

The World's Largest Shield Tunneling Machine of Seattle
(17.45 meters in diameter)

Hitachi Zosen Corporation

FY2012 Financial Results

Hitz
Hitachi Zosen

May 10, 2013

Chairman & CEO
Minoru Furukawa

1. Overview of FY2012 Consolidated Financial Results
2. Forecast of FY2013
3. Details by Segments
4. Progress of Mid term Business Plan “Hitz Vision”

1. OVERVIEW OF FY2012 CONSOLIDATED FINANCIAL RESULTS

Key Points of FY 2012 Results

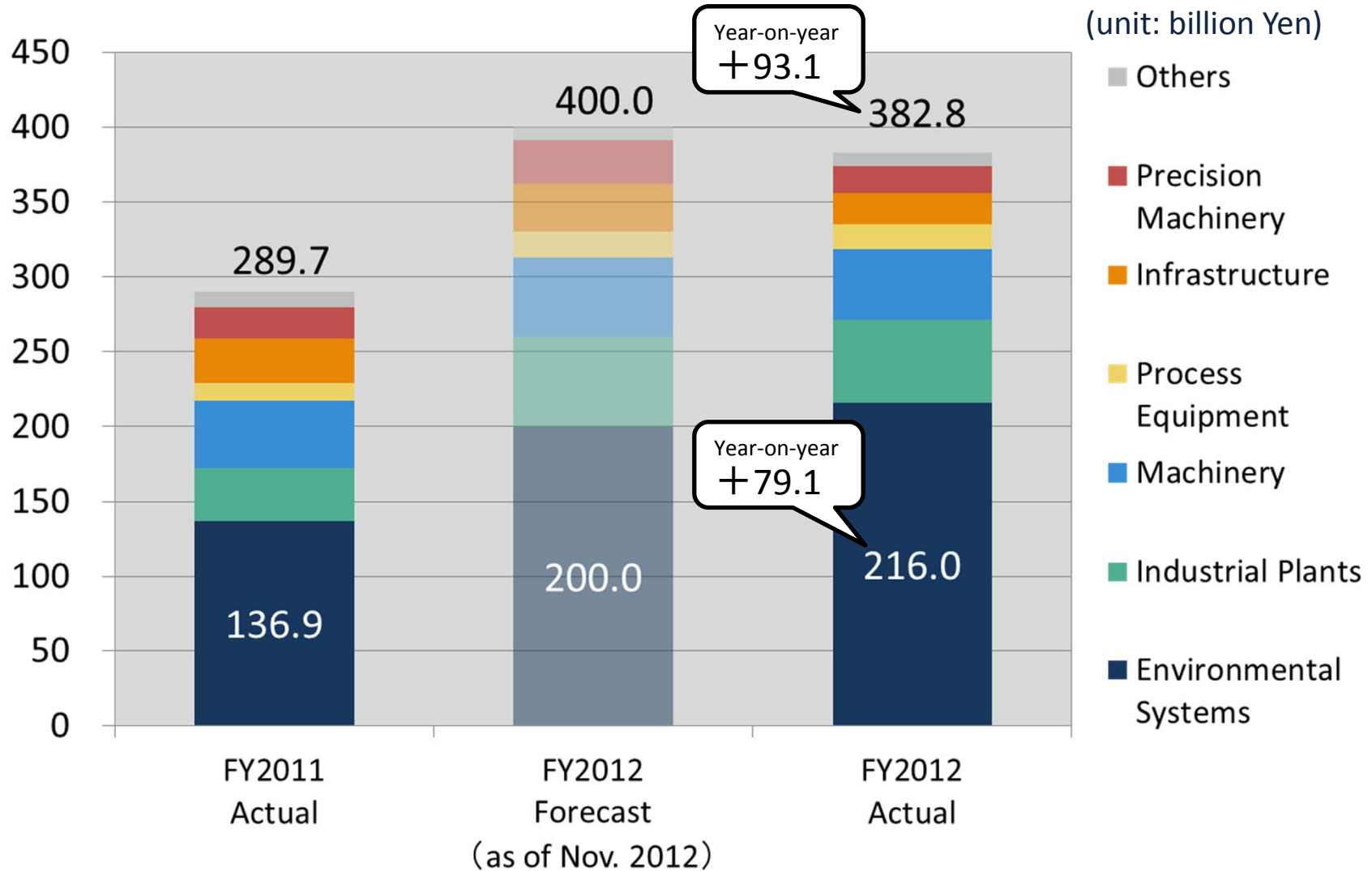
- Year-on-year increase of Order intake and Ordinary income
- In Environmental systems segment, year-on-year increase of Order intake, Net sales and Operating income, especially substantial increase of Order intake
 - Environmental Systems is leading the growth of Hitachi Zosen

FY2012 Results Overview

(unit: billion Yen)

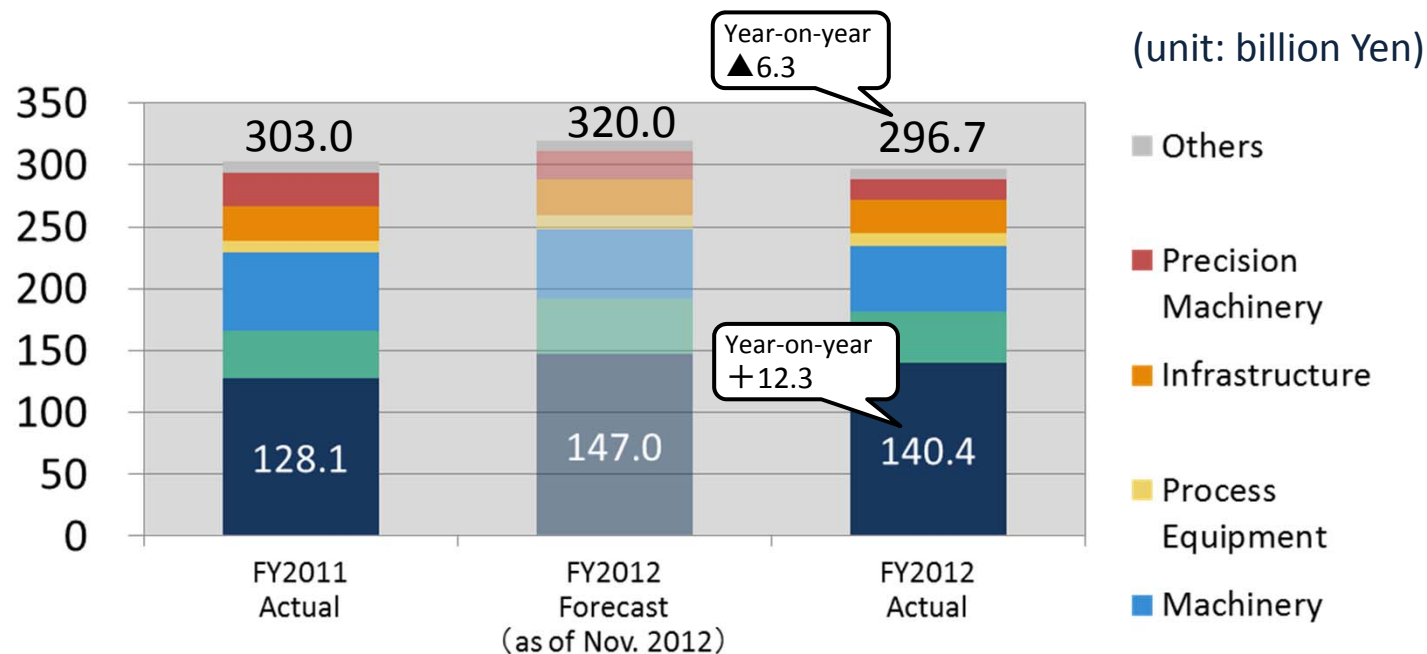
	FY2011	FY2012		Difference	
		Forecast	Actual	Year-on-year	v.s. Forecast
Order intake	289.7	400.0	382.8	93.1	▲17.2
Net sales	303.0	320.0	296.7	▲6.3	▲23.3
Operating income	11.3	12.8	11.3	0.0	▲1.5
(ratio)	3.7%	4.0%	3.8%	0.1%	▲0.2%
Non-operating P&L	▲0.6	▲1.8	▲0.1	0.5	1.7
Ordinary income	10.7	11.0	11.2	0.5	0.2
(ratio)	3.5%	3.4%	3.8%	0.3%	0.4%
Extraordinary P&L	1.6	—	▲2.5	▲4.1	—
Income tax & minority interests	▲3.0	—	▲1.3	1.7	—
Net income	9.3	9.0	7.4	▲1.9	▲1.6
(ratio)	3.1%	2.8%	2.5%	▲0.6%	▲0.3%

FY2012 Order intake

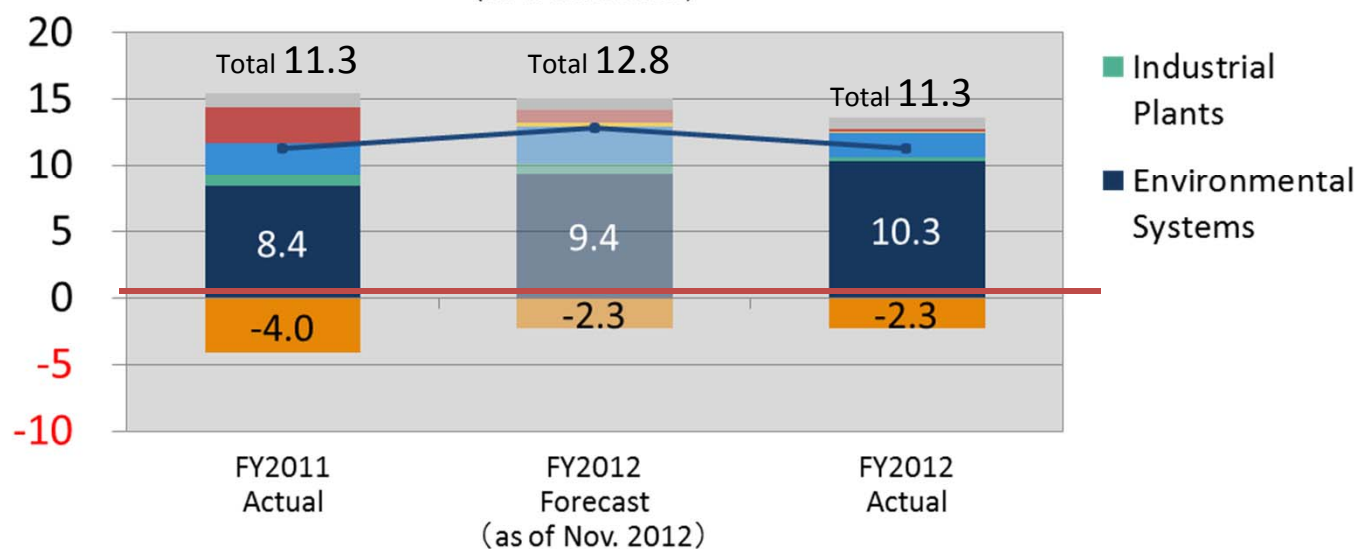


FY2012 Net sales & Operating income

Net sales



Operating income



FY2012 by Segments

Hitz

Hitachi Zosen

(unit: billion Yen)

		Environmental Systems	Industrial Plants	Machinery	Process Equipment	Infrastructure	Precision Machinery	Others	Total
FY2012 Actual	Order intake	216.0	55.1	47.5	16.3	20.9	18.3	8.7	382.8
	Net sales	140.4	40.7	53.7	10.1	26.5	16.7	8.6	296.7
	Operating income	10.3	0.3	1.9	0.1	▲2.3	0.1	0.9	11.3
FY2011 Actual	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
Difference	Order intake	79.1	19.6	2.5	5.0	▲9.1	▲2.8	▲1.2	93.1
	Net sales	12.3	2.8	▲9.2	▲0.1	▲1.0	▲9.8	▲1.3	▲6.3
	Operating income	1.9	▲0.6	▲0.5	0.2	1.7	▲2.6	▲0.1	0.0

FY2012 Increase & Decrease of Operating P&L

(unit: billion Yen)

FY2011 Operating income		11.3
Breakdown	Decrease of Net sales (-6.3)	▲1.1
	Increase of SG & A expenses (mainly personnel and R&D expenses)	▲0.6
	Decline of profit margin in Precision Machinery	▲1.1
	Progress of business reform effort in Infrastructure	0.6
	Cost reduction	2.2
FY2012 Operating income		11.3

FY2012 Non-operating P&L & Extraordinary P&L

(unit: billion Yen)

	FY2011	FY2012	Difference
Interest expenses (*)	▲1.2	▲1.1	0.1
Equity in net income of non-consolidated affiliates	0.7	2.3	1.6
Other Non-operating income	▲0.1	▲1.3	▲1.2
Non-operating P&L	▲0.6	▲0.1	0.5

(*) Interest expenses = interest income + dividends income – interest paid

Extraordinary Profit	Gain on sale of property	1.6	—	▲1.6
	Reversal of allowance for losses from lawsuits	1.1	—	▲1.1
Extraordinary Loss	Impairment loss	—	▲1.7	▲1.7
	Contribution for withdrawal from employee's pension fund	—	▲0.8	▲0.8
	Compensation for damage	▲0.6	—	0.6
	Loss of devaluation of investment in securities	▲0.5	—	0.5
Extraordinary P&L		1.6	▲2.5	▲4.1

FY2012 Cash flows & Interest Bearing Debt

(unit: billion Yen)

Cash flows	FY2011	FY2012	Difference
Cash flows from operating activities	14.6	9.6	▲5.0
Cash flows from investing activities	▲4.6	▲13.5	▲8.9
Cash flows from financing activities	1.1	▲7.8	▲8.9
Net increase in cash and cash equivalents	(*1) 10.7	(*1) ▲10.4	▲21.1
Cash & cash equivalents at beginning	55.9	66.6	10.7
Cash & cash equivalents at end	66.6	(*2) 56.4	▲10.2

(*1) including effect of exchange rate (FY2011:-0.4, FY2012:+1.3)

(*2) including cash & cash equivalents at beginning of newly consolidated subsidiaries (+0.2)

(unit: billion Yen)

Interest Bearing Debt	March 2012	March 2013	Difference
Bank borrowing (incl. Lease obligations)	92.5	92.6	0.1
Bond issues	15.1	10.0	▲5.1
Total	107.6	102.6	▲5.0

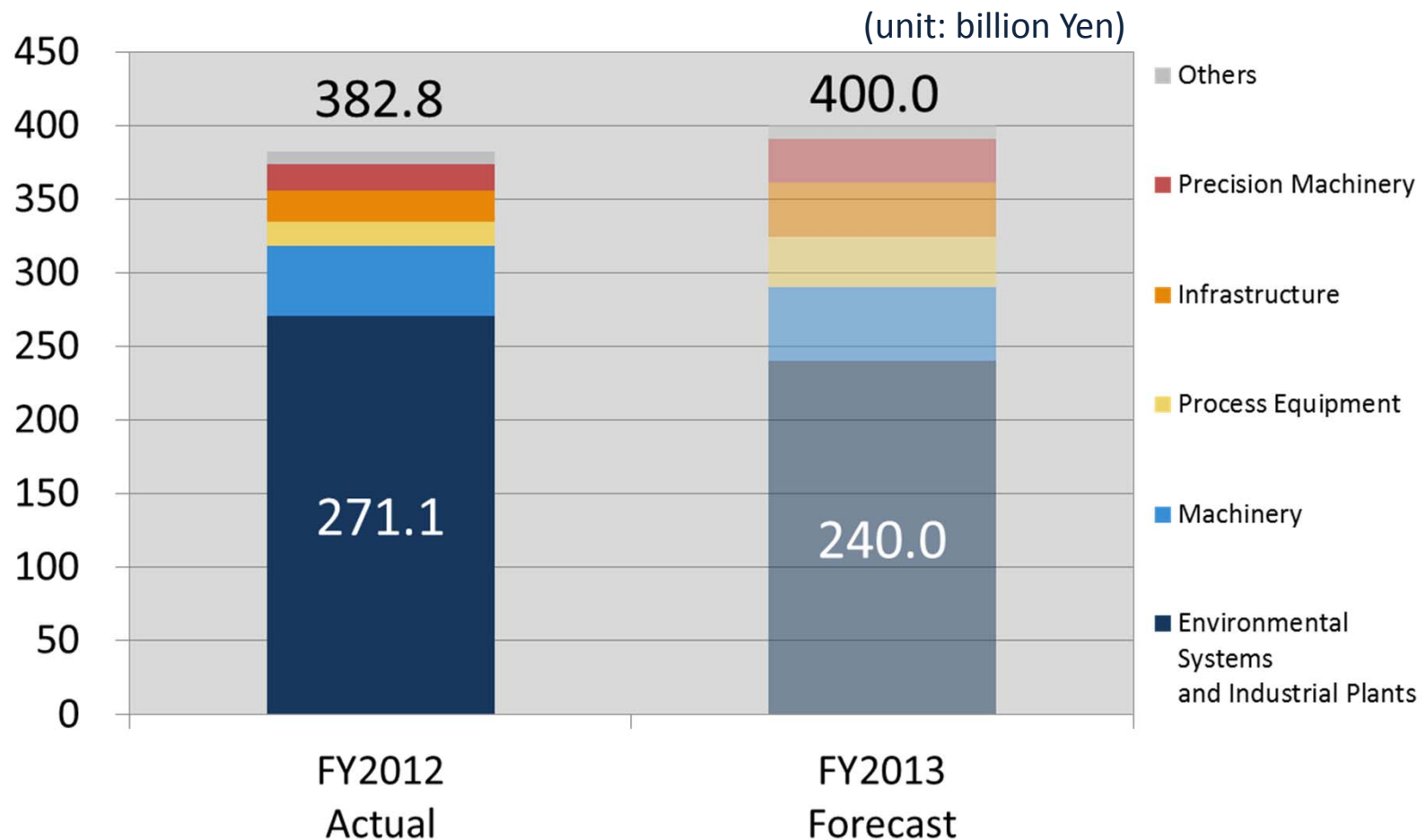
2. FORECAST OF FY2013

FY2013 Forecast / Overview

(unit: billion Yen)

	FY2012 Actual	FY2013 Forecast	Difference
Order intake	382.8	400.0	17.2
Net sales	296.7	320.0	23.3
Operating income	11.3	13.0	1.7
(ratio)	3.8%	4.1%	0.3%
Ordinary income	11.2	10.0	▲1.2
(ratio)	3.8%	3.1%	▲0.7%
Net income	7.4	7.5	0.1
(ratio)	2.5%	2.3%	▲0.2%

FY2013 Forecast / Order intake

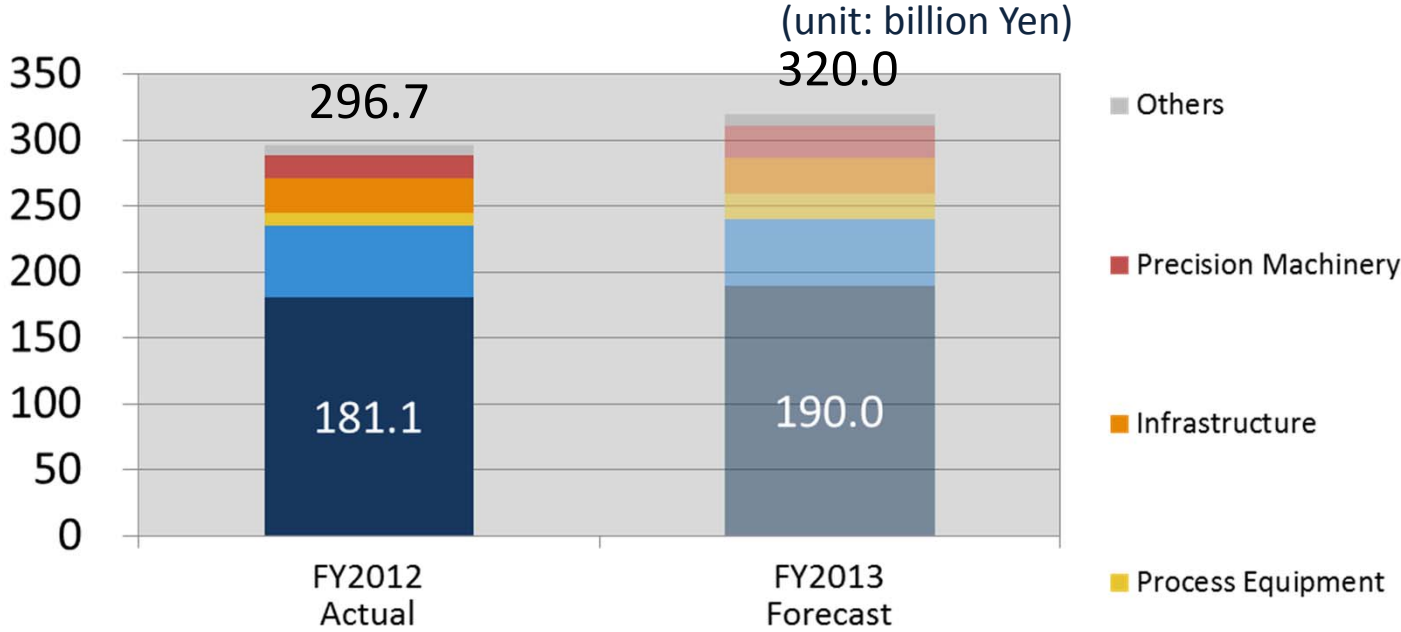


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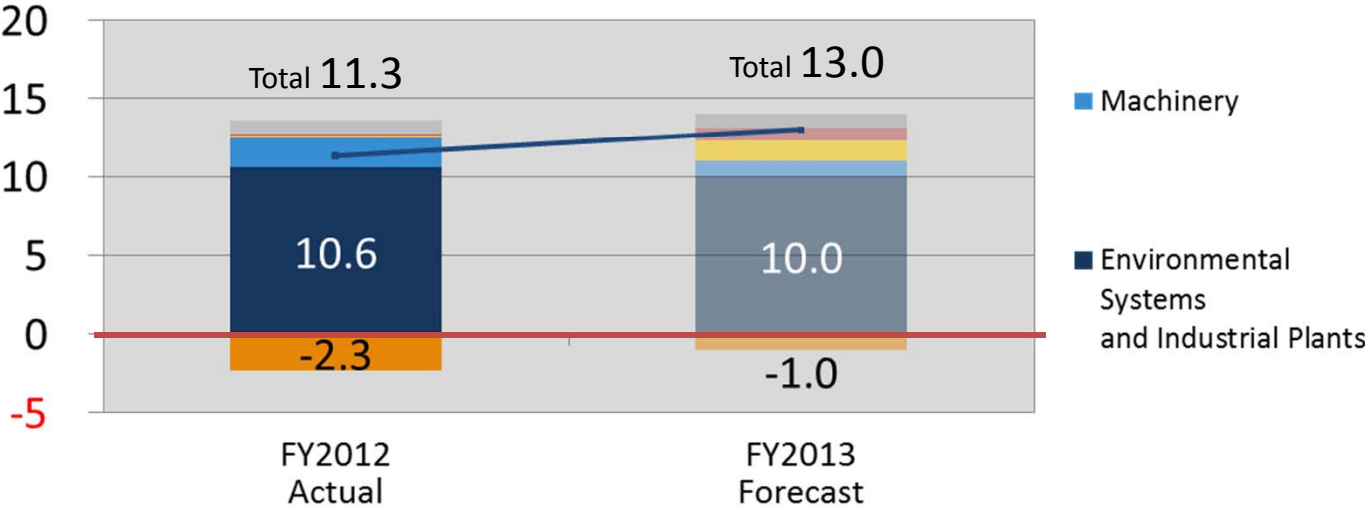
As per reorganization effective January 1, 2013, Environmental Systems and industrial plants are merged into one segment.

FY2013 Forecast / Net sales & Operating income

■ Net sales



■ Operating income



FY2013 Forecast / by Segments



Hitachi Zosen

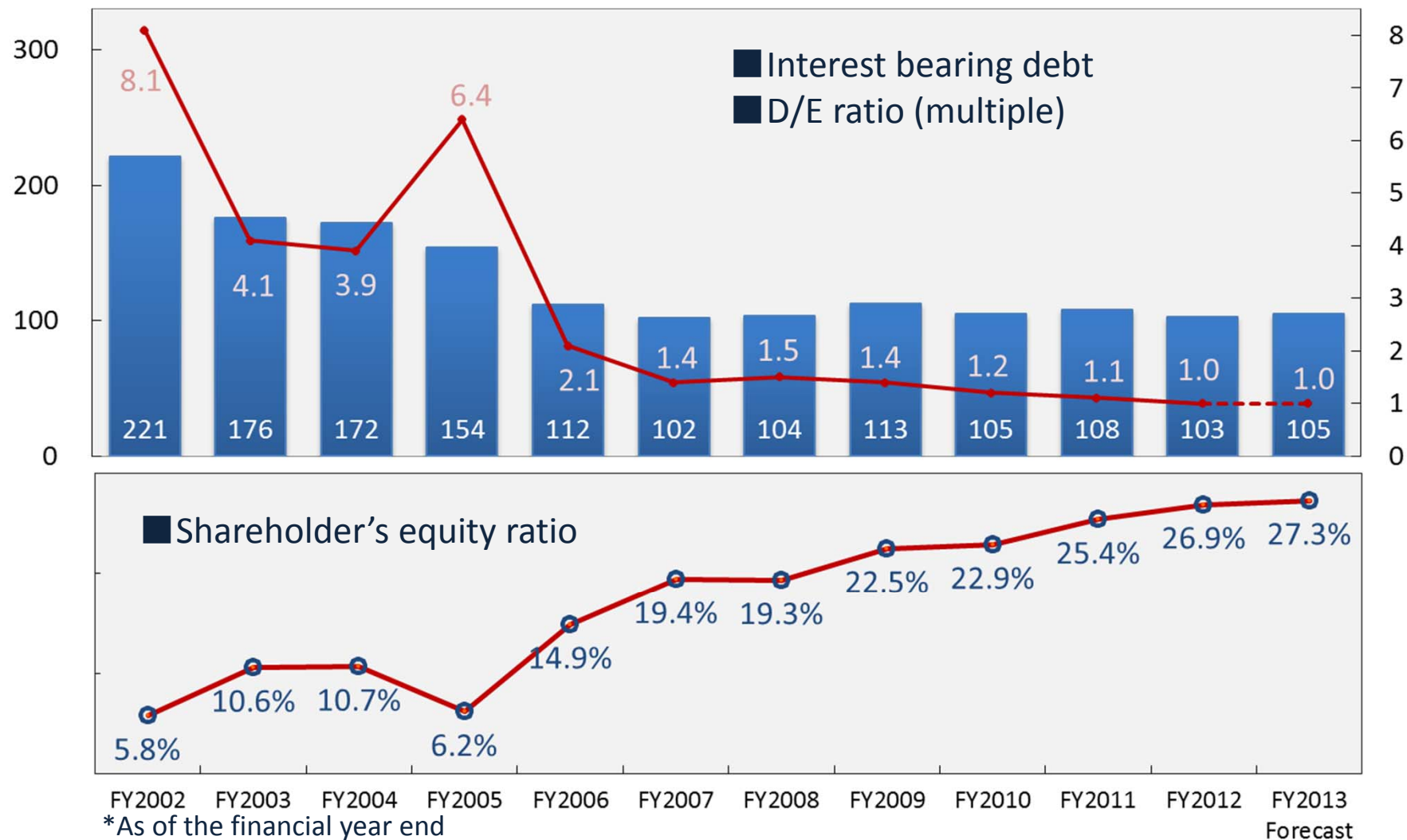
(unit: billion Yen)

		Environmental Systems and industrial plants	Machinery	Process Equipment	Infra- structure	Precision Machinery	Others	Total
FY2013 Forecast	Order intake	240.0	50.0	35.0	36.0	30.0	9.0	400.0
	Net sales	190.0	50.0	19.0	28.0	24.0	9.0	320.0
	Operating income	10.0	1.0	1.3	▲1.0	0.8	0.9	13.0
FY2012 Actual	Order intake	271.1	47.5	16.3	20.9	18.3	8.7	382.8
	Net sales	181.1	53.7	10.1	26.5	16.7	8.6	296.7
	Operating income	10.6	1.9	0.1	▲2.3	0.1	0.9	11.3
Difference	Order intake	▲31.1	2.5	18.7	15.1	11.7	0.3	17.2
	Net sales	8.9	▲3.7	8.9	1.5	7.3	0.4	23.3
	Operating income	▲0.6	▲0.9	1.2	1.3	0.7	0.0	1.7

FY2013 Forecast / Interest Bearing Debt

(unit: billion Yen)

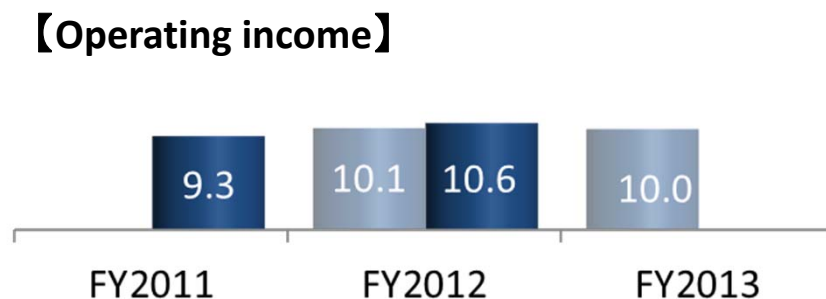
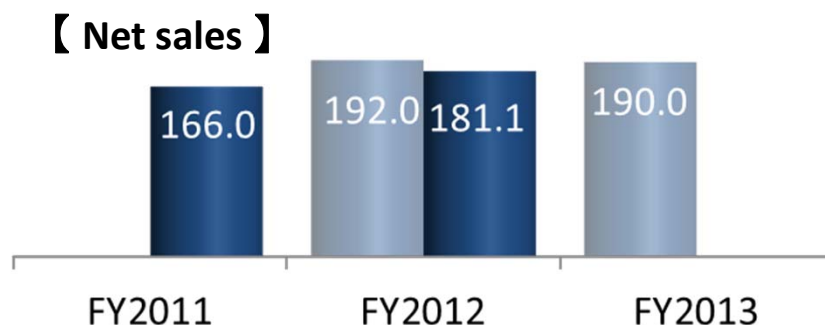
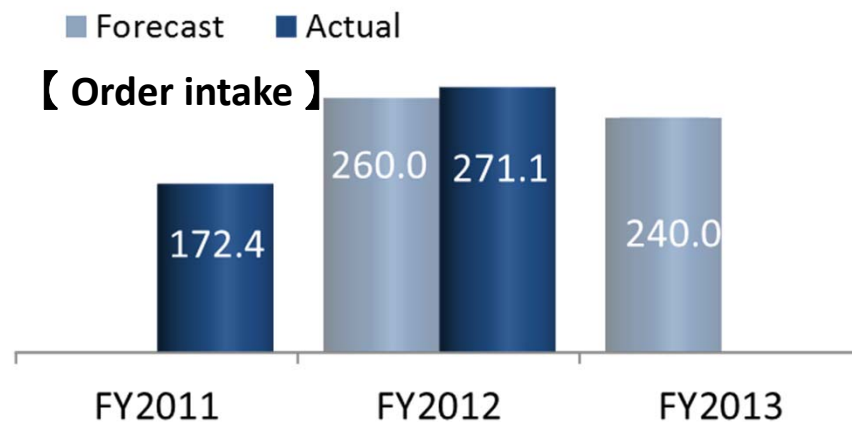
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3. DETAILS BY SEGMENTS

Environmental Systems and Industrial Plants

(unit: billion Yen)



Order intake

FY2012 Results

- Yen 271.1 (+ Yen 98.7 YoY)
- Increase of EPC and DBO of Energy-from-Waste Plant (EfW)
- New order intake of Desalination plant in Qatar

FY2013 Forecast

- Yen 240.0 (- Yen 31.1 YoY)
- Decrease of EPC and DBO of domestic EfW

Net sales/Operating income

FY2012 Results

<Net sales>

- Yen 181.1 (+ Yen 15.1 YoY)
- Progress in large EPC contracts
- Increase of AOM and LT operation

<Operating income>

- Yen 10.6 (+ Yen 1.3 YoY)

FY2013 Forecast

<Net sales>

- Yen 190.0 (+ Yen 8.9 YoY)
- Desalination plant in Qatar

<Operating income>

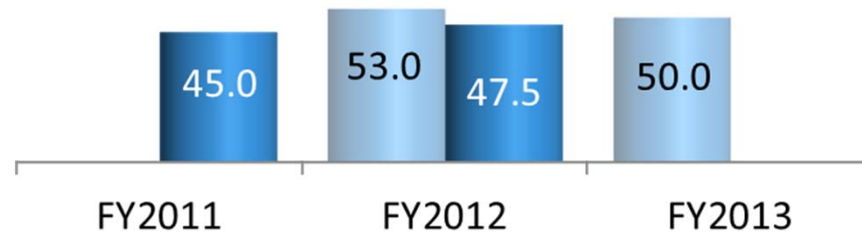
- Yen 10.0 (- Yen 0.6 YoY)
- Decrease of EPC contracts' profit

EPC: Engineering, Procurement and Construction
 DBO: Design, Build and Long-term Operate
 AOM: After-sales Service, Operation Control, and Maintenance

Machinery

■ Forecast ■ Actual

【 Order intake 】



【 Net sales 】



【 Operating income 】



(unit: billion Yen)

Order intake

FY2012 Results

- Yen 47.5 (+ Yen 2.5 YoY)
- Increase of Press machine for automobile industry

FY2013 Forecast

- Yen 50.0 (+ Yen 2.5 YoY)
- Increase of Marine diesel engines

Net sales/Operating income

FY2012 Results

<Net sales>

- Yen 53.7 (- Yen 9.2 YoY)
- Decrease of Marine diesel engines

<Operating income>

- Yen 1.9 (- Yen 0.5 YoY)

FY2013 Forecast

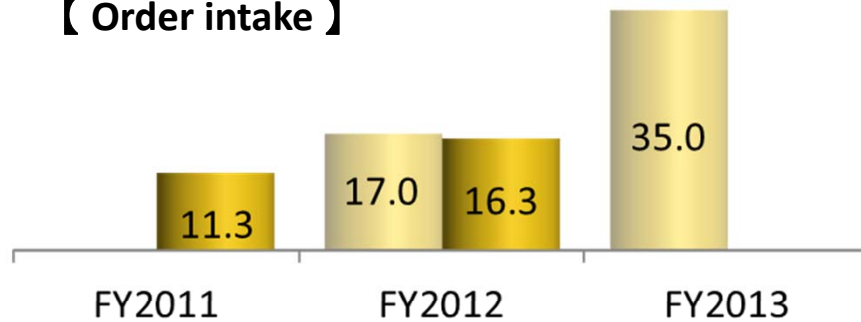
- Decrease of Net sales (53.7 → 50.0) and Operating income (1.9 → 1.0)
- Decrease of Press machine for automobile industry and Deck machinery for ships

Process Equipment

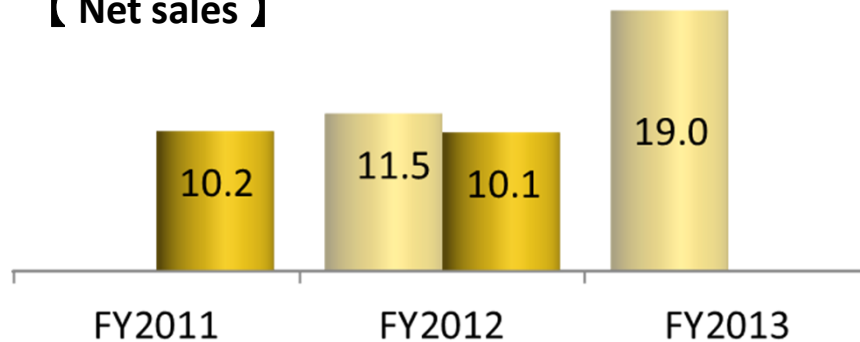
■ Forecast ■ Actual

(unit: billion Yen)

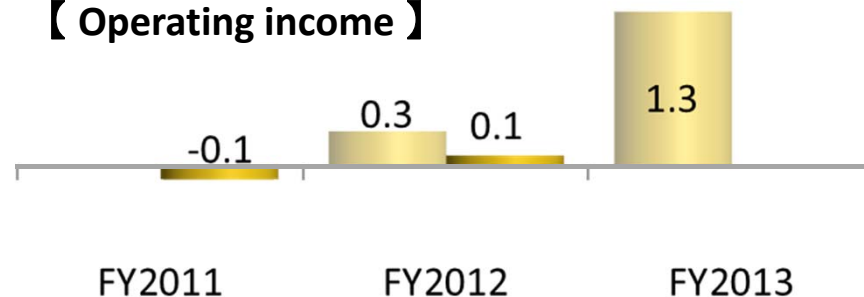
【 Order intake 】



【 Net sales 】



【 Operating income 】



Order intake

FY2012 Results

- Yen 16.3 (+ Yen 5.0 YoY)
- Increase of Reactor

FY2013 Forecast

- Yen 35.0 (+ Yen 18.7 YoY)
- Increase of Reactor
- Expected large project

Net sales/Operating income

FY2012 Results

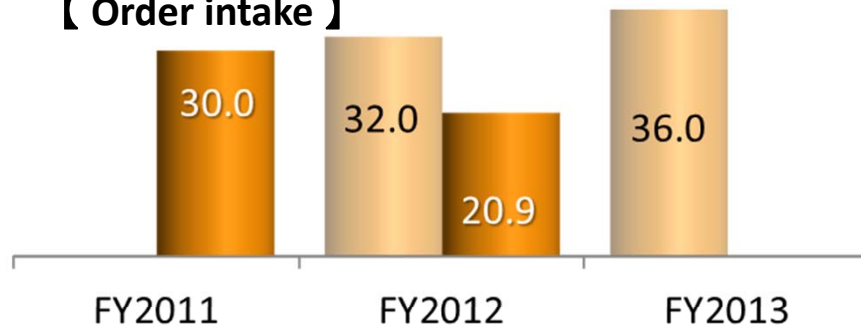
- <Net sales>
 - Yen 10.1 (- Yen 0.1 YoY)
- <Operating income>
 - Yen 0.1 (+ Yen 0.2 YoY)
 - Turned to profitable operation

FY2013 Forecast

- Increase of Net sales (10.1 → 19.0) and Operating income (0.1 → 1.3)
- Increase of Reactor

Forecast Actual

【 Order intake 】



【 Net sales 】



【 Operating income 】



(unit: billion Yen)

Order intake

FY2012 Results

- Yen 20.9 (- Yen 9.1 YoY)
- Decrease of Bridges and Steel stacks

FY2013 Forecast

- Yen 36.0 (+ Yen 15.1 YoY)
- Increase of Shield tunneling machines, Bridges and Hydraulic gates.

Net sales/Operating income

FY2012 Results

<Net sales>

- Yen 26.5 (- Yen 1.0 YoY)
- Decrease of Order intake

<Operating income>

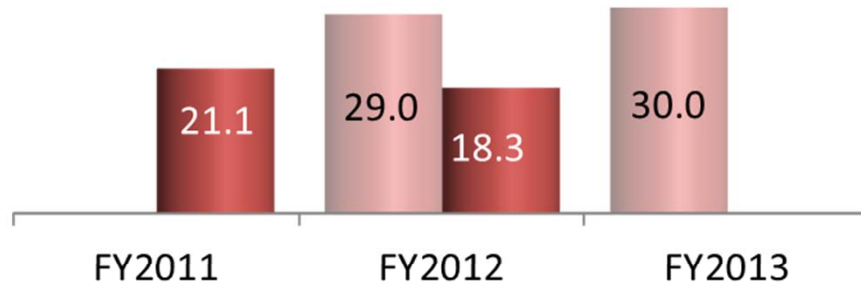
- Yen -2.3 (+ Yen 1.7 YoY)
- Cost reduction and business reform efforts

FY2013 Forecast

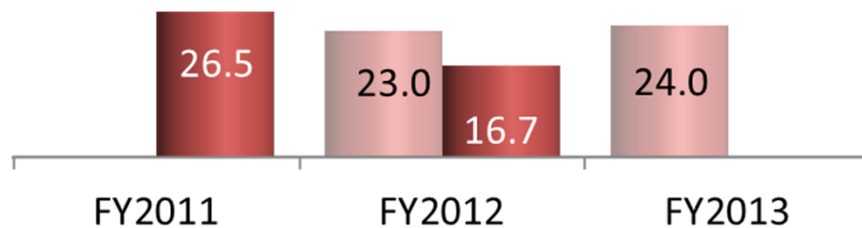
- Increase of Net sales (26.5 → 28.0) and Operating income (-2.3 → -1.0)
- Increase of Bridges and Hydraulic gates
- On-going business reform effort

Forecast Actual

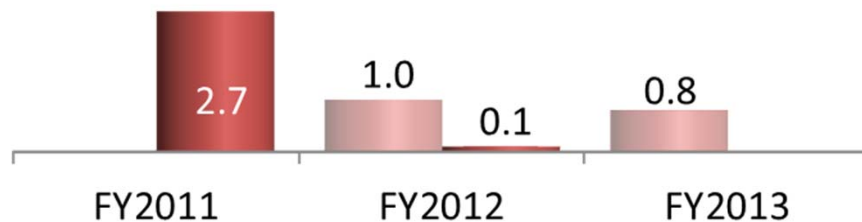
【 Order intake 】



【 Net sales 】



【 Operating income 】



(unit: billion Yen)

Order intake

FY2012 Results

- Yen 18.3 (- Yen 2.8 YoY)
- Slow down in demand
- Delay in sizable orders intake

FY2013 Forecast

- Yen 30.0 (+ Yen 11.7 YoY)
- Recovery in demand

Net sales/Operating income

FY2012 Results

<Net sales>

- Yen 16.7 (- Yen 9.8 YoY)
- Decrease of Order intake

<Operating income>

- Yen 0.1 (- Yen 2.6 YoY)
- Decrease of Net sales and profit margin

FY2013 Forecast

- Increase of Net sales (16.7 → 24.0) and Operating income (0.1 → 0.8)
- Increase of Order intake

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

1. 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

2. Promotion of well-balanced Business Portfolio

(unit: billion Yen)

	FY2010		FY2011		FY2012		FY2016	
Domestic Business	237.5	83%	227.0	75%	224.2	76%	300.0	60%
Global Business	49.6	17%	75.7	25%	71.7	24%	150.0	30%
New Business & New Products	—	—	0.3	0%	0.8	0%	50.0	10%
Total	287.1	100%	303.0	100%	296.7	100%	500.0	100%
(incl. AOM and others)	115.5	40%	120.5	40%	127.3	43%	250.0	50%

Global Business
17%→30%

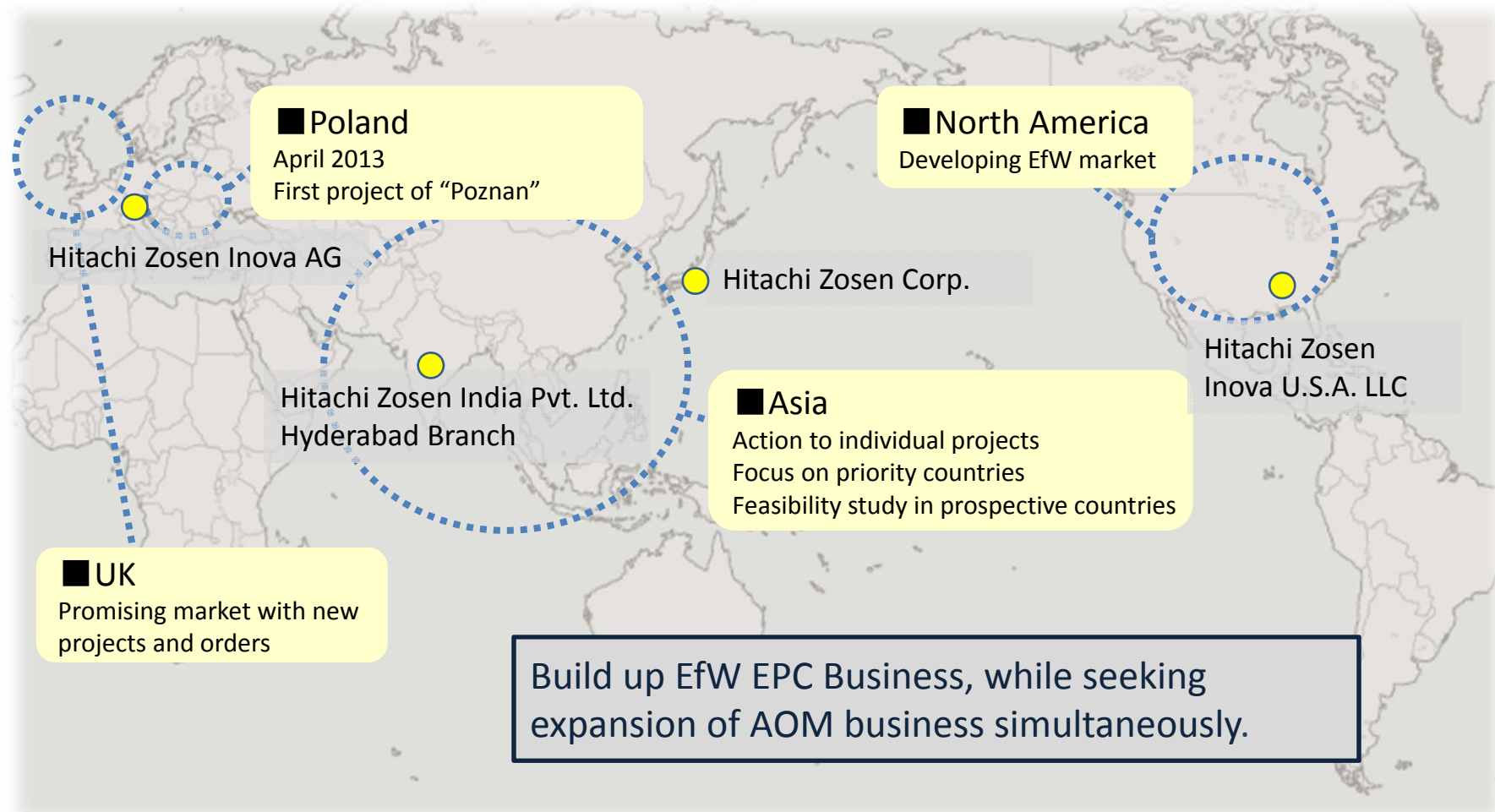
New Business & New Products
Yen 50 billion

AOM(*)
40%→50%

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

3.Promotion of Global Business-1

Global Business - EfW Global Strategy

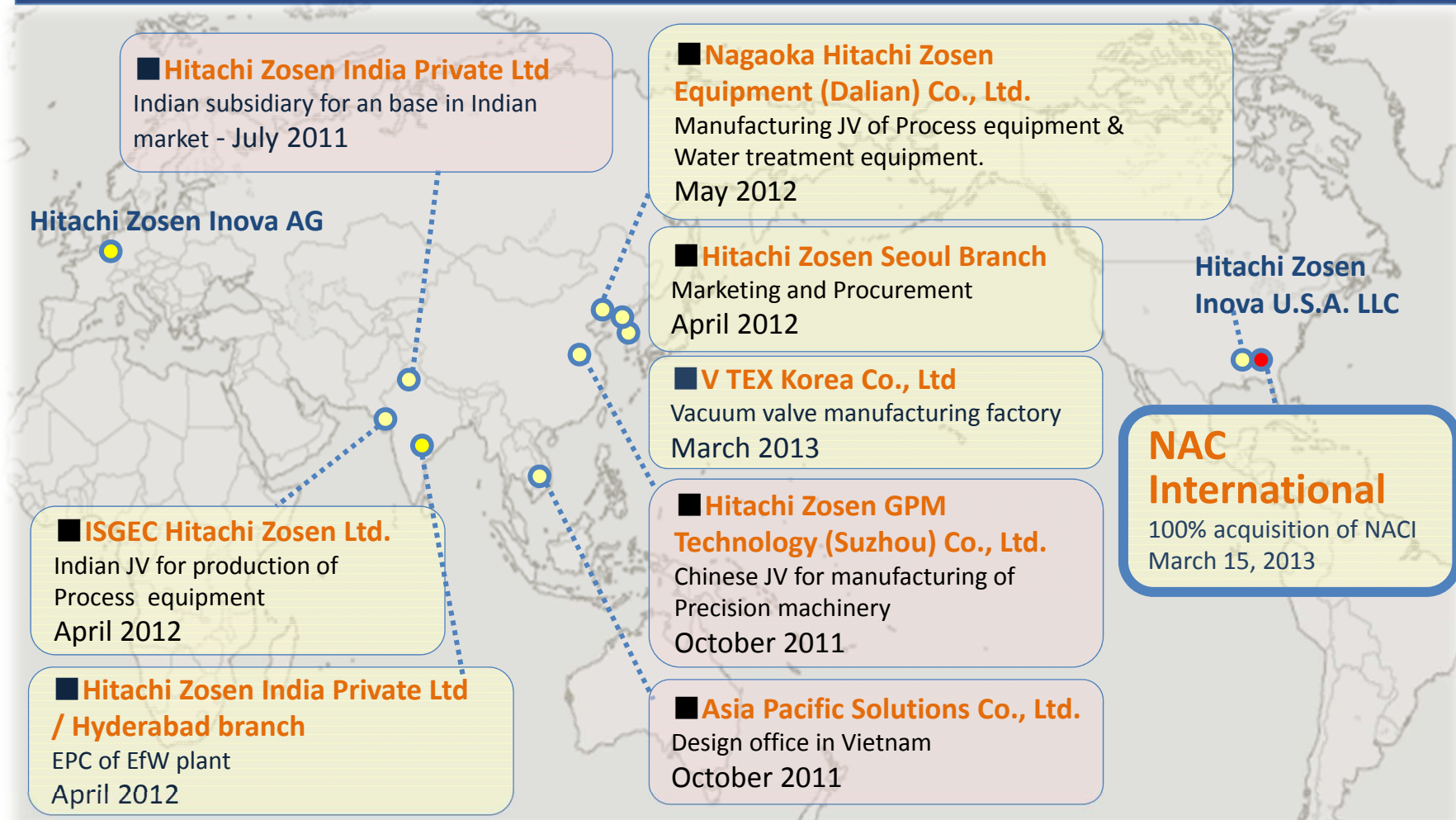


EfW : Energy from Waste

AOM : After service, Operation, Maintenance

3.Promotion of Global Business-2

Global Business - Other development



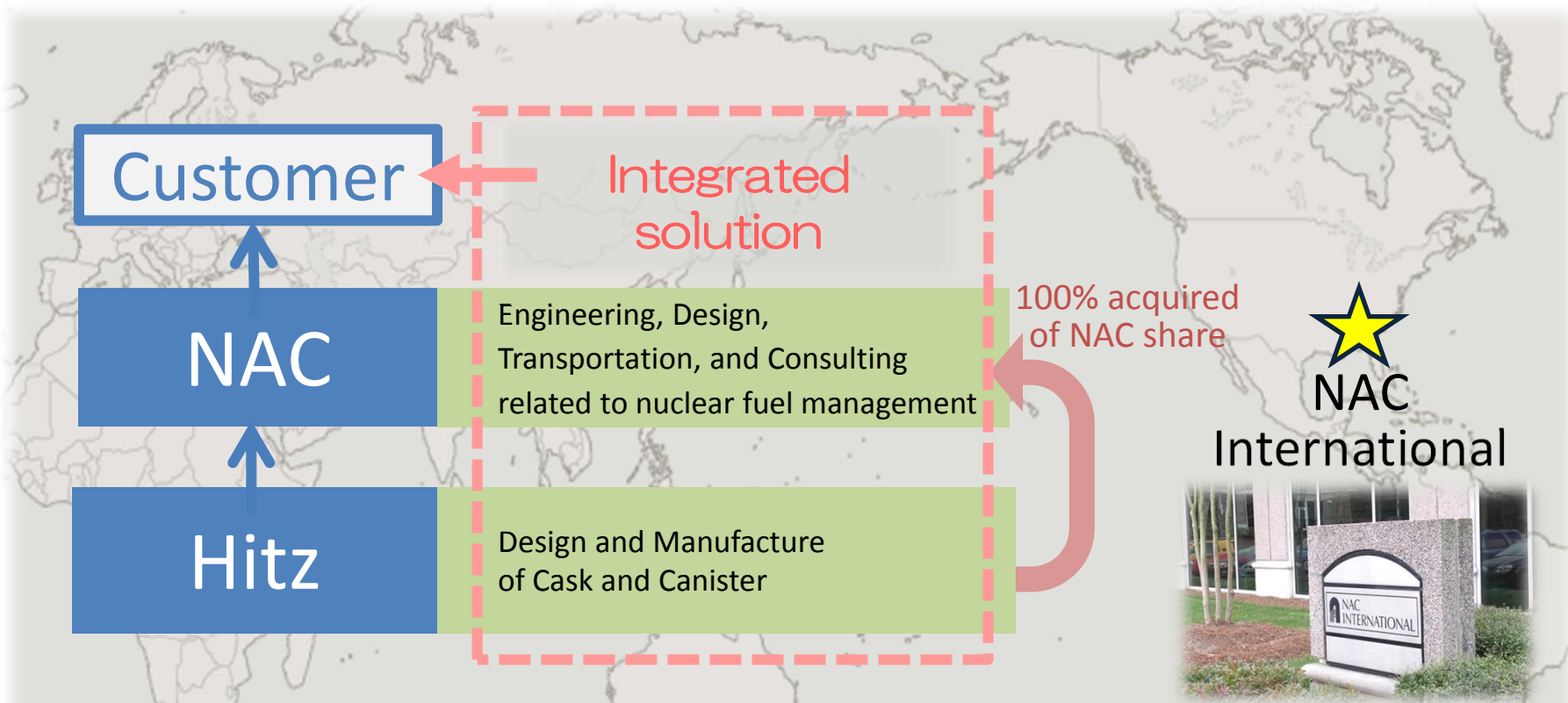
■ Action implemented in midium term business plan starting 2011 until March 2013

FY2011

FY2012

3. Promotion of Global Business-3

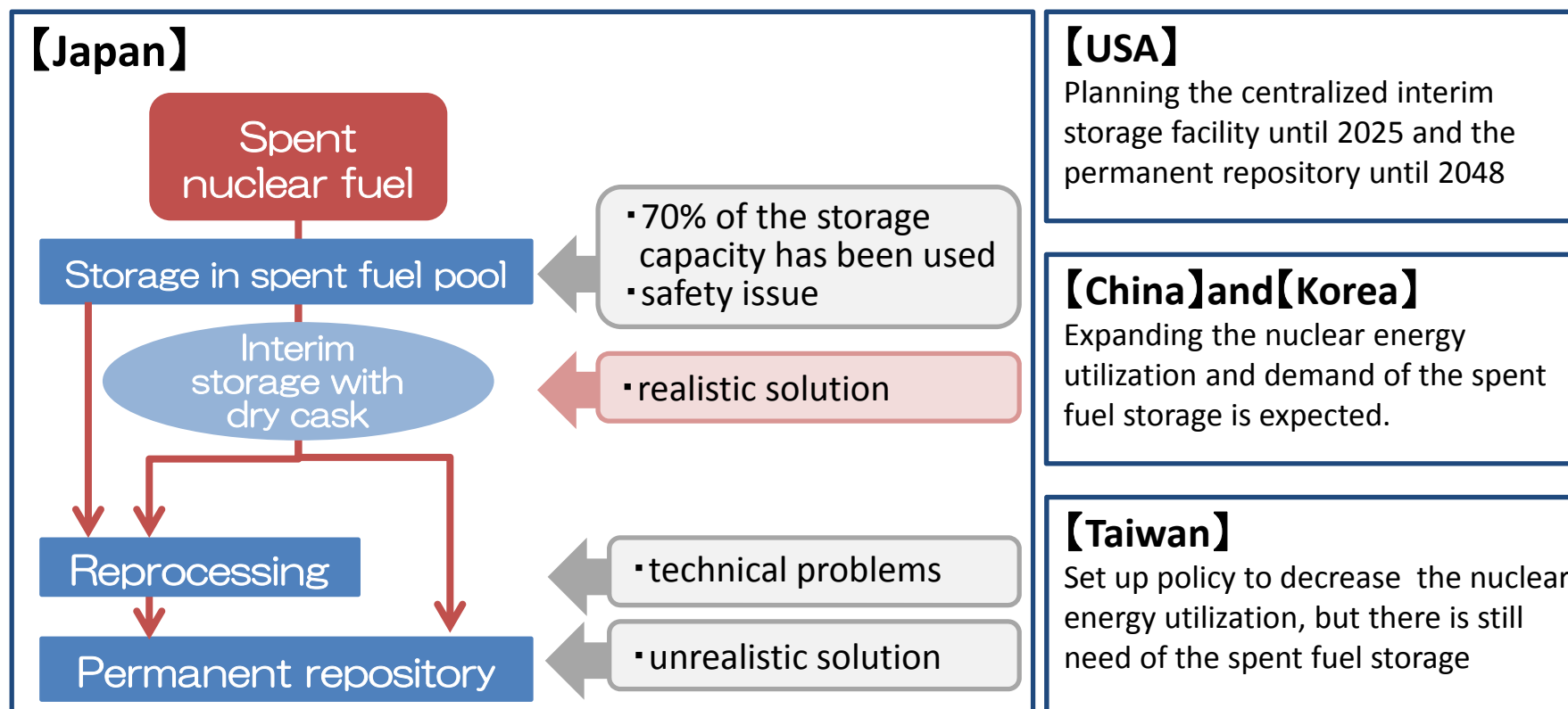
Global Business - **100% acquisition of the NAC's share**



- Integrated solution... Consulting, Engineering, Design, Manufacture, and Transportation of spent nuclear fuel
- Global service ... USA, China, Korea, Taiwan

Significant need of the spent nuclear fuel storage

Spent fuel storage is required even if nuclear power plants cease operation



Demand of the storage with the dry cask is eventually expected

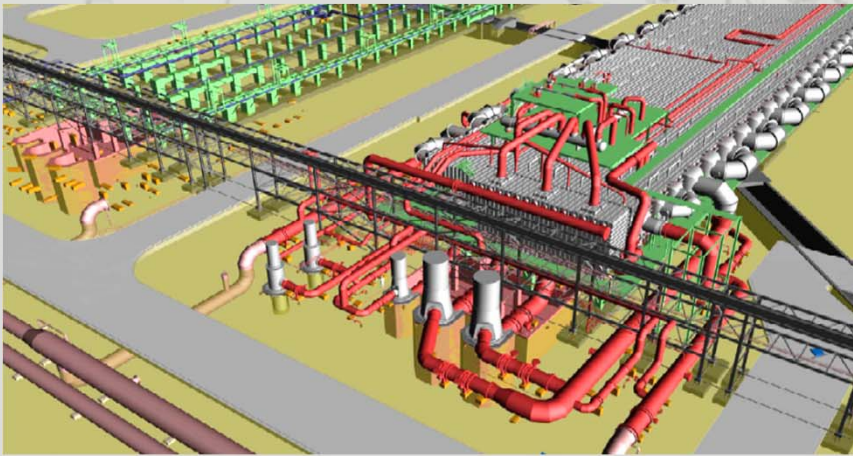
3.Promotion of Global Business-4

Global Business - Large-scale Project



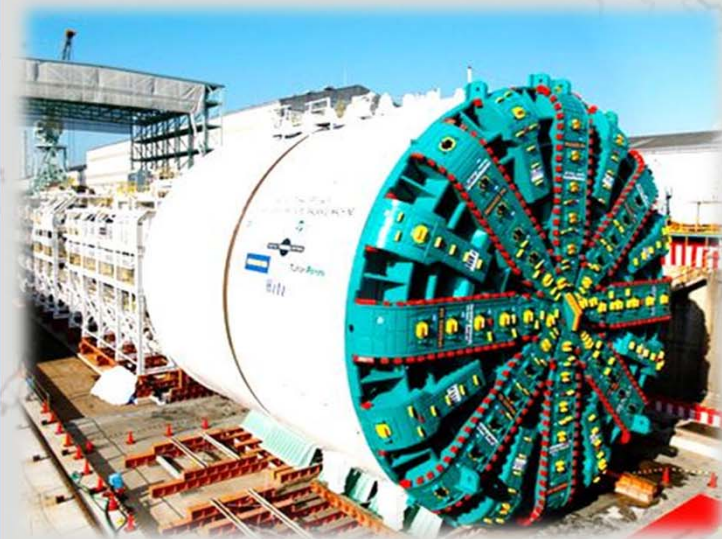
Desalination plant in Qatar

Multi-stage flash desalination lines
2 x @82,000t/day each (total capacity:164,000 t/day)



The World's Largest Shield Tunneling Machine, Seattle

17.45 meters in diameter, length 110 meters,
and weight approx. 7,000 tons



4. Expansion of After Sales Services-1

AOM(*)- Expansion of AOM 40%→50%

Net sales of AOM

(unit: billion Yen)

Business Segments	FY2010	FY2011	FY2012	FY2016 Plan
Environmental Systems	56.3	63.1	69.7	—
Industrial Plants	14.8	14.6	15.5	—
Machinery, Infrastructure & Precision Machinery	15.0	12.5	13.1	—
Others	29.4	30.3	29.0	—
Total	115.5	120.5	127.3	250.0

Ratio to total Net Sales

40%

40%

43%

50%

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

4. Expansion of After Sales Service-2

AOM - EfW Facilities (AOM + LT Operation)

■ Domestic Market

Increase AOM & Long-Term Operation Contracts to build up stable business base.

- New Facilities
- Existing Facilities: 196(*) facilities delivered by Hitz as of FYE2012
- 27 LT operation contracts (21 under operation and 6 under construction)

(*)123 incineration facilities and 73 recycling facilities.

■ Global Market

Seeking the expansion of AOM business

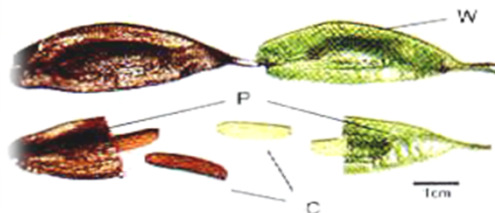
- Studying 9 Chinese facilities (7 under construction)
- Expansion of AOM in Europe through HZ Inova

5. Expansion of New Business/New Products

New Business & New Products

■ New materials: Eucommia elastomer

- Developed a production technology for Eucommia elastomer, a new bio-based polymer consisting of trans isoprene units for ultra-high molecular weight



■ New materials: Carbon nanotubes

- Newly developed mass production technology for vertically aligned carbon nanotubes: Continuous production method by 'Roll to Roll' process



6. Hitz Vision Objectives

(unit: billion Yen)

	FY2011			FY2012			FY2013	
	Hitz-V Plan	Actual	Achievement ratio	Hitz-V Plan	Actual	Achievement ratio	Hitz-V Plan	Forecast
Order intake	370.0	289.7	78.3%	440.0	382.8	87.0%	500.0	400.0
Net sales	310.0	303.0	97.7%	340.0	296.7	87.3%	400.0	320.0
Operating income (Ratio)	14.0 (4.5%)	11.3 (3.7%)	80.7%	15.5 (4.6%)	11.3 (3.8%)	72.9%	20.0 (5.0%)	13.0 (4.1%)
Ordinary income (Ratio)	13.0 (4.2%)	10.7 (3.5%)	82.3%	13.5 (4.0%)	11.2 (3.8%)	82.3%	16.0 (4.0%)	10.0 (3.1%)
Net income	10.0	9.3	93.0%	10.5	7.4	71.5%	11.5	7.5
Int. bearing debt	114.4	107.6	—	100.0	102.6	—	100.0	105.0
Net worth ratio	24.2%	25.4%	—	29.1%	26.9%	—	30.0%	27.3%

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.