

Report of Consolidated Financial Results

For the Nine Months Ended December 31, 2023

February 5, 2024

Name of Company: Hitachi Zosen Corporation
 Code Number: 7004 URL: <https://www.hitachizosen.co.jp>
 Stock Exchange Listing: Tokyo
 Representative: Sadao Mino, President & Chief Executive Officer
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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 nine months ended December 31, 2023 (April 1 - December 31, 2023)

(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)	(%)
9 months ended Dec. 31, 2023	372,317	12.3	9,511	63.3	9,147	159.5	5,958	138.2
9 months ended Dec. 31, 2022	331,403	15.1	5,824	124.4	3,524	—	2,501	—

	Net income per share (yen)	Net income per share-diluted (yen)
9 months ended Dec. 31, 2023	35.36	—
9 months ended Dec. 31, 2022	14.84	—

(2) Financial position

	Total assets (million yen)	Net assets (million yen)	Shareholders' equity to total assets (%)
As of December 31, 2023	469,378	148,463	30.4
As of March 31, 2023	479,682	141,311	29.1

(Note) Shareholders' equity: Yen 142,866 million (December 31, 2023), Yen 139,619 million (March 31, 2023)

2. Dividends

Record Date	Dividends per share (yen)		
	Interim	Year-end	Annual
Year ended March 31, 2023	0.0	18.0	18.0
Year ending March 31, 2024	0.0		
Year ending March 31, 2024 (Forecast)		18.0	18.0

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

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(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, 2024	540,000	9.6	23,000	14.7	20,000	12.1	15,000	△3.7	89.01

(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)

December 31, 2023 170,214,843 shares

March 31, 2023 170,214,843 shares

(ii) Number of shares held in treasury

December 31, 2023 1,691,445 shares

March 31, 2023 1,687,175 shares

(iii) Average number of shares during the respective periods

Nine months ended December 31, 2023 168,525,695 shares

Nine months ended December 31, 2022 168,529,959 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. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	86,404	59,912
Notes and accounts receivable - trade, and contract assets	198,378	185,048
Merchandise and finished goods	1,461	2,770
Work in process	7,391	16,600
Raw materials and supplies	8,332	10,292
Other	20,749	24,269
Allowance for doubtful accounts	△3,864	△1,154
Total current assets	318,853	297,739
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,807	30,052
Land	40,223	40,384
Other, net	27,222	30,816
Total property, plant and equipment	98,253	101,253
Intangible assets		
Goodwill	1,079	4,279
Other	10,048	10,940
Total intangible assets	11,127	15,220
Investments and other assets		
Other	52,018	55,798
Allowance for doubtful accounts	△638	△682
Total investments and other assets	51,379	55,115
Total non-current assets	160,760	171,590
Deferred assets	67	48
Total assets	479,682	469,378

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	50,623	42,549
Electronically recorded obligations - operating	22,660	7,357
Short-term borrowings	16,618	12,231
Current portion of bonds payable	—	10,000
Lease liabilities	1,341	1,334
Accrued expenses	70,138	64,453
Income taxes payable	4,021	2,429
Contract liabilities	41,355	49,053
Provision for construction warranties	14,572	15,218
Provision for loss on construction contracts	6,819	6,017
Other	12,659	17,189
Total current liabilities	240,811	227,834
Non-current liabilities		
Bonds payable	30,000	20,000
Long-term borrowings	35,876	40,035
Lease liabilities	2,630	3,700
Deferred tax liabilities	415	388
Retirement benefit liability	21,354	21,270
Provision for retirement benefits for directors (and other officers)	63	62
Provision for loss on business liquidation	729	729
Provision for loss on litigation	669	946
Asset retirement obligations	3,081	3,095
Other	2,738	2,852
Total non-current liabilities	97,559	93,079
Total liabilities	338,370	320,914
Net assets		
Shareholders' equity		
Share capital	45,442	45,442
Capital surplus	8,176	7,805
Retained earnings	84,685	87,610
Treasury shares	△1,029	△1,033
Total shareholders' equity	137,274	139,825
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	986	1,218
Deferred gains or losses on hedges	77	733
Revaluation reserve for land	△7	△7
Foreign currency translation adjustment	426	868
Remeasurements of defined benefit plans	863	227
Total accumulated other comprehensive income	2,345	3,040
Non-controlling interests	1,691	5,597
Total net assets	141,311	148,463
Total liabilities and net assets	479,682	469,378

6. Consolidated Profit and loss statements

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	331,403	372,317
Cost of sales	278,803	310,966
Gross profit	52,599	61,351
Selling, general and administrative expenses	46,774	51,839
Operating profit	5,824	9,511
Non-operating income		
Interest income	165	662
Dividend income	87	33
Share of profit of entities accounted for using equity method	196	1,290
Other	491	673
Total non-operating income	942	2,660
Non-operating expenses		
Interest expenses	562	551
Foreign exchange losses	578	375
Other	2,100	2,097
Total non-operating expenses	3,242	3,024
Ordinary profit	3,524	9,147
Extraordinary income		
Gain on sale of non-current assets	1,020	—
Subsidy income	1,798	—
Total extraordinary income	2,819	—
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	1,798	—
Provision for loss on litigation	—	258
Total extraordinary losses	1,798	258
Profit before income taxes	4,545	8,889
Income taxes	2,032	2,986
Profit	2,512	5,902
Profit (loss) attributable to non-controlling interests	11	△56
Profit attributable to owners of parent	2,501	5,958

7. Supplementary Information

(1) Consolidated Information by Segments

i) Consolidated Order Intake

(Unit: Billions of yen)

Business Segment	Nine months ended Dec. 31, 2022	Nine months ended Dec. 31, 2023	Difference	Order backlog as of Dec. 31, 2023
Environment	428.3	407.6	-20.7	1,342.9
Machinery & Infrastructure	68.5	65.1	-3.4	88.0
Carbon Neutral Solution	29.0	66.0	37.0	112.0
Other	7.2	1.6	-5.6	0.4
Total	533.0	540.3	7.3	1,543.3

ii) Consolidated Profit and Loss Statements

(Unit: Billions of yen)

		Nine months ended Dec. 31, 2022		Nine months ended Dec. 31, 2023		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating income & Net sales	Environment	231.9	3.3	269.3	7.2	37.4	3.9
	Machinery & Infrastructure	60.1	1.3	64.4	1.9	4.3	0.6
	Carbon Neutral Solution	32.4	0.4	37.0	0.1	4.6	-0.3
	Other	7.0	0.8	1.6	0.3	-5.4	-0.5
	Total	331.4	5.8	372.3	9.5	40.9	3.7
Ordinary Income		3.5		9.1		5.6	
Profit attributable to shareholders of Hitachi Zosen		2.5		5.9		3.4	

iii) Consolidated Balance Sheet

(Unit: Billions of yen)

	As of Mar. 31, 2023	As of Dec. 31, 2023	Difference
Cash and time deposits	86.4	59.9	-26.5
Notes and accounts receivable - trade, and contract assets	198.3	184.9	-13.4
Inventories	17.2	29.7	12.5
Tangible & intangible fixed assets	109.4	116.5	7.1
Others	68.3	78.3	10.0
Total Assets	479.6	469.3	-10.3
Notes and accounts payable - trade	73.2	49.9	-23.3
Interest bearing debt	86.5	87.3	0.8
Others	178.6	183.7	5.1
Total Liabilities	338.3	320.9	-17.4
Shareholders' equity	137.3	139.8	2.5
Accumulated other comprehensive income	2.3	3.0	0.7
Non-controlling interests	1.7	5.6	3.9
Total Net Assets	141.3	148.4	7.1
Total Liabilities and Net Assets	479.6	469.3	-10.3

iv) Consolidated Statements of Cash Flows

(Unit: Billions of yen)

	Nine months ended Dec. 31, 2022	Nine months ended Dec. 31, 2023	Difference
Cash flows from operating activities	25.6	-13.0	-38.6
Cash flows from investing activities	-6.4	-15.6	-9.2
Cash flows from financing activities	-3.7	-4.1	-0.4
Foreign exchange translation	1.2	2.5	1.3
Increase/decrease in cash & cash equivalents	16.7	-30.2	-46.9
Cash & cash equivalents at beginning of period	65.9	84.8	18.9
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	3.5	3.5
Cash & cash equivalents at end of period	82.6	58.1	-24.5

(2) Forecast of Consolidated Information by Segments for fiscal year ending March 31, 2024

i) Consolidated Order Intake

(Unit: Billions of yen)

Business Segment	Forecast Released on Nov. 6, 2023	Forecast Released on Feb. 5, 2024	Difference
Environment	470.0	460.0	-10.0
Machinery & Infrastructure	86.0	83.0	-3.0
Carbon Neutral Solution	62.0	75.0	13.0
Other	2.0	2.0	0.0
Total	620.0	620.0	0.0

ii) Consolidated Profit and Loss Statements

(Unit: Billions of yen)

		Forecast Released on Nov. 6, 2023		Forecast Released on Feb. 5, 2024		Difference	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Operating Income & Net sales	Environment	396.5	19.0	396.0	18.5	-0.5	-0.5
	Machinery & Infrastructure	89.0	2.6	89.0	2.3	0.0	-0.3
	Carbon Neutral Solution	53.0	1.2	53.0	1.9	0.0	0.7
	Other	1.5	0.2	2.0	0.3	0.5	0.1
	Total	540.0	23.0	540.0	23.0	0.0	0.0
Ordinary Income		19.0		20.0		1.0	
Profit attributable to shareholders of Hitachi Zosen		13.0		15.0		2.0	

(Notes)

Sales and operating income remain unchanged from those released on Nov. 6, 2023. Ordinary income is expected to improve from that released on Nov. 6, 2023 due to an improvement of Share of profit of entities accounted for using equity method. Profit attributable to shareholders of Hitachi Zosen is also expected to improve from that released on Nov. 6, 2023 due to an improvement in ordinary income and a decrease in tax expenses.