

Report of Consolidated Financial Results

For the Six Months Ended September 30, 2021

November 1, 2021

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, 2021 (April 1 - September 30, 2021)

(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, 2021	180,434	8.1	-1,415	—	-2,802	—	-3,061	—
6 months ended Sep. 30, 2020	166,872	-0.8	-1,301	—	-2,468	—	-1,983	—

	Net income per share	Net income per share-diluted
	(yen)	(yen)
6 months ended Sep. 30, 2021	-18.17	—
6 months ended Sep. 30, 2020	-11.77	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity to total assets
	(million yen)	(million yen)	(%)
As of September 30, 2021	398,479	122,371	30.3
As of March 31, 2021	429,336	128,167	29.4

(Note) Shareholders' equity: Yen 120,541 million (September 30, 2021), Yen 126,330 million (March 31, 2021)

2. Dividends

Record Date	Dividends per share (yen)		
	Interim	Year-end	Annual
Year ended March 31, 2021	0.0	12.0	12.0
Year ending March 31, 2022	0.0		
Year ending March 31, 2022 (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, 2022 (April 1, 2021 - March 31, 2022)

(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, 2022	400,000	-2.1	14,000	-9.1	9,000	-23.7	5,000	17.4	29.67

(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, 2021 170,214,843 shares

March 31, 2021 170,214,843 shares

(ii) Number of shares held in treasury

September 30, 2021 1,681,217 shares

March 31, 2021 1,678,837 shares

(iii) Average number of shares during the respective periods

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

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

During the first half of the current fiscal year, the global economy has been remaining a severe situation due to the worldwide new Coronavirus (COVID-19) pandemic, but there were some signs of recovery due to measures to prevent the spread of the infection. In Japan as well, the situation remains difficult, but there are signs of a recovery, including capital investment and steady public-sector investment. However, it is still necessary to pay attention to the impact of COVID-19 on the global and Japanese economies.

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, 2021, Order intake was Yen 380.6 billion, increased 72.1% from the same period in the last fiscal year, reflecting an increase of large-sized orders mainly in Environment Business. Net sales were Yen 180.4 billion, increased 8.2% from the same period in the previous fiscal year mainly due to an increase in Environment Business.

Operating loss increased by Yen 0.1 billion to Yen 1.4 billion from the same period a year earlier, reflecting an increase of loss in Machinery & Infrastructure Business. As a result, Ordinary loss slightly increased by Yen 0.4 billion to Yen 2.8 billion and Loss attributable to shareholders of Hitachi Zosen also increased by Yen 1.1 billion to Yen 3.0 billion from the correspondent period a year earlier.

Business results by segments are as follows.

Environmental Business:

Net sales increased 16.2% to Yen 123.5 billion due to the progress of large-sized EfW constructions overseas. Operating loss was reduced by Yen 0.6 billion to Yen 0.7 billion due mainly to improved earnings in overseas subsidiaries.

Machinery & Infrastructure Business:

Net sales decreased 6.2% to Yen 52.9 billion due mainly to a slowdown of orders of press machines to automotive industry. Operating loss increased by 0.9 billion to 0.9 billion from the same period a year earlier.

Other Businesses:

Net sales decreased to Yen 4.0 billion but Operating income increased by Yen 0.2 billion to Yen 0.2 billion from the same period in the previous fiscal year.

At the beginning of this fiscal year, we have changed the segmentation from Environment Business, Machinery Business, Infrastructure Business, and Other Businesses to Environment Business, Machinery & Infrastructure 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.

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 30.9 billion to Yen 398.4 billion from the previous fiscal year-end mainly due to the large

amounts of collection of Notes and accounts receivable and Contract assets following collection of trade receivables. Total liabilities decreased by Yen 25.0 billion to Yen 276.1 billion from the previous fiscal year-end owing to repayment of interest-bearing debt. Net assets decreased by Yen 5.8 billion to Yen 122.3 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, 2022, we have revised upward the full-year forecast for order intake from the previous forecast announced on Aug 4, 2021. It is because the overseas subsidiaries have contracted the large-size O&M contracts in the first half of this fiscal year.

Meanwhile, the upward revision is due to the order intake for long-term operations at overseas subsidiaries, the forecast of consolidated sales and earnings in the fiscal year ending March 31, 2022, remains unchanged over the announcement on Aug 4, 2021.

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, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	47,277	67,219
Notes and accounts receivable - trade	169,316	—
Notes and accounts receivable - trade, and contract assets	—	127,915
Merchandise and finished goods	1,622	1,520
Work in process	16,738	12,116
Raw materials and supplies	5,594	5,459
Other	22,264	19,359
Allowance for doubtful accounts	△3,307	△3,473
Total current assets	259,505	230,116
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,536	34,266
Land	46,474	46,426
Other, net	32,320	31,765
Total property, plant and equipment	113,330	112,458
Intangible assets		
Goodwill	1,626	1,410
Other	7,873	7,436
Total intangible assets	9,500	8,846
Investments and other assets		
Other	48,099	48,199
Allowance for doubtful accounts	△1,163	△1,194
Total investments and other assets	46,936	47,005
Total non-current assets	169,767	168,310
Deferred assets	62	52
Total assets	429,336	398,479

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	41,598	34,036
Electronically recorded obligations - operating	21,787	14,910
Short-term borrowings	14,572	24,924
Current portion of bonds payable	5,000	—
Lease obligations	1,006	1,005
Accrued expenses	59,026	51,950
Income taxes payable	1,112	1,222
Advances received	24,914	—
Contract liabilities	—	37,477
Provision for construction warranties	7,586	8,177
Provision for loss on construction contracts	3,688	5,819
Other	17,819	14,121
Total current liabilities	198,113	193,644
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	54,528	33,817
Lease obligations	3,043	2,661
Retirement benefit liability	20,685	21,151
Provision for retirement benefits for directors (and other officers)	251	181
Asset retirement obligations	3,074	3,083
Other	1,471	1,567
Total non-current liabilities	103,055	82,463
Total liabilities	301,169	276,107
Net assets		
Shareholders' equity		
Share capital	45,442	45,442
Capital surplus	8,530	8,530
Retained earnings	67,296	60,212
Treasury shares	△1,022	△1,024
Total shareholders' equity	120,246	113,160
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,294	1,281
Deferred gains or losses on hedges	△117	△202
Revaluation reserve for land	△7	△7
Foreign currency translation adjustment	637	769
Remeasurements of defined benefit plans	4,278	5,540
Total accumulated other comprehensive income	6,084	7,381
Non-controlling interests	1,836	1,829
Total net assets	128,167	122,371
Total liabilities and net assets	429,336	398,479

7. Profit and loss statements

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	166,872	180,434
Cost of sales	140,584	151,355
Gross profit	26,287	29,078
Selling, general and administrative expenses	27,588	30,493
Operating loss	△1,301	△1,415
Non-operating income		
Interest income	55	71
Dividend income	126	66
Share of profit of entities accounted for using equity method	—	186
Other	383	412
Total non-operating income	565	737
Non-operating expenses		
Interest expenses	341	324
Share of loss of entities accounted for using equity method	173	—
Foreign exchange losses	308	567
Other	909	1,232
Total non-operating expenses	1,733	2,124
Ordinary loss	△2,468	△2,802
Loss before income taxes	△2,468	△2,802
Income taxes	△528	265
Loss	△1,940	△3,067
Profit (loss) attributable to non-controlling interests	43	△5
Loss attributable to owners of parent	△1,983	△3,061

8. Supplementary Information

(1) Consolidated Information by segments

i) Order Intake

(Unit: billion yen)

Business Segment	Six months ended Sep. 30, 2020	Six months ended Sep. 30, 2021	Difference	Order backlog as of Sep. 30, 2021
Environmental Business	166.3	319.8	153.5	844.9
Machinery & Infrastructure Business	50.7	56.8	6.1	122.9
Other Businesses	4.2	4.0	-0.2	0.3
Total	221.2	380.6	159.4	968.1

ii) Statements of Operations

(Unit: billion yen)

		Six months ended Sep. 30, 2020		Six months ended Sep. 30, 2021		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating income & Net sales	Environmental Business	106.3	-1.3	123.5	-0.7	17.2	0.6
	Machinery & Infrastructure Business	56.4	0.0	52.9	-0.9	-3.5	-0.9
	Other Businesses	4.1	0.0	4.0	0.2	-0.1	0.2
	Total	166.8	-1.3	180.4	-1.4	13.6	-0.1
Ordinary Income			-2.4		-2.8		-0.4
Profit attributable to shareholders of Hitachi Zosen			-1.9		-3.0		-1.1

(2) Forecast of Consolidated Information by segments for fiscal year ending March 31, 2022

i) Order Intake

(Unit: billion yen)

Business Segment	(Forecast) Released on Aug. 4, 2021	(Forecast) Released on Nov. 1, 2021	(Forecast) Difference
Environmental Business	315.0	445.0	130.0
Machinery & Infrastructure Business	125.0	125.0	0.0
Other Businesses	10.0	10.0	0.0
Total	450.0	580.0	130.0

ii) Statements of Operations

(Unit: billion yen)

		(Forecast) Released on Aug. 4, 2021		(Forecast) Released on Nov. 1, 2021		(Forecast) Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating income & Net sales	Environmental Business	265.0	13.0	265.0	13.0	0.0	0.0
	Machinery & Infrastructure Business	125.0	1.0	125.0	1.0	0.0	0.0
	Other Businesses	10.0	0.0	10.0	0.0	0.0	0.0
	Total	400.0	14.0	400.0	14.0	0.0	0.0
Ordinary Income		9.0		9.0		0.0	
Profit attributable to shareholders of Hitachi Zosen		5.0		5.0		0.0	