

FY2010 Financial Results

Hitachi Zosen Corporation

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Chairman & President Minoru Furukawa



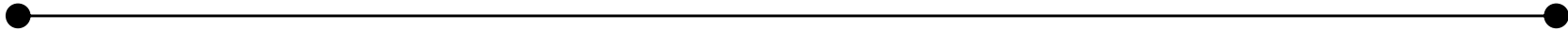


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1. Overview of FY2010 Consolidated Financial Results



Key Point of FY2010 Results

1. Improvement from original forecast in each segment
2. Steady improvement of financial position

Overview of P&L

(unit: billion yen)	FY2009	FY2010	Difference
Order intake	337.2	(360) 246.0	▲91.2
Net sales	273.5	(300) 287.1	13.6
Operating profit (Ratio)	13.5 (4.9%)	(12) 13.3 (4.0%) (4.7%)	▲0.2 (▲0.2%)
Non-operating P&L	2.5	▲1.3	▲3.8
Ordinary income (Ratio)	16.0 (5.8%)	(10) 12.0 (3.3%) (4.2%)	▲4.0 (▲1.6%)
Extraordinary P&L	▲6.1	0.6	6.7
Income before income tax and minority interests	9.9	12.6	2.7
Net income (Ratio)	7.9 (2.9%)	(8) 9.6 (2.7%) (3.3%)	1.7 (0.4%)
ROIC	7.6%	7.3%	▲0.3%

(Note) Parenthesis shows the forecast figures announced in May 2010.

Order Intake by Segments

(unit: billion yen)	FY2009	FY2010	Difference
Environmental Systems	170.5	94.1	▲76.4
Plants	34.0	29.7	▲4.3
Machinery	43.3	43.1	▲0.2
Process Equipments	10.4	13.1	2.7
Infrastructure	34.6	33.2	▲1.4
Precision Machinery	36.2	23.3	▲12.9
Other	8.2	9.5	1.3
Total	337.2	246.0	▲91.2

P&L-by Segments

(unit: billion yen)

		Environment	Plants	Machinery	Process Equipments	Infra-structure	Precision Machinery	Other	Total
FY2010	Net sales	93.1	29.6	60.9	17.3	38.4	38.6	9.2	287.1
	Oper. Profit	5.7	▲2.2	3.0	1.6	1.2	3.2	0.8	13.3
FY2009	Net sales	89.3	41.0	54.5	26.9	34.5	19.0	8.3	273.5
	Oper. Profit	3.5	1.3	2.9	5.2	▲0.2	0.2	0.6	13.5
Diff.	Net sales	3.8	▲11.4	6.4	▲9.6	3.9	19.6	0.9	13.6
	Oper. Profit	2.2	▲3.5	0.1	▲3.6	1.4	3.0	0.2	▲0.2

Breakdown

Increase/Decrease of Operating P&L

(unit: billion yen)

FY2009 Operating P&L		13.5
Breakdown of Increase and Decrease	<ul style="list-style-type: none"> •Increase of SG&A expenses ▲4.0 (incl. increase of R&D expenses ▲2.5) •Increase of Net sales 13.6 2.1 •Cost reduction 1.7 	▲0.2
	FY2010 Operating P&L	
	13.3	

Breakdown of Non-operating P&L

(unit: billion yen)	FY2009	FY2010	Difference
Financial expenses (Interest income - Interest payment)	▲1.4	▲1.4	0
Dividends income	0.2	0.2	0
Equity in earnings of nonconsolidated subsidiary and affiliates	3.7	2.9	▲0.8
Other non-oper. income	0	▲3.0	▲3.0
Total	2.5	▲1.3	▲3.8

Breakdown of Extraordinary P&L

		FY2009	FY2010	Difference
(unit: billion yen)				
Extraordinary Profit	Reversal of allowance for losses from Lawsuits	-	1.1	1.1
Extraordinary Loss	Provision for allowance for losses from Lawsuits	▲6.1	-	6.1
	Effect by assets retirement obligation	-	▲0.5	▲0.5
Total – Extraordinary P&L		▲6.1	0.6	6.7

Breakdown

Cash flows & Interest Bearing Debt

Cash Flows (unit: billion yen)	FY2009	FY2010	Difference
Cash flows from operating activities	5.5	17.1	11.6
Cash flows from investment activities	▲12.6	▲3.2	9.4
Cash flows from financing activities	8.7	▲9.6	▲18.3
Net increase in cash & cash equivalents	1.6	4.3	2.7
Cash & cash equivalents at beginning	50.0	51.6	1.6
Cash & cash equivalents at end	51.6	55.9	4.3

Interest Bearing Debt (unit: billion yen)	Mar. 2010	Mar. 2011	Difference
Bank Loan (incl. Lease liabilities)	82.4	89.1	6.7
Bond issue	30.4	15.5	▲14.9
Total	112.8	104.6	▲8.2



2. FY2011 Forecast

FY2011 Forecast

(unit: billion yen)	FY2010 Actual	FY2011 Forecast	Difference
Order intake	246.0	370.0	124.0
Net sales	287.1	310.0	22.9
Operating profit (Ratio)	13.3 (4.7%)	14.0 (4.5%)	0.7 (▲0.2%)
Ordinary income (Ratio)	12.0 (4.2%)	13.0 (4.2%)	1.0 (▲0.0%)
Extraordinary P&L	0.6	-	▲0.6
Income before income tax and minority interests	12.6	13.0	0.4
Net income (Ratio)	9.6 (3.3%)	10.0 (3.2%)	0.4 (▲0.1%)

FY2011 Order Intake by Segments

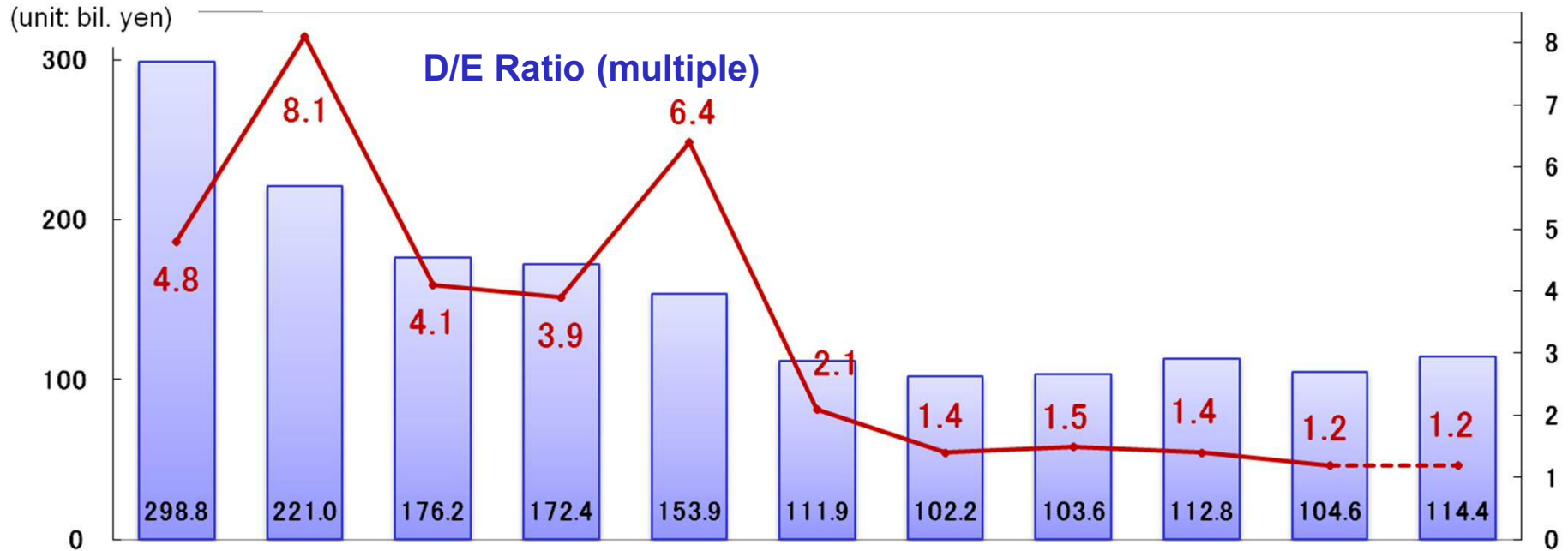
(unit: billion yen)	FY2010 Actual	FY2011 Forecast	Difference
Environmental Systems	94.1	175.0	80.9
Plants	29.7	49.0	19.3
Machinery	43.1	52.0	8.9
Process Equipments	13.1	19.0	5.9
Infrastructure	33.2	34.0	0.8
Precision Machinery	23.3	32.0	8.7
Other	9.5	9.0	▲0.5
Total	246.0	370.0	124.0

FY2011 P&L by Segments

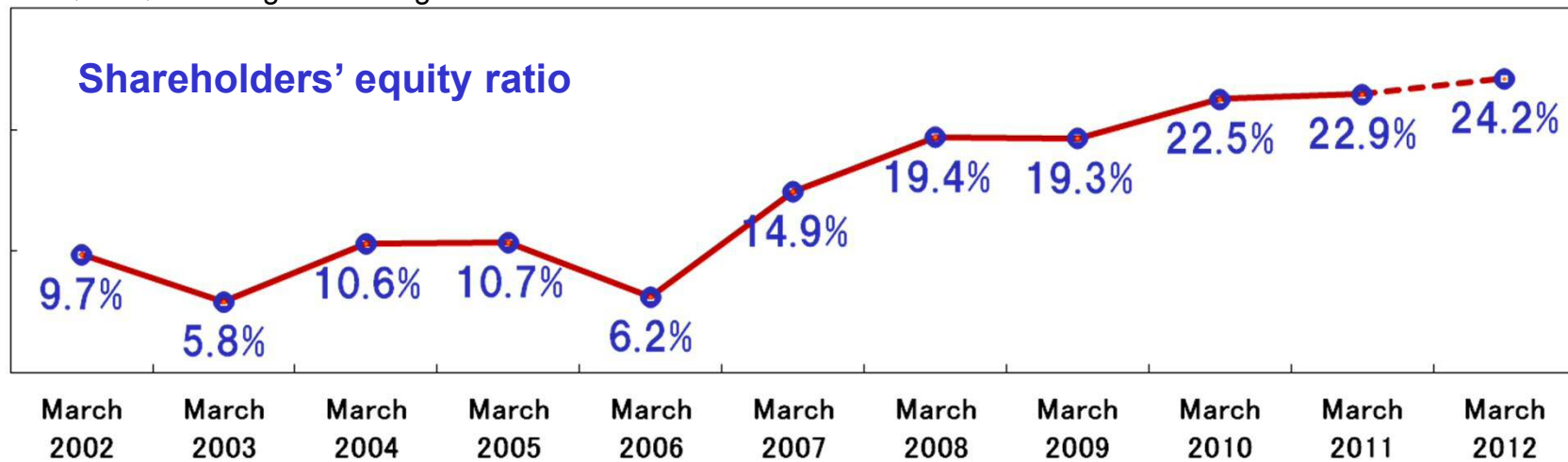
(unit: billion yen)

		Environment	Plants	Machinery	Process Equipments	Infra-structure	Precision Machinery	Other	Total
FY2011 Forecast	Net sales	130.0	39.5	58.0	9.0	35.5	29.0	9.0	310.0
	Operating Profit	6.1	0.4	2.6	0	1.5	2.6	0.8	14.0
FY2010 Actual	Net sales	93.1	29.6	60.9	17.3	38.4	38.6	9.2	287.1
	Operating Profit	5.7	▲2.2	3.0	1.6	1.2	3.2	0.8	13.3
Diff.	Net sales	36.9	9.9	▲2.9	▲8.3	▲2.9	▲96	▲0.2	22.9
	Operrating Profit	0.4	2.6	▲0.4	▲1.6	0.3	▲0.6	0	0.7

Forecast of Interest Bearing Debts



(Note) Including lease obligation after March 2009



Forecast



3. Review of former Mid Term Business Plan - Hitz Innovation II -

3. Review of Hitz Innovation (HI, HI- II) Achievement in the last year of 3-year period

(unit: billion yen)	FY2010		
	HI- II Plan	Actual	Achievement Ratio
Order intake	360.0	246.0	68%
Net sales	340.0	287.1	84%
Operating profit	17.0	13.3	78%
(Ratio)	(5%)	(4.7%)	
Ordinary income	16.0	12.0	75%
(Ratio)	(4.7%)	(4.2%)	
Net income	9.0	9.6	107%
ROIC (*1)	above 12%	7.3%	-
Int. bearing debt	below 70.0	104.6	-
Shareholders' equity ratio	above 30%	23%	-

(*1) ROIC(Return of Investment Capital) = Operating profit ÷ Investment capital
Investment capital = Net assets + Int. bearing debt + Minority Interests - (Short tem securities investment + Investment securities)

(*2) Shareholders' equity ratio above 30% is our target.

3. Review of Hitz Innovation (HI, HI- II) Achievement (3 years total)

(unit: billion yen)

	FY2008		FY2009		FY2010		3 years total		
	HI- II Plan	Actual	HI- II Plan	Actua	HI- II Plan	Actual	HI- II Plan	Actual	Achievement Ratio
Order intake	330.0	253.1	350.0	337.2	360.0	246.0	1,040.0	836.3	80%
Net sales	300.0	298.6	320.0	273.5	340.0	287.1	960.0	859.2	90%
Operating profit	12.0	11.6	14.0	13.5	17.0	13.3	43.0	38.4	89%
(Ratio)	(4.0%)	(3.9%)	(4.4%)	(5.0%)	(5%)	(4.6%)	(4.5%)	(4.5%)	
Ordinary income	8.0	8.9	12.0	16.0	16.0	12.0	36.0	36.9	103%
(Ratio)	(2.7%)	(3.0%)	(3.8%)	(5.8%)	(4.7%)	(4.2%)	(3.7%)	(4.3%)	
Net income	5.0	1.4	7.0	7.9	9.0	9.6	21.0	18.9	90%
ROIC(*1)	8%	7%	10%	8%	above 12%	7.3%	—	—	—
Int. bearing debt	95.0	103.7	90.0	112.8	below 70.0	104.6	—	—	—
Shareholders' equity ratio	—	19%	—	23%	above 30%	23%	—	—	—

(*1) ROIC(Return of Investment Capital) = Operating profit ÷ Investment capital
Investment capital = Net assets + Int. bearing debt + Minority Interests - (Short tem securities investment + Investment securities)

(*2) Shreaholders' equity ratio above 30% is our target.

3. Review of Hitz Innovation (HI, HI- II) Remaining Issue

(unit: billion yen)

	3 years total		
	HI- II Plan	Actual	Achievement Ratio
Order intake	1,040.0	836.3	80%
Net sales	960.0	859.2	90%
Operating profit	43.0	38.4	89%
(Ratio)	(4.5%)	(4.5%)	
Ordinary income	36.0	36.9	103%
(Ratio)	(3.7%)	(4.3%)	
Net income	21.0	18.9	90%
	FY2010 (last year of 3-year plan)		
ROIC	above 12%	7.3%	—
Int. bearing debt	below 70.0	104.6	—
Shareholders' equity ratio	above 30%	23%	—

Root cause is the lack of growth potential of business

Issue to be addressed at new mid term business plan

To become strong company with high growth rate, not easily influenced by changing economic condition.

The logo for Hitachi Zosen, featuring the word "Hitachi" in a dark blue, bold, sans-serif font. The letter "i" is unique, with a yellow-to-white gradient bar above its stem. The word "Zosen" is in the same dark blue, bold, sans-serif font. The background of the logo area is a soft-focus landscape with a blue sky, white clouds, and green rolling hills with a few trees.

Hitachi Zosen

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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.