MITSUI E&S

June 21, 2024

Company name： MITSUI E&S Co., Ltd.
Name of representative： Takeyuki Takahashi, President, Representative Director, and CEO
(Securities code:7003, TSE Prime Market)
Inquiries: Masaki Fujihara, General Manager of Corporate Planning Dept.
(TEL:+81-3-3544-3147)

Announcement of the Partial Sale of Shares Held (Interim Report)

MITSUI E&S Co., Ltd. (hereafter “MITSUI E&S”) previously announced that, with respect to the partial sale of the shares it holds in MODEC, Inc. (hereafter “MODEC”), made public in the May 14, 2024 press release “Announcement of the Partial Sale of Shares Held” and the May 22 interim report, the company has granted the right to acquire additional shares to Nomura Securities, the lead underwriter in this secondary offering.
As this right has been exercised, presented below are the details of the extraordinary income MITSUI E&S expects to record on this sale.

1. Recording of extraordinary income
Nomura Securities’ exercise of its additional share acquisition right puts the total number of MODEC shares sold through this secondary offering at 25,194,600. Accordingly, MITSUI E&S now expects to record a gain on sale of shares in its equity-method affiliate amounting to approximately 39 billion yen as extraordinary income in its non-consolidated financial statements for the fiscal year ending March 31, 2025, while the extraordinary income to be recorded in its consolidated statements of the same year as a gain on sale of shares in its equity-method affiliate is projected at approximately 23 billion yen.

2. Future outlook
The total funds of approximately 70 billion yen obtained through the sale of MODEC shares and the sale of SOFEC, Inc., shares as announced in the “Notice Regarding Recording of Gains on Sale of Affiliate Shares (on Non-Consolidated Basis),” dated May 14, 2024, will be allocated in phases to the following uses in order to facilitate MITSUI E&S’s business and financial strategies, as well as the return of profits to our stakeholders. There is no revision to the Full-Year Consolidated Financial Results Forecasts for FY2024.

(1) The investments necessary to: i) further the expansion of the group’s port logistics business in the global market including the US; ii) facilitate the technical development and manufacturing of key components related to the marine propulsion business; and iii) strengthen its supply chain

(2) Improve our financial soundness and significantly reduce financing costs from 2H FY2024 onward through large-scale reductions in interest-bearing debt and redemption of Class A preferred shares in 1H FY2024

(3) Return profits to common shareholders and investments in human capital, centered around talent development as well as improvements to housing support and other employee benefit programs

MITSUI E&S projects that these initiatives will improve some of the metrics it set targets for in its Mid-Term Business Plan 2023—specifically its equity ratio and net debt to EBITDA ratio at the end of FY2024— as shown in the table below, far surpassing both actual FY2023 figures and FY2025 targets. The company also expects its liquidity ratio, an important indicator of financial health, to exceed 100% at the end of FY2024 (vs. 79.6% for FY2023). MITSUI E&S believes that these fundamental improvements to its group's finances will generate a positive cycle that allows it to make ongoing investments, fortify its financial foundation through higher profits, and a gradual increase in shareholder returns. The proceeds of this partial sale of shareholdings will be used effectively to enhance enterprise value through the MITSUI E&S group's evolution and continuation.

<Comparisons vs. targets in the Mid-term Business Plan 2023>

	FY2025 target	FY2023 results	FY2024 forecast
Sales	¥280bn	¥301.9bn	¥300bn
Operating margin	6.0%	6.5%	5.7%
Excl. temporary factors[*1]		5.1%	
Equity ratio	26.0%	30.4%	36.9%
Net debt to EBITDA ratio[*2]	5.0x	4.7x	2.5x

*1: Temporary factors consist of gain on reversal of provision for loss on overseas civil engineering construction and positive difference in past service cost due to the extension of retirement.

*2: Net debt to EBITDA ratio = (Balance of interest-bearing debt - cash and cash deposits) ÷ (Operating income + depreciation/amortization)