Meeting the World's Technology Needs

Hitachi Zosen Corporation

Annual Report 2013

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 the more than 130 years since the founding of Hitachi Zosen in 1881 to provide ever more advanced products and technologies across the whole range of the Group's business operations. In this way, we hope to provide a more enjoyable life for our customers now, and contribute to a prosperous future.

To realize this goal, in the Hitz Vision new medium-term management plan, commenced in April 2011, we have clearly identified the growth areas where we plan to invest management resources on a priority basis. We have positioned green energy, social infrastructure, and disaster prevention as our business domains, and as our target markets we have positioned overseas businesses, notably in emerging nations, as well as leading-edge business fields.

Maximizing potential, Hitachi Zosen Group will continue to expand its high value-added total solution businesses, with a focus on development and proposal of environmental and plant engineering, machinery and process equipment, precision machinery, steel structures and construction machinery and offshore and disaster prevention systems.

Contents

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.

An overseas strategy based on being

As we enter the last year of the Hitz Vision medium-term management plan, we have designated as business domains green energy, and social infrastructure and disaster prevention, while target markets are newly rising economies and other overseas markets, advanced development fields such as development fields including technology, products and business models as well as new technologies and new markets. For this reason, we continue to globalize our businesses through expansion and establishment of overseas bases.

Establishment of joint corporation ISGEC Hitachi Zosen Limited in India

On April 11, 2012, we established a joint corporation with ISGEC Heavy Engineering Ltd., in Dahej, in the Indian state of Gujarat. The business draws on our deep experience in manufacturing technology at our Ariake Works for pressure vessels for various kinds of plant in the petroleum refining, LNG, GTL and fertilizer production fields. Looking ahead, we will respond to demand for process equipment for shale gas development.

Opening of Hyderabad branch

In April 2012, Hitachi Zosen India Private Limited launched a full-fledged EfW business in India and opened a related office in Hyderabad, a city in southern India noted for both historical reasons and its advanced IT enterprises. In partnership with Hitachi Zosen Inova AG, we are developing engineering procurement and construction businesses (system operations) for EfW plant.

Establishment of joint corporation in Dalian

In China, there has been much investment in chemical and fertilizer plant lately. In partnership with Nagaoka International Corporation, we established a plant in Dalian July 2013, to manufacture internal on the inside of structures for process equipment and water intake water processing systems. The plant was finished in July 2013.

No. 1 in the global EfW market

In our green energy business field, we are engaged in businesses in areas such as improvement of the environment by mitigating global warming, efficient use of resources and energy, and expanded use of renewable energies.

Among these businesses we have earmarked the EfW (Energy from Waste) field as being one in which we aim to be No. 1 worldwide as we globalize our businesses.

Hitachi Zosen chosen for Vietnam's first industrial waste power generation plant demonstration project

In 2010, the Company carried out a feasibility study for a joint project between Japan and Vietnam aimed at resolving both waste disposal issues and electricity shortages in Vietnam. In 2012, a Memorandum of Understanding (MOU) was signed through New Energy and Industrial Technology Development Organization (NEDO) for a trial project for conversion of recovered waste heat into 1,960kW of power, based on a stoker incinerator capacity of 75 tons of industrial garbage per day. Hitachi Zosen signed an agreement annex with counterpart Hanoi URENCO.

Participation in METI survey into localized industrial waste processing business in Curitiba municipal area in Brazil

In a public tender arranged by the Ministry of Economy, Trade and Industry, a proposal made by a public and private sector alliance including Hitachi Zosen was chosen, for a survey into localized industrial waste processing business in the Curitiba municipal area in Brazil. A dispersed-type waste power generation system was proposed for Curitiba municipal area in Paraná state after a commercial feasibility evaluation including optimized waste disposal costs and power sales revenues, through comparison of a 2,000 tons a day total waste incinerator unit and a processing system incorporating "machinery selection, biological treatment and incineration power generation." EfW systems are needed in Brazil for sanitary processing of waste, promotion of recycling and reduction of final waste disposal volumes.

Launch of trial demonstration of solar thermal power generation plant

Hitachi Zosen has completed the construction of a solar thermal power generation demonstration plant employing its globally pioneering, newly developed Hitz Super Low Profile Fresnel (HSLPF) system, and has started test operations, in a joint project with a Saline Water Conversion Corporation in Saudi Arabia. Trial operation began in March. The tests aim to collect basic data such as the performance of HSLPF, operation techniques according to fluctuations in insolation, and plant durability.

Actively promoting the commercialization

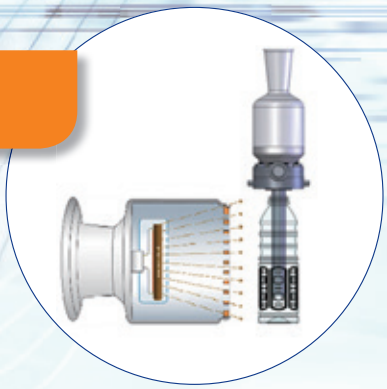
Another new target markets are advanced fields such as those including new technologies, products and business models as well as new technologies and new markets. In these areas, we provide technologies, products and solutions that can be transferred to development paradigms connecting directly to business, and solve customers' issues, not only in the technology development department but also in the development centers created for each operational division.

"Asuka HTX-100" belt conveyor radioactivity screening system

The "Asuka HTX-100" belt conveyor radioactivity screening system enables inspection of a 30kg sack of rice in five seconds.

Electron beam emitter device for PET bottle sterilization

Hitachi Zosen has acquired intellectual property rights from US-based Advanced Electron Beams Inc. for an electron beam emitter (with manufacturing equipment) used in PET bottle electron beam sterilization systems without use of water or chemical agents.



Launch of joint research into construction technology for offshore wind power and its commercialization

Having established the Aqua-Wind Commercialization Study Group comprising six companies and one trade association, Hitachi Zosen has launched business proposals for implantation-type offshore wind power businesses, and technology development and testing for floating offshore wind turbines.

Launch of data transmission tests from GPS wave meters using the experimental Engineering Test Satellite VIII KIKU No.8

Using the KIKU No.8 experimental Engineering Test Satellite VIII, Hitachi Zosen is carrying out test transmissions of data from GPS wave meters off Muroto in Kochi Prefecture to the Kashima National Institute of Information and Communications Technology Space Research Center, which is the ground station.

# of advanced technology

Joint development of electrolytic ballast-water management system

In a partnership with Daiki Ataka Engineering Co., Ltd. and Sumitomo Electric Industries, Ltd., Hitachi Zosen is jointly developing a compact, high-performance low-power consumption electrolytic ballast-water management system.

Establishment of technology for renovation of tsunami-degraded agricultural land

In collaboration with Sumitomo Chemical Company, Limited, Hitachi Zosen has successfully grown rice on a test basis in soil restored after degradation due to salt and minute debris in the 2011 tsunami disaster. GPS technology was used to pick out salt- and minute debris rubble from collected soil, and the restored soil was test-planted with rice, which grew successfully.

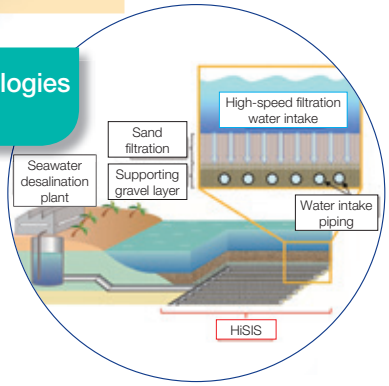
Development of technology for mass production of vertically aligned carbon nanotubes

Hitachi Zosen has successfully developed a mass production system for vertically aligned carbon nanotubes (VA-CNT) on metal foil and metal sheet substrate, resulting in a continuous sheet substrate that can be wound onto a roll. We are developing electromagnetic wave absorption, high thermal conductivity and high conductive-performance applications.

Establishment of production technologies for ultrahigh molecular biopolymer derived from plants and Eucommia–based elastomer

As part of our new functional materials business, Hitachi Zosen has established production technologies for Eucommia–based elastomer for production of ultrahigh molecular biopolymers (chemical raw materials for everyday food materials and agricultural fertilizers, etc.) based on Eucommia plant.

High-speed seabed infiltration and water intake technologies for seawater reverse osmosis pilot plant



In partnership with Nagaoka International, Hitachi Zosen has developed a high-speed seabed infiltration system for seawater reverse osmosis pilot plant. Hitachi Zosen has signed an agreement for a pilot trial of the system, which uses high-speed seabed sand filtration for water intake, with Abu Dhabi Water and Electricity Authority.

The Year in Review

2012 Apr.

- Opened dedicated EfW branch in Hyderabad, India
- Received order for construction of EfW plants from Ferrybridge MFE Ltd. in U.K. and Renergia Zentralschweiz AG in Switzerland
- Constructed Electronic Control and Instrument Equipment Center
- Received order for construction and operation of refuse incineration facilities from Gotemba City/Oyama Town, Broad-Area Administrative Association
- Opened new branch in Seoul, South Korea

May

- Constructed Precision Machinery Center

Jun.

- Received order for construction and operation of waste disposal plant from Clean Association of Hagi-Nagato
- Developed ASUKA HTX-100 belt-conveyor-type radiological screening system

Jul.

- Received order for construction and operation of new EfW plant in Murakami City, Niigata Prefecture
- Commenced verification test on a large refuse incineration and power generation facility in Vietnam, the first plant of its kind in that country

Aug.

- Received order for construction of regional waste processing hub facility for the Ministry of Economy, Trade and Industry's Study on the Waste Treatment Project Adapting to the Local Conditions in Greater Curitiba, the Federative Republic of Brazil
- Built the first ME-B electronically controlled marine diesel engine in Japan

Sep.

- Received order for reconstruction of dam facilities in Changan, China
- Received order for construction of two of Japan's first MAN B&W G-type electronic control engines
- Established Regional Promotion Aqua-Wind Commercialization Study Group, a joint research institute on commercialization and construction technology for offshore wind power generation plants

■ Management ■ Environmental Systems Business
■ Industrial Plants Business ■ Machinery Business
■ Process Equipment Business ■ Infrastructure Business
■ Precision Machinery Business

Oct.

- Received order for reconstruction of the Clean Association of Tokyo 23
- Concluded capital and business alliance with SHINKO SEIKI CO., LTD. in the vacuum equipment business

Nov.

- Announced joint development of electrolysis type ballast water management system
- Received order for construction and operation of the Tsuyama Clean Center from the Tsuyama Regional Association of Resource Recycling Facilities
- Received order for upgrade and life extension work for infrastructure at four urban refuse incineration facilities
- Concluded technology alliance with Statoil ASA (Stavanger) regarding floating type wind power technology

Dec.

- Built the world's largest shield tunneling machine (17.45 meters in diameter) for the City of Seattle, Washington
- Unveiled restoration technologies for tsunami-damaged farmland

2013 Jan.

- Built Clean Center at Hadano-Isehara City, Kanagawa Prefecture
- Received first ever order for major desalination plant in Qatar

Feb.

- Built EfW plant in Haikou City, China for China Power International New Energy Hainan Co., Ltd.
- Received order for major upgrade of EfW plant in Kameoka City, Kyoto Prefecture

Mar.

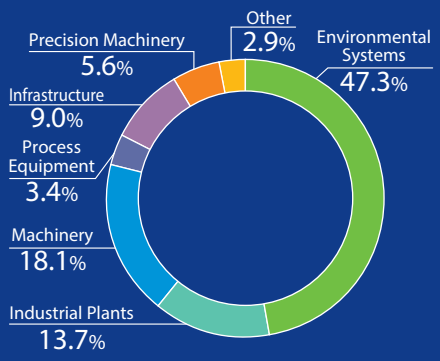
- Reached an agreement with the Abu Dhabi Water and Electricity Authority to construct seawater reverse osmosis pilot plant using a high-speed seabed infiltration system
- Commenced verification test on solar thermal power generation demonstration plant in Saudi Arabia
- Acquired all shares of U.S.-based NAC International Inc.
- Built a vacuum valve manufacturing factory in South Korea and established VTEX Korea Co., Ltd.

Financial Highlights

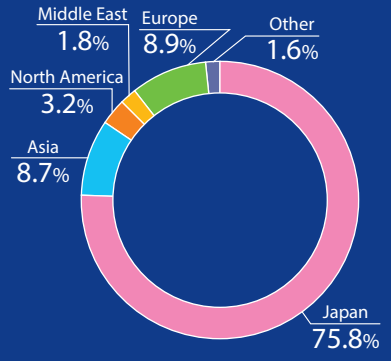
Hitachi Zosen Corporation and consolidated subsidiaries

	FY2011	FY2012	
Order intake	¥289.7 billion	**¥382.8 billion**	**+32.1%**
Net sales	¥303.0 billion	**¥296.7 billion**	**-2.1%**
Operating income	¥11.3 billion	**¥11.3 billion**	**-0.0%**
Net income	¥9.3 billion	**¥7.4 billion**	**-20.5%**
Shareholders' equity ratio	25.4%	**26.9%**	**+1.5 points**
Cash dividends per share	¥2.00	**¥2.00**	**—**

Sales by segment



Sales by region



Seven-Year Summary

Hitachi Zosen Corporation and consolidated subsidiaries

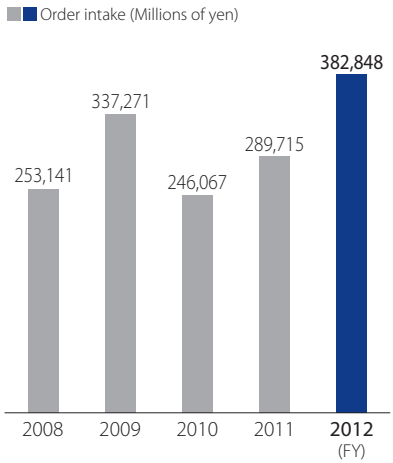
	2006	2007	2008	2009	2010
Operating results					
Order intake	327,439	337,701	253,141	337,271	246,067
Net sales	293,409	295,503	298,605	273,526	287,196
Operating income	9,919	10,826	11,678	13,557	13,359
Net income	1,034	15,695	1,448	7,906	9,675
Cash flows					
Cash flows from operating activities	(15,668)	(730)	2,348	5,508	17,136
Cash flows from investing activities	799	26,970	(7,492)	(12,659)	(3,217)
Cash flows from financing activities	(17,812)	(10,714)	1,169	8,755	(9,630)
Cash and cash equivalents at end of year	38,760	54,229	50,095	51,690	55,915
Financial position					
Net assets	68,652	85,595	85,843	93,200	101,969
Total assets	365,143	365,537	367,473	349,331	380,249
Interest-bearing debt	111,972	102,284	103,698	112,794	104,598
Per share data (Yen)					
Net income					
Basic	1.43	19.74	1.82	9.95	12.19
Diluted	—	18.02	1.53	8.38	10.74
Net assets	68.49	89.05	89.05	99.15	109.75
Cash dividends	—	—	—	2.00	2.00
Financial indicators					
Shareholders' equity ratio (%)	14.9	19.4	19.3	22.5	22.9
ROIC (%)	6.7	6.8	6.8	7.6	7.3
Debt-equity ratio (Times)	2.1	1.4	1.5	1.4	1.2

Management plan

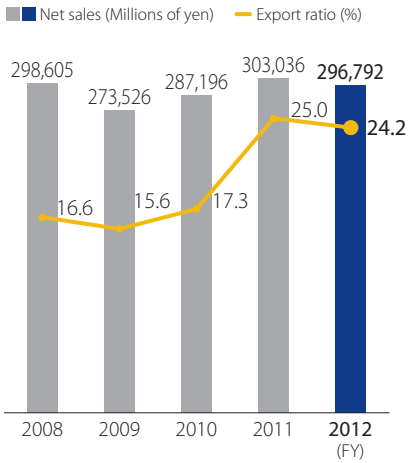
Hitz Innovation FY2005–FY2007

Hitz Innovation II FY2008–FY2010

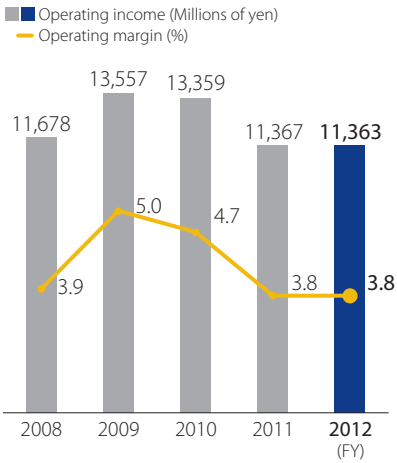
Order intake



Net sales & Export ratio



Operating income & Operating margin



Millions of yen

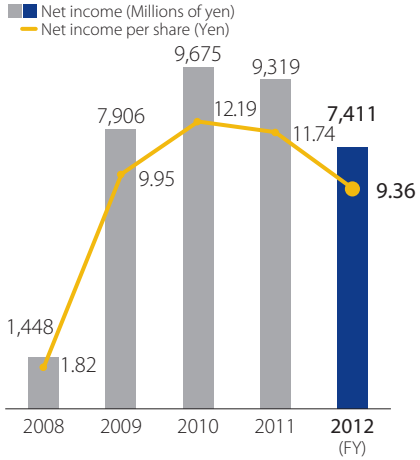
2011	2012
289,715	382,848
303,036	296,792
11,367	11,363
9,319	7,411
14,650	9,649
(4,628)	(13,488)
1,083	(7,818)
66,609	56,413
111,047	115,126
375,788	366,347
107,650	102,643
11.74	9.36
10.67	8.96
120.07	125.57
2.00	2.00
25.4	26.9
5.8	5.9
1.1	1.0

Millions of yen

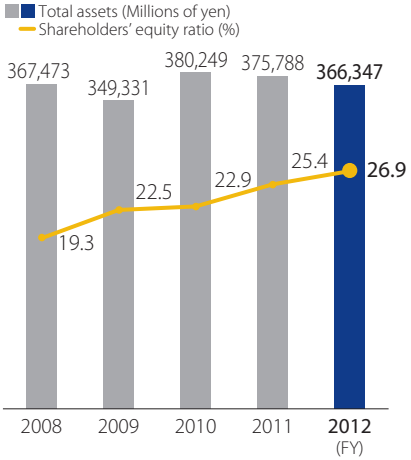
	2009	2010	2011	2012
Order intake	337,270	246,067	289,715	382,848
Environmental Systems	170,533	94,115	136,893	216,026
Industrial Plants	34,029	29,689	35,472	55,035
Machinery	43,325	43,141	45,008	47,530
Process Equipment	10,418	13,117	11,317	16,271
Infrastructure	34,541	33,231	30,065	20,914
Precision Machinery	36,179	23,315	21,084	18,345
Other	8,245	9,456	9,876	8,727
Net sales	273,526	287,196	303,036	296,792
Environmental Systems	89,307	93,137	128,132	140,429
Industrial Plants	40,986	29,583	37,856	40,632
Machinery	54,564	60,910	62,861	53,728
Process Equipment	26,951	17,277	10,227	10,144
Infrastructure	34,475	38,388	27,552	26,521
Precision Machinery	18,956	38,670	26,491	16,721
Other	8,287	9,231	9,917	8,617
Operating income	13,557	13,359	11,367	11,363
Environmental Systems	3,480	5,737	8,438	10,270
Industrial Plants	1,296	(2,281)	901	290
Machinery	2,902	2,995	2,426	1,955
Process Equipment	5,173	1,634	(118)	60
Infrastructure	(162)	1,266	(4,044)	(2,261)
Precision Machinery	251	3,171	2,738	157
Other	617	837	1,026	892

Hitz Vision
FY2011–FY2013

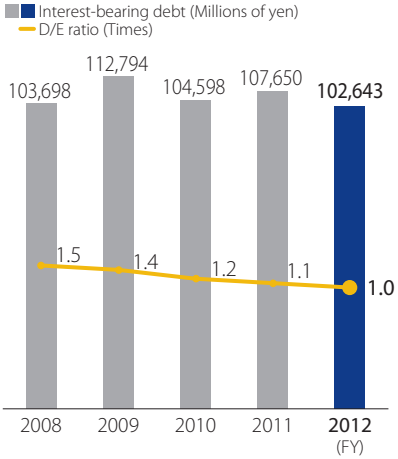
Net income & Net income per share



Total assets & Shareholders' equity ratio



Interest-bearing debt & D/E ratio



Minoru Furukawa,
Chairman & CEO

To Our Stakeholders

With effect from April 1, 2013, Minoru Furukawa assumed the post of chairman and CEO of Hitachi Zosen Corporation, while Takashi Tanisho assumed the post of president and COO.

Under this new top management team, the Company will move steadily forward toward the realization of its ultimate goal of becoming a highly profitable company with public recognition. We will achieve this primarily by pursuing the targets set under our Hitz 2016 Vision long-term vision, i.e. attaining the ¥500 billion level in annual sales on a consolidated basis, achieving the No.1 position in earnings in each business segment and product, and realizing a stable financial structure with a shareholders' equity ratio of 30% or higher.

To make certain that we realize our goals under Hitz 2016 Vision, we drew up the Hitz Vision management plan covering the initial 2011-2013 three-year period, and have been implementing various measures under this plan at a steadily growing speed.

The Business Operations of the Hitachi Zosen Group

Under the Hitz 2016 Vision we have designated the following two fields as the Hitachi Zosen Group's principal business domains: (1) green energy—which encompasses environmental restoration, the effective utilization of natural resources and energy sources, and the expanded use of renewable energy—and (2) social infrastructure and disaster prevention, which is aimed at the efficient realization—through the creation of a stronger physical infrastructure—of a society that is more effectively protected against natural disasters, where all citizens can live without undue worry and anxiety. At the same time, the vision incorporates plans for the focused investment of management resources in markets that we believe will lead to the future growth of our operations. These include overseas markets, particularly the emerging nations, whose economies are growing rapidly, and markets stemming from fields where many issues are being addressed relating to cutting-edge technologies.

In fiscal year 2010, the ratio of net sales from overseas operations to total sales on a consolidated basis was 17%, but grew to around 25% in fiscal years 2011 and 2012 following the start of Hitz Vision. In fiscal year 2016 we expect to achieve overseas sales of at least ¥150 billion, or 30% of total sales.

Here, I would like to give a number of examples of the measures we have been taking and plan to take, notably in overseas markets.

In our EfW (Energy from Waste) business, demand for the construction of EfW waste incineration plants is rising in Europe—especially in countries with high rates of waste disposal by landfill, like Britain and Poland—against the backdrop of tighter regulations on the disposal of non-industrial waste. Switzerland-based Hitachi Zosen Inova AG is actively engaged in EfW operations over the whole of Europe, and we are also pursuing this business in the United States, principally through Hitachi Zosen Inova U.S.A. LLC.

Meanwhile, against the background of sharp economic growth, the volume of waste being generated in Asian countries is increasing, and the disposal of this waste poses serious social problems. At the Hyderabad branch of Hitachi Zosen India Private Ltd., which operates in neighboring countries as well as in the Indian market, staff are working to establish commercial operations in the field of the construction and operation of waste disposal plants in collaboration with local enterprises. We have also constructed and handed over several EfW plants for customers in China, and are conducting feasibility studies on the establishment of EfW businesses in other countries, particularly in Southeast Asia. In Vietnam, we are conducting pilot operations on EfW facilities for the incineration of industrial waste in Hanoi, and we may be close to establishing fully-fledged EfW operations in that country.

The Group has manufactured and installed over 440 waste incineration facilities in Japan, China and other East Asian countries, Europe, North America, and elsewhere. From here onward, we will work to remain worthy of Hitachi Zosen's high reputation in the field of environmental systems and green energy. We will leverage the Group's comprehensive capabilities to proactively meet rising demand in Europe, Southeast Asia, India, South America, and other regions, to become the world's leading company in this field.

In 1978 Hitachi Zosen Corporation developed and manufactured Japan's first casks and canisters for the storage and transportation of spent nuclear fuel. Since that time we have supplied a large number of casks and canisters to nuclear power plants in Japan and the United States. On March 15, 2013 we acquired all issued shares in NAC International Inc. of the US—a company with which we have had a

close business relationship for many years—making it into a subsidiary. Today, concern is growing worldwide over the safety aspects of nuclear power plants, and our acquisition of NAC will enable us to provide a comprehensive solutions service regarding spent nuclear fuel casks and canisters, covering the full spectrum from consulting and design through manufacture to transportation. This will put us in an advantageous position not only in Japan and the US, but in the development of businesses in new markets around the globe, and we expect our nuclear power equipment business to gather momentum from here on.

In addition, in 1978 we completed our first seawater desalination plant in the water-poor Middle East, and since then we have constructed and handed over a total of 40 plants at 15 separate facilities for the production of potable water from seawater. In January 2013 we received an order for the construction of a large-scale seawater desalination plant (output roughly 164,000 tonnes per day) in Qatar, our first such order from that country. Access to water is becoming a very serious problem in many parts of the world, and we are making the most of our track record and technological expertise to aggressively provide solutions to customers' water shortage issues.

Meanwhile, at our Sakai Works in December of 2012, we completed the manufacture of the world's largest earth pressure balance (EPB) shield tunneling machine (face diameter of 17.45m, length 110m, weight 7,000t), for the city of Seattle, Washington of the U.S.A, and tunneling work will commence on site in August 2013. As this machine will be used to construct a road beneath central Seattle, we have incorporated leading-edge technologies that minimize the impact of tunneling operations on people's lives aboveground, and are taking the utmost precautions to ensure the safety of these operations in this very unique environment. We plan to leverage our technological strengths in this field—backed up by our record of successful manufacture and installation in Japan and overseas of more than 1,200 shield-tunneling machines—to meet the growing need for construction of infrastructure such as subway systems and underground roads, particularly in emerging nations.

New Products and New Business Fields

At Hitachi Zosen we are actively tackling the development and commercialization of new products and the opening up of new business fields, that promise to help solve pressing social problems.

In March 2013 in Saudi Arabia, in collaboration with the Saudi company SWCC (Saline Water Conversion Corporation), we commenced test operations of a solar thermal power generation demonstration plant employing the newly developed Hitz Super Low Profile Fresnel (HSLPF) concentrated solar power (CSP) system. We aim to use the test data collected to pave the way for commercialization of solar thermal power generation plants in the Middle East and North Africa, and to create a new business involving the construction and installation of combined power generation plants employing both solar thermal power and gas turbine power generation, and of solar thermal power seawater desalination plants.

We are also making good use of our know-how in the design and installation of floating structures to commercialize floating wind power generation. As winds are generally more frequent and more powerful offshore than on land, offshore wind farms appear to have a bright future. In November 2012 we signed a cooperation agreement relating to the technology involved in floating wind power generation with Statoil ASA, Norway's largest state-owned energy company.

Statoil has been engaged in the offshore oil-drilling business for more than 40 years. The company has already made use of the technological expertise acquired during these operations to complete construction of a wind farm with a total output of 2.3 MW at a location in the North Sea off the southwest coast of Norway, at a depth of roughly 200 meters and has accumulated a lot of experimental data.

For its part, in cooperation with other Japanese companies and the Japan Weather Association, Hitachi Zosen has established Aqua-Wind, a study group on offshore wind farms for regional development. The association has been set up to conduct research into the technology required for the construction and manufacture of offshore wind farm facilities, both the seabed-fixed type and the floating type, and into ways of commercializing this technology. Coupled with our technical cooperation with Statoil, this research should enable us to speed up the commercialization of our operations in this field.

The devastation caused by the tsunami that followed the March 2011 Great East Japan earthquake off the Pacific coast of Japan's Tohoku region has highlighted the importance of countermeasures against natural disasters. Japan is subject to frequent earthquakes, and it has become a matter of urgency to construct infrastructure elements that will give enhanced protection against major earthquakes with consequent tsunami—which it is feared will occur in the near future—or to mitigate their impact. As possible tsunami are also a source of concern for many other countries and sub-national regions, particularly those located along the Pacific Rim, the implementation of countermeasures to prevent or mitigate natural disasters on a global scale is an issue that needs to be addressed.

Amid this situation, Hitachi Zosen has developed a movable flap-gate type form of breakwater installed on the seabed that utilizes natural forces—such as the power of a tsunami, the water-level difference caused by a storm surge, or the flotation power of water—as well as the "neo RiSe" land-mounted flap-gate breakwater system. Both types of system have completed practical testing and are on the verge of commercialization. We have already received a large number of inquiries from the public and private sectors alike, and expect soon to receive the first orders for this equipment.

In Conclusion

The above are just a few examples of the Hitachi Zosen Group's wide-ranging business operations. In today's world, solutions are being sought all over the globe to such issues as ensuring a reliable supply of energy and water, fighting the increasing degradation of the natural environment, and building infrastructure elements that can both support further economic growth and protect society against the impact of natural disasters, and the Group fully recognizes the critical nature of its social responsibilities.

Some causes for optimism have been seen recently in the Group's operating environment, but the situation is likely to remain unpredictable for some time to come. In view of this, we will work to achieve our management targets under the Hitz 2016 Vision, and to realize the continued further growth of the Group into an enterprise with a truly global social presence that is recognized for its contribution to preserving the natural environment and building a strong social infrastructure.

In closing, I would like to ask our shareholders and other stakeholders for their continued support and encouragement, and I urge them to look forward to the further growth and development of the Group.

August 2013

Interview with the President

Takashi Tanisho,
President & COO

T. Tanisho

In line with its long-term vision, the Hitachi Zosen Group is aggressively expanding its operations in the fields of environmental systems and social infrastructure. Takashi Tanisho, who assumed the post of President and COO of Hitachi Zosen Corporation in April of this year, describes the progress being made and explains the Company's current situation.

Q Could you tell the readers your thoughts on being made president of Hitachi Zosen, and in what direction the Company intends to move in the near future?

We aim to make Hitachi Zosen into a company that plays a valuable role in society and that has a high public recognition in terms of operational scale and profitably.

Following the sale of its shipbuilding operations in 2002, the Hitachi Zosen Group's annual sales decreased from the ¥500 billion mark to around ¥300 billion and have remained roughly flat at that level since then. During this period, the Group's management worked to steadily build up our business base, including steps to increase net worth and secure profits, and I believe we now have everything necessary in place to commence the next growth stage.

We are currently pursuing a management plan informed by the Group's long-term vision (known as the Hitz 2016 Vision), which ends in fiscal year 2016. Under this, we aim to once again reach annual sales of ¥500 billion. My personal role is to look ahead and take steps to expand both the scale of the Group's business operations and its profits. I hope to be able to get the Group firmly on the growth track.

The Hitachi Zosen Group's each business operations have a long history. Our history goes back about 100 years in the field of bridge construction and about 60-70 years in both environmental systems and press machines for the automotive industry. We aim to be come such on enterprise that our extensive track record in these business has enabled us to contribute to the wellbeing of society, and the scale of our operations and of profits make the Group into a significant corporate entity with public recognition. As with all business corporations, realizing continuous growth is a major target, and broadly speaking there are two ways for us to achieve this. One is to strengthen our existing businesses, notably those involving environmental systems and social infrastructure businesses such as our construction bridge, and the other is to start up new businesses, such as flap-gate type wave breakwater and GPS wave meters. I will examine our strategies relating to these businesses later.

Q Could you give an assessment of the Group's business performance for fiscal year 2012?

The Environmental Systems Business performed well, accounting for 50% of total orders.

The Japanese economy remained weak during most of fiscal year 2012 against the background of a slowdown in overseas economies and a sluggish performance by Japanese exports and production activity owing to the persistent strength of the yen on the foreign exchange market. From the end of calendar 2012, however, signs of a recovery began to be seen against the backdrop of a correction of the yen's appreciation and a rebound in stock prices. This development came amid growing hopes for the success of the government's economic stimulus packages and monetary relaxation measures. In this situation, in line with our Hitz Vision medium-term management plan, we worked to implement prioritized measures including investment of management resources in priority business fields, steps to reinforce operational growth, and the development of new types of business and the opening up of new business areas. We enjoyed particularly good business in the fields of environmental systems and industrial plants against the backdrop of a growing need for the reconstruction or remodeling of EfW (Energy from Waste) plants for the generation of electric power from the incineration of waste, as well as in press machines for the automotive industry. As a result, the value of order intake rose sharply from the previous year, to ¥382.8 billion. Sales on a consolidated basis came to ¥296.8 billion for a slight decrease year on year, but operating income stayed flat from the previous term at ¥11.4 billion, while ordinary income posted a slight gain at ¥11.2 billion thanks to increased equity in net income of nonconsolidated subsidiaries and affiliates. Net income came to ¥7.4 billion owing to impairment losses on rental real estate.

Despite the slight decline in sales and the fact that operating income and net income fell short of target, order intake by the Environmental Systems Business attained the target level, topping 50% of total orders. With this, we can now feel fairly confident of achieving growth in the near future.

Q Could you fill in the background behind your Hitz 2016 Vision long-term vision and the Hitz Vision medium-term plan?

We clarify our priority business fields and aim to expand the overall scale of our operations.

I will first outline our long-term vision and medium-term plan, and then explain what progress has been made toward attaining their goals, and what issues remain to be addressed. We formulated our Hitz 2016 Vision long-term vision to define what kind of business entity we wanted the Hitachi Zosen Group to become by fiscal year 2016. We set the goals of increasing our business scale and becoming a highly profitable corporation with a high public recognition. Specifically, we have targeted consolidated sales of ¥500 billion and an operating margin of 6% by fiscal year 2016. We are also pursuing strategies aimed at achieving the highest profitability in each business segment in which we operate, and we intend to increase our shareholders' equity ratio to at least 30% at the earliest possible stage and realize a stable financial structure. To make these targets possible, we are currently implementing our Hitz Vision medium-term management plan, under which we have positioned the two fields of "green energy" (sustainable energy) and "social infrastructure and disaster prevention" as our business domains, and within these domains we are working to expand our total operational scale by leveraging the Hitachi Zosen Group's technological expertise and business know-how.

Q Could you describe the steps you are taking to reinforce the Group's existing business operations?

The Group as a whole aims to fulfill its social responsibilities through its services in the fields of green energy and the provision of social infrastructure.

To sustain the Group's growth potential, we are working to reinforce our existing businesses by developing increasingly sophisticated and advanced versions of existing products that meet future needs.

In the field of green energy, against the background of growing interest worldwide in finding solutions to energy issues, we are working on the development of EfW systems, systems for the production of ethanol fuel by dehydration, and selective catalytic reduction systems for use in marine diesel engines. In the EfW field, we are aiming to realize a power generation efficiency rate of at least 30%, and are also putting more effort into developing photovoltaic and solar thermal power generation systems. We are also developing applications for dye-sensitized solar cells, and conducting proving tests on solar thermal power generation systems. In all these cases, our aim is to anticipate our customers' future requirements and develop sophisticated products that will meet their needs.

It is becoming increasingly essential to provide social infrastructure adequate to ensure a stable supply of energy as well as to prevent natural disasters or mitigate their consequences. Hitachi Zosen, for whom these business areas serve as important earnings drivers, bears a very heavy social responsibility in its business operations in these fields, and the entire Group is involved in the provision of such infrastructure. Our areas of particular focus include the construction of seawater desalination plants, the construction of bridges, hydraulic gate, and refuse incineration facilities in emerging nations, and the production of shield tunneling machines.

With regard to disaster prevention, we have developed wave meters employing the Global Positioning System (GPS) that can be positioned many miles offshore for early detection of tsunami, thus enabling the mitigation of loss of life or damage to property. We have also been actively developing and marketing flap-gate-type movable breakwater systems for protection against tsunami and storm surges. As our GPS wave meters employ satellite transmissions, they can be placed further out to sea than previous such equipment, and we are continuing development work with a view to realizing more sophisticated, value-added models, such as those fitted with wave-powered electricity generators. We have developed two types of flap gate, one installed on the seabed and one installed on land. This comes against the background of rising demand in the private sector for systems to protect office buildings, underground shopping malls and other facilities against flooding caused by localized heavy rainfalls or storm surges.

Q What sort of progress is the Group's business making in overseas markets, and what particular strategies do you have?

The United States and Southeast Asian markets occupy an important position in our overseas business development.

To reach our annual sales target of ¥500 billion in fiscal year 2016 we must raise the percentage of total sales accounted for by overseas markets to 30%. Since the acquisition of AE&E Inova AG (now Hitachi Zosen Inova AG), our sales in overseas markets have been growing, reaching 24.2% in fiscal year 2012. Our top-priority markets consist of Europe for environmental systems, India for pressure vessels, and the United States for nuclear power equipment. Thanks to the contribution made by Inova AG, we have been recording a steady improvement in business results in the European market. In India, we established a joint company, in February 2012 with ISGEC Heavy Engineering Ltd., which manufactures process equipment. Demand for reactors is growing in India, where production of fertilizers is increasing along with the growth of the population, and we have good hopes of an increase in our sales of pressure vessels and related equipment.

In March 2013 the Group acquired shares in the US company NAC International Inc., which designs casks and canisters for the storage and transportation of spent nuclear fuel as well as offering spent nuclear fuel consulting and transportation services within the US and other parts of the world. This share acquisition enables the Hitachi Zosen Group to provide comprehensive services relating to the storage and transportation of spent nuclear fuel, ranging from consulting through design of casks and canisters to production and transportation.

Alongside the US market, the Southeast Asian market also plays an important part in the Company's growth strategy for the near future. In the United States, in addition to the above-described nuclear power equipment-related businesses, we anticipate increased demand related to the country's infrastructure, including roads and bridges, which is becoming increasingly dilapidated. We are already engaged in assembling the world's largest-diameter shield tunneling machine for use in road-tunnel construction in Seattle. Against the background of the shale gas revolution occurring in the US, we also expect rising demand for pressure vessels for the large number of chemical plants being constructed in the vicinity of shale gas drilling sites.

In Southeast Asia, we are seeing growing demand in Vietnam for the provision of infrastructure for environment-related plants. In November 2011 we made Asia Pacific Solutions Co., Ltd. into a subsidiary, changing the company's name to HITACHI ZOSEN VIETNAM CO., LTD. This acquisition was made to strengthen the Group's construction and engineering operations. We are also planning to establish new business bases in Southeast Asia within 2013. We aim to utilize our bases in Vietnam together with those in Singapore and Bangkok to meet market needs throughout Southeast Asia and thereby expand our business scale.

Q How are your new businesses progressing?

We plan to utilize the principle of *monozukuri* to develop products that will sell strongly on the global market.

While strengthening our existing operations, we are also proactively investing the Group's management resources into opening up new markets and developing new products. One field in which we have good hopes of growth in the future is businesses involving new materials. At Hitachi Zosen, as one of our new functional materials operations, we have established technology for the production of Eucommia-based elastomers, ultra-high molecular weight biopolymers made from the gum of the Eucommia tree, which is grown in China. As "green sustainable chemicals" made from naturally grown plants, eucommia elastomers have a high utility value and considerable potential. We anticipate discovering numerous applications for these materials, taking advantage of the unique characteristics of ultra-high molecular weight biopolymers.

In the field of precision machinery, our business is based on the principle of *monozukuri* (a craftsman-like approach to manufacturing), and on this basis we are working on the development of a wide range of products in fields such as LCDs, solar cells, food processing, and medical care. All these fields are projected to post growth in the global market over the long term. Regarding solar cells (photovoltaic cells), we plan to advance our technologies for the further application of laser processing equipment to chemical compound panels. In the fields of food processing and medical care, demand is rising for electron beam sterilizing equipment as an efficient and inexpensive method of cleaning. One of Hitachi Zosen's strengths is its ability to offer an integrated production system from filling to sterilization equipment. We also manufacture organic light-emitting diodes (OLEDs) for use in lighting and in displays ranging from cell phones to TV screens. OLEDs have great potential in meeting the market's need for ever-larger screens, and we expect good growth in demand for evaporation equipment for the manufacture of OLEDs.

In the field of film forming machine, we also have plans to develop a business combining the vacuum thin-film formation units and laser processing equipment and other technologies possessed by Group members. Our ability to combine the different areas of expertise possessed by Group companies will be key to our future success.

Regarding research and development, development costs currently amount to around 2% of sales, but we aim to raise this to 4% at an early date. At present there are 240 staff members assigned to development, and we intend to increase this number to speed up development work.

Q What steps are you taking to bolster the Group's management structure?

We plan to streamline our management organization for greater efficiency.

We are working to transform the Group's management structure into a "flat matrix" type of organization to realize faster execution of decisions and to improve specific management measures, thereby helping ensure that we reach our targets. In this, the word "flat" refers to putting administrative divisions and operating divisions on an equal footing, and cultivating a relationship of close collaboration between the two. "Matrix" refers to the way in which administrative divisions provide support for operating divisions in a "horizontal" manner, thereby creating a matrix-type governance relationship. This kind of management structure is believed to lead to optimum performance by the entire enterprise involved. Currently, we are promoting reform of the management functions performed in this horizontal way in the areas of general affairs, personnel, accounting, and procurement, among others. While enhancing the performance capabilities of administrative divisions, we aim to lighten the in-house administrative burden by simplifying the management organization, including amending rules relating to decision-making and reducing the frequency of meetings.

Q What kind of business performance are you projecting for fiscal year 2013?

As orders are increasing at a steady pace, we expect our business results to post solid growth.

In fiscal year 2013, although the business environment remains unclear, we anticipate a favorable impact from the government's economic stimulus measures, the yen's exchange hovering at around ¥100 to the dollar, and the recovery of private-sector demand. These factors have led us to set a target of ¥400 billion for the year, an increase over fiscal year 2012. Regarding sales, we see sales of waste incineration facilities increasing against the backdrop of a large order backlog, and we will also post sales of large-lot seawater desalination plants. The Process Equipment Business and Precision Machinery Business should also record sales growth. As a result of these factors, total sales are forecast up 7.8% over the previous year, at ¥320 billion. Operating income is projected to rise 14.4% to ¥13 billion thanks to improved profits by the Process Equipment and Infrastructure businesses, while ordinary income is projected to fall by 11.1% to ¥10 billion. Net income should post a slight gain of 1.2%, to ¥7.5 billion.

Q Financial strategy and shareholder returns

We plan to pay a stable level of dividends while maintaining an effective balance between financial soundness and investment needs.

The Company's shareholders' equity ratio as of the end of fiscal year 2012 was 26.9%, close to our target of 30%. Interest-bearing debt has also been decreasing, reaching approximately ¥100 billion, while the D/E ratio stood at 1, indicating the steady progress being made in achieving the desired level of financial soundness. On this basis, and in accordance with our policy of making uninterrupted dividend payments at a stable level commensurate with our business performance, we will continue working to ensure that adequate profits are returned to our shareholders while also securing sufficient retained earnings to finance the required capital investment, investment into research and development, and other investments needed to ensure the future growth of the Company. Accordingly, we paid a term-end dividend of ¥2 per share for fiscal year 2012, and plan to pay a total dividend of ¥10* per share for fiscal year 2013.

* Hitachi Zosen Corporation has decided to implement a share consolidation with a ratio of five shares to one share, effective October 1, 2013. Accordingly, the projected per-share dividend payment for fiscal year 2013 has been amended upward to ¥10 per share, five times the originally scheduled ¥2 per share payment.

Business Domains

Environmental Systems Business

P21

Energy-from-Waste plants are environment-friendly energy systems designed to produce power from the large amounts of energy generated during refuse incineration. Hitachi Zosen also has expertise and a strong track record in biomass utilization and water treatment systems.

Environmental protection systems

- Energy-from-Waste facilities
  Stoker-type incinerators
  Gasification and melting furnace
- High-efficiency Energy-from-Waste systems
  Super Energy-from-Waste systems
  RDF power generation systems
- Industrial waste treatment facilities
- Recycling and sorting facilities
- Flue gas treatment equipment
- Ash treatment equipment

Environmental solutions

- AOM (after-sales service, operation and maintenance) business
- PFI/DBO business (long-term)
- Remote monitoring support systems

Biomass utilization/Water treatment/ Soil remediation systems

Biomass utilization systems

- Methane fermentation system from waste
- Biosolids Derived Fuel systems
- High-speed raw refuse reduction system

Water treatment systems

- Sludge recovery and treatment system
- Water/sewage treatment system
- Seawater electrolyzing equipment

Eco-agricultural systems

Industrial Plants Business

P23

For half a century, Hitachi Zosen has been delivering a wide range of plants in Japan and overseas, in fields such as chemicals and petrochemicals, seawater desalination and NOx removal catalysts. In addition, we also supply gas turbine power generation equipment using natural gas and biogas, as well as wind power generation systems.

Plants

- Seawater desalination plant
- Chemical and petrochemical plants
- Oil and gas plants
- Sulfuric acid plants
- Pharmaceutical plants
- Zeolite membrane dehydration system
- Biodiesel fuel-production facilities
- SCR NOx removal system
- NOx removal catalysts

Power generation facilities/ New energy

- Gas turbine power generation facilities
- Gas engine power generation facilities
- Diesel engine power generation facilities
- Co-generation systems
- O&M and IPP after-sales service system
- Wind power generation systems
- OCR waste-heat recovery-based power generations
- Industrial solid oxide fuel cells

Electricity power business

Machinery Business

P25

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

Marine diesel engines

- Marine diesel engines

Press machines

- Press machines

Other

- Deck machinery

Process Equipment Business

P27

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, including spent nuclear fuel transport casks and storage casks, and radioactive waste incineration and reduction facilities.

Process equipment

- Reactor vessels
- Heat exchangers

Nuclear power equipment

- Nuclear fuel cycling-related equipment
  Transportation casks, storage casks, storage facilities
  Canisters for nuclear spent fuels storage
- Radioactive waste incineration and reduction facilities

Infrastructure Business

P29

For a century, our bridge-building division has delivered long structures such as the Honshu-Shikoku Bridge, and shield tunneling machines for road and subway construction equipment for infrastructure projects in newly emerging countries. We also supply GPS-based marine disaster prevention systems such as GPS buoy wave-tsunami tide observation systems.

Bridges/Hydraulic gates/ Marine civil engineering

- Bridges
- Hydraulic gates
- Penstocks
- Steel chimneys
- Floating structures

Construction machinery

- Shield tunneling machines

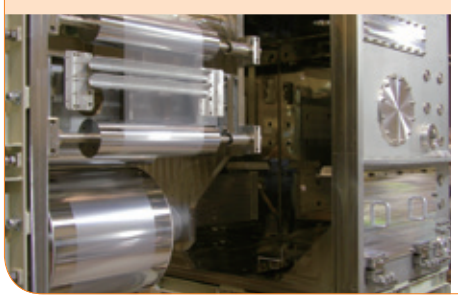
Marine disaster prevention systems

- GPS buoy wave/tsunami/tide observation system
- GPS image transmission services
- Flap-gate-type wavebreakers
- GPS continuous monitoring systems
- Electrical discharge impulse crushing systems
- Slurry ice manufacturing systems

Precision Machinery Business

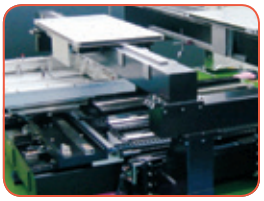
P31

From manufacturing to engineering, we handle all aspects of production of organic electroluminescent (EL) displays and other flat panel displays and semiconductor manufacturing equipment. We supply filling systems for foods, beverages, pharmaceuticals and all other applications.



Precision machinery

- OLED production systems
- Vacuum equipment
- FPD manufacturing-related systems
- Laser patterning equipment
- Polishing equipment and lapping plates
- Electrolytic compound polishing equipment
- Conveyance and handling system



Industrial machinery

- Food machinery (filling packing aseptic system)
- Pharmaceutical machinery (transfusion form-fill-sealing system)
- Plastic machinery
- Food contaminant identification equipment

Electronics systems/Control systems

- Image and video technologies
  (Production Line Image Monitoring System)
- Various control systems
- Board computers
- Data transmission technology

Environmental Systems Business

Nishi Clean Center, Matsuyama

Order intake

¥216.0 billion

(FY2011: ¥136.9 billion)

+57.8%

(FY2011: +45.5%)

Net sales

¥140.4 billion

(FY2011: ¥128.1 billion)

+9.6%

(FY2011: +37.6%)

Operating income

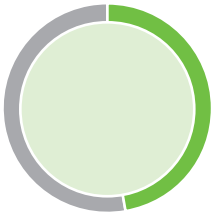
¥10.3 billion

(FY2011: ¥8.4 billion)

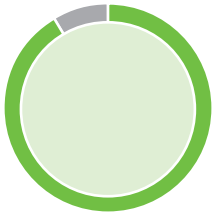
+22.6%

(FY2011: +47.1%)

Net sales **47.3%**

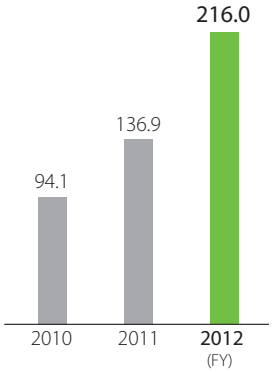


Operating income **91.4%**



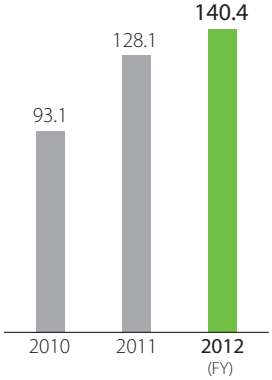
Order intake

Billions of yen



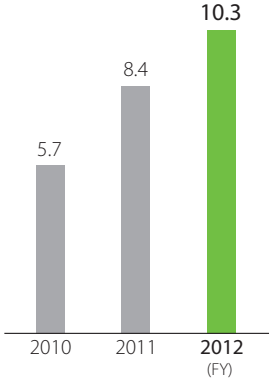
Net sales

Billions of yen



Operating income

Billions of yen



Ferrybridge EfW Plant in UK (artist's impression)

Refuse Incineration Plant in Suginami, in Tokyo (artist's impression)

Business overview and outlook for fiscal year 2013

Public investment in environmental systems held firm, and against the backdrop of intense interest in new energy sources such as Energy from Waste (EfW), net sales for the fiscal 2012 term came to ¥140.4 billion, an increase of ¥12.3 billion over the previous year. Operating income rose ¥1.9 billion to ¥10.3 billion. These sales break down into an order intake from the Clean Association of Tokyo23 for the rebuilding of a refuse incineration facility in Suginami-ku, and the receipt of orders for the construction and operation of refuse incineration facilities from the Clean Association of Hagi-Nagato (Yamaguchi), Murakami City (Niigata), the Tsuyama Regional Association of Resource Recycling Facilities (Okayama), and Fujimino City (Saitama).

We also completed work on a clean center for the Environment & Hygiene Association of Hadano City and Isehara City (Kanagawa), the Nishi Clean Center for Matsuyama City (Ehime), heat recovery and recycling facilities for the Nishiharima Environmental Operations Association (Hyogo), clean energy facilities for the Nakakitasorachi Broad-Area Waste Disposal Association (Hokkaido), and a recycling center for Ichinomiya (Aichi). Following completion, we undertook operation of all these facilities. In addition, we received a series of orders from local governments around the country for basic improvement work on general-purpose waste treatment facilities and work to extend the useful lives of these facilities, as well as orders for maintenance and inspection services, large-scale repairs, in addition to the operation and management of such facilities.

Overseas, we received an order from the New Energy and Industrial Technology Development Organization (NEDO) for the "Demonstration and Testing of EfW Technology Using Industrial Waste for Vietnam," under the public tender of NEDO, and started working on this project. We also made a successful bid to METI for the feasibility study on the construction of a refuse incineration facility adapted to local conditions in the Greater Curitiba Area of Brazil. The order was received and the study made. We also received orders for the construction of refuse incineration facilities in China, the UK, Switzerland, and Finland, and the said facilities were completed and handed over. Especially in India, we are also aiming to obtain construction order for EfW plants through our local subsidiary, Hyderabad Branch of Hitachi Zosen India Private Limited, using EfW plant model developed by Hitachi Zosen Inova specifically for the Indian market.

We are currently working to solidify our business base in the field of AOM (After-sales service, Operation and Maintenance) through the steady receipt of orders for the construction of EfW facilities and DBO (Design, Build, Operate) contract where public facilities are operated by private-sector companies.

In addition to the above, as part of the recovery and reconstruction work in the wake of the March 2011 earthquake and tsunami, in fiscal 2013, in collaboration with Sumitomo Chemical Company, Limited, we developed a technology for removing microscopic debris and salt from farming land in communities devastated by the tsunami. In the near future we plan to begin projects for the restoration of such land to its original condition.

Industrial Plants Business

Ibaraki Works

Order intake

¥55.0 billion

(FY2011: ¥35.5 billion)

+55.2%

(FY2011: +19.5%)

Net sales

¥40.6 billion

(FY2011: ¥37.9 billion)

+7.4%

(FY2011: +28.0%)

Operating income

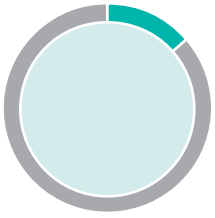
¥0.3 billion

(FY2011: ¥0.9 billion)

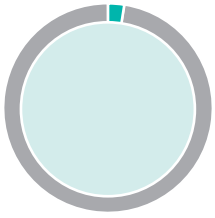
-66.7%

(FY2011: —)

Net sales **13.7%**

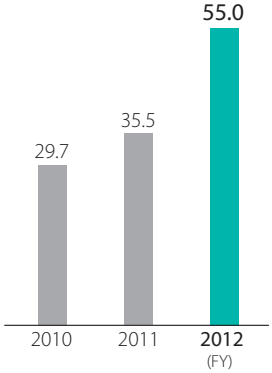


Operating income **2.6%**



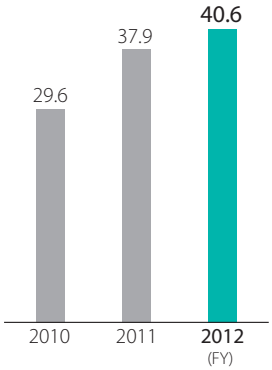
Order intake

Billions of yen



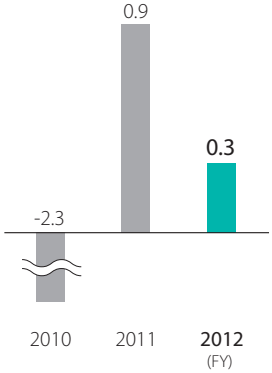
Net sales

Billions of yen

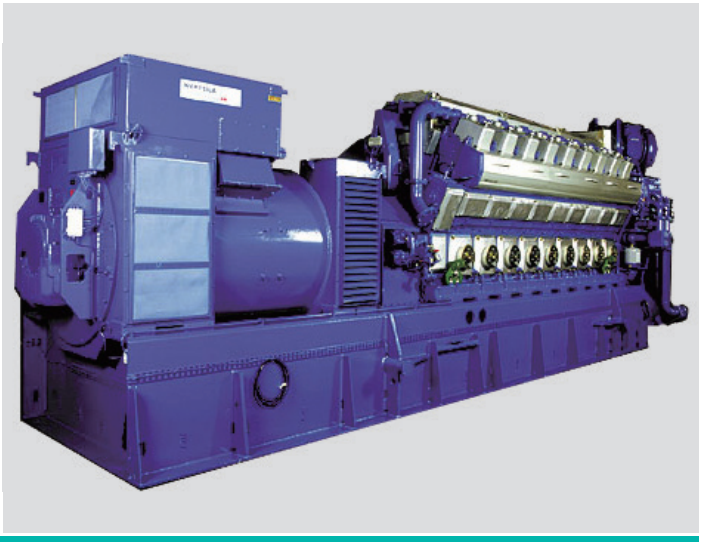


Operating income (loss)

Billions of yen



Seawater desalination plant



Gas engine power generation system

Business overview and outlook for fiscal year 2013

Plants

Reconstruction work in the region hit by the Tohoku earthquake and tsunami of March 2011 got fully into stride in fiscal 2012. On the other hand, the yen's exchange rate remained high and future prospects continued to be uncertain. Despite this, net sales for fiscal year 2012 posted an increase of ¥2.7 billion to ¥40.6 billion, while operating income decreased by ¥600 million to ¥300 million. We completed a number of plant renewal and retrofit contracts for customers in Japan, and also received orders for and delivered NOx removal catalysts for customers both in Japan and overseas.

In the field of seawater desalination plants our technology enjoys an excellent reputation, and we boast a considerable track record of completed contracts, particularly in the Middle East. During the reporting term we received our first-ever order from Qatar and completed a project for the UAE.

In fiscal 2013 we plan to expand our overseas seawater desalination plant business operations still further, not only for our multi-stage flush (MSF) desalination plants, where we have a strong track record, but also in multi-effect desalination (MED) plants, where we have started up our very first plant. In the reverse osmosis (RO) type, too, we plan to focus on differentiating our products from those of our competitors and demonstrating our superiority in comprehensive services so as to win orders for large-scale construction projects.

Energy business

As a result of changes in the energy market prices following 2011 Tohoku earthquake and subsequent fear of power shortage, we received a number of orders for gas power generation facilities for factories in Japan from private sector companies. In addition, in our wholesale electric power supply business (power sold to the utilities), we converted a section of our power generation facilities within the Ibaraki Works from burning fuel oil to LNG, which allows for a reduction in emissions of carbon dioxide and sulfur oxides. Operation of the wholesale energy supply business was restarted following the conversion work.

In fiscal year 2013 we took advantage of the feed-in tariff (FIT) system to promote businesses that will help to further popularize the use of renewable energy sources that contribute to the fight against global warming. These include utilizing idle land site in the grounds of factories owned by us or the affiliate companies to construct "mega-solar" (photovoltaic) power generation facilities, wind turbines, and biomass power generation systems using waste timber materials such as wood chips.

Machinery Business

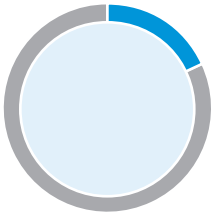
ME-B-type marine engine

Order intake
¥47.5 billion
(FY2011: ¥45.0 billion)
+5.6%
(FY2011: +4.3%)

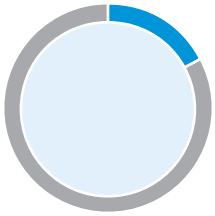
Net sales
¥53.7 billion
(FY2011: ¥62.9 billion)
-14.6%
(FY2011: +3.2%)

Operating income
¥2.0 billion
(FY2011: ¥2.4 billion)
-20.8%
(FY2011: —)

Net sales **18.1%**

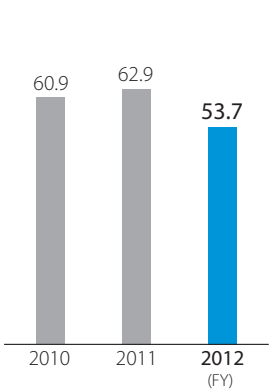


Operating income **17.4%**

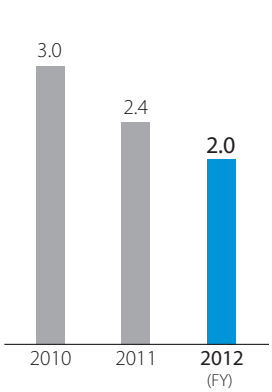


Order intake

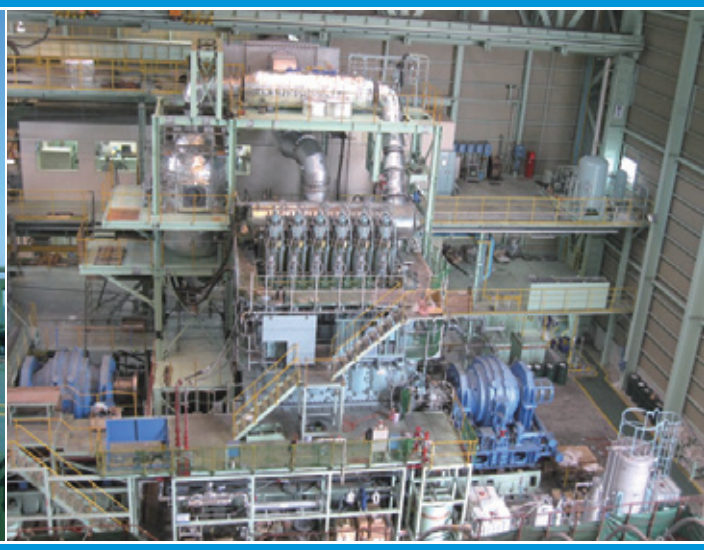
Net sales



Operating income



Deck machinery



Marine diesel engine fitted with SCR system

Business overview and outlook for fiscal year 2013

Marine diesel engines

Amid a difficult operating environment during fiscal year 2012 due to sluggish demand in the Japanese shipbuilding industry and the widespread perception of oversupply in the global shipbuilding market, we nonetheless succeeded in securing orders for and making deliveries of marine diesel engines and deck machinery for shipyards in Japan and overseas. The market is not thought likely to recover for some time to come, but as the yen's exchange rate has been following a downward trend since the end of last year, ships whose prices are denominated in yen are becoming more competitive, and we will put efforts into expanding our business in readiness for a market recovery in the near future.

Hitachi Zosen recently developed a selective catalytic reduction (SCR) NOx removal system for marine engines compliant with the Tier Ⅲ NOx emission standards promulgated by the International Maritime Organization, and we are currently testing the reliability of this system at sea. Development of this SCR system is scheduled for completion within fiscal year 2013, and we intend to begin marketing it in the near future.

The shipbuilding industry is expected to have to deal with increasingly strict environmental regulations in the coming years, and we are taking steps to speed up our development of SCR and ORC units for use on board ships. We will also develop "smart" vessel operation systems to help reduce ships' environmental impact and offer efficient operations with optimized value, including energy conservation, safety, and punctuality.

Henceforward, we plan to offer a comprehensive "ship components" business covering everything from manufacture to after-sales services, including the provision of peripheral equipment such as deck machinery.

Press machines

During the fiscal year 2012, the automotive industry—the principal customer of our press machines business—was finally freed from the adverse effects of the yen's excessive appreciation, which had often been cited as one of the major negative factors preventing Japan's manufacturing sector from being fully competitive. With the US economy embarked on a leisurely recovery, automobile manufactures' sales followed a strong trend in emerging markets, notably in Asia, as well as in the United States, and capital investment consequently also held firm.

Amid this situation, we positioned four tasks as our key objectives—to raise our earning power, secure adequate orders, continue pursuing globalization, and strengthen our product development capabilities. As a result of our efforts in these directions, and supported by vigorous capital investment by the automobile manufactures', we posted record figures in both revenue and profits. Net sales rose by a sharp 30.6% over the previous year, to ¥23,779 million, while operating income rose even more steeply, by 284.8% year on year, to ¥2,716 million, due to earnings resulting from recovery and reconstruction efforts from the floods in 2011.

Since the start of fiscal year 2013, sales of press machines have continued to be favorable in emerging markets, particularly those in Asia, as well as in North America. Capital investment levels are projected to remain firm for the time being, and in this situation we will focus our efforts on raising the competiveness of products, taking rigorous measures to cut costs, and pursuing further globalization. In this way, we aim to establish ourselves as the uncontested leader in terms of *monozukuri* manufacturing expertise. We forecast net sales for the year of ¥25,000 million (up 5.1% over fiscal year 2012), and a year-on-year decline of 36.7% in operating income, to ¥1,720 million, owing to a falloff in revenue from after-sales service construction work.

Process Equipment Business

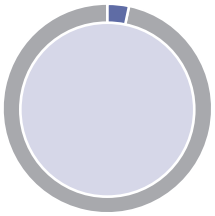
Equipment for a fertilizer plant in South America

Order intake
¥16.3 billion
(FY2011: ¥11.3 billion)
+44.2%
(FY2011: -13.7%)

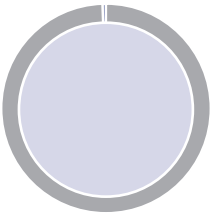
Net sales
¥10.1 billion
(FY2011: ¥10.2 billion)
-1.0%
(FY2011: -40.8%)

Operating income
¥0.1 billion
(FY2011: -¥0.1 billion)
—
(FY2011: —)

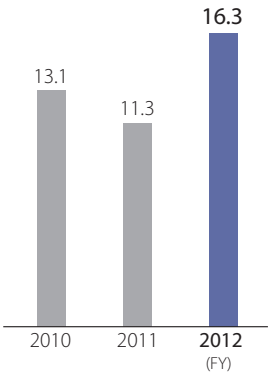
Net sales **3.4%**



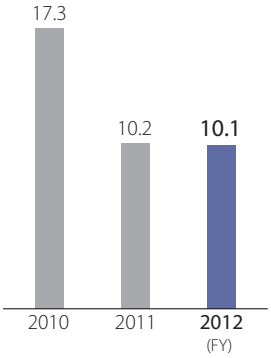
Operating income **0.5%**



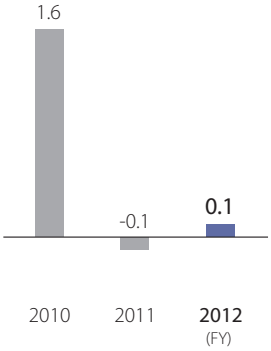
Order intake
Billions of yen



Net sales
Billions of yen



Operating income (loss)
Billions of yen



Business overview and outlook for fiscal year 2013

In fiscal year 2012, competition in this business became still fiercer as the yen's exchange rate remained high and overseas competitors increased their presence in the market. We won orders for pressure vessels from customers in Saudi Arabia, the United States, South America, and Southeast Asia, and also received orders for and delivered a variety of process equipment for plants. From here onward, we plan to focus on the manufacture and sale of reactors used in gas-to-liquid (GTL) refineries, where natural gas is converted into liquid fuels such as gasoline or diesel, against the background of the continuing expansion of the GTL market in North America, and to accelerate the development of this business in the global market.

In addition to our production plants in Japan, we have also established a local production system for process equipment in India through a joint-venture company. We aim to utilize our local partner's marketing network to market our products aggressively in India and to further reinforce our capabilities in overseas markets. We also plan to speed up the commercialization of products that utilize new materials.

In equipment for the nuclear power sector, we received orders for and delivered casks and canisters for spent nuclear fuel. We also acquired the US company NAC International Inc., giving us the capability to offer in the global market an integrated solutions service for the storage and transportation of nuclear fuel encompassing all processes from design through manufacture to transportation.

We aim to leverage the synergy generated by this latest acquisition to expand our market share, not only in Japan and the United States, but also in other parts of the world such as Asia and Europe.

Series of order intake for basic improvement work and extension of the useful lives of urban refuse incineration plant

Environmental Systems Business

Demand has been rising in recent years for work on refuse incineration plant in Japan to effect basic improvements and extend the useful lives of these plant, many of which are suffering from deterioration due to aging. The Group has been undertaking improvement work on incineration plant that incorporate power generation equipment including boilers, enabling higher power generation efficiency, and has also installed a number of new generation facilities.

Much is expected from Energy-from-Waste (EfW) plants with regard to their role in helping reduce CO_2 emissions, and they promise to make a valuable contribution to the retardation of global warming and the creation of a recycling-based sustainable society.

We are planning to extend the useful life of the Katagami Clean Center by about 15 years by replacing fire grates and installing exhaust heat recovery equipment, and to cut CO_2 emissions by 20% or more. At the Wanagaya Clean Center and Chichibu Clean Center, we plan to replace the main facilities including the incinerators, thereby extending the entire facilities' useful lives by 15 years or more, and to cut CO_2 emissions by upwards of 20% by installing additional power generation equipment.

As part of a plan to extend the working life of the Sasayuri Clean Park waste incineration facility by nearly 30 years, we are planning to upgrade the existing power generation equipment to realize greater efficiency and cut CO_2 emissions by three percent.

The Wanagaya Clean Center

Order received from Qatar for large-scale seawater desalination plant

Industrial Plants Business

In January 2012 we received an order from Mitsubishi Corporation (MC) for construction of the Ras Abu Fontas A2 seawater desalination plant in Qatar. MC and Toyo Thai Corporation Public Company Limited (TTCL) have concluded an EPC (engineering, procurement, and construction) contract with the Qatar Electricity & Water Company, and Hitachi Zosen is to construct the principal seawater desalination facilities under sub-contract to MC.

These seawater desalination facilities will be of the multi-stage flush (MSF) type, and will be the largest (81,828m^3 × 2 plants = 163,656m^3/day) MSF facilities yet built by Hitachi Zosen, which has already constructed a total of 42 seawater desalination plants (approx. 1,150,000 t/day) around the world, mostly in the Middle East. Ras Abu Fontas A2 will also be the first such facilities constructed by the Company in Qatar.

The signing ceremony in Qatar

NAC International Inc. (US) becomes subsidiary of Hitachi Zosen

Process Equipment Business

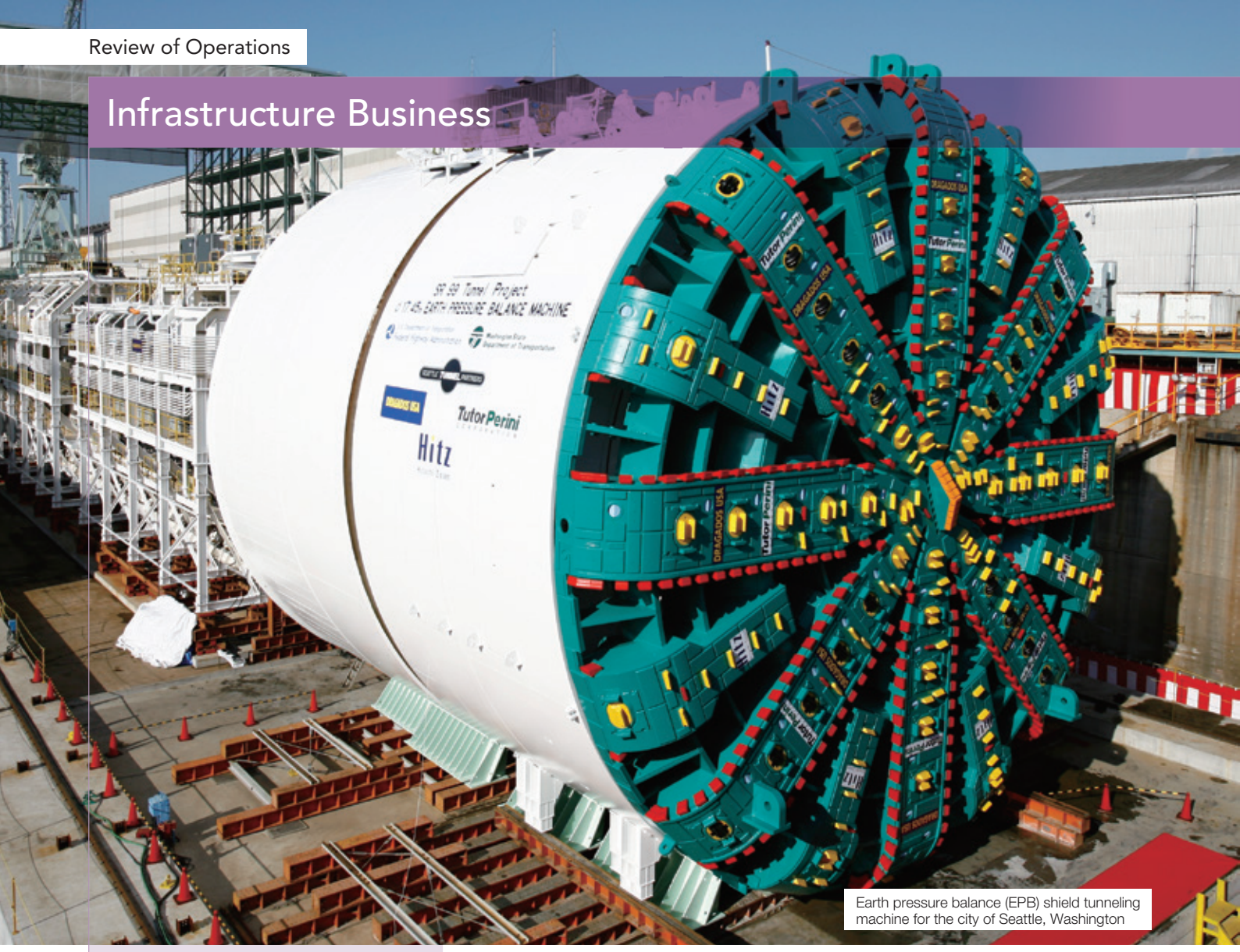
In March 2013 Hitachi Zosen, via its consolidated subsidiary Hitz Holdings U.S.A. Inc., acquired all issued shares of NAC International Inc., a company based in the US state of Georgia. NAC thereby became a subsidiary of the Company.

NAC, founded in 1968, has for many years been designing and transporting casks and canisters for the storage and transport of spent nuclear fuel for customers in the United States, Japan, and other Asian countries, as well as providing consulting services. The company has a high reputation within the industry for its know-how relating to the storage and transport of spent nuclear fuel, and for the various licenses it holds. The MAGNASTOR® System of high-capacity spent nuclear fuel storage canisters, which NAC has been developing in recent years, has received design approval from the Nuclear Regulatory Commission, and is being employed by nuclear power plants.

Since delivering our first spent fuel casks in 1988, we have built up an excellent business relationship with NAC, and with this recent acquisition the Hitachi Zosen Group now has the capability to offer a comprehensive and integrated solution package in the global market for the storage and transportation of spent nuclear fuel, covering all stages from design and consulting through manufacturing and transportation. We expect to display valuable synergy with NAC's operations in opening up new markets around the world.

NAC International Inc.

Infrastructure Business



Earth pressure balance (EPB) shield tunneling machine for the city of Seattle, Washington

Order intake

¥20.9 billion

(FY2011: ¥30.0 billion)

-30.3%

(FY2011: +45.5%)

Net sales

¥26.5 billion

(FY2011: ¥27.5 billion)

-3.6%

(FY2011: -28.2%)

Operating loss

¥-2.3 billion

(FY2011: ¥-4.0 billion)

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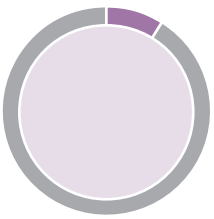
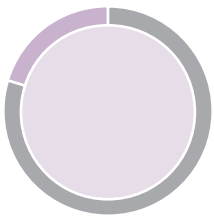
(FY2011: —)

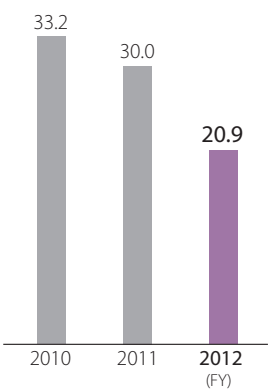
Net sales **9.0%**



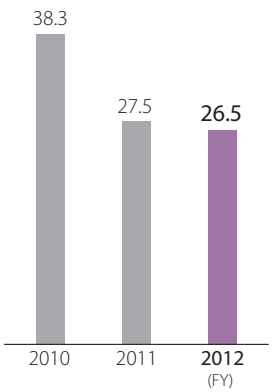
Operating income **-20.1%**



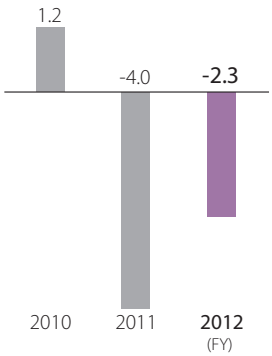
Order intake Billions of yen



Net sales Billions of yen



Operating income (loss) Billions of yen



Steel-stack for Kashima Kyodo Electric Power Co.

The hydraulic gate Jinzugawa Electric Power Plant

Business overview and outlook for fiscal year 2013

Steel structures

The Group once again experienced difficult business conditions in fiscal year 2012 amid cutbacks in public spending and fierce competition for orders. We received the following orders during the term: Construction project for the superstructure of the elevated highway section of the Ken-O Expressway viaduct No.5 in Satte City, Saitama (from the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism [MLIT]); replacement work on the Bikunidanibashi bridge superstructure on Prefectural Highway No.207 (from the Kyushu Regional Development Bureau); aseismic reinforcement work on the Sakai-Suido Ohashi Bridge on National Highway No.431 (from Tottori Prefecture); and improvement work on Nagayasuguchi Dam (from the Shikoku Regional Development Bureau). In addition, we received a number of orders for repair, replacement, and reinforcement work on stacks for electric utilities and other companies. We also received orders for and constructed new bridges, hydraulic gates, penstocks, stacks, and marine structures for the MLIT, various local governments, and electric power companies.

Construction machinery

The environment for orders remained difficult amid sluggish public spending in Japan on projects requiring construction machinery, but on overseas markets large-scale projects continued to emerge, and we engaged in aggressive marketing. As a result, we received a number of orders from customers both in Japan and overseas, including one for a shield tunneling machine (diameter of 6.88 meters) for SP Power Assets Limited in Singapore.

We also completed manufacture at our Sakai Works of the world's largest shield tunneling machine (diameter of 17.45 meters) for use in construction of an underground tunnel in Seattle, and shipped it to the United States.

From here onward, we plan to conduct aggressive marketing activities overseas so as to satisfy demand for shield tunneling machines by users in Japan and elsewhere, and in particular to meet the growing need for construction of infrastructure in Southeast Asia and other emerging nations.

Marine disaster prevention systems

The GPS wave meters developed by the Company enable real-time detection of changes in sea level resulting from waves, including tsunami, and can be positioned offshore to record and report on oceanographic phenomena such as tsunami and waves, as well as the temperature and flow rates of the water. In fiscal 2012 we installed GPS wave meters off the mouth of Ise Bay, and received orders for the meters from Eastern District of Kochi Prefecture (District 10 offshore of Muroto Cape) for protection of the fishery environment, and other orders were received and delivered to the MLIT and various local governments.

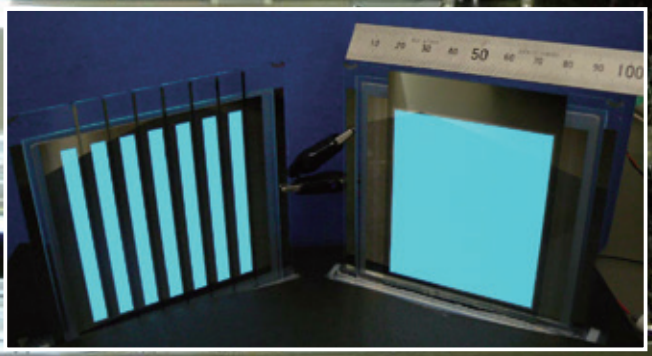
In addition, to protect against tsunami and storm surges, and to minimize inundation due to flooding caused by heavy localized rainfalls, Hitachi Zosen has developed and has tested the Movable Flap-Gate type breakwater system installed on the seabed (rises into place when water pressure exceeds the prescribed limit). We have also focused on marketing a land-mounted flap-gate seawall system for commercial buildings and electric utilities.

In the field of satellite positioning, we received and delivered an order for upgrading of electronic datum point receiver equipment used in a GPS continuous observation system from the Geospatial Information Authority of Japan (an arm of the MLIT). Electronic datum points are not simply measurement reference points, they enable instant detection of movements of the Earth's crust upon the occurrence of a large-scale earthquake, and are thus of great use in assessing the scale of damage and facilitating later recovery work.

In addition, in the field of slurry ice-making we delivered and installed a large-scale plant for the city of Hachinohe, as well as small-scale plants for Onagawa, Minamisanriku, the Shizugawa Branch of the Miyagi Prefecture Fisheries Cooperative, Ishinomaki, and the Tokura Branch of the Oshika District Fisheries Cooperative, and in March we received an order for a large-scale plant from the city of Ofunato. In these ways, we contributed to the recovery and further development of the fishery industry along the Sanriku Coast. We also installed a slurry ice manufacturing plant for the municipality of Kitadaito on Kitadaitojima in Okinawa Prefecture.

While working to perfect methods of detecting and accurately measuring movements of the Earth's crust and tsunami, Hitachi Zosen is also helping to make society a safer place through the development and construction of disaster-prevention systems such as flap-gate breakwaters as a countermeasure against both tsunami and storm surges.

Precision Machinery Business



Deposition units for OLEDs (above), Blue light emitting organic device (below)

Order intake

¥18.3 billion

(FY2011: ¥21.1 billion)

-13.3%

(FY2011: -9.6%)

Net sales

¥16.7 billion

(FY2011: ¥26.5 billion)

-37.0%

(FY2011: -31.5%)

Operating income

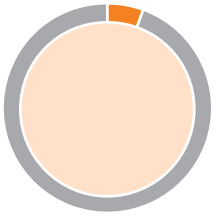
¥0.2 billion

(FY2011: ¥2.7 billion)

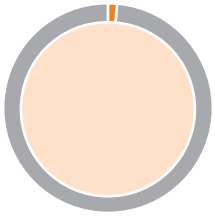
-96.3%

(FY2011: -13.6%)

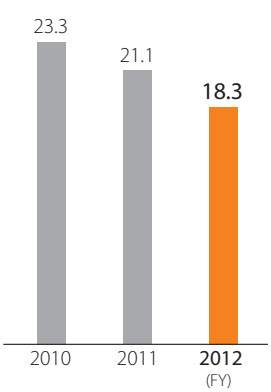
Net sales **5.6%**



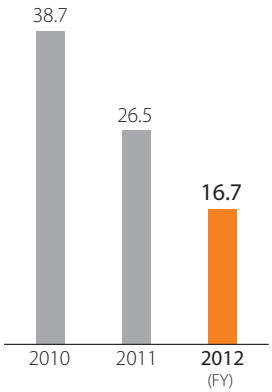
Operating income **1.4%**



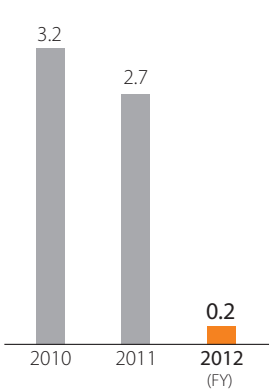
Order intake



Net sales



Operating income



Electron beam sterilizer

Belt conveyor radiation screening system

Business overview and outlook for fiscal year 2013

System machinery

In the field of system machinery in Japan in fiscal year 2012, capital investment was once again sluggish amid a stagnant LCD market and lower prices in the solar panel market due to fierce competition. In overseas markets, too, capital expenditure shrank despite a firm trend in finished product markets, particularly in the emerging nations. Despite this difficult situation, we succeeded in winning large-lot orders from overseas customers for LCD manufacturing and processing equipment. Additionally, in response to order intake in fiscal year 2011, we delivered equipment for the mass production of OLED displays, which are seen as a strong candidate for the next-generation of lighting.

In products for the food filling and pharmaceutical industries, although investment in new equipment was at a low ebb, we received orders for new infusion bag filling systems for pharmaceuticals, as well as for electron beam sterilizer test equipment. These test rigs will be used for verification testing by the end-users, and we believe this order is a major first step toward the receipt of orders for production-line machinery in the near future.

During fiscal year 2013 we project a steady increase in the mass production of OLED displays, along with the appearance of ever-larger displays, and also of the mass production of OLEDs for lighting use. We therefore plan to focus on developing equipment capable of handling the mass production of larger displays, as well as models with higher performance, and to market our equipment both in Japan and overseas with the goal of winning orders. In the market for solar cell manufacturing equipment, the operating environment is expected to remain difficult, but against the backdrop of the rapid expansion of this market in Japan since the introduction of the feed-in tariff system of electric power sales in July 2012, we will continue promoting our operations in the field strategically while keeping a close watch on developments in overseas markets.

In products for the food filling and pharmaceuticals industries, we will focus marketing efforts on our new lineup of electron beam sterilization systems to propose aseptic filling systems utilizing electron beam sterilizers to customers in Japan and overseas via exhibitions and seminars. We hope to win orders from manufacturers of beverages and pharmaceuticals.

In fiscal year 2011 we delivered our in-house-developed and manufactured radiation screening equipment for testing radiation levels in bags of rice. In view of the growing emphasis on safety in the food filling market, we hope to leverage this achievement into a major growth in sales through expanded applications to agricultural produce and seafood.

In a new departure for Hitachi Zosen, we have developed an EPC (engineering, procurement, and construction) business in the construction of large-scale photovoltaic power generation facilities, called “mega-solar,” in Japan. We plan to market this business with a view to winning orders and expanding our earnings.

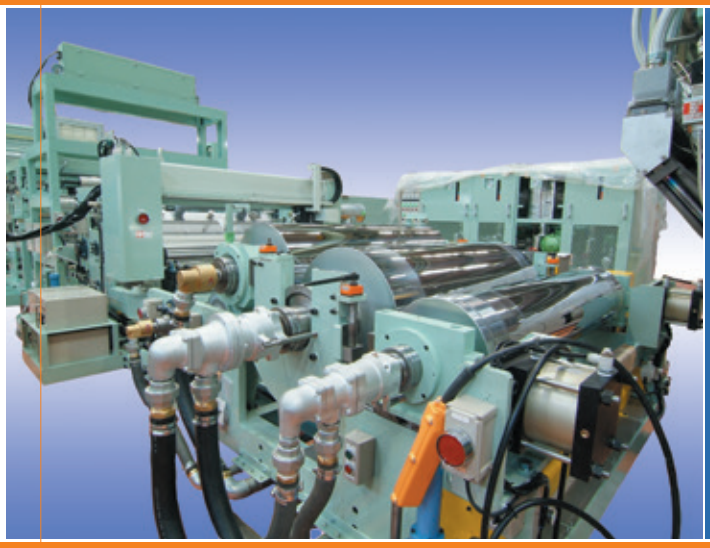
Plastic machinery

In a continuation from the previous year, the environment for orders was once again severe, and our earnings in this segment were heavily impacted. In the latter half of the term, however, we received multiple orders from Japanese customers for large-scale installation work involving multilayer PET sheet manufacturing equipment for use in wrapping food products, thin multilayer sheet manufacturing units for wrapping pharmaceutical products, and construction-use sheet manufacturing equipment.

In overseas markets, we delivered several lines of optical sheet manufacturing equipment to customers in China and Taiwan. These orders were the fruit of Hitachi Zosen’s successful efforts to raise its corporate profile overseas and convince users of the high-level reliability of its proprietary technology.

In fiscal year 2013 we plan to aggressively market our manufacturing equipment for food-wrapping sheet in Japan, where increased equipment investment is projected, and to market our optical sheet manufacturing units overseas. We aim to achieve higher earnings through smooth progress in installation at customer premises.

To meet the market’s need for increasingly sophisticated films for smart phones and touchscreens, and for separator film-forming equipment for use in battery production, we plan to combine our



Optical film/sheet forming system

On-board digital recorder "Train recorder"

superior proprietary technologies in elastic rolls and stretch films, a market that we have only recently entered. We aim to expand our sphere of operations through accelerated development of these combined technologies.

Electronic control equipment

The environment for orders remained extremely difficult in fiscal year 2012, and we registered declines in both revenues and earnings, falling short of our targets for the business year. In fiscal year 2013, while we expect the Japanese economy to stage a recovery thanks to the impact of *Abenomics*, manufacturing costs may rise owing to the weaker yen, and we predict a continued difficult order environment in the first half of the term.

In fiscal year 2013 we will continue to leverage our core image processing technology to expand the number of customers in strategic product areas, and to further strengthen our system of collaboration with other companies. In the field of food production line image processing recorder products, as a member of the Global Food Safety Initiative, managed by the Consumer Goods Forum, we are participating in activities in Japan and overseas to achieve increased brand recognition and strengthen our lineup of products that meet customers' needs.

We are also working to strengthen a new collaborative system in our proprietary Train Recorder, for which we have received orders from leading domestic railway operators. In May of this year the Company was awarded a technology prize by the Japan Railway Engineers' Association, and we are currently marketing our train recorder system with a view to securing orders for projects due to take effect during this fiscal year and after. In response to growing demand in the field of renewable energy, at our Control Equipment Center we have commenced verification testing of microgrid systems (distributed power generation systems combining multiple generation sources with storage batteries), and are steadily increasing the scale of these tests.

We have also received orders for imaging test units for use in the construction industry, and hope to expand the application of this system to other fields as well as to a wider range of user issues. We have developed a version of an IP transmission system where transmission is divided into multiple routes that can be automatically selected for installation in automobiles, and plan to conduct testing for compatibility with overseas standards within the present business term, with the goal of expanding our operations in this area and securing a larger share of the global market.

Materials business

Order intake for lapping plates, our mainline products in this segment, were at a low ebb in the latter half of fiscal year 2012 owing to the strong yen and slack sales of notebook PCs by our users. Demand remained weak in the first half of fiscal year 2013, but we are looking forward to a recovery in the second half thanks to the weakening of the yen and rising stock prices, and the semiconductor market is likely to show a firmer undertone.

Also in fiscal year 2013, manufacturers are planning for the pilot production and capital investment for the next-generation 450mm silicon wafers, scheduled for market launch in 2015 according to the International Technology Roadmap for Semiconductors. For the fiscal 2013 full term, orders are expected to be flat from the previous year.

In the field of cast metal materials, we have perfected the technology for the production of fire grate materials used for regular repairs, and are now proceeding to make improvements to productivity and yield.

In the development of heat-resistant and abrasion-resistant materials we have succeeded in producing materials with superior physical properties.

Projects on the drawing board include aggressive marketing of our lapping plates in Asian countries, particularly China. In the energy field, we have developed a material for use in wind turbines that shows a high impact resistance value at super-low temperatures, and plan to manufacture it actively.

World's largest-diameter (17.45 meters) EPB shield tunneling machine completed for Seattle

Infrastructure Business

At our Sakai Works, in December 2012 we completed construction of the world's largest-diameter (17.45 meters) earth pressure balance (EPB) shield tunneling machine for delivery to the Department of Transportation of the State of Washington. Construction at site in Seattle is being undertaken by Seattle Tunnel Partners, a joint venture between Dragados USA, Inc. and Tutor Perini Corporation, whose executives attended the completion ceremony at the Sakai Works, where the tunneling boring machine was given the nickname of Bertha.

This machine will be used to bore a tunnel that will carry State Route 99 under downtown Seattle in place of the Alaskan Way Viaduct, which is being demolished due to aging. The plan is being overseen by the Washington State Department of Transportation. Because the tunnel will be bored underneath the center of the city, methods will be employed that minimize impact on aboveground structures and peoples' daily lives. We plan to utilize a method whereby the space between the exterior diameter of the tunneling machine and the segment of rock currently being cut is filled with backfilling material injected from the rear of the machine. Even when operation of the machine is halted, special equipment will monitor and control the earth pressure within the cutter pressure. We have also developed a cutting disc replacement unit which fulfills the dual purpose of helping prevent ground collapse and reducing the time required for the replacement process. This avoids the need to work in pressurized atmosphere conditions (the caisson method), and improves overall operational safety.

Bertha was transported from Japan to the site in Seattle in March. To reduce erection time at site and ensure high quality we disassembled the machine into large blocks (the largest of which weighed 900 tonnes) insofar as was possible, taking into account the needs of transportation from the port to the site and the difficulty of lowering the machine down the vertical shaft. Bertha was transported on a heavy-lift vessel equipped with two 900-tonne-capacity cranes. After arrival at the Port of Seattle and transportation to the site, the machine was assembled, and is scheduled to bore an approximately 2,800-meter starting from the Alaskan Way South Portal.

With the development and manufacture of this large-scale shield tunneling machine, Hitachi Zosen has demonstrated the depth and quality of its technology in this field, and we aim to leverage this achievement to proactively meet demand in the market.

Shield tunneling machine

The "neo RiSe" land-mounted flap-gate breakwater

Infrastructure Business

In May we installed a "neo RiSe" land-mounted flap-gate seawall system, which we had been developing since the previous year, at the entrance to the Hitachi Zosen head office building. The "neo RiSe" is intended to block the influx of water from a tsunami or from flooding due to heavy rainfall. The system's principal unique characteristic is that it does not require a power source or manned control, and it offers the following advantages:

The "neo RiSe" seawall installed at the entrance to the Company's head office

1) As it operates automatically in response to rising water pressure, human operators need not be placed in harm's way.
2) It operates perfectly despite loss of electric power or breakdown in communications.
3) It allows personnel to secure escape routes right up to the last moment.

To encourage the adoption of the recently completed "neo RiSe" as a countermeasure against flooding caused by sudden, heavy rainstorms in urban areas, we plan to incorporate architectural design elements in its external design, facilitating the addition of the seawall to existing facilities. We also have hopes of the "neo RiSe" being utilized in the future as part of the Proposal on the Provision and Management of Floodgates and Related Infrastructure, issued by the government in March 2013.

Construction of Precision Machinery Center completed within Chikko Works

Precision Machinery Business

We have completed construction of the Precision Machinery Center within our Chikko Works to strengthen our network of marketing and development bases in the System Machinery and Plastic Machinery businesses.

The center is aimed at effecting information sharing with respect to market trends and data on individual corporate customers in the Precision Machinery Business, and at realizing faster product development. For this purpose, the center's staff will be drawn from the personnel of the System Machinery and Plastic Machinery businesses, who are currently stationed at various locations scattered around the Chikko Works. It has also been equipped with state-of-the-art testing equipment to increase mobility.

Within the facility, the Technical Center functions as the core unit for technology development. To enable swift response to customer requests for demonstrations or verification tests, the center is equipped with electron beam sterilizer units, roll-to-roll film-forming test equipment, and longitudinal sheet stretching machines. It can also function as a training facility for new customers' machine operation staff.

The Precision Machinery Center has been designed to be eco-friendly, and features a 133-kW-capacity photovoltaic power generation system to reduce CO_2 emissions, as well as a raft of energy conservation measures including LED lighting and special window glass with high thermal insulation properties.

The Precision Machinery Center

Basic policy and technology development system

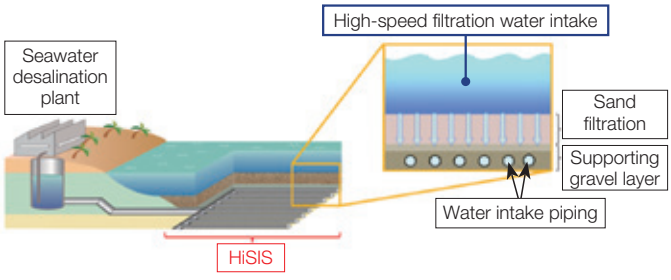
In line with our development strategy based on Hitz Vision, our current management plan, Hitachi Zosen Group pursues research and development focused on the operating fields of environmental systems, energy, industrial plants, machinery, process equipment, infrastructure, precision machinery and leading edge technology areas.

The Group's research and development organization consists of the Technology Development Headquarters, the Technical Research Institute, and the Product Development Planning Division, the Product Development Project Division. To facilitate the commercial application of themes right from the development stage, we have also set up the Business & Product Development Division in Engineering, Machinery & Infrastructure, and Precision Machinery. These development units work in close collaboration with design and marketing divisions, as well as with other corporate members of the Group, to realize the early commercialization of newly developed products, and the development of new products and technologies.

Achievements in fiscal year 2012

Our development staff handled 108 themes in fiscal year 2012, and achievements broadly met targets.

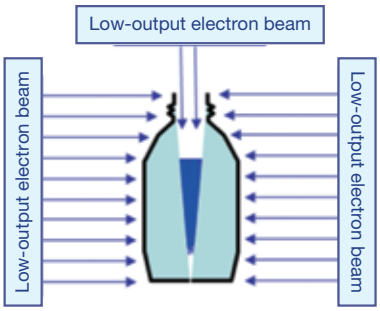
In the environmental and industrial plants area, we developed high-efficiency Energy from Waste and high-performance exhaust gas treatment system for stoker-type furnaces, and carried out verification testing on corrosion prevention measures and improved grating for high-temperature, high-pressure boiler superheater tubes. We likewise tested a plant for producing ethanol (biofuel) from waste, in Kyoto, and began developing CO_2 separation membranes for the coming "low-carbon" society. In Saudi Arabia, we also carried out testing on solar collectors for solar thermal power generation, and in partnership with Nagaoka International Corporation developed the High-speed Seabed Infiltration System (HiSIS) for seawater desalination.



High-speed seabed infiltration system

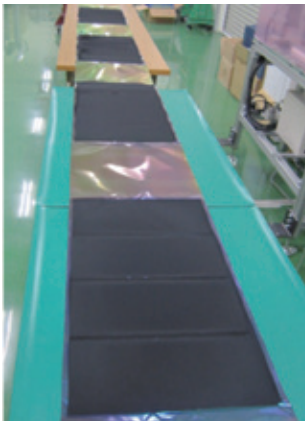
In the machinery, process equipment, and infrastructure business areas, we pursued development work on Selective Catalytic Reduction (SCR) and Organic Rankine Cycle (ORC) waste heat recovery systems for the Tier Ⅲ NOx emission standards (to be implemented in 2016) compiled by the International Maritime Organization. We also improved production technologies through expansion of 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 began development of our flap-gate breakwater systems (seabed-type, land-mounted, and seawall-type) for actual use in protection against tsunami and storm surges.

In the precision machinery business area, developments included Dye-Sensitized Solar Cells, organic light-emitting displays, PET bottle electron beam sterilization systems, and accident detection devices mounted on food inspection apparatus and transport vehicles based on image-processing technology. In addition, in response to the Fukushima nuclear accident, we have commercialized a belt conveyor radioactivity screening system that can continuously check large numbers of sacks of rice.



Electron beam sterilizer

We also conducted research into functional materials including carbon nano-tubes, all-solid-type lithium-ion batteries and elastomer using Eucommia ulmoides bark as raw material.



Mass production of carbon nano-tubes

Plans for fiscal year 2013

The Group's development activities in fiscal year 2013 (ending March 31, 2014) will continue the themes tackled in fiscal year 2012. In particular, we are accelerating development of Selective Catalytic Reduction (SCR) for marine vessels and food packaging electron beam sterilization systems, as well as CO_2 separation membranes, flap-gate breakwater systems and Dye-Sensitized Solar Cells, with a view to early commercialization and order-taking.

We will continue verification testing of land-mounted and marine Organic Rankine Cycle (ORC) waste heat recovery systems, and plan to build a test plant for HiSIS in Abu Dhabi. We will also continue to develop applications and mass production technologies for carbon nano-tubes and Eucommia–based elastomers, which we have earmarked as future business areas.

Intellectual Property Management

Basic policy of the Hitachi Zosen Group

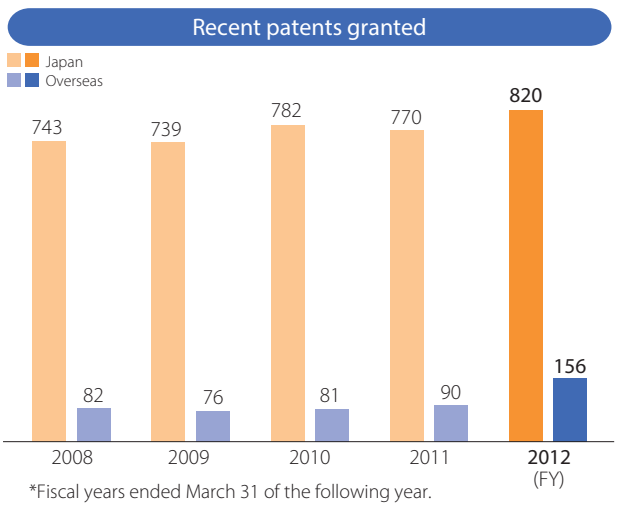
The intellectual property strategy of Hitachi Zosen Corporation supports the Company's management business strategy, which was drawn up in line with its business philosophy, and is in close conformity with its research and development strategy. That is to say, we seek actively to acquire industrial property rights in fields that we are strategically developing, to contribute to the efficient pursuit of our business goals. We also set the direction of technological development targeted by our research and development strategy, and invest resources from the Intellectual Property section on a priority basis in key development projects so as to protect our proprietary technologies and further expand the fields in which we possess unrivalled technological superiority.

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.

Medium-term intellectual property activities

Patent applications and related activities conducted by Hitachi Zosen's Technology Development Headquarters are based on the principle that "all research starts with the acquisition of a patent." Our researchers work to discover new ideas and uncover practical applications for them, and then to ensure that application is made for a patent on the invention that is invulnerable to challenge. 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 areas of weakness.

Our aim is to acquire patent rights through fair means, and to apply those rights over an appropriate scope of business operations. We 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 support and protect our business operations, and thus assure us of business continuity.



*Fiscal years ended March 31 of the following year.

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 2012, 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 14 "patent managers" working at our Technology Development Headquarters and the separate business divisions. In addition, five "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 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.

Outstanding inventions owned by Hitachi Zosen Corporation are also awarded prizes by outside agencies. Patent No. 4698200, relating to laser processing methods and laser processing equipment, received Honorable Mention at the 2012 Kinki Regional Invention Awards.

As of the end of fiscal year 2012 (ended March 31, 2013), Hitachi Zosen Corporation held 820 patents in Japan and 156 overseas. It also held 56 design rights in Japan and 19 overseas, as well as 125 trademark rights in Japan and 24 overseas.

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 enterprise 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

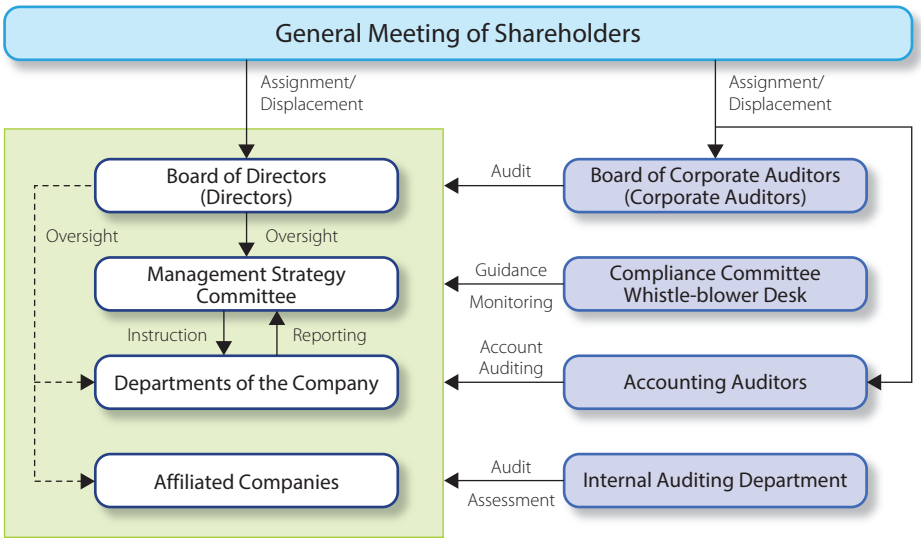
Our principal management decision-making bodies consist of the Board of Directors and the Management Strategy Committee. In addition to dealing with issues stipulated by the law, the Board of Directors decides upon important matters such as basic management policies, and oversees the execution of operations. 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. In June 2013, one outside director was appointed with the goal of further strengthening supervisory functions pertaining to the execution of business. 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 2013, there are 10 directors (of which one is an outside director) and 12 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 2013. 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 Internal Auditing 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 legal 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 legal violations.



Board of Directors, Corporate Auditors and Executive Officers

(As of June 25, 2013)

Representative Director
Chairman & CEO
Minoru Furukawa

Representative Director
President & COO
Takashi Tanisho

Vice Chairman
Masaki Hashikawa

Representative Director
Executive Vice President
Hisao Matsuwake

Managing Director
Masayuki Morikata

Managing Director
Koji Abo

Managing Director
Toru Yoshioka

Director
Chiaki Ito

Director
Toru Shimizu

Director
Wataru Kobashi

Full-time Corporate Auditor
Motohiro Fujii

Full-time Corporate Auditor
Masamichi Tokuhira

Corporate Auditor
Makoto Yagi

Corporate Auditor
Junnosuke Ban

Managing Executive Officer
Masahiro Sakai

Managing Executive Officer
Sadao Mino

Executive Officer
Nobuyoshi Mori

Executive Officer
Masayuki Tanigawa

Executive Officer
Yutaka Masumizu

Executive Officer
Masanori Shimasaki

Executive Officer
Kazuo Ieyama

Executive Officer
Shoichi Morimoto

Executive Officer
Tadashi Shibayama

Executive Officer
Akikazu Kitagawa

Executive Officer
Toshiyuki Shiraki

Executive Officer
Hiroshi Hisamori

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 year 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 year 2010, and in fiscal year 2011 we installed a 133kW system at Chikko Works, a 70kW system at Maizuru Works, and in fiscal year 2012 a 88kW system at the Nanko Headquarters, for a total of 391kW. In fiscal year 2013, we will sell 1500kW of solar power and thereby reduce carbon dioxide.

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, 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 2012	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	Reduction in average emissions of CO_2 over the five years from FY2008 to FY2012 to 94% of FY1990 level	Increased by 47.2% over medium-term target Medium-term target: 29,535 ton CO_2 average for five years 43,495 ton CO_2	△
	Reducing waste generated (excluding valuable materials)	Reduction of FY2015 amount to 90% of FY2000 level	Decreased by 16.4% of FY2000 level FY2000: 3,856 tons FY2012: 3,221 tons	◎
	Reducing landfill waste	Reduction of FY2015 amount to 35% of FY2000 level	Decreased by 48.5% of FY2000 level FY2000: 942 tons FY2012: 485 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, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
ASSETS			
Current assets:			
Cash and time deposits (Notes 5 and 15)	¥ 68,947	**¥ 59,249**	**$ 629,973**
Receivables:			
Trade notes and accounts:			
Nonconsolidated subsidiaries and affiliates	4,263	**811**	**8,623**
Other	104,690	**107,022**	**1,137,927**
Other	5,180	**2,566**	**27,283**
Allowance for doubtful receivables	(1,183)	**(1,450)**	**(15,417)**
	112,950	**108,949**	**1,158,416**
Marketable securities (Note 3)	38	**45**	**479**
Inventories (Note 4)	23,316	**19,338**	**205,614**
Deferred tax assets (Note 20)	4,588	**6,909**	**73,461**
Prepaid expenses and other current assets (Note 5)	3,832	**6,748**	**71,749**
Total current assets	213,671	**201,238**	**2,139,692**
Property, plant and equipment, at cost (Note 5)**:**			
Land (Notes 7 and 23)	69,383	**67,723**	**720,074**
Buildings and structures (Note 23)	73,456	**77,122**	**820,011**
Machinery and equipment	90,194	**93,643**	**995,672**
Lease assets (Note 16)	862	**1,022**	**10,867**
Construction in progress	2,395	**522**	**5,550**
	236,290	**240,032**	**2,552,174**
Less accumulated depreciation	(108,997)	**(116,559)**	**(1,239,330)**
Property, plant and equipment, net	127,293	**123,473**	**1,312,844**
Intangible assets:			
Goodwill	580	**4,736**	**50,356**
Other intangible assets	2,028	**2,246**	**23,881**
Total intangible assets	2,608	**6,982**	**74,237**
Investments and other noncurrent assets:			
Investments in nonconsolidated subsidiaries and affiliates (Notes 3 and 5)	17,904	**9,033**	**96,045**
Investments in securities (Notes 3 and 5)	5,249	**15,521**	**165,029**
Long-term loans receivable (Note 5)	105	**84**	**893**
Deferred tax assets (Note 20)	777	**1,263**	**13,429**
Other investments and noncurrent assets (Note 5)	9,487	**9,751**	**103,679**
Allowance for doubtful receivables	(1,348)	**(1,038)**	**(11,037)**
Total investments and other noncurrent assets	32,174	**34,614**	**368,038**
Deferred assets	42	**40**	**426**
Total assets	¥375,788	**¥366,347**	**$3,895,237**

See the accompanying Notes to the Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
LIABILITIES			
Current liabilities:			
Notes and accounts payable:			
Nonconsolidated subsidiaries and affiliates	¥ 278	¥ 220	$ 2,339
Other	59,524	52,279	555,864
Short-term borrowings (Note 5)	6,751	5,960	63,371
Current portion of long-term debt (Note 5)	40,923	30,564	324,976
Accrued expenses	39,621	37,140	394,896
Accrued income taxes	1,614	2,321	24,679
Advances received on work in progress	15,950	16,754	178,139
Reserve for directors' and corporate auditors' bonuses	70	81	861
Reserve for product warranty	6,951	5,580	59,330
Reserve for losses on construction contracts (Note 4)	8,585	9,795	104,147
Other current liabilities	11,499	10,377	110,335
Total current liabilities	191,766	171,071	1,818,937
Long-term liabilities:			
Long-term debt, less current portion (Note 5)	59,343	65,501	696,449
Asset retirement obligations (Note 22)	925	934	9,931
Deferred tax liabilities (Note 20)	1,672	1,957	20,808
Employees' severance and retirement benefits (Note 19)	9,228	9,829	104,508
Directors' and corporate auditors' severance and retirement benefits	810	694	7,379
Other noncurrent liabilities (Note 5)	997	1,235	13,131
Total long-term liabilities	72,975	80,150	852,206
Total liabilities	264,741	251,221	2,671,143
CONTINGENT LIABILITIES (Note 6)			
NET ASSETS (Note 8):			
Common stock			
Authorized — 2,000,000,000 shares			
Issued — 796,073,282 shares at March 31, 2012 and 2013	45,442	45,442	483,169
Capital surplus	5,974	5,974	63,519
Retained earnings	44,356	48,314	513,705
Treasury stock, at cost — 2,230,903 shares in 2012			
— 12,329,474 shares in 2013	(286)	(1,799)	(19,128)
Net unrealized holding gains (losses) on securities	73	292	3,105
Net unrealized holding gains (losses) on hedging derivatives	(242)	(1,110)	(11,802)
Pension obligation adjustments of overseas subsidiaries	880	880	9,357
Land revaluation difference (Note 7)	(24)	(22)	(234)
Foreign currency translation adjustments	(855)	443	4,710
Subscription rights to shares	1	1	11
Minority interests in consolidated subsidiaries	15,728	16,711	177,682
Total net assets	111,047	115,126	1,224,094
Total liabilities and net assets	¥375,788	¥366,347	$3,895,237

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, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Net sales	¥303,036	**¥296,792**	**$3,155,683**
Cost of sales (Note 9)	252,892	**246,046**	**2,616,119**
Gross profit	50,144	**50,746**	**539,564**
Selling, general and administrative expenses	38,777	**39,383**	**418,745**
Operating income	11,367	**11,363**	**120,819**
Other income (expenses):			
Interest and dividend income	324	**175**	**1,861**
Interest expense	(1,533)	**(1,315)**	**(13,982)**
Foreign exchange loss	(437)	**(368)**	**(3,913)**
Equity in net income of nonconsolidated subsidiaries and affiliates (Note 10)	733	**2,364**	**25,135**
Impairment loss (Note 11)	—	**(1,690)**	**(17,969)**
Contribution for withdrawal from employees' pension fund (Note 12)	—	**(841)**	**(8,942)**
Gain on sale of property	1,629	**—**	**—**
Reversal of allowance for losses from lawsuits	1,058	**—**	**—**
Compensation for damage	(592)	**—**	**—**
Loss on devaluation of investments in securities	(529)	**—**	**—**
Other, net	314	**(972)**	**(10,335)**
Total other expenses	967	**(2,647)**	**(28,145)**
Income before income taxes and minority interests	12,334	**8,716**	**92,674**
Income taxes (Note 20)			
Current	2,594	**2,858**	**30,388**
Deferred	(627)	**(2,559)**	**(27,209)**
Income before minority interests	10,367	**8,417**	**89,495**
Minority interests in net income of consolidated subsidiaries	1,048	**1,006**	**10,696**
Net income	¥ 9,319	**¥ 7,411**	**$ 78,799**

	Yen		U.S. dollars (Note 1)
	2012	2013	2013
Amounts per share (Note 2)			
Net income — basic	¥11.74	**¥9.36**	**$0.10**
Net income — diluted	10.67	**8.96**	**0.10**
Cash dividends	2.00	**2.00**	**0.02**

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, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Income before minority interests	¥10,367	**¥8,417**	**$89,495**
Other comprehensive income			
Net unrealized holding gains (losses) on securities	328	**36**	**383**
Net unrealized holding gains (losses) on hedging derivatives	(460)	**(881)**	**(9,367)**
Pension obligation adjustments of overseas subsidiaries	880	**—**	**—**
Foreign currency translation adjustments	(343)	**945**	**10,048**
Equity of nonconsolidated subsidiaries and affiliates accounted for using equity method	(28)	**432**	**4,593**
Changes in equity	—	**(1,887)**	**(20,064)**
Total other comprehensive income (Note 13)	377	**(1,355)**	**(14,407)**
Total comprehensive income	¥10,744	**¥7,062**	**$75,088**
Comprehensive income attributable to			
Owners of the parent	9,756	**6,173**	**65,635**
Minority interests	988	**889**	**9,453**

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, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Common stock:			
Balance at beginning of year	¥45,442	**¥45,442**	**$483,169**
Balance at end of year	¥45,442	**¥45,442**	**$483,169**
Capital surplus:			
Balance at beginning of year	¥ 5,974	**¥ 5,974**	**$ 63,519**
Treasury stock disposed of	(0)	**0**	**0**
Balance at end of year	¥ 5,974	**¥ 5,974**	**$ 63,519**
Retained earnings:			
Balance at beginning of year	¥36,640	**¥44,356**	**$471,621**
Cash dividends	(1,588)	**(1,588)**	**(16,885)**
Net income	9,319	**7,411**	**78,799**
Increase due to consolidation of additional subsidiaries	22	**24**	**255**
Changes in equity	—	**(1,887)**	**(20,064)**
Reversal of land revaluation difference	(37)	**(2)**	**(21)**
Balance at end of year	¥44,356	**¥48,314**	**$513,705**
Treasury stock (Note 14)**:**			
Balance at beginning of year	¥ (281)	**¥ (286)**	**$ (3,041)**
Treasury stock disposed of	0	**1**	**11**
Treasury stock purchased	(5)	**(1,514)**	**(16,098)**
Balance at end of year	¥ (286)	**¥ (1,799)**	**$ (19,128)**
Net unrealized holding gains (losses) on securities:			
Balance at beginning of year	¥ (249)	**¥ 73**	**$ 776**
Other	322	**219**	**2,329**
Balance at end of year	¥ 73	**¥ 292**	**$ 3,105**
Net unrealized holding gains (losses) on hedging derivatives:			
Balance at beginning of year	¥ 224	**¥ (242)**	**$ (2,573)**
Other	(466)	**(868)**	**(9,229)**
Balance at end of year	¥ (242)	**¥ (1,110)**	**$ (11,802)**
Pension obligation adjustments of overseas subsidiaries:			
Balance at beginning of year	¥ —	**¥ 880**	**$ 9,357**
Other	880	**—**	**—**
Balance at end of year	¥ 880	**¥ 880**	**$ 9,357**
Land revaluation difference (Note 7)**:**			
Balance at beginning of year	¥ (106)	**¥ (24)**	**$ (255)**
Reversal of land revaluation difference	82	**2**	**21**
Balance at end of year	¥ (24)	**¥ (22)**	**$ (234)**
Foreign currency translation adjustments:			
Balance at beginning of year	¥ (512)	**¥ (855)**	**$ (9,091)**
Other	(343)	**1,298**	**13,801**
Balance at end of year	¥ (855)	**¥ 443**	**$ 4,710**
Subscription rights to shares:			
Balance at beginning of year	¥ 1	**¥ 1**	**$ 11**
Balance at end of year	¥ 1	**¥ 1**	**$ 11**
Minority interests in consolidated subsidiaries:			
Balance at beginning of year	¥14,836	**¥15,728**	**$167,230**
Other	892	**983**	**10,452**
Balance at end of year	¥15,728	**¥16,711**	**$177,682**

	Shares	
	2012	2013
Number of shares of common stock:		
Balance at beginning of year	796,073,282	**796,073,282**
Balance at end of year	796,073,282	**796,073,282**

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, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥12,334	**¥ 8,716**	**$ 92,674**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	8,389	**8,286**	**88,102**
Impairment loss	—	**1,690**	**17,969**
Increase (decrease) in allowance for doubtful receivables	127	**(43)**	**(457)**
Increase in employees' severance and retirement benefits	1,026	**601**	**6,390**
Increase in reserve for losses on construction contracts	483	**1,210**	**12,865**
Decrease in reserve for losses from lawsuits	(9,457)	**—**	**—**
Interest and dividend income	(324)	**(175)**	**(1,861)**
Interest expense	1,533	**1,315**	**13,982**
Equity in net income of nonconsolidated subsidiaries and affiliates	(733)	**(2,364)**	**(25,135)**
Loss on devaluation of investments in securities	529	**153**	**1,627**
Loss on disposal of fixed assets	285	**126**	**1,340**
Decrease in trade receivables	5,805	**2,370**	**25,199**
Decrease in inventories	2,054	**4,116**	**43,764**
Decrease in other current assets	6,802	**1,267**	**13,472**
Decrease in trade payables	(14,287)	**(8,015)**	**(85,221)**
Increase (decrease) in accrued expenses	9,105	**(3,067)**	**(32,610)**
Increase (decrease) in advances received	(6,233)	**370**	**3,934**
Increase (decrease) in other current liabilities	4,426	**(2,617)**	**(27,826)**
Other	(3,052)	**(2,188)**	**(23,264)**
Subtotal	18,812	**11,751**	**124,944**
Interest and dividends received	439	**939**	**9,984**
Interest paid	(1,543)	**(1,336)**	**(14,205)**
Income taxes paid	(3,058)	**(1,705)**	**(18,129)**
Net cash and cash equivalents provided by operating activities	14,650	**9,649**	**102,594**
Cash flows from investing activities:			
Increase in time deposits	(4,345)	**(3,198)**	**(34,003)**
Decrease in time deposits	3,945	**2,778**	**29,537**
Purchase of property, plant and equipment	(8,150)	**(5,991)**	**(63,700)**
Proceeds from sales of property, plant and equipment	3,729	**39**	**415**
Purchase of intangible assets	(610)	**(677)**	**(7,198)**
Purchase of investments in securities	(531)	**(1,700)**	**(18,075)**
Proceeds from sales and redemption of investments in securities	862	**16**	**170**
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 15)	—	**(4,196)**	**(44,615)**
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	97	**—**	**—**
Other	375	**(559)**	**(5,944)**
Net cash and cash equivalents used in investing activities	(4,628)	**(13,488)**	**(143,413)**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Cash flows from financing activities:			
Decrease in short-term borrowings, net	(2,305)	**(791)**	**(8,410)**
Proceeds from long-term debt	29,371	**26,800**	**284,955**
Payment of long-term debt	(24,139)	**(25,370)**	**(269,750)**
Proceeds from issuance of bonds	—	**10,000**	**106,326**
Redemption of bonds	(300)	**(15,070)**	**(160,234)**
Cash dividends paid	(1,588)	**(1,588)**	**(16,885)**
Other	44	**(1,799)**	**(19,128)**
Net cash and cash equivalents provided by (used in) financing activities	1,083	**(7,818)**	**(83,126)**
Effect of exchange rate changes on cash and cash equivalents	(438)	**1,298**	**13,801**
Net increase (decrease) in cash and cash equivalents	10,667	**(10,359)**	**(110,144)**
Cash and cash equivalents at beginning of year	55,915	**66,609**	**708,230**
Cash and cash equivalents of newly consolidated subsidiaries, at beginning of year	27	**163**	**1,733**
Cash and cash equivalents at end of year (Note 15)	¥66,609	**¥56,413**	**$599,819**

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, 2013 are 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, 2013, which was ¥94.05 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 seventy-six 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 sixteen 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, such 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 or losses resulting from changes in the fair value of derivative financial instruments until the related losses or 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 contracts 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' administration rules, which the Board of Directors of the Company has approved to control the risks of using derivatives.

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 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.

Effective from the year ended March 31, 2013, the Company and its consolidated domestic subsidiaries changed the depreciation method for property, plant and equipment acquired after April 1, 2012 in accordance with the revised Corporate Tax Law of Japan. As a result, operating income and income before income taxes and minority interests were ¥136 million ($1,446 thousand) more than they would have been with the previous method.

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

Depreciation for leased assets is computed on 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 in 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 on the straight-line method over five years.

l) Deferred Assets

Bond issue expenses are amortized on 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

The Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded noncontributory pension 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 Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets.

Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service years of employees commencing with the following period.

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 ¥6,805 million and ¥7,044 million ($74,896 thousand) for the years ended March 31, 2012 and 2013, 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 computed based on the weighted average number of shares after consideration of the dilutive effect of the shares of common stock issuable upon the exercise of stock purchase warrants.

u) Unadopted Accounting Standard and Guidance

"Accounting Standard for Retirement Benefits" (Statement No. 26 issued by the Accounting Standards Board of Japan on May 17, 2012)

"Guidance on Accounting Standard for Retirement Benefits" (Guidance No. 25 issued by the Accounting Standards Boards of Japan on May 17, 2012)

(1) Overview

The accounting standard and guidance have been revised from the viewpoint of improvements to financial reporting and international convergence, which mainly focus on how actual gains and losses and past service costs should be accounted for, how retirement obligations and current service costs and should be determined and enhancement of disclosures.

(2) Effective dates

The Companies will adopt the accounting standard and guidance for the year ended March 31, 2014. However, revisions to the determination of retirement benefit obligations and current service costs will be adopted from the beginning of the year ended March 31, 2015.

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

The effect of adoption of the standard and guidance is currently examined.

v) Reclassifications

Certain reclassifications were made to previously reported amounts for the fiscal year ended March 31, 2012 to conform to the fiscal year ended March 31, 2013 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, 2012 and 2013:

(1) Trading securities:

At March 31, 2012

	Millions of yen
Amount for the year of net unrealized gains included in the statements of income	¥0

At March 31, 2013

	Millions of yen	Thousands of U.S. dollars
Amount for the year of net unrealized gains included in the statements of income	**¥10**	**$106**

(2) Held-to-maturity debt securities:

At March 31, 2012

Securities with available fair values exceeding book values:

	Millions of yen		
	Book value	Fair value	Difference
Government bonds	¥ 5	¥ 5	¥0
Others	14	16	2

At March 31, 2013

Securities with available fair values exceeding book values:

	Millions of yen		
	Book value	Fair value	Difference
Government bonds	**¥ 5**	**¥ 5**	**¥0**
Others	**17**	**19**	**2**

Securities with available fair values exceeding book values:

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
Government bonds	**$ 53**	**$ 53**	**$ 0**
Others	**181**	**202**	**21**

(3) Available-for-sale securities:

At March 31, 2012

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

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥1,193	¥1,023	¥170
Others	56	33	23
Total	¥1,249	¥1,056	¥193

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

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥154	¥191	¥(37)
Others	37	41	(4)
Total	¥191	¥232	¥(41)

At March 31, 2013

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

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	**¥1,230**	**¥ 876**	**¥354**
Others	**373**	**343**	**30**
Total	**¥1,603**	**¥1,219**	**¥384**

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

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	**¥256**	**¥311**	**¥(55)**
Others	**24**	**26**	**(2)**
Total	**¥280**	**¥337**	**¥(57)**

At March 31, 2013

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

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Equity securities	**$13,078**	**$ 9,314**	**$3,764**
Others	**3,966**	**3,647**	**319**
Total	**$17,044**	**$12,961**	**$4,083**

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

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Equity securities	**$2,722**	**$3,307**	**$(585)**
Others	**255**	**276**	**(21)**
Total	**$2,977**	**$3,583**	**$(606)**

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

b) Sales of available-for-sale securities in the year ended March 31, 2013 were as follows:

Year ended March 31, 2013

	Millions of yen		
	Sales	Gain on sales	Losses on sales
Others	**¥100**	**¥0**	**¥—**

	Thousands of U.S. dollars		
	Sales	Gain on sales	Losses on sales
Others	**$1,063**	**$0**	**$—**

c) Impairment of securities

The Companies recognized losses from impairment of investments in securities (available-for-sale securities) in the amount of ¥529 million and ¥153 million ($1,627 thousand) for the year ended March 31, 2012 and 2013, respectively.

4. Inventories

Inventories at March 31, 2012 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Merchandise and finished goods	¥ 875	¥ 672	$ 7,145
Work in progress	18,494	14,949	158,947
Raw material and supplies	3,947	3,717	39,522
Total	¥23,316	¥19,338	$205,614

Inventories for construction contracts expected 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, 2012 and 2013 were ¥1,178 million and ¥1,614 million ($17,161 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 0.92 percent and 0.93 percent as of March 31, 2012 and 2013, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Secured (or partly secured)	¥ 200	¥ 200	$ 2,127
Unsecured	6,551	5,760	61,244
Total	¥6,751	¥5,960	$63,371

Long-term debt at March 31, 2012 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
0.90 percent to 2.35 percent borrowings from banks and other financial institutions, due through 2022:			
Secured (or partly secured)	¥ 6,944	¥ 4,309	$ 45,816
Unsecured	78,214	81,756	869,282
1.50 percent convertible bonds due 2012	15,108	—	—
0.91 percent straight bonds due 2015	—	10,000	106,327
Others	442	401	4,263
Less current portion included in current liabilities	(40,923)	(30,564)	(324,976)
Total	¥59,785	¥65,902	$700,712

The following assets were pledged as collateral mainly for secured long-term debt of ¥6,944 million at March 31, 2012 and ¥4,309 million ($45,816 thousand) at March 31, 2013:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Cash and time deposits	¥ 18	¥ —	$ —
Prepaid expenses and other current assets	429	1,776	18,884
Property, plant and equipment (at net book value)	20,375	19,902	211,611
Investments in nonconsolidated subsidiaries and affiliates	2,325	2,261	24,040
Investments in securities	59	59	627
Long-term loans receivable	70	55	585
Other investments and noncurrent assets	2,044	2,293	24,381
Total	¥25,320	¥26,346	$280,128

The aggregate annual maturities of long-term debt outstanding at March 31, 2013 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥20,655	$219,617
2016	28,484	302,860
2017	11,452	121,765
2018	5,112	54,354
2019 and thereafter	199	2,116
Total	¥65,902	$700,712

6. Contingent Liabilities

Contingent liabilities at March 31, 2012 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Notes receivable endorsed	¥315	¥234	$2,488
Guarantees of bank borrowings and other indebtedness	42	13	138
Total	¥357	¥247	$2,626

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 ¥103 million and ¥107 million ($1,138 thousand) lower than the revalued book amount at March 31, 2012 and 2013, 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 where 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 25, 2013, the shareholders approved cash dividends of ¥1,567 million ($16,661 thousand). The appropriation has not been accrued in the consolidated financial statements as of March 31, 2013. 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 ¥5,447 million and ¥7,278 million ($77,384 thousand) for the years ended March 31, 2012 and 2013, respectively.

10. Equity in Net Income of Nonconsolidated Subsidiaries and Affiliates

The unrealized gain which was recognized due to the exclusion of a company from affiliates accounted for by the equity method was included in equity in net income of nonconsolidated subsidiaries and affiliates.

11. Impairment Loss

The asset for which the Companies recognized impairment loss in the year ended March 31, 2013 as follows:

Location	Use	Type of Assets
The former Mukaishima-Nishi Works (Onomichi-city, Hiroshima Prefecture)	Rental property	Land

The Companies grouped their assets based mainly on divisions or works. The Companies also grouped their assets for sale individually.

The Companies reduced the book value of the asset to the recoverable amount and recognized impairment loss of ¥1,690 million ($17,969 thousand) because the market value of the former Mukaishima-Nishi Works decreased while the Companies used it as rental property.

The recoverable amount of the former Mukaishima-Nishi Works was measured based on values in the appraisal reports prepared by external real estate appraisers.

12. Contribution for Withdrawal from Employees' Pension Fund

The Companies recognized contribution for withdrawal from employees' pension fund of ¥841 million ($8,942 thousand) in the year ended March 31, 2013 because a subsidiary withdrew from the employees' pension fund in the year ended March 31, 2013.

13. 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
	2012	2013	2013
Net unrealized holding gains (losses) on securities			
Increase (decrease) during the year	¥ (200)	**¥ 48**	**$ 510**
Reclassification adjustments	526	**45**	**479**
Sub-total before tax	326	**93**	**989**
Tax benefit (expenses)	2	**(57)**	**(606)**
Sub-total net of tax	328	**36**	**383**
Net unrealized holding gains (losses) on hedging derivatives			
Increase (decrease) during the year	¥ (104)	**¥ (801)**	**$ (8,517)**
Reclassification adjustments	(398)	**(132)**	**(1,403)**
Sub-total before tax	(502)	**(933)**	**(9,920)**
Tax benefit (expenses)	42	**52**	**553**
Sub-total net of tax	(460)	**(881)**	**(9,367)**
Pension obligations adjustments of overseas subsidiaries			
Increase (decrease) during the year	¥1,112	**¥ —**	**$ —**
Tax benefit (expenses)	(232)	**—**	**—**
Sub-total net of tax	880	**—**	**—**
Foreign currency translation adjustments			
Increase (decrease) during the year	¥ (343)	**¥ 945**	**$ 10,048**
Equity of nonconsolidated subsidiaries and affiliates accounted for using equity method			
Increase (decrease) during the year	¥ (28)	**¥ 432**	**$ 4,593**
Changes in equity			
Increase (decrease) during the year	¥ —	**¥(1,887)**	**$(20,064)**
Total other comprehensive income	¥ 377	**¥(1,355)**	**$(14,407)**

14. Treasury Stock

Treasury stock for the years ended March 31, 2012 and 2013 consisted of the following:

Year ended March 31, 2012

Number of shares of common stock	Thousands
At March 31, 2011	2,195
Increase	36
Decrease	(0)
At March 31, 2012	2,231

Year ended March 31, 2013

Number of shares of common stock	Thousands
At March 31, 2012	2,231
Increase	**10,102**
Decrease	**(4)**
At March 31, 2013	**12,329**

15. 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, 2012 and 2013 were reconciled as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Cash and time deposits in the balance sheets	¥68,947	**¥59,249**	**$629,973**
Time deposits with maturities over three months	(2,343)	**(2,836)**	**(30,154)**
Security	5	**—**	**—**
Cash and cash equivalents in cash flow statements	¥66,609	**¥56,413**	**$599,819**

b) Other

The assets and liabilities of a newly consolidated subsidiary, NAC International Inc., on March 31, 2013 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2013	**2013**
Current assets	**¥1,275**	**$13,557**
Fixed assets	**51**	**542**
Total	**¥1,326**	**$14,099**
Current liabilities	**¥1,435**	**$15,258**
Fixed liabilities	**6**	**64**
Total	**¥1,441**	**$15,322**

16. Lease Information

a) Finance Leases as Lessee

Finance leases which do not transfer ownership and do not have bargain purchase provisions at March 31, 2012 and 2013 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, 2012 and 2013 were as follows:

At March 31, 2012:

	Millions of yen		
	Original lease obligations	Payments to date	Payments remaining
Machinery, equipment and vehicles	¥ 938	¥ 827	¥111
Software	185	174	11
Total	¥1,123	¥1,001	¥122

At March 31, 2013:

	Millions of yen		
	Original lease obligations	Payments to date	Payments remaining
Machinery, equipment and vehicles	**¥499**	**¥473**	**¥26**
Software	**87**	**87**	**—**
Total	**¥586**	**¥560**	**¥26**

At March 31, 2013:

	Thousands of U.S. dollars		
	Original lease obligations	Payments to date	Payments remaining
Machinery, equipment and vehicles	**$5,306**	**$5,030**	**$276**
Software	**925**	**925**	**—**
Total	**$6,231**	**$5,955**	**$276**

Lease payments for the above finance leases for the years ended March 31, 2012 and 2013 were ¥195 million and ¥97 million ($1,031 thousand), respectively.

Future minimum payments, including finance charges, for finance leases at March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Payments due within one year	¥116	**¥31**	**$330**
Payments due after one year	29	**3**	**32**
Total	¥145	**¥34**	**$362**

b) Operating Leases as Lessee

Future minimum payments for operating leases at March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Payments due within one year	¥ 372	¥ 507	$ 5,391
Payments due after one year	2,584	2,791	29,675
Total	¥2,956	¥3,298	$35,066

c) Finance Leases as Lessor

Lease investment assets

Current assets as of March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Lease payments receivables	¥132	¥42	$446
Interest	(7)	(2)	(21)
Total	¥125	¥40	$425

Lease investment assets receivables after March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Within one year	¥53	¥18	$191
Over one year but within two years	36	13	138
Over two years but within three years	27	9	96
Over three years but within four years	14	2	21
Over four years but within five years	2	0	0

For some consolidated subsidiaries, 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.

Future minimum payments to be received, including finance charges, for finance leases at March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Payments due within one year	¥17	¥11	$117
Payments due after one year	12	—	—
Total	¥29	¥11	$117

The remaining book values of future minimum payments to be received concerning a sublet lease transaction at March 31, 2012 and 2013 were ¥29 million and ¥11 million ($117 thousand), respectively. Of the future minimum payments at March 31, 2012 and 2013, those payments due within one year amounted to ¥17 million and ¥11 million ($117 thousand), respectively.

The remaining book values of future minimum payments as lessee at March 31, 2012 and 2013 were almost the same and were included in the above table of finance leases as lessee.

17. 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 9 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 the 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 18, "Derivative Transactions," do not show the market risks of the derivatives.

b) Articles Concerning Fair Value of Financial Instruments

Consolidated balance sheet amounts and fair values of financial instruments, and the difference between them for the year ended March 31, 2012 and 2013 were as follows. 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, 2012:

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 68,947	¥ 68,947	¥ —
(2) Trade notes and accounts	108,953		
Allowance for doubtful receivables *1	(273)		
	108,680	108,676	(4)
(3) Securities and investment securities	4,988	3,831	(1,157)
(4) Long-term loans receivables	105		
Allowance for doubtful receivables *1	(2)		
	103	104	1
Total assets	¥ 182,718	¥ 181,558	¥(1,160)
(1) Notes and accounts payable	(59,802)	(59,802)	—
(2) Short-term borrowings	(6,751)	(6,751)	—
(3) Current portion of long-term debt	(40,923)	(40,983)	(60)
(4) Accrued expenses	(39,621)	(39,621)	—
(5) Accrued income taxes	(1,614)	(1,614)	—
(6) Long-term debt, less current portion	(59,343)	(59,447)	(104)
Total liabilities	¥(208,054)	¥(208,218)	¥ (164)
Derivative transactions *2			
Derivative transactions for which hedge accounting has not been applied	(291)	(291)	—
Derivative transactions for which hedge accounting has been applied	115	115	—
Total derivative transactions	¥ (176)	¥ (176)	¥ —

*1 Allowance for doubtful receivables was deducted from trade notes and accounts and long-term loans receivables.

*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, 2013:

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 59,249	¥ 59,249	¥ —
(2) Trade notes and accounts	107,833		
Allowance for doubtful receivables *1	(92)		
	107,741	107,740	(1)
(3) Securities and investment securities	5,321	3,551	(1,770)
(4) Long-term loans receivables	84		
Allowance for doubtful receivables *1	(0)		
	84	88	4
Total assets	¥ 172,395	¥ 170,628	¥(1,767)
(1) Notes and accounts payable	(52,499)	(52,499)	—
(2) Short-term borrowings	(5,960)	(5,960)	—
(3) Current portion of long-term debt	(30,564)	(30,671)	(107)
(4) Accrued expenses	(37,140)	(37,140)	—
(5) Accrued income taxes	(2,321)	(2,321)	—
(6) Long-term debt, less current portion	(65,501)	(65,700)	(199)
Total liabilities	¥(193,985)	¥(194,291)	¥ (306)
Derivative transactions *2			
Derivative transactions for which hedge accounting has not been applied	(777)	(777)	—
Derivative transactions for which hedge accounting has been applied	(769)	(769)	—
Total derivative transactions	¥ (1,546)	¥ (1,546)	¥ —

*1 Allowance for doubtful receivables was deducted from trade notes and accounts and long-term loans receivables.

*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	$ 629,973	$ 629,973	$ —
(2) Trade notes and accounts	1,146,550		
Allowance for doubtful receivables *1	(978)		
	1,145,572	1,145,561	(11)
(3) Securities and investment securities	56,576	37,756	(18,820)
(4) Long-term loans receivables	893		
Allowance for doubtful receivables *1	(0)		
	893	936	43
Total assets	$ 1,833,014	$ 1,814,226	$(18,788)
(1) Notes and accounts payable	(558,203)	(558,203)	—
(2) Short-term borrowings	(63,371)	(63,371)	—
(3) Current portion of long-term debt	(324,976)	(326,113)	(1,137)
(4) Accrued expenses	(394,896)	(394,896)	—
(5) Accrued income taxes	(24,679)	(24,679)	—
(6) Long-term debt, less current portion	(696,449)	(698,565)	(2,116)
Total liabilities	$(2,062,574)	$(2,065,827)	$ (3,253)
Derivative transactions *2			
Derivative transactions for which hedge accounting has not been applied	(8,262)	(8,262)	—
Derivative transactions for which hedge accounting has been applied	(8,176)	(8,176)	—
Total derivative transactions	$ (16,438)	$ (16,438)	$ —

*1 Allowance for doubtful receivables was deducted from trade notes and accounts and long-term loans receivables.

*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 the 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 18, "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
	2012	2013	2013
Stock of consolidated subsidiaries and affiliates	¥14,408	**¥ 5,660**	**$ 60,181**
Non-listed equity securities, etc.	3,795	**13,618**	**144,795**
Total	¥18,203	**¥19,278**	**$204,976**

As to these financial instruments, there was no available fair market price and it was considered to be 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, 2012:

	Millions of yen		
	Within one year	Over one year but within five years	Over five years but within ten years
Cash and time deposits	¥ 68,947	¥ —	¥ —
Trade notes and accounts	108,861	92	—
Securities and investment securities			
Held-to-maturity debt securities			
(1) Government bonds	—	5	—
(2) Others	—	—	17
Available-for-sale securities with maturities			
(1) Others	5	46	15
Long-term loans receivables	—	68	37
Total	¥177,813	¥211	¥69

At March 31, 2013:

	Millions of yen		
	Within one year	Over one year but within five years	Over five years but within ten years
Cash and time deposits	**¥ 59,249**	**¥ —**	**¥ —**
Trade notes and accounts	**107,833**	**—**	**—**
Securities and investment securities			
Held-to-maturity debt securities			
(1) Government bonds	**3**	**3**	**—**
(2) Others	**—**	**20**	**—**
Available-for-sale securities with maturities			
(1) Others	**—**	**34**	**29**
Long-term loans receivables	**—**	**59**	**25**
Total	**¥167,085**	**¥116**	**¥54**

	Thousands of U.S. dollars		
	Within one year	Over one year but within five years	Over five years but within ten years
Cash and time deposits	**$ 629,973**	**$ —**	**$ —**
Trade notes and accounts	**1,146,550**	**—**	**—**
Securities and investment securities			
Held-to-maturity debt securities			
(1) Government bonds	**32**	**32**	**—**
(2) Others	**—**	**213**	**—**
Available-for-sale securities with maturities			
(1) Others	**—**	**361**	**308**
Long-term loans receivables	**—**	**627**	**266**
Total	**$1,776,555**	**$1,233**	**$574**

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

At March 31, 2012:

	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	¥ 6,751	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	40,923	26,329	16,157	9,127	7,393	337
Others	191	174	138	71	57	2
Total	¥47,865	¥26,503	¥16,295	¥9,198	¥7,450	¥339

At March 31, 2013:

	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	**¥ 5,960**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Long-term debt	**30,564**	**20,466**	**28,368**	**11,363**	**5,106**	**198**
Others	**217**	**189**	**116**	**89**	**6**	**1**
Total	**¥36,741**	**¥20,655**	**¥28,484**	**¥11,452**	**¥5,112**	**¥199**

	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	**$ 63,371**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Long-term debt	**324,976**	**217,608**	**301,627**	**120,819**	**54,290**	**2,105**
Others	**2,307**	**2,009**	**1,233**	**946**	**64**	**11**
Total	**$390,654**	**$219,617**	**$302,860**	**$121,765**	**$54,354**	**$2,116**

18. 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 market value information as of March 31, 2012 and 2013 for derivative transactions for which hedge accounting had not been applied.

a) Currency Related Derivatives

At March 31, 2012:

	Millions of yen			
	Notional amount	Over one year	Market value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	¥2,430	¥ —	¥(112)	¥(112)
Euro	1,457	—	5	5
Swedish krona	43	—	(0)	(0)
Norwegian krone	298	—	(1)	(1)
Purchase				
U.S. dollars	718	438	(177)	(177)
Euro	538	—	(6)	(6)
Norwegian krone	299	—	—	—
Total	¥5,783	¥438	¥(291)	¥(291)

Note. The market value of forward foreign exchange contracts is calculated using the forward exchange rate. The market value of currency swap contracts is calculated based on the prices provided by the financial institutions.

At March 31, 2013:

	Millions of yen			
	Notional amount	Over one year	Market value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	**¥3,602**	**¥—**	**¥(781)**	**¥(781)**
Euro	**580**	**—**	**7**	**7**
Purchase				
U.S. dollars	**438**	**—**	**(61)**	**(61)**
Euro	**2,843**	**—**	**58**	**58**
Total	**¥7,463**	**¥—**	**¥(777)**	**¥(777)**

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

At March 31, 2013:

	Thousands of U.S. dollars			
	Notional amount	Over one year	Market value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	**$38,299**	**$—**	**$(8,304)**	**$(8,304)**
Euro	**6,167**	**—**	**74**	**74**
Purchase				
U.S. dollars	**4,657**	**—**	**(649)**	**(649)**
Euro	**30,228**	**—**	**617**	**617**
Total	**$79,351**	**$—**	**$(8,262)**	**$(8,262)**

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

The following tables summarize market value information as of March 31, 2012 and 2013 for derivative transactions for which hedge accounting had been applied.

a) Currency Related Derivatives

At March 31, 2012:

		Millions of yen		
	Hedged items	Notional amount	Over one year	Unrealized gain (loss)
Basic treatment:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	Trade receivable	¥ 6,475	¥ —	¥(167)
Euro	Trade receivable	5,100	3,801	227
GBP	Trade receivable	6	—	(1)
Thai baht	Trade receivable	1,021	—	(80)
Purchase				
U.S. dollars	Trade payable	115	—	2
Euro	Trade payable	2,828	1,330	131
INR	Trade payable	592	—	3
Alternative treatment *2:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	Trade receivable	132	—	—
Thai baht	Trade receivable	21	—	—
Total		¥16,290	¥5,131	¥ 115

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

*2 For certain trade receivables 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 as hedged items.

At March 31, 2013:

		Millions of yen		
	Hedged items	Notional amount	Over one year	Unrealized gain (loss)
Basic treatment:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	Trade receivable	**¥ 6,348**	**¥1,362**	**¥(979)**
Euro	Trade receivable	**3,654**	**1,911**	**(24)**
GBP	Trade receivable	**21**	**—**	**(1)**
Thai baht	Trade receivable and other	**353**	**—**	**(42)**
Purchase				
U.S. dollars	Trade payable	**725**	**518**	**24**
Euro	Trade payable	**1,857**	**562**	**253**
Alternative treatment *2:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	Trade receivable	**28**	**—**	**—**
Thai baht	Trade receivable	**15**	**—**	**—**
Purchase				
U.S. dollars	Trade payable	**6**	**—**	**—**
Total		**¥13,007**	**¥4,353**	**¥(769)**

*1 The market 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.

		Thousands of U.S. dollars		
	Hedged items	Notional amount	Over one year	Unrealized gain (loss)
Basic treatment:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	Trade receivable	$ 67,496	$14,482	$(10,409)
Euro	Trade receivable	38,852	20,319	(255)
GBP	Trade receivable	223	—	(11)
Thai baht	Trade receivable and other	3,753	—	(447)
Purchase				
U.S. dollars	Trade payable	7,709	5,508	255
Euro	Trade payable	19,745	5,975	2,690
Alternative treatment *2:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
U.S. dollars	Trade receivable	298	—	—
Thai baht	Trade receivable	159	—	—
Purchase				
U.S. dollars	Trade payable	64	—	—
Total		$138,299	$46,284	$ (8,177)

*1 The market 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, 2012:

		Millions of yen		
Exceptional treatment:	Hedged items	Notional amount	Over one year	Market value
Interest rate swap contracts:				
Receive float, pay fixed	Long-term borrowings	¥42,854	¥31,648	¥—

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

At March 31, 2013:

		Millions of yen		
Exceptional treatment:	Hedged items	Notional amount	Over one year	Market value
Interest rate swap contracts:				
Receive float, pay fixed	**Long-term borrowings**	**¥40,276**	**¥26,125**	**¥—**

		Thousands of U.S. dollars		
Exceptional treatment:	Hedged items	Notional amount	Over one year	Market value
Interest rate swap contracts:				
Receive float, pay fixed	**Long-term borrowings**	**$428,240**	**$277,778**	**$—**

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

19. 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 following table sets forth the composition of the liabilities recorded in the balance sheets for the Companies' retirement plans at March 31, 2012 and 2013.

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Projected benefit obligation	¥27,916	**¥31,681**	**$336,853**
Less fair value of pension assets	(17,393)	**(19,865)**	**(211,217)**
Funded status:			
Benefit obligation in excess of plan assets	10,523	**11,816**	**125,636**
Unrecognized actuarial differences	(4,647)	**(5,143)**	**(54,684)**
Unrecognized past service cost	(84)	**(53)**	**(564)**
Total	5,792	**6,620**	**70,388**
Deferred benefit expenses	3,436	**3,209**	**34,120**
Retirement and severance benefits in the consolidated balance sheets	¥ 9,228	**¥ 9,829**	**$104,508**

Note. Some consolidated subsidiaries have adopted the allowed alternative treatment of the accounting standards for retirement benefits for small business entities.

Severance and pension costs of the Companies included the following components for the years ended March 31, 2012 and 2013.

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Service cost — benefits earned during the year	¥1,933	**¥2,157**	**$22,934**
Interest cost on projected benefit obligation	605	**564**	**5,997**
Expected return on plan assets	(682)	**(465)**	**(4,944)**
Amortization of actuarial differences	709	**834**	**8,868**
Amortization of past service cost	16	**156**	**1,659**
Severance and retirement benefit expenses	¥2,581	**¥3,246**	**$34,514**

Note. Contributions of employees to the funded pension plans are not included in service cost.

For the year ended March 31, 2012 and 2013, the Companies made contributions to the defined contribution pension plans in the amount of ¥1,091 million and ¥1,007 million ($10,707 thousand), respectively, which were recognized in expenses but were not included in the above table.

Assumptions used in accounting for the retirement benefit plans for the years ended March 31, 2012 and 2013 were as follows:

	2012	2013
Method of attributing benefits to periods of service	Straight–line method	**Straight–line method**
Discount rate	1.2% to 2.5%	**0.97% to 2.0%**
Long-term rate of return on fund assets	0.0% to 4.5%	**0.0% to 2.63%**
Amortization period for past service cost (within the remaining average term of employees' service)	1 to 12 years	**5 to 12 years**
Amortization period for actuarial differences (within the remaining average term of employees' service)	5 to 12 years	**5 to 12 years**

20. Income Taxes

The Companies are subject to a number of income taxes which, in the aggregate, indicate a statutory rate in Japan of approximately 40.6% and 38.0% for the years ended March 31, 2012 and 2013, 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, 2012 and 2013 were as follows:

	2012	2013
Statutory tax rate	40.6%	**38.0%**
Nondeductible expenses	2.0	**2.3**
Nontaxable dividend income	(4.3)	**(5.9)**
Fluctuation in deferred tax assets valuation allowance account	(24.9)	**(29.4)**
Elimination of dividend income	3.8	**7.7**
Equity in net income of nonconsolidated subsidiaries and affiliates	(2.6)	**(10.3)**
Other	1.4	**1.0**
Effective tax rate	16.0%	**3.4%**

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Deferred tax assets:			
Impairment loss	¥ 6,459	**¥ 6,972**	**$74,131**
Employees' retirement benefits	3,504	**3,822**	**40,638**
Tax loss carryforwards	4,030	**3,234**	**34,386**
Allowance for doubtful receivables	960	**949**	**10,090**
Research and development expenses	937	**689**	**7,325**
Loss on devaluation of securities	580	**434**	**4,615**
Other reserves	7,442	**7,013**	**74,567**
Other	3,571	**4,683**	**49,793**
Total deferred tax assets	27,483	**27,796**	**295,545**
Valuation allowance	(20,723)	**(17,842)**	**(189,708)**
Deferred tax assets, net	6,760	**9,954**	**105,837**
Deferred tax liabilities:			
Land valuation difference	(1,491)	**(1,459)**	**(15,513)**
Investment securities	—	**(816)**	**(8,676)**
Reserve for compressed entry	(624)	**(592)**	**(6,294)**
Prepaid pension benefit expenses	(620)	**(502)**	**(5,338)**
Reserve for replacement of property	(115)	**(112)**	**(1,191)**
Net unrealized holding gains on securities	(93)	**(109)**	**(1,159)**
Other	(124)	**(153)**	**(1,627)**
Total deferred tax liabilities	(3,067)	**(3,743)**	**(39,798)**
Net deferred tax assets	¥ 3,693	**¥ 6,211**	**$66,039**

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

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Current assets	¥4,588	**¥6,909**	**$73,461**
Investments and other noncurrent assets	777	**1,263**	**13,429**
Long-term liabilities	(1,672)	**(1,957)**	**(20,808)**
Net deferred tax assets	¥3,693	**¥6,215**	**$66,082**

21. Business Combinations

The Company has acquired NAC International Inc. during this fiscal year.

a) Summary Information about the Business Combination was as Follows:

Name of acquired company	NAC International Inc.
Business of acquired company	Engineering and transportation of casks and canisters for spent nuclear fuel and the consultation on nuclear fuel cycle
Purpose	In the prospective expanding market for casks and canisters, the synergistic effects of enhancing the market positions in Japan and United States, cultivating a new market overseas and co-developing new products and technology will enable the Companies to proceed further with the engineering, manufacturing and sales of casks and canisters in the process equipment segment.
Acquisition date	March 15, 2013
Legal form of acquisition	Acquisition of shares for cash consideration by a subsidiary, Hitz Holdings U.S.A. Inc.
Ratio of voting rights acquired	100%

b) Acquisition Costs

	Millions of yen	Thousands of U.S. dollars
Common stock	**¥4,059**	**$43,158**
Expenses arising directly from the acquisition	**152**	**1,616**
Total	**¥4,211**	**$44,774**

c) Goodwill

Goodwill in the amount of ¥4,326 million ($45,997 thousand) comprised mainly prospective extra earning power by expanding the Company's reach in the business of casks and canisters. The goodwill is going to be amortized over ten years.

d) The Assets and Liabilities of the Acquired Company at March 15, 2013 were as Follows:

Assets

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥1,275**	**$13,557**
Fixed assets	**51**	**542**
Total	**¥1,326**	**$14,099**

Liabilities

	Millions of yen	Thousands of U.S. dollars
Current liabilities	**¥1,435**	**$15,258**
Fixed liabilities	**6**	**64**
Total	**¥1,441**	**$15,322**

The Income of NAC International Inc. was not included in the consolidated statements of income.

e) 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.

f) Approximation of Effect on the Consolidated Statements of Income if This Business Combination had been Finished at the Beginning of This Fiscal Year

	Millions of yen	Thousands of U.S. dollars
Net sales	**¥4,663**	**$49,580**
Net income	**163**	**1,733**

These approximations were unaudited.

22. 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, 2012 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Balance at the beginning of the fiscal year	¥853	**¥925**	**$9,835**
Increase in purchase of property, plant and equipment	63	**—**	**—**
Adjustment with passing of time	9	**9**	**96**
Decrease in performance of asset retirement obligations	(0)	**—**	**—**
Balance at the end of the fiscal year	¥925	**¥934**	**$9,931**

23. 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, 2012 and 2013, rental income was ¥738 million and ¥592 million ($6,295 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
	2012	**2013**	**2013**
Book value			
Balance at the beginning of the fiscal year	¥27,245	**¥25,088**	**$266,752**
Decrease for this fiscal year, net	(2,157)	**(1,852)**	**(19,692)**
Balance at the end of the fiscal year	¥25,088	**¥23,236**	**$247,060**
Fair value			
At the end of the fiscal year	¥20,647	**¥19,802**	**$210,548**

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

For the fiscal year ended March 31, 2012, a net decrease of ¥2,157 million was due mainly to the sale of idle land in the amount of ¥1,880 million. For the fiscal year ended March 31, 2013, a net decrease of ¥1,852 million ($19,692 thousand) resulted from an impairment loss of ¥1,690 million ($17,969 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.

24. Segment Information

a) Reportable Segments

(1) General information about reportable segments

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 seven reportable segments as follows:

Operations in the environmental systems segment include the production of environmental protection systems and water treatment systems.
Operations in the industrial plants segment include the production of desalination and potabilization plants and chemical plants.
Operations in the machinery segment include the production of marine diesel engines and boilers.
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

	2012									
	Environmental systems	Industrial plants	Machinery	Process equipment	Infrastructure	Precision machinery	Other businesses	Total	Eliminations and corporate	Consolidated
Net Sales										
Outside customers	¥128,132	¥37,856	¥62,861	¥10,227	¥27,552	¥26,491	¥ 9,917	¥303,036	¥ —	¥303,036
Intersegment	200	229	298	987	721	885	3,886	7,206	(7,206)	—
Total	128,332	38,085	63,159	11,214	28,273	27,376	13,803	310,242	(7,206)	303,036
Segment income (loss)	¥ 8,438	¥ 901	¥ 2,426	¥ (118)	¥ (4,044)	¥ 2,738	¥ 1,035	¥ 11,376	¥ (9)	¥ 11,367
Segment assets	¥ 94,840	¥31,617	¥57,884	¥13,400	¥45,717	¥23,242	¥49,685	¥316,385	¥59,403	¥375,788
Others										
Depreciation	¥ 1,033	¥ 1,380	¥ 1,936	¥ 1,053	¥ 1,341	¥ 582	¥ 1,064	¥ 8,389	¥ —	¥ 8,389
Increase in assets and intangible assets	¥ 1,288	¥ 877	¥ 1,492	¥ 457	¥ 666	¥ 2,717	¥ 1,094	¥ 8,591	¥ —	¥ 8,591

Millions of yen

	2013									
	Environmental systems	Industrial plants	Machinery	Process equipment	Infrastructure	Precision machinery	Other businesses	Total	Eliminations and corporate	Consolidated
Net Sales										
Outside customers	**¥140,429**	**¥40,632**	**¥53,728**	**¥10,144**	**¥26,521**	**¥16,721**	**¥ 8,617**	**¥296,792**	**¥ —**	**¥296,792**
Intersegment	**719**	**434**	**168**	**287**	**274**	**1,000**	**2,828**	**5,710**	**(5,710)**	**—**
Total	**141,148**	**41,066**	**53,896**	**10,431**	**26,795**	**17,721**	**11,445**	**302,502**	**(5,710)**	**296,792**
Segment income (loss)	**¥ 10,270**	**¥ 290**	**¥ 1,955**	**¥ 60**	**¥ (2,261)**	**¥ 157**	**¥ 762**	**¥ 11,233**	**¥ 130**	**¥ 11,363**
Segment assets	**¥ 98,214**	**¥34,247**	**¥59,311**	**¥17,858**	**¥37,309**	**¥18,105**	**¥42,001**	**¥307,045**	**¥59,302**	**¥366,347**
Others										
Depreciation	**¥ 1,203**	**¥ 1,474**	**¥ 1,786**	**¥ 862**	**¥ 1,226**	**¥ 719**	**¥ 1,016**	**¥ 8,286**	**¥ —**	**¥ 8,286**
Increase in assets and intangible assets	**¥ 1,416**	**¥ 1,786**	**¥ 815**	**¥ 88**	**¥ 345**	**¥ 1,041**	**¥ 1,051**	**¥ 6,542**	**¥ —**	**¥ 6,542**

Thousands of U.S. dollars

	2013									
	Environmental systems	Industrial plants	Machinery	Process equipment	Infrastructure	Precision machinery	Other businesses	Total	Eliminations and corporate	Consolidated
Net Sales										
Outside customers	**$1,493,131**	**$432,026**	**$571,271**	**$107,857**	**$281,988**	**$177,788**	**$ 91,622**	**$3,155,683**	**$ —**	**$3,155,683**
Intersegment	**7,645**	**4,614**	**1,786**	**3,052**	**2,913**	**10,633**	**30,069**	**60,712**	**(60,712)**	**—**
Total	**1,500,776**	**436,640**	**573,057**	**110,909**	**284,901**	**188,421**	**121,691**	**3,216,395**	**(60,712)**	**3,155,683**
Segment income (loss)	**$ 109,197**	**$ 3,083**	**$ 20,787**	**$ 638**	**$ (24,040)**	**$ 1,669**	**$ 8,102**	**$ 119,436**	**$ 1,383**	**$ 120,819**
Segment assets	**$1,044,274**	**$364,136**	**$630,633**	**$189,878**	**$396,693**	**$192,504**	**$446,582**	**$3,264,700**	**$630,537**	**$3,895,237**
Others										
Depreciation	**$ 12,791**	**$ 15,672**	**$ 18,990**	**$ 9,165**	**$ 13,036**	**$ 7,645**	**$ 10,803**	**$ 88,102**	**$ —**	**$ 88,102**
Increase in assets and intangible assets	**$ 15,056**	**$ 18,990**	**$ 8,666**	**$ 936**	**$ 3,668**	**$ 11,068**	**$ 11,175**	**$ 69,559**	**$ —**	**$ 69,559**

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, 2012 and 2013 were ¥59,657 million and ¥59,475 million ($632,376 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, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Japan	¥227,307	**¥225,061**	**$2,392,993**
Asia	40,185	**25,954**	**275,960**
North America	3,921	**9,456**	**100,542**
Middle East	5,859	**5,400**	**57,416**
Europe	23,657	**26,295**	**279,585**
Other	2,107	**4,626**	**49,187**
Total	¥303,036	**¥296,792**	**$3,115,683**

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 are no sales from transactions with a single external customer that amounted to 10% or more of sales in the Consolidated Statements of Income.

25. Related Party Information

Year ended March 31, 2012:

Attribute	Name	Domicile	Capitalization	Nature of operations	Equity ownership by the Company	Relation-ship	Nature of transaction	Trading amount	Account	Balance at year end
Affiliate	Naikai Zosen Corporation	Onomichi City, Hiroshima Prefecture	¥1,200 million	Manu-facturing	39.5% direct 0.5% indirect	Materials purchase acceptance	Purchase of materials	¥6,763 million	Advances paid	¥1,846 million

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

The significant affiliated company was Universal Shipbuilding Corporation (Japan Marine United Corporation) for the year ended March 31, 2012.

A summary of the financial statements of the significant affiliates was as follows:

	Millions of yen
Total current assets	¥104,432
Total fixed assets	81,395
Total current liabilities	99,201
Total long-term liabilities	10,988
Total net assets	75,638
Net sales	¥214,632
Income before income taxes and minority interests	15,679
Net income	8,523

The significant affiliated company was Universal Shipbuilding Corporation (Japan Marine United Corporation) for the year ended March 31, 2013.

A summary of the financial statements of the significant affiliates was as follows:

	Millions of yen	Thousands of U.S. dollars
Total current assets	**¥103,278**	**$1,098,118**
Total fixed assets	**82,879**	**881,223**
Total current liabilities	**97,404**	**1,035,662**
Total long-term liabilities	**11,344**	**120,617**
Total net assets	**77,409**	**823,062**
Net sales	**¥139,894**	**$1,487,443**
Income before income taxes and minority interests	**10,378**	**110,346**
Net income	**6,397**	**68,017**

Note. Universal Shipbuilding Corporation (Japan Marine United Corporation) was excluded from affiliates accounted for by the equity method for the fiscal year ended March 31, 2013. This summary was for the nine months ended December 31, 2012.

26. Subsequent Event

Combination of shares

At the annual shareholders' meeting held on June 25, 2013, the Company passed a resolution for the combination of shares.

a) Purpose

The Company has set a share trading unit to 100 shares through a combination of shares of properly issued shares and has set the share price for per share units at over ¥50 thousand and within ¥500 thousand, in line with the Japanese Stock Exchanges Conferences' decision to designate a trading unit to either 100 shares or 1,000 shares by April 1, 2014.

b) Overview

(1) Share class of combination and combination ratio

The Company combined shares of ordinary common stock held by shareholders at a ratio of one share to five shares.

(2) Decreased shares

Number of issued shares of common stock	Thousands
At March 31, 2013	796,073
Decrease by the combination of shares	(636,858)
After the combination	159,215

(3) Effective date: October 1, 2013

(4) The effect on amounts per share

Assuming the combination of shares had been completed at the beginning of this fiscal year, the estimated effect on amounts per share would have been as follows:

	Yen		U.S. dollars (Note 1)
	2012	**2013**	**2013**
Amounts per share (Note 2)			
Net asset – basic	¥600.36	**¥627.85**	**$6.68**
Net income – basic	58.69	**46.78**	**0.50**
Net income – diluted	53.37	**44.78**	**0.48**

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, 2013 and 2012, 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, 2013 and 2012, 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, 2013 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 12, 2013
Osaka, Japan

Hitachi Zosen and Group Companies

Head Office

7-89, Nanko-kita 1-chome, Suminoe-ku,
Osaka 559-8559, Japan
Phone: +81-6-6569-0001
Facsimile: +81-6-6569-0002

Tokyo Head Office

15th Floor, Omori Bellport D-Wing
26-3, Minami-Ohi 6-chome, Shinagawa-ku,
Tokyo 140-0013, Japan
Phone: +81-3-6404-0800
Facsimile: +81-3-6404-0809
(Export business departments are situated in this office)

Technology Development Headquarters

2-11, Funamachi 2-chome, Taisho-ku,
Osaka 551-0022, Japan
Phone: +81-6-6551-9101
Facsimile: +81-6-6551-9642

Domestic offices

Sapporo Office

1-4, Nishi 5-chome, Kita 4-jo, Chuo-ku,
Sapporo, Hokkaido 060-0004, Japan
Phone: +81-11-231-2215
Facsimile: +81-11-231-2419

Sendai Office

6-35, Chuo 1-chome, Aoba-ku, Sendai,
Miyagi 980-0021, Japan
Phone: +81-22-712-6066
Facsimile: +81-22-712-6070

Nagoya Office

24-30, Meieki-minami 1-chome,
Nakamura-ku, Nagoya,
Aichi 450-0003, Japan
Phone: +81-52-581-0161
Facsimile: +81-52-581-6371

Hiroshima Office

13-14, Nobori-cho, Naka-ku,
Hiroshima 730-0016, Japan
Phone: +81-82-227-1950
Facsimile: +81-82-227-1953

Fukuoka Office

2-1, Hakata-ekimae 3-chome, Hakata-ku,
Fukuoka 812-0011, Japan
Phone: +81-92-441-1644
Facsimile: +81-92-441-1983

Kumamoto Office

7-32, Kamitori-cho, Chuo-ku,
Kumamoto 860-0845, Japan
Phone: +81-96-324-5107
Facsimile: +81-96-352-8173

Okinawa Office

7-1, Kumoji 1-chome, Naha,
Okinawa 900-0015, Japan
Phone: +81-98-861-1092
Facsimile: +81-98-869-1094

Works

Ariake Works

1, Ariake, Nagasu-machi, Tamana-gun,
Kumamoto 869-0113, Japan
Phone: +81-968-78-2155
Facsimile: +81-968-78-7031

Mukaishima Works

14755, Mukaihigashi-cho, Onomichi,
Hiroshima 722-0062, Japan
Phone: +81-848-44-1111
Facsimile: +81-848-44-1518

Innoshima Works

2477-16, Innoshimahabu-cho, Onomichi,
Hiroshima 722-2323, Japan
Phone: +81-845-22-1200
Facsimile: +81-845-22-6455

Sakai Works

5-1, Chikko-shinmachi 1-cho, Nishi-ku, Sakai,
Osaka 592-8331, Japan
Phone: +81-72-243-6801
Facsimile: +81-72-243-6839

Chikko Works

2-11, Funamachi 2-chome, Taisho-ku,
Osaka 551-0022, Japan
Phone: +81-6-6551-2264
Facsimile: +81-6-6551-9642

Maizuru Works

1180, Amarube-shimo, Maizuru,
Kyoto 625-8501, Japan
Phone: +81-773-62-8925
Facsimile: +81-773-62-8827

Ibaraki Works

4, Kogyo-danchi, Hitachi-omiya,
Ibaraki 319-2134, Japan
Phone: +81-295-53-5730
Facsimile: +81-295-52-4797

Overseas offices

Abu Dhabi Branch
Khalifa Street, Bin Hamoodah Tower,
9th floor, 904 P.O. Box 203, Abu Dhabi,
United Arab Emirates
Phone: +971-2-6276-180
Facsimile: +971-2-6276-181

Taipei Branch
Room 902, Chia Hsing Building, 96 Sec. 2,
Chung Shan N. Rd., Taipei 10449, Taiwan
Phone: +886-2-2568-2022
Facsimile: +886-2-2568-2030

Shanghai Office
37th Floor, Hang Seng Bank Tower,
1000 Lujiazui Ring Road, Pudong New Area,
Shanghai 200120,
The people's Republic of China
Phone: +86-21-6887-2525
Facsimile: +86-21-6887-2838

Beijing Office
Room No. 1401, Beijing Fortune Building,
5, Dong San Huan Bei Lu, Chao Yang Qu,
Beijing 100004, The people's Republic of China
Phone: +86-10-6590-8481
Facsimile: +86-10-6590-8483

Bangkok Office
BB Building 19th Floor Room No. 1911,
54 Sukhumvit 21 (Asoke) Road,
Kwaeng Klong Torey Nua, Khet Wattana,
Bangkok 10110, Thailand
Phone: +66-2259-4831/4832
Facsimile: +66-2259-4833

Ho Chi Minh City Office
8th Floor, PDD Building, 162 Pasteur Street,
District 1, Ho Chi Minh City, Vietnam
Phone: +84-8-3822-8636
Facsimile: +84-8-3822-8635

Seoul Branch
Room 501, #45, Mapo-daero, Mapo-gu,
Seoul 121-716, Korea
Phone: +82-2-702-6796
Facsimile: +82-2-702-6798

Singapore Branch
41 Science Park Road, #01-24/25 (Lobby D),
The Gemini, Singapore Science Park II,
Singapore 117610
Phone: +65-6773-6833
Facsimile: +65-6773-6433

HITACHI ZOSEN EUROPE LTD.
5th Floor, 107 Cannon Street,
London EC4N 5AF, U.K.
Phone: +44-20-7929-2099
Facsimile: +44-20-7929-1803
Brokerage and sales of ships, offshore equipment, plants, industrial machinery and steel structures for overseas markets; acting as an intermediary for the remodeling, repair and chartering of ships

Hitachi Zosen U.S.A. Ltd.
2 Grand Central Tower, 140 East 45th Street,
17th Floor, New York, NY 10017, U.S.A.
Phone: +1-212-883-9060
Facsimile: +1-212-883-9064
Brokerage and sales of plants and machinery, etc.; conducting surveys and gathering information on new products and technologies

Hitachi Zosen India Private Limited
503, 5th Floor, Vatika City Point,
Mehrauli Gurgaon Road, Gurgaon-122002,
Haryana, India
Phone: +91-124-486-1760
Facsimile: +91-124-486-1761

Hitachi Zosen India Private Limited Hyderabad Branch
8-2-685/1/1A, 4th Floor, Road No.12,
Banjara Hills, Hyderabad, 500034, A.P. India
Phone: +91-40-2333-4241
Facsimile: +91-40-2333-4240

Major overseas subsidiaries

Hitachi Zosen CATALYST U.S.A. LLC.
207 Lonnie E. Crawford Boulevard, Scottsboro,
AL 35769, U.S.A.
Phone: +1-256-575-0515
Facsimile: +1-256-575-0519
Manufacture of NOx removal catalysts

Hitachi Zosen Inova AG
Hardturmstrasse 127, 8005 Zurich, Switzerland
Phone: +41-44-277-1111
Facsimile: +41-44-277-1313
Design, construction, marketing, maintenance and operation of Energy-from-Waste plants

Hitachi Zosen Inova U.S.A. LLC.
3740 Davinci Court, Suite 250, Norcross,
GA 30092, U.S.A
Phone: +1-678-987-2500
Facsimile: +1-678-987-2599
Energy-from-Waste plant business in the North America

HITACHI ZOSEN VIETNAM CO., LTD.
Unit1201,12thFloor,Sailing Tower 111A Pasteur Street, District1, Ho Chi Minh City, Vietnam
Phone: +84-8-3825-1040
Facsimile: +84-8-3825-1041
3D-CAD for plant engineering and Energy-from-waste plant

Zhenjiang Zhong Chuan Hitachi Zosen Machinery Co., Ltd.
250 Guantang Qiao Road,
Zhenjiang Jiangsu, China
Phone: +86-511-85338108
Facsimile: +86-511-85338113
Production and sales of diesel engine components, parts of various machines, and steel structures; offering of consulting services regarding related technologies

Zhongji Hitachi Zosen Diesel Engine Co., Ltd.
Xingang Industrial Base, Economic Development Zone, Zhoushan, Zhejiang Province, China
Phone: +86-580-806-2015
Facsimile: +86-580-806-2003
Design, manufacture, sale and after-sales servicing of marine engines, diesel engines for power generation, and various equipment for environmental protection purposes

Zhoushan Nippon Pusnes Ship Machinery Co., Ltd.
Dongshazhen Industrial Park, Daishan,
Zhoushan, Zhejiang Province, China
Phone: +86-580-7070001
Facsimile: +86-580-7070002
Manufacture and marketing of marine deck machinery

NAC International Inc.

3930 East Jones Bridge Road, Norcross,
Georgia 30092, United States
Phone: +1-770-447-1144
Facsimile: +1-770-447-1797

ISGEC Hitachi Zosen Limited

RADAUR ROAD, YAMUNA NAGAR-135001,
Haryana, India
Phone: +91-1732-307611
Facsimile: +91-1732-250991
Manufacture and sale of process equipment

Hitachi Zosen GPM Technology (Suzhou) Co., Ltd.

130, No,3 Building, 209, Zhuyuan Road,
(CSZIP) Gaoxin District 215011 Suzhou, China
Phone: +86-512-6832-1458
Facsimile: +86-512-6832-1468
Manufacture and sale of plastic machinery,
food and pharmaceutical machinery

Major subsidiaries

Daiki Ataka Engineering Co., Ltd.

2-16-1, Shimbashi, Minato-ku,
Tokyo 105-0004, Japan
Phone: +81-3-3503-4335
Facsimile: +81-3-3501-2108
Design, construction, production and sale of
environment protection systems and facilities,
and industrial equipment

SN Environment Technology Co., Ltd.

1-7-89, Nankokita, Suminoe-ku,
Osaka 559-8559, Japan
Phone: +81-6-6569-7070
Facsimile: +81-6-6569-7080
Design, construction, operation and
maintenance of refuse incineration facilities,
and environment protection facilities, after-sales
service and maintenance of various plants

NICHIZO TECH INC.

2-15-26, Tsuru-machi, Taisho-ku,
Osaka 551-0023, Japan
Phone: +81-6-6555-7050
Facsimile: +81-6-6555-7061
Technical consulting, engineering and
maintenance

HITACHI-ZOSEN PLANT TECHNO-SERVICE CORPORATION

2-6-33, Edobori, Nishi-ku,
Osaka 550-0002, Japan
Phone: +81-6-6225-9798
Facsimile: +81-6-6225-9771
After-sales service and sale of components for
plants and equipment; engineering services;
design of industrial machinery

HITACHI ZOSEN FUKUI CORPORATION

1-8-28, Jiyugaoka, Awara,
Fukui 919-0695, Japan
Phone: +81-776-73-1220
Facsimile: +81-776-73-3055
Manufacture, sales, and after-sales service of
press machinery, automation equipment, and
electronical controllers

IMEX CO., LTD.

2293-1, Innoshimahabu-cho, Onomichi,
Hiroshima 722-2393, Japan
Phone: +81-845-22-6411
Facsimile: +81-845-22-6455
Manufacture, installation and repair of boilers,
diesel engines, and other devices

NIPPON PUSNES CO., LTD.

18-6 Takehisa-cho 2-chome,
Shimonoseki, Yamaguchi 751-0833, Japan
Phone: +81-83-252-7161
Facsimile: +81-83-252-7166
Design, manufacture and distribution of marine
deck equipment, marine structures and various
equipment

OCL Corporation

2-11-6, Nishi-shimbashi, Minato-ku,
Tokyo 105-0003, Japan
Phone: +81-3-3502-0126
Facsimile: +81-3-3502-0129
Design, manufacture, distribution, maintenance,
retention and leasing of containers and related
equipment for transportation, storage, and
waste of radioactive ingredients

V TEX Corporation

6-28-11, Minami-Ohi, Shinagawa-ku,
Tokyo 140-0013, Japan
Phone: +81-3-3765-4167
Facsimile: +81-3-3765-4168
Manufacture and distribution of valves and
rupture discs for high vacuum plants, super-
high vacuum (semiconductors, liquid-crystal
and radiation facilities) plants, fire power plants,
nuclear power plants and synthetic plants

ULTRA FINISH TECHNOLOGY CO., LTD.

1-1-1, Heisei-cho, Yokosuka,
Kanagawa 238-0013, Japan
Phone: +81-46-828-5050
Facsimile: +81-46-828-5052
Accepting orders for the grinding of
semiconductor manufacturing equipment and
peripheral devices, petrochemistry plants and
medical machinery, etc.

SHINKO SEIKI CO., LTD.

1-35, 3-chome, Takatsukadai, Nishi-ku,
Kobe, Hyogo 651-2271, Japan
Phone: +81-78-991-3011
Facsimile: +81-78-991-2860

OHNAMI CORPORATION

2-6-33, Edobori, Nishi-ku,
Osaka 550-0002, Japan
Phone: +81-6-6445-0073
Facsimile: +81-6-6445-9431
Warehousing, port cargo handling, transport,
construction, packing, custom clearing,
car maintenance

SLURRY-21 Co., Ltd.

6-33, 2-chome, Edobori, Nishi-ku,
Osaka 550-0002, Japan
Phone: +81-6-6447-7072
Facsimile: +81-6-6447-7073
Manufacture, distribution, lease, repair and
maintenance of ice makers and parts

NAIKAI ZOSEN CORPORATION

226-6, Sawa, Setoda-cho, Onomichi,
Hiroshima 722-2493, Japan
Phone: +81-845-27-2111
Facsimile: +81-845-27-2895
Shipbuilding, repair and dismantling of ships;
manufacture and repair of marine machinery;
hotel management; and other businesses

JP Steel Plantech Co.

3-1, Kinko-cho, Kanagawa-ku, Yokohama,
Kanagawa 221-0056, Japan
Phone: +81-45-440-5900
Facsimile: +81-45-440-5841
Distribution and engineering services of iron-
making facilities

UniCarriers Handling Systems Corporation

14755, Mukaihigashi-cho, Onomichi,
Hiroshima 722-0062, Japan
Phone: +81-848-44-1104
Facsimile: +81-848-45-2979
Manufacture, distribution and operation
of logistics equipment; technical service,
maintenance and steel structure/construction
work and engineering

Hitachi Zosen Yangling Co., Ltd.

Nanbin Road, Yangling Demonstration Zone,
Shaanxi Province China
Phone: +86-29-8703-3236

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 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.

Investor Information

(As of March 31, 2013)

Corporate data

Date of establishment:	April 1, 1881
Paid-in capital:	45,442,365,005 yen
Number of employees (consolidated):	9,039
Number of employees (non-consolidated):	3,088
Consolidated subsidiaries:	76

Stock data

Number of shares authorized:	2,000,000,000
Number of shares issued:	796,073,282
Number of shareholders:	102,121

Major shareholders

Name of shareholder	Number of shares held (Thousands of shares)	Equity stake* (%)
Japan Trustee Services Bank, Ltd. (trust account)	63,258	8.1
The Master Trust Bank of Japan, Ltd. (trust account)	58,223	7.4
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	24,749	3.2
Japan Trustee Services Bank, Ltd. (trust account 9)	17,120	2.2
Sompo Japan Insurance Inc.	10,000	1.3
Nippon Life Insurance Company	8,514	1.1
The Nomura Trust and Banking Co., Ltd. (trust account)	7,567	1.0
Japan Trustee Services Bank, Ltd. (trust account 1)	7,115	0.9
Japan Trustee Services Bank, Ltd. (trust account 6)	7,004	0.9
Japan Trustee Services Bank, Ltd. (trust account 3)	6,588	0.8

Notes: 1. The Company holds 12,329 thousand shares of treasury stock, but is not listed among the above major shareholders.
2. The shareholding ratio do not include treasury stock.

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

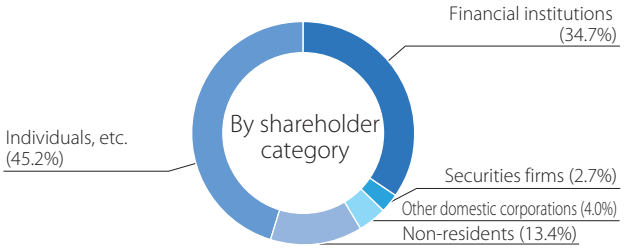
Public notices:
via Company's website
http://www.hitachizosen.co.jp/

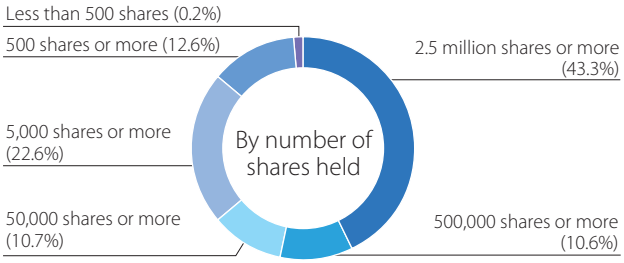
Share trading unit: 500 shares

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

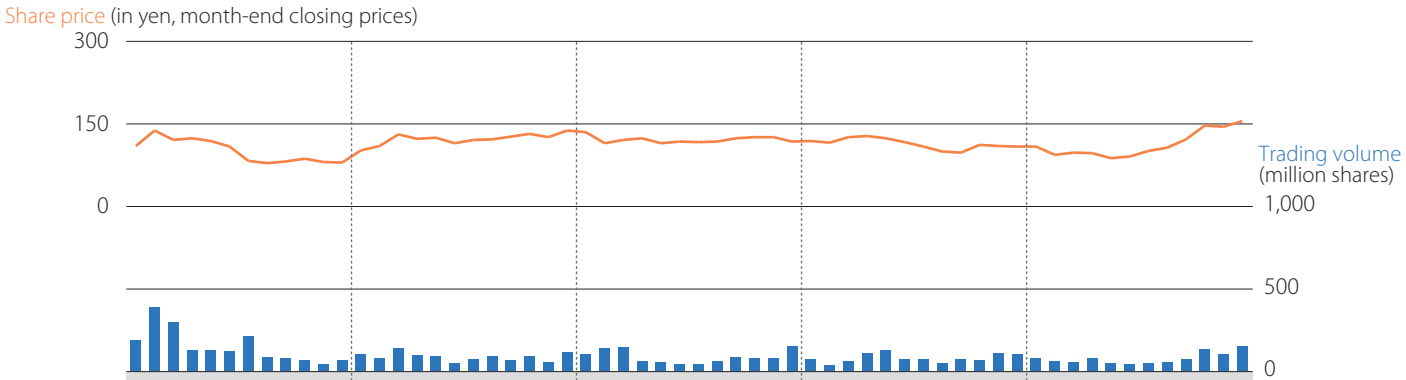
Stock listing: Tokyo Stock Exchange, Osaka Securities Exchange

Distribution of shareholdings





Share price and trading volume



Fiscal year	2008	2009	2010	2011	2012
High	150	144	139	138	168
Low	66	80	97	96	85
At year-end	79	137	117	108	154

*Fiscal years ended March 31 of the following year.

Hitachi Zosen Corporation

Head Office
7-89, Nanko-kita 1-chome, Suminoe-ku, Osaka 559-8559, Japan
Phone: +81-6-6569-0001 Facsimile: +81-6-6569-0002

Tokyo Head Office
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