



Mitsui E&S Holdings Co., Ltd.

2019/03 Half-year Financial Results
12 November, 2018

2019/03 Half-year Highlight

2019/03 Half-year Result	<ul style="list-style-type: none">◆ New Order 257.6 Billion Yen ↑◆ Sales 311.7 Billion Yen ↓◆ Ordinary Income ▲24.3 Billion Yen ↓
2019/03 Forecast	<ul style="list-style-type: none">◆ New Order 700-900 Billion Yen ↓◆ Sales 660 Billion Yen ↓◆ Ordinary Income ▲20 Billion Yen ↓
Topics	<ul style="list-style-type: none">◆ Signed a joint venture agreement with Yangzijiang Shipbuilding Group, Mitsui & Co., Ltd.◆ "neo 87BC", newly developed eco-friendly◆ MODEC Awarded Letter of Intent by Eni Mexico related to FPSO◆ Ordered LNG fuel tank and package for fuel gas supply system (FGSS)◆ Provide consistent service from construction to O&M for biomass power plant

2019/03 Half-year Summary of Results

(JPY: Billion)

	2017/09	2018/09	Var.
New Order	247.5	257.6	+10.1
Sales	341.5	311.7	△29.8
Operating Income	▲9.1	▲28.0	△18.9
(OP ratio)	(▲2.7%)	(▲9.0%)	(△6.3)
Ordinary Income	▲4.8	▲24.3	△19.5
(OD ratio)	(▲1.4%)	(▲7.8%)	(△6.4)
Profit attributable to owners	▲5.9	▲47.9	△42.0

<Average FX>

(JPY)

US\$/Yen	111.82	111.09
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※ Forecast Rate US\$/Yen 110

● New Orders

Commercial Ship price appears to be bottoming out. Accumulated orders for 6 bulk carriers in this half-year.

● Sales

Decrease the sales, due to completion of overseas large-scale plant EPC was finished at the end of the previous fiscal year.

● Ordinary Income

Profitability goes down in Coal-fired power plant civil engineering construction work in Indonesia.

● Profit attributable to owners

Significantly decrease due to the reversal of deferred tax assets in addition to the above problem.

2019/03 Half-year Results Summary by Segment

(JPY: Billion)

	New Order			Sales			Operating Income			Ordinary Income
	17/09	18/09	Var.	17/09	18/09	Var.	17/09	18/09	Var.	18/09 (※)
Ship	19.9	58.9	+39.0	59.0	46.4	△12.6	▲4.7	▲3.1	+1.6	▲3.3
Ocean Development	84.6	40.3	△44.3	101.7	113.1	+11.4	2.6	10.8	+8.2	14.0
Machinery	63.8	84.6	+20.8	80.1	86.2	+6.1	5.8	4.5	△1.3	5.0
Engineering	46.5	39.9	△6.6	60.7	29.5	△31.2	▲12.8	▲40.8	△28.0	▲40.4
Other	32.7	33.9	+1.2	40.0	36.5	△3.5	0.1	0.6	0.5	0.4
Total	247.5	257.6	+10.1	341.5	311.7	△29.8	▲9.1	▲28.0	△18.9	▲24.3

(※) No audit. For your reference, we disclose internal amount

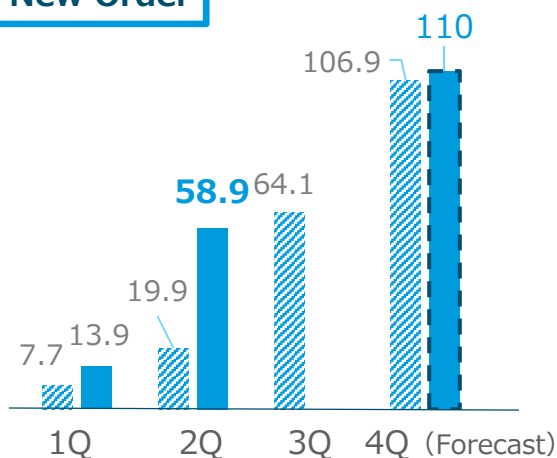
Ship

Main products : Commercial Ship/Government Ship Ship Repairs

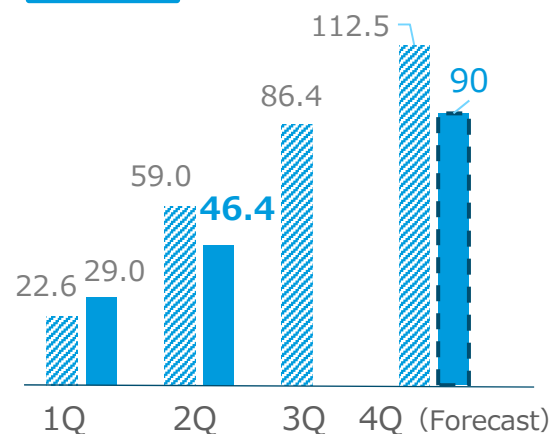
■ FY18/03 ■ FY19/03

(JPY Billion)

New Order



Sales



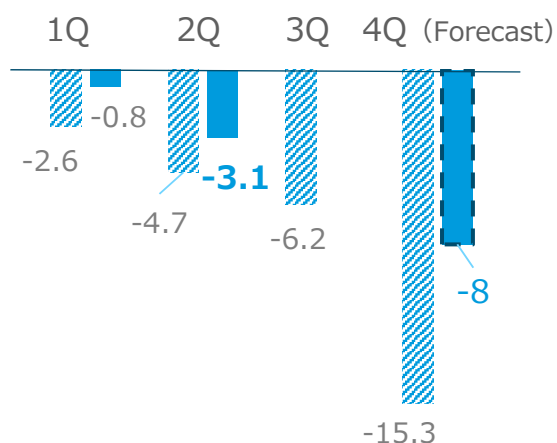
■ New Order : YoY +39.0

Awarded 10 new ships including 6 (Eco-ship) bulk carriers. We are taking order activities centered on energy-saving bulk carriers.

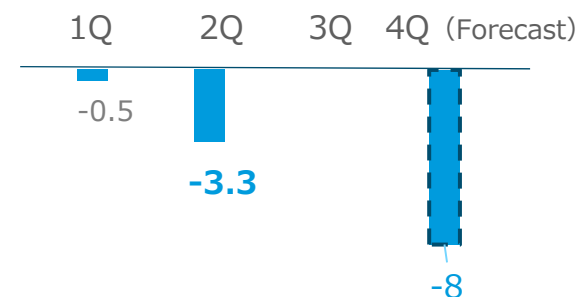
■ Sales : YoY Δ 12.6

Despite a decrease in sales compared to the previous year, the trend was as planned with a reduced annual operation volume.

Operating Income



Ordinary Income



■ Ordinary Income

Ships ordered during the period when the trend of the ship's market was weak for several years had an impact on this losses.

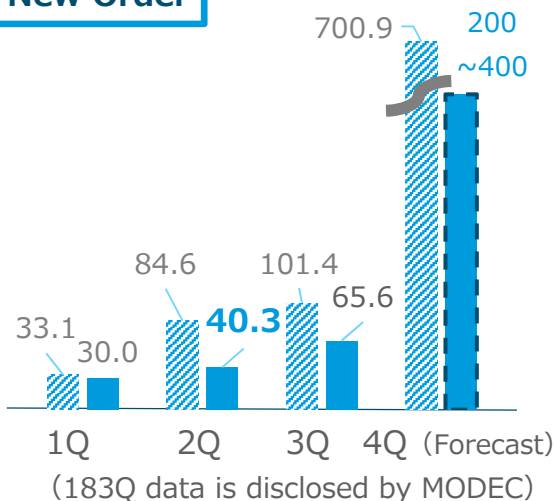
Ocean Development

Main products : EPCI/Lease/Charter/Operation of FPSO etc.
 (Floating Production, Storage and Offloading system)

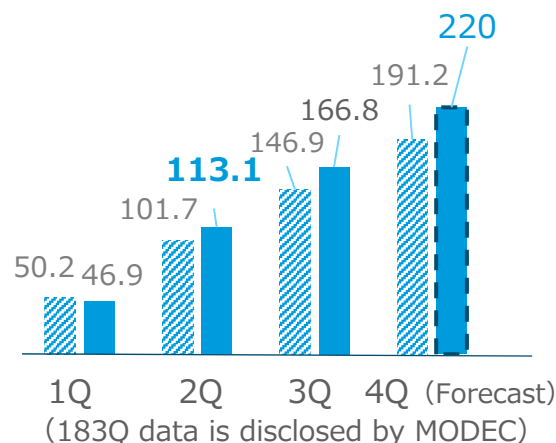
■ FY18/03 ■ FY19/03

(JPY Billion)

New Order



Sales



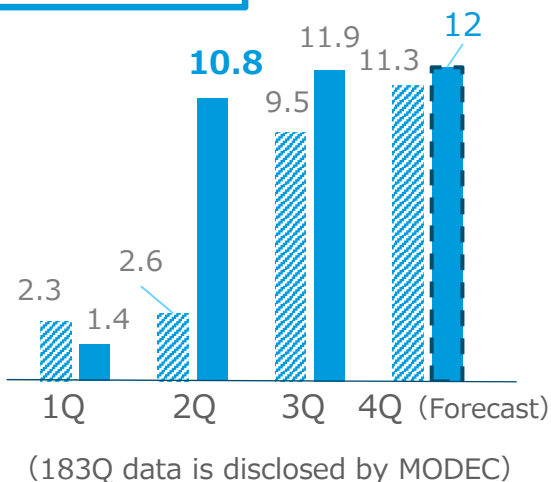
■ **New Order** : YoY $\triangle 44.3$

There was no FPSO order in the first half 2018. However MODEC Awarded Letter of Intent by Eni Mexico related to FPSO - Chartering, Operation and Maintenance - in Mexico in October.

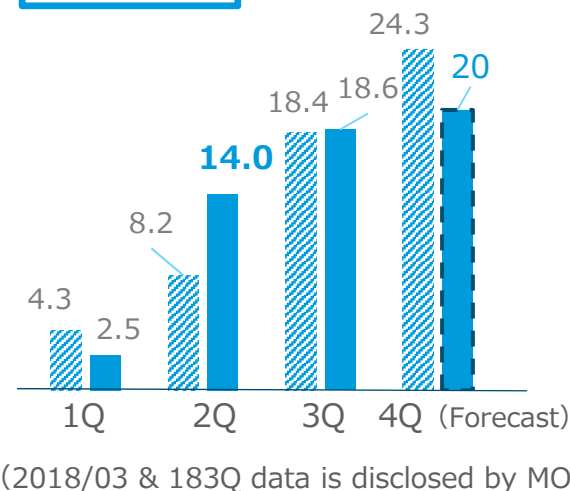
■ **Sales** : YoY +11.4

EPC(I) of FPSO/FSO progressed on track.

Operating Income



Ordinary Income



■ **Ordinary Income**

Ordinary Income increased by 5.8 billion yen due to realization of deferred profit of MV29M.

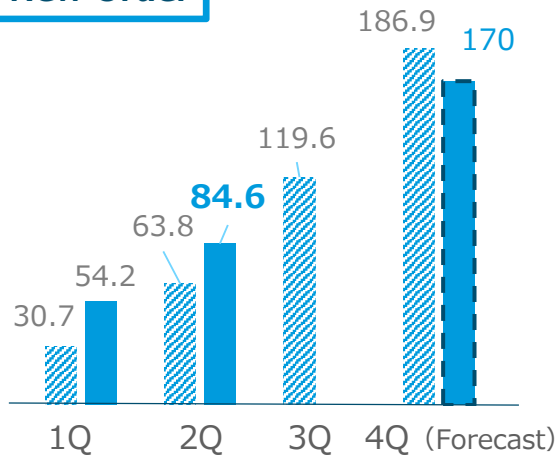
Machinery

Main products : Marine diesel engine, Container Crane, Infrastructure, Industrial Machinery, These aftersales service

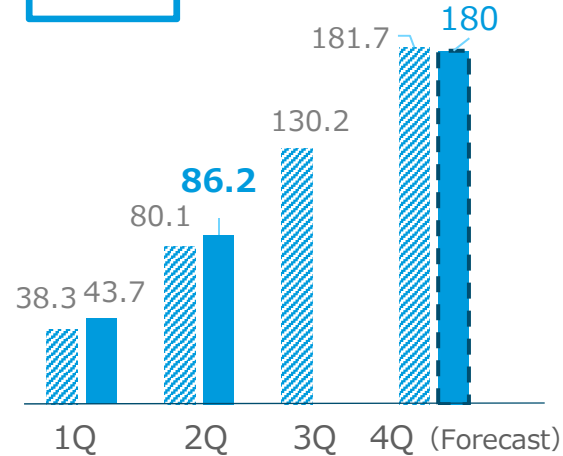
FY18/03 FY19/03

(JPY Billion)

New Order



Sales



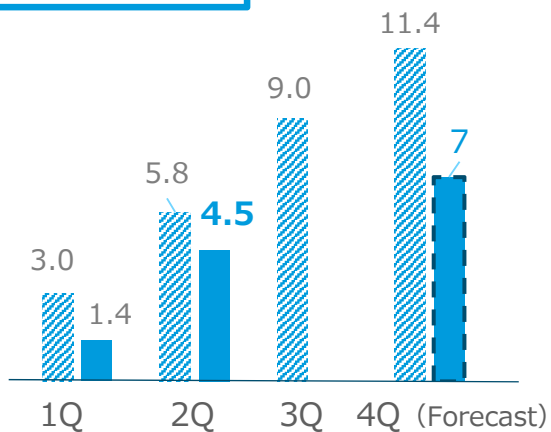
■ New Order : YoY +20.8

Social infrastructure and after-sales service increased compared to the previous fiscal year.

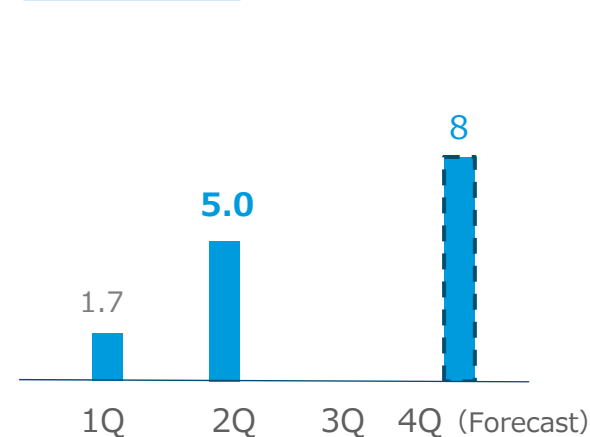
■ Sales : YoY +6.1

Container Crane progressed on track. Sales of other sub-segments products exceeded the previous fiscal year.

Operating Income



Ordinary Income



■ Ordinary Income

After-sales service profit is steadily. Industrial Machinery and Marine diesel engine deteriorated, resulting in a decline in profits.

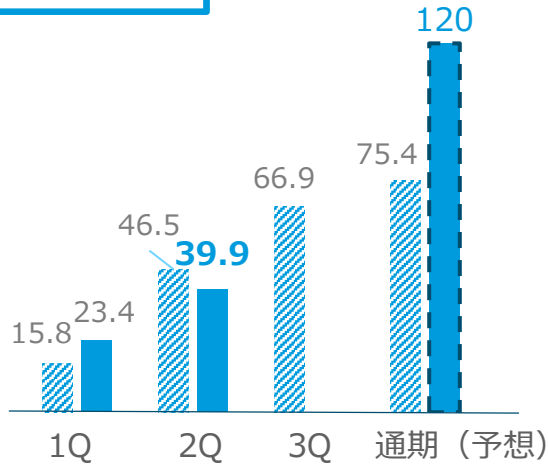
Engineering

Main products : Environmental Energy, Infrastructure, Chemical Plant

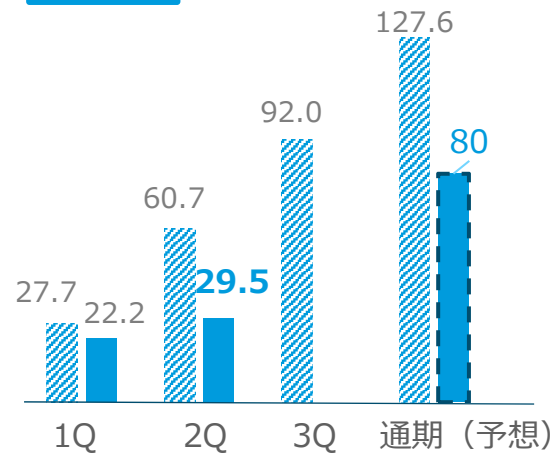
FY18/03 FY19/03

(JPY Billion)

New Order



Sales



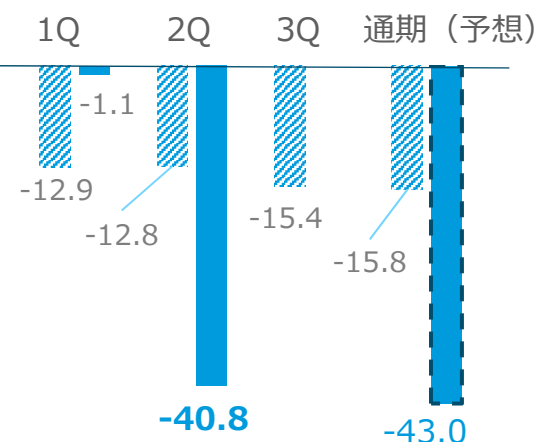
■ New Order : YoY $\triangle 6.6$

Due to revised orders strategy of chemical plant, New Orders fell. We will develop mainly in domestic chemical plant projects, environmental energy fields such as wind power generation and biomass power generation.

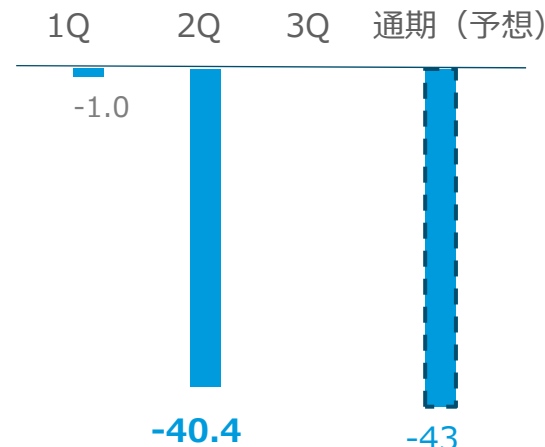
■ Sales : YoY $\triangle 31.2$

Decreased compared with the same period of the previous fiscal year due to completion of overseas chemical plant construction.

Operating Income



Ordinary Income



■ Ordinary Income

Significantly decrease due to set aside an additional costs and provision for Coal-fired power plant civil engineering construction work in Indonesia.

2019/03 Half-year Loss of Engineering

- Profitability goes down in Coal-fired power plant
civil engineering construction work in Indonesia

<Cause>

- Broken the piping that already installed in the sea.
- Decided addition and backtracking work are necessary.
- Additional costs such as design fee, material expenses, building costs etc. arise due to this construction delay.

<Forecast>

- Total loss for this construction is 41.3 billion yen
- All risk cost assumed at the present is set aside 24.3 billion yen provision in this Half-year.
- The impact on the cost of the following fiscal year is minor.

2019/03 Half-year Loss of Engineering

- Our list of Coal-fired power plant

civil engineering construction

Projects	Area	Progress (18/09)	Delivery date
A	Vietnam	95%	2019
B	Indonesia	40%	2020
C	Indonesia	45%	2021



A Construction has progressed steadily, it has already entered the final stage and will be completed next fiscal year.

B This loss construction. Focus on completion of construction

C Risk is low.

Because it is an extension work that we have successfully introduced.

2019/03 Half-year Loss of Engineering

■ Future measures

<Measure for Construction>

- Rebuilding the project structure and should complete this work by the delivery date (November, 2020)
- Increase the staff, strengthen management system and customer responsiveness

<Measures to improve capital>

- Implement the sales of asset such as land, building, securities etc. as well as fixed cost reduction.

<Restructuring of engineering business>

- Currently, future direction of engineering business is under consideration and will be disclosed within the existing fiscal year.

2019/03 Forecast Summary

(JPY: Billion)

	Previous Forecast (2018/8/8)	Current Forecast (2019/03)	Var.
New Order	900~ 1,100	700~ 900	△200
Sales	670	660	△10
Operating Income	12	▲28	△40
Ordinary Income	20	▲20	△40
Profit attributable to owners	5	▲43	△48

※ Forecast Rate US\$/Yen 110

※ Effect to foreign exchange rates by currency on operating profit
1 yen per US\$ corresponds to 0.4 billion yen.

2019/03 Forecast Summary by Segment

(JPY: Billion)

	New Order			Sales		
	Previous Forecast (2018/8/8)	Current Forecast (2019/03)	Var.	Previous Forecast (2018/8/8)	Current Forecast (2019/03)	Var.
Ship	110	110	0	90	90	0
Ocean Development	400~ 600	200~ 400	△200	220	220	0
Machinery	170	170	0	180	180	0
Engineering	120	120	0	80	80	0
Other	100	100	0	100	90	△10
Total	900~ 1,100	700~ 900	△200	670	660	△10

2019/03 Forecast Summary by Segment

(JPY: Billion)

	Operating Income			Ordinary Income		
	Previous Forecast (2018/8/8)	Current Forecast (2019/03)	Var.	Previous Forecast (2018/8/8)	Current Forecast (2019/03)	Var.
Ship	▲9	▲8	+1	▲9	▲8	+1
Ocean Development	12	12	0	20	20	0
Machinery	7	7	0	8	8	0
Engineering	▲3	▲43	△40	▲3	▲43	△40
Other	5	4	△1	4	3	△1
Total	12	▲28	△40	20	▲20	△40

Mid-Term Business Plan 2017

No change the target

(JPY: Billion)

	Target 2020/03
Net Sales	920
Ordinary Profit	37
Ordinary Profit Ratio	4%
ROIC	6.5%
Interest-bearing Debt	270 or less

※ Forecast Rate US\$/Yen 110

Topics

Signed a joint venture agreement with Yangzijiang Shipbuilding Group, Mitsui & Co., Ltd.

Mitsui E&S Shipbuilding Co., Ltd., in partnership with Yangzijiang Shipbuilding (Holdings), Ltd. and Mitsui & Co., Ltd. has entered into a shareholders' agreement to establish a new joint venture to operate a shipbuilding business. The partners plan to set up the joint venture by following the necessary procedures, including examinations. The new company will aim to build a globally competitive shipbuilding business by combining YZJ's high production capacity, Mitsui's extensive sales capabilities and MES-SC's advanced technology. Taking advantage of its technology that has been accumulated in the 101 years since its founding, MES-SC will continue to provide new value as a manufacturing company that meets the demands of a range of customers in the ship and marine industry.



Topics



Mitsui E&S Shipbuilding Co., Ltd Chiba factory

"neo 87BC", newly developed eco-friendly

Mitsui E&S Shipbuilding has developed "neo series" vessels which is a line-up of next generation eco-friendly ships until today. "neo 87BC" is the first "neo series" vessel which complies with IACS Harmonized Common Structural Rules (H-CSR). As for "neo 87 BC", we are planning to build at our Chiba factory, one of our main manufacturing bases, and we will continue to make use of the strength as a leading yard of energy-saving ship.

MODEC Awarded Letter of Intent by Eni Mexico related to FPSO

MODEC, Inc. ("MODEC") is pleased to announce that it has received a Letter of Intent (LOI) for supply, charter, and operations of a Floating Production Storage and Offloading (FPSO) vessel from Eni Mexico S. de R.L. de C.V. ("Eni Mexico"), a wholly owned subsidiary of Eni S.p.A., on October 3, 2018. The firm time charter period is 15 years with five (5) one-year extension options. MODEC has an excellent track record of Engineering, Procurement, Construction and Installation (EPCI) as well as charter and operations projects, delivering so far 46 floating production systems all over the globe.

Topics

Ordered LNG fuel tank and package for fuel gas supply system (FGSS)

Mitsui E&S Machinery Co., Ltd Diesel Division ordered LNG fired marine diesel engine and LNG fuel supply systems for LNG ships built by Imabari Shipbuilding.

The LNG fuel supply system is supplied by TGE Marine Gas Engineering Co., Ltd., of MES group which has extensive experience.

*FGSS: Fuel Gas Supply System

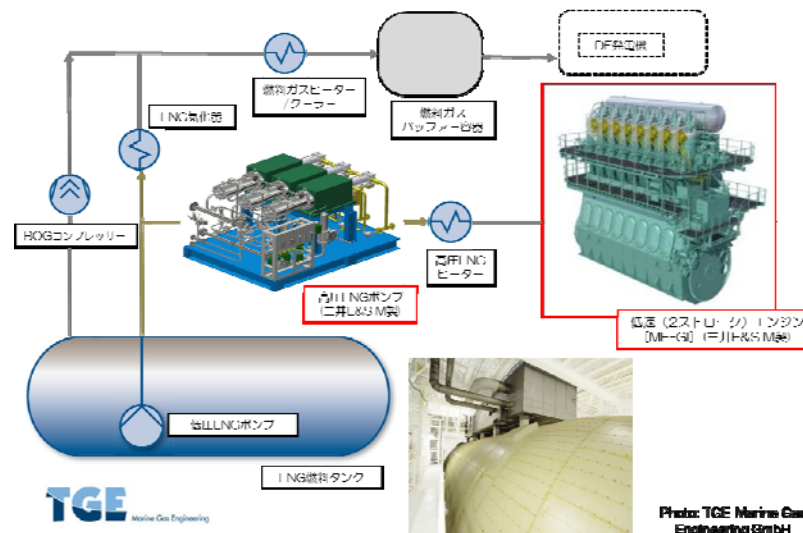
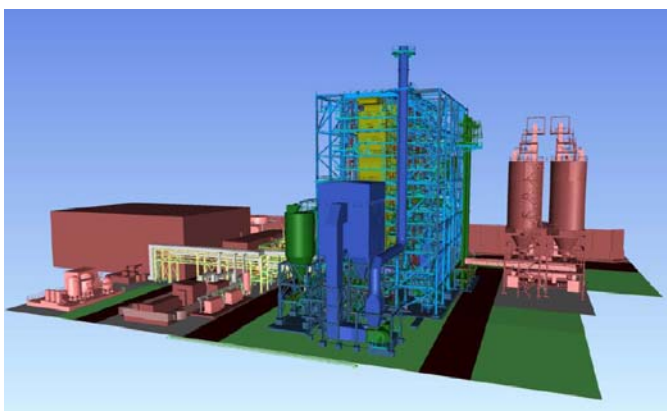


Photo: TGE Marine Gas Engineering GmbH



完成イメージ図

Provide consistent service from construction to O&M for biomass power plant

BWSC, a MES subsidiary of Denmark, established BWSC-JAPAN for the purpose of conducting O&M management for biomass power generation business in Japan on July 2018. The company plans to undertake O&M management of "Ichihara biomass power plant" which is constructing at Chiba Works by Mitsui E&S Engineering Co., Ltd.

These are one of the examples demonstrating the MES group comprehensive power that was stated from the Mid-Term Business Plan 2017.

2019/03 Half-year Summary of Income Statement

(JPY: Billion)

	2017/09	2018/09	Var.	
Sales	341.5	311.7	△29.8	
Gross Profit	16.7	▲2.1	△18.8	Profitability goes down by Indonesian EPC
SG&A	25.8	25.9	+0.1	
Operation Income	▲9.1	▲28.0	△18.9	
Other Income	7.2	6.5	△0.7	
Other Expenses	2.9	2.8	△0.1	
Ordinary Income	▲4.8	▲24.3	△19.5	
Extraordinary Gains	6.4	0	△6.4	Previous year, gains on sales of investment securities are set aside
Extraordinary Losses	0.1	1.4	+1.3	
Profit Before Taxes	1.5	▲25.6	△27.1	
Income Taxes	5.7	17.7	+12.0	Increase due to reversal of deferred tax assets
Non-Controlling Interest	1.8	4.5	+2.7	Mainly MODEC minority interests
Profit attributable to owners of parent	▲5.9	▲47.9	△42.0	Lowest ever

2019/03 Half-year Summary of Balance Sheet

(JPY: Billion)

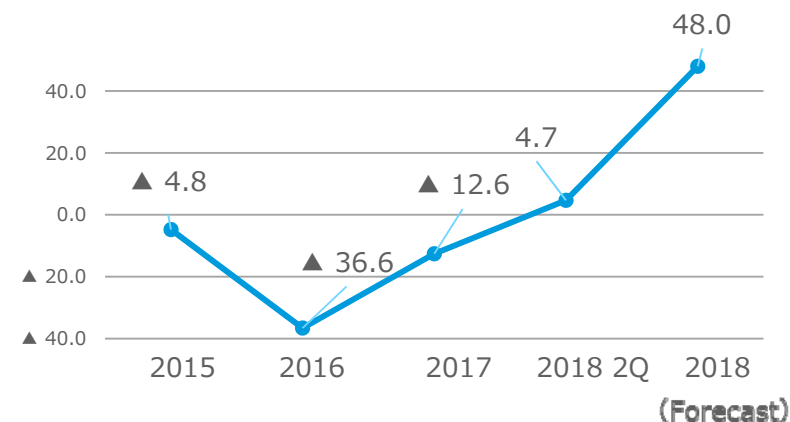
	17/09	18/09	Var.	
Total Assets	1,029.2	1,016.9	△12.3	
(Cash)	93.7	99.0	+5.3	
(Receivables)	243.8	235.2	△8.6	
(Fixed Assets)	382.3	380.9	△1.4	
(Differed Tax Assets)	18.1	5.2	△12.9	Reversed deferred tax assets
Total Liabilities	672.4	707.5	+35.1	
(Advances by Customers)	56.9	83.5	+26.6	
(Provision for losses on construction contracts)	10.3	33.3	+23.0	Increased due to profitability goes down by Indonesian EPC
(Debt (with interest))	255.3	259.3	+4.0	
Net Assets	356.8	309.5	△47.3	Significantly decrease due to lowest ever losses
(Own capital)	239.2	189.7	△49.5	
Capital-to-asset ratio	23.2%	18.7%	△4.5	
DE Raito	1.1	1.4		

2019/03 Half-year Summary of Cash Flow

Actual

	17/09	18/09	Var.
Operating CF	△31.8	3.1	+34.9
Investing CF	△21.2	1.6	+22.8
Free CF	△53.0	4.7	+57.7
Financial CF	30.3	2.8	△27.5

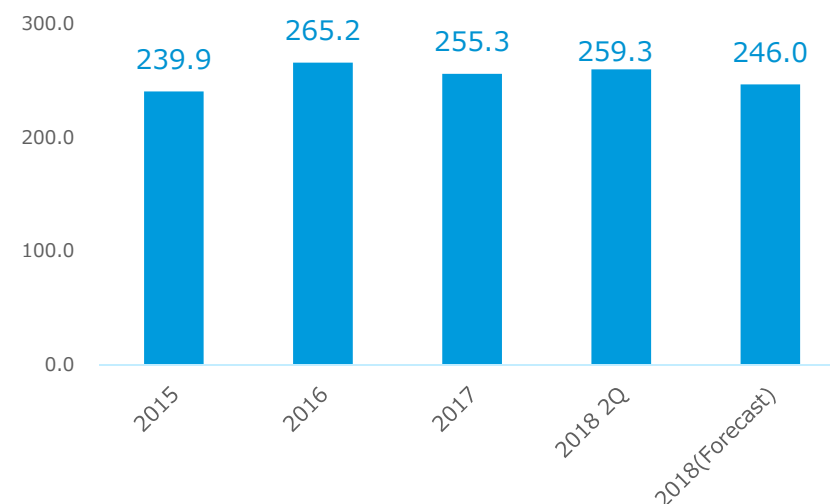
<Trends of Free Cash Flow>



Forecast

	Initial Forecast	Current Forecast (2019/03)	Var.
Free CF	38	48	+10
Debt (with interest)	246	246	0

<Trends of Debt (with Interest)>



Appendix) New Ship・Marine Diesel Engine

New Ship (Mitsui E&S shipbuilding Co., Ltd)

	New Orders	Deliveries	Backlogs
Commercial Ship	6	4	22
Government Ship・ Other Ship	1	-	7
Total	7	4	29

Marine Diesel Engines (Mitsui E&S Machinery CO., Ltd.)

	2017/09		2018/09	
	Unit	House Power (10Kps)	Unit	House Power (10Kps)
New Orders	25	47	52	97
Deliveries	71	179	77	197
Back logs	93	282	108	251
Production	77	191	76	196

Appendix) CAPEX·R&D·Employees

(JPY: Billion)

	2017/09 Actual	2018/03 Actual	2018/09 Actual	2019/03 Forecast
CAPEX	11.9	18.1	9.1	13.0
Depreciation	8.6	17.2	7.5	—
R&D	1.7	4.6	1.4	4.6
Employees	13,328 People	13,421 People	13,611 People	—



MITSUBI E&S

社会に人に信頼されるものづくり企業であり続けます

To continue working as a company trusted by society and individual through products and services we offer

In this document, forward-looking statements, targets, plans, strategies, etc. of the Company contain forward-looking statements. These are forecasts that the Company rationally determined based on information that can be grasped at the present time and include known and unknown risks and uncertainties. Accordingly, there is a possibility that actual results or developments of our company in the future may be significantly different.

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