

2020/03 Half-year Financial Results



11 November, 2019



Mitsui E&S Holdings Co., Ltd.

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2020/03 Half-year Results

- ◆ New Order 495.0 Billion Yen (QoQ ↑)
- ◆ Net Sales 356.9 Billion Yen (QoQ ↑)
- ◆ Ordinary Income (64.9) Billion Yen (QoQ ↓)

2020/03 Forecast

- ◆ New Order 1,000.0 Billion Yen (Comp. Pre Forecast →)
- ◆ Net Sales 790.0 Billion Yen (Comp. Pre Forecast ↓)
- ◆ Ordinary Income (67.0) Billion Yen (Comp. Pre Forecast ↓)

Significantly decrease of Ordinary Income

- ◆ Loss increases on Coal-fired power plant civil engineering construction
 - ✓ Come out risks for unexpected factors on installation of CW pipe
 - ✓ Maximum losses approx. 71.3 billion yen.

(JPY: Billion)

	2018/09	2019/09	Var.
New Order	245.9	495.0	+249.1
Net Sales	311.7	356.9	+45.2
Operating Income	(28.0)	(67.7)	(39.7)
(OP ratio)	(9.0%)	(19.0%)	—
Ordinary Income	(24.3)	(64.9)	(40.6)
(OD ratio)	(7.8%)	(18.2%)	—
Profit attributable to owners	(47.9)	(66.5)	(18.6)

< Average FX >

USD	111.09Yen	107.78Yen
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■ New Orders

Mainly due to award FPSO and O & M by Petrobras Related to Búzios 5.

■ Net Sales

Increase due to delivery of Marine Diesel Engines , progress the FPSO Government Ship.

■ Ordinary Income

Maximum losses approx. 71.3 billion yen incurred in Coal-fired power plant civil engineering construction work in Indonesia, resulting in significantly decrease of the profit

2020/03 Half-year Summary of Balance Sheet

(JPY: Billion)

	2019/03	2019/09	Var.	
Total Assets	999.1	988.3	(10.8)	Mainly due to decrease of short-term loan collection by MODEC
(Cash)	100.9	111.9	+11.0	
(Receivables)	225.8	245.7	+19.9	
(Fixed Assets)	371.5	372.9	+1.4	
Total Liabilities	718.9	788.0	+69.1	
(Advances by Customers)	92.6	96.2	+3.6	
(Provision for losses on construction contracts)	61.0	111.1	+50.1	Increased due to profitability goes down by Indonesian EPC
(Debt (with interest))	204.6	199.8	(4.8)	
Net Assets	280.2	200.3	(79.9)	
(Own capital)	159.5	83.0	(76.5)	Significantly decrease due to Indonesian EPC

Capital-to-asset ratio	16.0%	8.4%		
DE Raito	1.3	2.4		

2020/03 Half-year Summary of Cash Flow

(JPY: Billion)

	2018/09	2019/09	Var.	
Operating CF	3.1	(19.8)	(22.9)	Spending increase due to loss increases by Indonesian EPC
Investing CF	1.6	37.0	+35.4	Mainly due to increase of short-term loan collection by MODEC
Free CF	4.7	17.2	+12.5	
Financial CF	2.8	(3.2)	(6.0)	

2020/03 Half-year Results Summary by Segment

(JPY: Billion)

	New Order			Net Sales		
	18/09	19/09	Var.	18/09	19/09	Var.
Ship	47.2	27.0	(20.2)	46.4	52.7	+6.3
Ocean Development	40.3	334.5	+294.2	113.1	148.6	+35.5
Machinery	84.6	81.4	(3.2)	86.2	94.4	+8.2
Engineering	39.9	24.0	(15.9)	29.5	25.1	(4.4)
Other	33.9	28.1	(5.8)	36.5	36.1	(0.4)
Total	245.9	495.0	+249.1	311.7	356.9	+45.2

(JPY: Billion)

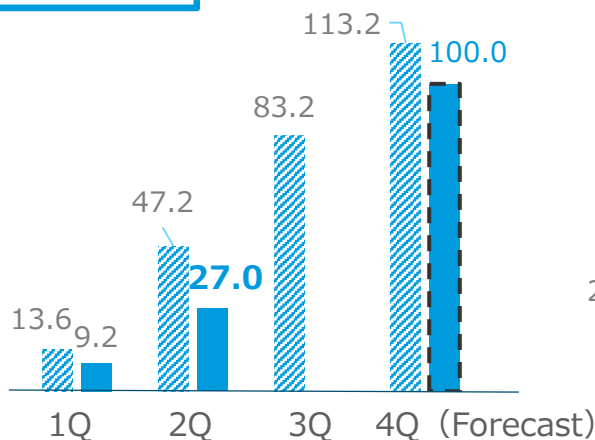
	Operating Income			Ordinary Income (*)		
	18/09	19/09	Var.	18/09	19/09	Var.
Ship	(3.1)	(1.8)	+1.3	(3.3)	(1.9)	+1.4
Ocean Development	10.8	(2.3)	(13.1)	14.0	1.4	(12.6)
Machinery	4.5	4.8	+0.3	5.0	5.1	+0.1
Engineering	(40.8)	(71.0)	(30.2)	(40.4)	(71.3)	(30.9)
Other	0.6	2.7	+2.1	0.4	1.8	+1.4
Total	(28.0)	(67.7)	(39.7)	(24.3)	(64.9)	(40.6)

(*) No audit. For your reference, we disclose internal amount

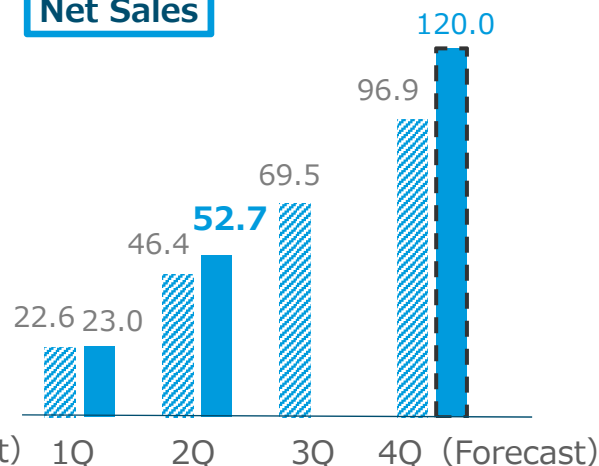
(JPY : Billion)

2019/03 2020/03

New Order



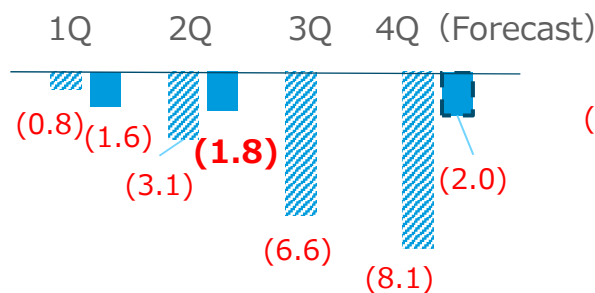
Net Sales



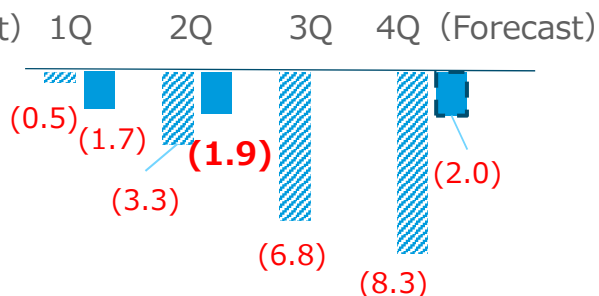
■ New Order : QoQ (20.2)

The market started to move, but prices are still low. Mitsui E&S Shipbuilding Co., Ltd. maintain sorting orders, resulting in just waiting watchfully in the first half. Recover in the second half.

Operating Income



Ordinary Income



■ Net Sales : QoQ +6.3

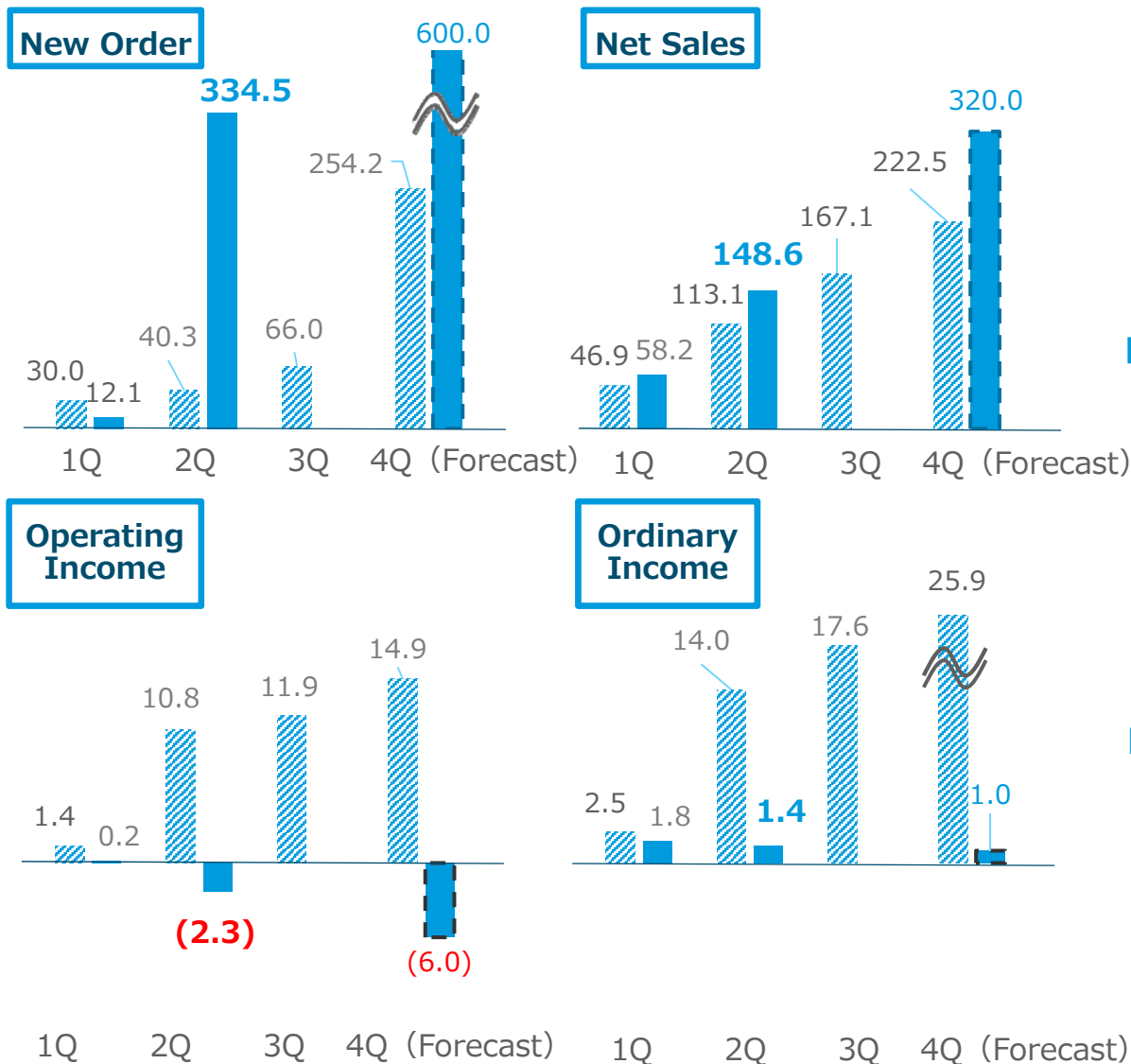
The ship construction progressed as planned. Especially increased Government Ships, resulting increased compared to the same period of previous fiscal year.

■ Ordinary Income : QoQ +1.4

The yen has been strong, however Ordinary Income improved as government vessels progressed smoothly.

(JPY : Billion)

2019/03 2020/03



■ **New Order** : QoQ +294.2

Awarded FPSO and O&M by Petrobras Related to Búzios 5.

■ **Net Sales** : QoQ +35.5

Revenue increased mainly due to progress of 3 EPCI projects

■ **Ordinary Income** : QoQ (12.6)

Provision for loss on construction contract was recorded for the EPCI project for Gulf of Mexico

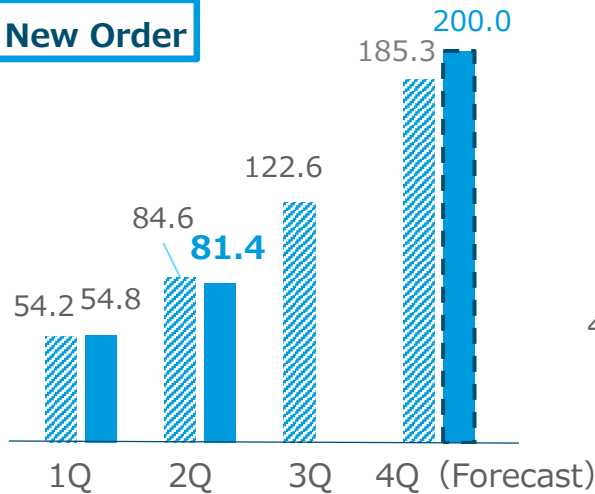
Machinery

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

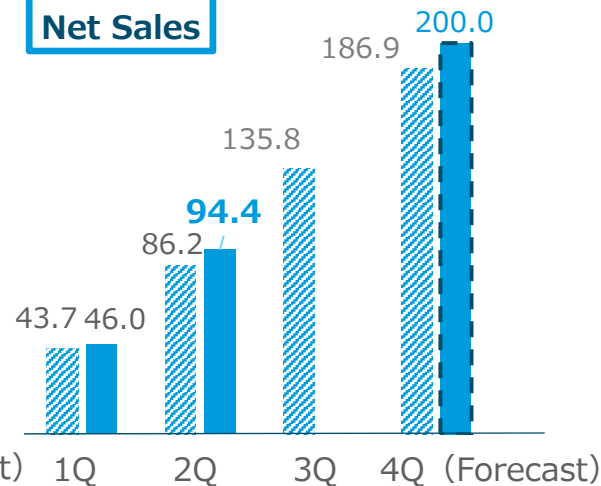
(JPY : Billion)

2019/03 2020/03

New Order



Net Sales



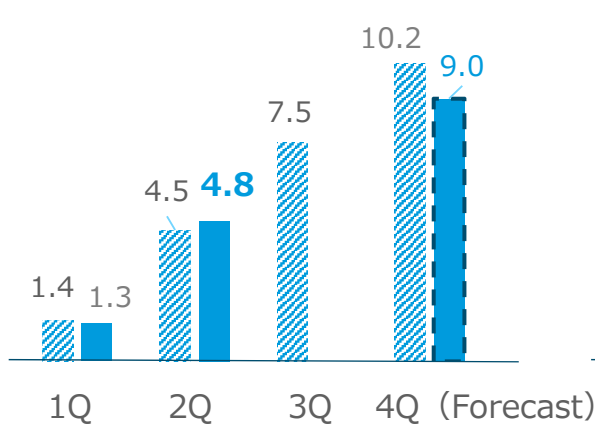
■ **New Order** : QoQ (3.2)

Marine diesel engines and after-sales service remained steady, resulting in the same level as the previous year.

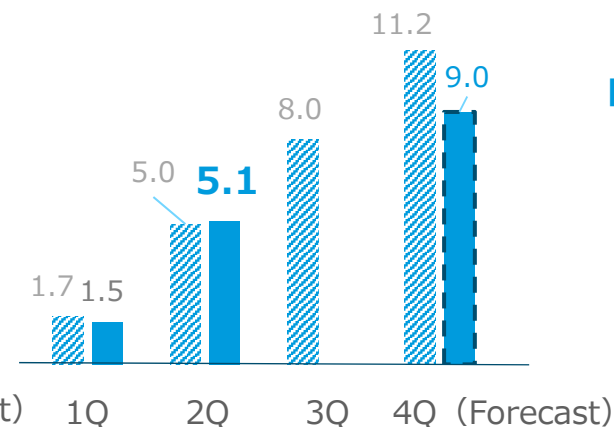
■ **Net Sales** : QoQ +8.2

Due to an increase in Marine diesel engine and Industrial Machinery, Net Sales exceeded the previous fiscal year.

Operating Income



Ordinary Income



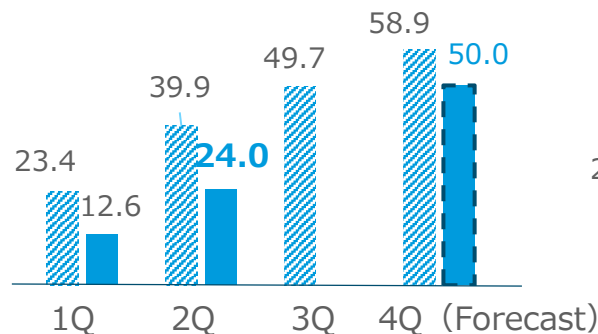
■ **Ordinary Income** : QoQ +0.1

After-sales service was performing well, however, profit of Container Crane deteriorated, in the same level as the previous year.

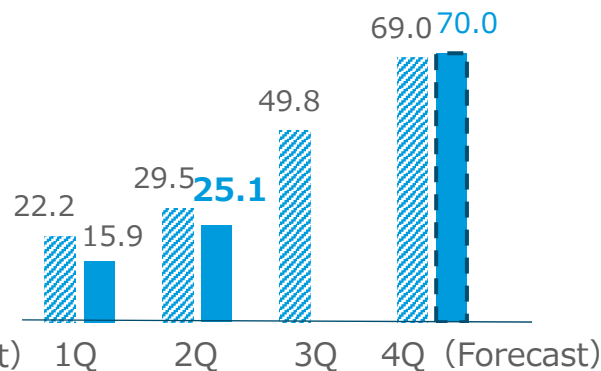
(JPY : Billion)

2019/03 2020/03

New Order



Net Sales



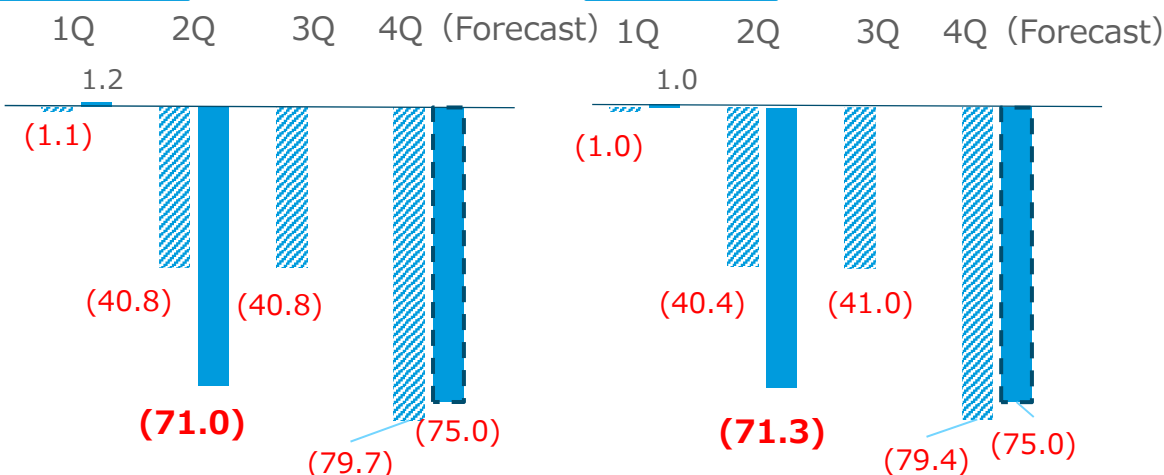
■ **New Order : QoQ (15.9)**

Decrease due to refrain orders for large projects.

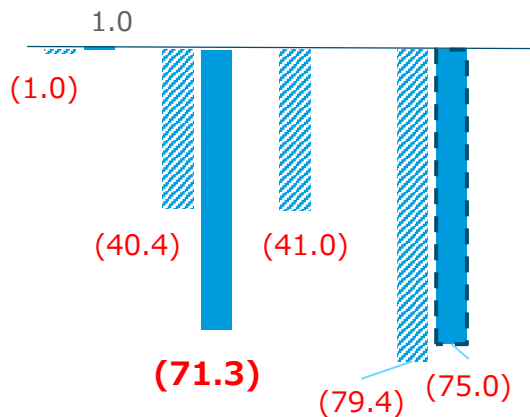
■ **Net Sales : QoQ (4.4)**

Decrease due to reduction in construction volume.

Operating Income



Ordinary Income



■ **Ordinary Income : QoQ (30.9)**

As a result of reviewing the Coal-fired power plant civil engineering construction risk, the estimated maximum risk cost was approximately 71.3 billion yen, resulting in a significantly losses.

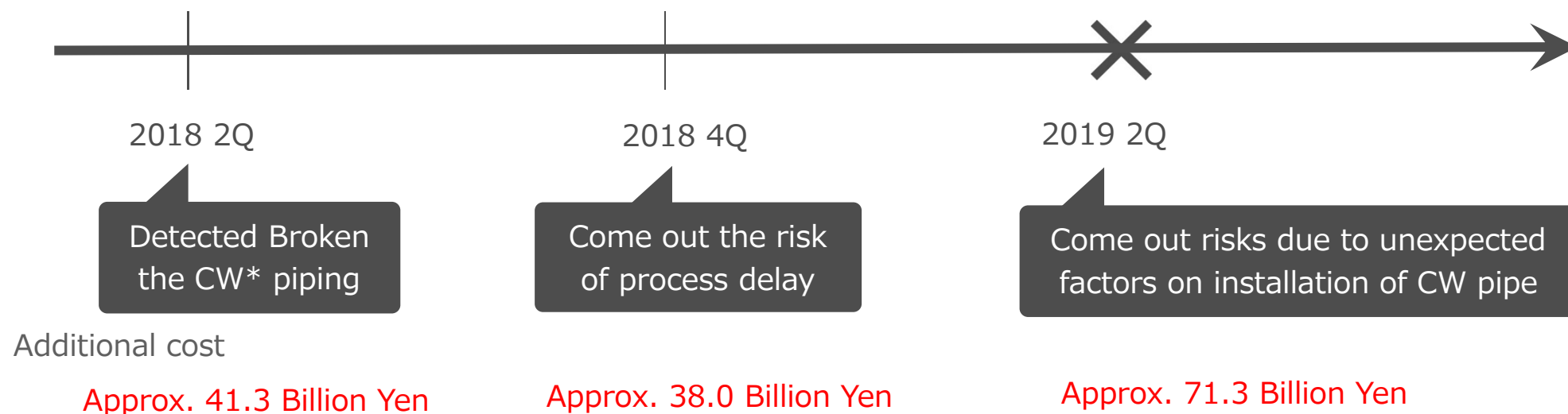
■ Status of loss construction

< Summary of construction >

Conclusion of Contracts	Type of contract	Place	Construction scope	Contract delivery date
March, 2012	Lump sum	Batang Central Java, Indonesia	Coal-fired power plant (1,000MW×2) civil engineering construction work	November, 2020

< The sequence of events >

Accumulated losses approx. 151.0 Billion Yen (Inc. 2019/09E Provision approx. 101.2 Billion Yen)



※CW (Cooling Water)

< The factor of deteriorating profitability >

- Come out risks due to the following unexpected factors on installation of CW pipe
 - ✓ Conditions for marine conditions are severer than expected.
 - ✓ Changing materials and increasing quantity due to soft ground of a sea.
- ◆ Based on the proof data obtained from the test construction,
Set aside the maximum loss with external specialist.

< Breakdown for additional losses >

- Additional losses in 192Q approx.71.3 Billion Yen
 - ✓ Increase risk costs for unsatisfactory weather during installation (Approx.20.0 Billion Yen)
 - ✓ Additional costs for changing materials and
increasing quantity on backfill work (Approx.30.0 Billion Yen)
 - ✓ Others (adapting to the delay of the processes) (Approx.21.3 Billion Yen)

**Continue construction status monitoring with external experts,
absolutely complete the project within this range.**

List of Coal-fired power plant civil engineering construction

Projects	Area	Progress		Delivery Year
		19/03	19/09	
A	Vietnam	98%	98%	2019
B	Indonesia	67%	73%	2020
C	Indonesia	71%	88%	2021

- A Construction is already in the commissioning stage,
and will be completed in the second half of 2020/03
- B Come out additional cost of CW pipe installation
- C Construction have been progressed as planned

(JPY: Billion)

	Previous Forecast (10 May 2019)	Forecast (11 Nov. 2019)	Var.
New Order	800.0~ 1,000.0	1,000.0	—
Net Sales	840.0	790.0	(50.0)
Operating Income	12.0	(72.0)	(84.0)
Ordinary Income	17.0	(67.0)	(84.0)
Profit attributable to owners	3.0	(88.0)	(91.0)
Free CF	(41.0)	(5.0)	+36.0
Interest-bearing debt	240.0	180.0	(60.0)

* Forecast FX Rate US\$/Yen 110

*Effect to foreign exchange rates by currency on operating profit
=1 yen per US\$ corresponds to 0.5 billion yen. (Strong yen =Improvement of operating profit)

2020/03 Forecast Summary by Segment

(JPY: Billion)

	New Order			Net Sales		
	Previous Forecast (10 May, 2019)	Forecast (11 Nov. 2019)	Var.	Previous Forecast (10 May, 2019)	Forecast (11 Nov. 2019)	Var.
Ship	110.0	100.0	(10.0)	120.0	120.0	—
Ocean Development	300.0~ 500.0	600.0	+100.0	350.0	320.0	(30.0)
Machinery	200.0	200.0	—	200.0	200.0	—
Engineering	90.0	50.0	(40.0)	80.0	70.0	(10.0)
Other	100.0	50.0	(50.0)	90.0	80.0	(10.0)
Total	800.0~ 1,000.0	1,000.0	—	840.0	790.0	(50.0)

2020/03 Forecast Summary by Segment

(JPY: Billion)

	Operating Income			Ordinary Income		
	Previous Forecast (10 May, 2019)	Forecast (11 Nov. 2019)	Var.	Previous Forecast (10 May, 2019)	Forecast (11 Nov. 2019)	Var.
Ship	(2.0)	(2.0)	—	(2.0)	(2.0)	—
Ocean Development	8.0	(6.0)	(14.0)	15.0	1.0	(14.0)
Machinery	8.0	9.0	+1.0	8.0	9.0	+1.0
Engineering	(4.0)	(75.0)	(71.0)	(4.0)	(75.0)	(71.0)
Other	2.0	2.0	—	0	0	—
Total	12.0	(72.0)	(84.0)	17.0	(67.0)	(84.0)

Appendix) CAPEX・DEP・R&D・Employees

(JPY: Billion)

	2018/09 Actual	2019/03 Actual	2019/09 Actual	2020/03 Forecast
CAPEX	9.1	18.3	6.8	11.5
Depreciation	7.5	14.5	7.9	—
R&D	1.4	4.5	1.8	4.0
Employees	13,611 People	13,607 People	14,050 People	—

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

	New Orders	Deliveries	Backlogs
Commercial Ship	0	5	16
Government Ship· Other Ship	0	0	9
Total	0	5	25

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

	2018/09		2019/09		2020/03	
	Unit	House Power (10Kps)	Unit	House Power (10Kps)	Unit	House Power (10Kps)
New Orders	52	97	90	169	—	—
Deliveries	77	197	113	221	—	—
Back logs	108	251	111	210	—	—
Production	76	196	104	196	208	398

Shipbuilding Joint Venture to Commence Business Operations

Mitsui E&S Shipbuilding Co., Ltd. ("MES-S), in partnership with Mitsui & Co., Ltd. ("Mitsui) and Yangzijiang Shipbuilding (Holdings), Ltd. ("YZJ";), has established a shipbuilding joint venture, Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd. (Taicang, Jiangsu, China; President: Song Shuming) and has made preparations for commencing business operations. On August 1, the company officially commenced its business operations as a new manufacturing base of new ships.

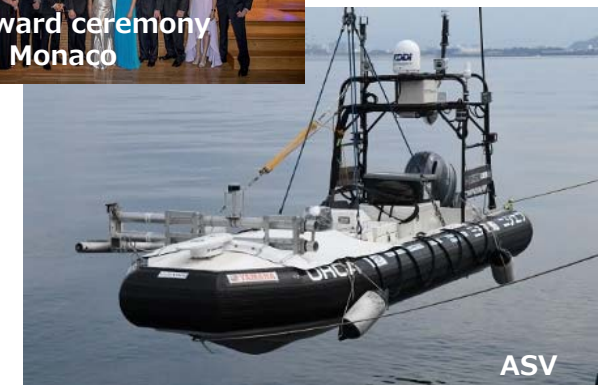


Presence in water robot technology

As a member of "Team KUROSHIO" formed with domestic research institutes and private companies, Mitsui E&S Shipbuilding participated in "Shell Ocean Discovery XPRIZE", an international competition for seabed exploration technology from 2016 to 2018, won the second place.

We were mainly responsible for the development of the offshore repeater (Autonomous Surface Vehicle: ASV) and contributed greatly to the results of KUROSHIO.

Based on our advanced technical capabilities backed by achievements, we will continue to develop water robots and strive to provide new value to our customers.



Delivered the first 1000kW class gas turbine SB5N

Mitsui E&S Machinery Co., Ltd. has developed the 1,000kW class gas turbine SB5N and started sales in FY2019. The first gas turbine cogeneration system was delivered to companies in Hyogo Prefecture.

We boast a top-class share in Japan for the mid-sized MSC series (3-15 MW) equipped with Solar Turbines gas turbines. We have added our own gas turbine SB5N as a new lineup and will develop aggressive sales activities in the generation market.



Awarded a heating furnace order for a domestic chemical plant

Mitsui E&S Plant Engineering Co., Ltd. ("MPE" a wholly owned subsidiary of Mitsui E&S Engineering Co., Ltd.) awarded a heating furnace (detailed design, procurement, and from a major domestic chemical manufacturer in July 2019. This project scheduled to be completed in 2021, and we are currently working on a detailed design.

MPE constructed Japan's first ethylene plant in 1958, former Mitsui Engineering & Shipbuilding Co., Ltd. We have many achievements in establishing new heating furnaces used to heat fluids for domestic and overseas oil refining and petrochemical manufacturers.

We will continue to make proposals and receive orders in line with the life cycle of customer plants.

MODEC Develops "MODEC NOAH™" and "M350™"

MODEC, Inc. ("MODEC") is pleased to announce that it has developed the "MODEC NOAH" and "M350", next generation new built hulls for Floating Production Storage and Offloading (FPSO) vessels utilizing its extensive knowledge, experience and proven successes in engineering, construction, operations and maintenance of FPSOs as a leading company in this industry.

With two next generation new built FPSO hulls in MODEC's portfolio, namely, "MODEC NOAH" and "M350", MODEC is very well prepared to meet the new market demands for larger FPSOs.



MODEC NOAH

MODEC Awarded Letter of Intent by Petrobras 2 FPSO and O&M

MODEC, Inc. ("MODEC") has received a Letter of Intent (LOI) for the supply, charter, and operations of a Floating Production Storage and Offloading (FPSO) vessel for Búzios 5 and Marlim revitalization project from Petróleo Brasileiro S.A. ("Petrobras").

MODEC is responsible for the engineering, procurement, construction, mobilization, chartering and operations of the FPSO, including topsides processing equipment as well as hull and marine systems. SOFEC, Inc., a MODEC group company, will design and supply the spread mooring system for the floating unit. In addition to these FPSOs, MODEC will also provide three more FPSOs for the country within the next years: the FPSO Carioca MV30, the FPSO Guanabara MV31 and the FPSO Almirante Barroso MV32. These FPSOs will be deployed in the pre-salt of Santos Basin.



MITSUMI E&S

社会に人に信頼されるものづくり企業であり続けます

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

In this document, forward-looking statements, targets, plans, strategies, etc. of the Company contain forward-looking statements. These are forecasts that the Company rationally determined based on information that can be grasped at the present time and include known and unknown risks and uncertainties. Accordingly, there is a possibility that actual results or developments of our company in the future may be significantly different.

The translation of English is merely created for reference and this does not detain any parties.