



September 26, 2022

To All

Company Name	Hitachi Zosen Corporation
Representative	Sadao Mino, Representative Director, President and CEO (Code: 7004, Tokyo Stock Exchange Prime)
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Announcement about the basic agreement with Imabari Shipbuilding Co., Ltd. for Spin-off of the Marine Engine Business and Acceptance of Investment

At the Board of Directors held today, we, Hitachi Zosen Corporation (hereinafter referred to as “the Company”) resolved to establish a new company by spinning off our marine engine business (hereinafter referred to as " the business" and including the manufacturing and after-sales service business of marine engines) and to enter into a basic agreement on accepting a 35% capital participation from Imabari Shipbuilding Co., Ltd. (hereinafter referred to as "Imabari Shipbuilding") through a third-party allotment of shares by the new company (hereinafter referred to as "this transaction").

The Company and Imabari Shipbuilding intend to hold the Board of Directors to approve the conclusion of the definitive agreement for this transaction at each company during December 2022 and seek to obtain approval.

I. Purpose of this transaction

In 1940, the Company started manufacturing marine engines as the only domestic double licensees of MAN Energy Solutions SE (Germany) and Winterthur Gas & Diesel Ltd.(Switzerland), the world's two largest brand manufacturers of marine engines, and have manufactured a cumulative total of 42,850,000 horsepower and 2,975 units (as of September 26, 2022) for shipbuilders in Japan and overseas. The business the Company is engaged in, as well as the shipbuilding business conducted by Imabari Shipbuilding, is experiencing severe business conditions due to intensifying competition both domestically and overseas and volatile prices of steel and other resources. In recent years, the expected level of technology has risen further, including the conversion of marine engines to fuels for carbon neutral and the development of zero-emission vessels.

Under the increasingly challenging business environment in recent years, we have continued to consider ways to strengthen our competitiveness by rebuilding our business structure in anticipation of further changes in the

business environment in the future, and to improve profitability through efficient business operations. Against this backdrop, the Company and Imabari Shipbuilding believe that this transaction will contribute to the stable supply and procurement of marine engines, as well as boosting sales by strengthening the sales supply network, improving profitability through cost reductions utilizing the material procurement capabilities of Imabari Shipbuilding, securing funds for development investment, and strengthening the development system. Through this transaction, the Company aims to continuously increase the corporate value of the Company and Imabari Shipbuilding.

II. Formation of a new company

1. Profile of new company

(1)Company Name	To Be Determined	
(2)Head office	To Be Determined	
(3)Representative	the representative director appointed by the Company	
(4)Description of Businesses	New marine engine business and after-sales service business	
(5)Capital	To Be Determined	
(6)Date of Incorporation	To Be Determined	
(7)Fiscal Year-End	To Be Determined	
(8)Major shareholders and percentage of shares held	(at Incorporation) Hitachi Zosen Corporation: 100% (After implementation of third-party allotment of new shares) Hitachi Zosen Corporation: 65% (planned) Imabari Shipbuilding Co., Ltd.: 35% (planned)	
(9)Relationship, etc. between the parties	Capital relationship	As stated in the major shareholders and percentage of total shares held.
	Personal relationships	The Company and Imabari Shipbuilding plan to dispatch directors according to the ratio of voting rights.
	Business relationship	The Company plans to order a new marine engine.

2. Operating results of the business to be split

Sales: Approx. 20 billion yen

III. Summary of this Transaction

1. Method of this transaction

The Company plans to transfer this business to a new company which the Company has established through a company split or other method, and the new company will accept investment from Imabari Shipbuilding through a third-party allocation of new shares.

2. Outline of Imabari Shipbuilding

(1)Company Name	Imabari Shipbuilding Co., Ltd.	
(2)Head office	4-52, Koura-cho 1-chome, Imabari City, Ehime Prefecture, Japan	
(3)Title/Name of Representative	Representative Director, Yukito Higaki	
(4)Description of Businesses	Manufacturing of vessels	
(5)Capital	30 billion yen	
(6)Date of Incorporation	January 15, 1942	
(7)Relationship, etc. between the parties	Capital relationship	Not applicable.
	Personal relationships	Not applicable.
	Business relationship	The Company has a track record of ordering new marine engines from Imabari Shipbuilding to us.
(8) Previous year's operating results		
Fiscal Year-End	Year ended March 31, 2022	
Shareholders' equity	424,168 million yen	
Total capital	769,523 million yen	
Net sales	365,280 million yen	
Operating income	13,037 million yen	
Ordinary income	13,353 million yen	
Net income	8,526 million yen	

(NOTE)Since Imabari Shipbuilding is an unlisted company, the description of some items is omitted.

3. Trading Schedule

Date of conclusion of the basic agreement	September 26, 2022
Date of the final agreement	December 2022 (planned)
Date of establishment of a new company	Undecided
Commencement date of business of the new company	April, 2023 (planned)

IV. Future Outlook

The impact of this transaction on our consolidated results of operations is expected to be immaterial. We will provide prompt notice if it is found to have a significant impact on our business performance. In addition, the above contents may change in the future as a result of consultations and discussions between the two companies toward concluding the final agreement. We will promptly announce any decision to conclude a final agreement regarding this transaction or any other matters that should be disclosed.

The transaction is subject to the completion of the acquisition of clearances, licenses and other approvals required by law, including competition laws.