Hitachi Zosen Corporation

FY2015 Financial Results and Progress of Hitz Vision II

July 2016

Hitachi Zosen Corporation
Contents


2. Progress of Mid-term Business Plan “Hitz Vision II”

3. Key Business Strategies

4. New Businesses and Products
### FY2015 Results and FY2016 Forecast Overview

(Unit: Billion Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2014 Actual</th>
<th>FY2015 Actual</th>
<th>FY2016 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>452.7</td>
<td>435.4</td>
<td>450.0</td>
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<tr>
<td>Net sales</td>
<td>359.3</td>
<td>387.0</td>
<td>400.0</td>
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<tr>
<td>Operating income</td>
<td>12.8</td>
<td>15.1</td>
<td>16.0</td>
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<tr>
<td>(ratio)</td>
<td>3.6%</td>
<td>3.9%</td>
<td>4.0%</td>
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<tr>
<td>Non-operating P&amp;L</td>
<td>-5.3</td>
<td>-2.9</td>
<td>-4.0</td>
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<td>7.5</td>
<td>12.2</td>
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<tr>
<td>(ratio)</td>
<td>2.1%</td>
<td>3.2%</td>
<td>3.0%</td>
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<tr>
<td>Extraordinary P&amp;L</td>
<td>1.8</td>
<td>-3.2</td>
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<tr>
<td>Income tax &amp; minority interests</td>
<td>-4.2</td>
<td>-3.2</td>
<td>-6.0</td>
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<tr>
<td>Net income</td>
<td>5.1</td>
<td>5.8</td>
<td>6.0</td>
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<tr>
<td>(ratio)</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.5%</td>
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</table>
Order intake

(Unit: Billion Yen)

FY2014 Actual
- Infrastructure: 27.7
- Machinery: 100.6
- Environmental Systems and Industrial Plants: 315.0

FY2015 Actual
- Infrastructure: 34.5
- Machinery: 107.2
- Environmental Systems and Industrial Plants: 283.7

FY2016 Forecast
- Infrastructure: 30.0
- Machinery: 110.0
- Environmental Systems and Industrial Plants: 300.0

Change:
- Infrastructure: -17.3 (Actual), +14.6 (Forecast)
- Machinery: -31.3 (Actual), +16.3 (Forecast)
- Environmental Systems and Industrial Plants: -" (Actual), +" (Forecast)
Net sales

(Unit: Billion Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2014 Actual</th>
<th>FY2015 Actual</th>
<th>FY2016 Forecast</th>
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<tbody>
<tr>
<td>Others</td>
<td>19.4</td>
<td>30.8</td>
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<tr>
<td>Infrastructure</td>
<td>104.4</td>
<td>104.5</td>
<td>110.0</td>
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<tr>
<td>Machinery</td>
<td>226.0</td>
<td>241.6</td>
<td>250.0</td>
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<tr>
<td>Environmental</td>
<td>359.3</td>
<td>387.0</td>
<td>400.0</td>
</tr>
<tr>
<td>Systems and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plants</td>
<td></td>
<td></td>
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</table>

FY2014 Actual: 226.0 Billion Yen
FY2015 Actual: 241.6 Billion Yen
FY2016 Forecast: 250.0 Billion Yen

Growth:
- Infrastructure: +27.7%
- Machinery: +13.0%
- Environmental Systems and Industrial Plants: +8.4%
Operating income

(Unit: Billion Yen)

<table>
<thead>
<tr>
<th>FY2014 Actual</th>
<th>FY2015 Actual</th>
<th>FY2016 Forecast</th>
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<tbody>
<tr>
<td>Total 12.8</td>
<td>13.6</td>
<td>Total 15.1</td>
</tr>
<tr>
<td>0.8</td>
<td>0.4</td>
<td>+2.3</td>
</tr>
<tr>
<td>-2.1</td>
<td>-0.8</td>
<td>Total 16.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+0.9</td>
</tr>
<tr>
<td>Total 16.0</td>
<td>14.0</td>
<td></td>
</tr>
<tr>
<td>-4.0</td>
<td></td>
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</tbody>
</table>

- Infrastructure
- Machinery
- Others
- Environmental Systems and Industrial Plants
### by Segments

(Unit: Billion Yen)

<table>
<thead>
<tr>
<th></th>
<th>Environmental Systems &amp; Industrial Plants</th>
<th>Machinery</th>
<th>Infrastructure</th>
<th>Others</th>
<th>Total</th>
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<td><strong>FY2014 Actual</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<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>
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<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>
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<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>
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<tr>
<td><strong>FY2015 Actual</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Order intake</td>
<td>283.7</td>
<td>107.2</td>
<td>34.5</td>
<td>10.0</td>
<td>435.4</td>
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<tr>
<td>Net sales</td>
<td>241.6</td>
<td>104.5</td>
<td>30.8</td>
<td>10.1</td>
<td>387.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>14.8</td>
<td>-0.8</td>
<td>0.4</td>
<td>0.7</td>
<td>15.1</td>
</tr>
<tr>
<td><strong>FY2016 Forecast</strong></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>30.0</td>
<td>10.0</td>
<td>450.0</td>
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<tr>
<td>Net sales</td>
<td>250.0</td>
<td>110.0</td>
<td>30.0</td>
<td>10.0</td>
<td>400.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>14.0</td>
<td>1.0</td>
<td>0.7</td>
<td>0.3</td>
<td>16.0</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】

Build a foundation,
sow the seeds

Achieve targets

◆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)

<table>
<thead>
<tr>
<th></th>
<th>Hitz Vision II (Plan)</th>
<th>Hitz Vision II (Actual / Forecast)</th>
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</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>400.0</td>
<td>450.0</td>
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<tr>
<td>Net sales</td>
<td>320.0</td>
<td>350.0</td>
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<tr>
<td>Operating income</td>
<td>10.0</td>
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<td>Ordinary income</td>
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<td>14.0</td>
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<tr>
<td>Net income</td>
<td>4.0</td>
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### Status of Well-balanced Business Portfolio

(UNIT: Billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2014</th>
<th>FY2015</th>
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<tbody>
<tr>
<td>Domestic</td>
<td>237.5</td>
<td>237.1</td>
<td>258.1</td>
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<tr>
<td>Overseas</td>
<td>49.6</td>
<td>122.2</td>
<td>128.9</td>
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<td><strong>Total</strong></td>
<td>287.1</td>
<td>359.3</td>
<td>387.0</td>
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<tr>
<td>New Businesses/Products</td>
<td>—</td>
<td>3.2</td>
<td>11.5</td>
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<tr>
<td>Stable Businesses (After-Sales Service, etc.)</td>
<td>115.5</td>
<td>136.1</td>
<td>148.5</td>
</tr>
</tbody>
</table>

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**Hitz Vision II**

- **[Overseas]**
  - 17% (FY2010) → 30% (FY2016)

- **[Stable Businesses]**
  - 40% (FY2010) → 50% (FY2016)

- **[New Businesses/Products]**
  - 50Bn (FY2016)
2. Hitz Vision Ⅱ management targets (3)

◆ Investment

<table>
<thead>
<tr>
<th></th>
<th>Hitz Vision</th>
<th>Hitz Vision Ⅱ</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>(Actual)</td>
<td>(Plan)</td>
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<tr>
<td></td>
<td>3 years total</td>
<td>3 years total</td>
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<tr>
<td>R&amp;D expenses</td>
<td>20.0</td>
<td>30.0</td>
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<tr>
<td>Capital investment</td>
<td>19.0</td>
<td>30.0</td>
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<tr>
<td>M&amp;A &amp; others</td>
<td>13.8</td>
<td>40.0</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)
3. Key Business Strategies
Expansion in growth areas: EfW

◆ World-class ample reference projects

- **Europe**
  - 208 projects
  - Hitachi Zosen Inova AG
  - HZ India Pvt. Ltd. Hyderabad Branch
  - North America
  - 79 projects
  - Hitachi Zosen Inova USA LLC

- **Asia**
  - 79 projects
  - Japan
  - 482 projects
  - Hitachi Zosen

- **Africa**
  - 3 projects

- **India**
  - 1 project

- **South America**
  - 1 project

- **Australia**
  - 3 projects

856 plants worldwide

As of April 1, 2016

Renergia, CH

Shanghai, China
Expansion in growth areas: EfW Market update

**HZI Market Shares – European EfW Market**

**Market Shares 2008 – 2015 by supplier**

- HZI: 25.6%
- VINCI: 4.0%
- Standardkessel Baumgarte: 4.3%
- Keppel Seghers: 5.3%
- Martin: 8.5%
- B&W Velund: 8.4%
- SBE: 9.4%
- CNIM (Martin grate): 18.8%
- Other suppliers: 16.9%

Total: 70,004 tpd

**Market Shares 2013 – 2015 by supplier**

- HZI: 33.2%
- VINCI: 3.4%
- Standardkessel Baumgarte: 6.3%
- Westinghouse / Alter-NRG: 5.4%
- Energos: 3.6%
- Keppel Seghers: 5.6%
- AMEC Foster Wheeler: 2.8%
- Martin: 3.2%
- CNIM (Martin grate): 14.8%
- Other suppliers: 26.0%

Total: 19,839 tpd

Source: Vaccani European Market Share Analysis of Thermal Waste Treatment Plants, 2016 Edition
Expansion in growth areas: EfW Market update

Hitz Market Shares – Japanese EfW Market

Market Shares 2008 – 2015 by supplier

- Hitz: 27.6%
- MHIEC: 17.9%
- KHI: 14.2%
- Takuma: 11.8%
- Ebara: 11.3%
- NSENGI: 8.3%
- Kobelco: 3.7%
- MHIEC (martin): 2.7%
- JFE: 2.5%

Total: 22’719 tpd

Market Shares 2013 – 2015 by supplier

- Hitz: 21.1%
- JFE: 17.4%
- Takuma: 17.1%
- MHIEC: 9.1%
- KHI: 7.1%
- Ebara: 8.0%
- NSENGI: 7.1%
- Kobelco: 4.2%
- Kyowa: 1.7%
- Kawasaki giken: 0.9%

Total: 8’926 tpd

Source: Vaccani European Market Share Analysis of Thermal Waste Treatment Plants, 2016 Edition
Expansion in growth areas: EfW Market update

◆ Market Shares by Supplier 2008-2015 – Worldwide

Expansion in growth areas: EfW Market update

◆ Global forecast market volume in EfW 2016-2020

- Europe: 15,700
- Asia: 53,000
- North America: 2,050
- Near and Middle East & Africa: 2,000

New Constructions in 1,000t
Source: Ecoprog 2015/2016

Chart showing projected market volumes:
- 2010: Approx. 10.5 billion tonnage
- 2025: Approx. 14.9 billion tonnage
- 2050: Approx. 22.3 billion tonnage

Expansion in growth areas: EfW Strategies

◆ Strategies 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

JCM: The Joint Crediting Mechanism
Expansion in growth areas: EfW Strategies

- **Reference in Southeast and South Asia**

  - **India (under construction)**
    - 600t/d 11,500kW
  
  - **Thai**
    - 370t/d 6,000kW
  
  - **Malaysia (under construction)**
    - 600t/d 18,000kW
  
  - **Vietnam (under construction)**
    - 75t/d 1,960kW
Expansion in growth areas : EfW  R&D

◆ Rationalization by ICT

Profitability improvement

Power generation amount UP =Revenue UP

Cost reduction =profit UP

Stable combustion

Manpower saving

Preventive maintenance

Automatic operation control system

◆ Rationalization by ICT
Rationalization by ICT

- In 2014, Hitz started a study of big data utilization with IBM
- The amount of data from EfW plants is the industry’s top level
Expansion in growth areas: EfW R&D

◆ Rationalization by ICT

→ Remote operation system

- Plant operations are monitored remotely at support center

Malaysia (1st order)
(600t/d, 18,000kW)
4. New Businesses and Products
New Businesses and Products

◆ Spin off Shipbuilding  → Growth of Environmental Business

→ Creating New Businesses

<Trends of Hitz group sales amount>

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Environmental Systems and Industrial Plants</th>
<th>Machinery</th>
<th>Infrastructure</th>
<th>Others</th>
<th>Shipbuilding</th>
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<tbody>
<tr>
<td>FY1996</td>
<td>635.2</td>
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<td>FY2001</td>
<td>333.8</td>
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<td>FY2005</td>
<td>439.1</td>
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<td>FY2011</td>
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<td>FY2015</td>
<td>387.0</td>
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</tbody>
</table>

Spin off Shipbuilding

Creating New Businesses

Creating New Businesses, M&A

Challenge 1,000 Bn

(Trend: Unit: Billion yen)
New Businesses and Products

Wind Power Business Promotion Office

Onshore wind power generation

Offshore wind power generation

Functional Materials Business Promotion Office

All-solid state lithium-ion batteries

Eucommia elastomer

Carbon nanotubes

Global Environment Protecting Technology Development & Business Promotion Office

Hydrogen production system

Methanation system
New Businesses and Products

◆ Forecast for the introduction of wind power in Japan

Source: Japan Wind Power Association
New Businesses and Products

◆ Wind Power Business

In operation
Kitanozawa Cliff Wind Farm 12MW (14% equity)
No.1 Omonogawa Wind Power Station 2,000kW
No.2 Omonogawa Wind Power Station 2,000kW

Planning Projects
Iwaki Katte Wind Power Station 2,000kW
Matsugasaki Wind Power Station 2,000kW
Mutsu Ogawara Wind Power Station 57,000kW
Kitakyusyu Floating Wind Turbine for NEDO Demonstration Research
NEDO: New Energy and Industrial Technology Development Organization
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.