

# Report of Consolidated Financial Results

For the Six Months Ended September 30, 2013

October 31, 2013

Name of Company: Hitachi Zosen Corporation  
 Code Number: 7004 URL: <http://www.hitachizosen.co.jp>  
 Stock Exchange Listings: Tokyo  
 Representative: Takashi Tanisho, President & Chief Operating Officer  
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This "Consolidated Financial Results" has been prepared in accordance with accounting principles generally accepted in Japan.

## 1. Business results and financial positions for the six months ended September 30, 2013 (April 1 - September 30, 2013)

### (1) Results of operations (Accumulated) (Percentages show rates of increase or decrease from the period a year earlier.)

	Net sales		Operating income		Ordinary income		Net income	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
6 months ended Sept. 30, 2013	128,198	-3.8	-3,719	—	-3,880	—	-4,076	—
6 months ended Sept. 30, 2012	133,231	6.4	1,895	17.0	2,045	28.5	803	-50.8

	Net income per share (yen)	Net income per share-diluted (yen)
6 months ended Sept. 30, 2013	-26.03	—
6 months ended Sept. 30, 2012	5.06	4.86

Net income per share is calculated in consideration of the one for five share consolidation of common stock effective October 1, 2013. Net income per share and Net income per share-diluted for the 6 months ended Sept. 30, 2012 are also calculated assuming one for five share consolidated at the beginning of the previous fiscal year.

### (2) Financial position

	Total assets (million yen)	Net assets (million yen)	Shareholders' equity to total assets (%)
As of Sept. 30, 2013	340,084	109,961	27.5
As of March 31, 2013	366,347	115,126	26.9

(Note) Shareholder's equity: Yen 93,426 million (September 30, 2013), Yen 98,414 million (March 31, 2013)

## 2. Dividends

Record Date	Dividends per share (yen)		
	Interim	Year-end	Annual
Year ended March 31, 2013	0.0	2.0	2.0
Year ending March 31, 2014	0.0		
Year ending March 31, 2014 (Forecast)		10.0	10.0

Year-end dividend for the year ending March 31, 2014 (Forecast) is calculated in consideration of the one for five share consolidation of common stock effective October 1, 2013.

3. Forecast of consolidated earnings for the year ending March 31, 2014 (April 1, 2013 - March 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share – basic (yen)
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	
Year ending March 31, 2014	320,000	7.8	13,000	14.4	10,000	-11.1	7,500	1.2	47.85

Net income per share-basic of the forecast for the fiscal year ending March 31, 2014 is calculated in consideration of the one for five share consolidation of common stock effective October 1, 2013.

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, 2013           159,214,656 shares
- March 31, 2013               159,214,656 shares
- (ii) Number of shares held in treasury
- September 30, 2013           2,732,628 shares
- March 31, 2013               2,465,894 shares
- (iii) Average number of shares during the respective periods
- Six months ended September 30, 2013       156,569,906 shares
- Six months ended September 30, 2012       158,767,073 shares

Number of shares issued and outstanding (including treasury stock), Number of shares held in treasury, and Average number of shares during the respective periods are calculated in consideration of the one for five share consolidation of our common stock effective October 1, 2013.

Number of shares issued and outstanding (including treasury stock) for the fiscal year ended March 31, 2013, Number of shares held in treasury for the fiscal year ended March 31, 2013, and Average number of shares during the respective periods of the six months ended September 30, 2012 are also calculated assuming that the shares of our common stock were consolidated at the beginning of the previous fiscal year.

(Notes)

- (1) As of this report's publication, the quarterly review procedures in accordance with Japanese Financial Instruments and Exchange Act are in progress.
- (2) 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

### (1) Overview of consolidated operating results

Based on "Hitz Vision", the 3-year medium term business plan starting from fiscal year 2011, we are taking measures to stimulate innovation in business operations and management; implementing priority investment of our corporate resources, fostering the growth area, strengthening our fundamental earning power and our financial position and identifying new business fields and new market segments.

In the six months ended September 30, 2013, Order intake decreased to Yen 143,175 million from the same period a year earlier, reflecting the decline of the large new orders in Environmental systems & Industrial plants. Net sales also decreased to Yen 128,198 million from the same period a year ago due to the deterioration of sales in Machinery.

Concerning the profitability of operation, Operating loss and Ordinary loss were Yen 3,719 million and Yen 3,880 million respectively. Although the Operating loss in Infrastructure reduced, the Environmental systems & Industrial plants and Machinery moved from Operating income to Operating loss and the Equity in net loss of nonconsolidated subsidiaries and affiliates was recognized. As a result, Net loss for the period was Yen 4,076 million which was below the level of the corresponding six months period a year earlier.

Business results by segments are as follows.

As per reorganization effective January 1, 2013, Environmental systems and Industrial plants are merged into one segment. In the following analysis, the figure of the correspondent period a year earlier is also restated to reflect this organizational change.

#### Environmental Systems & Industrial Plants:

Net sales decreased to Yen 73,316 million from the same period a year ago due to completion of construction of EfW which has already received orders until previous fiscal year. Although this segment booked Operating income in the same period of the last year, Operating loss of Yen 1,233 million was realized.

#### Machinery:

Net sales declined to Yen 24,258 million since sales of marine diesel engines have slowed down. Additionally, this segment marked Operating loss of Yen 275 million contrary to Operating income in the last correspondent period.

#### Process Equipment:

Net sales increased to Yen 6,159 million due to the addition of NAC International Inc. as a consolidated subsidiary. Although this segment booked Operating income in the same period of the previous fiscal year, Operating loss of Yen 533 million was recorded.

#### Infrastructure:

In spite of the intensified competition in public sector, Net sales increased to Yen 12,047 million and Operating loss reduced to Yen 1,157 million from the same period a year earlier.

#### Precision Machinery:

Under the recovery trends of investments in the related industry, Net sales increased to Yen 8,256 million over the same period a year ago. On the other hand, Operating loss of Yen 537 million was recognized.

#### Other Businesses:

Net sales and Operating income were Yen 4,162 million and Yen 104 million respectively, which were below the level of correspondent period in the last fiscal year.

Due to the nature of business in our group companies, large proportion of orders 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 of earnings every year as sales concentrated in the end of fiscal year.

(2) Overview of consolidated financial position

Assets, Liabilities and Net assets

Reflecting the collection of Trade notes and accounts, Total assets decreased by Yen 26,263 million from the end of previous fiscal year to Yen 340,084 million. Total liabilities decreased by Yen 21,098 million from the last fiscal year end to Yen 230,123 million due to the decrease in the Notes and accounts payable. Net assets decreased by Yen 5,165 million from the previous fiscal year end to Yen 109,961 million reflecting Net loss in this period.

(3) Forecast of consolidated earnings

The forecast of consolidated sales and earnings in fiscal year ending March 31, 2014 remains unchanged over the announcement on May 17, 2013.

6. Consolidated financial statements

**CONSOLIDATED BALANCE SHEETS**  
Hitachi Zosen Corporation and Consolidated Subsidiaries  
At March 31, 2013 and September 30, 2013 (unaudited)

	Millions of yen	
	Mar. 31, 2013	Sep. 30, 2013
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and time deposits	¥ 59,250	¥ 47,545
Trade notes and accounts	107,834	80,199
Marketable securities	45	54
Merchandise and finished goods	672	880
Raw materials and supplies	3,716	4,196
Work in progress	14,949	23,351
Prepaid expenses and other current assets	16,222	20,929
Allowance for doubtful receivables	(1,450)	(1,271)
Total current assets	201,238	175,883
<b>Property, plant and equipment</b>		
Buildings and structures	33,989	33,231
Land	67,722	67,723
Other property, plant and equipment, net	21,762	20,876
Total property, plant and equipment	123,473	121,830
<b>Intangible assets</b>		
Goodwill	4,736	4,866
Other intangible assets	2,246	2,301
Total intangible assets	6,982	7,167
<b>Investments and other noncurrent assets:</b>		
Investments and noncurrent assets	35,652	36,348
Allowance for doubtful receivables	(1,038)	(1,176)
Total investments and other noncurrent assets	34,614	35,172
<b>Deferred assets</b>	40	32
<b>Total assets</b>	¥ 366,347	¥ 340,084

	Millions of yen	
	Mar. 31, 2013	Sep. 30, 2013
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Short-term borrowings	¥ 5,960	¥ 3,366
Current portion of long-term debt	30,564	27,818
Notes and accounts payable	52,500	33,380
Electronically recorded obligations	—	11,019
Advances received on work in progress	16,754	17,985
Accrued expenses	37,140	29,574
Accrued income taxes	2,321	1,393
Reserve for directors' and corporate auditors' bonuses	81	7
Reserve for product warranty	5,580	4,748
Reserve for losses on construction contracts	9,794	9,186
Other current liabilities	10,377	9,163
Total current liabilities	171,071	147,639
<b>Long-term liabilities:</b>		
Bonds	10,000	10,000
Long-term debt, less current portion	55,501	57,019
Employees' severance and retirement benefits	9,829	10,966
Deferred tax liabilities	1,957	1,956
Directors' and corporate auditors' severance and retirement benefits	694	470
Asset retirement obligations	934	938
Other noncurrent liabilities	1,235	1,135
Total long-term liabilities	80,150	82,484
Total liabilities	251,221	230,123
<b>NET ASSETS:</b>		
Common stock	45,442	45,442
Capital surplus	5,974	5,974
Retained earnings	48,314	42,671
Treasury stock, at cost	(1,799)	(1,986)
Net unrealized holding gains(losses) on securities	292	609
Net unrealized holding gains(losses) on hedging derivatives	(1,110)	(1,097)
Pension obligation adjustments of overseas subsidiaries	880	880
Land revaluation difference	(22)	(22)
Foreign currency translation adjustments	443	954
Subscription rights to shares	1	1
Minority interests in consolidated subsidiaries	16,711	16,535
Total net assets	115,126	109,961
<b>Total liabilities and net assets</b>	¥ 366,347	¥ 340,084

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
Hitachi Zosen Corporation and Consolidated Subsidiaries  
For the six months ended September 30, 2012 and 2013 (unaudited)

	Millions of yen	
	2012	2013
<b>Net sales</b>	¥ 133,231	¥ 128,198
<b>Cost of sales</b>	111,645	112,579
Gross profit	21,586	15,619
<b>Selling, general and administrative expenses</b>	19,691	19,338
Operating income	1,895	(3,719)
<b>Other income (expenses):</b>		
Interest income	37	38
Dividend income	86	130
Interest expense	(704)	(599)
Equity in net income (losses) of nonconsolidated subsidiaries and affiliates	958	(800)
Contribution for withdrawal from employees' pension fund	(841)	—
Other, net	(227)	1,070
Total other income (expenses)	(691)	(161)
<b>Income (losses) before income taxes and minority interests</b>	1,204	(3,880)
Income taxes	378	231
<b>Income (losses) before minority interests</b>	826	(4,111)
Minority interests in net income (losses) of consolidated subsidiaries	23	(35)
<b>Net income (losses)</b>	¥ 803	¥ (4,076)

## 7. Supplementary Information

### (1) Consolidated Information by segments

#### i) Statements of Operations

(Unit: billion yen)

	Six months ended September 30, 2012		Six months ended September 30, 2013		Difference	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Environmental Systems & Industrial Plants	74.5	0.5	73.3	-1.2	-1.2	-1.7
Machinery	30.4	2.7	24.2	-0.3	-6.2	-3.0
Process Equipment	5.0	0.0	6.2	-0.5	1.2	-0.5
Infrastructure	11.2	-2.2	12.0	-1.2	0.8	1.0
Precision Machinery	7.8	0.2	8.2	-0.5	0.4	-0.7
Other Businesses	4.3	0.6	4.2	0.0	-0.1	-0.6
Total	133.2	1.8	128.1	-3.7	-5.1	-5.5

#### ii) Order Intake

(Unit: billion yen)

Business Segment	Six months ended September 30, 2012	Six months ended September 30, 2013	Difference
Environmental Systems & Industrial Plants	158.8	80.9	-77.9
Machinery	27.1	26.1	-1.0
Process Equipment	1.9	9.0	7.1
Infrastructure	10.4	10.5	0.1
Precision Machinery	7.4	12.6	5.2
Other Businesses	4.3	4.0	-0.3
Total	209.9	143.1	-66.8

#### iii) Order Backlog

(Unit: billion yen)

Business Segment	March 31, 2013	September 30, 2013	Difference
Environmental Systems & Industrial Plants	339.3	346.9	7.6
Machinery	41.9	43.7	1.8
Process Equipment	32.7	35.5	2.8
Infrastructure	24.7	23.2	-1.5
Precision Machinery	7.6	12.0	4.4
Other Businesses	0.4	0.2	-0.2
Total	446.6	461.5	14.9

(Notes)

As per reorganization effective January 1, 2013, Environmental systems and Industrial plants are merged into one segment.

In the above table, the figures of the previous fiscal year are restated to reflect this organizational change.



(2) Forecast of Consolidated Information by segments for fiscal year ending March 31, 2014

i) Statements of Operations

(Unit: billion yen)

		Released on May 17, 2013		Released on October 31, 2013		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Net sales & Operating income	Environmental Systems & Industrial Plants	190.0	10.0	193.0	10.6	3.0	0.6
	Machinery	50.0	1.0	50.0	1.0	0.0	0.0
	Process Equipment	19.0	1.3	16.0	0.7	-3.0	-0.6
	Infrastructure	28.0	-1.0	28.0	-1.0	0.0	0.0
	Precision Machinery	24.0	0.8	24.0	0.8	0.0	0.0
	Other Businesses	9.0	0.9	9.0	0.9	0.0	0.0
	Total	320.0	13.0	320.0	13.0	0.0	0.0
Ordinary Income		10.0		10.0		0.0	
Net Income		7.5		7.5		0.0	

ii) Order Intake

(Unit: billion yen)

Business Segment	Released on May 17, 2013	Released on October 31, 2013	Difference
Environmental Systems & Industrial Plants	240.0	240.0	0.0
Machinery	50.0	55.0	5.0
Process Equipment	35.0	30.0	-5.0
Infrastructure	36.0	36.0	0.0
Precision Machinery	30.0	30.0	0.0
Other Businesses	9.0	9.0	0.0
Total	400.0	400.0	0.0