

Hitachi Zosen Corporation

Financial Results 2nd Quarter FY2016



November 2016

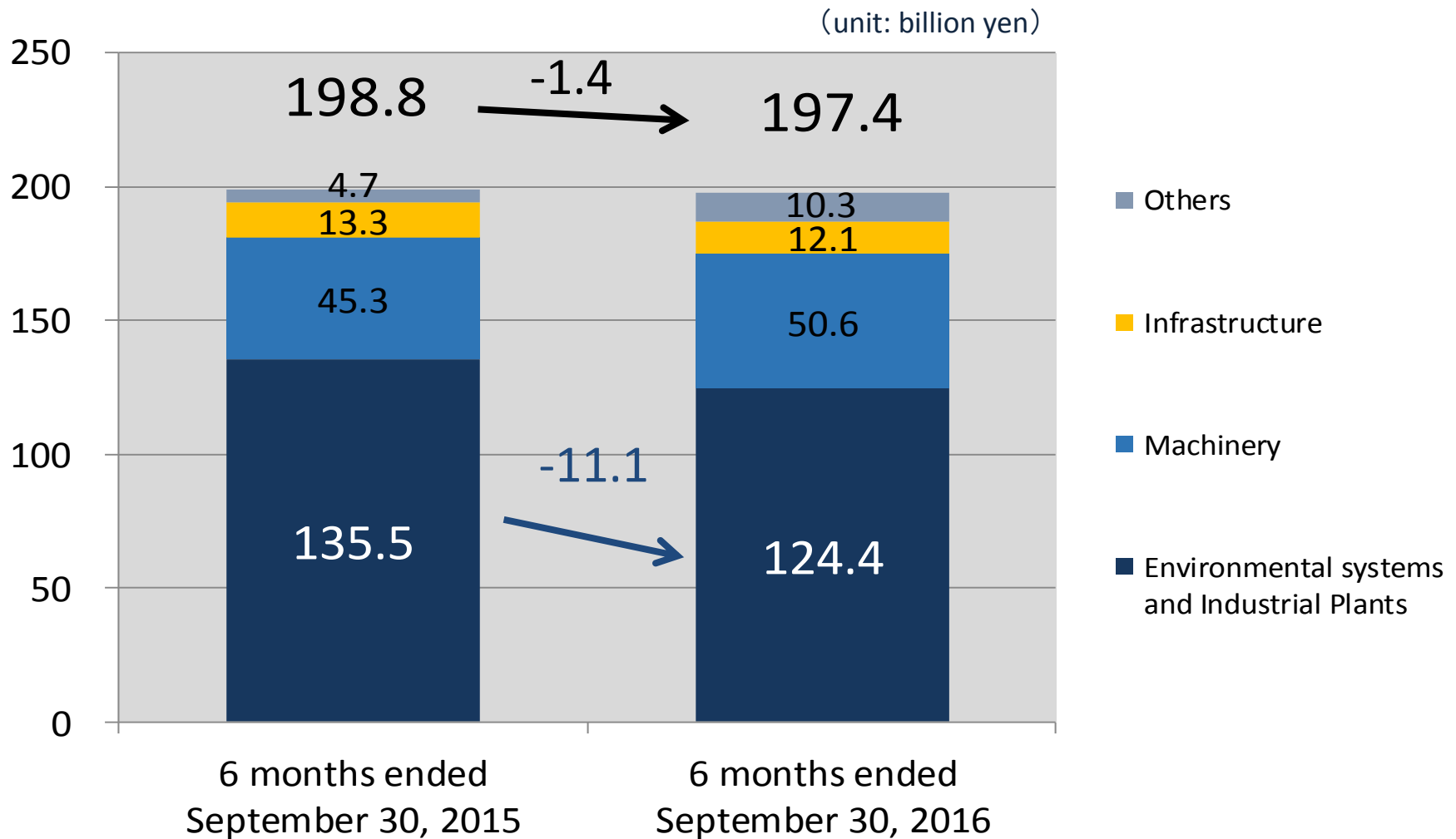
Hitachi Zosen Corporation

Overview of P&L

(Unit: billion yen)

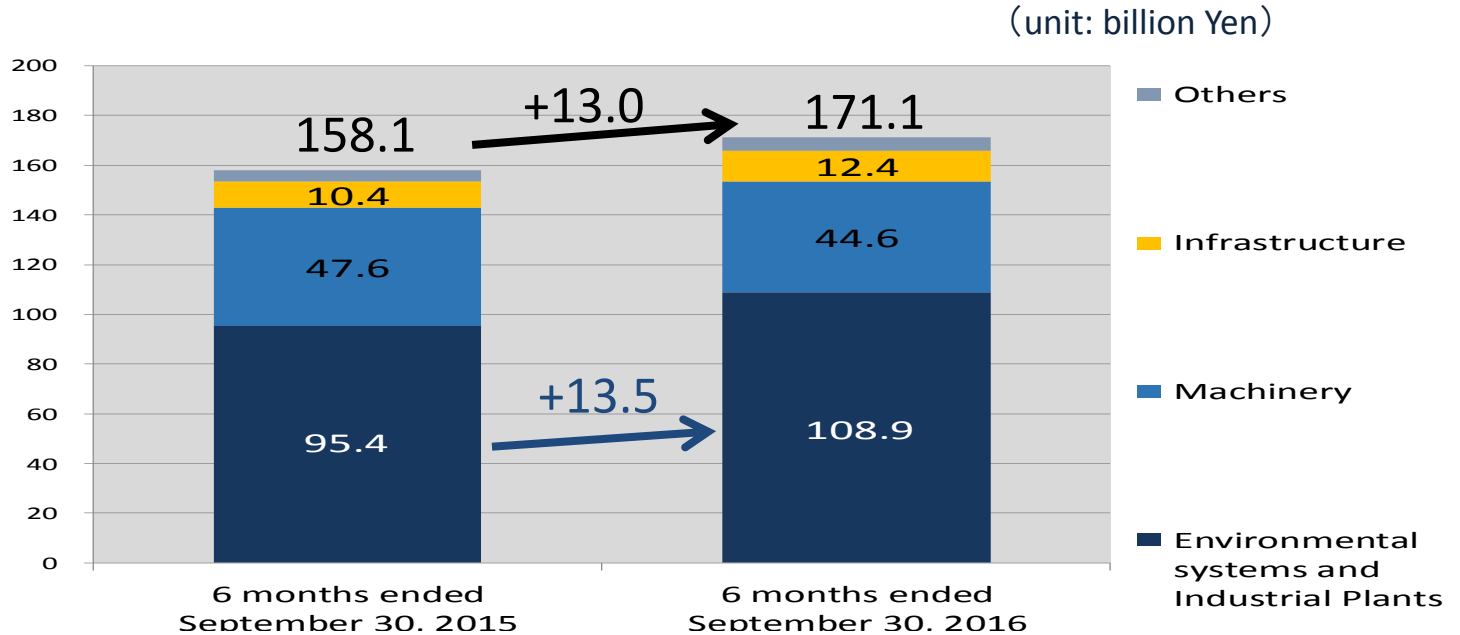
	6months ended September 30,2015	6months ended September 30,2016	Difference
Order intake	198.8	197.4	-1.4
Net Sales	158.1	171.1	13.0
Operating income	-0.4	-0.2	0.2
(Ratio)	-0.3%	-0.1%	0.2%
Ordinary income	-1.2	-0.8	0.4
(Ratio)	-0.8%	-0.5%	0.3%
Net income	-3.9	-2.0	1.9
(Ratio)	-2.5%	-1.2%	1.3%

Order intake by segments

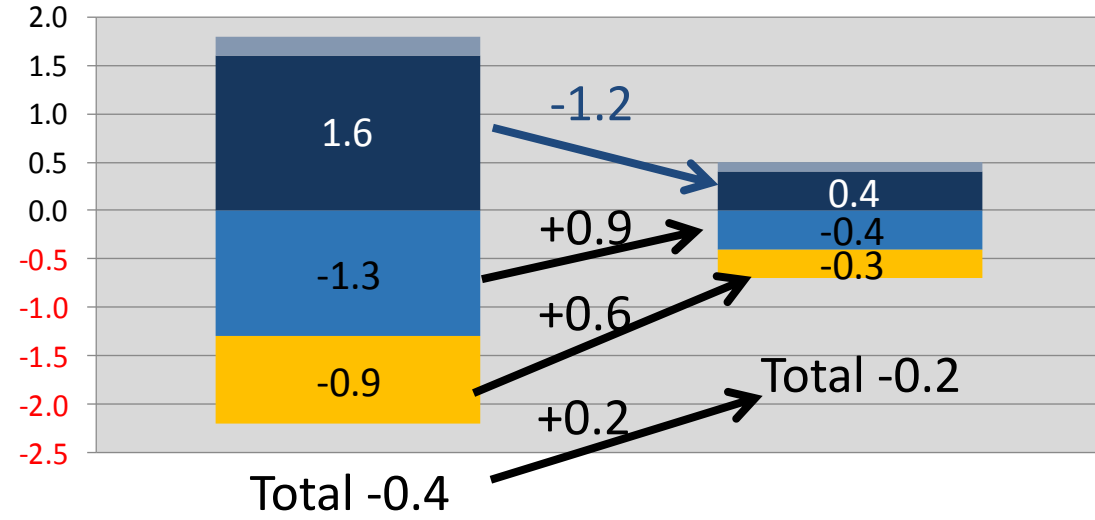


Net sales & Operating income

Net sales



Operating income



P&L by Segments

(unit: billion Yen)

		Environmental Systems and Industrial Plants	Machinery	Infrastructure	Others	Total
2Q FY2016 (6 months)	Order intake	124.4	50.6	12.1	10.3	197.4
	Net Sales	108.9	44.6	12.4	5.2	171.1
	Operating income	0.4	-0.4	-0.3	0.1	-0.2
2Q FY2015 (6 months)	Order intake	135.5	45.3	13.3	4.7	198.8
	Net Sales	95.4	47.6	10.4	4.7	158.1
	Operating income	1.6	-1.3	-0.9	0.2	-0.4
Difference	Order intake	-11.1	5.3	-1.2	5.6	-1.4
	Net Sales	13.5	-3.0	2.0	0.5	13.0
	Operating income	-1.2	0.9	0.6	-0.1	0.2

A large version of the Hitachi Zosen logo, with "Hitachi" in blue and yellow, and "Zosen" in blue, centered on the page.

Cautionary Statement

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Hitachi Zosen Corporation

FY2015 Financial Results and Progress of Mid-term Business Plan (2014-2016)

Ras Abu Fontas A2 Desalination Plant
Qatar



November 2016

Hitachi Zosen Corporation

1. Overview of FY2015 Financial Results and Forecast of FY2016
2. Progress of Mid-term Business Plan
3. Key Business Strategies
4. New Businesses and Products

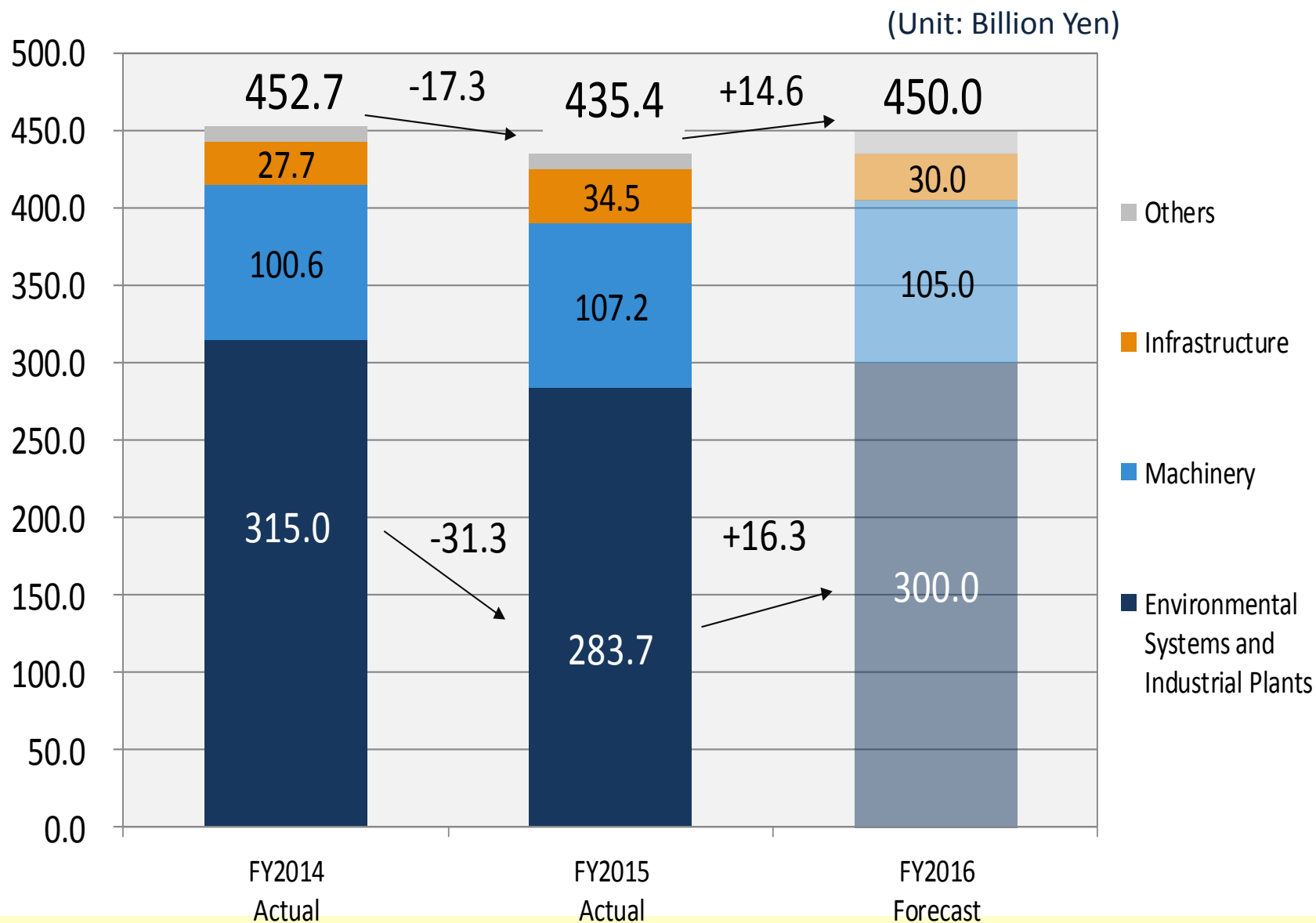
1. Overview of FY2015 Financial Results and Forecast of FY2016

FY2015 Results and FY2016 Forecast Overview

(Unit: Billion Yen)

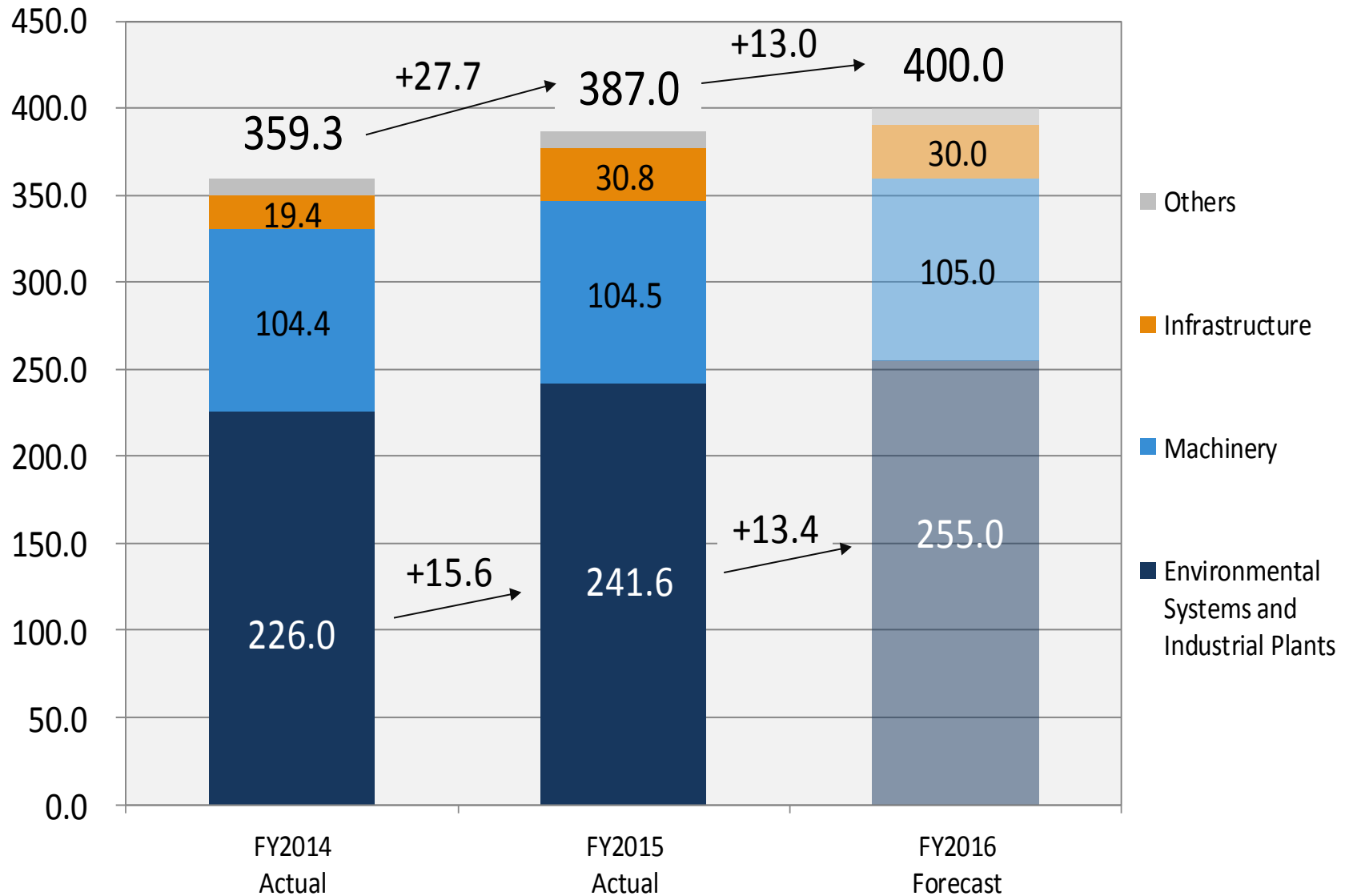
	FY2014 Actual	FY2015 Actual	FY2016 Forecast
Order intake	452.7	435.4	450.0
Net sales	359.3	387.0	400.0
Operating income	12.8	15.1	16.0
(ratio)	3.6%	3.9%	4.0%
Non-operating P&L	-5.3	-2.9	-4.0
Ordinary income	7.5	12.2	12.0
(ratio)	2.1%	3.2%	3.0%
Extraordinary P&L	1.8	-3.2	0.2
Income tax & Non-ctrl interests	-4.2	-3.2	-6.2
Net income	5.1	5.8	6.0
(ratio)	1.4%	1.5%	1.5%

Order intake



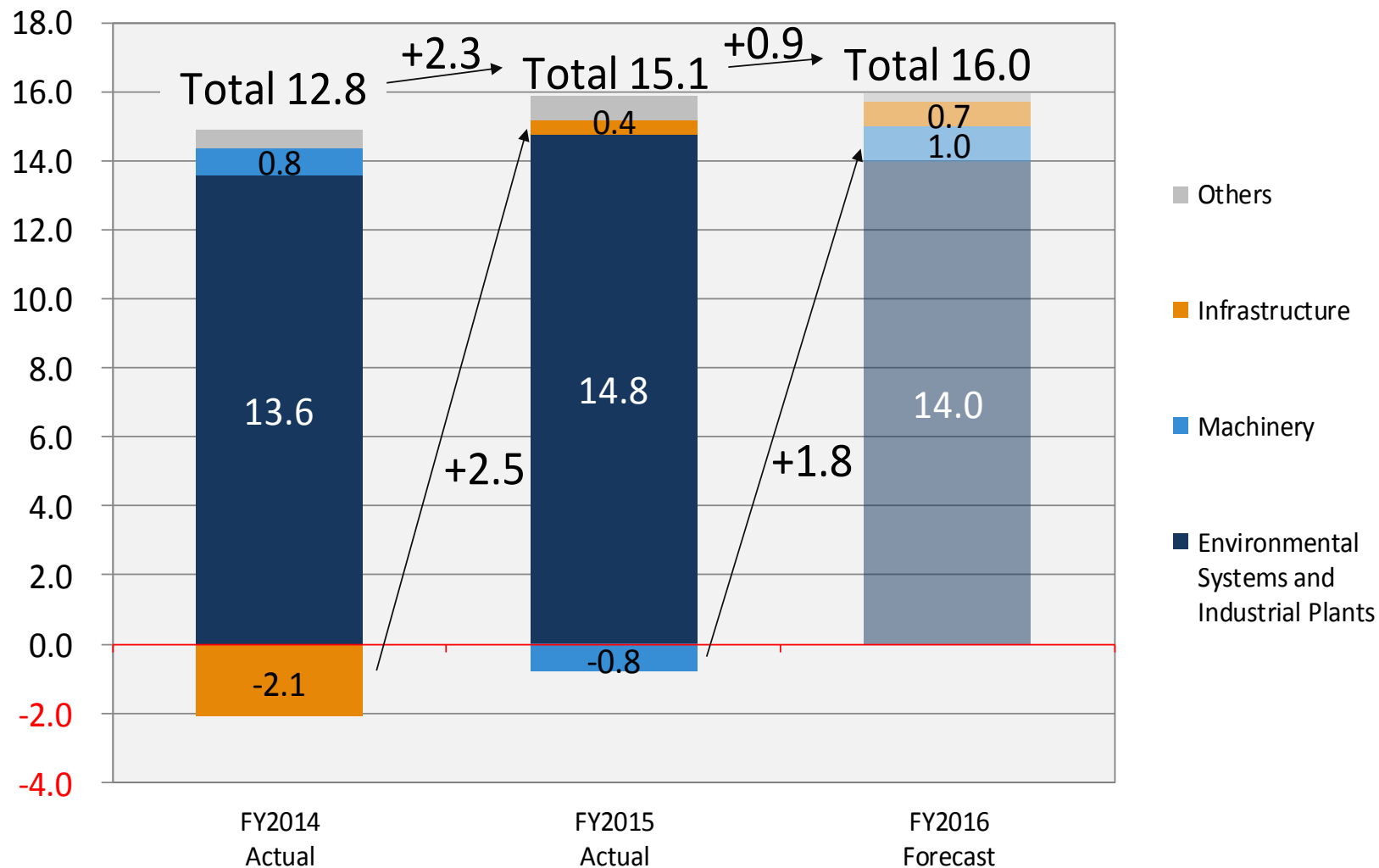
Net sales

(Unit: Billion Yen)



Operating income

(Unit: Billion Yen)

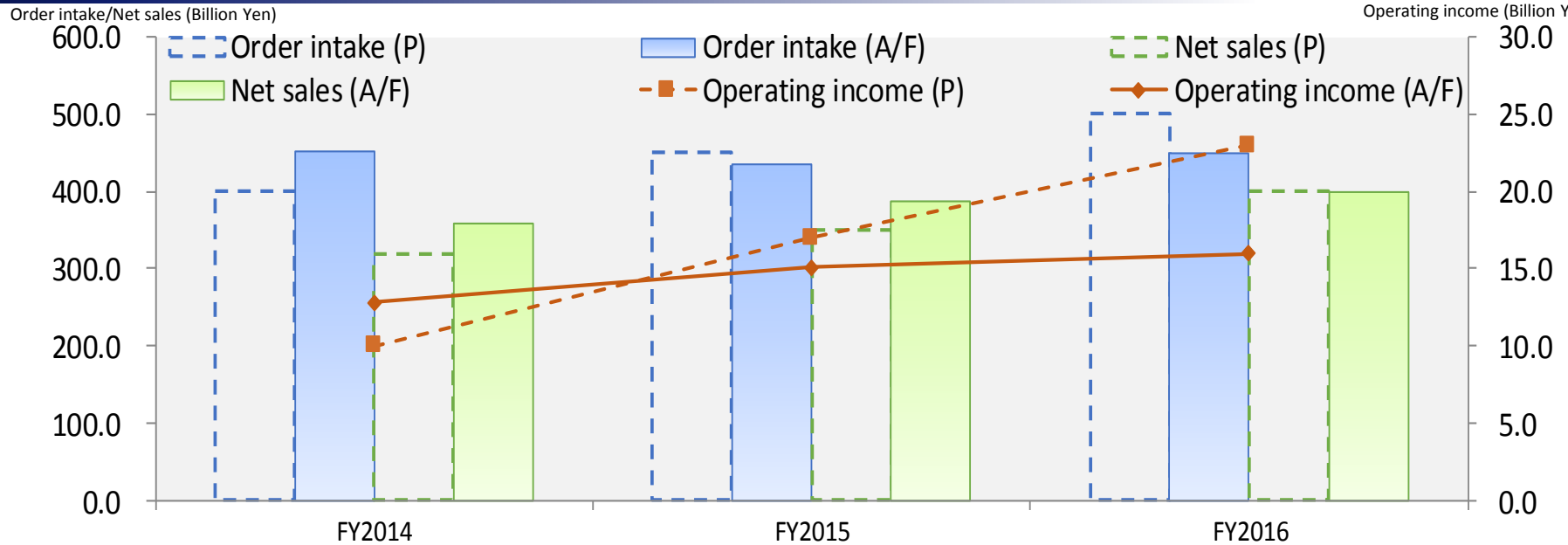


by Segments

		Environmental Systems & Industrial Plants	Machinery	Infrastructure	Others	Total
FY2014 Actual	Order intake	315.0	100.6	27.7	9.4	452.7
	Net sales	226.0	104.4	19.4	9.5	359.3
	Operating income	13.6	0.8	-2.1	0.5	12.8
FY2015 Actual	Order intake	283.7	107.2	34.5	10.0	435.4
	Net sales	241.6	104.5	30.8	10.1	387.0
	Operating income	14.8	-0.8	0.4	0.7	15.1
FY2016 Forecast	Order intake	300.0	105.0	30.0	15.0	450.0
	Net sales	255.0	105.0	30.0	10.0	400.0
	Operating income	14.0	1.0	0.7	0.3	16.0

2. Progress of Mid-term Business Plan

Management targets (1)



	Mid-term Business Plan			Management targets (Actual / Forecast)		
	FY2014	FY2015	FY2016	FY2014	FY2015	FY2016
Order intake	400.0	450.0	500.0	452.7	435.4	450.0
Net sales	320.0	350.0	400.0	359.3	387.0	400.0
Operating income	10.0	17.0	23.0	12.8	15.1	16.0
Ordinary income	8.0	14.0	20.0	7.5	12.2	12.0
Net income	4.0	8.0	13.0	5.1	5.8	6.0

Management targets (2)

◆ Status of Well-balanced Business Portfolio

(Unit: Billion yen)

	FY2010		FY2014		FY2015	
Domestic	237.5	83%	237.1	66%	258.1	67%
Overseas	49.6	17%	122.2	34%	128.9	33%
Total	287.1	100%	359.3	100%	387.0	100%
New Businesses/Products	—	—	3.2	1%	11.5	3%
Stable Businesses (After-Sales Service, etc.)	115.5	40%	136.1	38%	148.5	38%

Hitz Vision II

[Overseas]

17% (FY2010) → 30% (FY2016)

[Stable Businesses]

40% (FY2010) → 50% (FY2016)

[New Businesses/Products]

50Bn (FY2016)

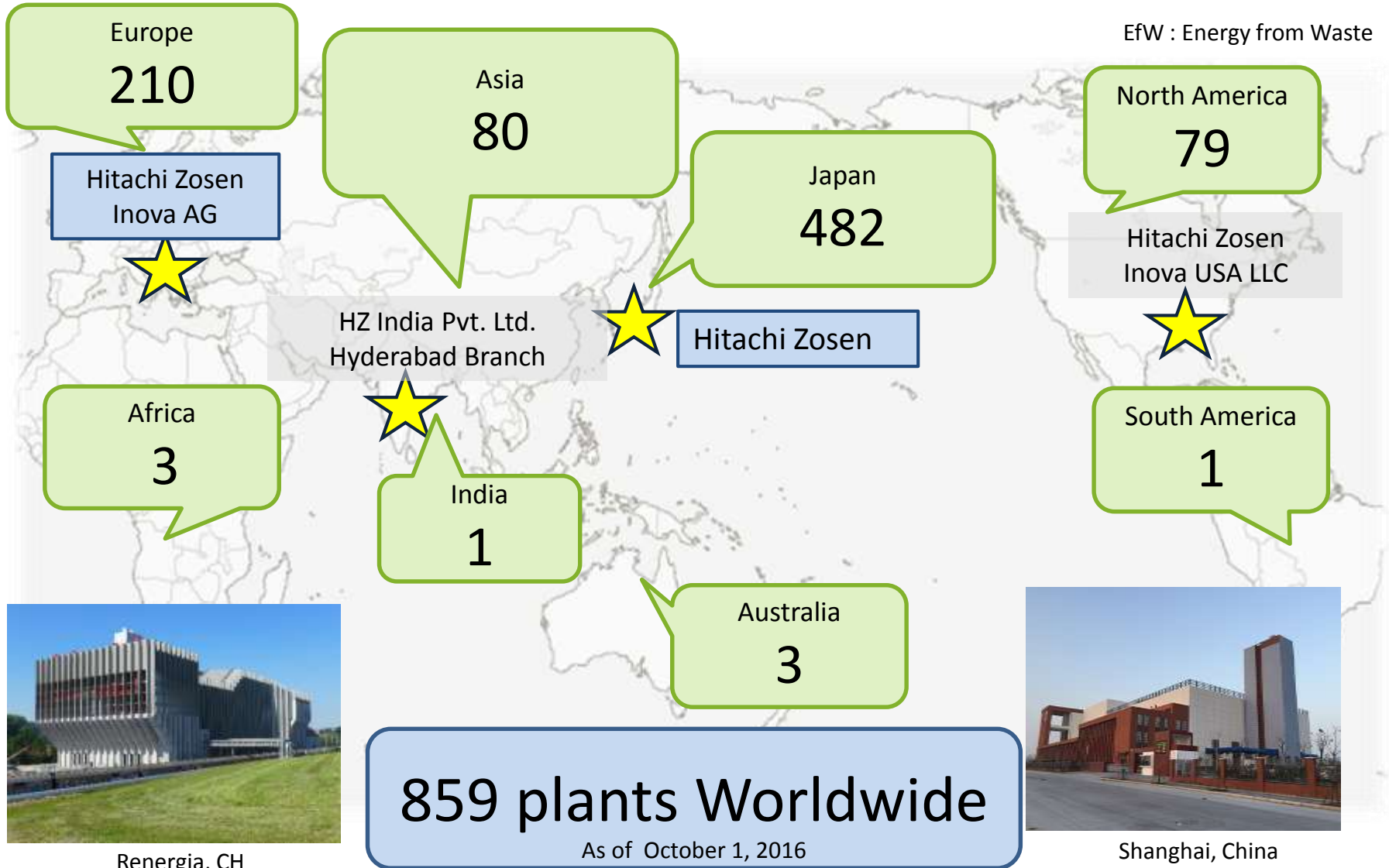
◆ Investment

(Unit: Billion Yen)

	Mid-term Business plan (FY2014-2016 total)
R&D expenses	30.0
Capital investment	30.0
M&A & others	40.0
Total	100.0

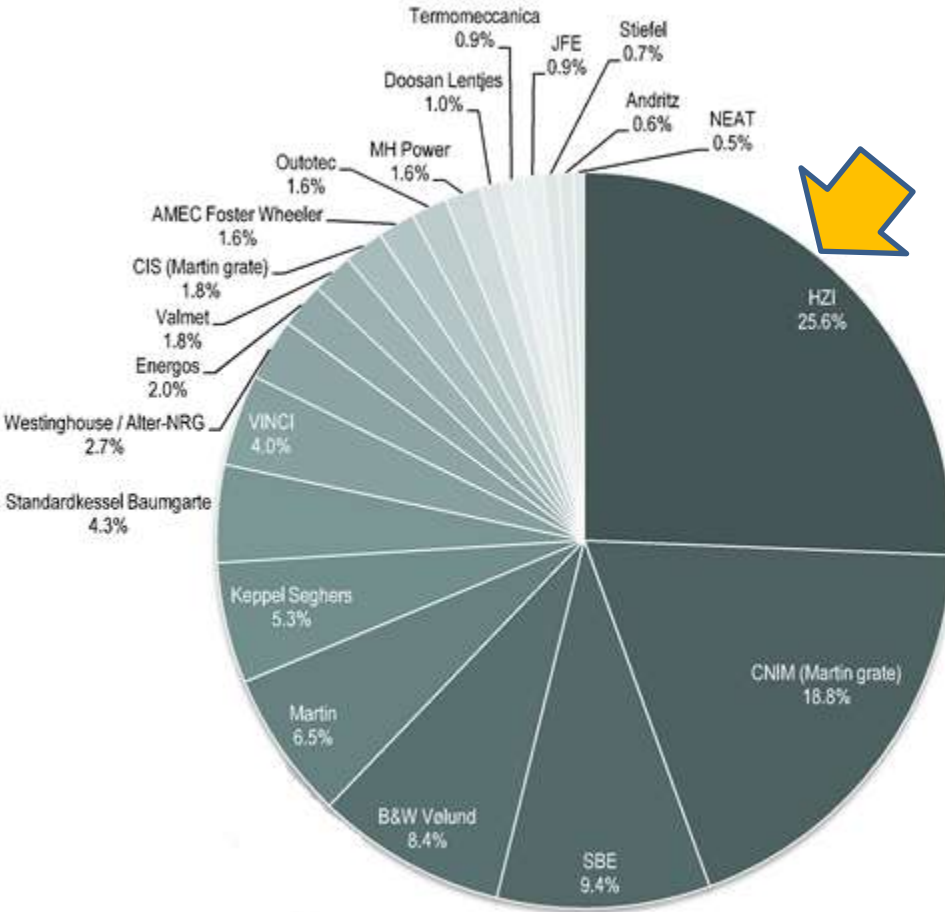
3. Key Business Strategies

◆ World-class ample reference projects



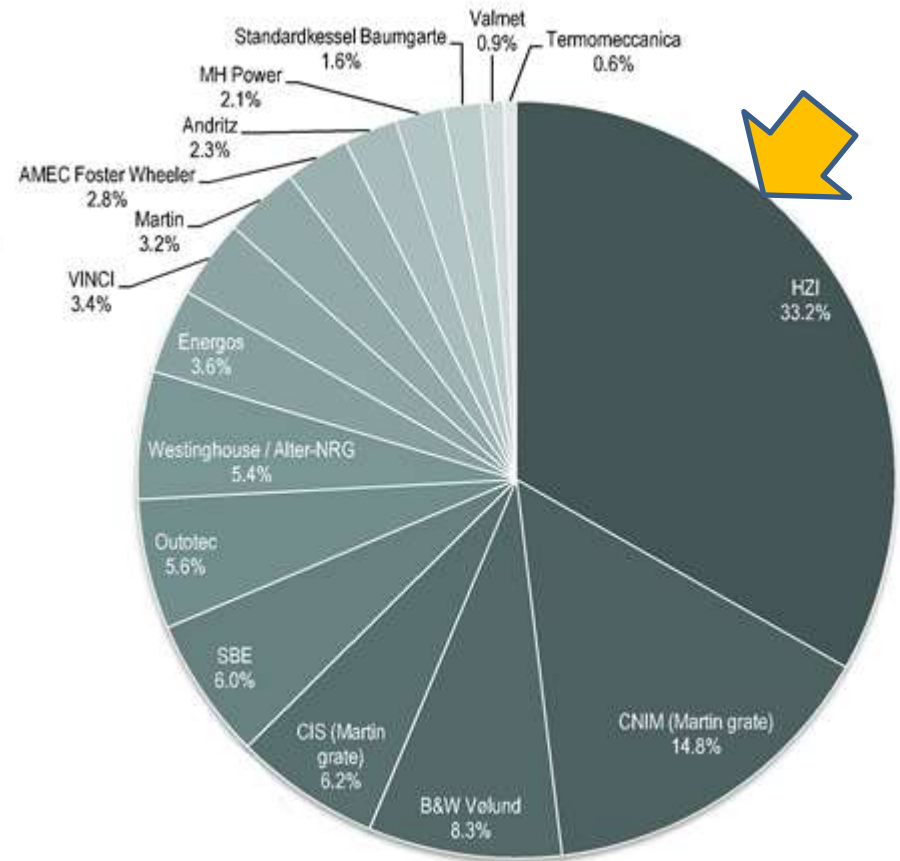
◆ Hitachi Zosen Inova (HZI) Market Shares

Market Shares
2008 – 2015 by supplier



Total: 70'004 tpd

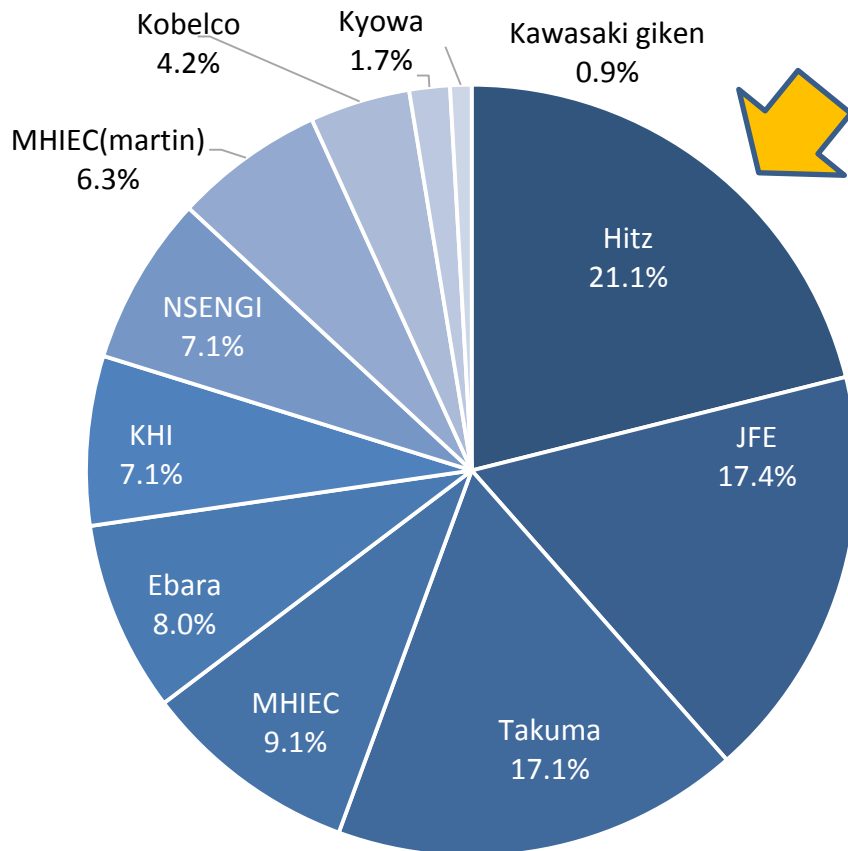
Market Shares
2013 – 2015 by supplier



Total: 19'839 tpd

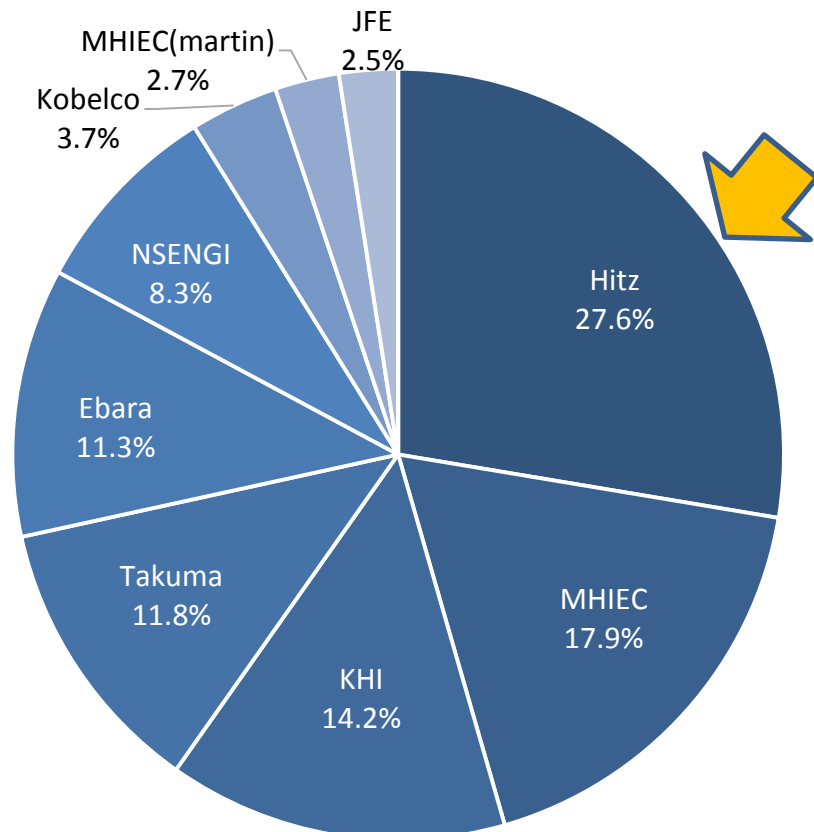
◆ Hitz Market Shares

Market Shares
2008 – 2015 by supplier



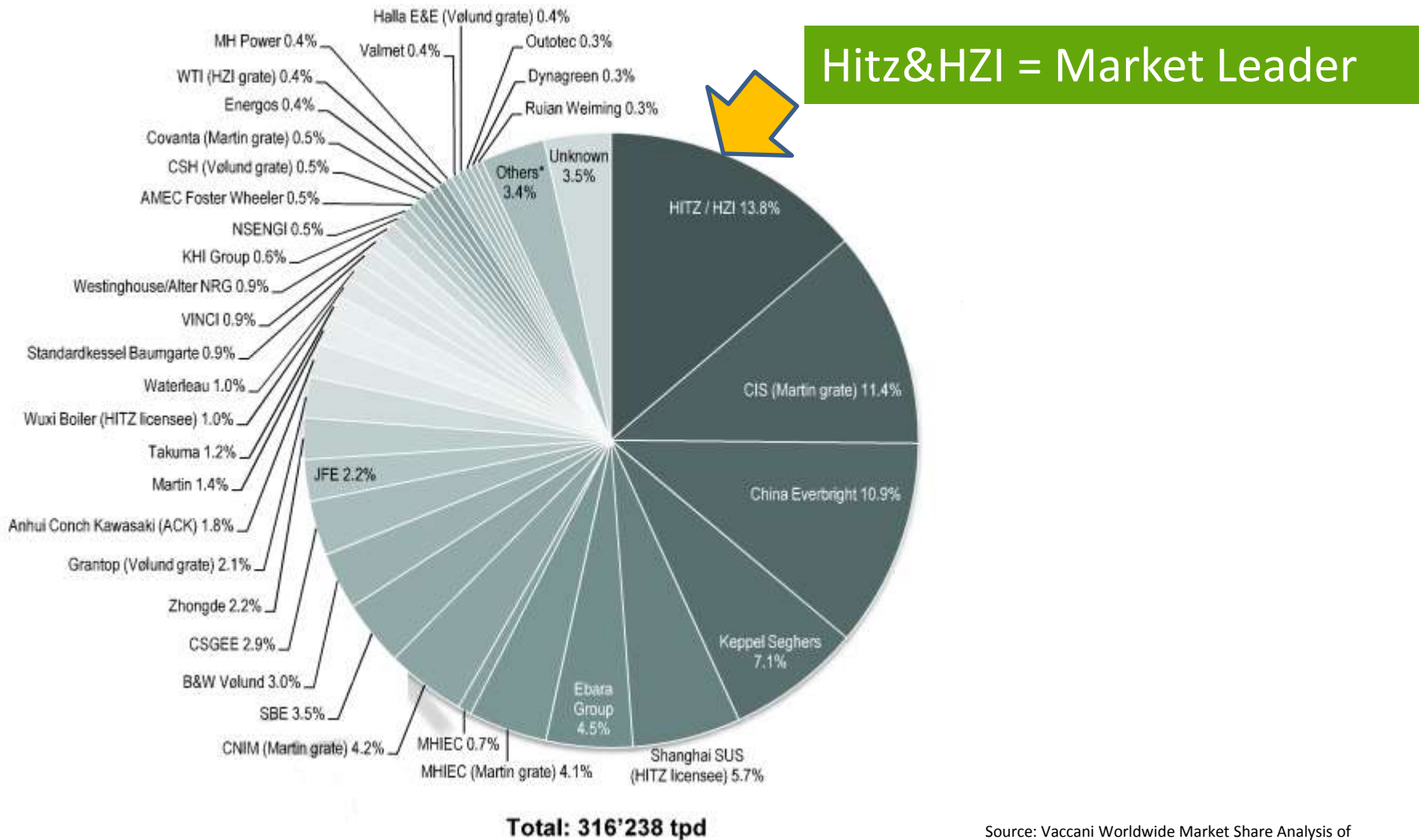
Total: 22'719 tpd

Market Shares
2013 – 2015 by supplier



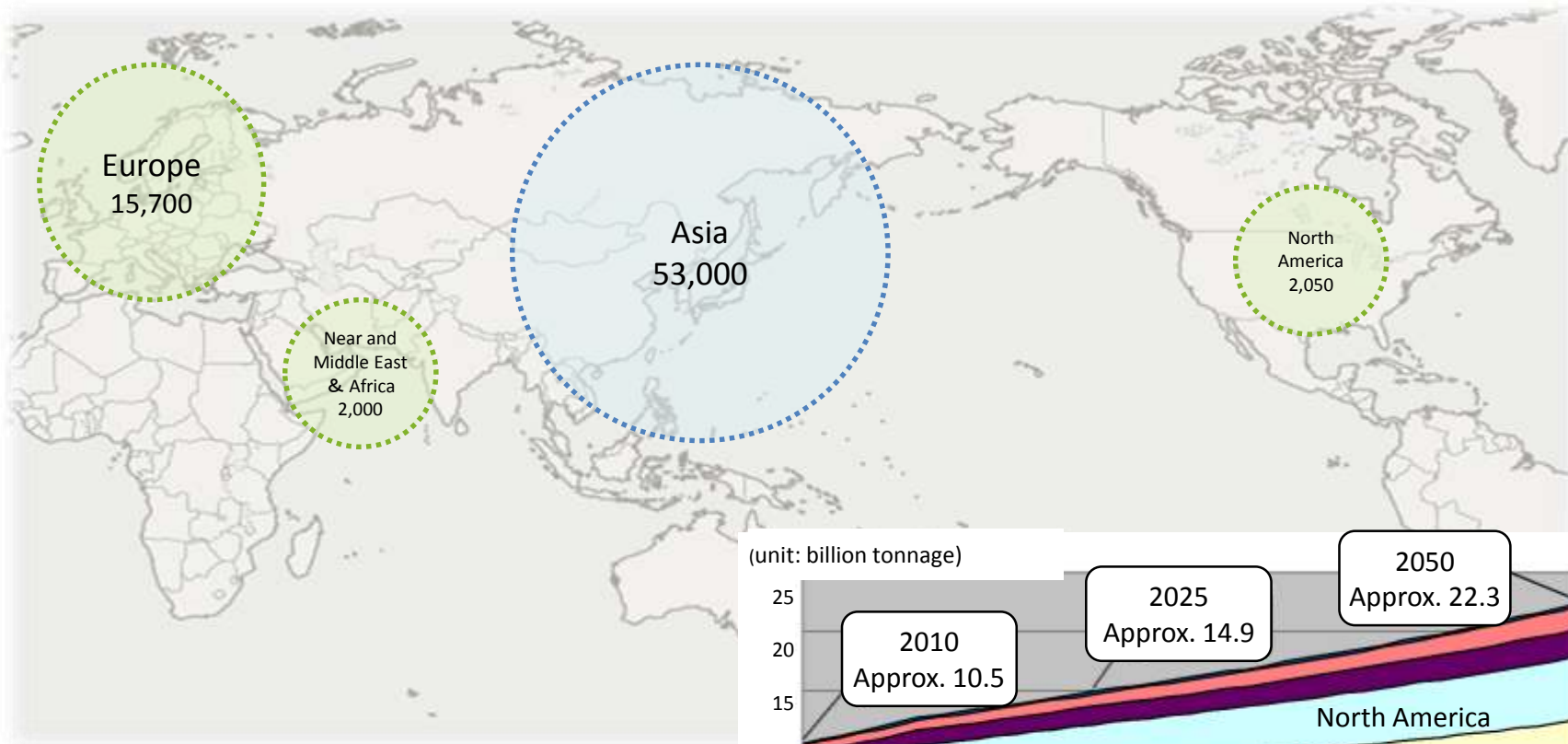
Total: 8'926 tpd

◆ Hitz&HZI Market Shares 2008-2015 – Worldwide

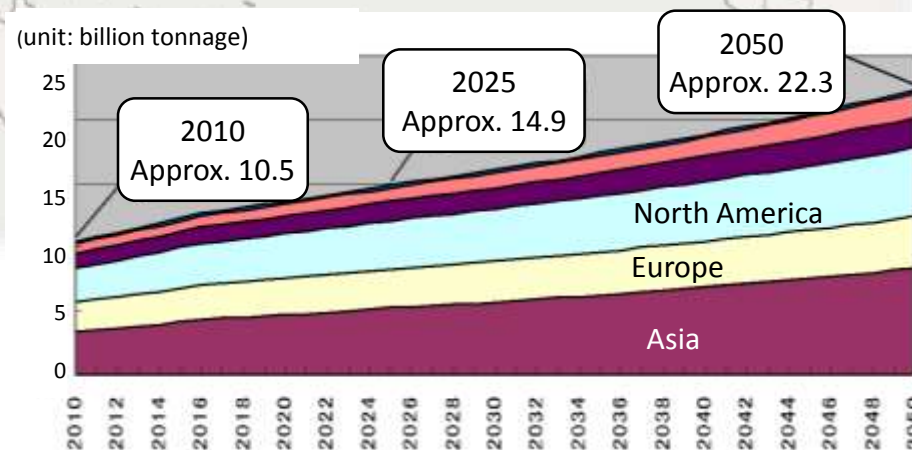


Source: Vaccani Worldwide Market Share Analysis of Thermal Waste Treatment Plants, 2016 Edition

◆ Global forecast market volume in EfW 2016-2020

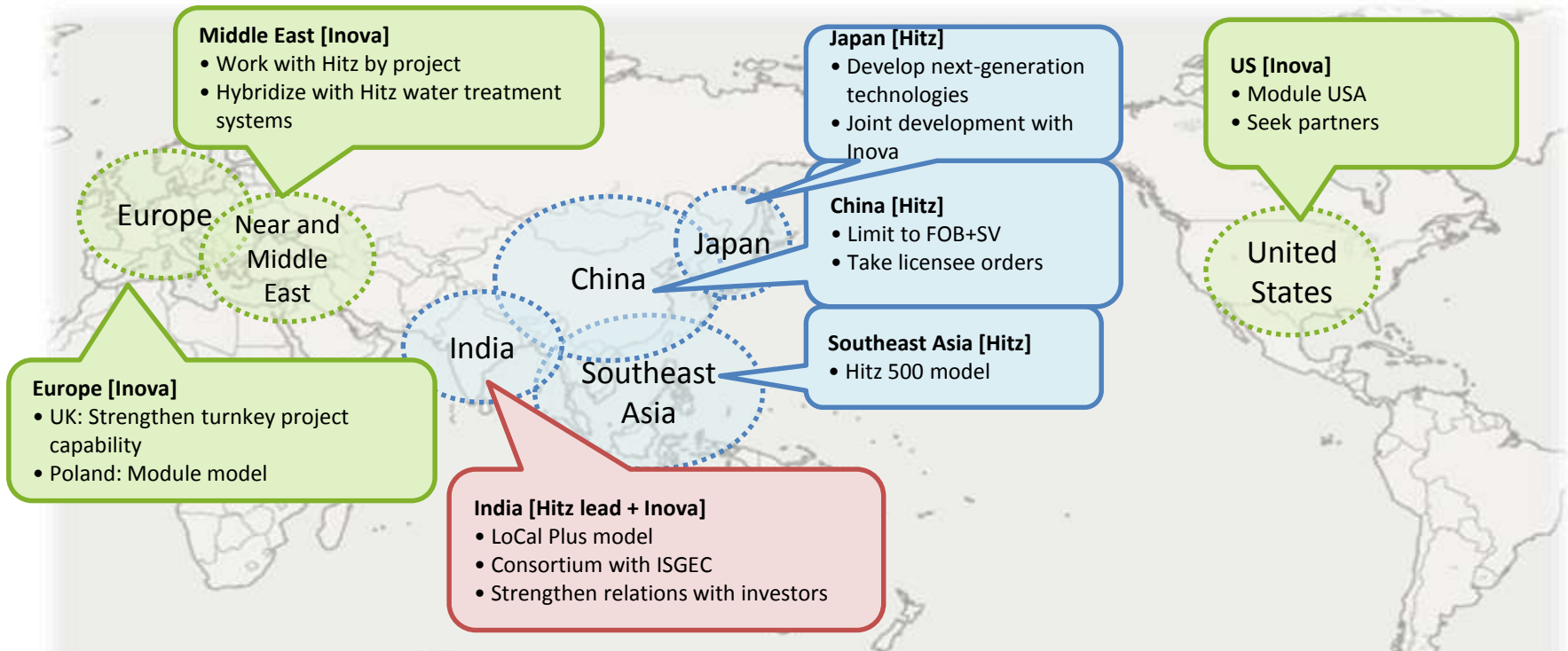


New Constructions in 1,000t
Source : Ecoprog 2015/2016



Source: "Estimates and Projections of Global Waste Emission Volumes,"
Research Institute of Solid Waste Management Engineering

◆ 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

◆ Strategic M&A of overseas companies

Hitachi Zosen Inova (Switzerland): since Dec. 2010

Consolidation of licensor → **Aiming global Market**

Steady order intake in Europe

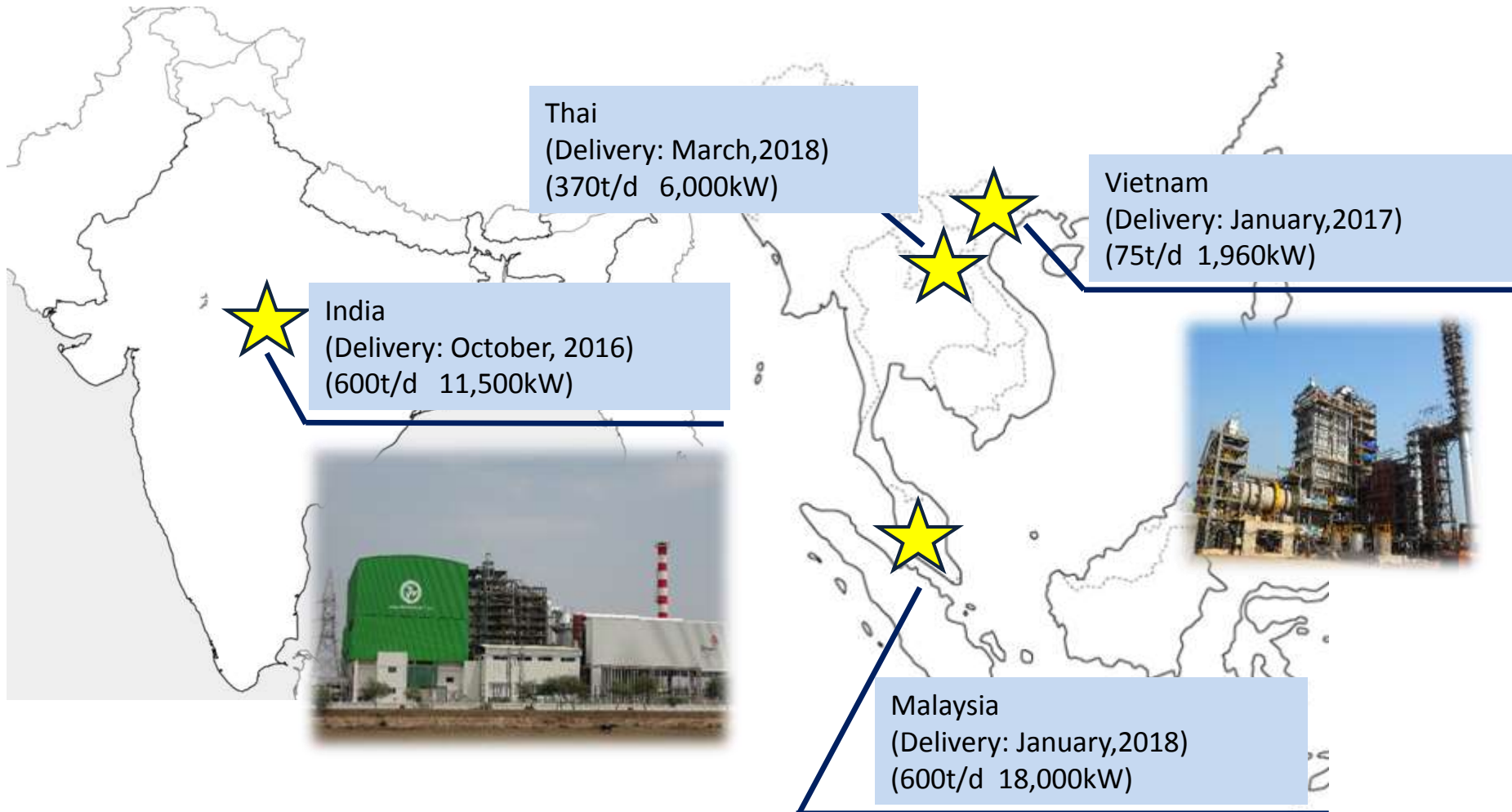
- Cleveland STV4+5: 456t/dx2 24MW (FY2011) (UK)
- Vantaa: 480t/dx2 (FY2011) (Finland)
- Ferrybridge: 1,013t/dx2 68MW (FY2012) (UK)
- Luzern: 300t/dx2 (FY2012) (Switzerland)
- Buckinghamshire: 900t/dx1 22MW (FY2013) (UK)
- Severnside: 581t/dx2 34MW (FY2013) (UK)
- Poznan: 360t/dx2 15MW (FY2014) (Poland)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

Edinburgh

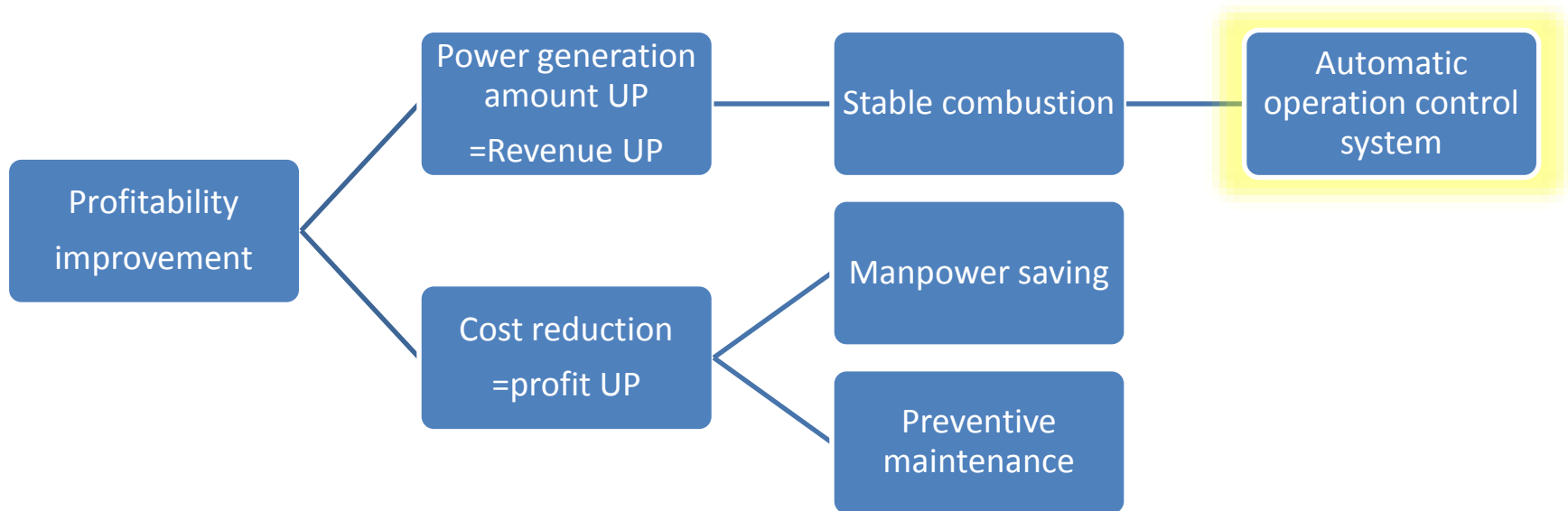


Accelerate synergy with Hitachi Zosen

◆ Reference in Southeast and South Asia

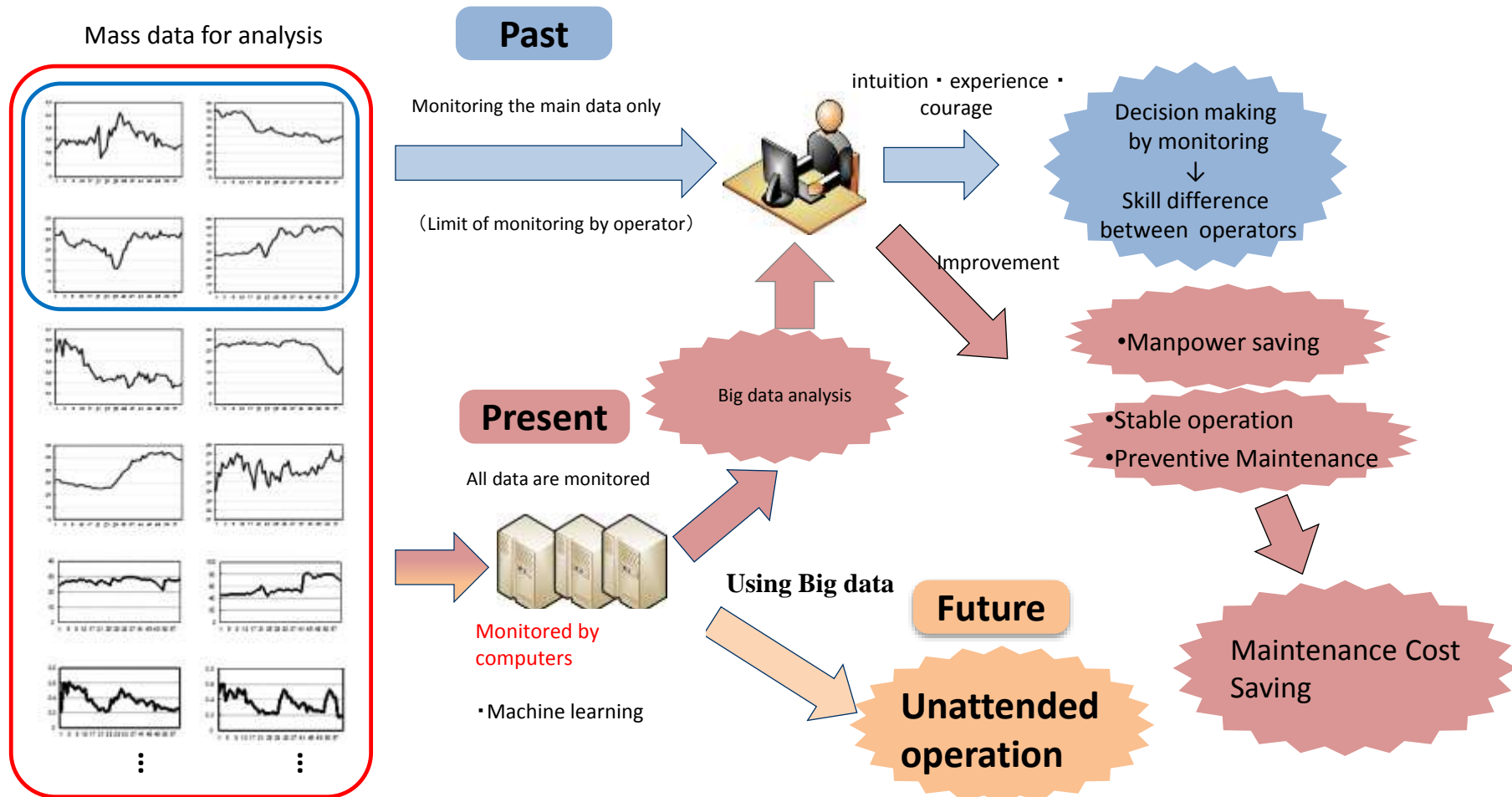


◆ Rationalization by ICT



◆ 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



◆ Rationalization by ICT

→ Remote operation system

- Plant operations are monitored remotely at support center



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

Remote Monitoring



Remote Monitoring / Operation Support Center
(Hitz Head office , Osaka, Japan)

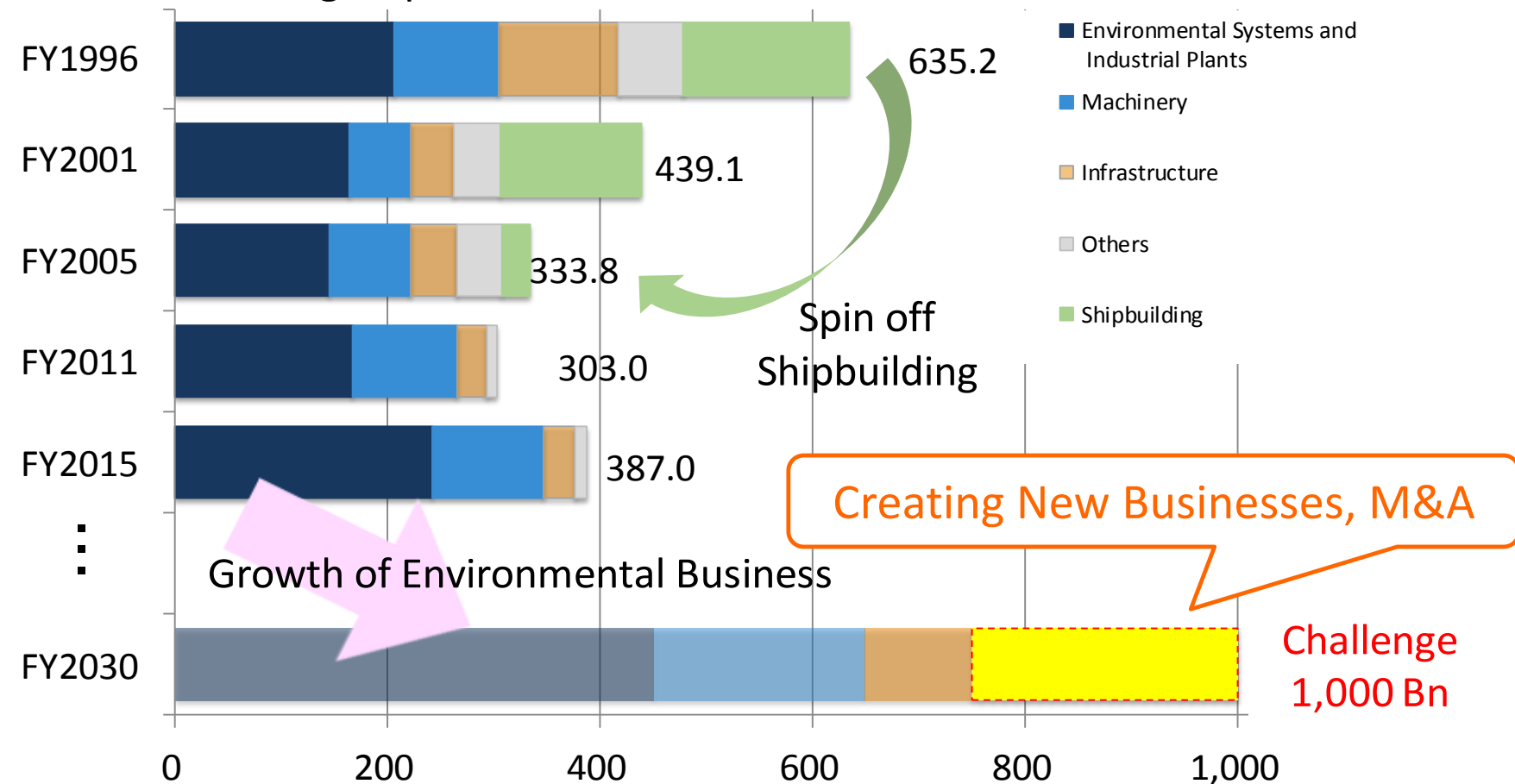
4. New Businesses and Products

◆ Spin off Shipbuilding → Growth of Environmental Business

→ Creating New Businesses

< Trends of Hitz group sales amount >

(Unit: Billion yen)



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

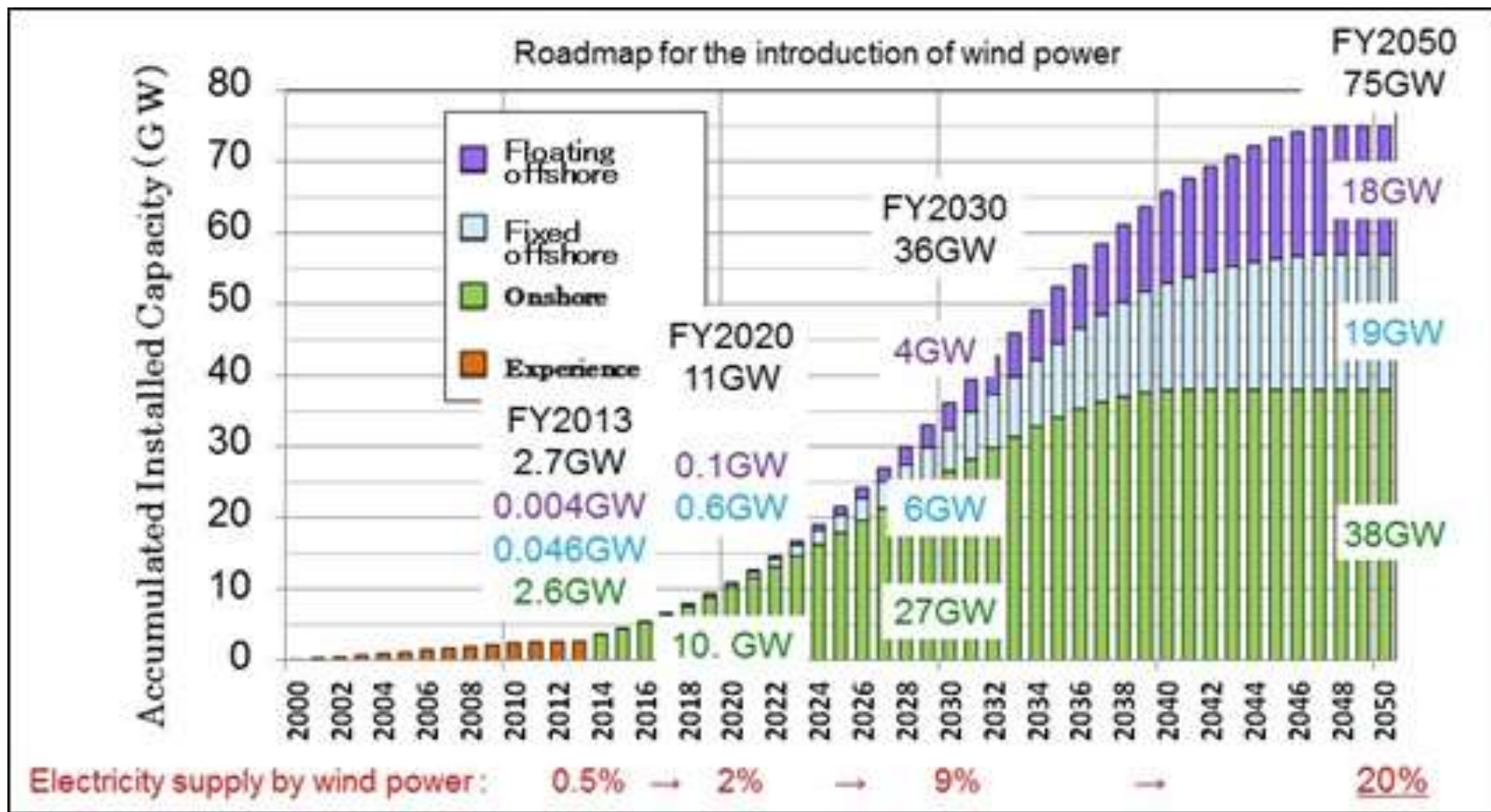


Hydrogen production system



Methanation system

◆ Forecast for the introduction of wind power in Japan



Source: Japan Wind Power Association

◆ 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



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

Hitz

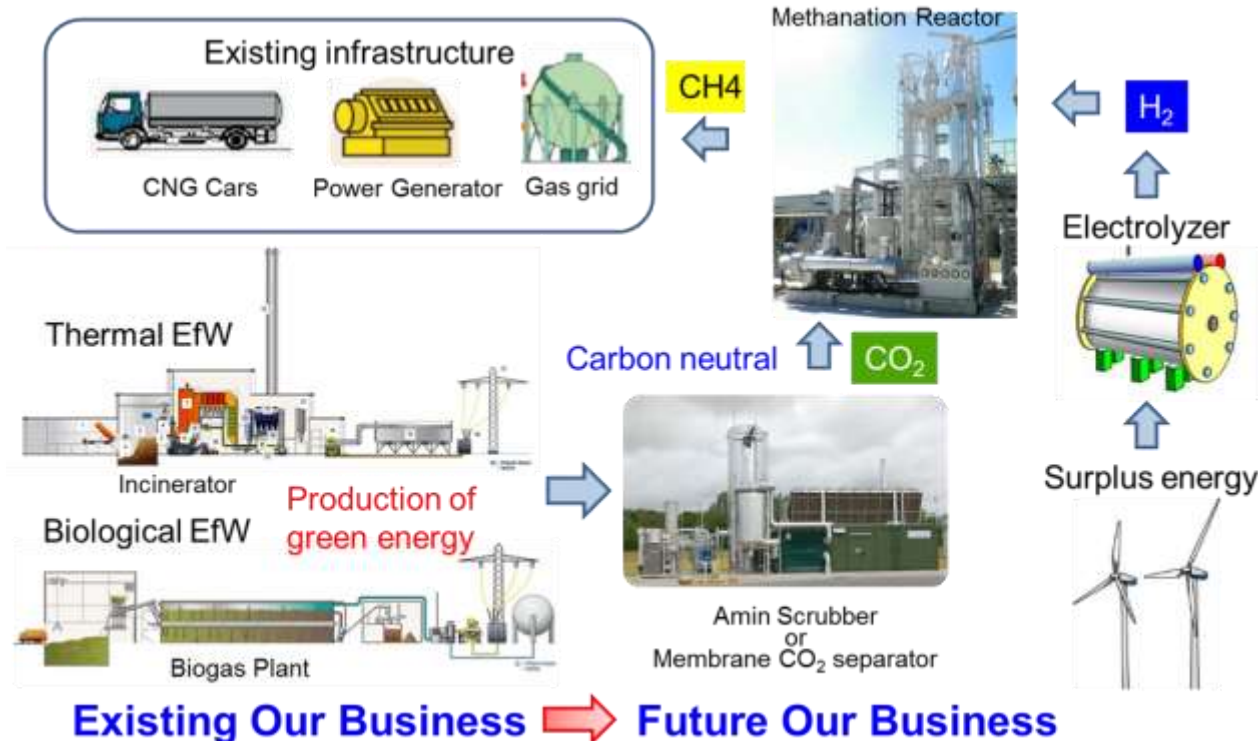
- Electrolyzer
- Membrane CO₂ separator
- Methenation catalysts

cooperation



HZI

- Gas upgrading technology (HZI BioMethan, 2015.3)
 - PtG (HZI Etogas, 2016.10)
- PtG: Power to Gas



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