

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

3rd Quarter CONSOLIDATED FINANCIAL RESULTS FOR FY2016

From April 1, 2016 to December 31, 2016

Code number:	7003	URL:	http://www.mes.co.jp/
Shares Listed:	Tokyo Stock Exchange		
Representative:	Takao Tanaka, President, Representative Director CEO		
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Scheduled date to file Quarterly securities report:	February 10, 2017		
Scheduled date to commence dividend payments:	—		
Supplementary explanatory materials prepared:	No		
Explanatory meeting:	No		

(Amounts less than one million yen are truncated)

1.Consolidated Financial Results for 3rd Quarter FY2016 (April 1, 2016 to December 31, 2016)

(Millions of yen)

	From Apr. 1, to Dec. 31, 2015	From Apr. 1, to Dec. 31, 2016	Change (%)
New Orders Received	417,216	292,388	(29.9)
Net Sales	587,587	495,114	(15.7)
Operating Income (loss)	4,728	(2,020)	—
Ordinary Income	6,244	1,363	(78.2)
Profit attributable to owners of parent	2,427	1,724	(29.0)
Earnings per Share (Yen)	3.00	2.13	(29.0)

Figures in parentheses represent negative.

(Millions of yen)

	As of Mar. 31, 2016	As of Dec. 31, 2016
Total Assets	1,094,042	1,045,826
Net Assets	343,853	326,579
Shareholders' Equity to Total Assets	21.5%	21.1%

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

2.Dividends

(Yen)

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

Note: Revision of the most recent dividends forecast: Yes

3.Forecast of Financial Results for FY2016

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Earnings per Share (Yen)
Year ending March 31, 2017	740,000	12,000	18,000	5,000	6.19

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: 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 / FY2015 3Q	FY2016 3Q
	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	22,771,514
Average number of shares during the period (cumulative quarterly consolidated period)	808,273,813	808,239,235

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.

New Orders by Segment

(Millions of yen)

	From Apr. 1, to Dec. 31, 2015	From Apr. 1, to Dec. 31, 2016	Difference
Ship	82,022	44,401	(37,620) (45.9%)
Ocean Development	141,650	43,382	(98,267) (69.4%)
Machinery	79,808	101,616	21,807 27.3%
Engineering	85,642	74,447	(11,194) (13.1%)
Others	28,093	28,541	447 1.6%
Total	417,216	292,388	(124,828) (29.9%)

Net Sales by Segment

(Millions of yen)

	From Apr. 1, to Dec. 31, 2015	From Apr. 1, to Dec. 31, 2016	Difference
Ship	98,185	96,766	(1,418) (1.4%)
Ocean Development	225,924	148,003	(77,921) (34.5%)
Machinery	123,199	122,480	(718) (0.6%)
Engineering	113,402	100,136	(13,265) (11.7%)
Others	26,875	27,726	851 3.2%
Total	587,587	495,114	(92,473) (15.7%)

Operating Income (Loss) by Segment

(Millions of yen)

	From Apr. 1, to Dec. 31, 2015	From Apr. 1, to Dec. 31, 2016	Difference
Ship	(14,550)	(5,961)	8,589
Ocean Development	3,140	4,643	1,503
Machinery	10,616	9,841	(775)
Engineering	3,564	(12,174)	(15,738)
Others	1,957	1,630	(327)
Total	4,728	(2,020)	(6,748)

Figures in parentheses represent negative.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and time deposits	139,374	121,554
Trade receivables	282,419	237,979
Merchandise and finished goods	4,107	4,231
Work in progress	33,830	41,774
Raw materials and supplies	5,010	6,000
Others	75,546	78,633
Allowance for doubtful accounts	(2,466)	(2,202)
Total current assets	537,822	487,972
Non-current assets		
Property, plant and equipment		
Land	257,694	252,659
Others, net	121,357	120,133
Total property, plant and equipment	379,051	372,793
Intangible assets		
Goodwill	17,877	16,068
Others	14,482	13,504
Total intangible assets	32,360	29,572
Investments, long-term loans and other assets		
Others	147,544	157,647
Allowance for doubtful accounts	(2,736)	(2,160)
Total investments, long-term loans and other assets	144,807	155,486
Total non-current assets	556,220	557,853
Total assets	1,094,042	1,045,826

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Trade payables	245,635	178,211
Short-term borrowings	27,860	19,853
Current portion of long-term borrowings	41,125	39,119
Current portion of bonds	-	10,000
Accrued income taxes	6,894	8,198
Advances from customers	84,388	77,180
Provision for product warranty	9,881	9,417
Provision for losses on construction contracts	10,123	21,394
Other provisions	4,210	2,128
Asset retirement obligations	1	1
Others	42,387	35,239
Total current liabilities	472,508	400,745
Long-term liabilities		
Bonds	40,000	45,000
Long-term borrowings	130,886	161,070
Liability for severance and retirement benefits for directors and corporate auditors	522	439
Other provisions	2,176	2,178
Net defined benefit liabilities	12,318	12,612
Asset retirement obligations	1,286	1,262
Others	90,490	95,938
Total long-term liabilities	277,681	318,501
Total liabilities	750,189	719,246
Net assets		
Shareholders' equity		
Common stock	44,384	44,384
Capital surplus	18,811	18,809
Retained earnings	148,723	133,387
Treasury stock	(4,778)	(4,779)
Total shareholders' equity	207,140	191,802
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on securities	6,185	9,769
Unrealized gains (losses) on hedging derivatives	(7,653)	(9,340)
Revaluation reserve for land	30,540	44,367
Foreign currency translation adjustments	11,531	(5,510)
Remeasurements of defined benefit plans	(12,969)	(10,542)
Total accumulated other comprehensive income	27,634	28,744
Subscription rights to shares	231	238
Non-controlling interests	108,845	105,795
Total net assets	343,853	326,579
Total liabilities and net assets	1,094,042	1,045,826

Consolidated Statements of Income

(Millions of yen)

	April 1, 2015 to December 31, 2015	April 1, 2016 to December 31, 2016
Net sales	587,587	495,114
Cost of sales	547,344	462,459
Gross profit	40,243	32,654
Selling, general and administrative expenses	35,515	34,675
Operating income (loss)	4,728	(2,020)
Non-operating income		
Interest income	2,806	3,128
Dividend income	1,233	981
Equity in earnings of unconsolidated subsidiaries and affiliates	5,108	3,090
Gain on valuation of derivatives	2,302	3,128
Others	1,000	1,655
Total non-operating income	12,450	11,984
Non-operating expenses		
Interest expenses	2,367	2,505
Foreign currency exchange losses	7,569	5,247
Others	996	846
Total non-operating expenses	10,934	8,600
Ordinary income	6,244	1,363
Extraordinary income		
Gain on disposal of non-current assets	521	17,017
Gain on sales of investment securities	1,297	116
Gain on sales of subsidiaries and affiliates' stocks	321	-
Gain on liquidation of subsidiaries and affiliates	586	-
State subsidy	708	-
Insurance income	3,117	-
Gain on forgiveness of debts	333	-
Total extraordinary income	6,886	17,134
Extraordinary losses		
Loss on disposal of non-current assets	1,098	389
Loss on impairment of non-current assets	338	3,202
Loss on sales of investment securities	167	0
Loss on valuation of investment securities	4	9
Loss on valuation of investments in capital of subsidiaries and affiliates	125	-
Loss on liquidation of subsidiaries and affiliates	114	-
Loss on reduction of non-current assets	708	-
Loss on shipping accident	1,157	-
Total extraordinary losses	3,713	3,601
Profit before income taxes	9,417	14,895
Income taxes	8,078	11,703
Profit	1,338	3,192
Profit (loss) attributable to non-controlling interests	(1,088)	1,467
Profit attributable to owners of parent	2,427	1,724

Consolidated Statements of Comprehensive Income

(Millions of yen)

	April 1, 2015 to December 31, 2015	April 1, 2016 to December 31, 2016
Profit	1,338	3,192
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(1,295)	3,381
Unrealized gains on hedging derivatives	1,102	2,085
Foreign currency translation adjustment	1,671	(9,148)
Remeasurements of defined benefit plans	427	2,433
Share of other comprehensive income of affiliates accounted for using equity method	(2,420)	(14,125)
Total	(513)	(15,373)
Comprehensive income	824	(12,181)
Comprehensive income attributable to		
Owners of parent	503	(10,993)
Non-controlling interests	321	(1,187)