



Mitsui E&S Group
INTEGRATED REPORT
2020

Year ended March 31, 2020

Company Philosophy

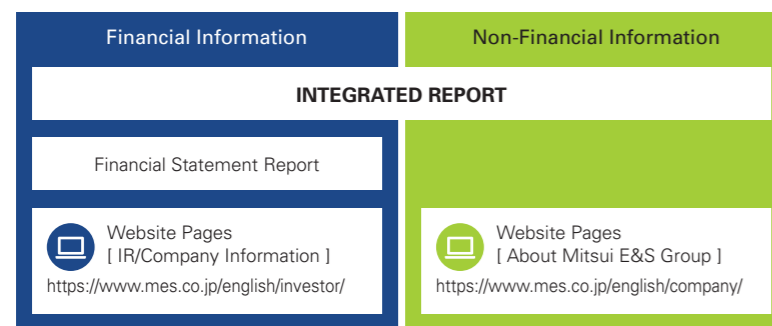
To continue our role as a trusted company, and as a trusted member of society

Mitsui E&S Group INTEGRATED REPORT 2020

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 2019 ('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. 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”



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.

Coverage of the report

This report covers the period from April 2019 to March 2020.

(However, some sections include information for April 2020 and thereafter.)

Issued in: September 2020

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

Inquiries

Mitsui E&S Holdings Co., Ltd. Corporate Planning Division

Contact form

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

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The History of Mitsui E&S

The Mitsui E&S Group was founded in 1917 by Teijiro Kawamura (the General Manager of the Ship Division of former Mitsui & Co., Ltd. at the time), who felt strongly that Japan needed a shipbuilding industry. Since then, we have expanded into businesses such as diesel engines and plant engineering, and have grown into a comprehensive heavy equipment manufacturer while supporting the modernization of Japan and the development of society.

Founding

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

“Because Japan is a seafaring 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.



Teijiro Kawamura

1917–

Leading the shipbuilding industry

- 1924 Completed the Japan's first ship driven by diesel engine "Akagisan Maru" ①
- 1926 Entered the technical licensing agreement with Burmeister & Wain A/S of Denmark for marine diesel engine production ②

1950–

Expand business domains Grows to become comprehensive heavy machinery manufacturer

- 1961 •Entered the technical licensing agreement with PACECO., Inc. concerning the PACECO type container cranes ③
- Launched the world's first large-size automated vessel, "Kinkasan Maru" ④
- 1967 Completed Japan's first shore-side container crane ⑤
- 1976 Achieved an aggregated total of 10 million bhp in the Mitsui-B&W diesel engine production
- 1987 Built "Polyconfidence", the world's largest floating hotel at sea ⑥
- 1988 Acquired PACECO's crane trading rights, shares
- 1992 Completed the most advanced diesel engine factory at Tamano Works
- 1996 Received the first order for a high-power light-weight compact ADD diesel engine, intended to serve as main generator engine for a large oceanographic vessel of the Maritime Safety Agency

2000–

Globalization For sustainable growth Strengthening energy-saving and environmentally-friendly technologies

- 2003 Listing of MODEC, Inc.
- 2008 Achieved accumulated production of 700 units in PC hybrid pontoon
- 2009 Accumulated Orders of Reciprocating compressor reached 1,000 sets
- 2014 Shipped 300th Portainer, a quayside gantry crane
- 2015 Completed the "ME-G1", Japan's first marine diesel engine fueled by natural gas
- 2017 Established "PT. MES Machinery Indonesia", a container handling crane manufacturing company in Indonesia

2018–

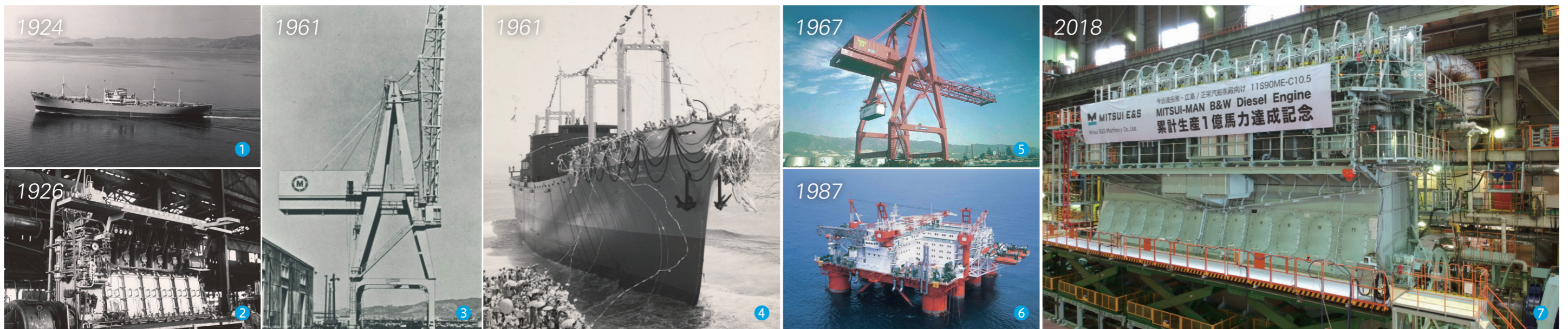
Towards the next 100 years

- 2018 •Shift into holding company structure and changed its name to "Mitsui E&S Holdings"



MITSUI E&S

- Cumulative diesel engine production reaches 100 million horsepower ⑦



We will make an all-out effort to ensure the execution of the Mitsui E&S Group Business Revival Plan to increase the Group's corporate value.

President, Representative Director
CEO
Ryoichi Oka



Moving the Business Revival Plan forward

For the Mitsui E&S Group, the fiscal year ended March 31, 2020 marks the final year of the 2017 mid-term business plan (the management plan from April 2017 to March 2020). In order to achieve the MES Group 2025 Vision, which lays out the future vision and long-term direction of the Group and the ideal state of the company over the seven years leading up to fiscal 2025, we have been advancing our goals of a reinforced business foundation and deepened Group management by focusing on the three business areas of Environment & Energy, Marine Logistics & Transportation, and Social & Industrial Infrastructure.

However, the Group's financial base was significantly damaged as a result of a series of large losses from overseas EPC projects in the engineering business, which created an urgent need to recover capital and secure funds.

To that end, in May 2019 we developed a new Mitsui E&S Group Business Revival Plan. During the period of the Business Revival Plan, which runs from April 2019 to March 2023, we will work to shore up our financial base by reinforcing our financial and profit structure and reforming our business structure.

The Business Revival Plan was partially revised in November 2019 to expand and accelerate necessary measures such as the disposal of assets and reduction of fixed costs in the wake of additional large losses in the second quarter from a civil engineering construction project for a thermal power plant in the Republic of Indonesia. As a result, we have reached a point to secure funds to a certain degree.

Going forward, we will continue to work to get through these difficult times and increase the Group's corporate value by accelerating our efforts to maximize MES Group strengths collectively through the reorganization of Group businesses.

Results for the fiscal year ended March 31, 2020

The Group's net sales in FYE Mar. 2020 increased by ¥129.9 billion (19.8%) compared to the previous fiscal year to ¥786.5 billion thanks to increased sales (calculated using the percentage of completion method) in the ocean development sector as well as gains in the ship and machinery divisions. Despite the improvements and loss reductions in the Ship, Machinery, and Engineering divisions, operating losses amounted to ¥62.1 billion (compared to losses of ¥59.7 billion in the previous fiscal year) due mainly to losses posted by MODEC, Inc. in overseas projects in the ocean development business. Ordinary losses amounted to ¥60.5 billion (compared to losses of ¥50.5 billion in the previous fiscal year) due to a decrease in equity method investment income in addition to the posted operating losses. Net losses attributable to parent company shareholders amounted to ¥86.2 billion (compared to net losses of ¥69.6 billion in the previous fiscal year) as a result of a decrease in profits attributable to non-controlling interests in addition to the posted net loss before tax adjustment.

New orders received in FYE Mar. 2020 increased by ¥286.7 billion (40.4%) compared to the previous fiscal year to ¥996.8 billion thanks to orders for large-scale projects received by our subsidiary MODEC, Inc.

Business environment

The global economy has slowed sharply due to the impact from the spread of COVID-19. In the United States, the economy was continuing to recover against a backdrop of favorable employment and income environments. However, the arrival of the pandemic on top of US-China trade friction has resulted in stagnation of corporate activity and deterioration of the labor market, posing a risk of recession. Similarly, in Europe the economy had been rebounding thanks to improved employment and income environments, but in addition to the UK's vote to leave the European Union, there are now concerns over sluggishness in the service industries and personal consumption. In Asian countries, there are concerns about the impact on neighboring countries of the economic downturn in China caused by the suspension of factory operations and self-isolation of the population at home. In Japan too, there is growing concern about an economic downturn caused by the contraction in consumer sentiment and economic activity due to self-isolation at home, business shutdowns, and similar measures.

Future outlook

Against this backdrop, the consolidated earnings forecast for the fiscal year ending March 31, 2021 predicts net sales of ¥630 billion, operating loss of ¥10 billion, ordinary loss of ¥7 billion, and net income attributable to parent company shareholders of ¥0.

In the Ship segment, sales are expected to decrease due to a decrease in the number of ships built, while operating losses will improve due to improved profitability and reduced fixed costs.

In the Ocean Development segment, there have been orders for new projects, but we expect a decline in revenues and profits caused by delays in construction work due to the impact of COVID-19 and revisions to oil companies' development plans due to falling crude oil prices.

In the Machinery segment, the production of container cranes and large marine diesel engines, for which we get many inquiries, is expected to gain comparable sales profit to FYE Mar. 2020. In terms of profit and loss, however, the recovery in ship prices is still slow and the downward pressure on product prices is expected to continue, leading to a decline in profits. Note that following the reorganization in the Business Revival Plan, the social infrastructure business was shifted from the Machinery segment to the Other segment.

In the Engineering segment, sales are expected to decrease due to the disposal of businesses and the slowdown in civil engineering and construction work at large coal-fired power plants overseas due to the impact of COVID-19. In terms of profit and loss, this represents a significant improvement from the operating losses suffered in the current fiscal year; however, it is likely that operating losses will continue due to temporary operating shortfalls associated with the restructuring of the business.

Consolidated earnings forecast for fiscal year ending
March 31, 2021 (issued May 12, 2020)

New orders: ¥550–750 billion
Net sales: ¥630 billion
Operating income: ¥△10 billion
Ordinary Income: ¥△7 billion

Impact of the spread of COVID-19 on business performance

We have estimated the impact of the spread of COVID-19 on business performance based on the information currently available to us; however, if the social and economic impacts are greater or more prolonged than expected, this may affect our earnings outlook.

Efforts toward business revitalization

In May 2019, the Group established the Mitsui E&S Group Business Revival Plan, which positions the four-year period ending in March 2023 as a business revival period for restructuring the business foundation and regaining energy for the future. We are making an all-out effort to implement a variety of measures aimed at restoring our financial base and strengthening our profit structure.

Strengthening our financial and profit structure

As a result of the sale of businesses and assets, mainly in the fiscal year ending March 31, 2020, we have reached a point to secure funds to a certain degree. Going forward, we will continue to work to improve profit margins through the reduction of fixed costs and the disposal and exit from unprofitable businesses, and to further strengthen our financial and profit structures by promoting reforms in our business structure.

Reforming the business structure

Out of the three areas of MES Group 2025 Vision, Environment & Energy, Marine Logistics & Transportation, and Social & Industrial Infrastructure, we will in particular position machinery and ocean development as our focus businesses to strengthen. Meanwhile, in the shipbuilding and social infrastructure businesses, we will aim for growth through collaboration and alliances with companies outside the Group.

■ Strengthening the machinery and ocean development businesses

In parallel with the reallocation of personnel due to the reorganization of businesses within the Group,

we are strengthening human resources in our Research & Development and After-Sales Services units. Going forward, we will pursue overall expansion in marine propulsion systems, strengthening of our LSS business, and enhancement of profitability through overseas business expansion.

■ Reorganization of the shipbuilding and social infrastructure businesses

In the shipbuilding business, the new merchant shipbuilding business at Chiba Shipyard will be withdrawn, and the portfolio will shift to a structure that focuses on the businesses of energy engineering and contract construction projects for merchant ships. With respect our ship business at the Tamano Shipyard, a basic agreement was signed with Mitsubishi Heavy Industries, Ltd. to start discussions on the transfer of this business. In the future, the two companies will carry out a detailed study, and once the details, scope, and method of transfer of the specific targets have been finalized, we aim to complete the transfer by October 2021 (as of the June 12, 2020 announcement).

In the social infrastructure business, we will consolidate the resources of construction projects such as a bridge construction project, for example, to strengthen competitiveness and expand the market size through collaboration.

■ Reorganization of the engineering business

We established an Engineering Business Management Office directly under the President to restructure the governance structure of the engineering business, and we are currently working on execution of the power generation civil engineering projects already on order and improving profitability. We are also proceeding with the disposal of engineering businesses such as chemical and power generation plants and the reallocation of personnel associated with those businesses.

To all our stakeholders

In the fiscal year ended March 31, 2020, there was an urgent need to restore a financial base that was significantly damaged as a result of large losses from overseas projects in the previous fiscal years, meaning that we continued to pay no year-end dividends. I would like to give my most sincere apologies to all our shareholders for the inconvenience and concern caused. Today, the Group faces an unprecedented crisis due to the impact of COVID-19. However, the Group cannot afford to hunker down and ride out this storm. We will make an all-out effort to increase the Group's corporate value by steadily executing the Mitsui E&S Group Business Revival Plan to strengthen our financial and profit structure, and by moving forward with the reform of the business structure, for example by exiting from unprofitable businesses and developing growth businesses that will be our new primary sources of profit.

I would like to ask all our stakeholders for their continued support and for their further assistance and encouragement.



Mitsui E&S Group Business Revival Plan

(FYE Mar. 2020-FYE Mar. 2023)

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. Against this backdrop, the Group has designated the four-year period beginning in FYE Mar. 2020 ('19/4 - '20/3) as a business revival period for restructuring its business foundation, regaining energy for the future, and building a management structure that can withstand the headwinds.

Outline of the Mitsui E&S Group Business Revival Plan

1 Reinforcement of Financial/ Profitability Structures

- Sell-off of assets
- Reduction of fixed costs (personnel and other expenses)

2 Reform of Business Structure

- Disposal and withdrawal from unprofitable businesses
- Concentration of resources in growth businesses

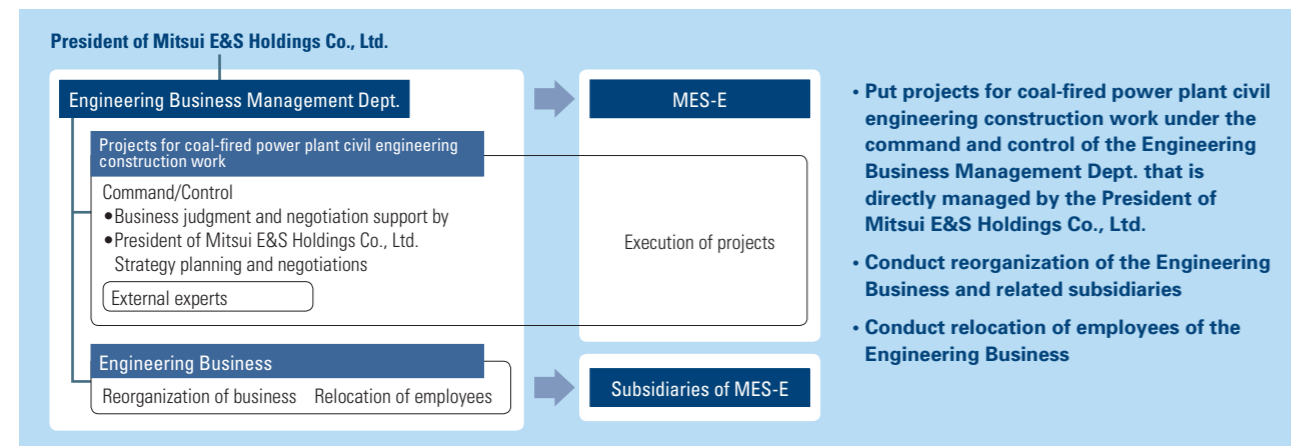
Revision of Business Revival Plan (announced in November 2019)

- Additional sales of businesses and assets and acceleration of execution
- Acceleration of business structure reform and collaboration with other companies on collaborative projects
- Withdrawal from the domestic business of power plants which require heavy initial investment

Numerical Targets

Mid-Term Strategy (Target for FYE Mar. 2023)	Long-Term Strategy (Target for FYE Mar. 2025)	
<ul style="list-style-type: none"> • Improve Return on Total Assets Sales ordinary income ratio 4.0% × Total asset turnover ratio 0.8x • Improve Ratio of Debt/Profitability Interest-bearing debt EBITDA Multiples < 5.0x 	<ul style="list-style-type: none"> • Improve Return on Total Assets Sales ordinary income ratio 6.0% × Total asset turnover ratio 1.0x 	<ul style="list-style-type: none"> • Achieve steady growth without pursuing economies of scale • Improve profit margins by focusing on high value-added core areas and reducing costs • Improve capital efficiency through asset sales and business restructuring

Restructure the Governance Structure of the Engineering Business



Business Revival Plan Time Schedule

	MBP17		MBP20		
	2019/3	2020/3	2021/3	2022/3	2023/3
	Business Revival Plan				
Reinforcement of financial structure	Short-term measure		Mid-term strategy		
• Sell-off of businesses and assets	Sell-off of the fixed assets and securities		Sell-off of the estate of Chiba Works and its business		Continuation
• Reduction of fixed cost	Reduction of expenses, etc.		Reduction of size of Group's workforce		Continuation
Reform of business structure	Reorganization/Withdraw from unprofitable businesses				
• Enhancement of the Machinery and the Ocean Development Business	Improvement of the product lineup of the Machinery Business				
• Reorganization of the Shipbuilding Business	Consideration of collaboration/ Conversion of Chiba Shipyard				
• Reorganization of the Social Infrastructure Business	Reorganization of the Social Infrastructure Business		Consideration of collaboration/ reorganization of the production system		
• Reorganization of the Engineering Business	Rebuilding of the Governance Structure		Completion of the projects of the coal-fired power plant civil engineering construction		

Progress on Business Revival Plan (as of June 2020)

Reinforcement of Financial/Profitability Structures	
<h4>Sell-off of Businesses and Assets</h4> <p>Achieved the target for strengthening capital by raising roughly 100 billion yen through the sell-off of businesses and assets</p> <ul style="list-style-type: none"> • Showa Aircraft Industry Co., Ltd. (March 2020) • Mitsui E&S Plant Engineering Co., Ltd. (March 2020) • Solar power business and related assets (March 2020) • Green Power Ichihara Co., Ltd. (April 2020) • The estate of Chiba Works (April 2020) • Investment securities, etc. 	<h4>Reduction of Fixed Costs</h4> <p>We are currently in the process of implementing relocations and transfers of about 1,000 people throughout the Group</p> <ul style="list-style-type: none"> • Employee relocation inside our Group • Transfers outside our Group in association with the businesses sold-off • Solicited 200 voluntary retirements in conjunction with the exit from commercial shipbuilding at Chiba Works

Reform of Business Structure	
<h4>Improvement of the product lineup of the Machinery Business</h4> <ul style="list-style-type: none"> • Focus on the prospective product group for future earnings 	<h4>Reorganization of the Shipbuilding Business</h4> <ul style="list-style-type: none"> • Establish the Engineering Center for independent operation of the engineering business in the design and construction of merchant ships • Transformation of the product portfolio from merchant ships to steel structures in Chiba Works, where the shipbuilding business is scheduled to close in March 2021 • Began discussions with Mitsubishi Heavy Industries Ltd. on the transfer of the naval/patrol ship business
<h4>Reorganization of the Social Infrastructure Business</h4> <ul style="list-style-type: none"> • Promote cooperation with Sumitomo Mitsui Construction Co., Ltd. to strengthen competitiveness and expand business • Consolidated subsidiaries involved in the social infrastructure business were split off from Mitsui E&S Machinery Co., Ltd. as independent companies and consolidated to Mitsui E&S Steel Structures Engineering Co., Ltd. (effected on April 1, 2020) • Capital participation by Sumitomo Mitsui Construction Co., Ltd. (basic agreement on May 13, 2020) will enhance the corporate value of the subsidiary involved in the social infrastructure business 	<h4>Reorganization of the power generation business</h4> <ul style="list-style-type: none"> • Withdraw from the domestic business of biomass power plants. Specialize in the O&M business • Withdraw from the wind power generation business

11 years summary

(¥million)

	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Financial Results											
New Orders Received	¥ 359,066	¥ 499,695	¥ 686,886	¥ 662,556	¥1,107,750	¥ 959,784	¥ 609,621	¥ 516,577	¥1,160,662	¥ 710,127	¥ 996,848
Net Sales	765,989	589,209	571,852	577,093	670,067	816,520	805,413	731,464	703,216	656,504	786,477
Operating Income	43,000	38,895	31,420	24,001	19,969	13,298	11,813	8,304	△5,224	△59,703	△62,079
Ordinary Income	41,999	36,216	32,345	26,162	26,179	14,899	15,078	14,859	3,061	△50,502	△60,457
Net Income* ¹	19,652	13,493	17,880	△8,207	42,854	9,463	7,599	12,194	△10,137	△69,599	△86,210
Cash Flow											
Operating Cash Flow	¥△18,567	¥ 29,223	¥ 13,564	¥ 47,182	¥ 14,499	¥ 15,167	¥ 29,802	¥ △7,843	¥ △3,555	¥ 66,176	¥ △37,213
Investing Cash Flow (Loss)	2,147	△42,841	11,515	△12,100	△37,312	△32,385	△34,599	△28,753	△9,046	△130	84,125
Free Cash Flow	△16,420	△13,618	25,079	35,082	△22,813	△17,218	△4,797	△36,596	△12,601	66,046	46,912
Financing Cash Flow (Loss)	23,825	△6,517	△32,415	△4,793	15,531	△4,374	48,216	19,401	△14,813	△53,340	△26,825
Cash and Cash Equivalents	114,196	79,799	72,007	106,192	111,926	94,664	135,747	115,620	86,311	97,408	116,691
Financial Position											
Net Assets	¥ 180,154	¥ 193,748	¥ 209,631	¥ 207,313	¥ 323,608	¥ 347,305	¥ 343,853	¥ 367,608	¥ 356,837	¥ 280,239	¥ 105,355
Total Assets	742,860	686,325	655,929	660,397	932,896	1,074,563	1,094,042	1,096,735	1,029,222	999,100	840,380
Interest-bearing Debt* ²	197,778	172,033	144,565	148,257	187,833	188,314	239,873	265,176	255,276	204,617	173,934
Per Share Information*³											
EPS (Net Income per Share)	¥ 237.17	¥ 162.91	¥ 215.90	¥ △ 99.14	¥ 517.98	¥ 116.26	¥ 94.03	¥ 150.87	¥ △125.42	¥△861.09	¥△1,066.47
BPS (Net Assets per Share)	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	796.36
Dividends per Share	5.0	4.0	4.0	3.0	2.0	2.0	4.0	3.0	—	—	—
Share Price at the year end* ⁴	233	199	144	166	218	205	168	172	1,730	1,044	521
Key Financial Indicator											
Shareholders' Equity to Total Assets (%)	21.6	23.9	27.7	26.6	23.6	22.0	21.5	22.8	23.2	16.0	7.7
ROE (Return of Equity) (%)	13.1	8.3	10.3	△4.6	21.6	4.1	3.2	5.0	△4.1	△34.9	△77.0
D/E Ratio	1.2	1.0	0.8	0.8	0.9	0.8	1.0	1.1	1.1	1.3	2.7
Non financial Information											
Employees (Consolidated)	10,563	10,326	10,025	9,881	12,055	12,291	12,705	13,171	13,421	13,607	13,408
Total Energy Consumption (TJ)* ⁵	1,460	1,445	1,360	1,290	1,175	1,565	1,300	1,305	1,395	1,360	—*
CO ₂ Emission (10,000t)	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.

*5 TJ: Tera Joule (=1012J)

*The latest figures for the fiscal year ended March 31, 2020 will be posted on the website after September 2020.

Business Segment Overview

Ship



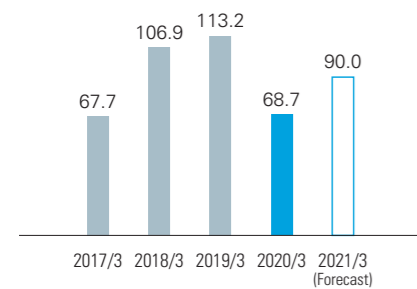
Main Products

- Bulk carrier
- Oil tanker
- LNG carrier
- Research vessel / Training vessel
- Fishery patrol vessel
- High-speed vessel
- Naval ship / Patrol ship
- Submersible

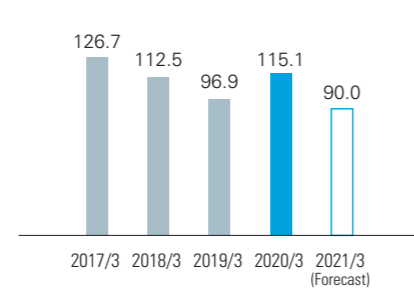
Net Sales Composition (%)



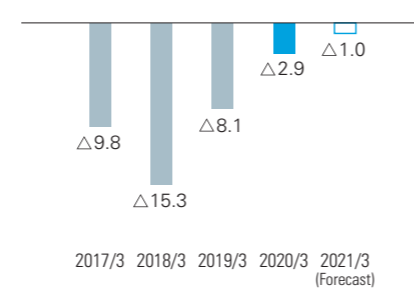
New Order (¥billion)



Net Sales (¥billion)



Operating Income (¥billion)



Machinery



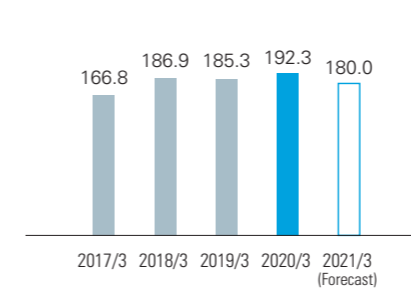
Main Products

- Marine diesel engine
- Gas turbine and gas engine co-generation system
- Process compressor
- Top pressure recovery turbine (TRT) generating system
- Reactor / Heat exchanger
- Rotary dryer / Coal moisture controller
- Portainer (Quayside Container Crane)
- Transtainer (Transfer Crane in Container Yard)
- Container Terminal Management System, etc.

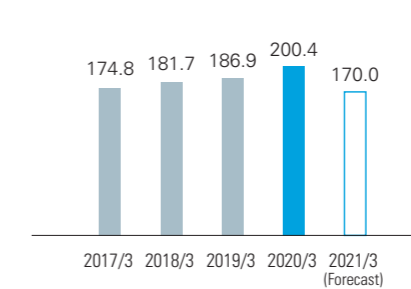
Net Sales Composition (%)



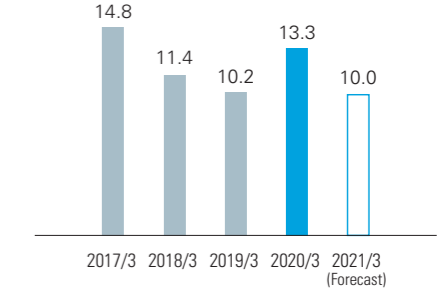
New Order (¥billion)



Net Sales (¥billion)



Operating Income (¥billion)



Ocean Development



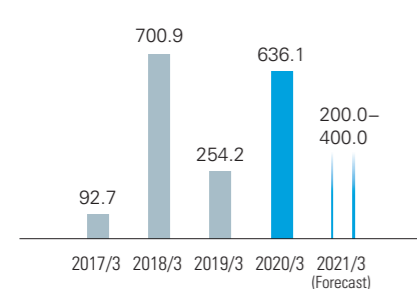
Main Products

- Floating Production Storage and Offloading system (FPSO)

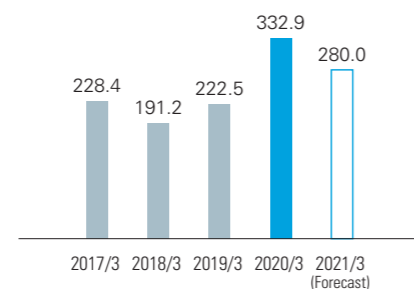
Net Sales Composition (%)



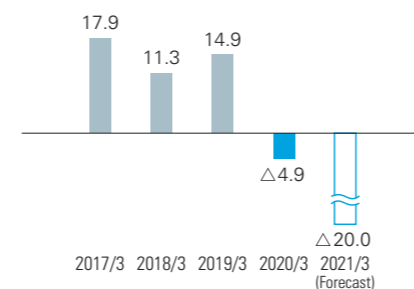
New Orders (¥billion)



Net Sales (¥billion)



Operating Income (¥billion)



Engineering



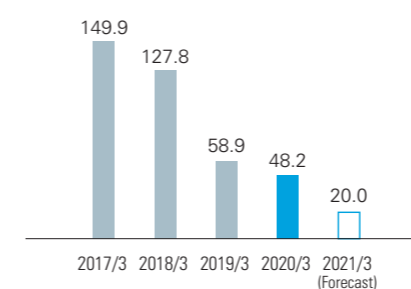
Main Products

- Biomass power plant
- Biogas power plant
- Wind power facility
- Overseas power plant engineering & construction
- Environmental facility
- Diesel engine generating plant
- Petro-chemical plant
- Inorganic chemical plant

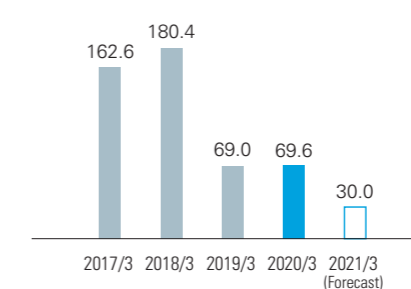
Net Sales Composition (%)



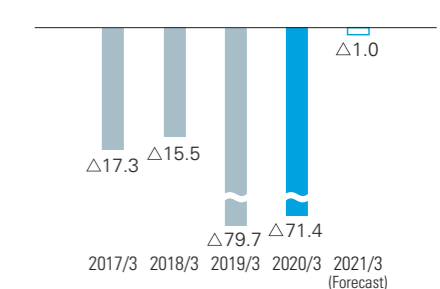
New Order (¥billion)



Net Sales (¥billion)



Operating Income (¥billion)



Others

Main Products

- Real estate development
- System development

Net Sales Composition (%)



Business Segment Topics

Ship

- Promoted improvement of autonomous ship operation technologies and development of new types of vessels such as new gas fueled ships to awaken demand from shipowners
- Proactively pursued orders for vessels such as naval and governmental ships, and fishery patrol vessels that are expected to be ordered on an ongoing basis
- Started business operations of our shipbuilding joint venture in China (Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd.)
- Decided to close the shipbuilding business at Chiba Shipyard (scheduled for end of March 2021) and reallocate resources to improve profitability

Topics

Christening and ceremonial launching of the ocean surveillance ship "Aki"

On January 15, 2020, a naming ceremony and ceremonial launching of an ocean surveillance ship for Japan's Ministry of Defense were held at Mitsui E&S Shipbuilding Tamano Shipyard. The vessel was christened "Aki" and its guy rope was cut by Commandant, Kure District of the Japan Maritime Self-Defense Force. The Aki is the third Hibiki-class ocean surveillance ship built by Mitsui E&S, following the Hibiki and the Harima.

The ship is equipped with a full SURTASS (Surveillance Towed-Array Sensor System) and adopts the SWATH (Small Waterplane Area Twin Hull) type, which is well suited to its mission of ocean-based intelligence gathering.

The ship is scheduled to be delivered in March 2021 after we complete outfitting work and sea trials at the wharf.



Christening and ceremonial launching of the ocean surveillance ship "Aki"

Mitsui E&S Shipbuilding Co., Ltd.

Ocean Development

- 'MODEC NOAH', the next generation new built hulls for FPSOs, has been developed by MODEC, Inc. (MODEC) in collaboration with Mitsui E&S Shipbuilding Co., Ltd., and sales promotion activities have started to receive new orders of FPSOs with this concept
- Three FPSO projects for offshore Brazil and Australia have been awarded by clients
- Losses were incurred on a construction project of an FPSO for Mexico and a decommissioning work for an FPSO offshore Brazil, and loss minimization steps were taken

Topics

Orders received for five FPSOs*

Backed by the trust and expectations of its clients, oil companies around the world, MODEC has established its position as a leader in the industry by winning orders for five FPSOs.

The FPSO project, for the Barossa gas field offshore Australia, amounts to one of the largest gas FPSO projects in the entire FPSO industry. In addition, the company selected to provide the memorable FPSO by Woodside Energy, a major Australian energy company, for the first offshore oil development project off the coast of Senegal, West Africa. The other three FPSO projects, for offshore development in Brazil, reflected MODEC's presence as the leader in the Brazilian market.

*Includes some orders received in FYE Dec. 2020 ('20/1 - '20/12) of MODEC.



Rendering of MODEC's FPSO for Sangomar field offshore Senegal

MODEC, Inc.

Machinery

- Produced 200 large marine diesel engines (3.67 million horsepower), including engines that comply with Tier III NOx regulations
- Continued capital investment in gas-fueled marine diesel engines that comply with SOx regulations and greenhouse gas reductions
- Expansion of business through aggressive sales of the LSS business (Life-cycle Solution Service and Customer Oriented Service)
- In addition to Southeast Asia, multiple orders were received for large container cranes for Africa and Europe

Topics

Order for ship-to-shore cranes in Sweden

Mitsui E&S Machinery Co., Ltd. received an order from Yilport Holding Inc. of Turkey to supply three Mitsui-Paceco cranes (ship-to-shore gantry cranes) to their Gavle Terminal in Sweden.

Port of Gavle in central Sweden is a thriving port for the export of high-quality steel. This capital investment will enable the terminal to increase its container handling capacity. The Portainer gantry cranes to be delivered to Gavle Terminal support 22 rows of containers and are large enough to accommodate 14,000-container ships. The state-of-the-art cranes are equipped with a truck position detection function and a semi-automatic cargo handling function.

This represents the first Portainer order in Europe. Moving forward, Mitsui E&S will aim at business expansion in Europe taking advantage of this achievement.



Gavle Terminal in Sweden

Mitsui E&S Machinery Co., Ltd.

Engineering

- After incurring additional losses on a civil engineering construction project for a thermal power plant in the Republic of Indonesia, we carried out a cost review with external experts and are now focused on construction progress
- To consolidate the environment business in one company, all environment-related business was transferred to Mitsui E&S Environmental Engineering Company, Limited.
- We completed delivery of a low-density polyethylene plant to the U.S. (Lake Charles, Louisiana)
- We made progress on business restructuring and disposal of subsidiaries and businesses and decided to withdraw from new biomass power generation and wind power construction projects

Topics

Completion of construction of Hiuchi Clean Center in Saijo, Ehime Prefecture, Japan

Mitsui E&S Environmental Engineering Company, Limited (a wholly owned subsidiary of Mitsui E&S Engineering) announced the completion of construction of the Hiuchi Clean Center, which was commissioned by Saijo City in Ehime Prefecture, in March 2020.

This new, city-operated facility was established to address the aging of the existing sewage treatment facilities and fluctuations in capacity and quality of treatment. It is an environmentally friendly facility that treats waste safely and hygienically, for example by converting sludge into an auxiliary fuel for recycling. Mitsui E&S Engineering is committed to using its advanced technologies and solutions to contribute to a sustainable society and the preservation of the environment in harmony with local communities.



Hiuchi Clean Center in Saijo

Mitsui E&S Environment Engineering Company, Limited

Directors, Auditors and Organization

(As of June 25, 2020)

Directors



President, Representative Director
Ryoichi Oka

CEO and in charge of Audit Dept. and Engineering Business Management Dept. 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 the Machinery & Systems Headquarters, Director, and as President of Mitsui E&S Machinery Co., Ltd., etc., Ryoichi Oka serves as President, Representative Director strengthening the Group's financial and profit structure and promoting structural reforms of the Group successively.



Vice President, Representative Director
Keigo Matsubara

Assistant of President, CFO*1 and in charge of Finance & Accounting Dept. and IR Dept. 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 serves as Vice President and Director responsible for strengthening the Group's financial and profit structure successively.



Director
Shoichi Taguchi

CCO*2 and in charge of Legal Dept. and General Manager of Human Resources & General Affairs Dept. 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 Works, President of Mitsui E&S Business Services Co., Ltd., etc., Shoichi Taguchi serves as Director successively.



Director
Taketsune Matsumura

CISO*3 and in charge of Corporate Planning Dept. Having outstanding insight into the ship business operation and corporate planning acquired through his experience and proven track record as Director of MODEC and General Manager of the Corporate Planning Dept. of the Company, Taketsune Matsumura is well-qualified to be newly appointed as Director.



Outside Director
Toshikazu Tanaka

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 successively appointed as 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.



Outside Director
Yoshio Haga

Having sufficient and overall experience and knowledge of domestic and overseas business operation and corporate management acquired as an executive of a major paper company for a long period, Yoshio Haga has been newly appointed as Outside Director to advise the overall management of the Group with a broad perspective and to oversee and supervise management of the Group from an independent position.

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

Corporate Auditor



Corporate Auditor
Hiroki Higuchi

Hiroki Higuchi has been appointed as Corporate Auditor 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.



Corporate Auditor
Yuichi Shiomi

Yuichi Shiomi has been newly appointed as Corporate Auditor for his ability to conduct appropriate audits by his distinguished knowledge of finance & accounting. In addition, he conducted role in the management of the Company as General Manager of Finance & Accounting Dept. and CFO of the Company, and President and Representative Director of Mitsui E&S Business Service Co., Ltd. and is familiar with its actual situation of the Company. He has sufficient and overall experience and knowledge of financial affairs and accounting acquired through his work for financial affairs and accounting for a long period.



Outside Corporate Auditor
Koichi Tanaka

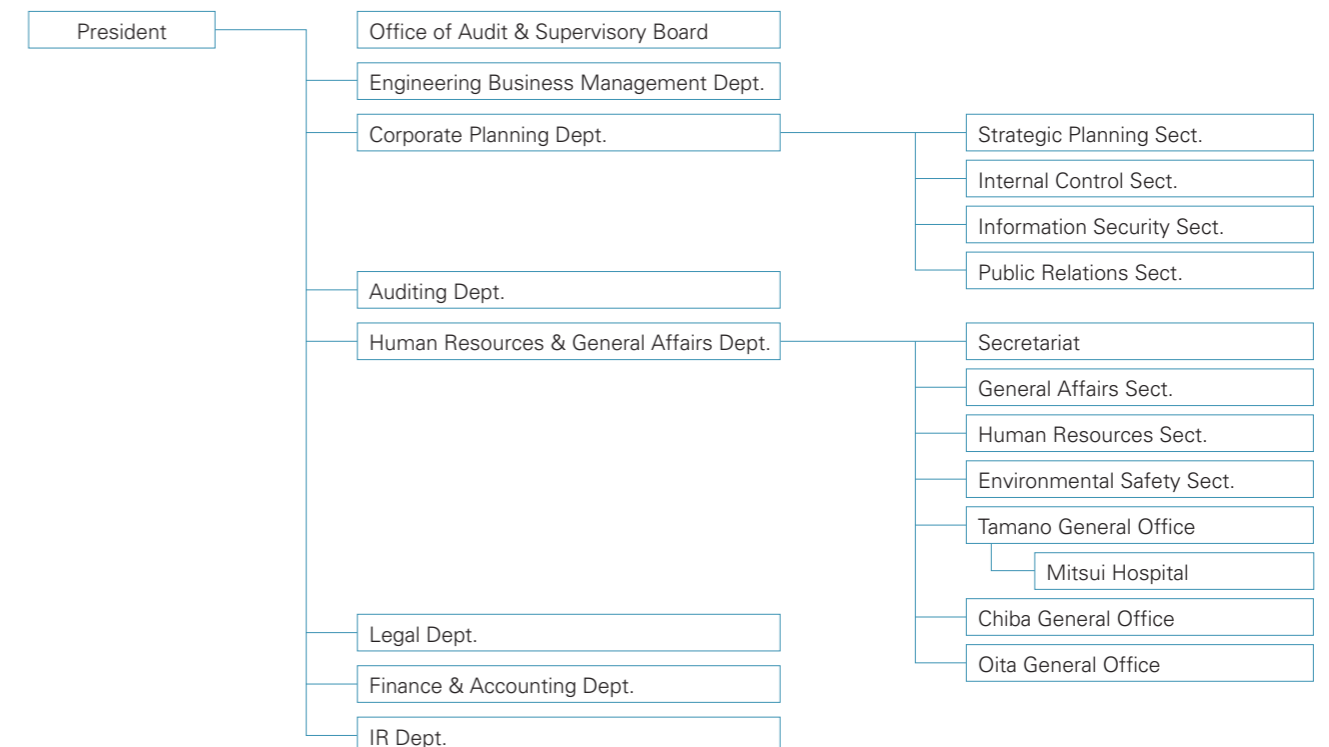
Koichi Tanaka has been successively appointed as Outside Corporate Auditor for his ability to conduct appropriate audits from an objective standpoint based on his considerable knowledge of finance and accounting from his many years in those fields, and for his vast insight on business activities and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



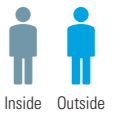
Outside Corporate Auditor
Seiichi Ueno

Seiichi Ueno has been newly appointed as Outside Corporate Auditor for his sufficient discernment of economic trend and overall corporate management acquired through his experience as an executive of a financial institution, that he is capable of carrying out audit properly based on an objective point of view.

Mitsui E&S Holdings Co., Ltd. Organization



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.

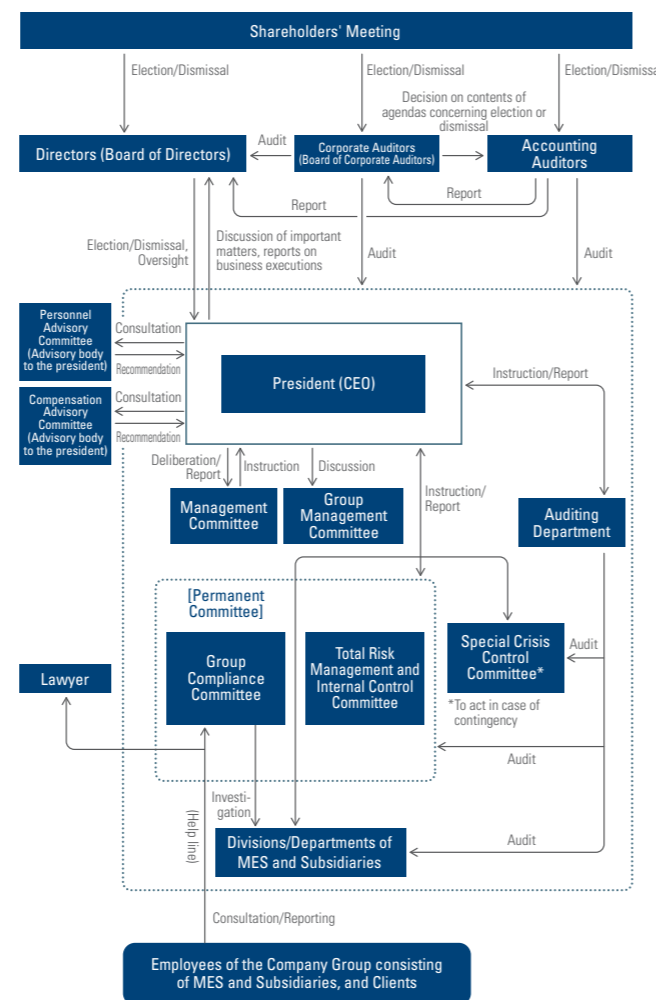
The basic policy on construction of our internal control system can be found here:

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.

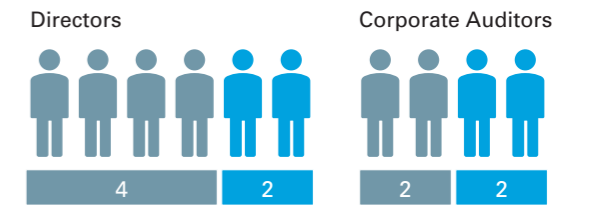
The committee met four times in FYE Mar. 2020('19/4-'20/3), and in addition to the risk management system, it deliberates on such things as the re-examination of the Company's corporate governance in line with the Corporate Governance Code revised by the Tokyo Stock Exchange, and responds to the internal 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.

Systems of Corporate Governance and Internal Control



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 25, 2020, the Company's Board of Directors consists of 6 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.



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 discusses on the direction of the mid-term and long-term business plans for the entire Group. And at the Management Committee, deliberations are made on each business execution of this management directionality.

<The Board of Directors>

Meet 12 times on a regular basis and 8 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)	10*1 (2)	¥123 million (¥18 million)
Corporate Auditors (of which are outside auditors)	4 (2)	¥75 million (¥18 million)
Total	14	¥198 million

*1. The above includes four directors who retired at the conclusion of the 116th Annual Shareholders' Meeting held on June 26, 2019, and excludes four directors who receive no remuneration.

*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, it was decided that the maximum remuneration for directors shall be within ¥630 million per year (excluding employee salaries), and the maximum amount of remuneration for corporate auditors shall be within ¥90 million per year.

*4. In addition to the above, a compensation linked to the Company's stock price of ¥2 million was paid to one director who retired at the conclusion of the 115th Annual Shareholders' Meeting held on June 27, 2018. Outside directors do not receive any compensation linked to the Company's stock price.

*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.

Initiatives to improve compliance

Based on the Group Compliance Management Regulations, the Group Compliance Committee was held twice in FYE Mar. 2020 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 of subsidiaries, and continued education and awareness activities for executives and employees of the Company and its subsidiaries.

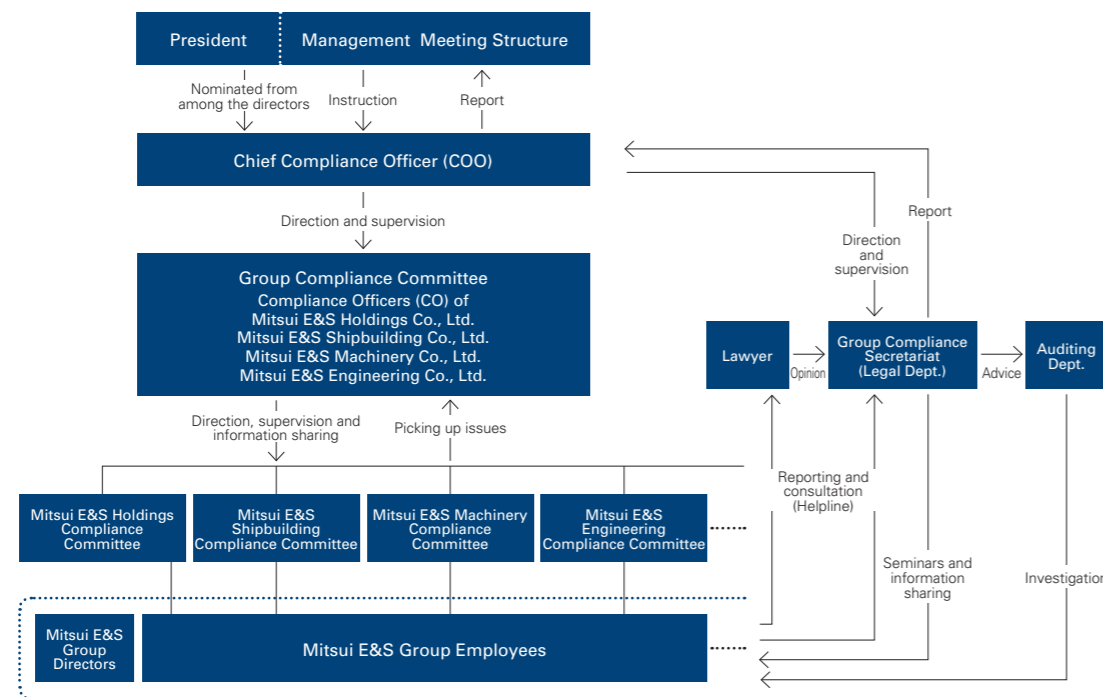
Number of employees who have completed compliance training

FYE2016 (‘15/4-‘16/3)	FYE2017 (‘16/4-‘17/3)	FYE2018 (‘17/4-‘18/3)	FYE2019 (‘18/4-‘19/3)	FYE2020 (‘19/4-‘20/3)
1,573	941	1,308	489	1,547

<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.

Compliance system



Topics

Mitsui E&S Group continues its traditional “Corporate Ethics Reinforcement Month” initiative. In FYE Mar. 2020 (‘19/4-‘20/3) we designated November as Corporate Ethics Reinforcement Month and carried out compliance-focused activities that month.

As part of this effort, we reached out within the group for collecting slogans to help reaffirm the importance of compliance, and announced the slogan selected in November.

The compliance slogan for FYE Mar. 2020 (‘19/4-‘20/3), “Trust earned by continuing to comply with laws and regulations,” has been posted at each workplace for one year to improve compliance awareness.

Environmental Preservation

Mitsui E&S Group Global Environmental Philosophy

The Mitsui E&S Group’s approach to global environmental preservation is introduced on our website

Mitsui E&S Group Global Environmental Philosophy / Mitsui E&S Group Global Environmental Action Guidelines / Environmental Accounting (Non-Consolidated)

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

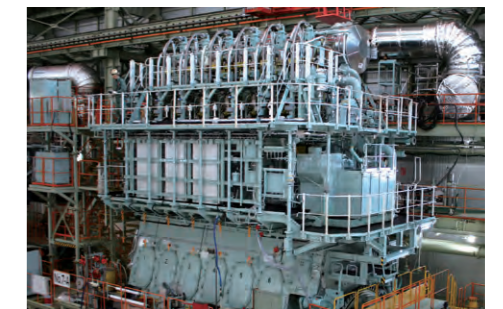
Environmental management data

<https://www.mes.co.jp/english/sustainable/environmental/detail03.html>

Initiatives to Reduce Environmental Impact through Business

Expansion of production of large marine diesel engines that comply with the NOx Tier III regulations

As part of its efforts to develop technologies that comply with environmental regulations and deploy them in actual equipment, Mitsui E&S Machinery, which boasts the top market share in large marine diesel engines in Japan, has developed the world’s first built-in exhaust gas recirculation (high-pressure EGR) system using the world’s largest test diesel engine installed in the Tamano Machinery Factory.



Environmentally friendly large marine diesel engines

The company’s high-pressure EGR system cools and cleans a portion of the exhaust gas from the engine and recirculates it back into the scavenging pipes, thereby reducing the oxygen content of the scavenged air and significantly suppressing NOx formation during combustion. Compared to other NOx control technologies, EGR has a relatively small impact on the engine room design and ship construction process thanks to its compact size, which is possible because the main components of the EGR system are integrated into the engine (built in).

We also support high-pressure SCR (Selective Catalytic Reduction), a technology that reduces NOx in exhaust gas through a chemical reaction using a catalyst or reducing agent. In this way, we can build systems that meet the needs of a variety of customers.

Mitsui-MAN B&W engines Production schedule and number of diesel engines that comply with the NOx Tier III regulations
FYE Mar. 2019: 2 units (2 high-pressure EGR, 0 high-pressure SCR)
FYE Mar. 2020: 14 units (13 high-pressure EGR, 1 high-pressure SCR)
FYE Mar. 2021: 81 units (71 high-pressure EGR, 10 high-pressure SCR)

We developed and accepted orders for the “neo66BC,” a 66,000-ton, next-generation environmentally friendly bulk carrier with low fuel consumption and improved performance

https://www.mes.co.jp/english/press/2019/0820_001292.html

Mitsui E&S Shipbuilding has completed the development of an advanced version of its next-generation eco-friendly ship, the “neo66BC” 66,000-ton bulk carrier, that further improves fuel efficiency. The two ships ordered in FYE Mar. 2020 (‘19/4 - ‘20/3) will be built at the Tamano Shipyard and completed in the second half of 2020 or later.

The neo66BC is the next-generation eco-friendly ship in ‘the neo series’ of bulk carriers. Its wide-beam, shallow-draft design provides excellent shipping flexibility and transportation efficiency. The advanced neo66BC adopts the latest main engine model and new energy-saving equipment to further improve fuel efficiency. It adopts the Harmonized Common Structural Rules (H-CSR), new rules that increase the weight of the hull, even as it maintains the listed cargo weight of 66,000 tons of the original version. To comply with regulations on sulfur oxides contained in exhaust gas, SOx scrubbers are available as an option in addition to low-sulfur fuel oil.

This is the second ‘neo series’ model to adopt the H-CSR, following the neo87BC. Going forward, Mitsui E&S Shipbuilding will continue to expand its lineup of ‘neo series’ models that adopt the H-CSR and will continue to develop vessels that are environmentally friendly and offer high transportation efficiency.



“African Batis,” a neo66BC-model 66,000-ton bulk carrier

Safety Measures

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.

Mitsui E&S Group 2020 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. 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.

3. Pointing and calling

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

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.

(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.



Ryoichi Oka
Mitsui E&S Holdings Co., Ltd.
President, Representative Director

By the end of March 2020, 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)

2020 Mitsui E&S Health and Safety Slogan
"Be safe today and every day! Protect your family's smiles"

Reducing the risk of occupational accidents through risk assessment

Based on its Occupational Safety and Health Management System (OSHMS), the Mitsui E&S Group strives to prevent work-related accidents by identifying their risk of occurrence, estimating and evaluating their extent and frequency through risk assessments, taking countermeasures that give priority to the highest risk, and continuing our risk-reduction activities to reach a stage where safety is an intrinsic part of our organization.

Implementation of danger sensibility improvement training at the Safety Training Centers

In April of 2007, MES opened the Safety Training Center at our Tamano Works. One of the factors that led to its establishment was our growing number of MES retirees who were being replaced with young employees and workers from associated companies. To reinforce the effect of safety training, employees experience 21 different dangerous situations as part of danger experience training at this facility. In 2008, similar facilities were built at both our Oita and Chiba Works. We are now promoting and implementing danger experience training at each of these sites to improve danger sensibility of employees.



Danger experience training

Work Environment

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

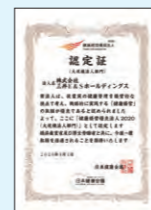
- 1 Physical Health**
 - Have health checks and based on their results take measures to prevent the onset of and not progress lifestyle-related diseases
 - Implement the Health Attack program and health seminars in collaboration with health insurance societies
 - Sports days, softball tournaments, family festivals, etc. at works
- 2 Mental Health**
 - 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**
 - 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

Topics

Announcement of recognition under the "2020 Certified Health and Productivity Management Organization Recognition Program (Large Enterprise Category)"

On March 2, 2020 the five Mitsui E&S Group companies (Mitsui E&S Holdings Co., Ltd., Mitsui E&S Shipbuilding Co., Ltd., Mitsui E&S Machinery Co., Ltd., Mitsui E&S Engineering Co., Ltd., Mitsui E&S Business Service Co., Ltd.) were certified by the Ministry of Economy, Trade and Industry and NIPPON KENKO KAIGI under the large enterprise category of the 2020 Certified Health and Productivity Management Organization Recognition Program. Following certification in 2018 and 2019, this is the third consecutive year for our group to achieve certification.

Under the management policy, "Provide safe and effective workplace environment for employees", Mitsui E&S Group has been working to focus on the prevention of lifestyle-related diseases and their aggravation based on the collaborative health promotion project with the health insurance society as a solid foundation for health management. In July 2019, we established the Health Management Declaration, and are actively working on health management measures from a group management perspective as well as making further efforts to promote the mental and physical health of employees.



Initiatives to create a healthy workplace

Promoting collaboration between Group companies and health insurance society

To promote health management across the entire Mitsui E&S Group, the company (as the employer) is working together with the health insurance society to develop a variety of health promotion measures.

Utilization of periodic health checkup results

Based on the results of periodic health checkups, the five Mitsui E&S Group companies provide specific health guidance to employees at risk of any lifestyle-related diseases (with the approach and advice tailored to the support level of the individual), and personal guidance to those individuals at high risk to prevent any increase in severity.

Workplace support for individual goals in Health Attack program

Since 2005, the Health Attack program has provided all Mitsui E&S Group company employees and their dependents with health support by having them select health challenges that are right for them from among a wide variety of courses once a year, and then they work on their selected course for a period of three months prior to their periodic health checkup.

Mental health measures

We systematically hold job-class-specific training programs, carry out stress checks, publish news on mental health issues, and provide counseling, among other measures. As an example of one of these workshops, a solution-oriented communication training program (Solution Focus) has been implemented at the Tamano Machinery Factory of Mitsui E&S Machinery from FYE Mar. 2013 ('12/4-'13/3) to improve human relations in the workplace and employees' state of mind, thereby helping to improve productivity in the factory.

Mitsui E&S Holdings has also 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



Mitsui E&S Group counseling hotline

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.



2019 Mitsui E&S Family Festival at Chiba Works



2019 Mitsui E&S sports day at Tamano Works



2019 Autumn Festival at Oita Works

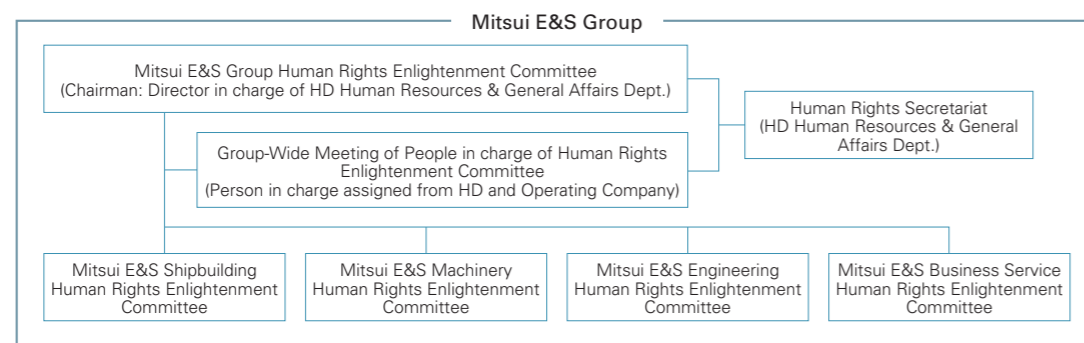
Human Assets

Basic policy

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

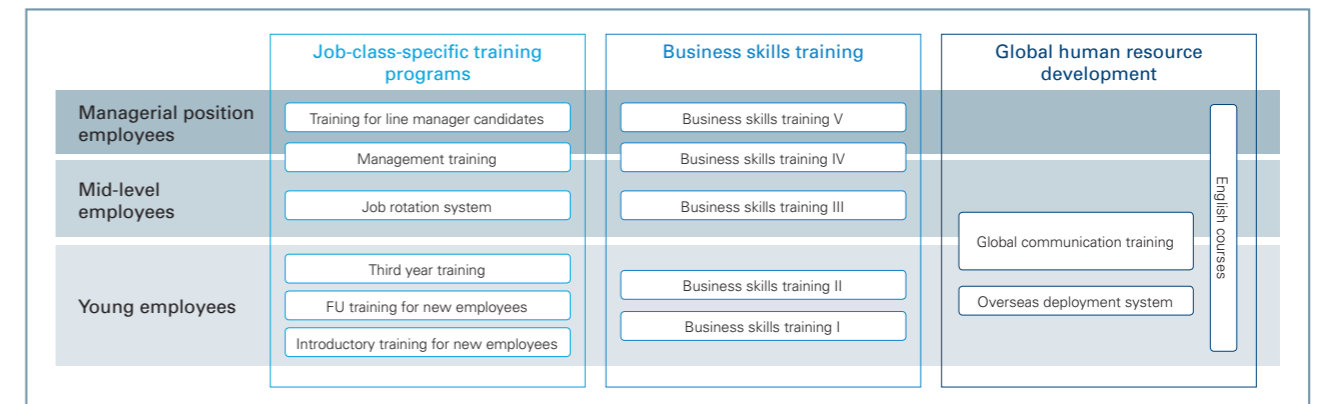
We have set "making them full-fledged in five years" as the goal for training young employees. We provide them with group training in their first and third years at the company, training on basic skills for specific types of job, and other training programs.

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. From the perspective of preventing the spread of COVID-19, we are moving some programs online.



1st young persons' seminar

Training System



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.

Implementation of "telecommuting promotion days" and development of measures to combat the spread of COVID-19

Following the relaxation of the telecommuting system, telecommuting days were promoted to employees of Mitsui E&S Holdings and Mitsui E&S Business Service from July 22 to September 6, 2019. We were able to use this opportunity to identify the work-related and systemic issues in telecommuting, leading to the implementation of telecommuting as a measure to prevent the spread of COVID-19 at our headquarters.

Topics

Mitsui E&S Holdings and Mitsui E&S Machinery acquire "Platinum Kurumin" certification for the first time

Together with its operating companies Mitsui E&S Machinery and Mitsui E&S Shipbuilding, Mitsui E&S Holdings has developed and is promoting a general employer action plan based on the Japanese government's Act on Advancement of Measures to Support Raising Next-Generation Children with the aim of "developing an employment environment to help employees balance work and family life" and "contributing to the community in supporting the development of the next generation."

Under the Action Plan for FYE Mar. 2018 ('17/4-'18/3) to FYE Mar. 2019 ('18/4-'19/3), Mitsui E&S Holdings, Mitsui E&S Machinery and Mitsui E&S Shipbuilding each obtained their second "Kurumin" certification. In addition, Mitsui E&S Holdings and Mitsui E&S Machinery met the requirements to acquire their first "Platinum Kurumin" certification, which is granted to companies that support the development of the next generation at an even higher level.

Mitsui E&S Group's major initiatives under the Action Plan for FYE Mar. 2018 ('17/4-'18/3) to FYE Mar. 2019 ('18/4-'19/3)

- (1) Promote parental leave for employees who are pregnant or raising children and establish a system for taking leave for childcare purposes
- (2) Introduce a telecommuting system as a way to implement work style reform, and promote the reduction of overtime work and taking of annual paid leave
- (3) Conduct internships and factory tours for students



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



August 2, 2019 Aoi Trio concert for persons with disabilities (Tokyo Opera City)



May 15, 2019 Privet Trio performs at Ageo Elementary School in Ageo, Japan

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.

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 48th MITSUI Golden Glove Award Prizewinning players



Instructors



Sadaharu Oh, Chairman of the World Children's Baseball Foundation (WCBF)

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

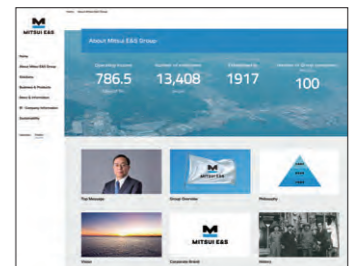
We position IR activities as a part of the long-term business and financial strategies of senior management. We disclose our corporate information in a fair and proactive manner in our effort to deepen shareholders' and investors' understanding of the business activities of Mitsui E&S Holdings and the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

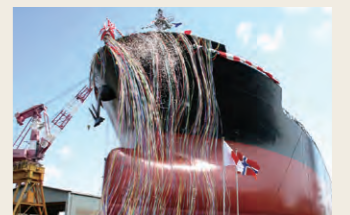
We established the Rules and Ethics for Material Procurement in November 2002. It shows the ethics and behavior and activity standards for all staff engaged in procurement activities. On the basis of the utmost integrity, we strive to build equal and fair relationships of trust with business partners.

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.

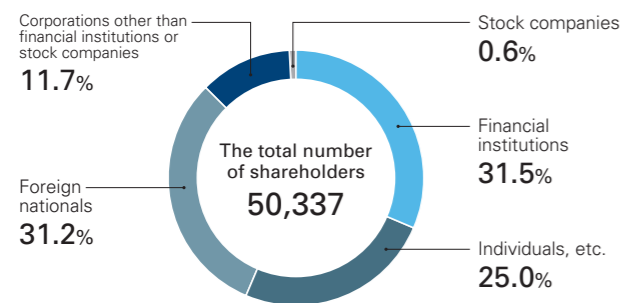


Company Profile

Company Profile (As of March 31, 2020)

Company Name	Mitsui E&S Holdings Co., Ltd. (Since April 1, 2018)
Head Office Location	6-4, Tsukiji 5-Chome, Chuo-ku, Tokyo 104-8439, Japan
Founded in	November 14, 1917
Established in	July 31, 1937
Capital	¥44,385 million
Number of shares authorized to be issued	150,000,000 Shares
Number of outstanding shares	83,098,717 Shares
Number of shareholders	50,337
Employees	13,408 (Consolidated) 131 (MES Only)

Shareholding situation by each category of shareholders (As of March 31, 2020)



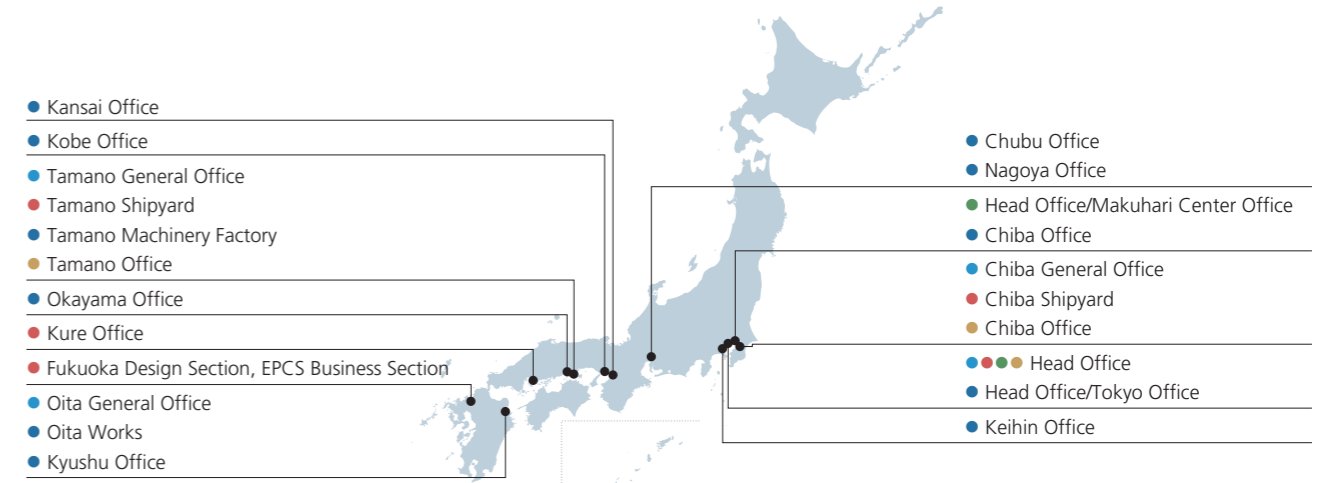
Category	Number of Shareholders	Total Shares (Thousand)	Shareholding Ratio (%)
Financial institutions	65	26,141,141	31.5%
Individuals, etc.	49,602	20,783,437	25.0%
Foreign nationals	252	25,952,747	31.2%
Corporations other than financial institutions or stock companies	372	9,741,202	11.7%
Stock companies	46	480,190	0.6%

Major 10 shareholders (As of March 31, 2020)

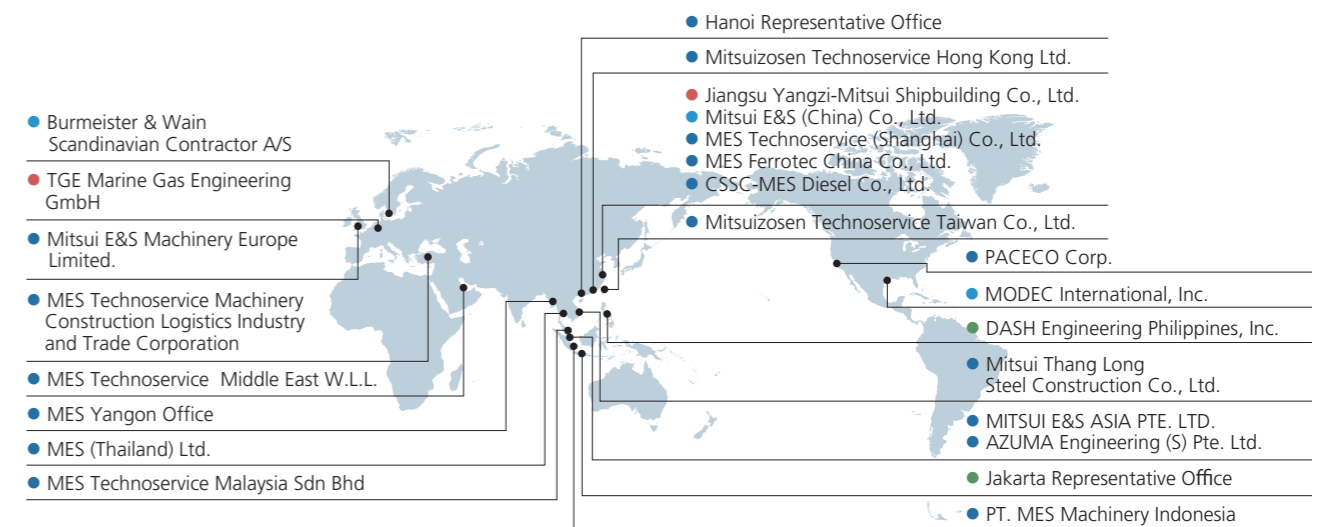
Name	Number of Shares' Held (Thousand Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,694	5.80
PICTET AND CIE (EUROPE) S.A.	3,861	4.77
Imabari Shipbuilding Co., Ltd.	2,900	3.58
Japan Trustee Services Bank, Ltd. (Trust Account)	2,754	3.40
Mitsui & Co., Ltd.	2,550	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
STATE STREET BANK AND TRUST COMPANY 505001	2,219	2.74
GOLDMAN SACHS INTERNATIONAL	1,744	2.15
TAIJU LIFE INSURANCE COMPANY LIMITED	1,600	1.97

Notes: 1. The Company owns 2,259,772 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.

Offices and Works



Oversea Network



Main group companies (As of June 30, 2020)

Mitsui E&S Shipbuilding Co., Ltd.	Mitsui E&S Machinery Co., Ltd.	Mitsui E&S Engineering 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.	Mitsui E&S Power Systems Inc. Mitsui Meehanite Metal Co., Ltd. Sanzo Manufacturing & Construction Co., Ltd. Mitsui E&S Technical Research Co., Ltd. Azuma Machinery Co., Ltd. Paceco Corp.	PT. MES Machinery Indonesia CSSC-MES Diesel Co., Ltd. MES Ferrotec China Co., Ltd. Mitsuizosen Technoservice Hongkong Ltd. Mitsuizosen Technoservice Taiwan Co., Ltd. MES Technoservice Middle East W.L.L. MES Technoservice Machinery Construction Logistics Industry and Trade Corporation
Mitsui E&S Business Service Co., Ltd. Mitsui E&S Systems Research Inc. MES Facilities Co., Ltd.	MODEC, Inc. Burmeister & Wain Scandinavian Contractor A/S Mitsui E&S Steel Structures Engineering Co., Ltd. DPS Bridge Works Co., Ltd.	Kaji Technology Corporation Mitsui E&S Asia Pte. Ltd. Mitsui E&S (China) Co., Ltd.

Our website

Please visit our website for IR information 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
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