

Note: This translation is intended solely for the convenience of English readers. If there is any discrepancy between this translation and the original Japanese, the original Japanese supersedes this translation.

November 11, 2019

Progress and Review of Mitsui E&S Group Business Revival Plan

Mitsui E&S Holdings Co., Ltd. (the “Company”) (Ryoichi Oka, President) announced progress and review of Mitsui E&S Group Business Revival Plan, which was established in May this year.

1. Current Status

Due to additional loss in the civil engineering construction work of an overseas large coal-fired power plant (disclosed on November 1, 2019, TSE), addition and accelerated execution of countermeasures are required for financing and recovery of equity capital. Given this situation, the Company reviewed its Business Revival Plan as below.

Review Policy of Business Revival Plan

- Add assets and businesses for sell-off and accelerate the execution
- Reform business structure and pursue collaborations and partnerships with other companies
- Withdraw from the Engineering Business for domestic power plants, which requires heavy initial investment

2. Reinforcement of the Financial/Profitability Structures

Sell-off of Business and Assets

- Concluded in principle the sell-off of Mitsui E&S Plant Engineering Co., Ltd.
 - Concluded in principle the sell-off of the Solar Power Business
 - Sell-off the estate of Chiba Works with a leaseback contract to continue existing projects
 - Reviewing other businesses and assets for sell-off
- The details will be announced as appropriate.

Reduction of Fixed Costs (personnel and other expenses)

- Conduct the following personnel measures
 - Employee relocation inside our Group
 - Transfers outside our Group in association with the businesses sold-off
- Considering relocation and transfers of about 1,000 people throughout the Group

3. Reform of Business Structure

- Improvement of the product lineup of the Machinery Business
 - Focus on the prospective product group for future earnings
 - Details to be described in Mid-term Business Plan 2020 (MBP20) under development
- Reorganization of the Power Generation Business
 - Withdraw from the domestic business of biomass power plants, which requires heavy initial investment and downscale to specialize in the O&M (Operation and Maintenance) business
 - Withdraw from the wind power generation business
- Reorganization of the Shipbuilding Business
 - Establish the Engineering Center for independent operation of the engineering business in the design and construction of merchant ships
 - Take steps toward a change in the product portfolio from merchant ships to steel structures in Chiba Shipyard
- Reorganization of the Social Infrastructure Business
 - Consolidate the social infrastructure business to Mitsui E&S Steel Engineering Co., Ltd., which will be set as independent from the consolidation scope of Mitsui E&S Machinery Co., Ltd.

4. Organization after Reform

Positioning the Machinery and the Ocean Development to be the center of our business, we will focus on the development of equipment and services related to the Oil, Gas, and Machinery businesses. On the other hand, we will aim for further growth in the shipbuilding business, social infrastructure business, and power generation business through collaboration and alliances with other companies.

5. Restructuring the Governance Structure of the Engineering Business

The coal-fired power plant civil engineering construction project will be put under the command and control system of the Engineering Business Management Dept. which is directly managed by the president of Mitsui E&S Holdings. We will also conduct reorganization of the Engineering Business and related subsidiaries, and relocation of employees of the Engineering Business.

6. Numerical targets (for the fiscal year ending March 31, 2023)

	Consolidated
Net sales / Ordinary income ratio	More than 4%
Total asset turnover ratio	More than 0.8
Ratio of interest-bearing debt to EBITDA	5.0x

The numerical targets will remain unchanged despite reduction of the business scale. We are aiming to achieve the targets through prompt actions of selection and concentration of the business.

According to the schedule of the Business Revival Plan, we are executing these measures aiming to reinforce the financial/profitability structure and to reform the business structure.

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