

Ship & Ocean Project

We are using the shipbuilding technology and our collective group capabilities cultivated at MES to pioneer the new business field of ocean operations.

Director and Managing Executive Officer
General Manager of Ship & Ocean Project Headquarters

Norihisa Fukuda



Action Plan for Medium and Long-Term Growth

01. Differentiation by Low-fuel-consumption / Eco-friendly Technology

- ① Expanding our eco-ship lineup (neo66BC, neo56BC, neo60BC, cape-size BC, and VLCC)
- ② Developing the mid-scale multi-gas carrier neo82GC for liquefied natural gas (LNG) and ethane transport

02. Expansion in Ocean Development Field

- ① Orders received and construction of floating production storage and offloading system (FPSO) for marine oil and gas hulls and ocean support vessels
- ② Strengthening collaborations with MODEC, Inc.

03. Aggressive Capital Expenditures Aimed at Enhancing Production Capacity

- ① Improving cost competitiveness by promoting optimization at Tamano Shipyard
- ② Constructed cranes in Chiba Shipyard to improve capacity for ocean projects

Action

Business Environment and Performance

Taking Advantage of Strengths of Environment-Friendly Ships to Secure Base Load With General Merchant Ships

The shipping market continues to face a state of excess capacity due to the start of numerous constructions on new shipbuilding projects. In particular, charter freight has been low in the dry bulk division. The new shipbuilding market has seen a decline in new orders due to the decline in charter freight. In particular, the number of negotiations that lead to actual proposals have been slim. In the ocean development field, the drop in the price of crude oil has led a downturn in new oil well and gas development projects. In addition to the scandal with the Brazilian state-owned oil companies, the decline in ocean projects at major Korean companies and other factors have resulted in an increased lack of transparency.

Amid the above conditions, MES has already developed and released four types of new bulk carriers incorporating environment-friendly technology. Thus far, the cumulative number of new orders received for environment-friendly ships reached 58 vessels, resulting in an order backlog for approximately two years. Since handing over our first environment-friendly ship in November of two years ago, we have gradually constructed and delivered 16 66,000 ton and 56,000 ton bulk carriers. Moving forward, we will continue to apply our competitive advantages as the pioneer shipyard for environment-friendly ships as we work toward securing our base load with general merchant ships.

As for ocean projects, in February of this year we delivered two floating production storage and offloading system (FPSO) for marine oil and gas vessel hulls constructed at Chiba Works for Brazil and delivered them to MODEC, Inc. We struggled with vessel construction but as we gained practical experience, we have developed a technology and observations knowledge base in the ocean development field.

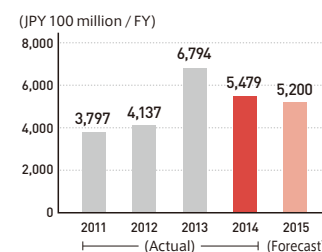
Fiscal 2014 Earnings

Yen Depreciation Drives Increase in Sales

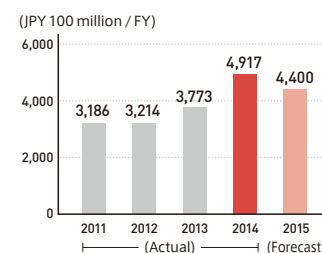
In addition to 21 orders received for environment-friendly bulk carriers, we received orders for large-scale FPSO projects. As a result, orders received decreased by 131.557 billion yen (-19.4%) compared to the previous fiscal year to 547.853 billion yen. Net sales increased thanks to favorable progress of FPSO as well as the benefits of yen depreciation. As a result, net sales increased by 114.471 billion yen (+30.3%) to 491.739 billion yen. Operating income increased by 268 million yen (+2.7%) to 10.177 billion yen thanks to the increase in net sales and a concentration of construction for low-priced vessels.

Financial Highlights

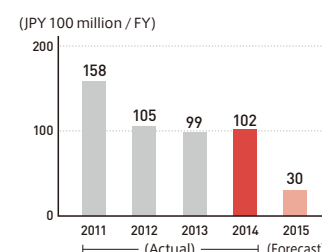
New Orders



Net Sales



Operating Income



General Merchant Ships

Combining High Reliability and Environment-friendly Performance to Build an Unwavering Position.

MES eco-ships successfully combine the high reliability of the 56,000 ton Handy-max Bulk Carrier (Mitsui 56BC), of which MES has delivered over 160 vessels, with vastly improved propulsion and energy efficiency through the use of an electronically-controlled gas injection diesel engine (ME-GI) and an optimized hull shape.

To meet the needs of a wide range of customers, since fiscal 2013 the Handy-max Bulk Carrier lineup has featured three ship types: (1) the neo66BC, which aims to pioneer new markets, (2) the neo56BC, which fulfills the needs of existing markets, and (3) the neo60BC, which targets growth markets. Orders received for each ship type are increasing. Centered on the superior energy-saving performance and reliability of the neo series, we offer a vast lineup that includes cape-size bulk carriers and very large crude carrier (VLCC).

International interest in clean energy also continues to grow. We have completed development of the neo82GC prototype, a new medium-sized multi-gas carrier that is designed with a focus on the ocean transport of liquefied natural gas (LNG) and ethane, a shale gas derivative. We also are anticipating the enactment of new regulations that will have a major impact on future designs. While working proactively to complying with these new regulations, we will accurately ascertain market needs and incorporate these elements into the development of new ships that comply with new regulations.



66,000 ton bulk carriers "CLIPPER EXCALIBUR"

Ocean Development Field

Enhancing the Competitiveness of The MES Group

The ocean development sector has become less transparent due to the decline in crude oil prices. However, the sector remains on a trend for medium to long-term growth. MODEC, Inc. is applying its past experience towards securing new orders received and improving profitability. MES will accelerate strategic business alliances with MODEC, Inc. to provide full-scale support for this initiative as we aim for Group-wide growth in the ocean development field.

In February 2015, we delivered a new FPSO hull to MODEC, Inc. The typical approach to FPSO hull is to retrofit old tankers but we provide MODEC, Inc.'s business with an option for new construction, which involves delivering highly durable new hulls in a short turnaround period. Using this valuable engineering and construction experience, we will aim to secure new orders for FPSO projects.



floating production storage and offloading system (FPSO) for marine oil and gas

Future