

Report of Consolidated Financial Results

For the Six Months Ended September 30, 2020

November 4, 2020

Name of Company: Hitachi Zosen Corporation
 Code Number: 7004 URL: <https://www.hitachizosen.co.jp>
 Stock Exchange Listing: Tokyo
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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, 2020 (April 1 - September 30, 2020)

(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, 2020	166,872	-0.8	-1,301	—	-2,468	—	-1,983	—
6 months ended Sep. 30, 2019	168,260	9.8	-6,333	—	-6,866	—	-10,625	—

	Net income per share	Net income per share-diluted
	(yen)	(yen)
6 months ended Sep. 30, 2020	-11.77	—
6 months ended Sep. 30, 2019	-63.04	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity to total assets
	(million yen)	(million yen)	(%)
As of September 30, 2020	383,640	116,258	29.9
As of March 31, 2020	409,531	119,500	28.8

(Note) Shareholders' equity: Yen 114,714 million (September 30, 2020), Yen 118,003 million (March 31, 2020)

2. Dividends

Record Date	Dividends per share (yen)		
	Interim	Year-end	Annual
Year ended March 31, 2020	0.0	12.0	12.0
Year ending March 31, 2021	0.0		
Year ending March 31, 2021 (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, 2021 (April 1, 2020 - March 31, 2021)

(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, 2021	400,000	-0.6	11,000	-20.8	6,500	-31.1	4,000	82.1	23.73

(Note) Revisions to the forecast of consolidated earnings most recently announced : None

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, 2020 170,214,843 shares

March 31, 2020 170,214,843 shares

(ii) Number of shares held in treasury

September 30, 2020 1,676,304 shares

March 31, 2020 1,674,282 shares

(iii) Average number of shares during the respective periods

Six months ended September 30, 2020 168,539,747 shares

Six months ended September 30, 2019 168,543,546 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

During the six months of the current fiscal year, the global economy has been remaining in a severe situation due to the worldwide Coronavirus disease (COVID-19) pandemic. In Japan as well, capital investment and the employment situation have been weakening, and the situation is as severe as overseas, but there are signs of a recovery with the steady public-sector investment. However, it is still necessary to pay attention to the impact of COVID-19 on the global and Japanese economy.

Based on the new medium-term management plan, "Forward 22" that started in the fiscal year 2020, the Group is promoting various key measures with the basic policies; increase the added value of products and services, promote selection and concentration of businesses and shift resources to growth areas, promoting work style reforms by improving operational efficiency and productivity.

For the six months ended September 30, 2020, Order intake increased 10.5% to Yen 221.2 billion from the same period in the last fiscal year, reflecting the increase of large-sized orders in Environmental Systems & Industrial Plants. Net sales decreased 0.8% to Yen 166.8 billion from the same period in the previous fiscal year mainly due to a decrease in Infrastructure and Other businesses.

Operating loss decreased by Yen 5.0 billion to Yen 1.3 billion from the same period a year earlier, reflecting the improvement of profitability in Machinery and Infrastructure. Therefore, Ordinary loss also decreased by Yen 4.4 billion to Yen 2.4 billion. Due to the elimination of extraordinary losses recorded in the same quarter of the previous year, Loss attributable to shareholders of Hitachi Zosen significantly improved by Yen 8.7 billion to Yen 1.9 billion from the correspondent period a year earlier.

Business results by segments are as follows.

Environmental Systems & Industrial Plants:

Net sales decreased 0.1% to Yen 106.3 billion due to a decrease in large-sized constructions of domestic EfW plants despite a progress of large-sized overseas EfW constructions. Operating loss increased by Yen 0.8 billion to Yen 1.3 billion due to the decline of highly profitable constructions despite the profit improvement in overseas subsidiaries.

Machinery:

Net sales increased 3.0% to Yen 44.3 billion due to an increase in marine diesel engine. Reflecting the increase in sales as well as an improvement in profitability of process equipment, Operating income turned to a profit of Yen 0.1 billion, from a loss of Yen 3.2 billion for the same period in the previous fiscal year.

Infrastructure:

Although Net sales dropped 9.0% to Yen 12.1 billion due to a decrease of large-sized construction, Operating loss improved 96.7% to Yen 0.1 billion due to the elimination of the compensation cost for a new product in the same period of the previous fiscal year.

Other Businesses:

Net sales decreased 25.5% to Yen 4.1 billion and Operating income also decreased by Yen 0.4 billion to Yen 0.0 billion.

Due to the nature of the Group's business, a large proportion of projects is completed in the end of March, fiscal year closing month. Thus, there is a tendency that our operating results experience the seasonal fluctuation.

(2) Overview of consolidated financial position

Assets, Liabilities and Net assets

Total assets decreased by Yen 25.9 billion to Yen 383.6 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 22.6 billion to Yen 267.4 billion from the previous fiscal year end owing to the payment of purchase liabilities and repayment of interest-bearing debt. Net assets decreased by Yen 3.3 billion to Yen 116.2 billion from the previous fiscal year end reflecting dividends and Loss attributable to shareholders of Hitachi Zosen in the first half of this fiscal year.

(3) Forecast of consolidated earnings

The forecast of consolidated sales and earnings in fiscal year ending March 31, 2021 remains unchanged over the announcement on Aug 3, 2020.

We assess the impact of the COVID-19 pandemic for the current consolidated fiscal year is limited. We will disclose immediately when we need to revise the forecast.

6. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	42,939	40,483
Notes and accounts receivable - trade	160,013	121,650
Merchandise and finished goods	1,188	1,400
Work in process	16,509	24,613
Raw materials and supplies	5,691	6,024
Other	20,144	23,647
Allowance for doubtful accounts	△3,379	△3,161
Total current assets	243,106	214,660
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	35,253	34,455
Land	47,876	47,871
Other, net	31,160	31,995
Total property, plant and equipment	114,290	114,322
Intangible assets		
Goodwill	2,164	2,055
Other	8,231	7,775
Total intangible assets	10,395	9,830
Investments and other assets		
Other	42,213	45,335
Allowance for doubtful accounts	△562	△585
Total investments and other assets	41,650	44,750
Total non-current assets	166,335	168,902
Deferred assets	88	76
Total assets	409,531	383,640

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	44,140	34,544
Electronically recorded obligations - operating	21,731	17,950
Short-term borrowings	14,338	8,565
Current portion of bonds payable	—	5,000
Lease obligations	809	902
Accrued expenses	46,780	37,782
Income taxes payable	3,022	1,315
Advances received	22,757	31,753
Provision for construction warranties	5,602	6,783
Provision for loss on construction contracts	2,714	2,341
Other	17,399	14,544
Total current liabilities	179,297	161,483
Non-current liabilities		
Bonds payable	25,000	20,000
Long-term borrowings	56,359	55,441
Lease obligations	3,082	3,054
Retirement benefit liability	20,929	21,563
Provision for retirement benefits for directors (and other officers)	363	340
Asset retirement obligations	3,056	3,065
Other	1,940	2,432
Total non-current liabilities	110,732	105,898
Total liabilities	290,030	267,382
Net assets		
Shareholders' equity		
Share capital	45,442	45,442
Capital surplus	8,527	8,530
Retained earnings	65,060	61,054
Treasury shares	△1,020	△1,021
Total shareholders' equity	118,009	114,006
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	145	287
Deferred gains or losses on hedges	△6	△97
Revaluation reserve for land	△7	△7
Foreign currency translation adjustment	△110	138
Remeasurements of defined benefit plans	△26	387
Total accumulated other comprehensive income	△6	708
Non-controlling interests	1,496	1,543
Total net assets	119,500	116,258
Total liabilities and net assets	409,531	383,640

7. Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	168,260	166,872
Cost of sales	147,612	140,584
Gross profit	20,647	26,287
Selling, general and administrative expenses	26,981	27,588
Operating loss	△6,333	△1,301
Non-operating income		
Interest income	44	55
Dividend income	123	126
Share of profit of entities accounted for using equity method	337	—
Other	645	383
Total non-operating income	1,150	565
Non-operating expenses		
Interest expenses	419	341
Share of loss of entities accounted for using equity method	—	173
Other	1,263	1,218
Total non-operating expenses	1,683	1,733
Ordinary loss	△6,866	△2,468
Extraordinary losses		
Loss on overseas business	7,197	—
Total extraordinary losses	7,197	—
Loss before income taxes	△14,063	△2,468
Income taxes	△3,458	△528
Loss	△10,605	△1,940
Profit attributable to non-controlling interests	19	43
Loss attributable to owners of parent	△10,625	△1,983

8. Supplementary Information

(1) Consolidated Information by segments

i) Order Intake

(Unit: billion yen)

Business Segment	Six months ended Sep. 30, 2019	Six months ended Sep. 30, 2020	Difference	Order backlog as of Sep. 30, 2020
Environmental Systems & Industrial Plants	115.4	166.3	50.9	661.7
Machinery	55.6	40.9	-14.7	92.5
Infrastructure	23.7	9.8	-13.9	42.3
Other Businesses	5.5	4.2	-1.3	0.2
Total	200.2	221.2	21.0	796.7

ii) Statements of Operations

(Unit: billion yen)

		Six months ended Sep. 30, 2019		Six months ended Sep. 30, 2020		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating income	Environmental Systems & Industrial Plants	106.4	-0.5	106.3	-1.3	-0.1	-0.8
	Machinery	43.0	-3.2	44.3	0.1	1.3	3.3
	Infrastructure	13.3	-3.0	12.1	-0.1	-1.2	2.9
	Other Businesses	5.5	0.4	4.1	0.0	-1.4	-0.4
	Total	168.2	-6.3	166.8	-1.3	-1.4	5.0
Ordinary Income			-6.8		-2.4		4.4
Extraordinary loss			-7.2		—		7.2
Profit attributable to shareholders of Hitachi Zosen			-10.6		-1.9		8.7

(2) Forecast of Consolidated Information by segments for fiscal year ending March 31, 2021

i) Order Intake

(Unit: billion yen)

Business Segment	(Actual) Fiscal year ended Mar. 31, 2020	(Forecast) Released on Aug. 3, 2020	(Forecast) Released on Nov. 4, 2020	(Forecast) Difference
Environmental Systems & Industrial Plants	289.4	280.0	280.0	0.0
Machinery	114.3	85.0	85.0	0.0
Infrastructure	39.7	35.0	35.0	0.0
Other Businesses	10.7	10.0	10.0	0.0
Total	454.1	410.0	410.0	0.0

ii) Statements of Operations

(Unit: billion yen)

		(Actual) Fiscal year ended Mar. 31, 2020		(Forecast) Released on Aug. 3, 2020		(Forecast) Released on Nov. 4, 2020		(Forecast) Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating income & Net sales	Environmental Systems & Industrial Plants	254.3	15.8	265.0	11.0	265.0	11.0	0.0	0.0
	Machinery	103.2	-1.2	95.0	0.0	95.0	0.0	0.0	0.0
	Infrastructure	33.5	-1.6	30.0	0.0	30.0	0.0	0.0	0.0
	Other Businesses	11.4	0.8	10.0	0.0	10.0	0.0	0.0	0.0
	Total	402.4	13.8	400.0	11.0	400.0	11.0	0.0	0.0
Ordinary Income		9.4		6.5		6.5		0.0	
Profit attributable to shareholders of Hitachi Zosen		2.1		4.0		4.0		0.0	