We will certainly accomplish our Business Revival Plan amid unprecedented difficulties, turning the Company around into one with a sound financial structure.

Determination on being appointed president

My name is Ryoichi Oka, and I have been appointed President and COO. In the machinery and systems business division, I have extensive experience from design, production planning, quality assurance and after-sales service to managing the operating company and doing business from upstream to downstream within our Group. My mission is to take advantage of this experience and to overcome the current crisis with the collective strength of the entire Company, reviving it into a Company with a sound financial structure to produce stable profits. To that end, I will work with Chairman Tanaka under the slogan of “think globally, act locally” to further accelerate the structural reforms we have made so far, determined in our conviction to implement the Business Revival Plan.

Fiscal year ended March 31, 2019 results and future outlook

Despite gains in the ocean development sector, the Group’s net sales in FY2019 (‘18/4-‘19/3) decreased by ¥46.7 billion compared to the previous fiscal year (down 6.6%) to ¥656.5 billion, due to the decrease in sales (calculated using the percentage of completion method) in the ship and engineering divisions. Operating losses were ¥59.7 billion due to the effects of posting heavy losses in the engineering business, namely in civil engineering works for the thermal power plant in Indonesia. Ordinary losses amounted to ¥50.5 billion (ordinary income of ¥3.1 billion in the previous year), and net losses attributable to parent company shareholders were ¥69.5 billion. As a result, retained earnings decreased and net assets decreased by ¥76.5 billion from the end of the previous fiscal year to ¥280.2 billion.

Under these circumstances, ordering strategies, etc. in the engineering business have been reviewed and so for FY2020 (‘19/4-‘20/3) we expect net sales of ¥840 billion, operating income of ¥12 billion, ordinary income of ¥17 billion, and net income attributable to parent company shareholders of ¥3 billion. In light of these figures we are not expected to reach the originally planned MBP17 targets. Looking at each segment, Ship operating losses are expected to improve due to an increase in the number of ships being built and a reduction in fixed costs. Operating income is forecast in Ocean Development on the back of continued high levels of net sales, partly because of new project orders. Despite increased sales from the production of large marine diesel engines and container cranes, for which we get many inquiries, a drop in profits is expected in the Machinery sector against the backdrop of continued slow

● Progress of medium-term management plan

Indicators	FY2020 Target (‘19/4 – ‘20/3)	FY2019 Results (‘18/4 – ‘19/3)	Shortfall	FY2018 Results (‘17/4 – ‘18/3)
Net Sales	¥920 billion	¥ 656.5 billion	¥△263.5 billion	¥703.2 billion
Ordinary Income or Loss	¥ 37 billion	¥△50.5 billion	¥ △87.5 billion	¥ 3.1 billion
Ordinary Income Rate	4.0%	△7.7%	△11.7%	0.5%
ROIC	6.5%	△12.0%	△18.5%	0.4%
Interest-Bearing Debt	¥270 billion or less	¥ 213.2 billion	¥ △65 billion	¥264.8 billion

recovery in ship prices and pressure to reduce product prices. Engineering will improve significantly from the operating losses suffered in the current fiscal year, however, it is likely that operating losses will continue due to a temporary shortage of operations due to business reorganization.

Executing the Business Revival Plan

Based on the above situation, for the four years from FY2020 ('19/4-'20/3), the whole Company will work together on all measures of the Business Revival Plan consisting of measures for strengthening the financial and profit structure and measures for reforming the business structure.

The reasons for posting such significant losses was because we had too much confidence in our past performance and abilities, risk management was poor, and we received orders greatly exceeding our capabilities. The background to this is the fact that each business only looked at their own sustainability and securing order volume, they held back from moving away from the sales-first principle. While knowing that we have to change this situation, it's true we have put off any drastic reforms until after the market has subsided. While reflecting on what's happened in the past, we understand that any wishful thinking along the lines that 'something will happen' is the biggest risk to the Group, which is why we reflect our determination and intent as bold business portfolio reforms in the Business Revival Plan.

Measures to strengthen financial and profit structure

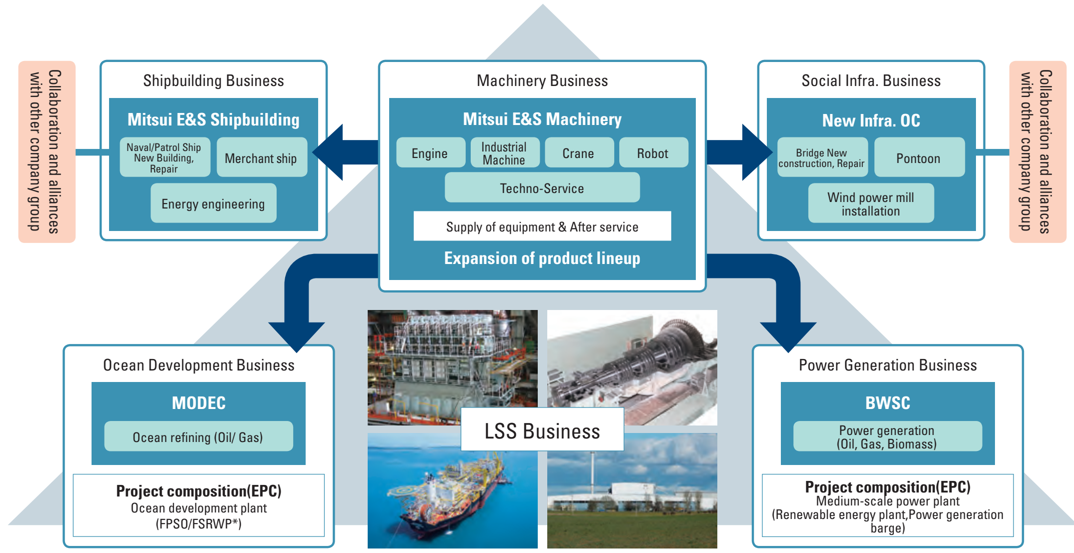
As a first step, the head office building and securities were sold in FY2019 ('18/4-'19/3) with further asset sales and capital measures planned for the future in order to recover net assets as soon as possible. Furthermore, the total asset turnover ratio has been declining, and in addition to not being able to make effective use of assets, the ratio of interest-bearing debt to EBITDA has also suffered. Amid dropping earnings power in our core business, the reduction of interest-bearing debt has been delayed and repayment terms on borrowings have been lengthened due to posting significantly large losses. For these reasons, we believe that the shipbuilding and engineering businesses in particular need to undergo radical structural reforms, including withdrawal from unprofitable businesses, as a measure to regain their earnings power.

Reorganization of Shipbuilding and Engineering businesses

In the shipbuilding business, a continuous decline in profitability in merchant ships has normalized due to the sluggish new shipbuilding market from excessive supply and heightened price competition due to more aggressive competition between companies in China and Korea. On the other hand, we have been ensuring adequate profits in structural steelwork including naval and governmental ships and immersed tunnel elements, etc. However, since the shipbuilding business has a profit structure weighed down with large fixed costs, there must be a certain amount of construction work alongside the construction of merchant ships. Taking this into consideration, after delivery of existing ship orders scheduled in 2020, we will reduce the Chiba Shipyard's new merchant shipbuilding business and shift to a system that focuses on energy engineering and large steel structures. As for the future development of the new shipbuilding business, in addition to taking advantage of our strength as a leading shipyard for energy-saving ships, continuing to undertake activities for receiving selective orders while improving profitability, we will actively utilize the scheme of contracting out construction work to partner companies.

In the engineering business, we will consolidate the resources of the chemical plant business and the environmental recycling business, which have been separated in operating companies and subsidiaries, to combine and improve our technological capabilities. In the thermal power civil engineering business the Group will combine all its strengths by establishing a system that is under the direct control of the president of the engineering business company so as to complete construction work on orders that have been received. New orders for the thermal power civil engineering business will not be accepted and, after the completion of existing construction work, resources from the engineering business will be reallocated to the renewable energy and social infrastructure businesses where growth is expected. In other words, Mitsui E&S Engineering will establish a special system, with a policy to focus on the management of subsidiaries with a view to collaborating both inside and outside the Group, and the completion of orders received.

● Business structure after structural reform (FY2023 ('22/4–'23/3))



* FSRWP: Floating Storage, Regasification, Water-Desalination & Power-Generation

Concentration of resources in focus businesses

In line with our long-term MES Group 2025 Vision, we will continue to focus on three areas: Environment & Energy, Marine Logistics & Transportation, and Social & Industrial Infrastructure. In particular, we will position machinery, ocean development, and power generation as our focus businesses while strengthening collaborations within the Group, concentrating our limited resources further. Meanwhile, in the shipbuilding and social infrastructure businesses, we will aim for new growth through collaboration and alliances with companies outside the Group. We will complete the development of these business structures by the FY2023 ('22/4-'23/3)

Measures for business reform

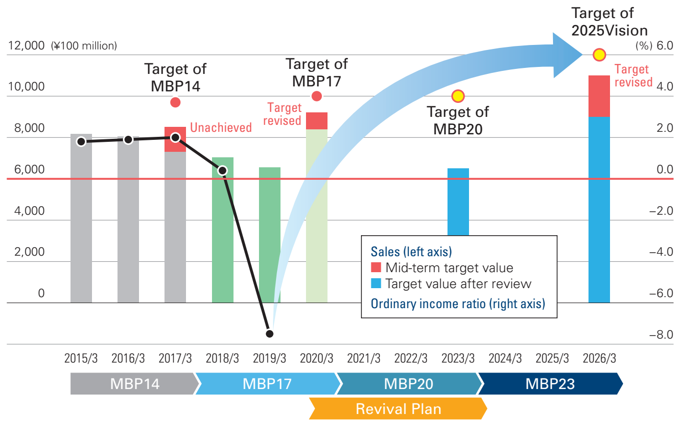
- Expand product lineup in the machinery business
  We will expand its product lineup centered on marine and industrial machinery utilizing its strengths in quality, price competitiveness and networks in the machinery business.
- Reorganization of the Shipbuilding business
  We will establish a new organization to promote the energy and engineering businesses, such as offshore FPSO and gas business. We will also promote partnerships with companies outside the Group to enhance its competitiveness.
- Reorganization of the Social Infrastructure business
  Resources of the social infrastructure business including the wind power generation business will be consolidated, establishing a new infrastructure company. We will also work to expand its scale through alliances with companies outside the Group to strengthen competitiveness and expand business.

● Roadmap from MBP17 to 2025Vision

MBP14 Basis Development
- Net sales: approx. ¥800 billion
- Ordinary Income Ratio: About 2% (below each target)

MBP17 Revolutionary Change
- Sequent large losses of projects occurred
- Shipbuilding market staying sluggish
- Shifted to "Holding Company" system
- Reinforcing the financial structure

MBP20 Significant Advance
- To exit from unprofitable business
- To focus on growth businesses
- To break from sales-first principle



Definitely target: 4% of Ordinary Income Ratio for dividends
After then, aim to achieve 6% in 2026/3.

	2019/3	2020/3	2021/3	2022/3	2023/3
	MBP17		MBP20		
		Business Revival Plan			
Reinforcement of Financial Structure	Short-term measures		Mid-term strategy		
•Disposal of assets	Disposal of assets		Continuation		
•Reduction of fixed cost	Reduction of costs		Continuation		
Reform of Business Structure	Reorganization / Exit from unprofitable business				
•Enhancement of the core businesses		Expansion of machinery product lineup			
•Reorganization of Shipbuilding Business		Collaboration / Reform of portfolio			
•Reorganization of Social Infrastructure Business		New OC	Building of a new production system		
•Reorganization of Engineering Business		Organization specialized to complete the existing civil works in power plants			

In addition to this reorganization, we will develop a service business (Lifecycle Solution Service, or LSS) to meet the product lifecycles of machinery, equipment, and infrastructure, etc. across all businesses, striving to secure revenue streams that are less affected by changes to the economy.

Roadmap for year beginning April 1, 2020

The numerical outlook in the business revival plan emphasizes probabilities, doing away with any amount of wishful thinking, and has been set on the understanding that it is the minimum targets which at least should be achieved . Specific numerical targets are net sales of ¥650 billion, ordinary income of ¥28 billion, and an ordinary income rate of 4% or more in FY2023, the final year of the MBP20. The balance sheet will show total assets reduced to ¥870 billion at the end of FY2023. At the same time, the total asset turnover ratio will be 0.8 or more and the ratio of interest-bearing debt to EBITDA will be 5 or less. With regard to the target values of our MES Group 2025 Vision, the pursuit of sales volume will be dropped, but there will be no change to the ordinary income rate of 6% or more.

To all our stakeholders

As far as our current performance figures are concerned, the Group faces unprecedented difficulties. On the other hand, our Group has many excellent human resources and manufacturing capabilities backed by the technology and skills we have cultivated during our 100-year history. Above all, there is a solid foundation of trust built up with our customers and business partners over the many years we have done business together. While I have a strong sense of the crisis we are in, by overcoming the various challenges we are now currently facing fills me with great expectation that our Group will be reborn into a Group with unprecedented potential. We will do our best to revitalize the businesses of the Group in order to turn this expectation into a certainty. I would like to ask all our stakeholders for their continued support from a medium- and long-term perspective, providing us with further assistance and encouragement.