

# Report of Consolidated Financial Results

For the Six Months Ended September 30, 2018

October 31, 2018

Name of Company: Hitachi Zosen Corporation  
 Code Number: 7004 URL: <http://www.hitachizosen.co.jp>  
 Stock Exchange Listing: Tokyo  
 Representative: Takashi Tanisho, Chairman & President  
 Contact Person: Toshiki Nakamura, 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, 2018 (April 1 - September 30, 2018)

### (1) Results of operations (Accumulated)

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

	Net sales		Operating income		Ordinary income		Profit attributable to shareholders of Hitachi Zosen	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
6 months ended Sep. 30, 2018	153,243	-5.6	-8,496	—	-8,647	—	-7,682	—
6 months ended Sep. 30, 2017	162,382	-5.1	-3,331	—	-5,110	—	-5,404	—

	Net income per share	Net income per share-diluted
	(yen)	(yen)
6 months ended Sep. 30, 2018	-45.58	—
6 months ended Sep. 30, 2017	-32.06	—

### (2) Financial position

	Total assets	Net assets	Shareholders' equity to total assets
	(million yen)	(million yen)	(%)
As of September 30, 2018	380,134	108,097	28.2
As of March 31, 2018	391,860	119,014	29.8

(Note) Shareholders' equity: Yen 107,258 million (September 30, 2018), Yen 116,894 million (March 31, 2018)

## 2. Dividends

Record Date	Dividends per share (yen)		
	Interim	Year-end	Annual
Year ended March 31, 2018	0.0	12.0	12.0
Year ending March 31, 2019	0.0		
Year ending March 31, 2019 (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, 2019 (April 1, 2018 - March 31, 2019)

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

	Net sales		Operating income		Ordinary income		Profit attributable to shareholders of Hitachi Zosen		Net income per share – basic (yen)
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	
Year ending March 31, 2019	380,000	0.9	9,000	52.4	6,500	93.2	5,000	130.3	29.66

(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: 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, 2018 170,214,843 shares

March 31, 2018 170,214,843 shares

(ii) Number of shares held in treasury

September 30, 2018 1,668,219 shares

March 31, 2018 1,665,842 shares

(iii) Average number of shares during the respective periods

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

Six months ended September 30, 2017 168,553,176 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.

## 5. Analysis of Financial Results

### (1) Overview of consolidated operating results

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

For the six months ended September 30, 2018, Order intake decreased 16.9% to Yen 185.5 billion from the same period in the last fiscal year reflecting the decrease of large-sized orders in Environmental Systems & Industrial Plants. Net sales also decreased 5.6% to Yen 153.2 billion from the same period in the previous fiscal year with the deteriorated results of Environmental Systems & Industrial Plants.

Operating loss increased by Yen 5.1 billion to Yen 8.4 billion from the same period a year earlier with the decline of profitability in Environmental Systems & Industrial Plants. Reflecting the increase of operating loss, Ordinary loss also increased by Yen 3.5 billion to Yen 8.6 billion. As a result, Loss attributable to shareholders of Hitachi Zosen increased by Yen 2.2 billion to Yen 7.6 billion from the correspondent period a year earlier.

Business results by segments are as follows.

#### Environmental Systems & Industrial Plants:

Net sales decreased 13.0% to Yen 87.9 billion from the same period a year earlier with the less construction progress on overseas large-sized desalination plant compared with the corresponding period of previous year. Operating loss was expanded by 4.4 billion to Yen 8.1 billion due to the cost increase of individual overseas EfW constructions from the same period of previous fiscal year.

#### Machinery:

Net sales increased 5.4% to Yen 47.2 billion from the same period a year earlier due to the increase in sales of process equipment. However, reflecting the decrease of profitability of marine diesel engine, Operating loss was realized Yen 0.5 billion despite Operating income of Yen 0.3 billion in the same period of previous fiscal year.

#### Infrastructure:

Although Net sales increased 11.4% to Yen 12.7 billion due to the growing sales of large-sized constructions, Operating loss increased by Yen 0.1 billion to Yen 0.1 billion from the same period of previous fiscal year.

#### Other Businesses:

Net sales increased 5.9% to Yen 5.4 billion and Operating income also increased by Yen 0.2 billion to Yen 0.3 billion from the corresponding six months period a year earlier.

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 11.7 billion to Yen 380.1 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 0.8 billion to Yen 272.0 billion from the previous fiscal year end because of the decrease in Notes and accounts payable and Accrued expenses. Net assets decreased by Yen 10.9 billion to Yen 108.0 billion from the previous fiscal year end reflecting Loss attributable to shareholders of Hitachi Zosen in the first half of this fiscal year.

(3) Forecast of consolidated earnings

Fiscal year ending March 31, 2019 consolidated earnings forecast remains unchanged from our previous announcement of May 11, 2018 as sales progressed roughly as per the initial budget.

On the other hand, about the profitability, Operating income is expected to decrease by Yen 3.5 billion to Yen 9.0 billion due to the substantial deterioration of profitability in Environmental Systems & Industrial Plants given the project cost increase of overseas subsidiary. As Operating income declines, Ordinary income is also expected to drop by Yen 2.5 billion to Yen 6.5 billion from Yen 9.0 billion as per last announcement.

Meanwhile, forecast of Profit attributable to shareholders of Hitachi Zosen remains unchanged from the previous forecast after the review of tax expenses.

For further information on consolidated business forecast, please refer to "Notice of the Revision of the Consolidated Financial Forecast" released today (October 31, 2018).

6. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	33,929	29,744
Notes and accounts receivable - trade	148,188	118,827
Merchandise and finished goods	2,441	1,211
Work in process	21,801	34,551
Raw materials and supplies	4,845	5,407
Other	10,582	16,832
Allowance for doubtful accounts	△3,474	△3,370
Total current assets	218,314	203,206
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,204	31,399
Land	56,993	56,993
Other, net	29,073	30,972
Total property, plant and equipment	118,270	119,365
Intangible assets		
Goodwill	3,599	3,360
Other intangible assets	7,277	8,128
Total intangible assets	10,877	11,488
Investments and other assets		
Other investments and other assets	45,034	46,648
Allowance for doubtful accounts	△685	△700
Total investments and other assets	44,348	45,948
Total non-current assets	173,497	176,803
Deferred assets	49	125
Total assets	391,860	380,134

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	41,742	34,012
Electronically recorded obligations - operating	19,431	16,986
Short-term loans payable	40,999	36,616
Accrued expenses	47,719	39,249
Income taxes payable	2,506	1,505
Advances received	14,536	26,692
Provision for construction warranties	4,094	3,497
Provision for loss on construction contracts	2,673	4,208
Other current liabilities	11,768	11,895
Total current liabilities	185,472	174,663
Non-current liabilities		
Bonds payable	10,000	25,000
Long-term loans payable	54,985	49,069
Net defined benefit liability	18,625	19,244
Provision for directors' retirement benefits	440	483
Asset retirement obligations	1,155	1,102
Other	2,167	2,473
Total non-current liabilities	87,373	97,373
<b>Total liabilities</b>	<b>272,846</b>	<b>272,037</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	45,442	45,442
Capital surplus	8,892	8,527
Retained earnings	61,433	51,728
Treasury shares	△1,016	△1,017
Total shareholders' equity	114,751	104,680
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	678	553
Deferred gains or losses on hedges	△416	△260
Revaluation reserve for land	△7	△7
Foreign currency translation adjustment	2,064	1,476
Remeasurements of defined benefit plans	△175	816
Total accumulated other comprehensive income	2,142	2,578
Non-controlling interests	2,119	838
<b>Total net assets</b>	<b>119,014</b>	<b>108,097</b>
<b>Total liabilities and net assets</b>	<b>391,860</b>	<b>380,134</b>

7. Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	162,382	153,243
Cost of sales	139,820	135,376
Gross profit	22,562	17,867
Selling, general and administrative expenses	25,894	26,363
Operating loss	△3,331	△8,496
Non-operating income		
Interest income	37	35
Dividend income	114	100
Equity in net income of nonconsolidated subsidiaries and affiliates	29	269
Other	248	1,363
Total non-operating income	430	1,770
Non-operating expenses		
Interest expenses	418	397
Other	1,790	1,524
Total non-operating expenses	2,209	1,921
Ordinary loss	△5,110	△8,647
Loss before income taxes	△5,110	△8,647
Income taxes	359	△902
Loss	△5,470	△7,745
Loss attributable to non-controlling interests	△66	△62
Loss attributable to shareholders of Hitachi Zosen	△5,404	△7,682

## 8. Supplementary Information

### (1) Consolidated Information by segments

#### i) Order Intake

(Unit: billion yen)

Business Segment	Six months ended September 30, 2017	Six months ended September 30, 2018	Difference	Order backlog as of September 30, 2018
Environmental Systems & Industrial Plants	158.0	123.4	-34.6	521.6
Machinery	44.1	42.5	-1.6	86.9
Infrastructure	15.8	13.6	-2.2	43.6
Other Businesses	5.2	6.0	0.8	0.8
<b>Total</b>	<b>223.1</b>	<b>185.5</b>	<b>-37.6</b>	<b>652.9</b>

#### ii) Statements of Operations

(Unit: billion yen)

		Six months ended September 30, 2017		Six months ended September 30, 2018		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Net sales & Operating income	Environmental Systems & Industrial Plants	101.0	-3.7	87.9	-8.1	-13.1	-4.4
	Machinery	44.8	0.3	47.2	-0.5	2.4	-0.8
	Infrastructure	11.4	-0.0	12.7	-0.1	1.3	-0.1
	Other Businesses	5.1	0.1	5.4	0.3	0.3	0.2
	<b>Total</b>	<b>162.3</b>	<b>-3.3</b>	<b>153.2</b>	<b>-8.4</b>	<b>-9.1</b>	<b>-5.1</b>
Ordinary Income			-5.1		-8.6		-3.5
Profit attributable to shareholders of Hitachi Zosen			-5.4		-7.6		-2.2



(2) Forecast of Consolidated Information by segments for fiscal year ending March 31, 2019

i) Order Intake

(Unit: billion yen)

Business Segment	Released on May 11, 2018	Released on October 31, 2018	Difference
Environmental Systems & Industrial Plants	280.0	280.0	0.0
Machinery	100.0	100.0	0.0
Infrastructure	40.0	40.0	0.0
Other Businesses	10.0	10.0	0.0
Total	430.0	430.0	0.0

ii) Statements of Operations

(Unit: billion yen)

		Released on May 11, 2018		Released on October 31, 2018		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating income & Net sales	Environmental Systems & Industrial Plants	240.0	9.0	240.0	5.5	0.0	-3.5
	Machinery	100.0	2.0	100.0	2.0	0.0	0.0
	Infrastructure	30.0	1.0	30.0	1.0	0.0	0.0
	Other Businesses	10.0	0.5	10.0	0.5	0.0	0.0
	Total	380.0	12.5	380.0	9.0	0.0	-3.5
Ordinary Income			9.0		6.5		-2.5
Profit attributable to shareholders of Hitachi Zosen			5.0		5.0		0.0