

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

3rd Quarter CONSOLIDATED FINANCIAL RESULTS FOR FY2020

From April 1, 2020 to December 31, 2020

Code number:	7003	URL:	https://www.mes.co.jp/
Shares Listed:	Tokyo Stock Exchange		
Representative:	Ryoichi Oka, President, Representative Director, and CEO		
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Scheduled date to file Quarterly securities report:	February 12, 2021		
Scheduled date to commence dividend payments:	—		
Supplementary explanatory materials prepared:	Yes		
Explanatory meeting:	Yes (for analysts)		

(Amounts less than one million yen are truncated)

1. Consolidated Financial Results for 3rd Quarter FY2020 (From April 1, 2020 to December 31, 2020)

(Millions of yen)

	From Apr. 1, 2019 to Dec. 31, 2019	From Apr. 1, 2020 to Dec. 31, 2020	Change (%)
New Orders Received	571,949	369,087	(35.5)
Net Sales	547,698	484,748	(11.5)
Operating Loss	(72,352)	(5,129)	—
Ordinary Loss	(69,693)	(3,070)	—
Loss attributable to owners of parent	(70,040)	(2,493)	—
Earnings per Share (Yen)	(866.45)	(30.84)	—

Figures in parentheses represent negative.

(Millions of yen)

	As of Mar. 31, 2020	As of Dec. 31, 2020
Total Assets	840,380	776,016
Net Assets	105,355	88,031
Shareholders' Equity to Total Assets	7.7%	7.2%

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

2. Dividends

(Yen)

	FY2019	FY2020	FY2020 (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 FY2020

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Earnings per Share (Yen)
Year ending March 31, 2021	660,000	(12,000)	(8,000)	0	0.00

Note: Revision of the most recent financial forecast: Yes

Reference: Estimate is based on exchange rate of USD1.00 = JPY105.00

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)

	FY2019 / FY2019 3Q	FY2020 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	2,259,372	2,248,461
Average number of shares during the period (cumulative quarterly consolidated period)	80,836,663	80,848,203

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.

HOW TO GET THE SUPPLEMENTARY EXPLANATORY MATERIALS

Supplementary explanatory material is planned to be posted on our web site.

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, port structures, induction heaters
Engineering	Renewable energy power generation plants, power generation business, overseas civil works, waste treatment plants, water treatment plants, resources recycling plants, PCB disposal plants

Change in Reportable Segment

The Company has been pushing forward the reform of business structure under the Business Revival Plan, which was announced in May 2019 and partly reviewed in November 2019.

As part of this reform, jurisdiction over Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd. (formerly Mitsui E&S Steel Structures Engineering Co., Ltd.) and DPS Bridge Works Co., Ltd., both were previously classified as "Machinery" and carries on Bridge business, has been changed since this 1st quarter of FY2020, and the said two companies now belong to "Others."

Comparative segment information for the prior period has been restated to reflect the changes.

New Orders by Segment

(Millions of yen)

	From Apr. 1, 2019 to Dec. 31, 2019	From Apr. 1, 2020 to Dec. 31, 2020	Difference
Ship	38,624	36,375	(2,249) (5.8%)
Ocean Development	342,286	178,162	(164,124) (47.9%)
Machinery	104,273	89,778	(14,495) (13.9%)
Engineering	32,310	18,430	(13,880) (43.0%)
Others	54,453	46,341	(8,111) (14.9%)
Total	571,949	369,087	(202,861) (35.5%)

Net Sales by Segment

(Millions of yen)

	From Apr. 1, 2019 to Dec. 31, 2019	From Apr. 1, 2020 to Dec. 31, 2020	Difference
Ship	85,565	66,569	(18,996) (22.2%)
Ocean Development	219,606	230,092	10,485 4.8%
Machinery	123,273	111,774	(11,498) (9.3%)
Engineering	44,743	28,914	(15,828) (35.4%)
Others	74,509	47,398	(27,111) (36.4%)
Total	547,698	484,748	(62,949) (11.5%)

Operating Income (Loss) by Segment

(Millions of yen)

	From Apr. 1, 2019 to Dec. 31, 2019	From Apr. 1, 2020 to Dec. 31, 2020	Difference
Ship	(1,898)	(2,162)	(263)
Ocean Development	(8,938)	(10,794)	(1,856)
Machinery	7,715	5,480	(2,235)
Engineering	(73,317)	998	74,316
Others	4,086	1,348	(2,737)
Total	(72,352)	(5,129)	67,223

Figures in parentheses represent negative.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and time deposits	118,405	132,119
Trade receivables	282,368	225,198
Securities	-	10,578
Merchandise and finished goods	4,714	5,927
Work in progress	46,165	58,712
Raw materials and supplies	5,505	5,611
Short-term loans	9,593	6,391
Others	50,259	37,508
Allowance for doubtful accounts	(1,185)	(799)
Total current assets	515,827	481,247
Non-current assets		
Property, plant and equipment		
Land	90,261	70,809
Others, net	69,297	62,211
Total property, plant and equipment	159,559	133,021
Intangible assets		
Goodwill	10,061	9,751
Others	18,180	17,958
Total intangible assets	28,242	27,710
Investments and other assets		
Others	137,179	134,243
Allowance for doubtful accounts	(427)	(205)
Total investments and other assets	136,751	134,037
Total non-current assets	324,552	294,768
Total assets	840,380	776,016

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Trade payables	238,241	222,065
Short-term borrowings	34,670	63,847
Current portion of long-term borrowings	40,245	32,531
Current portion of bonds	5,000	15,000
Accrued income taxes	7,803	10,008
Advances from customers	83,983	90,155
Provision for construction warranties	11,389	11,042
Provision for losses on construction contracts	98,505	80,597
Provision for losses on liquidation of subsidiaries and associates	-	343
Provision for repairs	10,573	3,296
Other provisions	9,086	5,701
Asset retirement obligations	10	371
Others	42,246	34,241
Total current liabilities	581,756	569,202
Long-term liabilities		
Bonds	35,000	20,000
Long-term borrowings	59,019	40,593
Liability for severance and retirement benefits for directors and corporate auditors	23	18
Provision for business restructuring	3,374	2,883
Other provisions	1,878	1,704
Net defined benefit liabilities	11,685	12,126
Asset retirement obligations	1,794	2,563
Others	40,492	38,893
Total long-term liabilities	153,267	118,782
Total liabilities	735,024	687,985
Net assets		
Shareholders' equity		
Common stock	44,384	44,384
Capital surplus	18,486	18,488
Retained earnings	(18,676)	(11,258)
Treasury stock	(4,726)	(4,696)
Total shareholders' equity	39,469	46,918
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on securities	(29)	172
Unrealized losses on hedging derivatives	(10,275)	(12,988)
Revaluation reserve for land	37,707	27,638
Foreign currency translation adjustments	(1,814)	(5,590)
Remeasurements of defined benefit plans	(680)	(274)
Total accumulated other comprehensive income	24,907	8,957
Subscription rights to shares	175	152
Non-controlling interests	40,802	32,002
Total net assets	105,355	88,031
Total liabilities and net assets	840,380	776,016

Consolidated Statements of Operations

(Millions of yen)

	April 1, 2019 to December 31, 2019	April 1, 2020 to December 31, 2020
Net sales	547,698	484,748
Cost of sales	582,711	458,019
Gross profit (loss)	(35,013)	26,729
Selling, general and administrative expenses	37,339	31,858
Operating loss	(72,352)	(5,129)
Non-operating income		
Interest income	4,692	3,512
Dividend income	745	164
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	1,685	3,725
Others	901	1,932
Total non-operating income	8,024	9,335
Non-operating expenses		
Interest expenses	2,056	2,088
Commission expenses	1,888	2,782
Foreign currency exchange losses	15	1,462
Loss on valuation of derivatives	265	248
Others	1,139	694
Total non-operating expenses	5,366	7,276
Ordinary loss	(69,693)	(3,070)
Extraordinary income		
Gain on disposal of non-current assets	410	52
Gain on sales of investment securities	1,132	583
Gain on sales of subsidiaries and affiliates' stocks	-	2,342
Reversal of provision for repairs	-	2,051
Total extraordinary income	1,543	5,029
Extraordinary losses		
Loss on disposal of non-current assets	238	1,006
Loss on impairment of non-current assets	216	1,362
Loss on sales of investment securities	121	-
Loss on sales of subsidiaries and affiliates' stocks	877	1,919
Loss on valuation of investment securities	244	185
Loss on valuation of shares of subsidiaries and affiliates	43	-
Provision for losses on liquidation of subsidiaries and associates	-	449
Business restructuring cost	-	303
Retirement benefit expenses	-	818
Total extraordinary losses	1,742	6,044
Loss before income taxes	(69,892)	(4,084)
Income taxes	2,601	2,555
Loss	(72,494)	(6,640)
Loss attributable to non-controlling interests	(2,453)	(4,146)
Loss attributable to owners of parent	(70,040)	(2,493)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2019 to December 31, 2019	April 1, 2020 to December 31, 2020
Loss	(72,494)	(6,640)
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(1,436)	198
Unrealized gains (losses) on hedging derivatives	(46)	2,514
Foreign currency translation adjustments	(4,494)	(4,577)
Remeasurements of defined benefit plans	158	436
Share of other comprehensive income of affiliates accounted for using equity method	(6,802)	(6,888)
Total	(12,620)	(8,315)
Comprehensive income	(85,115)	(14,955)
Comprehensive income attributable to		
Owners of parent	(80,259)	(8,374)
Non-controlling interests	(4,855)	(6,581)