

Report of Consolidated Financial Results

For the Six Months Ended September 30, 2023

November 6, 2023

Name of Company: Hitachi Zosen Corporation
 Code Number: 7004 URL: <https://www.hitachizosen.co.jp/>
 Stock Exchange Listing: Tokyo
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This "Consolidated Financial Results" has been prepared in accordance with accounting principles generally accepted in Japan.

(Figures are rounded down to the nearest million yen.)

1. Business results and financial position for the six months ended September 30, 2023 (April 1 - September 30, 2023)

(1) Results of operations (Accumulated)

(Percentages show rates of increase or decrease from the period a year earlier.)

	Net sales		Operating income		Ordinary income		Profit attributable to shareholders of Hitachi Zosen	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
6 months ended Sep. 30, 2023	232,192	12.0	1,116	652.2	1,910	—	350	—
6 months ended Sep. 30, 2022	207,234	14.9	148	—	-2,755	—	-3,206	—

	Net income per share	Net income per share-diluted
	(yen)	(yen)
6 months ended Sep. 30, 2023	2.08	—
6 months ended Sep. 30, 2022	-19.02	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity to total assets
	(million yen)	(million yen)	(%)
As of September 30, 2023	459,565	143,438	30.0
As of March 31, 2023	479,682	141,311	29.1

(Note) Shareholders' equity: Yen 137,774 million (September 30, 2023), Yen 139,619 million (March 31, 2023)

2. Dividends

Record Date	Dividends per share (yen)		
	Interim	Year-end	Annual
Year ended March 31, 2023	0.0	18.0	18.0
Year ending March 31, 2024	0.0		
Year ending March 31, 2024 (Forecast)		18.0	18.0

(Note) Revisions to the dividends forecast most recently announced : None

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(Percentages show rates of increase or decrease from the period a year earlier.)

	Net sales		Operating income		Ordinary income		Profit attributable to shareholders of Hitachi Zosen		Net income per share – basic (yen)
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	
Year ending March 31, 2024	540,000	9.6	23,000	14.7	19,000	6.5	13,000	-16.5	77.14

(Note) Revisions to the forecast of consolidated earnings most recently announced : Yes

4. Notes

- (1) Changes in major subsidiaries during the period: None
- (2) Specific accounting policies applied in the quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and restatements
 - (i) Changes in accounting policies as per the revision of accounting standards: None
 - (ii) Changes in accounting policies other than (i) above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatements: None
- (4) Number of shares issued and outstanding (common stock)
 - (i) Number of shares issued and outstanding (including treasury stock)

September 30, 2023	170,214,843 shares
March 31, 2023	170,214,843 shares
 - (ii) Number of shares held in treasury

September 30, 2023	1,689,375 shares
March 31, 2023	1,687,175 shares
 - (iii) Average number of shares during the respective periods

Six months ended September 30, 2023	168,526,548 shares
Six months ended September 30, 2022	168,530,552 shares
- (5) This report is not subject to scope of Quarterly Reviews by the auditing firm.
- (6) Forward-looking statements are based on information currently available to Hitachi Zosen Corporation. Therefore, those forward-looking statements include unknown risks and uncertainties. Accordingly, you should note that the actual results could differ materially from those forward-looking statements. Risks and uncertainties that could influence the ultimate outcome include, but are not limited, to the economic conditions surrounding Hitachi Zosen Corporation.

5. Analysis of Financial Results

In this chapter, we analyze the consolidated operating results and consolidated financial position. Numerical figures are quoted from "8. Supplementary information" of this report.

(1) Overview of consolidated operating results

The economic situation in the first half of the year under review is gradually picking up both abroad and in Japan. Looking ahead, a gradual recovery is expected to continue under the improving employment and income environment. As global monetary tightening and other factors continue, we need to pay close attention to the effects of rising prices and fluctuations in financial and capital markets, in addition to the downside risks of overseas economies.

Under such circumstances, based on the medium-term management plan "Forward 25" that started in the fiscal year 2023, the Group has been promoting various key measures with the basic policies; sustainable growth of existing businesses, creation and expansion of growth businesses and promotion of sustainable management (enhancement of corporate value).

As a result of the above efforts, for the six months ended September 30, 2023, Order intake was Yen 346.7 billion, increased by 8.8% from the same period in the last fiscal year mainly due to an increase in Environment Business. Net sales were Yen 232.1 billion, also increased by 12.0% from the same period in the previous fiscal year mainly due to an increase in Environment Business.

In terms of profit and loss, Operating income was Yen 1.1 billion, increased by 652.2% from the same period of the previous year, mainly due to the return to profitability of in Environment Business, whereas Operating income was Yen 0.1 billion in the same period in the last fiscal year.

Ordinary income was Yen 1.9 billion, an improvement from the same period of the previous year and turned to the black, due to foreign exchange gains and an increase in equity in earnings of affiliates, whereas Ordinary loss was Yen 2.7 billion in the same period in the last fiscal year .

Accordingly, net income attributable to shareholders of Hitachi Zosen also turned to the black, recording a profit of Yen 0.3 billion, whereas net loss attributable to shareholders of Hitachi Zosen was Yen 3.2 billion in the same period in the last fiscal year.

Business results by segments are as follows.

Environmental Business:

Net sales increased by 18.2% to Yen 169.2 billion due to the progress of large-sized WtE constructions abroad. Operating income was Yen 0.5 billion due mainly to improved earnings in overseas subsidiaries, whereas Operating loss was Yen 0.1 billion in the same period in the last fiscal year

Machinery & Infrastructure Business:

Net sales increased by 4.5% to Yen 40.8 billion due mainly to an increase of infrastructure despite of a decrease of precision machinery. Operating income increased by 89.8% to Yen 0.7 billion from the same period in the last fiscal year.

Carbon Neutral Solution Business:

Net sales increased by 1.8% to Yen 21.1 billion due mainly to an increase of wind power despite of a decrease of engine. Operating loss decreased by Yen 0.2 billion to Yen 0.3 billion from the same period a year earlier.

Other Businesses:

Net sales decreased to Yen 1.0 billion and Operating income decreased to Yen 0.2 billion.

Due to the nature of the Group's business, a large proportion of projects is completed at the end of March, fiscal year closing month, and therefore sales are concentrated at the end of the consolidated fiscal year. Thus, there is a tendency that the Company's operating results experience the seasonal fluctuation.

(2) Overview of consolidated financial position

Assets, Liabilities and Net assets

Total assets decreased by Yen 20.1 billion to Yen 459.5 billion from the previous fiscal year-end mainly due to the large amounts of payments following the fiscal year end in Notes and accounts receivable and Contract assets following collection of trade receivables. Total liabilities decreased by Yen 22.2 billion to Yen 316.1 billion from the previous fiscal year-end owing to repayment of Notes and accounts payable. Net assets increased by Yen 2.1 billion to Yen 143.4 billion from the last fiscal year-end due to the increase of Non-controlling interests.

(3) Forecast of consolidated earnings

As for the fiscal year ending March 31, 2024, as orders received in the previous financial year were higher than originally planned, Net sales and Operating income in Environmental Business are expected to increase in the current financial year. In line with the increase in Operating income, Ordinary income and Net income attributable to shareholders of Hitachi Zosen are also expected to increase.

6. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	86,404	85,227
Notes and accounts receivable - trade, and contract assets	198,378	158,185
Merchandise and finished goods	1,461	2,352
Work in process	7,391	12,951
Raw materials and supplies	8,332	9,929
Other	20,749	25,198
Allowance for doubtful accounts	△3,864	△4,045
Total current assets	318,853	289,799
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,807	30,161
Land	40,223	40,267
Other, net	27,222	29,367
Total property, plant and equipment	98,253	99,797
Intangible assets		
Goodwill	1,079	5,051
Other	10,048	10,994
Total intangible assets	11,127	16,045
Investments and other assets		
Other	52,018	54,555
Allowance for doubtful accounts	△638	△686
Total investments and other assets	51,379	53,868
Total non-current assets	160,760	169,711
Deferred assets	67	54
Total assets	479,682	459,565

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	50,623	40,012
Electronically recorded obligations - operating	22,660	6,573
Short-term borrowings	16,618	16,274
Current portion of bonds payable	—	10,000
Lease liabilities	1,341	1,370
Accrued expenses	70,138	63,543
Income taxes payable	4,021	2,169
Contract liabilities	41,355	50,689
Provision for construction warranties	14,572	15,491
Provision for loss on construction contracts	6,819	6,558
Other	12,659	15,109
Total current liabilities	240,811	227,794
Non-current liabilities		
Bonds payable	30,000	20,000
Long-term borrowings	35,876	36,178
Lease liabilities	2,630	3,114
Deferred tax liabilities	415	425
Retirement benefit liability	21,354	20,935
Provision for retirement benefits for directors (and other officers)	63	61
Provision for loss on business liquidation	729	729
Provision for loss on litigation	669	1,016
Asset retirement obligations	3,081	3,090
Other	2,738	2,780
Total non-current liabilities	97,559	88,332
Total liabilities	338,370	316,126
Net assets		
Shareholders' equity		
Share capital	45,442	45,442
Capital surplus	8,176	7,805
Retained earnings	84,685	82,002
Treasury shares	△1,029	△1,031
Total shareholders' equity	137,274	134,219
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	986	1,164
Deferred gains or losses on hedges	77	526
Revaluation reserve for land	△7	△7
Foreign currency translation adjustment	426	1,579
Remeasurements of defined benefit plans	863	293
Total accumulated other comprehensive income	2,345	3,555
Non-controlling interests	1,691	5,664
Total net assets	141,311	143,438
Total liabilities and net assets	479,682	459,565

7. Profit and loss statements

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	207,234	232,192
Cost of sales	176,517	197,819
Gross profit	30,716	34,372
Selling, general and administrative expenses	30,568	33,256
Operating profit	148	1,116
Non-operating income		
Interest income	80	488
Dividend income	112	69
Share of profit of entities accounted for using equity method	100	1,034
Foreign exchange gains	—	603
Other	416	430
Total non-operating income	710	2,626
Non-operating expenses		
Interest expenses	374	287
Foreign exchange losses	1,614	—
Other	1,625	1,544
Total non-operating expenses	3,614	1,832
Ordinary profit (loss)	△2,755	1,910
Extraordinary income		
Subsidy income	1,798	—
Total extraordinary income	1,798	—
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	1,798	—
Provision for loss on litigation	—	328
Total extraordinary losses	1,798	328
Profit (loss) before income taxes	△2,755	1,581
Income taxes	477	1,262
Profit (loss)	△3,233	319
Loss attributable to non-controlling interests	△27	△31
Profit (loss) attributable to owners of parent	△3,206	350

8. Supplementary Information

(1) Consolidated Information by segments

i) Consolidated Order Intake

(Unit: Billions of yen)

Business Segment	Six months ended Sep. 30, 2022	Six months ended Sep. 30, 2023	Difference	Order backlog as of Sep. 30, 2023
Environment	244.3	270.0	25.7	1,296.9
Machinery & Infrastructure	46.6	40.0	-6.6	86.5
Carbon Neutral Solution	23.4	35.7	12.3	94.9
Other	4.5	1.0	-3.5	0.4
Total	318.8	346.7	27.9	1,478.7

ii) Consolidated Profit and Loss statements

(Unit: Billions of yen)

		Six months ended Sep. 30, 2022		Six months ended Sep. 30, 2023		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Net sales & Operating income	Environment	143.1	-0.1	169.2	0.5	26.1	0.6
	Machinery & Infrastructure	39.1	0.3	40.8	0.7	1.7	0.4
	Carbon Neutral Solution	20.7	-0.5	21.1	-0.3	0.4	0.2
	Other	4.3	0.4	1.0	0.2	-3.3	-0.2
	Total	207.2	0.1	232.1	1.1	24.9	1.0
Ordinary Income			-2.7		1.9		4.6
Profit attributable to shareholders of Hitachi Zosen			-3.2		0.3		3.5

iii) Consolidated Balance Sheet

(Unit: Billions of yen)

	As of Mar. 31, 2023	As of Sep. 30, 2023	Difference
Cash and time deposits	86.4	85.2	-1.2
Notes and accounts receivable - trade, and contract assets	198.3	158.2	-40.1
Inventories	17.2	25.2	8.0
Tangible & intangible fixed assets	109.4	115.8	6.4
Others	68.3	75.1	6.8
Total Assets	479.6	459.5	-20.1
Notes and accounts payable - trade	73.2	46.6	-26.6
Interest bearing debt	86.5	86.9	0.4
Others	178.6	182.6	4.0
Total Liabilities	338.3	316.1	-22.2
Shareholders' equity	137.3	134.2	-3.1
Accumulated other comprehensive income	2.3	3.5	1.2
Non-controlling interests	1.7	5.7	4.0
Total Net Assets	141.3	143.4	2.1
Total Liabilities and Net Assets	479.6	459.5	-20.1

iv) Consolidated Statements of Cash Flows

(Unit: Billions of yen)

	Six months ended Sep. 30, 2022	Six months ended Sep. 30, 2023	Difference
Cash flows from operating activities	29.6	8.2	-21.4
Cash flows from investing activities	-6.1	-16.6	-10.5
Cash flows from financing activities	-3.6	-3.8	-0.2
Foreign exchange translation	2.0	2.3	0.3
Increase/decrease in cash & cash equivalents	21.9	-9.9	-31.8
Cash & cash equivalents at beginning of period	65.9	84.8	18.9
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	3.5	3.5
Cash & cash equivalents at end of period	87.8	78.4	-9.4

(2) Forecast of Consolidated Information by segments for fiscal year ending March 31, 2024

i) Consolidated Order Intake

(Unit: Billions of yen)

Business Segment	Forecast Released on Aug. 1, 2023	Forecast Released on Nov. 6, 2023	Difference
Environment	470.0	470.0	0.0
Machinery & Infrastructure	86.0	86.0	0.0
Carbon Neutral Solution	62.0	62.0	0.0
Other	2.0	2.0	0.0
Total	620.0	620.0	0.0

ii) Consolidated Profit and Loss statements

(Unit: Billions of yen)

		Forecast Released on Aug. 1, 2023		Forecast Released on Nov. 6, 2023		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating income & Net sales	Environment	376.5	18.0	396.5	19.0	20.0	1.0
	Machinery & Infrastructure	85.0	2.6	89.0	2.6	4.0	0.0
	Carbon Neutral Solution	57.0	1.2	53.0	1.2	-4.0	0.0
	Other	1.5	0.2	1.5	0.2	0.0	0.0
	Total	520.0	22.0	540.0	23.0	20.0	1.0
Ordinary Income		18.0		19.0		1.0	
Profit attributable to shareholders of Hitachi Zosen		12.0		13.0		1.0	