Financial Results 2\textsuperscript{nd} Quarter FY2016

November 2016

Hitachi Zosen Corporation
## Overview of P&L

(Unit: billion yen)

<table>
<thead>
<tr>
<th></th>
<th>6months ended September 30,2015</th>
<th>6months ended September 30,2016</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Order intake</strong></td>
<td>198.8</td>
<td>197.4</td>
<td>-1.4</td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td>158.1</td>
<td>171.1</td>
<td>13.0</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>-0.4</td>
<td>-0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>(Ratio)</td>
<td>-0.3%</td>
<td>-0.1%</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>-1.2</td>
<td>-0.8</td>
<td>0.4</td>
</tr>
<tr>
<td>(Ratio)</td>
<td>-0.8%</td>
<td>-0.5%</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>-3.9</td>
<td>-2.0</td>
<td>1.9</td>
</tr>
<tr>
<td>(Ratio)</td>
<td>-2.5%</td>
<td>-1.2%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>
Order intake by segments

6 months ended September 30, 2015

- Environmental systems and Industrial Plants: 135.5
- Machinery: 45.3
- Infrastructure: 4.7
- Others: 13.3

Total: 198.8

6 months ended September 30, 2016

- Environmental systems and Industrial Plants: 124.4
- Machinery: 50.6
- Infrastructure: 12.1
- Others: 10.3

Total: 197.4

(unit: billion yen)
Net sales & Operating income

Net sales

<table>
<thead>
<tr>
<th></th>
<th>6 months ended September 30, 2015</th>
<th>6 months ended September 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>158.1</td>
<td>171.1</td>
</tr>
<tr>
<td>Others</td>
<td>10.4</td>
<td>12.4</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>47.6</td>
<td>44.6</td>
</tr>
<tr>
<td>Machinery</td>
<td>95.4</td>
<td>108.9</td>
</tr>
<tr>
<td>Total</td>
<td>-0.4</td>
<td>-0.2</td>
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</table>

Operating income

<table>
<thead>
<tr>
<th></th>
<th>6 months ended September 30, 2015</th>
<th>6 months ended September 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Others</td>
<td>-1.2</td>
<td>-0.3</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>+0.9</td>
<td>-0.4</td>
</tr>
<tr>
<td>Machinery</td>
<td>-1.3</td>
<td>-0.6</td>
</tr>
<tr>
<td>Environmental systems and Industrial Plants</td>
<td>-0.9</td>
<td>+0.2</td>
</tr>
<tr>
<td>Total</td>
<td>-0.4</td>
<td>Total -0.2</td>
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</table>
## P&L by Segments

<table>
<thead>
<tr>
<th></th>
<th>Environmental Systems and Industrial Plants</th>
<th>Machinery</th>
<th>Infrastructure</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Q FY2016 (6 months)</td>
<td>Order intake</td>
<td>124.4</td>
<td>50.6</td>
<td>12.1</td>
<td>10.3</td>
</tr>
<tr>
<td></td>
<td>Net Sales</td>
<td>108.9</td>
<td>44.6</td>
<td>12.4</td>
<td>5.2</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>0.4</td>
<td>-0.4</td>
<td>-0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>2Q FY2015 (6 months)</td>
<td>Order intake</td>
<td>135.5</td>
<td>45.3</td>
<td>13.3</td>
<td>4.7</td>
</tr>
<tr>
<td></td>
<td>Net Sales</td>
<td>95.4</td>
<td>47.6</td>
<td>10.4</td>
<td>4.7</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>1.6</td>
<td>-1.3</td>
<td>-0.9</td>
<td>0.2</td>
</tr>
<tr>
<td>Difference</td>
<td>Order intake</td>
<td>-11.1</td>
<td>5.3</td>
<td>-1.2</td>
<td>5.6</td>
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<tr>
<td></td>
<td>Net Sales</td>
<td>13.5</td>
<td>-3.0</td>
<td>2.0</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>-1.2</td>
<td>0.9</td>
<td>0.6</td>
<td>-0.1</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.
Hitachi Zosen Corporation


November 2016
Hitachi Zosen Corporation
Contents

2. Progress of Mid-term Business Plan
3. Key Business Strategies
4. New Businesses and Products
<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>
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<tr>
<td>Ordinary income</td>
<td>7.5</td>
<td>12.2</td>
<td>12.0</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>
<td>0.2</td>
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<tr>
<td>Income tax &amp; Non-ctrl interests</td>
<td>-4.2</td>
<td>-3.2</td>
<td>-6.2</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)

<table>
<thead>
<tr>
<th></th>
<th>FY2014 Actual</th>
<th>FY2015 Actual</th>
<th>FY2016 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>315.0</td>
<td>283.7</td>
<td>300.0</td>
</tr>
<tr>
<td>Machinery</td>
<td>100.6</td>
<td>107.2</td>
<td>105.0</td>
</tr>
<tr>
<td>Others</td>
<td>27.7</td>
<td>34.5</td>
<td>30.0</td>
</tr>
<tr>
<td>Environmental Systems and Industrial Plants</td>
<td>452.7</td>
<td>435.4</td>
<td>450.0</td>
</tr>
</tbody>
</table>
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>359.3</td>
<td>387.0</td>
<td>400.0</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>104.4</td>
<td>104.5</td>
<td>105.0</td>
</tr>
<tr>
<td>Machinery</td>
<td>226.0</td>
<td>241.6</td>
<td>255.0</td>
</tr>
<tr>
<td>Environmental Systems and Industrial Plants</td>
<td>+27.7</td>
<td>+13.0</td>
<td>+13.4</td>
</tr>
</tbody>
</table>

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Operating income

FY2014 Actual  
Total 12.8
-2.1

FY2015 Actual  
13.6
0.8
14.8
-0.8

FY2016 Forecast  
14.0
0.4
14.0
1.0

(Unit: Billion Yen)

+2.3
+0.9
+2.5
+1.8

Total 12.8  
Total 15.1  
Total 16.0
### 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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<tr>
<td><strong>FY2014 Actual</strong></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 Actual</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<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>
</tr>
<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>105.0</td>
<td>30.0</td>
<td>15.0</td>
<td>450.0</td>
</tr>
<tr>
<td>Net sales</td>
<td>255.0</td>
<td>105.0</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>
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2. Progress of Mid-term Business Plan
Management targets (1)

<table>
<thead>
<tr>
<th></th>
<th>Mid-term Business Plan</th>
<th>Management targets (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>
<td>17.0</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>8.0</td>
<td>14.0</td>
</tr>
<tr>
<td>Net income</td>
<td>4.0</td>
<td>8.0</td>
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</table>
## Management targets (2)

### Status of Well-balanced Business Portfolio

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2014</th>
<th>FY2015</th>
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<tbody>
<tr>
<td><strong>Domestic</strong></td>
<td>237.5</td>
<td>237.1</td>
<td>258.1</td>
</tr>
<tr>
<td></td>
<td>83%</td>
<td>66%</td>
<td>67%</td>
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<tr>
<td><strong>Overseas</strong></td>
<td>49.6</td>
<td>122.2</td>
<td>128.9</td>
</tr>
<tr>
<td></td>
<td>17%</td>
<td>34%</td>
<td>33%</td>
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<tr>
<td><strong>Total</strong></td>
<td>287.1</td>
<td>359.3</td>
<td>387.0</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>New Businesses/Products</strong></td>
<td>—</td>
<td>—</td>
<td>3.2</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Stable Businesses</strong></td>
<td>115.5</td>
<td>136.1</td>
<td>148.5</td>
</tr>
<tr>
<td>(After-Sales Service, etc.)</td>
<td>40%</td>
<td>38%</td>
<td>38%</td>
</tr>
</tbody>
</table>

### Hitz Vision II

<table>
<thead>
<tr>
<th>[Overseas]</th>
<th>[Stable Businesses]</th>
<th>[New Businesses/Products]</th>
</tr>
</thead>
<tbody>
<tr>
<td>17% (FY2010) → 30% (FY2016)</td>
<td>40% (FY2010) → 50% (FY2016)</td>
<td>50Bn (FY2016)</td>
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</table>
Management targets (3)

◆ Investment

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<th>Mid-term Business plan</th>
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<tr>
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<td>(FY2014-2016 total)</td>
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<tr>
<td>R&amp;D expenses</td>
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<tr>
<td>Capital investment</td>
<td>30.0</td>
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<tr>
<td>M&amp;A &amp; others</td>
<td>40.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Unit: Billion Yen)
3. Key Business Strategies
EfW Reference

◆ World-class ample reference projects

Europe 210
Hitachi Zosen Inova AG

Asia 80

Japan 482

India 1

Africa 3

South America 1

North America 79
Hitachi Zosen Inova USA LLC

Australia 3

859 plants Worldwide
As of October 1, 2016

EfW : Energy from Waste

Renergia, CH

Shanghai, China
EfW Market Shares - Europe -

◆ Hitachi Zosen Inova (HZI) Market Shares

Market Shares
2008 – 2015 by supplier

Market Shares
2013 – 2015 by supplier

Source: Vaccani European Market Share Analysis of Thermal Waste Treatment Plants, 2016 Edition
EfW Market Shares -Japan-

◆ Hitz Market Shares

**Market Shares**
2008 – 2015 by supplier

- **Hitz**: 21.1%
- **MHIEC**: 17.9%
- **KHI**: 14.2%
- **Takuma**: 11.8%
- **Ebara**: 11.3%
- **NSENGI**: 8.3%
- **Kobelco**: 3.7%
- **JFE**: 2.7%
- **MHIEC (martin)**: 2.7%
- **JFE**: 2.5%
- **Kawasaki giken**: 2.5%
- **Kyowa**: 1.7%
- **Kobelco**: 4.2%
- **MHIEC (martin)**: 6.3%
- **NSENGI**: 7.1%
- **KHI**: 7.1%
- **Ebara**: 8.0%
- **MHIEC**: 9.1%
- **Takuma**: 17.1%

Total: 22'719 tpd

**Market Shares**
2013 – 2015 by supplier

- **Hitz**: 27.6%
- **MHIEC**: 17.9%
- **Takuma**: 17.1%
- **MHIEC (martin)**: 9.1%
- **Ebara**: 8.0%
- **KHI**: 7.1%
- **NSENGI**: 7.1%
- **Kobelco**: 4.2%
- **Kyowa**: 1.7%
- **Kawasaki giken**: 0.9%
- **JFE**: 2.5%
- **MHIEC (martin)**: 2.7%
- **JFE**: 2.5%

Total: 8’926 tpd

Source: Vaccani European Market Share Analysis of Thermal Waste Treatment Plants, 2016 Edition
EfW Market Shares -Worldwide-


Hitz&HZI = Market Leader

EfW Market Volume

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


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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
EfW Strategies -Europe-

◆ Strategic M&A of overseas companies

Hitachi Zosen Inova (Switzerland): since Dec. 2010

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)
- Ferrybridge2: 1,015t/dx2 14MW (FY2016) (UK)
- Edinburgh 750t/dx4 70MW (FY2016) (UK)

Accelerate synergy with Hitachi Zosen
EfW Strategies - Southeast and South Asia

◆ Reference in Southeast and South Asia

- **India**
  - Delivery: October, 2016
  - 600t/d, 11,500kW

- **Thai**
  - Delivery: March, 2018
  - 370t/d, 6,000kW

- **Malaysia**
  - Delivery: January, 2018
  - 600t/d, 18,000kW

- **Vietnam**
  - Delivery: January, 2017
  - 75t/d, 1,960kW

- **Thai**
  - Delivery: March, 2018
  - 370t/d, 6,000kW

- **Malaysia**
  - Delivery: January, 2018
  - 600t/d, 18,000kW
◆ 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

EfW R&D

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
EfW R&D

◆ Rationalization by ICT

→Remote operation system

・Plant operations are monitored remotely at support center

Malaysia (1st order) (600t/d, 18,000kW)

Remote Monitoring / Operation Support Center (Hitz Head office, Osaka, Japan)
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>Year</th>
<th>Environmental Systems and Industrial Plants</th>
<th>Machinery</th>
<th>Infrastructure</th>
<th>Others</th>
<th>Shipbuilding</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY1996</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>FY2001</td>
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<td>FY2005</td>
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<td>FY2030</td>
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</tr>
</tbody>
</table>

Spin off Shipbuilding

Creating New Businesses, M&A

Challenge 1,000 Bn

(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
New Businesses and Products

◆ Effectively utilizing surplus energy, CCR (Carbon Capture and Reuse)

**Hitz**
- Electrolyzer
- Membrane CO2 separator
- Methenation catalysts

**HZI**
- Gas upgrading technology (HZI BioMethan, 2015.3)
- PtG (HZI Etogas, 2016.10)

PtG: Power to Gas
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.