

We faced a myriad of obstacles and unprecedented challenges, but we were always determined to pursue our goal.

In large-scale manufacturing where thousands of people work at once, each and every person must ponder how to bring their skills and technologies together.

That's the infinite power of our DNA.

And now that our challenges lie on a global scale, we have a mission—to bring forth the technology cultivated at sea to the entire world.

Mitsui E&S Group will continue to contribute to a sustainable future.



[Company Philosophy]

To continue our role as a trusted company, and as a trusted member of society



Contents

Who we are

- 3 History
- 4 At a Glance
- 6 Long term strategy "Mitsui E&S Group 2025 Vision"
- 8 Mitsui E&S Group Business Revival Plan
- 10 Three business areas that the Mitsui E&S Group will focus on
- 12 Financial and Non-Financial Highlight
- 14 11years summary

Strategies for the Creation of Value

- 16 Message from the Chairman
- 20 Message from the President
- 26 Business Segment Overview
- 28 Business Segment Outline
- 28 Ship
- 30 Ocean Development
- 32 Machinery
- 34 Engineering
- 36 Research & Development

Foundation Underpinning Value Creation

- 38 Corporate Governance
- 41 A Conversation with our Outside Directors
- 44 Board of Directors
- 46 Environmental Preservation
- 48 Safety and Quality
- 50 Human Assets
- 54 Social Contributions
- 55 Communication

- 56 Company Profile

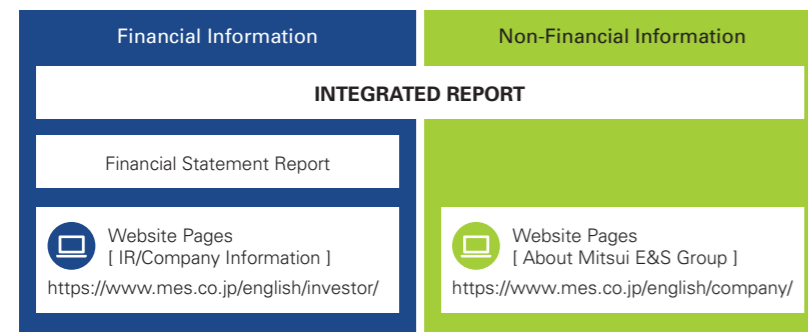
Editing Policy

Under our Company Philosophy of “To continue our role as a trusted company, and as a trusted member of society” we at Mitsui E&S Holdings Co., Ltd. uphold our corporate philosophy as we strive to be a company that uses manufacturing to contribute to social development and preserve the global environment.

We started creating the “Mitsui E&S Group Integrated Report” (the report) from FY2020 ('19/4 - '20/3), aiming to provide our stakeholders with a deeper understanding of our business model and the process of realizing long-term sustainable corporate value improvement. The report focuses on information that has a significant impact on corporate value, in line with the disclosure framework of the International Integrated Reporting Council (IIRC) and the Ministry of Economy, Trade and Industry's “Guidance for Collaborative Value Creation”. A wide range of IR information and ESG-related information is disclosed comprehensively on our website, aiming for further improvement so that various stakeholders in Japan and overseas can understand our unique business model.



Positioning of “Mitsui E&S Group Integrated Report”



Coverage of the report

This report covers the period from April 2018 to March 2019.
 (However, some sections include information for April 2019 and thereafter.)
 Issued in: November 2019

Guidelines used as reference

- Ministry of the Environment, Environmental Reporting Guidelines
- GRI, Sustainability Reporting Guidelines Version 4
- ISO 26000
- Ministry of Economy, Trade and Industry, Guidance for Collaborative Value Creation



Mitsui E&S Holdings agrees with the SDGs (Sustainable Development Goals), an international goal set by the United Nations to solve global issues.

Disclaimers

This report contains plans and forecasts that were current as of the date of publication, as well as descriptions about our future business activities based on our management plans. Please note that this information is based on the currently available information, and the actual contents of our business activities may differ from the contents of this report due to future circumstances or the environment, or due to unanticipated events that may occur after the publication of this report.

Inquiries

Mitsui E&S Holdings Co., Ltd. Corporate Planning Division
 Contact form <https://www.mes.co.jp/english/contact.html>

History

1917-



Teijiro Kawamura

Established as the Shipbuilding Division of former Mitsui & Co., Ltd.

“Because Japan is a sea-faring nation, it is natural that the nation should be founded on shipping.”

In 1917, Teijiro Kawamura, who was the General Manager of the Ship Division of former Mitsui & Co., Ltd. at the time, was acutely aware of the need to have a shipyard and a repair factory and submitted a petition to the president. The Mitsui E&S Group commenced from his passion.

1950-



No.1 ethylene plant for Iwakuni Works of Mitsui Petrochemical Industries Ltd. (1958)

Expand business domains. Evolving into a comprehensive heavy manufacturer

Engaged in the plant construction for Mitsui Petrochemical Industry Co., Ltd., established in 1955, the company advanced into the petrochemical plant construction business. The steel structure division has also developed a production system, and the road bridge construction business expands from small to medium size bridges to large size bridges. As for container crane business, we signed a technical alliance agreement with Paseco Corporation in 1961 and delivered many quayside container cranes and transfer cranes in Japan and overseas. Also, advanced European technology was introduced to enter the centrifugal compressor and reciprocating compressor sectors. We also handle axial flow compressors and steam turbines.

2000-



320,000 ton-type ore carrier “Brazil Maru”

Aiming to respond to globalization and achieve sustainable growth

In response to the rising demand for environmentally friendly ships and energy-saving ships, we developed next-generation environmentally friendly ships with low fuel consumption. By continuing constant technological innovation, in 2007, we completed the world's largest 320,000 ton-type ore carrier, “Brazil Maru”. In July 2003, Mitsui Ocean Development Co., Ltd. was listed on the Tokyo Stock Exchange (TSE) for the first time as the Group (the TSE First-section designated stock from June 2004).

2018-



Established Mitsui E&S Group logo mark

The Mitsui E&S Group gets started toward the next 100 years

Celebrated 100th Anniversary in November 2017.

In April 2018, we took a new step by reorganizing into a holding company structure and changing our name from the Mitsui Engineering & Shipbuilding Group to the Mitsui E&S Holdings. Reorganizing the Ship & Ocean Project segment, the Machinery & Systems segment and the Engineering segment, into operating companies under the holding company structure to make a fresh start.

At a Glance

Mitsui E&S Group in Key Figures

Total number of ships that we have built



2,000
ships

Marine diesel engines



Domestic market share

No.1

Accumulated production

6,500 engines
100 million

Container cranes for ports

Domestic market share



No.1

Petrochemical plants

The total number of plants we have handed over in more than 40 countries service bases



1,300
plants

After-sales services



36 service bases
in **21** countries

Repair shipyard
MES-KHI YURA DOCK



One of the largest dry dock in Japan

Wind power generation
Construction /manufacture



234
units

FPSO* business
MODEC, Inc.



One of the top two companies in the world

*Floating production storage and offloading system

Power generation plants
Burmeister & Wain Scandinavian Contractor A/S we have handed over



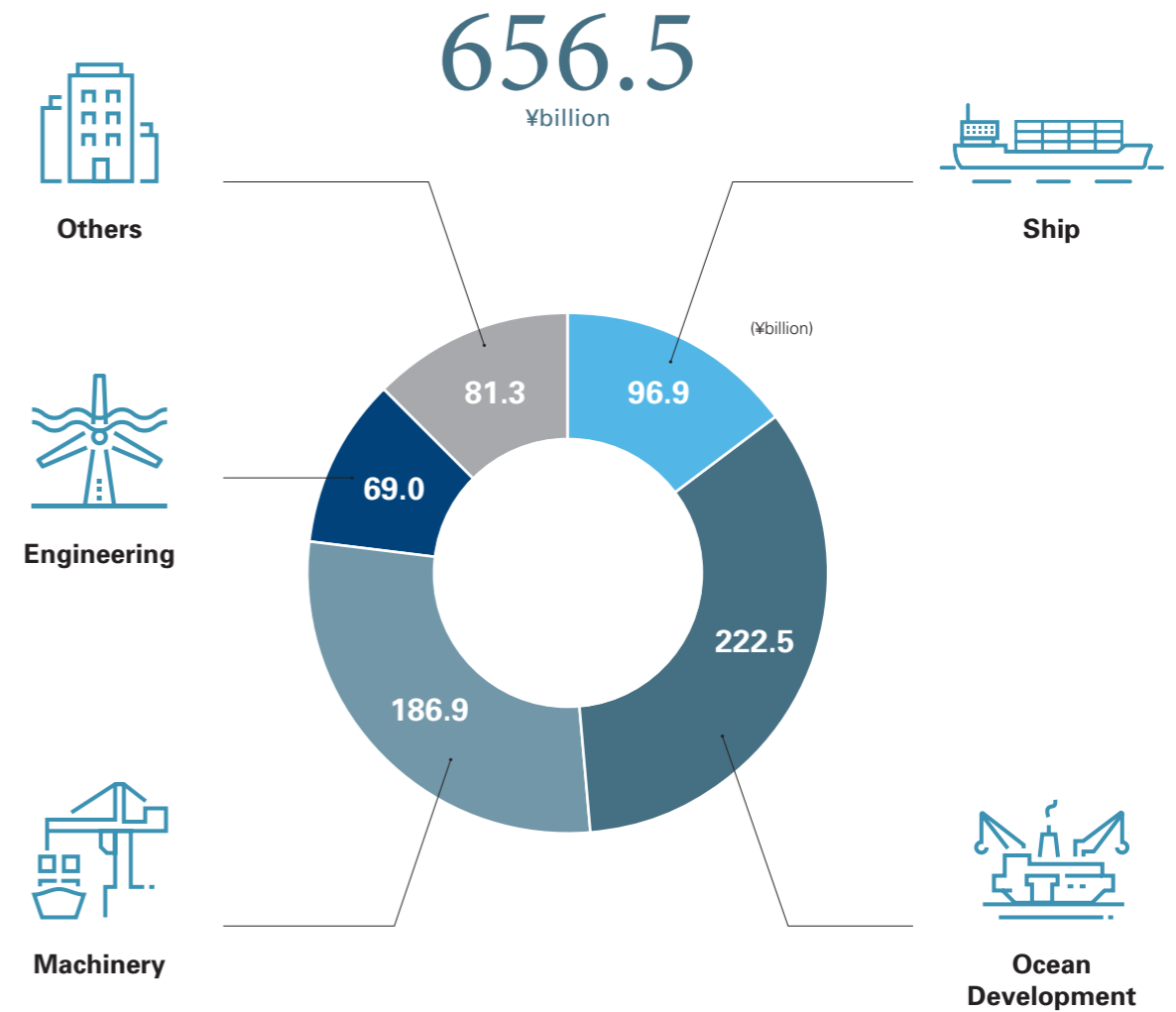
186 plants
in **54** countries

Small-sized gas carriers
TGE Marine Gas Engineering GmbH

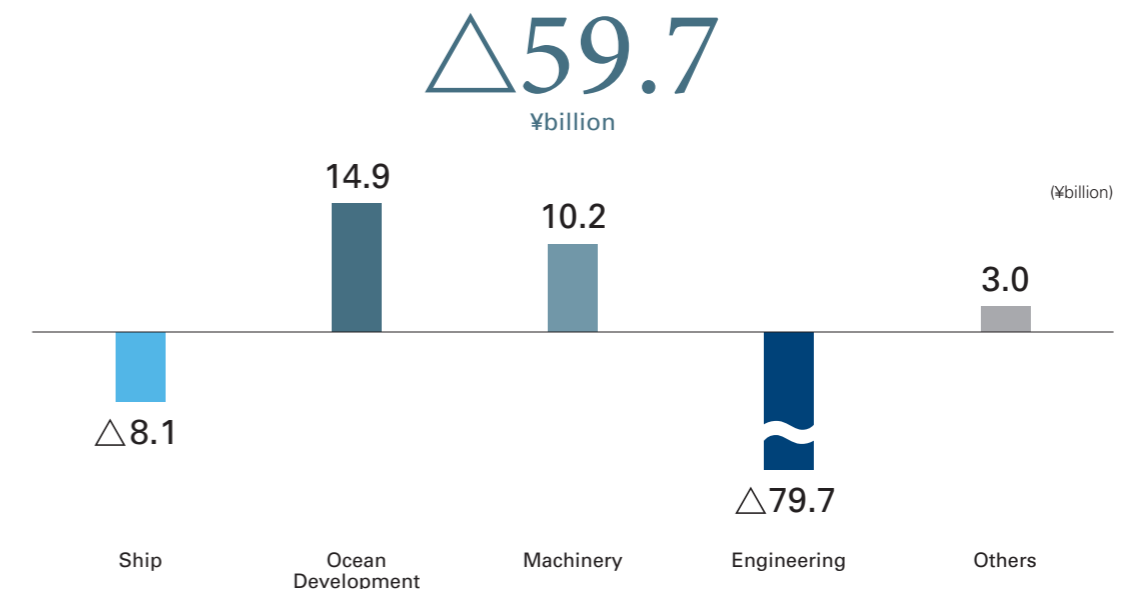


World-class engineering company

FY2019 ('18/4 - '19/3) Sales by segment



FY2019 ('18/4 - '19/3) Operating Income



Long term strategy "Mitsui E&S Group 2025 Vision"

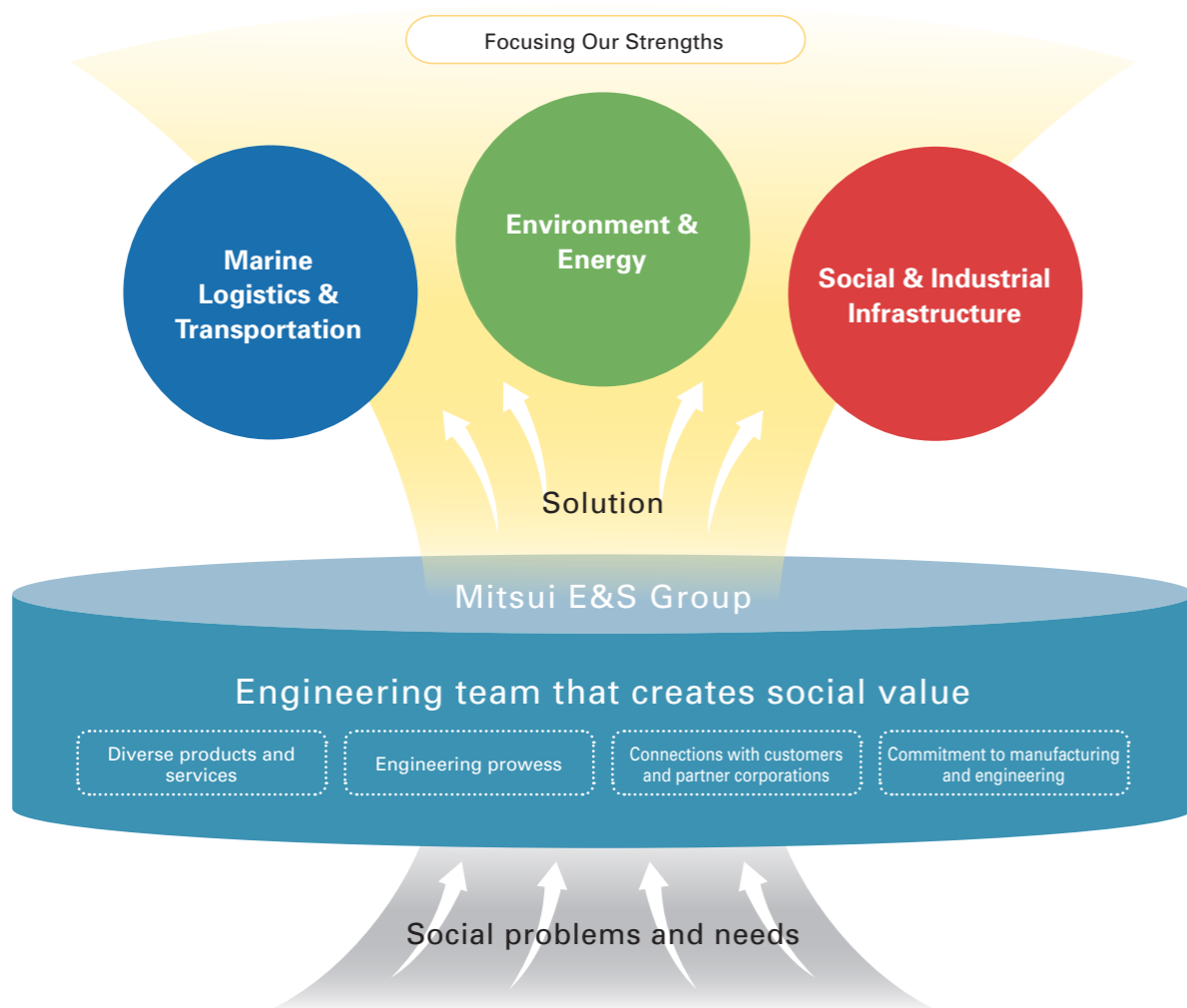
We are an engineering team that creates social value to realize a better society.

The Mitsui E&S Group 2025 Vision outlines the Mitsui E&S Group's long-term direction for the period between FY2017 ('16/4 - '17/3) and FY2026 ('25/4 - '26/3). To achieve the Mitsui E&S Group company philosophy of "To continue working as a company trusted by society and individuals through our products and services," we outlined the direction of our future initiatives based on an evaluation of our rapidly changing external environment.

Ideal Situation of the Mitsui E&S Group

An engineering team that creates social value

Realizing a better society



Key Strategy and Common Policies

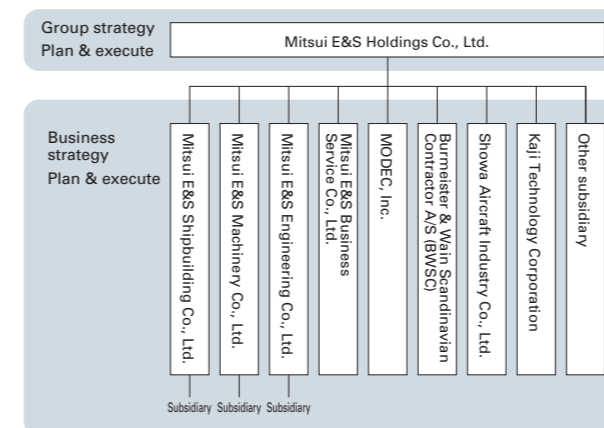
To achieve our Ideal Situation, we established a Key Strategy that divides our administrative workflow into three stages.



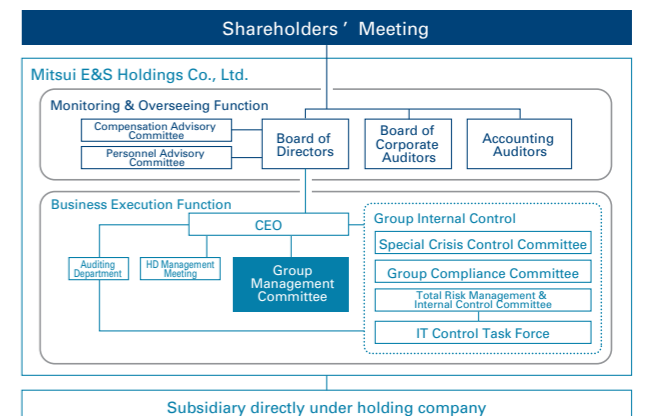
Reinforced business foundation

Shifting to a holding company system

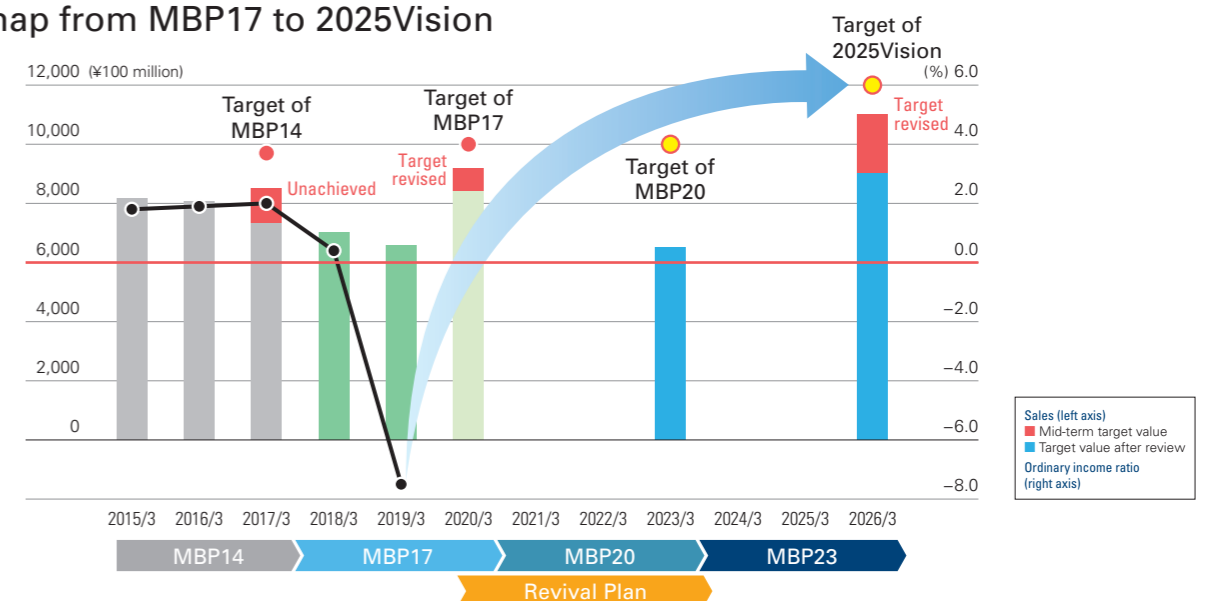
Separated group management and business management with the clear definition of each organization, function, and authority



Established the "Group Management Committee" to discuss and make decisions on the policy of group-wide management strategy



Roadmap from MBP17 to 2025Vision



Mitsui E&S Group Business Revival Plan

FY2020 ('19/4 - '20/3) – FY2023 ('22/4 - '23/3)

The Mitsui E&S Group (the "Group") recognizes the urgent need to recover from the significant damage to its financial base caused by losses on several large-scaled overseas EPC projects in the engineering business. The earnings from existing businesses such as shipbuilding and engineering have also been declining, forcing the Group to exit from unprofitable businesses and develop growth businesses that will be its new primary sources of profit. Given this situation, the Group positions 4 years from FY2020 ('19/4 - '20/3) as business revival period for restructuring business foundation and regaining energy for the future, and will build management structure which is strong against unfavorable winds.

Outline of the Mitsui E&S Group Business Revival Plan	Major policies for business revitalization	Quantitative Target FY2024/03 Consolidated
Reinforcement of financial and profit structure <ul style="list-style-type: none"> Disposal of assets Reduction of fixed cost (personnel and other expenses) Reforming the business structure <ul style="list-style-type: none"> Disposal and exit from unprofitable businesses Concentration of resources in growth businesses 	Shifting to a balance-sheet-oriented management (aiming to reduce interest-bearing debt & effective use of the assets)	Net sales ordinary income ratio (%) ¥650 billion (4%)
		Total asset turnover ratio More than 0.8
	Breaking from the sales-first principle to emphasis on profit	Ratio of interest-bearing debt to EBITDA Within 5.0x

Measures for disposal and exit from unprofitable businesses

[Engineering business]

Reorganization plan for engineering business

- Consolidate the resources dispersed to Mitsui E&S Engineering Co., Ltd.(MES-E) and its subsidiaries, and integrate and enhance the technological capabilities.
- Consolidate the resources related to chemical plant into Mitsui E&S Plant Engineering Co, Ltd.(MPE).
- Consolidate the resources related to environmental recycling and biogas into Mitsui E&S Environment Engineering Corporation (MKE).

Reorganization of coal-fired power generation civil engineering business structure

- To complete the construction ordered with full force, coal-fired power generation civil engineering business shall be directly under the control of MES-E president to gather strength.
- After completion of construction ordered, we will not accept new orders and exit from coal-fired power generation civil engineering business. (planned FY2023 ('22/4 - '23/3))

MES-E will focus on the operation of MKE / MPE (including collaboration with companies outside the group) and the completion of coal-fired power generation civil engineering construction ordered. After the completion of construction ordered, we will shift and reallocate the resources from coal-fired power generation civil engineering business to the renewable energy business and social infrastructure business.

Reorganization of engineering business structure

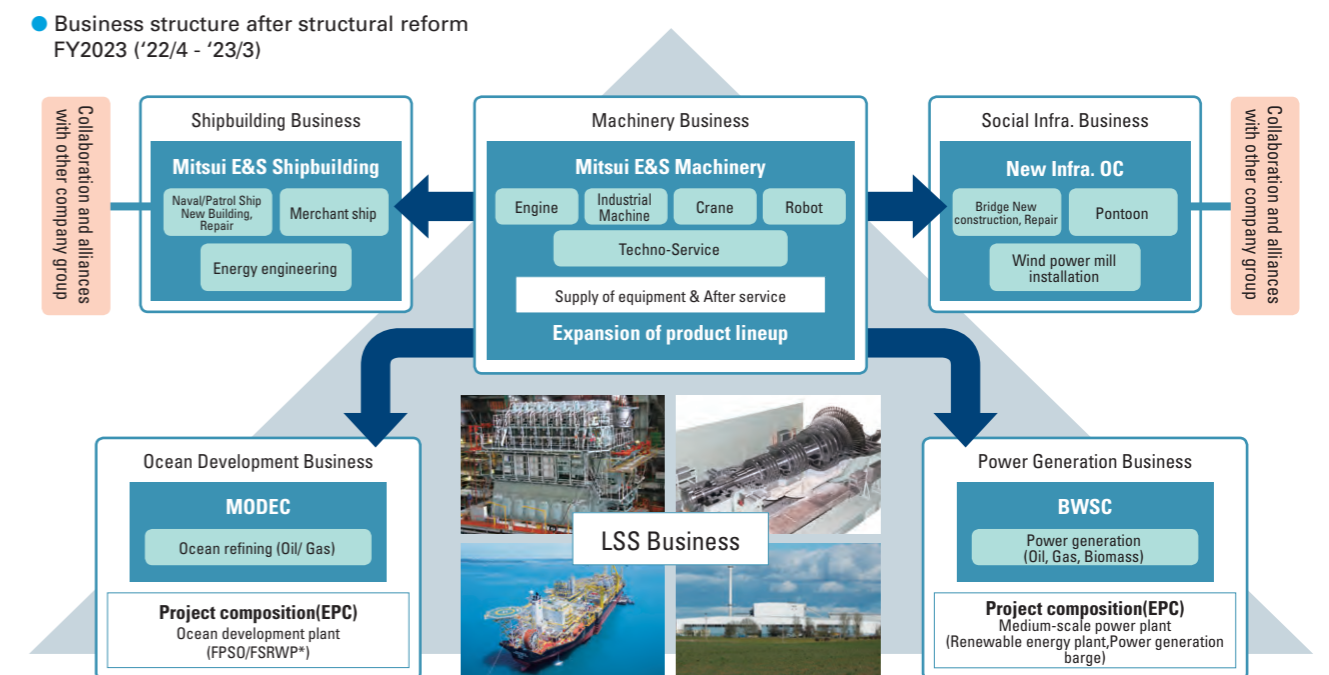
[Shipbuilding Business]

Business portfolio change at Chiba Shipyard

- After delivery of the ships ordered so far (planned FY2021 ('20/4 - '21/3)), the new merchant shipbuilding business at Chiba Shipyard will be scaled down. By stages, shift to a structure that focuses on the businesses of energy engineering and construction of large steel structures.

Concentration of resources in growth businesses

While the businesses will remain in the three segments of "Environment & Energy," "Marine Logistics & Transportation," and "Social & Industrial Infrastructure" set forth in the MES Group 2025 Vision, the Group will position the machinery and systems, ocean development, and power generation businesses as its core while enhancing collaborations within the Group and concentrating resources. Meanwhile, the Group plans to aim for the further growth of the shipbuilding and social infrastructure businesses through collaborations and alliances with companies outside the Group.



* FSRWP: Floating Storage, Regasification, Water-Desalination & Power-Generation

Further Measures

<h3>Expand the product lineup of Machinery Business</h3> <p>Expand product lineup centered on marine & industrial machinery with the strong points of quality, price competitiveness and networks, and develop LSS business.</p>	<h3>Reorganization of Power Generation Business</h3> <p>The biomass power generation business of MES-E should be integrated into BURMEISTER & WAIN SCANDINAVIAN CONTRACTOR A/S (BWSC). BWSC Japan* should expand the markets to Southeast Asia in the future, after the Japanese market.</p> <p>* BWSC Japan: BWSC's subsidiary in Japan</p>
<h3>Reorganization of Shipbuilding Business</h3> <p>Establish a new organization to promote energy engineering business field (offshore FPSO, gas business, etc.). Cooperate with companies outside the group to enhance the competitiveness.</p>	<h3>Reorganization of Social Infrastructure Business</h3> <p>Consolidate the resources related to social infrastructure should be integrated to Mitsui E&S Steel Structures Engineering Co., Ltd.(MSE) in order to launch a new company for the social infrastructure businesses. As the large-scaled structure construction business, the wind power mill installation business of MES-E should be integrated to the new company. Considering collaboration with companies outside the group to enhance the competitiveness and expand the business.</p>

Three business areas that the Mitsui E&S Group will focus on

Needs of society

Increasing energy consumption

Diversification of energy sources

Application of unconventional energy

Expanding demand for environmental conservation

Increasing marine transportation volume

Expanding demand for environmental conservation

Increasing energy consumption

Diversification of energy sources

Increasing demand for infrastructure and industrial facility

Expanding demand for preventive conservation, replacement and renewal of existing infrastructure and industrial facility

Expanding demand for environmental conservation

Safe and secure life

Business Field

Environment & Energy

In this domain, we will contribute to a sustainable future for the Earth by creating renewable energy and participating in the development of ocean resources.

- Ocean development and submersible equipment
- Renewable energy
- Environmental plants
- Power generation plants

Marine Logistics & Transportation

As a professional with expertise in every aspect of the supply chain, we will achieve even greater innovation in the field of marine logistics and transportation.

- Transfer crane in container yard
- Ships
- Marine diesel engine

Social & Industrial Infrastructure

We will contribute to creating a safe and comfortable living environment by providing plant facilities and public transportation infrastructure vital to the development of developing countries, as well as maintenance services required for infrastructure in Japan and other advanced economies.

- Infrastructure maintenance
- Bridges
- Chemical plants
- Industrial machinery
- National defense

Examples of comprehensive solutions provided by maximizing the group's strength collectively

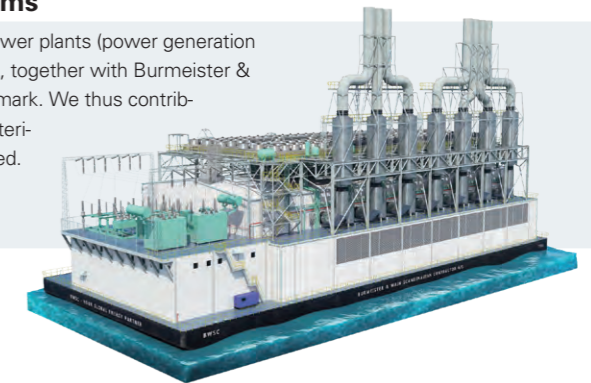
Supplying electrical power generated by floating offshore power stations that can travel anywhere in the world

Provision of floating gas power generation systems

At Mitsui E&S, we have developed and manufacture floating mobile power plants (power generation barges), which are equipped with diesel engines and power generators, together with Burmeister & Wain Scandinavian Contractor A/S (BWSC), our group company in Denmark. We thus contribute to stable power supply in regions where it is difficult to procure materials or secure labor locally, or where a power grid has yet to be developed.

[Related group companies]

- Mitsui E&S Shipbuilding Co., Ltd.
- Mitsui E&S Machinery Co., Ltd.
- Burmeister & Wain Scandinavian Contractor A/S
- TGE Marine Gas Engineering GmbH
- MODEC, Inc.



Providing one-stop solutions for natural gas transportation needs

Provision of consistent solutions from the upstream to the downstream processes of natural gas transportation projects

Working together with our group company TGE Marine Gas Engineering GmbH (TGE), a German gas carrier engineering company, we are advancing the development of the small and midsize gas carrier market. We will enter the upstream process of gas carrier construction by acquiring expertise from TGE, which has worked on a large number of Engineering, Procurement, and Construction Supervision (EPCS) business, including the development of small and midsize gas carriers, demand for which is expected to increase in the future.

[Related group companies]

- Mitsui E&S Shipbuilding Co., Ltd.
- Mitsui E&S Machinery Co., Ltd.
- TGE Marine Gas Engineering GmbH
- Kaji Technology Corporation
- MES-KHI Yura Dock Co., Ltd.



Evolving into a general hospital that protects the social infrastructure

Provision of one-stop services from investigation and diagnosis to repairs, replacement, and renewal

We will provide one-stop service ranging from investigation and diagnosis of social infrastructure to their repair, replacement, and renewal by collaborating with both internal and external parties of the group. In addition to using the original radar exploration technique, investigation and diagnosis will be differentiated by having business alliances with other companies. We also provide services taking advantage of our strength to have technique and experience in both iron and concrete within the Group.

[Related group companies]

- Mitsui E&S Machinery Co., Ltd.
- Mitsui E&S Steel Structures Engineering Co., Ltd.
- Mitsui E&S Technical Research Co., Ltd.
- DPS Bridge Works Co., Ltd.

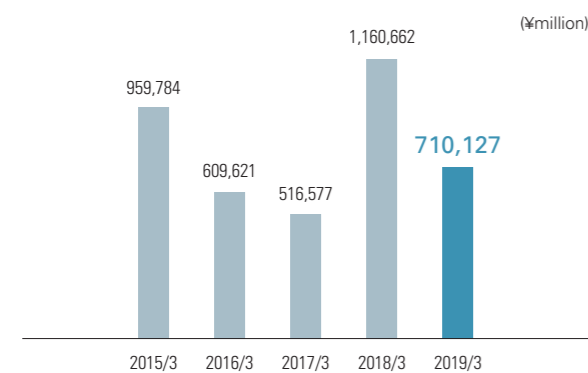


Financial and Non-Financial Highlight

Financial Highlight

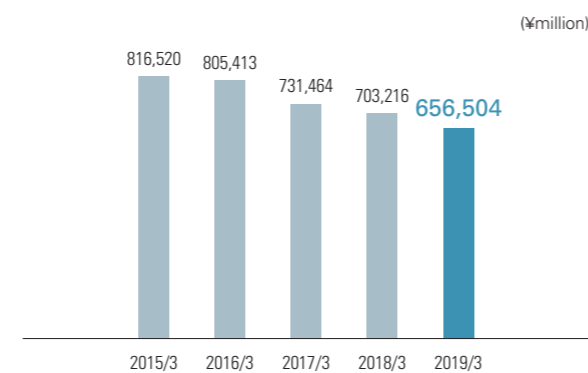
New Orders Received

Decreased compared to the previous year due to declining in number of new large FPSO order from two to one, and delays in projects related to environmental energy.



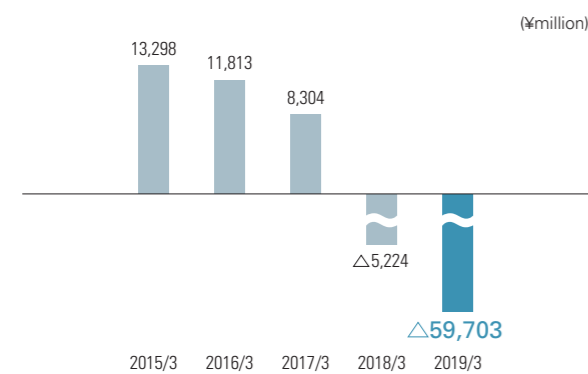
Net Sales

Although construction work for FPSO proceeded smoothly, net sales decreased compared to the previous year due to the plan to limit operations in the ship segment and the cancellation of overseas chemical plant on-site construction in the engineering segment.



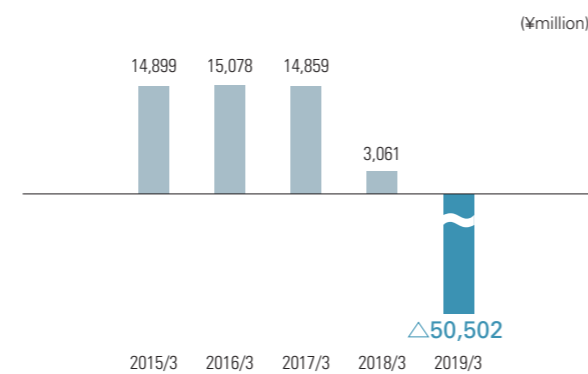
Operating Income

Operating loss increased by ¥ 54,478 million year on year to ¥ 59,703 million due to the impact of significant loss in civil engineering work for thermal power plants for Indonesia in the engineering business.



Ordinary Income

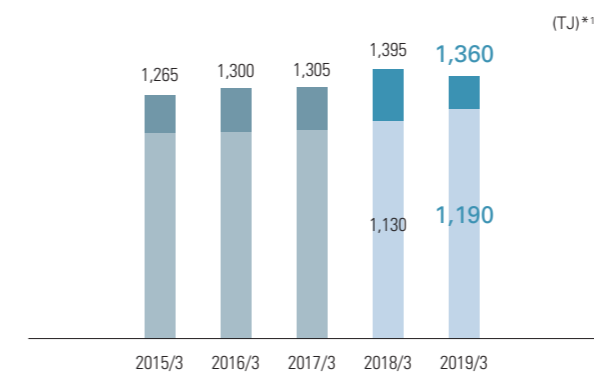
The after-sales service in the machinery segment and ocean development segment were strong, but the profitability of Indonesian coal-fired power plant civil engineering construction deteriorated, resulting in a significant loss.



Non-Financial Highlight

Total Energy Consumption

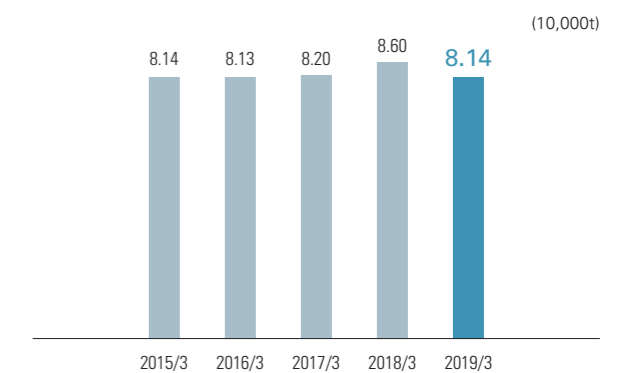
MES continues its efforts to reduce CO₂ emissions through activities such as switching the fuel for in-house power generation from heavy oil to natural gas. Due to a decrease in the manufacturing of our mainstay products such as ships, etc., total energy consumption for FY2019 ('18/4 - '19/3) decreased by approximately 3% from the previous year.



*1 TJ: Tera Joule (=1012J)
 ■ Fuel
 ■ Electricity

CO₂ Emission*2

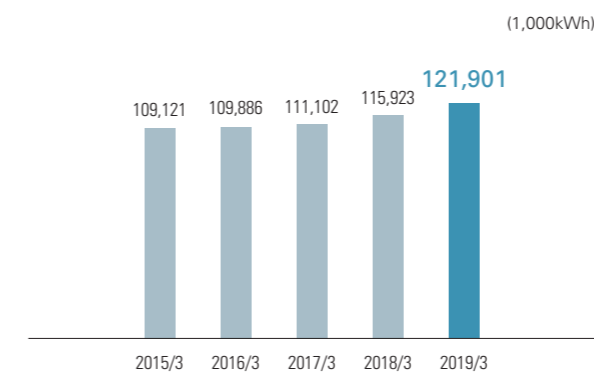
CO₂ emissions for FY2019 ('18/4 - '19/3) declined by approximately 5% from the previous year.



*2 CO₂ emissions were calculated by following the Guidelines for Calculating Corporate Greenhouse Gases Emissions issued by the Ministry of the Environment. CO₂ emissions from electric power were calculated by using the adjusted CO₂ emission coefficient by electric power company that was also published by the Ministry of the Environment.

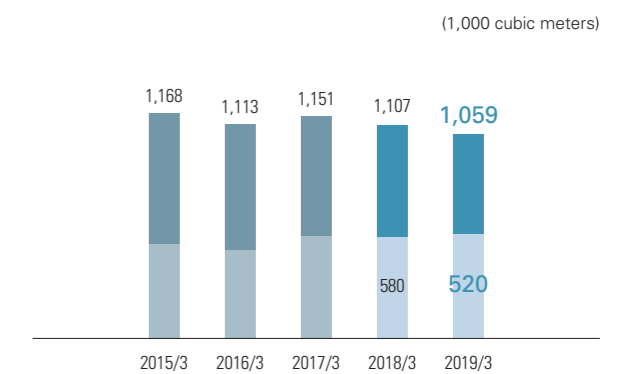
Purchased Electricity

Purchased electricity for FY2019 ('18/4 - '19/3) rose by approximately 5% from the previous year.



Water Consumption

MES uses both service water (clean water) and industrial water (recycled water). As a result of striving to save water in FY2019 ('18/4 - '19/3), water consumption was down approximately 4% from the previous year.



■ Industrial water
 ■ Service water

11years summary

(¥million)

	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
Financial Results											
New Orders Received	¥ 801,870	¥ 359,066	¥ 499,695	¥ 686,886	¥ 662,556	¥1,107,750	¥ 959,784	¥ 609,621	¥ 516,577	¥1,160,662	¥ 710,127
Net Sales	686,655	765,989	589,209	571,852	577,093	670,067	816,520	805,413	731,464	703,216	656,504
Operating Income	26,854	43,000	38,895	31,420	24,001	19,969	13,298	11,813	8,304	△5,224	△59,703
Ordinary Income	23,415	41,999	36,216	32,345	26,162	26,179	14,899	15,078	14,859	3,061	△50,502
Net Income* ¹	10,641	19,652	13,493	17,880	△8,207	42,854	9,463	7,599	12,194	△10,137	△69,599
Cash Flow											
Operating Cash Flow	¥ 26,360	¥△18,567	¥ 29,223	¥ 13,564	¥ 47,182	¥ 14,499	¥ 15,167	¥ 29,802	¥ △7,843	¥ △3,555	¥ 66,176
Investing Cash Flow (Loss)	△14,124	2,147	△42,841	11,515	△12,100	△37,312	△32,385	△34,599	△28,753	△9,046	△130
Free Cash Flow	12,236	△16,420	△13,618	25,079	35,082	△22,813	△17,218	△4,797	△36,596	△12,601	66,046
Financing Cash Flow (Loss)	7,901	23,825	△6,517	△32,415	△4,793	15,531	△4,374	48,216	19,401	△14,813	△53,340
Cash and Cash Equivalents	104,432	114,196	79,799	72,007	106,192	111,926	94,664	135,747	115,620	86,311	97,408
Financial Position											
Net Assets	¥ 160,744	¥ 180,154	¥ 193,748	¥ 209,631	¥ 207,313	¥ 323,608	¥ 347,305	¥ 343,853	¥ 367,608	¥ 356,837	¥ 280,239
Total Assets	739,302	742,860	686,325	655,929	660,397	932,896	1,074,563	1,094,042	1,096,735	1,029,222	999,100
Interest-bearing Debt* ²	153,496	197,778	172,033	144,565	148,257	187,833	188,314	239,873	265,176	255,276	204,617
Per Share Information*³											
EPS (Net Income per Share)	¥ 128.41	¥ 237.17	¥ 162.91	¥ 215.90	¥ △ 99.14	¥ 517.98	¥ 116.26	¥ 94.03	¥ 150.87	¥ △125.42	¥△861.09
BPS (Net Assets per Share)	1,695.95	1,937.52	1,984.03	2,191.74	2,122.39	2,666.42	2,928.59	2,904.80	3,097.79	2,958.83	1,973.91
Dividends per Share	4.0	5.0	4.0	4.0	3.0	2.0	2.0	4.0	3.0	—	—
Share Price at the year end* ⁴	164	233	199	144	166	218	205	168	172	1,730	1,044
Key Financial Indicator											
Shareholders' Equity to Total Assets (%)	19.0	21.6	23.9	27.7	26.6	23.6	22.0	21.5	22.8	23.2	16.0
ROE (Return of Equity) (%)	7.3	13.1	8.3	10.3	△4.6	21.6	4.1	3.2	5.0	△4.1	△34.9
D/E Ratio	1.1	1.2	1.0	0.8	0.8	0.9	0.8	1.0	1.1	1.1	1.3
Non financial Information											
Employees (Consolidated)	10,324	10,563	10,326	10,025	9,881	12,055	12,291	12,705	13,171	13,421	13,607
Total Energy Consumption	1,505	1,460	1,445	1,360	1,290	1,175	1,565	1,300	1,305	1,395	1,360
CO ₂ Emission	7.83	6.84	6.66	6.38	6.70	6.90	8.14	8.13	8.20	8.60	8.14

*1 Profit (losses) attributable to owners of parent

*2 Excluding lease liabilities

*3 The Company consolidated shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017. Share price shown in 2018 is of after the consolidation.

*4 Each stock price is based on prices quoted in the first section of the Tokyo Stock Exchange.

Message from the Chairman



Overcoming these difficulties, we aim to be a manufacturing company that has more value for society.

Chairman & CEO,
Takao Tanaka

Review of FY2019 (the year ended March 2019)

The Mitsui E&S Group has set up an engineering team that creates social value in its 10 year long-term MES Group 2025 Vision with all our efforts being focused on the three business areas of Environment & Energy, Marine Logistics & Transportation, and Social & Industrial Infrastructure to promote a reinforced business foundation and deepened Group management.

FY2019 ('18/4-'19/3) marks the middle year of the Mid-Term Business Plan 2017 (MBP17), from April 2017 to March 2020, which aims to maximize MES Group strengths collectively to improve profitability and stabilize earnings as the first step of the 2025 Vision. However, in the midst of this, large-scale losses continued in overseas engineering, procurement and construction (EPC) projects in the engineering business, resulting in significant damage to our financial base. I would like to give my most sincere apologies to all our stakeholders for the inconvenience and concern caused.

Formulating a business revival plan

Due to recording the largest deficit in our history there is an urgent need to recover capital and secure funds meaning that no year-end dividends have been paid out. Furthermore, profits in existing businesses such as shipbuilding and engineering have also worsened, making it increasingly important for us to withdraw from unprofitable businesses and cultivate growth businesses that will become a new revenue pillar for the Group. Under such circumstances, instead of brushing aside this heavy loss as a problem to do with a specific project received in the past, we deeply thought it over that our potential vulnerability within the Group became tangible and formulated the Mitsui E&S Group Business Revival Plan in May 2019 in order to implement fundamental changes newly .

Trickling down of changes in awareness

Already written into the 2025 vision are three actions which the entire Company is working together on, namely: 1) switching our perspective from "external to internal", in terms of social issues and needs to evaluate what is necessary to address those needs, 2) proactively promoting internal and external collaboration, with a focus on effective use of resources and achieving goals, without "going it alone ", and 3) a focus on increasing profit margins, evaluating which product values and business models will create profit. I believe that things like overseas construction through joint ventures with other shipyards, orders for new energy-saving ships and LNG fuel propulsion systems, offering services from construction to maintenance and operation of biomass power plants, orders for floating production storage and offloading systems (FPSO) for new customers are all a sign of this kind of change in awareness.

Shifting to a pure holding company structure

As a main feature of structural reform, the Group shifted to a pure holding company structure on April 1, 2018, and in doing so changed its trading name from Mitsui Engineering & Shipbuilding Co., Ltd. to Mitsui E&S Holdings Co., Ltd. While doing away with the harmful effects of the traditional convoy system, increasing mobility and competitiveness in each of our businesses, and making a system that can quickly respond to the speed of changes in the business environment, we are looking for all our businesses to gain the strength to stand on their own feet and open up the future.

Message from the Chairman



Through becoming a holding company, Ship & Ocean Project Headquarters became Mitsui E&S Shipbuilding Co., Ltd., Machinery & Systems Headquarters became Mitsui E&S Machinery Co., Ltd., and the Engineering business became Mitsui E&S Engineering Co., Ltd. Even though each Operating Company that has been spun off is a wholly owned subsidiary of the Holding Company, authority and responsibility over business execution has been largely transferred over to clarify business independence and management responsibility. Like the listed Group companies of MODEC, Inc. and Showa Aircraft Industry Co., Ltd., we have had to promote business strategies such as recognizing the financial base and cash flow of each business, being mindful about return on investment, and also the selection and consolidation of businesses and collaboration both within and outside of the Group while being conscious of the capital costs associated with the entire Group.

Manufacturing power is alive and well

Meanwhile, after our transition to a holding company structure, our Company Philosophy of “To continue our role as a trusted company, and as a trusted member of society” will remain unchanged. If anything, we will dig deeper and aim for sustainable growth. We will seek out exactly the things we should be focusing on so as to provide new value through manufacturing that is a benefit to society, gaining trust based on how well we do.

As a comprehensive heavy industry manufacturer with a wide variety of products and services, the Group has expanded its business domain from fields centering on shipbuilding and marine engines to new fields such as various plants, industrial machinery, ocean development, and social infrastructure. In every field, the Group has the skills and technologies to be proud of in the world, and we are nurturing human resources to pass on these qualities. The world’s best manufacturing power is alive and well. In emerging countries where energy demands are on the rise and environment and energy conservation is gaining pace, and in developed countries where infrastructure replacement demand is increasing, the fields where our Group’s manufacturing capabilities can be utilized are expanding more and more. It is because of this that I believe there are many things we can do to contribute to solving the global problems set out in the Sustainable Development Goals (SDGs).

Improving corporate value over the medium to long term

I will continue to assume the role of Chief Executive Officer (CEO), and in order to enable the Group to achieve sustainable growth, I will make a thorough shift towards profit-oriented management, away from the sales-first principle. At the same time, we will increase the speed of business reform together with President Oka, the new Chief Operating Officer (COO), working towards a quick recovery of our financial base and improved profit structure, accelerating the display of the Group’s collective strengths. In doing so we shall overcome these difficult times, aiming to become a manufacturing company that has more value for society. I would like to ask our stakeholders as always for their continued support.



Message from the President



President & COO
Ryoichi Oka

R. Oka

We will certainly accomplish our Business Revival Plan amid unprecedented difficulties, turning the Company around into one with a sound financial structure.

Determination on being appointed president

My name is Ryoichi Oka, and I have been appointed President and COO. In the machinery and systems business division, I have extensive experience from design, production planning, quality assurance and after-sales service to managing the operating company and doing business from upstream to downstream within our Group. My mission is to take advantage of this experience and to overcome the current crisis with the collective strength of the entire Company, reviving it into a Company with a sound financial structure to produce stable profits. To that end, I will work with Chairman Tanaka under the slogan of “think globally, act locally” to further accelerate the structural reforms we have made so far, determined in our conviction to implement the Business Revival Plan.

Fiscal year ended March 31, 2019 results and future outlook

Despite gains in the ocean development sector, the Group’s net sales in FY2019 ('18/4-'19/3) decreased by ¥46.7 billion compared to the previous fiscal year (down 6.6%) to ¥656.5 billion, due to the decrease in sales (calculated using the percentage of completion method) in the ship and engineering divisions. Operating losses were ¥59.7 billion due to the effects of posting heavy losses in the engineering business, namely in civil engineering works for the thermal power plant in Indonesia. Ordinary losses amounted to ¥50.5 billion (ordinary income of ¥3.1 billion in the previous year), and net losses attributable to parent company shareholders were ¥69.5 billion. As a result, retained earnings decreased and net assets decreased by ¥76.5 billion from the end of the previous fiscal year to ¥280.2 billion.

Under these circumstances, ordering strategies, etc. in the engineering business have been reviewed and so for FY2020 ('19/4-'20/3) we expect net sales of ¥840 billion, operating income of ¥12 billion, ordinary income of ¥17 billion, and net income attributable to parent company shareholders of ¥3 billion. In light of these figures we are not expected to reach the originally planned MBP17 targets. Looking at each segment, Ship operating losses are expected to improve due to an increase in the number of ships being built and a reduction in fixed costs. Operating income is forecast in Ocean Development on the back of continued high levels of net sales, partly because of new project orders. Despite increased sales from the production of large marine diesel engines and container cranes, for which we get many inquiries, a drop in profits is expected in the Machinery sector against the backdrop of continued slow

Progress of medium-term management plan

Indicators	FY2020 Target (‘19/4-‘20/3)	FY2019 Results (‘18/4-‘19/3)	Shortfall	FY2018 Results (‘17/4-‘18/3)
Net Sales	¥920 billion	¥ 656.5 billion	¥△263.5 billion	¥703.2 billion
Ordinary Income or Loss	¥ 37 billion	¥△50.5 billion	¥ △87.5 billion	¥ 3.1 billion
Ordinary Income Rate	4.0%	△7.7%	△11.7%	0.5%
ROIC	6.5%	△12.0%	△18.5%	0.4%
Interest-Bearing Debt	¥270 billion or less	¥ 213.2 billion	¥ △65 billion	¥264.8 billion

Message from the President

recovery in ship prices and pressure to reduce product prices. Engineering will improve significantly from the operating losses suffered in the current fiscal year, however, it is likely that operating losses will continue due to a temporary shortage of operations due to business reorganization.



“We reflect our determination and intent as bold business portfolio reforms in the Business Revival Plan”

Executing the Business Revival Plan

Based on the above situation, for the four years from FY2020 ('19/4-'20/3), the whole Company will work together on all measures of the Business Revival Plan consisting of measures for strengthening the financial and profit structure and measures for reforming the business structure.

The reasons for posting such significant losses was because we had too much confidence in our past performance and abilities, risk management was poor, and we received orders greatly exceeding our capabilities. The background to this is the fact that each business only looked at their own sustainability and securing order volume, they held back from moving away from the sales-first principle. While knowing that we have to change this situation, it's true we have put off any drastic reforms until after the market has subsided. While reflecting on what's happened in the past, we understand that any wishful thinking along the lines that 'something will happen' is the biggest risk to the Group, which is why we reflect our determination and intent as bold business portfolio reforms in the Business Revival Plan.

Measures to strengthen financial and profit structure

As a first step, the head office building and securities were sold in FY2019 ('18/4-'19/3) with further asset sales and capital measures planned for the future in order to recover net assets as soon as possible. Furthermore, the total asset turnover ratio has been declining, and in addition to not being able to make effective use of assets, the ratio of interest-bearing debt to EBITDA has also suffered. Amid dropping earnings power in our core business, the reduction of interest-bearing debt has been delayed and repayment terms on borrowings have been lengthened due to posting significantly large losses. For these reasons, we believe that the shipbuilding and engineering businesses in particular need to undergo radical structural

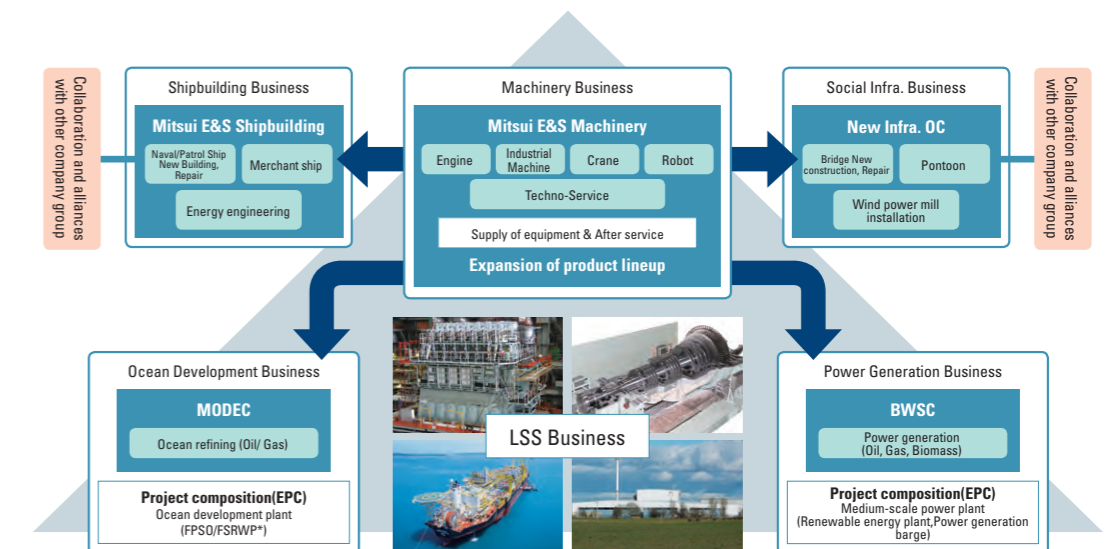
reforms, including withdrawal from unprofitable businesses, as a measure to regain their earnings power.

Reorganization of Shipbuilding and Engineering businesses

In the shipbuilding business, a continuous decline in profitability in merchant ships has normalized due to the sluggish new shipbuilding market from excessive supply and heightened price competition due to more aggressive competition between companies in China and Korea. On the other hand, we have been ensuring adequate profits in structural steelwork including naval and governmental ships and immersed tunnel elements, etc. However, since the shipbuilding business has a profit structure weighed down with large fixed costs, there must be a certain amount of construction work alongside the construction of merchant ships. Taking this into consideration, after delivery of existing ship orders scheduled in 2020, we will reduce the Chiba Shipyard's new merchant shipbuilding business and shift to a system that focuses on energy engineering and large steel structures. As for the future development of the new shipbuilding business, in addition to taking advantage of our strength as a leading shipyard for energy-saving ships, continuing to undertake activities for receiving selective orders while improving profitability, we will actively utilize the scheme of contracting out construction work to partner companies.

In the engineering business, we will consolidate the resources of the chemical plant business and the environmental recycling business, which have been separated in operating companies and subsidiaries, to combine and improve our technological capabilities. In the thermal power civil engineering business the Group will combine all its strengths by establishing a system that is under the direct control of the president of the engineering business company so as to complete construction work on orders that have been received. New orders for the thermal power civil engineering business will not be accepted and, after the completion of existing construction work, resources from the engineering business will be reallocated to the renewable energy and social infrastructure businesses where growth is expected. In other words, Mitsui E&S Engineering will establish a special system, with a policy to focus on the management of subsidiaries with a view to collaborating both inside and outside the Group, and the completion of orders received.

● Business structure after structural reform (FY2023 ('22/4-'23/3))



* FSRWP: Floating Storage, Regasification, Water-Desalination & Power-Generation

Message from the President

Concentration of resources in focus businesses

In line with our long-term MES Group 2025 Vision, we will continue to focus on three areas: Environment & Energy, Marine Logistics & Transportation, and Social & Industrial Infrastructure. In particular, we will position machinery, ocean development, and power generation as our focus businesses while strengthening collaborations within the Group, concentrating our limited resources further. Meanwhile, in the shipbuilding and social infrastructure businesses, we will aim for new growth through collaboration and alliances with companies outside the Group. We will complete the development of these business structures by the FY2023 ('22/4-'23/3)

Measures for business reform

- Expand product lineup in the machinery business
We will expand its product lineup centered on marine and industrial machinery utilizing its strengths in quality, price competitiveness and networks in the machinery business.
- Reorganization of the Shipbuilding business
We will establish a new organization to promote the energy and engineering businesses, such as offshore FPSO and gas business. We will also promote partnerships with companies outside the Group to enhance its competitiveness.
- Reorganization of the Social Infrastructure business
Resources of the social infrastructure business including the wind power generation business will be consolidated, establishing a new infrastructure company. We will also work to expand its scale through alliances with companies outside the Group to strengthen competitiveness and expand business.

● Roadmap from MBP17 to 2025Vision

MBP14 Basis Development

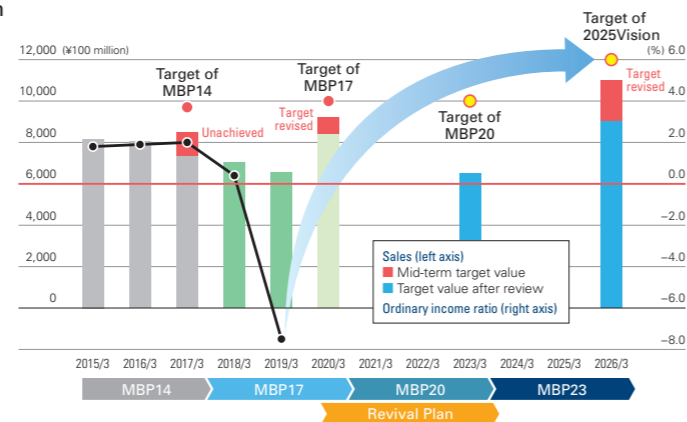
- Net sales: approx. ¥800 billion
- Ordinary Income Ratio: About 2% (below each target)

MBP17 Revolutionary Change

- Sequent large losses of projects occurred
- Shipbuilding market staying sluggish
- Shifted to "Holding Company" system
- Reinforcing the financial structure

MBP20 Significant Advance

- To exit from unprofitable business
- To focus on growth businesses
- To break from sales-first principle



Definitely target: 4% of Ordinary Income Ratio for dividends
After then, aim to achieve 6% in 2026/3.

	MBP17		MBP20		
	2019/3	2020/3	2021/3	2022/3	2023/3
Reinforcement of Financial Structure	Business Revival Plan				
	Short-term measures		Mid-term strategy		
• Disposal of assets	Disposal of assets		Continuation		
• Reduction of fixed cost	Reduction of costs		Continuation		
Reform of Business Structure	Reorganization / Exit from unprofitable business				
• Enhancement of the core businesses	Expansion of machinery product lineup				
• Reorganization of Shipbuilding Business	Collaboration / Reform of portfolio				
• Reorganization of Social Infrastructure Business	New OC		Building of a new production system		
• Reorganization of Engineering Business	Organization specialized to complete the existing civil works in power plants				

In addition to this reorganization, we will develop a service business (Lifecycle Solution Service, or LSS) to meet the product lifecycles of machinery, equipment, and infrastructure, etc. across all businesses, striving to secure revenue streams that are less affected by changes to the economy.

Roadmap for year beginning April 1, 2020

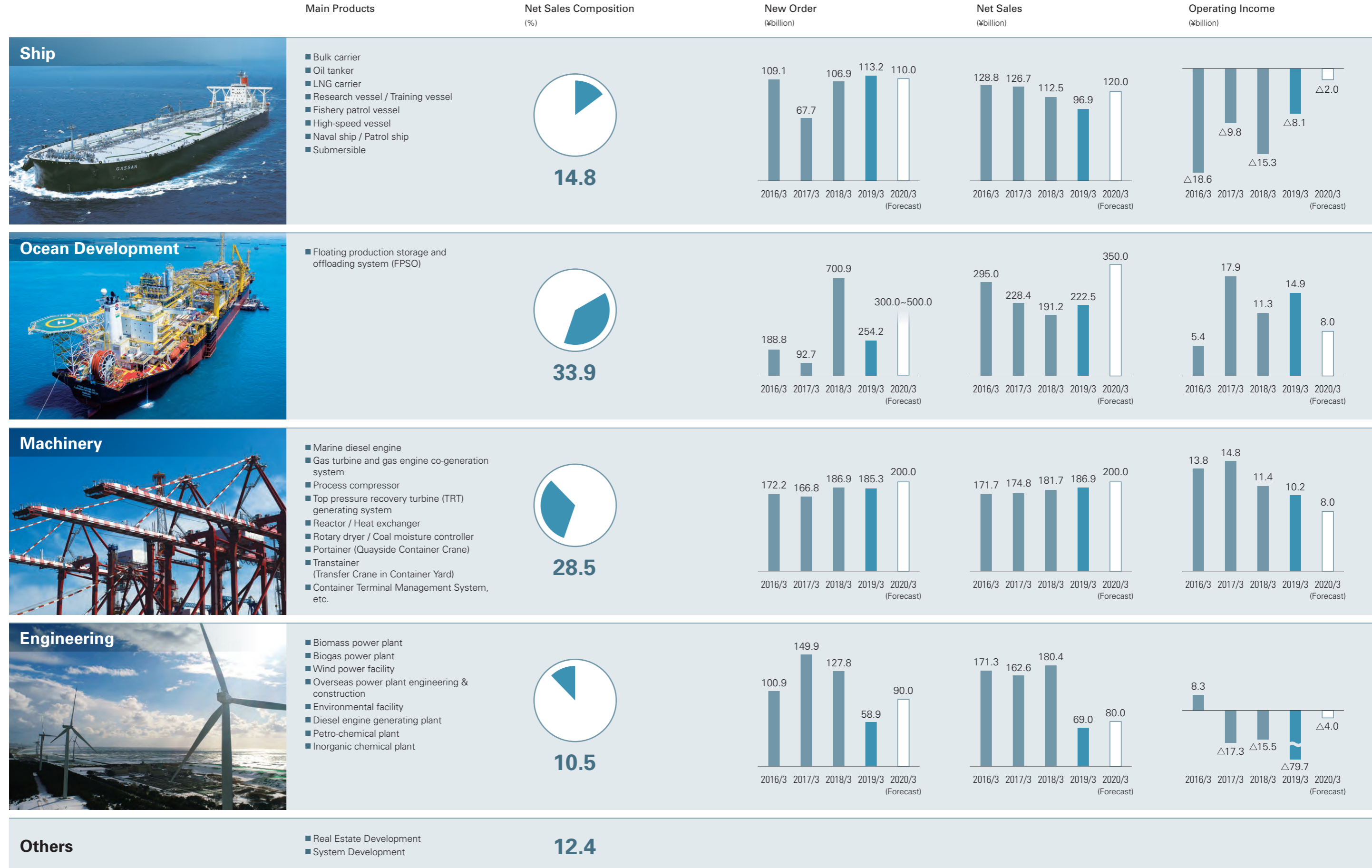
The numerical outlook in the business revival plan emphasizes probabilities, doing away with any amount of wishful thinking, and has been set on the understanding that it is the minimum targets which at least should be achieved. Specific numerical targets are net sales of ¥650 billion, ordinary income of ¥28 billion, and an ordinary income rate of 4% or more in FY2023, the final year of the MBP20. The balance sheet will show total assets reduced to ¥870 billion at the end of FY2023. At the same time, the total asset turnover ratio will be 0.8 or more and the ratio of interest-bearing debt to EBITDA will be 5 or less. With regard to the target values of our MES Group 2025 Vision, the pursuit of sales volume will be dropped, but there will be no change to the ordinary income rate of 6% or more.



To all our stakeholders

As far as our current performance figures are concerned, the Group faces unprecedented difficulties. On the other hand, our Group has many excellent human resources and manufacturing capabilities backed by the technology and skills we have cultivated during our 100-year history. Above all, there is a solid foundation of trust built up with our customers and business partners over the many years we have done business together. While I have a strong sense of the crisis we are in, by overcoming the various challenges we are now currently facing fills me with great expectation that our Group will be reborn into a Group with unprecedented potential. We will do our best to revitalize the businesses of the Group in order to turn this expectation into a certainty. I would like to ask all our stakeholders for their continued support from a medium- and long-term perspective, providing us with further assistance and encouragement.

Business Segment Overview



Ship

Leveraging the strengths of the Mitsui brand and its world-class design and construction technologies, we will push forward with the priority issues of further strengthening our strong businesses, focusing on growth businesses, and transforming our unprofitable businesses.

Mitsui E&S Shipbuilding Co., Ltd.
President and Representative Director
Tetsuro Koga



[Environment Recognition and Challenges]

The shipping and shipbuilding markets are still sluggish and oversupply is expected to continue until around 2025. In the medium to long term, there is concern that the gap between supply and demand will not close, leaving little return on ship prices. Challenges include difficulty in securing adequate profits on general commercial ships at current ship price levels, and high fixed costs such as general administrative expenses.

[Opportunities and Our Strengths]

We excel in our design development capabilities, construction capabilities, research facilities, gas technologies, and brand power, as well as having technological strengths and a good track record with naval vessels and government ships. Greater emphasis is being placed on requests for security and maritime safety, and we will respond to the increasing demands for LNG mainly in developing countries.

Business Environment and Performance

The shipping and shipbuilding markets remain sluggish due to uncertainties relating to the intensifying trade war between the U.S. and China, a sharp decline in shipments due to mine dam collapse of a major Brazilian resource company, and fast approaching, stricter environmental regulations.

On the other hand, in the field of gas carriers, investment in LNG export projects has been steady, and in addition to negotiations over the new construction of large LNG carriers, order plans for small and midsize LNG carriers and LNG bunkering vessels are beginning to move. In the field of resource development vessels, crude oil prices are on the rise as a result of coordinated production cuts and increased geopolitical risks in major oil-producing countries, and from the viewpoint of a stable energy resource supply, offshore oil development is continuously being implemented around the world with the establishment of floating production storage and offloading systems (FPSO) and other equipment, which are being implemented in

these projects, in full flow.

Under these circumstances and through increased efforts for accepting selective new orders while trying to improve profitability, the amount of orders received in this fiscal year increased by ¥6.2 billion (up 5.9%) year-on-year to ¥113.2 billion due to orders for government ships, including naval vessels for the Ministry of Defense, as well as receiving orders for 11 environmentally friendly bulk carriers by taking advantage of our strengths as the pioneer shipyard for energy-saving ships. However, net sales decreased by ¥15.6 billion (down 13.9%) to ¥96.9 billion due to a reduction in planned operational volume for the year off the back of limited orders during the slump in the shipbuilding market. Thanks to the success of ongoing cost improvement measures, operating losses amounted to ¥8.1 billion, an improvement of ¥7.1 billion as a result of efforts to improve profitability on orders already received for construction projects.

Business Revival Plan

Amid the continued oversupply of commercial ships and low ship prices, the ship business will leverage the strengths of the Mitsui brand and its world-class design and construction technologies, pushing forward with the priority issues of further strengthening our strong businesses, focusing on growth businesses, and transforming our unprofitable businesses to accelerate the shift away from the order-first approach to the pursuit of profits.

As a further strengthening of our strong businesses, we will focus on the national defense and ship repair businesses. We will strengthen the naval vessels and government ships business as well as the ship repair business since they ensure reasonable profits. Particularly in the field of national defense, where the Company has a large competitive edge, we have budgeted for naval ships, large patrol ships, fishery patrol vessels and training ships after the announcement from government ministries and agencies for strengthened defense capabilities, and the strengthening of the strategic maritime defense system and system to patrol its fisheries. This increasing trend and replacement demand remains strong, and we expect it to continue in the future where we aim to secure firm orders.

As for our focus on growth businesses, we will place importance on the fields of energy and the environment. Specifically, while continuing with development on new types of vessels such as new gas fueled ships, we will establish a new organization to promote energy engineering business (offshore FPSO, gas business, etc.). In the field of resource development

vessels, we are working to establish a marine brand through developing business in engineering services and licensing the noah-FPSO hull, which supplies with quick delivery highly-durable new ship hulls to FPSOs, while the majority of which are remodeled used tankers. In addition, the Office to Promote Business for Autonomous Ship Handling Systems will be set up to focus on the commercialization of autonomous ships.

As for transforming our unprofitable businesses, we will scale down new commercial shipbuilding business at the Chiba Shipyard, converting it to a framework that focuses on business relating to energy engineering and large steel structures. Meanwhile, we will continue to work with companies outside the group, rather than adhering to a 'go it alone' policy. Already in May 2018, we entered into a business alliance agreement with TSUNEISHI Shipbuilding Co., Ltd., mutually complementing and strengthening design development capabilities and cost competitiveness in the field of commercial ships. In October of the same year, the decision was made to establish a joint venture between Mitsui & Co., Ltd. and Yangzijiang Shipbuilding (Holdings) Limited, the largest private shipbuilding company in China, with business operations having started on August 1, 2019. The new company will aim to build a globally competitive shipbuilding business by combining the large production capacity of Yangzijiang Shipbuilding (Holdings) Limited with the extensive sales capabilities of Mitsui & Co., Ltd. as well as with our own advanced technologies.

TOPICS

Launched a new manufacturing business of gas handling systems for LPG carriers at the Chiba Shipyard

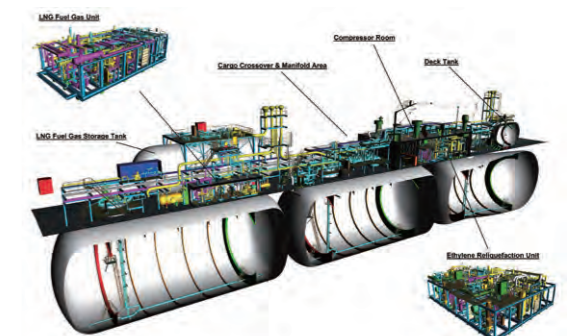


Mitsui E&S Shipbuilding has started the cargo tank manufacturing and installation business for small and midsize LPG carriers at Chiba Works.

As our first project, we received an order from domestic client for construction of cargo tanks and supply of gas handling systems for one 5,000m³ LPG carrier. Our scope of work fully covers the engineering of the gas handling and storage system, supply of gas handling equipment, construction and installation of cargo and their out fitting work for the LPG carrier. The engineering of gas handling and storage system for the LPG carrier will be collaborated with our subsidiary TGE Marine, and the construction and installation of cargo tanks and outfitting work of the gas handling system will be carried out at Chiba Works.

The Mitsui E&S Group took full ownership of German corporation TGE Marine AG in 2015, combining TGE's gas engineering technology with our own design and manufacturing technologies to provide domestic clients with EPCS

(Engineering, Procurement, Construction, Supervising) services on gas handling and storage systems for small and midsize gas carriers. By adding tank manufacturing and outfitting services at Chiba Works to these EPCS services, we aim to provide clients with higher value-added solutions, thereby expanding our business portfolio even further.



IMO Type C LNG Fuel Gas Storage Tank System

Ocean Development



A number of offshore oil development projects are planned around the world, so we will aggressively expand activities to take on orders through flexibility with our resources and strengthening collaboration throughout the Group.

MODEC, Inc.
Representative Director, President
Yuji Kozai

[Environment Recognition and Challenges]

In order to respond with flexibility to the recent burgeoning demand for FPSOs and strengthen our competitive edge over new players in the market, we recognize there is a need to increase the number of units we can build simultaneously. We must also optimize our business portfolio in preparation for the decrease in demand for crude oil in the future.

[Opportunities and Our Strengths]

Our strengths are our technological and smooth project management capabilities backed by achievements cultivated as a leading company in the FPSO industry, expertise and data accumulated well over 220 cumulative years of O&M experience with nearly 30 floating production units, collective Group capabilities throughout the whole lifecycle, as well as advanced financial structures and partnerships with leading Japanese companies. The shift from onshore to offshore oil and gas development as well as the rising global demand for natural gas are opportunities for our Company.

Business Environment and Performance

With regards to crude oil prices, amid concerns about supply and demand tightness from a drop in supply due in part to US sanctions against Iran, West Texas Intermediate (WTI) rose to the US\$70/barrel level, however, as the supply-demand outlook eased somewhat, prices settled down and traded at around US\$50 at the end of December 2018. After which prices rose to around US\$60 by the end of March 2019 against the backdrop of another underlying upward trend.

Under these circumstances, and based on the policy to “Maximize Mitsui E&S Group strengths collectively to improve profitability and stabilize earnings” as set out in the MBP17, we are strengthening collaborations in terms of EPC (Engineering, Procurement and Construction) and flexibility in resources throughout the whole Group so as to expand the FPSO business. As a result, in addition to the construction and chartering of an FPSO for the development of the

Area 1 offshore field in Mexico, we received orders for Front-End Engineering and Design (FEED) contracts for an FPSO for Senegal’s first offshore oil field project and for an FPSO for the Barossa offshore project in Australia. However, due to the backlash of several large-scale projects received in the previous fiscal year, overall orders received dropped ¥446.7 billion (down 63.7%) to ¥254.2 billion.

Net sales increased ¥31.2 billion (up 16.4%) to ¥222.5 billion due to progress in FPSO construction, etc., and operating income increased ¥3.5 billion (up 31.6%) to ¥14.9 billion. In Brazil, one of our most important markets, we started charter services (lease, operations and maintenance) for an FPSO for the Tartaruga Verde and Tartaruga Mestiça fields, which were ordered from the state-run oil company, Petrobras.

* Results for this segment include figures for MODEC, Inc. and affiliated companies engaged in the business.

Business Outlook

MODEC, Inc. (MODEC) is the only company based in Japan that supports the whole life cycle of floating offshore oil and gas production facilities such as FPSO, covering everything from EPCI (Engineering, Procurement, Construction and Installation) to leasing and O&M (Operations and Maintenance) services, making it widely known in the industry as the leading company in this field. In addition to its technological and advanced project management capabilities backed by numerous achievements in EPCI of FPSOs etc., it is further strengthening its international competitiveness through its expertise accumulated from providing O&M services and its advanced use of big data.

In terms of business opportunities, global energy demand is expected to continue to increase over the long term against the background of population and economic growth in emerging countries. Demand for crude oil will remain firm and the clean energy source of natural gas is expected to grow significantly. At the same time, oil and natural gas production is shifting from onshore to deep water, and demand for FPSOs is expected to remain stable. MODEC is especially skillful at large-scale and complex FPSOs for deep-water. In recent years, new large-scale oil fields that require such large-scale FPSOs are continually being found, especially offshore in Brazil and West Africa, making for a continued favorable business environment for MODEC.

Under these circumstances, MODEC is currently underway with a total of 4 EPCI projects (as of the end of August 2019) including ones for Brazil where the Company has an outstanding track record. In addition, FEED work is underway for an FPSO for Senegal’s first offshore oil field development project. As soon as the final investment decision for the oil field development project has been made by the client, MODEC will be responsible for the supply, charter and operations of this FPSO.

Along with responding with flexibility to the recent burgeoning demand for FPSOs, MODEC is continuing its efforts to build a firm position in the FPSO industry. In response to the increasing size and complexity of FPSOs and prolonging their operational lives, MODEC has developed a next generation new built hull design for FPSOs in collaboration with Mitsui E&S Shipbuilding. Furthermore, in order to further strengthen the financing composition that is one of the sources of MODEC’s competitiveness, a project bond was issued for one FPSO charter project this year, building a system that can flexibly

raise funds necessary for future growth.

MODEC is also aiming for full-scale entry into the natural gas market. As well as already having experience in multiple FEED projects for FLNGs, SOFEC, Inc., a US subsidiary of MODEC, has been working on multiple mooring systems for FLNGs. In addition to the regasification of LNG (Liquefied Natural Gas), MODEC has independently developed FSRWP®, which makes power generation from gas, and seawater desalination, possible. MODEC is therefore actively promoting sales of this new product.

MODEC is also working on research and development of new technologies for the future. MODEC is currently developing methods to repair FPSOs’ hulls which can be implemented offshore while the vessels continue to operate using carbon fiber and other composite materials without the use of fire. In the field of renewable energy, MODEC is utilizing its EPCI experience in TLPs to promote the development of floating structures and their mooring systems on which offshore wind turbines are mounted. In the future, MODEC plans to carry out tests with real units. MODEC is also continuing to develop technologies in close cooperation with public institutions in the field of developing seabed mineral resources, such as rare-earth minerals found in deep-sea mud, with the aim of contributing to resource development in Japan.

With many offshore oil and gas development projects being planned all over the world, MODEC aims to be a company that can continue to grow sustainably, steadily generating profits by demonstrating the combined capabilities of the Mitsui E&S Group’s ship, machinery and engineering segments.



FSRWP®

- *FPSO (Floating Production, Storage and Offloading system)
- *TLP (Tension Leg Platform)
- *FSRWP® (Floating Storage, Regasification, Water-Desalination & Power-Generation)
- *FLNG (Floating LNG Production Unit)

MODEC's TOPICS

2018 Feb	Extended charter contract of an FPSO for Petrobras’ development of Marlim Leste field offshore Brazil
June	Order received from ConocoPhillips Australia for FEED of an FPSO for the development of Barossa field offshore Australia Started charter service by an FPSO for Petrobras for the development of Tartaruga Verde and Tartaruga Mestiça fields offshore Brazil
Aug	Selected as one of the companies to composite the JPX-Nikkei Index 400
Dec	Order received from Eni Mexico for supply, charter and operations of an FPSO for the development of Area 1 offshore field in Mexico 50th anniversary



Machinery

While aiming for business growth by expanding our product lineup we will strengthen the LSS* business of the whole Group as a stable revenue base.

*Lifecycle Solution Service

Mitsui E&S Machinery Co., Ltd.
President and Representative Director
Takeyuki Takahashi



[Environment Recognition and Challenges]

Threats include rising material and equipment costs against pressure to lower product prices due to stagnant ship prices on the back of prolonged excess capacity. The challenge for us is the need to expand new products.

[Opportunities and Our Strengths]

Our strengths include automation technology, environmental technology, repair and reinforcement technology, radar exploration technology as well as a solid track record in marine and industrial machinery, and advanced after-sales services using IoT and AI. We will continue to respond to demand for ships which meet tighter shipping regulations, demand for renewing aging social infrastructure, and demand for port cranes, particularly in emerging countries.

Business Environment and Performance

With regard to marine diesel engines, the demand-supply gap for shipping tonnage has yet to be eliminated and the environment for receiving new orders continues to be tough due to rising material and equipment costs. However, production volume increased to 164 engines at 3,890,000 horsepower, achieving cumulative production of 100 million horsepower in June 2018.

In industrial machinery, an order was received for two blast furnace blowers and one top pressure recovery turbine for a steelworks in India, where there is remarkable growth in crude steel production. In addition, we have developed a new 1,000kW class small gas turbine, receiving an order for the first unit in March 2019 with an eye towards increasing sales in the future.

As for cranes, this fiscal year we received orders for large-scale projects in Indonesia and in the South American country of Ecuador, as demand for container cranes remained steady in emerging countries such as Southeast Asia and

Africa. But amount of orders received decreased due to implementation delay of other large-scale overseas projects.

In social infrastructure, orders were strong particularly for new bridges and seismic upgrading of bridges for highway companies. Orders received and net sales increased in the LSS business, centered on after-sales services (Life-cycle Solution Service and Customer Oriented Service) due to steadily increasing orders for diesel parts, an increase in the number of inquiries for periodic inspections and repair work on industrial machinery for steelworks and oil refineries, and due to the relocation and dismantling of existing cranes accompanying the construction of new container cranes, and repair work so that cranes can continue to operate smoothly.

As a result of the above, orders received for the current fiscal year were ¥185.3 billion, on par with the previous fiscal year. Net sales increased ¥5,201 million (up 2.9%) to ¥186.9 billion, and operating income decreased ¥1.1 billion (down 9.9%) to ¥10.2 billion.

Business Revival Plan

The business environment is still experiencing a slow recovery in ship prices, and it is expected there will be strong pressure to reduce product prices overall. Under these circumstances and along with expanding our lineup of high-value-added products, we will continue to reduce costs and streamline business processes, including in design, aiming to improve both operating income and increase orders. For the whole Group, we will strengthen the LSS business following customer products throughout the lifecycle, pushing on with expanding our stable revenue base.

In terms of initiatives in each business, we are moving forwards with expanding our production facilities in marine diesel engines due to the growing interest in fuel diversification mainly for gas fuels in response to SOx regulations and greenhouse gas reduction measures, in addition to the sudden increase in inquiries for engines that need to comply with Tier III NOx regulations. As for industrial machinery, in addition to expected replacement demand in the high growth period of the domestic market, demand is expected for blast furnace blowers and top pressure recovery turbines for steel-related facilities in India where they have a government-backed goal of tripling crude steel production in 2025. Inquiries for reciprocating compressors in petroleum refinery equipment are also increasing so we will strengthen our

response to these.

Regarding cranes, seizing Southeast Asia as an important market, we continue to receive orders in the Philippines, Vietnam, Cambodia and other countries in the region based on our wealth of experience delivering results in Malaysia, etc., and we are also steadily increasing our track record in Indonesia where they have plans to become a maritime nation. Production of crane parts has started at PT. MES Machinery Indonesia, an overseas production base established on Batam Island in Indonesia in March 2018, and, in the future, we plan to manufacture whole yard cranes for containers, expanding our production facilities, such as machining equipment.

With regard to social infrastructure, along with focusing on projects such as replacing floor slabs for bridges, etc., we are expanding our business by utilizing our uniquely developed radar exploration technology, a tool for assessing the degradation and damage of tunnels, roads and bridges, etc. Furthermore, remote-controlled robots used in harsh environments, such as in decommissioning work, are now also at a practical level, so much so that a demonstration room will be set up in Tamano with an eye towards expanding our sales activities widely in the future, not just for decommissioning work.

TOPICS

Succeeded in a joint development of the world's first highly radiation-resistant decommissioning robot using sensorless control technology (A1000SL series)



The world's first robot for decommissioning work (A1000SL series), which uses sensorless control technology with a resistance to radiation more than double that of previous models, was jointly developed with German company Wälischmiller Engineering.

This robot series aims to achieve a radiation dose target of 10kGy/hour with a total dose value at 2MGy for decommissioning the Fukushima Daiichi Nuclear Power Station. After around three years of development efforts, Mitsui E&S Machinery and Wälischmiller Engineering succeeded in improving the radiation resistance of all the parts of the robot, developing a control system that does not require a position sensor (sensorless control system). The radiation resistance has been doubled from the previous 1MGy to 2MGy and the number of wires needed for each unit has been halved.

<Features of the A1000SL series>

Can be applied to a variety of uses in decommissioning work, easily adaptable to specification changes. In July 2019, we set up a remote systems demonstration room for decommissioning work, showing what the robots, including the A1000SL series, can do when it comes to decommissioning work.



A manipulator for HD06 decommissioning

Engineering



Along with our collective efforts to fulfill existing orders for thermal power civil engineering works, we will focus on the renewable energy business which is expected to grow.

Mitsui E&S Engineering Co., Ltd.
President and Representative Director
Shigeru Tokumaru

[Environment Recognition and Challenges]

Amid growing risks in overseas EPC projects, weaknesses in the profit management systems of overseas projects were revealed, resulting in a decline in the profitability of orders received.

[Opportunities and Our Strengths]

The renewable energy market is growing mainly in Asia, and demand for energy engineering (marine FPSO, gas business, etc.) is increasing. We will make full use of our technology and expertise in the field of natural energy.

Business Environment and Performance

Purchase prices for Feed-in-Tariff (FIT) Scheme for electricity generated from renewable energy sources are on a downward trend, but in the environment and energy fields we received an order in September 2017 for constructing the Ichihara Biomass Power Plant and are currently underway with the construction work.

In the field of overseas infrastructure, a chronic shortage of electric power has become an urgent issue in South-east Asia, on the other hand we have posted significant losses in a civil engineering construction project for a thermal power plant in the Republic of Indonesia for which we have already received the order. Therefore, in order to minimize this loss, we stopped receiving new orders of this type so that we can concentrate on reliable construction projects in conjunction with other thermal power plant civil engineering works currently underway in Indonesia and Vietnam.

In the petrochemical field, market conditions are recovering both in Japan and overseas due to a recovering trend in crude oil prices, but the Group has refrained from receiving orders for overseas chemical plant projects, including local construction, reflecting the revision of our ordering strategy.

Under these circumstances, orders received for this fiscal year decreased by ¥16.5 billion (down 21.9%) to ¥58.9 billion due to the effects of carry over in biomass and wind power generation projects, and refraining from taking new orders for overseas chemical plant projects. Net sales decreased ¥58.6 billion (down 46%) to ¥69 billion due to the completion of a large-scale petrochemical plant in the previous fiscal year. Operating losses were ¥79.7 billion, a decline of ¥63.8 billion due to posting large losses from a civil engineering construction project for a thermal power plant in the Republic of Indonesia.

Business Revival Plan

Business risks associated with overseas chemical plants and thermal power civil engineering projects are increasing due to rising construction costs caused by the shortage of skilled workers, which has been getting worse. Under this circumstance, we are in a difficult situation to continue those businesses as they are.

Therefore, we have decided to withdraw from the business for civil works of the thermal power station as well as overseas construction works of the chemical plant. And the president of the engineering business company will command the civil works of thermal power station directly to accomplish the current construction works and to minimize losses. Also, the environment, plant, and renewable energy businesses will be transferred across to the companies within the Group. The engineering business company itself will focus on the operation and management of subsidiaries to collaborate with the companies outside the Group, as well

as executing the completion of existing projects.

After withdrawal from the business for civil works of the thermal power station, we will reallocate the resources to renewable energy and social infrastructure businesses where growth is expected.

With regard to the chemical plant business, related resources have been amalgamated into Mitsui E&S Plant Engineering Inc.(MPE). And the resources relating to environmental recycling and biogas have been amalgamated into Mitsui E&S Environmental Engineering Co., Ltd. (MKE).

In the renewable energy business, a focus area of ours for the future, along with establishing a new infrastructure company by consolidating resources of the social infrastructure business, we will promote collaboration with companies outside the Group to strengthen our competitiveness and expand business.

TOPICS

Hand-over of the Inami Wind Power Plant



In May 2018, we completed handover of a wind power plant for Inami Wind Power Generation Co., Ltd., which had been under construction in Inami-cho, Hidaka-gun, Wakayama Prefecture. This power plant, constructed over approximately 29 months (about 2 years 5 months) from January 2016, has 13 2,000kW type wind turbines installed over an area of approximately 27.2 hectares. When installing the wind turbines, due consideration was given to the

natural environment in the mountainous area. We made every effort to design and construct the wind power plant aiming for coexistence with the local community, with natural disaster countermeasures in mind.

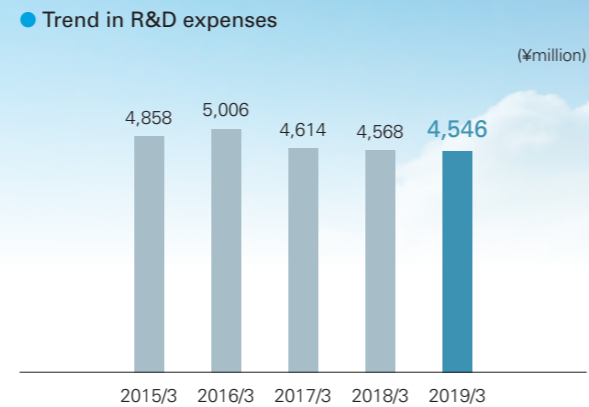
<Overview of the Inami Wind Power Plant>

- Located in Inami-cho, Hidaka-gun, Wakayama Prefecture and other places
- Power output: 26,000 kW (2,000 kW x 13 turbines)



Research & Development

To achieve the Mitsui E&S Group 2025 Vision, we are working on developments to strengthen our product competitiveness and expand our business in the fields of Environment & Energy, Marine Logistics & Transportation, and Social & Industrial Infrastructure.



Environment & Energy

In order to make the offshore wind power generation business into a new business field, we are developing our own floating dock mooring system that will take advantage of our floating facilities and mooring technology. We are also carrying out research to apply the technologies built up so far in the field of ocean development to the development of ocean mineral resources and energy resources. As a part of this development, along with participating in research and development studies conducted by the government on technologies to recover shallow methane hydrate, in order for us to establish mining technologies, we have started working with MHWirth GmbH, a German company that provides industry-leading seabed drilling technology and services all over the world.

TOPICS

Utilizing the technology of the ocean autonomous surface vehicle (ASV) that can be used for seabed surveys and handling hazardous materials, we participated as a joint research team, Team KUROSHIO, on ultra-wide area high-speed seabed mapping technology, competing for the international Shell Ocean Discovery XPRIZE. In the final round held in December 2018 off the coast of Greece, we succeeded in obtaining a wide range of data on the ocean floor and finished runners-up in the competition.



Team KUROSHIO

Marine Logistics & Transportation

We are continuously developing new types of ship and energy-saving technologies in order to maintain and improve the Groups' specialist energy-saving strengths with regards to ships. In 2018, we developed the "neo87BC", an 87,000-ton post-Panamax bulk carrier that conforms to the Harmonized Common Structure Rules (H-CSR), putting it into the market. We have also participated in three Ministry of Land, Infrastructure, Transport and Tourism projects, including the autonomous vessel demonstration project to achieve a safe, secure and efficient marine transportation system through the introduction of automatic and autonomous navigation technology for ships, focusing on demonstration tests using actual ships. In the marine diesel engines industry, we started smart factory fundamental technology development to improve productivity by utilizing information and communication technology (ICT). We aim to eradicate overburden (muri),



Auto pier docking and undocking
Aiming for the practical use of auto pier docking technology for ships (You can watch video of the auto pier docking demonstration test)

https://www.mes.co.jp/press/2019/0711_001277.html

unevenness (mura), and waste (muda) processes and operations by improving efficiencies in the Group's supply chain. We also joined the Internet of Ships Open Platform (IoS-OP) for sharing and utilizing big data related to ship operations in the domestic marine industry, working to improve the environment for sharing and using big data in addition to remote diagnosis services and preventive maintenance services.

In the field of port cranes, a test Transtainer® (container transfer crane) and a 100 meter long testing area have been set up at Oita Works with operations having been started in October 2018. At the same time as automating new terminals and doing checks and testing for remote access and automation of existing cranes, we are building a total solutions package that connects different types of software including systems that operate and manage automated terminal equipment.



The Transtainer® and test area used for development work

Social & Industrial Infrastructure

In the field of social infrastructure, we have developed an electromechanical manipulator jointly with a German special manufacturer of manipulators for nuclear power, that employs the world's first sensorless control technology for decommissioning work which has a radiation resistance more than double that of conventional nuclear power manipulators. A remote system demonstration room has been set up at Tamano Works to strengthen and expand the remote control systems business. We are also working on the development of radar exploration technology for surveys and inspections as well as technology for large-scale bridge repairs in order to meet the needs for maintenance and repairs associated with aging transport infrastructure (tunnels, roads, bridges, etc.).



The remote system demonstration room



Tunnel Lining Scanning Car "Tunnel Catcher 3"

Mitsui E&S is working on the development of production, analysis, and AI technologies as its fundamental technologies across the Group. In production technology, we are improving productivity through technologies such as welding automation, automatic production plan creation, and 3D digital measurement. We are also visualizing processes using IoT, improving capacity utilization rates, and saving manpower. In analysis technology, we are providing design support through advances in coupled analysis that combines structural analysis, fluid analysis, and mechanism analysis. In addition to this, we are aiming to increase the added value of products through AI image recognition technology that utilizes open software.

TOPICS

Publication of Mitsui E&S Group Technical Review

In continuing with the tradition of the Mitsui Engineering & Shipbuilding Technical Review, the Mitsui E&S Technical Review, launched in 2018, introduces technology trends and case studies of companies in the Mitsui E&S Group. Since then, a printed version of the Mitsui E&S Technical Review (published once a year) is being published in tandem with the online version found on the Group's official website.

<https://www.mes.co.jp/solution/research/>



The first issue
(Published in October 2018)

Corporate Governance

Basic Philosophy

Based on its Company Philosophy, Business Policy, and Management Policy, Mitsui E&S aims to ensure its sustainable growth and further improve its medium- and long-term corporate value. It recognizes the importance of the social nature of a company and takes into account the global environment, working to ensure that all of its stakeholders find the company beneficial to society. To this end, we have established a system for making fair and transparent decisions promptly and boldly, under which we continuously strive to enhance our corporate governance.

<Company Philosophy>
To continue our role as a trusted company, and as a trusted member of society

<Business Policy>
To fulfill expectations and foster trust in people and society as a manufacturing company that offers products and services representing the culmination of our global business experience and years of advanced technology development in a wide range of fields

<Management policy>
Build further satisfaction for our customers
Provide safe and effective workplace environment for employees
Contribute to the development of society
Pursue profit for the longevity of the company

Systems of Corporate Governance and Internal Control

Along with enhancing the effectiveness of our auditing functions through corporate auditors, the Company has determined that a governance system in which experienced outside directors monitor the performance of directors' duties from a management perspective is appropriate for the Company's line of business as a manufacturing company. The Company has therefore adopted the current corporate governance system.

The basic policy on our internal control system can be found here:

https://www.mes.co.jp/investor/information/system_policy.html (Japanese only)

Internal Control and Risk Management System

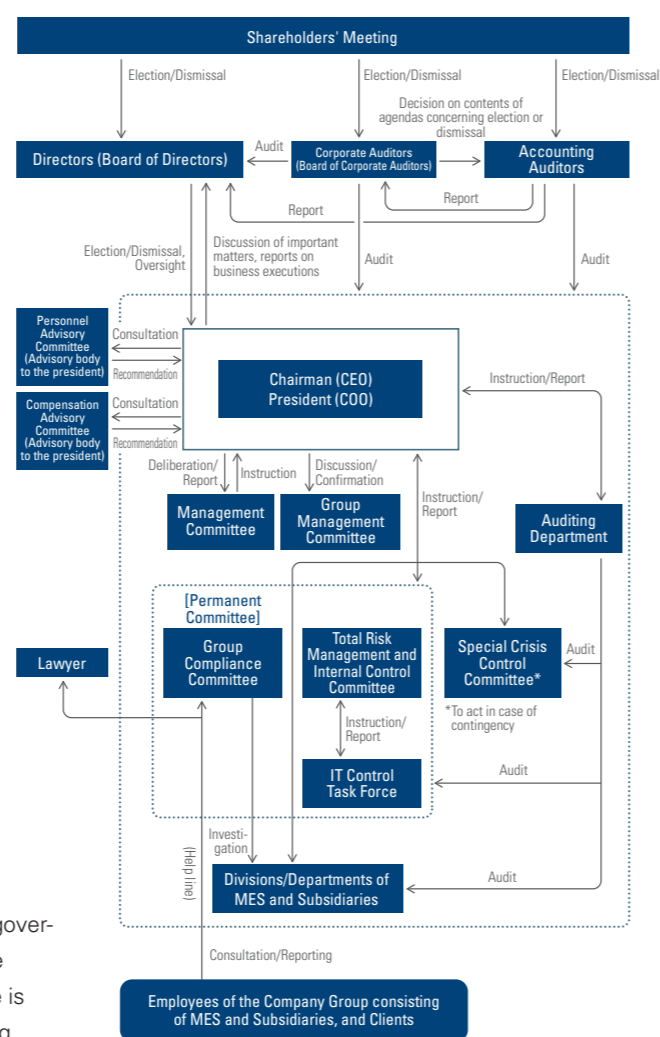
In order to build a Company-wide framework to promote the internal control system in accordance with the CEO's instructions, we have established a Total Risk Management and Internal Control Committee chaired by the director in charge of corporate planning.

The committee met three times in FY2019 ('18/4-'19/3), and in addition to the risk management system, it deliberates on such things as the re-examination of the Company's corporate governance in line with the Corporate Governance Code revised by the Tokyo Stock Exchange, and responds to the internal control reporting system for previous financial reports. Proposals and reports based on the results of the committee's deliberations were made to the management meeting structure and the executive officers of the Company including CEO as appropriate.

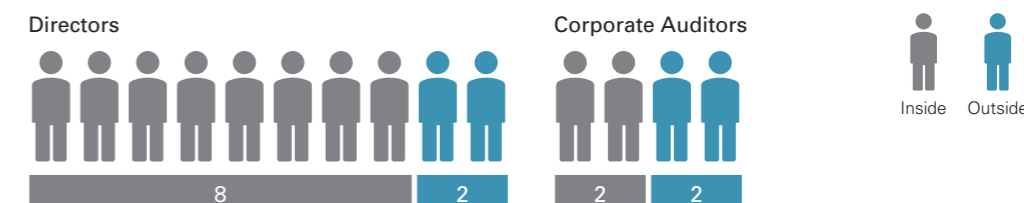
Governance System

The Company adopts a corporate governance system in the form of a company with a Board of Corporate Auditors and with Accounting Auditors. As of June 26, 2019, the Company's Board of Directors consists of 10 members, 2 of whom are part-time Outside Directors. The Company's Board of Corporate Auditors consists of 4 members, 2 of whom are part-time Outside Corporate Auditors.

● Systems of Corporate Governance and Internal Control



Along with enhancing the effectiveness of our auditing functions through corporate auditors, the Company has determined that a governance system in which experienced outside directors monitor the performance of directors' duties from a management perspective is appropriate for the Company's line of business as a manufacturing company. The Company has therefore adopted the current corporate governance system.



In addition to the Board of Directors, the Company has established the Group Management Committee and the Management Committee as a management meeting structure to execute business operations based on basic policy determined by the Board of Directors. The Group Management Committee is composed of full-time directors and presidents of major subsidiaries within the group, and the Management Committee is composed of full-time directors. The Group Management Committee deliberates on the direction of the mid-term and long-term business plans for the entire Group, and formulates and checks the progress of the management strategy for the entire Group. And at the Management Committee, deliberations are made on each business execution of this management strategy.

<The Board of Directors>

Meet 12 times on a regular basis and 4 times on a temporary basis to decide important matters and supervise business execution. The Board of Directors also reviews, when necessary, basic policy for building internal control systems.

<The Group Management Committee>

Meets four times with discussions focused on the direction of the mid-term and long-term business plans for the entire Group as described above.

<The Management Committee>

Meets 12 times on a regular basis and once on a temporary basis to deliberate on business execution for each business as described above.

Directors' Compensation

<Policy on Determining the Amount of Remuneration for Directors of the Company>

Directors' compensation is based on the amount determined by each position within the limits approved at the Shareholders' Meeting, taking into account the degree of contribution of directors, such as by reflecting their performance within the Company. Remuneration consists of a basic monthly salary in accordance with the director's position, compensation linked to the Company's stock price, and a profit-based compensation linked to the Company's consolidated results. Compensation for corporate auditors is determined by consultation with the corporate auditors with reference to directors' compensation, etc., and within the limits of remuneration approved at the Shareholders' Meeting. In determining the remuneration of the directors of the Company, an arbitrary Compensation Advisory Committee has been established, which deliberates and reports on directors' compensation policy and compensation system. The committee also confirms whether the level of compensation and parameters for deciding compensation are in accordance with recommendations. Based on this, the president submits the compensation system and parameters for deciding compensation to the Board of Directors. The committee consists of two independent outside directors, the president and a representative director appointed by the president, and is chaired by an independent outside director.

Position	Number of Directors/Auditors	Total Amount of Remuneration, etc.
Directors (of which are outside directors)	11*1 (2)	¥164 million (¥19 million)
Corporate Auditors (of which are outside auditors)	4 (2)	¥74 million (¥18 million)
Total	15	¥238 million

*1. The above includes three directors who retired at the conclusion of the 115th Annual Shareholders' Meeting held on June 27, 2018.
 *2. The total amount of remuneration for directors does not include employee salaries for those directors who also serve as employees.
 *3. At the 107th Annual Shareholders' Meeting held on June 25, 2010, the maximum remuneration for directors was decided to be within ¥630 million per year (excluding employee salaries), and the maximum amount of remuneration for corporate auditors was decided to be within ¥90 million per year.
 *4. In addition to the above, a stock-linked compensation of ¥12 million was paid to two directors who retired at the conclusion of the 114th Annual Shareholders' Meeting held on June 28, 2017. Outside directors do not receive any stock-linked compensation.
 *5. At the conclusion of the 110th Annual Shareholders' Meeting held on June 27, 2013, the Company abolished the retirement bonus system for directors and corporate auditors. It was decided that directors and corporate auditors who continue to serve after the conclusion of the 110th Annual Shareholders' Meeting will be paid a retirement bonus at the time of each director or auditor's retirement, the amount of which corresponds to the time in office held up until the termination of the retirement bonus system.

Corporate Governance

Initiatives to Improve Compliance

Based on the Group Compliance Management Regulations, the Group Compliance Committee was held twice in FY2019 ('18/4-'19/3) to exchange and share information across the whole Company in order to strengthen compliance within the Company and its subsidiaries. In terms of compliance with antimonopoly laws, the Group Compliance Committee is continuously making thorough efforts to monitor such compliance.

Regarding compliance with the Corporate Code of Conduct, we conducted compliance training for newly hired employees as well as management professionals and sales representatives of subsidiaries, and continued education and awareness activities for executives and employees of the Company and its subsidiaries.

Number of Employees who have Completed Compliance Training

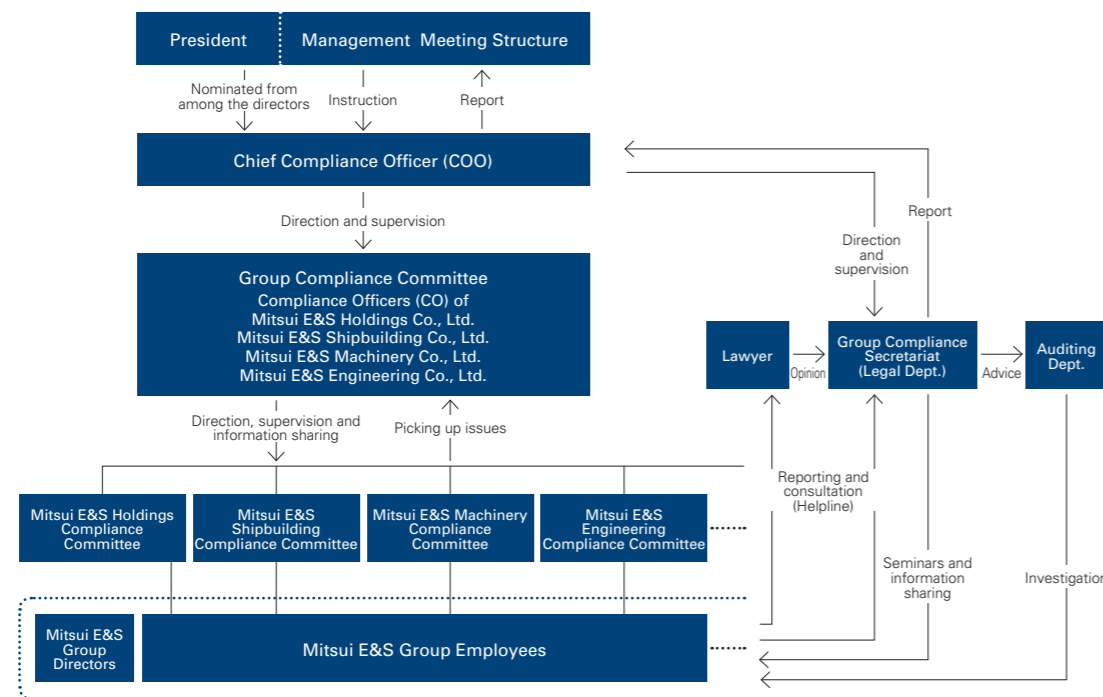
FY2016 ('15/4-'16/3)	FY2017 ('16/4-'17/3)	FY2018 ('17/4-'18/3)	FY2019 ('18/4-'19/3)
1,573	859	1,308	489

<Helpline (Internal Reporting System)>

In order to detect legal violations and other compliance issues at an early stage, we have established a helpline (internal reporting system) so that all executives and employees of the Company and its subsidiaries, as well as their business partners, may contact the Company directly to discuss or report any issues. Based on our rules regarding the system for reporting compliance issues in accordance with the Whistleblower Protection Act, we will respond appropriately in the event of any reports.

https://www.mes.co.jp/investor/information/system_policy.html

Compliance System



TOPICS

The Company has designated October as its Corporate Ethics Reinforcement Month, carrying out compliance-focused activities. In FY2019 ('18/4-'19/3), an E-learning course on annual compliance matters was given mainly to executives and management professionals from Mitsui E&S Shipbuilding, Mitsui E&S Machinery, Mitsui E&S Engineering, and Mitsui E&S Business Service, with a total of approximately 1,700 people, including some executives and employees of domestic Group companies, having taken part.

Furthermore, this year's compliance slogan of "Toward the next generation through faith and trust", collected and selected from within the Mitsui E&S Group, has been shared with all workplaces, helping to raise awareness of compliance.

A Conversation with our Outside Directors



Outside Director
Toru Tokuhiisa

Outside Director
Toshikazu Tanaka

In FY2019 ('18/4-'19/3), a huge loss was recorded in the engineering business, significantly damaging the financial base. The Mitsui E&S Group Business Revival Plan was therefore newly created. Currently, the Group is working to strengthen its financial and profit structures as well as reform its business structure. Against this backdrop, the Group talks with its outside directors about the Company's governance, current issues, and future direction, all from an outside perspective.

What is important in terms of the role an outside director plays?

Tanaka: Firstly, we need to understand the actual situation of the Company through on-site visits and exchanging ideas with executives, keeping in mind a sense of unity with employees while staying objective. On top of that, it's also important that we speak openly and frankly to management, even if they don't want to hear what we have to say, so that we can contribute to improving corporate value over the medium- to long-term as an optimal solution for all stakeholders. I especially try to keep a close eye on management from the shareholder's perspective. Simply because I couldn't fulfill my responsibilities as an outside director through flattery and brown-nosing.

Tokuhiisa: After the bubble burst, the performance of Japanese companies has been sluggish and scandals have become more widespread. Because of this and the need to strengthen supervision from an external perspective over the execution of duties by the Board of Directors, and especially because there are growing calls to defend the interests of general shareholders, the number of independent outside directors has increased. In that sense, we are paying particular attention to whether management are managing in an easy-to-understand way for outside stakeholders, especially general shareholders, in other words, we need to ensure they are being held accountable.

Please tell us how corporate governance is assessed.

Tanaka: The Company's corporate governance has improved significantly with the separation of supervision and execution, and by ensuring fairness and transparency through the establishment of the Personnel and Compensation Advisory Committees. I also get the impression that the Board of Directors have a more balanced approach in tune with the importance of projects. So that meetings don't simply become a briefing session or a ratification meeting, we've done a few things such as changing the seating arrangements and reducing the

number of directors. This way all members are able to actively exchange opinions and ideas. From individual discussions between managers on the best management of the entire Group, we can see that the culture of proactively talking about projects to other departments has started to come about. I do however feel that discussions with outside directors have been a little reserved so I'd like to be able to have more open discussions.



“Get the understanding of stakeholders through easy-to-understand management”

Tokuhisa: I was the Company’s first outside director at the time when the need to introduce a Corporate Governance Code had become apparent. But up until that point, I heard that as with many companies at that time, the Company’s Board of Directors had always been the place where what the executives

decided was ratified. Joining this Board of specialists, somewhat as a novice and outsider, I had plenty of questions and concerns, and I suppose I troubled the Company, who are very good at dealing with the finer details, to explain things to me as a non-specialist. But since the belief was that management issues should be fully understood by external stakeholders, I tried to maintain my position as a novice as best I could. I also emphasized that the role of the director of the Company is not only to oversee execution within their relevant divisions, but it is also to increase the corporate value of the whole Company. Later, the Corporate Governance Code began to be put into practical use, improving the Company’s governance accordingly. Further to this, Mr. Tanaka, who displayed his uncommon shrewdness at Mitsui Chemicals, came on board as an outside director, improving governance even more. Now we see the Company’s governance has reached a level not unfavorable by comparison to that of other companies.

Do you get the impression that the vertical structure has strengthened since becoming a holding company?

Tokuhisa: There are many verticals so if you take a lateral approach the horizontal line becomes too strong and the powers and responsibilities along the horizontal line get blurred. This is a perpetual problem for companies all over the world. In our Company, business divisions were originally in a vertical, hierarchal structure, and within that was an additional vertical line. Whether it was because of specific optimization or sectionalism, there were some situations where the successes and failures of neighboring divisions couldn’t be exploited. By becoming a holding company, I believe that each business division, as independent subsidiary, has been strengthened in its sense of responsibility and maneuverability to management. On top of that, as a holding company it’s important for

everyone to be aware of overall optimization or horizontal cooperation of the subsidiaries as a Group, and I think we are moving in that direction.

Tanaka: I don’t think it’s wrong to have a holding company with both a vertical and horizontal structure in place. Powers and responsibilities can be clearly defined, and each business can make quick decisions making it possible for efficient Group management. It’s difficult to determine the part where the holding company applies its grip on the business, in other words, how to balance the parts that work to have a cohesive, unifying force with those parts that have centrifugal force. This is an issue we face for the future.

How do you feel about the mid-term business plan initiatives?

Tanaka: The biggest aim of the mid-term plan is to boldly change the business portfolio with a focus on profits, taking drastic measures on hugely unprofitable businesses like shipbuilding. Unfortunately, before those results came out, a large-scale overseas EPC project which was sanctioned before the mid-term plan generated massive losses and active investment also did not go our way, which conversely created a mood of gradual decline throughout the whole Group. With regard to the progress of the current mid-term plan, we have been held back by these specific factors, and I must say that not enough bold management decisions or quick actions have been taken.

What we should reflect on here is to further increase the speed of formulating and executing bold strategies, and at the same time to increase the speed at which we can understand actual situations.

Tokuhisa: Since our shipbuilding business, our original business, is an order-receiving industry with high fixed costs, I think there is a tendency to prioritize filling up the building-berths several years ahead, balancing the books only after receiving the orders. I think that this “get the orders first” attitude has been applied to the engineering business in the same way, and as a result has brought about significant risks. On fully

recognizing that such issues exist, the current mid-term plan casts away from such an order first-based structure, changing the direction of the entire company to that with a focus more on profits. Despite the fact that there is stiff competition to win

orders, if you can’t make profits in the first place then it just doesn’t make sense. In the next mid-term plan I’d like to strongly reiterate this point and further accelerate choice and focus on high value-added businesses.

What particular suggestions do you have for developing the business revival plan?

Tanaka: First of all, we must carry out bold structural reforms without hesitation. In addition to this, I propose a cultural shift away from the product-out approach towards a more market-in approach. Although it is fundamental to think about marketing strategies based on our core technological capabilities, customer needs have changed greatly regardless of the Company’s circumstances. So I advise that the Company should perfect a market-in approach, rather than a passive order-receiving mentality, and if there are things which cannot meet future needs then the Company should show caution from a financial perspective but it should also positively work towards building business alliances and carrying out M&A. And one more thing, I said that I would like to see this business revival plan explained in detail to all employees, financial institutions, major shareholders, business partners, and other stakeholders. We in particular should not lose unifying force of employees to affect the Company. There are many things we have including

technologies built up over 100 years, superb customers who we have built a relationship of trust with over many, many years, and we have many promising businesses that other companies want.

Tokuhisa: As Mr. Tanaka has already pointed out, I’m concerned about easy-to-understand management that emphasizes the perspectives of general shareholders. Since the revival plan is an important message for a wide range of stakeholders, the Company can no longer act as one if there is complacency on the side of management, or if the points are not clear, making it difficult to understand what the plan is trying to achieve. Which is why, as I mentioned at the start, I asked them to make the revival plan understood by all stakeholders with simple expression. In times like these I think that outsiders, who aren’t necessarily familiar with the unspoken agreements of the Company, may become useful.

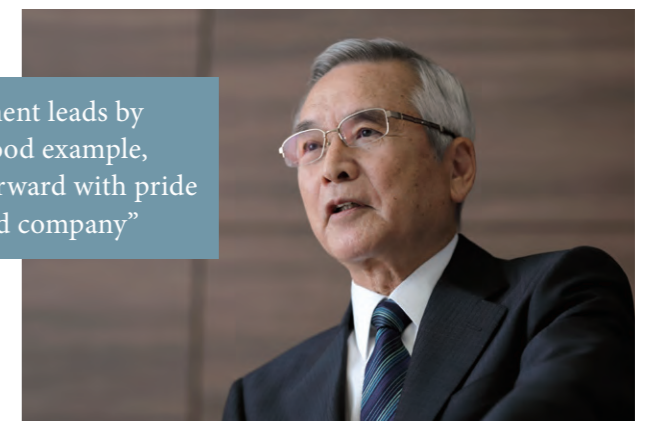
Please tell us about any positive contributions for the future.

Tokuhisa: In the business revival plan, the direction of choice and focus is clearly set out, so if the excellent executives and employees of the Group make progress according to the plan, they should be able to make a great company, hardly recognizable from what it was before. In terms of governance, we recognize the issues of promoting diversity by appointing women or foreign directors, and increasing the ratio of outside directors, but our mission is to increase corporate value over the medium to long term. To that end, as well as contributing to the formulation of the next mid-term plan for the steady implementation of the business revival plan, more recently I want to actively help create an atmosphere where management and employees can exchange more positive opinions and ideas with each other.

Tanaka: For my part, we once recovered from a difficult situation in the management of Mitsui Chemicals, Inc. because the belief that we could always get out of trouble never faltered, we were able to unite the employees as one, and those at the top executed a painful strategy, boldly and fairly, rejecting their own self-interests. This is how I understand it. Every great company

encounters a crisis once every decade or so. At those times, it’s important to act positively without losing pride, believing that the company working so hard as one will bounce back. It’s clear what we need to do. Management is also taking initiative so as to give a good example to employees. Companies that bounce back from the bottom become stronger. We are confident that this will be the case, and it is at times like these that I want to utilize my experience.

“Management leads by giving a good example, moving forward with pride as a unified company”



Board of Directors

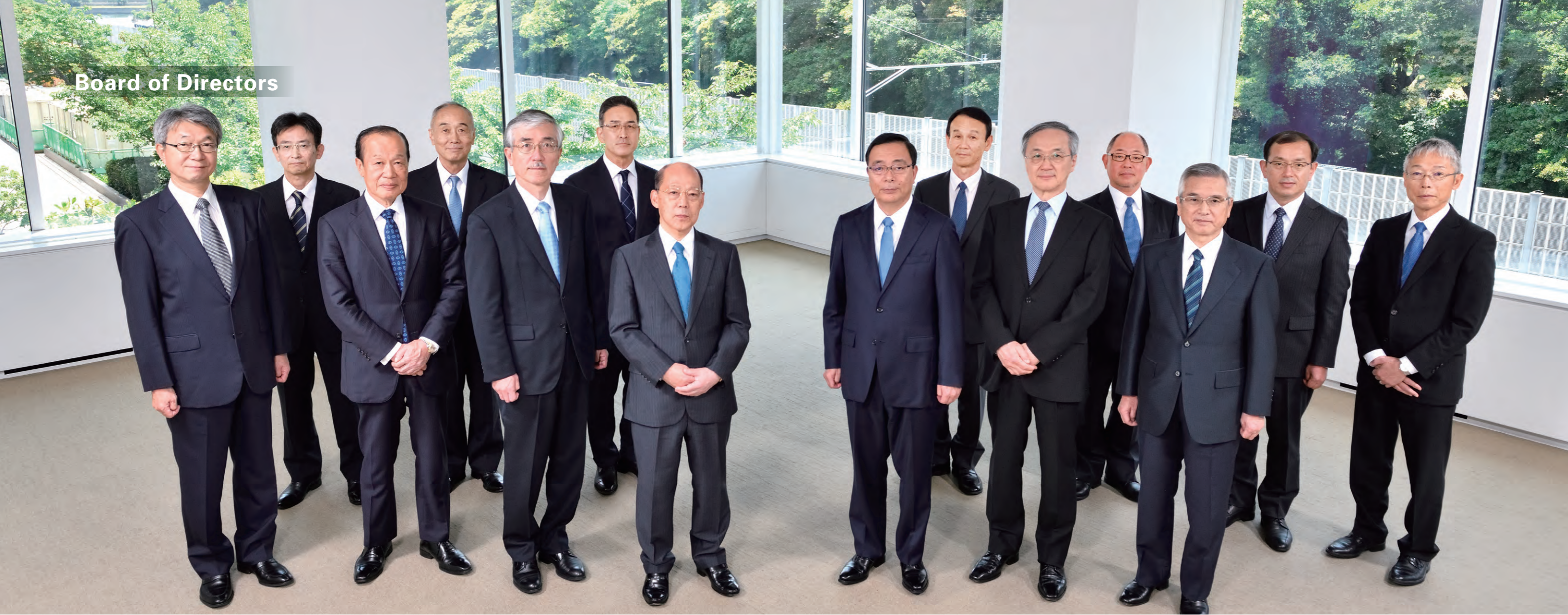


Photo (from left to right) Koichi Tanaka Hiroki Higuchi Osamu Endo Takahiro Hiraiwa Keigo Matsubara Shoichi Taguchi Takao Tanaka

Ryoichi Oka Tetsuro Koga Toru Tokuhsa Takeyuki Takahashi Toshikazu Tanaka Shigeru Tokumaru Yuji Kozai

Directors

Chairman, Representative Director
CEO

Takao Tanaka

Reason for appointment

Having outstanding insight into the machinery and systems business, as well as excellent managerial ability cultivated through experience and proven track record as General Manager of Machinery & Systems Headquarters, in charge of Corporate Planning Dept., and Human Resources & General Affairs Dept., and as President, etc., Takao Tanaka is well-qualified to take on the leading role as Chairman dealing with major issues while continuing to promote structural reforms of the Group.

Director
President and Representative Director,
Mitsui E&S Shipbuilding Co., Ltd.

Tetsuro Koga

Reason for appointment

Having outstanding insight into the ship and ocean business, as well as excellent managerial ability cultivated through experience and proven track record as General Manager of the Planning Management Dept. of Ship & Ocean Project Headquarters, General Manager of Ship & Specialized Machinery Managing Dept., General Manager of Ship & Ocean Project Headquarters, Director of MES, and President of Mitsui E&S Shipbuilding Co., Ltd, etc. Tetsuro Koga is well-qualified to be Director.

President, Representative Director
COO*1 and in charge of Auditing Dept.

Ryoichi Oka

Reason for appointment

Having outstanding insight into the machinery and systems business, as well as excellent managerial ability cultivated through experience and proven track record as General Manager of Machinery & Systems Headquarters, Director, and as President of Mitsui E&S Machinery Co., Ltd., etc., Ryoichi Oka is well-qualified to be President promoting structural reforms of the Group.

Director
President and Representative Director,
Mitsui E&S Machinery Co., Ltd.

Takeyuki Takahashi

Reason for appointment

Having outstanding insight into the machinery and systems business, Corporate Planning Dept., and Corporate Planning Headquarters, as well as excellent managerial ability cultivated through experience and proven track record as Head of Strategic Planning Office of the Corporate Planning Dept., Corporate Planning Headquarters, Assistant General Manager of operational headquarters, Machinery & Systems Headquarters, and as Executive Officer of Mitsui E&S Machinery Co., Ltd. Takeyuki Takahashi is well-qualified to be Director.

Vice President, Director
Assistant to President, CFO*2, and in charge of Finance & Accounting Dept. and in charge of IR Dept.

Keigo Matsubara

Reason for appointment

Having vast insight with regards to business activities and general management based on his experience as manager of a general trading company, as well as expert knowledge cultivated through years of experience in finance and accounting, Keigo Matsubara is well-qualified to be Vice President and Director responsible for strengthening the Group's financial and profit structure.

Director
President and Representative Director,
Mitsui E&S Engineering Co., Ltd.

Shigeru Tokumaru

Reason for appointment

Having outstanding insight into the engineering business, as well as excellent managerial ability cultivated through experience and proven track record as Assistant General Manager of operational headquarters, Engineering Headquarters, General Manager of the Environment & Energy Business, Engineering Business Headquarters, and Director of Mitsui E&S Engineering Co., Ltd, etc., Shigeru Tokumaru is well-qualified to be Director.

Director
CISO*3, CCO*4 and in charge of Corporate Planning Dept., Technical Co-ordination Dept., Human Resources & General Affairs Dept. and Legal Dept.

Shoichi Taguchi

Reason for appointment

Having outstanding insight into the machinery and systems business, as well as excellent managerial ability cultivated through experience and proven track record as General Manager of Machinery Factory, Machinery & Systems Headquarters, General Manager of Tamano Works, President of Mitsui E&S Business Services Co., Ltd., and as Director of Showa Aircraft Industry Co., Ltd, etc., Shoichi Taguchi is well-qualified to be Director.

Director
President and Representative Director,
MODEC, Inc.

Yuji Kozai

Reason for appointment

Having outstanding insight into the machinery and systems business, Corporate Planning Dept., and Corporate Planning Headquarters, as well as excellent managerial ability cultivated through experience and proven track record as General Manager of the Corporate Planning Dept., Director of Showa Aircraft Industry Co., Ltd., Director of MODEC, Inc., and Director of MES, etc., Yuji Kozai is well-qualified to be Director.

Outside Director

Toru Tokuhsa

Reason for appointment

With extensive knowledge and results in international finance and overseas investment cultivated over many years as a staff member of a government-affiliated financial institution and as a manager of an investment and lending firm in overseas mines, Toru Tokuhsa has been appointed as an Outside Director to utilize his experience in the areas of business assessment and risk management in the Group's overseas development, and to expect monitoring and supervisory functions of management from an independent standpoint.

Outside Director

Toshikazu Tanaka

Reason for appointment

Having extensive knowledge and results in business activities and overall business management both at home and overseas cultivated over many years running a major synthetic chemical company, Toshikazu Tanaka has been appointed as an Outside Director to receive his advice from a broad perspective with regards to overall management of the Group, and to expect monitoring and supervisory functions of management from an independent standpoint.

Corporate Auditor

Corporate Auditor

Takahiro Hiraiwa

Reason for appointment

Takahiro Hiraiwa has been appointed for his ability to conduct appropriate audits by taking advantage of his understanding of the realities of the Group by being a part of the management team as a Director and Managing Executive Officer, and for his insights into the machinery and systems business.

Corporate Auditor

Hiroki Higuchi

Reason for appointment

Hiroki Higuchi has been appointed for his ability to conduct appropriate audits by taking advantage of his understanding of the realities of the Group from his experience and results as General Manager of the Auditing Dept., and for his insights into the Auditing Dept.

Outside Corporate Auditor

Osamu Endo

Reason for appointment

Osamu Endo has been appointed as an Outside Corporate Auditor for his ability to conduct appropriate audits from an objective standpoint, utilizing his vast insight on economic trends and overall management based on his many years of experience as a financial institution manager.

Outside Corporate Auditor

Koichi Tanaka

Reason for appointment

Koichi Tanaka has been appointed as an Outside Corporate Auditor for his ability to conduct appropriate audits from an objective standpoint based on his considerable knowledge of finance and accounting from his many years in those fields, and for his vast insight on business activities and overall management based mainly on his experience as a manager of a general trading company.

*1 COO : Chief Operating Officer
*2 CFO : Chief Financial Officer
*3 CISO : Chief Information Security Officer
*4 CCO : Chief Compliance Officer

Environmental Preservation

Mitsui E&S Group Global Environmental Philosophy

The Mitsui E&S Group recognizes that the preservation of the global environment is one of the most important issues facing society. As such, Mitsui E&S will contribute to the realization of a prosperous society in harmony with the environment, taking into consideration the health and well-being of people and the preservation of the global environment through all its corporate activities.

Mitsui E&S Group Global Environmental Action Guidelines

- 1. To Comply with Environmental Regulations and Reduce our Impact on the Environment**
As well as complying with environment-related laws and agreements, creating its own voluntary standards where necessary, the Group shall give care and consideration to reducing its impact on the environment at every stage, from the R&D and design stages of its technologies and products to their production, distribution, use, and ultimate disposal.
- 2. To Promote Resource Conservation, Energy Saving and Recycling, and to Reduce Waste**
As well as seeking to promote the conservation of resources, energy saving and recycling in all areas of its corporate activities, the Group shall endeavor to reduce waste.
- 3. To Contribute to Environmental Conservation through the Development of New Technologies and Products**
The Group shall actively work to develop technologies and products that contribute to environmental conservation, providing them to society.
- 4. To Consider the Environment in Overseas Business Activities**
The Group shall give sufficient care and consideration to environmental conservation in the countries where it is engaged in overseas business activities.
- 5. To Promote PR Activities and Contribute to Social Activities**
As well as engaging in proactive PR activities with regard to environmental conservation, the Group shall contribute to local communities and society as a whole through the provision of suitable technologies and information.
- 6. To Raise Awareness through Environmental Education and Participate in Social Activities**
The Group shall seek to increase awareness of environmental issues among its employees by providing such things as environmental education and conducting internal PR activities.
Through voluntary participation in environmental conservation activities, employees shall endeavor to build a relationship of trust with local communities and wider society.
- 7. To Establish an Environmental Administrative Organization and Build an Environmental Management System**
As well as establishing an environmental administrative organization, the Group shall endeavor to improve its environmental conservation efforts by building and maintaining an environmental management system.
- 8. To Collaborate with Group Companies**
The Group shall promote a complete roll-out of its environmental philosophy and action guidelines by endeavoring to introduce them in all Group companies in order to further increase the effectiveness of its environmental conservation activities.

Environmental accounting (non-consolidated)

MES spent a total of ¥4,310 million on investments and costs related to environmental preservation efforts. A detailed breakdown of these expenditures is shown on the bottom. The categories for environmental preservation costs are based on the Environmental Conservation Cost Categories shown in the Environmental Accounting Guidelines 2005. These expenditures included a total of ¥670 million spent on investment, consisting of ¥660 million spent on research and development, ¥330 million spent on pollution prevention cost such as exhaust gas measures, and ¥130 million spent on energy conservation of global environment conservation. Total non-investment costs came to ¥3,650 million, which included ¥1,400 million spent on the research and development of environmentally friendly energy-saving products, ¥410 million as the cost for preservation of the global environment, including energy conservation, ¥130 million allocated to resource circulation costs such as waste treatment, and ¥1,580 million for pollution prevention costs.

● Environmental preservation cost (=sum of investment and cost: ¥4,312 million) (¥million)

Categories corresponding to business activities	Investment	Cost	Major initiatives and effects
1. Business Area Cost			
(1) Pollution prevention cost	3.3	410.5	Exhaust gas measures, wastewater treatment, dust control and other pollution control
(2) Global environmental conservation cost	1.3	178.8	Energy saving
(3) Resource circulation cost	-	1,579.5	Waste treatment
2. Upstream / downstream cost	-	-	
3. Administration cost	-	76.8	Environmental management system implementation, integrated reports, environmental education, and open space development, etc.
4. Research & development cost	660.5	1,399.0	Development of various environmentally friendly products
5. Social activity cost	-	2.5	Road cleaning, seminar sponsorship
6. Environmental remediation cost	-	-	
Total	665.1	3,647.1	

Improving the Environmental Management System

Obtained environmental management system ISO 14001 certification

The Company acquired ISO 14001 certification at the Tamano Works in October 2000 and at the Chiba and Oita Works in September 2001. In FY2018 ('17/4-'18/3), all factory works moved to the ISO 14001:2015 standard. The Tamano Works achieved the renewal of its certification following an audit in 2018. The Oita Works will be audited in 2019 at which time it is expecting to renew its certification. The Chiba Works will also be audited for renewal in 2019. Periodic surveillance is carried out at each factory works twice a year by an external auditing body, checking the operational conditions of the systems.



Renewal audit at the Oita Works

Initiatives to Reduce Environmental Impact through Business

72% reduction in port crane power consumption

■ Uses ultra-fast charging battery

https://www.mes.co.jp/press/2018/1023_001113.html

Mitsui E&S Machinery, together with Exergy Power Systems, Inc., conducted demonstration experiments on the FY2018 ('17/4-'18/3) grant project of National Research and Development Agency New Energy and Industrial Technology Development Organization (NEDO) at Nagoya Port. The tests proved that by collecting the regenerative power, generated when a cargo container crane is unwound, into an ultra-fast charging battery and then supplying it at the time of hoisting, it is possible to reduce power consumption by 72% and contract demand associated with smoothed charging by 54%.



Demonstration experiment



Exergy battery (1 module)
*Exergy battery is a trademark of Exergy Power Systems, Inc.

Delivery of the Miyama City Biomass Center

■ Facility to recycle food and human waste as a biomass resource

https://www.mes.co.jp/press/2019/0226_001177.html

Mitsui E&S Environment Engineering completed construction of the Miyama City Biomass Center which was ordered from Miyama City in Fukuoka Prefecture and delivered it in November 2018. The facility ferments food waste, human waste, and septic tank sludge from the area, creating a resource recycling system in the region through on-site use of biogas-derived renewable energy and returning fluid fertilizer to farmland. Furthermore, the closed elementary school building has been turned into a multi-purpose facility which includes training rooms, a cafe and a food processing plant, community spaces, and shared offices, attracting attention as a base of sustainable community.



The Miyama City Biomass Center

Handover of 7,000kW class gas turbine co-generation systems

https://www.mes.co.jp/press/2019/0225_001176.html

Mitsui E&S Machinery handed over two MSC70 gas turbine co-generation systems for Toyo Tire Corporation's Sendai Plant, which was ordered from Mitsubishi UFJ Lease & Finance Company Limited, an energy-saving joint venture partner with OGCTS Co., Ltd. The delivered MSC70 boasts the best performance in its class with a power generation output of 7,630 kW and a power generation efficiency of 33.3% per gas turbine, achieving an extremely high overall efficiency for a co-generation system.



A gas turbine co-generation system

Safety and Quality

Efforts to prevent labor accidents

Based on the MES Occupational Safety and Health Management System Manual, we maintain our basic policy on occupational safety and health for the overall company declared by the employer (president). Based on this basic policy, we have developed and introduced the Company-Wide Occupational Safety and Health Management Plan.

When we became a holding company on April 1, 2018, we retained the previous basic policy on occupational safety and health as the policy of the overall group. We will evolve this basic policy so that each operating company will take more meticulous, advanced measures for preventing labor accidents under the new structure.

Group Policy on Health and Safety Management

1. Basic policy

Regarding corporate behaviors relating to safety and health, we will achieve the followings by instilling a safety culture in each workplace and fostering human assets:

- (1) Safety first principle, for manufacturing and engineering practices as top priority to safety
- (2) Creating a comfortable workplace by proactively working on physical and mental health management

2. Targets

Safety Targets:

Deaths, serious injuries, or lost-worktime accidents: 0
Accident frequency rate: 0.5 or less

Health Targets:

Work-related illnesses: 0
Non work-related injuries and illnesses: Days off work frequency rate of 0.38% or less
(Of which, mental health disorders are 0.11% or less)

3. High-priority issues

(1) Safety

1. The 2S3TEI system of discipline and good habits
Implement the 2S3TEI system with thorough discipline to form good habits.

The 2S3TEI system is the basis of all work. The 2S of "seiri" for orderly, "seiton" for tidy, the 3TEI of "teiiichi" for designated position, "teihin" for designated tools, and "teiryō" for designated amount concerning materials, jigs and tools, or in other words, the right item in the right number in the right place should be thoroughly implemented. By implementing this system, the belief is that unsafe practices can be eliminated, work efficiencies can be improved, and a safe working environment can be created, thereby achieving a state of discipline and good habit.

(2) Health

2. Passing on safety principles
Actively communicate and build a good relationship that leads to understanding on both sides, the communicator and the one

being communicated to, thereby achieving a safe working environment.

Not communicating what you want to say. Not checking how much the other person understands. Pretending to understand what was said. Many accidents are a result of cases where something wasn't communicated properly, or when advice wasn't followed even though the advice was given. Most accidents can be prevented if both parties properly understand and consider each other.

Passing on safety principles means to actively communicate, building a good relationship that leads to understanding on both sides, the communicator and the one being communicated to. In doing so, a safe working environment can be created.

3. Pointing and calling

Pointing and calling out whether things are OK when performing a task is a way to reduce errors.

Most occupational accidents are caused by human error through carelessness, not taking notice, or not looking properly. By pointing and calling, as opposed to doing nothing at all, human error is reduced by as much as 6 times, and papers published on the subject also prove its effectiveness.
Human error can be eliminated by pointing and calling out whether things are OK when performing a task.

(2) Health

1. Promote health management
Think about health from a management perspective and understand health issues, strategically putting health management into practice.
2. Promote mental health care
Create a good place to work by promoting these 4 types of care: 1. Self-care, 2. Line-care, 3. Care from occupational health staff, and 4. Care from resources outside of the workplace.
3. Promote a good work-life balance and measures against overwork
Achieve a good work-life balance by implementing a system and measures for optimizing work hours, reducing mental and physical fatigue.

By the end of March 2019, the following initiatives have been implemented.

Specific initiatives

- Cooperation with labor unions and government office-sponsored events
 1. Mitsui E&S Federation of Labor Unions - Health and Safety Awareness Month (February)
 2. National New Year Zero Accident Campaign, and New Year Road Safety Campaign (Dec to Jan)
- Monthly events
 1. National Safety Week, and Health and Safety Emphasis Month (July)
 2. National Occupational Health Week, and Occupational Health Month (October)

- Health and safety inspections
Health and safety inspection by the president of Mitsui E&S Holdings
- Other
Health and safety slogan (solicited during the health and safety emphasis month)

2019 Mitsui E&S Health and Safety Slogan
Zero accidents, zero injuries, zero illnesses, and zero stress for your family

Obtained JISQ45100

MES Tokki & Engineering, an affiliated company of Mitsui E&S Shipbuilding's Tamano Shipyard, acquired JISQ45100 certification, which covers ships (commercial, government and naval), underwater equipment (autonomous unmanned submersibles, ammunition for self-propelled mine disposal units, etc.), and the design, manufacture and repair of steel structures, pipes and expansion joints. While developing an occupational health and safety management system based on risk reduction through risk assessments, we will improve the performance of occupational health and safety activities to prevent injury and illness of all our working employees, continuing to promote activities to provide a safe and healthy workplace.



Optimal placement of AED units

In accordance with AED installation guidelines, checks have been made to ensure AED units are installed 150m apart within the Mitsui E&S Machinery Tamano Machinery Factory. The number of units has been increased from 6 to 9 almost covering the whole area of the factory. To add to this, training kits have been purchased so that all workers know how to use the AED units, and at times workers have been given lifesaving classes.



Morning safety habits

We are developing initiatives before the start of work at the construction site of the Ichihara Biomass Power Plant, where, in pairs, after the morning exercises employees pat each other's shoulders, check to see if they look healthy and whether their protective equipment is all OK through the point and call method. After these good safety habits and awareness of safety issues, a morning meeting is held on possible risks before starting actual work. No accidents have been recorded since the start of construction (as of March 31, 2019).



Health and safety patrol by the president of Mitsui E&S Holdings

As part of the health and safety awareness month on February 18, 2019, Takao Tanaka, president (at the time) of Mitsui E&S Holdings carried out a health and safety patrol at the Mitsui E&S Shipbuilding Chiba Shipyard. On the patrol, daily safety activities and improvements were reported to the president by those in charge and work managers for each work area. People came together and exchanged ideas with President Tanaka after the patrol with renewed efforts for a zero accident workplace.



Human Assets

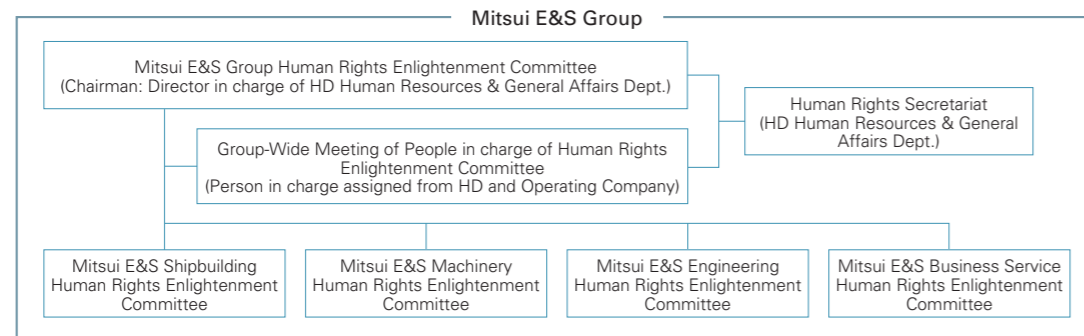
Initiatives for creating workplaces where every single employee is respected

Initiatives for reducing our environmental impact through business activities

Mitsui E&S Holdings Co., Ltd., Mitsui E&S Shipbuilding Co., Ltd., Mitsui E&S Machinery Co., Ltd., Mitsui E&S Engineering Co., Ltd. and Mitsui E&S Business Service Co., Ltd. (hereinafter, the "Mitsui E&S Group") aim to create a corporate culture that is truly free of discrimination, together with the affiliated companies, as a corporate entity that demonstrates social responsibility. For this purpose, the Mitsui E&S Group positions the solution of human rights problems, including problems related to discriminated communities, gender discrimination and racial discrimination, as an important task, and strives to solve these problems through daily business activities under the principle of respect for human rights.

Organizational structure (organizations and systems for promoting training)

We have appointed the director in charge of the Human Resources & General Affairs Department of Mitsui E&S Holdings Co., Ltd. as the head of the Mitsui E&S Group Committee for Promoting Human Rights Awareness. Under the head of the committee, we have established the Committee for Promoting Human Rights Awareness in each Mitsui E&S Group company. To coordinate between group companies, we have also established the Mitsui E&S Group Meeting of People in Charge of Promoting Human Rights Awareness as the advisory body.



In corporate activities, each and every employee in the workplace is absolutely essential, and the work environment in which human rights are respected not only creates purpose and job satisfaction, but also maximizes what employees can do, thereby improving productivity. Based on this idea, the Group has established the Basic Policy for Enlightening People about Human Rights. By carrying out various activities on human rights awareness at every level of the Company, including training on human rights for all executives, we are striving to create an equal and non-discriminatory workplace environment that respects human rights.

TOPICS

To increase employee motivation and strengthen engagement

The Mitsui E&S Group carried out motivation surveys for employees regarding the attractiveness of the Company, the workplace, the job and treatment, etc., with the aim of visualizing the state of the organization and its employees, leading to action for reform. (January 2019 survey for administrative and technical employees. 2,359 respondents with a 95% response rate). Based on these results, we are working on various measures that lead to further motivate employees.

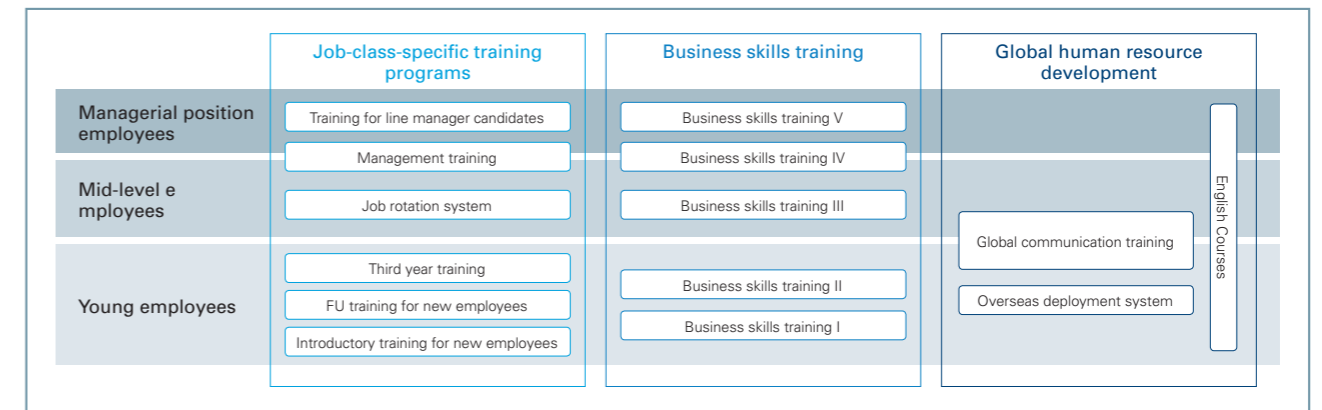
- Passing on of business strategies through dialogues and round-table discussions held by Mitsui E&S Holdings and operating company presidents
- Training for managers at the heart of improving motivation and strengthening engagement
- Recommended activities for boosting motivation and improvement activities promoted by employees as a whole

As the Mitsui E&S Group continues to carry out and monitor motivation surveys, with human resources as the source of its competitiveness, we will work on various measures to enable employees to demonstrate their highly motivated strengths.

Initiatives for developing human resources

We have set "making them full-fledged in five years" as the goal for training young employees. We provide them with group training in their first and third years at the company, training on basic skills for specific types of job, and other training programs. We also provide job-class-specific training programs, including one for mid-level employees and one for those in managerial positions. In addition, from the viewpoint of fostering global human resources, we offer English courses and training programs related to cross-cultural communications and deploy young employees to overseas business locations.

● Training System



Overseas deployment system

[Overview of the system]

We established this system in 2015 in accordance with the following objectives and began operating it.

[Objectives]

Developing the international sensibility of trainees by having them experience working and living overseas as the groundwork for developing human resources who will manage overseas bases (including local subsidiaries) and projects in the future.

The opportunities are provided to young employees (in their third to fifth year at the company) whose current jobs do not give them many opportunities to gain overseas experience.

[Required achievement/goal]

The achievement as the target of this system is to develop a comprehensive mindset and skills for fulfilling duties overseas by experiencing operations (including legal affairs, accounting, tax affairs, general affairs, and personnel affairs) and daily life in an overseas country, broadly and shallowly.

Initiatives for promoting work-life balance

Introduction of Telecommuting System

In March 2018, we introduced a Telecommuting System in addition to the existing Flexible Working Hours System without core time and hourly annual leave. In April 2019, the system was relaxed so that it could be used by any employee for working from home, not just for those with childcare or nursing care needs. The system aims to maximize individual abilities through flexible and diverse work styles not restricted by working place or time.

Telecommuting promotion days

From July 22 to September 6, 2019, telecommuting days were promoted to all employees of Mitsui E&S Holdings and Mitsui E&S Business Service with 30% of eligible employees having used the system (including those who plan to use the system).

TOPICS

Acquisition of Kurumin Logo certification, which is granted to companies supporting the development of the next generation

On August 22, 2017, Mitsui E&S Holdings Co., Ltd. (formerly known as Mitsui Engineering & Shipbuilding Co., Ltd.) was certified as a company supporting childcare pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children by the Ministry of Health, Labour and Welfare and acquired the Kurumin Logo, which is granted to companies supporting the development of the next generation. We promote initiatives including the improvement of labor conditions for helping employees to balance work and family life and review their workstyles. These initiatives are aimed at creating a workplace that enables employees to balance work and family and show their abilities to the fullest in manners that are appropriate for various life events. In response to the Company split-up by moving to a holding company structure, each Mitsui E&S Group company has formulated, and is working towards implementing, an action plan.



Human Assets

Establishment of the Mitsui E&S Group Health Management Declaration

The Mitsui E&S Group shifted to a holding company structure in April 2018, taking a new step forward. While each Group company is required to have a spirit of independence and reform to develop its business further, many issues remain, and all companies must work together as a group to solve these problems.

Under these circumstances, the health of our employees is the source of corporate vitality, and so we would like to make the most of a corporate culture that values people, a culture referred to as "Mitsui is People".


In line with the management stance of realizing a safe and rewarding workplace, the Company established the Mitsui E&S Group Health Management Declaration to further promote the maintenance and improvement of the mental and physical health of each and every employee.

Mitsui E&S Group Health Management Declaration

The Mitsui E&S Group aims to be a company that contributes to the development of society and the preservation of the global environment through the power of manufacturing, based on its corporate philosophy "to continue to be a manufacturing company trusted by people and by society".

"Safety first, health first" is the top priority and an important management issue for continuing to be a manufacturing company.

The Company and health insurance society actively supports the maintenance and promotion of the health of employees and their families, and actively engages in health management with the aim of creating a safe, comfortable and healthy work environment.


 Ryoichi Oka
 President
 Mitsui E&S Holdings Co., Ltd.
 July 1, 2019

Priority Measures

1 Physical Health	<ul style="list-style-type: none"> Have health checks and based on their results take measures to prevent the onset of and not progress lifestyle-related diseases Implement the Health Attack program and health seminars in collaboration with health insurance societies Sports days, softball tournaments, family festivals, etc. at works
2 Mental Health	<ul style="list-style-type: none"> Self-care: stress checks, mental health training Line-care: Line-care training, solution-oriented communication training Care by occupational health staff: interviews with occupational physicians, support for returning to work after a leave of absence
3 Workplace Health	<ul style="list-style-type: none"> Thorough health management through physician interviews for those who work long hours Ensuring holidays are reliably taken through the annual leave promotion month, recommended days for taking annual leave, and designating memorial holidays Efforts to improve the workplace environment for high-stress workplaces based on stress checks

Initiatives to create a healthy workplace

Each Mitsui E&S Group company's basic policy on the safety and health management plan is to create a comfortable workplace by proactively managing the physical and mental health of its employees.

Periodic health checkup results are compiled into a database with occupational health staff and health insurance societies thoroughly managing everyone's health. To provide specific examples, the risks of visceral fat accumulation from the results of special health checkups are determined with specific health guidance (approach and advice tailored to the support level of the individual) given to employees at risk of any lifestyle-related diseases, and personal guidance is given to those individuals at high-risk to prevent it from progressing. Furthermore, the Health Attack program, for all Mitsui E&S Group company employees and their dependents, provides health support by having them select health challenges which are right for them from among a wide variety of courses and working on their selected course for a period of three months. As measures on mental health, we systematically hold job-class-specific training programs, carry out stress checks, publish news on mental health issues, and provide counseling, etc. As an example of one of these workshops, a solution-oriented communication training program (solution focus) was implemented at the Tamano Machinery Factory of Mitsui E&S Machinery from FY2013 ('12/4-'13/3) to improve human relations in the workplace and employee's state of mind, thereby helping to improve productivity in the factory.

Furthermore, Mitsui E&S Holdings has concluded a blanket contract so that employees from all Mitsui E&S Group companies (approx. 9,000 employees) and their families can utilize an employee assistance program (EAP) provided by an external resource (outsourced). This service provides consultations on physical and mental health and legal consultations via telephone, web, fax, or in one-on-one meetings, in strict privacy 24 hours a day. This EAP service has been continuously provided for more than ten years.



Solution-oriented communication training



Health Attack program

TOPICS

Being recognized under the 2018 Certified Health and Productivity Management Organization Recognition Program (White 500)

On February 21, 2019 the five Mitsui E&S Group companies (Mitsui E&S Holdings, Mitsui E&S Shipbuilding, Mitsui E&S Machinery, Mitsui E&S Engineering, and Mitsui E&S Business Service) were certified by the Ministry of Economy, Trade and Industry and NIPPON KENKO KAIGI as part of Organizations Recognized under the 2019 Certified Health and Productivity Management Organization Recognition Program 235 organizations for the large enterprise category (White 500), a group of large companies showing outstanding health and productivity management in 2019.

In February 2018, the Group was certified as a 2018 White 500 company as Mitsui Engineering & Shipbuilding, and the five Mitsui E&S Group companies, with Mitsui E&S Holdings as the holding company, inherited the same certification. The 2019 certification was the first for the five Mitsui E&S Group companies after the transition to a holding company structure.



Labor and management co-sponsored softball tournaments, sports days, and family festivals, etc. are held at each works with the aim of revitalizing the workplace and fostering friendships.



Chiba Works 2018 Softball Tournament winning team



Mitsui E&S sports day at Tamano Works



2018 Autumn Festival at Oita Works

Social Contributions

Ministerial Commendation with Tamano City for Local Revitalization Support Tax System (hometown tax for enterprises)

Founded in Tamano City, Okayama Prefecture in 1917, the Company, working together with Tamano City, has developed the Tamano Human Resource Regional Development Project centered on the establishment of a new industrial department at Tamano Shoko (Commercial and Industrial) High School for the purpose of nurturing young people to support the manufacturing industry. In addition to providing funds for the establishment of the school's mechanical engineering department, which was established in April 2018, Mitsui E&S provided a total of ¥100 million in support for training facilities and sending technical instructors, etc. Tamano City and the Company's efforts in this project were highly praised with both recently receiving the Ministerial Commendation for Local Revitalization Support Tax System (hometown tax for enterprises) established by the Cabinet Office. The school's mechanical

engineering department is attracting attention as the first department in Japan to use a mechanical engineering training facility in a company, with students coming to learn not only from Tamano City but also from nearby Okayama and Kurashiki cities.



Practical training on the lathe



Newly built training lab at the Mitsui E&S Tamano Works

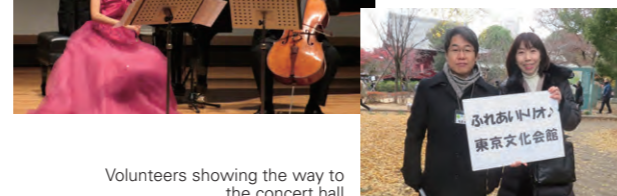
Support for Fureai Concert

The activities of the Fureai Trio commenced in 2003 with a desire to expose children and people with disabilities, who have few opportunities to be exposed to classical music, to live classical music and enrich their lives spiritually.

The three have been doing more since 2019 by holding the Fureai Concert. Since these activities began, the Mitsui E&S Group has not only provided sponsorship but also helped in terms of volunteers at the concert hall, etc.



The Fureai Trio performing in Tokyo December 16, 2018



Volunteers showing the way to the concert hall

Activities of the Mitsui Public Relations Committee

We have co-sponsored a range of social contribution activities as a member company of the Mitsui Public Relations Committee, which consists of 24 Mitsui Group companies. This committee carries out a variety of cultural and art activities aimed at "enriching society by cherishing people and respecting diverse personal characteristics," working in line with the characteristics of the Mitsui Group described as "Mitsui is People."



The 47th MITSUI Golden Glove Award Prizewinning players



A scene from Mitsui Golden Glove Baseball Class

MITSUI Golden Glove Award

We grant this award to professional baseball players who have exhibited outstanding fielding performance throughout the season.

Mitsui Golden Glove Baseball Class

This is a baseball class specializing in fielding, which is aimed at baseball coaches for juniors. We invite ex-professional baseball players who won the MITSUI Golden Glove Award to be instructors.

The MITSUI Golden Takumi Award

Founded in 2015 with the desire to support craftspeople carrying the manufacturing of traditional Japanese crafts into the future

Communication

Together with Customers

We work under our company philosophy of "To continue our role as a trusted company, and as a trusted member of society" In our management policy that supports the company philosophy, we have set "Build further satisfaction for our customers" as one of our most important objectives. In our specific standards of conduct for employees, we give top priority to "customer orientation" and "Diligently attend to our customer needs for creating value-added products" and strive to develop and provide differentiated products and services based on new findings from customers' voices.

Together with Shareholders and Investors

We position IR activities as a part of the long-term business and financial strategies of senior management. We disclose our corporate information in a fair and proactive manner in our effort to deepen shareholders' and investors' understanding of the business activities of Mitsui E&S Holdings and the Mitsui E&S Group.

Information disclosure and IR activities

To build better relationships with shareholders and investors, we strive to ensure timely, appropriate information disclosure and have our senior management explain our business policies and specific visions in our IR activities, so as to ensure highly transparent management.

Provision of IR information

We publish information about our company on our website in a timely, appropriate manner. In addition to providing materials including those for results briefing sessions and those on mid-term business plans, we also provide video and other content aimed at providing shareholders and other investors with greater insight into the Mitsui E&S Group. We will continue striving to provide easy-to-understand information promptly.



IR information in Corporate website

Together with Business Partners

As a manufacturing and engineering company, we aim to provide cost-competitive, high-quality products. In the procurement of materials and equipment for our products, we strive to ensure co-existence and co-prosperity with our business partners through fair trade with them, so as to fulfill our social responsibility.

Basic policy on the selection of business partners

We established the Mitsui Administration Manual (MAM) in 1994. Concerning the selection of business partners by the procurement department, MAM stipulates that "As a basic principle, we shall select business partners in a fair and square manner by providing all companies that desire to be our business partners with equal, fair opportunities for participation." We engage in procurement activities based on this principle.

For fair and equitable dealings

We established the Rules and Ethics for Material Procurement in November 2002. It shows the ethics and behavior and activity standards for all staff engaged in procurement activities. On the basis of the utmost integrity, we strive to build equal and fair relationships of trust with business partners.

Together with Local Communities

We attach importance to communications with local communities. Employees in each of our business locations engage in environmental and social contribution activities locally, aiming to create a sustainable society. Information about initiatives taken at each business location is provided in this report and on our website.

Ceremonial Ship Launching Shown to the Public at Tamano Shipyard (about five times a year)

Featuring the spectacle of a huge ship launching into the sea, ceremonial ship launches at Tamano Shipyard is received well by all those who observe it. Tamano City Tourist Association and other parties organize a popular industrial tour around Tamano City, the highlight of which is the chance to observe a ceremonial ship launch (which is held irregularly). Information about the observation of ceremonial ship launches is posted to the official website of Tamano City as it becomes available.



Company Profile

Company Profile (As of March 31, 2019)

Company Name	Mitsui E&S Holdings Co., Ltd. (Since April 1, 2018)	Number of shares authorized to be issued	150,000,000 Shares
Head Office Location	6-4, Tsukiji 5-Chome, Chuo-ku, Tokyo 104-8439, Japan	Number of outstanding shares	83,098,717 Shares
Founded in	November 14, 1917	Number of shareholders	52,928
Established in	July 31, 1937	Employees	13,607 (Consolidated) 144 (MES Only)
Capital	¥44,385 million		

Origins of the new company name

E&S is created using the initial letters of Engineering & Shipbuilding, which is part of the former company name, of Mitsui Engineering & Shipbuilding. However, its meaning goes beyond these two words. E implies Environment and Energy, part of the business areas we will be focusing on. S suggests Social Infrastructure, Solution, Systems and Service. Each of these are also part of the areas in which we will be working intensively. Thus, E&S has extensive significance. E&S symbolizes our corporate stance of providing a wider array of solutions more broadly with Engineering & Shipbuilding as the starting points, where we have cultivated our strengths and beyond.

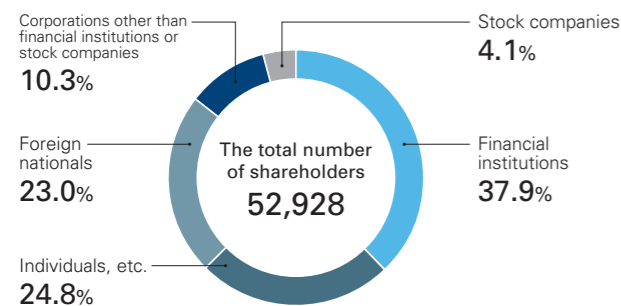
The concept behind our logo



[The new logo: M on the Earth]

The blue under M represents the horizon of the Earth. It expresses the future expansion of the business fields of the Mitsui E&S Group. On this line, you see M in dynamic black, which gives an impression of solid potential for future growth and presence. Between the blue line and the M hide two arrows, facing each other, to express the Group's determination to create new value for the planet by bringing together diverse people and technologies.

Shareholding situation by each category of shareholders (As of March 31, 2019)



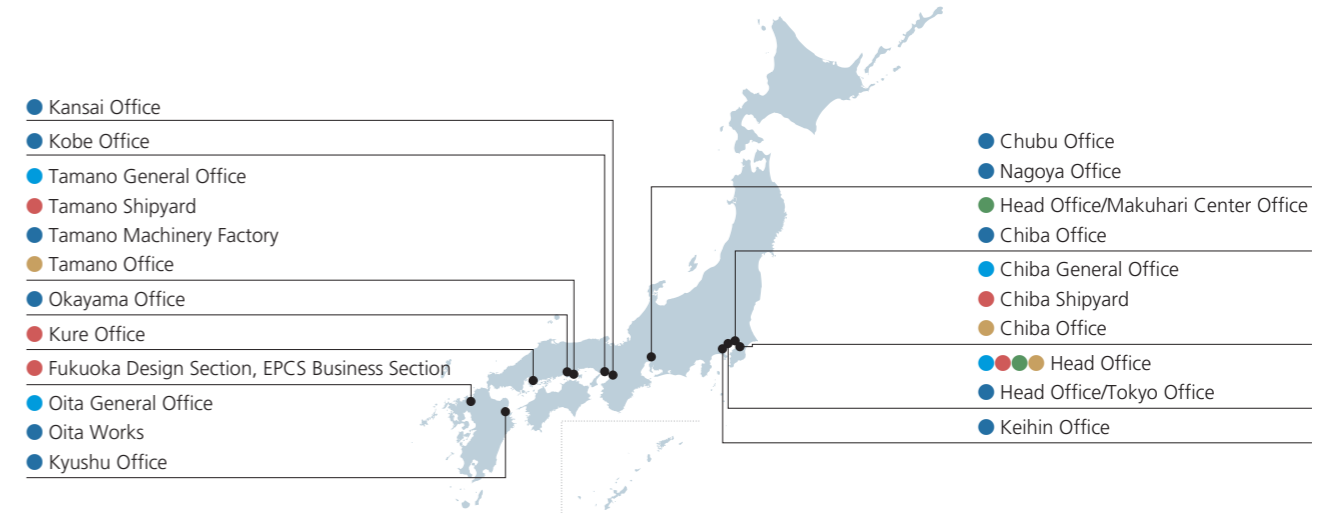
Category	Number of Shareholders	Total Shares (Thousand)	Percentage
Financial institutions	65	31,474,041	37.9%
Individuals, etc.	52,142	20,600,451	24.8%
Foreign nationals	265	19,081,097	23.0%
Corporations other than financial institutions or stock companies	396	8,564,846	10.3%
Stock companies	60	3,378,282	4.1%

Major 10 shareholders (As of March 31, 2019)

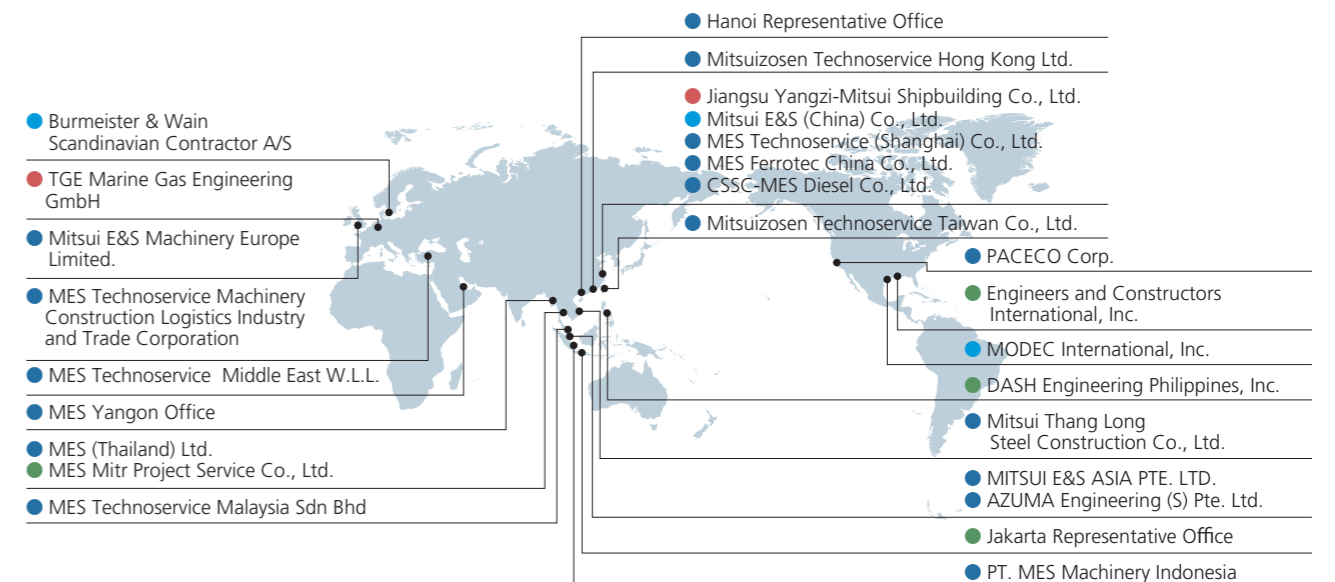
Name	Number of Shares' Held (Thousand Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,139	6.35
Japan Trustee Services Bank, Ltd. (Trust Account)	5,000	6.18
Mitsui & Co., Ltd.	2,550	3.15
The 114th Bank	2,546	3.14
Japan Trustee Services Bank, Ltd. (Trust Account for the retirement allowance for Sumitomo Mitsui Trust Bank, Limited)	2,331	2.88
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,162	2.67
PICTET AND CIE (EUROPE) S.A.	1,815	2.24
Mitsui Life Insurance Company, Ltd.	1,600	1.97
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,416	1.75
BNP PARIBAS SECURITIES SERVICES SINGAPORE/JASDEC/CLIENT ASSET	1,407	1.74

Notes: 1. The Company owns 2,271,823 shares of treasury stock which is excluded from the major shareholders listed above. The treasury stock includes 400 shares that are not actually owned by the Company, although they are in the name of the Company on the shareholder registry.
2. The shareholding ratio is calculated excluding treasury stock.
3. Company shares held by Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. Retirement Benefit Trust Account) are the retirement benefit trust assets entrusted by Sumitomo Mitsui Trust Bank, Limited.
4. Mitsui Life Insurance Co., Ltd. changed its trading name to TAIJU LIFE INSURANCE COMPANY LIMITED on April 1, 2019.

Offices and Works



Overseas Network



Main group companies

<ul style="list-style-type: none"> •Mitsui E&S Shipbuilding Co., Ltd. MES-KHI Yura Dock Co., Ltd. Akishima Laboratories (Mitsui Zosen) Inc. MES Tokki & Engineering Co., Ltd. MES Shipping Co., Ltd. Shikoku Dockyard Co., Ltd. Niigata Shipbuilding & Repair, Inc. TGE Marine Gas Engineering GmbH Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd. 	<ul style="list-style-type: none"> •Mitsui E&S Machinery Co., Ltd. Mitsui E&S Power Systems Inc. Mitsui Meehanite Metal Co., Ltd. Sanzo Manufacturing & Construction Co., Ltd. Mitsui E&S Steel Structures Engineering Co., Ltd. Mitsui E&S Technical Research Co., Ltd. DPS Bridge Works Co., Ltd. Azuma Machinery Co., Ltd. Paceco Corp. 	<ul style="list-style-type: none"> PT. MES Machinery Indonesia CSSC-MES Diesel Co., Ltd. MES Ferrotec China Co., Ltd. Mitsuiosen Technoservice Hongkong Ltd. Mitsuiosen Technoservice Taiwan Co., Ltd. MES Technoservice Middle East W.L.L. MES Technoservice Machinery Construction Logistics Industry and Trade Corporation 	<ul style="list-style-type: none"> •Mitsui E&S Engineering Co., Ltd. Mitsui E&S Plant Engineering Inc. Mitsui E&S Environment Engineering Corporation Hamamatsu Green Wave Co., Ltd. Green Power Ichihara Co., Ltd. Betsukai Biogas Power Co., Ltd. DASH Engineering Philippines, Inc. Engineers and Constructors International, Inc.
<ul style="list-style-type: none"> •Mitsui E&S Business Service Co., Ltd. •Mitsui E&S Systems Research Inc. •MES Facilities Co., Ltd. 	<ul style="list-style-type: none"> •MODEC, Inc. •Burmeister & Wain Scandinavian Contractor A/S •Showa Aircraft Industry Co., Ltd. 	<ul style="list-style-type: none"> •Kaji Technology Corporation •Mitsui E&S Asia Pte. Ltd. •Mitsui E&S (China) Co., Ltd. 	

Our website

Please visit our website for IR information, Mid-Term Business Plan, and sustainability initiatives. Website is accessible from your smartphone.

<https://www.mes.co.jp/english/>





Mitsui E&S Holdings Co., Ltd.

6-4, Tsukiji 5-chome, Chuo-ku, Tokyo 104-8439, Japan
www.mes.co.jp