

“Hitz Innovation II”; a new medium-term management plan for the next term

The Hitachi Zosen Group has formulated a new 3-year medium-term management plan, “Hitz Innovation II”, which will run from fiscal year 2009(ending 31st March 2009) to 2011(ending 31st March 2011).

Following the successful completion of the previous medium-term management plan, “Hitz Innovation” covering fiscal year 2006(ended 31st March 2006) to 2008(ended 31st March 2008), which aimed at forming a firm basis to become a highly profitable company, the Group has been able to produce good results in regard to the transformation of the business structure and the strengthening of the Group’s financial standing. However, we are conscious that we are still developing in regard to the strengthening of profitability. Consequently, the Group will make another leap forward to further development of its business, with the aim being the realization of a highly profitable company. This shall be done by promoting and achieving the new medium-term management plan, “Hitz Innovation II”.

1. Basic Policies

【Corporate philosophy】

To create useful value to society through technology and good intension, thus contributing to a prosperous future.

【Medium-term vision】

An energetic group where the people and business grow

【Basic management policy】

Following basic management policy has been established in order for the Group to achieve the medium-term vision.

- (1) The Group aims at business development utilizing the capabilities in both “Manufacturing” and “Engineering” to achieve profitability in all business areas and resume dividend payments.
- (2) The Group will emphasize the improvement of customer and employee satisfaction, and aim for a culture that continues to reform constantly to entrench the “Hitz of Technology” corporate brand.

2. Fiscal year 2011 Targets (ending 31st March 2011)

- (1) Sales ¥340,000 million
- (2) Operating income ¥17,000 million (Operating income percentage 5.0%)
- (3) Ordinary income ¥16,000 million (Ordinary income percentage 4.7%)
- (4) ROIC(*) 12% or higher
- (5) Balance of interest-bearing debts No more than ¥70,000 million

*ROIC (Return on investment capital) = operating income / investment capital

3. Priority measures

- (1) Promotion of portfolio management

In the previous medium-term management plan (fiscal year 2006-2008), the Group promoted the transformation of the business structure from the perspective of selection and concentration of business. While, in this medium-term management plan, the Group will further define the business and products to be focused on, and the Group will effectively invest its resources on such business and products, so as to expand the prospective business and increase profits.

- ① Growing businesses and products

Desalination plants, diesel engines for ships, process equipment for petrochemical plants

- ② Prospective businesses and products

New environment related business (biodegradable plastic, ethanol, bio-diesel fuel, etc.), FA equipment, industrial machinery products, precision machinery such as optical film sheet formation machinery, etc.

- (2) New product and business development and expansion of facility investment

The Group will make a total of ¥50 billion worth of R&D and facility investments over 3 years, mainly for the strategic business and products described in item 3 (1) above.

- (3) Strengthening of training and educational system for growing employee's capabilities and human resource management

- (4) Ongoing strengthening of governance structure

- (5) Promotion of the sharing of values and improvement of the corporate culture