Report of Consolidated Financial Results

For the Six Months Ended September 30, 2019

October 31, 2019

Name of Company:	Hitachi Zosen Corporation
Code Number:	7004 URL: https://www.hitachizosen.co.jp
Stock Exchange Listing:	Токуо
Representative:	Takashi Tanisho, Chairman & President
Contact Person:	Tetsuro Iwashita, Executive Officer, General Manager of Accounting Department
	tel. +81-6-6569-0001

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, 2019 (April 1 - September 30, 2019)

(1) Results of operations (Accumulated)

(Percentages show rates of increase or decrease from the period a year earlier.)	ł
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	Net sales		Operating income		Ordinary in	come	Profit attributable to	
	(million yen) (%)		(million yen)	(%)	(million yen)	(%)	shareholders of Hit	achi Zosen
							(million yen)	(%)
6 months ended Sep. 30, 2019	168,260	9.8	-6,333	—	-6,866	—	-10,625	_
6 months ended Sep. 30, 2018	153,243	-5.6	-8,496	_	-8,647	_	-7,682	_

	Net income per share _(yen)	Net income per share-diluted (yen)
6 months ended Sep. 30, 2019	-63.04	_
6 months ended Sep. 30, 2018	-45.58	_

(2) Financial position

	Total assets (million yen)	Net assets (million yen)	Shareholders' equity to total assets (%)	
As of September 30, 2019	383,583	106,618	27.6	
As of March 31, 2019	429,040	120,410	27.8	

(Note) Shareholders' equity: Yen 105,713 million (September 30, 2019), Yen 119,479 million (March 31, 2019)

2. Dividends

Decord Date	Dividends per share (yen)					
Record Date	Interim	Year-end	Annual			
Year ended March 31, 2019	0.0	12.0	12.0			
Year ending March 31, 2020	0.0					
Year ending March 31, 2020 (Forecast)		12.0	12.0			

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

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2020 (April 1, 2019 - March 31, 2020)

(Percentages show rates of increase or decrease from the period a year earlier.										
	Net sales Operating income			Ordinary income		Profit attributable to		Net income per		
							shareholders of Hitachi Zosen		share – basic	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(yen)	
Year ending March 31, 2019	395,000	4.5	12,000	63.1	8,000	19.0	1,000	-81.6	5.93	

(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: Yes

(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, 2019 170,214,843 shares

March 31, 2019 170,214,843 shares

(ii) Number of shares held in treasury

September 30, 2019 1,672,050 shares

March 31, 2019 1,670,326 shares

(iii) Average number of shares during the respective periods

Six months ended September 30, 2019

Six months ended September 30, 2018 168,547,722 shares

- (5) This report is out of scope of Quarterly Reviews.
- (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.

168,543,546 shares

5. Analysis of Financial Results

(1) Overview of consolidated operating results

Under the medium-term management plan, "Change & Growth", covering the three-year period started in the fiscal year 2017, we have made efforts diligently for various key measures based on the basic strategies; restructure business foundation and improve productivity, maximize our group's comprehensive strengths and promote portfolio management.

For the six months ended September 30, 2019, Order intake increased 7.9% to Yen 200.2 billion from the same period in the previous fiscal year due to an increase in Machinery and Infrastructure. Net sales also increased 9.8% to Yen 168.2 billion from the same period in the previous fiscal year due mainly to an increase in Environmental Systems & Industrial Plants.

Operating loss improved by Yen 2.1 billion to a loss of Yen 6.3 billion from the same period of the previous fiscal year. A significant improvement in Environmental Systems & Industrial Plants compensated an increase of the loss in Machinery and Infrastructure. Reflecting the decrease of operating loss, Ordinary loss also improved by Yen 1.8 billion to a loss of Yen 6.8 billion from the corresponding period of a year earlier. On the other hand, due to the recognition of extraordinary loss, Loss attributable to shareholders of Hitachi Zosen increased by Yen 3.0 billion from the same period of the previous year to Yen 10.6 billion.

Business results by segments compared with the previous fiscal year are as follows.

Environmental Systems & Industrial Plants:

Net sales increased 21.0% to Yen 106.4 billion due to the progress of large-scale construction of domestic EfW plants. Operating loss also decreased significantly by Yen 7.6 billion to Yen 0.5 billion due to the improvement in loss at overseas subsidiaries and the cost reduction in large-scale domestic EfW constructions.

Machinery:

Net sales decreased 8.9% to Yen 43.0 billion due to a decrease in sales of process equipment and precision machinery. Reflecting the decrease of profitability of process equipment, Operating loss also increased by Yen 2.7 billion to Yen 3.2 billion.

Infrastructure:

Although Net sales increased 4.7% to Yen 13.3 billion due to an increase in large-sized constructions, Operating loss increased by Yen 2.9 billion to Yen 3.0 billion due to the deterioration in profitability of constructions and incurring the large compensation cost in new products.

Other Businesses:

Net sales increased 1.8% to Yen 5.5 billion and Operating income also increased 33.3% to Yen 0.4 billion.

Due to the nature of business in our group companies, large proportion of projects are completed in the end of March, fiscal year closing month of public sector companies. Thus, there is a tendency that our operating results experience the seasonal fluctuation.

(2) Overview of consolidated financial position

Assets, Liabilities and Net assets

Total assets at the end of the second quarter of the current consolidated fiscal year decreased by Yen 45.5 billion to Yen 383.5 billion from the previous fiscal year end mainly due to the large amounts of collection of Notes and accounts receivable. Total liabilities decreased by Yen 31.7 billion to Yen 276.9 billion from the previous fiscal year end due to the repayment of Interest-bearing debt. Net assets decreased by Yen 13.8 billion from the previous fiscal year end to Yen 106.6 billion reflecting Loss attributable to shareholders of Hitachi Zosen in the first half of this fiscal year.

(3) Forecast of consolidated earnings

Concerning the forecast of consolidated sales and earnings for the fiscal year ending March 31, 2020, Net sales is expected to increase by Yen 15.0 billion to Yen 395.0 billion as per the last announcement of October 4, 2019 due to the boost of net sales in Environmental Systems & Industry Plants.

On the other hand, in terms of profit and loss, Operating income remains unchanged from Yen 12.0 billion, our previous announcement. While operating income in Environmental Systems & Industrial Plants is expected to increase due to the expansion of net sales and the cost reduction, operating income in Machinery and Infrastructure is expected to decline owing to the deterioration in profitability. As a result, Ordinary income and Profit attributable to shareholders of Hitachi Zosen also remains unchanged from Yen 8.0 billion and Yen1.0 billion, from the last announcement.

6. Consolidated Balance Sheets

		(Millions of yen
	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	35,578	26,923
Notes and accounts receivable - trade	172,704	125,288
Merchandise and finished goods	1,582	1,304
Work in process	23,422	26,39
Raw materials and supplies	5,802	5,69
Other	17,874	18,06
Allowance for doubtful accounts	∆3,771	∆3,02
Total current assets	253,193	200,63
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,456	35,97
Land	56,934	57,95
Other, net	26,998	29,13
Total property, plant and equipment	118,389	123,05
Intangible assets		
Goodwill	2,994	2,54
Other intangible assets	8,553	8,18
Total intangible assets	11,547	10,73
Investments and other assets		
Other investments and other assets	46,464	49,65
Allowance for doubtful accounts	△666	∆60
Total investments and other assets	45,797	49,04
Total non-current assets	175,734	182,84
Deferred assets	113	10
Total assets	429,040	383,58

Liabilities Current liabilities Notes and accounts payable - trade 47,103 37,4: Electronically recorded obligations - operating 21,386 19,20 Short-term loans payable 52,429 31,1 Lease obligations 390 77 Accrued expenses 45,508 40,33 Accrued income taxes 4,109 1,44 Advances received 21,481 31,56 Provision for loss on construction contracts 3,218 3,00 Other current liabilities 13,854 11,33 Total current liabilities 212,637 181,33 Non-current liabilities 25,000 25,00 Bonds payable 25,000 25,00 Long-term loans payable 1,075 3,2 Retirement benefit liability 19,296 19,99 Provision for retirement benefits for 356 33 directors (and other officers) 356 33 Asset retirement obligations 1,103 1,11 Other 1,209 45,442 45,442			(Millions of ye
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Total accumulated other comprehensive income1,67156Non-controlling interests93196Total net assets120,410106,6	Foreign currency translation adjustment	1,335	60
Total accumulated other comprehensive income1,67156Non-controlling interests93196Total net assets120,410106,6	Remeasurements of defined benefit plans	209	∆7
Non-controlling interests93190Total net assets120,410106,6	Total accumulated other comprehensive	1,671	56
Total net assets 120,410 106,6		931	90
	Total liabilities and net assets	429,040	383,58

7. Consolidated Statements of Income

		(Millions of ye
	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	153,243	168,26
Cost of sales	135,376	147,61
Gross profit	17,867	20,64
Selling, general and administrative expenses	26,363	26,98
Operating loss	∆8,496	∆6,33
Non-operating income		
Interest income	35	4
Dividend income	100	12
Equity in net income of nonconsolidated subsidiaries and affiliates	269	33
Other	1,363	64
Total non-operating income	1,770	1,15
Non-operating expenses		
Interest expenses	397	41
Other	1,524	1,26
Total non-operating expenses	1,921	1,68
Ordinary loss	∆8,647	∆6,86
Extraordinary losses		
Loss on overseas business	—	7,19
Total extraordinary losses	_	7,19
Loss before income taxes	∆8,647	∆14,06
Income taxes	∆902	∆3,45
Loss	∆7,745	∆10,60
Profit (loss) attributable to non-controlling interests	∆62	1
Loss attributable to shareholders of Hitachi Zosen	∆7,682	∆10,62

8. Supplementary Information

(1) Consolidated Information by segments

i) Order Intake

i) Order Intake				(Unit: billion yen)
Business Segment	Six months ended Sep. 30, 2018	Six months ended Sep. 30, 2019	Difference	Order backlog as of Sep. 30, 2019
Environmental Systems & Industrial Plants	123.4	115.4	-8.0	578.9
Machinery	42.5	55.6	13.1	98.0
Infrastructure	13.6	23.7	10.1	48.9
Other Businesses	6.0	5.5	-0.5	0.8
Total	185.5	200.2	14.7	726.6

ii) St	ii) Statements of Operations (Unit: billion yen)							
		Six mont Sep. 30	ns ended), 2018	Six mont Sep. 30	hs ended), 2019	Difference		
		Net	Operating	Net	Operating	Net	Operating	
		sales	income	sales	income	sales	income	
	Environmental Systems & Industrial Plants	87.9	-8.1	106.4	-0.5	18.5	7.6	
Oper	Machinery	47.2	-0.5	43.0	-3.2	-4.2	-2.7	
Net sales & Operating income	Infrastructure	12.7	-0.1	13.3	-3.0	0.6	-2.9	
	Other Businesses	5.4	0.3	5.5	0.4	0.1	0.1	
	Total	153.2	-8.4	168.2	-6.3	15.0	2.1	
c	ordinary Income		-8.6		-6.8		1.8	
Extraordinary loss		_		7.2		-7.2		-7.2
Profit attributable to shareholders of Hitachi Zosen			-7.6		-10.6		-3.0	

i) Order Intake (Unit: billion years)										
Business Segment	(Actual) Fiscal year ended Mar. 31, 2019	(Forecast) Released on Oct. 4, 2019	(Forecast) Released on Oct. 31, 2019	(Forecast) Difference						
Environmental Systems & Industrial Plants	314.7	240.0	240.0	0.0						
Machinery	100.7	110.0	110.0	0.0						
Infrastructure	27.6	40.0	40.0	0.0						
Other Businesses	12.0	10.0	10.0	0.0						
Total	455.0	400.0	400.0	0.0						

(2) Forecast of Consolidated Information by segments for fiscal year ending March 31, 2020

ii) Statements of Operations

ii) Statements of Operations (Unit: billion yen)										
		(Actual) Fiscal year ended Mar. 31, 2019		(Forecast) Released on Oct. 4, 2019		(Forecast) Released on Oct. 31, 2019		(Forecast) Difference		
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	
Net sales & Operating income	Environmental Systems & Industrial Plants	228.3	5.6	240.0	10.0	255.0	13.0	15.0	3.0	
	Machinery	106.6	-0.3	100.0	1.0	100.0	0.0	0.0	-1.0	
	Infrastructure	31.8	1.3	30.0	0.5	30.0	-1.5	0.0	-2.0	
	Other Businesses	11.4	0.7	10.0	0.5	10.0	0.5	0.0	0.0	
	Total	378.1	7.3	380.0	12.0	395.0	12.0	15.0	0.0	
Ordinary Income		6.7 8.0		8.0		0.0				
Profit attributable to shareholders of Hitachi Zosen			5.4	1.0		1.0		0.0		