

Mitsui E&S Announces Revisions to FY2024 Financial Results Forecasts—Positive Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement by MITSUI E&S Co., Ltd. (security code: 7003) on the revisions to financial results forecasts for the fiscal year ending March 2025 (FY2024).

- (1) On May 22, MITSUI E&S Co., Ltd. (the “Company”) announced revisions to its financial results forecasts for FY2024. The ordinary income and profit attributable to owners of parent will be 18 billion yen (down 13.1% year-on-year) and 35 billion yen (up 39.7% year-on-year), respectively. The Company had said that forecasts for the ordinary income and profit attributable to owners of parent were undetermined because it was difficult to reasonably calculate the impact related to the agreement on the sale of shares in MODEC, INC., which was announced on May 14, but it said that it was now able to calculate its financial results forecasts because the underwriting price and other factors were determined on May 22. The Company expects to record an extraordinary gain of approximately 20 billion yen (excluding the over-allotment portion) from the sale of shares in affiliated companies, and the forecasts reflect the over-allotment portion as well. The forecasts for net sales and operating income remain unchanged. The proceeds of over 50 billion yen from the sale are expected to be used for investment funds, reduction of interest-bearing debt, early redemption of Class-A preferred shares, shareholder returns, etc.
- (2) The pace of financial improvement is expected to quicken as a result of an increase in equity capital due to the posting of extraordinary gain, the reduction of interest-bearing debt and the redemption of Class-A preferred shares, using proceeds from the sale. As a result of the sale of the shares, the ratio of the number of shares of MODEC held by the Company to the total number of shares issued is expected to fall from the current over 40% to less than 10%. MODEC will cease to be an equity method affiliate accordingly. However, MODEC’s performance has been significantly fluctuating, as shown by its recording of net losses for three consecutive years from the fiscal year ended December 2019 (FY2019) to FY2021. Therefore, this sale of shares is expected to stabilize the Company's earnings base. Based on these points, the sale of shares is expected to have a positive impact on the rating. JCR will confirm the directions of the Company's future performance and the degree of financial improvement, and incorporate the results in the rating.

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<Reference>

Issuer: MITSUI E&S Co., Ltd.

Long-term Issuer Rating: BB+ Outlook: Stable

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