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November 9, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

Company name: MITSUI E&S Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 7003
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 Scheduled date to file quarterly securities report: November 10, 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 Six Months Ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (cumulative)

(Percentages indicate year-on-year changes.)

Six months ended	Net sales		Operating income (loss)		Ordinary income (loss)		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	135,536	21.3	6,651	-	5,908	-	4,633	227.6
September 30, 2022	111,732	(68.6)	(8,505)	-	(1,480)	-	1,414	(46.3)

Note: Comprehensive income For the six months ended September 30, 2023: ¥ 10,365 million [(50.7%)]
 For the six months ended September 30, 2022: ¥ 21,011 million [97.0%]

Six months ended	Earnings per share	
	Yen	Earnings per share (diluted) Yen
September 30, 2023	47.26	46.82
September 30, 2022	14.83	14.61

(2) Consolidated Financial Position

As of	Total assets	Net assets	Shareholders' equity to total assets ratio
	Millions of yen	Millions of yen	%
September 30, 2023	456,500	124,287	26.3
March 31, 2023	439,959	110,686	24.2

Reference: Equity As of September 30, 2023: ¥ 119,996 million
 As of March 31, 2023: ¥ 106,404 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, 2023	-	0.00	-	3.00	3.00
March 31, 2024	-	0.00	-	3.00	3.00
March 31, 2024 (Forecast)	-	-	-	3.00	3.00

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 shares (unlisted), the rights of which are different from those of Common stock issued by the Company, please refer to "Reference: Dividends for Preferred Shares" below.

3. Forecast of Financial Results (from April 1, 2023 to March 31, 2024)

(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, 2024	280,000	6.7	12,000	28.0	6,000	(52.1)	5,000	(67.9)	47.44

Note: Revisions to the most recently announced forecast of financial results: None

Reference: Estimate is based on exchange rate of USD1.00 = JPY140.0

* 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: 2 companies (Mitsui E&S Machinery Co., Ltd. and Mitsui E&S Business Service 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: None

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
September 30, 2023	98,294,117
March 31, 2023	89,737,117

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

As of	shares
September 30, 2023	2,224,462
March 31, 2023	2,226,686

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

Six months ended	shares
September 30, 2023	90,590,577
September 30, 2022	83,334,954

* 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. Please refer to "1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2023, (3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Statements" on page 4 (attached materials) for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts, etc.

(Where to get the supplementary explanatory materials)

Financial results briefing for analysts is scheduled for November 9, 2023. Supplementary material, which will be distributed at the said briefing, is planned to be posted on our web site.

Reference: Dividends for Preferred Shares

Dividend per share for Class-A Preferred shares are as follows:

Class-A Preferred Shares	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, 2023	-	-	-	29.38	29.38
March 31, 2024	-	-	-	-	-
March 31, 2024 (Forecast)	-	-	-	39.00	39.00

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.

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1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2023

(1) Explanation of Operating Results

The global economy during the six months ended September 30, 2023 slowed down moderately due to persistently high inflation and the attempts to curtail it through monetary tightening. The outlook is still uncertain due to prolonged monetary tightening policies and geopolitical risks, such as the situation in Ukraine. On the other hand, the domestic economy is gradually recovering due to various factors such as solid consumer spending and increases in corporate performance and capital expenditures.

In the shipbuilding industry, which is closely related to the Company, in addition to the movement to reduce the environment impact, ship owners are placing orders with the aim of resolving the shortage of vessels due to building berths being fully booked in the near term and in anticipation of higher ship prices, and shipyards in Japan have secured sufficient work on hand. In addition, for the port logistics industry, demands of port crane are strong in Southeast Asia and others regions overseas, and demands also continue to be strong in Japan mainly due to new construction and expansion of existing facilities as well as renewal of existing facilities due to aging. Overall, the Company recognizes that the environment for orders is steadily recovering, despite the risks from the ongoing fluctuations in the foreign exchange and financial markets and price fluctuations in materials procurement.

Under such circumstances, the Company transitioned to an operating holding company with an Audit Committee on April 1, 2023, and was reborn with the new corporate name of "MITSUI E&S Co., Ltd." Due to the completion of the "Mitsui E&S Group Business Revival Plan," which established various measures such as the restructuring and withdrawing of unprofitable businesses and strengthening of the financial structure, any events or conditions that may cast significant doubts regarding the premise of going concern have been dissolved. As we have assessed that we are well-positioned to achieve stable earned-surplus, we resumed dividends for the first time in six fiscal years. In addition, to mark the start as a new company, the Company renewed the personnel system in order to enhance its organizational culture that promote the personnel resources with ability to create new value. In this context, the Company also did improve employee's wages in the spring wage discussions, expecting to raise the motivation to realize growth strategies.

On the other hand, as of September 30, 2023, approximately 6.3 billion yen, or 76%, of the "1st series of share acquisition rights with an exercise price amendment clause" had been exercised toward the improvement of our financial soundness.

Meanwhile, in light of the significant changes in the business environment surrounding us, we have already started the "Mid-Term Business Plan 2023," one year ahead of schedule. The expansion of the core businesses of marine propulsion and port logistics through "green" and "digital" strategies has been set as the pillar of the strategy of the Mid-Term Business Plan 2023.

In the marine propulsion business, we acquired IHI Power Systems Co., Ltd.'s businesses related to marine large bore engines and its associated products, which commenced sales as "Mitsui E&S DU Co., Ltd." on April 1, 2023, with its strength in dual-fuel engines and digital remote maintenance systems. In July 2023, we formulated a business infrastructure strengthening plan with Mitsui E&S DU Co., Ltd. to improve the productivity of marine two-stroke engines through the business infrastructure strengthening plan certification system under the Act on Strengthening Maritime Industries, and received certification from the Minister of Land, Infrastructure, Transport and Tourism. Based on this plan, we will develop and expand eco-friendly engines and strengthen their production as new green products.

The Group will expand its product lineup by establishing a double license system of MAN-Energy Solutions and Winterthur Gas & Diesel, and improve competitiveness by efficiently using group resources, improving productivity, and enhancing after-sales service.

In the port logistics business, we developed the first Rubber Tired Gantry crane (RTG) that uses fuel cells (FCs) as a power source in the world through collaboration with New Energy and Industrial Technology Development Organization (NEDO). Furthermore, we proceeded with the decarbonization of products, such as by mounting FCs in RTG and concluding an agreement with Bureau of Port and Harbor Tokyo and three other companies to carry out cargo handling operations using hydrogen as fuel. In addition, we actively worked on automation and remote maintenance of port facilities.

Moreover, we have positioned some specific businesses that promote new products and services in peripheral areas of core businesses as growth businesses. For example, we got an order for compressors for Japan's first large-scale production demonstration plant for domestically produced Sustainable Aviation Fuel (SAF), which is made from waste cooking oil. Including the said work, we will work to further enhance corporate value by focusing on development of new products and services that takes decarbonization into consideration.

Orders received during the six months ended September 30, 2023 decreased by 740 million yen (down 0.5%) year on year to 154,833 million yen. Net sales were 135,536 million yen, an increase of 23,804 million yen (up 21.3%) year on year due to favorable deliveries of marine engines in Marine Propulsion Systems and the inclusion of Mitsui E&S DU Co., Ltd. in the scope of consolidation. Operating income was 6,651 million yen (same period of the previous fiscal year was operating loss of 8,505 million yen) mainly due to improved profitability in Marine Propulsion Systems. Ordinary income was 5,908 million yen (same period of the previous fiscal year was ordinary loss of 1,480 million yen) mainly due to the recording of share of profit of entities accounted for using equity method, interest expenses, and commission expenses. Profit attributable to owners of parent

was 4,633 million yen, an increase of 3,219 million yen (up 227.6%) year on year mainly due to the recording of gain on bargain purchase.

The overview by reportable segment is as follows. From the 1st quarter of FY2023, the Company changed the reportable segment classifications, and the year-on-year comparison shown is based on the reportable segment classifications after the change. For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes, (4) Notes to Quarterly Consolidated Financial Statements (Segment Information)."

(New Business Development)

Compared with the same period of the previous fiscal year, orders received and net sales increased by 3,800 million yen (up 20.5%) to 22,321 million yen and by 5,036 million yen (up 38.9%) to 17,995 million yen, respectively, mainly due to increasing decarbonization demands as well as steady demands for construction equipment engines and industrial machineries associated with the renewal of facilities such as chemical plants. Operating income increased by 942 million yen (up 91.6%) year on year to 1,971 million yen due to the increased net sales.

(Marine Propulsion Systems)

Orders of some marine engines were moved to the second half of the fiscal year. Mainly due to the above, orders received decreased by 9,828 million yen (down 12.0%) to 72,265 million yen from the same period of the previous fiscal year. Net sales totaled 64,005 million yen, increased by 20,720 million yen (up 47.9%) year on year. This is mainly due to favorable deliveries of marine engines, good performance in after-sales service, and the inclusion of Mitsui E&S DU Co., Ltd. in the scope of consolidation. Operating income was 3,793 million yen, an increase of 2,790 million yen (up 278.2%) due to the increased net sales.

(Logistics Systems)

Orders received was 34,973 million yen, increased by 21,398 million yen (up 157.6%) compared with the same period of the previous fiscal year, mainly due to a series of large orders in Southeast Asia. Net sales decreased by 1,819 million yen (down 9.5%) year on year to 17,246 million yen, mainly due to more cranes being scheduled to be delivered in the second half of the fiscal year as well as the slower progress of large works. Operating income improved from a loss of 333 million yen to a profit of 295 million yen, mainly due to the shrunk impacts of provision for losses on construction contracts.

(Peripheral Businesses)

Orders for the same period of the previous fiscal year included large orders for Fuel Gas Supply systems (FGS) for East Asia. Mainly due to the impact of this decrease, orders received decreased by 4,926 million yen (down 16.4%) to 25,163 million yen. Net sales totaled 33,636 million yen, increased by 9,707 million yen (up 40.6%) year on year. This is mainly due to strong sales especially in Japanese subsidiaries. Thanks to the favorable net sales, operating income improved from a loss of 692 million yen to a profit of 1,358 million yen.

(Ocean Development)

MODEC, Inc. and its related companies, which are affiliates accounted for using equity method of the Company, recorded the improvement costs of asset integrity incurred for the FPSOs and FSO operating in Brazil. Despite these costs, share of profit of entities accounted for using equity method totaled 1,909 million yen, increased by 900 million yen (up 89.3%) compared with the same period of the previous fiscal year, mainly due to the revenue recognized from the progress of construction projects.

(2) Explanation of Financial Position

i) Assets, Liabilities and Net Assets

Total assets at the end of the 2nd quarter of the current fiscal year were 456,500 million yen, increased by 16,540 million yen from the end of the previous fiscal year. This was mainly due to increases of 3,413 million yen in notes and accounts receivables - trade, and contract assets, 10,143 million yen in work in progress, 5,183 million yen in raw materials and supplies, and 3,762 million yen in investment securities, while cash and time deposits decreased by 5,180 million yen.

Total liabilities were 332,212 million yen, increased by 2,939 million yen from the end of the previous fiscal year. This was mainly due to increases in trade payables by 11,476 million yen, short-term borrowings by 36,133 million yen, and contract liabilities by 9,793 million yen despite decreases of 5,964 million yen in current portion of long-term borrowings, 5,000 million yen in current portion of bonds, 4,418 million yen in provision for losses on construction contracts, and 38,445 million yen in others in current liabilities.

Total net assets were 124,287 million yen, increased by 13,601 million yen from the end of the previous fiscal year. This was mainly due to the exercise of the 1st series of share acquisition rights with an exercise price amendment clause, the recording of profit attributable to owners of parent, and an increase in foreign currency translation adjustments.

ii) Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of the 2nd quarter of the current fiscal year were 36,252 million yen, decreased by 7,215 million yen from the end of the previous fiscal year.

The summary of cash flows during the six months ended September 30, 2023 were as follows.

(Cash flows from operating activities)

Net cash used in operating activities during the six months ended September 30, 2023 was 32,867 million yen (10,005 million yen was used in the same period of the previous fiscal year). This was mainly due to outflows from decrease in trade payables resulted from the one-time factor of the payments associated with the project in Indonesia and increase in inventories despite inflows from increase in contract liabilities and the recording of profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities during the six months ended September 30, 2023 was 1,934 million yen (1,344 million yen was provided in the same period of the previous fiscal year). This was mainly due to outflows from capital expenditure and net increase in time deposits despite proceeds from sales of investments in capital of subsidiaries and affiliates and purchases of shares of subsidiaries resulting in change in scope of consolidation.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 26,836 million yen during the six months ended September 30, 2023 (3,234 million yen was used in the same period of the previous fiscal year). This was mainly due to inflows such as net increase in short-term borrowings despite outflows such as repayments of long-term borrowings and bonds.

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Statements

On November 8, 2023, the Company revised the forecasts of consolidated financial results for the fiscal year ending March 31, 2024, which had been announced on May 15, 2023.

i) Reasons for revision

We have marked good performance in the first half of the fiscal year with the after-sales service in Marine Propulsion Systems. In addition, we expect that Logistics Systems would take advantage of the recent depreciation of the yen and could make favorable progress of after-sales service as well as construction of container cranes in the second half of the fiscal year. Taking these factors into consideration, the Company revised upward its operating income, ordinary income and profit attributable to owners of parent, respectively, as we predict better operating income can be achieved. The forecasts conservatively reflect the unconfirmed factors such as the financial expenses and impacts of exchange rate which are expected to be incurred later.

Forecasts are based on an exchange rate of 1 US dollar to 140 yen, which was also revised from the rate of 1 US dollar to 135 yen.

ii) Forecast of consolidated financial results for FY2023 (From April 1, 2023 to March 31, 2024)

	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
Previous forecasts (A)	280,000	10,000	4,000	3,000	25.90
Revised forecasts (B)	280,000	12,000	6,000	5,000	47.44
Amount of increase/decrease (B-A)	-	2,000	2,000	2,000	-
Change ratio	-	20.0%	50.0%	66.7%	-
[For reference] Results for FY2022	262,301	9,376	12,532	15,554	177.47

iii) Forecast of consolidated financial results by segment for FY2023 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Previous forecasts		Revised forecasts		Increase/decrease	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
New Business Development	30,000	3,000	30,000	3,000	-	-
Marine Propulsion Systems	130,000	4,000	130,000	5,000	-	1,000
Logistics Systems	50,000	1,000	50,000	2,000	-	1,000
Peripheral Businesses	60,000	2,000	60,000	2,000	-	-
Ocean Development	-	-	-	-	-	-
Others	10,000	0	10,000	0	-	-
Total	280,000	10,000	280,000	12,000	-	2,000

Notes 1: Ocean Development consists of affiliates accounted for using equity method, and it does not affect net sales and operating income. Shares of profit of entities accounted for using equity method for FY2023 is expected to be approximately 2.0 billion yen, the same as the previous forecast.

2: Above forecasts are based on information currently available to the Company and certain assumptions that the Company considers reasonable. Actual results may differ from the above figures due to various factors in the future.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and time deposits	45,803	40,623
Notes and accounts receivables - trade, and contract assets	81,850	85,264
Merchandise and finished goods	6,095	6,426
Work in progress	46,799	56,942
Raw materials and supplies	6,136	11,320
Others	26,295	25,126
Allowance for doubtful accounts	(353)	(413)
Total current assets	212,628	225,290
Non-current assets		
Property, plant and equipment		
Land	68,544	68,475
Others, net	47,223	48,893
Total property, plant and equipment	115,767	117,368
Intangible assets		
Goodwill	7,626	7,779
Others	7,876	8,025
Total intangible assets	15,502	15,804
Investments and other assets		
Investment securities	68,802	72,565
Others	27,544	25,599
Allowance for doubtful accounts	(285)	(127)
Total investments and other assets	96,061	98,037
Total non-current assets	227,330	231,209
Total assets	439,959	456,500

(Millions of yen)

As of March 31, 2023 As of September 30, 2023

Liabilities		
Current liabilities		
Trade payables	54,939	66,415
Short-term borrowings	115,245	151,378
Current portion of long-term borrowings	9,375	3,410
Current portion of bonds	5,000	-
Accrued income taxes	796	1,833
Contract liabilities	25,300	35,094
Provision for losses on construction contracts	14,025	9,607
Provision for bonuses	4,059	3,275
Other provisions	3,726	4,340
Others	54,511	16,066
Total current liabilities	286,980	291,422
Long-term liabilities		
Long-term borrowings	11,927	11,222
Provision for business restructuring	853	853
Other provisions	747	684
Net defined benefit liabilities	5,048	5,275
Asset retirement obligations	1,728	1,732
Others	21,986	21,023
Total long-term liabilities	42,293	40,790
Total liabilities	329,273	332,212
Net assets		
Shareholders' equity		
Share capital	3,829	7,102
Capital surplus	10,552	11,369
Retained earnings	42,292	46,118
Treasury stock	(4,632)	(4,625)
Total shareholders' equity	52,042	59,965
Accumulated other comprehensive income		
Net unrealized holding gains on securities	48	479
Unrealized gains on hedging derivatives	8,309	8,119
Revaluation reserve for land	27,601	27,618
Foreign currency translation adjustments	10,691	16,140
Remeasurements of defined benefit plans	7,710	7,673
Total accumulated other comprehensive income	54,362	60,031
Subscription rights to shares	132	104
Non-controlling interests	4,148	4,187
Total net assets	110,686	124,287
Total liabilities and net assets	439,959	456,500

(2) Quarterly Consolidated Statements of Operations and Comprehensive Income
 Quarterly Consolidated Statements of Operations

(Millions of yen)

	April 1, 2022 to September 30, 2022	April 1, 2023 to September 30, 2023
Net sales	111,732	135,536
Cost of sales	106,264	114,878
Gross profit	5,467	20,658
Selling, general and administrative expenses	13,973	14,006
Operating income (loss)	(8,505)	6,651
Non-operating income		
Interest income	60	158
Dividend income	214	52
Share of profit of entities accounted for using equity method	1,750	2,257
Foreign currency exchange gains	8,075	813
Others	887	671
Total non-operating income	10,988	3,951
Non-operating expenses		
Interest expenses	1,361	2,118
Commission expenses	1,538	1,949
Others	1,063	627
Total non-operating expenses	3,963	4,694
Ordinary income (loss)	(1,480)	5,908
Extraordinary income		
Gain on bargain purchase	-	1,944
Gain on sales of investment securities	622	-
Gain on sales of subsidiaries and affiliates' stocks	2,629	-
Total extraordinary income	3,251	1,944
Extraordinary losses		
Loss on change in equity	-	978
Loss from overseas remittance	-	655
Loss on sales of subsidiaries and affiliates' stocks	271	-
Loss on liquidation of business	107	-
Total extraordinary losses	379	1,634
Profit before income taxes	1,391	6,219
Income taxes	43	1,530
Profit	1,347	4,688
Profit (loss) attributable to non-controlling interests	(66)	55
Profit attributable to owners of parent	1,414	4,633

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2022 to September 30, 2022	April 1, 2023 to September 30, 2023
Profit	1,347	4,688
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(385)	427
Unrealized gains (losses) on hedging derivatives	(545)	201
Foreign currency translation adjustments	2,770	3,208
Remeasurements of defined benefit plans	(504)	2
Share of other comprehensive income of affiliates accounted for using equity method	18,328	1,836
Total	19,664	5,677
Comprehensive income	21,011	10,365
Comprehensive income attributable to		
Owners of parent	21,041	10,286
Non-controlling interests	(29)	79

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2022 to September 30, 2022	April 1, 2023 to September 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,391	6,219
Depreciation and amortization	3,506	3,570
Amortization of goodwill	440	488
Increase (decrease) of allowance for doubtful accounts	145	(89)
Increase (decrease) in net defined benefit liabilities	(201)	262
Decrease in net defined benefit assets	1,792	199
Decrease in provision for losses on construction contracts	(4,938)	(4,953)
Interest and dividend income	(275)	(210)
Interest expenses	1,361	2,118
Share of profit of entities accounted for using equity method	(1,750)	(2,257)
Foreign currency exchange losses, net	11	27
Gain on sales of investment securities, net	(622)	-
Gain on sales of subsidiaries and affiliates' stocks	(2,357)	-
Gain on bargain purchase	-	(1,944)
Loss on change in equity	-	978
Loss from overseas remittance	-	655
Decrease (increase) in trade receivables and contract assets	(1,847)	3,212
Increase in inventories	(10,367)	(12,389)
Increase (decrease) in trade payables	5,124	(26,490)
Increase in contract liabilities	13,757	6,265
Decrease (increase) in other assets	(3,123)	1,536
Decrease in other liabilities	(8,023)	(6,859)
Others, net	(2,881)	(1,466)
Sub-total	(8,856)	(31,125)
Interest and dividend received	757	355
Interest paid	(1,400)	(2,203)
Income taxes refund	-	105
Income taxes paid	(506)	-
Net cash provided by (used in) operating activities	(10,005)	(32,867)

(Millions of yen)

	April 1, 2022 to September 30, 2022	April 1, 2023 to September 30, 2023
Cash flows from investing activities		
Net increase in time deposits	(955)	(1,837)
Capital expenditure	(3,281)	(3,756)
Proceeds from sales of non-current assets	752	260
Proceeds from sales of investment securities	965	-
Proceeds from purchases of subsidiaries resulting in change in scope of consolidation	-	1,689
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	3,062	-
Proceeds from sales of shares of subsidiaries and affiliates	545	-
Proceeds from sales of investments in capital of subsidiaries and affiliates	-	1,721
Disbursements of loans receivable	(6)	(7)
Collection of loans receivable	12	11
Others, net	250	(15)
Net cash provided by (used in) investing activities	1,344	(1,934)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6,513)	36,133
Proceeds from long-term borrowings	1,500	-
Repayments of long-term borrowings	(3,400)	(6,669)
Repayments of lease obligations	(894)	(872)
Repayments on bonds	(5,000)	(5,000)
Proceeds from issuance of preferred shares	9,000	-
Proceeds from issuance of subscription rights to shares	52	-
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	1,354	4,068
Cash dividends	-	(788)
Dividends paid to non-controlling interests	(95)	(38)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	747	-
Others, net	14	4
Net cash provided by (used in) financing activities	(3,234)	26,836
Effect of exchange rate changes on cash and cash equivalents	1,313	750
Net decrease in cash and cash equivalents	(10,581)	(7,215)
Cash and cash equivalents at beginning of period	50,818	43,468
Cash and cash equivalents at end of period	40,237	36,252

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in the Event of Significant Changes in Stockholders' Equity)

During the six months ended September 30, 2023, share capital increased by 3,272 million yen and legal capital surplus increased by 818 million yen, respectively, due to the exercise of the 1st series of share acquisition rights with an exercise price amendment clause. As a result of the above, share capital was 7,102 million yen and capital surplus was 11,369 million yen as of September 30, 2023.

(Application of Specific Accounting Treatment for Preparing Quarterly Consolidated Financial Statements)

After applying tax effect accounting to profit before income taxes for the fiscal year, which includes the 2nd quarter under review, the Company makes a reasonable estimate of the effective tax rate and multiplies the profit before income taxes by that estimated effective tax rate. If the estimated effective tax rate is unavailable, the amount of the significant difference, other than temporary differences, etc. is added to or deducted from profit before income taxes, and the result is multiplied by the statutory effective tax rate. Income taxes - deferred are included in the presentation of income taxes.

(Segment Information)

I For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

1. Information about sales and segment income or loss for each reportable segment

(Millions of yen)

	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Ocean Development	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:										
Outside customers	12,958	43,285	19,065	23,928	-	99,238	12,493	111,732	-	111,732
Inter segment	364	196	129	4,973	-	5,665	33	5,698	(5,698)	-
Total	13,323	43,482	19,195	28,902	-	104,904	12,526	117,430	(5,698)	111,732
Segment income (loss)	1,028	1,003	(333)	(692)	1,008	2,014	(9,511)	(7,497)	(1,008)	(8,505)

Notes 1: Segment income (loss) in "New Business Development," "Marine Propulsion Systems," "Logistics Systems," "Peripheral Businesses" and "Others" represents "Operating income (loss)," and in "Ocean Development" represents "Share of profit (loss) of entities accounted for using equity method."

2: "Others" is the segment which is not included in Reportable Segment and includes Engineering businesses, etc.

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

2. Information about loss on impairment of non-current assets, goodwill, etc. for each reportable segment

(Significant loss on impairment of non-current assets)

Not applicable.

(Significant changes in the amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

II For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

1. Information about sales and segment income or loss for each reportable segment

(Millions of yen)

	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Ocean Development	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:										
Outside customers	17,995	64,005	17,246	33,636	-	132,883	2,653	135,536	-	135,536
Inter segment	557	180	486	6,063	-	7,288	(0)	7,288	(7,288)	-
Total	18,553	64,186	17,733	39,699	-	140,171	2,652	142,824	(7,288)	135,536
Segment income (loss)	1,971	3,793	295	1,358	1,909	9,327	(767)	8,560	(1,909)	6,651

Notes 1: Segment income (loss) in "New Business Development," "Marine Propulsion Systems," "Logistics Systems," "Peripheral Businesses" and "Others" represents "Operating income (loss)," and in "Ocean Development" represents "Share of profit (loss) of entities accounted for using equity method."

2: "Others" is the segment which is not included in Reportable Segment and includes Engineering businesses, etc.

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

2. Changes in Reportable Segment, etc.

(Changes in Classification of Reportable Segment)

Effective from 1st quarter of FY2023, the Company has changed the classification of its Reportable Segment from the previous 4 segments (Ship, Ocean Development, Machinery and Engineering) to 5 new segments (New Business Development, Marine Propulsion Systems, Logistics Systems, Peripheral Businesses and Ocean Development). This change was implemented to clarify the positioning of each business and to expand sales and profits mainly in the core business in accordance with the policy in "Mid-Term Business Plan 2023."

Comparative segment information for the 2nd quarter of the previous fiscal year has been restated to reflect the changes.

3. Information about loss on impairment of non-current assets, goodwill, etc. for each reportable segment

(Significant loss on impairment of non-current assets)

Not applicable.

(Significant changes in the amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Gain on bargain purchase was recognized in "Marine Propulsion Systems" due to the acquisition of all shares of Mitsui E&S DU Co., Ltd., making it our consolidated subsidiary. The amount of the gain from the said event is 1,944 million yen in the 2nd quarter of FY2023. Gain on bargain purchase is an extraordinary income and is not included in the segment income. This is a provisional amount as the purchase price allocation has not been completed as of the end of the 2nd quarter of FY2023.

(Significant Subsequent Events)

Not applicable.

3. Supplementary Information

Information about new orders and sales

(Percentages in FY2022 and FY2023 indicate composition ratio.)

New Orders

	2nd quarter of FY2022 (from April 1, 2022 to September 30, 2022)		2nd quarter of FY2023 (from April 1, 2023 to September 30, 2023)		Increase/Decrease		Change ratio		FY2022 (from April 1, 2022 to March 31, 2023)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%		
New Business Development	18,521	11.9	22,321	14.4	3,800	20.5	42,192	13.1		
Marine Propulsion Systems	82,093	52.8	72,265	46.7	(9,828)	(12.0)	139,575	43.3		
Logistics Systems	13,575	8.7	34,973	22.5	21,398	157.6	49,441	15.3		
Peripheral Businesses	30,090	19.3	25,163	16.3	(4,926)	(16.4)	74,303	23.1		
Ocean Development	-	-	-	-	-	-	-	-		
Others	11,293	7.3	109	0.1	(11,184)	(99.0)	16,838	5.2		
Total	155,573	100.0	154,833	100.0	(740)	(0.5)	322,351	100.0		

Sales

	2nd quarter of FY2022 (from April 1, 2022 to September 30, 2022)		2nd quarter of FY2023 (from April 1, 2023 to September 30, 2023)		Increase/Decrease		Change ratio		FY2022 (from April 1, 2022 to March 31, 2023)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%		
New Business Development	12,958	11.6	17,995	13.3	5,036	38.9	34,865	13.3		
Marine Propulsion Systems	43,285	38.7	64,005	47.2	20,720	47.9	97,693	37.2		
Logistics Systems	19,065	17.1	17,246	12.7	(1,819)	(9.5)	41,653	15.9		
Peripheral Businesses	23,928	21.4	33,636	24.8	9,707	40.6	57,356	21.9		
Ocean Development	-	-	-	-	-	-	-	-		
Others	12,493	11.2	2,653	2.0	(9,840)	(78.8)	30,733	11.7		
Total	111,732	100.0	135,536	100.0	23,804	21.3	262,301	100.0		

Order Backlogs

	FY2022 (as of March 31, 2023)		2nd quarter of FY2023 (as of September 30, 2023)		Increase/Decrease		Change ratio		2nd quarter of FY2022 (as of September 30, 2022)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%		
New Business Development	28,879	9.3	33,300	9.0	4,420	15.3	27,155	8.9		
Marine Propulsion Systems	61,595	19.7	79,057	21.5	17,461	28.3	58,249	19.0		
Logistics Systems	58,715	18.8	77,901	21.1	19,186	32.7	46,229	15.0		
Peripheral Businesses	156,215	50.1	174,230	47.3	18,015	11.5	146,007	47.7		
Ocean Development	-	-	-	-	-	-	-	-		
Others	6,411	2.1	3,976	1.1	(2,434)	(38.0)	28,712	9.4		
Total	311,817	100.0	368,466	100.0	56,648	18.2	306,354	100.0		