Hitachi Zosen Corporation

2015

Annual Report

TECHNOLOGY for PEOPLE, the EARTH, and the FUTURE

At the Hitachi Zosen Group, our goal is to leverage the expertise in manufacturing and engineering we have built up during more than 130 years to develop our Environmental Systems and Industrial Plants Business, Machinery Business, Process Equipment Business, Infrastructure Business, and Precision Machinery Business.

Under the Hitz Vision II medium-term management plan that we started in fiscal 2014, we aim to achieve our long-term Hitz 2016 Vision. Accordingly, we aim to firmly reap the benefits of the business platforms that we created during the first half of our three-year Hitz Vision medium-term management plan.

Hitachi Zosen has positioned its business domains in line with Hitz Vision II. In our two core businesses of Environment/Green Energy, and Social Infrastructure and Disaster Prevention, areas of greatly increasing public concern, we will provide products and services that satisfy our customers. To do this, we have adopted the concept of a “technology-oriented company” and we will build an optimal business strategy and concentrate our business resources in these two core businesses.

What is a “technology-oriented company”?

The Hitachi Zosen concept of “technology-oriented company” involves a return to the corporate philosophy to strengthen fundamental technologies as well as proprietary technologies (in a broad sense, including work processes). The aim is to deliver customer satisfaction and high added value toward sustainable growth.

Contents

Hitz Value

(corporate philosophy, management stance, and standards of business behavior)

Hitachi Zosen will continue to adhere to the basis of its activities, the Hitz Value—comprising corporate philosophy, management stance, and standards of business behavior—in efforts to acquire the technologies and problem-solving abilities needed to contribute to society and to seek further growth as a group.

Corporate philosophy

We create value useful to society with technology and sincerity to contribute to a prosperous future.

Our management stance

[Satisfaction of our stakeholders]

1) Improvement of customer satisfaction
2) Emphasis on the job satisfaction of employees
3) Enhancement of shareholder value

[Attitude to work]

4) Sensing change and moving in advance, emphasis on creative technology
5) Thorough implementation of compliance
6) Pursuit of no casualties in accidents or disasters on the job

Standards of business behavior

1) Communicating with sincerity
2) Learn widely, think deeply
3) Continually taking on challenges

Forward-looking statements:

This Annual Report contains forward-looking statements that reflect judgments based on information available at the time of writing. Consequently, such statements are subject to a number of risks reflecting the uncertainties involved in the Company's business environment, and investors are warned that these statements may differ significantly from actual results.

Strategy as No. 1 in the World in Energy-from-Waste

As a top manufacturer of waste incineration plants, the Hitachi Zosen Group has established local subsidiaries for business expansion overseas in the U.S. and India, and is constructing Energy-from-Waste (EfW) plants with an eye on the global market.

Utilizing environmental technology to contribute to society's development

Hitachi Zosen's involvement in Energy-from-Waste (EfW) goes back a full 50 years, to the construction of its first EfW plant in 1965. We have since expanded our EfW business to countries throughout the world. More than simply a means of waste incineration, our EfW plants use the heat discharged during that process to generate power, and as a result are highly effective in reducing CO_2. That power can also be used to make clean water.

In Japan, we offer a variety of technological proposals based on research into the problems, needs and characteristics of each region in which facilities will undergo maintenance. As a result, we were able to win orders for six projects in fiscal 2014. While offering proposals based on our many years of accumulated technology and expertise, we also provide long-term services in the form of post-construction follow-up and maintenance, thereby creating a business that offers the advantages of reducing environmental burdens and providing opportunities to sell electric power.

In 2011, Hitachi Zosen made AE&E Inova AG of Switzerland, a builder of EfW plants, into a wholly-owned subsidiary that was then named Hitachi Zosen Inova AG. This has spurred further global expansion, with Inova covering the European and Middle East regions and Hitachi Zosen working primarily in Japan and Asia. Together we have accumulated a world-class track record, and the Group as a whole has received orders for 833 EfW facilities around the world. In Japan, we have delivered 52 EfW plants generating a total of 282,318 kW, contributing to a 1,253,492 ton annual reduction in CO_2 emissions.

Currently, Hitachi Zosen is considering plans for expansion in regions where demand is expected to grow, including Thailand, Malaysia, Indonesia and Vietnam. Utilizing our environmental technology, we hope to contribute to social development and to reduce environmental burdens in each of those countries.

Managing Director
Sadao Mino

Societal Issues

(1) The proper disposal of waste that is increasing along with population increases and economic development in emerging countries.

(2) The realization of hygienic and cultural living environments.

(3) Contributing to reducing greenhouse gas emissions by generating electricity using heat energy from waste incineration, and by supplying heat.

■ Fiscal 2014 Results

Received the first order for a Japanese firm to build an EfW plant in India

HZINDJV, a joint venture between Hitachi Zosen India Private Limited (HZIND) and ISGEC Heavy Engineering Ltd., received an order from Essel Infraprojects Ltd., which is involved in infrastructure development in India, to build India's first Energy-from-Waste plant constructed by a Japanese company for the city of Jabalpur in the state of Madhya Pradesh (Stoker-type waste incinerator with processing capacity of 600 tons/day and power output of approximately 11,500 kW).

Start of operation, maintenance and management of Fujigatani Disposal Center

Hitachi Zosen completed the construction and handover of the heat recovery facility (stoker-type incinerators with a total processing capacity of 235 tons/day) and the recycling center at the Fujigatani Disposal Center for the Bekkihayami Regional Municipal Association in Oita Prefecture. Following the handover, Bekkihayami Environment Technology Co., Ltd., a special purpose company established by Hitachi Zosen and Nichizo Kyushu Service Corporation, has taken over operation, maintenance and management of the facility.

Construction of Energy-from-Waste plant completed for Tianjin-Binhai Environmental Industry Development Ltd.

In June, Hitachi Zosen completed construction of the Energy-from-Waste plant (stoker-type waste incinerators: 500 tons/day x 2 incinerators, power output of about 5,000 kW) it had been building for Tianjin-Binhai Environmental Industry Development Ltd., a special purpose company which obtained the rights to the EfW business from the city of Tianjin, China. In addition to the hygienic disposal of waste, this facility will generate electricity from combustion heat, and represents the fifth successfully completed plant for Hitachi Zosen in China.

Promoting Uses of Renewable Energy

Initiatives in the Biogas Field

In the first project of its kind by a Japanese company, Hitachi Zosen will build a methane fermentation facility (food waste: 50 tons/day, sewage sludge: 3 tons/day) and begin supplying biogas to Binh Dien Wholesale Market in Ho Chi Minh City, the largest market of its kind in the city. This project to provide the wholesale market with an organic waste fermentation and biogas supply system is a model project of the Fiscal 2014 Financing Program for Joint Crediting Mechanism (JCM) targeting Ho Chi Minh City, organized by the Global Environment Centre Foundation under commission from the Japanese Ministry of the Environment. Its objective is to reduce organic waste currently sent to landfills, thereby reducing methane gas emissions from the landfill site. The plan calls for using the methane fermentation facility to recover biogas from the organic waste, thus supplying the market's fish processing factories with an alternative to diesel fuel, thus cutting down on the consumption of fossil fuels. Methane fermentation residue will be converted to liquid fertilizer for sale to neighboring farmers. The project will be carried out by the Hitz-SATRA-SFI Consortium, formed by Hitachi Zosen (Hitz), Satisfactory International (SFI) and Ho Chi Minh's Saigon Trading Group (SATRA). In addition, Hitachi Zosen, the City of Osaka Environment Bureau, the National Institute for Environmental Studies, Japan and four other organizations have been selected to implement a garbage recycling system development project in Ho Chi Minh City, Vietnam, as part of the fiscal 2014 program for verifying the effects of CO_2 emission reduction technologies toward promoting Japanese "sound material-cycle" businesses overseas, organized by the Japanese Ministry of the Environment. In cooperation with the local government, it will separate household garbage from Ho Chi Minh City District 1 and demonstrate the development of a recycling loop, using a methane fermentation system with a processing capacity of 500 kilograms per day to produce electric power from fermentation, and converting fermentation residue to organic fertilizer. Hitachi Zosen is responsible for the overall process of methane fermentation and power generation, and together with its partner originators, for promoting Energy-from-Waste and eco-agriculture projects in connection with this project.

Hitachi Zosen Inova AG has acquired the assets of Axpo Kompogas Engineering AG, a Swiss company engaged in the engineering, procurement and construction ("EPC") of Kompogas plants, mainly in Europe, and will enter the biogas plant construction business. Kompogas is one of the typical methods of generating biogas. Food waste and other organic waste are maintained at a temperature of around 55°C in an anaerobic environment, generating methane gas through the action of microorganisms. In Japan, biogas facilities are often incorporated in EfW plants, as at the No. 2 Plant at the Nanbu Clean Center in Kyoto, for which Hitachi Zosen received an order in 2013, and which will include a facility for converting food waste into biogas.

Hitachi Zosen Starts Microgrid System Demonstration Tests at its Chikkou Works

Hitachi Zosen's Electronic Control and Instrument Equipment Center in Maizuru Works has been conducting R&D in microgrid systems for 100 kW facilities, and has successfully demonstrated the system's basic performance, including a 20% reduction in power consumption at the Center. Work has since begun on construction and demonstration testing of a microgrid system for a 500 kW facility at Hitachi Zosen's Chikkou Works. Microgrid systems connect several power generation facilities, including photovoltaic and wind power, with a power storage device, managing power use to achieve a more stable supply. The system can be an ideal combination of business continuity planning and efforts to save energy. Operated independently of the centralized power grid, the system can also be used as a source of emergency power in the event of a disaster. As a feature of energy saving efforts, it can lower contract power use with a peak cut controller, which optimizes operation of load equipment, and a peak shift function, which stores less expensive nighttime electricity for use during daytime peak hours. In the future, Hitachi Zosen hopes to build a system compatible with large-scale facilities for deployment in its Energy-from-Waste plants.

Chikkou Works Microgrid System Components:
Photovoltaic power generation (130 kW); power storage (capacity of 50 kWh); Control devices, including power conditioners and converters; load devices (air conditioners at Chikkou Works).

Entry into Retail Electricity Market with Power Produced from Renewable Energy

Hitachi Zosen has decided to enter the Japanese retail electricity market as a power producer and supplier (PPS), using power produced from renewable energy at facilities such as Energy-from-Waste plants. As an independent power producer (IPP), Hitachi Zosen sells some 220,000 kW of electricity produced by the gas turbine combined cycle facility at its Ibaraki Works. Following completion of the woody biomass power generation plant under construction in Hitachiota City, Ibaraki Prefecture with an output of 5,800 kW, we plan to undertake plant operations and electricity sales for a period of 20 years.

Japan's First Extra-High Voltage Megasolar Power Plant Uses Small Inverters

Solar Frontier and Hitachi Zosen received an order for the construction of a 15 kW megasolar plant to be built on a former golf course owned by Takara Leben Co., Ltd. and located in Nakagawa, Tochigi Prefecture. Once completed, all of the electric power generated by the plant will be sold to power companies in line with the Act on Special Measures Concerning Renewable Electric Energy (Feed-in Tariff). Hitachi Zosen is providing EPC services for the project, while Solar Frontier is responsible for supplying its economical CIS thin-film modules, which provide high power output. This project marks the first time that small inverters are being used in an extra-high voltage megasolar plant in Japan. This is expected to reduce the initial investment and ongoing operating expenses for the plant, while also spreading the risk of power loss and eliminating the need for site work during construction, reducing the burden on the environment. Projected annual capacity is approximately 21,000,000 kWh, equivalent to the annual energy consumption of approximately 3,700 households. Projected annual reduction in CO_2 emissions is approximately 11,000 tons.

Megasolar plant (Completed image)

First Order Received for Concentrated Solar Power (CSP) System for Solar-Thermal Power Generation Plant

Following demonstration testing in Saudi Arabia, Hitachi Zosen has received its first order for the Hitz Super Low-Profile Fresnel (HSLPF) concentrated solar power (CSP) system from Mitsubishi Hitachi Power Systems, Ltd.

While traditional Fresnel systems use either flat or fixed-curved mirror reflectors, HSLPF reflectors can be controlled in both angle and curvature so as to follow the sun's position and collect light appropriately, significantly improving the solar concentration ratio. HSLPF also significantly reduces the height requirement of the tube absorber, further enhancing the benefits of Fresnel reflectors, including wind resistance and ease of maintenance.

In addition to being used in the heat collection part of solar-thermal power plants, HSLPF reflectors can be used to supply thermal power to desalination plants and thermal power generating plants. They can also contribute to reducing the use of fossil fuels and to lowering CO_2 emissions.

Hitachi Zosen Consortium Selected to Develop the Iwafune Offshore Wind Farm Project in Murakami City, Niigata Prefecture

A consortium of ten companies led by Hitachi Zosen has been selected to develop the Iwafune Offshore Wind Farm Project in Murakami City, a project being planned by the city's project promotion committee. It targets approximately 2,700 hectares of open sea some two kilometers off the coast of Murakami City, with a depth of between 10 to 35 meters. Plans currently under consideration for commercialization call for a total of 44 bottom-mounted offshore wind turbines, each with a capacity of 5,000 kW, for a total output of 220,000 kW. Hitachi Zosen has entered into a technical collaboration with IDEOL SA, a French venture company which owns technology for floating platform structures used in wind power generation. This will allow Hitachi Zosen to design and construct floating platform structures in Japan using the Damping Pool® developed and patented by IDEOL to control movement due to waves in floating offshore wind power generation facilities in shallow waters (usually no more than 100 meters). Hitachi Zosen has also entered into a similar technical collaboration for floating offshore wind power generation with Statoil ASA, the largest public energy company in Norway, and that agreement has been extended for a second time.

Seven-Year Summary

Hitachi Zosen Corporation and consolidated subsidiaries

Millions of yen

	2008	2009	2010	2011	2012	2013	2014
Operating results							
Order intake	253,141	337,271	246,067	289,715	382,847	328,433	**452,758**
Net sales	298,605	273,526	287,196	303,036	296,792	333,433	**359,332**
Operating income	11,678	13,557	13,359	11,367	11,362	7,879	**12,819**
Net income	1,448	7,906	9,675	9,319	7,410	3,720	**5,100**
Cash flows							
Cash flows from operating activities	2,348	5,508	17,136	14,650	9,648	300	**9,086**
Cash flows from investing activities	(7,492)	(12,659)	(3,217)	(4,628)	(13,487)	(8,697)	**(14,680)**
Cash flows from financing activities	1,169	8,755	(9,630)	1,083	(7,818)	(514)	**12,178**
Cash and cash equivalents at end of year	50,095	51,690	55,915	66,609	56,413	49,961	**60,770**
Financial position							
Net assets	85,843	93,200	101,969	111,047	115,125	117,565	**117,531**
Total assets	367,473	349,331	380,249	375,788	366,346	379,414	**408,803**
Interest-bearing debt	103,698	112,794	104,598	107,650	102,643	104,327	**119,054**
Per share data* (Yen)							
Net income — Basic	1.82	9.95	12.19	11.74	*46.78	23.77	**30.52**
Net income — Diluted	1.53	8.38	10.74	10.67	*44.78	—	**—**
Net assets	89.05	99.15	109.75	120.07	*627.85	641.16	**651.24**
Cash dividends	—	2.00	2.00	2.00	2.00	10.00	**10.00**
Financial indicators							
Shareholders' equity ratio (%)	19.3	22.5	22.9	25.4	26.9	26.4	**26.6**

* Per share data (Net income and net assets) is calculated the one of five share consolidation of common stocks effective October 1, 2013 occurred at the beginning of the fiscal year ended March 31, 2013.

Management plan	Hitz Innovation II	Hitz Vision	Hitz Vision II
	FY2008–FY2010	FY2011–FY2013	FY2014–FY2016

Forward-looking statements:

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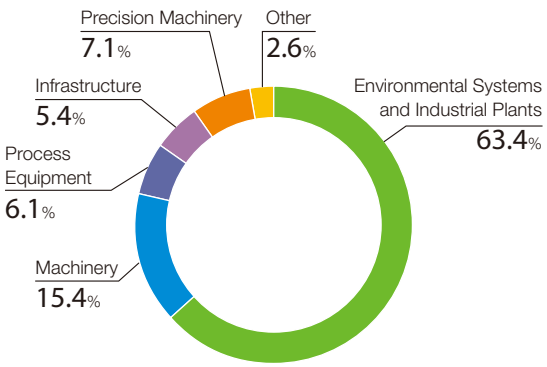
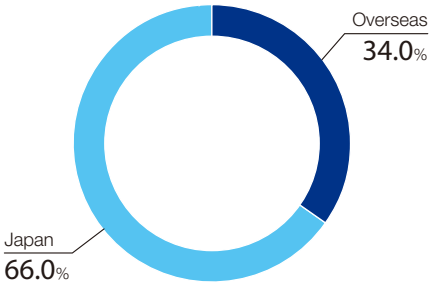
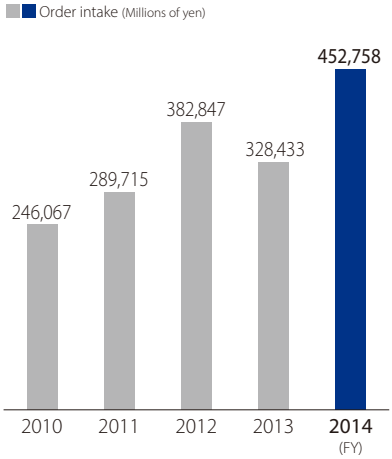
Sales by segment



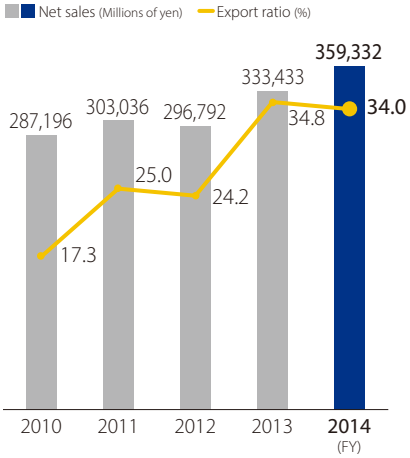
Sales by region



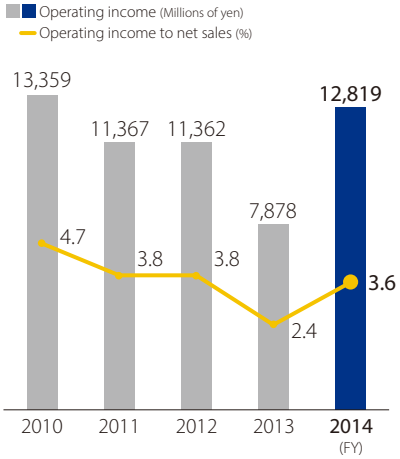
Order intake



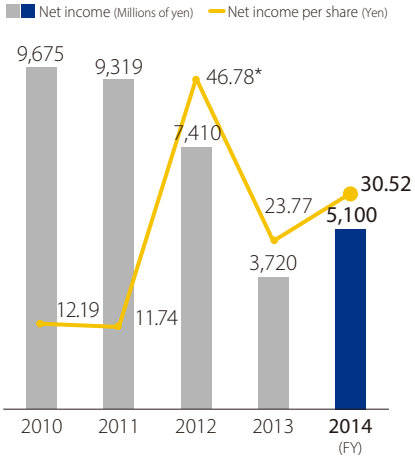
Net sales & Export ratio



Operating income & Operating income to net sales

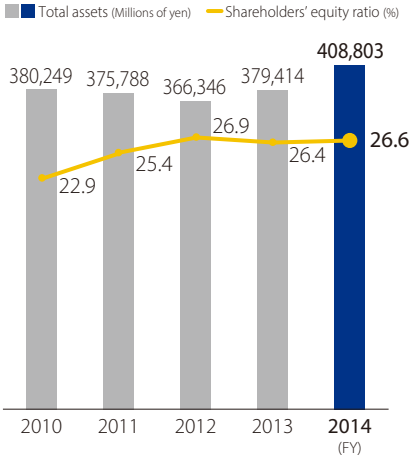


Net income & Net income per share

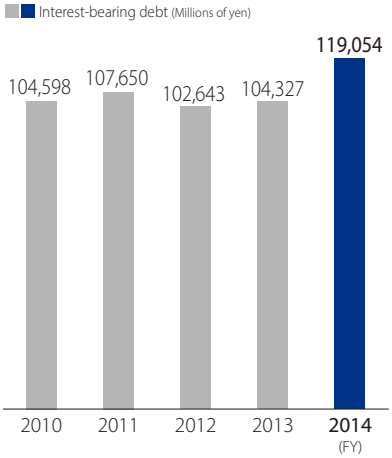


* Per share data (Net income and net assets) is calculated the one of five share consolidation of common stocks effective October 1, 2013 occurred at the beginning of the fiscal year ended March 31, 2013.

Total assets & Shareholders' equity ratio



Interest-bearing debt



First of all, I would like to thank all of our stakeholders for their support over the years.

As a corporate group engaged in implementing and constructing the social infrastructure, the Hitachi Zosen Group has been contributing to developing industries and economies and to creating prosperous societies ever since it was founded in Osaka in 1881 by E. H. Hunter of Britain as the Osaka Iron Works. In 2011, the Group re-categorized its business domains of Environment/Green Energy and Social Infrastructure and Disaster Prevention. The Group provides products and services in these domains, and by contributing to a sounder environment, the more effective harnessing of resources and energy, the broadening of uses of renewable energies, and the realization of a more efficient and safer society for all, the Group is increasing its sustained corporate value. Moreover, under the Hitz 2016 Vision, outlining the future profile of the Group in fiscal 2016, we have aimed to evolve into a highly profitable company based on the pillars of building the enterprise with leading earnings potential in each of its business segments and products, expanding the scale of our businesses into a ¥500 billion enterprise, strengthening our financial position by seeking to be a highly profitable company that is publicly recognized, and by building up a stable position with an equity ratio of at least 30%. We are now implementing a variety of policies under Hitz Vision Ⅱ, our medium-term management plan that started in fiscal 2014.

Looking back at fiscal 2014, it is evident that Hitachi Zosen came to be more clearly perceived as an environmental systems company, gauging by the large increase in orders received in the environmental systems and industrial plants segment. In Japan, Hitachi Zosen received six orders for the construction of new waste treatment facilities, including waste reduction work for the Ministry of the Environment's Fukushima Office for Environmental Restoration, and won orders for five basic facility upgrade projects. Overseas, the Hitachi Zosen Group received its first orders from Ireland and Poland, and won an order for the construction of an EfW plant in fast-growing India, a first for a Japanese company. In May 2015, Hitachi Zosen received more orders for a large-scale seawater desalination plant construction project in Qatar, after winning a contract for this project two years ago. I believe these results are attributable to our initiatives in R&D to make our already strong businesses even stronger, and our efforts to design specifications in line with demand in each region. Meanwhile, Hitachi Zosen has been implementing restructuring measures and launching new products with the aim of turning around and generating profits in weak businesses such as bridges, marine engines and shield tunneling machines.

The corporate philosophy of the Hitachi Zosen Group is to "create value useful to society with technology and sincerity to contribute to a prosperous future." Here, "technology" means that "the Hitachi Zosen Group will respect technology and make every effort to develop and enhance its own innovative technologies in its aim to move society forward while sustaining and improving the global environment." Below, I introduce a specific example of such an effort. Renewable energy has gained traction in Japan after the Great East Japan Earthquake. Solar power, wind power and other forms of renewable energy are difficult to manage due to their varying levels of power output owing to weather conditions and other factors. As a way of solving this problem, the Hitachi Zosen Group has been developing a technology that uses methane to store energy. This technology stores methane that has been converted from a reaction induced between hydrogen and carbon dioxide by using electricity generated with renewable energy. Methane is a key component of LNG, and can be stored and transported using infrastructure that is already in place. Although more time is needed for this technology to become commercialized, we believe it is an essential technology that will lead to strong growth in our businesses, and we will continue to develop the technology with unwavering determination.

With the introduction of the Corporate Governance Code in 2015, Hitachi Zosen has enhanced its corporate governance structure and newly appointed a woman to the position of independent outside director. We aim to enhance communications with shareholders and investors by invigorating our regularly scheduled briefings and meetings.

For the Hitachi Zosen Group to achieve sustainable growth and create corporate value, it is essential that we have the support of all our stakeholders, including shareholders, employees, customers, business partners and local communities. I am grateful for and respectfully ask for your continued support.

August 2015

Minoru Furukawa,
Chairman & CEO

Interview with the President

The Hitachi Zosen Group will carry out its growth strategy with the goal of achieving the targets of the long-term vision of the Hitz 2016 Vision.

Takashi Tanisho,
President & COO

T. Tanisho

In fiscal 2014, we achieved year-on-year increases both in our sales and profit mainly due to the strong performance of the environmental systems and industrial plants segment. I will now introduce readers to our efforts to expand overseas business and achieve further growth centered on new product development based on the strategy of our medium-term management plan Hitz Vision II.

Overview of Business Results in Fiscal 2014

Driven by the environmental systems and industrial plants segment, sales and profits increased.

In fiscal 2014, overseas, despite a modest economic recovery, there were concerns over the sovereign debt crisis in Europe, the tapering off of quantitative easing in the United States, and the economic outlook and geopolitical risks in China and other emerging countries. In Japan, the effects of various economic and monetary policies by the government and the Bank of Japan spread to the “real” economy. With improvements in the employment and income environment and a drop in crude oil prices, the economy staged a modest recovery.

Looking back over fiscal 2014, we saw steady growth and recorded higher sales and profits in every segment except the infrastructure segment, as orders for the Hitachi Zosen Group’s core environmental systems and industrial plants segment increased and the process equipment and precision machinery segments returned to profitability. We are also seeing a good trend in the upward growth of orders received. Furthermore, the 2014 merger with Daiki Ataka Engineering Co., Ltd. is steadily manifesting integration benefits such as greater collaboration between the environmental business and the water treatment business. Going forward, we expect good effects primarily from unification of the after-sales service business. Meanwhile, the rise of

labor and material costs associated with construction work continues unabated, but these costs have been factored into existing orders and thus will have only a minor impact on performance. Initiatives and results in fiscal 2014 are described below.

Under Hitz Vision II, our medium-term management plan started in fiscal 2014, we seek to be a highly profitable company that is publicly recognized. We concentrated business resources in the priority growth areas of Environment/Green Energy and Social Infrastructure and Disaster Prevention. Moreover, we created a business strategy to strengthen profitability, promoted overseas business operations, expanded stable businesses including after-sales service, and commercialized and turned new products and businesses profitable at an early stage. Amid these efforts, orders received on a consolidated basis rose 37.9% to ¥452,758 million due to numerous orders received for large projects in the environmental system and industrial plants segment. In addition, consolidated sales climbed 7.8% to ¥359,332 million on higher sales in the environmental system and industrial plants segment. Turning to profits, due to an increase in the environmental systems and industrial plants segment, operating income jumped 62.7% to ¥12,819 million and ordinary income rose 21.7% to ¥7,569 million. Net income increased 37.1% to ¥5,100 million on the recording of a gain on negative goodwill following the absorption-type merger of Daiki Ataka Engineering Co., Ltd. and turning NICHIZO TECH INC. into a wholly owned subsidiary through a share exchange during the fiscal year under review, despite recording an extraordinary loss due to an impairment loss related to the Mukaishima Works.

Approach behind Our Medium-Term Management Plan Hitz Vision II

We will focus on raising our existence value and on improving customer value based on the concept of a "technology-oriented company."

Under the long-term Hitz 2016 Vision, outlining the future profile of the Hitachi Zosen Group in fiscal 2016, we have aimed to evolve into a highly profitable company with a social presence based on the three pillars of strengthening earnings capability (building the enterprise with leading earnings potential in each of its business segments and products); expanding the scale of our business (growing it to ¥500 billion); and strengthening our financial position (building up a stable position with an equity ratio of at least 30%). Above all, I would like to explain again the core concept of a "technology-oriented company."

Hitachi Zosen was originally a company engaged in ship and bridge building. Today, we are a business with operations centered on engineering; however, to gain recognition in this field it is extremely important that we refine our unique technologies. In order to win new projects, we must obtain a high overall evaluation, and not simply make the lowest bid. If we do not display our proposal capabilities supported by our superior technologies, the customer will not use us. Therefore, our technological development must predict market needs. In addition, after an order is received, advanced technological capabilities in the design and manufacturing stages are required and the passing on of technological know-how from experienced workers to the younger generation of workers is an important task. Furthermore, advanced technological backing is required in all work processes, from sales and design to manufacturing and after-sales service. We call this "technology management," and by involving all employees and putting it into practice, we raise our future existential value and support our growth.

In recent years, we have aggressively promoted so-called "open innovation" in collaboration with external entities. This is also a technological collaboration. By developing advanced technologies and demonstrating to our partners the advantages of collaborating with us, we can commercialize products more rapidly. A "technology-oriented company" is the basis for our viability as a company and our starting point. We must refine our technological capabilities in a broad sense, including work processes, to provide better products and services. The aim is to deliver customer satisfaction and high added value toward sustainable growth. In this way, with "technology-oriented company" as our basic concept, we will build an optimal business strategy and concentrate our business resources in our core businesses, namely Environment/Green Energy and Social Infrastructure and Disaster Prevention.

Hitz Vision II after One Year

We will take steps to innovate management, strengthen profitability, and build a foundation that enables sustainable growth.

In Hitz Vision II, recognizing management innovation and stronger profitability as challenges we face on the road to achieving sustainable growth, we have taken a number of initiatives.

In management, we seek to build a “flat matrix management structure” that operates with an eye on overall optimization through the sharing of management objectives throughout the entire Group. Specifically, in this management structure, the shared service divisions and business divisions have a (flat) relationship of coordination and cooperation between them and the shared service divisions have a (matrix) relationship that supports and regulates the business divisions. We have further reinforced our management structure by increasing work efficiency through ICT utilization, fortifying the collective strength of the Group through management and provision of support to affiliate companies, and strengthening quality assurance capabilities and environment and safety management.

In April 2015, Hitachi Zosen reorganized the Company. In 2009, we integrated the Group’s 10 companies. These were integrated into the machinery, infrastructure, and precision machinery businesses, and business was carried out under this structure. Further, in 2014, we integrated Daiki Ataka Engineering to expand its business, but the organization of each business retained its past form. To encourage the promotion of a swifter and more flexible business, we reorganized the Group by customer industry and broadly divided the organization into public and private sectors and then further divided the public sector into the environment and infrastructure fields. Segments were changed from the previous classification by product to the three business divisions of environment systems and industrial plants, machinery, and infrastructure. Business units were also reorganized from 13 to 10 businesses and personnel rotation was revitalized through the efficient placement of staff in certain business locations. Management levels were cut back to the three levels of division, unit and general manager, we promoted the transition of decision-making authority and established an environment that is easier to work in. As a result of these efforts, the water treatment business of Daiki Ataka Engineering, for example, was positioned in the environmental segment and synergistic effects were produced through integrated operation.

On the other hand, as a measure to strengthen profitability, we have built a mechanism for driving change in unprofitable businesses while promoting balanced management (objective: overseas business 30%, stable business that generates stable profits, such as after-sales service, 50%, and attain a business scale of ¥50.0 billion from new businesses and product models) in order to reinforce our management base by improving our basic profitability. We will also promote greater efficiency and the advancement of the after-sales service division by actively adopting ICT. Specifically, the after-sales service division will expand existing projects in Japan with the aim of expanding stock through long-term operations. Overseas, in addition to establishing a base in Shanghai, China, Hitachi Zosen Inova acquired a maintenance company in Germany and plans to focus on the after-sales service.

We will continue to promote the energy business as a field that generates stable profits. At the No. 2 power generation facility within the Ibaraki Works, we completed construction to transform it into highly effective gas turbine equipment that utilizes liquefied natural gas (LNG). Moreover, the woody biomass power generation facility in Hitachiota City in Ibaraki Prefecture was completed, and the Omonogawa wind power generation system in Akita City in Akita Prefecture began operation.

Overseas Business and New Business Expansion

We will invest aggressively in overseas development that will drive future growth and in new product development with the goal of increasing profitability and growth potential.

As has already been explained, in the medium-term management plan Hitz Vision II, we have taken a number of initiatives, such as strengthening our management system and profitability, and established a foundation for growth. But, in order for the Hitachi Zosen Group to aim for sustainable growth in the future, it is essential that it further globalize its business and develop new businesses, or more specifically, new products. In order to establish and fortify overseas bases, promote stronger governance, and provide products and services that are well-established locally in each region, we have strengthened our control functions and promoted policies by area. In addition, we have accelerated the bringing of new products and businesses to early profitability through development process innovation and for key projects, assembled project teams to accelerate marketing of products and businesses. At the same time, we have built a strong, globally competitive research structure.

The overseas sales ratio in fiscal 2014 was 34%, down one percentage point from the 35% recorded in fiscal 2013. Therefore, we must pursue increased globalization. Toward the further strengthening of business growth potential through the realization of synergies based on greater Group strength, Hitachi Zosen Inova received successive orders for large combustion EfW facilities in Europe, where it has finished construction. It has also actively expanded business with the merger and acquisition of a biogas facility and maintenance company and the establishment of a new base in Australia. We will strengthen collaboration with Hitachi Zosen Inova with the aim of becoming number one in the world in the large combustion EfW segment. In collaboration with Cumberland group companies that have expanded their engineering business with seawater electrolysis systems, mainly in the Middle East and the United Kingdom, we will actively provide seawater desalination plants and water and sewage treatment plants in response to water shortages in the Middle East and Asia. Cumberland has secured about 50 multinational staff at the UAE Dubai facility, and expects to contribute to the expansion of Middle East business over the medium to long term. In China, Hitachi Zosen worked to make after-sales service profitable by establishing a local company and consolidating the local offices of a subsidiary and developing its own services. In this way, we plan to expand overseas business by setting up businesses in overseas regions that can provide ongoing value to local communities including after-sales service and operation and management.

Regarding the promotion of new products and businesses, our “neo Rise®” land-mounted flap-gate type system and movable seabed-installed flap-gate type seawall system, for protecting human lives and assets from tsunami, high tides and floods, have gained greater recognition as disaster prevention products and are steadily building a track record by meeting customer demands. We will continue to develop “only one” products that create customer value with the goal of the early commercialization of new products to succeed our core flap-gate, marine SCR (selective catalytic reduction) systems, and electron beam emitter equipment.

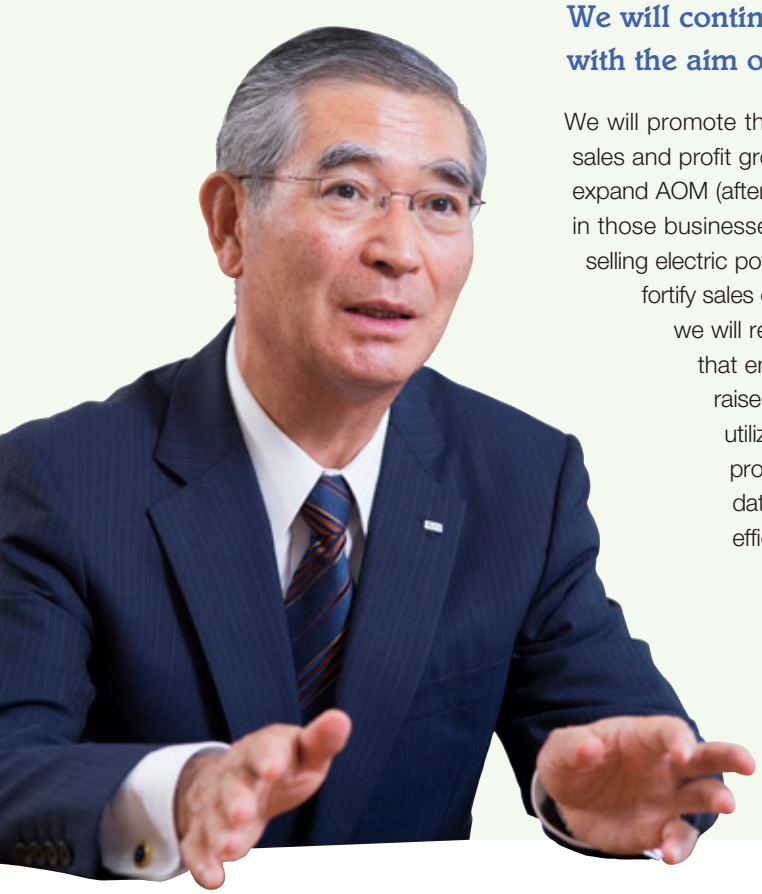
Corporate Governance and Human Resources Development

Hitachi Zosen interacts with investors with the aim of being a company that is widely understood and it also attempts to hire diverse human resources.

Our corporate philosophy is We create value useful to society with technology and sincerity to contribute to a prosperous future. Based on our corporate philosophy, we seek to become a corporate group that is publicly recognized and contributes to creating a rich global environment as well as a social, industrial and life infrastructure that applies the wisdom and advanced technologies of manufacturing and engineering. At the same time, we will strive for a broad dialogue with society and create a corporate group that is well understood by all shareholders and investors as a result of appropriate information disclosure. With full recognition of the philosophy of the corporate governance code and stewardship code, we proactively recruit outside directors and female directors and conduct activities with an emphasis on diversity. We are now increasing interaction with investors and hold presentation meetings periodically with a division of roles, with the Chairman presenting to investors in meetings held overseas, and myself presenting in meetings held in Japan. In addition, we carefully respond to inquiries and requests for interviews and wish to maintain greater openness in our activities.

To strengthen our foundation for growth, and to aggressively expand in overseas markets, it is important that we have diverse human resources. In order to deal with the expansion of the global market and the size of our business, we actively recruit diverse human resources and also recruit globally. We will also implement various training programs, promote on-the-job training and quickly train global human resources by sending them to work overseas.

Strategy and Outlook for Fiscal 2015



We will continue to execute strategy to strengthen profitability with the aim of increasing sales and profits.

We will promote the following initiatives in the second year of Hitz Vision II to achieve sales and profit growth. In environmental systems, whether in Japan or abroad, we will expand AOM (after-sales service, operation and maintenance) and long-term operations in those businesses. We will also expand stable businesses including the business of selling electric power, thereby further boosting profitability. In marine machinery, we will fortify sales of marine SCR systems, and in the shield tunneling machines business we will rebuild our business strategy by developing differentiated technologies that enable stable tunneling operation and review work process in order to raise profitability. Moreover, at plants that are manufacturing bases, we will utilize ICT, automate using robots, push forward a product mix, raise plant productivity, and cut costs. Specifically, the utilization of ICT including big data and automation with robots will not only produce greater production efficiency. We will launch “ICT Promotion Teams,” “Robot and Automation Promotion Teams” and other teams as cross-organizational teams directly under the president with the purpose of applying Hitachi Zosen products and services in pursuit of customer satisfaction. This will be strongly promoted as a priority issue in fiscal 2015.

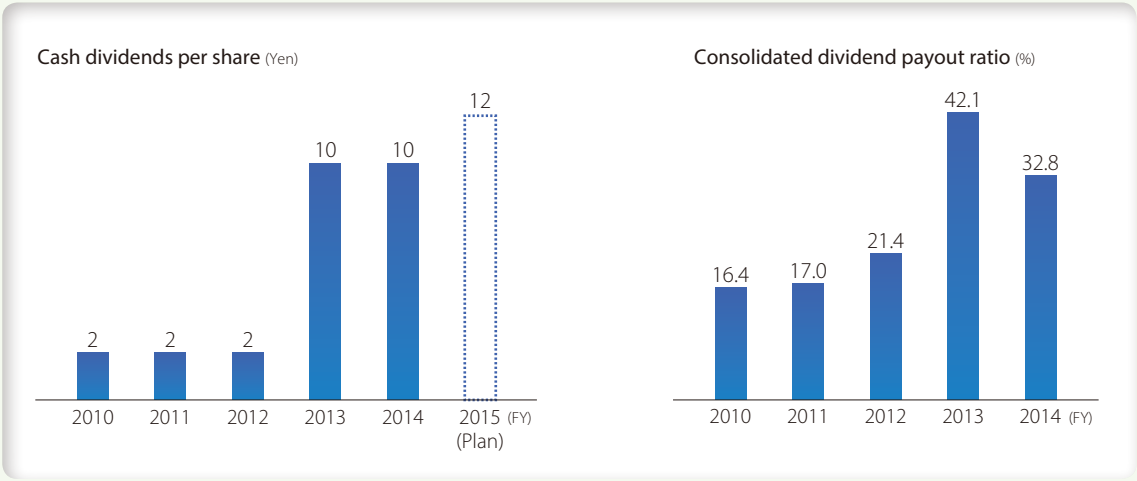
We will promote these initiatives, and in the fiscal year ending March 31, 2016 (fiscal 2015), our target for orders received is ¥450,000 million, unchanged from fiscal 2014. However, this is a conservative outlook, and we will seize the opportunity and strive for further expansion. We expect consolidated sales to increase 3.0%, to ¥370,000 million. We expect operating income to rise 5.3%, to ¥13,500 million, factoring in improved earnings in the machinery and infrastructure businesses, while ordinary income is expected to grow 32.1%, to ¥10,000 million and net income to increase 7.8%, to ¥5,500 million.

To Our Stakeholders

The Company is aiming for steady growth while striking a balance between growth investments and stakeholder returns.

We continue to strive for financial soundness. In fiscal 2014, the capital ratio stood at 26.6%, and the balance of interest-bearing debt at ¥119,054 million. The debt-equity ratio was around 1.0 times, indicating steady results. We need to take additional measures to strengthen business and M&A strategies to maintain our growth into the future. Specifically, promoting overseas business, the key to growth, and investing for new product development must be carried out continuously. We will execute policies that strike a balance between these growth investments and stakeholder returns including shareholders and employees. Regarding shareholder dividends, one of the most important management issues, based on a policy of stable, continuous dividend payment in line with business performance, we paid a dividend of ¥10 per share in fiscal 2014 and plan to increase it by ¥2 and pay a dividend of ¥12 per share in fiscal 2015.

I trust we can count on your support and encouragement in this endeavor.



Note: On October 1, 2013, Hitachi Zosen Corporation implemented a share consolidation with a ratio of five shares to one.

Business Segments

* Business segments changed in fiscal 2015.

Environmental Systems and Industrial Plants Business

Environmental protection systems

- Energy-from-Waste plants
- Material recycling systems

- AOM business (after-sales service, operation and maintenance)
- Long-term operations and management (PFI and PPP)
- Remote monitoring (remon) support systems
- Technologies for the long-term use of and to extend the lives of facilities

Plants

- Desalination plants
- Chemical plants
- Sulfuric acid plants
- Hitz Dehydration system HDS® by zeolite membrane
- Non-destructive inspections
- Rupture disk

Power generator systems

- Gas turbine power generation facilities
- Gas engine power generation facilities
- Co-generation systems
- O&M and after-sales service
- Vegetable oil-fired biomass facilities
- Wind farms

Electricity power business

Water treatment systems

- Sludge recovery, recycling and final processing plant exudative water treatment system

- Water, sewage, and industrial effluent treatment systems
- Slurry ice plants

Biomass utilization system

- Methane fermentation system
- Eco-agriculture business

Our Energy-from-Waste plants are environmental conservation energy systems designed to produce power from the large amounts of energy generated during waste incineration.

We also have expertise and a strong track record in biomass utilization and water treatment systems and, in addition, we have been delivering a wide range of plants in Japan and overseas in fields such as chemicals and petrochemicals and seawater desalination.

Moreover, we supply gas turbine power generation facilities using natural gas and biogas, as well as wind power generation systems using natural energy.

Machinery Business

Marine diesel engines

- Marine diesel engines
- SCR system for marine engines
- Denitration systems and NOx removal catalysts

Press machines

Deck machinery for ships

Industrial equipment

- Electrolyzing systems and rubber lining
- Filter press

In the machinery business, we supply many types of marine diesel engines to shipyards in Japan and abroad, and have developed selective catalytic reduction (SCR) nitrogen oxide removal systems for marine engines to achieve compliance with the International Maritime Organization (IMO) regulations on NOx emissions. We also deliver a wide range of press machinery and FA systems for automakers.

Process equipment

- Reactor vessels

- Heat exchangers

Nuclear fuel cycling-related equipment

- Spent nuclear fuel transport casks and storage casks
- Canisters for nuclear spent fuels storage

Precision machinery

- OLED production systems
- Vacuum equipment and vacuum valves

- Laser patterning equipment
- Precision polishing technologies and polishing machines
- Castings for semiconductor and liquid crystal production equipment (lapping plates)
- Conveyance and handling systems
- General industrial casting products

System machinery

- Plastic extrusion molding equipment
- Food filling and packaging systems
- Foreign substance separation equipment for food

Electronic control systems

- Image and image processing and storage systems
- Electronic boards and units
- High-precision GPS system
- GPS remote monitoring system

In the process equipment business, we supply many types of process equipment, such as pressure vessels, in Japan and abroad. In the nuclear power sector, we have established a strong track record in the supply of a wide range of equipment for nuclear power stations, including spent nuclear fuel transport casks and storage casks, and radioactive waste incineration and reduction facilities.

In the precision machinery business, we handle all aspects (from manufacturing to engineering) of the production of organic electroluminescent (EL) displays and other flat panel displays and semiconductor manufacturing equipment. We supply filling systems for foods, beverages, and in electronic control systems, we provide the Food Recorder and other products.

Infrastructure Business

Infrastructure

- Bridges
- Infrastructure maintenance technology and earthquake technology
- Hydraulic gates
- Marine civil engineering (caissons, steel-plate cells)
- Steel stacks
- Shield tunneling machines

Disaster prevention

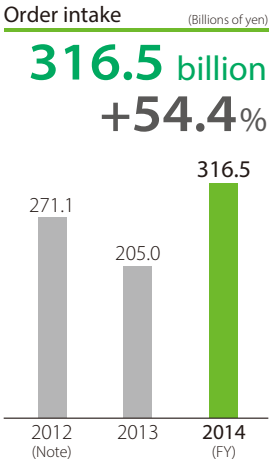
- GPS Comprehensive Oceanographic Monitoring System
- GPS Remote Monitoring System
- Movable Flap-Gate type Seawall system
- Movable Flap-Gate type Breakwater system
- Electric Discharge Impulse Crushing System

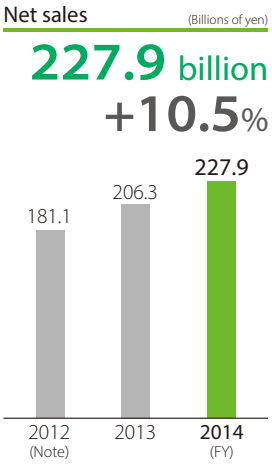
For a century, our bridge-building division has delivered long structures, and shield tunnelling machines for road and subway construction equipment for infrastructure projects in newly emerging countries. We also supply disaster prevention systems, including our GPS buoy wave-tsunami tide observation systems and Movable Flap-Gate type Seawall system.

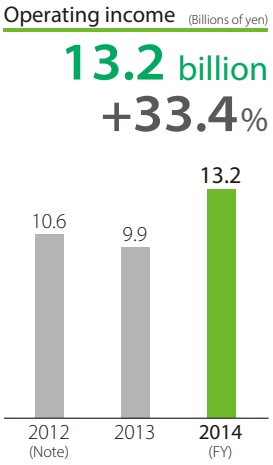
Environmental Systems and Industrial Plants Business

◀ A refuse incineration plant located in Tanabe City (Wakayama Prefecture)

▲ A sludge recycling center located in Okinawa (Okinawa Prefecture)







Note: Business segments changed in fiscal 2013. Accordingly, only figures for fiscal 2012 have been included in the reclassified segments after the change.

Business Overview and Outlook for Fiscal Year 2015

In fiscal 2014, we recorded net sales of ¥227.9 billion (an increase of ¥21.6 billion year on year) and operating income of ¥13.2 billion (an increase of ¥3.3 billion).

◆ Environmental systems

The Hitachi Zosen Group received orders for six new refuse incineration plants. Of these, the orders from Joetsu City (Niigata Prefecture), the Jyonan Sanitary Management Association (Kyoto Prefecture), and Yatsushiro City (Kumamoto Prefecture) are design-build-operate (DBO) contracts for the design, construction and long-term operation of the facility by the Hitachi Zosen Group after it is handed over. These Energy from Waste (EfW) plants feature systems for generating electricity with the heat from waste incineration, thereby helping to build a resource recycling-based sustainable society.

As a project related to post-earthquake restoration, the Ministry of the Environment's Fukushima Office for Environmental Restoration placed an order for target-zone waste processing work for the town of Namie. In addition, we received five orders for making basic upgrades to refuse incinerators, including an order from the Matsushio Regional Municipal Association (Nagano Prefecture) for the upgrading of waste incinerators at Matsumoto Clean Center.

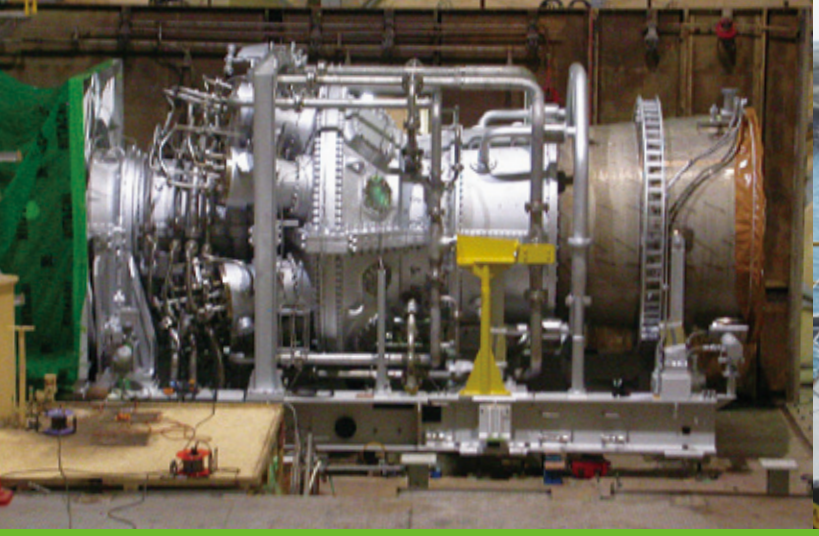
In addition to the above, we received and carried out a number of orders from various local governments for maintenance inspections, maintenance work, and repairs, and also for operations and control work, at general waste disposal facilities.

Overseas, the Hitachi Zosen Group, which was the first Japanese corporate group to have received an EfW plant construction order for India, received orders for the construction of EfW plants in China, Ireland, Poland and the United Kingdom. Moreover, we completed construction and handed over EfW plants in the United Kingdom and Finland.

In fiscal 2015, we are again aiming to receive orders from domestic customers to construct EfW plants and for upgrade and life-extension projects. We will also continue to strive to expand our AOM and long-term operations businesses, based on our abundant track record in delivering projects in these fields.

Overseas, we are collaborating with Hitachi Zosen Inova (HZI) and accelerating the deployment of our strategy to become the world leader in EfW. Along with Europe and the Middle East markets, which are where HZI has traditionally operated, we are working to open up new markets in the various regions, including China, South East Asia and India. We also aim to develop the stock-type business model overseas.

Hitachi Zosen is advancing the development of biogas, bioethanol, and gasification power generation technologies in order to expand its EfW business.



◀ Ibaraki Works No. 2 power generation

▲ Pilot plant using “HiSIS”

◆ Plants

Hitachi Zosen completed the construction of a desalination pilot plant in collaboration with the Abu Dhabi Water and Electricity Authority using our high-speed seabed infiltration system “HiSIS,” which we developed in partnership with Nagaoka International Corporation, and commenced its demonstration tests. Designed for reverse osmosis (RO) seawater desalination plants, the demonstration tests are being conducted to confirm the basic performance of “HiSIS” technology with the changing nature of seawater quality and the reliability of the equipment. The fundamental data being collected will be used for building large commercial-scale plants with “HiSIS” technology.

In fiscal 2015, we won a major order for a desalination plant in Qatar. The contract is for a hybrid-type desalination plant with two types of seawater desalination equipment, comprising a multi-stage flash (MSF) process, which is an evaporation process, and an RO process, which is a membrane process. The desalination plant will be the largest we have ever built with a water processing capacity of around 590,000 tons per day.

We are eyeing the No. 1 position in the world market in our seawater desalination business, promoting hybrid-type desalination plants combining multi-effect desalination (MED) and RO membrane technologies in a bid to make further inroads into the RO market with our “HiSIS” technology.

◆ Energy business

In the energy business, Hitachi Zosen completed construction on the Omonogawa Wind Power Station with an output of about 2,000 kilowatts in Akita City, Akita Prefecture. Our subsidiary Omonogawa Wind Power Co., Ltd. commenced operations of the facility in March 2015.

At our No. 2 power generation facility within the Ibaraki Works, we finished the switch-out to a high-efficiency gas turbine power generation facility (output of 113,580 kilowatts) that uses lower cost and more environmentally sound LNG as fuel. The new gas turbine began operating in December 2014. The new facility not only cuts operating costs, but also reduces CO_2 emissions by over 25% and lowers emissions of SOx, a cause of acid rain, to nearly zero.

In addition, Hitachi Zosen received its first order for the Hitz Super Low Profile Fresnel “HSLPF” concentrated solar power (CSP) system for a solar power plant from Mitsubishi Hitachi Power Systems, Ltd.

In fiscal 2015, we plan to initiate electricity sales under the feed-in tariff (FIT) system after starting operations at a woody biomass power generation project in November in Hitachiota City, Ibaraki Prefecture. We continue to focus on biomass, land-based wind power and other renewable energy fields alongside the distributed power generation field, as a part of our ambition to turn them into core businesses one day.

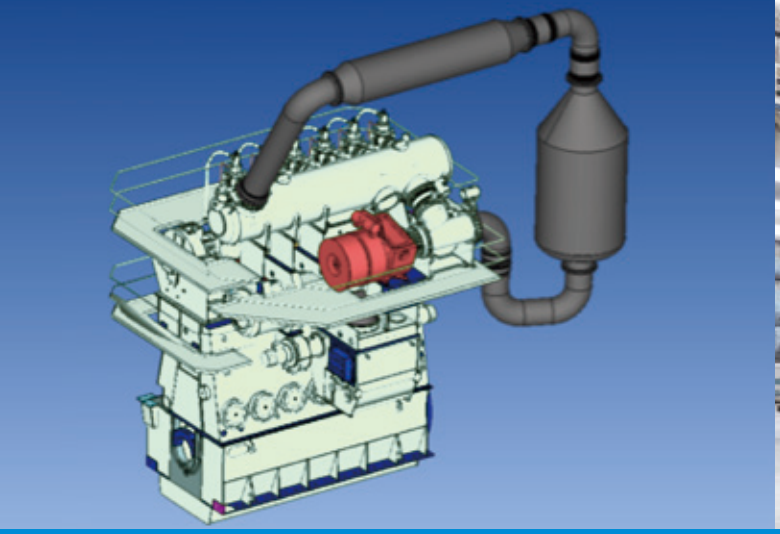
◆ Water treatment

In the sludge recovery and treatment business, we received orders for the construction of sludge recovery and treatment centers from Shimabara City (Nagasaki Prefecture) and the Kinan Environmental Sanitation Facilities Association (Wakayama Prefecture). The order from the Kinan Environmental Sanitation Facilities Association is our first for our phosphorus recovery facility (MAP system). This system features new technologies for recovering phosphorus using granular magnesium ammonium phosphate (MAP). The recovered phosphorus can be recycled as an ingredient in fertilizer.

These orders reflect Hitachi Zosen’s best-in-class track record in installations of human waste treatment and sludge recovery and treatment plants in Japan.

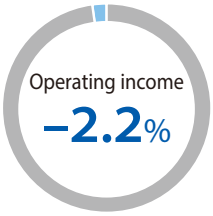
In the water and sewage business, Hitachi Zosen won an order from Nagoya City’s Waterworks & Sewerage Bureau for the installation of machinery and equipment for the Tsuyuhashi Water Treatment Center modernization project. We also received orders from local governments for new projects and modernization projects.

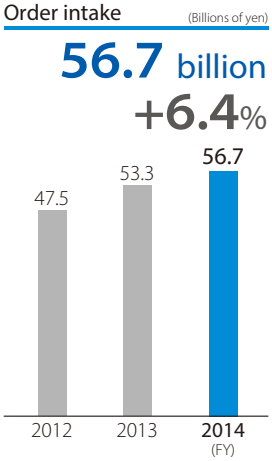
In fiscal 2015, Hitachi Zosen is working to enter overseas markets in the water treatment field, and establish new businesses and products at an early stage. In the sludge recovery and treatment business, we are focusing on new construction projects that lead to highly profitable solutions business. In the water and sewage business, we aim to develop new products and improve existing products in line with customer needs, while reducing costs and expanding sales.

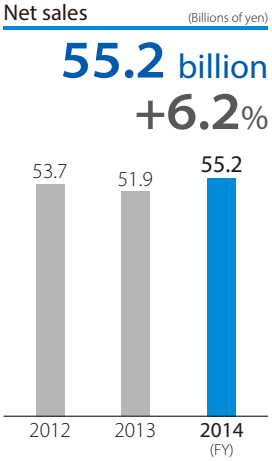


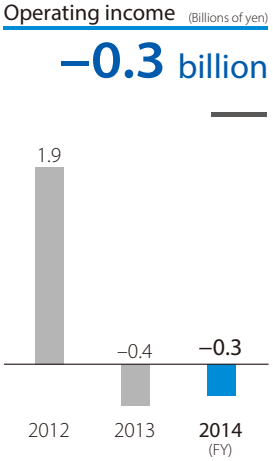
◀ Marine-diesel engine fitted with SCR system
▲ Press machine

Machinery Business









Business Overview and Outlook for Fiscal Year 2015

◆ Marine diesel engines and deck machinery

In fiscal 2014, earnings conditions improved in the domestic shipbuilding industry as the weak yen became entrenched, but the structural glut in tonnage has not been eliminated. Inquiries and orders for new ships continued to decline. Under these conditions, we won orders and delivered on contracts to supply marine diesel engines and deck machinery for ships to shipbuilding yards around the world.

In terms of business performance, net sales increased by ¥4.8 billion to ¥31.3 billion compared with the previous fiscal year, with growth in diesel engines and deck machinery for ships. However, operating losses totaled ¥3.1 billion, an improvement of ¥0.1 billion from the previous fiscal year, reflecting higher costs due to the weak yen, despite higher prices taking hold for marine-diesel engines and deck machinery for ships.

In fiscal 2015, we have secured production volume for 60 marine diesel engines, and are conducting marketing activities to win our first order for a selective catalytic reduction (SCR) system for marine diesel engines. We aim to quickly launch a ballast water treatment business, while advancing the development of products for the LNG gas engine (dual-fuel engines) market, which looks likely to expand.

◆ Press

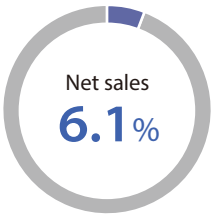
The automotive industry, which is the principal customer of our press machines business, continued to feel the after-effects of strong demand prior to the consumption tax hike in Japan. Overseas, demand weakened in some emerging countries but remained robust in the North American market. Nevertheless, there are no grounds for optimism on the business environment, with intensifying international competition and downside risks from uncertainties in the global economy.

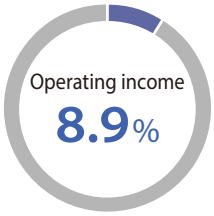
In these circumstances, in fiscal 2014 we diligently implemented measures to secure order receipts with all-out marketing, to further advance our manufacturing capabilities, to establish a structure able to reliably generate profits, to improve customer satisfaction further, to pursue globalization, and to strengthen our development capabilities. Supported by robust capital investment at automakers, we posted our second-best figures ever for sales and profits during the fiscal year, after posting record-high levels in the previous fiscal year. Net sales totaled ¥24 billion, a decline of 5.6% compared with last year. Operating income was ¥2.8 billion, a decrease of 2.4%. In fiscal 2015, we project that net sales will be on par with fiscal 2014 at around ¥23 billion (down 4.3%) and operating income about ¥2.6 billion (down 7.2%), with capital investment remaining strong in the automobile industry. We are working to strengthen our earnings structure further.

◀ EO reactor for Saudi Arabia

▲ Factory-assembled contaminated water storage tanks for the Fukushima Daiichi NPS

Process Equipment Business

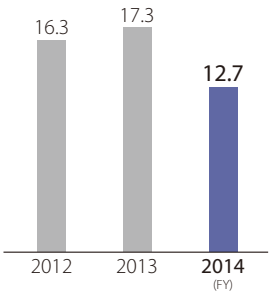




Order intake (Billions of yen)

12.7 billion

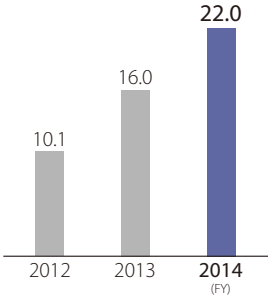
–26.6%



Net sales (Billions of yen)

22.0 billion

+37.5%



Operating income (Billions of yen)

1.1 billion

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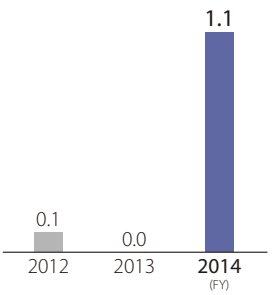


Business Overview and Outlook for Fiscal Year 2015

In fiscal 2014, we received orders for pressure vessels for use in North America, Africa, Central Asia, and Southeast Asia, despite rivals going on the offensive with lower prices and projects being postponed due to the fall in crude oil prices. We also delivered plant equipment to customers around the world. In nuclear power plant equipment, we continued to receive orders for and make deliveries of spent nuclear fuel storage casks in the United States. In Japan, we completed the delivery of 15 storage tanks for radioactive water for the Fukushima Daiichi Nuclear Power Station of Tokyo Electric Power Co., Inc.

In terms of business performance, sales were achieved for large-scale projects including a GTL (gas to liquid) reactor for Uzbekistan and EO reactors for Saudi Arabia. Sales also increased on the completion of storage tanks for contaminated water and at our subsidiary NAC International Inc. (NAC). As a result, net sales rose by ¥6 billion year on year to ¥22 billion, and operating income increased by ¥1.1 billion to ¥1.1 billion on account of sales growth and yen depreciation.

In fiscal 2015, we expect shale gas GTL projects and other projects to be discontinued or postponed while crude oil prices remain low. However, we anticipate demand related to fertilizer plants and upstream ammonia plants, as well as brisk construction and modernization activity for plants in India. We are therefore pursuing orders to expand business at our joint venture in India, which has increased its production capacity. We are also examining an entry into the urea plant modernization business for aging facilities. In nuclear power plant equipment, we aim to expand business through stronger collaboration with NAC.

TOPIC

Shipping of factory-assembled contaminated water storage tanks for the Fukushima Daiichi Nuclear Power Station

From November 2014 to April 2015, Hitachi Zosen manufactured and shipped 15 factory-assembled contaminated water storage tanks for Tokyo Electric Power Co., Inc.'s Fukushima Daiichi Nuclear Power Station.

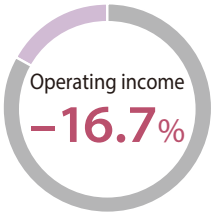
The tanks are designed to expand the power plant's contaminated water storage capacity, and are flat-bottomed vertically-installed cylindrical tanks 12 meters in diameter, approximately 12.5 meters in height, with a storage capacity of approximately 1,220 m^3 and a weight of 90 tons, making them the largest factory-assembled tanks (manufactured at the factory and shipped to the site) yet made.

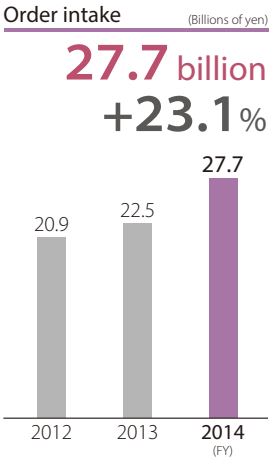
In manufacturing these tanks, we were able to draw on our advanced manufacturing technology, backed up by years of experience in nuclear power plant equipment and process equipment, completing high-quality tanks for nuclear power station use in just a short period of time.

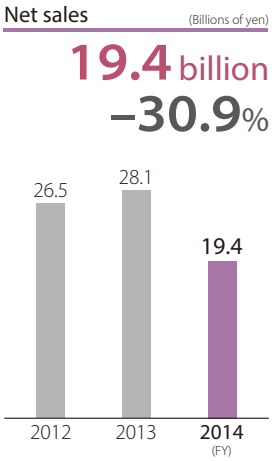
Infrastructure Business

◀ A large-scale flowing water facility to test land-mounted Flap-Gate type seawall system "neo RiSe®"

▲ Shield tunneling machine to be used for Tokyo Metro







Business Overview and Outlook for Fiscal Year 2015

Despite the continuing difficult business conditions for steel structures in fiscal 2014 resulting from the fierce competition for orders, we still received orders and delivered projects for new bridges, hydraulic gates, stacks, and marine structures for customers such as the Ministry of Land, Infrastructure, Transport and Tourism (MLIT); various local governments; expressway companies; and power companies. Specifically, we received orders from the Tohoku Regional Development Bureau of the MLIT for a bridge superstructure project at the Hei-gawa River Bridge on National Highway No. 45; and from Miyagi Prefecture for disaster remedial work (part 2) of the dock, etc. at Shiogama fishing port's fish market.

In the disaster prevention field, incoming orders were brisk for our land-mounted Flap-Gate type Seawall system "neo RiSe®". At Sakai Works, we installed a large-scale flowing water facility to test the "neo RiSe®" system after completing the Hitz Disaster Prevention Solutions Laboratory. We hope that our efforts will lead to expansion in this market.

In construction machinery, amid the increase in demand for road and traffic infrastructure, particularly in emerging countries, we received orders for and delivered a variety of shield tunneling machines for domestic and overseas construction companies, including orders of this machinery from South Korea.

In terms of business performance, unfortunately we recorded net sales of ¥19.4 billion, a decrease of ¥8.7 billion year on year, while the operating loss increased by ¥0.5 billion, to a loss of ¥2.1 billion.

In fiscal 2015, Hitachi Zosen is focusing on expanding orders for bridges, hydraulic gates and stacks through more efficient marketing and the steady accumulation of small contracts, while being selective as regards order-taking and screening projects at an early stage. We aim to improve the quality of orders received for shield tunneling machines on the expectation of a number of large-diameter projects materializing in Japan. In the disaster prevention field, we are seeking to quickly set up a licensing business for our land-mounted flap-gate type seawall system, and rapidly commercialize a Movable Flap-Gate type Breakwater system that is installed on the seabed. Moreover, we set up a new Wind Power Business Promotion Department and are working to establish commercial operations for offshore and onshore wind power generation.

Compared to fiscal 2014, we forecast that net sales in fiscal 2015 will be up ¥6.6 billion, to ¥26.0 billion, while the operating loss will be improved to return us to profitability in this area, owing mainly to improvements to profitability from shield tunneling machines and bridges, and the growth in the disaster prevention business.

Precision Machinery Business

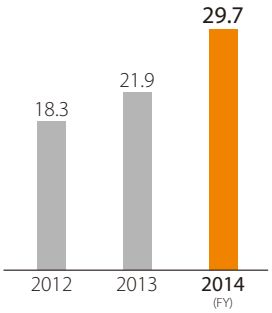
◀ Large-scale photovoltaic power plant in Innoshima Works

▲ Radiation screening system “Haruka”

Order intake (Billions of yen)

29.7 billion

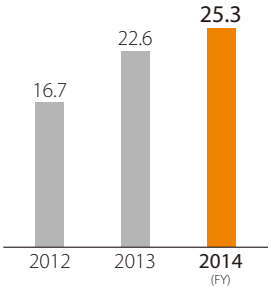
+35.6%



Net sales (Billions of yen)

25.3 billion

+12.0%



Operating income (Billions of yen)

0.4 billion

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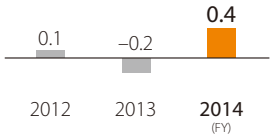


Business Overview and Outlook for Fiscal Year 2015

◆ System machinery

In the fiscal 2014 business environment, some companies have begun to make more aggressive plans for capital investment against the backdrop of companies that continued to have cautious stances as regards large-scale capital investment projects in the domestic LCD and semiconductor industries, our primary customers. In the previous fiscal year, we entered the EPC business for solar power plants. Although the market for solar power plants has hit a lull due to a reduction in feed-in tariff prices, we received orders for megasolar power plant projects with output of 19.8 megawatts, 7.6 megawatts, and 2 megawatts. In December, we delivered newly developed radiation testing equipment for semi-dried Japanese persimmons, a famous product made in Fukushima Prefecture, by adapting radiation testing equipment for rice. Going forward, we will promote the development of radiation measurement systems to support the revitalization of the Tohoku region. In plastic machinery, in January we completed production equipment for materials that use plastic as a raw material. In electron beam sterilization systems, an ecological and clean sterilization method that responds to market needs, we are currently fabricating our first system for a production line. We have received many inquiries about this system from companies in the food & beverages and pharmaceuticals industries, and we aim to expand globally and grow the business.

In fiscal 2014, net sales increased on growth in sales in the megasolar power generation business. Operating income also increased, reflecting a return to profitability in the materials business and the plastic machinery business as a result of restructuring, as well as higher profits in the megasolar power generation business.

In the system machinery field in fiscal 2015, we expect robust demand amid strong interest in capital investment that is clean and ecological. We aim to raise our profile in new fields, such as electron beam sterilization systems for food and pharmaceutical production lines, plastic machinery equipment, and Micro Grid system. We are also working to expand our presence in overseas markets, especially Asia.

◆ Electronic control equipment

In fiscal 2014, cost competition continued to be intense, although there were signs of improvement with stronger demand for capital investment related to smartphones. As awareness of food safety and security increased, however, we received orders for and delivered food defense & management recording system for production lines in response to growing needs to record and manage all aspects of the production process, going beyond monitoring food companies for security purposes. In the pharmaceuticals industry, we delivered on orders received for our newly developed GS1 cell computer for drug-makers to comply with the mandatory integration of GS1 codes starting in July 2015. In the railway industry, we delivered on orders received for front and train-carriage video surveillance systems, as railway companies in the Kanto region beef up their crime prevention security systems focusing on the future Tokyo Olympics and Paralympics. In satellite positioning technology, we were contracted by the Ministry of Internal Affairs and Communications to conduct geospatial experiments (three projects), and the tests we conducted to validate the usability of electronic signals from quasi-zenith satellites in Australia received particularly strong praise. Our newly developed receiver for satellite positioning has achieved an increase in sales volume. In the electronic control equipment field overall, orders received and net sales were largely unchanged from the previous fiscal year.

In fiscal 2015, we will integrate our divisions handling video and imaging technologies, and radiation measurement technologies, and expand business for our inspection and measurement products. In food defense & management recording system, we are deepening cooperation with other companies, winning increased orders packaged with production line installation contracts, and bidding on overseas projects. In pharmaceuticals, we aim to move into the field of engineering complete packaging lines, centered on our printing system that is compatible with GS1 codes. In train recorders for railways, we plan to respond to demand for high-definition systems and expand sales in the Kanto region. In radiation measurement instruments, we are bolstering marketing in the Tohoku region in a bid to increase sales. In satellite positioning, Hitachi Zosen is developing applications for agriculture while striving to rapidly commercialize position correction technologies currently under development.

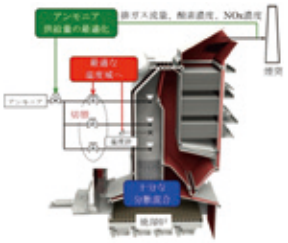
Basic research and development policies and systems

In line with our development strategy based on Hitz Vision Ⅱ, our current medium-term management plan, the Hitachi Zosen Group is advancing research centered on the fields of the Environment/Green Energy, the improvement of Social Infrastructure and Disaster Prevention, and advanced technologies. Our research and development activities are centered on those carried out in the Technical Research Institute and the Product Development Planning Division, which are within the Technology Development Headquarters, and in each development center in the three headquarters (the environment, machinery, and infrastructure). They work in collaboration with the design, sales and business planning divisions to realize the early commercialization of newly developed products and the development of new products and technologies. The Product Development Planning Division in the Technology Development Headquarters observes and brings an interdisciplinary viewpoint to these research themes, and works to ensure that development resources are appropriately allocated.

Our fiscal 2014 technology development achievements and fiscal 2015 plans

Our development staff handled 83 development themes in fiscal 2014 and achievements broadly met targets.

In the environmental, energy and plant field, we developed high-efficiency power generation equipment and a high-performance gas treatment system for stoker-type furnaces for EfW plants. With the goal of extending the life spans of their main parts, we also carried out verification testing on corrosion prevention measures and cladding by welding for high-temperature, high-pressure boiler superheater tubes. In particular, Hitachi Zosen won the Agency for Natural Resources and Energy Director's Award for "NeoSNCR®", its optimal response control high-efficiency selective non-catalytic reduction system, designed to reduce nitrogen oxide (NOx) emissions from Energy-from-Waste (EfW) plants, at the 35th Energy-Efficient Machinery Awards organized by the Japan Machinery Foundation.



Optimal Response Control High-Efficiency Selective Non-Catalytic Reduction System "NeoSNCR®"

At a demonstration plant in Kyoto City for converting waste into bio-ethanol and methane, Hitachi Zosen combined two-phase ethanol-methane fermentation and incineration to dramatically improve energy recovery, while successfully reducing CO_2 emissions.

Ethanol-methane two-step fermentation system (demonstration plant)

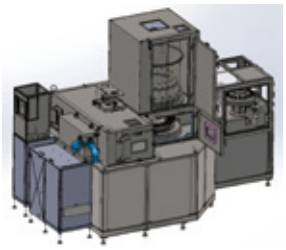
Overseas, in Abu Dhabi we completed construction of a pilot plant for verification testing and are conducting long-term operating tests of a new reverse osmosis (RO) seawater desalination system using our high-speed seabed filtration system, based on our research and development using experimental sand filtration and membrane filtration equipment.

In the machinery, process equipment and infrastructure business areas, we pursued development work on an exhaust emissions control system compatible with Tier Ⅲ NOx emission standards compiled by the International Maritime Organization (to be implemented in 2016) and conducted maritime testing using a demonstration vessel. In October 2014, our Selective Catalytic Reduction (SCR) system obtained certification from MAN Diesel and Turbo SE, the world's top engine licenser.

SCR system for marine engines

We also conducted verification testing to expand applications of laser welding technology and optimization of technologies for welding and heat treatment of high-strength steel plates for pressure vessels. In the field of disaster prevention, we further developed our Movable Flap-Gate type seawall systems (seabed-type, land-mounted and seawall-type) for actual use in protection against tsunami and storm surges, and developed more compact, lighter GPS wave meters.

In the precision machinery area, we made advancements in development of processes for manufacturing all-solid state lithium-ion batteries and large roll-to-roll machine, as we accumulated various manufacturing process technologies. In food machinery-related work, we commercialized electron beam sterilization equipment for small containers, and completed domestic delivery of the first such device.



Electron beam sterilization systems

We have also developed improved food inspection apparatus based on image-processing technology, and improvements to an operational data recording device that is mounted on transport vehicles. In radiation measuring devices, in response to the Fukushima nuclear accident we developed an incinerator ash radioactivity screening device, which is able to measure radiodensity from collected decontaminated waste and incinerator ash on the units of special containers. We also completed development of a an optimized measuring device for testing semi-dried persimmons from Fukushima for radioactive cesium that is also compatible with transport devices and expensive packing cases that are unaffected by cross-talk (the effect of radioactivity from an adjacent sample).

In other advanced technology fields, we also conducted research and development into functional materials, including carbon nano-tubes, all-solid-type lithium-ion batteries and an elastomer using Eucommia ulmoides bark as the raw material.

In fiscal 2015, development will focus on continued advancement of work in areas already begun in fiscal 2014. In particular, development work will be accelerated in SCR system for marine engines, electron beam sterilization equipment for food containers, and Flap-Gate systems, as well as all-solid state lithium-ion batteries and solid oxide fuel cells (SOFCs), with the goal of early commercialization and actual orders. In future business areas, we will facilitate development of applications for carbon nano-tubes (CNTs) and technology for their mass production, and of CO_2 separation membranes, focusing particularly on speeding up development of continuous manufacturing technology for an elastomer using Eucommia ulmoides bark as its raw material.

Intellectual Property Management

Basic policy of the Hitachi Zosen Group

The intellectual property strategy of the Hitachi Zosen Corporation supports the Company's management business strategy, which was drawn up in line with its business philosophy, and it creates and maintains intellectual property rights in conformity with its research and development strategy, thereby strengthening its market competitiveness. That is to say, we use patent maps to visually represent the patent portfolios of the Company and other companies. We analyze the areas in which we are weak and those in which we are strong in terms of patent rights. This analysis is then used to determine the optimum policy for patent applications. The basis of our intellectual property management is to follow an ethical policy to facilitate fair competition through mutual respect for patent rights, including by applying the rights we have acquired by fair procedures over an appropriate scope of business operations.

We also provide guidance to the managements of all other members of the Hitachi Zosen Group and affiliated companies in respect to the acquisition of patents with strategic significance, and carry out other intellectual property management activities to enhance synergy between the operations of Group companies.

Acquiring intellectual property rights

Intellectual property rights provide the support that is vital for us to realize the vision we describe in Hitz Vision II, of being a "technology-oriented company." Our researchers work to discover and create new ideas and then to ensure that an application is made for a patent as their achievement. Using intellectual property tools known as "technology maps" and "patent maps" to visually represent related patent information, we analyze the areas in which we are weak and those in which we are strong in terms of patent rights. This analysis is then used to maintain and if possible further enhance our position in our areas of strength, while reinforcing our position in area of weakness.

Our basic policy is to apply the rights for the intellectual property we have acquired over an appropriate scope of business operations and to follow an ethical patent acquisition and protection policy to facilitate fair competition through mutual respect for patent rights.

The intellectual property rights we have acquired help to protect our business operations, and thus support our business continuity.

Management of intellectual property rights

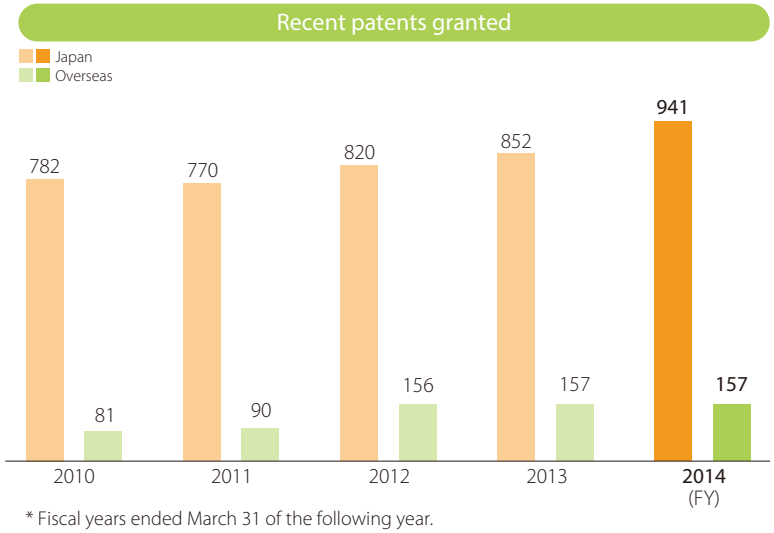
The management of Hitachi Zosen's intellectual property rights is carried out by specialist units dedicated to that task. The Company's Legal & Intellectual Property Department serves as the governance center for the management of intellectual property by the entire Hitachi Zosen Group, conducting a wide range of intellectual property activities, working to maintain rights with respect to patents held by us in conformity with our operational and development strategies, promoting the effective employment of such patents, and drawing up policies to be followed in applying for patents overseas, in response to the growth of the Company's overseas operations.

As of the end of fiscal year 2014, neither Hitachi Zosen Corporation nor any member of the Group was involved in litigation relating to the violation of intellectual property rights.

At specialist units dedicated to management of intellectual property, we have 20 "patent managers" working at our Technology Development Headquarters and the separate business divisions. In addition, 4 "patent leaders" have been appointed at the Technology Development Headquarters and product-based "patent leaders" have been appointed at some business divisions. Specialist staff at the Legal & Intellectual Property Department work together with the patent managers and patent leaders to discover patent possibilities and applications for the Company's research findings (i.e., potential inventions) and take them to the patent application stage.

To encourage staff to do the work required to discover valuable new technologies and processes, and to reward them when they are successful, we have laid down regulations governing the patent application process and have stipulated criteria for judging the originality and value of inventions. Monetary rewards and commendations are given to inventors when patent application, registration and practical application occurs. To preclude dissatisfaction with the rewards process, rewards for practical application are based on a fair and impartial evaluation process, and payments to the inventors continue after they have retired from the Company.

As of the end of fiscal year 2014 (ended March 31, 2015), Hitachi Zosen Corporation held 941 patents in Japan and 157 overseas. It also held 71 design rights in Japan and 29 overseas, as well as 176 trademark/service mark rights in Japan and 38 overseas.



* Fiscal years ended March 31 of the following year.

1. Overview of business environment and operating results

In fiscal year 2014, overseas, despite a modest economic recovery, there were concerns over the sovereign debt crisis in Europe, the tapering off of quantitative easing in the United States, and the economic outlook and geopolitical risks in China and other emerging countries. In Japan, the effects of various economic and monetary easing policies by the government and the Bank of Japan spread to the "real" economy, and with improvements in the employment and income environment and a drop in crude oil prices, the economy staged a modest recovery.

Under this environment, and based on "Hitz Vision II," the 3-year medium term business plan started from the fiscal year 2014, the Hitachi Zosen Group aims to be a highly profitable Group with a social presence, and so has taken measures to stimulate innovation in business operations and management; constructing business strategies and concentrating management resources in our priority fields of "Environment/Green Energy" and "Social Infrastructure and Disaster Prevention," strengthening profitability, promoting overseas business, expanding stable business such as after-sales services, accelerating profitability of new products and business, facilitating synergy by fortifying group strengths, promoting M&A and fortifying our financial structure.

2. Business results

(1) Order intake

In the fiscal year ended March 31, 2015, order intake increased year on year to ¥452,758 million, reflecting the large new orders booked by the environmental systems and industrial plants segment.

(2) Net sales

Net sales increased year on year to ¥359,332 million due mainly to an increase in the environmental systems and industrial plants segment.

(3) Operating income

Operating income increased year on year to ¥12,819 million due mainly to an increase in the environmental systems and industrial plants segment.

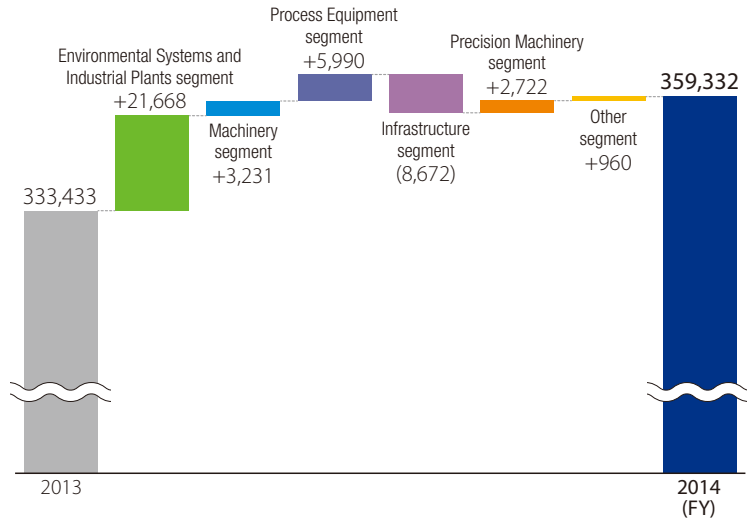
(4) Ordinary income

Ordinary income increased to ¥7,569 million due to the boost of sales in the environmental systems and industrial plants segment.

(5) Net income

Net income rose year on year to ¥5,100 million despite the recording of an extraordinary loss due to an impairment loss related to the Mukaishima Works. This was due to the recording of a gain on negative goodwill following the absorption-type merger of Daiki Ataka Engineering Co., Ltd. and turning NICHIZO TECH INC. into a wholly owned subsidiary through a share exchange during the fiscal year under review.

Factors in the increase/decrease of net sales (Millions of yen)



3. Earning forecast of the next fiscal year

Concerning the forecast of consolidated sales and earnings for the next fiscal year, although economic prospects remain unclear, our order intake is projected at ¥450,000 million. Net sales are expected to grow to ¥370,000 million.

As to the profitability, operating income is projected at ¥13,500 million, which exceeds this fiscal year, considering the improvement of profitability in the machinery and infrastructure segment. Ordinary income and net income are estimated at ¥10,000 million and ¥5,500 million respectively.

4. Analysis of consolidated financial position

(1) Assets, liabilities and net assets

Total assets increased by ¥29,389 million from the previous fiscal year to ¥408,803 million due to the increase of trade notes and accounts receivables booked by the sales from large contracts.

Total liabilities increased by ¥29,423 million from the previous fiscal year to ¥291,272 million, reflecting the increase of trade payable associated with the growth of sales and interest-bearing debt.

Net assets were on par with the previous fiscal year at ¥117, 531 million.

(2) Cash flows

Cash flows from operating activities were cash inflow of ¥9,086 million after booking net income.

Due to capital investments, cash flows from investing activities were a cash outflow of ¥14,680 million.

Cash flows from financing activities were cash inflow of ¥12,178 million mainly due to the increase of long-term debt and new bond issuance.

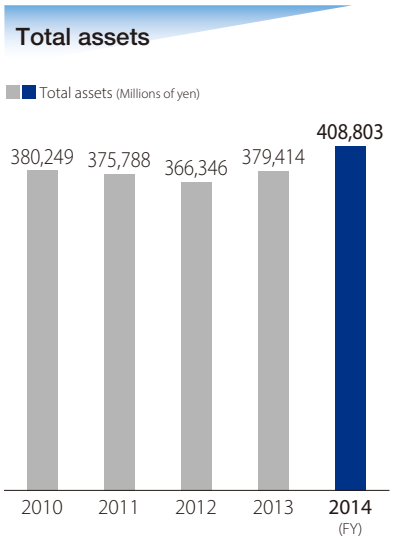
Aided by an increase in funds due to foreign currency translation adjustments, cash and cash equivalents at the end of year increased by ¥10,809 million to ¥60,770 million.

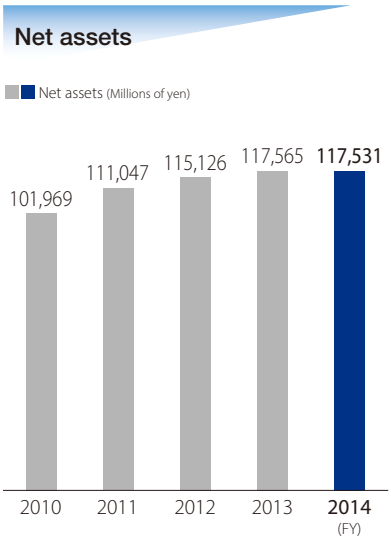
5. Basic policy for profit distribution, dividend, and proposed dividend

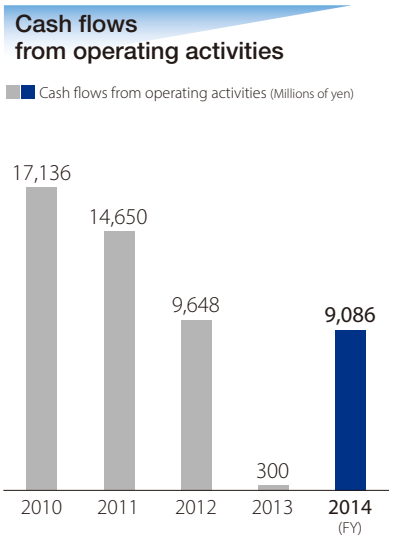
Our basic policy for profit distribution is to implement the appropriate level of stable dividend payment in light of underlying business results consecutively, while trying to enhance retained earnings required for future business development. Retained earnings should be employed for capital investment and R&D to strengthen our business base and expansion of business fields.

As regards the end-of-year dividend, based on this policy and comprehensively taking into consideration such factors as business performance and the internal reserves needed to develop future businesses, we have proposed ¥10.00 per share year-end dividends to the shareholders meeting.

In addition, we are planning to raise next year-end dividends by ¥2.00 to ¥12.00 per share, based on this policy and our business forecasts.







6. Business Risks

(1) Business environment

A large proportion of the sales of the Hitachi Zosen Group comprise public works projects. In order to secure stable profits, the Group is executing various business restructuring initiatives, including working to create a more balanced portfolio of businesses meeting official-sector demand and businesses meeting private-sector demand, and to expand our solutions businesses centered on our after-sales service, operation and maintenance businesses. However, if these business restructuring initiatives are not successful, the manifestation of the related risks has the potential to adversely affect the Group's operating results and/or financial position.

(2) Price competitiveness

The markets for the products of the Hitachi Zosen Group have experienced an extended and intense price competitiveness, with a downward trend for order prices. The Group is working zealously to reduce fixed costs such personnel and business expenses, and to reform the structure of fixed overheads. However, if the downward trend for order prices extends even longer into the future, the manifestation of the related risks has the potential to adversely affect the Group's operating results and/or financial position.

(3) Soaring raw material prices

The Hitachi Zosen Group possesses many products and projects that use steel materials, nonferrous metal products such as stainless steel, and petroleum products, and works zealously to reduce the costs of materials by concentrating materials procurement functions and by strengthening Group procurement and Group joint purchasing. However, if the prices rise for materials such as steel materials, nonferrous metal and crude oil, or for their secondary products, the manifestation of the related risks has the potential to adversely affect the Group's operating results and/or financial position.

(4) Order intake risk

The Hitachi Zosen Group established the Risk Management Group in the Corporate Planning Department as regards large order intake projects, and executes risk management as regards order intake projects related to technology, business conditions and other factors. The Group strives to rigorously eliminate these risks at the time of order intake through the Risk Examination Committee. However, if risks materialize that were unforeseen at the time of order intake, the manifestation of the related risks has the potential to adversely affect the Group's operating results and/or financial position.

(5) Rises in interest rates and fluctuations in foreign exchange rates

The Hitachi Zosen Group works to strengthen its financial position centered on the reduction of interest-bearing liabilities, and also hedges against the risks of changes in interest rates and of fluctuations in foreign exchange rates. However, if there are rises in interest rates or fluctuations in foreign exchange rates, the manifestation of the related risks has the potential to adversely affect the Group's operating results and/or financial position.

(6) Overseas business risks and country risks

The Hitachi Zosen Group is expanding its overseas business, and strives to concentrate information related to country risks in overseas regions and to educate Group employees. However, if risks materialize as a result of an unstable political situation in a region, of trade sanctions, of cultural or legal differences, or of special labor-management relations, the manifestation of the related risks may obstruct smooth business operations and has the potential to adversely affect the Group's operating results and/or financial position.

(7) Disasters

To minimize the damage that would be inflicted by such disasters as earthquakes, typhoons and pandemics, the Hitachi Zosen Group has formulated a business continuity plan, conducts inspections and training, and has put in place the framework for employees to keep in contact with each other if an emergency occurs. However, if damage is inflicted on human beings or physical objects as a result of such a disaster, the manifestation of the related risks has the potential to adversely affect the Group's operating results and/or financial position.

Corporate Governance and Compliance

Recognizing that enhancement of corporate governance is one of our top-priority management issues to ensure corporate soundness, transparency and efficiency, increase corporate value, and fulfill the Company's responsibilities as a good corporate citizen, we are working to establish a framework that enables effective corporate governance. In addition, we are working proactively to strengthen our compliance management in order to manage the Company in conformity with laws and regulations and corporate ethics, and fulfill our social responsibilities.

Corporate governance system

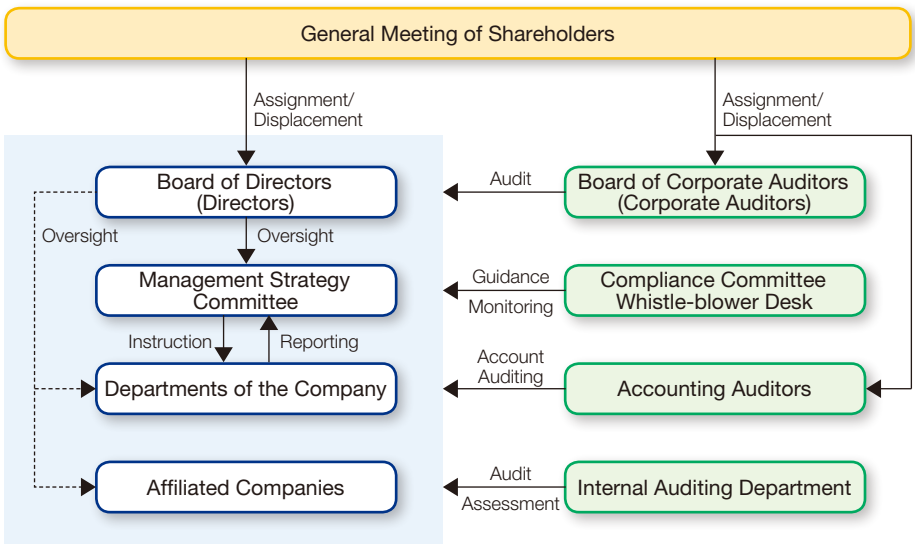
Our principal management decision-making bodies consist of the Board of Directors and the Management Strategy Committee. In addition to dealing with issues stipulated by the law, the Board of Directors decides upon important matters such as basic management policies, and oversees the execution of operations. The Management Strategy Committee, which comprises top management personnel, conducts thorough discussion of basic strategies and important matters. This system facilitates appropriate management decisions.

Hitachi Zosen ensures transparency and appropriateness in its decision-making by bringing in external points of view to management. One outside director was appointed in 2013 with the goal of further strengthening supervisory functions pertaining to the execution of business. In June 2015, we added one more outside director to make a two-outside director framework, in order to increase corporate value by further enhancing our corporate governance. The Company has also adopted an executive officer system, which is aimed at striking a balance between strengthening the supervision function performed by the directors and facilitating the swift and appropriate execution of business. To achieve this objective, some of the business execution functions performed by directors are delegated to executive officers. As of July 2015, there are 10 directors (of which two are outside directors) and 21 executive officers.

Auditing functions are performed by the Board of Corporate Auditors, comprising two full-time corporate auditors and two part-time outside corporate auditors as of July 2015. Corporate auditors attend meetings of the Board of Directors regularly and other meetings as needed, and implement audits of management from a neutral, objective standpoint under a system in which they can fully audit the execution of operations of directors and other high-ranking executives. In addition to the corporate auditors (the Board of Corporate Auditors), we have set up an Internal Auditing Department as a division responsible for internal audits. The Internal Auditing Group within the department implements ongoing internal audits related to matters such as finance and accounting, internal controls and procedures, business risks, and compliance across all management activities. At the same time, the Internal Control Group within the department makes assessments of internal controls on financial reporting in line with the stipulations of the Financial Instruments and Exchange Act, aiming to improve internal control functions through the exchange of information with the corporate auditors at appropriate times.

Compliance system

We have established a Compliance Committee, with the representative director serving as chairman. Under this committee, surveys and verifications of all corporate activities are conducted regularly from the legal and corporate ethical standpoints. Furthermore, the Hitachi Zosen Group has established the "Hitz Group Charter of Ethical Behavior" as ethical behavior guidelines to be observed by all the directors and employees of the Group. By educating all directors and employees, the Group is aiming to improve awareness of compliance and promote the maintenance of a high standard of corporate ethics. At the same time we have established a whistle-blowing system to enable employees to consult with/report to an external consultant so that we can promptly and effectively prevent, detect, and address any violations of laws, regulations and corporate ethics.



Board of Directors, Corporate Auditors and Executive Officers

(As of June 23, 2015)

Director

Representative Director,
Chairman and Chief Executive Officer

Minoru Furukawa

April 1966 Joined the Company
June 1998 Director, the Company
June 1999 Executive Officer, the Company
June 2001 Representative Director, Senior Managing Director, the Company
June 2005 Representative Director, President, the Company
June 2010 Representative Director, Chairman and President, the Company
April 2013 Representative Director, Chairman and Chief Executive Officer, the Company (current position)

Representative Director,
President and Chief Operating Officer

Takashi Tanisho

April 1973 Joined the Company
April 2009 Executive Officer, the Company
April 2010 General Manager of Precision Machinery Headquarters, and General Manager of Chikkou Works, the Company
June 2010 Director, the Company
June 2010 Responsible for Precision Machinery Headquarters, and General Manager of Precision Machinery Headquarters, and General Manager of Chikkou Works, the Company
April 2011 Responsible for Precision Machinery Headquarters, and General Manager of Precision Machinery Headquarters, and General Manager of Business & Product Development Division, Precision Machinery Headquarters, the Company
April 2012 Managing Director, the Company
April 2012 Responsible for Business & Product Development Headquarters and Precision Machinery Headquarters, and General Manager of Business & Product Development Headquarters, the Company
April 2013 Representative Director, President and Chief Operating Officer, the Company (current position)

Vice-Chairman

Masaki Hashikawa

April 1971 Joined The Sanwa Bank, Limited
June 1998 Director, The Sanwa Bank, Limited
June 1999 Executive Officer, The Sanwa Bank, Limited
March 2001 Managing Executive Officer, The Sanwa Bank, Limited
January 2002 Managing Executive Officer, UFJ Bank Limited
May 2002 Senior Managing Executive Officer, UFJ Bank Limited
April 2003 Director, Executive Vice President, Nissho Iwai - Nichimen Holdings Corporation
June 2003 Executive Vice President, Nissho Iwai Corporation
April 2004 Representative Director, Chairman, Sojitz Corporation
July 2004 Director, Executive Vice President, Sojitz Holdings Corporation
October 2004 Director, Executive Vice President, Sojitz Corporation
October 2005 Representative Director, Executive Vice President, Sojitz Corporation
April 2008 Representative Director and Vice Chairman, Sojitz Corporation
June 2012 Corporate Advisor, Sojitz Corporation
June 2013 Vice-Chairman, the Company (current position)

Representative Director,
Executive Vice-President

Hisao Matsuwake

April 1972 Joined the Company
June 2006 Director, the Company
April 2009 Managing Director, the Company
April 2011 Responsible for Global Business Promotion Headquarters, and General Manager of Global Business Promotion Headquarters, the Company
April 2012 Responsible for Production, and responsible for Procurement Headquarters, Business Planning Headquarters and Production Engineering Dept., and General Manager of Procurement Headquarters, the Company
April 2013 Representative Director, Executive Vice-President, the Company (current position)
April 2013 Assistant to the President (Responsible for Machinery & Infrastructure Headquarters, Procurement Headquarters and Production Engineering Dept.), and General Manager of Machinery & Infrastructure Headquarters, and General Manager of Procurement Headquarters, the Company
July 2014 Assistant to the President (Responsible for Machinery & Infrastructure Headquarters, Procurement Headquarters, Production Engineering Dept. and Nuclear Equipment Business Promotion Dept.), and General Manager of Machinery & Infrastructure Headquarters, and General Manager of Procurement Headquarters, the Company
April 2015 Assistant to the President (Responsible for Production Engineering Dept.) and General Manager of Procurement Headquarters, the Company (current position)

Corporate Auditor

Full-time Corporate Adviser

Masamichi Tokuhira

April 1973 Joined the Company
June 2001 General Manager of Accounting & Finance Dept., the Company
April 2005 Executive Officer, the Company
June 2006 Executive Officer, Universal Shipbuilding Corporation
April 2009 Full-time Corporate Auditor, Universal Shipbuilding Corporation
April 2010 President, Universal System & Machinery Co., Ltd.
April 2012 Corporate Adviser, the Company
June 2012 Full-time Corporate Auditor, the Company (current position)

Full-time Corporate Auditor

Koji Abo

April 1973 Joined the Company
December 2005 General Manager of Legal & Intellectual Property Dept., the Company
April 2009 Executive Officer, the Company
April 2011 Managing Executive Officer, the Company
June 2012 Managing Director, the Company (current position)
June 2012 Responsible for Legal & Intellectual Property Dept., General Affairs & Human Resources Dept. and Environmental Management & Safety Dept., the Company
April 2015 General Manager of General Administration Headquarters, the Company
June 2015 Full-time Corporate Auditor, the Company (current position)

Managing Director
Masayuki Morikata

April 1974 Joined the Company
June 2006 General Manager of Accounting & Finance Dept., the Company
April 2009 Executive Officer, the Company
June 2010 Director, the Company
June 2010 Responsible for Corporate Planning Dept., Accounting & Finance Dept. and Overseas Business Administration Dept., and General Manager of Corporate Planning Dept., the Company
April 2012 Managing Director, the Company (current position)
April 2012 Responsible for Corporate Planning Dept., Accounting & Finance Dept. and Overseas Business Administration Dept., the Company
April 2014 Responsible for Corporate Planning Dept., Accounting & Finance Dept., Subsidiary Administration Dept. and Overseas Business Administration Dept., the Company
April 2015 General Manager of Corporate Planning Headquarters, the Company
June 2015 General Manager of General Administration Headquarters & General Manager of Corporate Planning Headquarters, the Company (current position)

Managing Director
Toru Shimizu

April 1975 Joined the Company
April 2008 Executive Officer, the Company
April 2010 General Manager of Business & Product Development Headquarters, the Company
June 2010 Director, the Company
April 2012 General Manager of Precision Machinery Headquarters, and General Manager of Business & Product Development Division, Precision Machinery Headquarters, the Company
April 2013 Responsible for Technology Development Headquarters and Precision Machinery Headquarters, and General Manager of Technology Development Headquarters, the Company
April 2014 Managing Director, the Company (current position)
April 2014 Responsible for Technology Development Headquarters, Precision Machinery Headquarters and Information System Dept., and General Manager of Technology Development Headquarters, the Company
April 2015 General Manager of Technology Development Headquarters, the Company (current position)

Managing Director
Wataru Kobashi

April 1974 Joined the Company
April 2010 Executive Officer, the Company
April 2012 General Manager of Business Planning Headquarters, the Company
June 2012 Director, the Company
April 2013 Responsible for Business Planning Headquarters, and General Manager of Business Planning Headquarters, the Company
April 2014 Managing Director, the Company (current position)
April 2015 General Manager of Machinery Business Headquarters, the Company (current position)

Managing Director
Sadao Mino

April 1982 Joined the Company
April 2010 General Manager of Environmental Solutions EPC Business Unit, Environmental Systems & Solutions Division, Engineering Headquarters, the Company
April 2011 Executive Officer, the Company
April 2011 General Manager of Environmental Solutions EPC Business Unit, Engineering Headquarters, the Company
April 2012 General Manager of Environmental Solutions EPC Business Unit, Environmental Systems & Solutions Division, Engineering Headquarters, the Company
January 2013 General Manager of Engineering Business Division, Environment, Energy & Plant Headquarters, the Company
April 2013 Managing Executive Officer, the Company
April 2015 General Manager of Environment Business Headquarters, responsible for Architect Supervision Dept. and Quality Assurance Dept., the Company (current position)
June 2015 Managing Director, the Company (current position)

Outside Director
Chiaki Ito

April 1970 Joined Fujitsu Limited
June 2004 Corporate Executive Vice President and Director, Fujitsu Limited
June 2006 Corporate Senior Executive Vice President and Representative Director, Fujitsu Limited
June 2008 Vice Chairman and Director, Fujitsu Limited
April 2010 Chairman and Representative Director, FUJITSU RESEARCH INSTITUTE
June 2012 Senior Executive Advisor, FUJITSU RESEARCH INSTITUTE (retired in May 2014)
June 2013 Director, the Company (current position)
June 2014 Corporate Advisor, FUJITU RESEARCH INSTITUTE
June 2015 Outside Director, ZENSHO HOLDINGS CO., LTD. (current position)
June 2015 Outside Director, OBIC BUSINESS CONSULTANTS CO., LTD. (current position)

Outside Director
Kazuko Takamatsu

April 1974 Joined Sony Corporation
August 2000 Director, Sony Digital Network Applications, Inc.
April 2003 Representative Director, Sony Digital Network Applications, Inc.
October 2008 VP in charge of Environment, Sony Corporation
April 2012 Advisor, YAMAGATA INTECH Corporation
April 2013 Executive Director and Secretariat, Japan Institute for Women's Empowerment & Diversity Management (current position)
May 2015 Outside Director, Dexerials Corporation (current position)
June 2015 Outside Director, the Company (current position)

Outside Corporate Auditor
Makoto Yagi

April 1972 Joined The Kansai Electric Power Co., Inc.
June 2005 Director, The Kansai Electric Power Co., Inc.
June 2006 Managing Director, The Kansai Electric Power Co., Inc.
June 2009 Executive Vice President and Representative Director, The Kansai Electric Power Co., Inc.
June 2010 President and Representative Director, The Kansai Electric Power Co., Inc. (current position)
June 2013 Outside Corporate Auditor, the Company (current position)

Outside Corporate Auditor
Kenichi Takashima

April 1971 Joined Japan Management Association
September 1976 Joined Honda Motor Co., Ltd.
June 1996 General Manager of Finance Division, Honda Motor Co., Ltd.
June 1998 Director and General Manager of Accounting Division, Honda Motor Co., Ltd.
June 2000 Corporate Auditor (full time), Honda Motor Co., Ltd.
June 2003 Advisor, Honda Motor Co., Ltd. (retired in June 2007)
April 2010 Auditor, Government Pension Investment Fund, Japan (retired in March 2014)
June 2014 Outside Corporate Auditor, the Company (current position)
May 2015 Outside Director, MAXVALU CHUBU CO.,LTD. (current position)

Tackling Environmental Issues

Hitachi Zosen positions the achievement of harmony between its activities and the global natural environment as a linchpin of its business across all operational segments. In 1992, we formulated a number of basic environmental protection policies to embody our efforts on environmental issues. These policies include the statement that: "The Company recognizes its responsibilities as a good corporate citizen and proactively solves environmental issues on a global basis. It endeavors to promote environmental protection based on the understanding that the protection of nature and the living environments of local communities are corporate social responsibilities."

In line with this basic policy, in 1993 our Environmental Protection Committee drew up the Environmental Protection Promotion Plan, which, in addition to the global environmental activities we had already been carrying out, called for the strengthening of environmental management systems, the promotion of global environmental protection, energy conservation, and conservation of natural resources, as well as increased efforts toward communication in the field of global environmental protection. The staff at all our business premises drew up targets under this promotion plan and commenced activities aimed at protecting and preserving the natural environment.

Promoting environmental management systems

In March 1998, the Company's Maizuru Works became Japan's first shipyard to obtain ISO 14001 certification. Since then, seven of the Company's plants in Japan and two business divisions have acquired this certification. We plan to continue improving our environmental management systems to ensure appropriate countermeasures against environmental risks.

Promoting global environmental protection and the conservation of energy and natural resources

The Company's energy conservation measures include shifting fuel from heavy oil to LNG, adopting improved operational methods as well as energy-saving equipment such as transformers and compressors, and setting stricter temperature standards for heating and air-conditioning so as to help reduce atmospheric CO_2 levels. At the end of fiscal 2011, we replaced all lighting fixtures in existing office buildings with LED lights. We installed a 100kW-class solar power generation system at Ariake Works in fiscal 2010, and in fiscal 2011 we installed a 133kW system at Chikko Works, a 70kW system at Maizuru Works, and in fiscal 2012 a 88kW system at the Nanko Headquarters, for a total of 391kW. In fiscal 2013, we contributed to the reduction of carbon dioxide by selling 1,500kW of solar power generated at Innoshima Works and 5,000kW from the biomass power generation system that uses waste timber materials now under construction at Ibaraki Works.

We are working to ensure that 100% of scrap metal is recycled, and are also promoting a higher recycling rate for waste paper and the conversion of waste oil into fuel. We also recycle waste wood materials, turning them into chips and recycling them for use in other products, flux is turned into roadbed materials, and shotblast waste sand into raw material for cement.

Promoting communication on environmental protection

We have published an Environmental and Social Report every year since 2002, in which we actively disclose the contents of our efforts on global environmental protection and local environmental preservation. We also cooperate with local governments and communities on various activities for promoting environmental protection (such as local recycling and tree-planting campaigns) and participate in such activities. Furthermore, we join hands with organizations involved in environmental protection, and exchange activities and information with them.

Regarding the management of chemical substances, we employ PRTRs to maintain an accurate grasp of the volumes of all chemical substances emitted, generated, or transported. We have drawn up the "Voluntary Management Plan for Chemical Substances," under which we manage such substances appropriately while taking steps to reduce their amount.

In order to contribute to biodiversity through our products and services, in March 2012, we established action guidelines that are in line with the Declaration of Biodiversity by Keidanren and we are pursuing biodiversity-related activities.

In April 2012, we participated in Osaka's adopt-a-forest activities and began forest creation activities including tree trimming and planting.

Achievements under the Hitachi Zosen Environmental Protection Promotion Plan

◎ Fully on target ○ Partially on target △ Short of target

Measures		Medium-term target	Results in fiscal year 2014	Evaluation
Environmental management	Adoption of environmental management systems	• Acquisition of ISO 14001 for all places of business • Implementation of environmental audits	• Implemented environmental audits on Company factories via dedicated local community environment protection committee • Internal audits of factories and offices conducted by Internal Auditing Officer • External environment audit conducted by third-party institution	◎
	Promote "Green Purchasing"	—	• Promote purchasing of products with as little environmental burden as possible • Promoted central purchasing of eco-friendly products via the Internet	◎
Reducing environmental burden of business activities	Restrictions on use of ozone-depleting substances	Proper disposal of chlorofluorocarbon equipment according to Law on Collection of Chlorofluorocarbon of Special Products and Their Destruction	• Upgraded chlorofluorocarbon equipment	◎
	Reducing CO_2 emissions	FY2005 as the base year Medium-term target: 2.8% decrease in FY2016 Long-term target: 3.8% decrease in FY2020	1.7% decrease over FY2005 FY2005: 44,772 tons CO_2 FY2013: 44,025 tons CO_2	△
	Reducing waste generated (excluding valuable materials)	Reduction of FY2015 amount to 90% of FY2000 level	Decreased by 17.1% decrease of FY2000 level FY2000: 3,855 tons FY2014: 3,195 tons	◎
	Reducing landfill waste	Reduction of FY2015 amount to 35% of FY2000 level	Decreased by 65.5% decrease of FY2000 level FY2000: 942 tons FY2013: 325 tons	◎
Contribution to local environmental protection	Achieve full environmental protection at workplaces	—	• Complied with stipulations of environmental protection legislation • Carried out environmental measures in line with agreements with local communities, or independently by our factories/offices	◎
	Contribute to local communities	—	Participated in environmental protection campaigns by government bodies, local communities, etc.	◎

Financial Section

Consolidated Balance Sheets

Hitachi Zosen Corporation and Consolidated Subsidiaries
At March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
ASSETS			
Current assets:			
Cash and time deposits (Note 14)	¥ 54,462	**¥ 62,384**	**$ 519,131**
Receivables:			
Trade notes and accounts:			
Nonconsolidated subsidiaries and affiliates	897	**918**	**7,639**
Other	121,440	**135,603**	**1,128,426**
Other	5,875	**3,545**	**29,500**
Allowance for doubtful receivables	(1,541)	**(1,718)**	**(14,296)**
	126,671	**138,348**	**1,151,269**
Marketable securities (Notes 3 and 5)	52	**1**	**9**
Inventories (Note 4)	21,156	**26,118**	**217,342**
Deferred tax assets (Note 19)	6,203	**5,658**	**47,083**
Prepaid expenses and other current assets (Note 5)	7,129	**6,880**	**57,252**
Total current assets	215,673	**239,389**	**1,992,086**
Property, plant and equipment, at cost (Note 5):			
Land (Notes 7 and 22)	67,607	**66,505**	**553,424**
Buildings and structures (Note 22)	77,637	**79,350**	**660,315**
Machinery and equipment	95,203	**100,354**	**835,100**
Lease assets (Note 15)	1,303	**1,442**	**12,000**
Construction in progress	1,499	**3,010**	**25,048**
	243,249	**250,661**	**2,085,887**
Less accumulated depreciation	(121,218)	**(125,324)**	**(1,042,890)**
Property, plant and equipment, net	122,031	**125,337**	**1,042,997**
Intangible assets:			
Goodwill	3,432	**5,701**	**47,441**
Other intangible assets	3,855	**4,896**	**40,742**
Total intangible assets	7,287	**10,597**	**88,183**
Investments and other noncurrent assets:			
Investments in nonconsolidated subsidiaries and affiliates (Notes 3 and 5)	8,354	**8,276**	**68,869**
Investments in securities (Notes 3 and 5)	15,523	**16,213**	**134,917**
Long-term loans receivable (Note 5)	53	**47**	**391**
Net defined benefit assets (Note 18)	812	**542**	**4,510**
Deferred tax assets (Note 19)	3,286	**2,161**	**17,983**
Other investments and noncurrent assets (Note 5)	7,474	**7,209**	**59,990**
Allowance for doubtful receivables	(1,102)	**(1,015)**	**(8,446)**
Total investments and other noncurrent assets	34,400	**33,433**	**278,214**
Deferred assets	23	**47**	**392**
Total assets	¥379,414	**¥408,803**	**$3,401,872**

See the accompanying Notes to the Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
LIABILITIES			
Current liabilities:			
Notes and accounts payable:			
Nonconsolidated subsidiaries and affiliates	¥ 434	¥ 155	$ 1,290
Other	58,198	58,714	488,591
Short-term borrowings (Note 5)	10,326	5,205	43,313
Current portion of long-term debt (Note 5)	22,607	33,780	281,102
Accrued expenses	42,114	57,783	480,844
Accrued income taxes	1,836	1,661	13,822
Advances received on work in progress	16,651	14,927	124,216
Reserve for directors' and corporate auditors' bonuses	39	13	108
Reserve for product warranty	3,983	4,329	36,024
Reserve for losses on construction contracts (Note 4)	7,517	5,569	46,343
Other current liabilities	9,761	10,324	85,911
Total current liabilities	173,466	192,460	1,601,564
Long-term liabilities:			
Long-term debt, less current portion (Note 5)	70,561	79,242	659,416
Asset retirement obligations (Note 21)	879	918	7,639
Deferred tax liabilities (Note 19)	2,545	1,236	10,285
Net defined benefit liability (Note 18)	12,135	15,490	128,901
Directors' and corporate auditors' severance and retirement benefits	500	385	3,204
Other noncurrent liabilities (Note 5)	1,763	1,541	12,824
Total long-term liabilities	88,383	98,812	822,269
Total liabilities	261,849	291,272	2,423,833
CONTINGENT LIABILITIES (Note 6)			
NET ASSETS (Note 8):			
Common stock Authorized — 400,000,000 shares Issued — 159,214,656 shares At March 31, 2014 — 167,843,845 shares At March 31, 2015	45,442	45,442	378,147
Capital surplus	5,974	9,576	79,687
Retained earnings	50,467	53,089	441,782
Treasury stock, at cost — 2,743,807 shares in 2014 — 829,840 shares in 2015	(1,995)	(411)	(3,420)
Net unrealized holding gains (losses) on securities	416	853	7,098
Net unrealized holding gains (losses) on hedging derivatives	(775)	(844)	(7,023)
Land revaluation difference (Note 7)	(22)	(4)	(33)
Foreign currency translation adjustments	2,504	4,266	35,500
Remeasurements of defined benefit plans	(1,688)	(3,201)	(26,637)
Subscription rights to shares	1	—	—
Minority interests in consolidated subsidiaries	17,241	8,765	72,938
Total net assets	117,565	117,531	978,039
Total liabilities and net assets	¥379,414	¥408,803	$3,401,872

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Income

Hitachi Zosen Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	**2015**	**2015**
Net sales	¥333,433	**¥359,332**	**$2,990,197**
Cost of sales (Note 9)	283,260	**302,495**	**2,517,225**
Gross profit	50,173	**56,837**	**472,972**
Selling, general and administrative expenses	42,294	**44,018**	**366,298**
Operating income	7,879	**12,819**	**106,674**
Other income (expenses):			
Interest and dividend income	240	**352**	**2,929**
Interest expense	(1,162)	**(1,056)**	**(8,787)**
Foreign exchange gain (loss)	51	**(2,983)**	**(24,823)**
Equity in net loss of nonconsolidated subsidiaries and affiliates	(1,003)	**(910)**	**(7,573)**
Gain on bargain purchases (Note 10)		**3,146**	**26,180**
Impairment loss (Note 11)	—	**(1,336)**	**(11,118)**
Other, net	215	**(653)**	**(5,434)**
Total other expenses	(1,659)	**(3,440)**	**(28,626)**
Income before income taxes and minority interests	6,220	**9,379**	**78,048**
Income taxes (Note 19)			
Current	2,234	**2,765**	**23,009**
Deferred	(737)	**465**	**3,870**
Income before minority interests	4,723	**6,149**	**51,169**
Minority interests in net income of consolidated subsidiaries	1,003	**1,049**	**8,729**
Net income	¥ 3,720	**¥ 5,100**	**$ 42,440**

	Yen		U.S. dollars (Note 1)
	2014	**2015**	**2015**
Amounts per share (Note 2)			
Net income	¥23.77	**¥30.52**	**$0.25**
Cash dividends	10.00	**10.00**	**0.08**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Hitachi Zosen Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Income before minority interests	¥4,723	**¥ 6,149**	**$ 51,169**
Other comprehensive income			
Net unrealized holding gains on securities	92	**259**	**2,155**
Net unrealized holding gains (losses) on hedging derivatives	371	**(83)**	**(691)**
Foreign currency translation adjustments	1,634	**1,348**	**11,218**
Remeasurements of defined benefit plans	—	**(1,558)**	**(12,965)**
Equity of nonconsolidated subsidiaries and affiliates accounted for using equity method	519	**747**	**6,216**
Total other comprehensive income (Note 12)	2,616	**713**	**5,933**
Total comprehensive income	7,339	**6,862**	**57,102**
Comprehensive income attributable to			
Owners of the parent	6,240	**5,735**	**47,724**
Minority interests	1,099	**1,127**	**9,378**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Hitachi Zosen Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2014 and 2015

For the year ended March 31, 2014

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 13)	Total shareholders' equity
Balance at beginning of year	¥45,442	¥5,974	¥48,314	¥(1,799)	¥97,931
Cumulative effects of changes in accounting policies					
Restated balance	45,442	5,974	48,314	(1,799)	97,931
Changes of items during the period					
Cash dividends			(1,567)		(1,567)
Increase by merger					
Net income			3,720		3,720
Treasury stock disposed, net		0		0	0
Treasury stock purchased, net				(196)	(196)
Decrease due to exclusion of affiliates					
Reversal of land revaluation difference					
Net changes of items other than shareholders' equity					
Total changes during the period	—	0	2,153	(196)	1,957
Balance at end of year	¥45,442	¥5,974	¥50,467	¥(1,995)	¥99,888

	Other accumulated comprehensive income									
	Net unrealized holding gains (losses) on securities	Net unrealized holding gains (losses) on hedging derivatives	Pension obligation adjustments of overseas subsidiaries	Land revaluation difference (Note 7)	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other accumulated comprehensive income	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance at beginning of year	¥292	¥(1,110)	¥ 880	¥(22)	¥ 443	¥ —	¥483	¥ 1	¥16,711	¥115,126
Cumulative effects of changes in accounting policies										
Restated balance	292	(1,110)	880	(22)	443	—	483	1	16,711	115,126
Changes of items during the period										
Cash dividends										(1,567)
Increase by merger										
Net income										3,720
Treasury stock disposed, net										0
Treasury stock purchased, net										(196)
Decrease due to exclusion of affiliates										
Reversal of land revaluation difference										
Net changes of items other than shareholders' equity	124	335	(880)	—	2,061	(1,688)	(48)	—	530	482
Total changes during the period	124	335	(880)	—	2,061	(1,688)	(48)	—	530	2,439
Balance at end of year	¥416	¥ (775)	¥ —	¥(22)	¥2,504	¥(1,688)	¥435	¥ 1	¥17,241	¥117,565

See the accompanying Notes to the Consolidated Financial Statements.

For the year ended March 31, 2015

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 13)	Total shareholders' equity
Balance at beginning of year	¥45,442	¥5,974	¥50,467	¥(1,995)	¥ 99,888
Cumulative effects of changes in accounting policies			(691)		(691)
Restated balance	45,442	5,974	49,776	(1,995)	99,197
Changes of items during the period					
Cash dividends			(1,564)		(1,564)
Increase by merger		3,602		1,990	5,592
Net income			5,100		5,100
Treasury stock disposed, net		(0)		0	0
Treasury stock purchased, net				(406)	(406)
Decrease due to exclusion of affiliates			(205)		(205)
Reversal of land revaluation difference			(18)		(18)
Net changes of items other than shareholders' equity					
Total changes during the period	—	3,602	3,313	1,584	8,499
Balance at end of year	¥45,442	¥9,576	¥53,089	¥ (411)	¥107,696

	Other accumulated comprehensive income									
	Net unrealized holding gains (losses) on securities	Net unrealized holding gains (losses) on hedging derivatives	Pension obligation adjustments of overseas subsidiaries	Land revaluation difference (Note 7)	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other accumulated comprehensive income	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance at beginning of year	¥416	¥(775)	¥—	¥(22)	¥2,504	¥(1,688)	¥ 435	¥ 1	¥17,241	¥117,565
Cumulative effects of changes in accounting policies										(691)
Restated balance	416	(775)	—	(22)	2,504	(1,688)	435	1	17,241	116,874
Changes of items during the period										
Cash dividends										(1,564)
Increase by merger										5,592
Net income										5,100
Treasury stock disposed, net										0
Treasury stock purchased, net										(406)
Decrease due to exclusion of affiliates										(205)
Reversal of land revaluation difference				18			18			—
Net changes of items other than shareholders' equity	437	(69)	—	—	1,762	(1,513)	617	(1)	(8,476)	(7,860)
Total changes during the period	437	(69)	—	18	1,762	(1,513)	635	(1)	(8,476)	657
Balance at end of year	¥853	¥(844)	¥—	¥ (4)	¥4,266	¥(3,201)	¥1,070	¥—	¥ 8,765	¥117,531

See the accompanying Notes to the Consolidated Financial Statements.

For the year ended March 31, 2015

(Thousands of U.S. dollars (Note 1))

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 13)	Total shareholders' equity
Balance at beginning of year	$378,147	$49,713	$419,963	$(16,601)	$831,222
Cumulative effects of changes in accounting policies			(5,750)		(5,750)
Restated balance	378,147	49,713	414,213	(16,601)	825,472
Changes of items during the period					
Cash dividends			(13,015)		(13,015)
Increase by merger		29,974		16,560	46,534
Net income			42,440		42,440
Treasury stock disposed, net		(0)		0	0
Treasury stock purchased, net				(3,379)	(3,379)
Decrease due to exclusion of affiliates			(1,706)		(1,706)
Reversal of land revaluation difference			(150)		(150)
Net changes of items other than shareholders' equity					
Total changes during the period		29,974	27,569	13,181	70,724
Balance at end of year	$378,147	$79,687	$441,782	$ (3,420)	$896,196

	Other accumulated comprehensive income									
	Net unrealized holding gains (losses) on securities	Net unrealized holding gains (losses) on hedging derivatives	Pension obligation adjustments of overseas subsidiaries	Land revaluation difference (Note 7)	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total other accumulated comprehen-sive income	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance at beginning of year	$3,462	$(6,449)	$—	$(183)	$20,837	$(14,047)	$3,620	$ 8	$143,472	$978,322
Cumulative effects of changes in accounting policies										(5,750)
Restated balance	3,462	(6,449)	—	(183)	20,837	(14,047)	3,620	8	143,472	972,572
Changes of items during the period										
Cash dividends										(13,015)
Increase by merger										46,534
Net income										42,440
Treasury stock disposed, net										0
Treasury stock purchased, net										(3,379)
Decrease due to exclusion of affiliates										(1,706)
Reversal of land revaluation difference				150			150			—
Net changes of items other than shareholders' equity	3,636	(574)	—	—	14,663	(12,590)	5,135	(8)	(70,534)	(65,407)
Total changes during the period	3,636	(574)	—	150	14,663	(12,590)	5,285	(8)	(70,534)	5,467
Balance at end of year	$7,098	$(7,023)	$—	$ (33)	$35,500	$(26,637)	$8,905	$—	$ 72,938	$978,039

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Hitachi Zosen Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 6,220	**¥ 9,379**	**$ 78,048**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	8,199	**8,196**	**68,203**
Impairment loss	—	**1,336**	**11,118**
Amortization of goodwill	476	**590**	**4,910**
Gain on bargain purchases	—	**(3,146)**	**(26,180)**
Increase (decrease) in allowance for doubtful receivables	156	**(67)**	**(557)**
Increase of net defined benefit liability	1,498	**1,562**	**12,998**
Decrease in reserve for losses on construction contracts	(2,277)	**(1,948)**	**(16,210)**
Interest and dividend income	(240)	**(352)**	**(2,929)**
Interest expense	1,162	**1,056**	**8,787**
Foreign exchange loss (gains)	(51)	**2,983**	**24,823**
Equity in net loss of nonconsolidated subsidiaries and affiliates	1,003	**910**	**7,573**
Increase in trade receivables	(14,433)	**(13,379)**	**(111,334)**
Increase in inventories	(1,815)	**(4,618)**	**(38,429)**
Decrease (increase) in other current assets	(4,314)	**2,542**	**21,153**
Increase (decrease) in trade payables	6,118	**(575)**	**(4,785)**
Increase in accrued expenses	5,018	**15,644**	**130,182**
Decrease in advances received	(103)	**(1,724)**	**(14,346)**
Increase (decrease) in other current liabilities	(2,269)	**386**	**3,212**
Other	(826)	**(6,369)**	**(53,000)**
Subtotal	3,522	**12,406**	**103,237**
Interest and dividends received	287	**365**	**3,038**
Interest paid	(1,210)	**(1,181)**	**(9,828)**
Income taxes paid	(2,299)	**(2,504)**	**(20,837)**
Net cash and cash equivalents provided by operating activities	300	**9,086**	**75,610**
Cash flows from investing activities:			
Increase in time deposits	(4,999)	**(2,061)**	**(17,151)**
Decrease in time deposits	3,600	**3,103**	**25,822**
Purchase of property, plant and equipment	(5,295)	**(11,944)**	**(99,392)**
Purchase of intangible assets	(529)	**(1,594)**	**(13,265)**
Purchase of investments in securities	(15)	**(523)**	**(4,352)**
Payments for investments in capital of affiliates	(2,502)	**—**	**—**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 14)	—	**(1,803)**	**(15,004)**
Other	1,043	**142**	**1,182**
Net cash and cash equivalents used in investing activities	(8,697)	**(14,680)**	**(122,160)**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	4,316	**(5,246)**	**(43,655)**
Proceeds from long-term debt	27,940	**33,254**	**276,725**
Payment of long-term debt	(30,836)	**(23,457)**	**(195,198)**
Proceeds from issuance of bonds	—	**10,000**	**83,215**
Cash dividends paid	(1,568)	**(1,565)**	**(13,023)**
Other	(366)	**(808)**	**(6,724)**
Net cash and cash equivalents provided by (used in) financing activities	(514)	**12,178**	**101,340**
Effect of exchange rate changes on cash and cash equivalents	2,444	**4,225**	**35,158**
Net increase (decrease) in cash and cash equivalents	(6,467)	**10,809**	**89,948**
Cash and cash equivalents at beginning of year	56,413	**49,961**	**415,752**
Cash and cash equivalents of newly consolidated subsidiaries, at beginning of year	15	**—**	**—**
Cash and cash equivalents at end of year (Note 14)	¥ 49,961	**¥ 60,770**	**$ 505,700**

See the accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Hitachi Zosen Corporation ("the Company") and its consolidated subsidiaries (together, "the Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2, the accounts of consolidated overseas subsidiaries for the year ended March 31, 2015 were prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S. $1.00. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or the existence of certain other conditions evidencing control by the Company. Investments in nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method.

The consolidated financial statements consist of the accounts of the Company and its eighty-seven significant subsidiaries that meet the control requirements for consolidation. Intercompany transactions and accounts have been eliminated in the consolidation.

Investments in one nonconsolidated subsidiary and twelve affiliates are accounted for by the equity method.

The consolidated financial statements include the accounts of twenty one consolidated subsidiaries the fiscal year-end of which is December 31. Appropriate adjustments were made for significant transactions during the period from December 31 to March 31, the date of the consolidated financial statements.

b) Cash Flow Statements

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and highly liquid debt investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

c) Translation of Foreign Currencies

Foreign currency monetary assets and liabilities are translated into Japanese yen at the year-end rates, and the resulting translation gains and losses are included in the current statement of income.

Assets and liabilities of the consolidated overseas subsidiaries are translated into Japanese yen using the exchange rates prevailing at the end of each fiscal year. Revenue and expenses are translated at the average rates of exchange for the respective years. The resulting foreign currency translation adjustments are shown as a separate component of net assets, net of minority interests, in the consolidated balance sheets.

d) Revenue Recognition

For construction for which the portion completed by the end of the fiscal year can be determined with certainty, the Companies record revenues by the percentage of completion method (the progress of work is measured by the percentage of cost method). For other construction, the Companies record revenues at the time of delivery using the completed contract method.

e) Allowance for Doubtful Receivables

For receivables from insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the allowance for doubtful accounts is provided based on an evaluation of each customer's financial condition and an estimation of recoverable amounts due to the existence of security interests or guarantees.

For other receivables, the allowance for doubtful receivables is provided based on the Companies' actual rate of bad debts in the past.

f) Securities

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for by the equity method are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized holding gains and unrealized holding losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the

sale of such securities are computed using moving average cost. Securities with no available fair market value which are classified as available-for-sale securities are stated at moving average cost.

If the market value of held-to-maturity debt securities, equity securities issued by nonconsolidated subsidiaries and affiliated companies or available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by nonconsolidated subsidiaries or affiliated companies not on the equity method is not readily available, the securities are written down to net asset value with a corresponding charge in the statement of income in the event net asset value declines significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

g) Derivatives and Hedge Accounting

Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

(1) Hedge accounting

The Companies defer recognition of gains and losses resulting from changes in the fair value of derivative financial instruments until the related losses and gains on the hedged items are recognized.

However, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the asset or liability for which the swap contract was executed.

(2) Hedging instruments and hedged items

Hedging instruments:	Interest rate swap contracts
Hedged items:	Interest on borrowings and bonds payable
Hedging instruments:	Forward foreign exchange contracts and other derivatives
Hedged items:	Trade receivables and expected trade receivables denominated in foreign currencies from exports of products, trade payables and expected trade payables denominated in foreign currencies from imports of materials

(3) Hedging policy

The Companies use derivative financial instruments to hedge future risks of interest rate fluctuations and future risks of foreign exchange fluctuations in accordance with their internal policies and procedures.

(4) Evaluation of hedge effectiveness

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows and foreign currency exchange or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

(5) Control over use of derivatives

When the accounting sections of group companies use derivatives, they follow the group companies' basic policies approved at the management strategy conferences and the group companies' administration rules.

h) Inventories

Work in progress is composed of the accumulated production costs of contracts. The accumulated production costs include direct production costs, factory and engineering overhead and other costs incurred. And it is stated at the lower of the accumulated production costs of contracts or net realizable value at the end of the fiscal year.

Raw materials and supplies are stated at the lower of the costs, which are generally determined by the specific identification method or the moving average method, or net realizable value at the end of the fiscal year.

i) Depreciation and Amortization

Depreciation, except for that leased assets, is computed, with minor exceptions, by the declining balance method. However, buildings acquired after March 31, 1998 are depreciated using the straight-line method.

Amortization of intangible assets, except for leased assets, is computed by the straight-line method based on the useful life of the asset.

Depreciation for leased assets is computed by the straight-line method over the term of the lease to the residual value of zero. Finance leases commencing prior to April 1, 2008 which do not transfer ownership and do not have bargain purchase provisions are accounted for by the same method as operating leases under Japanese GAAP.

j) Software Costs

The Companies include internal use software in intangible assets and depreciate it using the straight-line method over the estimated useful life of five years.

k) Goodwill

Goodwill is amortized by the straight-line method over five or ten years.

l) Deferred Assets

Bond issue expenses are amortized by the straight-line method over the repayment period of the bond.

m) Reserve for Directors' and Corporate Auditors' Bonuses

To provide for payment of bonuses to directors and corporate auditors, the Companies record an estimated amount at the end of the fiscal year.

n) Reserve for Product Warranty

The reserve for product warranty, which is based on the experience of the past two years, is provided to cover possible warranty costs incurred after delivery or completion of construction.

o) Reserve for Losses on Construction Contracts

To provide for losses on construction contracts, the Companies record an estimated amount at the end of the fiscal year.

p) Employees' Severance and Retirement Benefits

In calculating projected benefit obligation, the benefit formula basis is used as a method of attributing expected benefit obligation to the period up to the end of this fiscal year.

Unrecognized past service costs are recognized by the straight-line method over a certain term within the average remaining service period of the employees (from 5 to 12 years).

Unrecognized actuarial differences are recognized as income or expenses from the following fiscal year by the straight-line method over a certain term within the average remaining service period of the employees (from 5 to 12 years) of the respective fiscal years.

q) Directors' and Corporate Auditors' Severance and Retirement Benefits

To provide for payment of retirement benefits to directors and corporate auditors, the Companies record the required amount based on internal regulations for retirement benefits for directors and corporate auditors at the end of the fiscal year.

r) Research and Development Expenses

Research and development expenses are charged to selling, general and administrative expenses and manufacturing costs as incurred. Research and development expenses amounted to ¥6,285 million and ¥6,182 million ($51,444 thousand) for the years ended March 31, 2014 and 2015, respectively.

s) Income Taxes

The provision for income taxes is based on income for financial statement purposes. Deferred income taxes are recognized for loss carryforwards and temporary differences between financial and tax reporting purposes. Income taxes comprise corporation tax, enterprise tax and prefectural and municipal inhabitants taxes.

The Company and some of the consolidated subsidiaries have adopted the Japanese tax regulations allowing the Company to file under a consolidated taxation system.

t) Amounts Per Share

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during each year.

Diluted net income per share is not shown because there were no dilutive securities.

Net income per share and net income per share-diluted are calculated assuming the one for five share consolidation of common stocks effective October 1, 2013 occurred at the beginning of the fiscal year ended March 31, 2014.

u) Changing Accounting Policies

Effective from the year ended March 31, 2015, the Company and its consolidated domestic subsidiaries have applied Article 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and Article 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015) and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from the straight-line method to a benefit formula basis and determining the discount rates to use single-weighted average discount rates which reflect the estimated payment periods of retirement benefits and the amounts by the respective estimated payment periods.

In accordance with the Article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, the net defined benefit asset increased by ¥512 million ($4,261 thousand), the net defined benefit liability increased by ¥1,104 million ($9,187 thousand) and retained earnings decreased by ¥691 million ($5,750 thousand) at the beginning of the current fiscal year.

v) Unadopted Accounting Standard and Guidance

"Accounting Standards for Business Combination" (ASBJ Statement No. 21, September 13, 2013)

"Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013)

"Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013)

"Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, September 13, 2013)

"Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013)

"Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, September 13, 2013)

(1) Overview

The above standards and guidance have been revised primarily to account for:

i) How the changes of the shares in subsidiaries, over which the Company continues to control, should be treated by the Company when additional stock of a subsidiary is acquired.
ii) Treatment of acquisition related costs
iii) Presentation of current net income and the change of shareholder's equity from minority interests to non-controlling interests
iv) Provisional application of accounting treatments

(2) Effective dates

Effective from the beginning of the fiscal year ending March 31, 2016.

Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the fiscal year ending March 31, 2016.

(3) The effect of adoption of the standard and guidance

The effect of adoption of the standards and guidance is currently being examined.

w) Reclassifications

Certain reclassifications were made to previously reported amounts for the fiscal year ended March 31, 2014 to conform to the fiscal year ended March 31, 2015 presentation. These reclassifications had no effect on previously reported net loss or total shareholders' equity.

3. Securities

a) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2014 and 2015:

(1) Trading securities:

At March 31, 2014

	Millions of yen
Amount for the year of net unrealized gains included in the statements of income	¥7

(2) Held-to-maturity debt securities:

At March 31, 2014

Securities with available fair values exceeding book values:

	Millions of yen		
	Book value	Fair value	Difference
Government bonds	¥ 3	¥ 3	¥0
Others	19	21	2

At March 31, 2015

Securities with available fair values exceeding book values:

	Millions of yen		
	Book value	Fair value	Difference
Government bonds	**¥ 1**	**¥ 1**	**¥0**
Others	**23**	**25**	**2**

Securities with available fair values exceeding book values:

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
Government bonds	**$ 8**	**$ 8**	**$ 0**
Others	**191**	**208**	**17**

(3) Available-for-sale securities:

At March 31, 2014

Securities with book values (fair values) exceeding acquisition costs:

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥1,400	¥ 889	¥511
Others	375	343	32
Total	¥1,775	¥1,232	¥543

Securities with book values (fair values) not exceeding acquisition costs:

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥257	¥285	¥(28)
Others	13	16	(3)
Total	¥270	¥301	¥(31)

At March 31, 2015

Securities with book values (fair values) exceeding acquisition costs:

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	**¥1,663**	**¥ 939**	**¥724**
Others	**603**	**554**	**49**
Total	**¥2,266**	**¥1,493**	**¥773**

Securities with book values (fair values) not exceeding acquisition costs:

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	**¥230**	**¥238**	**¥(8)**
Others	**10**	**10**	**(0)**
Total	**¥240**	**¥248**	**¥(8)**

Securities with book values (fair values) exceeding acquisition costs:

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Equity securities	**$13,839**	**$ 7,814**	**$6,025**
Others	**5,018**	**4,610**	**408**
Total	**$18,857**	**$12,424**	**$6,433**

Securities with book values (fair values) not exceeding acquisition costs:

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Equity securities	**$1,914**	**$1,981**	**¥(67)**
Others	**83**	**83**	**(0)**
Total	**$1,997**	**$2,064**	**¥(67)**

Note. As to non-listed equity securities, there was no available fair market price and it was considered extremely difficult to determine the fair value. As a result, these securities were not included in the table (3) Available-for-sale securities.

b) Sales of available-for-sale securities in the year ended March 31, 2014 and 2015 were as follows:

Year ended March 31, 2014

	Millions of yen		
	Sales	Gains on sales	Losses on sales
Others	¥707	¥570	¥—

Year ended March 31, 2015

	Millions of yen		
	Sales	Gains on sales	Losses on sales
Equity securities	**¥10**	**¥3**	**¥—**
Others	**1**	**0**	**—**
Total	**¥11**	**¥3**	**¥—**

	Thousands of U.S. dollars		
	Sales	Gains on sales	Losses on sales
Equity securities	**$83**	**$25**	**$—**
Others	**9**	**0**	**—**
Total	**$92**	**$25**	**$—**

4. Inventories

Inventories at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Merchandise and finished goods	¥ 1,396	**¥ 1,290**	**$ 10,735**
Work in progress	15,482	**19,929**	**165,840**
Raw material and supplies	4,278	**4,899**	**40,767**
Total	¥21,156	**¥26,118**	**$217,342**

Inventories for construction contracts expecting losses and a reserve for losses on construction contracts were not offset but individually reported.

The corresponding amounts of inventories for the reserve for losses on construction contracts at March 31, 2014 and 2015 were ¥2,012 million and ¥2,044 million ($17,009 thousand), respectively, all of which represented work in progress.

5. Short-term Borrowings and Long-term Debt

Short-term borrowings that represented bank borrowings bearing average interest rates of 0.73 percent and 1.03 percent as of March 31, 2014 and 2015, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Secured (or partly secured)	¥ 100	**¥ 500**	**$ 4,160**
Unsecured	10,226	**4,705**	**39,153**
Total	¥10,326	**¥5,205**	**$43,313**

As of March 31, 2015, the Company had unused line-of-credit agreements for short-term borrowings with financial institutions totaling ¥10,000 million ($83,215 thousand).

Long-term debt at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
0.68 percent to 1.55 percent borrowings from banks and other financial institutions, due through 2022:			
Secured (or partly secured)	¥ 1,713	**¥ 432**	**$ 3,595**
Unsecured	81,455	**92,591**	**770,500**
0.91 percent straight bonds due 2015	10,000	**10,000**	**83,215**
0.47 percent straight bonds due 2017	—	**10,000**	**83,215**
Others	576	**688**	**5,725**
Less current portion included in current liabilities	(22,607)	**(33,780)**	**(281,102)**
Total	¥ 71,137	**¥ 79,931**	**$ 665,148**

The following assets were pledged as collateral mainly for secured long-term debt of ¥1,713 million at March 31, 2014 and ¥432 million ($3,595 thousand) at March 31, 2015:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Marketable securities	¥ 1	**¥ 2**	**$ 17**
Prepaid expenses and other current assets	1,376	**932**	**7,756**
Property, plant and equipment (at net book value)	19,682	**20,163**	**167,787**
Investments in nonconsolidated subsidiaries and affiliates	1,658	**1,812**	**15,079**
Investments in securities	13	**13**	**108**
Long-term loans receivable	26	**47**	**391**
Other investments and noncurrent assets	1,423	**—**	**—**
Total	¥24,179	**¥22,969**	**$191,138**

The aggregate annual maturities of long-term debt outstanding at March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥19,501	$162,278
2018	21,554	179,363
2019	19,724	164,134
2020	17,373	144,570
2021 and thereafter	1,778	14,796
Total	¥79,930	$665,141

6. Contingent Liabilities

Contingent liabilities at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Notes receivable endorsed	¥228	**¥ 233**	**$ 1,939**
Guarantees of bank borrowings and other indebtedness	5	**1,720**	**14,343**
Total	¥233	**¥1,953**	**$16,252**

7. Land Revaluation Difference

Land for operations was revalued by consolidated subsidiaries in accordance with the Land Revaluation Law in the year ended March 31, 2000. The revaluation amount is shown as a separate component of net assets.

At October 1, 2002, the Company merged with HEC Corporation, which was a consolidated subsidiary, and succeeded to the land revaluation difference.

The market value of the land was ¥109 million and ¥115 million ($957 thousand) lower than the revalued book amount at March 31, 2014 and 2015, respectively.

8. Net Assets

Under the Japanese Corporation Law ("the law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases in which dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 23, 2015, the shareholders approved cash dividends of ¥1,670 million ($13,897 thousand). The appropriation has not been accrued in the consolidated financial statements as of March 31, 2015. This type of appropriation is recognized in the period in which it is approved by the shareholders.

9. Provision for Losses on Construction Contracts Included in Cost of Sales

Provision for losses on construction contracts included in cost of sales was ¥4,534 million and ¥3,729 million ($31,031 thousand) for the years ended March 31, 2014 and 2015, respectively.

10. Gain on Bargain Purchases

Gain on bargain purchases was recognized in the amount of ¥3,146 million ($26,180 thousand) due to a merger with Daiki Ataka Engineering and making NICHIZO TECH a wholly owned subsidiary through share exchange.

11. Impairment Loss

The assets on which the Companies recognized impairment loss in the year ended March 31, 2015 were as follows:

Location	Use	Type of Assets	Millions of yen	Thousands of U.S. dollars
Mukaishima-Works (Onomichi-city, Hiroshima Prefecture)	Steel structures Production equipment	Buildings and structures	**¥ 163**	**$ 1,357**
		Machinery, equipment, vehicles and transport equipment	**80**	**666**
		Tools and fixtures	**4**	**33**
		Land	**1,089**	**9,062**
		Total	**¥1,336**	**$11,118**

The Companies grouped their assets based mainly on divisions or works. The Companies also grouped their assets for sale individually. The Mukaishima-Works had been affected by the deteriorating steel structure market. As a result, the Companies reduced the book value of the asset to the recoverable amount and recognized impairment loss of ¥1,336 million ($11,118 thousand). The recoverable amount was the present values of the expected cash flows from the on-going utilization and subsequent disposition of the assets using a discount rate of 5.5%.

12. Comprehensive Income Information

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Net unrealized holding gains (losses) on securities			
Increase (decrease) during the year	¥ 192	**¥ 317**	**$ 2,638**
Reclassification adjustments	(47)	**6**	**50**
Subtotal before tax	145	**323**	**2,688**
Tax benefit (expenses)	(53)	**(64)**	**(533)**
Subtotal net of tax	92	**259**	**2,155**
Net unrealized holding gains (losses) on hedging derivatives			
Increase (decrease) during the year	¥ (199)	**¥ (445)**	**$ (3,703)**
Reclassification adjustments	562	**305**	**2,538**
Subtotal before tax	363	**(140)**	**(1,165)**
Tax benefit (expenses)	8	**57**	**474**
Subtotal net of tax	371	**(83)**	**(691)**
Foreign currency translation adjustments			
Increase (decrease) during the year	¥1,634	**¥ 1,348**	**$ 11,218**
Remeasurements of defined benefit plans			
Increase (decrease) during the year	¥ —	**¥(2,470)**	**$(20,554)**
Reclassification adjustments	—	**467**	**3,886**
Subtotal before tax	—	**(2,003)**	**(16,668)**
Tax benefit (expenses)	—	**445**	**3,703**
Subtotal net of tax	—	**(1,558)**	**(12,965)**
Equity of nonconsolidated subsidiaries and affiliates accounted for using equity method			
Increase (decrease) during the year	¥ 519	**¥ 747**	**$ 6,216**
Total other comprehensive income	¥2,616	**¥ 713**	**$ 5,933**

13. Treasury Stock

Treasury stock for the years ended March 31, 2014 and 2015 consisted of the following:

Year ended March 31, 2014

Number of shares of common stock	Thousands
At March 31, 2013	2,466
Increase	278
Decrease	(0)
At March 31, 2014	2,744

Number of shares of common stock is calculated assuming the one for five share consolidation of common stocks effective October 1, 2013 occurred at the beginning of the fiscal year ended March 31, 2014.

Year ended March 31, 2015

Number of shares of common stock	Thousands
At March 31, 2014	2,744
Increase	**824**
Decrease	**(2,738)**
At March 31, 2015	**830**

Decrease of 2,738 thousand shares was mainly due to allocation of the Company's treasury stock to the shareholders of Daiki Ataka Engineering Co., Ltd. and to NICHIZO TECH INC at the time of merger and share exchange, respectively.

14. Cash Flow Information

a) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows and cash and time deposits in the consolidated balance sheets at March 31, 2014 and 2015 were reconciled as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash and time deposits in the balance sheets	¥54,462	**¥62,384**	**$519,131**
Time deposits with maturities over three months	(4,501)	**(1,614)**	**(13,431)**
Cash and cash equivalents in cash flow statements	¥49,961	**¥60,770**	**$505,700**

b) Other

The assets and liabilities of newly consolidated subsidiaries Cumberland Electrochemical Limited, Cumberland International L.L.C and Cumberland Pte Limited and the reconciliation between the acquisition cost of shares and net cash outflow were as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Current assets	**¥1,226**	**$10,202**
Fixed assets	**20**	**166**
Goodwill	**2,101**	**17,484**
Current liabilities	**(1,404)**	**(11,683)**
Noncurrent liabilities	**(372)**	**(3,096)**
Acquisition cost	**¥1,571**	**$13,073**
Cash and cash equivalents of acquired companies	**(84)**	**(699)**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**¥1,487**	**$12,374**

15. Lease Information

a) Finance Leases as Lessee

Finance leases which do not transfer ownership and do not have bargain purchase provisions at March 31, 2014 and 2015 consisted of leases for productive facilities for the machinery and process equipment segment (machinery, equipment and vehicles) and software. Depreciation was as described in Note 2 (i), "Significant Accounting Policies – Depreciation and Amortization."

Finance leases commencing prior to April 1, 2008 which do not transfer ownership and do not have bargain purchase provisions are accounted for in the same method as operating leases under Japanese GAAP.

The original lease obligations, the payments to date, and the payments remaining for assets which were leased from other parties as of March 31, 2014 and 2015 were as follows:

At March 31, 2014:

	Millions of yen		
	Original lease obligations	Payments to date	Payments remaining
Machinery, equipment and vehicles	¥32	¥27	¥5
Total	¥32	¥27	¥5

At March 31, 2015:

	Millions of yen		
	Original lease obligations	Payments to date	Payments remaining
Machinery, equipment and vehicles	**¥32**	**¥32**	**¥—**
Total	**¥32**	**¥32**	**¥—**

	Thousands of U.S. dollars		
	Original lease obligations	Payments to date	Payments remaining
Machinery, equipment and vehicles	**$266**	**$266**	**¥—**
Total	**$266**	**$266**	**¥—**

Lease payments for the above finance leases for the years ended March 31, 2014 and 2015 were ¥29 million and ¥4 million ($33 thousand), respectively.

Future minimum payments, including finance charges, for finance leases at March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Payments due within one year	¥5	**¥—**	**$—**
Payments due after one year	0	**—**	**—**
Total	¥5	**¥—**	**$—**

b) Operating Leases as Lessee

Future minimum payments for operating leases at March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Payments due within one year	¥ 574	**¥ 679**	**$ 5,650**
Payments due after one year	2,573	**2,373**	**19,747**
Total	¥3,147	**¥3,052**	**$25,397**

c) Finance Leases as Lessor

Lease investment assets

Current assets as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Lease payments receivables	¥53	**¥35**	**$291**
Interest	(3)	**(1)**	**(8)**
Total	¥50	**¥34**	**$283**

Lease investment assets receivables after March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Within one year	¥20	**¥16**	**$133**
Over one year but within two years	16	**10**	**83**
Over two years but within three years	9	**8**	**67**
Over three years but within four years	7	**1**	**8**
Over four years but within five years	1	**0**	**0**

16. Financial Instruments

a) Articles Concerning Status of Financial Instruments

(1) Policies for financial instruments

The Companies raise necessary funds for capital investment and research and development plans mainly through bank borrowings and the issuance of corporate bonds. The Companies invest temporary surplus funds in highly secure financial assets and obtain working capital mainly through bank borrowings. The Companies utilize derivative financial instruments not for speculation but for hedging purposes only.

(2) Substances and risks of financial instruments

Trade and other receivables are exposed to credit risks of customers. Since the Companies operate internationally, foreign currency net cash inflows are exposed to currency fluctuation risks. Forward foreign exchange contracts are used principally to hedge these risks.

Securities and investment securities, mainly held-to-maturity debt securities and the securities of companies with which the Companies have business relationships, are exposed to market fluctuation risks. The Companies have long-term loans with the companies with which the Companies have business relationships.

Almost all of the trade payables are due within six months. Foreign currency trade payables are exposed to currency fluctuation risks, but these trade payables are controlled not to exceed the cash inflows of the same foreign currencies.

Borrowings and corporate bonds are mainly for the purpose of raising funds for capital investment and research and development plans. The longest due date is 7 years after the fiscal year end. Some of the items are exposed to interest rate fluctuation risks.

Derivative transactions consist of forward foreign exchange contracts and currency option contracts made for the purpose of hedging currency fluctuation risks arising from foreign currency receivables and payables and interest rate swap contracts for the purpose of hedging interest rate fluctuation risks arising from long-term borrowings. As to the hedging derivative financial instruments used and items hedged, hedging policy and the method of evaluating hedge effectiveness are described in Note 2 (g), “Significant Accounting Policies – Derivatives and Hedge Accounting.”

(3) Management of financial instruments

i) Management of credit risks (risk of customer default)

The financial department of the Company is subject to internal regulations for the management of trade receivables and long-term loans. To reduce the risk of default associated with these instruments, the Company endeavors to research credit standing, monitor due dates and balances by customer at regular intervals through each sales and business administration division of each department and recognize early signs of deterioration in the financial status of its customers. The consolidated subsidiaries are subject to internal regulations for similar management.

Held-to-maturity debt securities are limited to top-ranked securities so as to minimize credit risks.

As to derivative transactions, the Companies deal solely with financial institutions to raise funds and top-ranked financial institutions to reduce credit risks.

ii) Management of market risks (risks of exchange rate or interest rate fluctuation)

The Company and some consolidated subsidiaries utilize mainly forward foreign exchange contracts and currency option contracts for the purpose of hedging currency fluctuation risks arising from foreign currency receivables and payables and prospective transactions that are highly expected to occur, which are categorized by the type of currency and the monthly due date. The Company utilizes interest rate swap contracts for the purpose of hedging interest rate fluctuation risks arising from long-term borrowings.

As to securities and investment securities, the Companies endeavor to regularly monitor fair market value and evaluate the financial status of issuing companies that are important customers. For other than held-to-maturity debt securities, the Companies regularly examine whether the holding position is proper or not while taking relationships with the issuing companies into consideration.

As to derivative transactions, the Company is subject to internal regulations to administer derivative transactions that provide for trading authority and limit maximum amounts and approves basic policies annually at its management strategy conference. The Company’s financial department engages in transactions, records them and monitors the balances. The results of the transactions are reported regularly in its management strategy conference. The consolidated subsidiaries manage derivatives in a similar way.

iii) Management of liquidity risks of raising funds (risk of default)

The financial department of the Company makes finance plans and updates them based on finance reports from each department. The consolidated subsidiaries manage in a similar way.

(4) Supplementary explanation about fair value of financial instruments

Fair values of financial instruments include not only fair market values based on market prices but also reasonably estimated values if market prices are not available. Reasonably estimated fair values may fluctuate because the values depend on estimations based on certain variable assumptions. The contract amounts of derivative transactions of the following Note 17, “Derivative Transactions,” do not show the market risks of the derivatives themselves.

b) Articles Concerning Fair Value of Financial Instruments

Consolidated balance sheet amounts and fair values of financial instruments and the difference between them, if any, for the year ended March 31, 2014 and 2015 are set forth in the tables below. Financial instruments in which the fair value was considered to be extremely difficult to determine were not included in the tables below.

At March 31, 2014:

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 54,462	¥ 54,462	¥ —
(2) Trade notes and accounts	122,337		
Allowance for doubtful receivables *1	0		
	122,337	122,337	—
(3) Securities and investment securities	4,591	3,240	(1,351)
(4) Long-term loans receivables	53	56	3
Total assets	¥ 181,443	¥ 180,095	¥(1,348)
(1) Notes and accounts payable	(58,632)	(58,632)	—
(2) Short-term borrowings	(10,326)	(10,326)	—
(3) Current portion of long-term debt	(22,607)	(22,648)	(41)
(4) Accrued expenses	(42,114)	(42,114)	—
(5) Accrued income taxes	(1,836)	(1,836)	—
(6) Long-term debt, less current portion	(70,561)	(70,822)	(261)
Total liabilities	¥(206,076)	¥(206,378)	¥ (302)
Derivative transactions *2			
Derivative transactions for which hedge accounting has not been applied	(1,036)	(1,036)	—
Derivative transactions for which hedge accounting has been applied	(415)	(415)	—
Total derivative transactions	¥ (1,451)	¥ (1,451)	¥ —

*1 Allowance for doubtful receivables was deducted from trade notes and accounts.

*2 Liabilities were indicated in parenthesis ( ). Assets and liabilities arising from derivative transactions were offset and indicated by parenthesis ( ) when the offset amount was a liability.

At March 31, 2015:

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	**¥ 62,384**	**¥ 62,384**	**¥ —**
(2) Trade notes and accounts	**136,521**		
Allowance for doubtful receivables *1	**(398)**		
	136,123	**136,123**	**—**
(3) Securities and investment securities	**5,197**	**3,883**	**(1,314)**
(4) Long-term loans receivables	**47**	**50**	**3**
Total assets	**¥ 203,751**	**¥ 202,440**	**¥(1,311)**
(1) Notes and accounts payable	**(58,869)**	**(58,869)**	**—**
(2) Short-term borrowings	**(5,205)**	**(5,205)**	**—**
(3) Current portion of long-term debt	**(33,780)**	**(33,864)**	**(84)**
(4) Accrued expenses	**(57,783)**	**(57,783)**	**—**
(5) Accrued income taxes	**(1,661)**	**(1,661)**	**—**
(6) Long-term debt, less current portion	**(79,242)**	**(79,600)**	**(357)**
Total liabilities	**¥(236,540)**	**¥(236,982)**	**¥ (441)**
Derivative transactions *2			
Derivative transactions for which hedge accounting has not been applied	**(1,026)**	**(1,026)**	**—**
Derivative transactions for which hedge accounting has been applied	**(738)**	**(738)**	**—**
Total derivative transactions	**¥ (1,764)**	**¥ (1,764)**	**¥ —**

*1 Allowance for doubtful receivables was deducted from trade notes and accounts.

*2 Liabilities were indicated in parenthesis ( ). Assets and liabilities arising from derivative transactions were offset and indicated by parenthesis ( ) when the offset amount was a liability.

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
(1) Cash and time deposits	$ 519,131	$ 519,131	$ —
(2) Trade notes and accounts	1,136,065		
Allowance for doubtful receivables *1	(3,311)		
	1,132,754	1,132,754	—
(3) Securities and investment securities	43,247	32,312	(10,935)
(4) Long-term loans receivables	391	416	25
Total assets	$ 1,695,523	$ 1,684,613	$(10,910)
(1) Notes and accounts payable	(489,881)	(489,881)	—
(2) Short-term borrowings	(43,313)	(43,313)	—
(3) Current portion of long-term debt	(281,102)	(281,801)	(699)
(4) Accrued expenses	(480,844)	(480,844)	—
(5) Accrued income taxes	(13,822)	(13,822)	—
(6) Long-term debt, less current portion	(659,416)	(662,395)	(2,971)
Total liabilities	$(1,968,378)	$(1,972,056)	$ (3,670)
Derivative transactions *2			
Derivative transactions for which hedge accounting has not been applied	(8,538)	(8,538)	—
Derivative transactions for which hedge accounting has been applied	(6,141)	(6,141)	—
Total derivative transactions	$ (14,679)	$ (14,679)	$ —

*1 Allowance for doubtful receivables was deducted from trade notes and accounts.

*2 Liabilities were indicated in parenthesis ( ). Assets and liabilities arising from derivative transactions were offset and indicated by parenthesis ( ) when the offset amount was a liability.

Note 1. Articles concerning the calculation method for fair value, marketable securities and derivative transactions

Assets

(1) Cash and time deposits

These instruments were settled within the short-term and fair value was roughly equal to book value. Therefore, the fair value was stated at book value.

(2) Trade notes and accounts

For the instruments settled within the short-term, fair value was roughly equal to book value. Therefore, the fair value was stated at book value. For the instruments settled over the long-term, fair value was stated at the present value using future cash flows discounted by the premium-added rate on the proper index, such as the yield on the government bonds.

(3) Securities and investment securities

Fair value was based on the market prices on the stock exchange for equity instruments and on the prices obtained from financial institutions for certain debt instruments. Securities classified by intent for which they are held were summarized in the table of Note 3, “Securities.”

(4) Long-term loans receivable

The fair value of these accounts was stated at the present value using future cash flows discounted by the premium-added rate on the proper index such as the yield on the government bonds.

Liabilities

(1) Notes and accounts payable, (2) Short-term borrowings, (4) Accrued expenses and (5) Accrued income taxes

These instruments were settled within the short-term and fair value was roughly equal to book value. Therefore, the fair value was stated at book value.

(3) Current portion of long-term debt and (6) Long-term debt less current portion

The fair value of bonds consists of both fair value based on fair market value and the present value using the total amount of the principal and interest discounted by the interest rate that reflected the bond’s remaining period and the credit risks.

The fair value of debt was stated at the present value using the total amount of the principal and interest discounted by the interest rate as if the borrowings would be newly executed.

Derivative transactions

See Note 17, “Derivative Transactions.”

Note 2. Financial instruments in which the fair value was considered to be extremely difficult to determine were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Stock of consolidated subsidiaries and affiliates	¥ 5,881	¥ 5,610	$ 46,684
Non-listed equity securities, etc.	13,457	13,683	113,864
Total	¥19,338	¥19,293	$160,548

As to these financial instruments, there was no available fair market price and it was considered extremely difficult to determine the fair value. As a result, these financial instruments were not included in “(3) Securities and investment securities.”

Note 3. The expected redemption amounts of monetary credit and securities with maturity dates after the consolidated fiscal year-end were as follows:

At March 31, 2014:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 54,462	¥ —	¥ —	¥ —
Trade notes and accounts	122,337	—	—	—
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government bonds	1	1	—	—
(2) Others	—	22	—	—
Available-for-sale securities with maturities				
(1) Others	—	63	—	—
Long-term loans receivables	—	25	18	10
Total	¥176,800	¥111	¥18	¥10

At March 31, 2015:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	**¥ 62,384**	**¥ —**	**¥ —**	**¥ —**
Trade notes and accounts	**136,123**	**—**	**—**	**—**
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government bonds	**1**	**—**	**—**	**—**
(2) Others	**—**	**25**	**—**	**—**
Available-for-sale securities with maturities				
(1) Others	**—**	**64**	**—**	**—**
Long-term loans receivables	**—**	**24**	**15**	**8**
Total	**¥198,508**	**¥113**	**¥15**	**¥ 8**

	Thousands of U.S. dollars			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	**$ 519,131**	**$ —**	**$ —**	**$ —**
Trade notes and accounts	**1,132,754**	**—**	**—**	**—**
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government bonds	**8**	**—**	**—**	**—**
(2) Others	**—**	**208**	**—**	**—**
Available-for-sale securities with maturities				
(1) Others	**—**	**532**	**—**	**—**
Long-term loans receivables	**—**	**200**	**125**	**66**
Total	**$1,651,893**	**$940**	**$125**	**$66**

Note 4. The expected redemption amount of long-term debt after the consolidated fiscal year-end was as follows:

At March 31, 2014:

	Millions of yen					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥10,326	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	22,607	30,538	16,022	7,221	16,582	198
Others	257	193	156	63	43	121
Total	¥33,190	¥30,731	¥16,178	¥7,284	¥16,625	¥319

At March 31, 2015:

	Millions of yen					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	**¥ 5,205**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Long-term debt	**33,780**	**19,264**	**21,430**	**19,635**	**17,296**	**1,617**
Others	**274**	**237**	**124**	**89**	**77**	**161**
Total	**¥39,259**	**¥19,501**	**¥21,554**	**¥19,724**	**¥17,373**	**¥1,778**

	Thousands of U.S. dollars					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	$ 43,314	$ —	$ —	$ —	$ —	$ —
Long-term debt	281,102	160,306	178,331	163,394	143,929	13,456
Others	2,280	1,972	1,032	740	641	1,340
Total	$326,696	$162,278	$179,363	$164,134	$144,570	$14,796

17. Derivative Transactions

The Companies enter into forward foreign exchange and interest rate swap contracts. Forward foreign exchange contracts are used to reduce the risk of fluctuations in future foreign currency exchange rates with respect to the difference between the foreign trade order balances and the future payments for foreign procurement. Interest rate swap contracts are used to avoid the risk of rising interest rates.

The following tables summarize fair value information as of March 31, 2014 and 2015 for derivative transactions for which hedge accounting had not been applied.

a) Currency Related Derivatives

At March 31, 2014:

	Millions of yen			
	Notional amount	Over one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	¥5,011	¥—	¥(1,055)	¥(1,055)
Euro	158	—	(0)	(0)
Japanese yen	24	—	0	0
Norwegian krone	19	—	(0)	(0)
Swedish krona	31	—	0	0
Purchase				
Euro	1,100	—	14	14
Swiss franc	44	—	5	5
Total	¥6,387	¥—	¥(1,036)	¥(1,036)

Note. The fair value of forward foreign exchange contracts is calculated using the forward exchange rate.

At March 31, 2015:

	Millions of yen			
	Notional amount	Over one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	¥6,583	¥—	¥ (991)	¥ (991)
Euro	997	—	(38)	(38)
Norwegian krone	46	—	1	1
Purchase				
U.S. dollars	453	—	23	23
Euro	115	—	(6)	(6)
Swiss franc	52	—	1	1
GBP	391	—	(16)	(16)
CNY	21	—	0	0
Total	¥8,658	¥—	¥(1,026)	¥(1,026)

Note. The fair value of forward foreign exchange contracts is calculated using the forward exchange rate.

	Thousands of U.S. dollars			
	Notional amount	Over one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	$54,781	$—	$(8,247)	$(8,247)
Euro	8,297	—	(316)	(316)
Norwegian krone	383	—	8	8
Purchase				
U.S. dollars	3,770	—	192	192
Euro	957	—	(50)	(50)
Swiss franc	433	—	8	8
GBP	3,254	—	(133)	(133)
CNY	175	—	0	0
Total	$72,050	$—	$(8,538)	$(8,538)

Note. The fair value of forward foreign exchange contracts is calculated using the forward exchange rate.

The following tables summarize fair value information as of March 31, 2014 and 2015 for derivative transactions for which hedge accounting had been applied.

a) Currency Related Derivatives

At March 31, 2014:

	Hedged items	Millions of yen Notional amount	Over one year	Fair vale
Basic treatment:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	Trade receivable	¥4,307	¥ —	¥(807)
Euro	Trade receivable	956	97	(37)
GBP	Trade receivable	57	—	(3)
Thai baht	Trade receivable	175	—	(2)
Purchase				
U.S. dollars	Trade payable	2,643	435	78
Euro	Trade payable	1,315	241	353
Swiss franc	Accounts payable	105	27	3
Alternative treatment *2:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	Trade receivable	51	—	—
Thai baht	Trade receivable	40	—	—
Purchase				
U.S. dollars	Trade payable	12	—	—
Total		¥9,661	¥800	¥(415)

*1 The fair value of forward foreign exchange contracts is calculated based on the prices provided by the financial institutions.

*2 For certain trade receivables and trade payable denominated in foreign currencies for which forward foreign exchange contracts are used to hedge the foreign currency fluctuation risks, the fair value of the derivative financial instruments is included in the fair value of the trade receivables and trade payable as hedged items.

At March 31, 2015:

	Hedged items	Millions of yen Notional amount	Over one year	Fair vale
Basic treatment:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	**Trade receivable**	**¥ 3,781**	**¥ —**	**¥ (468)**
Euro	**Trade receivable**	**1,598**	**—**	**177**
GBP	**Trade receivable**	**12,197**	**4,120**	**474**
Thai baht	**Trade receivable**	**77**	**—**	**(12)**
Purchase				
U.S. dollars	**Trade payable**	**669**	**181**	**98**
Euro	**Trade payable**	**9,178**	**3,219**	**(1,015)**
Swiss franc	**Trade payable**	**72**	**25**	**7**
Alternative treatment *2:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	**Trade receivable**	**229**	**—**	**—**
Thai baht	**Trade receivable**	**31**	**—**	**—**
Purchase				
U.S. dollars	**Accrued expenses**	**12**	**—**	**—**
Total		**¥27,844**	**¥7,545**	**¥ (739)**

*1 The fair value of forward foreign exchange contracts is calculated based on the prices provided by the financial institutions.

*2 For certain trade receivables and trade payables denominated in foreign currencies for which forward foreign exchange contracts are used to hedge the foreign currency fluctuation risks, the fair value of the derivative financial instruments is included in the fair value of the trade receivables and trade payables as hedged items.

	Hedged items	Thousands of U.S. dollars Notional amount	Over one year	Fair vale
Basic treatment:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	**Trade receivable**	**$ 31,464**	**$ —**	**$(3,895)**
Euro	**Trade receivable**	**13,298**	**—**	**1,473**
GBP	**Trade receivable**	**101,498**	**34,285**	**3,944**
Thai baht	**Trade receivable**	**641**	**—**	**(100)**
Purchase				
U.S. dollars	**Trade payable**	**5,567**	**1,506**	**816**
Euro	**Trade payable**	**76,375**	**26,787**	**(8,446)**
Swiss franc	**Trade payable**	**599**	**208**	**58**
Alternative treatment *2:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	**Trade receivable**	**1,905**	**—**	**—**
Thai baht	**Trade receivable**	**258**	**—**	**—**
Purchase				
U.S. dollars	**Accrued expenses**	**100**	**—**	**—**
Total		**$231,705**	**$62,786**	**$(6,150)**

*1 The fair value of forward foreign exchange contracts is calculated based on the prices provided by the financial institutions.

*2 For certain trade receivables and trade payables denominated in foreign currencies for which forward foreign exchange contracts are used to hedge the foreign currency fluctuation risks, the fair value of the derivative financial instruments is included in the fair value of the trade receivables and trade payables as hedged items.

b) Interest Related Derivatives

At March 31, 2014:

Exceptional treatment:	Hedged items	Millions of yen Notional amount	Over one year	Fair vale
Interest rate swap contracts:				
Receive float, pay fixed	Long-term borrowings	¥34,930	¥25,277	¥—
Interest rate and currency swap contracts:				
Receive float, pay fixed				
Receive in U.S. dollars, pay in JPY	Long-term borrowings	500	500	—

Note. As interest rate swap contracts subject to exceptional treatment for interest rate swap contracts and interest rate and currency swap contracts subject to exceptional treatment for interest rate and currency swap contracts are accounted for as a single item with the underlying long-term debt, which are hedged items, their fair value is included in that of the long-term debt.

At March 31, 2015:

Exceptional treatment:	Hedged items	Millions of yen Notional amount	Over one year	Fair vale
Interest rate swap contracts:				
Receive float, pay fixed	**Long-term borrowings**	**¥32,787**	**¥24,340**	**¥—**
Interest rate and currency swap contracts:				
Receive float, pay fixed				
Receive in U.S. dollars, pay in JPY	**Long-term borrowings**	**500**	**500**	**—**

Exceptional treatment:	Hedged items	Thousands of U.S. dollars Notional amount	Over one year	Fair vale
Interest rate swap contracts:				
Receive float, pay fixed	**Long-term borrowings**	**$272,838**	**$202,546**	**$—**
Interest rate and currency swap contracts:				
Receive float, pay fixed				
Receive in U.S. dollars, pay in JPY	**Long-term borrowings**	**4,161**	**4,161**	**—**

Note. As interest rate swap contracts subject to exceptional treatment for interest rate swap contracts and interest rate and currency swap contracts subject to exceptional treatment for interest rate and currency swap contracts are accounted for as a single item with the underlying long-term debt, which are hedged items, their fair value is included in that of the long-term debt.

18. Severance and Retirement Benefits

The Companies provide post-employment benefit plans, including unfunded lump-sum payment plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Company and some consolidated subsidiaries provide defined contribution pension plans in addition to defined benefit pension plans.

The Companies occasionally make additional payments to employees for special retirement benefits.

The components of defined benefit plans for the year ended March 31, 2014 and 2015 were as follows:

(a) Movements in projected benefit obligations for the year ended March 31, 2014 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at March 31, 2013 and 2014	¥31,681	**¥37,000**	**$307,897**
Cumulative effects of changes in accounting policies	—	**592**	**4,927**
Balance at April 1, 2013 and 2014	31,681	**37,592**	**312,824**
Service cost	2,030	**2,017**	**16,785**
Interest cost	642	**551**	**4,585**
Actuarial differences	52	**3,478**	**28,942**
Benefits paid	(1,997)	**(1,514)**	**(12,599)**
Past service cost	26	**—**	**—**
Other	4,566	**549**	**4,568**
Balance at March 31, 2014 and 2015	¥37,000	**¥42,673**	**$355,105**

Note. Some consolidated subsidiaries have adopted the alternative treatment.

(b) Movements in fair value of pension assets for the year ended March 31, 2014 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at April 1, 2013 and 2014	¥19,865	**¥25,676**	**$213,664**
Expected return on pension assets	454	**449**	**3,737**
Actuarial differences	1,436	**1,123**	**9,345**
Contributions paid by the employer	1,505	**1,223**	**10,177**
Benefits paid	(1,209)	**(801)**	**(6,666)**
Other	3,625	**55**	**458**
Balance at March 31, 2014 and 2015	¥25,676	**¥27,725**	**$230,715**

Note. Some consolidated subsidiaries have adopted the alternative treatment.

(c) Reconciliation of projected benefit obligations and fair value of pension assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Funded projected benefit obligations	¥ 27,341	**¥ 30,389**	**$ 252,884**
Fair value of pension assets	(25,676)	**(27,725)**	**(230,715)**
	1,665	**2,664**	**22,169**
Unfunded projected benefit obligations	9,658	**12,284**	**102,222**
Total net liability (asset) for projected benefits at March 31, 2014 and 2015	¥ 11,323	**¥ 14,948**	**$ 124,391**
Net defined benefit liability	¥ 12,135	**¥ 15,490**	**$ 128,901**
Net defined benefit asset	(812)	**(542)**	**(4,510)**
Total net liability (asset) for projected benefits at March 31, 2014 and 2015	¥ 11,323	**¥ 14,948**	**$ 124,391**

Note. Some consolidated subsidiaries have adopted the alternative treatment.

(d) Severance and pension costs of the Companies included the following components for the year ended March 31, 2014 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Service cost	¥2,030	**¥2,017**	**$16,785**
Interest cost	642	**551**	**4,585**
Expected return on pension assets	(454)	**(449)**	**(3,737)**
Amortization of actuarial differences	1,001	**629**	**5,234**
Amortization of past service cost	56	**(16)**	**(133)**
Severance and retirement benefit expenses based on the alternative treatment	454	**198**	**1,648**
Others	—	**8**	**67**
Severance and retirement benefit expenses	¥3,729	**¥2,938**	**$24,449**

(e) Remeasurements of defined benefit plans (before tax) for the years ended March 31, 2014 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Past service cost	¥—	**¥ (16)**	**$ (133)**
Actuarial differences	—	**(1,987)**	**(16,535)**
Total	¥—	**¥(2,003)**	**$(16,668)**

(f) Remeasurements of defined benefit plans (before tax) at the years ended March 31, 2014 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrecognized past service cost	¥ (21)	**¥ 51**	**$ 424**
Unrecognized actuarial differences	(3,379)	**(5,430)**	**(45,186)**
Other	1,114	**1,530**	**12,732**
Total	¥(2,286)	**¥(3,849)**	**$(32,030)**

(g) Pension assets

(1) Pension assets comprise:

	2014	2015
Stocks	31%	**27%**
Bonds	37%	**37%**
Cash and deposits	6%	**6%**
Real estate	25%	**26%**
Other	1%	**4%**
Total	100%	**100%**

(2) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of pension assets have been considered in determining the long-term expected rate of return.

(h) Actuarial assumptions

The principal actuarial assumptions at March 31, 2014 and 2015 (expressed as weighted averages) were as follows:

	2014	2015
Discount rate	1.73%	**0.78%**
Long-term expected rate of return	1.67%	**0.04%**
Expected rate of increase in salary	—	**2.20%**

(i) Contributions to the defined contributions pension plan

For the year ended March 31, 2014 and 2015, the Companies made contributions to the defined contributions pension plan in the amount of ¥995 million and ¥1,195 million ($9,944 thousand), respectively.

19. Income Taxes

The Companies are subject to a number of income taxes which, in the aggregate, indicate a statutory rate in Japan of approximately 38.0% and 35.6% for the years ended March 31, 2014 and 2015, respectively.

The significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2014 and 2015 were as follows:

	2014	2015
Statutory tax rate	38.0%	**35.6%**
Nondeductible expenses	5.2%	**3.6%**
Nontaxable dividend income	(8.3)%	**(7.1)%**
Fluctuation in deferred tax assets valuation allowance account	(29.4)%	**2.3%**
Elimination of dividend income	8.7%	**6.7%**
Equity in net income of nonconsolidated subsidiaries and affiliates	6.1%	**3.5%**
Effect of business combination	—	**(12.0)%**
Other	3.8%	**1.8%**
Effective tax rate	24.1%	**34.4%**

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deferred tax assets:			
Impairment loss	¥ 6,626	**¥ 6,416**	**$ 53,391**
Employees' retirement benefits	4,921	**5,019**	**41,766**
Tax loss carryforwards	2,987	**1,557**	**12,957**
Allowance for doubtful receivables	786	**776**	**6,457**
Research and development expenses	595	**625**	**5,201**
Loss on devaluation of securities	558	**533**	**4,435**
Other reserves	5,700	**4,517**	**37,588**
Other	4,311	**4,549**	**37,855**
Total deferred tax assets	26,484	**23,992**	**199,650**
Valuation allowance	(14,515)	**(12,627)**	**(105,076)**
Deferred tax assets, net	11,969	**11,365**	**94,574**
Deferred tax liabilities:			
Land valuation difference	(1,489)	**(1,391)**	**(11,575)**
Investment securities	(816)	**(738)**	**(6,141)**
Prepaid pension benefit expenses	(592)	**(541)**	**(4,502)**
Intangible assets	(551)	**(530)**	**(4,410)**
Reserve for compressed entry	(588)	**(517)**	**(4,302)**
Net unrealized holding gains on securities	(149)	**(274)**	**(2,280)**
Reserve for replacement of property	(108)	**(95)**	**(791)**
Other	(732)	**(699)**	**(5,817)**
Total deferred tax liabilities	(5,025)	**(4,785)**	**(39,818)**
Net deferred tax assets	¥ 6,944	**¥ 6,580**	**$ 54,756**

Net deferred tax assets were included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Current assets	¥ 6,203	**¥ 5,658**	**$ 47,083**
Investments and other noncurrent assets	3,286	**2,161**	**17,983**
Current liabilities	(0)	**(3)**	**(25)**
Long-term liabilities	(2,545)	**(1,236)**	**(10,285)**
Net deferred tax assets	¥ 6,944	**¥ 6,580**	**$ 54,756**

20. Business Combinations

1. Merger with Daiki Ataka Engineering

The Company resolved to carry out a merger with Daiki Ataka Engineering Co., Ltd. ("Daiki Ataka Engineering") at a meeting of the Board of Directors held on November 28, 2013 and merged on April 1, 2014.

a) Overview

(1) Purpose

Daiki Ataka Engineering was engaged in a wide variety of business fields including environment related equipment for water processing and pollution control and industrial equipment.

In order to develop and grow sustainably in the green energy field, it is imperative to press ahead with efforts to gain a presence in global markets. In these circumstances, the Company decided to carry out a merger with Daiki Ataka Engineering in order to maximize synergies through the strengthening of business momentum and streamlining provided by unified management and speed up efforts to stimulate further growth for the Hitachi Zosen Group in the green energy field.

(2) Legal method

The merger is an absorption-type merger in which the Company is the surviving company and Daiki Ataka Engineering is the extinct company.

(3) Business activities of extinct company

Environment-related equipment for water processing and pollution control, industrial equipment and others.

b) Accounting method

The Company applied the following accounting treatment stipulated by "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008) for the transaction under common control.

c) Acquisition cost and breakdown

	Millions of yen	Thousands of U.S. dollars
Common stock	**¥4,578**	**$38,096**
Expenses arising directly from the acquisition	**115**	**957**
Total	**¥4,693**	**$39,053**

d) Content of allotments related to merger

(1) Ratio of share allotments

	The Company (surviving company)	Daiki Ataka Engineering (extinct company)
Content of allotments related to merger	**1**	**0.66**
Number of shares to be delivered through merger	**Common stock of Company: 9,304,189 shares**	

0.66 shares of the Company's common stock was delivered for each share of Daiki Ataka Engineering's common stock. Common stock of Daiki Ataka Engineering held by the Company and Daiki Ataka Engineering's treasury stock was not included in the share allotments.

(2) Calculation method for the ratio of share allotments

In order to support the respective efforts of the Company and Daiki Ataka Engineering and to ensure the fairness of the ratio of share allotments for this merger, the Company had requested Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. to perform financial analysis, while, Daiki Ataka Engineering had requested Nomura Securities Co., Ltd. to perform similar analyses. Referring to the results of those financial analyses, the Company and Daiki Ataka Engineering conducted careful negotiations and discussions on the ratio of share allotments, comprehensively taking into consideration factors such as the financial position, stock price trend, and future prospects of each party. As a result, the Company and Daiki Ataka Engineering have reached the conclusion that the above ratio of share allotments was appropriate.

(3) Number of shares to be delivered through merger

In the merger, the Company allotted and delivered to shareholders of Daiki Ataka Engineering immediately prior to the point of time the merger became effective 9,304,189 shares of the Company's common stock. In the 9,304,189 shares, 675,000 shares were allotted for the Company's treasury stock and 8,629,189 shares were issued under the merger.

e) Negative goodwill

Negative goodwill in the amount of ¥1,917 million ($15,952 thousand) comprised the difference between the acquisition cost of Daiki Ataka Engineering and the Company's share of net assets of Daiki Ataka Engineering.

2. Making NICHIZO TECH INC. a wholly owned subsidiary through share exchange

The Company resolved to make NICHIZO TECH INC. ("NICHIZO TECH") a wholly owned subsidiary through a share exchange at a meeting of the Board of Directors held on November 28, 2013 and conducted the exchange on April 1, 2014.

a) Overview

(1) Purpose

NICHIZO TECH was the main subsidiary of the Hitachi Zosen Group (the "Group") in the business areas of industrial plants and social infrastructure and disaster prevention.

In order to fully utilize NICHIZO TECH's business characteristics and the advantages of its operations and structure and strengthen cooperation between both companies, the Company decided to make NICHIZO TECH a wholly owned subsidiary. Making NICHIZO TECH a wholly owned subsidiary would enable the Company to speed up efforts to stimulate further growth in the Group's

social infrastructure and disaster prevention operations, and also strengthen its solution businesses and expand its overseas operations.

(2) Legal method

Through the share exchange, the Company becomes the wholly owning parent company and NICHIZO TECH is the wholly owned subsidiary.

b) Accounting method

The Company applied the following accounting treatments stipulated by "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008) for the transaction under common control.

c) Acquisition cost of share exchange

	Millions of yen	Thousands of U.S. dollars
Common stock	**¥1,015**	**$8,446**
Expenses arising directly from the acquisition	**111**	**924**
Total	**¥1,126**	**$9,370**

d) Contents of allotments related to share exchange

(1) Ratio of share allotments

	The Company (wholly owning parent company in share exchange)	NICHIZO TECH (wholly owned subsidiary in share exchange)
Content of allotments related to share exchange	**1**	**0.82**
Number of shares to be delivered through share exchange	**Common stock of Company: 2,062,704 shares**	

0.82 shares of the Company's common stock was delivered for each share of NICHIZO TECH's common stock. Common stock of NICHIZO TECH held by the Company was not included in the share allotments.

(2) Calculation method for the ratio of share allotments

In order to support the respective efforts of the Company and NICHIZO TECH and to ensure the fairness of the ratio of share allotments for this share exchange, the Company had requested Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. to perform financial analysis, while, NICHIZO TECH had requested Nomura Securities Co., Ltd. to perform similar analyses. Referring to the results of those financial analyses, the Company and NICHIZO TECH conducted careful negotiations and discussions on the ratio of share allotments, comprehensively taking into consideration factors such as the financial position, stock price trend, and future prospects of each party. As a result, the Company and NICHIZO TECH reached the conclusion that the above ratio of share allotments was appropriate.

(3) Number of shares to be delivered through share exchange

In the share exchange, the Company allotted and delivered to shareholders of NICHIZO TECH (excluding the Company) immediately prior to its acquisition of all issued shares of NICHIZO TECH (excluding common stock of NICHIZO TECH by the Company) 2,062,704 shares of the Company's common stock. The 2,062,704 shares were allotted for the Company's treasury stock.

e) Negative goodwill

Negative goodwill in the amount of ¥1,229 million ($10,227 thousand) comprised the difference between the acquisition cost of NICHIZO TECH and the Company's share of net assets of NICHIZO TECH.

3. Acquisition of Cumberland Group

The Company has acquired Cumberland Electrochemical Limited, Cumberland International L.L.C., Cumberland Pte Limited and Cumberland Engineering Privated Limited ("Cumberland Group") during this fiscal year.

a) Summary information about this acquisition was as follows:

Name of acquired company	Cumberland Electrochemical Limited Cumberland International L.L.C Cumberland Pte Limited Cumberland Engineering Private Limited Note. Cumberland Engineering Private Limited is not included in scope of consolidation.
Business of acquired company	Engineering of seawater and brine electrolysis equipment
Purpose	The acquisition will enable the Company to integrate Cumberland Group's operating base and network in the Middle East and to combine its own expertise in large-scale seawater electrolysis equipment with that of Cumberland Group small- and medium-scale equipment, holding one of the world's leading track records in the field. This will contribute greatly to the expansion of its Water Treatment & Industrial Equipment business dealing in the design, manufacture and distribution of seawater electrolysis equipment and in electrolytic cell related solutions.
Acquisition date	August 4, 2014
Legal form of acquisition	Acquisition of shares for cash consideration by the Company
Ratio of voting rights acquired	100%

b) Period of the acquired companies' financial results included in the consolidated financial statements of the Company is from July 1, 2014 to December 31, 2014.

c) Acquisition cost

	Millions of yen	Thousands of U.S. dollars
Cash	**¥1,264**	**$10,518**
Expenses arising directly from the acquisition	**307**	**2,555**
Total	**¥1,571**	**$13,073**

d) Goodwill

Goodwill in the amount of ¥2,101 million ($17,484 thousand) comprised mainly the prospective extra earning power by expanding the Company's reach in the water treatment business. The goodwill will be amortized over ten years.

e) The assets and liabilities of the acquired company at August 4, 2014

Assets

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥1,226**	**$10,202**
Fixed assets	**20**	**166**
Total	**¥1,246**	**$10,368**

Liabilities

	Millions of yen	Thousands of U.S. dollars
Current liabilities	**¥1,404**	**$11,683**
Fixed liabilities	**372**	**3,096**
Total	**¥1,776**	**$14,779**

f) Purchase price allocation

The Company used a provisional accounting treatment based on rational information available at the end of this fiscal year because the purchase price allocation had not been finished at this time.

21. Asset Retirement Obligations

a) General Information About Asset Retirement Obligations

The Company and some consolidated subsidiaries have recognized asset retirement obligations associated with the removal of asbestos and other harmful substances in the some works and the restoration under certain real estate rental agreements.

b) Basis of Measurement for Asset Retirement Obligations

Asset retirement obligations are calculated based on the estimated period of use, which is the remaining period of depreciation of the target assets, and discounted by the yield in circulation on government bonds according to the remaining number of years.

Year ended March 31, 2014 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Balance at the beginning of the fiscal year	¥934	**¥879**	**$7,315**
Increase in purchase of property, plant and equipment	—	**32**	**266**
Adjustment with passing of time	9	**9**	**75**
Decrease in performance of asset retirement obligations	(64)	**(2)**	**(17)**
Balance at the end of the fiscal year	¥879	**¥918**	**$7,639**

22. Investment and Rental Property

The Company and some consolidated subsidiaries own rental property and idle land in Osaka and other areas. For the years ended March 31, 2014 and 2015, rental income was ¥585 million and ¥509 million ($4,236 thousand), respectively. Rental income and rental expenses were counterbalanced and described mainly in other income and expenses.

Book value of investment and rental property stated in the consolidated balance sheet, the relative increase or decrease for this fiscal year and the corresponding fair value were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Book value			
Balance at the beginning of the fiscal year	¥23,236	**¥23,138**	**$192,544**
Decrease for this fiscal year, net	(98)	**(76)**	**(632)**
Balance at the end of the fiscal year	¥23,138	**¥23,062**	**$191,911**
Fair value			
At the end of the fiscal year	¥19,065	**¥19,043**	**$158,467**

Note. Book value stated in the consolidated balance sheet was net of accumulated depreciation.

For the fiscal year ended March 31, 2014, Net decrease by ¥98 million stemmed from a depreciation of ¥168 million. For the fiscal year ended March 31, 2015, net decrease by ¥76 million ($632 thousand) stemmed from a depreciation of ¥161 million ($1,340 thousand).

The fair value of major property at the end of the fiscal year was measured based on values in the appraisal reports prepared by external real estate appraisers. The fair value of other property was measured based on certain assessed values or indicators which could be considered to properly reflect the market price.

23. Segment Information

a) Reportable Segments

(1) General information about reportable segments

The Company's reportable segments are based on the organization into which the Company has classified the active conducting of business in order to evaluate performance by the Board of Directors.

The Company has set up the head offices according to products and services. Each head office has drafted strategies for handling products and services and has developed the active conducting of business.

The Companies' operations are classified into six reportable segments as follows:

Operations in the environmental systems and the industrial plants segment include the production of environmental protection systems, water treatment systems, desalination and potabilization plants and chemical plants.

Operations in the machinery segment include the production of marine diesel engines, boilers and SCR systems.

Operations in the process equipment segment include the production of process equipment and nuclear equipment.

Operations in the infrastructure segment include bridge construction, water gates and shield tunneling machines.

Operations in the precision machinery segment include the production of plastic machinery and material business.
Operations in the other businesses segment include the transportation business and warehousing business.

(2) Basis of measurement for reported segment income or loss, segment assets and other material items

There was no significant change in the account processing method for reported business segments in this fiscal year.
The amounts of reported segment income or loss are based on operating income.
Intersegment sales, operating revenue and transfers are made with reference to prevailing market prices.

(3) Information about reported segment income or loss, segment assets and other material items

Information by reported segment of the Companies was as follows:

Millions of yen

	2014								
	Environmental systems and Industrial plants	Machinery	Process equipment	Infrastructure	Precision machinery	Other businesses	Total	Eliminations and corporate	Consolidated
Net Sales									
Outside customers	¥206,299	¥51,941	¥15,976	¥28,092	¥22,625	¥ 8,500	¥333,433	¥ —	¥333,433
Intersegment	938	357	3	501	1,319	2,845	5,963	(5,963)	—
Total	207,237	52,298	15,979	28,593	23,944	11,345	339,396	(5,963)	333,433
Segment income (loss)	¥ 9,889	¥ (353)	¥ (38)	¥ (1,580)	¥ (196)	¥ 285	¥ 8,007	¥ (128)	¥ 7,879
Segment assets	¥134,110	¥65,679	¥23,959	¥42,301	¥23,206	¥40,054	¥329,309	¥50,105	¥379,414
Others									
Depreciation	¥ 2,757	¥ 1,813	¥ 803	¥ 1,064	¥ 722	¥ 1,040	¥ 8,199	¥ —	¥ 8,199
Increase in assets and intangible assets	¥ 1,921	¥ 1,244	¥ 177	¥ 301	¥ 452	¥ 1,729	¥ 5,824	¥ —	¥ 5,824

Millions of yen

	2015								
	Environmental systems and Industrial plants	Machinery	Process equipment	Infrastructure	Precision machinery	Other businesses	Total	Eliminations and corporate	Consolidated
Net Sales									
Outside customers	**¥227,966**	**¥55,172**	**¥21,967**	**¥19,421**	**¥25,346**	**¥ 9,460**	**¥359,332**	**¥ —**	**¥359,332**
Intersegment	**971**	**247**	**56**	**1,608**	**925**	**2,778**	**6,585**	**(6,585)**	**—**
Total	**228,937**	**55,419**	**22,023**	**21,029**	**26,271**	**12,238**	**365,917**	**(6,585)**	**359,332**
Segment income (loss)	**¥ 13,196**	**¥ (285)**	**¥ 1,138**	**¥ (2,134)**	**¥ 388**	**¥ 500**	**¥ 12,803**	**¥ 16**	**¥ 12,819**
Segment assets	**¥157,730**	**¥65,948**	**¥27,348**	**¥35,657**	**¥23,351**	**¥41,882**	**¥351,916**	**¥56,887**	**¥408,803**
Others									
Depreciation	**¥ 2,769**	**¥ 1,746**	**¥ 824**	**¥ 860**	**¥ 698**	**¥ 1,299**	**¥ 8,196**	**¥ —**	**¥ 8,196**
Increase in assets and intangible assets	**¥ 9,323**	**¥ 1,031**	**¥ 144**	**¥ 457**	**¥ 385**	**¥ 2,198**	**¥ 13,538**	**¥ —**	**¥ 13,538**

Thousands of U.S. dollars

	2015								
	Environmental systems and Industrial plants	Machinery	Process equipment	Infrastructure	Precision machinery	Other businesses	Total	Eliminations and corporate	Consolidated
Net Sales									
Outside customers	**$1,897,029**	**$459,116**	**$182,799**	**$161,613**	**$210,918**	**$ 78,722**	**$2,990,197**	**$ —**	**$2,990,197**
Intersegment	**8,080**	**2,056**	**466**	**13,381**	**7,697**	**23,117**	**54,797**	**(54,797)**	**—**
Total	**1,905,109**	**461,172**	**183,265**	**174,994**	**218,615**	**101,839**	**3,044,994**	**(54,797)**	**2,990,197**
Segment income (loss)	**$ 109,811**	**$ (2,372)**	**$ 9,470**	**$ (17,758)**	**$ 3,229**	**$ 4,161**	**$ 106,541**	**$ 133**	**$ 106,674**
Segment assets	**$1,312,557**	**$548,789**	**$227,578**	**$296,721**	**$194,317**	**$348,523**	**$2,928,485**	**$473,387**	**$3,401,872**
Others									
Depreciation	**$ 23,042**	**$ 14,529**	**$ 6,857**	**$ 7,157**	**$ 5,808**	**$ 10,810**	**$ 68,203**	**$ —**	**$ 68,203**
Increase in assets and intangible assets	**$ 77,582**	**$ 8,579**	**$ 1,198**	**$ 3,803**	**$ 3,204**	**$ 18,291**	**$ 112,657**	**$ —**	**$ 112,657**

The amounts of segment income or loss are adjusted to operating income in the Consolidated Statements of Income.

Corporate amounts are mainly the common accounts of the head office, which cannot be allotted to each segment. Corporate assets, which include mainly cash, time deposits and securities at March 31, 2014 and 2015 were ¥50,280 million and ¥56,928 million ($ 473,729 thousand), respectively.

b) Related Information

(1) Information about products and services

Information about products and services is not shown because the classification of products and services is the same for the classification of reported segments.

(2) Information about geographic areas

Sales by region for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Japan	¥217,356	**¥237,098**	**$1,973,022**
Asia	29,781	**24,046**	**200,100**
North America	6,997	**14,743**	**122,684**
Middle East	18,690	**10,794**	**89,823**
Europe	56,943	**67,948**	**565,432**
Other	3,666	**4,703**	**39,136**
Total	¥333,433	**¥359,332**	**$2,990,197**

Information about tangible fixed assets by region is not shown because tangible fixed assets in Japan were more than 90% of the amounts of tangible fixed assets in the Consolidated Balance Sheets.

(3) Information about major customers

Information about major customers is not shown because there were no sales from transactions with a single external customer that amounted to 10% or more of sales in the Consolidated Statements of Income.

24. Related Party Information

Year ended March 31, 2015:

Attribute	Name	Domicile	Capitalization	Nature of operations	Equity ownership by the Company	Relationship	Nature of transaction	Trading amount	Account	Balance at year end
Affiliate	Naikai Zosen Corporation	Onomichi City, Hiroshima Prefecture	¥1,200 million ($9,986 thousand)	Manufacturing	39.5% direct 0.5% indirect	Materials purchase acceptance	Purchase of materials	¥5,024 million ($41,807 thousand)	Advances paid	¥1,362 million ($11,334 thousand)

This related party transaction took place on terms similar to those with third parties.

KPMG

Independent Auditor's Report

To the Board of Directors of Hitachi Zosen Corporation :

We have audited the accompanying consolidated financial statements of Hitachi Zosen Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hitachi Zosen Corporation and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 22, 2015
Osaka, Japan

Hitachi Zosen and Group Companies

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Major overseas subsidiaries

Environmental Systems, Industrial Plants Group

- Hitachi Zosen Inova AG
- Hitachi Zosen KRB AG
- HITACHI ZOSEN INOVA UK LTD
- Hitachi Zosen Inova U.S.A. LLC
- Hitachi Zosen Inova Deutschland GmbH
- Hitachi Zosen Inova Kraftwerkstechnik GmbH
- Hitachi Zosen Inova Australia Pty Ltd
- Hitachi Zosen Inova BioMethan GmbH
- SN Environment Technology Co., LTD.
- Hitz Environment Service Co., Ltd.
- NICHIZO TECH INC.
- KANSAI DESIGN Company, Ltd.
- HITACHI-ZOSEN PLANT TECHNO-SERVICE CORPORATION
- HITACHI ZOSEN VIETNAM CO., LTD.
- SERACHEM Co., Ltd.
- Asano Eco-solutions co., Ltd
- Ecomanage Corporation

Machinery Group

- Hitachi Zosen Fukui Corporation
- H&F EUROPE LIMITED
- HITACHI ZOSEN FUKUI U.S.A., Inc.
- H&F Services (Thailand) Co., Ltd
- HZF Services (Malaysia) Sdn. Bhd.
- IMEX CO., LTD.
- NAC International Inc.
- NIPPON PUSNES CO., LTD.
- Hitachi Zosen Catalyst U.S.A. LLC
- V TEX CORPORATION
- V TEX Korea Co., Ltd.
- VTEX America Inc.
- Ultra Finish Technology Co., Ltd.
- Nippon GPS Data Service Corporation
- Hitachi Zosen GPM Technology (Suzhou) Co., Ltd.
- Daiki Rubber Industry Co., Ltd.
- Tokaiseiki Co., Ltd.
- Taiwan Hitz Hi-Technology Corporation
- Cumberland International L.L.C
- Cumberland Electrochemical Limited
- Cumberland Pte Limited
- OCL CORPORATION
- Zhongji Hitachi Zosen Diesel Engine Co., Ltd.
- Zhenjiang Zhong Chuan Hitachi Zosen Machinery Co., Ltd.
- Zhoushan Nippon Pusnes Ship Machinery Co., Ltd.
- ISGEC Hitachi Zosen Limited
- Nagaoka Hitachi Zosen Equipment (Dalian) Co., Ltd.
- SHINKO SEIKI CO., LTD.

Infrastructure Group

- Promotec Corporation
- Omonogawa Wind Power Co. Ltd.

Other Group

- OHNAMI CORPORATION
- OHNAMI INTERNATIONAL LOGISTICS (SHANGHAI) CO., LTD
- CASTING & FORGING CO., LTD.
- SLURRY-21 Co., Ltd.
- NAIKAI ZOSEN CORPORATION
- JP Steel Plantech Co.
- UniCarriers Handling Systems Corporation

Company History

Osaka Iron Works
(proprietorship, the predecessor of Hitachi Zosen) era

1881	• E. H. Hunter, of Britain, founds the Osaka Iron Works (proprietorship) on the Ajikawa riverbank, Osaka.
1882	• The Hatsu Maru (14GT wooden ship), the first new ship, is constructed.
1890	• Kumagawa Maru, Japan's first steel-hulled ship, is built for Osaka Shosen (now Mitsui O.S.K. Lines).
1900	• Sakurajima Works starts operations (relocated to the Ariake Machinery Works in September 1997).
1907	• Japan's first Western-style whaling ship, the No. 2 Hogei Maru, is constructed. • Tokyo liaison office is opened.
1908	• Japan's first tanker, the Tora Maru is constructed.
1911	• Innoshima Works starts operations.

Old Osaka Iron Works Ltd. era

1914	• Osaka Iron Works is reorganized as a joint-stock company.
1922	• Chikko Works starts operations.
1927	• Dojima Ohashi, an arch bridge, and other structures are completed in succession for the municipal government of Osaka.
1930	• The Heiyo Maru and Heian Maru large-scale cargo and passenger ships for Nippon Yusen K.K. are constructed (these ships established a new record for river launches in Japan).

New Osaka Iron Works Ltd. era

1934	• The Company makes a new start as Osaka Iron Works incorporated (marking the incorporation of the current Hitachi Zosen Corporation).
1937	• *Osaka Tekko*, a technical journal, is inaugurated.

As Hitachi Zosen Corporation

1943	• The name is changed to Hitachi Zosen Corporation. • Mukaishima Works starts operations.
1944	• Kanagawa Works starts operations.
1948	• *Hitachi Zosen Technical Review* is inaugurated.
1949	• Technical Research Institute is opened. • The first whaling ship is constructed for Norway following World War Ⅱ as a result of government trade.
1950	• A technological tie-up for B&W-type diesel engines is concluded.
1951	• An order is received for a tanker from a customer in the United States — the first order received under the private trade program to export a ship after the end of World War Ⅱ. • The first B&W marine diesel engine is completed.
1956	• Offices are opened in London and New York.
1960	• A technological tie-up is concluded with Von Roll Environmental Technology Ltd. of Switzerland for a De Roll-type refuse incineration plant.
1965	• A De Roll-type refuse incineration plant is completed for the municipal government of Osaka (the first mechanical incineration plant with power generation facility manufactured in Japan). • Sakai Works starts operations.
1966	• Sakurajima Works restarts as a specialized plant for land machinery.
1969	• A number of orders are completed for De Roll-type refuse incineration plants for Tokyo Metropolis.
1971	• Maizuru Works starts operations.
1972	• Orders are received for two cargo ships for China.
1973	• Ariake Works starts operations.
1977	• Construction is completed for a 500,000-ton tanker for Esso.
1979	• Ariake Land Machinery Works starts operations.
1981	• Hitachi Zosen celebrates its 100th anniversary.
1987	• The world's first multiple-face shield tunneling machine is completed.
1990	• Construction of ultra-large steel mill plants is completed for Baoshan Iron and Steel of China and Sicartsa Steel Mill in Mexico.
1993	• Construction of Japan's first double-hull VLCC is completed. • Sakai Works starts operation as a specialized plant for steel structures. • Slurry-shield tunnel boring machine (with one of the world's largest diameters of 14.14m) is produced.
1994	• The world's first triple-face shield tunneling machine is completed.
1996	• A refuse incineration plant for the Clean Association of Eastern Saitama District receives MITI (now METI) Minister prize for excellent environmental equipment. • Electric power supply business is inaugurated. • Japan's first super refuse-fired power generation plant comes on stream.
1997	• An order is received for the world's first fifth-generation semisub rig. • Sakurajima Works is closed, and facilities are transferred to Ariake Works; Ariake Machinery Works starts operations. • The wolrd's largest B&W marine diesel engine (74,640 hp) at the time is completed.
2000	• An order is received for the No. 1 gasification melting furnace. • Yumemai Ohashi, the world's first floating swing bridge is constructed. • 8,000 hours of continuous operations are achieved by refuse incineration plant delivered for Taiwan.
2001	• A large-scale desalination plant is constructed in Saudi Arabia.
2002	• The Basic Agreement on Consolidation of Shipbuilding Operations is concluded with NKK Corp (now JFE Steel Corporation). • The shipbuilding operation is transferred to Universal Shipbuilding Corporation on October 1. • The Hitz brand name goes into use as of October 1. • HEC Corporation is acquired.
2003	• The world's most advanced electronic control marine engine for large vessels is produced. • A desalination plant is constructed for Oman.
2004	• An order is received (as member of international consortium) for Stonecutters Bridge — the world's second-longest cable-stayed bridge — for Hong Kong. • Kyoto Municipal Waste Edible Oil Fuel Production Facility is completed with the greatest manufacturing capacity in Japan.
2005	• Refuse incineration plant is constructed for Odate City (the first intermediate processing operation of municipal refuse in Japan under PFI legislation).
2006	• A desalination plant is constructed in Abu Dhabi.
2007	• One of Japan's largest gasification melting furnaces is completed for Toyoda City. • An order is received from South Africa for one of the world's largest coal-to-liquids (CTL) reactors.
2008	• A new factory is constructed in Sakai Works for extension of industrial machinery and shield tunneling machinery production.
2009	• Ten Group companies are absorbed. • Completed a new plant for manufacture of medium-sized diesel engines at Ariake Works. • Launched a joint venture in China for manufacture of marine diesel engines.
2010	• Launched a joint venture in China for manufacture of marine deck machinery. • Acquired European refuse incineration plant maker (current name: Hitachi Zosen Inova AG).
2011	• Hitachi Zosen celebrates its 130th anniversary. • Establishes local subsidiary in India. • Establishes a joint-venture precision machinery company in China. • Vessel put into service employing world's first selective catalytic reduction (SCR) NOx removal system for marine engines compliant with International Maritime Organization (IMO) Tier Ⅲ NOx emission standards.
2012	• Established a joint-venture manufacturer of process equipment in India.
2013	• Acquired all shares of U.S.-based NAC International Inc. • Established local subsidiary in Myanmar.
2014	• Established local subsidiary in Indonesia. • Daiki Ataka Engineering Co., Ltd. is acquired. • Acquired shares of Cumberland group companies. • SCR system for marine engines received world's first FTA approval.

Investor Information

(As of March 31, 2015)

Corporate data

Date of founding:	April 1, 1881
Capital:	45,442,365,005 yen
Number of employees (consolidated):	9,581
Number of employees (non-consolidated):	3,808
Consolidated subsidiaries:	87

Stock data

Number of shares authorized:	400,000,000
Number of shares issued:	167,843,845
Number of shareholders:	93,393

Major shareholders

Name of shareholder	Number of shareholder shares held (Thousands of shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	12,462	7.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,786	6.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,023	3.0
Trust & Custody Services Bank, Ltd. (Investment Trust Collateral Account)	3,131	1.9
Sompo Japan Nipponkoa Insurance Inc.	2,357	1.4
HAYAT	2,335	1.4
BNP Paribas Securities (Japan) Limited	2,266	1.4
EVERGREEN	2,176	1.3
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1,705	1.0
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,627	1.0

Note: The shareholding ratio does not include treasury stock (829,840 shares).

Shareholders information

Business year:	April 1 to March 31
Annual General Meeting of Shareholders:	Late June
Final date for voting right registration:	March 31
Dividend record date (term-end):	March 31
Dividend record date (interim):	September 30

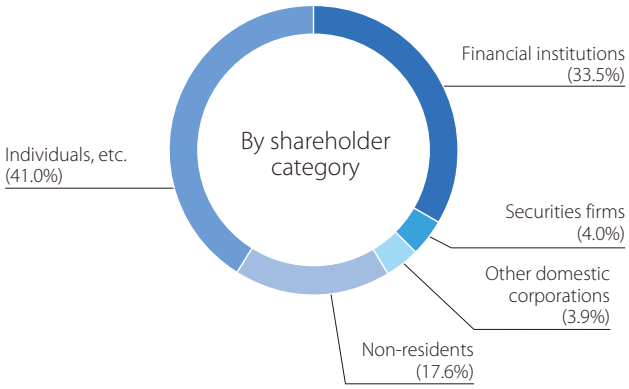
Public notices:
via Company's website
http://www.hitachizosen.co.jp/

Share trading unit: 100 shares

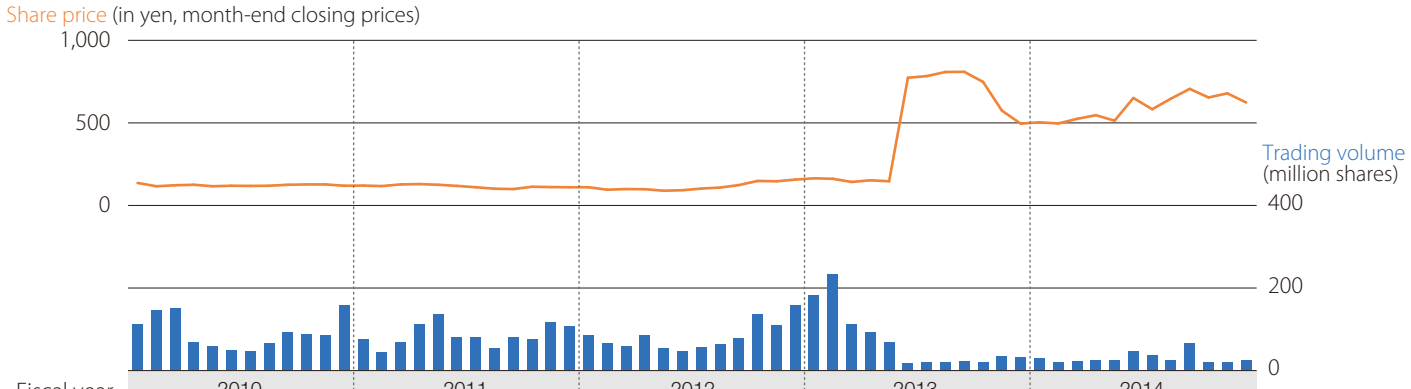
Shareholder registry administrator and special account custodian:
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Stock listing: Tokyo Stock Exchange

Distribution of shareholdings



Share price and trading volume



Fiscal year	2010	2011	2012	2013	2014
High	139	138	168	197 □863	785
Low	97	96	85	130 □455	455
At year-end	117	108	154	492	620

*Fiscal years ended March 31 of the following year.

Note: On October 1, 2013, as Hitachi Zosen Corporation implemented a share consolidation with a ratio of five shares to one, the share price before the share consolidation and the share price after the consolidation, as indicated by □, have been recorded as our share price high and low during fiscal 2013.

For investor relations information, please visit our website.
http://www.hitachizosen.co.jp/english/ir/index.html

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