Hitachi Zosen Corporation

FY2014 Financial Results and Progress of Hitz Vision II

Fujisan Eco Park Incineration Center (71.5t/day × 2units)
Gotemba-Oyama Regional Administrative Association (Shizuoka, Japan)

June 2015
Hitachi Zosen Corporation
Contents

1. Overview of FY2014 Consolidated Financial Results and Forecast of FY2015
2. Progress of Mid term Business Plan “Hitz Vision II”
3. Key Business Strategies
4. New Business And Products
1. Overview of FY2014 Consolidated Financial Results and Forecast of FY2015
Key Points of FY2014 Results

- FY2014 exceeds the last year result
- Big growth of Environmental system division’s order intake
## FY2014 Results and FY2015 Forecast Overview

(Unit: Billion Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2013 Actual</th>
<th>FY2014 Actual</th>
<th>FY2015 Forecast</th>
<th>FY2016 Hitz-V Plan II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>328.4</td>
<td>452.7</td>
<td>450.0</td>
<td>500.0</td>
</tr>
<tr>
<td>Net sales</td>
<td>333.4</td>
<td>359.3</td>
<td>370.0</td>
<td>400.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>7.8</td>
<td>12.8</td>
<td>13.5</td>
<td>23.0</td>
</tr>
<tr>
<td>(ratio)</td>
<td>2.4%</td>
<td>3.6%</td>
<td>3.6%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Non-operating P&amp;L</td>
<td>-1.6</td>
<td>-5.3</td>
<td>-3.5</td>
<td>-3.0</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>6.2</td>
<td>7.5</td>
<td>10.0</td>
<td>20.0</td>
</tr>
<tr>
<td>(ratio)</td>
<td>1.9%</td>
<td>2.1%</td>
<td>2.7%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Extraordinary P&amp;L</td>
<td>0.0</td>
<td>1.8</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Income tax &amp; minority interests</td>
<td>-2.5</td>
<td>-4.2</td>
<td>-4.5</td>
<td>-7.0</td>
</tr>
<tr>
<td>Net income</td>
<td>3.7</td>
<td>5.1</td>
<td>5.5</td>
<td>13.0</td>
</tr>
<tr>
<td>(ratio)</td>
<td>1.1%</td>
<td>1.4%</td>
<td>1.4%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>
Promote flat-matrix management structure: Reorganization

Reorganization to divided by industry from our customers’ perspective

Public Sector

Environment, Energy & Plant Business Headquarters

① Environmental Systems
② Industrial Plants
③ Water Treatment Systems

Infrastructure Business Headquarters

⑨ Disaster Prevention systems
⑧ Shield Tunneling Machines

Private Sector

Machinery Business Headquarters

④ Industrial Equipment Division
⑤ Marine Diesel Engines
⑥ SCR
⑦ Process/Nuclear Equipment
⑩ Systematic Machinery Business
⑪ Electronic Control Business

Water Treatment & Industrial Equipment Headquarters

③ Water Treatment Systems
④ Industrial Equipment Division

Machinery & Infrastructure Headquarters

⑤ Marine Diesel Engines
⑥ SCR (Selective Catalytic Reduction) NOx Removal System
⑦ Process/Nuclear Equipment
⑧ Shield Tunneling Machines
⑨ Disaster Prevention systems

Precision Machinery Headquarters

⑩ Systematic Machinery Business
⑪ Electronic Control Business

Copyright Hitachi Zosen Corp.
Change of Business Segments

Former Segments

- Environmental Systems & Industrial Plants
- Machinery
- Process Equipment
- Precision Machinery
- Infrastructure
- Others

New Segments

- Environmental Systems & Industrial Plants
- Machinery
- Infrastructure
- Others
Order intake

Year-on-Year +124.3

Year-on-Year +111.3

(Unit: Billion Yen)

<table>
<thead>
<tr>
<th>FY2013 Actual</th>
<th>FY2014 Actual</th>
<th>FY2015 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>203.7</td>
<td>315.0</td>
<td>300.0</td>
</tr>
<tr>
<td>328.4</td>
<td>452.7</td>
<td>450.0</td>
</tr>
<tr>
<td>203.7</td>
<td>315.0</td>
<td>300.0</td>
</tr>
</tbody>
</table>

Order intake

(Unit: Billion Yen)

<table>
<thead>
<tr>
<th>FY2013 Actual</th>
<th>FY2014 Actual</th>
<th>FY2015 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>203.7</td>
<td>315.0</td>
<td>300.0</td>
</tr>
<tr>
<td>328.4</td>
<td>452.7</td>
<td>450.0</td>
</tr>
<tr>
<td>203.7</td>
<td>315.0</td>
<td>300.0</td>
</tr>
</tbody>
</table>
Net sales & Operating income

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (Billion Yen)</th>
<th>Operating income (Billion Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013 Actual</td>
<td>333.4</td>
<td>9.8</td>
</tr>
<tr>
<td>FY2014 Actual</td>
<td>359.3</td>
<td>13.6</td>
</tr>
<tr>
<td>FY2015 Forecast</td>
<td>370.0</td>
<td>12.0</td>
</tr>
</tbody>
</table>

Year-on-Year:
- Net sales: +25.9%
- Operating income: +20.8%
## Order intake, Net sales & Operating income by Segments

(单位: 十亿日元)

<table>
<thead>
<tr>
<th></th>
<th>Environmental Systems &amp; Industrial Plants</th>
<th>Machinery</th>
<th>Infrastructure</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY2013</strong>&lt;br&gt;Actual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Order intake</td>
<td>203.7</td>
<td>93.8</td>
<td>22.5</td>
<td>8.4</td>
<td>328.4</td>
</tr>
<tr>
<td>Net sales</td>
<td>205.2</td>
<td>91.6</td>
<td>28.1</td>
<td>8.5</td>
<td>333.4</td>
</tr>
<tr>
<td>Operating income</td>
<td>9.8</td>
<td>-0.5</td>
<td>-1.6</td>
<td>0.1</td>
<td>7.8</td>
</tr>
<tr>
<td><strong>FY2014</strong>&lt;br&gt;Actual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Order intake</td>
<td>315.0</td>
<td>100.6</td>
<td>27.7</td>
<td>9.4</td>
<td>452.7</td>
</tr>
<tr>
<td>Net sales</td>
<td>226.0</td>
<td>104.4</td>
<td>19.4</td>
<td>9.5</td>
<td>359.3</td>
</tr>
<tr>
<td>Operating income</td>
<td>13.6</td>
<td>0.8</td>
<td>-2.1</td>
<td>0.5</td>
<td>12.8</td>
</tr>
<tr>
<td><strong>FY2015</strong>&lt;br&gt;Forecast</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Order intake</td>
<td>300.0</td>
<td>110.0</td>
<td>31.0</td>
<td>9.0</td>
<td>450.0</td>
</tr>
<tr>
<td>Net sales</td>
<td>225.0</td>
<td>110.0</td>
<td>26.0</td>
<td>9.0</td>
<td>370.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>12.0</td>
<td>1.0</td>
<td>0.0</td>
<td>0.5</td>
<td>13.5</td>
</tr>
</tbody>
</table>
2. Progress of Mid Term Business Plan
“Hitz Vision Ⅱ”
1. Positioning of medium-term management plans and Business Domains

◆ Long-term vision and medium-term management plans


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

【Evolution to Highly Profitable Company with Public Recognition】

◆ Business Domains

A. Environment/Green Energy
   - Environmental restoration
   - Effective use of natural resources
   - Expansion of utilization of renewable energy sources

B. Social Infrastructure & Disaster Prevention
2. Hitz Vision Ⅱ management targets (1)

Hitz Vision Ⅱ: Three years to achieve targets

<table>
<thead>
<tr>
<th></th>
<th>FY2013 Actual</th>
<th>FY2014 Actual</th>
<th>FY2016 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>328.4</td>
<td>452.7</td>
<td>500.0</td>
</tr>
<tr>
<td>Net sales</td>
<td>333.4</td>
<td>359.3</td>
<td>400.0</td>
</tr>
<tr>
<td>Operating margin</td>
<td>7.8 (2.4%)</td>
<td>12.8 (3.6%)</td>
<td>23.0 (5.8%)</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>6.2 (1.9%)</td>
<td>6.1 (1.7%)</td>
<td>12.0 (3.0%)</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
## Status of Well-balanced Business Portfolio

(Unit: Billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2013</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>237.5</td>
<td>217.4</td>
<td>237.1</td>
</tr>
<tr>
<td>Overseas</td>
<td>49.6</td>
<td>116.0</td>
<td>122.2</td>
</tr>
<tr>
<td>Total</td>
<td>287.1</td>
<td>333.4</td>
<td>359.3</td>
</tr>
<tr>
<td>Incl. New Businesses/Products</td>
<td>—</td>
<td>0.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Incl. Stable businesses (after-sales service, etc.)</td>
<td>115.5</td>
<td>139.5</td>
<td>136.1</td>
</tr>
</tbody>
</table>

- **Overseas**: 17% → 30% (FY2016)
- **Stable businesses**: 40% → 50% (FY2016)
- **New Businesses/Products**: 50bil (FY2016)
2. Hitze Vision Ⅱ management targets (3)

◆ Investment

<table>
<thead>
<tr>
<th></th>
<th>Hitze Vision (Actual) 3 years total</th>
<th>Hitze Vision Ⅱ (Plan) 3 years total</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D expenses</td>
<td>20.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Capital investment</td>
<td></td>
<td>30.0</td>
</tr>
<tr>
<td>M&amp;A &amp; others</td>
<td>13.8</td>
<td>40.0</td>
</tr>
<tr>
<td>Total</td>
<td>52.8</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Unit: Billion Yen)
3. Key Business Strategies
1. Expansion in growth areas (Overseas) : Energy from Waste (1)

◆Strategic M&A of overseas companies

Consolidation of licensor → Aiming global Market

Steady order intake in Europe

- Cleveland STV4+5: 456t/dx2 24MW (FY2011) (UK)
- Vantaa: 480t/dx2 (FY2011) (Finland)
- Ferrybridge: 1,013t/dx2 68MW (FY2012) (UK)
- Luzern: 300t/dx2 (FY2012) (Switzerland)
- Buckinghamshire: 900t/dx1 22MW (FY2013) (UK)
- Severnside: 581t/dx2 34MW (FY2013) (UK)
- Poznan: 360t/dx2 15MW (FY2014) (Poland)
- Hereford & Worcestershire: 624t/dx1 21MW (FY2014) (UK)
- Dublin: 840t/dx2 69MW (FY2014) (Ireland)

Accelerate synergy with Hitachi Zosen
1. Expansion in growth areas (Overseas) : Energy from Waste (2)

HZI Market Shares – European EfW Market

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total: 106’793 tpd</td>
<td>Total: 25’923 tpd</td>
<td>Total: 5’623 tpd</td>
<td></td>
</tr>
</tbody>
</table>

EfW : Energy from Waste

Source: Vaccani European Market Share Analysis of Thermal Waste Treatment Plants, 2015 Edition
1. Expansion in growth areas (Overseas) : Energy from Waste (3)

Hitz Market Shares – Japanese EfW Market

**Market Shares 2005 – 2014 by supplier**
- Hitz: 24%
- JFE: 23%
- Takuma: 11%
- KHI: 11%
- NSENGI: 7%
- Ebara: 6%
- MHI: 7%
- kobelco: 5%
- others: 5%

Total: 16’515 tpd

**Market Shares 2012 – 2014 by supplier**
- Hitz: 30%
- JFE: 13%
- Takuma: 12%
- KHI: 10%
- MHI: 9%
- Ebara: 6%
- NSENGI: 6%
- kobelco: 7%
- others: 7%

Total: 9’143 tpd

**Market Shares in 2014 by supplier**
- Hitz: 49%
- MHI: 18%
- Takuma: 9%
- Ebara: 7%
- KHI: 4%
- NSENGI: 7%
- others: 9%

Total: 2’247 tpd

*Source: Internal survey by Hitachi Zosen Corporation*
1. Expansion in growth areas (Overseas) : Energy from Waste (4)

Market Shares by Supplier 2008-2014 – Worldwide

Total: 271’258 tpd

1. Expansion in growth areas (Overseas) : Energy from Waste (5)

◆ World-class operation bases, ample reference projects

Hitachi Zosen Inova AG

Hitachi Zosen Inova AG

Hitachi Zosen

Hitachi Zosen Inova USA LLC

North America [Inova] 22

India [Hitz] 1

Japan [Hitz] 202
[Inova] 282

China, Taiwan, S. Korea [Hitz] 54

Japan

Europe [Inova]

200

HZ India Pvt. Ltd. Hyderabad Branch

Vietnam [Hitz] 1 (demonstration plant)

Australia [Inova] 3

Riverside, UK (778t/dx3)

Shanghai, China (500t/dx4)

As of April 1, 2015
1. Expansion in growth areas (Overseas) : Energy from Waste (6)

Data: Eurostat 2011

AD : Anaerobic Digestion
1. Expansion in growth areas (Overseas) : Energy from Waste (7)

Global Waste Management: Outlook
Potential in Many Markets, Slow Development Outside of China

Data from Eurostat and OECD, 2012
1. Expansion in growth areas (Overseas) : Energy from Waste (8)

**Global forecast market volume in EfW 2013-2017**

- **Europe**: 15,000-30,000
- **Asia**: 30,000-50,000
- **Middle East**: 5,000-10,000
- **North America**: 5,000-10,000

New Constructions in 1,000t/a
Source: Ecoprog 2013/2014

---

1. Expansion in growth areas (Overseas) : Energy from Waste (9)

◆Aim to be No. 1 in global EfW market

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 (JCM)
- 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, CO$_2$ 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)

AOM: After-service, Operation and Maintenance
2. Expansion in growth areas (Stable businesses): Environment AOM + long-term operation (2)

◆ Rationalization by overall operation of support systems

- 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

Remote Monitoring / Operation Support Center

- Remon system (sharing of operation/maintenance data)
- Maron system (sharing of site images)
4. New Businesses And Products
New businesses and products (1)

1. Movable Flap-Gate Type Breakwater

(1) Land-mounted flap-gate seawall (neo RiSe)

- Steady order intake (order intake in FY2014: 2.4 bil)
- 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
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 to be enforced in 2016

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
• SCR system received World’s first approval from Man Diesel & Turbo (MDT) in October 2014

Note:
Tier III requires an 80% reduction of NOx emissions from Tier I (17.0g/kWh) within emission control areas (ECA)

IMO: International Maritime Organization

Current and Future Emission Control Areas
Source: “Understanding exhaust gas treatment systems”, LRS
4. Demonstration Plant for Solar Thermal Power Generation

One-year test got successful results

**Saudi Arabia**

**Thermal Power Generation**  ⇒**Contributing to Desalination plants**

Using mirror reflectors to focus sunlight on a tube absorber, which acts as a heat source to generate steam and produce electricity.

Thermal storage enable continuous power generation during nighttime.

**Hitz Super Low Profile Fresnel concentrated solar power (HSLPF)**

1. Controllable reflector in both angle and curvature  ⇒improvement of the solar concentration ratio
2. Lower setup of the tube absorber  ⇒wind resistance and easy maintenance

⇒**Received first order for HSLPF from Mitsubishi Hitachi Power Systems, Ltd.**
5. High-speed Seabed Infiltration System (HiSIS®)

One-year operation test was started in June 2014

Abu Dhabi

HiSIS® pilot plant construction

is agreed between the Abu Dhabi Water and Electricity Authority (ADWEA) and Hitachi Zosen contributing to Seawater Reverse Osmosis (SWRO) Desalination Plants

Features of SWRO

Needs fewer electricity consumption, but has problems;
- clogging of membrane
- environmental burden caused by injecting chemicals

Merits of installing HiSIS® to SWRO

(1) Saving facilities
   → Reduction of initial costs
(2) Restraint the growth of marine life, amount of injecting chemicals, and deterioration of membrane
   → Reduction of running costs and environmental burden
Desalination Plant Experience in Middle East

Saudi Arabia
- Al-Khobar Phase-3 / 61.6MIGD
- Al-Jubail Phase-2 / 53.5MIGD
- Yanbu / 4.3MIGD
- Al-Jubail Stage-1 / 4.3MIGD
- HAQL Phase-1 / 0.2MIGD

Abu Dhabi
- Ruwais Refinery Expansion / 7.4MIGD
- Umm Al Nar IWPP / 25MIGD
- Taweelah B Expansion / 23.1MIGD
- Ruwais GUP Expansion / 3.3MIGD

Qatar
- Ras Abu Fontas A2 / 36MIGD
- Facility-D / 136.5MIGD
  (LNTP issued in May 2015)

Oman
- Barka IWPP Phase-1 / 20.7MIGD
- Ghubrah Phase-5 / 6.2MIGD
- Ghubrah Phase-3 / 6.2MIGD
- Ghubrah Phase-2 / 12.3MIGD
- Ghubrah Expansion / 6.2MIGD
New businesses and products (7)

Low Carbon & Fossil Fuel Free Solution

CSP Plant + Desalination Plant + EfW Plant

Fossil Fuel Free

Desalination Plant (MED/MSF/RO)

Vegetable Factory

CSP Plant

EfW Plant

Electricity

Water

Steam

North

CSP: Concentrated Solar Power
EfW: Energy from Waste
MED: Multi-Effect Desalination
MSF: Multi-Stage Flash
RO: Reverse Osmosis
M&A results for FY2014

- Cumberland joined Hitz group
  - Strengthening A/S network for Seawater electrolysis equipment
  - Utilization sales network not only water treatment but also other area
- HZI acquired HNP Kraftwerkstechnik (Germany) engaged in services for EfW and power generation plants (Germany), Axpo Kompogas Engineering with anaerobic biogas technology (Switzerland), and MT-BioMethan GmbH with biogas purification technology (Germany)
  - Expanding HZI’s business area
### Numerical Targets “Hitz Vision II”

<table>
<thead>
<tr>
<th></th>
<th>FY2013 Actual</th>
<th>FY2014 Actual</th>
<th>FY2015 Forecast</th>
<th>FY2016 Hitz-V II Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>328.4</td>
<td>452.7</td>
<td>450.0</td>
<td>500.0</td>
</tr>
<tr>
<td>Net sales</td>
<td>333.4</td>
<td>359.3</td>
<td>370.0</td>
<td>400.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>7.8 (2.4%)</td>
<td>12.8 (3.6%)</td>
<td>13.5 (3.6%)</td>
<td>23.0 (5.8%)</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>6.2 (1.9%)</td>
<td>7.5 (2.1%)</td>
<td>10.0 (2.7%)</td>
<td>20.0 (5.0%)</td>
</tr>
<tr>
<td>Net income</td>
<td>3.7</td>
<td>5.1</td>
<td>5.5</td>
<td>13.0</td>
</tr>
<tr>
<td>Interest bearing</td>
<td>104.3</td>
<td>119.0</td>
<td>126.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>26.4%</td>
<td>26.6%</td>
<td>27.5%</td>
<td>30.6%</td>
</tr>
<tr>
<td>ROE</td>
<td>3.7%</td>
<td>4.9%</td>
<td>5.0%</td>
<td>11.1%</td>
</tr>
</tbody>
</table>

(Unit: Billion Yen)
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.