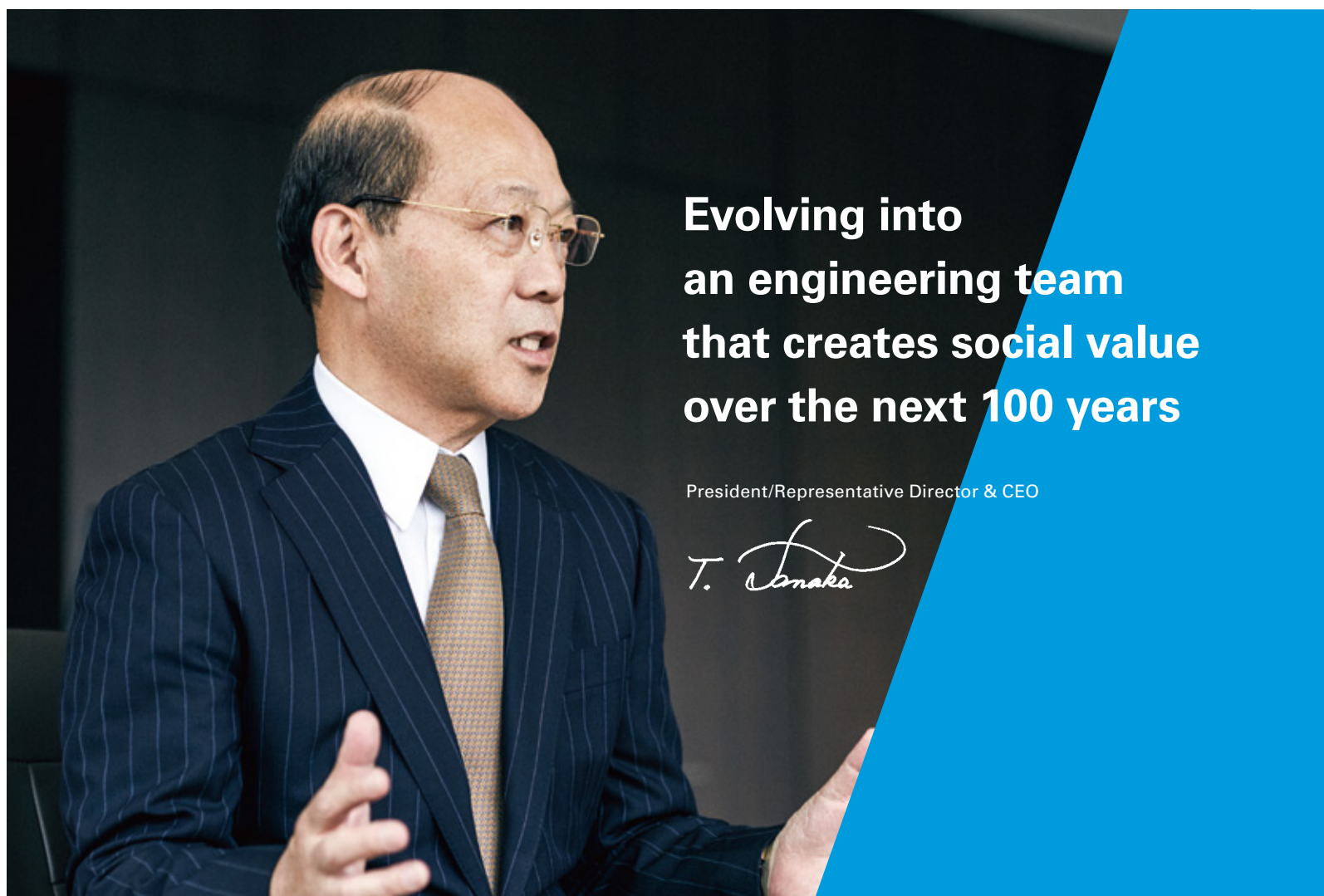


Message



Evolving into an engineering team that creates social value over the next 100 years

President/Representative Director & CEO

T. Tanaka

Review of FY2018 (the year ended March 2018)

The fiscal year ended March 2018 was a year of significant change for the group. The MES Group, which was established in 1917, took the milestone of the 100th anniversary as an opportunity to shift to a holding company structure and took a new step as Mitsui E&S Holdings Co., Ltd.

While initiatives for innovation that we have continued from the previous mid-term business plan (MBP14) made steady progress, our overall business performance for the fiscal year under review (the year ended March 2018) was weak, and we faced extremely unfavorable results. Consequently, we had no choice but to decide to refrain from making dividend payouts, which we view seriously. I hereby extend my deepest apologies to our stakeholders for the significant inconvenience.

The greatest factor for the decline in our operating income is the posting of losses, which is associated in part with additional expenses generated in the construction of a chemical plant in North America. Reflecting on this, we have reviewed our strategy for receiving orders and have decided to refrain from accepting orders for local construction work in overseas countries. Moving forward, we will establish a system under which we identify the quality (difficulty level) and quantity (order size) of each project and prevent unforeseen problems under the control of Mitsui E&S Holdings Co., Ltd.



Group Management Committee

Shift to a holding company structure

The Mitsui E&S Group is working on a range of reforms for achieving the Mitsui E&S Group 2025 Vision, a long-term vision towards 2025 as the target year. We have positioned the Mid-Term Business Plan 2017 (MBP17) as the first step toward achieving the long-term vision and are working on fundamental structural reforms with the aim of ensuring that we achieve our ideal vision, that is, “Maximize MES Group strengths collectively to improve profitability and stabilize earnings.” One of these reforms is the shift to a holding company structure.

“How should we continue growing and secure stable profits?” The shift to a holding company structure is one of my answers to this question.

Effective April 1, 2018, the Ship & Ocean Project business, the Machinery & Systems business and the Engineering business were succeeded to Mitsui E&S Shipbuilding Co., Ltd., Mitsui E&S Machinery Co., Ltd. and Mitsui E&S Engineering Co., Ltd., respectively, in the form of an absorption-type company split. At the same time, we changed our trade name from Mitsui Engineering & Shipbuilding Co., Ltd. to Mitsui E&S Holdings Co., Ltd. Mitsui E&S Holdings formulates and implements group-wide strategies, such as the selection and consolidation of businesses, while each operating company understands the direction of the overall group and then formulates its own strategies and takes prompt measures for improving its competitiveness with collaborations in sight, with the aim of achieving the evolution needed to adapt to the new environment ahead of others.

We are still at the stage where we have just finished drawing the framework. However, we can already see some signs of changes. In April 2018, we established the Group Management Committee as a forum for deliberating on the management strategy of the overall group on a quarterly basis to determine the policy. MODEC, Inc. and Burmeister & Wain Scandinavian Contractor A/S of Denmark, group companies that account for a large proportion of the group’s business results, have also joined this committee, where members discuss group management strategies in the true sense of the word. How should group companies share their business plans, deepen their knowledge, and produce synergy of their respective products, technologies and services? I feel that we have set the stage for achieving “Maximize MES Group strengths collectively,” which constitutes an essential task for achieving MBP17 together with “Reinforced business foundation.”

I am also seeing a good response to the employee awareness reform. At the Management Committee, operating companies have begun to make proposals that clearly reflect their intentions, and to have heated discussions. I feel that this reflects the fact that their sense of ownership, with which they feel obliged to do things on their own, has grown stronger. Further, many executive employees have an awareness of cash flow, which I hope will lead to the formulation and implementation of solid management strategies.

Mitsui E&S Group 2025 Vision

Our long-term vision is introduced on pages 20 and 21 of this report.

Mid-Term Business Plan 2017 (MBP17)

MBP17 is introduced on pages 22 and 23.

New Operating Companies

New Operating Companies are introduced on pages 16 and 17, 29, 33, and 35 respectively.

Mitsui E&S Holdings Co., Ltd.

The Group structure is shown on pages 16 and 17.

Moving forward, we will continue to promote structural reforms to establish a structure that will enable us to make maximum use of the internal resources of the group, one that will permit us to make concentrated investment in growth fields, and one that will allow us to improve the mobility and competitiveness of each business.

For sustainable growth

All the businesses of the Mitsui E&S Group, including marine logistics that use ships, the development of ocean resources and the renewable energy business, have a significant influence on the global environment. Many of the UN Sustainable Development Goals (SDGs) are related to our businesses. We must think about how to contribute to creating a sustainable future through businesses.

I believe that the creation of a sustainable future starts from human resources development. We will develop human resources who are healthy both physically and mentally, receive training while working, and thereby improve themselves as humans. These human resources will create products that are valuable for society, and this will be the beginning of a sustainable society.

In FY2018, I had numerous opportunities to learn our history, including the 100th anniversary event and the creation of our 100-year history book. Our history shows that we have been taking on challenges and implementing reforms ever since our foundation. I was made aware that it is thanks to our predecessors, who began to design and build a system that would survive 100 years at the time of our foundation, that we have been able to survive after 100 years of challenges and reforms. In the early days following its foundation, our company created a company town by establishing a school and a hospital, and thereby built a system for securing and developing human resources in a sustainable manner.

We position FY2018, when we celebrated our 100th anniversary, as the year for making a fresh start for the next 100 years. Learning from the wisdom of our predecessors, we have begun to take new initiatives for developing human resources. In April 2018, for example, we established a department of machinery at a commercial high school in Tamano City, Okayama Prefecture, where we are working on the development of engineering human resources. We have also established a crane production base in Indonesia, where we will contribute to developing local human resources.

We aim to be a corporate group that creates social value in the next 100 years, just as we continued working as a company trusted by society and individuals in the past 100 years. To achieve this goal, we will keep taking on challenges while continuing to advance reforms without compromise. I would like to ask our stakeholders to continue supporting us with a medium- and long-term perspective and provide us with further assistance and encouragement.

Initiatives for developing human resources

Our initiatives for human resources development is introduced on page 45.

The Mitsui E&S Group has begun to walk the path of evolution towards the future.

