

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

### 3rd Quarter CONSOLIDATED FINANCIAL RESULTS FOR FY2017

From April 1, 2017 to December 31, 2017

Code number:	7003	URL:	<a href="http://www.mes.co.jp/">http://www.mes.co.jp/</a>
Shares Listed:	Tokyo Stock Exchange		
Representative:	Takao Tanaka, President, Representative Director CEO		
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Scheduled date to file Quarterly securities report:	February 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 3rd Quarter FY2017 (April 1, 2017 to December 31, 2017)

(Millions of yen)

	From Apr. 1, to Dec. 31, 2016	From Apr. 1, to Dec. 31, 2017	Change (%)
New Orders Received	292,388	402,246	37.6
Net Sales	495,114	519,937	5.0
Operating Income (Loss)	(2,020)	(1,608)	—
Ordinary Income (Loss)	1,363	4,026	195.3
Profit attributable to owners of parent	1,724	(3,604)	—
Earnings per Share (Yen)	21.33	(44.60)	—

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, 2017	As of Dec. 31, 2017
Total Assets	1,096,735	1,105,590
Net Assets	367,608	363,365
Shareholders' Equity to Total Assets	22.8%	22.2%

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

The Company consolidated 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)
Year ending March 31, 2018	700,000	(2,000)	7,000	1,000	12.37

Note: Revision of the most recent financial forecast: Yes

The Company consolidated 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 3Q	FY2017 3Q
	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	2,276,697	2,271,159
Average number of shares during the period (cumulative quarterly consolidated period)	80,823,923	80,825,712

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

**New Orders by Segment**

(Millions of yen)

	From Apr. 1, to Dec. 31, 2016	From Apr. 1, to Dec. 31, 2017	Difference
Ship	44,401	54,141	9,740 21.9%
Ocean Development	43,382	101,402	58,020 133.7%
Machinery	101,616	119,568	17,951 17.7%
Engineering	74,447	100,077	25,630 34.4%
Others	28,541	27,055	(1,485) (5.2%)
Total	292,388	402,246	109,857 37.6%

**Net Sales by Segment**

(Millions of yen)

	From Apr. 1, to Dec. 31, 2016	From Apr. 1, to Dec. 31, 2017	Difference
Ship	96,766	86,356	(10,410) (10.8%)
Ocean Development	148,003	146,938	(1,065) (0.7%)
Machinery	122,480	130,151	7,670 6.3%
Engineering	100,136	130,318	30,181 30.1%
Others	27,726	26,172	(1,553) (5.6%)
Total	495,114	519,937	24,823 5.0%

**Operating Income (Loss) by Segment**

(Millions of yen)

	From Apr. 1, to Dec. 31, 2016	From Apr. 1, to Dec. 31, 2017	Difference
Ship	(5,961)	(6,235)	(273)
Ocean Development	4,643	9,501	4,858
Machinery	9,841	8,951	(890)
Engineering	(12,174)	(15,773)	(3,598)
Others	1,630	1,947	316
Total	(2,020)	(1,608)	411

Figures in parentheses represent negative.

## Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
<b>Assets</b>		
Current assets		
Cash and time deposits	119,811	138,943
Trade receivables	261,673	250,717
Merchandise and finished goods	4,090	4,153
Work in progress	35,585	42,263
Raw materials and supplies	5,976	5,962
Others	113,535	97,859
Allowance for doubtful accounts	(3,300)	(2,317)
Total current assets	537,372	537,581
Non-current assets		
Property, plant and equipment		
Land	249,265	247,883
Others, net	119,992	115,803
Total property, plant and equipment	369,257	363,687
Intangible assets		
Goodwill	14,348	14,954
Others	15,413	16,011
Total intangible assets	29,761	30,965
Investments and other assets		
Others	161,091	175,448
Allowance for doubtful accounts	(749)	(2,092)
Total investments and other assets	160,342	173,355
Total non-current assets	559,362	568,008
Total assets	1,096,735	1,105,590

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
<b>Liabilities</b>		
Current liabilities		
Trade payables	195,849	182,490
Short-term borrowings	14,124	62,822
Current portion of long-term borrowings	47,632	70,917
Current portion of bonds	15,000	5,000
Accrued income taxes	13,736	9,247
Advances from customers	72,904	56,142
Provision for construction warranties	10,542	10,129
Provision for losses on construction contracts	15,857	6,977
Other provisions	4,849	3,873
Asset retirement obligations	9	8
Others	38,977	35,280
Total current liabilities	429,483	442,891
Long-term liabilities		
Bonds	40,000	50,000
Long-term borrowings	148,419	139,103
Liability for severance and retirement benefits for directors and corporate auditors	425	322
Other provisions	2,090	2,075
Net defined benefit liabilities	12,777	12,487
Asset retirement obligations	1,284	1,281
Others	94,645	94,064
Total long-term liabilities	299,642	299,333
Total liabilities	729,126	742,224
Net assets		
Shareholders' equity		
Common stock	44,384	44,384
Capital surplus	18,808	18,801
Retained earnings	146,961	140,630
Treasury stock	(4,778)	(4,763)
Total shareholders' equity	205,376	199,053
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on securities	9,957	8,354
Unrealized gains (losses) on hedging derivatives	(6,611)	(7,156)
Revaluation reserve for land	41,263	41,263
Foreign currency translation adjustments	5,595	6,482
Remeasurements of defined benefit plans	(5,211)	(2,438)
Total accumulated other comprehensive income	44,993	46,506
Subscription rights to shares	236	221
Non-controlling interests	117,002	117,584
Total net assets	367,608	363,365
Total liabilities and net assets	1,096,735	1,105,590

# Consolidated Statements of Income

(Millions of yen)

	April 1, 2016 to December 31, 2016	April 1, 2017 to December 31, 2017
Net sales	495,114	519,937
Cost of sales	462,459	482,447
Gross profit	32,654	37,490
Selling, general and administrative expenses	34,675	39,098
Operating loss	(2,020)	(1,608)
Non-operating income		
Interest income	3,128	4,249
Dividend income	981	1,296
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	3,090	3,209
Gain on valuation of derivatives	3,128	-
Others	1,655	1,523
Total non-operating income	11,984	10,278
Non-operating expenses		
Interest expenses	2,505	2,904
Foreign currency exchange losses	5,247	794
Loss on valuation of derivatives	-	103
Others	846	840
Total non-operating expenses	8,600	4,643
Ordinary income	1,363	4,026
Extraordinary income		
Gain on disposal of non-current assets	17,017	1,822
Gain on sales of investment securities	116	3,874
Gain on sales of subsidiaries and affiliates' stocks	-	491
Gain on liquidation of subsidiaries and affiliates	-	247
Total extraordinary income	17,134	6,436
Extraordinary losses		
Loss on disposal of non-current assets	389	349
Loss on impairment of non-current assets	3,202	-
Loss on sales of investment securities	0	-
Loss on valuation of investment securities	9	8
Total extraordinary losses	3,601	358
Profit before income taxes	14,895	10,104
Income taxes	11,703	9,401
Profit	3,192	702
Profit attributable to non-controlling interests	1,467	4,307
Profit (loss) attributable to owners of parent	1,724	(3,604)

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2016 to December 31, 2016	April 1, 2017 to December 31, 2017
Profit	3,192	702
Other comprehensive income		
Net unrealized holding gains (losses) on securities	3,381	(1,347)
Unrealized gains (losses) on hedging derivatives	2,085	(1,068)
Foreign currency translation adjustments	(9,148)	1,729
Remeasurements of defined benefit plans	2,433	2,762
Share of other comprehensive income of affiliates accounted for using equity method	(14,125)	(1,834)
Total	(15,373)	240
Comprehensive income	(12,181)	943
Comprehensive income attributable to		
Owners of parent	(10,993)	(2,092)
Non-controlling interests	(1,187)	3,035