MITSUI E&S

Engineering & Services for Evolution & Sustainability

MITSUI E&S Integrated Report 2024

Year ended March 31, 2024

Integrated Report 2024

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Management Concept

Engineering & Services for Evolution & Sustainability

In April 1, 2023, the MITSUI E&S Group ceased to be a pure holding company and made a fresh start as a business holding company named MITSUI E&S. We will bring our operations and management closer together to achieve sustainable growth.

Our mission

We build trust and contribute to society through our engineering and services

Implement resolute management in core business domains

Vision in 2030

In the marine domain, we create a carbon-free society and resolve challenges induced by depopulation

Management Policy

Create new value together with customers ▶ Business development

Conduct business through needs-oriented marketing and innovation in relevant technologies

Seek a sound financial structure and steady profit ▶ Finance & Corporate Planning

Manage and operate our group through the timely evaluation of marginal profit and fixed costs

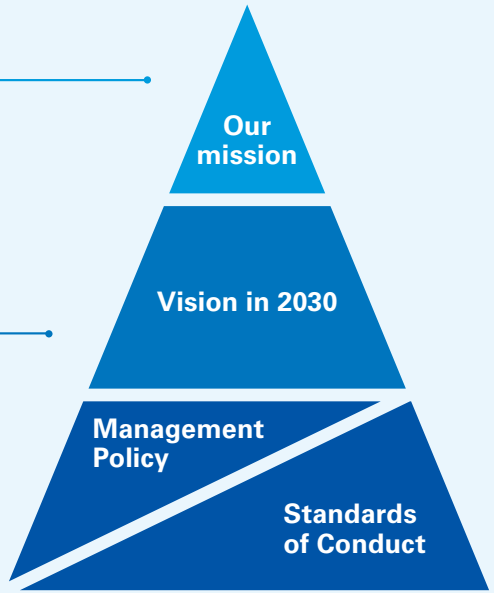
Accelerate the resolution of sustainability issues ▶ Personnel and general affairs

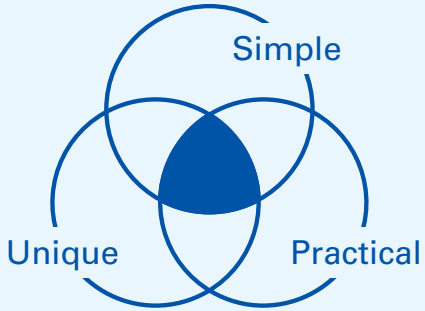
Address climate change, population decline and diversity in consideration of employees' health and safety

Standards of Conduct

Endeavor to provide simple, unique and practical products and services

We always focus on customer-centric products and services that fulfill three kinds of value, develop healthy businesses and bring them into the world to serve society





The History of MITSUI E&S

Building on Our Strengths Since Our Founding in 1917 for the Future

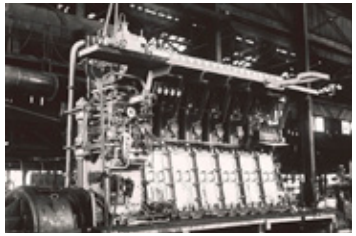
In April 1, 2023, the MITSUI E&S Group ceased to be a pure holding company and made a fresh start as a business holding company named MITSUI E&S. We will bring our operations and management closer together to achieve sustainable growth.

1917–

The Founding of Mitsui Shipbuilding & Engineering Co., Ltd.

In 1917, Teijiro Kawamura, who was the General Manager of the Ship Division of former Mitsui & Co. at the time, was acutely aware of the need to have a shipyard and a repair factory and submitted a petition to the president. The MITSUI E&S Group commenced from his passion.

- 1928 Deisel Engine No.1 manufactured



1960–

Evolving into a comprehensive heavy engineering company

Since the 1960s, we have expanded into the land sector, including iron structures such as bridges, and construction and mining equipment. While promoting technical partnaerships , we expanded our business domains to include container cranes, rotary machinery, plant construction, etc.,and we grew into a comprehensive heavy engineering company.

- 1967 Completed Japan's first container crane

2018–

Change to MITSUI E&S Group

MITSUI E&S

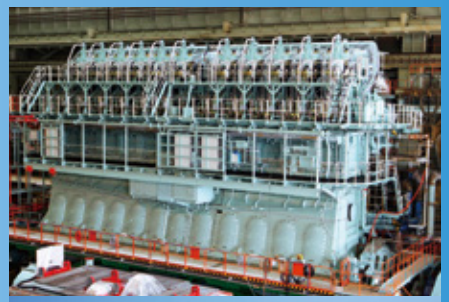
One year after celebrating its 100th anniversary in 2017, the Group shifted to a holding company structure in 2018. At the same time the company name was changed to Mitsui E&S Holdings, marking a new step forward for the new MITSUI E&S Group.

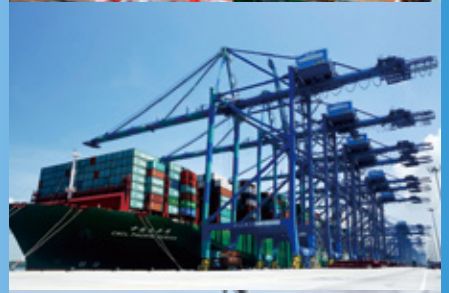
- 2019 Formulate and implement of MITSUI E&S Group Business Revival Plan
- 2021-Transfer of Naval Ship Business

- 2022 Substantial withdrawal from the merchant marine business

2023–

MITSUI E&S Co., Ltd. Begins





We will cease to be a pure holding company and transition to a business holding company. Mitsui E&S Machinery, which will play a central role in our future growth strategy, and Mitsui E&S Business Service, which will handle corporate operations, will be merged into MITSUI E&S, and we will promote our growth strategy and improve management efficiency under a new structure as the newly born MITSUI E&S.

MITSUI E&S Rolling Vision

MITSUI E&S Rolling Vision 2024

Formulating a new business plan, transitioning to a stage where growth and corporate value enhancement are strongly expected

Since 2019, we have been working to reform our business structure and improve our financial position under "Mitsui E&S Group Business Revival Plan". In FY 2023, we achieved the numerical targets of the "Mid-Term Business Plan 2023" ahead of schedule. Furthermore, our financial soundness has improved with the completion of the sale of a portion of our shares in MODEC, redemption of Class A preferred shares, and significant reduction of interest-bearing debt. In August 2024, we formulated the "MITSUI E&S Rolling Vision" in response to changes in the Group's business foundation and surrounding business environment. We have changed from the conventional three-year Mid-Term Business Plan to a rolling approach, and will switch to business management with an awareness of Cost of Equity and Cost of Debt Conscious Management, and work toward further improvement of our corporate value.

Adopting a rolling method to update the goals for the next three years in the Mid-Term Business Plan annually.

Demonstrating the ability to flexibly respond to changes in the business environment and achieve sustainable growth.

2022 2023 2024 2025 2026 2027

Background of Rolling Vision Formulation

- Changed to a top-down approach by setting a 3-year future vision.
- Every year, we will review its three-year vision and always show growth over the previous year.
- Respond flexibly to changes in the business environment to achieve sustainable growth and increase corporate value

Mid-Term Business Plan 2023, starting ahead of schedule

Business Revival Plan (2019-2022)

MITSUI E&S Rolling Vision 2026

MITSUI E&S Rolling Vision 2025

MITSUI E&S Rolling Vision 2024

- **Awareness of shareholder capital costs and debt costs**
- **Balance sheet management considering performance indicators**
- **Investment in equipment and research & development**
- **Expansion of new businesses**
- **Promotion of diversity in human resources**
- **Implementation of a revamped personnel system**
- **Investment in human capital**

2030

Vision in 2030

Cost of Equity and Cost of Debt Conscious Management

- Achieving ROIC > WACC
- Profit return to stakeholders
  - ➡ Dividend payout ratio of 30%

Organizational Culture Reform and Employee Awareness Reform

- Further promotion of female and foreign nationals
  - ➡ Female：10%
  - ➡ Foreign nationals：5%

Achievement of Material Issues

- CO_2 reductions through sales and operation units of environmentally friendly products
  - ➡ ▲10million t-CO_2/year or more
- Cumulative units (Automation, system)
  - ➡ 1,000 units or more

Business Topics 01

Global market expansion of port logistics business

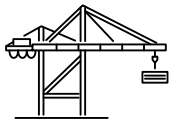
Expanding orders mainly in Asia Global market expansion of port logistics business, including the United States are also underway.

Our port crane business, in technical collaboration with U.S. company PACECO, which developed the world's first container crane, delivered Japan's first container crane to Kobe Port in 1967. Since then, we are proud of having delivered over 470 gantry cranes (Portainer®) and 1,700 yard cranes (Transtainer®) to terminals both domestically and internationally, boasting the top market share in Japan. Additionally, to address social issues such as achieving a decarbonized society and resolving issues of a society with a shrinking poplulation, we are developing and promoting the sale of environmentally friendly cranes and remote and automated cranes.
With the increasing demand for international maritime logistics, we are expanding orders mainly in Asia. In response to the port infrastructure investments announced in February 2024 to address U.S. cybersecurity requirements, we are working with our U.S. subsidiary to comply with the Build America, Buy America (BABA) requirements, including the final assembly of cranes in the United States. We are advancing the global market expansion of our port logistics business and contributing to the construction of international logistics infrastructure by providing products and services for container terminal businesses to customers both domestically and internationally.

*PACECO®, Portainer® and Transtainer® are registered trademarks of PACECO CORP. in the United States.

Our Strength

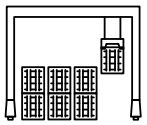
Gantry crane



38%

Domestic market share No.1
(FY2023)

Yard crane



94%

Domestic market share No.1
(FY2023)

Major Orders Received in Asia

For Vietnam, Malaysia, Bangladesh
Increased orders due to growing demand for international marine logistics in Asia

FY2023	Prior period FY2024
114 units Ordered	30 units Ordered

Support port infrastructure investment in response to U.S. cybersecurity

Receive Order for MITSUI-PACECO® Near Zero Emission Hybrid Transtainer® Cranes to the Port of Long Beach, California since the U.S. government announcement in February 2024

U.S. projects

8 units Ordered

- Final assembly in the United States.
- Consider owning a transport vessel to transport cranes.

Other regions

- Buyer's Credit to Yılport Holding A.Ş. of Türkiye Supporting Export of Our Port Container Cranes to Portugal
- Promote global market development of port logistics business by utilizing financing from Japanese financial institutions.

Business Topics 02

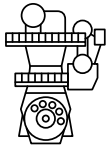
Approach policy of marine engines to new fuels

As a leading manufacturer of large-bore marine engines, we are providing various new fuel engines and contributing to the reduction of greenhouse gases from international shipping.

Amid the worldwide trend towards decarbonization, the International Maritime Organization has set a goal of net-zero greenhouse gas emissions from international shipping by 2050. Since we signed a license agreement with Burmeister & Wain's in 1926, MITSUI E&S group has achieved a cumulative production of 120 million horsepower. Additionally, Mitsui E&S DU Co., Ltd. which has WinGD license was established in 2023, and our total domestic market share reached to 75% in 2023. As a leading domestic manufacturer, we have delivered methanol and LNG dual fuel engines to the market since 2015. Further, we are also working on next-generation fuels such as ammonia and hydrogen. For an ammonia, we are preparing to start test running of ammonia dual fuel engine which is the world's first commercial large-bore two-stroke low-speed engine on ammonia fuel.
Furthermore, we have succeeded hydrogen combustion operation with our large-bore test engine.

Our Strength

Marine engines



120 million horsepower

Production of MAN B&W marine engines
(achieved in November 2024)

75%*

Domestic market share No.1
(FY2023)

*Combined figures for production by MITSUI E&S Group(MITSUI E&S and Mitsui E&S DU) and sub-licensee Makita Corporation.

As a leading manufacturer of large-bore marine engines, we supply engines compatible with new fuels. Additionally, we are developing the world's first ammonia-fueled dual fuel engine and fuel supply system.

The cumulative number of orders for dual-fuel engines compatible with environmentally friendly fuels within our group has reached 75 units as of December 2024, and we continue to build on our delivery record. Additionally, to meet the increasing demand for new fuel engines, we are investing in the expansion of manufacturing facilities and establishing a organization to meet customers' needs. Furthermore, with the growing interest in using ammonia and hydrogen fuels, which do not emit CO_2 during combustion process, we are developing ammonia dual fuel engines, fuel supply systems, and peripheral equipment such as fuel tanks for ammonia-fueled ships.
We have already installed the commercial large-bore low-speed two-stroke engine and fuel supply system at our Tamano factory, and are preparing to start the world's first test running using ammonia fuel on commercial engine.
Some of those developments, such as the fuel supply system, have been adopted as subsidized projects under the Green Innovation Fund of the New Energy and Industrial Technology Development Organization (NEDO).

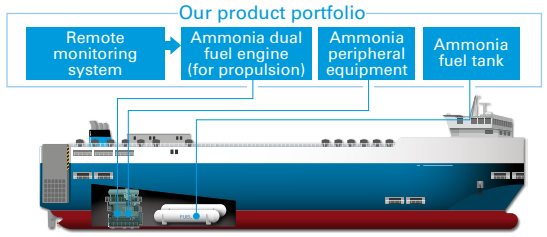
Cumulative number of orders for dual-fuel engines

LNG	Ethane	LPG	Methanol
55 units	3 units	4 units	13 units

The world's first commercial Large-bore Two-Stroke Low-speed ammonia dual fuel engine

● The role of MITSUI E&S

We supply the propulsion system, including the world's first ammonia dual fuel engine, fuel tank, and fuel supply system



Top Message

As a new MITSUI E&S, we will seek to enhance our corporate value through initiatives to resolve social issues based on green and digital strategies.

President & CEO, Representative Director

Takeyuki Takahashi

From rebuilding trust to achieving sustainable growth

In April 2023, MITSUI E&S became a business holding company and made a fresh start as the new MITSUI E&S. In FY2023, the first year of our fresh start, we finally returned to a sound position. As in the previous year, we continued to reliably generate profit in terms of all three-profit metrics (operating income, ordinary income and profit attributable to owners of parent) and were also able to increase dividends. I feel we have regained trust by delivering results, and there has also been a shift in how our stakeholders perceive us—from supporting our rebirth to expecting our sustainable growth and looking forward to the future. Within the company as well, we implemented personnel system reforms for the first time in around 20 years as part of the functional strategies under Mid-Term Business Plan 2023. As a result of the introduction of mechanisms for clarifying how the targets of individuals are linked to the company's strategies and for fairly evaluating their results, most employees say that they now understand the significance of their own jobs, fostering an approach whereby we all work together to move forward. We have implemented a range of measures to regenerate ourselves as a company, and I believe we are now entering the growth realization phase, where we will focus on strategies for sustainable growth.

Resolving social issues leads a company to grow and increases its value to society.

We have identified "Creating a decarbonized society" and "Resolving issues of a society with a shrinking population" as our two material issues. We have tried to develop each business strategy by thinking first and foremost about how to use our technologies and resources to help resolve these social issues. We are increasing the added value of mainstay products in our two core businesses: marine propulsion systems, primarily marine engines, and logistics systems, primarily port cranes, through green and digital strategies (GX and DX) and delivering them as products that will help resolve the social issues identified as our material issues. On the decarbonization front, in the marine engine business, we have enhanced production facilities for dual fuel engines that meet market needs, and have already received orders for and manufactured 75 dual fuel engines that can run on LNG, methanol or LPG. We are also in the process of developing next-generation engines that can run on new fuels such as ammonia and hydrogen. Meanwhile in the port crane business, we developed the world's first fuel cell zero emission crane. We have delivered this crane to the Port of Los Angeles in the US and have begun conducting a demonstration experiment while the crane is in commercial operation.

In terms of digital strategy, we are putting effort into providing various new services using DX technologies in the after-sales service market, developing simulation software to maximize the efficiency of port terminals using digital twins, and realizing remote operation and automation, and we are helping resolve the issues of a society with a shrinking population through efforts to increase efficiency and reduce the need for manual work. We are developing new products and services as part of social innovation that resolves social issues, aiming to grow as a company while at the same time contributing to society.

Aiming for further growth through the creation of a third pivotal business while strengthening the foundations of our two core businesses.

In Japan, around 99% of all logistics are underpinned by marine transport services and it is our core businesses that play an integral part in such essential marine logistics. In order to establish a third pivotal business for our sustainable growth in the future, while at the same time strengthening the foundations of our marine propulsion systems and logistics systems businesses, we established an organization called the New Business Development Division to coincide with the launch a new MITSUI E&S. We have integrated industrial machinery

such as compressors, turbines and process equipment and other machinery and systems into the New Business Development Division, and are seeking to branch out into new markets related to decarbonization and other growth trends. By developing and marketing our industrial machinery products with extra added value for the supply chain markets of new fuels such as SAF, ammonia and hydrogen as new target markets in addition to our existing target markets, we will drive business for sustainable growth.

Furthermore, the New Business Development Division is also working to develop completely new products and businesses that have synergies with our existing technologies. One example of this is a DX system covering an entire port. Ports around the world are currently facing a myriad of issues such as labor shortages and CO_2 emissions. For example, we see long lines of trucks waiting to enter the gates of a port. The just-in-time arrival of trucks would help ease congestion and help to reduce the CO_2 emissions produced by trucks when idling. We also need to gain an understanding of the overall flow of individual containers, for example, when a vessel enters a port, when it unloads containers and the order in which it unloads containers. We need to connect everything, from the container cranes that do the loading and unloading between the quay and vessels through to the yard cranes that pile up containers in the yard, the truck chassis that moves the containers, and the gates that manage entrances to and exits from the terminal. Given that we handle both the hardware and software, such as the port cranes and the container terminal systems, we have the capability to optimize operations by controlling, integrating, and automating them all. By implementing integrated operations across the entire port through DX, we can achieve greater efficiency, reduce the need for manual labor, and contribute to decarbonization, significantly aiding in solving the social issues we aim to address.

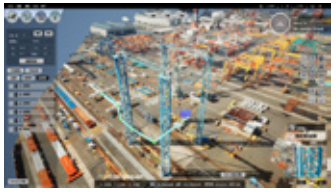
The seed of a business can be found in a customer's problem. A market-oriented approach is key.

Since becoming president, I have stressed at every turn the huge importance of a market-oriented approach. The first step to achieving this is to look at the problems plaguing customers, and I believe that a clear understanding of these problems will lead to the provision of products and services that offer value.

The drone inspection and maintenance service launched on a small scale this fiscal year is indeed a business developed through a market-oriented approach. We developed an application to enable exterior checks of dangerous tall structures normally conducted by workers to be performed by a drone. When a 3D model of the inspected object is uploaded to the application and the inspection points to be shot are input, the drone makes an automated flight and an automated shoot and then flies back. Once the settings are input, the drone can keep taking shots of the same inspection points at any time, enabling monitoring of the aging of the structure and facilitating preventive maintenance. This application was originally developed for port crane maintenance; however, we have received many inquiries from other industries wanting to use it to maintain other facilities such as large plants, power generation plants and amusement parks.

This business is also an attempt to change our business model itself by shifting way from non-recurring business toward recurring business. In our other businesses as well, we are considering a number of initiatives that have their origins in a customer problem and mark a shift away from the usual business model and we intend to nurture a third pivotal business that will generate stable profit from among these. We will ensure we adopt a market-oriented approach, constantly monitoring the needs of customers and the market and developing products and services based on these needs.

"DroneSnap" : Application for Creating Drone Automated Flight Files



"DroneSnap" allows you to set the drone's position and camera angles for inspection points on a 3D-CAD model. Then, "DroneSnap" creates a flight route file automatically for the drone based on the set information. By loading this flight file into the drone, it can efficiently capture the necessary images in a short time. DroneSnap is expected to be utilized for inspections and patrols of facilities such as port cranes, plants, and infrastructure.

We build trust and contribute to society. Through this, we will become a company that achieves sustainable growth.

We build trust and contribute to society through our engineering and services. This corporate philosophy perfectly encapsulates the vision we aspire to. The output of the work of individual employees will help the company to achieve its targets, which will in turn help resolve the issues faced by society. The growth of individual employees will lead to our growth as a company, making us a company that achieves sustainable growth. I believe we have a responsibility to our stakeholders to develop products that address the material issues of "Creating a decarbonized society" and "Resolving issues of a society with a shrinking population," evolve into a company that is trusted and needed, and enhance our corporate value. We invite you to stay tuned to find out what the MITSUI E&S Group has to offer in the future.

SECTION

01

MITSUI E&S's Vision

12 Value Creation Process

13 Material Issues

Value Creation Process

Contributing to solving social issues through the provision of products and engineering services, while aiming for sustainable growth and enhanced shareholder returns.

The name of our company, "E&S", stands for "Engineering & Services for Evolution & Sustainability." By focusing on engineering and services aimed at societal evolution and sustainability, we strive to continuously enhance the corporate value of our group.

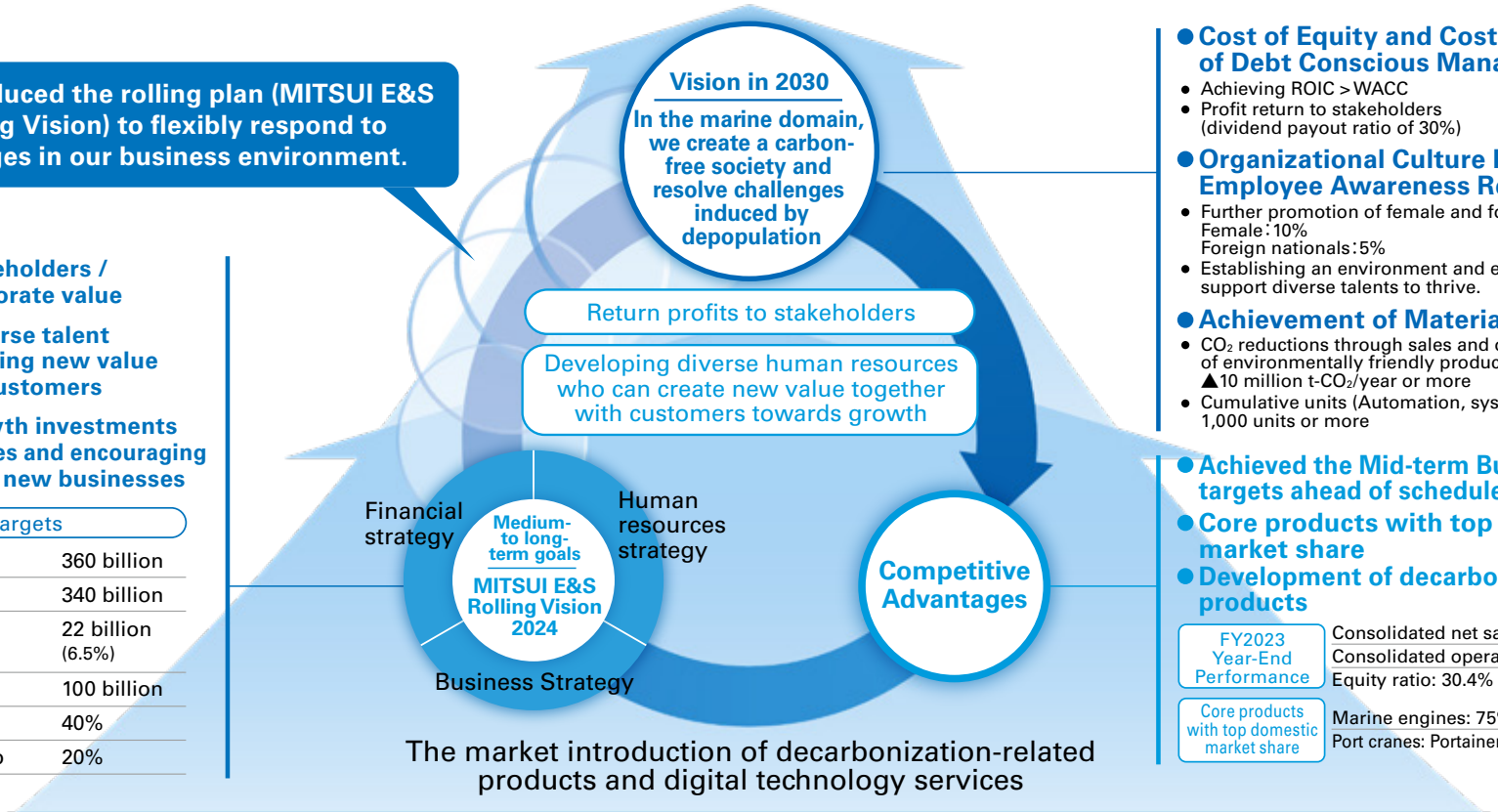
Our mission | **We build trust and contribute to society through our engineering and services**

Introduced the rolling plan (MITSUI E&S Rolling Vision) to flexibly respond to changes in our business environment.

- **Returns to stakeholders / Enhancing corporate value**
- **Developing diverse talent capable of creating new value together with customers**
- **Advancing growth investments in core businesses and encouraging development of new businesses**

the 2026 targets

New orders	360 billion
Net sales	340 billion
Operating income (operating income ratio)	22 billion (6.5%)
Interest-bearing debt	100 billion
Equity ratio	40%
Dividend payout ratio	20%



Endeavor to provide simple, unique and practical products and services

- **Cost of Equity and Cost of Debt Conscious Management**
  - Achieving ROIC > WACC
  - Profit return to stakeholders (dividend payout ratio of 30%)
- **Organizational Culture Reform and Employee Awareness Reform**
  - Further promotion of female and foreign nationals
    Female：10%
    Foreign nationals：5%
  - Establishing an environment and education system that support diverse talents to thrive.
- **Achievement of Material Issues**
  - CO_2 reductions through sales and operation units of environmentally friendly products : ▲10 million t-CO_2/year or more
  - Cumulative units (Automation, system) : 1,000 units or more

- **Achieved the Mid-term Business Plan 2023 targets ahead of schedule**
- **Core products with top domestic market share**
- **Development of decarbonization-related products**

FY2023 Year-End Performance	Consolidated net sales: 301.9 billion Consolidated operating income ratio: 6.5% Equity ratio: 30.4%
Core products with top domestic market share	Marine engines: 75% (MITSUI E&S Group + Makita) Port cranes: Portainer®: 38% /Transtainer®: 94%

Material Issues

Japan relies on maritime transport for over 99% (by weight) of its trade volume, and ships and container terminals occupy a crucial part of social infrastructure. Our core products, marine propulsion systems and port logistics systems, which hold a high market share domestically, contribute to addressing social issues in the maritime logistics field through environmentally friendly products, automation, and systemization.

Material Issues 01

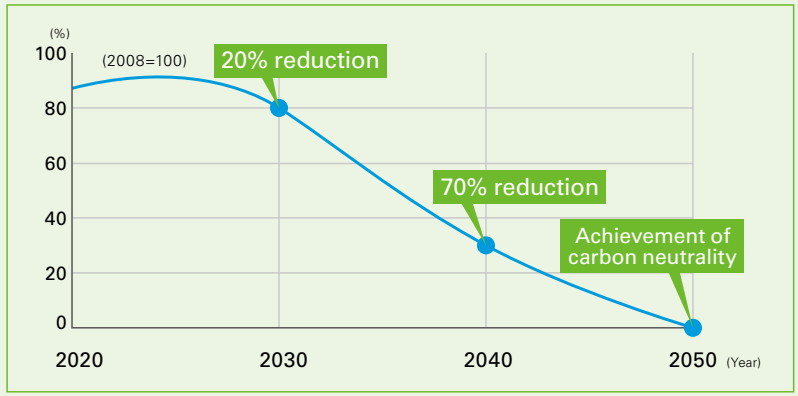
Material Issues 02

Creating a decarbonized society

Social Background

In the global trend towards decarbonization, the International Maritime Organization (IMO), a United Nations agency, officially decided in July 2023 to set the goal of reducing greenhouse gas (GHG) emissions from international shipping to "net zero by around 2050." Also domestically, the Ministry of Land, Infrastructure, Transport and Tourism is promoting the formation of Carbon Neutral Ports (CNP) to contribute to the realization of a decarbonized society by considering decarbonization in ports.

● GHG emissions from international shipping and reduction targets



Targets in FY2030

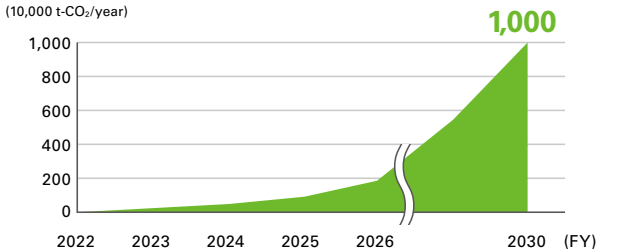
Target 01

Through cumulative sales and operation units from 2022 to 2030 of environmentally friendly products onto the market CO_2 reductions :

▲10 million t-CO_2/year or more.*

*Comparison with emissions from conventional specifications (heavy oil/light oil) products of the same quantity

● Through cumulative sales and operation units of environmentally friendly products onto the market CO_2 reductions



Target 02

CO_2 emissions reductions from production activities through expansion of green power :

▲10 thousand t-CO_2/year or more

Material Issues

Material Issues 01

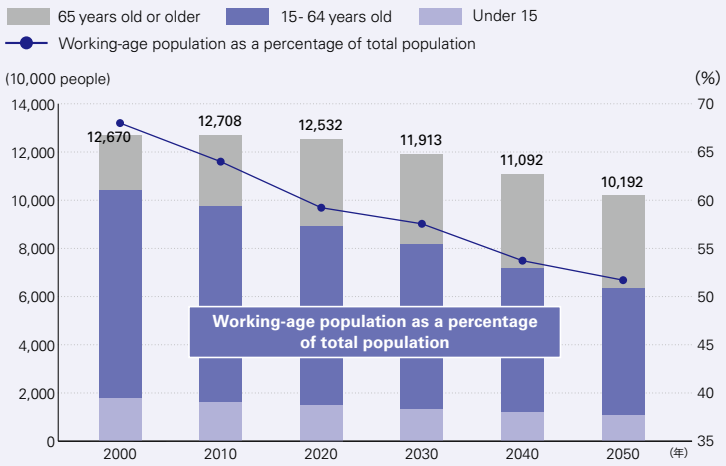
Material Issues 02

Resolving issues of a society with a shrinking population

Social Background

Japan's total population is projected to drop below 100 million in the 2050s, with the working-age population set to drop to around 50% of the total population in the future. For this reason, to maintain production activities it will be necessary to promote the active participation of women, elderly people,and foreigner in society, further utilize artificial intelligence (AI), robotics and similar technologies, and pursue initiatives to automate tasks.

● Change in Population Composition



Source: Produced by MITSUI E&S based on Ministry of Internal Affairs and Communications, National Census; National Institute of Population and Social Security Research, Population Projections for Japan (2017 estimate): "Median birth and median death projections (population as of October 1 each year

Targets in FY2030

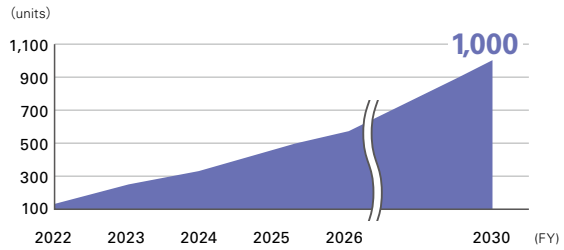
Cumulative sales and operation units of portrelated products automation and systematization from 2022 to 2030:

1,000 units or more

Various systems such as remote control Transtainer®, remote control Portainer®, CTMS*, etc.

* Container Terminal Management System

● Cumulative sales and operation units of portrelated products automation and systematization



Message from Vice President

Aiming to become a company that exceeds stakeholders' expectations through progressive management that drives sustainable growth.

Vice President, Representative Director
Assistant to President, CFO*1, CIO*2,
and in charge of Corporate Departments*3

Taketsune Matsumura

*1 CFO : Chief Financial Officer
*2 CIO : Chief Information Officer
*3 Corporate Services Div. : Corporate Planning Dept., Accounting Dept., Finance Dept., HR & General Affairs Dept., and Legal Sect.

Achieved the numerical targets of the "Mid-Term Business Plan 2023" ahead of schedule. Formulated "MITSUI E&S Rolling Vision 2024," a brand-new mid-term plan that plots a new growth phase.

On completing our Business Revival Plan, formulated in 2019, in four years, we started Mid-Term Business Plan 2023 one year ahead of schedule. During this one-year period, we worked on many initiatives. To ensure that management's intentions are directly reflected in business, we transitioned from a pure holding company to a business holding company. We expanded the product lineup of the marine engine business through the establishment of Mitsui E&S DU Co., Ltd. by merger, with two major licenses. On increasing our capital through the issuance of stock acquisition rights, we took decisive action to address losses from a civil engineering construction project for a thermal power plant in the Republic of Indonesia. Together with the early redemption of the Class-A Preferred Shares, we increased the dividend for common stock. Through the partial sale of the shares, we hold in MODEC, Inc. and the reduction of interest-bearing debt, we were able to finance the strategies described below. I think we did extremely well to achieve all these goals.

Whereas our FY2025 net sales target under "Mid-Term Business Plan 2023" was 280 billion yen, in FY2023 we managed to achieve net sales of 301.9 billion yen. Our figures for operating income ratio, equity ratio and net debt to EBITDA ratio were all on target, and I feel we have also succeeded in regained the trust of financial institutions. Because our employees truly gave their all, we were lucky enough to achieve our initial plan despite the COVID-19 pandemic.

We are now in a phase where stakeholders have expectations about the next stage of growth. However, having just overcome a crisis, there is a tendency within the company to set conservative goals. Therefore, we believe it is necessary to avoid becoming defensive, set slightly higher goals, achieve them, and then continuously update our targets to drive growth. This is the thinking behind the shift from a fixed Mid-Term Business Plan, which fixes targets for three years, to the rolling approach of planning for the three years ahead on an annual basis, and explains why we formulated "MITSUI E&S Rolling Vision."

Tapping into opportunities by investing steadily, with ROIC and WACC as indicators.

To meet the expectations of shareholders and investors, we thought we needed performance indicators that consider both the balance sheet and the income statement and

demonstrate management that is conscious of share price. One such indicator is ROIC (return on invested capital). ROIC is an indicator of how efficiently we have generated profit from the capital raised from shareholders and financial institutions and it shows the earning power of a business. WACC (weighted average cost of capital), an indicator of the costs associated with raising capital, also fits the bill. We will compare ROIC and WACC, and are aiming for ROIC over WACC in the medium and long term.

Improvement in ROIC is not just a case of increasing profitability, and we believe that steady investment is important. The markets for products currently attracting attention such as new fuel engines and hydrogen-powered cranes are set to expand significantly and tapping into opportunities through steady investment will pay off through the generation of profit and will result in the improvement of ROIC. As management, we will make sure that we are using capital effectively to generate sufficient profit and that we are exceeding the expectations of shareholders and investors.

Driving personal growth and improvement in organizational capabilities through the launch of a job rotation system.

I also sense a good response to the first revamp of our personnel systems in 20 years. The change that has had the biggest impact within the company is the job rotation system. The system offers job rotations beyond business department boundaries to employees on the administrative and engineering sides who have been with the company between 5 and 10 years, encouraging them to grow through diverse experiences. This is a brand-new system for us and I personally have visited each office and factories to explain it to the employees. The first set of rotations have already taken place, and preparations for the second set have also begun. I guess some people are unsure about the system but generally speaking it has been well received and I feel it is gradually becoming established. This system is intended not only to encourage the personal growth of employees but also to increase our ability as an organization to adapt to an environment characterized by increased workforce mobility. Going forward, we will also see a further increase in talented mid-career professionals from other fields and foreign nationals joining us. Opportunities for the active participation and career advancement of women will also increase. We have also made a start on the next challenge of reviewing our training and education system, to ensure we are able to maintain and develop our identity as a company and our way of working even in diverse and inclusive workplaces with high workforce mobility.

Also, in terms of our training and education system, we decided to develop all the training and education content ourselves and to create texts ourselves as well, rather than using an outside consultant. Through choices such as these, we intend to instill a culture characterized by toughness, where employees think and do things for themselves instead of relying on others.

As for corporate governance and risk management, we are determined that a management crisis will never happen again and have meticulously developed mechanisms to quickly identify and avoid not only business risks but also foreign exchange risks and geopolitical risks. This is us learning our lesson from the management crisis.

Positioned to realize a new society. Becoming a company with long-term fans.

We have set the sustainability issues of "Creating a decarbonized society" and "Resolving issues of a society with a shrinking population" as goals and, on the diversity front, we started by increasing the percentage of directors that are women and foreign nationals. Just as our new trade name MITSUI E&S also signifies "Engineering & Services for Evolution & Sustainability", sustainability is an important theme for us. That said, I think we need to examine in greater depth what shape sustainability within the context of management should take and I see this as an issue that needs to be discussed further within society as a whole. There have been some lively discussions at management meetings over what sustainability should be for us and we will continue reflecting upon this going forward.

Our products-whether marine engine or port cranes-are large machinery and the process from the receipt of an order to completion sometimes takes two to three years. And so, our business operates in time of the elephant not time of the mouse. However, our business is one that will definitely have an impact on society in the medium and long term and our intention is to captivate shareholders and investors over as fans in the medium and long term. MITSUI E&S can be instrumental to the realization of a new society. As such, we aspire to be a company that is mid-sized but tough and constantly evolving.

SECTION

02

FUNCTIONAL STRATEGIES

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Financial Strategy

Prospects for restoring financial health are good, supporting challenges towards sustainable growth, and enhancing returns to stakeholders.

① Completed Mitsui E&S Group Business Revival Plan. Stabilized revenue base with improved operating income and cash flow.

Completion of Mitsui E&S Group Business Revival Plan

Due to past losses in large overseas EPC projects, our Group's financial base was damaged, making the recovery of equity capital and securing funds urgent tasks. To address this situation, we formulated the "Mitsui E&S Group Business Revival Plan" in FY 2019, focusing on "strengthening financial and profitability structures" and "transforming business structures." We proceeded with the reorganization and withdrawal from unprofitable businesses, and by FY 2022, we executed a series of measures as planned, including the sale of approximately 20 businesses and assets totaling over 120 billion yen. This was completed in FY 2022. During this process, we also withdrew from our original business of shipbuilding and scaled down the plant engineering business, which had recorded significant losses, thereby reorganizing our business portfolio. We transformed our business structure to focus on machinery and systems businesses, such as marine engines and port cranes, where our Group holds a leading market share domestically. Additionally, by issuing Class A preferred shares and exercising the 1st series of share acquisition rights with an exercise price amendment clause, we raised a total of 17.5 billion yen, securing funds for growth investments and strengthening our equity capital, thereby improving financial soundness.

In all three main business divisions, we achieved increases in orders received, net sales, and operating income, confirming the stabilization of revenue towards sustainable growth.

The uncertainties surrounding large overseas EPC projects have been resolved. We have reformed our revenue model by focusing on our core businesses of marine propulsion and port logistics, and by providing comprehensive services that include not only standalone products but also peripheral equipment and systems, as well as utilizing DX (digital transformation) technology to provide lifecycle services, including after-sales services. As a result, our Group has been transformed into a structure capable of generating consistent profits, with an operating income of 19.6 billion yen in FY 2023, surpassing that of FY 2022.

FY 2023 Financial Summary by Segment

(Billion yen)

	New Orders			Net Sales			Operating Income		
	FY2022	FY2023	Increase/ Decrease	FY2022	FY2023	Increase/ Decrease	FY2022	FY2023	Increase/ Decrease
New Business Development	42.2	46.8	+4.6	34.9	40.8	+5.9	4.3	5.9	+1.6
Marine Propulsion Systems	139.6	147.7	+8.1	97.7	134.0	+36.3	2.6	6.4	+3.8
Logistics Systems	49.4	70.6	+21.1	41.7	47.6	+6.0	1.4	3.1	+1.7
Peripheral Businesses	74.3	71.6	(2.7)	57.4	74.1	+16.8	0.7	2.4	+1.6
Others*	16.8	0.3	(16.5)	30.7	5.3	(25.5)	0.4	1.9	+1.5
Total	322.4	337.0	+14.6	262.3	301.9	+39.6	9.4	19.6	+10.3

* Shipbuilding business has been removed from consolidation since 3Q of FY 2022

② A significant improvement in the equity ratio and the restoration of financial health through the reduction of interest-bearing debt.

Achievement of Targets in Mid-Term Business Plan 2023

Amid significant changes in the business environment, such as the rapid transition to a sustainable society, our Group started Mid-Term Business Plan 2023 in FY 2022, one year ahead of schedule. Mid-Term Business Plan 2023 emphasized the reduction of interest-bearing debt and the effective utilization of assets, moving away from a sales-first approach to pursue a sound financial structure and solid profits. The management numerical targets for FY 2025 were set as follows: consolidated sales of 280 billion yen, a consolidated operating income ratio of 6%, an equity ratio of 26%, and a NET interest-bearing debt/EBITDA ratio of 5.0. However, we achieved all these targets ahead of schedule in FY 2023.

Mid-Term Business Plan 2023 targets and Achievements of FY2023

	FY2022	Target for FY2025 in Mid-Term Business Plan 2023	FY2023
Consolidated Sales	262.3 billion yen	280.0 billion yen	301.9 billion yen
Consolidated Operating Income Ratio	3.6%	6.0%	6.5%
Equity Ratio	24.2%	26.0%	30.4%
NET Interest-Bearing Debt/ EBITDA Ratio	4.5	5.0	4.7

Partial Sale of MODEC Shares

We carried out a partial sale of shares in MODEC, Inc. it has held for many years, through a secondary offering and completed the sale in June 2024. The funds obtained from the sale will be allocated in stages to growth investments necessary for promoting green strategies and digital strategies in core businesses, reducing interest-bearing debt, returning profits to common shareholders based on the early redemption of Class A preferred shares, and investing in human capital, among other things. Some of these allocations have already been implemented.

Sale of Shares in Affiliated Companies

	Sale period	Shareholding Ratio		Total funds (billion yen)	Gain on Sale (billion yen)
		Before Sale	After Sale		
MODEC, Inc.	May to June 2024	40.53%	3.66%	Approx. 70.0	Approx. 25.0
SOFEC, Inc. *	May 2024	20.00%	0.00%		

*A company providing services related to the design, construction, and installation of various mooring systems, such as for FPSOs

Repayment of Borrowings and Redemption of Class A Preferred Shares, Implementation of Stable Dividends

We used the funds obtained from the partial sale of shares in MODEC, Inc. to fully repay short-term borrowings of 55.3 billion yen, which had increased due to the funding needs of large overseas EPC projects. This resulted in a significant reduction of interest-bearing debt and financial costs. Additionally, in July 2024, we acquired and canceled all of the 9 billion Class A preferred shares issued in FY 2022, thereby reducing the future dividend burden on preferred shares. As part of our efforts to enhance shareholder returns, we decided to increase the year-end dividend for common stock for the fiscal year ending March 2025, which was announced in August 2024. We also refinanced some of our short-term borrowings into long-term borrowings in September 2024, significantly improving our current ratio.

Trends in the current ratio and interest-bearing debt

(JPY: Billion)

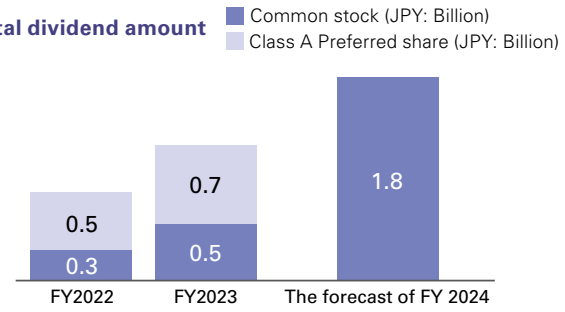
	FY2023	2Q of FY2024	Increase/Decrease
Total current assets	223.2	223.8	+0.6
Total current liabilities	280.4	193.0	(87.3)
Current ratio	80%	116%	-
Interest-bearing debt	162.0	106.0	(56.1)
Short-term borrowings*	151.2	60.4	(90.8)
Long-term borrowings	10.8	45.5	+34.7

* Including current portion of long-term borrowings

Obtained a BBB- rating / Positive outlook

As a result of the stabilization of our revenue base and improvement in our financial structure, the Japan Credit Rating Agency, Ltd. (JCR) upgraded our rating from BB+ to BBB- in July 2024, with a positive outlook.

Total dividend amount



Dividend per share (JPY per share)	FY2022	FY2023	The forecast of FY 2024
Class A Preferred share	29.38	39.00	0.00
Common stock	3.00	5.00	18.00

* As of August 2024

Investment in Business and Human Resources

With improved financial soundness, we will make the necessary investments in the further growth of our core businesses. In the port logistics business, we are focusing on owning crane transport vessels for global market expansion including the United States, decarbonizing port cranes, remote automation, and remote maintenance. In the marine propulsion business, we are concentrating on the development and manufacturing of new fuel engines and key related components, as well as strengthening the supply chain.

Securing and developing diverse talent is also an important issue. Regardless of gender or nationality, we will reform our personnel system so that people with various specialties can fully utilize their characteristics and skills. At the same time, we will improve wages, extend retirement age, develop human resources, provide housing support, and create a work environment where people can work with peace of mind.

③ Growth expectations, Clarification of measures to be addressed

Promote balance sheet management that takes new performance indicators into consideration

Our Group has successfully completed the Business Revival Plan, and as a result of steadily advancing towards a sound financial structure and solid profitability, we have achieved the numerical targets of Mid-Term Business Plan 2023 ahead of schedule. Meanwhile, the business environment surrounding us, including exchange rates and market conditions, continues to change significantly and rapidly. Therefore, in the newly formulated management plan "MITSUI E&S Rolling Vision 2024," we have adopted a rolling approach that revises the plan annually with the aim of continuous growth, rather than fixing the vision for three years. Additionally, as our Group transitions to a stage where growth and increased corporate value are more strongly expected, we introduce new management indicators in "MITSUI E&S Rolling Vision 2024," promote balance sheet management that considers the cost of equity and the cost of debt, and strive to further enhance corporate value.

Numerical Targets of MITSUI E&S Rolling Vision 2024

Performance trends (consolidated)	FY2024	FY2025	FY2026
Net Sales	300 billions of yen	320 billions of yen	340 billions of yen
Operating Income Ratio	5.7%	6.2%	6.5%
Equity Ratio	37%	39%	40%
Interest-Bearing Debt	100 billions of yen		

- Improvement in equity ratio
- Significant reduction in interest-bearing debt
- JCR rating (long-term): BBB- with a positive outlook (Obtained in July 2024)

Performance Indicators	FY2024	FY2025	FY2026
ROIC*	6%	8%	8%
WACC	Aiming for ROIC > WACC in the future.		
ROE	24%	10%	10%
PBR	Around 1x or more (guideline)		
Dividend payout ratio	5%	15%	20%

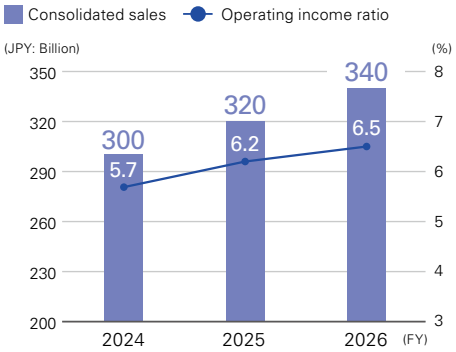
- ROIC > 8%
- Balance sheet-conscious management
- Striving to return profits to stakeholders and enhance corporate value

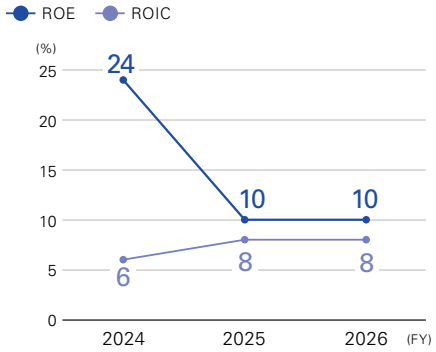
* From FY2024, the calculation formula has been changed to more accurately reflect our current situation. ROIC = (Operating income- Total income taxes) ÷ (Shareholders' equity + Interest-bearing debt (average at the end of the current and previous fiscal years))

New performance indicators (by FY2026)

- **Achieving a performance goal where ROIC exceeds WACC (target ROIC > 8%)**
- **ROE (target of 10%)**
- **Dividend payout ratio (implementing an increase to 20%)**

Trends in consolidated sales and operating income ratio





* The ROE for FY 2024 includes the impact of the partial sale of affiliated company shares.

We aim to enhance corporate value further by shifting from the traditional three-year Mid-Term Business Plan to an annual rolling plan, allowing us to respond to changes in the business environment.

Human Resources Strategy

Fostering Diverse Workforce that Drives Innovation with Customers, Cultivating a Dynamic Work Culture, and Aiming for Sustainable Growth through Adaptability to Environmental Changes

The human resources and organizational culture we aspire to cultivate

Organizational culture

- **A sense of organizational unity, and a perspective of comprehensive optimization across the organization**
- **Reform-oriented approach based on an absolute evaluation with the future vision as a goal**
- **Emphasis on the close monitoring of customers' needs and on swiftly responding to them**

Human resources

- **Respond beyond the existing framework to customers' latent needs**
- **Continuously learn new things and gain experience that will lead to the growth of the company**
- **Broad interest in social trends to properly understand environmental changes**

Overview of the Human Resources Strategy

External Environment

- **In a society with a shrinking population, the fluidity and diversity of human resources will continue to advance**
- **Significant and rapid changes in the management and business environment will continue.**

Internal Environment

- **Employees with diverse values and skills will coexist.**

Achieving sustainable growth while adapting flexibly to environmental changes.

Strategy 1	Strategy 2	Strategy 3
Promoting Workforce Diversity	Responding to Workforce Fluidity	Investing in Human Resources and Work Environment

Strategy 1: Promoting Diversity in Human Resources

● Board of Directors Diversity

At the Annual General Meeting of Shareholders in June 2024, two new female directors were appointed (one of whom is a foreign national), achieving greater diversity within the Board of Directors. This will increase the proportion of female directors to 25% and foreign directors to 12%, up from 0% in both categories in the fiscal year 2023. Additionally, we will have two directors with doctoral degrees. Our company is committed to promoting diversity not only within the Board of Directors but across the entire organization.

● Indicators and Current Status of Internal Workforce Diversity

To measure the diversity of our internal workforce, we have set indicators for the proportion of women and foreign nationals in the following categories: number of managers, total number of employees, and number of new technical graduates hired.

Female Employee Ratio
(MITSUI E&S only) (%)

		2023	2024	2025	2026
Management positions		3.4	3.7	3.9	4.0
Overall employees		6.7	7.7	7.7	7.7
Hiring ratio	New graduate technical positions	9.4	13.3	13.3	13.3
	Mid-Career hire	10.0	10.0	10.0	10.0

Foreign Employee Ratio
(MITSUI E&S only) (%)

		2023	2024	2025	2026
Management positions		0.0	0.3	0.6	0.8
Overall employees		2.2	2.1	2.9	3.1
Hiring ratio	New graduate technical positions	6.3	3.3	3.3	6.6
	Mid-Career hire	3.3	3.3	3.3	5.0

Measure 1:
Efforts to Promote Diversity within the Company

- To further increase the ratio of women and foreigners, we will strengthen recruitment of not only new graduates but also mid-career employees.
- To expand opportunities for women to thrive, we are promoting the appointment of young employees to management positions through the new personnel system.
- Expanding personnel exchanges with overseas subsidiaries.
- Continuously accepting interns from overseas universities.

Measure 2:
Development and Support of Doctoral Talent

- Overview and Purpose: Aiming to increase the number of PhD holders to attract excellent talent with "creativity," "pursuit ability," and "learning ability," including researchers.

Introduction of Support System for doctoral human resources

External Environment: In Japan, the number of students advancing to doctoral programs is decreasing year by year, raising concerns about the decline in scientific and technological capabilities.
Internal Environment: At our company, technological and business development capabilities are also the foundation of business operations.

Our Recognition: The development and support of highly specialized personnel, including doctoral talent responsible for technological development and business development. will enhance our business competitiveness and contribute to improving Japan's scientific and technological capabilities and international competitiveness.

Our Response: We have decided to introduce a support system for doctoral talent targeting our employees, with the system scheduled to be operational from FY 2025.

Strategy 2: Responding to Workforce Fluidity

Vision

- **Maintain the consistent provision of value, anchored in our distinct identity.**
- **Build an organization resilient to workforce fluidity.**

Measure 1: Revamping the Human Resource Development Policy

Human Resource Development Policy

- **Explicitly communicate and share the company's purpose, values, and systems with employees.**
- **Support the acquisition of a high-level perspective that can oversee the management and business as a whole, based on diverse experiences that are not limited to one specialized field, and help employees acquire basic business literacy.**
- **A new education system that equips all employees, from new hires to managers, with the skills to compete.**

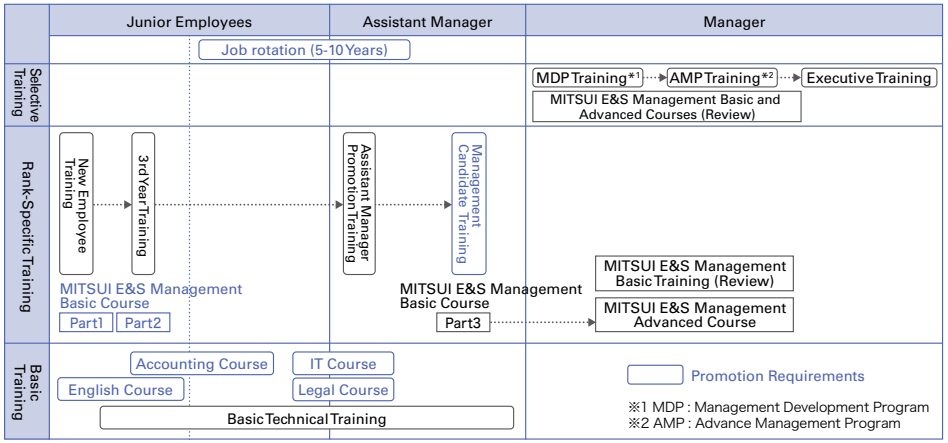
New Education System

- **Organize and create educational materials outlining the company's fundamental purposes, values, and systems that employees should be aware of.**
- **Establish new courses for developing talent with both specialized and managerial perspectives.**
- **Provide learning opportunities for essential business literacy (English, accounting, IT, legal affairs).**

New Education System Diagram

Responding to the overhaul of the personnel system, we will restructure the system around three pillars to address the issues in the previous education system.

01.Selective Training 02.Rank-Specific Training 03.Basic Training



Measure 2: Improvement of the Goal Management System

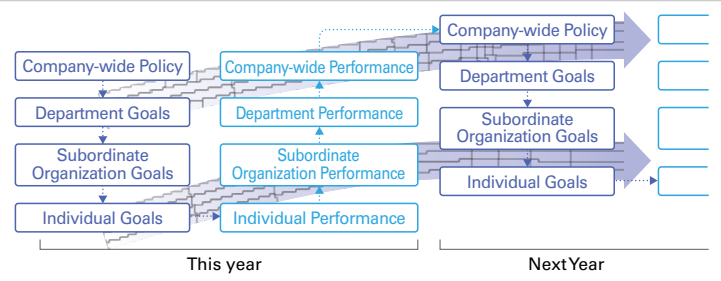
Guidelines

To strengthen the company's execution capabilities, the scope of the goal management system, which was previously applied to some mid-level employees and above, will be expanded from April 2023 to include all employees in administrative and technical positions, as well as some skilled positions.
Target Group: All employees in administrative and technical positions, and some skilled positions.

System Overview

- Ensure consistency and alignment by breaking down company-wide goals into individual goals.
- Promote the challenge of achieving high goals to achieve sustainable growth for the company

Operation of a Consistent and Coherent Goal Management System



Measure 3: Improvement of the Job Rotation System

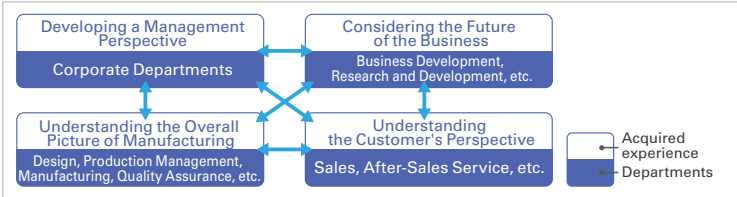
Purpose

Implemented a rotation system from FY 2023 to provide opportunities to broaden perspectives and expand views through work experience in other departments.

Improvement Measures

- Based on FY 2023 Operations:
  Encourage more active challenges in gaining experience in different fields through the job rotation system.
- Organize the experiences gained in each department from four perspectives and illustrate the career paths expected by the company.
- Expand the rotation target group from "employees in their 5th to 7th year after joining as new graduates" to "employees in their 5th to 10th year after joining as new graduates" to allow for planned job rotations according to individual circumstances such as life events.
- Open departmental work introduction events, previously limited to job rotation candidates, to all employees to promote understanding of other departments' work.

Examples of experiences gained through the job rotation system



Mesure 4: Introduction of Fixed-Term Position System for Executives

- Implement a fixed-term system for executive positions in line with the increase in the retirement age from April 1, 2024.
- This aims to ensure the development of successors and smooth generational transitions for organization leaders, as well as to prevent long-term tenure in the some position. This system will provide executive candidate with the opportunity to gain experience in multiple leadership roles.

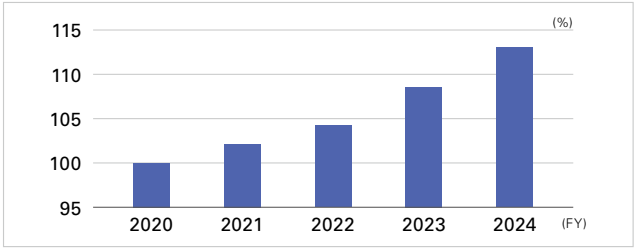
Strategy 3: Investing in Human Capital and Work Environment

We are committed to improving the work environment and employee compensation to ensure that employees can maximize their full potential, considering both their professional and personal lives.

Measure 1: Improved Compensation of Employees

- As a result of continuously implementing salary increases and wage improvements, the average basic salary over the past five years has gradually increased. (This includes some fluctuations due to changes in personnel composition.)
  In line with the implementation of the new personnel system from April 1, 2023, the wage levels for young general employees and organizational leaders have been raised.
- In conjunction with the increase in the retirement age from April 1, 2024, the wage levels for employees over 60 years old will be raised above the levels of the previous continuous employment system. Additionally, a new team leader allowance has been established for team leaders among skilled employees.

Change in average base salary of employees (excluding senior positions)



Measure 2: Creating a Supportive Work Environment

01. Childcare Support

We are also actively promoting paternity leave, and in the fiscal year 2023, we achieved a 95% paternity leave uptake rate.

Various Support Systems	□ Childcare Leave □ Shortened Working Hours for Childcare (flex-time system also applicable) □ Paternity Leave (leave when a spouse gives birth) □ Nursing Leave (leave for nursing a child)

02. Caregiving Support

Caregiving Support Systems	□ Caregiving Leave □ Shortened Working Hours for Caregiving (flex-time system also applicable) □ Nursing Leave

03. Housing Support

We plan to enhance support measures tailored to individual lifestyles and invest in these initiatives

□ Renovation and Review of Single Employee Dormitories and Company Housing
□ Introduction of a Rent Subsidy System
□ Utilization of Existing Systems
- ・Property Accumulation Savings System
- ・Home Loan Interest Subsidy System
- ・Rented Dormitories and Company Housing (at some branches and offices)

04. Senior Participation Support

□ Raising the Retirement Age to 65 effective April 1, 2024
□ For employees over 60, new roles will be clearly defined to utilize their extensive knowledge and experience. These roles will focus on mentoring younger employees for early skill development and supporting, assisting, and guiding the advancement of organizational missions

05. Other Work, Leave, and Holiday Systems

We have established systems related to work, leave, and holidays to make effective use of limited time and achieve a balanced work schedule.

Diverse work, vacation, and holidays

Telecommuting system	Employees who can work outside the company can work from home or at a place designated by the company if necessary.
Flexible Working Hours System	Employees determine working hours by themselves to perform their work efficiently
Setting Long-Term Holidays	Setting consecutive holidays of 5 days or more during Golden Week, summer, and the year-end/New Year period
Annual Leave	All employees are eligible for 22 days of annual leave per year from the first year of employment
Leave for Refreshment	Up to two consecutive weeks of special leave and assistance payments for every 10 years of employment
Memorial Leave	Promote planned use of at least 5 days of leave per year
Promotion of Annual Leave Utilization	Encouraging the taking of at least one day off per month, setting designated days for annual leave utilization
Half-day Leave	Employee can take half-day leave instead of full one day in using annual leave
Hourly annual leave	Up to 2 days of annual leave can be taken in units of 1 hour
Accumulated Annual Leave	Accumulated expired annual leave can be used as paid leave for specific reasons. Some reasons have been added, as follow-up medical examinations, comprehensive health check-ups, and participation in school events.

General Employer Action Plan : Goals and Initiatives (Example from MITSUI E&S)

1. Improvement of employment environments to support a balance between work and family life for pregnant workers and workers raising children

Targets 1	Increase the percentages of employees taking childcare leave, etc., to at least the following levels within the planned period • Male employees: Increase the percentage of employees taking childcare leave, accumulated / reserve annual leave for childcare purposes and paternity leave to at least 80% • Female employees: Increase the percentage of employees taking childcare leave to 100%
Details of initiatives	April 2023~ • Disseminate information regarding internal schemes and information to create a workplace environment that makes it easy to take childcare leave • Increase the number of male employees taking childcare leave through individual approaches to superiors and individuals
Targets 2	Fostering a workplace culture that makes it easy for employees to make use of benefit programs
Details of initiatives	April 2021~ • We will make employees aware of leave and extended leave of absence schemes that can be used for childcare, and work schemes that are useful for balancing work and family life (hourly incremented annual leave, flextime, telecommuting)

2. Development of flexible working conditions that contribute to the improvement of work styles

Targets 1	We will continue efforts to reduce overtime work and encourage employees to take annual paid leave, aiming to create work styles that offer a healthy work-life balance.
Details of initiatives	April 2023~ • Continue to disseminate information within the company on initiatives to reduce overtime work and improve productivity, and thoroughly implement initiatives • Encourage employees to take annual paid leave and seek to increase employee awareness of the memorial leave system (scheme for taking planned individual annual leave)

SECTION

03

SUSTAINABILITY

25 Addressing Climate Change
(Information Disclosure Based on the TCFD Recommendations)

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31 Quality control

Addressing Climate Change (Information Disclosure Based on the TCFD Recommendations)

The MITSUI E&S Group recognizes that climate change is an important sustainability issue that needs to be solved. One of the characteristics of our core business is that the greenhouse gas (GHG) emissions from the operation of our products are higher than the GHG emissions from the manufacturing of our products. In light of this reality, we identify the issue of climate change as one of our material issues, and endeavor to contribute to the realization of a decarbonized society by including climate change in our business issues and focusing on the development of products to help reduce CO_2 emissions.

1. Strategy

We conducted a scenario analysis of risks and opportunities related to climate change, set material issues directly related to the business and management foundations of the MITSUI E&S Group, and incorporated those issues into our business strategy.

	The 2 °C scenario	The 4 °C scenario
Analysis Results	●Risks: Increased manufacturing costs due to the introduction of carbon taxes and CO_2 emission regulations. ●Opportunities: Expansion in demand for non-fossil fuel products driven by the promotion of low-carbon initiatives.	●Risks: Intensification of extreme weather events due to the lack of promotion of policies such as CO_2 emission regulations. ●Opportunities: Our company becoming an alternative supplier to avoid or quickly recover from damage caused by extreme weather events.
Impact	The increase in profits from opportunities outweighs the increase in risks.	The physical risk impact on production sites is significant.
Recommended Actions	●Develop and market products that use non-fossil fuels. ●Reduce the use of fossil fuels and electricity in factories, and cut CO_2 emissions by using green power.	●Construct seawalls to prevent damage from typhoons and storm surges. ●Establish and strengthen safety standards in production activities.

2°C Scenario Analysis Results
➡ Setting the Materiality issue "Creating of a Decarbonized Society" and Incorporating it into Business Strategy

Material issues	Initiatives
Creating a decarbonized society	●Development and Sale of Marine Engines: Focus on engines that use green fuels such as LNG, methanol, ammonia, and hydrogen. ●Development and Sale of Zero-Emission Transtainers®: Utilize hydrogen fuel cells to create zero-emission transport solutions.
	●CO_2 Reduction in Group Companies' Production Activities: Implement measures to reduce CO_2 emissions across the production activities of group companies.

Marine Engines CO_2 reduction rate by fuel type* *Compared to heavy oil	●Methanol/LNG: 5% to 24% reduction ●Ammonia/Hydrogen: 95% reduction

2. Indicators and targets

Material issues	Creating a decarbonized society

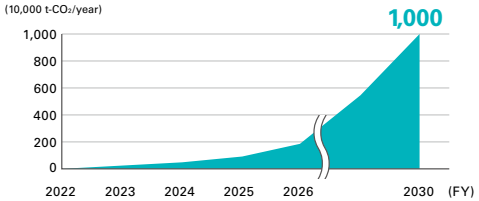
Target 1

Through cumulative sales and operation units from 2022 to 2030 of environmentally friendly products onto the market CO_2 reductions
▲10 million t-CO_2/year or more.
*1 Comparison with emissions from conventional specifications (heavy oil/light oil) products of the same quantity

Target 2

CO_2 emissions reductions from production activities through expansion of green power :
▲10 thousand t-CO_2/year or more.

●Through cumulative sales and operation units of environmentally friendly products onto the market CO_2 reductions



Current Progress

In pursuit of our goals, we are advancing the development of new fuel engines and enhancing our production systems for marine engines. Additionally, we have developed and launched world's first hydrogen fuel cell zero emission port cranes.

(1)Enhancement of production facilities for new fuels

- Expansion of dual-fuel engine test stands
- Expansion of LNG fuel supply facilities
- Establishment of hydrogen and ammonia supply facilities

Ammonia supply facilities

(2)Commercial operation of the world's first hydrogen fuel cell zero emission Transtainer®.

- We, along with our U.S. subsidiary PACECO®, has commenced the commercial operation of the world's first hydrogen fuel cell zero emission Transtainer® at the Port of Los Angeles.
- The Ports of Los Angeles and Long Beach in California have set a Clean Air Action Plan to achieve zero emissions for all cargo handling equipment by 2030. Our company will contribute by supplying zero-emission cranes.

Zero Emission Transtainer®

3. Governance

We position SDGs risks, including climate change, as one of our business risks and strive to prevent these risks from materializing. The "Internal Control Committee," chaired by the executive officer in charge of the Corporate Planning Department, monitors management-related risks, including issues related to climate change. If there are significant matters, they are reported to the Board of Directors for discussion.

Governance structure

4. Risk Management

The Internal Control Committee mentioned above follows the steps below to follow up on our group's efforts regarding materiality.

Short- and mid-term			Long term
	Matters to follow up on	Follow up method	
1) Grasp of actual condition (annual CO_2 emissions reduction survey)	Progress in the development of low-carbon products	Comparison with the development scherudle for the period of mid- and long-term plan	1) Conduct scenario reanalyses
	Reduction of the CO_2 emissions of the MITSUI E&S Group's products	Confirmed with data calculated from production horsepower, number of products sold, and fuel efficiency at the time of measurement during internal factory trial operation.	
	Reduction of the CO_2 emissions of the production activities of the companies of the MITSUI E&S Group	Check annual energy consumption.	2) Check if material issues need to be revised
2) Evaluation	Evaluate any deviation from fiscal year targets.		
3) Management	If any deficiencies are identified, notify the our operating divisions, our corporate divisions (Corporate Planning Dept. or HR & General Affairs Dept.) and the operating companies to formulate an improvement plan.		

Topics Third-party certification for GHG emissions

As a step towards creating the materiality issues set by our group, we have started calculating our Scope 3 emissions from the actual results of FY 2023. To ensure the accuracy of these efforts, we have been certificated from SGS Japan Inc. as external third-party organizations for our GHG emissions for the 2023 fiscal year.

CO_2 emissions of our company (standalone) for FY 2023

1,000t-CO_2

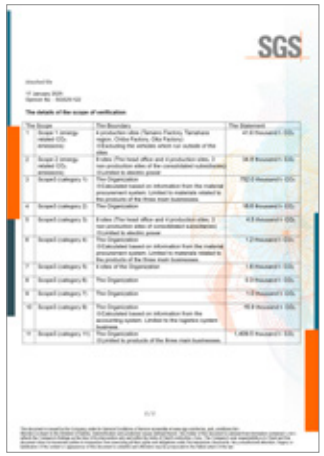
Categories	Emission Categories	Total
Scope1	Direct Emissions: From fuel consumption within the company.	**41.6**
Scope2	Indirect Emissions: From electricity consumption within the company.	**34.8**
Scope3	GHG emissions from the supply chain.	**2,205.6**
	1.Emissions from the production of procured goods	752.0
	2.Emissions from the introduction of capital goods	18.6
	3.Emissions from the production of fuel and energy	4.5
	4.Emissions from upstream transportation and distribution	1.2
	5.Emissions from waste treatment from business activities	1.6
	6.Emissions from employee business travel	0.3
	7.Emissions from employee commuting	1.0
	9.Emissions from downstream transportation and distribution	16.9
	11.Emissions from the use of sold products	1,409.5

For details on the scope of statement, please refer to our website.

Definitions of Scope 1, 2, and 3

Scope 1: Direct GHG emissions from fuel consumption in the production process.
Scope 2: Indirect GHG emissions from the consumption of electricity and other energy sources in the production process.
Scope 3: GHG emissions from the supply chain.

The SGS verification opinion statement(a front and back page)



Environmental Preservation

In 1999, the MITSUI E&S Group established the Environment Charter consisting of the Global Environment Philosophy and the Global Environmental Action Guidelines, and it has positioned the environment as an important part of the management of its business. Mid-Term Business Plan, MITSUI E&S Rolling Vision 2024, specifies the creating a decarbonized society as a material issue as we accelerate efforts to conserve the global environment.

MITSUI E&S Group Global Environmental Philosophy

The MITSUI E&S Group views protecting the global environment as one of the most important issues given to it by society. Through our corporate activities, we give care and consideration to maintaining human health and conserving the global environment, and seek to contribute to the creation of an affluent society that is in harmony with the environment.

MITSUI E&S Group Global Environmental Action Guidelines

1. Complying with Environmental Regulations and Reducing Environmental Impact
The Group observes and complies with environment-related laws and agreements, etc., and creates its own voluntary standards where necessary. It also gives care and consideration to reducing the environmental impact at each stage of its business operations, from the research, development and design of its technologies and products to their production, distribution, use, and ultimate disposal as waste.

2. Promoting of Resource Conservation, Energy Saving and Recycling, and Reducing of Waste
The Group seeks to promote the conservation of resources, energy saving and recycling in all areas of its corporate activities, and endeavors to reduce waste output.

3. Contributing to Environmental Conservation through the Development of New Technologies and Products
The Group works proactively to develop technologies and products that contribute to environmental conservation, and to provide them to society.

4. Caring and Consideration for the Environment in Overseas Business Activities
The Group also gives sufficient care and consideration to environmental conservation in the countries where it is engaged in overseas business activities.

5. Promoting PR Activities and Contributing to Social Activities
In addition to engaging in proactive PR activities with regard to environmental conservation, the group also contributes to local communities and society as a whole through the provision of appropriate technologies and information.

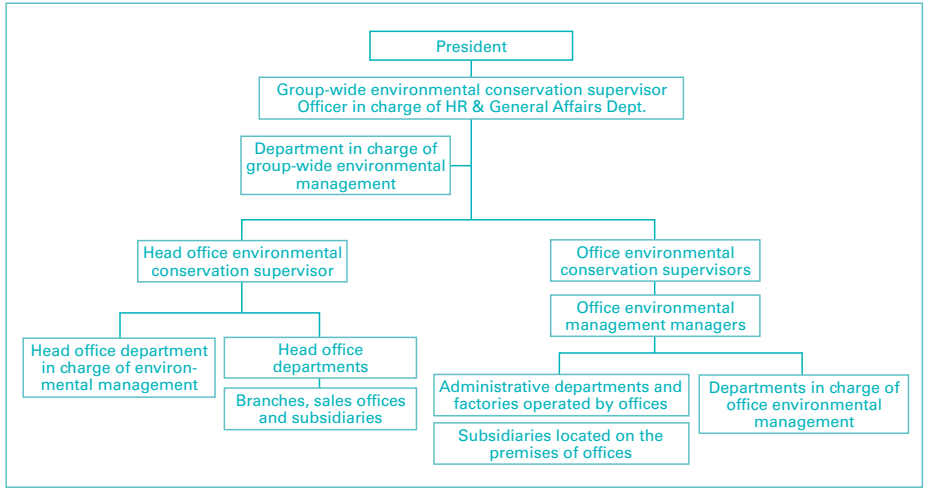
6. Raising Awareness through Environmental Education and Participating in Social Activities
The Group seeks to increase employee awareness of environmental issues such as by providing environmental education and conducting internal PR activities. Through voluntary participation in environmental conservation activities, employees endeavor to build trusting relationships with local communities and wider society.

7. Establishing an Environmental Administrative Organization and Building an Environmental Management System
The Group endeavors to improve its environmental conservation efforts by establishing an environmental administrative organization, and by building and maintaining an environmental management system.

8. Coordinating and Collaborating with Affiliate Companies
The Group endeavors to instill its environmental philosophy and action guidelines at each of its affiliate companies, and promotes their comprehensive implementation, aiming to further increase the effectiveness of its environmental conservation activities.

Environmental management system

We are striving to manage and operate our environmental management system, with the president as the chief executive officer, aiming to become a more environmentally friendly company in all our business activities.



Improving the Environmental Management System

The Company acquired ISO 14001 certification at the Tamano Works in October 2000 and at the Chiba and Oita Works in September 2001. In FY2018 ('17/4-'18/3), all factory works moved to the ISO 14001:2015 standard. Renewal inspections were conducted and certifications renewed at Tamano Works in August 2024 and Oita Works in July 2022. Periodic surveillance is carried out at each factory works twice a year by an external auditing body, checking the operational conditions of the systems.

Certifications renewed at Oita Works

Initiatives for Human Rights

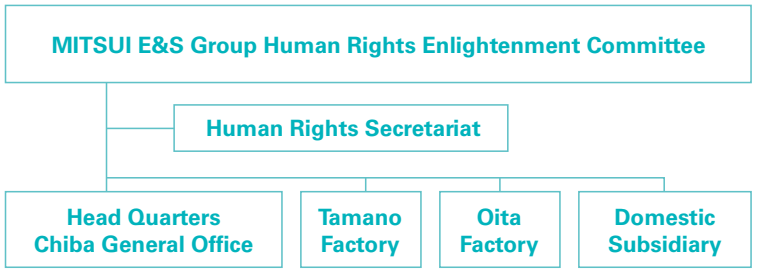
Each and every employee in the workplace is absolutely essential to the corporate activities of MITSUI E&S Group. A work environment where human rights are respected enables employees to take satisfaction in their personal and professional life. It maximizes employees' capabilities that leads to greater productivity. Based on this idea, the MITSUI E&S Group has established its Basic Policy for Enlightening People about Human Rights. In addition to training programs to increase all executives' awareness of human rights, we are committed to a range of human rights enlightenment activities at every level of the workforce. In this way, we strive to create an equal and non-discriminatory workplace environment that respects human rights.

Basic Policy for Enlightening People about Human Rights

The MITSUI E&S Group is aware of its social responsibilities as a corporate entity. To create a truly discrimination-free corporate culture, it positions the ending of discrimination against Buraku people, sexual discrimination, racial discrimination and other human rights problems as important issues and strives to solve these problems through its everyday business activities under the principle of respecting human rights.

Organizations and systems for promoting training

Based on the Basic Policy for Promoting Human Rights Awareness, which is formulated based on the United Nations Guiding Principles on Business and Human Rights, the MITSUI E&S Group has established the MITSUI E&S Group Human Rights Awareness Promotion Committee to formulate policies and measures related to human rights awareness.



Human rights enlightenment activities

To increase officers and employees' understanding of human rights, the MITSUI E&S Group seeks to build an equal, discrimination-free workplace environment that respects human rights by encouraging people's participation in in-house and external training programs, providing relevant information and organizing related events. In particular, with regard to training, we consider the many different forms that work takes on such as telecommuting and on-site work, and have introduced online training in addition to face-to-face training in an effort to provide employees with more opportunities to participate in training programs. We also regularly share information related to human rights, as a means of providing information, offering opportunities to think about and deepen understanding of human rights.

Specific Activities

- Conduct human rights training for executives and employees, including new hires
- Social topics related to human rights are posted on the intranet
- Annual internal call for human rights awareness slogan, with the excellent entries published internally.

Health, Safety and Health Management

In line with the MES Occupational Safety and Health Management System Manual, the employer (president) announced the basic policy on occupational safety and health. Accordingly, our Company-wide Occupational Safety and Health Management Plan has been formulated and implemented. Even after we became a business holding company on April 1, 2023, the pre-existing basic policy on occupational safety and health was preserved as the principles the entire MITSUI E&S Group should uphold. At the same time, the policy has continued to evolve to bring us closer in our efforts to prevent occupational accidents in ways that are more meticulous than ever. In addition, in line with our Health Management Declaration issued in July 2023, we are actively promoting various health measures for the workplace and employees.

MITSUI E&S Group Plan on Health and Safety Management

1.Basic policy

We will achieve the followings by instilling a safety culture in each workplace and fostering human assets:

(1) Safety first principle, for manufacturing and engineering practices as top priority to safety

(2) Creating a comfortable workplace by proactively working on physical and mental health management

2. Targets

Safety Targets:

Deaths, serious injuries, or lost-worktime accidents:	0
Accident frequency rate:	0.6 or less (Goal: 5 or less accidents without lost-worktime)

Health Targets:

Work-related illnesses:	0
Non work-related injuries and illnesses:	Days off work frequency rate of 0.38% or less (Of which, mental health disorders are 0.11% or less)

3. High-priority issues

(1) Safety

①Prevention of severe occupational accidents

Based on lessons learned from past cases of severe occupational accidents (especially at our own workplaces), it is the responsibility of managers to implement and disseminate risk assessment (RA) to ensure that serious accidents do not happen again.

②Thoroughly implement "facility maintenance and upkeep management.

Ensure that periodic inspections are performed and that "preventive maintenance" to repair or replace equipment is thoroughly carried out. Maintain the surrounding facilities, equipment, and environment to ensure safe facility operation.

③Creating a Safe Working Environment

The health and safety manager is responsible for the workplace environment and for guiding safe work. Everyone in the workplace builds trust through good communication. Establish a safe working environment for both parties.

④Elimination of Pinching and Entanglement Accidents

For equipment and tools that pose a risk of pinching or entanglement, we will thoroughly explain their structure and implement engineering measures. We will also develop and educate on work standards that cover safety matters comprehensively, making them easy to understand even for inexperienced workers.

(2) Health

①Promote health management

Think about health from a management perspective and under- stand health issues, strategically putting health management into practice.

②Promote mental health care

Create a good place to work by promoting these 4 types of care: 1. Self-care, 2. Line-care, 3. Care from occupational health staff, and 4. Care from resources outside of the workplace.

③Promotion of "work-life balance" and measures to prevent overwork

Ensure the implementation of systems and measures to optimize working hours, and achieve a work-life balance by reducing mental and physical fatigue.

4. Events

To promote and thoroughly implement key initiatives and various safety and health activities, the following events will be held:

(1) Safety and Health Inspections

①Central Labor-Management Joint Safety and Health Inspection (twice a year): Inspect the status of safety and health management.

(2) Company Events

①Workplace Safety Awards

Award workplaces with good safety performance from the previous year.

②Team Safety II (TS II) Movement Awards

(3)Cooperation with Labor Union and Government Events

①MITSUI E&S Labor Union Federation Safety and Health Awareness Month" (February)

②National Year-End and New Year Accident-Free Campaign and Year-End and New Year Traffic Safety Campaign (from December to January)

(4)Monthly Events

①National Safety Week and "Safety and Health Emphasis Month" (from July to August)

②National Industrial Health Week and "Industrial Health Month" (October)

(5)Others

①Safety and Health Mottos

②Safety and Health Slogans

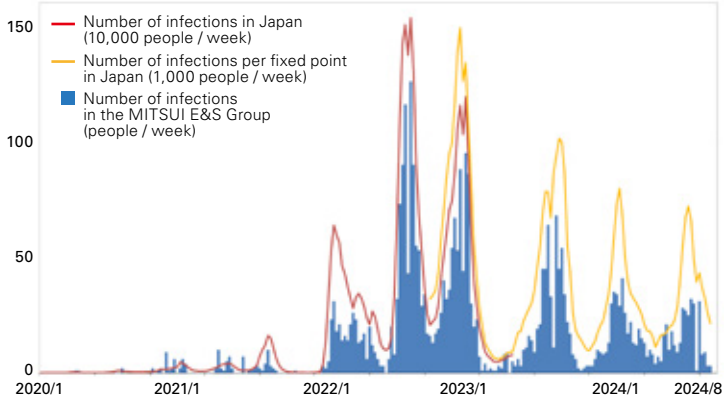
MITSUI E&S Group Health Management Declaration

The MITSUI E&S Group accelerate the resolution of sustainability issues, climate change, population decline and diversity in consideration of employees' health and safety, based on our mission "We build trust and contribute to society through our engineering and services" We will promote efforts to maintain and improve the health of our employees so that the strengths of each individual can be the source of corporate vitality and maximized, and we will actively engage in health management to create healthy and comfortable workplaces.

Initiatives to Deal with Infectious Diseases

As a measure against COVID-19, we continue to monitor the infection status even after the transition to Category 5. By comparing it with the domestic infection situation, we predict future infection spread and take preventive measures. Additionally, in the event of a cluster infection occurring in the workplace, we have established a system to promptly implement measures to prevent further spread.

State of COVID-19 Infections in the MITSUI E&S Group



Overseas Safety Initiatives

Safety Measures at Overseas Factories and Sites

At the factories and local overseas construction sites of MITSUI E&S Group subsidiaries located overseas, we have developed safety management systems in compliance with local laws. In the event of a major disaster or serious accident, MITSUI E&S receives reports, takes appropriate measures after determining the cause, and works to prevent similar incidents from happening again.

Safety Measures for Employees Traveling Overseas

(Initiatives to Ensure the Safety of Employees Stationed Overseas or on Overseas Business Trips)

The MITSUI E&S Group has established overseas work approval standards based on the overseas travel advice and warning levels issued by Japan's Ministry of Foreign Affairs, and for travel to regions and countries with Level 3 and higher travel warnings in particular, approval from the corporate officer in charge is required, with the requirement that the safety of the traveling employee can be ensured. In addition, employees of the MITSUI E&S Group traveling overseas are monitored using the company's own Overseas Traveler Monitoring System, and when information is received about an emergency situation or sudden incident in an overseas destination, we confirm the safety of any employees traveling overseas in those locations and issue warnings to them, either directly or through their managers. We are also contracted with outside companies to provide medical assistance and security assistance to employees traveling overseas and have put in place systems where employees and their accompanying family members can receive expert support in terms of medical care and safety while overseas, thus fulfilling our obligations to consider the safety of our employees while they are traveling overseas.

Health Management Initiatives

To promote health management across the entire MITSUI E&S Group, the company (as the employer) is working together with the health insurance society to develop a variety of health promotion measures.

Utilization of periodic health checkup results

Based on the results of periodic health checkups, MITSUI E&S Group companies provide specific health guidance to employees at risk of any lifestyle-related diseases, and personal guidance to those individuals at high risk to prevent any increase in severity. Additionally, health checkup information can be utilized as electronic records, allowing individuals to check their health data from computers or smartphone apps, and view medical expense notifications and health information.

Mental Health Measures

We are systematically implementing mental health training sessions, stress checks, the issuance of mental health newsletters, and counselor consultations. Additionally, we have introduced an Employee Assistance Program (EAP) service that provides 24-hour health, mental, and legal consultations via phone, web, fax, and in-person meetings, with strict privacy protection.

Addressing Health Issues Specific to Women

To improve overall health literacy within the company and create a work environment where women can work comfortably, we hold seminars on women's health issues every February at the headquarters. These seminars are then made available as videos on the company's internal website for all employees to view.

Seminar on Women's Specific Health Issues Held at Headquarters in 2024

Supply chain management

Contributing to society through engineering and services, the MITSUI E&S Group works to fulfill its social responsibility by seeking coexistence and shared prosperity based on fair, equitable and transparent transactions with partner companies in the procurement of materials and parts, with the goal of providing sustainable products and services. We will advance digitalization for the visualization of our production and procurement processes and continually improve in cooperation with our partner companies, seeking to optimize our production processes.

Initiatives for supply chain management

Build fair and equitable trust-based relationships

MITSUI E&S has made the following declaration: As a basic principle, we fairly select business partners by providing all companies that desire to be our business partners with equal and fair opportunities for participation. Based on our thorough commitment to preventing corruption, we strive to build fair and equitable trust-based relationships with our partner companies. On April 1, 2023, we made a "Declaration of Partnership Building"

Achieve a sustainable society

Addressing the risks of overseas procurement today, our procurement of materials is based on a global perspective. We also are engaged in green procurement that considers the reduction of environmental impact in pursuit of a sustainable society.

Digital strategy

We are pursuing the shift to smart factories through the construction of a digitally integrated platform that encompasses development, design, sales, procurement, manufacturing and other data. This will start with the improvement of data connections with partner companies.

Quality control

As a corporate group that is trusted by people and contributes to society through its engineering and services, the MITSUI E&S Group aims to offer high-quality products. Always thinking from the customer's perspective and acting quickly, we ensure that the specifications agreed upon with customers and all applicable laws, regulations and standards are met. Further, we operate a quality management system that enhances the quality of our manufacturing processes. We also develop and operate digital technologies such as failure prediction via remote monitoring systems and data analysis and drone-based inspections to maintain and improve quality during the use of a product.

Initiatives for quality control

Quality management system

Both Tamano Works and Oita Works have acquired ISO 9001 certification, are regularly reviewed and effectively and properly operate a quality management system.

Quality inspection and prevention of recurrence

In the manufacturing stage, the design division leads continuing the activities to develop and establish the quality of products at an early stage. This involves, for example, the sharing of construction-related information and risks with the departments and companies involved to engage in array of verification activities beforehand. After product delivery, the after-sales service division takes the lead in the gathering of a variety of information about problems that occur after a product begins operation and the provision of feedback for upstream processes, mainly design. In this way, we implement a PDCA cycle as we strive to continually improve the quality of our products

Digitalization of the monitoring of product operating conditions

Our products can be equipped with systems to monitor their operating conditions. This enables users to analyze the monitoring data, predict failures before they occur, share data with our engineers and ensure they are able to quickly recover following a failure.

Message from Director

Development of new businesses coming into being with growing our two core businesses.

Director
Assistant to President, and in charge of Marine Propulsion Systems Div., and Logistics Systems Div.

Ichiro Tanaka

New fuel engine initiatives
Expansion of the scope of service and solution.

We have achieved the numerical targets of the Mid-Term Business Plan 2023 ahead of schedule. Towards a new stage in realizing our vision, we have decided to introduce a rolling plan to replace the traditional three year Mid-Term Business Plan and formulated the "MITSUI E&S Rolling Vision" to flexibly respond to changes in our business environment.

With "In the marine domain, we create a carbon-free society and resolve challenges induced by depopulation" as our vision, we are challenging the further growth of the core businesses with a focus on green and digital strategy and providing decarbonization-related products and developing new businesses. The Marine Propulsion Systems Division is focusing on the development of next-generation engines that reduce CO_2 emissions from ships. In April 2023, Mitsui E&S DU Co., Ltd. was established as a new company through M&A. The Mitsui E&S DU developed the world's first variable compression ratio (VCR) system together with a licensor "WinGD". This VCR is a very innovative system that can optimize compression ratio in the engine combustion chamber, according to operating conditions, significantly helping reduce CO_2 emissions from ships. Many customers are interested in this system.

Additionally, we are challenging the supply of new fuel engines. First, LNG dual fuel engine became popular, but more recently, demand for methanol engines has increased. To meet diversifying customer demands, we are putting in place all types of facilities to supply all types of next-generation fuel engines. Next, we are developing the world's first two stroke ammonia-fueled engine and related system. We expect the demand for the ammonia-fueled engines to be increased from around 2030. As the Ammonia dual fuel engine produces zero CO_2 emissions, it will help to be close to the realization of zero-emission ships.

As ammonia has some technical issues to overcome in case of being used as fuel, some equipment will need to be fitted in addition to the usual fuel supply equipment. We have a subsidiary in Germany called TGE Marine Gas Engineering GmbH (TGE). TGE is the leading liquefied gas systems' provider, specializing in the design and engineering of cargo handling systems and tanks for any type of liquefied gas carriers, bunker ships and FSRUs.

The MITSUI E&S Group, including TGE, is working as one to develop the entire fuel supply system for ammonia engines. We supply not only the integrated system in combination with ammonia-fueled engine but also monitoring service for the system by using our digital technology once entering into service. We are confident that this helps end users to feel at ease while operating vessels. Finally, we will expand the scope of the services and solutions, not just supplying engines itself and as a marine propulsion system supplier, contribute to the realization of a decarbonized society.

Expansion of port logistics business in the global market Contribution to port terminal operations through the use of digital technology.

Even in the port logistics business, customer needs are diversifying. The Logistics Systems Division is focusing on providing the port cranes best suited to the market /customer demands in the global market. Zero-emission cranes need to be fitted to comply with more severe environmental regulations in developed countries. On the other hand, customer requests for remote operation and automation become strong in developing countries with rapidly growing Asian economies. We already developed the world's first rubber-tired gantry crane (RTGC) powered by a fuel cell in April 2023. The zero-emission RTGs are in operation in the Port of Los Angeles in the US and at Oi Container Terminal in Tokyo.
Moreover, the subsidiary PACECO CORP. is working to reestablish final assembly of port cranes in the United States. PACECO CORP. will bring final assembly of port cranes back to the United States for the first time since 1989 and it is expected to contribute to securing the safety of U.S. port infrastructure. Hereby, it is also expected to expand our business in the United States. In terms of using digital technology, we have already delivered a large number of Container Terminal Management System (CTMS) and developed the next-generation Crane Advanced Remote Monitoring System (CARMS). We are continuously improving the remote operation and automation capabilities of our systems, aiming to provide a meticulous service that meets customer needs. Finally, we will work to resolve issues of a society with a shrinking population by utilizing digital technologies including the automation of port cranes, remote maintenance, and enhancement of operational efficiency of port terminals.

"Hydrogen compressors""Remote Maintenance through drones". New business coming into being.

We have positioned some specific businesses that promote new products and services in peripheral areas of core businesses as growth businesses. The New Business Development Division is focusing on the development of new products and services that takes decarbonization and digitalization into consideration and it has expected them to be next to marine engine and crane business. Firstly, we have been manufacturing compressors, rotating machinery and process equipment for industrial applications such as petrochemical plants. We expect such machinery to play an important role in the decarbonization market such as hydrogen production and supply chains, carbon capture and storage, and methanation. We are confident that the fitting of our technologies and products to the new market will lead our business to be expanded. We have received an order of a hydrogen compressor for Japan's first offshore hydrogen station to supply hydrogen to hydrogen-fueled ships. It is equipped with technologies based on long track record in high-flow compressors for petroleum refining and chemical plants all over the world by MITSUI E&S and extensive expertise in high-pressure hydrogen compression technology by our group company, KAJI TECHNOLOGY CORPORATION who have the largest share market at Japanese hydrogen stations. We are promoting it to the European and North American markets. It is physically smaller than existing compressors, making it a space-saving compressor that can be used in a wide range of processes for the transportation and supply of hydrogen. We have also completed the delivery of a reactor for a facility that produces methanol from CO_2. It condenses and separates methanol and water within the reactor, which is impossible using conventional technologies, contributing to the recycling of CO_2. We are confident that, through the demonstration of proto-type currently being conducted by several customers, when many decarbonizing plants start operating fully, our equipment will be in operation at these plants, helping create a carbon-free society.
Turning to our Digital Strategy, we plan to build on the service business we have developed through the maintenance of marine engines and port cranes and to use digital technologies such as AI and drones equipment to advance into maintenance and after-sales services for facilities other than our own products such as high-rise buildings. Through these initiatives, we will work to resolve the issues of a society with a shrinking population.

Create new value together with customers Shift to a services and solutions supplier from a manufacturer

Our company has been a manufacturer. We have a misunderstanding that our products should be attractive for the customers because we had such advanced technologies. Even if we developed and manufactured products based on our technologies, only few products sold on the market. To address our new challenges of creating a carbon-free society and resolving challenges induced by depopulation, we have to make a complete turnaround and think outside the box. When we are trying to enter new domains, we have to switch to a market-oriented approach, putting ourselves in our customers' shoes and asking ourselves what customers are thinking and what they want. This means frequently visiting customers and proposing ideas, getting customer feedback and rethinking proposals. Through this iteration, we will put the finishing touches to proposals that properly meet customer requirements. This is exactly what we create new value together with customers. Finally, we will work to further enhance corporate value.

SECTION

04

BUSINESS STRATEGY

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Business Overview

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38 Marine Propulsion System

39 Logistics & Systems

40 Peripheral Businesses

Pillars of Growth Strategy 01 **Green Strategy**

Increase development and production capacity
Steadily implement next-generation fuel initiatives to decarbonize

In the field of marine propulsion systems, we are responding to the increasing demand for decarbonization in the maritime logistics sector by developing ammonia- dual fuel engines and enhancing production facilities for LNG and methanol dual fuel engines. In the port logistics sector, we are advancing the market introduction of decarbonization-related products through demonstration stages, such as the commercial operation of hydrogen-powered cranes in the United States and Japan. Additionally, we aim to develop new businesses with products that support energy transition and reduce dependence on fossil fuels, such as high-pressure hydrogen compressors.

～2023	2024～
Marine Engines ● Enhancement of production facilities for new fuel engines (LNG, methanol) ● Development of new fuel engines (ammonia, hydrogen) **Port Cranes** ● Commercial operation of hydrogen-powered cranes	● Market introduction of decarbonization-related products ● Development and market introduction of peripheral equipment

Value to customers and society

Providing decarbonization-related products to creating a decarbonized society

Our initiatives in FY2023 and 2024

● World's First Successful Hydrogen Combustion Operation with a Large-bore Marine Engine

In March 2024, our company and the licensor successfully conducted the world's first hydrogen combustion operation using a marine two-cycle test engine with a cylinder diameter of 50 cm, located on the premises of our Tamano works. One of the four cylinders of our test engine, the 4S50ME-T (output 7 MW), was used for hydrogen combustion. Hydrogen was supplied from the hydrogen gas supply facility completed in October 2023, and the test engine was operated at 100% load.
The success of this combustion test marks a significant step towards providing marine propulsion systems that can greatly contribute to the reduction of GHG emissions in the shipping industry.

Hydrogen combustion test on our test engine

● Port Crane Decarbonization Initiatives

In collaboration with NEDO, we have developed the world's first rubber-tired gantry crane (RTGC) powered by hydrogen fuel cells (FC). We have already started a commercial operation demonstration project at the Port of Los Angeles in the United States, introducing a new standard for zero-emission ports.
Additionally, in Japan, we are actively working on demonstration operations to convert RTGCs to hydrogen fuel at the ports of Tokyo, Yokohama, and Kobe, actively promoting the decarbonization of ports.

This Near Zero-emission (NZE) Transtainer® was delivered to KICT

RTGC with FC power pack

● Launch of New "Hydrogen Compressor" for Hydrogen Supply Chain

We have started selling high-pressure, high-flow hydrogen compressors for hydrogen station facilities and hydrogen production facilities. These compressors are designed with specifications (flow rate and size) optimal for the increasingly large hydrogen stations and hydrogen production facilities. Compared to conventional market products that ensure the same flow rate, these compressors require less installation space and offer greater flexibility in placement.
Additionally, they are expected to reduce lifecycle costs, including initial installation and maintenance costs. Through the provision of various products and services in the fields of high-pressure hydrogen gas production, transportation, and utilization, we aim to contribute to the realization of a carbon-neutral society.

Test equipment
(installed at our Tamano Factory)

Product outline drawing

Pillars of Growth Strategy 02 **Digital Strategy**

Realize Automation and Remote maintenance of port cranes Promoting efficiency at port container terminals and upgrading remote maintenance of marine engines

We contribute to solving the challenges of a shrinking population society by providing products that support customer comfort and safety, such as remote and automated port cranes, various services utilizing TOS (Terminal Operating Systems) and drones, and remote monitoring system of marine engines.

～2023	2024～
Port Crane ● Development of remote-controlled Transtainer® ● Provision of terminal operation systems ● Development of inspection support systems	● Expansion of the Market Share of Remote-Controlled and Automated Cranes ● Provision of Remote Maintenance and Inspection support Services.

Value to customers and society

Providing services utilizing digital technology necessary to cope with a shrinking population

Our initiatives in FY2023 and 2024

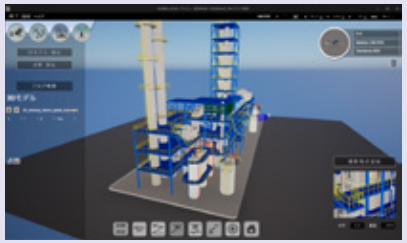
● Initiatives for the advanced preventive maintenance of marine engines

e-GICS Advance / LC-A

e-GICSX provided by MITSUI E&S will be integrated with LC-A provided by Mitsui E&S DU which has extensive experience in preventive maintenance, and offer services that contribute to a higher success rate of preventive maintenance.
e-GICS Advance automatically collects operational data from marine engines and provides performance and combustion diagnostics conducted onshore to monitor main engine's condition.
LC-A is a service that pursues improved accuracy in the success rate of preventive maintenance in collaboration with customers.
To enhance the accuracy of preventive maintenance success rates, we utilize highly practical functions such as sophisticated algorithms for automatic diagnosis, automatic root cause analysis function, and continuous cylinder pressure analysis functions. Additionally, based on the results of these automatic diagnosis and analyses, we provide appropriate advice to continuously improved accuracy in preventive maintenance success rates and minimize secondary damage.
We are steadily advancing towards providing marine propulsion systems.

● Launch of Drone Snap Application

Building on our expertise in inspecting port cranes, we have started selling an application that creates automatic flight and photography route files for drones, applicable not only to the inspection of port cranes but also to plants and infrastructure facilities.
This application allows anyone to easily and accurately check inspection points with high quality, without relying on the piloting skills of drone operators. It features a high reproducibility inspection system that can accumulate and provide information for visual inspections, patrols, and fixed-point observations, contributing to the efficiency and labor-saving of these tasks.



DroneSnap App Screen

● Efforts Towards Remote Automation of Port Cranes

Commercial operation of remote-controlled Transtainer® has begun at Yokohama Port and Shimizu Port. In addition to newly installed remote-controlled Transtainer®, work is also underway to retrofit existing manually operated Transtainer® for remote control. Depending on the terminal's conditions, optical communication, wireless communication, and local 5G communication are being used for remote operation.
Furthermore, a new order for remote-controlled Transtainer® for Kobe Port has been received, and design work has commenced. The same technology is also being applied to cranes for steel mills, providing remote-controlled cranes.

Diagram of the local 5G communication equipment configuration at the container terminal

Business Overview

New Business Development

The main products and services

- Industrial Machinery (Compressors・Gas Turbines・Blowers・Process Equipment)
- After-Sales Services for Various Equipment

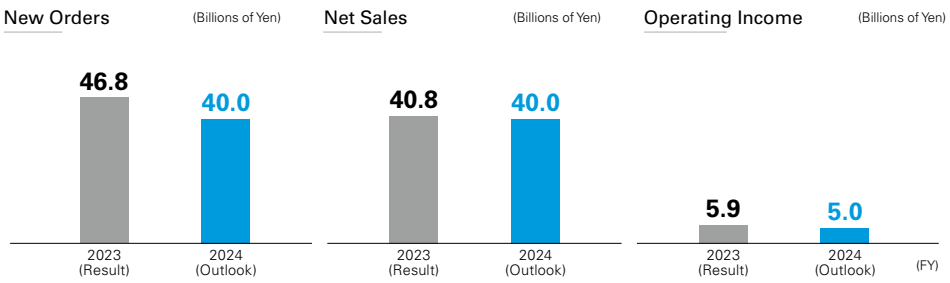
Business Activities

We are expanding into growth businesses (new markets and new ventures) that follow our core businesses. Leveraging our experience in the industrial machinery sector, we aim to supply products to markets focused on energy transition and reducing dependence on fossil fuels, such as hydrogen supply facilities and SAF (Sustainable Aviation Fuel) production. Additionally, we strive to create product and service businesses around our core business areas.

Overview of FY 2023

Orders received totaled 46.8 billion yen, up 4.6 billion yen from the previous fiscal year, due to strong sales of after-sales service business for gas turbines and other products, in addition to top pressure recovery turbines and axial flow compressors for steel mills in Japan and overseas. Net sales increased 5.9 billion yen from the previous year to 40.8 billion yen due to strong sales in the after-sales service business, mainly in parts supply to steel mills and petrochemical plants, and operating income increased 1.6 billion yen from the previous year to 5.9 billion yen, mainly due to increased sales.

Results



Topics 01

Orders for compressors for SAF

We have received orders for two units for Japan's first large-scale production demonstration facility for domestically produced SAF (Sustainable Aviation Fuel) made from waste cooking oil, and two units for Thailand's first large-scale SAF production plant.
SAF can significantly reduce greenhouse gas emissions compared to conventional aviation fuel and is expected to be the next generation aviation fuel for decarbonizing the skies, and our compressors will be used as key equipment in the SAF production facility.
We will continue to contribute to the realization of a zero-emission society through our products and services.

Reciprocating compressor for SAF production facilities

Topics 02

Development of Digital Solutions for Marine Terminal

We are developing solutions to enhance efficiency maintain sustainable ports, and strengthen international competitiveness through digitalization which are collecting, organizing, analyzing, and combining various data related to container terminal handling plans and equipment.
As the need to maintain port functions and enhance productivity and competitiveness grows, we aim to contribute to addressing labor shortages and strengthening international competitiveness through these products and services.

Digital model of a container terminal

Business Overview

Marine Propulsion System

The main products and services

- Marine Engines
- Fuel Supply Systems and Peripheral Equipment for Dual-Fuel Engines
- After-Sales Services for Various Engines and Equipment

Business Activities

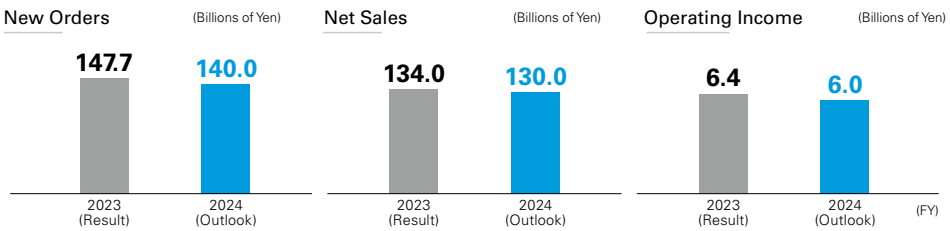
Since we signed a license agreement with Burmeister & Wain's (currently MAN Energy Solutions) in 1926, we have achieved a cumulative production of 120 million horsepower by 2024. Additionally, with the establishment of Mitsui E&S DU in 2023, we acquired the WinGD brand, boasting a 75%* domestic market share in 2023. To meet the growing demand for new fuel engines, we are expanding our production facilities. We also aim to be a total supplier of marine propulsion systems by developing ammonia and hydrogen dual fuel engines, providing peripheral equipment for new fuels, and supplying remote monitoring systems.

*MITSUI E&S Group (MITSUI E&S, Mitsui E&S DU) + sublicensee including Makita. Reporting period: January to December 2023

Overview of FY 2023

Due to an increase in inquiries for dual-fuel engines, order intake rose by 8.1 billion yen to 147.7 billion yen compared to the previous fiscal year. Sales increased by 36.3 billion yen to 134 billion yen, driven by strong performance in marine engine deliveries and after-sales services, as well as the inclusion of Mitsui E&S DU in the consolidated scope. Operating profit grew by 3.8 billion yen to 6.4 billion yen, supported by the rise in sales. The demand for dual-fuel engines, particularly methanol dual fuel engines, has been increasing from domestic shipyards. We are also developing the world's first commercial ammonia dual fuel engine, a zero-emission fuel, and have seen a rise in inquiries not only for the engines but also for standalone fuel supply systems. After-sales services have been strong due to the demand for compliance with environmental regulations in sevice ships. High levels of activity are expected to continue beyond fiscal year 2024, driven by an increase in dock work for electronically controlled engines.

Results



Topics 01

Enhancement of Production Facilities at Tamano Works

To meet customer needs, we are expanding our facilities to address the increasing demand for dual-fuel engines, particularly methanol engines, and establishing a stable supply system for these engines. Additionally, with Mitsui E&S DU joining our group in April 2023, we are maximizing productivity by leveraging the strengths of both the Tamano and Aioi works.

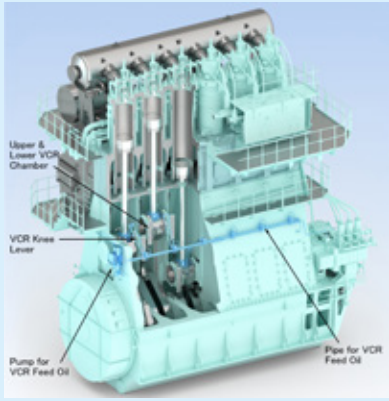
Methanol supply facilities at the Tamano factory

Topics 02

VCR (Variable Compression Ratio)

The VCR (Variable Compression Ratio) mechanism allows for optimized compression ratios based on engine output and fuel type, contributing to improved fuel efficiency and reduced CO_2 emissions. Mitsui E&S DU, in collaboration with the licensor WinGD, has commercialized this technology, which plays a significant role in achieving a decarbonized society.

Mitsui E&S DU has received an order for the world's first commercial engine equipped with this mechanism, to be used as the main engine for ships built at domestic shipyards. This technology has already secured eight orders domestically and over 100 orders in international markets.



VCR

Business Overview

Logistics & Systems

The main products and services

- Container Cranes
- Industrial Cranes
- CTMS(Container Terminal Management System)
- After-Sales Services for Various Cranes

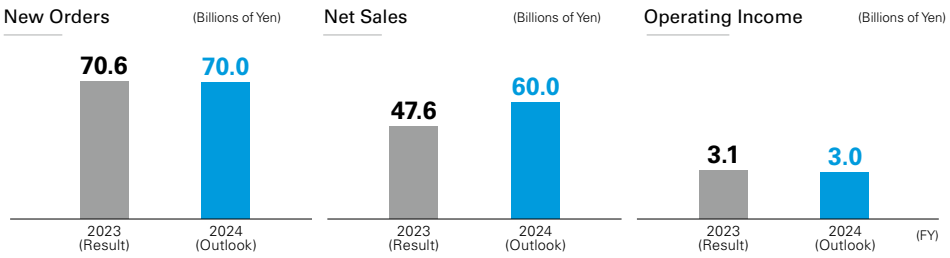
Business Activities

We hold the top domestic market share for port cranes and support terminal operations with Terminal Operation Systems and Remote Monitoring Systems, covering the entire lifecycle of port operations. We are also developing hydrogen-powered cranes and remote and automated cranes to contribute to decarbonization in ports. Additionally, we are expanding our business into various fields, including industrial cranes and the application of drone inspection systems for infrastructure facilities.

Overview of FY 2023

Order intake increased by 21.1 billion yen to 70.6 billion yen compared to the previous fiscal year, driven by continued large-scale project orders in Southeast Asia. Sales rose by 6 billion yen to 47.6 billion yen, thanks to the smooth progress of project deliveries. Operating profit grew by 1.7 billion yen to 3.1 billion yen, supported by the increase in sales.

Results

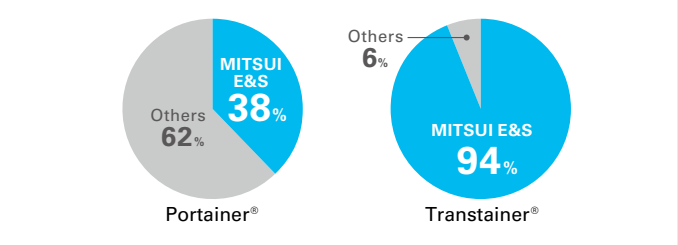


Topics 01

Domestic Projects

For domestic projects, we have maintained the top market share in recent years. In FY 2023, we achieved a 38% share for gantry cranes and a 94% share for yard cranes. This year, we have also received orders for two gantry cranes for Honmoku in Yokohama Port and one gantry crane for Tsuruga Port in Fukui Prefecture.

Domestic Market Share: April 2023 to March 2024 (Order-Based)

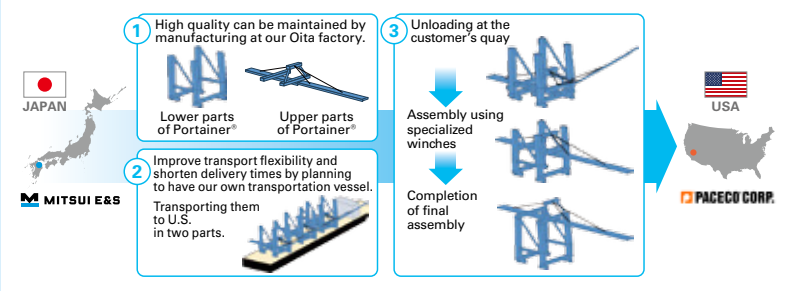


Topics 02

Ownership of Crane Transport Ships for Global Market Expansion

With the expansion of port crane demand in both Southeast Asia and the United States, securing stable transportation means is crucial for global market expansion. Owning our own ships for maritime transport, which is essential for overseas shipments from our Oita works, will ensure transportation stability and strengthen our business foundation. Currently, we are in the final adjustment stages with relevant parties to contribute to export projects for fiscal year 2025 (including projects in the United States).

Phase 1: Examination of Manufacturing and Transportation Schemes



Business Overview

Peripheral Businesses

The main products and services

- Gas-related Engineering
- Land-based Power Plants
- System Development and System-related Equipment
- Steel Structures
- Mechanical and Electrical Equipment Maintenance
- IT Solutions

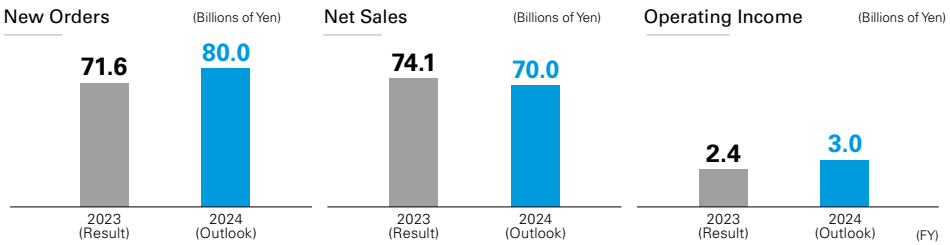
Business Activities

We provide products and services across various fields through our domestic and international engineering projects and IT solutions. Additionally, we aim to expand our business areas by collaborating with our core businesses.

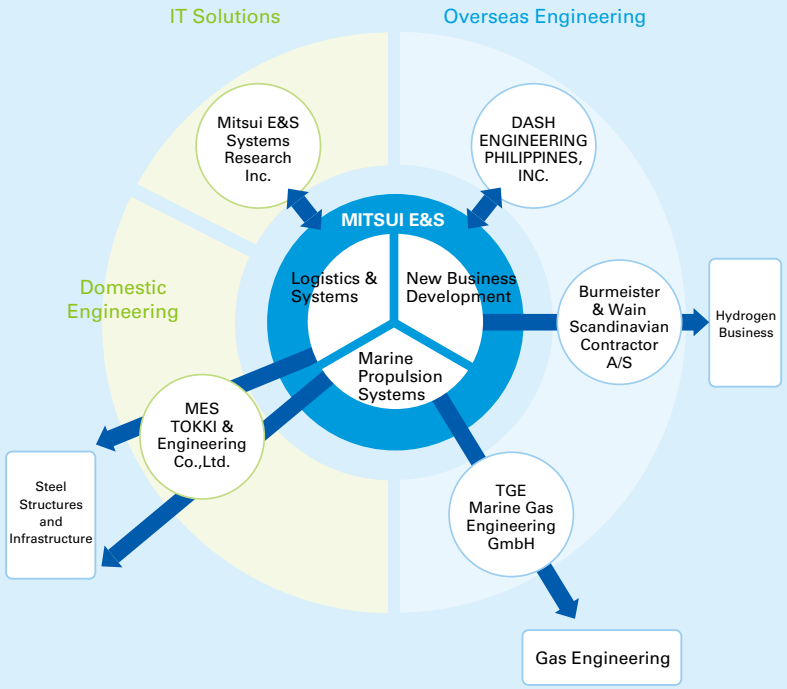
Overview of FY 2023

Order intake decreased by 2.7 billion yen to 71.6 billion yen compared to the previous fiscal year. However, sales increased by 16.8 billion yen to 74.1 billion yen, driven by steady growth in both domestic and international subsidiaries. Operating profit rose by 1.6 billion yen to 2.4 billion yen, supported by the increase in sales.

Results



Leveraging Each Company's Strengths and Collaborating with Core Businesses



Topics 02

● DASH ENGINEERING PHILIPPINES, INC

DASH Engineering designs chemical plants, ships, diesel engines, cranes, and rotating machinery. We provide engineering services not only for our own designs, such as marine engines and cranes, but also for various customers, including chemical plants. Additionally, we are expanding personnel exchanges with our company, contributing to the promotion of diversity within the group and the development of human resources.

SECTION

05

GOVERNANCE

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Corporate Governance

The MITSUI E&S redefined the Group's Company Mission and Vision in view of the quick shift to a sustainable society and other environmental changes. Based on them, we have established a framework for transparent, fair, prompt, and decisive decision making, and are committed to continuous enhancement of corporate governance.

Our mission / Vision in 2030 / Management Policy

Our mission
We build trust and contribute to society through our engineering and services

Vision in 2030
In the marine domain, we create a carbon-free society and resolve challenges induced by depopulation

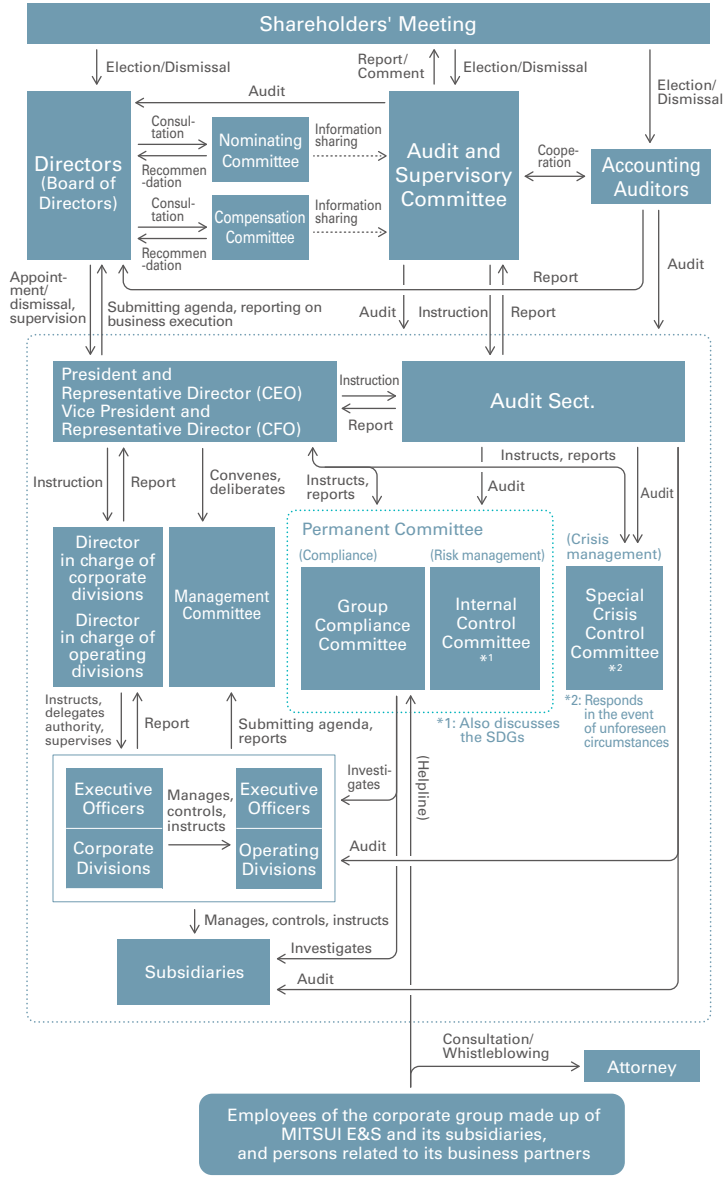
Management Policy
Create new value together with customers / Seek a sound financial structure and steady profit / Accelerate the resolution of sustainability issues

In enhancing corporate governance, the following principles shall be followed
(1) Ensure the substantive rights and equality of shareholders
(2) Work with shareholders and other stakeholders in an appropriate manner
(3) Ensure appropriate and proactive disclosure and transparency of corporate information
(4) Clarify the roles and responsibilities of the Board of Directors and the Audit and Supervisory Committee
(5) Engage in dialogue with shareholders to contribute to sustainable growth and medium to long-term enhancement of corporate value

Our Corporate Governance Structure

In order to achieve sustainable enhancement of the corporate value of MITSUI E&S Group through the promotion of future growth strategies and management efficiency, we have decided to adopt a company with an Audit and Supervisory Committee for the following purposes:
(1) To transition to a compact management system in line with organizational consolidation and restructuring.
(2) To create an environment for deeper discussions on business strategies and projects with risks.
Following the resolution to amend the Articles of Incorporation at the 120th Annual General Meeting of Shareholders held on June 28, 2023, we transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee. Additionally, to strengthen the important decision-making and supervisory functions of the Board of Directors and to improve the efficiency of business execution, we have introduced an executive officer system. Authority related to business execution has been delegated to executive officers appointed by the Board of Directors, and under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), the executive officers perform their duties based on the instructions of the directors in charge of corporate departments and business departments.

Corporate Governance and Internal Control Mechanisms



Risk Management

MITSUI E&S systematically ascertains and assesses a variety of risks related to its overall management activities, practices total risk management to conduct business operations within appropriate risk-bearing limits, and promotes initiatives that span our Group under the Internal Control Committee, which is chaired by the corporate officer responsible for the Corporate Planning Dept. For risks related to business operations, risk checks are performed by the related departments of the company based on internal regulations. In accordance with the company's approval criteria, in the divisions of MITSUI E&S and major subsidiaries, each division and subsidiary conducts independent risk checks. Additionally, with regard to information security risks, working under the direction of the Chief Information Security Officer (CISO) the IT Control Sect. of the Corporate Planning Dept. plays a central role in formulating security policies, obtaining the latest information in coordination with outside organizations, monitoring networks and IT equipment, countering external attacks, and implementing specific measures including education and training. Also note that in the event of unforeseen circumstances, a swift response is initiated by the Special Crisis Control Committee, which is chaired by the Representative Director or a director responsible for the matter at hand.

Evaluation of the effectiveness of the Board of Directors

We conducted self-evaluations for all directors and analyzed and evaluated the overall effectiveness of the Board of Directors for FY 2023. This was done by reflecting the opinions of outside directors on the evaluation results of improvements and issues.

Composition of the Board of Directors, etc.

	Directors (including Audit and Supervisory Committee members)			Percentage of Women on the Board of Directors	Percentage of External Directors on the Board of Directors	Key Resolutions Related to Corporate Governance
	Internal	External	Total			
FY2023	4 (1)	3 (2)	7 (3)	0%	43%	Transition to a company with an Audit and Supervisory Committee Addition of management indicators and targets conscious of capital costs and stock prices (WACC, ROIC, etc.)
FY2024	4 (1)	4 (3)	8 (4)	25%	50%	Acquisition and cancellation of Class A preferred shares Addition of management indicators and targets conscious of capital costs and stock prices (ROE, PBR)

1. Results of analysis and evaluation of the overall effectiveness of the Board of Directors in FY2023

MITSUI E&S's Board of Directors generally operates appropriately, and we evaluate that the overall effectiveness of the Board of Directors has been maintained on an ongoing basis. Compared to the previous year, the Board of Directors has generally improved and the discussions at the Board of Directors have become more in-depth. In particular, we believe that last year's issue of "following up on the progress of the management plan" has been improved through follow-up on short-term management plans, etc.

Regarding the issue of diversity of the Board of Directors, especially in terms of gender, internationality, etc., we believe that this has been improved by the appointment of outside directors at the Annual General Meeting of Shareholders to be held in June 2024.

2. Issues in Analyzing and Evaluating the Overall Effectiveness of the Board of Directors in FY2023

Through the results of this analysis and evaluation, we recognize the following issues for further effectiveness of the Board of Directors and continues to make improvements.

(1) Deepening of discussions on specific themes

The Board of Directors will continue to improve for further enriching discussions on the following themes.

①The strategies in the field of Digital (DX) and Green (GX)

②Basic sustainability policy and initiatives for improvement

(2) Enhancement of content and substance of business-related agenda materials

In order to deepen discussions on the businesses, we will improve the content of agenda materials, such as order strategies based on the business environment and profit status.

3. Business Performance in FY2023

In FY2023, our Company shifted from a pure holding company structure to an business operating holding company structure, and three business divisions (Growth Business Promotion, Marine Propulsion System, and Logistics System) each promoted activities to win orders with an emphasis on profitability. As a result, our business performance exceeded the previous fiscal year. Going forward, the Board of Directors will strive to make prompt decisions and strengthen its monitoring and supervisory functions so that we can develop its growth businesses, while focusing on existing businesses of marine engines and cranes and recovering its financial base.

Message from Outside Director

Compact management system enabling deep discussions, moving towards offensive management

Audit and Supervisory Committee Member
Koichi Kawasaki

About the MITSUI E&S Group's corporate governance

I joined the Group when it transitioned to a company with an audit and supervisory committee in June 2023. This is a management structure with the Board of Directors as the ultimate decision-making body, a Nomination Committee and a Compensation Committee, both of which support the Board, and an Audit and Supervisory Committee, which fulfils a management oversight function. It is a compact structure but one that functions effectively. The Group has multiple businesses, all different in nature, and risk management, improvement of the profitability of each business, and enhancement of management efficiency are important management issues. In a dramatically changing operating environment, corporate governance, where discussions based on highly accurate information and forecasts help management to make accurate judgments, is increasingly important. I feel that the Group has learned from past lessons and its sensitivity and management mechanisms for managing risks and improving profitability have improved. However, going forward, the operating environment will remain unpredictable and uncertain and the Group will be required to make more sustainable and sophisticated management judgments and to strengthen its oversight function. When it comes to ensuring transparency and engaging in dialogue with stakeholders, both of which are fundamental for corporate governance, I was surprised by the large number of high-quality questions from shareholders and the high level of interest at this year's general meeting of shareholders, and felt the Group needs to put greater effort into communication with stakeholders going forward.

About the transition to a company with an Audit and Supervisory Committee, and the "effectiveness of the Board of Directors" under the new structure

The Board of Directors consists of four Internal Directors and four Outside Directors, while the Audit and Supervisory Committee is made up of one internal member and three external members. The Group has put in place an environment for more in-depth discussion of business strategies and risks, which was the aim of transition to the new structure, and now has a compact management structure in line with the Group's organizational consolidation and restructuring. The Nomination Committee and the Compensation Committee, both of which are chaired by Outside Directors, are designed to strengthen the independence, objectivity and accountability of the function of the Board of Directors in relation to the nomination and compensation of Directors and other members of the senior management team. In terms of ensuring Board diversity, which was previously an issue, Board diversity improved this year through the appointment of female and foreign Directors. Although it has only been six months, the Board has begun holding discussions with fresh perspectives and the Group can be applauded for having improved the effectiveness of its Board of Directors. At meetings of the Audit and Supervisory Committee, information is shared and candid discussions are held about the execution of duties by Internal Directors, the audits of the Independent Auditor, and internal audits of Group operations.

Expectations of the Group in the future

Having outperformed the numerical targets of Mid-Term Business Plan 2023 ahead of schedule, the Group will seek to improve the soundness of its finances while also developing the internal environment, introducing new personnel systems and nurturing human resources. The Group will then at last be in a position to go fully on the offensive. MITSUI E&S Rolling Vision 2024 (the brand-new Mid-Term Business Plan) facilitates a flexible approach to a changing environment by incorporating rolling targets and management that is conscious of cost of equity and cost of debt. By clearly setting specific numerical targets not only for the operating income ratio but also for return on invested capital (ROIC) and the dividend payout ratio, the company has spelt out its intentions even more clearly. By ensuring profitability and reforming the cost structure in existing businesses while investing in and nurturing new businesses and growth areas, the Group will seek to achieve sustainable corporate growth and corporate value enhancement. While the Group's Green and Digital Strategies will drive growth, securing and developing high levels of expertise and digital human resources will be important for shaping growth. The Group needs to rise to the challenge of achieving the 2030 Vision with a sense of urgency. I look forward to the efforts and success of all employees.

Officers

Takeyuki Takahashi

CEO, CCO*1, and in charge of General Control, Audit Sect., Procurement Dept., and New Business Development Div.

Term of office for directors: 4 years

Taketsune Matsumura

CFO*2, CIO*3, Assistant to President, in charge of Corporate Services Div.*4

Doctorate (Ph.D.) in Environmental Studies from the University of Tokyo

Term of office for directors: 4 years

Ichiro Tanaka

Assistant to President, and in charge of Marine Propulsion Systems Div., and Logistics Systems Div.

Term of office for directors: 1year

Wong Lai Yong

Director*5

Doctorate (Ph.D.) in Business Administration from Yokohama National University

Yuichi Shiomi

Director, Full-time Audit and Supervisory Committee Member

Director (Audit and Supervisory Committee Member)
Term of office for directors: 1 year

Koichi Tanaka

Director*5, Audit and Supervisory Committee Member

Director (Audit and Supervisory Committee Member)
Term of office for directors: 1 year

Koichi Kawasaki

Director*5, Audit and Supervisory Committee Member

Director (Audit and Supervisory Committee Member)
Term of office for directors: 1 year

Mie Miwa

Director*5, Audit and Supervisory Committee Member

Skills and areas of expertise specifically expected from respective candidates for Directors

In selecting and determining candidates for Directors, we are striving to ensure a certain number of inside Directors familiar with the business and management control of the Company Group. At the same time, with a view to meeting the demand of the era of diversity, we are working to ensure a balance between knowledge, experience and capability, as well as diversity within the Board of Directors as a whole, by inviting Outside Directors with abundant experience in other industries.
We classify the skills and areas of expertise specifically expected from Directors into the following eight categories:
(1) Corporate management (2) International experience (3) Finance/M&A (4) Legal affairs/auditing (5) Marketing (6) Technologies/IT Technology and IT (7) Human Resource Development (8) Climate/environment.
The table below visualizes, in a skill matrix, the areas in which each of the directors is expected to be particularly skilled and to have specialized in.

Name	Corporate management	International experience	Finance/ M&A	Legal affairs/ auditing	Marketing	Technolo-gies/IT	Human Resource Development	Climate and Environment
Takeyuki Takahashi	●	●		●	●		●	
Taketsune Matsumura PhD holder	●	●	●			●	●	●
Ichiro Tanaka	●	●			●	●		●
Wong Lai Yong PhD holder	●	●					●	●
Yuichi Shiomi	●		●	●				
Koichi Tanaka	●	●	●	●				
Koichi Kawasaki	●	●				●	●	
Mie Miwa	●	●		●	●		●	

The above does not show all of the knowledge possessed by the directors or corporate auditors.

Executive Officer (effective July 1, 2024)

Noriyuki Murata	CISO*6, General Manager of Corporate Planning Dept.
Koichi Watanabe	General Manager of Finance Dept.
Kazuo Hayashi	General Manager of Accounting Dept.
Masaharu Kawasaki	General Manager of HR & General Affairs Dept.
Ritsuko Senbon	General Manager of Legal Sect.
Masaki Fujihara	General Manager of New Business Development Div.
Akihiro Akaeda	General Manager of Logistics Systems Div.
Keiji Otsuka	General Manager of Oita Factory Logistics Systems Div., Oita General office.
Yusuke Sakimoto	General Manager of Marine Propulsion Systems Div.
Takeshi Iizuka	General Manager of Tamano Factory Marine Propulsion Systems Div., Tamano General office.
Teruyuki Yamashita	General Manager of Procurement Dept.

*1 CCO：Chief Compliance Officer
*2 CFO : Chief Financial Officer
*3 CIO : Chief Information Officer
*4 Corporate Services Div.: Corporate Planning Dept., HR & General Affairs Dept., Finance Dept., and Accounting Dept.
*5 Outside Director
*6 CISO：Chief Information Security Officer

Compensation for Directors

Matters regarding policy for the determination of or the method for calculating directors' compensatic

At the Board of Directors meeting held on March 25, 2021, the Board made a resolution on the policy for determining the content of individual remuneration for Directors. Subsequently, we established a voluntary Remuneration Committee and transitioned to a company with an Audit and Supervisory Committee, leading to partial revisions of the policy content through successive board resolutions. The Board of Directors has confirmed that the method for determining the content of individual remuneration for Directors (excluding directors who are Audit and Supervisory Committee members) for the current fiscal year, and the content of the determined remuneration, are consistent with the policy resolved by the Board of Directors. The Board also confirmed that the recommendations from the Remuneration Committee have been respected, and judged that the decisions are in line with the policy.

Basic Policy

The basic policy is that compensation for the Company's Directors shall be a compensation system linked to shareholder returns to fully function as an incentive for the sustained enhancement of the corporate value and shall be set at an appropriate level in light of the job responsibilities of individual Directors when determining compensation for them. Specifically, compensation for full-time Directors consists of monthly compensation as fixed compensation, and performance-linked compensation (stock price-linked and profit-linked compensation). Outside Directors responsible for supervisory functions shall be paid only monthly compensation in light of their responsibilities.

Total compensation, etc., for each classification of executives, and total compensation, etc., by compensation type and the number of eligible executives (FY2023 results)

Executive classification	Total compensation, etc. (million yen)	Total compensation, etc. (million yen)		Number of eligible executives (persons)
		Fixed compensation	Profit-linked compensation	
Director (except Audit and Supervisory Committee Member)	175	126	48	8
including outside directors	(15)	(15)	-	(3)
Director (Audit and Supervisory Committee Member)	32	32	-	3
including outside directors	(14)	(14)	-	(2)
Auditor	16	16	-	4
including Outside Auditor	(4)	(4)	-	(2)
Total	225	176	48	15

(Notes)

1. Based on the resolution of the 120th Annual General Meeting of Shareholders held on June 28, 2023, our company transitioned from a company with a Board of Auditors to a company with an Audit and Supervisory Committee on the same date.
2. The above includes four Directors (including two Outside Directors) and four Auditors (including two Auditors) who retired at the conclusion of the 120th Annual General Meeting of Shareholders held on June 28, 2023.
3. The total amount of remuneration for Directors does not include salaries for Directors who also serve as employees.
4. The maximum amount of remuneration for Directors before the transition to a company with an Audit and Supervisory Committee was resolved at the 107th Annual General Meeting of Shareholders held on June 25, 2010, to be within 630 million yen per year (excluding salaries for employees). The number of Directors at the conclusion of this shareholders' meeting was 16. The maximum amount of remuneration for Auditors was resolved at the 107th Annual General Meeting of Shareholders held on June 25, 2010, to be within 90 million yen per year. The number of Auditorsat the conclusion of this shareholders' meeting was four.
5. The maximum amount of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee members, hereinafter referred to as "Directors " within this note) after the transition to a company with an Audit and Supervisory Committee was resolved at the 120th Annual General Meeting of Shareholders held on June 28, 2023, to be 320 million yen per year (excluding salaries for employees). The number of Directors at the conclusion of this shareholders' meeting was four (including one Outside Director). The maximum amount of remuneration for Directors who are Audit and Supervisory Committee members was resolved at the 120th Annual General Meeting of Shareholders held on June 28, 2023, to be 50 million yen per year. The number of Directors who are Audit and Supervisory Committee members at the conclusion of this shareholders' meeting was three (including two Outside Directors).
6. Stock-linked remuneration for Directors in office is not included in the above amounts. Outside Directors are not eligible for stock-linked remuneration.
7. The Board of Directors has delegated the decision on the amount of monthly remuneration for each Director to President and Representative Director Takeyuki Takahashi. The reason for this delegation is that the President and Representative Director is deemed suitable to evaluate the performance of each Director while considering the overall situation of the company. The Remuneration Committee confirms the appropriateness of the decisions made under this delegation in advance.
8. In addition to the above, 3 million yen in stock-linked remuneration was paid to two Directors who retired during their term of office.

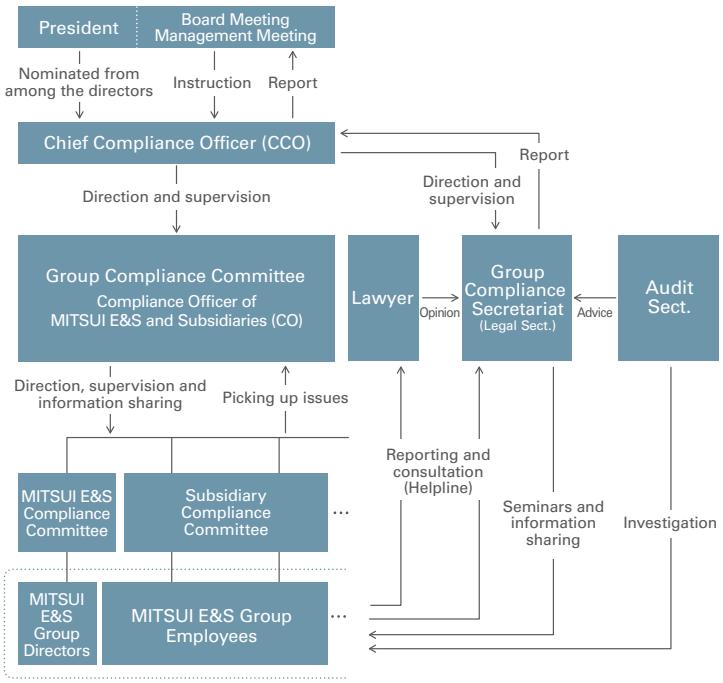
Compliance

We position compliance as one of our most important management issues. All of our executives and employees are aware of the social responsibilities of the corporation and act in accordance with the Corporate Code of Conduct which was formulated with the goal of ensuring a compliance-based perspective in all situations in our business activities. In this way, we live up to the expectations and demands of many different stakeholders.

Compliance structure

We have a Group Compliance Committee chaired by the Chief Compliance Officer appointed from among the directors of MITSUI E&S. The Committee is an organization that ensures that compliance measures are sufficiently known throughout the corporate group and that supervises the group for the compliance measures.
The Committee also monitors and raises awareness regarding compliance with antitrust laws. Based on the Group Compliance Management Regulations, the Group Compliance Committee met twice in FY2023 to exchange information in a cross-sectional manner throughout the corporate group with the goal of strengthening the compliance of the Company and its subsidiaries.

Compliance system



Initiatives for encouraging compliance

Compliance with the Corporate Code of Conduct

Copies of the Corporate Code of Conduct are distributed to all executives and employees of the corporate group consisting of MITSUI E&S and its domestic subsidiaries. Further, structurally we enable each employee to refer to guidebooks and examples at any time in their work every day. The English version of the Corporate Code of Conduct is distributed to our overseas subsidiaries and, in accordance with the local situation, we talk with the presidents of the subsidiaries about their compliance systems and the status of their implementation of compliance.

Helpline (internal whistleblowing system)

In order to detect legal violations and other compliance issues at an early stage, we have established a helpline (internal reporting system) so that all executives and employees of the Company and its subsidiaries, as well as their business partners, may directly seek advice or report any issue. Based on our rules regarding the system for reporting compliance issues in accordance with the Whistleblower Protection Act, we will respond appropriately in the event of any reports.

Compliance training

We conduct compliance training for new employees and other MITSUI E&S Group's employees, and provide employees of the Company and its subsidiaries with e-learning on compliance. In this way, we continue education and awareness-raising activities for the executives and employees of the Company and its subsidiaries.

Number of employees who participated in compliance training

FY2019	FY2020	FY2021	FY2022	FY2023
1,547	2,016	4,040	5,357	5,953

Message from the Newly Appointed Outside Director

Making steady progress reforming the organizational culture and employee awareness.

Director
Wong Lai Yong

About the MITSUI E&S Group's organizational culture

Firstly, I recognize that the Board of Directors operates with high levels of transparency and effectiveness. When I became a Director, I was given detailed explanations by those responsible for each business division and head office function. I was able to engage in constructive dialogue with key managers at manufacturing sites when board meetings were held there and doubled up as site inspection.. The information disclosure system is also well developed, allowing for appropriate decisions and free and frank discussions. With a history of over 100 years, the Group is also making steady progress reforming its organizational culture and employee awareness. Specific initiatives include (i) placing the right people in the right places throughout the group, (ii) company-wide skill development led by management, (iii) improving engagement between management and employees through roundtable meetings (kurumaza), and (iv) promoting employee's well-being, including improving living and working environments. Strengthening human capital, including the utilizing and motivation of women and foreign nationals, are issues of the future, and I will make every effort to address them.

Initiatives for future growth

To realize "MITSUI E&S Rolling Vision 2024" and adapt flexibly to recent dramatic changes in the business environment, there is an urgent need to strengthen integrated thinking management, which links value creation through analysis and integration of the relationship between financial and non-financial information. As part of this, it will be necessary to promote human capital management that considers human resources as the basis of value creation. By focusing on the recruitment of diverse talent and prioritizing well-being, we need to enhance the alignment between business objectives and individual work perspectives. Strengthening relations with external stakeholders is also essential. I also believe the Group's Green and Digital Strategies, which are deeply rooted in its technological capabilities, can contribute significantly to the realization of a- decarbonized society. Proactive co-creation with the entire supply chain will be important to build a global-scale decarbonization ecosystem.

Promoting the appointment of diverse talent and investment in human capital to foster an environment for innovation.

Director
Mie Miwa

About the MITSUI E&S Group's organizational culture

I think the Group's earnest and steady initiatives are permeating its culture. The information necessary for board meetings is made openly available, proposals, including background information, are clearly explained, questions are answered in detail, and an atmosphere conducive to making comments is created. Each director expresses opinions from his or her perspective, and lively discussions are held. Through my exchanges with head office employees and my visits to Tamano and Oita works to exchange opinions with employees there, I sensed the confidence and pride that employees at each location feel in relation to their work. I think employees have a strong sense of responsibility for completing their duties within their work scope, and that this contributes to the steadfastness of the Group's business.

What needs doing moving forward?

Since 2019, the Group has been working on transforming its business portfolio and has achieved the numerical targets of the "Mid-Term Business Plan 2023" ahead of schedule. To achieve further growth going forward, I think it is important that the Group leverages its technological capabilities and the trust of its business partners to further develop its core businesses while at the same time developing new business. To this end, I believe it is crucial to increase employee awareness and skills through the appointment of diverse human resources, including women and foreign nationals, and investment in human capital, and to develop an environment that gives rise to innovation through increased exchange beyond organizational boundaries. The Group aims to be a great place to work, where employees are highly motivated and can lead fulfilling work and private lives by utilizing digital transformation (DX) to improve operational efficiency and promote sustainability. I believe this aspiration will lead to improvement in the Groups' corporate value.

DATA SECTION

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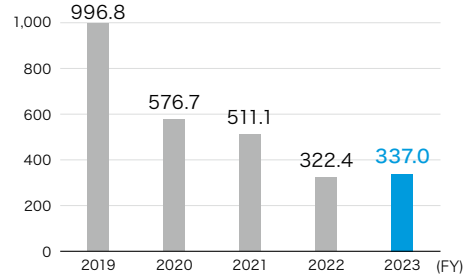
Financial / Non-financial Highlights

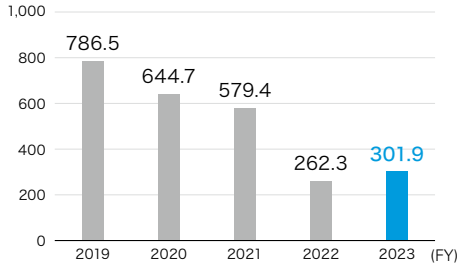
New Orders

(Billions of Yen)



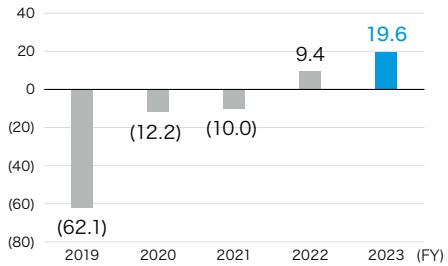
Net Sales

(Billions of Yen)



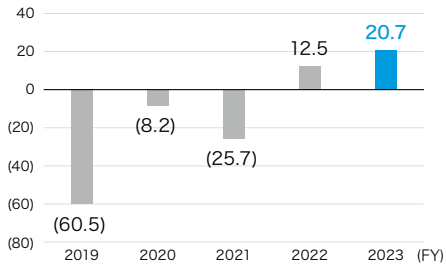
Operating Income

(Billions of Yen)



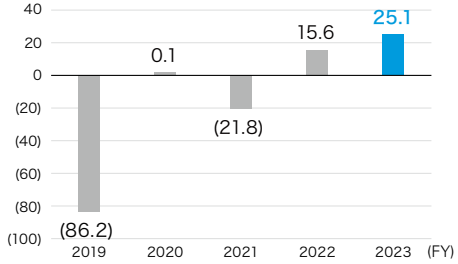
Ordinary Income

(Billions of Yen)



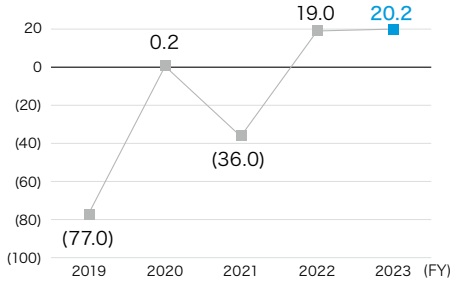
Net Income

(Billions of Yen)



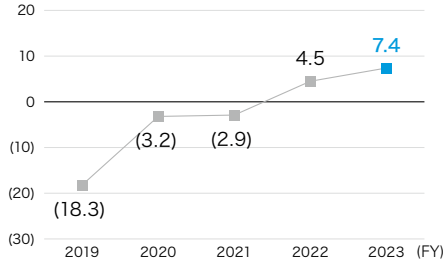
ROE (Return on Equity)

(%)



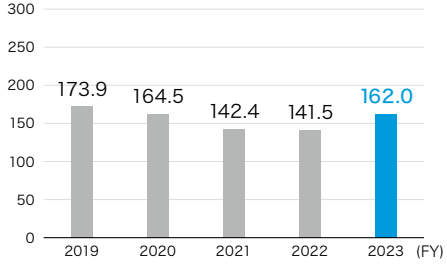
ROIC (Return on Invested Capital)

(%)



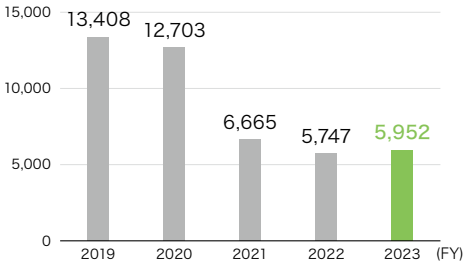
Interest-bearing Debt

(Billions of Yen)



Employees (Consolidated)

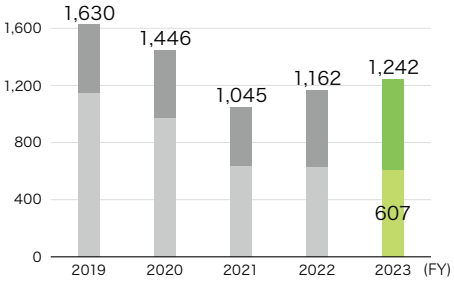
(People)



Total energy consumption*1

Electricity
Fuel

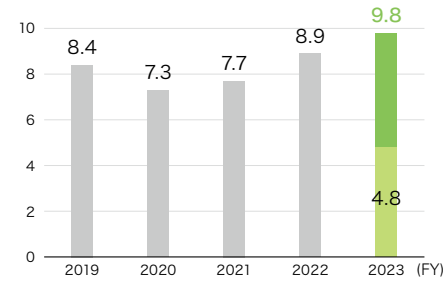
(TJ)*3



CO_2 emissions*1,2

Scope1
Scope2

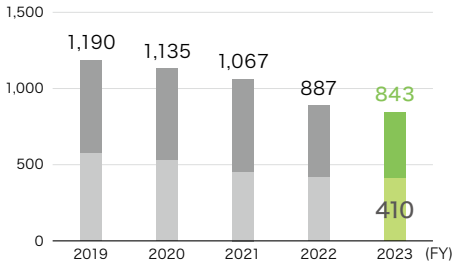
(10,000 t)



Water consumption*1

Service water
Industrial water

(1,000m³)



*1 Figures for Total energy consumption, CO_2 emissions and water consumption come from main domestic factories of MES (Tamano, Oita and Chiba) *2 Calculation of CO_2 emission follows the 'Guidelines on Supply Chain Greenhouse Gas Emission Accounting' issued by the Ministry of the Environment. CO_2 emissions from electric power were calculated by using the adjusted CO_2 emission factor for each electric provider, which was also announced by the Ministry of the Environment. *3 TJ: Tera Joule (=10^{12}J)

11-Year Financial Performance

(Millions of Yen)

(FY)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Financial Results											
New Orders Received	1,107,750	959,784	609,621	516,577	1,160,662	710,127	996,848	576,668	511,089	322,351	336,987
Net Sales	670,067	816,520	805,413	731,464	703,216	656,504	786,477	644,686	579,363	262,301	301,875
Operating Income (loss)	19,969	13,298	11,813	8,304	(5,224)	(59,703)	(62,079)	(12,243)	(10,029)	9,376	19,630
Ordinary Income(loss)	26,179	14,899	15,078	14,859	3,061	(50,502)	(60,457)	(8,223)	(25,742)	12,532	20,711
Net Income(loss)*1	42,854	9,463	7,599	12,194	(10,137)	(69,599)	(86,210)	134	(21,825)	15,554	25,051
Cash Flow											
Operating Cash Flow	14,499	15,167	29,802	(7,843)	(3,555)	66,176	(37,213)	7,478	(20,265)	(15,043)	(34,435)
Investing Cash Flow	(37,312)	(32,385)	(34,599)	(28,753)	(9,046)	(130)	84,125	21,115	(70,923)	(2,999)	(354)
Free Cash Flow	(22,813)	(17,218)	(4,797)	(36,596)	(12,602)	66,045	46,912	28,593	(91,189)	(18,043)	(34,789)
Financing Cash Flow	15,531	(4,374)	48,216	19,401	(14,813)	(53,340)	(26,825)	(6,813)	806	9,515	24,110
Cash and Cash Equivalents	111,926	94,664	135,747	115,620	86,311	97,408	116,691	135,482	50,818	43,468	33,516
Financial Position											
Net Assets	323,608	347,305	343,853	367,608	356,837	280,239	105,355	88,480	62,949	110,686	146,510
Total Assets	932,896	1,074,563	1,094,042	1,096,735	1,029,222	999,100	840,380	759,029	409,150	439,959	467,140
Interest-bearing Debt*2	187,833	188,314	239,873	265,176	255,276	204,617	173,934	164,531	142,374	141,547	162,012
Per Share Information(yen)*3											
Earnings per share*4	518	116	94	151	(125)	(861)	(1,066)	2	(270)	177	256
Net Assets per share	2,666	2,929	2,905	3,098	2,959	1,974	796	794	706	1,107	1,312
Dividends per share	20	20	40	30	-	-	-	-	-	3	5
Closing price at the fiscal year end	2,180	2,050	1,680	1,720	1,730	1,044	521	557	366	417	1,915
Key Financial Indicator											
Shareholders' Equity to Total Assets (%)	23.6	22.0	21.5	22.8	23.2	16.0	7.7	8.5	14.0	24.2	30.4
ROE*5 (Return on Equity) (%)	21.6	4.1	3.2	5.0	(4.1)	(34.9)	(77.0)	0.2	(36.0)	19.0	20.2
ROIC*5 (Return on Invested Capital) (%)	-	-	-	-	-	(12.0)	(18.3)	(3.2)	(2.9)	4.5	7.4
WACC*5 (Weighted Average Cost of Capital) (%)	-	-	-	-	-	-	-	-	-	-	9.0
PBR*5 (Price Book-Value Ratio)	-	-	-	-	-	-	-	-	-	-	1.46
Dividend payout ratio (%)	-	-	-	-	-	-	-	-	-	-	2

*1 Profit (loss) attributable to owners of parent
*2 Borrowings + Bonds payable
*3 The Company consolidated every 10 shares into 1 share with an effective date of October 1, 2017. Per Share Information for FY2016 or prior years has been calculated as if the aforementioned share consolidation had occurred at the beginning of each fiscal year.
*4 Earnings (loss) per share (adjusted for share consolidation)
*5 Definitions of Financial Indicators
ROE = Profit (loss) attributable to owners of parent ÷ (Shareholders' equity + Accumulated other comprehensive income (average at the end of the current and previous fiscal years))
ROIC = (Operating income + Interest income + Dividend income) ÷ (Shareholders' equity + Interest-bearing debt (average at the end of the current and previous fiscal years))
WACC = (Cost of equity × Market capitalization ratio) + (Cost of debt × Interest-bearing debt ratio)
PBR = Stock price ÷ Net assets per share

Non-Financial Key Data

Environmental

Sources

The following data are from our major domestic works (Tamano Works, Oita Factory and Chiba Works). Data from other sources are specified wherever applicable.

Energy consumption and CO_2 emissions

Despite implementing energy-saving welding machines, LED lighting, and green power at our headquarters, the total energy consumption for FY2023 increased by approximately 6.4% compared to the previous year. This increase is attributed to the longer test run times of environmentally friendly engines compared to conventional engines (heavy oil-only engines), even though the production of marine diesel engines decreased from the previous year. Consequently, CO_2 emissions also increased by approximately 9.2% compared to the previous year.

Water consumption

The graph shows our consumption of service water over the last five years. We use clean water (pure water) and industrial water (recycled water). We worked to conserve water throughout fiscal 2023 and, as a result, our total consumption of clean water and industrial water dropped nearly 5% YOY.

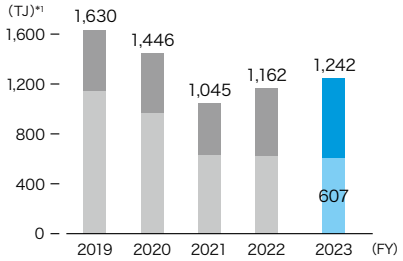
Amount of waste generated and waste recycling rate

The illegal dumping of industrial waste has become a major social issue and we do everything to fulfill our responsibility as a waste generator. We rigorously control manifests and visit waste disposers regularly to conduct on-site inspections. More importantly, we are thoroughly committed to the segregated collection and recycling of waste to reduce the amount of waste. The graph to the right shows the amounts of waste we generated and our waste recycling rates over the last five years and a breakdown of waste in fiscal 2023. By changing our business structure, we worked to compress our production system and reduce our generation of waste. As a result, we reduced waste generation by nearly 1% YOY.On the other hand, due to the progress in recycling metal scraps, wood scraps, and slag, the recycling rate increased by approximately 0.4%, reaching 81.8%. We will continue to strive to reduce waste generation and improve the recycling rate. Furthermore, we will continue to ensure proper waste management through strict controls.

Environmental management data

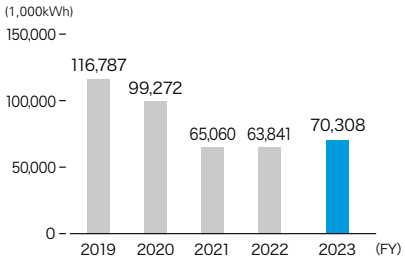
Investments and costs related to its environmental preservation efforts that MITSUI E&S spent was 1,260.2 million yen in total. The environmental preservation cost categories are based on the Environmental Conservation Cost Categories in the Environmental Accounting Guidelines 2005.

Total energy consumption

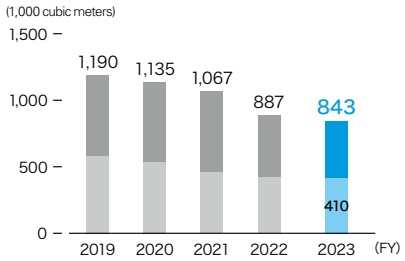


*1 TJ: Tera Joule (=1012J)

Purchased electricity

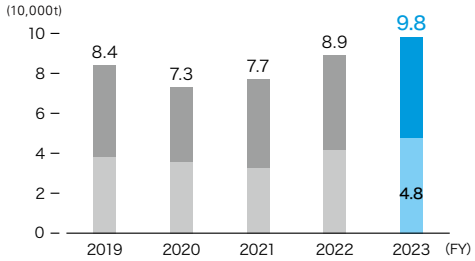


Water consumption

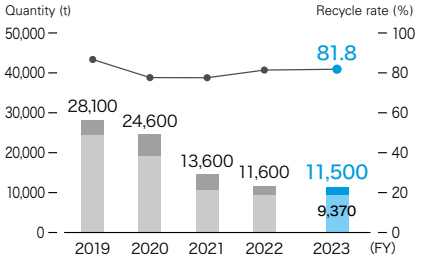


CO_2 emissions*2

Scope1 and 2 emissions from the Machinery business have been calculated*3

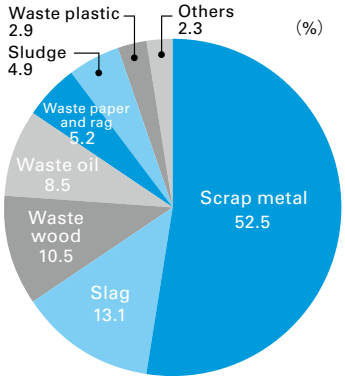


Total waste amount and recycle rate



*2 CO_2 emissions were calculated by following the Guidelines for Calculating Corporate Greenhouse Gases Emissions issued by the Ministry of the Environment. CO_2 emissions from electric power were calculated by using the adjusted CO_2 emission coefficient for designated electric enterprises that was also published by the Ministry of the Environment.
*3 Emissions from each business site related to the machinery business of the Company and major domestic group companies. Scope1:Direct emissions from combustion of fuel, etc. Scope2 : Indirect emissions from use of electricity, etc.

Breakdown of waste



Environmental preservation cost (= sum of investment and cost: 1,260.2 million yen) (JPY million)

Categories corresponding to business activities	Invest-ment	Cost	Major initiatives and effects
1. Business Area Cost			
(1) Pollution prevention cost	-	174.6	Exhaust gas measures, Wastewater treatment, Soil contamination countermeasures, Noise countermeasures, etc.
(2) Global environmental conservation cost	3.0	303.1	Substitution to energy-saving equipment
(3) Resource circulation cost	-	-14.8	Waste treatment, Recycle
2. Upstream /downstream cost	-	0.0	Green purchasing
3. Administration cost	-	65.3	Environmental management system implementation, Factory greening, Integrated reports, Environmental education
4. Research & development cost	367.9	359.3	Development of various environmentally friendly products
5. Social activity cost	-	1.8	Road cleaning, Activities of the Environmental Conservation Association, Green donation, Seminar sponsorship, etc.
6. Environmental remediation cost	0.0	-	
Total	370.9	889.3	

Non-Financial Key Data

Human capital

Scope of coverage: Figures through FY2022 cover five companies: Mitsui E&S Holdings, Mitsui E&S Shipbuilding, Mitsui E&S Machinery, Mitsui E&S Engineering and Mitsui E&S Business Service. Data from other sources are specified wherever applicable.

Ratio of male employees to female employees and average years of service

Scope of coverage:Figures for FY2023 after integration of the three companies (Figures as of April 1 of each year)

(FY)

	Unit	2020	2021	2022	2023	2024
Number of employees	Employees	3,591	3,044	2,346	2,188	2,292
Male	Employees	3,315	2,848	2,178	2,042	2,123
Percentage of male employees	%	92.3	93.6	92.8	93.3	92.6
Average years of service for men	Years	14.3	14.2	14.5	13.5	15.3
Female	Employees	276	196	168	146	169
Percentages of female employees	%	7.7	6.4	7.2	6.7	7.4
Average years of service for female	Years	11.9	12.3	12.8	10.8	12.4

Ratio of males and females by age

Scope of coverage:Figures for FY2023 after integration of the three companies

(FY)

		Unit	2020	2021	2022	2023	2024
Under 30		Employees	1,035	853	598	563	549
	Male	Employees	963 (93.0%)	790 (92.6%)	547 (91.5%)	513 (91.1%)	495 (90.2%)
	Female	Employees	72 (7.0%)	63 (7.4%)	51 (8.5%)	50 (8.9%)	54 (9.8%)
30 - 39		Employees	1,182	1,036	774	724	727
	Male	Employees	1,131 (95.7%)	996 (96.1%)	742 (95.9%)	700 (96.7%)	702 (96.6%)
	Female	Employees	51 (4.3%)	40 (3.9%)	32 (4.1%)	24 (3.3%)	25 (3.4%)
40 - 49		Employees	850	727	572	505	476
	Male	Employees	777 (91.4%)	674 (92.7%)	525 (91.8%)	469 (92.9%)	439 (92.2%)
	Female	Employees	73 (8.6%)	53 (7.3%)	47 (8.2%)	36 (7.1%)	37 (7.8%)
50 - 59		Employees	524	428	402	396	430
	Male	Employees	444 (84.7%)	388 (90.7%)	364 (90.5%)	360 (90.9%)	395 (91.9%)
	Female	Employees	80 (15.3%)	40 (9.3%)	38 (9.5%)	36 (9.1%)	35 (8.1%)
60 - 65		Employees	-	-	-	-	110
	Male	Employees	-	-	-	-	92 (83.6%)
	Female	Employees	-	-	-	-	18 (16.4%)

Number of new graduate hires

Source: Two companies including Mitsui E&S Machinery and Mitsui E&S Business Service

(FY)

		Unit	2020	2021	2022	2023	2024
Number of new graduate hires		Employees	116	69	48	60	58
	Including female new hires	Employees	13 (11.2%)	6 (8.7%)	3 (6.3%)	7 (11.7%)	9 (15.5%)
Number of administrative staff / engineer hires*1		Employees	70	42	33	41	37
	Including female hires	Employees	12 (17.1%)	5 (11.9%)	1 (3.0%)	7 (17.1%)	9 (24.3%)
	Including foreign nationals hires	Employees	17 (24.3%)	7 (16.7%)	7 (21.2%)	2 (4.9%)	1 (2.7%)
Number of skilled workers recruits		Employees	46	27	15	19	21
	Including female hires	Employees	1	1	0	0	0

*1Number of administrative staff / engineer hires

Scope: Mitsui E&S Machinery and Mitsui E&S Business Service
(from the fiscal year 2023 onwards, the figures after the integration of the three companies).

(FY)

		Unit	2020	2021	2022	2023	2024
Number of administrative staff recruits		Employees	20	9	2	9	7
	Including female hires	Employees	9 (45.0%)	4 (44.4%)	0 (0.0%)	4 (44.4%)	5 (71.4%)
Number of engineer recruits		Employees	50	33	31	32	30
	Including female hires	Employees	3 (6.0%)	1 (3.0%)	1 (3.2%)	3 (9.4%)	4 (13.3%)

Non-Financial Key Data

Number of mid-career hires

(FY)

	Unit	2019	2020	2021	2022	2023
Male	Employees	69	38	20	38	61
Female	Employees	16	9	4	4	6
Total	Employees	85	47	24	42	67

Number and ratio of employees with disabilities

(FY)

	Unit	2019	2020	2021	2022	2023
Number of workers used to calculate the statutory number of employment of people with disabilities	Employees	3,912.5	3,297.5	2,519	2,319	2,321
Number of employees	Employees	84	75	51	41	55
Employment ratio	%	2.15	2.27	2.02	1.77	2.37

*Figures as of June 1 of each year

Monthly average overtime hours

(FY)

	Unit	2019	2020	2021	2022	2023
Monthly average overtime hours	Hours	26.7	21.6	21.0	22.1	28.0

*Except managerial-level employees

Average number of used annual general leave

(FY)

	Unit	2019	2020	2021	2022	2023
Average number of used annual general leave	Days	17.9	19.2	18.2	20.0	19.4

*Except managerial-level employees

Frequency rate of lost-worktime accidents

(FY)

		2019	2020	2021	2022	2023
MITSUI E&S Group		0.24	0.3	0.15	0.28	0.08
Manufacturers*1		1.20	1.21	1.31	1.25	1.29
The Shipbuilders' Association of Japan*2		1.00	1.13	0.80	0.75	1.06

*1 Occupational accident statistics of Japan Advanced Information Center of Safety and Health *2 Statistic data from The Shipbuilders' Association of Japan

Number of employees taking childcare leave

(FY)

	Unit	2019	2020	2021	2022	2023
Male	Employees	3	5	14	25	74
Female	Employees	22	8	19	4	8
Male acquisition rate	%	-	-	-	-	94.8

Number of employees taking caregiving leave and volunteering leave

(FY)

	Unit	2019	2020	2021	2022	2023
Male	Employees	2	2	3	3	0
Female	Employees	1	2	1	0	0

Total number of training session attendees and duration of session

(FY)

		Unit	2019	2020	2021	2022	2023
Introductory training for new employees	Number of attendees	Employees	155	225	141	101	119
	Duration	Hours	6,768	9,544	3,736	2,832	3636
3rd Year Training	Number of attendees	Employees	74	53	41	49	27
	Duration	Hours	1,776	1,272	656	784	648
Assistant Manager Promotion Training	Number of attendees	Employees	Not applicable	Not applicable	103	62	46
	Duration	Hours			1,648	1,240	1,104
Management Candidate Training	Number of attendees	Employees	77	52	53	45	46
	Duration	Hours	3,696	1,664	1,696	1,440	1,656
Selective Training	Number of attendees	Employees	16	-	10	-	-
	Duration	Hours	1,792	-	1,040	-	-

Technical training

(FY)

		Unit	2019	2020	2021	2022	2023
Lecture-type technical training	Number of attendees	Employees	297	151	234	127	129
	Number of courses	Courses	17	12	17	14	16
e-learning (technical and skill improvement courses)	Number of attendees	Employees	138	177	135	85	96

Gender Wage Gap

Scope: Mitsui E&S Holdings, Mitsui E&S Machinery, and Mitsui E&S Business Service (figures after the integration of the three companies in the fiscal year 2023)

		Unit	2019	2020	2021	2022	2023
All Workers		%	-	-	-	82.7	79.8
	Regular Employees	%	-	-	-	82.9	82.3
	Non-Regular Employees	%	-	-	-	61.0	65.9

*1. Calculated based on the provisions of The Act. on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015)."

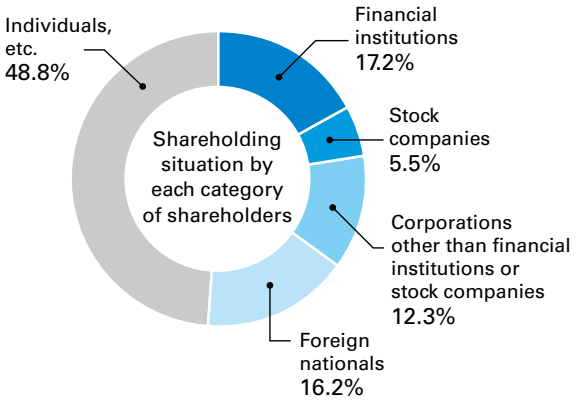
*2. Regarding the "wage disparity between male and female workers", it indicates the ratio of women's wages to men's wages. The main reason for the wage disparity is the difference in the number of employees by grade, and the wage standards are the same regardless of gender.

Stock and Bonds

(As of September 30, 2024)

Shareholding situation by each category of shareholders

	Number of shareholders	Number of Shares Held	Shareholding Ratio (%)
Financial institutions	41	17,701,999	17.2
Stock companies	65	5,628,658	5.5
Corporations other than financial institutions or stock companies	532	12,725,782	12.3
Foreign nationals	773	16,685,118	16.2
Individuals, etc.	80,569	50,357,160	48.8



Major 10 shareholders

1) Common Stock

Name	Number of Shares' Held (Thousand Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,754	8.67
Imabari Shipbuilding Co., Ltd.	3,864	3.83
SBI SECURITIES Co.,Ltd.	2,562	2.54
Mitsui & Co., Ltd.	2,550	2.52
J.P.MORGAN SECURITIES PLC	2,460	2.43
Custody Bank of Japan, Ltd. (Trust Account for the retirement allowance for Sumitomo Mitsui Trust Bank, Limited)	2,331	2.31
Central Tanshi Co.,Ltd.	1,681	1.66
TAIJU LIFE INSURANCE COMPANY LIMITED	1,600	1.58
Iwazaki Taiji	1,450	1.43
Custody Bank of Japan, Ltd. (Trust Account)	1,422	1.40

Notes:
1. The Company owns 2,239,251 shares of treasury stock which is excluded from the major shareholders listed above. The treasury stock includes 400 shares that are not actually owned by the Company, although they are in the name of the Company on the shareholder registry.
2. The shareholding ratio is calculated excluding treasury stock.
3. Company shares held by Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. Retirement Benefit Trust Account) are the retirement benefit trust assets entrusted by Sumitomo Mitsui Trust Bank, Limited.

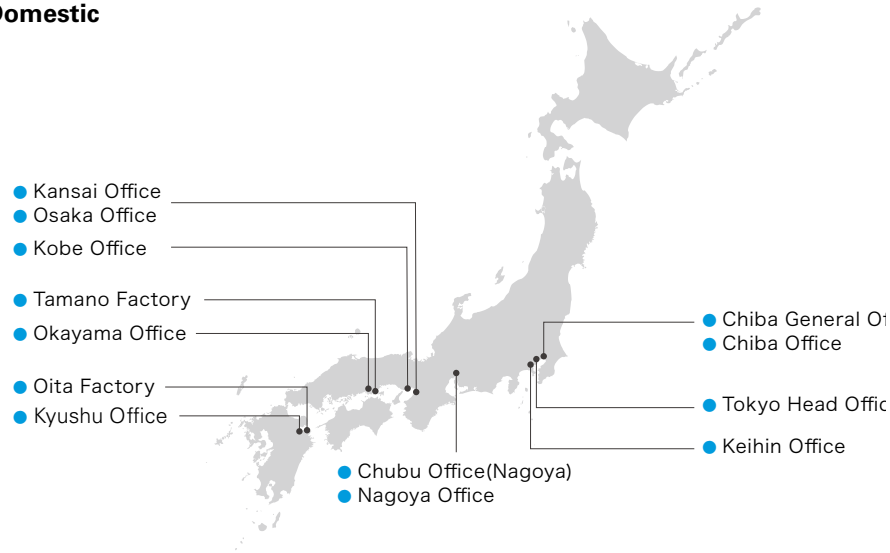
Company Profile

(As of September 30, 2024)

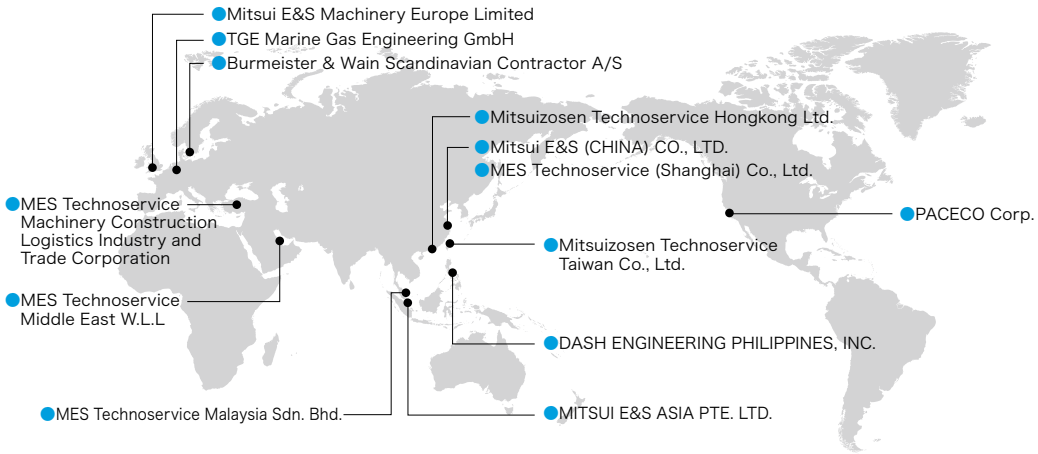
Company Name	MITSUI E&S Co., Ltd.
Head Office Location	6-4, Tsukiji 5-Chome, Chuo-ku, Tokyo 104-8439, Japan
Founded in	November 14, 1917
Established in	July 31, 1937
Capital	¥8,846 million
Employees	5,952 (Consolidated) (As of March 31, 2024)

Number of shares authorized to be issued	150,000,000 Shares
Number of outstanding shares	103,098,717 Shares
Number of shareholders	81,980

Domestic



Overseas



Major group company

Domestic

Mitsui E&S Power Systems Co., Ltd.
Mitsui E&S Technical Research Co., Ltd.
KAJI TECHNOLOGY CORPORATION
MITSUI MEEHANITE METAL CO.,LTD.
Mitsui E&S DU Co., Ltd.
AZUMA MACHINERY CO.,LTD.
SANZO MANUFACTURING & CONSTRUCTION CO. LTD.
MES TOKKI & ENGINEERING CO., LTD.
Mitsui E&S Systems Research Inc.
Mitsui E&S Engineering Co., Ltd.

Overseas

MES Technoservice Middle East W.L.L
MES Technoservice Machinery Construction Logistics Industry and Trade Corporation
Mitsuizosen Technoservice Hongkong Ltd.
MITSUI E&S ASIA PTE. LTD.
Mitsuizosen Technoservice Taiwan Co., Ltd.
MES Technoservice (Shanghai) Co., Ltd.
Mitsui E&S Machinery Europe Limited
PACECO Corp.
MES Technoservice Malaysia Sdn. Bhd.
DASH ENGINEERING PHILIPPINES, INC.
Mitsui E&S (CHINA) CO., LTD.
TGE Marine Gas Engineering GmbH
Burmeister & Wain Scandinavian Contractor A/S

Editorial Policy

We started creating the "MITSUI E&S Group Integrated Report" (the report) from 2019 ('19/4 - '20/3), aiming to provide our stakeholders with a deeper understanding of our business model and the process of realizing long-term sustainable corporate value improvement. The report focuses on information that has a significant impact on corporate value. A wide range of IR information and ESG-related information is disclosed comprehensively on our website, aiming for further improvement so that various stakeholders in Japan and overseas can understand our unique business model.

SUSTAINABLE DEVELOPMENT GOALS

MITSUI E&S agrees with the SDGs (Sustain- able Development Goals), an international goal set by the United Nations to solve global issues.

Positioning of "MITSUI E&S Group Integrated Report"

Financial Information	Non-Financial Information
INTEGRATED REPORT Gathers and summarizes key information	
Financial Statement Report https://www.mes.co.jp/investor/reports/financial_rep.html Website Pages [IR/Company Information] https://www.mes.co.jp/investor/	Website Pages [Sustainability] https://www.mes.co.jp/sustainable/

Scope	MITSUI E&S., Ltd. and major companies of the MITSUI E&S Group However, the applicable scope of reporting is specified on a case-by-case basis if it differs from the above.
Period	This report covers the period from April 2023 to March 2024. (However, some sections include information for April 2023 and thereafter.)
Reporting frequency	Once a year in principle
Publication date	February 2025
Reference Guidelines	• "Sustainability Reporting Standards issued" Global Reporting Initiative (GRI) • "International Integrated Reporting Framework" IFRS Foundation • "Guidance for Collaborative Value Creation" METI of Japan
Inquiries	MITSUI Co., Ltd. Public Relations Sect, Corporate Planning Dept Contact form https://www.mes.co.jp/contact.html
Disclaimers	This report contains plans and forecasts that were current as of the date of publication, as well as descriptions about our future business activities based on our management plans. Please note that this information is based on the currently available information, and the actual contents of our business activities may differ from the contents of this report due to future circumstances or the environment, or due to unanticipated events that may occur after the publication of this report.

MITSUI E&S

Engineering & Services for Evolution & Sustainability