

Report of Consolidated Financial Results

For the Six Months Ended September 30, 2015

October 30, 2015

Name of Company: Hitachi Zosen Corporation
 Code Number: 7004 URL: <http://www.hitachizosen.co.jp>
 Stock Exchange Listings: Tokyo
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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, 2015 (April 1 - September 30, 2015)

(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 attributable to shareholders of Hitachi Zosen	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
6 months ended Sept. 30, 2015	158,142	11.6	-448	—	-1,260	—	-3,953	—
6 months ended Sept. 30, 2014	141,735	10.6	-3,530	—	-4,949	—	-2,907	—

	Net income per share	Net income per share-diluted
	(yen)	(yen)
6 months ended Sept. 30, 2015	-23.67	—
6 months ended Sept. 30, 2014	-17.39	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity to total assets
	(million yen)	(million yen)	(%)
As of Sept. 30, 2015	384,385	112,917	27.0
As of March 31, 2015	408,803	117,531	26.6

(Note) Shareholders' equity: Yen 103,905 million (September 30, 2015), Yen 108,766 million (March 31, 2015)

2. Dividends

Record Date	Dividends per share (yen)		
	Interim	Year-end	Annual
Year ended March 31, 2015	0.0	10.0	10.0
Year ending March 31, 2016	0.0		
Year ending March 31, 2016 (Forecast)		12.0	12.0

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

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2016 (April 1, 2015 - March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of Hitachi Zosen		Net income per share – basic (yen)
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	
Year ending March 31, 2016	390,000	8.5	14,500	13.1	11,000	45.3	5,500	7.8	32.93

(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, 2015 167,843,845 shares
 - March 31, 2015 167,843,845 shares
 - (ii) Number of shares held in treasury
 - September 30, 2015 833,638 shares
 - March 31, 2015 829,840 shares
 - (iii) Average number of shares during the respective periods
 - Six months ended September 30, 2015 167,011,744 shares
 - Six months ended September 30, 2014 167,155,862 shares

(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, 2015, Order intake decreased 25.9% to Yen 198.8 billion from the same period a year earlier, reflecting the decrease of large-sized orders in Environmental Systems & Industrial Plants. Net sales grew 11.6% to Yen 158.1 billion from the same period a year earlier due to the progress on construction of EfW plants in Environmental Systems & Industrial Plants.

According to growth of Net sales, Operating loss improved by Yen 3.1 billion to Yen 0.4 billion and Ordinary loss also improved by Yen 3.6 billion to Yen 1.3 billion. However, Net loss attributable to shareholders of Hitachi Zosen Corporation deteriorated by Yen 1.1 billion to Yen 4.0 billion from the corresponding six months period a year earlier, mainly due to Reserve for loss on guarantees booked as Extraordinary loss.

Business results by segments are as follows.

As per reorganization effective April 1, 2015, Process Equipment and Precision Machinery are merged into Machinery segment. As shown, the figures of the previous fiscal year are restated to reflect this organizational change.

Environmental Systems & Industrial Plants:

Net sales increased 13.7% to Yen 95.4 billion from the same period a year earlier due to the steady progress on construction of international EfW plants. Operating income marked Yen 1.6 billion in this fiscal year, although Operating loss was Yen 1.2 billion in the same period of the last year.

Machinery:

Net sales grew 4.2% to Yen 47.6 billion as orders of marine diesel engines rose. However, Operating loss deteriorated by Yen 0.5 billion to Yen 1.3 billion compared with the same period of the last year.

Infrastructure:

Net sales increased 36.8% to Yen 10.4 billion and Operating loss improved by Yen 0.9 billion to Yen 0.9 billion from the same period a year earlier due to the progress of large contracts.

Other Businesses:

Net sales increased 4.4% to Yen 4.7 billion, and Operating income decreased by Yen 0.1 billion to Yen 0.2 billion from the 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 24.5 billion to Yen 384.3 billion from the previous fiscal year end mainly due to the large amounts of collection of Trade notes and accounts receivable. Total liabilities decreased by Yen 19.8 billion to Yen 271.5

billion from the previous fiscal year end because of the decrease in Notes and accounts payable and redemption of Bonds. Net assets decreased by Yen 4.6 billion to Yen 112.9 billion from the previous fiscal year end reflecting Net loss attributable to shareholders of Hitachi Zosen Corporation in this quarter period.

(3) Forecast of consolidated earnings

The forecast of consolidated sales in the fiscal year ending March 31, 2016 is revised to Yen 390.0 billion, which represents the increase of Yen 20.0 billion from the previous announcement of Yen 370.0 billion made on May 11, 2015. Operating income and Ordinary income are also revised to Yen 14.5 billion and Yen 11.0 billion respectively. Both of them are increased by Yen 1.0 billion from the forecast of May 11, 2015 amounted Yen 13.5 billion and Yen 10.0 billion respectively. Net sales and Operating income in Environmental Systems & Industrial Plants is expected to grow.

On the other hand, the forecast of Net income attributable to shareholders of Hitachi Zosen Corporation remains unchanged due to Reserve for loss on guarantees booked as Extraordinary loss in this fiscal year.

6. Consolidated financial statements

CONSOLIDATED BALANCE SHEETS
Hitachi Zosen Corporation and Consolidated Subsidiaries
At March 31, 2015 and September 30, 2015 (unaudited)

	Millions of yen	
	Mar. 31, 2015	Sep. 30, 2015
ASSETS		
Current assets:		
Cash and time deposits	¥ 62,384	¥ 64,984
Trade notes and accounts receivable	136,521	94,649
Marketable securities	1	10
Merchandise and finished goods	1,290	1,891
Raw materials and supplies	4,899	4,927
Work in progress	19,929	33,406
Prepaid expenses and other current assets	16,083	18,053
Allowance for doubtful receivables	(1,718)	(1,876)
Total current assets	239,389	216,044
Property, plant and equipment		
Buildings and structures	32,398	31,467
Land	66,505	66,504
Other property, plant and equipment, net	26,434	26,933
Total property, plant and equipment	125,337	124,904
Intangible assets		
Goodwill	5,701	5,326
Other intangible assets	4,896	4,652
Total intangible assets	10,597	9,978
Investments and other noncurrent assets:		
Investments and noncurrent assets	34,448	34,461
Allowance for doubtful receivables	(1,015)	(1,033)
Total investments and other noncurrent assets	33,433	33,428
Deferred assets	47	31
Total assets	¥ 408,803	¥ 384,385

	Millions of yen	
	Mar. 31, 2015	Sep. 30, 2015
LIABILITIES		
Current liabilities:		
Short-term borrowings	¥ 5,205	¥ 4,857
Current portion of long-term debts	23,780	13,122
Notes and accounts payable	41,768	38,923
Electronically recorded obligations	17,101	13,010
Current portion of bonds	10,000	—
Advances received on work in progress	14,927	30,536
Accrued expenses	57,783	45,163
Accrued income taxes	1,661	1,720
Reserve for directors' and corporate auditors' bonuses	13	7
Reserve for product warranties	4,329	5,121
Reserve for loss on construction contracts	5,569	5,672
Reserve for loss on guarantees	—	1,406
Other current liabilities	10,324	8,990
Total current liabilities	192,460	168,527
Long-term liabilities:		
Bonds	10,000	10,000
Long-term debts	69,242	73,115
Net defined benefit liabilities	15,490	15,756
Deferred tax liabilities	1,236	1,232
Directors' and corporate auditors' severance and retirement benefits	385	351
Asset retirement obligations	918	923
Other noncurrent liabilities	1,541	1,564
Total long-term liabilities	98,812	102,941
Total liabilities	291,272	271,468
NET ASSETS:		
Common stock	45,442	45,442
Capital surplus	9,576	9,574
Retained earnings	53,089	47,466
Treasury stock, at cost	(411)	(413)
Net unrealized holding gains (losses) on securities	853	938
Net unrealized holding gains (losses) on hedging derivatives	(844)	(554)
Land revaluation difference	(4)	(4)
Foreign currency translation adjustments	4,266	4,099
Remeasurements of defined benefit plans	(3,201)	(2,643)
Non-controlling interests	8,765	9,012
Total net assets	117,531	112,917
Total liabilities and net assets	¥ 408,803	¥ 384,385

CONSOLIDATED STATEMENTS OF INCOME
Hitachi Zosen Corporation and Consolidated Subsidiaries
For the six months ended September 30, 2014 and 2015 (unaudited)

	Millions of yen	
	2014	2015
Net sales	¥ 141,735	¥ 158,142
Cost of sales	125,335	134,918
Gross profit	16,400	23,224
Selling, general and administrative expenses	19,930	23,672
Operating loss	(3,530)	(448)
Other income (expenses):		
Interest income	44	42
Dividend income	237	268
Interest expense	(517)	(531)
Equity in net income (loss) of nonconsolidated subsidiaries and affiliates	87	(303)
Gain on bargain purchase	3,146	—
Reserve for loss on guarantees	—	(1,406)
Other, net	(1,270)	(289)
Total other income (expenses)	1,727	(2,219)
Loss before income taxes and minority interests	(1,803)	(2,667)
Income taxes	596	728
Net loss before non-controlling interests	(2,399)	(3,395)
Profit attributable to non-controlling interests	508	558
Net loss attributable to shareholders of Hitachi Zosen	¥ (2,907)	¥ (3,953)

7. Supplementary Information

(1) Consolidated Information by segments

i) Statements of Operations

(Unit: billion yen)

	Six months ended September 30, 2014		Six months ended September 30, 2015		Difference	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Environmental Systems & Industrial Plants	83.9	-1.2	95.4	1.6	11.5	2.8
Machinery	45.7	-0.8	47.6	-1.3	1.9	-0.5
Infrastructure	7.6	-1.8	10.4	-0.9	2.8	0.9
Other Businesses	4.5	0.3	4.7	0.2	0.2	-0.1
Total	141.7	-3.5	158.1	-0.4	16.4	3.1

ii) Order Intake

(Unit: billion yen)

Business Segment	Six months ended September 30, 2014	Six months ended September 30, 2015	Difference
Environmental Systems & Industrial Plants	207.1	135.5	-71.6
Machinery	50.9	45.3	-5.6
Infrastructure	5.9	13.3	7.4
Other Businesses	4.4	4.7	0.3
Total	268.3	198.8	-69.5

iii) Order Backlog

(Unit: billion yen)

Business Segment	March 31, 2015	September 30, 2015	Difference
Environmental Systems & Industrial Plants	442.7	482.8	40.1
Machinery	89.5	87.2	-2.3
Infrastructure	27.5	30.5	3.0
Other Businesses	0.2	0.2	0.0
Total	559.9	600.7	40.8

(Notes)

As per reorganization effective April 1, 2015, Process Equipment and Precision Machinery are merged into Machinery 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, 2016

i) Statements of Operations

(Unit: billion yen)

		Released on May 11, 2015		Released on October 30, 2015		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating Income & Net sales	Environmental Systems & Industrial Plants	225.0	12.0	245.0	13.0	20.0	1.0
	Machinery	110.0	1.0	110.0	1.0	0.0	0.0
	Infrastructure	26.0	0.0	26.0	0.0	0.0	0.0
	Other Businesses	9.0	0.5	9.0	0.5	0.0	0.0
	Total	370.0	13.5	390.0	14.5	20.0	1.0
Ordinary Income		10.0		11.0		1.0	
Net income attributable to shareholders of Hitachi Zosen		5.5		5.5		0.0	

ii) Order Intake

(Unit: billion yen)

Business Segment	Released on May 11, 2015	Released on October 30, 2015	Difference
Environmental Systems & Industrial Plants	300.0	300.0	0.0
Machinery	110.0	110.0	0.0
Infrastructure	31.0	31.0	0.0
Other Businesses	9.0	9.0	0.0
Total	450.0	450.0	0.0