

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)

Company name: Mitsui E&S Holdings Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 7003
 URL: <https://www.mes.co.jp/>
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 Scheduled date to file quarterly securities report: February 14, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating loss		Ordinary loss		Profit (loss) attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2022	173,194	(65.9)	(2,542)	-	(447)	-	2,215	-
December 31, 2021	508,538	4.9	(9,418)	-	(8,629)	-	(1,933)	-

Note: Comprehensive income For the nine months ended December 31, 2022: ¥ 27,044 million [741.7%]
 For the nine months ended December 31, 2021: ¥ 3,213 million [- %]

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
Nine months ended				
December 31, 2022	22.14		21.82	
December 31, 2021	(23.92)		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2022	426,513	99,670	22.4
March 31, 2022	409,150	62,949	14.0

Reference: Equity As of December 31, 2022: ¥ 95,501 million As of March 31, 2022: ¥ 57,091 million

2. Dividends

Common stock	Annual dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen
March 31, 2022	-	0.00	-	0.00	0.00
March 31, 2023	-	0.00	-	-	-
March 31, 2023 (Forecast)	-	-	-	0.00	0.00

Note 1: Revisions to the most recently announced dividends forecast: None

Note 2: The above "2. Dividends" shows dividends for Common stock. For details of dividends for Preferred stock (unlisted), the rights of which are different from those of Common stock issued by the Company, please refer to "Reference: Dividends for Preferred Stock" below.

3. Forecast of Financial Results (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

Fiscal year ending	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2023	240,000	(58.6)	1,000	-	3,000	-	4,000	-	41.33

Note: Revisions to the most recently announced forecast of financial results: Yes

Reference: Estimate is based on exchange rate of USD1.00 = JPY130.0

* Notes

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly included: -

Excluded: 1 company (Mitsui E&S Shipbuilding Co., Ltd.)

(2) Application of specific accounting treatment for preparing the quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

i) Changes in accounting policies due to revisions of accounting standards: None

ii) Changes in accounting policies due to other reasons: Yes

iii) Changes in accounting estimates: None

iv) Restatement: None

(4) Number of issued shares (common stock)

i) Number of issued shares at the end of the period (including treasury stock)

As of	shares
December 31, 2022	88,169,217
March 31, 2022	83,098,717

ii) Number of treasury stock at the end of the period

As of	shares
December 31, 2022	2,235,302
March 31, 2022	2,238,851

iii) Average number of shares outstanding during the period (cumulative quarterly consolidated period)

Nine months ended	shares
December 31, 2022	83,990,592
December 31, 2021	80,851,556

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Notice regarding forward-looking statements)

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.

(Where to get the supplementary explanatory materials)

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

Reference: Dividends for Preferred Stock

Dividend per share for Class-A Preferred stock is as follows:

Class-A Preferred stock	Annual dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen
March 31, 2022	-	-	-	-	-
March 31, 2023	-	-	-	-	-
March 31, 2023 (Forecast)				29.38	29.38

Note: Each dividend per share is rounded to the nearest thousandths place, and then converted to units of yen which are rounded to the nearest hundredth place.

Application of International Financial Reporting Standards to the Affiliate using Equity Method

MODEC, Inc., the affiliate accounted for using equity method, used to apply Generally Accepted Accounting Principles in Japan and now has adopted International Financial Reporting Standards (IFRS) from FY2021. This adoption was made for the purposes of 1) better comparability of financial information and 2) strengthening management control by unifying the accounting standards across MODEC group, as MODEC group operates business globally. This change of accounting policy is applied retrospectively, and quarterly consolidated financial results for the prior period has been restated. Because of the partial sale of MODEC shares, they were excluded from the scope of consolidation and became affiliates accounted for using equity method on the end of 3rd quarter of FY2021.

This change has no effect on Quarterly Consolidated Statements of Operations, but reflecting the cumulative effects to the beginning balance of net assets as of April 1, 2021, beginning balances for the previous fiscal year of Retained earnings, Unrealized gains (losses) on hedging derivatives and Non-controlling interests have decreased by 2,861 million yen, 591 million yen and 4,069 million yen, respectively, and beginning balance for the previous fiscal year of Foreign currency translation adjustments has increased by 101 million yen, comparing before and after retrospective restatement.

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, high speed passenger/vehicle ferries, offshore structures, underwater TV vehicles, design engineering services, ship related equipments, steel structures
Ocean Development	FPSOs (floating production storage offloading vessels)
Machinery	Marine and stationary diesel engines, marine equipments, gas engines, steam turbines, blowers, process compressors, gas turbines, cogeneration system, process equipment, container cranes, industrial cranes, container terminal management systems, HWM manipulators, equipment of radar sensing for underground and construction, induction heaters, wave generators
Engineering	Power generation business, overseas civil/architectural works

Note: "Ocean Development" consists of affiliates accounted for using equity method.

Information about Sales, Segment Income and Loss and Other Items for each Reportable Segment

Reportable Segment information for the nine months ended December 31, 2021 and 2022 were as follows:

from April 1, 2021 to December 31, 2021

(Millions of yen)

	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	24,086	323,321	107,551	6,931	461,890	46,647	508,538	-	508,538
Inter segment	843	-	843	40	1,726	9,366	11,093	(11,093)	-
Total	24,929	323,321	108,395	6,971	463,617	56,014	519,632	(11,093)	508,538
Segment income (loss)	(216)	(8,086)	3,623	(5,429)	(10,109)	690	(9,418)	-	(9,418)
Other Items:									
New orders	12,787	270,697	110,476	1,533	395,493	37,419	432,913	-	432,913
Loss on impairment of non-current assets	43	-	-	0	44	-	44	0	44

Note 1: "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Telecommunications equipment related business, Systems development, Gas carriers engineering, Special facilities for naval ships and aircraft related business and others.

Note 2: Adjustments of 0 million yen recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

Note 3: Segment income (loss) is adjusted with operating loss in Quarterly Consolidated Statements of Operations.

from April 1, 2022 to December 31, 2022

(Millions of yen)

	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	6,598	-	120,688	6,650	133,937	39,256	173,194	-	173,194
Inter segment	32	-	313	-	346	7,945	8,291	(8,291)	-
Total	6,631	-	121,001	6,650	134,283	47,201	181,485	(8,291)	173,194
Segment income (loss)	83	762	2,791	(5,027)	(1,390)	(389)	(1,780)	(762)	(2,542)
Other Items:									
New orders	8,439	-	161,934	1,904	172,277	41,742	214,019	-	214,019

Note 1: Segment income (loss) in "Ship," "Machinery," "Engineering" and "Others" represents "Operating income (loss)," and in "Ocean Development" represents "Share of profit (loss) of entities accounted for using equity method."

Note 2: Mitsui E&S Shipbuilding Co., Ltd. and its two subsidiaries, which compose "Ship," were excluded from the scope of consolidation since this 3rd quarter of FY2022. Due to this deconsolidation, the above "Ship" figures are presented through the 2nd quarter of FY2022.

Note 3: "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Telecommunication equipment related business, Systems development, Gas carriers engineering, Special facilities for naval ships and aircraft related business and others.

Note 4: Segment income (loss) is adjusted with operating loss in Quarterly Consolidated Statements of Operations.

Change in Calculation Method used for Segment Income and Loss for Reportable Segment

Segment income (loss) used to represent "Operating income (loss)" in Consolidated Statements of Operations. Regarding "Ocean Development," however, segment income (loss) has changed to represent "Share of profit (loss) of entities accounted for using equity method" since 1st quarter of FY2022, instead of "Operating income (loss)." This is because the management indicator has been changed after MODEC, Inc., which consists of "Ocean Development," had been excluded from the scope of consolidation and become affiliates accounted for using equity method since the end of 3rd quarter of FY2021. Taking the said change into account, segment loss for "Ocean Development" for the prior period would become 1,498 million yen.

* Figures in parentheses represent negative.

Consolidated Balance Sheets

(Millions of yen)

As of March 31, 2022 As of December 31, 2022

Assets		
Current assets		
Cash and time deposits	51,762	40,143
Notes and accounts receivables - trade, and contract assets	78,563	71,778
Merchandise and finished goods	5,762	6,050
Work in progress	36,561	47,281
Raw materials and supplies	4,182	6,613
Others	25,202	27,730
Allowance for doubtful accounts	(213)	(172)
Total current assets	201,822	199,424
Non-current assets		
Property, plant and equipment		
Land	70,077	68,555
Others, net	48,261	46,785
Total property, plant and equipment	118,338	115,341
Intangible assets		
Goodwill	7,995	7,623
Others	8,046	7,704
Total intangible assets	16,042	15,328
Investments and other assets		
Investment securities	43,280	69,473
Others	29,965	27,230
Allowance for doubtful accounts	(299)	(284)
Total investments and other assets	72,946	96,419
Total non-current assets	207,327	227,088
Total assets	409,150	426,513

(Millions of yen)

As of March 31, 2022 As of December 31, 2022

Liabilities		
Current liabilities		
Trade payables	48,705	52,549
Short-term borrowings	94,615	108,133
Current portion of long-term borrowings	8,101	7,355
Current portion of bonds	15,000	5,000
Accrued income taxes	1,381	574
Contract liabilities	30,901	36,669
Provision for losses on construction contracts	59,607	48,298
Provision for bonuses	4,478	1,942
Other provisions	4,614	3,542
Others	21,105	18,553
Total current liabilities	288,510	282,619
Long-term liabilities		
Bonds	5,000	-
Long-term borrowings	19,657	14,446
Provision for business restructuring	1,357	960
Other provisions	837	755
Net defined benefit liabilities	5,865	5,547
Asset retirement obligations	2,218	1,722
Others	22,752	20,791
Total long-term liabilities	57,690	44,223
Total liabilities	346,200	326,842
Net assets		
Shareholders' equity		
Common stock	44,384	3,356
Capital surplus	18,132	10,438
Retained earnings	(33,278)	28,954
Treasury stock	(4,663)	(4,652)
Total shareholders' equity	24,575	38,096
Accumulated other comprehensive income		
Net unrealized holding gains on securities	614	61
Unrealized gains (losses) on hedging derivatives	(5,959)	7,508
Revaluation reserve for land	27,603	27,601
Foreign currency translation adjustments	2,120	15,614
Remeasurements of defined benefit plans	8,137	6,618
Total accumulated other comprehensive income	32,516	57,404
Subscription rights to shares	123	153
Non-controlling interests	5,733	4,016
Total net assets	62,949	99,670
Total liabilities and net assets	409,150	426,513

Consolidated Statements of Operations

(Millions of yen)

	April 1, 2021 to December 31, 2021	April 1, 2022 to December 31, 2022
Net sales	508,538	173,194
Cost of sales	486,882	154,730
Gross profit	21,655	18,463
Selling, general and administrative expenses	31,074	21,005
Operating loss	(9,418)	(2,542)
Non-operating income		
Interest income	3,809	97
Dividend income	104	213
Share of profit of entities accounted for using equity method	2,228	1,669
Foreign currency exchange gains	-	4,659
Gain on valuation of derivatives	19	-
Others	1,582	901
Total non-operating income	7,745	7,540
Non-operating expenses		
Interest expenses	2,165	2,094
Commission expenses	3,543	2,107
Foreign currency exchange losses	276	-
Others	969	1,244
Total non-operating expenses	6,955	5,446
Ordinary loss	(8,629)	(447)
Extraordinary income		
Gain on disposal of non-current assets	2,356	-
Gain on sale of investment securities	17	644
Gain on sale of subsidiaries and affiliates' stocks	6,325	2,798
Recovery of extraordinary repair expenses	1,316	-
Gain on return of assets from retirement benefit trust	1,224	-
Insurance income	-	1,336
Total extraordinary income	11,239	4,780
Extraordinary losses		
Loss on disposal of non-current assets	205	-
Loss on impairment of non-current assets	44	-
Loss on sale of investment securities	136	-
Loss on sale of subsidiaries and affiliates' stocks	225	274
Provision for losses on sales of subsidiaries and affiliates' stocks	1,736	-
Loss due to transportation accidents	-	1,026
Loss on liquidation of business	-	107
Total extraordinary losses	2,350	1,408
Profit before income taxes	260	2,923
Income taxes	5,306	809
Profit (loss)	(5,046)	2,113
Loss attributable to non-controlling interests	(3,112)	(101)
Profit (loss) attributable to owners of parent	(1,933)	2,215

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2021 to December 31, 2021	April 1, 2022 to December 31, 2022
Profit (loss)	(5,046)	2,113
Other comprehensive income		
Net unrealized holding gains (losses) on securities	306	(556)
Unrealized losses on hedging derivatives	(1,985)	(2,080)
Foreign currency translation adjustments	1,451	3,158
Remeasurements of defined benefit plans	141	(1,760)
Share of other comprehensive income of affiliates accounted for using equity method	8,344	26,169
Total	8,259	24,930
Comprehensive income	3,213	27,044
Comprehensive income attributable to		
Owners of parent	6,583	27,104
Non-controlling interests	(3,370)	(60)