

Report of Consolidated Financial Results

For the Six Months Ended September 30, 2016

November 4, 2016

Name of Company: Hitachi Zosen Corporation
 Code Number: 7004 URL: <http://www.hitachizosen.co.jp>
 Stock Exchange Listing: Tokyo
 Representative: Takashi Tanisho, President & Chief Executive Officer
 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, 2016 (April 1 - September 30, 2016)

(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 Sept. 30, 2016	171,180	8.2	-242	—	-887	—	-2,039	—
6 months ended Sept. 30, 2015	158,141	11.6	-447	—	-1,260	—	-3,952	—

	Net income per share	Net income per share-diluted
	(yen)	(yen)
6 months ended Sept. 30, 2016	-12.10	—
6 months ended Sept. 30, 2015	-23.67	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity to total assets
	(million yen)	(million yen)	(%)
As of Sept. 30, 2016	366,123	115,081	29.6
As of March 31, 2016	401,648	120,666	28.4

(Note) Shareholders' equity: Yen 108,436 million (September 30, 2016), Yen 114,158 million (March 31, 2016)

2. Dividends

Record Date	Dividends per share (yen)		
	Interim	Year-end	Annual
Year ended March 31, 2016	0.0	12.0	12.0
Year ending March 31, 2017	0.0		
Year ending March 31, 2017 (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, 2017 (April 1, 2016 - March 31, 2017)

(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
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(yen)
Year ending March 31, 2017	400,000	3.3	16,000	5.9	12,000	-2.2	6,000	2.6	35.59

(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, 2016 170,214,843 shares
 - March 31, 2016 170,214,843 shares
 - (ii) Number of shares held in treasury
 - September 30, 2016 1,655,533 shares
 - March 31, 2016 1,650,068 shares
 - (iii) Average number of shares during the respective periods
 - Six months ended September 30, 2016 168,560,978 shares
 - Six months ended September 30, 2015 167,011,744 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

We aimed to evolve into a highly profitable enterprise that enjoys public recognition under the "Hitz Vision II" medium-term management plan, which started from fiscal year 2014. From the perspective of innovation in businesses operation and management, we are constructing optimal business strategies, as well as concentrating management resources to achieve results in our priority fields of "environment/green energy" and "social infrastructure, and disaster prevention". In particular, with the aims of strengthening profitability and expanding the scale of operations, we have made efforts for key measures such as promoting overseas local businesses, expanding stable business, accelerating profitability of new products and business.

For the six months ended September 30, 2016, Order intake decreased 0.7% to Yen 197.4 billion from the same period a year earlier reflecting the decrease of large-sized orders in Environmental Systems & Industrial Plants. Net sales grew 8.2% to Yen 171.1 billion from the corresponding six months period a year earlier with the progress of large constructions in Environmental Systems & Industrial Plants and Infrastructure.

Operating loss improved by Yen 0.2 billion to Yen 0.2 billion from the same period in the last fiscal year. The improvement of operating losses in Machinery and Infrastructure compensated for the decline of profitability in Environmental Systems & Industrial Plants. As the result, Ordinary loss cut down by Yen 0.4 billion to Yen 0.9 billion. Net loss attributable to shareholders of Hitachi Zosen Corporation improved by Yen 2.0 billion to Yen 2.0 billion from the correspondent period a year earlier mainly due to Gain on sale of property.

Business results by segments are as follows.

Environmental Systems & Industrial Plants:

Net sales expanded 14.2% to Yen 108.9 billion from the same period a year earlier with the construction progress on overseas large-sized Desalination plant. Operating income decreased by Yen 1.2 billion to Yen 0.4 billion compared with the same period of the last year due to the completion of high-profitability plants in the last fiscal year.

Machinery:

Net sales decreased 6.3% to Yen 44.6 billion as the number of new sizable orders decreased. However, Operating loss improved by Yen 0.9 billion to Yen 0.4 billion compared with the same period a year earlier reflecting on-going business reform effort.

Infrastructure:

Net sales increased 19.2% to Yen 12.4 billion and Operating loss improved by Yen 0.6 billion to Yen 0.3 billion from the same period of the last fiscal year due to the steady progress of large-sized constructions.

Other Businesses:

Net sales increased 10.6% to Yen 5.2 billion, and Operating income decreased by Yen 0.1 billion to Yen 0.1 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 35.5 billion to Yen 366.1 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 30.0 billion to Yen 251.0 billion from the previous fiscal year end because of the decrease in Notes and accounts payable and Accrued expenses.

Net assets decreased by Yen 5.6 billion to Yen 115.1 billion from the previous fiscal year end reflecting Net loss attributable to shareholders of Hitachi Zosen Corporation in this quarter period and dividend payment.

(3) Forecast of consolidated earnings

The forecast of consolidated sales and earnings in fiscal year ending March 31, 2017 remains unchanged over the announcement on May 11, 2016.

6. Consolidated financial statements

CONSOLIDATED BALANCE SHEETS
Hitachi Zosen Corporation and Consolidated Subsidiaries
At March 31, 2016 and September 30, 2016 (unaudited)

	Millions of yen	
	Mar. 31, 2016	Sep. 30, 2016
ASSETS		
Current assets:		
Cash and time deposits	¥ 51,585	¥ 56,137
Trade notes and accounts receivable	139,277	96,079
Marketable securities	10	—
Merchandise and finished goods	2,152	2,026
Raw materials and supplies	4,912	4,789
Work in progress	23,914	30,623
Prepaid expenses and other current assets	23,420	25,394
Allowance for doubtful receivables	(3,411)	(3,332)
Total current assets	241,859	211,716
Property, plant and equipment		
Buildings and structures	31,482	30,986
Land	61,315	57,550
Other property, plant and equipment, net	27,009	27,168
Total property, plant and equipment	119,806	115,704
Intangible assets		
Goodwill	3,073	2,427
Other intangible assets	4,643	4,263
Total intangible assets	7,716	6,690
Investments and other noncurrent assets:		
Investments and noncurrent assets	33,234	32,922
Allowance for doubtful receivables	(990)	(924)
Total investments and other noncurrent assets	32,244	31,998
Deferred assets	23	15
Total assets	¥ 401,648	¥ 366,123

	Millions of yen	
	Mar. 31, 2016	Sep. 30, 2016
LIABILITIES		
Current liabilities:		
Short-term borrowings	¥ 6,150	¥ 4,553
Current portion of long-term debt	22,506	19,138
Notes and accounts payable	42,797	32,420
Electronically recorded obligations	19,752	17,318
Current portion of bonds	—	10,000
Advances received on work in progress	18,728	24,036
Accrued expenses	51,960	41,303
Accrued income taxes	2,848	1,993
Reserve for product warranties	4,902	4,105
Reserve for losses on construction contracts	5,498	5,561
Other current liabilities	8,912	9,724
Total current liabilities	184,053	170,151
Long-term liabilities:		
Bonds	10,000	—
Long-term debt	65,406	59,047
Net defined benefit liability	17,700	18,123
Directors' and corporate auditors' severance and retirement benefits	401	419
Asset retirement obligations	967	970
Other noncurrent liabilities	2,455	2,332
Total long-term liabilities	96,929	80,891
Total liabilities	280,982	251,042
NET ASSETS:		
Common stock	45,442	45,442
Capital surplus	12,231	12,231
Retained earnings	57,329	53,381
Treasury stock, at cost	(1,008)	(1,011)
Net unrealized holding gains (losses) on securities	489	300
Net unrealized holding gains (losses) on hedging derivatives	(96)	(98)
Land revaluation difference	(50)	(8)
Foreign currency translation adjustments	3,136	877
Remeasurements of defined benefit plans	(3,315)	(2,678)
Non-controlling interests in consolidated subsidiaries	6,508	6,645
Total net assets	120,666	115,081
Total liabilities and net assets	¥ 401,648	¥ 366,123

CONSOLIDATED STATEMENTS OF INCOME
Hitachi Zosen Corporation and Consolidated Subsidiaries
For the six months ended September 30, 2015 and 2016 (unaudited)

	Millions of yen	
	2015	2016
Net sales	¥ 158,141	¥ 171,180
Cost of sales	134,917	147,015
Gross profit	23,224	24,165
Selling, general and administrative expenses	23,671	24,407
Operating loss	(447)	(242)
Other income (expenses):		
Interest income	42	30
Dividend income	268	180
Interest expense	(531)	(419)
Equity in net income (loss) of nonconsolidated subsidiaries and affiliates	(303)	13
Gain on sale of property	—	1,425
Loss on overseas business	—	(1,162)
Provision for loss on guarantees	(1,406)	—
Other, net	(289)	(450)
Total other expenses	(2,219)	(383)
Loss before income taxes and non-controlling interests	(2,666)	(625)
Income taxes	728	993
Loss	(3,394)	(1,618)
Profit attributable to non-controlling interests	558	421
Loss attributable to shareholders of Hitachi Zosen	¥ (3,952)	¥ (2,039)

7. Supplementary Information

(1) Consolidated Information by segments

i) Statements of Operations

(Unit: billion yen)

	Six months ended September 30, 2015		Six months ended September 30, 2016		Difference	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Environmental Systems & Industrial Plants	95.4	1.6	108.9	0.4	13.5	-1.2
Machinery	47.6	-1.3	44.6	-0.4	-3.0	0.9
Infrastructure	10.4	-0.9	12.4	-0.3	2.0	0.6
Other Businesses	4.7	0.2	5.2	0.1	0.5	-0.1
Total	158.1	-0.4	171.1	-0.2	13.0	0.2

ii) Order Intake

(Unit: billion yen)

Business Segment	Six months ended September 30, 2015	Six months ended September 30, 2016	Difference
Environmental Systems & Industrial Plants	135.5	124.4	-11.1
Machinery	45.3	50.6	5.3
Infrastructure	13.3	12.1	-1.2
Other Businesses	4.7	10.3	5.6
Total	198.8	197.4	-1.4

iii) Order Backlog

(Unit: billion yen)

Business Segment	March 31, 2016	September 30, 2016	Difference
Environmental Systems & Industrial Plants	476.7	492.2	15.5
Machinery	89.6	95.6	6.0
Infrastructure	31.3	31.0	-0.3
Other Businesses	0.1	5.2	5.1
Total	597.7	624.0	26.3

(2) Forecast of Consolidated Information by segments for fiscal year ending March 31, 2017

i) Statements of Operations

(Unit: billion yen)

		Released on May 11, 2016		Released on November 4, 2016		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating income & Net sales	Environmental Systems & Industrial Plants	250.0	14.0	255.0	14.0	5.0	0.0
	Machinery	110.0	1.0	105.0	1.0	-5.0	0.0
	Infrastructure	30.0	0.7	30.0	0.7	0.0	0.0
	Other Businesses	10.0	0.3	10.0	0.3	0.0	0.0
	Total	400.0	16.0	400.0	16.0	0.0	0.0
Ordinary Income		12.0		12.0		0.0	
Profit attributable to shareholders of Hitachi Zosen		6.0		6.0		0.0	

ii) Order Intake

(Unit: billion yen)

Business Segment	Released on May 11, 2016	Released on November 4, 2016	Difference
Environmental Systems & Industrial Plants	300.0	300.0	0.0
Machinery	110.0	105.0	-5.0
Infrastructure	30.0	30.0	0.0
Other Businesses	10.0	15.0	5.0
Total	450.0	450.0	0.0