

Hitachi Zosen Corporation



Matsuyama city shin-nishi clean center (140t/d × 3)

FY2013 Financial Results



May 12, 2014

President & COO Takashi Tanisho

1. Overview of FY2013 Consolidated Financial Results
2. Forecast of FY2014
3. Details by Segments

Key Points of FY2013 Results

- Year-on-year decrease of Ordinary income due to increase of costs related to civil construction and subcontracts and etc.
- Secured Operating and Ordinary income forecast of February 2014 with contribution of service business

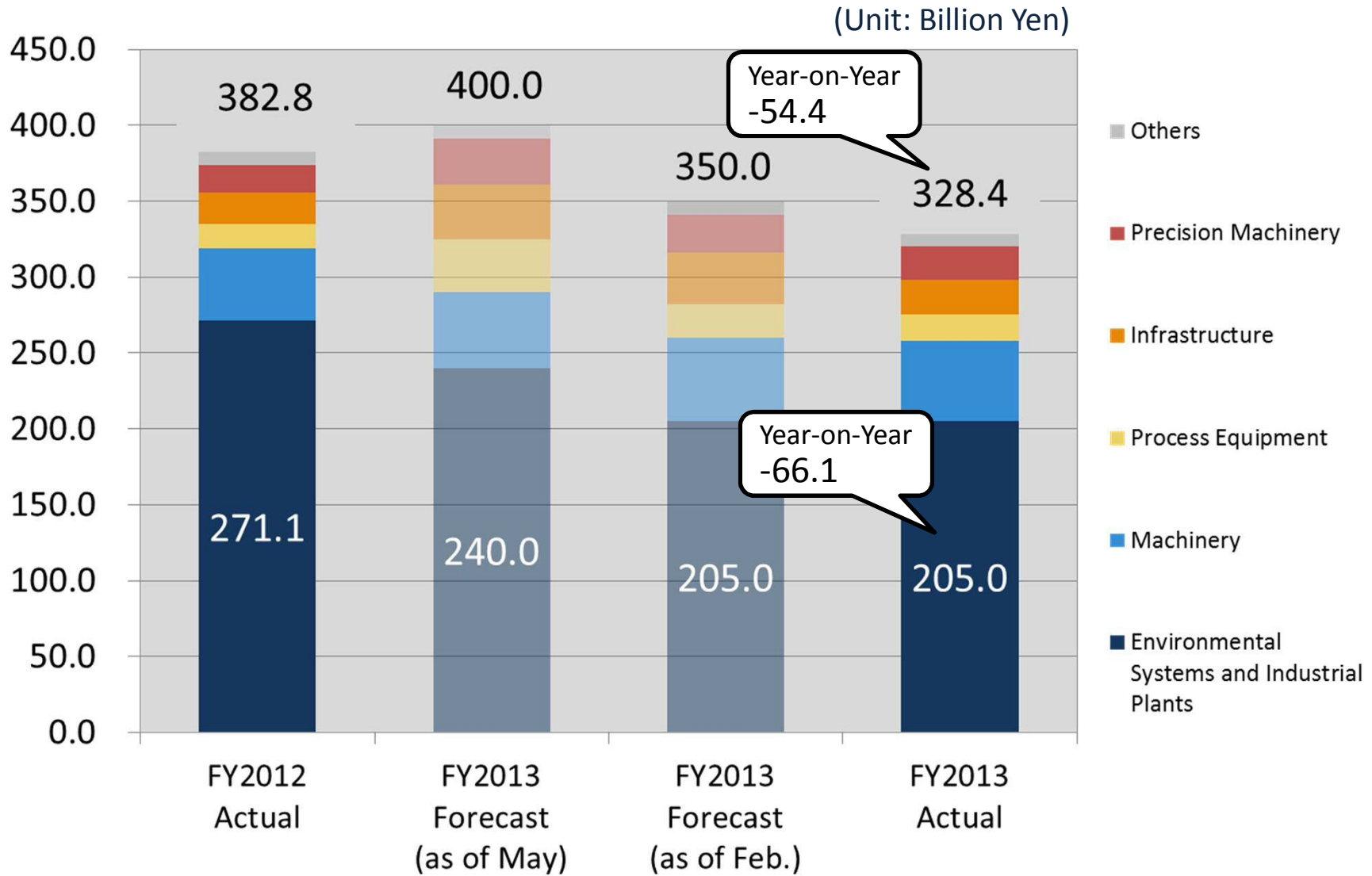
1. OVERVIEW OF FY2013 CONSOLIDATED FINANCIAL RESULTS

FY2013 Results Overview

(Unit: Billion Yen)

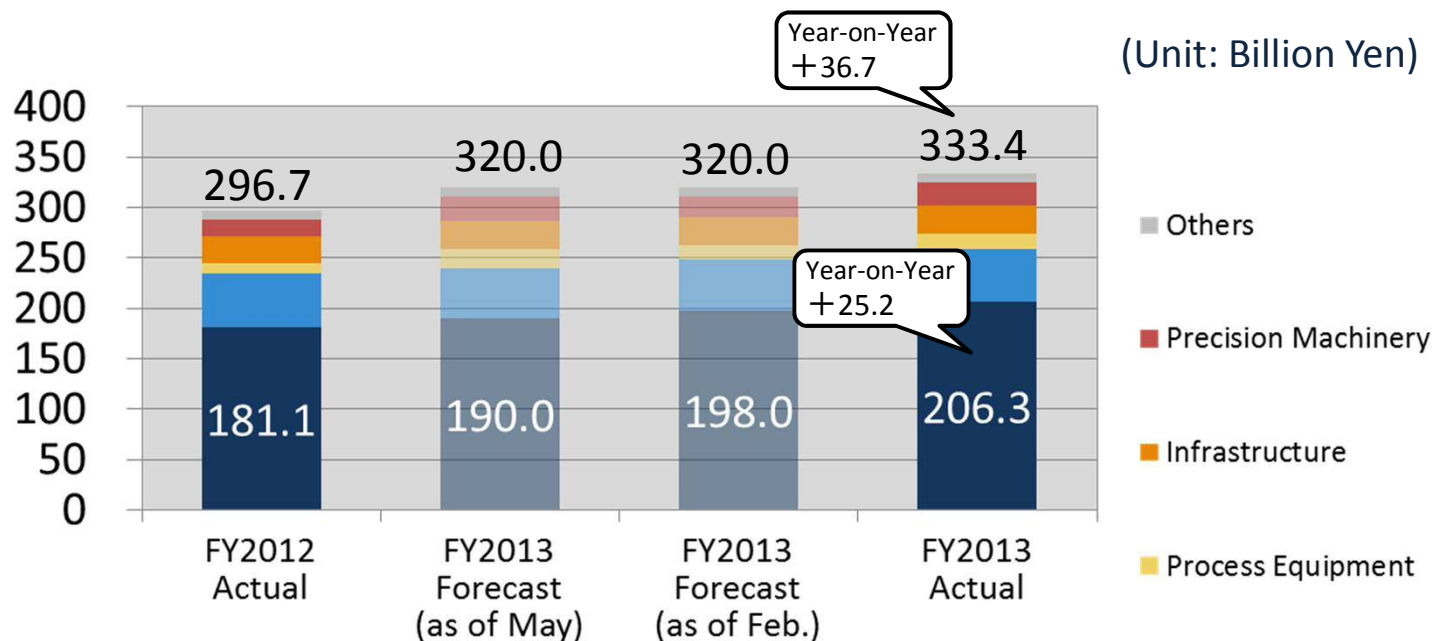
	FY2012	FY2013			Difference	
		Forecast (as of May)	Forecast (as of Feb.)	Actual	Year-on- year	v.s. Forecast (as of Feb.)
Order intake	382.8	400.0	350.0	328.4	-54.4	-21.6
Net sales	296.7	320.0	320.0	333.4	36.7	13.4
Operating income	11.3	13.0	8.0	7.8	-3.5	-0.2
(ratio)	3.8%	4.1%	2.5%	2.4%	-1.4%	-0.1%
Non-operating P&L	-0.1	-3.0	-2.0	-1.6	-1.5	0.4
Ordinary income	11.2	10.0	6.0	6.2	-5.0	0.2
(ratio)	3.8%	3.1%	1.9%	1.9%	-1.9%	0%
Extraordinary P&L	-2.5	—	—	—	2.5	—
Income tax & minority interests	-1.3	-2.5	-3.0	-2.5	-1.2	0.5
Net income	7.4	7.5	3.0	3.7	-3.7	0.7
(ratio)	2.5%	2.3%	0.9%	1.1%	-1.4%	0.2%

FY2013 Order intake

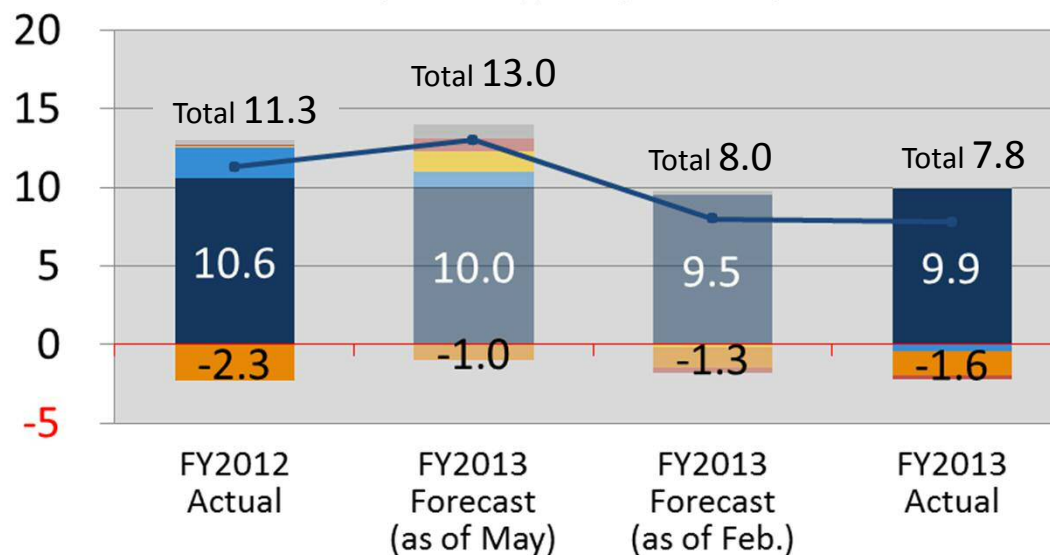


FY2013 Net sales & Operating income

Net sales



Operating income



FY2013 by Segments

(Unit: Billion Yen)

		Environmental Systems and Industrial Plants	Machinery	Process Equipment	Infra- structure	Precision Machinery	Others	Total
FY2013 Actual	Order intake	205.0	53.3	17.3	22.5	21.9	8.4	328.4
	Net sales	206.3	51.9	16.0	28.1	22.6	8.5	333.4
	Operating income	9.9	-0.4	0.0	-1.6	-0.2	0.1	7.8
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	-66.1	5.8	1.0	1.6	3.6	-0.3	-54.4
	Net sales	25.2	-1.8	5.9	1.6	5.9	-0.1	36.7
	Operating income	-0.7	-2.3	-0.1	0.7	-0.3	-0.8	-3.5

FY2013 Increase & Decrease of Operating P&L

(Unit: Billion Yen)

FY2012 Operating income			11.3
Breakdown	▪ Increase of Net sales (+36.7 bil)	4.5	-3.5
	▪ Increase of SG&A (mainly personnel)	-1.7	
	▪ Decrease of profitable projects and increase of costs in Environmental Systems & Industrial Plants	-2.5	
	▪ Decline of profit margin in Machinery	-2.8	
	▪ Decline of profit margin in Precision Machinery	-1.0	
FY2013 Operating income			7.8

FY2013 Non-operating P&L & Extraordinary P&L

(Unit: Billion Yen)

	FY2012	FY2013	Difference
Interest expenses (*)	-1.1	-0.9	0.2
Equity in net income of non-consolidated affiliates	2.3	-1.0	-3.3
Other Non-operating income	-1.3	0.3	1.6
Non-operating P&L	-0.1	-1.6	-1.5

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

(Unit: Billion Yen)

Extraordinary Loss	Impairment loss	-1.7	—	1.7
	Contribution for withdrawal from employee's pension fund	-0.8	—	0.8
Extraordinary P&L		-2.5	0.0	2.5

FY2013 Cash flows & Interest Bearing Debt

(Unit: Billion Yen)

Cash flows	FY2012	FY2013	Difference
Cash flows from operating activities	9.6	0.3	-9.3
Cash flows from investing activities	-13.5	-8.7	4.8
Cash flows from financing activities	-7.8	-0.5	7.3
Net increase in cash and cash equivalents	(*1) -10.4	(*1) -6.5	3.9
Cash & cash equivalents at beginning	66.6	56.4	-10.2
Cash & cash equivalents at end	(*2) 56.4	49.9	-6.5

(*1) including effect of exchange rate (FY2012:+1.3, FY2013: +2.4)

(*2) including cash & cash equivalents at beginning of newly consolidated subsidiaries (FY2012: +0.2)

(Unit: Billion Yen)

Interest Bearing Debt	March 2013	March 2014	Difference
Bank borrowing (incl. Lease obligations)	92.6	94.3	1.7
Bond issues	10.0	10.0	0.0
Total	102.6	104.3	1.7

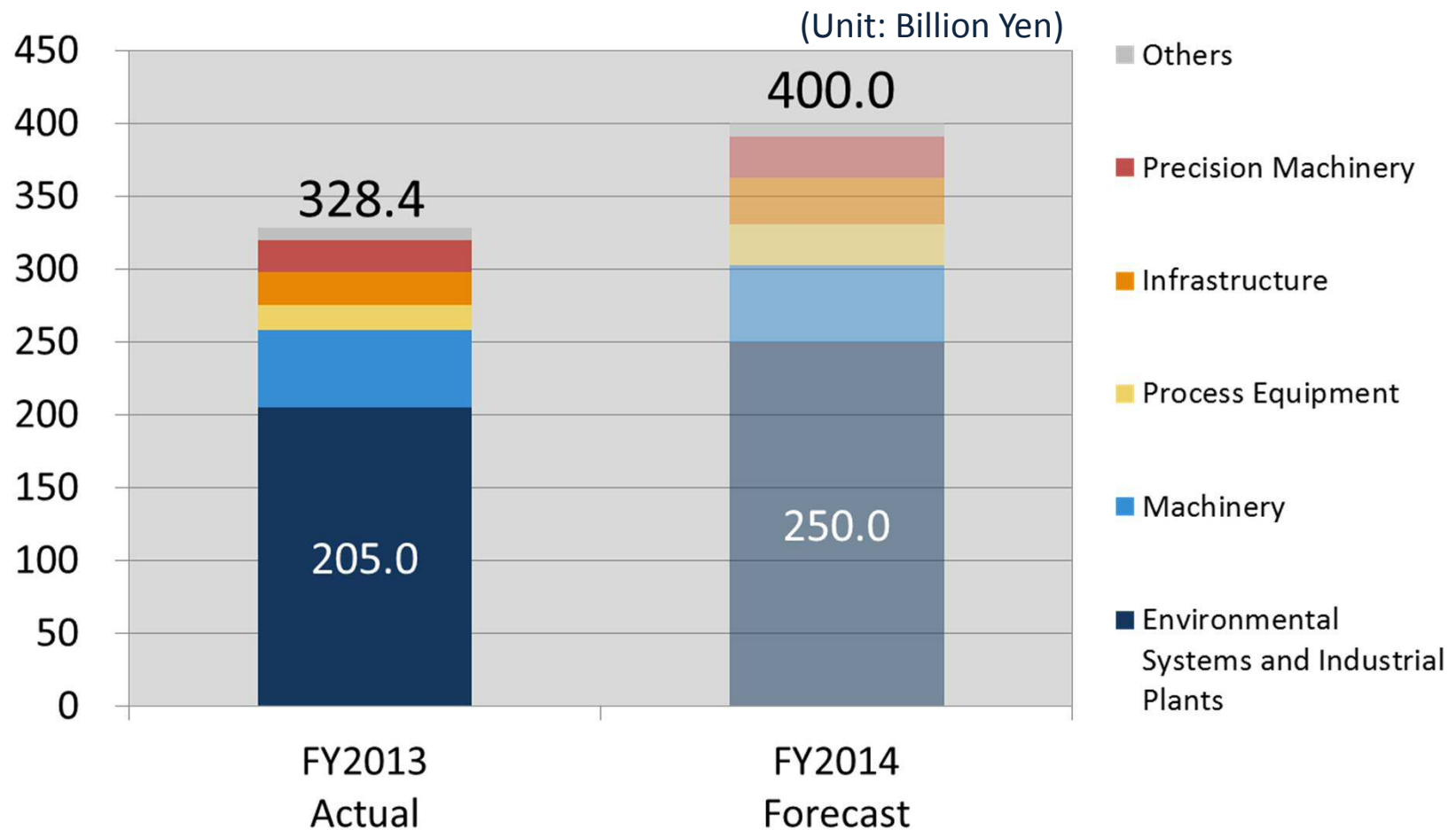
2. FORECAST OF FY2014

FY2014 Forecast / Overview

(Unit: Billion Yen)

	FY2013 Actual	FY2014 Forecast	Difference
Order intake	328.4	400.0	71.6
Net sales	333.4	320.0	-13.4
Operating income	7.8	10.0	2.2
(ratio)	2.4%	3.1%	0.7%
Ordinary income	6.2	8.0	1.8
(ratio)	1.9%	2.5%	0.6%
Net income	3.7	4.0	0.3
(ratio)	1.1%	1.3%	0.2%

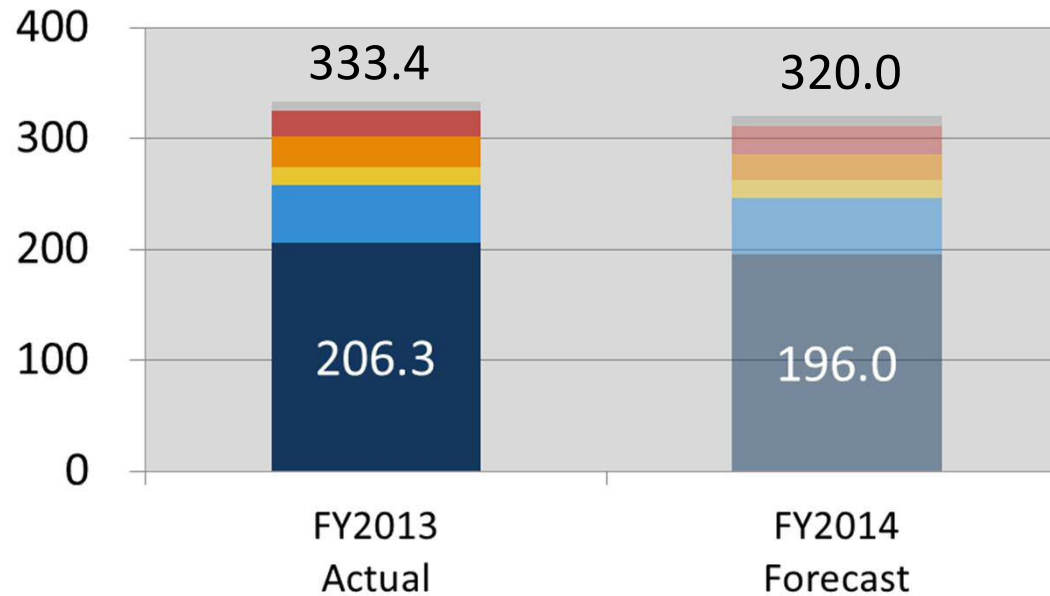
FY2014 Forecast / Order intake



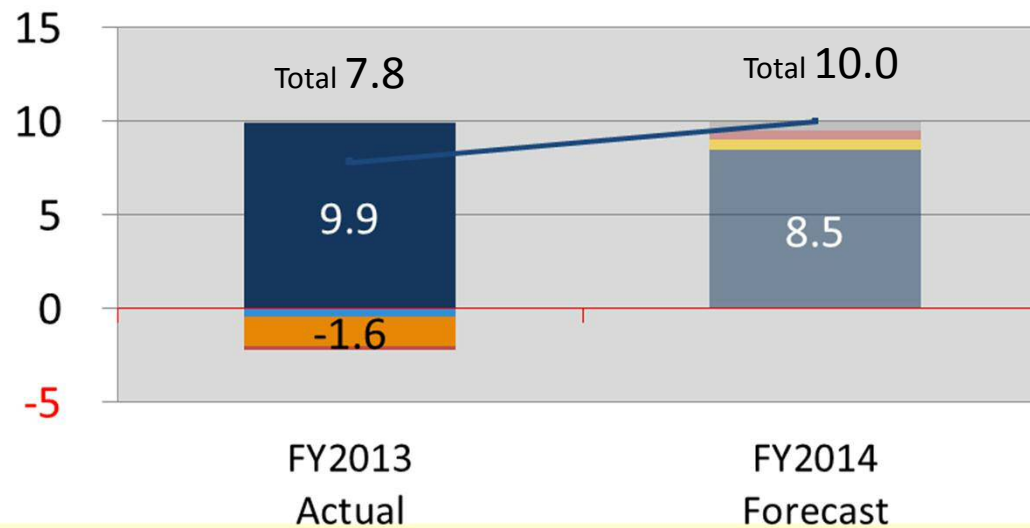
FY2014 Forecast / Net sales & Operating income

(Unit: Billion Yen)

■ Net sales



■ Operating income



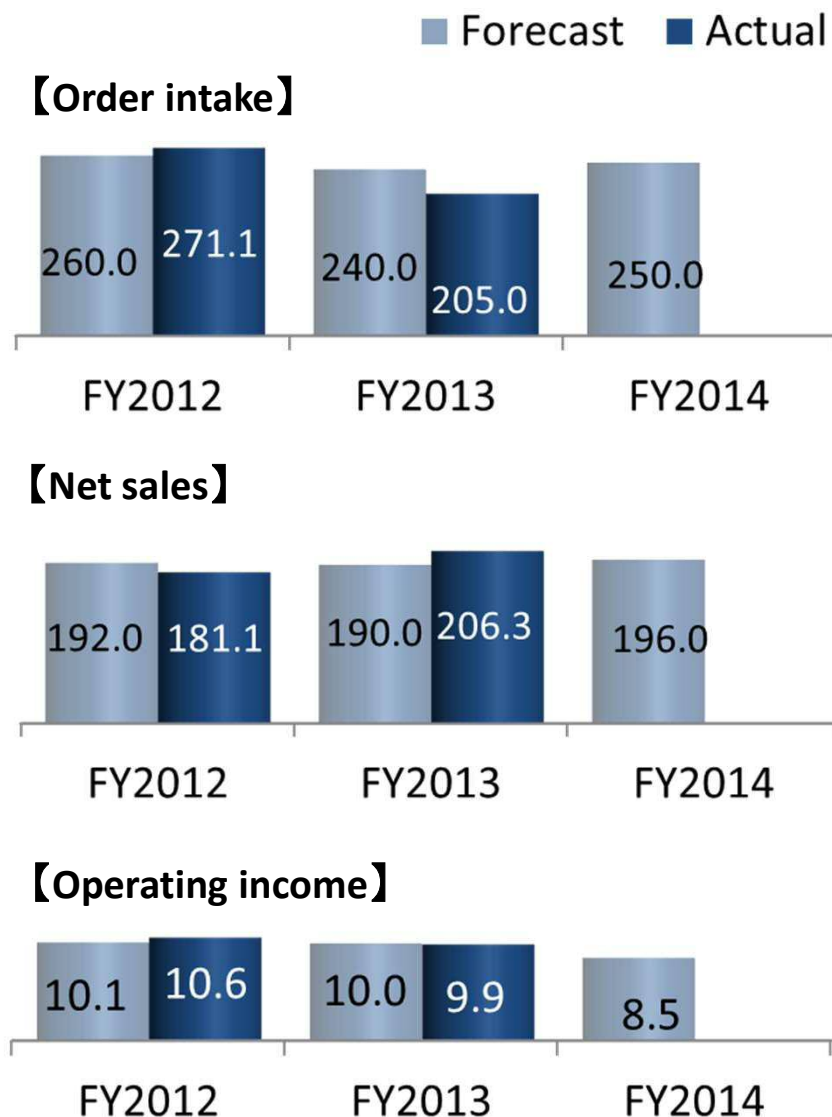
FY2014 Forecast / by Segments

(Unit: Billion Yen)

		Environmental Systems and Industrial Plants	Machinery	Process Equipment	Infrastructure	Precision Machinery	Others	Total
FY2014 Forecast	Order intake	250.0	53.0	28.0	32.0	28.0	9.0	400.0
	Net sales	196.0	50.0	17.0	23.0	25.0	9.0	320.0
	Operating income	8.5	0.0	0.5	0.0	0.5	0.5	10.0
FY2013 Actual	Order intake	205.0	53.3	17.3	22.5	21.9	8.4	328.4
	Net sales	206.3	51.9	16.0	28.1	22.6	8.5	333.4
	Operating income	9.9	-0.4	0.0	-1.6	-0.2	0.1	7.8
Difference	Order intake	45.0	-0.3	10.7	9.5	6.1	0.6	71.6
	Net sales	-10.3	-1.9	1.0	-5.1	2.4	0.5	-13.4
	Operating income	-1.4	0.4	0.5	1.6	0.7	0.4	2.2

3. DETAILS BY SEGMENTS

Environmental Systems and Industrial Plants



Order intake

FY2013 Results

- Yen 205.0 (- Yen 66.1 YoY)
- Decrease of EPC and DBO of domestic EfW Plants
- Due to a large order of Desalination plant in FY2012

FY2014 Forecast

- Yen 250.0 (+ Yen 45.0 YoY)
- Increase of EPC and DBO of domestic EfW Plants
- New Desalination plant order expected

Net sales/Operating income

FY2013 Results

Net sales: Yen 206.3 (+ Yen 25.2 YoY)

- Increase of Desalination plant, AOM of EfW plants and Inova's EfW projects
- Change of Inova's book closing date (+3 months)

Operating income: Yen 9.9 (- Yen 0.7 YoY)

- Decrease of profitable projects
- Increase of construction/subcontract costs

FY2014 Forecast

Net sales: Yen 196.0 (- Yen 10.3 YoY)

- Decrease of Desalination plant and Power generation business

Operating income: Yen 8.5 (- Yen 1.4 YoY)

- Cost increase will prevail in FY2014

EfW: Energy from Waste

EPC: Engineering, Procurement and Construction

DBO: Design, Build and Operate

AOM: After-sales Service, Operation and Maintenance

Machinery

■ Forecast ■ Actual

(Unit: Billion Yen)

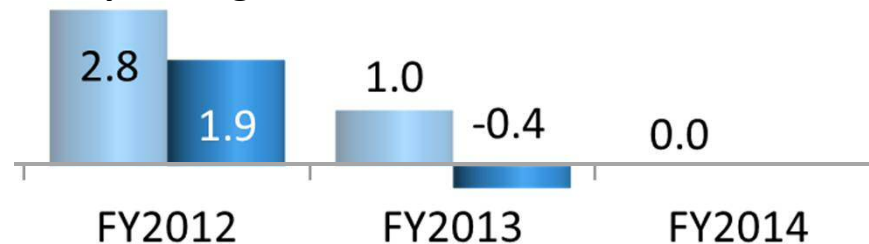
【Order intake】



【Net sales】



【Operating income】



Order intake

FY2013 Results

- Yen 53.3 (+ Yen 5.8 YoY)
- Increase of Marine diesel engines

FY2014 Forecast

- Yen 53.0 (- Yen 0.3 YoY)

Net sales/Operating income

FY2013 Results

Net sales: Yen 51.9 (- Yen 1.8 YoY)

- Despite increase of Press machines for automobile industry, decrease of Deck machinery for ships

Operating income: Yen -0.4 (- Yen 2.3 YoY)

- Decline in profitability of Marine diesel engines

FY2014 Forecast

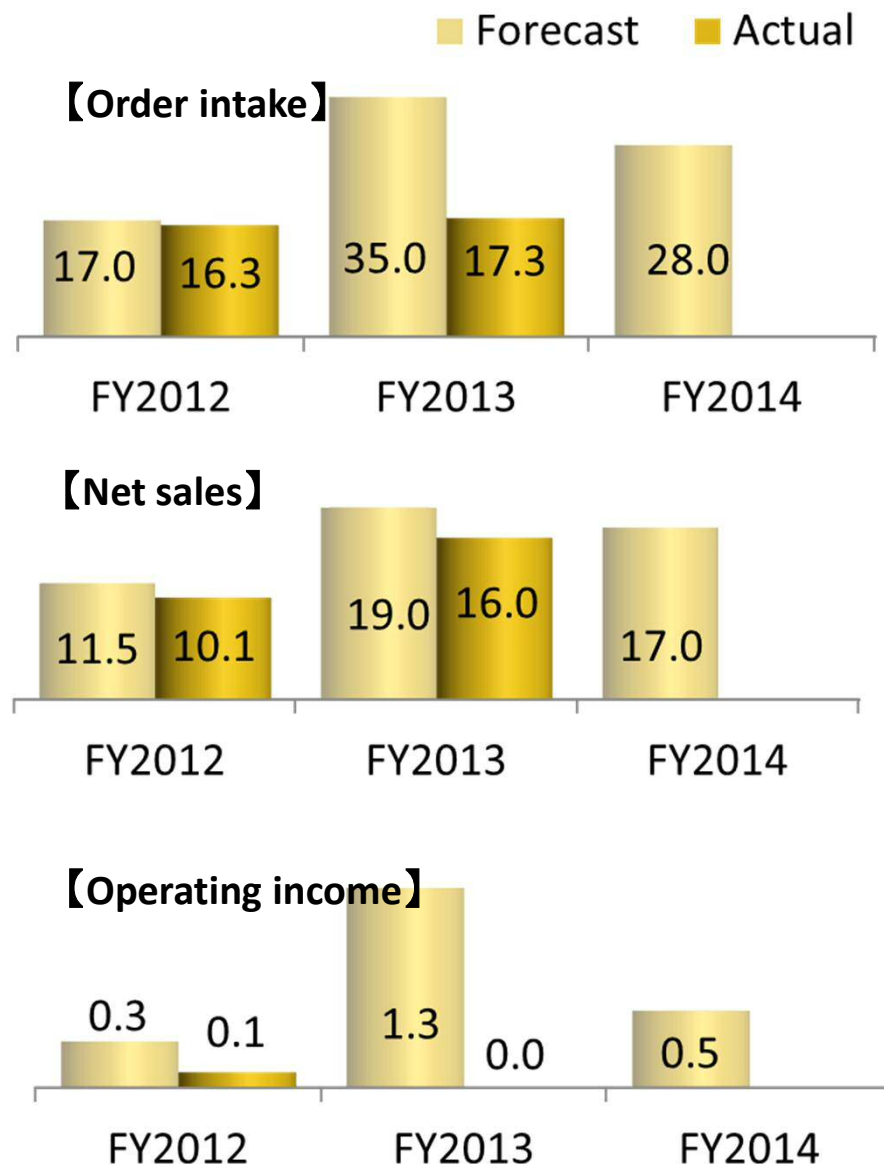
Net sales: Yen 50.0 (- Yen 1.9 YoY)

- Decrease of Press machines order

Operating income: Yen 0.0 (+ Yen 0.4 YoY)

- Cost reduction in Marine diesel engines

Process Equipment



(Unit: Billion Yen)

Order intake

FY2013 Results

- Yen 17.3 (+ Yen 1.0 YoY)
- Decrease of Reactor
- Addition of NAC International

FY2014 Forecast

- Yen 28.0 (+ Yen 10.7 YoY)
- Increase of Reactor and Nuclear fuel cycling-related equipment

Net sales/Operating income

FY2013 Results

Net sales: Yen 16.0 (+ Yen 5.9 YoY)

- Addition of NAC International
- Recovery of Order intake in Reactor

Operating income: Yen 0.0 (- Yen 0.1 YoY)

- Amortization of NAC's goodwill

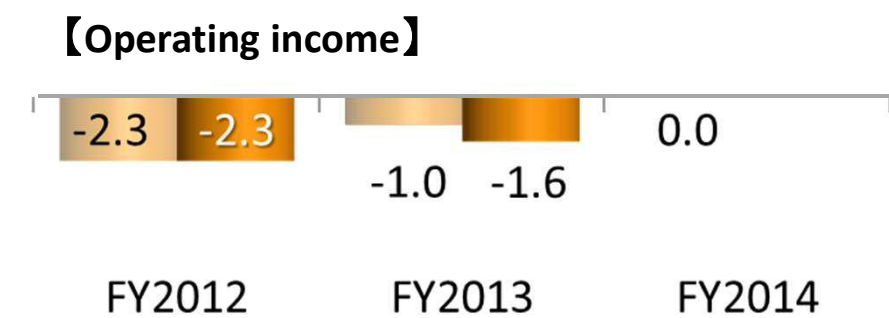
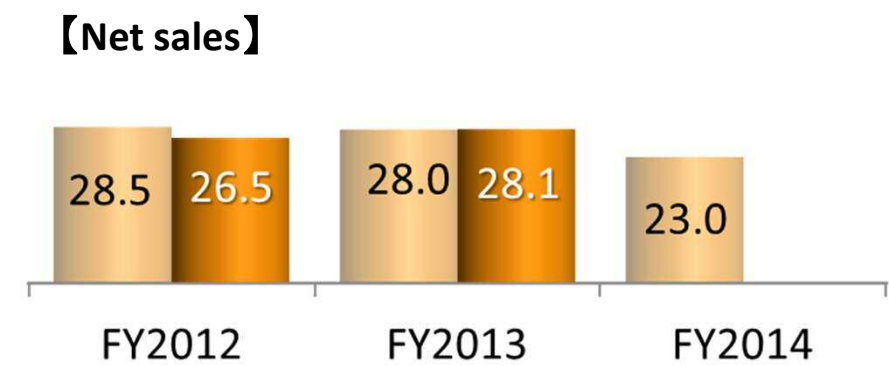
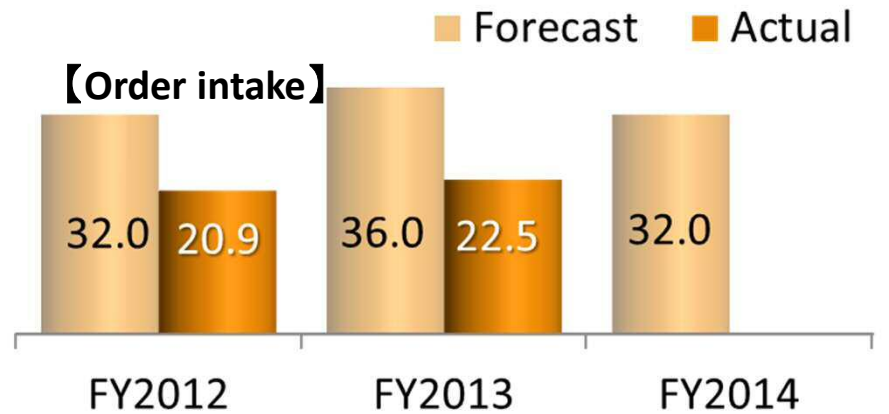
FY2014 Forecast

Net sales: Yen 17.0 (+ Yen 1.0 YoY)

Operating income: Yen 0.5 (+ Yen 0.5 YoY)

- Increase of Reactor

Infrastructure



Order intake

FY2013 Results

- Yen 22.5 (+ Yen 1.6 YoY)
- Decrease of Shield tunneling machines
- Increase of Bridges, Steel stacks and Hydraulic gates

FY2014 Forecast

- Yen 32.0 (+ Yen 9.5 YoY)
- Increase of Shield tunneling machines for domestic market
- Increase of Bridges, Steel stacks, Hydraulic gates, and Disaster prevention machinery

Net sales/Operating income

FY2013 Results

- Net sales: Yen 28.1 (+ Yen 1.6 YoY)
- Increase of Bridges, Steel stacks and Hydraulic gates despite decrease of Shield tunneling machines
- Operating income: -Yen 1.6 (+ Yen 0.7 YoY)
- Increase of Net sales
 - Progress of business reform efforts

FY2014 Forecast

- Net sales: Yen 23.0 (- Yen 5.1 YoY)
- Operating income: Yen 0.0 (+ Yen 1.6 YoY)
- Decrease in overseas project of Shield tunneling machines
 - Improvement of Bridge project profitability
 - Increase of Disaster prevention machinery
 - On-going business reform efforts

Precision Machinery

Forecast Actual

(Unit: Billion Yen)



Order intake

FY2013 Results

- Yen 21.9 (+ Yen 3.6 YoY)
- LCD related large projects
- Increase of Food/medical filling and packaging systems, including Electron beam sterilization system

FY2014 Forecast

- Yen 28.0 (+ Yen 6.1 YoY)
- Large projects related to solar cell prospected
- Increase of Electron beam sterilization system

Net sales/Operating income

FY2013 Results

- Net sales: Yen 22.6 (+ Yen 5.9 YoY)
- Increase of Order intake
- Operating income: -Yen 0.2 (- Yen 0.3 YoY)
- Decline of project profitability

FY2014 Forecast

- Net sales: Yen 25.0 (+ Yen 2.4 YoY)
- Operating income: Yen 0.5 (+ Yen 0.7 YoY)
- Increase of Order intake with large projects and Food/medical filling and packaging systems

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.