

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

1st Quarter CONSOLIDATED FINANCIAL RESULTS FOR FY2018

From April 1, 2018 to June 30, 2018

| | | | |
|---|--|------|---|
| Code number: | 7003 | URL: | https://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 3121 | | |
| Scheduled date to file Quarterly securities report: | August 13, 2018 | | |
| 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 FY2018 (April 1, 2018 to June 30, 2018)

(Millions of yen)

| | From Apr. 1, 2017 to Jun. 30, 2017 | From Apr. 1, 2018 to Jun. 30, 2018 | Change (%) |
|--|---------------------------------------|---------------------------------------|------------|
| New Orders Received | 107,414 | 134,611 | 25.3 |
| Net Sales | 162,215 | 152,944 | (5.7) |
| Operating Income (Loss) | (9,914) | 1,107 | — |
| Ordinary Income (Loss) | (7,045) | 3,034 | — |
| Profit (loss) attributable to owners of parent | (10,141) | 450 | — |
| Earnings per Share (Yen) | (125.48) | 5.57 | — |

Figures in parentheses represent negative.

Note: The Company consolidated every 10 shares into 1 share with an effective date of October 1, 2017. Earnings per share has been calculated on the assumption that the said share consolidation was conducted on the beginning of previous fiscal year.

(Millions of yen)

| | As of Mar. 31, 2018 | As of Jun. 30, 2018 |
|--------------------------------------|---------------------|---------------------|
| Total Assets | 1,029,222 | 975,976 |
| Net Assets | 356,837 | 349,509 |
| Shareholders' Equity to Total Assets | 23.2% | 24.0% |

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

2. Dividends

(Yen)

| | FY2017 | FY2018 | FY2018 (forecast) |
|----------------------------|--------|--------|----------------------|
| Annual dividends per share | | | |
| First quarter | — | — | |
| Second quarter | 0.00 | | 0.00 |
| Third quarter | — | | — |
| Year-end | 0.00 | | — |
| Total | 0.00 | | — |

Note: Revision of the most recent dividends forecast: None

Note: The year-end dividends forecast for FY2018 remains undecided at this time.

3. Forecast of Financial Results for FY2018

(Millions of yen)

| | Net Sales | Operating Income | Ordinary Income | Profit attributable to owners of parent | Earnings per Share (Yen) |
|-------------------------------|-----------|------------------|--------------------|--|-----------------------------|
| Year ending March 31, 2019 | 670,000 | 12,000 | 20,000 | 5,000 | 61.86 |

Note: Revision of the most recent financial forecast: Yes

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: None

iii) Changes in accounting estimates: None

iv) Restatements: None

(4) Number of shares outstanding (common stock)

| | FY2017 / FY2017 1Q | FY2018 1Q |
|---|-----------------------|------------|
| | shares | shares |
| Number of shares outstanding at the end of period (including treasury stock) | 83,098,717 | 83,098,717 |
| Number of treasury stock at the end of period | 2,269,180 | 2,268,964 |
| Average number of shares during the period (cumulative quarterly consolidated period) | 80,824,559 | 80,829,371 |

Note: The Company consolidated every 10 shares into 1 share with an effective date of October 1, 2017. The figures for "Number of shares outstanding at the end of period", "Number of treasury stock at the end of period" and "Average number of shares during the period" have been calculated on the assumption that the said share consolidation was conducted on the beginning of previous fiscal year.

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.

Overview of Reportable Segment

Reportable Segment is classified into 4 segments: Ship, Ocean Development, Machinery and Engineering. Main products and services of each Reportable Segment are as follows.

| Reportable Segment | Main Products and Services |
|--------------------|---|
| 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, HWM 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 |

New Orders by Segment

(Millions of yen)

| | From Apr. 1, 2017 to Jun. 30, 2017 | From Apr. 1, 2018 to Jun. 30, 2018 | Difference |
|-------------------|---|---|--------------------|
| Ship | 7,668 | 13,609 | 5,941 77.5% |
| Ocean Development | 33,091 | 30,047 | (3,043) (9.2%) |
| Machinery | 30,667 | 54,194 | 23,526 76.7% |
| Engineering | 15,800 | 23,405 | 7,604 48.1% |
| Others | 20,185 | 13,354 | (6,830) (33.8%) |
| Total | 107,414 | 134,611 | 27,197 25.3% |

Net Sales by Segment

(Millions of yen)

| | From Apr. 1, 2017 to Jun. 30, 2017 | From Apr. 1, 2018 to Jun. 30, 2018 | Difference |
|-------------------|---|---|--------------------|
| Ship | 29,041 | 22,607 | (6,433) (22.2%) |
| Ocean Development | 50,162 | 46,903 | (3,259) (6.5%) |
| Machinery | 38,272 | 43,739 | 5,466 14.3% |
| Engineering | 27,702 | 22,211 | (5,491) (19.8%) |
| Others | 17,036 | 17,483 | 446 2.6% |
| Total | 162,215 | 152,944 | (9,270) (5.7%) |

Operating Income (Loss) by Segment

(Millions of yen)

| | From Apr. 1, 2017 to Jun. 30, 2017 | From Apr. 1, 2018 to Jun. 30, 2018 | Difference |
|-------------------|---|---|------------|
| Ship | (2,557) | (752) | 1,804 |
| Ocean Development | 2,259 | 1,372 | (886) |
| Machinery | 3,044 | 1,417 | (1,626) |
| Engineering | (12,946) | (1,118) | 11,827 |
| Others | 286 | 189 | (96) |
| Total | (9,914) | 1,107 | 11,022 |

Figures in parentheses represent negative.

Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2018 | As of June 30, 2018 |
|-------------------------------------|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and time deposits | 93,698 | 106,042 |
| Trade receivables | 243,767 | 215,398 |
| Merchandise and finished goods | 4,085 | 4,734 |
| Work in progress | 35,661 | 38,357 |
| Raw materials and supplies | 5,158 | 5,935 |
| Short-term loans | 47,227 | 10,550 |
| Others | 43,391 | 45,108 |
| Allowance for doubtful accounts | (1,956) | (1,765) |
| Total current assets | 471,033 | 424,360 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 245,293 | 248,580 |
| Others, net | 106,773 | 101,537 |
| Total property, plant and equipment | 352,066 | 350,118 |
| Intangible assets | | |
| Goodwill | 14,260 | 13,661 |
| Others | 15,973 | 16,025 |
| Total intangible assets | 30,233 | 29,687 |
| Investments and other assets | | |
| Others | 176,622 | 172,562 |
| Allowance for doubtful accounts | (733) | (750) |
| Total investments and other assets | 175,888 | 171,811 |
| Total non-current assets | 558,189 | 551,616 |
| Total assets | 1,029,222 | 975,976 |

(Millions of yen)

| | As of March 31, 2018 | As of June 30, 2018 |
|--|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Trade payables | 180,786 | 165,664 |
| Short-term borrowings | 11,703 | 25,504 |
| Current portion of long-term borrowings | 62,924 | 39,763 |
| Accrued income taxes | 9,009 | 6,728 |
| Advances from customers | 56,943 | 55,485 |
| Provision for construction warranties | 11,439 | 10,128 |
| Provision for losses on construction contracts | 10,327 | 9,798 |
| Other provisions | 5,398 | 4,985 |
| Asset retirement obligations | 8 | 2 |
| Others | 34,809 | 32,907 |
| Total current liabilities | 383,352 | 350,968 |
| Long-term liabilities | | |
| Bonds | 50,000 | 50,000 |
| Long-term borrowings | 130,649 | 124,086 |
| Liability for severance and retirement benefits for directors and corporate auditors | 345 | 384 |
| Other provisions | 1,776 | 1,842 |
| Net defined benefit liabilities | 12,273 | 12,644 |
| Asset retirement obligations | 1,283 | 1,274 |
| Others | 92,704 | 85,266 |
| Total long-term liabilities | 289,033 | 275,499 |
| Total liabilities | 672,385 | 626,467 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 44,384 | 44,384 |
| Capital surplus | 18,799 | 18,799 |
| Retained earnings | 135,354 | 136,141 |
| Treasury stock | (4,759) | (4,758) |
| Total shareholders' equity | 193,779 | 194,567 |
| Accumulated other comprehensive income | | |
| Net unrealized holding gains (losses) on securities | 7,477 | 7,008 |
| Unrealized gains (losses) on hedging derivatives | (6,786) | (4,887) |
| Revaluation reserve for land | 39,912 | 39,903 |
| Foreign currency translation adjustments | 6,093 | (1,359) |
| Remeasurements of defined benefit plans | (1,316) | (859) |
| Total accumulated other comprehensive income | 45,380 | 39,806 |
| Subscription rights to shares | 216 | 215 |
| Non-controlling interests | 117,460 | 114,920 |
| Total net assets | 356,837 | 349,509 |
| Total liabilities and net assets | 1,029,222 | 975,976 |

Consolidated Statements of Operations

(Millions of yen)

| | April 1, 2017 to June 30, 2017 | April 1, 2018 to June 30, 2018 |
|---|-----------------------------------|-----------------------------------|
| Net sales | 162,215 | 152,944 |
| Cost of sales | 159,003 | 138,995 |
| Gross profit | 3,212 | 13,948 |
| Selling, general and administrative expenses | 13,126 | 12,841 |
| Operating income (loss) | (9,914) | 1,107 |
| Non-operating income | | |
| Interest income | 1,234 | 1,316 |
| Dividend income | 877 | 764 |
| Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method | 611 | 331 |
| Gain on valuation of derivatives | 398 | 848 |
| Reversal of allowance for doubtful accounts | 974 | 180 |
| Others | 615 | 342 |
| Total non-operating income | 4,711 | 3,783 |
| Non-operating expenses | | |
| Interest expenses | 849 | 730 |
| Foreign currency exchange losses | 662 | 770 |
| Others | 331 | 356 |
| Total non-operating expenses | 1,843 | 1,856 |
| Ordinary income (loss) | (7,045) | 3,034 |
| Extraordinary income | | |
| Gain on disposal of non-current assets | 983 | 6 |
| Gain on sales of investment securities | - | 28 |
| Total extraordinary income | 983 | 34 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 56 | 210 |
| Loss on impairment of non-current assets | - | 13 |
| Loss on valuation of investment securities | 316 | 0 |
| Loss on litigation | - | 151 |
| Total extraordinary losses | 372 | 376 |
| Profit (loss) before income taxes | (6,434) | 2,692 |
| Income taxes | 2,600 | 1,594 |
| Profit (loss) | (9,035) | 1,097 |
| Profit attributable to non-controlling interests | 1,106 | 647 |
| Loss attributable to owners of parent | (10,141) | 450 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | April 1, 2017 to June 30, 2017 | April 1, 2018 to June 30, 2018 |
|--|-----------------------------------|-----------------------------------|
| Profit (loss) | (9,035) | 1,097 |
| Other comprehensive income | | |
| Net unrealized holding gains (losses) on securities | (598) | (436) |
| Unrealized gains (losses) on hedging derivatives | (296) | (356) |
| Foreign currency translation adjustments | (1,467) | (7,132) |
| Remeasurements of defined benefit plans | 1,128 | 460 |
| Share of other comprehensive income of affiliates accounted for using equity method | (815) | (526) |
| Total | (2,049) | (7,992) |
| Comprehensive income | (11,085) | (6,894) |
| Comprehensive income attributable to | | |
| Owners of parent | (10,889) | (5,114) |
| Non-controlling interests | (195) | (1,779) |