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August 8, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 7003
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 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for analysts)

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2024	70,062	13.8	4,299	150.3	8,656	-	28,793	-
June 30, 2023	61,556	21.7	1,717	-	550	-	867	-

Note: Comprehensive income For the three months ended June 30, 2024: ¥ 25,283 million [-%]
 For the three months ended June 30, 2023: (¥ 919) million [-%]

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Three months ended		
June 30, 2024	283.69	283.56
June 30, 2023	7.81	7.72

Note: Figures for the three months ended June 30, 2023, have been restated to reflect the finalization of the provisional accounting treatment of the business combination for the fiscal year ended March 31, 2024.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2024	431,649	168,974	38.1
March 31, 2024	467,140	146,510	30.4

Reference: Equity As of June 30, 2024: ¥ 164,494 million
 As of March 31, 2024: ¥ 142,011 million

2. Dividends

Common stock	Annual dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen
March 31, 2024	-	0.00	-	5.00	5.00
March 31, 2025	-	-	-	-	-
March 31, 2025 (Forecast)	-	0.00	-	18.00	18.00

Note 1: Revisions to the most recently announced dividends forecasts: Yes

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

3. Forecasts for Financial Results (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

Fiscal year ending	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2025	300,000	(0.6)	17,000	(13.4)	18,000	(13.1)	35,000	39.7	345.02

Note: Revisions to the most recently announced forecasts for financial results: None

Reference: Estimate is based on exchange rate of USD1.00 = JPY145.0

* Notes

- (1) Significant changes in the scope of consolidation during the period: None
 Newly included: -
 Excluded: -
- (2) Application of specific accounting treatment for preparing the quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 i) Changes in accounting policies due to revisions of accounting standards: None
 ii) Changes in accounting policies due to other reasons: None
 iii) Changes in accounting estimates: None
 iv) Restatement: None
- (4) Number of issued shares (common stock)

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

As of	shares
June 30, 2024	103,098,717
March 31, 2024	103,098,717

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

As of	shares
June 30, 2024	2,211,775
March 31, 2024	2,225,837

- iii) Average number of shares outstanding during the period (cumulative quarterly consolidated period)

Three months ended	shares
June 30, 2024	100,881,800
June 30, 2023	88,727,789

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

* Proper use of earnings forecasts, and other special matters

(Notice regarding forward-looking statements)

The forecasts for financial results are based on information available at the time this report was released. These forecasts and other forward-looking statements are not guarantees of future performance. Actual operating results may differ from the above forecasts due to known and unknown risks, uncertainties, and other factors. Please refer to "1. Overview of Operating Results and Others, (3) Explanation of Forecasts for Consolidated Financial Results and Other Forward-Looking Statements" on page 4 (attached materials) for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts, etc.

(Where to get the supplementary explanatory materials)

Supplementary material is planned to be posted on our web site.

Reference: Dividends for Preferred Shares

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

Class-A Preferred Shares	Annual dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen
March 31, 2024	-	-	-	39.00	39.00
March 31, 2025	-	-	-	-	-
March 31, 2025 (Forecast)	-	-	-	-	-

Note 1: Revisions to the most recently announced dividends forecasts: Yes

Note 2: On July 10, 2024, the Company acquired and then cancelled all of the Class-A preferred shares in accordance with the resolution at Board of Directors meeting held on June 25, 2024. Therefore, there will be no dividend for the fiscal year ending March 31, 2025.

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1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Three Months Ended June 30, 2024

The global economy during the three months ended June 30, 2024, avoided a major slowdown and maintained a path of gradual growth. However, the outlook remains uncertain as a result of destabilizing factors such as the recurrence of price increases in the U.S. and Europe, a slowdown in the Chinese economy, and the possibility of a further deterioration in the situation in the Middle East. On the other hand, although the domestic economy is currently plateauing, it is expected to gradually recover going forward due to a resurgence in consumer spending driven by improved household incomes, and growth in corporate performance and capital expenditures.

In the shipbuilding industry, which is closely related to the Company, building berths are nearly fully booked in the near term, and some shipyards are finalizing contracts for some projects with delivery to be scheduled in the beginning of 2028, showing that shipyards in Japan have secured sufficient volumes of work on hand. In addition, for the port logistics industry, demands of port crane are strong in Southeast Asia and other regions overseas, and demands also continue to be strong in Japan mainly due to new construction and expansion of existing facilities as well as renewal of existing facilities due to aging. The Company recognizes that the environment for orders is generally favorable. The situation allows no room for complacency, such as policy changes by the financial authorities both in Japan and abroad and the accompanying sharp fluctuations in exchange rates. Although these situations persist, the Company should be able to deal with each risk by appropriate measures.

Under such circumstances, in June 2024, the Company carried out a partial sale of shares of MODEC, Inc. (hereinafter, "MODEC") it has held over many years through a secondary offering, and MODEC is no longer our equity-method affiliate. The total funds of approximately 70.0 billion yen obtained through this sale will be allocated in phases to the uses outlined below in order to facilitate our business and financial strategies, as well as the return of profits to our stakeholders.

- (1) Make investments necessary to: i) further the expansion of the port logistics business in the global market including the U.S.; ii) facilitate the technical development and manufacturing of key components related to the marine propulsion business; and iii) strengthen its supply chain
- (2) Redeem Class-A preferred shares, improve the financial soundness through large-scale reductions in interest-bearing debt, and significantly reduce financial expenses
- (3) Return profits to common shareholders and make investments in human capital, centered around talent development as well as improvements to housing support and other employee benefit programs

We believe that these initiatives will make fundamental improvements to the financial structure, generating a positive cycle that will allow us to make ongoing investments, fortify our financial foundation through higher profits, and gradually increase shareholder returns. This cycle will enhance corporate value in a way that facilitates the Group's evolution and sustainability. Additionally, in May 2024, we repaid 55.3 billion yen of borrowings associated with commitment line agreements and in July 2024, we acquired and then cancelled all of our Class-A preferred shares. The year-end dividend for common stock for the fiscal year ending March 31, 2025, shall increase from the latest dividend forecast.

The Group has already achieved its quantitative targets in "Mid-Term Business Plan 2023" ahead of schedule, so it has formulated a new three-year plan. Taking the rapidly changing management and business environments into consideration, the new three-year plan does not include a fixed three-year vision. Instead, we have switched to a rolling plan that will be revised each year to facilitate ongoing growth. We continue to implement initiatives that have set the expansion of the core businesses of marine propulsion and port logistics through "green" and "digital" as the pillar of our strategy.

In the marine propulsion business, as for ammonia fuel, a Memorandum of Understanding was executed among six parties, five Japanese companies including the Company, and MAN-Energy Solutions, regarding joint development effort for the commercialization of ammonia fueled ships. In accordance with this Memorandum of Understanding, the Company will manufacture and supply the world's first two stroke MAN B&W ammonia dual fueled engine and will develop and supply related system. As a marine propulsion system supplier, the Company will continue to contribute to the realization of a decarbonized society in the field of marine logistics.

In the port logistics business, the Company, its subsidiary PACECO CORP. (headquartered in California, U.S.) and Brookfield (headquartered in Toronto, Canada) are working together as partners to reestablish final assembly of port cranes in California, the United States. PACECO CORP. will bring final assembly of port cranes back to the United States for the first time since 1989 and it is expected to contribute to securing the safety of U.S. port infrastructure. In addition, we will work to resolve issues of a society with a shrinking population by utilizing digital technologies including the automation of port cranes, remote maintenance through drones, and enhancement of operational efficiency of port terminals.

Moreover, we have positioned some specific businesses that promote new products and services in peripheral areas of core businesses as growth businesses. We will work to further enhance corporate value by focusing on the development of new products and services that takes decarbonization into consideration.

Orders received during the three months ended June 30, 2024 decreased by 6,910 million yen (down 7.4%) year on year to 85,886 million yen. Net sales were 70,062 million yen, an increase of 8,506 million yen (up 13.8%) year on year due to

favorable deliveries of marine engines in Marine Propulsion Systems and the steady progress in large cranes in Logistics Systems. Operating income increased by 2,582 million yen (up 150.3%) year on year to 4,299 million yen mainly due to improved profitability in Logistics Systems. Ordinary income was 8,656 million yen, an increase of 8,106 million yen year on year, mainly due to the recording of share of profit of entities accounted for using equity method. Profit attributable to owners of parent was 28,793 million yen, an increase of 27,925 million yen year on year, mainly due to the recording of gain on sales of subsidiaries and affiliates' stocks.

During the three months ended June 30, 2023, a provisional accounting treatment was applied for the business combination with Mitsui E&S DU Co., Ltd. on April 1, 2023, and the said accounting was finalized at the end of the previous fiscal year.

Due to the finalization of the provisional accounting treatment, the comparative information included in the Quarterly Consolidated Financial Statements for the three months ended June 30, 2024, reflects a revision of the initial allocation of the purchase price.

As a result, operating income and ordinary income decreased by 2 million yen, respectively, and profit attributable to owners of parent decreased by 629 million yen in the Quarterly Consolidated Statements of Operations for the three months ended June 30, 2023.

The overview by reportable segment is as follows.

(New Business Development)

Compared with the same period of the previous fiscal year, orders received and net sales decreased by 3,061 million yen (down 24.7%) to 9,325 million yen and by 705 million yen (down 8.6%) to 7,480 million yen, respectively, mainly due to decreases in industrial machinery and construction equipment engines. Operating income increased by 660 million yen (up 174.4%) year on year to 1,039 million yen due to the solid performance in after-sales service.

(Marine Propulsion Systems)

Orders received was 56,449 million yen, increased by 10,421 million yen (up 22.6%) compared with the same period of the previous fiscal year, mainly due to an increase in orders for larger marine engines. Net sales totaled 32,819 million yen, increased by 3,328 million yen (up 11.3%) year on year. This is mainly due to the favorable deliveries of marine engines and the solid performance in after-sales service. Operating income was 2,434 million yen, an increase of 648 million yen (up 36.3%) due to the increased net sales.

(Logistics Systems)

We obtained large orders in South Asia, though orders received decreased by 9,557 million yen (down 46.9%) to 10,829 million yen compared with the same period of the previous fiscal year, when we achieved the highest orders ever. Mainly due to steady progress in large cranes, net sales increased by 5,733 million yen (up 77.2%) year on year to 13,155 million yen. Operating income improved to a profit of 790 million yen from a loss of 451 million yen, mainly due to higher net sales and better profitability of large cranes.

(Peripheral Businesses)

We expect to receive more orders in the 2nd quarter or later of the current fiscal year. Mainly due to this, orders received decreased by 4,689 million yen (down 33.7%) year on year to 9,232 million yen. Net sales totaled 16,310 million yen, increased by 1,511 million yen (up 10.2%) year on year, due to steady performance mainly in foreign subsidiaries. Operating income decreased by 254 million yen (down 49.7%) to 257 million yen compared with the same period of the previous fiscal year. This is mainly due to the completion of large projects in the previous fiscal year that showed high profitability.

(Ocean Development)

Share of profit of entities accounted for using equity method totaled 3,757 million yen, increased by 3,585 million yen compared with the same period of the previous fiscal year. This is mainly due to the revenue recognized from the steady progress of construction projects of FPSOs by MODEC and its related companies, which were affiliates accounted for using equity method of the Company.

The Company completed a partial sale of the MODEC shares during the 1st quarter of the current fiscal year and therefore MODEC group has been excluded from the scope of application of the equity method. Due to this sale, the recognition of share of profit of entities accounted for using equity method from MODEC group is up to this 1st quarter of the current fiscal year.

(2) Overview of Financial Position for the Three Months Ended June 30, 2024

i) Assets, Liabilities and Net Assets

Total assets at the end of the 1st quarter of the current fiscal year were 431,649 million yen, decreased by 35,491 million yen from the end of the previous fiscal year. This was mainly due to decreases of 8,458 million yen in notes and accounts receivables - trade, and contract assets and 50,110 million yen in investment securities despite increases of 10,456 million yen in cash and time deposits and 11,989 million yen in others in investments and other assets.

Total liabilities were 262,675 million yen, decreased by 57,954 million yen from the end of the previous fiscal year. This was mainly due to decreases in trade payables by 9,303 million yen and short-term borrowings by 55,300 million yen despite an increase of 12,987 million yen in accrued income taxes.

Total net assets were 168,974 million yen, increased by 22,463 million yen from the end of the previous fiscal year. This was mainly due to the recording of profit attributable to owners of parent and a decrease in foreign currency translation adjustments.

ii) Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the 1st quarter of the current fiscal year were 44,207 million yen, increased by 10,690 million yen from the end of the previous fiscal year.

The summary of cash flows during the three months ended June 30, 2024 were as follows.

(Cash flows from operating activities)

Net cash used in operating activities during the three months ended June 30, 2024 was 2,385 million yen (36,351 million yen was used in the same period of the previous fiscal year). This was mainly due to outflows from decrease in trade payables resulted from shortening of bill payment period for trade notes in accordance with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors.

(Cash flows from investing activities)

Net cash provided by investing activities during the three months ended June 30, 2024 was 69,573 million yen (536 million yen was provided in the same period of the previous fiscal year). This was mainly due to proceeds from sales of shares of subsidiaries and affiliates.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 57,011 million yen during the three months ended June 30, 2024 (29,224 million yen was provided in the same period of the previous fiscal year). This was mainly due to outflows from repayments of short-term borrowings.

(3) Explanation of Forecasts for Consolidated Financial Results and Other Forward-Looking Statements

Our forecasts of consolidated financial results for FY2024 are the same as those in "Notice Concerning Revisions to Full-Year Consolidated Financial Results Forecasts and Dividend Forecasts for FY2024," which was announced on May 22, 2024. Forecasts are based on an exchange rate of 1 US dollar to 145 yen.

[Forecasts for consolidated financial results for FY2024 (From April 1, 2024 to March 31, 2025)]

					(Billions of yen)
Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share	
300.0	17.0	18.0	35.0	345.02 yen	

[Forecasts for consolidated financial results for FY2024 by segment (From April 1, 2024 to March 31, 2025)]

								(Billions of yen)
	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Ocean Development	Others	Total	
Net sales	40.0	130.0	60.0	70.0	-	0.0	300.0	
Operating income	5.0	6.0	3.0	3.0	-	0.0	17.0	

Notes 1: Ocean Development consists of affiliates accounted for using equity-method, and it does not affect net sales and operating income.

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

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and time deposits	35,570	46,027
Notes and accounts receivables - trade, and contract assets	96,283	87,825
Merchandise and finished goods	9,682	10,558
Work in progress	49,601	50,524
Raw materials and supplies	8,437	8,259
Others	24,462	24,164
Allowance for doubtful accounts	(801)	(819)
Total current assets	223,237	226,540
Non-current assets		
Property, plant and equipment		
Land	67,699	67,618
Others, net	48,287	47,431
Total property, plant and equipment	115,987	115,049
Intangible assets		
Goodwill	7,532	7,684
Others	8,074	8,185
Total intangible assets	15,607	15,870
Investments and other assets		
Investment securities	76,136	26,026
Others	36,299	48,289
Allowance for doubtful accounts	(126)	(126)
Total investments and other assets	112,309	74,189
Total non-current assets	243,903	205,109
Total assets	467,140	431,649

(Millions of yen)

As of March 31, 2024 As of June 30, 2024

Liabilities		
Current liabilities		
Trade payables	64,733	55,429
Short-term borrowings	149,785	94,485
Current portion of long-term borrowings	1,410	1,477
Accrued income taxes	2,195	15,182
Contract liabilities	30,809	31,603
Provision for losses on construction contracts	4,325	3,273
Provision for bonuses	5,198	1,735
Provision for demolition and removal	809	809
Other provisions	6,062	4,693
Others	15,033	14,962
Total current liabilities	280,364	223,652
Long-term liabilities		
Long-term borrowings	10,817	10,563
Provision for business restructuring	758	708
Other provisions	658	650
Net defined benefit liabilities	4,617	4,610
Asset retirement obligations	2,097	2,098
Others	21,317	20,390
Total long-term liabilities	40,266	39,022
Total liabilities	320,630	262,675
Net assets		
Shareholders' equity		
Share capital	8,846	8,846
Capital surplus	11,804	11,799
Retained earnings	67,056	93,112
Treasury stock	(4,624)	(4,594)
Total shareholders' equity	83,083	109,163
Accumulated other comprehensive income		
Net unrealized holding gains on securities	1,269	4,924
Unrealized gains on hedging derivatives	5,642	2,949
Revaluation reserve for land	27,098	27,055
Foreign currency translation adjustments	12,924	8,844
Remeasurements of defined benefit plans	11,992	11,557
Total accumulated other comprehensive income	58,927	55,331
Subscription rights to shares	87	63
Non-controlling interests	4,411	4,415
Total net assets	146,510	168,974
Total liabilities and net assets	467,140	431,649

(2) Quarterly Consolidated Statements of Operations and Comprehensive Income
Quarterly Consolidated Statements of Operations

(Millions of yen)

	April 1, 2023 to June 30, 2023	April 1, 2024 to June 30, 2024
Net sales	61,556	70,062
Cost of sales	52,871	58,768
Gross profit	8,684	11,294
Selling, general and administrative expenses	6,967	6,994
Operating income	1,717	4,299
Non-operating income		
Interest income	51	80
Dividend income	47	44
Share of profit of entities accounted for using equity method	237	4,607
Foreign currency exchange gains	800	432
Others	482	496
Total non-operating income	1,619	5,661
Non-operating expenses		
Interest expenses	1,005	899
Commission expenses	1,545	303
Others	235	101
Total non-operating expenses	2,786	1,304
Ordinary income	550	8,656
Extraordinary income		
Gain on disposal of non-current assets	-	177
Gain on sales of subsidiaries and affiliates' stocks	-	25,332
Gain on bargain purchase	1,317	-
Total extraordinary income	1,317	25,509
Extraordinary losses		
Loss on disposal of non-current assets	-	219
Loss on change in equity	715	1,124
Total extraordinary losses	715	1,344
Profit before income taxes	1,152	32,822
Income taxes	320	4,003
Profit	831	28,818
Profit (loss) attributable to non-controlling interests	(36)	25
Profit attributable to owners of parent	867	28,793

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2023 to June 30, 2023	April 1, 2024 to June 30, 2024
Profit	831	28,818
Other comprehensive income		
Net unrealized holding gains on securities	266	3,652
Unrealized gains on hedging derivatives	291	242
Foreign currency translation adjustments	1,504	1,582
Remeasurements of defined benefit plans	322	(392)
Share of other comprehensive income of affiliates accounted for using equity method	(4,135)	(8,620)
Total	(1,750)	(3,535)
Comprehensive income	(919)	25,283
Comprehensive income attributable to		
Owners of parent	(887)	25,240
Non-controlling interests	(31)	43

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2023 to June 30, 2023	April 1, 2024 to June 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,152	32,822
Depreciation and amortization	1,777	1,858
Amortization of goodwill	243	266
Decrease of allowance for doubtful accounts	(119)	(5)
Increase in net defined benefit liabilities	21	111
Decrease (increase) in net defined benefit assets	143	(146)
Decrease in provision for losses on construction contracts	(3,196)	(1,052)
Interest and dividend income	(99)	(124)
Interest expenses	1,005	899
Share of profit of entities accounted for using equity method	(237)	(4,607)
Foreign currency exchange losses	14	57
Gain on sales of subsidiaries and affiliates' stocks	-	(25,332)
Loss on disposal of non-current assets	-	42
Gain on bargain purchase	(1,317)	-
Loss on change in equity	715	1,124
Decrease in trade receivables and contract assets	11,561	9,278
Increase in inventories	(8,110)	(1,628)
Decrease in trade payables	(34,194)	(9,917)
Increase in contract liabilities	7,723	499
Decrease (increase) in other assets	(4,094)	526
Decrease in other liabilities	(7,478)	(4,833)
Others, net	(362)	(582)
Sub-total	(34,851)	(745)
Interest and dividend received	254	400
Interest paid	(971)	(872)
Income taxes paid	(782)	(1,167)
Net cash provided by (used in) operating activities	(36,351)	(2,385)

(Millions of yen)

	April 1, 2023 to June 30, 2023	April 1, 2024 to June 30, 2024
Cash flows from investing activities		
Net decrease (increase) in time deposits	(606)	360
Capital expenditure	(1,776)	(1,404)
Proceeds from sales of non-current assets	252	586
Proceeds from purchases of shares of subsidiaries resulting in change in scope of consolidation	999	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	330
Proceeds from sales of shares of subsidiaries and affiliates	-	69,828
Proceeds from sales of investments in capital of subsidiaries and affiliates	1,677	-
Disbursements of loans receivable	(1)	(5)
Collection of loans receivable	5	6
Others, net	(13)	(128)
Net cash provided by (used in) investing activities	536	69,573
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	29,389	(55,300)
Repayments of long-term borrowings	(151)	(187)
Repayments of lease obligations	(443)	(514)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	1,117	-
Cash dividends	(647)	(994)
Dividends paid to non-controlling interests	(39)	(37)
Others, net	(0)	22
Net cash provided by (used in) financing activities	29,224	(57,011)
Effect of exchange rate changes on cash and cash equivalents	163	514
Net increase (decrease) in cash and cash equivalents	(6,426)	10,690
Cash and cash equivalents at beginning of period	43,468	33,516
Cash and cash equivalents at end of period	37,041	44,207

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in the Event of Significant Changes in Shareholders' Equity)

Not applicable.

(Notes on Application of Specific Accounting Treatment for Preparing Quarterly Consolidated Financial Statements)

(Tax expense calculation)

After applying tax effect accounting to profit before income taxes for the fiscal year, which includes this 1st quarter ended June 30, 2024, the Company makes a reasonable estimate of the effective tax rate and multiplies the profit before income taxes by that estimated effective tax rate. If the estimated effective tax rate is unavailable, the amount of the significant difference, other than temporary differences, etc. is added to or deducted from profit before income taxes, and the result is multiplied by the statutory effective tax rate. Income taxes - deferred are included in the presentation of income taxes.

(Notes on Segment Information, etc.)

I For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Information about sales and segment income or loss for each reportable segment

(Millions of yen)

	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Ocean Development	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:										
Outside customers	8,185	29,490	7,422	14,799	-	59,898	1,657	61,556	-	61,556
Inter segment	251	73	465	2,995	-	3,786	(0)	3,786	(3,786)	-
Total	8,437	29,563	7,888	17,794	-	63,684	1,657	65,342	(3,786)	61,556
Segment income (loss)	378	1,785	(451)	511	171	2,396	(507)	1,888	(171)	1,717

Notes 1: Segment income (loss) in "New Business Development," "Marine Propulsion Systems," "Logistics Systems," "Peripheral Businesses" and "Others" represents "Operating income (loss)," and in "Ocean Development" represents "Share of profit (loss) of entities accounted for using equity method."

2: "Others" is the segment which is not included in Reportable Segment and includes Engineering businesses, etc.

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

4: The above table has been restated to reflect a revision of the initial allocation of the purchase price due to the finalization of the provisional accounting treatment, which is stated in "1. Overview of Operating Results and Others, (1) Overview of Operating Results for the Three Months Ended June 30, 2024."

2. Information about loss on impairment of non-current assets, goodwill, etc. for each reportable segment

(Significant loss on impairment of non-current assets)

Not applicable.

(Significant changes in the amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Gain on bargain purchase was recognized in "Marine Propulsion Systems" due to the acquisition of all shares of Mitsui E&S DU Co., Ltd., making it our consolidated subsidiary. The amount of the gain from the said event is 1,317 million yen in the 1st quarter of FY2023. Gain on bargain purchase is an extraordinary income and is not included in the segment income.

II For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

1. Information about sales and segment income or loss for each reportable segment

(Millions of yen)

	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Ocean Development	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:										
Outside customers	7,480	32,819	13,155	16,310	-	69,766	295	70,062	-	70,062
Inter segment	209	150	23	3,161	-	3,545	-	3,545	(3,545)	-
Total	7,690	32,970	13,179	19,472	-	73,312	295	73,608	(3,545)	70,062
Segment income (loss)	1,039	2,434	790	257	3,757	8,279	(222)	8,056	(3,757)	4,299

Notes 1: Segment income (loss) in "New Business Development," "Marine Propulsion Systems," "Logistics Systems," "Peripheral Businesses" and "Others" represents "Operating income (loss)," and in "Ocean Development" represents "Share of profit (loss) of entities accounted for using equity method."

2: "Others" is the segment which is not included in Reportable Segment and includes Engineering businesses, etc.

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

2. Information about assets for each reportable segment

The Company sold a portion of shares of MODEC, Inc. in this 1st quarter of FY2024 and therefore the said company has been excluded from the scope of application of the equity method. Due to this sale, Segment assets for "Ocean Development" for the 1st quarter of FY2024 decreased by 58,989 million yen from the end of FY2023.

3. Information about loss on impairment of non-current assets, goodwill, etc. for each reportable segment

(Significant loss on impairment of non-current assets)

Not applicable.

(Significant changes in the amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

(Notes on Significant Subsequent Events)

(Acquisition and Cancellation of Class-A Preferred Shares)

The Company resolved at a meeting of the Board of Directors held on June 25, 2024, to acquire all of the Class-A preferred shares issued by the Company for cash consideration in accordance with Article 12-6 of the Articles of Incorporation and to cancel the shares on condition of the acquisition in accordance with Article 178 of the Companies Act, and the acquisition and cancellation were conducted on July 10, 2024.

1. Details of acquisition of Class-A preferred shares

Class of shares to be acquired	: Class-A preferred shares
Total number of shares to be acquired	: 18,000,000 shares
Acquisition price per share	: 510.792 yen (Note)
Total amount of acquisition price of shares	: 9,194,256,000 yen
Acquisition date	: July 10, 2024
Party from which shares are to be acquired	: SMBCCP Investment Limited Partnership 1

Note: The above acquisition price per share is calculated by adding the amount equivalent to accrued dividends per diem (the amount equivalent to the preferred shares dividend calculated in accordance with Article 12-5 of the Articles of Incorporation) to the amount paid per share (500 yen) at the time of issuance.

2. Details of cancellation of Class-A preferred shares

Class of shares to be cancelled	: Class-A preferred shares
Total number of shares to be cancelled	: 18,000,000 shares
Effective date of cancellation	: July 10, 2024

3. Reason for acquisition and cancellation of Class-A preferred shares

On June 30, 2022, the Company issued a total of 9 billion yen of Class-A preferred shares for the purpose of improving its financial soundness and growth investment. The Group's profitability and financial soundness have steadily improved as a result of the completion of the "Mitsui E&S Group Business Revival Plan." Besides, the partial sale of MODEC shares resolved on May 14, 2024, has provided the financial basis for growing investment. With these backgrounds, the Company decided to execute the acquisition and the cancellation of the Class-A preferred shares for the purpose of increasing the shareholder returns instead of paying the preferred shares dividend.

3. Supplementary Information

Information about new orders and sales

(Percentages in FY2023 and FY2024 indicate composition ratio.)

New Orders

	1st quarter of FY2023 (from April 1, 2023 to June 30, 2023)		1st quarter of FY2024 (from April 1, 2024 to June 30, 2024)		Increase/Decrease		Change ratio	FY2023 (from April 1, 2023 to March 31, 2024)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%		Millions of yen	%
New Business Development	12,386	13.3	9,325	10.9	(3,061)	(24.7)	46,829	13.9	
Marine Propulsion Systems	46,028	49.6	56,449	65.7	10,421	22.6	147,671	43.8	
Logistics Systems	20,387	22.0	10,829	12.6	(9,557)	(46.9)	70,572	20.9	
Peripheral Businesses	13,922	15.0	9,232	10.7	(4,689)	(33.7)	71,618	21.3	
Ocean Development	-	-	-	-	-	-	-	-	
Others	71	0.1	49	0.1	(22)	(31.3)	295	0.1	
Total	92,796	100.0	85,886	100.0	(6,910)	(7.4)	336,987	100.0	

Sales

	1st quarter of FY2023 (from April 1, 2023 to June 30, 2023)		1st quarter of FY2024 (from April 1, 2024 to June 30, 2024)		Increase/Decrease		Change ratio	FY2023 (from April 1, 2023 to March 31, 2024)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%		Millions of yen	%
New Business Development	8,185	13.3	7,480	10.7	(705)	(8.6)	40,810	13.5	
Marine Propulsion Systems	29,490	47.9	32,819	46.8	3,328	11.3	134,033	44.4	
Logistics Systems	7,422	12.1	13,155	18.8	5,733	77.2	47,637	15.8	
Peripheral Businesses	14,799	24.0	16,310	23.3	1,511	10.2	74,141	24.6	
Ocean Development	-	-	-	-	-	-	-	-	
Others	1,657	2.7	295	0.4	(1,361)	(82.1)	5,251	1.7	
Total	61,556	100.0	70,062	100.0	8,506	13.8	301,875	100.0	

Order Backlogs

	FY2023 (as of March 31, 2024)		1st quarter of FY2024 (as of June 30, 2024)		Increase/Decrease		Change ratio	1st quarter of FY2023 (as of June 30, 2023)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%		Millions of yen	%
New Business Development	34,971	9.1	36,843	9.1	1,871	5.4	33,131	9.2	
Marine Propulsion Systems	84,392	22.1	107,970	26.6	23,577	27.9	87,339	24.3	
Logistics Systems	81,381	21.3	80,178	19.8	(1,202)	(1.5)	73,207	20.4	
Peripheral Businesses	180,121	47.1	179,369	44.2	(751)	(0.4)	160,761	44.7	
Ocean Development	-	-	-	-	-	-	-	-	
Others	1,569	0.4	1,346	0.3	(222)	(14.2)	4,909	1.4	
Total	382,435	100.0	405,707	100.0	23,271	6.1	359,350	100.0	