

Mitsui Engineering & Shipbuilding Co., Ltd. and its Consolidated Subsidiaries

CONSOLIDATED FINANCIAL RESULTS FOR FY2016 (Revised)

Mitsui Engineering & Shipbuilding Co., Ltd. has revised the Consolidated Financial Results for FY2016 released on April 28, 2017. The revised points are indicated with underline.

From April 1, 2016 to March 31, 2017

Code number: 7003 URL: <http://www.mes.co.jp/>
Shares Listed: Tokyo Stock Exchange
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Scheduled date to file annual securities report: June 28, 2017
Scheduled date to commence dividend payments: June 29, 2017
Supplementary explanatory materials prepared: Yes
Explanatory meeting: Yes

(Amounts less than one million yen are truncated)

1.Consolidated Financial Results for FY2016 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	From Apr. 1, to Mar. 2016	From Apr. 1, to Mar. 2017	Change (%)
New Orders Received	609,621	516,577	(15.3)
Net Sales	805,413	731,464	(9.2)
Operating Income	11,813	8,304	(29.7)
Ordinary Income	15,078	14,859	(1.4)
Profit attributable to owners of parent	7,599	12,194	60.5
Earnings per Share (Yen)	9.40	15.09	—
Operating Cash Flow	29,802	<u>(7,843)</u>	—
Investing Cash Flow	(34,599)	<u>(28,753)</u>	—
Financing Cash Flow	48,216	19,401	—

Figures in parentheses represent negative.

(Millions of yen)

	As of Mar. 31, 2016	As of Mar. 31, 2017
Total Assets	1,094,042	1,096,735
Net Assets	343,853	367,608
Shareholders' Equity to Total Assets	21.5%	22.8%

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

2.Dividends

(Yen)

	FY2015	FY2016	FY2017 (forecast)
Annual dividends per share			
First quarter	—	—	
Second quarter	0.00	0.00	
Third quarter	—	—	
Year-end	4.00	3.00	3.00
Total	4.00	3.00	3.00

Note: Revision of the most recent dividends forecast: No

3.Forecast of Financial Results for FY2017

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Earnings per Share (Yen)
Year ending March 31, 2017	700,000	16,000	22,000	7,000	8.66

Reference: Estimate is based on exchange rate of USD1.00 = JPY105.0

4.Notes

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, accounting estimates or restatements

- i) Changes due to amendment of accounting standards: Yes
- ii) Changes due to other reasons: None
- iii) Changes in accounting estimates: None
- iv) Restatements: None

(4) Number of shares outstanding (common stock)

	FY2015	FY2016
	shares	shares
Number of shares outstanding at the end of period (including treasury stock)	830,987,176	830,987,176
Number of treasury stock at the end of period	22,754,073	22,766,971
Average number of shares during the period	808,264,161	808,232,679

This Financial Report is out of audit scope.

FORWARD LOOKING STATEMENTS AND OTHER SPECIAL ITEMS

The forecasts for financial results are based on information available at the time this report was released. These forecasts and other forward-looking statements are not guarantees of future performance. Actual operating results may differ from the above forecasts due to known and unknown risks, uncertainties, and other factors.

New Orders by Segment

(Millions of yen)

	From Apr. 1, to Mar. 31, 2016	From Apr. 1, to Mar. 31, 2017	Difference
Ship	109,050	67,712	(41,337) (37.9%)
Ocean Development	188,767	92,704	(96,063) (50.9%)
Machinery	172,238	166,829	(5,409) (3.1%)
Engineering	100,922	149,893	48,970 48.5%
Others	38,642	39,437	795 2.1%
Total	609,621	516,577	(93,044) (15.3%)

Net Sales by Segment

(Millions of yen)

	From Apr. 1, to Mar. 31, 2016	From Apr. 1, to Mar. 31, 2017	Difference
Ship	128,803	126,690	(2,113) (1.6%)
Ocean Development	294,982	228,419	(66,562) (22.6%)
Machinery	171,690	174,847	3,156 1.8%
Engineering	171,270	162,598	(8,672) (5.1%)
Others	38,666	38,909	242 0.6%
Total	805,413	731,464	(73,948) (9.2%)

Operating Income (Loss) by Segment

(Millions of yen)

	From Apr. 1, to Mar. 31, 2016	From Apr. 1, to Mar. 31, 2017	Difference
Ship	(18,678)	(9,753)	8,925
Ocean Development	5,372	17,895	12,523
Machinery	13,806	14,772	966
Engineering	8,297	(17,333)	(25,630)
Others	3,014	2,723	(291)
Total	11,813	8,304	(3,509)

Figures in parentheses represent negative.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and time deposits	139,374	119,811
Trade receivables	282,419	261,673
Merchandise and finished goods	4,107	4,090
Work in progress	33,830	35,585
Raw materials and supplies	5,010	5,976
Deferred tax assets	14,535	10,791
Short-term loans	22,591	56,495
Others	38,420	46,248
Allowance for doubtful accounts	(2,466)	(3,300)
Total current assets	537,822	537,372
Non-current assets		
Property, plant and equipment		
Buildings and structures	199,667	201,236
Accumulated depreciation	(141,327)	(139,833)
Buildings and structures, net	58,339	61,403
Machinery, equipment and vehicles	175,478	181,690
Accumulated depreciation	(130,074)	(136,900)
Machinery, equipment and vehicles, net	45,404	44,789
Land	257,694	249,265
Lease assets	17,648	18,195
Accumulated depreciation	(9,693)	(9,680)
Lease assets, net	7,955	8,515
Construction in progress	6,645	2,033
Others	19,994	20,715
Accumulated depreciation	(16,981)	(17,464)
Others, net	3,012	3,250
Total property, plant and equipment	379,051	369,257
Intangible assets		
Goodwill	17,877	14,348
Other	14,482	15,413
Total intangible assets	32,360	29,761
Investments, long-term loans and other assets		
Investment securities	81,646	88,170
Long-term loans	28,313	31,488
Net defined benefit asset	249	6,697
Deferred tax assets	20,762	17,450
Others	16,572	17,285
Allowance for doubtful accounts	(2,736)	(749)
Total investments, long-term loans and other assets	144,807	160,342
Total non-current assets	556,220	559,362
Total assets	1,094,042	1,096,735

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Trade payables	245,635	195,849
Short-term borrowings	27,860	14,124
Current portion of long-term borrowings	41,125	47,632
Current portion of bonds	-	15,000
Lease obligations	2,145	2,433
Accrued income taxes	6,894	13,736
Deferred tax liabilities	591	536
Advances from customers	84,388	72,904
Provision for product warranty	9,881	10,542
Provision for losses on construction contracts	10,123	15,857
Asset retirement obligations	1	9
Others	43,860	40,857
Total current liabilities	472,508	429,483
Long-term liabilities		
Bonds	40,000	40,000
Long-term borrowings	130,886	148,419
Lease obligations	7,305	7,312
Deferred tax liabilities	51,696	50,316
Deferred tax liabilities for land revaluation	15,086	18,616
Liability for severance and retirement benefits for directors and corporate auditors	522	425
Net defined benefit liabilities	12,318	12,777
Asset retirement obligations	1,286	1,284
Others	18,577	20,490
Total long-term liabilities	277,681	299,642
Total liabilities	750,189	729,126
Net assets		
Shareholders' equity		
Common stock	44,384	44,384
Capital surplus	18,811	18,808
Retained earnings	148,723	146,961
Treasury stock	△4,778	△4,778
Total shareholders' equity	207,140	205,376
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on securities	6,185	9,957
Unrealized gains (losses) on hedging derivatives	(7,653)	(6,611)
Revaluation reserve for land	30,540	41,263
Foreign currency translation adjustments	11,531	5,595
Remeasurements of defined benefit plans	(12,969)	(5,211)
Total accumulated other comprehensive income	27,634	44,993
Subscription rights to shares	231	236
Non-controlling interests	108,845	117,002
Total net assets	343,853	367,608
Total liabilities and net assets	1,094,042	1,096,735

Consolidated Statements of Income

(Millions of yen)

	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017
Net sales	805,413	731,464
Cost of sales	743,530	672,579
Gross profit	61,883	58,885
Selling, general and administrative expenses	50,070	50,580
Operating income	11,813	8,304
Non-operating income		
Interest income	3,755	4,532
Dividend income	1,220	1,138
Equity in earnings of unconsolidated subsidiaries and affiliates	4,838	5,548
Gain on valuation of derivatives	3,226	-
Other	1,517	2,064
Total non-operating income	14,558	13,283
Non-operating expenses		
Interest expenses	3,232	3,417
Foreign currency exchange losses	6,671	1,889
Loss on valuation of derivatives	-	204
Other	1,389	1,217
Total non-operating expenses	11,293	6,728
Ordinary income	15,078	14,859
Extraordinary income		
Gain on disposal of non-current assets	522	27,259
Gain on sales of investment securities	3,296	294
Gain on sales of subsidiaries and affiliates' stocks	321	-
Gain on bargain purchase	-	272
Gain on liquidation of subsidiaries and affiliates	586	-
State subsidy	712	-
Insurance income	3,117	-
Gain on forgiveness of debts	333	-
Reversal of provision for environmental preservation cost	1,730	-
Total extraordinary income	10,620	27,826
Extraordinary losses		
Loss on disposal of non-current assets	1,363	1,055
Loss on impairment of non-current assets	341	5,090
Loss on sales of investment securities	168	2
Loss on valuation of investment securities	419	10
Loss on valuation of investments in capital of subsidiaries and affiliates	112	5
Loss on valuation of shares of subsidiaries and affiliates	-	272
Loss on step acquisitions	-	436
Loss on liquidation of subsidiaries and affiliates	686	-
Loss on settlement	-	1,084
Provision for loss on litigation	-	714
Loss on reduction of non-current assets	712	-
Provision of allowance for doubtful accounts	212	-
Loss on shipping accident	1,159	-
Total extraordinary losses	5,177	8,672
Profit before income taxes	20,521	34,014
Income taxes - current	10,621	11,612
Income taxes - deferred	2,037	3,839
Total income taxes	12,658	15,452
Profit	7,863	18,562
Profit attributable to non-controlling interests	263	6,368
Profit attributable to owners of parent	7,599	12,194

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017
Profit	7,863	18,562
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(8,539)	3,618
Unrealized gains (losses) on hedging derivatives	2,988	1,729
Revaluation reserve for land	5,988	-
Foreign currency translation adjustment	775	(1,660)
Remeasurements of defined benefit plans	(7,353)	7,750
Share of other comprehensive income of affiliates accounted for using equity method	(846)	(4,370)
Total	(6,987)	7,066
Comprehensive income	875	25,628
Comprehensive income attributable to		
Owners of parent	(767)	18,824
Non-controlling interests	1,643	6,804

Consolidated Statement of Changes in Net Assets

From April 1, 2015 to March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance as of April 1, 2015	44,384	18,247	142,677	(4,761)	200,548
Changes during the year					
Cash dividends paid			(1,616)		(1,616)
Profit attributable to owners of parent			7,599		7,599
Change of scope of consolidation			(23)		(23)
Change of scope of equity method			(25)		(25)
Purchases of treasury stock				(18)	(18)
Sales of treasury stock		(0)		0	0
Transfer from revaluation reserve for land			111		111
Change in treasury stock of parent arising from transactions with non-controlling shareholders		564			564
Net changes of items other than those in Shareholders' equity					
Total changes during the year	-	564	6,045	(17)	6,592
Balance as of March 31, 2016	44,384	18,811	148,723	(4,778)	207,140

	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, 2015	14,058	(9,718)	24,777	12,704	(5,646)	36,175	146	110,435	347,305
Changes during the year									
Cash dividends paid									(1,616)
Profit attributable to owners of parent									7,599
Change of scope of consolidation									(23)
Change of scope of equity method									(25)
Purchases of treasury stock									(18)
Sales of treasury stock									0
Transfer from revaluation reserve for land									111
Change in treasury stock of parent arising from transactions with non-controlling shareholders									564
Net changes of items other than those in Shareholders' equity	(7,873)	2,065	5,763	(1,173)	(7,322)	(8,540)	85	(1,589)	(10,044)
Total changes during the year	(7,873)	2,065	5,763	(1,173)	(7,322)	(8,540)	85	(1,589)	(3,452)
Balance as of March 31, 2016	6,185	(7,653)	30,540	11,531	(12,969)	27,634	231	108,845	343,853

Consolidated Statement of Changes in Net Assets

From April 1, 2016 to March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance as of April 1, 2016	44,384	18,811	148,723	(4,778)	207,140
Changes during the year					
Cash dividends paid			(3,232)		(3,232)
Profit attributable to owners of parent			12,194		12,194
Purchases of treasury stock				(9)	(9)
Sales of treasury stock		(2)		9	6
Transfer from revaluation reserve for land			(10,723)		(10,723)
Change in treasury stock of parent arising from transactions with non-controlling shareholders		(0)			(0)
Net changes of items other than those in Shareholders' equity					
Total changes during the year	-	(3)	(1,761)	0	(1,764)
Balance as of March 31, 2017	44,384	18,808	146,961	(4,778)	205,376

	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, 2016	6,185	(7,653)	30,540	11,531	(12,969)	27,634	231	108,845	343,853
Changes during the year									
Cash dividends paid									(3,232)
Profit attributable to owners of parent									12,194
Purchases of treasury stock									(9)
Sales of treasury stock									6
Transfer from revaluation reserve for land									(10,723)
Change in treasury stock of parent arising from transactions with non- controlling shareholders									(0)
Net changes of items other than those in Shareholders' equity	3,772	1,041	10,723	(5,935)	7,757	17,358	4	8,157	25,520
Total changes during the year	3,772	1,041	10,723	(5,935)	7,757	17,358	4	8,157	23,755
Balance as of March 31, 2017	9,957	(6,611)	41,263	5,595	(5,211)	44,993	236	117,002	367,608

Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017
Cash flows from operating activities		
Profit before income taxes	20,521	34,014
Depreciation and amortization	17,945	18,576
Loss on impairment of non-current assets	341	5,090
Amortization of goodwill	921	1,311
Gain on bargain purchase	-	(272)
Gain on step acquisitions	-	436
Share-based compensation expenses	85	10
Increase (decrease) of allowance for doubtful accounts	964	(1,127)
Increase in net defined benefit liability	522	190
Decrease (increase) in net defined benefit asset	(2,165)	29
Interest and dividend income	(4,975)	(5,671)
Interest expense	3,232	3,417
Equity in earnings of unconsolidated subsidiaries and affiliates	(4,838)	(5,548)
Foreign currency exchange loss (gain), net	4,161	(1,715)
Gain on sales of investment securities	(3,127)	(291)
Gain on sales of subsidiaries and affiliates' stocks	(321)	-
Loss on valuation of investment securities	419	10
Loss on valuation of shares of subsidiaries and affiliates	-	272
Loss on valuation of investments in capital of subsidiaries and affiliates	112	5
Loss on liquidation of subsidiaries and affiliates	99	-
Loss (gain) on disposal of non-current assets, net	841	(26,204)
Loss on reduction of non-current assets	712	-
State subsidy	(712)	-
Gain on forgiveness of debt	(333)	-
Insurance income	(3,117)	-
Decrease in trade receivables	30,642	10,783
(Increase) in inventories	(4,945)	(1,391)
(Increase) in trade payables	(2,660)	(44,467)
(Increase) in other assets	(5,629)	(2,674)
Increase (decrease) in other liabilities	(14,036)	7,742
Others, net	(183)	(459)
Sub-total	34,477	(7,933)
Interest and dividend received	9,077	12,522
Interest paid	(2,933)	(3,428)
Proceeds from insurance income	3,117	575
Income taxes paid	(13,936)	(9,579)
Net cash provided by (used in) operating activities	29,802	(7,843)

(Millions of yen)

	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017
Cash flows from investing activities		
Net decrease in time deposits	1,751	(26)
Capital expenditure	(16,022)	(20,237)
Proceeds from sales of non-current assets	746	37,694
Purchase of investment securities	(52)	(4,541)
Proceeds from sales of investment securities	6,816	612
Payments for purchase of investment in subsidiaries resulting in change in scope of consolidation	(15,154)	(766)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	221	-
Purchase of shares of subsidiaries and affiliates	(10,695)	(7,881)
Proceeds from sales of shares of subsidiaries and affiliates	-	1
Payments for investments in capital of subsidiaries and affiliates	-	(114)
Disbursements of loans receivable	(77,260)	(83,493)
Collection of loans receivable	74,788	50,353
Proceeds from subsidy income	712	-
Others, net	(451)	(350)
Net cash provided by (used in) investing activities	(34,599)	(28,753)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	12,444	(14,174)
Proceeds from long-term indebtedness	68,682	57,609
Repayments of long-term indebtedness	(28,567)	(32,314)
Repayments of lease obligations	△1,540	(1,766)
Proceeds from issuance of bonds	10,000	15,000
Repayments on bonds	(10,000)	-
Purchase of treasury stock	(18)	(9)
Cash dividends	(1,612)	(3,220)
Dividends paid to non-controlling interests	(2,115)	(1,864)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	944	-
Others, net	0	144
Net cash provided by (used in) financing activities	48,216	19,401
Effect of exchange rate changes on cash and cash equivalents	(2,463)	(2,932)
Net increase (decrease) in cash and cash equivalents	40,956	(20,127)
Cash and cash equivalents at beginning of year	94,664	135,747
Increase due to changes in scope of consolidation	126	-
Cash and cash equivalents at end of year	135,747	115,620