

## Mitsui E&S Holdings Removes MODEC as a Consolidated Subsidiary—No Immediate Impact on Rating, but JCR Will Monitor Future Performance and Financial Developments

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Mitsui E&S Holdings Co., Ltd. (securities code: 7003)'s announcements of a partial sale of shares with a change in its subsidiary (MODEC, INC. (securities code: 6269)) and revision of its earnings forecast.

- (1) Mitsui E&S Holdings Co., Ltd. (the "Company") today resolved to sell a portion of its shareholding in MODEC, INC. ("MODEC") and announced that it would sell the shares as of today. The ratio of shares held to the total number of outstanding shares after the sale will be 49.10%, a decrease of 1.00 percentage point from before the sale. As a result, MODEC is expected to become an equity-method affiliate of the Company from the fourth quarter of the fiscal year ending March 2022 (FY2021) and will be excluded from consolidated subsidiaries. The purpose of this sale is to increase the ratio of tradable shares in MODEC so that it can be listed on the prime market. Associated with the sale, the Company lowered its FY2021 earnings forecast for the net sales from 670 billion yen to 590 billion yen, but maintained its forecasts for operating profit, ordinary profit, and net profit.
- (2) JCR has been reflecting the creditworthiness of the entire group, including MODEC in the Company's rating, but the sale of the shares will result in a reduction in the scale of the net sales, operating profit, etc. that JCR had assumed for the medium term. On the other hand, the number of shares to be sold is 1.00% of the total number of outstanding shares, and the impact on the Company's net profit is minor. In addition, the removal of MODEC as a consolidated subsidiary will reduce the Company's total assets and improve the equity ratio. Given the level of rating and the impact on its net profit and financial structure, JCR does not believe that the sale will have an immediate impact on the rating. However, the current performance of the Company is sluggish partly due to delays in the construction of MODEC. JCR will confirm the future direction of the Company's performance and finances and incorporate them into the rating.

Hiroaki Sekiguchi, Takahiko Yamaguchi

### <Reference>

Issuer: Mitsui E&S Holdings Co., Ltd.

Long-term Issuer Rating: BB+      Outlook: Stable

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