



May 14, 2024

Company name:	Mitsui E&S Co., Ltd.
Name of representative:	Takeyuki Takahashi, President, Representative Director, and CEO (Securities code: 7003, TSE Prime Market)
Inquiries:	Masaki Fujihara, General Manager of Corporate Planning Dept. (TEL: +81-3-3544-3147)

Announcement of the Partial Sale of Shares Held

MITSUI E&S Co., Ltd. (hereafter “MITSUI E&S”) hereby announces that it has resolved to sell a portion of the shares it holds in MODEC, Inc. (hereafter “MODEC”) through a secondary offering (hereafter “the secondary offering”) at the Board of Directors’ meeting held today. MITSUI E&S expects to record extraordinary income on this sale, the details of which are as follows.

MITSUI E&S plans to apply the proceeds it anticipates gaining through the secondary offering to the uses below in stages, from the three perspectives of business strategy, financial strategy, and the return of profits to our stakeholders, to increase the enterprise value of the company group.

- (1) Investment necessary for the expansion and operation of our group's focus business of port logistics in the global market including the US, as well as investment necessary for technical development and manufacturing of key components related to the marine propulsion business
- (2) Improve our financial soundness and reduce financing costs, etc., through reduction of interest-bearing debt and the early redemption of our Class A preferred shares
- (3) Return profits to common shareholders and further invest in our human capital

With the secondary offering, MODEC will no longer be an equity-method affiliate of MITSUI E&S, but there will be no impact on our business relationship and MITSUI E&S will continue to maintain good relations with MODEC. Also, even after the secondary offering is completed, MITSUI E&S, Mitsui & Co., Ltd., and Mitsui O.S.K. Lines, Ltd. will together continue to own more than one third of MODEC’s total shares outstanding, and the three companies each intend to continue to hold these shares over the medium to long term.

For details regarding the secondary offering, please refer to the “Notice Regarding Secondary Offering of Shares and Changes of Affiliated Companies, a Principal Shareholder, and the Largest Shareholder (which is also a Principal Shareholder),” released by MODEC dated today.

1. Regarding the secondary offering

In our Mid-Term Business Plan 2023, we set a vision of growing the marine propulsion business and port logistics business, our core businesses, through green and digital strategies, and are in the process of improving and strengthening our financial base by reviewing the assets we hold and focusing our management resources on our core businesses. The funding we anticipate gaining through the secondary offering will be utilized according to the abovementioned vision. Through these efforts, we will continue to avail ourselves of opportunities for growth and seek to improve our enterprise value sustainably.

Since MODEC's establishment, MITSUI E&S has held its shares over many years, and MODEC has been one of MITSUI E&S's key group companies in the area of offshore development. However, as a result of discussions with MODEC to review the capital relationship between MITSUI E&S and MODEC in light of the current level of transactions relating to the core businesses of MITSUI E&S as well as from the standpoint of improving corporate governance, we came to share the view that selling a portion of the MODEC shares held by MITSUI E&S would contribute to increasing the enterprise value of both companies over the medium to long term, and reached the decision to execute the secondary offering.

In this secondary offering, MITSUI E&S will sell 21,908,400 of the 27,697,000 shares it currently holds in MODEC. Through this secondary offering, the percentage of MODEC's shares held by MITSUI E&S is expected to be reduced to less than 10.0% of MODEC's total shares issued, so that MITSUI E&S will no longer be among MODEC's major shareholders. MODEC's free float ratio is also expected to improve as a result of this secondary offering; we believe this will contribute to maintaining the listing requirements for the TSE Prime Market.

With regard to the remaining shares of MODEC that MITSUI E&S will continue to hold, MITSUI E&S has agreed with Nomura Securities Co., Ltd. (hereafter "Nomura Securities"), the lead underwriter in this secondary offering, that MITSUI E&S will not sell or otherwise dispose of these shares without the prior written consent of Nomura Securities during the period starting from the date on which the offer price etc. of the shares in this secondary offering are determined (a date between May 22 and 28, 2024, hereafter the "Date of Pricing, etc.") and ending on the date that is the 90th day after the delivery date for the secondary offering (a day that is five business days after the Date of Pricing, etc.) (the lockup period).

2. Future outlook

The offer price from our company to the subscribers in the secondary offering will be determined on the Date of Pricing, etc. We expect to record a gain on the sale of shares in our equity-method affiliate at this offering in our non-consolidated and consolidated financial statements for the fiscal year ending March 31, 2025. The gain from the sale of 3,286,200 shares in MODEC, which is subject to the right to acquire additional shares granted to Nomura, in the secondary offering by way of over-allotment is scheduled to be recorded after the exercise of that right.

The effect of the sale of shares on performance will be promptly announced after the finalization of gains.