
FY2016 Financial Results & FY2017 Forecast

June, 2017
Hitachi Zosen Corporation

(Unit: Billion Yen)

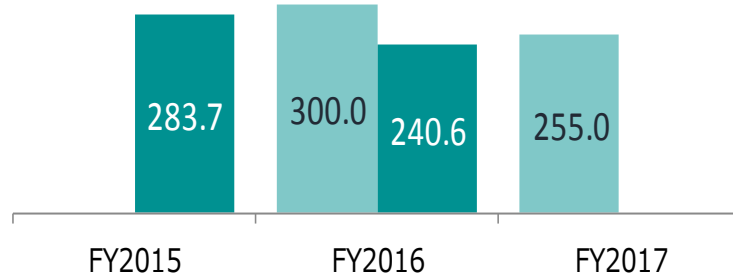
	FY2015		FY2016		FY2017	
	Actual	(Ratio to net sales)	Actual	(Ratio to net sales)	Forecast	(Ratio to net sales)
Order intake	435.4		398.9		400.0	
Net sales	387.0		399.3		360.0	
Operating income	(3.9%) 15.1		(3.7%) 14.9		(3.5%) 12.5	
Ordinary income	(3.2%) 12.2		(2.8%) 11.2		(2.8%) 10.0	
Net income	(1.5%) 5.8		(1.5%) 5.8		(1.8%) 6.5	

(Unit: Billion Yen)

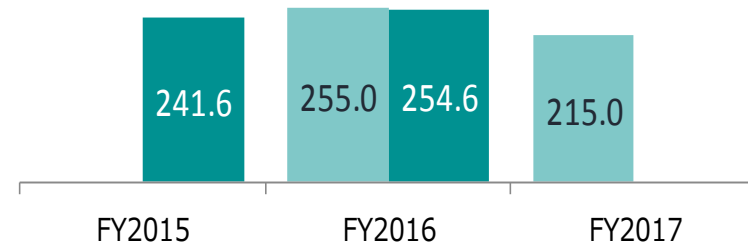
(Unit: Billion Yen)

【Order intake】

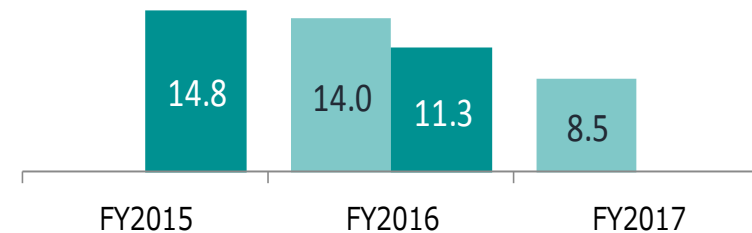
Forecast Actual



【Net sales】



【Operating income】



Order intake

■ FY2016 Results (vs. FY2015)

240.6 (-43.1)

- Award of large desalination plant order in Qatar during FY2015

■ FY2017 Forecast (vs. FY2016)

255.0 (+14.4)

- Increase of EPC contract for EfW plants(Japan)
- Addition of new consolidated subsidiary(water treatment business)

Net sales

■ FY2016 Results (vs. FY2015)

254.6 (+13.0)

- Increase in sales of desalination plant project in Qatar

■ FY2017 Forecast (vs. FY2016)

215.0 (-39.6)

- Decrease in sales of desalination plant project in Qatar
- Decrease in sales of AOM(upgrade of old EfW plants in Japan)

Operating income

■ FY2016 Results (vs. FY2015)

11.3 (-3.5)

- Decrease of profitable projects

■ FY2017 Forecast (vs. FY2016)

8.5 (-2.8)

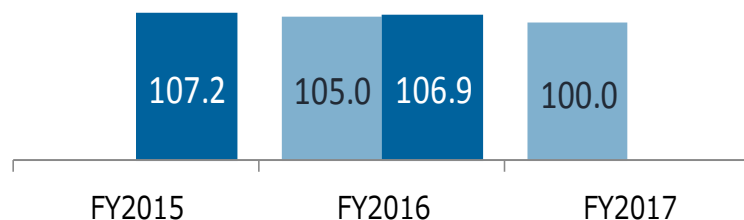
- Decrease of AOM(upgrade of old EfW plants in Japan)

(Unit: Billion Yen)

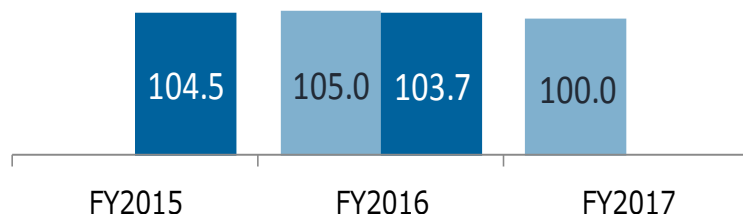
(Unit: Billion Yen)

【Order intake】

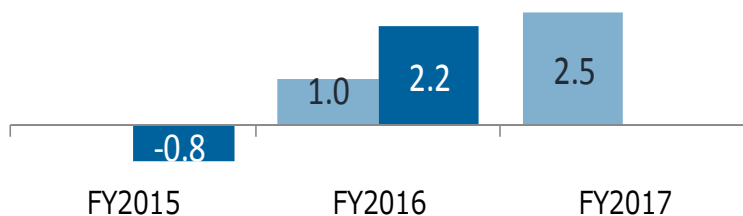
■ Forecast ■ Actual



【Net sales】



【Operating income】



Order intake

■ FY2016 Results (vs. FY2015)

106.9 (-3)

- Decrease of marine diesel engine orders(selective order)
- Award of large order in precision machinery business

■ FY2017 Forecast (vs. FY2016)

100.0 (-6.9)

- Decrease of marine diesel engine orders(selective order)

Net sales

■ FY2016 Results (vs. FY2015)

103.7(-0.8)

- Decrease in sales of precision machinery business due to delay in receipt of large order

■ FY2017 Forecast (vs. FY2016)

100.0(-3.7)

- Decrease of marine diesel engine projects

Operating income

■ FY2016 Results (vs. FY2015)

2.2(+3.0)

- Improvement of profitability of marine diesel engine business due to progress in restructuring the business
- Trouble shooting of new products in precision machinery

■ FY2017 Forecast (vs. FY2016)

2.5(+0.3)

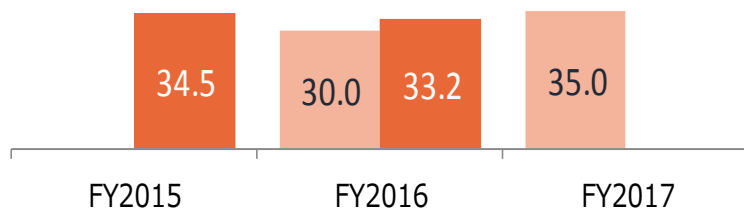
- Improvement of profitability of marine diesel engine business due to progress in restructuring the business

(Unit: Billion Yen)

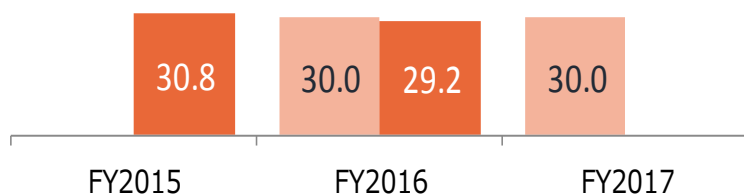
(Unit: Billion Yen)

【Order intake】

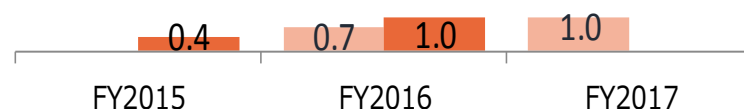
Forecast Actual



【Net sales】



【Operating income】



Order intake

■ FY2016 Results (vs. FY2015)

33.2(-1.3)

- Award of large marine civil engineering order during FY2015

■ FY2017 Forecast (vs. FY2016)

35.0(+1.8)

- Increase of bridges, steel stacks, marine civil engineering projects

Net sales

■ FY2016 Results (vs. FY2015)

29.2(-1.6)

- Decrease in sales of shield tunneling machine project

■ FY2017 Forecast (vs. FY2016)

30.0(+0.8)

- Increase in sales of hydraulic gate projects

Operating income

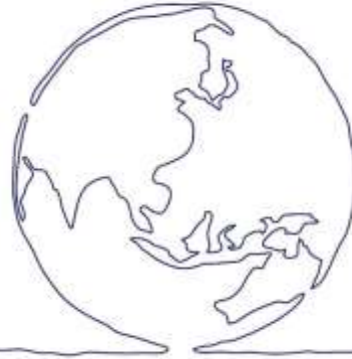
■ FY2016 Results (vs. FY2015)

1.0(+0.6)

- Successful progress in marine civil engineering projects
- Improvement of profitability

■ FY2017 Forecast (vs. FY2016)

1.0(±0.0)



Technology for People, the Earth, and the Future

Hitachi Zosen creates links between mother nature and our future

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Hitachi Zosen Corporation

<http://www.hitachizosen.co.jp/english/>

**Summary of
New Medium-Term Management Plan
"Change & Growth"
(FY2017-FY2019)**

**June, 2017
Hitachi Zosen Corporation**

- 1. Review of former Medium-Term Management Plan “Hitz Vision II”**
- 2. New Long-Term Vision “Hitz 2030 Vision”**
- 3. New Medium-Term Management Plan “*Change & Growth*”**

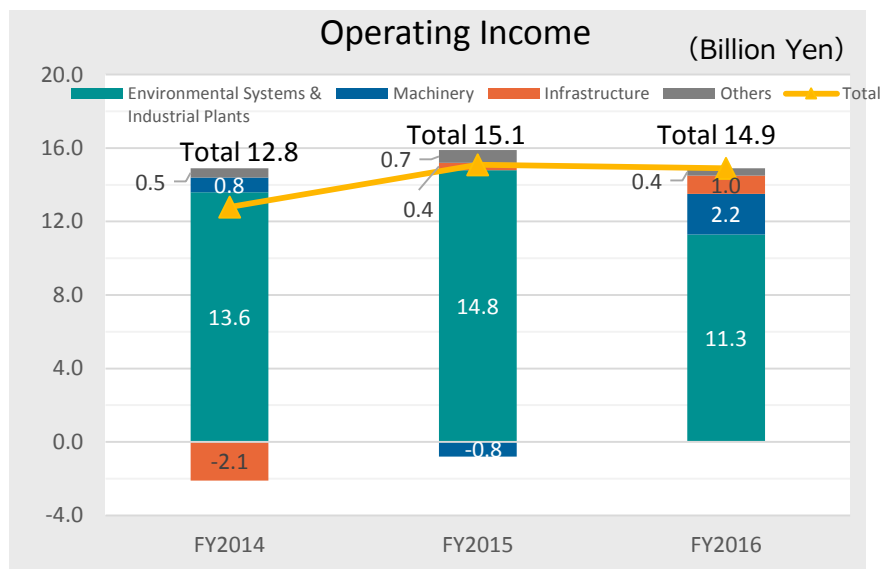
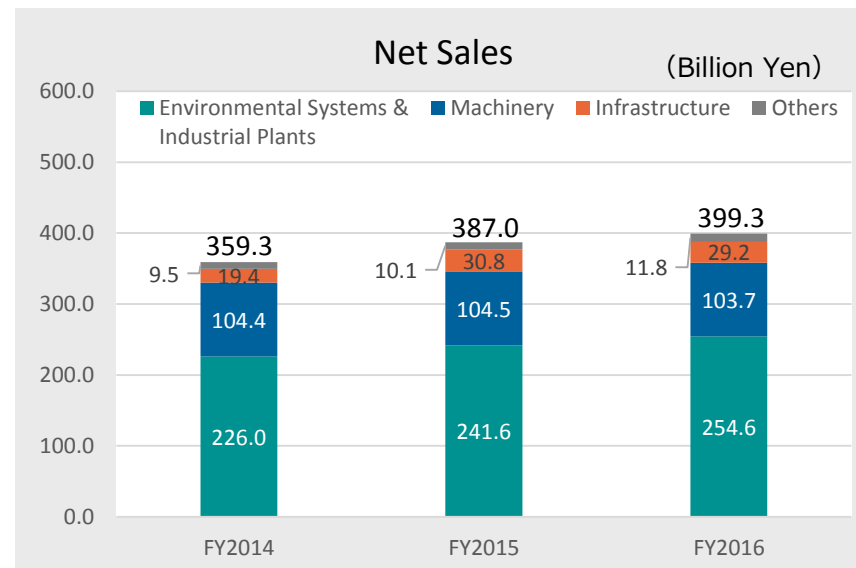
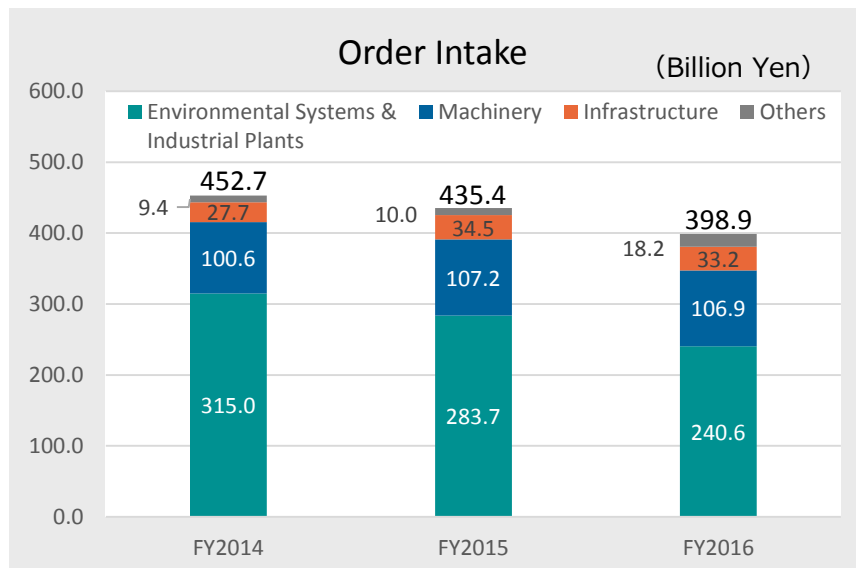
1. Review of former Medium-Term Management Plan“Hitz Vision II”

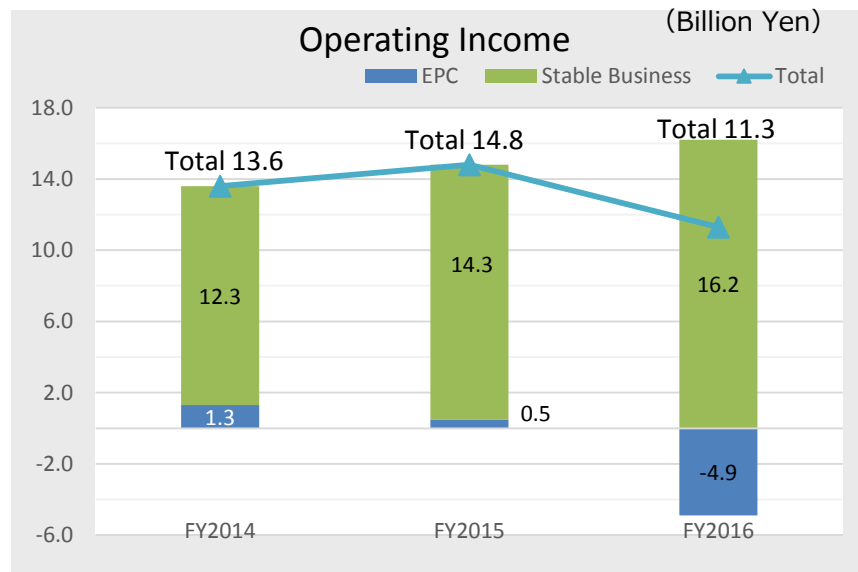
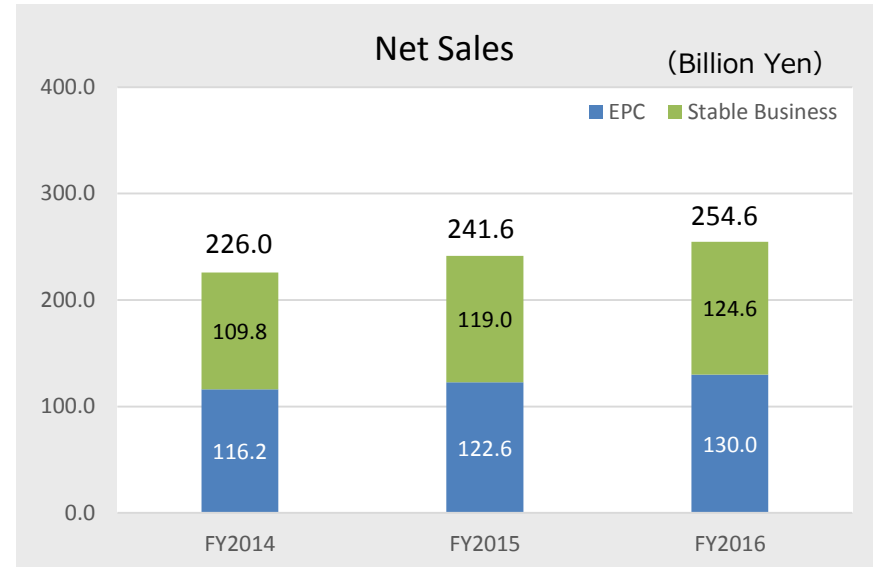
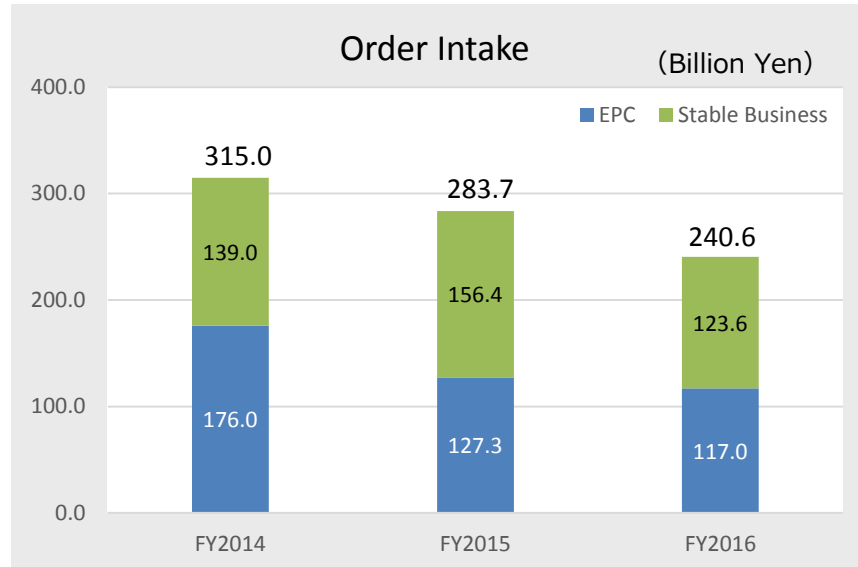
Achievement of Hitz Vision II

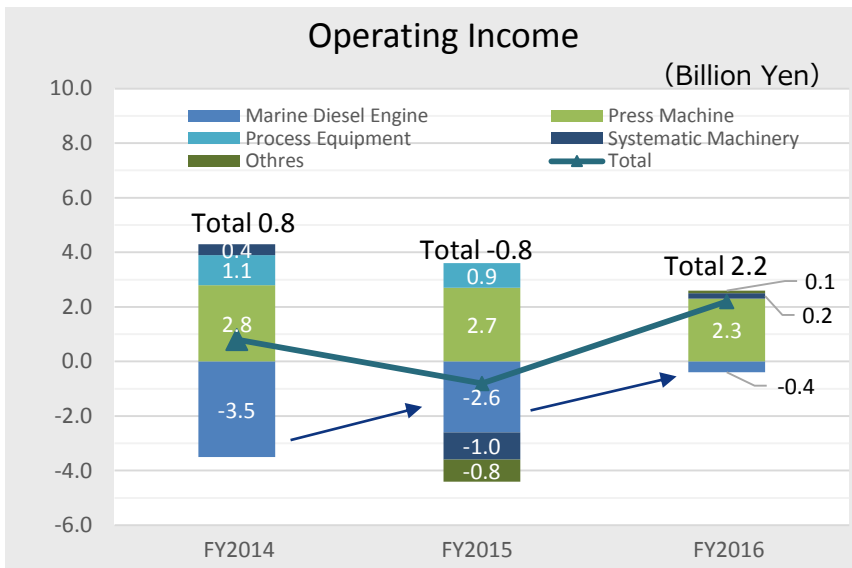
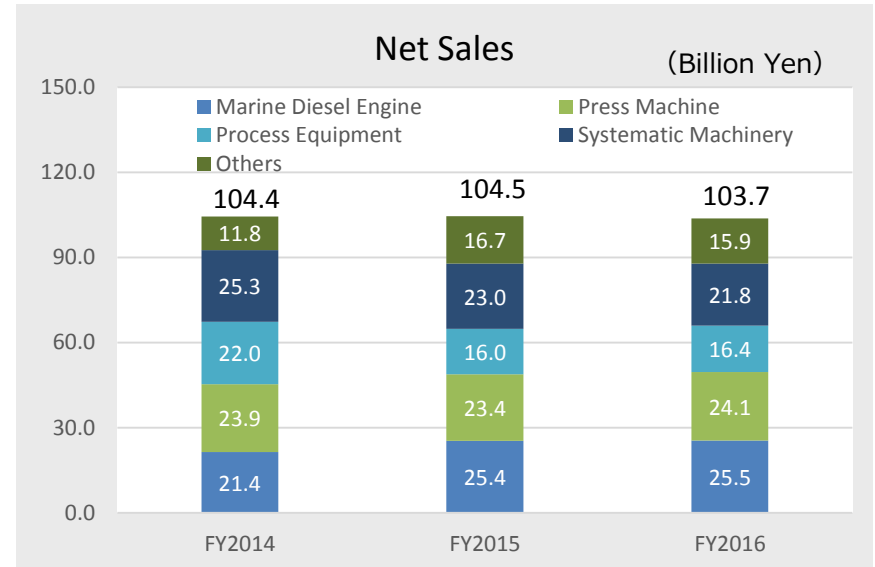
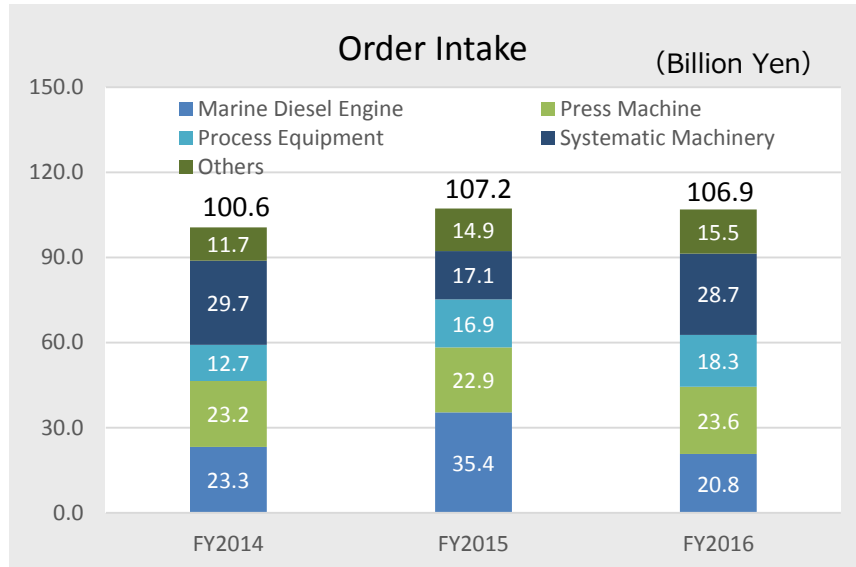
(Unit: Billion Yen)

	Original plan of Hitz Vision II				Results of Hitz Vision II (Achievement Rate)			
	FY2014	FY2015	FY2016	3 years total	FY2014	FY2015	FY2016	3 years total
Order intake	400.0	450.0	500.0	1,350.0	452.7 (113%)	435.4 (96%)	398.9 (80%)	1,287.0 (95%)
Net sales	320.0	350.0	400.0	1,070.0	359.3 (112%)	387.0 (110%)	399.3 (99%)	1,145.6 (107%)
Operating income	10.0	17.0	23.0	50.0	12.8 (128%)	15.1 (88%)	14.9 (65%)	42.8 (86%)
Ordinary income	8.0	14.0	20.0	42.0	7.5 (93%)	12.2 (87%)	11.2 (56%)	30.9 (74%)
Net income	4.0	8.0	13.0	25.0	5.1 (127%)	5.8 (72%)	5.8 (45%)	16.7 (67%)
Interest-bearing debt	131.1	126.0	120.0	-	119.0	105.1	109.2	-
Shareholder's equity ratio	27.6%	28.6%	30.6%	-	26.6%	28.4%	29.4%	-

We have achieved the target toward business scale, but have to continue to improve earning capacity



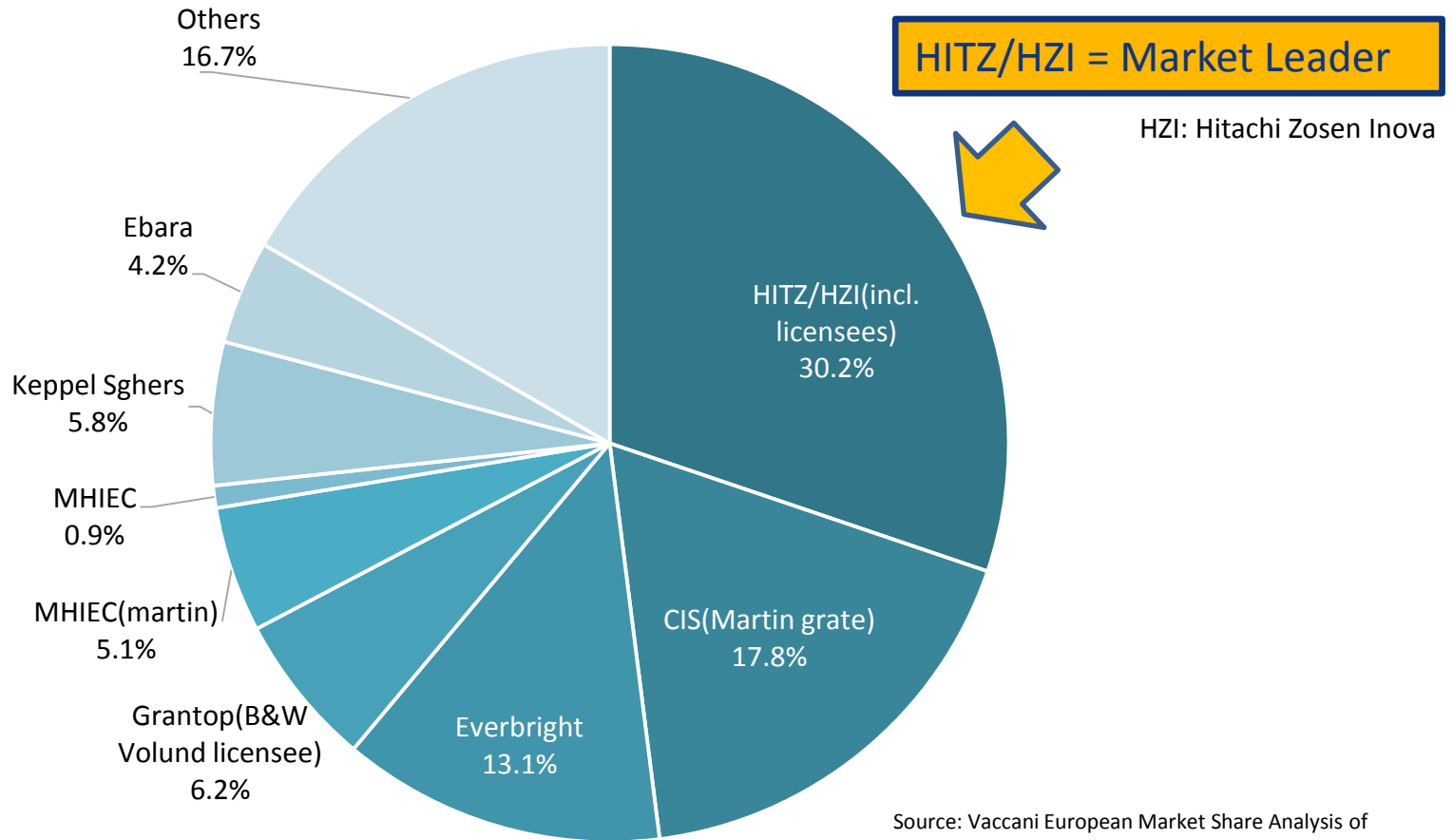




No.	Management Targets	Evaluation
1	<p>Strengthen profitability</p> <ul style="list-style-type: none"> Each business and product to achieve No. 1 profitability in its area 	<ul style="list-style-type: none"> Engineering : AOM leads growth of engineering Manufacturing : Continuing slump <p>Troubles of marine diesel engines and systematic machinery.</p> <p>Projects troubles and technical problem related to overseas</p>
2	<p>Expand business scale</p> <ul style="list-style-type: none"> Expand to Yen 500 billion company with public recognition 	<ul style="list-style-type: none"> INOVA, NAC and large-scale desalination project contribute increasing of overseas net sales. The total net sales reached Yen 400 billion.
3	<p>Fortify financial structure</p> <ul style="list-style-type: none"> Achieve and maintain at least 30% shareholders' equity ratio, and secure a stable financial position 	<ul style="list-style-type: none"> Shareholder's equity ratio is 29% Increase endurance to financial risk by subordinated loan

AOM: After service, Operation and Maintenance

Hitz Gloup EfW Market Shares – Worldwide(2014-2016)

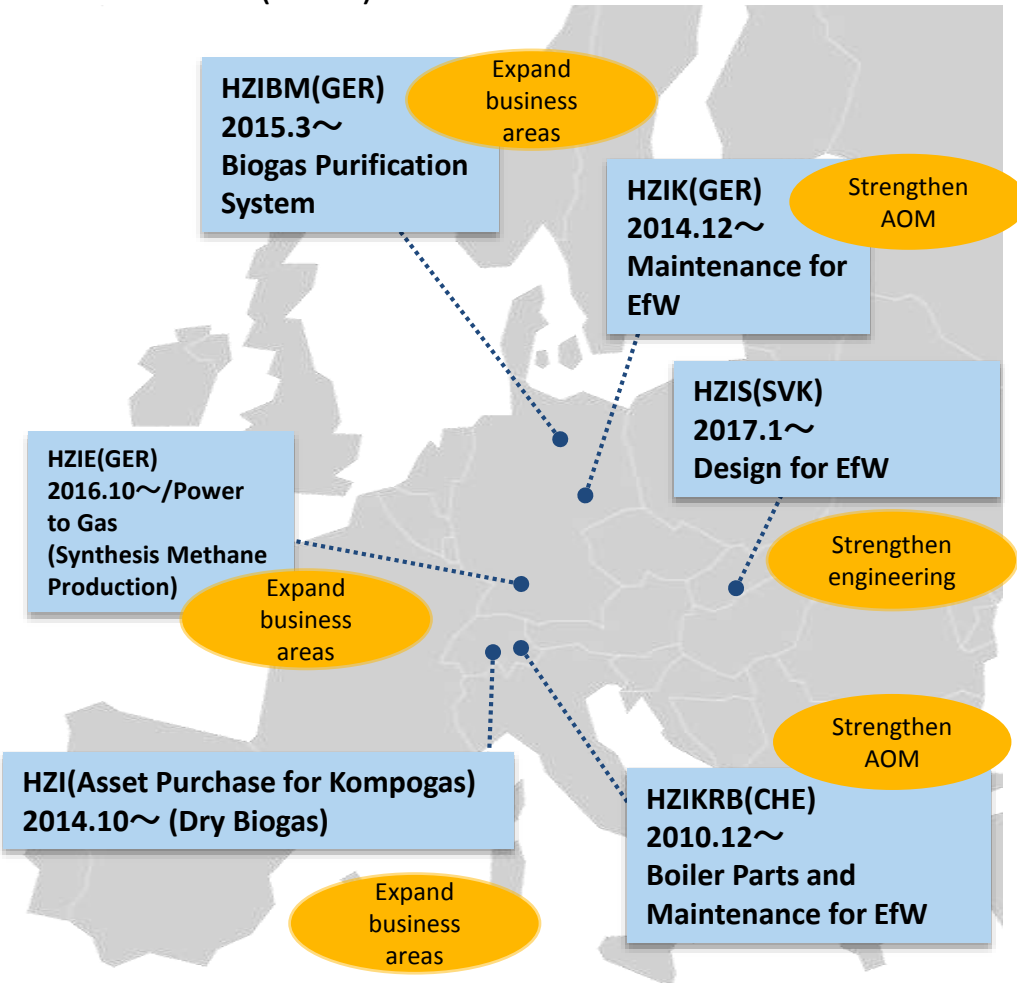


Total: 198,918 tpd

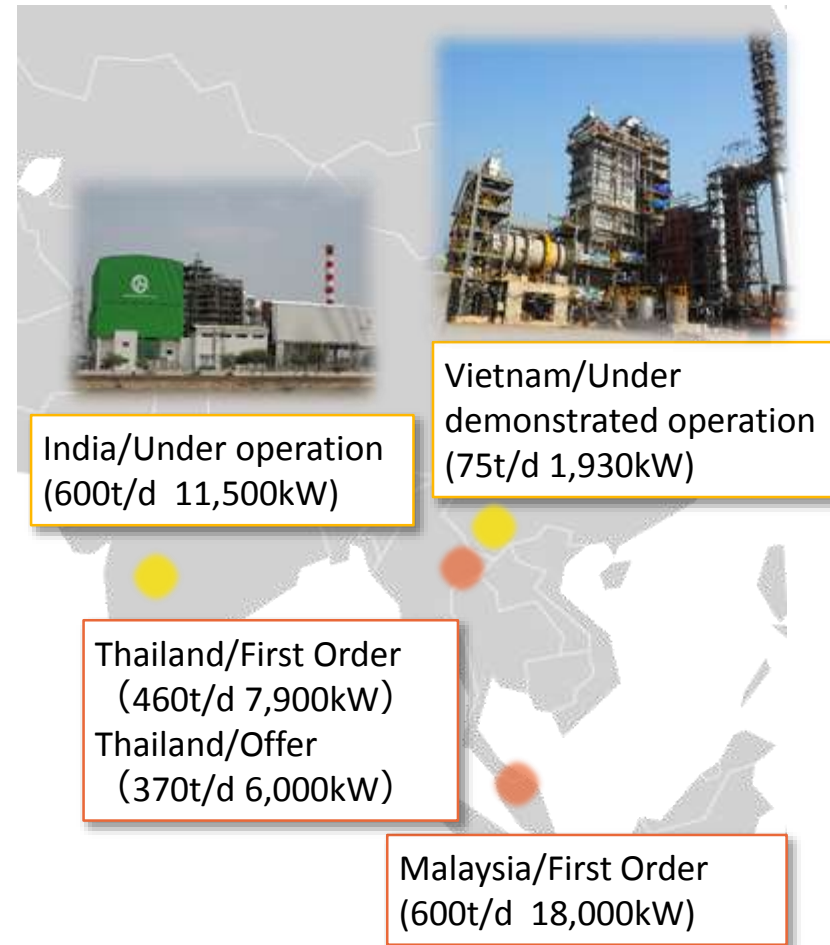
Source: Vaccani European Market Share Analysis of Thermal Waste Treatment Plants, 2017 Edition

EfW : Expand and strengthen business in Europe(HZI) and SE Asia (Hitz)

1 HZI : Expand business areas in European markets and strengthen O&M business (M&A)



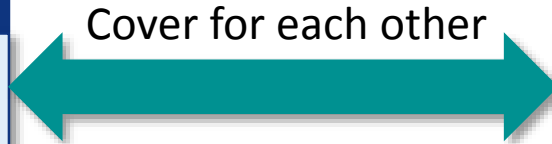
2 Hitz : Develop markets of developing countries centered around SE Asia



Desalination Business : Expand and enhance business by achieve RO method and the delivery records (Acquisition of OSMOFLO)

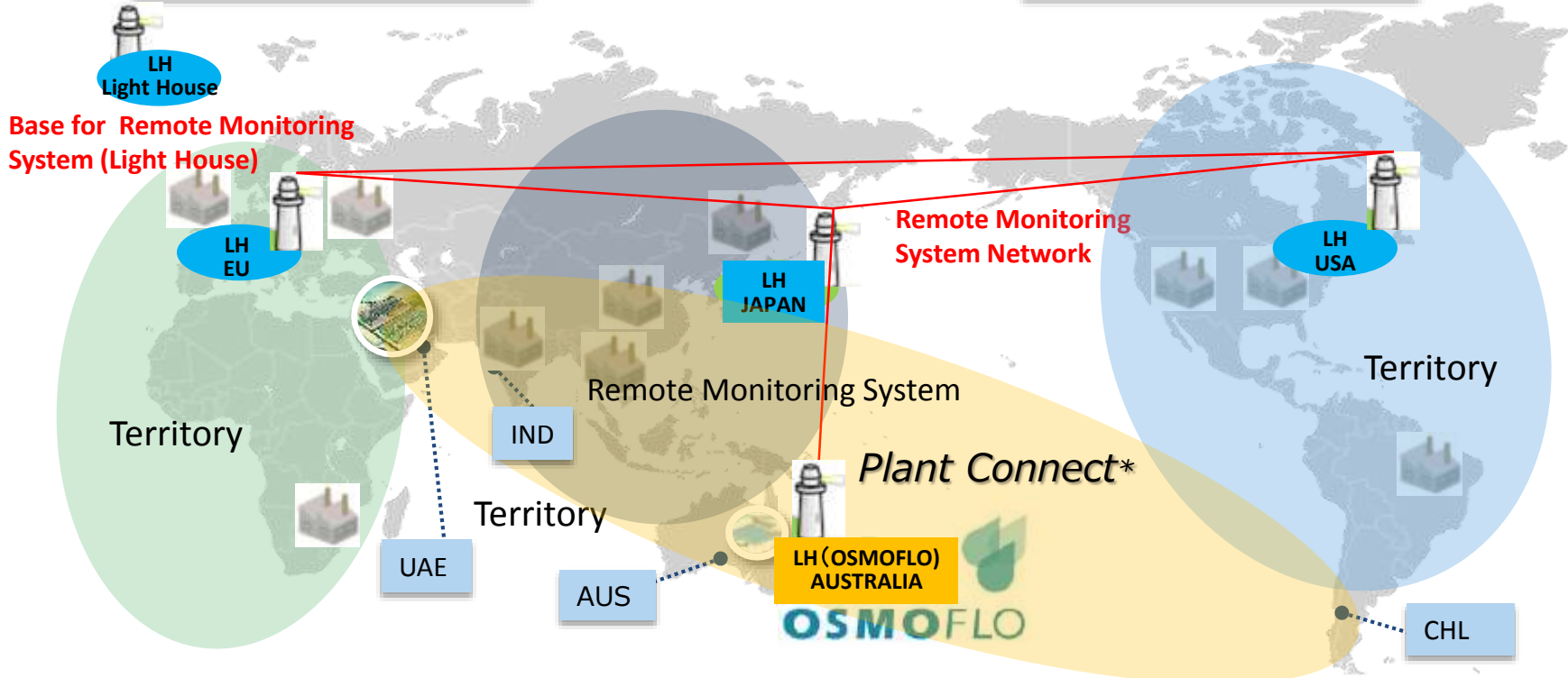
Advantages of Hitz

- MSF/MED method
- Large-scale installations in the Middle East



Advantage of OSMOFLO

- RO method
- AOM
- Rentals



Design • Sales • Manufacture • Operation of Desalination and Industrial Wastewater Treatment System

*Plant Connect: Remote Monitoring System by OSMOFLO

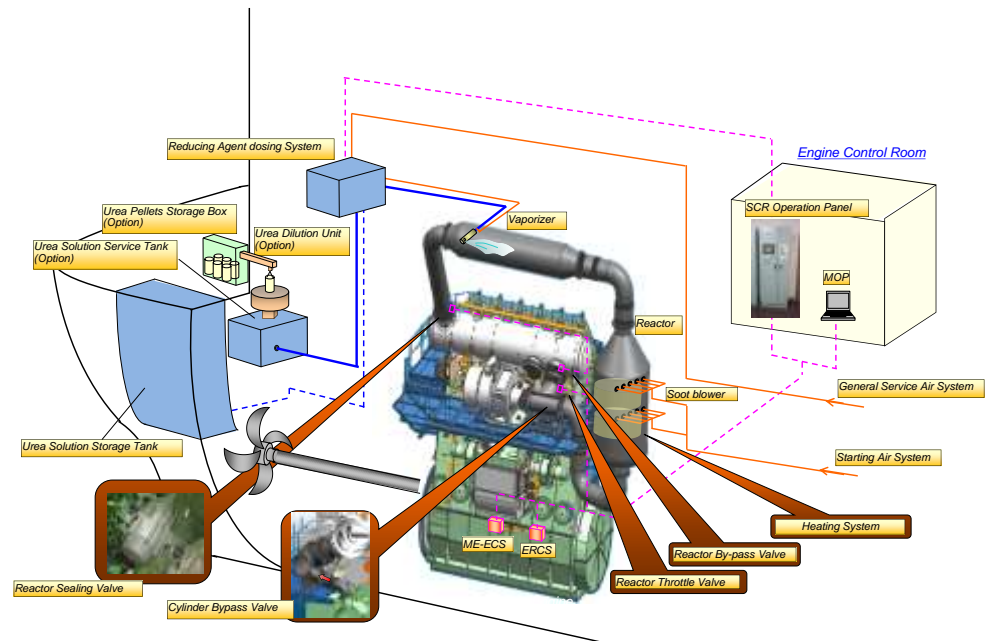
Marine SCR system : Receive orders consecutively.

First Order

Client: Dalian Marine Diesel Co., Ltd.
 System: High-pressure marine SCR system
 x 2units
 Delivery: 1st unit October 2017
 2nd unit November 2017

Client: Sumitomo Heavy Industries Marine & Engineering Co., Ltd.
 System: Marine diesel engine(6G60ME-C9.5) and
 High-pressure SCR system x 1 set
 Delivery: July 2018

Client: STX Heavy Industries Co., Ltd.
 System: High-pressure marine SCR system
 x 2units
 Delivery: 1st unit October 2017
 2nd unit November 2017



Enhance corporate governance by revitalize our Board of Directors meetings

■ Review of Board composition

Independent Outside Director



Mr. Chiaki Ito



Ms. Kazuko Takamatsu



Mr. Richard R. Lury

Independent Outside Corporate Auditors



Mr. Kenichi Takashima



Mr. Yoshihiro Doi

Reinforce the structure of risk management

- Risk assessment for M&A
- Risk assessment for order intakes
- Decrease Technical Problems
 - Management Approaches:
 - (1) Design review meeting
 - (2) Top Management Review
 - (3) Risk review meeting

2. Hitz 2030 Vision

Transformation to Global Solution Provider for Establishment of Recycling Society

Social Challenges

Increasing Environmental Pollution

Food, Water and Energy Shortage

Abnormal Weather, Natural Hazard



Core Business Areas

Energy

- Energy from Waste(EfW)
- Renewable Energy
- Methanation
- Marine engines, process equipment etc.

Environment

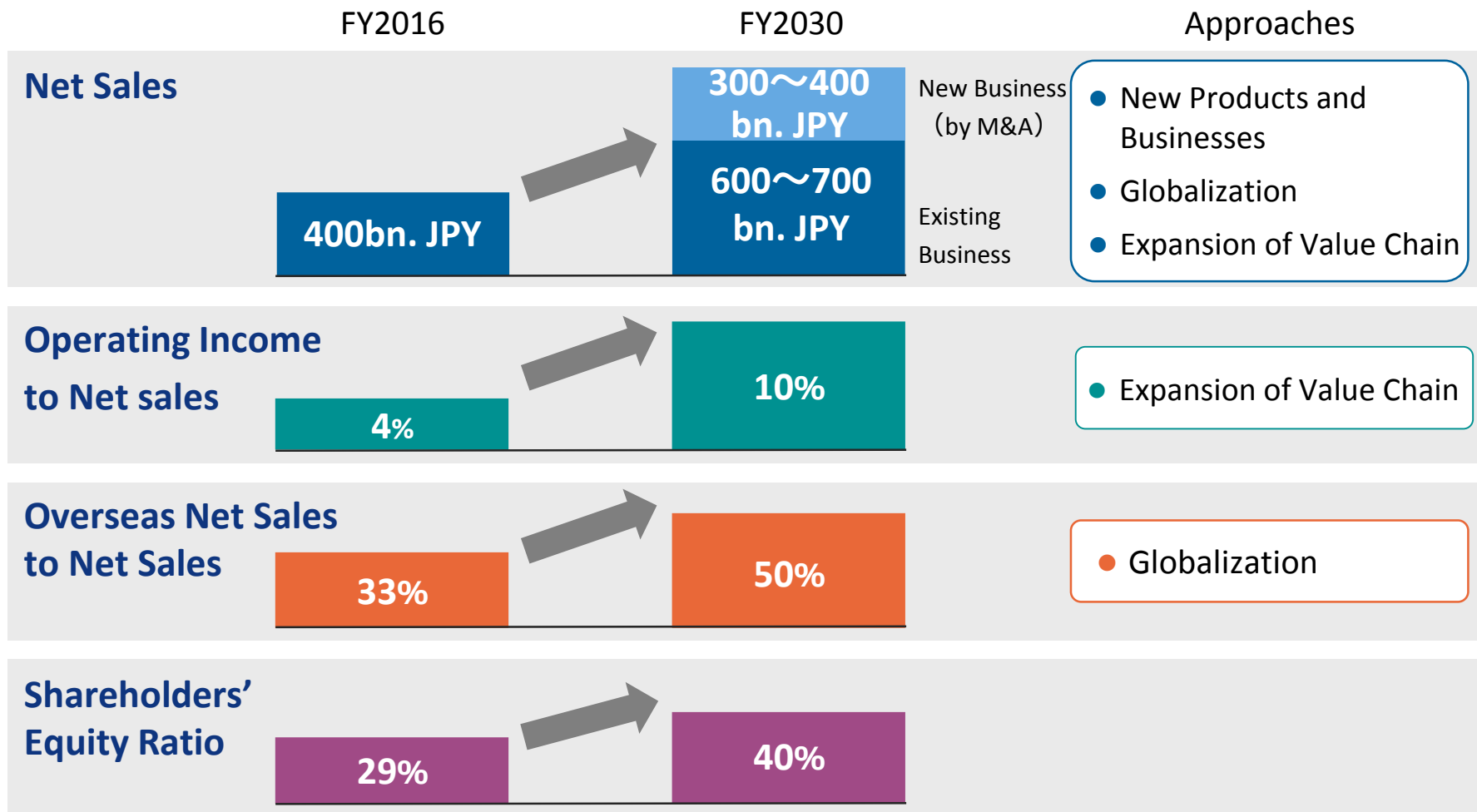
Water

- Desalination, Water Supply
- Sewage Treatment, Excreta Treatment
- Water Control(Hydraulic gates , Wave Meters , Flap-Gates)
- Bridges • Shield tunneling machines etc.

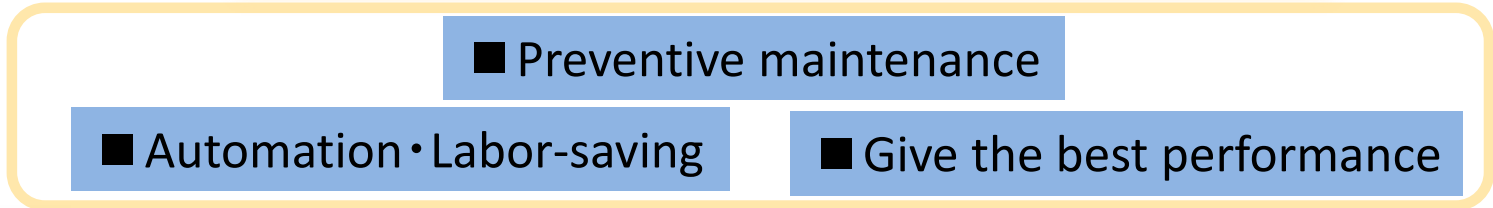
Core Competences of Hitachi Group

- (1) Abundant delivery record
(Expansive knowledge based on experience)
- (2) Technological competences (Engineering + Manufacturing)
- (3) Deep connections with customers

“In FY2030, net sales will be JPY 1 trillion and operating income to net sales will be more than 10%”



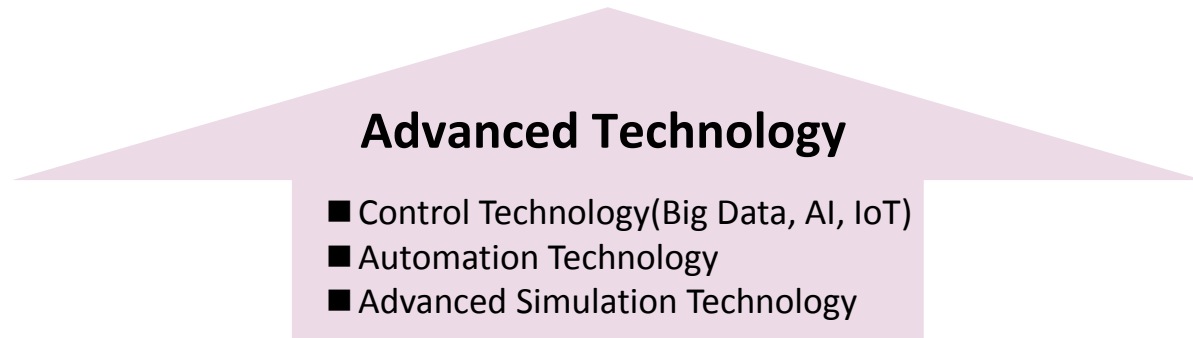
<Added value and productivity improvement>



<Software >



<Hardware >



Engineering

• EfW, Woody Biomass Power Generation, Desalination, Water Treatment etc.



Manufacturing

• Marine Diesel Engines, Process Equipment, Precision Machinery, Infrastructure Development, etc.



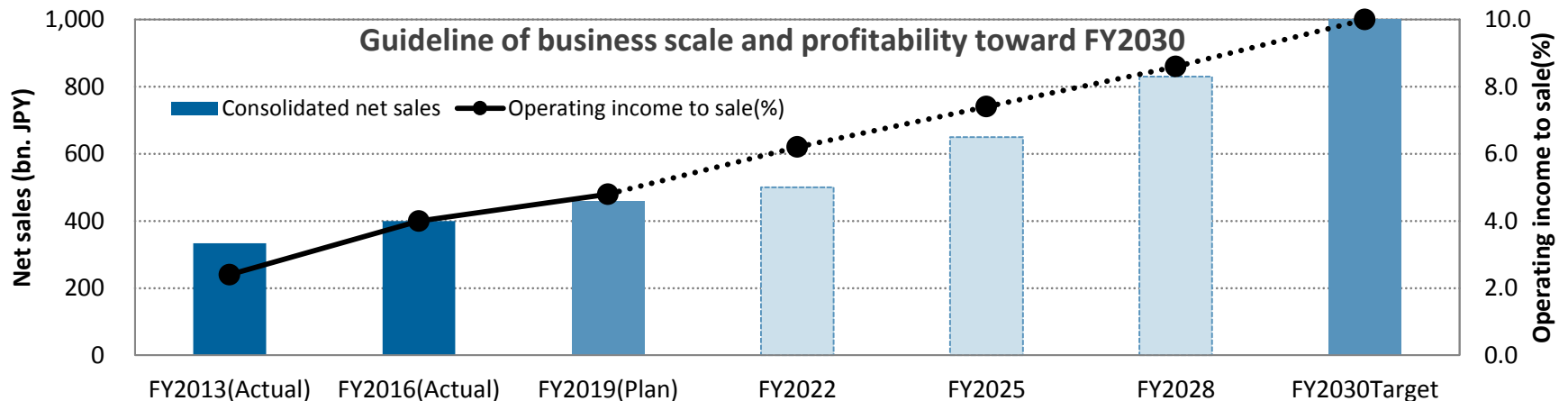
3. New Medium-Term Management Plan "*Change & Growth*"

The first step to grow for achieving 2030Vision (maintenance of business foundations)

	FY2013 Actual	FY2016 Actual	FY2019 Targets	FY2030 Targets
Order intake	328.4bn. JPY	398.9bn. JPY	460.0bn. JPY	Business Scale 1 trillion JPY
Net sales	333.4bn. JPY	399.3bn. JPY	430.0bn. JPY	
Operating income	7.8bn. JPY (2.4%)	14.9bn. JPY (3.7%)	20.5bn. JPY (4.8%)	More than 10%
ROE	3.7%	5.1%	7.7%	
Number of employees	9,693	10,131	11,300	

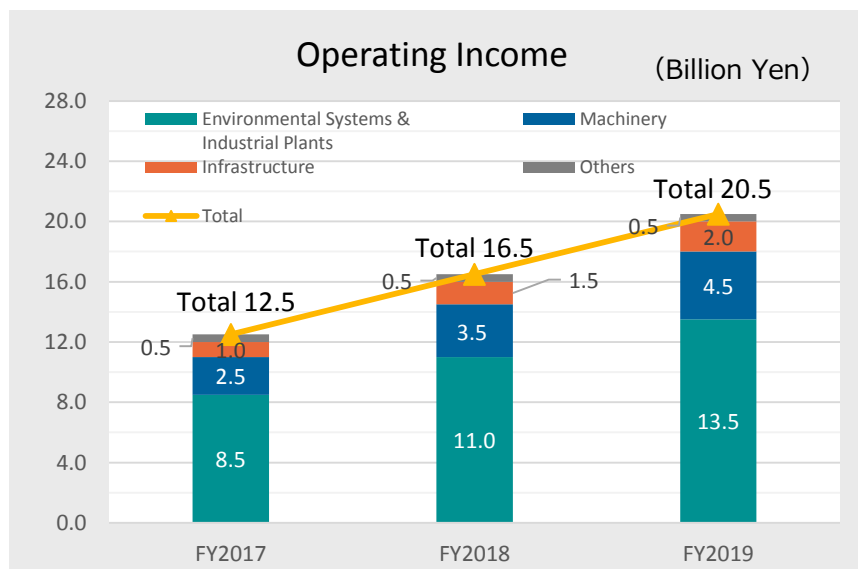
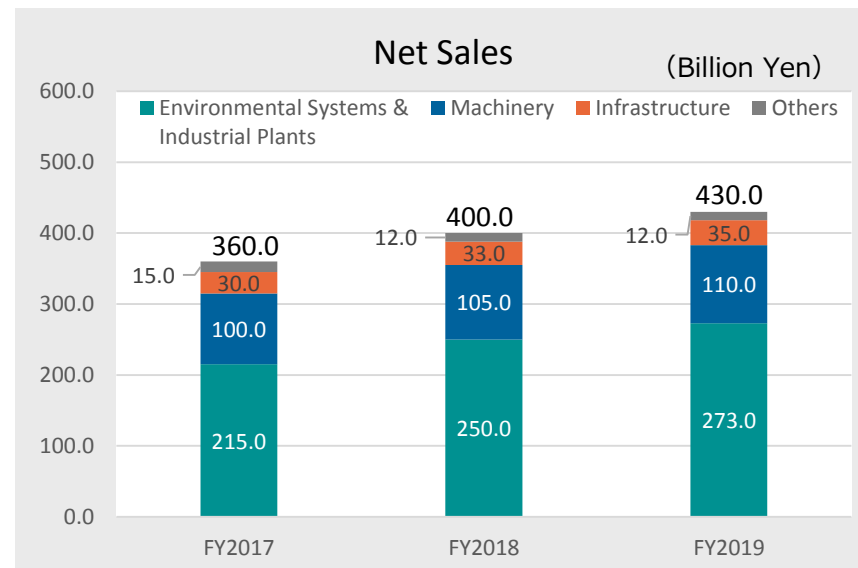
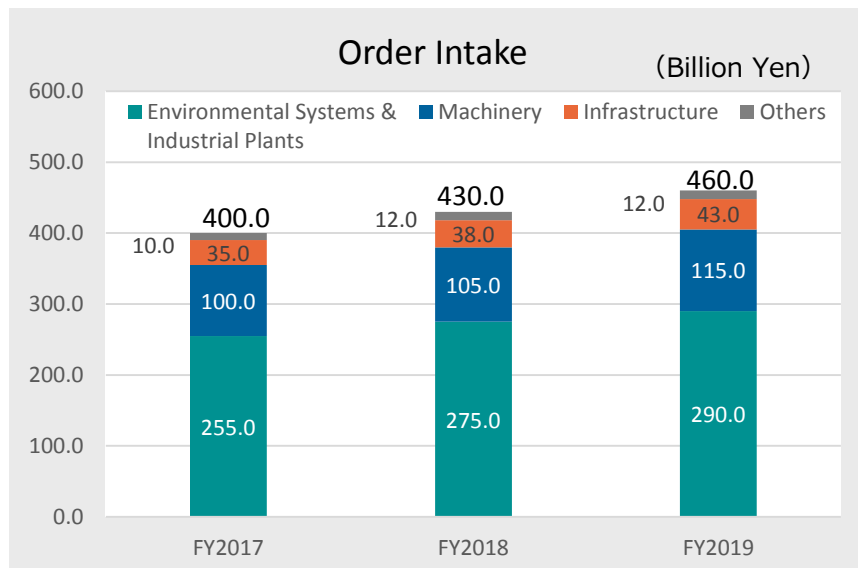
Basic strategies for New Mid-Term Management Plan "Change & Growth"

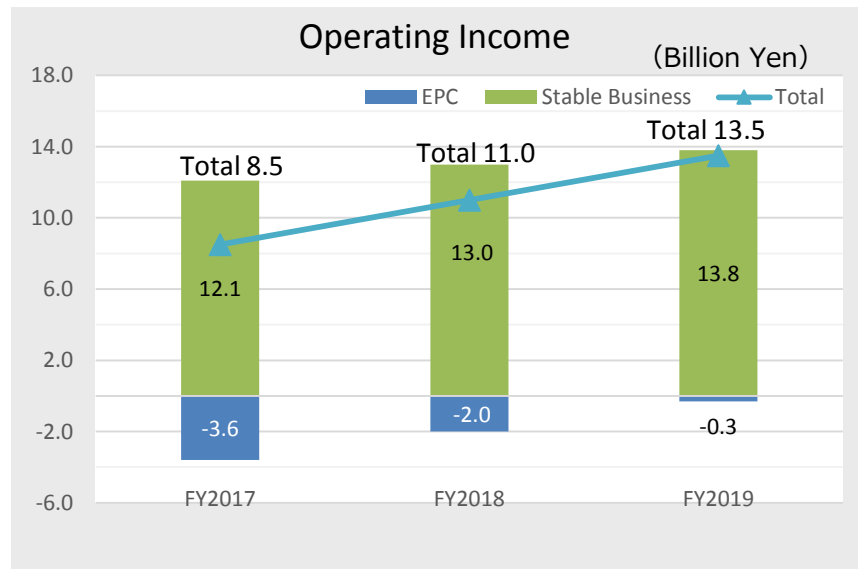
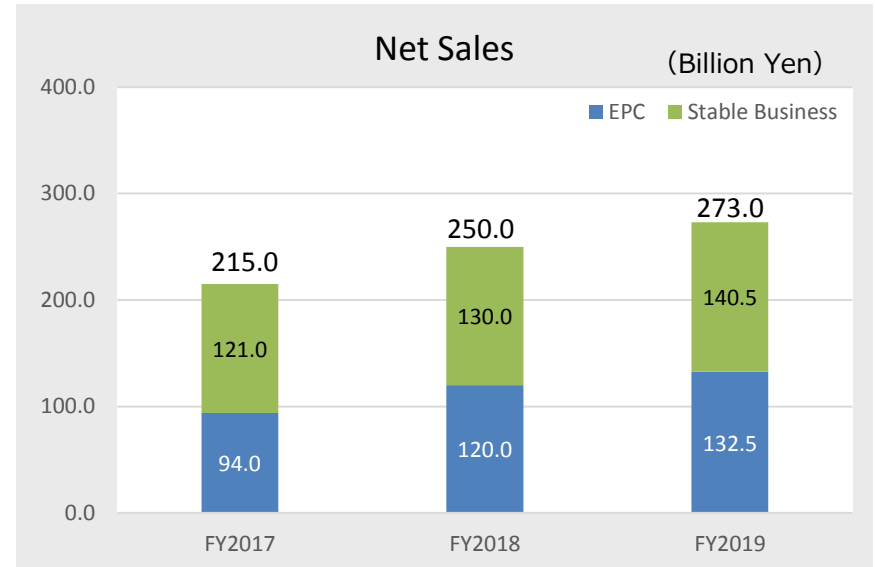
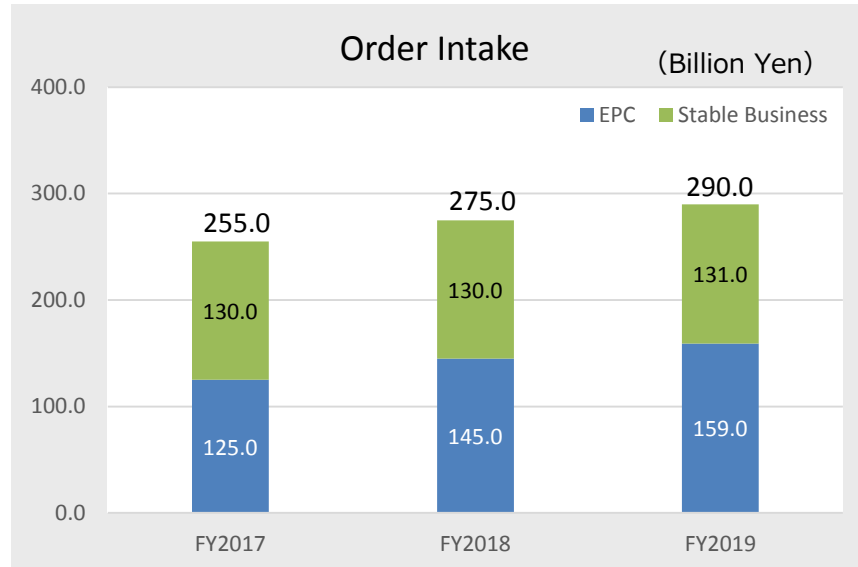
1. To restructure business foundation and improve productivity
2. To maximize Hitz Group comprehensive strengths
3. Promote Portfolio Management

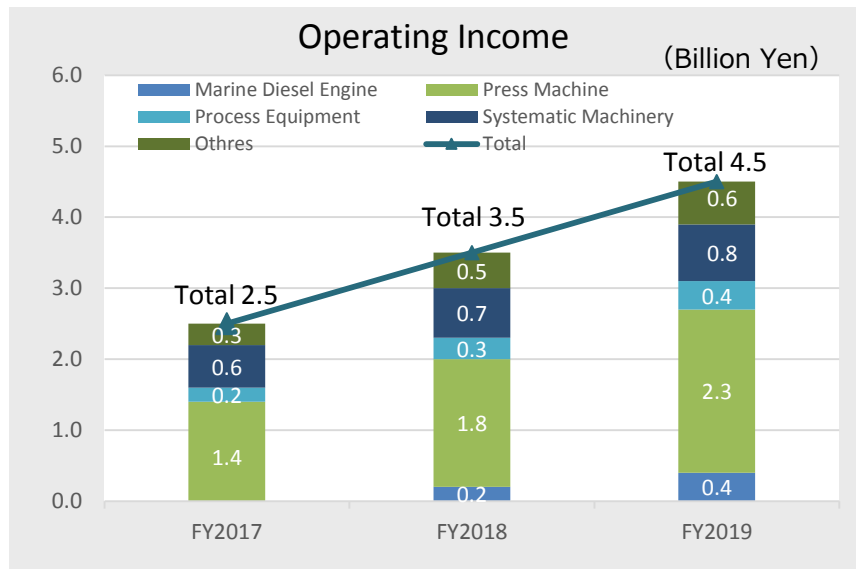
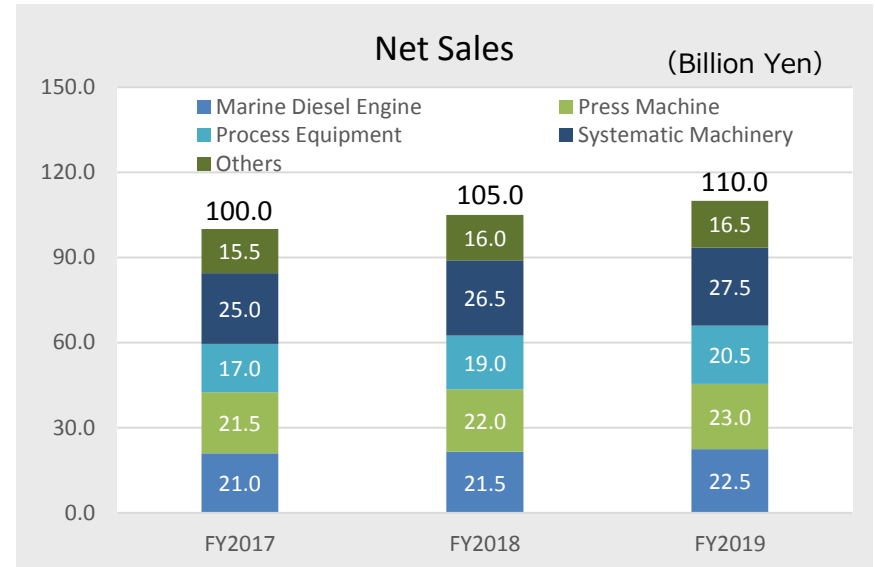
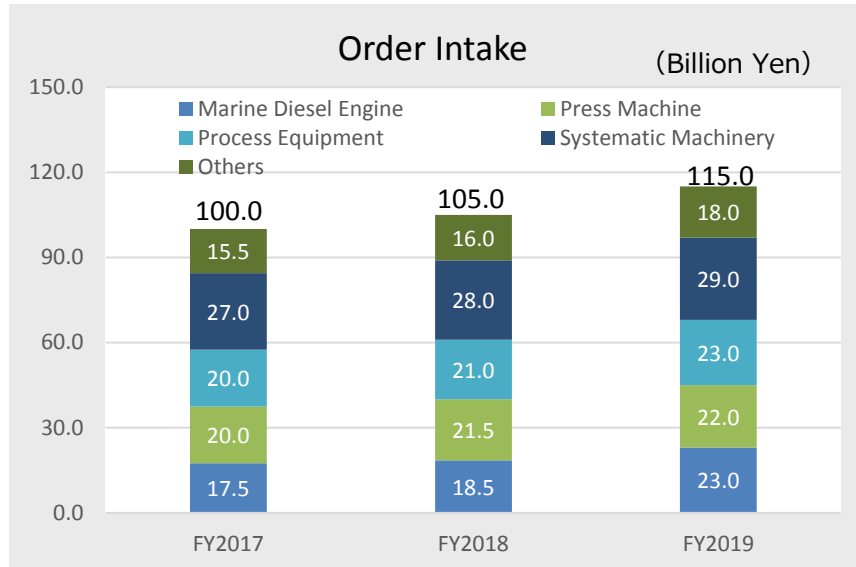


(Unit: Billion Yen)

	Hitz Vision II (Actual)				Change & Growth (Plan)			
	FY2014	FY2015	FY2016	3 years total	FY2017	FY2018	FY2019	3 years total
Order intake	452.7	435.4	398.9	1,287.0	400.0	430.0	460.0	1,290.0
Net sales	359.3	387.0	399.3	1,145.6	360.0	400.0	430.0	1,190.0
Operating income (Ratio)	12.8 (3.6%)	15.1 (3.9%)	14.9 (3.7%)	42.8 (3.8%)	12.5 (3.5%)	16.5 (4.1%)	20.5 (4.8%)	49.5 (4.2%)
Ordinary income (Ratio)	7.5 (2.1%)	12.2 (3.2%)	11.2 (2.8%)	30.9 (2.7%)	10.0 (2.8%)	14.0 (3.5%)	18.0 (4.2%)	42.0 (3.5%)
Net income	5.1	5.8	5.8	16.7	6.5	8.0	10.0	24.5
Interest-bearing debt	119.0	105.1	109.2	—	110.0	105.0	100.0	—
Shareholder's equity ratio (incl. subordinated loan)	26.6%	28.4%	29.4%	—	30.0% (32.4%)	30.5% (32.7%)	31.0% (33.3%)	—
R O E	4.9%	5.2%	5.1%	—	5.5%	6.5%	7.7%	—







Basic Strategy(1)

**Restructure business foundation
and improve productivity**

- 1 Business areas expansion
- 2 Use ICT
- 3 Reinforce the structure of risk management
- 4 Take specific measures to increase profitability
- 5 Strengthen financial condition and increase investment capacity for growth

Basic Strategy(2)

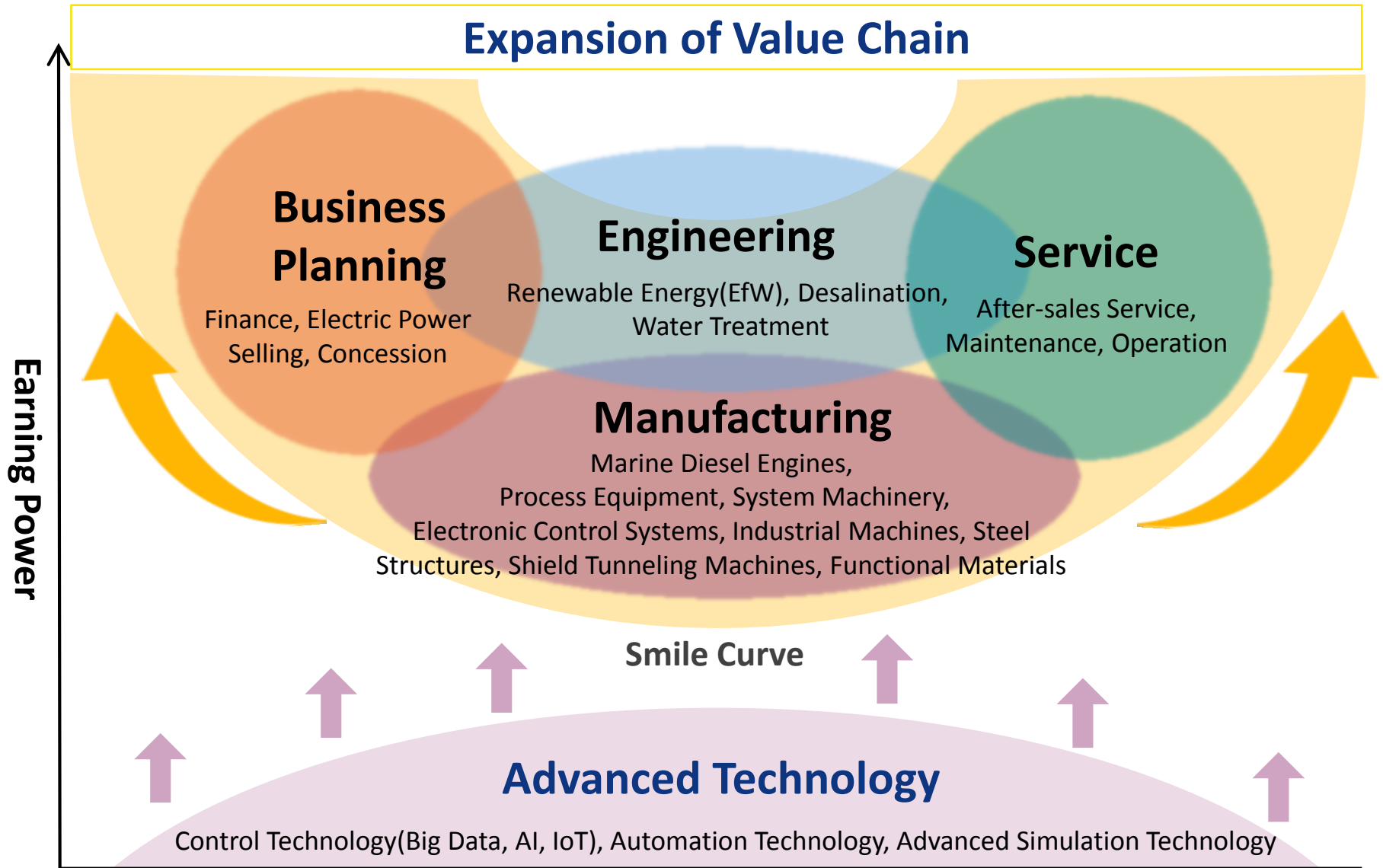
**Maximize Hitz Group
comprehensive strengths**

- 1 Form business clusters and maximize synergy
- 2 Promote consolidated basis profit monitoring
- 3 HRD by job rotation

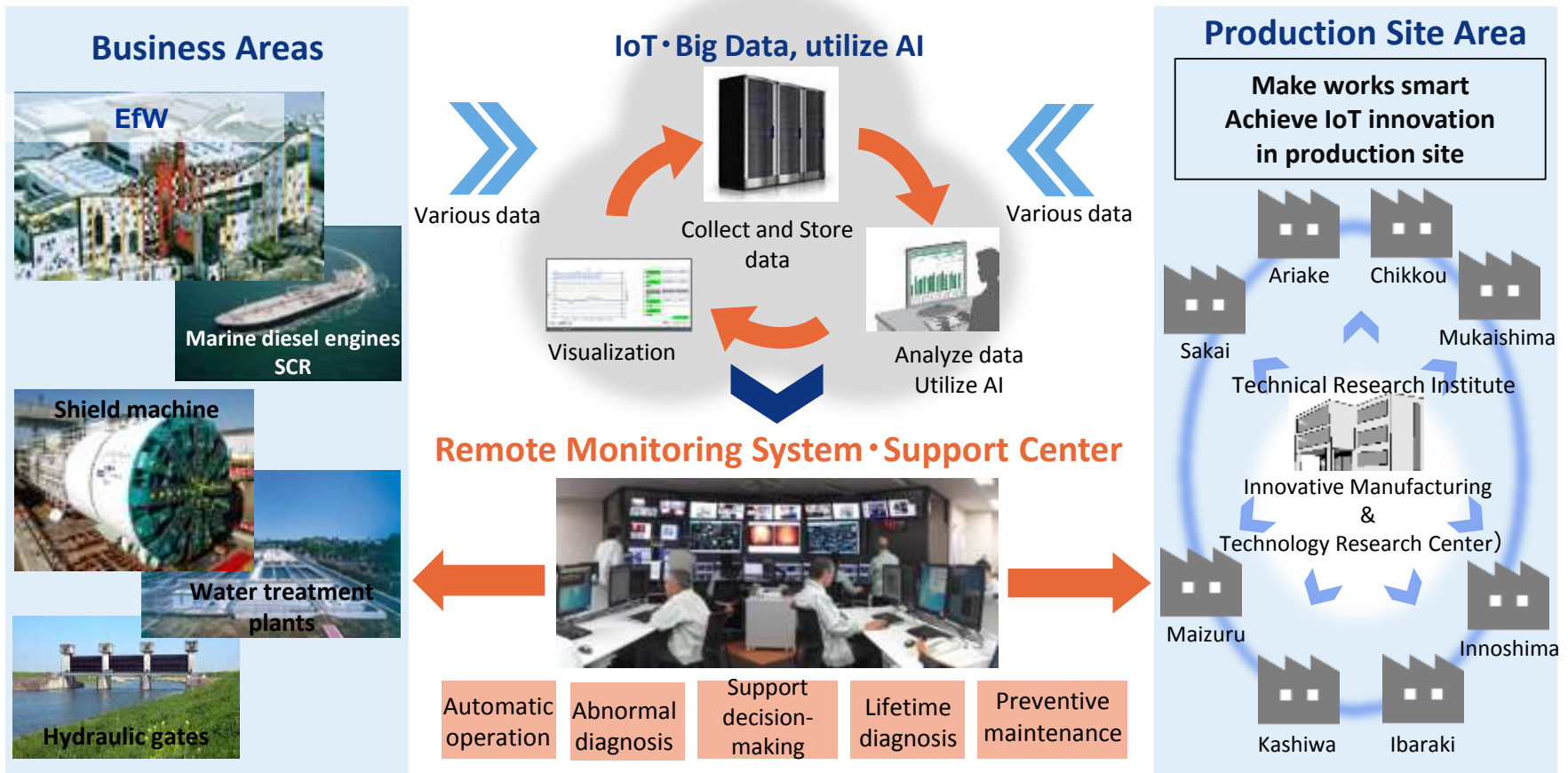
Basic Strategy(3)

**Promote Portfolio
Management**

- 1 Clarify position of each business by Portfolio
- 2 Priority given to growing business and new business in resource allocation
- 3 Consider possibilities of revitalizing low-profit products



- Expansion of AOM business
 - Horizontal development of remote monitoring system(Shield Machines, marine diesel engines etc.)
 - Stabilize electric output in EfW plants by big data
- Productivity improvement
 - Productivity improvement by robots and ICT
 - Standardized design by ICT





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