
FY2019 Financial Results & FY2020 Forecast

May 26th 2020

**Hitachi Zosen Corporation
Chairman and CEO Takashi Tanisho**

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1. Overview of FY2019 Consolidated Financial Results

- **Order intake exceeded 450 billion yen for 2 years in a row.**
Net sales exceeded 400 billion yen.
- **Hitachi Zosen Inova's deficit project completed.**
- **Despite extraordinary loss (Loss related to overseas business, Loss on devaluation of investment securities), net income secured by extraordinary profit (Profit from sale of fixed assets)**

FY2019 Results - Overview

(Unit: Billion Yen)

	FY2018		FY2019				Difference			
	Results (a)		Forecast as of May 2019		Forecast as of Feb. 2020 (b)		Results (c)		(c)-(b)	(c)-(a)
	(Ratio to net sales)		(Ratio to net sales)		(Ratio to net sales)		(Ratio to net sales)			
Order intake		455.0		400.0		400.0		454.1	54.1	-0.9
Net sales		378.1		380.0		395.0		402.4	7.4	24.3
Operating income	(1.9%)	7.3	(3.2%)	12.0	(3.0%)	12.0	(3.5%)	13.8	1.8	6.5
Ordinary income	(1.8%)	6.7	(2.1%)	8.0	(2.0%)	8.0	(2.3%)	9.4	1.4	2.7
Net income	(1.4%)	5.4	(1.3%)	5.0	(0.3%)	1.0	(0.5%)	2.1	1.1	-3.3

FY2019 Results - Order intake

(Unit: Billion Yen)

	FY2018	FY2019			Difference	
	Results (a)	Forecast as of May 2019	Forecast as of Feb. 2020	Results (c)	(c)-(b)	(c)-(a)
Environmental Systems and Industrial Plants	314.7	240.0	240.0	289.4	49.4	-25.3
Machinery	100.7	110.0	110.0	114.3	4.3	13.6
Infrastructure	27.6	40.0	40.0	39.7	-0.3	12.1
Others	12.0	10.0	10.0	10.7	0.7	-1.3
Total	455.0	400.0	400.0	454.1	54.1	-0.9

FY2019 Results - Net sales

(Unit: Billion Yen)

	FY2018	FY2019			Difference	
	Results (a)	Forecast as of May 2019	Forecast as of Feb. 2020 (b)	Results (c)	(c)-(b)	(c)-(a)
Environmental Systems and Industrial Plants	228.3	240.0	255.0	254.3	-0.7	26.0
Machinery	106.6	100.0	100.0	103.2	3.2	-3.4
Infrastructure	31.8	30.0	30.0	33.5	3.5	1.7
Others	11.4	10.0	10.0	11.4	1.4	0.0
Total	378.1	380.0	395.0	402.4	7.4	24.3

FY2019 Results - Operating income

(億円)

	FY2018	FY2019			Difference	
	Results (a)	Forecast as of May 2019	Forecast as of Feb. 2020 (b)	Results (c)	(c)-(b)	(c)-(a)
Environmental Systems and Industrial Plants	5.6	10.0	15.0	15.8	0.8	10.2
Machinery	-0.3	1.0	-2.0	-1.2	0.8	-0.9
Infrastructure	1.3	0.5	-1.5	-1.6	-0.1	-2.9
Others	0.7	0.5	0.5	0.8	0.3	0.1
Total	7.3	12.0	12.0	13.8	1.8	6.5

(Unit: Billion Yen)

FY2018 Operating income		7.3
Breakdown of changes	•Improvement of profitability at HZI	+8.3
	•Cost down achieved in projects	+2.3
	•Process Equipment: Profit deterioration	-2.4
	•Compensation cost for new products	-1.7
FY2019 Operating income		13.8

Net Non-operating income & expenses

(Unit: Billion Yen)

	FY2018 (a)	FY2019 (b)	Difference (b)-(a)
Net interest expense	-0.6	-0.5	0.1
Equity in net income of affiliates	0.7	0.6	-0.1
Others	-0.7	-4.5	-3.8
Total	-0.6	-4.4	-3.8

Extraordinary profit and loss

(Unit: Billion Yen)

	FY2018 (a)	FY2019 (b)	Difference (b)-(a)
Extraordinary profit	—	10.9	10.9
Extraordinary loss	—	-9.8	-9.8
	—	-6.5	-6.5
	—	-0.5	-0.5
Total	—	-5.9	-5.9

FY2019 Results - Balance Sheet

(Unit: Billion Yen)

	End of Mar. 2019 (a)	End of Mar. 2020 (b)	Difference (b)-(a)
Cash and deposits	35.6	42.9	7.3
Operating assets	203.5	183.4	- 20.1
Trade notes and accounts receivable	172.7	160.0	- 12.7
Inventories	30.8	23.4	- 7.4
Tangible & intangible fixed assets	129.9	124.7	- 5.2
Others	60.0	58.5	- 1.5
Total Assets	429.0	409.5	- 19.5
Operating liabilities	90.0	88.7	- 1.3
Notes and accounts payable	68.5	65.9	- 2.6
Advances received	21.5	22.8	1.3
Interest bearing debt	126.3	99.6	- 26.7
Others	92.3	101.7	9.4
Total Liabilities	308.6	290.0	- 18.6
Shareholders' equity	119.5	118.0	- 1.5
Non-controlling interests	0.9	1.5	0.6
Total Net Assets	120.4	119.5	- 0.9
Total Liabilities and Net Assets	429.0	409.5	- 19.5
Shareholders' equity ratio	27.8%	28.8%	1.0%

FY2019 Results - Cash flows and Interest-bearing debt

Cash flows

(Unit: Billion Yen)

	FY2018 (A)	FY2019 (B)	Difference (B)-(A)
Cash flows from operating activities	-5.4	32.8	38.2
Cash flows from investing activities	-7.6	6.1	13.7
Cash flows from financing activities	14.9	-31.3	-46.2
Increase in cash and cash equivalents	(* 1) 1.6	(* 1) 7.2	5.6
Cash and cash equivalents at beginning	32.7	34.3	1.6
Cash and cash equivalents at end	34.3	41.5	7.2

Interest-bearing debt

(Unit: Billion Yen)

	FY2018 (A)	FY2018 (B)	Difference (B)-(A)
Borrowings	(* 2) 101.3	(* 2) 74.6	-26.7
Bond	25.0	25.0	0.0
Total	126.3	99.6	-26.7

(*1) Incl. foreign currency translation adjustment (FY2018:-0.3, FY2019:-0.4) (*2) Incl. lease obligation

2. Forecast of FY2020

(Unit: Billion Yen)

	FY2019		FY2020		Difference (b)-(a)
	Results (a)		Forecast (b)		
	(Ratio to net sales)		(Ratio to net sales)		
Order intake		454.1		410.0	-44.1
Net sales		402.4		400.0	-2.4
Operating income	(3.5%)	13.8	(2.8%)	11.0	-2.8
Ordinary income	(2.3%)	9.4	(1.6%)	6.5	-2.9
Net income	(0.5%)	2.1	(1.0%)	4.0	1.9

(Unit: Billion Yen)

	FY2019 Results (a)	FY2020 Forecast (b)	Difference (b)-(a)
Environmental Systems and Industrial Plants	289.4	280.0	-9.4
Machinery	114.3	85.0	-29.3
Infrastructure	39.7	35.0	-4.7
Others	10.7	10.0	-0.7
Total	454.1	410.0	-44.1

(Unit: Billion Yen)

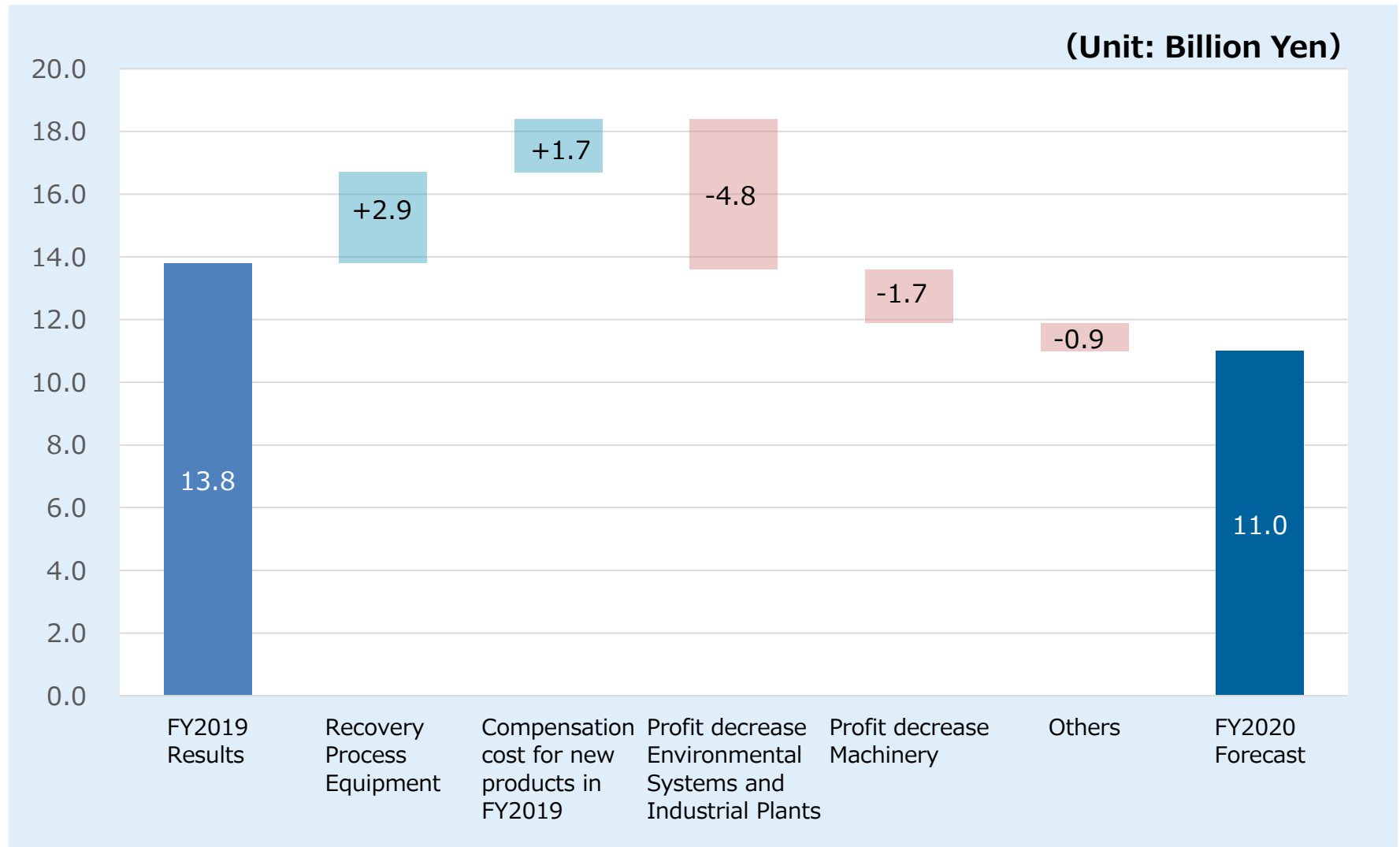
	FY2019 Results (a)	FY2020 Forecast (b)	Difference (b)-(a)
Environmental Systems and Industrial Plants	254.3	265.0	10.7
Machinery	103.2	95.0	-8.2
Infrastructure	33.5	30.0	-3.5
Others	11.4	10.0	-1.4
Total	402.4	400.0	-2.4

FY2020 Forecast - Operating income

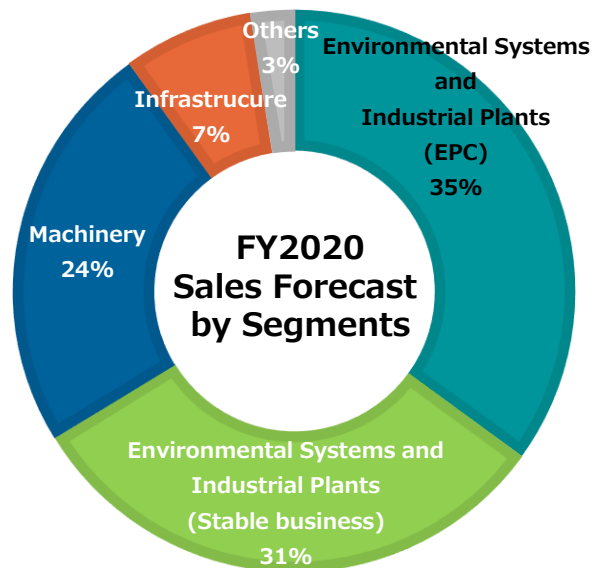
(Unit: Billion Yen)

	FY2019 Results (a)	FY2020 Forecast (b)	Difference (b)-(a)
Environmental Systems and Industrial Plants	15.8	11.0	-4.8
Machinery	-1.2	0.0	1.2
Infrastructure	-1.6	0.0	1.6
Others	0.8	0.0	-0.8
Total	13.8	11.0	-2.8

FY2020 Forecast - Breakdown of decrease in Operating income



- **Environmental/Plants and Infrastructure** : Limited impact expected.
- **Machinery** : Partially risks of postponement, cancellation. Limited risks on existing orders intake.



Sales confirmation rate: 81% (On a consolidated basis)

※The figures are based on the current status of orders received, and may change due to the long-term effects of the new coronavirus in the future.

Environmental/Plants EPC (FY20 Sales Secured : 81%)

- **Order intake**
 - Currently, bidding schedule change not expected. Partial delay seen overseas.
- **Net sales & Operating income**
 - Currently, no significant delay in domestic project execution. Some delay overseas. Impact could be limited by negotiating with customers.

Environmental/Plants Stable Business (O&M) (FY20 Sales Secured : 86%)

- **Order intake**
 - Currently, bidding schedule change not expected. Partial delay seen overseas.
- **Net sales & Operating income**
 - Currently, no significant delay in domestic project execution. Some delay in Europe. Impact could be limited by negotiating with customers.

Machinery (FY20 Sales Secured : 84%)

- **Order intake**
 - Some risks of delay or cancellation in process equipment and others.
- **Net sales & Operating income**
 - Some delay overseas. Impact could be limited by negotiating with customers.

Infrastructure (FY20 Sales Secured : 83%)

- **Order intake**
 - Currently, bidding schedule change not expected.
- **Net sales & Operating income**
 - Currently no delay expected in secured orders intake.

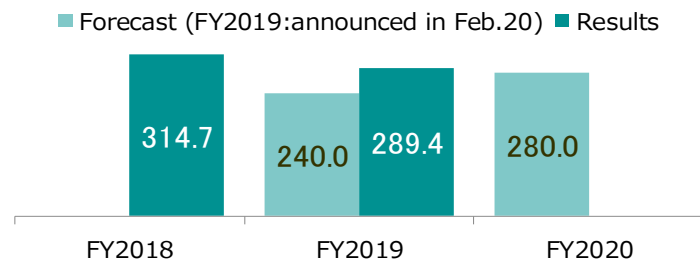
Others (FY20 Sales Secured : 2%)

※Manufacturing facilities: Secured operation rate : 74.8%

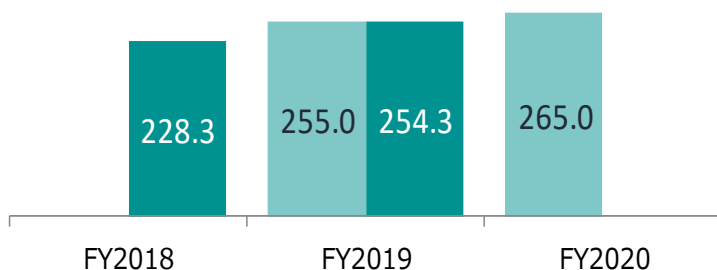
3. Details by Segments

(Unit: Billion Yen)

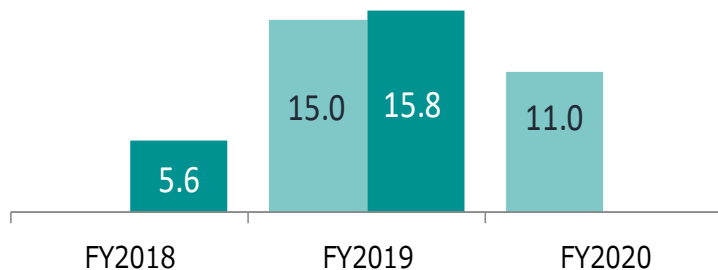
【Order intake】



【Net sales】



【Operating income】



Order intake

■ FY2019 Results (vs. FY2018)

289.4(-25.3)

- Decrease in large-scale EPC and long-term operation compared with FY2018

■ FY2020 Forecast (vs. FY2019)

280.0(-9.4)

- Large-scale EPC projects expected in Japan and overseas, but Stable Business to decrease

Net sales

■ FY2019 Results (vs. FY2018)

254.3(+26.0)

- Steady progress in large-scale EPC projects in Japan as well as overseas (HZI)

■ FY2020 Forecast (vs. FY2019)

265.0(+10.7)

- Progress in Inova EPC projects

Operating income

■ FY2019 Results (vs. FY2018)

15.8(+10.2)

- Completion of Inova's deficit project
- Improvement of profitability in EPC in Japan

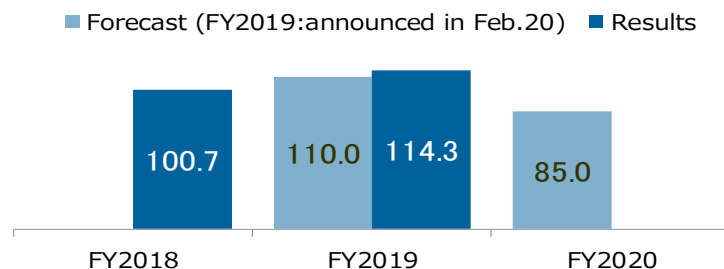
■ FY2020 Forecast (vs. FY2019)

11.0(-4.8)

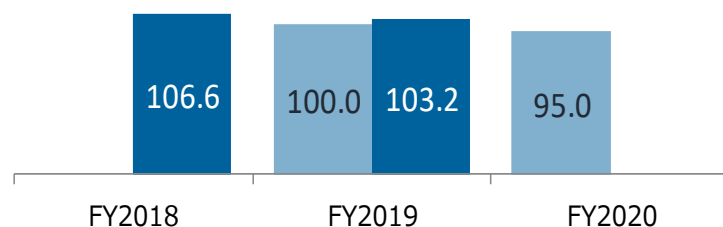
- Profit decline of Stable Business (Service, O&M)

(Unit: Billion Yen)

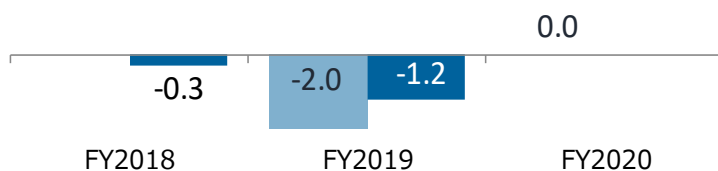
【Order intake】



【Net sales】



【Operating income/loss】



Order intake

■ FY2019 Results (vs. FY2018)

114.3(+13.6)

- Increase in Marine Diesel Engine
- Large nuclear project

■ FY2020 Forecast (vs. FY2019)

85.0(-29.3)

- Decrease in Marine Diesel Engine, Press Machine and Process Equipment

Net sales

■ FY2019 Results (vs. FY2018)

103.2(-3.4)

- Process Equipment: Decrease of net sales due to low order intake in FY2018

■ FY2020 Forecast (vs. FY2019)

95.0(-8.2)

- Decrease in Press Machine and Precision Machinery

Operating income/loss

■ FY2019 Results (vs. FY2018)

-1.2(-0.9)

- Deteriorating profitability in Process Equipment

■ FY2020 Forecast (vs. FY2019)

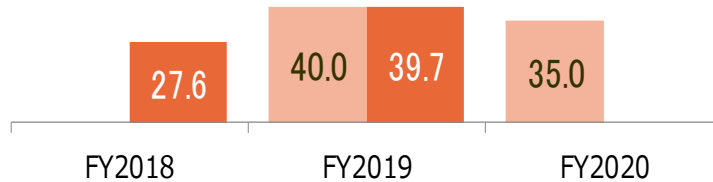
0.0(+1.2)

- Recovery in Process Equipment
- Decline expected in Press Machine and Precision Machinery

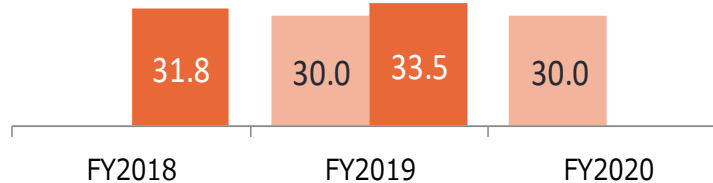
(Unit: Billion Yen)

【Order intake】

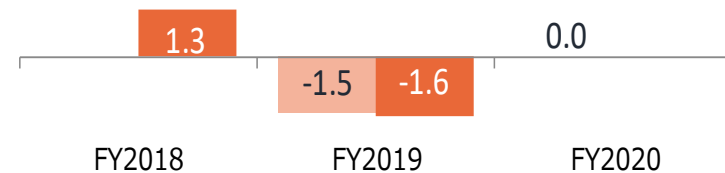
■ Forecast (FY2019:announced in Feb.20)



【Net sales】



【Operating income】



Order intake

■ FY2019 Results (vs. FY2018)

39.7(+12.1)

- Large projects of bridges(seismic reinforcement), steel stacks and shield machine

■ FY2020 Forecast (vs. FY2019)

35.0(-4.7)

- Decrease in bridges and steel stacks

Net sales

■ FY2019 Results (vs. FY2018)

33.5(+1.7)

- Progress of large-scale construction of shield machine

■ FY2020 Forecast (vs. FY2019)

30.0(-3.5)

- Decrease in shield machine

Operating income/loss

■ FY2019 Results (vs. FY2018)

-1.6(-2.9)

- Compensation cost for new products

■ FY2020 Forecast (vs. FY2019)

0.0(+1.6)

- Recovery from compensation cost for new products recorded in previous term

4. FY2019 Topics

■ EPC Projects

■ Execution
 ■ O&M
 ■ Forecast
 ☆ O/I FY20

Project (Country)	Order time	Formation	Scope	Year								
				2016	2017	2018	2019	2020	2021	2022	2023	
Deliverd	Edinburgh (UK)	2016/10	Sole	EPC					【2019/4 Delivered】			
	Ferrybridge2 (UK)	2016/ 6	Sole	EPC					【2019/12 Delivered】			
Backlog	Istanbul (Turkey)	2017/ 9	JV	EP+O&M (1-year)								
	Ivery (France)	2018/11	Sole	EP+SV								
	Rookery (UK)	2019/ 3	Soke	EPC								
	Moscow1 (Russia)	2019/11	Consortium	EP+SV								
	Rockingham (Australia)	2020/ 1	Consortium	EP+SV+O&M (long term)								
	Newhurst (UK)	2020/ 2	Sole	EPC								
	Emmenspitz (Swiss)	2020/ 2	Sole	EP+SV								
Forecast	Moscow2 (Russia) ☆	-	Consortium	EP+SV								
	Moscow3 (Russia) ☆	-	Consortium	EP+SV								
	Moscow4 (Russia) ☆	-	Consortium	EP+SV								
	Dubai (UAE) ☆	-	Consortium	EP+SV+O&M (long term)								
	Slough (UK) ☆	-	Sole	EPC								

- Loss making project (Ferry Bridge 2) completed in December 2019
- Regarding orders intake in FY19, Moscow and Newhurst, etc. made up for Dubai's delay
- Partnership with local companies mitigates risks in new markets (Turkey, Russia, Australia, UAE)

■ Service/O&M and Biogas business

- Service and Biogas business expansion to build up a stable earning structure.
- Order intake increase supported by HR reinforcement (increase, recruiting) and active service menus expansion.

(Billion JPY)

		2017 Actual	2018 Actual	2019 Actual	2020 Forecast
Service	Order Intake	6.0	10.2	24.7	17.6
	Revenue	6.3	7.5	10.5	16.6
Biogas	Order Intake	4.5	7.3	7.6	13.7
	Revenue	5.6	4.9	5.8	10.9

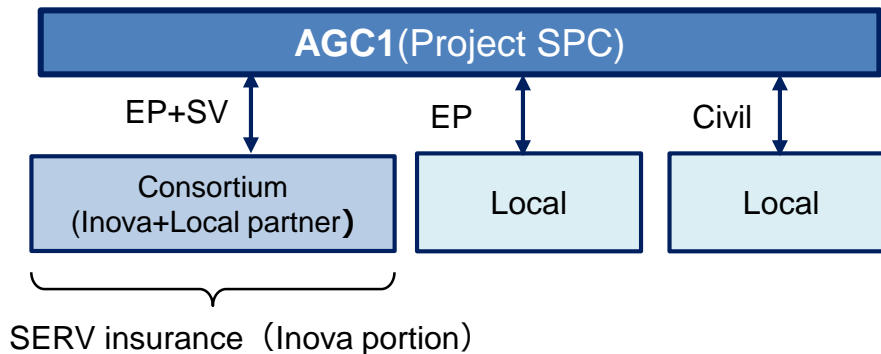
Moscow 1 (Moscow, Russia)

■ Outline

- Order received in Nov. 2019 (1st project in Russia)
- Customer : Alternative Generating Company-1 LLC
- Scope : EP+SV
- Capacity : 700,000t/year (3 lines)
- Delivery : Jul. 2022



■ Contract Diagram



Moscow EfW Projects

- A part of EfW plants construction plan led by Moscow Government.
- Supply contract of four plants in Moscow region signed in July.

【Order Intake Expected Schedule】

- Moscow1 : Order received in 2019/11
- Moscow2 : Scheduled in 1Q 2020
- Moscow3 : Scheduled in 1Q 2020
- Moscow4 : Scheduled in 2Q 2020

■ Risk Hedge

- Civil works excluded.
- Contract currency: EUR & CHF
- SERV insurance covers payment risks.

Rockingham (Perth, Western Australia)



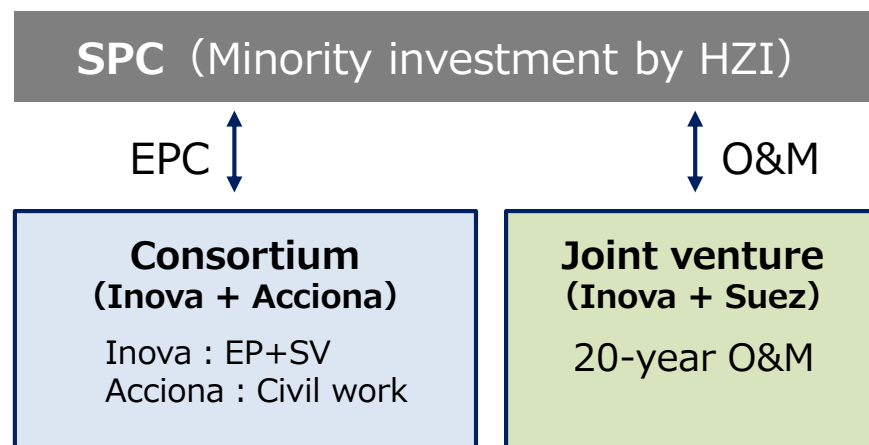
■ Outline

- Order received in Jan. 2020
(1st project in Australia)
- Scope : EP+SV, and 20-year O&M
- Capacity : 300,000t/year (1 line)
- Delivery : Dec. 2022

Participation as a developer

- Inova provides design, construction, and O&M, also contributing to development and investment in EfW project for the first time.
- Striving to strengthen and stabilize the profitability not only through EPC but also Service and O&M.

■ Contract Diagram



Shipment of the First Seabed-Type Movable Flap Gate Type Breakwater and the Second Order Received in Japan.

■ Shipment of the First Seabed-Type Movable Flap Gate Type Breakwater

- Order received : Oct. 2017
- Customer : Iwate Prefecture
- Installation site : Ofunato City, Iwate
- Door dimensions : Span 32.0m x Height 13.0m
- Production period : Oct. 2017 to Jun. 2020
- Contract amount : Approx. JPY3.2billion

■ Second Order Intake

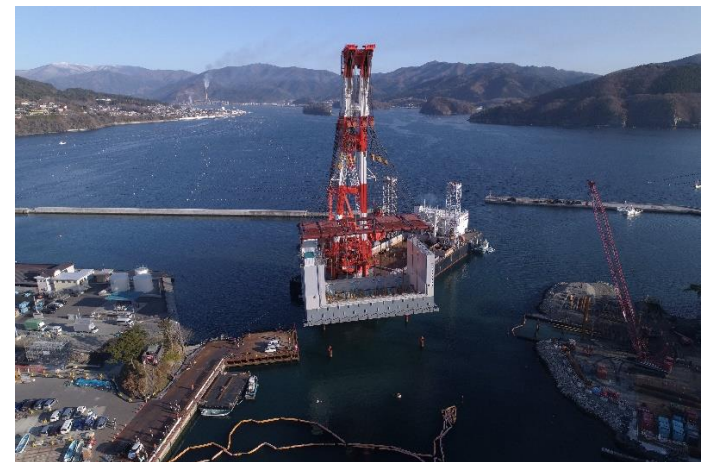
- Order received : Mar. 2020
- Customer : Hyogo Prefecture
- Installation site : Minami-Awaji City, Hyogo
- Door dimensions : Span 25.0m x Height 11.0m
- Production period : Apr. 2020 to Mar. 2022
- Contract amount : Approx. JPY2.5billion

Seabed-type Movable Flap Gate Type breakwater for Iwate Prefecture

Completion at Sakai works



Site installation



Offshore Wind Farm Business in Aomori Northwest, Aomori Pref.

Established a JV with Cosmo Eco Power Co.,Ltd

■ Overview

- Operation : From 2028 onwards
- Power output: 120,000kW
- Number of installations: 10 units
- Location: Coastal and offshore waters around Tsugaru city, Aomori

Onshore Wind Farm Business in Mutsu Ogawara, Aomori Pref.

Established a JV with Itochu Corporation

■ Overview

- Operatin : From 2024 onwards
- Power output: 57,000kW
- Number of intallations: 15 units
- Loation: Kamikita County, Aomori

■ Offshore wind farm
Aomori Northwest

■ Onshore wind farm
Mutsu Ogawara

The first Omonogawa wind farm
Site : Akita city
Power output : 2,000kW
(×1 unit)
Commencement of operation: Mar. 2015

The second Omonogawa wind farm
Site : Akita city
Power output : 2,000kW
(×1 unit)
Commencement of operation: Mar. 2016

IwakiKatte wind farm
Site : Yurihonjo city
Power output : 2,000kW
(×1 unit)
Commencement of operation: Mar. 2017

Matsugasaki wind farm
Site : Yurihonjyo city
Power output : 2,000kW
(×1 unit)
Commencement of operation: Mar. 2018

In operation

Under planning

Total power output in operation : 8,000kW
Total number of installaion : 4 units

■ Developmental background

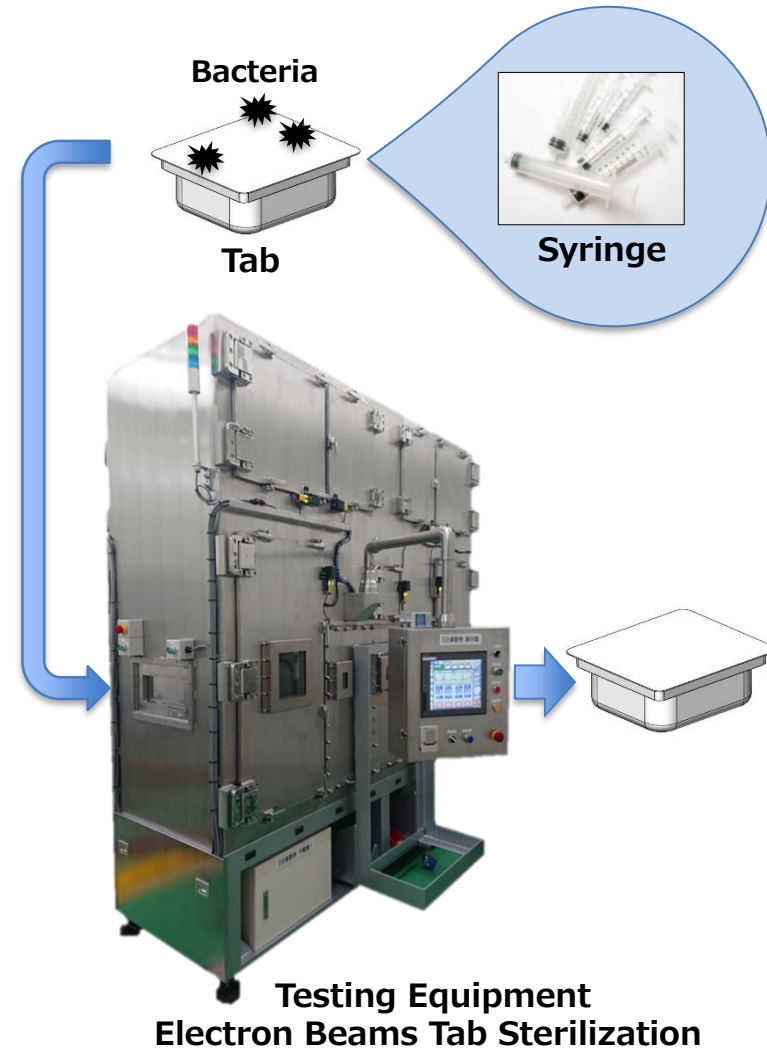
- Increasing demand of pre-filled syringes to reduce the risk of infectious disease at medical sites and prevent mistakes in dosing volumes.
- Tab surface needs to be sterilized in the pre-filled syringes production.

■ Features of Our Electron Beams Tab Sterilizer

- Initial cost is approx. 70%-80% (compared with overseas products)
- Maintenance cost is 50% or less (compared with overseas products)
- Design suitable for mass production lines with minimal manual work
- Possible to propose a new whole system including connection to the existing filling line and new filling machine.

■ Main Specifications of our equipment

- Processing capacity : 2~6tabs/minutes
- Dimensions : W1.3m×D2.8m×H2.7 (with processing capacity of 2 tabs/minutes)
- Sterilization capacity : Asepticity assurance level(SAL) 10^{-6} or more



5. Support Documentation

(Based on former small-segmentation)

(Unit: Billion Yen)

		FY2017	FY2018	FY2019			Difference	
		Results	Results (a)	Forecast as of May 2019	Forecast as of Feb. 2020 (b)	Results (c)	(c)-(a)	(c)-(b)
Order intake	EPC	86.8	132.3	124.0	124.0	137.1	4.8	13.1
	Stable Business*	170.4	182.4	116.0	116.0	152.3	-30.1	36.3
	Total	257.2	314.7	240.0	240.0	289.4	-25.3	49.4
Net sales	EPC	97.4	93.3	103.0	115.0	111.3	18.0	-3.7
	Stable Business*	134.4	135.0	137.0	140.0	143.0	8.0	3.0
	Total	231.8	228.3	240.0	255.0	254.3	26.0	-0.7
Operating income	EPC	-12.6	-8.4	-2.5	1.5	1.2	9.6	-0.3
	Stable Business*	13.9	14.0	12.5	13.5	14.6	0.6	1.1
	Total	1.3	5.6	10.0	15.0	15.8	10.2	0.8

*Stable Business: After-sales services, Operation and Maintenance (AOM) and other post-completion services.

(Based on new small-segmentation)

(Unit: Billion Yen)

		FY2017	FY2018	FY2019	FY2020	Difference	
		Results	Results (a)	Results (b)	Forecast (c)	(c)-(a)	(c)-(b)
Order intake	EPC	99.1	148.5	132.9	160.0	-15.6	27.1
	Stable Business*	158.1	166.2	156.5	120.0	-9.7	-36.5
	Total	257.2	314.7	289.4	280.0	-25.3	-9.4
Net sales	EPC	110.0	107.3	125.8	140.0	18.5	14.2
	Stable Business*	121.8	121.0	128.5	125.0	7.5	-3.5
	Total	231.8	228.3	254.3	265.0	26.0	10.7
Operating income	EPC	-13.3	-9.3	1.7	0.0	11.0	-1.7
	Stable Business*	14.6	14.9	14.1	11.0	-0.8	-3.1
	Total	1.3	5.6	15.8	11.0	10.2	-4.8

Small segmentation changes:

- (1) AOM businesses of HZI and HZI's subsidiaries: Formerly included in EPC, newly included in "Stable Business".
- (2) EPC businesses of domestic subsidiaries; NTI, SNT, Asano Ataka: Formerly included in "Stable Business", newly included in EPC.

*Stable Business: After-sales services, Operation, and Maintenance (AOM) and other post-completion services.

Results and Forecast (By Small Segment of Machinery)

(Unit: Billion Yen)

		FY2017	FY2018	FY2019			FY2020	Difference		
		Results	Results (a)	Forecast as of May 2019	Forecast as of Feb. 2020 (b)	Results (c)	Forecast (d)	(c)-(a)	(c)-(b)	(d)-(c)
Order intake	Marine Diesel Engine	17.7	21.8	25.0	25.0	26.7	21.0	4.9	1.7	-5.7
	Press Machine	22.9	23.6	22.0	22.0	21.3	16.0	-2.3	-0.7	-5.3
	Process Equipment	15.1	12.5	20.0	20.0	22.1	16.0	9.6	2.1	-6.1
	Systematic Machinery	27.0	24.9	25.0	25.0	23.4	16.0	-1.5	-1.6	-7.4
	Others	15.7	17.9	18.0	18.0	20.8	16.0	2.9	2.8	-4.8
	Total	98.4	100.7	110.0	110.0	114.3	85.0	13.6	4.3	-29.3
Net sales	Marine Diesel Engine	20.4	20.3	22.0	22.0	22.7	23.0	2.4	0.7	0.3
	Press Machine	24.4	25.3	22.0	22.0	23.1	18.0	-2.2	1.1	-5.1
	Process Equipment	13.7	18.9	15.0	15.0	14.3	18.0	-4.6	-0.7	3.7
	Systematic Machinery	27.0	25.3	22.0	22.0	23.5	18.0	-1.8	1.5	-5.5
	Others	15.1	16.8	19.0	19.0	19.6	18.0	2.8	0.6	-1.6
	Total	100.6	106.6	100.0	100.0	103.2	95.0	-3.4	3.2	-8.2
Operating income	Marine Diesel Engine	-0.3	-1.2	-0.5	-0.5	-0.4	-0.2	0.8	0.1	0.2
	Press Machine	1.0	-0.1	0.5	0.5	0.6	0.0	0.7	0.1	-0.6
	Process Equipment	0.3	-0.5	0.5	-2.5	-2.9	0.0	-2.4	-0.4	2.9
	Systematic Machinery	1.5	1.0	0.5	0.5	0.7	0.2	-0.3	0.2	-0.5
	Others	0.0	0.5	0.0	0.0	0.8	0.0	0.3	0.8	-0.8
	Total	2.5	-0.3	1.0	-2.0	-1.2	0.0	-0.9	0.8	1.2



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

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