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Proceeding with reforms to
our business structure,
with a focus on profitability,
and aiming to be a company
that is essential to society

President,
Representative Director CEO

A year of continuing major reforms and
showing the way for future growth

Review of FY2020 (the year ended March 2020)

FY2020 was a year during which we saw drastic changes in society, but it was also a year of significant change for the Mitsui E&S Group, which is marking the 103rd year since its founding. It could be said that, for us, FY2020 was a year of great change of the kind that comes only once in 100 years, as symbolized by the closure of the Chiba Works in the shipbuilding business, our founding business; the conclusion of an agreement for transfer of naval ship business

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at the Tamano Works, the place of our founding; and our withdrawal from merchant ship construction.

Currently, the Group is working on the Mitsui E&S Group Business Revival Plan ("Business Revival Plan"), which was formulated in May 2019 in the wake of large-scale losses in overseas EPC projects in the engineering business in 2018. In November 2019 we reviewed some of our plans and implemented measures such as accelerating the addition and execution of asset and business disposals, reforming our business structure and encouraging collaborations with other companies. As a result of various reforms, including the transfer of naval ship-building businesses, we have secured a certain amount of funds and established a foundation for reforming our business structure.

In August 2020 we formulated the Mid-Term Business Plan 2020, which was developed based on the Business Revival Plan, and began to implement strategies based on the basic policies of improving our financial structure, concentration of business domains and collaboration, and strengthening our management base. FY2020 was also a year in which we were able to outline a path for future growth with the keyword "digital."

As for our business results for FY2020, the Group worked together since the beginning of the fiscal year, with the strong and consistent conviction that we would avoid posting overall losses at all costs. As a result, we were able to generate positive earnings of 100 million yen. We were, however, unable to fill our funds for dividend payouts, and it is with great regret that we have therefore chosen to refrain from making dividend payouts for the year. We apologize sincerely to our shareholders. In order to clarify management responsibilities, we will continue to reduce compensation for myself and other members of the senior management team. Although conditions remain challenging in FY2021, we will aim to firmly establish positive earnings and make FY2021 a year of reversal and aggressive action toward achieving future growth.



Our plans are progressing steadily, and the foundation for our transformation is beginning to take shape

Progress of Mitsui E&S Group Business Revival Plan

In terms of the sale / disposal of assets and businesses, following on from the transfers of shares held in Showa Aircraft Industry Co., Ltd. and Mitsui E&S Plant Engineering Co., Ltd. since FY2019, in FY2020 we transferred business-related land at Chiba Works in April, followed by transferring a portion of our shares in Mitsui E&S Steel Structures Engineering Co., Ltd., and transferring shares in Mitsui E&S Environmental Engineering Co., Ltd.

In the Shipbuilding Business, we signed agreements to transfer the naval ship business to Mitsubishi Heavy Industries Co., Ltd., and to transfer 49% of shares in the merchant ship business to Tsuneishi Shipbuilding Co., Ltd. We are proceeding with these efforts with a view to completion by October of this year, and plans are progressing steadily.

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We have also made some very difficult decisions, such as in calling for employees who wished to resign as a result of the sale of these businesses and assets. When considering the sustainability of our company, we believe that it is important to properly protect and drive the development of our employees and partners. Moving forward, we will implement our Business Revival Plan to ensure that we become a company that does not need to make such major personnel cuts in the future.

With regard to our coal-fired thermal power plant civil engineering construction work in Indonesia, which incurred large-scale losses, work was suspended temporarily due to the COVID-19 pandemic, but resumed in September and has been proceeding smoothly since then. Two years ago we posted reserves of approximately 70 billion yen, and the actual amount is expected to be within that range.

After advancing the reforms mentioned earlier, we can now predict our financial outlook to a certain extent, and through sales and partnerships in various business domains we believe that we have been able to clearly show external stakeholders and group employees the business areas that the Group should focus upon.

Establishing an ideal vision for the future, by reviewing and clarifying management policy and standards of conduct

Formulate the management plan "Mid-term Business Plan 2020"

In August 2020 we formulated the Mid-Term Business Plan 2020, and are now advancing the measures outlined in that plan. Under the Mid-Term Business Plan 2020, we have reviewed our management policy and standards of conduct based on changes in the business environment, and within the Group

itself.

We believe that our corporate philosophy "to continue working as a company trusted by society and individuals through the products and services we offer" is consistent with sustainability aspects such as the SDGs and ESG, which are the common wisdom today, and that we should continue to firmly maintain this philosophy in the future. The term "monozukuri" here means not only to welding and manufacturing but also value creation in a larger sense, including engineering and after-sales service, and refers to all of our corporate activities that create value for society.

The Group has a long history in manufacturing, and many of our employees take pride in their engineering skills. As a consequence of this, however, in the past we have seen examples of overengineering—beyond specifications—due to an excessively uncompromising approach to engineering. In order to clarify once again the kind of value that our businesses, products and services should provide to whom, we have reviewed our management policy and standards of conduct.



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We aim to become a company adding digital value to all machines.

Formulate the management plan "Mid-term Business Plan 2020"

Our vision, as outlined in the Mid-Term Business Plan 2020, is to become "a company that adds digital value to all machines." Without even looking to the automotive industry or other industries, we know that it is now the common wisdom to develop new products and services by adding digital value to machines. Just as the automotive industry has changed at a dizzying pace, we believe that the process of digitalization will also advance at a faster pace than imagined in our business domain. We are now working toward the realization of our vision so that the Group may be one of the forerunners in that movement.

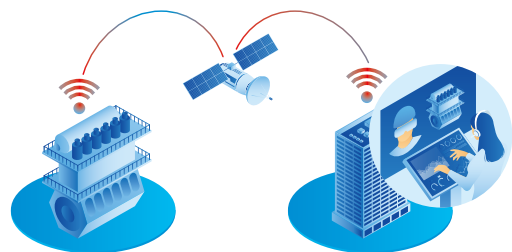
One of the goals of achieving our vision is for us to shift to a stock-based business model. The products handled by the Group in the past have been large in scale per item, such as in shipbuilding and plant construction, resulting in a business model with major fluctuations in revenue. This is one of the factors contributing to current losses. Going forward, we will also develop

stock-based businesses that can generate stable revenue through long-term relationships with customers.

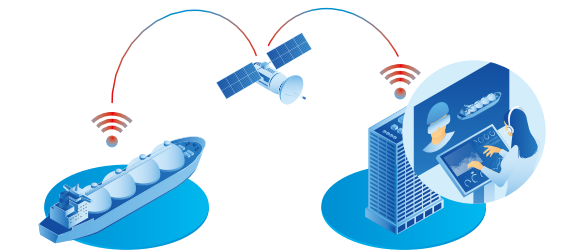
During my own career, I have experienced the entire life cycle of marine diesel engines; from upstream design as the general manager of the Diesel Design Department to after-sales service as head of Technoservice Division. Based on that experience, I recognize that after-sales service is important to gain the trust of our customers and maintain a long and healthy relationship. Good after-sales service is key to creating a good product life cycle. Although we are already focusing on after-sales service for products in the Technoservice business, looking ahead, we will seek to strengthen our Life-cycle Solution Business (LSS Business) by adding more digital value.

Mitsui E&S Systems Research Inc. (MSR) is a group company that designs and manufactures control systems and other electronic equipment for marine diesel engines and port cranes. By installing digital modules produced by MSR on power machinery such as marine diesel engines and cranes such as port cranes, which are our mainstay products, we will be able to provide sustainable services—including after-sales service—throughout the life cycles of our

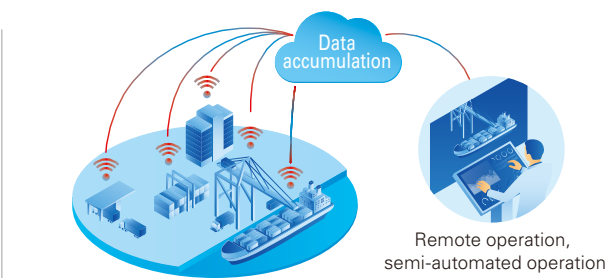
Example of construction solutions using digital modules produced by Mitsui E&S Systems Research Inc.



Performance diagnostics and remote maintenance of marine diesel engines



Visualization of navigational status of operating vessels



Anomaly detection, chassis position detection, monitoring of operational status, etc.

Remote / automated operation and control of port cranes

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products, and achieve a stock-type business model. In recent years, environmental measures such as decarbonization have also become very important for all products, and we believe that the digitalization of products is also essential for this.

Seizing growth opportunities and accelerating action

Establishment of a Growth Business Promoting Department under the direct control of the president

There are already some products under development based on the digitalization and decarbonization initiatives launched under the Mid-Term Business Plan 2020, and some results have already been achieved. Due to the constraints imposed by limited management resources, however, we have been making do with the limited resources at hand. Developments in society are progressing very fast, and we must accelerate our actions with an eye to the future. At our current pace, there is a strong sense of crisis that we will be left behind.

In April 2021, we established the Growth Business Promoting Department as an organization under the direct control of the president to take the initiative in actualizing the Group's growth businesses. Until now, individual operating companies such as Mitsui E&S Machinery Co., Ltd. and Mitsui E&S Shipbuilding Co., Ltd. had been responsible for the development of these businesses. Although actual actions will continue to be taken by individual operating companies, the Growth Business Promoting Department will lead from a position akin to a control tower, transcending the boundaries of operating companies and overseeing the entire Group, with regard to decisions such as where to concentrate resources as a Group and whether to collaborate with other companies. We will seize growth opportunities that should not be missed and work with a sense of speed to actualize them.

Products contributing to decarbonization



LNG-fueled diesel engine



NZE Transtainer®



Reciprocating compressor for Hydrogen gas stations

Environmental performance is one of our strengths, also contributing to progress in decarbonization

ESG initiatives

In order for the Group to survive in the future, it will be essential to consider all ESG (environmental, social and governance) perspectives. Among these perspectives, the environment in particular relates closely to our business and products. In the world of international shipping, there is growing momentum toward decarbonization as a measure against global warming, with the toughening of environmental regulations by the International Maritime Organization (IMO), and the creation of carbon neutral ports advocated by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

In the field of marine diesel engines, we already have a track record of products fueled by more environmentally friendly LNG (liquefied natural gas), and are working with licensors to develop next-generation fuels—such as ammonia and hydrogen—and enable their use as a new source of propulsion power. In the field of port container cranes, in February 2021 we launched the Near Zero Emission (NZE) Transtainer® container yard crane, enabling support for achieving zero exhaust gas emissions in the future. Additionally,

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in anticipation of the widespread adoption of hydrogen supply infrastructure in the future, we are also developing a transtainer that will achieve zero emissions by replacing diesel engines with hydrogen fuel cell (FC) power supplies.

The Group will also contribute to the realization of a sustainable society by accelerating the shift toward decarbonization, centered around core products and technologies that can build the foundation for the next-generation society, such as reciprocating compressors for hydrogen stations of Kaji Technology Corporation, a group company.

In terms of social and governance issues, the Group is currently in the process of reviving its business after significant losses. If we generate similar losses in the future, we will cause a great deal of inconvenience to our stakeholders, and to society. First of all, we believe that it is an essential prerequisite to implement effective governance of the entire Group and ensure sound management.

Regarding the relationship with MODEC, Inc. in the Group's governance, MODEC's ocean development business is a major pillar of the Group's operations under the Mid-Term Business Plan 2020, together with Mitsui E&S Machinery Co., Ltd.'s machinery business. MODEC's business model is a good benchmark for the entire Group in terms of the stock-based business and globalization that the Group is aiming for. By withdrawing from the construction of merchant ships in the shipbuilding business and shifting toward engineering, we also hope to fit in more with the direction that MODEC is aiming for, and expect collaborative efforts to progress. Since Mitsui E&S Holdings and MODEC are both listed companies, we will continue to maintain our current good relationship while at the same time respecting each other's respective independence.

**The first step is to establish positive earnings.
The next chapter in the Mitsui E&S story starts there.**

Toward the future

We will work first to actualize the roadmap to growth set out in our Business Revival Plan and the Mid-Term Business Plan 2020 with a sense of urgency, and establish positive earnings. We will focus on profits and work to achieve a profitable business structure that facilitates positive income.

By increasing added value through digitalization and strengthening the presence of our marine diesel engines and port cranes – which are already our strengths – we are showing the world a new Mitsui E&S Group and appealing to those both within and outside the group with regard to its revival.

The Group is also sowing the seeds for various types of new businesses that may take shape in the future. Kaji Technology Corporation's high-pressure hydrogen compression technologies, Mitsui E&S Machinery's radar exploration technologies in the field of road and tunnel maintenance and inspection, and Mitsui E&S Shipbuilding's efforts in automated docking and undocking of ships are all examples of technologies that will be essential to society in the future, and each of them have the potential to become industry leaders.

Looking ahead, instead of following the scale of our company, we will continue to create individual products that are indispensable to society, and to provide essential services with the aim of being a company that is, itself, indispensable to society. Please look forward to what the Mitsui E&S Group has to offer in the future.