

Engineering



Along with our collective efforts to fulfill existing orders for thermal power civil engineering works, we will focus on the renewable energy business which is expected to grow.

Mitsui E&S Engineering Co., Ltd.
President and Representative Director
Shigeru Tokumaru

[Environment Recognition and Challenges]

Amid growing risks in overseas EPC projects, weaknesses in the profit management systems of overseas projects were revealed, resulting in a decline in the profitability of orders received.

[Opportunities and Our Strengths]

The renewable energy market is growing mainly in Asia, and demand for energy engineering (marine FPSO, gas business, etc.) is increasing. We will make full use of our technology and expertise in the field of natural energy.

Business Environment and Performance

Purchase prices for Feed-in-Tariff (FIT) Scheme for electricity generated from renewable energy sources are on a downward trend, but in the environment and energy fields we received an order in September 2017 for constructing the Ichihara Biomass Power Plant and are currently underway with the construction work.

In the field of overseas infrastructure, a chronic shortage of electric power has become an urgent issue in South-east Asia, on the other hand we have posted significant losses in a civil engineering construction project for a thermal power plant in the Republic of Indonesia for which we have already received the order. Therefore, in order to minimize this loss, we stopped receiving new orders of this type so that we can concentrate on reliable construction projects in conjunction with other thermal power plant civil engineering works currently underway in Indonesia and Vietnam.

In the petrochemical field, market conditions are recovering both in Japan and overseas due to a recovering trend in crude oil prices, but the Group has refrained from receiving orders for overseas chemical plant projects, including local construction, reflecting the revision of our ordering strategy.

Under these circumstances, orders received for this fiscal year decreased by ¥16.5 billion (down 21.9%) to ¥58.9 billion due to the effects of carry over in biomass and wind power generation projects, and refraining from taking new orders for overseas chemical plant projects. Net sales decreased ¥58.6 billion (down 46%) to ¥69 billion due to the completion of a large-scale petrochemical plant in the previous fiscal year. Operating losses were ¥79.7 billion, a decline of ¥63.8 billion due to posting large losses from a civil engineering construction project for a thermal power plant in the Republic of Indonesia.

Business Revival Plan

Business risks associated with overseas chemical plants and thermal power civil engineering projects are increasing due to rising construction costs caused by the shortage of skilled workers, which has been getting worse. Under this circumstance, we are in a difficult situation to continue those businesses as they are.

Therefore, we have decided to withdraw from the business for civil works of the thermal power station as well as overseas construction works of the chemical plant. And the president of the engineering business company will command the civil works of thermal power station directly to accomplish the current construction works and to minimize losses. Also, the environment, plant, and renewable energy businesses will be transferred across to the companies within the Group. The engineering business company itself will focus on the operation and management of subsidiaries to collaborate with the companies outside the Group, as well

as executing the completion of existing projects.

After withdrawal from the business for civil works of the thermal power station, we will reallocate the resources to renewable energy and social infrastructure businesses where growth is expected.

With regard to the chemical plant business, related resources have been amalgamated into Mitsui E&S Plant Engineering Inc.(MPE). And the resources relating to environmental recycling and biogas have been amalgamated into Mitsui E&S Environmental Engineering Co., Ltd. (MKE).

In the renewable energy business, a focus area of ours for the future, along with establishing a new infrastructure company by consolidating resources of the social infrastructure business, we will promote collaboration with companies outside the Group to strengthen our competitiveness and expand business.

TOPICS

Hand-over of the Inami Wind Power Plant



In May 2018, we completed handover of a wind power plant for Inami Wind Power Generation Co., Ltd., which had been under construction in Inami-cho, Hidaka-gun, Wakayama Prefecture. This power plant, constructed over approximately 29 months (about 2 years 5 months) from January 2016, has 13 2,000kW type wind turbines installed over an area of approximately 27.2 hectares. When installing the wind turbines, due consideration was given to the

natural environment in the mountainous area. We made every effort to design and construct the wind power plant aiming for coexistence with the local community, with natural disaster countermeasures in mind.

<Overview of the Inami Wind Power Plant>

- Located in Inami-cho, Hidaka-gun, Wakayama Prefecture and other places
- Power output: 26,000 kW (2,000 kW x 13 turbines)

