
Financial Results for Second Quarter FY2017

November, 2017
Hitachi Zosen Corporation

(Unit: Billion Yen)

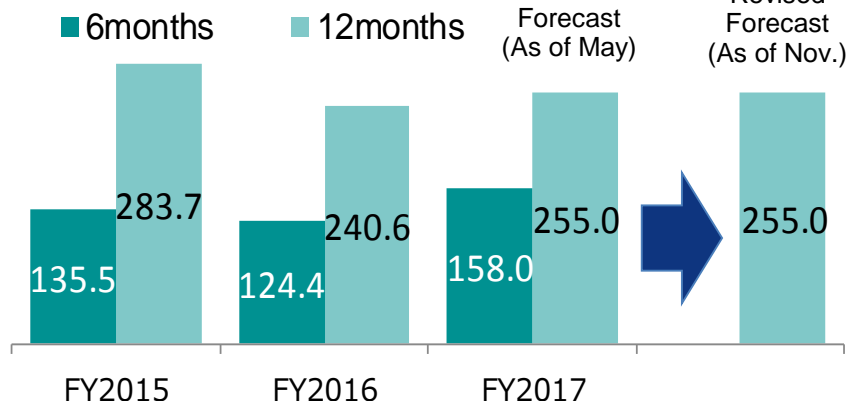
	FY2016 2Q		FY2017 2Q		Difference	
	(Ratio to net sales)		(Ratio to net sales)		(Ratio to net sales)	
Order intake		197.4		223.1		25.7
Net sales		171.1		162.3		-8.8
Operating income	(-0.1%)	-0.2	(-2.1%)	-3.3	(-2.0%)	-3.1
Ordinary income	(-0.5%)	-0.8	(-3.1%)	-5.1	(-2.6%)	-4.3
Net income	(-1.2%)	-2.0	(-3.3%)	-5.4	(-2.1%)	-3.4

(Unit: Billion Yen)

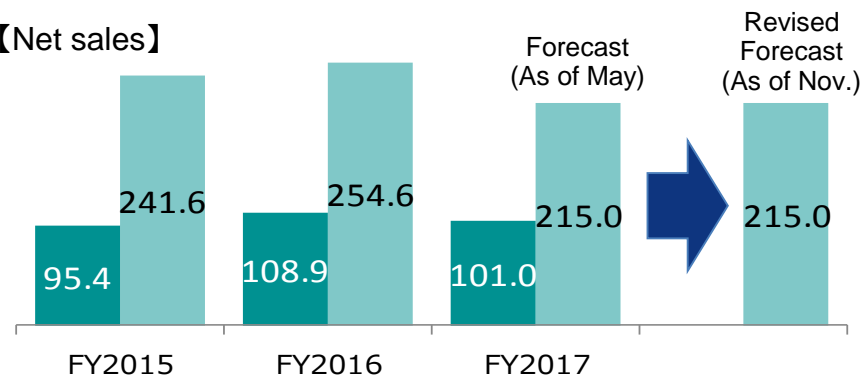
	FY2016		FY2017 Forecast		Difference					
	Actual (A)		as of May (B)	as of Nov. (C)	(C)-(A)		(C)-(B)			
	(Ratio to net sales)		(Ratio to net sales)	(Ratio to net sales)	(Ratio to net sales)		(Ratio to net sales)			
Order intake	398.9		400.0	400.0	1.1		0.0			
Net sales	399.3		360.0	360.0	-39.3		0.0			
Operating income	(3.7%)	14.9	(3.5%)	12.5	(3.5%)	12.5	(-0.2%)	-2.4	(0.0%)	0.0
Ordinary income	(2.8%)	11.2	(2.8%)	10.0	(2.8%)	10.0	(0.0%)	-1.2	(0.0%)	0.0
Net income	(1.5%)	5.8	(1.8%)	6.5	(1.8%)	6.5	(0.3%)	0.7	(0.0%)	0.0

(unit: billion yen)

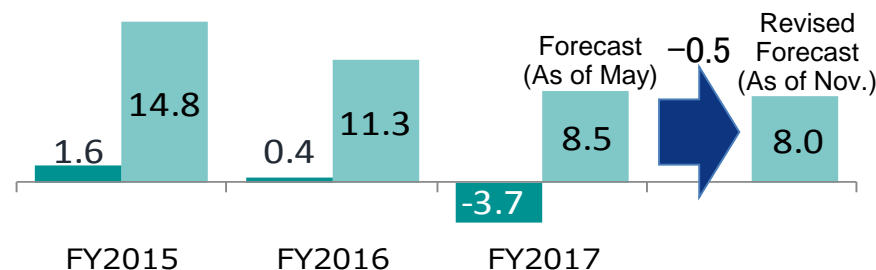
【Order intake】



【Net sales】



【Operating income】



Order intake

■ FY2017 2Q Results (vs. FY2016 2Q)

158.0 (+33.6)

- Increase of AOM in Japan
upgrade of old EfW Plants & Long term operations
- Inova received an order of large EfW plant project in Turkey

■ FY2017 Revised Forecast (vs. as of May)

255.0 (±0.0)

- Inova expects to receive an order of a large EfW plant project in UK
- Increase of EPC & Long term operations in Japan

Net sales

■ FY2017 2Q Results (vs. FY2016 2Q)

101.0 (-7.9)

- Decrease in sales of desalination plant in Qatar

■ FY2017 Revised Forecast (vs. as of May)

215.0 (±0.0)

Operating income

■ FY2017 2Q Results (vs. FY2016 2Q)

-3.7 (-4.1)

- Decrease in sales of desalination plant
- Decrease in profitability in an EPC project

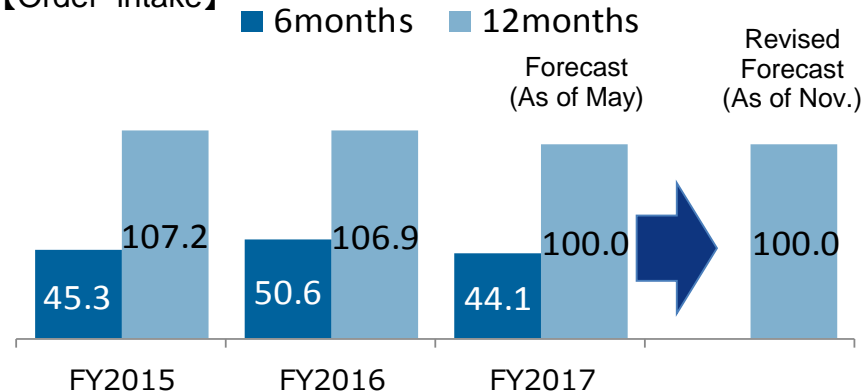
■ FY2017 Revised Forecast (vs. as of May)

8.0 (-0.5)

- Decrease in profitability in an EPC project

(unit: billion yen)

【Order intake】



Order intake

■ FY2017 2Q Results (vs. FY2016 2Q)

44.1 (-6.5)

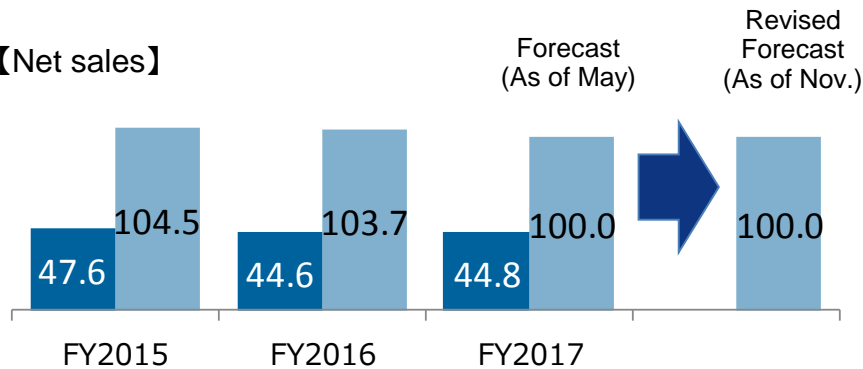
- Decrease in Marine Diesel Engine and Process Equipment

■ FY2017 Revised Forecast (vs. as of May)

100.0 (±0.0)

- Covered decrease in Process Equipment with increase in Systematic Machinery

【Net sales】



Net sales

■ FY2017 2Q Results (vs. FY2016 2Q)

44.8 (+2.0)

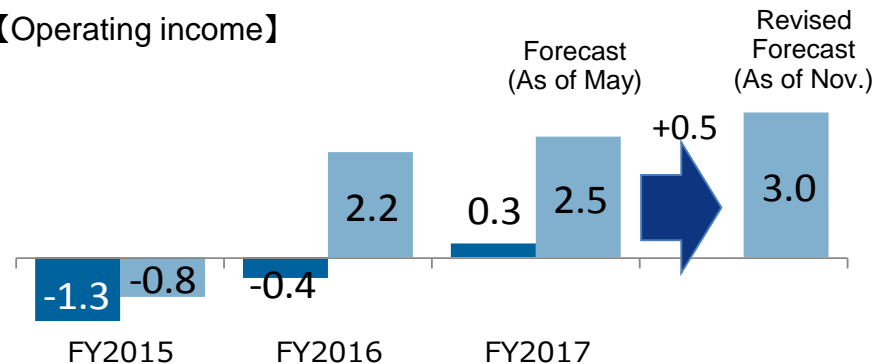
- Increase in Systematic Machinery
- Decrease in Marine Diesel Engine

■ FY2017 Revised Forecast (vs. as of May) 100.0

(±0)

- Covered decrease in Process Equipment with increase in Systematic Machinery

【Operating income】



Operating income

■ FY2017 2Q Results (vs. FY2016 2Q)

0.3 (+0.7)

- Increase in profitability in Systematic Machinery
- Decrease in profitability in Press Machine
- Decrease in sales in Marine Diesel Engine

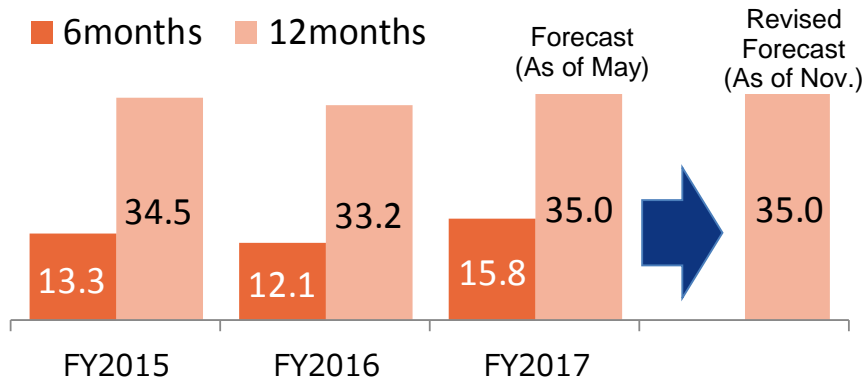
■ FY2017 Revised Forecast (vs. as of May)

3.0 (+0.5)

- Increase in profitability in Systematic Machinery
- Decrease in profitability in Press Machine

(unit: billion yen)

【Order intake】



Order intake

■ FY2017 2Q Results (vs. FY2016 2Q)

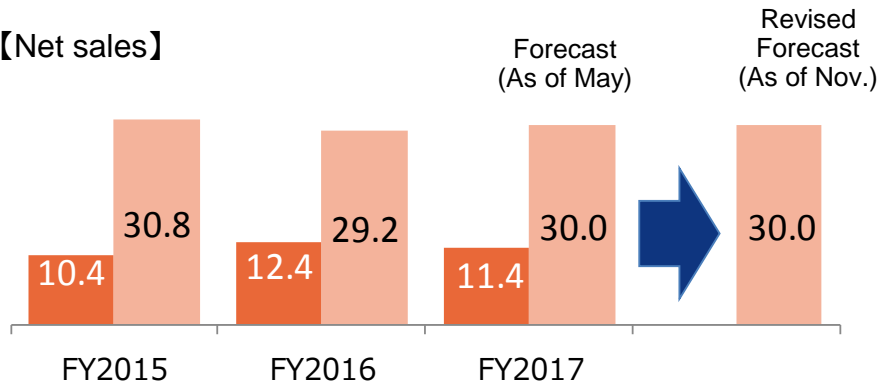
15.8(+3.7)

- Received an order of a large steel bridge project

■ FY2017 Revised Forecast (vs. as of May)

35.0(±0.0)

【Net sales】



Net sales

■ FY2017 2Q Results (vs. FY2016 2Q)

11.4(-1.0)

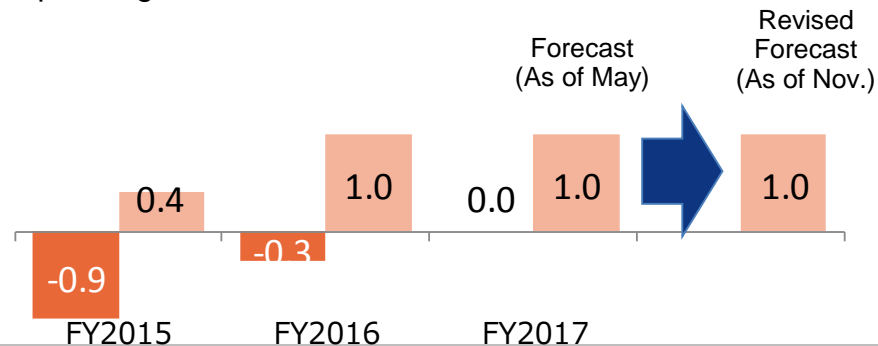
- Decrease in a large marine civil engineering project

■ FY2017 Revised Forecast (vs. as of May)

30.0(±0.0)

- Increase in a steel bridge project in the second half

【Operating income】



Operating income

■ FY2017 2Q Results (vs. FY2016 2Q)

0.0(+0.3)

- Increase in profitability

■ FY2017 Revised Forecast (vs. as of May)

1.0(±0.0)

- Increase in profitability

(unit: billion yen)

		FY2014 2Q	FY2015 2Q	FY2016 2Q	FY2017 2Q
Order Intake	EPC	126.8	49.1	61.5	59.5
	Stable Business	80.3	86.4	62.9	98.5
	Total	207.1	135.5	124.4	158.0
Net Sales	EPC	47.3	56.0	61.7	50.5
	Stable Business	36.6	39.4	47.2	50.5
	Total	83.9	95.4	108.9	101.0
Operating Income	EPC	-1.8	0.7	-1.9	-4.9
	Stable Business	0.6	0.9	2.3	1.2
	Total	-1.2	1.6	0.4	-3.7

Forecast (By Small Segment of Environmental Systems & Industrial Plants)

(unit: billion yen)

		FY2014 Results	FY2015 Results	FY2016 Results	FY2017 Forecast As of May	FY2017 Forecast As of Nov.
Order Intake	EPC	176.0	127.3	117.0	125.0	106.0
	Stable Business	139.0	156.4	123.6	130.0	149.0
	Total	315.0	283.7	240.6	255.0	255.0
Net Sales	EPC	116.2	122.6	130.0	94.0	91.0
	Stable Business	109.8	119.0	124.6	121.0	124.0
	Total	226.0	241.6	254.6	215.0	215.0
Operating Income	EPC	1.3	0.5	-4.9	-3.6	-5.6
	Stable Business	12.3	14.3	16.2	12.1	13.6
	Total	13.6	14.8	11.3	8.5	8.0

Results for Second Quarter (By Small Segment of Machinery)

		FY2014 2Q	FY2015 2Q	FY2016 2Q	FY2017 2Q	(unit: billion yen)
Order Intake	Marine Diesel Engine	8.6	10.7	12.2	9.0	
	Press Machine	11.3	12.0	13.0	13.1	
	Process Equipment	4.0	5.7	4.6	2.1	
	Systematic Machinery	20.2	9.1	12.8	12.4	
	Others	6.8	7.8	8.0	7.5	
	Total	50.9	45.3	50.6	44.1	
Net Sales	Marine Diesel Engine	10.6	12.7	11.0	7.5	
	Press Machine	12.2	11.2	11.8	11.5	
	Process Equipment	8.6	6.5	6.9	7.3	
	Systematic Machinery	8.7	9.4	8.0	12.0	
	Others	5.6	7.8	6.9	6.5	
	Total	45.7	47.6	44.6	44.8	
Operating Income	Marine Diesel Engine	-1.6	-1.3	-0.2	-0.5	
	Press Machine	1.4	1.5	1.4	0.5	
	Process Equipment	-0.2	0.0	-0.7	-0.1	
	Systematic Machinery	-0.5	-0.7	-0.5	0.7	
	Others	0.1	-0.8	-0.4	-0.3	
	Total	-0.8	-1.3	-0.4	0.3	

Forecast (By Small Segment of Machinery)

		FY2014	FY2015	2016	2017	2017	(unit: billion yen)
		Results	Results	Results	Forecast As of May	Forecast As of Nov.	
Order Intake	Marine Diesel Engine	23.3	35.4	20.8	17.5	17.5	
	Press Machine	23.2	22.9	23.6	20.0	20.0	
	Process Equipment	12.7	16.9	18.3	20.0	19.0	
	Systematic Machinery	29.7	17.1	28.7	27.0	28.0	
	Others	11.7	14.9	15.5	15.5	15.5	
	Total	100.6	107.2	106.9	100.0	100.0	
Net Sales	Marine Diesel Engine	21.4	25.4	25.5	21.0	21.0	
	Press Machine	23.9	23.4	24.1	21.5	21.5	
	Process Equipment	22.0	16.0	16.4	17.0	14.0	
	Systematic Machinery	25.3	23.0	21.8	25.0	28.0	
	Others	11.8	16.7	15.9	15.5	15.5	
	Total	104.4	104.5	103.7	100.0	100.0	
Operating Income	Marine Diesel Engine	-3.5	-2.6	-0.4	0.0	0.0	
	Press Machine	2.8	2.7	2.3	1.4	1.2	
	Process Equipment	1.1	0.9	0.0	0.2	0.2	
	Systematic Machinery	0.4	-1.0	0.2	0.6	1.3	
	Others	0.0	-0.8	0.1	0.3	0.3	
	Total	0.8	-0.8	2.2	2.5	3.0	



Technology for People, the Earth, and the Future

Hitachi Zosen creates links between mother nature and our future

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

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

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

**November, 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*”**

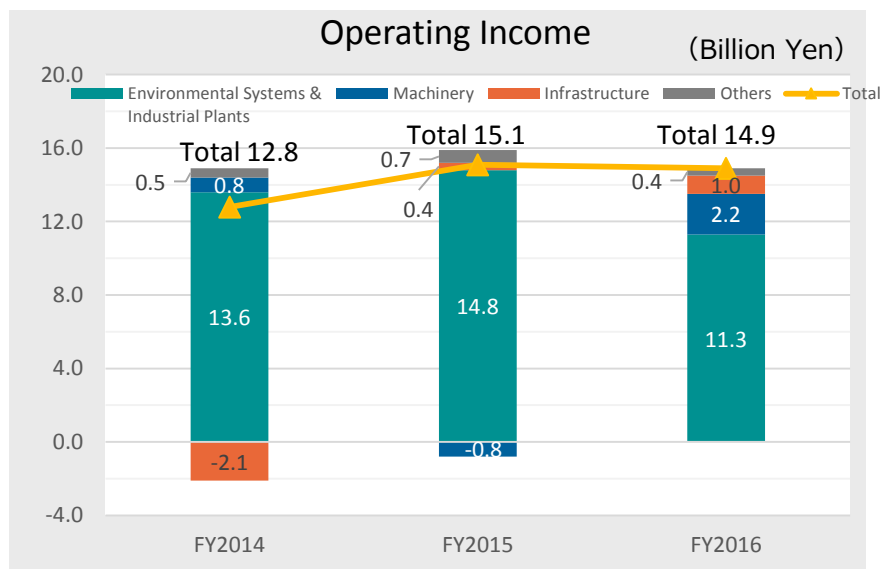
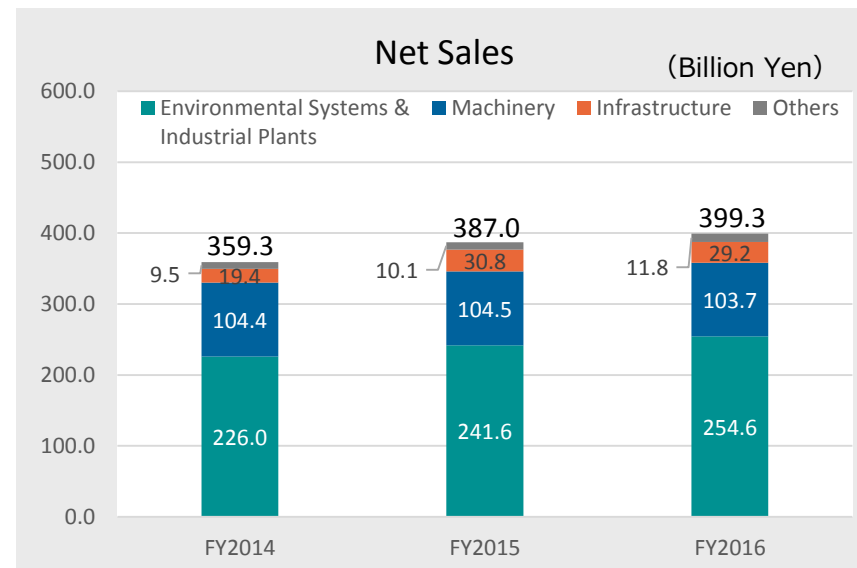
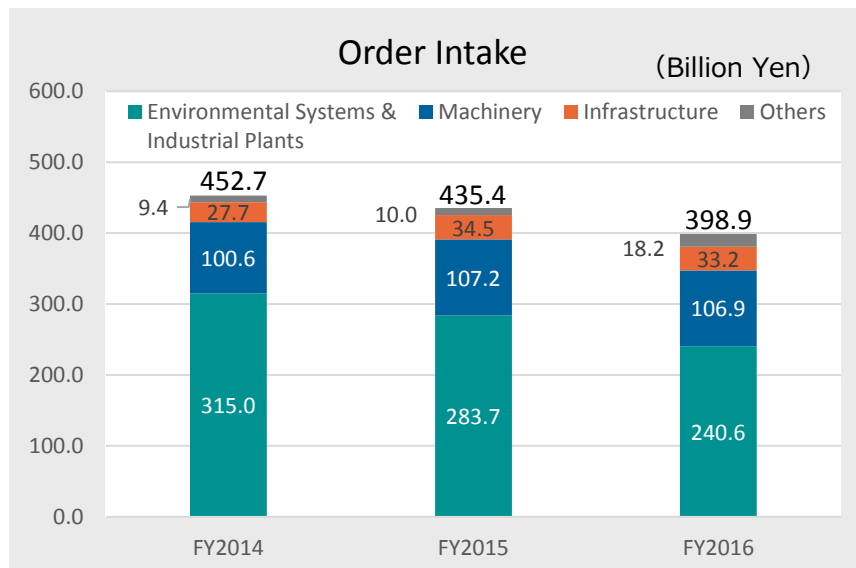
1. Review of former Medium-Term Management Plan“Hitz Vision II”

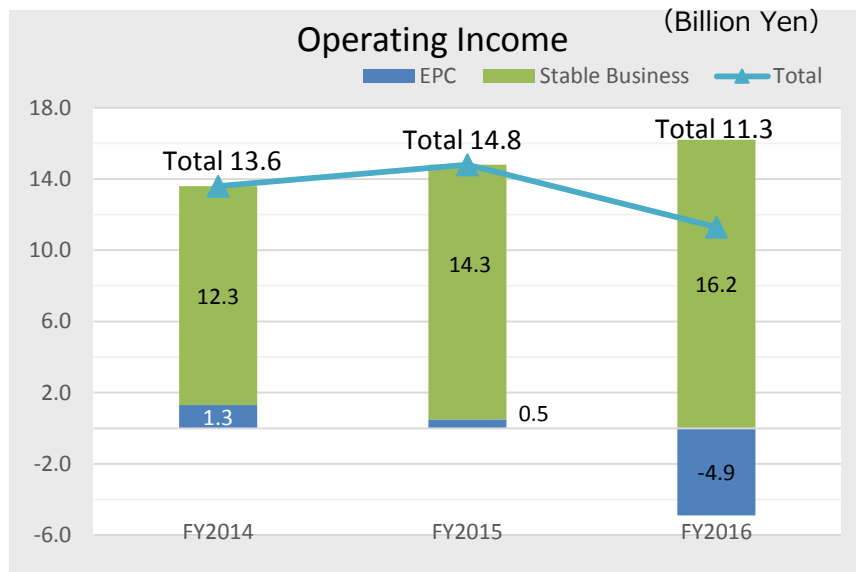
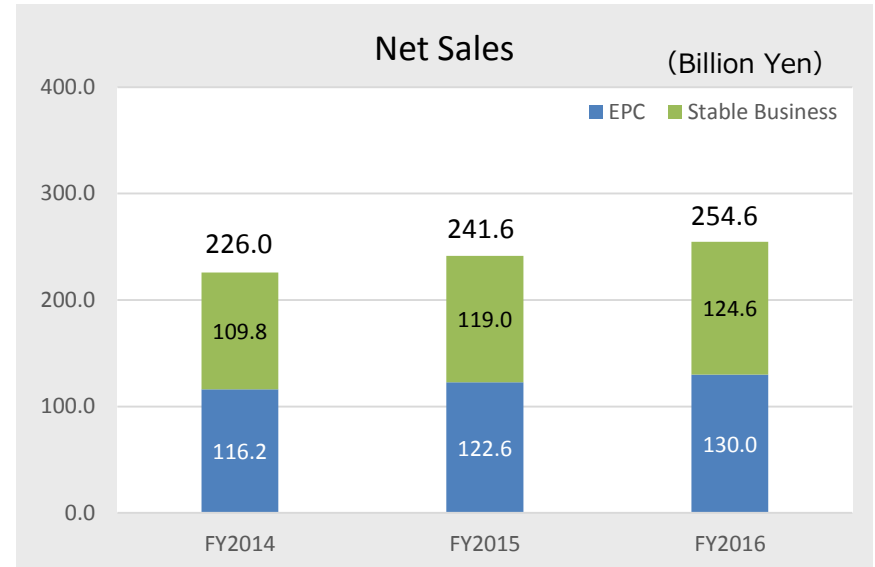
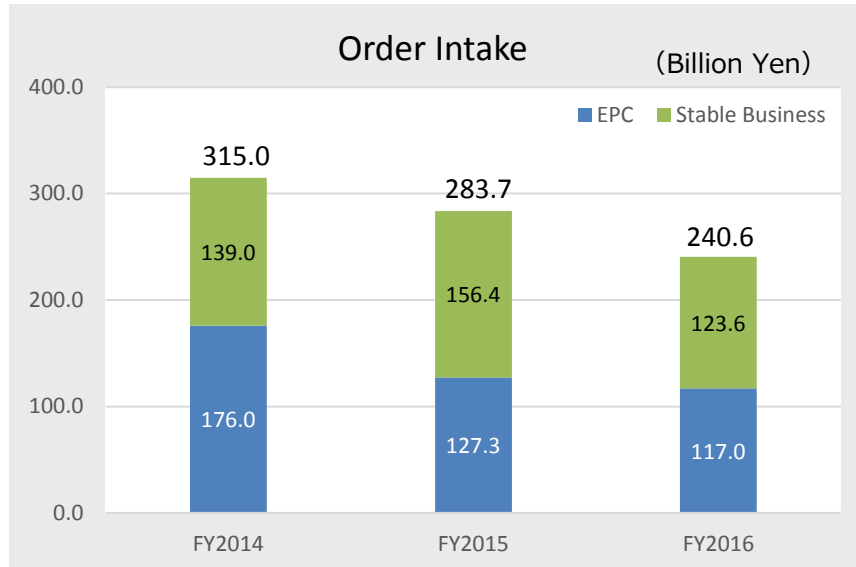
Achievement of Hitz Vision II

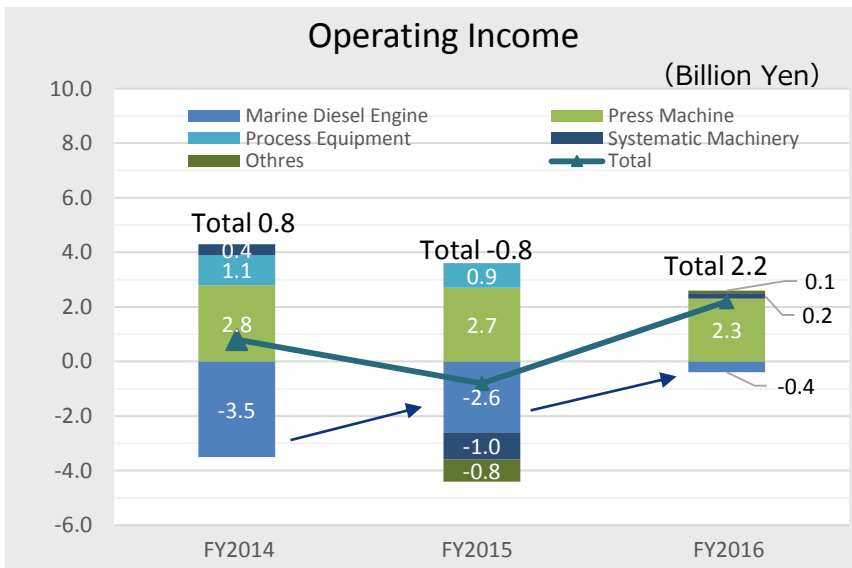
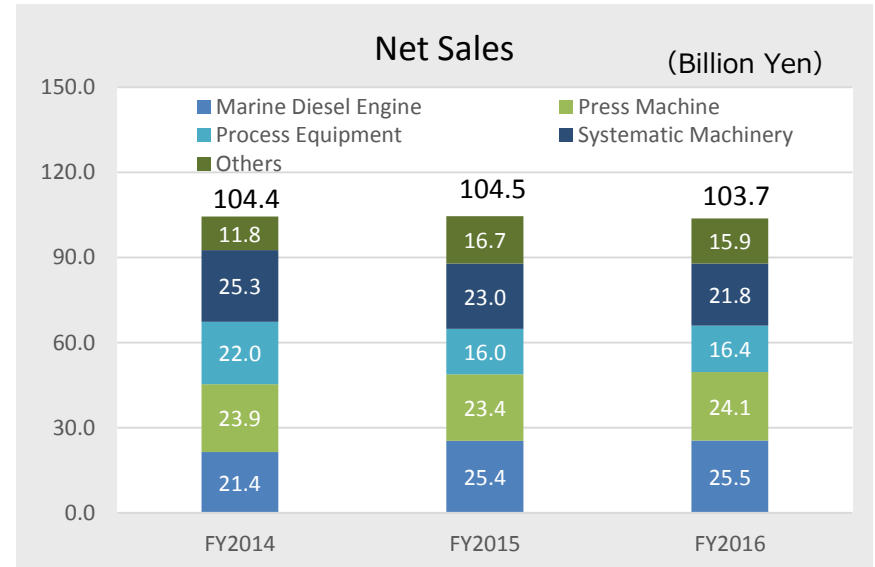
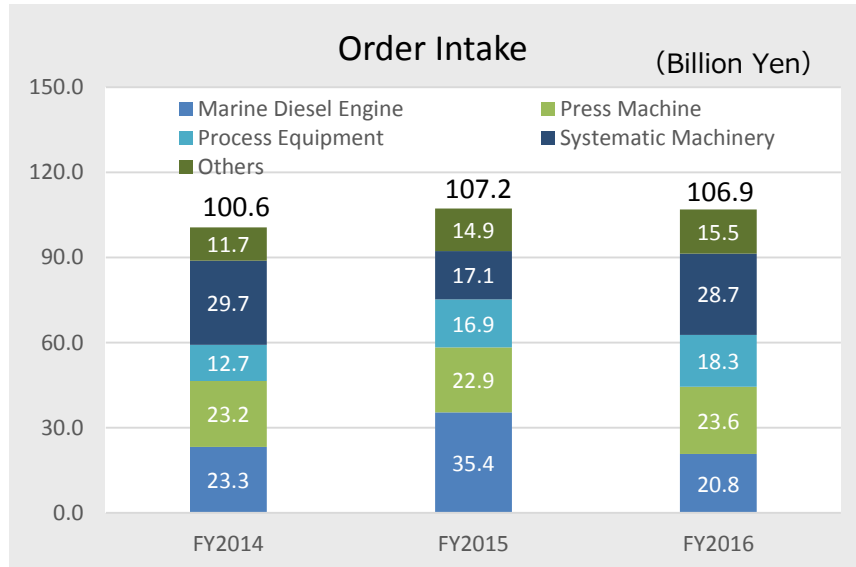
(Unit: Billion Yen)

	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



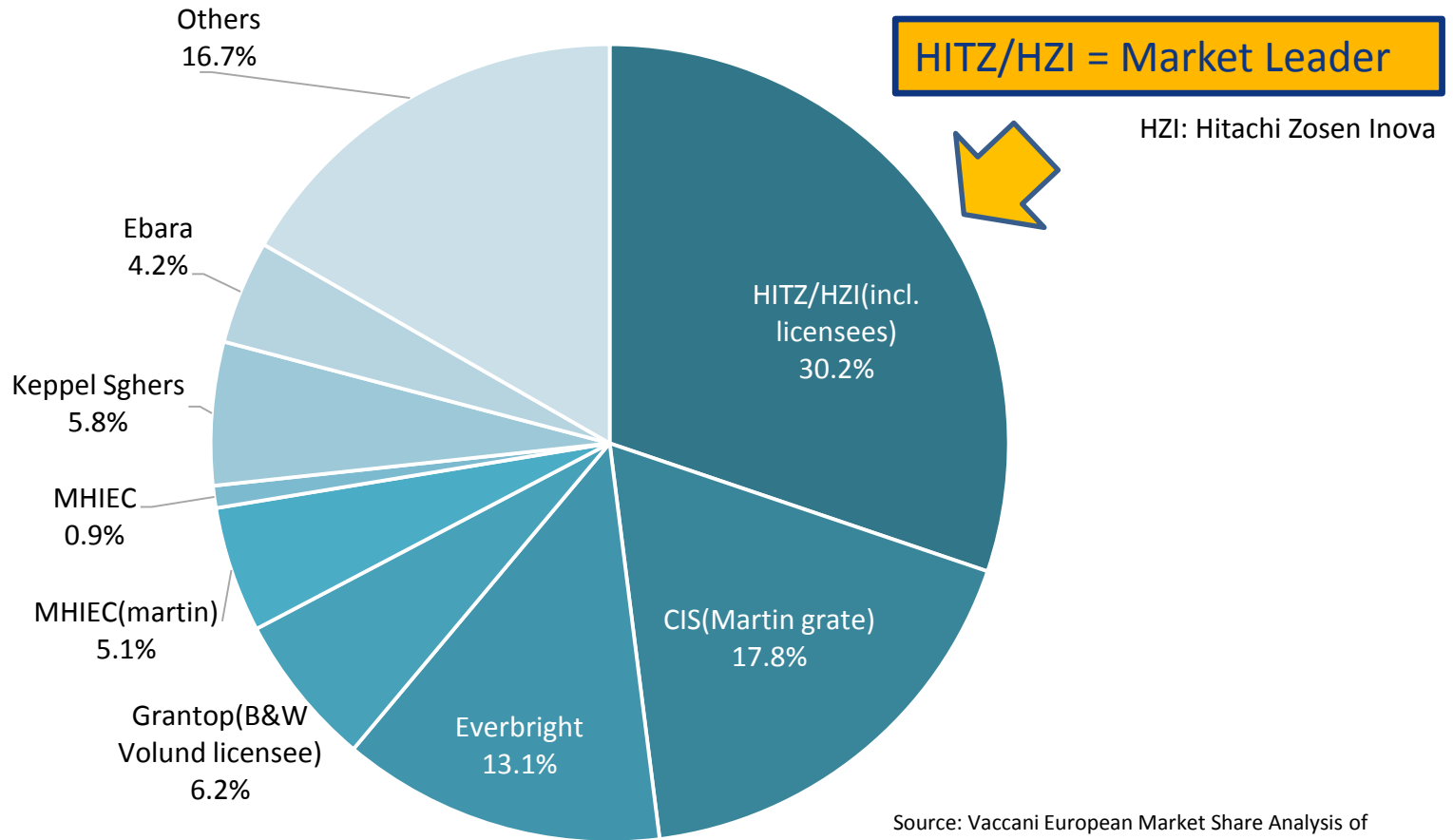




No.	Management Targets	Evaluation
1	<p>Strengthen profitability</p> <ul style="list-style-type: none"> Each business and product to achieve No. 1 profitability in its area 	<ul style="list-style-type: none"> Engineering : AOM leads growth of engineering Manufacturing : Continuing slump <p>Troubles of marine diesel engines and systematic machinery.</p> <p>Projects troubles and technical problems 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)



HITZ/HZI = Market Leader

HZI: Hitachi Zosen Inova

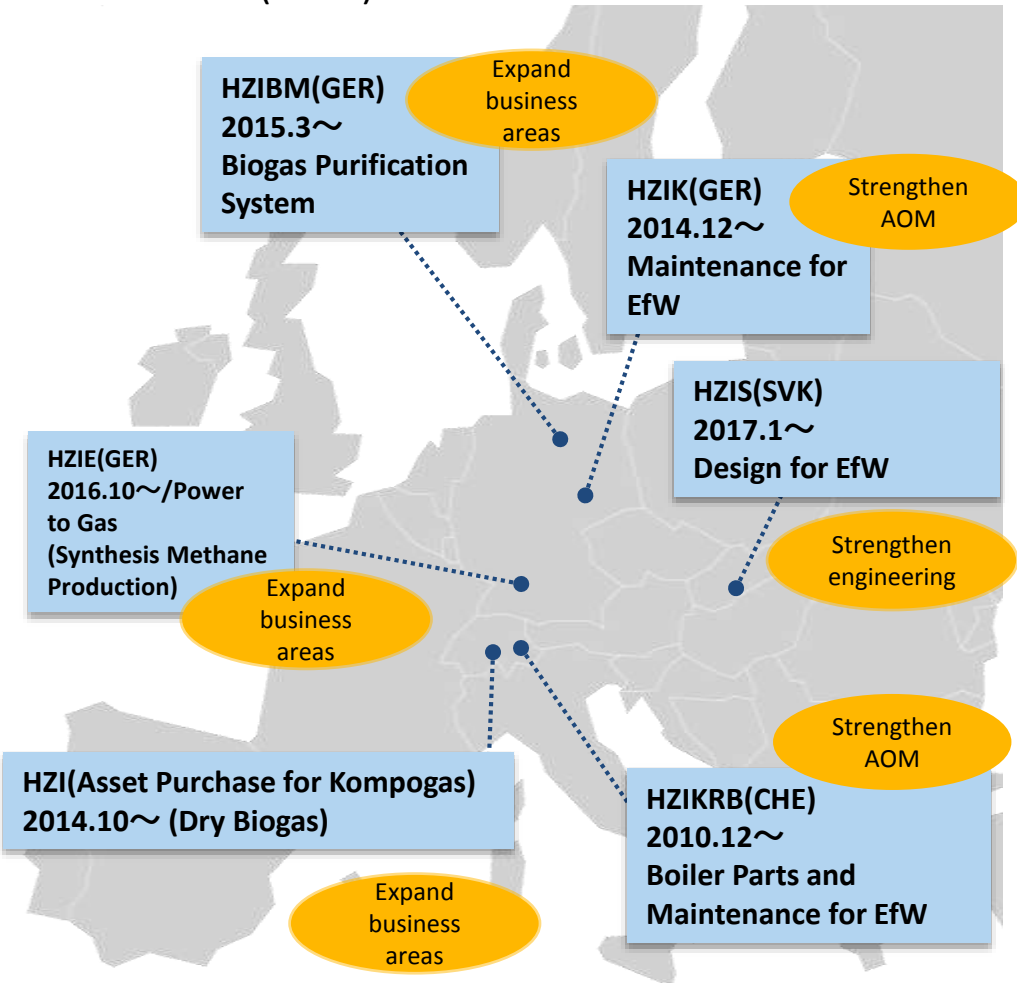


Total: 198,918 tpd

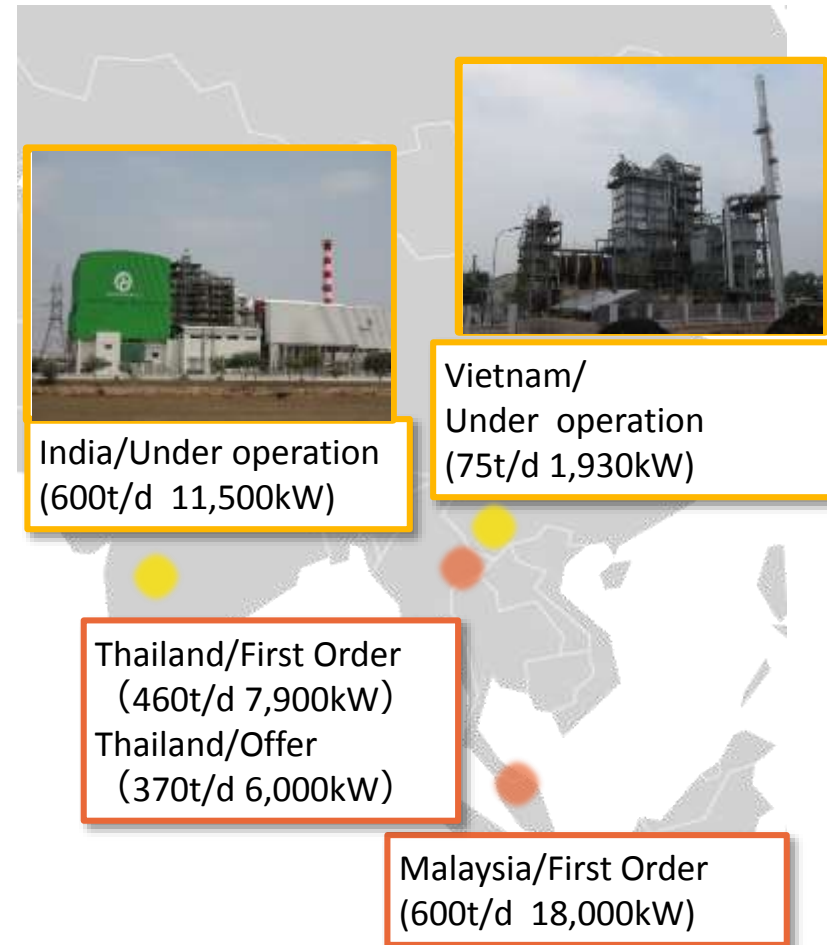
Source: Vaccani European Market Share Analysis of Thermal Waste Treatment Plants, 2017 Edition

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

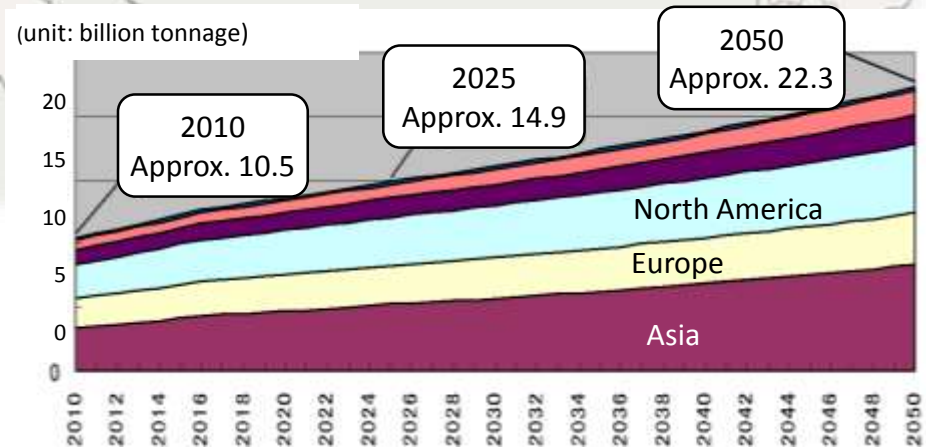
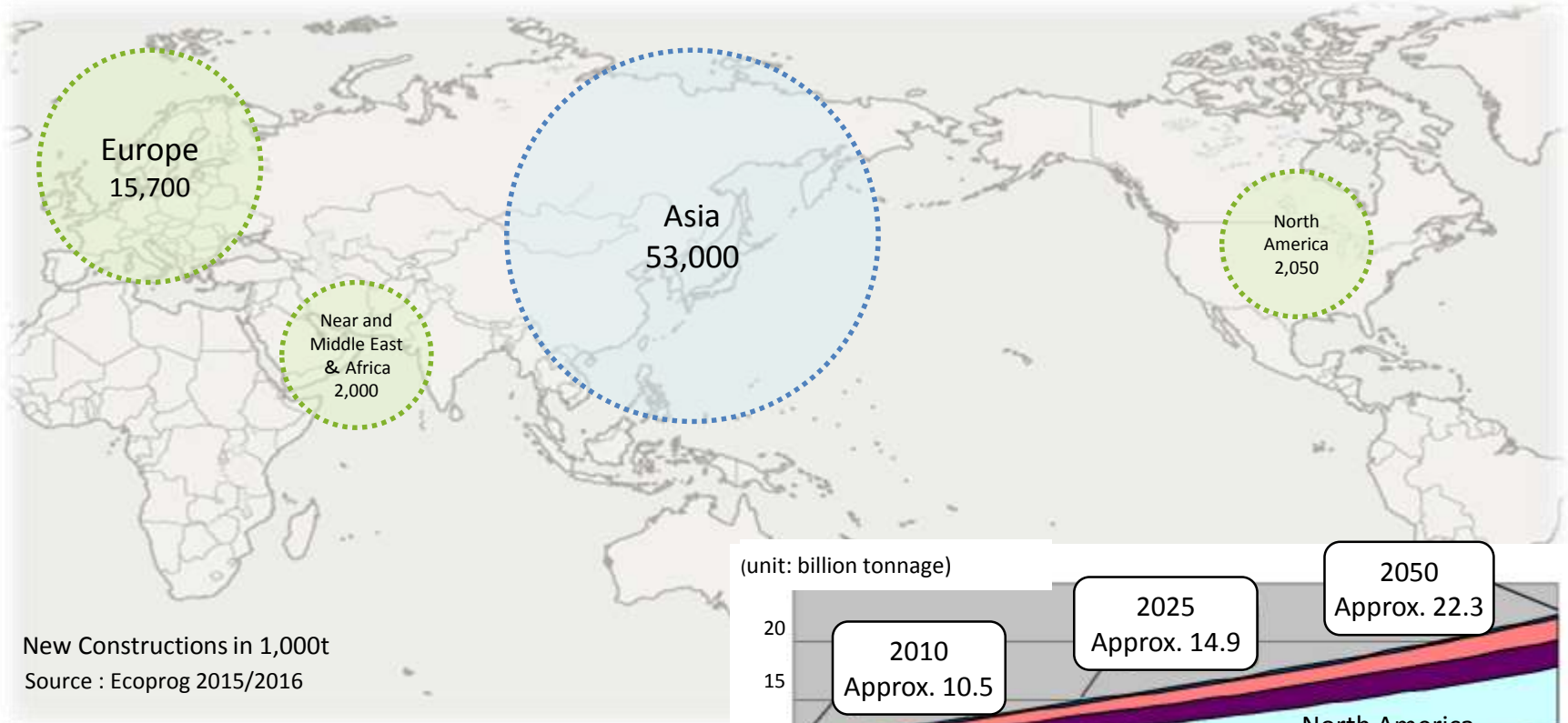
1 HZI : Expand business areas in European markets and strengthen O&M business (M&A)



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



◆ Global forecast market volume in EfW 2017-2020

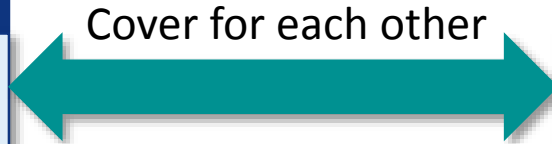


Source: "Estimates and Projections of Global Waste Emission Volumes,"
Research Institute of Solid Waste Management Engineering

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

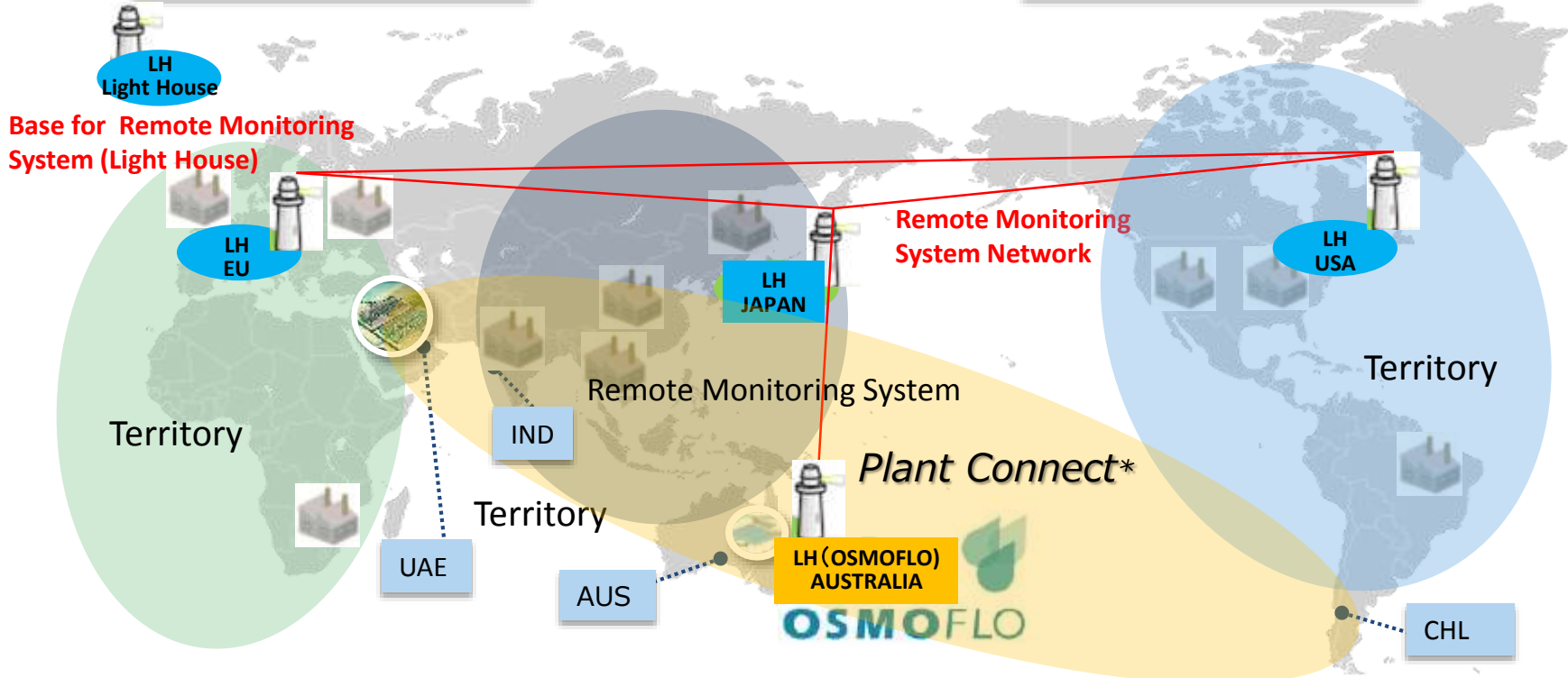
Advantages of Hitz

- 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

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.

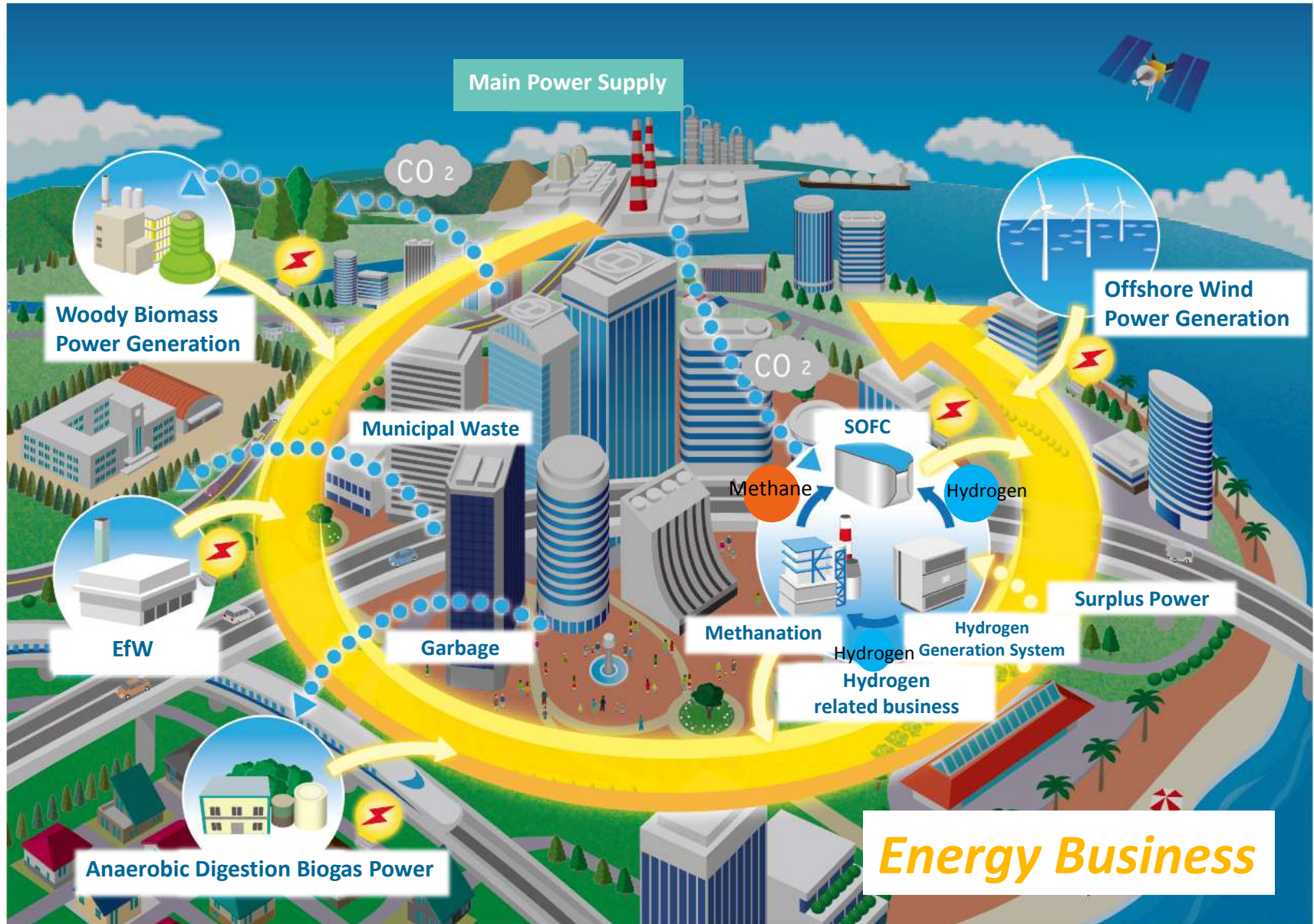
Water

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

Environment

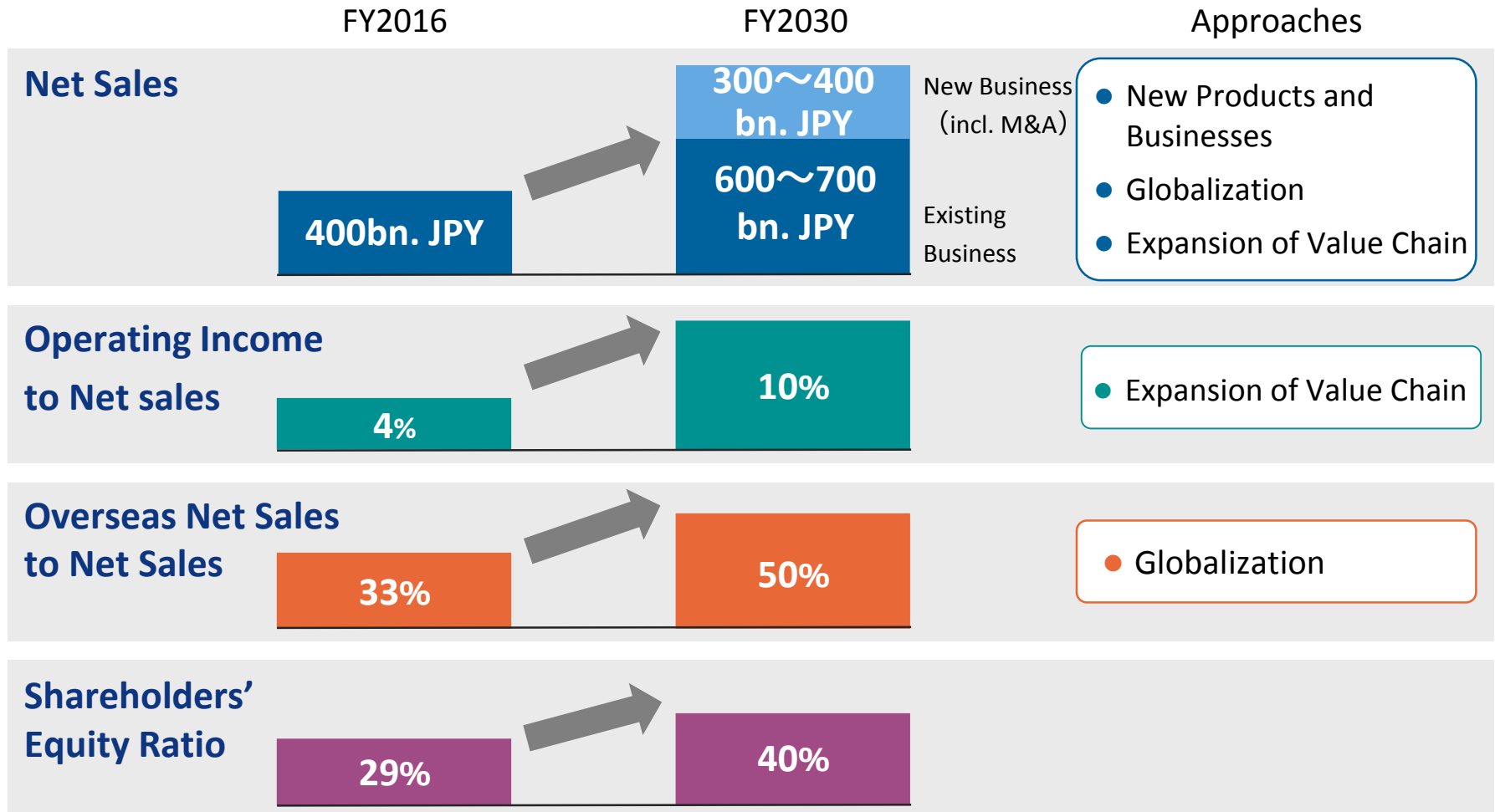
Core Competences of Hitachi Group

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

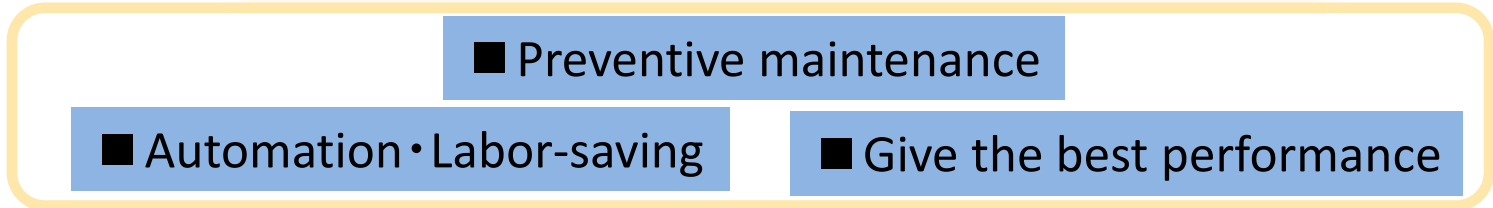




“In FY2030, net sales will be JPY 1 trillion and operating income to net sales will be more than 10%”



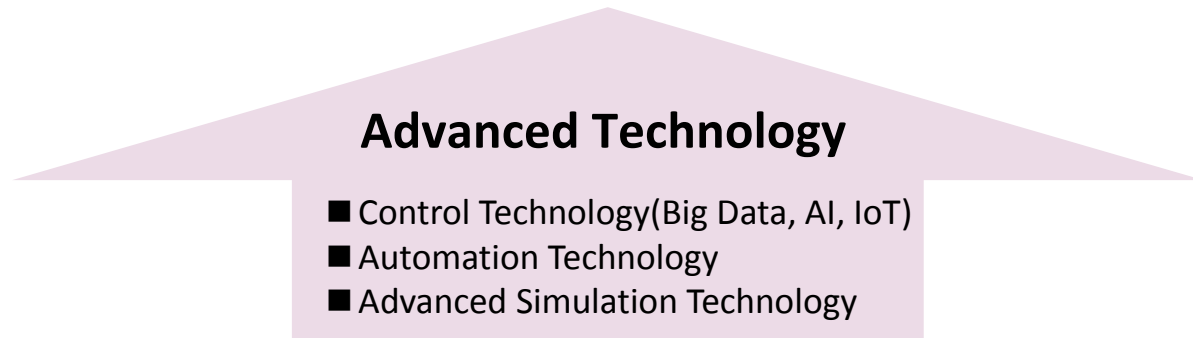
<Added value and productivity improvement>



<Software >



<Hardware >



Engineering

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



Manufacturing

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



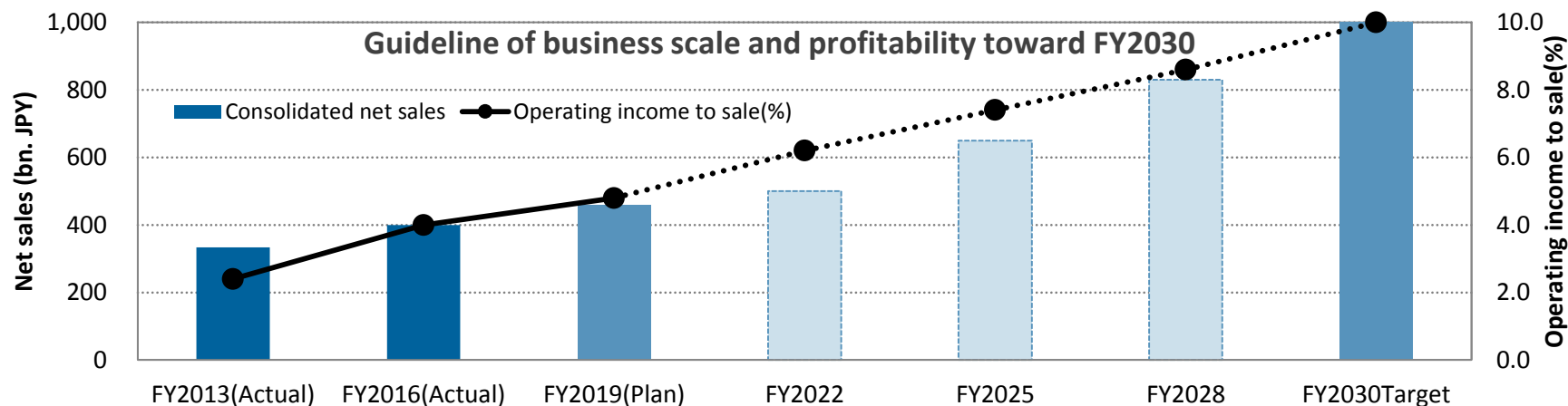
3. New Medium-Term Management Plan "*Change & Growth*"

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	

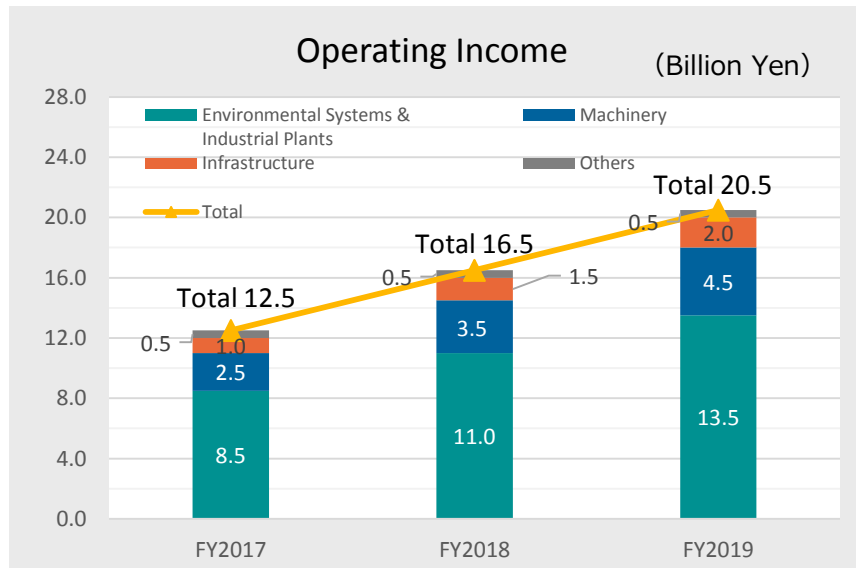
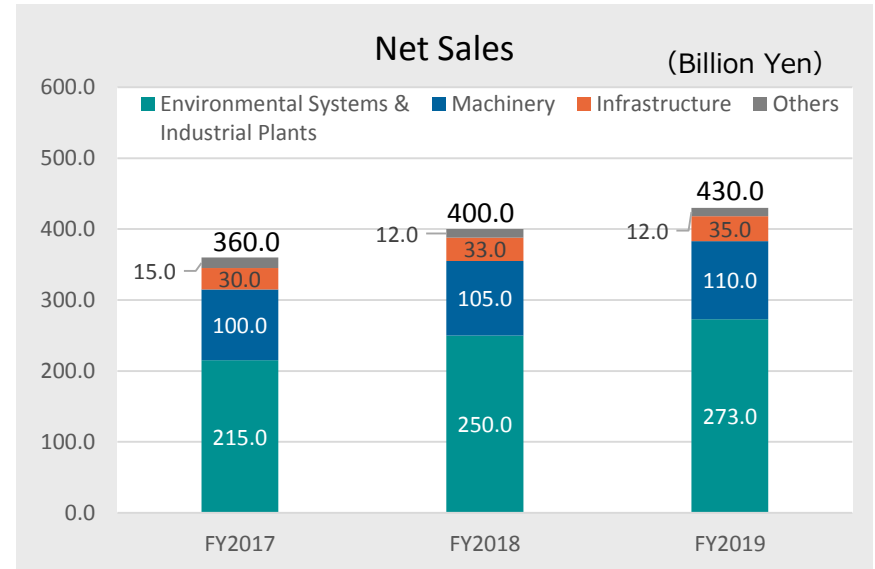
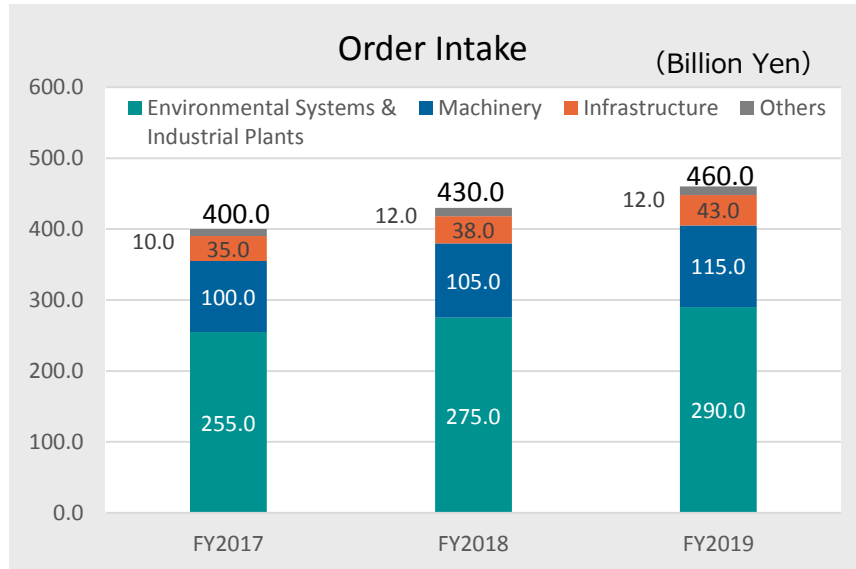
Basic strategies for New Mid-Term Management Plan "Change & Growth"

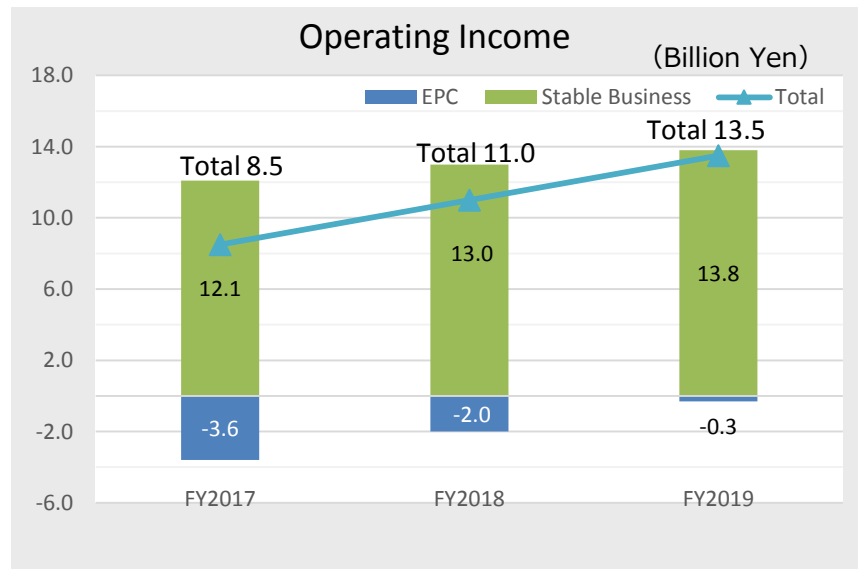
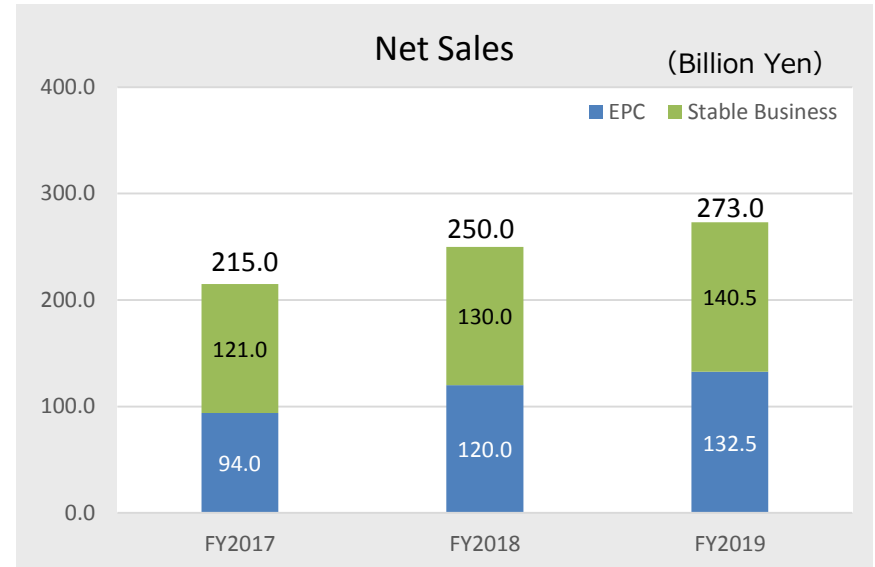
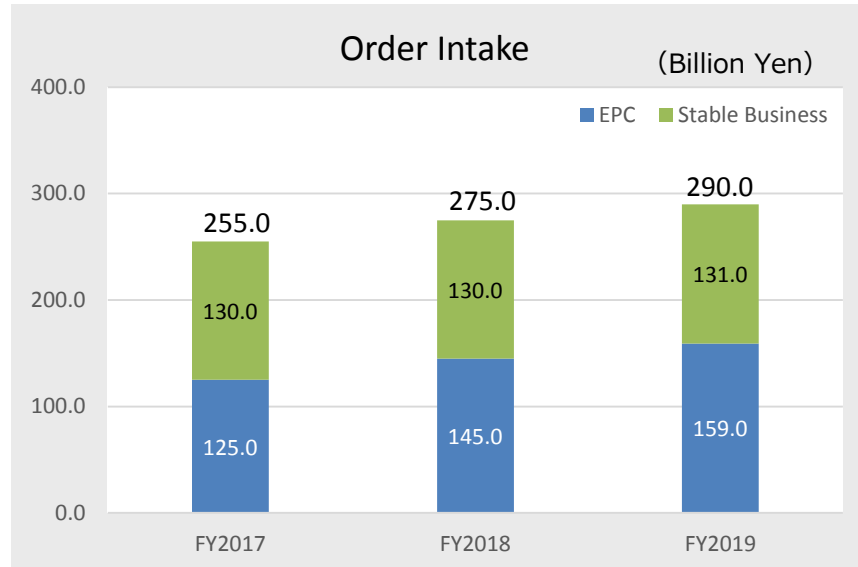
1. To restructure business foundation and improve productivity
2. To maximize Hitz Group comprehensive strengths
3. Promote Portfolio Management

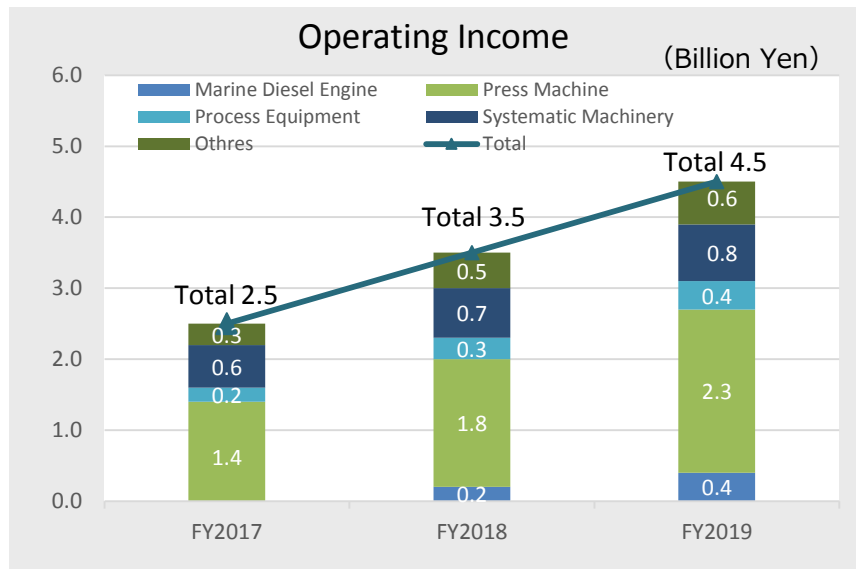
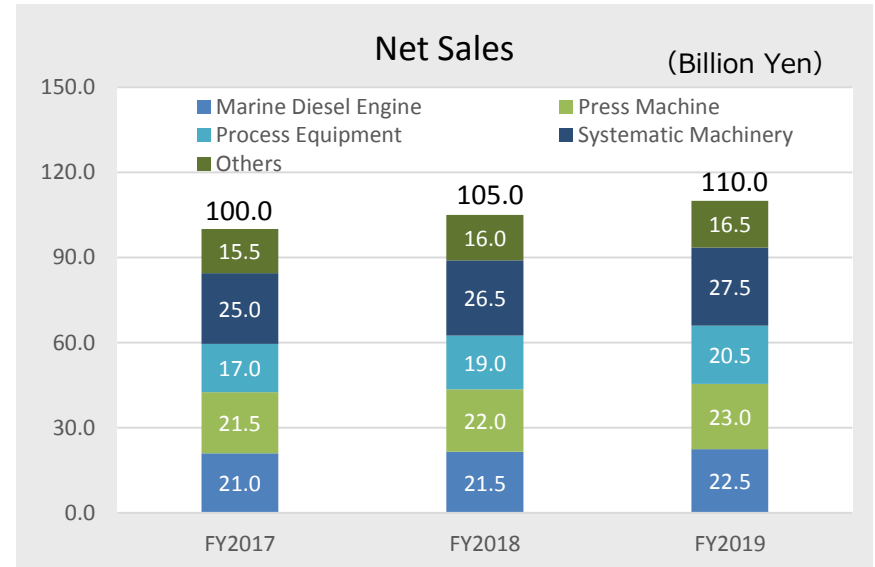
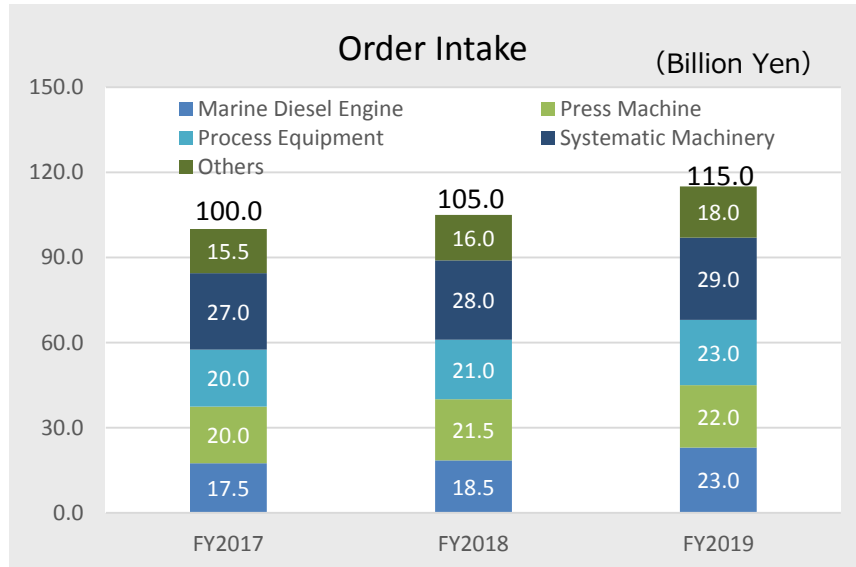


(Unit: Billion Yen)

	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)

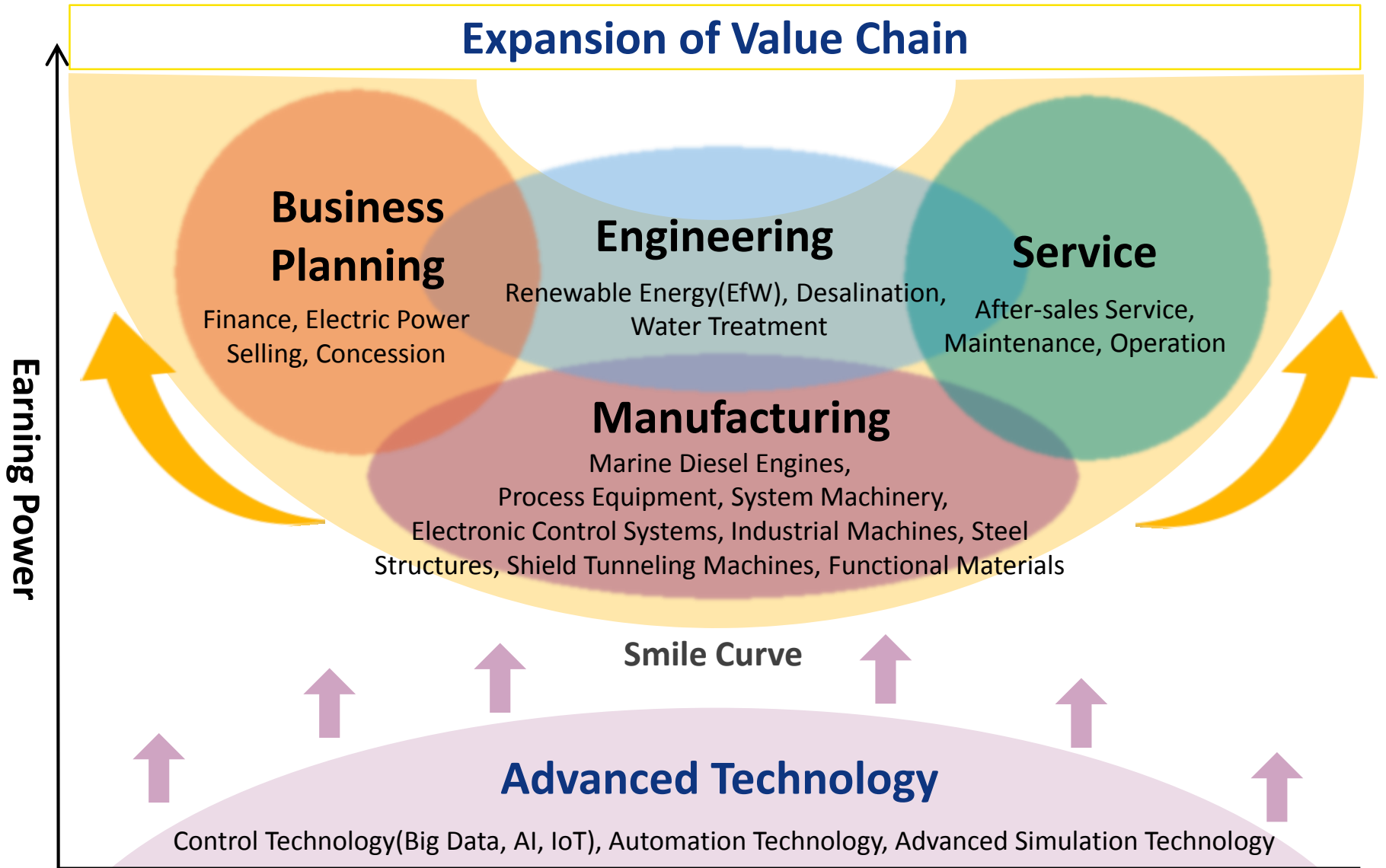
**Maximize Hitz Group
comprehensive strengths**

- 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



Launch biogas power plant business as our own business -expand business development and investment area-

1 Akita Biogas Power Station



- Business : Operating Biogas Power Station
- Energy source : Industrial food waste
- Process: Methane fermentation(Wet)
- Power generation : 5.23 million kWh/year
- Start of operation : August, 2017
- Total project costs : JPY 3.0 billion

2 California Biogas Power Station



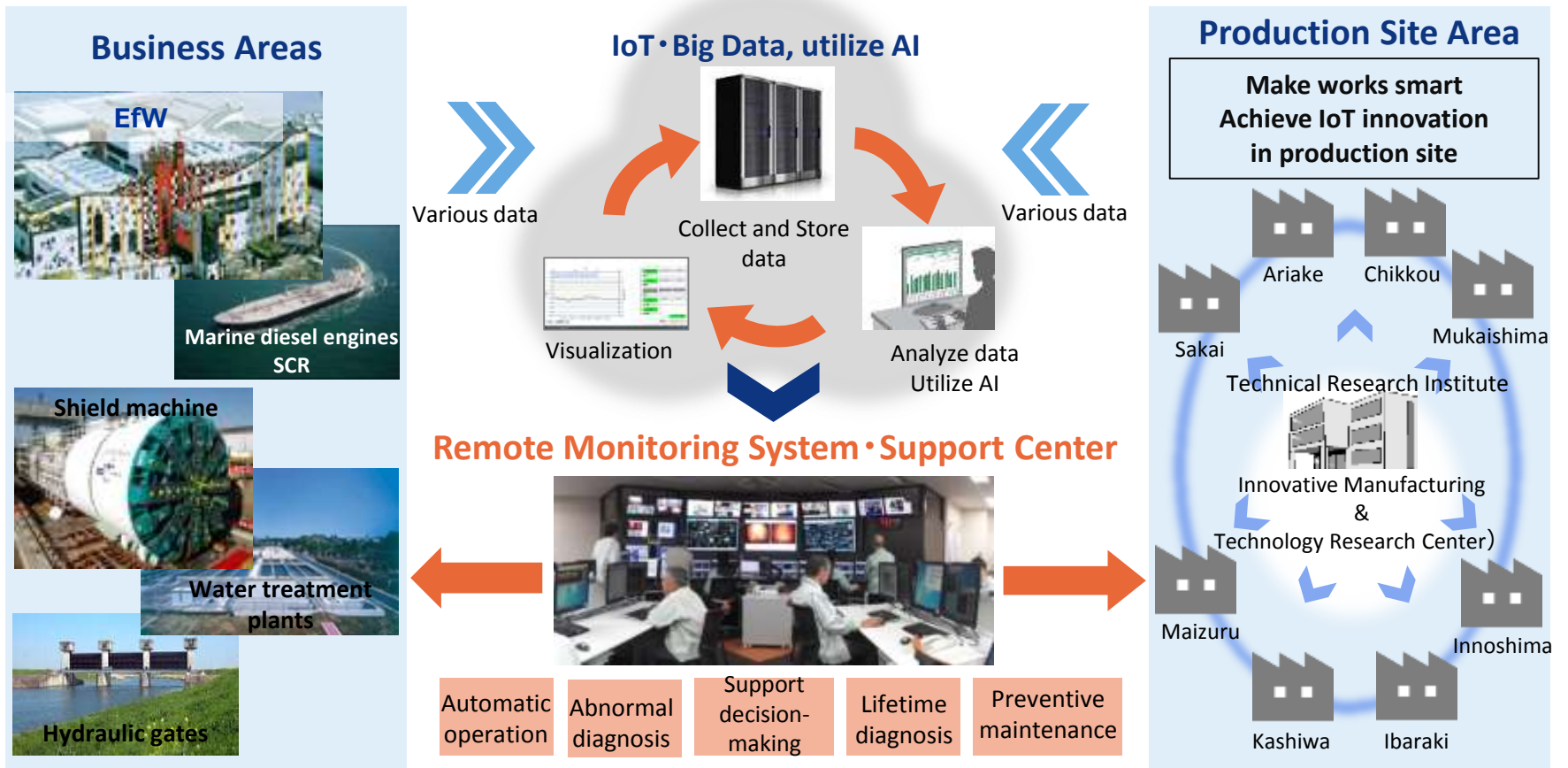
- Business: Operating Biogas Power Station
- Energy source : Green waste and Food waste
- Process : Methane fermentation(Dry)
- Power generation : 6.2 million kWh/year
- Start of operation : July, 2018
- Total project costs : USD 22 million

3 HZI received orders for bio-methane production related facilities

- Biogas upgrading facilities: 5 units (France, German)
- Methane fermentation tank: 6 units (Greece, Italy, China)

Renewal of Remote Monitoring System · Support Center

- 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



(1) Marine SCR system: Receive orders consecutively (12 Units)

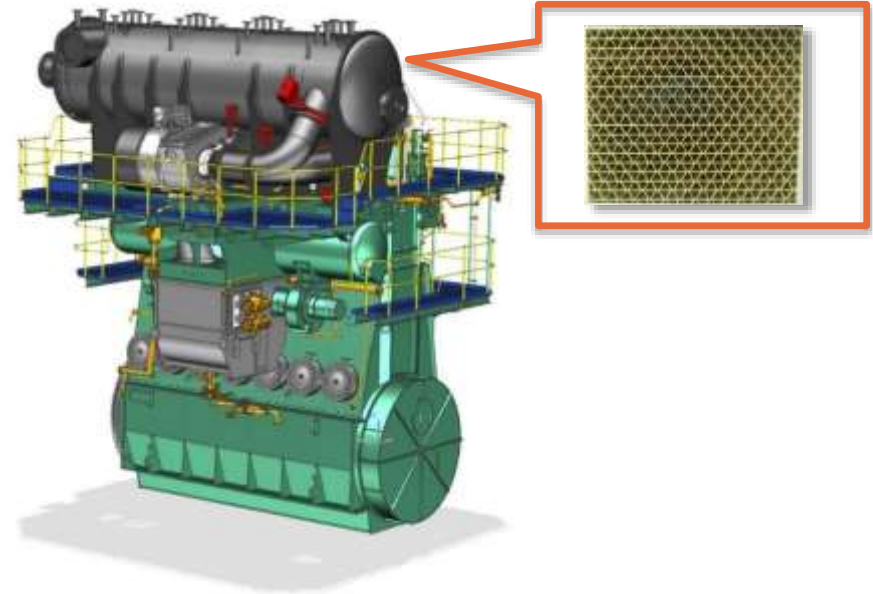
First Order for SCR System

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

First Order for SCR System & Engine

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 2 units
Delivery: 1st unit October 2017
2nd unit November 2017



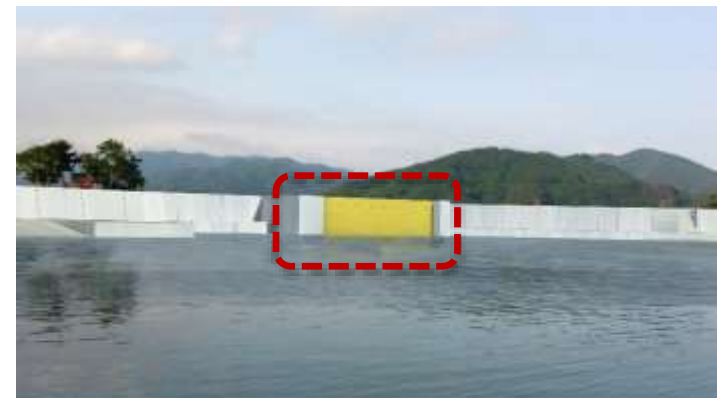
Marine SCR(Selective Catalytic Reduction) system: System for reduction exhaust Nox and Sox from marine Diesel Engine

(2) First order for Movable Flap-Gate Type Seawall

- Client : Iwate Prefecture
- Site : Funato Cite, Iwate Prefecture
(Sea floor at depth of about 5m)
- Completion : March 2020
- Factory : Sakai Works
- Features :
 - ① Normally lie flat on the seabed to prevent obstruction of marine traffic and sea currents, and therefore have negligible visual impact
 - ② Cheap defensive system through using structures and mechanisms that make effective use of natural forces.
- Land-mounted flap-gate seawall(neo RiSe®)
Delivery 89 units



Expected completion drawing: when lie flat on the seabed



Expected completion drawing: when rise seawall

(3) Launch a Demonstration Test of Solid Oxide Fuel Cell (SOFC) Power System for Commercial and Industrial Use

- Features:
 - ① Saving energy (distributed power generation use with high energy efficiency)
 - ② Environmentally friendly (low noise, low vibration, and low CO2 emitting design)
- Research form: Support from the New Energy and Industrial Technology Development Organization (NEDO)
- Demonstration period: From June 2017 to March 2018 (more than 4,000h)
- Next step:
 - ① Aiming for the market introduction of the SOFC power-generating unit (20 to several hundred kW) in FY2018, targeting supermarkets, convenience stores, office buildings and multiple occupancy dwellings
 - ② Promoting commercialization for biofuels and hydrogen applications



SOFC



Technology for People, the Earth, and the Future

Hitachi Zosen creates links between mother nature and our future

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.



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