

Mitsui E&S Holdings' Announcements on Financial Results for FY2019 and Earnings Forecasts for FY2020—No Immediate Impact on Rating, but JCR Will Watch Future Business Trend

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Mitsui E&S Holdings Co., Ltd. (security code: 7003)'s announcements on its financial results for the fiscal year ended March 2020 (FY2019) and earnings forecasts for FY2020.

- (1) Mitsui E&S Holdings Co., Ltd. (the "Company") announced on May 12 the financial results for FY2019. Its operating income and net income for FY2019 were JPY 62 billion yen in the red and JPY 86.2 billion yen in the red, respectively, which were both better figures than the forecast losses of JPY 71 billion yen and JPY 95 billion yen, respectively. Major reason for the recording of these large losses is worsened profits from the thermal power plant civil engineering and construction works in Indonesia. The Company announced that it forecasts the operating income and net income for FY2020 would be an operating loss of 10 billion yen and zero, respectively. The effects from the COVID-19 on the ocean development project by its subsidiary, MODEC, Inc. are the primary reasons for the operating loss. The Company says that the feared project in Indonesia had been smoothly operated till the end of FY2019.
- (2) When reviewing the Company's ratings in November 2019, JCR considered that it would be highly likely that the Company would record a certain operating income for FY2020, if there would be no additional losses on some specific projects. Against the expectation, its operating income for FY2020 would be a loss, but it says that the loss is primarily attributable to the effects described above and that the feared project in Indonesia can be managed within the current provision for the loss. With the net income for FY2020 being forecast to be zero, the Company can avoid further impairing its equity capital. In addition, it has well created funds through sales of businesses and assets. JCR sees therefore that announcements this time will not have an immediate impact on the rating.
- (3) The COVID-19 is having an impact on the project in Indonesia. The work for the project was temporarily suspended, and the Company says that it is calculating the amount of effects. The construction works in the ocean development project by its subsidiary, MODEC, Inc. might be delayed due to the COVID-19 impact. JCR will pay close attention to the future business environment and business performance as well as the trend of the projects.

Hiroaki Sekiguchi, Takahiko Yamaguchi

<Reference>

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

Long-term Issuer Rating: BB+ Outlook: Stable

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