



April 25, 2022

Company Hitachi Zosen Corporation
Representative Sadao Mino, President & CEO
(Securities code: 7004; Prime Market, Tokyo Stock Exchange)
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Notice of Extraordinary Income, Extraordinary Loss and Revisions to Earnings Forecasts

We hereby inform that we are recording extraordinary income and extraordinary losses in the fiscal year ended March 31, 2022 and announce the followings. In addition, due to improvements in operating income and ordinary income, we have revised the forecast of earnings disclosed on February 7, 2022 as follows.

1. Recording of negative goodwill occurrence (extraordinary income)

As stated in the “Notice Regarding Share Acquisition of Steinmüller Babcock Environment Group Companies (to make them subsidiaries)” issued on December 8, 2021, our consolidated subsidiary Hitachi Zosen Inova AG, having entered into a share purchase agreement on 9 December, 2021, has acquired all shares in the Steinmüller Babcock Environment GmbH (current company name: Hitachi Zosen Inova Steinmüller GmbH) on 9 February, 2022 and made the company its consolidated subsidiary. Accordingly, a gain on negative goodwill of JPY3.8 billion will be recorded as extraordinary income in the consolidated financial statements for the year ended March 31, 2022.

2. Recording of impairment loss (extraordinary loss)

(1) Our Company’s Ibaraki Works

In our electricity wholesale business, including our Ibaraki Works, we have determined that there are signs of impairment of fixed assets since cash flows generated from its operating activities continue to be negative. As a result of a review of future recoverability, we plan to reduce the book value to the recoverable amount and record an impairment loss of JPY1.6 billion as an extraordinary loss in non-consolidated financial results for the fiscal year ended 31 March, 2022. The impact on consolidated profit and loss is the same amount.

(2) Natural Energy Japan Corporation

At our consolidated subsidiary, Natural Energy Japan Corporation (hereafter "NEJ"), we have determined that there are signs of impairment of fixed assets since cash flows generated from its operating activities continue to be negative. As a result of a review of future recoverability, the book value was reduced to the memorandum value and an impairment loss of JPY2.1 billion is recorded. As a result, we plan to record the same amount as an extraordinary loss in the consolidated financial results for the fiscal year ended March 31, 2022.

3. Recording of provision for loss on guarantee (extraordinary loss) (non-consolidated)

As described in Item 2. (2) above, due to the increase in the amount of excess debts resulting from the recording of impairment loss of fixed assets at NEJ, we plan to record an extraordinary loss of JPY1.7 billion as a provision for loss on guarantee for NEJ in the non-consolidated financial results for the year ended March 31, 2022.

The provision for loss on guarantees is recorded only in the non-consolidated financial statements and eliminated in the consolidated financial results; therefore, there is no impact on consolidated profit.

4. Revisions to forecasts of consolidated earnings

For the fiscal year ended March 31, 2022, operating income will deteriorate due to an increase in the provision for loss on construction projects, but it will improve through the reduction of construction costs and fixed costs. In addition, ordinary income will improve due to an improvement in foreign exchange gain and loss, and an improvement in equity method investment gain and loss. Furthermore, profit attributable to shareholders of Hitachi Zosen will improve due to a decrease in tax expenses. We hereby revise the forecast of consolidated earnings for the fiscal year ended March 31, 2022 as follows, although we are currently compiling them.

There is no change in the year-end dividend forecast as a result of this change.

Revision of forecasts of consolidated earnings for the fiscal year ended March 31, 2022 (April 1, 2021 - March 31, 2022)

	Net sales	Operating income	Ordinary income	Profit attributable to shareholders of Hitachi Zosen	Net Income per share
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	Yen
Previous forecast (A)	420,000	15,000	10,000	5,500	32.63
Revised forecast (B)	440,000	15,300	11,500	7,500	44.50
Change (B-A)	20,000	300	1,500	2,000	
Change (%)	4.8	2.0	15.0	36.4	
(Reference)					
Previous year results (Year ended March 2021)	408,592	15,396	11,792	4,258	25.26

※The above forecasts are based on information currently available to us and on certain that we consider reasonable. Actual results may differ from these forecasts due to various factors.