

# Report of Consolidated Financial Results

For the Six Months Ended September 30, 2014

October 31, 2014

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, 2014 (April 1 - September 30, 2014)

### (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, 2014	141,735	10.6	-3,530	—	-4,949	—	-2,907	—
6 months ended Sept. 30, 2013	128,198	-3.8	-3,719	—	-3,880	—	-4,076	—

	Net income per share (yen)	Net income per share-diluted (yen)
6 months ended Sept. 30, 2014	-17.39	—
6 months ended Sept. 30, 2013	-26.03	—

Net income per share for the 6 months ended Sept. 30, 2013 is calculated with assumption that the one for five share consolidation of common stocks being effective on October 1, 2013 was conducted at the beginning of the fiscal year ended March 31, 2014.

### (2) Financial position

	Total assets (million yen)	Net assets (million yen)	Shareholders' equity to total assets (%)
As of Sept. 30, 2014	362,783	108,668	27.6
As of March 31, 2014	379,414	117,565	26.4

(Note) Shareholder's equity: Yen 100,214million (September 30, 2014), Yen 100,323 million (March 31, 2014)

## 2. Dividends

Record Date	Dividends per share (yen)		
	Interim	Year-end	Annual
Year ended March 31, 2014	0.0	10.0	10.0
Year ending March 31, 2015	0.0		
Year ending March 31, 2015 (Forecast)		10.0	10.0

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

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2015 (April 1, 2014 - March 31, 2015)

(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, 2015	340,000	2.0	10,000	26.9	8,000	28.6	4,000	7.5	25.56

(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, 2014    167,843,845 shares
    - March 31, 2014        159,214,656 shares
  - (ii) Number of shares held in treasury
    - September 30, 2014    825,236 shares
    - March 31, 2014        2,743,807 shares
  - (iii) Average number of shares during the respective periods
    - Six months ended September 30, 2014    167,155,862 shares
    - Six months ended September 30, 2013    156,569,906 shares

Average number of shares during the six months ended September 30, 2013 is calculated with assumption that the one for five share consolidation of common stocks being effective on October 1, 2013 was conducted at the beginning of the fiscal year ended March 31, 2014.

(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

Our group started the new medium-term management plan "Hitz Vision II" for 3 years from the fiscal year 2014. We adopt the idea of "technology-oriented company" that our sustainable growth will be achieved by our customers' satisfaction and our high value-added based on the unique technology in our operational process as well as the fundamental technology for our products. Based on that concept, we develop the best fit business strategies and focused allocation of our resources so that we give steady results in the two business fields with increasing social demand, "environment/green energy" and "social infrastructure and disaster prevention". At the same time, we approach to various priority things from the viewpoint of innovations – innovation of business strengthening our capability for earnings and growth, and innovation of management strengthening our business bases and financial standings, respectively.

For the six months ended September 30, 2014, Order intake increased to Yen 268,394 million from the same period a year earlier, reflecting the increase by large new orders in Environmental Systems & Industrial Plants and Precision Machinery respectively. Net sales grew to Yen 141,735 million from the same period a year earlier due to the progress on construction of EfW plants in Environmental Systems & Industrial Plants.

Concerning the profitability of operation, while operating loss of Infrastructure increased, the profitability of Process Equipment and others showed recovery. As a result, Operating loss was improved to Yen 3,530 million from the corresponding period a year earlier. On the other hand, Ordinary loss increased to Yen 4,949 million. However, 3,146 million of Extraordinary income was realized due to the recognition of gain on bargain purchase by merger with Daiki Ataka Engineering Co., Ltd. and making NICHIZO TECH INC. a wholly owned subsidiary through share exchange on April 1, 2014. Consequently, Net loss for the period was Yen 2,907 million, improved from the corresponding six months period a year earlier.

Business results by segments are as follows.

#### Environmental Systems & Industrial Plants:

Net sales increased to Yen 84,518 million from the same period a year earlier due to the steady progress on construction of EfW plants overseas. Operating loss improved to Yen 1,158 million compared with the same period of the last year.

#### Machinery:

Net sales grew to Yen 27,726 million as production of marine diesel engines steadily rose. Additionally, Operating loss improved to Yen 155 million compared with the same period of the last year.

#### Process Equipment:

Net sales increased to Yen 8,590 million due to the progress on the project overseas acknowledged in the past fiscal years. Operating loss improved to Yen 191 million compared with the same period of the last year.

#### Infrastructure:

Net sales decreased to Yen 7,660 million and Operating loss marked Yen 1,814 million from the same period a year earlier due to the intensified competition in the public sector.

#### Precision Machinery:

Net sales increased to Yen 8,727 million and operating loss showed some recovery to Yen 524 million compared with the same period the previous year under the growth of investments in the private sector.

#### Other Businesses:

Net sales and Operating income were Yen 4,514 million and Yen 236 million respectively, which were above the level of correspondent period in the last fiscal year.

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 of earnings every year as sales concentrated in the end of fiscal year.

(2) Overview of consolidated financial position

Assets, Liabilities and Net assets

Total assets decreased by Yen 16,631 million from the previous fiscal year end, to Yen 362,783 million due to the large amount of collection of Trade notes and accounts receivable, although Cash and time deposits increased due to the issue of new bond. Total liabilities decreased by Yen 7,734 million from the previous fiscal year end, to Yen 254,115 million because of the decrease in Notes and accounts payable while Advances received on work in progress increased. Net assets decreased by Yen 8,897 million from the previous fiscal year end, to Yen 108,668 million reflecting Net loss in this quarter period.

(3) Forecast of consolidated earnings

The forecast of consolidated sales in the fiscal year ending March 31, 2015 is revised to Yen 340,000 million, increase by Yen 20,000 million from the previous announcement of Yen 320,000 million made on May 9, 2014. On the other hand, the forecast of consolidated income remains unchanged. Operating income in Environmental Systems & Industrial Plants is expected to grow and make up for the operating loss in Infrastructure.

6. Consolidated financial statements

**CONSOLIDATED BALANCE SHEETS**  
Hitachi Zosen Corporation and Consolidated Subsidiaries  
At March 31, 2014 and September 30, 2014 (unaudited)

	Millions of yen	
	Mar. 31, 2014	Sep. 30, 2014
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and time deposits	¥ 54,462	¥ 62,937
Trade notes and accounts	122,337	83,938
Marketable securities	51	59
Merchandise and finished goods	1,396	1,816
Raw materials and supplies	4,278	4,326
Work in progress	15,483	24,191
Prepaid expenses and other current assets	19,207	19,657
Allowance for doubtful receivables	(1,541)	(1,219)
Total current assets	215,673	195,705
<b>Property, plant and equipment</b>		
Buildings and structures	32,571	32,458
Land	67,607	67,607
Other property, plant and equipment, net	21,853	24,686
Total property, plant and equipment	122,031	124,751
<b>Intangible assets</b>		
Goodwill	3,432	5,005
Other intangible assets	3,855	3,711
Total intangible assets	7,287	8,716
<b>Investments and other noncurrent assets:</b>		
Investments and noncurrent assets	35,502	34,598
Allowance for doubtful receivables	(1,102)	(1,050)
Total investments and other noncurrent assets	34,400	33,548
<b>Deferred assets</b>	23	63
<b>Total assets</b>	¥ 379,414	¥ 362,783

	Millions of yen	
	Mar. 31, 2014	Sep. 30, 2014
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Short-term borrowings	¥ 10,326	¥ 7,777
Current portion of long-term debt	22,607	26,211
Notes and accounts payable	44,841	34,382
Electronically recorded obligations	13,792	10,369
Current portion of bonds	—	10,000
Advances received on work in progress	16,651	21,691
Accrued expenses	42,114	39,956
Accrued income taxes	1,836	1,396
Reserve for directors' and corporate auditors' bonuses	39	7
Reserve for product warranty	3,982	4,324
Reserve for losses on construction contracts	7,517	6,839
Other current liabilities	9,761	9,326
Total current liabilities	173,466	172,278
<b>Long-term liabilities:</b>		
Bonds	10,000	10,000
Long-term debt, less current portion	60,561	54,149
Net defined benefit liability	12,135	12,884
Deferred tax liabilities	2,545	1,411
Directors' and corporate auditors' severance and retirement benefits	500	432
Asset retirement obligations	879	873
Other noncurrent liabilities	1,763	2,088
Total long-term liabilities	88,383	81,837
Total liabilities	261,849	254,115
<b>NET ASSETS:</b>		
Common stock	45,442	45,442
Capital surplus	5,974	9,576
Retained earnings	50,467	45,268
Treasury stock, at cost	(1,995)	(408)
Net unrealized holding gains (losses) on securities	417	625
Net unrealized holding gains (losses) on hedging derivatives	(775)	(721)
Land revaluation difference	(22)	(22)
Foreign currency translation adjustments	2,504	1,910
Remeasurements of defined benefit plans	(1,688)	(1,457)
Subscription rights to shares	0	—
Minority interests in consolidated subsidiaries	17,241	8,455
Total net assets	117,565	108,668
<b>Total liabilities and net assets</b>	¥ 379,414	¥ 362,783

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
Hitachi Zosen Corporation and Consolidated Subsidiaries  
For the six months ended September 30, 2013 and 2014 (unaudited)

	Millions of yen	
	2013	2014
<b>Net sales</b>	¥ 128,198	¥ 141,735
<b>Cost of sales</b>	112,579	125,335
Gross profit	15,619	16,400
<b>Selling, general and administrative expenses</b>	19,338	19,930
Operating loss	(3,719)	(3,530)
<b>Other income (expenses):</b>		
Interest income	38	44
Dividend income	130	237
Interest expense	(599)	(517)
Equity in net income (loss) of nonconsolidated subsidiaries and affiliates	(800)	87
Gain on bargain purchase	—	3,146
Other, net	1,070	(1,270)
Total other income (expenses)	(161)	1,727
<b>Loss before income taxes and minority interests</b>	(3,880)	(1,803)
Income taxes	231	596
<b>Loss before minority interests</b>	(4,111)	(2,399)
Minority interests in net income (loss) of consolidated subsidiaries	(35)	508
<b>Net loss</b>	¥ (4,076)	¥ (2,907)

7. Supplementary Information

(1) Consolidated Information by segments

i) Statements of Operations

(Unit: billion yen)

	Six months ended September 30, 2013		Six months ended September 30, 2014		Difference	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Environmental Systems & Industrial Plants	73.3	-1.2	84.5	-1.1	11.2	0.1
Machinery	24.2	-0.3	27.7	-0.2	3.5	0.1
Process Equipment	6.2	-0.5	8.6	-0.2	2.4	0.3
Infrastructure	12.0	-1.2	7.7	-1.8	-4.3	-0.6
Precision Machinery	8.2	-0.5	8.7	-0.5	0.5	0.0
Other Businesses	4.2	0.0	4.5	0.3	0.3	0.3
Total	128.1	-3.7	141.7	-3.5	13.6	0.2

ii) Order Intake

(Unit: billion yen)

Business Segment	Six months ended September 30, 2013	Six months ended September 30, 2014	Difference
Environmental Systems & Industrial Plants	80.9	207.7	126.8
Machinery	26.1	26.1	0.0
Process Equipment	9.0	4.0	-5.0
Infrastructure	10.5	5.9	-4.6
Precision Machinery	12.6	20.2	7.6
Other Businesses	4.0	4.4	0.4
Total	143.1	268.3	125.2

iii) Order Backlog

(Unit: billion yen)

Business Segment	March 31, 2014	September 30, 2014	Difference
Environmental Systems & Industrial Plants	345.2	468.4	123.2
Machinery	44.2	42.6	-1.6
Process Equipment	35.6	31.0	-4.6
Infrastructure	19.2	17.4	-1.8
Precision Machinery	6.9	18.4	11.5
Other Businesses	0.3	0.2	-0.1
Total	451.4	578.0	126.6



(2) Forecast of Consolidated Information by segments for fiscal year ending March 31, 2015

i) Statements of Operations

(Unit: billion yen)

		Released on May 9, 2014		Released on October 31, 2014		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Net sales & Operating income	Environmental Systems & Industrial Plants	196.0	8.5	220.0	10.0	24.0	1.5
	Machinery	50.0	0.0	50.0	0.0	0.0	0.0
	Process Equipment	17.0	0.5	17.0	0.5	0.0	0.0
	Infrastructure	23.0	0.0	19.0	-1.5	-4.0	-1.5
	Precision Machinery	25.0	0.5	25.0	0.5	0.0	0.0
	Other Businesses	9.0	0.5	9.0	0.5	0.0	0.0
	Total	320.0	10.0	340.0	10.0	20.0	0.0
Ordinary Income		8.0		8.0		0.0	
Net Income		4.0		4.0		0.0	

ii) Order Intake

(Unit: billion yen)

Business Segment	Released on May 9, 2014	Released on October 31, 2014	Difference
Environmental Systems & Industrial Plants	250.0	285.0	35.0
Machinery	53.0	53.0	0.0
Process Equipment	28.0	20.0	-8.0
Infrastructure	32.0	25.0	-7.0
Precision Machinery	28.0	28.0	0.0
Other Businesses	9.0	9.0	0.0
Total	400.0	420.0	20.0