

Mitsui Engineering & Shipbuilding Co., Ltd. and its Consolidated Subsidiaries

1st Quarter CONSOLIDATED FINANCIAL RESULTS FOR FY2017

From April 1, 2017 to June 30, 2017

Code number:	7003	URL:	http://www.mes.co.jp/
Shares Listed:	Tokyo Stock Exchange		
Representative:	Takao Tanaka, President, Representative Director CEO		
Inquiries:	Kazunori Miyake, General Manager of Finance & Accounting Dept. Tel: +81 3 3544 3225		
Scheduled date to file Quarterly securities report:	August 9, 2017		
Scheduled date to commence dividend payments:	—		
Supplementary explanatory materials prepared:	No		
Explanatory meeting:	No		

(Amounts less than one million yen are truncated)

1.Consolidated Financial Results for 1st Quarter FY2017 (April 1, 2017 to June 30, 2017)

(Millions of yen)

	From Apr. 1, to Jun. 30, 2016	From Apr. 1, to Jun. 30, 2017	Change (%)
New Orders Received	111,386	107,414	(3.6)
Net Sales	162,926	162,215	(0.4)
Operating Income (loss)	(128)	(9,914)	—
Ordinary Income (loss)	1,731	(7,045)	—
Profit attributable to owners of parent	(456)	(10,141)	—
Earnings per Share (Yen)	(0.57)	(12.55)	—

Figures in parentheses represent negative.

(Millions of yen)

	As of Mar. 31, 2017	As of Jun. 30, 2017
Total Assets	1,096,735	1,059,831
Net Assets	367,608	351,973
Shareholders' Equity to Total Assets	22.8%	22.3%

Note: This consolidated financial results has been prepared in accordance with Japanese accounting standards and Japanese law.

2.Dividends

(Yen)

	FY2016	FY2017	FY2017 (forecast)
Annual dividends per share			
First quarter	—	—	
Second quarter	0.00		0.00
Third quarter	—		—
Year-end	3.00		30.00
Total	3.00		30.00

Note: Revision of the most recent dividends forecast: None

As announced on May 22, 2017, the Company will consolidate every 10 shares into 1 share with an effective date of October 1, 2017. The forecast of per share year-end dividends for the fiscal year ending March 31, 2018 takes into account the impact of the share consolidation.

3.Forecast of Financial Results for FY2017

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Earnings per Share (Yen)
Second quarter ending September 30, 2017	350,000	(9,000)	(4,000)	(9,000)	(11.14)
Year ending March 31, 2018	700,000	10,000	17,000	3,000	37.12

Note: Revision of the most recent financial forecast: None

As announced on May 22, 2017, the Company will consolidate every 10 shares into 1 share with an effective date of October 1, 2017. The forecast of earnings per share for the fiscal year ending March 31, 2018 takes into account the impact of the share consolidation.

Reference: Estimate is based on exchange rate of USD1.00 = JPY105.0

4.Notes

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, accounting estimates or restatements

i) Changes due to amendment of accounting standards: None

ii) Changes due to other reasons: Yes

iii) Changes in accounting estimates: Yes

iv) Restatements: None

(4) Number of shares outstanding (common stock)

	FY2016 / FY2016 1Q	FY2017 1Q
	shares	shares
Number of shares outstanding at the end of period (including treasury stock)	830,987,176	830,987,176
Number of treasury stock at the end of period	22,766,971	22,743,443
Average number of shares during the period (cumulative quarterly consolidated period)	808,257,348	808,245,595

NOTICE REGARDING QUARTERLY REVIEW PROCEDURES FOR THE QUARTERLY FINANCIAL RESULTS

This quarterly financial results statement is exempt from the quarterly review procedures based upon the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results statement, the quarterly review procedure based upon the Financial Instruments and Exchange Act has not been completed.

FORWARD LOOKING STATEMENTS AND OTHER SPECIAL ITEMS

The forecasts for financial results are based on information available at the time this report was released. These forecasts and other forward-looking statements are not guarantees of future performance. Actual operating results may differ from the above forecasts due to known and unknown risks, uncertainties, and other factors.

New Orders by Segment

(Millions of yen)

	From Apr. 1, to Jun. 30, 2016	From Apr. 1, to Jun. 30, 2017	Difference
Ship	22,525	7,668	(14,856) (66.0%)
Ocean Development	9,836	33,091	23,255 236.4%
Machinery	31,407	30,667	(740) (2.4%)
Engineering	37,296	26,441	(10,854) (29.1%)
Others	10,321	9,544	(776) (7.5%)
Total	111,386	107,414	(3,972) (3.6%)

Net Sales by Segment

(Millions of yen)

	From Apr. 1, to Jun. 30, 2016	From Apr. 1, to Jun. 30, 2017	Difference
Ship	26,640	29,041	2,400 9.0%
Ocean Development	52,955	50,162	(2,793) (5.3%)
Machinery	38,587	38,272	(314) (0.8%)
Engineering	36,144	36,470	325 0.9%
Others	8,598	8,269	(329) (3.8%)
Total	162,926	162,215	(711) (0.4%)

Operating Income (Loss) by Segment

(Millions of yen)

	From Apr. 1, to Jun. 30, 2016	From Apr. 1, to Jun. 30, 2017	Difference
Ship	(6,192)	(2,557)	3,635
Ocean Development	1,766	2,259	493
Machinery	1,406	3,044	1,638
Engineering	2,561	(13,163)	(15,724)
Others	328	503	175
Total	(128)	(9,914)	(9,786)

Figures in parentheses represent negative.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and time deposits	119,811	108,349
Trade receivables	261,673	256,010
Merchandise and finished goods	4,090	4,209
Work in progress	35,585	39,392
Raw materials and supplies	5,976	5,602
Others	113,535	89,760
Allowance for doubtful accounts	(3,300)	(2,343)
Total current assets	537,372	500,982
Non-current assets		
Property, plant and equipment		
Land	249,265	247,883
Others, net	119,992	117,570
Total property, plant and equipment	369,257	365,453
Intangible assets		
Goodwill	14,348	14,799
Others	15,413	15,000
Total intangible assets	29,761	29,799
Investments and other assets		
Others	161,091	164,303
Allowance for doubtful accounts	(749)	(708)
Total investments and other assets	160,342	163,595
Total non-current assets	559,362	558,848
Total assets	1,096,735	1,059,831

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Trade payables	195,849	179,555
Short-term borrowings	14,124	27,969
Current portion of long-term borrowings	47,632	69,736
Current portion of bonds	15,000	5,000
Accrued income taxes	13,736	11,773
Advances from customers	72,904	67,261
Provision for construction warranties	10,542	10,051
Provision for losses on construction contracts	15,857	24,740
Other provisions	4,849	2,518
Asset retirement obligations	9	9
Others	38,977	36,898
Total current liabilities	429,483	435,515
Long-term liabilities		
Bonds	40,000	40,000
Long-term borrowings	148,419	122,253
Liability for severance and retirement benefits for directors and corporate auditors	425	274
Other provisions	2,090	2,085
Net defined benefit liabilities	12,777	12,324
Asset retirement obligations	1,284	1,279
Others	94,645	94,126
Total long-term liabilities	299,642	272,343
Total liabilities	729,126	707,858
Net assets		
Shareholders' equity		
Common stock	44,384	44,384
Capital surplus	18,808	18,806
Retained earnings	146,961	134,093
Treasury stock	(4,778)	(4,773)
Total shareholders' equity	205,376	192,511
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on securities	9,957	9,389
Unrealized gains (losses) on hedging derivatives	(6,611)	(6,284)
Revaluation reserve for land	41,263	41,263
Foreign currency translation adjustments	5,595	3,958
Remeasurements of defined benefit plans	(5,211)	(4,081)
Total accumulated other comprehensive income	44,993	44,245
Subscription rights to shares	236	231
Non-controlling interests	117,002	114,983
Total net assets	367,608	351,973
Total liabilities and net assets	1,096,735	1,059,831

Consolidated Statements of Income

(Millions of yen)

	April 1, 2016 to June 30, 2016	April 1, 2017 to June 30, 2017
Net sales	162,926	162,215
Cost of sales	151,370	159,003
Gross profit	11,556	3,212
Selling, general and administrative expenses	11,685	13,126
Operating loss	(128)	(9,914)
Non-operating income		
Interest income	1,106	1,234
Dividend income	578	877
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	701	611
Gain on valuation of derivatives	2,200	398
Reversal of allowance for doubtful accounts	338	974
Others	499	615
Total non-operating income	5,424	4,711
Non-operating expenses		
Interest expenses	838	849
Foreign currency exchange losses	2,347	662
Others	377	331
Total non-operating expenses	3,564	1,843
Ordinary income (loss)	1,731	(7,045)
Extraordinary income		
Gain on disposal of non-current assets	19	983
Gain on sales of investment securities	0	-
Total extraordinary income	20	983
Extraordinary losses		
Loss on disposal of non-current assets	94	56
Loss on valuation of investment securities	350	316
Total extraordinary losses	444	372
Profit (loss) before income taxes	1,307	(6,434)
Income taxes	1,200	2,600
Profit (loss)	106	(9,035)
Profit attributable to non-controlling interests	563	1,106
Loss attributable to owners of parent	(456)	(10,141)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2016 to June 30, 2016	April 1, 2017 to June 30, 2017
Profit (loss)	106	(9,035)
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(2,598)	(598)
Unrealized gains (losses) on hedging derivatives	1,950	(296)
Foreign currency translation adjustments	(6,840)	(1,467)
Remeasurements of defined benefit plans	950	1,128
Share of other comprehensive income of affiliates accounted for using equity method	(5,615)	(815)
Total	(12,153)	(2,049)
Comprehensive income	(12,046)	(11,085)
Comprehensive income attributable to		
Owners of parent	(10,986)	(10,889)
Non-controlling interests	(1,059)	(195)