

Report of Consolidated Financial Results

For the Six Months Ended September 30, 2022

November 7, 2022

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, 2022 (April 1 - September 30, 2022)

(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, 2022	207,234	14.9	148	—	-2,755	—	-3,206	—
6 months ended Sep. 30, 2021	180,434	8.1	-1,415	—	-2,802	—	-3,061	—

	Net income per share	Net income per share-diluted
	(yen)	(yen)
6 months ended Sep. 30, 2022	-19.02	—
6 months ended Sep. 30, 2021	-18.17	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity to total assets
	(million yen)	(million yen)	(%)
As of September 30, 2022	445,924	124,932	27.6
As of March 31, 2022	461,161	132,926	28.5

(Note) Shareholders' equity: Yen 123,180 million (September 30, 2022), Yen 131,299 million (March 31, 2022)

2. Dividends

Record Date	Dividends per share (yen)		
	Interim	Year-end	Annual
Year ended March 31, 2022	0.0	12.0	12.0
Year ending March 31, 2023	0.0		
Year ending March 31, 2023 (Forecast)		15.0	15.0

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

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(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, 2023	480,000	8.6	20,000	28.7	16,000	35.8	10,000	26.6	59.34

(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, 2022 170,214,843 shares

March 31, 2022 170,214,843 shares

(ii) Number of shares held in treasury

September 30, 2022 1,685,274 shares

March 31, 2022 1,683,577 shares

(iii) Average number of shares during the respective periods

Six months ended September 30, 2022 168,530,552 shares

Six months ended September 30, 2021 168,534,791 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

In this chapter, we analyze the consolidated operating results and consolidated financial position. Numerical figures are quoted from "8. Supplementary information" of this report.

(1) Overview of consolidated operating results

The economic situation in the first half of the year under review is gradually picking up both abroad and in Japan. Looking ahead, while the economy is expected to pick up as the transition to a new phase of "With COVID-19" progresses, it is necessary to be mindful of the effects of downside risks in overseas economies due to global monetary tightening, rising prices and supply-side constraints.

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

As a result of the above efforts, for the six months ended September 30, 2022, Order intake was Yen 318.8 billion, decreased by 16.2% from the same period in the last fiscal year, reflecting a decrease of large-sized orders mainly in Environment Business. Net sales were Yen 207.2 billion, increased by 14.9% from the same period in the previous fiscal year mainly due to an increase in Environment Business.

Operating income is Yen 0.1 billion, reflecting an increase of profit in Machinery & Infrastructure Business, whereas Operating loss was Yen 1.4 billion in the same period in the last fiscal year. However, due to the loss of foreign exchange rate, Ordinary loss was Yen 2.7 billion, and Loss attributable to shareholders of Hitachi Zosen also increased by Yen 0.2 billion to Yen 3.2 billion from the correspondent period a year earlier.

Business results by segments are as follows.

At the beginning of this fiscal year, we have changed the segmentation from Environment Business, Machinery & Infrastructure Business and Other Businesses to Environment Business, Machinery & Infrastructure Business, Carbon Neutral Solution Business and Other Businesses. In line with this change, we have restated the figures in the same period of the previous year to reflect the new classification.

Environmental Business:

Net sales increased by 15.9% to Yen 143.1 billion due to the progress of large-sized EfW constructions in Japan. Operating loss was reduced by Yen 0.6 billion to Yen 0.1 billion due mainly to improved earnings in overseas subsidiaries.

Machinery & Infrastructure Business:

Net sales increased by 6.5% to Yen 39.1 billion due mainly to an increase of orders of precision machinery and press machines to automotive industry. Operating income is Yen 0.3 billion, whereas Operating loss was Yen 0.6 billion in the same period in the last fiscal year.

Carbon Neutral Solution Business:

Net sales increased by 27.8% to Yen 20.7 billion due mainly to an increase of orders of marine diesel engines. Operating loss increased by Yen 0.2 billion to Yen 0.5 billion from the same period a year earlier.

Other Businesses:

Net sales increased to Yen 4.3 billion and Operating income increased by Yen 0.2 billion to Yen 0.4 billion from the same period in the previous fiscal year.

Due to the nature of the Group's business, a large proportion of projects is completed at 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 15.2 billion to Yen 445.9 billion from the previous fiscal year-end mainly due to the large amounts of a decrease of Notes and accounts receivable and Contract assets following collection of trade receivables. Total liabilities decreased by Yen 7.3 billion to Yen 320.9 billion from the previous fiscal year-end owing to repayment of Notes and accounts payable, despite of an increase of Contract liabilities. Net assets decreased by Yen 7.9 billion to Yen 125.0 billion from the last fiscal year-end due to Loss attributable to shareholders of Hitachi Zosen in the first half of this fiscal year.

(3) Forecast of consolidated earnings

As for the fiscal year ending March 31, 2023, we have revised upward the full-year forecast for order intake and consolidated sales from the previous forecast announced on Aug 1, 2022. It is because the overseas subsidiaries have contracted the large-size EfW contracts in the first half of this fiscal year.

Meanwhile, due to the higher price in materials, the forecast of consolidated earnings in the fiscal year ending March 31, 2023, remains unchanged over the announcement on Aug 1, 2022.

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

6. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	67,200	89,273
Notes and accounts receivable - trade, and contract assets	189,775	150,335
Merchandise and finished goods	1,119	1,520
Work in process	6,836	12,387
Raw materials and supplies	6,518	7,908
Other	24,045	19,967
Allowance for doubtful accounts	△3,255	△3,988
Total current assets	292,241	277,404
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,762	32,278
Land	46,155	46,163
Other, net	31,621	29,605
Total property, plant and equipment	110,539	108,048
Intangible assets		
Goodwill	1,486	1,325
Other	9,964	10,592
Total intangible assets	11,451	11,917
Investments and other assets		
Other	48,603	49,711
Allowance for doubtful accounts	△1,767	△1,238
Total investments and other assets	46,835	48,473
Total non-current assets	168,826	168,439
Deferred assets	93	80
Total assets	461,161	445,924

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	51,607	41,874
Electronically recorded obligations - operating	20,205	16,997
Short-term borrowings	26,715	8,051
Lease liabilities	1,302	1,297
Accrued expenses	71,027	53,838
Income taxes payable	4,077	2,231
Contract liabilities	29,128	52,228
Provision for construction warranties	11,690	13,833
Provision for loss on construction contracts	6,619	7,186
Other	15,640	11,528
Total current liabilities	238,015	209,068
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term borrowings	31,177	50,011
Lease liabilities	2,686	2,629
Deferred tax liabilities	428	1,126
Retirement benefit liability	21,859	22,307
Provision for retirement benefits for directors (and other officers)	93	93
Asset retirement obligations	3,092	3,102
Other	880	2,652
Total non-current liabilities	90,219	111,922
Total liabilities	328,234	320,991
Net assets		
Shareholders' equity		
Share capital	45,442	45,442
Capital surplus	8,530	8,532
Retained earnings	71,163	65,935
Treasury shares	△1,026	△1,027
Total shareholders' equity	124,110	118,882
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,307	1,059
Deferred gains or losses on hedges	△119	△126
Revaluation reserve for land	△7	△7
Foreign currency translation adjustment	931	2,120
Remeasurements of defined benefit plans	5,077	1,252
Total accumulated other comprehensive income	7,189	4,298
Non-controlling interests	1,626	1,752
Total net assets	132,926	124,932
Total liabilities and net assets	461,161	445,924

7. Profit and loss statements

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	180,434	207,234
Cost of sales	151,355	176,517
Gross profit	29,078	30,716
Selling, general and administrative expenses	30,493	30,568
Operating profit (loss)	△1,415	148
Non-operating income		
Interest income	71	80
Dividend income	66	112
Share of profit of entities accounted for using equity method	186	100
Other	412	416
Total non-operating income	737	710
Non-operating expenses		
Interest expenses	324	374
Foreign exchange losses	567	1,614
Other	1,232	1,625
Total non-operating expenses	2,124	3,614
Ordinary loss	△2,802	△2,755
Extraordinary income		
Subsidy income	—	1,798
Total extraordinary income	—	1,798
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	—	1,798
Total extraordinary losses	—	1,798
Loss before income taxes	△2,802	△2,755
Income taxes	265	477
Loss	△3,067	△3,233
Loss attributable to non-controlling interests	△5	△27
Loss attributable to owners of parent	△3,061	△3,206

8. Supplementary Information

(1) Consolidated Information by segments

i) Order Intake

(Unit: billion yen)

Business Segment	Six months ended Sep. 30, 2021	Six months ended Sep. 30, 2022	Difference	Order backlog as of Sep. 30, 2022
Environment	319.8	244.3	-75.5	1,039.8
Machinery & Infrastructure	42.4	46.6	4.2	95.8
Carbon Neutral Solution	14.4	23.4	9.0	51.3
Other	4.0	4.5	0.5	0.4
Total	380.6	318.8	-61.8	1,187.3

ii) Statements of Operations

(Unit: billion yen)

		Six months ended Sep. 30, 2021		Six months ended Sep. 30, 2022		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating income & Net sales	Environment	123.5	-0.7	143.1	-0.1	19.6	0.6
	Machinery & Infrastructure	36.7	-0.6	39.1	0.3	2.4	0.9
	Carbon Neutral Solution	16.2	-0.3	20.7	-0.5	4.5	-0.2
	Other	4.0	0.2	4.3	0.4	0.3	0.2
	Total	180.4	-1.4	207.2	0.1	26.8	1.5
Ordinary Income		-2.8		-2.7		0.1	
Profit attributable to shareholders of Hitachi Zosen		-3.0		-3.2		-0.2	

(Notes)

At the beginning of this fiscal year, we have changed the segmentation from "Environment Business", "Machinery & Infrastructure Business" and "Other Business" to "Environment Business", "Machinery & Infrastructure Business", "Carbon Neutral Solution Business" and "Other Business". In line with this change, we have restated the figures in the same period of the previous year to reflect the new classification.

(2) Forecast of Consolidated Information by segments for fiscal year ending March 31, 2023

i) Order Intake (Unit: billion yen)

Business Segment	(Forecast) Released on Aug. 1, 2022	(Forecast) Released on Nov. 7, 2022	(Forecast) Difference
Environment	350.0	430.0	80.0
Machinery & Infrastructure	90.0	90.0	0.0
Carbon Neutral Solution	52.0	52.0	0.0
Other	8.0	8.0	0.0
Total	500.0	580.0	80.0

ii) Statements of Operations (Unit: billion yen)

		(Forecast) Released on Aug. 1, 2022		(Forecast) Released on Nov. 7, 2022		(Forecast) Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating income	Environment	320.0	16.5	337.0	16.5	17.0	0.0
	Machinery & Infrastructure	87.0	2.8	88.0	2.8	1.0	0.0
	Carbon Neutral Solution	45.0	0.3	47.0	0.3	2.0	0.0
	Other	8.0	0.4	8.0	0.4	0.0	0.0
	Total	460.0	20.0	480.0	20.0	20.0	0.0
Ordinary Income		16.0		16.0		0.0	
Profit attributable to shareholders of Hitachi Zosen		10.0		10.0		0.0	

(Notes)

At the beginning of this fiscal year, we have changed the segmentation from "Environment Business", "Machinery & Infrastructure Business" and "Other Business" to "Environment Business", "Machinery & Infrastructure Business", "Carbon Neutral Solution Business" and "Other Business". In line with this change, we have restated the figures in the same period of the previous year to reflect the new classification.