

Report of Consolidated Financial Results

For the Six Months Ended September 30, 2017

November 2, 2017

Name of Company: Hitachi Zosen Corporation
 Code Number: 7004 URL: <http://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, 2017 (April 1 - September 30, 2017)

(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, 2017	162,382	-5.1	-3,331	—	-5,110	—	-5,404	—
6 months ended Sep. 30, 2016	171,180	8.2	-242	—	-887	—	-2,039	—

	Net income per share (yen)	Net income per share-diluted (yen)
6 months ended Sep. 30, 2017	-32.06	—
6 months ended Sep. 30, 2016	-12.10	—

(2) Financial position

	Total assets (million yen)	Net assets (million yen)	Shareholders' equity to total assets (%)
As of September 30, 2017	362,593	111,240	30.1
As of March 31, 2017	393,474	117,817	29.4

(Note) Shareholders' equity: Yen 109,096 million (September 30, 2017), Yen 115,692 million (March 31, 2017)

2. Dividends

Record Date	Dividends per share (yen)		
	Interim	Year-end	Annual
Year ended March 31, 2017	0.0	12.0	12.0
Year ending March 31, 2018	0.0		
Year ending March 31, 2018 (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, 2018 (April 1, 2017 - March 31, 2018)

(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, 2018	360,000	-9.8	12,500	-16.4	10,000	-10.9	6,500	10.8	38.56

(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: 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, 2017 170,214,843 shares

March 31, 2017 170,214,843 shares

(ii) Number of shares held in treasury

September 30, 2017 1,663,259 shares

March 31, 2017 1,659,814 shares

(iii) Average number of shares during the respective periods

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

Six months ended September 30, 2016 168,560,978 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, 2017, Order intake increased 13.0% to Yen 223.1 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 5.1% to Yen 162.3 billion from the same period in the previous fiscal year with the deteriorated results of Environmental Systems & Industrial Plants.

Operating loss increased by Yen 3.1 billion to Yen 3.3 billion from the same period a year earlier with the decline of profitability in Environmental Systems & Industrial Plants. Ordinary loss also increased by Yen 4.3 billion to Yen 5.1 billion. As a result, Loss attributable to shareholders of Hitachi Zosen increased by Yen 3.4 billion to Yen 5.4 billion from the correspondent period a year earlier.

Business results by segments are as follows.

Environmental Systems & Industrial Plants:

Net sales decreased 7.3% to Yen 101.0 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. Although Operating income was recorded Yen 0.4 billion in the same period of previous fiscal year, Operating loss was realized Yen 3.7 billion due to the cost increase of individual EfW constructions.

Machinery:

The number of new orders in precision machinery compensated for the decline in new orders of marine diesel engine. Therefore, Net sales increased 0.4% to Yen 44.8 billion and Operating income was recorded Yen 0.3 billion despite Operating loss of Yen 0.4 billion in the same period of previous fiscal year.

Infrastructure:

Although Net sales decreased 8.1% to Yen 11.4 billion due to the lower sales of large-sized constructions, Operating loss improved by Yen 0.3 billion and operating profitability reached breakeven.

Other Businesses:

Net sales decreased 1.9% to Yen 5.1 billion and Operating income was recorded Yen 0.1 billion as the same level 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 30.9 billion to Yen 362.5 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 24.3 billion to Yen 251.3 billion from the previous fiscal year end because of the decrease in Notes and accounts payable and Accrued expenses. Net assets decreased by Yen 6.6 billion to Yen 111.2 billion from the previous fiscal year end reflecting Loss attributable to shareholders of Hitachi Zosen 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, 2018 remains unchanged over the announcement on May 11, 2017.

6. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	52,281	41,996
Notes and accounts receivable - trade	134,188	103,654
Merchandise and finished goods	1,844	1,487
Work in process	21,949	29,206
Raw materials and supplies	4,855	4,828
Other	19,419	19,293
Allowance for doubtful accounts	△3,811	△3,639
Total current assets	230,727	196,827
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,986	31,957
Land	57,863	57,464
Other, net	30,066	29,795
Total property, plant and equipment	118,916	119,217
Intangible assets		
Goodwill	4,654	4,251
Other intangible assets	4,582	5,872
Total intangible assets	9,237	10,124
Investments and other assets		
Other investments and other assets	35,255	37,063
Allowance for doubtful accounts	△670	△692
Total investments and other assets	34,585	36,370
Total non-current assets	162,738	165,713
Deferred assets	7	53
Total assets	393,474	362,593

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,480	35,029
Electronically recorded obligations - operating	20,956	14,870
Short-term loans payable	45,116	21,677
Current portion of bonds	10,000	—
Accrued expenses	49,150	45,080
Accrued income taxes	2,526	1,806
Advances received	10,686	20,620
Provision for construction warranties	4,897	3,982
Provision for loss on construction contracts	3,249	2,488
Other current liabilities	14,672	9,797
Total current liabilities	201,736	155,353
Non-current liabilities		
Bonds payable	—	10,000
Long-term loans payable	52,318	63,725
Net defined benefit liability	17,168	17,868
Provision for directors' retirement benefits	412	413
Asset retirement obligations	1,041	1,044
Other	2,980	2,947
Total non-current liabilities	73,920	96,000
Total liabilities	275,656	251,353
Net assets		
Shareholders' equity		
Capital stock	45,442	45,442
Capital surplus	8,893	8,892
Retained earnings	61,285	53,858
Treasury shares	△1,013	△1,015
Total shareholders' equity	114,607	107,178
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	479	647
Deferred gains or losses on hedges	△365	△472
Revaluation reserve for land	△7	△7
Foreign currency translation adjustment	2,231	2,149
Remeasurements of defined benefit plans	△1,252	△398
Total accumulated other comprehensive income	1,084	1,918
Non-controlling interests	2,125	2,144
Total net assets	117,817	111,240
Total liabilities and net assets	393,474	362,593

7. Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	171,180	162,382
Cost of sales	147,015	139,820
Gross profit	24,165	22,562
Selling, general and administrative expenses	24,407	25,894
Operating loss	Δ242	Δ3,331
Non-operating income		
Interest income	29	37
Dividend income	180	114
Equity in net income of nonconsolidated subsidiaries and affiliates	12	29
Other	344	248
Total non-operating income	567	430
Non-operating expenses		
Interest expenses	418	418
Other	794	1,790
Total non-operating expenses	1,212	2,209
Ordinary loss	Δ887	Δ5,110
Extraordinary income		
Gain on sales of fixed assets	1,425	—
Total extraordinary income	1,425	—
Extraordinary losses		
Loss on overseas business	1,162	—
Total extraordinary losses	1,162	—
Loss before income taxes	Δ624	Δ5,110
Income taxes	993	359
Loss	Δ1,618	Δ5,470
Profit (loss) attributable to non-controlling interests	421	Δ66
Loss attributable to shareholders of Hitachi Zosen	Δ2,039	Δ5,404

8. Supplementary Information

(1) Consolidated Information by segments

i) Statements of Operations

(Unit: billion yen)

	Six months ended September 30, 2016		Six months ended September 30, 2017		Difference	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Environmental Systems & Industrial Plants	108.9	0.4	101.0	-3.7	-7.9	-4.1
Machinery	44.6	-0.4	44.8	0.3	0.2	0.7
Infrastructure	12.4	-0.3	11.4	-0.0	-1.0	0.3
Other Businesses	5.2	0.1	5.1	0.1	-0.1	0.0
Total	171.1	-0.2	162.3	-3.3	-8.8	-3.1

ii) Order Intake

(Unit: billion yen)

Business Segment	Six months ended September 30, 2016	Six months ended September 30, 2017	Difference
Environmental Systems & Industrial Plants	124.4	158.0	33.6
Machinery	50.6	44.1	-6.5
Infrastructure	12.1	15.8	3.7
Other Businesses	10.3	5.2	-5.1
Total	197.4	223.1	25.7

iii) Order Backlog

(Unit: billion yen)

Business Segment	March 31, 2017	September 30, 2017	Difference
Environmental Systems & Industrial Plants	462.1	519.1	57.0
Machinery	93.2	92.5	-0.7
Infrastructure	35.3	39.7	4.4
Other Businesses	6.8	6.8	0.0
Total	597.4	658.1	60.7

(2) Forecast of Consolidated Information by segments for fiscal year ending March 31, 2018

i) Statements of Operations

(Unit: billion yen)

		Released on May 11, 2017		Released on November 2, 2017		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Net sales & Operating income	Environmental Systems & Industrial Plants	215.0	8.5	215.0	8.0	0.0	-0.5
	Machinery	100.0	2.5	100.0	3.0	0.0	0.5
	Infrastructure	30.0	1.0	30.0	1.0	0.0	0.0
	Other Businesses	15.0	0.5	15.0	0.5	0.0	0.0
	Total	360.0	12.5	360.0	12.5	0.0	0.0
Ordinary Income		10.0		10.0		0.0	
Profit attributable to shareholders of Hitachi Zosen		6.5		6.5		0.0	

ii) Order Intake

(Unit: billion yen)

Business Segment	Released on May 11, 2017	Released on November 2, 2017	Difference
Environmental Systems & Industrial Plants	255.0	255.0	0.0
Machinery	100.0	100.0	0.0
Infrastructure	35.0	35.0	0.0
Other Businesses	10.0	10.0	0.0
Total	400.0	400.0	0.0