FY2014-FY2016
Medium-term Management Plan
Hitz Vision II

May 12, 2014
Hitachi Zosen Corporation
President & COO Takashi Tanisho
1. Review of previous medium-term management plan
2. Management targets and policies of new medium-term management plan
3. Examples of key business strategies
4. Numerical targets
1. REVIEW OF PREVIOUS MEDIUM-TERM MANAGEMENT PLAN
1. Positioning of medium-term management plans

◆Long-term vision and medium-term management plans

<FY2005-FY2010>  

Hitz Innovation
HI Plan  

Restructuring of Company Basis
Become a company that can generate stable profits

Hitz 2016 Vision
HI Plan - Ⅱ

Hitz Vision
Build a foundation, sow the seeds

Evolution to Highly Profitable Company with Public Recognition
Achieve targets

<FY2011-FY2016>

Hitz Vision Ⅱ

Hitz 2016 Vision: Make expansion in businesses rebuilt in Hitz Innovation to be a highly profitable company

Hitz Vision: Three years to build a foundation, or sow the seeds, of business to achieve targets

Hitz Vision Ⅱ: Three years to achieve targets
2. Achievement ratio of Hitz Vision

### Low level of achievement

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>Hitz-V</td>
<td>Actual</td>
<td>Achievement</td>
</tr>
<tr>
<td>Order intake</td>
<td>500.0</td>
<td>328.4</td>
<td>65.7%</td>
</tr>
<tr>
<td>Net sales</td>
<td>400.0</td>
<td>333.4</td>
<td>83.4%</td>
</tr>
<tr>
<td>Operating income</td>
<td>20.0</td>
<td>7.8</td>
<td>39.0%</td>
</tr>
<tr>
<td></td>
<td>(5.0%)</td>
<td>(2.4%)</td>
<td></td>
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<tr>
<td>Ordinary income</td>
<td>16.0</td>
<td>6.2</td>
<td>39.4%</td>
</tr>
<tr>
<td></td>
<td>(4.0%)</td>
<td>(1.9%)</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>11.5</td>
<td>3.7</td>
<td>33.0%</td>
</tr>
<tr>
<td>Int. bearing debt</td>
<td>100.0</td>
<td>104.3</td>
<td>—</td>
</tr>
<tr>
<td>Net worth ratio</td>
<td>30.0%</td>
<td>26.4%</td>
<td>—</td>
</tr>
</tbody>
</table>

(Ref.)<br>

- **Sales and income below target because order intake below target**
- **Problem of unprofitable businesses**

**Root causes:**
- Delay in creating value (Lack of differentiation)
3. Review of Hitz Vision: Numerical targets by segment

◆ Various achievement levels

<table>
<thead>
<tr>
<th></th>
<th>Environmental Systems &amp; Industrial Plants</th>
<th>Machinery</th>
<th>Process Equipment</th>
<th>Infrastructure</th>
<th>Precision Machinery</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Plan</strong> FY2011-FY2013</td>
<td>Order intake: 782.0</td>
<td>182.0</td>
<td>82.0</td>
<td>122.0</td>
<td>115.0</td>
<td>27.0</td>
<td>1,310.0</td>
</tr>
<tr>
<td></td>
<td>Net sales: 582.5</td>
<td>181.0</td>
<td>42.0</td>
<td>114.5</td>
<td>103.0</td>
<td>27.0</td>
<td>1,050.0</td>
</tr>
<tr>
<td></td>
<td>Operating income: 24.7</td>
<td>9.0</td>
<td>1.3</td>
<td>4.5</td>
<td>7.5</td>
<td>2.5</td>
<td>49.5</td>
</tr>
<tr>
<td><strong>Actual</strong> FY2011-FY2013</td>
<td>Order intake: 648.4</td>
<td>145.8</td>
<td>44.9</td>
<td>73.5</td>
<td>61.3</td>
<td>27.0</td>
<td>1,000.9</td>
</tr>
<tr>
<td></td>
<td>Net sales: 553.3</td>
<td>168.5</td>
<td>36.4</td>
<td>82.2</td>
<td>65.8</td>
<td>27.0</td>
<td>933.2</td>
</tr>
<tr>
<td></td>
<td>Operating income: 29.8</td>
<td>4.0</td>
<td>-0.1</td>
<td>-7.9</td>
<td>2.7</td>
<td>2.1</td>
<td>30.6</td>
</tr>
<tr>
<td><strong>Achievement ratio</strong></td>
<td>Order intake: 82.9%</td>
<td>80.1%</td>
<td>54.8%</td>
<td>60.2%</td>
<td>53.3%</td>
<td>100.0%</td>
<td>76.4%</td>
</tr>
<tr>
<td></td>
<td>Net sales: 95.0%</td>
<td>93.1%</td>
<td>86.4%</td>
<td>71.7%</td>
<td>63.9%</td>
<td>100.0%</td>
<td>88.9%</td>
</tr>
<tr>
<td></td>
<td>Operating income: 120.6%</td>
<td>43.3%</td>
<td>0.0%</td>
<td>-</td>
<td>34.7%</td>
<td>80.0%</td>
<td>61.4%</td>
</tr>
</tbody>
</table>

**Goals achieved**
- Environmental Systems: Profits exceeded target
- Press machines for automotive industry: Profits grew
  → **Aiming for further growth**

**Goals not achieved**
- Marine engines: Fell into the red
- Shield tunneling machines: Losses swelled
- Precision Machinery: Lack of growth
  → How to reform unprofitable businesses
# 4. Review of Hitz Vision: Actions implemented (1)

## Implementation of key measures

(Units: Billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>237.5</td>
<td>227.0</td>
<td>225.0</td>
<td>217.4</td>
</tr>
<tr>
<td></td>
<td>83%</td>
<td>75%</td>
<td>76%</td>
<td>65%</td>
</tr>
<tr>
<td>Overseas</td>
<td>49.6</td>
<td>75.7</td>
<td>71.7</td>
<td>116.0</td>
</tr>
<tr>
<td></td>
<td>17%</td>
<td>25%</td>
<td>24%</td>
<td>35%</td>
</tr>
<tr>
<td>Total</td>
<td>287.1</td>
<td>303.0</td>
<td>296.7</td>
<td>333.4</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Incl. New</td>
<td>—</td>
<td>—</td>
<td>0.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Businesses/Products</td>
<td></td>
<td></td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Incl. Stable</td>
<td>115.5</td>
<td>120.5</td>
<td>127.3</td>
<td>139.5</td>
</tr>
<tr>
<td>businesses</td>
<td>40%</td>
<td>40%</td>
<td>43%</td>
<td>42%</td>
</tr>
<tr>
<td>(after-sales service, etc.)</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

### Overseas
- 17% → 30% (FY2016)
  - Set up overseas bases
  - M&A with Inova
  - M&A with NAC

### Stable businesses
- 40% → 50% (FY2016)
  - Increase in long-term operation and upgrading of waste incineration facilities
  - Sales of FIT-eligible electricity

### New Businesses/Products
- 50bil (FY2016)
  - Movable Flap-Gate Type Breakwater
  - Electron beam sterilization system
  - SCR system for marine engines

SCR: Selective Catalytic Reduction
4. Review of Hitz Vision: Actions implemented (2)

◆ Strategic M&A of overseas companies

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Consolidation of licensor</td>
<td>Integration of engineering and manufacturing</td>
</tr>
<tr>
<td>➔ Aiming global Market</td>
<td>➔ Aiming one-stop solutions</td>
</tr>
<tr>
<td>Consolidation of licensor</td>
<td></td>
</tr>
<tr>
<td>➔ Aiming global Market</td>
<td></td>
</tr>
<tr>
<td>Steady order intake in the UK</td>
<td></td>
</tr>
<tr>
<td>• Cleveland: STV4+5: 456t/dx2 (FY2011)</td>
<td></td>
</tr>
<tr>
<td>• Ferrybridge: 1,013t/dx2 (FY2012)</td>
<td></td>
</tr>
<tr>
<td>• Buckinghamshire: 900t/dx1 (FY2013)</td>
<td></td>
</tr>
<tr>
<td>• Severnside: 581t/dx2 (FY2013)</td>
<td></td>
</tr>
</tbody>
</table>

Accelerate synergy with Hitachi Zosen

Severnside

MAGNASTOR® SYSTEM
ultra-high storage cask
4. Review of Hitz Vision: Actions implemented (3)

◆ Expansion of overseas bases

- **Hitachi Zosen India Private Ltd**
  - Base in Indian market
  - July 2011

- **Hitachi Zosen GPM Technology (Suzhou) Co., Ltd.**
  - Chinese JV for the manufacturing of precision machinery
  - October 2011

- **ISGEC Hitachi Zosen Ltd.**
  - Indian JV for the production of process equipment
  - April 2012
  - Planning investment in facilities expansion

- **Hitachi Zosen India Private Ltd. Hyderabad Branch**
  - EPC of EfW plant
  - April 2012

- **Hitachi Zosen Myanmar Co., Ltd**
  - Base in Myanmar market
  - October 2013

- **Hitachi Zosen Vietnam Co., Ltd.**
  - Design office in Vietnam
  - October 2011
  - Relocation: September 2013

- **Hitachi Zosen Seoul Branch**
  - Marketing and procurement base
  - April 2012

- **Hitachi Zosen Inova AG**

- **Hitachi Zosen Trading (Shanghai) Co., Ltd**
  - Base in Chinese market
  - January 2014

- **Nagaoka Hitachi Zosen Equipment (Dalian) Co., Ltd.**
  - Manufacturing JV for process equipment & water treatment equipment
  - May 2012

- **V TEX Korea Co., Ltd**
  - Vacuum valve manufacturing factory
  - March 2013

- **Hitachi Zosen Trading (Shanghai) Co., Ltd**
  - Base in Chinese market
  - January 2014

- **PT. HITZ INDONESIA**
  - Base in Indonesian market
  - February 2014

- **NAC International**
  - 100% acquisition of NACI
  - March 2013

- **Hitachi Zosen Inova U.S.A. LLC**
  - Completion of manufacturing site
  - July 2013

- **Completion of manufacturing site**
  - March 2014

- **Actions implemented in medium-term business plan (FY2011-FY2013)**
  - FY2011: 4 bases
  - FY2012: 6 bases
  - FY2013: 3 bases
4. Review of Hitz Vision: Actions implemented (4)

◆ Increase of stable business: Power generation

**Mega solar**

| FIT eligible | Innoshima Works Sep. 2013 1.5MW |
| FIT eligible | Naikai Zosen Dec. 2013 1.0MW |

**Wood biomass PG**

| FIT eligible (unused wood) | Hitachiota, Ibaraki Mar. 2015 (scheduled) 5.8MW |

**Capital investment to Ibaraki power station**

- Ibaraki Works (Hitachiomiya, Ibaraki)
- Transform Oil to LNG fuel
- Dec. 2014 (scheduled)
- 106MW→113MW

Steadily building a foundation for stable income source of the power generation business
## 5. Direction of growth area confirmed by recent events

### Reconfirmed direction of growth areas in three years

<table>
<thead>
<tr>
<th>Target Markets</th>
<th>Business Domains</th>
<th>Recent events</th>
</tr>
</thead>
</table>
| Newly developed countries | **A. Environment/Green Energy** | • Nuclear accident  
  ➔ Awareness of issues of spent nuclear fuel  
 • Start of FIT system (eligibility for EfW)  
 • Tightening of environmental regulations (emerging countries, marine vessels) |
| Advanced business fields | **B. Social Infrastructure & Disaster Prevention** | • Aging infrastructures  
 • Measures for mega earthquakes and tsunami  
 • Torrential rain |

- Business opportunities expanding in newly developed countries
- Facing fierce competition, more advanced and innovative solutions required in developed countries
6. Review of Hitz Vision: Summary

<table>
<thead>
<tr>
<th>Review of previous medium-term management plan Hitz Vision</th>
<th>Points of new medium-term management plan Hitz Vision II</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Achievement ratio of numerical targets</strong></td>
<td>• Make expansion in competitive, high-growth segments</td>
</tr>
<tr>
<td>• Low achievement ratio overall</td>
<td>• Radically reform unprofitable businesses</td>
</tr>
<tr>
<td>• Various achievement levels</td>
<td></td>
</tr>
<tr>
<td><strong>2. Progress in key policies</strong></td>
<td>• Accelerate synergy created through M&amp;A, reorganization</td>
</tr>
<tr>
<td>Sound progress in key policies</td>
<td>• Expand operations at overseas bases</td>
</tr>
<tr>
<td>• M&amp;A of key overseas companies</td>
<td>• Accelerate profitability of new products and businesses</td>
</tr>
<tr>
<td>• Expansion of overseas bases</td>
<td></td>
</tr>
<tr>
<td>• new products and businesses</td>
<td></td>
</tr>
<tr>
<td><strong>3. Reconfirmation of growth areas</strong></td>
<td>• Concentrate management resources on growth areas</td>
</tr>
<tr>
<td>Reconfirmed the high effectiveness of business domains</td>
<td></td>
</tr>
<tr>
<td>and target markets</td>
<td></td>
</tr>
</tbody>
</table>

**Key point:**
Achievement targets using foundation built under Hitz Vision
2. MANAGEMENT TARGETS AND POLICIES OF NEW MEDIUM-TERM MANAGEMENT PLAN
## Hitz Vision II: Three years to achieve targets

<table>
<thead>
<tr>
<th></th>
<th>FY2010 Actual</th>
<th>FY2013 Actual</th>
<th>FY2016 Targets</th>
<th>2016 Initial targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>246.0</td>
<td>328.4</td>
<td>500.0</td>
<td>600.0</td>
</tr>
<tr>
<td>Net sales</td>
<td>287.1</td>
<td>333.4</td>
<td>400.0</td>
<td>500.0</td>
</tr>
<tr>
<td>Operating margin</td>
<td>13.3 (4.7%)</td>
<td>7.8 (2.4%)</td>
<td>23.0 (5.7%)</td>
<td>30.0 (6.0%)</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>7.0 (2.4%)</td>
<td>6.2 (1.9%)</td>
<td>12.0 (3.0%)</td>
<td>20.0 (4.0%)</td>
</tr>
</tbody>
</table>

### A. Strengthen profitability
Each business and product to achieve No. 1 profitability in its area

### B. Expand scale of operations
Expand to Yen 500 billion company with public recognition

### C. Fortify financial structure
Achieve and maintain at least 30% shareholders’ equity ratio, and secure a stable financial position

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Build a foundation for achieving 500 billion yen in or after FY2017
### 2. Hitz Vision II: Management Policies: Outline

<table>
<thead>
<tr>
<th>Innovate Businesses</th>
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<th></th>
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<tbody>
<tr>
<td>✦ Growth areas and “Technology-oriented company”</td>
<td>✦ In growth areas, implement strategies under the concept of “Technology-oriented company”</td>
<td>✦ Strengthen profitability</td>
<td>✦ Build a mechanism for driving change in unprofitable businesses</td>
<td>✦ Promote balanced management</td>
</tr>
<tr>
<td>✦ Strengthen potential for business growth</td>
<td>✦ Promote operations at overseas bases</td>
<td>✦ Strengthen control functions, promote policies by area</td>
<td>✦ Continue to expand overseas bases, strengthen governance</td>
<td>✦ Reform development processes to accelerate profitability of new businesses and products</td>
</tr>
<tr>
<td></td>
<td>✦ Facilitate synergy by fortify group strengths</td>
<td>✦ Facilitate synergy with Inova and NAC</td>
<td>✦ Pursue synergy of Daiki Ataka merger and consolidation of NTI</td>
<td>✦ Expand operations, enhance profitability and utilize human resources through further reorganization and integration of group</td>
</tr>
<tr>
<td></td>
<td>✦ Promote M&amp;A</td>
<td>✦ Pursue synergy with existing businesses and technologies</td>
<td>✦ Accelerate operation at overseas bases</td>
<td>✦ Utilize human resources</td>
</tr>
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### Innovate Management

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<tbody>
<tr>
<td>✦ Promote flat-matrix management structure</td>
<td>✦ Fortify use of ICT, group strengths, quality control, environment and safety</td>
<td>✦ Fortify financial structure</td>
<td>✦ Secure fund for growth strategies, improve financial structure</td>
<td>✦ Strengthen IR to improve debt rating and stock prices</td>
</tr>
<tr>
<td>✦ Reform human resources development and corporate culture</td>
<td>✦ Develop human resources</td>
<td>✦ Recruit and utilize diverse human resources</td>
<td></td>
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</tbody>
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3. Major management policies (1)

(1) Technology-oriented company

“Technology-oriented company”

Strengthen not only fundamental technologies of product but also technologies in a broader sense, including work processes for the delivery of products and services to customers

Attain customer satisfaction (→ market share up) and high added value (→ profitability up)
3. Major management policies (2)

(2) Select businesses and concentrate resources

1. Expansion in growth areas
   Differentiate with original (Only one) and innovative (No. 1) technologies

2. Build a mechanism for driving change in unprofitable businesses
   Follow up by setting standards and rules to facilitate change

A. Select target businesses and products by profitability
B. Assess by business strategy
C. Plan and implement radical reform

Apply concept of “technology-oriented company”
- Concentrate management resources
- Reform businesses, pursue results
(3) Reform development processes to speed up profit contribution of new businesses and products

Reform development processes

- Assemble project team for key projects
- Strengthen assessment of business feasibility (marketability) (Assess feasibility at select themes and each progress stage)
- Build a globally competitive research structure (Strengthen core technologies, simulation technologies, coordination with overseas group companies)
- Collaborate with business partners

Profit contribution of new businesses and products
3. Major management policies (4)

(4) Facilitate synergy by fortify group strengths

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<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>A. Inova</td>
<td>• Hitz to lead collaboration with Inova aiming No. 1 in global EfW market</td>
</tr>
</tbody>
</table>
| B. NAC | • Combining strengths of NAC’s engineering and Hitz’ manufacturing to reduce cost and construction times, improve quality  
• aiming No.1 through joint research and global markets development |
| C. Merger of Daiki Ataka | • In Environment & Green Energy, fortify technologies and solutions capabilities  
• Expand oversea water treatment business |
| D. Consolidation of NTI | • Strengthen and expand technical consulting and solution business including maintenance for aging infrastructures |
| E. Further group reorganization | • Further strengthen private plant solutions through integration of NTI and HEC Engineering  
• Improve profitability through integration of waste incineration facility operators (Nisshin Service and Kansai Services) |
3. Major management policies (5)

(5) Strengthen flat-matrix management structure

Flat-matrix management structure
- HQ, corporate divisions, business divisions cooperate as equals (flat)
- HQ, corporate divisions provides support and governance of business divisions (matrix)

A. Fortify use of ICT
- Reinforce functions of Information Systems Dept.
- Standardize company-wide IT environment, streamline operations with latest IT

B. Fortify group strengths
- Reinforce functions of Affiliated Companies Dept. to manage and advise affiliated companies in Japan and oversea
- Share group information, plan and implement policies as a group

C. Fortify production technologies
Rebuild processes from design to production, promote handing down of skills

D. Fortify quality control, environment and safety management
Reduce trouble and defective-product costs, ensure safety
3. EXAMPLES OF KEY BUSINESS STRATEGIES
1. Expansion in growth areas: Energy from Waste(1)

◆ World-class operation bases, ample reference projects

Hitachi Zosen Inova AG

Hitachi Zosen Inova USA LLC

Hitachi Zosen

HZ India Pvt. Ltd. Hyderabad Branch

Japan [Hitz] 195
[SNT] 274

China, Taiwan, S. Korea [Hitz] 39

Vietnam [Hitz] 1 (demonstration plant)

North America [Inova] 22

Australia [Inova] 3

Dalian, China (500t/dx3)

Riverside, UK (778t/dx3)


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1. Expansion in growth areas: Energy from Waste (2)

**Aim to be No. 1 in global EfW market**

- **Middle East [Inova]**
  - Work with Hitz by project
  - Hybridize with Hitz water treatment systems

- **Europe**
  - **[Inova]**
    - UK: Strengthen turnkey project capability
    - Poland: Module model

- **Near and Middle East**
  - **[Hitz]**

- **Southeast Asia**
  - **[Hitz]**
    - Hitz 500 model

- **China**
  - **[Hitz]**
    - Limit to FOB+SV
    - Take licensee orders
  - **[Inova]**
    - LoCal Plus model
    - Consortium with ISGEC
    - Strengthen relations with investors

- **Japan**
  - **[Hitz]**
    - Develop next-generation technologies
    - Joint development with Inova
  - **[Inova]**
    - Module USA
    - Seek partners

- **United States**
  - **[Inova]**

- **India**
  - **[Hitz lead + Inova]**
    - First order in India
      - Jabalpur, Madhya Pradesh
      - 600t/d x 1

Hitz to lead collaboration with Inova aiming for No. 1 in global EfW market

- Expand into Southeast Asia, India, Near and Middle East
- Introduce EPC concept models by market (standardization)
- Collaboration and operation with key partners (localization)
- Propose financing with Japanese government related fund
- Combine with desalination plants
## AOM + long-term operation of waste incineration facilities

### Expand business based on strong track record

1. Expand AOM business
   - Propose added value for each facility (life extension, CO₂ emissions reduction)
   - Disaster management
     - Retrofit facilities, solution for disaster management bases
     - Expand solutions menu (disaster prevention, emergency response, recovery and reconstruction, etc.)
   - Develop further technologies, increase plants with technology (advanced maintenance, energy recovery and etc.)

2. Expand long-term operation business
   - Differentiate through feedback of experiences (optimal LCC, etc.)
   - Propose long-term operation along with life extension work
   - Streamline with operation support systems

### Expand worldwide the **know-how acquired** in Japan

1. China: After-sales and maintenance services
2. Southeast Asia: Market research for long-term operation
3. Europe: Expansion of AOM business by Inova (including by M&A)

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2. Expansion in growth areas: Environment AOM + long-term operation (2)

◆ Rationalization by overall operation of support systems

Central Control Room

- Plant A
- Plant B
- Plant C
- Plant D
- Plant E

Remote Monitoring / Operation Support Center

- Remon system
  (sharing of operation/maintenance data)
- Maron system
  (sharing of site images)

- Plant operations monitored remotely at support center
- 24-hour technical support
  (operational optimization, troubleshooting, maintenance and repairs, etc.)
- Collects operational data from each plant and provides feedback for future projects

CoSMoS system
(combustion control)

Learns the decisions of seasoned engineers, forms a model to maintain optimal combustion settings

Feedback of data for future projects
3. Turn around of unprofitable businesses

**Marine diesel engines**

**Problem:** Drop in sales and profit due to declining competitiveness of Japanese shipbuilding

**Solution:**
1. Continue price hike negotiations and cost reduction efforts
2. Differentiate with release of SCR system for marine engines

**Good news:** Rise in shipbuilding orders due to demand recovery

---

**Shield tunneling machines**

**Problem:** Trouble and inaccurate estimates due to difference of market between Japan and overseas

**Solution:**
1. Reduce risks at time of order intake
   - Contract risks: Create standards for work details and guarantees, verify contents
   - Accuracy of estimates: Fortify estimate bills of quantities database and documents
2. Fortify construction management (processes, profits)
3. Reduce trouble
   - Prevention: Improve design review contents (use Technical Research Institute), fortify follow-up
   - Prevention of recurrence: Provide feedback on trouble, share information

**Good news:** Signs of recovery in domestic markets (large projects such as beltways and maglev trains)
4. Profitability of new businesses and products (1)

1. Movable Flap-Gate Type Breakwater

(1) Land-mounted flap-gate seawall (neo RiSe)
- Steady order intake (8 units delivery scheduled in FY2014)
- Demonstration at Sakai Works Disaster Prevention Lab (opened April 2014)

(2) Seabed-installed flap-gate breakwater
  Improving reliability and preparing environment toward use of new technology
  - Two-year test in actual marine environment at Shin Yaizu Fishing Port → Final report October 2013

Strategy:
- Build a track record with neo RiSe and small seabed type projects
- Prepare operations manual
- Provide information to tsunami preparedness technology advisory committees
4. Profitability of new businesses and products (2)

2. Electron beam sterilization system

**Electron beam sterilization (environment friendly and cost-effective)**

- Sterilizes PET bottles without heat or chemical treatment
- Can also be used for paper cartons and other food containers

**Strategy:**
- Develop an aseptic filling system
- Expand maintenance services
- Pharmaceuticals application
- Develop overseas markets

3. SCR (Selective Catalytic Reduction) system for marine engines

**Compliant with IMO Tier III NOx emission standards**

Hitz is the leader in SCR system for marine engines

- World’s first new vessel commissioned with certified SCR system launched in November 2011
- Development completed in FY2013, expanding menu

**Strategy:**
- Aim for early market release, collaborate with engine manufacturers and establish de facto standard with MDT certification

IMO: International Maritime Organization
4. NUMERICAL TARGETS
1. Environmental Systems & Industrial Plants

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Hitz-V II Plan</th>
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</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>172.4</td>
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<tr>
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<td>Operating income</td>
<td>9.3</td>
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</table>

(Unit: Billion yen)
2. Machinery

<table>
<thead>
<tr>
<th></th>
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<td>1.8</td>
</tr>
</tbody>
</table>

(Unit: Billion yen)

(order intake, net sales, operating income)
3. Process Equipment

<table>
<thead>
<tr>
<th></th>
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<th></th>
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(Unit: Billion yen)
4. Infrastructure

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<tr>
<th>Order intake</th>
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<td>FY2012 Actual</td>
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<td>FY2013 Actual</td>
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<td>FY2014 Plan</td>
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<td>FY2015 Plan</td>
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<td>FY2016 Plan</td>
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(Unit: Billion yen)
5. Precision Machinery

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(Unit: Billion yen)
### 6. Numerical Targets (by segments)

<table>
<thead>
<tr>
<th></th>
<th>Environmental Systems and industrial plants</th>
<th>Machinery</th>
<th>Process Equipment</th>
<th>Infrastructure</th>
<th>Precision Machinery</th>
<th>Others</th>
<th>Total</th>
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<td><strong>FY2014 Plan</strong></td>
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<td><strong>FY2015 Plan</strong></td>
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<td>1.4</td>
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<td>0.7</td>
<td>17.0</td>
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<tr>
<td><strong>FY2016 Plan</strong></td>
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(Unit: Billion yen)
## 7. Numerical Targets (Investment)

<table>
<thead>
<tr>
<th></th>
<th>Hitz Vision (Actual) 3 years total</th>
<th>Hitz Vision II (Plan) 3 years total</th>
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<tbody>
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<td>R&amp;D expenses</td>
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<tr>
<td>Capital investment</td>
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<tr>
<td>M&amp;A &amp; others</td>
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<tr>
<td>Total</td>
<td>52.8</td>
<td>100.0</td>
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</table>

(Unit: Billion Yen)
8. Numerical Targets

(Unit: Billion Yen)

<table>
<thead>
<tr>
<th></th>
<th>Hitz Vision (Actual)</th>
<th>Hitz Vision II (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>289.7</td>
<td>382.8</td>
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<tr>
<td>Net sales</td>
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<tr>
<td>Ordinary income</td>
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<tr>
<td>Net income</td>
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</tr>
<tr>
<td>Interest bearing debt</td>
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<td>102.6</td>
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<tr>
<td>Shareholders’ equity ratio</td>
<td>25.4%</td>
<td>26.9%</td>
</tr>
</tbody>
</table>
Cautionary Statement
Forward-looking statements are based on information currently available to Hitachi Zosen Corporation. Therefore those forward-looking statements include unknown risks and uncertainties. Accordingly, you should note that the actual results could differ materially from those forward-looking statements. Risks and uncertainties that could influence the ultimate outcome include, but are not limited to, the economic conditions surrounding Hitachi Zosen Corporation and/or exchange rate fluctuation.