Hitachi Zosen Corporation

FY2013
Financial Results

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

May 12, 2014
President & COO Takashi Tanisho
1. Overview of FY2013 Consolidated Financial Results

2. Forecast of FY2014

3. Details by Segments
Key Points of FY2013 Results

- Year-on-year decrease of Ordinary income due to increase of costs related to civil construction and subcontracts and etc.

- Secured Operating and Ordinary income forecast of February 2014 with contribution of service business
1. OVERVIEW OF FY2013 CONSOLIDATED FINANCIAL RESULTS
### FY2013 Results Overview

(Unit: Billion Yen)

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

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FY2013 Order intake

(Unit: Billion Yen)

Year-on-Year -54.4
Year-on-Year -66.1
FY2013 Net sales & Operating income

**Net sales**

- **FY2012 Actual**: 296.7
- **FY2013 Forecast (as of May)**: 320.0
- **FY2013 Forecast (as of Feb.)**: 320.0
- **FY2013 Actual**: 333.4

- **Year-on-Year +36.7**

- **Year-on-Year +25.2**

**Operating income**

- **Total 2012**: 10.6
- **Total 2013**: 10.0
- **Total 2013 Forecast (as of May)**: 9.5
- **Total 2013 Forecast (as of Feb.)**: 9.9
- **Total 2013 Actual**: 7.8

- **Year-on-Year -2.3**

- **Year-on-Year -1.0**

- **Year-on-Year -1.3**

- **Year-on-Year -1.6**

*Unit: Billion Yen*

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## FY2013 by Segments

(Unit: Billion Yen)

<table>
<thead>
<tr>
<th></th>
<th>Environmental Systems and Industrial Plants</th>
<th>Machinery</th>
<th>Process Equipment</th>
<th>Infrastructure</th>
<th>Precision Machinery</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY2013 Actual</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Order intake</td>
<td>205.0</td>
<td>53.3</td>
<td>17.3</td>
<td>22.5</td>
<td>21.9</td>
<td>8.4</td>
<td>328.4</td>
</tr>
<tr>
<td>Net sales</td>
<td>206.3</td>
<td>51.9</td>
<td>16.0</td>
<td>28.1</td>
<td>22.6</td>
<td>8.5</td>
<td>333.4</td>
</tr>
<tr>
<td>Operating income</td>
<td>9.9</td>
<td>-0.4</td>
<td>0.0</td>
<td>-1.6</td>
<td>-0.2</td>
<td>0.1</td>
<td>7.8</td>
</tr>
<tr>
<td><strong>FY2012 Actual</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Order intake</td>
<td>271.1</td>
<td>47.5</td>
<td>16.3</td>
<td>20.9</td>
<td>18.3</td>
<td>8.7</td>
<td>382.8</td>
</tr>
<tr>
<td>Net sales</td>
<td>181.1</td>
<td>53.7</td>
<td>10.1</td>
<td>26.5</td>
<td>16.7</td>
<td>8.6</td>
<td>296.7</td>
</tr>
<tr>
<td>Operating income</td>
<td>10.6</td>
<td>1.9</td>
<td>0.1</td>
<td>-2.3</td>
<td>0.1</td>
<td>0.9</td>
<td>11.3</td>
</tr>
<tr>
<td><strong>Difference</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Order intake</td>
<td>-66.1</td>
<td>5.8</td>
<td>1.0</td>
<td>1.6</td>
<td>3.6</td>
<td>-0.3</td>
<td>-54.4</td>
</tr>
<tr>
<td>Net sales</td>
<td>25.2</td>
<td>-1.8</td>
<td>5.9</td>
<td>1.6</td>
<td>5.9</td>
<td>-0.1</td>
<td>36.7</td>
</tr>
<tr>
<td>Operating income</td>
<td>-0.7</td>
<td>-2.3</td>
<td>-0.1</td>
<td>0.7</td>
<td>-0.3</td>
<td>-0.8</td>
<td>-3.5</td>
</tr>
</tbody>
</table>
## FY2013 Increase & Decrease of Operating P&L

<table>
<thead>
<tr>
<th>Breakdown</th>
<th>FY2012 Operating income</th>
<th>FY2013 Operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increase of Net sales (+36.7 bil)</td>
<td>4.5</td>
<td>-3.5</td>
</tr>
<tr>
<td>• Increase of SG&amp;A (mainly personnel)</td>
<td>-1.7</td>
<td></td>
</tr>
<tr>
<td>• Decrease of profitable projects and increase of costs in Environmental Systems &amp; Industrial Plants</td>
<td>-2.5</td>
<td></td>
</tr>
<tr>
<td>• Decline of profit margin in Machinery</td>
<td>-2.8</td>
<td></td>
</tr>
<tr>
<td>• Decline of profit margin in Precision Machinery</td>
<td>-1.0</td>
<td></td>
</tr>
</tbody>
</table>

(Unit: Billion Yen)
# FY2013 Non-operating P&L & Extraordinary P&L

## (Unit: Billion Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expenses (*)</td>
<td>-1.1</td>
<td>-0.9</td>
<td>0.2</td>
</tr>
<tr>
<td>Equity in net income of non-consolidated affiliates</td>
<td>2.3</td>
<td>-1.0</td>
<td>-3.3</td>
</tr>
<tr>
<td>Other Non-operating income</td>
<td>-1.3</td>
<td>0.3</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Non-operating P&amp;L</strong></td>
<td>-0.1</td>
<td>-1.6</td>
<td>-1.5</td>
</tr>
</tbody>
</table>

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

## Extraordinary Loss (Unit: Billion Yen)

<table>
<thead>
<tr>
<th>Extraordinary Loss</th>
<th>Impairment loss</th>
<th>—</th>
<th>1.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution for withdrawal from employee’s pension fund</td>
<td>-0.8</td>
<td>—</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Extraordinary P&amp;L</strong></td>
<td>-2.5</td>
<td>0.0</td>
<td>2.5</td>
</tr>
</tbody>
</table>
## FY2013 Cash flows & Interest Bearing Debt

(Unit: Billion Yen)

### Cash flows

<table>
<thead>
<tr>
<th>Cash flows</th>
<th>FY2012</th>
<th>FY2013</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>9.6</td>
<td>0.3</td>
<td>-9.3</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>-13.5</td>
<td>-8.7</td>
<td>4.8</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>-7.8</td>
<td>-0.5</td>
<td>7.3</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>(*1) -10.4</td>
<td>(*1) -6.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents at beginning</td>
<td>66.6</td>
<td>56.4</td>
<td>-10.2</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents at end</td>
<td>(*2) 56.4</td>
<td>49.9</td>
<td>-6.5</td>
</tr>
</tbody>
</table>

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

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

### Interest Bearing Debt

(Unit: Billion Yen)

<table>
<thead>
<tr>
<th>Interest Bearing Debt</th>
<th>March 2013</th>
<th>March 2014</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank borrowing (incl. Lease obligations)</td>
<td>92.6</td>
<td>94.3</td>
<td>1.7</td>
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<tr>
<td>Bond issues</td>
<td>10.0</td>
<td>10.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>102.6</td>
<td>104.3</td>
<td>1.7</td>
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</tbody>
</table>
2. FORECAST OF FY2014
## FY2014 Forecast / Overview

(Unit: Billion Yen)

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

(Unit: Billion Yen)

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2013 Actual</th>
<th>FY2014 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td></td>
<td>400.0</td>
</tr>
<tr>
<td>Precision Machinery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td>205.0</td>
<td>250.0</td>
</tr>
<tr>
<td>Environmental Systems and Industrial Plants</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FY2014 Forecast / Order intake
FY2014 Forecast / Net sales & Operating income

Net sales

- FY2013 Actual: 333.4 Billion Yen
- FY2014 Forecast: 320.0 Billion Yen

Operating income

- FY2013 Actual: 7.8 Billion Yen
- FY2014 Forecast: 10.0 Billion Yen

(Unit: Billion Yen)

- Others
- Precision Machinery
- Infrastructure
- Process Equipment
- Machinery
- Environmental Systems and Industrial Plants
## FY2014 Forecast / by Segments

(Unit: Billion Yen)

<table>
<thead>
<tr>
<th></th>
<th>Environmental Systems and Industrial Plants</th>
<th>Machinery</th>
<th>Process Equipment</th>
<th>Infrastructure</th>
<th>Precision Machinery</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY2014 Forecast</strong></td>
<td>Order intake</td>
<td>250.0</td>
<td>53.0</td>
<td>28.0</td>
<td>32.0</td>
<td>28.0</td>
<td>9.0</td>
</tr>
<tr>
<td></td>
<td>Net sales</td>
<td>196.0</td>
<td>50.0</td>
<td>17.0</td>
<td>23.0</td>
<td>25.0</td>
<td>9.0</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>8.5</td>
<td>0.0</td>
<td>0.5</td>
<td>0.0</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>FY2013 Actual</strong></td>
<td>Order intake</td>
<td>205.0</td>
<td>53.3</td>
<td>17.3</td>
<td>22.5</td>
<td>21.9</td>
<td>8.4</td>
</tr>
<tr>
<td></td>
<td>Net sales</td>
<td>206.3</td>
<td>51.9</td>
<td>16.0</td>
<td>28.1</td>
<td>22.6</td>
<td>8.5</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>9.9</td>
<td>-0.4</td>
<td>0.0</td>
<td>-1.6</td>
<td>-0.2</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Difference</strong></td>
<td>Order intake</td>
<td>45.0</td>
<td>-0.3</td>
<td>10.7</td>
<td>9.5</td>
<td>6.1</td>
<td>0.6</td>
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<tr>
<td></td>
<td>Net sales</td>
<td>-10.3</td>
<td>1.9</td>
<td>1.0</td>
<td>-5.1</td>
<td>2.4</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>-1.4</td>
<td>0.4</td>
<td>0.5</td>
<td>1.6</td>
<td>0.7</td>
<td>0.4</td>
</tr>
</tbody>
</table>
3. DETAILS BY SEGMENTS
Environmental Systems and Industrial Plants

FY2013 Results

- Net sales: Yen 206.3 (+ Yen 25.2 YoY)
  - Increase of Desalination plant, AOM of EfW plants and Inova’s EfW projects
  - Change of Inova’s book closing date (+3 months)
- Operating income: Yen 9.9 (- Yen 0.7 YoY)
  - Decrease of profitable projects
  - Increase of construction/subcontract costs

FY2014 Forecast

- Net sales: Yen 196.0 (- Yen 10.3 YoY)
  - Decrease of Desalination plant and Power generation business
- Operating income: Yen 8.5 (- Yen 1.4 YoY)
  - Cost increase will prevail in FY2014

Order intake

FY2013 Results

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

FY2014 Forecast

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

Net sales/Operating income

FY2013 Results

- Net sales: Yen 206.3 (+ Yen 25.2 YoY)
  - Increase of Desalination plant, AOM of EfW plants and Inova’s EfW projects
  - Change of Inova’s book closing date (+3 months)
- Operating income: Yen 9.9 (- Yen 0.7 YoY)
  - Decrease of profitable projects
  - Increase of construction/subcontract costs

FY2014 Forecast

- Net sales: Yen 196.0 (- Yen 10.3 YoY)
  - Decrease of Desalination plant and Power generation business
- Operating income: Yen 8.5 (- Yen 1.4 YoY)
  - Cost increase will prevail in FY2014

EwF: Energy from Waste
EPC: Engineering, Procurement and Construction
DBO: Design, Build and Operate
AOM: After-sales Service, Operation and Maintenance
FY2013 Results
- Net sales: Yen 51.9 (- Yen 1.8 YoY)
  - Despite increase of Press machines for automobile industry, decrease of Deck machinery for ships
- Operating income: Yen -0.4 (- Yen 2.3 YoY)
  - Decline in profitability of Marine diesel engines

FY2014 Forecast
- Net sales: Yen 50.0 (- Yen 1.9 YoY)
  - Decrease of Press machines order
- Operating income: Yen 0.0 (+ Yen 0.4 YoY)
  - Cost reduction in Marine diesel engines

FY2013 Results
- Net sales: Yen 53.3 (+ Yen 5.8 YoY)
- Increase of Marine diesel engines

FY2014 Forecast
- Net sales: Yen 53.0 (- Yen 0.3 YoY)
- Decrease of Press machines order
- Operating income: Yen 0.0 (+ Yen 0.4 YoY)
**Process Equipment**

**FY2013 Results**
- Net sales: Yen 16.0 (+ Yen 5.9 YoY)
- Operating income: Yen 0.0 (- Yen 0.1 YoY)
  - Addition of NAC International
  - Recovery of Order intake in Reactor

**FY2014 Forecast**
- Net sales: Yen 17.0 (+ Yen 1.0 YoY)
- Operating income: Yen 0.5 (+ Yen 0.5 YoY)
  - Increase of Reactor

**Order intake**
- FY2012: 17.0
- FY2013: 35.0
- FY2014: 28.0

**Net sales/Operating income**
- FY2012: 11.5, 0.3
- FY2013: 19.0, 1.3
- FY2014: 17.0, 0.5

**Net sales**
- FY2012: Yen 11.5
- FY2013: Yen 19.0
- FY2014: Yen 17.0

**Forecast**
- FY2012: Yen 17.3
- FY2013: Yen 17.3
- FY2014: Yen 28.0

**Increase of Reactor**
- Forecast: Yen 17.3 (+ Yen 1.0 YoY)
- FY2013: Yen 17.3
- FY2014: Yen 28.0 (+ Yen 10.7 YoY)

**Yen increase**
- FY2013: Yen 17.3
- FY2014: Yen 28.0

**Order intake**
- FY2012: 17.0
- FY2013: 35.0
- FY2014: 28.0

**Addition of NAC International**
- Forecast: Yen 17.3
- FY2013: Yen 17.3
- FY2014: Yen 28.0

**Recovery of Order intake in Reactor**
- Forecast: Yen 17.3
- FY2013: Yen 17.3
- FY2014: Yen 28.0

**Operating income**
- FY2012: Yen 0.3
- FY2013: Yen 1.3
- FY2014: Yen 0.5

**Increase of Reactor and Nuclear fuel cycling-related equipment**
- Forecast: Yen 17.3
- FY2013: Yen 17.3
- FY2014: Yen 28.0

**Operating income**
- FY2012: Yen 0.3
- FY2013: Yen 1.3
- FY2014: Yen 0.5

**Increase of Reactor**
- Forecast: Yen 17.3
- FY2013: Yen 17.3
- FY2014: Yen 28.0

**Order intake**
- FY2012: 17.0
- FY2013: 35.0
- FY2014: 28.0

**Amortization of NAC’s goodwill**
- Forecast: Yen 17.3
- FY2013: Yen 17.3
- FY2014: Yen 28.0

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**Infrastructure**

**Order intake**

*FY2013 Results*
- Yen 22.5 (+ Yen 1.6 YoY)
  - Decrease of Shield tunneling machines
  - Increase of Bridges, Steel stacks and Hydraulic gates

*FY2014 Forecast*
- Yen 32.0 (+ Yen 9.5 YoY)
  - Increase of Shield tunneling machines for domestic market
  - Increase of Bridges, Steel stacks, Hydraulic gates, and Disaster prevention machinery

**Net sales/Operating income**

*FY2013 Results*
- Net sales: Yen 28.1 (+ Yen 1.6 YoY)
  - Increase of Bridges, Steel stacks and Hydraulic gates despite decrease of Shield tunneling machines
- Operating income: -Yen 1.6 (+ Yen 0.7 YoY)
  - Increase of Net sales
  - Progress of business reform efforts

*FY2014 Forecast*
- Net sales: Yen 23.0 (- Yen 5.1 YoY)
  - Decrease in oversea project of Shield tunneling machines
- Operating income: Yen 0.0 (+ Yen 1.6 YoY)
  - Improvement of Bridge project profitability
  - Increase of Disaster prevention machinery
  - On-going business reform efforts
### Precision Machinery

#### Order intake

**FY2013 Results**
- Yen 21.9 (+Yen 3.6 YoY)
- LCD related large projects
- Increase of Food/medical filling and packaging systems, including Electron beam sterilization system

**FY2014 Forecast**
- Yen 28.0 (+Yen 6.1 YoY)
- Large projects related to solar cell prospected
- Increase of Electron beam sterilization system

#### Net sales/Operating income

**FY2013 Results**
- Net sales: Yen 22.6 (+Yen 5.9 YoY)
  - Increase of Order intake
- Operating income: -Yen 0.2 (-Yen 0.3 YoY)
  - Decline of project profitability

**FY2014 Forecast**
- Net sales: Yen 25.0 (+Yen 2.4 YoY)
- Operating income: Yen 0.5 (+Yen 0.7 YoY)
  - Increase of Order intake with large projects and Food/medical filling and packaging systems
Cautionary Statement
Forward-looking statements are based on information currently available to Hitachi Zosen Corporation. Therefore those forward-looking statements include unknown risks and uncertainties. Accordingly, you should note that the actual results could differ materially from those forward-looking statements. Risks and uncertainties that could influence the ultimate outcome include, but are not limited to, the economic conditions surrounding Hitachi Zosen Corporation and/or exchange rate fluctuation.