



Hitachi Zosen Corporation

FY2011 Financial Results

Riverside EfW plants, London UK (2,332t/d 65MW)

Hitz
Hitachi Zosen

May 11, 2012

Chairman & President Minoru Furukawa

1. Overview of FY2011 Consolidated Financial Results
2. Forecast of FY2012
3. Progress of Mid Term Business Plan “Hitz Vision”

1. OVERVIEW OF FY2011 CONSOLIDATED FINANCIAL RESULTS

- Year-on-year increase of Order intake and Net sales, yet below original forecast
- Year-on-year decrease of Operating profit, and below original forecast (*)

(*)Deterioration of Infrastructure segments partly offset by increase of profit by Environmental systems.

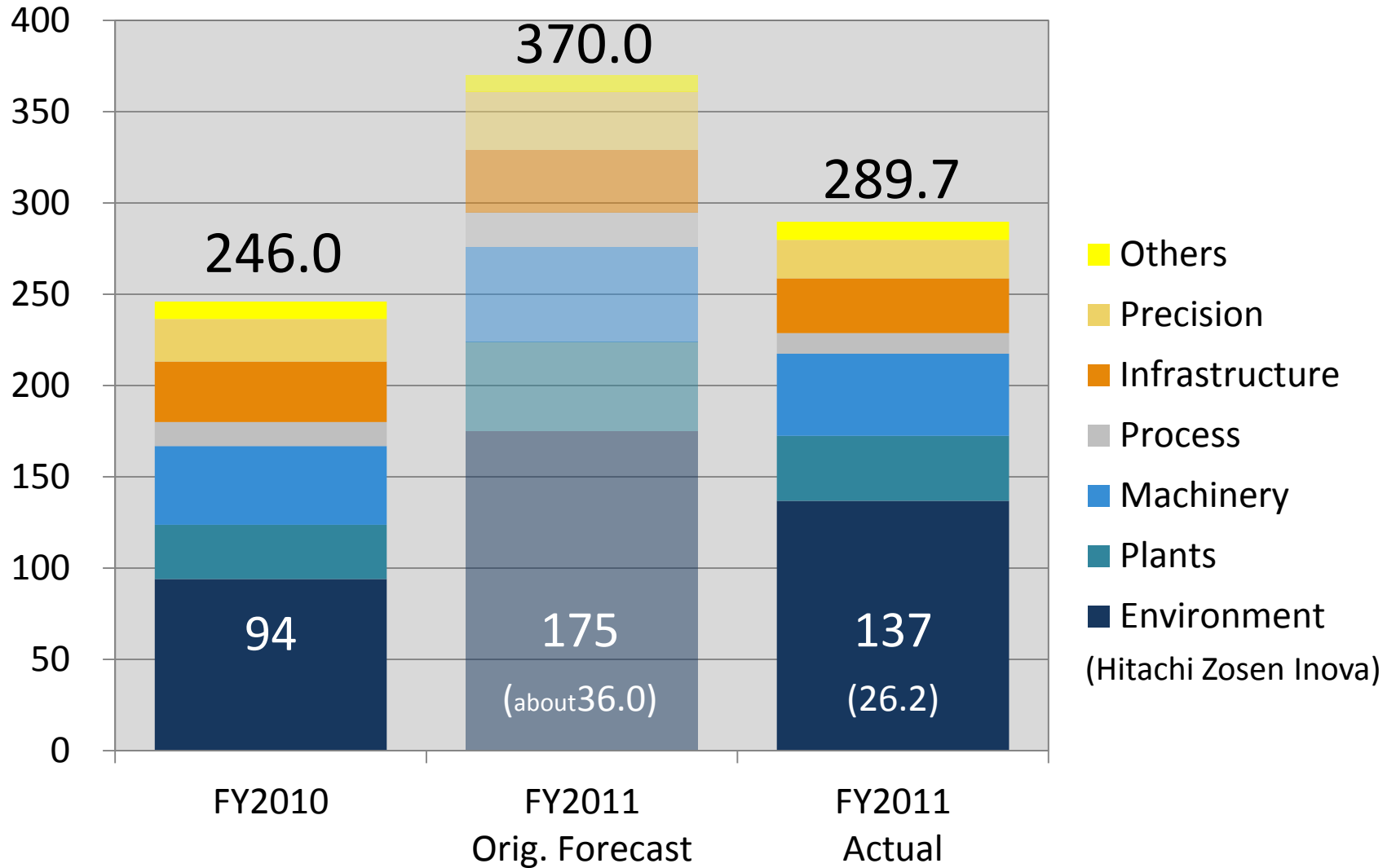
FY2011 Results Overview

(unit: billion Yen)

	FY2010	FY2011		Difference	
		Forecast	Actual	Year-on-year	v.s. Forecast
Order intake	246.0	370.0	289.7	43.7	▲80.3
Net sales	287.1	310.0	303.0	15.9	▲7.0
Operating profit (Ratio)	13.3 (4.7%)	14.0 (4.5%)	11.3 (3.7%)	▲2.0 (▲1.0%)	▲2.7 (▲0.8%)
Non-operating P&L	▲1.3	▲1.0	▲0.6	0.7	0.4
Ordinary income (Ratio)	12.0 (4.2%)	13.0 (4.2%)	10.7 (3.5%)	▲1.3 (▲0.7%)	▲2.3 (▲0.7%)
Extraordinary P&L	0.6	—	1.6	1.0	1.6
Income tax & minority interests	▲3.0	▲3.0	▲3.0	0	0
Net income (Ratio)	9.6 (3.3%)	10.0 (3.2%)	9.3 (3.1%)	▲0.3 (▲0.2%)	▲0.7 (▲0.1%)

FY2011 Order intake

(unit: billion Yen)



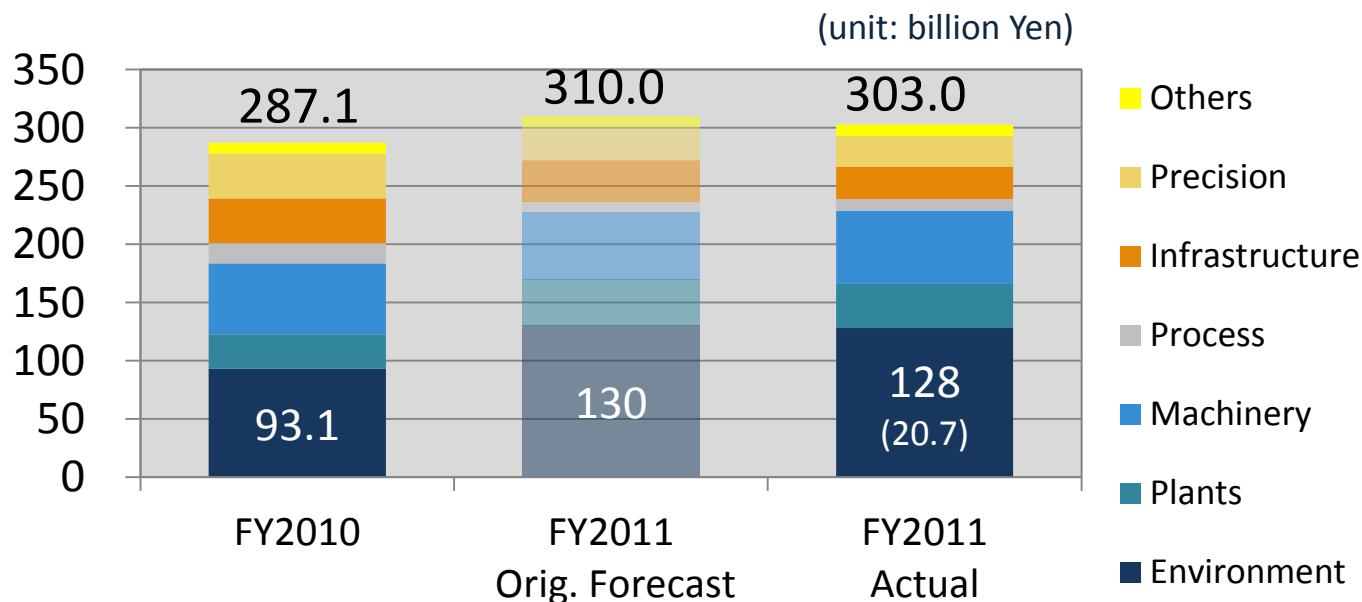
FY2011 - Order intake by Segments

(unit: billion Yen)

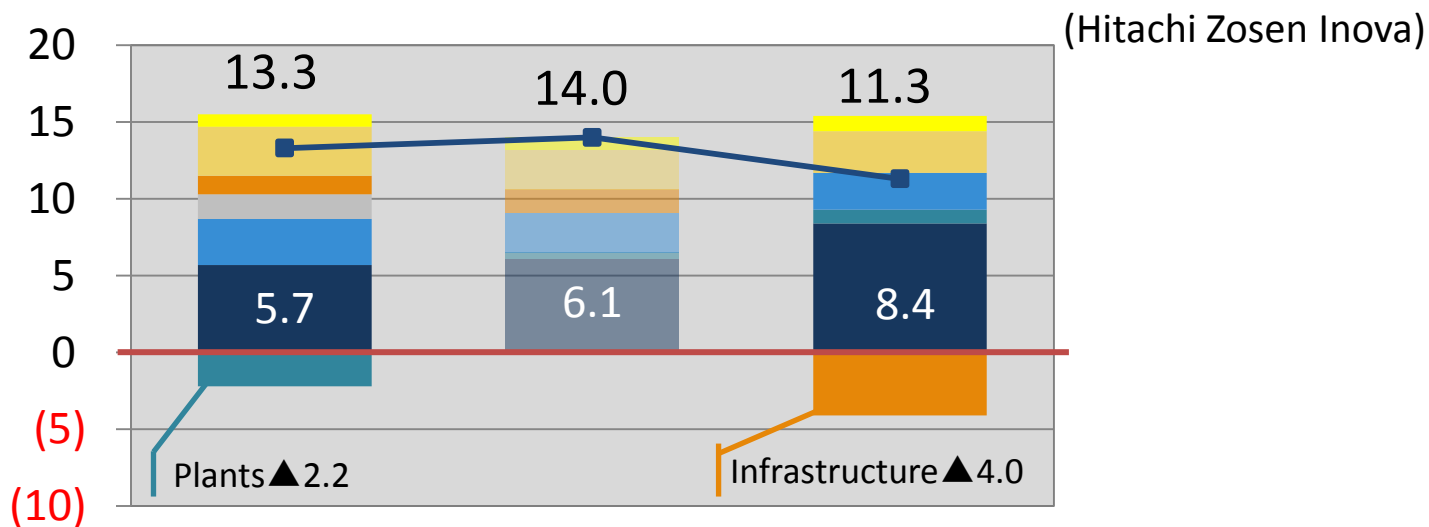
	Environ- mental Systems	Industrial Plants	Machinery	Process Equipment	Infra- structure	Precision Machinery	Others	Total
FY2011 Actual	136.9	35.5	45.0	11.3	30.0	21.1	9.9	289.7
FY2010 Actual	94.1	29.7	43.1	13.1	33.2	23.3	9.5	246.0
Difference	42.8	5.8	1.9	▲1.8	▲3.2	▲2.2	0.4	43.7
FY2011 Orig. Forecast	175.0	49.0	52.0	19.0	34.0	32.0	9.0	370.0

FY2011 Net sales & Operating profit

Net sales



Operating profit



FY2011 - P&L by Segments

(unit: billion Yen)

		Environ- mental Systems	Industrial Plants	Machinery	Process Equipment	Infra- structure	Precision Machinery	Others	Total
FY2011	Net sales	128.1	37.9	62.9	10.2	27.5	26.5	9.9	303.0
	Actual Oper.profit	8.4	0.9	2.4	▲0.1	▲4.0	2.7	1.0	11.3
FY2010	Net sales	93.1	29.6	60.9	17.3	38.4	38.6	9.2	287.1
	Actual Oper.profit	5.7	▲2.2	3.0	1.6	1.2	3.2	0.8	13.3
Diff.	Net sales	35.0	8.3	2.0	▲7.1	▲10.9	▲12.1	0.7	15.9
	Oper.profit	2.7	3.1	▲0.6	▲1.7	▲5.2	▲0.5	0.2	▲2.0

FY2011 Orig. Forecast	Net Sales	130.0	39.5	58.0	9.0	35.5	29.0	9.0	310.0
	Oper.profit	6.1	0.4	2.6	0	1.5	2.6	0.8	14.0

FY2011 - Increase & Decrease of Operating P&L

(unit: billion Yen)

FY2010 Operating P&L			13.3
Breakdown of Increase and Decrease	Consolidation of HZ Inova (Net sales +20.7)	0.4	▲2.0
	Decrease of Net sales excluding HZ Inova (▲4.8)	▲0.8	
	Cost increase in Infrastructure Segment	▲3.0	
	Increase of SG&A expenses (mainly personnel cost)	▲2.4	
	Cost reduction	3.8	
FY2011 Operating P&L			11.3

FY2011 - Breakdown of Non-operating P&L

(unit: billion Yen)

	FY2010	FY2011	Difference
Financial expenses	▲1.4	▲1.4	0
Dividends income	0.2	0.2	0
Equity in net income of nonconsolidated subsidiaries and affiliates	2.9	0.7	▲2.2
Other Non-operating income	▲3.0	▲0.1	2.9
Total	▲1.3	▲0.6	0.7

FY2011 - Breakdown of Extraordinary P&L

(unit: billion Yen)

		FY2010	FY2011	Difference
Extraordinary Profit	Gain on sale of property		1.6	1.6
	Reversal of allowance for losses of lawsuits	1.1	1.1	0
Extraordinary Loss	Compensation for damage		▲0.6	▲0.6
	Loss on devaluation of investments in securities		▲0.5	▲0.5
	Effect by assets retirement obligation	▲0.5		0.5
Total- Extraordinary P&L		0.6	1.6	1.0

FY2011 Cash flows & Interest Bearing Debt

(unit: billion Yen)

Cash flows	FY2010	FY2011	Difference
Cash flows from operating activities	17.1	14.6	▲2.5
Cash flows from investment activities	▲3.2	▲4.6	▲1.4
Cash flows from financing activities	▲9.6	1.1	10.7
Net increase in cash & cash equivalents	4.3	(*1) 10.7	6.4
Cash & cash equivalents at beginning	51.6	55.9	4.3
Cash & cash equivalents at end	55.9	66.6	10.7

(*1) include effect of exchange rate changes of Yen -0.4 billion.

(unit: billion Yen)

Interest Bearing Debt	March 2011	March 2012	Difference
Bank loan (incl. Lease Liabilities)	89.1	92.5	3.4
Bond issues	15.5	15.1	▲0.4
Total	104.6	107.6	3.0

2. FY2012 FORECAST

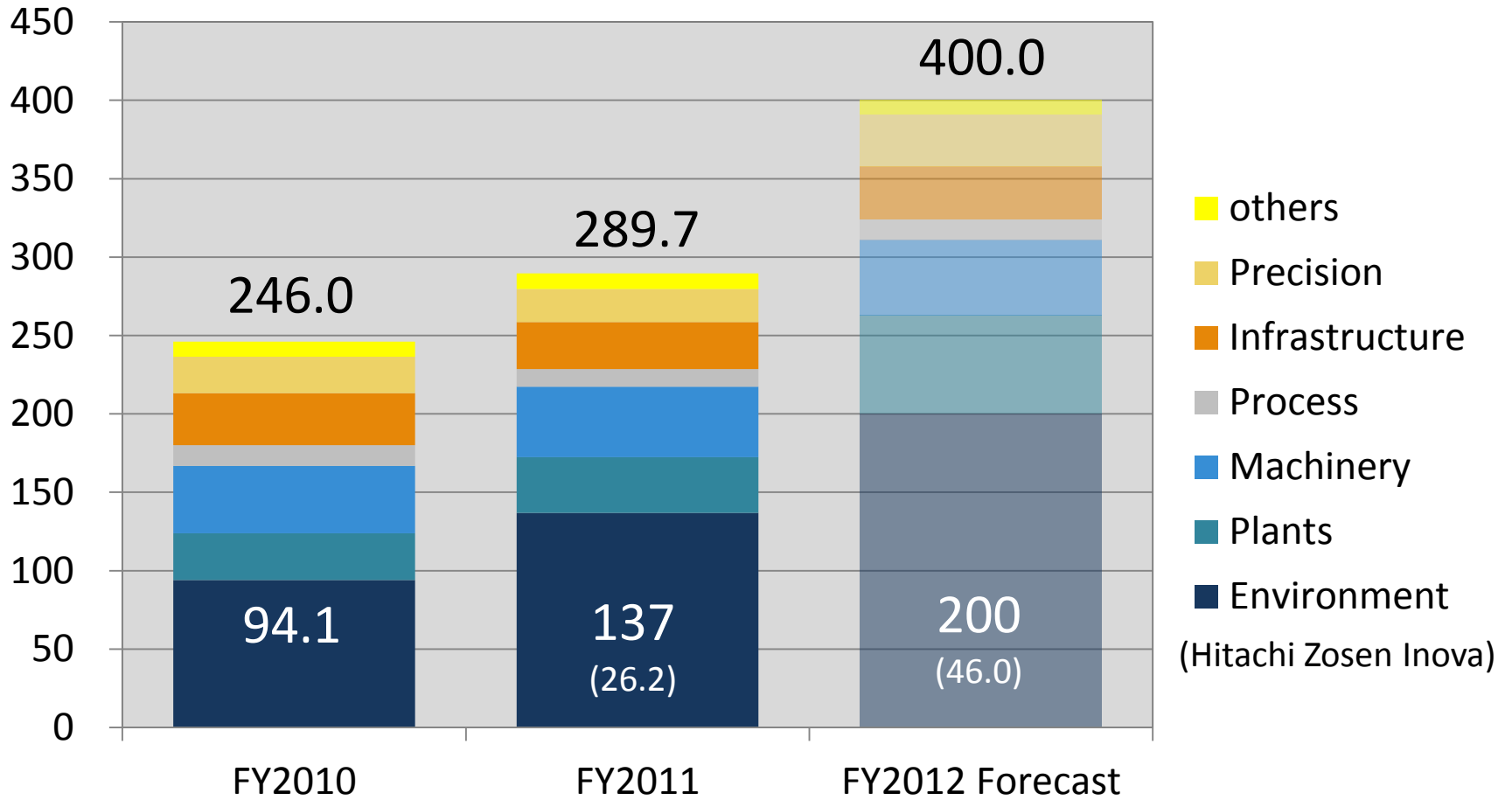
FY2012 Forecast

(unit: billion Yen)

	FY2011 Actual	FY2012 Forecast	Difference
Order intake	289.7	400.0	110.3
Net sales	303.0	320.0	17.0
Operating profit (Ratio)	11.3 (3.7%)	12.8 (4.0%)	1.5 (0.3%)
Non-operating profit	▲0.6	▲1.8	▲1.2
Ordinary income (Ratio)	10.7 (3.5%)	11.0 (3.4%)	0.3 (▲0.1%)
Extraordinary P&L	1.6	0	▲1.6
Income tax & minority interests	▲3.0	▲2.0	1.0
Net income (Ratio)	9.3 (3.1%)	9.0 (2.8%)	▲0.3 (▲0.3%)

FY2012 Forecast - Order intake

(unit: billion Yen)



FY2012 Forecast – Order intake by Segments

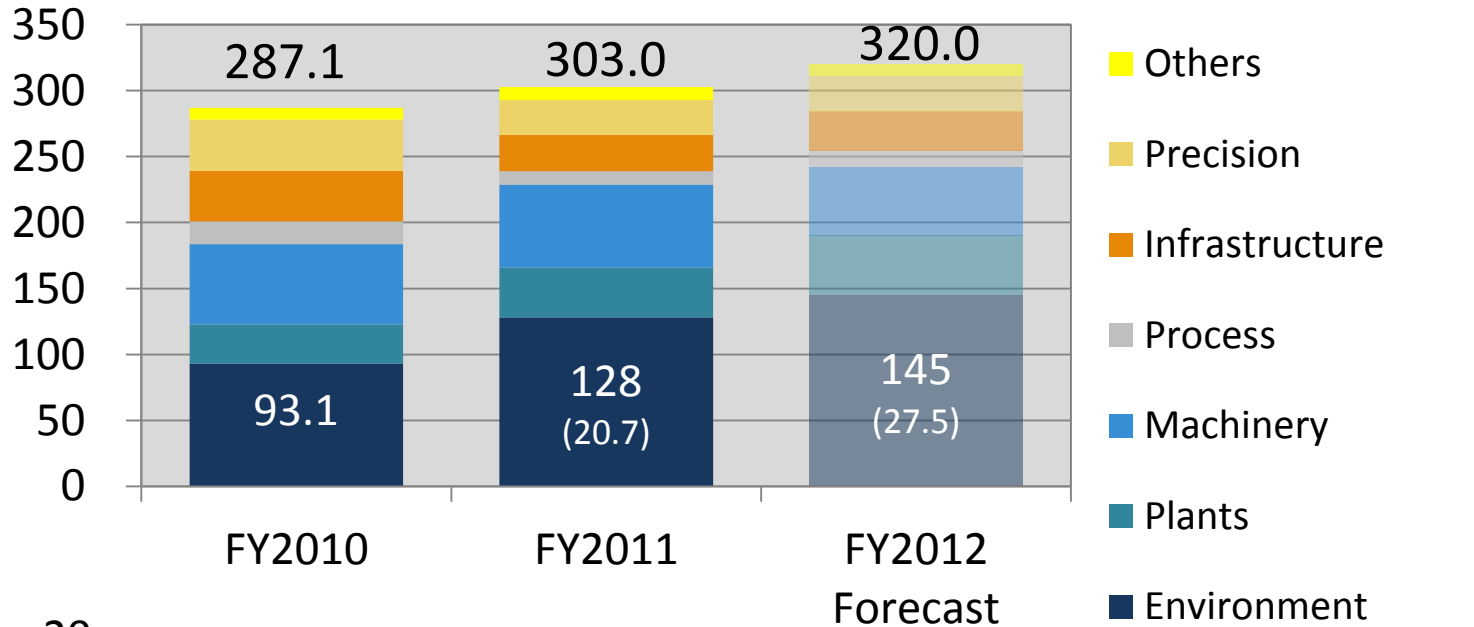
(unit: billion Yen)

	Environmental Systems	Industrial Plants	Machinery	Process Equipment	Infrastructure	Precision Machinery	Others	Total
FY2012 Forecast	200.0	63.0	48.0	13.0	34.0	33.0	9.0	400.0
FY2011 Actual	136.9	35.5	45.0	11.3	30.0	21.1	9.9	289.7
Difference	63.1	27.5	3.0	1.7	4.0	11.9	▲0.9	110.3

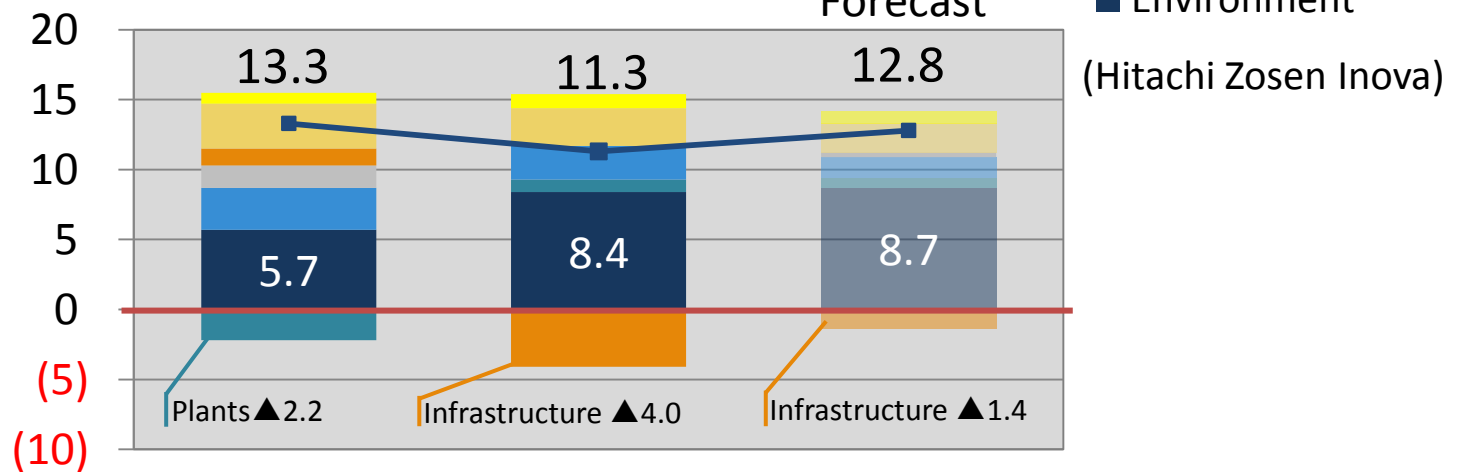
FY2012 Forecast – Net sales and Operating income

(unit: billion Yen)

Net sales



Operating profit



FY2012 Forecast – Net Sales & Opr. profit by Segments

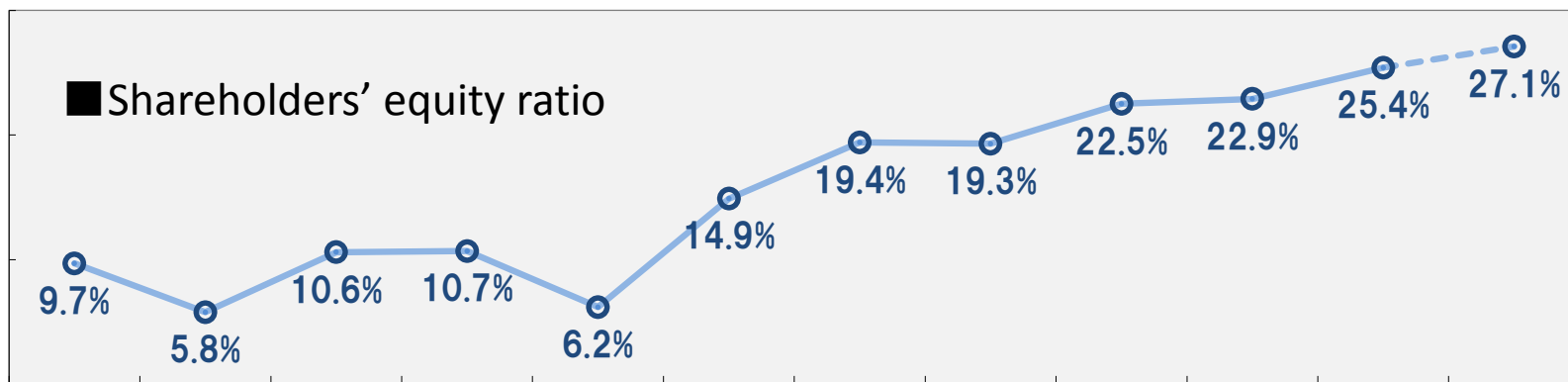
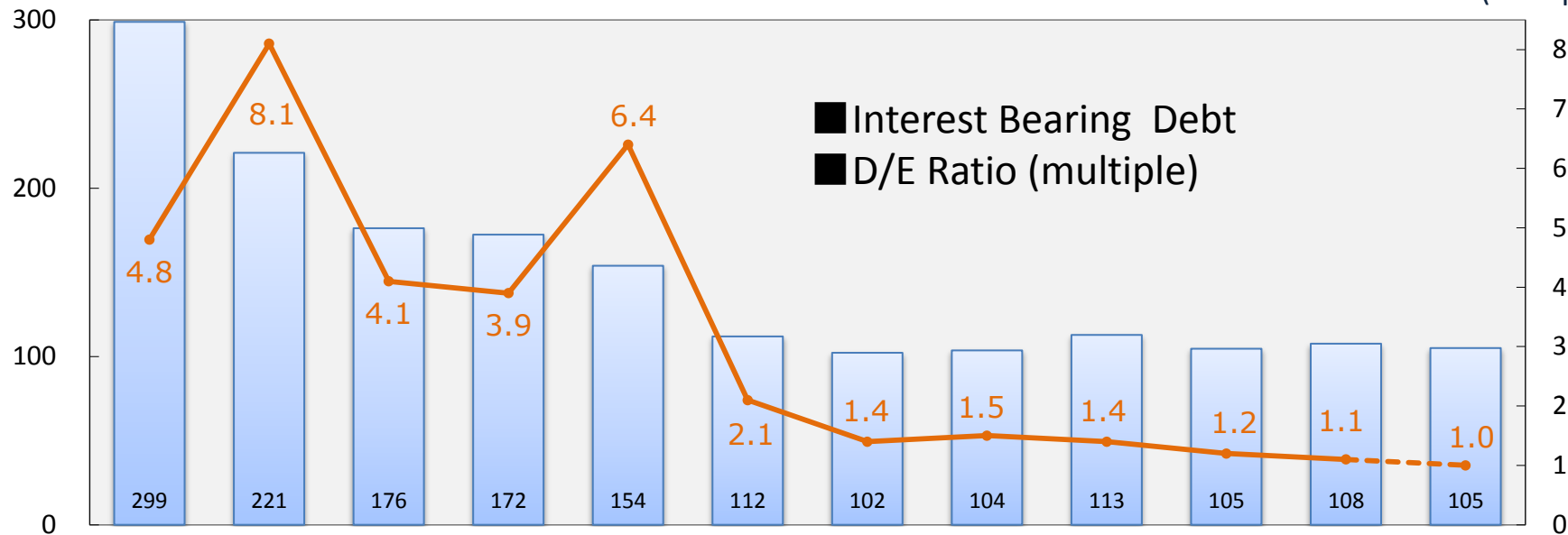
(unit: billion Yen)

		Environ- mental Systems	Industrial Plants	Machinery	Process Equipment	Infra- structure	Precision Machinery	Others	Total
FY2012 Forecast	Net sales	145.0	45.0	52.0	12.5	29.5	27.0	9.0	320.0
	Oper.profit	8.7	0.7	1.5	0.3	▲1.4	2.1	0.9	12.8
FY2011 Actual	Net sales	128.1	37.9	62.9	10.2	27.5	26.5	9.9	303.0
	Oper.profit	8.4	0.9	2.4	▲0.1	▲4.0	2.7	1.0	11.3
Difference	Net sales	16.9	7.1	▲10.9	2.3	2.0	0.5	▲0.9	17.0
	Oper.profit	0.3	▲0.2	▲0.9	0.4	2.6	▲0.6	▲0.1	1.5

Forecast of Interest Bearing Debt

(unit: billion Yen)

(multiple)



2002 March end 2003 March end 2004 March end 2005 March end 2006 March end 2007 March end 2008 March end 2009 March end 2010 March end 2011 March end 2012 March end 2013 March end Forecast

3. Progress of “Hitz Vision” Mid Term Business Plan

1. Key Measure of Hitz Vision

Innovation of Business	▪ Define Growth Area		Define Business Domain and Target Market
	▪ Strengthen the Growth Area	▪ Global Business	Newly established Global Business Promotion Division Expansion of overseas office
		▪ Proposal for Solution	Promotion of Customers' View Activities New R&D System
	▪ Improvement of Fundamental Earning Power		Well-balanced Business Portfolio
	▪ No. 1 Profitability in each business segments		PDCA of Business Strategy
Innovation of Mgmt. Control	▪ Organization	Promotion of Flat Matrix Management	
	▪ Financial Position	Shareholders' equity ratio of 30% by FY 2013 Further improvement of credit rating	
	▪ R&D to Future Profit	New R&D Organization (Business & Product Development HQ) Joint Work with Business Planning Dept. and Business & Product Development HQ	
	▪ Transform Corporate Culture	Secure Aggressive, Growth Driven, Efficiency-minded culture Promote Proactive Staff	

2. Promotion of well-balanced Business Portfolio

(unit: billion Yen)

	FY2010		FY2011		FY2016	
Domestic Business	237.5	83%	227.0	75%	300.0	60%
Global Business	49.6	17%	75.7	25%	150.0	30%
New Business & New Products	—	—	0.3	0%	50.0	10%
Total	287.1	100%	303.0	100%	500.0	100%
(incl. AOM and others)	(115.5)	(40%)	(120.5)	(40%)	(250.0)	(50%)

Global Business

17%→30%

New Business & New Products

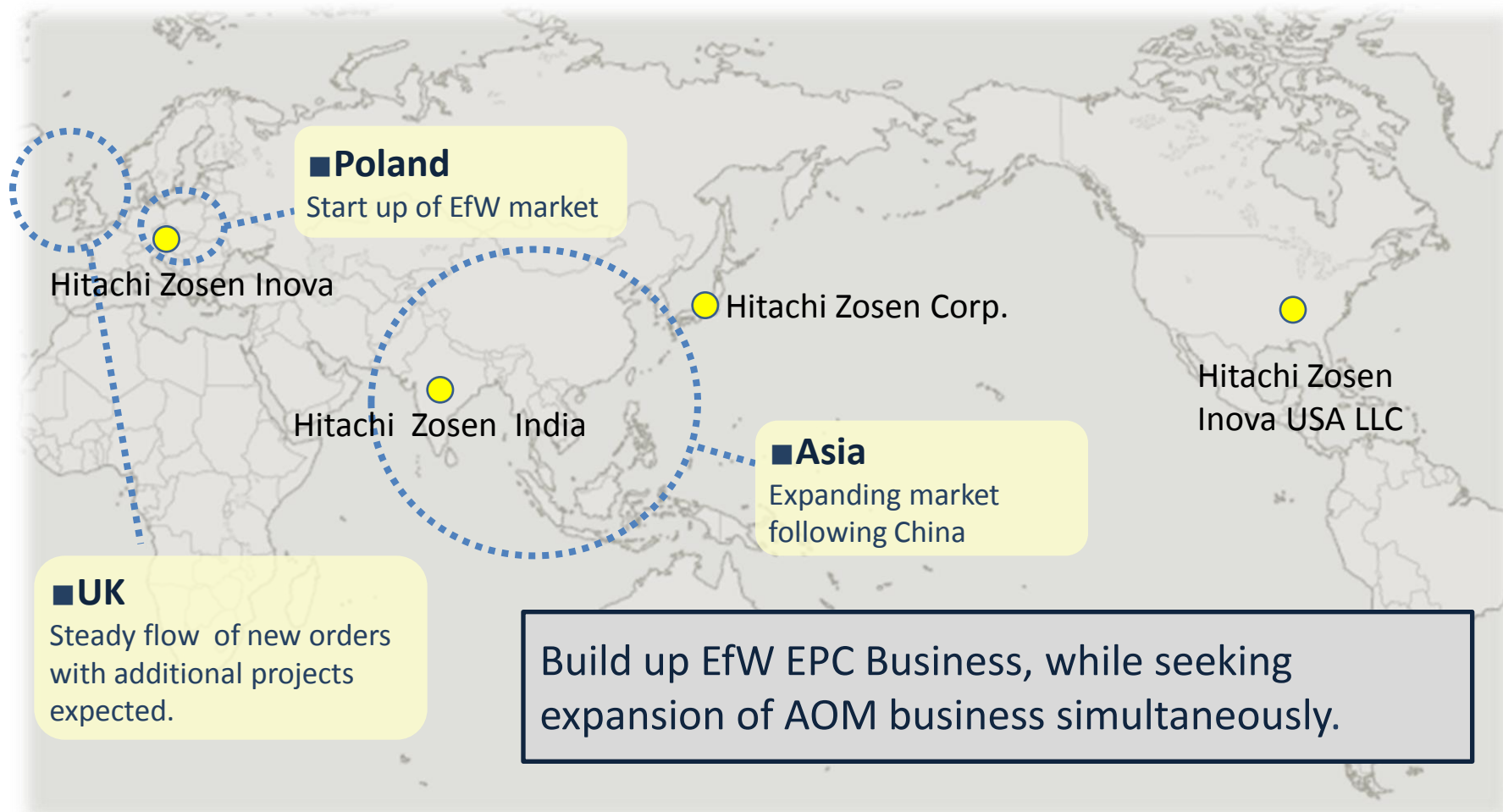
50 billion Yen

AOM(*)

40%→50%

(*)AOM: After sales service, Operation and Maintenance

Global Business - EfW Global Strategy



EfW : Energy from Waste

AOM : After sales service, Operation and Maintenance

Global Business - Other development



■ **Nagaoka Hitachi Zosen Equipment (Dalian) Co., Ltd.**

Manufacturing JV of Process equipment & Water treatment equipment.

May 2012

■ **HZC Seoul Branch**

Marketing and Procurement – April 2012

■ **Hitachi Zosen GPM Technology (Suzhou) Co., Ltd.**

Chinese JV for manufacturing of Precision equipment

October 2011

■ **ISGEC Hitachi Zosen Ltd.**

Indian JV for production of Process equipment – April 2012

■ **Asia Pacific Solutions Co., Ltd.**

Design office in Vietnam became our subsidiary. – October 2011

4. Expansion of After Sales Services-1

AOM(*)- Expansion of AOM 40%→50%

Net sales of AOM

(unit: billion Yen)

Business Segments	FY2010 Net sales		FY2011 Net sales
Environment	56.3	⇒	63.1
Plants	14.8	⇒	14.6
Machinery, Infrastructure & Precision Machinery	15.0	⇒	12.5
Others	29.4	⇒	30.3
Total	115.5	⇒	120.5

Ratio to total Net Sales

40%

40%

(*)AOM : After sales service, Operation and Maintenance

AOM - EfW Facilities (AOM + LT Operation)

■ Domestic Market

Increase AOM & LT Operation Contracts to build up stable business base.

- New Facilities
- Existing Facilities: 192(*) facilities built by us- as of FY2011

(*)134 incineration facilities and 58 recycling facilities.
20 LT contracts (16 under operation and 4 under construction)

■ Global Market

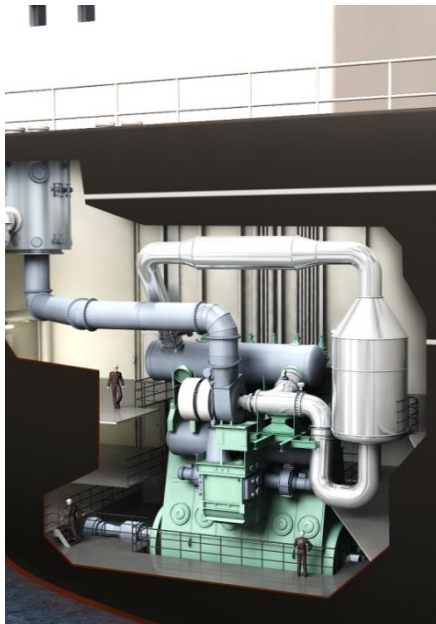
Seeking the expansion of AOM business

- Studying 9 Chinese facilities (7 under construction)
- Expansion of AOM in Europe via HZ Inova

New Business & New Products

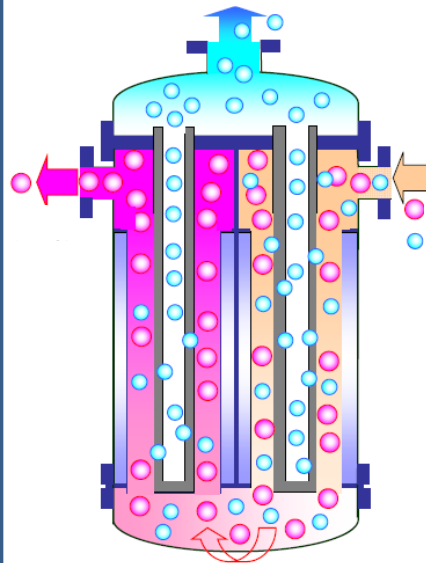
■ NOx reduction

Marine SCR



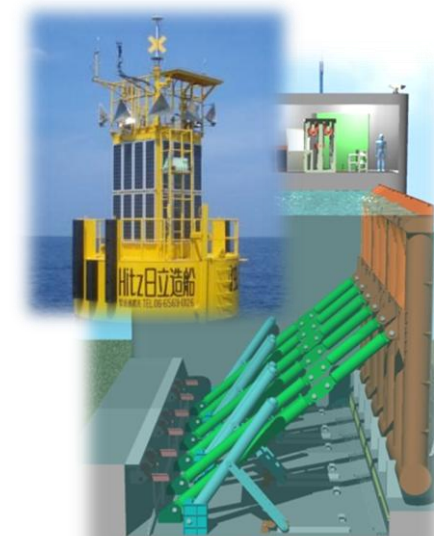
■ CO2 reduction

Zeolite Membrane Element

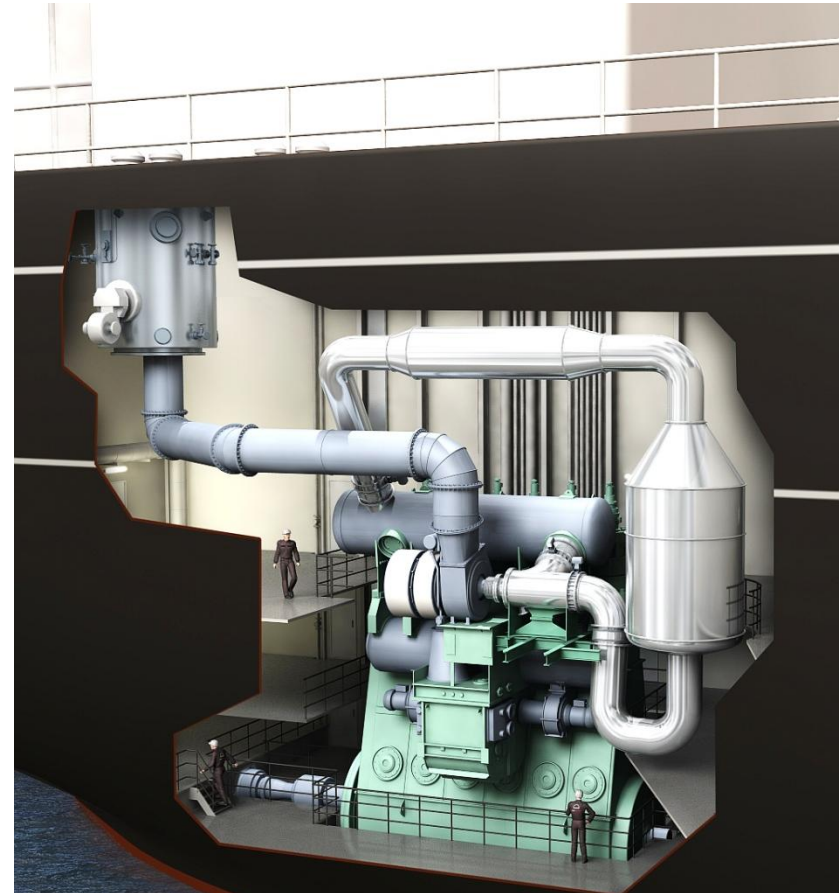


■ Disaster Prevention

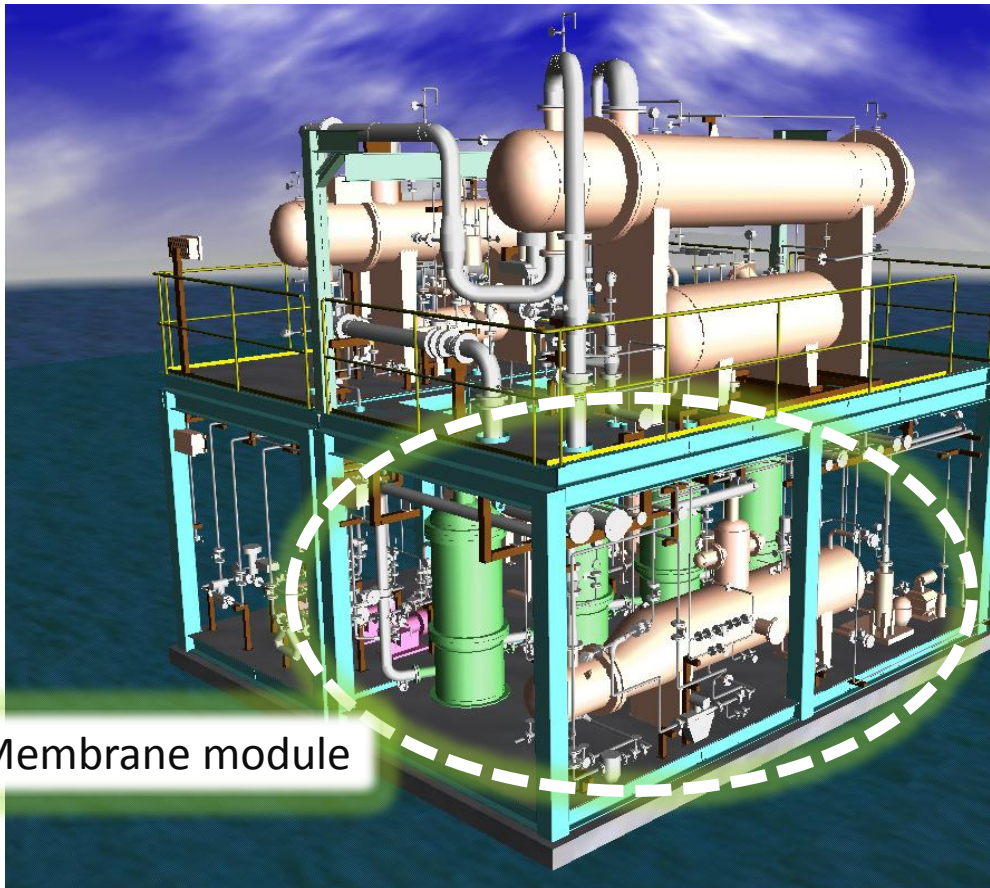
GPS Wave Meter Flap Gate Tsunami Breakwater



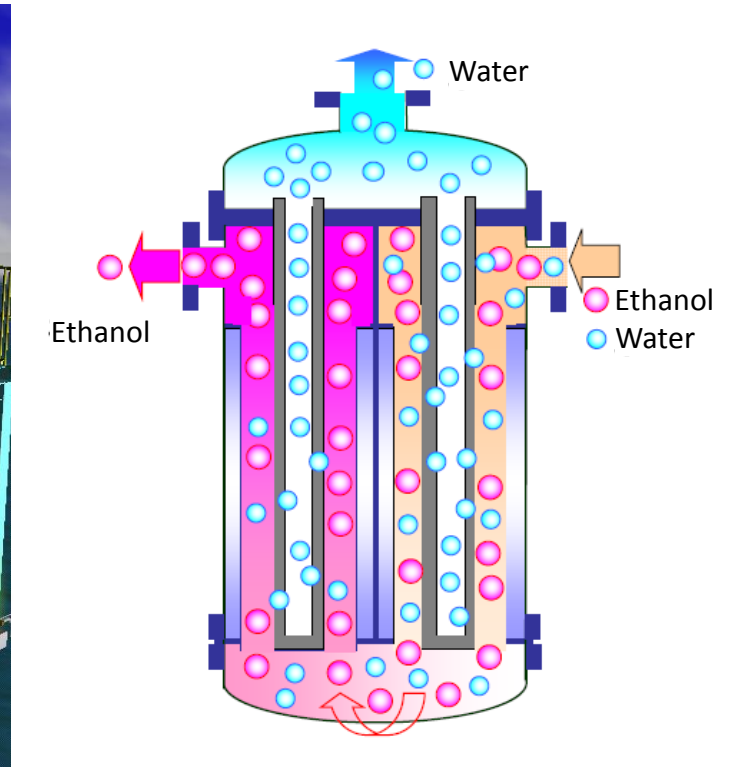
New Business & New Products **Development of Marine SCR**



New Business & New Products **Zeolite Membrane Element**



Membrane module

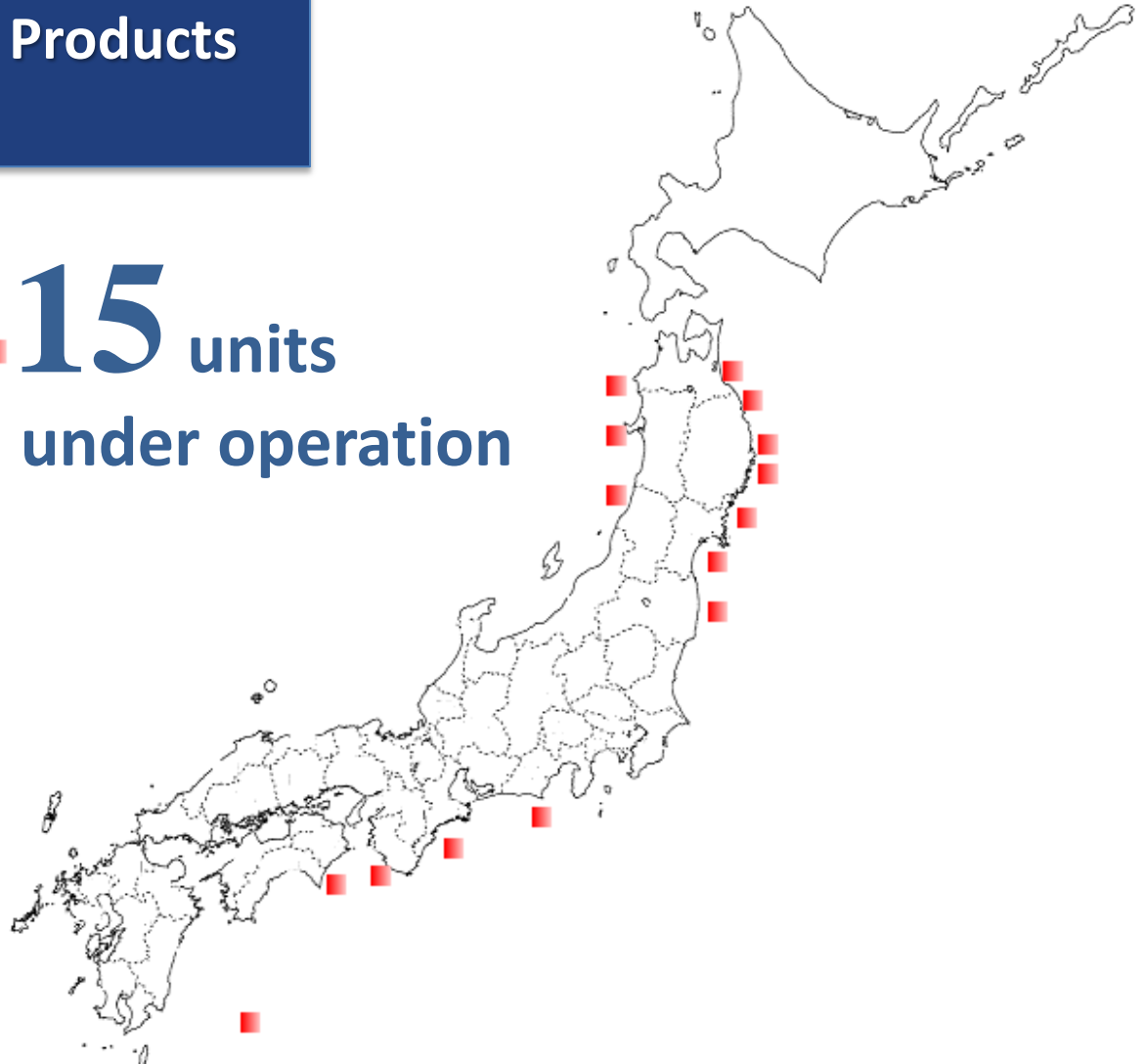


New Business & New Products GPS Wave Meter

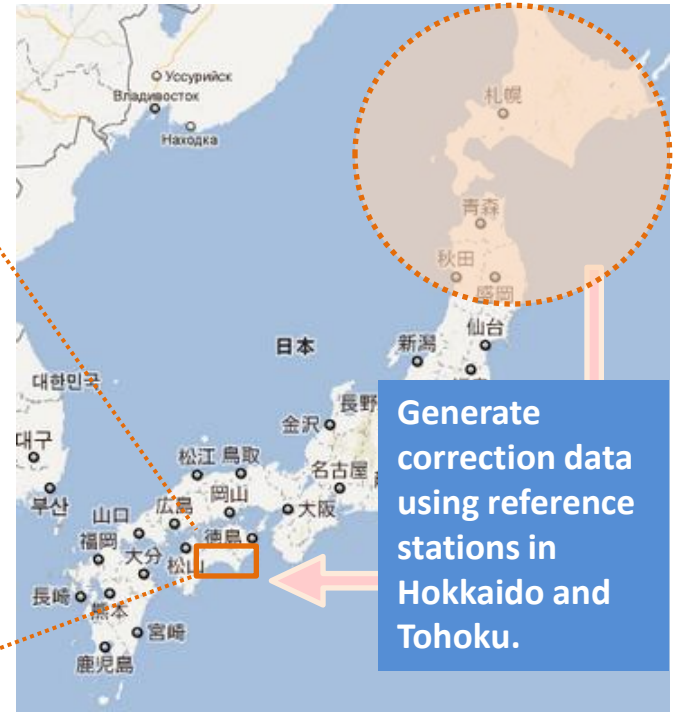


Tsunami of Great East Japan Earthquake is monitored by our GPS Wave Meters.

■ **15** units
under operation



5-3 GPS Wave Meter-2



**Kochi Prefecture
Tosa Kuroshio No.16**



36km

Generate correction data using reference stations in Hokkaido and Tohoku.

Limitation of GNSS positioning

- Data correction based on a coastal reference station: **up to 20km**
- ↓ ↓ ↓
- Data correction using reference stations all over Japan

Limitation of Data Transmission

- Wireless transmission: **up to 50km**
- Via satellite: **no limit**

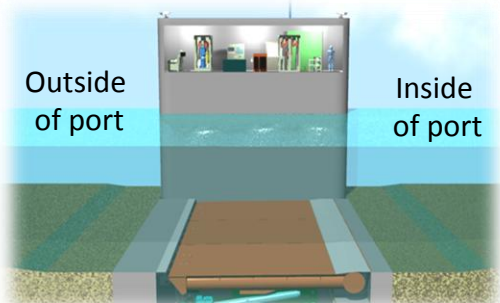
Water Depth: 755 m
*Installed in Mach 2012

*Kaken basic studies:(S)21221007 (Rep. Researcher: Professor Terada at Kochi National College for Technology)

New Business & New Products **Flap-Gate**

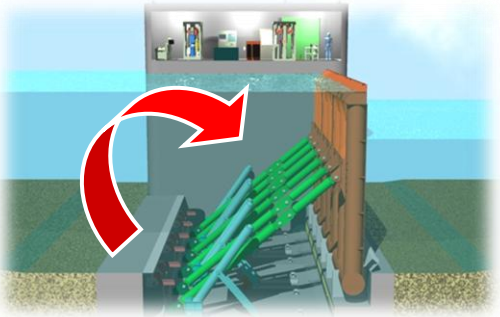
Seabed Type

1. Normal



Outside of port Inside of port

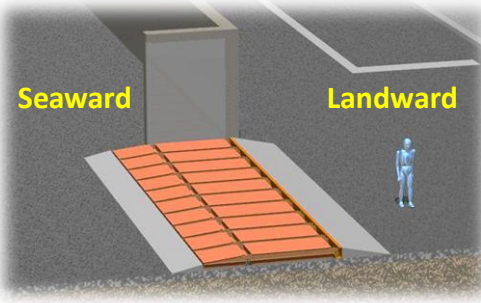
2.Activation at Tsunami



The diagram shows a cross-section of a seabed-type flap gate. In the normal state, the gate is a flat, brown structure on the seabed, with water on both sides. In the activated state, a tsunami wave from the outside of the port causes the gate to rotate upwards and outwards, indicated by a red curved arrow.

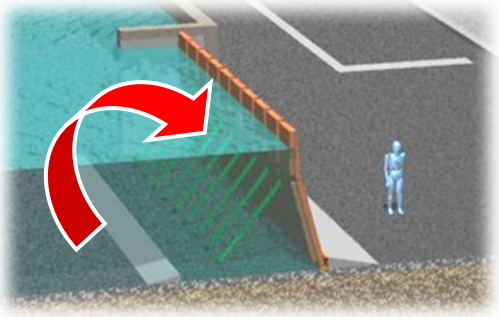
Inland Type (neo RiSe)

1. Normal



Seaward Landward

2.Activation at Flood



The diagram shows a cross-section of an inland-type flap gate. In the normal state, the gate is a flat, orange structure on the seabed, with water on both sides. In the activated state, a flood from the landward side causes the gate to rotate upwards and seaward, indicated by a red curved arrow.

6. Hitz Vision Objectives

(unit: billion Yen)

	FY2011			FY2012		FY2013
	Hitz-V Plan	Actual	Achievement ratio	Hitz-V Plan	Forecast	Hitz-V Plan
Order intake	370.0	289.7	78.3%	440.0	400.0	500.0
Net sales	310.0	303.0	97.7%	340.0	320.0	400.0
Operating profit (Ratio)	14.0 (4.5%)	11.3 (3.7%)	80.7%	15.5 (4.6%)	12.8 (4.0%)	20.0 (5.0%)
Ordinary income (Ratio)	13.0 (4.2%)	10.7 (3.5%)	82.3%	13.5 (4.0%)	11.0 (3.4%)	16.0 (4.0%)
Net income	10.0	9.3	93.0%	10.5	9.0	11.5
Int. bearing debt	114.4	107.6	—	100.0	105.0	100.0
Net worth ratio	24.2%	25.4%	—	29.1%	27.1%	30.0%

Hitachi Zosen

Cautionary Statement

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 and/or exchange rate fluctuation.