

Mitsui E&S Holdings Co., Ltd. and its Consolidated Subsidiaries

3rd Quarter CONSOLIDATED FINANCIAL RESULTS FOR FY2019

From April 1, 2019 to December 31, 2019

Code number: 7003 URL: <https://www.mes.co.jp/>
 Shares Listed: Tokyo Stock Exchange
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Scheduled date to file Quarterly securities report: February 12, 2020
 Scheduled date to commence dividend payments: —
 Supplementary explanatory materials prepared: Yes
 Explanatory meeting: Yes (for analysts)

(Amounts less than one million yen are truncated)

1. Consolidated Financial Results for 3rd Quarter FY2019 (April 1, 2019 to December 31, 2019)

(Millions of yen)

	From Apr. 1, 2018 to Dec. 31, 2018	From Apr. 1, 2019 to Dec. 31, 2019	Change (%)
New Orders Received	374,347	571,949	52.8
Net Sales	479,396	547,698	14.2
Operating Loss	(27,081)	(72,352)	—
Ordinary Loss	(22,000)	(69,693)	—
Loss attributable to owners of parent	(47,338)	(70,040)	—
Earnings per Share (Yen)	(585.67)	(866.45)	—

Figures in parentheses represent negative.

(Millions of yen)

	As of Mar. 31, 2019	As of Dec. 31, 2019
Total Assets	999,100	1,033,324
Net Assets	280,239	193,537
Shareholders' Equity to Total Assets	16.0%	7.7%

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

2. Dividends

(Yen)

	FY2018	FY2019	FY2019 (forecast)
Annual dividends per share			
First quarter	—	—	
Second quarter	0.00	0.00	
Third quarter	—	—	
Year-end	0.00		0.00
Total	0.00		0.00

Note: Revision of the most recent dividends forecast: None

3. Forecast of Financial Results for FY2019

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Earnings per Share (Yen)
Year ending March 31, 2020	790,000	(71,000)	(67,000)	(95,000)	(1,175.21)

Note: Revision of the most recent financial forecast: Yes

Reference: Estimate is based on exchange rate of USD1.00 = JPY110.0

4. Notes

(1) Changes in significant subsidiaries during the period

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

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

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

i) Changes due to amendment of accounting standards: None

ii) Changes due to other reasons: None

iii) Changes in accounting estimates: None

iv) Restatements: None

(4) Number of shares outstanding (common stock)

	FY2018 / FY2018 3Q	FY2019 3Q
	shares	shares
Number of shares outstanding at the end of period (including treasury stock)	83,098,717	83,098,717
Number of treasury stock at the end of period	2,271,423	2,260,255
Average number of shares during the period (cumulative quarterly consolidated period)	80,827,686	80,836,663

NOTICE REGARDING QUARTERLY REVIEW PROCEDURES FOR THE QUARTERLY FINANCIAL RESULTS

This quarterly financial results statement is exempt from the quarterly review procedures based upon the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results statement, the quarterly review procedure based upon the Financial Instruments and Exchange Act has not been completed.

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.

HOW TO GET THE SUPPLEMENTARY EXPLANATORY MATERIALS

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

Overview of Reportable Segment

Reportable Segment is classified into 4 segments: Ship, Ocean Development, Machinery and Engineering. Main products and services of each Reportable Segment are as follows.

Reportable Segment	Main Products and Services
Ship	Commercial ships, naval ships, high speed passenger/vehicle ferries, offshore structures, underwater TV vehicles, steel structures
Ocean Development	FPSOs (floating production storage offloading vessels)
Machinery	Marine and stationary diesel engines, marine equipment, gas engines, steam turbines, blowers, process compressors, gas turbines, cogeneration system, regulating system, container cranes, industrial cranes, container terminal management systems, HWM manipulators, equipment of radar sensing for underground and construction, bridges, port structures, induction heaters
Engineering	Renewable energy power generation plants, power generation business, overseas civil works, chemical plants waste treatment plants, water treatment plants, resources recycling plants, PCB disposal plants

New Orders by Segment

(Millions of yen)

	From Apr. 1, 2018 to Dec. 31, 2018	From Apr. 1, 2019 to Dec. 31, 2019	Difference
Ship	83,244	38,624	(44,619) (53.6%)
Ocean Development	65,992	342,286	276,294 418.7%
Machinery	122,575	117,539	(5,036) (4.1%)
Engineering	49,713	32,310	(17,402) (35.0%)
Others	52,822	41,187	(11,634) (22.0%)
Total	374,347	571,949	197,601 52.8%

Net Sales by Segment

(Millions of yen)

	From Apr. 1, 2018 to Dec. 31, 2018	From Apr. 1, 2019 to Dec. 31, 2019	Difference
Ship	69,486	85,565	16,079 23.1%
Ocean Development	167,124	219,606	52,481 31.4%
Machinery	135,819	143,959	8,139 6.0%
Engineering	49,828	44,743	(5,084) (10.2%)
Others	57,137	53,823	(3,313) (5.8%)
Total	479,396	547,698	68,301 14.2%

Operating Income (Loss) by Segment

(Millions of yen)

	From Apr. 1, 2018 to Dec. 31, 2018	From Apr. 1, 2019 to Dec. 31, 2019	Difference
Ship	(6,597)	(1,898)	4,698
Ocean Development	11,868	(8,938)	(20,807)
Machinery	7,515	8,967	1,452
Engineering	(40,848)	(73,317)	(32,469)
Others	979	2,834	1,854
Total	(27,081)	(72,352)	(45,270)

Figures in parentheses represent negative.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and time deposits	100,857	132,850
Trade receivables	225,765	263,418
Merchandise and finished goods	4,967	5,414
Work in progress	42,294	58,434
Raw materials and supplies	8,439	10,115
Short-term loans	41,038	5,604
Others	46,050	39,642
Allowance for doubtful accounts	(1,452)	(1,208)
Total current assets	467,959	514,272
Non-current assets		
Property, plant and equipment		
Land	245,736	245,691
Others, net	96,303	98,040
Total property, plant and equipment	342,040	343,731
Intangible assets		
Goodwill	11,616	10,522
Others	17,874	17,574
Total intangible assets	29,490	28,097
Investments and other assets		
Others	160,268	147,925
Allowance for doubtful accounts	(658)	(702)
Total investments and other assets	159,609	147,223
Total non-current assets	531,140	519,051
Total assets	999,100	1,033,324

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Trade payables	190,955	219,836
Short-term borrowings	3,535	84,696
Current portion of long-term borrowings	39,062	44,138
Current portion of bonds	10,000	5,000
Accrued income taxes	11,846	6,803
Advances from customers	92,603	91,198
Provision for construction warranties	10,781	10,805
Provision for losses on construction contracts	60,972	109,710
Other provisions	7,104	6,646
Asset retirement obligations	2	3
Others	37,875	37,084
Total current liabilities	464,740	615,922
Long-term liabilities		
Bonds	40,000	35,000
Long-term borrowings	112,020	77,801
Liability for severance and retirement benefits for directors and corporate auditors	463	543
Other provisions	2,167	2,058
Net defined benefit liabilities	13,104	15,205
Asset retirement obligations	1,878	1,801
Others	84,487	91,453
Total long-term liabilities	254,121	223,864
Total liabilities	718,861	839,786
Net assets		
Shareholders' equity		
Common stock	44,384	44,384
Capital surplus	18,747	18,744
Retained earnings	67,812	(2,035)
Treasury stock	(4,759)	(4,730)
Total shareholders' equity	126,185	56,363
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on securities	3,365	2,515
Unrealized gains (losses) on hedging derivatives	(6,065)	(10,909)
Revaluation reserve for land	37,807	37,803
Foreign currency translation adjustments	740	(3,993)
Remeasurements of defined benefit plans	(2,488)	(2,278)
Total accumulated other comprehensive income	33,359	23,136
Subscription rights to shares	205	180
Non-controlling interests	120,488	113,857
Total net assets	280,239	193,537
Total liabilities and net assets	999,100	1,033,324

Consolidated Statements of Operations

(Millions of yen)

	April 1, 2018 to December 31, 2018	April 1, 2019 to December 31, 2019
Net sales	479,396	547,698
Cost of sales	467,419	582,711
Gross profit (loss)	11,976	(35,013)
Selling, general and administrative expenses	39,058	37,339
Operating loss	(27,081)	(72,352)
Non-operating income		
Interest income	5,105	4,692
Dividend income	1,141	745
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	2,839	1,685
Others	965	901
Total non-operating income	10,051	8,024
Non-operating expenses		
Interest expenses	2,163	2,056
Commitment fee	342	1,888
Foreign currency exchange losses	1,036	15
Loss on valuation of derivatives	90	265
Others	1,337	1,139
Total non-operating expenses	4,970	5,366
Ordinary loss	(22,000)	(69,693)
Extraordinary income		
Gain on disposal of non-current assets	99	410
Gain on sales of investment securities	816	1,132
Gain on sales of subsidiaries and affiliates' stocks	101	-
Total extraordinary income	1,016	1,543
Extraordinary losses		
Loss on disposal of non-current assets	514	238
Loss on impairment of non-current assets	559	216
Loss on sales of investment securities	-	121
Loss on sales of shares of subsidiaries and affiliates	-	877
Loss on valuation of investment securities	356	244
Loss on valuation of shares of subsidiaries and affiliates	-	43
Loss on litigation	167	-
Provision for loss on compensation for damage	150	-
Total extraordinary losses	1,748	1,742
Loss before income taxes	(22,732)	(69,892)
Income taxes	19,882	2,601
Loss	(42,615)	(72,494)
Profit (loss) attributable to non-controlling interests	4,723	(2,453)
Loss attributable to owners of parent	(47,338)	(70,040)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2018 to December 31, 2018	April 1, 2019 to December 31, 2019
Loss	(42,615)	(72,494)
Other comprehensive income		
Net unrealized holding losses on securities	(3,596)	(1,436)
Unrealized losses on hedging derivatives	(1,061)	(46)
Foreign currency translation adjustments	(2,618)	(4,494)
Remeasurements of defined benefit plans	1,436	158
Share of other comprehensive income of affiliates accounted for using equity method	4,224	(6,802)
Total	(1,615)	(12,620)
Comprehensive income	(44,230)	(85,115)
Comprehensive income attributable to		
Owners of parent	(47,727)	(80,259)
Non-controlling interests	3,496	(4,855)