

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

3rd Quarter CONSOLIDATED FINANCIAL RESULTS FOR FY2018

From April 1, 2018 to December 31, 2018

Code number:	7003	URL:	https://www.mes.co.jp/
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, 2019		
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 FY2018 (April 1, 2018 to Decemver 31, 2018)

(Millions of yen)

	From Apr. 1, 2017 to Dec. 31, 2017	From Apr. 1, 2018 to Dec. 31, 2018	Change (%)
New Orders Received	402,246	374,347	(6.9)
Net Sales	519,937	479,396	(7.8)
Operating Loss	(1,608)	(27,081)	—
Ordinary Income (Loss)	4,026	(22,000)	—
Loss attributable to owners of parent	(3,604)	(47,338)	—
Earnings per Share (Yen)	(44.60)	(585.67)	—

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 Dec. 31, 2018
Total Assets	1,029,222	1,035,848
Net Assets	356,837	311,284
Shareholders' Equity to Total Assets	23.2%	18.5%

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		0.00
Total	0.00		0.00

Note: Revision of the most recent dividends forecast: None

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	660,000	(28,000)	(20,000)	(43,000)	(532.00)

Note: Revision of the most recent financial forecast: None

Reference: Estimate is based on exchange rate of USD1.00 = JPY110.0

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 3Q	FY2018 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	2,269,180	2,270,610
Average number of shares during the period (cumulative quarterly consolidated period)	80,825,712	80,827,686

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 Dec. 31, 2017	From Apr. 1, 2018 to Dec. 31, 2018	Difference
Ship	54,141	83,244	29,102 53.8%
Ocean Development	101,402	65,992	(35,410) (34.9%)
Machinery	119,568	122,575	3,007 2.5%
Engineering	66,443	49,713	(16,729) (25.2%)
Others	60,690	52,822	(7,868) (13.0%)
Total	402,246	374,347	(27,898) (6.9%)

Net Sales by Segment

(Millions of yen)

	From Apr. 1, 2017 to Dec. 31, 2017	From Apr. 1, 2018 to Dec. 31, 2018	Difference
Ship	86,356	69,486	(16,869) (19.5%)
Ocean Development	146,938	167,124	20,186 13.7%
Machinery	130,151	135,819	5,667 4.4%
Engineering	91,618	49,828	(41,790) (45.6%)
Others	64,872	57,137	(7,735) (11.9%)
Total	519,937	479,396	(40,540) (7.8%)

Operating Income (Loss) by Segment

(Millions of yen)

	From Apr. 1, 2017 to Dec. 31, 2017	From Apr. 1, 2018 to Dec. 31, 2018	Difference
Ship	(6,235)	(6,597)	(361)
Ocean Development	9,501	11,868	2,367
Machinery	8,951	7,515	(1,436)
Engineering	(15,359)	(40,848)	(25,488)
Others	1,533	979	(553)
Total	(1,608)	(27,081)	(25,473)

Figures in parentheses represent negative.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and time deposits	93,698	103,608
Trade receivables	243,767	241,252
Merchandise and finished goods	4,085	5,030
Work in progress	35,661	46,603
Raw materials and supplies	5,158	5,733
Short-term loans	47,227	34,261
Others	43,391	47,956
Allowance for doubtful accounts	(1,956)	(1,927)
Total current assets	471,033	482,518
Non-current assets		
Property, plant and equipment		
Land	245,293	248,513
Others, net	106,773	104,033
Total property, plant and equipment	352,066	352,547
Intangible assets		
Goodwill	14,260	13,107
Others	15,973	17,213
Total intangible assets	30,233	30,321
Investments and other assets		
Others	176,622	171,170
Allowance for doubtful accounts	(733)	(709)
Total investments and other assets	175,888	170,461
Total non-current assets	558,189	553,329
Total assets	1,029,222	1,035,848

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Trade payables	180,786	176,908
Short-term borrowings	11,703	53,833
Current portion of long-term borrowings	62,924	38,001
Current portion of bonds	-	10,000
Commercial papers	-	3,000
Accrued income taxes	9,009	8,271
Advances from customers	56,943	81,592
Provision for construction warranties	11,439	10,580
Provision for losses on construction contracts	10,327	33,185
Other provisions	5,398	5,745
Asset retirement obligations	8	2
Others	34,809	31,692
Total current liabilities	383,352	452,814
Long-term liabilities		
Bonds	50,000	40,000
Long-term borrowings	130,649	128,871
Liability for severance and retirement benefits for directors and corporate auditors	345	436
Other provisions	1,776	1,810
Net defined benefit liabilities	12,273	13,123
Asset retirement obligations	1,283	1,286
Others	92,704	86,220
Total long-term liabilities	289,033	271,749
Total liabilities	672,385	724,563
Net assets		
Shareholders' equity		
Common stock	44,384	44,384
Capital surplus	18,799	18,747
Retained earnings	135,354	88,281
Treasury stock	(4,759)	(4,757)
Total shareholders' equity	193,779	146,655
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on securities	7,477	4,007
Unrealized gains (losses) on hedging derivatives	(6,786)	(3,382)
Revaluation reserve for land	39,912	39,896
Foreign currency translation adjustments	6,093	4,310
Remeasurements of defined benefit plans	(1,316)	143
Total accumulated other comprehensive income	45,380	44,975
Subscription rights to shares	216	205
Non-controlling interests	117,460	119,447
Total net assets	356,837	311,284
Total liabilities and net assets	1,029,222	1,035,848

Consolidated Statements of Income

(Millions of yen)

	April 1, 2017 to December 31, 2017	April 1, 2018 to December 31, 2018
Net sales	519,937	479,396
Cost of sales	482,447	467,419
Gross profit	37,490	11,976
Selling, general and administrative expenses	39,098	39,058
Operating loss	(1,608)	(27,081)
Non-operating income		
Interest income	4,249	5,105
Dividend income	1,296	1,141
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	3,209	2,839
Others	1,523	965
Total non-operating income	10,278	10,051
Non-operating expenses		
Interest expenses	2,904	2,163
Foreign currency exchange losses	794	1,036
Loss on valuation of derivatives	103	90
Others	840	1,680
Total non-operating expenses	4,643	4,970
Ordinary income (loss)	4,026	(22,000)
Extraordinary income		
Gain on disposal of non-current assets	1,822	99
Gain on sales of investment securities	3,874	816
Gain on sales of subsidiaries and affiliates' stocks	491	101
Gain on liquidation of subsidiaries and affiliates	247	-
Total extraordinary income	6,436	1,016
Extraordinary losses		
Loss on disposal of non-current assets	349	514
Loss on impairment of non-current assets	-	559
Loss on valuation of investment securities	8	356
Loss on litigation	-	167
Provision for loss on compensation for damage	-	150
Total extraordinary losses	358	1,748
Profit (loss) before income taxes	10,104	(22,732)
Income taxes	9,401	19,882
Profit (loss)	702	(42,615)
Profit attributable to non-controlling interests	4,307	4,723
Loss attributable to owners of parent	(3,604)	(47,338)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2017 to December 31, 2017	April 1, 2018 to December 31, 2018
Profit (loss)	702	(42,615)
Other comprehensive income		
Net unrealized holding losses on securities	(1,347)	(3,596)
Unrealized losses on hedging derivatives	(1,068)	(1,061)
Foreign currency translation adjustments	1,729	(2,618)
Remeasurements of defined benefit plans	2,762	1,436
Share of other comprehensive income of affiliates accounted for using equity method	(1,834)	4,224
Total	240	(1,615)
Comprehensive income	943	(44,230)
Comprehensive income attributable to		
Owners of parent	(2,092)	(47,727)
Non-controlling interests	3,035	3,496