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Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 [Japanese GAAP]



May 14, 2020

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 7022
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 Scheduled date of Annual General Meeting of Shareholders: June 23, 2020
 Scheduled date of filing annual securities report: June 23, 2020
 Scheduled date of commencing dividend payments: June 24, 2020
 Availability of supplementary briefing material on annual financial results: Not available

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2020	49,805	3.5	(1,775)	—	(1,710)	—	(2,211)	—
March 31, 2019	48,144	1.5	1,272	—	1,326	—	1,383	—

(Note) Comprehensive income: Fiscal year ended March 31, 2020: ¥(2,862) million [—%]

Fiscal year ended March 31, 2019: ¥1,347 million [—%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Rate of ordinary profit (loss) to total assets	Rate of operating profit (loss) to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2020	(67.87)	—	(16.9)	(2.6)	(3.6)
March 31, 2019	42.45	42.06	9.9	2.0	2.6

(Reference) Profit (loss) on equity method investments: Fiscal year ended March 31, 2020: ¥238 million

Fiscal year ended March 31, 2019: ¥197 million

(Note) Diluted earnings per share for the Fiscal Year Ended March 31, 2020 are not shown in above table as a net loss per share was posted.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	63,681	11,660	18.2	354.76
As of March 31, 2019	67,110	14,654	21.7	447.74

(Reference) Equity: As of March 31, 2020: ¥11,571 million

As of March 31, 2019: ¥14,590 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2020	(3,317)	(1,534)	(605)	15,053
March 31, 2019	298	(3,154)	(135)	19,323

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2019	—	0.00	—	5.00	5.00	162	11.8	1.2
March 31, 2020	—	0.00	—	5.00	5.00	163	—	1.2
Fiscal year ending March 31, 2021 (Forecast)	—	—	—	—	—		—	

(Note 1) Dividends for the fiscal year ended March 31, 2020 is planned to be paid out of other capital surplus. For details, please refer to “Breakdown of dividends paid out of other capital surplus” below.

(Note 2) Annual dividend for the Fiscal Year Ending March 31, 2021 has not yet been determined.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	—	—	—	—	—	—	—	—	—

(Note) The consolidated earnings forecast for the fiscal year ending March 31, 2021 has not been determined because of the uncertain outlook for the business environment due to the impact of the COVID-19 and other factors, and the difficulty to make a proper and reasonable estimate of the impact at this time.

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2020: 32,637,500 shares

March 31, 2019: 32,606,800 shares

2) Total number of treasury shares at the end of the period:

March 31, 2020: 20,715 shares

March 31, 2019: 20,715 shares

3) Average number of shares during the period:

Fiscal Year Ended March 31, 2020: 32,590,754 shares

Fiscal Year Ended March 31, 2020: 32,580,838 shares

* These consolidated financial results are outside the scope of audit

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available and certain assumptions deemed reasonable. Actual results may differ significantly from these forecasts due to a wide range of factors.

Breakdown of dividends paid out of other capital surplus

The following provides the breakdown of dividends for the fiscal year ended March 31, 2020 that were paid out of other capital surplus:

Record date for dividend: March 31, 2020

Dividend per share: ¥5.00

Total dividends: ¥163 million

1. Summary of Business Results

In the business environment surrounding the Sanoyas Group, “twin surpluses” of shipping tonnage and shipbuilding capacity continues structurally and intensifies competition against Chinese and South Korean shipyards. The shipping market of bulk carriers has not shown recovery trend and newbuilding prices has been stagnant for a long time against a backdrop of uncertainty of global economy, and the shipbuilding industry is undergoing consolidation and restructuring both domestically and internationally.

In the Shipbuilding business, new 82,000 DWT type PANAMAX bulk carriers and new 64,000 DWT type ULTRAMAX bulk carriers have been developed. These vessels are applied IMO NOx Tier III regulation and IACS Harmonized Common Structural Rules and further improved fuel consumption. In addition, 41,000 DWT type HANDY SIZE bulk carriers have been developed newly. This type of vessel with wide beam and shallow draft has larger cargo hold capacity and applies new regulations. We carry out sales promotion. At the same time, we are expanding the range of our products to passenger ferries, special purpose vessels and work vessels, etc., and we are working on adding new item on our menu. On December 3, 2019, we completed and delivered a passenger and car ferry, which was built for the first time in the past about 20 years. As to the marine (ship repairing) and gas tank (manufacturing of cargo tank for LPG carrier) business that we have been working on expanding to complement the Shipbuilding business, we reorganized our gas tank business structure by placing "Gas Tank Sales Department" and "Gas Tank Design Department" that were established on April 1, 2019 under newly formed “Gas Tank Business Department” in order to strengthen its dedicated organizational capability and we have been constructing new gas tank production facilities in the Mizushima Shipyard (Kurashiki City, Okayama Prefecture) in addition to the Osaka Shipyard (Osaka City, Osaka Prefecture). Furthermore, the first LNG-fueled ship which is equipped our jointly developed fuel gas supply systems with Sumitomo Seika Chemicals Company, Limited. was completed in January, 2020. Despite the fact that we have made managerial efforts as noted above, we booked impairment loss of ¥991 million as extraordinary loss that is the difference between the sum of the amount of property, plant and equipment and intangible assets and the sum of the amount of real estate appraisals because negative cash flow of operating activities of shipbuilding business have continued reflecting sluggish shipbuilding market and low newbuilding prices. We had regarded the Machinery & Technology business as “second core business” and promoted various business portfolios. Sanoyas Engineering Corporation and DAICHU CO., LTD. which are mainly engaged in manufacturing and maintenance service of industrial machinery merged in April 1, 2019. In addition, Sanoyas Engineering Corporation merged with Sanoyas Construction Machinery Corporation which is mainly engaged in sales and rental business of construction-use elevator on April 1, 2020. We proceed to strengthen and expand the business structure by pursuing of synergies on sharing their factories. Furthermore, for the aim of promoting productivity and improving business efficiency by utilizing IT technologies such as Internet of Things, we assigned system engineers to our group companies from SANOTEC Corporation which is engaged in software development and calculation/information processing business on April 1, 2019. At the same time, we integrated SANOTEC Corporation and Sanoyas Business Partner Corporation which was mainly engaged in trading business. As a result of the business integration and consolidation of SANOTEC, the majority of the business domain has shifted to shipbuilding-related industries. We transferred the shares and the business administration of SANOTEC Corporation from Sanoyas MTG Corporation to Sanoyas Shipbuilding Corporation that was effective on January 1, 2020.

Moreover, in order to expand business field, we acquired all shares of Happiness Electric Corporation which is a manufacturer of power control boards, power distribution boards and power switch boards, and the company became a wholly-owned subsidiary of Sanoyas MTG Corporation on January 6, 2020.

Consolidated net sales for the fiscal year ended March 31, 2020 increased by ¥1,661 million (3.5%) over the same period of the previous fiscal year, to ¥49,805 million. Operating loss was ¥1,775 million (operating profit of the previous fiscal year was 1,272 million), ordinary loss was ¥1,710 million (ordinary profit of the previous fiscal year was ¥1,326 million), and loss attributable to owners of parent was ¥2,211 million (profit attributable to owners of parent of the previous fiscal year was ¥1,383 million).

2. Segment Results

①Shipbuilding & Engineering business

We tried to secure new orders for vessels under the market in which the newbuilding shipping price has not been recovered, and we received new orders of 4 vessels of new 82,000 DWT type PANAMAX bulk carriers and 1 vessel of 64,000 DWT type ULTRAMAX bulk carrier. In addition, we delivered 4 vessels of 82,000 DWT type PANAMAX bulk carriers, 2 vessels of 64,000 DWT type ULTRAMAX bulk carriers, 1 vessel of 60,000 DWT type SUPRAMAX bulk carrier and 1 vessel of passenger and car ferry. The number of backlog of orders has been 13 vessels as of March 31, 2020. As marine business and gas tank business, we focused on sales of repairing services for vessels of public and private sectors and LPG tanks. As a result of the business activities, the segment backlog of orders was ¥ 36,875 million on a percentage of completion method. The segment net sales for the fiscal year ended March 31, 2020 increased by ¥287 million (1.0%) over the same period of the previous fiscal year, to ¥29,932 million. The costs of shipbuilding have remained high due to rising material and construction costs. In addition, the evaluated net sales of the backlog of shipbuilding orders, including the newly ordered vessels, on a US dollar basis decreased because the yen has been stronger against the US dollar since April 2019. As a result, the profitability of the vessels deteriorated and the operating loss was ¥2,779 million (operating profit of the previous fiscal year was ¥336 million).

②M & T business

Regarding the Machinery & Technology business, steady results were seen in sales of vacuum emulsifiers and stirrers for cosmetics and industrial wastewater treatment for Japanese companies in China continue to increase. In addition, owing to the acquisition of Happiness Electric Corporation in January 6, 2020, its financial results of fourth quarter were consolidated. As a result of the business activities, the segment net sales for the fiscal year ended March 31, 2020 increased by ¥1,374 million (7.4%) over the previous fiscal year, to ¥19,873 million. The operating profit increased by ¥165 million (13.5%), to ¥1,396 million and the segment backlog of orders was ¥7,802 million.

2. Consolidated Financial Statements [Japanese GAAP]

(1) Consolidated Balance Sheets [Japanese GAAP]

(Million yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	20,108	15,623
Notes and accounts receivable - trade	15,305	15,085
Electronically recorded monetary claims - operating	465	535
Securities	500	500
Merchandise and finished goods	251	179
Work in process	1,117	1,464
Raw materials and supplies	659	829
Other	2,725	3,656
Allowance for doubtful accounts	(21)	(33)
Total current assets	41,112	37,839
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,152	20,686
Accumulated depreciation	(12,976)	(14,376)
Buildings and structures, net	6,175	6,310
Docks and building berths	5,033	4,763
Accumulated depreciation	(3,612)	(3,663)
Docks and building berths, net	1,421	1,099
Machinery, vehicles, tools, furniture and fixtures	34,910	34,761
Accumulated depreciation	(30,924)	(31,133)
Machinery, vehicles, tools, furniture and fixtures, net	3,985	3,628
Land	4,980	5,168
Construction in progress	196	158
Total property, plant and equipment	16,760	16,365
Intangible assets		
Software	362	550
Goodwill	357	901
Other	31	39
Total intangible assets	752	1,490
Investments and other assets		
Investment securities	6,997	5,894
Long-term loans receivable	475	401
Deferred tax assets	247	231
Net defined benefit asset	277	254
Other	591	1,346
Allowance for doubtful accounts	(103)	(143)
Total investments and other assets	8,485	7,984
Total non-current assets	25,997	25,841
Total assets	67,110	63,681

(Million yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,489	10,858
Notes payable - facilities	460	115
Short-term loans payable	4,830	5,442
Current portion of long-term loans payable	3,853	3,665
Income taxes payable	273	200
Advances received	4,505	2,696
Provision for bonuses	495	534
Provision for construction warranties	167	287
Provision for loss on construction contracts	3,109	2,286
Provision for removal cost of property and equipment	34	90
Lease obligations	165	261
Other	1,844	1,845
Total current liabilities	31,229	28,284
Non-current liabilities		
Long-term loans payable	12,699	14,214
Lease obligations	1,222	1,823
Deferred tax liabilities	2,322	2,181
Provision for removal cost of property and equipment	—	8
Net defined benefit liability	4,501	5,024
Asset retirement obligations	451	450
Other	28	33
Total non-current liabilities	21,226	23,736
Total liabilities	52,456	52,020
Net assets		
Shareholders' equity		
Capital stock	2,538	2,542
Capital surplus	402	405
Retained earnings	8,739	6,364
Treasury shares	(5)	(5)
Total shareholders' equity	11,675	9,306
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,308	2,708
Deferred gain (loss) on hedges	(2)	11
Foreign currency translation adjustment	(169)	(286)
Remeasurements of defined benefit plans	(221)	(169)
Total accumulated other comprehensive income	2,915	2,264
Share acquisition right	63	89
Total net assets	14,654	11,660
Total liabilities and net assets	67,110	63,681

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income [Japanese GAAP]

Consolidated Statements of Income [Japanese GAAP]

(Million yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Net sales	48,144	49,805
Cost of sales	42,071	46,477
Gross profit	6,073	3,328
Selling, general and administrative expenses	4,800	5,103
Operating profit (loss)	1,272	(1,775)
Non-operating income		
Interest income	17	11
Dividend income	115	132
Share of profit of entities accounted for using equity method	197	238
Foreign exchange gain	131	—
Other	96	43
Total non-operating income	558	426
Non-operating expenses		
Interest expenses	265	268
Commission for syndicate loan	102	—
Other	137	92
Total non-operating expenses	504	361
Ordinary profit (loss)	1,326	(1,710)
Extraordinary income		
Gain on sales of investment securities	38	578
Gain on sale of non-current assets	—	399
Gain on insurance adjustment	149	—
Gain on sale of businesses	110	—
Total extraordinary income	297	977
Extraordinary loss		
Impairment loss	62	1,123
Provision for assets removal	—	99
Total extraordinary loss	62	1,223
Profit (loss) before income taxes	1,562	(1,956)
Income taxes – current	301	272
Income taxes – deferred	(122)	(17)
Total income taxes	178	255
Profit (loss)	1,383	(2,211)
Profit (loss) attributable to owners of parent	1,383	(2,211)

Consolidated Statements of Comprehensive Income [Japanese GAAP]

(Million yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Profit (loss)	1,383	(2,211)
Other comprehensive loss (income)		
Valuation difference on available-for-sale securities	34	(600)
Deferred gain (loss) on hedges	(2)	16
Foreign currency translation adjustment	(136)	(114)
Remeasurements of defined benefit plans, net of tax	69	52
Comprehensive loss (income) of affiliates accounted for by the equity method attributable to the Company	0	(4)
Total other comprehensive loss (income)	(35)	(650)
Comprehensive income	1,347	(2,862)
Comprehensive income (loss) attributable to		
Owners of the parent	1,347	(2,862)
Non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows [Japanese GAAP]

(Million yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	1,562	(1,956)
Depreciation	1,690	1,577
Impairment loss	62	1,123
Amortization of goodwill	69	84
Increase (decrease) in net defined benefit liability	192	361
Increase (decrease) in allowance for doubtful accounts	2	52
Increase (decrease) in provision for bonuses	30	(2)
Increase (decrease) in provision for construction warranties	(86)	113
Increase (decrease) in provision for loss on construction contracts	(2,101)	(822)
Increase (decrease) in provision for removal cost of property and equipment	25	99
Interest and dividend income	(132)	(143)
Interest expenses	265	268
Foreign exchange loss (gain)	(115)	17
Gain on insurance income	(149)	—
Loss(gain) on sale of businesses	(110)	—
Loss(gain) on sale of non-current assets	1	(395)
Loss (gain) on sales of investment securities	(38)	(578)
Decrease (increase) in notes and accounts receivable – trade	(1,544)	857
Decrease (increase) in inventories	169	299
Decrease (increase) in advance payment	2	(1,014)
Increase (decrease) in notes and accounts payable - trade	244	(1,270)
Increase (decrease) in advances received	666	(1,820)
Decrease (increase) in consumption taxes refund receivable	(94)	(202)
Other, net	(145)	(175)
Subtotal	464	(3,526)
Interest and dividend income received	128	143
Interest expenses paid	(264)	(275)
Proceeds from dividends income from affiliates accounted for by equity method	—	261
Proceeds from insurance income	232	259
Income taxes paid	(262)	(179)
Net cash provided by (used in) operating activities	298	(3,317)
Cash flows from investing activities		
Payments into time deposits	(483)	(168)
Proceeds from withdrawal of time deposits	493	383
Net decrease (increase) in short-term investment securities	(500)	—
Purchase of property, plant and equipment	(2,787)	(1,970)
Proceeds from sales of property, plant and equipment	50	765
Purchase of non-current assets	(116)	(364)
Purchase of investment securities	(16)	(15)
Proceeds from sales of investment securities	13	884
Payments of loans receivable	(1)	(1)
Collection of loans receivable	74	73
Proceeds from sale of businesses	110	—
Payments for purchase of shares of subsidiaries	—	(1,023)
Other, net	(9)	(96)
Net cash provided by (used in) investing activities	(3,154)	(1,534)

(Million yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	200	(101)
Proceeds from long-term loans payable	12,100	5,281
Repayments of long-term loans payable	(13,467)	(4,480)
Proceeds from sales and leaseback transactions	1,343	273
Cash dividends paid	(162)	(162)
Repayments of lease obligations	(148)	(204)
Other, net	0	0
Net cash provided by (used in) financing activities	(135)	605
Effect of exchange rate change on cash and cash equivalents	90	(23)
Net increase (decrease) in cash and cash equivalents	(2,901)	(4,269)
Cash and cash equivalents at beginning of period	22,224	19,323
Cash and cash equivalents at end of period	19,323	15,053

(Segment Information)

Information concerning Net sales and Operating profit or loss by Reportable business segment

Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Million yen)

	Reportable segment		Total	Adjustments (Note 1)	Amount recorded in consolidated statements of income (Note 2)
	Shipbuilding & Engineering Business	Machinery & Technology Business			
Net sales					
External sales	29,644	18,499	48,144	—	48,144
Internal sales or transfers	276	15	292	(292)	—
Total	29,921	18,515	48,436	(292)	48,144
Segment profit	336	1,231	1,567	(294)	1,272
Segment assets	41,442	26,004	67,446	(335)	67,110
Other items					
Depreciation and amortization	852	749	1,602	88	1,690
Amortization of goodwill	—	69	69	—	69
Increase in property, plant and equipment and intangible assets	675	1,880	2,556	39	2,595

(Note 1) Details of “Adjustments” are as follows:

Adjustments for the segment profit of ¥(294) million include corporate cost of ¥(322) million not allocated to each reportable segment, allowance for doubtful accounts of ¥4 million and elimination of inter-segment transaction of ¥23 million.

Adjustments for segment assets of ¥(335) million include corporate assets of ¥5,176 million and consolidation adjustments of ¥(5,512) million.

Adjustments for depreciation and amortization of ¥88 million include depreciation and amortization of corporate assets of ¥92 million and the elimination of transaction between the segments of ¥(3) million.

Adjustment for the increase in property, plant and equipment and intangible assets of ¥39 million include investments in corporate assets of ¥4 million and software of ¥34 million.

Corporate cost consists of general and administrative expenses which do not belong to the reporting segment.

(Note 2) Segment profit is adjusted with operating profit recorded in the consolidated statements of income.

Fiscal Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Million yen)

	Reportable segment		Total	Adjustments (Note 1)	Amount recorded in consolidated statements of income (Note 2)
	Shipbuilding & Engineering Business	Machinery & Technology Business			
Net sales					
External sales	29,932	19,873	49,805	—	49,805
Internal sales or transfers	429	10	440	(440)	—
Total	30,361	19,884	50,246	(440)	49,805
Segment profit(loss)	(2,779)	1,396	(1,382)	(393)	(1,775)
Segment assets	35,764	28,566	64,330	(649)	63,681
Other items					
Depreciation and amortization	811	707	1,519	57	1,577
Amortization of goodwill	—	84	84	—	84
Increase in property, plant and equipment and intangible assets	1,453	443	1,897	393	2,290

(Note 1) Details of “Adjustments” are as follows:

Adjustments for the segment profit of ¥(393) million include corporate cost of ¥(418) million not allocated to each reportable segment, allowance for doubtful accounts of ¥2 million and elimination of inter-segment transaction of ¥23 million.

Adjustments for segment assets of ¥(649) million include corporate assets of ¥6,208 million and consolidated adjustment of ¥(6,858) million

Adjustments for depreciation and amortization of ¥57 million include depreciation and amortization of corporate assets of ¥58 million and the elimination of transaction between the segments of ¥(1) million.

Adjustment for the increase in property, plant and equipment and intangible assets of ¥393 million include investments in corporate assets of ¥161 million and software of ¥231 million.

Corporate cost consists of general and administrative expenses which do not belong to the reporting segment.

(Note 2) Segment profit is adjusted with operating profit recorded in the consolidated statements of income.

3. Supplementary information
 Status of sales and orders
 Segmental sales

Segment	Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)		Fiscal Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)	
	(Million yen)	Composition ratio (%)	(Million yen)	Composition ratio (%)
Shipbuilding & Engineering Business	29,644	61.6	29,932	60.1
Machinery & Technology Business	18,499	38.4	19,873	39.9
Total	48,144	100.0	49,805	100.0

Order status and backlog of orders

Segment	Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)		Fiscal Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)	
	Orders (Million yen)	Backlog of orders (Million yen)	Orders (Million yen)	Backlog of orders (Million yen)
Shipbuilding & Engineering Business	30,229	40,826	24,951	36,875
Machinery & Technology Business	13,403	6,790	12,371	7,802
Total	43,632	47,616	37,322	44,677

(Note) The backlog of orders of the shipbuilding in the Shipbuilding & Engineering Business as of March 31, 2020 is stated on the percentage of completion method and the number of backlog of orders is 13 ships on a delivery basis.