



Neyagawa, Osaka, new clean center (200t/d)

Financial Results

for the six months
ended September 30, 2014



Hitachi Zosen Corporation

November 4, 2014

President & COO Takashi Tanisho

1. Overview of Financial Results
for the six months ended September 30, 2014
2. Forecast of FY2014
3. Details by Segment
4. Progress of Mid Term Business Plan “Hitz Vision II”

Key Points of the First Half of FY2014 Results

- Order intake; Increased materially in Environmental Systems & Industrial Plants segment
- FY 2014 forecast;
 - Order intake; Revised up to 420 billion yen from 400 billion yen
 - Net sales; Revised up to 340 billion yen from 320 billion yen

**1. OVERVIEW OF FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014**

The First Half of FY 2014 / Overview

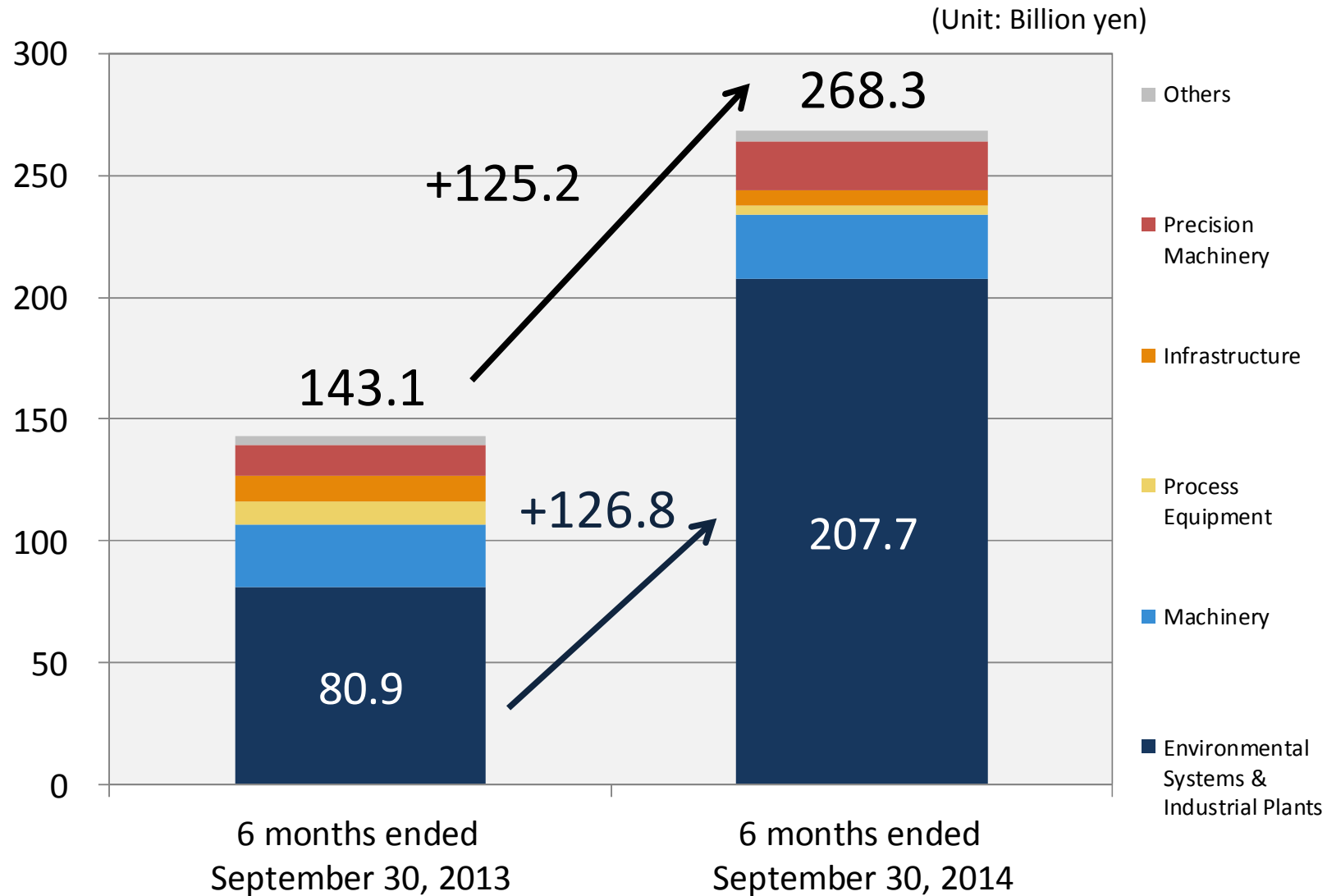
Hitz

Hitachi Zosen

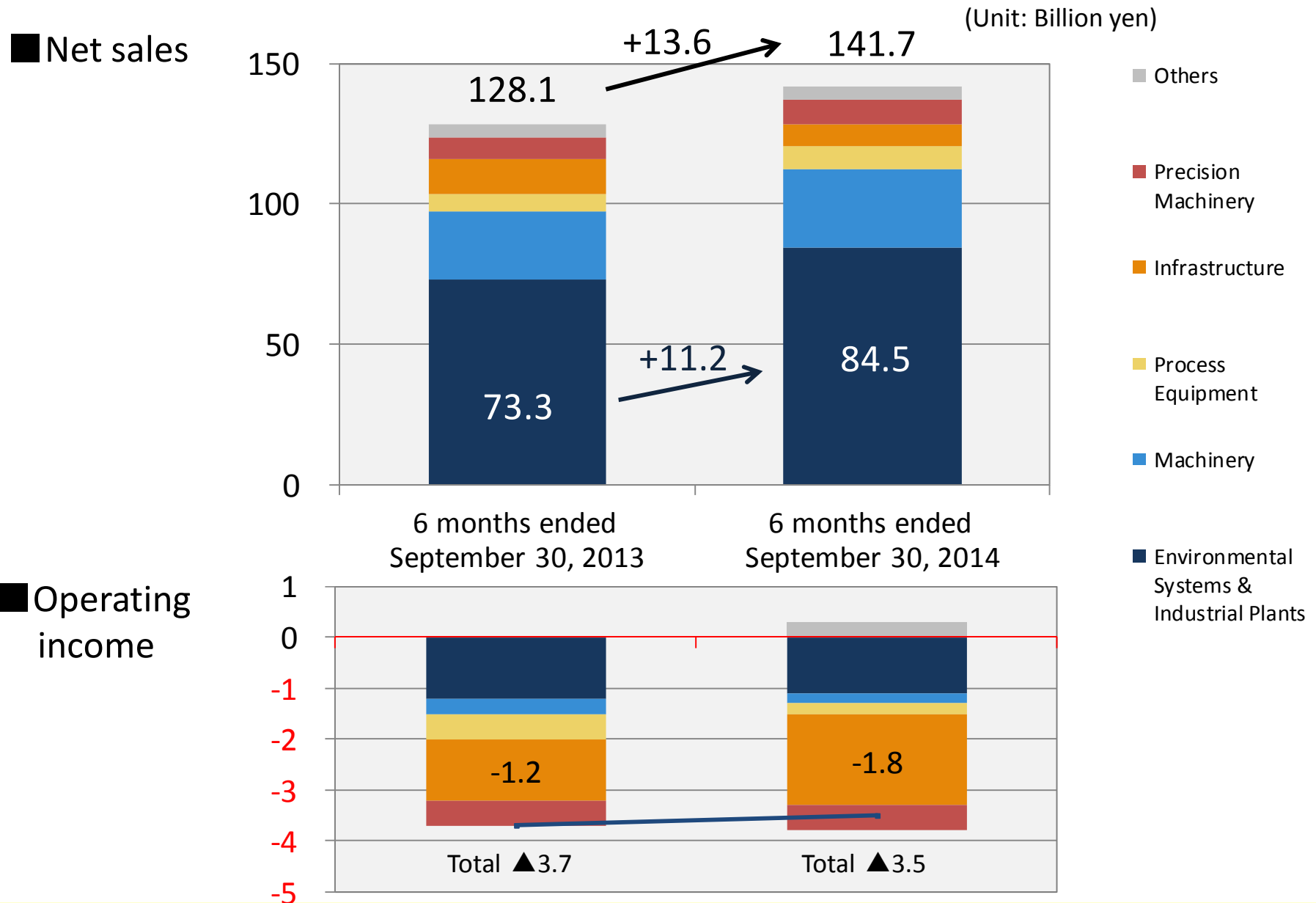
(Unit: Billion yen)

| | 6 months ended September 30, 2013 | 6 months ended September 30, 2014 | Difference |
|---------------------------------|--------------------------------------|--------------------------------------|------------|
| Order intake | 143.1 | 268.3 | 125.2 |
| Net sales | 128.1 | 141.7 | 13.6 |
| Operating income | ▲3.7 | ▲3.5 | 0.2 |
| (ratio) | ▲2.9% | ▲2.5% | 0.4% |
| Non-operating P&L | ▲0.1 | ▲1.4 | ▲1.3 |
| Ordinary income | ▲3.8 | ▲4.9 | ▲1.1 |
| (ratio) | ▲3.0% | ▲3.5% | ▲0.5% |
| Extraordinary P&L | — | 3.1 | 3.1 |
| Income tax & minority interests | ▲0.2 | ▲1.1 | ▲0.9 |
| Net income | ▲4.0 | ▲2.9 | 1.1 |
| (ratio) | ▲3.2% | ▲2.1% | 1.1% |

The First Half of FY2014 / Order intake



The First Half of FY2014 / Net sales & Operating income



The First Half of FY2014 / by segment

(Unit: Billion yen)

| | | Environmental Systems & Industrial Plants | Machinery | Process Equipment | Infra- Structure | Precision Machinery | Others | Total |
|--|------------------|--|-----------|----------------------|---------------------|------------------------|--------|-------|
| 6 months ended September 30, 2014 | Order intake | 207.7 | 26.1 | 4.0 | 5.9 | 20.2 | 4.4 | 268.3 |
| | Net sales | 84.5 | 27.7 | 8.6 | 7.7 | 8.7 | 4.5 | 141.7 |
| | Operating income | ▲1.1 | ▲0.2 | ▲0.2 | ▲1.8 | ▲0.5 | 0.3 | ▲3.5 |
| 6 months ended September 30, 2013 | Order intake | 80.9 | 26.1 | 9.0 | 10.5 | 12.6 | 4.0 | 143.1 |
| | Net sales | 73.3 | 24.2 | 6.2 | 12.0 | 8.2 | 4.2 | 128.1 |
| | Operating income | ▲1.2 | ▲0.3 | ▲0.5 | ▲1.2 | ▲0.5 | 0.0 | ▲3.7 |
| Difference | Order intake | 126.8 | 0.0 | ▲5.0 | ▲4.6 | 7.6 | 0.4 | 125.2 |
| | Net sales | 11.2 | 3.5 | 2.4 | ▲4.3 | 0.5 | 0.3 | 13.6 |
| | Operating income | 0.1 | 0.1 | 0.3 | ▲0.6 | 0.0 | 0.3 | 0.2 |

The First Half of FY2014 / Increase & Decrease of Operating P&L

(Unit: Billion yen)

| | | |
|--|--|--------------|
| Operating P&L for 6 months ended September 30, 2013 | | ▲ 3.7 |
| Breakdown | ▪ Increase of Net sales (+13.6) | 1.7 |
| | ▪ Decrease of profitable projects in Environmental Systems & Industrial Plants | ▲ 0.7 |
| | ▪ Decline of profit margin in Infrastructure | ▲ 0.5 |
| | ▪ Increase of SG&A | ▲ 0.3 |
| Operating P&L for 6 months ended September 30, 2014 | | ▲ 3.5 |

The First Half of FY2014 / Non-operating P&L, Extraordinary P&L

(Unit: Billion Yen)

| | 6 months ended September 30, 2013 | 6 months ended September 30, 2014 | Difference |
|--|--------------------------------------|--------------------------------------|-------------|
| Interest expenses (*) | ▲0.4 | ▲0.2 | 0.2 |
| Equity in net income of non-consolidated affiliates | ▲0.8 | 0.1 | 0.9 |
| Other Non-operating income | 1.1 | ▲1.3 | ▲2.4 |
| Non-operating P&L | ▲0.1 | ▲1.4 | ▲1.3 |

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

| | | | | |
|------------------------------|------------------------------|----------|------------|------------|
| Extraordinary Loss | Gain on Negative Goodwill | — | 3.1 | 3.1 |
| Extraordinary P&L | | — | 3.1 | 3.1 |

The First Half of FY2014 / Cash flows & Interest bearing debt **Hitz**

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(Unit: Billion yen)

| Cash flows | 6 months ended September 30, 2013 | 6 months ended September 30, 2014 | Difference |
|---|--------------------------------------|--------------------------------------|------------|
| Cash flows from operating activities | ▲4.1 | 16.4 | 20.5 |
| Cash flows from investing activities | ▲1.8 | ▲7.7 | ▲5.9 |
| Cash flows from financing activities | ▲6.0 | 2.0 | 8.0 |
| Net increase in cash & cash equivalents | (*1) ▲11.0 | (*1) 10.9 | 21.9 |
| Cash & cash equivalents at beginning | 56.4 | 49.9 | ▲6.5 |
| Cash & cash equivalents at end | (*2) 45.4 | (*2) 60.8 | 15.4 |

(*1) including effect of exchange rate (1st half 2013: +0.9, 1st half 2014: +0.2)

(*2) including other increase and decrease

(Unit: Billion yen)

| Interest bearing debt | March 2014 | September 2014 | Difference |
|--|------------|----------------|------------|
| Bank borrowing (incl. Lease liabilities) | 94.3 | 89.0 | ▲5.3 |
| Bond issues | 10.0 | 20.0 | 10.0 |
| Total | 104.3 | 109.0 | 4.7 |

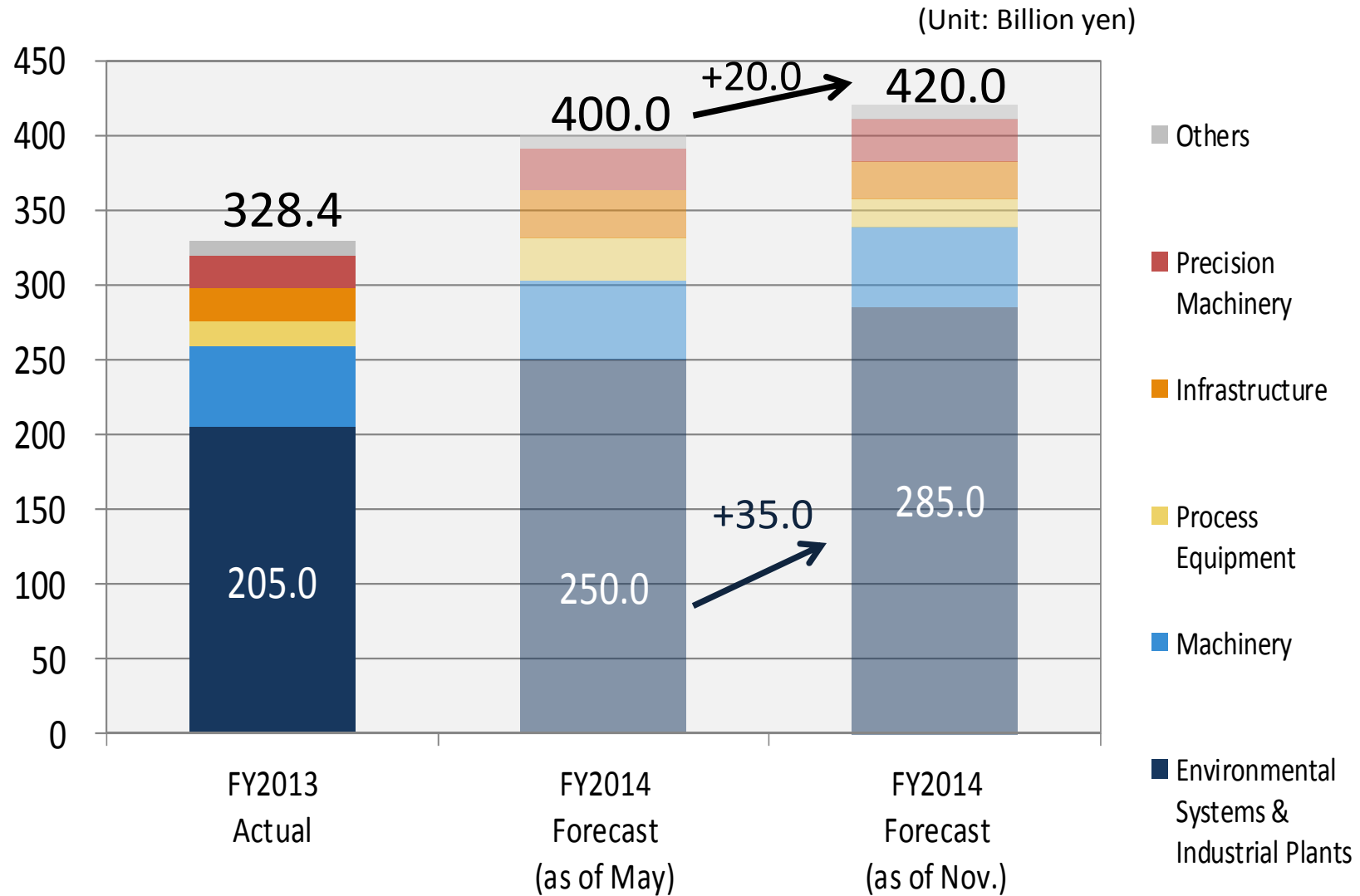
2. FORECAST OF FY2014

FY2014 Forecast / Overview

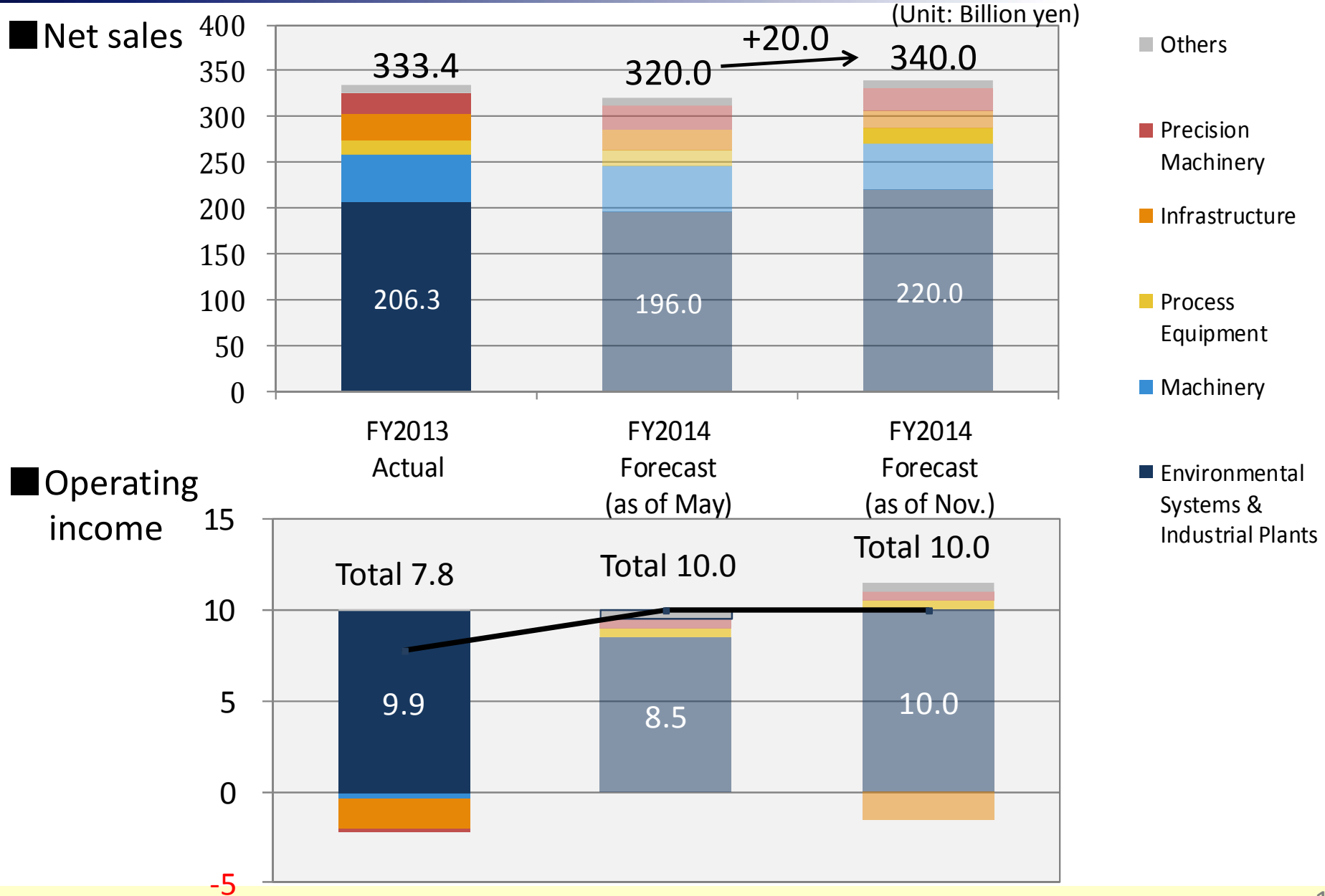
(Unit: Billion yen)

| | FY2013 | FY2014 Forecast | | Difference | |
|------------------|------------|-----------------|----------------|------------|-------|
| | Actual (A) | as of May(B) | as of Nov. (C) | (B-A) | (C-B) |
| Order intake | 328.4 | 400.0 | 420.0 | 91.6 | 20.0 |
| Net sales | 333.4 | 320.0 | 340.0 | 6.6 | 20.0 |
| Operating income | 7.8 | 10.0 | 10.0 | 2.2 | 0.0 |
| (ratio) | 2.4% | 3.1% | 2.9% | 0.5% | ▲0.2% |
| Ordinary income | 6.2 | 8.0 | 8.0 | 1.8 | 0.0 |
| (ratio) | 1.9% | 2.5% | 2.4% | 0.5% | ▲0.1% |
| Net income | 3.7 | 4.0 | 4.0 | 0.3 | 0.0 |
| (ratio) | 1.1% | 1.3% | 1.2% | 0.1% | ▲0.1% |

FY2014 Forecast / Order intake



FY2014 Forecast / Net sales & Operating income



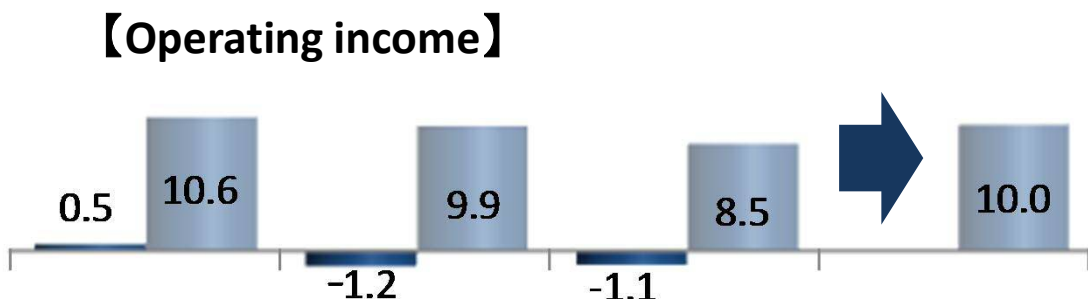
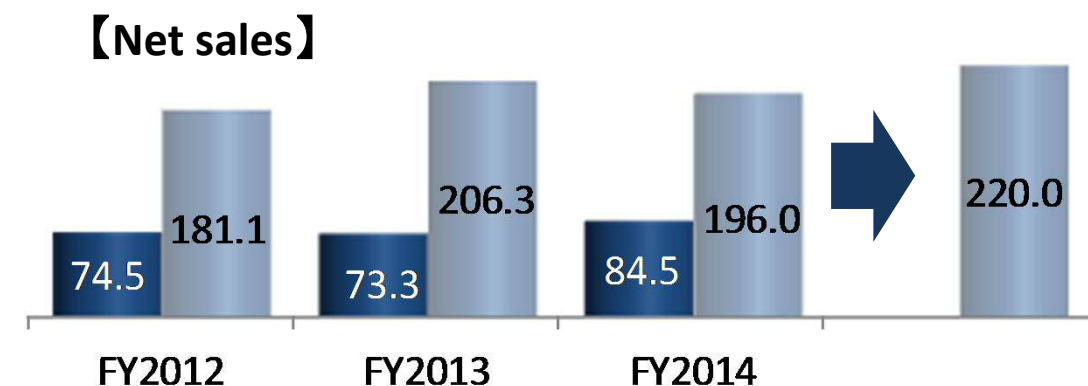
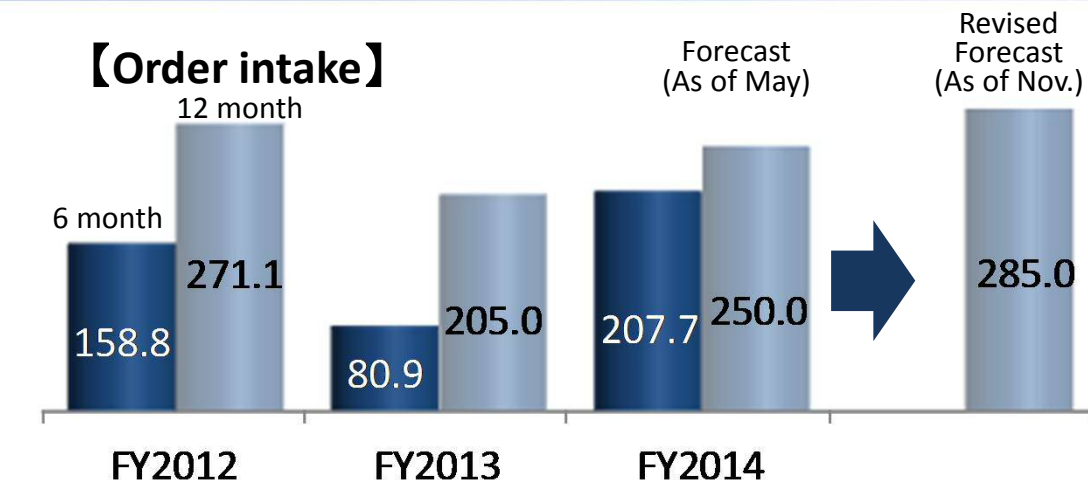
FY2014 Forecast / by Segments

(Unit: Billion yen)

| | | | Environmental Systems & Industrial Plants | Machinery | Process Equipment | Infra- structure | Precision Machinery | Others | Total |
|----------------------------|-------------------|------------------|--|-----------|----------------------|---------------------|------------------------|--------|-------|
| FY2014 Forecast | As of Nov. | Order intake | 285.0 | 53.0 | 20.0 | 25.0 | 28.0 | 9.0 | 420.0 |
| | | Net sales | 220.0 | 50.0 | 17.0 | 19.0 | 25.0 | 9.0 | 340.0 |
| | | Operating income | 10.0 | 0.0 | 0.5 | ▲1.5 | 0.5 | 0.5 | 10.0 |
| | As of May | Order intake | 250.0 | 53.0 | 28.0 | 32.0 | 28.0 | 9.0 | 400.0 |
| | | Net sales | 196.0 | 50.0 | 17.0 | 23.0 | 25.0 | 9.0 | 320.0 |
| | | Operating income | 8.5 | 0.0 | 0.5 | 0.0 | 0.5 | 0.5 | 10.0 |
| FY2013 Actual | | Order intake | 205.0 | 53.3 | 17.3 | 22.5 | 21.9 | 8.4 | 328.4 |
| | | Net sales | 206.3 | 51.9 | 16.0 | 28.1 | 22.6 | 8.5 | 333.4 |
| | | Operating income | 9.9 | -0.4 | 0.0 | -1.6 | -0.2 | 0.1 | 7.8 |

3. DETAILS BY SEGMENT

Environmental Systems and Industrial Plants



Order intake

FY2014 Semi Annual Result -April to Sept. 2014

- Yen 207.7 (+ Yen 126.8 YoY)
- Increase of EPC and DBO of domestic EfW Plants

FY2014 Annual Forecast –as of November

- Yen 285.0 (+ Yen 35.0 from May Forecast)
- Increase of EPC domestic EfW Plants

Net sales/Operating income

FY2014 Semi Annual Result -April to Sept. 2014

<Net sales>

- Yen 84.5 (+ Yen 11.2 YoY)

<Operating income>

- Yen -1.1 (+ Yen 0.1 YoY)
- Increase of Inova's EfW Project
- Decrease of profitable projects

FY2014 Annual Forecast –as of November

<Net sales>

- Yen 220.0 (+ Yen 24.0 from May Forecast)

<Operating income>

- Yen 10.0 (+ Yen 1.5 from May Forecast)
- Increase of AOM, and EPC Project for EfW

EfW: Energy from Waste

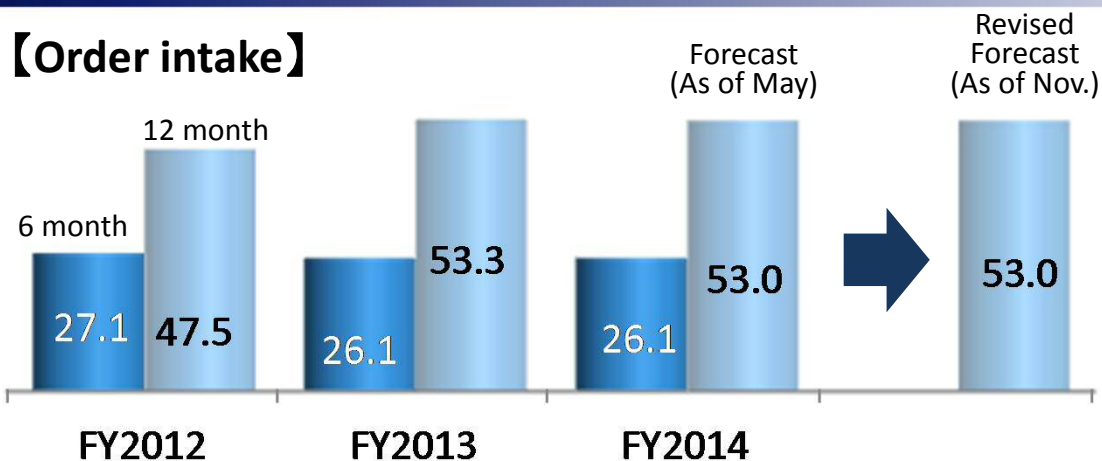
EPC: Engineering, Procurement and Construction

DBO: Design, Build and Operate

AOM: After-sales Service, Operation and Maintenance

Machinery

【Order intake】



(Unit: Billion yen)

Order intake

FY2014 Semi Annual Result -April to Sept. 2014

- Yen 26.1

FY2014 Annual Forecast –as of November

- Yen 53.0
- The market of Marine diesel engines to be a steady

Net sales/Operating income

FY2014 Semi Annual Result -April to Sept. 2014

<Net sales>

- Yen 27.7 (+ Yen 3.5 YoY)
- Increase of Marine diesel engines

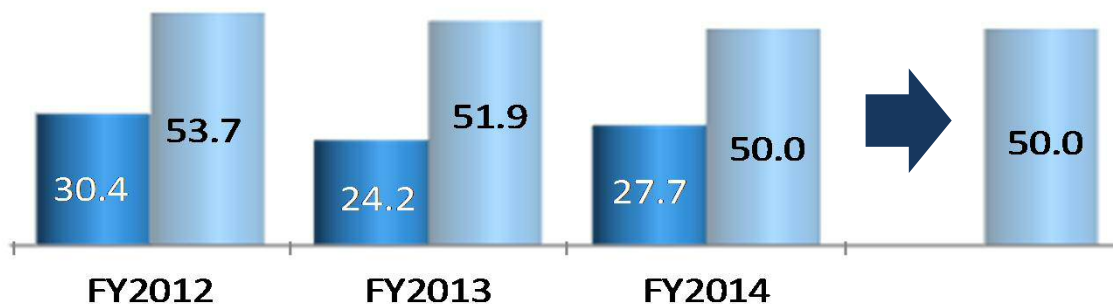
<Operating income>

- -Yen 0.2 (+ Yen 0.1 YoY)
- Increase of Net sales of Marine diesel engines

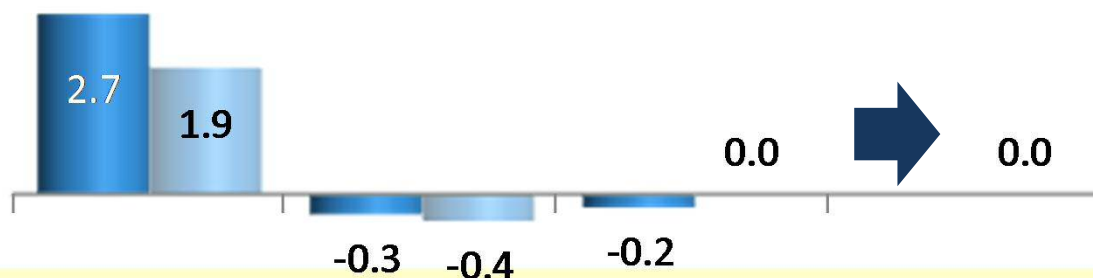
FY2014 Annual Forecast –as of November

- Net sales Yen 50.0
- Operating income Yen 0.0
- Unchanged from May Forecast

【Net sales】

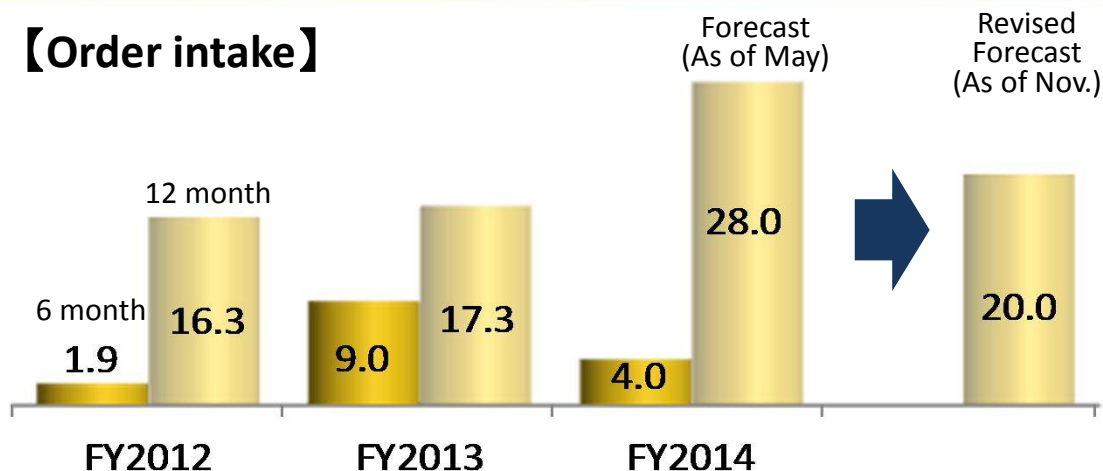


【Operating income】

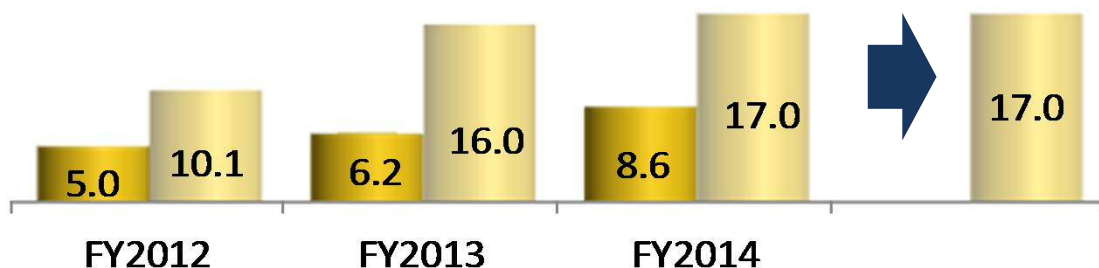


Process Equipment

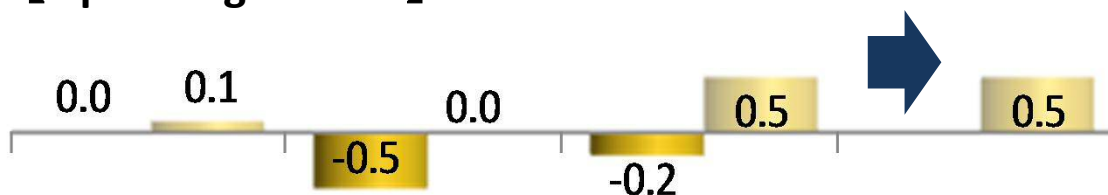
【Order intake】



【Net sales】



【Operating income】



(Unit: Billion Yen)

Order intake

FY2014 Semi Annual Result -April to Sept. 2014

- Yen 4.0 (- Yen 5.0 YoY)
- Delay in order intake of large Reactor

FY2014 Annual Forecast –as of November

- Yen 20.0 (- Yen 8.0 from May Forecast)
- Delay in order intake of Reactor and Nuclear fuel cycling-related equipment

Net sales/Operating income

FY2014 Semi Annual Result -April to Sept. 2014

<Net sales>

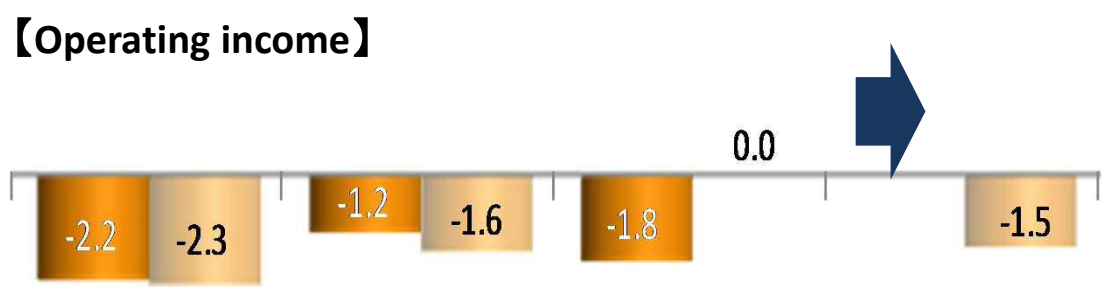
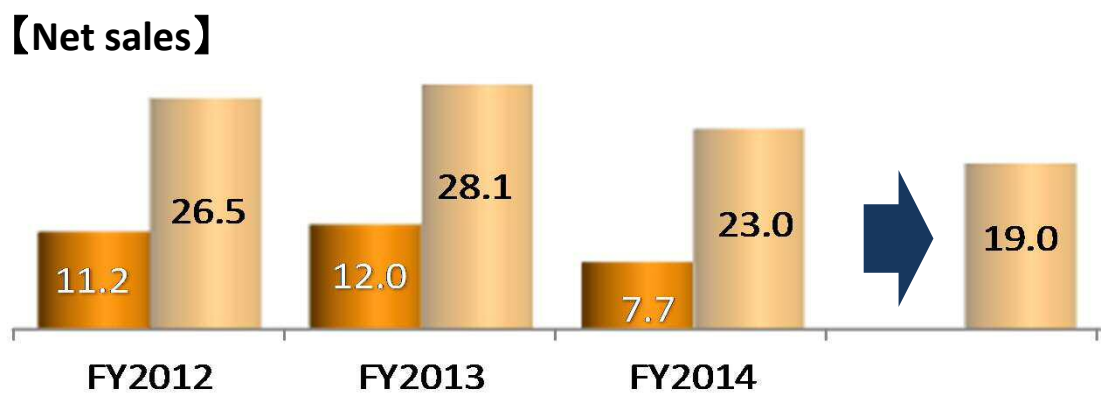
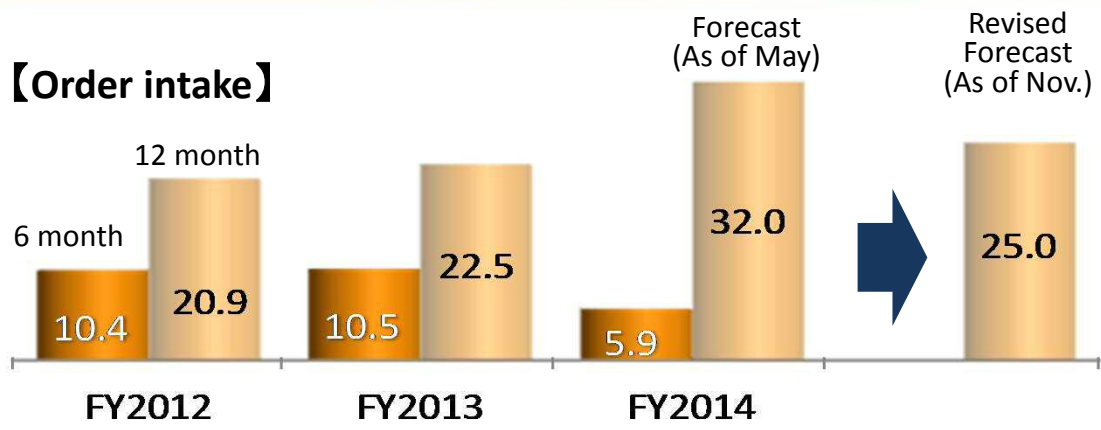
- Yen 8.6 (+ Yen 2.4 YoY)
- Increase of Large Reactor

<Operating income>

- -Yen 0.2 (+ Yen 0.3 YoY)
- Improvement of Reactor profitability

FY2014 Annual Forecast –as of November

- Net sales Yen 17.0
- Operating income Yen 0.5
- Unchanged from May Forecast



(Unit: Billion yen)

Order intake

FY2014 Semi Annual Result -April to Sept. 2014

- Yen 5.9 (- Yen 4.6 YoY)

FY2014 Annual Forecast –as of November

- Yen 25.0 (- Yen 7.0 YoY)
- Revised down from May Forecast

Net sales/Operating income

FY2014 Semi Annual Result -April to Sept. 2014

<Net sales>

- Yen 7.7 (- Yen 4.3 YoY)
- Due to decrease of order intake

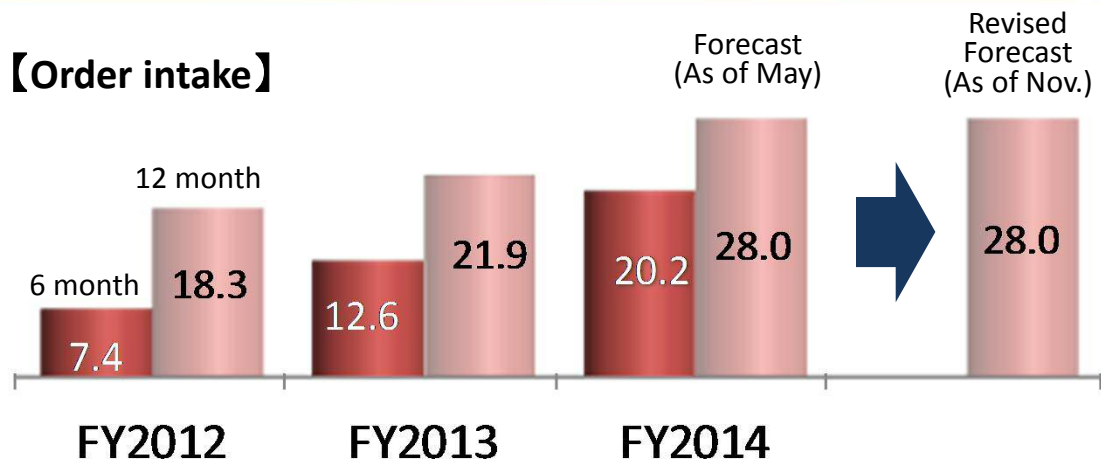
<Operating income>

- -Yen 1.8 (- Yen 0.6 YoY)
- Decline in profitability of projects

FY2014 Annual Forecast –as of November

- Net sales Yen 19.0 (- Yen 4.0 YoY)
- Operating income -Yen 1.5 (- Yen 1.5 YoY)

Precision Machinery



(Unit: Billion yen)

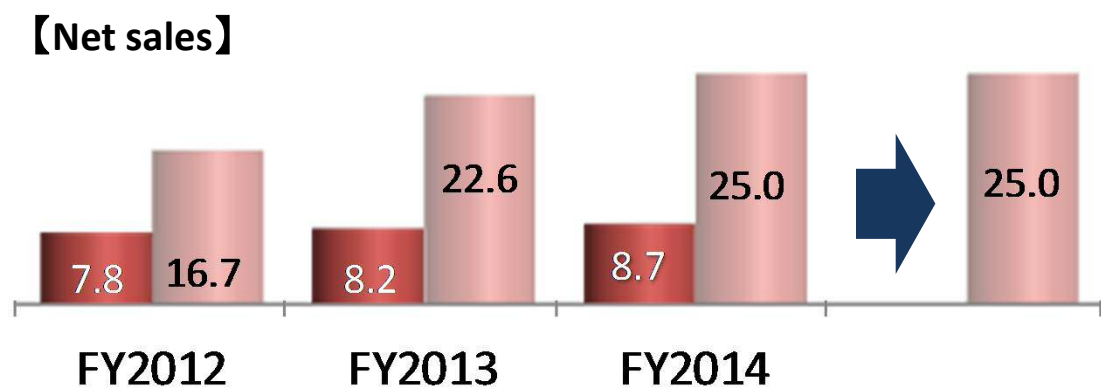
Order intake

FY2014 Semi Annual Result -April to Sept. 2013

- Yen 20.2 (+ Yen 7.6 YoY)
- Increase of Construction of Mega Solar Power Plant and production systems for Solar cell

FY2014 Annual Forecast –as of November

- Yen 28.0 (unchanged from May Forecast)



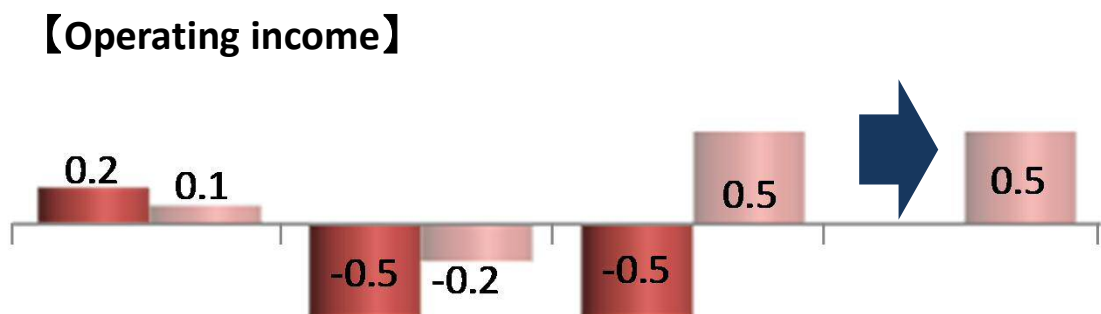
Net sales/Operating income

FY2014 Semi Annual Result -April to Sept. 2014

- <Net sales>
 - Yen 8.7 (+ Yen 0.5 YoY)
- <Operating income>
 - -Yen 0.5

FY2014 Annual Forecast –as of November

- Net sales Yen 25.0
- Operating income Yen 0.5
- Unchanged from May Forecast



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

Key Measure for “Hitz Vision II”

| | | | |
|---------------------|--|---|--|
| Innovate businesses | ◆ Growth areas and “Technology-oriented company” | | <ul style="list-style-type: none"> • In growth areas, implement strategies under the concept of “Technology-oriented company” |
| | ◆ Strengthen profitability | | <ul style="list-style-type: none"> • Build a mechanism for driving change in unprofitable businesses • Promote balanced management • Expand use of ICT |
| | ◆ Strengthen potential for business growth | Promote operations at overseas bases | <ul style="list-style-type: none"> • Strengthen control functions, promote policies by area • Continue to expand overseas bases, strengthen governance |
| | | Reform development processes to accelerate profitability of new businesses and products | <ul style="list-style-type: none"> • For key projects, assemble project teams to accelerate marketing of products and businesses • Strengthen assessment of business feasibility • Build a strong and globally competitive research structure |
| | | Facilitate synergy by fortify group strengths | <ul style="list-style-type: none"> • Facilitate synergy with Inova and NAC • Pursue synergy of Daiki Ataka merger and consolidation of NTI • Expand operations, enhance profitability and utilize human resources through further reorganization and integration of group |
| | Promote M&A | <ul style="list-style-type: none"> • Pursue synergy with existing businesses and technologies • Accelerate operation at overseas bases • Utilize human resources | |
| Innovate management | ◆ Promote flat-matrix management structure | | <ul style="list-style-type: none"> • Fortify use of ICT, group strengths, quality control, environment and safety |
| | ◆ Fortify financial structure | | <ul style="list-style-type: none"> • Secure fund for growth strategies, improve financial structure • Strengthen IR to improve debt rating and stock prices • Global cash management and effective use of fund |
| | ◆ Reform human resources development and corporate culture | | <ul style="list-style-type: none"> • Develop human resources • Recruit and utilize diverse human resources |

① Aim to be No.1 in global EfW market

EfW: Energy from Waste

■ EfW and Incineration Plants

EPC: Engineering, Procurement and Construction
DBO: Design, Build and Operate

Japan

Order intake from April to October, 2014

EPC / DBO

| | | |
|---|-----|--|
| 1. Yuzawa Ogachi Wide Area Municipal Association, Akita | EPC | Plant 37t/d × 2 |
| 2. Joetsu, Niigata | DBO | Plant 85t/d × 2 + 20.5years LT Operation |
| 3. Neyagawa, Osaka | EPC | Plant 100t/d × 2 |
| 4. Namie, Fukushima ((Volume Reducing Treatment) | EPC | Plant 300t/d + Operation |

Retrofit

1. Matsumoto, Shiojiri Municipal Association, Nagano
2. Kiryu, Gunma
3. Tanabe, Wakayama
4. Sendai, Miyagi



Yuzawa Ogachi Wide Area Municipal Association (37t/d × 2)

① Aim to be No.1 in global EfW market

EfW: Energy from Waste

■ EfW and Incineration Plants

Overseas

EPC

| | |
|--|--|
| ▪ Poznan (Poland) by HZ Inova | EPC of a multi-fuel EfW plant (360t/d × 2) |
| ▪ Hereford & Worcestershire (UK) by HZ Inova | EPC of a multi-fuel EfW plant (624t/d × 1) |
| ▪ Dublin (Ireland) by HZ Inova | EPC of a multi-fuel EfW plant (840t/d × 2) |
| ▪ Jabalpur (India) HZ India | EPC of a multi-fuel EfW plant (600t/d × 1) |



② AOM + long-term operation of EfW facilities

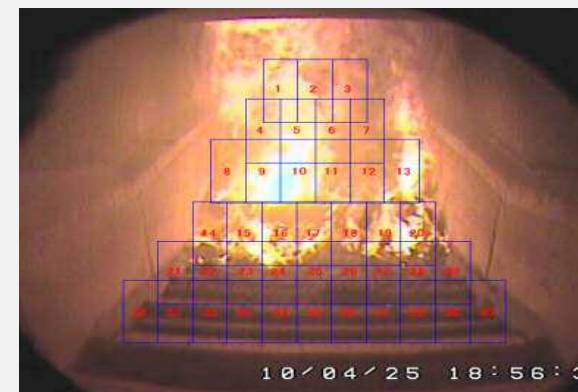
AOM: After service,
Operation and Maintenance

■ Expand of Retrofit business

| | FY2012 | FY2013 | FY2014 (end of October ,2014) |
|---------------------------|---|------------------------|---|
| Number of accepted orders | 5 Katagami, Matsudo, Kamo Chichibu, Kameoka | 2 Katori, Kurashiki | 4 Matsumoto, Shiojiri Municipal Association, Kiryu, Tanabe, Sendai |

■ CoSMoS[®] System

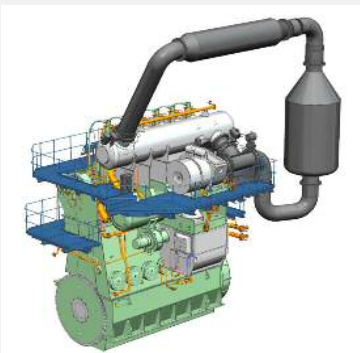
- Introduced for Neyagawa city EPC Project
- Learn the decisions of seasoned engineers, forms a model to maintain optimal combustion settings



① Marine diesel engines

■ Expand market using SCR

- SCR System for marine engines received **World's First Approval** from MAN Diesel & Turbo(MAN)
- Expand of after-sales market using SCR

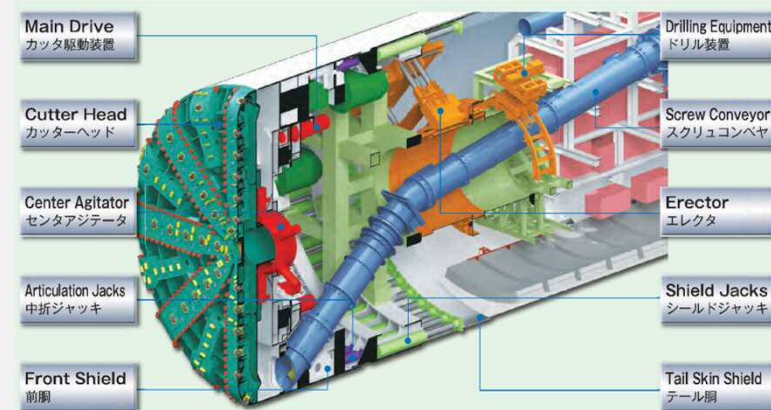


Certificate of Approval from MAN

② Shield tunneling machine

■ Promote development new technology

- Making the task force team for this project involved Technical Research Institute
- Improve process of risk assessment before receiving orders



① Hitz Global Meeting

■ One Team !

- Sharing management plan of Hitz Vision II
- Strengthening governance
- Collaboration between affiliates



② M&A of Cumberland

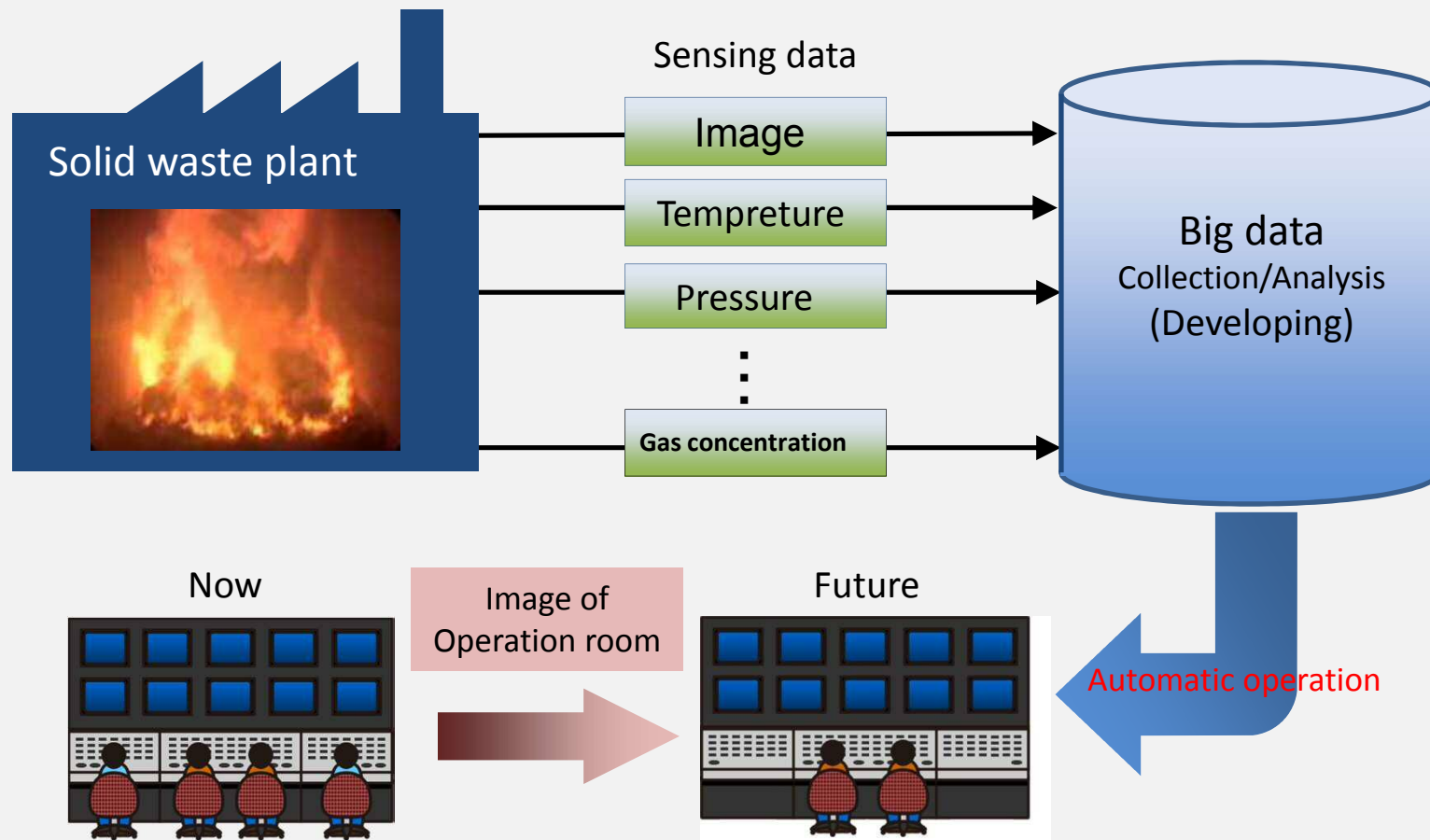
■ Expanding Seawater electrolysis equipment business

- Strengthening after-sales and maintenance service network
- Using Cumberland's sales network in Middle east for other field of water treatment business



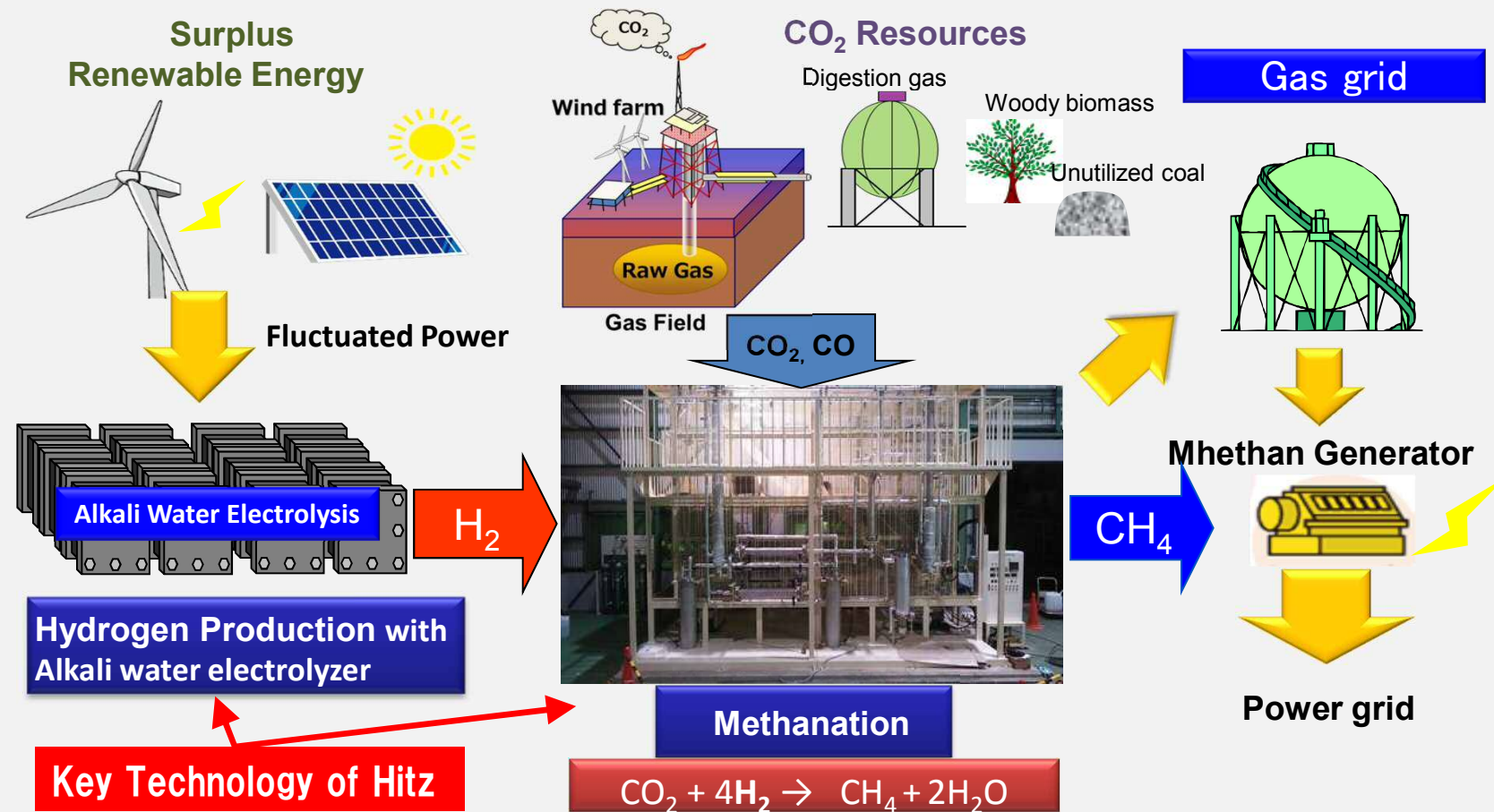
① Technology for rational operation of EfW Plant

■ Collects operational data from each plant and feedback for future technology



② CO₂ methanation technology for low-carbon society

■ We Begin to Joint R&D a Activity with PTTEP in CO₂ Conversion to Methane Technology using Renewable Energy



Group reorganization

■ Merger of Daiki Ataka

- Expand of water treatment business
- Promote commercialization of Ballast water treatment system

■ Integration of NTI and HECE

- Expand customers, products, services
- The effective use of qualified personnel, technical experts

■ Integration of NSK and KSK

- Improve profitability by consolidation of management divisions
- Promote handing down of skills

Hitz Vision II Objectives

(Unit: Billion Yen)

| | FY2014 | | FY2015 | FY2016 |
|----------------------------|----------------|----------|----------------|----------------|
| | Hitz-V II Plan | Forecast | Hitz-V II Plan | Hitz-V II Plan |
| Order intake | 400.0 | 420.0 | 450.0 | 500.0 |
| Net sales | 320.0 | 340.0 | 350.0 | 400.0 |
| Operating income | 10.0 | 10.0 | 17.0 | 23.0 |
| Ordinary income | 8.0 | 8.0 | 14.0 | 20.0 |
| Net income | 4.0 | 4.0 | 8.0 | 13.0 |
| Interest bearing debt | 131.1 | 131.1 | 126.0 | 120.0 |
| Shareholders' equity ratio | 27.6% | 27.6% | 28.6% | 30.6% |



Hitz

Hitachi Zosen

Cautionary Statement

Forward-looking statements are based on information currently available to Hitachi Zosen Corporation. Therefore those forward-looking statements include unknown risks and uncertainties. Accordingly, you should note that the actual results could differ materially from those forward-looking statements. Risks and uncertainties that could influence the ultimate outcome include, but are not limited to, the economic conditions surrounding Hitachi Zosen Corporation and/or exchange rate fluctuation.