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November 12, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 7003
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 Scheduled date to file semi-annual securities report: November 13, 2024
 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 Six Months Ended September 30, 2024 (from April 1, 2024 to September 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	%
Six months ended								
September 30, 2024	145,041	7.0	9,216	38.7	13,310	125.5	32,285	706.9
September 30, 2023	135,536	21.3	6,646	-	5,903	-	4,001	182.9

Note: Comprehensive income For the six months ended September 30, 2024: ¥ 28,339 million [191.2%]
 For the six months ended September 30, 2023: ¥ 9,733 million [(53.7%)]

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
Six months ended				
September 30, 2024	318.10		317.97	
September 30, 2023	40.28		39.90	

Note: Figures for the six months ended September 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			
September 30, 2024	429,287	162,834	37.0
March 31, 2024	467,140	146,510	30.4

Reference: Equity As of September 30, 2024: ¥ 158,671 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	-	0.00	-	-	-
March 31, 2025 (Forecast)	-	-	-	18.00	18.00

Note 1: Revisions to the most recently announced dividends forecasts: None

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	345.01

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) Adoption of accounting treatment specific to the preparation of semi-annual 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 and other regulations: 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
September 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
September 30, 2024	2,211,523
March 31, 2024	2,225,837

iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended	shares
September 30, 2024	100,884,439
September 30, 2023	90,590,577

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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 5 (attached materials) for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts, etc.

(Where to get the supplementary explanatory materials)

Financial results briefing for analysts is scheduled for November 12, 2024. Supplementary material, which will be distributed at the said briefing, 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: None

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.

Table of Contents of Appendix

1. Overview of Operating Results and Others	2
(1) Overview of Operating Results for the Six Months Ended September 30, 2024	2
(2) Overview of Financial Position for the Six Months Ended September 30, 2024	4
(3) Explanation of Forecasts for Consolidated Financial Results and Other Forward-Looking Statements ...	5
2. Semi-annual Consolidated Financial Statements and Major Notes	6
(1) Semi-annual Consolidated Balance Sheets	6
(2) Semi-annual Consolidated Statements of Operations and Comprehensive Income	8
Semi-annual Consolidated Statements of Operations	8
Semi-annual Consolidated Statements of Comprehensive Income	9
(3) Semi-annual Consolidated Statements of Cash Flows	10
(4) Notes to Semi-annual Consolidated Financial Statements	12
(Notes on Going Concern Assumption)	12
(Notes in the Event of Significant Changes in Shareholders' Equity)	12
(Notes on Application of Specific Accounting Treatment for Preparing Semi-annual Consolidated Financial Statements)	12
(Notes on Segment Information, etc.)	12
(Notes on Significant Subsequent Events)	13
3. Supplementary Information	14

1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Six Months Ended September 30, 2024

The global economy during the six months ended September 30, 2024, maintained steady growth amid subsiding high inflation. However, the outlook remains uncertain as a result of destabilizing factors such as volatility in monetary markets, a slowdown in the Chinese economy, and a further deterioration in the situation in the Middle East. On the other hand, the domestic economy, which had been stagnant, is now showing improvement, and it is expected to continue gradually recovering 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 Group, some shipyards are receiving inquiries for projects with 2029 delivery dates, 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 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 including forward exchange contracts.

Under such circumstances, the funds of approximately 70.0 billion yen obtained through the partial sale of shares of MODEC, Inc. (hereinafter, "MODEC"), in June 2024, are being 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

(1) We will press forward with our plans to own a crane transportation vessel to improve both the flexibility of our crane business that targets projects overseas, including the U.S., and our capability to meet short delivery deadlines. (2) In addition to having completed the acquisition and cancellation of all Class-A preferred shares in July 2024, we have significantly reduced interest-bearing debt and partially refinanced short-term borrowings into long-term borrowings, thereby vastly improving the Group's current ratio. (3) As part of profit return measures, we upwardly revised the dividend forecast in August 2024. Moreover, we decided to introduce a support system for PhD employees as a measure to improve talent development. In other developments, we are comprehensively revising our personnel system as well as our education system and working to facilitate labor mobility within the Company and the Group. Going forward, we will continue to enhance corporate value for the evolution and sustainability of the Group, by generating a positive cycle that will enable us to make continuous investments in various areas, further strengthen our financial foundation in line with profit growth and gradually increase profit returns.

On the other hand, the business environment that surrounds the Group, including foreign exchange rates and market conditions, continues to change dramatically and rapidly. Taking into account the strengthening business foundation and volatile business environment, the Group formulated "MITSUI E&S Rolling Vision 2024" in August 2024 as a rolling mid-term business plan that will constantly update its goals rather than commit to fixed ones for the next three years and draw a path for Group's continuing growth. Guided by this plan, we will continue to develop the core businesses of marine propulsion and port logistics with a focus on "green" and "digital" strategies.

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 six months ended September 30, 2024, increased by 15,819 million yen (up 10.2%) year on year to 170,652 million yen. Net sales were 145,041 million yen, an increase of 9,504 million yen (up 7.0%) 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 2,569 million yen (up 38.7%) year on year to 9,216 million yen mainly due to improved profitability in Logistics Systems. Ordinary income was 13,310 million yen, an increase of 7,406 million yen (up 125.5%) year on year, mainly due to the recording of share of profit of entities accounted for using equity method and a significant decrease in financial expenses. Profit attributable to owners of parent was 32,285 million yen, an increase of 28,283 million yen (up 706.9%) year on year, mainly due to the recording of gain on sales of subsidiaries and affiliates' stocks.

During the six months ended September 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 Semi-annual Consolidated Financial Statements for the six months ended September 30, 2024, reflects a revision of the initial allocation of the purchase price.

As a result, operating income and ordinary income decreased by 5 million yen, respectively, and profit attributable to owners of parent decreased by 632 million yen in the Semi-annual Consolidated Statements of Operations for the six months ended September 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 4,443 million yen (down 19.9%) to 17,878 million yen and by 2,762 million yen (down 15.4%) to 15,232 million yen, respectively, mainly due to delays in some orders for industrial machinery products and decreases in construction equipment engines. Operating income decreased by 289 million yen (down 14.7%) year on year to 1,682 million yen mainly due to lower net sales.

(Marine Propulsion Systems)

Orders received was 89,403 million yen, increased by 17,138 million yen (up 23.7%) compared with the same period of the previous fiscal year, mainly due to an increase in orders for larger marine engines and dual fuel engines. Net sales totaled 67,376 million yen, increased by 3,370 million yen (up 5.3%) year on year. This was mainly due to the favorable deliveries of marine engines and the solid performance in after-sales service. Operating income was 4,245 million yen, an increase of 456 million yen (up 12.0%) due to the increased net sales.

(Logistics Systems)

Mainly due to a series of large orders in Japan and some other Asian countries, orders received increased by 1,752 million yen (up 5.0%) to 36,725 million yen compared with the same period of the previous fiscal year. Net sales increased by 9,591 million yen (up 55.6%) year on year to 26,837 million yen, mainly due to steady progress in large cranes. Operating income increased by 2,102 million yen (up 712.7%) year on year to 2,397 million yen, mainly due to higher net sales and better profitability of large cranes.

(Peripheral Businesses)

Orders received increased by 1,385 million yen (up 5.5%) year on year to 26,549 million yen as a result of the steady acquisition of planned projects. Net sales totaled 34,054 million yen, increased by 418 million yen (up 1.2%) year on year. Operating income decreased by 872 million yen (down 64.2%) to 485 million yen compared with the same period of the previous fiscal year. This was mainly due to the completion of a large project 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 1,847 million yen (up 96.8%) compared with the same period of the previous fiscal year. This was 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 conducted a partial sale of the MODEC shares in June 2024, and therefore MODEC group has been excluded from the scope of application of the equity method. Accordingly, the share of profit of entities accounted for using equity method from MODEC group is recognized for the three months from January to March 2024.

(2) Overview of Financial Position for the Six Months Ended September 30, 2024

i) Assets, Liabilities and Net Assets

Overview of financial position as of September 30, 2024, represents a reduction in total assets due to the repayment of interest-bearing debt using the funds obtained from a partial sale of subsidiaries and affiliates' stocks. In addition, we have partially refinanced short-term borrowings into long-term borrowings, thereby vastly improving the Group's current ratio.

Total assets as of September 30, 2024, were 429,287 million yen, decreased by 37,853 million yen from the end of the previous fiscal year. This was mainly due to decreases of 6,569 million yen in notes and accounts receivables - trade, and contract assets and 49,672 million yen in investment securities, despite an increase of 12,654 million yen in others in investments and other assets.

Total liabilities were 266,453 million yen, decreased by 54,176 million yen from the end of the previous fiscal year. This was mainly due to decreases in trade payables by 11,292 million yen and short-term borrowings by 95,073 million yen despite increases of 13,589 million yen in accrued income taxes and 34,710 million yen in long-term borrowings.

Total net assets were 162,834 million yen, increased by 16,323 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 capital surplus due to the acquisition and cancellation of the Class-A preferred shares.

ii) Cash Flows

Cash and cash equivalents (hereinafter, "cash") as of September 30, 2024, were 37,323 million yen, increased by 3,807 million yen from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities during the six months ended September 30, 2024, was 4,118 million yen (32,867 million yen was used in the same period of the previous fiscal year). This was mainly due to inflows from the recording of profit before income taxes and decrease in trade receivables and contract assets despite outflows from the recording of share of profit of entities accounted for using equity method, the recording of gain on sales of subsidiaries and affiliates' stocks, decrease in trade payables due to shortening of bill payment period for trade notes as a result of 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 six months ended September 30, 2024, was 66,199 million yen (1,934 million yen was used 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 67,468 million yen during the six months ended September 30, 2024 (26,836 million yen was provided in the same period of the previous fiscal year). This was mainly due to outflows such as repayments of short-term borrowings and purchases of treasury stock for the purpose of cancellation of the Class-A preferred shares despite inflows such as proceeds from long-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	345.01 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 consisted of MODEC and its related companies, which were affiliates accounted for using equity method of the Company, and it does not affect net sales and operating income.

The Company conducted a partial sale of the MODEC shares in June 2024, and therefore MODEC group has been excluded from the scope of application of the equity method.

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. Semi-annual Consolidated Financial Statements and Major Notes

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and time deposits	35,570	39,292
Notes and accounts receivables - trade, and contract assets	96,283	89,713
Merchandise and finished goods	9,682	10,605
Work in progress	49,601	53,293
Raw materials and supplies	8,437	7,916
Others	24,462	23,829
Allowance for doubtful accounts	(801)	(816)
Total current assets	223,237	223,835
Non-current assets		
Property, plant and equipment		
Land	67,699	67,618
Others, net	48,287	48,022
Total property, plant and equipment	115,987	115,640
Intangible assets		
Goodwill	7,532	6,864
Others	8,074	7,655
Total intangible assets	15,607	14,519
Investments and other assets		
Investment securities	76,136	26,463
Others	36,299	48,954
Allowance for doubtful accounts	(126)	(126)
Total investments and other assets	112,309	75,291
Total non-current assets	243,903	205,451
Total assets	467,140	429,287

(Millions of yen)

As of March 31, 2024 As of September 30, 2024

Liabilities		
Current liabilities		
Trade payables	64,733	53,440
Short-term borrowings	149,785	54,712
Current portion of long-term borrowings	1,410	5,719
Accrued income taxes	2,195	15,784
Contract liabilities	30,809	35,243
Provision for losses on construction contracts	4,325	1,683
Provision for bonuses	5,198	3,490
Provision for demolition and removal	809	806
Provision for losses on liquidation of subsidiaries and affiliates	-	485
Other provisions	6,062	4,510
Others	15,033	17,144
Total current liabilities	280,364	193,021
Long-term liabilities		
Long-term borrowings	10,817	45,527
Provision for business restructuring	758	441
Other provisions	658	650
Net defined benefit liabilities	4,617	4,775
Asset retirement obligations	2,097	2,100
Others	21,317	19,936
Total long-term liabilities	40,266	73,432
Total liabilities	320,630	266,453
Net assets		
Shareholders' equity		
Share capital	8,846	8,846
Capital surplus	11,804	2,792
Retained earnings	67,056	96,416
Treasury stock	(4,624)	(4,593)
Total shareholders' equity	83,083	103,461
Accumulated other comprehensive income		
Net unrealized holding gains on securities	1,269	5,027
Unrealized gains on hedging derivatives	5,642	1,652
Revaluation reserve for land	27,098	27,055
Foreign currency translation adjustments	12,924	10,260
Remeasurements of defined benefit plans	11,992	11,214
Total accumulated other comprehensive income	58,927	55,210
Subscription rights to shares	87	62
Non-controlling interests	4,411	4,100
Total net assets	146,510	162,834
Total liabilities and net assets	467,140	429,287

(2) Semi-annual Consolidated Statements of Operations and Comprehensive Income
Semi-annual Consolidated Statements of Operations

(Millions of yen)

	April 1, 2023 to September 30, 2023	April 1, 2024 to September 30, 2024
Net sales	135,536	145,041
Cost of sales	114,878	121,942
Gross profit	20,658	23,099
Selling, general and administrative expenses	14,011	13,883
Operating income	6,646	9,216
Non-operating income		
Interest income	158	202
Dividend income	52	127
Share of profit of entities accounted for using equity method	2,257	5,643
Foreign currency exchange gains	813	-
Others	671	741
Total non-operating income	3,951	6,715
Non-operating expenses		
Interest expenses	2,118	1,553
Commission expenses	1,949	372
Foreign currency exchange losses	-	58
Others	627	637
Total non-operating expenses	4,694	2,621
Ordinary income	5,903	13,310
Extraordinary income		
Gain on disposal of non-current assets	-	180
Gain on sales of subsidiaries and affiliates' stocks	-	24,032
Gain on bargain purchase	1,317	-
Total extraordinary income	1,317	24,212
Extraordinary losses		
Loss on disposal of non-current assets	-	255
Loss on change in equity	978	1,124
Provision for losses on liquidation of subsidiaries and affiliates	-	485
Loss from overseas remittance	655	-
Total extraordinary losses	1,634	1,865
Profit before income taxes	5,587	35,657
Income taxes	1,530	3,541
Profit	4,056	32,116
Profit (loss) attributable to non-controlling interests	55	(169)
Profit attributable to owners of parent	4,001	32,285

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2023 to September 30, 2023	April 1, 2024 to September 30, 2024
Profit	4,056	32,116
Other comprehensive income		
Net unrealized holding gains on securities	427	3,752
Unrealized gains (losses) on hedging derivatives	201	(280)
Foreign currency translation adjustments	3,208	2,204
Remeasurements of defined benefit plans	2	(768)
Share of other comprehensive income of affiliates accounted for using equity method	1,836	(8,683)
Total	5,677	(3,776)
Comprehensive income	9,733	28,339
Comprehensive income attributable to		
Owners of parent	9,654	28,610
Non-controlling interests	79	(270)

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2023 to September 30, 2023	April 1, 2024 to September 30, 2024
Cash flows from operating activities		
Profit before income taxes	5,587	35,657
Depreciation and amortization	3,575	3,711
Amortization of goodwill	488	492
Decrease of allowance for doubtful accounts	(89)	(34)
Increase in net defined benefit liabilities	262	315
Decrease in net defined benefit assets	199	554
Decrease in provision for losses on construction contracts	(4,953)	(2,642)
Increase in provision for losses on liquidation of subsidiaries and affiliates	-	485
Interest and dividend income	(210)	(330)
Interest expenses	2,118	1,553
Share of profit of entities accounted for using equity method	(2,257)	(5,643)
Foreign currency exchange losses	27	49
Gain on sales of subsidiaries and affiliates' stocks	-	(24,032)
Loss on disposal of non-current assets	-	75
Gain on bargain purchase	(1,317)	-
Loss on change in equity	978	1,124
Loss from overseas remittance	655	-
Decrease in trade receivables and contract assets	3,212	8,815
Increase in inventories	(12,389)	(4,056)
Decrease in trade payables	(26,490)	(10,556)
Increase in contract liabilities	6,265	4,261
Decrease in other assets	1,536	4,727
Decrease in other liabilities	(6,859)	(3,412)
Others, net	(1,466)	(1,790)
Sub-total	(31,125)	9,324
Interest and dividend received	355	1,395
Interest paid	(2,203)	(1,673)
Income taxes refund	105	-
Income taxes paid	-	(4,928)
Net cash provided by (used in) operating activities	(32,867)	4,118

(Millions of yen)

	April 1, 2023 to September 30, 2023	April 1, 2024 to September 30, 2024
Cash flows from investing activities		
Net decrease (increase) in time deposits	(1,837)	317
Capital expenditure	(3,756)	(3,417)
Proceeds from sales of non-current assets	260	591
Proceeds from purchases of shares of subsidiaries resulting in change in scope of consolidation	1,689	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	330
Proceeds from sales of shares of subsidiaries and affiliates	-	68,528
Proceeds from sales of investments in capital of subsidiaries and affiliates	1,721	-
Disbursements of loans receivable	(7)	(7)
Collection of loans receivable	11	11
Others, net	(15)	(156)
Net cash provided by (used in) investing activities	(1,934)	66,199
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	36,133	(95,073)
Proceeds from long-term borrowings	-	39,725
Repayments of long-term borrowings	(6,669)	(705)
Repayments of lease obligations	(872)	(1,001)
Repayments on bonds	(5,000)	-
Purchase of treasury shares	-	(9,196)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	4,068	-
Cash dividends	(788)	(1,202)
Dividends paid to non-controlling interests	(38)	(39)
Others, net	4	24
Net cash provided by (used in) financing activities	26,836	(67,468)
Effect of exchange rate changes on cash and cash equivalents	750	958
Net increase (decrease) in cash and cash equivalents	(7,215)	3,807
Cash and cash equivalents at beginning of period	43,468	33,516
Cash and cash equivalents at end of period	36,252	37,323

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

On July 10, 2024, the Company acquired and then cancelled 18,000,000 shares of the Class-A preferred shares issued by the Company in accordance with the resolution of Board of Directors meeting held on June 25, 2024.

Due to this acquisition and cancellation, capital surplus decreased by 9,023 million yen to 2,792 million yen and retained earnings decreased by 170 million yen to 96,416 million yen, respectively, as of September 30, 2024.

(Notes on Application of Specific Accounting Treatment for Preparing Semi-annual Consolidated Financial Statements)

(Tax expense calculation)

After applying tax effect accounting to profit before income taxes for the fiscal year, which includes the six months ended September 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 six months ended September 30, 2023 (from April 1, 2023 to September 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	17,995	64,005	17,246	33,636	-	132,883	2,653	135,536	-	135,536
Inter segment	557	180	486	6,063	-	7,288	(0)	7,288	(7,288)	-
Total	18,553	64,186	17,733	39,699	-	140,171	2,652	142,824	(7,288)	135,536
Segment income (loss)	1,971	3,788	295	1,358	1,909	9,322	(767)	8,555	(1,909)	6,646

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 Semi-annual 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 Six Months Ended September 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 semi-annual results for FY2023. Gain on bargain purchase is an extraordinary income and is not included in the segment income.

II For the six months ended September 30, 2024 (from April 1, 2024 to September 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	15,232	67,376	26,837	34,054	-	143,500	1,540	145,041	-	145,041
Inter segment	506	337	29	6,572	-	7,445	-	7,445	(7,445)	-
Total	15,738	67,713	26,867	40,626	-	150,946	1,540	152,486	(7,445)	145,041
Segment income	1,682	4,245	2,397	485	3,757	12,567	405	12,973	(3,757)	9,216

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

2: MODEC, Inc., which constituted "Ocean Development," was excluded from the scope of application of the equity method in June 2024. Due to this exclusion, the above figures for "Ocean Development" represent three months results from January to March 2024.

3: "Others" is the segment which is not included in reportable segment and includes Engineering businesses, etc.

4: Segment income is adjusted with operating income in Semi-annual Consolidated Statements of Operations.

2. Information about assets for each reportable segment

The Company sold a portion of shares of MODEC, Inc. in June 2024 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" as of September 30, 2024, 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)

Not applicable.

3. Supplementary Information

Information about new orders and sales

(Percentages in FY2023 and FY2024 indicate composition ratio.)

New Orders

	2Q FY2023 (from April 1, 2023 to September 30, 2023)		2Q FY2024 (from April 1, 2024 to September 30, 2024)		Increase/Decrease Millions of yen	Change ratio %	FY2023 (from April 1, 2023 to March 31, 2024)	
	Millions of yen	%	Millions of yen	%			Millions of yen	%
New Business Development	22,321	14.4	17,878	10.5	(4,443)	(19.9)	46,829	13.9
Marine Propulsion Systems	72,265	46.7	89,403	52.4	17,138	23.7	147,671	43.8
Logistics Systems	34,973	22.5	36,725	21.5	1,752	5.0	70,572	20.9
Peripheral Businesses	25,163	16.3	26,549	15.6	1,385	5.5	71,618	21.3
Ocean Development	-	-	-	-	-	-	-	-
Others	109	0.1	95	0.0	(13)	(12.1)	295	0.1
Total	154,833	100.0	170,652	100.0	15,819	10.2	336,987	100.0

Sales

	2Q FY2023 (from April 1, 2023 to September 30, 2023)		2Q FY2024 (from April 1, 2024 to September 30, 2024)		Increase/Decrease Millions of yen	Change ratio %	FY2023 (from April 1, 2023 to March 31, 2024)	
	Millions of yen	%	Millions of yen	%			Millions of yen	%
New Business Development	17,995	13.3	15,232	10.5	(2,762)	(15.4)	40,810	13.5
Marine Propulsion Systems	64,005	47.2	67,376	46.4	3,370	5.3	134,033	44.4
Logistics Systems	17,246	12.7	26,837	18.5	9,591	55.6	47,637	15.8
Peripheral Businesses	33,636	24.8	34,054	23.5	418	1.2	74,141	24.6
Ocean Development	-	-	-	-	-	-	-	-
Others	2,653	2.0	1,540	1.1	(1,112)	(41.9)	5,251	1.7
Total	135,536	100.0	145,041	100.0	9,504	7.0	301,875	100.0

Order Backlogs

	FY2023 (as of March 31, 2024)		2Q FY2024 (as of September 30, 2024)		Increase/Decrease Millions of yen	Change ratio %	2Q FY2023 (as of September 30, 2023)	
	Millions of yen	%	Millions of yen	%			Millions of yen	%
New Business Development	34,971	9.1	37,639	9.2	2,667	7.6	33,300	9.0
Marine Propulsion Systems	84,392	22.1	106,643	25.9	22,250	26.4	79,057	21.5
Logistics Systems	81,381	21.3	90,739	22.1	9,358	11.5	77,901	21.1
Peripheral Businesses	180,121	47.1	175,958	42.8	(4,162)	(2.3)	174,230	47.3
Ocean Development	-	-	-	-	-	-	-	-
Others	1,569	0.4	131	0.0	(1,438)	(91.6)	3,976	1.1
Total	382,435	100.0	411,112	100.0	28,676	7.5	368,466	100.0