

Consolidated Financial Statements

Mitsui E&S Holdings Co., Ltd.
and Consolidated Subsidiaries

For the Years ended March 31,
2019 and 2018
Together with Independent
Auditor's Report



Financial Data

Consolidated Balance Sheets

As of March 31, 2019 and 2018

ASSETS

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
	2019	2018	2019
Current Assets			
Cash and time deposits (Notes 1(r) and 4)	¥ 100,857	¥ 93,698	\$ 908,703
Receivables (Note 15)			
Trade	225,765	243,768	2,034,102
Others	12,976	12,447	116,912
Less allowance for doubtful accounts	(1,453)	(1,957)	(13,091)
Merchandise and finished goods	4,968	4,086	44,761
Raw materials and supplies	8,440	5,159	76,043
Work in progress	42,294	35,661	381,061
Short-term loans	41,039	47,227	369,754
Others (Note 18)	33,074	30,944	297,991
Total current assets	467,960	471,033	4,216,236
Property, Plant and Equipment (Note 4)			
Land (Note 1(p))	245,737	245,294	2,214,046
Buildings and structures	198,162	197,753	1,785,404
Machinery, equipment and vehicles	186,539	187,584	1,680,683
Lease assets	14,198	16,156	127,922
Construction in progress	4,185	4,332	37,706
	648,821	651,119	5,845,761
Less accumulated depreciation	(306,781)	(299,052)	(2,764,042)
Net property, plant and equipment	342,040	352,067	3,081,719
Intangible Assets			
Intangible assets	29,491	30,234	265,709
Investments and Other Assets			
Investment securities (Notes 2, 3 and 4)	83,212	91,472	749,725
Long-term loans (Note 4)	46,170	41,380	415,983
Net defined benefit assets (Note 10)	733	5,576	6,604
Deferred tax assets (Note 12)	10,833	18,123	97,603
Others (Notes 3 and 4)	19,320	20,072	174,070
Less allowance for doubtful accounts	(658)	(734)	(5,928)
Total investments and other assets	159,610	175,889	1,438,057
Total assets	¥ 999,101	¥ 1,029,223	\$ 9,001,721

The accompanying notes to the consolidated financial statements are integral parts of these statements.

LIABILITIES AND NET ASSETS

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
	2019	2018	2019
Current Liabilities			
Short-term borrowings (Notes 5 and 7)	¥ 3,535	¥ 11,703	\$ 31,850
Current portion of long-term indebtedness (Notes 4, 6 and 8)	49,062	62,925	442,040
Lease obligations	1,745	1,991	15,722
Trade payables (Notes 14)	190,956	180,787	1,720,479
Advances from customers	92,604	56,944	834,345
Accrued expenses	23,275	24,225	209,704
Accrued income taxes (Note 12)	11,846	9,010	106,730
Provision for losses on construction contracts (Note 1(m))	60,972	10,328	549,347
Provision for construction warranties (Note 1(n))	10,782	11,440	97,144
Asset retirement obligations	3	8	27
Others	19,960	13,992	179,836
Total current liabilities	464,740	383,353	4,187,224
Long-term Liabilities			
Long-term indebtedness (Notes 4, 6 and 8)	152,020	180,649	1,369,673
Lease obligations	6,521	7,117	58,753
Liability for severance and retirement benefits			
For directors and corporate auditors	463	346	4,172
Net defined benefit liabilities (Note 10)	13,104	12,274	118,065
Deferred tax liabilities			
On revaluation reserve for land (Notes 1(p) and 12)	17,076	18,009	153,852
Others (Note 12)	49,332	50,243	444,472
Asset retirement obligations	1,879	1,283	16,929
Others	13,726	19,112	123,669
Total long-term liabilities	254,121	289,033	2,289,585
Total liabilities	718,861	672,386	6,476,809
Net Assets (Note 9)			
Common stock			
Authorized - 150,000,000 shares			
Issued - 83,098,717 shares	44,385	44,385	399,901
Capital surplus	18,747	18,800	168,907
Retained earnings	67,813	135,354	610,983
Treasury stock	(4,759)	(4,759)	(42,878)
Net unrealized holding gains on securities (Note 2)	3,366	7,478	30,327
Unrealized losses on hedging derivatives	(6,066)	(6,786)	(54,654)
Revaluation reserve for land (Note 1(p))	37,808	39,912	340,644
Foreign currency translation adjustments	740	6,093	6,667
Remeasurements of defined benefit plans (Note 10)	(2,488)	(1,317)	(22,416)
Subscription rights to shares	206	217	1,856
Non-controlling interests	120,488	117,460	1,085,575
Total net assets	280,240	356,837	2,524,912
Total liabilities and net assets	¥ 999,101	¥ 1,029,223	\$ 9,001,721

Consolidated Statements of Operations

For the Years Ended March 31, 2019 and 2018

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
	2019	2018	2019
Net Sales	¥ 656,504	¥ 703,217	\$ 5,914,983
Cost of Sales (Note 1(q))	663,305	654,814	5,976,259
Gross profit (loss)	(6,801)	48,403	(61,276)
Selling, General and Administrative Expenses (Note 1(q))	52,902	53,628	476,637
Operating loss	(59,703)	(5,225)	(537,913)
Other Income (Expenses)			
Interest and dividend income	8,048	7,190	72,511
Interest expenses	(2,909)	(3,950)	(26,210)
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	5,675	5,223	51,131
Foreign currency exchange losses	(1,257)	(1,200)	(11,325)
Gain on disposal of non-current assets	11,932	7,668	107,505
Gain on sales of investment securities (Note 2)	2,558	3,879	23,047
Gain on valuation of derivatives	100	43	901
Gain on liquidation of subsidiaries and affiliates	-	250	-
Gain on sales of subsidiaries and affiliates' stocks	101	492	910
Loss on disposal of non-current assets	(625)	(732)	(5,631)
Loss on impairment of non-current assets (Note 16)	(7,015)	(3,672)	(63,204)
Loss on sales of investment securities (Note 2)	(332)	-	(2,991)
Loss on valuation of investment securities	(404)	(7)	(3,640)
Loss on reduction of non-current assets	(577)	-	(5,199)
Loss on valuation of shares of subsidiaries and affiliates	-	(31)	-
Loss on litigation	(170)	-	(1,532)
Loss on compensation for damage	(200)	-	(1,802)
Others, net	(456)	979	(4,108)
Total	14,469	16,132	130,363
Profit (loss) before income taxes	(45,234)	10,907	(407,550)
Income Taxes (Note 12)			
Current	9,170	7,922	82,620
Deferred	8,468	8,285	76,295
	17,638	16,207	158,915
Loss	(62,872)	(5,300)	(566,465)
Profit attributable to non-controlling interests	6,728	4,837	60,619
Loss attributable to owners of parent	¥ (69,600)	¥ (10,137)	\$ (627,084)
Amounts Per Share of Common Stock (Notes 1(a) and 9)			
Earnings per share	¥ (861.09)	¥ (125.42)	\$ (7.758)
Diluted earnings per share	¥ -	¥ -	\$ -
Dividends, applicable to the year	¥ -	¥ -	\$ -

(note) Effective October 1, 2017, the Company consolidated every 10 shares of its common stock into 1 share. Earnings per share which is mentioned in "Amounts Per Share of Common Stock" has been converted into those after the share consolidation.

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2019 and 2018

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
	2019	2018	2019
Loss	¥ (62,872)	¥ (5,300)	\$ (566,465)
Other comprehensive income (Note 17)			
Net unrealized holding losses on securities	(4,287)	(2,596)	(38,625)
Unrealized losses on hedging derivatives	(1,322)	(1,247)	(11,911)
Foreign currency translation adjustments	(5,807)	1,042	(52,320)
Remeasurements of Defined Benefit Plans	(1,325)	3,821	(11,938)
Share of other comprehensive income of affiliates accounted for using equity method	593	(1,160)	5,343
Total	(12,148)	(140)	(109,451)
Comprehensive income	¥ (75,020)	¥ (5,440)	\$ (675,916)
Comprehensive income attributable to owners of parent	¥ (79,516)	¥ (8,398)	\$ (716,424)
Comprehensive income attributable to non-controlling interests	¥ 4,496	¥ 2,958	\$ 40,508

Consolidated Statements of Changes in Net Assets

For the Years ended March 31, 2019 and 2018

	Thousands		Japanese Yen (millions)										
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains(losses) on securities	Unrealized gains(losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2017	830,987	¥ 44,385	¥ 18,809	¥ 146,961	¥ (4,779)	¥ 9,957	¥ (6,612)	¥ 41,264	¥ 5,596	¥ (5,212)	¥ 236	¥ 117,003	¥ 367,608
Cash dividends paid				(2,425)									(2,425)
Loss attributable to owners of parent				(10,137)									(10,137)
Change of scope of consolidation				(301)									(301)
Change of scope of equity method				(96)									(96)
Purchases of treasury stock					(9)								(9)
Disposal of treasury stock					29								20
Transfer from revaluation reserve for land				1,352									1,352
Change in treasury stock of parent arising from transactions with non-controlling shareholders				(0)									(0)
Share consolidation	(747,888)												
Net changes of items other than those in Shareholders' equity						(2,479)	(174)	(1,352)	497	3,895	(19)	457	825
Balance as of April 1, 2018	83,099	¥ 44,385	¥ 18,800	¥ 135,354	¥ (4,759)	¥ 7,478	¥ (6,786)	¥ 39,912	¥ 6,093	¥ (1,317)	¥ 217	¥ 117,460	¥ 356,837
Cumulative effects of changes in accounting policies				50									50
Restated balance		44,385	18,800	135,404	(4,759)	7,478	(6,786)	39,912	6,093	(1,317)	217	117,460	356,887
Loss attributable to owners of parent				(69,600)									(69,600)
Change of scope of consolidation				250									250
Change of scope of equity method				(345)									(345)
Purchases of treasury stock					(14)								(14)
Disposal of treasury stock				(4)	14								10
Transfer from revaluation reserve for land				2,104									2,104
Change in treasury stock of parent arising from transactions with non-controlling shareholders				(49)									(49)
Net changes of items other than those in Shareholders' equity						(4,112)	720	(2,104)	(5,353)	(1,171)	(11)	3,028	(9,003)
Balance as of March 31, 2019	83,099	¥ 44,385	¥ 18,747	¥ 67,813	¥ (4,759)	¥ 3,366	¥ (6,066)	¥ 37,808	¥ 740	¥ (2,488)	¥ 206	¥ 120,488	¥ 280,240

	U.S.Dollars (thousands) (Note 1(a))											
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains(losses) on securities	Unrealized gains(losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2018	\$ 399,901	\$ 169,385	\$ 1,219,515	\$ (42,878)	\$ 67,375	\$ (61,141)	\$ 359,600	\$ 54,897	\$ (11,865)	\$ 1,955	\$ 1,058,294	\$ 3,215,038
Cumulative effects of changes in accounting policies			450									450
Restated balance	399,901	169,385	1,219,965	(42,878)	67,375	(61,141)	359,600	54,897	(11,865)	1,955	1,058,294	3,215,488
Loss attributable to owners of parent			(627,084)									(627,084)
Change of scope of consolidation			2,253									2,253
Change of scope of equity method			(3,108)									(3,108)
Purchases of treasury stock				(126)								(126)
Disposal of treasury stock			(36)	126								90
Transfer from revaluation reserve for land			18,957									18,957
Change in treasury stock of parent arising from transactions with non-controlling shareholders			(442)									(442)
Net changes of items other than those in Shareholders' equity					(37,048)	6,487	(18,956)	(48,230)	(10,551)	(99)	27,281	(81,116)
Balance as of March 31, 2019	\$ 399,901	\$ 168,907	\$ 610,983	\$ (42,878)	\$ 30,327	\$ (54,654)	\$ 340,644	\$ 6,667	\$ (22,416)	\$ 1,856	\$ 1,085,575	\$ 2,524,912

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2019 and 2018

Cash Flows from Operating Activities :	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
	2019	2018	2019
Profit (loss) before income taxes	¥ (45,234)	¥ 10,907	\$ (407,550)
Adjustments to reconcile Profit (loss) before income taxes to net cash provided by (used in) operating activities			
Depreciation and amortization	14,496	17,196	130,606
Loss on impairment of non-current assets	7,015	3,672	63,204
Amortization of goodwill	1,177	1,242	10,605
Decrease of allowance for doubtful accounts	(622)	(1,030)	(5,604)
Increase in net defined benefit liabilities	587	264	5,289
Decrease in net defined benefit assets	759	1,694	6,838
Interest and dividend income	(8,048)	(7,190)	(72,511)
Interest expenses	2,909	3,950	26,210
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	(5,675)	(5,223)	(51,131)
Foreign currency exchange losses, net	41	151	369
Gain on sales of investment securities, net	(2,226)	(3,879)	(20,056)
Gain on sales of subsidiaries and affiliates' stocks	(101)	(492)	(910)
Loss on valuation of investment securities	404	7	3,640
Loss on valuation of shares of subsidiaries and affiliates	-	31	-
Gain on liquidation of subsidiaries and affiliates	-	(250)	-
Gain on disposal of non-current assets, net	(11,307)	(6,936)	(101,874)
Loss on reduction of non-current assets	577	-	5,199
Loss on litigation	170	-	1,532
Loss on compensation for damage	200	-	1,802
Changes in assets and liabilities :			
Decrease (increase) in			
Trade receivables	52,437	838	472,448
Inventories	(10,555)	740	(95,099)
Other assets	1,393	1,474	12,551
Increase (decrease) in			
Trade payables	21,779	(14,551)	196,225
Other liabilities	48,502	(4,589)	436,994
Others, net	(4,623)	(1,864)	(41,652)
Sub-total	64,055	(3,838)	577,125
Interest and dividend received	15,207	15,615	137,012
Interest paid	(2,995)	(3,953)	(26,984)
Proceeds from insurance income	-	204	-
Payments for loss on litigation	(170)	-	(1,532)
Income taxes paid	(9,920)	(11,584)	(89,378)
Net cash provided by (used in) operating activities	¥ 66,177	¥ (3,556)	\$ 596,243

Cash Flows from Investing Activities :	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
	2019	2018	2019
Net decrease (increase) in time deposits	153	(865)	1,379
Capital expenditure	(18,289)	(18,098)	(164,781)
Proceeds from sales of non-current assets	19,887	13,298	179,178
Purchases of investment securities	(4)	(367)	(36)
Proceeds from sales of investment securities	6,866	6,240	61,862
Purchase of shares of subsidiaries and affiliates	(7,056)	(12,787)	(63,573)
Proceeds from sales of shares of subsidiaries and affiliates	523	908	4,712
Payments for investments in capital of subsidiaries and affiliates	-	(1,407)	-
Disbursements of loans receivable	(88,857)	(68,961)	(800,586)
Collection of loans receivable	86,997	73,733	783,827
Others, net	(351)	(741)	(3,162)
Net cash provided by (used in) investing activities	¥ (131)	¥ (9,047)	\$ (1,180)

Cash Flows from Financing Activities :

Net decrease in short-term borrowings	(7,837)	(2,216)	(70,610)
Proceeds from long-term borrowings	20,195	40,664	181,953
Repayments of long-term borrowings	(61,934)	(42,285)	(558,014)
Repayments of lease obligations	(1,909)	(2,203)	(17,200)
Proceeds from issuance of bonds	-	10,000	-
Repayments on bonds	-	(15,000)	-
Purchases of treasury stock	(15)	(9)	(135)
Cash dividends	(4)	(2,417)	(36)
Dividends paid to non-controlling interests	(1,755)	(1,365)	(15,812)
Proceeds from share issuance to non-controlling shareholders	4	-	36
Others, net	(86)	18	(775)
Net cash provided by (used in) financing activities	¥ (53,341)	¥ (14,813)	\$ (480,593)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,726)	(76)	(24,561)
Net increase (decrease) in Cash and Cash Equivalents	9,979	(27,492)	89,909
Increase (decrease) due to changes in scope of consolidation	1,117	(1,816)	10,064
Cash and Cash Equivalents at Beginning of Year	86,312	115,620	777,656
Cash and Cash Equivalents at End of Year (Note 1(r))	¥ 97,408	¥ 86,312	\$ 877,629

Notes to Consolidated Financial Statements

1. Significant Accounting and Reporting Policies

The following is a summary of the significant accounting and reporting policies adopted by the Mitsui E&S Group (the "Group"), which consists of Mitsui E&S Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries (the "Subsidiaries") in the preparation of the accompanying consolidated financial statements.

(a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of the Group have been prepared in accordance with the provisions set forth in the "Japanese Financial Instruments and Exchange Act" and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the overseas Subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile ("Local GAAP") and significant differences between Japanese GAAP and Local GAAP are adjusted in consolidation. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Group prepared in accordance with Japanese GAAP and filed with the appropriate Finance Bureau of the Ministry of Finance as required by the "Financial Instruments and Exchange Act". Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥110.99 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Group, over which the Company has power of control through majority voting rights or existence of certain conditions requiring control by the Company.

Material inter-company balances, transactions and profits have been eliminated in consolidation.

The assets and liabilities of the Subsidiaries, including the portion attributable to non-controlling shareholders, were evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Investments in all significant unconsolidated subsidiaries and affiliates are accounted for using equity method.

Goodwill is generally amortized over certain periods on the straight-line method.

Fiscal years of some of the Subsidiaries end on the 31st of December. The Company consolidates these subsidiaries' financial statements as of each subsidiary's latest fiscal year and significant transactions occurred between each subsidiary's fiscal year-end and the Company's fiscal year-end are adjusted on consolidation.

(c) Revenue Recognition

Revenue and costs associated with construction contracts

1) Construction of its certainty of achievement on the progressed portion until the fiscal year-end can be recognized:

The percentage-of-completion method

(The progress of work is mainly measured by the percentage of cost method)

2) Construction other than above:

The completed-contract method

Revenues and costs of sales on finance lease transactions are recognized when lease payments are received.

(d) Securities

The Company and the domestic Subsidiaries examined the intent of holding each security and classified those securities as securities held for trading purposes ("trading securities"), debt securities intended to be held to maturity ("held-to-maturity debt securities"), equity securities issued by subsidiaries and affiliated companies, and all other securities that are not classified in any of the above categories ("available-for-sale securities"). The Company and the domestic Subsidiaries did not have trading securities or held-to-maturity debt securities.

Equity securities issued by the Subsidiaries and affiliated companies, which are not accounted for using equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. The fair market value is calculated using mainly the average price of securities one month before the consolidated balance sheet date. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities without fair market value available are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies which are not accounted for using equity method, and available-for-sale securities decline significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market values of these securities are not readily available, they should be written down to net asset value with a corresponding charge in the statements of income in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(e) Derivative Transaction and Hedge Accounting

Japanese accounting standard for financial instruments requires the Company and the domestic Subsidiaries to measure derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the instruments are applied to hedged items.

In cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the forward foreign exchange contracts and hedging items are accounted for in the following manner.

- 1) If forward foreign exchange contracts are entered into to hedge existing foreign currency receivables or payables,
 - i. the difference, if any, between the Japanese yen amount of the hedged foreign currency receivables or payables converted by the contracted forward foreign exchange rate and the book value of the receivables or payables is recognized in the statement of income of the fiscal year in which such contracts are entered into, and
 - ii. the difference between the Japanese yen amount converted by the contracted forward foreign exchange rate and the Japanese yen amount by spot rate at the trade date of the contract is allocated to every fiscal period over the term of the contract.

- 2) If forward foreign exchange contracts are entered into to hedge a future transaction (be contracted but not stated in financial statements) denominated in foreign currency, recognition of gains and losses resulting from fair value of the forward foreign exchange contracts are deferred until the contracts are applied to the hedged item.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was allocated.

(f) Allowance for Doubtful Accounts

In order to provide for credit losses, non-recoverable amount is recorded based on write-off ratio for general accounts. For doubtful accounts, collectability is examined and recoverable amount is estimated individually.

(g) Inventories

Merchandise, finished goods, raw materials and supplies are stated at cost determined mainly by the moving-average method (except steels for new shipbuilding, which are by identified cost method) (Balance sheet value reflects downturn in profitability). Work in progress is stated using identified cost method (Balance sheet value reflects downturn in profitability). Construction costs, which are accumulated in inventory, consist of direct materials, labor, other items directly attributable to each contract and an allocable portion of general manufacturing and construction overheads.

(h) Property, Plant and Equipment and Depreciation

Depreciation of plant and equipment is mainly computed using the straight-line method over their estimated useful lives. Ordinary maintenance and repairs are charged to the profit and loss account as incurred.

(i) Intangible assets

Intangible assets primarily consist of software, customer-related assets and goodwill. Software for own use is depreciated using the straight-line method over the estimated useful life (five years). Customer-related assets is also amortized using the straight-line method based on effected period (mainly eighteen years). Goodwill is generally amortized using the straight-line method over a reasonable period in which the economic benefits are expected to be realized.

(j) Employees' Severance and Retirement Benefits

In calculating retirement benefit obligations, the benefit formula basis is used to allocate projected retirement benefits over the period to the end of this consolidated fiscal year. Actuarial gains and losses are recognized in the Consolidated Statements of Operations commencing with the following year using the straight-line method mainly for five or ten years. Prior service costs are recognized in the Consolidated Statements of Operations using the straight-line method mainly for one or five years.

After being adjusted for tax effect, unrecognized actuarial gains and losses, unrecognized prior service costs are added to "Remeasurements of defined benefit plans", an item within "Accumulated other comprehensive income (net assets)".

(k) Liability for Severance and Retirement Benefits for Directors and Corporate Auditors

Amount is recorded based on internal regulations in order to prepare for payment of retirement benefit of directors and corporate auditors.

(l) Translation of Foreign Currency Accounts

Under Japanese accounting standard for foreign currency translation, monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each balance sheet date with the resulting gain or loss included in the current statements of income.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates in effect at each balance sheet date, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are also translated at the exchange rates in effect at each balance sheet date.

(m) Provision for Losses on Construction Contracts

Provision for losses on construction contracts, etc., is provided based on an estimate of the total losses which can probably occur for the next fiscal year and beyond with respect to construction projects, etc., on which eventual losses are deemed inevitable and amounts thereof can reasonably be estimated.

(n) Provision for Construction Warranties

Provision for construction warranties for ships and other products is provided based on the estimated amounts calculated by using mainly the average proportion of construction warranties against amounts of construction revenue for past two years.

(o) Income Taxes

Deferred income tax is recognized from temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(p) Revaluation Reserve for Land

The land used for business operations is revaluated based on real estate tax value on March 31, 2000 and March 31, 2002 respectively, in accordance with Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land (the "Law") effective March 31, 1998. The related unrealized gain, net of income taxes was recorded as "Revaluation reserve for land" in Net assets and the deferred income tax effects were recorded as Deferred tax liabilities on "Revaluation reserve for land" in Long-term liabilities.

According to the Law, revaluation of the land is not permitted at any time after the above revaluation even in cases where the fair value of the land declines. Such unrecorded revaluation losses are ¥39,079 million (\$352,095 thousand) and ¥38,415 million as of March 31, 2019 and 2018, respectively.

(q) Research and Development

Costs relating to research and development activities are charged to the profit and loss account as incurred. The amounts for the years ended March 31, 2019 and 2018 were ¥3,200 million (\$28,831 thousand) and ¥3,531 million, respectively.

(r) Cash Flow Statement

In preparing the Consolidated Statements of Cash flows, cash and cash equivalents consists of cash on hand, readily available deposits including short-term loans and short-term highly liquid investments with maturities not exceeding three months at the time of purchase which involve only an insignificant risk in their movements of value.

Reconciliation of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents in the Consolidated Statements of Cash flows as of March 31, 2019 and 2018 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2019	2018	2019
Cash and time deposits	¥ 100,857	¥ 93,698	\$ 908,703
Time deposits with maturities exceeding 3 months	(3,449)	(7,490)	(31,074)
Cash equivalents included in marketable securities	-	104	-
Cash and cash equivalents	¥ 97,408	¥ 86,312	\$ 877,629

(s) Finance Lease Transactions without Transfer of Ownership

Lessee:

The method of amortization of the lease assets related to finance lease transactions without transfer of ownership is by the straight-line method corresponding to lease period. The residual value is the guaranteed residual value in case such value is set forth in the lease contract but otherwise is zero value.

Lessor:

Revenues and costs of sales on finance lease transactions, other than those that transfer ownership of the leased property to the lessee, are recognized when lease payments are received.

(t) Reclassifications

Certain reclassifications have been made in the financial statement of the previous fiscal year to conform to the classification used in this fiscal year. These reclassifications had no effect on previously reported profit or net assets.

(u) Change in Accounting Policy

Application of IFRS No. 15 "Revenue from Contracts with Customers"

The Subsidiaries adapting IFRS have applied IFRS No. 15 "Revenue from Contracts with Customers" ("IFRS 15"), effective April 1, 2018. In application of IFRS 15, the Subsidiaries chose to recognize the accumulated effect of applying IFRS 15 as of the date of the start of application, as allowed by the provision on transitional measures set forth in IFRS 15.

As a result of this change, retained earnings as of April 1, 2018 increased by ¥50 million (\$450 thousand) in comparison with those under the previous standard. Impacts of application of IFRS 15 on the consolidated financial statements of the Company is immaterial.

(v) Accounting Standards and Guidance Issued but not yet Applied

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)

- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

1) Outline:

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and published the "Revenue from Contracts with Customers" (IFRS 15 for the IASB and Topic 606 for the FASB) in May 2014. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018 and Topic 606 is effective for fiscal years beginning after December 15, 2017. Given these circumstances, the ASBJ has developed comprehensive accounting standards for revenue recognition and published them with the implementation guidance thereon.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is thought to set such accounting standards by adopting basic principles of IFRS 15 as a starting point, from the viewpoint of comparability among financial statements, which is one of benefits of ensuring consistency with IFRS 15, and to additionally provide for alternative accounting treatments to the extent that it would not impair comparability, if there is an item to be taken into consideration in practices that have been conducted in Japan.

2) Planned date of application:

To be applied from the beginning of the fiscal year ending March 31, 2022.

3) Impact of application of the accounting standards:

The impacts of the application of the "Accounting Standard for Revenue Recognition" and the "Implementation Guidance on Accounting Standard for Revenue Recognition" on the Group's consolidated financial statements are currently being evaluated.

- "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019)

- "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019)

1) Outline:

"Accounting Standard for Business Combinations" and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" were revised and issued by the Accounting Standards Board of Japan (ASBJ) based on its discussion following the proposal issued by the Standards Advisory Council, which requested ASBJ to discuss on the accounting treatment in case of partial repayment of considerations in relation to contingent considerations for acquisition under ASBJ Statement No. 21.

Main revisions were to add "repayment of considerations" in the definition of "contingent considerations for acquisition" and to add accounting for "repayment of considerations in relation to contingent considerations for acquisition."

In the revision of "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Guidance 10), descriptions for accounting for shareholders of parties to the business combination were amended to be consistent with "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013). Furthermore, with respect to the tax effect accounting of divesting company in case where the split-off-type demerger is non-qualified organizational restructuring and the effective date of demerger is the beginning of the fiscal year of the divesting company, because the treatment of deemed fiscal period in split-off-type demerger has already been abolished since fiscal 2010 Tax Reform, the related provisions in Guidance 10 were deleted.

2) Planned date of application:

To be applied to organizational restructurings effected on or after the beginning of the fiscal year ending March 31, 2020.

3) Impact of application of the accounting standards:

The impacts of the application of the "Accounting Standard for Business Combinations" and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" on the Group's consolidated financial statements are currently not yet determined.

(w) Changes in Presentation

Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

The Company adopted ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" issued on February 16, 2018 ("ASBJ 28"), from the beginning of the year ended March 31, 2019. Accordingly, "Deferred tax assets" and "Deferred tax liabilities" are presented in "Investments and other assets" and "Long-term liabilities", respectively, in the accompanying consolidated balance sheets and "Note on Income Taxes" has been modified.

As a result, certain line items in the consolidated balance sheet as of March 31, 2018 has been reclassified to conform to the 2019 presentation as follows: "Deferred tax assets" of ¥9,492 million previously presented in "Current assets" are now included in "Deferred tax assets" of ¥18,123 million in "Investments and other assets", and "Deferred tax liabilities" of ¥293 million previously presented in "Current liabilities" are now included in "Deferred tax liabilities" of ¥50,243 million in "Long-term liabilities".

In addition, certain information are added to "Note on Income Taxes" as defined by No. 8 (except for the total amount of valuation allowance) and No.9 of Annotations on ASBJ 28, which are referred to by Articles 3 to 5 of ASBJ 28. Such information for the year ended March 31, 2018 are not presented in accordance with the transitional measures prescribed in Article 7 of ASBJ 28.

Consolidated Statements of Cash flows

In the year ended March 31, 2018, "Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation" was presented individually in "Cash flows from financing activities", but now is included in "Other" since its materiality in amount has decreased. Consolidated financial statements for the year ended March 31, 2018 has been reclassified in order to reflect this change in presentation.

As a result, in the consolidated cash flow statement as of March 31, 2018, ¥(0) million previously presented in "Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation" in "Cash flows from financing activities" is now included in "Others".

2. Investment Securities

(a) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2019 and 2018:

2019	Japanese Yen (millions)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 8,369	¥ 14,712	¥ 6,343
Sub Total	8,369	14,712	6,343
Securities with book values not exceeding acquisition costs:			
Equity securities	6,746	5,653	(1,093)
Sub Total	6,746	5,653	(1,093)
Total	¥ 15,115	¥ 20,365	¥ 5,250

2018	Japanese Yen (millions)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 15,496	¥ 27,511	¥ 12,015
Sub Total	15,496	27,511	12,015
Securities with book values not exceeding acquisition costs:			
Equity securities	4,688	4,070	(618)
Sub Total	4,688	4,070	(618)
Total	¥ 20,184	¥ 31,581	¥ 11,397

2019	U. S. Dollars (thousands)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	\$ 75,403	\$ 132,552	\$ 57,149
Sub Total	75,403	132,552	57,149
Securities with book values not exceeding acquisition costs:			
Equity securities	60,780	50,933	(9,847)
Sub Total	60,780	50,933	(9,847)
Total	\$ 136,183	\$ 183,485	\$ 47,302

(b) Proceeds from sales of available-for-sale securities and realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2019 and 2018 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2019	2018	2019
Proceeds from sales of available-for-sale securities			
Securities	¥ 6,867	¥ 6,240	\$ 61,870
Realized gains on sales of available-for-sale securities			
Securities	¥ 2,558	¥ 3,879	\$ 23,047
Realized losses on sales of available-for-sale securities			
Securities	¥ 363	¥ -	\$ 3,271

(c) Securities for which impairment loss was recognized

For the year ended March 31, 2019, loss on impairment of ¥403 million (\$3,631 thousand) for available-for-sale securities was recognized.

When the fair value of a security at the fiscal year-end declines by more than 50% compared to the acquisition cost, the full amount is recognized as loss on impairment. When the decline is around 30% to 50%, loss on impairment is recognized for the amount deemed necessary, taking into consideration the recoverability etc.

3. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates included in investment securities as of March 31, 2019 and 2018 were ¥56,012 million (\$504,658 thousand) and ¥52,000 million, respectively. Investments in unconsolidated subsidiaries and affiliates included in other assets as of March 31, 2019 and 2018 were ¥6,969 million (\$62,789 thousand) and ¥7,940 million, respectively.

4. Pledged Assets

Assets pledged as collateral for long-term indebtedness as of March 31, 2019 and 2018 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2019	2018	2019
Land	¥ 2,399	¥ 2,514	\$ 21,615
Buildings and structures	172	182	1,550
Machinery, equipment and vehicles	7,919	9,016	71,349
Investment securities	1,103	1,133	9,938
Cash and time deposits	425	3,186	3,829
Long-term loans	814	-	7,334
Long-term deposits	1,457	1,476	13,127
	¥ 14,289	¥ 17,507	\$ 128,742

Long-term indebtedness secured by the above pledged assets as of March 31, 2019 and 2018 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2019	2018	2019
Long-term indebtedness	¥ 10,228	¥ 11,919	\$ 92,152
	¥ 10,228	¥ 11,919	\$ 92,152

5. Short-Term Borrowings

Short-term borrowings represent notes payable to banks due within twelve months. The average interest rate for the year ended March 31, 2019 is 0.27%.

6. Long-Term Indebtedness

Long-term indebtedness as of March 31, 2019 and 2018 were summarized below:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2019	2018	2019
Secured by mortgages on plant and equipment-			
loans from Japanese banks, due on various dates through 2026	¥ 10,228	¥ 11,919	\$ 92,153
Unsecured or non-guaranteed-			
1.14% bonds, due December 12, 2019	5,000	5,000	45,049
0.63% bonds, due December 12, 2019	5,000	5,000	45,049
0.62% bonds, due September 14, 2020	5,000	5,000	45,049
0.46% bonds, due September 15, 2021	10,000	10,000	90,098
1.03% bonds, due December 10, 2021	5,000	5,000	45,049
1.01% bonds, due September 14, 2022	5,000	5,000	45,049
0.62% bonds, due December 15, 2022	10,000	10,000	90,098
0.70% bonds, due September 15, 2023	5,000	5,000	45,049
loans from banks, insurance companies and trading companies due on various dates through 2028	140,854	181,655	1,269,070
	201,082	243,574	1,811,713
Less: Current portion included in current liabilities	(49,062)	(62,925)	(442,040)
	¥ 152,020	¥ 180,649	\$ 1,369,673

The aggregate annual maturities of long-term indebtedness are summarized below:

Year ended March 31,	Japanese Yen (millions)	U.S. Dollars (thousands)
2020	¥ 49,062	\$ 442,040
2021	49,367	444,788
2022	38,073	343,031
2023	34,578	311,542
2024 and thereafter	30,002	270,312
	¥ 201,082	\$ 1,811,713

7. Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at the Group as of March 31, 2019 and 2018 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2019	2018	2019
Total overdraft facilities and lending commitments	¥ 65,824	¥ 67,496	\$ 593,062
Less amounts currently executed	3,452	2,778	31,102
Unexecuted balance	¥ 62,372	¥ 64,718	\$ 561,960

8. Financial Covenants

Long-term borrowings include those based on syndicated loan contracts and commitment line contracts entered into between the Company and financial institutions, which are subject to financial covenants. Main covenants are as follows:

Syndicated loans (Long-term borrowings, current portion of long-term borrowings):

- At the end of each fiscal year, total net assets in the consolidated and non-consolidated balance sheets must be maintained above a defined level, respectively.

- Ratings by rating agencies must be maintained above a defined level.

Commitment line contracts (short-term borrowings):

- At the end of each fiscal period (including quarter period), total net assets in the consolidated and non-consolidated balance sheets must be maintained above a defined level, respectively.

The balance of long-term borrowings based on such contracts as of March 31, 2019 and 2018 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2019	2018	2019
Long-term borrowings	¥ 15,481	¥ 21,921	\$ 139,481
	¥ 15,481	¥ 21,921	\$ 139,481

(note) Long-term borrowings includes the current portion.

At the end of the second-quarter of the year ended March 31, 2019, the Company violated the financial covenants of commitment line contracts. However, the covenants were subsequently changed at the renewal of the contracts and, as a result, the violation has been resolved as of March 31, 2019.

9. Net Assets and Per Share Data

Under the Japanese Corporate Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution in the shareholders' meeting or could be capitalized by a resolution in the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

Earnings per share is computed based on the weighted average number of shares of common stock outstanding during each period. Cash dividends per share represent the cash dividends declared applicable to the respective year. Effective October 1, 2017, the Company consolidated every 10 shares of its common stock into 1 share.

10. Liability for Severance and Retirement Benefits

(a) Overview of adopting severance and retirement benefits plans

The Group has system of funded and unfunded severance and retirement benefits, and defined contribution pension plans.

Severance and retirement benefits (all funded) pay out lump-sum payment or annual pension based on salary and length of service.

Part of funded severance and retirement benefits is entrusted.

Lump-sum payment (part of which becomes funded as a result of benefit trust although the system is unfunded) is paid out based on salary and length of service as retirement benefits.

Some of the domestic Subsidiaries have adopted a "simpler method" to calculate liability for severance and retirement benefits for employees.

(b) Breakdown of information concerning severance and retirement benefits

i) Movements of severance and retirement benefit obligation:	Japanese Yen (millions)		U.S.Dollars (thousands)
	2019	2018	2019
Balance at beginning of year	¥ 48,565	¥ 48,035	\$ 437,562
Current service costs	2,710	2,713	24,417
Interest costs	302	353	2,721
Actuarial differences on pension plan obligation	416	719	3,748
Benefits paid	(3,035)	(2,845)	(27,345)
Change of scope of consolidation	166	(253)	1,496
Others	563	(157)	5,072
Balance at end of year	¥ 49,687	¥ 48,565	\$ 447,671

ii) Movements of pension assets:	Japanese Yen (millions)		U.S.Dollars (thousands)
	2019	2018	2019
Balance at beginning of year	¥ 41,867	¥ 41,955	\$ 377,214
Expected return on pension assets	17	19	153
Actuarial differences on pension assets	(3,278)	1,559	(29,534)
Contribution to pension plans	73	204	657
Benefits paid	(1,336)	(1,848)	(12,037)
Others	(27)	(22)	(243)
Balance at end of year	¥ 37,316	¥ 41,867	\$ 336,210

iii) Reconciliation of projected retirement benefit obligation and net defined benefit assets / liabilities recorded in the consolidated balance sheets:	Japanese Yen (millions)		U.S.Dollars (thousands)
	2019	2018	2019
Retirement benefit obligation (funded non-contributory)	¥ 42,182	¥ 41,336	\$ 380,052
Less fair value of pension assets	(37,316)	(41,867)	(336,210)
Retirement benefit obligation (Unfunded termination and retirement allowance plan)	7,505	7,229	67,619
Net defined benefit assets / liabilities recorded in the consolidated balance sheets	¥ 12,371	¥ 6,698	\$ 111,461
Defined benefit liabilities	13,104	12,274	118,065
Defined benefit assets	(733)	(5,576)	(6,604)
Net defined benefit assets / liabilities recorded in the consolidated balance sheets	¥ 12,371	¥ 6,698	\$ 111,461

iv) Severance and retirement benefit expenses:	Japanese Yen (millions)		U.S.Dollars (thousands)
	2019	2018	2019
Current service costs	¥ 2,710	¥ 2,713	\$ 24,417
Interest costs	302	353	2,721
Expected return on pension assets	(17)	(19)	(153)
Amortization of actuarial differences	2,684	4,773	24,182
Amortization of prior service costs	(1)	(127)	(9)
Others	(504)	-	(4,541)
Severance and retirement benefit expenses	¥ 5,174	¥ 7,693	\$ 46,617

v) Remeasurements of defined benefit plans (before deducted tax effects):	Japanese Yen (millions)		U.S.Dollars (thousands)
	2019	2018	2019
Prior service costs	¥ 8	¥ 108	\$ 72
Actuarial differences	(1,263)	5,646	(11,380)
Others	(432)	(193)	(3,892)
Total	¥ (1,687)	¥ 5,561	\$ (15,200)

vi) Unrecognized actuarial differences (before deducted tax effects):	Japanese Yen (millions)		U.S.Dollars (thousands)
	2019	2018	2019
Unrecognized prior service costs	¥ (128)	¥ (120)	\$ (1,153)
Unrecognized actuarial differences	2,943	1,681	26,516
Others	1,006	574	9,064
Total	¥ 3,821	¥ 2,135	\$ 34,427

vii) The major categories of pension assets:	Percentage of composition	
	2019	2018
Bonds	4%	3%
Securities	73%	76%
Cash and deposits	18%	17%
Others	5%	4%
Total	100%	100%

viii) The principal actuarial assumptions at reporting date are summarized below:	2019	2018
	Discount rate	0.0% - 0.9%
Expected rate of return on pension plan assets	Not applicable	Not applicable
Expected rate of pay raises	Primarily 1.7% - 3.6%	Primarily 2.0% - 3.8%

To determine the expected rate of return on pension plan assets, allocation of pension assets expected in present and future, and long-term rate of return on portfolio assets expected in present and future are considered.

(c) Defined contribution pension plan

The contribution paid to the defined contribution pension plan is summarized below:

Contribution paid to the defined contribution pension plan	Japanese Yen (millions)		U.S.Dollars (thousands)
	2019	2018	2019
	¥ 166	¥ 159	\$ 1,496

	US dollars (thousands)						
	Within 1 year	Over 1 year ~ within 2 years	Over 2 years ~ within 3 years	Over 3 years ~ within 4 years	Over 4 years ~ within 5 years	Over 5 years	Total
Tax loss carry forward (a)	\$ 4,190	\$ 982	\$ 1,261	\$ 1,063	\$ 1,018	\$ 244,851	\$ 253,365
Valuation allowance	\$ (4,190)	\$ (811)	\$ (856)	\$ (667)	\$ (613)	\$ (244,454)	\$ (251,591)
Deferred tax assets	\$ 0	\$ 171	\$ 405	\$ 396	\$ 405	\$ 397	\$ 1,774

(a) Tax loss carry forward is calculated by multiplying the statutory tax rate.

13. Business Combination

(a) Transition to a holding company structure by means of an absorption-type company split

Following the approval at the Ordinary General Meeting of Shareholders held on June 28, 2017, the Company executed an absorption-type company split on April 1, 2018, with the Company as the splitting company and the Company's three wholly owned subsidiaries as succeeding companies, and shifted to a holding company structure.

As of the same date, the Company also changed its trade name to Mitsui E&S Holdings Co., Ltd.

Transactions under common control

1) Summary of transactions

i. Business operations subject to the transaction

Ship and ocean business, Machinery and systems business, and Engineering business of the Company

ii. Date of business combination

April 1, 2018

iii. Legal form of business combination

Absorption-type company split, with the Company as the splitting company and the Company's three wholly owned subsidiaries as succeeding companies.

iv. Name of companies after business combination

The succeeding companies for each business, with their trade names being changed as of April 1, 2018, are as follows:

Ship and ocean business – Mitsui E&S Shipbuilding Co., Ltd.

(formerly, MES Ship Split Preparation Co., Ltd.)

Machinery and systems business – Mitsui E&S Machinery Co., Ltd.

(formerly, MES Machinery and Systems Split Preparation Co., Ltd.)

Engineering business – Mitsui E&S Engineering Co., Ltd.

(formerly, MES Engineering Split Preparation Co., Ltd.)

v. Other transaction summary

Business environment surrounding the Company is entering a period of major changes. In addition to fluctuations of crude oil prices, slowdown of recovery speed of investment for large plants, exchange-rate fluctuations (risk of switching of the U.S. exchange policy), and delay of recovery of demand in the market of commercial ships, there is a rapid catch-up by ship constructing competitors in emerging countries such as China and South Korea including in technical aspects. On the other hand, opportunities of business expansion are increasing in the context of growing energy demand mainly in emerging countries and increasing tendency toward environmental efficiency and energy conservation. Under this business environment, the Group decided to spin off each of the Company's ship and ocean business, machinery & systems business, and engineering business into separate operating companies and shift to a holding company structure in order to accelerate deepening of management of the Group.

Transitioning to a holding company structure will enable the Company to transfer authority and responsibility over business execution to the spin-off operating companies and establish clear independence of business execution and management responsibility. Under this arrangement, the operating companies will formulate and execute strategies quickly, adapt their strategies to changes in the business environment flexibly, execute bold strategies such as M&A activities (or business partnerships), pursue a selection-and-concentration strategy, and thereby further enhance their corporate value.

As a pure holding company, the Company will work to enhance collaboration between the Group companies and the spin-off operating companies, whose independence of business execution has been strengthened, develop business plans and other business strategies so as to foster an organic sense of unity among Group companies, concentrate corporate resources on business domains that the Company identifies as growth areas, and thus enhance the corporate value of the Group as a whole.

2) Summary of accounting applied

The transaction was accounted for as transactions under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

14. Contingent Liabilities

Contingent liabilities of the Group as of March 31, 2019 and 2018 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2019	2018	2019
Guarantees of bank loans and other indebtedness	¥ 32,240	¥ 65,659	\$ 290,477

15. Notes Matured on the Year-End Date that Falls on a Bank Holiday

Notes matured on the year-end date that falls on a bank holiday are accounted for as settled on their clearing date though it belongs to the next fiscal year. As March 31, 2019 and 2018 were bank holidays, the notes matured on the year-end date were included in the year-end balance as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2019	2018	2019
Notes receivable	¥ 511	¥ 430	\$ 4,604
Notes payable	¥ 107	¥ 66	\$ 964

16. Loss on Impairment of non-current assets

The Group adopted the accounting standard for impairment of non-current assets. The non-current assets are grouped by each segment. Idle non-current assets are grouped individually. The book value of the non-current assets is reduced to the collectable amount.

The loss on impairment of non-current assets for the years ended March 31, 2019 and 2018 were comprised of the following.

2019

Location	: Oita City, Oita Prefecture etc.
Major use	: Idle assets
Asset category	: Land
Amount	: ¥ 28 million (\$ 252 thousands)
Reason	: Decline in market value

Location	: Ichihara City, Chiba Prefecture etc.
Major use	: Business assets
Asset category	: Land, Building etc.
Amount	: ¥ 5,833 million (\$ 52,554 thousands)
Reason	: Deterioration of business environment

Location	: Akishima City, Tokyo
Major use	: Assets to be disposed
Asset category	: Building etc.
Amount	: ¥ 195 million (\$ 1,757 thousands)
Reason	: Determination of disposal

Location	: Germany
Major use	: -
Asset category	: Goodwill
Amount	: ¥ 959 million (\$ 8,641 thousands)
Reason	: Decline in MES Germany Beteiligungs GmbH's expected income

2018

Location	: Etajima City, Hiroshima Prefecture.
Major use	: Idle assets
Asset category	: Land
Amount	: ¥ 0 million
Reason	: Decline in market value

Location	: Takamatsu City, Kagawa Prefecture etc.
Major use	: Business assets
Asset category	: Land, Building, Machinery and Equipment etc.
Amount	: ¥ 3,672 million
Reason	: Decline in market value and deterioration of business environment

17. Comprehensive Income

Each component of other comprehensive income for the years ended of March 31, 2019 and 2018 were the following:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2019	2018	2019
Net unrealized holding gains (losses) on securities:			
Amount of generation at this fiscal term	¥ (4,611)	¥ 199	\$ (41,544)
Amount of rearrangement adjustment	(1,529)	(3,876)	(13,776)
Before adjusting the tax effect	(6,140)	(3,677)	(55,320)
Tax effect	1,853	1,081	16,695
Net unrealized holding losses on securities	(4,287)	(2,596)	(38,625)
Unrealized gains (losses) on hedging derivatives:			
Amount of generation at this fiscal term	(1,966)	(1,619)	(17,713)
Amount of rearrangement adjustment	556	(63)	5,009
Before adjusting the tax effect	(1,410)	(1,682)	(12,704)
Tax effect	88	435	793
Unrealized losses on hedging derivatives	(1,322)	(1,247)	(11,911)
Foreign currency translation adjustments:			
Amount of generation at this fiscal term	(5,776)	1,493	(52,041)
Amount of rearrangement adjustment	(34)	(249)	(306)
Before adjusting the tax effect	(5,810)	1,244	(52,347)
Tax effect	3	(202)	27
Foreign currency translation adjustments	(5,807)	1,042	(52,320)
Remeasurements of defined benefit plans:			
Amount of generation at this fiscal term	(3,699)	916	(33,328)
Amount of rearrangement adjustment	2,012	4,645	18,128
Before adjusting the tax effect	(1,687)	5,561	(15,200)
Tax effect	362	(1,740)	3,262
Remeasurements of defined benefit plans	(1,325)	3,821	(11,938)
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount of generation at this fiscal term	(269)	(2,271)	(2,423)
Amount of rearrangement adjustment	862	1,111	7,766
Share of other comprehensive income of affiliates accounted for using equity method	593	(1,160)	5,343
Total	¥ (12,148)	¥ (140)	\$ (109,451)

18. Leases

(a) Lessee

i) Unexpired lease payments of operating lease transactions as of March 31, 2019 and 2018 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2019	2018	2019
Due within one year	¥ 1,900	¥ 1,908	\$ 17,119
Due after one year	4,277	6,032	38,535
Total	¥ 6,177	¥ 7,940	\$ 55,654

(b) Lessor

i) Unexpired lease receivables of operating lease transactions as of March 31, 2019 and 2018 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2019	2018	2019
Due within one year	¥ 1,229	¥ 1,315	\$ 11,073
Due after one year	6,804	8,027	61,303
Total	¥ 8,033	¥ 9,342	\$ 72,376

19. Financial Instruments

(a) Articles concerning status of financial instruments

1) Policies for financial instruments

The Group restricts the fund management to short-term financial instruments. The Group transfers funds to each other through an inter-company cash management systems (CMS).

Regarding the funding, the Group raises the short-term working capital through bank loans and the issuance of commercial paper (CP), and raises the long term capital investment through bank loans and the issuance of bonds. Derivative financial instruments are utilized to hedge the risks described hereinafter and not for speculative transactions as a matter of policy.

2) Substances and risks of financial instruments

Trade receivables are exposed to credit risks of customers. Trade receivables in foreign currency, which the Company and certain Subsidiaries receive from foreign operations, are exposed to currency fluctuation risks. Forward foreign exchange contracts are applied to these hedged items in principle. Investment securities, mainly of companies with business relationships, are exposed to market fluctuation risks. Short-term and long-term loans for operating funds and capital expenditures of SPC's, which are established for charter project of FPSO or for generating electricity, are exposed to credit risks of customers.

Almost all of the trade payables are due within one year. Foreign currency trade payables for overseas procurement are exposed to currency fluctuation risks, but those trade payables are controlled not to exceed the balance of trade receivables in the same foreign currencies.

Short-term borrowings are mainly for the purpose of funding commercial transactions. Long-term borrowings and bonds are mainly for the purpose of funding capital investments. Although the portions of those debts with floating interest rates are exposed to interest rate fluctuation risks, interest rate swap contracts are applied to hedge the risks.

Derivative transactions are the above mentioned forward foreign exchange contracts, as well as interest rate swap contracts. They are for the purpose of hedging currency fluctuation risks and rising interest rate risks.

As to details on hedging instruments, hedged items, hedging policy and hedge effectiveness testing, please refer to "1. Significant Accounting and Reporting Policies (e) Derivative Transaction and Hedge Accounting."

3) Risk management in financial instruments

i. Management of credit risks (Risks for breach of contracts)

The Group monitors due dates and balances of trade receivables and regularly investigates the credit standings of main customers for early detection and reduction of default risks according to internal regulation. Certain Subsidiaries reduce their balance of loan receivables by arranging project finance or through cooperation with business partners such as general trading companies.

As to derivative transactions, credit risks are minimized by dealing solely with top-ranked financial institutions.

ii. Management of market risks (Exchange rate or interest rate fluctuation risks)

The Company and certain Subsidiaries utilize forward foreign exchange contracts, interest rate swap contracts, and interest rate and currency swap contracts. Forward foreign exchange contracts are for the purpose of hedging currency fluctuation risks arising from foreign currency receivables and payables in principle, and the others are utilized for the purpose of hedging interest rate fluctuation risks arising from short-term and long-term borrowings and bonds.

Holding position of investment securities are continuously reviewed by researching fair market value and financial status of important customers regularly and taking into account of market condition and relationship with customers.

Execution and management of derivative transactions are based on each company's internal regulation restricting scope of authority.

As to derivative transactions, the Group utilizes them to offset risks within the range of trade demand.

iii. Management of liquidity risks of raising funds (Default risks)

The Finance & Accounting department of the Group makes and updates finance plans, and maintains a certain level of liquidity on hand to minimize liquidity risks.

4) Supplementary explanation about fair value of financial instruments

Fair value of financial instruments includes not only fair market value based on market price but also reasonably estimated value if market price is not available. Reasonably estimated fair value may fluctuate because it depends on an estimation process which is based on certain preconditions.

The contract amounts for derivatives stated in the following "(b) Articles concerning fair value of financial instruments," do not indicate the market risks of derivatives.

(b) Articles concerning fair value of financial instruments

Consolidated balance sheet amounts, fair value of financial instruments and the differences between them for the fiscal years ended March 31, 2019 and 2018 were as follows. Financial instruments in which the fair value is considered to be extremely difficult to recognize are not included in the list below.

2019	Japanese Yen (millions)		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 100,857	¥ 100,857	¥ -
(2) Trade receivables	225,765		
Less allowance for doubtful accounts *1	(1,005)		
	224,760	224,760	0
(3) Short-term loans	41,039	41,039	-
(4) Investment securities			
Available-for-sale securities	20,365	20,365	-
(5) Long-term loans	46,170		
Less allowance for doubtful accounts *1	(426)		
	45,744	45,958	214
Total assets	¥ 432,765	¥ 432,979	¥ 214
(1) Trade payables	¥ 190,956	¥ 190,956	¥ -
(2) Short-term borrowings	3,535	3,535	-
(3) Current portion of long-term borrowings	39,062	39,100	38
(4) Current portion of bonds	10,000	10,011	11
(5) Accrued income taxes	11,846	11,846	-
(6) Bonds	40,000	40,135	135
(7) Long-term borrowings	112,020	112,263	243
Total liabilities	¥ 407,419	¥ 407,846	¥ 427
Derivative transactions *2			
i. Derivative transactions for which hedge accounting has not been applied	¥ 2,462	¥ 2,462	¥ -
ii. Derivative transactions for which hedge accounting has been applied	(278)	(278)	-
Total derivative transactions	¥ 2,184	¥ 2,184	¥ -

2018	Japanese Yen (millions)		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 93,698	¥ 93,698	¥ -
(2) Trade receivables	243,768		
Less allowance for doubtful accounts *1	(1,898)		
	241,870	241,869	(1)
(3) Short-term loans	47,227	47,227	-
(4) Investment securities			
Available-for-sale securities	31,581	31,581	-
(5) Long-term loans	41,380		
Less allowance for doubtful accounts *1	(394)		
	40,986	41,691	705
Total assets	¥ 455,362	¥ 456,066	¥ 704

(1) Trade payables	¥ 180,787	¥ 180,787	¥ -
(2) Short-term borrowings	11,703	11,703	-
(3) Current portion of long-term borrowings	62,925	62,969	44
(4) Current portion of bonds	-	-	-
(5) Accrued income taxes	9,010	9,010	-
(6) Bonds	50,000	50,222	222
(7) Long-term borrowings	130,649	130,783	134
Total liabilities	¥ 445,074	¥ 445,474	¥ 400

Derivative transactions *2			
i. Derivative transactions for which hedge accounting has not been applied	¥ 2,551	¥ 2,551	¥ -
ii. Derivative transactions for which hedge accounting has been applied	919	919	-
Total derivative transactions	¥ 3,470	¥ 3,470	¥ -

2019	U.S. Dollars (thousands)		
	Book value	Fair value	Difference
(1) Cash and time deposits	\$ 908,703	\$ 908,703	\$ -
(2) Trade receivables	2,034,102		
Less allowance for doubtful accounts *1	(9,055)		
	2,025,047	2,025,047	0
(3) Short-term loans	369,754	369,754	-
(4) Investment securities			
Available-for-sale securities	183,485	183,485	-
(5) Long-term loans	415,983		
Less allowance for doubtful accounts *1	(3,838)		
	412,145	414,073	1,928
Total assets	\$ 3,899,134	\$ 3,901,062	\$ 1,928

(1) Trade payables	\$ 1,720,479	\$ 1,720,479	\$ -
(2) Short-term borrowings	31,850	31,850	-
(3) Current portion of long-term borrowings	351,942	352,284	342
(4) Current portion of bonds	90,098	90,197	99
(5) Accrued income taxes	106,730	106,730	-
(6) Bonds	360,393	361,609	1,216
(7) Long-term borrowings	1,009,280	1,011,470	2,190
Total liabilities	\$ 3,670,772	\$ 3,674,619	\$ 3,847

Derivative transactions *2			
i. Derivative transactions for which hedge accounting has not been applied	\$ 22,182	\$ 22,182	\$ -
ii. Derivative transactions for which hedge accounting has been applied	(2,505)	(2,505)	-
Total derivative transactions	\$ 19,677	\$ 19,677	\$ -

*1 Allowance for doubtful accounts is deducted from each account.

*2 Net credit or debt arising from derivative transactions is indicated by the offset amount and which is indicated as () in case of the offset amount is debt.

(note 1) Articles concerning calculation method of fair value, marketable securities and derivative transactions.

Assets

- (1) Cash and time deposits, (3) Short-term loans
Fair value of these accounts is stated at the book value because these accounts are settled in the short term, so they are considered to be close to the balance sheet amounts.
- (2) Trade receivables
Fair value of these accounts is stated at the present value discounted over the maturity term of each receivable divided into certain classified term.
- (4) Investment securities
Fair value of these accounts is based on available market price.
(Please see 2. Marketable Securities and Investment Securities)
- (5) Long-term loans
Fair value of these accounts is stated at the present value using future cash flows discounted by the premium added rate on the appropriate index like yield on government bonds.

Liabilities

- (1) Trade payables, (5) Accrued income taxes
Fair value of these accounts is stated at book value because these accounts are settled in the short term, so they are considered to be close to the balance sheet amounts.
- (2) Short-term borrowings, (3) Current portion of long-term borrowings, (7) Long-term borrowings
Fair value of borrowings at fixed interest rates is calculated using the total amount of the principal and interest discounted by the interest rate on condition that the borrowing is newly executed at the date of fair value evaluation.
Fair value of borrowings at variable interest rates is stated at balance sheet amounts because variable interest rates reflects the latest market conditions and the Company's credit standings is considered to be almost same as when funds were borrowed, so fair value is considered to be close to the balance sheet amounts.
Some borrowings at variable interest rates are subjected to exceptional treatment of interest swaps or batch treatment of interest rate and currency swaps that fulfill special treatment requirements. Those fair values are calculated using the total amount of the principal and interest as accounted for as a single item with those swaps, discounted by the reasonably estimated interest rates which would be applied if a similar borrowing were executed.
- (4) Current portion of bonds, (6) Bonds
These fair values consist of both the fair value based on fair market value and the present value using the total of the principal and interest discounted by a risk-free interest rate over the remaining term of each bond.

Derivative transactions

Please refer to "20. Derivative Transactions."

(note 2) Financial instruments in which the fair value is considered to be extremely difficult to recognize are as follows.

	Japanese Yen (millions)		U.S. Dollars (thousands)	
	Book value		Book value	
	2019	2018	2019	
(1) Unlisted equity securities	¥ 62,636	¥ 59,684	\$ 564,339	
(2) Trust property	211	207	1,901	
Total	¥ 62,847	¥ 59,891	\$ 566,240	

As to these financial instruments, there's no available fair market price and it is considered to cost a great deal to estimate future cash flows. So these financial instruments are not included in investment securities because it is considered to be extremely difficult to recognize fair value.

(note 3) The expected redemption amount of monetary credit and securities with maturity after the fiscal years ended March 31, 2019 and 2018 were as follows.

2019	Japanese Yen (millions)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 100,789	¥ -	¥ -	¥ -
Trade receivables	225,743	22	-	-
Short-term loans	41,039	-	-	-
Long-term loans	-	4,111	14,952	27,107
Total	¥ 367,571	¥ 4,133	¥ 14,952	¥ 27,107

2018	Japanese Yen (millions)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 93,628	¥ -	¥ -	¥ -
Trade receivables	242,753	1,009	6	-
Short-term loans	47,227	-	-	-
Long-term loans	4	6,223	15,224	19,929
Total	¥ 383,612	¥ 7,232	¥ 15,230	¥ 19,929

2019	U.S. Dollars (thousands)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	\$ 908,091	\$ -	\$ -	\$ -
Trade receivables	2,033,904	198	-	-
Short-term loans	369,754	-	-	-
Long-term loans	-	37,040	134,715	244,228
Total	\$ 3,311,749	\$ 37,238	\$ 134,715	\$ 244,228

(note 4) The expected redemption amount of bonds and borrowings after the fiscal years ended March 31, 2019 and 2018 were as follows.

2019	Japanese Yen (millions)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 3,535	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds	10,000	5,000	15,000	15,000	5,000	-
Long-term borrowings	39,062	44,367	23,073	19,578	10,987	14,015
Total	¥ 52,597	¥ 49,367	¥ 38,073	¥ 34,578	¥ 15,987	¥ 14,015

2018	Japanese Yen (millions)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 11,703	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds	-	10,000	5,000	15,000	15,000	5,000
Long-term borrowings	62,925	36,115	42,908	21,762	19,395	10,469
Total	¥ 74,628	¥ 46,115	¥ 47,908	¥ 36,762	¥ 34,395	¥ 15,469

2019	U.S. Dollars (thousands)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	\$ 31,850	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds	90,098	45,049	135,147	135,148	45,049	-
Long-term borrowings	351,942	399,739	207,884	176,394	98,991	126,272
Total	\$ 473,890	\$ 444,788	\$ 343,031	\$ 311,542	\$ 144,040	\$ 126,272

20. Derivative Transactions

Derivative transactions of the Group for market value information as of March 31, 2019 and 2018 were as follows:

(a) Derivative transactions for which hedge accounting has not been applied

2019	Japanese Yen (millions)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Market trades				
Forward contracts				
To buy U.S. Dollars	¥ 1,326	¥ -	¥ (5)	¥ (5)
To sell U.S. Dollars	3,574	-	8	8
Off-market trades				
Forward contracts				
To buy U.S. Dollars	¥ 2,440	¥ 3	¥ 24	¥ 24
Japanese Yen	61	-	2	2
Swiss Franc	30	-	2	2
To sell U.S. Dollars	23,790	-	229	229
Currency swap				
To receive Japanese Yen, pay U.S. Dollars	¥ 17,913	¥ 14,801	¥ 2,202	¥ 2,202
	¥ 49,134	¥ 14,804	¥ 2,462	¥ 2,462

2018	Japanese Yen (millions)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Market trades				
Forward contracts				
To buy U.S. Dollars	¥ 2	¥ -	¥ 0	¥ 0
Off-market trades				
Forward contracts				
To buy U.S. Dollars	¥ 1,768	¥ -	¥ 98	¥ 98
Swiss Franc	184	-	(3)	(3)
Chinese Yuan	302	-	5	5
To sell U.S. Dollars	6,355	-	12	12
Currency swap				
To receive Japanese Yen, pay U.S. Dollars	¥ 21,025	¥ 17,913	¥ 2,439	¥ 2,439
	¥ 29,636	¥ 17,913	¥ 2,551	¥ 2,551

2019	U.S. Dollars (thousands)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Market trades				
Forward contracts				
To buy U.S. Dollars	\$ 11,947	\$ -	\$ (45)	\$ (45)
To sell U.S. Dollars	32,201	-	72	72
Off-market trades				
Forward contracts				
To buy U.S. Dollars	\$ 21,984	\$ 27	\$ 216	\$ 216
Japanese Yen	550	-	18	18
Swiss Franc	270	-	18	18
To sell U.S. Dollars	214,344	-	2,063	2,063
Currency swap				
To receive Japanese Yen, pay U.S. Dollars	\$ 161,393	\$ 133,354	\$ 19,840	\$ 19,840
	\$ 442,689	\$ 133,381	\$ 22,182	\$ 22,182

(b) Derivative transactions for which hedge accounting has been applied

2019	Hedged items	Japanese Yen (millions)		
		Contract amount		Fair value
		Total	Due after one year	
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S. Dollars	Trade payables	¥ 4,735	¥ 2,555	¥ 638
Euro		12,358	843	(126)
STG Pounds		2,162	1,141	(73)
Indonesian Rupiah		21,828	2,326	(421)
Singapore Dollars		1,854	539	(39)
Swiss Franc		21	-	0
To sell U.S. Dollars	Trade receivables	26,264	1,062	(223)
STG Pounds		12,208	6,744	600
		¥ 81,430	¥ 15,210	¥ 356
Interest swap				
Basic treatment:				
To receive float, pay fix	Long-term borrowings	¥ 17,588	¥ 14,648	¥ (634)
Exceptional treatment **: To receive float, pay fix	Long-term borrowings	37,979	27,233	-
Interest rate and currency swap				
Batch treatment **: To receive float, pay fix	Long-term borrowings	3,929	1,964	-
To receive U.S. Dollars, pay Japanese Yen				
		¥ 59,496	¥ 43,845	¥ (634)

2018	Hedged items	Japanese Yen (millions)		
		Contract amount		Fair value
		Total	Due after one year	
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S. Dollars	Trade payables	¥ 7,777	¥ 3,109	¥ 377
Euro		7,764	275	(39)
STG Pounds		3,354	1,919	(99)
Indonesian Rupiah		13,322	3,557	(679)
Singapore Dollars		568	-	21
To sell U.S. Dollars	Trade receivables	35,302	3,557	1,446
STG Pounds		14,085	8,004	958
Mauritian Rupee		52	-	(0)
Alternative method *1				
Currency related derivatives				
Forward contracts				
To sell U.S. Dollars	Loan receivables	920	-	-
		¥ 83,144	¥ 20,421	¥ 1,985
Interest swap				
Basic treatment:				
To receive float, pay fix	Long-term borrowings	¥ 20,601	¥ 17,661	¥ (1,066)
Exceptional treatment *2:				
To receive float, pay fix	Long-term borrowings	45,459	26,089	-
Interest rate and currency swap				
Batch treatment *2:				
To receive float, pay fix; To receive U.S. Dollars, pay Japanese Yen	Long-term borrowings	5,893	3,929	-
		¥ 71,953	¥ 47,679	¥ (1,066)

2019	Hedged items	U.S. Dollars (thousands)		
		Contract amount		Fair value
		Total	Due after one year	
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S. Dollars	Trade payables	\$ 42,662	\$ 23,020	\$ 5,748
Euro		111,344	7,595	(1,135)
STG Pounds		19,479	10,280	(658)
Indonesian Rupiah		196,666	20,957	(3,793)
Singapore Dollars		16,704	4,856	(352)
Swiss Franc		189	-	0
To sell U.S. Dollars	Trade receivables	236,634	9,569	(2,009)
STG Pounds		109,992	60,762	5,406
		\$ 733,670	\$ 137,039	\$ 3,207
Interest swap				
Basic treatment:				
To receive float, pay fix	Long-term borrowings	\$ 158,465	\$ 131,976	\$ (5,712)
Exceptional treatment *2:				
To receive float, pay fix	Long-term borrowings	342,184	245,365	-
Interest rate and currency swap				
Batch treatment *2:				
To receive float, pay fix; To receive U.S. Dollars, pay Japanese Yen	Long-term borrowings	35,399	17,695	-
		\$ 536,048	\$ 395,036	\$ (5,712)

*1 When certain conditions are met, translation of foreign currency receivables is based on yen amount fixed by forward contract. The fair value is included in that of the hedged items (trade payables or loan receivables), which is shown in "19. Financial Instruments."

*2 As interest swap subject to exceptional treatment of interest swap and batch treatment of interest swap are accounted for as a single item with underlying long-term borrowings, which are hedged items, their fair value is included in that of long-term borrowings.

21. Segment Information

(a) Overview of Reportable Segment

Reportable Segment is composed of the segment by products and services belonging to the operating companies and subject to be reviewed periodically by the Board of Directors to decide the allocation of management resources and to evaluate the performance. Under the Company (a pure holding company), the Group develops the operation with each operating company making strategies of its products and services in both Japan and abroad comprehensively. Reportable Segment is classified into 4 segments: Ship, Ocean Development, Machinery and Engineering. Main products and services of each Reportable Segment are as follows.

Ship: commercial ships, naval ships, high speed passenger/vehicle ferries, offshore structures, underwater TV vehicles, steel structures

Ocean Development: FPSOs (floating production storage offloading vessels)

Machinery: marine and stationary diesel engines, marine equipment, gas engines, steam turbines, blowers, process compressors, gas turbines, cogeneration system, regulating system, container cranes, industrial cranes, container terminal management systems, HMM manipulators, equipment of radar sensing for underground and construction, bridges, port structures, induction heaters

Engineering: renewable energy power generation plants, power generation business, overseas civil works, chemical plants, waste treatment plants, water treatment plants, resources recycling plants, PCB disposal plants

(b) Calculation method used for Sales, Operating income and loss, Assets, Liabilities and other items for each Reportable Segment

The accounting method used for Reportable Segment is almost same as the method stated in "Significant Accounting and Reporting Policies." Operating income and loss in Reportable Segment is based on the one in Consolidated Statements of Operations. Inter segment profit and transfer are based on the market price.

Change in Calculation method used for Operating income and loss, Assets and other items for each Reportable Segment:

From the year ended March 31, 2019, accompanying the transition to a holding company structure, the basis of allocation of Corporate assets has been revised.

As a result of this change, segment assets as of March 31, 2019 have increased by ¥126 million (\$1,135 thousand) for "Machinery" and by ¥9,912 million (\$89,305 thousand) for "Adjustments", and have decreased by ¥7,215 million (\$65,005 thousand) for "Ship" and by ¥2,823 million (\$25,435 thousand) for "Others", compared with the previous method. Also, segment operating income for the year ended March 31, 2019 has increased by ¥30 million (\$270 thousand) for "Others" and decreased by ¥71 million (\$639 thousand) for "Machinery", and segment operating loss has improved by ¥40 million (\$360 thousand) for "Ship", compared with the previous method.

Segment information for the year ended March 31, 2018 has been restated to reflect the changes.

(c) Changes in Reportable Segments

From the year ended March 31, 2019, due to the change in administrative jurisdiction accompanying the transition to a holding company structure, Burmeister & Wain Scandinavian Contractor A/S, which previously classified as "Engineering" and carries on Stationary diesel power generation plants, was changed into "Others".

Segment information for the year ended March 31, 2018 has been restated to reflect the changes.

(d) Information about Sales, Operating income and loss, Assets, Liabilities and other items for each Reportable Segment

Reportable Segment information for the years ended March 31, 2019 and 2018 were as follows:

2019	Japanese Yen (millions)								
	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	¥ 96,880	¥ 222,458	¥ 186,935	¥ 68,973	¥ 575,246	¥ 81,258	¥ 656,504	¥ -	¥ 656,504
Inter segment	4,619	-	9,102	562	14,283	9,147	23,430	(23,430)	-
Total	101,499	222,458	196,037	69,535	589,529	90,405	679,934	(23,430)	656,504
Operating income (loss)	¥ (8,112)	¥ 14,895	¥ 10,212	¥ (79,671)	¥ (62,676)	¥ 2,973	¥ (59,703)	¥ -	¥ (59,703)
Assets	¥ 109,078	¥ 293,215	¥ 179,678	¥ 38,854	¥ 620,825	¥ 260,473	¥ 881,298	¥ 117,803	¥ 999,101
Depreciation and amortization	¥ 3,351	¥ 2,084	¥ 4,335	¥ 728	¥ 10,498	¥ 3,420	¥ 13,918	¥ 578	¥ 14,496
Amortization of goodwill	¥ 841	¥ 258	¥ -	¥ 22	¥ 1,121	¥ 56	¥ 1,177	¥ -	¥ 1,177
Year-end balance of goodwill	¥ 9,563	¥ 1,790	¥ -	¥ 112	¥ 11,465	¥ 151	¥ 11,616	¥ -	¥ 11,616
Loss on impairment of non-current assets	¥ 6,218	¥ -	¥ 29	¥ 556	¥ 6,803	¥ 195	¥ 6,998	¥ 17	¥ 7,015
Increase in property, plant and equipment and intangible assets	¥ 2,621	¥ 3,150	¥ 6,674	¥ 703	¥ 13,148	¥ 6,073	¥ 19,221	¥ (366)	¥ 18,855

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Transport equipment related business, Systems development, Real estate lease business and others.

(note 2) Adjustments are as follows:

(1) Adjustments of ¥117,803 million recorded for assets include primarily comprised of surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of ¥125,295 million that are not allocated to any Reportable Segment.

(2) Adjustments of ¥578 million recorded for depreciation and amortization include depreciation for property, plant and equipment, and amortization for intangible assets related to the administration divisions of ¥587 million.

- (3) Adjustments of ¥17 million recorded for loss on impairment of non-current assets are the impairment loss for Corporate.
 (4) Adjustments of ¥(366) million recorded for increase in property, plant and equipment and intangible assets result from the reclassification of a part of assets, which used to be classified as the assets related to the administration divisions, to Reportable Segments. Regarding the revision of the basis of allocation of Corporate assets, please refer to "(b) Calculation method used for Sales, Operating income and loss, Assets, Liabilities and other items for each Reportable Segment".

(note 3) Operating income (loss) is adjusted with operating loss in Consolidated Statements of Operations.

2018	Japanese Yen (millions)								
	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	¥ 112,473	¥ 191,182	¥ 181,734	¥ 127,645	¥ 613,034	¥ 90,183	¥ 703,217	¥ -	¥ 703,217
Inter segment	2,735	-	7,355	237	10,327	987	11,314	(11,314)	-
Total	115,208	191,182	189,089	127,882	623,361	91,170	714,531	(11,314)	703,217
Operating income (loss)	¥ (15,229)	¥ 11,321	¥ 11,331	¥ (15,775)	¥ (8,352)	¥ 3,127	¥ (5,225)	¥ -	¥ (5,225)
Assets	¥ 131,056	¥ 299,067	¥ 169,687	¥ 58,933	¥ 658,743	¥ 253,394	¥ 912,137	¥ 117,086	¥1,029,223
Depreciation and amortization	¥ 3,849	¥ 4,674	¥ 3,927	¥ 1,134	¥ 13,584	¥ 3,149	¥ 16,733	¥ 463	¥ 17,196
Amortization of goodwill	¥ 882	¥ 260	¥ 31	¥ 9	¥ 1,182	¥ 60	¥ 1,242	¥ -	¥ 1,242
Year-end balance of goodwill	¥ 11,907	¥ 2,069	¥ -	¥ 88	¥ 14,064	¥ 197	¥ 14,261	¥ -	¥ 14,261
Loss on impairment of non-current assets	¥ 1,583	¥ -	¥ 28	¥ 1,984	¥ 3,595	¥ 77	¥ 3,672	¥ 0	¥ 3,672
Increase in property, plant and equipment and intangible assets	¥ 2,548	¥ 3,125	¥ 5,090	¥ 293	¥ 11,056	¥ 2,189	¥ 13,245	¥ 917	¥ 14,162

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Transport equipment related business, Systems development, Real estate lease business and others.

(note 2) Adjustments are as follows:

- (1) Adjustments of ¥117,086 million recorded for assets include primarily comprised of surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of ¥118,649 million that are not allocated to any Reportable Segment.
 (2) Adjustments of ¥463 million recorded for depreciation and amortization include depreciation for property, plant and equipment, and amortization for intangible assets related to the administration divisions of ¥463 million.
 (3) Adjustments of ¥0 million recorded for loss on impairment of non-current assets are the impairment loss for Corporate.
 (4) Adjustments of ¥917 million recorded for increase in property, plant and equipment and intangible assets include increase in assets related to the administration divisions.

(note 3) Operating income (loss) is adjusted with operating loss in Consolidated Statements of Operations.

2019	U.S. Dollars (thousands)								
	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	\$ 872,871	\$ 2,004,307	\$ 1,684,251	\$ 621,434	\$ 5,182,863	\$ 732,120	\$ 5,914,983	\$ -	\$ 5,914,983
Inter segment	41,616	-	82,007	5,064	128,687	82,413	211,100	(211,100)	-
Total	914,487	2,004,307	1,766,258	626,498	5,311,550	814,533	6,126,083	(211,100)	5,914,983
Operating income (loss)	\$ (73,087)	\$ 134,201	\$ 92,008	\$ (717,821)	\$ (564,699)	\$ 26,786	\$ (537,913)	\$ -	\$ (537,913)
Assets	\$ 982,773	\$ 2,641,815	\$ 1,618,866	\$ 350,068	\$ 5,593,522	\$ 2,346,815	\$ 7,940,337	\$ 1,061,384	\$ 9,001,721
Depreciation and amortization	\$ 30,192	\$ 18,776	\$ 39,058	\$ 6,559	\$ 94,585	\$ 30,814	\$ 125,399	\$ 5,207	\$ 130,606
Amortization of goodwill	\$ 7,577	\$ 2,325	\$ -	\$ 198	\$ 10,100	\$ 505	\$ 10,605	\$ -	\$ 10,605
Year-end balance of goodwill	\$ 86,161	\$ 16,128	\$ -	\$ 1,009	\$ 103,298	\$ 1,360	\$ 104,658	\$ -	\$ 104,658
Loss on impairment of non-current assets	\$ 56,023	\$ -	\$ 261	\$ 5,010	\$ 61,294	\$ 1,757	\$ 63,051	\$ 153	\$ 63,204
Increase in property, plant and equipment and intangible assets	\$ 23,615	\$ 28,381	\$ 60,131	\$ 6,334	\$ 118,461	\$ 54,717	\$ 173,178	\$ (3,298)	\$ 169,880

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Transport equipment related business, Systems development, Real estate lease business and others.

(note 2) Adjustments are as follows:

- (1) Adjustments of \$1,061,384 thousand recorded for assets include primarily comprised of surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of \$1,128,885 thousand that are not allocated to any Reportable Segment.
 (2) Adjustments of \$5,207 thousand recorded for depreciation and amortization include depreciation for property, plant and equipment, and amortization for intangible assets related to the administration divisions of \$5,289 thousand.
 (3) Adjustments of \$153 thousand recorded for loss on impairment of non-current assets are the impairment loss for Corporate.
 (4) Adjustments of \$(3,298) thousand recorded for increase in property, plant and equipment and intangible assets result from the reclassification of a part of assets, which used to be classified as the assets related to the administration divisions, to Reportable Segments. Regarding the revision of the basis of allocation of Corporate assets, please refer to "(b) Calculation method used for Sales, Operating income and loss, Assets, Liabilities and other items for each Reportable Segment".

(note 3) Operating income (loss) is adjusted with operating loss in Consolidated Statements of Operations.

[Related information]

(d) Information by products and services

Information by products and services is the same as Reportable Segment and the description is omitted.

(e) Information by geographical area

1) Sales

2019	Japanese Yen (millions)				
	Japan	Brazil	Africa	Others	Total
Net sales	¥ 280,294	¥ 143,723	¥ 84,934	¥ 147,553	¥ 656,504

2018	Japanese Yen (millions)					
	Japan	Brazil	Asia	Africa	Others	Total
Net sales	¥ 287,826	¥ 90,970	¥ 89,073	¥ 81,702	¥ 153,646	¥ 703,217

2019	U.S. Dollars (thousands)				
	Japan	Brazil	Africa	Others	Total
Net sales	\$ 2,525,399	\$ 1,294,918	\$ 765,240	\$ 1,329,426	\$ 5,914,983

*Sales amount is based on the place of customer and classified by country or geographical area.

2) Property, plant and equipment

2019	Japanese Yen (millions)		
	Japan	Others	Total
Property, plant and equipment	¥ 324,066	¥ 17,974	¥ 342,040

2018	Japanese Yen (millions)		
	Japan	Others	Total
Property, plant and equipment	¥ 331,126	¥ 20,941	¥ 352,067

2019	U.S. Dollars (thousands)		
	Japan	Others	Total
Property, plant and equipment	\$ 2,919,777	\$ 161,942	\$ 3,081,719

(f) Information by major customer

Information by major customer for both 2019 and 2018 is not described because there is no customer with the sales amount exceeds 10% of the sales amount in Consolidated Statements of Operations.

[Information about gain on bargain purchase for each Reportable Segment]

2019

Not applicable.

2018

Not applicable.

22. Investment and Rental Property

(a) Articles concerning situation of investment and rental property

The Company and certain Subsidiaries own rental office building, commercial facilities, and houses (including land) in Tokyo, Okayama and other areas. Idle land is also owned in Tokyo, Oita and other areas.

(b) Articles concerning fair value of investment and rental property

The book value of investment and rental properties stated in the consolidated balance sheets, the increase or decrease in this fiscal year, and fair value are shown below.

2019	Japanese Yen (millions)			
	Beginning balance as of April 1, 2018	Increase (Decrease)	Ending balance as of March 31, 2019	Fair value As of March 31, 2019
Usage				
Facilities for lease	¥ 99,138	¥ 6,111	¥ 105,249	¥ 104,611
Idle assets (Land)	12,829	(3,236)	9,593	20,943
Total	¥ 111,967	¥ 2,875	¥ 114,842	¥ 125,554

Usage	U.S. Dollars (thousands)			
	Book value			Fair value
	Beginning balance as of April 1, 2018	Increase (Decrease)	Ending balance as of March 31, 2019	As of March 31, 2019
Facilities for lease	\$ 893,216	\$ 55,059	\$ 948,275	\$ 942,526
Idle assets (Land)	115,587	(29,156)	86,431	188,693
Total	\$ 1,008,803	\$ 25,903	\$ 1,034,706	\$ 1,131,219

(note 1) Book value stated in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses.
(note 2) The increase in rental properties in this fiscal year is mainly due to new acquisitions (¥4,461 million/ \$40,193 thousand), and the decrease in rental properties is mainly due to depreciation (¥1,369 million/ \$12,334 thousand) and sales of rental properties (¥223 million/ \$2,009 thousand).
In addition, reclassification amounts (¥3,213 million/ \$28,949 thousand) are included both in the increase of rental properties and in the decrease of idle assets.
(note 3) Fair value at the end of this fiscal year is mainly estimated based on the "Real estate appraising standard" with an adjustment using a certain indicator.

The profit and loss from investment and rental properties in this fiscal year are shown below.

Usage	Japanese Yen (millions)			
	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc.)
Facilities for lease	¥ 7,566	¥ 4,247	¥ 3,319	¥ 1,075
Idle assets (Land)	-	-	-	(49)
Total	¥ 7,566	¥ 4,247	¥ 3,319	¥ 1,026

Usage	U.S. Dollars (thousands)			
	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc.)
Facilities for lease	\$ 68,168	\$ 38,265	\$ 29,903	\$ 9,685
Idle assets (Land)	-	-	-	(441)
Total	\$ 68,168	\$ 38,265	\$ 29,903	\$ 9,244

(note 1) Rental expenses include depreciation, repair, insurance and taxes-and-dues. Rental income is recognized as revenue from operations, and rental expenses are recognized as operating expenses.
(note 2) Others include gain/loss on disposal of non-current assets, loss on impairment of non-current assets and taxes-and-dues, which are recognized as other income (expenses).

Usage	Japanese Yen (millions)			
	Book value			Fair value
	Beginning balance as of April 1, 2017	Increase (Decrease)	Ending balance as of March 31, 2018	As of March 31, 2018
Facilities for lease	¥ 98,387	¥ 751	¥ 99,138	¥ 97,546
Idle assets (Land)	17,257	(4,428)	12,829	13,087
Total	¥ 115,644	¥ (3,677)	¥ 111,967	¥ 110,633

(note 1) Book value stated in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses.
(note 2) The increase in rental properties in this fiscal year is mainly due to new acquisitions (¥1,019 million), and the decrease in rental properties is mainly due to sales of rental properties (¥3,242 million) and depreciation (¥1,296 million). In addition, reclassification amounts (¥4,325 million) are included both in the increase of rental properties and in the decrease of idle assets.
(note 3) Fair value at the end of this fiscal year is mainly estimated based on the "Real estate appraising standard" with an adjustment using a certain indicator.

The profit and loss from investment and rental properties in this fiscal year are shown below.

Usage	Japanese Yen (millions)			
	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc.)
Facilities for lease	¥ 7,697	¥ 4,719	¥ 2,978	¥ 5,792
Idle assets (Land)	-	-	-	(21)
Total	¥ 7,697	¥ 4,719	¥ 2,978	¥ 5,771

(note 1) Rental expenses include depreciation, repair, insurance and taxes-and-dues. Rental income is recognized as revenue from operations, and rental expenses are recognized as operating expenses.
(note 2) Others include gain/loss on disposal of non-current assets, loss on impairment of non-current assets and taxes-and-dues, which are recognized as other income (expenses).

23. Related Party Transactions

Transactions between the Subsidiaries and related parties for the fiscal years ended March 31, 2019 and 2018 were as follows:
Unconsolidated subsidiaries and affiliates of the Company

2019 Japanese Yen (millions)										
Category	Name of company	Address	Capital (thousands)	Business	Voting shares	Business relationship	Contents of transaction	Transaction amount	Account title	Outstanding balance at the year-end
Affiliate	CARIOCA MV27 B.V.	Amsterdam, The Netherlands	EURO 169,420	Charter of FPSO	Indirect 29.4%	Time Charter of FPSO	The equipment capital collection	36,204	Short-term loans	-
	TARTARUGA MV29 B.V.	Amsterdam, The Netherlands	USD 206,138	Charter of FPSO	Indirect 29.4%	Time Charter of FPSO	The equipment capital lending	71,453	Short-term loans	40,098
	SEPIA MV30 B.V.	Amsterdam, The Netherlands	USD 100	Charter of FPSO	Indirect 29.4%	Time Charter of FPSO	The equipment capital collection	31,869		
	LIBRA MV31 B.V.	Amsterdam, The Netherlands	USD 100	Charter of FPSO	Indirect 29.4%	Time Charter of FPSO	Construction of FPSO	47,129	Receivable	22,381
							Construction of FPSO	37,557	Receivable	25,483

2018 Japanese Yen (millions)										
Category	Name of company	Address	Capital (thousands)	Business	Voting shares	Business relationship	Contents of transaction	Transaction amount	Account title	Outstanding balance at the year-end
Affiliate	T.E.N. GHANA MV25 B.V.	Amsterdam, The Netherlands	EURO 149,650	Charter of FPSO	Indirect 25.0%	Time Charter of FPSO	The equipment capital collection	33,535	Short-term loans	-
	CARIOCA MV27 B.V.	Amsterdam, The Netherlands	EURO 169,420	Charter of FPSO	Indirect 29.4%	Time Charter of FPSO	The equipment capital lending	37,079	Short-term loans	37,612
	TARTARUGA MV29 B.V.	Amsterdam, The Netherlands	USD 110	Charter of FPSO	Indirect 29.4%	Time Charter of FPSO	The equipment capital collection	31,088		
								Construction of FPSO	37,364	Receivable
							Guarantee Obligation	49,846	-	-

2019 U.S. Dollars (thousands)										
Category	Name of company	Address	Capital (thousands)	Business	Voting shares	Business relationship	Contents of transaction	Transaction amount	Account title	Outstanding balance at the year-end
Affiliate	CARIOCA MV27 B.V.	Amsterdam, The Netherlands	EURO 169,420	Charter of FPSO	Indirect 29.4%	Time Charter of FPSO	The equipment capital collection	326,192	Short-term loans	-
	TARTARUGA MV29 B.V.	Amsterdam, The Netherlands	USD 206,138	Charter of FPSO	Indirect 29.4%	Time Charter of FPSO	The equipment capital lending	643,779	Short-term loans	361,276
	SEPIA MV30 B.V.	Amsterdam, The Netherlands	USD 100	Charter of FPSO	Indirect 29.4%	Time Charter of FPSO	The equipment capital collection	287,134		
	LIBRA MV31 B.V.	Amsterdam, The Netherlands	USD 100	Charter of FPSO	Indirect 29.4%	Time Charter of FPSO	Construction of FPSO	424,624	Receivable	201,649
							Construction of FPSO	338,382	Receivable	229,597

- The transaction amount does not include foreign currency exchange gains and losses, while outstanding balance at the year-end includes foreign currency exchange gains and losses. The transaction amount and outstanding balance at the year-end do not include sales tax.
- Policies for determining terms and conditions are as follows:
 - FPSO/FSO construction and operation trade are deliberately determined in consideration by each project plan.
 - The equipment capital lending is deliberately determined in consideration by each project plan.
 - Guarantee Obligation is deliberately determined in consideration by each project plan.



Independent Auditor's Report

To the Board of Directors of Mitsui E&S Holdings Co., Ltd.

We have audited the accompanying consolidated financial statements of Mitsui E&S Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsui E&S Holdings Co., Ltd. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a) to the consolidated financial statements.

KPMG AZSA LLC

June 26, 2019

Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



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