(11,699)
Interest and dividend received	10,171	1,143
Interest paid	(2,863)	(2,982)
Proceeds from insurance income	-	1,336
Income taxes paid	(2,809)	(2,842)
Net cash provided by (used in) operating activities	(20,265)	(15,043)

(Millions of yen)

	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023
Cash flows from investing activities		
Net increase in time deposits	(79)	(1,264)
Capital expenditure	(8,980)	(7,393)
Proceeds from sales of non-current assets	10,133	843
Proceeds from sales of investment securities	262	1,060
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	5,941	3,062
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(60,092)	(637)
Purchases of shares of subsidiaries and affiliates	(1,711)	-
Proceeds from sales of shares of subsidiaries and affiliates	2,172	543
Payments for investments in capital of subsidiaries and affiliates	(799)	-
Disbursements of loans receivable	(13,043)	(16)
Collection of loans receivable	366	616
Payments for transfer of business	(4,596)	-
Others, net	(497)	186
Net cash provided by (used in) investing activities	(70,923)	(2,999)
Cash flows from financing activities		
Net increase in short-term borrowings	28,053	20,630
Proceeds from long-term borrowings	15,510	1,700
Repayments of long-term borrowings	(25,463)	(8,165)
Repayments of lease obligations	(2,556)	(1,653)
Repayments on bonds	(15,000)	(15,000)
Proceeds from issuance of preferred shares	-	9,000
Proceeds from issuance of subscription rights to shares	-	52
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	-	2,269
Dividends paid to non-controlling interests	(1,142)	(95)
Purchases of shares of subsidiaries not resulting in change in scope of consolidation	(291)	-
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	1,351	747
Others, net	345	31
Net cash provided by (used in) financing activities	806	9,515
Effect of exchange rate changes on cash and cash equivalents	5,658	1,177
Net decrease in cash and cash equivalents	(84,724)	(7,350)
Cash and cash equivalents at beginning of year	135,482	50,818
Increase due to changes in scope of consolidation	60	-
Cash and cash equivalents at end of year	50,818	43,468

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Segment Information, etc.)

a. Segment information

1. Overview of Reportable Segment

Reportable Segment is composed of the segment by products and services belonging to the operating companies and subject to be reviewed periodically by the Board of Directors to decide the allocation of management resources and to evaluate the performance.

Under the Company (a pure holding company), the Group develops the operation with each operating company making strategies of its products and services in both Japan and abroad comprehensively.

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, high speed passenger/vehicle ferries, offshore structures, underwater TV vehicles, design engineering services, ship related equipments, steel structures
Ocean Development	FPSOs (floating production storage offloading vessels)
Machinery	Marine and stationary diesel engines, marine equipments, gas engines, steam turbines, blowers, process compressors, gas turbines, cogeneration system, process equipment, container cranes, industrial cranes, container terminal management systems, HWM manipulators, equipment of radar sensing for underground and construction, induction heaters, wave generators
Engineering	Power generation business, overseas civil/architectural works

2. Calculation Method used for Sales, Segment Income and Loss, Assets, Liabilities and Other Items for each Reportable Segment

The accounting method used for Reportable Segment is the same in material aspects as the method used for the preparation of consolidated financial statements.

Segment income and loss is based on Operating income (loss) in Consolidated Statements of Operations.

Inter segment profit and transfer are based on the market price.

(Change in Calculation Method used for Segment Income and Loss for Reportable Segment)

Segment income (loss) used to represent "Operating income (loss)" in Consolidated Statements of Operations. Regarding "Ocean Development," however, segment income (loss) has changed to represent "Share of profit (loss) of entities accounted for using equity method" since FY2022, instead of "Operating income (loss)." This is because the management indicator has been changed after MODEC, Inc., which consists of "Ocean Development," had been excluded from the scope of consolidation and become affiliates accounted for using equity method since FY2021.

Segment loss for the prior year reflecting the said change is shown in Note 1 for FY2021 in "3. Information about Sales, Segment Income and Loss, Assets, Liabilities and Other Items for each Reportable Segment."

3. Information about Sales, Segment Income and Loss, Assets, Liabilities and Other Items for each Reportable Segment

Reportable Segment information for the years ended March 31, 2022 and 2023 were as follows:

(From April 1, 2021 to March 31, 2022) (Millions of yen)

	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	28,088	323,322	153,736	7,629	512,777	66,586	579,363	-	579,363
Inter segment	868	-	1,195	43	2,107	12,914	15,022	(15,022)	-
Total	28,956	323,322	154,932	7,672	514,884	79,501	594,385	(15,022)	579,363
Segment income (loss)	(438)	(8,086)	8,156	(10,810)	(11,179)	1,149	(10,029)	-	(10,029)
Segment assets	15,071	31,825	181,901	28,140	256,938	78,209	335,148	74,002	409,150
Other Items:									
Depreciation and amortization	915	2,870	4,419	1	8,206	1,922	10,129	520	10,649
Amortization of goodwill	-	194	-	-	194	853	1,047	-	1,047
Year-end balance of goodwill	-	-	-	-	-	7,995	7,995	-	7,995
Share of profit (loss) of entities accounted for using equity method	1,165	(16,686)	308	11	(15,199)	554	(14,645)	-	(14,645)
Loss on impairment of non-current assets	54	-	-	0	54	-	54	27	82
Increase in property, plant and equipment and intangible assets	823	3,940	7,912	11	12,687	1,221	13,908	163	14,072

Notes 1: "Ocean Development" is composed of MODEC, Inc. Because of the partial sale of MODEC shares, they were deemed to be excluded from the scope of consolidation on the end of 3rd quarter of FY2021. Due to this deconsolidation, "Ocean Development" hereafter consist of affiliates accounted for using equity method.
Segment loss reflecting the change in calculation method used for segment income and loss for Reportable Segment would become 20,586 million yen.

2: "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Telecommunication equipment related business, Systems development, Gas carriers engineering, Special facilities for naval ships and aircraft related business and others.

3: Adjustments are as follows:

(1) Adjustments of 74,002 million yen recorded for assets primarily include surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of 76,337 million yen that are not allocated to any Reportable Segment.

(2) Adjustments of 520 million yen recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.

(3) Adjustments of 27 million yen recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

(4) Adjustments of 163 million yen recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

4: Segment income (loss) is adjusted with operating loss in Consolidated Statements of Operations.

(From April 1, 2022 to March 31, 2023) (Millions of yen)

	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	6,598	-	174,211	22,406	203,217	59,084	262,301	-	262,301
Inter segment	32	-	490	-	523	11,569	12,093	(12,093)	-
Total	6,631	-	174,702	22,406	203,740	70,653	274,394	(12,093)	262,301
Segment income	83	2,311	8,374	547	11,317	370	11,688	(2,311)	9,376
Segment assets	-	54,857	209,798	24,952	289,609	83,618	373,227	66,731	439,959
Other Items:									
Depreciation and amortization	158	-	4,695	6	4,860	1,705	6,566	477	7,043
Amortization of goodwill	-	-	-	-	-	901	901	-	901
Year-end balance of goodwill	-	-	-	-	-	7,626	7,626	-	7,626
Share of profit (loss) of entities accounted for using equity method	119	2,311	295	(160)	2,565	1,244	3,810	-	3,810
Increase in property, plant and equipment and intangible assets	224	-	8,211	8	8,443	973	9,417	363	9,780

Notes 1: Segment income (loss) in "Ship," "Machinery," "Engineering" and "Others" represents "Operating income (loss)," and in "Ocean Development" represents "Share of profit (loss) of entities accounted for using equity method."

2: Mitsui E&S Shipbuilding Co., Ltd. and its two subsidiaries, which compose "Ship," were excluded from the scope of consolidation since 3rd quarter of FY2022. Due to this deconsolidation, net sales, segment income, and other items (depreciation and amortization, share of profit (loss) of entities accounted for using equity method, increase in property, plant and equipment and intangible assets) for "Ship" are presented through the 2nd quarter of FY2022.

3: "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Telecommunication equipment related business, Systems development, Gas carriers engineering, Special facilities for naval ships and aircraft related business and others.

4: Adjustments are as follows:

(1) Adjustments of 66,731 million yen recorded for assets primarily include surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of 70,704 million yen that are not allocated to any Reportable Segment.

(2) Adjustments of 477 million yen recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.

(3) Adjustments of 363 million yen recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

5: Segment income is adjusted with operating income in Consolidated Statements of Operations.

b. Disclosure of impairment losses on non-current assets for each reportable segment

(From April 1, 2021 to March 31, 2022)

As described in "Segment information 3. Information about Sales, Segment Income and Loss, Assets, Liabilities and Other Items for each Reportable Segment."

(From April 1, 2022 to March 31, 2023)

Not applicable.

c. Information about new orders and sales

(Percentages in FY2021 and FY2022 indicate composition ratio.)

New Orders

	FY2021 (from Apr. 1, 2021 to Mar. 31, 2022)		FY2022 (from Apr. 1, 2022 to Mar. 31, 2023)		Increase/Decrease	Change ratio
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Ship	19,521	3.8	8,439	2.6	(11,082)	(56.8)
Ocean Development	270,697	53.0	-	-	(270,697)	(100.0)
Machinery	148,769	29.1	231,210	71.7	82,441	55.4
Engineering	1,652	0.3	6,669	2.1	5,017	303.7
Others	70,449	13.8	76,031	23.6	5,582	7.9
Total	511,089	100.0	322,351	100.0	(188,738)	(36.9)

Sales

	FY2021 (from Apr. 1, 2021 to Mar. 31, 2022)		FY2022 (from Apr. 1, 2022 to Mar. 31, 2023)		Increase/Decrease	Change ratio
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Ship	28,088	4.9	6,598	2.5	(21,489)	(76.5)
Ocean Development	323,322	55.8	-	-	(323,322)	(100.0)
Machinery	153,736	26.5	174,211	66.4	20,475	13.3
Engineering	7,629	1.3	22,406	8.6	14,777	193.7
Others	66,586	11.5	59,084	22.5	(7,502)	(11.3)
Total	579,363	100.0	262,301	100.0	(317,062)	(54.7)

Order Backlogs

	FY2021 (as of Mar. 31, 2022)		FY2022 (as of Mar. 31, 2023)		Increase/Decrease	Change ratio
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Ship	7,991	3.2	-	-	(7,991)	(100.0)
Ocean Development	-	-	-	-	-	-
Machinery	90,443	36.4	149,191	47.8	58,747	65.0
Engineering	20,844	8.4	6,411	2.1	(14,433)	(69.2)
Others	129,354	52.0	156,215	50.1	26,860	20.8
Total	248,634	100.0	311,817	100.0	63,183	25.4

(Per Share Information)

(Yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	706.06	1,107.02
Earnings (loss) per share	(269.94)	177.47
Earnings per share (diluted)	–	174.92

Notes 1: Earnings per share (diluted) for the previous fiscal year is not shown, despite the existence of dilutive shares, as the Company posted a net loss per share.

2: The basis for the calculation of earnings (loss) per share and earnings per share (diluted) is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Earnings (loss) per share		
Profit (loss) attributable to owners of parent (million yen)	(21,825)	15,554
Profit not attributable to common shareholders (million yen)	–	528
[Of which, Preferred dividend (million yen)]	[–]	[528]
Profit (loss) attributable to owners of parent related to common stock (million yen)	(21,825)	15,025
Average number of common stock (thousand shares)	80,852	84,661
Earnings per share (diluted)		
Adjustments to profit attributable to owners of parent (million yen)	–	–
Increase in number of shares of common stock (thousand shares)	–	1,235
[Of which, subscription rights to shares (thousand shares)]	[–]	[1,235]
Outline of dilutive shares not included in calculation of earnings per share (diluted) due to absence of dilutive effects	–	–

(Significant Subsequent Events)

(Transition to an operating holding company structure through an absorption-type merger of consolidated subsidiaries)

Effective April 1, 2023, the Company merged with the two wholly-owned subsidiaries by absorption-type merger, with the Company as the surviving company and the two wholly-owned subsidiaries as the dissolving companies, and shifted to an operating holding company structure.

As of the same date, the Company changed the corporate name to "MITSUI E&S Co., Ltd."

1. Transaction summary

(1) Names and businesses of the parties to the merger

	Surviving company in absorption-type merger	Dissolving companies in absorption-type merger	
Name	Mitsui E&S Holdings Co., Ltd.	Mitsui E&S Machinery Co., Ltd.	Mitsui E&S Business Service Co., Ltd.
Business description	Ownership of stocks of companies engaged in design, manufacture, engineering, construction, installation, repair, and maintenance of ships, various machinery, plants, etc., management and administration of such companies, and related operations	Marine and stationary diesel engines, marine equipments, gas engines, steam turbines, blowers, process compressors, gas turbines, cogeneration system, process equipment, container cranes, industrial cranes, container terminal management systems, HWM manipulators, equipment of radar sensing for underground and construction, induction heaters, and wave generators	Shared service business for corporate operations among the Mitsui E&S Group, including finance and accounting, human resources and general affairs, etc.

(2) Legal form of the business merger

An absorption-type merger, with the Company as the surviving company and its wholly-owned subsidiaries, Mitsui E&S Machinery Co., Ltd. (hereinafter, "MES-M") and Mitsui E&S Business Service Co., Ltd. (hereinafter, "MES-B") as the dissolving companies.

(3) Date of business merger

April 1, 2023

(4) Name of company after merger

MITSUI E&S Co., Ltd.

(5) Other matters concerning the outline of the transaction

(i) Purpose of the merger

Since April 2018, the Group has been working to strengthen its competitiveness and promote growth under a pure holding company. Based on the "Mitsui E&S Group Business Revival Plan" started in FY 2019, we have implemented various measures such as "execution of the sale of assets and businesses" and "business restructuring and promotion of collaboration with other companies regarding cooperative businesses." As a result, we have reached a situation where we are on track to achieve the Business Revival Plan to a certain extent, including the bold implementation of various measures and promotion of selection and concentration under the current structure.

In order to achieve future growth and improve profitability, we have decided on the optimal measures to shift to a new organizational structure. We aim to shorten the distance between MES-M, the Group's mainstay business, and management as well as speed up strategic planning and execution by unifying them. Also, going forward, we aim to change the Group's organizational structure to emphasize growth areas.

Specifically, we will shift from the current pure holding company structure to an operating holding company structure, and merge MES-M, which will be the center of future growth strategies, and MES-B, which will be responsible for corporate operations, into our company to create a unified management structure. This will accelerate the implementation of our growth strategies and improve management efficiency.

(ii) Financial position and operating results of the main merged company (MES-M) for the most recent fiscal year (fiscal year ended March 31, 2023)

Assets	136,620	million yen
Liabilities	92,411	million yen
Net assets	44,208	million yen
Net sales	141,341	million yen
Profit	4,941	million yen

2. Summary of accounting procedures implemented

This business merger was treated as a transaction under common control, in accordance with the "Accounting Standards for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(Business merger through acquisition)

On September 27, 2022, the Company concluded a share transfer agreement with IHI Corporation and IHI Power Systems Co., Ltd. (hereinafter, "IPS") for the transfer of IPS's business related to marine large bore engines and its incidental products (hereinafter, the "Business"), and as of April 1, 2023, the Company acquired all shares of the new company "IPS Aioi Co., Ltd." which took over the Business. As of the same date, the company changed its corporate name to "Mitsui E&S DU Co., Ltd."

1. Outline of the Business Merger

(1) Name of the acquired company and its business

Name of acquired company: IPS Aioi Co., Ltd.

Business description: Business related to marine large bore engines and its incidental products

(2) Reason for business merger

Mitsui E&S DU Co., Ltd. is a company with strength in the manufacture and after-sales service of 2-stroke engines licensed through Winterthur Gas & Diesel (hereinafter, "WinGD") and 4-stroke engines licensed through S.E.M.T Pielstick, which has earned the trust of its customers. As Mitsui E&S DU Co., Ltd. newly became a member of our Group, we expect to further strengthen our resources in development, production, and after-sales service under the double license system of MAN Energy Solutions and WinGD in our core marine engine business, and through the commercialization of new fuel-compatible engines, we are committed to meeting our customers' needs and creating a carbon-free society.

(3) Date of business merger

April 1, 2023

(4) Legal form of the business merger

Acquisition of shares in exchange for cash

(5) Name of company after merger

Mitsui E&S DU Co., Ltd.

(6) Percentage of voting rights acquired

100%

(7) Main basis for determining the acquiring company

The Company acquired the shares in exchange for cash.

2. Acquisition cost of the acquired company and breakdown by type of consideration

Not disclosed due to immateriality of the amount.

3. Details and amounts of significant acquisition-related expenses

Not yet determined at this time.

4. Amount of goodwill accrued, reason for accrual, and method and period of amortization of goodwill

Not yet determined at this time.

5. Value of assets acquired and liabilities assumed on the date of business merger and their main breakdown

Not yet determined at this time.

(Changes in Reportable Segment)

In accordance with the policy in "Mid-Term Business Plan 2023" announced on May 13, 2022, we have decided to change our Reportable Segment from "Ship," "Ocean Development," "Machinery" and "Engineering" to "New Business Development," "Marine Propulsion Systems," "Logistics Systems," "Peripheral Businesses" and "Ocean Development" from FY2023. Objectives of this decision are to clarify the positioning of each business and to expand sales and profits.

Main products and services of each Reportable Segment are as follows.

Reportable Segment	Main Products and Services
New Business Development	Industrial machinery (process compressors, gas turbines, blowers, process equipment), advanced machinery (manipulators, ground-penetrating radar systems), and their after-sales services
Marine Propulsion Systems	Marine engines, fuel supply system and auxiliary machineries for dual fuel engines, and their after-sales services
Logistics Systems	Container cranes, industrial cranes, container terminal management systems, and their after-sales services
Peripheral Businesses	Gas carriers engineering, stationary power generation plants, systems development/system related equipment, steel structures, hull blocks, mechanical and electrical equipment maintenance
Ocean Development	FPSOs (floating production storage offloading vessels)