



# Hitachi Zosen Corporation

## Financial Results For the six months ended September 30, 2012

NEWHAVEN EfW plant, UK (696t/d 19.3MW)

**Hitz**  
Hitachi Zosen

November 2, 2012

Chairman & President Minoru Furukawa

## 1. Overview of Financial Results

For the six months ended September 30, 2012

## 2. Forecast of FY2012

## 3. Details by Segments

## 4. Progress of Mid Term Business Plan “Hitz Vision”

# 1. OVERVIEW OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

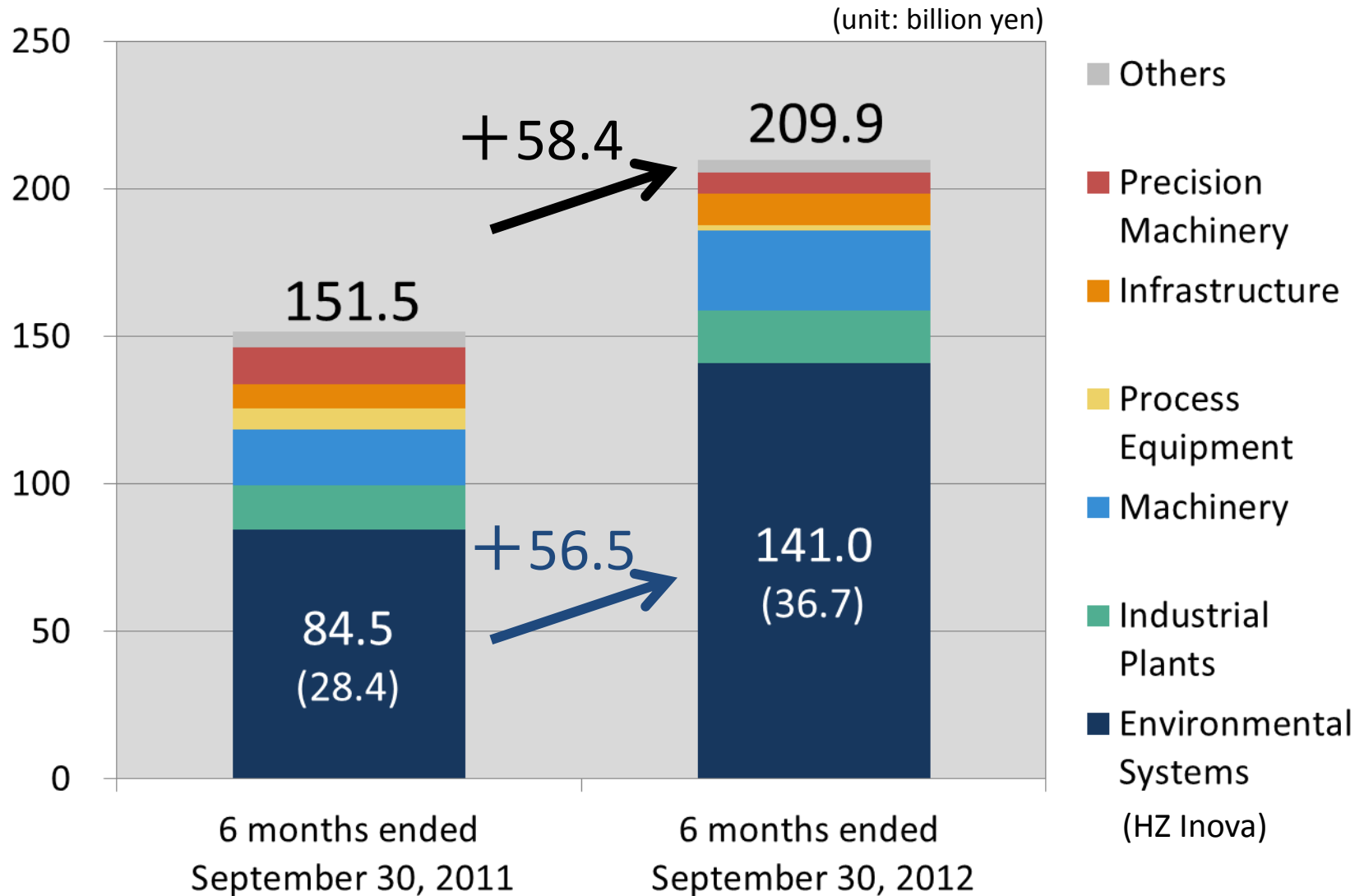
- Increase of Order intake, Net sales, Operating income and Ordinary income
- Expansion of Order intake in Environmental systems segment
  - Environmental Systems is leading the growth of Hitachi Zosen

# The First Half of FY2012 / Overview

(unit: billion yen)

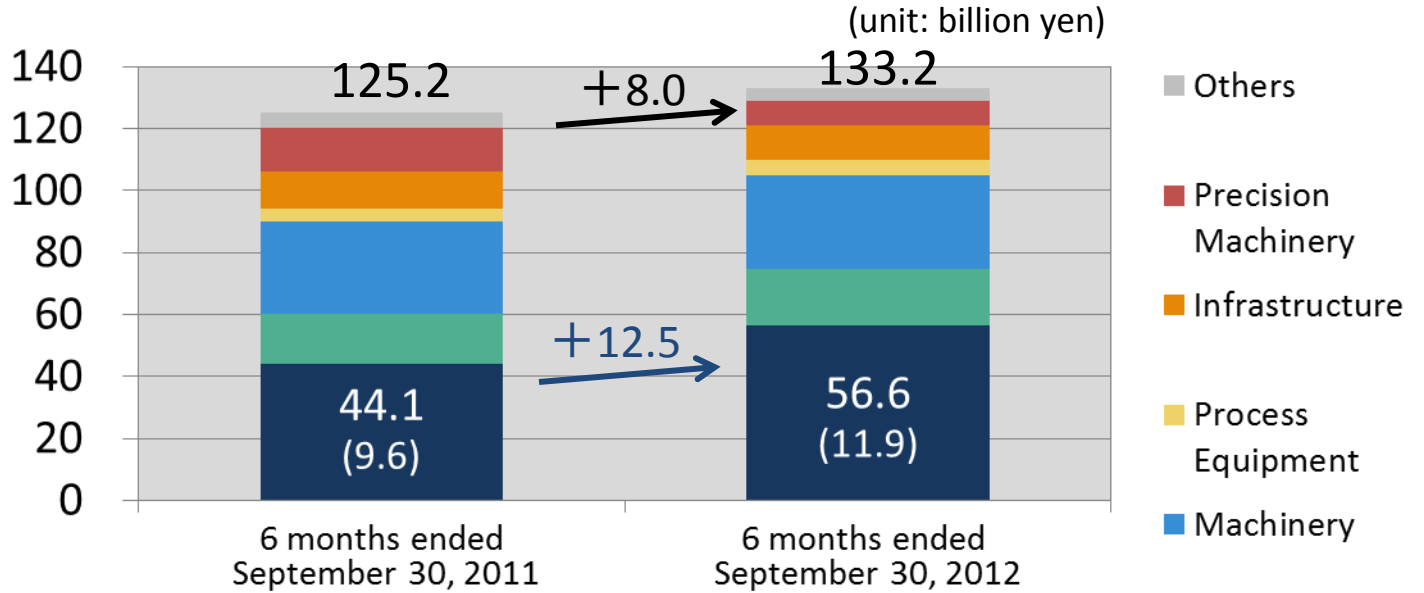
	6 months ended September 30, 2011	6 months ended September 30, 2012	Difference
Order intake	151.5	209.9	58.4
Net sales	125.2	133.2	8.0
Operating income	1.6	1.8	0.2
(ratio)	1.3%	1.4%	0.1%
Non-operating P&L	▲0.1	0.2	0.3
Ordinary income	1.5	2.0	0.5
(ratio)	1.3%	1.5%	0.2%
Extraordinary P&L	0.5	▲0.8	▲1.3
Income tax & minority interests	▲0.4	▲0.4	0.0
Net income	1.6	0.8	▲0.8
(ratio)	1.3%	0.6%	▲0.7%

# The First Half of FY2012 / Order intake

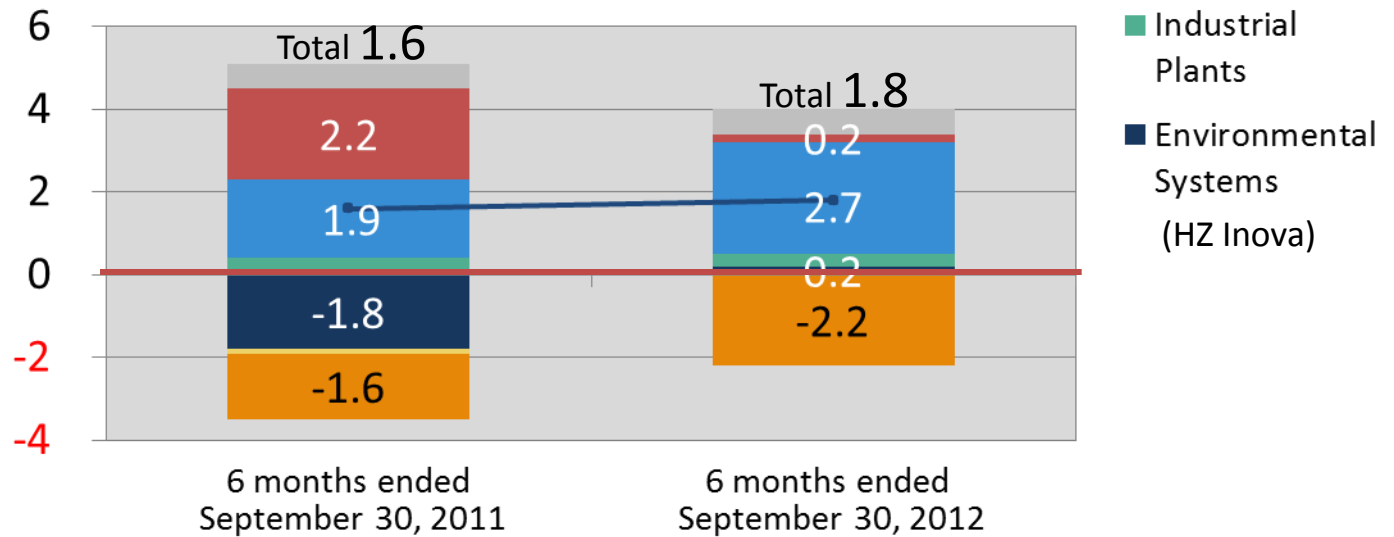


# The First Half of FY2012 / Net sales & Operating income

## Net sales



## Operating income



# The First Half of FY2012 / by segments

**Hitz**

Hitachi Zosen  
(unit: billion yen)

		Environmental Systems	Industrial Plants	Machinery	Process Equipment	Infrastructure	Precision Machinery	Others	Total
6 months ended September 30, 2012	Order intake	141.0	17.7	27.1	2.0	10.4	7.4	4.3	209.9
	Net sales	56.6	17.9	30.4	5.0	11.2	7.8	4.3	133.2
	Operating income	0.2	0.3	2.7	0.0	▲2.2	0.2	0.6	1.8
6 months ended September 30, 2011	Order intake	84.5	15.0	18.8	7.3	8.1	12.7	5.1	151.5
	Net sales	44.1	15.9	29.9	4.4	11.8	14.2	4.9	125.2
	Operating income	▲1.8	0.4	1.9	▲0.1	▲1.6	2.2	0.6	1.6
Difference	Order intake	56.5	2.7	8.3	▲5.3	2.3	▲5.3	▲0.8	58.4
	Net sales	12.5	2.0	0.5	0.6	▲0.6	▲6.4	▲0.6	8.0
	Operating income	2.0	▲0.1	0.8	0.1	▲0.6	▲2.0	0.0	0.2



# The First Half of FY2012 / Increase & Decrease of Operating P&L

(unit: billion yen)

Operating P&L for 6 months ended September 30, 2011		1.6
Breakdown	Increase of Net sales (+8.0)	1.3
	Increase of R&D expenses	▲0.3
	Decline of profit margin in Precision Machinery	▲1.1
	Decline of profit margin in Infrastructure	▲0.5
	Cost reduction	0.8
Operating P&L for 6 months ended September 30, 2012		1.8

# The First Half of FY2012 / Non-operating P&L, Extraordinary P&L

(unit: billion yen)

		6 months ended September 30, 2011	6 months ended September 30, 2012	Difference
Interest expenses		▲0.7	▲0.6	0.1
Dividend income		0.1	0.1	0.0
Equity in net income of affiliates		1.4	0.9	▲0.5
Other Non-operating income		▲0.9	▲0.2	0.7
<b>Non-operating P&amp;L</b>		<b>▲0.1</b>	<b>0.2</b>	<b>0.3</b>
Extraordinary Profit	Reversal of allowance for losses from lawsuits	0.5		▲0.5
Extraordinary Loss	Contribution for withdrawal from employees' pension fund		▲0.8	▲0.8
<b>Extraordinary P&amp;L</b>		<b>0.5</b>	<b>▲0.8</b>	<b>▲1.3</b>

# The First Half of FY2012 / Cash flows & Interest Bearing Debt **Hit**z

Hitachi Zosen

(unit: billion yen)

Cash flows	6 months ended September 30, 2011	6 months ended September 30, 2012	Difference
Cash flows from operating activities	7.7	8.1	0.4
Cash flows from investing activities	▲3.0	▲3.4	▲0.4
Cash flows from financing activities	▲14.3	▲19.4	▲5.1
Net increase in cash & cash equivalents	(*1) ▲8.8	(*1) ▲14.6	▲5.8
Cash & cash equivalents at beginning	55.9	66.6	10.7
Cash & cash equivalents at end	47.1	(*2) 52.1	5.0

(\*1) including effect of exchange rate (1<sup>st</sup> half 2011: +0.8, 1<sup>st</sup> half 2012: +0.1)

(\*2) including other increase and decrease

(unit: billion yen)

Interest Bearing Debt	March 2012	September 2012	Difference
Bank borrowing (incl. Lease liabilities)	92.5	80.0	▲12.5
Bond issues	15.1	10.0	▲5.1
Total	107.6	90.0	▲17.6

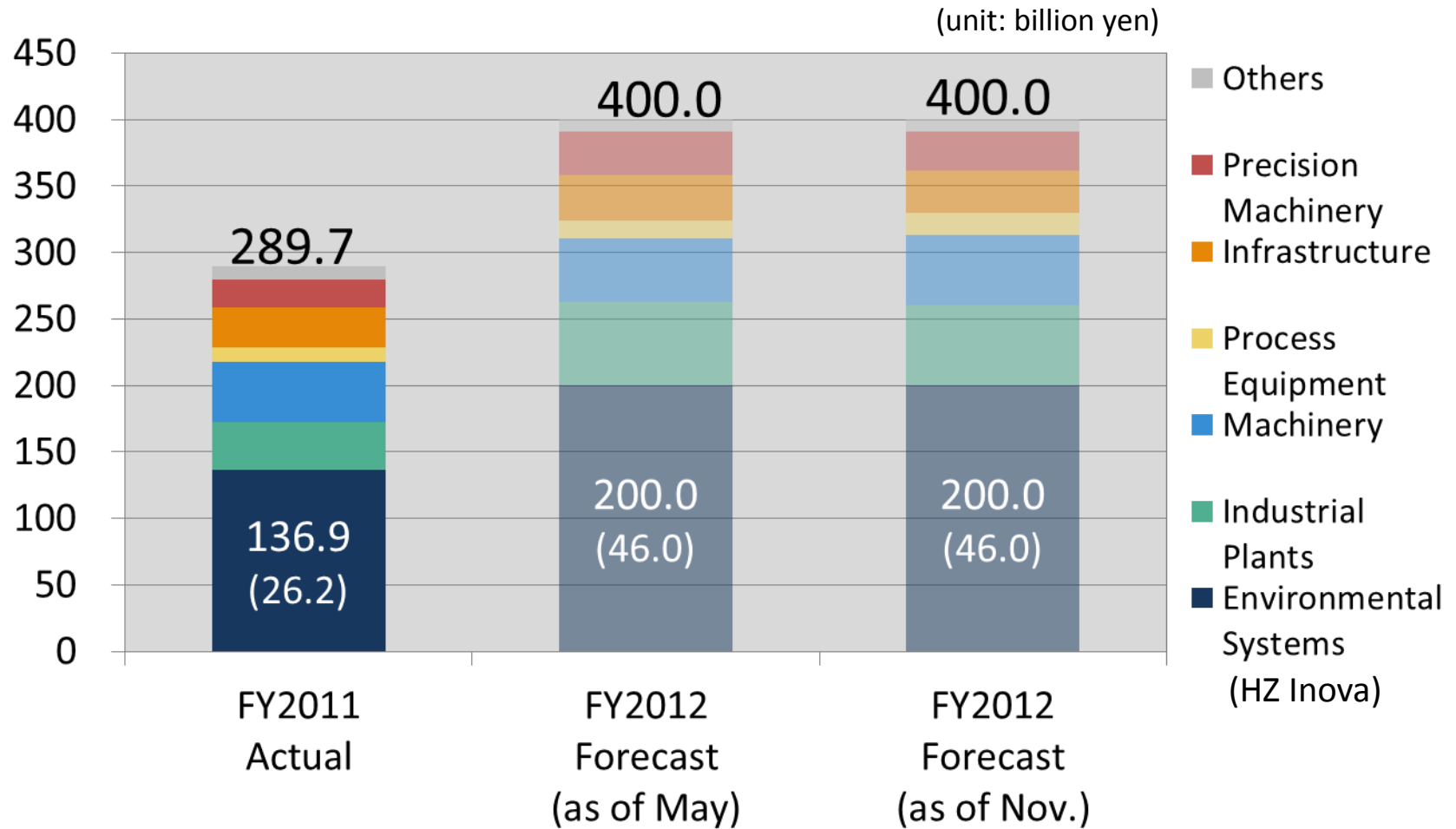
## 2. FORECAST OF FY2012

# FY2012 Forecast / Overview

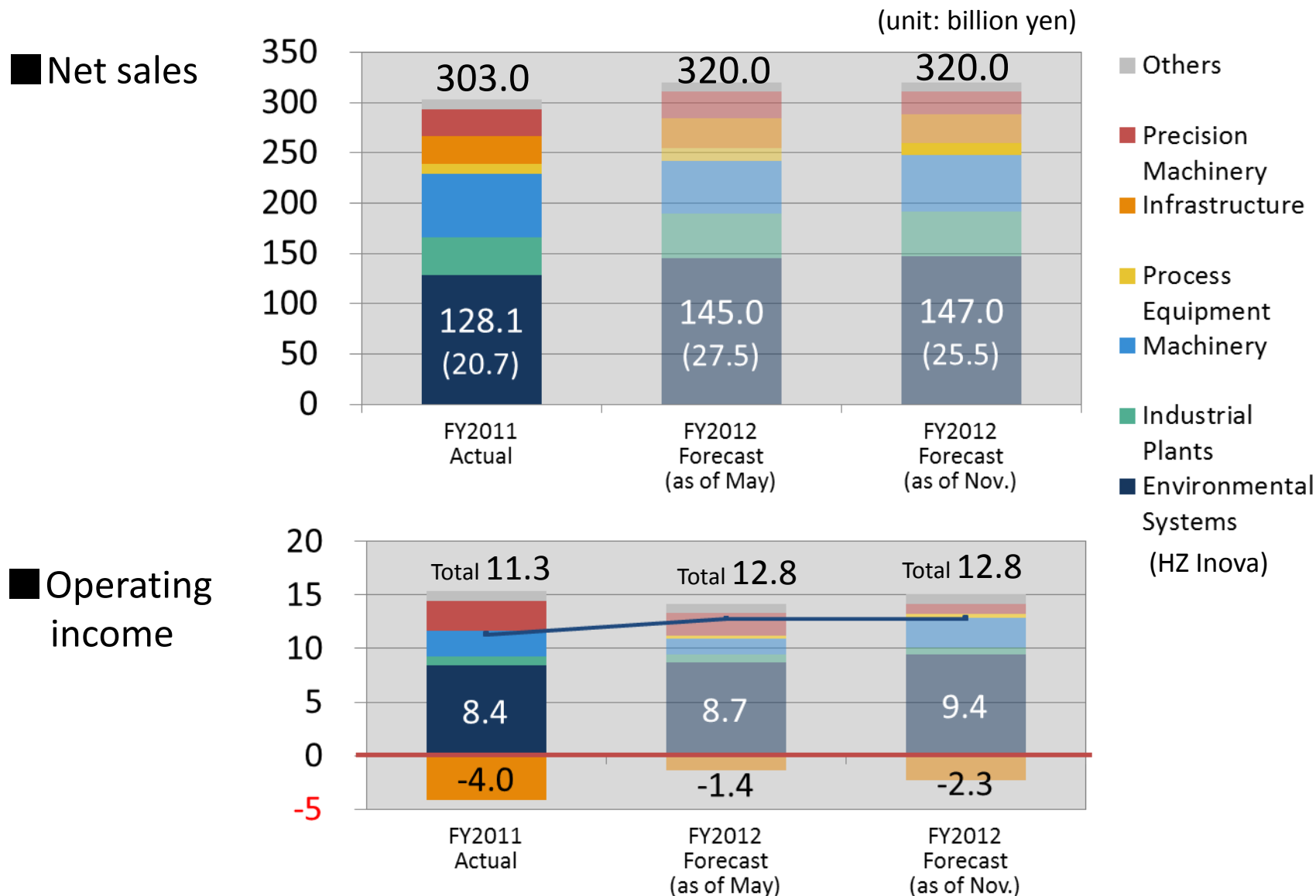
(unit: billion yen)

	FY2011	FY2012 Forecast		Difference (B-A)
	Actual (A)	as of May	as of Nov. (B)	
Order intake	289.7	400.0	400.0	110.3
Net sales	303.0	320.0	320.0	17.0
Operating income	11.3	12.8	12.8	1.5
(ratio)	3.7%	4.0%	4.0%	0.3%
Ordinary income	10.7	11.0	11.0	0.3
(ratio)	3.5%	3.4%	3.4%	▲0.1%
Net income	9.3	9.0	9.0	▲0.3
(ratio)	3.1%	2.8%	2.8%	▲0.3%

# FY2012 Forecast / Oder intake



# FY2012 Forecast / Net sales & Operating income



# FY2012 Forecast / by Segments

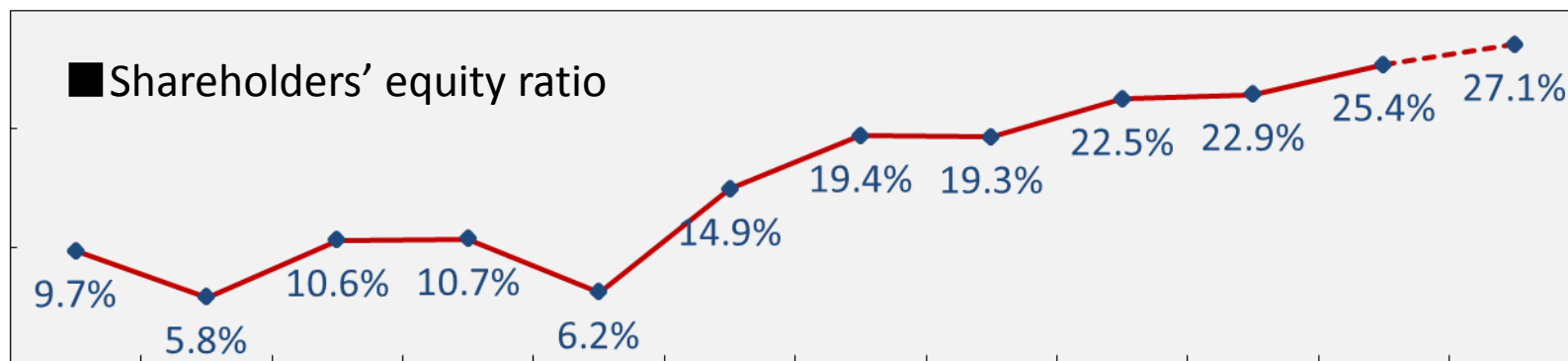
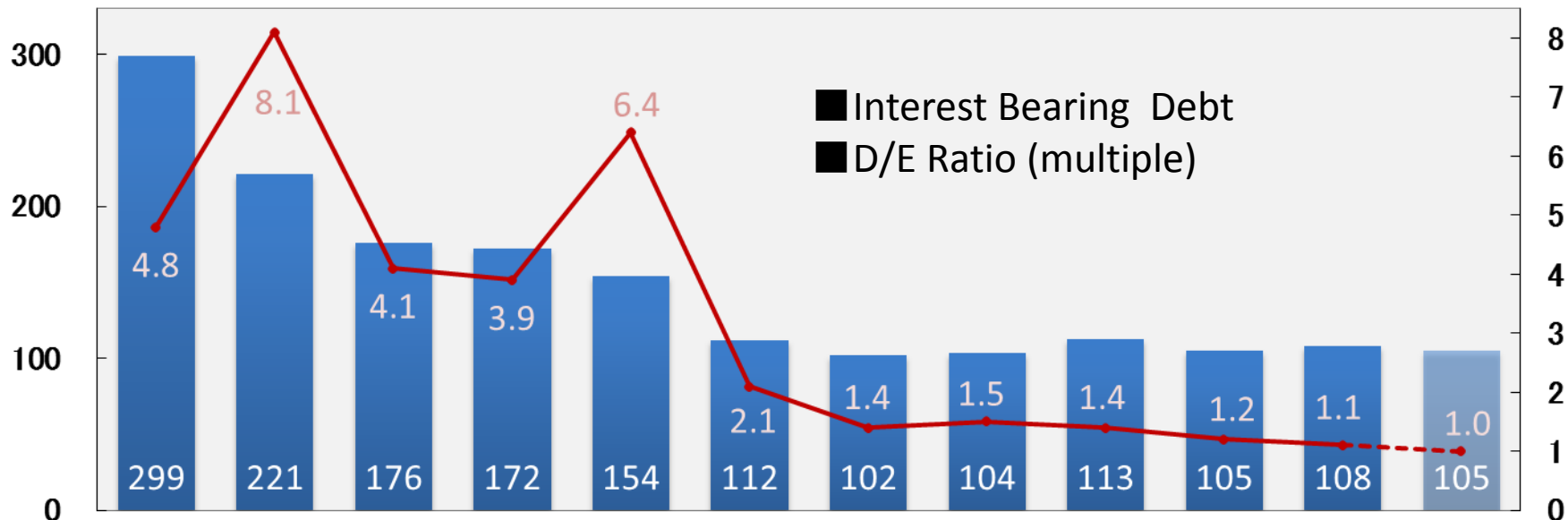
			Environmental Systems	Industrial Plants	Machinery	Process Equipment	Infrastructure	Precision Machinery	Others	Total
<b>FY2012 Forecast</b>	<b>As of Nov.</b>	Order intake	200.0	60.0	53.0	17.0	32.0	29.0	9.0	400.0
		Net sales	147.0	45.0	56.0	11.5	28.5	23.0	9.0	320.0
		Operating income	9.4	0.7	2.8	0.3	▲2.3	1.0	0.9	12.8
	<b>As of May</b>	Order intake	200.0	63.0	48.0	13.0	34.0	33.0	9.0	400.0
		Net sales	145.0	45.0	52.0	12.5	29.5	27.0	9.0	320.0
		Operating income	8.7	0.7	1.5	0.3	▲1.4	2.1	0.9	12.8
<b>FY2011 Actual</b>		Order intake	136.9	35.5	45.0	11.3	30.0	21.1	9.9	289.7
		Net sales	128.1	37.9	62.9	10.2	27.5	26.5	9.9	303.0
		Operating income	8.4	0.9	2.4	▲0.1	▲4.0	2.7	1.0	11.3



# FY2012 Forecast / Interest Bearing Debt

(unit: billion yen)

(multiple)



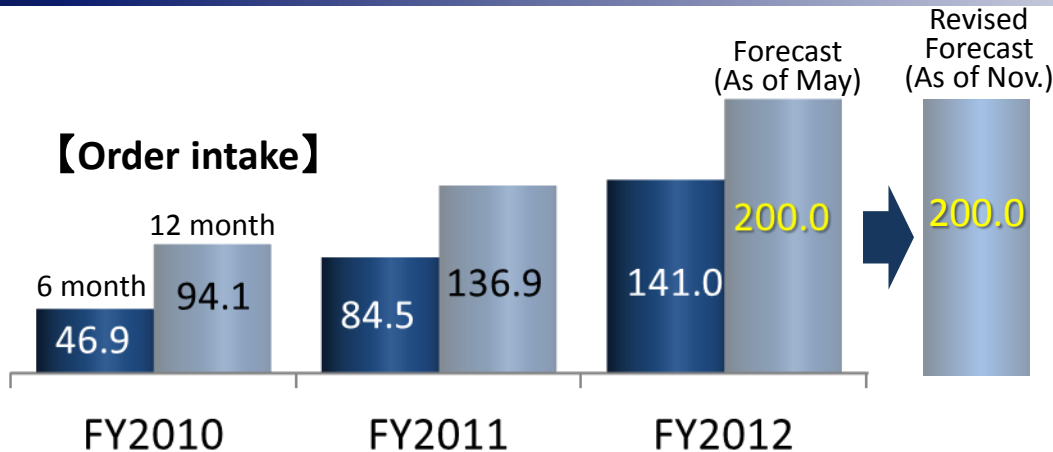
\*As of the financial year end

Forecast

# 3. DETAILS BY SEGMENTS

(unit: billion yen)

## 【Order intake】



## Order intake

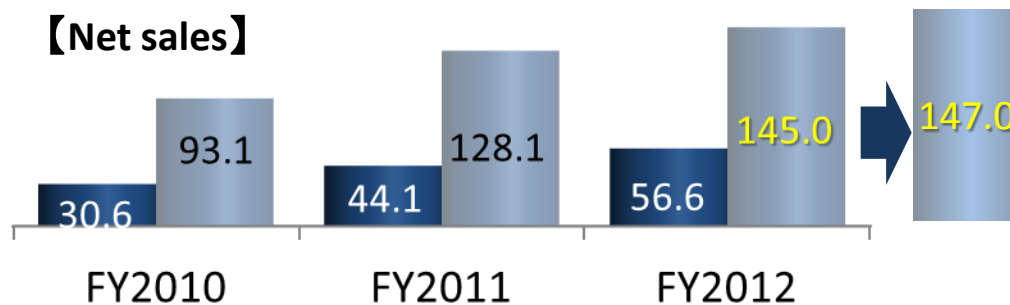
### FY2012 Semi Annual Result -April to Sept. 2012

- Yen 141.0 (+ Yen 56.5 YoY)
- Increase of EPC and DBO of Energy-from-Waste Plant (EfW)

### FY2012 Annual Forecast –as of November

- Unchanged from forecast in May
- 2Q: 70% of forecast

## 【Net sales】



## Net sales/Operating income

### FY2012 Semi Annual Result -April to Sept. 2012

<Net sales>

- Yen 56.6 (+ Yen 12.5 YoY)
- Increase of Sales booked by progress of large contracts

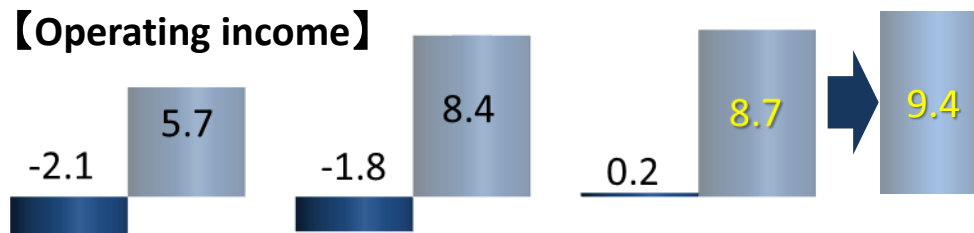
<Operating income>

- Yen 0.2 (+ Yen 2.0 YoY)
- Increase of Net sales

### FY2012 Annual Forecast –as of November

- Increase in both Net sales (145.0→147.0) and Operating income (8.7 →9.4)
- EPC and AOM of EfW Plant

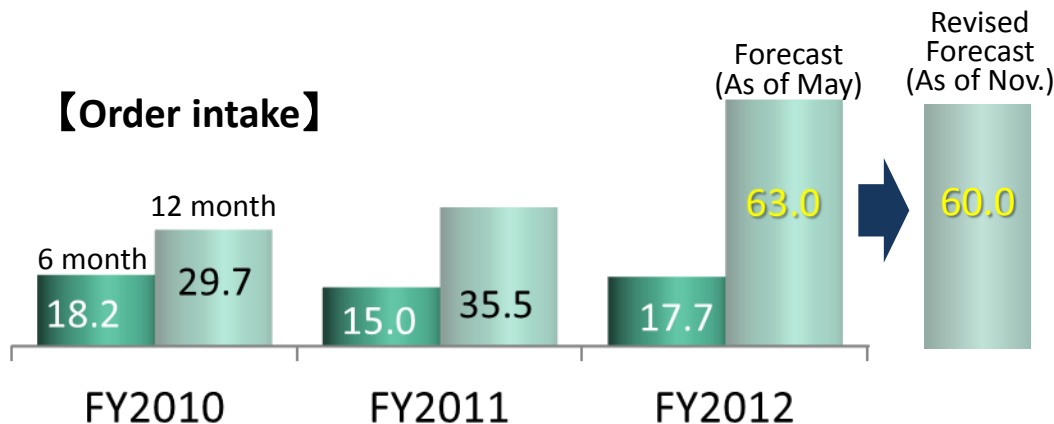
## 【Operating income】



EPC: Engineering, Procurement and Construction  
 DBO: Design, Build and Operate  
 AOM: After-sales Service, Operation Control, and Chemical Supply

(unit: billion yen)

## 【Order intake】



## Order intake

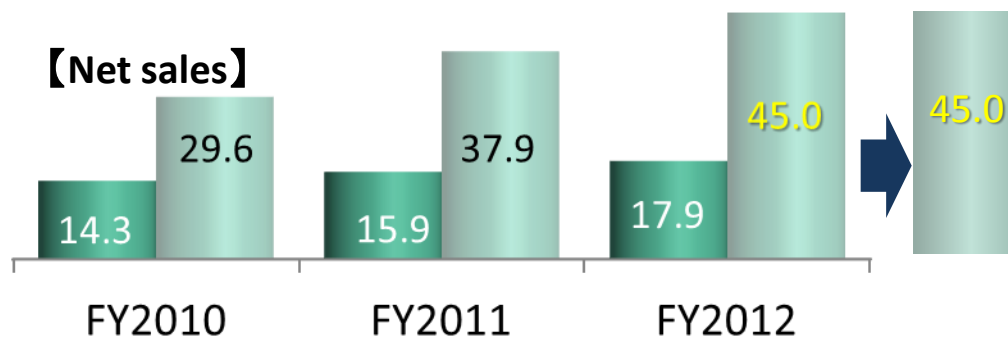
### FY2012 Semi Annual Result -April to Sept. 2012

- Yen 17.7 (+ Yen 2.7 YoY)
- Due to suspension of Ibaraki power station last year by the earthquake

### FY2012 Annual Forecast –as of November

- Yen 60.0 (- Yen 3.0 YoY)
- Delay in a large order of Chemical plants
- Desalination plants order is expected in 2<sup>nd</sup> half

## 【Net sales】



## Net sales/Operating income

### FY2012 Semi Annual Result -April to Sept. 2012

<Net sales>

- Yen 17.9 (+ Yen 2.0 YoY)
- Due to suspension of Ibaraki power station last year by the earthquake

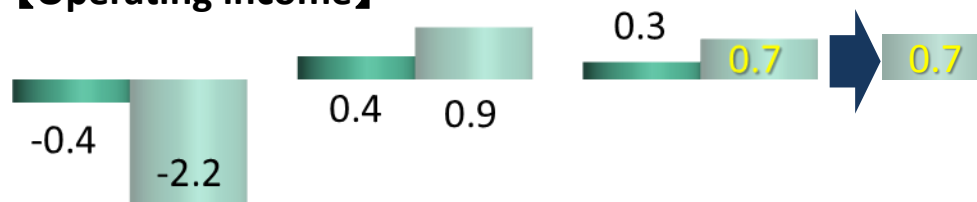
<Operating income>

- Yen 0.3 (- Yen 0.1 YoY)

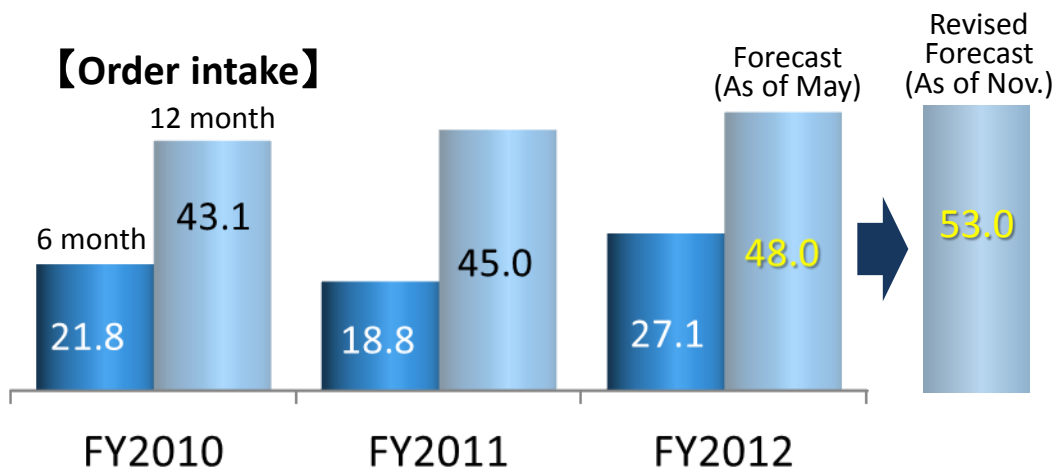
### FY2012 Annual Forecast –as of November

- Both Net sales and Operating income remain unchanged from forecast in May

## 【Operating income】



(unit: billion yen)



## Order intake

### FY2012 Semi Annual Result -April to Sept. 2012

- Yen 27.1 (+ Yen 8.3 YoY)
- Increase of Press machine for automobile industry

### FY2012 Annual Forecast –as of November

- Yen 53.0 (+ Yen 5.0 YoY)

## Net sales/Operating income

### FY2012 Semi Annual Result -April to Sept. 2012

<Net sales>

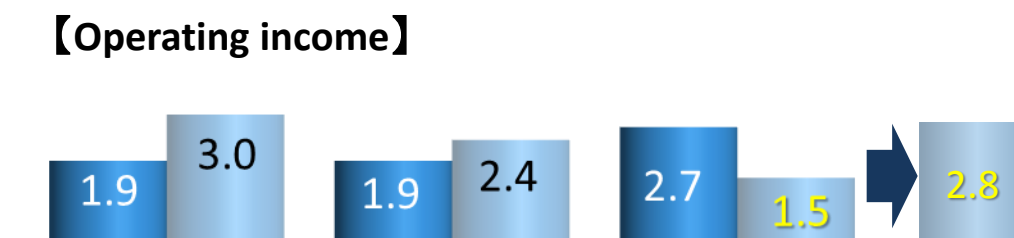
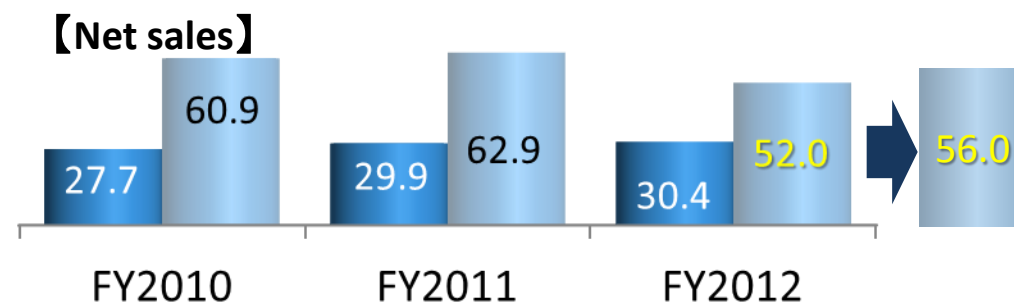
- Yen 30.4 (+ Yen 0.5 YoY)
- Increase of Press machine for automobile industry

<Operating income>

- Yen 2.7 (+ Yen 0.8 YoY)

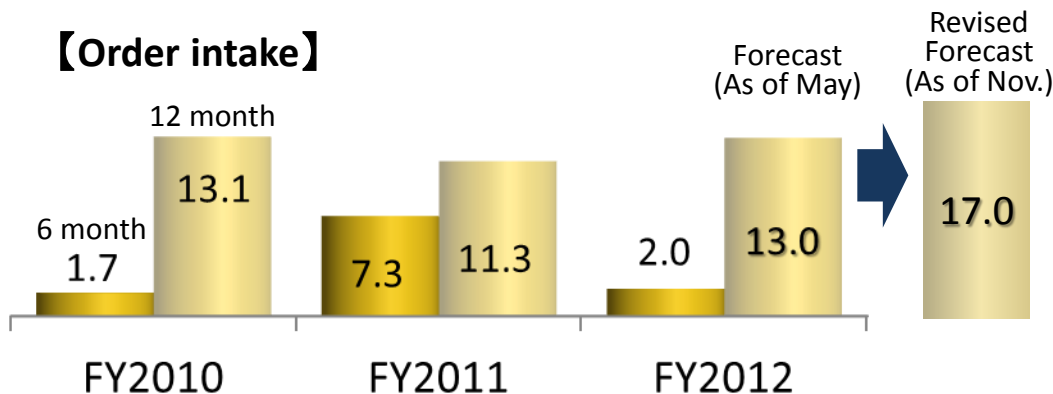
### FY2012 Annual Forecast –as of November

- Increase in Net sales (52.0→56.0) and Operating income (1.5 → 2.8)



(unit: billion yen)

## 【Order intake】



## Order intake

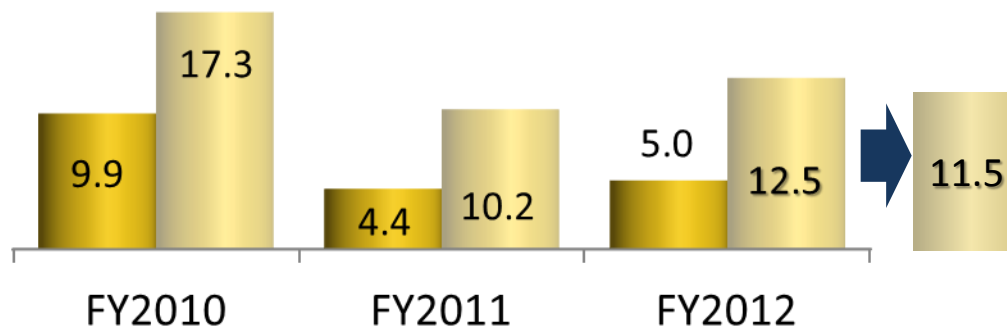
### FY2012 Semi Annual Result -April to Sept. 2012

- Yen 2.0 (- Yen 5.3 YoY)
- Delay in sizable orders of Casks/Canisters for nuclear plants

### FY2012 Annual Forecast –as of November

- Yen 17.0 (+ Yen 4.0 YoY)
- Large orders of Reactor in 3Q

## 【Net sales】



## Net sales/Operating income

### FY2012 Semi Annual Result -April to Sept. 2012

<Net sales>

- Yen 5.0 (+ Yen 0.6 YoY)
- Increase of Casks/Canisters

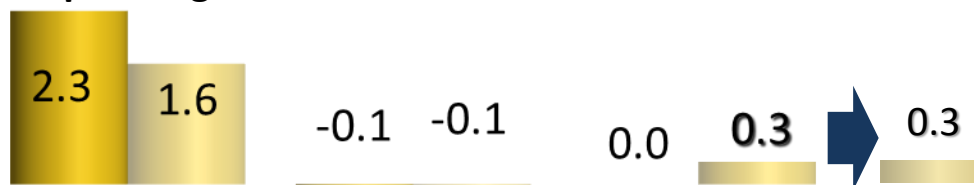
<Operating income>

- Back to profitable operate

### FY2012 Annual Forecast –as of November

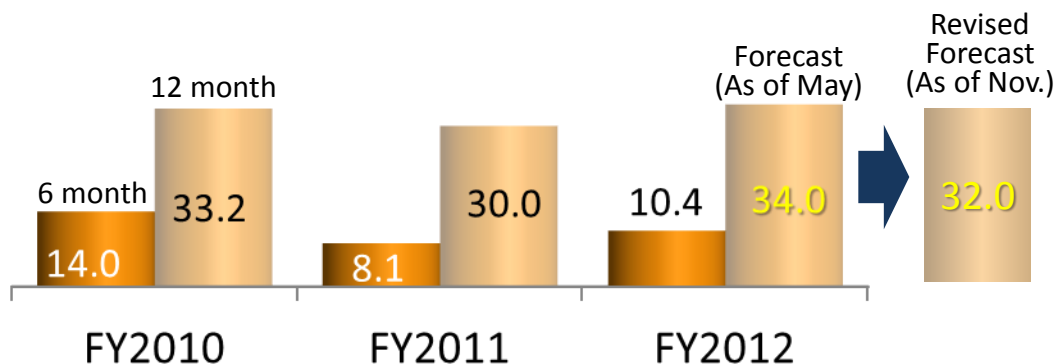
- Decrease in Net sales (12.5 → 11.5)
- Operating income remain unchanged from forecast in May
- Delay in sales of Reactor and Casks/Canisters

## 【Operating income】



(unit: billion yen)

## 【Order intake】



## Order intake

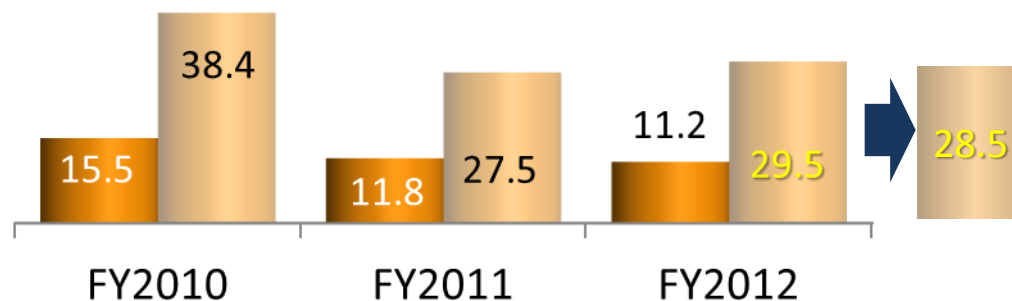
### FY2012 Semi Annual Result -April to Sept. 2012

- Yen 10.4 (+ Yen 2.3 YoY)
- Increase of Hydraulic gates for the dam repair
- Replacement of GPS continuous observation system

### FY2012 Annual Forecast –as of November

- Yen 32.0 (- Yen 2.0 YoY)
- Delay in order intake of Bridges

## 【Net sales】



## Net sales/Operating income

### FY2012 Semi Annual Result -April to Sept. 2012

<Net sales>

- Yen 11.2 (- Yen 0.6 YoY)

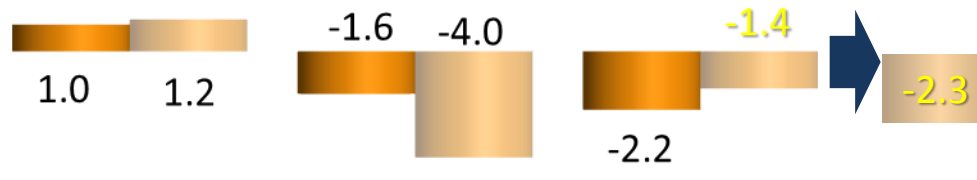
<Operating income>

- -Yen 2.2 (- Yen 0.6 YoY)
- Fierce competition and delay in cost reduction

### FY2012 Annual Forecast –as of November

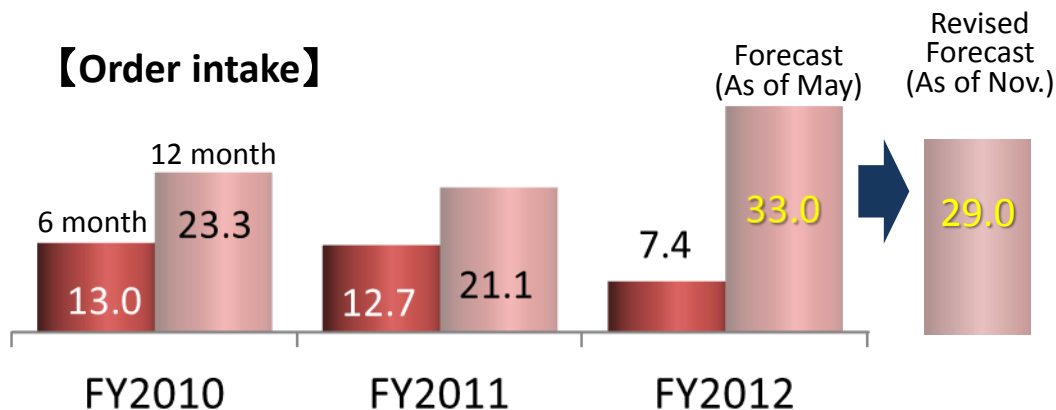
- Decrease in Net sales (29.5→28.5) and Operating income (-1.4→-2.3)
- Delay in Order intake of Bridges

## 【Operating income】



(unit: billion yen)

## 【Order intake】



### Order intake

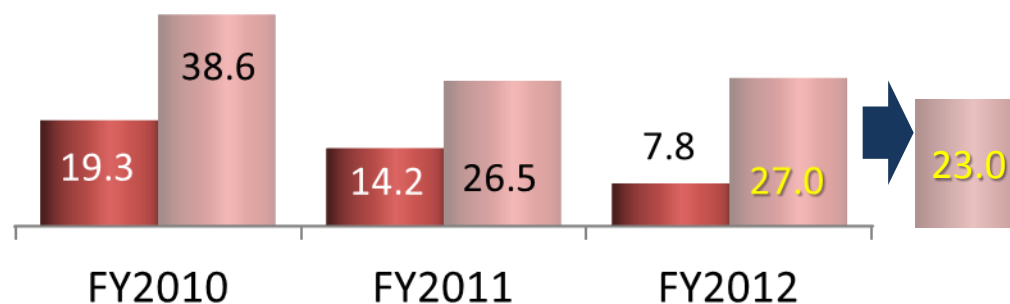
#### FY2012 Semi Annual Result -April to Sept. 2012

- Yen 7.4 (- Yen 5.3 YoY)
- Slow down in demand
- Delay of customer's decision for new investment

#### FY2012 Annual Forecast –as of November

- Yen 29.0 (- Yen 4.0 YoY)

## 【Net sales】



### Net sales/Operating income

#### FY2012 Semi Annual Result -April to Sept. 2012

<Net sales>

- Yen 7.8 (- Yen 6.4 YoY)
- Completion of the large project in 2Q 2011

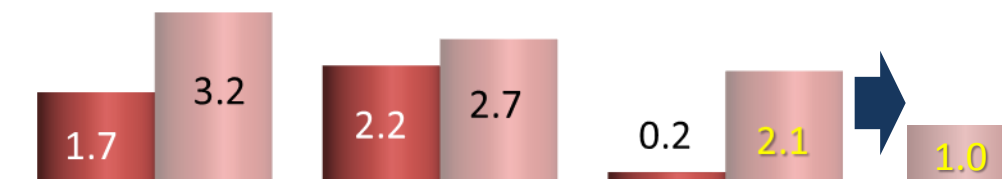
<Operating income>

- Yen 0.2 (- Yen 2.0 YoY)

#### FY2012 Annual Forecast –as of November

- Decrease in Net sales (27.0→23.0) and Operating income (2.1→1.0)
- Decrease in Net sales

## 【Operating income】





## 4. PROGRESS OF MID TERM BUSINESS PLAN “HITZ VISION”

# Key Measure for Mid Term Business Plan

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 Corporate Power for Earning from business		Well-balanced Business Portfolio
	◆ No. 1 Profitability in each business segments		Planning of Business Strategy and Development by PDCA
Innovation of Mgmt. Control	◆ Organization		Operation of Flat Matrix Management
	◆ Financial Position		Shareholders' equity ratio of 30% by FY 2013 Further improvement of credit rating
	◆ R&D to Future Business		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

## 1. Green Energy

EfW Global strategy  
Renewable energy  
Reactors for gas-to-liquid plants

## 2. Social Infrastructure and Disaster Prevention

Radioactive contamination treatment  
Disaster prevention

## 3. Development of global business

## 4. Hitz Vision Budget and Progress

## EfW Global strategy

EfW : Energy from Waste

### ■ Domestic Municipal Solid EfW Plant

Order intake for 6 month ended September 30, 2012

#### EPC / DBO

1. Suginami Ward, Tokyo	EPC	Plant 300t/d × 2
2. Murakami City, Niigata	DBO	Plant 47t/d × 2 + 20years LT Operation
3. Clean Union of Hagi-Nagato, Yamaguchi	DBO	Plant 52t/d × 2 + 20years LT Operation

#### Retrofit

1. Matsudo City, Chiba
2. Greater Chichibu Clean Association, Saitama
3. Kamo Clean Association, Gifu
4. Katagami City, Akita
5. Inabe City, Mie

#### Long term operation & maintenance

1. Naka-Kitasorachi Clean Union, Hokkaido 15years contract
2. Toyota City, Aichi 5years contract

EPC: Engineering, Procurement and Construction

DBO: Design, Build and Operate

## EfW Global strategy

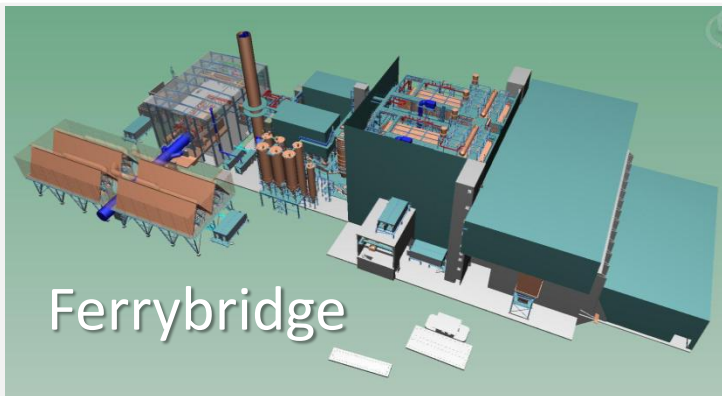
EfW : Energy from Waste

### ■ Oversea EfW Plant and Incineration Plants

Order intake for 6 month ended September 30, 2012

#### EPC

▪ Vietnam by Hitz	Model project of EfW with Industrial waste (the first industrial waste EfW in Vietnam)
▪ Ferrybridge UK by HZ Inova	EPC of a multi-fuel EfW plant (1,013t/d × 2)
▪ Luzern Switzerland by HZ Inova	EPC of a incineration plant (300t/d × 2)



### Other movement

- Establishment of Hyderabad branch specialized in EfW business
- Feasibility studies in Vietnam, Brazil, Indonesia and Malaysia
- Effort for orders intake of promising projects

## Renewable energy

### Tail wind of new Feed-In-Tariff for Renewable Energy in Japan

#### ■ Offshore Wind Farm

Set up “Aqua-Wind”, study group of offshore wind farm for regional development

##### Members companies:

Toshiba Corporation  
JFE Steel Corporation  
Sumitomo Electric Industries, Ltd.  
Toa Corporation  
Toyo Construction  
Japan Weather Association



- Proposals for seabed-fixed offshore wind farm business
- Development of technology and test plant for floating offshore wind farm

#### ■ Other projects

- Onshore wind farm
- Mega solar power plants
- Biomass power station  
(refuse Incineration, unused wood chip from forest thinning)

## Renewable energy

### Enhancement of product development capabilities

#### ■ Electronic Control and Instrument Equipment Center

Testing and validation of microgrid control system of solar and wind power generation

Other products and topics:

- Security system equipment
- Production line video recording systems
- Digital signage applications



#### ■ Precision Machinery Center

Equipped with the most advanced machinery of solar panel manufacturing

Other manufacturing equipment :

- Organic electronic luminescence
- Film & Sheet forming system
- Food & pharmaceutical machinery



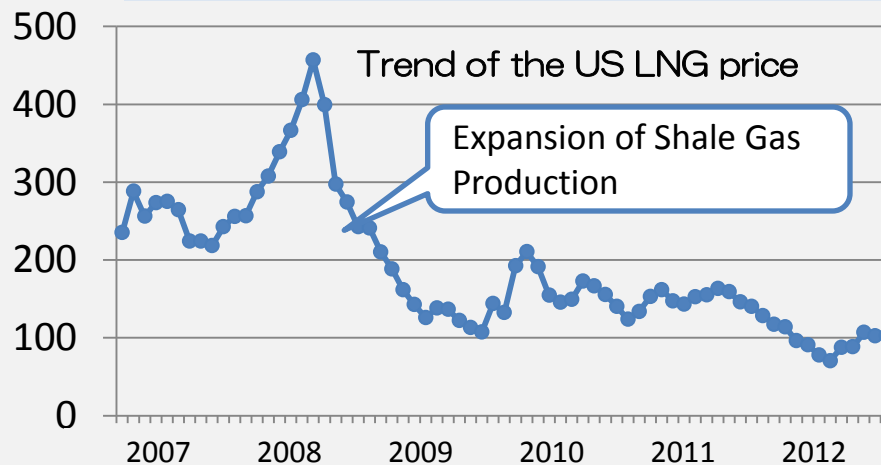
## Reactors for gas-to-liquid plants

### Increase of GTL Plant with low environmental impact

#### ■ Reactor for GTL plant

- GTL (Gas To Liquid) plant produces oil products from natural gas
- Low environmental impact with no sulfur & aromatic sery
- Demand for plant with large-sized and complex design with track record

Shale gas revolution in the US push down LNG price and demand for GTL plants



unit: US\$/1000m3

source: IMF Primary Commodity Prices





### Radioactive contamination treatment

#### Solution for the radioactive contamination

##### ■ Waste contamination

Participation in decontamination model project of Japan atomic energy agency

- Acquisition of knowhow and experience in decontamination

##### Development of integrated disposal system

- Incineration system
- Integrated disposal system of highly contaminated ash  
In cooperation with other company with advanced technology such as Daiki Ataka Engineering Co., Ltd. (cesium separation and removal system)

##### ■ Rice Radiation tester “Asuka HTX-100”

Radiation tester with belt conveyor developed jointly with Techno X Corporation

- Check in a short time  
(15 seconds per 1 rice bag(30kg))
- High precision and stability
- Small-sized and lightweight instruments



→Planning to apply the technology to fish and fruits

## Disaster Prevention

### ■ GPS System

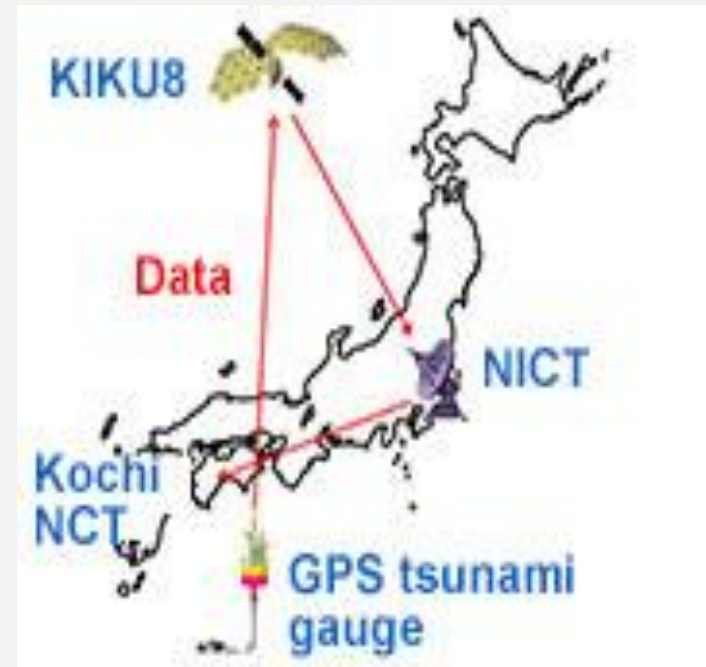
Data transmission test from GPS tsunami gauge through Engineering Test Satellite-VIII KIKU No.8 (ETS-VIII)

#### Further improvement

- Limitation of positioning GPS tsunami gauge 20km offshore→40km offshore
- In case of local network outage data transmission via outside of damaged area

#### **Cooperation with**

- National Institute of Information and Communications Technology (NICT)
- Japan Aerospace Exploration Agency (JAXA)
- the Earthquake Research Institute of The University of Tokyo
- Kochi national College of Technology (NCT)



Kaken basic studies:(S)21221007

Order intake for replacement of GPS continuous observation system (about 1,000 spot)

## Disaster Prevention

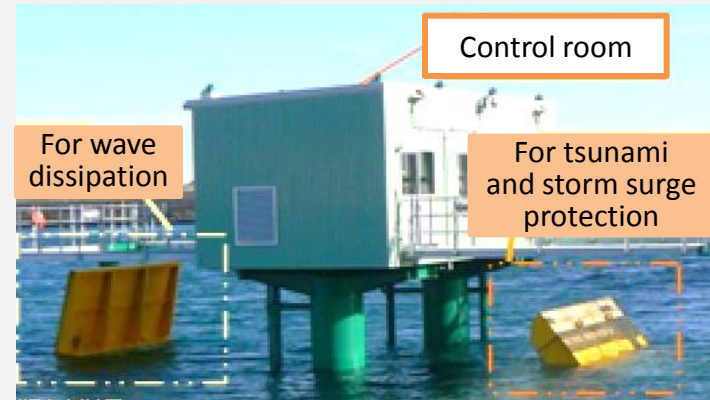
### ■ Flap-Gate

Key factor for order intake is safety

#### 1. Seabed Type

Interim report of demonstration tests shows no problem on the following points

- Certainty of movement
- Stability at normal operation
- Certainty and safety at maintenance work



#### 2. Inland Type (neo Rise)

- Application for the technical certification issued by the authority
- Marketing effort for the first order in FY2012

### ■ Promotion of global business

Proposals of GPS tsunami gauge, Electronic Datum Point Network and Flap-Gate to Asian countries

## Development of global business

### ■ Cooperation with ISGEC

- **ISGEC Hitachi Zosen Ltd.**

Supply of high quality process equipment with a competitive price to the world market

- Alliance for strengthening procurement and sourcing

Introduction of local parts manufacturer and consignment of local procurement for Japanese and Indian market

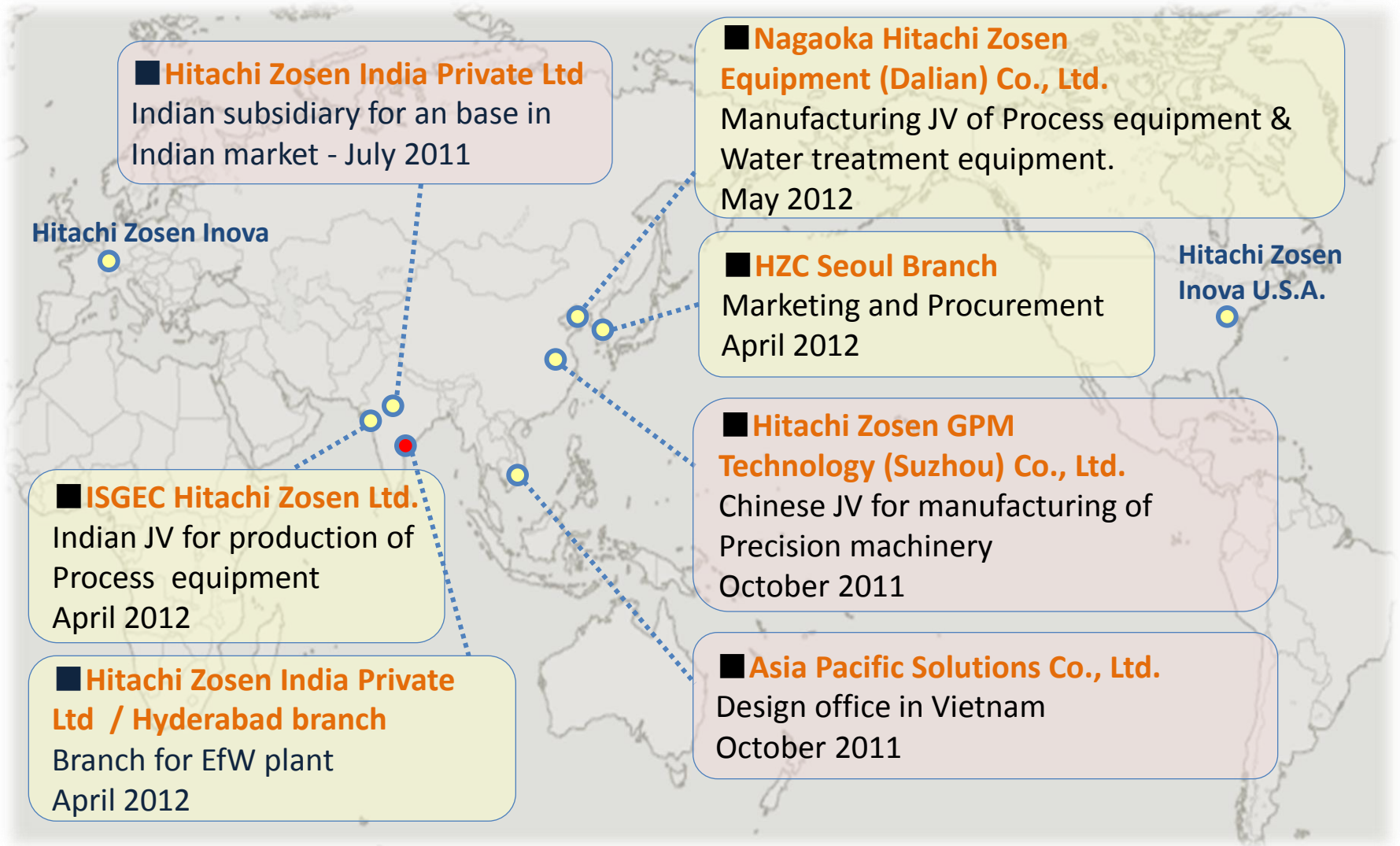


### ■ Indian subsidiary **Hyderabad branch**

- Operation by HZ Inova and specialized in Indian EfW business



# 3. Development of global business -2



From April 2011 until September 2012

FY2011

FY2012

# 4. Hitz Vision Budget and Progress

(unit: billion Yen)

	FY2011			FY2012			FY2013
	Hitz-V Plan	Actual	Achievement ratio	Hitz-V Plan	Forecast	Achievement ratio	Hitz-V Plan
Order intake	370.0	289.7	78.3%	440.0	400.0	90.9%	500.0
Net sales	310.0	303.0	97.7%	340.0	320.0	94.1%	400.0
Operating income (ratio)	14.0 (4.5%)	11.3 (3.7%)	80.7%	15.5 (4.6%)	12.8 (4.0%)	82.6%	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%)	81.5%	16.0 (4.0%)
Net income	10.0	9.3	93.0%	10.5	9.0	85.7%	11.5
Interest bearing debt	114.4	107.6	—	100.0	105.0	—	100.0
Shareholders' equity 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.