

## Business Segment Overview

# Ship

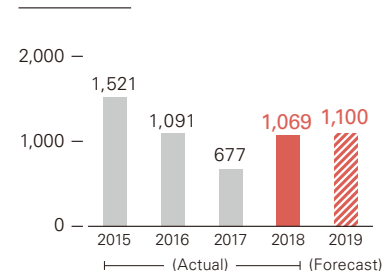


### Business environment and performance

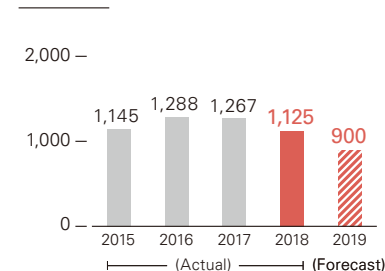
The global shipping industry has continued to experience a state of excess capacity attributed to the completion of numerous new shipbuilding construction projects, which continued until the year before last. In particular, business negotiations over new shipbuilding construction projects remained in a slump in the dry bulk division because of the low levels of charter freight, which caused us to struggle during the year. On the other hand, however, it has begun to be felt that the market has hit the bottom, and charter freight has begun to show a slight recovery trend. The number of inquiries for new shipbuilding construction projects began to increase in the latter half of the fiscal year. In the field of gas carriers, while the progress of the LNG export project has been delayed and business negotiations over the new construction of large LNG carriers have been in a slump, we are seeing multiple projects on medium- and small-sized LNG carriers, mainly for regional transportation. In the field of ocean development, development projects in Brazil, which had been postponed due in part to political reasons, have begun to be implemented, and the establishment of floating production storage and offloading systems (FPSO/ FSO), which are to be devoted to the projects, has been activated. We therefore expect the business environment to remain steady. In the midst of these conditions, the Mitsui E&S Group will continue to undertake activities for receiving orders for bulk carriers that incorporate energy-saving and environment-friendly technologies

and other products with the aim of establishing a position on medium- and small-sized gas carriers. In addition, for FPSO, the majority of which are remodeled used tankers, we will strive to achieve the "noah" concept for newly-built FPSO hulls, under which we will promptly supply highly-durable new ship hulls that we have developed, in our efforts to establish an ocean brand. In the field of national defense and security, the increase in naval ships and ships intended for public offices and the growth of replacement demand for these ships are expected due to the security environment, which has been growing tougher. We will strive to win orders by taking advantage of the high level of shipbuilding technologies of the Mitsui E&S Group. Orders received increased by 39.235 billion yen (+57.9%) compared to the previous fiscal year, to 106.947 billion yen, reflecting additional orders for eight medium- and small-sized bulk carriers, which we received despite the sluggish market, and orders received for ships intended for public offices including naval ships for the Ministry of Defense. Net sales were almost as planned, down 14.217 billion yen (-11.2%) from the previous fiscal year, to 112.472 billion yen. Operating loss increased 5.57 billion yen from the previous fiscal year, to 15.260 billion yen, partly reflecting an increase in provision for losses on construction contracts over general commercial ships in addition to an increase in costs for building some ships, which offset the completion of all ocean support vessel projects that had been the major cause of losses.

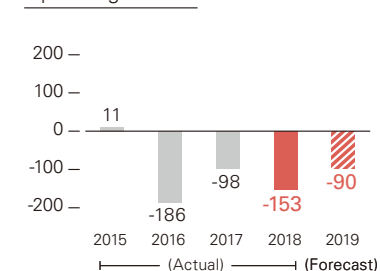
New orders (JPY 100 million / FY)



Net sales (JPY 100 million / FY)



Operating income (JPY 100 million / FY)



## Our Action Initiatives for innovation

### Our Action

### Improving design and development capabilities and cost competitiveness through a system for collaborations

#### Conclusion of a business cooperation agreement with TSUNEISHI Shipbuilding in the commercial ship business area

On May 7, 2018, we signed a business cooperation agreement with TSUNEISHI Shipbuilding Co., Ltd. in the commercial ship business area. The purpose of the partnership agreement is to attain the continuous growth of the shipbuilding business through collaboration between the two companies in improving the design and development capabilities and cost competitiveness, and thereby receiving more orders, while maintaining their respective management independence.



Left: Vice President Yasunori Kobatake of TSUNEISHI Shipbuilding Co., Ltd. Right: President Tetsuro Koga of Mitsui E&S Shipbuilding Co., Ltd.

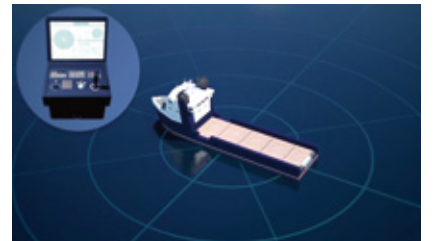
### Our Action

### Development of a safe, efficient transportation system with information technologies

#### Development of Technological Concept of Autonomous Marine Transportation System

Development of Technological Concept of Autonomous Marine Transportation System, a project that Mitsui E&S Shipbuilding proposes as the leader of the research consortium, has been selected as one of the research projects under the 2017 Transportation Technology Development Promotion Program of the Ministry of Land, Infrastructure, Transport and Tourism.

In the project, the consortium will develop a technological concept of highly autonomous ships and create a roadmap for the development of technologies that will be needed to realize these ships. The consortium will therefore aim to achieve a safe, efficient marine transport system by utilizing technologies for the automatic and autonomous operation of ships.



Autonomous marine transportation system

### Our Action

### Reinforcing the system for building special ships

#### Orders received consecutively for multiple ships intended for public offices, including a fisheries inspection vessel for Japan Fisheries Agency

In March 2018, we consecutively delivered Chiyoda, a submarine rescue vessel intended for the Ministry of Defense, and Nagasaki-maru, a fishery training ship for Nagasaki University. Moving forward, we will further reinforce our system for building special ships (naval ships and ships intended for public offices) to increase the number of such ships we build.



Chiyoda, a submarine rescue vessel

## Message Message from the president of a new operating company

Our predecessor, Mitsui Engineering & Shipbuilding Co., Ltd., celebrated its 100th anniversary in November 2017. As the name implies, shipbuilding is our founding business, and the 100th anniversary of Mitsui Engineering & Shipbuilding is also the 100th anniversary of its shipbuilding business. While the global situation continues changing rapidly, we are facing a wider range of maritime issues, including those related to logistics, resources, the environment, and safety and security. We will survive through this era of changes by applying our shipbuilding technologies, which we have accumulated over 100 years, with capacity to execute strategy quickly that we have achieved through structural reforms. The Mitsui E&S Group has a number of affiliated companies that operate in a wide range of categories, including technology research, ship repair and gas engineering. We will harness our overall strengths to build the Mitsui brand, to provide core technologies and services that are always a step ahead, to meet the expectations of our customers, to enhance value, and to contribute to people and society.



Tetsuro Koga, President  
Mitsui E&S Shipbuilding Co., Ltd.