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MITSUI E&S

May 13, 2025

Consolidated Financial Results for the Fiscal Year Ended March 31, 2025 (Under Japanese GAAP)

Company name: MITSUI E&S Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 7003
URL: https://www.mes.co.jp/
Representative: Takeyuki Takahashi, President, Representative Director, and CEO
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Scheduled date of annual general meeting of shareholders: June 26, 2025
Scheduled date to commence dividend payments: June 27, 2025
Scheduled date to file annual securities report: June 25, 2025
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	315,112	4.4	23,130	17.8	27,756	34.0	39,074	56.0
March 31, 2024	301,875	15.1	19,630	109.4	20,711	65.3	25,051	61.1

Note: Comprehensive income
For the fiscal year ended March 31, 2025: ¥39,661 million [30.4%]
For the fiscal year ended March 31, 2024: ¥30,425 million [(18.8%)]

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2025	385.39	385.25	25.1	6.1	7.3
March 31, 2024	255.73	254.42	20.2	4.6	6.5

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2025: ¥7,909 million
For the fiscal year ended March 31, 2024: ¥7,674 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2025	449,212	174,154	37.8	1,682.97
March 31, 2024	467,140	146,510	30.4	1,311.64

Reference: Equity
As of March 31, 2025: ¥169,792 million
As of March 31, 2024: ¥142,011 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2025	14,852	60,902	(76,566)	33,376
March 31, 2024	(34,435)	(354)	24,110	33,516

2. Dividends

Common Stock	Annual dividend per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Dividends to net assets ratio (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2024	-	0.00	-	5.00	5.00	504	2.0	0.4
March 31, 2025	-	0.00	-	20.00	20.00	2,017	5.2	1.3
March 31, 2026 (Forecast)	-	15.00	-	15.00	30.00		15.1	

Note: 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 2: Dividends for Preferred Shares" below.

3. Forecasts for Financial Results (from April 1, 2025 to March 31, 2026)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
Fiscal year ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2026	340,000	7.9	24,000	3.8	23,000	(17.1)	20,000	(48.8)	198.24

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): None

Newly included: -

Excluded: -

(2) 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

(3) Number of issued shares (common stock)

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

As of	shares
March 31, 2025	103,098,717
March 31, 2024	103,098,717

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

As of	shares
March 31, 2025	2,210,318
March 31, 2024	2,225,837

iii) Average number of shares outstanding during the period

Fiscal year ended	shares
March 31, 2025	100,886,162
March 31, 2024	95,214,964

Reference 1: Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	195,270	12.4	18,449	52.7	25,946	86.4	57,867	309.6
March 31, 2024	173,699	-	12,085	91.9	13,921	278.1	14,126	7.2

	Earnings per share	Earnings per share (diluted)
Fiscal year ended	Yen	Yen
March 31, 2025	571.66	571.45
March 31, 2024	141.00	140.27

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2025	468,173	124,061	26.5	1,229.11
March 31, 2024	463,593	71,112	15.3	607.92

Reference: Equity
As of March 31, 2025: ¥124,002 million
As of March 31, 2024: ¥71,024 million

* Financial results reports are exempt from audit 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. Overview of Operating Results and Others, (4) Future Outlook" on page 6 (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)

Supplementary material was posted on TDnet (Timely Disclosure Network) the same day and is also available on our website.

Reference 2: 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, 2024	-	-	-	39.00	39.00
March 31, 2025	-	-	-	-	-
March 31, 2026 (Forecast)	-	-	-	-	-

Note: On July 10, 2024, the Company acquired and then cancelled all of the Class-A preferred shares in accordance with the resolution at Board of Directors meeting held on June 25, 2024. Therefore, there will be no dividend for the fiscal year ended March 31, 2025 and for the fiscal year ending March 31, 2026.

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1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year

i) Outline of Consolidated Operating Results

During the fiscal year under review, although the global economy remained stable, the strength of the foundation underpinning this stability varied by country and region, which included favorable conditions in the U.S. cancelling out weakness in Asia and some parts of Europe. Within this environment, the new U.S. administration has been implementing a rapid succession of policies under its "America first" principle, including the introduction of reciprocal tariffs and measures targeting illegal immigrants, and the protectionist nature and unpredictability of these policies is having an impact on the global economy, most notably escalating friction between the U.S. and China. On the other hand, the domestic economy is expected to continue gradually recovering due to a resurgence in consumer spending driven by improved household incomes and growth in corporate performance and capital expenditures. However, the impact of U.S. policy, both direct and indirect, cannot be ignored.

In the shipbuilding industry, which is closely related to the Group's Marine Propulsion Systems business, shipyards in Japan have secured sufficient volumes of work on hand, as building berths are fully booked in the near term and negotiations on future contracts for four or more years from now are underway. Additionally, in the logistics systems business, although U.S. tariffs are expected to have an impact, the overall environment for orders is favorable, as logistics demand in Asia is steady and demand also remains strong in Japan, mainly due to new construction and the expansion of existing facilities, as well as the renewal of existing facilities due to aging.

However, the outlook remains highly uncertain due to factors including the response of each country to U.S. reciprocal tariffs and sudden fluctuations in interest and exchange rates. Although the Company is dealing with each risk appropriately through measures such as shrinking interest-bearing debt and forward exchange contracts, we recognize that the situation allows no room for complacency.

Under such circumstances, the funds of approximately 70.0 billion yen obtained mainly through the partial sale of shares of MODEC, Inc. (hereinafter, "MODEC"), in June 2024, are being allocated in phases to the uses outlined below in order to facilitate our business and financial strategies, as well as the return of profits to our stakeholders.

(1) Make investments necessary to: i) further the expansion of Logistics Systems business in the global market including the U.S.; ii) facilitate the technical development and manufacturing of key components related to Marine Propulsion Systems business; and iii) strengthen its supply chain

(2) Redeem Class-A preferred shares, improve the financial soundness through large-scale reductions in interest-bearing debt, and significantly reduce financial expenses

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

(1) We will press forward with our plans to own a crane transportation vessel to improve both the flexibility of our crane business that targets projects overseas, including the U.S., and our capability to meet short delivery deadlines. (2) In addition to having completed the acquisition and cancellation of all Class-A preferred shares in July 2024, we have significantly reduced interest-bearing debt and partially refinanced short-term borrowings into long-term borrowings, thereby vastly improving the Group's current ratio. (3) As part of profit return measures, we upwardly revised the dividend forecast in August 2024 and in February 2025. Moreover, we introduced a support system for PhD employees as a measure to improve talent development. In other developments, we are comprehensively revising our personnel system as well as our education system and working to facilitate labor mobility within the Company and the Group. Going forward, we will continue to enhance corporate value for the evolution and sustainability of the Group, by generating a positive cycle that will enable us to make continuous investments in various areas, further strengthen our financial foundation in line with profit growth and gradually increase profit returns.

On the other hand, the business environment that surrounds the Group, including foreign exchange rates and market conditions, continues to change dramatically and rapidly. Taking into account the strengthening business foundation and volatile business environment, the Group formulated "MITSUI E&S Rolling Vision 2024" in August 2024 as a rolling mid-term business plan that will constantly update its goals rather than commit to fixed ones for the next three years and draw a path for Group's continuing growth. Guided by this plan, we will continue to develop the core businesses of Marine Propulsion Systems and Logistics Systems with a focus on "green" and "digital" strategies.

In Marine Propulsion Systems business, as for ammonia fuel, a Memorandum of Understanding was executed among six parties, five Japanese companies including the Company, and MAN Energy Solutions, regarding joint development effort for the commercialization of ammonia fueled ships. Also, in November 2024, the accumulated production of MITSUI-MAN B&W engines reached 120 million horsepower and in February 2025, we started the world's first test operation of a large-bore low-speed ammonia dual fueled engine and an ammonia fuel supply system commercial unit. Looking forward, the Company will manufacture and supply the world's first two stroke MAN B&W ammonia dual fueled engine and its supply-related system. As a marine propulsion system supplier, the Company will continue to contribute to the realization of a decarbonized society in the field of marine logistics.

In Logistics Systems business, the Company, its subsidiary PACECO CORP. (headquartered in California, U.S.) and Brookfield (headquartered in Toronto, Canada) are working together as partners to reestablish final assembly of port cranes in California. Although the decarbonization trend may temporarily slow down with the new U.S. administration taking office, no big changes are expected regarding the U.S. market environment for port logistics operations, and the Company expects it will be able to continue to contribute to securing the safety of U.S. port infrastructure and to resolving the issue of a decarbonized society. As a first step, following the issuance of a cybersecurity directive targeting Chinese-made cranes installed at critical commercial ports that was announced by the U.S. government in February 2024, the Company received an order for eight MITSUI-PACECO Near Zero Emission Hybrid Transtainer cranes (Rubber Tyred Gantry crane) for the Port of Long Beach, California, in November 2024, in anticipation of future conversion to zero-emission cranes.

Moreover, we have positioned some specific businesses that promote new products and services in peripheral areas of core businesses as "New Business Development" businesses and have received an order for one high-pressure, high-flow hydrogen compressor for an offshore hydrogen station in October 2024. Going forward, we will work to further expand our business and enhance corporate value by focusing on the development of new products and services that takes decarbonization into consideration. In addition, we will work to resolve issues of a society with a shrinking population by expanding our businesses in the field of maintenance services utilizing advanced digital technologies, including the ship hull fouling management services, inspection services for port cranes using drones, and services to improve the operational efficiency of port terminals.

Orders received in the current fiscal year increased by 84,712 million yen (up 25.1%) year on year to 421,699 million yen. Net sales were 315,112 million yen, an increase of 13,237 million yen (up 4.4%) year on year due to the steady progress in large cranes in Logistics Systems. Operating income increased by 3,500 million yen (up 17.8%) year on year to 23,130 million yen, mainly due to improved profitability in Logistics Systems. Ordinary income was 27,756 million yen, an increase of 7,044 million yen (up 34.0%) year on year, mainly due to the recording of share of profit of entities accounted for using equity method and a significant decrease in financial expenses. Profit attributable to owners of parent was 39,074 million yen, an increase of 14,023 million yen (up 56.0%) year on year, mainly due to the recording of gain on sales of subsidiaries and affiliates' stocks.

ii) Overview of Consolidated Operating Results by Segment

The overview by reportable segment is as follows.

(New Business Development)

In the decarbonization field, we are working on new products and services in areas surrounding our core businesses, and we have received the first order in Japan for our newly developed high-pressure, high-flow hydrogen compressor for use in Japan's first offshore hydrogen station, which will supply hydrogen to hydrogen-fueled ships. We have also received an order for a large-scale project involving blast furnace blowers for a steel works in Japan and we are currently dealing with a large number of inquiries from both Japan and overseas concerning reciprocating compressors for use in plants that produce Sustainable Aviation Fuel (SAF) and for hydrogen-related uses. In this way, we are applying our propriety technologies in the global movement toward decarbonization and strengthening engagement with hydrogen-related markets.

In the digital field, aiming to make cargo handling operations at ports more efficient, we are combining ways to gather, process, and analyze various types of data concerning container terminal cargo handling plans and cargo handling machinery to develop digital solutions for ports that use digitalization to increase operational efficiency and support ports in becoming more sustainable and internationally competitive. Going forward, maintaining and strengthening port functions and enhancing their productivity is expected to become increasingly important, so by providing these products and services, we will contribute to measures to respond to declining populations and the strengthening of international competitiveness.

Orders received and net sales decreased by 875 million yen (down 1.9%) to 45,953 million yen and by 792 million yen (down 1.9%) to 40,017 million yen, respectively, due to a decline in industrial machinery products and construction equipment engines. However, operating income increased by 948 million yen (up 16.1%) to 6,831 million yen, mainly due to improved profitability in industrial machinery products.

(Marine Propulsion Systems)

Orders for dual fuel engines have increased due to demand associated with reducing greenhouse gas emissions, and the ratio of dual fuel engine orders out of all orders is expected to increase from 10% in FY2023 to 20% in FY2025.

In FY2024, orders for methanol-fueled engines increased and we made our first methanol-fueled engine delivery since 2015. Demand is also growing for not only MAN Energy Solutions (MAN) licensed engines but also Winterthur Gas & Diesel (WinGD) licensed methanol-fueled engines, so we are expanding investments in our test facilities at our Tamano Factory to enable test operation of both licensed methanol-fueled engines.

In regard to ammonia dual fueled engines, we started the world's first test run with an ammoria fuel on a large-bore, low-speed, two-stroke commercial engine in February 2025. We are carrying out various tests to enhance safety and reliability ahead of competing companies and we will launch an engine and fuel gas supply system for zero emission vessels onto the market.

We are also unifying the operations of our Tamano Factory and the Aioi Factory owned by Mitsui E&S DU Co., Ltd., a consolidated subsidiary, to build a framework for the flexible production of MAN and WinGD licensed engines at both factories, so that we can supply high-quality engines that meet customer needs.

In regard to after-sales service, both orders and sales are strong, mainly due to demand for environmental regulatory compliance, and they are expected to remain at a high level in FY2025 and beyond due to an increase in maintenance work for electronically controlled engines.

Orders received increased by 65,261 million yen (up 44.2%) year on year, reaching 212,932 million yen, primarily due to an increase in orders for large engines and dual-fuel engines. Net sales totaled 135,506 million yen, the same level as the previous fiscal year, 134,033 million yen. Operating income increased by 1,045 million yen (up 16.2%) compared to the previous fiscal year, reaching 7,476 million yen, primarily due to the strong performance in after-sales service.

(Logistics Systems)

Overseas orders remained strong, as we received a succession of orders for large-scale projects in Vietnam and an order for an ODA project in Bangladesh, among others. In Japan, demand from both major ports and regional ports was steady, and the combined number of new orders from Japan and overseas reached a record high for a second consecutive year.

In regard to the world's first Zero-emission Transtainer (hydrogen fuel cell power pack-driven Transtainer), which was being tested in collaboration with the New Energy and Industrial Technology Development Organization (NEDO), a demonstration project has begun in the Port of Los Angeles in the U.S. and fuel efficiency is exceeding expectations. In Japan, we are also replacing the power sources of the existing Transtainers at the Port of Tokyo and the Port of Yokohama to hydrogen fuel cell power packs, and switching to hydrogen engine generators at the Port of Kobe, with operation verification testing underway at each port. We will continue to commercialize products for a decarbonized society.

In order to contribute to securing the safety of U.S. port infrastructure, we have already considered ensuring 55% of crane components are U.S.-made and carrying out the final assembly of the cranes in the U.S. in relation to compliance with the Build America Buy America Act (BABA). However, our strategy needs to be reviewed due to the change of government in the U.S. We will continue to monitor U.S. policy and make considerations and preparations in advance.

In after-sales service, in addition to strong performance in Japan for renovation work on existing equipment in conjunction with the renewal of equipment due to aging, orders and sales for parts supply performed well in Japan and overseas, including in the U.S., Southeast Asia and Africa, reaching record high numbers for a second consecutive year. Our Crane Advanced Remote Monitoring System (CARMS) is being installed in existing cranes, particularly in regional ports in Japan, and we are also starting to install the systems into new cranes. Going forward we will enhance and expand maintenance services.

Orders received was 76,112 million yen, an increase of 5,539 million yen (up 7.8%) compared to the previous fiscal year, which recorded the highest orders ever. This was driven by continued large-scale orders both in Japan and overseas, including Asian countries and the U.S. Net sales increased by 15,130 million yen (up 31.8%) year on year to 62,767 million yen, mainly due to the steady progress in large cranes. Operating income increased by 2,899 million yen (up 94.9%) year on year to 5,954 million yen, mainly due to higher net sales and better profitability of large cranes. This resulted in new record highs for all of the orders received, net sales and operating income.

(Peripheral Businesses)

In Peripheral Businesses, operating results were driven by stable systems-related orders and sales at subsidiaries in Japan. However, delays in the timing of contracts for orders and a downturn in the profitability of work at overseas subsidiaries led to results for profit decreasing year on year.

Orders received increased by 14,944 million yen (up 20.9%) year on year to 86,562 million yen as a result of steadily acquisition of planned projects. Net sales totaled 75,193 million yen, remained at the same level as the previous fiscal year, 74,141 million yen. Operating income (loss) was a loss of 1,615 million yen, compared with an income of 2,354 million yen in the previous fiscal year. This was mainly due to the impact reflecting an increase in future costs for long-term projects at a foreign subsidiary.

(Ocean Development)

Share of profit of entities accounted for using equity method totaled 3,757 million yen mainly due to the revenue recognized from the steady progress of construction projects of FPSOs by MODEC and its related companies, which were affiliates accounted for using equity method of the Company. The decrease of 2,609 million yen (down 41.0%) compared with the previous fiscal year was mainly due to a partial sale of MODEC shares conducted in June 2024, and therefore MODEC group has been excluded from the scope of application of the equity method. Accordingly, the share of profit of entities accounted for using equity method from MODEC group is recognized for the three months from January to March 2024.

(2) Overview of Financial Position for the Fiscal Year

Overview of financial position at the end of the current fiscal year represents a reduction in total assets due to the repayment of interest-bearing debt using the funds obtained from a partial sale of subsidiaries and affiliates' stocks. In addition, we have partially refinanced short-term borrowings into long-term borrowings, thereby vastly improving the Group's current ratio.

Total assets were 449,212 million yen, decreased by 17,927 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 46,462 million yen in investment securities despite increases of 10,936 million yen in notes and accounts receivables - trade, and contract assets and 7,440 million yen in deferred tax assets.

Total liabilities were 275,058 million yen, decreased by 45,571 million yen from the end of the previous fiscal year. This was mainly due to a decrease in short-term borrowings by 101,930 million yen despite increases of 13,378 million yen in contract liabilities and 33,012 million yen in long-term borrowings.

Total net assets were 174,154 million yen, increased by 27,643 million yen from the end of the previous fiscal year. This was mainly due to the recording of profit attributable to owners of parent and a decrease in capital surplus due to the acquisition and cancellation of the Class-A preferred shares.

(3) Overview of Cash Flows for the Fiscal Year

Cash and cash equivalents (hereinafter, "cash") at the end of the current fiscal year were 33,376 million yen, decreased by 140 million yen from the end of the previous fiscal year.

The summary of cash flows for the fiscal year ended March 31, 2025, were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities for the fiscal year ended March 31, 2025, was 14,852 million yen (34,435 million yen was used in the previous fiscal year). This was mainly due to inflows from the recording of profit before income taxes and an increase in contract liabilities despite outflows from an increase in trade receivables and contract assets and a decrease in trade payables due to shortening of bill payment period for trade notes as a result of the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors.

(Cash flows from investing activities)

Net cash provided by investing activities for the fiscal year ended March 31, 2025, was 60,902 million yen (354 million yen was used in the previous fiscal year). This was mainly due to proceeds from sales of shares of subsidiaries and affiliates.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 76,566 million yen in the current fiscal year (24,110 million yen was provided in the previous fiscal year). This was mainly due to outflows such as repayments of short-term borrowings and purchases of treasury stock for the purpose of cancellation of the Class-A preferred shares despite inflows such as proceeds from long-term borrowings.

(4) Future Outlook

i) Issues to be addressed

Ahead of schedule, in FY2023 the Group already achieved its management numerical targets for FY2025 listed in Mid-Term Business Plan 2023, which was started ahead of schedule in FY2022. Furthermore, the Company has revised its forecast upward for the current fiscal year due to the sound progress of the core businesses and improvements in non-operating income and expenses in FY2024.

On the other hand, taking into account the strengthening business foundation and volatile business environment, the Group formulated "MITSUI E&S Rolling Vision 2024" (hereinafter, "RV2024") in August 2024 as a rolling mid-term business plan that will constantly update its goals rather than commit to fixed ones for the next three years and draw a path for Group's continuing growth. We are steadily carrying out the financial, personnel, and business strategies below formulated in RV2024, and by formulating a new Rolling Vision that reflects these results in the next fiscal year we can realize sustainable growth and the enhancement of corporate value.

(Financial Strategies)

In addition to having completed the acquisition and cancellation of all Class-A preferred shares in July 2024, we have significantly reduced interest-bearing debt and partially refinanced short-term borrowings into long-term borrowings, thereby vastly improving the Group's current ratio. In RV2024, we are committed to "business management with an awareness of Cost of Equity and Cost of Debt Conscious Management." We are aiming for Return On Invested Capital (ROIC) that exceeds Weighted Average Cost of Capital (WACC).

In order to increase ROIC, we will utilize capital effectively and build profits through actions such as steady investment.

(Personnel Strategies)

At the 121st Ordinary General Meeting of Shareholders held on June 26, 2024, two female Directors were appointed, and the ratio of female Directors became 25%. We will realize continuous growth while responding flexibly to environmental changes by promotion of diversity in personnel, facilitation of labor mobility, and investment in human capital and work environment.

(Business Strategies)

The Group has positioned "Creating a decarbonized society" and "Resolving issues of a society with a shrinking population" as the two pillars of its materialities, and we will continue to develop the core businesses of Marine Propulsion Systems and Logistics Systems with a focus on "green" and "digital" strategies. Detailed strategies are as follows.

(1) Further Growth of Core Businesses

Clarify that "Marine Propulsion Systems" and "Logistics Systems" are our core businesses, and enhance profitability centered around core businesses.

In the field of Marine Propulsion Systems, we are ensuring to respond to the increasing demand for decarbonization in the maritime logistics sector by developing ammonia dual fueled engines and enhancing production facilities for LNG and methanol-fueled engines. In the field of Logistics Systems, we are advancing the market introduction of decarbonization-related products through demonstration stages, such as the commercial operation of hydrogen-powered cranes in the U.S. and Japan.

(2) Development of New Businesses

We have positioned some specific businesses that promote new products and services in peripheral areas of core businesses as "New Business Development" businesses. We will focus on the development of new products and services that take decarbonization into consideration. In March 2025, the first incoming vessel using the Company's new biofouling control method "FALCONs," which contributes to "reducing fuel consumption and CO2 emissions for ship operations" along with "reducing the risk of ecosystem transfer," was assessed as compliant by New Zealand's regulatory authority MPI. We will work to further expand our business and enhance corporate value.

Leveraging our experience in the industrial machinery sector, we aim to supply products to markets focused on energy transition and reducing dependence on fossil fuels, such as for hydrogen supply facilities and Sustainable Aviation Fuel (SAF) production.

We contribute to resolving issues of a society with a shrinking population through maintenance services utilizing advanced digital technologies, including inspection services for port cranes using drones and services to improve the operational efficiency of port terminals.

(Initiatives on sustainability issues)

Climate change and the arrival of depopulated society are recognized as critical management issues and the Company's business opportunities. In light of the risks as well as opportunities for our businesses, we have determined that "creating a carbon-free society" and "resolving challenges induced by depopulation" as our strategic material issues. With responsibilities as a leading company of the largest market share in Japan for marine engines and port cranes, we have set medium- and long-term goals and promote initiatives such as environmental action, and development of remote and automation systems in order to meet these material issues.

ii) Forecasts for financial results for FY2025

Our forecasts for financial results for FY2025 are net sales of 340.0 billion yen, operating income of 24.0 billion yen, ordinary income of 23.0 billion yen and profit attributable to owners of parent of 20.0 billion yen.

We expect net sales to be higher than in the current fiscal year, considering the manufacturing progress of products for which we have received orders up to the current fiscal year. As for operating income, we expect an increase compared with the current fiscal year, but this forecast takes into account the continuing uncertainty surrounding U.S. policy.

As for ordinary income and profit attributable to owners of parent, we expect both to decrease from the current fiscal year. This is because we expect to record less share of profit of entities accounted for using equity method than in the current fiscal year due to the sale of affiliates, as well as the current results include the temporary factor of gain on sales of subsidiaries and affiliates' stocks.

These forecasts are based on an exchange rate of 1 US Dollar to 140.0 Japanese Yen.

[Forecasts for financial results for FY2025 by segment (Consolidated)]

(Billions of yen)

	Net sales	Operating income
New Business Development	40.0	6.0
Marine Propulsion Systems	150.0	9.0
Logistics Systems	65.0	6.0
Peripheral Businesses	85.0	3.0
Others	0.0	0.0
Total	340.0	24.0

Note: 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.

iii) Basic policy on the distribution of profits and dividend payment for FY2024 and FY2025

The Group has a basic policy of distributing profits to enhance the return of profits to our shareholders while giving comprehensive consideration to shareholders' equity in order to strengthen capital expenditure, investments in R&D and the financial base for business expansion.

Based on our policy, we have determined that the year-end dividend for the current fiscal year will be 20 yen per share, an increase of 15 yen from the previous year's dividend.

With respect to the dividend for the next fiscal year, we plan to resume interim dividends and increase the annual dividend to 30 yen per share (15 yen for each), with the aim of ensuring the opportunity for profit distribution under this uncertain economic situation and stabilizing the stock price so that our shareholders can hold their shares with confidence over the long term.

Going forward, we will continue to focus on executing our growth strategies with the aim of gradual dividend increases and enhancing corporate value to meet the expectations of our shareholders and investors.

2. Basic Policy on the Selection of Accounting Standards

The Group's policy is to prepare the consolidated financial statements with the Japanese Generally Accepted Accounting Principles (J-GAAP) because Japanese accounting standards are now of high quality and internationally competitive as a result of convergence with international accounting standards and have been accepted to be equivalent to International Financial Reporting Standards (IFRS) in Europe.

In preparation for the future adoption of IFRS, the Group has implemented initiatives such as acquiring the knowledge of IFRS and analyzing the impact of its adoption, but the timing for the adoption0020of IFRS has not been determined.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and time deposits	35,570	35,353
Notes and accounts receivables - trade, and contract assets	92,018	102,955
Electronically recorded monetary claims - operating	4,264	4,987
Merchandise and finished goods	9,682	10,625
Work in progress	49,601	52,473
Raw materials and supplies	8,437	6,829
Others	24,462	27,427
Allowance for doubtful accounts	(801)	(1,006)
Total current assets	223,237	239,646
Non-current assets		
Property, plant and equipment		
Buildings and structures	114,620	110,118
Accumulated depreciation	(90,807)	(86,974)
Buildings and structures, net	23,813	23,143
Machinery, equipment and vehicles	70,512	73,016
Accumulated depreciation	(59,214)	(58,154)
Machinery, equipment and vehicles, net	11,297	14,861
Land	67,699	65,728
Lease assets	13,726	13,170
Accumulated depreciation	(6,185)	(6,731)
Lease assets, net	7,541	6,439
Construction in progress	3,626	3,344
Others	13,050	13,496
Accumulated depreciation	(11,042)	(10,865)
Others, net	2,008	2,631
Total property, plant and equipment	115,987	116,149
Intangible assets		
Goodwill	7,532	6,477
Others	8,074	7,661
Total intangible assets	15,607	14,138
Investments and other assets		
Investment securities	76,136	29,674
Long-term loans	2,120	1,703
Net defined benefit asset	17,109	21,957
Deferred tax assets	5,596	13,037
Others	11,473	13,031
Allowance for doubtful accounts	(126)	(126)
Total investments and other assets	112,309	79,278
Total non-current assets	243,903	209,566
Total assets	467,140	449,212

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Trade payables	51,054	45,610
Electronically recorded obligations - operating	13,678	13,526
Short-term borrowings	149,785	47,854
Current portion of long-term borrowings	1,410	6,166
Lease obligations	2,076	2,050
Accrued income taxes	2,195	5,120
Contract liabilities	30,809	44,187
Provision for bonuses	5,198	6,171
Provision for construction warranties	2,934	2,651
Provision for losses on construction contracts	4,325	4,837
Provision for demolition and removal	809	1,142
Asset retirement obligations	-	106
Others	16,086	21,366
Total current liabilities	280,364	200,792
Long-term liabilities		
Long-term borrowings	10,817	43,829
Lease obligations	6,571	5,343
Deferred tax liabilities	909	182
Deferred tax liabilities for land revaluation	12,011	11,746
Provision for business restructuring	758	1,110
Provision for contract losses	-	3,845
Net defined benefit liabilities	4,617	4,565
Asset retirement obligations	2,097	1,481
Others	2,483	2,160
Total long-term liabilities	40,266	74,265
Total liabilities	320,630	275,058
Net assets		
Shareholders' equity		
Share capital	8,846	8,846
Capital surplus	11,804	2,792
Retained earnings	67,056	104,494
Treasury stock	(4,624)	(4,590)
Total shareholders' equity	83,083	111,543
Accumulated other comprehensive income		
Net unrealized holding gains on securities	1,269	6,890
Unrealized gains on hedging derivatives	5,642	2,723
Revaluation reserve for land	27,098	25,438
Foreign currency translation adjustments	12,924	9,085
Remeasurements of defined benefit plans	11,992	14,111
Total accumulated other comprehensive income	58,927	58,249
Subscription rights to shares	87	58
Non-controlling interests	4,411	4,303
Total net assets	146,510	174,154
Total liabilities and net assets	467,140	449,212

(2) Consolidated Statements of Operations and Comprehensive Income

Consolidated Statements of Operations

(Millions of yen)

	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2025
Net sales	301,875	315,112
Cost of sales	254,632	263,541
Gross profit	47,243	51,571
Selling, general and administrative expenses	27,612	28,440
Operating income	19,630	23,130
Non-operating income		
Interest income	563	389
Dividend income	225	275
Share of profit of entities accounted for using equity method	7,674	7,909
Foreign currency exchange gains	744	-
Others	995	1,270
Total non-operating income	10,204	9,845
Non-operating expenses		
Interest expenses	4,288	2,559
Commission expenses	3,914	593
Foreign currency exchange losses	-	942
Others	918	1,124
Total non-operating expenses	9,122	5,219
Ordinary income	20,711	27,756
Extraordinary income		
Gain on disposal of non-current assets	266	370
Gain on sales of subsidiaries and affiliates' stocks	2,079	24,417
Gain on bargain purchase	1,317	-
Total extraordinary income	3,663	24,788
Extraordinary losses		
Loss on disposal of non-current assets	222	556
Loss on impairment of non-current assets	1,453	1,523
Loss on change in equity	1,075	1,124
Loss on liquidation of business	719	1,983
Provision for demolition and removal	809	456
Provision for business restructuring	-	678
Provision for contract losses	-	3,845
Settlement payments for accidents	-	2,659
Loss from overseas remittance	680	-
Total extraordinary losses	4,960	12,827
Profit before income taxes	19,415	39,716
Income taxes - current	2,728	9,533
Income taxes - deferred	(8,640)	(8,976)
Total income taxes	(5,911)	556
Profit	25,327	39,160
Profit attributable to non-controlling interests	275	85
Profit attributable to owners of parent	25,051	39,074

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2025
Profit	25,327	39,160
Other comprehensive income		
Net unrealized holding gains on securities	1,211	5,607
Unrealized gains (losses) on hedging derivatives	(7)	277
Revaluation reserve for land	-	(327)
Foreign currency translation adjustments	3,337	1,305
Remeasurements of defined benefit plans	4,339	2,123
Share of other comprehensive income of affiliates accounted for using equity method	(3,782)	(8,485)
Total	5,097	501
Comprehensive income	30,425	39,661
Comprehensive income attributable to		
Owners of parent	30,120	39,729
Non-controlling interests	304	(67)

(3) Consolidated Statements of Changes in Net Assets

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance as of April 1, 2023	3,829	10,552	42,292	(4,632)	52,042
Changes during the year					
Issuance of new shares	5,016	1,254			6,270
Cash dividends paid			(791)		(791)
Profit attributable to owners of parent			25,051		25,051
Purchases of treasury stock				(4)	(4)
Sales of treasury stock		(2)		12	10
Transfer from revaluation reserve for land			503		503
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes of items other than those in Shareholders' equity					
Total changes during the year	5,016	1,251	24,764	8	31,040
Balance as of March 31, 2024	8,846	11,804	67,056	(4,624)	83,083

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance as of April 1, 2023	48	8,309	27,601	10,691	7,710	54,362	132	4,148	110,686
Changes during the year									
Issuance of new shares									6,270
Cash dividends paid									(791)
Profit attributable to owners of parent									25,051
Purchases of treasury stock									(4)
Sales of treasury stock									10
Transfer from revaluation reserve for land									503
Change in ownership interest of parent due to transactions with non-controlling interests									0
Net changes of items other than those in Shareholders' equity	1,221	(2,667)	(503)	2,233	4,282	4,565	(44)	263	4,783
Total changes during the year	1,221	(2,667)	(503)	2,233	4,282	4,565	(44)	263	35,824
Balance as of March 31, 2024	1,269	5,642	27,098	12,924	11,992	58,927	87	4,411	146,510

(From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance as of April 1, 2024	8,846	11,804	67,056	(4,624)	83,083
Changes during the year					
Cash dividends paid			(1,206)		(1,206)
Profit attributable to owners of parent			39,074		39,074
Change in scope of equity method		2	(1,574)		(1,572)
Purchases of treasury stock				(9,197)	(9,197)
Sales of treasury stock		(7)		36	28
Cancellation of treasury stock		(9,194)		9,194	-
Transfer from retained earnings to capital surplus		188	(188)		-
Transfer from revaluation reserve for land			1,332		1,332
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Net changes of items other than those in Shareholders' equity					
Total changes during the year	-	(9,012)	37,438	33	28,459
Balance as of March 31, 2025	8,846	2,792	104,494	(4,590)	111,543

	Accumulated other comprehensive income								
	Net unrealized holding gains on securities	Unrealized gains on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Beginning balance as of April 1, 2024	1,269	5,642	27,098	12,924	11,992	58,927	87	4,411	146,510
Changes during the year									
Cash dividends paid									(1,206)
Profit attributable to owners of parent									39,074
Change in scope of equity method									(1,572)
Purchases of treasury stock									(9,197)
Sales of treasury stock									28
Cancellation of treasury stock									-
Transfer from retained earnings to capital surplus									-
Transfer from revaluation reserve for land									1,332
Change in ownership interest of parent due to transactions with non-controlling interests									(0)
Net changes of items other than those in Shareholders' equity	5,621	(2,918)	(1,659)	(3,839)	2,118	(677)	(28)	(108)	(815)
Total changes during the year	5,621	(2,918)	(1,659)	(3,839)	2,118	(677)	(28)	(108)	27,643
Balance as of March 31, 2025	6,890	2,723	25,438	9,085	14,111	58,249	58	4,303	174,154

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2025
Cash flows from operating activities		
Profit before income taxes	19,415	39,716
Depreciation and amortization	7,387	7,617
Loss on impairment of non-current assets	1,453	1,523
Amortization of goodwill	1,008	1,001
Increase of allowance for doubtful accounts	296	178
Increase in net defined benefit liabilities	2,483	624
Decrease (increase) in net defined benefit assets	(1,564)	967
Increase (decrease) in provision for losses on construction contracts	(10,235)	511
Increase in provision for demolition and removal	809	333
Increase in provision for contract losses	-	3,845
Interest and dividend income	(789)	(665)
Interest expenses	4,288	2,559
Share of profit of entities accounted for using equity method	(7,674)	(7,909)
Foreign currency exchange losses	3	69
Gain on sales of subsidiaries and affiliates' stocks	(2,079)	(24,417)
Loss (gain) on disposal of non-current assets	(44)	186
Gain on bargain purchase	(1,317)	-
Loss on change in equity	1,075	1,124
Loss on liquidation of business	719	1,983
Settlement payments for accidents	-	2,659
Loss from overseas remittance	680	-
Increase in trade receivables and contract assets	(7,890)	(10,374)
Increase in inventories	(5,411)	(2,184)
Decrease in trade payables	(27,408)	(7,538)
Increase in contract liabilities	1,910	13,254
Decrease (increase) in other assets	2,272	(1,063)
Increase (decrease) in other liabilities	(4,902)	6,030
Others, net	(5,424)	(5,028)
Sub-total	(30,939)	25,005
Interest and dividend received	1,515	1,876
Interest paid	(4,439)	(2,815)
Settlement paid for accidents	-	(2,040)
Income taxes paid	(571)	(7,173)
Net cash provided by (used in) operating activities	(34,435)	14,852

(Millions of yen)

	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2025
Cash flows from investing activities		
Net decrease in time deposits	455	275
Capital expenditure	(7,208)	(9,627)
Proceeds from sales of non-current assets	755	1,252
Proceeds from purchases of shares 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	-	330
Proceeds from sales of shares of subsidiaries and affiliates	2,155	68,914
Proceeds from sales of investments in capital of subsidiaries and affiliates	1,721	-
Disbursements of loans receivable	(16)	(15)
Collection of loans receivable	26	433
Payments for asset retirement obligations	-	(356)
Others, net	68	(304)
Net cash provided by (used in) investing activities	(354)	60,902
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	34,540	(101,930)
Proceeds from long-term borrowings	300	43,857
Repayments of long-term borrowings	(9,375)	(6,088)
Repayments of lease obligations	(1,767)	(1,992)
Repayments on bonds	(5,000)	-
Purchase of treasury stock	-	(9,197)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	6,236	-
Cash dividends	(789)	(1,203)
Dividends paid to non-controlling interests	(39)	(40)
Others, net	4	28
Net cash provided by (used in) financing activities	24,110	(76,566)
Effect of exchange rate changes on cash and cash equivalents	727	672
Net decrease in cash and cash equivalents	(9,951)	(140)
Cash and cash equivalents at beginning of period	43,468	33,516
Cash and cash equivalents at end of period	33,516	33,376

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Segment Information, etc.)

a. Segment information

1. Overview of reportable segment

Reportable segment is composed of the segment by products and services belonging to the operating companies and subject to be reviewed periodically by the Board of Directors to decide the allocation of management resources and to evaluate the performance.

The Company organizes headquarters by products and services in Head office. Each headquarter makes strategies of its products and services in both Japan and abroad comprehensively and develops the operation.

Reportable segment is classified into 5 segments: New Business Development, Marine Propulsion Systems, Logistics Systems, Peripheral Businesses and Ocean Development. Main products and services of each reportable segment are as follows.

Reportable Segment	Main Products and Services
New Business Development	Industrial machinery (process compressors, gas turbines, blowers, process equipment), hydraulic model testing equipment, and their after-sales services
Marine Propulsion Systems	Marine engines, fuel supply system and auxiliary machineries for dual fuel engines, and their after-sales services
Logistics Systems	Container cranes, industrial cranes, container terminal management systems, and their after-sales services
Peripheral Businesses	Gas carriers engineering, stationary power generation plants, systems development/system related equipment, steel structures, hull blocks, mechanical and electrical equipment maintenance
Ocean Development	FPSOs (floating production storage offloading vessels)

2. Calculation method used for sales, segment income and loss, assets, liabilities and other items for each reportable segment

The accounting method used for reportable segment is the same in material aspects as the method used for the preparation of consolidated financial statements.

Segment income and loss is based on Operating income (loss) in Consolidated Statements of Operations.

Inter segment sales and transfer are based on the market price.

3. Information about sales, segment income and loss, assets, liabilities and other items for each reportable segment

Reportable segment information for the years ended March 31, 2024 and 2025 were as follows:

(From April 1, 2023 to March 31, 2024) (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	40,810	134,033	47,637	74,141	-	296,623	5,251	301,875	-	301,875
Inter segment	1,139	624	568	14,599	-	16,932	1	16,934	(16,934)	-
Total	41,949	134,658	48,206	88,741	-	313,556	5,252	318,809	(16,934)	301,875
Segment income	5,883	6,431	3,055	2,354	6,366	24,091	1,905	25,996	(6,366)	19,630
Segment assets	35,201	127,925	53,633	77,841	58,989	353,590	52,823	406,414	60,726	467,140
Other Items:										
Depreciation and amortization	706	3,007	1,399	1,627	-	6,742	226	6,968	419	7,387
Amortization of goodwill	-	-	-	1,008	-	1,008	-	1,008	-	1,008
Year-end balance of goodwill	-	-	-	7,532	-	7,532	-	7,532	-	7,532
Gain on bargain purchase	-	1,317	-	-	-	1,317	-	1,317	-	1,317
Share of profit of entities accounted for using equity method	-	312	245	441	6,366	7,366	308	7,674	-	7,674
Loss on impairment of non-current assets	377	-	-	-	-	377	-	377	1,076	1,453
Increase in property, plant and equipment and intangible assets	356	5,796	1,368	878	-	8,399	125	8,525	790	9,315

Notes 1: Segment income in "New Business Development," "Marine Propulsion Systems," "Logistics Systems," "Peripheral Businesses" and "Others" represents "Operating income," and in "Ocean Development" represents "Share of profit 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: Adjustments are as follows:

(1) Adjustments of 60,726 million yen recorded for assets primarily include surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of 61,843 million yen that are not allocated to any Reportable Segment.

(2) Adjustments of 419 million yen recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.

(3) Adjustments of 1,076 million yen recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

(4) Adjustments of 790 million yen recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

4: Segment income is adjusted with operating income in Consolidated Statements of Operations.

(From April 1, 2024 to March 31, 2025) (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	40,017	135,506	62,767	75,193	-	313,485	1,626	315,112	-	315,112
Inter segment	1,374	1,004	39	13,740	-	16,158	-	16,158	(16,158)	-
Total	41,392	136,510	62,807	88,934	-	329,644	1,626	331,271	(16,158)	315,112
Segment income (loss)	6,831	7,476	5,954	(1,615)	3,757	22,405	4,482	26,887	(3,757)	23,130
Segment assets	35,343	137,174	64,737	80,361	-	317,616	52,603	370,219	78,993	449,212
Other Items:										
Depreciation and amortization	695	3,271	1,492	1,603	-	7,062	206	7,269	348	7,617
Amortization of goodwill	-	-	-	1,001	-	1,001	-	1,001	-	1,001
Year-end balance of goodwill	-	-	-	6,477	-	6,477	-	6,477	-	6,477
Share of profit of entities accounted for using equity method	-	1,374	385	873	3,757	6,390	1,518	7,909	-	7,909
Loss on impairment of non-current assets	41	-	-	-	-	41	1,473	1,514	9	1,523
Increase in property, plant and equipment and intangible assets	614	6,049	2,131	1,157	-	9,954	58	10,012	426	10,439

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: MODEC, Inc., which constituted "Ocean Development," was excluded from the scope of application of the equity method in June 2024. Due to this exclusion, the above figures for "Ocean Development" represent three months results from January to March 2024.

3: "Others" is the segment which is not included in reportable segment and includes Engineering businesses, etc.

4: Adjustments are as follows:

(1) Adjustments of 78,993 million yen recorded for assets primarily include surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of 80,053 million yen that are not allocated to any reportable segment.

(2) Adjustments of 348 million yen recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.

(3) Adjustments of 9 million yen recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

(4) Adjustments of 426 million yen recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

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

b. Disclosure of impairment losses on non-current assets for each reportable segment

(From April 1, 2023 to March 31, 2024)

As described in "Notes on Segment Information, etc., a. Segment information 3. Information about sales, segment income and loss, assets, liabilities and other items for each reportable segment."

(From April 1, 2024 to March 31, 2025)

As described in "Notes on Segment Information, etc., a. Segment information 3. Information about sales, segment income and loss, assets, liabilities and other items for each reportable segment."

c. Disclosure of gain on bargain purchase for each reportable segment

(From April 1, 2023 to March 31, 2024)

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 1,317 million yen in the current fiscal year.

(From April 1, 2024 to March 31, 2025)

Not applicable.

d. Information about new orders and sales

(Percentages in FY2023 and FY2024 indicate composition ratio.)

New Orders

	FY2023 (from April 1, 2023 to March 31, 2024)		FY2024 (from April 1, 2024 to March 31, 2025)		Increase/Decrease	Change ratio
	Millions of yen	%	Millions of yen	%	Millions of yen	%
New Business Development	46,829	13.9	45,953	10.9	(875)	(1.9)
Marine Propulsion Systems	147,671	43.8	212,932	50.5	65,261	44.2
Logistics Systems	70,572	20.9	76,112	18.1	5,539	7.8
Peripheral Businesses	71,618	21.3	86,562	20.5	14,944	20.9
Ocean Development	-	-	-	-	-	-
Others	295	0.1	137	0.0	(157)	(53.4)
Total	336,987	100.0	421,699	100.0	84,712	25.1

Sales

	FY2023 (from April 1, 2023 to March 31, 2024)		FY2024 (from April 1, 2024 to March 31, 2025)		Increase/Decrease	Change ratio
	Millions of yen	%	Millions of yen	%	Millions of yen	%
New Business Development	40,810	13.5	40,017	12.7	(792)	(1.9)
Marine Propulsion Systems	134,033	44.4	135,506	43.0	1,472	1.1
Logistics Systems	47,637	15.8	62,767	19.9	15,130	31.8
Peripheral Businesses	74,141	24.6	75,193	23.9	1,051	1.4
Ocean Development	-	-	-	-	-	-
Others	5,251	1.7	1,626	0.5	(3,624)	(69.0)
Total	301,875	100.0	315,112	100.0	13,237	4.4

Order Backlogs

	FY2023 (as of March 31, 2024)		FY2024 (as of March 31, 2025)		Increase/Decrease	Change ratio
	Millions of yen	%	Millions of yen	%	Millions of yen	%
New Business Development	34,971	9.1	40,124	8.2	5,152	14.7
Marine Propulsion Systems	84,392	22.1	161,819	33.3	77,427	91.7
Logistics Systems	81,381	21.3	95,884	19.7	14,503	17.8
Peripheral Businesses	180,121	47.1	188,789	38.8	8,668	4.8
Ocean Development	-	-	-	-	-	-
Others	1,569	0.4	104	0.0	(1,464)	(93.3)
Total	382,435	100.0	486,722	100.0	104,286	27.3

(Notes on Per Share Information)

(Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net assets per share	1,311.64	1,682.97
Earnings per share	255.73	385.39
Earnings per share (diluted)	254.42	385.25

Notes 1: The basis for the calculation of earnings per share and earnings per share (diluted) is as follows:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Earnings per share		
Profit attributable to owners of parent (millions of yen)	25,051	39,074
Profit not attributable to common shareholders (millions of yen)	702	194
[Of which, preferred dividend (millions of yen)]	[702]	[-]
[Of which, amount of difference on canceling preferred shares (millions of yen)]	[-]	[194]
Profit attributable to owners of parent related to common stock (millions of yen)	24,349	38,880
Average number of common stock (thousands of shares)	95,214	100,886
Earnings per share (diluted)		
Adjustments to profit attributable to owners of parent (millions of yen)	–	–
Increase in number of shares of common stock (thousands of shares)	492	38
[Of which, subscription rights to shares (thousands of shares)]	[492]	[38]
Outline of dilutive shares not included in calculation of earnings per share (diluted) due to absence of dilutive effects	–	–

2: The basis for the calculation of net assets per share is as follows:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Total net assets (millions of yen)	146,510	174,154
Amount deducted from total net assets (millions of yen)	14,201	4,362
[Of which, amount paid for preferred stock (millions of yen)]	[9,000]	[-]
[Of which, amount of cumulative unpaid preferred dividends (millions of yen)]	[702]	[-]
[Of which, subscription rights to shares (millions of yen)]	[87]	[58]
[Of which, non-controlling interests (millions of yen)]	[4,411]	[4,303]
Net assets related to common stock at the end of the period (millions of yen)	132,309	169,792
Number of shares of common stock at the end of the period used to calculate net assets per share (Thousands of shares)	100,872	100,888

(Notes on Significant Subsequent Events)

(Changes in Reportable Segment)

During the fiscal year under review, MODEC and its related companies, which constituted "Ocean Development," were excluded from the scope of application of the equity method due to a partial sale of MODEC shares. As a result, we will change our Reportable Segment to "New Business Development," "Marine Propulsion Systems," "Logistics Systems" and "Peripheral Businesses" from the next fiscal year.

Information about sales, segment income and loss, assets, liabilities and other items for each reportable segment after the changes was as follows:

(From April 1, 2024 to March 31, 2025) (Millions of yen)

	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	40,017	135,506	62,767	75,193	313,485	1,626	315,112	-	315,112
Inter segment	1,374	1,004	39	13,740	16,158	-	16,158	(16,158)	-
Total	41,392	136,510	62,807	88,934	329,644	1,626	331,271	(16,158)	315,112
Segment income (loss)	6,831	7,476	5,954	(1,615)	18,648	4,482	23,130	-	23,130
Segment assets	35,343	137,174	64,737	80,361	317,616	52,603	370,219	78,993	449,212
Other Items:									
Depreciation and amortization	695	3,271	1,492	1,603	7,062	206	7,269	348	7,617
Amortization of goodwill	-	-	-	1,001	1,001	-	1,001	-	1,001
Year-end balance of goodwill	-	-	-	6,477	6,477	-	6,477	-	6,477
Share of profit of entities accounted for using equity method	-	1,374	385	873	2,633	1,518	4,152	3,757	7,909
Loss on impairment of non-current assets	41	-	-	-	41	1,473	1,514	9	1,523
Increase in property, plant and equipment and intangible assets	614	6,049	2,131	1,157	9,954	58	10,012	426	10,439

Notes 1: "Others" is the segment which is not included in reportable segment and includes Engineering businesses, etc.

2: Adjustments are as follows:

(1) Adjustments of 78,993 million yen recorded for assets primarily include surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of 80,053 million yen that are not allocated to any reportable segment.

(2) Adjustments of 348 million yen recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.

(3) Adjustments of 3,757 million yen recorded for share of profit of entities accounted for using equity method are from MODEC and its related companies, which constituted "Ocean Development" until June 2024.

(4) Adjustments of 9 million yen recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

(5) Adjustments of 426 million yen recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

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

(Sales of an Affiliate's Stocks)

At the Board of Directors' meeting held on April 28, 2025, the Company resolved to transfer all of its shares in Mitsui E&S Shipbuilding Co., Ltd. (hereinafter, "MES-S"), an affiliate of the Company accounted for using equity method, and the Company reached an agreement on the said share transfer with TSUNEISHI SHIPBUILDING Co., Ltd. (hereinafter, "TSUNEISHI"). As a result, the Company expects to record extraordinary gains of approximately 4.2 billion yen on the sale of subsidiaries and affiliates' stocks in its non-consolidated financial statements for the fiscal year ending March 31, 2026. However, the impact on the consolidated results of the Company will be negligible since the gains on this sale will be partially eliminated in the consolidated financial statements.

MES-S is an affiliate of the Company that specializes in advanced ship product development and design engineering, as well as system integration. However, we have decided to transfer our shares in MES-S in order to ensure the continued growth of MES-S and strengthen the business of TSUNEISHI group. As a result, MES-S will become a wholly owned subsidiary of TSUNEISHI and will be excluded from the scope of application of the equity method of the Company.